



Update from Kentucky's Largest Commercial Service Airports

2020 Recap from CVG, LEX, and SDF

November 2020



Today's Flight Plan

- Economic Benefits of Kentucky's Largest Airports
- Impacts of COVID-19 and Airport Responses
 - SDF
 - LEX
 - CVG
- Q&A





Economic Impacts

- Our airports are self-sustaining: tax generators and job creators (see graphic below)
- We are the front door for Kentucky to more than **14 million** residents, visitors, and businesses per year
- Collectively, we support more than **134,000+ jobs** with a combined economic impact of **\$18.27 billion** per year
- CARES Act relief has been a lifeline, but our airports are multi-million-dollar businesses with persistent, growing operational/capital demands



Tax Revenues Produced*

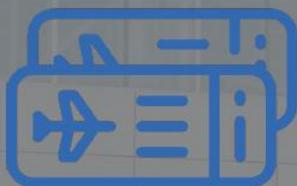
\$480 million+
per year

*SDF and CVG only



Economic Impacts (contd.)

Total Passengers Served (pre-COVID)



14,807,667
annually

CVG: 9,103,554
LEX: 1,465,049
SDF: 4,239,064

Direct/Indirect Jobs Supported



134,077

CVG: 47,876
LEX: 3,478
SDF: 82,723

Total Annual Economic Impact*



\$18,270,323,277

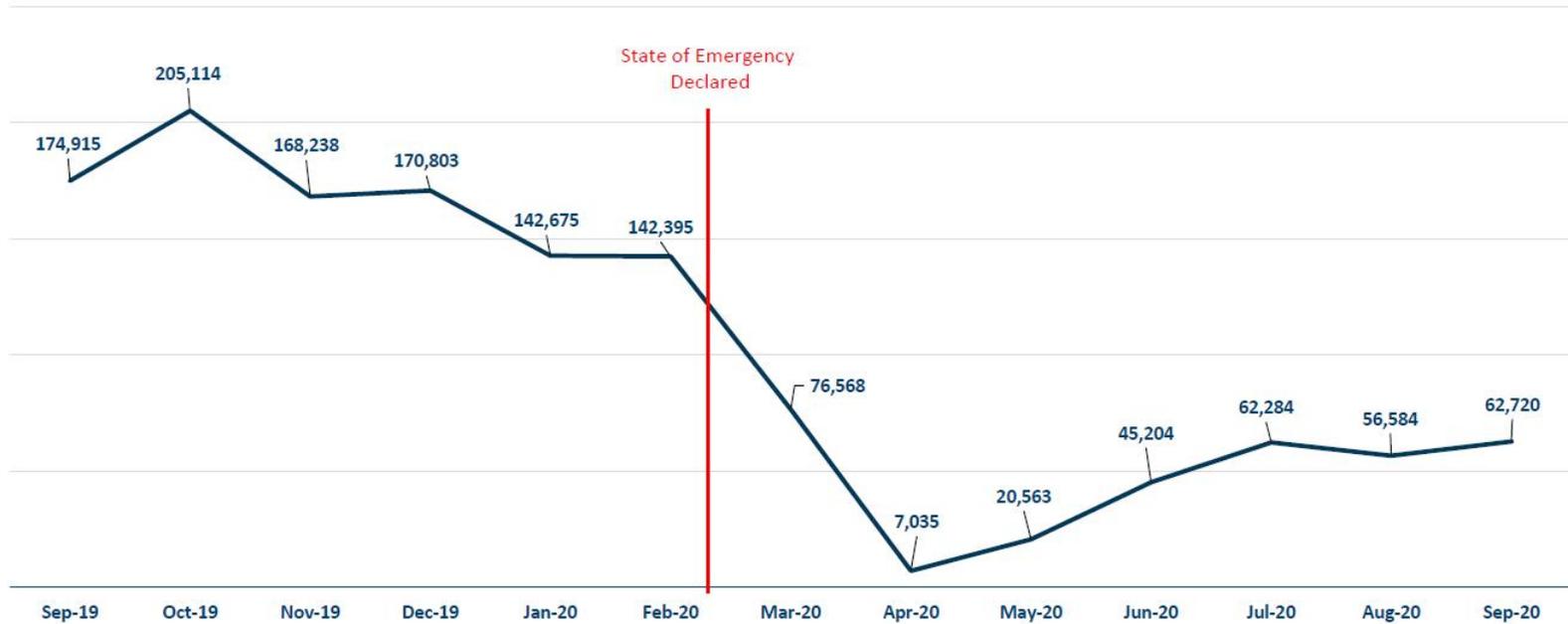
CVG: \$7,048,405,659
LEX: \$442,003,080
SDF: \$10,779,914,538

