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AAL.OQ - Q2 2020 American Airlines Group Inc Earnings Call

EVENT DATE/TIME: JULY 23, 2020 / 12:30PM GMT

OVERVIEW:

Co. reported 2Q20 GAAP net loss of $2.1b or $4.82 per share.

CORPORATE PARTICIPANTS

Daniel Cravens *American Airlines Group Inc. - MD of IR*

Derek J. Kerr *American Airlines Group Inc. - Executive VP & CFO*

Robert D. Isom *American Airlines Group Inc. - President*

Vasu Raja *American Airlines Group Inc. - SVP of Network Strategy*

William Douglas Parker *American Airlines Group Inc. - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

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

Daniel J. McKenzie *Seaport Global Securities LLC, Research Division - Research Analyst*

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

Helane Renee Becker-Roukas *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Hunter Kent Keay *Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense*

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

Joseph William DeNardi *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst*

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

Savanthi Nipunika Syth *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

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

Alison Sider

Claire Bushey

David Koenig

Edward Russell

Justin Bachman

Leslie Josephs

Tracy Rucinski

PRESENTATION

Operator

Good morning, and welcome to the American Airlines Group Second Quarter 2020 Earnings Call. Today's conference call is being recorded. (Operator Instructions) And now I would like to turn the conference over to your moderator, Managing Director of Investor Relations, Mr. Dan Cravens. Please go ahead.

Daniel Cravens - *American Airlines Group Inc. - MD of IR*

Thanks, Sarah, and good morning, everyone, and welcome to the American Airlines Group Second Quarter Earnings Conference Call. Joining us on the call this morning, we have Doug Parker, Chairman and CEO; Robert Isom, President; and Derek Kerr, Chief Financial Officer. Also on the call for our Q&A session are some of our senior executives, including Maya Liebman, Chief Information Officer; Elise Eberwein, EVP of People and Communications; Steve Johnson, our EVP of Corporate Affairs; Vasu Raja, Chief Revenue Officer; and David Seymour, our Chief Operating Officer.

Like we normally do, Doug will start the call with an overview of our quarter and the actions we are taking during this pandemic, and Doug will follow with details on our liquidity and cost outlook. After Derek's comments, we will open the call for analyst questions, and lastly, questions from the media. (Operator Instructions)

Before we begin, we must state that today's call does contain forward-looking statements, including statements concerning future revenues, costs, forecasts, capacity, fleet plans and liquidity. These statements represent our predictions and expectations as to 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 issued this morning and our Form 10-Q for the quarter ended June 30, 2020. In addition, we will 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 release, and that can be found in the Investor Relations section of our website.

A webcast of this call will be also archived on our website. The information that we're giving you on the call is as of today's date, and we undertake no obligation to update the information subsequently.

So thanks again for joining us this morning. And at this point, I'd like to hand the call over to our Chairman and CEO, Doug Parker.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Thank you, Dan. Good morning, everyone. Thanks for joining us today. I'm going to give some color on the work we're doing to manage the current environment, ensure that we are well positioned when we come out of this crisis. Derek is going to provide an update on our liquidity and cash burn. And then as Dan noted, we have several executives in the room, including our President, Robert Isom; and our Chief Revenue Officer, Vasu Raja, here to answer any questions you may have.

So to begin, I need to acknowledge and applaud the entire America West Airlines team. The past 5 months have been more than difficult, and our team has consistently risen to the challenge, taking care of our customers and each other, as the stability of their own employment remains uncertain. Our team does this and much more each and every day. Say that they're leading this -- to this crisis with grace is an understatement of enormous proportion, and we are all humbled by their work ethic and professionalism.

Turning now to the actions we're taking in the face of COVID-19 and the resulting severe disruption to global demand for air travel. In short, the crisis continues. Our team has done an exceptional job managing through that crisis, as evidenced by the trends we saw throughout the second quarter. And we're prepared to weather the storm ahead and be in a position to exceed when demand recovers. In the near term, our actions have centered on 3 pillars: building up our cash reserves, conserving the cash we do use and adjusting the way we fly so that when our customers return to the skies, they can do so with complete confidence, confidence that he's safe and it's enjoyable to do so. And moreover, that we are flying when and where they want to go.

So first, on cash. We ended the second quarter with $10.2 billion of available liquidity, which included an important net $3.6 billion that we raised during the quarter through the capital markets. We also have a signed term sheet with the U.S. Department of Treasury for an additional $4.75 billion secured loan under the CARES Act, and we expect that loan to close in the third quarter. In addition, we announced this morning 2 senior secured note transactions with Goldman Sachs Merchant Bank totaling $1.2 billion. So when those transactions are combined with our quarter ending liquidity balance of $10.2 billion, we would have a pro forma liquidity balance of approximately $16.2 billion. And we'll have twice the ability to raise more if needed, and Derek will talk about that in a few minutes.

With regard to conserving cash and our cash burn, our daily cash burn rate for the quarter was around $55 million, which was better than our prior guidance of $70 million per day. We are particularly pleased with the rate of improvement throughout the quarter. That daily burn was nearly $100 million per day in April, nearly around $56 million in May and was $30 million per day for the month of June. That improvement was driven by both aggressive cost management, which Derek will discuss in more detail, and significant revenue growth throughout the period.

As to revenue, demand was at its lowest point in April, of course, and we had a remarkably low system load factor of 15% and a remarkably low passenger revenue per ASM of $0.018. But as several states began to reopen, we began to see demand increase, particularly in some markets where we had a network advantage. So with some aircraft ownership and labor costs, we made a tactical decision to fly a larger schedule than some of our competitors did, keeping our large connecting hubs in Dallas, Fort Worth and Charlotte larger than the rest of our network. So in even with that larger schedule, we saw increasing loads and unit revenues across the system. Our load factors jumped from 15% in April to 45% in May and 64% in June. And our passenger revenue per ASM increased from that $0.018 in April to $0.069 in May and $0.103 in June. The hubs at DFW and Charlotte performed particularly well, with 80% of our flights operating at over 60% load factors throughout the month of June. Now this rate of improvement is going to slow as we head into a seasonally softer travel season. And certainly, as demand growth has plateaued of late due to increasing infection rates and state and city quarantine restrictions, we've modified our schedules accordingly, and we now expect our third quarter system capacity to be down approximately 60% year-over-year.

As to cash burn trends, we expect our third quarter burn rates to be well below our second quarter rates and our fourth quarter rates to be lower than 1/3. Our goal is to be cash positive in 2021 as demand for air travel gradually improves.

