COVID-19 activity scenarios methodology and latest update

October 8, 2020

Financial Planning Activity Scenarios: Post COVID-19 approach

Inputs (data)

- Published advance airline schedules (seats)
- Travel restrictions limiting domestic and international activity
- Airline service announcements (additions, reductions, aircraft mix)
- Consultations with airline and travel industry representatives
- Post-recovery annual growth trends (master plan)

Assumptions

- Time to return to 2019 (pre-COVID-19) levels
- Shape, length, and extent of a recovery
- Passenger load factors (percent of occupied seats) trends
- Average aircraft size (average seats per operation)

Activity scenarios

- Multiple scenarios (“high, baseline, low”)
- Passengers (domestic/int’l)
- Aircraft operations (also informs landed weight)
- Benchmark to industry recovery scenarios

September updates to 2020 & 2021 scenarios

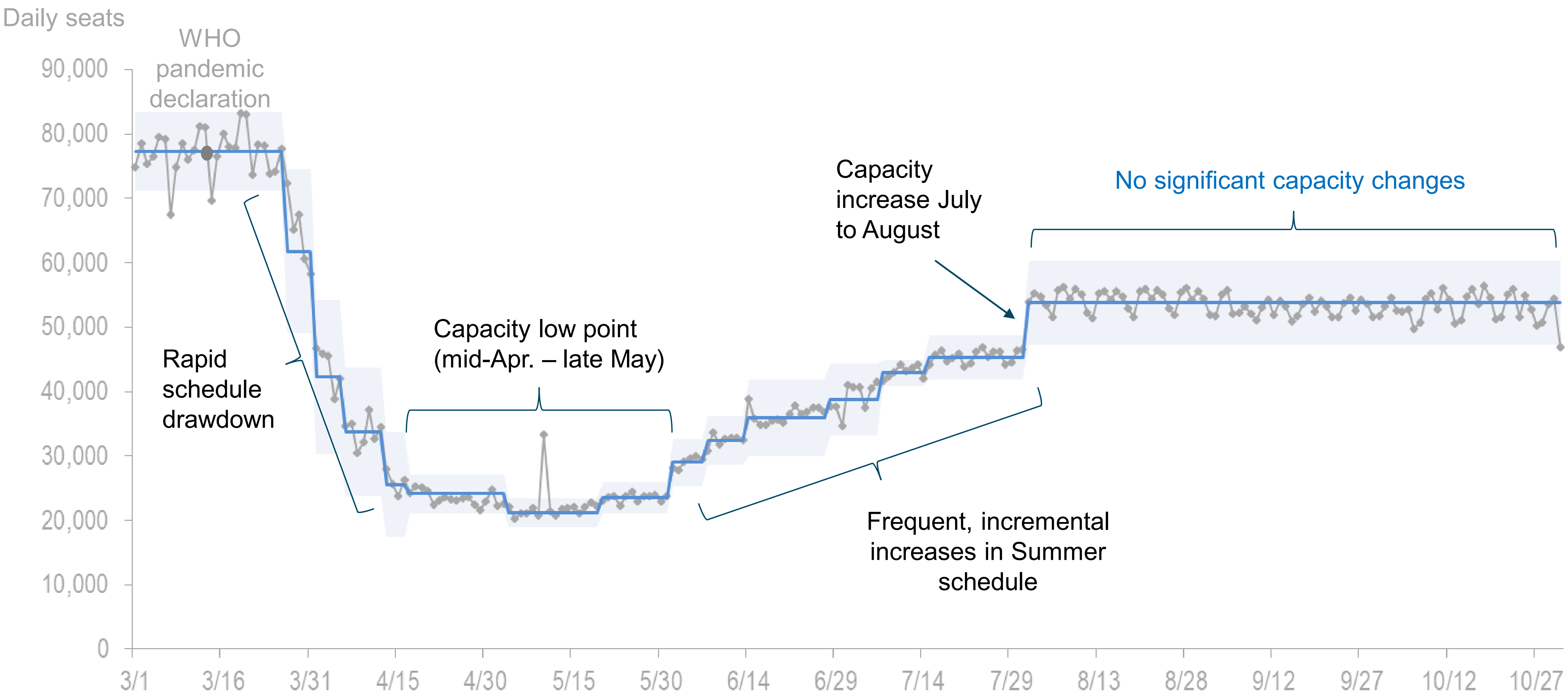
DATA

- Actual performance through August
- Flight schedules (Sep. OAG + Q4 est. based on airline announcements)
- Load factors (assumed gradual increase for remainder of 2020 informed by YTD history)
- Fleet mix (used OAG and airline-reported trends to inform 2020)

