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OVERVIEW:

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PRESENTATION

Operator

Thank you for standing by, and welcome to American Airlines Group's First Quarter 2024 Earnings Conference Call. (Operator Instructions) I would now like to hand the call over to Scott Long, VP of Investor Relations and Corporate Development. Please go ahead.

Scott Long - *American Airlines Group Inc. - MD of IR*

Thank you, Latif. Good morning, and welcome to American Airlines Group First Quarter 2024 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 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 the details on the first quarter, in addition to outlining 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. And 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 March 31, 2024. 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're 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. The American Airlines team continues to build a more reliable, efficient and resilient airline. I'd like to thank our team for running a fantastic operation. We're driving revenue through our commercial initiatives, efficiently managing costs and producing free cash flow to further strengthen our balance sheet.

Let's talk about our financial results for the first quarter. This morning, we reported an adjusted net loss of $226 million for the quarter or an adjusted loss of $0.34 per diluted share. This outcome was within our originally guided range despite a significant increase in fuel expense in the quarter, which was approximately $100 million higher than the midpoint of our initial guidance. We remain on track to deliver our full year EPS guidance, and we continue to expect to produce approximately $2 billion of free cash flow this year.

We produced record first quarter revenues of $12.6 billion. Business travel has continued to recover with particular strength in small and medium-sized businesses. Additionally, we have seen sequential improvement in the recovery of managed corporate travel and domestic business revenue growth outpaced capacity growth in the first quarter.

Additionally, our focus on delivering premium content that our customers desire is paying off. In the first quarter, upsell, loyalty and partnership revenue what we define as premium content made up 61% of our revenue and increased 17% year-over-year. As we have outlined in the past, our revenue growth is increasingly fueled by Advantage customers who continued to acquire our co-branded credit cards at historically high levels. Advantage customers account for 72% of our premium content revenue. And in the first quarter, our premium cabin saw a 10% increase in revenue versus 2023.

We expect these trends to continue, which is why we're investing in our product and premium customer experience. And just last week, we announced several new premium onboard enhancements and customers will have an increasingly elevated experience with the introduction of our new state-of-the-art flagship suite seats on our long-haul aircraft including our retrofitted Boeing 777-300s and future Airbus 321XLR and Boeing 787-9 deliveries.

Our Fleet Network and Travel Rewards program will continue to enable significant upside moving forward, and our limited near-term capital requirements position us to continue to generate meaningful free cash flow this year and in the years to come. We continue to make progress on our commercial initiatives, and we are always looking to improve our performance and drive additional revenue.

We see meaningful opportunities to improve upon our results much of which will be captured as we progress through the year. First, we continue to believe in the value that our distribution strategy provides to our customers and to American. Engaging directly with our customers through modern Internet-based technology is where the industry is headed, and we're leading the way. That being said, there are near-term actions we can take to optimize our efforts in advance of hitting a steady state on this long-term strategic initiative, and those are underway.

Second, our network was uniquely impacted by increased industry capacity in the first quarter, but we see that moderating in the quarters ahead. This will be a tailwind for us going forward. Third, increasing the utilization of our fleet is a priority, but we can improve the deployment of our own capacity to better match supply and demand throughout the year.

And finally, our team is laser-focused on executing well on these and all of our commercial initiatives day in and day out. Turning now to the operation. American continues to produce industry-leading operational results. We're running the best operation in our history because of our steadfast commitment to operational excellence and strong collaboration across the entire airline.

We continue to minimize our cancellations, resulting in our best-ever first-quarter completion factor. We delivered these results despite air traffic control challenges during the quarter and significant weather events across our network. Our strong completion factor performance enabled American to achieve 8 combined mainline and regional zero-cancellation days in the first quarter and improved our mishandled baggage rate by 10% year-over-year.

Our outstanding recovery efforts have become the hallmark of our operation as we minimize cancellations and shorten the recovery time for our airline end customers. As our attention shifts to the summer operations, we're focused on safety, reliability and continuing to provide a great experience for our customers. We continue to find ways to improve the travel experience for our customers, especially ahead of the busy summer travel period.

Through investments in technology, we have made significant progress in our digital servicing capabilities. American is now able to sell and digitally service approximately 95% of transactions, which greatly simplifies and enhances the experience of our customers and team members. We're also seeing tangible benefits from our reengineering efforts. We are using our assets more productively across the airline and our total aircraft utilization improved approximately 4% year-over-year in the first quarter, primarily driven by improvements in our regional supportability.

And now I'll turn it over to Devon to share more about our first quarter financial results and second quarter outlook.

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

Thanks, Robert. I want to commend the American Airlines team for its focus and execution and for leading us on the path to achieving our long-term goals. We delivered a fantastic operation for our customers in the first quarter. Despite a significant run-up in fuel in the quarter, we were able to produce results within our guided range for each of our operating metrics, and we remain on track to deliver on our full year guidance. Excluding net special items, we reported a first quarter net loss of $226 million or an adjusted loss per diluted share of $0.34.

We produced record first quarter revenue of $12.6 billion, up 3.1% year-over-year. Our adjusted EBITDAR margin was 7.6%, and we produced an adjusted operating margin of 0.6%. Our strong operational performance in the first quarter resulted in capacity that was up 8.5% year-over-year at the high end of our guidance range. Total revenue was approximately 0.5% higher than the midpoint of our January forecast. Unit revenue was down 4.9% year-over-year, slightly lower than the midpoint of our guidance on 1% higher ASMs. Our strong operational performance in the quarter also resulted in unit cost, excluding net special items and fuel on the low end of our guidance range, up 2.3% year-over-year. As a reminder, the first quarter of 2023 did not include the cost impact of our new pilot agreement, which resulted in a year-over-year headwind. Normalizing for this, our first quarter CASM ex would have been approximately flat year-over-year.

