

American Airlines Takes Strategic Action in Second Quarter to Prioritize Safety, Flexibility and Efficiency in Response to COVID-19

7/23/2020

FORT WORTH, Texas — American Airlines Group Inc. (NASDAQ: AAL) today reported its second-quarter 2020 financial results, including: Second-quarter pretax loss of \$2.7 billion. Excluding net special items¹, second-quarter pretax loss of \$4.3 billion.

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

- Second-quarter pretax loss of \$2.7 billion. Excluding net special items¹, second-quarter pretax loss of \$4.3 billion.
- Second-quarter net loss of \$2.1 billion, or (\$4.82) per share. Excluding net special items¹, second-quarter net loss of \$3.4 billion, or (\$7.82) per share.
- Boosted available liquidity by a net \$3.6 billion in the quarter through offerings of common stock, convertible bonds and secured bonds.
- Ended second quarter with approximately \$10.2 billion of available liquidity. Additionally, signed term sheet with the U.S. Department of the Treasury for \$4.75 billion secured loan, which is expected to close in the third quarter, and announced two senior secured note transactions totaling \$1.2 billion. The company's second-quarter pro forma liquidity balance including these transactions would be approximately \$16.2 billion.

"This was one of the most challenging quarters in American's history," said American Airlines Chairman and CEO Doug Parker. "COVID-19 and the resulting

 **2Q 2020 Financial
Results**

shutdown of the U.S. economy have caused severe disruptions to global demand for air travel. In spite of these challenges, the American Airlines team has done a phenomenal job taking care of our customers and our fellow team members.

“We have moved swiftly to improve our liquidity, conserve cash and ensure customers are safe when they travel,” Parker continued. “There is much uncertainty ahead, but we remain confident we will emerge from this crisis more agile and more efficient than ever before.”

**SUPPORTING TEAM MEMBERS,
CUSTOMERS AND COMMUNITIES**

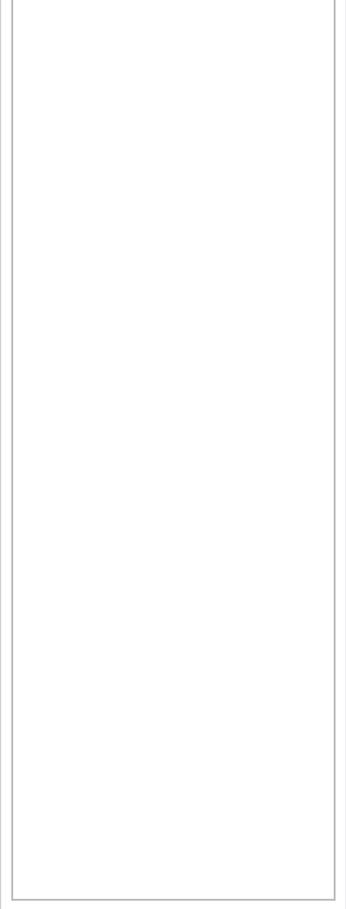
Caring for team members, customers and the communities it serves remains the top priority for American as it navigates the current environment.

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

- Updated its policies to make face coverings mandatory throughout the customer journey and for team members while at work.
- Instituted temperature checks for team members across the system and began asking customers to certify they are symptom-free before traveling.
- Created a Travel Health Advisory Panel, comprising internal leaders and outside experts in the field of infectious disease prevention, to advise on health and cleaning matters.
- Started working with the Global Biorisk Advisory Council on GBAC STARTM Accreditation for cleaning and disinfection practices for its aircraft and lounges.
- Further enhanced its cleaning and disinfection procedures throughout the operation, including the use of an electrostatic spray inside each aircraft every seven days, which kills 99.9999% of viruses and bacteria within 10 minutes.

To provide customers additional flexibility, American:

- Waived change fees for customers who book new tickets for future travel by July 31, 2020.
- Extended its change fee waiver for customers who have existing tickets for travel through Sept. 30, 2020.
- Began notifying customers whose flights may be full, allowing them to move to more open flights when available at no cost.
- Expanded flexible travel waivers and name changes for corporate customers.



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- Eliminated the reinstatement fee for AAdvantage® award ticket changes made more than 60 days prior to travel.
- Provided eligible AAdvantage elite members with a credit of up to \$400 to use toward an American Airlines Vacations package.

