OVERVIEW:
Company Summary
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Devon E. May American Airlines Group Inc. - Executive VP & CFO
Robert D. Isom American Airlines Group Inc. - CEO, President & Director
Scott Long American Airlines Group Inc. - MD of IR
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PRESENTATION

Operator
Thank you for standing by, and welcome to American Airlines Group’s Third Quarter 2023 Earnings Call. (Operator Instructions).

I would now like to hand the call over to Vice President of Investor Relations, Corporate Development, Scott Long. Please go ahead.

Scott Long - American Airlines Group Inc. - MD of IR
Thank you, Latif. Good morning, everyone, and welcome to the American Airlines Group Third Quarter 2023 Earnings Conference Call. On the call with prepared remarks, we have our CEO, Robert Isom; and our CFO, Devon May. A number of our other senior executives are also here in the room this morning for the Q&A session.

Robert will start the call with an overview of our performance, and Devon will follow with details on the third quarter and will outline our operating plans and outlook going forward.
After our prepared remarks, we'll open the call for analyst questions, followed by questions from the media. To get in as many questions as possible, please limit yourself to one question and one follow-up. Before we begin today, we must state that today's call contains forward-looking statements, including statements concerning future revenues, costs, forecast of 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-Q for the quarter ended September 30, 2023.

In addition, we'll 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 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.

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

Robert D. Isom  -  American Airlines Group Inc.  -  CEO, President & Director

Thanks, Scott. And good morning, everyone. Today, American reported an adjusted pretax profit of approximately $362 million for the third quarter and earnings result that was above the high end of our latest EPS guidance range. The American Airlines team continues to produce strong results. And as we look ahead to the rest of the year, we continue to prioritize reliability, profitability, accountability and strengthening the balance sheet. We are also focused on taking care of the team.

We are very pleased to have finalized a new contract with the Allied Pilots Association in August. The agreement delivers significant compensation and quality of life improvements to our pilots while allowing us to expand our training capacity to support underutilized aircraft and our future flying. We're also working toward new agreements for our flight attendants and agents. We're running a strong and reliable operation, involving our commercial offerings taking care of our team and customers producing free cash flow and strengthening our balance sheet. All of this speaks to our steadfast focus on controlling what we can control, and we are proud to say that we are delivering on our commitments.

Now before discussing our results in more detail. On behalf of all of us at American, I want to say how shocked and saddened we are by the horrific attacks in Israel and we joined the international community in condemning these acts of hate and violence and we are devastated by the incredible loss of innocent life. We're making every effort to care for our team members who are impacted by this tragedy and to keep our team members safe while also working with the U.S. government to help find safe travel options for customers trying to depart the region. The safety and security of our team members, customers and their families remains our top priority.

Turning now to our financial results. We produced record third quarter revenues of approximately $13.5 billion, driven by a resilient demand environment and record travel rewards program revenue. Domestic demand remains steady, while international demand continues to drive revenue growth, led by the Atlantic, Caribbean and Central America.

During the third quarter, we saw year-over-year growth in corporate and government revenue with a return to more traditional seasonality trends. We remain encouraged by what we're seeing with demand and revenue from unmanaged business travel. Importantly, more customers than ever are choosing our travel rewards program by acquiring our co-brand credit cards in record numbers and rolling in the AAdvantage program and shopping for our product through our direct channels.

Co-brand mileage sales growth continues to outpace airline capacity and GDP growth, driving increased levels of loyalty and revenue production from card users. In the third quarter, approximately 80% of our bookings came from our own channels and modern retailing technology, which is up approximately 11 points from a year ago. These are the most efficient distribution channels in our ecosystem, and we expect to see these trends continue into the fourth quarter and beyond.
Looking forward, our network and travel rewards program will continue to be the primary drivers of value for our customers and for American, and we are focused on operating our business as efficiently as possible. Our simplified fleet remains the youngest and most efficient among the U.S. network carriers, and we are working to increase the utilization of both our mainline and regional aircraft.

In addition, we are identifying opportunities to drive incremental value across the company. These initiatives in our limited near- and medium-term CapEx requirements will allow us to continue to generate free cash flow that we can use to reinvest in the business and continue to pay down debt.

Now turning to our operation. The American Airlines team delivered another quarter of fantastic operational results. Our team has produced stellar results for more than a year, including a record-setting performance during the peak travel period this summer. American operated more than 515,000 flights in the third quarter, and we produced our best-ever third quarter completion factor of 98.6%.

American ended the quarter with the best completion factor of the U.S. network carriers while maintaining our first place standing in on-time departures through the first 9 months of the year. No network airline has operated more reliably than American over the past 15 months. Our operational performance is better than ever, and it’s because of our steadfast focus on reliability and strong execution in an increasingly complex environment. Our commercial and operations teams build a fantastic plan each month. We execute on it, and we recover quickly during irregular operations. We’re building on our momentum, and we are committed to delivering a reliable operation for our customers as we approach the holiday season.

And now I’ll turn it over to Devon to share more about our third quarter financial results and the outlook for the fourth quarter.

Devon E. May - American Airlines Group Inc. - Executive VP & CFO

Thank you, Robert. I would also like to thank the team for delivering another outstanding quarter. During the third quarter, the average price of jet fuel increased sharply. While the rapid increase in fuel prices resulted in lower earnings in the quarter, we continue to stay focused on our priorities.

As Robert mentioned, in the third quarter, we delivered a fantastic operation for our customers. We finalized a new contract for our pilots, and we took further action to strengthen our balance sheet. Excluding net special items, we reported third quarter net income of $263 million or adjusted earnings per diluted share of $0.38. This is above the high end of our most recent guidance update driven by slightly higher capacity and better ex fuel unit cost performance in the quarter.

American produced record third quarter revenue of approximately $13.5 billion. This revenue performance led to adjusted operating income of nearly $730 million resulting in a third quarter adjusted operating margin of 5.4%. Our strong operational performance in the third quarter resulted in capacity that was 6.9% higher year-over-year at the high end of our guidance range. Revenue for the quarter was in line with what we had shared in July and unit revenue was down 6.3% versus a historically strong 2022. Unit costs, excluding net special items and fuel, was up 3.3% year-over-year, nearly 1 point better than the low end of our prior guidance range.

