

American Airlines Group Inc.

Baird's 2019 Global Industrial Conference

November 6, 2019

Doug Parker
Chairman and CEO



Cautionary Statement Regarding Forward-Looking Statements and Information

Certain of the statements contained in this report should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended (the Securities Act), the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as “may,” “will,” “expect,” “intend,” “anticipate,” “believe,” “estimate,” “plan,” “project,” “could,” “should,” “would,” “continue,” “seek,” “target,” “guidance,” “outlook,” “if current trends continue,” “optimistic,” “forecast” and other similar words. Such statements include, but are not limited to, statements about our plans, objectives, expectations, intentions, estimates and strategies for the future, and other statements that are not historical facts. These forward-looking statements are based on our current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (especially in Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 1A. Risk Factors), and other risks and uncertainties listed from time to time in our other filings with the Securities and Exchange Commission. There may be other factors of which we are not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. We do not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements other than as required by law. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statement.

Focused on Delivering Value for Shareholders

- 3Q19 pre-tax income:¹ \$835 million, up 16% vs. 3Q18
- 3Q19 earnings per diluted share:¹ \$1.42, up 20% vs. 3Q18
- Returned \$935 million to shareholders in stock repurchases and dividends through 3Q19 and more than \$13 billion since 2014
- But, 2019 should have been much better for American...
 - MAX fleet grounding impacted earnings by estimated \$540 million in 2019
 - Summer operations impacted by negotiations
- Excited about value creation prospects in 2020 and beyond



The Long Term is Now

Committed to three key areas of value creation in 2020



**Return to
operational
excellence**



**Efficient and
profitable
growth**



**Significant
free cash flow
generation**

The Long Term is Now

Committed to three key areas of value creation in 2020



**Return to
operational
excellence**



**Efficient and
profitable
growth**

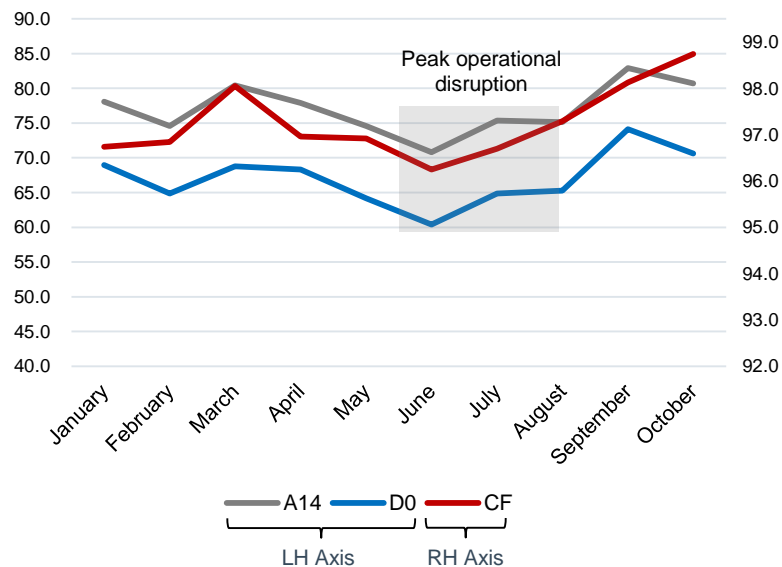


**Significant
free cash flow
generation**

Return to Operational Excellence

- Committed to returning to operational excellence in 2020
- Improvement over the summer, gives us confidence we are on the right path
 - On-time Arrivals: Sept. was best since Nov. 2017 and 7th best in history
 - Completion Factor: Oct. was best since Nov. 2017 and 7th best in history
- Continuing to focus on improving our operations

AA System Operational Performance¹ 2019 YTD



¹/ American Airlines Group DOT reported data for arrivals within 14 minutes, on-time departures, and percentage of completed flights.

