

June 10, 2026

Airlines Summit Takes: Allied Pilots Association – Focused on Safety & CBA

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We hosted Nick Silva, President, and Dennis Tajer, Investor Relations, from Allied Pilots Association (APA), at our Jefferies Airlines Summit. Key takes: 1) Near-term focus on safety and upcoming CBA negotiations w/ AAL; 2) Open to evaluating strategic alternatives, such as mergers; and 3) Opposes raising mandatory retirement age to 67 from 65.

APA Background. The Allied Pilots Association (APA) serves as the certified collective bargaining agent for the 16,000 pilots of American Airlines, providing a broad range of services for its members. Founded in 1963 by a group of American Airlines pilots who broke away from ALPA, APA is headquartered in Fort Worth, TX and is the largest independent pilot union in the world. The union devotes more than 20% of its dues income to aviation safety advocacy and is a member of the Washington, D.C.-based Coalition of Airline Pilots Associations (~28,000 pilots). APA absorbed the former US Airways pilot group (USAPA) in 2014 following the American-US Airways merger.

Second Half Priorities Include Safety and Collective Bargaining. APA's two primary priorities heading into 2H:26 are continuing to push aviation safety measures and preparing for the next round of collective bargaining. The current American pilot contract was signed nearly three years ago alongside Delta and United's contracts, and given the four-year term and early opener provision, negotiations are expected to begin later this summer or early fall. The focus will be finding solutions for pilots and the future of the airline.

APA Requested Meeting w/ AAL Board to Discuss Strategic Direction. APA sent a letter to AAL's Board in February requesting a meeting to discuss the airline's strategic direction following 2025 results that lagged legacy peers. The concern was not driven by a single issue, but rather a broader view that American has underperformed peers financially over the past several years. The gap matters to pilots because weaker financial performance can impact debt paydown, fleet investment, network growth, career opportunities and profit sharing. One area APA specifically called out was lagging revenue results vs. legacy peers. While American has made improvements in product, technology and irregular operations recovery, APA does not believe

management has clearly articulated a long-term strategic plan that can close the revenue/margin gap with peers. Mgmt commentary from APA characterized recent changes as more of a collection of short-term, repairative actions rather than a broader strategic reset.

APA Open to Strategic Alternatives. APA remains open to evaluating strategic alternatives, including the reported UAL/AAL merger approach. APA noted that AAL's quick dismissal of the United approach raised concerns on the due diligence process. From a pilot perspective, a larger combined network could create more hubs, more routes, more aircraft, more captain slots and greater career mobility, though any merger would carry meaningful uncertainty. ***We flag APA's openness to a potential mega-merger as a readthrough to where labor may stand on consolidation within the US airline industry.***

2023 Pilot Contract Delivered \$9.6B of Incremental Improvements. The current pilot contract included ~\$9.6B of incremental improvements over four years, including retroactive pay, sizable upfront wage increases and quality-of-life improvements. Initial pay increases were roughly 18-20%, followed by ~4% annual increases, with a final 3% raise due on January 1, 2027. The contract also included IT investments to improve how pilots interface with the company and operational provisions designed to improve reliability. The current pilot contract becomes amendable August 2027.