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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by, and welcome to American Airlines Group's second quarter 2025 earnings conference call. (Operator Instructions) I would now like to hand the call over to Neil Russell, Vice President, Investor Relations. Please go ahead.

Neil Russell - *American Airlines Group Inc - Managing Director, Investor Relations*

Thank you, Latif. Good morning, everyone, and welcome to the American Airlines Group earnings conference call. On the call with prepared remarks, we have our CEO, Robert Isom; and our CFO, Devon May. In addition, 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 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, 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 and Form 10-Q that was issued earlier this morning. Unless otherwise specified, all references to earnings per share are on an adjusted and diluted basis.

Additionally, 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 Investors 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. This morning, American reported an adjusted pretax profit of \$869 million for the second quarter or earnings per share of \$0.95, which is toward the high end of the guidance we provided in April. We achieved this in a difficult and evolving operating and demand environment, and we're proud of our second quarter performance.

We remain steadfast in our focus on our 2025 priorities, which will continue to shape the long-term success of American. Executing on these priorities will enable us to grow margins, generate sustainable free cash flow, and further strengthen our balance sheet.

Our priorities this year include delivering on our revenue potential, renewing our focus on the customer experience, operating with excellence, and driving efficiencies throughout the airline. We're pleased with the progress we've made on each of these fronts, and we'll share more on them this morning. Let's begin with our performance during the second quarter.

In the second quarter, we produced record revenue of \$14.4 billion, a testament to the progress we're making on our commitment to deliver on our revenue potential even in a challenging environment. Our year over year passenger unit revenue improvement led our network peers for the fourth straight quarter.

Long-haul international PRASM performed in line with our initial expectations with all entities producing positive year over year results. Driven by continued strength in the premium cabin, Atlantic PRASM was up 5% and Pacific PRASM was up approximately 1% year over year on approximately 17% more capacity.

Premium demand and spending from higher-income consumers remained resilient in the second quarter. On a year over year basis, unit revenue in the premium cabin performed four points better than the main cabin. We're well positioned to attract premium customers with plans to expand our premium seating further in the years ahead.

The strength in international and premium was offset by domestic leisure weakness. Domestic unit revenue was down approximately 6% year over year as softness in the main cabin persisted throughout the second quarter. While domestic unit revenue is expected to remain lower year over year in the third quarter, we expect that July will be the low point and that performance will improve sequentially each month in the quarter as industry capacity growth slows and demand strengthens.

As shown on slide 4 of the earnings presentation that we published this morning, the efforts of our sales team to recover revenue from indirect channels beat our expectations in the quarter, with our indirect share now down 3% versus historical levels. We saw the greatest sequential improvement in indirect leisure channels, but we continue to make progress in corporate channels. We remain on track to get back to our historical share of indirect channel revenue as we exit 2025.

In the second quarter, we grew our managed business revenue by 10% year over year, outpacing broader industry growth. This result is further confirmation that our sales and distribution efforts are being well received by our customers. Our work to grow the AAdvantage program and enhance our partnership with Citi is continuing as we prepare for the start of our new 10-year agreement in January 2026.

Slide 5 highlights that active AAdvantage members have grown 7% year to date with our highest growth in enrollments coming from Chicago, Dallas-Fort Worth and New York. AAdvantage members are more engaged, generate a higher yield versus nonmembers and are a key driver for premium cabin demand, currently accounting for approximately 77% of premium revenue.

Spending on our co-branded credit cards was up 6% year over year for the second quarter as customers continue to favor AAdvantage miles as their preferred rewards currency. American remains committed to offering an industry-leading travel rewards program, and we look forward to sharing more exciting updates in the months ahead.

The further strengthening of our network remains a key priority for the team. In the second quarter, our growth was focused on Chicago, New York, and Philadelphia, three strategic hubs critical to our network and where we continue to see long-term opportunity.

We're encouraged by the early results from this additional capacity with share, unit revenue and financial results tracking in line with or ahead of expectations. We'll remain responsive to the demand and competitive environment as we execute our long-term network strategy, and we remain focused on deploying capacity that best serves our customers.

Our new customer experience organization is elevating every part of the travel journey. We've continued to make meaningful improvements across all phases of the customer experience. We've announced several exciting updates to our lounge network, including opening a new flagship lounge in Philadelphia. In Miami, we've announced plans for a new flagship lounge and are expanding the Admirals Club lounge footprint. American is proud to offer more premium lounges than any other carrier.

Later this summer in Charlotte, we'll open Provisions by Admirals Club, a new, unique, and additional lounge concept for customers that are seeking a quick refreshment before catching their next flight. The new flagship suite on our Boeing 787-9 officially entered service last month on select flights to London. In this winter, this premium offering is expected to expand to Argentina, New Zealand, and Australia, giving more customers the opportunity to enjoy this elevated experience.

