

Q1 2026 Earnings Call

Company Participants

- Devon May, Chief Financial Officer
- Nathaniel Pieper, Chief Commercial Officer
- Neil Russell, Vice President, Investor Relations
- Robert Isom, Chief Executive Officer

Other Participants

- Alison Sider, Wall Street Journal
- Analyst
- Brandon Oglenski, Barclays
- Catie OBrien, Goldman Sachs
- Conor Cunningham, Melius Research
- Jamie Baker, J.P. Morgan
- Leslie Josephs, CNBC
- Michael Goldie, BMO
- Rajesh Singh, Reuters
- Ravi Shanker, Morgan Stanley
- Scott Group, Wolfe Research
- Tom Fitzgerald, TD Cowen

Presentation

Operator

Thank you for standing by. And welcome to American Airlines Group's First Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. (Operator Instructions)

I would now like to hand the call over to Neil Russell, Vice President, Investor Relations. Please, go ahead.

Neil Russell {BIO 16483376 <GO>}

Hey, thanks, Lateef. Good morning, everyone, and welcome to the American Airlines earnings conference call. On the call, with prepared remarks, we have our CEO, Robert Isom; and our CFO, Devon May. In addition, we have a number of senior executives in the room this morning for the Q&A session. After our prepared remarks, we will open the call for analyst questions, followed by questions from the media. To get in as many questions as possible, please limit yourself to one question and one follow-up.

Before we begin, please note that today's call contains forward-looking statements, including statements concerning future events, costs, forecasts of capacity, and fleet plans. These statements represent our predictions and expectations of future events, but numerous risks and uncertainties could cause actual results to differ from those projected. Information about some of these risks and uncertainties can be found in our earnings press release that was issued earlier this morning, Form 10-K for the year ended December 31, 2025, and subsequent quarterly reports on Form 10-Q. Unless otherwise specified, all references to earnings per share are on an adjusted and diluted basis.

Additionally, we will be discussing certain non-GAAP financial measures, which exclude the impact of unusual items. A reconciliation of those numbers to the GAAP financial measures is included in the earnings press release and investor presentation, each of which can be found in the Investor Relations section of our website.

A webcast of this call will be archived on our website. The information we are giving you on the call this morning is as of today's date, and we undertake no obligation to update the information subsequently. Thank you for your interest in American and for joining us this morning.

With that, I'll turn the call over to our CEO, Robert Isom.

Robert Isom {[BIO 6783069 <GO>](#)}

Thanks, Neil, and good morning, everyone. I'd like to start my comments this morning by saying that American continues to make significant progress on our objectives to deliver for our investors. American Airlines is a premium global airline that is positioned to win for the long-term. Our focus on delivering on our revenue potential this year is guided by our four pillars, elevating our customer experience, growing our global network, driving premium revenue, and leading in loyalty. We're seeing the benefits of our multiyear commercial initiatives come through in our revenue performance. Demand for American's product continues to grow, and during the quarter, we recorded the nine highest revenue intake weeks in our history. First quarter revenue grew 10.8%, and we expect this demand strength to continue as we anticipate the second quarter will deliver revenue growth of approximately 15%.

The first quarter also included a few challenges, including a \$320 million revenue impact from winter storms and a \$400 million increase in fuel expense versus the forward curve in January. Even with those headwinds, our pre-tax margin improved approximately 2 points year-over-year. I'm proud of how our team has managed the business through these disruptions with a focus on safety and delivering a world-class customer experience. Thank you to the American Airlines team for your resilience and continued commitment to excellence. It's this dedication that makes American the premium global airline that our customers trust. Moving forward, we're working to take the appropriate actions to drive revenue to offset the increases in fuel costs. Assuming the current forward fuel curve, we expect to be profitable in 2026.

Devon will provide an update on our second quarter and full year outlook in a few minutes, but I'd like to quickly summarize the progress that we've made on our four pillars and my perspective on how these initiatives will come to drive American forward. Our first pillar, elevating our customer experience, is centered on delivering a consistent and premium experience across every step of the travel journey. We're increasing the number of premium seats across our fleet through new deliveries and fleet retrofits. In the first quarter, lie-flat and premium economy seats grew more than twice as fast as main cabin seats. American's flagship suite offers customers a luxurious flying experience, and we're expanding this product across our international capable fleet. The flagship suite has delivered leading net promoter scores since its introduction.

We're also investing in the customer experience both on the ground and in the air. American offers the industry's leading lounge network with new flagship lounges planned for Miami and Charlotte, bringing our total to 10 premium lounges, the most of any airline. We're investing in new and expanded Admirals Club lounges across our network and have announced 12 new or refreshed lounges over the past year, and there's more to come. We're enhancing our onboard experience through upgraded food and beverage offerings and luxury onboard items, including bedding and duvets and our centennial themed products such as amenity kits and sleepwear.

Connectivity in flight is critical to the customer journey. Today, AAdvantage members enjoy complimentary high-speed satellite Wi-Fi sponsored by AT&T on more aircraft than any other carrier globally. Finally, reliability and disruption management are among the most important drivers of customer satisfaction. We're making intentional investments in our schedule and technology to deliver more on-time arrivals, fewer misconnections, and a smoother travel experience.

Our largest investment started earlier this month in the form of a new 13-bank structure at DFW. We expect the new structure will support an even more reliable operation as approximately one-third of our aircraft touch DFW every day. Since the re-banking, we've seen improvements in customer connection rates and NPS scores. The DFW operation running smoothly is critical to the success of our entire system, and we anticipate this structure will help to enable effective future growth at our largest and most impactful hub. All of this will result in improved customer satisfaction scores and an even more reliable operation.

