

American Airlines Group Reports Fourth-Quarter and Full-Year 2019 Profit

1/23/2020

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FORT WORTH, Texas — American Airlines Group Inc. (NASDAQ: AAL) today reported its fourth-quarter and full-year 2019 financial results, including these highlights:

- Fourth-quarter 2019 earnings were \$0.95 per diluted share. Excluding net special items¹, earnings were \$1.15 per diluted share, up 19% year over year.
- Full-year 2019 earnings were \$3.79 per diluted share. Excluding net special items², earnings were \$4.90 per diluted share, up 8% year over year.
- Accrued \$213 million for the company's profit-sharing program in 2019, including \$74 million in the fourth quarter.
- Returned \$1.3 billion to shareholders in the form of dividends and share repurchases in 2019.



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“During the fourth quarter, we made important progress to address the issues that impacted our business in 2019, and, thanks to our incredible team, we ended the year with our strongest operational quarter on record,” said American Airlines Chairman and CEO Doug Parker.

“While our results for the quarter reflect this progress, we know there is more work to be done. Looking to 2020, we are focused on three key areas. First, we will continue to deliver operational excellence and build on our strong fourth-quarter results. Our team has done a tremendous job, and we will keep driving improvement in key operational metrics in the year ahead. Second, we will deliver those results while growing where we have a

competitive advantage in our most profitable hubs. And third, these initiatives combined with our capital plan will enable us to drive significant free cash flow in 2020 and beyond.”

Fourth-Quarter Revenue and Expenses

Pre-tax earnings were \$571 million in the fourth quarter of 2019. Pre-tax earnings excluding net special items for the fourth quarter of 2019 were \$679 million, a \$90 million increase from the fourth quarter of 2018, or 15.1% year-over-year increase from the same period last year.

	GAAP		Non-GAAP1		GAAP		Non-GAAP2	
	4Q19	4Q18	4Q19	4Q18	FY19	FY18	FY19	FY18
Operating income (\$ mil)	729	571	876	749	3,065	2,656	3,706	3,449
Pre-tax income (\$ mil)	571	394	679	589	2,256	1,884	2,900	2,790
Pre-tax margin	5.0%	3.6%	6.0%	5.4%	4.9%	4.2%	6.3%	6.3%
Net income (\$ mil)	414	325	502	448	1,686	1,412	2,179	2,117
Earnings per diluted share	\$0.95	\$0.70	\$1.15	\$0.97	\$3.79	\$3.03	\$4.90	\$4.55

Continued strength in passenger demand and a record passenger load factor drove a 3.4% year-over-year increase in fourth-quarter 2019 total revenue to a record \$11.3 billion. Driven by a 2.4% increase in passenger load factor, passenger revenue per available seat mile (PRASM) grew 0.9% to 14.72 cents, a record for the fourth quarter. Cargo revenue was down 18.3% to \$216 million due primarily to a 15.6% decline in cargo volume. Other revenue was up 5.4% to \$750 million due primarily to higher loyalty revenue. Fourth-quarter total revenue per available seat mile (TRASM) increased by 0.5% compared to the fourth quarter of 2018 on a 2.9% increase in total available seat miles.

Total fourth-quarter 2019 operating expenses were \$10.6 billion, up 2.1% year over year, driven primarily by higher salaries and benefits, maintenance, and regional expenses. Total fourth-quarter 2019 cost per available seat mile (CASM) was 15.06 cents, down 0.8% from fourth-quarter 2018. Excluding fuel and net special items, consolidated fourth-quarter CASM was 11.59 cents, up 2% year over year.¹

2020 Priorities

In 2020, American is focused on operational excellence, efficient and profitable growth, and generating significant free cash flow.

- Operational excellence: Running a reliable operation is a significant driver of customers’ likelihood to recommend and American’s goal to become customers’ airline of choice.

- Efficient and profitable growth: Grow in high-revenue markets that produce at or above average unit revenues, largely due to new gates in Dallas-Fort Worth and Charlotte, North Carolina.
- Generating significant free cash flow³: Use free cash flow to naturally de-lever the company's balance sheet and return capital to American's shareholders.

Operational Excellence

Over the past several months, American's operational performance has shown significant improvement, including the company's best-ever performance for both the holiday peak travel period and the entire fourth quarter of 2019. American achieved record results for combined mainline and regional on-time departures, on-time arrivals and completion factor.

"We are very pleased with the trajectory of our operation and are well on our way to delivering operational excellence," said American Airlines President Robert Isom. "As we look ahead to 2020, we will continue to strengthen our operation and expect to see continued improvements in our reliability metrics."

Efficient and Profitable Growth

American is committed to growing its network efficiently and profitably. In 2019, the company added 15 new gates at Dallas Fort Worth International Airport. This growth resulted in a 21% increase in city pairs served and strong unit revenue. The company also added four new gates at Charlotte Douglas International Airport, with plans for three additional gates beginning in 2020. In addition, the company expects to upgauge 14 gates at Ronald Reagan Washington National Airport with dual-class regional jets when the new regional concourse opens in 2021.

