



U·S AIRWAYS

DOUG PARKER AT THE NATIONAL PRESS CLUB
JULY 18, 2012

WHAT PEOPLE ARE SAYING ABOUT A US AIRWAYS-AMERICAN AIRLINES MERGER

TIMING: WHY MERGE NOW?

"I don't know anybody who's looked at it from 30,000 feet that would tell you that they think the standalone scenario is superior. [AMR] has not competed well when it was going from No. 1 to No. 2 now to the third position, and I don't see how a standalone would solve that, especially with this 'shrink and then re-grow' strategy they are doing."

- ROBERT W. MANN, AIRLINE ANALYST, R.W. MANN & COMPANY (06/07/12)

"AMR's standalone plan contradicts itself, in our view. Just this afternoon AMR's restructuring adviser said AMR would consider a merger because management's fiduciary duty involves "maximizing stakeholder value." If that's true then why not explore one now? Is labor not a stakeholder? Even in a post-BK merger with LCC, wouldn't AMR standalone have to reset wages higher? To us this feels more about self-preservation than maximizing stakeholder value, which an LCC bid would seem to do."

- HUNTER KEAY, SENIOR AIRLINE ANALYST, WOLFE TRAHAN & CO. (4/25/12)

"Looking ahead, AMR's plan to grow 20% over 5 years is toxic to industry pricing, which makes it bad for AMR & the industry in our view. Ultimately, AMR suffers a billion dollar plus revenue deficit to the industry & creditors must decide which is the stronger revenue model: AMR standalone? Or AMR/LCC combined? The network muscle AMR would inherit to support domestic & int'l flying makes it an open and closed case in favor of LCC in our view."

- DAN MCKENZIE, ANALYST, RODMAN & RENSHAW (4/20/12)

"In order to get the best resolution for everybody, all options should be on the table."

- JOSH GOTBAUM, PRESIDENT, PENSION BENEFIT GUARANTY CORPORATION (4/20/12)

"If they merge in bankruptcy, they can keep the extra value inside...The airline could invest in the company and in making labor happy."

- VAUGHN CORDLE, ANALYST, AIRLINEFORECASTS LLC (4/20/12)

SERVICE / NETWORK

“It's not for me to say whether American and US Airways should get together. However, when I look at it, it's an option that I believe certainly has attractions.”

– **WILLIE WALSH, CHIEF EXECUTIVE OFFICER, INTERNATIONAL AIRLINES GROUP (7/17/12)**

“AMR has a network disadvantage today, which has resulted in a substantial revenue disadvantage. A combined AMR-LCC eliminates the weaknesses present in each standalone airline and we project revenue synergies of \$1.5 billion annually.”

– **WILLIAM GREENE, MANAGING DIRECTOR, MORGAN STANLEY (6/10/12)**

“US Airways still has a strong presence on the East Coast via its Charlotte (CLT) and Philadelphia (PHL) hubs, which together represent 67% of the company's traffic...Interestingly, US Airways, although mostly a domestic carrier, flies to more European destinations out of PHL than AMR does out of JFK, further indicating AMR's weak East Coast footprint. Thus, we think combining the carriers will expand revenue since AMR will benefit from US Airways' east coast presence and US Airways will benefit from AMR's Latin American exposure in Miami and Dallas. We believe the increased East Coast presence will enable AMR to shrink its revenue gap and lower its salary costs.”

– **BASIL ALUKOS, EQUITY ANALYST, MORNINGSTAR (6/7/12)**

“LCC and AMR together would be stronger than AMR alone, we believe. We view LCC's route structure as being very complementary to AMR's. LCC's substantial eastern U.S. market presence, which it efficiently manages through its Philadelphia and Charlotte hubs, have much greater connectivity than AMR's hub at JFK. AMR has struggled to generate this kind of connecting traffic in order to compete with Delta and United out of New York. The combined company could capitalize on LCC's strong Eastern presence and combine both companies' sizeable international presence to compete more effectively with United and Delta.”