Customer response to the new aircraft and flagship suite product has been overwhelmingly positive. We want our customers' experience at the airport to be as easy and as seamless as possible. In May, we implemented TSA Touchless ID, which significantly expedites the security screening process.

Additionally, we're the first airline to test one-stop security for flights into the US, starting with American flights from London to Dallas-Fort Worth, allowing customers to bypass baggage reclaim and TSA rescreening upon arrival. We're excited to be the first carrier to implement one-stop security, which will greatly enhance the connecting experience and overall journey for our customers traveling internationally. Thank you to the Department of Homeland Security for its continued partnership and commitment.

We've also introduced several additional customer enhancements during the quarter, including an option for customers to use miles as a form of payment for upgrades and improvements to our in-flight food and beverage offerings. We're excited about the momentum we've built, and we're just getting started. Our customer experience team is undertaking a comprehensive review of every phase of the travel journey and making investments that will deliver tangible improvements for our customers and our revenue performance.

Turning now to our operation. The team has continued to plan, execute and recover through very difficult operating conditions this summer. Disruptive operating conditions are a reality of our business, and the American team continues to do an excellent job recovering from irregular operations and mitigating the impact to our customers.

In the second quarter, there was significant storm activity at our hubs in Dallas-Fort Worth, Chicago, Washington, D.C. and in the Northeast, a 36% increase in disruptive operational events over the same period last year. Thanks to the investments we've made in technology and our operations and our team's continued focus on controlling what we can control, we were able to recover quickly from these disruptions. A big thank you to the entire American Airlines team for continuing to deliver for our customers in the midst of a very challenging operating environment.

Finally, I'd like to acknowledge the families and communities affected by the catastrophic flooding in Central Texas. American is a proud Texas-based airline, and we've joined forces with our disaster response partners, the American Red Cross, Airlink and Team Rubicon to aid relief efforts and support impacted families. Now I'll turn the call over to Devon to share more about our second quarter financial results and outlook.

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Thank you, Robert, and good morning, everyone. Excluding net special items, American reported a second quarter operating margin of approximately 8% and earnings per share of \$0.95, both at the high end of our guidance. Our second quarter revenue of \$14.4 billion was up 0.4% year over year.

Second quarter unit cost, excluding fuel and net special items, was up 3.4% year over year, over 0.5 point better than the midpoint of our guidance. This is a result of the team's continued strong execution on our efficiency initiatives and a shift in timing of maintenance events to later in the year.

This resulted in an EBITDAR margin of 14.2%, a 1.5 point reduction year over year, which is similar to the year over year margin decline of our network peers. This is a great result considering the current domestic demand environment and our differentiated position, which includes the relative domestic weighting of our network and paying full market rates for all of our largest labor groups.

We are committed to running the airline as reliably and efficiently as possible while continuing to improve our revenue performance and enhance the customer experience. These efficiencies are driven by best-in-class workforce management, efficient asset utilization and procurement excellence and are unlocked by investments in technology and process improvements.

By year-end, we expect to have driven cumulative savings of over \$750 million and delivered approximately \$600 million of working capital improvements since we launched our reengineering the business efforts in 2023.

During the second quarter, we raised \$1 billion through a loyalty term loan financing and used the proceeds to cash settle our \$1 billion convertible note earlier this month. American ended the second quarter with approximately \$38 billion of total debt and \$29 billion of net debt, our lowest net debt levels since the third quarter of 2015.

We ended the second quarter with \$12 billion of total available liquidity. In the quarter, we produced \$791 million of free cash flow and have now produced \$2.5 billion of free cash flow in the first half of the year. We anticipate having positive free cash flow for the full year.

With regard to our fleet, we now expect to take delivery of 50 new aircraft this year at the high end of our previous range of 40 to 50 deliveries. This is driven by earlier-than-planned deliveries of several aircraft that we now expect to receive in the fourth quarter, a few months earlier than our previous expectation of the first quarter of 2026.

Based on these expected deliveries, our 2025 aircraft CapEx, which also includes used aircraft purchases, spare engines and net PDPs is now expected to be between \$2.5 billion and \$3 billion, and our total CapEx is expected to be between \$3.5 billion and \$4 billion. We continue to expect moderate levels of CapEx in future years with annual aircraft CapEx averaging approximately \$3.5 billion for the remainder of the decade. I'd now like to walk you through our outlook for the third quarter.

We continue to be mindful of both the demand and competitive environment as we develop our capacity plans for the remainder of the year. For the third quarter, we expect capacity to be up 2% to 3% year over year. Our year over year domestic capacity is up by approximately 5% during the July peak, but growth will slow to approximately 2% in August and will be down 1% in September.

We expect third quarter revenue to be between down 2% and up 1% year over year. We expect July to be one of the year's weakest year over year RASM performing months given the higher industry capacity and that the month was largely booked prior to the strengthening demand trends we have seen over the past couple of weeks. But we believe the worst is behind us and year over year revenue will sequentially improve each month this quarter.

