

JOHN WALDRON: Welcome to Talks at GS. I'm happy to be joined today by Oscar Munoz, the Executive Chairman of the United Airlines.

So Oscar, let's start with your path to United. It's a very interesting story. So I want to spend some time on it if you don't mind. You grew up in southern California, the son of Mexican-born parents and the oldest of nine siblings. I have six kids. I never could get to nine. I want to hear what it was like having nine siblings. But you were the first in your family to go to college. So, maybe just talk about the way you were brought up in that kind of a family with Mexican heritage and how it impacted you.

OSCAR MUNOZ: Well, you know, first of all you mentioned the fact that I'm the oldest. I think demographically speaking, I think you are correct. About as many know, I had a heart transplant a few years back. Four years ago. And my actual, my new heart is only 34 years old at this time. So, I'm technically, #youngestchild in my family. Now there's a lot of discomfort and contention on that claim. But, nevertheless.

No, listen, being the oldest, and many of you on this call have been the oldest. And just by virtue of being the oldest, you are the first to do pretty much anything. If you go to school, you graduate, your jobs and things that you do. And so, it's always been sort of a position of leadership that you're put into to work through.

But you know, I think Emerson said something about the fact that, you know, don't just go where the path follows, but you know, forge your own trail and path. And I think the important part for me has always been to sort of take our family and lead to a different place. My mom and dad were not-- you know, were high school graduates. Didn't go to college. And so, I think the nature of what I've been able to do is-- and bring everyone along with you, I think, is probably the most critical thing.

Being the first Latino CEO of a major US airline, only less than a handful of CEOs in Fortune 100 that happen to have Latinx heritage, while it's certainly proud, but you know, it's not how far you traveled, but who you've brought along with. And our nation has a great amount of history, the world has an amount of history of pioneers who have led the way and have always made sure to leave trails and marks for others to follow. So, you know, aim high and achieve high. But what's that old concept? Lay a lot of-- light a lot of little candles along the way, I

suspect. And that's always been the philosophy I've had. And I think for all of you that are the oldest in your family, you probably have a similar experience.

JOHN WALDRON: Following college at USC in California, you went on to work for a number of major brand companies, including AT & T, PepsiCo, CSX. You were also on the board of United Airlines which then offered you the opportunity to become the President and CEO while it was facing major challenges, including those arising from its Continental merger and the leadership that was happening on the back of that merger. How did you think about taking on that role? And what did you want to accomplish when you stepped into that position?

OSCAR MUNOZ: Oh boy, that's-- and there's a lot of people that listen intently to that question and, of course, the answer, because many of us will at some point in time be faced or have been faced with that decision. I'm at a place I enjoy where I am. I enjoy what I'm doing. But inevitably, there's somebody taps you on the shoulder for the chance to do a very special thing. And that's what happened in my case.

I was at a place where I was very comfortable. I was about to be announced to CEO of my former company at CSX. And then this opportunity came up. And I think at a time like this when if you haven't developed your own internal sort of template, mechanism, and decision criteria for what makes for a good place for you to work, to contribute, to add value, what is it about you that you think is your biggest asset and that you can contribute the most to an organization, your career aspirations, the way you develop yourself and your leadership capabilities needs to center around what is it that you do best? And when you figure that out, and when others help you figure that out, if you put yourself in a situation where what somebody wants is what somebody, you, can deliver, it's going to be successful.

This opportunity came at a time where all that I do, and I figured I do better, I bridge the gap between peoples' viewpoints and divides. I bring large teams of people together. I listen. I understand. And I bring everyone together for a greater good.

And what United needed at the time, it was in a horrible situation. And I thought that I could add more value, create more of a situation where, again, from my perspective more selfishly, we had helped turn around CSX from a great company to an even greater company. And this was an opportunity to do it on

my own.

And so, a combination of all of those things certainly propelled me that way. But notice, I didn't say adulation of being a CEO. I didn't mention compensation. I meant intrinsic value, internal need that's important to me that I know I do well, that I could do well at a certain company.

