



Airlines for America[®]

We Connect the World

First-Half 2019 Review and Labor Day Period Air Travel Forecast

August 20, 2019

John P. Heimlich
VP & Chief Economist

Sharon L. Pinkerton
SVP, Legislative & Regulatory Policy

1H 2019 OPERATIONS AND FINANCIAL RESULTS



Airlines for America[®]
We Connect the World

Notable 1H 2019 Operating Challenges

Runway Maintenance / Rehabilitation / Widening ABQ ANC DAL DEN EWR FLL HNL IAH JFK MCO ORD RDU SAN STL

Jan	Drone-related disruption at LHR and EWR, government shutdown, Polar Vortex
Feb	MCO security incident, smoke at Dallas TRACON, major snowstorms
Mar	LAX power outage LAX, MAX grounding, Sabre IT outage, major snowstorms
Apr	AeroData (weight/balance) outage, “bomb cyclone,” blizzards, Sabre outage
May	Labor issues at AA/SWA, extreme weather, outage at Sabre supplier CenturyLink
Jun	Ongoing labor issues, LAX outage, Collins Aerospace GPS issues, thunderstorms

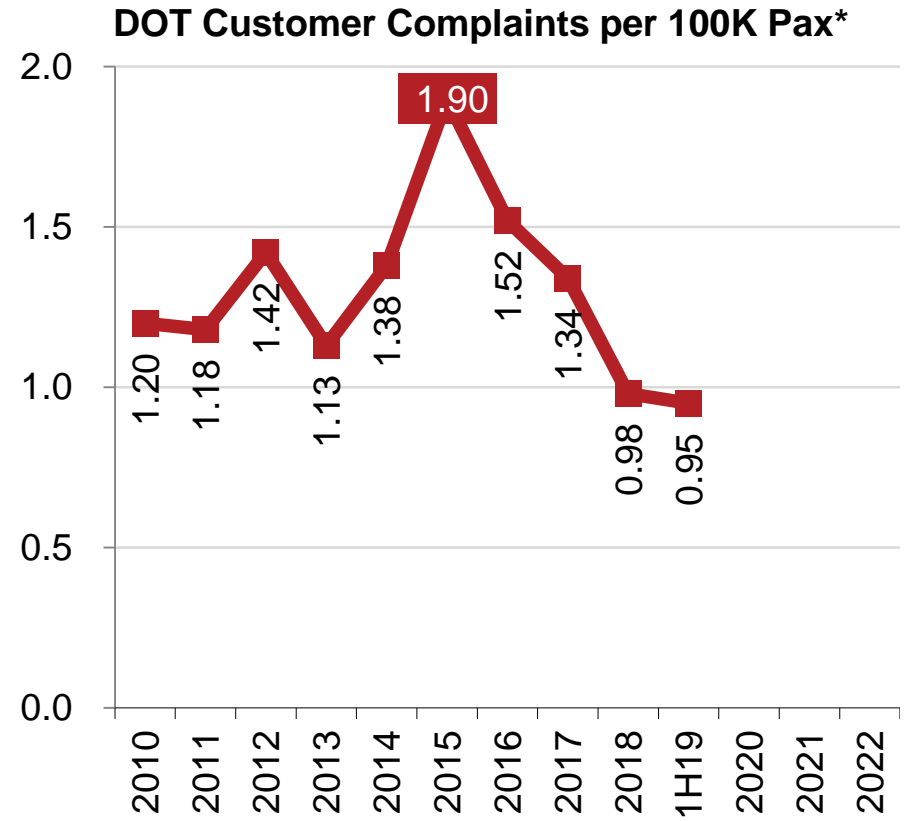
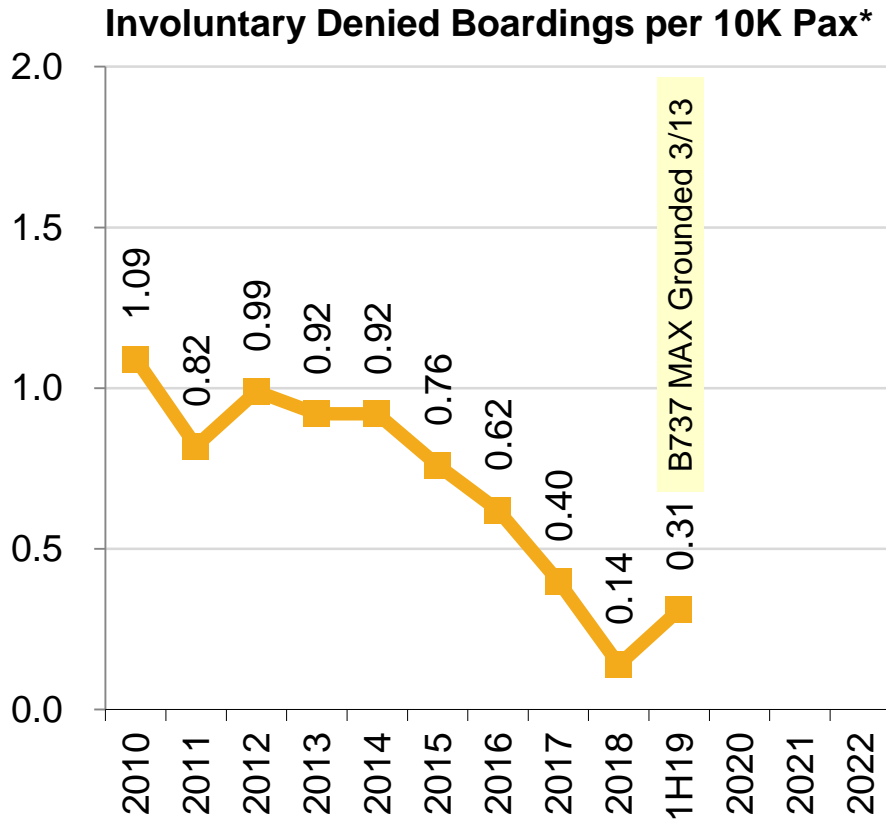
Source: A4A research, FAA Air Traffic Organization and masFlight (subsidiary of Global Eagle)