This outcome was driven by higher capacity and some expenses that were pushed to the fourth quarter. Our significant fleet investments over the past decade allows for relatively modest aircraft CapEx this decade. Year-to-date, we have taken delivery of 17 mainline aircraft, and we expect 4 more aircraft to be delivered by year-end. Two narrow-body aircraft deliveries have been delayed into 2024, so we now anticipate taking delivery of a total of 21 aircraft in 2023. All of our 2023 deliveries have been financed. Given the continued supply chain challenges the OEMs are managing, we have been in the used market for younger vintage narrow-body aircraft.

We have signed an agreement with Alaska Airlines to purchase 10 Airbus A321neo aircraft that we expect to join fleet in the fourth quarter of this year and the first quarter of 2024. Our 2023 aircraft CapEx is now expected to be approximately $1.9 billion, which includes a portion of the Alaska A321neo deliveries. Our 2023 non-aircraft CapEx is still expected to be approximately $800 million. We anticipate our 2024 total CapEx to be between $3 billion and $3.3 billion, slightly below our prior guide as we finalize our 2024 delivery schedules.
Looking beyond 2024, we continue to review our medium- and long-term fleet needs, and we are currently engaged with Boeing and Airbus for narrow-body aircraft deliveries in the latter half of this decade and beyond. Due to the young age of our fleet, we do not have any planned aircraft retirements this decade. As a result, we continue to expect aircraft CapEx to average approximately $3.5 billion per year through 2030. We are very pleased to have built our fleet in a low interest rate environment and at a time when the supply chain wasn’t as challenged as it is today.

A relatively low capital requirements, along with our free cash flow production has allowed for significant progress in strengthening the balance sheet. We’ve now reduced total debt by approximately $10.9 billion from peak levels in 2021, and we are more than 70% of the way to our goal of reducing total debt by $15 billion by the end of 2025.

By year-end, we expect to have paid down approximately $11.5 billion and will be 77% of the way to our total debt reduction goal. In addition to paying down regularly scheduled debt, year-to-date, we have proactively decreased our 2025 maturities by $2.3 billion through both the refinancing of the $1.8 billion South American term loan in the first quarter and more than $550 million of open market repurchases over the past 2 quarters.

All 3 credit rating agencies recognized our progress with upgrades in the third quarter and we expect further ratings improvements in the coming years as we continue to reduce total debt levels. We ended the third quarter with approximately $13.5 billion of total available liquidity. And for the full year, we now expect free cash flow to approach $2 billion. The reduction from our prior free cash flow estimate is due to slightly higher aircraft CapEx related to the Alaska A321 and lower earnings, largely due to the recent run-up in fuel expense.

Now on to the outlook for the fourth quarter. Post Labor Day bookings have been in line with expectations. We have seen steady improvement in business travel with encouraging signs from both managed and unmanaged corporate customers, strong international demand and historically high premium revenue, both domestically and internationally. Consistent with recent trends, we expect steady demand during the upcoming peak holiday travel season. However, the strong unit revenue environment in 2022 continues to be a difficult comparison.

As a result, we expect fourth quarter TRASM to be down 5.5% to 7.5% on 4.5% to 6.5% more capacity year-over-year. We expect fourth quarter CASMx to be up 5% to 7% year-over-year. This step up in sequential year-over-year CASMx is driven by the shift of some expenses from the third quarter to the fourth quarter and less year-over-year capacity growth. Our full year CASMx guide remains unchanged, up approximately 3% versus 2022. Our current forecast for the fourth quarter assumes a fuel price of between $3.01 and $3.11 per gallon. Based on our current demand assumptions and fuel price forecast, we expect to produce an adjusted operating margin of between 2% and 4% in the fourth quarter.

We continue to expect our full year capacity to be up approximately 6.5% versus 2022. Our full year forecast for TRASM is to be up approximately 1% year-over-year. And as I just mentioned, we expect our full year CASMx to be up approximately 3% versus 2022. Our capacity, TRASM and CASMx expectations for the year are all consistent with the guidance we provided in January of this year. This result speaks to the planning, focus and determination of our team. Based on our demand and fuel cost assumptions, we now expect to produce a full year adjusted operating margin of approximately 7% and adjusted EPS of between $2.25 and $2.50.

Looking ahead to 2024, we continue to expect our capacity to be up mid-single digits year-over-year, largely driven by better overall asset utilization. Increases in capacity will be oriented to our strengths with our global partnerships complementing our own flying. In 2024, we will have the assets and resources to finally grow beyond our 2019 capacity levels but we will be nimble and adjust capacity based on the fuel and demand environment we are operating in. We are pleased with the progress the American Airlines team has made in 2023, and we remain focused on delivering results and pursuing efficiencies to unlock additional value in 2024 and beyond.

Now I’ll turn it back to Robert for closing remarks.

Robert D. Isom  -  American Airlines Group Inc.  -  CEO, President & Director

Thanks, Devon. We’re incredibly proud of everything the American Airlines team has accomplished over the past 18 months. We told you we were going to focus on reliability, profitability and strengthening our balance sheet, and we’ve done just that. American had a great summer and has run the most reliable operation of the U.S. network carriers over the past 15 months. We’re consistently profitable, and we’ve materially improved our balance sheet by reducing total debt by nearly $11 billion since 2021.
We'll maintain that focus as we move through the fourth quarter and beyond. No matter the macroeconomic conditions we face or the variability of the operating environment, our team is intent on controlling what we can control over the short term and setting our company up for success over the long run. I'm incredibly excited by what the future holds for American.

Looking ahead, we will be much more efficient as an airline. As an example, even today, we could be flying 5% more with the aircraft we already have in our fleet. We're eager to restore regional service to the underserved smaller markets that are still feeling the effects of the pandemic. We're building back and expanding our network in an efficient manner that will lead to stronger revenue production. Our travel rewards program, AAdvantage has already undergone significant change that is helping us grow higher-margin revenue at a greater rate than GDP, and we anticipate that to continue as we work to make our co-brand credit cards even more valuable to consumers and our partners.

On top of all that, we continue to innovate in creating a leading retailing experience, ensuring that anything we offer our customers can be shopped, purchased and serviced digitally. It all bodes well for American, our team members, customers, the communities we serve and especially our investors as we enter 2024 and look to 2025 and beyond.

