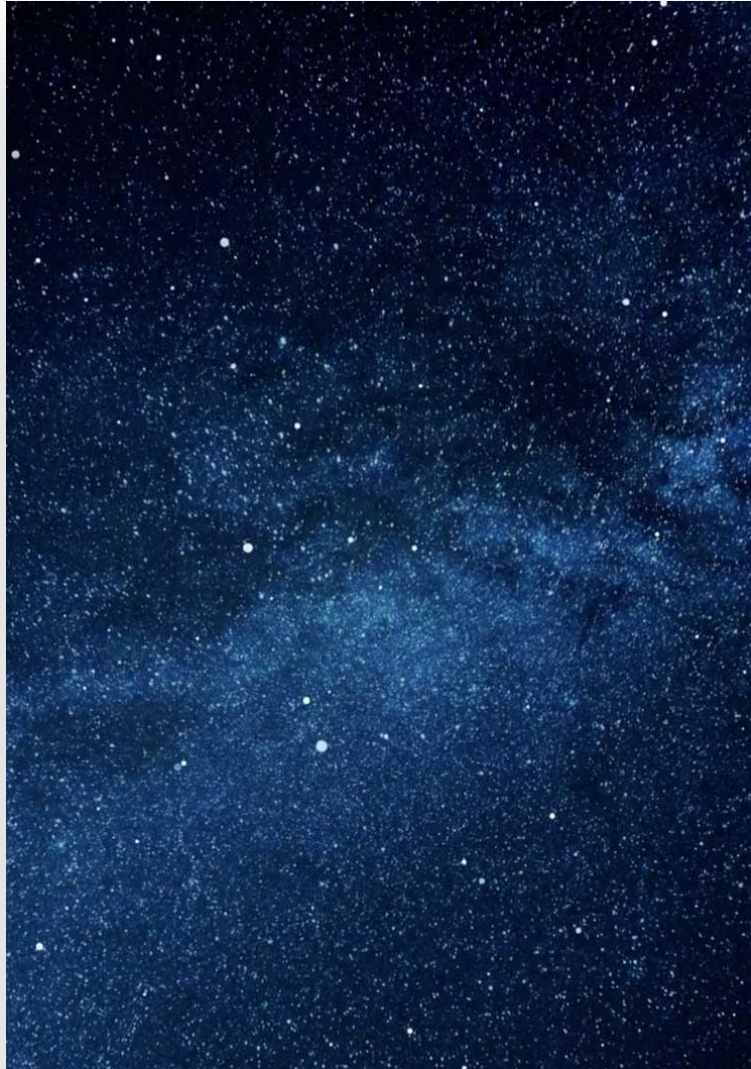
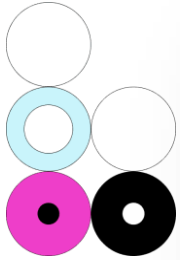




Flying The Uncertain Skies - An Airline Industry Update



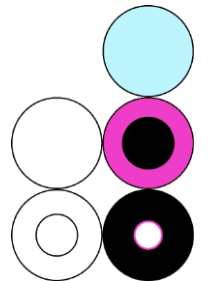
Sue Skowron
Corporate Sales Manager



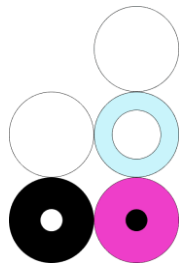
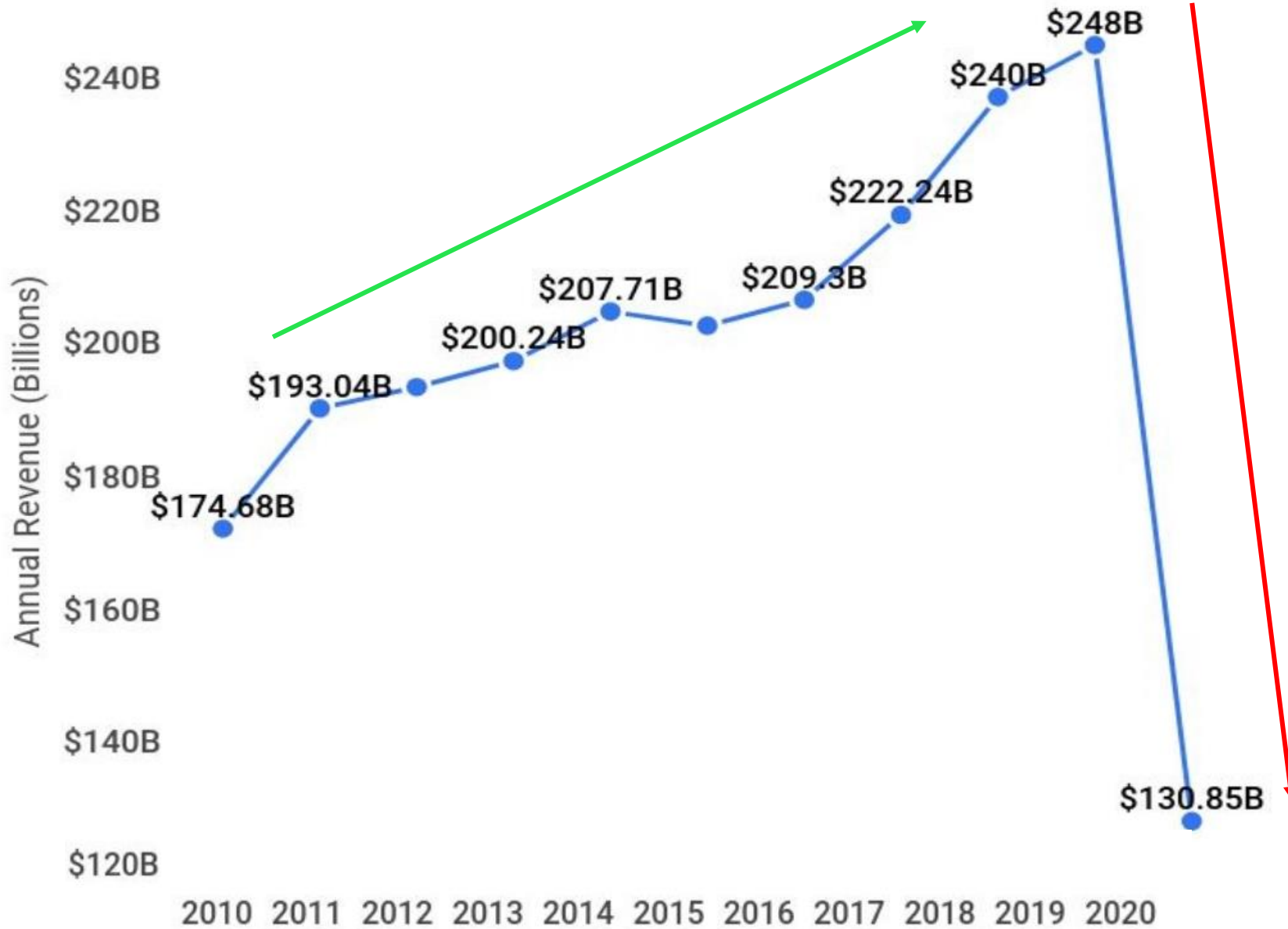
Agenda