Planning for Operational Excellence

- Labor agreement with Ramp and Mechanic team members
- Operational improvements focused on three key areas:
 - Aircraft availability
 - Turn management
 - Operations Management
- We are implementing a coordinated fleet improvement plan that will drive operational excellence



The Long Term is Now

Committed to three key areas of value creation in 2020



**Return to
operational
excellence**



**Efficient and
profitable
growth**



**Significant
free cash flow
generation**

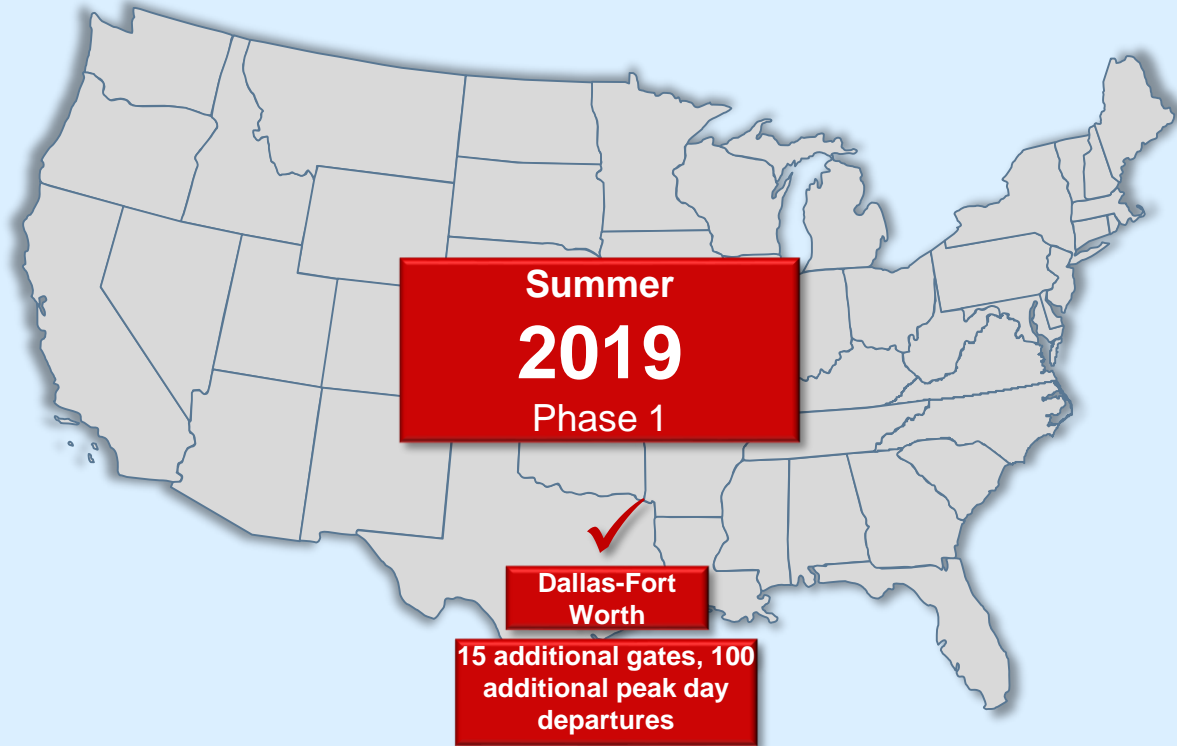
Efficient and Profitable Growth

- Expect to grow network by ~5% in 2020
- Capacity growth in 2020 will be low cost and efficient:
 - 737 MAX grounding costs already in the business
 - Additional gates at most profitable hubs
 - Standardized cabins on narrowbody aircraft and upgauged fleet creates growth with low marginal costs
 - Operational excellence to improve completion factor
- Three year growth plan initiated in 2019 and already creating value