*Study figures adjusted for inflation to 2020 \$



Monthly Passenger Trend at SDF

September 2019 – September 2020 Enplanements



Fly Healthy at SDF

- Over 90 plexiglass barriers installed at all customer service counters for airlines, restaurants, retail shops and TSA.
- More frequent CDC compliant cleaning, including a focus on high-touch areas and utilizing four autonomous robot floor cleaners.
- Quadrupled the number of automated hand sanitizer stations and installed automated touchless hand towel and soap dispensers.
- Placed “Healthy Travel Tips” signs in key points of the terminal.
- Information Booth staffed by virtual Airport Ambassadors.



Pandemic Impacts at SDF

- Expect revenue loss of **\$20m** in 2020 and **\$17m** in 2021.
- Reduced 2020 budget by **\$19m**.
 - In survival mode
 - Reduction in workforce through modified layoffs **-10 FTE**
 - Significant reduction in marketing
- Direct Covid-19 expenses **\$137k**.
 - Increased CDC compliant cleaning
 - Plexiglass barriers, social distance and fly healthy signage
 - Autonomous floor cleaning robots
- Experienced increase in cost-per-enplanement, **\$5.86 to \$8.74**.
- Minimal decrease in nonstop flights, however, daily **departures cut in half**. New York service **suspended**.



Pandemic Impacts at SDF

- CARES Act allocation of **\$21m** is 100% committed to debt service.
- **\$108m** in infrastructure projects under contract pre-covid continue through our fiscal year.
 - Jetbridge replacement
 - Electrical upgrades
 - New operations center
 - New rental car facilities
 - New moving walkways, escalators, elevators
 - New parking guidance system
- **566** contractor employees | **46** companies | **9** projects – improving SDF Infrastructure throughout pandemic.
- Level of continued investment is not sustainable without some version of CARES Act 2.0.
- August 2021 is pivotal month for local jobs and investment once under-contract-jobs are completed.