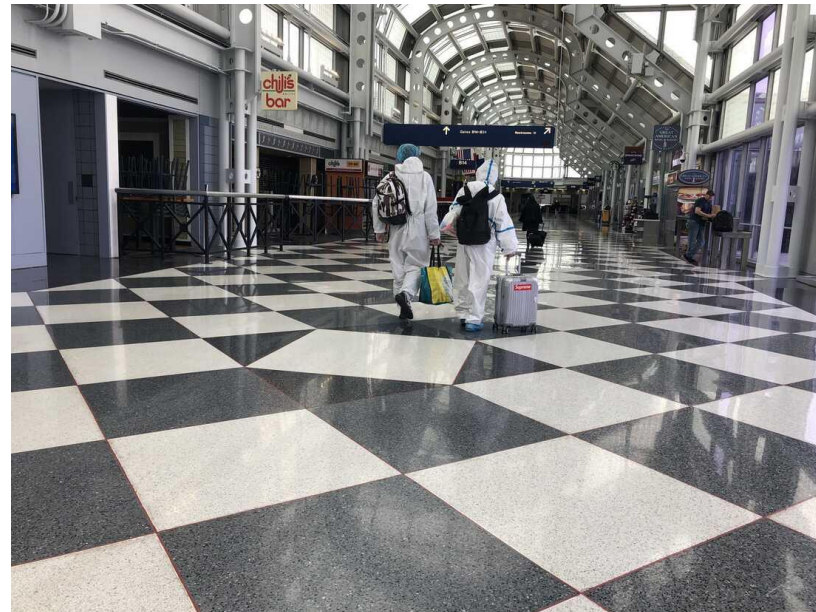
- Making Lemonade
- So, What We are Seeing Now
- Industry Issues
- What Does The Future Look Like?
- NDC
- Q & A

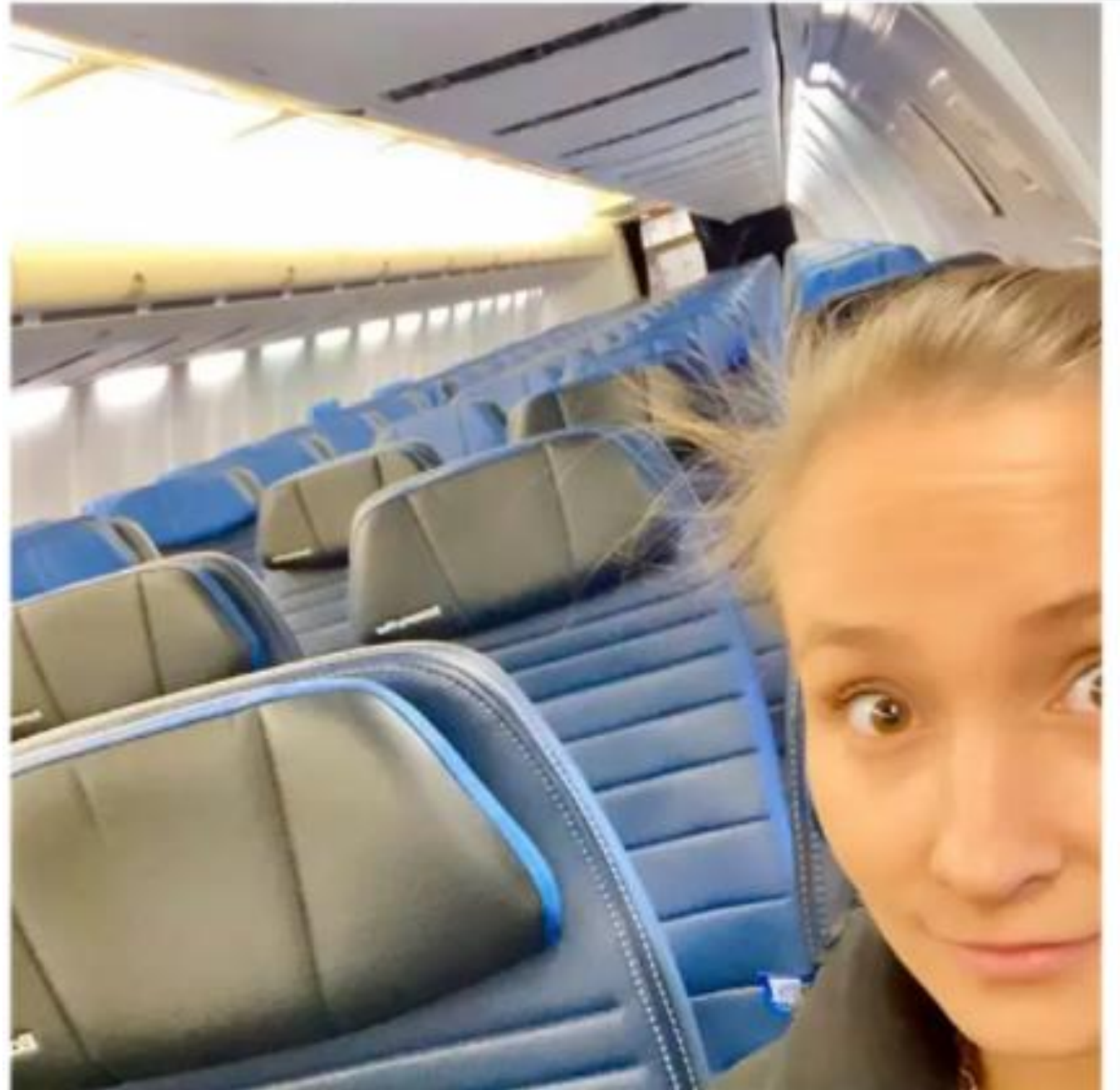
Making Lemonade



US AIRLINE INDUSTRY REVENUE 2010-2020







AIRLINES

U.S. airlines' 2020 losses expected to top \$35 billion as pandemic threatens another difficult year

PUBLISHED FRI, JAN 1 2021 7:30 AM EST | UPDATED FRI, JAN 1 2021 5:39 PM EST



Leslie Josephs
[@LESLIEJOSEPHS](#)

SHARE



KEY POINTS

- Analysts expect U.S. airlines' losses to top \$35 billion as the pandemic weighs on demand.



