Earnings Transcript Summary

Ticker: AAL
Quarter: Q2
Year: 2025
Earnings Date: July 24 2025

Stock Analysis

Largest Gain: 2025-07-22 (+1.46%)
Largest Drop: 2025-07-24 (-9.62%)
Earnings Day (2025-07-24): -9.62%

Key Metrics

Revenue:

14400.0

Total Available Liquidity:

12000.0

Guidance:

• This morning, American reported an adjusted pretax profit of $869,000,000 for the second quarter or earnings per share of $0.95 which is toward the high end of the guidance we provided in April.

• Excluding net special items, American reported a second quarter operating margin of approximately 8% and earnings per share of $0.95 both at the high end of our guidance.

• Second quarter unit cost, excluding fuel and net special items, was up 3.4% year over year, over half a point better than the midpoint of our guidance.

Forward Look:

• While domestic unit revenue is expected to remain lower year over year in the third quarter, we expect that July will be the low point and that performance will improve sequentially each month in the quarter as industry capacity growth slows and demand strengthens.

• By year end, we expect to have driven cumulative savings of over $750,000,000 and delivered approximately $600,000,000 of working capital improvements since we launched our reengineering the business efforts in 2023.

• We anticipate having positive free cash flow for the full year.

• For the third quarter, we expect capacity to be up two to 3% year over year.

• We expect third quarter revenue to be between down 2% and up 1% year over year.

• We expect July to be one of the year's weakest year over year RASM performing months, given the higher industry capacity and that the month was largely booked prior to the strengthening demand trends we have seen over the past couple of weeks.

• But we believe the worst is behind us, and year over year revenue will sequentially improve each month this quarter.

• We expect similar performance in the fourth quarter, given the shift in maintenance expense from the second quarter to the fourth quarter.

• Based on our current demand assumptions and fuel price forecast, we expect to produce a third quarter loss per share of between $0.10 and $0.60 Based on recent demand trends, we expect full year earnings per share of between a loss of $0.20 and a profit of $0.80 with the midpoint being a profit of $0.30 per share.

• We believe the top end of the range is achievable if demand in the domestic market continues to strengthen, and we would only expect to be at the bottom end of the range if there was macro weakness that we don't see in our recent booking trends.

• We believe American is uniquely positioned to benefit as domestic demand recovers in the back half of the year.

• But also, look, we've had a lot of volatility in the business so far, and we want to be mindful of that as we forecast as well.

• We're obviously a ways off of run rate earnings right now, and we see a lot of potential for margin expansion as we go forward.

• As we head into next year, we expect that to continue, and we're gonna start benefiting from our new credit card agreement with Citi, which we're incredibly excited about.

• This year is largely unfolding as we expected to start the year.

• At the end of last year, we had a two point EBITDAR margin gap to United inclusive of We had about a two point EBITDAR margin gap to them as well, and that's a gap that we expect to close over time.

• So not everything is going to come through in margin, in a linear fashion, but we do think, over time, yes, we expect we can close that margin gap.

• And it's especially what we see coming from June moving into July.

Prior Year Mentions:

• And in the Northeast, a 36% increase in disruptive operational events over the same period last year.

• It was in the second quarter of last year with indirect revenue much more recovered.

• We talked last year about that representing $1,500,000,000 of revenue.

• Well, I'll just start with last year.

• At the end of last year, we had a two point EBITDAR margin gap to United inclusive of We had about a two point EBITDAR margin gap to them as well, and that's a gap that we expect to close over time.

• We had talked about what we think are some of the key reasons around it, inclusive of your first question, sales and distribution is something that was a headwind last year.

Year Over Year Mentions:

• Our year over year passenger unit revenue improvement led our network peers for the fourth straight quarter.

• Robert Isom Robert Isom CEO, President & Director at American Airlines 00:03:52 Long haul international PRASM performed in line with our initial expectations, with all entities producing positive year over year results.

• Driven by continued strength in the premium cabin, Atlantic PRASM was up 5%, and Pacific PRASM was up approximately 1% year over year on approximately 17% more capacity.

• On a year over year basis, unit revenue in the Premium Cabin performed four points better than the Main Cabin.

