AAL reported 3Q20 total revenue of $3.2b and GAAP net loss of $2.4b or $4.71 per share. Expects 4Q20 total revenue to be down approx. 65%.
CORPORATE PARTICIPANTS

Alison Taylor  American Airlines Group Inc. - SVP of Global Sales & Distribution
Daniel Cravens  American Airlines Group Inc. - MD of IR
Derek J. Kerr  American Airlines Group Inc. - Executive VP & CFO
Robert D. Isom  American Airlines Group Inc. - President
Vasu Raja  American Airlines Group Inc. - SVP of Network Strategy
William Douglas Parker  American Airlines Group Inc. - Chairman & CEO

CONFERENCE CALL PARTICIPANTS

Andrew George Didora  BoA Merrill Lynch, Research Division - Director
Brandon Robert Oglenski  Barclays Bank PLC, Research Division - VP & Senior Equity Analyst
David Scott Vernon  Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst
Duane Thomas Pfennigwerth  Evercore ISI Institutional Equities, Research Division - Senior MD
Helane Renee Becker-Roukas  Cowen and Company, LLC, Research Division - MD & Senior Research Analyst
Hunter Kent Keay  Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense
Jamie Nathaniel Baker  JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst
Jose Caiado De Sousa  Crédit Suisse AG, Research Division - Research Analyst
Joseph William DeNardi  Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst
Michael John Linenberg  Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst
Alison Sider
David Koenig
Edward Russell
Justin Bachman
Kyle Arnold
Leslie Josephs

PRESENTATION

Operator

Good morning, and welcome to the American Airlines Group Third Quarter 2020 Earnings Call. Today's conference is being recorded. (Operator Instructions) And now I would like to turn the conference over to your moderator, Managing Director of Investor Relations, Mr. Dan Cravens. Please go ahead.

Daniel Cravens  American Airlines Group Inc. - MD of IR

Thanks, operator, and good morning, everyone, and welcome to the American Airlines Third Quarter 2020 Earnings Conference Call. In the room, are on the call with us this morning, we have Doug Parker, our Chairman and CEO; Robert Isom, President; and Derek Kerr, Chief Financial Officer. Also on the call for a Q&A session are several of our senior execs, including Maya Leibman, Chief Information Officer; Steve Johnson, our EVP of Corporate Affairs; Vasu Raja, our Chief Revenue Officer; Alison Taylor, our Chief Customer Officer; and David Seymour, our Chief Operating Officer.
Like we normally do, Doug will start the call with an overview of our quarter and the actions we are taking during this pandemic. Robert will then follow with some remarks about our commercial initiatives. And after Robert's remarks, Derek will follow with the details on our liquidity and cost outlook. After Derek’s comments, we will open the call for analyst questions and lastly, questions from the media. (Operator Instructions)

Before we begin, we must state that today’s call does contain forward-looking statements, including statements concerning future revenues, costs, forecast of capacity, fleet plans and liquidity. These statements represent our predictions and expectations as to future events, but there are numerous risks and uncertainties that 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 issued this morning and our Form 10-Q for the quarter ended September 30, 2020.

In addition, we will be discussing certain non-GAAP financial measures this morning, which exclude the impact of unusual items. A reconciliation of those numbers to the GAAP financial measures is included in the earnings release, and that can be found on the Investor Relations section of our website. A webcast of this call will also be archived on the website. The information that we're giving you on the call is as of today's date, and we undertake no obligation to update the information subsequently. So thanks again for joining us. And at this point, I'd like to turn the call over to our Chairman and CEO, Doug Parker.

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Thank, Dan. Good morning, everybody, and thank you for joining us. So there's no doubt, this continues to be an unprecedented time for our entire industry, our team and our entire customers. At American, we continue to take actions so that we can manage through this pandemic and position our airline for success when demand returns.

So I'm going to start with a quick summary of our results from the quarter, which were improved versus earlier in the year, but still reflecting an extremely challenging environment we're in today. Our third quarter pretax loss, excluding net special items, was $3.6 billion. Our revenues were down 73% year-over-year.

In this environment, we've continued to focus on controlling what we can, reducing costs and cash burn front and center. In total, we removed approximately $17 billion in costs from our business, and our cash burn rate declined markedly versus second quarter. We ended the quarter with a pro forma liquidity balance of approximately $15.6 billion, which is much more liquidity than we've ever had before and more than double where we began this year.

And customer confidence is gradually beginning to return. We continue to evolve in this new era of travel. The foundation of all that of course, is our incredible team. These are difficult times for sure, and we couldn't be prouder of how the American team is handling the situation. Our team is out there keeping our country moving, safely transporting hundreds of thousands of people around the globe every day. And we're doing an excellent job of generating revenue in this environment, and it's making a difference, both for American Airlines and the United States in general.

It's why it was so difficult to see October 1st pass without having the payroll support program and the CARES Act extended, both in support of our team and the commercial aviation infrastructure that is going to be critical to an economic rebound. There's an enormous bipartisan support for an extension, but unfortunately, our elected officials still haven't been able to get it enacted because they've been unable to agree on broader COVID relief legislation.

So without the extension, we had to furlough 19,000 of our team members beginning October 1, and we discontinued service to numerous markets around the country. We remain hopeful that our elected officials can come together on this important legislation on behalf of our team, our industry and working Americans in our economy at large.

Elections matter. But there's nothing pulling higher than support for a COVID relief stimulus package. And PSP extension will be an important component of any such package. Robert and Derek will talk more about our results and our path forward. We know that every action we took in the third quarter, centered on our aggressive plan to bolster liquidity, conserve cash and ensure that customers can fly with complete confidence when they travel with America.
On the liquidity front, American, as I said, ended the third quarter with approximately $13.6 billion of available liquidity and $15.6 billion when you pro forma for an additional $2 billion in authorized capacity through the CARES Act loan program, which was finalized just this week.

And also this morning, we announced, on top of that authorization to issue up to $1 billion of equity in an aftermarket offering. As to conserving cash in this environment, we’re focusing on what we can control. To that end, we’ve been -- we worked relentlessly to rightsize all aspects of the airline.

This has been done primarily through cost savings resulting from reduced flying and long-term structural changes to our fleet and our infrastructure. We continue to realize the benefits, both financially and operationally, accelerating the retirement of more than 150 aircraft from our fleet.

And thanks to these efforts, along with gradual improvements in the revenue environment, we continue to bring down our daily cash burn. Our burn rate improved by approximately $14 million per day during the third quarter from $58 million down to $44 million, and we expect our fourth quarter burn rate to be improved even more to between $25 million and $30 million per day. And we expect that number to continue to drop going forward as demand for air travel continues to gradually improve.

