The Pensacola Gulf Coast Market of Northwest Florida and Southeast Alabama

March 2013
Today’s Agenda

• The PNS Gulf Coast Market Catchment Area
• The PNS Market, Business and Employment Profile
• Gulf Coast Air Service Market at PNS
• Gulf Coast Market at PNS
• Support for Air Service at PNS
• Appendix
The PNS Gulf Coast Market Catchment Area
The Gulf Coast Region of Northwest Florida, Southern Alabama and Mississippi Along I-10
PNS Offers Passengers Easy Ground Access to Entire Northwest Florida/Southern Alabama Gulf Coast Region

From Mobile Bay east to Destin Harbor, the region is home to over 1.3 million residents of Southern Alabama and Northwest Florida

Note: Gulf Coast Region includes the counties of Santa Rosa, Escambia, & Okaloosa, FL and Baldwin, AL.
The Four County Region that is the Core Market For Air Services at Pensacola International Airport

Baldwin, AL; Escambia, FL, Santa Rosa, FL and Okaloosa, FL
The Gulf Coast Region from 2013 to 2018 is Forecasted to Meet or Exceed the CAGR for United States

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
<th>CAGR* '13-'18</th>
<th>U.S. CAGR* '13-'18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>1,310,738</td>
<td>1,398,733</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Households</strong></td>
<td>337,055</td>
<td>368,217</td>
<td>1.8%</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Personal Income (000)</strong></td>
<td>$28,287,277</td>
<td>$32,030,205</td>
<td>2.5%</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Total Retail Sales (000)</strong></td>
<td>$12,048,925</td>
<td>$13,426,968</td>
<td>2.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Pers. Income per Household</strong></td>
<td>$83,925</td>
<td>$86,987</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Retail Sales per Household</strong></td>
<td>$35,748</td>
<td>$36,468</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

* CAGR = Compound Annual Growth Rate

Note: Gulf Coast Region includes the counties of Santa Rosa, Escambia, & Okaloosa, FL and Baldwin, AL.
The PNS Gulf Coast Regional Employment Base is Diverse

Note: Gulf Coast Region includes the counties of Santa Rosa, Escambia, & Okaloosa, FL and Baldwin, AL. “Services” include: professional, technical, management, administrative, waste, educational, and other services; “Other” includes: wholesale, arts/entertainment/recreation, transportation/warehousing, information, farm, utilities, forestry/fishing, & mining.
At the Center of Region
Escambia County

• And the City of Pensacola – the cultural, business and leisure hub for the region;
• Home to NAS Pensacola;
• The Health Care Center for the Region, with three major health care organizations – Sacred Heart, West Florida Health and Baptist Health Care;
• Major Employers include: Navy Federal Credit Union, International Paper and Ascend;
• Pensacola Beach, a premier tourist destination on the Gulf Coast.
Economic Highlights of the Pensacola Area

• **Top Industries:** Aerospace & Defense; software & information technology; renewable energy; financial services and back office support; medical device and life sciences;

• **Finance and insurance industry** employs approximately 10,000 with $486.6 million in earnings;

• **Medical and life sciences** employs 27,000 people who earn more than $1.3 billion;

• **Companies among Inc’s 5000 Fastest Growing:** Global Business Solutions Inc.; Hixardt Technologies; Overgroup Consulting; IMS ExpertServices; AppRiver; Absolute Consulting; Bit-Wizards;

• **Tourism** in 2013 expected to grow 12 percent in tourist related revenues over 2012, which in itself was a record breaking year.
Pensacola – The Cultural, Business and Leisure “Hub” for Southeast Alabama and Northwest Florida

- Cultural activities, the Community Maritime Park and the Blue Wahoos stadium anchor an on-going renaissance in downtown Pensacola;
Pensacola - The Cultural, Business and Leisure “Hub” For Southeast Alabama and Northwest Florida

• Blue Wahoos lead the ten team Southern League (AA) in attendance with 328,147 fans through the turnstiles in 2012

Baldwin County in Southeast Alabama Anchors the West Side of the Core Market Area

