

Q3 2026 Earnings Call

Company Participants

- Devon May, Chief Financial Officer
- Nat Pieper, Chief Commercial Officer
- Neil Russell, Head of Investor Relations
- Robert Isom, Chief Executive Officer

Other Participants

- Alison Sider, Analyst, Wall Street Journal
- Andrew Didora, Analyst, Bank of America
- Atul Maheswari, Analyst, UBS
- Catherine O'Brien, Analyst, Goldman Sachs
- David Vernon, Analyst, Bernstein
- Duane Pfennigwerth, Analyst, Evercore ISI
- Jack Yule, Analyst, Jefferies
- Jamie Baker, Analyst, JPMorgan Securities
- John Godyn, Analyst, Citi
- Leslie Josephs, Analyst, CNBC
- Ravi Shanker, Analyst, Morgan Stanley
- Scott Group, Analyst, Wolfe Research
- Tom Fitzgerald, Analyst, TD Cowen

Presentation

Operator

Thank you for standing by, and welcome to American Airlines Group's Third Quarter 2026 Earnings Conference Call. Currently, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. (Operator Instructions)

I would now like to hand the call over to Neil Russell, Vice President, Investor Relations. Please go ahead.

Neil Russell {BIO 16483376 <GO>}

Thanks, Latif, and good morning, everyone. Welcome to the American Airlines earnings conference call. On the call, with prepared remarks, we have our Chief Executive Officer, Robert Isom; our Chief Commercial Officer, Nat Pieper; and our Chief Financial Officer, Devon May. After our prepared remarks, we will open the call for analysts' questions, followed by questions from the media. To get in as many questions as possible, please limit yourself to one question and one follow-up.

Before we begin, please note that today's call contains forward-looking statements, including statements concerning future events, 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 news release that was issued earlier this morning, Form 10-K for the year ended December 31, 2025, and subsequent quarterly reports on Form 10-Q.

Unless otherwise specified, all references to loss per share are on an adjusted and diluted basis. Additionally, we will be discussing certain non-GAAP financial measures, which exclude the impact of net special items. A reconciliation of those numbers to the GAAP financial measures is included in the earnings news release and investor presentation, each of which can be found in the Investor Relations section of our website.

A webcast of this call will also be archived on our website. The information we are giving you on this call this morning is as of today's date, and we undertake no obligation to update the information subsequently. Thank you for your interest in American and for joining us this morning.

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

Robert Isom {**BIO 6783069 <GO>**}

Thanks, Neil, and good morning, everyone. American's third quarter revenue grew 19.3% year-over-year to \$16.3 billion, above the high end of our guidance. Excluding the years following the pandemic, that's the strongest quarterly revenue growth of my career. Unfortunately, the significant increase in fuel prices more than offset that strength. Higher fuel added \$1.9 billion to our costs in the third quarter, nearly 70% more than we paid during the same period last year.

We produced a loss in the quarter that, but for this fuel spike, would have been solidly profitable. Short-term pressures notwithstanding, we're moving in the right direction and with urgency. We're not satisfied with the loss no matter the reason and we will do better. The work we're doing now is laying the foundation for solid profitability as we move to 2027.

Our confidence comes from the strength we see in the underlying business, bolstered by encouraging results from our commercial initiatives and delivering on our commitments even as higher fuel prices obscure some of that progress in our reported results. We said we would elevate the customer experience and we are. You've seen our announcements, modernizing our fleet, installing Starlink on our entire mainline fleet, expanding seatback entertainment to our narrow-body aircraft, adding premium amenities, creating and updating lounges and more.

We said we would rebuild our network, and we have. We grew in Miami and Phoenix and are investing in Charlotte. We rebanked our DFW and Philadelphia operations, producing meaningfully stronger operational and financial performance. And we've reestablished ourselves in Chicago, and we're restoring our presence in Los Angeles over time. That's competitive growth we needed to do.

At the same time, we're focused on achieving profitable, sustainable growth in any environment. And given today's elevated fuel prices, we now expect our growth rate in 2027 to decelerate considerably. We said we would grow premium revenue and we have. Premium generates roughly half of our ticket revenue on only about 30% of our seats, and we're adding more premium seats with every new aircraft in retrofit. This is the most profitable real estate on our planes and these moves position us well as demand for premium continues to grow.

And finally, we said we'd lead in loyalty and we are. AAdvantage enrollments and spending on our co-branded credit cards are up year-over-year, and the AAdvantage program remains one of our strongest competitive advantages. The US economy remains strong, supported by healthy employment, rising household incomes and significant wealth accumulation. Consumers continue to prioritize travel, and recent yield strength is allowing airlines to regain our historical share of the travel wallet.

In the near term, our focus is on what we can control. We continue to have industry-leading cost performance. The efficiency efforts we prioritize are producing meaningful savings that will benefit us well beyond this year. Our premium product investments are paying off both now and in the future. Our year-over-year revenue growth has accelerated every quarter this year, and we expect that momentum to continue in the fourth quarter with revenue up 19.5% to 22.5% year-over-year, and we will adjust our capacity to support profitability as high fuel costs persist.

American is taking the right actions for long-term success. Our job now is to convert all of this progress into better margins, free cash flow and an even stronger balance sheet. We expect the benefits of our strategy and the investments to become increasingly apparent, especially as fuel prices stabilize. Of course, none of this happens without the American Airlines team. And I want to thank all of our team members for taking care of our customers and each other.

