American Airlines Inc.: A Financial Overview

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Abstract:
The goal of my research is to provide detailed financial information on how American Airlines has been performing over the past five years. This includes a detailed analysis of the company’s financial, stock, and operational performance. This has been achieved through statistical methods, interpretation of the financial statements, and calculation of the financial ratios. Based on these methods we can observe that even as the company is growing its sales, its operational margin has been decreasing since 2015.

Introduction:
The purpose of this research is to identify factors that effect the financial status of American Airlines (AAL).
- I used stock data from the period 2013-2017 for AAL, SPY (S&P 500), and WTI (West Texas Intermediate) crude oil price.
- I conducted a correlation and multiple linear regression analysis over the aforementioned period.
- I calculated the betas.
- Correlation is the statistical strength between two or more variables to show how relatable they are.
- Multiple linear regression models/analyzes the relationship between two or more variables.
- Beta is the measure of market volatility.
- Lastly, I gathered the financial statements from AAL to look at key financial changes, i.e. balance sheet and income statement.

Method:
To complete my research, I performed the following:
- Gathered stock data from Yahoo finance.
- Worked with the closing prices of the three aforementioned stocks, and computed their returns to show dependence over time.
- Correlation and multiple linear regression analysis.
- Obtained the financial statements of AAL.
- Computed the financial ratios.

Results
From the information gathered for AAL, there are several trends worth noting.
- Beta: AAL returns are very volatile with respect to the market (SPY), the peak being 1.94 in 2017. The beta of WTI is negative.
- Financial Statements: Cash & cash equivalents, and total current assets are decreasing every year. Total assets, total current liabilities, and long term debt are increasing every year.
- Ratios: The current ratio shows AAL has sufficient liquidity to meet its short term debt. Profit margin has decreased, hinting that total costs are increasing faster than the revenues.

References:
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