American Airlines Group Inc.

American Airlines

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To: Professor Perez and AEM 2200.1 TAs
From: Alex Ramirez
Subject: American Airlines Group Inc.

American Airlines (American) is not viable in the short term as it demonstrates serious liquidity challenges in an already illiquid airline industry. Although the 2023 current ratio of 0.62x and quick ratio of 0.47x reflect a post-pandemic liquidity improvement, these ratios fall below industry averages and key competitors (S&P Capital IQ, 2024). American's liquidity strategy leverages revolving credit facilities to maintain a required minimum of short-term quick assets, but these tools are not sufficient to mitigate illiquidity risk in such a capital-intensive industry, especially compared to competitors such as United Airlines (United) that maintain much stronger ratios of 0.83x and 0.73x, respectively (American Airlines 10-K, 2022; S&P Capital IQ, 2024). While American improved operating cash flow by 1.5 billion in 2022, helping pay down short-term liabilities, fuel cost increased 74% in addition to salaries and benefits which put substantial pressure on short-term assets, weakening overall liquidity (American Airlines 10-K, 2022). American's current and quick ratios align with this loss in liquidity despite efforts to improve short-term quick assets, as its liabilities significantly outweigh assets. Additionally, Pre-pandemic, American Airlines spent significant amounts to modernize its fleet, leading to lingering debt going into the pandemic (American Airlines 10-K, 2022). As the pandemic caused a major decline in air travel demand, American then increased its debt load further to maintain liquidity, represented by American's heavy debt-to-equity ratio calculated at -13.12x, leaving it poorly able to handle short-term obligations (S&P Capital IQ, 2024). Since then, the company has reduced debt by 11.4 billion from peak levels in mid 2021 (American Airlines, 2024a). Despite much improvement, American's heavy debt burden overweighs its liabilities, and undermines its short-term financial viability. American's profitability ratios also highlight challenges to long-term financial viability relative to competitors and industry averages. American's return on equity (ROE) of -15.80% stands far below the industry average 27.59% (S&P Capital IQ, 2024) Meanwhile, American's return on sales (ROS) measuring operational efficiency was 1.56% in 2023 compared to 4.87% for United and 7.94% for Delta, indicating that American is still comparatively inefficient in managing costs to generate profit (S&P Capital IQ, 2024). American finalized a 9.6 billion four-year pilot contract in August 2023, significantly increasing labor costs and further compressing margins (Schlappig, 2023). While recovering in revenue since pandemic levels, net income remains nearly half of pre-pandemic levels, highlighting American's ongoing struggles to remain efficient and compete(S&P Capital IQ, 2024). Americans earnings per share (EPS) in 2023 was $1.26, a significant improvement from pandemic lows of -$18.36 but still significantly lower than United's $7.99 and Delta's $7.21 (S&P Capital IQ, 2024). This disparity in EPS is due to American's disparity in net income from operating expenses, rise of heavy debt interest payments, and higher share count dilution. Despite reaching 75% of its debt reduction goal (American Airlines, 2024a), American's financial ratios indicate that it remains less efficient and more leveraged than its competitors, leaving it vulnerable to industry pressures that will affect long-term profitability until debt can be reduced. While American has made significant recovery, the remaining high debt burden limits liquidity, weakens profitability metrics, and disadvantages American's short-term and long-term financial viability through underperformance compared to the industry and competitors.

American's strategy has proven to be appropriate, given its past success. Its strategy primarily focuses on a broad differentiation strategy as it serves a broad range of customers, from business to middle-class and emphasizes diverse customer segments with an extensive route network, premium seating, and a robust loyalty program. As a founding member of the oneworld Alliance, American enhances global connectivity by leveraging strategic partnerships to expand its reach into untapped markets (American Airlines, n.d.e). The airline also employs a hub-and-spoke model for operational efficiency and emphasizes sustainability through fuel-efficient fleets and optimized scheduling. American distinguishes itself with its AAdvantage program, which offers flexible rewards and exclusive perks. To sustain profitability, American should focus on expanding international routes, enhancing its loyalty program benefits, and reducing oversaturated domestic flights. This strategy aligns with shifting consumer demand toward international travel and positions American for long-term growth in the competitive airline industry.

As of December 8th, 2024, American's stock price was $17.40 with a P/E ratio of 13.91x, slightly above the industry average of 13.68x and competitors like United's 12.60x and Delta's 8.98x (S&P Capital IQ, 2024). Since the P/E ratio is similar to competitors and the industry, the stock price seems to be valued appropriately, however it is unsupported by the company's weaker fundamental ratios. American's EPS of $1.26 is significantly lower than United's 7.99 and Delta's 7.21, indicating that it struggles with profitability (S&P Capital IQ, 2024). Furthermore, high debt leverage and low ROS lower American's long-term outlook compared to competitors. American's stock appears valued appropriately according to P/E, but overvalued relative to its financial performance and industry position in relation to competitors.

I. Introduction

Company Name:

American Airlines Group Inc. (NYSE: AAL)

Date of Incorporation:

December 9, 2013

(Merger of American Airlines and US Airways Group)

Main Business:

American Airlines Group Inc. operates in the Scheduled Passenger Air Transportation industry (NAICS 481111) as one of the largest global airline holding companies, providing air transportation services for passengers and cargo with a fleet of 965 aircraft. Supported by wholly-owned subsidiaries and third-party regional carriers under the American Eagle brand, it connects smaller markets to major hubs and enhances global reach through its founding membership in the oneworld Alliance. In 2023, American carried 211 million passengers, introduced over 50 new routes, and expanded to nearly 350 destinations, emphasizing fleet modernization, sustainability, and customer experience (American Airlines 10-K, 2022).

Mission Statement:

"At American Airlines, our purpose is to care for people on life’s journey” (American Airlines, 2024c).

II. Financial Analysis

For this analysis, American Airlines Group Inc. will be referred to as American, United Airlines Holdings, Inc. will be referred to as United, and Delta Air Lines, Inc. will be referred to as Delta, commonly known as the **"**Big 3**"** mainline carriers (Business Insider, 2024). The broader industry includes other airlines such as Southwest, JetBlue, Alaska Air, Spirit, Frontier, Deutsche Lufthansa, Air France-KLM SA, and International Consolidated Airlines Group SA (S&P Capital IQ, 2024). However, American, United, and Delta were selected as the primary competitors for this financial analysis due to their significant qualitative similarities and influence in the airline industry.

*All ratios were calculated using data from Capital IQ (S&P Capital IQ, 2024).

A. Liquidity Ratios

Current Ratio

Current Ratios for American Airlines Group Inc.					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	0.62x	0.71x	0.91x	0.67x	0.45x

The current ratio is a liquidity ratio that quantifies a company's ability to pay short-term debt obligations due within one year using its short-term assets. It is calculated by dividing current assets by current liabilities. A typical "healthy" benchmark for liquidity ratios is generally around 1.0x, meaning the company has enough current assets to cover its current liabilities (FreshBooks, 2024). However, airline ratios should be compared to a much lower industry benchmark closer to 0.5-0.6x due to airlines' high operating costs and low current assets. Significant air traffic and unrealized customer prepayment revenue are considered liabilities, while inventory in current assets consists of only fuel and spare aircraft parts; aircraft equipment is considered a non-current asset (CFA Journal, n.d.). The airline industry's high current liabilities with low current assets contribute to a low, illiquid, industry current ratio calculated at 0.61x in 2019 and 0.69x in 2023, with the exception of high ratios nearing 1.0x in 2020-22.

Following the industry trend, American's current ratio was calculated at 0.45x in 2019, rising to 0.91x in 2021, and then falling to 0.62x in 2023. The initial low ratio reflects the pre-pandemic airline model with high liabilities in comparison to assets due to capital-intensive operations. Then, American's current ratio significantly increased during the pandemic as a result of reduced flight liabilities and government cash support. During this period, the U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act paid $54 billion to passenger airlines with nearly $36 billion split among the "Big 3", with $13 billion going to American (Pandemic Response Accountability Committee, 2022) Post-pandemic operations returned to normal, lowering the current ratio. Between 2019 and 2023, assets increased 65% with liabilities only increasing 20%, resulting in a higher current ratio of 0.62x in 2023 compared to 2019's 0.45x. Despite this increase in the current ratio, it is still rather low compared to other industries, suggesting American is rather illiquid. As of 2023, United's 0.83x is significantly above both American and the industry average. Delta's 0.39x sits well below both American Airlines' 0.62x and the industry average. Despite American's increase in the current ratio, American is still underperforming relative to United Airlines and is below the industry average, suggesting weak liquidity even within the airline industry.