Also in the third quarter, we continued our focused plan to capture the travel demand that does exist. Remarkably, 1 in every 3 domestic passengers flew in an American Airlines flight during the third quarter. And if we can say one thing to every American Airlines customer, I’d say it’s safe to fly. Others have shared this data as well, but it’s certainly worth repeating. IATA estimates that 1.2 billion people have flown so far in 2020. And among that group, there are only 44 cases of COVID-19 in which transmission is believed to have an associated with air travel. So it’s clear, our efforts are working as an industry, even with our team members, being on the front lines and working through the pandemics to support our communities and serve our customers. Our team has a lower rate of COVID-19 infection than the national average.

And notably, we’ve seen fewer cases with our airborne team members, our pilots and flight attendants than with our other work groups. I have personally been flying multiple times every week, and I see it everywhere I go. The level of cleaning, the safety measures and the diligence from our team and our customers. It’s truly incredible, and we are greatly appreciative.

So in closing, we know we have a long run ahead of us, but our entire team remains fully engaged, and we couldn’t be proud of the amazing work they’re doing each and every day. We’re focused on not just getting through this pandemic, but making sure we’re prepared to succeed as demand returns and we’re highly confident that we’re going to adjust that. So with that, I’ll turn it over to Rob.

Robert D. Isom - American Airlines Group Inc. - President

Thanks, Doug, and good morning, everyone. I want to second my appreciation to the entire American Airlines team. Despite this year’s remarkable challenges, they continue to rise to the occasion and deliver for our customers and each other when it’s most needed, and we’re incredibly grateful. Taking care of our team and customers continues to be our top priority. We have taken additional steps in recent weeks to provide customers further peace of mind as they return to the skies.

We upgraded our clean commitment by adding SurfaceWise2 to our safety program. SurfaceWise2 is approved by the EPA as a long-lasting product to help fight the spread of the novel coronavirus, and it will be applied to America’s entire fleet in the coming months. We’ve also made travel easier and less complicated by eliminating change fees and allowing customers to stand by on earlier flight on the same-day at no charge. These customer-focused initiatives, along with changes to our Basic Economy product and new AAdvantage leap benefits give travelers tremendous flexibility when they fly American.

Additionally, we launched a new travel tool to help customers quickly see the current COVID-19 travel guidelines for domestic and international destinations. As we entered the third quarter, the U.S. saw an increase in COVID-19 cases, which was followed by a slowdown in demand. We responded quickly and efficiently in a way that maintains scale at our largest connected hubs in DFW and Charlotte.

Our efforts has paid off as evidenced by our passenger revenue results. Notably, DFW and Charlotte were our best-performing hubs year-over-year. Our cargo team continues to do outstanding work driving revenue and supporting the global economic — the global economy during the pandemic.
We more than doubled our cargo-only flying from August to September and operating more than 1,900 flights, serving 32 destinations during the third quarter. To date, these cargo flights have helped our customers move more than 85 million pounds of critical goods around the world amidst the COVID-19 outbreak. And despite a nearly 60% reduction in system capacity in the third quarter, our cargo revenue was effectively flat year-over-year.

During the quarter, we started to see signs of a slow but steady recovery in passenger demand. Although domestic net bookings finished the quarter down 50%, this was an improvement from the first part of July when bookings were down 80%. During the month of September, 45% of domestic flights had a load factor greater than 80% compared to just 25% in July.

As we look ahead, with 1/3 of our flights being actively managed by our yield management system, we see improving yield curves in the coming months. And we aren't just waiting for customers to come to us. We're taking steps to reopen markets to travel through pre-flight COVID-19 testing. Testing options are now available to customers traveling to Hawaii and Costa Rica, with Jamaica and the Bahamas following soon. And we're engaged in efforts to expand that program across the Caribbean.

These testing programs are important because they will ultimately help to reopen markets by further inspiring confidence in travel. The pandemic has changed our business in many ways that we could have never expected but the American team has reimagined how to deliver a safe, healthy and enjoyable travel experience for our customers.

Pre-flight COVID-19 testing is a great example of that and it's going to be an important part of advancing the industry's recovery from the pandemic. Our approach to fourth quarter capacity is straightforward. We'll continue to focus on our large connecting hubs at DFW and Charlotte and put capacity in markets that are showing positive recovery, such as the Sun Belt, Mexico and the markets that are opening in the Caribbean.

We expect our fourth quarter system capacity to be down slightly more than 50% year-over-year, with long-haul international capacity down approximately 75% year-over-year. While we're encouraged with the trends we're seeing in our net bookings, we'll continue to remain as flexible as possible and let demand serve as our guide for future capacity levels.

As we look across the competitive landscape, we believe there is no network better positioned than American’s. First, our network is big in the markets where customers want to go. With our Sun Belt hubs in Charlotte, Miami, DFW and Phoenix, we have seen demand resilience throughout the pandemic. This, combined with our easy access to mountain and ski destinations, provides an outlet for customers to redefine the meaning of working remotely or just get away.

Secondly, we have the best short-haul international network with the largest presence in Mexico and the Caribbean. Demand for this region has been strong. And based on current trends, we expect our fourth quarter revenue for this region to reach 70% of 2019 levels. Third, now is the time to be creative and find smart ways to strengthen our hubs in key markets. With our recently announced domestic partnerships with Alaska and JetBlue, we are raising the competitive bar and expanding our network in an asset-light manner while providing customers with more choice and a world class product.

Importantly, our extensive engagement with leisure operators is delivering results in the segment that is leading a recovery. And to that end, American was recently named Airline Partner of the Year by the American Society of Travel Advisers for the second year in a row.

So in conclusion, we remain committed to making sure our customers feel safe and comfortable and have flexibility when they travel. As we continue to manage the current environment, we remain focused on being flexible and nimble in all parts of the organization. And with that, I'll turn it over to Derek.

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Thanks, Robert, and good morning, everyone. This morning, we reported a GAAP net loss of $2.4 billion or $4.71 per share in the third quarter. During the quarter, we recognized $540 million of pretax net special items. Net special items included a $2.1 billion credit resulting from the payroll support program financial assistance, which was offset in part by $875 million of severance costs associated with our voluntary and involuntary
headcount reductions and $742 million fleet impairment charge. Excluding net special items, we reported a net loss of $2.8 billion or $5.54 per share.

