

American Airlines Group Inc.

2018 Deutsche Bank High Yield and Leveraged Loan Conference

Tom Weir
Vice President & Treasurer

October 2, 2018



Cautionary Statement Regarding Forward-Looking Statements and Information



This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate,” “plan,” “project,” “could,” “should,” “would,” “continue,” “seek,” “target,” “guidance,” “outlook,” “if current trends continue,” “optimistic,” “forecast” and other similar words. Such statements include, but are not limited to, statements about future financial and operating results, the Company’s plans, objectives, estimates, expectations, and intentions, estimates and strategies for the future, and other statements that are not historical facts. These forward-looking statements are based on the Company’s current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those set forth in the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (especially in Part I, Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A Risk Factors) and in the Company’s other filings with the Securities and Exchange Commission (“SEC”), and other risks and uncertainties listed from time to time in the Company’s other filings with the SEC. There may be other factors of which the Company is not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. The Company does not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements.

Overview



- Integration successful and continuing; well positioned to execute on transformative initiatives:
 - Fleet changes to reduce complexity and enable efficient, low-cost growth
 - Network optimization adds margin-accretive flying at our most profitable hubs
 - Product improvements to ensure industry-leading travel experience while remaining competitive and growing revenue
- Innovation and investments in product and people are designed to create long-term margin expansion



Transformational Change - Integration



Five years post-merger...

- Achieved a single operating certificate on schedule
- Combined frequent flier programs and merged reservation systems with zero customer impact
- Opened state-of-the-art combined integrated operations center
- Re-banked DFW, MIA and ORD hubs
- Signed JCBAAs with six unionized groups
- Adjusted compensation for all team members with average salary increases of 41%
- Merged over 1,300 IT systems
- Co-located operations at more than 140 airports
- Moved all pilots and aircraft onto a single operating platform



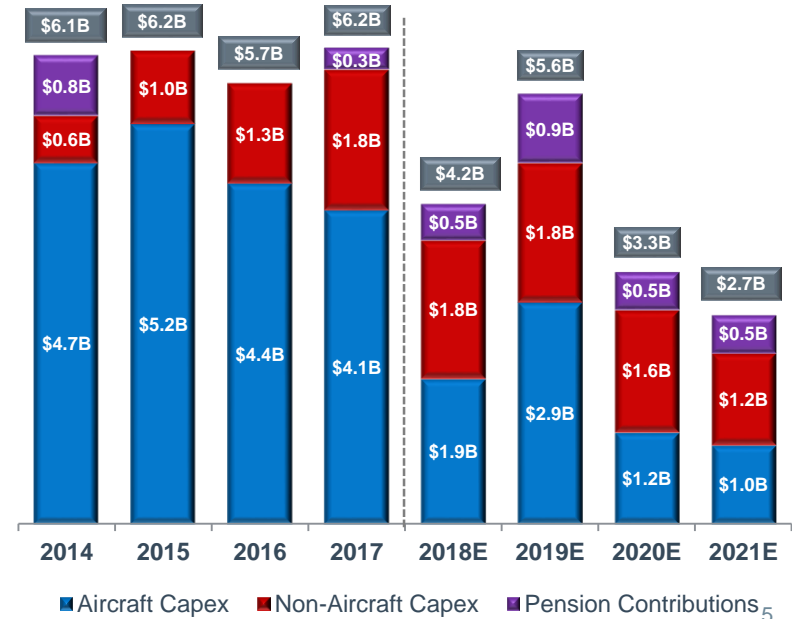
Transformational Change – Investments



Over the past five years, more than \$25 billion invested

- 500 new replacement aircraft; youngest average fleet age of the network airlines at 10 yrs
- Investments in product include:
 - All lie-flat seating on international widebody aircraft
 - New and refurbished clubs
 - Revenue-based AAdvantage program
- Over \$1.0 billion in pension contributions

Capex and Pension Contributions
2014 – 2021E
(\$ Billions)

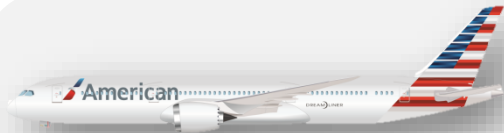


Fleet Transformation – Optimized Fleet Mix



Changes to fleet improve revenue and reduce operational complexity

- Aircraft order book now better matches deliveries with fleet needs
 - Deferred 40 Boeing 737 MAX aircraft and 22 A321neo aircraft
 - Cancelled order with Airbus for 22 A350 aircraft
- Other actions:



Acquired an additional 47 Boeing 787-8 and 787-9 aircraft for delivery between 2020 and 2026