And with that, I'll turn it over to Nat.

Nat Pieper {[BIO](#) [17122440](#) <GO>}

Thank you, Robert. The work we have done across the commercial organization is resonating with customers, and it showed up in our third quarter results. Total unit revenue increased 14.5% year-over-year with strength across every geography and every cabin. Domestic passenger unit revenue increased 13.6% year-over-year with notable strength in New York and Miami. Internationally, passenger unit revenue increased 16.4% year-over-year. Latin America led the way, up 21.1%, followed by the Atlantic at 14.5% and the Pacific, up 11.3%.

We were deliberate in how we managed revenue during the quarter. We prioritized yield over load factor, proactively securing meaningfully higher yields in exchange for slightly lower loads. We see opportunities to further improve quality through pricing, premium products, merchandising and loyalty and are taking advantage, especially in this high fuel cost environment.

Now let's go through each of our four commercial priorities. First is to elevate the customer experience. We now have enough scale to more consistently deploy our world-class product. Our new Boeing 787-9 premium aircraft finished the summer with the highest NPS of any aircraft in our fleet. With 11 flying and another 19 on the way, our NPS scores will continue to rise as we introduce them further into the network. And across the system, our net promoter scores for on-time flights have improved in six of the last seven quarters.

In addition to the Starlink installations and seatback entertainment that will greatly enhance the customer experience in the air, giving us a hard product that will lead the industry, we are improving our premium ground game too. We will open 10 lounges through 2027 and have additional investments planned across our network, including the largest Admirals Club in our system in Charlotte. We are also investing in our digital

experience across the board. Customers will see this as we manage disruptions better and deliver more timely information. And we are already seeing improvements in our mishandled baggage rate and customer misconnections among other customer-focused metrics.

Second is to grow the global network. Dallas-Fort Worth is our epicenter. Following this year's rebank, DFW handled record passenger volumes in the quarter with significantly fewer misconnections, fewer mishandled bags, and unit revenue that outpaced the rest of the system. Beyond DFW, we're building stronger schedules for local customers in our hubs, especially Chicago, Miami, Philadelphia and Phoenix. These travelers tend to be higher yielding and a better schedule is how we earn more of their business.

Internationally, our Latin America franchise, anchored by our Miami hub remains one of the strongest parts of our network. Our long-haul international growth for 2027 is focused with seven new routes, including Chicago, Tokyo for our corporate customers and Charlotte, Barcelona for high-demand leisure travel. The network is creating value beyond the passenger business too. Cargo revenue increased 29% year-over-year in the third quarter, and we see future growth as we expand our widebody fleet.

Third is driving premium revenue. Premium unit revenue increased 18.5% year-over-year, outperforming main cabin unit revenue by more than 4 points. Expanding our premium seating volume with new deliveries and retrofit programs, which include more than 200 aircraft across our 777, A320, and A319 fleets over the next three years is already bearing fruit.

Corporate demand remains strong, and American is capturing meaningful share as our managed corporate revenue increased 28% year-over-year, our sixth consecutive quarter of double-digit growth. And we are improving our revenue quality as we deliver customers more product choices, demonstrated by a 6-point increase in the upsell rate from basic economy to main cabin.

Finally, loyalty. The AAdvantage program is a differentiator for American, and we intend to keep it that way. Enrollments were up 27% year-over-year in the third quarter, with growth of 35% to 65% in New York, Los Angeles, and Chicago. During the quarter, we launched an enhancement for customers to use a combination of cash and miles for flight bookings. And the early results are encouraging. Spending on our Citi co-branded cards during the third quarter increased nearly 10% year-over-year, and we see opportunity for even better performance in our expanded partnership with Citi going forward.

To close, we are delivering on our commercial strategy centered on customer experience, network, premium, and loyalty. We are encouraged by the progress and optimistic about continued future improvement and the revenue opportunity ahead.

I'll now hand it over to Devon to walk through our financial performance and outlook.

Devon May {[BIO](#) [17603829](#) <GO>}

Thank you, Nat. Our third quarter results reflect strong commercial and cost execution in a very challenging fuel environment. We reported an adjusted loss of \$0.28 per diluted share, ahead of the midpoint of our guidance range. The biggest factor in the quarter was fuel. We paid \$3.85 per gallon, \$1.48 more per gallon than the same period last year,

which increased fuel expense by \$1.9 billion year-over-year. For the full year, we now expect fuel expense to be more than \$7 billion higher than in 2025.

We continue to deliver on what we can control in this environment. Third quarter CASM-ex increased approximately 3% year-over-year, better than the midpoint of the guidance range we provided in July. And we have now met or beat our CASM-ex guidance in 14 of the past 15 quarters. For the full year, we expect to lead the network carriers in the spread between year-over-year unit revenue and CASM-ex growth.

That cost performance is not a one-quarter result. Our multi-year reengineering efforts focused on technology investments, procurement excellence, and process improvements that drive efficiencies throughout the business are working. By the end of this year, we expect to have achieved nearly \$1 billion in annual run rate savings and more than \$900 million in working capital improvements through these efforts.