• Domestic unit revenue was down approximately 6% year over year.

• While domestic unit revenue is expected to remain lower year over year in the third quarter, we expect that July will be the low point and that performance will improve sequentially each month in the quarter as industry capacity growth slows and demand strengthens.

• In the second quarter, we grew our managed business revenue by 10% year over year, outpacing broader industry growth.

• Spending on our co branded credit cards was up 6% year over year for the second quarter as customers continue to favor advantage miles as their preferred rewards currency.

• Our second quarter revenue of $14,400,000,000 was up 0.4% year over year.

• Second quarter unit cost, excluding fuel and net special items, was up 3.4% year over year, over half a point better than the midpoint of our guidance.

• This resulted in an EBITDAR margin of 14.2%, a 1.5 reduction year over year, which is similar to the year over year margin decline of our network peers.

• For the third quarter, we expect capacity to be up two to 3% year over year.

• Our year over year domestic capacity is up by approximately 5% during the July peak, but growth will slow to approximately 2% in August and will be down 1% in September.

• We expect third quarter revenue to be between down 2% and up 1% year over year.

• We expect July to be one of the year's weakest year over year RASM performing months, given the higher industry capacity and that the month was largely booked prior to the strengthening demand trends we have seen over the past couple of weeks.

• But we believe the worst is behind us, and year over year revenue will sequentially improve each month this quarter.

• Third quarter nonfuel unit costs are expected to be up 2.5% to 4.5% year over year, driven primarily by the collective bargaining agreements we have ratified over the past two years.

• Like, it's to me, it feels like a pretty incredible result that our margin performance year over year was very much in line with our peers.

• So for us to produce the same year over year margin in that environment seems like a really great result, and, you see it in the unit revenue numbers.

• Robert Isom Robert Isom CEO, President & Director at American Airlines 00:27:27 And, Katherine, I'll just add, one of the other proof points is the corporate managed traffic that's improved 10% year over year in a relatively flat business market.

• And so based on what we're doing, we're seeing margin expansion year over year.

Raising Mentions:

• During the second quarter, we raised $1,000,000,000 through a loyalty term loan financing and used the proceeds to cash settle our $1,000,000,000 convertible note earlier this month.

Production:

• It's gonna be somewhat dependent on our capacity production, but I'd just say over the long term, I think we've done an exceptional job managing costs.

Outlook:

• Devin will follow with details on the quarter in addition to outlining our operating plans and outlook going forward.

• Before we begin today, we must state that today's call contains forward looking statements, including statements concerning future revenues, costs, forecasts of capacity and fleet plans.

• These statements represent our predictions and expectations of future events, but numerous risks and uncertainties could cause actual results to differ from those projected.

• Robert Isom Robert Isom CEO, President & Director at American Airlines 00:03:52 Long haul international PRASM performed in line with our initial expectations, with all entities producing positive year over year results.

• As shown on slide four of the earnings presentation that we published this morning, the efforts of our sales team to recover revenue from indirect channels beat our expectations in the quarter, with our indirect share now down 3% versus historical levels.

• We're encouraged by the early results from this additional capacity, with share, unit revenue and financial results tracking in line with or ahead of expectations.

• Now I'll turn the call over to Devin to share more about our second quarter financial results and outlook.

• This is driven by earlier than planned deliveries of several aircraft that we now expect to receive in the fourth quarter a few months earlier than our previous expectation of the first quarter of twenty twenty six.

• I'd now like to walk you through our outlook for the third quarter.

• Based on our current demand assumptions and fuel price forecast, we expect to produce a third quarter loss per share of between $0.10 and $0.60 Based on recent demand trends, we expect full year earnings per share of between a loss of $0.20 and a profit of $0.80 with the midpoint being a profit of $0.30 per share.

• We are proud to be forecasting a profit in a year where we have faced the challenges of a tragic accident, significant and continued ATC delays, unprecedented weather, the full financial cost of new collective bargaining agreements, and a material drop in demand in the domestic market where we produce over 70% of our revenue.

• You mentioned a sequential improvement in The U.

• S.

• Domestic market as you think about through 3Q.

• There's obviously been a wider range of outlooks from some of the other players out there.