JOHN WALDRON: So, you led a successful turnaround at United. You put a lot of more emphasis on employee relations. You shifted some strategic operations. You did a lot in the turnaround. And that went very, very well. Now we're in another crisis moment. I'm just interested in your perspective on how some of the things you learned, and your management team learned, you know, are being applied today as United faces another quite challenging period.

OSCAR MUNOZ: Yeah. I don't mean to be semantic here. But I think the word crisis is sometimes, and can be, overused. There's crisis and there's emergencies. I'm sure a lot of people will disagree with my statement. But at United, certainly, the pandemic is a very, very impactful thing. But it is, to some degree, more of an emergency for us. We have faced so many crises. And I think I define crisis really things that reveal a fundamental problem that requires fundamental solutions. And when I came into the company, our operations, our financial valuation, our customer engagement, our employee engagements, we had a disenfranchise, disengaged thing. That was a crisis of epic proportion and a lot of fundamental things had to be changed.

And we've lived through so many of these different crises that at the end of the day I think emergencies, like this one, reveal kind of the strength that you've developed over these past crises. So, when I say at United we see this as an emergency, we went into immediate action. We were the first to call it up. I was actually at the White House with the President. There's a famous picture in *The New York Times* when I have my hands out like this imploring the President, saying, "this is going to be incredibly impactful to the United States. We are seeing the numbers in our--" Italy was the more approximate area where we first saw the impact as you'll all remember. We saw our bookings, people booking more flights, almost drop to zero. We saw our load factors, how many people got on a plane to go to that region drop to almost zero. And so we quickly extrapolated from that. It's like, there is just no way at the proximate nature of Italy that it's not coming to the United States. And

that same effect is going to send a chill to the flying public. And we're going to face what we indeed faced, a lockdown of epic proportion.

So, we went into immediate, immediate action. We have our processes. We have our social media. We had all our different organizations that were ready to do that. And remember, we had the Max problem with the aircraft. We had Pakistani airspace shut down. We had the government shut down. Like it seems like every day in the airline industry there's some new crisis.

So I think, you know, I think situations like this have really helped us along. And we quickly went into sort of a pillar, a set of pillars that our new CEO had put together. Get liquidity. Get your cost down. And live to fight another day. And we went right into action.

I spent a lot of time with Scot in Washington DC with the Cares Act and really imploring the importance of, you know, of American aviation industry to the economy. And we were able to get some funding for the first round. But again, we went right into work.

JOHN WALDRON: One of the things that's happened over the last number of years is an expansion of many of the US carriers finding ways to have even broader exposure internationally. I wonder if you have a view on does the pandemic change that? Does it make people retrench more? What's your perspective on how the international/global nature of the airline industry might shift?

OSCAR MUNOZ: You know, we flew 12 and a half times a week to China. Probably 16 or 17 times from the New York area to London Heathrow. Every day. The demand for that, and you know this in your business very well, is-- in the international global business climate is such, and so strong, and the world has, indeed, shrunk. And so, it is my hope that-- and what we're working with many countries, and I work with many of the ambassadors and leaders of other countries to an effect-- you know, we've developed something called the rapid test where if you're getting on an aircraft we can test you and prove that you're COVID negative. And so when you land in Heathrow the government there should allow you to go about your business and we'll test you on the way back. So that's, you know, rather than complain about all this, we are putting together actual, sort of demonstrable proof, not just a promise, that indeed we can have people fly safe.

There was a study by the State Department of the United States that completely reinforces that inside an aircraft is probably one of the safest places to be in a world that there may be a pandemic or a virus in the air. And so, it is safe to travel. And so, convincing the rest of the world to begin to open up is what our initial intent is.

Your question is much broader. How do we get governments to trust each other? How do we get, you know, the China/US relations back where they were? You know, this has poked a lot of holes in some of the tenuous relationships that we've had. And so, it's going to take some diplomatic core. I think whoever's the new State Department head, it's going to be an important role for him or her, in that regard.

But I think from a business prescriptive, I think our job has always been in the connecting people and in uniting the world. That's kind of our mission statement and our shared purpose. And what you see at the fundamental levels of business, people want to travel. They want to interact. We've built relationships all over the world. People want to do that. It will come back slowly. Having said all that, it has to come back slowly.