With the prolonged decline in passenger demand, our primary focus has been to ensure we have the financial strength for a range of recovery scenarios. We have moved quickly to raise incremental liquidity, reduce cash burn and become as efficient as possible. On the revenue front, our third quarter total revenue was $3.2 billion, down 73% year-over-year on a 59% reduction in total capacity.

While our revenue was down materially, it was nearly double what it was in the second quarter. We expect fourth quarter to be down approximately 65%. While our current booking trends are positive, they’re still down significantly, and we continue to plan for a slow recovery. As Robert mentioned, we expect our fourth quarter capacity to be down slightly more than 50% year-over-year.

We have worked hard to rebuild our fleet into one of the more efficient to operate and offers our customers a consistent and improved product and experience. Our team has been actively engaged with Boeing and Airbus to provide flexibility in how we manage our fleet, giving us ample opportunity to adjust as demand conditions warrant.

As announced this morning in our earnings press release, we have reached an agreement with Boeing to secure deferral rights on 8 of our 2021 MAX deliveries and all 10 of our MAX deliveries in 2022. If the deferral rates are ultimately exercised, these aircraft can be deferred to the second half of 2023 through the first quarter of 2024.

To avoid exercising these deferral rates, we would need to see substantial improvement in the demand environment. During the quarter, we finalized a series of sale-leaseback transactions to finance our remaining A320 aircraft deliveries in 2021. As a result, we now have financing for all of our planned aircraft deliveries through 2021.

As we have spoken about in the past, our long-held strategy has been to drive efficiencies through the simplification of our fleet. With the permanent retirement of our A330-200 fleet announced this morning, we now have only 4 aircraft types in our mainline fleet: 737, the A320 family, 787 and 777.

Aside from the scale and fuel efficiencies, the operating efficiencies on the crew, maintenance and schedule are permanent. We also continue to pursue the harmonization of our 737 and A321 fleets and expect to have all of our 737 aircraft operating in the same configuration by the end of the first quarter of 2021.

We expect to have our A321 fleet harmonized by the spring of 2022. When combined with our fleet simplification strategy, these steps provide significant opportunities to improve revenue production and reduce costs now and well into the future.

Lastly, we retain inexpensive optionality in our total fleet count as we have 51 aircraft with lease expirations through the end of 2022. In addition, we have more than 200 older owned mainline and regional aircraft that could be efficiently part should demand conditions deteriorate.

We continue to take a zero-based approach to our expense planning and have moved quickly to better align our costs with our reduced schedule, producing the $17 billion reduction in 2022 expenditures that Doug talked about.

As we look to our team members, in addition to the cost reduction efforts we've outlined in the previous quarters, more than 20,000 team members have opted for an early retirement or long-term leaves. This is in addition to the painful but necessary process of furloughing 19,000 team members. We are extremely grateful for the sacrifice and contributions these team members have made to our airline.

Finally, on liquidity. We continue to take proactive steps to reduce our cash burn rate, improve our total liquidity position. In the third quarter, our operational cash burn rate was approximately $36 million per day and our debt principal and severance burn was approximately $8 million per day. In total, our third quarter average cash burn rate was approximately $44 million per day, which improved sequentially from the second quarter burn rate of $58 million per day.
During the quarter, we closed both Goldman Sachs Merchant Bank secured notes financings totaling $1.2 billion in addition to the CARES Act loan, Doug mentioned, that provided $5.5 billion of loan capacity. We also received the final payments of our allotted PSP funds including an incremental $168 million of previously unallocated funds identified by the U.S. treasury.

This week, we were able to increase the amount available under the CARES Act loan to $7.5 billion. When combined with our third quarter ending liquidity balance of $13.6 billion, we ended the third quarter with a pro forma liquidity balance of approximately $15.6 billion.

This morning, we also announced the authorization to issue up to $1 billion of equity in an aftermarket offering to further bolster liquidity. We view this as another lever that the company has available at any time.

As we look to the fourth quarter, we presently expect to end the quarter with more than $13 billion of total available liquidity, which excludes any proceeds from the ATM offering I just mentioned. This resulted in an average cash burn rate of between 25 million and $30 million per day, which includes debt principal and interest and severance payments.

Our goal remains to get our daily cash burn rate to 0 as quickly as possible. The timing of reaching this goal continues to be dependent on the demand recovery time line as many of our cost reductions have already been finalized.

In terms of our debt obligations, we believe the market is underappreciating our balance sheet flexibility and efficiency. Approximately 40% of our outstanding debt is prepayable without penalty and we don't have any large nonaircraft debt maturities until our $750 million unsecured bond matures in 2022.

Lastly, thanks to the tireless efforts of our treasury team, our weighted average cost of debt is just over 4% despite higher coupon COVID-related financings that we completed this year. While we continue to be pleased with the outcomes of our recent financings, the incremental debt to our balance sheet and dilution to our shareholders has been significant.

However, with the flexibility that I've outlined, we have the ability to proactively repay debt and delever our balance sheet over the next several years when we return to a normalized revenue environment.

To conclude, we still have a long road to recovery ahead of us. However, the actions we have taken to conserve cash, bolster liquidity and support our team members and customers give us confidence that we are well prepared when demand returns. And with that, I'll open it up the line with analysts for questions.

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**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Our first question comes from Brandon Oglenski of Barclays.

**Brandon Robert Oglenski - Barclays Bank PLC, Research Division - VP & Senior Equity Analyst**

Look, I know it's a really difficult environment right now, and a lot of airlines are still burning through cash. But as we look forward, this is a real ability for the industry to rebuild itself and more specifically, American. But I guess, what is the strategy going forward, guys? Because you will have a pretty large debt balance. And I think competitor down the -- down across the city there won't have that much and a lower cost structure. So in that type of environment, how do you navigate to differentiate and have the ability to pay down debt and be profitable? What's the new American going to look like?
Brandon, it's Doug. Thanks. Look, we're going to be more efficient that's for certain. We're using this opportunity. It’s really -- it’s horrific as all this is, it does provide some amazing opportunity to think the largest airline in the world effectively shut it down and build back on that, that makes sense. We’ve done things like reduce 30% of our management. We’re not going to bring that back. We’ve accelerated the retirement of 150 aircraft and aircraft types that aren’t going to come back. So -- and more and more, like as we do -- and then -- and as we build back the schedule, we’re going to build back flying that is profitable and take out a lot of what used to exist that was less so. So we feel really good about what we -- about how we will emerge from this, both vis-à-vis where we used to be and vis-à-vis our competitive positioning. We do indeed have higher debt levels we did before this because we had gone and modernized our fleet. So that’s behind us.

