



UNITED AIRLINES FLIGHT CATERING SERVICE AMENDMENT RC 9A005-01

MUKESH PATEL "MOOKIE"

JULY 2016



BACKGROUND

- United Airlines Flight Catering Service at Denver International Airport (DEN)
 - Agreement No. RC 9A005 with the City and County of Denver
 - Includes in-flight and off-airport food and beverage catering
 - Catering is under the Chelsea and Sky Chefs brands
 - Term: August 24, 2010 to March 1, 2020
- Concession Fee to DEN:
 - 7% of gross revenues for in-flight services
 - 5% of gross revenues for off-airport services
- Off-airport sales experienced steady growth until 2014



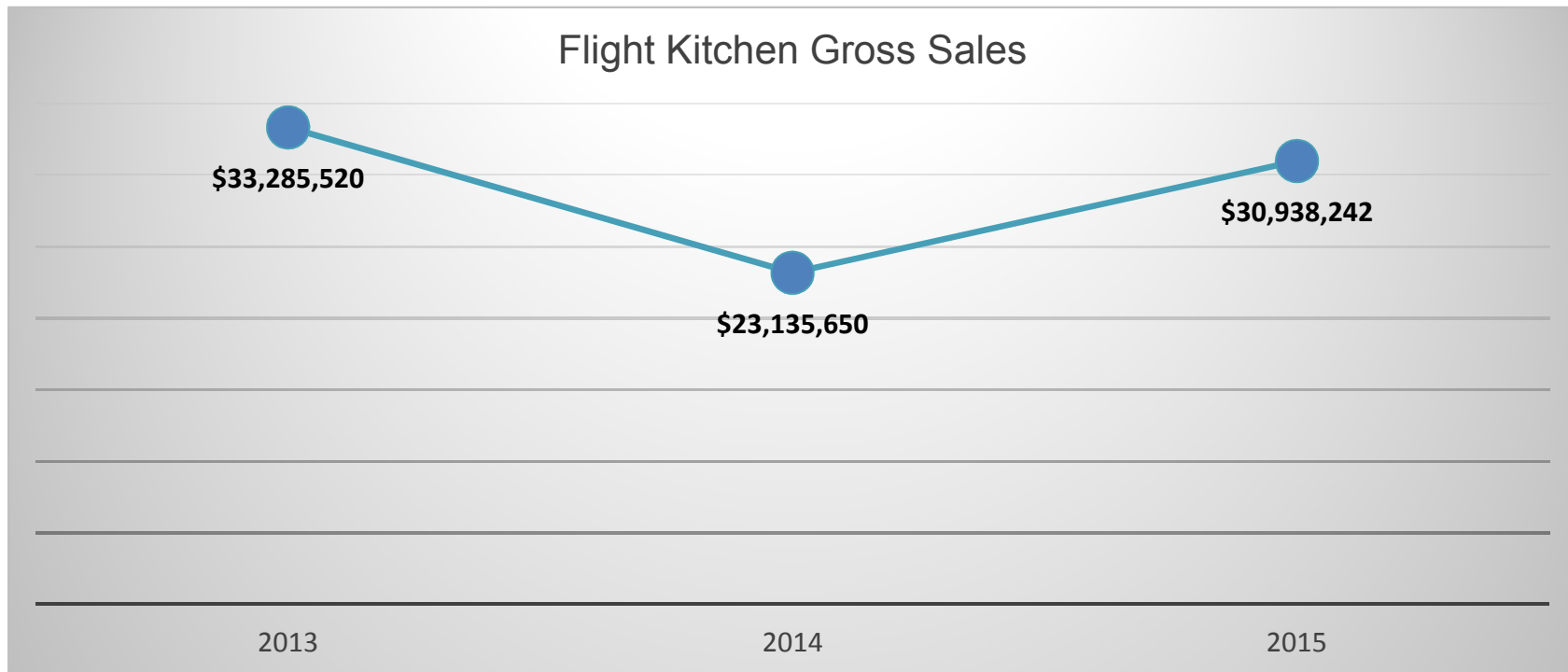
BACKGROUND

- In 2014, United Airlines lost their Starbucks contract, partly due to the 5% DEN Concession Fee
 - 5% Concession Fee added additional cost to the overall operation
 - United Airlines was unable to compete with other off-airport vendors
- United Airlines gained a contract with King Soopers in 2014
 - Contract helped to offset some revenue decreases with Starbucks contract loss
 - King Soopers became United Airline's largest off-airport customer
 - This contract saved 90 to 100 jobs