To support the communities it serves, American:

- Expanded its cargo service to transport critical goods between the United States and Europe, Asia and Latin America. American currently operates more than 310 weekly widebody and cargo-only flights and transported more than 100 million pounds of mail, goods and supplies critical to the global economy in the second quarter.
- Announced a program to provide up to 1 million Business Extra® points to small businesses and nonprofit organizations in need of travel support.
- Worked with Deloitte to deliver more than 40,000 medical gowns to first responders at Mount Sinai Hospital in New York.
- Partnered with Hyatt Hotels Corporation to give free vacations to thousands of employees at NYC Health + Hospitals/Elmhurst Hospital.
- Donated more than 600,000 pounds of food to food banks, nonprofit organizations, schools and other groups fighting food insecurity.

CONSERVING CASH

American continues to take steps to reduce costs and preserve cash. The airline estimates that it will reduce its 2020 total operating and capital expenditures by more than \$15 billion, achieved primarily through cost savings resulting from less flying. In addition, the company implemented the following cost actions:

- Retired four aircraft types, consisting of 20 Embraer 190s, 34 Boeing 757s, 17 Boeing 767s and nine Airbus A330-300s, along with a number of older regional aircraft. In addition, the company placed its Airbus A330-200s and certain older Boeing 737s into a temporary storage program. In aggregate, these changes remove more than 150 aircraft from the fleet and bring forward the cost savings and efficiencies associated with operating fewer aircraft types.
- Introduced additional voluntary leave of absence and early-out programs to help right-size its frontline team. American anticipates having over 20,000 more team members on payroll than needed to operate its fall schedule. In total, more than 41,000 team members have opted for an early retirement, a reduced work schedule or a partially paid leave.
- Consistent with the CARES Act, reduced its management and support staff team, including officers, by approximately 5,100 positions, or 30%.

- Announced changes to its international schedule for 2021. American expects its summer 2021 long-haul international capacity to be down 25% versus 2019 and also plans to exit 19 international routes from six hubs. These changes will allow the airline to reset its international network for future growth as demand returns.
- Reduced 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 has taken a number of steps to strengthen its liquidity position. The company:

- Ended the second quarter with \$10.2 billion of available liquidity, including a net \$3.6 billion raised in the quarter through offerings of common stock, convertible bonds and secured bonds. The company also raised \$360 million through municipal facility bonds, the net proceeds from which are included in its restricted cash and short-term investments.
- Refinanced the delayed draw term loan credit facility the company entered into in March 2020, which was set to mature in March 2021. By refinancing this loan, American does not have any large non-aircraft debt maturities until its \$750 million unsecured bonds mature in June 2022.
- Signed a term sheet with the U.S. Department of the Treasury for a \$4.75 billion secured loan under the CARES Act. The company expects the loan to be finalized in the third quarter.
- Announced \$1.2 billion of committed financing subject to final documentation and other closing conditions in the form of two senior secured note transactions to be collateralized by intellectual property and other assets with Goldman Sachs Merchant Bank. The company expects these notes to be issued in the third quarter.
- Reduced its daily cash burn rate from nearly \$100 million in April to approximately \$30 million in June. This improvement was driven by higher than forecast revenue and larger savings resulting from the company's cost-reduction initiatives. The company's second-quarter cash burn rate² was approximately \$55 million per day vs. its previous forecast of \$70 million per day.

DEMAND AND CAPACITY OUTLOOK

Passenger demand and load factors have improved since bottoming out in April, but continue to be significantly below 2019 levels. While May and June revenue trends were encouraging, demand has weakened somewhat during July as COVID-19 cases have increased and new travel restrictions have been put into place. The company will continue to match its forward capacity with observed bookings trends and presently expects its third quarter

system capacity to be down approximately 60% year over year.

CONFERENCE CALL AND WEBCAST DETAILS

The company will conduct a live audio webcast of its financial results call today at 7:30 a.m. CDT. The call 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 Aug. 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 The 2020 second quarter mainline operating special items, net principally included \$1.8 billion of Payroll Support Program (PSP) financial assistance, offset in part by \$332 million of salary and medical costs associated with certain team members who opted in to voluntary early retirement programs. Second quarter 2020 regional special items, net primarily included \$216 million of PSP financial assistance, offset in part by \$24 million of fleet impairment charges and \$14 million of salary and medical costs associated with certain team members who opted in to voluntary early retirement programs.

Second quarter 2020 nonoperating special items, net principally included charges associated with debt refinancings and extinguishments.

2 The company defines cash burn as the sum of all net cash receipts less all cash disbursements, but excluding the effect of new financings and new aircraft purchases.

Financial Results

Click the button below to download the 2Q20 financial results.

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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 and connect with American on Twitter [@AmericanAir](https://twitter.com/AmericanAir) and at 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.