We don't have, as Derek noted, large amortizations in the near term. We don't have -- we certainly don't think once we get to where we're generating cash, you're going to see us needing to do any more in terms of raising more. And we'll do as we move to cash positive as we'll use those proceeds to pay down the debt. And I think you'll see from our competitors. But we feel really good about our ability to compete in the future as the industry gets cash positive. So while American -- as American gets cash positive, we'll use our proceeds to pay down debt first.

Brandon Robert Oglenski - Barclays Bank PLC, Research Division - VP & Senior Equity Analyst

Appreciate that, Doug. And I guess if we are going to be a more leisure-oriented market for a few years, is there a fear that the fair structure in the industry could walk lower? Do you think you’re going to have a cost structure to compete in an environment like that?

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Yes, of course, because we have a route network that can do that. I'm going to let Vasu expand more or Robert. But the reality is we have a huge competitive advantage in terms of our ability to connect customers around the United States and internationally. When that rebounds, this hub-and-spoke network of ours that is -- that there's many other carriers can't compete with, couple can, but not all. That's a great revenue generator. We, of course, will need to have our costs in line with that. Like I said, we're going to get our costs down through the efficiencies I spoke. But yes, again, you're going to see in our cash burn numbers now being similar to where our competitors are. As the industry gradually rebounds, we'll rebound at a similar rate, you'll see our cash levels and therefore, our earnings -- our cash burn levels and our earnings rebound as the industry does. I don't know, Vasu, anything else you want to add?

Vasu Raja - American Airlines Group Inc. - SVP of Network Strategy

What I would just add to it, Brandon, is look, though, I think in this business, we've historically thought of business and leisure as having a materially different yield performances across our system, that is not always the case. Indeed, in our airline business style revenues, there are people who don't stay at Saturday nights, midweek travel, single person in the itinerary are about 1/3 of our revenue, but only about 1/3 of that comes from the large global corporates that are most likely to delay travel. And even -- so one, we're actually less exposed to that and historically have been than what may meet the eye.

But two, the replacement value of that traffic is very different for American Airlines. And our largest hubs, such as Dallas, Fort Worth, Charlotte, the noncorporate traffic that's on the airplane can often produce yields. They're between 70% to 75% of the corporates. But indeed, the noncorporate yields, what you might call the leisure yields in some of these hubs outperform corporate yields in some of the big coastal metro areas that are there. So really, the strength of the American Airlines business is that so much of what we do. We create connectivity for customers that really wouldn't exist if it weren't for American airlines flying in some of these markets. So that's a core attribute of our business model. That will be something that takes us through this crisis and will absolutely be part of what powers the revenue production of the airline on the other end of it.

Operator

And our next question comes from Mike Linenberg of Deutsche Bank.
Michael John Linenberg - Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst

Two very quick ones here. Derek, the $25 million to $30 million of burn. What is that number if we were -- or you could just tell us some roughly what is the piece that's related to debt interest principal payment and severance? Just to do an outlook.

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

In the fourth quarter, it's $8 million. It's the same in the third and fourth quarter. So it's $8 million in principal and interest payments in that $25 million.

Michael John Linenberg - Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst

Okay. Great. And then just second, you guys have done a nice job on the cost side, pulling down cost. I think ex-fuel profit -- ex fuel and specials, I think you're down about 30% third Q. What are you -- where do things shake out for the fourth quarter, given the fact that you will have a bit more people off the payroll, et cetera. What should we be looking at?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Yes. The way -- we had reductions in costs as we look at it, it was 40% in the third quarter. And it's -- and as we add -- we're adding back a little bit of capacity. So we said 59% down in the third quarter and close to 52%. So we had probably a little bit of cost due to capacity coming back in. So we should be in a similar range, maybe 38% -- 36%, 38% range on cost down in the fourth quarter.

Operator

And our next question comes from Joseph DeNardi of Stifel.

Joseph William DeNardi - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst

Derek, you talked about balance sheet flexibility and efficiency and your ability to pay down debt, you need to generate cash, obviously, to do that, part of that is CapEx. So if you want the market to better appreciate your ability to repair the balance sheet, can you provide some visibility around CapEx over the next few years?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Yes. As we look at CapEx, I mean, we've already pulled down '21 and '22. So we were at $1.7 billion, and we pulled $800 million out of '21. We pulled $200 million out of '22, so we would be at about $1 billion as the run rate, and we can take that lower also. We just -- right now, we're at that run rate, and we definitely can take it lower if there's -- if we need to.

From a CapEx perspective, we're sitting at about $1 billion in second -- in 2021 and about $1.7 billion in 2022. Now I also said that we have deferral rights on aircraft, and we can push that. That would reduce those 2 CapEx numbers out in the years. And as you know, we don't have many deliveries in '23, '24. So the CapEx profile is much, much smaller than we've had over the past years. And we'll use -- be able to use that cash that was going to buy aircraft and integrate the airlines into paying down debt.
Joseph William DeNardi - Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst

Got it. That's helpful. And then Vasu, why were American's earnings -- why was American's earnings power and margins so much lower than peers pre-COVID? And why will that change on the other side of this?

Vasu Raja - American Airlines Group Inc. - SVP of Network Strategy

Yes. Thanks. It's a great question. And there's a range of answers for it, but I'll at least pick on one that we are starting to see emerging in the trends right now, which is just how we've mixed capacity across our network. Look, as you look at 3Q results right now, our relative PRASM performance in the system is strong versus our competitors. That's kind of an empty victory in the environment we're in, but it's an important lesson because what we see right now is that about 75% of our airlines capacity is in our 4 biggest hubs. And in those hubs, we're producing, based on what we see today, 30%, 40% RASM premiums to the industry. Our smallest hubs, as we see them today, are 10% of our capacity and still producing a RASM deficit. Well, in the old days, that was a much bigger mix. The things that weren't outperforming on a RASM basis where, in some cases, as big as Dallas Fort Worth, our largest hub.

So look, what that means for us and this may relate to an earlier question is that as we come out of here, one of our really guiding principles is that we will produce a revenue premium to the industry. The way we go about doing that is, first and foremost, that we orient more of our organic assets in the markets where we can produce an outsized level of value for customers, which as we see today produces an outsized level of revenue for the airline. That too, through many of the partnerships that we've created, not just with Alaska and JetBlue, but with British Airway or IAG or JAL or many others around the world, in markets where we can't produce outsized customer value alone. We're going to work with these partners to make sure that we produce that value and get the returns that come with it.

And third and very importantly, too, we need to go and increasingly across our commercial division, given our customers really good reasons to want to fly more and pay us more, which sounds very simple and indeed it is. But we think that by doing that, there's a real path out of it where American can produce at a different level than it might have before.

