

## State of the Industry

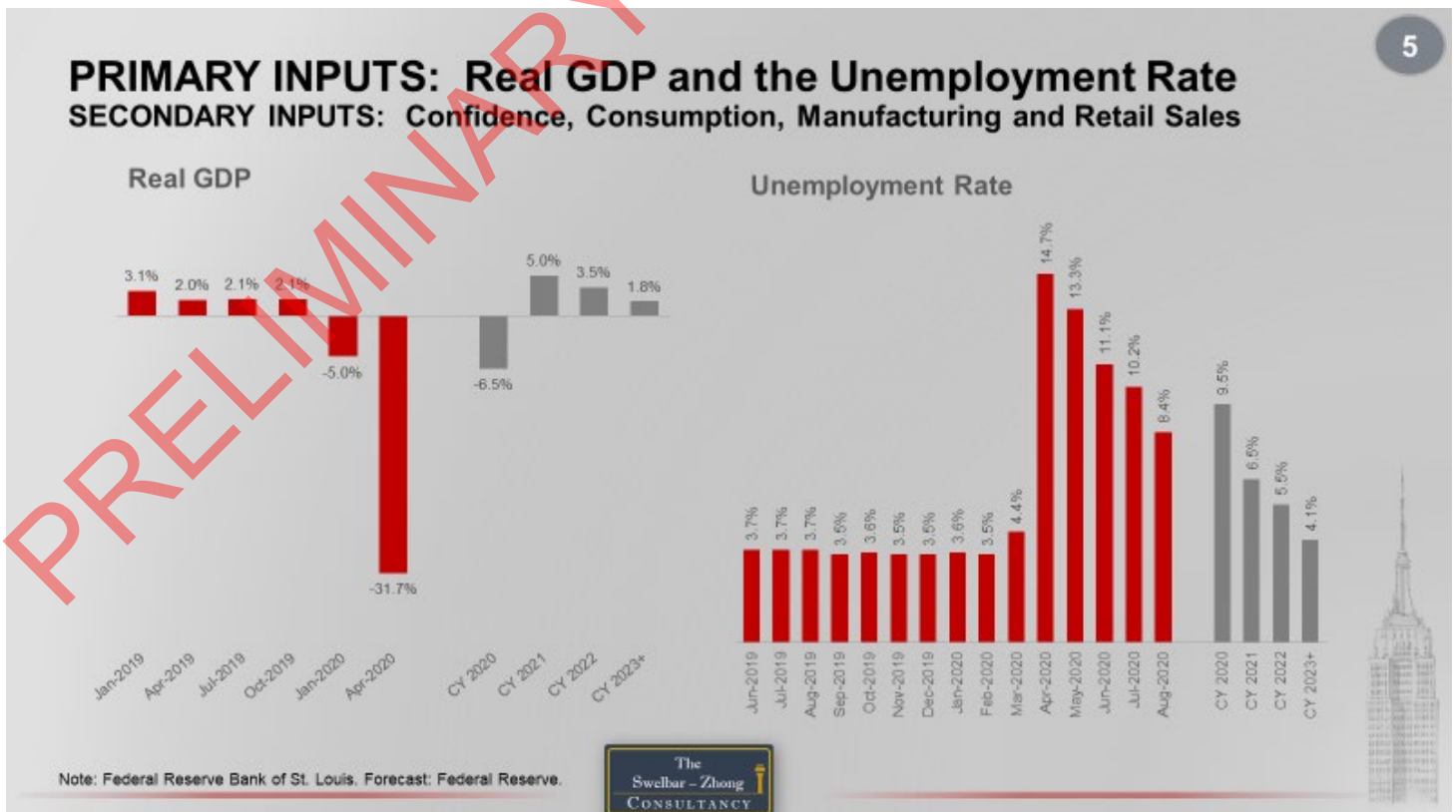
Airlines continue to struggle, irrespective of any additional stimulus funds (HEALS or HEROES Acts) with predictions by one analyst (Swelbar & Zhong) that the vast majority of airlines may reach 40% of normal by the end of 2021, and the long-term outlook for a full recovery from 2019 will not occur until 2027! The Eastern and Western seaboard are the slowest to recover while the Rocky Mountains and Midwest appear to rebound more quickly. Denver International Airport (DEN) is reportedly pushing past 51% of normal and recovering quicker than most metropolitan airports, this is despite United and Southwest having the least amount of capacity space to add more aircraft back into the fleet.