Airlines for America[®]
We Connect the World

Involuntary Denied Boardings and Customer Complaints Have Been Trending Down

Grounding of B737 MAX Largely Responsible for Anomalous 1H 2019 Increase



Source: DOT Air Travel Consumer Report

* U.S. passenger airlines

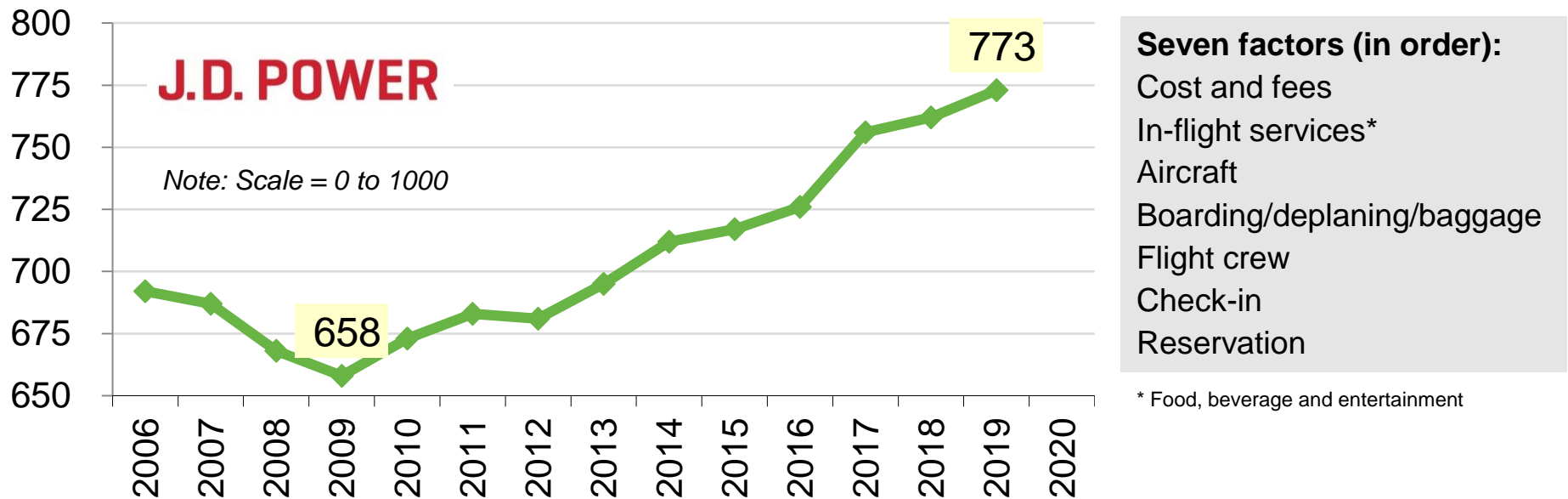


Airlines for America[®]
We Connect the World

J.D. Power: North America Airline Customer Satisfaction Climbs to Record High

“Airlines continue to deliver on the operational side of air travel. New technology investments have dramatically improved the reservation and check-in process. Fleets are newer and travelers generally feel that they are getting great value for their money. These improvements have been most profound in the traditional carrier segment, where customer satisfaction has climbed considerably.”

— Michael Taylor, J.D. Power (May 29, 2019)



Notes: The study is based on responses from 5,966 passengers who flew on a major North American airline between March 2018 and March 2019.

