# Top Airline Stocks To Buy In 2023

## Summary

• United Airlines and Delta Air Lines have posted record earnings, beating analysts' expectations, with American Airlines Group Inc. expected to follow suit.

• As the demand for air travel increases, this earnings season saw top-performing airline stocks post significant year-over-year growth and robust quant-rated fundamentals.

• D Despite risks and the cyclical nature of the airline industry, analysts anticipate the airline industry to continue its strong performance due to healthy travel demand.

• Undervalued and offering year-over-year revenue growth of +50% and double-digit gross profit margins, my three Strong Buy picks, United Airlines, Delta Air Lines, and American Airlines Group Inc., are flying high, up nearly 50% YTD.

## Top U.S. Airline Stocks Take Flight

#### **United Airlines (NASDAQ:UAL) posted record earnings yesterday, as United Airlines' revenue topped analysts' expectations, following the same flight path as Delta Air Lines (NYSE:DAL), whose Q2 earnings beat top-and-bottom line results. Two of the top U.S. carriers, United Airlines and Delta Air Lines, have reported results for the recent quarter, with American Airlines (NASDAQ:AAL) expected to follow United Airlines and Delta Air Lines in a Thursday earnings announcement, it's clear that travel is getting back to pre-pandemic levels with summer vacation and the demand to "fly the friendly skies" in full swing.**

#### **Although the cyclical business lost ground during COVID and over the winter holidays amid cancellations and passenger dissatisfaction, airlines are seeing a turnaround in 2023, having reached record levels over the 4th of July. As people return to airlines, two of the biggest U.S. carriers, United Airlines and Delta Air Lines, are taking flight, dominating market share.**

#### **Domestic Market Share of U.S. Airlines (Feb 2022 to Jan 2023)：The description illustrates the market share of various U.S. airlines in the domestic sector from February 2022 to January 2023. Hawalian Airlines holds 1.9% of the market share, Skywest has 2.8%, and Frontier commands 3.3%. Spirit and JetBlue Airways possess larger shares at 4.9% and 5.5% respectively. Alaska Airlines stands at 6.2%, while "other" airlines collectively account for 8.1% of the market. The major players in the sector are United Airlines with a market share of 15.6%, Southwest Airlines at 16.9%, Delta Air Lines at 17.3%, and American Airlines leading the pack with a market share of 17.5%. In essence, the largest market shares are held by American Airlines, Delta Air Lines, and Southwest Airlines during this period.**

#### **Domestic Market Share of U.S. Airlines (Feb 2022 to Jan 2023) (Statista)**

#### **Four airlines dominate domestic market share, but only three, Delta Air Lines, United Airlines, and American Airlines, possess the most robust quant-rated fundamentals. Delta Air Lines has advanced +49% over the last year. United Airlines is up 32%. American Airlines is up 23%. Consider these top airline stocks, Delta Air Lines, United Airlines, and American Airlines, for a portfolio.Top U.S. airlines are flying high (DAL, AAL, UAL)。**

