American Airlines (AAL)

$13.93 (Stock Price as of 11/26/2025)

Price Target (6-12 Months): **$14.00**

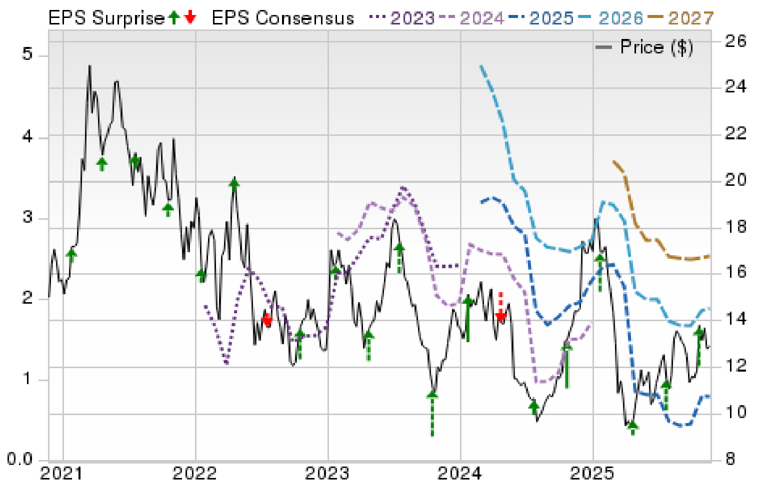
Long Term: 6-12 Months | **Zacks Recommendation:** **Neutral**
(Since: 06/24/25)
Prior Recommendation: Underperform

Short Term: 1-3 Months | **Zacks Rank:** (1-5) **3-Hold**
Zacks Style Scores: VGM: C
Value: A | Growth: F | Momentum: D

Summary

Shares of American Airlines have gained 28% over the past six months, underperforming its industry's 31.7% rise in the same timeframe. With air-travel demand improving, American Airlines provided an impressive earnings forecast for 2025 while releasing its third-quarter 2025 results. For full-year 2025, AAL now expects adjusted earnings per share to be in the 65-95 cents range (earlier outlook was for a loss of either 20 cents or earnings of up to 80 cents per share). The renegotiation of sales contracts is helping the company win back corporate clients. Low fuel costs represent a further positive for AAL. Escalating labor costs, high debt load, and volatility of share prices represent major concerns. Considering all these factors, we advise investors to wait for a better entry point and not buy AAL now.

Price, Consensus & Surprise[1]



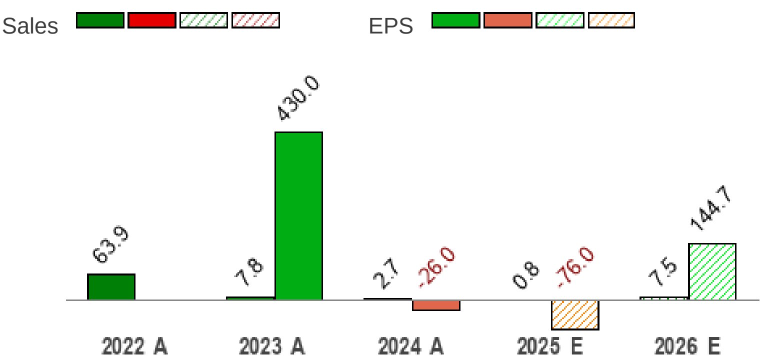
Data Overview

52 Week High-Low	**$19.10 - $8.50**
20 Day Average Volume (sh)	**53,559,636**
Market Cap	**$9.2 B**
YTD Price Change	**-20.1%**
Beta	**1.36**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Transportation - Airline**
Zacks Industry Rank	**Bottom 33% (163 out of 243)**

Last EPS Surprise	**37.0%**
Last Sales Surprise	**0.5%**
EPS F1 Est- 4 week change	**-0.3%**
Expected Report Date	**01/22/2026**
Earnings ESP	**-4.6%**

P/E TTM	**13.3**
P/E F1	**29.6**
PEG F1	**-1.3**
P/S TTM	**0.2**

Sales and EPS Growth Rates (Y/Y %)[2]



Sales Estimates (millions of $)[2]

