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Delta Air Lines, Inc. (DAL)

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MANAGEMENT DISCUSSION SECTION

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC

Good morning, everyone. Thanks so much for being here. I'm Ravi Shanker, Morgan Stanley's freight transportation and airlines analyst. And can't tell you how excited I am to welcome you all to the 10th Annual Laguna Conference in person – no more Zoom; we're never doing that again. We're never going back there and we'll never leave this place if I had half a chance.

Very, very excited to kick-off our track today with Delta Airlines and joining us from Delta is Glen Hauenstein, President; Dan Janki, EVP and CFO; Julie Stewart, Vice President of Investor Relations. Thanks team Delta for joining us.

Glen William Hauenstein
President, Delta Air Lines, Inc.

It's terrific to be here, thanks for having us. And it's great to be here in person.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC

Awesome. So before we kick-off I can get some of the legalities out of the way. So, for important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley representative. And also as a reminder, today's discussion will contain forward-looking statements that represent Delta's beliefs or expectations about future events, Delta's SEC Filings describe risks and uncertainties that could cause actual results to be materially different from forward-looking statements. I've always wanted to read that one, because I like that.

[audio gap] (00:01:20-00:01:25)

QUESTION AND ANSWER SECTION

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

...measurement, which is our corporate contracted sales, the largest companies in the country that we all have contracts with. And that travel had been about 65% restored during the summer months with revenues running about 10 points above that because yields of course are higher. And now as we're sitting here today, we've seen about a 10 to 12-point increase in that. So, going from the mid-70s up into the mid to high-80s in terms of total revenue recovery and on a great trajectory as we close September and head into the fourth quarter. We really have two things to think about as we finish out the year here; one is what's going on with business travel and the second is how do holidays look.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Yeah.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

And so, we're expecting a very, very robust demand for the holiday periods, both Thanksgiving and Christmas. And it looks to us now as though business is going to have a very strong fall which is always great for October.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. That's a great update. Just to unpack that a little bit. Is it safe to assume that that 10 to 12-point bump that you've seen was largely driven by volume and not [indiscernible] (00:03:18), so that the...?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

No, that was the volume numbers.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Volume number, [indiscernible] (00:03:20).

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Volume number with revenues tracking about 10 points ahead of that.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Ahead of that even. Okay, got it. And when you look at your – again, I love how you share your corporate travel surveys and kind of what they tell you in terms of the forward look. Kind of have you seen any movement there? Kind of any clear indication? Obviously, with what's going on with the macro, did that put some pressure on that as well?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Right. We haven't really seen that yet. I think everybody is looking for cracks. And what I say is we haven't seen any cracks in our demand set yet. A step up in business post-Labor Day, which we were hopeful for but didn't know if it would actually materialize and now we can see it actually has materialized. And we continue to see of course on the leisure side very, very strong demand through even what's traditionally more of an off-peak period in the fall and into the early winter.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Just last one on corporate, maybe taking a longer-term look. Maybe it feels like a long time ago, maybe it feels like yesterday that people were saying that corporate is never coming back, and if it ever does it's going to be like 50% shy of whatever it was, et cetera. How would you address that statement right now? I mean, do you feel like it's definitely going to cross 2019 or kind of what do you think the long-term future of global travel is?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

I think what we're seeing is a lot of different travel post-pandemic, and it may never go back to what it was in 2019 but it will be bigger in different ways. And business travel, we know that one of the things that – we always look at the negatives of conferencing, mobile conferencing. But the plus is your office is with you everywhere and you can be anywhere and participate in meetings, and so we have that. We have the migration of people out of some of the bigger cities in the US to more rural areas or lower tax areas that have to get back to the office many times a year. And those aren't in our more traditional corporate contracted categories, but I think you could clearly say where we're sitting here today and corporate revenue is restored to 85%, the 50% prediction was wrong; it was just wrong. And people need to connect; they want to connect. And the more people haven't connected, the more the desire is to connect again in the future. I think as you just mentioned today, you're never going back and it's great to be here. Thank you all for being with us today. We really appreciate it. Hopefully some of you flew here.