## 1. Delta Air Lines, Inc.

#### **1. Market Capitalization (as of 7/19/23) for Delta Air Lines: $30.97B**

#### **2. Quant Rating for Delta Air Lines: Strong Buy**

#### **3. Quant Sector Ranking for Delta Air Lines (as of 7/19/23): 12 out of 654**

#### **4. Quant Industry Ranking for Delta Air Lines (as of 7/19/23): 3 out of 27**

#### **The premier carrier of passenger airlines, Delta Air Lines, offering air transport for passengers and cargo, is a top-ranked U.S. carrier and a favorite of Morgan Stanley. With elite experiences, including advanced technologies, amenities, and personalized experiences, Delta Air Lines has been among the top-rated airlines by Forbes, Fortune, and the Wall Street Journal. Delta Air Lines reported second-quarter earnings on July 13th that capitalized on Delta's new fleet and scheduled to deliver an increase of 7% overall capacity. Robust near-term expectations that included record revenue and profits, Delta Air Lines had a Q2 EPS of $2.68 that beat by $0.28 and revenue of $15.58B that beat by nearly 13%. Attracting and rewarding brand-loyal frequent flyers, Delta Air Lines's premium experiences are showcased in Delta's per-unit revenue premiums compared to its competitors. Delta Air Lines's price-competitive ability and offerings, including a five-cabin segmentation strategy, commanded an industry-leading $0.0409 spread between passenger revenue and costs per mile from 2015 through 2019. With one of the most extensive frequent flyer programs in the U.S., Delta Air Lines brings high-margin revenue streams from banks and credit card rewards and expects to let the good times roll. DAL Stock Revisions Grade (SA Premium) Nineteen Wall Street analysts revised estimates up with zero downward revisions in the last 90 days, and with Delta Air Lines booking an average of 85.4% of Delta's capacity over the five years before the pandemic, Delta's business is in full swing, topping 88% in average bookings for Q2. Strong growth metrics include Delta Air Lines's EPS FWD (3-5 year CAGR) of 33.51%, year-over-year forward EBITDA growth more than a 700% difference to the sector, and industry-leading profitability in 2022 allowed Delta Air Lines to pay more than $550M in profit sharing. "Delta Air Lines produced record June quarter revenue of $14.6 billion, up 19% over last year. Revenues were ahead of our initial expectations, with momentum in June. June 30 was a new record for industry volume and our highest summer revenue day in history," said Glen Hauensten, Delta Air Lines President. In addition to excellent growth and profitability, Delta Air Lines is undervalued with bullish momentum, offering room for upside. DAL Stock Valuation Grade (SA Premium) Showcased above, DAL's forward P/E ratio of 8.04x compared to the sector median of 20.19x is more than a 60% discount to the sector. Additionally, Delta Air Lines's forward PEG is an 88% difference. Although Delta's stock is trading near its 52-week high, Delta Air Lines's quarterly price performance is rising as investors continue to buy it. Consider Delta Air Lines, this strong buy airline, for a portfolio, along with my next pick that captured headlines yesterday.**

## 2. United Airlines Holdings, Inc.

## **1. Market Capitalization (as of 7/19/23) for United Airlines: $17.97B**

## **2. Quant Rating for United Airlines: Strong Buy**

## **3. Quant Sector Ranking for United Airlines (as of 7/19/23): 15 out of 654**

## **4.Quant Industry Ranking for United Airlines (as of 7/19/23): 4 out of 27**

## **"Good leads the way" is United Airlines' tagline, and boy, are United Airlines's Q2 earnings results good! Topping analysts' expectations with top-and-bottom-line beats, United Airlines rose more than 2.7% on Wednesday, posting record Non-GAAP EPS of $5.03, which beat by $0.98; revenue of $14.18 billion beat by $250M; and net income was $1.08B compared to the $329M for the same period last year.**

## **Decreases in fuel prices aided United Airlines's bottom line. United Airlines's focused cost-cutting measures to expand margins and focus on boosting capacity drove stronger profitability, as United Airlines's investment in better planes has been successful.**

## **UAL Stock Factor Grades**

## **UAL Stock Factor Grades (SA Premium)**

## **Seeking Alpha's Factor Grades, which rate investment characteristics on a sector-relative basis, highlight UAL's stellar grades. With a 'B' Revisions grade and A+ Growth and Profitability, UAL is one of the most profitable Passenger Airlines in the industry. United Airlines's revenue growth (YoY) is +68%, forward EPS (3-5Y CAGR) is +59%, and strong operating cash flows plus $7.73B in cash offer cushion towards payback of United Airlines's fleet investment plan.**

## **"United Airlines's financial performance in the second quarter and our outlook for the remainder of the year and beyond make it clear that United Next is working and is the right strategy at the right time," said Scott Kirby, United Airlines CEO. "Our focus now is on executing that strategy well - because we know it will deliver huge benefits for our customers, our employees, and our owners."**

## **To complement United Airlines's strong financial performance, United Airlines is also undervalued. With a forward P/E ratio of more than a 70% difference to the sector, and PEG (fwd) of 0.10x versus the sector 1.76x is -94.57%, United Airlines's stock comes at an extreme discount and has strong momentum. Up 47% YTD and +32% over the last year, United Airlines expects to increase capacity over the next few months. As United Airlines's executive team plans to hold a call with analysts on July 20th at 10:30 a.m. EST, strong profits and UAL's strong buy rating are shaping up for a great summer for airlines, with American** Airlines expected to follow suit.

