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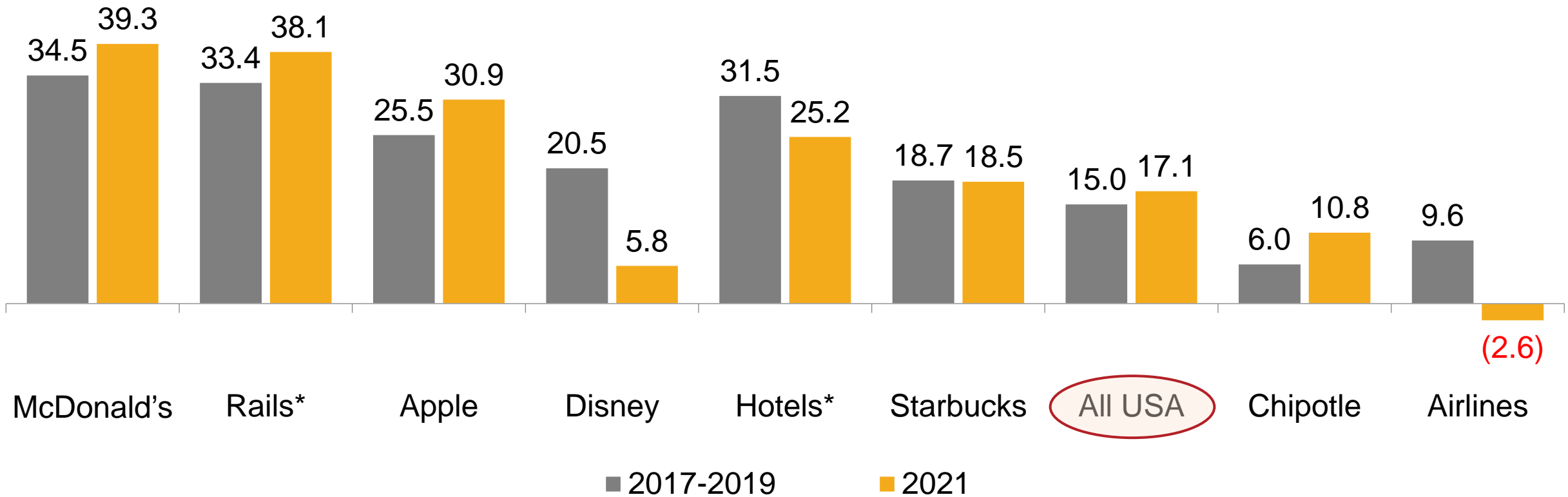
## The State of the Recovery

John P. Heimlich, Vice President & Chief Economist  
ACH Revenue Accounting Committee Meeting  
May 18, 2022

# For Many Non-Travel U.S. Industries, 2021 Profitability *Exceeded* Pre-Pandemic Profitability

Pre-Tax Profit Margin (% of Operating Revenues)

## Pre-Pandemic Pre-Tax Profit Margin (%)



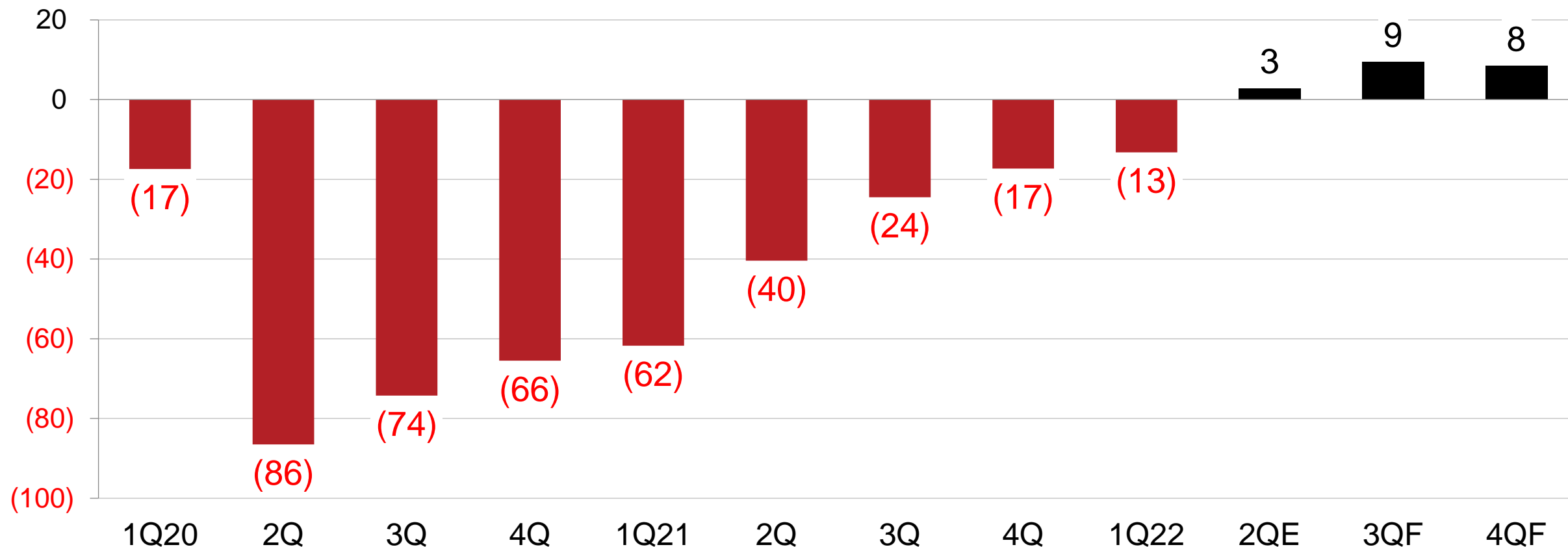
Sources: Bureau of Economic Analysis, A4A Passenger Airline Cost Index and company SEC filings

\* Hotels = Choice/Hilton/Hyatt/Marriott/Wyndham; Rails = CSX/Norfolk Southern/Union Pacific