Operator

And our next question comes from Helane Becker of Cowen.

Helane Renee Becker-Roukas - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

Sorry about that. I not know what happened. So here's my question, Doug. If on the stimulus program, if nothing is opened and people don't travel by March. Won't the industry be in the same place as it is now and need more stimulus money? Isn't it better to work with governors to open and then get more stimulus money rather than getting it now?

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Yes. Helane, again, as -- just separate 2 things, stimulus, of course, an entire COVID relief package would help stimulate the economy, I think it's really important. So yes, and I think the sooner the better, I think our country needs it and that would help in many ways to -- yes, I think. As to the payroll support plan extension, that's not about stimulus in our view, that's about keeping critical infrastructure in place. That's about the importance of the airline industry to that economic recovery, it's entirely what the PSP program was put in place to do. What it does is it has airlines keep more people employed than we would otherwise existing demand has to serve markets we wouldn't serve otherwise based on existing demand. And the concept was that the government as a pass-through, gives money to airlines to pay those people to fly those flights that we wouldn't otherwise.
So as the economy returns, that critical infrastructure is in place. I think that’s good policy. I think it’s been great policy up to date. I think it’s a good policy. It should be extended, and I’m not alone in that. There’s enormous bipartisan support for that for exactly those reasons. It’s not about getting money into airlines. It’s about making sure that critical infrastructure stays in place.

So yes, I think it’s really important to keep in place it now. I feel that absent an extension, you will see the -- you’ll see some of that infrastructure decline. And as the economy looks to rebound, we won’t be prepared as well as we should be to facilitate that rebound. So that’s what it’s about. And yes, so therefore, I don’t think it makes sense to let that critical infrastructure get harmed or to go lower. And again, I guess we’re (inaudible). Virtually everyone we talk to now agrees that should happen.

So I guess part of your question is another question we should note hear, which is, okay, that’s all well and good. But if things don’t get better in 6 months from now does it mean that you’re going to need it again.

I don’t think so. I happen to believe we’re seeing now, even in this environment, gradual return of revenues, we expect that to continue I think 6 months from now. Certainly, you’ll see a better environment than we have today, irrespective of what may or may not have happened as it relates to the pandemic itself because people are getting more and more comfortable with travel. And cities are opening up and business is returning somewhat.

So I think 6 months from now, it will certainly be better. And from an airline cyclical perspective, we’ll be headed into a summer, which is always -- has higher demand. So anyway, at least our view anyway is that 6 months of PSP extension would be the less PSP extension you would need to keep that infrastructure in place. But absent that, you’re -- we’re not going to be in a good position to do what people want us to do, which is being there to help the economy rebound.

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**Helane Renee Becker-Roukas** - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

Got you. That’s very helpful, actually. And then my other question, how many aircraft are actually being scheduled right now?

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**Vasu Raja** - American Airlines Group Inc. - SVP of Network Strategy

Helane, maybe the easier way to do it is how many airplanes are we not flying. And that number is in the order of magnitude of about 200 jets. We have a couple of airplanes that fly on relatively lazy lines because it makes some of the maintenance of the operations of the airline easier.

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**William Douglas Parker** - American Airlines Group Inc. - Chairman & CEO

200?

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**Vasu Raja** - American Airlines Group Inc. - SVP of Network Strategy

1,350.

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**Operator**

And our next question comes from Hunter Keay of Wolfe Research.

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**Hunter Kent Keay** - Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense

Derek, your revenue in 3Q is like $3.2 billion. How much -- what were your cash receipts, maybe net of refunds in the quarter?
Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Revenue is about 75, 25 from a revenue perspective. So we did burn some of the stored value during the quarter. Our ATL still has about -- we ended the ATL at about $4.9 billion at the end of the third quarter, and there's $2.5 billion that is still stored value that was from refunds and other things that were given out during the early part of COVID.

Hunter Kent Keay - Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense

Okay. Cool. And then I've got a question for Alison actually. I'm asking you this question given your comment of the importance of TMCs in the press release you put out with the new SABRE deal. How much did you spend on TMC commissions in 2019, just roughly? And how much is your budget? How much are you being given to spend on agency commissions in 2021 and 2022 relative to what you said about the importance of agencies as business travel recovers. And of course, obviously, the elephant in the room, the competitiveness of the corporate travel landscape and as it evolves over the next couple of years?

Alison Taylor - American Airlines Group Inc. - SVP of Global Sales & Distribution

Yes. For '21 for our TMCs and agencies, and we believe in always making sure our agencies are close partners for us to facilitate important corporate business. We're still working out what that would be because, as you know, we still are looking at the return of corporate business on the whole for the larger complex global accounts being later in '21. So it's a little hard at the moment to predict what those submissions will be. All I will say is that they continue to be important for us. And we believe, once again, they will be robust partners in the latter half of '21. We are also working with them to open up markets like the corridor between the U.K. and the U.S.A. And so they're also facilitating these opening of markets, which I think is an important initiative for them.

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

To Alison's defense, Hunter, we haven't gone through the budget process for 2021, and we will go through that process and figure out the right amount that we need to do for -- to get the corporate back.

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Yes. And Hunter, again, what I think you're getting at. Look, given our scale of American and our ability or so of corporate customers, it is rarely American that is out there, increase in commission rates in an effort to attract business travel. So I don't think you'll see that be the case in the future, if that's what you're asking. We do often need to match others now. And we need to be competitive. But Allison is not going out there cranking up commissions in general.

Operator

And our next question comes from Jamie Baker of JPMorgan.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst

A couple for Derek, presumably. First, based on the October 1 furloughs and the accompanying service suspensions, what's the estimated level of cost savings there, either on a quarterly or annual basis?
Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Yes. I think we've got -- as we put together how much of savings we've got from a management perspective, it was about $500 million, okay, that we had in the management side of things. The amount from efficiencies and other things that we got out from some of the management -- I mean, sorry, some of the labor was about $400 million. So from a headcount perspective, we're right around $1 billion of permanent efficiencies and headcount from those 2 areas. So under the $17 billion, $1 billion of it is definitely stuff that doesn't come back. Fleet reduction is another area where we will see significant savings. And then the other part of that is as we add back in the cost, as Doug said earlier, as we add back into flying, how do we do that more efficiently to drive those costs down and keep most of the -- keep everything we can from the savings that we've had in 2020 permanent as we move forward.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst

But the aircraft savings, I mean, you're not counting that as part of the PSP exercise. I mean, what I'm getting at is that in the event of another round of PSP, certain costs are going to be added back to the P&L, but then effectively taken out by the PSP. So what I'm really trying to calculate is what impact PSP would have on liquidity. So your aircraft comment is helpful, but that's separate, correct?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Yes. That is separate from PSP. PSP is all headcount related.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst

Right. And we should be assuming -- so your net number on that was about $1 billion annually, correct?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

With the amount of reductions from furlough -- yes, about $1 billion, $1.5 billion annually.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst

Okay. All right. That's helpful. And then again, so on the planned retirement, I guess, you're out of 5 aircraft families altogether. What level longer-term of cost does that permanently removed? And is your estimate net of any revenue inefficiencies, maybe this is a question for, Vasu, that might occur since you'll just have somewhat fewer options in terms of aircraft gauge.