Acquired 15 Bombardier CRJ900 regional jets for delivery in 2019 and 2020

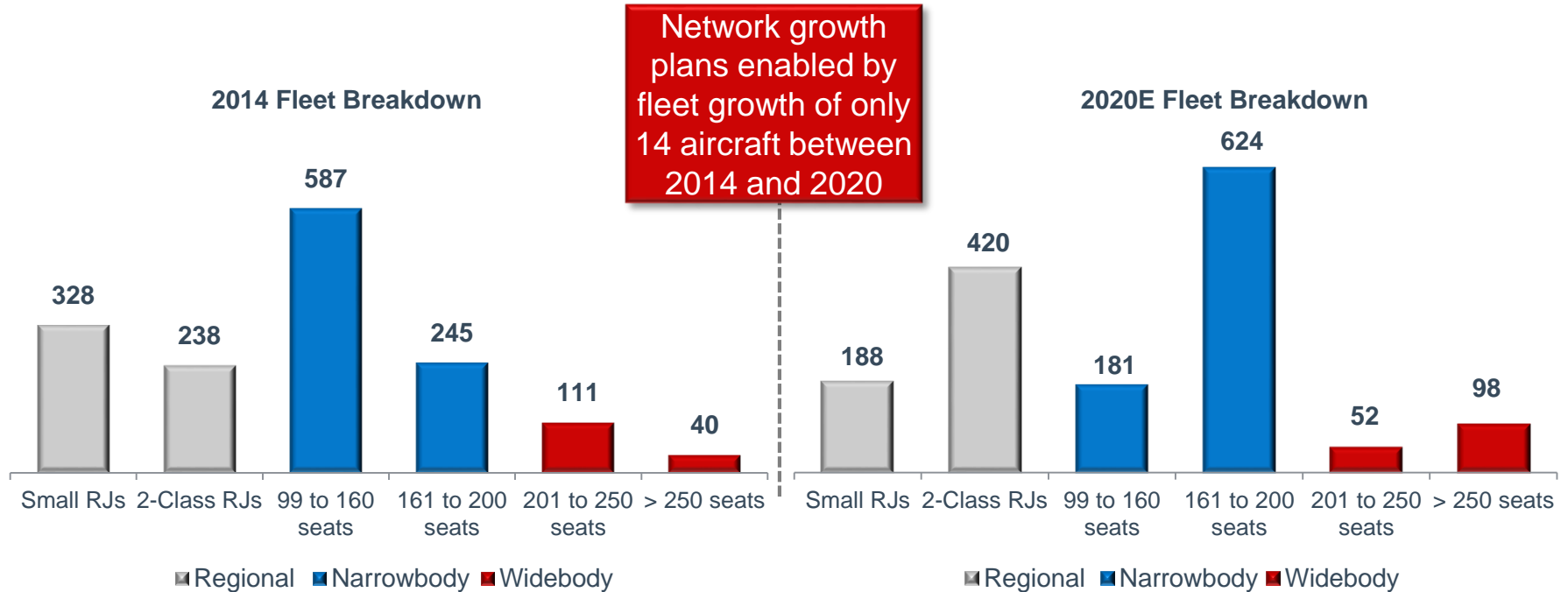


Acquired an additional 15 Embraer E175 regional jets for delivery in 2019

Fleet Transformation



- Two year seat harmonization project completes fleet transformation, resulting in a more efficient fleet better suited to the network

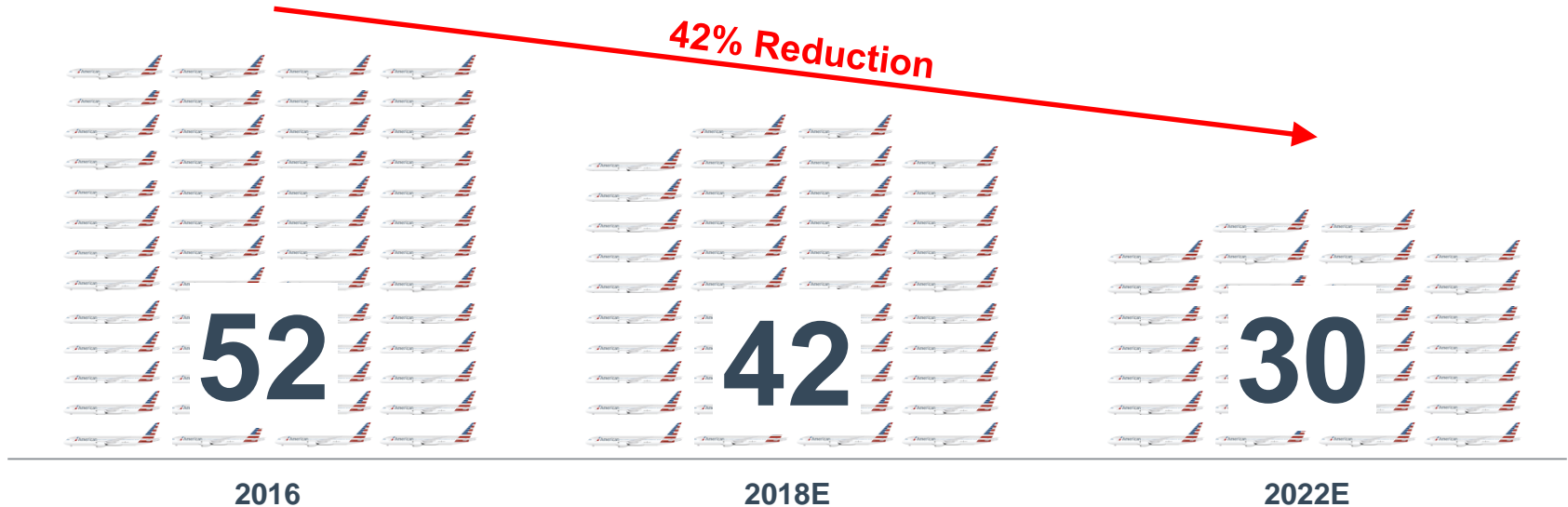


Fleet Transformation – Reducing Sub-fleets



- Less fleet complexity improves customer experience and reduces operational friction