Third quarter nonfuel unit costs are expected to be up 2.5% to 4.5% year over year, driven primarily by the collective bargaining agreements we have ratified over the past two years. This performance is in line with the second quarter, but on a lower rate of growth. We expect similar performance in the fourth quarter given the shift in maintenance expense from the second quarter to the fourth quarter. Based on our current demand assumptions and fuel price forecast, we expect to produce a third quarter loss per share of between \$0.10 and \$0.60.

Based on recent demand trends, we expect full year earnings per share of between a loss of \$0.20 and a profit of \$0.80, with the midpoint being a profit of \$0.30 per share. We believe the top end of the range is achievable if demand in the domestic market continues to strengthen, and we would only expect to be at the bottom end of the range if there was macro weakness that we don't see in our recent booking trends.

We are proud to be forecasting a profit in a year where we have faced the challenges of a tragic accident, significant and continued ATC delays, unprecedented weather, the full financial cost of new collective bargaining agreements and a material drop in demand in the domestic market where we produce over 70% of our revenue. It is a testament to the durability of our business and the resilience of our people.

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. In closing, we're pleased with our second quarter results and the hard work of the American Airlines team. This year has been challenging, but our team has skillfully managed through an uncertain demand environment and difficult operating conditions to deliver a safe and reliable operation for our customers. We're confident that we're delivering on the right long-term initiatives. With our continued focus on execution, we remain on track to deliver for the long run.

We believe American is uniquely positioned to benefit as domestic demand recovers in the back half of the year. With that, operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jamie Baker, JPMorgan Securities.

Jamie Baker - JPMorgan Securities - Analyst

So Robert, you and I had a constructive exchange, in my opinion, back at the March Industrials Conference. So I wanted to kind of stick to that theme following some of the more recent OA disclosures. What we heard from a competitor when discussing the industry landscape is that several airlines are operating a double-digit percentage of their flights at a loss.

So I guess my question for you, Robert, is twofold. First, can you give us an approximation maybe on a full year basis to adjust for seasonality, what overall percentage of American flying loses money and maybe how that's changed and evolved in recent years? And then second, is there a path towards a more modest percentage of loss producing flying? How do you accomplish that? What are the upside drivers?

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

Okay. Thanks, Jamie. And I'll just start with -- we don't run our airline based on other airlines' perceptions of our business. We run and have a fantastic hub-and-spoke network system, a great set of partners. We're really proud of what we do. And on a system basis, if you take a look at our results today, the primary differentiator between us and some of our competitors is largely two things.

One, we're paying our team members at market wages. Others are benefiting from not doing that. I'm sure that, that will catch up over the long run. And the second thing is we do have a network that we're proud to say is more oriented to the domestic network. And let's face it, the domestic network has been under stress because of the uncertainty in the economy and the reluctance of domestic passengers to get in the game.

We think that that's going to change. We think that's going to be a tailwind for us. And especially as demand and capacity come back in more in the balance, it's going to fit very well with the things that we're doing to make American really thrive in the long run, delivering on our revenue potential, improving our customer experience playing into premium, taking advantage of international. We're going to be having some international growth. And it's all based on -- or all keyed off of an incredible level of efficiency.

So I feel proud of what we got.

Operator

Conor Cunningham, Melius Research.

Conor Cunningham - *Melius Research LLC - Equity Analyst*

Two, if I may. You mentioned a sequential improvement in the US domestic market as you think about through 3Q. There's obviously been a wider range of outlooks from some of the other players out there. So I was hoping that you could help frame up what you actually see within your US domestic performance from maybe July to September. Does it just track the capacity plans?

And the reason why I ask is like, obviously, things changed in July, and you talked about how you were basically fully booked for July. So if you could just talk about where you're booked for the remainder of 3Q and then maybe 4Q, that would be super helpful.

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

Sure, Conor. I can start. But I just want to note that our Vice Chair and Chief Strategy Officer, Steve Johnson, he's recovering from a case of pneumonia, not with us today. He's fine but getting some rest and is on the mend. So I'll start and hand it over to Devon.

Look, when we take a look at what we've got on the books right now, July has been tough, really hit hard by the uncertainty during the primary booking period for those that wanted to travel in July. And as we take a look through the third quarter, we probably have about 65% of revenue on the books. I think that's probably plus or minus right, and about 20% on the books for the fourth quarter.

So there's a lot to go and good reason to have a lot of optimism for some of the trends that we're seeing going from July into August and September and into the fourth quarter. But also, look, we've had a lot of volatility in the business so far, and we want to be mindful of that as we forecast as well. Devon?

Devon May - *American Airlines Group Inc - Chief Financial Officer, Executive Vice President*

Yes. Not much to add. Like Robert said, we will see sequential improvement throughout the quarter. July is going to look a lot like our second quarter results. But as we get into August and September, we're going to see some nice improving trends there and expect that to continue into Q4.