Power Lunch

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UP NEXT | **Closing Bell** 3:00 PM ET

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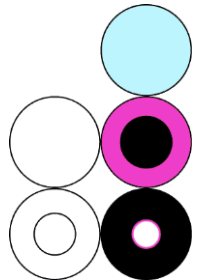


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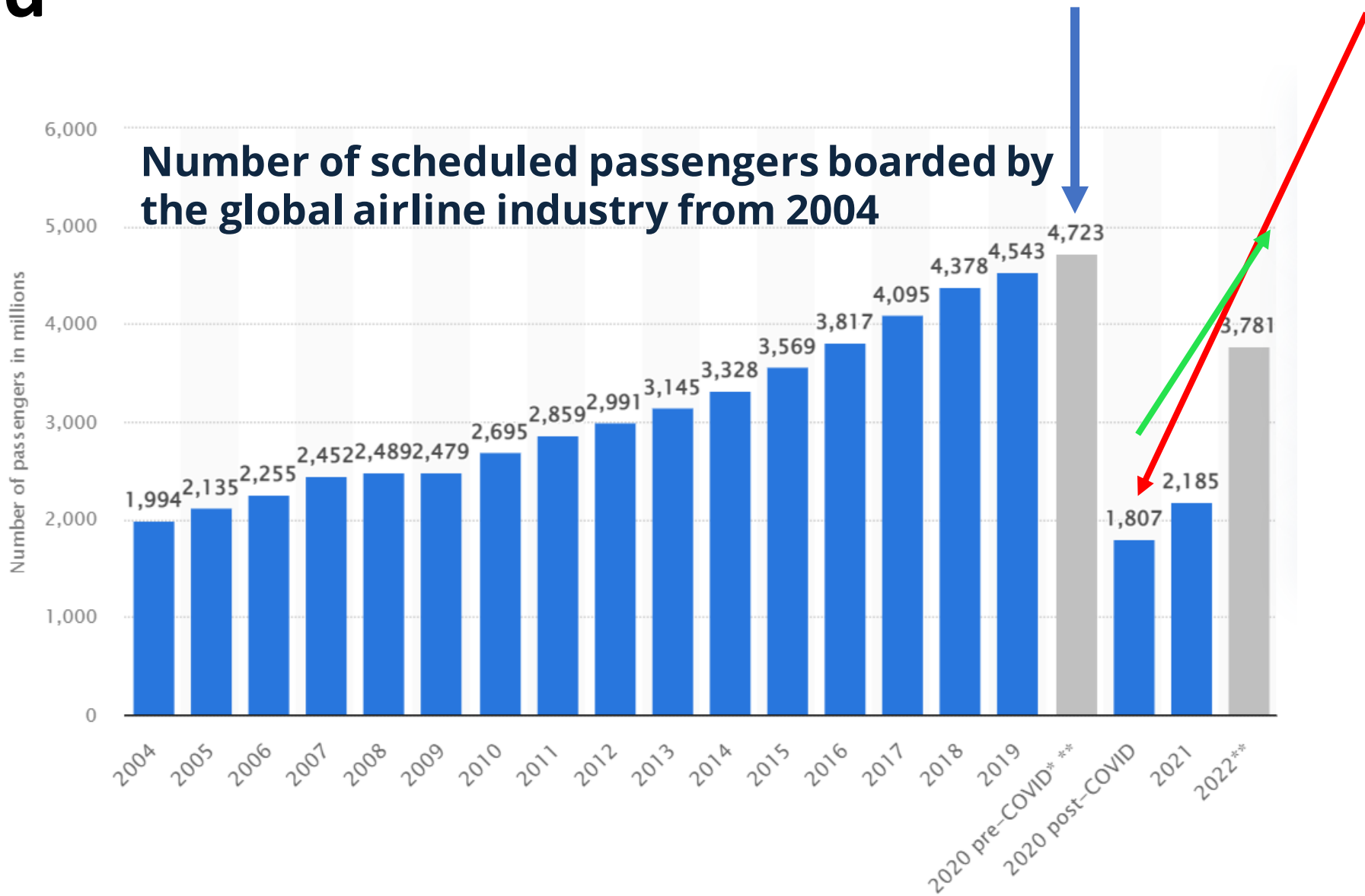
TO THE

BEACH

So, What We Are Seeing Now?

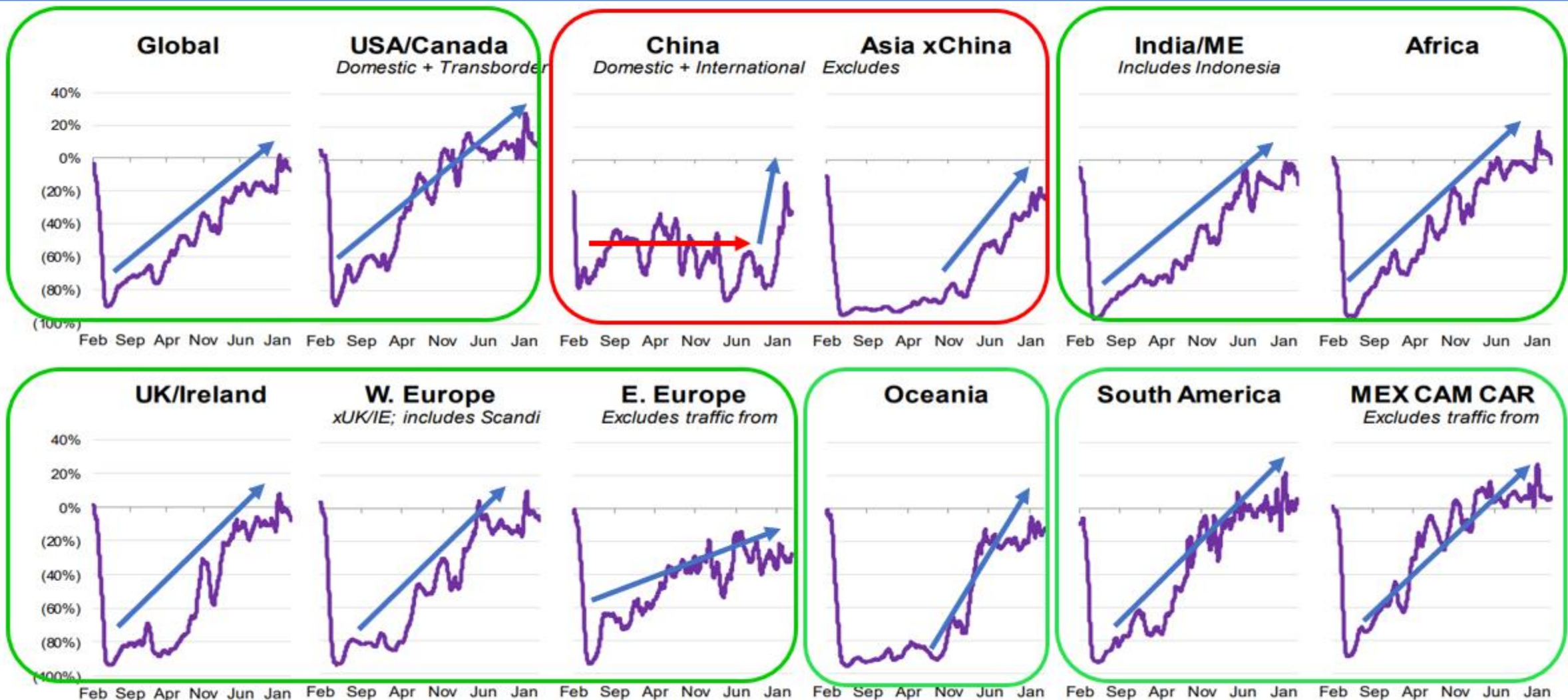


Demand



Details: Worldwide; 2004 to 2020

Global Air Travel Demand



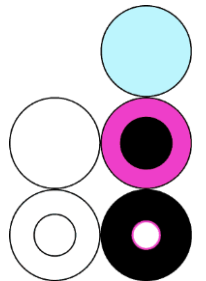
Demand Forecast

- Domestic traffic expected to get back to 2019 levels by late 2023*
- Leisure / “Bleisure” demand continues to be strong
- Global traffic will recover to 2019 levels by 2H 2024*
 - A year sooner than previously forecast
- Global business travel - 85% of pre-pandemic levels
- IATA predicts that the industry will make a modest profit in 2023 – first time since 2019

*Airports 2023 Outlook



Industry Issues



While US Carriers Encouraged by 2022 Demand and Optimistic for a strong 2023.....