Quick Ratio

Quick Ratios for American Airlines Group Inc.					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	0.47x	0.56x	0.78x	0.50x	0.30x

The quick ratio, also known as the acid test ratio, is a liquidity ratio that quantifies how well a company can currently pay down its current full-year liabilities using its near cash, most liquid, quick assets. This ratio is calculated by dividing quick assets (cash equivalents, short-term investments, accounts receivable) by total current liabilities. Similar to the current ratio, a "healthy" benchmark closer to the industry average, around 0.5-0.6x, should be considered rather than the typical 1.0x due to the airline industry's lower reliance on current assets and higher reliance on fixed assets (CFA Journal, n.d.). Again, the airline industry's high current liabilities with low current assets contribute to a low, illiquid, industry. The industry quick ratio is calculated at 0.43x in 2019 and 0.52x in 2023, except for high ratios at 0.77x and 0.82x in 2020 and 2021 respectively.

Following the industry trend, American's quick ratio was calculated at 0.30x in 2019, rising to 0.78x in 2021, and then falling to 0.47x in 2023. The initial low ratio reflects poor performance, even in pre-pandemic conditions with high liabilities in comparison to quick assets with a specifically low cash balance. However, American's quick ratio significantly increased during the pandemic as a result of increased cash received from the CARES Act, in which a majority of it was spent on increasing short-term investments. Accounts Receivable remained rather constant, receding only slightly during the pandemic. Post-pandemic operations were normalized, lowering the quick ratio. Between 2019 and 2023, quick assets increased 87% with liabilities only increasing 16%, resulting in a higher quick ratio of 0.47x in 2023 in comparison to 2019's 0.30x. Despite this increase in quick ratio, it is still rather low compared to other industries, suggesting American is rather illiquid. As of 2023, United's 0.73x is significantly above both American and the industry average. Delta's 0.26x sits well below both American 0.47x and the industry average. Despite American's increase in quick ratio, American is still underperforming significantly relative to United Airlines due to a significantly lower cash balance and it being below the industry average quick ratio, suggesting weak liquidity even within the airline industry.

B. Leverage (Debt) Ratios

Debt-to-Equity Ratio

Debt-to-Equity Ratios for American Airlines Group Inc.					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	-13.12x	-12.16x	-10.06x	-10.03x	-509.43x

The debt-to-equity ratio is a leverage ratio that quantifies how much of the company is financed by debt rather than by equity to show the company's reliance on debt. The debt-to-equity ratio also reflects the company's ability to pay back its shareholders in the case of bankruptcy. This ratio is calculated by dividing total liabilities by total equity. In the airline industry, a higher benchmark of around 5.0-6.0x is used due to the reliance on debt for financing aircraft (Nickolas, 2022). A high debt-to-equity ratio reflects more debt leverage and associated risk while a low ratio reflects more reliance on equity rather than debt. A negative ratio, however, is dangerous, resulting from negative equity where there are more liabilities than total equity. The industry debt-to-equity was calculated at 4.13x in 2019 with an excessively high ratio of 21.59x in 2020 that then progressively recovered to 7.38x in 2023.

American's debt-to-equity ratio was calculated at -509.43x in 2019, reflecting a financial imbalance even in pre-pandemic conditions with the highest total liabilities and least equity in the entire industry by far. American's debt-to-equity ratio then worsened to -10.06x in 2021. A negative ratio closer to 0 indicates a more significant liability equity imbalance. Total equity became significantly more negative while total liabilities increased, indicating a significant overbearing of debt and an inability to pay back shareholders in the case of bankruptcy. However, in 2022, total liabilities and equity improved significantly as the pandemic neared an end despite the ratio improving to -12.16x. This positive progress continued into 2023 with a current debt-to-equity ratio of -13.12x. Compared to industry competitors, American's performance is extremely poor, with United at 6.63x and Delta at 5.63x, maintaining positive equity and significantly lower debt-to-equity ratios. Despite American's slight recovery since 2021, the company remains highly leveraged and unstable with negative equity – underperforming in relation to both its competitors and the industry average of 7.38x, making it the weakest competitor in the airline industry thus far.

C. Profitability Ratios

Return on Sales

Return on Sales (ROS) for American Airlines Group Inc.					
Company	**2023**	**2022**	**2021**	**2020**	**2019**
American Airlines Group Inc.	1.56%	0.26%	-6.67%	-51.25%	3.68%

The return on sales (ROS) ratio is a profitability ratio that quantifies a company's operational efficiency in turning sales into profit. This ratio is calculated by dividing net income by total revenue. A higher ratio means that the company is effectively managing costs and generating profits from revenues while a negative ROS reflects inefficiencies and losses. In the airline industry, ROS fluctuates significantly due to sensitivity towards economic factors such as fuel costs, seasonality, and macroeconomic factors (Zacks Equity Research, 2023). Pre-pandemic, the industry yielded healthy profitability at 6.19% ROS until the pandemic plunged industry ROS to -55.15% in 2020. By 2023, the industry recovered to a ROS of 4.23%, as it was still dealing with the remnant effects of the pandemic.

Following the industry trend, American's ROS started at 3.68% in 2019, falling to -51.25% in 2020, and recovering to a, still low, 1.56% ROS. In 2023, the average fuel cost per gallon for U.S. airlines increased by 11.4% in one month alone, up 60.6% from 2019 (Zacks Equity Research, 2023). Since fuel expenses account for about 29% of American's total operating expenses, the rising fuel prices substantially impacted profitability (Zacks Equity Research, 2023). Additionally, there are competitive pricing pressures from the industry as a whole to regain consumers lost during the pandemic that impact margins, decreasing profitability. Furthermore, American attempted to reduce travel agency commissions, pushing customers to book directly which lost significant business (Sider, 2024). Although on a positive recovery track, ROS remains low due to these difficult market conditions that impact margins and profitability. In contrast, United surpassed American and the industry average with a ROS of 4.87% in 2023. Meanwhile, Delta outperformed both, with a ROS of 7.94% in 2023. While American has made progress since the pandemic, its lower ROS compared to competitors indicates the need for improved cost management and operational efficiencies to remain competitive in this recovering industry.

Return on Equity

Return on Equity (ROE) for American Airlines Group Inc.					
Company	**2023**	**2022**	**2021**	**2020**	**2019**
American Airlines Group Inc.	-15.80%	-2.19%	27.15%	129.39%	-1428.81%

The return on equity (ROE) ratio is a profitability ratio that quantifies a company's ability to manage capital associated with shareholders. This ratio is calculated by dividing net income by total equity. A higher ratio means that the company is efficient in using its equity to generate profits while a low or negative ROE indicates significant losses or negative equity. Similar to ROS, ROE is volatile in the airline industry due to items that reduce net income such as macroeconomic factors, fuel prices, and consumer spending. The industry ROE was strong in 2019 at 24.76% . Then industry ROE crashed to -343.08% as a result of the pandemic, progressively improving back to a normal post-pandemic ROE of 27.59%. Currently, the industry indicates strong profitability and equity management.

The calculated American ROE figures are misleading. In contrast to American's competitors, its equity has been negative since 2019, starting off pre-pandemic with an ROE of -1428.81% due to minimal equity of -118 million with a relatively high net income. As a result of the pandemic, in 2020, American's equity declined significantly, and net income declined by 10.571 B from the year prior. Both net income and equity were negative in 2020, leading to positive ROE by calculation, but American was in a unreliable position. By 2022, although American's equity declined further, it had reclaimed a significant net income, up 6.892 B from 2021. From 2022 to 2023, American returned to a positive net income, even if it was half of the pre-pandemic net income, and improved equity as well. Despite these improvements, ROE still is an abysmal -15.80%. In comparison, United and Delta significantly outperformed American in 2023 with ROEs of 28.08% and 41.50%, respectively. Both competitors maintain positive equity and have recovered profitability much more effectively than American. The industry average of 27.59% also far exceeds American's -15.80%, highlighting the company's financial instability relative to others in the industry. American Airlines' consistent negative ROE signals persistent challenges with equity and the inability to capitalize even in improving market conditions, underscoring American's need to strengthen its equity base and improve cost efficiency to return to competitive profitability.