Most carriers are shedding smaller communities from their routes, parking older airplanes and reducing overall capacity in order to increase yield. In the meantime, low-cost and ultra low-cost carriers such as Southwest, Frontier and Allegiance are looking to take advantage of the shifting market.

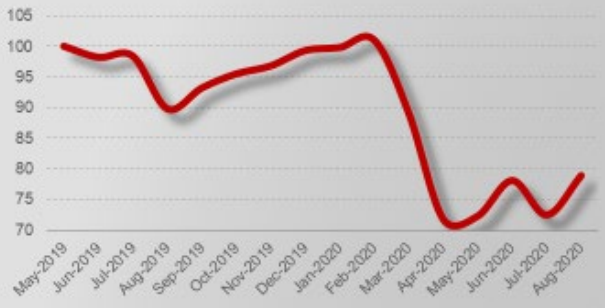
The general aviation charter market has seen a significant uptick in activity with one firm reporting a 300% increase in activity, driven primarily by the reduction in airline capacity, and lingering uncertainty about the potential spread of C-19 aboard commercial airlines, especially on long-haul flights. These increases will have a marginal effect on overall operations at APA but fuel sales will likely rebound quicker despite some corporations with international activity operating at reduced levels due to overseas restrictions.

In terms of operational activity since the pandemic started, DEN is now the fifth busiest airport in the US, with Centennial Airport (APA) in 6<sup>th</sup> place, up from its customary 23-25 position of all US airports. Activity at APA has been surprisingly strong with flight departure delays regularly exceeding 25-45 minutes, which is unacceptable. Staff has been in discussions with FAA ATC management and they are looking into the situation. A combination of ATC staffing, Clearance delays at TRACON, increases in flight training clogging taxiways.

The following selected graphs will help illustrate the current state of the industry as analyzed by Swelbar & Zhong:

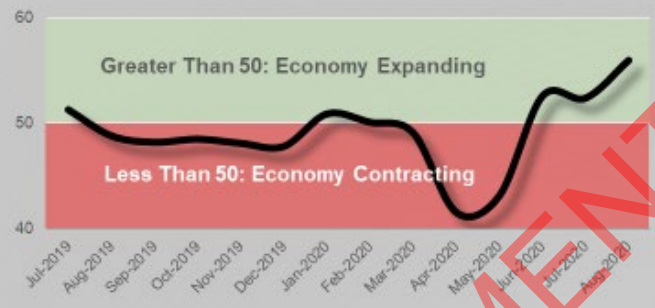


Consumer Confidence



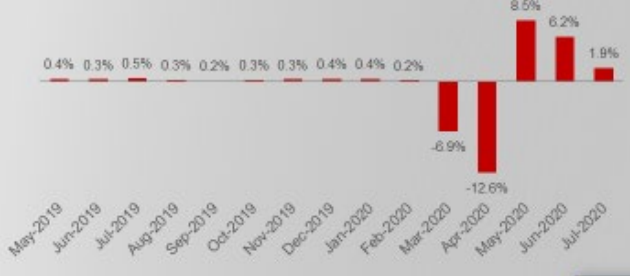
Source: University of Michigan.

Manufacturing ISM Report on Business



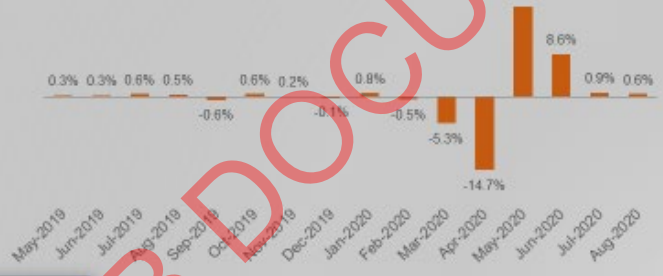
Source: Institute for Supply Management.

Personal Consumption Expenditures

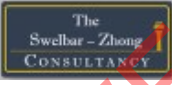


Source: Federal Reserve Bank of St. Louis.