Recession

Staffing

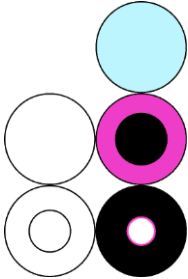
Infrastructure

Supply Issues

Geo-political Issues

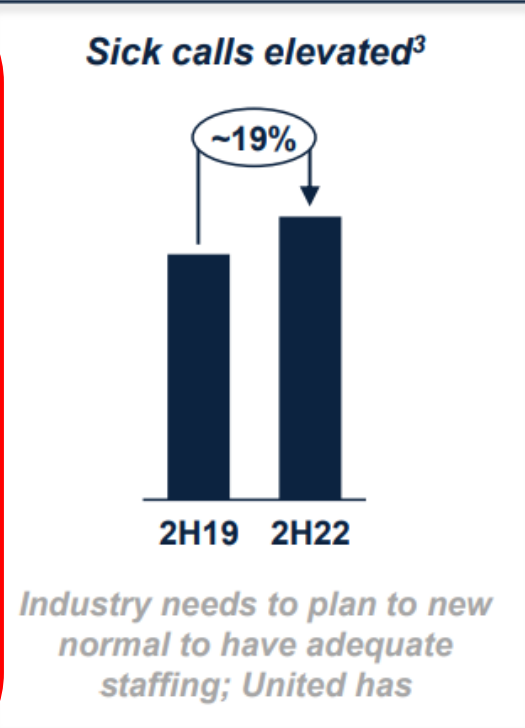
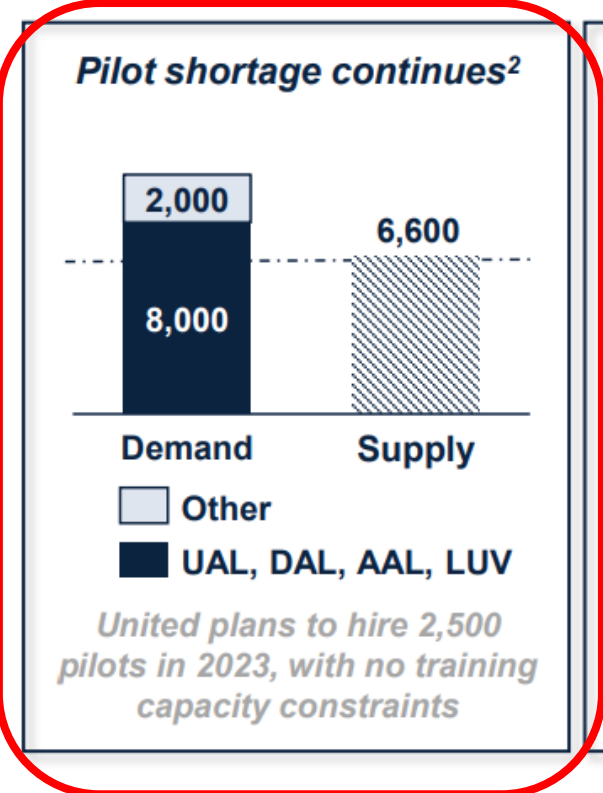
Inflation

Labor and Fuel Costs



Current industry capacity outlook for 2023 is unachievable, similar to 2022¹

Multiple constraints restricting industry capacity



OEMs are behind

Airbus, Boeing Aircraft Delivery Delays Slow Airline Recovery

CFM struggles to pull Leap deliveries back on track, as supply chain woes persist

Airbus CEO says supply chain still 'very complex'

Industry experiencing OEM delivery delays; planes will be late

Many airlines and ATC have outgrown tech infrastructure

"We've talked a little bit over the last year about the need to modernize the operation and invest. This is why. We can't be our size and scope and have a lack of tools. So, you'll be hearing even more about how we invest to fix the issues that confront us as an airline." – airline CEO

Airlines have underinvested in their systems; United has a large head start

¹ Initial outlooks reflect FY22 capacity guidance from December 2021 through May 2022 in which the industry missed initial guidance by estimated ~7 pts on average;
² Demand figures include U.S. airlines UAL, DAL, AAL, LUV, ALK, JBLU, SAVE and ULCC based on carrier commentary, supply figure estimated based on average Airline Transport Pilot License issuance 2015-2019; ³ Sick rates reflect United frontline employee sick rates for 2H19 and 2H22

Critical Industry Need for Pilots

- Pipeline issue that pre-dated Covid
- FAR 117 / 1,500 Hours
- Critical need for 12,000 new pilots in the US by 2023
- Global need for 34,000 new pilots by 2025
- The “Perfect Storm”



