



Williston Basin International Airport (XWA)

XWA Stakeholder Presentation & XWA Master Plan Forecast Summary | April 2022



Presentation Overview

- Where Industry and XWA were in 2019
- Where airline industry is currently & where we think that it is going
- XWA (Commercial) Master Plan Forecast Summary
- Q&A

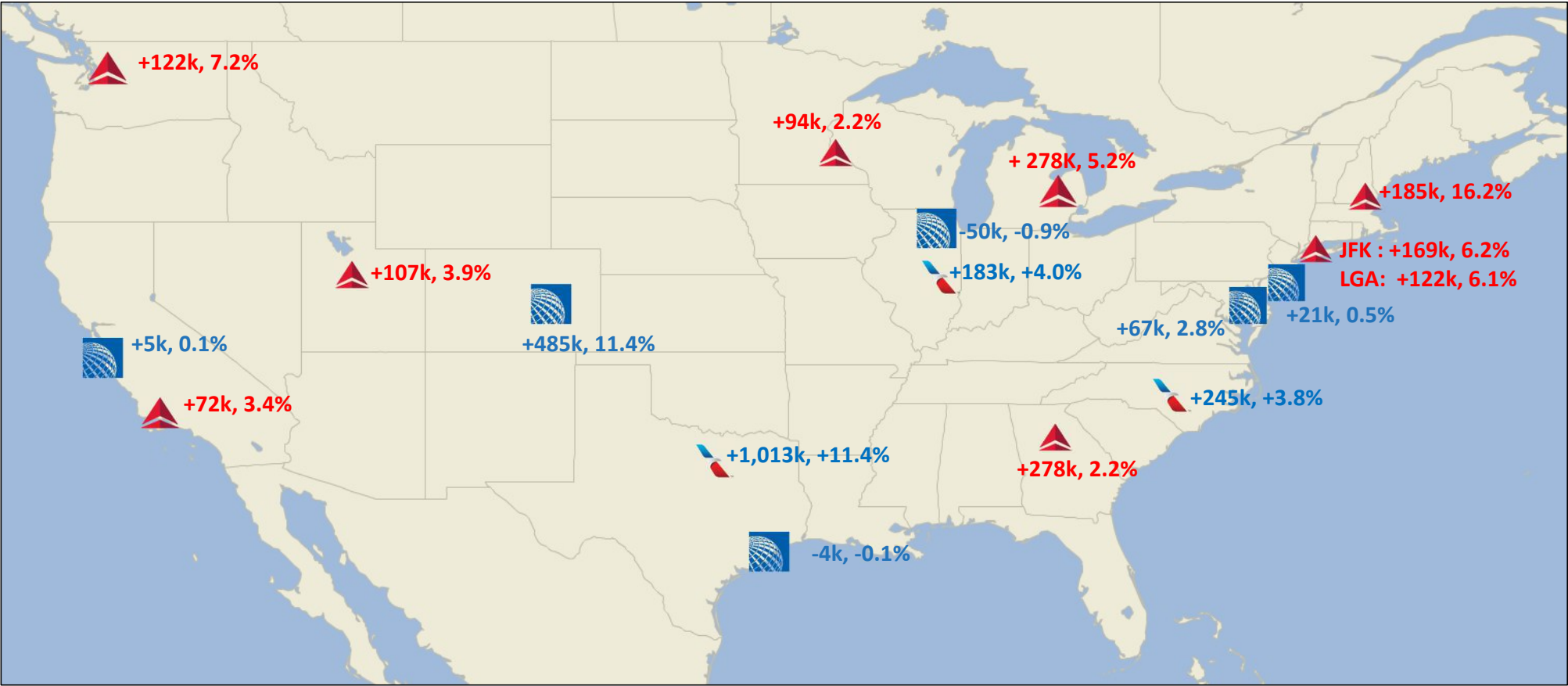


Where XWA and the Industry Were in 2019

Where was Industry in 2019?