# For U.S. Passenger Airlines, Operating Revenues Have Been Slow to Recover

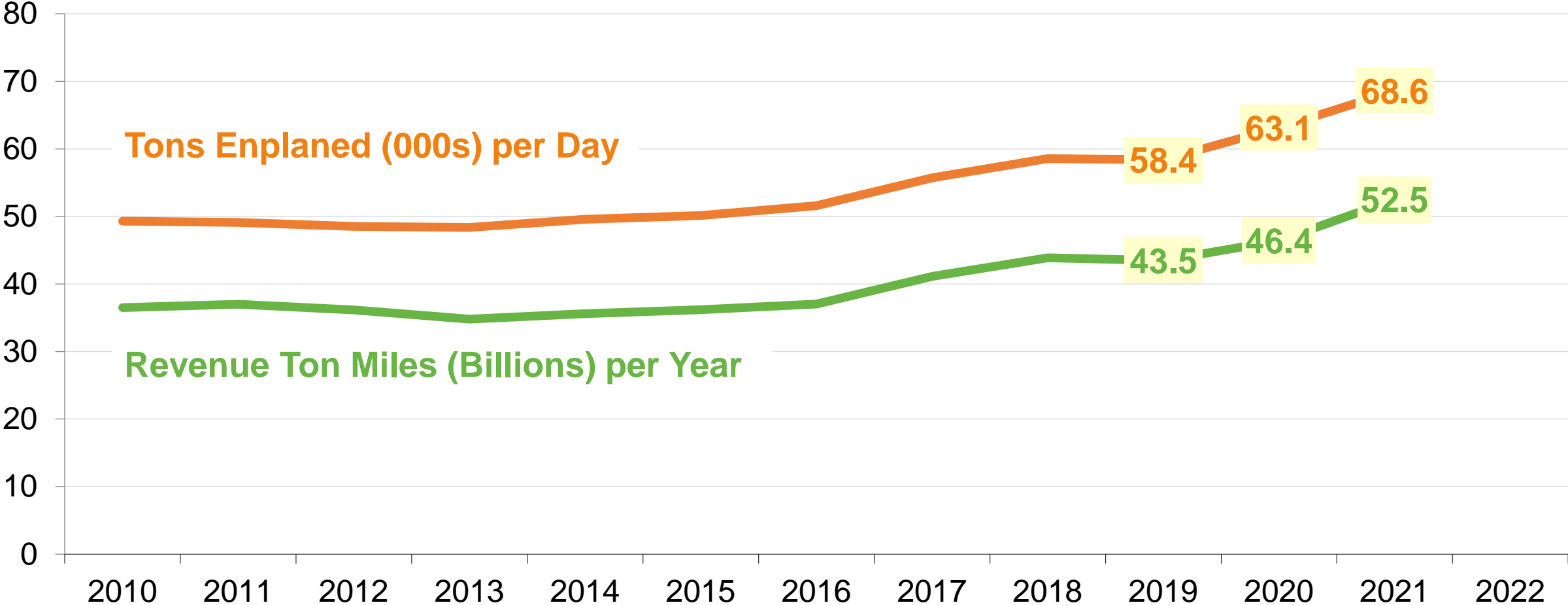
Total Operating Revenues for the Group Are Expected to Exceed 2019 Levels in the Coming Quarters

## U.S. Passenger Airline Operating Revenues: Change (%) vs. 2019



Sources: SEC filings of Alaska/Allegiant/American/Delta/Hawaiian/JetBlue/Southwest/Spirit/United and forecasts from various equity analysts

# Cargo Transported by U.S. Airlines Set a New All-Time High Set in 2021

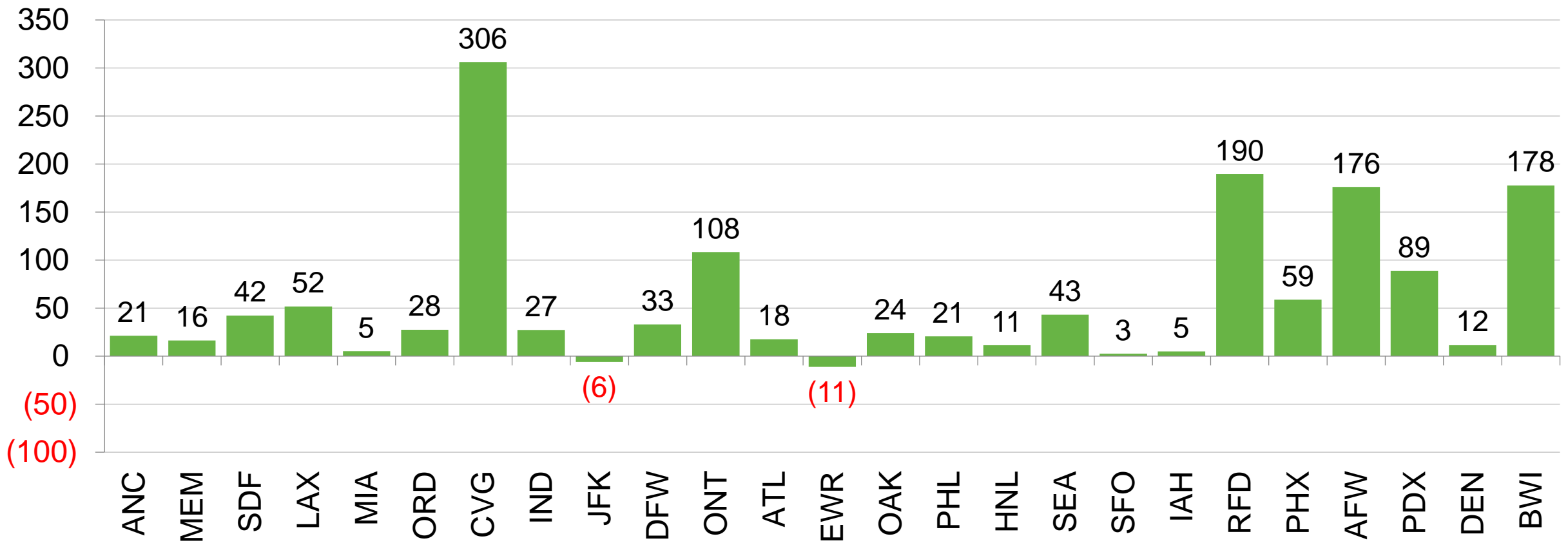


Source: U.S. Bureau of Transportation Statistics T1 and T100, systemwide, all services on U.S. passenger and cargo airlines, carriage of freight and mail

# E-Commerce and Rapid Fulfillment Redrawing the Map for Distribution of Air Cargo

## Baltimore, Cincinnati, Ontario and Rockford Are Among the Biggest Winners

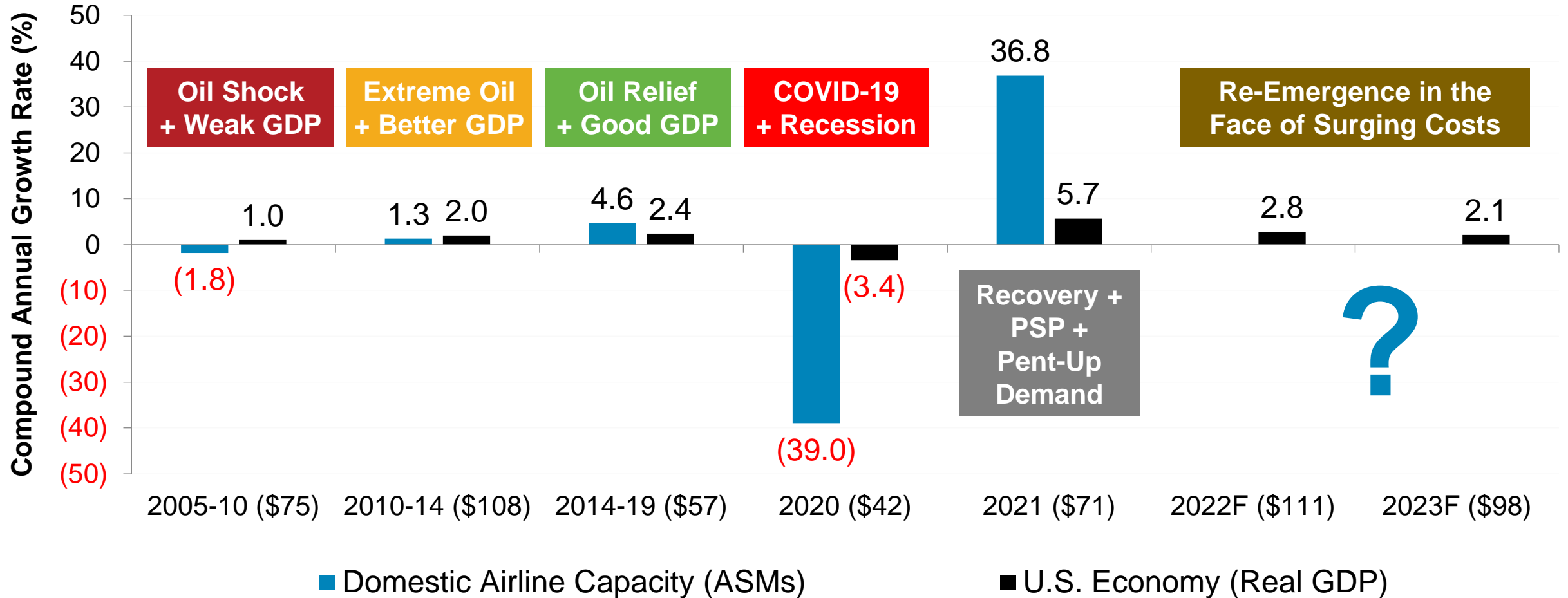
**% Change in Outbound Cargo Payload at 25 Largest U.S. Cargo Airports, 2010-2021**