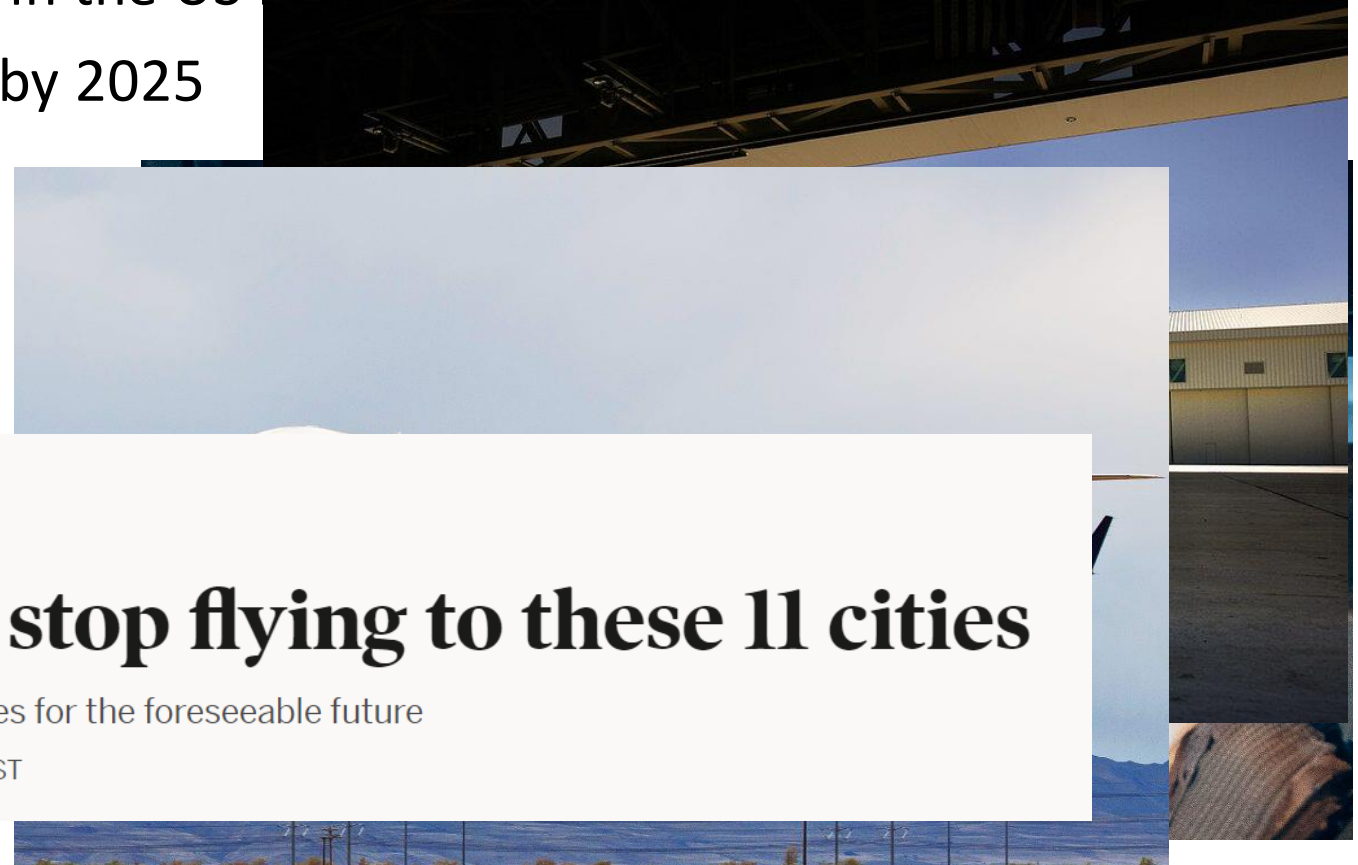
al

TRAVEL U.S. & WORLD

United Airlines will stop flying to these 11 cities

United Airlines said it will stop flying to 11 U.S. cities for the foreseeable future

By Herb Scribner | @HerbScribner | Nov 10, 2021, 5:00am MST



How is this being addressed?

- Regional Carriers – Bonuses / Better wages
- Cadet flow-thru programs initiative by major carriers
- Partnerships with major universities aviation programs
- Flight training academies
 - United Airlines – Aviate Academy



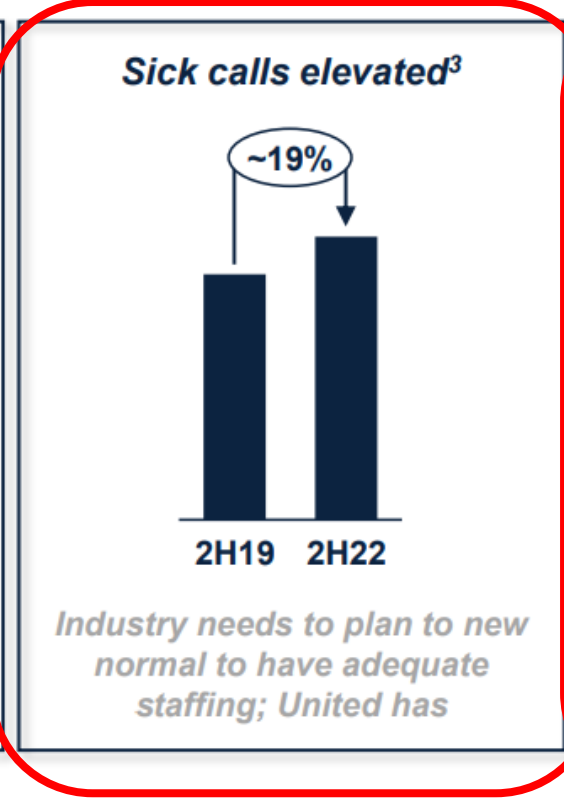
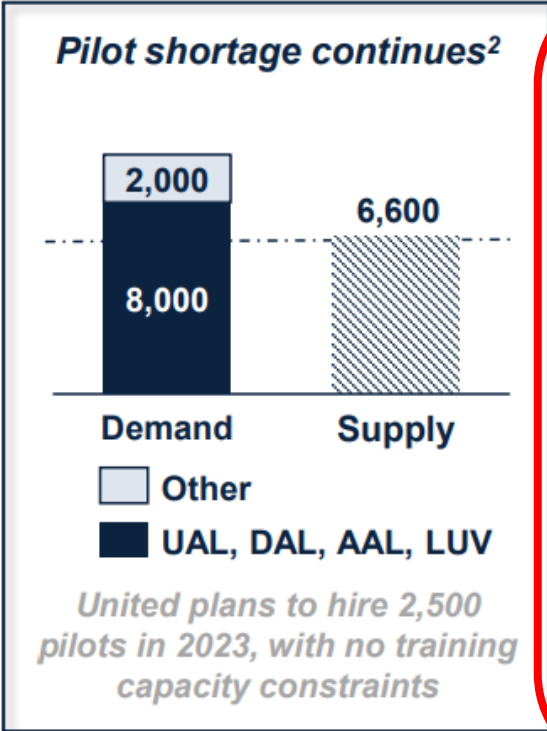
Another “Perfect Storm” brewing as well....

- Airline Mechanics
 - 14,400 openings per year over the decade / 192,000 between now and 2039
 - 20% currently 64 or older / 35% turnover w/i next 2-5 years



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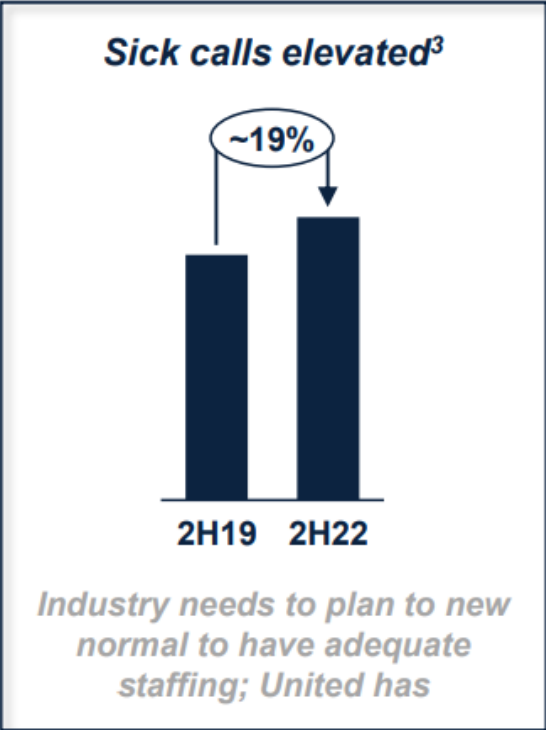
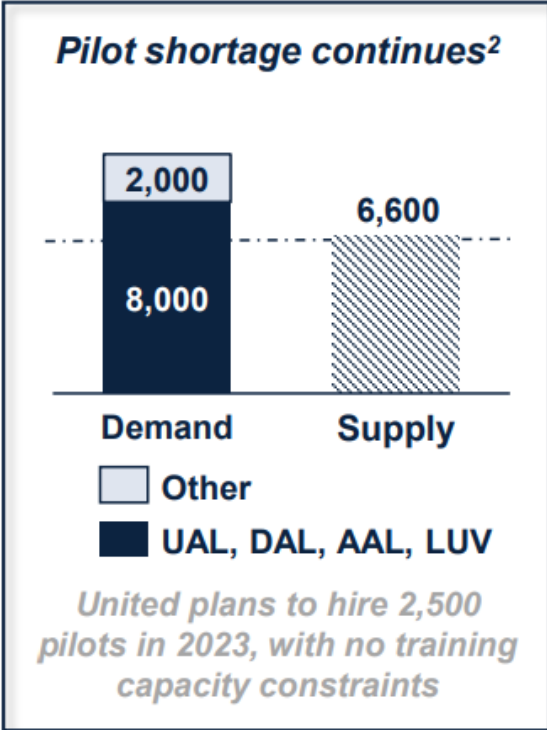
Covid wiped out 15 years of capacity growth

