Quarterly Research Webinar

March 19, 2020
Carroll Rheem
VP, Research & Analytics
Chris Thompson
President & CEO
Pace of Coronavirus (Covid-19) Spread
Mission: Flatten the Curve

2020 US Population
• 332.6 million total
• 56.1 million age 65+

U.S. Healthcare System Capacity

Press down firmly
Intended impact of social distancing measures

1. Delay epidemic

2. Reduce height of epidemic peak

Without measures
With measures

↑ Number of infections

→ Time since first case

Source: Centres for Disease Control and Prevention

The Economist
Washington Post Simulator

https://www.washingtonpost.com/graphics/2020/world/corona-simulator/
Daily New Cases (rolling avg over 7 days)

Source: Johns Hopkins
Daily New Cases (rolling avg over 7 days)

Source: Johns Hopkins
Active Cases (Total Confirmed – Recovered – Fatalities)

Source: Johns Hopkins
Share of Arrivals to the USA by Region (2019)

North America: 38,862,921 (49%)
Europe: 15,706,143 (20%)
Asia: 12,250,386 (15%)
South America: 5,732,841 (7%)
Caribbean: 1,920,918 (2%)
Oceania: 1,640,992 (2%)
Middle East: 1,215,830 (2%)
Africa: 566,677 (1%)

Source: US Department of Commerce/NTTO, March 2020
# Arrivals to the USA by Region

(Change YoY %)

2019 Growth
Total International: -0.6%
Total Overseas: 1.3%

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH AMERICA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WESTERN EUROPE</td>
<td>-2.0%</td>
<td>-2.5%</td>
<td>0.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>ASIA</td>
<td>-6.7%</td>
<td>-2.2%</td>
<td>3.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>SOUTH AMERICA</td>
<td>-5.1%</td>
<td>-4.9%</td>
<td>2.8%</td>
<td>8.5%</td>
</tr>
<tr>
<td>CARIBBEAN</td>
<td>-6.0%</td>
<td>-1.8%</td>
<td>3.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>OCEANA</td>
<td>-1.6%</td>
<td>-2.7%</td>
<td>3.3%</td>
<td>9.9%</td>
</tr>
<tr>
<td>CENTRAL AMERICA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIDDLE EAST</td>
<td>12.0%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>EASTERN EUROPE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFRICA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: US Department of Commerce/NITTO, March 2020
Economic Impact
Travel industry losses will far exceed that of any other sector. This is six times the impact of 9/11.

- A $355 billion decline in travel spending in the US this year will translate into a total economic loss of $809 billion in economic output. This is more than six times the impact of 9/11 on travel sector revenue.

- In the second quarter, travel-related jobs will fall by 3.6 million and result in a total employment loss of 4.6 million jobs in the US (including indirect impacts).

- A decline of $55 billion in taxes will be realized as a result of travel declines in 2020.

- This equates to a 31% decline in travel economic impacts for the entire year.

### Expected Travel-Related Losses in 2020

<table>
<thead>
<tr>
<th>Lost spending ($ billions)</th>
<th>Direct travel industry</th>
<th>Total impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air transportation</td>
<td>-$66.5</td>
<td>-$29.7</td>
</tr>
<tr>
<td>Other Transportation</td>
<td>-$53.5</td>
<td></td>
</tr>
<tr>
<td>Lodging</td>
<td>-$76.4</td>
<td></td>
</tr>
<tr>
<td>Recreation &amp; Amusement</td>
<td>-$37.2</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>-$33.9</td>
<td></td>
</tr>
<tr>
<td>Food Services</td>
<td>-$88.0</td>
<td></td>
</tr>
<tr>
<td>GDP Impact ($ billions)</td>
<td>-$195.8</td>
<td>-$445.8</td>
</tr>
<tr>
<td>Jobs (thousands)</td>
<td>-3,627</td>
<td>-4,574</td>
</tr>
<tr>
<td>Air transportation</td>
<td>-175</td>
<td></td>
</tr>
<tr>
<td>Other Transportation</td>
<td>-209</td>
<td></td>
</tr>
<tr>
<td>Lodging</td>
<td>-670</td>
<td></td>
</tr>
<tr>
<td>Recreation &amp; Amusement</td>
<td>-634</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>-214</td>
<td></td>
</tr>
<tr>
<td>Food Services</td>
<td>-1,468</td>
<td></td>
</tr>
<tr>
<td>Travel Planning</td>
<td>-74</td>
<td></td>
</tr>
<tr>
<td>Lost taxes ($ billions)</td>
<td>-$24.2</td>
<td>-$55.0</td>
</tr>
<tr>
<td>Federal</td>
<td>-$13.1</td>
<td>-$29.7</td>
</tr>
<tr>
<td>State</td>
<td>-$6.8</td>
<td>-$15.5</td>
</tr>
<tr>
<td>Local</td>
<td>-$4.3</td>
<td>-$9.8</td>
</tr>
</tbody>
</table>
Travel sector revenue will average 75% below normal in March and April.