- Coming off most profitable 5-year period in industry history
- Demand was extremely strong; “experiences > material goods”
- Network airlines growing moderately faster than economic growth
 - Economic growth around 3%, network airlines growing roughly 4%
 - Delta, United, American and Southwest
- Ultra-low-cost carriers (ULCCs) growing 10%-15% annually
 - Allegiant, Spirit, Frontier and Sun Country

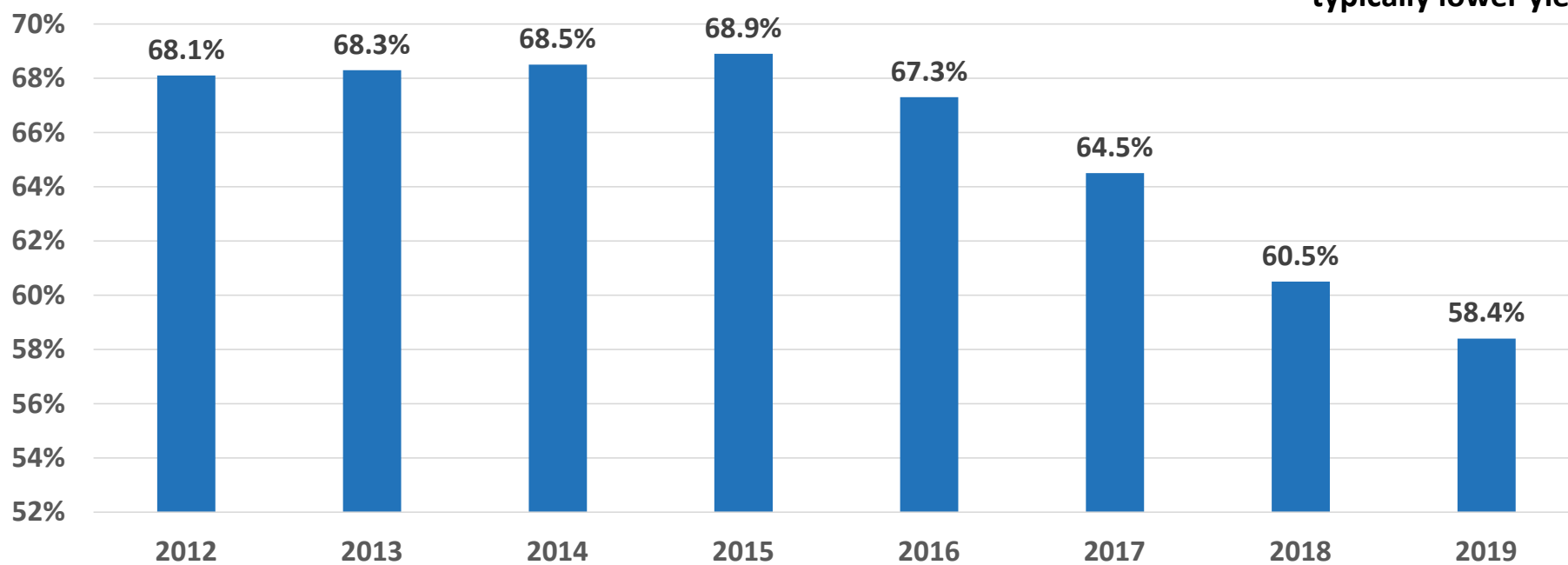
Where were network airlines growing in 2019?