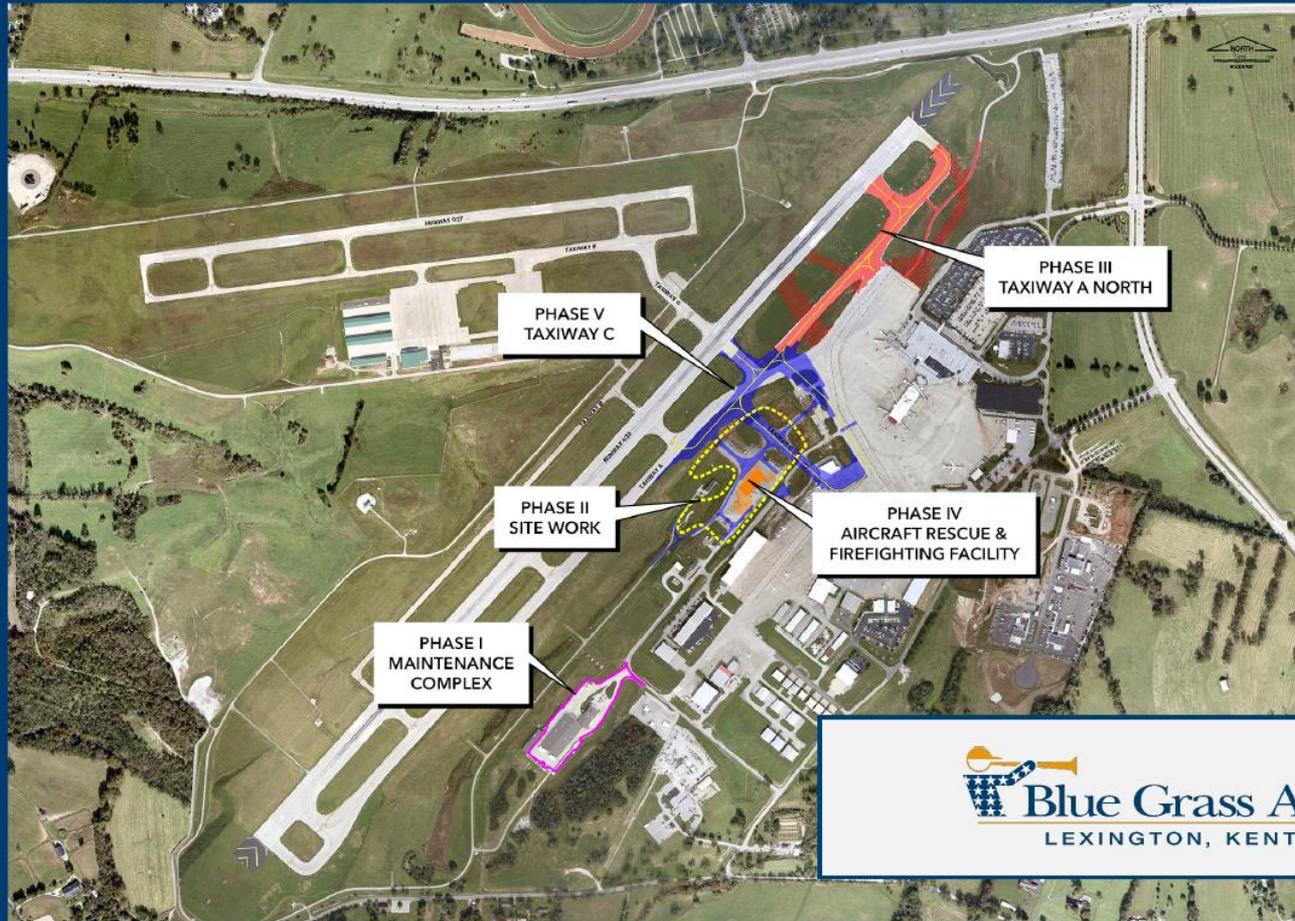


Air Cargo at SDF

- As home of UPS Worldport, SDF also serves as the base to UPS Airlines, the fourth largest cargo airline in the world.
- SDF set an all-time record in worldwide cargo rankings in 2019.
 - Ranked #4 Worldwide (previously #7)
 - Ranked #2 North America (previously #3)
- UPS and SDF are benefiting from a surge in e-commerce. In 2019, UPS Next Day Air package shipments grew by more than 22%, resulting in more flights arriving and departing from SDF.
- Currently, SDF is experiencing peak-level package volume.



Taxiway Safety Enhancement Program (2012–2020)

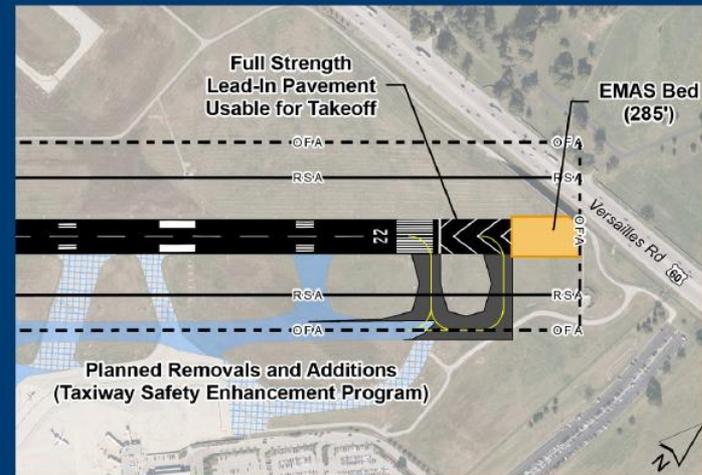
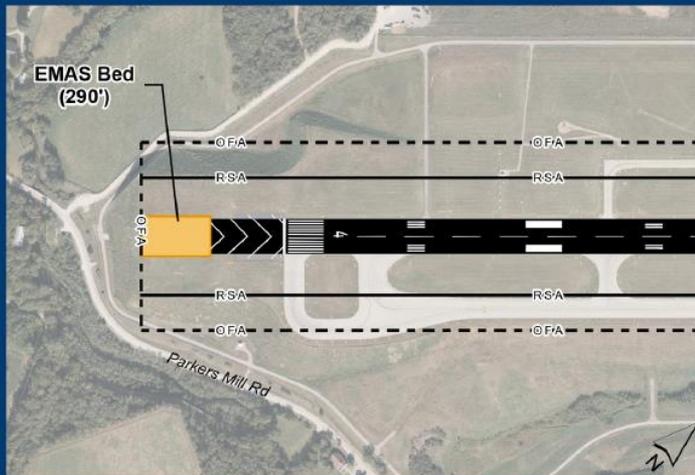