SHAPE/PACE OF RECOVERY

- Growth trajectory for Sep – Dec is flat/slow growth, representing the latest guidance from airlines and other industry sources.
- For 2021, growth loaded into second half of year, to better reflect impact to travel demand of early- to mid-2021 vaccine distribution.

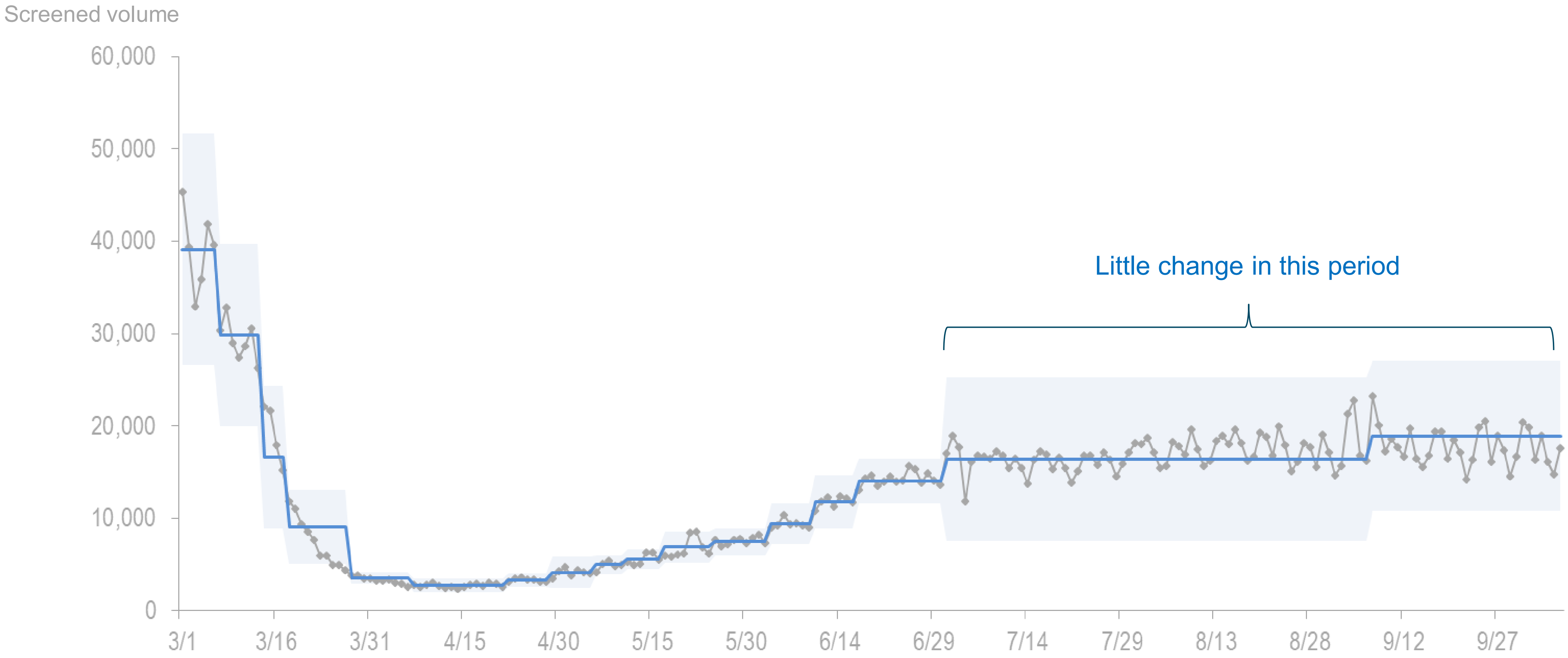
SEA seat capacity steady Aug thru Oct



Source: Official Airline Guide (Diio)

