REFINITIV STREETEVENTS

EDITED TRANSCRIPT

AAL.OQ - Q1 2025 American Airlines Group Inc Earnings Call

EVENT DATE/TIME: APRIL 24, 2025 / 12:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Abriell Jackson *American Airlines Group Inc - Managing Director, Investor Relations*

Robert Isom *American Airlines Group Inc - President, Chief Executive Officer, Director*

Devon May *American Airlines Group Inc - Chief Financial Officer*

Steve Johnson *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

CONFERENCE CALL PARTICIPANTS

David Scott Vernon *Sanford C. Bernstein & Co., LLC. - Analyst*

Savi Syth *Raymond James Financial - Analyst*

Scott Group *Wolfe Research, LLC - Analyst*

Conor Cunningham *Melius Research LLC - Analyst*

Jamie Baker *JPMorgan Securities - Analyst*

Duane Pfennigwerth *Evercore ISI - Analyst*

Catherine O'Brien *Goldman Sachs - Analyst*

Stephen Trent *Citi Investment Research - Analyst*

Ravi Shanker *Morgan Stanley - Analyst*

Michael Linenberg *Deutsche Bank AG - Analyst*

Andrew Didora *Bank of America Securities - Analyst*

Tom Fitzgerald *TD Cowen - Analyst*

Editor

PRESENTATION

Operator

Thank you for standing by, and welcome to American Airlines Group's first quarter 2025 earnings conference call. (Operator Instructions)

I would now like to hand the call over to Abriell Jackson, Managing Director of Investor Relations. Please go ahead.

Abriell Jackson - *American Airlines Group Inc - Managing Director, Investor Relations*

Thank you, Latif. Good morning, and welcome to the American Airlines Group first quarter 2025 earnings conference call. On the call with prepared remarks, we have our CEO, Robert Isom; and our CFO, Devon May. In addition to our Vice Chair, Steve Johnson, we have a number of our Senior Executives in the room this morning for the Q&A session.

Robert will start the call with an overview of our performance. Devon will follow with details on the first quarter in addition to outlining our operating plans and outlook going forward. After our prepared remarks, we will open the call for analyst questions, followed by questions from the media. (Event Instructions)

Before we begin today, we must state that today's call contains forward-looking statements, including statements concerning future revenues, costs, forecasted capacity and fleet plans. These statements represent our predictions and expectations of future events, but numerous risks and uncertainties could cause actual results to differ from those projected.

Information about some of these risks and uncertainties can be found in our earnings press release that was issued this morning as well as our Form 10-K for the year ended December 31, 2024.

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

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

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

Robert Isom *- American Airlines Group Inc - President, Chief Executive Officer, Director*

Good morning, everyone. It goes without saying that we're in a challenging economic environment, which has had a significant impact on the industry. Historically, the airline industry has done well in periods of economic growth and certainty. The industry exited the fourth quarter with positive momentum, but this quickly shifted during the first quarter. The economic uncertainty in the market has pressured demand and impacted American's first quarter results and second quarter outlook.

Given this macro environment, we're withdrawing our full year outlook. That said, if current demand trends continue, we expect to deliver a profitable year and produce positive free cash flow. At American, we have the foundational strength, resilience, team and financial and operating flexibility to navigate the current environment.

The work we have done in the past several years has prepared us for times like these. We completed our fleet renewal in a very different economic environment with lower aircraft costs, lower lease and interest rates and during a time of OEM and supply chain stability. As a result, we have low aircraft CapEx requirements for the remainder of the decade.

We continue to employ our best-in-class cost management to make the airline more efficient. Through our efforts to reengineer the business, we now expect more than $750 million of cumulative cost savings as we exit 2025. We have utilized our free cash flow to strengthen the balance sheet. And at the end of the first quarter, we had our lowest net debt level since the end of 2015 while simultaneously taking action to smooth our debt maturity obligations going forward.

This foundation allows us to focus on our 2025 priorities of running a reliable operation as we reestablish connectivity throughout our network and continue to find ways to run a more efficient airline. We're taking action to deliver on our revenue potential by enhancing our partnership with Citi, growing our AAdvantage loyalty program, progressing in our sales and distribution indirect channel recovery and renewing our focus on customer experience to provide the best product and service for everyone who flies with American.

As we move forward, we remain committed to delivering on our long-term targets, growing margins, generating sustainable free cash flow and further strengthening our balance sheet.

Now on to our first quarter performance. First quarter unit revenue was up 0.7% year-over-year, which continues to lead the industry despite more exposure to a challenging domestic environment.