Turning to the outlook. Demand and pricing trends remain strong across the network, and we expect fourth quarter revenue to grow 19.5% to 22.5% year-over-year, continuing the momentum we saw in the third quarter. Fuel will remain a significant headwind in the fourth quarter. Based on the forward curve as of October 19th, we expect an average fuel price of approximately \$4.70 per gallon in the quarter, nearly double what we paid a year ago. At that price, we expect fourth quarter fuel expense to be approximately \$2.8 billion higher year-over-year.

We expect fourth quarter CASM-ex to increase 2.5% to 3.5% year-over-year, and we are guiding to an adjusted loss per diluted share of between \$0.50 and \$1.10. For the full year, we now expect an adjusted loss per diluted share of between \$1 and \$1.60. Our revenue performance and cost execution remain on track, and when fuel prices stabilize we expect them to drive meaningful margin expansion.

Turning to fleet and capital expenditures. This year, we expect to take delivery of 47 new aircraft and expect \$4 billion to \$4.5 billion of capital expenditures. We are making good progress on our fleet retrofit programs, which support our strategy to expand premium seating and improve customer experience.

Finally, an update on the balance sheet. We ended the third quarter with \$11.8 billion of total available liquidity and more than \$26 billion of unencumbered assets and first lien capacity. We now expect to end the year with net debt of approximately \$30.5 billion, which is flat to where we closed 2025. We remain committed to reducing debt, lowering interest expense, and reaching our target of 3 times net debt-to-EBITDAR in line with BB credit metrics.

Now I will turn it back over to Robert for closing remarks.

Robert Isom {[BIO 6783069](#) <GO>}

Thanks, Devon. In summary, we've rebuilt the network, invested in the customer experience, expanded our premium product offerings, and strengthen our AAdvantage loyalty program, reinforcing the fact that we're a premium global airline. With those investments now in place, we're seeing the benefits in our revenue performance. At the same time, we're not satisfied with our financial results. We expect American to perform better regardless of the external environment. Our focus now is on translating the commercial progress we're seeing into stronger margins and improved profitability. We're

confident in the direction of the business, but we recognize that ultimately we'll be measured by our results. That's the standard we're holding ourselves to.

Operator, please open the line for questions.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from the line of Catherine O'Brien of Goldman Sachs. Your line is open, Catherine.

Q - Catherine O'Brien

Good morning. Thanks for the time. So you noted that 2027 capacity is expected to slow from 2026 given elevated prices, which I think is very prudent. I realize delivery schedules are still fairly fluid post-pandemic versus history, but your deliveries are set to step up into '27. What will be the offsets to get to slower growth? Is that retirements, gauge utilization? And forgive me, but any additional color on how we should translate what a considerable slowdown means, like in percentage point ranges? Thanks.

A - Robert Isom {BIO 6783069 <GO>}

Thanks, Katie. Hey, I'll just start with this. American, our growth in 2026 has all been about reestablishing our network. I think everybody knows that we considerably undergrew our network competitors since the pandemic. And we're really pleased that we're in a position now where we have Chicago reestablished and have been able to flesh out the hubs in Philadelphia and Phoenix and a little bit of growth in Miami. As we take a look at next year, yes, we're taking into account the high price of fuel and we're going to be adjusting appropriately.

First order of business there is just aircraft utilization. We can step that down quite a bit and we'll use that to help us with our reconfiguration lines and Starlink Wi-Fi installs. And that's a great place to start. The rest of it, our aircraft deliveries are largely weighted towards the back end. But we're going to be really conscious of making sure that we match capacity with demand. And the kind of things that we take into account, certainly price of fuel, we'll certainly take into account GDP and make sure that we have a competitive network.

Q - Catherine O'Brien

Okay, great. And maybe just as my related follow-up, as growth slows, how will that impact CASM-ex trends? Should we expect that to be more pressured year-over-year? Or really just like any high-level algo you would point us to on the relationship between capacity growth and CASM-ex fuel? Thanks for the time.

A - Devon May {BIO 17603829 <GO>}

Hey, Katie, it's Devon. We have talked in the past that with capacity growth in the mid-single-digit range, we would expect CASM-ex growth to be low single-digit. Obviously, as we reduce our growth rate, that will put some upward pressure on our unit cost. But it's something we're really good at, and we'll continue to drive efficiencies throughout the business. But, yeah, lower growth rates will drive some impact to our unit costs.

Operator

Thank you. Our next question comes from the line of Jamie Baker of JPMorgan Securities. Please go ahead, Jamie.

Q - Jamie Baker {BIO 3406456 <GO>}

Hey, good morning, everybody. So probably for Nat, we've never debated or derided the breadth of your domestic network. Just yesterday, United even acknowledged that fact. And I'm sure you're aware they don't pay you a lot of compliments these days. But, Nat, now the push at American is obviously to bolster the international footprint. But these were also, particularly in the Pacific, some of the very first routes that you cut during COVID. So my assumption is they were challenging then, and they could be challenging now. So I guess my question is, won't the international push at least initially cause the margin gap to worsen, or put differently, what's different this time with going back into those markets?

A - Nat Pieper {BIO 17122440 <GO>}

Hey, Jamie, good morning. Thanks for your question. This business tells you to have a tough skin, so you don't count on compliments from many competitors over time. Look, our capacity growth in '26 was really to reestablish our hubs. And domestically, that's where you saw us allocate our resources, and we think that's been successful.