- Pre-Covid – 2,000 aircraft in storage, today close to 5,000



Current industry capacity outlook for 2023 is unachievable, similar to 2022¹

Multiple constraints restricting industry capacity



OEMs are behind

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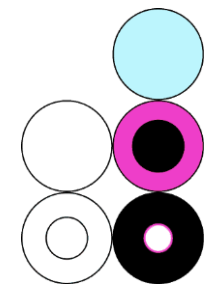
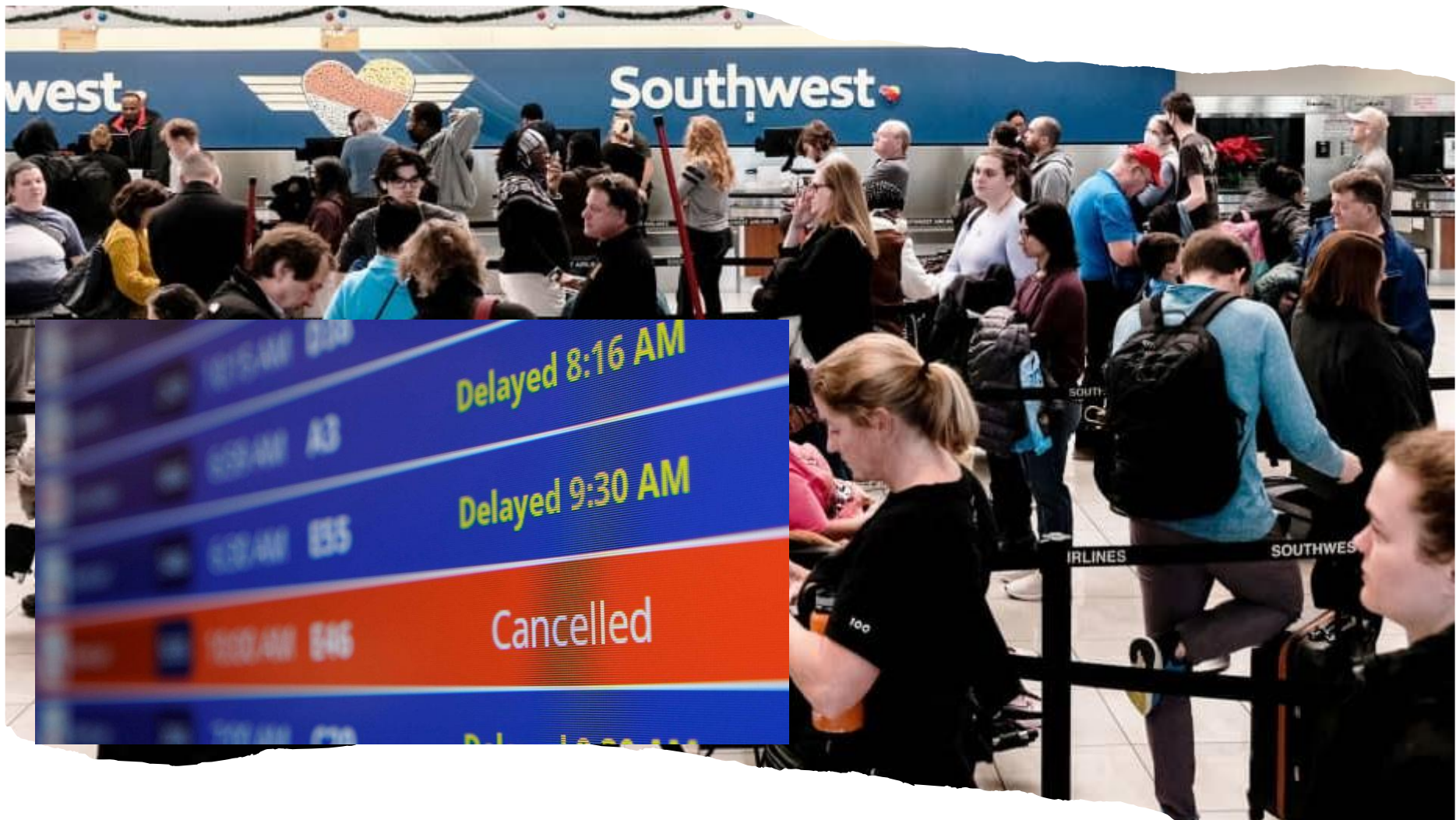
Many airlines and ATC have outgrown tech infrastructure

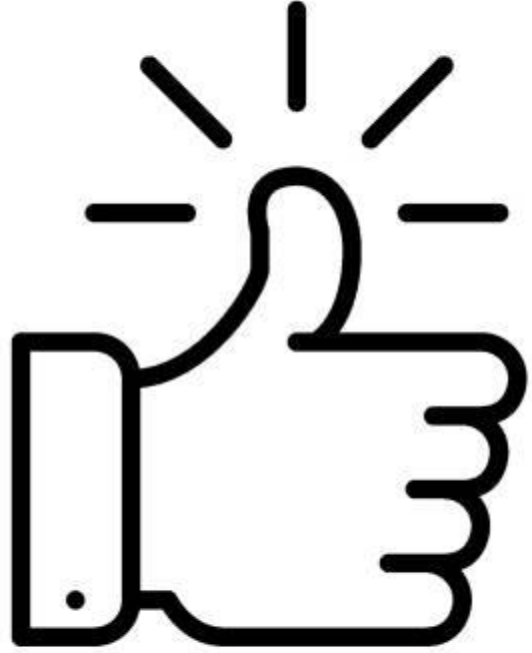
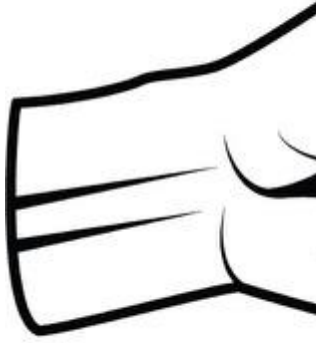
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Infrastructure Issues

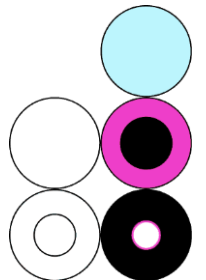




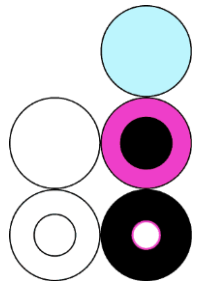
Watch This Space.....



- Demand will outpace supply in the near term
- Operating costs will climb
- Periods of over-scheduling and capacity adjustments
- Operational execution will vary
- Geo-political tensions
- Congressional approval of needed technology
- Return to profitability



What Does the Future Look Like?