We estimate the impact of American Eagle Flight 5342 reduced first quarter revenue by approximately $200 million. Long-haul international passenger RASM continued to lead the way in the first quarter. Atlantic passenger RASM was up 10.5% year-over-year and Pacific passenger RASM was up 4.9% on 24.1% more capacity, primarily driven by strength in Japan.

Short-haul Latin passenger RASM increased year-over-year for the first time in more than a year and remains one of the most profitable regions on an absolute basis. We continue to see strong demand for international travel from the US.

Domestic passenger RASM was down 0.7% year-over-year in the quarter as US consumer discretionary spending and especially consumer spending on air travel decelerated throughout the quarter.

Performance in our premium and loyalty revenues continued to show strength year-over-year. Premium revenue increased 3% year-over-year in the first quarter on 0.3% lower capacity. Our premium cabin RASM year-over-year outperformed main cabin RASM by 4 points in domestic and 8 points in international.

Paid load factor in our premium cabins remained historically high and was up 2.9 points year-over-year. Loyalty revenues were up 5% year-over-year with spending on our co-branded credit cards up 8% in the quarter. We've begun laying the foundation for our expanded co-branded credit card partnership with Citi which is set to begin in 2026, and we remain on track to achieve the long-term growth targets we outlined last year.

Most importantly, customers continue to recognize the value of our loyalty program with AAdvantage enrollments increasing 6% year-over-year. AAdvantage members are responsible for 76% of premium cabin revenue.

American is proud to have an industry-leading travel rewards program that is frequently recognized for providing the best value for its members. Despite the headwinds in the economy and lower capacity, managed business revenue was up 8% year-over-year in the first quarter.

We remain encouraged by the feedback we're receiving from corporate customers as we continue to engage with them to understand how best to meet their needs. We saw specific strength in the financial and professional services sectors during the quarter.

Momentum in recovering revenue from indirect channels continued in the first quarter. We hit our target of reducing the gap versus our historical share to 7% in the first quarter, and we forecast to gain back another 2 points in the second quarter. We remain on track to restore our revenue share from indirect channels to historical levels as we exit this year despite the current macroeconomic uncertainty.

We started the year with a conservative growth plan and we will continue to be mindful of our capacity deployment. The demand and the competitive environment will continue to serve as the guidepost for our future capacity plans.

We'll remain nimble and take action as conditions warrant. And we have many levers at our disposal, such as reducing off-peak flying or if circumstances require returning leased aircraft, retiring aircraft and deferring aircraft deliveries to efficiently reduce capacity without jeopardizing the quality of our core network.

We're positioning American for sustained long-term success and a big part of that is transforming our customers' experience and engagement with us. We've established a new Customer Experience Organization, a centralized cohesive team that sits at the intersection of our commercial and operations organizations. This team will advocate on behalf of customers, leading the strategy and implementation of initiatives to improve every part of the customer journey from bookings to the airport, to in-flight experience customer feedback.

Last week, we announced the AAdvantage members will receive complementary high-speed satellite WiFi beginning in January 2026, thanks to a new sponsorship with AT&T. We're excited to be able to offer free high-speed satellite WiFi on more aircraft than any other carrier, and it's a great way to demonstrate that we have renewed our focus on the customer experience.

American continues to have the youngest fleet of the US network carriers. We're excited to debut our new state-of-the-art flagship sweet seats on our first new Boeing 787-9 and we look forward to the rollout of this product on our new Airbus A321 XLR aircraft.

These deliveries, along with the planned refresh of existing seeds are expected to grow American's live flat and premium economy seating by approximately 50% by the end of the decade. Additionally, American has led the way in introducing premium lounges and offers more premium lounges than any other US network carrier.

We're committed to reinvigorating the customer experience throughout various touch points of the travel journey, and we're on track to open our newest flagship lounge in Philadelphia in May. This lounge will be our ninth premium lounge across the system with more to come.

Finally, we recently announced several changes to improve our boarding process starting next month. And just this week, we introduced a new redesigned mobile app to further enhance customer interactions and self-service options.

Turning now to our operations. During the first quarter, the American Airlines team demonstrated our resilience and ability to quickly recover from irregular operations. We continue to make investments to drive further enhancements to our operating reliability.

Our first quarter operation was impacted by California wildfires, increased winter weather in our Sunbelt Hubs and the tragic accident of Flight 5342 on January 29. Before moving on, I want to take a moment to acknowledge the tragedy and pay tribute to the lives lost in the accident. We're supporting the families and loved ones through our office of continued care and outreach, which we established within a week of the accident.

