



The State of the North American Passenger Airline Industry—And What's on the Horizon

Figure 1 | Slow Growth in Domestic Economies

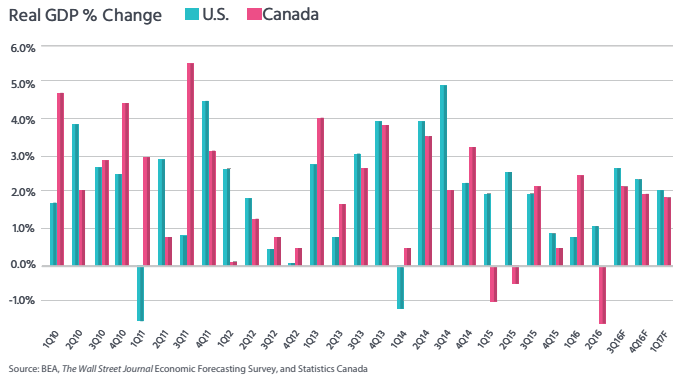


Figure 2 | Weak Global Economic Growth

	(P = Projected)	2014	2015	2016P	2017P
WORLD		3.4%	3.1%	3.1%	3.4%
ADVANCED ECONOMIES		1.9%	1.9%	1.8%	1.8%
United States		2.4%	2.4%	2.2%	2.5%
Canada		2.5%	1.1%	1.4%	2.1%
Euro Area		0.9%	1.7%	1.6%	1.4%
United Kingdom		3.1%	2.2%	1.7%	1.3%
Japan		0.0%	0.5%	0.3%	0.1%
EMERGING & DEVELOPING ECONOMIES		4.6%	4.0%	4.1%	4.6%
Developing Asia		6.8%	6.6%	6.4%	6.3%
Sub-Saharan Africa		5.1%	3.3%	1.6%	3.3%
Commonwealth of Independent States		1.1%	-2.8%	-0.6%	1.5%
Middle East/North Africa		2.7%	2.3%	3.4%	3.3%
Latin America & Caribbean		1.3%	0.0%	-0.4%	1.6%
Central & Eastern Europe		2.8%	3.6%	3.5%	3.2%

Source: IMF World Economic Outlook Update (July 2016)

Figure 3 | Low Jet Fuel Prices Benefit Industry

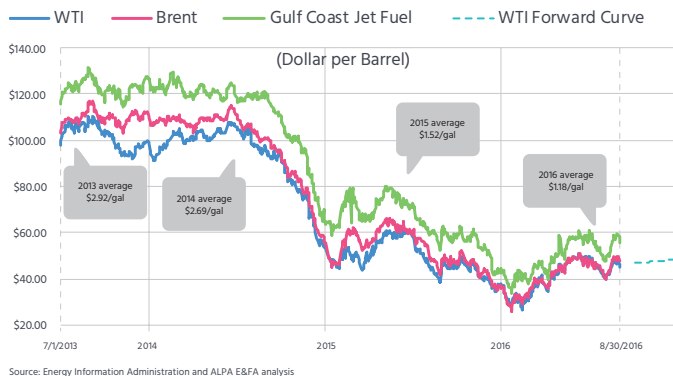


Figure 4 | Shareholders Demanding Larger Payouts

Total Shareholder Returns Through Buybacks and Dividends

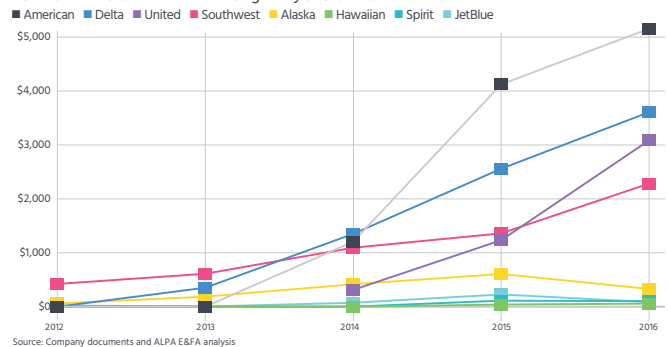


Figure 5 | Mainline Carriers Generate Record Profits

Corporate Pretax Margins	1H2016	1H2015	Pts. Chg.
Alaska	25.1%	22.5%	2.6
Spirit	21.3%	21.9%	-0.6
Southwest	20.6%	19.2%	1.4
JetBlue	18.8%	15.1%	3.7
Frontier	18.4%	17.7%	0.7
Delta	16.5%	11.1%	5.4
U.S. INDUSTRY	15.6%	14.3%	1.3
Hawaiian	15.3%	9.1%	6.2
American	14.2%	15.0%	-0.8
Virgin America	12.3%	10.4%	1.9
United	11.6%	10.0%	1.6
WestJet	8.9%	13.9%	-5.0
Air Canada	4.2%	5.8%	-1.6