TOTAL FLIGHT KITCHEN GROSS SALES

- Includes in-flight and off-airport catering services



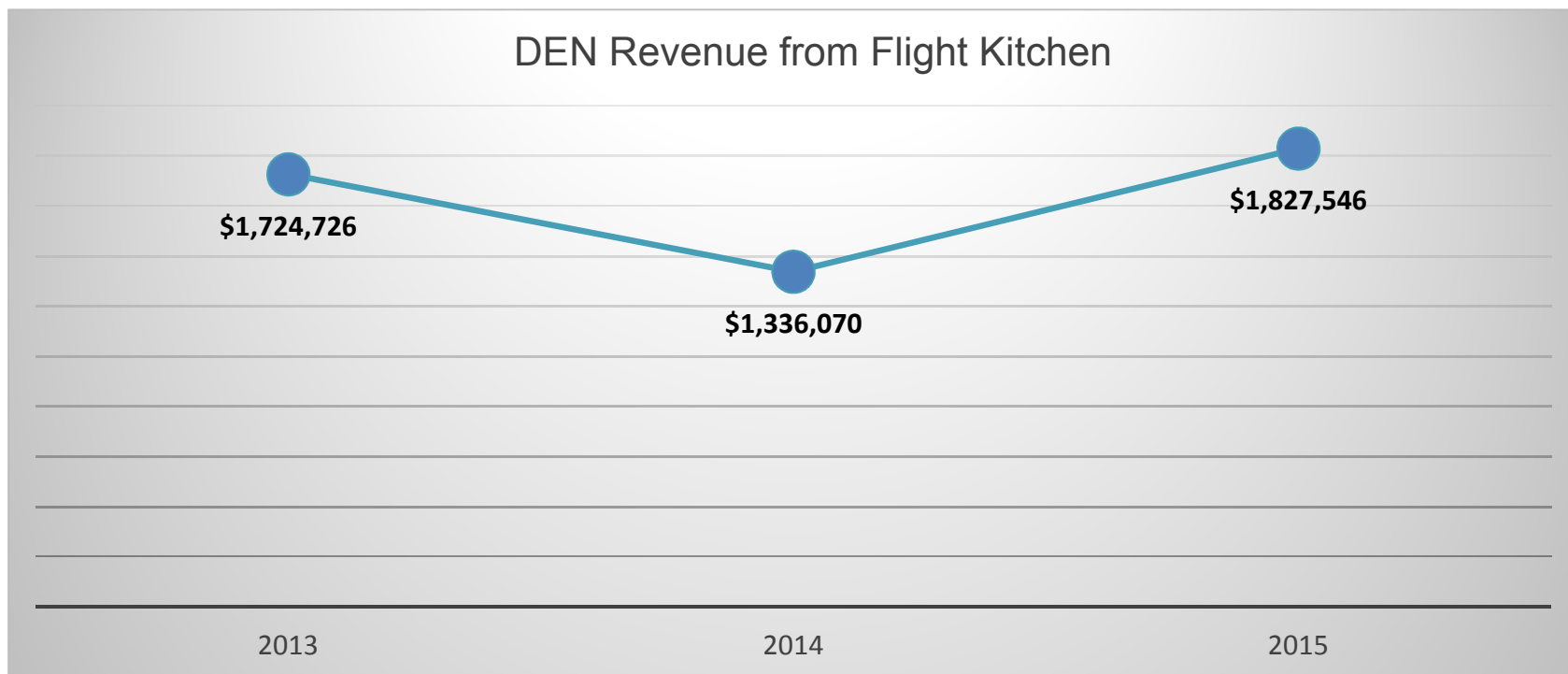
- Revenues declined in 2014 due to the Starbuck's account loss