The role and responsibilities of the office will evolve over time but it will always be focused on ensuring we live out our purpose of caring for people on life's journey. Thank you to our team members who helped in the immediate response to the accident, those who kept the operation running while caring for our customers and to our care team members who supported the families.

We continue to work closely with the US government and we're encouraged by the collective commitment to make the US Aviation System even safer going forward. Now I'll turn the call over to Devon to share more about our first quarter financial results and second quarter outlook.

Devon May - *American Airlines Group Inc - Chief Financial Officer*

Thank you, Robert. This morning, American reported a first quarter GAAP net loss of $473 million. Excluding net special items, we reported a first quarter net loss of $386 million or an adjusted loss of $0.59 per diluted share. We produced first quarter revenue of $12.6 billion, down 0.2% year-over-year with unit revenue up 0.7% year-over-year. First quarter unit cost, excluding fuel and net special items, was up 7.8% year-over-year.

We are committed to running the airline as efficiently as possible while enhancing the customer experience through best-in-class workforce management, efficient asset utilization and procurement transformation, we now expect to achieve approximately $250 million of cost savings in 2025 and on top of the $500 million achieved last year.

We also expect an additional $100 million of working capital cash release, bringing our total improvement in working capital to approximately $550 million over the past three years. We continue to see improvements in the productivity of our team and expect mainline full-time employee count to stay approximately flat relative to 2024.

With regard to our fleet, we expect to take delivery of 40- to 50 new aircraft this year. Based on our current expectations for new deliveries, our 2025 aircraft CapEx, which also includes used aircraft purchases, spare engines and net PDPs and is expected to be between $2 billion and $2.5 billion, and our total CapEx is expected to be between $3 billion and $3.5 billion.

We continue to expect moderate levels of CapEx moving forward, with aircraft CapEx averaging approximately $3.5 billion for the remainder of the decade.

We ended the first quarter with $10.8 billion of total available liquidity, and we produced free cash flow of $1.7 billion in the quarter. During the quarter, we strategically repriced our $2.3 billion advantage backed term loan. The repricing lowered the interest rate by nearly 300 basis points and vastly improved the amortization profile, pushing out $1.9 billion of amortization over the next three years into 2028.

Additionally, we reduced total debt by $1.2 billion during the quarter. We now have more than $10 billion in unencumbered assets and more than $13 billion in additional first lien borrowing capacity. Our balance sheet is stronger than it has been in nearly a decade, and we remain committed to reducing our total debt to less than $35 billion by year-end 2027.

For the second quarter of 2025, we expect capacity to be up 2% to 4% year-over-year as we continue to build back our northern hubs. We remain focused on deploying profitable capacity and being nimble in response to the demand and competitive environment. We expect second quarter revenue to be down 2% to up 1% year-over-year as we anticipate softness in the domestic main cabin to continue.

To partially offset this, we expect long-haul international and premium bookings to outperform year-over-year and anticipate additional progress in recovering revenue through our indirect channels. Second quarter non-fuel unit cost is expected to be up 3% to 5% year-over-year, which is in line with our expectations to start the year.

Nearly the entirety of our year-over-year CASMx increase is driven by the collective bargaining agreements that we have rapid over the past two years. While these collective bargaining agreements have resulted in a meaningful step-up in labor costs, we are pleased that all of our largest work groups enjoy contracts that are in line with industry-leading agreements and that we have labor cost certainty through 2027.

Based on our current demand assumptions and fuel price forecast, we expect to produce second quarter earnings of approximately $0.50 to $1 per diluted share. I'll now turn the call back to Robert for closing remarks.

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

Thank you, Devon. The travel industry is a critical engine for the US economy generating $1.3 trillion in direct spending in the US and supporting one in every 11 US jobs.

With increased global travel to the US comes increased spending and investment in economic growth. Airlines are a big part of that equation. And American is proud to be the largest employer of US workers among them.

Anything that spurs demand for travel, both domestically and abroad is something we will support. This starts with making America a welcoming destination for international travelers, especially in advance of major events like FIFA World Cup '26 of which were a sponsor and later, the 2028 Olympic Games in Los Angeles.

This means expanding Visa free travel, lowering Visa processing times and expediting the deployment of new technologies to make travel more seamless and secure. And of course, ensuring the growth and long-term health of the travel industry in the US will require us to address critical infrastructure issues, the most pressing of which is ATC modernization.

American is committed to working with the administration, regulators and the rest of the industry to meet each of these challenges. At American, we're resilient by design. The underlying strength of our business and balance sheet and our ability to remain nimble and adjust to the environment gives us confidence in our ability to navigate the path forward. We remain focused on delivering on our commitments and producing results for the airline and for our shareholders.