– **BOB MCADOO, ANALYST, IMPERIAL CAPITAL (5/29/12)**

“In terms of network overlap, LCC's network would be very complimentary [sic] to AMR's network, in our opinion, as a combined airline would attain greater scale and be much better suited to compete against DAL and UAL.”

– **HUNTER KEAY, SENIOR AIRLINE ANALYST, WOLFE TRAHAN & CO. (4/25/12)**

“[A merger] provides a stronger and more vigorous American Airlines. It's good for the communities we serve. They'll have better choices than they do now. It'll create additional opportunities in a large number of markets that don't have adequate competition. We believe it will actually increase competition in the industry and benefit the employees of American Airlines and benefit the company itself.”

– **DAVE BATES, PRESIDENT, ALLIED PILOTS ASSOCIATION (4/20/12)**

“We believe an AMR-LCC merger would enable the combined companies to provide a broader footprint with fewer aircraft. Adding connections from LCC’s Charlotte, Philadelphia, and Washington D.C. hubs would create market leadership (more destinations with greater frequency) in a majority of markets East of the Mississippi, in our view.”

– **GLENN ENGEL, ANALYST, BANK OF AMERICA MERRILL LYNCH** (4/20/12)

“The AMR and LCC route systems fit in nicely that would enable a merged airline to cover the whole country, Europe and South America...There is little overlap so we doubt that there would be much regulatory pushback.”

– **RAY NEIDL, ANALYST, THE MAXIM GROUP** (4/20/12)

CUSTOMERS

“A deal here could work to the advantage of consumers. Keep in mind that on a stand-alone basis, American and especially US Airways lack the scale to excel. A combination would create a powerful competitor to United and Delta for domestic as well as international routes. The new company would provide a counterweight to other huge global airlines such as Lufthansa and Air France. It would be better positioned to compete for emerging-market routes as well. Don't count it out.”

– **EDITORIAL, CHICAGO TRIBUNE** (4/30/12)

“The bottom line for travelers could be that three major international carriers would compete vigorously for business customers and vacationers alike, with the scale to offer flights on their own planes to most corners of the world and the ability to stay profitable even during periods of high oil prices. Ultimately that’s a better travel system than the gyrations of boom and bust of the past decades.”

– **SCOTT MCCARTNEY, COLUMNIST, “THE MIDDLE SEAT TERMINAL,” WALL STREET JOURNAL** (4/20/12)

LABOR

“AMR reports they still are not interested in pursuing a merger with LCC, but if AMR’s labor’s contracts are rejected by the court, it would likely take months or even more than a year to renegotiate if neither side capitulates on demands. And no airline has emerged from Ch. 11 without labor contracts in place (too risky). The implication: bondholders may not want to wait that long. In contrast, labor contracts are in place under a LCC merger scenario. Bottom line, 55,000 employees at AMR aren’t wrong; and it’s hard to envision the creditor’s committee ultimately supporting a plan where labor isn’t onboard. The precedent is powerful; consolidated airlines make superior business models.”

– **DAN MCKENZIE, ANALYST, RODMAN & RENSHAW** (6/13/12)

“It is my view, after the events of [April 20], that the bondholders and everyone interested in this case should think long and hard about the qualitative side of a potential standalone entity and what losing your people – in such spectacular and resounding fashion – really means to the present and to the future of American Airlines.”

– **HOLLY HEGEMAN, EDITOR, PLANEBUSINESS** (4/24/12)

“We all know there is an alternative path that is far superior for us, all of American Airlines, the communities we serve and the industry overall. A merger now with US Airways will save jobs, pensions and salaries and provide a much brighter future for American Airlines, our customers and all the airline’s employees.”

– **CAPTAIN DAVE BATES, PRESIDENT, ALLIED PILOTS ASSOCIATION (4/20/12)**

“This agreement puts flight attendants in a far better position than any proposal American Airlines management has made. Equally important is the business plan US Airways has put forward, which I strongly believe will bring American Airlines back to profitability and competitiveness. A combined US Airways and American Airlines will eliminate the competitive advantage of Delta and United and making us relatively competitive in both size and network.”