Source: J.D. Power 2019 North America Airline Satisfaction StudySM

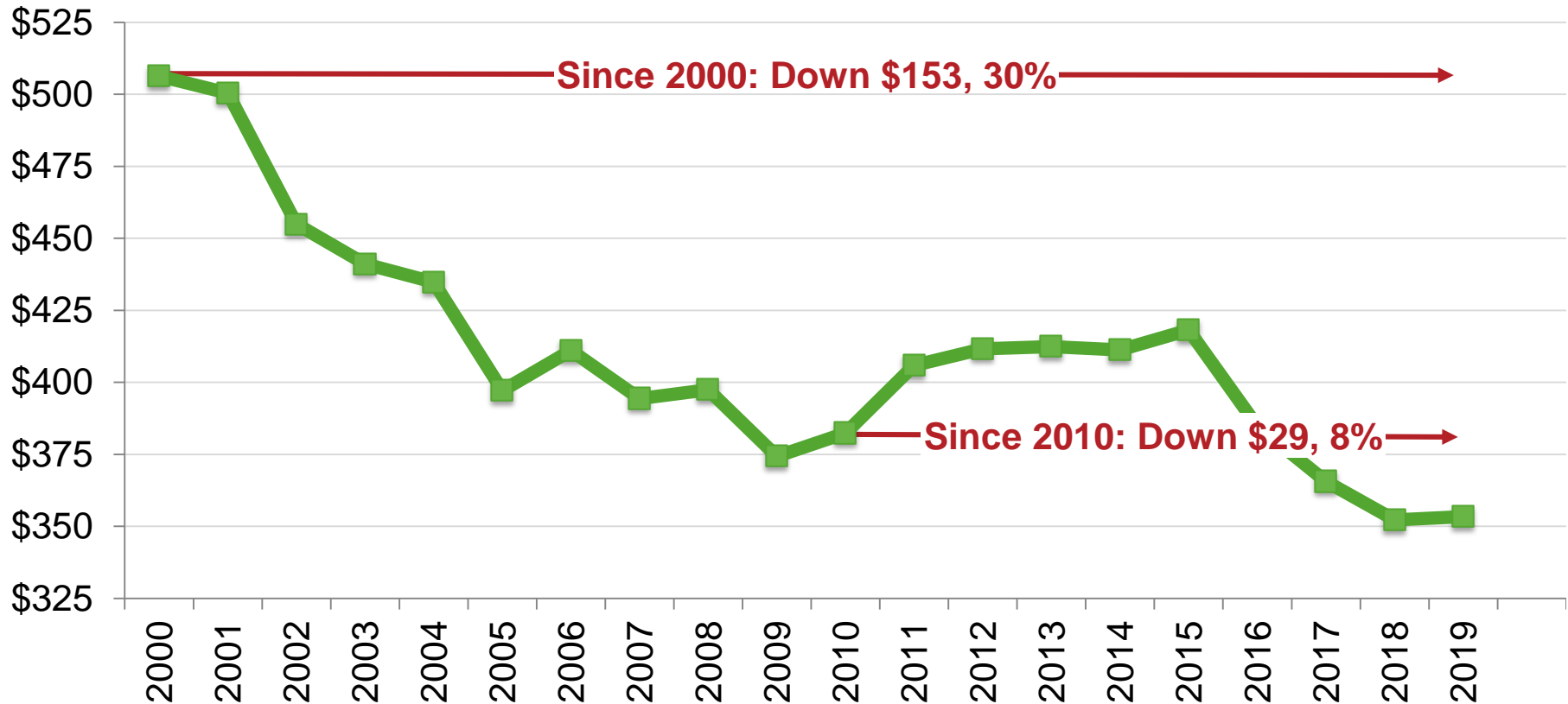


Airlines for America[®]
We Connect the World

1Q 2019 Inflation-Adjusted Fares Flat YOY and 8 Percent *Below* 1Q 2010

In Real Terms, Price of Domestic Air Travel Fell ~30% From 1Q 2000 to 1Q 2019

Average *First-Quarter* Domestic Round-Trip Ticket Price Including Taxes (in 2019 Dollars)*



Source: Bureau of Transportation Statistics

* Fare and taxes only

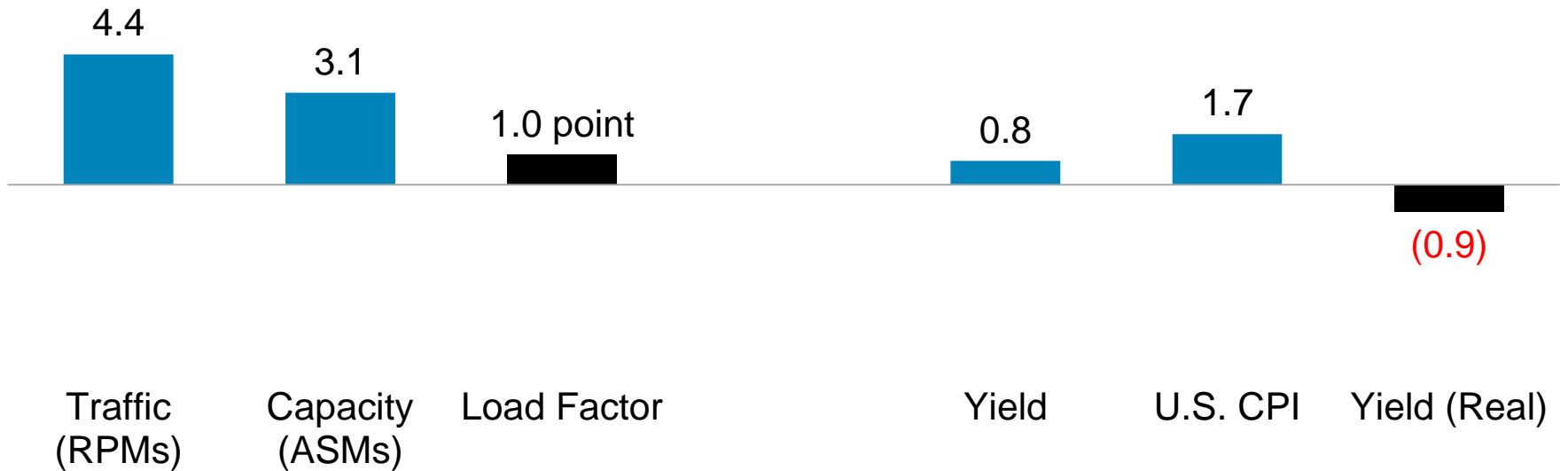


Airlines for America®
We Connect the World

Traffic Grew Faster Than Capacity, Constrained by Aircraft Issues and Bad Weather

Increase in Price Paid per Mile Flown Trailed U.S. Inflation

Change (%) 1H19 vs. 1H18



1. RPM = revenue passenger mile; ASM = available seat mile; load factor = $RPM \div ASM$

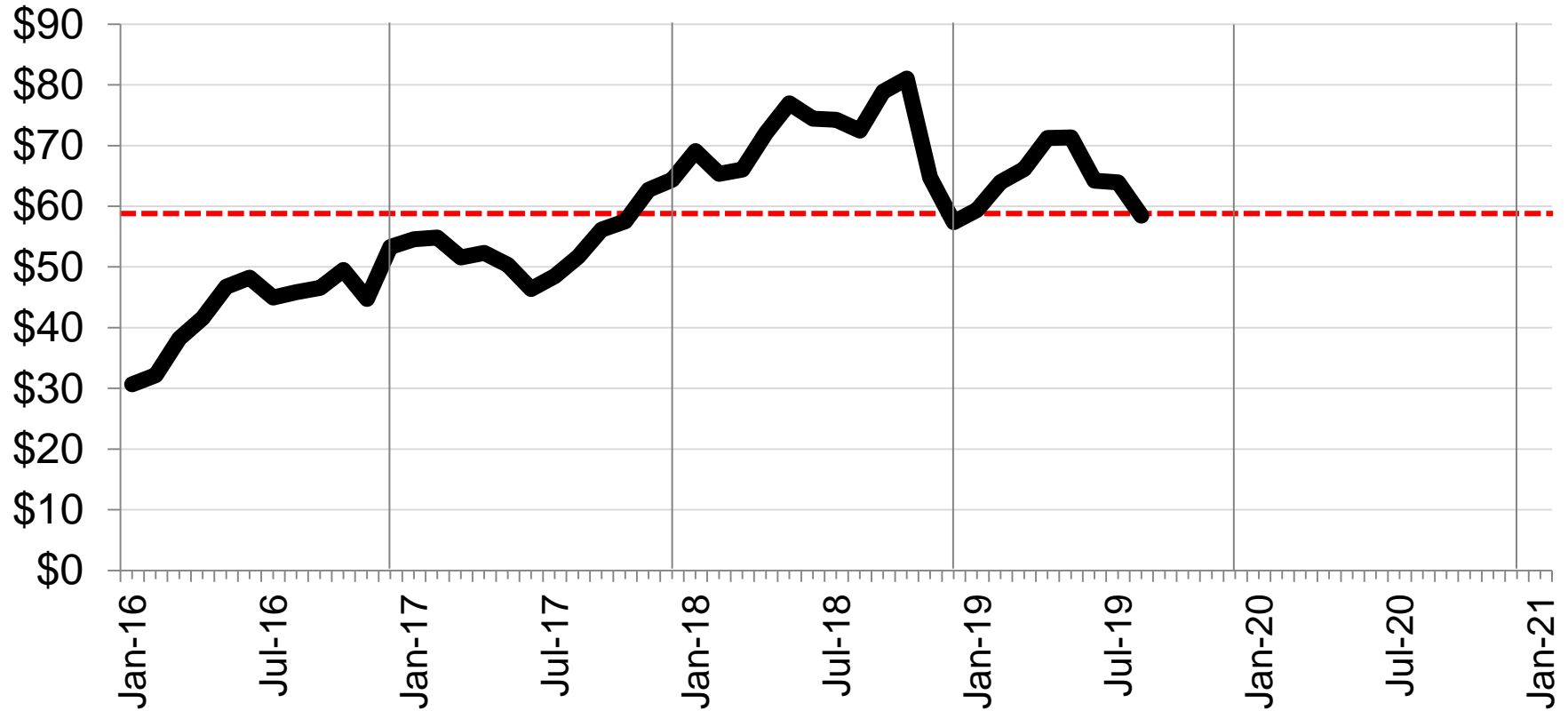
2. Yield = revenue per passenger-mile flown; CPI = U.S. Consumer Price Index ("inflation"); real yield = inflation-adjusted yield