Conor Cunningham - *Melius Research LLC - Equity Analyst*

Okay. That's helpful. And then maybe I could talk -- maybe we got to ask a little bit about just earnings baselining. Obviously, a lot has gone on in the first half of this year. And the question that I get is just around like, what the actual potential of the business is now that you've kind of gotten back to a level of demand where I think is sufficient to maybe what you were thinking in January.

So if you could just talk about what the headwinds that you faced in the first half of this year and what you don't necessarily expect to repeat next year. I think that would be helpful as we start to think about '26 and beyond.

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Yes. We're obviously a ways off of run rate earnings right now, and we see a lot of potential for margin expansion as we go forward. And it's everything Robert has talked about, and it's everything we've talked about over time. Like as we look out for the next six months, domestic marketplace is going to improve, and that's a great tailwind for us. As we head into next year, we expect that to continue, and we're going to start benefiting from our new credit card agreement with Citi, which we're incredibly excited about.

We continue to invest meaningfully in the customer and the premium experience, which we think is also going to drive nice tailwinds for us. So this year, obviously, a really tough first half. We think we're going to get some nice tailwinds as we head on into the second half and expect expansion as we head into 2026.

Operator

Catherine O'Brien, Goldman Sachs.

Catherine O'Brien - Goldman Sachs Group Inc - Analyst

Two questions. First one, a bit of a follow-up to Conor's. Can you just speak on how you're thinking about capacity and unit costs versus January? Within the low single-digit and mid-single-digit ranges you're expecting, have things shifted at all? And then I know this is early, but this year, I think you had a couple of points of pressure from new labor contracts. Can you just speak to like headwinds and tailwinds we should be thinking about into next year?

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Sure. This year is largely unfolding as we expected to start the year. First quarter, we had guided to CASM up 8% for a lot of reasons that we had talked about, mainline regional mix, labor expenses, a reduction in capacity. We came in just inside of that. Second quarter, we had guided to CASM up 4%.

Again, we came in just inside of that number and felt good about it. We're executing on all of our different cost initiatives, we did benefit in the second quarter with some maintenance expense that pushed out to Q4. And so we're going to see a similar unit cost trend to what we saw in the second quarter for both the third and fourth quarter. So at the midpoint, unit costs up probably somewhere around 3.5%.

As we head into 2026, it's early. It's going to be somewhat dependent on our capacity production. But I'd just say, over the long term, I think we've done an exceptional job managing costs. We spent the last couple of years really focused on reengineering the business for efficiency, and that's across the entirety of our business and I think we're doing a really nice job with it.

So that's the outlook for this year. And I think in '26, we'll continue to perform really well relative to the rest of the industry.

Catherine O'Brien - Goldman Sachs Group Inc - Analyst

Okay. Great. And then maybe just one on the indirect revenue share, if I could. I saw that came in better than expected in the second quarter. But on an operating margin basis, the gap to peers is about the same this quarter. It was in the second quarter of last year with indirect revenue much more recovered.

Is there an element where revenue share is getting close to historical levels that's more volume driven than it was before the distribution strategy change and there's some element of pricing that recovers over time in those contracts? Or is it the margin pressure is coming from the relatively

higher domestic exposure and maybe more market labor rates versus one of your peers you spoke about earlier in the call. Just would love to unpack that.

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Yes. Thanks. You hit it exactly right at the end. Like it's -- to me, it feels like a pretty incredible result that our margin performance year over year was very much in line with our peers. In a quarter where we know the weakest part of the business was the domestic marketplace, and we have more exposure to domestic. And like you said on the cost side, we are faced with the full cost of newly reached collective bargaining agreements. At least one of our peers isn't in that position yet but will be eventually.

So for us to produce the same year over year margin in that environment seems like a really great result. And you see it in the unit revenue numbers. We've had four straight quarters of relative outperformance on unit revenue. It's just hard to have that flow through to margin or relative margin when you have these types of differences.

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

And Catherine, I'll just add, one of the other proof points is the corporate managed traffic that's improved 10% year over year in a relatively flat business market. We're not done yet. And that's the point, I think, is really important. We've got a few percentage points more to get back to where we were prior to the sales and distribution strategy change. But we've got even more from that because we know that our network and our team is capable of delivering at higher levels. I do believe that the last few percentage points going to be hard. But also, I think that they're going to be the most profitable points we bring in.

Operator

Tom Wadewitz, UBS.

Atul Maheswari - UBS AG - Analyst

This is Atul Maheswari on from Tom Wadewitz. Robert, if I heard you right, did you say that you're expecting a full recovery in indirect channel market share as you exit 2025? So if you could please confirm that? And related to that, are you able to quantify what would be the revenue lift that we should expect for 2026 as you run rate the 2025 exit rate to all of next year?

