



AMR Corp. reports \$238 million loss in third quarter

BY D.R. STEWART World Staff Writer
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AMR Corp., the bankrupt parent of American Airlines, reported on Wednesday a \$238 million third-quarter loss, or 71 cents per share, compared with a \$162 million loss, or 48 cents per share, in last year's third quarter.

Revenue was \$6.43 billion, a 0.8 percent increase compared with 2011's third quarter, on 2.3 percent less capacity than in the same quarter a year ago.

AMR's third-quarter results included \$137 million in bankruptcy reorganization expenses, attorney and consultant fees, company executives said.

Tom Horton, AMR's chairman and CEO, noted that the company - excluding reorganization costs and special items - posted a third-quarter net profit of \$110 million.

"These results were driven by the best unit revenue growth in the industry in each month of the quarter, and by a record load factor, as we continue to make progress in our restructuring for a successful future," he said.

AMR's revenue performance was driven by year-over-year yield improvement and a record-high load factor - or the percentage of seats filled - of 84.7 percent at American Airlines and American Eagle Airlines, its regional airline affiliate.

Domestic unit revenue increased 3.8 percent in the third quarter compared with the same quarter last year. For the third consecutive quarter, unit revenue rose across all five of the company's hubs at Dallas-Fort Worth, Chicago, New York, Miami and Los Angeles, company executives said.

International unit revenue increased 5.3 percent in the third quarter, driven by increased load factors and improved yield performance. Unit revenue performance in the Pacific set the pace, up 15.9 percent, driven by increased demand for premium class seats and greater revenue from Asia point-of-sale, company officials said.

"Strong yield and record load factors generated unit revenue growth that topped the industry in each of the three months, continuing a trend of outperforming the industry that we've seen throughout the year," said Virasb Vahidi, AMR's chief commercial officer. "We saw unit revenue increases across all five of our hubs and across all international entities."

Third-quarter expenses were \$6.38 billion, an increase of 0.6 percent compared with last year's third quarter.

Third-quarter fuel expenses totaled \$2.18 billion, down 3.3 percent versus a year ago, while wages, salaries and benefits were \$1.78 billion, up 0.4 percent from 2011's third quarter.

Fuel consumption in the third quarter was 618 million gallons, a decrease of 2.5 percent from last year's third

quarter, while fuel prices averaged \$3.11 per gallon, down 1.4 percent from a year ago.

Fred Russell, CEO of Fredric E. Russell Investment Management Co. in Tulsa, said restructuring charges are adding to the cash flow problem at AMR.

"With an outflow of \$130 million a quarter (in bankruptcy restructuring and consultants' fees), it makes it imperative that the airline finds a (merger) partner," Russell said. "It's not an enviable solution."

Jake Dollarhide, CEO of Longbow Asset Management Co. in Tulsa, said bankruptcy has tarnished American Airlines' brand, which once was the greatest among U.S. carriers.

"The negativity with the unions, the loose seats - it throws doubt into the minds of leisure and business travelers," Dollarhide said. "They're just not operating (well) right now. These numbers, as atrocious as they are, aren't shocking."

AMR ended the quarter with about \$5.1 billion in cash and short-term investments, compared with \$4.8 billion in cash and short-term investments at the end of the third quarter of 2011.

AMR had 77,900 employees on Sept. 30, down from 80,800 employees at the close of 2011's third quarter.

AMR's employee count includes 64,900 employees at American Airlines, down from 67,100 employees at the close of last year's third quarter.

AMR Corp.'s third quarter (compared with 2011's third quarter)

Net loss: \$238 million (\$162 million)

Loss per share: 71 cents (48 cents)

Revenue: \$6.43 billion (\$6.38 billion)

Source: AMR Corp.

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