



AMERICAN AIRLINES CLAIMS IT EARNED MORE IN 2015 THAN ANY CARRIER IN HISTORY

News / Airlines, Finance



American Airlines reported a record profit for the fourth quarter and all of 2015 as a sharp drop in fuel prices more than offset lower revenue.

The world's biggest airline said Friday that its earnings were the highest ever for any carrier.

American Airlines Group Inc. posted net income of \$3.28 billion in the fourth quarter, but the results were inflated by a huge accounting gain from a tax item.

Without that and other one-time gains and losses, American said it earned \$1.3 billion or \$2 per share, compared with \$1.1 billion, or \$1.52 per share, a year earlier.

That was still a record and beat Wall Street expectations. The average estimate of nine analysts surveyed by Zacks Investment Research was for earnings of \$1.96 per share, and 15 analysts surveyed by FactSet predicted \$1.97 per share.

Revenue fell 5.2 percent to \$9.63 billion, matching the FactSet forecast.

But American more than offset the \$530 million decline in revenue with savings of nearly \$1.1 billion — 41 percent — on jet fuel. The steep drop in oil prices since mid-2014 has been a boon to airlines. They have passed some of the savings on to consumers in lower fares but kept much of it.

For all of 2015, American earned a record \$7.6 billion. Even excluding the tax gain, adjusted profit was \$6.3 billion, also a record.

“That’s more than American has ever made in its history, and indeed represents the highest profits of any airline in our industry’s history,” CEO Doug Parker said in a note to employees.

If there was any worrisome note in the report for American’s employees and investors — but welcome news for passengers — it was further evidence that airfares are falling.

American did not disclose its average fare. However, in the fourth quarter, passengers flew 3.8 percent more miles than a year earlier but paid 8.9 percent less per mile, a sign of lower prices. Investors prefer to look at how much passengers pay for every seat flown one mile — that accounts for unsold seats — and that figure also fell by 6 percent.

The fourth-quarter and 2015 net income included a \$3 billion credit because American reversed a tax-valuation now that it is making money after huge losses in earlier years. Delta and United have made the same accounting change. With or without the tax credit, 2015 was a record year for American.

Shares of American rose 37 cents to \$38.51 in trading about an hour before Friday’s opening bell. The shares have dropped nearly 10 percent since the beginning of the year. The stock has decreased 25 percent in the last 12 months.

Elements of this story were generated by Automated Insights using data from Zacks Investment Research.

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