Tracking The Changing Network Architecture

- Following the Great Recession, carrier capacity deployment strategies became much more important than at any time in the history of network development. Historically, capacity added to the system was correlated to the growth in the economy.

- In the Capacity Discipline Era (2010 – 2014), just because a route might pencil out as profitable, if the market did not fit the carrier’s strategy – it was not flown. If it was not profitable on a stand-alone basis, it was not flown. Our work is designed to focus on the evolution of a post-Pandemic industry.

- As a nascent recovery begins, we have modeled the U.S. domestic market by carrier and by hub/focus city in order that we can begin to glean carrier strategies in adding capacity back into the system.
  - It can only be as good as the data filed. Schedules being filed today (November 2020) for tomorrow are more reliant than schedules filed early in the Pandemic.
Critical Definitions and Assumptions Embedded in the Analysis

- The following analysis includes enplaned and deplaned traffic for pure domestic trips, as well as any Domestic Portion of an International Journey (DPIJ). Traffic share by carrier and hub do not include international traffic on their respective codeshare partners. Thus, the output captures the actual number of passengers entering and exiting a respective airport. The output is load factor adjusted.

- What Data Points are Actual and What are Projections for CY 2020

<table>
<thead>
<tr>
<th>Actual – Reported T-100</th>
<th>Projection - Based on November Schedules, 2020 v. 2019, and Reported CY 2019 Traffic</th>
</tr>
</thead>
</table>

- Only the following 10 carriers are included in this airline and airport specific traffic impact analysis: American (AA), Delta (DL), United (UA), Southwest (WN), Alaska (AS), JetBlue (B6), Frontier (F9), Spirit (NK), Allegiant (G4), and Sun Country (SY)
Where Are The Airlines Focused Today; And Where Are They Not?
Percent of 2019 Domestic Traffic
NOT Accommodated by Most Recent Carrier Schedule


Impacted traffic includes pure domestic and Domestic Portion of International Journey (DPIJ). Carrier’s Total Traffic both domestic and international enplanements and deplanements.
American Airlines: DFW and CLT Have Been, and Remain the Focus

- In November 2020, American is flying 53.8% of its 2019 domestic seat capacity
  - American is deploying nearly 60% of its 2019 regional partner capacity

- American’s schedule reductions in November 2020 impact every hub on its system. Nearly 25 million fewer inbound and outbound American passengers are estimated at DFW, and nearly 20 million fewer at Chicago O’Hare

- Throughout the pandemic, American has focused on its hubs at DFW, CLT and MIA. As the carrier focuses less on Chicago, it is building up its capacity at Phoenix. However, it is very slow to build LAX and its significant presence at many Northeast markets

- Based on the rebuild of its 2019 network, it is MIA, DFW and CLT that are expected to experience the least relative decline in passengers in 2020 while DCA and LGA will experience the most

- American’s relative expected loss of traffic in 2020 v. 2019 is the least at Large Hub airports and the most at Medium Hub airports
American’s Outbound Domestic Seat Capacity Comparison By Month

2020 v. 2019

June: 33.7%
July: 55.8%
August: 55.7%
September: 52.0%
October: 53.0%
November: 53.8%
American’s Hub Airports

AA’s Outbound Domestic Seat Capacity Comparison by Month, 2020 v. 2019

November update is based on published schedules as of October 22, 2020.
Delta Air Lines: More Domestic Capacity Than One Might Think – Don’t Forget Those Blocked Middle Seats

- In November 2020, Delta is flying 66.6% of its 2019 domestic seat capacity
  - Delta is deploying nearly 72% of its 2019 regional partner capacity

- Delta’s domestic schedule in November 2020 continues to have a western U.S. focus. More than 45 million fewer inbound and outbound Delta passengers are estimated at ATL, and more than 15 million at each Detroit and Minneapolis/St. Paul

- Throughout the pandemic, Delta has focused on its western hubs at SLC and SEA. Unlike some other carriers, it is aggressively building LAX. Whereas some carriers are building back with a focus on some hubs versus others, Delta has been adding back capacity with a more even application

- Based on the rebuild of its 2019 network, it is Delta’s northeast U.S. presence that is slow to come back online

- Delta’s relative expected loss of traffic in 2020 v 2019 is the least at Large Hub airports and the most at Small Hub airports
Delta’s Outbound Domestic Seat Capacity Comparison By Month
2020 v. 2019