And operator, you may now open the line for analyst questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

David Scott Vernon, Bernstein.

David Scott Vernon - *Sanford C. Bernstein & Co., LLC. - Analyst*

Robert, so I guess the first question I have for you, the earnings release and materials didn't make much mention around sort of capacity moderation given the weakness that we're seeing in demand. Can you talk about kind of how you're thinking about sizing the network as we get through the second half of the year?

I mean, clearly, with the financial leverage in the business, I'm sure this is something you guys are looking at it. I'd just like to hear from you kind of what you're thinking about on the capacity front as we look at 2H.

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

Thanks, David. Appreciate the question. What we've done is, obviously, we pulled our guidance. We more or less have our capacity plan set for the summer. We plan on flying that. You saw in our second quarter guide 2% to 4% growth.

As we look beyond that, there's a lot of uncertainty. Our view as we go forward is we're going to be nimble and quick to react, size demand, size capacity to demand. But I'll tell you right now, we have a negative bias to all capacity as we go forward. We'll know more as time develops in the next several weeks, month, and we'll have more to talk about on that on future earnings calls.

David Scott Vernon - *Sanford C. Bernstein & Co., LLC. - Analyst*

All right. Maybe just as a follow-up, as you think about the corporate sort of share recovery, is that coming in at the yields you would have expected to be coming in? Or is there a little bit of reinvestment required in terms of recapturing some of that the business here?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Yes. Thanks for the question. This is Steve. It's coming in just as we expected. And as Robert said in his opening remarks, we're on track to recover share by the end of the year.

Operator

Savi Syth, Raymond James.

Savi Syth - *Raymond James Financial - Analyst*

I know you mentioned -- it sounds like in 2Q, you're expecting kind of international premium to continue leading the way. But I was curious if you can provide a little bit more color across the four entities on how you -- what's in guidance in terms of performance there?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Sure. Thanks, Savi. It's across the entities, we're seeing strength through the summer really in each one. Obviously, with the uncertainty and just the booking curve visibility beyond the summer is a little unclear right now. But we're seeing really very good strength in our Heathrow and European operation, strength in the North Pacific, strength in the South Pacific.

South America, South America, but it is doing pretty well in Argentina is kind of the star of the show down there right now. And I'd also just don't want to finish the answer without mentioning that we're still -- we have a very significant international operation in its short-haul in the Caribbean and Mexico, Central America, and that's performing pretty well.

Savi Syth - *Raymond James Financial - Analyst*

I appreciate that. And if I could -- on the domestic side, are you expecting much of a deceleration? Or what's the trend into 2Q there?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Domestically, we remain strong in -- as we described in the opening remarks, our premium bookings are terrific. The bookings through indirect channels are solid. Our business bookings are solid. What we're seeing though, like the other airlines really significant weakness in the demand that books through our indirect channels, which is I think we believe is mostly our most price-sensitive customers. Our customers for whom travel is most discretionary. And that's where the issue is.

We'd like to think that, that's demand that's not been lost, but demand that's on the sidelines waiting to understand which direction the economy is going to go. But nevertheless, at the moment that we're seeing weakness in those cohorts.

Operator

Scott Group, Wolfe Research.

Scott Group - *Wolfe Research, LLC - Analyst*

So just to follow up there, that subset of the business that you're talking about that I guess, maybe domestic, main cabin or indirect, what percentage of the total business is that? And if international is staying. It sounds like international is positive, but correct me if I'm wrong, like are we thinking -- is this business down? Is this a high down? High single-digit kind of RASM right now on this more domestic main cabin part of the business?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Well, domestic main cabin is weak, and that's what's driving, I think, the overall demand numbers that you're seeing and the weakness in the reports, right. I think I'd say mid- to high single-digit weakness in those groups, particularly over the course of the summer is what we're looking at.

Scott Group - *Wolfe Research, LLC - Analyst*

Okay. And then I guess, are we seeing any signs of that stabilize? Or is it continuing to get worse? And then maybe just like bigger picture. A year ago in Q2, you guys underperformed on RASM, and we heard about while we lost a lot of corporate.

We're now getting the corporate back. Why aren't we seeing the RASM benefit of that, at least relative to some of the others?

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

Scott, just let me start with this, which is, hey, look, there's a tremendous amount of uncertainty in the environment. When we take a look at fourth quarter a tremendous amount of momentum. You go into the first quarter, January kind of came in where we had anticipated, February look kind of solid. But really March and then continue into April changed considerably. So we're cautious about what we're looking at in terms of forecast for the second quarter because there is so much uncertainty.