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

From a cost perspective, I think there's 2 things. One is from a cost perspective, we should have a permanent reduction in those aircraft coming out from a -- because you have maintenance coming out, you have the -- all that kind of stuff coming out so it could be anywhere from -- I mean, we haven't calculated the 2021 plan yet. And as we just retired the 330-200s this morning. And we still have some 737s that are on the ground, whether they come back up as we move forward. But it's up to $0.5 billion in this year. And then if that stays at next year from a maintenance and a cost perspective as we go forward. I don't know, Vasu, you can add to this.

Vasu Raja - American Airlines Group Inc. - SVP of Network Strategy

Jamie. Just from a revenue perspective, the really nice thing about the retirement to this is that we've really accelerated where we wanted to be down the road. And so I think one of the things that we had said before is that we're looking for efficiency just because of the different number of aircraft high seating configurations. And also when you take into account our regional partners, the number of operators as well.
So over the course of the last 5 years, we've gone from really over 50 different subsuite types down to now about, I think, 23 or so. And in terms of being able to serve the marketplace, we're ending up with fleet families that really work well. So from 320 family perspective, look, we're not losing out on anything in terms of retirements like the 7 5s. From 787, 8 and 9, we're not losing out anything from a 76 and 330 perspective. So with the variance in the different fleet types, and the same holds true for our regionals, I think we've got the fleet to serve the spectrum of demand needs and do it in a way that's incredibly efficient.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline and Aircraft Leasing Equity Analyst

Got it. And Derek, just remaining on a covered asset number, and then I'll -- then we'll be done.

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

We have about -- we have about $4 billion of unencumbered assets, and we have $7 billion of first lien capabilities, so around $11 billion.

Operator

Our next question comes from David Vernon of Bernstein.

David Scott Vernon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I wanted to ask the post-COVID cost question in a slightly different way. If you were to take a look at the actions you've taken on the fleet side and assume some normal level of utilization, how would the gauge shift? Like if you were to just take a snapshot in 2019, what does our gauge look like pre-COVID, what's it going to look like in the future? And then if you think about the reduction in hourly operating costs from all the simplification, is there a way that you can frame kind of a cost reduction potential just on the variable hourly operating cost of the new fleet?

Investors are really trying to get their heads around this issue of, okay, American's margins were x before the crisis, what are they going to be after the crisis. And I think getting some more tangible data points around exactly what the fleets are going to look like would be helpful here.

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Sure. David, this is Doug. I'll start, and others can join in. And look, what makes sense are a little bit complex is we're still in the process of setting what our 2021 capacity is. So as Derek mentioned, we've got 737s on the ground. We have 50 seaters that are on the ground, depending on how those come back or not, that will impact our future gauge. So let me give you more of a conceptual answer. But if you think about it, right, we've taken out and all the fleet simplification that Robert and Derek just spoke about, we have taken out roughly 50 wide-bodies from December until June of this year.

And what all that is, is taking out some of our lesser -- or lower gauge airplanes such as 757, 767. And now we have more of our widebody fleet are in higher gauge, higher density products, like the 787. But importantly, for the narrow-body fleet, certainly versus last year and years prior, there's a material impact in upgauging. First, we have the 1 90 and the MD-80 is coming out, replaced with larger gauge 737 and 321 NEOs that are coming in. And in the regional side, we have more 50 seaters coming out being replaced with dual-class regional jets. And so all of that is a pretty material impact. And in the months ahead, we'll get a better sense for what that means for our average gauge year-over-year. But just through the basic fleet map by outline, you can probably get a pretty good sense for what that impact is.
Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Yes. And we're kind of looking at it over '19 just because of the '20 is so strange. But I think we'll have our average seat in '19 from a mainline was about 167. And as we do the Oasis projects and all the changes of the aircraft, that should go up, somewhere in the neighborhood of 5% or 5 seats. And then the regional, as we make that change on the regional, you're going to get about 3 more seats as we make the change there.

So there will be a significant -- as we look into 2021, departures should be down and gauge should be up. So that will give us a cost -- a benefit from a CASM perspective as we fly less departures at higher gauge at lower cost.

David Scott Vernon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

All right. And that's helpful. And then maybe just as a quick follow-up. Could you talk a little bit about kind of rebuilding the regional footprint and the feeder footprint. Is there going to be a shift in the owned model versus the contracted model? Or how do you -- or are you thinking about kind of how to start to rebuild feed traffic as you start to look at what the network is going to look like post COVID?

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

We've done a really nice job over the years of following a strategy that speaks to simplification in terms of fleet types and simplification in terms of number of operators with Piedmont, PSA and Envoy. And just really, at this point, a few partner carriers. We feel like we're in a really good spot. And with carriers that are established and off fighting on the basis of quality and efficiency. So we feel pretty good about it.

In terms of building back, of course, putting the larger 2 class regional jets into service at important prices is really important. I take a look to 2021 when demand recovers and that we open up a new regional facility in DCA. And think about the kind of changes that we talked about with upgauging and what that would mean for the airline. It's going to be positive, not just from a cost efficiency perspective, but also from a unit revenue perspective, but also from a passenger perspective in terms of quality of service, and we're going to be able to provide them a product that they really wanted.

Operator

And our next question comes from Joe Caiado of Crédit Suisse.

Jose Caiado De Sousa - Crédit Suisse AG, Research Division - Research Analyst

Derek, a quick question for you, and apologies if you answered it in your prepared remarks. But would you consider using some of the $1 billion of the equity raise to retire near-term debt at a significant discount? I think you mentioned your 5% unsecured notes due 2022 are sort of your next big maturity. And those are trading at about $0.70 on the dollar. So is that something you would consider? Or do you really want to see the cash generation drive the debt paydown?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

It is something we would consider as we look out to planning for 2021 and see where our cash needs are. But it is something we would consider.