We have some modest updates to our fleet and CapEx guidance versus our March Investor Day update. For the year, we now expect to take delivery of 22 new mainline aircraft, down from our prior estimate of 29 aircraft. Our new aircraft deliveries include 16 737 MAX 8, 3 787-9s and 3 A321neos. We also plan to take delivery of 12 new Embraer E-175 aircraft. We continue to expect to grow full year capacity in line with our guidance above mid-single digits year-over-year. While Boeing delivery delays have impacted mainline capacity production, they have been largely offset by improvements in our regional aircraft utilization.

Aircraft delivery delays are impacting the entire industry, but they are not having the same impact on American as other carriers since we are not as dependent on new aircraft deliveries as most of our peers. We have modest aircraft CapEx requirements this decade due to our previous refleeting efforts. We now expect our 2024 aircraft CapEx to be approximately $2.2 billion, and our total CapEx to be approximately $3.1 billion. We continue to expect aircraft CapEx to be approximately $3 billion to $3.5 billion per year from 2025 through 2030. In the first quarter, we generated operating cash flows of $2.2 billion, and we produced free cash flow of $1.4 billion.

Our relatively low capital requirements and free cash flow production have allowed us to make significant progress toward strengthening the balance sheet. We reduced total debt by nearly $950 million in the first quarter and we have now reduced total debt by $12.3 billion from peak levels in 2021. Net debt is now at $33.4 billion, nearly $2 billion lower than pre-pandemic levels.

We continue to expect to be more than 85% of the way to our $15 billion total debt reduction goal by the end of this year. Now on to the outlook for the second quarter. Our focus continues to be on delivering industry-leading reliability, maximizing revenue and profitability and reengineer business which not only drives savings and greater productivity but also delivers a better experience for our customers and team members.

Our work to reengineer the business is progressing well, and we remain on track to deliver approximately $400 million in cost savings in 2024. Additionally, we continue to find opportunities to improve working capital. By the end of this year, we expect to have achieved approximately $200 million in incremental working capital improvements in addition to the $100 million we achieved in 2023.

At the Investor Day, we highlighted our goal to increase the production rate at our engine overhaul facility in Tulsa. And the team has done an incredible job accelerating that initiative this year. While this results in additional expense being pulled forward into 2024, the longer-term benefit of this project is materially NPV positive.

Our engine overhaul facility in Tulsa is a strategic asset and another competitive advantage for American in a constrained aircraft maintenance market. We plan to grow capacity at 7% to 9% year-over-year in the second quarter, primarily through improvements in aircraft utilization. Our capacity growth will slow considerably in the back half of the year, and we continue to expect to produce mid-single-digit capacity growth for the full year.

We expect second quarter TRASM to be down 1% to 3% versus 2023 with unit revenues inflecting positive year-over-year in the third quarter. We will continue to deliver strong unit cost performance in the second quarter with CASM ex expected to be up approximately 1% to 3% year-over-year. We still expect full year CASM-ex to be up approximately 0.5% to 3.5% despite a change in mix of flying with less mainline capacity and greater regional capacity production.

Our current forecast for the second quarter assumes a fuel price of between $2.75 and $2.95 per gallon. Based on our current demand assumptions and fuel price forecast, we expect to produce an adjusted operating margin of between 9.5% and 11.5% in the second quarter, and adjusted earnings per diluted share of between $1.15 and $1.45. The American Airlines team is focused on delivering results to unlock value in 2024 and beyond. We remain on track to deliver full year adjusted earnings per diluted share of between $2.25 and $3.25, and we continue to anticipate producing approximately $2 billion of free cash flow in 2024.

I'll now turn it back to Robert for closing remarks.

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

Thanks, Devon. As we outlined at our Investor Day last month, American has a changed airline with a strong foundation, and we're well positioned to create value. We have a young and simplified fleet that continues to be a differentiating factor for American. We're operating with excellence. We have built a strong network with fantastic partnerships around the globe and we're engaging with customers through our industry-leading travel rewards program, demonstrating that life is better as an Advantage member.

We're managing our unit costs better than our network peers, and we're focused on reengineering our business improving asset utilization and enhancing productivity across the airline. These unique advantages have us well positioned to achieve our stated objectives this year and in the years ahead. All of this will result in margin expansion and growing free cash flow generation, creating value for our shareholders. We're committed to delivering on what we said we would achieve, and we will provide updates on our progress along the way.

We have significant opportunities ahead of us, and we intend to take full advantage of those opportunities by leaning into our strengths and continuing to execute. As we move through the year, we will continue to leverage our fleet, network and rewards program and build on our strong operational momentum.

And with that, I'll turn it back to the operator to open up the line for analyst questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of David Vernon of Bernstein.

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

So maybe to you or Robert, when you look at the 2Q RASM guide, it's a little bit better, I think, than people were expecting but it's not quite sort of flat and level with peers. There's also a pretty big sequential ramp from sort of 1Q into 2Q when you look at the TRASM number. Can you guys kind of help us understand kind of what's embedded underneath that? What's driving the big sequential acceleration on top of capacity growth? And maybe why that unit revenue metric is not performing at the same rate as peers?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Absolutely. Absolutely. It's an excellent question, one I suspect it's on many people's minds. Look, and actually, the tail of our year, the quarterly progression of TRASM really starts in the first quarter. And as we saw in the first quarter, there are 3 things that impacted us in the first quarter, which changed materially as the year progresses. The first is in first quarter, competitive capacity grew the most in our markets and strength in the domestic and short-haul network.