Network Airlines: Declining connecting traffic

DL's % Connecting Traffic: **MSP Hub**
2012 - 2019

Connecting traffic is typically lower yielding



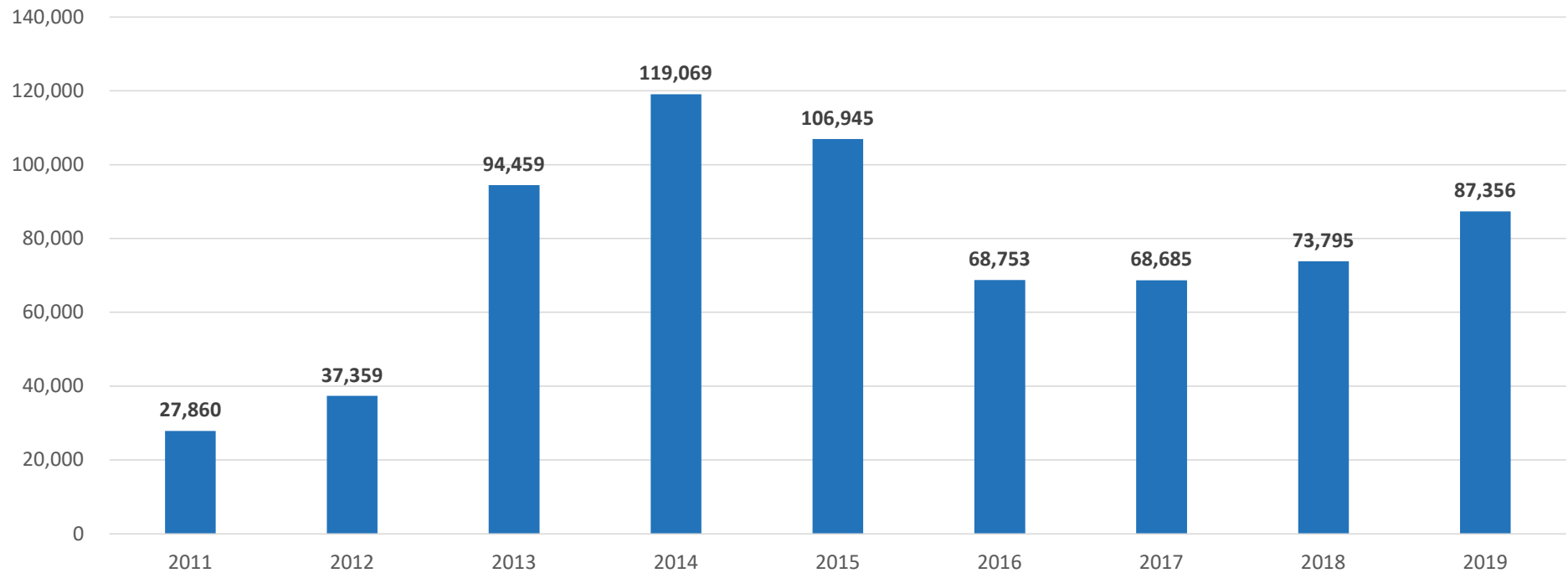
Where were ULCCs growing in 2019?

Top Growing Markets by ULCC: 3Q19 vs 3Q18 Scheduled Seats

<u>Top Growing Allegiant Markets</u>			<u>Top Growing Spirit Markets</u>			<u>Top Growing Frontier Markets</u>			<u>Top Growing Sun Country Markets</u>		
Market	Seat Change		Market	Seat Change		Market	Seat Change		Market	Seat Change	
	Absolute	%		Absolute	%		Absolute	%		Absolute	%
Ashville, NC	50,132	75.2%	Orlando, FL	246,395	37.8%	Denver, CO	279,916	23.8%	Minneapolis, MN	113,532	37.4%
Orlando-Sanford, FL	48,001	13.3%	Las Vegas, NV	214,354	30.5%	Orlando, FL	190,446	39.2%	Las Vegas, NV	48,459	127.3%
Sarasota, FL	45,219	406.8%	Austin, TX	156,004	New	Las Vegas, NV	147,944	43.5%	Nashville, TN	34,404	New
Destin, FL	39,333	35.4%	Atlanta, GA	109,704	29.3%	Philadelphia, PA	91,096	35.0%	Portland, OR	33,951	150.3%
Knoxville, TN	26,262	44.2%	Fort Lauderdale, FL	106,601	9.6%	Cleveland, OH	53,300	35.5%	Providence, RI	24,705	New
Grand Rapids, MI	25,479	69.8%	Raleigh-Durham, NC	102,369	New	Tampa, FL	53,212	57.6%	San Francisco, CA	22,833	80.9%
Nashville, FL	24,060	74.7%	Baltimore, MD	90,508	21.4%	San Francisco, CA	45,880	103.8%	Los Angeles, CA	18,453	40.3%
Albany, NY	23,817	New	Charlotte, NC	66,976	New	Raleigh-Durham, NC	44,854	28.2%	Newark, NJ	16,104	New
Fort Lauderdale, FL	22,935	19.3%	New Orleans, LA	65,883	28.6%	Boston, MA	43,812	New	Chicago, IL	16,104	New
Savannah, GA	20,468	37.3%	Philadelphia, PA	61,332	47.8%	Fort Lauderdale, FL	39,392	New	San Antonio, TX	16,002	New
Phoenix-Mesa, AZ	15,429	7.9%	Denver, CO	58,257	29.5%	Houston, TX	37,386	144.4%	Philadelphia, PA	15,555	New