Gradually lessening declines are expected in the summer as travel restrictions are loosened. However, losses will continue through the rest of the year.

Source: Oxford Economics

Projected COVID-19 impact on tourism industry revenue

<table>
<thead>
<tr>
<th>Month</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb</td>
<td>-5%</td>
</tr>
<tr>
<td>Mar</td>
<td>-80%</td>
</tr>
<tr>
<td>Apr</td>
<td>-70%</td>
</tr>
<tr>
<td>May</td>
<td>-55%</td>
</tr>
<tr>
<td>Jun</td>
<td>-25%</td>
</tr>
<tr>
<td>Jul</td>
<td>-25%</td>
</tr>
<tr>
<td>Aug</td>
<td>-20%</td>
</tr>
<tr>
<td>Sep</td>
<td>-15%</td>
</tr>
<tr>
<td>Oct</td>
<td>-15%</td>
</tr>
<tr>
<td>Nov</td>
<td>-15%</td>
</tr>
<tr>
<td>Dec</td>
<td>-15%</td>
</tr>
</tbody>
</table>
Employment losses

Jobs losses will spike in April and May but continue through the remainder of the year with 1.6 million jobs still lost in December.

At the lowest point, 4.6 million people will lose their jobs this year as a result of travel declines, including 3.6 million jobs directly in the travel industry.
International markets will be hard hit

International visits to the US are expected to decline at least 23% this year.
Total US travel industry impacts

Including international and domestic travel, $355 billion in travel spending will be lost in 2020.

Source: Tourism Economics
Consumer Impact
Kübler-Ross Emotional Response to Change

Time

Morale And Competence

Shock
Surprise or shock at the event

Denial
Disbelief: Looking for evidence that it isn’t true

Frustration
Recognition that things are different: feeling like a victim

Anger/Depression
Low mood: lacking in energy and/or focusing on blame

Experiment
Initial engagement with new situation; considering new ways of doing things

Decision
Coming to terms; feeling more in control and more positive

Integration
Changes understood and accepted: a renewed sense of normal
LOGIC \hspace{2cm} EMOTIONS
Most people are still processing
Likelihood to Travel Internationally in the Next 12 months (% Change over 2019 average)

AUSTRALIA: -15%
BRAZIL: -9%
CANADA: -12%
CHINA: -19%
GERMANY: -11%
FRANCE: -6%
FRANCE: -6%
INDIA: 2%
JAPAN: 10%
SOUTH KOREA: 31%
MEXICO: 4%
U.K.: -4%

Source: Engine/ORC Custom Study
Travel Changes due to Coronavirus (COVID-19) (March 6, 2020)

- **Australia**: No changes yet, but may adjust in the future
- **Brazil**: Postpone trip
- **Canada**: Cancel trip
- **France**: Cancel trip
- **Germany**: Postpone trip
- **India**: Cancel trip
- **Japan**: Cancel trip
- **Mexico**: Cancel trip
- **U.K.**: Cancel trip

Source: Engine/ORC Custom Study
Reasons for Not Traveling in the Next 12 Months: March 13 (PPS Difference Over March 6, 2020)

Source: Engine/ORC Custom Study
Consumption
Dreams
Tom Garzilli
Chief Marketing Officer
Thank you!