SEA daily screened volume largely flat since July

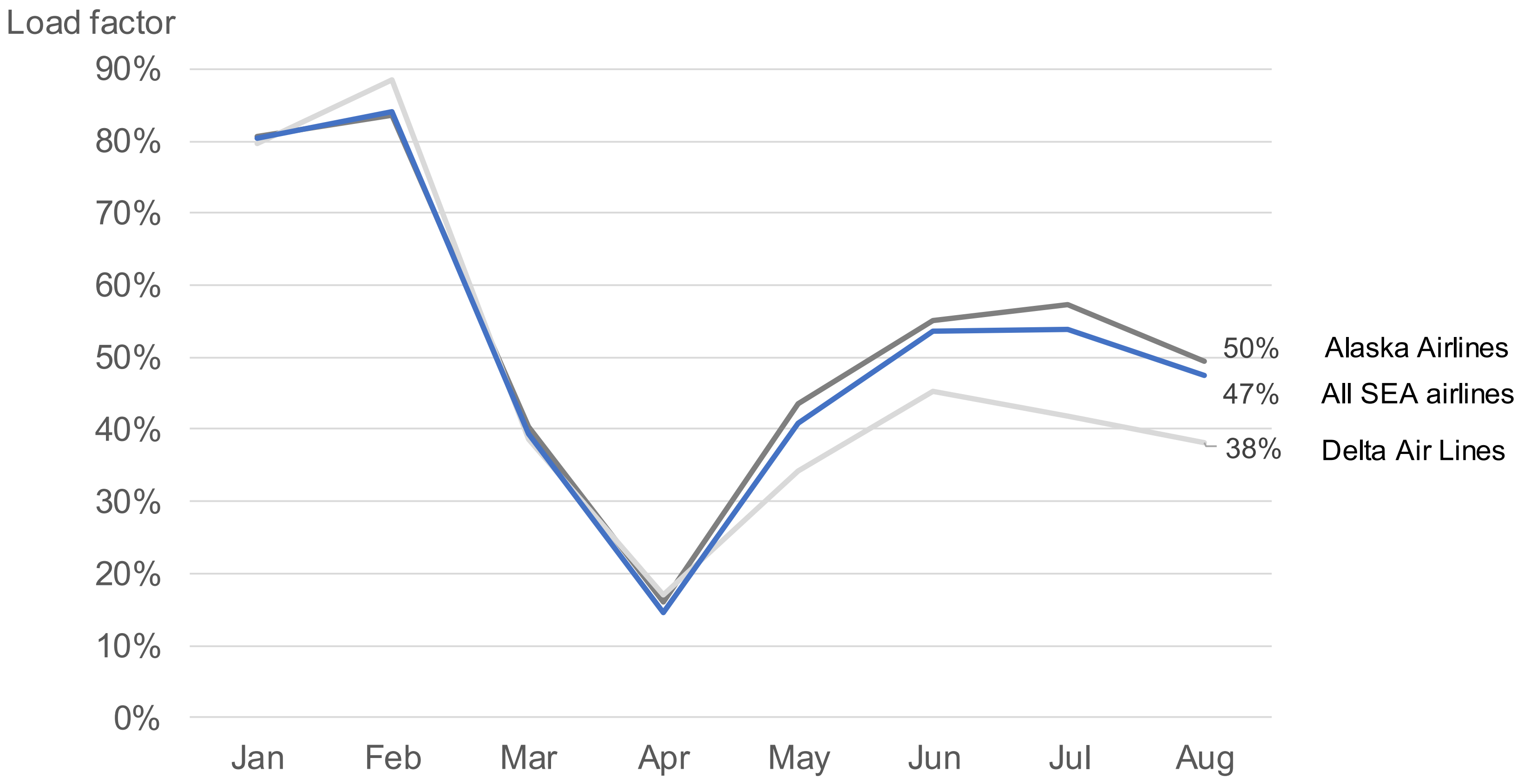
TSA screened volume is a proxy for SEA originating passenger demand; does not include connecting passengers.