Our second pillar is growing our global network. American is a premium global airline with the most comprehensive North American network in the industry. In 2026, we're prioritizing growth in hubs where we can improve both our local share and hub profitability as we efficiently utilize existing infrastructure, particularly in Philadelphia, Miami, and Phoenix. Later this year, we also expect to add flights at DFW to take advantage of new gate expansions at Terminal A and Terminal C. We'll, of course, adjust our growth rate depending on factors, including demand and fuel price. However, our long-term network objectives stay the same. Finally, we're grateful to Secretary Duffy, Administrator Bedford, and their leadership teams for acting swiftly to minimize flight disruptions at Chicago O'Hare during the upcoming summer travel season. We expect to operate 500 flights per day this summer and look forward to continuing to grow local share, deepening loyalty, and increasing co-brand credit card acquisitions.

We're excited about our strategic growth opportunities in future years. We have hubs in some of the fastest growing economic regions in the country, and construction projects are underway to enable growth. We expect our operation at DFW to become the largest single airline hub in the world once the new Terminal F is operational in 2027. During the quarter, we also announced plans to further invest in Miami by redeveloping Concourse D, which we expect to enhance operations, elevate the customer experience, and improve regional and international travel.

And in 2028, upon completion of our investments in Terminals 4 and 5 at LAX, we'll have a significantly expanded operation with the newest facility offering a modern, convenient customer experience. We remain on track to increase our international capable fleet to approximately 200 aircraft by the end of the decade and plan to continue to grow alongside our joint business and oneworld partners. We're launching new service to destinations such as Budapest and Prague, as well as to Caracas and Maracaibo, where American will be the first U.S. airline to reconnect service to Venezuela in seven years.

Our third pillar is driving premium revenue. We continue to deepen the relationships we have with our corporate and agency partners and are capturing greater share among high-value customers. Our customer base skews higher end, and our customers have shown that they're willing to spend more for an improved travel experience. We're focused on improving our revenue mix through better segmentation and redefining our fare products.

We've already seen the impact of these efforts in our premium cabins, with paid load factors in business and premium economy at the highest levels in our history, up approximately 10 points versus 2019. This reflects both strong demand and improved commercial execution, and it highlights the opportunity we see across the premium segment. We also think there's significant

opportunity in upselling in the main cabin. Last year, we began sharpening the differentiation between basic economy and main cabin, and that strategy is working. These targeted changes have led to increased demand for our extra legroom product, Main Cabin Extra.

Loyalty is our fourth and final pillar. American invented airline loyalty, and today, the AAdvantage program is the largest airline loyalty program in the world. We offer more value per mile, countless ways to earn and redeem miles, and more engagement opportunities for AAdvantage members. During the quarter, we redesigned the loyalty experience in our mobile app, enhancing the AAdvantage activity screen to improve performance, clarity, and engagement. These efforts, combined with the introduction of free Wi-Fi produced record AAdvantage enrollments in the first quarter, up 25% year-over-year, led by customers in New York, Chicago, and Los Angeles.

Our new co-branded card partnership with Citi plays a critical role in our loyalty strategy and offers our customers the most straightforward and seamless path to status in the industry. This partnership has significant upside, as it is designed to drive long-term growth in credit card acquisitions, spend, and member engagement. The first quarter got off to a fast start. With card acquisitions setting all-time records, while spend on our co-branded cards increased 9% year-over-year.

Now, I'll turn the call over to Devon to share more about our first quarter financial results and outlook for the second quarter and full year.

Devon May [{BIO 17603829 <GO>}](#)

Thank you, Robert. Excluding net special items, American reported a first quarter adjusted loss per diluted share of \$0.40. While the increase in jet fuel prices kept this from being a profitable quarter, we were able to improve our pre-tax margin by nearly 2 points year-over-year. Revenue performance in the quarter exceeded our initial expectation. Total revenue grew 10.8% year-over-year, reflecting strong demand for our product and the continued returns of our multi-year commercial initiatives. Premium demand continued to perform well throughout the quarter, with year-over-year premium unit revenue growth 7 points higher than Main Cabin, extending the momentum we saw last year and underscoring the strength of both our premium customer base and the products we offer.

At the same time, we saw a meaningful improvement in Main Cabin revenue performance following the economic uncertainty that affected last year's results. This strength was further supported by continued momentum in managed corporate revenue, which increased 13% year-over-year. Domestic year-over-year PRASM increased 6.6% in the quarter, and we expect domestic year-over-year performance to accelerate in the second quarter.

Our international entities exceeded our initial expectations. Atlantic unit revenue was up 16.7% year-over-year, with London up 25%. Pacific unit revenue increased 7.8% year-over-year. Finally, unit revenue in Latin America was slightly negative, but excluding Mexico, performance was nicely positive in the quarter. Our unit cost, excluding net special items, fuel, and profit sharing, was up 5.2% year-over-year. The severe winter storms lowered our Q1 capacity production, which pressured CASM ex by approximately 2 points. As we previously discussed, additional cost pressure came from staffing the operation in advance of the upcoming summer season.

We are continuing to see the results of our multiyear effort to re-engineer the business and expect over \$200 million of incremental savings from these efforts in 2026, bringing our total annual operating savings to approximately \$1 billion since this initiative was launched. This transformation leverages procurement excellence, technology investments, and process

improvements to improve the customer and team member experience while driving a more efficient business.

Looking ahead to the second quarter, demand across all cabins and entities remains robust. We expect domestic unit revenue to grow more than 10% in the second quarter. Internationally, we expect all entities to deliver positive unit revenue performance, led by continued strength in the Atlantic region, which we expect to be up high single digits. Our capacity for the second quarter is about 1 point below our initial plans, as we have suspended flying to Tel Aviv and Doha, have reduced planned capacity in Chicago, and have further decreased some other marginal flying in the face of higher fuel. Further reductions in the very near term don't make economic sense, given the current demand environment as we enter our summer peak. But as we move beyond the summer peak, we will be sharp with capacity in light of the current fuel environment.