– **LAURA GLADING, PRESIDENT, ASSOCIATION OF PROFESSIONAL FLIGHT ATTENDANTS (4/20/12)**

“[US Airways] is currently profitable and could elevate American to a top-tier carrier. If a merger were to take place it could help turn around our airline, give us new management and a path towards a more positive future, something that has long been missing in our work lives.”

– **JIM LITTLE, INTERNATIONAL PRESIDENT, TRANSPORT WORKERS UNION (4/20/12)**

“All our members think we would be better off by merging with US Airways...US Airways could be the light at the end of the tunnel for our members. We know where we’re going with American Airlines.”

– **RICK MULLINGS, ORGANIZER, TWU LOCAL 514 (TULSA) (4/20/12)**

“A combination of US Airways and American could bolster the **oneworld** Alliance, make frequent-flier programs at both American and US Airways more stable bets for long-term rewards and give employees at both companies more long-term job security. It likely could help US Airways solve the seniority integration problem at its pilots union, which has been unable to internally mesh together pilots from the old US Airways with pilots from America West Airlines. Moving them to a more lucrative contract at American with a much larger seniority list could be a strong incentive to settle that mess.”

– **SCOTT MCCARTNEY, COLUMNIST, “THE MIDDLE SEAT TERMINAL,” WALL STREET JOURNAL (4/20/12)**

“For the American unions, it’s a real indictment to the company’s plan. In fact, they are casting their lot with the devil they don’t know rather than the devil they do.”

– **BOB MANN, PRESIDENT, R. W. MANN GROUP (4/20/12)**

REGIONAL IMPACT

“A merger of US Airways and American has the potential to produce a more dynamic airline and, in turn, a stronger airport, and a stronger region. That is something everyone in the region deserves and could really support.”

– **RINA CUTLER, DEPUTY MAYOR FOR TRANSPORTATION AND UTILITIES, PHILADELPHIA (7/13/12)**

“For the 6.4 million residents in our area and the thousands of businesses that rely on airline travel, merging profitable US Airways with bankrupt American Airlines would bring together two complementary networks. American generates as much as \$26 billion annually to the region. But its revenues have been declining for years, in part because its network of hubs and spokes has become outdated. Combining the assets of US Airways and American Airlines would result in a stronger, more competitive airline with fewer jobs lost, and greater opportunities for growth.”

– **CLAY JENKINS, COUNTY JUDGE, DALLAS COUNTY** (6/15/12)

“Some people, including politicians, are worried about disruptions at American Airlines. Sounds almost quaint, with the company in Chapter 11, shedding jobs and debt. How about this scenario instead? Fort Worth becomes home to the world's biggest airline once more, and for the first time in a decade, American and its unions strike a deal. Does that sound like a hostile notion?”

– **MITCHELL SCHNURMAN, COLUMNIST, FORT WORTH STAR-TELEGRAM** (4/21/12)

“We expect LCC to put forth a compelling business plan that offers smart growth in areas where AMR+LCC is already strong on a pro forma basis: Miami and Dallas-Fort Worth to name two, with less of a focus on competitive markets in Chicago, New York, and certainly Los Angeles. Government officials, including Senator Kay Bailey Hutchison (R-TX) have expressed hesitation about AMR being acquired. Well, today in a letter from APA President Dave Bates, President Bates said ‘First and foremost, the combined carrier will be branded American Airlines, based in Fort Worth Texas and headquartered at CentrePort.’ Problem solved.”

– **HUNTER KEAY, SENIOR AIRLINE ANALYST, WOLFE TRAHAN & Co.** (4/20/12)

MANAGEMENT

“[Doug Parker] brings a charismatic personality to the public...He is more like 'one of us' as opposed to 'one of them' when he does this. It puts him on a level playing field with the employees. I don't always like what he has to say...but I can see that he's trying to build a successful business model.”