Regarding liquidity, we expect to end the third quarter with approximately $13 billion, and that assumes no additional financing activity in addition to -- other than those transactions I already mentioned.

And to restoring consumer demand, one of the best things we can do during this crisis is to put our energy towards winning customer confidence. To that end, we've established a travel health advisory panel comprised of internal leaders from our operations teams and outside experts to advise us on health and cleaning matters throughout our operation. We've also started working with the Global Biorisk Advisory Council, an accreditation for the cleaning and disinfection practices for our aircraft and lounges. These steps, along with more generous change fee waivers and rebooking opportunities for full flights, have helped our customers feel good about flying and feel very good about choosing American.

Looking outward, we're building an even more robust network for our customers. Last week, we announced a new partnership with JetBlue that will provide seamless connectivity for travelers in the Northeast and create more choice for customers across our complementary domestic and international network. The JetBlue partnership and the West Coast alliance of Alaska that we announced earlier this year will further strengthen our network and will help to ensure we are positioned for success over the long term.

So as good as we feel about how we're managing through this pandemic and our prospects for future success, we feel terribly about the impact it's having on much of our team. We know we will be a smaller airline going forward, and we've worked to rightsize all aspects of the organization to that reality. Approximately 5,100 management and support staff positions were eliminated this summer in a manner consistent with the CARES Act. And last week, we sent more or less to 25,000 American airlines frontline team members. We're doing everything we can to mitigate the impacts. And by working with our union partners, we put forward new voluntary leave and early out programs for our frontline team. There's also an effort underway by our union partners to extend the current Payroll Support Program into 2021. We're proud to support this union-led initiative as we believe our entire industry has a shared goal of keeping hard-working frontline team members employed.

With that, I'll turn it over to Derek, who will give more detail on liquidity and cash burn. Derek?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Thanks, Doug, and good morning, everyone.

Before I begin my remarks, I would also like to thank our entire team and acknowledge what they have endured in recent months. Their continued professionalism toward our customers and fellow team members is a model for all of us, and we are proud to serve alongside them.

We reported a GAAP net loss of $2.1 billion or $4.82 per share in the second quarter. And during the second quarter, we did recognize $1.7 billion of pretax net special items, primarily a $2 billion credit resulting from the Payroll Support Program financial assistance. Excluding those net special items, we reported a net loss of $3.4 billion or $7.82 per share.

With this historic decline in passenger demand, our primary focus has been to ensure we have sufficient liquidity to make it through a weak recovery. We have moved quickly to raise incremental liquidity and reduce our cash burn. We have also taken steps to drive efficiencies in our operation by further accelerating our fleet simplification plan and aligning our cost structure to the new world we find ourselves in. We will continue to leverage the flexibility we have in our scheduling process, and we'll let demand serve as a guidepost for our future capacity levels. We will continue to be relentless in identifying additional ways to improve our cash burn rate going forward.

As far as the fleet, as we announced in April, our fleet simplification plan went into high gear during the quarter as we officially retired the Embraer 190s, Boeing 757s, Boeing 767s and Airbus A330-300 aircraft as well as a number of regional jets. In addition, we put the A330-200s and several of our older Boeing 737s into temporary storage programs. These changes have reduced our active fleet count by more than 150 aircraft and accelerated our fleet simplification strategy. Removing these aircraft will also have a material impact on our cost structure going forward as it means we will avoid significant future maintenance expense, future training costs and future aircraft sparing costs associated with operating a more fragmented fleet mix. These changes alone are expected to bring about significant fleet-related maintenance savings to the P&L through 2021.

On the expense front, we have taken a fresh look at how we budget the airline and have taken a 0-based approach to our planning for the remainder of 2020 and 2021. These actions have reduced our estimated 2020 operating and capital expenditures by more than $15 billion. Beyond the fuel and volume-related savings that were achieved through our capacity reductions, we have removed or deferred nonessential expenses throughout the business. We have had great success with our voluntary leave and early out programs, with more than 41,000 employees stepping up to help by opting into a leave or early retirement. And as Doug mentioned earlier, we just completed a 30% rightsizing of our management and support staff, resulting in annual estimated savings of more than $0.5 billion. While this move was a difficult process to go through, we are grateful to those who are leaving the company for the many contributions they have made to our airline.

With regard to capital expenditures, we currently had committed financing on nearly all of our 2020 aircraft deliveries and do not intend to take any deliveries without committed financing. Beyond this, we have removed $700 million from our projected non-aircraft capital spending plan in 2020, and that's $200 million more than we announced last quarter, and another $300 million in 2021. We will continue to aggressively pursue other opportunities to conserve working capital. While we are moving quickly to pull down our costs, we are not done, and we'll continue to take the necessary steps to rightsize our cost structure for the future.

Finally, on liquidity. We have moved quickly to reduce our daily cash burn and strengthened our liquidity position. While there are several burn rate definitions out there, we define it as the sum of all net cash receipts less all cash disbursements. That includes all debt payments and interest payments. But it does exclude the effect of new financings and new aircraft purchases. Using that definition, our second quarter average cash burn rate was approximately $55 million per day, which was down from our original guidance of $70 million per day. And as Doug said, we ended the month of June at $30 million per day.

We ended the second quarter with $10.2 billion of liquidity. During the quarter, we raised net $3.6 billion through the issuance of $2.5 billion of secured bonds, of which $1 billion was used to refinance our 364-day delayed draw facility, $1.1 billion in equity and $1 billion in convertible bonds. We also raised $360 million in JFK municipal bonds, which the net proceeds are in our restricted cash balance until construction spending occurs. Importantly, we do not have any large non-aircraft debt maturities until our $750 million unsecured bonds mature in June 2022.

During the quarter, we received 90% of our allotted Payroll Support Program funds, and we expect to receive the remainder in July. Separately, we have reached initial turns with the Treasury Department for the approximately $4.75 billion secured loan, which we expect to close in the third quarter.

In addition, we announced in a separate 8-K issued this morning $1.2 billion of committed financing, subject to final documentation and other closing conditions in the form of 2 senior secured note transactions with Goldman Sachs Merchant Bank. $1 billion of the notes will be secured by a first lien -- first priority lien against the American Airlines brand and related trademarks and IP and $200 million will be in secured by existing incremental capacity under our LaGuardia-Regan National Collateral. The IP notes allow us to incur up to another additional $4 billion of first-lien debt using that collateral. We expect this transaction to close in the third quarter. And as Doug mentioned, when these transactions are combined with our quarter-ending cash balance of $10.2 billion, we have a pro forma liquidity balance of approximately $16.2 billion.