And with that, operator, please open the line for analyst questions.
Vasu Raja

Yes. Look, just building off of Robert’s comments in the opening remarks. As we look forward, we think we have a lot of opportunity there. Our hubs and really all of our hubs, but especially our -- 4 of our largest and potentially highest capacity hubs in Phoenix, Dallas, Charlotte and Miami, are located near what are starting to turn out to be the -- some of the most economically resilient markets there are. And we still have opportunity to go bring back more fleet, and we have infrastructure in those places to grow further. And as we see the future unfolding. To your point, Helane, we actually see a lot of opportunities to go and grow the performance of the coastal markets and Philadelphia and Chicago specifically in a way that’s really complementary to that.

Helane Renee Becker - TD Cowen, Research Division - MD & Senior Research Analyst

Okay. And then just for my follow-up question on the domestic side. If I look at your numbers versus your 2 major competitors, you seem to be decelerating and I’m just kind of wondering if that’s just a function of the size of the aircraft you’re flying, not having as many premium seats? Or is it just the markets that you’re in, although given what Vasu just said, it seems like the demand in those markets should still be pretty reasonable.

Vasu Raja

Yes, Helane, actually, it’s -- none of the above would be the answer to the question. Look, in the in this business of ours from one quarter to another, it’s easy to draw a lot of prognostications which probably aren’t there. And as we see it right now it is particularly weird time. One, because so many -- so much of the U.S. airline business is still recovering their networks and the networks that are being recovered are probably never been more divergent. Never more different competitively, but also never more different than what was there 3 or 4 or certainly 5 years ago.

And so a little bit of what you see is that. And what I would actually say is we -- I’ll echo the points I made and then Robert made in the opening bit. As we look forward, actually, we see a lot of opportunity. First of all, with our network. As we look out there, we serve 300 cities in North America in 200 of them, we have a network AAdvantage. And as we bring back more of the regional jets as we upgauge the mainline fleet, that’s a real advantage for us because so many of our competitors really won’t be there.

Those -- the customers in those cities are about 50% of our customer base, but they produce about 60% of our revenues. They are the ones who are signing up for the program for AAdvantage and enrolling in the card. And then the other big opportunity we have really across our enterprise, but it will play out, most notably in the domestic system is really with AAdvantage, our travel rewards program.

As we see it, our co-branded credit card is the largest co-branded credit card in circulation. Our program is one, maybe travel programs in the business but if you look at us, we produced probably $400 million less in frequent flyer revenue what the industry leader does right now. So the quarter-to-quarter trends are just a function of things like the recovery. The real thing that we’re seeing is the opportunity in the quarters and years ahead.

Operator

Our next question comes from the line of David Vernon of Bernstein.

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

So Devon, can you help try to shape the cost outlook and the cadence by quarter for 2024 or at least talk to some of the headwinds are out there? I know it’s going to be pretty noisy just given the way the labor costs have layered in. Can you kind of help us think about 2024 CASMx sort of headwinds in relation to the higher level of CASMx you’re expecting now in fourth quarter?
Devon E. May - American Airlines Group Inc. - Executive VP & CFO

Sure. And maybe I'll just start with fourth quarter performance, and then we'll talk a little bit about 2024. And while we're not giving CASM guidance for the year, I can talk to you about some headwinds and tailwinds. So starting with fourth quarter of this year as Vasu said, these numbers do shift around a little bit from quarter-to-quarter, but our full year CASMx guide has been unchanged since the start of the year. And we knew at the start of the year, the fourth quarter was going to be our toughest comp.

Our capacity starts to decelerate, our capacity growth starts to decelerate a little bit as we entered the fourth quarter. We also had a couple of onetime credits that we got in the fourth quarter of 2022 that aren't happening for us this year. And then there was a shift of some expenses from the third quarter into the fourth quarter, adding a little bit more pressure. But we're still really pleased with our full year results, hitting the guide or the midpoint of the guide that we had at the very start of the year. As we look out to 2024, the headwinds where you'd expect. It's largely around salaries and benefits.

We have open contracts with our flight attendants and our passenger service reservations groups. If we are able to achieve deals that match industry leaders for those work groups, it will add about a point of CASM pressure year-over-year. We also just have regular increases for other labor groups that are happening next year. But the tailwinds of what Robert talked about and what we're excited about, actually working towards full utilization of our fleet. In this operation, we've been running has been incredible for the last year, 1.5 years.

Now we have a real opportunity to go ahead and do some optimization work around this operation. So we do have some headwinds on salaries and benefits. We have some real nice tailwinds as well into 2024. And we'll be able to provide more guidance on what CASM will look like on the January call.

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

Okay. And then Robert or Vasu, maybe there's a lot of talk right now in the industry about how segmentation premium products are changing the structure of the industry maybe to the detriment of domestic-oriented or discount carriers. Can you add your thoughts on this topic here? And talk a little bit about how you see American playing in this evolving structure. We didn't hear a lot about premium in any of the prepared remarks today. I'm just wondering how you guys are thinking about what some people are calling is a seismic change in the industry dynamic.

Vasu Raja

Sure. This is Vasu. I can answer that. In fact, I'd be very happy to answer it. Look, what we see and we think the real causal thing that's happening is the customer itself as opposed to a fair product or a cabin of service. And what we've certainly seen and Robert alluded to it since 2019 AAdvantage -- our AAdvantage customers are really driving the revenue production of the company, and that's manifesting itself in a range of ways. So versus '19, our membership is up 50%. Almost 2/3 of our revenue, certainly in this last quarter, came from AAdvantage customers.

And what we're finding with them is that those customers are proving to be a much more resilient pool of demand that indeed are willing to engage in behaviors that aren't just shopping for the fastest schedule or the cheapest price. We see that play out in a lot of different ways. One is premium cabin performance, where our premium bare products revenue was up 7% from AAdvantage customers in keeping with our overall seat growth.