- June: 24.3%
- July: 42.3%
- August: 54.8%
- September: 57.5%
- October: 57.9%
- November: 66.6%
Domestic Regional Departures at Delta’s Hub Airports

November 2020 v. November 2019

- DTW: 78.5%
- ATL: 103.1%
- MSP: 100.8%
- LGA: 17.8%
- SLC: 111.5%
- JFK: 31.8%
- BOS: 21.0%
- SEA: 104.6%
- LAX: 98.0%
- DL Dom Avg: 71.7%
Delta’s Hub Airports

DL’s Outbound Domestic Seat Capacity Comparison by Month, 2020 v. 2019

<table>
<thead>
<tr>
<th>Month</th>
<th>ATL</th>
<th>DTW</th>
<th>MSP</th>
<th>SLC</th>
<th>LGA</th>
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November update is based on published schedules as of October 22, 2020.
United Airlines: Hard to Build Out the Network Without the Northeast US and California

- In November 2020, United is flying 52% of its 2019 domestic seat capacity
  - United is deploying more than 57% of its 2019 regional partner capacity

- United’s domestic schedule in November 2020 continues to operate without its revenue and traffic rich presence in New York and California. More than 18 million fewer inbound and outbound United passengers are estimated at each EWR and SFO, and significant lost traffic is expected at each Chicago O’Hare, Houston – IAH and Denver

- Throughout the pandemic, United has been most focused on its interior hubs of DEN, ORD and IAH. Like Delta, United has been adding back capacity with a more even application. Where United differs is the level of non-hub flying it has added to its network relative to the other network carriers

- Based on the rebuild of its 2019 network, it is United’s northeast U.S. and west coast presence that is slow to come back online

- United’s relative expected loss of traffic in 2020 v. 2019 is the least at Large Hub airports and the most at Medium Hub airports
United’s Outbound Domestic Seat Capacity Comparison By Month

2020 v. 2019

- June: 18.7%
- July: 33.8%
- August: 44.4%
- September: 41.7%
- October: 48.7%
- November: 52.2%
United’s Hub Airports

UA’s Outbound Domestic Seat Capacity Comparison by Month, 2020 v. 2019

November update is based on published schedules as of October 22, 2020.
Southwest Airlines: Less Capacity Than Promised, Smelling Opportunities?

- In November 2020, Southwest is flying nearly 80% of its 2019 domestic seat capacity.

- Southwest’s domestic schedule in November 2020 has been distributed evenly across the country and the markets identified as focus cities. This fact enables the carrier to maximize connectivity across its network. As the output shows, the November schedule results in Southwest improving its capture of 2019 inbound and outbound traffic. Like other carriers, the west coast markets are expected to suffer the highest absolute levels of traffic.

- Based on the number of departures operated by Southwest at airports on its system, this analysis identifies 12 airports serving metro areas identified as focus cities. In all 12, schedule improvements were made in November as compared to October. In each Denver and Nashville, Southwest is operating more outbound seats than it did one year ago.

- With the November 2020 schedule in place, Southwest’s network would accommodate at least 85% of its 2019 airport throughput at Denver, Nashville and Las Vegas.

- Southwest’s relative expected loss of traffic in 2020 v. 2019 is the least at Large Hub airports and the most at Medium Hub airports.
Southwest’s Outbound Domestic Seat Capacity Comparison By Month

2020 v. 2019

- June: 56.6%
- July: 70.0%
- August: 80.5%
- September: 60.3%
- October: 57.5%
- November: 79.9%
Southwest’s Hub Airports

WN’s Outbound Domestic Seat Capacity Comparison by Month, 2020 v. 2019

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<tr>
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<th>Jun</th>
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November update is based on published schedules as of October 22, 2020.
jetBlue Airways: A Work In Progress. Tough Without JFK and BOS

- In November 2020, jetBlue is flying nearly 49% of its 2019 domestic seat capacity

- jetBlue’s domestic schedule in November 2020 reflects the very early stages of network changes the carrier is implementing. For example, jetBlue exited Long Beach choosing to offer SoCal service from Los Angeles LAX. In addition to its hub at New York JFK, jetBlue has been offering capacity from Newark as well. As the output shows, the November schedule results in jetBlue suffering in core markets Boston, New York JFK and Ft. Lauderdale. Whereas the west coast markets have been slow to come back online, the carrier clearly sees opportunity to add capacity where constraints existed pre-Pandemic

