



## Investor Relations Update January 24, 2019

### General Overview

- **Capacity** – The company expects its 2019 full year capacity to be up approximately 3.0 percent (gauge up approximately 1.0 percent, departures up approximately 3.5 percent and stage length down approximately 1.5 percent) year-over-year. For the first quarter, the company expects system capacity to be up approximately 1.0 percent year-over-year.
- **Revenue** – The company expects its first quarter total revenue per available seat mile (TRASM) to be approximately flat to up 2.0 percent year-over-year.
- **CASM** – The company expects 2019 full year consolidated CASM excluding fuel, special items and new labor agreements to be at the upper end of its previous guidance of between 1.0 and 2.0 percent year-over-year. This increase from previous guidance is due to an increase in sale-leaseback transactions and higher than expected profit sharing on better earnings. Overall CASM growth in 2019 is driven primarily by increased maintenance expense from required engine overhauls (0.6 points), increased airport rent expense at our hubs (0.4 points), and higher earnings related salaries and benefits expense, primarily from increased profit sharing (0.4 points).

Consolidated CASM in the first quarter<sup>1</sup> is expected to be up approximately 4.0 percent year-over-year. CASM growth is highest in the first quarter due to a limited increase in capacity, as well as the timing of aircraft maintenance, salaries and benefits, and selling expenses through the year. CASM growth is expected to decelerate to approximately 2.5 percent in the second quarter and further decline to approximately 1.0 percent in the third and 0.5 percent in the fourth quarters of 2019.

The company continues to expect its 2020 CASM excluding fuel, special items and new labor agreements to be up between 1.0 and 2.0 percent year-over-year.

- **Fuel** – Based on the January 22, 2019 forward curve, the company expects to pay an average of between \$1.97 and \$2.02 per gallon of consolidated jet fuel (including taxes) in the first quarter. Forecasted volume and fuel prices for the remainder of the year are provided on the following page.
- **Liquidity** – As of December 31, 2018, the company had approximately \$7.6 billion in total available liquidity, comprised of unrestricted cash and investments of \$4.8 billion and \$2.8 billion in undrawn revolver capacity. The company also had a restricted cash position of \$154 million.
- **Capital Expenditures** – In line with previous guidance, the company expects \$4.7 billion in capex in 2019, including \$3.0 billion in aircraft and \$1.7 billion in non-aircraft capex. In 2020, the company expects total capex to decline by \$1.4 billion year-over-year with aircraft capex spend of \$1.6 billion and non-aircraft capex spend of \$1.7 billion. For 2021, total capex is expected to fall by a further \$1.1 billion year-over-year. Aircraft capex spend is expected to be \$1.0 billion and non-aircraft capex is expected to be \$1.2 billion.
- **Taxes** – As of December 31, 2018, the company had approximately \$10.2 billion of federal net operating losses (NOLs) and \$3.1 billion of state NOLs, substantially all of which are expected to be available in 2019 to reduce future federal and state taxable income. The company expects to recognize a provision for income taxes in 2019 at an effective rate of approximately 24 percent, which will be substantially non-cash.

- **Pre-tax Margin and EPS** - Based on the assumptions outlined above, the company presently expects its first quarter pre-tax margin excluding special items to be approximately 2.5 to 4.5 percent<sup>1</sup>. The company expects to report full year 2019 earnings per diluted share excluding special items of between \$5.50 and \$7.50<sup>1</sup>.

### Notes:

1. *The company is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of special items cannot be determined at this time.*

Please refer to the footnotes and the forward looking statements page of this document for additional information