Taxiway Safety Enhancement Program (2012–2020)

Initiated	Description	Engineers/Architects	Major Contractors	Funding
2014	<p>Phase I</p> <p>Snow Removal Equipment/Maintenance Complex relocation/construction</p>	<p>WSP USA Hanson Professional Services Inc. Connico Inc.</p>	<p>MESSER CONSTRUCTION T.E.M. Group, Inc. H&R Mechanical Contractors, Inc. CHIEF Bluegrass Contracting Corporation</p>	<p>FAA \$13,983,852 Airport \$1,679,065 <u>\$15,662,917</u></p>
2015	<p>Phase II</p> <p>Site work for taxiway and new Aircraft Rescue and Firefighting Facility</p>	<p>CRAWFORD, MURPHY & TILLY HDR, Inc. Connico Inc.</p>	<p>KAY AND KAY CONTRACTING T.E.M. Group, Inc.</p>	<p>FAA \$9,824,553 Airport \$1,091,617 <u>\$10,916,170</u></p>
2016	<p>Phase III</p> <p>Taxiway A North realignment to meet current taxiway design standards</p>	<p>CRAWFORD, MURPHY & TILLY HDR, Inc. Connico Inc.</p>	<p>KAY AND KAY CONTRACTING Bansal Construction, Inc. Bluegrass Contracting Corporation</p>	<p>FAA \$10,173,298 Airport \$1,221,525 <u>\$11,394,823</u></p>
2018	<p>Phase IV</p> <p>Aircraft Rescue and Firefighting Facility construction</p>	<p>CRAWFORD, MURPHY & TILLY HDR, Inc. CR architecture + design Connico Inc.</p>	<p>THE WALKER COMPANY HB Masonry LLC Wilder Enterprises, Inc. Green Mechanical Construction, Inc. Cook Electrical Burnett Roofing</p>	<p>FAA \$12,096,000 Airport \$4,704,000 <u>\$16,800,000</u></p>
2019	<p>Phase V</p> <p>Taxiway construction to improve airfield safety and efficiency</p>	<p>CRAWFORD, MURPHY & TILLY HDR, Inc. Connico Inc.</p>	<p>THE WALKER COMPANY Bansal Construction, Inc. Bluegrass Contracting Corporation</p>	<p>FAA \$11,250,000 Airport \$1,250,000 <u>\$12,500,000</u></p>

Total Investment: \$67,273,910

Additional Upcoming Investments



Additional Upcoming Investments

2021: Rehabilitate primary commercial
service runway
\$15.0 million

2022: Install Engineered Material
Arresting System (south end) to
enhance safety
\$12.0 million

2023: Install Engineered Material
Arresting System (north end) to
enhance safety
\$7.0 million