Two, in our first quarter, we flew too much. When you look at what we did, about 60% of our growth ASMs were in off-peak times a day or days of week, which is about 10 to 15 points higher than our next competitor. And the third thing, and related to Robert's marks at the top of this is Q1 marks the end of really a year of transition of our distribution strategies in which we were really focused on actually creating the right long-term customer proposition, reducing a lot of the unnecessary expenses that went along with it.

All 3 of those conditions start to change as we go forward, which is not just us guessing, you actually start to see it. On Q1, refer to my first point, we see industry capacity starting to change as we go into the summer and certainly into the fall. That reduction is coming most heavily in the narrow-body system, which uniquely favors us. Two, as we go in the third quarter, you've already seen this in our published schedules, and you'll see more of it in the days ahead.

We are also taking a much more careful look at our off-peak or off-time channel flying, so we'll produce less flying in the trough too, which also pretty benefit to TRASM. And now having gone through a year of transition with our distribution strategy, we get to do optimization. And we see a lot of ways to be able to do that, which is great for our customers.

Frankly, can really bring in a lot of our travel agency and corporate partners. But very critically, can drive revenue and profit for the airline. And so you see that in our sequential build as we go quarter-to-quarter through the year.

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

And then maybe just as a follow-up, when you think about sort of the exit rate of 1Q and what we're seeing kind of in April, is that kind of consistent with that ramp building from a sequential perspective in TRASM? I mean, I'm sure you guys have carefully gone through the guidance and stuff like that. It just looks like a really big sort of 1Q to 2Q pop.

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Yes. And look, it's probably best to give a sense for our 2Q by entity. As we go look into 2Q, what we see is in the Transpacific network, we anticipate RASM to be flat to slightly up and Transatlantic mid-single digits up, in Latin America double digits down. And domestic, we expect to be flat to slightly down but very importantly, as we were -- in our peaks in 1Q, we were actually inflecting positive in domestic. April has a lot of industry capacity comes back, we turn a little negative.

But as we end the Q1 period, we expect to see and are already starting to see more favorable revenue outlook in domestic. So when you look at it in that way, in our 2Q, we anticipate that the long-haul system at large will be positive on a RASM basis the domestic and short-haul system down with a steadily improving trend, both in domestic and short-haul international every single month in the second quarter.

Operator

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

Conor T. Cunningham - *Melius Research LLC - Research Analyst*

Maybe we can talk a little bit about the regional build back. I'm just trying to understand maybe to David's earlier point, just the mix dynamic that you're seeing as you bring back regional aircraft, I would think it's positive for unit revenue, but potentially negative for unit cost. But I don't know if it's playing out like that. If you could just kind of talk about the regional build back and how that's contributing to your margin trajectory.

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

Conor, it's Devon. Yes, regional is doing both of those things, and it is what gives us confidence in unit revenue inflecting positive in the third and fourth quarter. But just to give you some numbers around it, in the first quarter we operated the equivalent of around 465 fully utilized regional jets. We expect that number to grow by 20 to 25 regional jets each quarter as we move throughout the year. So by the time we get to the fourth quarter, we expect to have around 535 fully utilized regional jets and it's going to do the things that you just talked about.

It is going to be helpful to unit revenue. These are higher unit revenue-producing assets. It does drive a bit of a headwind on unit costs but we do still expect our unit cost to stay within our guidance for the year. But we are seeing really nice trends there, and we're excited to see that supportability improve.

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

Yes. And Devon, I'll just add that as we see these aircraft come back and have a chance to put them in the schedule and actually plan for them fully. It has -- it will show benefit. So Vasu, do you want to talk a little bit about how we intend to deploy those aircraft?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Yes, absolutely. Because this is related to my earlier answer, as we go and get more regional supportability as the year progresses, you can already see it in our published summary and early 3Q schedules, we're driving a lot more connectivity into all of our hubs. Dallas and Charlotte, our 2 largest hubs will not just have some of their large capacity base as ever.

The same thing will be true in Phoenix and Miami and all the core parts of our airline, which perform well in the summer and drive the most in profitability. And so really, this ties back to my earlier answer as we are now in a place where we can go and optimize so much of the -- so many of the things that are unique to us. We will see an increasing amount of really P&L benefit as the year progresses.

Conor T. Cunningham - *Melius Research LLC - Research Analyst*

Awesome. And maybe to stick with that comment. Just on DFW and Charlotte, like you said, it seems like you're entrenching or doubling down whatever the term that you want to use there, you're adding a lot more service there. I would have already thought that your market share was really high. So as you bring on that new service, I'm just trying to understand the dynamics of how those 2 hubs play out and if there's still incremental upside as you allocate more resources there.

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Yes. Sure. And there certainly is incremental upside because every time we go grow in DFW or Charlotte, we grow at a relatively low marginal cost. We're not adding gates. We're not doing anything else to go drive the expense of the airport and they're already low-cost airport platforms for us. So the more we go and do that, it doesn't really drive a lot of incremental cost.

But very importantly, every connection that we go stick into DFW or Charlotte comes in a really high marginal RASM versus the system. And so we're very encouraged by as we bring back the RJs, as we upgauge in those hubs, really what we go and do is not to drive more market share in DFW or Charlotte, but we create a lot more connectivity for customers all across the U.S. And just like I mentioned at Investor Day, in a ton of markets where customer demand is growing, wealth is growing, but frankly, their options are limited and American Airlines gives them really great choices and they want to pay for it.

Operator

Our next question comes from the line of Sheila Kahyaoglu of Jefferies.