• But also, look, we've had a lot of volatility in the business so far, and we want to be mindful of that as we forecast as well.

• So that's the outlook for this year.

• But if we look at your profit margins relative to your network peers, just it would seem based on the outlook set all of you provided this year that your margin gap even at the EBITDAR level is likely to widen this year.

Demand Mentions:

• We achieved this in a difficult and evolving operating and demand environment, and we're proud of our second quarter performance.

• Premium demand and spending from higher income consumers remained resilient in the second quarter.

• While domestic unit revenue is expected to remain lower year over year in the third quarter, we expect that July will be the low point and that performance will improve sequentially each month in the quarter as industry capacity growth slows and demand strengthens.

• Advantage members are more engaged, generate a higher yield versus nonmembers, and are a key driver for premium cabin demand, currently accounting for approximately 77% of premium revenue.

• We'll remain responsive to the demand and competitive environment as we execute our long term network strategy, and we remain focused on deploying capacity that best serves our customers.

• This is a great result considering the current domestic demand environment and our differentiated position, which includes the relative domestic weighting of our network and paying full market rates for all of our largest labor groups.

• We continue to be mindful of both the demand and competitive environment as we develop our capacity plans for the remainder of the year.

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• Based on our current demand assumptions and fuel price forecast, we expect to produce a third quarter loss per share of between $0.10 and $0.60 Based on recent demand trends, we expect full year earnings per share of between a loss of $0.20 and a profit of $0.80 with the midpoint being a profit of $0.30 per share.

• We believe the top end of the range is achievable if demand in the domestic market continues to strengthen, and we would only expect to be at the bottom end of the range if there was macro weakness that we don't see in our recent booking trends.

• We are proud to be forecasting a profit in a year where we have faced the challenges of a tragic accident, significant and continued ATC delays, unprecedented weather, the full financial cost of new collective bargaining agreements, and a material drop in demand in the domestic market where we produce over 70% of our revenue.

• This year has been challenging, but our team has skillfully managed through an uncertain demand environment and difficult operating conditions to deliver a safe and reliable operation for our customers.

• We believe American is uniquely positioned to benefit as domestic demand recovers in the back half of the year.

• And especially as as demand, and and capacity come back in in more into balance, it's gonna fit very well with the things that we're doing to make American really, thrive in the long run, delivering on our revenue potential, improving our customer experience, playing into premium, taking advantage of of international.

• And the question that I get is just around, like, what the actual potential of the business is now that you've kind of gotten back to a level of demand where I think is sufficient to what maybe what you were thinking in January.

• Can you more quantify the demand improvement you've seen of late that just gives you the confidence to speak to the accelerating revenue growth despite the tougher comps as we head into the back half of the year?

• And I think we were pretty quick to react here in the third quarter, at least for these periods like August and September, which are traditionally lower demand periods.

• As we head into the fourth quarter, though, we like the demand trends we're seeing.

• This year, just given the trends we had been seeing in demand as we went into the second quarter, we pulled August and September down more than we normally would.

Challenge Mentions:

• In the second quarter, we produced record revenue of $14,400,000,000 a testament to the progress we're making on our commitment to deliver on our revenue potential even in a challenging environment.

• A big thank you to the entire American Airlines team for continuing to deliver for our customers in the midst of a very challenging operating environment.

• We are proud to be forecasting a profit in a year where we have faced the challenges of a tragic accident, significant and continued ATC delays, unprecedented weather, the full financial cost of new collective bargaining agreements, and a material drop in demand in the domestic market where we produce over 70% of our revenue.

• This year has been challenging, but our team has skillfully managed through an uncertain demand environment and difficult operating conditions to deliver a safe and reliable operation for our customers.

• And we've been hit with our share of challenging operating conditions this summer, certainly in June and July.

Sentiment Analysis

Section	Compound	Positive	Neutral	Negative
Guidance	0.635	0.1647	0.8353	0.0
Forward Look	0.2767	0.1109	0.8511	0.0381
Prior Year Mentions	0.1454	0.0833	0.8962	0.0207
Year Over Year Mentions	0.3332	0.112	0.8683	0.0198
Full Text	0.9992	0.138	0.824	0.038