Source: BLS and A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United



World Crude-Oil Prices Averaged \$66 in First Half of 2019

Spot Price of Brent Crude Oil (\$ per Barrel)



Source: A4A and Energy Information Administration (http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm)

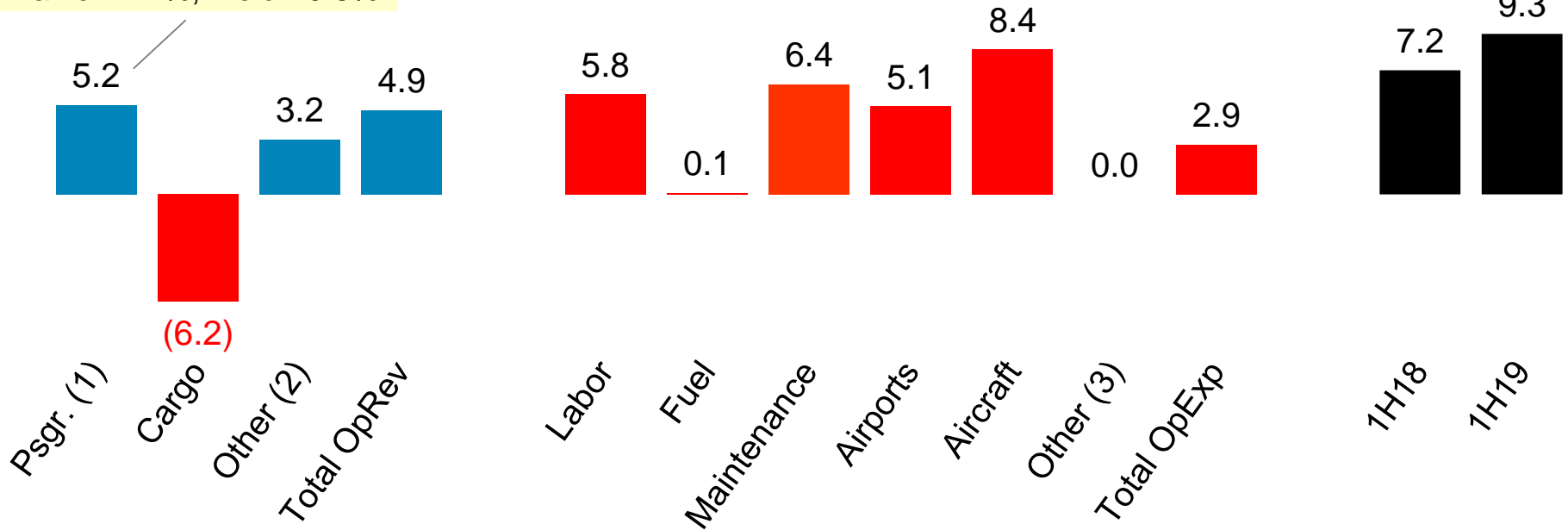
In 1H 2019, U.S. Airlines Saw Average Profit Margin Rise 2.1 Points

Strong Travel Demand Helped Offset Cargo Weakness and Continued Cost Pressure

Change (%) in Operating Revenues and Expenses: 1H19 vs. 1H18

Pre-Tax Profit Margin (%)

Traffic +4.4%, Yield +0.8%



1. Traffic = revenue passenger miles; yield = revenue per passenger-mile flown; U.S. CPI up 1.7 percent

2. Sale of frequent flyer award miles to airline business partners, transportation of pets, in-sourced aircraft and engine repair, flight simulator rentals, inflight sales, etc.