Basic Earnings per Share

Basic Earnings Per Share (EPS) for American Airlines Group Inc.					
Company	**2023 ($)**	**2022 ($)**	**2021 ($)**	**2020 ($)**	**2019 ($)**
American Airlines Group Inc.	$ 1.26	$ 0.20	$ (3.09)	$ (18.36)	$ 3.80

The basic earnings per share (EPS) ratio is a profitability ratio that quantifies a company's profitability through how much money is made per share of stock. This ratio is calculated by dividing net income by the number of weighted average shares outstanding. A higher EPS means greater profitability and value for shareholders while a negative EPS indicates financial losses due to negative earnings. EPS is variable due to volatile earnings, affected particularly by the pandemic. The industry average EPS was $3.36 in 2019, healthy pre-pandemic. During the pandemic, earnings suffered and EPS in the industry decreased to -$8.39 in 2020. For American, United, and Delta solely, EPS decreased to -$21.05. By 2023, EPS recovered to $1.45, showing improved profitability despite still lagging behind pre-pandemic numbers.

Following the industry trend, American's EPS started at $3.80 in 2019, falling to -$18.36 in 2020, and then recovering to $1.26 in 2023. The improvement in American's EPS between 2020 and 2023 was driven by a 51% increase in net income and a 47% increase in outstanding shares due to capital raises during the pandemic. While EPS is recovering, the relatively low figure in 2023 highlights the financial challenges that remain post-pandemic and the dilution effect from the additional shares that were issued, lowering EPS. While American's EPS recovery reflects operational progress, its 2023 EPS is still well below the industry average of $1.45 and competitors, with United at an EPS of $7.99 and Delta at an EPS of $7.21. American's profitability has improved but is still weak, underperforming in delivering value per share to shareholders in comparison to its competitors and the airline industry.

D. Activity Ratios

Inventory Turnover Ratio

Inventory Turnover Ratios for American Airlines Group Inc.					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	16.25x	16.47x	15.76x	14.15x	17.54x

The inventory turnover ratio is an activity ratio that quantifies how many times a company turned over its inventory in a given period of time and in this case, per year. This ratio is calculated by dividing the cost of goods sold by the average inventory. A higher ratio means the company is efficiently managing its inventory while a lower ratio indicates low sales. In the airline industry, inventory typically consists of aircraft parts, fuel, maintenance supplies, and catering supplies, as these items are essential for maintenance and operations (CFA Journal, n.d.). Inventory does not include the aircraft themselves, as they are classified as fixed assets (CFA Journal, n.d.).

American's inventory turnover was 16.25x in 2023 and has maintained fairly consistent, only slightly below pre-pandemic levels of 17.45x in 2019. Although close, this decrease means they have a slower inventory cycle. Compared to competitors, American's 2023 inventory turnover ratio underperforms relative to United's 22.88x and Delta's 34.28x, as well as the industry average of 27.23x, indicating American is less efficient at managing and using it's inventory. American's inventory is essential to maintaining their fleet and a lower inventory turnover ratio may suggest they are holding on to excess inventory or are using less fuel. Improved inventory management could contribute to cost savings as they increase their flights and inventory turnover, creating more efficient operations.

American Airlines Group Inc. (Capital IQ, 2024)					
Year	2023 (x)	2022 (x)	2021 (x)	2020 (x)	2019 (x)
Liquidity Ratios					
Current	0.62x	0.71x	0.91x	0.67x	0.45x
Quick	0.47x	0.56x	0.78x	0.50x	0.30x
Leverage Ratios					
Debt-to-Equity	-13.12x	-12.16x	-10.06x	-10.03x	-509.43x
Profitability Ratios					
Return on Sales	1.56%	0.26%	-6.67%	-51.25%	3.68%
Return on Equity	-15.80%	-2.19%	27.15%	129.39%	-1428.81%
EPS	$ 1.26	$ 0.20	$ (3.09)	$ (18.36)	$ 3.80
Activity Ratios					
Inventory Turnover	16.25x	16.47x	15.76x	14.15x	17.54x

III. Environmental Analysis

A. Social Environment

The COVID-19 pandemic has shifted how people travel (Manyika, 2021). The pandemic normalized people to work remotely and have virtual meetings decreasing the need for frequent travel (Manyika, 2021). Companies have realized the cost savings and efficiency gained by reducing non-essential traveling, which has led to a slower recovery post-pandemic for business travel (Manyika, 2021). The ability to work remotely has made it more flexible for people to combine work and vacation, a trend becoming increasingly popular in the form of "bleisure travel" (Industry, 2022). During the pandemic, restrictions on international travel prompted many to explore local or regional destinations (Smith, 2021). This preference for domestic travel has persisted post-pandemic and is driven by personal safety concerns and the increased accessibility of affordable leisure options closer to home (Industry, 2022). As a result, only two-thirds of pre-pandemic international travelers have returned to international destinations (Tourism, 2023). This rise in leisure travel and decrease in business trips have ultimately influenced American's (American) strategy. It has shifted its strategy to focus more on vacation routes, offering a greater amount of seating on flights to popular destinations such as Orlando (Derby et al., 2024). American has also expanded its domestic route network to meet the rising demand for regional travel, adjusting flight frequencies to accommodate these trends (Philipot, 2024).

Consumers are increasingly prioritizing sustainability in their consumption practices. 46% of consumers say they are buying more sustainable products as a way to reduce their impact on the environment (PwC, 2024). American has actively worked to address these environmental pressures as it is committed to achieving net-zero carbon emissions by 2050 (American, 2024g). It plans to invest in sustainable aviation fuel (SAF) and adopt greener technologies to reach this goal (American, 2024g). As part of its strategy, American has retired older, less fuel-efficient aircraft in favor of newer, more efficient models. It further demonstrated its commitment by partnering with Gevo to purchase SAF, reducing its carbon footprint while aligning with industry regulations (ESG News, 2022).

B. Political, Legal, and Regulatory Issues

The Department of Transportation (DOT) enforces consumer protection laws to safeguard passengers' rights (U.S. Department of Transportation, 2024a). In 2024, the DOT found that American failed to provide safe wheelchair access and mishandled passengers' wheelchairs (U.S. Department of Transportation, 2024b). According to DOT regulations, airlines must promptly return accessibility devices and wheelchairs in the same condition they were received (U.S. Department of Transportation, 2024b). However, a DOT investigation revealed numerous complaints against American, including 3 formal complaints filed by Paralyzed Veterans of America about inadequate wheelchair assistance (U.S. Department of Transportation, 2024b). One incident, captured on video, showed an American employee dropping a wheelchair down a baggage ramp (U.S. Department of Transportation, 2024b). This incident has raised concerns over the airline's commitment to passenger care, decreasing consumer trust. As a result, the DOT imposed a $50 million penalty on American for violations between 2019 and 2023 (U.S. Department of Transportation, 2024b). Of this, $25 million will be credited for the airline's investments in reducing wheelchair-related issues. These investments include upgraded equipment to prevent wheelchair damage, a centralized hub control system to improve wheelchair handling at major airports, a systemwide tagging system to minimize delays, and compensation for affected passengers (U.S. Department of Transportation, 2024b).

The Federal Aviation Administration (FAA) regulates civil aviation and oversees air traffic control in the U.S. (Federal Aviation Administration, 2022). It is investigating an incident involving American Flight 288 from Hawaii on November 23, 2024 (Bartiromo, 2024). The flight reportedly deviated from its assigned route shortly after takeoff, prompting air traffic control to direct the crew to perform an expedited climb to avoid nearby terrain. Although American asserts that the crew complied with all instructions and no Enhanced Ground Proximity Warning System (EGPWS) alerts were triggered, the FAA's investigation emphasizes the external regulatory challenges airlines face (Bartiromo, 2024). These include ensuring adherence to safety protocols, maintaining effective communication with air traffic controllers, and addressing any public or regulatory concerns that arise from such incidents (Bartiromo, 2024). Depending on the investigation's findings, American may face procedural reviews, regulatory action, or penalties, all of which could affect its reputation and operational practices (Bartiromo, 2024).

C. Diversity Issues

In January 2024, 8 African American passengers were removed and later reboarded from an American flight (Franklin, 2024). 3 of those 5 men filed a federal lawsuit against American alleging that they were victims of racial discrimination (Franklin, 2024). The 8 men did not know each other and were not seated together on the flight (Franklin, 2024). The CEO, Robert Isom, stated that he is taking immediate action to "rebuild trust within the company" (Franklin, 2024). In steps to do so, he is going to create an advisory council that focuses on improving the experience of African American customers, review and enhance American's reporting process for cases involving allegations, and reevaluate its policies and practices to recognize areas of improvement and growth (Franklin, 2024).