Number of Aircraft Sub-fleets 2016 – 2022E



Network Transformation – International Changes

Network profitability always under review

- Strong alliance network serves key destinations and enables route prioritization to improve our overall profitability

Recent Reductions (include)

- Chicago – Beijing
- Chicago – Shanghai
- Miami – Belo Horizonte
- DFW – Quito



Recent Additions (include)

- Charlotte – Munich
- Phoenix – London
- DFW – Dublin
- Philadelphia – Berlin



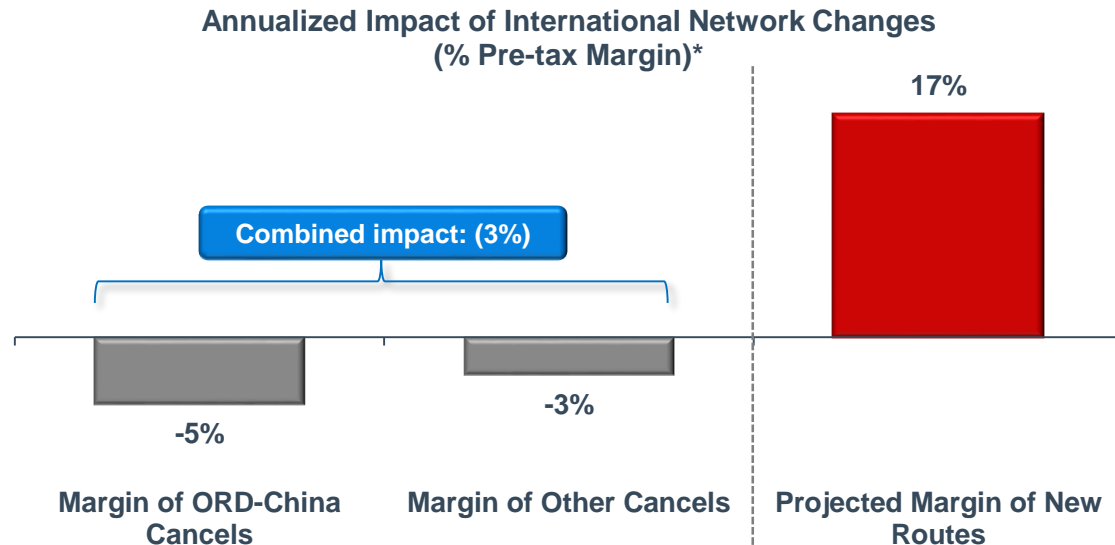
中国南方航空
CHINA SOUTHERN



Network Transformation – International Changes

International network adjustments designed to improve margins

- International changes re-allocate capacity and create a more profitable and focused network

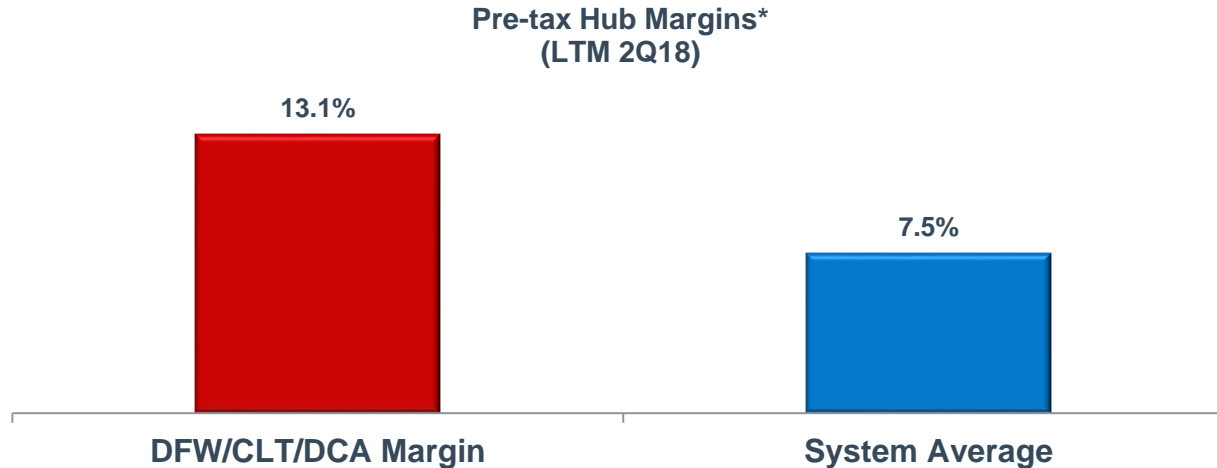


*Combined pre-tax margin contribution of cancellations and projected margin contribution of network additions.

Network Transformation – Play to Our Strengths



- Post merger, network strength and growth was primarily focused outside core hubs
- 2019 and beyond, growth opportunity at most profitable hubs: Dallas-Fort Worth, Charlotte, and Washington, D.C.