Financial Update  
January 24, 2019

**Financial Comments**

	<u>1Q19E</u>	<u>2Q19E</u>	<u>3Q19E</u>	<u>4Q19E</u>	<u>FY19E<sup>2</sup></u>
<b><u>Consolidated Guidance<sup>1</sup></u></b>					
Available Seat Miles (ASMs) (bil)	~66.6	~74.9	~77.8	~71.6	~290.8
Cargo Revenues (\$ mil) <sup>3</sup>	~235	~270	~280	~290	~1,075
Other Revenues (\$ mil) <sup>3</sup>	~705	~730	~720	~705	~2,860
Average Fuel Price (incl. taxes) (\$/gal) (as of 1/22/2019)	1.97 to 2.02	1.99 to 2.04	2.02 to 2.07	1.99 to 2.04	1.99 to 2.04
Fuel Gallons Consumed (mil)	~1,033	~1,164	~1,208	~1,097	~4,500
CASM ex fuel and special items (YOY % change) <sup>4</sup>	+3% to +5%	+1.5% to +3.5%	+0% to +2%	-0.5% to +1.5%	+1% to +3%
Interest Income (\$ mil)	~(39)	~(39)	~(37)	~(40)	~(155)
Interest Expense (\$ mil)	~272	~279	~283	~276	~1,110
Other Non-Operating (Income)/Expense (\$ mil) <sup>5</sup>	~(43)	~(46)	~(44)	~(43)	~(176)
<b><u>CAPEX Guidance (\$ mil) Inflow/(Outflow)</u></b>					
Non-Aircraft CAPEX	~(425)	~(425)	~(425)	~(425)	~(1,700)
Gross Aircraft CAPEX & net PDPs	~(778)	~(876)	~(761)	~(617)	~(3,032)
Assumed Aircraft Financing	~860	~818	~568	~483	~2,728
Net Aircraft CAPEX & PDPs <sup>2</sup>	~82	~(58)	~(193)	~(135)	~(304)

**Notes:**

1. Includes guidance on certain non-GAAP measures, which exclude special items. The company is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of special items cannot be determined at this time. Please see the GAAP to non-GAAP reconciliation at the end of this document.
2. Numbers may not recalculate due to rounding.
3. Cargo/Other revenue includes cargo revenue, loyalty program revenue, and contract services.
4. CASM ex fuel and special items is a non-GAAP financial measure.
5. Other Non-Operating (Income)/Expense primarily includes non-service related pension and retiree medical benefit income/costs, gains and losses from foreign currency, and income/loss from the company's approximate 25% ownership interest in Republic Airways Holdings Inc.

Please refer to the footnotes and the forward looking statements page of this document for additional information



**Fleet Update**  
**January 24, 2019**

**Fleet Comments**

- In 2019, the company expects to take delivery of 46 mainline aircraft comprised of 17 A321neo aircraft, 20 B738 MAX aircraft, 2 B789 aircraft and 7 used A319 aircraft. The company also expects to retire 55 mainline aircraft, including 10 B757 aircraft, 9 B763 aircraft, 6 E190 aircraft and 30 MD80 aircraft.
- In 2019, the company expects to increase the regional fleet count by a net of 12 aircraft, resulting from the addition of 11 CRJ900 aircraft and 20 E175 aircraft, as well as the reduction of 14 CRJ200 aircraft and 5 ERJ140 aircraft.

	Active Mainline Year Ending Fleet Count			
	2018A	2019E	2020E	2021E
A319	126	133	133	133
A320	48	48	48	44
A321	219	219	219	219
A321neo	-	17	32	50
A332	15	15	15	15
A333	9	9	9	9
B738	304	304	299	276
B738 MAX	20	40	50	60
B757	34	24	24	24
B763	24	15	6	-
B772	47	47	47	47
B773	20	20	20	20
B788	20	20	32	42
B789	20	22	22	22
E190	20	14	-	-
MD80	30	-	-	-
	<b>956</b>	<b>947</b>	<b>956</b>	<b>961</b>

	Active Regional Year Ending Fleet Count <sup>1</sup>			
	2018A	2019E	2020E	2021E
CRJ200	35	21	21	21
CRJ700	119	119	113	113
CRJ900	118	129	133	133
E175	154	174	189	189
ERJ140	51	46	34	34
ERJ145	118	118	118	118
	<b>595</b>	<b>607</b>	<b>608</b>	<b>608</b>

**Notes:**

1. At the end of the fourth quarter of 2018, the company had 8 ERJ140 regional aircraft in temporary storage, which are not included in the active regional ending fleet count.

Please refer to the footnotes and the forward looking statements page of this document for additional information



**Shares Outstanding  
January 24, 2019**

**Shares Outstanding Comments**

- The estimated weighted average shares outstanding for 2019 are listed below.
- On April 25, 2018, the company's Board authorized a new \$2.0 billion share repurchase program to expire by the end of 2020, of which \$1.65 billion remained available for use as of January 1, 2019. This brings the total amount authorized for share repurchase programs to \$13.0 billion since the merger. All previous repurchase programs had been fully expended as of March 31, 2018.