American has made efforts to promote diversity, equity, and inclusion (DEI) through various programs. Its formal DEI strategy aims to build a workforce that reflects the diverse demographics of its customer base (American Airlines, 2022). American has created mentorship and leadership training programs to support workforce communities (American Airlines, 2019). For example, Employee Resource Groups (ERGs) promote diversity for LGBTQ, African American, Hispanic, and women employees, providing safe spaces for connection and inclusion (American Airlines, n.d.j). The Leadership Development Program identifies high-potential, diverse employees for accelerated career growth and mentorship, equipping underrepresented employees with skills, networking, and experience to advance into senior roles (American Airlines, 2019). These initiatives foster belonging, employee satisfaction, and a positive company culture aligned with American's goal of valuing inclusion at all leadership levels (American Airlines, 2019).

American's recruitment efforts attract a diverse candidate pool by partnering with organizations and universities to create opportunities for underrepresented groups (American Airlines, 2024h). For example, initiatives like the BE Smart Hackathon engage students from historically Black colleges and universities in technology projects, offering real-world experience in aviation and often leading to positions at American (American Airlines, 2024g). These programs support underrepresented communities and amplify diverse perspectives within the company, advancing its DEI goals.

D. Global Presence and Issues

American operates in 6 continents and over 350 destinations, specifically serving 226 domestic destinations and 131 international destinations in 63 countries (Flight Connections, n.d.). The company offers its services through its hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix, and Washington, D.C, as well as partner gateways in London, Doha, Madrid, Seattle/Tacoma, Sydney, and Tokyo (S&P Capital IQ, n.d.). The Dallas/Fort Worth (DFW) International Airport, being American's largest and main hub, offers over 240 destinations both domestic and international and serves over 50 million annual passengers (Barten, 2024). The airline is heavily reliant on its domestic flights as it accounted for its largest share in its annual revenue, generating nearly $34.6B out of $48.5B in total passenger revenue this year (Statista, 2024). Although there is opportunity to grow American's global presence, as it is one of the founding members of the oneworld Alliance, which streamlines frequent international travelers' experiences and connects them with over 900 destinations around the world (American Airlines, n.d.c).

In a post-pandemic world, the industry is still facing international travel restrictions, operational challenges with staff shortages and increased demand causing delays, airspace restrictions due to geopolitical tensions in the Middle East and Europe, and regulatory issues with stricter emission reporting and security requirements (Ludwig, 2024). The geopolitical environment, having worsened over the last 12 months, has even caused American to suspend flights to and from Israel until April 2025 (Khalil, 2024). Additionally, major manufacturing issues and supply chain disruptions from global shortages in key components like engines and avionics have caused delays in the production of aircraft heavyweights like Boeing and Airbus (John, 2024). These setbacks hinders airlines like American, in which more than half its total fleet consists of Airbus and Boeing, from receiving new planes on time, limiting their ability to grow or modernize fleets to meet the growing international travel demand (John, 2024).

Furthermore, significant increases in ticket taxes imposed by European countries impacts affordability and as operational challenges persist, with only about 65% of flights departing on time in 2023 compared to 73% in 2019, this also affects the European market for American (Think, 2024). Despite all this, European air travel has recovered faster than anticipated, with strong demand in the summer season supported by events like the Olympics in Paris and the European Championship in Germany (KPMG, 2024). Additionally, with American's recent expansion into 3 new European cities (Copenhagen, Denmark; Nice, France; and Naples, Italy), American will have more connections across the Atlantic, positioning itself to capture growing demand and strengthen its global presence (American Airlines, 2023). As European air travel continues to recover and the airline enhances its network, American is well-positioned to capitalize on future opportunities and partnerships, driving further growth and operational resilience in the international market.

E. Sustainability and Triple Bottom Line Issues

American's sustainability initiatives and approach to its triple bottom line issues are characterized by its efforts to maintain a reliable operation and build a "resilient, profitable enterprise that will thrive over the long term" (American Airlines, 2023). To address climate change, American aims to achieve net zero greenhouse gas (GHG) emissions by 2050, transitioning the company to a low-carbon aviation future. In 2023, American has reduced its indirect emissions from outside operating sources like electricity, steam, or heat and cooling systems (Scope 2) by 54% and avoided 25,000 tons of CO2 through the use of renewable fuels (American Airlines, 2023). One way the airline industry is accelerating decarbonization is by switching its petroleum-based jet fuel to sustainable aviation fuel (SAF), which can reduce overall GHG emissions by 94% (U.S. Department of Energy, n.d.). As an industry leader in SAF consumption, American has consumed more than 2.5 million gallons of SAF in 2023, reaching a year-over-year doubling in usage. The airline's current and future SAF agreements with renewable energy companies Gevo and Aemetis are also lowering its overall low-carbon fuel commitments to over 620 million gallons, which will account for approximately 20% of American's target to replace 10% of its jet fuel with SAF by 2030 (American Airlines, n.d.). Additionally, American is also the first U.S. airline to directly invest in advancing hydrogen-electric propulsion technology and the future of hydrogen distribution logistics through its partnership with ZeroAvia, in which it has purchased 100 hydrogen-electric engines, to meet its goal of zero emissions flights. As a result of American's efforts to meet its sustainability goals, it was awarded the 2023 Eco-Airline of the Year award by the Air Transport World (ATW), which recognizes American's work to operate more fuel-efficient aircrafts powered by low-carbon fuel (American Airlines, 2023).

Other measures American is currently pursuing to meet its sustainability goals and address its triple bottom line issues include operating every flight safely, supporting its team members, serving its customers, and sourcing responsibly. In regards to its safety governance, American's Safety Management System (SMS) program has been effective in identifying and managing risk as well as its safety action programs that have protected team members from extreme heat and emphasized quality assurance in flight operations (American Airlines, 2023b). American's contribution to welfare lies in its diversity, equity, and inclusion (DEI) initiatives such as its Employee Business Resource Groups and learning hubs that connect diverse members to foster professional and personal development (American Airlines, 2023). American also contributes to economic development by providing jobs to over 140,000 employees worldwide and even creating an additional 500 new aviation maintenance jobs this year, adding to the broader workforce and economy (American Airlines, 2024e).

IV. Current Events

1. *Global Economic and Geopolitical Factors*

The airline industry as a whole continues to face significant challenges from economic and geopolitical factors on a global scale. International travel is still limited by airspace restrictions due to geopolitical tensions in the Middle East and europe. First, the Ukraine war and Israel-Gaza war complicated route planning and increased operational costs to navigate around these regions (Khalil, 2024). Second, in the wake of the Russian-Ukrainian conflict, jet fuel prices have skyrocketed due to the war's effect on Russia's global oil supply, inflating all petroleum products in Europe and the Middle East (International Air Transportation Association, 2024). Then, the Israel-Gaza conflict created a shipping crisis in the Red Sea, doubling oil delivery costs (International Air Transportation Association, 2024). Resultantly, not only has jet fuel increased, but insurance costs for airlines have increased as well. Price normalization will not seem to return to normal for an extended period of time given the tension in these regions. American had to suspend flights to and from Israel until April 2024, a direct result of these tensions (Khalil, 2024). These supply chain disruptions also delayed critical components from manufacturers like Boeing and Airbus, which make up for the majority of American's aircraft fleet (John, 2024). These delays hinder American's modernization efforts and ability to meet international demands with decreased route availability and rising operational costs.

These geopolitical and supply chain challenges directly impact American's financial performance and long-term profitability. Delays in fleet modernization increase American's reliance on older, less fuel-efficient aircraft which then lead to higher operating expenses and taxes on non-sustainable emissions. With rising fuel costs accounting for 29% of total operating expenses in 2023 (American Airlines 10-K, 2022), inefficient aircraft will damage American's profitability now and in the future. American's return on sales (ROS) of 1.56% in 2023 has already fallen behind United's 4.87% and Delta's 7.94%, indicating that it has higher costs and is more inefficient (S&P Capital IQ, 2024). Furthermore, revenue is impacted greater by international geopolitical instability route reductions than domestic route reductions as international routes generate higher revenue per passenger than domestic routes. With nearly 71% of American's revenue reliant on domestic flights, American is less diversified, leaving it more exposed to U.S. market volatility than competitors with stronger international routes (Statista, 2024). These factors further strain American's cash flow, limiting flexibility to address rising costs and operational disruptions caused by geopolitical factors (CapIQ).