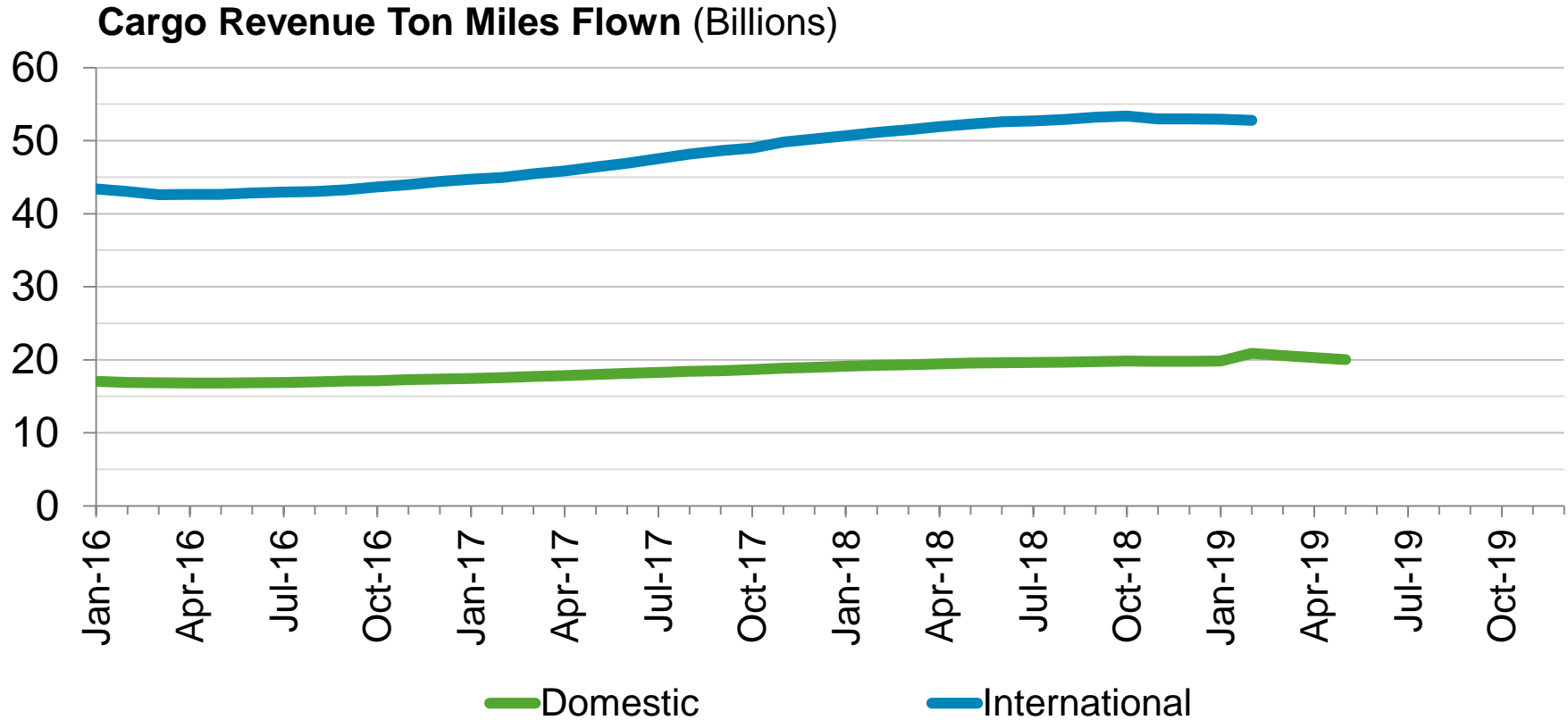
3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regionals

Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United



Air Cargo Volumes Beginning to Plateau

Possible Indicator of Industrial Recession



Source: DOT T100 segment data



Airlines for America[®]
We Connect the World

The Grounding of the B737 Max, Airbus Production Delays and Other Considerations Have Led Several Airlines to Modify 2019 Growth Plans

Company Guidance re: 2019 Growth (%) in Scheduled ASMs

	Early 2019	Current*	Change
Spirit	15	14.5	↓
Allegiant	7-9	8-9	↑
JetBlue	4.5-6.5	5.5-6.5	↑
Delta	3	4	↑
United	4-6	3-4	↓
Hawaiian	1.5-4.5	1.5-2.5	↓
Alaska	2	2.1	↑
American	3	1.5	↓
Southwest	5	(1-2)	↓