	Q1	Q2	Q3	Q4	Annual*
2026	13,596 E	14,536 E	14,886 E	15,715 E	58,733 E
2025	12,551 A	14,392 A	13,691 A	13,987 E	54,621 E
2024	12,570 A	14,334 A	13,647 A	13,660 A	54,211 A

EPS Estimates[2]

	Q1	Q2	Q3	Q4	Annual*
2026	-0.28 E	0.57 E	0.56 E	0.30 E	1.15 E
2025	-0.59 A	0.95 A	-0.17 A	0.28 E	0.47 E
2024	-0.34 A	1.09 A	0.30 A	0.86 A	1.96 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, except the estimates, is as of 11/26/2025.
(2) The report's text, the analyst-provided estimates, and the price target are as of 10/29/2025.

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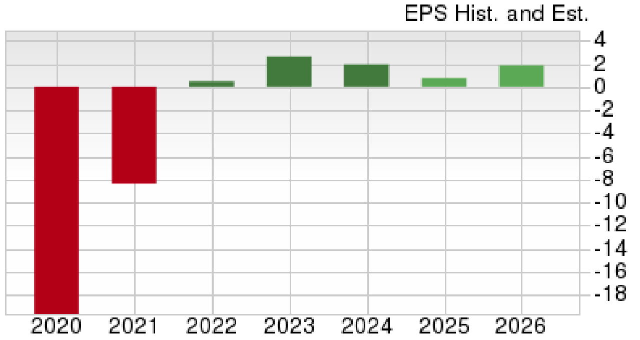
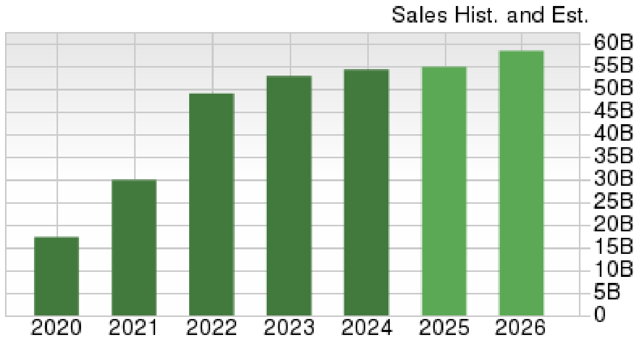
Overview

American Airlines Group Inc. was formed following the December 2013 merger between AMR (American Airlines' parent group, which was founded in 1934) and U.S. Airways. The merger, which occurred after a bankruptcy filing by American Airlines, resulted in the formation of the largest airline company in the world. American Airlines Group is headquartered in Fort Worth, TX. The company's primary business is providing passenger and cargo services. In 2023, the carrier operated 965 mainline aircraft. Its regional airline subsidiaries and third-party regional carriers operated an additional 536 regional jets. American Eagle is the brand name for the regional branch of American Airlines, under which six individual regional airlines operate short- and medium-haul feeder flights. Three of them, Envoy Air, Piedmont Airlines, and PSA Airlines, are wholly owned subsidiaries of the American Airlines Group. American Airlines hubs are at Charlotte, Chicago, Dallas/Fort Worth, London Heathrow, Los Angeles, Miami, New York, Philadelphia, Phoenix and Washington, D.C. On domestic routes, the company competes with the likes of Alaska Airlines, Allegiant Air, Delta Air Lines, Frontier Airlines, JetBlue, Southwest Airlines and United Airlines. Its international routes cover Canada, Mexico, the Caribbean, Central and South America, Asia, Europe, Australia and New Zealand.





As of 10/29/2025

The company primarily operates in two segments: Mainline and Regional affiliates. Furthermore, through its large cargo unit, the company offers a broad range of freight and mail services across the globe.

In 2023, AAL reported operating revenues of $52.78 billion, up 7.8% year over year. Passenger and cargo revenues accounted for 91.8% and 1.5% of the top line, respectively. The remainder came from other sources. Revenues from the carrier's loyalty program is the main component of other revenues. Passenger revenues were up 8.8% from 2022 levels. Almost 211 million passengers boarded American Airlines' flights in 2023, compared with 199 million in 2022. Cargo revenues were down 34.1% in 2023 from 2022 levels. Geographically, the Domestic, Latin American and Atlantic markets accounted for 71.3%,13.8% and 12.7%, respectively of 2023 passenger revenues. The Pacific market accounted for the balance.