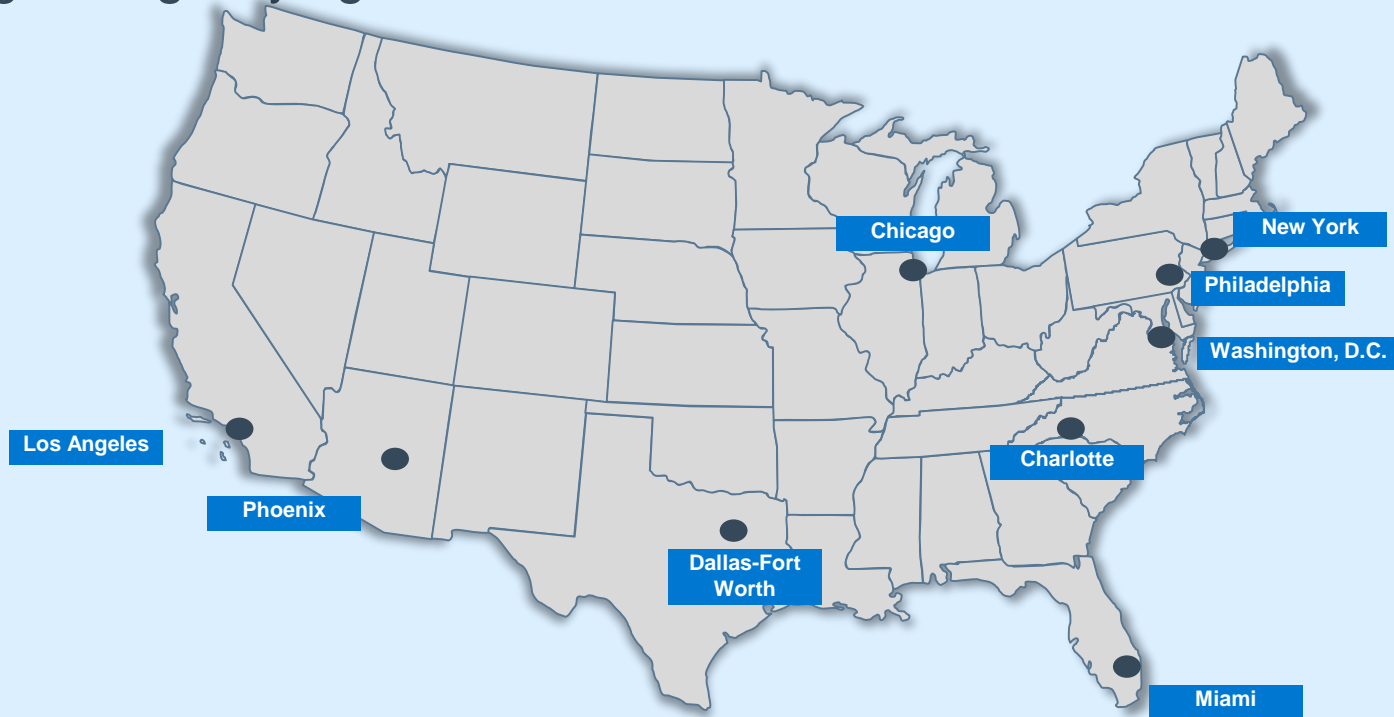


*Combined pre-tax margin of DFW, CLT and DCA and pre-tax margin of all hubs combined.

Network Transformation – Play to Our Strengths



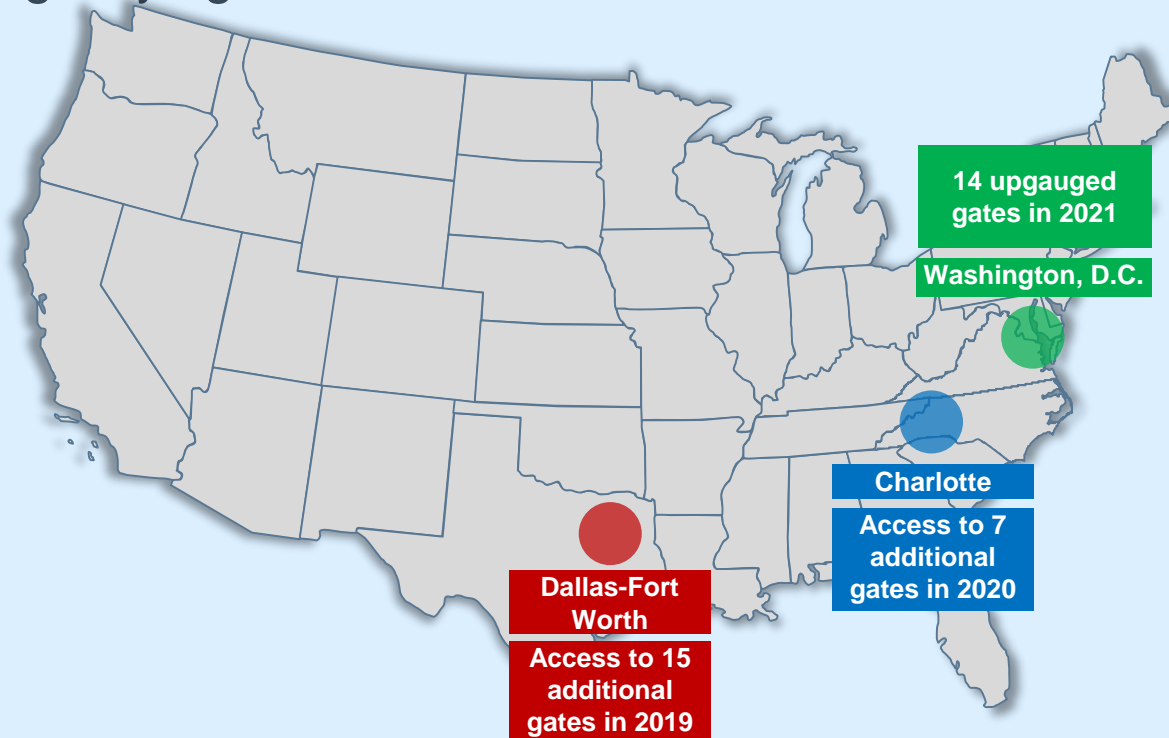
- Uniquely positioned to grow feed at our most profitable hubs, adding high margin flying to the network