It's interesting though that our -- in the third quarter, our international unit revenue outpaced our domestic. And so, we are a premium global airline and as we focus on growth going forward, whether it's in the Atlantic with our great joint business there and our Heathrow franchise, it's been very successful. Latin America through Miami and terrific. And then the Pacific in and of itself, we've got two really good joint businesses and two great joint business partners out there. Dallas and Los Angeles to Haneda, strong results in concert with JAL.

You've seen us announce for 2027, Chicago, Tokyo for American, and JAL will continue to fly that also. And then Oceania, our great partner, Qantas and joint business there. I'm pleased with the way that we're working together with them. And I think the foundation that we've got with international partners, Alaska partnership on the West Coast help us feed that too. We think there's great opportunity for us to expand in the Pacific over time.

Q - Jamie Baker {BIO 3406456 <GO>}

Okay. Makes sense. And then just thinking about the premium push and granted, we're in a high fuel environment at the moment, but I personally fly the United CRJ550 with some regularity and American is obviously long RJs. I know there are some scoping launches, but have you ruled out doing a lower density premium-centric E170 or something like that?

A - Devon May {BIO 17603829 <GO>}

Hey, Jamie. If you look at our regional fleet today, it's pretty high premium as it sits right now. The 175s have 12 premium seats. We have a whole lot of other dual-class regional jets between the CRJ700s, the CRJ900s and the E170s that have a really nice premium footprint. We have looked at a few different LOPAs that will allow us to add some more

premium seating there, but for the most part, the RJ fleet offers a lot of premium seating today and we like where we're at.

Operator

Thank you. Our next question comes from the line of Ravi Shanker of Morgan Stanley. Your line is open, Ravi.

Q - Ravi Shanker {BIO 16532114 <GO>}

Great. Thanks. Good morning, everyone. So not asking for 2027 guidance at all, but if you -- but you already spoke of the CASM ex algo in the new low-growth environment. How do you think about RASM versus load factor in 2027? And can you remind us again if there are any specific drivers of idiosyncratic RASM for you guys next year in addition to industry-wide jet fuel pass-through?

A - Robert Isom {BIO 6783069 <GO>}

Thanks, Ravi. Look, we are sitting down and taking a look at what we're going to do for 2027 right now. You'll have more about that as we get to the first quarter. As I've said, our bias in terms of capacity is to the downside. In regard to what we're doing, it's all about improving revenue performance, specifically unit revenue performance. And as Nat said in his comments, it's directed around our four pillars and we believe that there's significant upside there.

We're going to be the best in the business at efficient capacity production and the investments that we're making, whether it's elevation of our customer experience, the network that is now fully fleshed out, and especially our drive to premium revenue and finding ways for customers to find value and to pay more and leading loyalty, that's what is going to be the driver for American. And we think that right now, there's more upside in American given where we stand in terms of those investments.

Q - Ravi Shanker {BIO 16532114 <GO>}

Great. That's really helpful. And maybe a quick follow up. Is this new lower-growth algorithm only as long as we have a high-fuel environment or is that the new normal for you guys?

A - Robert Isom {BIO 6783069 <GO>}

No, we're always going to be at making sure that we are matching our capacity to demand and doing that in a profitable way. There's obviously some things that we had to do that are going to be beneficial long-term with our network this past year. That's the reason that we have the growth and we're going to be lapping some of that growth as we get into next year. But at the end of the day, our interest is in -- is improving profitability, driving margins and ultimately, the capacity that we do deploy, it's going to be focused on our assets and where we can generate the best margins. Thanks.

Operator

Thank you. Our next question comes from the line of Atul Maheswari of UBS. Your line is open, Atul.

Q - Atul Maheswari {BIO 20316449 <GO>}

Good morning. Thanks a lot for taking my question. One of your peers talked about the ability to get to 100% fuel recapture next year. Assuming you have a similar objective, the question is, what would you need to do from where you are today to get there? Is there room for industry pricing to go up further should fuel remain at these levels, or realistically at this point, capacity management is the major lever, given all the price increases that have already been passed through by the industry?

A - Robert Isom {BIO 6783069 <GO>}

So, Atul, thanks for the question. Look, in this environment, profitability for all carriers is under pressure, and we're going to make sure that we react to the marketplace. And in terms of the value that's out there, we're just now getting back to airfares that on an inflation-adjusted basis to where they were in 2019 and 2014. So we know that there's value in the product today. And in terms of the ability to hold on to that and push it further, I think the fuel price increase that we've experienced has just been a catalyst to allow us to realize that there is value.

Now where we go from here, it's going to be all about how we monetize the investments that we're making in our product. And from a premium perspective, I see great things in terms of dynamics. In the past, that would have all been like a corporate related trend. But now there's so much leisure premium that's driving that. I think it's almost 65% of our premium business now. It's really a sign that people want to take care of themselves. And we're going to make sure that we have a product that meets them where they want to fly.

Q - Atul Maheswari {BIO 20316449 <GO>}

Got it. And then just a quick follow up on the fourth quarter revenue performance. Could you provide some color on expectations by various regions? And is there any expectation for trend change for any region relative to what you saw in the third quarter?

