

# American Airlines Reports Third-Quarter 2020 Financial Results

10/22/2020

FORT WORTH, Texas — American Airlines Group Inc. (NASDAQ: AAL) today reported its third-quarter 2020 financial results, including: Third-quarter revenue of \$3.2 billion, down 73% year-over-year on a 59% year-over-year reduction in total available seat miles (ASMs).

FORT WORTH, Texas — American Airlines Group Inc. (NASDAQ: AAL) today reported its third-quarter 2020 financial results, including:

- Third-quarter revenue of \$3.2 billion, down 73% year-over-year on a 59% year-over-year reduction in total available seat miles (ASMs).
- Third-quarter pretax loss of \$3.1 billion. Excluding net special items<sup>1</sup>, third-quarter pretax loss of \$3.6 billion.
- Third-quarter net loss of \$2.4 billion, or (\$4.71) per share. Excluding net special items<sup>1</sup>, third-quarter net loss of \$2.8 billion, or (\$5.54) per share.
- Ended third quarter with approximately \$13.6 billion of total available liquidity. In addition, in October, the company increased its loan capacity by \$2 billion through the CARES Act loan program to \$7.5 billion. With this increase, the company's third-quarter pro forma liquidity balance is approximately \$15.6 billion.
- Announced authorization to issue up to \$1 billion of equity in an at-the-market offering to further bolster liquidity.

"During the third quarter, we took action to reduce our costs, strengthen our financial position, and ensure our customers return to travel with confidence," said

 **2Q 2020 Financial Results**

American Airlines Chairman and CEO Doug Parker. "The American Airlines team is doing a remarkable job taking care of our customers and each other during the most challenging time in our industry's history.

"We have a long road ahead and our team remains fully engaged and focused not just on managing through the pandemic, but on making sure we are prepared for when demand returns. We are confident that the continued efforts of our team and the actions we have taken will drive customer confidence and strengthen our company for the future."

**SUPPORTING TEAM MEMBERS,  
CUSTOMERS AND COMMUNITIES**

To ensure the safety and well-being of its team members and customers, American:

- Upgraded its Clean Commitment by adding the electrostatic spraying solution SurfaceWise®2 to its cleaning and safety program. SurfaceWise2 is approved by the EPA as the first-ever long-lasting product to help fight the spread of the novel coronavirus and it will be applied to American's entire fleet in the coming months.
- Announced a preflight COVID-19 testing program to help reopen markets to travel. Testing options are now available to customers traveling to Hawaii and Costa Rica, with Jamaica and the Bahamas soon to follow.
- Launched a new travel tool to help customers quickly see the current COVID-19 travel guidelines for domestic and international destinations.
- Continues to work with the Global Biorisk Advisory Council for GBAC STAR® Accreditation for its aircraft and lounges. American is the first airline to seek the accreditation and expects to receive the designation by the end of 2020.

To provide its customers additional flexibility, American:

- Eliminated change fees for most domestic and short-haul international flying. American will also allow customers to keep the full value of their original tickets if they change their plans prior to scheduled travel.
- Is giving customers the option to stand by on flights on the same day at no charge.
- Enhanced its Basic Economy product to give customers the ability to tailor their travel experience, including upgrades, Preferred and Main Cabin Extra seats, priority boarding, and same-day flight changes.

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- Is allowing AAdvantage® elite members to apply their current travel benefits when purchasing a Basic Economy fare.
- Reopened additional Admirals Club lounges with enhanced cleaning and safety protocols as customers begin planning holiday travel.

To support the communities it serves, American:

- More than doubled its cargo-only flying from August to September and operated more than 1,900 flights serving 32 destinations during the third quarter. To date, these cargo flights have helped the airline's customers move more than 85 million pounds of critical goods around the world amidst the COVID-19 outbreak. Through these efforts, the company's cargo revenue was \$207 million in the third quarter, effectively flat year-over-year on a 59% reduction in total ASMs.
- Donated more than 1 million pounds of food to fight hunger in communities around the world since the start of the pandemic. Through its partnership with Feeding America® and other charitable organizations, American has contributed its surplus food to help provide meals to families in need throughout the U.S., Europe, Asia and Latin America.