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

Well, Tom, I'll start with the first with is just getting back to our historical share. As we exit 2025, we're on track to getting -- restoring our full indirect channel share. And what that means is that as we exit the year. So it's not embedded in the full year 2025 results. But as we move into 2026, I expect to see that come through. We talked last year about that representing \$1.5 billion of revenue. There's a good chunk of that that's going to flow through, and we're really pleased with our performance getting back on track.

Atul Maheswari - UBS AG - Analyst

Okay. And then as my follow-up, just following up on some of the questions that have been asked already. But if we look at your profit margins, relative to your network peers, just it would seem based on the outlooks that all of you have provided this year that your margin gap even at the EBITDAR level is likely to widen this year.

So really, as you look out over the next few years, what do you think American really needs to do to make progress in bridging this gap? And do you think there are any structural impediments to American actually fully bridging this gap over time?

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Well, I'll just start with last year. At the end of last year, we had a two-point EBITDA margin gap to United, inclusive of Delta's third-party business. We had about a two-point EBITDA margin gap to them as well. And that's a gap that we expect to close over time. This year is an unusual year for all the reasons we discussed, and you have to probably dig a level deeper.

One, we're -- we have a larger domestic exposure than either of our large network competitors. Two, we have -- we're just at different cycles with where we are at with collective bargaining agreements. We have all of ours in place. One of our competitors does not. So not everything is going to come through in margin in a linear fashion.

But we do think over time, yes, we expect we can close that margin gap. We don't think there's anything structural. We had talked about what we think are some of the key reasons around it, inclusive of your first question, sales and distribution is something that was a headwind last year. It remains a headwind for us this year. But coming into next year, we think it will be a tailwind to margin.

We've talked about our Citi agreement. There's been a gap to our peers there. We think we have an incredible partner and an incredible agreement in place, and we're going to close that gap overtime as well. And we like a lot of the work that we're doing on the commercial side of the business, including some really nice investments in premium and premium customer, which we think will help as well. So there's a gap today and there will be a gap this year, but we do expect to close it heading into 2026.

Operator

Michael Linenberg, Deutsche Bank.

Unidentified Participant

This is Shannon [Daryon] on for Mike. So American recently agreed to drop its lawsuit against Chicago Aviation authorities. Where do you guys stand today? And what does it mean for your schedule later this year and early next year out of Chicago? Presumably, you thought you'd have more slots and not less than we have.

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

Thanks for the question. And regarding Chicago, this is a tremendous opportunity for American. We've been slowest to rebuild out of the pandemic our network for a number of reasons, largely because of pilot shortfalls in our regionals. But now that we have full ability to staff, we're in good shape. And so you'll see Chicago hit 485 peak departures, and we're on our way to producing even more than that, over 500 as we take a look into next year. We have the gate capacity we need to fulfill that growth and even more.

And in terms of the status of the litigation, we feel really good about where we're at. We worked with the city to design and finance the expansion in Chicago. And all we're asking to do is have them live up to what they said they would do in terms of gate allocation. So we're not concerned. We've got what we need now, and we're going to have what we need going forward.

Unidentified Participant

And if I just may follow up, on the Embraer tariffs, we've heard that some airlines don't have to accept delivery of airplanes. Is that going to be the case with you and Embraer assuming that current tariff goes through?

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

Embraer is a terrific partner. And the E175s are just an exceptional aircraft with soon to be satellite-based Wi-Fi and full first-class cabin and so it fits really well. We're proud to be the operator of the world's largest fleet of Embraer aircraft, and that's unique to American. We're working with Embraer on deliveries, but we don't anticipate any long-term issues. As a matter of fact, we know that the Brazilian government is working with the administration and Embraer as well.

And so over the long run, we know what's best. There's a tremendous amount of US-based content on those Embraer aircraft, and there's a lot that goes into negotiating trade deals. So we stand by ready to help in any way, and we've made sure that the administration and Embraer knows our interest and we're confident we'll be taken care of.

Operator

Andrew Didora, Bank of America.

Andrew Didora - Bank of America - Analyst

So Robert, you've been speaking a lot about your revenue share in indirect channels. When I think about share more broadly, right, like your capacity growth has been trailing your network peers for the past six or so quarters. I guess as we move forward from here, are you content with growing less than your peers and driving that RASM outperformance that you've been getting? Or does there come a time when share matters and you need to maybe at least grow in line with some of your primary competition? Any thoughts around that?

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

Sure. It's always a balance. And it's something that we're going to make sure that we have a network that takes care of our customers in a way that they -- we need to serve them and that we can do so profitably over the long run. We're super pleased with the hub network that we're fortunate to have.

Our hubs are based in the metro areas that are growing the fastest in the United States. You've seen from some of our recent announcements about the new terminal F in DFW. It's going to allow DFW to be the world's largest hub. We're confident that our hubs will support more growth.

And specifically, as we look into 2026, you're going to see us make sure that we restore our share in Chicago. You're going to see us continue to build Philadelphia, which has been really a bright spot. And you'll also see us continue to invest in Miami. All that goes with a tremendous domestic network that is ultimately the anchor to help support international growth and our fleet is going to allow for more of that.