XWA: Explosive growth, followed by stabilization

XWA Enplaned Passengers
Calendar Years



XWA LFs were at system averages and yields were extremely high (a very profitable market)

<u>Airline</u>	<u>Market</u>	<u>Departures</u>		<u>Onboards</u>	<u>Load Factor</u>
		<u>Annual</u>	<u>Daily</u>		
DL	MSP	777	2.1	33,677	84
UA	DEN	1,264	3.5	53,661	83
	Total	2,041	5.6	87,337	84

- LFs were arguably high for a “feeder” market
- High yields (price): Due to oil industry presence
- UA was actually “preferred” brand at XWA

Where were XWA passengers traveling to in 2019?

Rank	Destination	O&D Passengers	O&D Revenue (\$)	Average Fare (\$)	YOY % Change		
					Pax	Rev	Fare
1	Denver, CO	31.1	7,924	255	48%	7%	(28%)
2	Houston-Intercontinental, TX (IAH)	19.3	8,649	447	18%	1%	(14%)
3	Minneapolis-St. Paul, MN	11.6	2,742	237	(7%)	(5%)	2%
4	Dallas-Fort Worth, TX (DFW)	9.7	3,495	361	19%	(1%)	(17%)
5	Oklahoma City, OK	7.0	2,674	380	26%	8%	(15%)
6	Atlanta, GA	4.9	1,538	316	35%	19%	(12%)
7	Phoenix, AZ (PHX)	4.8	1,528	320	6%	(3%)	(9%)
8	Salt Lake City, UT	4.6	1,618	353	(1%)	(13%)	(12%)
9	San Antonio, TX	4.5	1,596	354	32%	0%	(24%)
10	Tulsa, OK	4.2	1,556	372	16%	(2%)	(15%)
11	Las Vegas, NV	4.0	1,285	320	35%	35%	(0%)
12	Midland, TX	3.7	1,418	382	1%	(24%)	(25%)
13	Los Angeles, CA	3.7	1,105	298	7%	2%	(4%)
14	Orlando, FL (MCO)	3.4	1,040	301	74%	60%	(8%)
15	Pittsburg, PA	3.4	1,259	376	32%	7%	(19%)
16	Austin, TX	2.9	996	340	6%	(14%)	(20%)
17	Boise, ID	2.8	845	300	28%	25%	(2%)
18	New Orleans, LA	2.7	1,038	383	38%	23%	(10%)
19	Portland, OR	2.5	878	349	56%	58%	1%
20	Grand Junction, CO	2.5	814	329	13%	(14%)	(24%)
Total All Markets		240.3	80,926	337	20%	2%	(15%)