Sheila Karin Kahyaoglu - *Jefferies LLC, Research Division - Equity Analyst*

Vasu, I'm sure you're going to get your share of Latin American comments here. So I just wanted to dig a little bit deeper into that Q1 PRASM performance was 1 or 2 points better than some of your network peers. There is obviously concern about that, you talked about Q2. Last quarter, you talked about Miami being as profitable as it's ever been. So if you could just walk us through short and long-haul dynamics in Latin America near term and how much of a driver the region is an inflecting RASMs in Q3 and Q4?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Sure. And let me start by saying this, the short-haul international network, as we call it, Mexico, Caribbean and Latin America or short-haul MCLA for short, is actually a really key part of our system, and it is a place where we are competitively advantaged, not because of any one hub like Miami, but the combination of all of our hubs and our fleet structure means that we can go serve a lot of markets at a very low cost base and drive a lot of revenue for our customers over it.

So it's a big chunk of our flying. It can be 1/3 of our flying, which is much larger than what our competitors are. In Q1, the industry grew a lot into the market, too, which impacts us on a RASM basis. But RASM doesn't necessarily turn into profitability. And as we look at that, it's a market where seasonally, other people will go and put more capacity in it. But if you do look at the grand scheme of things, we've always been big, we've always grown, and it's going to be a really key part to what we do. And you're right, it was implicit in your question that the short-haul network is faring differently than the long-haul network. We see a short-haul network, which has double-digit negative RASM but is not, by any means, unprofitable for us yet.

There are some other things that we'll go do and we've already loaded some things where we're actually endeavoring to grow it. But our long-haul network is positive as we go into Q1. We anticipate a lot of improvement to both short haul and long haul as the year goes along to.

Operator

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

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

First question on Chicago. So just looking at domestic seats, Vasu, the scheduled growth rate in the second and third quarter is well over twice that of the system. I totally understand growth in places like Dallas and Charlotte, you just addressed Charlotte. But Chicago is obviously a more competitive market. I guess I'm just trying to square this growth against your demand confidence in the second quarter. It seems like a lot of growth for the market to accommodate.

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Well, actually, Jamie, it's an excellent question. I'm happy that you saw it because that is actually part of it. And Chicago, as we see it more and more actually plays a really complementary role with DFW and Charlotte because we can go drive a lot more connectivity on it. To my earlier point about the RJs, as those RJs are coming back, what we get to go do in Chicago that we haven't been able to do in a long time, is put connectivity into Chicago from places like the Upper Midwest that are either unique to Chicago or can serve more efficiently over Chicago.

But it creates more pathways for customers across the upper Midwest to go and access more parts of the world. And we find that to be actually really high marginal RASM, marginal profit flying to be able to go and do, but it's uniquely made available through the increasing supportability of our regional fleet.

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

Okay. That's helpful. And then second, Vasu, as you approach the date at which certain agency bookings will no longer accrue advantaged credit, I guess 2 questions. First, what percentage of revenue currently comes through those affected channels that you're going to cut off -- or not cut off, modify? And second, what are your sort of underlying assumptions as to how that plays out?

So do you assume that your change will drive passengers one-on-one from an OTA to american.com, or do you model for some type of net loss in total bookings? Does ancillary upsell offset that? Just wondering what you're modeling in terms of the consumer behavior.

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Absolutely, Jamie. I'm extremely happy that you asked that question. To give you the best answer is it worth it to understand where we've been to understand where we're going and how -- as we call it the preferred agency program fits into it. So if you look at it for a long time, we endeavor to go and do things like maximize share -- agency share or corporate share, but that isn't necessarily optimizing revenue per se.

And we were in a world and certainly as we came out of the pandemic, where a lot of the agency are corporate-related bookings that we were doing, we're coming at relatively low revenue values but sitting in the premium cabin. And so a lot of what our strategy is to reframe around how do we go and create more value for the end customer who's choosing travel. And how do we go do it in a really economical way? And what we planned over and over again is they want a great product, they want it delivered well, they want to be rewarded, and they want to be able to shop and service digitally and be able to compare products.

So a lot of our transition has been undoing so many things that we've done, which we're not really creating value for the customer nor creating profit for American Airlines. And we've done that over the course of the last year. We've reduced a lot of it. And interestingly, as you see it today, if -- maybe there were more junior and maybe (inaudible) version of all of us, Jamie, we would have thought when we embarked on this thing that it would come at a real risk to business revenues.

But if you just look at what we've reported today, our business revenues are growing at a greater rate than capacity. Unmanaged is on the higher end of that contract in corporates which would presumably be the most affected are just slightly on the lower end of that. But we're doing it at 7% less in distribution expense. 60% of customers are Advantage customers, and they produce 2/3 of our revenue. So what we've seen happen is a lot of those customers are actually leading the agency and coming to us directly on their own.

And this is a really important thing because this is where we are, but where we go is a very different thing. And there's really 3 things that we're focused on as we go and optimize our distribution strategy. The first is exactly what you pointed out with preferred agencies. And we actually pushed the release rightly because we were all pleasantly surprised how many people are taking it. The vast majority of our agencies are currently in an NDC transition, roughly about, the agencies that constitute about 30% to 40% of our revenue are already doing more than 30% of their bookings through NDC and are on a path to be, in some cases, close to 100 by the end of the year.

And there's even more agencies, a lot of big agencies who are signing on for it because they realize the customer utility and having a digital selling and servicing experience and frankly, they see there's an opportunity to go compete against other agencies, which is great for customers. So we've pushed our preferred agency program to bring more people into it because we see -- pleasantly see the amount of take rate. But we can do other things in the near term, which even as we speak we are doing.

The second thing is we can do a lot to simply go and create more products on the shelves for contracted business customers that are there. And we see more ways to do it through the booking tools that are there right now, and we have the ability to go and offer a direct connect any corporate traveler that's there, including JPMorgan Chase, should they be interested.