Network Transformation – Play to Our Strengths



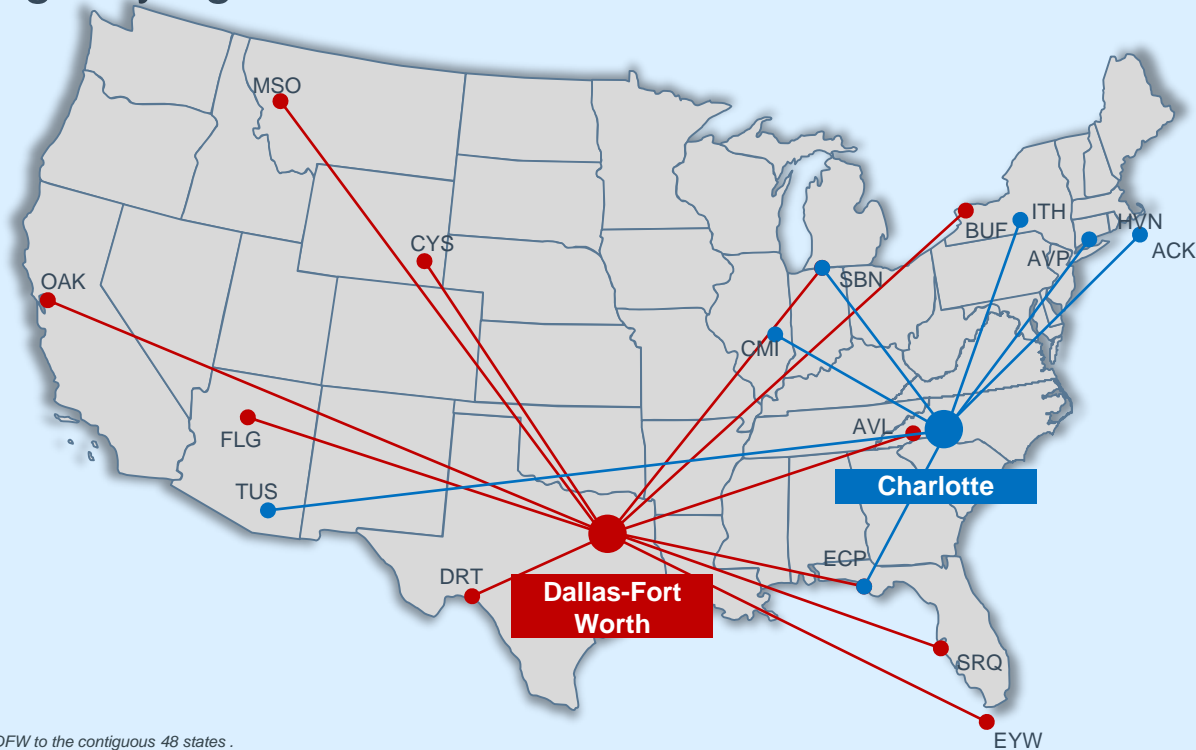
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Network Transformation – Play to Our Strengths



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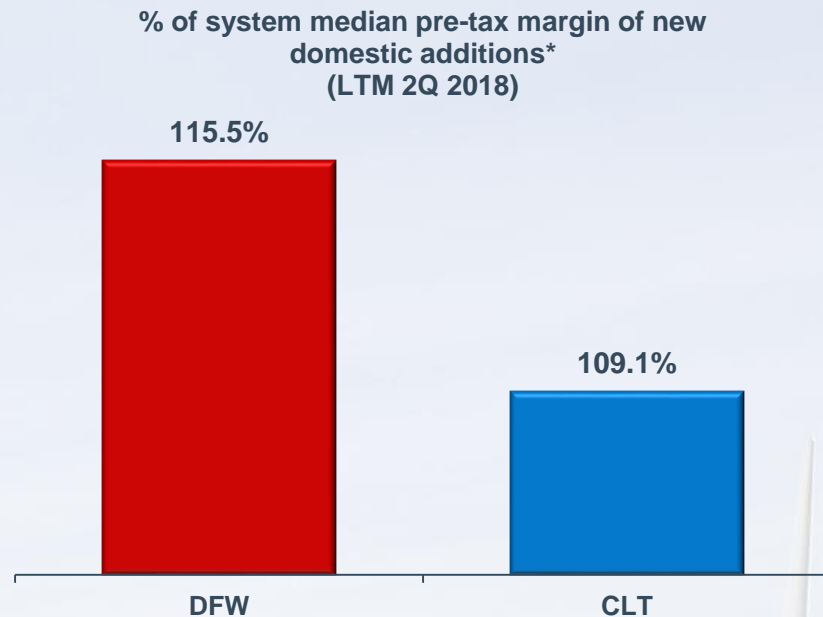


Network Transformation – Play to our Strengths



Improving feed at CLT and DFW produces superior margins

- New 2018 hub additions generate above system median RASM
- Network changes fund profitable opportunities from less profitable strategic flying



*Estimated pre-tax margin of new flights compared to system average.