2. *Post COVID-19 Pandemic*

The COVID-19 pandemic permanently disrupted the airline industry, leaving airlines in with lasting debt and fundamentally changing passenger's travel demand. One of the most significant changes is the decline in corporate travel due to increased use of remote work and online meetings which has reduced the need for frequent business trips. Today, only essential travel is utilized. Companies have embraced these cost savings, slowing the recovery of business travel post-pandemic (Manyika, 2021) Instead, there is a larger focus on "bleisure travel", the combination of business work and leisure activities in one trip (Industry, 2022). These market changes shifted American's strategy to expand its route network to increase vacation-focused routes to popular destinations. However, these expansions led to increased staffing shortages and higher labor costs. For example, American finalized a $9.6 billion four-year pilot contract in 2023, significantly raising salaries and benefits, which compressed operating margins (Schlappig, 2023). In the airline industry, pilots and passengers have significant bargaining power due to their necessity for airline survival.

Post-pandemic, labor costs have increased in addition to other operational costs such as fuel and maintenance with increased routes and decreased travel, significantly impacting profitability. American's liquidity outlook is no better as the pandemic has left it with extreme debt levels. While the expansion of domestic leisure routes align with current demand trends, they generate lower revenue per passenger compared to higher pre-pandemic business and international travel, contributing to a slower net income recovery. At $822 million in 2023, net income is significantly lower than pre-pandemic levels of $1.6 billion in 2019 (S&P Capital IQ, 2024). This can be seen reflected in American's earnings per share (EPS) of $1.26 in 2023, trailing far behind both United Airlines $7.99 and Delta Air Lines $7.21. The post-pandemics travel market with high labor costs and increased fuel prices in a more aggressive competition for the limited travel demand available, all contribute to American's weakened profitability metrics post-pandemic. While the company has made strategic adjustments to align with these changes, these factors painfully strain liquidity and profitability, lowering the financial outlook for American in the near future. In a more forward outlook, as American lowers debt levels and people realize the in-person connection of business travel is necessary, American may see an increase in profit. However, travel demand will never reach the same pre-pandemic levels, lowering the industry's financial profitability from pre-pandemic highs.

V. Environmental Analysis - Markets

American Airlines (American) is a leading airline company aiming to provide customers with efficiency and convenience. The company has maintained its position as a top airline due to its comfortable experience and loyalty program. The company's core target market is upper-middle-class males, aged 25-60+ (Barnett, n.d.). They typically hold jobs in sectors such as real estate, architecture, fashion, and law (Mitchell, 2024). The target market consumers are most commonly married and live in major cities like Dallas, Chicago, or Miami (Barnett, n.d.). To cater to its demographic, American has its major hub in Dallas known as the Dallas/Fort Worth International Airport, offering its target market domestic and international flight connections (American Airlines, n.dg). American also offers another major hub in Miami, known as the Miami International Airport, serving as a major gateway to Latin America and the Caribbean (American Airlines, n.dg). Additionally, Chicago O'Hare International Airport acts as a key hub for both domestic and transatlantic flights (American Airlines, n.dg). Furthermore, American offers premium travel experiences for its upper middle class target market. For example, it offers first and business class providing premium services such as spacious seating, premium dining, and access to the Flagship Lounge.

The COVID-19 pandemic has caused less people to travel (Manyika, 2021). However, since the pandemic has been over, more of its target market has been going back to its normal routine before the pandemic (Manyika, 2021). This includes traveling for business trips (Manyika, 2021). This shift in new demand has increased the pressure to provide new travel options. As a result, American has emphasized additional regional routes to keep up with these growing trends. For example, in 2024, American introduced fifty routes, such as from Philadelphia to ensure that the airline offers a variety of travel destinations for these consumers (Nowakowski, 2024). To make this possible, American increased its aircraft fleet size through an agreement with Embraer to add four more E-175 aircrafts to its Envoy Air (MQ) subsidiary (Nowakowski, 2024). American then further purchased ten Airbus A321neos from Alaska Airlines in order to accommodate these new routes and destinations (Nowakowski, 2024).

Moreover, this core target market values comfortable accommodations and exclusivity when traveling for business trips. Within professional networks, traveling often is linked to social capital, symbolizing status and professional success (Indeed, 2024). These demands foster a collective preference for experiences that emphasize privacy, flexibility, and elevated social standing (Indeed, 2024). Therefore, many professionals prioritize premium services such as priority boarding, upgraded seating options, and exclusive access to premium lounges, which reinforce their perceived prestige and align with societal expectations of success (Indeed, 2024). To accommodate these preferences, American utilizes technology to provide mobile check-in and real-time flight updates on the app. With an exclusive loyalty program, known as AAdvantage Business, passengers who are traveling for business can earn 1 mile for every $1 spent at American (Waldek, 2023) . This program has four elite status levels: Gold, Platinum, Platinum Pro, and Executive Platinum, which all come with benefits like free checked bags, priority boarding and check-in, premium seating, and priority access to upgrades (Waldek, 2023). AAdvantage also uses a loyalty points system, rewarding members with their engagement beyond just flying. This includes shopping, dining, and co-branded credit cards (Waldek, 2023). Additionally, it meets their needs through the American Flagship Program, designed specifically for high-value travelers who prioritize exclusivity, comfort, and luxury in their flying experience (American Airlines, n.d.l). Specifically, the Flagship First Program is the most premium travel experience from American because the program offers private check-in and priority security, bypassing the general airport crowds (American Airlines, n.d.l). Members also receive access to premium lounges at major hubs (American Airlines, n.d.l). These offerings are specifically designed to meet the expectations of American's discerning passengers, ensuring unparalleled comfort, convenience, and luxury during their journey (American Airlines, n.d.l).

VI. 4 P's Analysis

A. Product

American Airlines (American) specializes in passenger air travel, offering domestic and international flights, to cater to diverse budgets and preferences. The highest level of service, First Class, is tailored for passengers seeking a luxury experience, featuring wider seats, more legroom, premium dining options like charcuterie plates and short ribs, Wi-Fi, and free entertainment (American Airlines, n.d.k). First Class passengers also benefit from expedited check-in, security, priority boarding, and baggage handling. Business Class provides similar benefits, including enhanced seating, Wi-Fi, and entertainment, but is more affordable and accommodates a larger cabin with more passengers (American Airlines, n.d.h). Both First Class and Business Class passengers enjoy access to the Flagship Lounge for international long-haul trips (American Airlines, n.d.h). The following level of service is Premium Economy. In the air, Premium Economy provides customers with more legroom, a chef-inspired meal, and free on-demand entertainment (American Airlines, n.d.o). Finally, the Main Cabin is the most affordable option when traveling, offering customers the option to purchase Wi-Fi on their flight, enjoy complimentary snacks, and access free entertainment via on-screen TVs or their own devices (American Airlines, n.d.). By offering a range of travel classes with premium options, American differentiates itself from competitors. This variety highlights American's commitment to meeting the diverse needs of its customers and enhancing its appeal to a broad audience.

B. Place

American connects passengers to over 350 destinations across more than fifty countries, including major cities such as New York, Los Angeles, London, Paris, Tokyo, and Sydney (American Airlines, 2024). Destinations span Africa, Asia-Pacific, Europe, the Americas, and the Middle East (American Airlines, 2024). First and Business Classes are primarily available on longer routes, including New York to London, Dallas to Tokyo, and Miami to Buenos Aires (American Airlines, n.d.). Premium Economy and Main Cabin tickets mainly cover a broader network of domestic flights, from smaller cities like Charlotte, North Carolina, to larger cities like Chicago, Illinois (American Airlines, n.d.). However, all ticket classes are available when flying with American.

Based in Fort Worth, Texas, American has its major hub at Dallas/Fort Worth International Airport, offering extensive domestic and international connections (American Airlines, 2024c). Other key hubs from American include Charlotte Douglas International Airport, which supports extensive travel along the East Coast, and Miami International Airport, serving as a major gateway to Latin America and the Caribbean. Additionally, Chicago

O'Hare International Airport acts as a key hub for both domestic and transatlantic flights (American Airlines, 2024c). Through codeshare agreements and partnerships with British Airways and Japan Airways, American is able to expand its network, allowing passengers to book flights to additional destinations beyond its direct routes (American Airlines, n.d.f). This allows American to offer exclusive nonstop routes, such as Dallas to Hong Kong and New York to Doha, further setting American apart (American Airlines, n.d.f). During peak travel times, including Thanksgiving, Christmas, and New Year, American increases service by adding flights to popular routes, ensuring travelers have convenient options even during busy holiday seasons (American Airlines, n.d.d). Furthermore, passengers buy their tickets through the official American website, the mobile app, and travel agencies such as online platforms like Expedia, Kayak, or Orbitz (PCMag, n.d.)