We expect second quarter revenue to be up between 13.5% and 16.5% year-over-year, driven primarily by continued improvements in the domestic entity, growth in corporate customer volumes, and our ability to recapture elevated fuel costs. Second quarter CASM ex is anticipated to be up 2% to 4% year-over-year, slightly elevated due to the close-in reductions in capacity. Based on the forward fuel curve from April 20, we expect a fuel price of approximately \$4 per gallon in the quarter. With this second quarter guidance, we expect to deliver adjusted earnings per diluted share of between a loss of \$0.20 and a profit of \$0.20. We are also updating our full-year outlooks to reflect our current revenue expectations and the forward fuel curve. The midpoint of the full-year earnings guidance is \$0.35 per share, approximately flat to 2025, despite jet fuel prices increasing fuel expense by over \$4 billion year-over-year.

Turning now to our fleet and capital expenditures, we now expect delivery of 49 new aircraft this year, down from our initial estimate of 55 aircraft, reducing CapEx by nearly \$300 million. Our deliveries this year include the 12th Boeing 787-9 aircraft in our premium configuration and the continued expansion of our Airbus A321XLR fleet. Based on these deliveries, we now expect total capital expenditures to be approximately \$4 billion. We ended the first quarter with nearly \$11 billion in total available liquidity, and we have more than \$27 billion in unencumbered assets and first lane borrowing capacity. We continue to make significant progress on our financial priorities, ending the quarter with total debt of \$34.7 billion, a reduction of \$1.8 billion in the quarter. This is the first time our total debt has been below \$35 billion since mid-2015. The improvements we have made on the balance sheet provide significant flexibility as we navigate the current environment and reflect the disciplined approach we've taken to capital allocation.

I'll now hand over the call to Robert for closing remarks.

Robert Isom {[BIO 6783069](#) <GO>}

Thanks, Devon. We officially celebrated our 100th anniversary this month, a remarkable milestone that reflects a legacy of innovation, resilience, and caring for people on life's journey. American is positioned to win by delivering sustainable growth and creating long-term value for shareholders, team members, and customers. Our focus remains on executing our commercial initiatives while managing costs efficiently to deliver results and expand our margins. There's tremendous upside ahead for American, from elevating our customer experience and growing our global network to driving premium revenue and leading in loyalty. We're executing on a strategy and initiatives that will drive value and shape our next 100 years as a premium global airline.

Operator, please open the line for questions.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) Our first question comes from the line of Catie OBrien of Goldman Sachs. Your line is open, Catie.

Q - Catie OBrien {BIO 16917927 <GO>}

Hey, good morning, everyone. Thanks so much for the time. Maybe just a higher-level industry one first, obviously, I understand that the recent fare increases are driven by the spike in jet fuel, but I think it's interesting that there's been no demand impact as of yet, unless you're seeing something different, which please correct me. But even before the spike in fuel, there was quite a bit of pricing momentum. Do you think something has changed structurally in the industry, whether it's been a shift towards better pricing discipline over the last several months? Is it competition? Are product changes playing a role? Just would love to hear your take.

A - Robert Isom {BIO 6783069 <GO>}

Hey, Katie. Thanks for the question. And I have our Chief Commercial Officer, Nat Pieper, here with me to help out as well. I'll just start with this. I think that travel's a good deal. If you take a look at pricing today on real terms versus where we were almost a decade ago, we're just catching up to where we were. So I think people realize that.

And then on top of that, we've given them good reason to actually want to spend more. There's been a drive to a premium product. American has been a big part of that. And I think that what you're seeing is recognition that travel's still a good deal. There's an experience based consumer dynamic going on in the industry. And we benefit from that. We've got a great product out there, a great network, and feel really good about demand as we go forward in the future.

A - Nathaniel Pieper {BIO 17122440 <GO>}

Hi, Catie. It's Nat. Thanks for the question. I think the thing that, a couple things that are interesting. Number one, is there a long-term resetting in terms of consumer spending hierarchy? There's a lot we all remember revenge travel from COVID, and people got tired of buying TVs and wanted to go see the world. And I think some of that has continued and extended. For us, a lot of we've had nine weeks so far in the first quarter that we're company record setting from a revenue intakes perspective prior to any of the hostilities in the Middle East that drove fuel where it is. So, there's something going on there from a long-term spending perspective.

And then, as Robert referenced, we think the American offering is really resonating with consumer as well. The investments we've made in customer experience, our network and focusing on local market share, which are our highest yielding customers, and then lastly, on the loyalty side. And then there's also a piece of it with getting the right product into the right hands of the right people at the right price, delivering values to consumers, part of it's bundling, part of it is segmenting, and we're making good progress on that. So I think that's a component as well.

Q - Catie OBrien {BIO 16917927 <GO>}

That's great, really helpful. And maybe just for my second question, can you walk us through the assumptions behind your full year revenue outlook? Is there a fuel recapture expectation there? Are you assuming demand is steady or improves? Will there's ultimately some demand elasticity?

Just really trying to understand the puts and takes and how they may or may not be different at either end of the per share guidance. Thanks so much for the time.