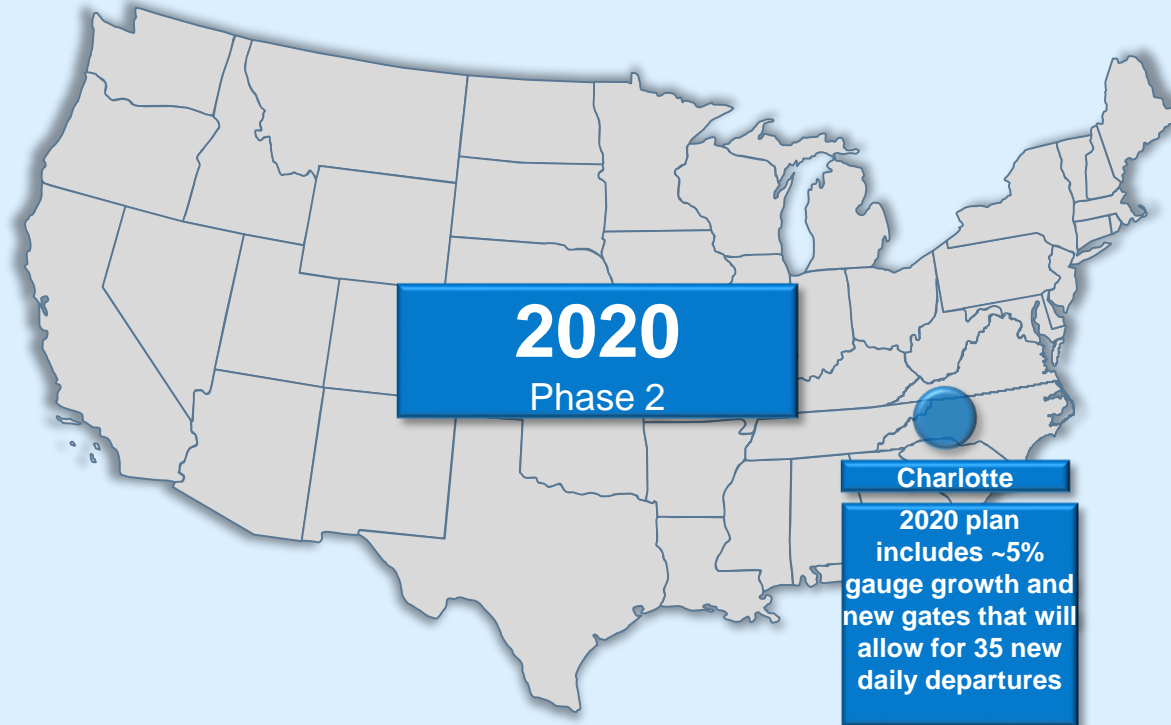
Efficient and Profitable Growth

- Executing aggressively on growth at our most profitable hubs, adding high margin flying to the network