Source: Transportation Security Administration (TSA)

Load factor declined with increased Aug. seat capacity

Load factor is percentage of seats occupied.

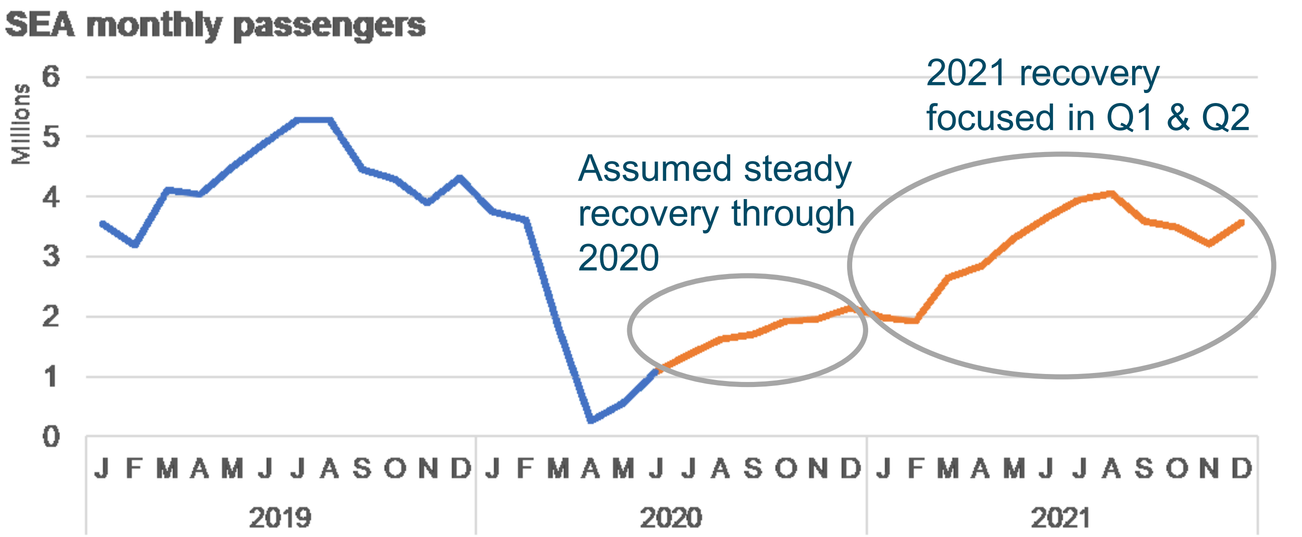


Source: calculated by BI from airline-reported and OAG schedule data.