And I like the opportunity we have to play both in the international market and premium space as well. So good things on the horizon from that perspective. We're going to take care of our customers.

Andrew Didora - Bank of America - Analyst

Got it. And just my second question here. I know you've spoken about kind of your corporate revenues growing 10% in a flattish market. I guess -- can you more quantify the demand improvement you've seen of late that just gives you the confidence to speak to the accelerating revenue growth despite the tougher comps as we head into the back half of the year?

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

Yes. It's just booking trends, and it's especially what we see coming from June moving into July. And then as you move into August and September, we feel really confident in terms of an improving capacity and supply environment and American benefits, and we should benefit more than others given our exposure.

Operator

David Vernon, Bernstein.

David Vernon - Sanford C Bernstein & Co LLC - Analyst

So Robert, I wanted to ask you a little bit about the investment in sort of the customer experience. And I want to ask it in kind of two ways. One, first, kind of as you look at yourself relative to your peers, where are the big opportunities for you to improve the customer experience? And as you talk to investors about this, like how are you thinking about measuring this? Is it Net Promoter Scores?

How are you going to kind of judge the performance on improving the overall customer experience? Obviously, it will eventually show up in the bottom line. But I'm just wondering how are you thinking about talking about your progress on this journey to improve with investors and analysts?

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

Thanks, David. Appreciate the question. First off, we're going to measure this by our customers' perception and by revenue performance, okay? So first off, we will evaluate our Net Promoter Scores. That will be a huge driver.

And as well in terms of revenue performance, this is going to be -- we're doing this to improve premium revenues and revenue overall. So unit revenues will be the metric that we take a look at. And so in terms of where we're at, we've had a long history of first in terms of customer experience enhancements and improvements, and we're building on that.

So whether it's the new flagship suites on our 787s, which will soon be on our 321 XLRs, which then will also be on our 777-300s that are being reconfigured. That all plays into that our premium lounge network, which is larger than anyone else. You heard our Philadelphia announcement, Miami, and there will be more on that.

A lot of that is built into the capital spending that we've already planned. So I would suggest that there's not a lot of catch-up on that front. You will see us invest in our food and in-flight amenities. And again, you will see us continue to avoid -- to invest in the premium experience. Where I look at opportunities going forward, though, it really is the ability to serve that premium customer, especially internationally as well.

And we have a fleet that is ideally suited to do that.

So those adjustments that I described, they're all going to result in the ability to serve almost 50% more premium customers in premium seating as we move out into 2030. And from an international perspective, our fleet is going to allow us to serve more or actually improve flying by almost 50% or more than 50% as we move out into 2030.

David Vernon - Sanford C Bernstein & Co LLC - Analyst

And I guess as you think about kind of where you guys stand relative to peers in terms of Net Promoter -- or do you guys benchmark that at all?

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

We do. And we think it's a great opportunity. It's something, again, that is on a front that we take very seriously. It starts with running an exceptional operation. And we've been hit with our share of challenging operating conditions this summer, certainly in June and July, no place has been hit, no airline has been hit as hard as American. So it starts with running a reliable operation. We're making sure that we can recover as quickly as possible, investing in technology on that front.

And then moving from there, it really is making sure that we have the basics and those things that are just essential for competition. And then there are some things that you're going to see us play in that we'll look to even outpace the competition. And on that front, it's all designed to improve our customer experience and revenue performance.

Operator

Duane Pfennigwerth, Evercore ISI.

Duane Pfennigwerth - Evercore ISI - Analyst

So depending upon how we interpret the guide for 3Q, maybe there's slight sequential improvement in RASM depending upon how the quarter plays out. But I wonder how would you rank your enthusiasm for sequential improvement by entity, maybe domestic versus Atlantic versus Latin? And do you see a path back to positive RASM for domestic this year?

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Duane, I'll just say this about the environment right now in Q3 versus Q2. In the third quarter, domestic is going to be better, but it starts with a month of July that's going to look very similar to what we had in the second quarter. But we do expect improvement beyond that point, and that's actually the entity where we expect to see the most improvement.

Transatlantic, we had outstanding performance in the second quarter. As the Iran conflict was heating up, that was during a pretty decent booking window for Q3. So we do expect a little bit softer performance in the Transatlantic in July and August. But by September, we think it's going to be performing really nicely again. The rest of the network, I think there's probably some pressure in short-haul Latin, long-haul, Latin, and Transpacific will probably perform pretty similarly to what we saw in Q2.

But when we look at it in totality, we really like the environment that we're in now versus where we were a couple of months ago. And especially as we get to the back end of this quarter, we think there's some really nice potential for positive unit revenue ahead. That's not baked into the guide. Obviously, we're going to have negative unit revenue this quarter at the midpoint. But we do think as we head out to the fourth quarter, there is potential for positive unit revenue performance.