C. Price

For First Class tickets tickets are the most expensive with domestic flights typically cost between $1,000 and $2,000 (American Airlines, n.d.g). International flights can start at $3,000 and exceed $10,000 depending on the route and season. Followed by Business Class, domestic flights cost around $700 to $1,500, while international flights start at approximately $2,000 and may exceed $5,000 (American Airlines, n.d.g). Premium Economy ranks as the third most expensive option, with domestic routes generally range from $400 to $800, and international flights range from $1,000 to $2,500 (American Airlines, n.d.g). Main Cabin tickets are typically the most affordable, with domestic flights starting as low as $200 to $400 (American Airlines, n.d.g). International flights generally range from $700 to $1,000, depending on the destination and season (American Airlines, n.d.g).

This is based on the booking demand for a flight, if a flight has a greater demand, it will cause ticket prices to increase (Ntarellc, 2024). If demand is low American might lower ticket prices to attract more customers. Prices spike during peak seasons of traveling, such as holidays, spring break, or major local events (Seaney, 2023). American also monitors competitors like Delta and United Airlines on similar routes (Seaney, 2023). If a competitor's prices are low, American may follow suit to remain competitive (Seaney, 2023). Additionally, high-traffic routes may experience frequent price fluctuations (Seaney, 2023). Low-traffic routes may see less pricing variation but still depend on demand (Seaney, 2023). Additionally, pricing depends on how many miles the passenger is flying. Overall, ticket prices fluctuate based on factors such as the destination, travel season, competitors, and timing of the purchase (Seaney, 2023). For instance, flights to Hawaii tend to be more expensive during the winter holiday season due to increased demand as travelers seek warm destinations during the colder months (Seaney, 2023).

D. Promotion

To cater to leisure travelers, American frequently offers promotional deals during peak travel seasons. For example, bundled offers are available for travelers heading to popular vacation destinations like Hawaii in the summer or ski resorts in Aspen during the winter (Austin Journal, 2024). These promotions are often tailored to family vacations or holiday getaways (American Airlines, n.d.m). American also runs flash sales or limited-time deals exclusive to specific destinations, travel periods, or routes (American Airlines, n.d.m). These sales provide significant discounts for passengers who are flexible with their travel dates, allowing them to secure excellent deals (Ruslana, 2024). For example, this past June, American hosted a flash sale for areas in Europe and Asia Pacific through August 19, 2024 to December 13, 2024. If customers booked the ticket before July 2nd, 2024, all customers would receive at least 5,000 miles to use for future purchases (Ruslana, 2024). Miles, in the context of American's AAdvantage program, are reward points earned by passengers for flights, credit card purchases, or other eligible spending (Ruslana, 2024). These miles can be redeemed for a variety of travel-related benefits, such as booking flights, upgrading seats, or accessing other perks (Ruslana, 2024).

Additionally, American collaborates with businesses such as credit card companies and hotels to offer exclusive promotions and discounts (One Mile at a Time, 2024). For example, with the Citi credit card offer, if customers spend more than $2,500 within the first 3 months, they will earn 50,000 miles, which could be used for discounted flights or future bookings (One Mile at a Time, 2024). These partnerships enable customers to earn more miles when purchasing plane tickets, providing extra savings on travel packages (One Mile at a Time, 2024). American actively uses social media platforms such as Facebook, Twitter, and Instagram to promote its services (One Mile at a Time, 2024). By engaging with customers through targeted ads, the airline reaches a broader audience and keeps potential travelers informed about limited-time deals (One Mile at a Time, 2024).

VII. Competitive Analysis

A. Generic Strategy

American Airlines (American) follows a broad differentiation strategy. It serves a broad range of customers, from business professionals and high-income leisure customers to economy passengers seeking affordable travel options. American is a leader in the U.S. airline industry in terms of fleet size with 1,715 total aircraft, delivering the most premium seats of any U.S. carrier and operating a comprehensive network both domestically and internationally (Flightradar24, 2024). American uses differentiation to emphasize its extensive route network, fuel-efficient fleets, strategic alliances, and frequent flyer loyalty programme.

Within the airline industry, American Airlines differentiates itself with strategic alliances that allow it to expand its global reach, without the need for direct service to all international destinations. Since 1998, American has been a founding member of the oneworld Alliance. As one of thirteen airlines, American offers thousands of flights daily to over 350 destinations in more than 60 countries to meet passenger expectations for global connectivity (American Airlines, n.d.e). Through this alliance, American was able to add new routes and leverage partnerships across Europe, Asia, and Latin America to reach untapped markets and increase its brand image. Oneworld's joint alliance with American's loyalty program, AAdvantage, also increases its competitive advantage through offering exclusive travel perks and priority benefits such as preferred seating, and priority check-ins (American Airlines, n.d.n). Its unique rewards-point system also allows members to earn and redeem miles on any oneworld partner airline (American Airlines, n.d.e). American also employs a hub-and-spoke system, which uses major hubs as connecting points from smaller or more isolated regions to streamline operations and maximize connectivity (Hostetler & Genter, 2023). This model consolidates traffic flows at central locations, improving efficiency in aircraft usage, passenger movement, and resource allocation. Beyond connectivity, American prioritizes the optimization of its organizational resources to maintain cost efficiency. By focusing on fuel-efficient fleets and strategic scheduling, American ensures its services are delivered at the lowest possible operational cost without compromising quality (American Airlines, 2024b).

B. Comparison to Competitors' Generic Strategies

As one of the "Big 3" mainland airlines in the U.S., American Airlines' leadership strategy differs from its two primary competitors, Delta Airlines (Delta) and United Airlines (United). American operates under a customer-centered model that offers more special perks and services to members at different loyalty tiers to enhance the customer experience. Some such benefits of these rewards programs include such as simplifying the management of travel credits and offering flexible redemptions and co-branded credit cards under its AAdvantage program (American Airlines, n.d.a). In comparison to Delta's SkyMiles and Medallion programs, Delta has made it more difficult to earn points and move up the loyalty tier system, with its recent change of only counting 1 point per $20 spent (Pizzarello, 2023). Although Delta does have a larger network of international destinations due to its alliance with SkyTeam, American has more extensive regional networks that fly to more destinations overall. For example, the American Eagle network, an affiliate of America's oneworld Alliance, connects customers to destinations across its 6 regional carriers in the U.S., Canada, the Caribbean, and Mexico (American Airlines, n.d.c). United also focuses heavily on its larger international network through its Star Alliance partnership, which has a significantly larger network of 196 countries and 1156 destinations in comparison to American's 170 countries and 900 destinations in its oneworld Alliance (FlightConnections, n.d.). Additionally, American offers a wider array of options for redeeming miles in contrast to Delta, as it even provides a corporate travel program, AAdvantage Business, that gives business travelers the benefits of discounted rates and added conveniences through their accumulated miles (American Airlines, 2023).

C. Future Strategic Direction

Currently, American Airlines is increasingly focusing on its strategic oneworld Alliance partnership and AAdvantage program to expand its global reach, enhance customer loyalty, and increase profitability. To strengthen its position, American should prioritize maximizing the value from its existing alliances and seek to further integrate efficiency-driven innovations that align with both consumer demand and operational efficiency. One crucial strategy is to expand its international flight offerings in emerging markets while reducing domestic flights where there is more competition from low-cost carriers. This allows American to tap into potentially newer and less saturated markets with higher growth potential, while simultaneously avoiding highly oversaturated domestic routes where low-cost carriers are driving down profit margins with aggressive pricing (Picardo, 2024). Over the first 9 months of 2024, over 1.1 billion tourists traveled globally—indicating that passengers are increasingly prioritizing international travel, especially as global business and tourism demand recovered post-pandemic (UN Tourism, 2024). By shifting its focus to more profitable international routes, American can capitalize on higher demand for long-haul flights, where the average ticket price is higher, as well as increase the profitability of its routes through improved fleet utilization. Additionally, by improving the rewards structure and offering more flexible redemption options in the AAdvantage loyalty program, American can further increase customer retention and encourage frequent business travelers to choose American over its rivals. Offering additional perks such as expanding milestone rewards, and enhanced travel experiences like priority access to exclusive services and concierge assistance for loyalty members can further deepen American's brand loyalty and drive demand, especially during peak travel seasons (Schlappig, 2024). American can also focus on improving the operational efficiency of these routes to maximize its profit by reducing the number of domestic flights. This reduction allows American to charge higher ticket prices because there will be less supply to meet the higher demand. Thus, American Airlines can increase its profitability in the future by focusing on a strategy that decreases the number of domestic flights while expanding its international luxury flights and rewards without sacrificing quality.