Source: DEN Finance



REVENUE TO DEN FROM FLIGHT KITCHEN

- Includes in-flight and off-airport catering services

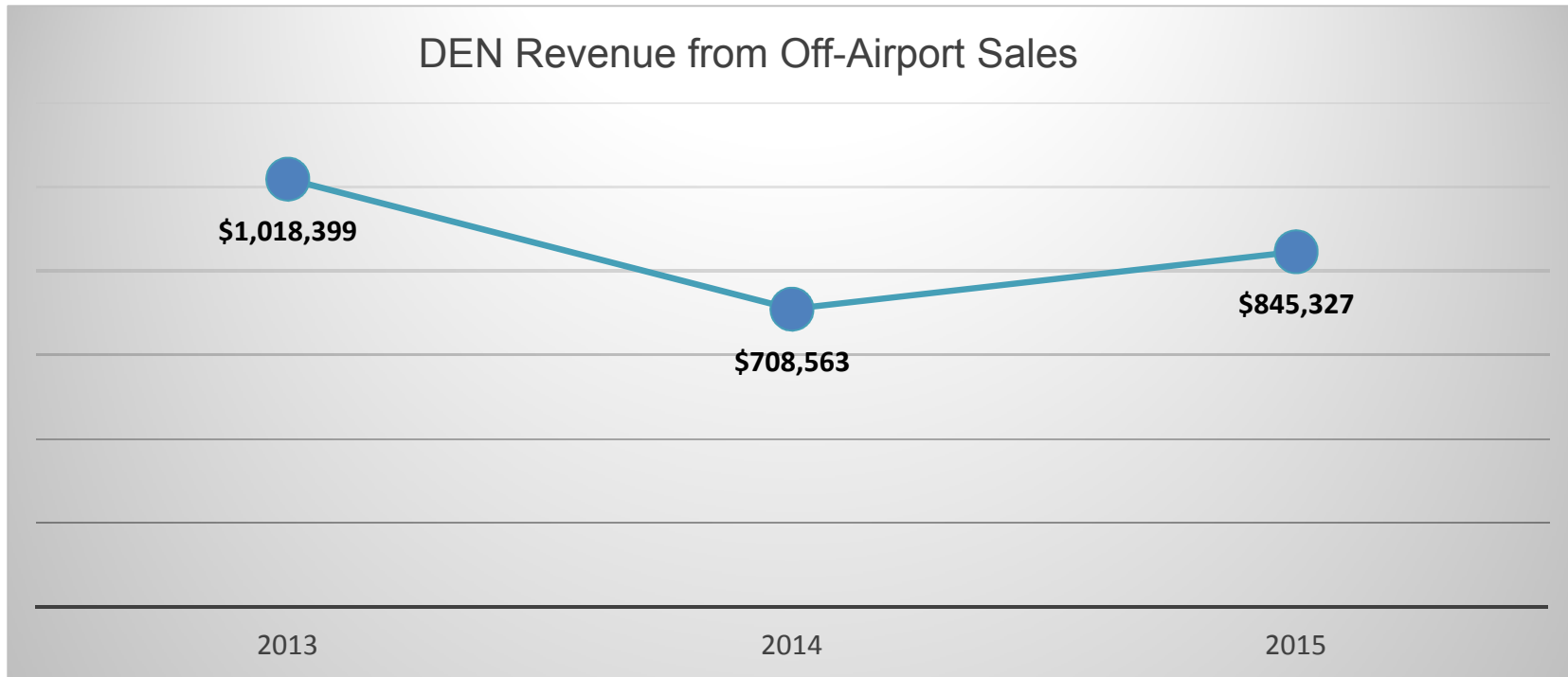


Source: DEN Finance



5% DEN REVENUE ON OFF-AIRPORT SALES

- Only off-airport catering services included



Source: DEN Finance



CURRENT STATE

- United Airlines and King Soopers are in dialogue to end their relationship
 - King Soopers unwilling to absorb the pass thru cost of DEN 5% Concession Fee
 - King Soopers looks at off-airport vendors for cost saving opportunities
 - Term: August 24, 2010 to March 1, 2020
- United Airlines asked DEN to lower the off-airport Concession Fee to 3%
 - United Airlines is confident 2% decrease will help secure new King Soopers contract
 - Change will also help secure additional off-airport business
- Off-airport sales experienced steady growth until 2014, the loss of United Airlines' Starbucks contract, partly due to the 5% DEN Concession Fee
 - 5% Concession Fee added additional cost to the overall operation
 - United Airlines was unable to compete with other off-airport vendors



RISKS

- Option I (reduce fee)
 - DEN will lose \$338,131 or 40% of the off-airport revenue annually by reducing the Concession Fee to 3%
 - Amendment to Agreement No. RC 9A005 required to reduce fee structure
- Option II (status quo)
 - United Airlines will lose \$16.2 million in annual gross sales by not securing a new contract with King Soopers
 - 90 to 100 jobs will be lost
 - DEN could lose over \$800,000 of revenue if the Concession Fee is not reduced



OPPORTUNITIES

- United Airlines could secure a new agreement with King Soopers
- United Airlines could secure additional off-airport catering business
- Even at a reduced rate, DEN will continue generating revenue from off-airport catering services
- 90 to 100 jobs will be saved



DENVER INTERNATIONAL AIRPORT

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