Passenger recovery assumptions shifting

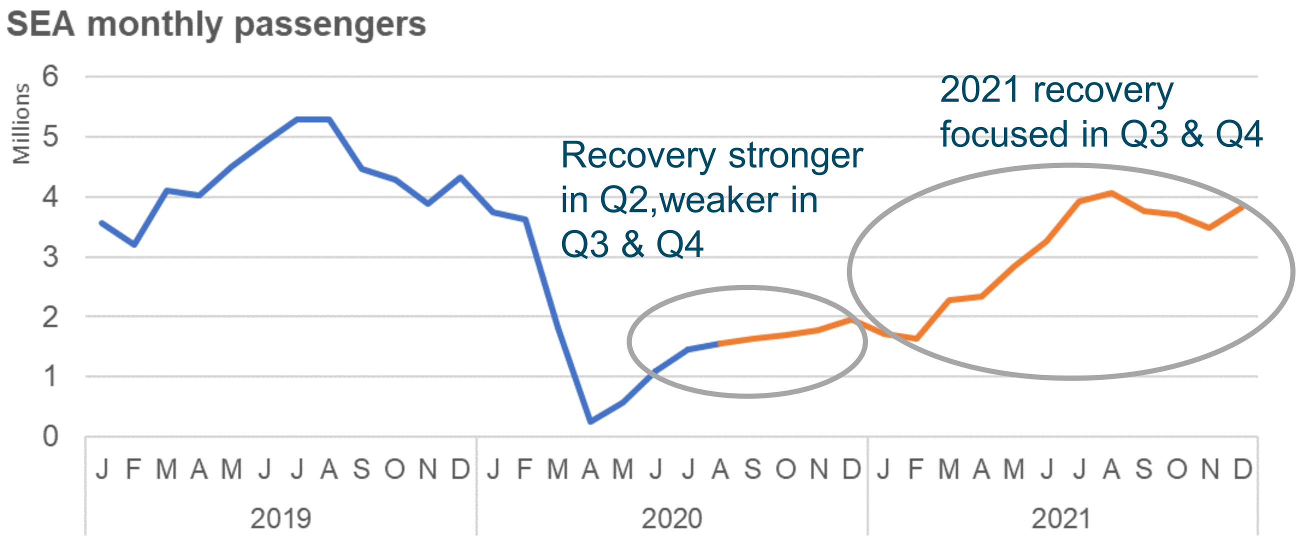
May scenario update

Year	% diff. vs. 2019
2020	-61%
2021	-30%

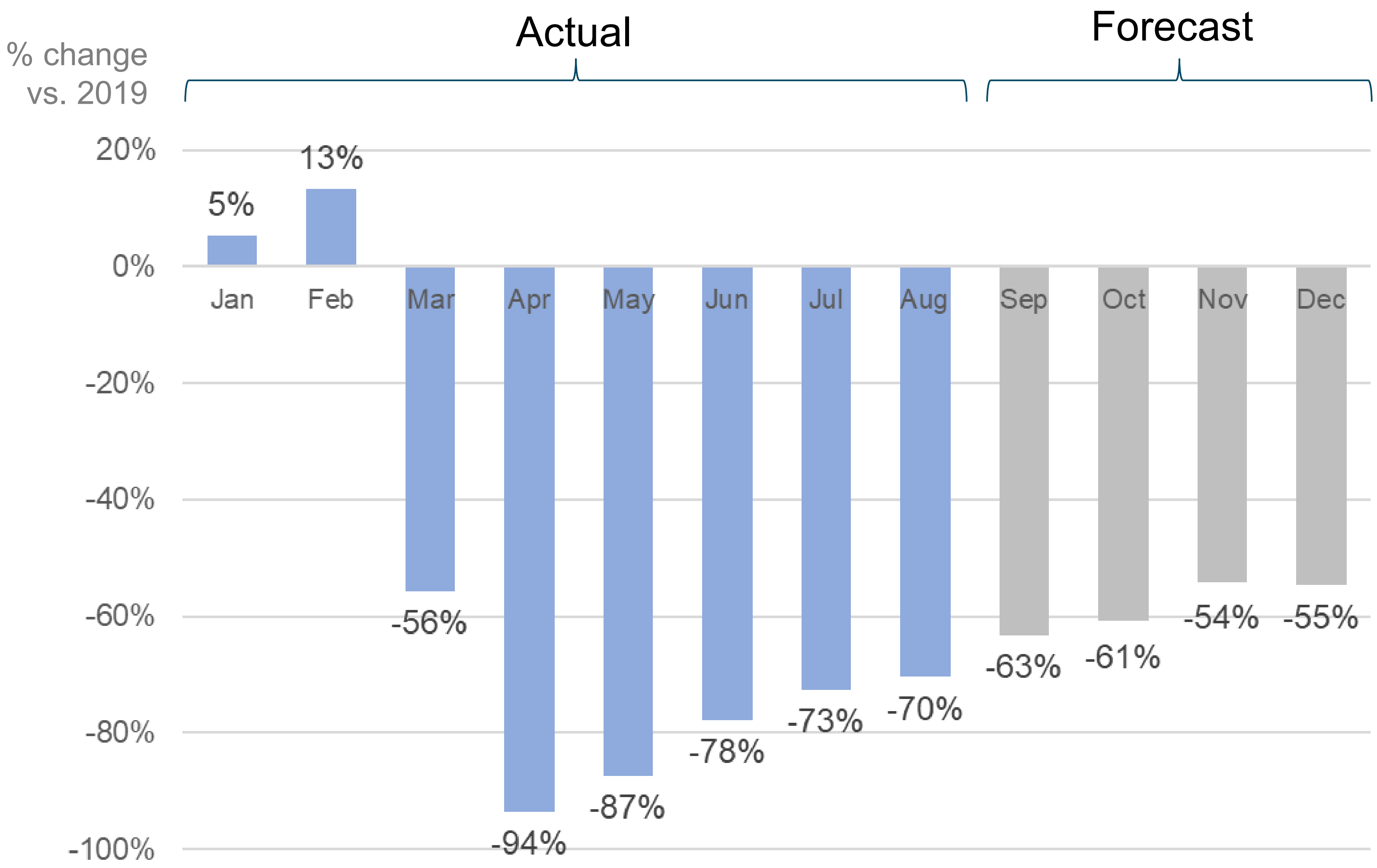


September scenario update

Year	% diff. vs. 2019
2020	-59%
2021	-29%



2020 SEA monthly passengers vs.2019



	Year-end 2020 vs. 2019
All passengers	-59%
International only	-77%

Risks

- Fall 2020 pandemic surge?
- Will leisure travel demand make up for lack of business travel?
- Capacity cuts as CARES funds expire Oct. 1.
- Lifting of travel restrictions to int’l destinations.
- Vaccine distribution timing in 2021?

Appendix

Slower recovery for airports with high int’l passenger share

SEA passenger recovery progressing more rapidly than U.S. peer airports (in the 40-60 million annual passenger range) with a higher international passenger share.

2019	Airport		Passengers		
			2019 total	Aug 2020	2019 Int'l
rank[1]	Name	Code	(millions)	vs. 2019[2]	share
6	Kennedy Int'l	JFK	62.6	-86%	55%
15	Miami Int'l	MIA	44.8	-78%	49%
14	Newark Liberty Int'l	EWR	45.9	-75%	31%
7	San Francisco Int'l	SFO	57.5	-86%	27%
16	Houston Intercontinental	IAH	44.8	-71%	25%
17	Boston Logan Int'l	BOS	42.5	-83%	20%
10	Orlando Int'l	MCO	50.6	-69%	14%
8	Seattle-Tacoma Int'l	SEA	51.8	-74%	11%
13	Phoenix Sky Harbor	PHX	46.3	-60%	8%