VIII. Leadership

The current Chief Executive Officer (CEO) of American Airlines is Robert Isom. After earning his Master's in Business Administration from the University of Michigan, Isom started his career in the airline industry at Northwest Airlines where he worked in the operations and finance sector (American Airlines, n.d.p). He then went to work at America West Airlines as the Chief Financial Officer, before the company merged with US Airways and became part of American Airlines. Prior to the merger, Isom briefly left the industry to work at a struggling mortgage company, GMAC LLC, as the Chief Restructuring Officer and then returned to America West in 2005 as the Executive Vice President and Chief Operating Officer (COO) (Arnold, 2021). He later retained these positions at American Airlines after US Airways merged with the company in 2013. However, when Scott Kirby, former President of American, was asked to leave and join United Airlines in 2016, Isom was promoted to President where he oversaw the company's commercial and operations activities such as its sales and pricing and its alliances with other airlines (Koenig, 2021). Finally, when longtime business partner and friend Doug Parker retired in March 2022, Isom took over his position, effectively becoming the present or new chief executive officer of American Airlines.

With over 30 years of global industry and leadership experience across finance, operations, planning, marketing, and revenue management, Isom supports the current corporate strategy and culture of American Airlines as his prime focus on operations has helped improve the airline's on-time performance and move it towards an industry-leading position. Under Isom's leadership, American Airlines' operations and strategy have improved in terms of its reliability and customer service as he prioritizes repairing relationships with travel agencies, corporate clients, and its customers. In his previous role as COO of US Airways, Isom had helped facilitate the merger between US Airways and American Airlines, which at the time, was recovering from a bankruptcy. However, in an interview with Air Transport World (ATW), Isom had admitted that the airline had suffered "years of falling short" since its merger from challenges such as its uncompleted labor contracts, operational procedures, and the COVID-19 pandemic. Despite these setbacks, Isom used the pandemic as a catalyst to accelerate several new initiatives and large-scale projects such as streamlining the fleet by retiring 4 aircraft types, forming alliances with JetBlue on the East Coast and Alaska Airlines on the West Coast to consolidate operations for routes in both regions, revamping its AAdvantage loyalty program, and standardizing its economy cabin layout on its Airbus and Boeing fleets (Sloan, 2023). For example, the Northeast Alliance (NEA) with JetBlue allows customers traveling in and out of both New

York and Boston access to new nonstop service and additional codeshare routes, serving 46 of the top 50 markets from Boston (American Airlines, 2021 NEA). On the international level, Isom has strengthened the Atlantic Join Business agreement with British Airways' parent company International Airlines Group and rebuilt ties with Qatar Airways after a public split. This Qatar partnership has also helped grow the airline's network in India as American will provide customers with more options to fly between the United States and India than any other airline partnership (American Airlines, 202).

However, Isom's weaknesses as a leader lies in his lack of commercial expertise, as seen in American Airlines' past revenue problems and share losses due to fuel price volatility, rising labor costs, and stiff competition (American Airlines, 2020). Despite these challenges, his commitment to making American Airlines reliable, efficient, and operationally excellent over the past few years has been instrumental in the company's steady return to profitability. In the third-quarter of 2022, the company reported a net income of $483 million on a record-breaking $13.5 billion in quarterly revenue, marking a 13% increase in comparison to its margins in 2019, despite operating 9.6% less capacity in flying (Sloan, 2023). Although, American Airlines did face issues from both supply chain shortages and escalating operating costs per available seat mile (CASM), Isom addressed these issues by offering holiday bonus compensation for flight crews, implementing a 50% pay raise for pilots at its wholly owned regional carriers, and providing proactive wage increases for employees outside of existing contracts (Josephs, 2022). Additionally, with the growing demand for sustainable travel, Isom emphasized during the annual 2024 SKIFT Aviation Forum that American Airlines' commitment to sustainability will remain unchanged as "it is not a passing trend for us—it is a necessity" (APEX, 2024). By modernizing the airline's current fleets and air traffic control, every new plane is 15% more fuel efficient from investing in sustainable aviation fuel, which reduces American's reliance on fossil fuels and allows it to fly shorter, more direct routes (APEX, 2024). Isom also highlighted American Airlines' efforts to rebuild relationships with travel trade partners following last year's shift to a more direct distribution strategy, which initially weakened some partnerships. In response to this, Isom is prioritizing a "customer-first approach" by restoring its sales service, expanding amenities, and adjusting discounts to meet customer expectations (APEX, 2024).

IX. Strategic Initiatives

A significant strategic action recently undertaken under the aegis of American Airlines (American) current CEO, Robert Isom, is the modernization of its fleet to revamp passengers' experience amid a growing demand for more premium travel. This initiative focuses on making the fleet younger, more fuel-efficient, and better aligned with the airline's commitment to delivering a premium travel experience while reducing its operational costs and environmental impact (Maharishi & Casolo, 2024). On March 4, 2024, American Airlines (American) placed significant orders for 260 new aircraft, including 85 Airbus A321neo, 85 Boeing 737 MAX 10, and 90 Embraer E175 aircraft, which also includes options and purchase rights for 193 more aircraft (American Airlines, 2024c). These orders not only enable American to upgauge 30 existing 737 MAX 8 orders to 737 MAX 10 aircraft on domestic and short-haul international routes but also allow the airline to offer more premium seats than any other U.S. carrier (American Airlines, 2024c).

To further enhance its competitiveness, American is focusing on expanding and upgrading its domestic first-class offerings. In early 2025, American plans to retrofit its Airbus A319s and A320s, which will accommodate more premium experiences with more first-class seating and other premium amenities such as larger overhead bins, and individual outlets at every seat (Maharishi, 2024). American's A319 fleet will also be upgraded to offer a total of 12 domestic first-class seats, while retrofits to the A320 fleet will increase its domestic first-class seating capacity to 16. With these aircraft upgrades and the arrival of new planes, American also plans to expand premium seating across its fleet by over 20% by 2026 (American Airlines, 2024c). Other amenities this initiative introduces are its Flagship Suite premium seats with privacy doors and additional space on its long-haul aircraft (American Airlines, 2024c). American has also incorporated customer feedback into its new offerings as its bedding will be made with recycle materials across all cabins, amenity kits stocked with skincare products, and an updated menu with options specific to certain routes like Nice, Naples, and Copenhagen (Maharishi & Casolo, 2024).

However, this initiative does come at the expense of long-haul first class, which was eliminated when American removed its lie-flat first class seats from its Boeing 777-300ERs earlier this year (Russell, 2022). Despite this, American is taking the right step as its competitors, Delta Airlines and United Airlines, have already eliminated their long-haul first class seats due to its inconsistent "premium" service standards and marginal differences (Schalappig, 2024). Several other major obstacles include the high capital investment required for fleet upgrades and new aircraft acquisitions, the operational complexities in retrofitting existing planes with labor shortages and supply chain issues, and the competitive pressures from rival airlines like Delta and United who are also heavily investing in premium seating. Despite these challenges, investing in the premium travel market will serve American by tapping into a growing segment of high-margin customers who prioritize comfort, exclusivity, and enhanced travel experiences. Additionally, the rise of “bleisure” travel—blended business and leisure trips—has created an opportunity for American to cater to travelers seeking both work and leisure accommodations on long-haul flights. By catering to this demographic, American can not only boost revenue through higher ticket prices but also strengthen customer loyalty. Furthermore, the expansion of its first-class seating and Flagship Suite amenities enable American to differentiate itself from competitors, providing a compelling value proposition for travelers willing to pay a premium for privacy, convenience, and superior service. This initiative also upgrades its fleets to be more fuel-efficient as the new aircraft feature cutting-edge technology that improves fuel efficiency utilizing hydrogen-electric engines and sustainable aviation fuel that reduces the airline's overall carbon footprint (American Airlines, 2024d). Additionally, Isom wholly supports this decision as he declared that “travel demand is back” at an investor conference earlier this year, showing the airline’s optimism about the future of premium travel and American Airlines’ commitment to providing an efficient and modern flying experience for its customers (Aero News Journal, 2024). With this strategic initiative, American’s fleet modernization can not only support its sustainability goals of prioritizing more fuel-efficient aircraft and reducing its carbon footprint, but it is also critical in maintaining its market position and attracting high-margin customers to American Airlines.