Source: DOT T-100 segment data, scheduled and nonscheduled services, U.S. and non-U.S. airlines

# For U.S. Airlines, the Price of Oil\* Is a Significant Determinant of Capacity Growth

When Fuel Costs Decline and Finances Improve, Growth Accelerates



Source: Bureau of Economic Analysis, EIA, Wells Fargo and published airline schedules via Diio by Cirium as of Jan. 21, 2022

\* Brent crude oil in dollars per barrel, shown next to each time period

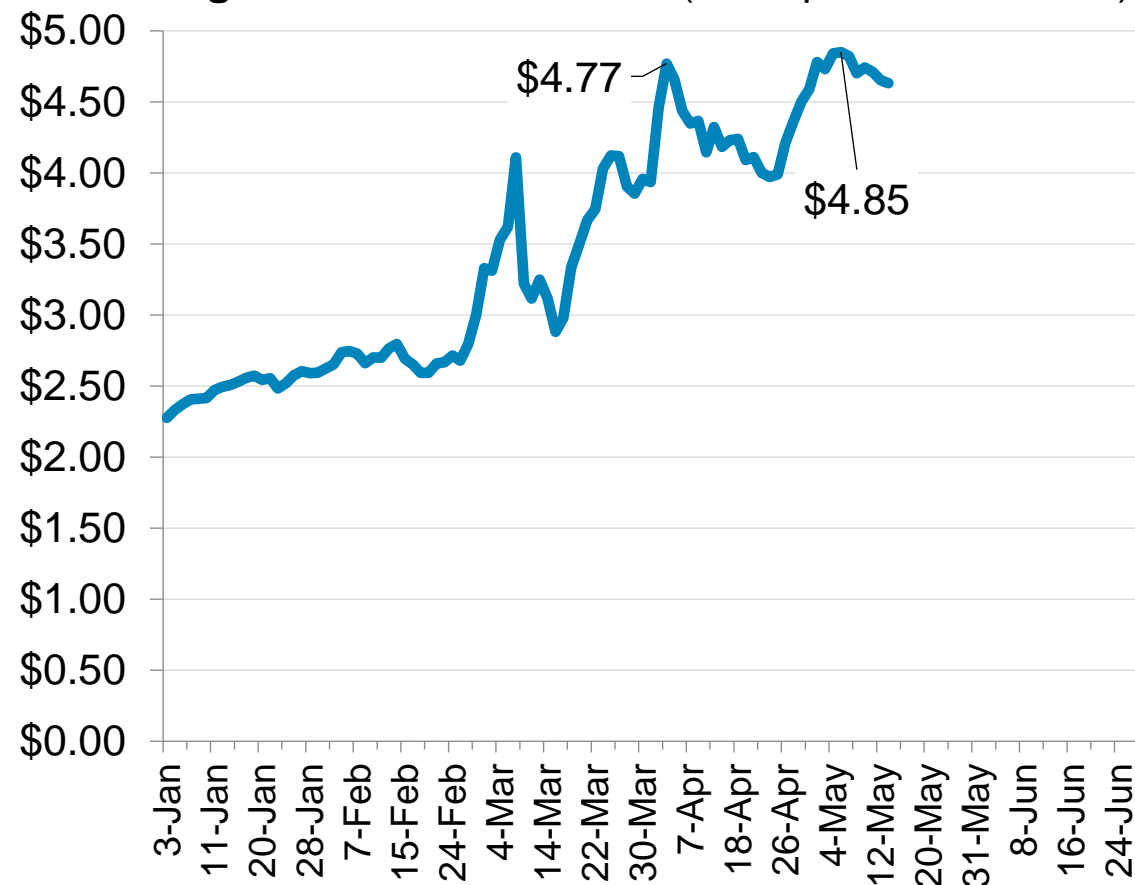
# Jet Fuel Prices Are a Fierce Cost Headwind Once Again—Reaching All-Time Highs in 2Q 2022

## Average Spot Price (in Nominal Terms) of Jet Fuel per Gallon

Monthly Jet Fuel Price per Gallon (U.S. Gulf Coast)



Argus US Jet Fuel Index\* (Price per Gallon, 2022)

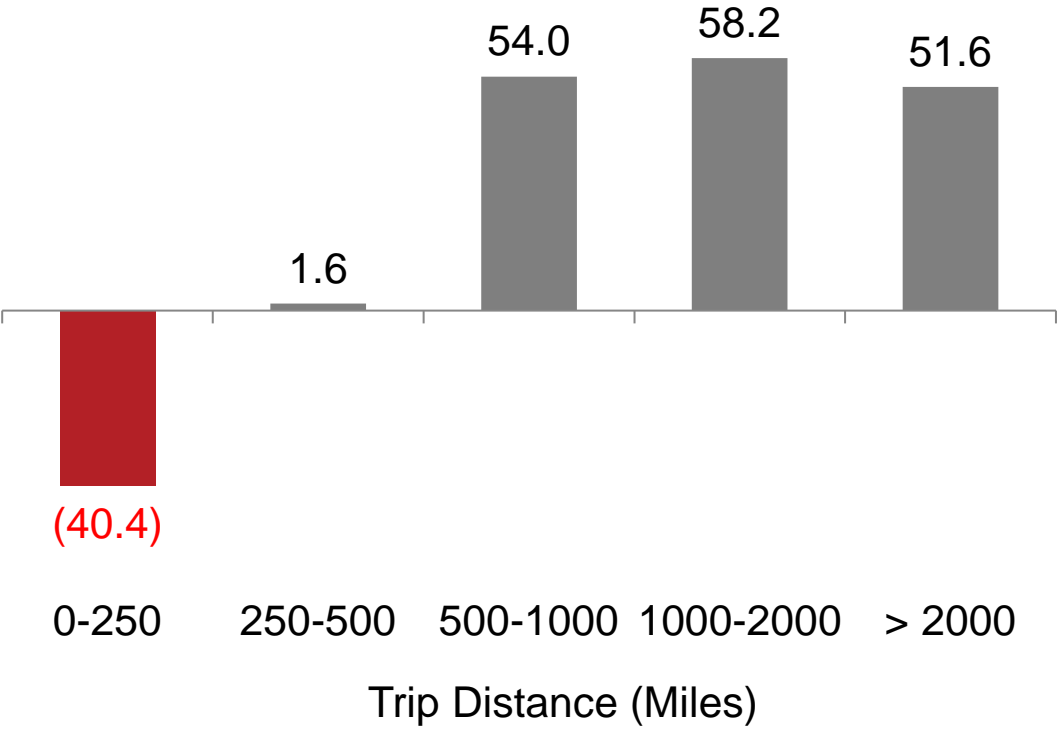


Sources: U.S. Energy Information Administration (left chart) and Argus Media (right chart)