Source: Company SEC filings

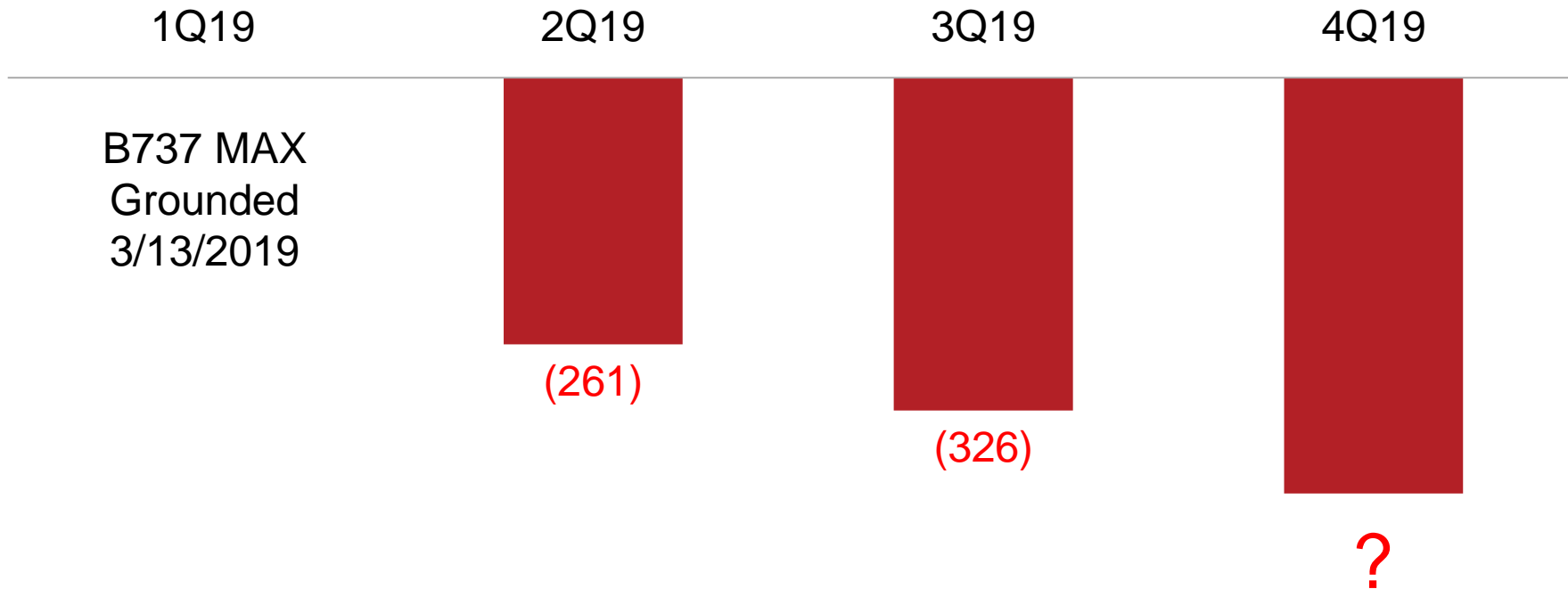
* As of July 31, 2019



Airlines for America[®]
We Connect the World

MAX Grounding + Aircraft Production Delays = Schedule Reductions

Estimated Reduction in Average Daily Scheduled Departures



Source: Alaska, American, Southwest, United and A4A estimates



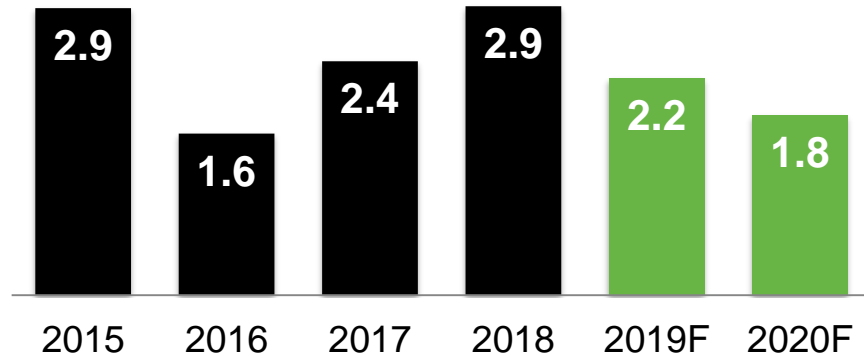
Airlines for America[®]
We Connect the World

LABOR DAY PERIOD AIR TRAVEL FORECAST

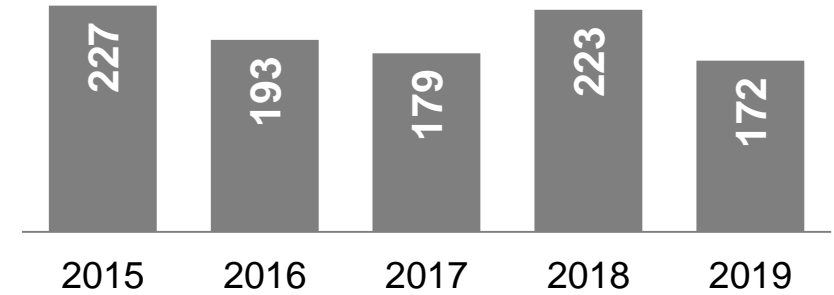


U.S. Economy, Jobs Growing; Household Net Worth Continues to Set New Records

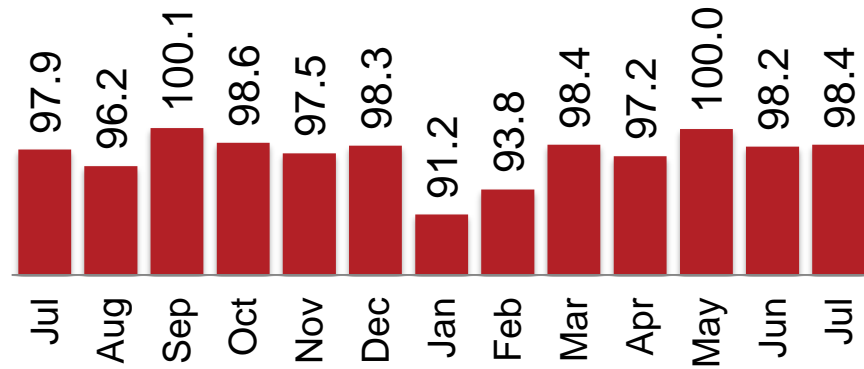
U.S. Real GDP Growth (% CAGR)



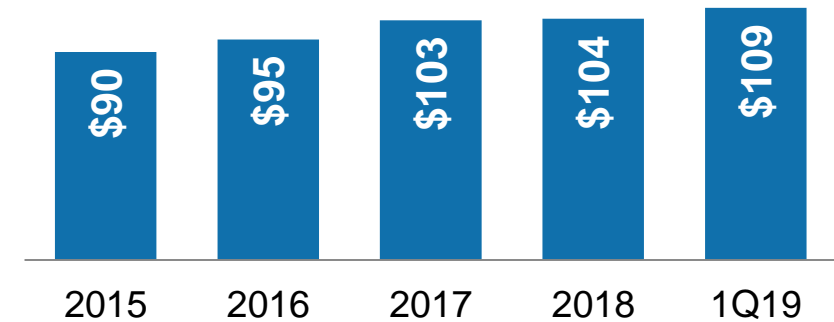
U.S. Employment Growth (000s per Month)



Consumer Sentiment (UMich Index 1Q66=100)



U.S. Household Net Worth (Trillions)