9	Las Vegas McCarran	LAS	51.5	-63%	7%
12	Charlotte-Douglas Int'l	CLT	50.0	-68%	7%

Notes:

1) Passenger activity rank among all North American airports.

2) Transportation Security Administration (TSA) checkpoint throughput data used as a proxy for airport passenger activity.

Sources: airport websites (passenger data); TSA (checkpoint volume).

Projected Industry Scenarios—Duration of the Recovery

Organization/Scenarios	Percent change in passengers relative to 2019				
	2020	2021	2022	2023	2024
U.S. RATING AGENCIES					
Fitch Ratings					
Coronavirus Rating Case	-50%	-15%	-5%	0%	2%
Coronavirus Downside	-60%	-20%	-5%	0%	2%
Coronavirus Severe Downside	-60%	-20%	-16%	-12%	0%
Moody's Investor Service					
Scenario 1 (faster recovery)	-65%	-35%	-15%	-5%	n.a.
Scenario 2 (slower recovery					
June 2020	-75%	-55%	-25%	-15%	n.a.
August 2020 (estimated)	-75%	-55%	-40%	-30%	-20%
S&P Global Ratings					
March 2020 Base Case	-20% to -30%	-10% to -15%	-5%	--	n.a.
May 2020 Base Case	-50% to -55%	-25% to -30%	-15% to -20%	-5% to -10%	n.a.
OTHER ORGANIZATIONS					
ACI Mid-Scenario	-58%	-25%	-10%	0%	10%
IATA					
Baseline Scenario	-50%	-24%	-5%	5%	n.a.
Pessimistic Scenario	-50%	-34%	-5%	5%	n.a.

Recovery to 2019 passenger traffic levels are projected in 2023 or 2024