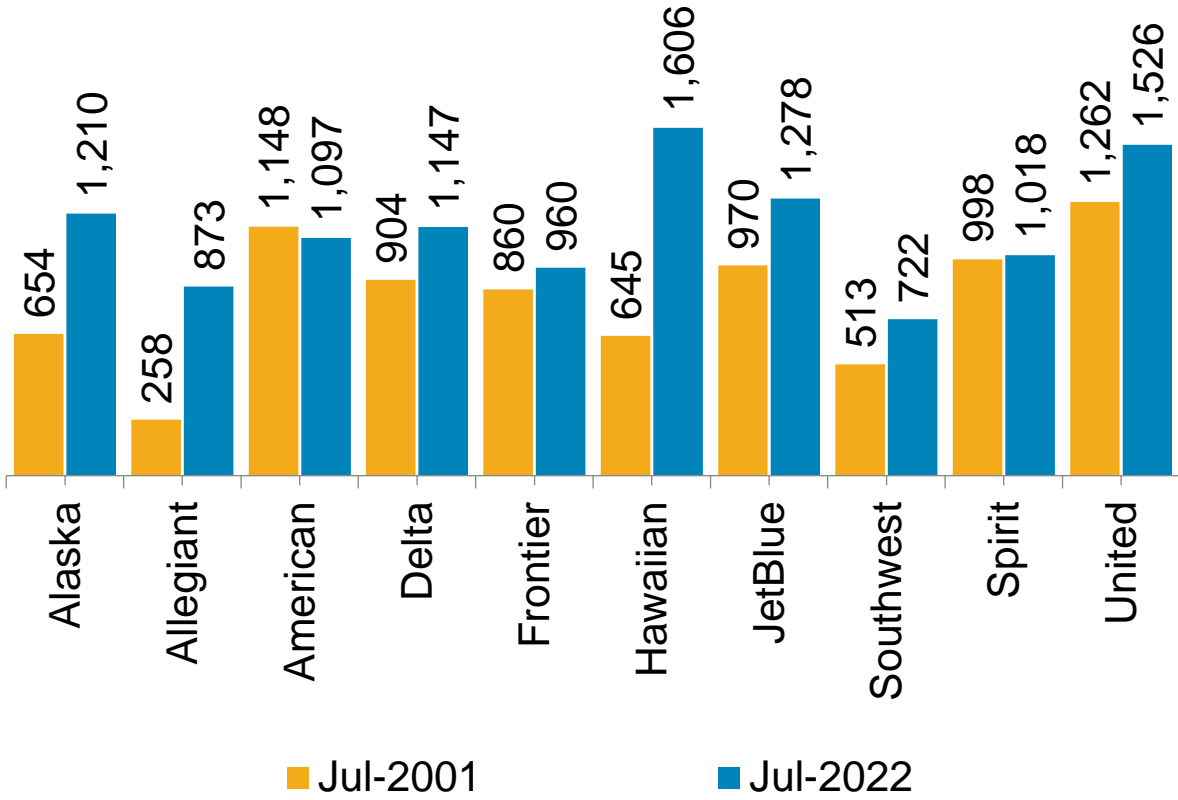
\* Argus daily simple-average jet-fuel price for Chicago, Houston, Los Angeles, and New York

# After 9/11, Domestic Passengers Avoided Air Travel on Shorter Distances; Airlines Adjusted Their Networks Accordingly, Aided by Aircraft Advances, to Increase Average Seat Distance

**Change (%) in Domestic O&D Passengers by Distance Band (Miles) — Pre-9/11\* to 2019**



**Average Scheduled Domestic Seat Distance (Miles) by Marketing Airline**



Source: Compass Lexecon analysis of DOT Data Bank 1B (O&D Survey data) and published airline schedules via Diio by Cirium as of April 15, 2022

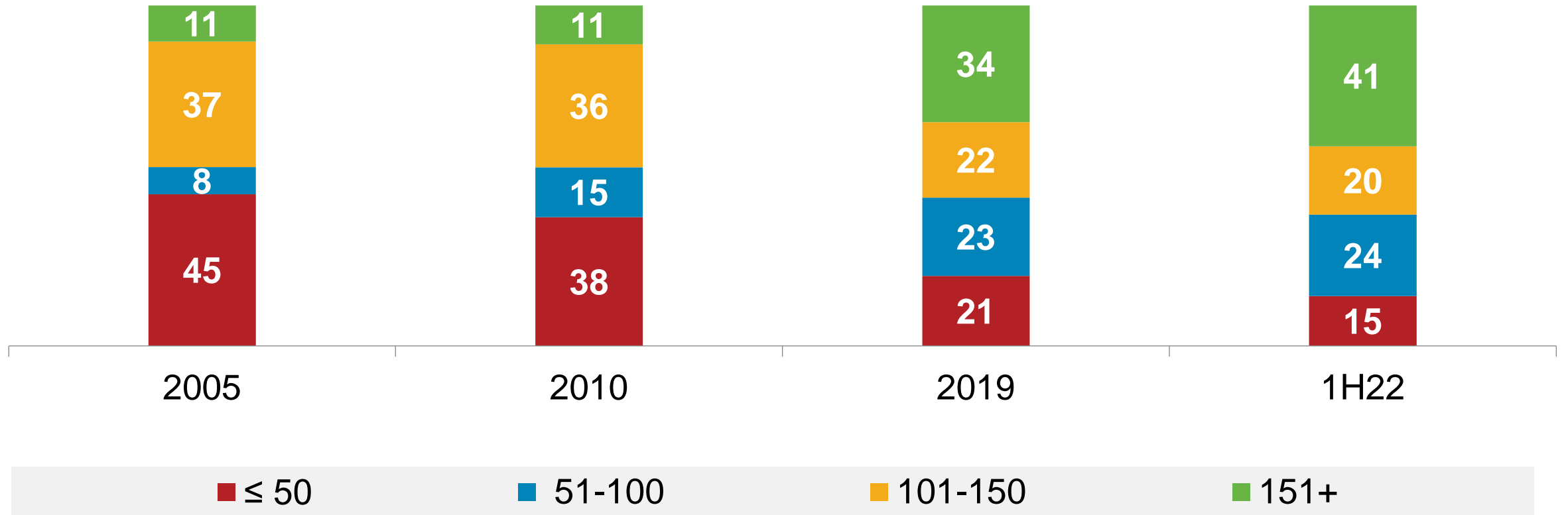
\* Four quarters ending June 2001



# Airlines Have Deployed Larger Aircraft, and Mainline-Only Carriers Have Grown

Regionals Account for 41% of Scheduled Domestic Departures in 1H22; 62% of Those Are > 50 Seats