A - Nat Pieper {BIO 17122440 <GO>}

Yeah. Q4 revenue, obviously, pleased with our third quarter performance and we see a sequential increase going forward into the fourth quarter. From an entity perspective, we see international performance continuing to be terrific and we see international unit revenue to exceed domestic again in Q4 as it did in Q3.

Operator

Thank you. Our next question comes from the line of Tom Fitzgerald of TD Cowen. Please go ahead, Tom.

Q - Tom Fitzgerald {BIO 16176471 <GO>}

Hi, everyone. Thanks very much for the time. Curious where things stand with corporate demand and your share of corporate traffic within the indirect channels, and how some of your conversations are going with accounts across your network and what we should be thinking about for maybe upside in that area in 2027?

A - Nat Pieper {BIO 17122440 <GO>}

Tom, thanks for the question. Corporate sales performance really strong in third quarter. Managed corporate is up 28%, success in the TMC channel is up 27% and maybe most exciting, our small and medium business performance, what we call AAdvantage

business, was up 46%. You guys know this, but yields on all of those three channels are really attractive, and we're pleased with our performance there.

And as we look forward into '27, we just see continued goodness coming Americans' way and it's all related to the products that we're putting on the shelf. They're attractive to folks just through all of our priorities, whether it's network, all the customer experience announcements we've made, driving premium revenue in our sales team and then lastly, our loyalty program. So all working together and this is great feedback from extremely discerning customers that what we're putting out there is attractive.

Q - Tom Fitzgerald {[BIO 16176471 <GO>](#)}

Thanks so much. That's really great color. And then I guess just as a follow up on the fleet. You guys have been evaluating a wide-body order. I'm just curious, holistically, especially as you go into the next round of labor CBAs, just kind of how are you thinking about the right mix of mainline and regional? I know looking backwards, your regional -- your scope advantages have been a major lever for you guys. But I'm just wondering, just given a lot of the changes in regional economics over the last five years, if the current mix is optimal and maybe if there's any ways to kind of dial that around in the years ahead? Thanks again for the time.

A - Devon May {[BIO 17603829 <GO>](#)}

Sure. Yeah, on the widebody side, we've been working on a campaign there for the past six or seven months. I think we're getting close. And as you know, this allows us to replace the 777-200 fleet in the next decade and have some additional growth in addition to the 19 or so 787s we have coming on and the options there.

Mainline versus regional, the economics have changed a bit, but we still really like our regional performance. It just serves these small and medium-sized communities perfectly. What will change over time though are just the aircraft that we operate. Some of the smallest airplanes are out of production. Embraer continues to do a fantastic job for us, and that's the only manufacturer out there for that size of aircraft. So the mix of that fleet will change over time. I don't expect the overall size of that fleet to grow too much, although there may be some growth over the years on the large side. But right now, we're really pleased with the economics of the regional fleet, happy with where we're at, and the mix probably does change slightly going forward, but not a huge amount.

Operator

Thank you. Our next question comes from the line of Duane Pfennigwerth of Evercore ISI. Please go ahead, Duane.

Q - Duane Pfennigwerth {[BIO 7329167 <GO>](#)}

Hey, good morning. Excuse me. Thank you. Welcome the shift in body language on capacity. Just several follow-ups. Wonder if you can flesh that out a bit, how long we need to wait before we see it? And as we just look at maybe 3Q or the trends you're seeing into 4Q, what geographies do you think need that the most?

A - Robert Isom {[BIO 6783069 <GO>](#)}

Thanks, Duane. Look, as we go out into the fourth quarter, a lot of what you're seeing in terms of our growth is just annualization of where we've made investments so far. You'll see a little bit more of that as we move into the first quarter. But beyond that, we've more or less lapped the growth that we've focused on for competitive purposes. And so as you move out into 2027, that's where you're going to see the reductions.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Okay. And then maybe just a related follow-up. If you think about the opportunity for seasonally shaping your capacity, which should help margins, maybe you feel like you're doing this already, but is there anything structurally different about American versus your network peers that limits this and maybe where you would score yourselves on that journey? Thank you.

A - Robert Isom {BIO 6783069 <GO>}

Thanks, Duane. And on that, we're working on that as we speak. But one of the things we've seen is the fourth quarter has actually been with higher demand than we had in the past. October has been a really significant benefit to the network. We're going to continue to make adjustments. We're really conscious of making sure that we have a network that appeals to the highest yielding customers. And from that perspective, there's some things that we have to do on a really consistent basis. And so you'll probably see the schedule level out more throughout the time as opposed to a lot of the peakiness that maybe you'd seen in the past.

Operator

Thank you. Our next question comes from the line of Scott Group of Wolfe Research. Your line is open, Scott.

Q - Scott Group {BIO 15308951 <GO>}

Hey, thanks. Good morning. So if we look at Q3 relative to the other network airlines, best yield performance but biggest drop in load, I guess, why do you think we saw that outcome and how do we think about Q4? And then I guess I never thought I would be the one, like, questioning an airline lowering capacity, but Q4 you're going to have capacity up 6% and RASM up 14%. So, like, there's at least some degree of, like, decoupling of pricing and capacity. Like, what is 1% or 2% capacity instead of 3% or 4% next year? What does that actually unlock for you from a pricing standpoint?

