To: Doug Parker, American Airlines Group Inc., CEO

From: Junior Analyst, Paige Schober

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Subject: Comparative Financial Analysis

In conducting a comparative financial analysis, United Airlines for the reason being that their company is one of American Airlines largest competitors. The following will be comparing the stock prices, revenue, price/earnings ratio, net income, and earnings per share between American Airlines and United Airlines. The data will show both companies financial performance and that American Airlines is currently in a weaker financial position than United Airlines.

## Stock Prices of American Airlines and United Airlines

The stock prices of both companies are shows in comparison to one another in the chart below (Figure 1). American Airlines stock prices have continued to grow and about six months ago, and surpassed United Airlines. However, currently United Airlines has a greater stock price. The revenues of each company should show about the same growth and rate as the below stock prices.

### Figure 1

("AAL Historical Prices | American Airlines Group, Inc. Stock - Yahoo! Finance," n.d.)

("UAL Historical Prices | United Continental Holdings Stock - Yahoo! Finance," n.d.)

## Revenue of American Airlines and United Airlines Over Last Three Years

The chart below (Figure 2) shows United Airlines revenue being much greater than American Airlines revenue. However, both companies seem to increase in numbers and fortunately for American Airlines their numbers are increasing at a faster rate. Next, the net income can be compared to see what company is actually retaining their earnings after all of the costs have been paid.

### Figure 2

("AAL Income Statement | American Airlines Group, Inc. Stock - Yahoo! Finance," n.d.)

("UAL Income Statement | United Continental Holdings Stock - Yahoo! Finance," n.d.)

## Net Income of American Airlines and United Airlines Over Last Three Years

In comparing the Income statements of American Airlines and United Airlines over the past three years, it is clear that American Airlines has a net income that is continually decreasing, as shown in Figure 3. Unfortunately, although United Airlines does not look well on paper, when compared to American Airlines they have much more promising numbers. In addition, United Airlines looks like they will continue to increase. By looking at the Price / Earnings ratio, we can calculate to see if American Airlines will see growth.

### Figure 3

("AAL Income Statement | American Airlines Group, Inc. Stock - Yahoo! Finance," n.d.)

("UAL Income Statement | United Continental Holdings Stock - Yahoo! Finance," n.d.)

## Price / Earning Ratio of American Airlines and United Airlines

American Airlines has a higher price earnings ratio. With a higher rate, American Airlines will most likely be able to expect a larger growth in the future. By looking next at the earnings per share, the numbers can help to explain the share price.

* American Airlines P/E: 96.99 ("AAL: Summary for American Airlines Group, Inc. Stock - Yahoo! Finance," n.d.)
* United Airlines P/E: 20.21 ("UAL: Summary for United Continental Holdings Stock - Yahoo! Finance," n.d.)

## Earnings Per Share of American Airlines and United Airlines

United Airlines earnings per share is respectively larger than American Airlines. This is not unexpected due to their share price being so much greater.

* American Airlines EPS: 0.51 ("AAL: Summary for American Airlines Group, Inc. Stock - Yahoo! Finance," n.d.)
* United Airlines EPS: 3.22 ("UAL: Summary for United Continental Holdings Stock - Yahoo! Finance," n.d.)

## Conclusion

In conclusion, after comparing the finances of both companies, American Airlines is in a financially weaker position than United Airlines. American Airlines biggest area of weakness is the net income. The revenues are steadily increasing where as the net income is increasing in the negative. Looking into the expenses will be the best place to start.

References

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