Total: \$34.0 million



Monthly Enplaned Passenger Trend

September 2018 - September 2020

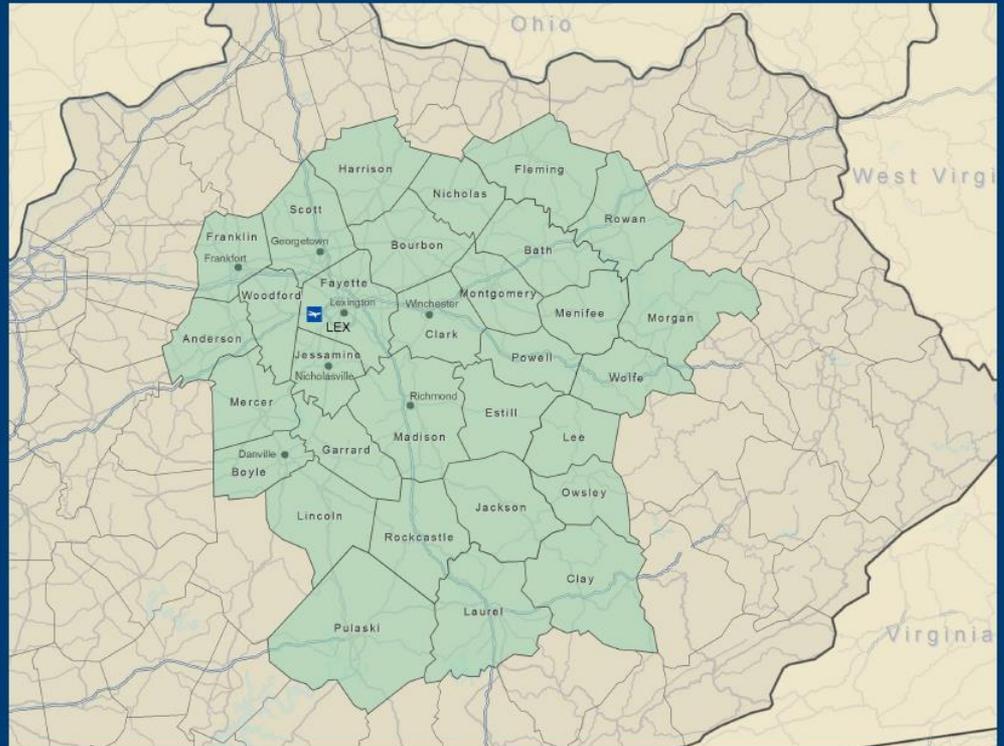


September 2020 enplanements down 63% year-over-year to 52,971; YTD down 58%

Source: LEX Airport Statistics—Passenger Enplanement Data

Blue Grass Airport Service Area

- Over 1,071,144 potential travelers reside within the airport's catchment service area.
- The catchment area includes 31 counties in Central and Eastern Kentucky.



COVID Operational Impacts at CVG

- During pandemic, CVG is **open** and **operational** since the airport is classified as **essential infrastructure**
- At worst of quarantine in April, passenger processing volumes reduced by 90-95%
- Routes suspended/returning based on travel demand
- Temporary cancellations of routes (Delta CDG/Paris), flight frequencies, and certain carrier operations (Air Canada and Vacation Express)
- Closed or modified hours for all concessionaires
- Closure of parking products (ValuPark and Economy Lot); new \$10 daily rate for consolidated parking in the Terminal Garage
- Employment impacts to several airport partners; airlines reducing staff (temporary and permanent) post-CARES support



CVG Monthly Enplaned Passenger Trend

September 2019 – September 2020



While demand is starting to return, passenger traffic is down significantly compared to last year

Source: CVG Airport Statistics—Passenger Enplanement Data



The business of CVG

Aeronautical and non-aeronautical developments provide varied streams of revenue for CVG, but the pandemic has caused a shift toward cargo; most revenue sources are tied to passenger levels

2019 Average



September 2020



Air Cargo at CVG

“Epicenter of E-Commerce”

CVG is home to one of three DHL global super hubs (largest in world only after Leipzig, Germany). **More than 80% of DHL’s Americas volume** passes through CVG every day.

Atlas Air Worldwide flies for many companies, including DHL and Amazon. Atlas is building a new **\$34 million operations center** in Erlanger, located near CVG to support its sizable presence at the airport. Work on Amazon’s **\$1.5 billion North American Air Hub** is on track for a late 2021 opening.

Despite the pandemic, CVG continues its focus on future planning, doubling down on strategies for additional air cargo growth opportunities on and around our **7,700-acre campus**. This will continue to grow the Commonwealth’s employment base and diversify the airport’s business.