Two, we see that remuneration on our credit card is up about 25% from these customers. And then importantly, we find that these customers disproportionately want to shop with us directly. About 85% of all the AAdvantage member revenue in the system is coming through our direct channels. So we see the calls upping, and that's why it was in our remarks is -- what's really happening is for our AAdvantage members, there's a real desire to travel, and they're coming to us because they want a great network and a program that rewards them for using it delivered reliably over and over again.
Robert D. Isom - American Airlines Group Inc. - CEO, President & Director

And David, I just want to add one thing to that. It’s -- look, we’re going to be part of and also a driver of premium revenue growth. So one of the things I think is noteworthy our premium seating is going to grow by 43% between now and 2026. And that’s as a result of bringing on the new XLR and reconfiguring our 777-300s and actually taking a look at even some of the domestic fleet as well, where I know that we’ll be adding more first-class product or at least reconfiguring to that end.

And on that same front, we’re really pleased with our regional aircraft. On that front, you take a look at the E175 and they have fantastic cabins that are every bid is nice and appreciated by customers is anything we fly on the mainline side. So I look forward to participating and driving what’s going to be going on in terms of premium products.

Operator

Our next question comes from the line of Andrew Didora of Bank of America.

Andrew George Didora - BofA Securities, Research Division - Director

Devon, maybe just digging into the 2024 costs a little bit. Given the changes in the pilot contracts, I know kind of the new profit sharing now runs through the salaries and wages line. How should we think about wage growth next year in relation to kind of the mid-single-digit capacity?

Devon E. May - American Airlines Group Inc. - Executive VP & CFO

We'll give more guidance on 2024 as we did. Salaries and benefits is an area we're going to see some pressure. As I just mentioned, we do have this open agreement with our flight attendants and our passenger service and reservations agents that, we hope to get closed, and we hope to be able to match industry leading contracts there, which will drive about 1 point of growth. And as we get into the year, there will be some lumpiness on year-over-year comps. In the first quarter, of 2023, we didn't have an accrual for our pilot agreement.

So we'll see a little more cost pressure in the first quarter. But as we get into the last 3 quarters of the year, that cost pressure is going to ease. And then these efficiencies that we've been talking about, I think, are going to add some nice tailwinds as we go through the year. So let us get back to you in January with a little bit more detail, but that's kind of where we're seeing it right now.

Andrew George Didora - BofA Securities, Research Division - Director

Okay. And then, Vasu can you speak a little bit more in terms of what you're seeing on the corporate side, particularly as it relates to both large and small corporates, particularly. I know you've made some pretty big changes with your corporate sales force. Just curious if you've seen any sort of unexpected share shifts or anything like that as we move into this more seasonally stronger time period for corporate travel.

Vasu Raja

Thank you, Andrew. It's another question, which I know is on people's minds, I'm happy to address that, and I'll do it in this fashion. We have made a number of changes with our selling and distribution strategy. The purpose of which is very simple. Our customers have been telling us for a very long time now that they want it so that anything that we offer them can be shopped, sold and serviced digitally. And we've been seeing that customer sentiment for a really long time. And that's what we're out to serve. And our strategy is this simple. In order to go make that happen, we need to distribute our product exclusively through the Internet.

And that's what you're seeing from us. We're shifting content bare products, schedules, things like that, out of legacy technology where we can't provide customers the kind of shopping and servicing experience they expect and we're putting it through technologies that can. And on that
journey, we’ve certainly invited all of our retailers to come along with it, but that is a different world than what was there before. And what we’ve seen before is really encouraging actually. In the quarter, our total business revenues were up 2%.

We actually performed better year-over-year among contracted corporations than we had in a number of months prior to it. But very importantly, our cost of sale is down 13%. So we’re finding that we’re able to generate more revenues do less cost of sale, which is very encouraging to us. And like I said, as we go forward, we intend to continue the momentum that we’ve got. We certainly invite any retailing partner to join us along the journey.

And in fact, most recently, we launched a new business program called AAdvantage Business and AAdvantage is very much the platform upon which we will build all of our commercial programs. But through that – through AAdvantaged business companies of all sizes can access our content in a way that’s cheaper simpler, better servicing and our way is more awarding for travelers. We’ll accelerate their status. So we’re actually really encouraged by what we’ve seen, encouraged by its revenue production and look forward to continuing the momentum.

Operator

Our next question comes from the line of Michael Linenberg of Deutsche Bank.

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

Vasu, can I just -- I know you sort of called out what the revenue for premium for AAdvantage members was up year-over-year. If I look at it entirely, what year-over-year was the gain in premium product revenue. And then when we think about sort of the split — where are you as a percent of your passenger revenue, total passenger revenue premium versus non-premium? Even rough numbers would be fine.

Vasu Raja

Sorry, Mike. Shame on me, my microphone wasn’t on. But I’ll repeat. I’ll answer the first question first, in the premium cabin revenues are up across our system, about 6% to 7% by AAdvantage members whose revenue is up about 7%. Non members are up about 5%. And then to your question about customer base. Look, one of the things that we’ve certainly noticed is probably more importantly than segmenting based on bare products is by the customers themselves. And so what we do is we look at customers who are buying non-premium products. Those are fares that are not eligible for discounts, mileage and things like that are lowest selling products and we look at it for customers who are non-advantaged customers, who tend to be our most transitory customers.

And what we find is transitory customers buying our lowest selling fares, it’s about 30% of our system revenue the other 70% is customers who are buying premium quality fares. And that number is disproportionally weighted to AAdvantaged customers.

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

Okay. Great. And then just my second question on -- I saw that you’re applying for -- to fly from JFK, Haneda. And I’m curious because sort of post NEA, I got the sense that maybe you were going to be sort of maybe I don’t know if downsizing New York is the right thing, but the fact is wide bodies are scarce and for everyone, and that would take 2 frames. And do you already have JAL in that market with the codeshare. So what’s the rationale behind that?

Vasu Raja

Yes. Thanks, Mike. I’ll answer through the lens of New York, which I know it’s probably on a lot of our investors’ minds. And I’ll answer the Haneda question as part of it. The time pre-COVID and certainly prior to the NEA, American Airlines had a really fundamental problem in New York, which
is we were losing our relevance to New York City originating customers. Every year, we had declining originating share. Our advantage enrollments were declining year after year, simply because we didn't have a slot portfolio to compete with the 2 largest ones.

And that was the reasons behind doing the NEA. Now in these last several weeks and months, what we've noticed is actually, the New York originating customer has changed what they demand. Same-day business trips are down a lot. There's way fewer people originating New York, who are looking to take day trips to Boston or Chicago or Detroit, but that New York City customer is much more interested in flying long haul, internationally long haul to the West Coast market in Florida. That's a thing that our slot portfolio is much more built to do. And in the last few weeks since the NEA has been terminated. Actually, what we've seen is that our originating share is stable.