And the last thing that's very critical for us is what we have learned through this is we have a number of ways to go generate volume and the top on that list is being able to create more redemption for Advantage customers. But by no means do we have to go back into a world where we endeavor to raise expenses without creating value for the customer.

Our expenses rise, it should turn into something where there's real incremental revenue. And so now I'll very directly state your question. So with our preferred agency program, we actually anticipate that the majority of our agencies will be in it by the time we roll it out.

Operator

Our next question comes from the line of Stephen Trent of Citi.

Stephen Trent - *Citigroup Inc., Research Division - Director*

I believe I heard in Bob's prepared remarks that 61% of revenue now comes from outside of Main Cabin. Could you give us a high-level view as to what this mix looked like 5 years ago?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

This is Vasu. I'm happy to, although 5 years' time in this business, as you know well, is like an eternity you go. And so really, probably the more factually relevant thing is what it is year-over-year. And so yes, 61% of our revenue is coming from premium content. It is the revenue driver of the airline. That revenue is up 17% year-over-year. It's close to a 10-point shift in mix from nonpremium content. And it's a little difficult to compare versus 5 years ago because you look at numbers, which can be sometimes stratospherically high. And that really relates to just a different time and place for where our customers were, where the industry was and frankly, where the technology today is. But this growth in premium content is something which is really encouraging to us because it certainly corroborates the point that customers value experiences and they're willing to spend on experiences, and we're pleased that we see that growth pretty much across channels and maybe if anything more so through our direct channels.

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

And Vasu, I would add that, that's a critical component of our distribution strategy as well. We absolutely positively must make sure that our customers, no matter where they interact with us, have the full access to the goods services, amenities that American can offer. That's the key for us going forward. So I like what we see in terms of trends, we're going to pursue more of it. And then from that perspective, from a technology basis, we now are at a point where 95% of all transactions that customers have with us can be digitally serviced. So this is a coordinated effort across everything that we're doing. And as Vasu said earlier as well, we'll make adjustments along the way. This is about win in the long run. But in the short run, we've got to make tactical adjustments and we're doing that.

Stephen Trent - *Citigroup Inc., Research Division - Director*

Super helpful. I was thinking broadly about the big transformation versus pre-pandemic, but that's great. Just one other quick one for me. When I think about the regional fleet and your relationship with Embraer, hypothetically is larger OEMs continue to stumble in terms of delivery. Would it be too wild to think under certain scenarios that you would consider the largest gauge Embraer aircraft for some mainline flying? Or it's just that -- that's just too wild an idea from the scope less perspective and what have you.

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

All right. Well, I like that question because it gives me a chance to give a shout out. We all hear in the supply chain of partners or vendors that have really not recovered through the pandemic very well. We all know those names. But I want to give a shout out to Embraer. They have delivered day in and day out to that the pandemic, no matter the concerns of their supply chain. The rest of the industry and our OEM is going to learn a lot from them.

So I'm proud to be the operator of the world's largest fleet of Embraer aircraft. And I'm also proud to have an order book that's larger than anybody else as well. So we are tied to Embraer. Now that aircraft that we use today, the E175 ideally suited to our regional network and it's also ideally suited for the constraints that we have in terms of the mix between our mainline and regional flying.

So as we look forward, I feel really good about the fleet plan that we have, I don't know about new offerings. But for the time being, our narrow-body fleet and what we have projected our wide-body fleet, we're in pretty good shape on aircraft through the end of the decade.

Operator

Our next question comes from the line of Helane Becker of TD Cowen.

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

So I have 2 questions. One, is, can you discuss any progress or lack thereof on your flight attendant contract? And I think how would that change the comment Devon made about reducing costs and the focus on cost reduction? And then my other very unrelated question is, how has the GOL bankruptcy affected your Latin and South American operations, positively or negatively?

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

Thanks, Helane. I'll take the flight attendant question. We've had a philosophy at American where we are going to pay our teammates at the best in the industry. And we've been really successful in negotiating contracts with most recently with our pilots or dispatchers and most -- I guess, most, most recently was with our agents. And we're really pleased that they're paid at the top of the industry. That is the exact same philosophy that we have with our flight attendants. It's what we pursued throughout negotiations. That's been the basis of every offer that we've had on the table.

And of course, there have been movements in the industry and the top of the market, most notably by the recent pay increases that we've been made aware of at Delta and our flight attendants will benefit accordingly. And I really look forward to this being the basis for us getting to a deal. I'm very optimistic about that. And then in regard to how that would possibly impact our financials going forward, of course, we've identified that this will be something we'll do this year. Devon can give you more insight on how that flows through our forecast.

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

Helane, we've always planned for an increase for our flight attendants to pay them at the top of the industry. And with the new delta rates, we'll obviously go and seek to match those rates. So it's a little bit of an increase from where we were adding guidance, but even with that, we still expect to be inside of our full year CASM guidance.

And how it affects what you call our cost savings initiatives just these are initiatives where we are reengineering the business. So we are finding efficiencies throughout our business by utilizing technology better, through improved asset utilization and also through driving real procurement savings.

So we've always expected these types of increases for our team members, but it doesn't interrupt anything we're trying to do to reengineer the business.

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

We don't have the deal done yet, but we're going to get back to the table. So Vasu, you want to talk about GOL?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Yes. And to GOL, the simple answer to your question, Helane, is it doesn't. We are the best in Latin America. We have the best network advantage. Greatest advantage is in domestic, it's even greater. In any country, in South America, we will always have the best network for our customers and the best rewards program there. And we're encouraged by it because we've been doing this for a long time down there. Changes in calamities come and go, the one constant is American Airlines.