Beyond what we have raised thus far, based on recent appraisals, we have approximately $4 billion of unencumbered assets at our disposal. These consist of aircraft, spare parts, equipment and real estate. This number excludes accounts receivable and any additional borrowing capacity under our secured debt or loyalty program beyond the CARES Act loan. This morning, we provided an 8-K which included an update on our collateral position as detailed in that filing.

While we are happy these transactions have improved our liquidity position, we recognize they have come at a cost of increasing the debt load of the company and diluting our shareholders. However, it is important to note that even after these transactions, our weighted average cost of debt is slightly above 4%. Investors should know that we did not take these steps lightly and improving our balance sheet as our imperative once we get through this pandemic.

As for future cash burn, given the recent uptick in COVID-19 cases and new quarantine restrictions in some areas, we have adjusted our revenue recovery forecast accordingly. Based on our current forecast, we expect the third quarter with the -- to end the third quarter with approximately $13 billion of available liquidity, assuming no other financing activity in addition to those I mentioned already. The team has done an incredible job of reducing costs in this environment and shutting down all discretionary spending. As we have said previously, our goal is to get our daily cash burn rate to 0 as quickly as possible so that we don't burn cash in 2021. However, the timing of reaching this goal will be greatly impacted by the demand recovery time line as the benefits from the majority of the cost cut have already been realized.

In summary, it's very -- in a very short period of time, we have taken swift action to bolster our liquidity, manage our near-term maturities and capital requirements and fortify our balance sheet to withstand what may be a protracted recovery.

With that, I will hand it back to Doug for closing comments before we take questions.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Thanks, Derek. Before we get to questions, I mistakenly thanked the America West team at the start of this instead of the entire American Airlines team. That's clearly fought in this crisis. Certainly feels like the old America West days at times. But at any rate, our thanks go out to the entire team, of course. And on that note, before we get to questions, I do want to again acknowledge the amazing work of our team. Although we certainly did not -- none of us could foresee a pandemic like this, the fact is here we are, living that exact reality. And if a pandemic wasn't enough to test our mettle, we've also experienced the sad and stark reality of how far we have yet to go in this country and our quest for inclusion and equality. This summer, we, along with the rest of the world, have seen the brutal murders of our fellow citizens that brought to light the reality and persistence, the systemic racism in our country. In the wake of a passing of our friend, civil rights leader, Congressman John Lewis, it's fitting to state clearly once again, black lives matter. While all of us have a responsibility to create a better world for our black neighbors, coworkers, friends and fellow citizens, I can assure you that at American Airlines, we stand proud and ready to do our part to support and lead in the areas of diversity, equity and inclusion.

On that note, operator, we are ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Helane Becker with Cowen.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Helane, do you remember the America West days?

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

I do. So I remember a lot, Doug, just a lot. So okay, this is not something to laugh over because we are experiencing something really horrible in our industry. Something I thought honestly between now and retirement, I would never see again. And so I'm going to kind to be a jerk and ask this question. You have a lot of aircraft debt on the balance sheet. And obviously, you have to be a smaller airline for some period of time until we recover to last year level. So does it make sense to figure out a way to return those aircraft or somehow figure out a way to get out from under this $50 billion in debt that you have on the balance sheet that at some point has to be repaid?

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Sure. I'll start, Helane, it's not -- you're not being a jerk at all. It's a fair question. We -- as you know, we built up a good bit of debt on our balance sheet as we modernize our fleet. The good news is we do have the most modern fleet in the industry, and we don't need to continue that work. We're happy with what we have. We've used this opportunity to accelerate the retirement of a lot of our older aircraft, which will make us even more efficient as we emerge in this crisis. We believe the aircraft that we have remaining in our fleet is about the right size for the network we're going to need as we move into 2021. If indeed, that turns out not to be the case, we will adjust accordingly, of course. But that's more about the rightsize of the network as opposed to the debt level.

But the answer to the debt levels is to get the airline to be cash positive. As I said, again, our goal is to do in 2021. And to use all the cash we generate to reduce the debt, which we will do over time. All of us have increased our debt burden through this crisis to fund the losses. And you're right, American was higher than the others.

I would note, first off, we do have -- the maturity profile is in our favor, at least as it relates to the crisis. As Derek stated, we don't have -- other than a $750 million term loan that's due in the middle of 2022 is our next large non-aircraft debt payment, which helps, of course. As to what it's done to -- as opposed to amortization, obviously, increased interest expense. As we look at our interest expense in 2021, at least right now, the interest expenses would be about $300 million higher than what we spent in interest expense in 2019. Aircraft debt, I think, a couple of hundred million more. So a total, $500 million of additional expense. That's certainly not something we like, but the reduction in management specialist head counts we talked about phase 1, and on top of that, all the other efficiencies that Derek talked about, add savings in addition to that. So we are highly confident that as demand returns and as we return to taking care of customers, we will be able to service the debt, reduce the debt load as we go forward, and that's what we intend to do.

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Can you just say why interest expense declined in the quarter, like that net interest expense number? Derek maybe.

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

In the quarter?

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Sequentially, Helane, or year-over-year?

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

No. Year-over-year.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Interest expenses.

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

I'll look, Helane, but I don't see -- it's got to be interest rates going down, and our variable debt is over 60%, 70% of our debt. So it's got to be driven by that.

Operator

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

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

So I wanted to ask a little bit about the sequential trends kind of into the third quarter and the back half of the year. If we're going from the $100 million a day to $30 million a day, should we expect that number to continue to come down sort of at a steady-state level of demand? I guess I'm trying to figure out what level of impact the actions you've taken would have as they're fully implemented and run through the P&L. So if you could give us some color on the trajectory of that burn rate at a constant demand level, that would be helpful.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Yes, David. We tried, I think, in our comments to tell you that much of the -- as Derek said, the cost reductions are largely in place, and there's some that occurs into the third and fourth quarter. And it's certainly with the October 1 date where we have the ability to reduce our labor cost somewhat. Those aren't enormous numbers in terms of daily cash burn because kind of $3 million or $4 million a day type numbers on that. The bulk of what would be required to get to improvement is demand improvement. So what we said, again, was that we expect the sequential improvement in the third quarter, of course, or the second quarter and then the fourth quarter over the third quarter and then into 2021 to be -- have a goal of being cash positive. So -- but those trends are much more about demand -- gradual demand improvement than they are about cost improvement.