A - Devon May {[BIO 17603829](#) <GO>}

Sure. Certainly the second quarter revenue estimation for us plus 15% is an eye popping number and we feel good about it. I'll start with we've booked 65% of the second quarter and it obviously is a strong performance based on the trends that we're seeing in our hubs, a lot of the American specific pieces that are in place. We did incorporate, as you would expect, some fuel recapture in the plan. When we built our plan at the outset, we had significant margin expansion due to a lot of American specific improvements that I referenced earlier, and as Robert talked about in our four pillars. And obviously since we shared that plan, fuel has risen an incremental 4 billion of fuel expense for American in the year. Historically airlines recover that additional fuel expense either by increasing revenue or by reducing marginal capacity.

And we've been encouraged so far by the pace with which revenue has been recaptured. And obviously if fuel continues through the third quarter into the fourth quarter, I'm going to see some more broad industry capacity reductions. But as we've thought, we think about it and what we've incorporated in second quarter, roughly 40% to 50% of fuel recapture. And we would expect that to grow through the balance of the year, 75% to 85% in Q3. And then ultimately in Q4, if fuel is still at the level with capacity reductions, I think our recapture rate would be in the 90s.

Operator

Thank you. Our next question comes from the line of Scott Group of Wolfe Research. Please go ahead, Scott.

Q - Scott Group {[BIO 15308951](#) <GO>}

Hey, thanks. Good morning. So we've seen some more material capacity reductions from others. I think you guys are now, I think you'll lead the industry on capacity growth in Q2. How are you thinking about capacity in the back half of the year and that now that you've got more time to plan for a higher fuel price environment? And just to sort of be clear on sort of the answer to that last question, is there an assumption in the guide that RASM growth accelerates further in the back half of the year, in the back half of the year, or I guess in third quarter, as we get a full quarter of this higher fare environment?

A - Devon May {[BIO 17603829](#) <GO>}

Hey, Scott, it's Devon. I'll just start on the capacity discussion. I think Nat's answer on our expectations for fuel recapture, effectively already answer your question on RASM, that we do expect higher yields going forward as we pass through more of the higher fuel expense. But on capacity for the second quarter, we had planned for slightly higher capacity than what we're putting out there right now. So a couple of months ago, we were at about 6% for Q2. Since that time, we've reduced some flying in obvious places like Tel Aviv and Doha. We've also pulled back a little bit domestically with some marginal flying, as well as some reductions in Chicago. I just say, if you look back at our capacity, we have tended to be very conserved with capacity growth for the past, I don't know, half decade or so.

But you just look at the last couple of years. In 2024, we found ourselves in an oversupply environment, and we quickly pulled capacity out in the back half of the year. In 2025, we had a handful of different demand shocks. We did the same thing. And we'll do the same thing here. We're going to keep a close eye on fuel and demand over the next four to six weeks, as we are

planning for the off-peak period in August, September, and beyond. And we'll make capacity adjustments accordingly.

Q - Scott Group {BIO 15308951 <GO>}

Okay. And then maybe secondly, Robert, I've asked this to some of the others, but I'll ask you as well. Historically, when fuel prices eventually normalize, the industry sort of gives back a bunch of the pricing increases that it's gotten. Is there any reason to think it can be different this time, and we can hold on to more of this higher price?

A - Robert Isom {BIO 6783069 <GO>}

Scott, two things. First off, as Nat alluded to, we'd already seen a lot of traction in our efforts in the first quarter before any run-up in fuel prices. On top of that I really am confident in the initiatives that we're pursuing, whether it's from a customer experience perspective, our network, the initiatives we have to drive premium revenue and loyalty, those are going to pay off. We're giving people good reason to want to engage with American more fully and to spend. And I do view that as a good sign for us. And I just go back to the first quarter 10.8% revenue improvement. And that includes a really big hit for the worst storms in terms of impact to our operation with Fernandina that we've ever seen in our history. And as we look to the second quarter, as Nat said, a lot of that is on the books. We're anticipating 15% growth. I'm bullish on what that means for our business.

Operator

Thank you. Our next question comes from the line of Brandon Oglenski of Barclays. Please go ahead, Brandon.

Q - Brandon Oglenski {BIO 15384860 <GO>}

Hi. Good morning, and thanks for taking the question. Robert, I'll probably just pose one question, but kind of two parts here for you. It's been about two years now since you guys made a pretty sizable pivot and then re-pivoted back on your commercial business travel strategy. So can you tell us where you are in that journey? I think you guys said you were fully recaptured on share at the end of last year, but what is next on corporate and business strategy at American? And then secondarily, I think you were hinting at this earlier, but how are you thinking incrementally about upselling or getting incremental rebranded fares on your premium products and maybe within that corporate strategy as well? Thank you.

A - Robert Isom {BIO 6783069 <GO>}

Thanks, Brandon. I'm going to let Nat help me out with this, but I'll say that, look, we did pivot, and I'm really pleased with what the team has been able to do over last year. We fully engaged in the marketplace. We've deployed our sales team everywhere, and they have accomplished the objectives that we set out to achieve. We've recaptured the share that we've lost. We've gained a little bit since then, and we're going to continue to be very active at improving from there. Nat?

A - Nathaniel Pieper {BIO 17122440 <GO>}

Hi, Brandon. Just some numbers to back up the evidence that Robert's seeing. Managed corporate revenue for us is up 13% year-over-year, and our unmanaged business, small and medium enterprises, our AAdvantage business product is up 28% per year, and obviously really exceptional yields on both of those products. Further example, our TMC performance is up 11% thanks to our partnerships with Amex GBT, with BCD, and their support of American. I look at all

of those results along with the feedback that we're getting. One of the wonderful things when you make a distribution change is that everybody gives you feedback.

A lot of it loud. A lot of it maybe you don't want to hear, but over time as that feedback is moderated and become more productive, we're getting a good sense that what we're offering and what we're putting on the shelf is resonating with our network, with our customer experience, the loyalty program, and delivering value to guests. And so all of those things, yes, we feel good about recovering the share that we had lost, but we see runway there as well. And it's a core part of the positive American revenue story that you're seeing and that we see for the rest of the year.