Financial Situation at Kentucky Airports

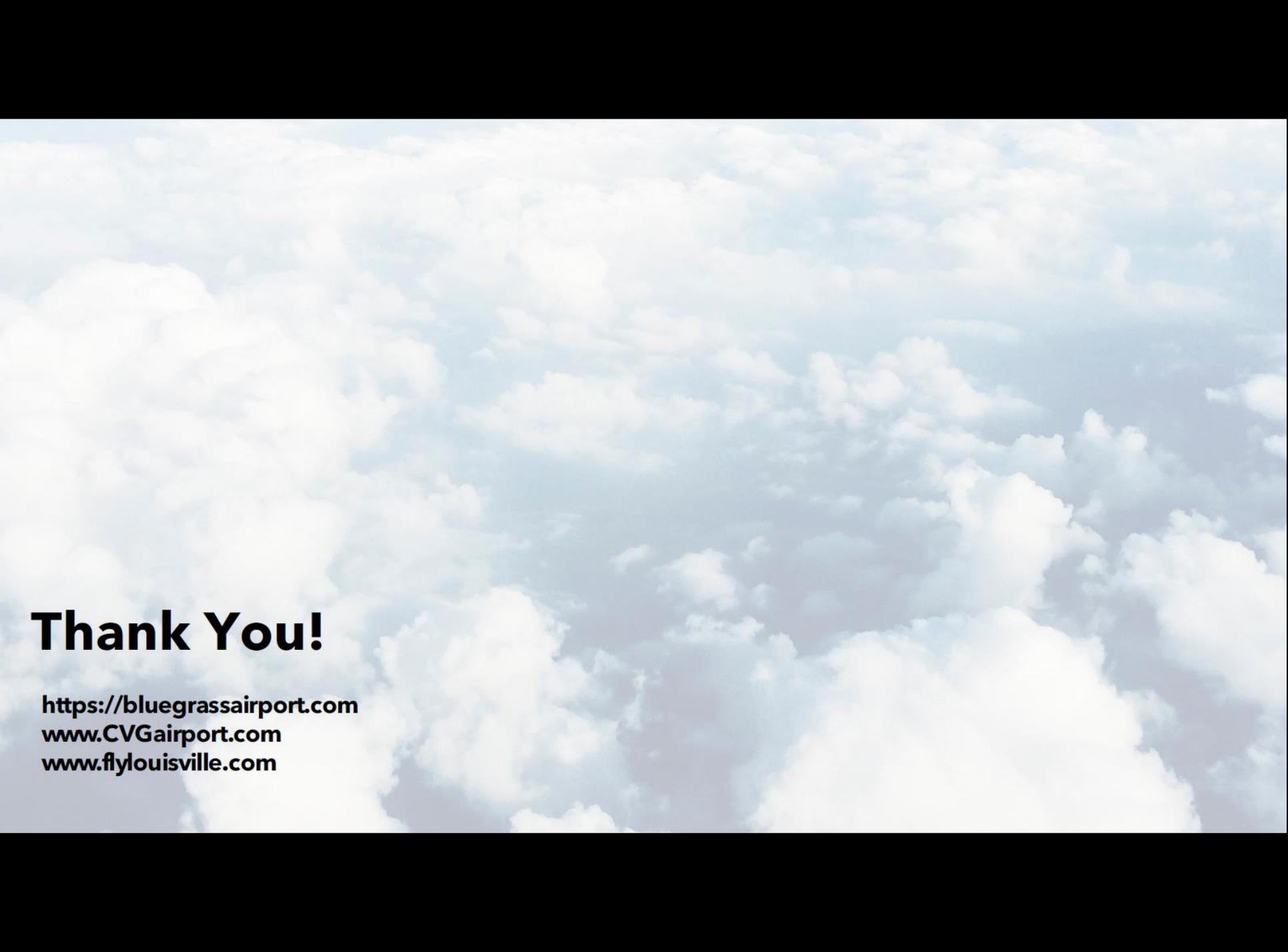
- While federal CARES Act funds have been critical, Kentucky's largest airports are still running out of cash
- Funds primarily cover operational expenses and debt service payments; SDF and LEX almost out of CARES \$

	SDF	CVG	LEX
2020 Budget (enacted)	\$66.8 million	\$120 million	\$20 million
2020 Budget (reduced by)	-\$19 million	-\$20 million	-\$7 million
CARES Act allocation	\$21 million	\$43 million	\$9.5 million
Anticipated Revenue Losses (2020 2021)	\$20 million \$17 million	\$45 million \$40 million	\$10 million \$10 million
Additional Cost-Saving Measures	Layoffs, Reduction-in-Force (RIF), Contract freezes	Hiring freeze, Pause of non-essential capital projects	Layoffs, Hiring freeze, Pause of non-essential capital projects





Q&A



Thank You!

<https://bluegrassairport.com>

www.CVGairport.com

www.flylouisville.com