

American Airlines reports huge loss as shares swept into Reddit revolt

January 28 2021



American Airlines became the latest big carrier to report a huge loss for 2020, saying the final tally was \$8.9 billion in the red

American Airlines reported on Thursday a massive annual loss due to the continued drag from the coronavirus, but shares soared as the US carrier became the latest vehicle in a burgeoning Wall Street trading revolt by amateur investors.

American reported an annual loss of \$8.9 billion, compared with a profit of \$1.7 billion in 2019.

Shares surged after the report, soaring as much as 80 percent briefly in pre-market trading before pulling back significantly.

The carrier is the latest company to get swept up in the Reddit-driven "short squeeze" that has affected GameStop and a handful of other equities.

American Airlines Chief Executive Doug Parker declined to address the trading activity on an earnings conference call, instead focusing on the company's expectation for a pickup in travel demand later this year once coronavirus vaccines become widespread.

"The year ahead, 2021, will be a year of recovery," Parker said. "There's still a lot of unknowns, of course, when or how quickly demand will return."

Coronavirus vaccines offer promise, but "while it will take some time for them to be widely distributed, progress is being made," he said.

American reported a fourth-quarter loss of \$2.2 billion following a 64 percent drop in revenues to \$4.0 billion, after ticket sales fell significantly.

The company said market conditions in the first quarter of 2021 were similar to those at the end of 2020, but while the loss in the fourth

quarter was smaller than expected, market watchers viewed the stock's erratic movement as unrelated to those figures.

"We do not believe the move is fundamentally driven," said a note from Cowen equity research.

Instead, the 95-year-old airline appears to be the latest company swept up in a challenge by amateur investors to Wall Street honchos.

The group, organizing via the online platform Reddit, has targeted equities that have been in the crosshairs of short-sellers, investors who bet on a decline in price.

The amateur investors have bought shares of American and other equities that have been shorted, prompting a "short squeeze" that pushes up shares and puts pressure on short sellers to make purchases to "cover" their bets and avoid steeper losses.

The phenomenon has led to massive jumps in GameStop and AMC Entertainment and caught the attention of US securities regulators.

Shares of American were up 8.2 percent to \$17.91 in mid-morning trading.

© 2021 AFP

Citation: American Airlines reports huge loss as shares swept into Reddit revolt (2021, January 28) retrieved 28 April 2024 from <https://techxplore.com/news/2021-01-american-airlines-bn-loss-pandemic.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--