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Yes. And David, I mean just from a cost perspective, we were down 46% in the second quarter. That trended even tighter, was 41% in April, 49% in May, 48% in June, so in that area where we were from a capacity perspective. So that could change just depending on if you add back capacity or don't add back capacity, but that's kind of the trend we were running from a cost perspective throughout the third -- second quarter. Those will remain and only increase by capacity because all of the costs have been taken out. And as Doug talked about, there might be another little step function in October depending on where we go from that from a cost perspective in October.

Operator

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

Savanthi Nipunika Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

Just a little bit more on the cash burn and actually related to the plans for this kind of severance, voluntary severance that you've provided. Just how much of that do you kind of expect to execute? And I think, Doug, you mentioned maybe $3 million to $4 million a day savings. Is that how we should look at it? And then if the PSP grant is extended, how does that impact the planning process?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Savi, just on the severance, we did not do -- we've spread it out over a time period. So there is no big cash outflow from a severance perspective. So everybody is getting paid through October time frame. So the number that Doug talked about, about 2 to 3, is pretty good. And that includes the severance that people get today for that, that are leaving and any other adjustments that we could do from an efficiency standpoint in the third quarter. So those are the key as we get into the third quarter. But the severance is it's not a lump sum. It's spread out over time. Does that help?

Savanthi Nipunika Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

That's helpful. And what's -- like what's the savings that you expect? Does that kind of offset them -- that completely?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Oh, that's the 2 to 3 we talked about. That is the same.

Savanthi Nipunika Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

Okay, okay. So the severance is not much.

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Yes, yes.

Savanthi Nipunika Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

Okay. And then just a follow-up to that is like if the PSP grant gets extended, how does that impact the planning process? Given -- I'm guessing this is something that has happened -- has to happen over a couple of months in advance.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Yes. I mean, the legislation, as proposed by our unions, just has a simple extension of a PSP program. So the dates changed from October 1 to March 31. That would mean that our commitment to involuntarily separate anyone would be extended until March 31. And the fund would be funds that were allocated in CARES one of $25 billion to compensate airlines for retaining -- for paying our team at that time will be reallocated. So you wouldn't have that savings and you'd have funds that come in to offset the savings.

Operator

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

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

Just a couple of questions on the recent demand downturn. I was hoping you could help us frame the magnitude of that. Any color on what gross bookings were in June versus July? Or just any way to think about the falloff we've seen as new cases spike. And then could you just walk us through what actions you're taking to address this weaker demand? Was that third quarter capacity outlook of down 60% different a couple of weeks ago, or maybe there's more downside risk now? A couple in there, but really just trying to get a better sense of the magnitude of the slowdown.

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

This is Vasu. Thanks for the question. I'll start into that. Look, what we're seeing are pretty consistent trends with what you've heard reported. We're seeing right now net bookings down 75% to 80%. This is a marked difference from where we were certainly in the month of June and even in May. What American Airlines saw and what we probably disproportionately benefited from was that a number of states across the Sunbelt started reopening in May and June. With every phase of reopening, we saw a steady improvement of net bookings, both among our leisure segments and among the business segments. And it's probably high watermark. If net bookings across the system were down 50%, the Sunbelt, they were down net 35% to 40%. Now we're seeing that down net 75% to 80%. Still, our Sunbelt bookings outpaced the rest of the system. As we go forward, we anticipate many of those trends to continue. We see really a minimal -- really a token amount of business travel out there and not a lot of indicators that that's likely to improve. So unsurprisingly, we're building the airline's capacity around that demand projection. So you see us taking down Q3 more and we're continuing to evaluate Q4 and beyond.

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

Okay. Understood. And then maybe just a question on the cash burn outlook. If I just take your second quarter liquidity, adjust out the new $6 billion in debt raise, including everything announced this morning. To get that $13 billion expected third quarter and liquidity, that gets me to about $35 million daily burn. I guess, maybe a little bit north of that if I include that last 10% of the PSP funds. I guess, first, am I missing anything in that math? And then can you walk us through what type of revenue assumptions are underlying that? And then to get the fourth quarter being lower than that, what kind of revenue assumption or improvement will we have to see to drive that lower? Appreciate the time, guys.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Sure. Again, and I'll start. Another on the math other than just please note that those are -- the n number is approximate. So we want to try to imply any certain level of precision around that number that you should put precise numbers on these daily cash burn numbers. Look, so -- but anyway, I think -- I'm sure you did the math right. The -- we have very limited demand growth in that $13 billion quarter-end number, so not much there at all in our -- nor real much increase in the fourth quarter, really consistent with what Vasu just described. So anyway, we need to be conservative as it relates to demand and as we said on the expenses is where it is. I'll just give a little commentary on these -- just these daily cash burn numbers that -- which I know are important to our investors. They vary so much certainly by month and therefore by quarter. Sometimes, we just need to be careful about looking at those as real trends as long as you understand that. And as long as you understand how they compare to others and how others exclude different things than we do. It's not a GAAP measure. I know -- we know it's an important measure. That's why we gave you a quarter-end estimated liquidity balance. But less -- but we try to have less focus on that actual number because there's just so much variability around it.

Operator

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

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

I guess 2 quick ones here. Derek, I know that I believe under the CARES Act, you can defer social security taxes. I guess, a portion this year. I think you can defer your minimum pension contribution. I think there's some benefit on the payroll. Do you have a sense of how that, maybe collectively, those other various initiatives that we don't spend too much time on, but how much that could boost your liquidity in 2020?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Yes. The one item, and I know for sure, on the pension side of things, we do have to make a pension payment on January 1, which is a holiday, so we end up having to do it on December 31. So it's not a 0 number in 2020. But we had originally thought it would be around $500 million. Now it's down to $140 million. So there's a significant savings there. The -- we have gotten some tax refunds in the $170 million range, which have been positive. And one of them is $85 million we're getting this quarter in the third quarter. And then the deferral of those other taxes, we have them all in 2021 anyway, so that you're going to have to pay them back in 2021. So the net impact over '20 and '21 is 0.