Q - Brandon Oglenski {[BIO 15384860](#) <GO>}

Thank you.

Operator

Thank you. Our next question comes from the line of Ravi Shanker of Morgan Stanley. Your question, please, Ravi.

Q - Ravi Shanker {[BIO 16532114](#) <GO>}

Thanks. Good morning everyone. Can you unpack the FAA decision in Chicago a little bit more? Kind of how did that compare versus your expectations? And what do you think about the incremental steps from here?

A - Robert Isom {[BIO 6783069](#) <GO>}

Sure. Ravi, thanks for the question. Look, America's been serving Chicago for 100 years. The very first flight flown by Charles Lindbergh included Chicago and we are going to be in Chicago for another 100 years. So we had flown about 500 flights a day out of Chicago prior to the pandemic and it's taken us some time to build back up to that. We're going to be able to fly 500 flights as a result of the initiatives that have been put in place to address overflying. And so I want to first off give a shout out to the DOT and FAA, Secretary Duffy and Administrator Bedford got in front of what would have been a real issue in Chicago.

The Chicago O'Hare would have likely been in a delay program from the very first flight of the day if something hadn't been done. So I'm pleased first off that we're going to avoid an issue of having too much flying in Chicago for the airspace and ground capacity. And that's good news, not just for American Airlines, it's good news for the entire industry. So real compliments to the administration, Secretary Duffy and Administrator Bedford for that. And in terms of what we end up with, again, we're going to fly what we had hoped to fly, 500 departures. That'll allow us to continue to build in Chicago with our customers. And our product is resonating.

And whether it's local passenger growth, our business passenger growth, advantage enrollments, our co-branded credit card enrollments, all of those are meeting and exceeding our expectations. So no one's going to kick us out of Chicago. That's something that everybody's going to have to get used to, including our biggest competitor. We're going to be roommates, and roommates for a long, long time.

Q - Ravi Shanker {[BIO 16532114](#) <GO>}

Understood. Very clear. And maybe as a follow up, Robert, there's been a lot of industry speculation about M&A and such, but can you address that directly if you can, in addition to what

you guys put out over the weekend? But also, I just love your views on what do you think is the ideal industry structure over time. I think you put in that press release that you think some things need to change. So what might those things be?

A - Robert Isom {[BIO 6783069](#) <GO>}

Well, I'll just start out with this, and again, on the heels of the Chicago question, look, we're going to be roommates and we're not getting married. And so I want to stress this, that the idea of the two largest airlines in the world getting together, that is something that we've viewed as being anti-competitive. And obviously, everybody that is weighed in suggests the same thing, bad for customers, bad for the industry. And then ultimately, that'd be bad for American Airlines.

In regard to consolidation in the industry, we're focused on American Airlines. We're focused on delivering on our core initiatives. And part of that is building out our network. We already have the most comprehensive network in North America. That allows us to really pursue opportunities organically, internationally, and then also with our partners, some of which are part of oneworld, others that are part of oneworld, and also joint businesses. All those are accretive to American Airlines. And we really look to continue to focusing on all those partnerships, whether those be domestic or international.

Now, of course, if there are opportunities from a consolidation perspective, or if there's assets that become available in the marketplace, American has a long history of being aggressive. We've got a lot of experience. And whether it is the potential for M&A, or the work that we've done to pioneer partnerships, we're going to be on the forefront of that.

Operator

Thank you. Our next question comes from the line of Jamie Baker of J.P. Morgan. Your line is open, Jamie.

Q - Jamie Baker {[BIO 3406456](#) <GO>}

Hey, good morning, everybody. So, probably for Nat, this question about yield stickiness when fuel prices recede has sort of become a conference call staple this season. It came up yesterday on United's call. And I found the commentary there to be interesting. Basically, the suggestion was that historically, marketing and government affairs had some degree of influence over pricing decisions. It was not unilaterally left up to revenue management. So, that's my question for American. First, do you sort of agree with that broader premise? But more importantly, do you think the industry and or American specifically has evolved to a point where maybe going forward, pricing and revenue management exerts or wields more influence than in the past? Any thoughts there, I realize it's not quite coming in the form of a question, but I'm trying.

A - Nathaniel Pieper {[BIO 17122440](#) <GO>}

Jamie, thanks for the question. I guess I'll start I'll start with just praising my colleague Nate Gatten who has government affairs responsibility here. I think he has zero appetite at American to dabble in revenue management. I saw the transcript and frankly interesting just from a team perspective and kind of the organizational structure that we have here, pretty well aligned and revenue management is one of those functions core to the airline, core to the assets and experience that American has. So I think we are emphasizing it tremendously. We are investing resources. We're investing people on top of our very experienced people that are here.

And I think as technology evolves and Jamie we referenced it a little bit, we call it the revenue growth program within American, but that's kind of a sound-bite on really being able to effectively segment and bundle one's products, getting the right product into people's hands at the right price. And I think the capabilities that we have and really across the industry are just going to continue to evolve in a positive way at a number of different price points but ultimately the goal is to maximize revenue across the enterprise.

Q - Jamie Baker {[BIO 3406456 <GO>](#)}

Okay interesting and second probably for Robert the news that you might look to pursue more of an NEA type relationship with Alaska and well actually maybe that's not the way to convey it but my question relates to pilots. My understanding is that the current scope allows for code sharing with international partners but not the type of Alaska line long haul flying that they've started adding, post merger. I'm just trying to understand what scope impediments might stand between you and a potentially closer relationship with Alaska. And maybe the answer is not black and white and I get that as well. Any thoughts there? Thanks.