AAL's fiscal year coincides with the calendar year.

As of 11/26/2025

Reasons To Buy:

- American Airlines is constantly looking to **add routes and broaden network**. As part of the expansion drive, the carrier connected Seattle, WA with Bengaluru in 2022. The agreement inked with Gol Linhas also in 2022 is another positive. Moreover, the agreement inked last year with Boom Supersonic to purchase up to 20 Overture planes from the latter is aimed at modernizing its fleet. The agreement also includes the option for AAL to buy 40 more such high-speed jets.

> Renegotiated contracts and improved air travel demand make us optimistic about AAL shares.

- The **renegotiation of sales contracts** is helping the company win back corporate clients. Earlier this year, the airline had cut perks and discounts related to its contracts with corporate travel agencies and clients in a bid to improve margins. But the strategy backfired, with an exodus of corporate clients, ultimately leading to Vasu Raja, who spearheaded the disastrous strategy, stepping down in June. In a bid to win back corporate clients, AAL renegotiated contracts with travel agencies last year. Renegotiated contracts and improved pricing power make us optimistic about AAL shares.

- The **southward movement of oil prices** bodes well for the bottom-line growth of airlines, including American Airlines. This is because fuel expenses are a significant input cost for airlines. Per IATA, the average jet fuel cost is expected to be $86 per barrel in 2025, down from $99 per barrel in 2024. The total fuel bill in 2025 is expected to be $236 billion, down from the $261 billion recorded in 2024.

- With **air-travel demand improving**, American Airlines raised its earnings forecast for 2025 while releasing its third-quarter 2025 results. For full-year 2025, AAL now expects adjusted earnings per share to be in the 65-95 cents range (earlier outlook was for a loss of either 20 cents or earnings of up to 80 cents per share).

Reasons To Sell:

High debt and labor costs represent major headwinds at AAL.

- **Increased labor costs**, a result of the deal inked with pilots last year, are hurting American Airlines' bottom line. Moreover, since trade unionism is quite robust in this industry, it is hard to keep a check on wage increases. Salaries, wages, and benefits have increased 9.9% in 2024, and as a result, AAL expects fourth-quarter 2025 cost per available seat miles (adjusted) to increase in the 2.5-4.5% range from fourth-quarter 2024 actuals.
- Stock prices of companies like AAL are **notoriously volatile**. This is mainly because the health of the company is tied to the economy, which is undergoing a turbulent phase. We note that AAL was removed from the S&P 500 index last year due to the drastic erosion in its market cap. Shares of AAL may not be suitable for investors who are not comfortable with often substantial day-to-day volatility.
- AAL's financial metrics indicate that its **leverage is elevated** and is a massive negative for its shareholders. The long-term debt burden of the company stood at $25.2 billion at the end of 2024, which translates into a debt-to-capitalization of 94.9% which is above the sub-industry's 54.2%.

Last Earnings Report

American Airlines incurs a Loss in Q3

FY Quarter Ending	12/31/2024
Earnings Reporting Date	Oct 23, 2025
Sales Surprise	0.45%
EPS Surprise	37.04%
Quarterly EPS	-0.17
Annual EPS (TTM)	1.05

American Airlines' third-quarter 2025 loss of 17 cents per share was narrower than the Zacks Consensus Estimate of a loss of 27 cents. In the year-ago quarter, AAL reported earnings per share of 30 cents. Operating revenues of $13.69 billion beat the Zacks Consensus Estimate of $13.63 billion and edged past the year-ago number of $13.65 billion. The top line was aided by the strength of high-margin premium services. Passenger revenues, accounting for 91.1% of the top line, decreased 0.4% year over year to $12.5 billion. Cargo revenues increased 5% to $212 million. Other revenues increased 9.4% to $1 billion.

Total revenue per available seat miles (a key measure of unit revenues) decreased to 17.69 cents from 18.04 cents recorded a year ago. Passenger revenue per available seat miles decreased 2.7% to 16.1 cents. Consolidated yield decreased 2% to 18.73 cents.

Consolidated traffic (measured in revenue passenger miles) increased 1.6% year over year. Capacity (measured in average seat miles) expanded 2.3%. Consolidated load factor (percentage of seats filled by passengers) decreased 0.6 points to 86%.