- Home to Gulf Shores and Orange Beach, major tourist/beach resorts for residents of the I-65 and I-10 Corridors;
- Key Industry sectors – Advanced Manufacturing, Aerospace and Distribution and Logistics, Medical Products Manufacturers, Research Labs and Medical Distribution Firms;
- Major Employers include International Paper; Ascend; Citation, Vulcan, Inc.; EZ Dental Products;
- Visited by over 5 million leisure and business travellers in 2012.
East of Escambia is Santa Rosa, County

- Gulf Breeze based Avalex, Andrews Institute and Tata Business Solutions are innovators in surveillance, rehabilitation services and customer service, respectively;
- Home to the bedroom communities for Eglin AFB of Milton and Munson, FL;
- Home to Whiting Field, one of two Navy pilot training bases in the region;
- Gulf Islands National Seashore, offering eight miles of pristine beaches;
- Major employers include: L3, Baptist Health, Appriver, LLC.
The Core Market Area to the East Encompasses Okaloosa County, FL

- Home to Eglin Air Force Base and the resort community of Destin, FL;
- Major Employers are BAE, Boeing, L3 Communications, Lockheed Martin and Tybrin Corp;
- Eglin AFB is one of the largest bases in the United States occupying nearly 70% of Okaloosa County.
The PNS Market
Business and Employment Profile
What’s Driving Growth?

- GE Energy. The Pensacola plant assembles the 1.5 megawatt wind turbines for the global marketplace.
- Ascend Performance Materials, LLC. A global leader in proprietary technologies central to the production of nylon, plastics and synthetic fibers. Houston, TX based Ascend has added over 100 employees to at its Pensacola facility in the last few years and is investing $150 million. Ascend Pensacola has $50 million payroll.
- International Paper The plant employees 500 workers with an estimated annual impact of $300 million to the local economy. IP investing $60 million in water quality improvement project.

Source: Company websites, SEC filings.
What’s Driving Growth?

*Fortune Magazine’s 2012 “100 Best Places to Work*

- **Navy Federal Credit Union**  The world’s largest credit union with more than four million members. Navy Federal employees more than 2,500 employees. Future expansion will be supported by its purchase of 240 acres in central Escambia County, that will provide facilities to accommodate 700 new jobs. Navy Federal is headquarters in Vienna, VA near IAD.

- **ExxonMobil Chemical**  Located 12 miles north of Pensacola its facility produces specialty elastomers products, used for seals, adhesives and molded flexible parts.

- **Studer Group.**  An international outcomes-based healthcare consulting firm headquartered in Pensacola that has worked with over 800 healthcare systems, hospitals and large physician practices to help them achieve clinical, service and operational excellence.

Source: Company websites, SEC filings.
What’s Driving Growth?

• The marine industry has a significant impact on the region. Boater spending alone contributes over $1 billion to northwest Florida’s economy and creates more than 7,000 jobs.

• Home to a vibrant artificial reef system with more than 197 locations in the waters off the County, Escambia’s commitment to preserving its marine ecosystems is unmatched. This investment not only protects our majestic underwater world, it also creates an economic impact of more than $110 million and approximately 2,000 jobs.

• Hy-Lite Products, a division of U.S. Block Windows Company since March 2009, has lowered its production costs and improved lead-times by relocating its molding operation from China to its company headquarters and 70,000-square-foot manufacturing facility in Pensacola, Florida.

Source: Company websites, SEC filings.
Pensacola was Florida’s Fifth Largest (MSA) Export Generator in 2011

- Miami-Fort Lauderdale-Pompano Beach: $43.1
- Tampa-St. Petersburg-Clearwater: $7.7
- Orlando-Kissimmee-Sanford: $3.2
- Jacksonville: $2.4
- Pensacola-Ferry Pass-Brent: $1.3
- All Other MSAs: $5.6

Source: Florida’s 2011 Metropolitan Statistical Area (MSA) Exports to the World
The Pensacola MSA had Florida’s Highest Export Growth from 2007-2011, at 142 percent

Source: Florida’s 2011 Metropolitan Statistical Area (MS) Exports to the World
The Colleges and the University System of Northwest Florida Prepare for the Future with Over 29,000 Students in 2012/13

In June 2013, ground will be broken at the University of West Florida on a $41 million mixed use development, managed by Chicago based project manager Vieste. The development includes a 100 room all suite hotel, 300 rooms for students and future restaurant development on 18 acres.