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Appendix

A. Price-to-Earnings Ratios (PE)

***Price-to-Earnings (P/E) Ratios*:** Market Capitalization / Net Income

- American P/E 2024: 11,434.10 / 822.00 = 13.91x

Price-to-Earnings (P/E) Ratios for American Airlines, Competitors, and Passenger Airline Industry			
Company	**Market Capitalization Latest**	**FY Net Income**	**P/E 2024 (x)**
United Airlines Holdings, Inc.	$ 32,979.70	$ 2,618.00	12.60x
Delta Air Lines, Inc.	41,371.10	4,609.00	8.98x
Southwest Airlines Co.	20,499.00	465.00	44.08x
JetBlue Airways Corporation	2,285.90	(310.00)	-7.37x
Alaska Air Group, Inc.	6,898.20	235.00	29.35x
American Airlines Group Inc.	11,434.10	822.00	13.91x
Industry	$ 115,468.00	$ 8,439.00	13.68x

B. Financial Analysis: Ratio Calculations 2019-23

*Capital IQ source data is included as it is necessary for the analysis of certain nonsensical ratios.

***Current Ratios*:** Current Assets / Current Liabilities

- American Airlines Group FY 2024: 13,572.00 / 22,062.00 = 0.62x

Current Ratios for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	0.62	0.71	0.91	0.67	0.45
United Airlines Holdings, Inc.	0.83	1.00	1.19	1.16	0.55
Delta Air Lines, Inc.	0.39	0.50	0.76	1.09	0.41
Industry	0.69	0.81	1.00	0.96	0.61

Current	**2023**	**2022**	**2021**	**2020**	**2019**	**Pct Change**
T C Assets	$ 13,572.00	$ 15,269.00	$ 17,336.00	$ 11,095.00	$ 8,206.00	65%
T C Liabilities	$ 22,062.00	$ 21,496.00	$ 19,006.00	$ 16,569.00	$ 18,311.00	20%
TCA / TCL	0.62x	0.71x	0.91x	0.67x	0.45x	

***Quick Ratios*:** Cash and Cash Equivalents + Short Term Investments + Accounts Receivable) / Current Liabilities

- American Airlines Group FY 2024: (2,026.00 + 7,807.00 + 578.00) / 22,062.00 = 0.47x

Quick Ratios for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	0.47	0.56	0.78	0.50	0.30
United Airlines Holdings, Inc.	0.73	0.91	1.10	1.02	0.42
Delta Air Lines, Inc.	0.26	0.37	0.65	0.97	-
Industry	0.50	0.62	0.82	0.77	0.43

Quick	**2023**	**2022**	**2021**	**2020**	**2019**	**Pct Change**
Acc Receivables	$ 2,026.00	$ 2,138.00	$ 1,505.00	$ 1,342.00	$ 1,750.00	16%
ST Investments	$ 7,807.00	$ 9,374.00	$ 13,013.00	$ 6,619.00	$ 3,546.00	120%
Cash & Eq	$ 578.00	$ 440.00	$ 273.00	$ 245.00	$ 280.00	106%
T C Liabilities	$ 22,062.00	$ 21,496.00	$ 19,006.00	$ 16,569.00	$ 18,311.00	20%
(AR+ST+Cash) / TCL	0.47x	0.56x	0.78x	0.50x	0.30x	
Sum Quick Assets	$ 10,411.00	$ 11,952.00	$ 14,791.00	$ 8,206.00	$ 5,576.00	87%

***Debt-to-Equity Ratios*:** Total Liabilities / Total Equity

- American Airlines Group FY 2024: 68,260.00 / (-5,202.00) = -13.12x

Debt-to-Equity Ratios for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	-13.12	-12.16	-10.06	-10.03	-509.43
United Airlines Holdings, Inc.	6.63	8.77	12.56	8.99	3.56
Delta Air Lines, Inc.	5.63	9.98	17.64	45.93	3.20
Industry	7.38	10.08	15.64	21.59	4.13

Debt-to-Equity	**2023**	**2022**	**2021**	**2020**	**2019**	**Pct Change**
T Liabilities	$ 68,260.00	$ 70,515.00	$ 73,807.00	$ 68,875.00	$ 60,113.00	14%
T Equity	$ (5,202.00)	$ (5,799.00)	$ (7,340.00)	$ (6,867.00)	$ (118.00)	4308%
TL / TE	-13.12x	-12.16x	-10.06x	-10.03x	-509.43x	

Return on Sales (ROS) Ratios: Net Income / Revenue

- American Airlines Group FY 2024: 822.00 / 52,788.00 = 1.56%

Return on Sales (ROS) for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	1.56%	0.26%	-6.67%	-51.25%	3.68%
United Airlines Holdings, Inc.	4.87%	1.64%	-7.97%	-46.04%	6.96%
Delta Air Lines, Inc.	7.94%	2.61%	0.94%	-72.45%	10.14%
Industry	4.23%	1.39%	-7.44%	-55.15%	6.19%

ROS	2023	2022	2021	2020	2019	Pct Change
Net Income	$ 822.00	$ 127.00	$ (1,993.00)	$ (8,885.00)	$ 1,686.00	-51%
Revenue	$ 52,788.00	$ 48,971.00	$ 29,882.00	$ 17,337.00	$ 45,768.00	15%
Net Income / Rev	1.56%	0.26%	-6.67%	-51.25%	3.68%	

Return on Equity (ROE): Net Income / Average Shareholders' Equity

- American Airlines Group FY 2024: 822.00 / (-5,202.00) = -15.80%

Return on Equity (ROE) for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	-15.80%	-2.19%	27.15%	129.39%	-1428.81%
United Airlines Holdings, Inc.	28.08%	10.69%	-39.05%	-118.61%	26.09%
Delta Air Lines, Inc.	41.50%	20.02%	7.20%	-807.37%	31.04%
Industry	27.59%	10.71%	-49.70%	-343.08%	24.76%

ROE	2023	2022	2021	2020	2019	Pct Change
Net Income	$ 822.00	$ 127.00	$ (1,993.00)	$ (8,885.00)	$ 1,686.00	-51%
Equity	$ (5,202.00)	$ (5,799.00)	$ (7,340.00)	$ (6,867.00)	$ (118.00)	4308%
Net Income / Eq	-15.80%	-2.19%	27.15%	129.39%	-1428.81%	

Basic Earnings Per Share (EPS)**:** Net Income / Weighted Average Basic Shares Outstanding

- American Airlines Group FY 2024: 822.00 / 653.61 = $1.26

Basic Earnings Per Share (EPS) for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 ($)**	**2022 ($)**	**2021 ($)**	**2020 ($)**	**2019 ($)**
American Airlines Group Inc.	1.26	0.20	(3.09)	(18.36)	3.80
United Airlines Holdings, Inc.	7.99	2.26	(6.10)	(25.30)	11.63
Delta Air Lines, Inc.	7.21	2.07	0.44	(19.47)	7.32
Industry	1.45	0.42	(1.36)	(8.39)	3.36

EPS	**2023**	**2022**	**2021**	**2020**	**2019**	**Pct Change**
Net Income	$ 822.00	$ 127.00	$ (1,993.00)	$ (8,885.00)	$ 1,686.00	-51%
Shares	653.61	650.35	644.02	483.89	443.36	47%
Net Inc / Shares	$ 1.26	$ 0.20	$ (3.09)	$ (18.36)	$ 3.80	

Inventory Turnover Ratio**:** Cost of Goods Sold / Inventory

American Airlines Group FY 2024: 39,002.00 / 2,400.00 = 16.25x

Inventory Turnover Ratios for American Airlines, Competitors, and Passenger Airline Industry					
Company	**2023 (x)**	**2022 (x)**	**2021 (x)**	**2020 (x)**	**2019 (x)**
American Airlines Group Inc.	16.25	16.47	15.76	14.15	17.54
United Airlines Holdings, Inc.	22.88	28.65	21.74	19.13	26.56
Delta Air Lines, Inc.	34.28	28.72	25.26	28.51	27.04
Industry	27.23	27.68	23.06	21.62	27.18

Inventory Turnover	**2023**	**2022**	**2021**	**2020**	**2019**	**Pct Change**
COGS	$ 39,002.00	$ 37,528.00	$ 28,285.00	$ 22,832.00	$ 32,465.00	20%
Inventory	$ 2,400.00	$ 2,279.00	$ 1,795.00	$ 1,614.00	$ 1,851.00	30%
COGS / Inventory	16.25x	16.47x	15.76x	14.15x	17.54x	