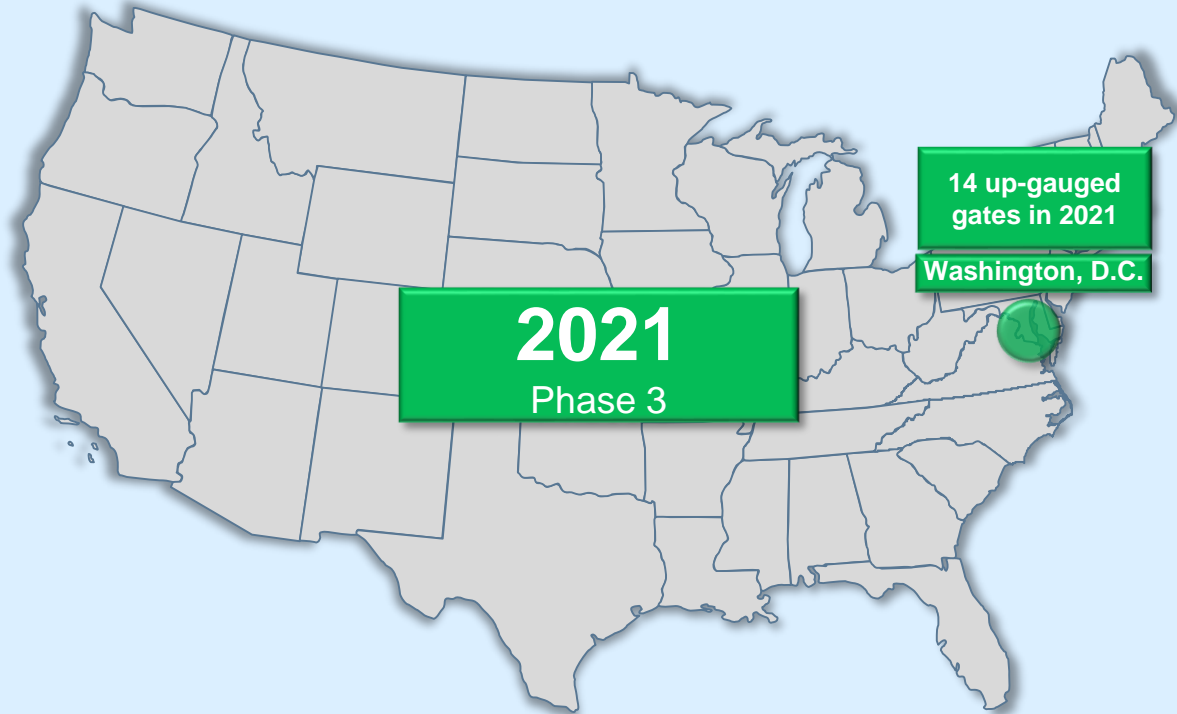
Efficient and Profitable Growth

- Executing aggressively on growth at our most profitable hubs, adding high margin flying to the network



Efficient and Profitable Growth

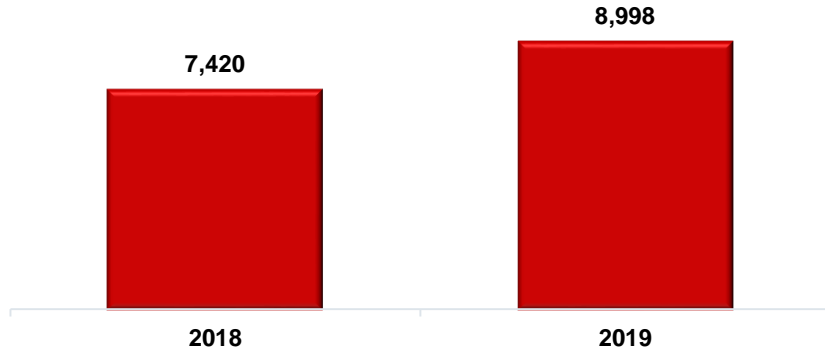
- Executing aggressively on growth at our most profitable hubs, adding high margin flying to the network



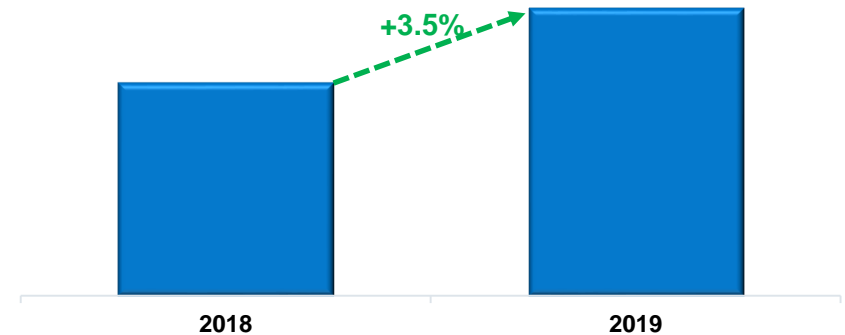
Hub Growth Plan is Already Delivering Value

- Addition of 100 daily departures to DFW drove network schedule breadth and depth, creating more utility to customers
- 3Q DFW domestic capacity grew by 9% resulting in PRASM growth of 3.5%

DFW Originations and Destinations
(Available Routes)