And it's why we pulled our guide beyond that. So as we take a look, and as Steve mentioned, premium is doing well, international seems to be holding up well. We're winning back our sales in -- from a sales and distribution perspective. We just don't have a lot of clarity what goes beyond that. And even as we take a look into the summer, what we know right now, we're telling you the best what we know, and we're going to have to see how things play out.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - *Melius Research LLC - Analyst*

Just going back to the US domestic market. I realize this is a short-term question, and I hate to ask it. But can you talk about how you've changed your revenue management systems? Are you doing what Delta and United are doing essentially in opening up basic economy earlier?

And the question -- the reason why I asked that is like the industry in general has a lot more seats to sell in June versus April. So are you seeing incremental discounting into a month like that relative to the month of April in general?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Sure. Thanks for the question. I don't have specifics about how Delta and United have set up, but we believe that we are properly set up for a summer that is along the lines that I just described a moment ago, where there is significant weakness in our main cabin demand, significant weakness among our most discretionary travelers.

So our inventory systems and our pricing is set up to accommodate that and capture all of the demand that is available under the existing circumstances. And obviously, those are levers that we can pull and tweak and manage very carefully on a real-time basis.

We're monitoring the system -- the situation very carefully, make changes every day. But I think right now, our setup is where it needs to be.

Conor Cunningham - *Melius Research LLC - Analyst*

Okay. And then United spent a lot of time on their call talking about share shift in Chicago. And I'm just trying to understand from your corporate travel expectation as you exit this year. Like can you talk about the importance of rebuilding New York in Chicago in general and how that correlates to getting back the corporate share that you lost from the distribution changes in general?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Sure. A big, complicated question but let me try to unpack it. First, if United is gaining share in Chicago, they're gaining it from somebody other than us. So let's start there. But -- and might as well just stick with Chicago.

I mean it's a huge market. It's a huge business market. It's our third largest hub. It's really a key part of our network. It has been profitable in the past even as a shared hub, and we've been part of Chicago for 99 years.

We have a really loyal customer base there. We have a significant advantage penetration, significant co-brand penetration. We've received a really positive reception from our corporate clients as we've pivoted on sales and distribution. Chicago is really important to them, and our presence there is really important to our business with them.

Geographically, Chicago is important. It's where we -- it's how we take care of and connect to and provide service to our customers in the Upper Midwest and the Great Lakes region. It's how we connect passengers across the northern tier of the United States.

And I can also say that so far, Chicago so far, we have increased our share in Chicago. And the overall performance is, I think, going exactly in accordance with our plans. New York is likewise a very important part of our network, very large market, a market that has always accommodated several airlines.

In New York, we have a large customer and large and loyal customer base, significant advantage penetration, significant co-brand penetration. And we're excited about the evolving position that we're creating in New York.

LaGuardia will be the largest, I think, operation that we've had in history. We've optimized it. We think for our New York customers, we've optimized it for our hubs and spokes and we've optimized it to maximize the halo effect that New York has.

At JFK, we've created a really competitive OneWorld hub at T8 at the airport there. And together with Laguario, we -- and together with our JV partners, we now serve 100 markets out of New York. We have a really significant franchise in the transcontinental market, really significant franchise in London Heathrow, the biggest travel market in the world, I think.

And we operate at a really -- at two really great facilities in New York with terrific lounge products, terrific retail. Indeed, we're reimagining the retail at JFK. And I'm told there's going to be 60 new stores and restaurants there as that work is completed.

So we're evolving in New York, we're adapting in New York. We're obviously constrained in New York by slots, but we're, I think, really happy with the positioning we have there.

Operator

Jamie Baker, JPMorgan Securities.

Jamie Baker - *JPMorgan Securities - Analyst*

First one for Devon. So you're obviously not buying back stack at the moment, which is a good thing. But curious how we should think about your approach to minimum liquidity and CapEx if operating cash flow deteriorates from here. So which bucket or buckets, plural, collateral would you consider easiest to tap, given where market yields are right now?

Devon May - *American Airlines Group Inc - Chief Financial Officer*

Yes. Well, I'll just start by saying I really like the position we're in. We ended the first quarter with $10.8 billion of liquidity. We have made a ton of progress on the balance sheet. We reduced total debt by $15 billion from peak levels back in mid-2021.

We have $10 billion of unencumbered assets. We have $13 billion of first lien capacity. We have really high-quality first lien capacity, that's out there as well, whether it's slot gates routes or advantage back. We feel really good about where we're at right now, and we'll see what we end up doing with it if we do really get into a downside scenario, but we're in a great position.