<b><u>2019 Shares Outstanding (shares mil)<sup>1</sup></u></b>		
	<b><u>Shares</u></b>	
<b><u>For Q1</u></b>	<b><u>Basic</u></b>	<b><u>Diluted</u></b>
Earnings	461	462
Net loss	461	461
	<b><u>Shares</u></b>	
<b><u>For Q2-Q4 Average</u></b>	<b><u>Basic</u></b>	<b><u>Diluted</u></b>
Earnings	462	463
Net loss	462	462
	<b><u>Shares</u></b>	
<b><u>For FY 2019 Average</u></b>	<b><u>Basic</u></b>	<b><u>Diluted</u></b>
Earnings	462	463
Net loss	462	462

**Notes:**

1. Shares outstanding are based upon several estimates and assumptions, including average per share stock price and stock award activity and does not assume any future share repurchases. The number of shares in actual calculations of earnings per share will likely be different from those set forth above.



## GAAP to Non-GAAP Reconciliation January 24, 2019

The company sometimes uses financial measures that are derived from the consolidated financial statements but that are not presented in accordance with GAAP to understand and evaluate its current operating performance and to allow for period-to-period comparisons. The company believes these non-GAAP financial measures may also provide useful information to investors and others. These non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies, and should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flow or liquidity prepared in accordance with GAAP. The company is providing a reconciliation of reported non-GAAP financial measures to their comparable financial measures on a GAAP basis. The table below presents the reconciliation of total operating costs (GAAP measure) to total operating costs excluding special items and fuel (non-GAAP measure). Management uses total operating costs excluding special items and fuel to evaluate the company's current operating performance and for period-to-period comparisons. The price of fuel, over which the company has no control, impacts the comparability of period-to-period financial performance. Additionally, special items may vary from period-to-period in nature and amount. These adjustments to exclude aircraft fuel and special items allow management an additional tool to better understand and analyze the company's non-fuel costs and core operating performance. Additionally, the table below presents the reconciliation of other non-operating expense (GAAP measure) to other non-operating expense excluding special items (non-GAAP measure). Management uses this non-GAAP financial measure to evaluate the company's current performance and to allow for period-to-period comparisons. As special items may vary from period-to-period in nature and amount, the adjustment to exclude special items allows management an additional tool to better understand the company's core operating performance.

### American Airlines Group Inc. GAAP to Non-GAAP Reconciliation (\$ mil except ASM and CASM data)

	1Q19 Range		2Q19 Range		3Q19 Range		4Q19 Range		FY19 Range	
	Low	High	Low	High	Low	High	Low	High	Low	High
<b>Consolidated<sup>1</sup></b>										
Consolidated operating expenses	\$ 9,972	\$ 10,178	\$ 10,550	\$ 10,770	\$ 10,687	\$ 10,912	\$ 10,248	\$ 10,465	\$ 41,459	\$ 42,327
Less fuel expense	2,035	2,087	2,316	2,375	2,440	2,501	2,183	2,238	8,975	9,200
Less special items	-	-	-	-	-	-	-	-	-	-
Consolidated operating expense excluding fuel and special items	7,937	8,091	8,233	8,396	8,247	8,412	8,065	8,227	32,484	33,127
Consolidated CASM (cts)	14.97	15.28	14.09	14.38	13.74	14.03	14.31	14.62	14.26	14.56
Consolidated CASM excluding fuel and special items (Non-GAAP) (cts)	11.92	12.15	10.99	11.21	10.60	10.81	11.26	11.49	11.17	11.39
YOY (%)	3.0%	5.0%	1.5%	3.5%	0.0%	2.0%	-0.5%	1.5%	1.0%	3.0%
<b>Consolidated ASMs (bil)</b>	66.6	66.6	74.9	74.9	77.8	77.8	71.6	71.6	290.8	290.8
<b>Other non-operating (income)/expense<sup>1</sup></b>										
Other non-operating (income)/expense	\$ (43)	\$ (43)	\$ (46)	\$ (46)	\$ (44)	\$ (44)	\$ (43)	\$ (43)	\$ (176)	\$ (176)
Less special items	-	-	-	-	-	-	-	-	-	-
Other non-operating (income)/expense excluding special items	(43)	(43)	(46)	(46)	(44)	(44)	(43)	(43)	(176)	(176)

Notes: Amounts may not recalculate due to rounding.

1. Certain of the guidance provided excludes special items. The company is unable to fully reconcile such forward-looking guidance to the corresponding GAAP measure because the full nature and amount of the special items cannot be determined at this time. Special items for this period may include, among others, merger integration expenses and fleet restructuring expenses.



## Forward Looking Statements January 24, 2019

### **Cautionary Statement Regarding Forward-Looking Statements**

This document includes forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and 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, 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 September 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 other risks and uncertainties listed from time to time in the company’s other filings with the Securities and Exchange Commission. 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.