A - Nat Pieper {BIO 17122440 <GO>}

Hey, Scott, it's Nat. There's like nine questions in there, so I'm going to start with the first two. Listen, we actively in the third quarter prioritized yield over load factor, and we're pleased with the way that that worked out with our 19.3% growth above the high end of our guide. American traditionally has been a leader in load factor, and as we looked at our performance relative to our peers, really identified yield improvement as a top priority, and that's partially what's driven and you've seen the way that we've scheduled the airline, focusing on rebuilding our hubs and chasing yield from that perspective and willing to accept marginal load factor minutiae [ph] from doing that. We obviously monitor that trade-off extremely closely and felt good about where that played out.

As we look forward to Q4, again good capacity growth lined up and we'll adjust that as it goes. But from a unit revenue perspective, we see that as being healthy as well. We'll continue to prioritize yield the way that the economy is playing out. As Robert mentioned in the script, I think I did too, our premium product and our premium performance continues to be really strong, which drives you to let's go secure yield. And that has been the right approach for us.

Q - Scott Group {BIO 15308951 <GO>}

I mean, I guess, like, the second part of the question was just, like, what is the -- is the relationship between capacity and RASM changing, or is this just a temporary thing and, like, there is no way to, like, actually decouple it? Or is this just about -- is less capacity, like, cutting some unprofitable routes? And if it is, I got to think that, like, there's a lot of them. Like, maybe -- like, is there a chance capacity could be down next year?

A - Robert Isom {BIO 6783069 <GO>}

Hey, Scott, thanks for that. Again, one of the reasons that we're seeing the revenue performance that we are is because we've actually built back our network in a way that is appealing to customers. So we're not going to decouple that from all the other work that we're doing. As we take a look into next year, as I said before, you're going to see our growth decelerate. And with that, we're going to be able to actually really fill in some of the capacity that we put out. And no doubt Nat and team are going to be able to make good use of that. The supply/demand dynamics of the business, there's absolutely that aspect that we have to manage as well as the drive to premium products. We're going to be really sensitive to making sure that our capacity doesn't get out in front of demand. Thanks.

Operator

Thank you. Our next question comes from the line of John Godyn of Citi. Your line is open, John.

Q - John Godyn {BIO 17516662 <GO>}

Hey, guys, thanks for taking my question. Robert, I just wanted to kind of plug into your kind of bigger picture thinking on the shape of the industry and American's role in it. We've had -- there may be a case that the industry is kind of one decent M&A deal away from an industry structure that really takes it to the next level. You have experience integrating large airlines successfully over many years. And I'm just curious if there's a state of the world where American takes a more proactive view on M&A? Maybe you could just kind of brainstorm on that a bit.

A - Robert Isom {BIO 6783069 <GO>}

John, thanks. Thanks for the question. I'll just start with this. American has always been a leader in the business in finding new and creative ways to make sure that our customers have the best network available to them. Nat talked a little bit earlier about our partnerships, the joint businesses. We pioneered those. We have more than anyone else. And I think that they are absolutely things that we're going to look to build on in the future. As we grow, it's going to be in conjunction with JAL and with Qantas and with IAG and with Qatar. So really pleased with that.

As well, you've known that we've been very creative in trying to find ways to partner. And so whether it's the West Coast International Alliance that we have with Alaska that I think that there's a lot more that we can do. You've seen that we're intent on bringing them into the Atlantic joint business as well as the Pacific joint business. I think that it will be very beneficial for their customers and ours. We're going to be opportunistic. We're going to be mindful and going to be active in ways that improve our network as we go forward.

Q - John Godyn {BIO 17516662 <GO>}

That makes a lot of sense. And we are in a domestic backdrop as well where some of the low-cost carriers are struggling in different ways, and that may create opportunities. We saw an example of that earlier this year, obviously, with Spirit. Does that create opportunities for you? And maybe we could discuss that a bit.

A - Robert Isom {BIO 6783069 <GO>}

Yeah, we'll see. Spirit, their eventual bankruptcy filing and liquidation, we took a look at some of those assets, weren't successful in getting those, but we'll keep our eyes open on any others that may have issues. Look, we've been a great -- one of the things I pride myself in and I know the airline has been just great at it. We're fantastic partners. There's no doubt that American has the best network from a North American perspective, and that has enabled us to partner in ways that continue to drive our reach across the globe. So you're going to continue to see us make sure that we have just incredible strength within the US and North America. And that's going to be something that's just very appealing and I think going to be a driver of our growth and profitability long into the future.

Operator

Thank you. Our next question comes from the line of Andrew Didora of Bank of America. Your line is open, Andrew.

Q - Andrew Didora {BIO 4404303 <GO>}

Hi, good morning, everyone. Thanks for taking the questions. Maybe first one for Devon or if Robert wants to chime in just on kind of capital spend, capital allocation in this environment. Are we at the point just given where fuel prices are where you maybe begin to think about CapEx differently? Are there areas to cut or kind of reduce spend in order to preserve some -- to drive some free cash flow? Or is that really not part of the thought process yet?

A - Devon May {BIO 17603829 <GO>}

Well, as we slow capacity, it's something we can look at. But right now, we really like the economics of the aircraft that are coming our way. We don't have massive CapEx requirements right now. So we don't have any fleet retirements. So there's no CapEx replacement needs. We have a guide out there for this year with \$4 billion to \$4.5 billion of total capital expenditures. It might step up slightly next year, but it's still well below our run rate needs, well below our peer set. So we feel really good about the investments we're making. There may be some trimming around the edges, but for the most part, the investments we're making support our revenue initiatives and we expect to drive margin.