A - Robert Isom {[BIO 6783069 <GO>](#)}

Thanks Jamie. I'll just start with this. We've been working with Alaska for well over a decade and I remember working with Ben Minicucci to talk about sponsoring them to come into the oneworld relationship which we successfully executed. And I think it's been a terrific enhancement to Alaska and has enabled oneworld and their customers to greater access to travel just about anywhere people want to go. We were able to also do great things with the West Coast International Alliance which has been hugely beneficial doing things that benefit our consumers, things that we really couldn't have done on our own. And I feel good about where our relationship is and what happens next.

The Alaska team is fiercely independent, a very, very successful airline. And we are the same. As we go forward, we'll make sure that anything that we do complies with our scope clauses. And we're going to make sure that we really take care of our customers and do what's right for both companies and our customers. And I'll leave it at that.

Operator

Thank you. Our next question comes from the line of Conor Cunningham of Melius Research. Please go ahead, Conor.

Q - Conor Cunningham {[BIO 18956527 <GO>](#)}

Hi, everyone. Thank you. Just maybe a point of clarity before I get into another question. Just on the yield progression throughout the year, I just want to make sure that I understand. Is it that you assume that yields will essentially be flat from here to get to your recapture target by the end of the year, i.e., you don't need additional fare increases to get to that 90% plus come fourth quarter? Thank you.

A - Robert Isom {[BIO 6783069 <GO>](#)}

Yes, I think that roughly in line, that's right. We don't need enormous increases to hit our targets as it works through, because it balances with the recapture assumptions.

Q - Conor Cunningham {[BIO 18956527 <GO>](#)}

Right, so that jet fuel forward curve comes down. You're currently exposed to higher fares. Okay, makes sense. All right, and then, Devon, maybe on the cost side, just clearly some challenges of 1Q given whether I think everyone had those problems as well. But your 2Q guide is actually pretty good. And then it seems like the setup for the second half is also in a pretty good standing. So if you could just give some puts and takes that you see moving throughout the year just on cost, I think that would be helpful. Again, I think it sticks out relative to a lot of what we're hearing so far. Thank you.

A - Devon May {[BIO 17603829](#) <GO>}

Sure. Well, it's been a long-term effort on driving efficiencies in the business. It's something we've been at for three years. You don't see it every single year, because some of these initiatives are long-term in nature. We've had a handful of new CBAs that have driven some cost pressure. But we're seeing it this year. If it weren't for the storms in the first quarter, our cost performance would have been really nice. Up 2% to 4% in the second quarter feels pretty good. Obviously, it would have been a little bit lower if we'd flown the entirety of our schedule.

The back-up year, we're set up well. We're going to see pressure in some areas that end up being good pressure, things like selling expense. But our unit cost is going to be dependent on how much capacity we produce. So if we produce a similar amount of capacity to what we're doing here in the second quarter, I would expect unit cost to be in the low single digits. If we pull back on capacity, given the higher fuel, we're going to see some cost pressure there. But we do a nice job getting out of any sort of volume-related costs. We'll continue to do that. And we'll continue to focus on driving an efficient business.

Q - Conor Cunningham {[BIO 18956527](#) <GO>}

Appreciate it. Thank you.

Operator

Thank you. Our next question comes from the line of Tom Fitzgerald of TD Cowen. Your line is open, Tom.

Q - Tom Fitzgerald {[BIO 20829202](#) <GO>}

Hi everyone, thanks very much for the time. Curious within the loyalty program, what geographies you're seeing the most, the strongest performance in terms of signups? And then if that kind of within that question, if that \$1.2 billion of other revenue, if that's kind of a good run rate for that line item moving forward?

A - Nathaniel Pieper {[BIO 17122440](#) <GO>}

Hi, it's Nat. I'll take the first one and then Devon the second piece of it. First, just from a resonating perspective, from a volume, as you would expect, it would be in our hubs, but what's exciting about loyalty enrollments is the penetration. Our top three markets are New York, Los Angeles, and Chicago. So places that incredibly competitive hubs for us, but also for our competitors. So again, further evidence that the loyalty program the biggest, the best, and it continues to resonate with guests.

A - Devon May {[BIO 17603829](#) <GO>}

Sure, and yeah, just on the other revenue or the marketing component of it, we did see an increase that's pretty meaningful year-over-year, quarter-over-quarter, just versus the fourth

quarter was up something less than 10%. But like we've been saying, as remuneration grows, we expect that line item to grow as well. I would expect less volatility in that line item than what we've had from quarter-to-quarter in the past, and it's probably going to be somewhere around a \$1 billion a quarter for 2026.

A - Robert Isom {[BIO 6783069](#) <GO>}

Hey Tom, I just want to underscore once that while Chicago, New York, and LA lead, overall the loyalty growth, our loyalty enrollments are up 25% year-over-year.

Q - Tom Fitzgerald {[BIO 20829202](#) <GO>}

That's all great color. I really appreciate that. And then kind of similar bucket, just on the corporate recapture, curious what verticals you're seeing the most momentum in, maybe other places where there's still room to recover versus the last couple years. Thanks again for the time.

A - Nathaniel Pieper {[BIO 17122440](#) <GO>}

Well, the three verticals we've seen the most uptake in are banking, healthcare, and pharma, and industrials, and that's both domestically and internationally. So, encouraged by that performance, and really across all verticals, I think there's still opportunity there. But those are the big three we're seeing right now.

Operator

Thank you. Our next question comes from the line of Michael Goldie of BMO Capital Markets. Please go ahead, Michael.