Jose Caiado De Sousa - Crédit Suisse AG, Research Division - Research Analyst

Got it. Okay. And then just one more quick one. Did you say that there is retrofit in aircraft mod activity taking place today as part of the fleet harmonization initiatives? So that stuff is no longer on hold, is that right?
Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Correct. Yes. For us, we had not put it on hold. When I talk about our CapEx being what it is in 2021, almost 40% of that is actually that project. We've continued to push it with aircraft on the ground, we've been able to speed it up, which I think is the right decision to get the 738s done as quick as possible and 737s -- sorry, 737 and 8s get done as quick as possible and then speeding up the A321s to get that project done while the aircraft are on the ground. We can speed it up, save cost and get the benefits sooner. So those have been in the numbers and remain in the numbers as we move forward.

Operator

Our next question comes from Duane Pfennigwerth of Evercore ISI.

Duane Thomas Pfennigwerth - Evercore ISI Institutional Equities, Research Division - Senior MD

So you obviously have some improvement in the cash burn level here into the fourth quarter. Another way to say $25 million to $30 million a day is $10 billion annually, which is still a pretty big number. So maybe going back to Jamie's cost questions. All of the OpEx savings that you've realized, how much of that run rate is being reflected here in the fourth quarter? And if it's simply timing, absent revenue recovery, which we can model, where would that kind of $10 billion a year kind of cash burn go to based on the cash savings you've realized?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Well, the way -- we've said we had $17 billion of savings throughout the year, right? And the $16.2 million of that $1 billion is expense. Now some of that is volume, right? So as we add volume back in, those expenses are going to go back in. Some of the permanent stuff is what we talked about, which is the management headcount, the efficiencies, the fleet, a lot of the stuff we're doing will be permanent as we move forward to reduce that. What we have all said is that to get us back to cash positive, the cash burn to be breakeven needs -- we've all said, it's a demand recovery, and we need the demand to come back. So we will -- we are holding flat expenses third quarter over fourth quarter. Everything as we add back in capacity, so being more efficient, but the burn difference is coming from the revenue recovery. And where we're seeing it exactly today is what we've modeled out as we go out into the fourth quarter.

So I think the -- as we look into next year and as we look forward, that it's the demand recovery that gets us back flying our entire fleet, getting the revenue back and being as efficient as we can to cut those costs out in 2021.

Duane Thomas Pfennigwerth - Evercore ISI Institutional Equities, Research Division - Senior MD

Just for a follow-up there. This morning on the CNBC interview, I think it was mentioned that there's nothing more -- we've done virtually everything we can on costs at this point. I guess my question would be, are you at a structural disadvantage for some reason? Or what would you need to see in terms of this recovery for that view to change?

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

It's Doug. Yes. Again, what I said, again, I -- look, we haven't done anything we can -- we have been cutting the costs we can. By now, we sure should have. So as you've heard, as you've heard, I think from all the airlines right now, that's where we've gotten to. We reduced all the costs we can at this point. Clearly, as we ramp back up, as Derek and others have already said, we don't expect you should see the same kind of cost reduction going forward. But your question is, of the fourth quarter estimated $25 million, $30 million cash burn number, how does that get better. We don't want to give the impression that it's going to get a lot better because we're going to further be able to reduce costs from the existing cost levels. Just as our other large competitors this cash burn numbers are virtually exactly the same in the fourth quarter. We aren't going to be doing anything
about that in fact. Those numbers will get better for all of us at similar rates as demand recovers. And that is what’s required. If it doesn’t, we’ll stay -- we’ll all stay at these kind of burn rates. I don’t think anyone expects that to be the case. It hasn’t been the case through this year or anything close to it.

So we've gotten the improvement in these burn levels from the third and the fourth quarter isn't -- there's some of that is cost savings because we get to some furloughs. But by far, our biggest driver is revenue improvement and that’s what will be the improvement as we go forward. And what we get -- if we will give this industry back in cash positive.

Operator

And our next question comes from Andrew Didora of Bank of America.

Andrew George Didora - BofA Merrill Lynch, Research Division - Director

I'll start maybe to ask Duane's question in a little differently on costs, maybe put in to the -- on the revenue side. So what level of revenues versus 2019 do you feel like you need to be at in order to reach cash breakeven?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

Yes, go ahead.

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

No, Derek, you start off.

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO

I mean, we've said from a revenue perspective, we -- building the airline back up and getting it where we've got our aircraft back in and we get loads in about the 65% to 75% -- 70% range is kind of where it's going to take to get us back to breakeven. And that -- getting all aircraft back in is capacity much lower than where we were in 2019 because we've taken out 157 aircraft, and it will be much lower than what we had planned. So we're all going to take capacity out in 2021. The industry will be smaller. But getting most of our aircraft back up, getting loads in the 65% to 70% range, which will drive the revenue recovery and get the revenue back in is kind of where we see where we would be breakeven from a cash perspective.

Duane Thomas Pfennigwerth - Evercore ISI Institutional Equities, Research Division - Senior MD

That's great. And then just my second question maybe for Vasu. Can you maybe just again talk about how your discussions have gone with global authorities and how you're thinking about potentially the reintroduction of the long-haul international network? Maybe what regions or kind of routes do you think could come first, particularly when you think about your new -- how your new fleet plan plays into all of this?

Vasu Raja - American Airlines Group Inc. - SVP of Network Strategy

Absolutely. No, we would be happy to. And some of that we mentioned earlier, we are actively working with a number of global regulatory bodies now more so than with the U.K. See really our largest international connect point is indeed our hub and Heathrow. So we -- between ourselves and IAG, we are closely working with the U.K. government to really create an air travel corridor, which could be not just the basis for further reopening in long-haul services to the U.K., but indeed, the template for how we can do long-haul reopenings more globally.
And now other than that, while that impacts primarily our European to some degree, our Asian network, really, in many ways, our South America network is already coming back. Most all of our Miami to South American schedule is in place and doing quite well. And by the time we get into December, that will continue. So a big part of our long-haul network, which is South America, we expect to be back certainly by New Year or so. And then the other big chunk of it, which is Heathrow, we are working on to reopen. And then we have some confidence. It’s good for the global aviation community, but more critically, it’s good for customers everywhere to figure out really smart way to get a market reopen that can be the template for doing it elsewhere. So that’s how we’re thinking about it.

Operator

And ladies and gentlemen, this does conclude our analyst Q&A. (Operator Instructions) Our first question comes from Alison Sider of Wall Street Journal.