You know, you can say, all right, Goldman Sachs, we can travel today. You have to have someone to travel to. You have to have a client on the other side willing to accept you. And that's going to take its time. It's going to take a vaccine. And you know, we've had one, now two, good positive developments. I suspect there will be more. It will take some time to operationalize and so-- across the world. But I think we'll begin flying hopefully the middle of next year, sort of thing.

But we don't see a full return of our pre-COVID levels of business probably till into 2022 and possibly later. It's just going to take some time. So we'll be a smaller airline at the time. But we'll be efficient. We'll be investing in a lot of technology and a lot of new innovations. And then hopefully can continue to make you feel safe when you travel.

JOHN WALDRON: You just touched on something that triggered a follow up question which is the digital acceleration in the economy. We certainly see it at Goldman Sachs in our own business and with our clients. And I presume you see it at United. Just talk about, you know, has this pandemic allowed for a faster acceleration of people using technology, whether it's booking, whether in flight experience or whatever the is, you know, across the airline industry? Just talk a bit about that if

you would.

OSCAR MUNOZ: Sure. I mean, all of the above, right? Part of change and change management is getting people to accept something new. And so you can build the better mousetrap. But I have to want to use that mousetrap, so to speak. And a lot of things that-- you know, our business is so human engagement level. I mean, we have 160-70 million travelers that we take care of every year. And they all have different needs and desires. Clearly, there's the digital native group who wants to do nothing. I don't want to have anything to do with any one person. Give it all to me on my app. I'll take care of all my transactions. I don't want to have anything to do with it. It's great. We've developed those tools and enhanced them.

But there's still a very, very large, or was a large part, of all of our traveling public that still like, and this sounds trite, but think of a boarding pass, a paper boarding pass. There are still fundamentally 100 million people who want-- and you know some of them, who still want that. There's no need for that anymore. But taking it away with no other cause was going to cause consternation. So, we would go on doing it.

Back to your concept of acceleration. We've always had the technology. The social acceptance of not wanting to touch anything has really accelerated that. So that will be a thing, a foregone future.

Communication is key. Our app tells you, "Hey, listen, your plane is kind of full. If you're uncomfortable with that, here's the next flight. We'll switch you for sure. We'll switch you for free." And then that led to no change fees. And so, there's so much customer-oriented friendliness that is going to be introduced. Better communication. Better ability to communicate. And certainly, and certainly more caring sort of attitude.

So, it's been-- you know, in times of disruption, you should be the disruptor as well. And so, we've taken a great opportunity and our technology team has done an amazing job of developing an array of tools that are just too numerous to mention on this call.

JOHN WALDRON: You know, if we look out five to ten years, what do you think the future is for airline travel? What should we expect is the kind of five, ten-year outlook as you think about the airline industry dynamics over time?

OSCAR MUNOZ: Gosh, you know, when I took over come five years ago, could I imagine the things that we have developed and put in place today? Not really. So, I think I'm staying a little bit on the prognostication game because I just think there's going to be a lot of great, new things. I think, you know, for me things that make the customer safe, safer, and can we still fly profitably while doing it safely, and then what things we can do to ensure we can welcome a lot of our employees that we displaced back, I think if we can accomplish those things: safer, profitable, and bringing people back to work, I think those would be objectives of mine because that's what's important to folks.

And if we say we look back and accomplished those, any of the Jetsons-like contraptions and concepts that I could espouse, and there's many of them by the way that we're going to develop and work through, you know, it won't matter because we'll have done our part to actually get, you know, human beings back and engaged in a world where I think we'll make the long term benefits of. So, stay tuned and it will change dramatically. But it's about you and your safety and your comfort.

JOHN WALDRON: Well, we're rooting for you. And for United Airlines. And we appreciate your time again. Stay safe. Stay well. And I'm looking forward to seeing you some time soon Oscar. Thanks again.

OSCAR MUNOZ: Thanks John. Good to see you. All right. Take care everybody.

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