## 3. American Airlines Group Inc.

## M**arket Capitalization for American Airlines Group Inc. (as of 7/19/23): $12.20B**

## **Quant Rating for American Airlines Group Inc.: Strong Buy**

## **Quant Sector Ranking for American Airlines Group Inc. (as of 7/19/23): 11 out of 654**

## **Quant Industry Ranking for American Airlines Group Inc. (as of 7/19/23): 2 out of 27**

## **American Airlines Group Inc. reports earnings Thursday, July 20th. Highly anticipated following American Airlines Group Inc.'s competitors Delta and United crushing earnings, the Fort-Worth-based airline, American Airlines Group Inc., has an attractive valuation despite a 46% YTD price-performance.**

## **AAL Stock Valuation Grade (SA Premium)**

## **The table above highlights American Airlines Group Inc.'s A+ Valuation grade. A forward P/E ratio of 7.43x compared to the sector 20.19x is a -63% difference. American Airlines Group Inc.'s PEG (fwd) is a -96% discount, complementing the remaining metrics that showcase its extreme discount. American Airlines Group Inc. also possesses strong momentum, allowing it to outperform many of its peers.**

## **Prior to the pandemic, American Airlines Group Inc. suffered like most airlines. However, American Airlines Group Inc.'s goal of expanding margins and realizing costs from its 2013 U.S. Airways merger did not go as expected. However, there have been some improvements in operating margin as the industry rebounds and business and leisure travel tick up, with American Airlines Group Inc. having the youngest fleet among the major U.S. carriers, offering greater efficiency by limiting fuel and maintenance expenses, American Airlines Group Inc. should also be able to expand capacity. Sixteen analysts have revised their estimates up over the last 90 days, and with Revenue Growth (YoY) +50%, strong year-over-year operating cash flow, and $4.32B in cash, American Airlines Group Inc., like my two other picks, is looking to the future, in hopes of strong tailwinds for long-term growth. Although there are risks to the industry, consider my top three airline stocks for a portfolio.**

## Risks of Investing in Airline Stocks

## **The airline industry, being very cyclical, can experience pullbacks in discretionary spending and the demand for leisure travel amid economic slowdowns and downturns. In an inflationary environment where costs have gone up, despite fuel prices coming down, the cost of jet fuel has impacted the industry as many of these costs were passed onto consumers.**

## **Although airlines are making a comeback since the pandemic impacted travel, overcrowded cabins, labor shortages, and costs still pose risks. Each of the airlines I've mentioned - Delta Air Lines (DAL), American Airlines Group Inc. (AAL), and United Airlines (UAL) - has also been the subject of strikes, as pilots and airline staff have sought improved conditions and better pay. While the industry is working to reach labor deals and negotiate terms, despite these risks, each of my picks - Delta Air Lines (DAL), American Airlines Group Inc. (AAL), and United Airlines (UAL) - is fundamentally strong, as evidenced by the below Quant Ratings and Factor Grades. Consider these Top Airline Stocks - Delta Air Lines (DAL), American Airlines Group Inc. (AAL), and United Airlines (UAL) - for 2023.**

## **Quant Ratings & Factor Grades - Top Airline Stocks (Delta Air Lines (DAL), American Airlines Group Inc. (AAL), United Airlines (UAL))**

## **Quant Ratings & Factor Grades - Top Airline Stocks (Delta Air Lines (DAL), American Airlines Group Inc. (AAL), United Airlines (UAL)) (SA Premium)**

## Airline Stocks Primed to Take Flight: Onward and Upward

## **The airline industry is cyclical, and despite the risks and headwinds Delta Air Lines, United Airlines, and American Airlines Group Inc. have faced, forward analysts' earnings estimates are optimistic, revising up over the last 90 days for each of the picks that have crushed earnings. Top Industrial Stocks, including Delta Air Lines, United Airlines, and American Airlines Group Inc., are rated strong buys. While these airlines have seen their share of cuts and worker shortages, their yields remain solid amid healthy travel demand.**

## **Two of my picks, Delta Air Lines and United Airlines, have reported record revenues, with American Airlines Group Inc. anticipated to follow suit this week. My three picks, Delta Air Lines, United Airlines, and American Airlines Group Inc. possess a track record of cost controls, have strong financials, excellent growth, and forward revenue growth of +20%. Likewise, each trades at extreme discounts, with forward PEG trading at more than an 85% discount to the sector. Consider my top airline stocks for 2023 for a portfolio, Delta Air Lines, United Airlines, and American Airlines Group Inc., or if you're interested in Top Rated Stocks, equip yourself with our tools to help ensure your portfolio contains substantial investments that stand to increase over time.**