Q - Michael Goldie {[BIO 21641517](#) <GO>}

Good morning, and thank you for the question. You've rebanked DFW and now Philadelphia. Can you talk about the operational benefits you expect to get from this, and what other initiatives you're undertaking on the operations front?

A - Robert Isom {[BIO 6783069](#) <GO>}

Hi Michael. Thank you. So, one of the biggest parts of our elevating the customer experience initiative is to improve our reliability, the biggest investments that we're making. So the rebanking of DFW, it really smooths out the operation throughout the entire day. There's never a period during the day where we come close to exceeding the operational capacity of the hub. And from what we've seen so far is just really strengthening our operational reliability but then it's when it's stressed, say throw a thunderstorm in, which we've had, our ability to recover is so much quicker.

Over the, our centennial celebration, I was out in DFW talking to our team, went to the control center and asked folks, okay, well, can you, do you sense something's different? And for the most part, people said, you just don't see as many people running from gate-to-gate. And so it's an improvement in operation. That takes the stress level down considerably for our customers, but also for our team members as well. And then, I know Nat could comment on this, but the good thing that we're seeing as well is that revenue is holding and increasing.

Two points to that. One is that we just don't have as many misconnects. Second is that we haven't really extended connect times by that much. And so we really haven't seen people book away. So we're retaining more revenue. It's a better customer experience. NPS scores are higher. So we're taking that, of course, and those results are very, very promising. And we've expanded

it, and we'll be expanding it to Philadelphia and taking a look at the potential in other parts of our network as well. And we'd expect similar results, ultimately higher NPS scores, lower misconnections, greater retention of revenue.

But that's not all. We've certainly taken a look at our schedule to make sure that we've buffered appropriately in terms of travel times outside of connect times in the hubs. And that, I believe, is paying off. And as well, we're making good use of contractual changes that have happened, especially with our flight attendants, where we've increased boarding times. And so all of that has come to fruition. The airline as a whole, regionals, mainline, we're in good shape and ready for the summer. So thanks for the question.

Q - Michael Goldie [{BIO 21641517 <GO>}](#)

And then as my follow up, when you think of industry consolidation, which everyone seems to be in agreement on, if M&A is difficult to pass, do you think airlines will increasingly look domestically for partnerships as another avenue? Thank you.

A - Robert Isom [{BIO 6783069 <GO>}](#)

Well, I appreciate the question. The biggest issue out there today is can the largest airlines in the world get together and do something? And the answer to that is it's anti-competitive. So whatever happens next, we look to make sure that anything that we do strengthens our network. And in many cases, partnerships are the best way to do that. In other cases, it's just organic growth. And so what you'll see from us this year, included in our growth plan, is to really strengthen our hub in Phoenix. Make sure that Miami is fully built out. We've got a lot of work going on in Chicago, as noted, and in Philadelphia as well. It really is the most comprehensive network in North America.

And we've been pioneers in terms of building partnerships and relationships. And we've got a tremendous amount of experience here with M&A, should that ever come about. And so I feel really good about where we stand. And as dynamics change and the fortunes of other carriers change, we'll be ready.

Operator

Thank you. Our next question comes from the line of John Godin of Citigroup. Your line is open, John.

Q - Analyst

Hey, guys. Thanks for taking my question. This is Max talking for John. I just wanted to follow up on the fuel pass through commentary and getting to a recapture rate in the 90s by the end of the year. If we can maybe get a little bit of geographic color, kind of how pass-throughs are evolving internationally versus in the domestic market, maybe a little bit of color would be helpful. Thanks.

A - Devon May [{BIO 17603829 <GO>}](#)

Okay. I'll start, just give you the quick entity run through around the world and then come back to the other question. I think just first domestically, 65% of Americans' capacities, Robert just said, we've got the best network in North America, and it's resonating. Unit revenue up 7% in the quarter, and we saw it increase sequentially up into March for double digits. And then as mentioned earlier, the second quarter, 65% booked, and we're seeing further acceleration as it goes through. In Q1, stellar performance in Philadelphia and LaGuardia, as we strategically are

shifting to deepen our schedule, improving our service to big markets, and really generating higher yields that way. Pleased with the improvement in DC as well.

And then in the second quarter, DFW, full implementation of the 13-bank structure, and Los Angeles, as that operation straightens out a little bit, we're starting to see traction there as well. In the Atlantic, 15%, roughly, of our capacity, depending on season. It's our best performing international entity. Our quarterly RASM, 17%. March was north of 20%. And in the second quarter, as we grow a bit, we'll still see high single digits in unit revenue performance. Heathrow, the stalwart, RASM, 25% in the first quarter first quarter. Not rocket science or strategy there. We're putting our best, most premium airplane into the world's most premium market, and we'll continue that through the summer.

British Airways is a terrific partner for us in Heathrow, and obviously the IAG group across the transatlantic as well. Rest of Europe remains strong. We've got four new routes coming online here in May, two out of Philadelphia to Prague and Budapest, two out of Dallas to Athens and Zurich, and bookings there look terrific. Latin America, roughly 15%, mixed bag with break-even RASM on the quarter, short-haul international challenge due to the events in Mexico, but that's starting to turn positive as we get to May and to June bookings. And in the deep south, that's been strong. Brazil was the stalwart there, and then in 2Q as we grow, Argentina, we'll see better revenue performance in that.

And then the other highlight for Latin America for American, we're excited to restart a Venezuela service next week. We'll be the first U.S. carrier to do that, and it just further enhances our industry-leading Latin American operation out of Miami. Lastly, in the Pacific, roughly 5% of our capacity, 8% unit revenue growth in the first quarter, a little bit higher expectation in the second quarter. And again, the shift of our two big markets, in the first quarter, Oceania performance was great. It'll stay decent in the second quarter, but Japan really becomes a stalwart as we fold into May and into June. And no coincidence, we've got two terrific joint business partners in each of those arenas, Qantas in Australia and Japan Airlines across the Pacific. So a good story around the entities. It's a terrific demand environment, both for the domestic and the international.