Jamie Baker - *JPMorgan Securities - Analyst*

Okay. And then following on Conor's question and it wouldn't be an American earnings call, I suppose if I didn't ask about one of your hubs. But looking at Chicago, it seems that a pretty material portion of the capacity restoration is really early in the morning or pretty late at night.

Can you comment on how RASM sort of at the edges of the Workday, however you define that, compares to that of, I don't know, daylight hours for lack of a better term, although I suppose that's not a good term for the summer, but you get the idea.

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Sure, Jamie. I mean, as you grow markets, you -- particularly hub markets, you grow them by adding banks. And so we've added banks at the beginning of the day and the end of the day. There's -- obviously, those are going to be weaker than in the heart of the day. But it's cheaper to add those by just improving your asset utilization.

Also, it's important to note that the first flight of the day and the last flight of the day is really important. And so as we think about what we -- where we want to end up in Chicago, that's a big step. And ultimately, those -- we expect that those banks will improve performance as we have the opportunity to fly them and have the -- our customers get more -- remember, American and those will be better.

Really important part of our local traffic offering for our Chicago is the banks or the first part of the day and the banks in the last part of the day. So yes, that's what we had always planned and what you would have expected to see.

Operator

Duane Pfennigwerth, Evercore ISI.

Duane Pfennigwerth - *Evercore ISI - Analyst*

Just on the corporate share recapture, it's hard to find that in your guidance and understand it's a dynamic backdrop for sure. But what would be offsetting the share recapture if you're winning back corporates from a margin and from a, I guess, implied RASM perspective?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

I think that you're not seeing it because it's overwhelmed by the weakness in our main cabin demand.

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

Steve, I'd add to that. Our government business is fallen off considerably as well. So that would add to it as well.

Duane Pfennigwerth - *Evercore ISI - Analyst*

Okay. And then apologies, I really don't want to ask another Chicago question, but I'll venture down the path. Again, it might be hard to parse in this backdrop. But can you contrast, presumably, some of this was about taking pressure off of a market like Charlotte versus the investment that you're making in a market like Chicago.

Can you just help us size the relative benefit in Charlotte from a RASM and margin perspective versus the relative investment in Chicago. And I guess, when are we done? What inning are we in of that rebuild in Chicago?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Baseball question again. What inning are we in the rebuild of Chicago. It's right now maybe the fourth inning, I think, is about right, fourth or fifth inning, something like that. And our strategy to grow Chicago didn't have anything to do with our strategy in Charlotte. Chicago was a place that, is a place that we have been very successful in the past.

We took down our Chicago operation during the pandemic. As we grew our operation after the pandemic, we deployed our assets in the places where demand was the strongest first. Chicago just was slower to rebound. But now we're focused on rebuilding the position that we've traditionally had in Chicago. We understand that we'll probably always be second place in Chicago, but that's been a very effective immune to serve our customers profitable and a position that we like a lot.

So that's what we're focused on is rebuilding Chicago because Chicago is a really important part of our network. In Charlotte, our strategy there is to continue to be as large in Charlotte as we can operate. It's very efficient, very geographically well placed hub, very low cost for purposes of connecting. But we are close to capacity at that airport. And so we're just not in a position at least right now to grow it any further.

Operator

Catherine O'Brien, Goldman Sachs.

Catherine O'Brien - *Goldman Sachs - Analyst*

Maybe just one more on the 2Q revenue guidance if you allow it. Steve, I think you were talking about you're expecting to see momentum in international through the summer, that's looking strong, offsetting some of that being cabin.

So I guess underlying your revenue guidance, are you expecting each international geography to see PRASM improve relative to its 1Q performance and the decel is all domestic? Or have I got that scrambled.

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

I think what we are seeing is solid performance in the long-haul international markets that is improved year-over-year. It's hard to, I think, to compare second quarter performance, the first quarter performance just because the demand is so different. But I would just say sequentially strong, still positive.

If you -- what you're asking is, is the year-over-year growth in the second quarter as good as the year-over-year growth in the first quarter, I'd say it's decelerating a little bit. But still strong and again, fueled by really strong premium demand, really strong demand for the premium cabins.

Catherine O'Brien - *Goldman Sachs - Analyst*

Understood. And maybe one for Devon. You guys understandably pulled for your EPS in this very uncertain backdrop, and you know there's downside bias to your capacity outlook. But if you wind up growing low single digits as was your plan back in January, are you still thinking CASM would be up mid-singles or with the incremental cost savings you highlighted earlier, could you do better than that?

Devon May - *American Airlines Group Inc - Chief Financial Officer*

No, I think if our capacity ends up being largely in line with where we started the year, our costs are also going to be largely in line with where we started the year. I'd just say we're best in the business at managing cost and explore near-term and also driving efficiencies over the long term that are good for our customers, also good for our team members. That was built into our plan for this year.