Total operating costs (on a reported basis) inched down 0.1% year over year to $13.54 billion, with expenses on salaries, wages and benefits growing 8.9% to $4.46 billion. The labor deal, inked with its pilots in 2023, contributed to this increase. Expenses on aircraft fuel and taxes decreased 3.7% to $2.77 billion. Average fuel price per gallon (including related taxes) decreased to $2.37 from $2.5 a year ago.

Consolidated operating costs per available seat mile (excluding fuel and special items) increased 3.9% to 13.91 cents. Fuel gallon consumption increased 1.9% to $1.17 billion in the third quarter of 2025. American Airlines exited the quarter with $10.3 billion of total available liquidity.

Impressive Outlook From AAL

Management expects capacity in the fourth quarter of 2025 to be 3-5% higher than fourth-quarter 2024 actuals. Total revenues are likely to increase in the 3-5% range from year-ago levels. Cost per available seat miles (adjusted) in the December quarter is expected to increase in the 2.5-4.5% range from fourth-quarter 2024 actuals. AAL expects its fourth-quarter adjusted operating margin to be in the range of 5-7%.

American Airlines expects adjusted earnings per share in the range of 45-75 cents in the fourth quarter, as capacity cuts are resulting in pricing gains. The effective tax rate for the fourth quarter of 2025 is expected to be 25%. The total adjusted non-operating expense is expected to be roughly $330 million in the December quarter.

For the full-year 2025, AAL expects adjusted earnings per share to be between 65 cents and 95 cents. The effective tax rate for the full-year 2025 is expected to be 27%. AAL expects free cash flow for 2025 to be in excess of $1 billion.

Recent News

Expansion Update — Aug 7, 2025

American Airlines intends to add six new routes to Europe and expand service to South America for summer 2026. AAL will be the only carrier offering nonstop service from the U.S. to Budapest, Hungary. Across other destinations in Europe, AAL will add new service to Prague, and offer new routes to Athens, Greece, Milan and Zurich.

Valuation

AAL's shares are down 27.1% year to date. Shares declined 8.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 13.7%, and the Zacks Transportation sector is down 5.7% year to date. Over the past year, the Zacks sub-industry has been up 13.7% and the Zacks Transportation sector is down 10.8%.

The S&P 500 index is up 18.2% year to date and up 20.6% in a year's time.

The stock is currently trading at 0.15X forward 12-month price to sales, which compares to 0.62X for the Zacks sub-industry, 1.5X for the Zacks sector, and 5.5X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 0.57X and as low as 0.10X, with a 5-year median of 0.18X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $14 price target reflects 0.16X forward 12-month sales.

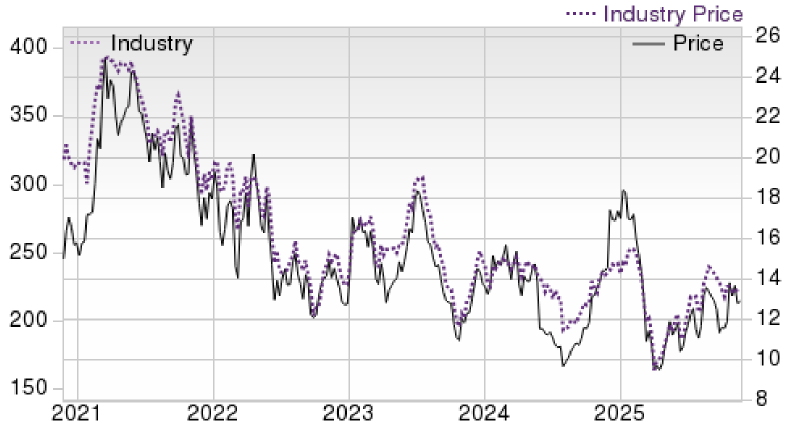
The table below shows summary valuation data for AAL

Valuation Multiples - AAL

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.15	0.62	1.5	5.5
	5-Year High	0.57	1.06	2.72	5.52
	5-Year Low	0.1	0.33	1.36	3.85
	5-Year Median	0.18	0.49	1.73	4.99
EV/S TTM	Current	0.48	0.74	2.04	5.19
	5-Year High	3.04	3.14	4.17	5.83
	5-Year Low	0.42	0.51	1.78	3.8
	5-Year Median	0.58	0.75	2.38	4.99