Source: UWF, PCC, PSC.
Pensacola, the Region’s Health Care Center

Pensacola is home to Sacred Heart Health System, West Florida Hospital - an HCA affiliate, Baptist Health Care System, Naval Hospital – Pensacola, Select Medical Corporation

Sacred Heart Health System’s is investing $57 million to add five new floors and 112 new beds to its Heart and Vascular Institute. The investment supports 500 construction jobs and will add 100 health care positions when completed in May 2014.

Source: Company websites; Pensacola News Journal.
Eight Major Northwest Gulf Coast Defense Installations are a One Hour or Less Drive to PNS

Source: Florida’s Great Northwest, Military Assets.
Eight Major Northwest Gulf Coast Defense Installations are Easily Accessible to PNS (cont.)

- NAS Pensacola including NAS Saufley, NAS Corry Station, Naval Hospital
  - Home to the Blue Angels with a primary mission to train Navy, Marine Corps and Coast Guard personnel in naval aviation. The Center for Information Dominance, Naval Operations Medicine Institute and Naval Aerospace Medical Research Lab are units based at these facilities;

- NAS Whiting Field
  - Supports the training of U.S. Navy, Marine Corps, Air Force, Coast Guard, and International student aviators;

- Eglin Air Force Base including Duke Field
  - Geographically the largest U.S. Air Force base, is home to Duke Field and a myriad of research and development activities. The Air Armament Center is the focal point for all Air Force armament.

- Hurlburt Field
  - Supports the training and execution of special operations activities.

Source: Florida’s Great Northwest, Military Assets.
The Four-county Region is Home to over 48,000 Uniform and Civilian Personnel

<table>
<thead>
<tr>
<th>Installation</th>
<th>Military Personnel</th>
<th>Civilian Personnel</th>
<th>Total Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eglin Air Force Base, including Duke Field</td>
<td>9,483</td>
<td>5,710</td>
<td>15,193</td>
</tr>
<tr>
<td>Hurlburt Field</td>
<td>8,000</td>
<td>700</td>
<td>8,700</td>
</tr>
<tr>
<td>NAS Pensacola including Corry Station and Saulfley</td>
<td>17,637</td>
<td>7,114</td>
<td>24,751</td>
</tr>
<tr>
<td>Total</td>
<td>35,120</td>
<td>13,524</td>
<td>48,644</td>
</tr>
</tbody>
</table>

The Pensacola Bay Area Chamber’s Vision 2015 initiative is a job creation program focused on recruiting new businesses, helping local businesses expand and strengthening the partnerships between the military and the private sector in the Pensacola Bay Area. By 2015 adding 3,000 new jobs in the Pensacola Bay region.

### Economic Impact of Jobs Annually

<table>
<thead>
<tr>
<th>METRICS</th>
<th>DIRECT IMPACT</th>
<th>INDIRECT AND INDUCED IMPACT</th>
<th>TOTAL IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOBS (DIRECT &amp; INDIRECT)</td>
<td>3,000</td>
<td>2,476</td>
<td>5,476</td>
</tr>
<tr>
<td>EARNINGS (PAYROLL)</td>
<td>$114,000,000</td>
<td>$92,340,000</td>
<td>$206,340,000</td>
</tr>
<tr>
<td>OUTPUT</td>
<td>$542,343,168</td>
<td>$280,726,272</td>
<td>$823,070,207</td>
</tr>
</tbody>
</table>

*New payroll is projected to generate:*

- DISPOSABLE PERSONAL INCOME: $171,262,200
- NET PERSONAL CONSUMPTION EXPENDITURES: $148,998,114

Source: Economic Strategy Center, Atlanta, GA.
Gulf Coast Leisure & Tourism
In 2012, the Gulf Coast Leisure Market Experienced Another Record Year for Revenue and Visitation

- In FY 2012, Escambia County experienced an 11% increase in lodging revenues reaching $178 million;
- For October & November 2012, Escambia County lodging revenues are up 12% from the same period in 2012;
- Gulf Shores and Orange Beach, AL experienced another record year in 2012 for tourism. Visitor estimates exceed 5 million and lodging revenues reached an all time high of $320 million.