## CONSERVING CASH

American continues to take aggressive action to reduce costs and preserve cash. The airline estimates that it has removed approximately \$17 billion from its operating and capital budgets for 2020. This has been achieved primarily through cost savings resulting from reduced flying. The company also:

- Removed more than 150 aircraft from its fleet through early retirements or by placing aircraft into temporary storage. In addition to the previously announced retirements of the Boeing 757, Boeing 767, Embraer E190, Airbus A330-300, Bombardier CRJ-200 and certain other regional aircraft, the company recently decided to permanently retire all 15 of its Airbus A330-200 aircraft.
- Reached an agreement with Boeing to secure rights to defer deliveries of 18 737 MAX aircraft scheduled to be delivered in 2021 and 2022 to 2023 and 2024. The company also finalized a series of sale-leaseback transactions to finance its remaining Airbus A321 aircraft deliveries in 2021. As a result, the company now has financing secured for
- Made the difficult decision to proceed with furloughs to reduce headcount absent an extension of the CARES Act Payroll Support Program (PSP). In total, more than 20,000 team members have opted for an early out or long-term leave, and 19,000 team members were furloughed beginning Oct. 1. The company, along with its union partners, continues to aggressively fight for an extension of the PSP that would allow the airline to bring back those furloughed employees and reinstate service to small- and medium-sized markets that have suffered without the extension of funds.

- Reduced its non-aircraft capital expense — by \$700 million in 2020 and another \$300 million in 2021 — through reductions in fleet modification work, the elimination of all new ground service equipment purchases, and pausing all noncritical facility investments and IT projects.

## BOLSTERING LIQUIDITY

In addition to reducing its operating and capital expenditures, American continues to strengthen its liquidity position. The company:

- Finalized a \$5.5 billion loan agreement with the U.S. Department of the Treasury through the CARES Act loan program. In October, the company increased its loan capacity through the program to \$7.5 billion.
- Closed \$1.2 billion of financing with Goldman Sachs Merchant Bank through two senior secured note transactions. American does not have any large non-aircraft debt maturities until its \$750 million unsecured bonds mature in June 2022.
- Received the final payments of allotted PSP funds, including an incremental \$168 million of previously unallocated funds identified by the Treasury Department.
- Announced authorization to issue up to \$1 billion of equity in an at-the-market offering to further bolster liquidity.
- Reduced its daily cash burn rate<sup>2</sup> to approximately \$44 million per day in the third quarter from approximately \$58 million per day in the second quarter. The company presently expects its fourth-quarter cash burn rate to be approximately \$25 to \$30 million per day.
- The company's third-quarter pro forma liquidity balance is approximately \$15.6 billion and it expects to end the fourth quarter with more than \$13 billion in total available liquidity, which excludes any proceeds from the \$1 billion at-the-market equity offering.

## DEMAND AND CAPACITY OUTLOOK

American saw improvements in passenger demand and load factors during the third quarter, but both continue to be significantly below 2019 levels. The company will continue to match its forward capacity with observed bookings trends and currently expects its fourth-quarter system capacity to be down more than 50% year over year, with long-haul international capacity down approximately 75% year over year.

## CONFERENCE CALL AND WEBCAST DETAILS

The company will conduct a live audio webcast of its financial results call at 7:30 a.m. CDT today. The call will be available to the public on a listen-only basis at [aa.com/investorrelations](https://aa.com/investorrelations). An archive of the webcast will be available on the website through Nov. 22.

## 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.

1The company recognized \$519 million of operating net special items during the third quarter 2020. Mainline operating special items, net principally included \$1.9 billion of Payroll Support Program (PSP) financial assistance, offset in part by \$871 million of salary and medical costs associated with certain team members who opted in to voluntary early retirement programs or who were involuntarily furloughed starting Oct. 1, 2020, as a result of reductions to the company's operation due to COVID-19 and \$742 million of fleet impairment charges. Regional operating special items, net totaled \$224 million and principally includes the PSP financial assistance.

Third quarter 2020 nonoperating special items, net totaled \$21 million and principally included net unrealized gains associated with certain equity investments.

2A reconciliation of this calculation can be found in the tables that follow.

Financial results

Click the button below to download the 3Q20 financial results.

**View the PDF**

## About American Airlines Group

American's purpose is to care for people on life's journey. 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](https://news.aa.com) and connect with American on Twitter [@AmericanAir](https://twitter.com/AmericanAir) and at [Facebook.com/AmericanAirlines](https://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 June 30, 2020 (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. In particular, the consequences of the COVID-19 outbreak to economic conditions and the travel industry in general and the financial position and operating results of the company in particular have been material, are changing rapidly, and cannot be predicted. The company does 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. Forward looking statements speak only as of the date hereof or as of the dates indicated in the statement.