## % of Domestic U.S. Scheduled Passenger Airline Departures by Aircraft Size\*



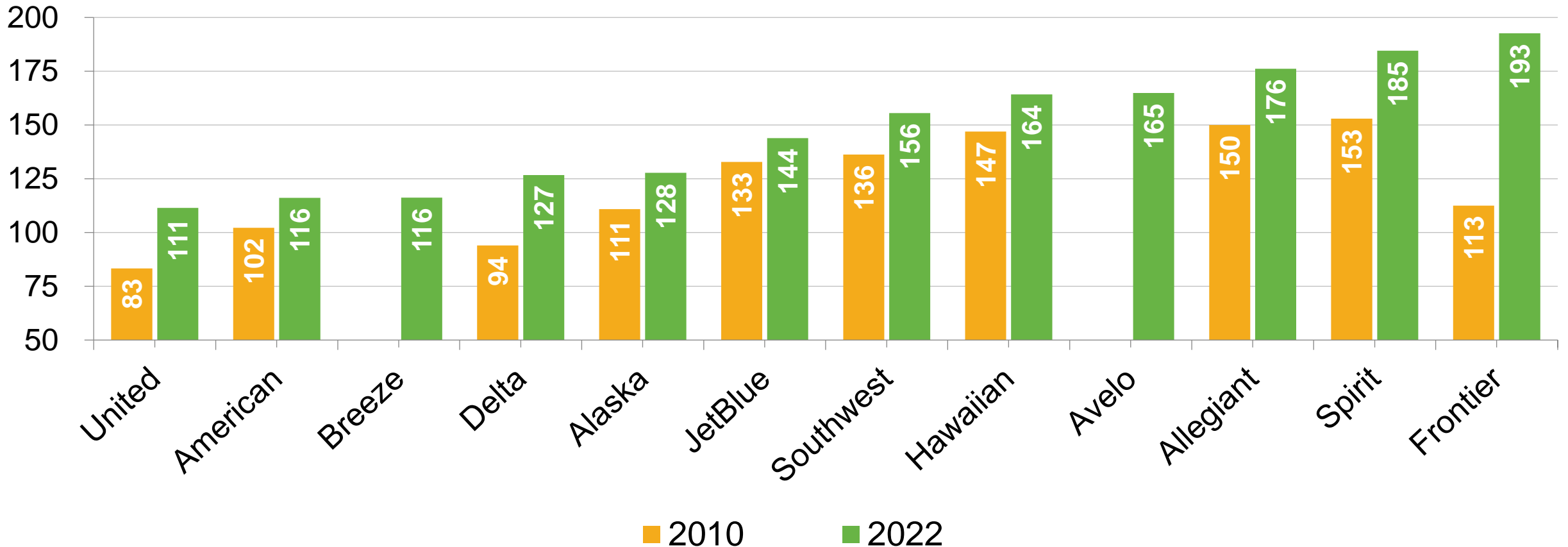
Source: Dii by Cirium published schedules as of April 1, 2022

\* Numbers may not add to 100 due to rounding

# All U.S. Airlines Have Migrated to Larger Aircraft Domestically

## Ultra Low-Cost Carriers Operate the Most Seats per Domestic Flight

Average Seats per Domestic Departure by Marketing Airline\* (sorted by 2022)



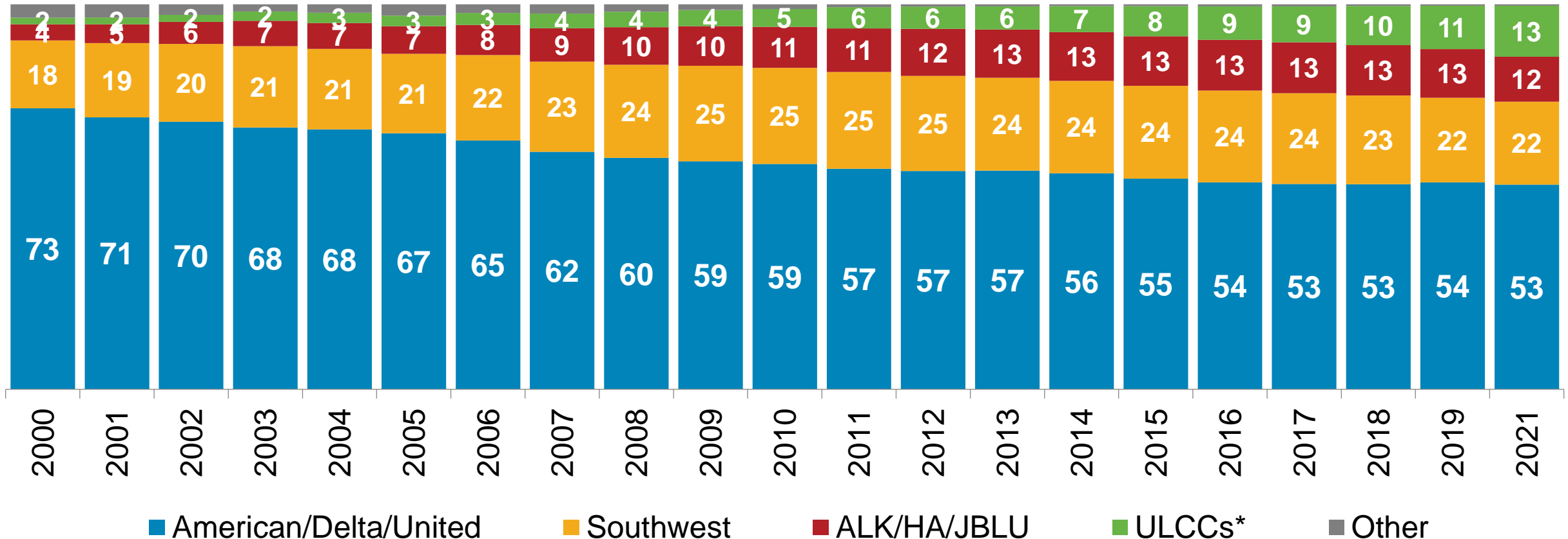
Source: Diio by Cirium schedules as of May 13, 2022, for selected marketing airlines