New York City continue to be the #1 market in our system, both for AAdvantage enrollments and for credit card sign-ups and penetration. So we're encouraged by that, and you see that. The last thing I'll mention about it is through our global partnerships, we're able to offer a thing in New York, which is very unique, both in our T8 facility and also being able to go and operate our major partners, major complexes, whether that's Heathrow or Haneda or Doha for that matter.

Operator

Our next question comes from the line of Catherine O'Brien of Goldman Sachs.

Catherine Maureen O'Brien - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Devon, I just wanted to dig in a bit on the cost performance to date. You came in close to a point below the low end of your 3Q range. I know you mentioned some timing shift but you're also sticking with your prior midpoint for full year CASMx despite the extra accrual for pilot retro pay since you last updated that full year cost outlook. I guess what has been going better than expected and then can you just remind us what you had originally baked in for the open flight tenant contracts in the second half. Does that have any impact on 3Q?

Devon E. May - American Airlines Group Inc. - Executive VP & CFO

Thanks for the question, Catie. Yes, we do have it's largely timing and operational performance with higher ASMs is what benefited us in the third quarter. In our prior guidance, we didn’t have anything in the third quarter for our open labor agreements outside of the pilots. We did have some in the fourth quarter, and we still have something modest in the fourth quarter just given the time it would take to reach and ratify an agreement. But generally speaking, everything this year has come in very much in line with what our initial guidance was, which is why for the full year, we're still right around that 3% number.

We've seen a little bit of pressure on certain line items. We've gotten some benefits from others. But overall, it's largely in line with our expectations. And like just generally speaking, we are pretty good at forecasting out expenses. And I think during the COVID year that became a little bit more challenging. But in 2023, we feel pretty good about our ability to forecast and deliver results.

Catherine Maureen O'Brien - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Got it. That's great. And then maybe one for Vasu. Between the third quarter and second quarter, you experienced decel in RASM on year-over-year in 2019, I totally understand there's so many moving pieces now as the network recovers and the shape of your network has changed a bit over the years. But your fourth quarter guidance implies things will stabilize on a year-over-year basis. Can you just walk us through what's driving that stabilization.

Vasu Raja

And for my clarity, you mean the quarter-to-quarter stabilization?
Catherine Maureen O’Brien - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Right. Just comparing the year-over-year to each other.

Vasu Raja

Sure. I will do my best to do. There’s a few things that are changing in our system right now between one quarter to the next that has that effect. In Q3, what we find in terms of how we brought the network back, a lot of what we were flying were off time periods like off-peak flights. As we get into Q4, that starts to stabilize a little bit more. We’re gaining a lot more regional supportability into the fourth quarter. And so a little bit of what you see there are just shifting year-over-year trends based on how we brought the airline back and then where the airline is oriented around flying.

In the third quarter, especially in the trough seasons of August and September, there are some strange year-over-year comps where the Northeast was performing better than markets in the Sun Belt when we get into Q4 that’s when the Sun Belt and short-haul NCLA start to change. And you see that in our schedules. We have, I think, our biggest Miami operation in our history there. So a lot of what you see there is less a function of something fundamental, but some really unique quarter-to-quarter recovery trends.

Operator

Our next question comes from the line of Jamie Baker of JPMorgan.

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

Vasu, an NEA question. We’re obviously tracking some of the rebalancing between JFK and Philadelphia. I see that 787 captains in Philly, that number is moving up quite a bit. It looks like JetBlue will continue to operate a portion of your slots through the end of IATA’s summer season next year. I reckon, so part of my question is, am I right on that? But more importantly, I recognize networks are fluid. But when should we think about Philadelphia and New York sort of reaching a steady state? Is that a process that will wrap in time for next summer? Or should we think of the NEA unwind at lasting longer than that?

Vasu Raja

Jamie, thanks for the question. I guess we’ve all been around this business for a while in steady state. It is always a very prognosticate. But I will say this, the role of these hubs is quite complementary. And we’re seeing it more and more for my comments earlier, where New York has a lot of New York originating customers when it goes international. Domestic, it’s a mix of New York originating and as we call it smoke city, like outside of hubs originating in the New York. And Philadelphia is our largest connection complex in the Transatlantic.

And so a lot of what you see is just it comes back to what Robert mentioned. We’re seeing actually a lot of traction in international and Transatlantic better than we have before. We’re seeing it from both of these markets. For the first time since our Atlantic joint venture was created, we’re pretty consistently the unit revenue leader amongst the group which has been very unique in a long time coming. And so we think that these 2 hubs are very complementary. We see it every day that they’re very complementary as we bring in the XLR that enables us to do some really unique things in both of those markets.

And as we do things like improve the configuration on the 777-300 or bring in more 787-9s that further augments that. So that’s what you see. And look, in the world of network planning, we can move things around based on where the demand is. We’ll continue to do it. There will be some of that rebalancing. And certainly, as we go into next year, we do see a lot of opportunity to bulk up in Philadelphia as we get more supportability back as the regional comes back as we take wide-body deliveries.
Okay. Fair enough. And then second question for Devon a clarification, the $3.5 billion CapEx figures that you gave or figure that you gave before, that was aircraft only, correct. So all in we should be dialing in something closer to $4.5 billion going forward? I'm assuming I got that right. And if so, do you expect to generate cash next year at current fuel prices.

Yes. So just 2 separate things. So for 2024, our total CapEx is between $3 billion and $3.3 billion. Long term, beyond 2024, you're right that the $3.5 billion number I gave was just aircraft CapEx. So for '24, I think our capital requirements are such that we certainly have the ability to generate free cash flow, and we're absolutely in a different position than some of our peers, just given where they are at in terms of fleet renewal program versus where we're at. We spent over $30 billion from 2014 to 2019 on our fleet renewal. Now we're in a nice spot where capital requirements are slightly less, and it does give us the ability to produce free cash flow going forward like we did in this year.