– Oil-centric markets stick out

– Additionally, typical larger cities and destination markets

– Note average fare paid

* All results are daily, each way; fare is net of taxes/fees



Post-COVID: Key Industry Trends

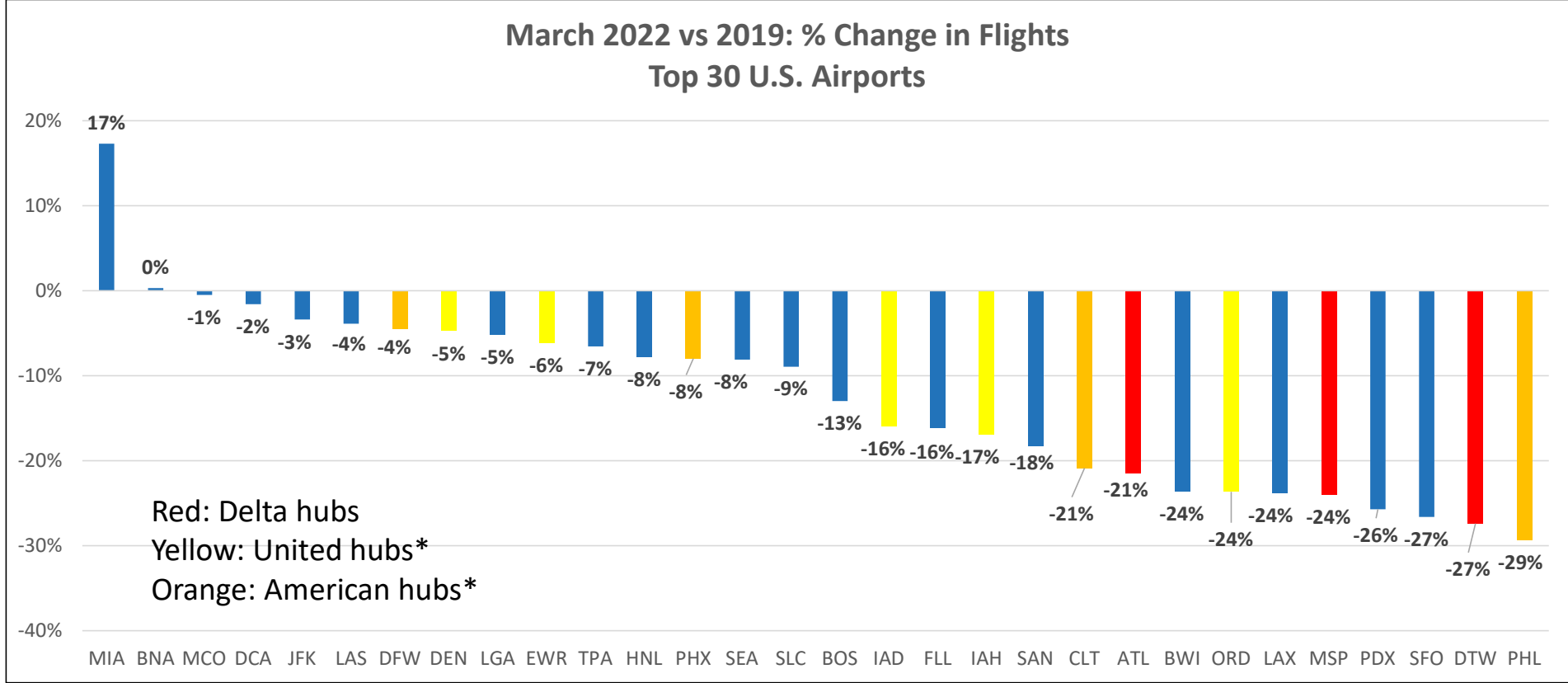
Key Travel Demand Trends: Leisure > Business travel

- **Leisure travel** bounced back much more quickly and has been at highest levels of demand in history of industry
- **Business travel** demand continues to be weak (50% of 2019)
- **European leisure demand** has been volatile dependent upon COVID & lockdowns; business travel to Europe could be weak for the long-term
- **Asia**, following lockdowns, continues to be extremely weak; again, business travel could stay weak long-term given globalization shifts

Fastest growing markets: Sun & Mountain markets



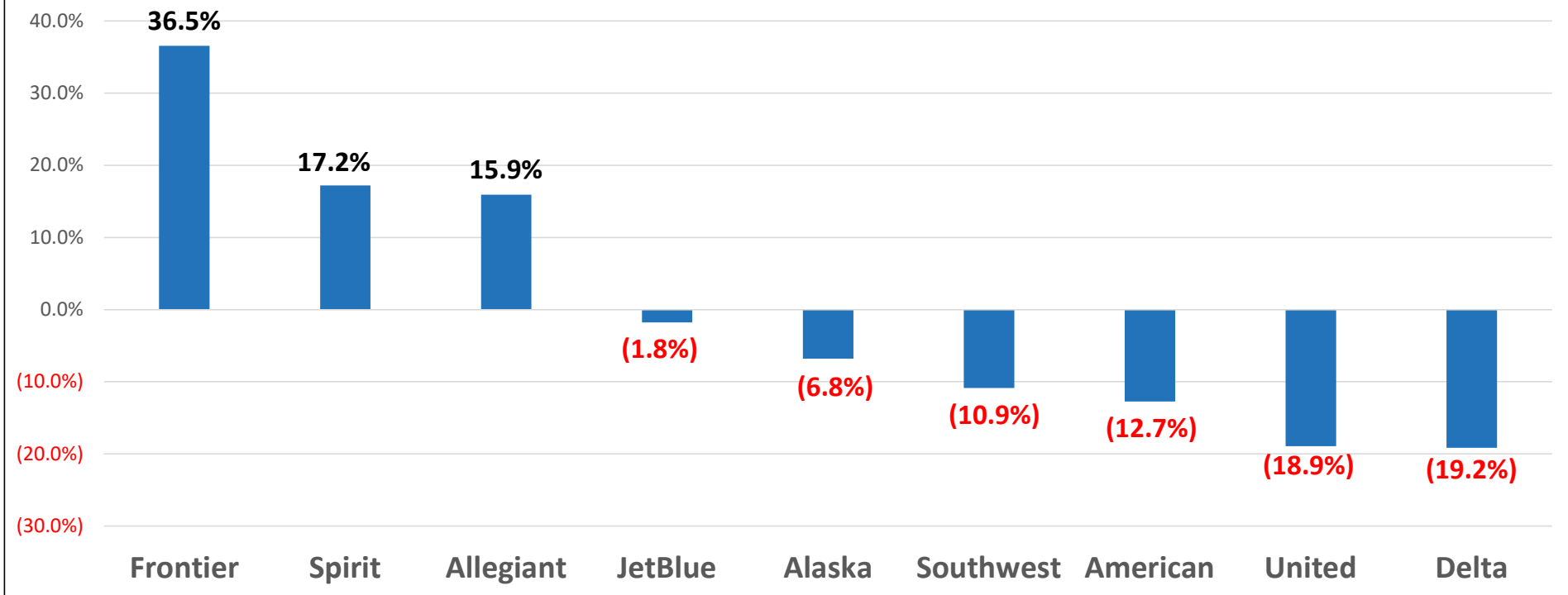
Currently, biggest cuts are at selected coastal airports and big connecting hubs