So while there may be some trimming around the edges, I think we have all of the right plans in place to run a really effective and efficient business this year. On the other side, if we do full capacity, I think we're going to be really effective in managing costs out as well.

Operator

Stephen Trent, Citi.

Stephen Trent - *Citi Investment Research - Analyst*

First, I was kind of curious when we think about 2026, I know it seems like an eternity from now. But looking at sort of the World Cup event on the horizon. Would you guys expect any flux vis-a-vis what we saw in the transatlantic for the Paris Olympics last year? Or do you guys have a, let's say, a relative advantage versus other pairs because of a high US point of sale?

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

Stephen, thanks. No, we're really proud to be a sponsor along with our partner, Qatar. It's the largest sporting event in the world, and it's unique in that it is spread out across the United States, Canada and Mexico and American is the strongest carrier in all of the hosted -- the vast majority of the host cities. So we're really proud to be the title sponsor.

If I'd tell you, this is an event that's very different than the Olympics. It's all concentrated in one city, all at one time, that actually, in some cases, can diminish the demand over a period of time. This is one in which we see tremendous interest in travel and spending time, and we don't believe it will have an impact on the other business that goes into these cities namely because it's spread out and because it will be something that is such a focus.

So tremendously exciting. American is glad to be at the top of that, and it's just another indication of us building for the future.

Stephen Trent - *Citi Investment Research - Analyst*

Okay. Super, Robert. Really appreciate that. And just as a quick follow-up to that. Could you sort of refresh my memory approximately where is your -- the percentage of US point of sale for your international?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

We -- about 75% of our international is sold in -- as US point of sale.

Operator

Ravi Shanker, Morgan Stanley.

Ravi Shanker - *Morgan Stanley - Analyst*

Just a follow-up on the normalization of share in indirect distribution and corporate. How macro sensitive or agnostic is that share recovery?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

That's a really good question. It is share, first of all. So it's not absolute numbers. But we're -- at this period of uncertainty, we're seeing that share build very nicely. And with -- and we're not hearing anecdotally about reduced travel.

Our business travel is up overall, as Robert said in his opening remarks. So it remains -- it's -- right now, it doesn't seem to be macro sensitive. I suppose it remains to be seen. But right now, business traffic seems strong. Our share is growing.

We're getting a lot of positive feedback with respect to our new sales and distribution efforts. So fingers crossed, it's going in the right direction and a really positive part of our revenue effort at this point in time.

Ravi Shanker - *Morgan Stanley - Analyst*

That's helpful. And maybe as a follow-up, apologies if I missed this, but can you talk about book away following the tragic accident and whether or not that has normalized since?

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

I can. Look, the Flight 5342, as I said in my remarks, it had an impact in the first quarter. It had a material impact in the first quarter. But that's largely been something that is unique to that quarter. And as we take a look to the future, we don't anticipate any impact.

Operator

Michael Linenberg, Deutsche Bank.

Michael Linenberg - *Deutsche Bank AG - Analyst*

I just want to go back with -- Steve, you talked about corporate trending up or being up. I mean if we look at managed business revenue, that was up 8% in the March quarter. Based on what you're seeing now and the fact that you also have a fairly easy comp because of the sort of the distribution strategy from a year ago and the fact that you are gaining back share, is that increase -- should we expect that increase to be higher in the June quarter? That managed business revenue will be better than up 8% given kind of the underlying kind of factors that I just mentioned?

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Thanks. As I look out, what I expect is that we're going to continue to grow our share in the second quarter. Remember, again, as I said a moment ago, that share, not absolute. So I'd say as long as the economy continues to support business traffic, we're going to continue to grow business traffic in the second quarter. And we should grow it faster than the other airlines because of our distribution -- because of the progress of our distribution efforts.

Michael Linenberg - *Deutsche Bank AG - Analyst*

Okay. Great. And then just on a second question here. Obviously, there's -- it seems like there's a lot of movement around with respect to the real estate in Chicago. If we think about your gate position today and where we are over the next, call it, six months or so as gates are reallocated, where are you on a net basis on a -- I mean, I think it's been reported that you lose gates, but then there's the offset -- or there's the opportunity to use common use gates.

So on a net basis, what happens to your gate position in Chicago? Are you down or are you flat? Any color there would be great.

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Sure. Yes. Thanks. I mean first off, as I think you saw, we're -- we disagree with the airports in the city of Chicago's determination on that, and we're appealing that decision that would have gates be reallocated during 2025. That said, it's going to take a while to sort that out, I expect. And to the extent that it's not sorted out by October when the new regime would go into place.