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

Okay, okay. That's helpful. And then just my second question, really to Vasu. Look, you announced the JetBlue recent -- the JetBlue agreement recently, and it seems very similar to what you announced with Alaska back in February. And I realize it's a really tough backdrop to start noticing any sort of benefits from the Alaska deal, I guess, since it's initially only up and running in a few months. Is there anything that you can tell us with respect to maybe quick wins and things that you've seen as you started to work more closely with Alaska that you think will materialize with -- under the JetBlue agreement?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Yes, yes. Thanks for the question, Mike. I'm happy to do it. In fact, let me put my answer in some context here. That in American Airlines, we have sort of a unique problem as we look all across our hub. Our hubs, excluding the Northeast, that is New York and Boston and the West Coast, produce unit revenue premiums of 10% to 12% higher than the industry. Indeed, it's grown since the time of our merger as we've upgauged, rebuilt the regional network, improved connectivity and grown in Dallas Fort Worth. In the Northeast and the West Coast, however, we produced a 10% RASM deficit to the industry. This is important because about 22% to 23% of our 2019 capacity is deployed on the West Coast and the Northeast. To put that in perspective, about -- a DFW in 2019 was about 26%, 27% of the airline. Charlotte was about 12% to 13% of the airline. So we have a material amount of our capacity in these markets. In both of these cases, both the West Coast and the Northeast, the infrastructure is constrained. And we are in a situation where we're really too small to win and too big to go and exit. And so we need to figure out a way -- and there's such a massive customer base that we need to find a way to go and access that revenue. So in our partnerships, both with Alaska and JetBlue, what it's entirely about is creating a different and creative competitive alternative to the larger networks that our competitors offer on those coasts. And that's exactly what you see us doing. So we continue to go and build our Seattle hub. And together with Alaska, we will go and create the best network on the West Coast. With JetBlue, American Airlines is historically -- and New York City is a great case study for this. Historically, we have a 10% originating share in the largest air travel market in the world. We operate 50-seat jets in some of the most expensive aircraft -- most extensive airports in the world. And so by doing this, we leverage the strength of both of these companies. The play here is very much that if we can do this, we go and attract more customers to our joined-up networks.

Financially, that, of course, rectified as a very massive revenue problem that we have across our hub system. It creates a really pro-competitive outcome. And very importantly, it keeps these really vibrant and independent competitors. So we are really keen about all of them. The big onus is on us to go and execute and make these partnerships as seamless possible. And we're working very ardently at that. Indeed, today, we're announcing Alaska's formal invitation into OneWorld that will really accelerate the process, and we're envisioning by the end of this year, or worst case, early 2021, we'll have them as a full-fledged member. And we are eager to go and progress the integration with JetBlue as well.

Operator

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

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

I guess this means I'll wrap up the cactus triumvirate, given that Helane and Mike have already opined. Derek, can you walk through how the brand and the website is worth enough to support up to $5 billion of additional first-lien debt -- excuse me, when loyalty is already pledged elsewhere. I mean those are pretty material figures, and we don't think that most investors have those in their liquidity models prior to today's disclosures.

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Right. So I mean we have an appraisal on both of the transactions. I mean as we went into this process, as you know, we ran appraisals on everything because we needed to do that as we were looking at the government loan and what we wanted to do with the government loans. So we ran an appraisal just on the frequent flyer program, and then we separated out everything else and put it into the brand discussion, I would say. The value of that is -- it depends on where the value is, but somewhere in the $10 billion range. Whereas the frequent flyer program, as we've announced before, is somewhere in the $20 billion range. So we've done appraisals on both. That -- the transaction we've been working on for a little bit, this recent one, and as we negotiated, got ourselves the ability to do an extra $4 billion underneath that transaction, and it's held up by an appraisal that we've done.

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

And in regards to a potential forward mileage sale, are you -- have you reached the conclusion with Treasury yet that you could speak to that potential phenomenon?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

We have we have not reached a conclusion with Treasury yet. We're still working with Treasury on the $4.75 billion transaction and where we will go there. But I think it's -- as we've seen, if it is not a forward miles transaction on top of that, as you know, our competitor was very successful and did a really nice transaction to take their frequent flyer program and take it to the market that is available. It probably would take us a little bit of time to do that just because our company is -- our frequent flyer program is not set up as a separate company, which our competitors was, for them, the ability to do that transaction. So that ability is there. They -- I mean we're at $4.75 billion. We have a bigger program. And I think they raised $6.8 billion, $6.9 billion against it. So I think in the future, that transaction is there. It's not there today for us, but it is there in the future. So if we cannot utilize the room underneath the government loan, that transaction is available in the future.

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

And if I can just squeeze a short third one in. On JetBlue, can you just remind us what you can and can't do in regards to the partnership? What level of coordination pricing scheduling is legally permissible?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Yes. I can. Thanks for the question, Jamie. Look, the way we've envisioned it, it would be really a pretty broad partnership where, of course, we would have extensive code sharing back and forth, frequent flyer benefits and a big amount of corporate dealing. A big part of what makes this go, certainly as we look at it, is something that we think will be great for customers and for our team, too. We envision being able to take out things like 50-seat regional jets, which are, in many ways, really uncompetitive product in a place like New York or Boston and arrange a number of slot moves within JFK and LaGuardia such that, certainly, AA can grow its mainline presence. That's where you see us adding more long-haul services in New York. And indeed, over time, we anticipate being able to do a whole lot more of that. And then, of course, also for our new partner, JetBlue, they also get to go and expand. So in doing that, we see a lot of ways that we can get work together that may be a little unconventional from traditional code shares in the past, but can create a huge benefit for our customers, a very big benefit to our team and can help both of these airlines really participate in the recovery as and when it happens.

Operator

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

Daniel J. McKenzie - *Seaport Global Securities LLC, Research Division - Research Analyst*

Just following up on that -- the alliance with JetBlue and Alaska. So I guess if I heard correctly, it's 23% of flying in 2019. Is the goal to get that back to industry parity RASM? Or do you think you can get, with these alliances, to a premium? And I guess kind of where I'm going this for investors as they think about 23% of the flying, is this revenues that could improve 10% across 23% of the flying if we get back to parity?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Yes, that's an excellent question, Dan, and a sound way to think of the problem. Yes. Look -- and just to clarify the numbers, in 2019, about 22%, 23% of our capacity base was on the West Coast, New York, Boston, right? Compare that to our 2 strongest performing markets of DFW and Charlotte, which collectively represented about 48%, 49% of the airline. So there's a material amount of capacity that was -- and for a long time has been producing RASMs below the industry average. Now in the -- probably the back half of 2019, I think a lot of the way you described that makes sense. The open question is how the world recovers, how quickly we can achieve steady state. But for that reason, these partnerships are all the more critical to be able to be done now because the reality is -- left to everyone's own devices, the third and fourth largest carriers in New York just won't be able to compete for a New York -- for a diminished New York originating premium customer given the current demand outlook that's there. So by having this, maybe a little bit of time before we're able to still achieve some of the financial goals that we want from this thing. But for us, as long as we are doing what is right by the customer in New York and Boston, providing real competition to the larger networks that we face there, there's a real path for how we go about doing it. And as you say, there's probably a lot of upside through this thing that we envision being able to go and certainly scale the massive fixed expenses of operating in a place like New York over things like wide-bodies instead of over things like 50-seat regional jets. So we think that there's a lot of long-term economic benefit there. The current crisis that the pandemic creates, the uncertainty in demand makes it a little bit of an uncertain path for how we go from here to there. But the core way in which you're thinking about it is similar to how we think about it.

