

American Airlines cuts profit forecast as 737 MAX woes bite

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American Airlines cut its 2019 profit forecast, citing the Boeing 737 MAX grounding, along with higher oil prices

American Airlines slashed its profit forecast Friday largely due to the crisis around the Boeing 737 MAX, a somewhat more profound hit to

operations and customer bookings than at other carriers affected by the jet's grounding.

The US carrier estimated an overall hit of \$350 million to its 2019 earnings as a result of the grounding ordered by global regulators in mid-March following two deadly crashes. That has forced the cancellation of nearly 15,000 flights and the re-accommodation of almost 700,000 customers.

"That's not just our passengers," said American Airlines President Robert Isom.

"It's literally thousands of our [crew members](#) that have had their work schedule altered on very short notice and that means that our reservations, [customer](#) relations and crew resources have been working nonstop and overtime to take care of our customers and team."

American's hit from the MAX crisis came as the aviation industry watches for Boeing to clear several key hurdles with the US Federal Aviation Administration and other global regulators to allow the planes to resume service.

On Thursday, the FAA announced it was convening a meeting of global regulators on May 23 to describe its process for ensuring necessary safety fixes are made to get the 737 MAX back in the air.

That step, though keenly desired by carriers, will present its own series of challenges, including reassuring skittish consumers that the planes are safe.

Costly to rebook

But for now, US airlines are adapting to the absence of the popular

aircraft, as well as to the delays in the delivery of new jets they have ordered.

American Airlines, which has 24 of the MAX planes in its portfolio, said net income for the first quarter was \$185 million, up 16.4 percent from the same period of the prior year, while revenues rose 1.8 percent to \$10.6 billion.

The US carrier, which has canceled flights on the Boeing [plane](#) through August 19, said it now expects profits this year of \$4.00 to \$6.00 a share, down from the prior range of \$5.50 to \$7.50.

Executives described myriad impacts, such as rebooking customers at the last minute for flights originally booked long in advance at much lower fares.

American's outlook also took a hit from higher fuel costs.



Southwest Airlines fleet of Boeing 737 MAX aircraft have been off-line since mid-March as part of a global grounding of the planes

Chief Executive Doug Parker said the company pushed back its target for resuming 737 MAX flights so that it could more effectively plan for the peak summer holiday season and said there is "a lot of certainty" that the FAA will certify the plane for service "well before" August 19.

"Obviously, we're not happy about this issue, but no one is," said Parker, adding that the company, like peers, had not discussed any compensation from Boeing at this point.

"All of our efforts at this point are working to get the airplane recertified and flying again," he said. "Boeing is a good and long-time partner and

we'll work through that privately."

Most cancellations since 9/11

American Airlines earnings came a day after the predominantly-domestic Southwest Airlines also highlighted the impact of the MAX groundings, along with weather and labor-related disruptions as factors that led to its greatest number of flight cancellations since the third quarter of 2001 after the 9/11 terrorist attacks.

But 97.5 percent of customers in this case have arrived at destinations on the scheduled day, the result of "very solid" customer service, said Southwest Chief Operating Officer Michael Van de Ven.

Southwest has 34 MAX planes in its current fleet and is targeting August 5 as a resumption date. The company also plans another 41 MAX deliveries this year, although executives indicated some of the deliveries could be pushed into 2020.

Chief Executive Gary Kelly said the company will stick with a plans to add some 250 of the MAX planes to its fleet through 2026, dismissing questions about whether it would shift to Boeing rival Airbus.

"We have no intention of doing anything different in the near-term whatsoever," he said. "We have no plan to do anything other than grow our fleet with the MAX."

Southwest is beginning to focus on its messaging to the public as it looks ahead to resuming flights with the MAX. Surveys suggest some customers are not willing to fly on the planes, at least in the near-term.

"We're doing a lot of work understanding what our customers perceptions are," said the airline's President Thomas Nealon. "But there's

more work to be done."

Airlines are working closely with their pilots as they look ahead to resuming flights and expect to enlist pilots in testifying to plane safety when the time comes.

Shares in American closed down one percent on Friday while Southwest lost 0.7 percent.

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