Source: Visit Pensacola; Gulf Shores Orange Beach Tourism (Alabama).
The Many Attractions of the Gulf Coast Market Served by PNS

- Naval Aviation Museum, Pensacola, FL
- Pensacola Beach, FL
- Gulf Shores, AL
- Wind Creek Casino and Hotel, near Atmore, AL
The Pensacola Gulf Coast Market Welcomed Over 17 Million Visitors in 2012

Northwest Florida/Southeast Alabama Gulf Coast Region Visitors, Rental Income and Market Share by County (2012)

Sources: Visitor Data - Baldwin, AL Gulf Shores.com 2012; Visit Florida, 2012 (Preliminary) and Walton County, FL TDCC 2012 Annual Report. Rental Income Data - Center for Business and Economic Development, Auburn University; HAAS Center for Business Research and Economic Development, University of West Florida.
The Pensacola Gulf Coast Market

Home of The World’s Best Beaches

World’s Best Beaches 2013
~ Tripadvisor.com

Gulf Islands National Seashore, #18

Best U.S. Beaches 2013
~ Tripadvisor.com

Gulf Islands National Seashore, # 3
& Pensacola Beach, #22

Most Popular U.S. Beaches
~ Tripadvisor.com

Destin, #6
Best Family Beach – Destin

Best Beaches 2013
~ Travel Channel
The Pensacola Gulf Coast Has Over 63,000 Condominium Units & Hotel Rooms
Activities Along the Gulf Coast

- World-class Saltwater Fishing
- Diving USS Oriskany
- Dolphins & Ecotours
- Parasailing
- 150 Miles of Sugar-White Sand & Emerald Blue Water
- Robert Trent Jones Golf Trail at Magnolia Grove
Attractions Along the Gulf Coast

National Naval Aviation Museum – 800,000 Visitors
#1 Attraction on the Gulf Coast. #6 in the World for Top Museums by Trip Advisor, 2013

Baytowne Wharf in Destin

Orange Beach “The Wharf”

Blue Wahoos lead the ten team Southern League (AA) 328,147 fans in 2012. Double-A Affiliate - Cincinnati Reds
The Top Feeder Markets* for Pensacola Beach & Perdido Key 2011-2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Atlanta, GA</td>
<td>7.6%</td>
</tr>
<tr>
<td>2.</td>
<td>New Orleans, LA</td>
<td>7.1%</td>
</tr>
<tr>
<td>3.</td>
<td>Birmingham, AL</td>
<td>4.5%</td>
</tr>
<tr>
<td>4.</td>
<td>Houston, TX</td>
<td>3.4%</td>
</tr>
<tr>
<td>5.</td>
<td>Dallas, TX</td>
<td>3.1%</td>
</tr>
<tr>
<td>6.</td>
<td>Baton Rouge, LA</td>
<td>2.9%</td>
</tr>
<tr>
<td>7.</td>
<td>Nashville, TN</td>
<td>2.3%</td>
</tr>
<tr>
<td>8.</td>
<td>Tampa, FL</td>
<td>1.9%</td>
</tr>
<tr>
<td>9.</td>
<td>Memphis, TN</td>
<td>1.8%</td>
</tr>
<tr>
<td></td>
<td>Other Major Markets in the Top 25</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Washington, DC</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>St. Louis, MO</td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Chicago, IL</td>
<td></td>
</tr>
<tr>
<td>23.</td>
<td>New York, NY</td>
<td></td>
</tr>
</tbody>
</table>

*Excludes local market NW Florida and Southern Alabama visitation.
Source: Majority Opinion Research for Visit Pensacola, 2012 Market Perception Study
Interviews with 118,000 Escambia County bed tax users from 2011 & 2012.
Gulf Coast Air Service Market at PNS
In 2012, Non-stop Services to Nine Markets at PNS Served 1.5 million Passengers