Significant Free Cash Flow, Share Repurchases and Dividends

With American's historic fleet renewal program winding down, the company's level of capital investment is expected to decline. The company is committed to generating significant free cash flow for its shareholders in 2020 and beyond and presently expects to generate approximately \$6 billion in free cash flow³ over the next two years.

In the fourth quarter of 2019, American returned \$285 million to shareholders through the repurchase of 9.9 million shares of common stock and also paid \$44 million in dividends. As of Dec. 31, 2019, the company had \$565 million remaining of its existing \$2 billion share repurchase authorization.⁴ In aggregate, American has returned more than \$13.5 billion to shareholders over the past five years through share repurchases and dividends, including \$1.3 billion in 2019.

American declared a dividend of \$0.10 per share to be paid Feb. 19, 2020, to stockholders of record as of Feb. 5, 2020.

Fleet Update

On March 13, 2019, a directive from the Federal Aviation Administration grounded all U.S.-registered Boeing 737 MAX aircraft. American's fleet currently includes 24 MAX aircraft with an additional 76 aircraft on order. As a result of this directive, American canceled approximately 10,000 flights in the fourth quarter of 2019.

The company has removed all MAX flying from its flight schedule through June 3, 2020, and will continue to assess this timeline.

Guidance and Investor Update

American expects its first-quarter 2020 pre-tax margin excluding net special items to be approximately flat year over year.⁵ Based on today's guidance, the company expects its 2020 diluted earnings per share excluding net special items to be between \$4.00 and \$6.00.⁵

For additional financial forecasting detail, please refer to the company's investor update, furnished with this release with the SEC on Form 8-K. This filing will be available at aa.com/investorrelations.

Conference Call / Webcast Details

The company will conduct a live audio webcast of its earnings call today at 7:30 a.m. CT, which will be available to the public on a listen-only basis at aa.com/investorrelations. An archive of the webcast will be available on the website through Feb. 23.

Notes

See the accompanying notes in the Financial Tables section of this press release for further explanation, including a reconciliation of all GAAP to non-GAAP financial information.

¹ In the fourth quarter of 2019, the company recognized \$108 million in net special items before the effect of income taxes. The 2019 fourth quarter mainline operating special items, net principally included \$85 million of merger integration expenses and \$39 million of fleet restructuring expenses. These were partially offset by nonoperating net special items of \$39 million primarily related to mark-to-market net unrealized gains associated with certain equity and other investments.

² For the full year 2019, the company recognized \$644 million in net special items before the effect of income taxes. Total operating special items totaled a net charge of \$641 million, which principally included \$271 million of fleet restructuring expenses, a \$213 million non-cash impairment charge principally related to the planned retirement of the company's Embraer E190 fleet, and \$191 million of merger integration expenses, offset in part by a \$53 million credit to reduce certain litigation reserves. The company also recognized \$3 million of nonoperating net special items.

³ Free cash flow is defined as operating cash flow minus total capital expenditures plus proceeds from sale-leaseback transactions.

4 Share repurchases under the company's repurchase programs may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Any such repurchases that may be made from time to time will be subject to market and economic conditions, applicable legal requirements and other relevant factors. The company is not obligated to repurchase any specific number of shares and its repurchase of AAG common stock may be limited, suspended or discontinued at any time at its discretion and without prior notice.

5 American is unable to reconcile certain forward-looking projections to GAAP, as the nature or amount of special items cannot be determined at this time.

Consolidated Financial Statements

Click the button below to download the 4Q19 consolidated financial statements.

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About American Airlines Group

American Airlines offers customers 6,800 daily flights to more than 365 destinations in 61 countries from its hubs in Charlotte, Chicago, Dallas-Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. With a shared purpose of caring for people on life's journey, American's 130,000 global team members serve more than 200 million customers annually. Since 2013, American has invested more than \$28 billion in its product and people and now flies the youngest fleet among U.S. network carriers, equipped with industry-leading high-speed Wi-Fi, lie-flat seats, and more inflight entertainment and access to power. American also has enhanced food and beverage options in the air and on the ground in its world-class Admirals Club and Flagship lounges. American was recently named a Five Star Global Airline by the Airline Passenger Experience Association and Airline of the Year by Air Transport World. American is a founding member of oneworld®, whose members serve 1,100 destinations in 180 countries and territories. Shares of American Airlines Group Inc. trade on Nasdaq under the ticker symbol AAL and the company's stock is included in the S&P 500. Learn more about what's happening at American by visiting news.aa.com and connect with American on Twitter [@AmericanAir](https://twitter.com/AmericanAir) and at [Facebook.com/AmericanAirlines](https://www.facebook.com/AmericanAirlines).

Cautionary Statement Regarding Forward-Looking Statements and Information

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "would," "continue," "seek," "target," "guidance," "outlook," "if current trends continue," "optimistic," "forecast" and other similar words. Such statements include, but are not limited to, statements about our plans, objectives, expectations, intentions, estimates and strategies for the future, and other

statements that are not historical facts. These forward-looking statements are based on our current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (especially in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 1A. Risk Factors), and other risks and uncertainties listed from time to time in our other filings with the Securities and Exchange Commission. There may be other factors of which we are not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. We do not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statement.