Third Quarter DFW PRASM¹



^{1/} Source: American Airlines network profitability calculations for the third quarter

Additional Future Revenue Opportunities

Initiatives expected to grow revenue and improve earnings



Cabin standardization – All Boeing 737s standardized at 172 seats and A321 classics at 190



Load factor initiatives – Closing load factor gap to other airlines in off-peak periods



Instant upsell – Allows customers to upgrade their seat post-purchase



Handling oversales – Auction process will reward customer flexibility, reduce stress at the gate, and drive higher yields

The Long Term is Now

Committed to three key areas of value creation in 2020



**Return to
operational
excellence**



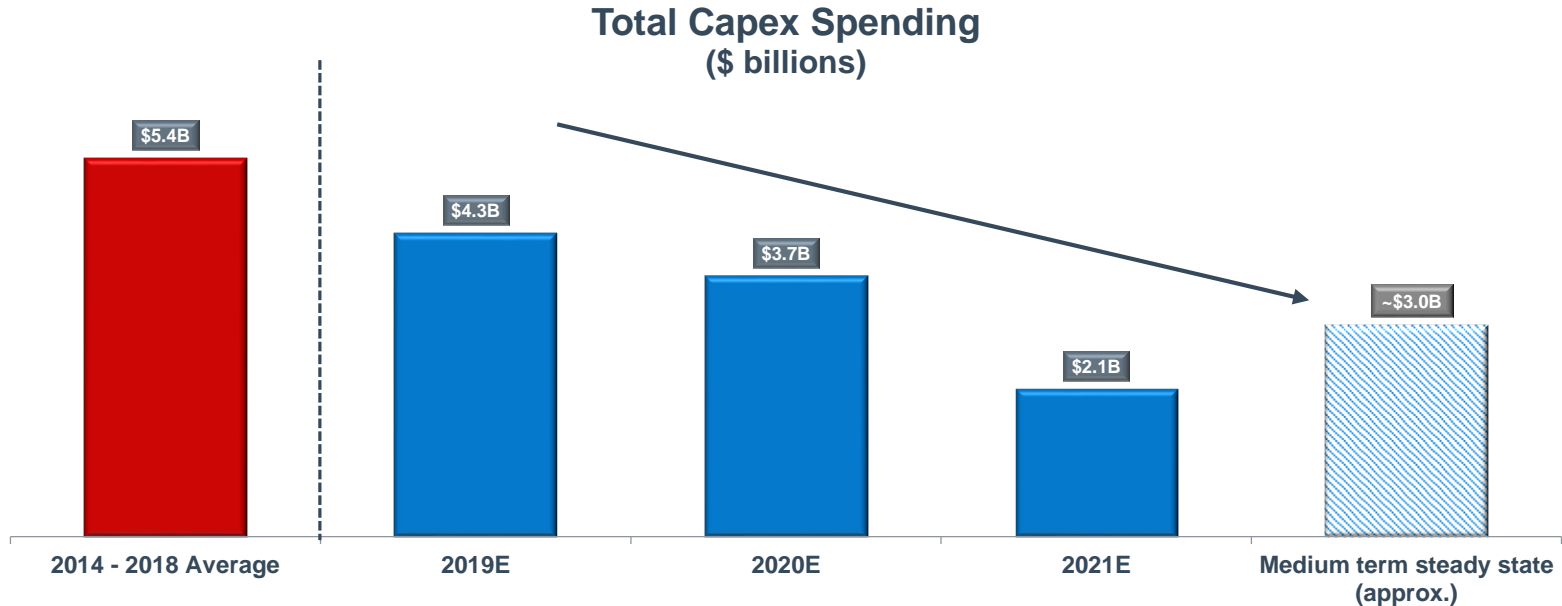
**Efficient and
profitable
growth**



**Significant
free cash flow
generation**

Significant Free Cash Flow

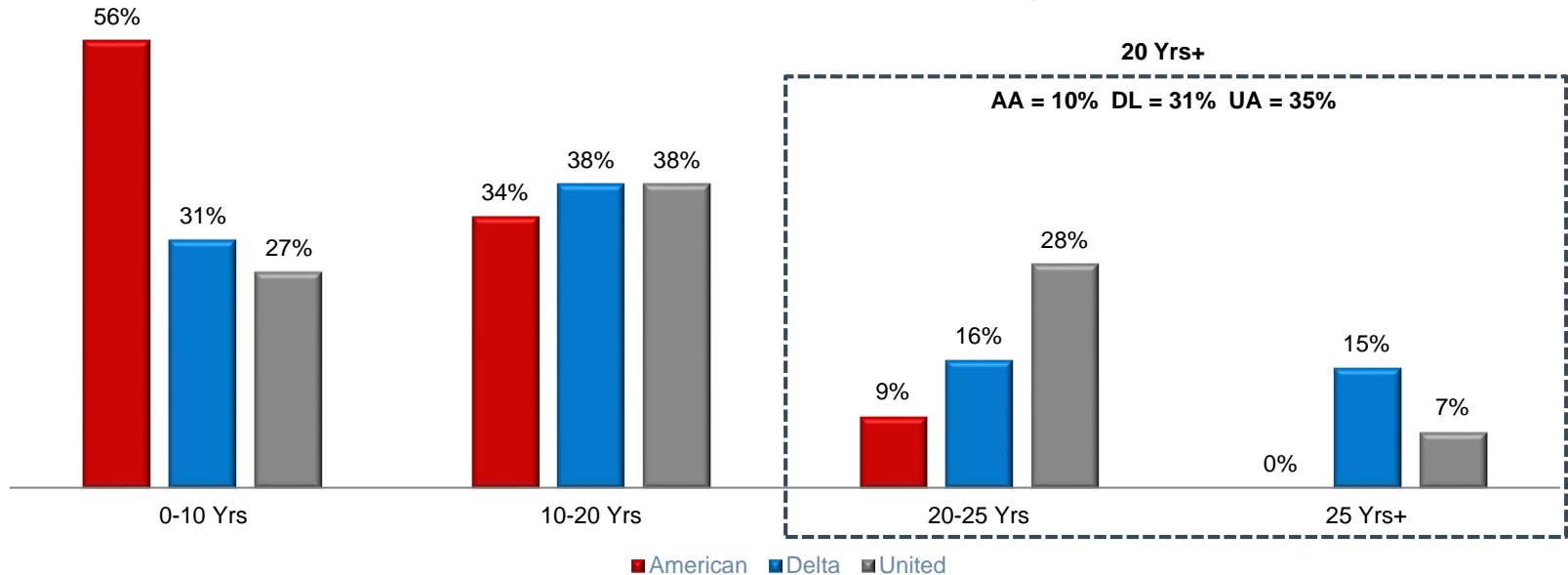
- Post-merger capex requirements winding down; expect to be much lower starting in 2020
- By the end of 2019, will have invested more than \$30 billion in the airline



Youngest Fleet of the Network Airlines

- 56% of American's mainline fleet is 10 years old or less
- Future fleet replacement needs are lower than peers