Alison Sider

Just curious how you’re thinking about sort of changes in the competitive landscape, seeing some of your competitors starting to announce plans to go into new cities, including some of your hubs, Chicago and Miami, just -- yes, curious how you’re seeing that playing out and how you’ll respond?

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

We welcome the competition. Look, we’ve got an incredibly strong network, as we’ve talked on the call today, and the assets that will serve our customers really well. So look, we’re excited about the potential for return of demand and what we can do when it does come back, and we’re ready to take on competition no matter where it comes.

Operator

And our next question comes from Leslie Josephs of CNBC.

Leslie Josephs

I just wanted to ask about the AAdvantage program. Do you have any sense of where revenue is going? Is it recovering? And what’s your outlook for co-brand card spend going forward, maybe even in 2021.

Vasu Raja - American Airlines Group Inc. - SVP of Network Strategy

Yes. Leslie, this is Vasu, and thanks for the question. We are, indeed, at a time when there’s so much has changed in our business and indeed in such a state of crisis. Indeed, our co-brand program has -- our revenues from haven’t fallen nearly at the rate of overall passenger revenue simply because people continue to keep spending out there. Indeed, as we look at consumers more broadly, savings are up, people are spending. They’re spending on different things. And so we are actually -- one of our major priorities in the year and years ahead is to work even more closely with our co-brand providers: Citi, Barclays, and even Mastercard as well to ensure that, one, our cards are top of mind and they’re driving increasing amount of spend for our customers and revenue for the airline.

Operator

And our next question comes from David Koenig of Associate Press.
David Koenig
Can you discuss -- I don't know if this will be for Doug or anybody, but can you discuss Thanksgiving, Christmas bookings and what kind of load factors you're expecting for those holidays? And also to clarify, Derek, are you saying 65% to 75% -- 65% to 70% load factors are breakeven, even with the current mix of business and leisure being heavily leisure?

Vasu Raja - American Airlines Group Inc. - SVP of Network Strategy
This is Vasu, and I can answer both. So the second one first, really it's -- the simple way to think of maybe 65% to 70% of 2019 revenues, which -- what Derek was giving, he was holding our yield comps and thinking about load factors. So that's maybe the simpler way to think about your second question. And then to your first question, yes, we do anticipate that the Thanksgiving period and the December second half period will be relatively stronger. One, because we have seen the last several holidays: Columbus Day, Labor Day, July 4 and Memorial Day become sequentially stronger. And indeed, what we're finding more and more is that as consumers start resuming life, returning to spending and full-service restaurants, going back-to-school, things like that. They're -- shortly thereafter, searches resume and air travel spending resumes to. And even with current rates of case growth, we continue to see that, at least in many geographies, such as the Sun Belt that are most critical for American airlines.

So we do see that as we get into the Thanksgiving week, as Robert mentioned in his opening comments, more than half of our flights are being yield managed in some ways, which means that the airline is holding out, anticipating higher revenues closer to departure. And so that's a promising thing, which we haven’t seen in the past. Now this is a volatile environment. The recovery will be choppy and should things change, we'll respond accordingly. But right now, things are better than they were, but far from sustainable.

Operator
And our next question comes from Justin Bachman of Bloomberg.

Justin Bachman
I wondered if you could clarify a bit on the timing around the 737 MAX deferrals that you announced as far as what periods you're thinking that those will come? And are you thinking about any other aircraft deferrals, if the business is not returning as you're hoping?

Derek J. Kerr - American Airlines Group Inc. - Executive VP & CFO
Thanks, Justin. The deferrals we have 8 deliveries -- 18 deliveries in 2021, and we have deferral rights on 8 of those aircraft. And then we have deferral rights on all 10 aircraft that come in 2022. We'll make those decisions down the road as we look at the demand environment as they come back, those can push up to 2023 and 2024. So that's where we're at on those. We have also been working with Airbus on just making and respreading the delivery stream there. We have moved some of the ones that were coming in 2021 to 2022. So we've pushed a little bit. And at this point in time, we're pretty firm on where we are from the delivery schedule with Airbus and Boeing.

Operator
And our next question comes from Edward Russell of TPG.

Edward Russell
I was wondering if you could talk a bit more about the MAX return to service. There are still some reports earlier this week that you'll be flying it around the Christmas time, but I know those dates have slipped repeatedly. How confident are you about that return time line?
Thanks, Edward. It really just -- it depends on what happens. The aircraft is going to be returned and ungrounded when the FA says it's okay and after we and our team get to take a look at it as well. Based on what we're hearing, that would allow for an ungrounding sometime in the month of November. If that holds true, we'll likely have the aircraft up in service a month or so after that. And so potentially by the very end of December. But it all remains to be seen, and we're incredibly flexible in terms of any type of time, just as we have done over the last -- over the course of the last year or so.

Operator

And our next question comes from Kyle Arnold of Dallas Morning News.

Kyle Arnold

I know that we saw Chicago and New York, New Jersey, Connecticut expand some of their travel quarantines. How problematic are these per travel here domestically? And is there anything to be done that can stimulate travel in those areas in the West Coast and the Northeast, where it is not as strong as some other areas in the country.

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Travel will come back when there are things that are open and things for people to do. Certainly, any type of restriction, these quarantines are not helpful. Again, we're trying to make things easier on customers where there are any type of difficulties such as the work that we're doing in the Caribbean and the work that we're doing in Hawaii. And as was mentioned earlier, the work that we're trying to do in Europe and especially the U.K. and trying to open up travel corridors. But the real key to all of this is having things for people to do. One of the things that we've talked about is a great indicator. Restaurants being open is a good indicator of people being able to go to travel to those destinations and it's just a critical key. And so that's about I can offer you.

Alison Taylor - American Airlines Group Inc. - SVP of Global Sales & Distribution

And we worked with many of our partners, whether that'd be travel associations, hotel partners, car rental companies as well, just to make sure that we're all booking together, frankly, to bring that tourism. One of the things to reduce confusion with our customers, as you quite rightly say, one day an area may close and then start quarantines, et cetera, is we have just placed on our aa.com, a site where you could place in your destination, and it can tell you what requirements for travel are in place for that state or that country because it's global. And this is really helping our customers understand and ease their travel as well and help them with bookings going forward.

Operator

And this does conclude our media Q&A. I will now turn the call back over to Doug Parker for closing comments.

William Douglas Parker - American Airlines Group Inc. - Chairman & CEO

Great. Thanks, everyone, for your interest. And any further questions, you can contact Investor Relations or corporate communications. We appreciate your time. Thank you very much.
Ladies and gentlemen, this concludes today’s conference call. Thank you for participating. You may now disconnect.