I think we're -- we feel like we're in good shape. Remember, we're growing Chicago back and I expect that we will be able to accommodate our growth in Chicago all the way until the next summer with the gate footprint that we have. But we also expect that growth in Chicago will put us in a really good position to benefit from the reallocation of gates that's going to take place again next February and March.

Operator

Andrew Didora, Bank of America.

Andrew Didora - *Bank of America Securities - Analyst*

Most of my questions around certainly 2Q have been asked and answered. But just one question from me for Devon. On the sub-$35 billion of debt by the end of 2027. Just curious what you are assuming for liquidity over that time frame as I know you have a lot of debt coming due over the next few years. So just curious how you're thinking about liquidity.

Devon May - *American Airlines Group Inc - Chief Financial Officer*

Sure. I'll just start by saying we are committed to reducing total debt to under $35 billion at the end of 2027. And structurally, we're set up really well to do that. We've talked about our limited CapEx requirements over that period. So it gives us the potential for a lot of free cash flow.

When we think about liquidity, right now, we're holding $10.8 billion. We've talked that over time, as we continue to improve the balance sheet, we would expect our levels of liquidity to come down slightly. During this uncertain time, we're going to continue to hold right around this $10 billion mark, but that is likely to change over time as we expand margins and improve the balance sheet.

Operator

Tom Fitzgerald, TD Cowen.

Tom Fitzgerald - *TD Cowen - Analyst*

I'm just kind of curious on corporate generally, both large managed accounts and the small and medium-sized enterprises, if there's any pockets of green shoots or any sectors that are demand is looking a little more resilient than some of the sectors like autos or agriculture that we hear about in the news.

Steve Johnson - *American Airlines Inc - Vice Chairman of the Board, Chief Strategy Officer*

Thanks for the question. We are not seeing any real pullback in business travel at this point across the board. That may come later if the economy continues to deteriorate, but right now, we're -- it all looks pretty vibrant. We maybe have a better position to look in terms of improvement because of our sales and distribution recovery efforts. But right now, business travel looks good across the board.

Tom Fitzgerald - *TD Cowen - Analyst*

Okay. That's really helpful. And then just going back to the topic about international travel and cross-border flows. What have your conversations been like with your government relations team or your contacts in D.C. about conveying the importance of smooth cross-border flows to policymakers?

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

No, appreciate the question. Travel is incredibly important to the US. And I think people are aware that almost one in 11 jobs is tied to travel. $1.3 trillion of direct spending, $2.9 trillion of overall spending and related outside of direct. This is an incredibly important sector to our economy.

And we have to make this something that is the cornerstone of infrastructure. And that starts with not only doing the work we can domestically but also making the country a welcoming place. And as we work with the administration, just overall reducing concerns about certainty, we're also getting ready for where we should be. And that means making sure Visa wait times are very, very limited. That means that we open up to travel without Visa opportunities.

That means that we work with the administration on safe and secure so that when you come to one of our ports that it's easy to get into and you feel like it's a process that's not cumbersome. And then ultimately, we look to the future of making sure that the industry as a whole can continue to grow. That's the long-term plan. And from that perspective, we're working with the administration on air traffic control reform, which is likely the biggest limiter to growth in the industry as we look at over several years.

Editor

This concludes the analyst portion of this call.

Operator

I would now like to turn the conference back to Robert Isom for closing remarks. Sir?

Robert Isom - *American Airlines Group Inc - President, Chief Executive Officer, Director*

I'll close with this. Uncertainty is what we're living with now. It is something I know that the country wants to move beyond. And I know that everybody is working to that end. No matter the environment, American is well positioned. From a prolonged period of uncertainty, we're ready for it.

As I said before, we have a balance sheet exemplary cost management, the fleet that is ready and incredibly flexible, a team that is experienced to handle whatever may come our way.

Over the long run, travel comes back. People want to travel and American is well prepared for that as well. We have a renewed focus on customer experience. You will see American investing in our premium product.

We do believe no matter the economic environment that customers will want to be treated better. They will want services and amenities that they are certainly willing to pay for. American is committed to being a leader on that front.

We've got a great network, a great fleet, an incredible set of partners. And over the long run, I know that our priorities of operating with excellence of ensuring that we treat our customers right, working to expand our industry-leading loyalty program and partnering with Citi, delivering on our full revenue potential and continuing to reengineer the business, it will enable us to get back to growing margins, delivering free cash flow and strengthening our balance sheet. So American is ready for whatever may come long into the future.

So thank you, and I appreciate the time.

Operator

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

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.