Conceptual render

United Announces \$5 Million Investment in Carbon Capture Company Svante



*Airline looks to turn CO₂ removed from the atmosphere into sustainable aviation fuel
United has invested in more future SAF production than any other airline in the world¹*

"Carbon capture technology has the potential to be a critical solution in the fight to stop climate change and has the added benefit of helping us scale the production of SAF," said United CEO Scott Kirby. "And at United we're building on that approach by investing in both companies that can capture CO₂ and others that can turn it into fuel. There's no question that this carbon utilization is in its infancy today, but as a leader in sustainable flying we must help build the foundation to deploy this technology of the future as expediently as possible. This is truly a global imperative, and United's investment in Svante reflects our dedication to making sustainable travel a reality."



United NDC



United's best content via the world's most efficient distribution systems

United Airlines Content: Our Safe Harbor Message

- United is channel agnostic
- We **do not** advocate or promote any one channel more than another
- We provide content through the **major GDS's**
- We **do not** provide incentives to any customer for choosing one channel over another
- Where you consume schedule, price and inventory from an airline is a **business & cultural decision** each customer, agency, travel management company must make on their own



What is NDC? (IATA's New Distribution Capabilities)

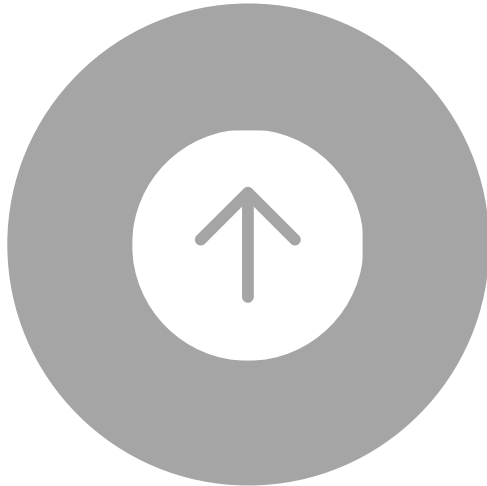
NDC is an IATA launched, industry supported initiative to **distribute airline content** through XML standards



What does that mean?

NDC gives airlines the ability to market and sell their products the way they want to outside of legacy distribution systems.

Travelers expect tailored products based on their needs and wants



Loyalty cabin
upgrades

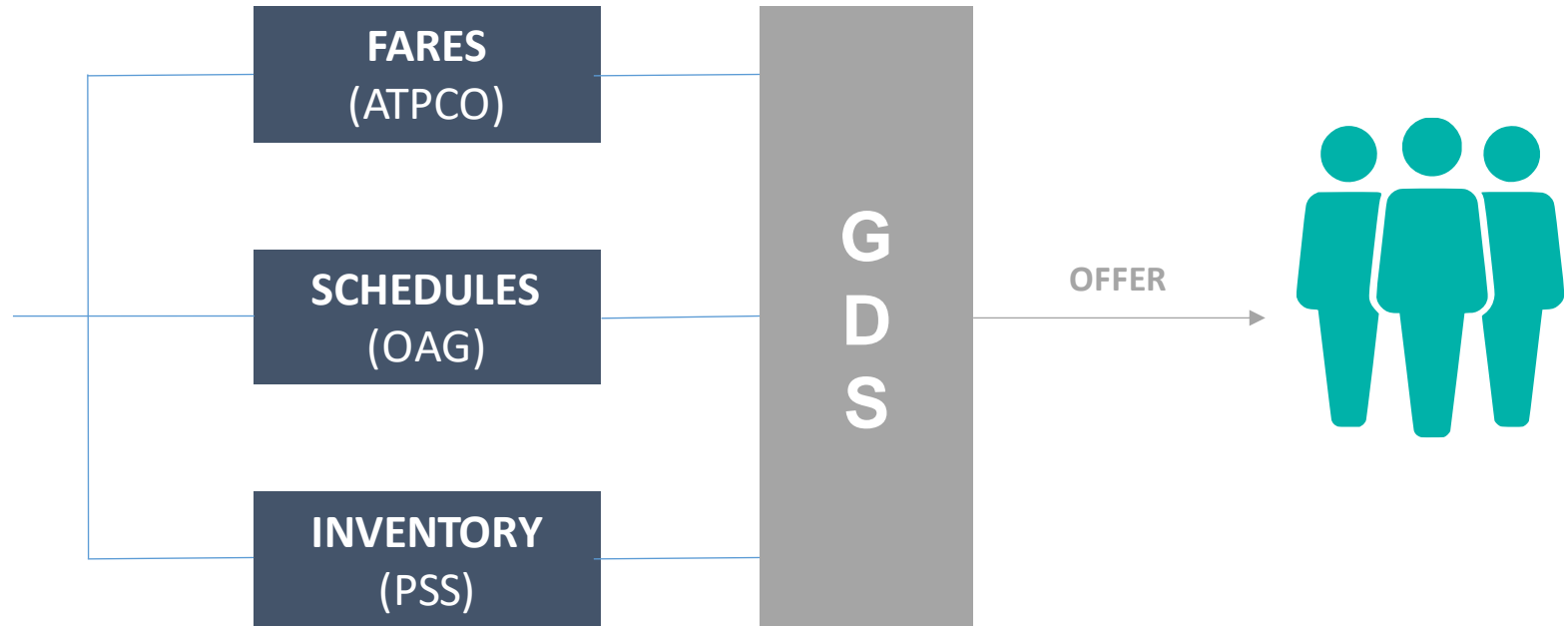


United Club
access



Pre-paid
checked bags

But older GDS technology limits the shopping experience and available products



NDC offers direct access to a full suite of products as well as enhanced capability

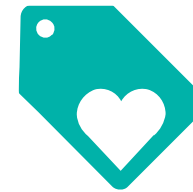
Personalized content



Flight content



Ancillary content



Loyalty benefits



Rich content*

Powerful servicing



United ticketing



Always in sync



Waivers



Notifications

Dynamic Bundled Fares: Our portfolio

Bundle	Economy Plus	Bag	United Club	Premier Access	Miles	Priority Boarding	Wifi Day Pass
B01	•						
B02		•					
B03			•				
B04				•			
B05			•		•		
B06		•	•				
B07			•				
B08	•		•				
B09	•						
B10	•	•					
B11	•		•				
B12		•	•	•	•		
B13	•	•	•				

Continued...