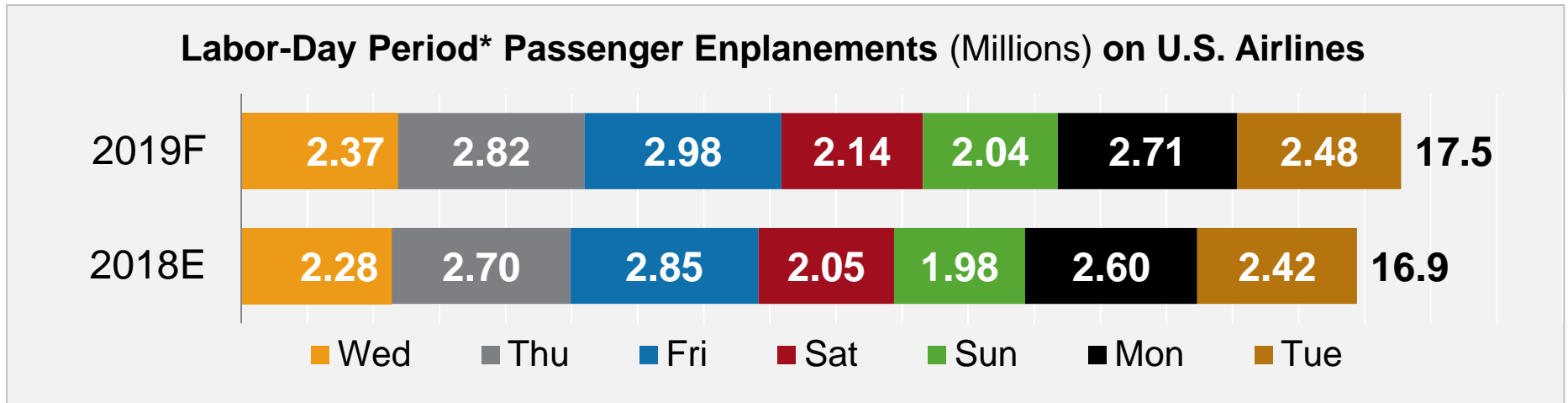
Sources: U.S. GDP (Bureau of Economic Analysis actuals and IHS Markit forecast); U.S. nonfarm payroll employment growth (month-over-month, seasonally adjusted) from BLS; consumer sentiment (University of Michigan, Index 1Q 1966=100); U.S. household net worth in current dollars, not seasonally adjusted (Federal Reserve)



A4A Projects U.S. Airlines to Carry 17.5M Labor Day-Period* Passengers in 2019

Up ~4 Percent From 16.9M *Estimated* to Have Flown in 2018

- U.S. airlines will **carry** 2.51 million **passengers** per day, up ~95,000 from 2018
- U.S. airlines will **offer** 2.87 million **seats** per day, up ~109,000 from 2018



- Friday preceding Labor Day typically falls in the top 25
- Saturday/Sunday preceding Labor Day are among the lightest days of the entire year

Source: A4A, TSA and BTS T1 data – systemwide scheduled service

* For this purpose, defined as the Wednesday preceding Labor Day through the Tuesday after

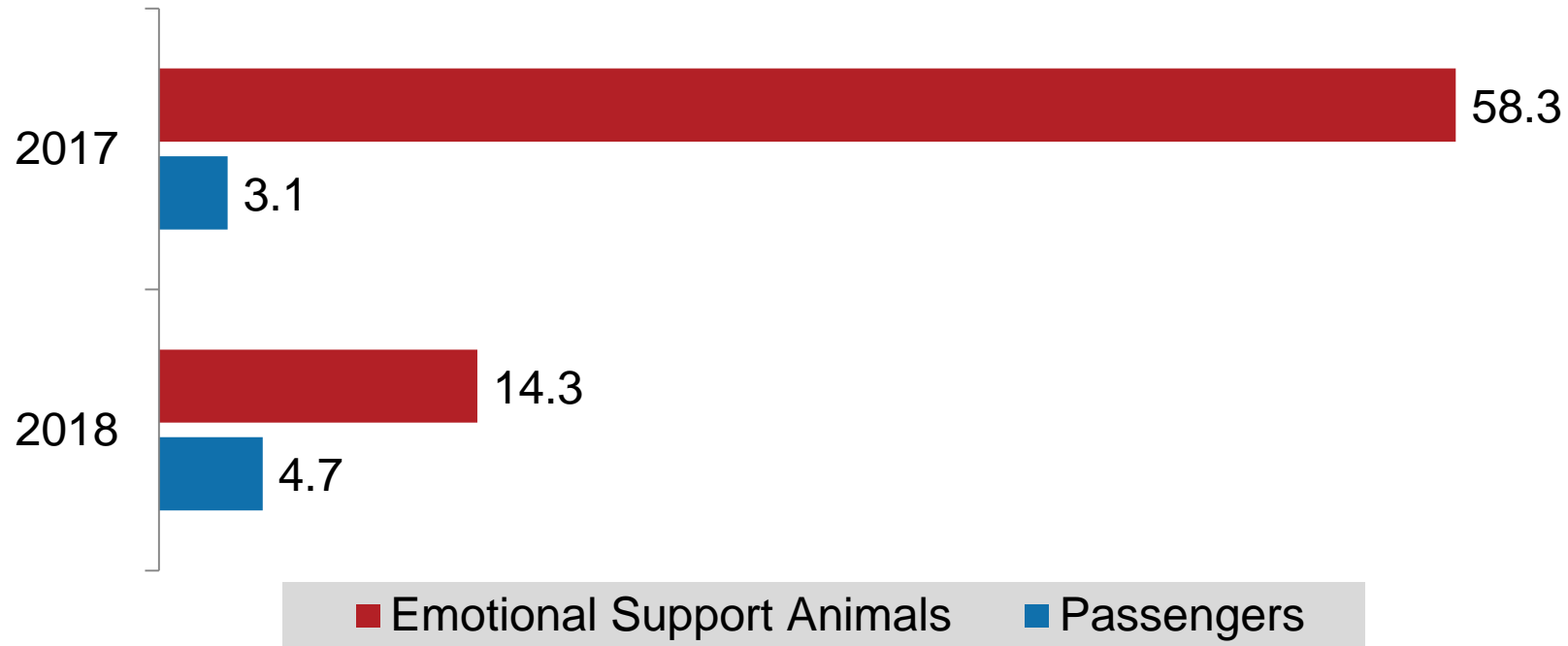
Airlines Applaud DOT Action on Emotional Support Animals (ESAs)



The Number of Passengers Traveling With Emotional Support Animals Is Surging

Growth Rates for U.S. Airlines in 2017 and 2018

Year-Over-Year Change (Percent)



Note: Numbers reflect PNRs (not segments) with animals and do not capture multiple animals per PNR.