Daniel J. McKenzie - *Seaport Global Securities LLC, Research Division - Research Analyst*

Very good. I guess a follow-up question here. Doug, going back to your commentary this morning on CNBC to generate cash next year and start paying down debt, or maybe this is for Derek. Based on what you see today and what's in the business plan, can you give us a balance sheet road map from here? What's the range of debt you would aspirationally or could prepay next year? And what do you want the balance sheet to look like realistically at the end of the next year and then as we look 3 years down the road?

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

And I'll start. If Derek can give more specifics, I'll let him. But it's really hard to give any sort of targets at this point into 2021 and 2022 and beyond with any sort of specificity. And so it's so much dependent upon what happens with return to demand -- when demand has returned. What I now is this, again, we have a goal of being cash -- getting our sales cash positive in 2021. That certainly requires some demand growth, but we don't think unreasonable demand growth. And we believe we can do that. As that happens and as there's more stability -- first, as that happens, we will definitely be using all free cash to retire -- our free cash flow to retire debt. And as we have more certainty as to what the economic environment looks like going forward, we can give you better indications of kind of goals on debt levels and credit ratios going forward. But it's going to be hard for us to do on this call.

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Yes. And Dan, I'll give you a little bit. I mean, just, we -- part of the debt that we took out at the revolver, obviously, at $2.8 billion. So as the cash balance works up, we would return the revolver. As you know, the CARES Act loan and the PSP loan, which combined are $6.4 billion, are prepayable at any point in time. We have prepayable aircraft mortgages of $3.1 billion and our SGRs are prepayable, like we could pay down at any point in time. So we have $17 billion to $20 billion net. As long as we get the liquidity and get the cash, that we could use that to pay off the debt that's there. First thing we would do is the revolver, and we would just return the revolver when we're comfortable, and that's about $2.8 billion of the debt.

Operator

Our next question comes from the line of Hunter Keay with Wolfe Research.

Hunter Kent Keay - *Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense*

Doug, just briefly, what is the 3 -- what is your 3-year vision for American Airlines?

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Well.

Well, I guess, I kind of like what -- at this point in time, describing what the next 3 years looks like is not the easiest thing to do. But sitting here right now, again, first, I'd like -- I can get to the first one pretty easy, which is getting through this crisis and getting this airline back to where we're generating cash instead of talking about burning cash. So that I know we can do. Look, I'll tell you this, Hunter, which may be helpful. As horrible as this crisis is and there's not much good you can say about it, one nice -- one thing, one opportunity that's given us, which I think is more helpful to us than others, we had American and then others. And it gave us a chance post integration to literally start -- to take the largest airline in the world and start it -- and shut it down and start it from scratch. That's a real opportunity that we're going to -- that we're using. That allows us to only add back what makes sense. Things that might have taken us a very long time to continue to get through, getting management reductions out, getting older aircraft retired, getting more efficient throughout the airline, flying exactly where it makes sense instead of looking at the network and saying, in total, it makes sense, but some routes not doing as well as others. That's going to make us much more efficient as we come out of that -- out of this, and we're excited about that. So we're going to add back only what makes sense. We'll come through it more efficiently. That -- I'm looking forward to that day when we're through all this, and we can -- and we have that advantage. So -- but that has been helpful to us. And again, something I guess probably because we had more need to do that coming still through integration, I think that gives us more opportunity to do that. So anyway, as it relates -- because of that, once we get to a more steady-state environment, what I think you'll see from American is we're -- as relative to our competitors, our relative performance will be improved. And as the industry improves, we will endeavor to work through to get our -- to pay down the debt that we've had -- we've all had to incur to fund these lines.

Hunter Kent Keay - *Wolfe Research, LLC - MD and Senior Analyst of Passenger Airlines, Aerospace & Defense*

Okay. And then just my second question, just 3 very specific ones. Can you just please give me your daily cash burn number for 3Q? What are you expecting for revenue in 3Q? And how much you're expecting third quarter operating expense to decline?

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Yes. Again, I think the guidance we gave was to give you a liquidity number that didn't include any other additional financing. So you can calculate from that an estimated cash burn, I'm sure. Derek, I don't know the other ones?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Well, I think the third quarter cost down is going to be adjusted because of what Vasu said, as we pull the capacity out. So we ran about 46% in the second quarter, down in costs. We believe that we're going to fly. So we flew a little bit more in July, but we think we're going to pull down August and September. So I think that it'll be a little bit lower than that, but not too far off. So in the -- if we're at 46% for the quarter, we're probably going to be in the 40%, 42% range for that in the third quarter from an expense standpoint. And then from a revenue standpoint, we were at 86% down in the second quarter, maybe 80% in the third quarter, 75% to 80% in the third quarter, but depending on what we do with capacity in August and September, which, as Vasu said, we're looking at that now with a bias to bring it down.

Operator

Our next question comes from the line of Joseph DeNardi with Stifel.

Joseph William DeNardi - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst*

Doug or Robert, I think, I think you all are in the window or nearing the window on when you could renegotiate or start talking to Citi and Barclays about an extension. Can you just talk about their willingness to engage their appetite for the business given the challenges that the travel industry is facing and whether we should assume an improvement in economics, even if it's not of the same magnitude as the last contract, but still an improvement in economics if and when you can get a new contract?

Robert D. Isom - *American Airlines Group Inc. - President*

So just real quick. It's Robert. We have the ability to renegotiate in 2022 the contracts come due. We obviously are working and have been working with both Citi and Barclays. I can tell you from the work with both partners that there's tremendous interest. We know that the American Airlines customer base and our loyalty program are incredible assets to both Barclays and the Citi. We have every intent to continue those relationships and expect a tremendous amount of value to come back to American. Now obviously, the current environment is not the best in which to be talking about of increasing values. But as we take a look to the stabilization of the business and take a look out to the future, I'm quite confident that the economics are going to be equal to and better than what they are today.