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

And Helane, just to add to this, just, look, we've built a great relationship with GOL. And my hope is they're able to restructure in a fashion that benefits them and I know that they really appreciate the revenue we put on their aircraft as well. So my guess is that GOL will be something that is involved with American as we look forward to.

Operator

Our next question comes from the line of Duane Pfennigwerth of Evercore ISI. Your question please, Duane.

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

Just a couple of quick ones and Vasu recognizing you've had quite a work out here this morning already. Sorry for going back to the well, but...

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

It's not that I'm not used to...

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

Just with respect to Sunbelt hubs and the concept that a lot of your geography was sort of reopened earlier had a faster unit revenue recovery. And to the extent that you have a window into kind of coastal markets, urban markets that are maybe recovering more vigorously right now. I wonder if you could just comment on that.

Do you think American maybe has less exposure at the margin to coastal markets that are having a more vigorous RASM growth right now?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Yes, we definitely have less exposure to coastal market. I mean you can see that in just the ASM mix, not just currently, but certainly over time. But the long-term trends are the long-term trends. The GDP of the country is growing, but it's driven by so many markets that uniquely are created by our hub network. Furthermore, spending is up, it's up even higher in those markets.

So we're in a place where industry capacity has been high in a lot of the domestic system. That starts to change. But very importantly, here at American we have a lot that we can go do. We're hungry to go do it. Now it's just a matter like Robert said, of executing. And we see it for our customers, and you clearly see in our forecast for the full year.

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

And then just for my follow-up, any update on the NEA appeal?

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

Really no update. We're pursuing that, and we're confident that we'll be able to make our case and the facts will prevail. And for us, it's more about making sure that we just have the right precedent that's set out there. At some point in time, we may want to entertain something again. But right now, it's really just to make sure that we have our interests protected.

Operator

Our next question comes from the line of Christopher Stathoulopoulos of Susquehanna Financial Group. Your question please, Christopher.

Anthony Berni - *Susquehanna Financial Group, LLLP, Research Division - Research Analyst*

This is Anthony on for Chris. You've been very clear that your debt reduction goal of $15 billion from the peak is your top priority in the near term. Assuming you hit that by the end of next year as you plan, do we consider capital returns to the 2026 story? Or do you expect that reduction to remain a focus even beyond that $15 billion target?

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

Consistent with what we've been saying, we are focused on the debt reduction target. We're looking forward to talking about other opportunities beyond that point. But right now, we want to get through our $15 billion hit that number and then we will talk more about capital allocation as we get beyond 2025.

Anthony Berni - *Susquehanna Financial Group, LLLP, Research Division - Research Analyst*

Great. And then can you talk a little bit about what your macroeconomic assumptions you have for the second half are. You mentioned that you expect RASM to inflect positively in 3Q. Do you assume any acceleration or slowdown in the second half versus first half from like a macro perspective?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

No. We go off of sort of Fed-published GDP rates, and we see exactly the same demand backdrop that everyone else sees. A healthy U.S. economy, which is so key to us, strength coming from the Sun Belt and growing spending on experiences over other forms of merchandise or goods.

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

One of the things that we mentioned at our Investor Day, though, as well that against that backdrop of the projected financial growth of the country, we continue to see a lot of constraints that are going to continue to hit the industry. And so we built into our forecast, what we know so far and haven't gone really any farther than that. But when you take into account the issues with aircraft delivery delays, other supply chain issues, even air traffic control issues.

I really think it's going to be a challenge to produce a lot of capacity. And for that reason, I think that American is we distinguish ourselves. We have the vast majority of the capacity that the resources that we need to fly the capacity that we have out there. And while ours in the back half of the year actually moderates as well, I think we're going to be in better shape than the rest of our competitors.

Operator

Our next question comes from the line of Michael Linenberg of Deutsche Bank. Your line is open, Michael.

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

I guess I got 2 here. Robert, any sort of quick takeaways from this rule from the DOT on refunds? Any potential and intended consequences. And maybe is this a solution looking for a problem? Because I thought you were doing a lot already of what is spelled out in that role.

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

So Michael, I'll reiterate some comments I made earlier this morning and Nate Gatten, who heads up our government affairs is going to chime in here as well. I'll just start with this, yes, we have the same interest as the DOT, which is taking care of customers and making sure that they get full value for what they pay. That's the nature of our business. We've done incredibly well at executing on that front. We're the most reliable airline in terms of completion factor, certainly over the last couple of years now.

And so we feel really good about that. In terms of what we do when disruptions happen, we refunded, I think, over $2 billion worth of customers' ticket fares last year alone. And so we're on top of the policies and the scorecards that are already established. I'd tell you that from kind of top of mind, the issues that there are a lot of issues that I think are still gray.

So if the intent of these rules is to really make sure airlines don't over-schedule and in the event of disruptions don't have meltdowns, which fortunately, I'm very confident in the way that we schedule an airline. We don't overschedule. We make sure that we have the resources. And fortunately, we haven't had the issues with major meltdowns certainly over the last couple of years.

If that's the intent, fine, if the intent is something broader then we really need to be careful because there's a couple of things that I feel are important to note. One is that we have the safest -- we've built the safest form of transportation, air travel in the United States, based on just years of doing the right things and having the right motivations. When we talk about weather, and we talk about maintenance, those are synonymous to me with safety. And we have to make sure that the inputs to the system, the motivations, the penalties or rewards are consistent with the way we want our people motivated and operating.