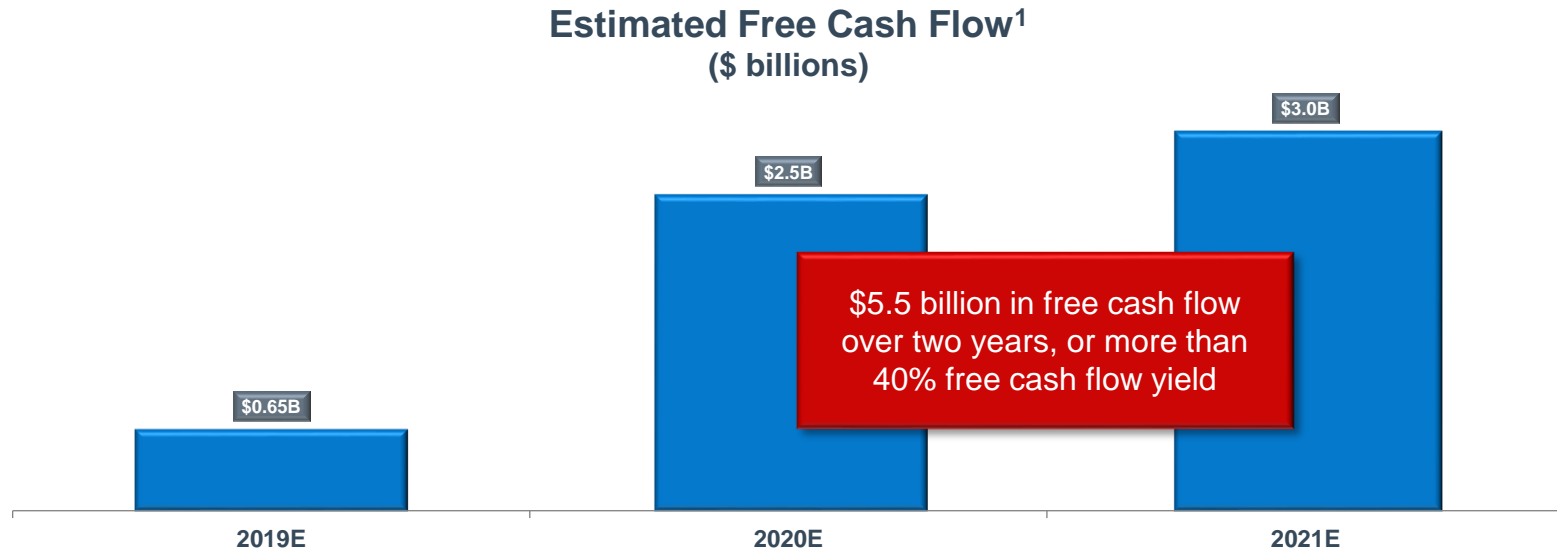
Mainline Fleet Breakdown by Age¹



1/ Source: company filings and Cirium Fleets Analyzer Database. All data as of September 30, 2019

Significant Free Cash Flow Generation

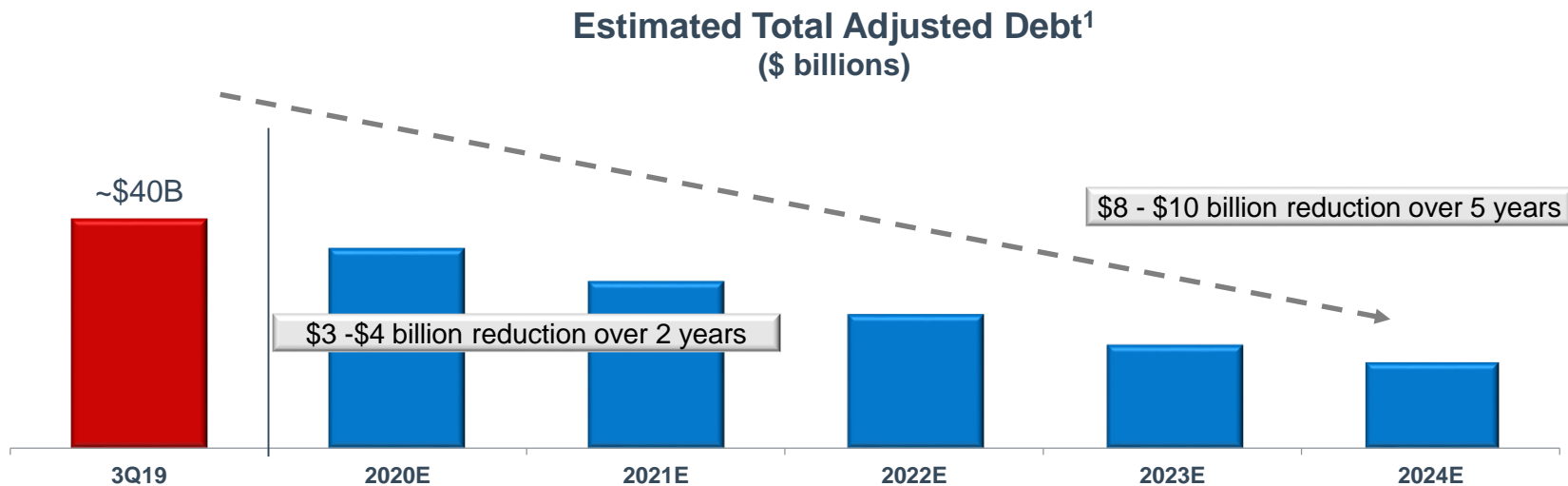
- Lower future capex requirements allow for significant free cash flow in 2020 and beyond, even without growth in earnings