Q - Andrew Didora {BIO 4404303 <GO>}

Got it. Understood. And maybe a follow up for Nat. Just thinking about, you've been in the seat for a little bit now. Just bigger picture, you're investing in LAX, growing your Pacific Gateway. This has historically been a smaller part of your network. When you think out over the next couple of years, what are the areas of strength that you want to continue to lean on? And then maybe some areas of weakness or geographies that you're -- that are smaller today that you would really like to improve? Thanks for taking the questions.

A - Nat Pieper {BIO 17122440 <GO>}

Thanks, Andrew. Yeah, it's been 11 months, and it's hard to believe that it's only been that. I actually feel really good about the commercial strategy that we have and really building on what was in place when I came and took the job. I think American has been really clear in articulating our four priorities. Its network, its customer experience, its premium revenue and its loyalty. And I think not only have we made considerable strides on each of those, we've got initiatives in the pipeline that are going to continue to deliver revenue performance, continue to help us close the gap versus our peers, and drive margin expansion. So excited about it. I'm excited about the next few years and really continue to push American forward together.

Operator

Thank you. Our next question comes from the line of David Vernon of Bernstein. Your line is open, David.

Q - David Vernon {BIO 16688886 <GO>}

Hey, good morning, everybody. So Devon, I'm just wondering if you and the Board are talking more about sort of the balance sheet. I think the promise has been we can close the margin gap, pay down our debt, and kind of get to a little bit more of an equal footing from a credit perspective, but obviously, the fuel crisis that we're going through right now is postponing that. Are you kind of having more conversations about different ways to maybe recapitalize the company, whether it's a transaction with the credit card program or other efforts to try to kind of alternatively repair the balance sheet just given the impact of fuel? Thanks.

A - Devon May {BIO 17603829 <GO>}

Yeah. We've made a ton of progress on the balance sheet. Like, you look where we were three to four years ago, midst of the pandemic, we had \$54 billion of total debt. We've reduced that to around \$36 billion today. We have less total debt today than we did 10 years ago. We have less net debt today than we did 10 years ago. So the balance sheet, we're going to continue to make progress on, but the key to us driving improved credit ratings is earnings.

And so while you can try to do some different transactions to improve our debt levels, the real key unlock for leverage improvement is on the earnings side. And that's where we're focused. We're focused on driving margin improvement. We know it's going to come from the revenue side of the business. When we do that, our limited CapEx requirements are going to allow us to produce meaningful free cash, and then we'll use that to continue to improve the balance sheet, but our focus right now is on margins.

Q - David Vernon {BIO 16688886 <GO>}

All right. Thanks for that. And then the decision to get a little closer to American on the joint venture side, could you talk a little bit, Robert, maybe about the strategic rationale for that and other things you can do to kind of strengthen that relationship. It seems like you guys are drifting a little bit closer together. And I don't want to turn this into a consolidation question because I know that's not something that you're going to address. But when you think about the motivation, the intention, the benefits that Alaska maybe brings to the JV, if you could kind of give your perspective on that, that would be helpful. Thank you.

A - Robert Isom {BIO 6783069 <GO>}

Perspective on this is just Alaska has been a great partner and they complement a lot of what we do in a very great way. They've been part of oneworld now for a few years, super happy about that. And my relationship with Alaska dates back well prior to the pandemic and it's always been about trying to find ways that we can serve our customers in a better way. And to that end, I think we've really been able to develop a great partnership. West Coast International Alliance is doing what we had hoped and really looking forward to bring Alaska into the joint businesses as time goes by here in the next year.

Operator

Thank you. Our next question comes from the line of Sheila Kahyaoglu of Jefferies. Your line is open, Sheila.

Q - Jack Yule {BIO 4873040 <GO>}

This is Jack Yule on for Sheila. I just wanted to talk -- you've announced a flurry of customer experience investments this year across Wi-Fi, the return of seatback and continued fleet upgrades among others. When you contemplate these investments, can you just talk about the return threshold you look at once reaching maturity, whether it's an ROIC target or maybe an expected RASM/yield uplift?

A - Devon May {BIO 17603829 <GO>}

Yeah. Obviously, these types of investments don't have a direct return. What they do is they support all of our commercial initiatives. And so in some cases, there are like obviously indirect returns, but it doesn't cover all of the capital or all of the operating expense that goes with it. And so for the most part, you're expecting a uplift on yields or an improvement in market share. And that's how we view it. We view it from a broader lens than just kind of one investment or one initiative at a time. But we think we're taking the right steps and making the right investments to drive closure in this revenue gap that we have today.

Q - Jack Yule {BIO 4873040 <GO>}

Absolutely. That's really helpful. And so I don't -- just kind of a follow up there. In May, you announced Starlink would be added to 500 narrowbodies and then quickly you rolled it out that. You're going to go across the entire fleet. I'm just wondering what informed that decision to go across the whole fleet. And do you generally view Wi-Fi installations as a race to the finish in order to maintain and attract the higher-yielding loyalty members across the major brand loyal airlines in the US.