Source: Pensacola International Airport.
The Pensacola Gulf Coast is an Attractive Market for New Air Service because Passengers Embrace Competition

Pensacola O&D Passengers have been Steady as Fares Have Continued to Rise

Pensacola is the 97th Largest Market in the United States with 1,983 Passengers Per Day Each Way (PDEW)

Pensacola O&D Passengers by Region

- Pacific: 9%
- Mountain: 8%
- Great Plains: 8%
- Ohio Valley: 14%
- Mid-Atlantic: 30%
- Southeast: 20%
- International: 8%
- Other: 2%

Pensacola International Airport

Business Travel Survey – Summer 2012
Highlights of the Business Travel Survey Summer 2012
Profile of the Gulf Coast Business Travel

• In the Summer of 2012, PNS through the on-line survey instrument Zoomerang.com (now SurveyMonkey.com) and the University of West Florida (“UWF”) fielded business travel surveys in Northwest Florida and Southern Alabama.

• Representatives of over 700 companies and organizations participated in the surveys.

• A Majority of Companies and Organizations responding to the Surveys were located in Florida.

• Seventy-Five Percent of the Respondent Companies had fewer than 100 Employees.

• Annually 59 percent of the Companies took more than twenty trips by air.

• Total Annual Expenditures for Air Travel by Company ranged from less than $5,000 to over $100,000.
Business Travel Survey Summer 2012 – Profile of Gulf Coast Business Travel

• In the Summer of 2012, PNS through the on-line survey instrument Zoomerang.com (now SurveyMonkey.com) and the University of West Florida (“UWF”) fielded business travel surveys in Northwest Florida and Southern Alabama
• Representatives of over 700 companies and organizations participated in the surveys.
• The UWF Team conducted phone surveys with companies and organizations located in the counties of Mobile, Baldwin, Alabama; Escambia, Santa Rosa and Okaloosa, Florida
• These surveys were designed to assist the airport in building a profile of the business travel market served by PNS
• The consolidated results of the Zoomerang and UWF surveys are highlighted in this presentation.
A Majority of Companies and Organizations Responding to the Surveys Were Located in Florida

- Florida: 54%
- Alabama: 32%
- Other: 14%

Note: Respondent Company/organization location by state.
Source: PNS Business Travel Surveys, Summer 2012.
Seventy-Five Percent of the Respondent Companies had fewer than 100 Employees

Source: PNS Business Travel Surveys, Summer 2012.
Annually, 59 Percent of the Companies Took More than Twenty Trips by Air

Source: PNS Business Travel Surveys, Summer 2012.

*Note: Only those who answered "Yes" to outbound air travel
Total Annual Expenditures for Air Travel by Company Ranged from Less Than $5,000 to Over $100,000

- $5,001 - $15,000: 18%
- $15,001 - $30,000: 17%
- $30,001 - $60,000: 11%
- $60,001 - $100,000: 9%
- Over $100,000: 11%

Source: PNS Business Travel Surveys, Summer 2012.

*Note: Only those who answered "Yes" to outbound air travel.
Visitors to Respondent Businesses and Organizations Predominately Used PNS

- PNS: 61%
- MOB: 19%
- VPS: 12%
- Other: 8%

Source: PNS Business Travel Surveys, Summer 2012.

*Note: 59 respondents selecting "Other" - 100% (0% for PNS/MOB/VPS) have been removed from the summary results, only those who have air travel inbound visitors.
PNS was the Airport of Choice Among Business Respondents

Source: PNS Business Travel Surveys, Summer 2012.

*Note: 69 respondents selecting "Other" - 100% (0% for PNS/MOB/VPS) have been removed from the summary results, only those using outbound air travel responding are included.
Airfares Coupled with Total Trip Cost and Travel Time were the Primary Factors for Business Travelers Utilizing Pensacola International Airport

Source: PNS Business Travel Surveys, Summer 2012.
For Further information
Please contact:

Ms. Belinda Zephir, CTC
Air Service Development and Marketing Manager
Pensacola International Airport
2430 Airport Blvd., Suite 225
Pensacola, FL 32504-8964
850 436 5000
Bzephir@flypensacola.com
www.flypensacola.com