Appreciate the time. Kind of an industry question, but we'll go ahead and ask it of you. Just with respect to 4Q RASM guidance down 6.5% at the midpoint, which is actually a little bit better than what we were modeling and the cost pressures you were outlining into next year. What needs to go right to get that unit revenue back to positive territory? I mean the 5% growth that you're outlining may or may not be crazy relative to GDP. If we're just thinking about it year-over-year, right, 5% doesn't sound crazy. But if we think about where your margins are exiting here, the exit rate on your margins, any thoughts about how we get back to positive RASM, which it appears you'll need to stabilize your margins here? I appreciate the thoughts.

Thanks for the question. Look, the answer is both very simple and consistent with the stuff we've been saying. What we get to do is the stuff we have to do is within our control. It's bringing back our regional jet network, which creates a lot of revenue benefits for us and a lot of unique markets for our customers. And two, it's growing more -- growing the revenue from AAdvantage, both through our brand of credit cards and how we go issue and enable the redemption of miles. Both of those things are tops on our plans for next year. We're excited to go and execute on that. And we see a lot of upside.

I guess just maybe thinking sequentially like how patient will you be with sort of breakeven-ish negative margins? Like is that a 1 or 2 quarter phenomenon? Is it a multiyear phenomenon?

Vasu, I'll take this. Duane, thanks. Look, we are going to be incredibly focused on making sure that we deploy assets where we can make money. The kind of things that we're talking about and focusing on our strengths are where we see that happening. And look, I think that we -- to the contrary, I think we carry momentum in. A lot of the work that we've done this year that Vasu has been at the center of in terms of making sure that we have the best network and we can sell and service it digitally is all groundwork for next year. And so as we take a look at not only the...
regional network, further enhancing premium product, what we will intend to do with AAdvantage and less variable revenue, I think that all plays into a lot of strength.

And on top of that, look. we’re in the midst of recovery still and so as we go from quarter-to-quarter, we know that there are things that we could have done differently over the past summer that we’re going to make sure that we’re addressing in terms of where we’re flying and how we’re doing it. But we will have very little tolerance for what you would consider kind of investment or development flying. We’re going to fly where we make money.

Duane Thomas Pfennigwerth - Evercore ISI Institutional Equities, Research Division - Senior MD
No, it’s not an easy question, but I appreciate the thoughts.

Operator

Our next question comes from the line of Conor Cunningham of Melius Research.

Conor T. Cunningham - Melius Research LLC - Research Analyst

Just your has been pretty stable relative to the industry. And a lot of the constraints that we’ve talked about this year, it seems like they’re going to carry forward next year if math get a little bit worse. And so at the same time, the domestic competitors are really struggling. So I’m just curious on how you may take advantage of that situation next year if those teams continue to play out? Or are you just happy with the current execution of what you’re doing right now?

Robert D. Isom - American Airlines Group Inc. - CEO, President & Director
I’ll start, Conor and Vasu can join in. Look, when we talk about the kind of capacity that we are going to be putting back, we’ve described it over and over again. I think that, first off, we’ve got assets that on hand today that provide some of that benefit. We’re certainly going to make sure that, that gets deployed in a fashion that is productive. I do think that there are constraints out there. that continue on. And whether that’s ATC or it’s some of the supply chain, both engines and air framers, I think that, that kind of stuff is we’re going to have to work through.

And then on top of that, look, we’re all getting through the pilot shortfalls as well. So there’s ups and downs to that. But overall, you will see us -- we’re going to play our game. And that means find our Sun Belt hubs strengthening the rest of our network through getting capacity back up in the air and doing all the things that Vasu has talked about in terms of taking advantage of AAdvantage and our co-brand deals and then also modern retailing.

Conor T. Cunningham - Melius Research LLC - Research Analyst

Okay. And then you’ve executed pretty remarkably on your plan, but your margins maybe to Helane’s earlier question, just continuing to lag Delta United, your operation has been better, all that stuff, and I get it. But when you think about the opportunity ahead to close that gap, is it more a revenue equation or cost? I think historically, American’s talked a little bit about the revenue gap, but it seems to be that there’s more of a cost opportunity here. Just curious on your thoughts there.

Devon E. May - American Airlines Group Inc. - Executive VP & CFO

Conor, it’s Devon. I’ll take that. And certainly, this isn’t something we look at a quarterly basis, but we do spend a lot of time on benchmarking. And if you want to talk about benchmarking margins, we do think it’s important to look at it and look at it on a 12-month basis and the right margin to
be using when you're comparing us to these other network peers, is EBITDAR because it just takes out financing decisions, so aircraft rent versus
depreciation and interest expense, and it takes out capital structure, which we just know right now, we have a difference, but that's an area we
also know we're going to improve on going forward. So let's talk about that.

On EBITDAR margins, I think we stack up really well with our competitors. If you look at 12 months ended third quarter, I think we're right on top
of one of them and maybe there's a small gap to the other. But I think our progress versus 2019 has been really good. And the opportunity ahead
is on both sides. I do think we're going to be able to produce capacity at lower unit costs going forward or at least decelerate this unit cost growth.
And I do think we have top line opportunities as well.

And then the only other thing I'd close on is, well, I think we're in pretty nice shape on margins. And there's opportunity ahead. When it comes to
free cash flow, I think we are unique amongst our network peers with our capital requirements going forward, and we should be able to outproduce
on free cash flow for most of this decade.

Robert D. Isom  -  American Airlines Group Inc.  -  CEO, President & Director

Thanks, Devon. And Conor, I'll just underscore one more time. Please take a look at the past year. There's a lot of variability in quarters in terms of
whose network is aligned to do better one to the next. And also, a lot of noise in the numbers in terms of just building back the airlines from the
pandemic. We feel really confident about how we're seeing '24 especially on a competitive basis against our peers.

Operator

Our next question comes from the line of Savi Syth of Raymond James.


I was kind of curious if you could provide a little color on the international indices. I know you mentioned in Transatlantic is really strong. It seems
like LatAm is a little bit weak in what that is. And along those lines, when you're talking about going into your strength, do you mean next year,
kind of most of the growth will be domestic and not as much in international?

Vasu Raja

Yes. Savi, this is Vasu. I can take that, and I'll take it in 2 parts. First, just around the world, yes, we see really strong long-haul revenue trends,
regardless of the entity, long-haul Atlantic, long-haul Latin America, long-haul Pacific and as I mentioned earlier, versus any prior period of time,
whether last year 2019 or really anything as far back as it goes we've seen uniquely strong revenue performance. But what we're encouraged by
is that our revenue performance, though it's not where we yet wish it to be, has never grown at a faster rate than some of our international partners.