Duane Pfennigwerth - Evercore ISI - Analyst

And then I may have missed it, apologies if I did, but you guys have been pretty good at keeping your capacity in kind of this 3% range, basically for all the quarters of this year, you made some comments about early deliveries. Does that change the trajectory for the fourth quarter? Or do you lean harder on retirements? Or is it just a rounding error?

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

There may be a little bit more capacity that comes in, in the fourth quarter with deliveries. It's not going to be a huge amount, though. Just on retirements, I think you may be aware, we don't have any aircraft retirements that are necessary between now and the end of the decade. So for

us, when we're managing capacity, it's really just being tight around utilization during the off-peak periods. And I think we were pretty quick to react here in the third quarter, at least for -- these periods like August and September, which are traditionally lower demand periods.

As we head into the fourth quarter, though, we like the demand trends we're seeing, and I think we're going to put the right amount of supply in the market to meet that.

Operator

Savi Syth, Raymond James.

Savi Syth - Raymond James - Analyst

Just a clarification there, sorry. So on the domestic capacity side, with the declines, is that solely related to just taking off-peak capacity out. So as you get into the fourth quarter, you'll see that step up again. Is that how you're thinking?

Devon May - American Airlines Group Inc - Chief Financial Officer, Executive Vice President

Well, I'll just say fourth quarter capacity isn't finalized yet. But yes, in the third quarter, like we would in a normal year, we pulled capacity down in August and September. This year, just given the trends we have been seeing in demand as we went into the second quarter, we pulled August and September down more than we normally would. Some of that capacity would naturally come back in the fourth quarter, which is traditional seasonality, and that's what I would expect again this year.

Savi Syth - Raymond James - Analyst

Makes sense. And then on the operations front, it seemed like that was one area that you had really improved kind of versus where you were maybe pre-pandemic over the last few years of this year, clearly, more issues. And I wonder if you can kind of -- is it really down to DCA and weather? And if that's the case, I mean, weather might not change. Like how do you manage through this? Because it seems like the metrics have gotten worse at American versus peers, even though you are kind of recovering better.

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

Thanks, Savi. Look, I think American runs the most reliable, safe operation possible at all times. I'm really proud of our team and the way they've been able to recover. Let's just go through some of the things that we've dealt with. First off, June saw regular operations up 35% plus over the prior couple of years. And just go ahead and multiply that by two or three times as we moved into July.

I said earlier today on another call that -- we've had almost 800 diversion events and 5,500-plus weather cancellations just in the first three weeks of July. Now that is not something -- that is something that will continue long into the future. It's an anomaly. And we've seen that now that heat has kind of come back into the summer and we're more in a normal cycle. We're going to make sure, though, that we do the things that make American as resilient as possible.

And so whether that's investing in a little bit in the schedule to create some redundancy, extra resources, technology, we're putting AI to use to make sure that we have the best recovery plans and options for our customers out there. So I feel good about our ability to manage through we do need investment in air traffic control.

One of the issues that we're facing today is it's unique to us is a slowdown out of DCA. We had the aircraft incident earlier in the year. And -- but I fully expect that we will recover from that, and that will no longer be an impediment. So over the long run, I think that weather normalizes for

everyone. I think that American, because of what we do and how we've operated during a really difficult environment, we're going to shine over the long run. And I feel really good about that.

So a couple of other proof points. One is that even with these irregular operations, our mishandled baggage rates are improving very, very, very much. And I know that we're doing a great job in getting customers back online when operational events create problems. So there you have it.

Operator

Tom Fitzgerald, TD Cowen.

Thomas Fitzgerald - *TD Cowen - Analyst*

Most of might have already been answered, but I'm curious just how you're thinking about the New York market organically now that seemingly a lot of the inorganic growth options there have been closed off.

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

Thanks, Tom. We have a great franchise in New York. We're the third largest carrier with over 260 peak day departures across all three airports. Our largest operation is at the preferred New York Airport, LaGuardia, and we have 150 departures there. The new terminal is great.

It does come at significant expense, but we're optimizing our network to adjust to make sure we can take New Yorkers to where they want to go and customers that want to go to New York, we're making sure that we have the ability to do that.

And so based on what we're doing, we're seeing margin expansion year over year. And our one world hub at JFK Terminal 8, which I think is really unique to American. We offer a seamless experience with 125 peak day departures across AA and our partners. We've got a great product, especially from a transcon perspective, London Heathrow to New York, the biggest business market in the world.

Yes, our New York is more specialized given our network and complements where we're strong in so many other places. But we have the ability to grow as well. And that growth can be through up gauging, and we're always making sure that we're flying to the right places.

Thomas Fitzgerald - *TD Cowen - Analyst*

Okay. That's really helpful. And then just as a follow-up, how -- I don't know if you're able to give us any like sizing or like in terms of like points of RASM, but how are you thinking about, I guess, headwinds from the Wi-Fi for next year and then -- and tailwinds from the improving mix as you take on more premium heavy fleet?