1/ Free Cash Flow defined as operating cash flow minus total capital expenditures plus proceeds from sale leaseback transactions. Earnings constant analysis assumes 2019 net income excluding net special items of approximately \$2.2 billion. Free cash flow yield is total free cash flow divided by current market capitalization.

Significant Free Cash Flow Allows for Deleveraging

- Total adjusted debt is expected to reduce by \$3 - \$4 billion over the next two years and by \$8 - \$10 billion by 2024



^{1/} Data based on internal company projections and assumes debt is retired as it comes due. Total Adjusted Debt includes total long-term debt and finance leases, operating lease liabilities, and postretirement benefits.

Why American?

- To deliver value for our shareholders, in 2020 and 2021 we will:
 - Relentlessly pursue operational excellence
 - Efficiently grow capacity at our most profitable hubs and pursue initiatives to grow revenue
 - Deliver significant free cash flow



Questions?



GAAP to non-GAAP Reconciliations

Reconciliation of Pre-Tax Income Excluding Net Special Items	3 Months Ended September 30,		Percent Change
	2019	2018	
	(in millions)		
Pre-tax income as reported	\$ 557	\$ 496	
Pre-tax net special items:			
Mainline operating special items, net	228	207	
Regional operating special items, net	6	2	
Nonoperating special items, net	44	15	
Total pre-tax net special items	278	224	
Pre-tax income excluding net special items	\$ 835	\$ 720	16.0%
Calculation of Pre-Tax Margin			
Pre-tax income as reported	\$ 557	\$ 496	
Total operating revenues as reported	\$ 11,911	\$ 11,559	
Pre-tax margin	4.7%	4.3%	
Calculation of Pre-Tax Margin Excluding Net Special Items			
Pre-tax income excluding net special items	\$ 835	\$ 720	
Total operating revenues as reported	\$ 11,911	\$ 11,559	
Pre-tax margin excluding net special items	7.0%	6.2%	
Reconciliation of Net Income Excluding Net Special Items			
Net income as reported	\$ 425	\$ 372	
Net special items:			
Total pre-tax net special items	278	224	
Net tax effect of net special items	(73)	(49)	
Net income excluding net special items	\$ 630	\$ 547	15.2%
Reconciliation of Basic and Diluted Earnings Per Share Excluding Net Special Items			
Net income excluding net special items	\$ 630	\$ 547	
Shares used for computation (in thousands):			
Basic	441,915	460,526	
Diluted	442,401	461,507	
Earnings per share excluding net special items:			
Basic	\$ 1.43	\$ 1.19	
Diluted	\$ 1.42	\$ 1.19	20.2%

Total Adjusted Debt

Total Adjusted Debt (\$ billion)	September 30, 2019	
Current maturities of long-term debt and finance leases	\$	3.6
Long-term debt and finance leases, net of current maturities		21.6
Pension and postretirement benefits		5.6
Total operating lease liabilities		<u>9.2</u>
Total Adjusted Debt	\$	40.0