And I think that, that's something that we need to figure out. And then the other piece that I think is fairly gray is, look, there's a lot of parties that are involved with air transportation. We control a lot of it. We certainly don't control the weather, but we also depend on the FA for aircraft control, not just short run, in the long run as well. We have to make the right decisions for our customers. So in the event of diversions-related medical emergencies, we're going to have to be smart in what we do and always put the customer first. We have hurricanes and volcanic eruptions, and all other things. We have to be smart about how we deploy our network and how we recover. We don't want to end up in a situation where we end up not serving the customers in the way they want to be serviced just to avoid penalties.

So Nate, you've done a lot more research on that. I have to tell you, too, I've just seen the surface level. So I just want to bring up those kinds of things that I've mentioned in the past. Go ahead.

Nathan Gatten

Yes. Not too much to add to that, though, really, Robert. I mean I would just say our business model is built to support our customers when we don't deliver and from what we've seen over the role so far, it is largely consistent with the policies that we currently have in place for refunds and cancellations. We do just need to drill down and make sure we understand the role when it comes to those gray areas that you mentioned.

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

Great. And just a real quick second one here to Devon. Just the credit card deal renewal, is that a 2024 event? Or is that 2025? Just any color or timing around that?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

We are actively working on the recommercialization of our credit card programs. Like we've mentioned at Investor Day, we haven't done this in 10 years. We have a real opportunity to go and get it right. We anticipate sharing more news with everybody this year. It is a top and key project for us. And I will just say that unlike 10 years past or maybe like many of our competitors, we just bring a lot that makes us a really great partner for a credit card company.

First, to all of the points that Robert made earlier, we are growing advantage enrollment, it's plus 60% versus a few years ago. That is a massive and booming segment, it's 2/3 of our revenue. But very importantly, when you go and look underneath it, we look at 2 things in our card program. The first is the growth and active account. That is up close to 10% year-over-year. That means not only are we acquiring more, fewer people are trading away from the program.

But while that's happening, our spend per active account is growing at 4%, that's higher than what it's grown before. In our program, it's higher than what other industry cards grow at. And so really, what that tells us is, we have a great and growing customer base. They very much value the card that's there. All the changes that have really been done have been done by American Airlines through the structure of our loyalty program Advantage. So we are very excited for what this can mean.

We know that there's probably a number of partners out there who are comparably, if not even more excited about it. So we need to get it right because this thing is very impactful to our customers and of course very impactful to our bottom line.

Operator

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

Andrew George Didora - *BofA Securities, Research Division - Director*

Most of my questions have been answered. But Robert, just kind of wanted to ask on capacity. I know you reiterated your full year growth, and you hinted earlier that back half bends down a little bit. But you also talked about the RJ building throughout the end of the year and 3Q schedules still look to be up in the high single digits, which is pretty similar to the first half.

So just curious on how you're thinking about kind of the capacity cadence as we move through the back half of the year to kind of hit your full year outlook?

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

Thanks, Andrew. I'm going to hand it off to Devon because we can be really clear on this. Go ahead.

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

Sure. In the first half of this year, we have been building back our capacity. We talked a lot about it last year that we were probably the last carrier to get back to our 2019 levels of capacity production. We came in ahead of our capacity guide due to the strong operation in the first quarter, so grew 8.5% in Q1. We're guiding to 8% in the second quarter. That's where we expect we'll end up with a strong operation. But capacity production does come down pretty materially as we look out in the third and fourth quarter.

Third quarter, we haven't finalized all the schedules yet, but we're expecting capacity production probably around the 4% growth range. Fourth quarter, maybe a little bit north of that. So back half of the year, call it in that 4% or 5% range or so and then full year, still in line with mid-single digits, but probably something north of 5% for the year.

Operator

Thank you. At this time, the line is open to media questions. (Operator Instructions) Our first question comes from the line of Alison Slider of Wall Street Journal. Alison.

Unidentified Participant

Yes, Robert, I'm curious if you ended up having a meeting with Boeing's Chairman or other directors and how it went and what kind of feedback you provided and what you're hearing about the prospects for Boeing turning itself around.

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

So Ali, I've gave this update earlier today as well. I've talked to everyone at Boeing that I can possibly address, and the message is the same, get your act together. And it starts with producing quality products one at a time off the assembly line, get back to the basics, quality and safety are just paramount. I can't tell you if they're making progress or not because it's all actions that matter, not words. And we're continuing to work with them.

We'll do everything we can to support Boeing. We need them to be successful in the long run. But as I've said before, as well, we're going to make sure that we're protected. So we've got an order for an aircraft that I absolutely love, which is the MAX 10, it will fit very well within our network that doesn't come until 2028.

And hopefully, Boeing has their act together to produce that aircraft and deliver it. And if they can, great, if they can't, we're going to be protected on that front, too. So I come at this with a very sober mindset, which is show us, get it done, and we'll be there. We need Boeing to be successful, and they should just eliminate all distractions from the task at hand.

Unidentified Participant

And do you see any indications from customers that there's like a nervousness about flying in general or Boeing, in particular, like any kind of book away from Boeing planes or just -- yes, any indication that some of these safety events we've seen across the industry are impacting customer behavior?

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

No, we see nothing. The aircraft that we fly in our fleet, we've had for, in some cases, decades. And that product maintained by American Airlines flown by American Airlines pilots. Those are quality products that we're proud to operate. So no. And as a matter of fact, we're excited about what we see in terms of customers of 787s and the deployment that we make, we just announced that we're going to be putting a new interior on the 789 deliveries and the Boeing aircraft that have been produced in the past the 73s, the 777-300s, the 777-200s.

Those have all been very quality products that our customers enjoy.

Operator

Our next question comes from the line of Mary Schlangenstein of Bloomberg.