\* Includes flights operated by regional/express airline partners

# Global Network Carrier Share Fell From 73 Percent in 2000 to 53 Percent\* in 2021

In 2021, Ultra Low-Cost Airlines Carried 13 Percent of Domestic Passengers

## Share (%) of U.S. Domestic O&D Passengers by Airline Business Model

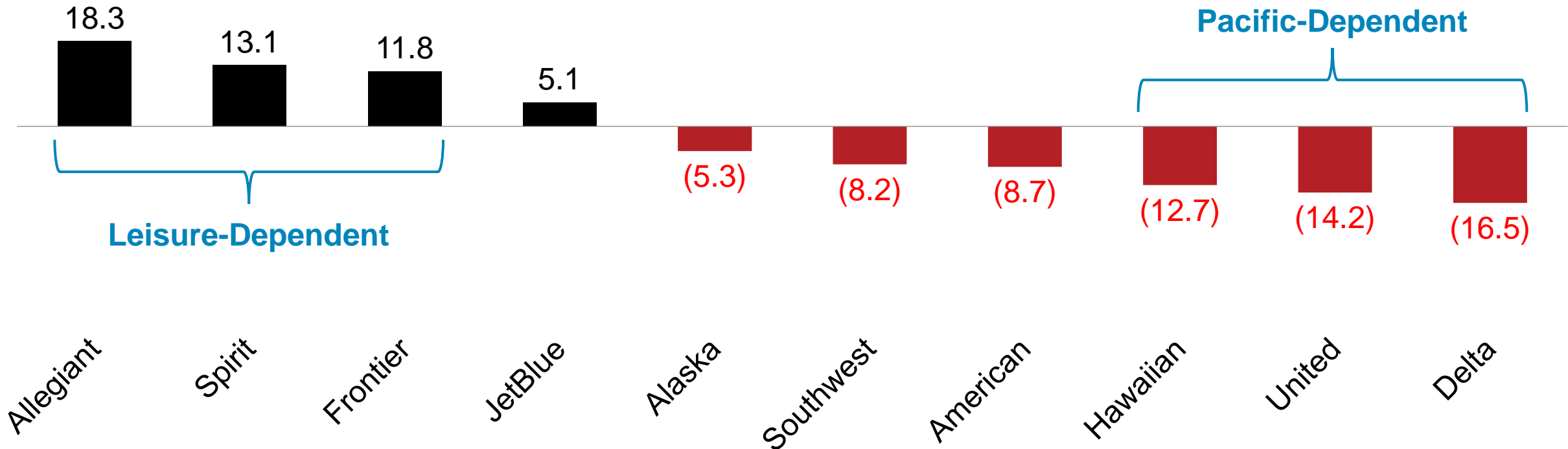


Source: DOT Data Bank 1B (each airline shown on a marketing-carrier basis and tracked with its respective merged/acquired predecessors [e.g., DL/NW]) via Diio by Cirium \* Allegiant/Avelo/Breeze/Frontier/Spirit/Sun Country

# Ultra Low-Cost Carriers Continue to Lead U.S. Airlines in Capacity Growth

## Pacific-Dependent Carriers Are Scheduled to Remain Well Below Pre-Pandemic Levels

Change (%) in Systemwide Scheduled Available Seat Miles: 2Q 2022 vs. 2Q 2019



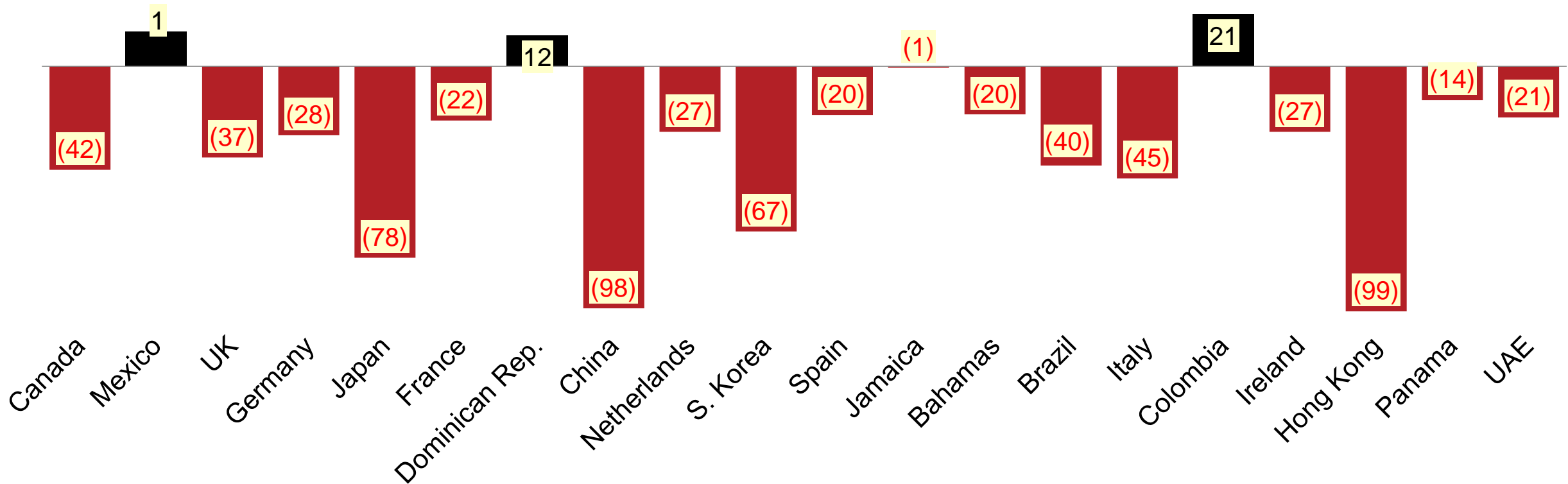
Source: Diio by Cirium published schedules (May 13, 2022) for selected marketing airlines (i.e., on a consolidated basis)