– **ROGER HOLMIN, PRESIDENT, ASSOCIATION OF FLIGHT ATTENDANTS – US AIRWAYS CHAPTER** (7/17/12)

“Although we agree that a merger makes operating sense, we continue to view US Airways as one of the better managed airlines with strong earnings potential regardless of a merger outcome.”

– **BOB MCADOO, ANALYST, IMPERIAL CAPITAL** (7/5/12)

“A combined LCC/AMR, managed by the current LCC leadership, would be a stronger entity than would a standalone AMR, in our opinion. The added benefits of a merged entity would come from adding LCC's substantial Eastern U.S. market presence and LCC's existing Trans-Atlantic operation to AMR's operation.”

– **BOB MCADOO, ANALYST, IMPERIAL CAPITAL** (5/29/12)

“Some have worried that a combined US Airways/American would look like US Airways. It won't. It will be American but better-run. The airline will remain American Airlines and will be headquartered right where it is today. There will just be a better team in place to run a better network.”

– **BRETT SNYDER, EDITOR, CRANKY FLIER** (4/23/12)

“Working with US Airways, APA was able to achieve in just over a week far more than we had been able to achieve in more than five years of trying to bargain with AMR management. Our interaction with US Airways was in stark contrast to what we have been experiencing with AMR. We dealt directly with the people whose jobs are to run an airline. Many of the talks consisted of president-to-president interaction. In accordance with the APA Constitution and Bylaws, there were always two members of the APA Negotiating Committee present during these negotiations. Completely absent from the discussion were the posturing and game-playing that characterizes the approach AMR management takes when dealing with us.”

– **DAVE BATES, PRESIDENT, ALLIED PILOTS ASSOCIATION (4/20/12)**

“US Airways has a very strong management team that has kept that airline profitable and run a top-notch on-time operation for the past several years. American’s management has struggled—the bottom of the industry in financial losses and often in late and canceled flights as well.”

– **SCOTT MCCARTNEY, COLUMNIST, “THE MIDDLE SEAT TERMINAL,” WALL STREET JOURNAL (4/20/12)**

“I absolutely believe if anyone in the industry could do [a merger], it is Doug Parker.”

– **VAUGHN CORDLE, ANALYST, AIRLINEFORECASTS LLC (4/20/12)**

“Some have worried that a combined US Airways/American would look like US Airways. It won’t. It will be American but better-run. The airline will remain American Airlines and will be headquartered right where it is today. There will just be a better team in place to run a better network.”

– **BRETT SNYDER, EDITOR, CRANKY FLIER (4/23/12)**

REGULATION / ANTITRUST

“The bottom line is that we believe a merger between AMR Corporation and US Airways would create a formidable competitor to both Delta and United. We also think that an AA/US merger would be positive for the US airline industry. Lastly, a deal would still need approval from the Department of Justice which typically focuses on city-pair concentration. In that regard, American and US Airways’ networks are complementary with only a dozen or so overlap routes out of several 1,000 domestic city-pairs.”

– **MICHAEL LINENBERG, MANAGING DIRECTOR, DEUTSCHE BANK SECURITIES (05/28/12)**

“We see little problem with DoJ approval, assuming LCC is happy to divest assets in Washington D.C., and we have yet to talk to a potential institutional investor that sees merit in a standalone AMR plan. Not saying they’re not out there... we just haven’t spoken to them if they are. Alternatively, support for an LCC-AMR merger, run by LCC management, seems to have broad support by the investment community and now AMR labor. If LCC promises to avoid shedding 6,200 jobs currently targeted for cuts (as LCC CEO said in his letter today), how can regulators not at least be open-minded to the idea?”

– **HUNTER KEAY, SENIOR AIRLINE ANALYST, WOLFE TRAHAN & CO. (4/20/12)**

INDUSTRY LANDSCAPE

“I’ve never been concerned when people have talked about this as representing a potential threat to **oneworld** or IAG. Quite the opposite – I see it, and I’ve always seen it, as a great opportunity for IAG and for **oneworld**, because, without question, American will be stronger and will be better.”