As of 10/28/2025 *Source: Zacks Investment Research*

Industry Analysis[1] **Zacks Industry Rank:** Bottom 33% (163 out of 243)



Top Peers [1]

Company (Ticker)	Rec	Rank
Air France-KLM SA **(AFLYY)**	Neutral	4
Allegiant Travel Com...**(ALGT)**	Neutral	3
Delta Air Lines, Inc...**(DAL)**	Neutral	3
Deutsche Lufthansa A...**(DLAKY)**	Neutral	3
International Consol...**(ICAGY)**	Neutral	3
JetBlue Airways Corp...**(JBLU)**	Neutral	3
Southwest Airlines C...**(LUV)**	Neutral	3
United Airlines Hold...**(UAL)**	Neutral	3

Industry Comparison[1] Industry: Transportation - Airline

	AAL	X Industry	S&P 500	DAL	LUV	UAL
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	B	B	A
Market Cap	9.20 B	4.04 B	37.79 B	41.97 B	18.13 B	32.89 B
# of Analysts	8	5	22	8	8	8
Dividend Yield	0.00%	0.00%	1.47%	1.17%	2.05%	0.00%
Value Score	A	-	-	A	A	A
Cash/Price	0.90	0.39	0.04	0.10	0.18	0.45
EV/EBITDA	5.00	4.97	14.43	6.43	7.77	4.75
PEG Ratio	-1.27	0.75	2.21	1.47	0.60	0.94
Price/Book (P/B)	NA	1.69	3.33	2.23	2.33	2.30
Price/Cash Flow (P/CF)	2.54	4.69	14.90	6.38	9.33	5.17
P/E (F1)	29.64	10.68	20.17	10.68	31.64	9.38
Price/Sales (P/S)	0.17	0.62	3.03	0.67	0.66	0.56
Earnings Yield	5.60%	7.02%	4.94%	9.37%	3.17%	10.66%
Debt/Equity	-6.34	0.70	0.57	0.68	0.52	1.45
Cash Flow ($/share)	5.49	2.39	8.99	10.08	3.76	19.65
Growth Score	F	-	-	C	D	D
Hist. EPS Growth (3-5 yrs)	-3.70%	32.57%	8.17%	51.59%	-5.00%	37.87%
Proj. EPS Growth (F1/F0)	-76.02%	15.87%	8.30%	-2.27%	15.63%	2.07%
Curr. Cash Flow Growth	-12.30%	-3.89%	7.09%	2.23%	-10.13%	7.56%
Hist. Cash Flow Growth (3-5 yrs)	-4.31%	0.51%	7.32%	-2.43%	-8.52%	3.58%
Current Ratio	0.54	0.68	1.18	0.40	0.49	0.67
Debt/Capital	NA%	44.00%	38.16%	40.43%	34.41%	59.25%
Net Margin	1.11%	5.25%	12.77%	7.36%	1.38%	5.64%
Return on Equity	-18.14%	12.88%	17.03%	23.83%	6.39%	26.94%
Sales/Assets	0.87	0.71	0.53	0.81	0.89	0.77
Proj. Sales Growth (F1/F0)	0.80%	1.22%	5.59%	2.30%	2.70%	3.80%
Momentum Score	D	-	-	D	D	B
Daily Price Chg	3.49%	1.70%	0.69%	3.41%	2.04%	2.71%
1 Week Price Chg	0.86%	-1.30%	2.57%	0.27%	-0.06%	-2.98%
4 Week Price Chg	7.40%	3.54%	-1.13%	9.38%	14.35%	5.90%
12 Week Price Chg	3.65%	-3.49%	5.65%	4.90%	8.44%	-4.30%
52 Week Price Chg	-4.85%	2.11%	13.57%	1.02%	8.34%	5.44%
20 Day Average Volume	53,559,636	296,079	3,023,376	7,855,067	7,684,694	6,109,880
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.32%	0.00%	0.23%	-0.07%	1.72%	1.03%
(F1) EPS Est 12 week change	85.57%	2.56%	0.60%	6.95%	11.85%	5.46%
(Q1) EPS Est Mthly Chg	-1.36%	-0.23%	-0.09%	-0.23%	0.94%	-0.73%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Value Score	A
Growth Score	F
Momentum Score	D
VGM Score	C

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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