- Based on the number of departures operated by jetBlue at airports on its system, the carrier is larger at Newark than it was in 2019 and the same can likely be expected at Los Angeles LAX. jetBlue is less than 50% of its 2019 size at critical east coast markets Boston, New York JFK and Washington DCA

- With the November 2020 schedule in place, pre-Pandemic markets on jetBlue’s system at Ft. Lauderdale and San Juan shows the carrier capturing more of its 2019 traffic than at other markets. Following jetBlue will likely be a work in progress before some direction emerges

- jetBlue’s relative expected loss of traffic in 2020 v. 2019 is the least at Small Hub airports and the most at Medium Hub airports. The trend of Medium Hub markets underperforming other airport sizes is clear and distinct
jetBlue’s Outbound Domestic Seat Capacity Comparison By Month
2020 v. 2019

June 23.9%
July 47.0%
August 41.4%
September 29.1%
October 45.3%
November 48.5%
### jetBlue’s Hub Airports

**B6’s Outbound Domestic Seat Capacity Comparison by Month, 2020 v. 2019**

<table>
<thead>
<tr>
<th>Month</th>
<th>BOS</th>
<th>JFK</th>
<th>FLL</th>
<th>MCO</th>
<th>DCA</th>
<th>SJU</th>
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November update is based on published schedules as of October 22, 2020.

• In November 2020, Spirit is flying nearly 75% of its 2019 domestic seat capacity and it is expected that the carrier will likely be more aggressive in the coming months

• Spirit’s domestic network in November 2020 reflects a very different trend than other carriers in that its current schedule is accommodating more 2019 traffic than not. At 8 of the 9 airports designated as focus cities for Spirit, the carrier is expected to carry more passenger traffic

• Spirit has been consistent in its capacity deployment since June when it added significant capacity only to cut that capacity back by the end of August. Recently the carrier has been adding capacity back into the system. Like jetBlue, Spirit seems to be taking advantage of incumbent carriers being slow to build back Los Angeles LAX. Whereas Spirit is putting capacity back into leisure points, it is also adding capacity at Delta’s hubs at Atlanta and Detroit

• With the November 2020 schedule in place, pre-Pandemic markets at Chicago – ORD, Baltimore and Dallas/Ft. Worth are the slowest points on the network to come back. Chicago has been slow to build back for virtually every carrier and American has been aggressive at building back DFW

• As Spirit’s fleet is not configured for the smallest markets, its November schedule accommodates more than 50% of the traffic the airline carried in 2019 at the Large and Medium Hub airports on its system
Spirit’s Outbound Domestic Seat Capacity Comparison By Month
2020 v. 2019

- June: 23.2%
- July: 86.5%
- August: 61.9%
- September: 45.1%
- October: 52.7%
- November: 73.9%
Allegiant Airlines: Nice to Cater to the Leisure Component With A Schedule Less Than Daily

• In November 2020, Allegiant is flying nearly 92% of its 2019 domestic seat capacity

• Allegiant is simply different than the rest of the system. In all the 9 markets identified as focus cities, the current schedule accommodates less 2019 traffic that its October 2020 schedule

• Allegiant has a history of serving smaller markets. In recent years, the carrier has looked more for opportunities in larger metro areas. The carrier has been masterful in finding secondary leisure destinations like Savannah and the Florida Panhandle. In 4 of the 9 markets designated as focus cities, Allegiant is operating a schedule that accommodates the traffic it carried in 2019

• With the November 2020 schedule in place, pre-Pandemic markets at Punta Gorda, Phoenix – Mesa and Cincinnati all have service that will likely carry at least 70% of Allegiant’s 2019 traffic

• The vast majority of Allegiants airport traffic can be found at Small and Non-Hub airports. Based on the analysis, the carrier will carry at least 2/3 of its 2019 traffic during this very difficult 2020
Allegiant’s Outbound Domestic Seat Capacity Comparison By Month
2020 v. 2019

June: 81.0%
July: 89.4%
August: 109.2%
September: 90.4%
October: 96.8%
November: 91.7%
Summary: Expected Airline Impacts

• The Big 3 network carriers (American, Delta and United) initially will cede market share to the 7 other carriers included in this work.

• Our view since April ‘20 has been that Southwest and Allegiant will take advantage of their long cash runways and make an early market share grab in the U.S. domestic marketplace. It is expected that the two airlines will remain aggressive.