Source: Data from Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit and United plus A4A estimates for rest of industry as of Aug. 19, 2019





Airlines for America Applauds Department of Transportation's Guidance on Emotional Support Animals

WASHINGTON, August 8, 2019 – Airlines for America (A4A), the industry trade organization for the leading U.S. airlines, today issued the following statement on the Department of Transportation's enforcement guidance concerning emotional support animals (ESAs):

-Airlines for America applauds the Department of Transportation's enforcement guidance on emotional support animals (ESAs). The availability of fraudulent ESA credentials online has enabled people who are not truly in need of animal assistance to abuse the rules and evade airline policies regarding animals in the cabin. With over a million passengers bringing ESAs on flights last year, airlines and airports saw a sharp increase in incidents such as biting and mauling by untrained animals. The DOT's guidance is an important step toward addressing this growing problem and ensuring a safer and healthier travel experience for all. -



Coalition Commending DOT for Issuing Guidance on ESAs and Service Animals

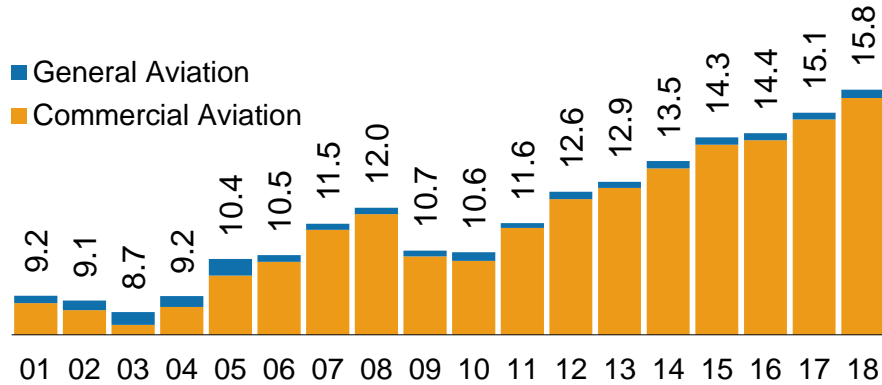


INVESTMENT AT U.S. AIRPORTS TO ACCOMMODATE DEMAND

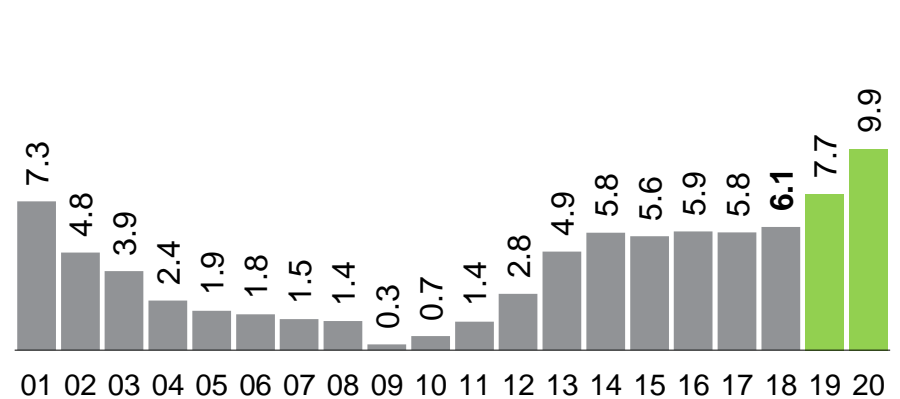


U.S. Airports Have Ample/Multiple Resources from Which to Fund Improvements

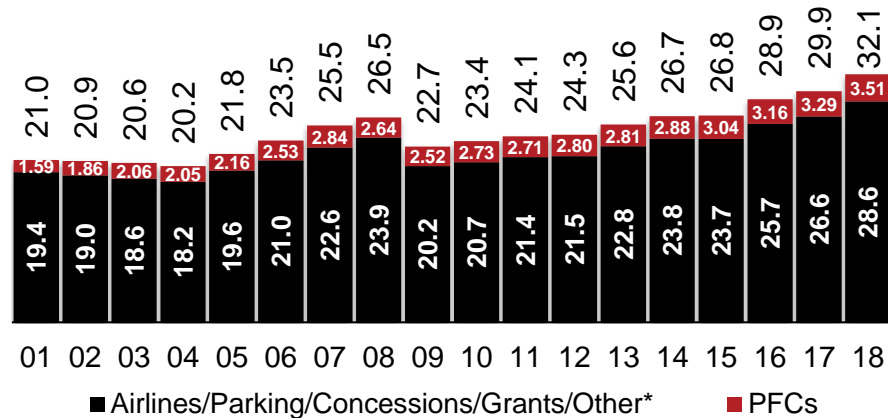
Airport & Airway Trust Fund Revenues (\$ Bils)



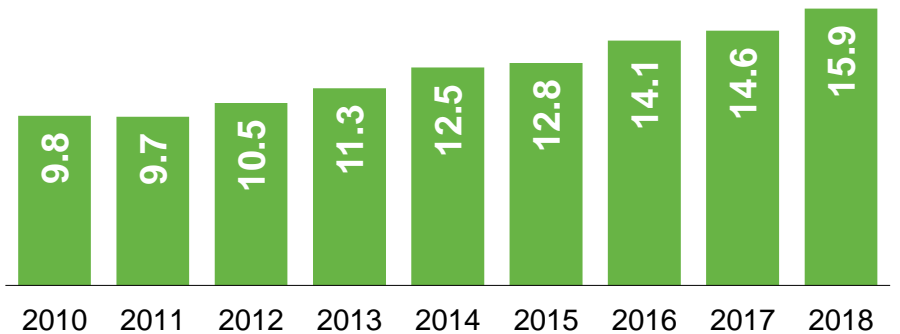
Airport & Airway Trust Fund Uncommitted Balance (\$ Bils)



U.S. Airport Revenues (\$ Bils)



U.S. Airport Unrestricted Cash & Investments (\$ Bils)



Source: A4A, FAA, Congressional Budget Office, U.S. Treasury

* Non-PFC revenues are estimated pending final reports by airports to FAA

Dozens of N.C. airports awarded improvement grants

FAA Sending \$22 Million to Help 10 Florida Airports

Maine's Small Airports To Receive Funding Boost From FAA

S.D. airports receive \$19.64M in federal grants

Alaska airports to get another piece of the pie from an FAA Airport Improvement Program

Five N.Y. airports set to receive \$12.3M in FAA grants

Rapid City airport awarded \$4.5 million in federal funding

FAA giving S.C. airports \$6.6 million in infrastructure grants



Airlines for America[®]

We Connect the World