Source: Corporate press releases and SEC filings, ALPA E&FA analysis, and BTS Form 41. Excludes special items (other than fuel hedging settled in current period)

Figure 6 | Revenue Weakness Permeates Industry

Mainline PRASM, SSL Adjusted	1H2016	1H2015	% Chg.
Hawaiian	11.19	11.04	1.4%
Southwest	9.58	9.76	-1.9%
Delta	12.38	13.04	-5.1%
Virgin America	10.43	11.08	-5.9%
Alaska	9.93	10.58	-6.2%
American	11.51	12.32	-6.6%
U.S. INDUSTRY	9.77	10.53	-7.2%
JetBlue	10.41	11.31	-7.9%
United	13.17	14.32	-8.0%
Spirit	3.93	4.98	-21.0%
Frontier	5.12	6.83	-25.1%
Air Canada	13.90	15.00	-7.3%
WestJet	13.80	15.00	-8.0%

Industry average includes U.S. carriers only, SSL adjusted
Air Canada and WestJet PRASM is reported in CAD\$ and not SSL adjusted

Source: Corporate press releases and SEC filings, OAG, ALPA E&FA analysis, and BTS Form 41

Figure 7 | Low Fuel Costs Offset Revenue Weakness

Mainline Average Fuel Cost (\$/gal)	1H2016	1H2015	% Chg.
American	1.31	1.86	-29.6%
JetBlue	1.31	2.10	-37.6%
Spirit	1.35	2.02	-33.2%
Frontier	1.37	1.93	-28.8%
Alaska	1.40	2.05	-31.7%
United	1.42	2.12	-33.0%
U.S. Industry	1.48	2.14	-30.9%
Hawaiian	1.54	2.22	-30.6%
Virgin America	1.55	2.32	-33.2%
Delta	1.74	2.78	-37.4%
Southwest	1.80	2.01	-10.4%

Air Canada	1.84	2.54	-27.6%
WestJet	1.90	2.54	-25.2%

Industry average includes U.S. carriers only
 Air Canada and WestJet fuel costs are CAD\$/gal and include fuel costs for third-party carriers
 Delta fuel price includes impact of fuel hedge losses realized in 1H2016 (approximately \$0.28/gal)
 Source: Corporate press releases and SEC filings (excludes out-of-period hedges) and BTS Form 41

Figure 8 | Airline Capital Expenditures More Than Triples

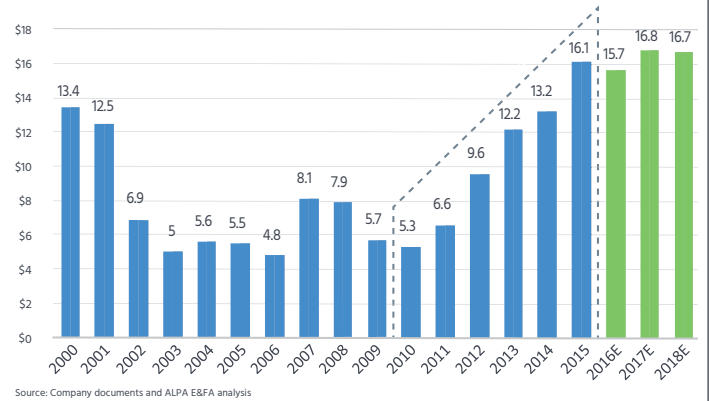


Figure 9 | U.S. Airline Industry Pretax Margins Peaking?