A - Robert Isom {BIO 6783069 <GO>}

I'll just take a step back. We laid out our pillar to elevate our customer experience and whether it's what we're doing on the ground with lounges, some of the new concourses and terminal developments that are going on throughout our system. The drive to put premium seats, the flagship suites on our aircraft, the aircraft that we're bringing in, all of that is designed to make sure that we have a hard product and also the amenities that customers really want.

One of the things we know, we've been the leader in satellite-based Wi-Fi having it on more of our aircraft than any other airline for some time now. We know that our customers value connectivity, and that is something that we are confident is going to be table stakes. And right now, I think it can be a differentiator for American. We're going to move as fast as we can to get Starlink installed on our entire fleet of narrow-bodies and wide-body aircraft over the next year or so. And super-excited about that. And I know that our customers will value that greatly.

Operator

At this time, we will be taking media questions. (Operator Instructions) Again, at this time, we will be taking media questions. Thank you. Our first question comes from the line of Alison Sider of Wall Street Journal. Your line is open, Alison. Alison, please make sure your line isn't muted, and if you're on speakerphone, look at your (Multiple Speakers)

Q - Alison Sider

Oh, sorry about that. Sorry. Hi. I was curious about fees. If there's -- given sort of the trade-offs you're thinking about between pricing and filling seats, if there's any further thought or opportunity you're seeing to increase things like bag fees or other fees, or if you expect more increases there across the industry?

A - Robert Isom {BIO 6783069 <GO>}

Hey, Ali. Nat can chime in here. Look, we don't talk about pricing or fees specifically. Look, we -- we are all about making sure our customers get great value for the products that we offer. And I tell you, it's at every end of the spectrum. So we want to make sure that our customers in business class have that lie-flat flagship suite. We want to make sure that we have the best lounges. And it goes down even to those that are the most price-conscious, budget-minded. And so for our basic economy fares, we're really intent on making sure that our customers have just a great product. And you know what? We offer incredible value. We don't charge \$75 for a carry-on bag for that product like some of our competitors do. We want to make sure that our customers are finding real value throughout the spectrum of products that we offer. And we're really pleased with the investments we're making and what it will do ultimately for our customers and the loyalty that we'll get for that too.

Q - Alison Sider

And then I guess on the changes that you've made in the approach to involuntary denied boardings, I mean, it seems like that's really been paying off and been successful in getting those rates down. Like, why is that not something you chose to tackle earlier?

A - Nat Pieper {BIO 17122440 <GO>}

Ali, I guess the new guy gets to answer that question. That's fine. Listen, I think from a customer experience perspective and what we want to deliver in making American the airline of choice, it really is just something that's terrific to promote. And I know our teammates at the airport feel so much better about it and certainly the proposition that we're delivering to customers and having that. So choosing just to focus on the way forward, the technology that's in place for it we feel really good about how that rolls out and where it's leading American.

Operator

Thank you. Our next question comes from the line of Leslie Josephs of CNBC. Your line is open, Leslie.

Q - Leslie Josephs

Hi. Good morning, everyone. The passenger counts loads are down, not just for you but other airlines. At what point does that worry you or become an issue to your results? And then secondly, do you think you have a chance at these fuel prices or similar to be profitable in '27? Thanks.

A - Nat Pieper {BIO 17122440 <GO>}

Leslie, I'll take the -- it's Nat. I'll take the first one. Listen, as I said earlier, we're actively prioritizing yield versus load factor and really happy as we see it. It fits right in with the premium investments that we're making. It fits right in with a lot of the merchandising and the value that we're delivering to different customers at different price points. So we feel good about that and we're going to continue to prioritize that as we go into the fourth quarter. But obviously that's a relationship that you watch closely.

A - Robert Isom {BIO 6783069 <GO>}

And regarding profitability, of course we think we can be profitable next year. And that's driven by what we've seen this year. We've had fuel expense now grow \$7 billion over the course of the year. But for that, we'd be solidly profitable. We'd be certainly one of the companies that have had the greatest percentage growth in profitability year-over-year, but for the dramatic increase in fuel. Fuel prices, whether they stay higher, they move lower, it's really about the volatility that we've been dealing with. And as fuel prices stabilize, I'm confident we're going to be able to manage our supply and demand to make sure that we're in balance.

And then on top of that, all the investments that we're making in terms of driving revenue performance are going to show up. And on top of the industry-leading performance in terms of efficiency and cost management, that is going to lead to profitability. So I have great confidence in our ability to get back to profitability. Everything that we see in terms of how we're performing versus others and then also the revenue performance, which is the primary focus, leads us to believe that we have a great chance to get back to profitability and really be the airline with the most upside for our investors.

Q - Leslie Josephs

Thanks. And just one follow-up on the widebody order. You said you're really close. Are you looking at a split fleet or a split provider order or a single provider? And what's the pros and cons of each?

A - Devon May {BIO 17603829 <GO>}

No real comment on what we're thinking right now other than just say the campaign's going really well and we hope to wrap it up this year.

Operator

Thank you. I would now like to turn the conference back to Robert Isom for closing remarks. Sir?

A - Robert Isom {BIO 6783069 <GO>}

Thanks, Latif, and thanks everybody for listening in. We're going to get back to work. Thank you very much.

Operator

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

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