Mary Schlangenstein

Some of your competitors have reported that they saw a managed corporate travel volume increase in the first quarter of like 14%, 15%. I wanted to see if you can talk about the same type as a comparable number on that and what it may or may not say about your push for the direct bookings.

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Mary, this is Vasu. It's a great question, and I'm happy to answer it. So look, we've seen -- first of all, we see total business revenues, which is really a very important thing to look at grow similarly double-digit -- close or approaching double digits, exiting certainly Q1 double-digit rates of growth.

It's really being driven by unmanaged corporations that continue to come back and come back to American Airlines. Managed corporates, contract and corporations are growing a little bit less than that, but still high -- in the mid- to high single digits. Very importantly, this is actually the great opportunity that we see because really, over the last year, we've done a number of things to just transition away from a lot of practices which weren't great for our customers.

It didn't give them cheaper fares. It didn't necessarily give them lower costs. It actually created a more difficult servicing experience. What we're finding now is that many of those customers, they want the same thing that everyone else has. We can go deliver it a whole lot better with all the tools and the technology and the change we've pushed through in the last year.

And despite all of that, we see that revenues are coming back very materially for us. Expenses are down, and we can see more opportunity to optimize it. And frankly, do better both for our corporate contract and corporate customers and our unmanaged customers as well. That's not sort of guesswork that's out there. We actually see it. We're rolling out things right now, and that's implicit in our guide for Q2 and for the year.

Mary Schlangenstein

So if your managed corporate is growing at a lower rate, is that an indication that you're seeing some pushback of people that don't want to go to your direct booking system?

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

Mary, I'll kick this off if Vasu can handle it as well. No, we don't think that is the case at all. Look, we've got some fine-tuning to do. No doubt the objective here is to save -- to hang on to all the cost savings and then also to make sure that we maximize revenue production. As we take a look at the first quarter, there's quite likely some benefit that our competitors received because of some of the things that we've -- the changes that we've made. That said, this is the opportunity for us to go and to make sure that as I said, the goal is cost savings and especially revenue production.

So as Vasu said, we've seen great reception to what we're doing with the unmanaged corporate business, small and medium-sized businesses in terms of the larger corporates, that's something that is an opportunity for us. but it will be consistent with our long-range plans of making sure that every customer that does business with American Airlines has access to the full suite of amenities, product services and tools.

Vasu, anything you want to add?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

No, I feel like it's a great answer. Look, Mary, the last thing I would add to is also as corporates are coming back, they're coming in more disproportionately to coastal markets where we're relatively smaller in as unmanaged business comes back, it comes back in the Heartland and the Sunbelt, where we are relatively larger in. And so that also impacts some of the numbers you see.

Operator

Our next question comes from Leslie Josephs of CNBC. Your line is open Leslie.

Leslie Josephs

Can you compare the bookings for this summer and if any are coming in for the back half of the year versus 2023, both, and where people are going, the pace of bookings and how much they're paying and then do you have any concerns about kind of a slowdown in economic growth and a lot of consumers in the U.S. across the board, just racking up credit card debt.

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Sure. This is Vasu. I can start. And I'll maybe do last question first. Look, we continue to see healthy macro trends. We don't guess beyond what's the same information that probably everybody on this call gets to see and report on. As far as bookings go, Look, really beyond the summer, the system has -- it's not very much booked, in June right now in our domestic system where about 35% to 40% booked up, which is pretty normal for that entity. The long-haul network is a lot more booked up. 50%, 60% and building all of the time, depending on the entity that's there. But we continue to see healthy bookings come in. And like I mentioned before, and when I was talking about RASM by geography.

There are more customers who are coming back and really value traveling. They're paying more than before. And so far, in Q2, that trend seems to be taking shape. We anticipate that will continue based on all the macro factors that we see today. Should things change, we will too.

Leslie Josephs

So bookings for summer are higher than last year?

Vasu S. Raja - *American Airlines Group Inc. - Executive VP & Chief Commercial Officer*

Yes. We're booking up higher in part because of the positioning of our airline network and also just overall demand trends.

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

Leslie, just to put a fine point on it, we see strong demand, and we're going to revenue manage appropriately. But the marketplace, domestic international looks very strong.

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

Latif, thanks. Look, we don't like reporting a loss. That's a challenge for us. It's also an opportunity. As we look forward, we are encouraged by what we see in terms of industry dynamics and also by those things that we've identified in the first quarter that we can go and address. We're going to do that. And we're going to stick to our longer-term game plan that we pointed out at Investor Day, and that is based on this that the environment for air travel is very -- is constructive.

We see demand coming back. It's strong again this year, and that's favorable for American Airlines because that demand is also coming in the places that we are strong. We are a changed airline. We're an airline that delivers on our commitments and we will continue to do so.

We will be focused on execution as we go throughout the year and there's great opportunities ahead as well. And those opportunities, as we outlined on Investor Day are really based on our fleet. We have the vast majority of the assets that we need to fly our schedule and more already in-house. We're probably less dependent than anyone on outside services to actually run our airline.

We're proud of the team that we've assembled. They're doing incredibly well, best operational reliability in our company's history and leading the industry in terms of completion factor. Our network is something that we're going to lean into. We're proud of what we've built, the regional nature that extends out to global reach in this fantastic set of partners that we can leverage.

And we have this opportunity now. As we've talked about on the call and through various questions, to create a travel rewards ecosystem, distribution platform through the renegotiation of our co-brand deals. We're going to do that. And at the same time, we're going to be incredibly focused on reengineering our business and running as efficiently as possible.

I'm pleased with the progress we're making on all those fronts. And as we progress through the year, I expect margin expansion and generation of free cash flow and that bodes well for our shareholders. So we'll end the call and get back to work. Thank you.

Operator

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