

American Airlines posts \$2.2 billion loss during pandemic

30 April 2020, by David Koenig



In this March 31, 2020 file photo, American Airlines planes stored at Pittsburgh International Airport sit idle on a closed taxiway in Imperial, Pa. American Airlines reported a staggering loss of \$2.24 billion for the first quarter, when the coronavirus pandemic triggered a sharp drop in air travel. The airline's revenue fell 19% while costs continued to rise even as the virus spread. (AP Photo/Gene J. Puskar, File)

American Airlines lost \$2.24 billion in the first quarter as the coronavirus pandemic triggered a sharp drop in air travel, and the airline is taking steps to survive but as a smaller carrier.

American disclosed Thursday that revenue fell 19% while costs continued to rise even as the virus spread.

The situation facing the airline industry has grown more dire since the first quarter ended, as air travel in the U.S. during April remained down 95% from a year ago, judging by the number of people screened at the nation's airports.

"Never before has our airline, or our industry, faced such a significant challenge," Chairman and CEO Doug Parker said.

The Fort Worth, Texas-based airline has cut its flying schedule by 80% in April and May and 70% in June. It has grounded hundreds of planes, retiring some of them permanently.

Fewer passengers will mean fewer employees.

"We're going to be somewhat smaller than we intended to be" a year from now, Parker said in an interview. "Because we're going to need to be smaller, we're going to need to do something with the number of employees we have."

American began the year with more than 133,000 employees. About 4,500 workers have taken early retirement, and about another 34,000 have accepted partially paid leave for three to 12 months, or fewer hours of work. Some of those taking leave couldn't find child care.

Under the terms of federal aid they accepted, American and other U.S. airlines can't lay off workers until October. Parker said he thinks he can avoid layoffs after that, but it depends on how quickly air travel recovers.

"If demand doesn't rebound at all, and we're in October, we're all going to need to be figuring out what to do," he said.

On a call with analysts, executives highlighted American's efforts to bolster its liquidity—building up enough cash, they hope, to ride out the pandemic—including getting \$5.8 billion in federal payroll help.

American estimated that it ended March with \$6.8 billion in cash and other liquidity and will have \$11 billion at the end of June.

The airline has applied for another \$4.75 billion in loans from the Treasury Department at around 4% interest. The loans must be secured, and airline executives did not rule out using American's

AAAdvantage loyalty program as collateral, although negotiations are continuing.

The borrowing produces cash but does nothing to sell seats on planes. Parker said the recovery for air travel will be slow, with lower demand "for quite some time."

Parker told AP there has been a recent uptick in bookings—mostly for trips at least three months away—but it has been modest.

Helene Becker, an airlines analyst for financial-services firm Cowen, said American's moves to cut capacity and retire planes are important, "but there needs to be an additional sense of urgency given the state of demand and the expected slow recovery."

American's massive loss compared with a profit of \$185 million in the same quarter last year. It was American's largest quarterly loss since it came out of bankruptcy and merged with US Airways in 2013.

American said that adjusted for non-recurring items, it lost \$2.65 per share. That was worse than the average forecast of a \$2.08 per share loss from 15 analysts surveyed by FactSet.

American's loss dwarfed the \$534 million loss reported last week by Delta Air Lines, which is slightly larger by revenue, and a \$94 million loss posted by Southwest Airlines.

United Airlines was scheduled to issue first-quarter figures later Thursday.

Shares of American Airlines Group Inc. were down more than 5% in afternoon trading. They began the day down 56% since the start of the year.

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