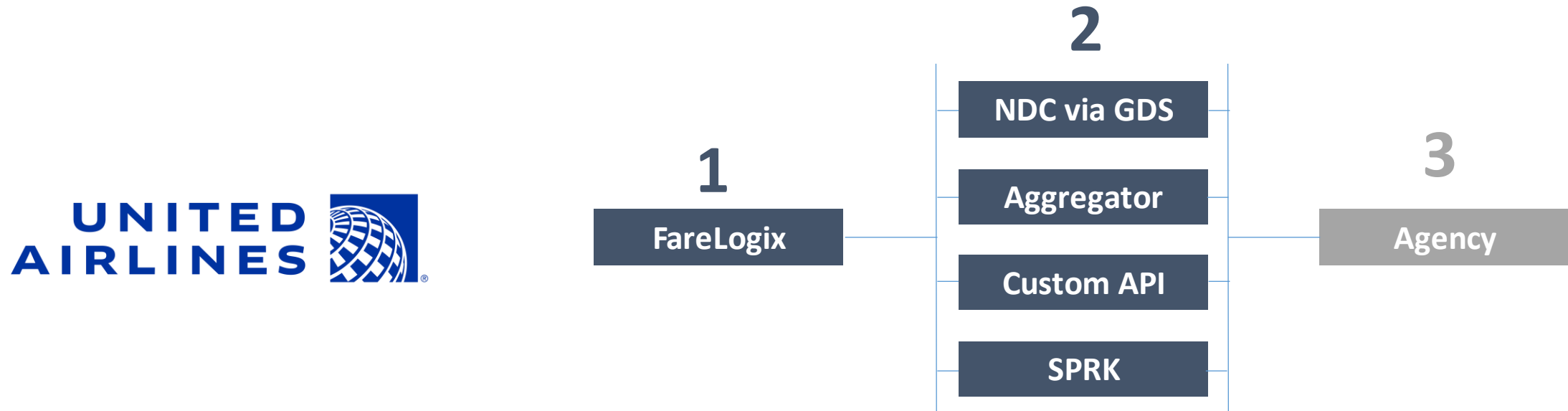
Continuous Pricing: Concept



Continuous pricing: Price Point Facts

- Can only be deployed using **modern technology standards**
- **Legacy systems** require us to use fare increments that are much larger than we desire
- Fares generated using continuous pricing will **often be lower** than fares using legacy technology
- Continuous pricing **will not** be higher than any published service class fare in traditional pricing model
- Continuous pricing system effectively **opens a bucket** that would otherwise be closed
- **Offered to the GDS**, but they are unable to display like NDC
- **All fare rules apply** on continuous price points

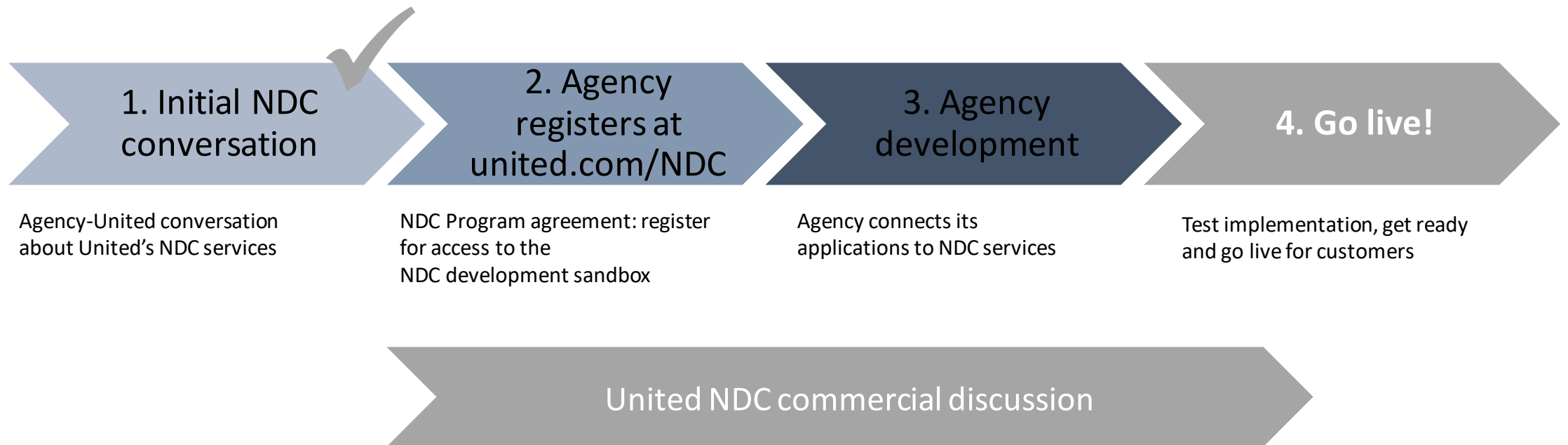
NDC Connection Options

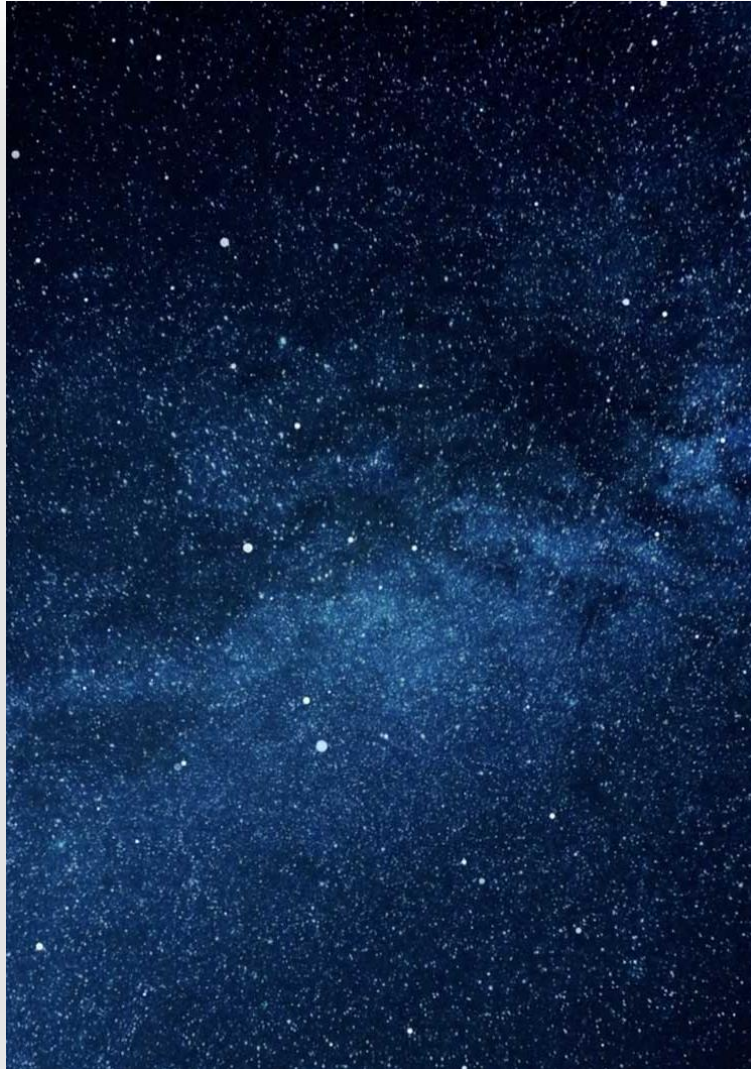
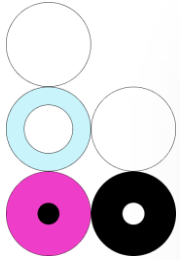


1. United works with **Farelogix** to enable our NDC content for agency customers
2. Agencies should select an **NDC connection strategy** based on their business and cultural needs
3. Agencies must consider an **agent desktop tool** to service bookings via an NDC channel

Process for connecting to NDC services

- NDC is available to agencies worldwide via **direct connect, aggregator or GDS**
- **United's Distribution team** is available to assist United Sales and agencies in the NDC journey





Flying the Uncertain Skies – An Airline Industry Update

- Q & A
- Thank You!