And for many of them, fly into North America is the very best thing that they do. So we're encouraged by the journey we've been on we see more
opportunity ahead as we do simple things. Configure airplanes smartly, get low-cost jets like the XLR. And so our future in international is one
which is well within our control and very practical. It doesn't involve any great prognostications of how the world would change. And then as far
as next year goes, look, a lot of our overall entity mix is largely to be similar, where we're going to be about a 70%, 75% short-haul carrier and a
20% to 25% long-haul carrier. But those areas would grow at a similar rate, which is why the mix stays on.


That's helpful. And if I might, just next year's growth should we assume a lot more kind of regional like a mix next year just as that regional entity
comes back versus mainline as we kind of think through maybe what the pressures on CASM might be, but maybe the kind of the benefits to RASM?
Devon E. May  - American Airlines Group Inc. - Executive VP & CFO

Yes. It's probably a little early to get into too much detail. We do expect to build back the regional network. We're also looking at better utilization on the mainline side. So we'll give a little more detail as we get into January.

Operator

Our next question comes from the line of Daniel McKenzie of Seaport Global.

Daniel J. McKenzie  - Seaport Research Partners - Research Analyst

I wanted to see if I could put a bigger spotlight on the distribution strategy. So I guess, Vasu, building on the prior remarks around direct distribution, what percent of American’s revenue has now shifted to direct channels versus, say, a year ago? How big a change has that been what is it that American can do today that it couldn't do before? And then finally, if you can just help us frame what that revenue upside means, not just today, but more importantly, for those investors that invest longer term, what that revenue contribution could look like, say, 3 years from now?

Vasu Raja

Dan, I appreciate the question, and I'll do that be your answer sequentially, too. Look, first and foremost, like I said, we're very encouraged by the changes that we've got there, largely because they're simply responsive to the customers. And we're retailing our product the way customers expect, which is really just through the Internet. And unsurprisingly, customers have responded.

So what we saw as we were going through COVID, was already without American Airlines making any strategic changes, we went from about selling 50% direct to selling about 60% direct and right now, what we're in taking in terms of revenue is actually about 80% going through, as we call it, Internet-based distribution, of which about 70 of those 80 points is going through our true directchannels.com and app and the balance coming through new distribution technologies.

In fact, our Internet-based travel agency technologies is now a bigger source of bookings than any of the legacy global distribution systems are. So we're encouraged by that, but also very clearly not that surprised. I mean customers want that experience, which is the second part of your question. The very simple benefit is through what we do, we can go and create more offers for customers that they value. We've seen this, and we continue to see this at a number of customers who come to aa.com or the app shopping for the cheapest fare that we have end up selling up, like roughly 70% of the customers who come to our websites actually come looking for the lowest fare, but by something higher than that.

And through these new tools, we can go and offer them a whole lot more that creates value for them. We can differentiate things like how they're able to redeem miles for different fare products or even they're able to earn miles for different fare products.

And then the other thing that I would say is, which is we're finding to be very, very impactful. And as we shift to Internet-based distribution, our servicing becomes a whole lot simpler. So it's hard to do what 3 years out looks like, but I can talk about the next several weeks and quarters. And what you will see from us are things where we do much more consciously differentiate. All the content we offer will be through Internet-based technologies.

We will look to do things like offering more miles for buying premium cabin, for shopping through our direct channels, for using our credit card. We will create more redemption opportunities for those. But then also, what will be in place by the end of this year is that 100% of what we sell will be able to be serviced digitally but only through Internet-based technologies. That's the thing which is hugely impactful to our customers. For any of you, if you're traveling on American Airlines, I encourage you if you're making changes, please use the app to do so. I think you'll find it to be a much better experience in times past and an industry-leading one as well.
Daniel J. McKenzie - Seaport Research Partners - Research Analyst

Very good. Okay. Second question here for Devon. I know Robert shared that 75% of the debt is at a fixed rate. But just given the higher for longer interest rate regime today, how is that changing the way you think about the 3-year balance sheet targets and goals? And can American get to an investment-grade rating at some point and what might a realistic time frame look like to get there?

Robert D. Isom - American Airlines Group Inc. - CEO, President & Director

Well, I'll just start with right now, our focus on the balance sheet has been really on 2025. And our stated goal is that we are going to reduce $15 billion in total debt by the end of 2025. We still expect to do that at this point. And we think if we get there, that gets us to a BB credit. Beyond 2025, we'll see where it goes. But right now, we're focused on the next couple of years.

Operator

(Operator Instructions) Our first question comes from the line of Mary Schlangenstein of Bloomberg News.

Mary Schlangenstein

I had 2 quick questions. First is, when do you expect to start getting the XLR? My second question is, you mentioned that domestic demand is steady, but I wanted to see if you could be more specific on that. Like how it's increasing into the fourth quarter toward the winter holidays. Also wondering if on international demand, if you've seen the level of demand that's normally like a summer peak level, has that continued past October and through the end of the year like some of the other international carriers have said?

Devon E. May - American Airlines Group Inc. - Executive VP & CFO

It's Devon. I'll just start on the XLR and then hand over to Vasu. We expect our first XLR delivery to come late next year, and then the order stream starts to really pick up in 2025 and 2026.

Vasu Raja

Yes. And Mary, I think that probably the best way to answer your question is kind of taking a long view look at it. And as we look at just overall demand in our system versus 2019, we're seeing like revenue production, which could be 15%, 20% higher than what was there before. That's across the industry, but for American Airlines specifically. So when you extract yourself from like the year-over-year, quarter-to-quarter changes, what you do see is that demand for travel is materially larger.

And the airline capacity is starting to catch up to what that is, but that's our reasons for saying that we see a lot of -- we see domestic on a similar demand trend line as what's been out there, and we certainly see that as we're anticipating characteristically strong peak periods.