Q - Analyst

Great. Thank you. That was great color. And, kind of as my follow-up, every airline has a bit of a different philosophy guiding its capacity decisions. Can you all help us understand what yours is if the macro situation continues? And you revisit second half capacity growth plans? Are you managing to margin neutrality, an ROIC target, or any other targets kind of guiding this decision? Thanks.

A - Devon May {BIO 17603829 <GO>}

We touched on capacity earlier. I just say we're always going to be sharp on capacity. When we had a supply issue in 2024, we pulled capacity pretty quickly. In 2025, we had different demand shocks, we pulled capacity to get supply more in line with demand as well. This year, we have this fuel increase, and we are going to do what's needed on capacity to make sure that we are passing on as much of that fuel increase to customers as possible. So we'll be watching for the next four to six weeks before we have to make some capacity decisions for August and September, and we'll adjust accordingly.

Operator

Thank you. Ladies and gentlemen, at this time, the Q&A queue is open to media questions. (Operator Instructions) Our first question comes from the line of Alison Sider of Wall Street

Journal. Your line is open, Allison.

Q - Alison Sider

Hi. I'm curious what you guys are seeing for World Cup bookings, if those are coming in as you'd hoped? Or if there's any kind of concerns about people not wanting to travel to the U.S.?

A - Nathaniel Pieper [{BIO 17122440 <GO>}](#)

Hi, Allie. World Cup event, actually, we're really excited about that. I personally am super excited. Just any event with a ball and a scoreboard is worth it. But the globalization and what that event really means, thrilled to be the official North American airline of the FIFA World Cup, and something we can work on with Qatar Airways as well. We've got the best network in North America to get global fans where they want to go. Huge loyalty benefits for us here as well, and we're really excited to see it. It's a great event because it's not focused geographically on one city like the Olympics, but you get the entire North America region with matches in Canada and Mexico in addition to double-digit cities in the U.S. So really excited about the event and not seeing book away at this time.

Operator

Thank you. Our next question comes from the line of Leslie Josephs of CNBC. Leslie, your line is open.

Q - Leslie Josephs

Hi, good morning. My question is about demand with fares going up. Is it that you're seeing the same or growing number of bookings at a higher rate or are fewer people booking, but they appear to be willing to pay more to fly? And then my second question is about VFR travel, whether you're seeing any change in that this year. Thanks.

A - Robert Isom [{BIO 6783069 <GO>}](#)

Hey, Leslie. (Multiple Speakers) Leslie, thanks. Just in terms of demand, we've always been really sharp in terms of managing our load factors, and we see our loads keeping pace with the capacity ads. And so that would suggest that we're seeing the real benefit in yields right now. And then from a VFR perspective, I don't have a lot of detail on that, but I tell you that we've held pretty true to where we have been historically. And I just tell you that VFR traffic, I'm really excited about what Nat mentioned with our return to Venezuela. My guess is that that's going to be a real factor in the development of that marketplace.

Q - Leslie Josephs

Thank you.

Operator

Thank you. Our next question it comes from the line of Rajesh Singh of Reuters. Your line is open, Rajesh.

Q - Rajesh Singh [{BIO 3441834 <GO>}](#)

Thanks. Hi, Robert. Can you comment on reports of talks with Alaska to join your transatlantic and trans-Pacific joint ventures? How far those discussions have progressed? And what scope you are

considering?

A - Robert Isom {[BIO 6783069](#) <GO>}

Thanks for the question. We've got a great relationship with Alaska. Really look forward to building on a history that's dated back a long time, not just a one world when we brought sponsored Alaska into one world, but then developed the WCIA. And as their business has changed, and ours has, too, we look for opportunities going forward. I know that they've been fiercely independent, but at the same time, we have been able to cooperate for the good of consumers on a number of fronts, and we look forward to doing more with Alaska going forward.

Q - Rajesh Singh {[BIO 3441834](#) <GO>}

And, Robert, if I can just squeeze in one more question. You said that if there are any consolidation opportunities, you will be interested in looking at that. Is there anything out there that interests you, and you think that might be the best fit for Americans?

A - Robert Isom {[BIO 6783069](#) <GO>}

So a question regarding consolidation, again, I appreciate that. We're always on the lookout for opportunities. But right now, nothing to report, and American is long experienced in terms of making sure that we take care of our customers, our network, our company. And we've been really creative over the years in being able to do that, whether it was back the creation of today's American Airlines back in 2013 and the combination of U.S. Airways and American, all the way to things that have worked really well, like our relationship with Alaska and the WCIA, or our joint businesses with IAG and JAL, and we'll continue to be creative and do what's right for our company and our customers. Thanks.

Operator

Thank you. This concludes the Q&A portion of the call. I would now like to turn the conference back to Robert Isom for closing remarks. Sir?

A - Robert Isom {[BIO 6783069](#) <GO>}

Thanks, Lateef, and thanks, everybody, for listening in today. We're really encouraged by our revenue growth in the first quarter, anticipated growth in the second quarter. It's all due to what we're focused on, elevating our customer experience, growing our global network, driving premium revenue, and leading in loyalty. We have a fantastic team. I'd just like to thank them for everything that they do, and I'm very encouraged by what we're projecting for the year.

With fuel prices up by over \$4 billion, we're still anticipating to be able to produce a profit here. It gives testament to what we will be able to do when those fuel prices moderate in the future. So thank you for listening in, and we're going to get back to work.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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