* ORD is a hub for both United & American

ULCCs continue being more aggressive with capacity

March 2022 vs 2019: % Change in Flights
Top U.S. Airlines



Big 3 Network Airlines: 44 cities & 302 routes shut down*

- Delta: Exited 13 cities and 128 routes since 2019 (March)
 - 68 hub routes eliminated: MSP 23 routes cut, ATL 21, DTW 13 and SLC 11
 - 60 routes cut from focus cities and non-hub routes
- United: Exited 22 cities and 79 routes since 2019
 - 66 hub routes eliminated: ORD 15, SFO 13, EWR 13, IAH 12, IAD 7 and DEN 6
 - 13 non-hub routes cut
 - Cut a number of state capitals and military installations in January
- American: Exited 9 cities and 95 routes since 2019
 - 80 hub routes eliminated: PHL 21, LAX 16, MIA 16, ORD 9, DFW 9, PHX 6 and CLT 3
 - 15 non-hub routes eliminated
 - American hub changes are more strategic than for either Delta or United

* March 2022 versus March 2019

A Major Issue: Pilot Shortage

- A recent issue exasperated by pilot furloughs/retirements during COVID
- The problem is at the regional airline level: Mainline/ULCCs are backfilling by hiring regional airline pilots (and they can't train fast enough)
- Only flying regional jets 6 hours/day (norm is 10-12 hours)
- United: Alerted by regional airline partner on October 27 that they didn't have pilots to fly 600 trips – in November!
- United: 60% of flights in October flew >90% Load Factors, but they don't have pilots to fly more

Long-Term: ULCCs will be where the growth is

- ULCC growth: 15%+ CAGR over 5+ years
 - Spirit: “Double size of airline over next 5 years”
 - Frontier: 112 aircraft today, growing to a planned 271 in 2028
 - Sun Country & Allegiant: Also planning 15%+ annual growth
- Network airline capacity growth will be marginally above economic growth
 - 3% GDP growth translates to about 4% airline capacity growth
 - Pilot shortage could be a mitigating factor for smaller cities/regional airlines
- Despite relative ULCC growth in the U.S. over past decade, ULCC share of U.S. traffic is well below other regions of the world

Tied to ULCC growth, leisure travel will be where much of growth is going forward