And then as far as long-haul international goes, yes, we do continue to see strength in Q4. A lot of it is -- domestic was a marketplace that for customers opened up a lot sooner and a lot more completely and comprehensive than what many of these. Many countries outside of the U.S. did. So we're still in a period where some of that demand is coming back. And we, as many are beneficiaries of that.
Mary Schlangenstein

Can you just be more specific in terms of the upcoming demand domestically for the holiday period? I mean really, I don't think there's a lot of interest now in what the comparisons are to 2019. Just are you seeing higher demand going into the holidays that you normally would? Is it slower when you say steady, that doesn't give a necessarily very good impression in terms of what your holiday demand is.

Vasu Raja

Well, look, Mary, in our holidays, we routinely have far more demand than we have seats for whether you want to compare it to 2022, 2021, 2019 or probably 2009. So we're in a place right now where actually our holidays are very lightly booked because we know any time we create more availability in the holidays, the seats go very quickly. So we are anticipating continued like year-over-year improvement in holiday performance. What we have been seeing in things like the days around the big peak periods also are stronger on a year-over-year booking basis, too. But still, we are in a place where the entire month of November is less than 40% booked for American Airlines. And that's deliberate because we're anticipating really a lot of the continued strength around peaks.

Operator

(Operator Instructions) Our next question comes from the line of Alison Sider of Wall Street Journal.

Alison Sider

Yes, I was curious if the latest spirit issues with Boeing are impacting American at all if you're expecting any kind of delays and if those will affect schedules and plans at all?

Robert D. Isom - American Airlines Group Inc. - CEO, President & Director

Ali, thanks for that. Look, we work closely with Boeing. And I have to tell you that the Boeing team has been really, really forthcoming and cooperative with us. Certainly, they have some issues with supply chain, and they're working with us on our order book. We probably anticipate seeing a little bit of slippage as we go into next year but it's not something that is going to have a material impact on our capacity, and we're working very closely with Boeing on that. So thanks for that question.

Alison Sider

And then I guess on pilots, some other airlines and unions have talked about kind of like an unusual maybe reluctance for pilots -- first off, there's upgrade to captain, maybe more quality of life issues coming up. Are you guys seeing that at all?

Robert D. Isom - American Airlines Group Inc. - CEO, President & Director

I'll ask David Seymour, our Chief Operating Officer, to comment.

David G. Seymour - American Airlines Group Inc. - Executive VP & COO

Yes. No, I appreciate the question, Ali. I think you're probably focusing on the regional operations where there -- first off, I think probably the bigger constraint we have is them getting the hours to be able to upgrade to captain. But we're not seeing any reluctance really overall that first officers don't want to upgrade to captain.
Yes. And David, remind me, for same aircraft type, when we see first officers upgrading from the FO position to captain position, the competition increases roughly 35%, 40%.

That's correct. Yes.

Yes. So there's a strong incentive to become a captain at American Airlines.

Next question comes from the line of Alexandra Skores of Dallas Morning News.

I wanted to ask about the inflation and how that's impacting American customers? And then my second question is what you're seeing in that same vein, looking ahead to the winter travel season?

Sorry, we didn't hear you super well in the room. Would you say emissions.

Inflation, sorry.

Inflation. Got it. Got it. Okay. Yes, look, right now, I'll say this. Air travel -- as I've said on a couple of these calls, air travel remains an amazing bargain, though indeed, the price of gas or groceries or clothing or anything is up quite a lot. Air travel is not up nearly as much. In fact, I think today, in the fall, you can fly to Las Vegas for less than $50. And my guess is just about any place you go to eat, it would cost you more to eat there. So we have yet to see something where inflation is a thing that we could go point to as a causal headwind to demand.

Our next question comes from the line of Leslie Josephs of CNBC.
Leslie Josephs
We've been seeing a lot of discounts, a lot of double-digit fares from you guys midweek anytime. Can you talk a little bit about how much have you had to discount this fall kind of coming off of the peak summer season to fill planes? And how confident are you in this breakeven guide just considering where fuel is now and whether you can drum up fare enough to cover that.

Vasu Raja
I'll answer the first part of it by just simply saying that we don't really comment on fare activity or sale activity for any number of reasons. But I think others can talk a little bit more about kind of margin performance.

Devon E. May - American Airlines Group Inc. - Executive VP & CFO
Yes, our fourth quarter guide, we've done it the same way we've done for all the other quarters and throughout the year. We have confidence in our revenue guide. We provide a range on it. We have a lot of confidence in our cost guide and fuel remains volatile, but we did put a range on that as well. So as it sits today, we feel really good about what we have out there for our Q4 guide.

Leslie Josephs
Okay. And then, I mean, I guess if you can't comment on fares, but are you losing any pricing power broadly compared with last year or even compared with competitors now?

Vasu Raja
Well, that's probably an inadvertent way to comment on fares. And look, what we continue to see is a lot of the same overall demand trend sequentially day-to-day, week-to-week, et cetera. And as I mentioned, air travel remains an amazing bargain for customers. And customers, as we've seen for several years, are keen to travel and traveling at a greater rate than what they were in 2019.

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

Robert D. Isom - American Airlines Group Inc. - CEO, President & Director
Thanks, Latif, and thank you, everyone. I'll close with this. There's obviously a lot of short-term sentiment in thinking out there. And we understand why. There's a lot going on in the world today. That said, the airline business is one that absolutely requires long-term thinking as we navigate -- even as we navigate shorter-term variability. The aircraft we buy today are going to be around for 20 years plus. The leases we signed at airports and the hundreds of millions and billions of dollars that we commit to airports. Those are leases that are 10 years plus in financings that go out a lot longer than that.

And even the labor contracts that we sign are multiple years, 4 and 5 years. So we have to take that into account as we look to the future. And all of us at American have worked tirelessly to set the airline up for success in this short term, yet long-term world. So as we look to 2024 and beyond, look, we have an enviable fleet. We've gone out and spent $30 billion prior to the pandemic to put ourselves in a position where we are entering into capital spending that is lasting. And we're doing it in an environment where others are facing rising interest rates and issues with suppliers.

So while there's a heading the other way, we're set up for success. And we look forward to putting all of our assets back to full utilization and we know we can optimize how we're running the airline as we go forward. And all of that is why we build the best network and work with our customers...
to make sure that they are rewarded for using it. So we’ve got a great baseline, and I’m very confident in the future of travel and demand. And I can’t wait to talk to you more as we go out to the next quarters in 2024 about where American is headed and the story we have to tell. So thank you very much.

Operator

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