Product Transformation – Premium Product



Customers enjoy an industry-leading product

- Only major US airline with long-haul international and transcontinental First Class
- Largest widebody fleet among U.S. carriers, with fully-flat, 100% aisle access business class seats
- First to offer premium economy, with the largest premium economy fleet
- Only US airline offering live TV internationally



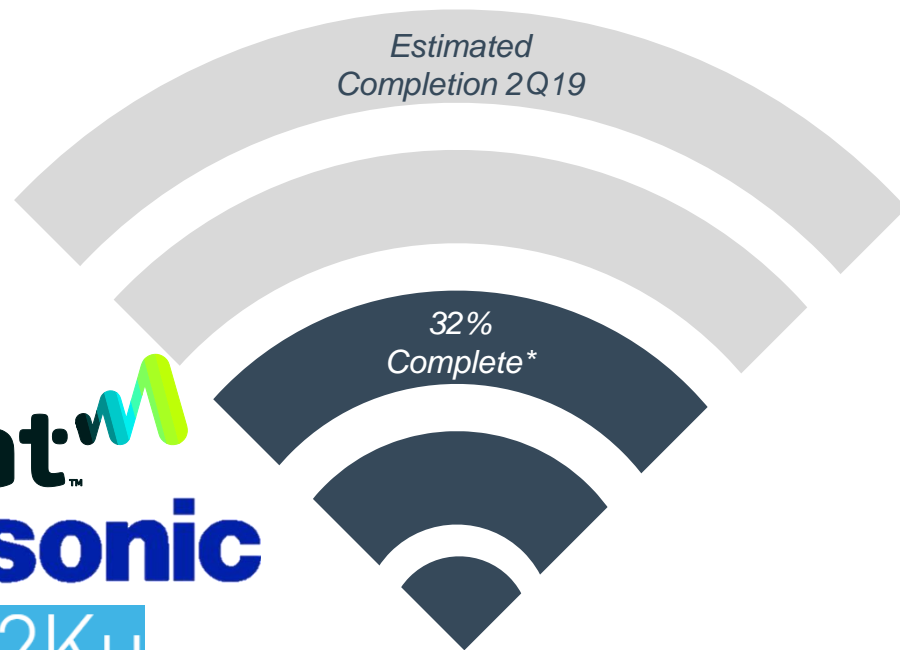
Product Transformation - Satellite WiFi



Widebody Installation Progress



Narrowbody Installation Progress



Viasat[™]
Panasonic
Gogo 2Ku

Product Transformation: Segmentation



- Product segmentation offers right product at right price for every potential customer

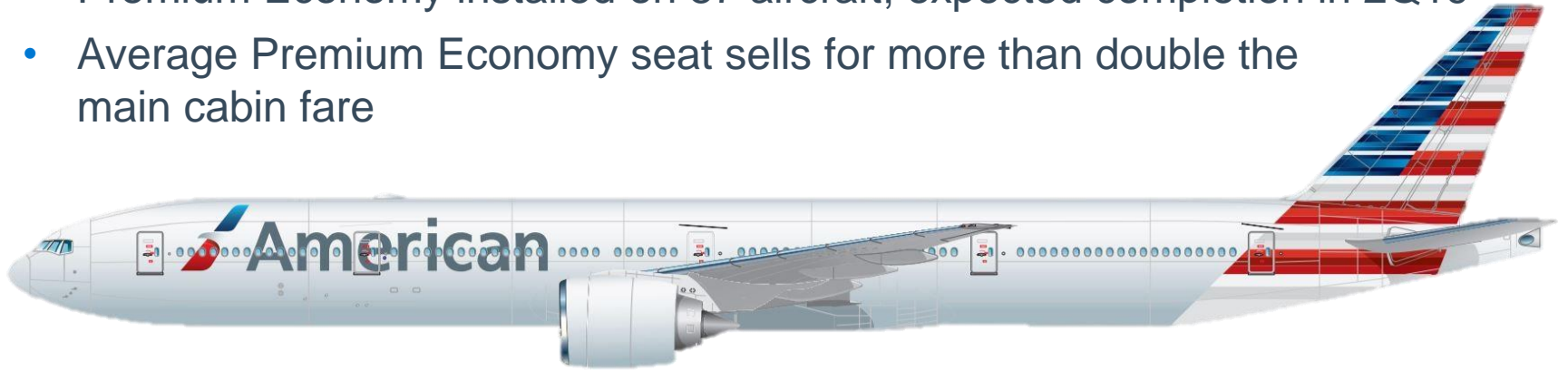


First	Business	Premium Economy	Main Cabin Extra	Main Cabin	Basic Economy
Lie-Flat All Aisle Access Premium Markets	Lie-flat Privacy Premium service	More room Amenities Better seat	More room Free Drink Dedicated bin space	Customizable Access to preferred Seats Upgradeable and flexible	Cheapest fare No seat assignment Not upgradeable