Joseph William DeNardi - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Airline Analyst*

Then, Derek, I think your NOLs are getting bigger. So you've got that going for you, which is nice. Can you just remind us how that works and then your ability to use those? I think you had some that began to expire in 2023. So just how that works?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Yes. I mean, right now, we have federal at $9.1 billion, state at about $3 billion. We believe we can use them. We're still -- as we look at forecasts out, we believe that they will all be used and the ones in 2023 will be used. If not, we will have to put up a valuation allowance for them if you look at a forecast and assume that they can't be used. But as of right now, with the tax ability and changes we can do, we believe we will use all of that 0.1 that we're on prior -- at the beginning of this year, and that will all be used by 2023. We've got enough room to be able to use them all.

Operator

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

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

Just curious in terms of your longer-term thinking. What's the view with respect to maintaining New York and Philadelphia hubs? And I know you're canceling some international destinations, but just trying to think in terms of how you're thinking about the optimization of those assets?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Stephen, this is Vasu. Thanks for the question. Indeed, we envision keeping both the Philadelphia and the New York hub. And we've seen this before. Look, when we put the merger together, there's a lot of worry that DFW-Charlotte and DFW-Phoenix would serve overlapping and contradictory purposes. Indeed, as we've grown anyone, we've seen the RASM performance of all of them grow by having multiple hubs that have similar purposes you can go and create a lot of value for the customer. And we see the same footprint, not just with New York and Philadelphia, but the 3 hubs of New York, London and Philadelphia, that we're going to go into a world where international is going to have a much longer recovery path. And frankly, American Airlines already was producing less than industry RASMs in international. So we envision Philadelphia as being the primary connecting point. Through Philadelphia, we can connect basically 90% of the country through there, the lone exceptions being New York and Boston and upstate New York. In New York City, we will focus it very heavily around O&D markets out of New York and the major connecting markets that feed it, think things like Vegas, Orlando, things like that.

And in London, we have a great market. And with our partner, IAG, the opportunity to go and expand London where we can go provide more connectivity, not just into Europe, but into places like Middle East and Africa and India. Between the 3, even though we go into a world where demand is more depleted, where next year, we will be a materially smaller carrier, an extremely smaller carrier internationally, this enables us to go and take a bigger share of what demand is there, provide a massive amount of connectivity to the customers in the process.

Operator

(Operator Instructions) Our first question comes from the line of David Koenig with the Associated Press.

David Koenig

There's a guy who used to work at America West and he said yesterday that his current airline expects that revenue is going to rise to about 50% of pre-COVID and stay there until there's a vaccine that's widely available. I wondered if, Doug, if you agree with that view or if you have a different idea about how the recovery unfolds, and how you're going to get to even the 50%.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Yes. David, I know that guy, too. And look -- and I also know he said it's anyone's guess and that was his guess. So I certainly, he's reasonable. I don't have any reason to tell you that we disagree with Scott. And certainly, kind of what we're planning for as we look forward is consistent with that type of recovery. I don't think any of us believe that we're going to get anything close to the old demand until there is a vaccine that's widely spread. So anyway, on that point, I hope he's right that once that happens, demand returns quickly.

David Koenig

So this current lull is kind of a temporary stall here with the recent surge in cases?

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Well, yes, yes. David, again, what we've seen with the surge in cases, we saw what was a continual growth in demand, sequentially month-to-month plateau. And so that certainly happened. And as cases hopefully fall in the future, one would expect that you see what we saw through April, May and June as demand recovers somewhat. But again, nothing that we would anticipate really gets back to the kind of demand we saw in 2019 until the country is moving again. I mean this is less about people's concern about flying and much more about having a reason to travel and having business open and moving and having places to go when you travel and not need to quarantine. And as those things happen, more and more people will travel. But clearly, in some cases, oh, that's not going to happen until we get to a vaccine.

Operator

Our next question comes from the line of Tracy Rucinski with Reuters.

Tracy Rucinski

I was wondering what your views are on how business travel is going to evolve. Do you see any permanent changes?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Tracy, this is Vasu. Thanks for the question. Look, it remains to be seen. So much of what this crisis is, it's not just that demand is low, but there's such uncertainty about it. Yes, we do see evolutions that are out there. But in many ways, we're already seeing it. The customer segmentation is changing a little bit from business and leisure, which airlines have historically defined in different kinds of transactions and much more what customers are keen to regain -- to resume their economic life and which customers are less ready to. And oftentimes, the differences between those are a function of people's confidence in resuming it and necessity. So a great example of this is whenever we were in the first week of April, which is probably our lowest point for bookings. Small and medium-sized business bookings out of Texas were almost 0. They were like $10,000 a week, which is not even single-digit percentages. By June 15, after Texas went through Phase 3 reopening, they had increased 300% to $45,000 or so a week, which is still relatively small but far from -- apart from where we would like them to be. In that same period, corporate bookings didn't really change at all. So it is likely to think that for a period of time, one, business bookings, as we've historically thought of them, is going to be very different. And companies are unlikely to go and resume their economic life, certainly not bigger companies. And then there's a lot of uncertainty around what and how smaller companies might be. So we are planning certainly for some very conservative assumptions. And in many ways, it's continuing to adapt the airline for the changing customer base that we got.

Operator

Our next question comes from the line of Alison Sider with Wall Street Journal.

Alison Sider

Matt, can you -- is there anything you can share about sort of how many flights or in terms of capacity what the change will be from July to August? It looks like you're still planning to fly more than some of your peers. Is that kind of how you see it?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Ali, this is Vasu. Thanks for the question. Good to speak again. Look, we haven't finished loading all of our changes into August or even into September. And how we load those changes, it's probably going to occur over multiple periods of time. As we've kind of described before, we've changed a lot of our internal processes around these things because in this environment of uncertain demand, the airline has to adapt and we have to be flexible. So we describe ourselves as being nimble or adaptable. It's not a euphemism for flying more. It means exactly that. That in the face of uncertain demand, the airline has to evolve. And so what we envision doing really in August, you'll see it pretty consistent with our comments on this call, that we continue to see our biggest hubs, DFW and Charlotte, building. We anticipate keeping the connectivity there, but doing a lot of other adjustments because markets that are much more dependent on business style traffic are likely to not come in. To put a finer point on it, once we cross Labor Day, historically, in this airline, about 40% of our revenues come off of business. And it's pretty unreasonable at this point to think that we'll get anywhere close to that. And so routes that are more dependent on business are likely to come out. But rather than making a single blanket call and taking it all at one time, you'll see us make those cuts over a period of time. So we envision really in August, where we're still taking bookings, that a lot more of our capacity will sit in the biggest hubs than not. And as we mentioned earlier, we'll take some pretty material reductions to what we're out there selling, both in the second half of August and post Labor Day, such that Q3 capacity will be at a minimum, down about 60%.