# U.S.-Asia Air Travel Continues to Trail Pre-Pandemic Levels by More Than 50%

U.S.-Mexico/Dominican Republic/Colombia Saw Volumes Rise

## Top-20 U.S. Country Pairs: Change (%) in Passengers\* in Apr-2022 vs. Apr-2019

Sorted left to right by highest volume in April 2019

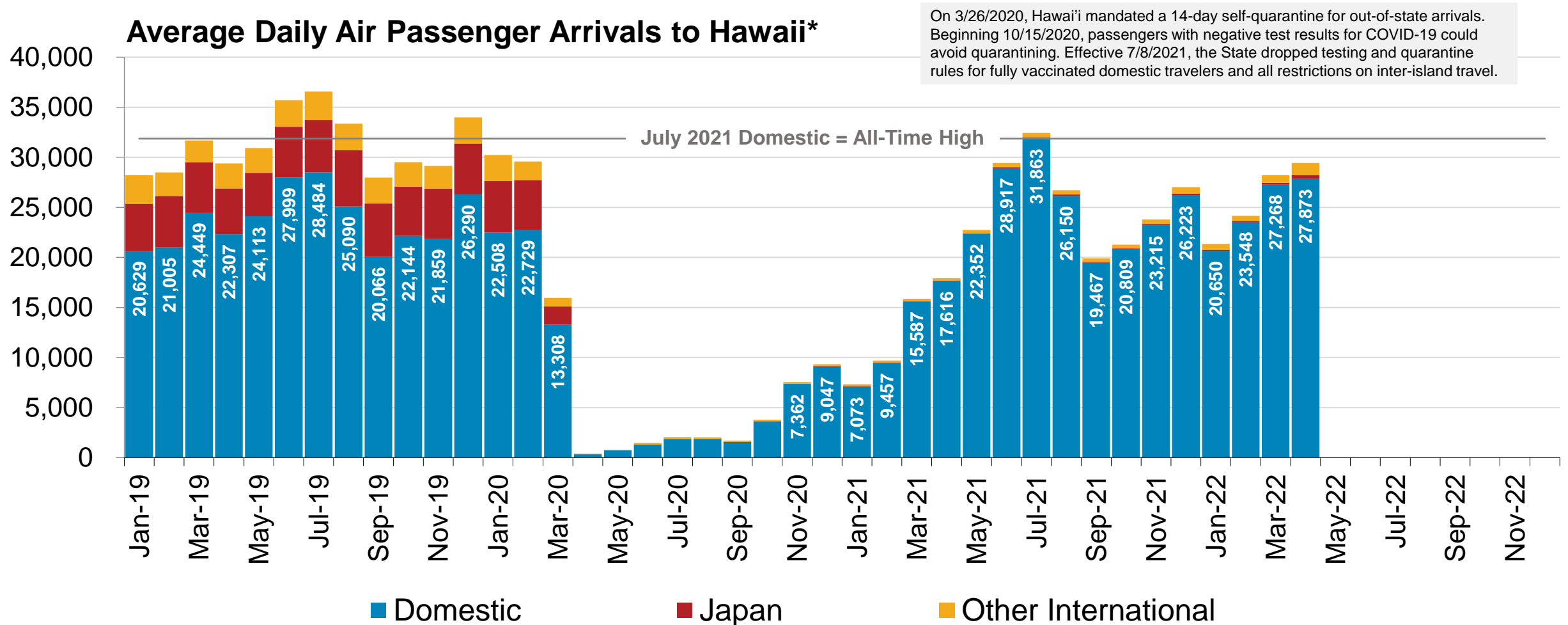


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

\* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

# In July 2021, Domestic Air Travel to Hawaii Reached an All-Time High

## But International Air Arrivals (Especially From Japan) Remain Far Below Pre-Pandemic Levels



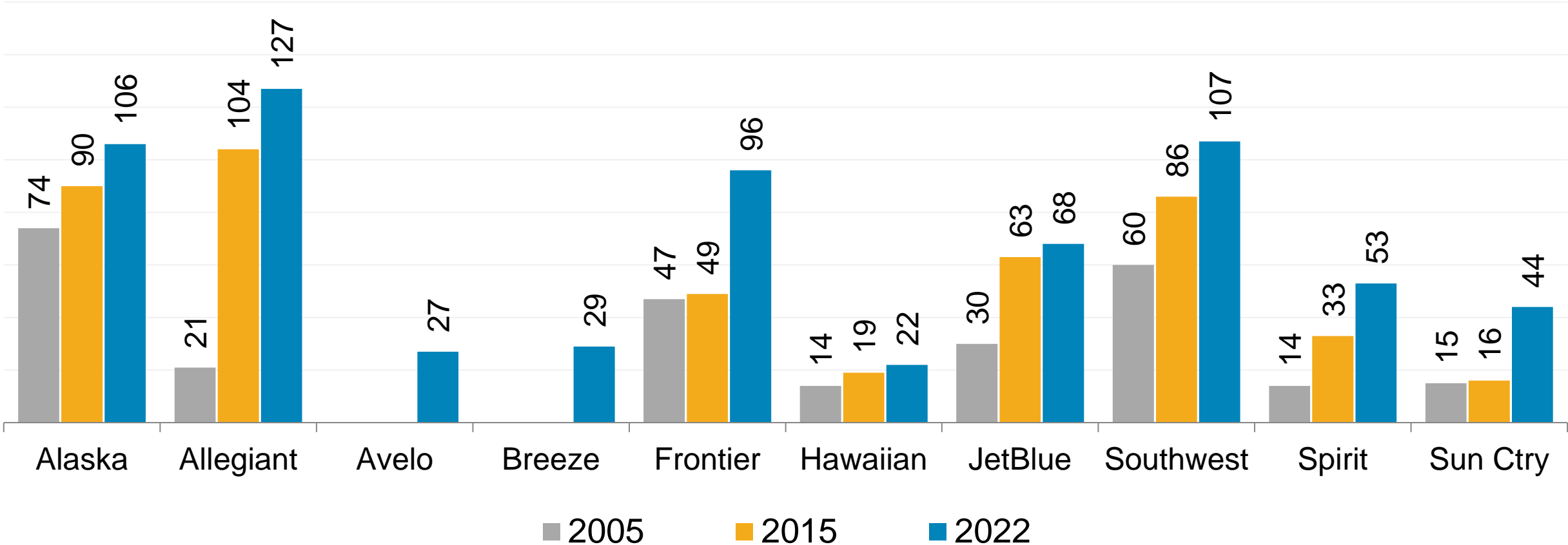
Source: Hawaii Department of Business, Economic Development & Tourism

\* Daily passenger counts include returning residents, intended residents and visitors but exclude interisland and Canada passengers

# Lower-Cost U.S. Carriers Are Serving More and More Domestic Markets

## Competitive Presence of Low-Cost and Ultra Low-Cost Carriers Continues to Expand

Number of U.S. Airports Served\*



Source: Diio by Cirium schedules as of May 13, 2022, for selected marketing airlines

\* July 15-21 of each year

# Since 2019, Spirit Airlines Has Opened/Reopened/Announced 19 Additional Airports

## Spirit Will Have Added 14 U.S. Airports and 5 Latin American Airports to Its Network\*

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Nov-2020	Barranquilla, CO (BAQ) / Bucaramanga, CO (BGA) / Orange County (SNA)
Dec-2020	Cap-Haïtien, HT (CAP)
May-2021	Louisville (SDF) and St. Louis (STL)
Jun-2021	Milwaukee (MKE) and Pensacola (PNS)
Jul-2021	Puerto Vallarta (PVR)
Oct-2021	Manchester (MHT) and Miami (MIA)
Nov-2021	Tegucigalpa, HN (XPL)
Mar-2022	Ponce, PR (PSE)
Apr-2022	Memphis (MEM)
May-2022	Salt Lake City (SLC)
Jun-2022	Rochester, NY (ROC) and Monterrey, MX (MTY)
Aug-2022	Albuquerque (ABQ), Boise (BOI) and Reno (RNO)





## Two Well Capitalized, Low-Cost Airlines Founded by Seasoned Airline Executives (Avelo: Andrew Levy and Breeze: David Neeleman) Entered the U.S. Market in Spring 2021

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- **Commenced operations April 28, 2021**
- Code XP; purchased XTRA Airways in 2018
- Flying 737-700s and 737-800s
- Bases: BUR/HVN/MCO
- Short-haul flying between secondary airports
- Raised \$42M in additional capital to fund growth
- Plans to end 2022 with 15 aircraft and 40 airports



- **Commenced operations May 27, 2021**
- Code MX; founded in June 2018
- HQ in Cottonwood Heights, Utah
- E190/E195 and A220-300 (deliveries pending)
- Focus cities: BDL/CHS/MSY/ORF/TPA

Source: Avelo Airlines and Breeze Airways

# Avelo Continues to Expand Its Burbank/New Haven/Orlando-Anchored Route Network

“If you’re looking for cheap flight destinations, look no further. We offer nonstop flights to more than 30 locations, so you’ll never have to search hard to find your next getaway. And because we travel to smaller, more convenient airports, you can expect a smoother, more caring travel experience.”