– **WILLIE WALSH, CHIEF EXECUTIVE OFFICER, INTERNATIONAL AIRLINES GROUP (7/17/12)**

“It would be a benefit to the US aviation business and its structure if there were to be a combination between American and another carrier – whether it is US Airways or someone else.”

– **JEFF SMISEK, CEO, UNITED AIRLINES (6/26/12)**

“Consolidation is positive for airline fundamentals in a number of ways but most importantly: (1) greater concentration of capacity in the industry would deter irrational pricing activity, (2) consolidation could take labor expense to levels similar to DAL/UAL, normalizing cost structures and reducing the incentive to price aggressively, and (3) consolidation could result in more conservative capacity trends at LCC/AMR.”

– **WILLIAM GREENE, MANAGING DIRECTOR, MORGAN STANLEY (6/10/12)**

“A merger with LCC is the most logical choice in our opinion and it would benefit not only current LCC stockholders (becoming an owner in a much stronger system even with dilution) but would be beneficial for the industry in that it would bring further rationalization though we would not expect to see any significant capacity cuts with the merger since there is limited overlap between the two systems.”

– **RAY NEIDL, ANALYST, THE MAXIM GROUP (6/14/12)**

“Such a merger would not be detrimental to **oneworld**. In terms of the joint business agreement any consolidation that increases the choices for our customers would be welcomed.”

– **INTERNATIONAL AIRLINES GROUP (06/07/12)**

“We think that an AA/US merger will be positive for the US airline industry. We also think the implications of a merger are positive for global airlines, particularly those in the **oneworld** alliance.”

– **MICHAEL LINENBERG, MANAGING DIRECTOR, DEUTSCHE BANK SECURITIES (05/28/12)**

“A marriage of American and US Airways is the final piece of consolidation necessary to put the airline industry on sustainable financial footing after nearly three decades of over-expansion and hyper-competition that undermined profitability.”

– **STEVEN PEARLSTEIN, COLUMNIST, WASHINGTON POST (4/28/12)**

“US Airways is a good partner of ours. And if they were to leave the Star Alliance, it would have an impact on us and that would be on that piece negative to us. On the other hand, if they left as a result of a consolidation, I think that would be very good. It would be very good for the business and very good for the industry. And consolidation as you know has worked well for this business. And I think net to us, if US Airways were leaving for a consolidation that seems to be a lot in the news today, I think net-net, that'd be positive for United Airlines.”

– **JEFF SMISEK, CEO, UNITED AIRLINES (4/26/12)**

“The whole US airline industry is likely to benefit from further industry consolidation, should it happen. We think LCC is an aggressive way to play the theme and could provide significant upside. Some investors are likely to shy away from the actual merger participants so we see upside potential across the whole group.”

– **KEVIN CRISSEY, ANALYST, UBS SECURITIES (4/24/12)**

“The merger of US Airways and American has far more positive benefits than negative ones and their merger would play a major role in making the US Airline industry better! History shows a long list of once great airlines that failed. Each of those failed airlines had one thing in common. They all failed to remain competitive. It's the opinion of AirlineFinancials.com that American and US Airways must merge to remain long-term competitive.”

– **ROBERT HERBST, ANALYST, AIRLINEFINANCIALS.COM (4/20/12)**

“We view an AMR-LCC merger outcome as a material positive for industry dynamics, in large part given the avoidance of potential value destruction stemming from AMR's growth driven standalone ambitions.”

– **JAMIE BAKER, ANALYST, JP MORGAN CHASE (4/20/12)**

DEBT / EQUITY

“We estimate that AMR bondholders with impaired claims face a 21% downside if AMR doesn't merge with US Airways and a 41% upside if a merger occurs based on current trading levels; AMR shareholders get wiped out regardless; and US Airways shareholders have 30% downside with no deal and 59% upside if a deal occurs and the entity achieves all of our projected synergies.”

– **BASIL ALUKOS, EQUITY ANALYST, MORNINGSTAR (6/7/12)**

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