Product Transformation: Segmentation



- Premium Economy installed on 87 aircraft; expected completion in 2Q19
- Average Premium Economy seat sells for more than double the main cabin fare



First	Business	Premium Economy	Main Cabin Extra	Main Cabin	Basic Economy
Lie-Flat All Aisle Access Premium Markets	Lie-flat Privacy Premium service	More room Amenities Better seat	More room Free Drink Dedicated bin space	Customizable Access to preferred Seats Upgradeable and flexible	Cheapest fare No seat assignment Not upgradeable

Product Transformation: Segmentation



- Relaunched Main Cabin Extra with enhanced attributes, including a free drink and dedicated bin space



First	Business	Premium Economy	Main Cabin Extra	Main Cabin	Basic Economy
Lie-Flat All Aisle Access Premium Markets	Lie-flat Privacy Premium service	More room Amenities Better seat	More room Free Drink Dedicated bin space	Customizable Access to preferred Seats Upgradeable and flexible	Cheapest fare No seat assignment Not upgradeable

Product Transformation: Segmentation



- Trans-Atlantic Basic Economy rolled out in the second quarter
- Eliminated carry-on bag restriction domestically in the third quarter



First
Lie-Flat
All Aisle Access
Premium Markets

Business
Lie-flat
Privacy
Premium service

Premium Economy
More room
Amenities
Better seat

Main Cabin Extra
More room
Free Drink
Dedicated bin space

Main Cabin
Customizable
Access to preferred Seats
Upgradeable and flexible

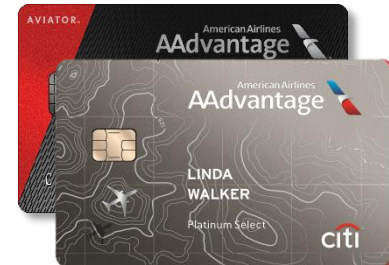
Basic Economy
Cheapest fare
No seat assignment
Not upgradeable

Product Transformation – Loyalty Program



AAdvantage evolves and continues to lead the industry

- AAdvantage program can be further leveraged and monetized, helping American win customer preference in both the short and long term
- Launched new elite tier – Platinum Pro
- More members qualifying for elite status despite higher requirements
- Revenue growth continues from co-brand card programs
- Launch of new no-fee MileUp card targets a new customer segment – extending the reach and building loyalty



Product Transformation - Ancillaries



Executing on a number of opportunities to grow revenue

- Post-purchase opportunities for customers
 - Includes upsell to premium cabins
 - Already rolled out by peers



- Ancillary bundles and third party placements
 - Sale of bundled ancillary add-ons
 - Better enabling sale of third party products
 - Already rolled out by peers



Pursuing Efficiencies



- One Airline project to manage costs over the next few years

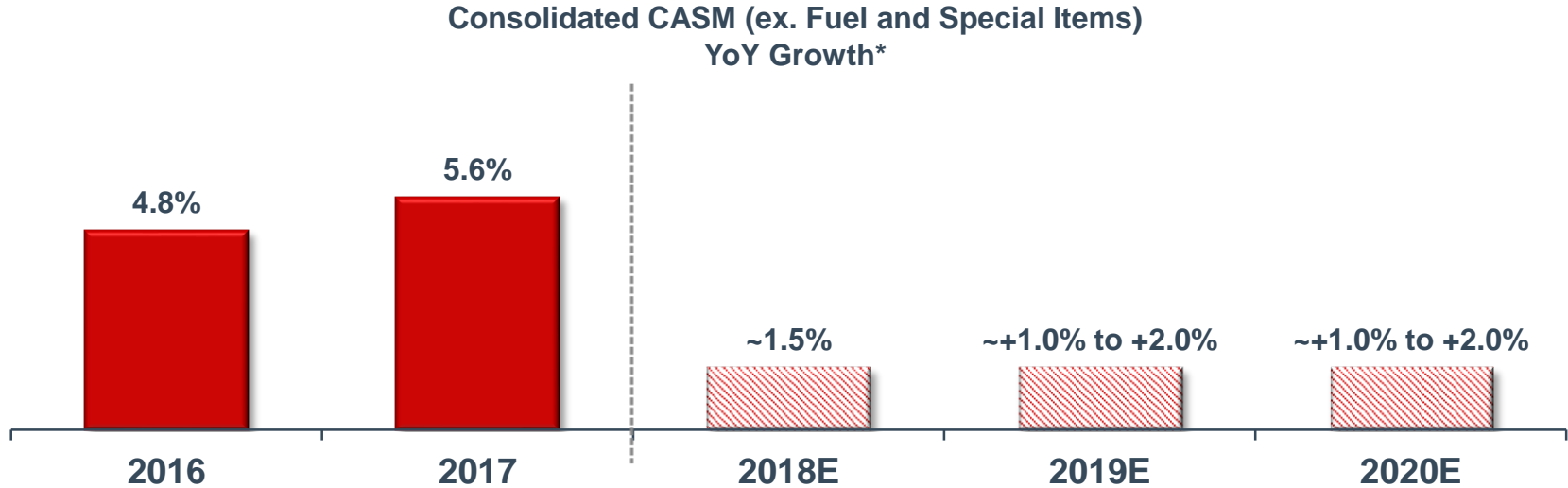
Integrated Ops	Customer Experience	Strategic Planning	Other
<ul style="list-style-type: none">• Aircraft taxi management technologies• Hotel booking management• Fuel initiatives – RAF, APU, single engine taxi and other• Flight, route and re-routing planning systems• Optimize aircraft warranty recoveries	<ul style="list-style-type: none">• New airport ramp technologies• New cargo operating system• New airport overtime assignment system• New IROPS voucher system• Flight Attendant integration	<ul style="list-style-type: none">• Utilize wholly owned pilot capacity to insource flying from affiliate partners• Improved asset/gate utilization at hub airports• Fleet simplification• Further shift to dual-class regional jets, primarily at wholly owned carriers	<ul style="list-style-type: none">• Improve workers' compensation case management• Medical & pharmacy plan optimization• Hotel procurement improvements• Expand direct connect technology
\$250 million	\$300 million	\$200 million	\$250 million