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

Okay. So I'll start with that. And Devon, you can pitch in. Regarding satellite Wi-Fi, that's -- it's going to be fantastic. American will be the first carrier to really offer satellite-based Wi-Fi across its entire mainline fleet and everything but our 50 seaters from a regional basis.

Those installations are going on and doing very well. We have a wonderful partnership with our satellite Wi-Fi being sponsored by AT&T. That offers a tremendous opportunity for both companies to take care of our customers in the way that they want and find ways to serve them even better.

So from that perspective, I believe that based on our partnerships and what we think in terms of consumer sentiment and also usage of the service. I think that we're going to do pretty well, and you won't see much of an impact in terms of the P&L.

And in terms -- and I spoke earlier about the work that we're doing from a premium product perspective. We've got a fantastic foundation. And whether it's our facilities, our lounges, the aircraft that we're coming in that are already built into our capital plan, yes, we're going to augment that a little bit with amenities and service and we'll do that, but that won't have a material impact either.

Operator

(Operator Instructions) Alison Sider, Wall Street Journal.

Alison Sider - *Wall Street Journal - Analyst*

I guess on New York, I was curious what you all made of the United-JetBlue arrangement. How compelling do you think that will be? And how much of a step back is it that American wasn't able to come to some other agreement with JetBlue?

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

Thanks, Ali. Look, we had a creative relationship with JetBlue for a number of years that really benefit customers. Unfortunately, we couldn't maintain that long into the future. And so we haven't had the benefit of that for a couple of years now. We -- as I mentioned before, we like our New York franchise.

It's specialized, but it's centered on those things that really, I think, are most meaningful, not only to our network, but our customers, transcon and international service and really taking New Yorkers where they want to go and making sure that we have a great schedule from all of our hubs into the New York region as well.

New York is one of the places that we've grown. Our AAdvantage enrollments actually even at a faster clip than we have in the last couple of years. So we know that we have a fantastic customer base there. And we'll look for ways to serve them. We have the ability to do some growth ourselves through up gauging.

We've got our partner network in our one world hub in JFK T8. So I feel really confident about how we're set up and where we're headed going forward.

Operator

Leslie Josephs, CNBC.

Leslie Josephs - *CNBC - Analyst*

Just curious if you could talk a little bit more about this weakness you've been seeing with the consumer. Robert, I know that you mentioned the uncertainty going into July. What is that exactly? And what are the signs of that? And just because it differs a bit from what we heard from Delta and American. Sorry, Delta and United.

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

Well, I think that differs from what we've said as well. So the uncertainty that is in July is really due to bookings that were made in the second quarter. As we move from June into July, we're seeing the same uptick in bookings that anybody else is seeing.

It's been remarkable, and it's something that gives us great confidence as we look into August and September and the third quarter and the early bookings, we only have 20% of revenue on the books for the fourth quarter. But as we look out into the fourth quarter, it all looks very promising. That benefits us because it's largely domestic rebound and so given our exposure domestically, I think that bodes very well.

Now in terms of the drivers of the reduction in uncertainty, I think that comes from more stability, tax bill. I think it comes from tariff deals being done with the UK recently announced Japan, hopefully something with the EU soon. So all of that bodes well for the consumer. Joblessness is trending in the right direction.

While GDP has been pulled down a little bit, it's still positive for the back half of the year. And I think that all lends to a customer that's more willing to get out there and spend travel and do some things that they want to do.

Leslie Josephs - CNBC - Analyst

Okay. And just one follow-up. One of your competitors was talking about using AI more for pricing. How do you think about that? And is that something that you're considering or already experimenting with?

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

Thanks. And I appreciate the question because I, quite frankly, think that some of the things I've heard are just not good. For American, we will use AI to improve our ability to operate the airline. We're going to be more efficient because of it. We're going to be able to -- our team members are going to have an easier time of doing their jobs.

For our customers, it's going to improve their customer experience. We're going to be able to give them the ability to see more of the amenities that we can offer. We're going to be able to serve them in a way that when they do run into difficulties that they can recover faster.

We have projects underway now that are all aligned in that fashion. We talked about operational difficulties. One of the big AI investments we've made is in a project that we call HEAT that allows us to rebuild the operation as quickly as possible going forward.

So for us, of course, we're going to find ways to get our product in front of consumers. But consumers need to know that they can trust American, okay? This is not about bait and switch. This is not about tricking and others that talk about using AI in that way, I don't think it's appropriate. And certainly, from American, it's not something we will do.

Operator

Thank you. This concludes the Q&A portion of the call. 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

Thanks, Latif, and thank you to everybody on the call today. We remain confident that the actions that we've taken to deliver on our revenue potential, strengthen our network, operate with excellence, and find ways to drive efficiencies throughout the airline position us well for the long term. I want to thank you for joining us and thank you for your support and interest. Have a great day.

Operator

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

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