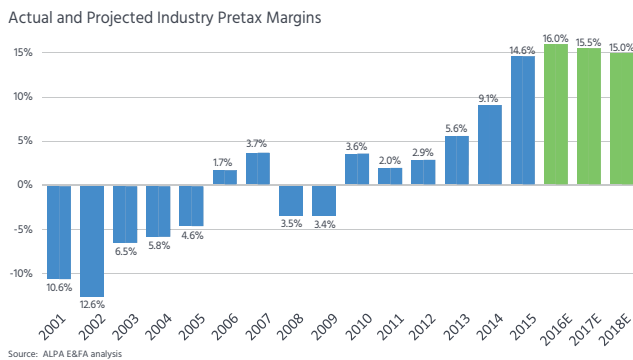


Figure 10 | Factors Affecting FFD Flying Today

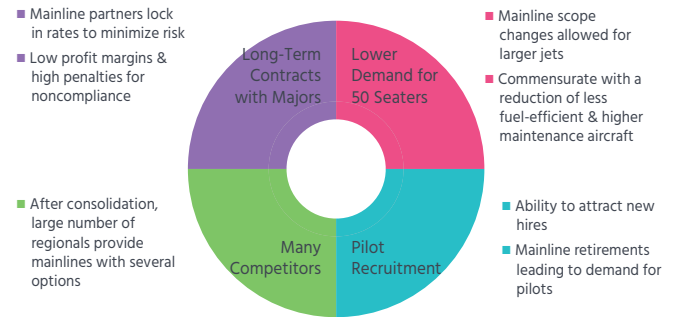


Figure 11 | FFD Block Hours Declining

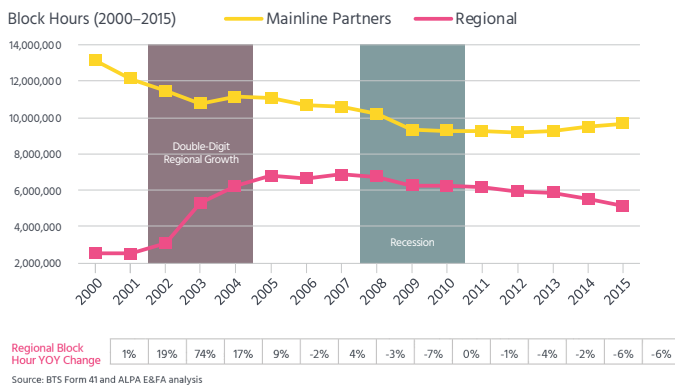


Figure 12 | Regional Aircraft Fleet Favoring Larger Aircraft

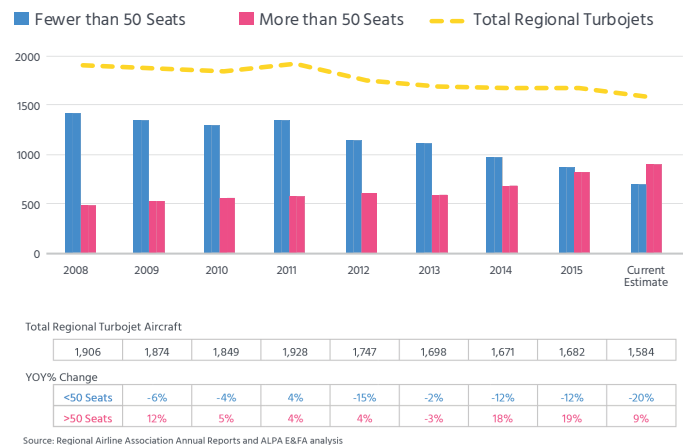
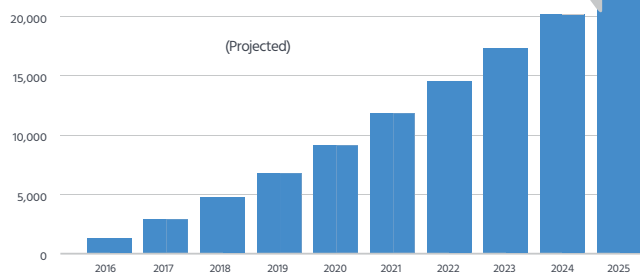


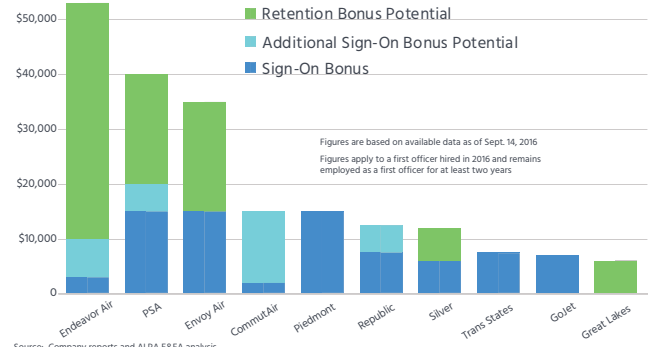
Figure 13 | Age 65 Retirements at Large-Jet Carriers

Active Pilots Turning Age 65 at Alaska, Hawaiian, UPS, FedEx Express, Southwest, American, Delta, and United



Source: ALPA membership data and ALPA E&FA research for non-ALPA pilots

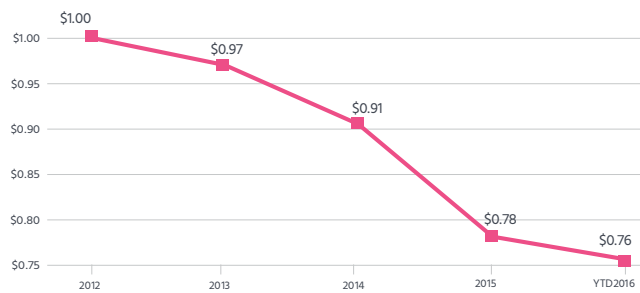
Figure 14 | FFD Carriers Rely on Bonuses to Attract/Retain Pilots



Source: Company reports and ALPA E&FA analysis

Figure 15 | Weakened Canadian Dollar vs. U.S. Dollar

Average USD per CAD



Source: ALPA membership data and ALPA E&FA research for non-ALPA pilots

Figure 16 | Airline Profit Cycle