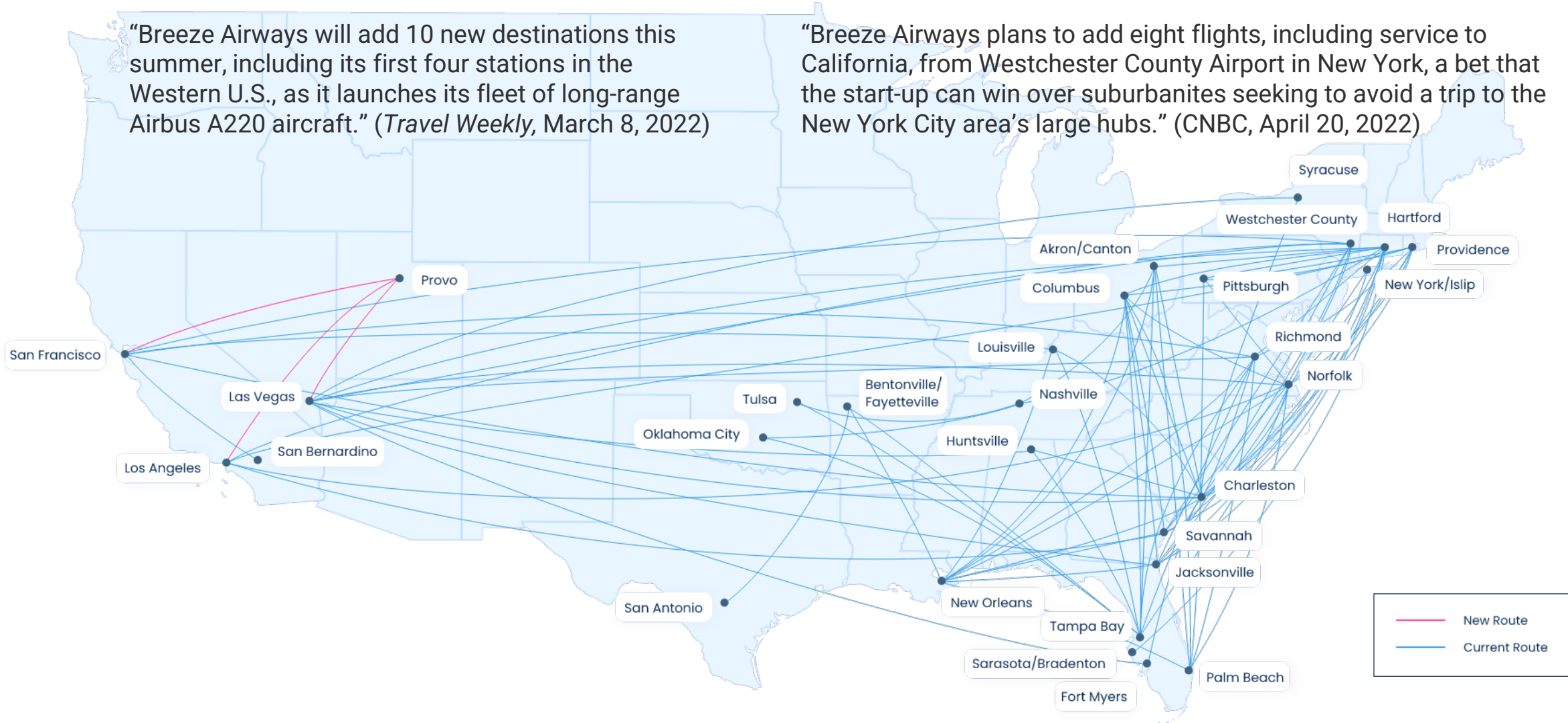


Source: Avelo Airlines

# Breeze Is Focused on Point-to-Point Service Between Medium-Sized Cities (Now 31)

“Breeze Airways will add 10 new destinations this summer, including its first four stations in the Western U.S., as it launches its fleet of long-range Airbus A220 aircraft.” (*Travel Weekly*, March 8, 2022)

“Breeze Airways plans to add eight flights, including service to California, from Westchester County Airport in New York, a bet that the start-up can win over suburbanites seeking to avoid a trip to the New York City area’s large hubs.” (*CNBC*, April 20, 2022)

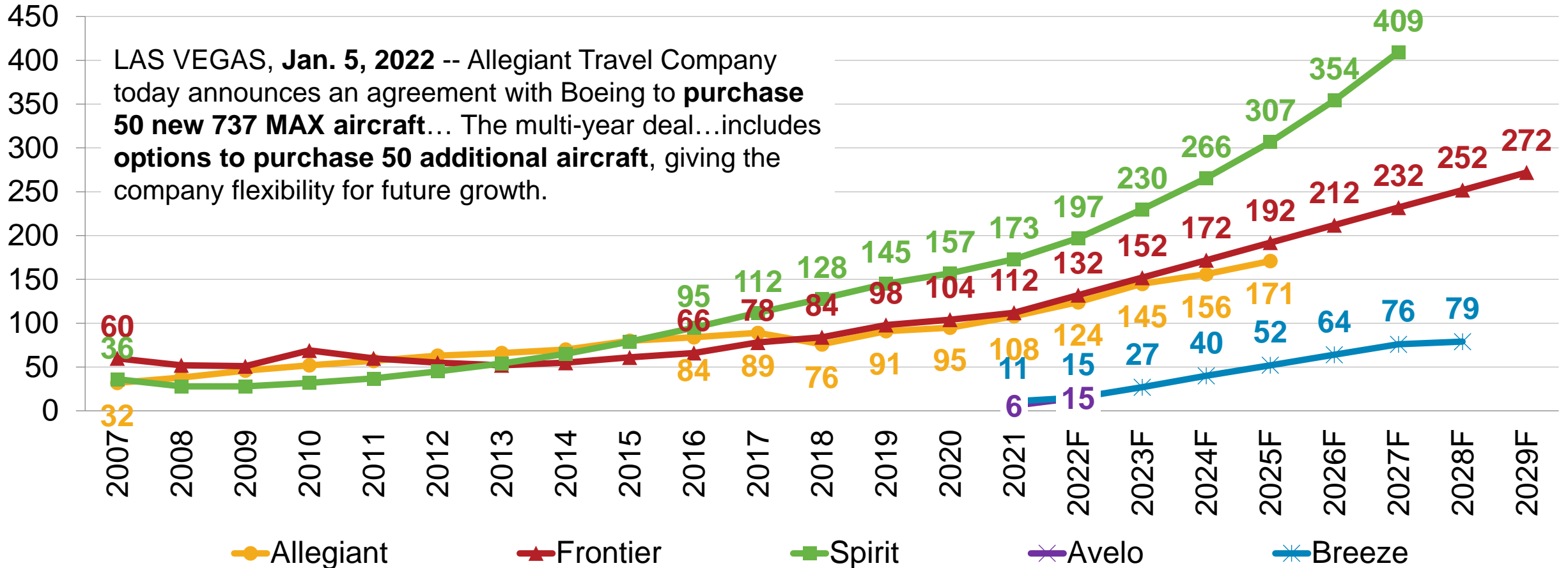


Source: Breeze Airways

# Allegiant, Frontier and Spirit Have Ambitious Growth Plans Backed by Aggressive Fleet Plans

## By the End of 2025, These Three ULCCs Will Have ~670 Aircraft in Service

### Year-End Active Fleet: Actual and Projected



Source: Company SEC filings and A4A estimates



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