Retail Sales

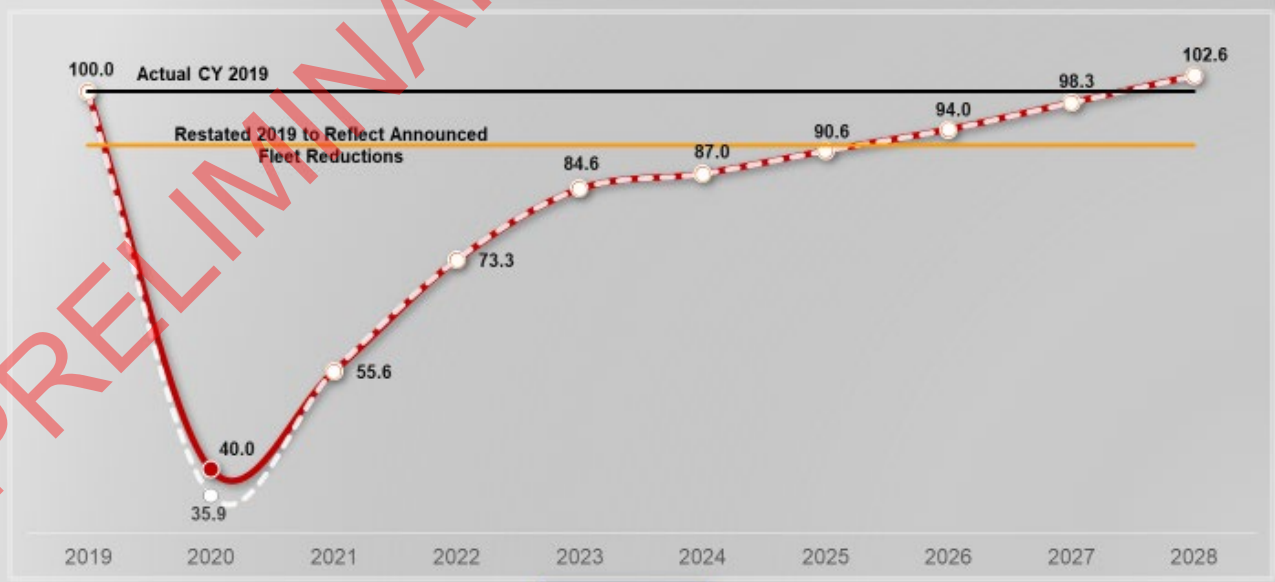


Source: Federal Reserve Bank of St. Louis.



U.S. Domestic Air Traffic Recovery

2019 Actual = 100



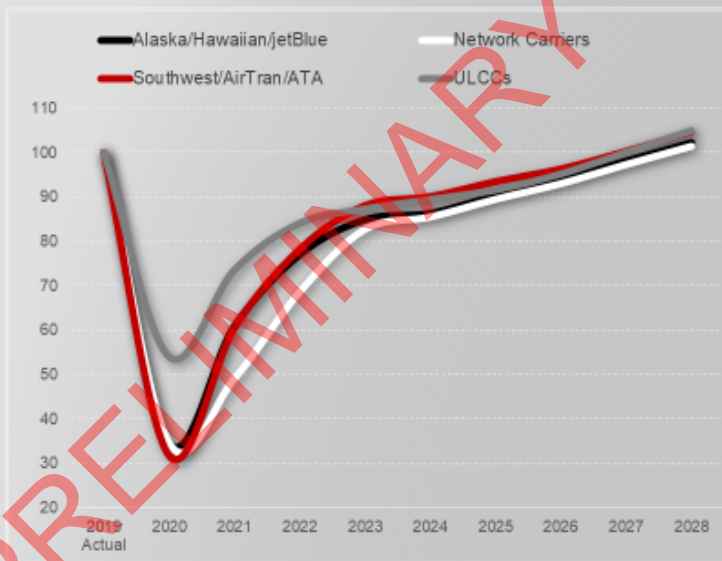
# A Nascent Recovery – Still Not at 40% of 2019 Traffic Levels - Moving 7-Day Total 2020 v. 2019



Source: TSA.



# Projected U.S. Domestic Traffic Recovery by Carrier Types



Note: Network Carriers include Delta/Northwest, American/US Airways/America West/TWA, and United/Continental; ULCCs include Frontier, Spirit, and Allegiant.



- **Network Carriers:** It is expected that the network carriers will recover slower than will other players in the industry. The sector has announced the greatest number of aircraft reductions; business travel is expected to be less; and hubs will be smaller and likely fewer.
- **Southwest:** Like the period following 9/11, it is expected that Southwest will exploit industry weakness and grab share in markets critical to their network.
- **Hybrids:** This sector is made up of Alaska, jetBlue and Hawaiian. All have loyal customer followings. These carriers all serve markets with strong leisure attributes, therefore they are assumed to get planes back in the air as soon as practical.
- **ULCCs:** All of the ULCCs are expected to grow rapidly, then see their growth trajectory flatten.