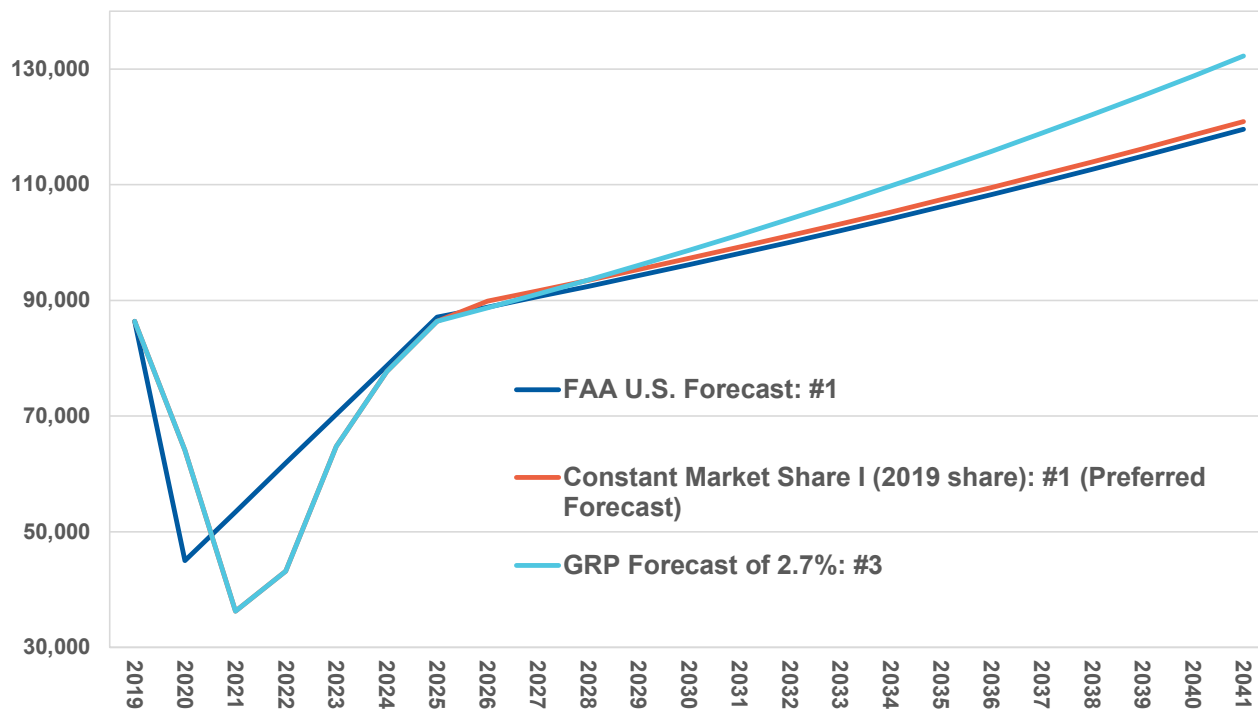
- Millennials: Experiences > Material things
- Demographics: Baby boom generation is retiring with \$\$\$
- Within leisure travel segment, “new experiences” and new destinations have been particularly strong the past few years – likely to continue
- Business travel will likely be impacted by Zoom/Teams and the move away from globalization (supply chains, trade, etc.)



Forecast Summary

Forecast ranges to be submitted to FAA: Baseline forecast of 120,923 enplaned passengers by 2041

XWA Enplaned Passenger Forecasts



- Assumes return to “normalcy” by 2025
 - Could be conservative
 - Return to normalcy in 2023 results 126,000 enplanements by 2041
- 2.1% CAGR from 2025 to 2041
- In-line with expected economic growth
 - Within FAA forecast guidelines

Forecast assumes that 50-seat RJs are gone by the early 2030s – going to all 76-seat jets

Metric	2019	2026	2031	2041
<u>Enplanements</u>				
Regional (< 60 Seats)	86,359	41,985	28,588	-
Air Carrier (> 60 Seats)	-	47,863	70,611	120,923
Total Enplaned Passengers	86,359	89,848	99,199	120,923
Avg. Seats/Departure	50.0	61.1	66.1	76.0
Avg. Load Factor	84.2%	76.7%	78.3%	79.3%
<u>Operations</u>				
Regional (< 60 Seats)	4,046	2,190	1,460	-
Air Carrier (> 60 Seats)	-	1,643	2,373	4,015
Total Operations	4,046	3,833	3,833	4,015