← Estimated opportunity of \$1.0 billion by 2021 →

Efficiencies Drive CASM Growth Lower



- Consolidated CASM now projected to be up approximately 1.5 percent in 2018





*On January 1, 2018, the Company adopted Accounting Standards Update (“ASU”): ASU 2014-09: Revenue from Contracts with Customers (the “New Revenue Standard”) and ASU 2017-07: Compensation Retirement Benefits (the “New Retirement Standard”). The 2016 and 2017 data presented above does not reflect the effects of adopting the New Revenue Standard and the New Retirement Standard. For additional information, see Note 1(b) to the Company’s Condensed Consolidated Financial Statements in Part I, Item 1A of its second quarter 2018 Form 10-Q. Excludes net special items. Please refer to the Company’s GAAP to Non-GAAP reconciliation in the appendix. Forecast data excludes the impact of special items and any potential increases from new joint bargaining agreements

Investor Day Initiatives - Update



We still expect significant benefits from our investor day initiatives

- On track to achieve more than \$4.2 billion in revenue and cost improvements by the end of 2021
- Timing expectations adjusted as cost improvements come in faster than projected and Basic Economy slightly underperforms in 2018

Estimated Program/Project Value (\$ Millions)		18/17	19/18	20/19	21/20	Total
 Total Revenue Opportunity from Commercial Projects		1,135	990	695	425	3,245
 Total Cost Opportunity from One Airline Projects		300	300	200	200	1,000
Total Opportunity from All Initiatives		1,435	1,290	895	625	4,245

Our Long-Term Vision



Create a World Class Customer Experience

- Deliver value to all customers, especially premium customers
- Drive operational excellence
- Strengthen our network: Grow where we have a competitive advantage

Ensure Long-Term Financial Strength

- Finish integration and capture the efficiencies created
- Manage our assets like owners



Make Culture a Competitive Advantage

- Create an environment that cares for frontline team members
- Invest in our team: Provide the right tools, training and facilities
- Develop innovative, inspiring, and caring leaders

Think Forward, Lead Forward

- Create a vibrant future; dream and deliver the right future products, partners and network
- Be nimble: Set a new standard for delivering value to market quickly

Looking Forward



- American achievements post merger...
 - Successful integration
 - Significant investment
 - Transformed product offering
 - Investments in our team
- ...now well-positioned for future success
 - Youngest fleet of the network carriers enables very low-cost future growth
 - Network optimization around most profitable hubs designed to grow margins
 - Product changes improving both customer and team member experience
 - On track to achieve more than \$3.2 billion in revenue benefits and \$1 billion in cost improvements by 2021
- Playing the long game and building for a sustainable and successful future

GAAP to Non-GAAP Reconciliations



GAAP to non-GAAP Reconciliations



Reconciliation of Operating Cost per ASM Excluding Special Items and Fuel - Total Mainline and Regional	12 Months Ended December 31,		Percent Change	12 Months Ended December 31,	
	2017	2016		2015	Percent Change
	(in cents)			(in cents)	
Total operating expenses per ASM as reported	13.80	12.76		12.94	
Special items per ASM:					
Special items, net	(0.26)	(0.26)		(0.39)	
Regional operating special items, net	(0.01)	(0.01)		(0.01)	
Total operating expenses per ASM, excluding special items	13.53	12.50		12.54	
Fuel per ASM:					
Aircraft fuel and related taxes - mainline	(2.22)	(1.85)		(2.32)	
Aircraft fuel and related taxes - regional	(0.50)	(0.41)		(0.46)	
Total operating expenses per ASM, excluding special items and fuel	10.82	10.24	5.6%	9.77	4.8%

Note: Amounts may not recalculate due to rounding.

Note: On January 1, 2018, the Company adopted the New Revenue Standard and the New Retirement Standard. The 2017, 2016 and 2015 data presented above does not reflect the effects of adopting the New Revenue Standard and the New Retirement Standard. For additional information, see Note 1(b) to the Company's Condensed Consolidated Financial Statements in Part I, Item 1A of its second quarter 2018 Form 10-Q.