Alison Sider

Got it. Yes. I'm just trying to get my mind on how much of this is seasonal. Just business travel is sort of never going to come back in the fall and how much of it is sort of a change in thinking about the demand trajectory.

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Well, what I'd say is there's definitely some seasonality to it. And really, it's not very much of a change of thinking about keeping the airline schedule and operating practices really flexible so we can adapt to a changing demand landscape. And that's what we've been doing throughout the crisis, what we'll continue to do along the way.

Operator

Our next question comes from the line of Claire Bushey with Financial Time.

Claire Bushey

Have you received a response from the Vice President or the European Commissioner for Home Affairs regarding that letter you sent about transatlantic COVID testing? And what sort of would this testing regime look like?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

This is Vasu. I'll start with the question. We -- and the candid answer is that we are still looking at it and evaluating it, discussing it heavily with our partner, IAG. So we don't have a lot of insight yet. But in the next few days and weeks, we expect to.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

And we've not had responses yet. It just went out last year.

Operator

Our next question comes from the line of Justin Bachman with Bloomberg LP.

Justin Bachman

I wanted to ask about, there were 12-or-so Boeing MAX aircraft that you're looking for additional help in financing that were to be delivered this year. Do you have any updates on where that stands and if those airplanes are coming to American or if you've decided to move on or defer those?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

Yes. Justin, this is Derek. The plan is to take those aircraft. Where we're working with Boeing is to firm up that financing and make sure that with the delays in the aircraft, that, that financing is firm. We are in really good discussions with the Boeing team working hard. They're a great partner for us. We totally plan on taking those aircraft. There's 13 that are built that haven't come to us yet and there's another 4 that are supposed to come by the end of the year. So another 17. So we're working with Boeing to make sure that those are financed. As we said in the comments that we don't plan on taking any aircraft that aren't financed, but we're working well, and we're also looking at the '21 and '22 aircraft. So we're not done. We're talking with them. All conversations are good. And our plan would be to still take all 100 aircraft we have on order over time. Just when we take them is the discussions that we're having. But good discussions, not done yet. We'll be done pretty soon, I think.

Justin Bachman

So all those 17 that you just mentioned, will that be this year? Or does some of those slip into '21?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

We hope all 17 is this year, but it all depends on when the aircraft is back up in the air and how quick they can get them and deliver them. But we would be okay to have them all this year. Some of them may slip into next year, but I would assume by early part of next year, they would all be here.

Operator

Our next question comes from the line of Leslie Josephs with CNBC.

Leslie Josephs

A quick question on the salaries and the labor bill. Looks like it's down close to 21% compared with last year. Are you going to have any money left over if it kind of continues on that trajectory? There are like reduced flying schedules or other reasons, leads? And are you -- can you use the CARES payroll support for severance packages? Or do you have other plans if that happens? Do you have left over from the PSP?

Derek J. Kerr - *American Airlines Group Inc. - Executive VP & CFO*

We will not have any leftover from the PSP. I think the amount of -- this is Derek. The amount of PSP that we received was about 76% of the salaries over the second and third quarter. So there won't be any money left, and we can't use that PSP money for severance and other things. That's other cash.

Operator

Our last question comes from the line of Edward Russell with TPG.

Edward Russell

I just wanted to ask, get in your own words. If you think that American strategy to fly more capacity in the second quarter, especially in June, was worth it and if you just explain why you're thinking behind that.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Sure. I'll start and then Vasu can chime in. And look, we did indeed fly more, in my view, anyway, we've got this somewhat made into a bigger issue than certainly the way we think of it. This is a tactic in crisis management as we're all managing through a crisis, trying to figure out what's best for individual airlines. I think it's accurate to say that we flew twice as much as some other airlines. But it's also accurate to say that we flew 40% of our prior schedule and other airlines flew 20% of their prior schedule. So -- and the real story there is that we're down 60% and they're down 80%. This is a crisis. We all work to figure out what's best for our airlines. Our network team did a phenomenal job of seeing that while -- as we all had pulled down schedules, that connectivity, in particular, had been reduced throughout the country and that we could, by focusing on our DFW and Charlotte hubs, have the ability to have more connectivity than others and give us an advantage on the limited demand that was there to carry more than we would otherwise. So that absolutely works. In June, as I said in my comments, our revenue per ASM in June was 6x what it was in April. And we -- that would not have been the case had we flown only 20% of our capacity in any way, so flying more and having that kind of increase in RASM, we're extremely happy with it. It's worked well into July. We're happy with the results we've seen in July. Our load factors remain high and higher than our competitor airlines even though we're flying more. So we're really happy with that tactic. It's not going to make a big difference 6 months from now. This isn't some ploy of others and trying to be bigger than everyone else over time. It's just a tactic during this crisis that's worked out really well for us. We're really proud of Vasu and his network team, Ryan Antoine and others who came who came up with a strategy to manage the crisis. It's working really well for us. Anything to add, Vasu?

Vasu Raja - *American Airlines Group Inc. - SVP of Network Strategy*

Yes. And the only thing I would add to that, Ed, is, as Doug said, it did very much work well for us. A simple way to think of it is we flew 60% more than our primary competitors and generated 60% more passenger revenue. So -- by any means, being able to have that come in was big in a big part for why our cash burn looks the way it does. But also to put a finer point on a few things that Doug just mentioned. Look, it taught us a lot too along the way. As we went through June, fewer than 2% of our flights were flying below 25%. But our 2 strongest hubs, DFW and Charlotte, were 60% of the airline and produced $0.11 and $0.12 RASMs, to which even in a normal June would be in a really good June for many of the airlines all around the world. So that was very instructive to us. And also by flying that big, we got to get a really -- we have to try a lot of things across the commercial organization that has taught us a lot about how our customer base is evolving, and those are all things we're putting into practice. But like Doug said, this was a tactic of managing -- and it was really a onetime thing that we did, knowing that June and July would be months where, if there were discretionary leisure travelers, that's the time to get them. Clearly, in the fall where the airline becomes more dependent on business travel, that is no longer a planning reality for us. And so we're adjusting, but we're taking the insights we learned along the way with us.

Operator

This concludes today's question-and-answer session. I would now like to turn the call back to Chairman and CEO, Doug Parker, for closing remarks.

William Douglas Parker - *American Airlines Group Inc. - Chairman & CEO*

Thank you very much for your interest, and we appreciate it. If you have any questions, either contact Investor Relations or our Corporate Communications department. We appreciate your time. Thanks. Bye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.