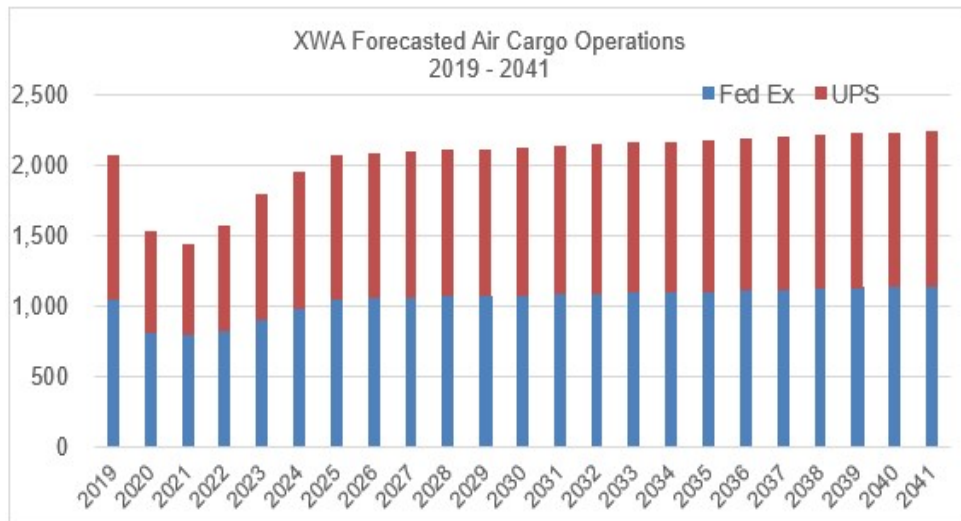
- Marginally lower LFs are forecasted
- Relatively higher yields are expected, resulting in lower LFs
- Indirectly assumes capacity constraints driven by expected pilot shortage issues

Alternative Forecasts were also conducted, taking into account additional ULCC (Sun Country service)

Passenger Forecast Summary With Forecast Alternatives at XWA			
	2026	2031	2041
Baseline Enplaned Passenger Forecast	89,848	99,199	120,923
<u>Alternative 1: Seasonal LAS Service*</u>			
Enplaned Passengers	3,402	4,536	4,536
Load Factor	75%	75%	75%
Annual Departing Seats	4,536	6,048	6,048
Annual Departures	24	32	32
<u>Alternative 2: Seasonal LAS & PHX Service**</u>			
Enplaned Passengers	6,804	9,072	9,072
Load Factor	75%	75%	75%
Annual Departing Seats	9,072	12,096	12,096
Annual Departures	48	64	64
<u>Alternative 3: Year-round LAS and seasonal PHX service***</u>			
Enplaned Passengers	9,072	19,278	19,278
Load Factor	75%	75%	75%
Annual Departing Seats	12,096	25,704	25,704
Annual Departures	64	136	136
Baseline Forecast + Alternative 1	93,250	103,735	125,459
Baseline Forecast + Alternative 2	96,652	108,271	129,995
Baseline Forecast + Alternative 3	98,920	118,477	140,201

- Scenario 1: Seasonal service to LAS (2x weekly on a 738 aircraft)
 - Similar to 2021 schedule
 - 125,459 enplaned by 2041
- Scenario 2: Seasonal service to LAS & PHX (2x weekly to each on 738s)
 - Again, each would be like 2021
 - 129,995 enplaned by 2041
- Scenario 3: Same as #2, except that LAS goes year-round starting in 2031
 - Again, 2x weekly on 738 aircraft
 - 140,201 enplaned by 2041

Air cargo is also assumed to return to normal in 2025 and grow at a 0.5% CAGR through 2041



	Metric	2019	2026	2031	2041
Enplanements	Air Carrier	-	47,863	70,611	120,923
	Commuter/Regional	86,359	41,985	28,588	-
	Total Enplanements	86,359	89,848	99,199	120,923
Operations	Air Carrier	-	1,643	2,373	4,015
	Commuter/Regional	4,046	2,190	1,460	-
	Air Cargo	2,075	2,085	2,138	2,247
	Other Air Taxi	-	-	-	-
	Total Commercial Operations	6,121	5,918	5,971	6,262
Passenger Metrics	Avg. Seats/Operation	50.0	61.1	66.1	76.0
	Average Load Factor	84.2%	76.7%	78.3%	79.3%

- Total commercial operations forecasted to grow from 6,121 in 2019 to 6,262 in 2041
- Due to passenger aircraft size growing by 52%



THANK YOU!