• Based on November schedules, Southwest and Allegiant are flying networks that can accommodate at least 65% of traffic carried on their respective networks in 2019. This is in stark comparison to the other 8 domestic carriers covered in this analysis.
  – Further enabling Southwest is its access to new distribution channels that will broaden their reach into more traditional business traffic.
  – Spirit and Frontier are signaling additional capacity in the months ahead.
  – jetBlue and United are currently flying schedules that can accommodate the least amount of domestic traffic carried over their networks in 2019.
As The Airlines Morph, What About The Impact On Airports?
Expected Airport Impacts

• In the previous two recessions, the network carriers recovered much more slowly than the other significant players. The same is expected during this recovery. Airports depending on the network carriers for their service will likely face an uneven recovery.
  – Based on announced fleet reductions, Delta is expected to shrink the most, Alaska the least.
    • Initially, it is assumed that the network carriers will engage in a zero-sum game in adding capacity. New aircraft financed and delivered will be put into service replacing an existing, older aircraft in operation. Until cash balances begin their restoration, we are persuaded by industry comments that no new aircraft will be added unless they are fully financed.

• The loss of connectivity will most impact the non-hub airports within each network over the longer term. Early post-COVID (April – September 2020) traffic levels are being artificially propped up by provisions in the CARES Act.

• Of interest is the significant capacity added to medium and small hub airports between 2015 and 2019. It is not foreseen that all that capacity will return and is yet another reason why we are cautious on any immediate return to the actual 2019 levels.
Capacity Change by U.S. Region

Domestic Outbound Seats, 2020 v. 2019

PACIFIC

MOUNTAIN

MIDWEST

GREAT LAKES

MID ATLANTIC

SOUTHEAST

SOUTHWEST

NEW ENGLAND

Legend:

JUN  JUL  AUG  SEP  OCT  NOV
Traffic Impact by U.S. Region – Domestic Throughput in Millions

All Airports

- Mid - Atlantic
  - Version of Update
    - JUN: -241
    - JUL: -217
    - AUG: -176
    - SEP: -167
    - OCT: -167
    - NOV: -186

- New England
  - Version of Update
    - JUN: -233
    - JUL: -233
    - AUG: -233
    - SEP: -233
    - OCT: -233
    - NOV: -233

- Pacific
  - Version of Update
    - JUN: -211
    - JUL: -174
    - AUG: -176
    - SEP: -178
    - OCT: -178
    - NOV: -178

- Mountain
  - Version of Update
    - JUN: -94
    - JUL: -58
    - AUG: -70
    - SEP: -70
    - OCT: -70
    - NOV: -70

- Great Lakes
  - Version of Update
    - JUN: -127
    - JUL: -83
    - AUG: -116
    - SEP: -116
    - OCT: -116
    - NOV: -116

- Southwest
  - Version of Update
    - JUN: -111
    - JUL: -78
    - AUG: -90
    - SEP: -90
    - OCT: -90
    - NOV: -90

- Southeast
  - Version of Update
    - JUN: -241
    - JUL: -167
    - AUG: -175
    - SEP: -190
    - OCT: -209
    - NOV: -209

- Midwest
  - Version of Update
    - JUN: -57
    - JUL: -40
    - AUG: -47
    - SEP: -47
    - OCT: -47
    - NOV: -47

- Version of Update
Impacted Traffic As a Percent of Total Throughput by Hub Group

- **Large Hub**: 49.2%
- **Medium Hub**: 56.6%
- **Small Hub**: 61.4%
- **Non-Hub**: 63.6%

Summary: Expected Airport Impacts

- Among the medium, small and non-hub airports most impacted in terms of absolute levels of traffic in 2020 as compared to 2019, the list includes the larger airports in each category.
  - More importantly, many of the airports listed were those that enjoyed significant growth in new service between 2015 – 2019. It was during this period that the industry grew at a rate greater than the economy. The incremental capacity deployed during this era did not produce the same profit margins that the industry enjoyed between 2010 – 2014. Therefore the reason for our questioning whether all this capacity will be restored.

- In terms of percentage change in our analysis of traffic impacted by networks deployed in November 2020, Southwest Airlines’ airport domains define the list of large and medium hub airports.

- In the non-hub category particularly, small changes in service can have an outsized impact on the model output. Therefore, read cautiously.

- Now that the CARES Act funds have ended, the expectation that non-hub airports will see more traffic negatively impacted than airports larger in terms of enplanements is playing out. A different model outcome has been produced as non-hub markets were artificially supported by the government’s requirement that service was required if an airline took its portion of the CARES Act funding.