Julie Stewart

Vice President-Investor Relations, Delta Air Lines, Inc.

A

On Delta.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

On Delta.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

But it's a very different environment, but I think it's got a lot more potential than even the pre-pandemic in its totality. It's going to be differently fragmented but in its totality, it's going to be a great 2023, I think.

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

I mean, different that the underlying set of our corporations are actually bigger than they were in 2019.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Absolutely.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Has that largely contributed GDP as a function or...?

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

Economic growth.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

So, the other area of real strength that you saw during the pandemic was Premium Cabin, and I think it's been consistently running like 10 points ahead of Main Cabin. Yeah, as you've gone deeper into the recovery, kind of do you have more visibility, more certainty on the stickiness of that number or kind of how is that number trending as you've gone back to normalized levels?

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

It's doing nothing but accelerate. And despite the macro headlines, we know the consumer is still in a really good position and they're traveling and they want experiences and they're getting used to it. I think once you start flying in a different cabin or a different experience, it's hard to go back. I know that personally; I worked very hard at the airline so I don't have to sit in the back – I don't need to. And so, customers are getting very used to that and they're appreciating it. And we look at intent to repurchase; it's never been higher. We look at how it's coming to us and it's why the distribution system is widening. And I think one of the really underappreciated things about the transformation of the industry from a commoditized seat to a de-commoditized experience is that that was a journey. It didn't happen overnight; it happened over multiple years and it had multiple events that had to support it.

A

And transforming essentially the entire distribution network that was solely geared on price and seats to something that was geared on experiences and bringing all of your distributors along that journey with you, this has been a multi-year process. We're not at the end yet; we still have a few big dominoes that need to fall, but they're all in process. Whether or not it's the way Expedia looks at air flights, whether or not it's the way Concur works the way they fulfill corporate commitments, these are all long, long journeys and we're in a very, very strong position as corporate travel continues to return, I think.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. Just a few more questions on the demand side obviously because that's the most important thing here. Just kind of focusing or switching gears to domestic leisure. Obviously, it has been like carrying the recovery on its back for the last two years. We've had an incredibly strong summer. I don't think it would be a shocker to see kind of some of that given back with normal seasonality and just with some of the froth, like the revenge travel if you will kind of coming off of it. How closely are you tracking that? What's the booking curve telling you? Kind of when you see that normalization, is that normal seasonality, is it better, is it worse?

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

I think we're seeing some return to a more normal seasonality, and the consumer and leisure demand remains very, very strong though, as I mentioned, the off-season, the September-October which has not necessarily been that strong of a leisure market. And it's concentrated in those same places, the leisure destinations, the Floridas, the Phoenixes, the Denvers, places people want to go visit; outdoor space is Bozeman. And so, it's been a very interesting rebuild of the airline because it came back but it came back very, very strong but very differently. And our ability to adapt to that new normal is going to be I think our ability to generate acceleration in the margins into 2023.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. The last piece of the volume jigsaw obviously is international which has been the slowest to come back but probably has the most dry powder when it does, which was pretty short-term. Where do you think we are? I mean obviously, you and your peers have been fighting really hard to get governments to open up their borders and drop the travel restrictions, and you've seen a lot of those travel restrictions been dropped. I think Japan just came out a couple of days ago and said they're now going to drop all restrictions. So, do you see what you like? Do you have everything you need and now it's just a case of getting bodies onto planes? Or do you still think there's some room to or wood to chop there?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, where we sit in this leg of the recovery is that international now is surpassing domestic in terms of unit revenue strength, and so we see that continuing into the fall. And again, that extension of the leisure period, usually we pull our transatlantic schedules down starting in September, right after Labor Day. We run a more fulsome schedule into October and into November. And actually, I hate to use 2019 as a reference point because it's getting so old, but versus 2019 we will actually have a larger footprint in the Transatlantic in the month of October than we did in October of 2019, with unit revenues that are leading the entities in an upward momentum.

So, I think you've got a lot of things going on in the Transatlantic. First of all, you've got dollar strength, and that could be bad if you're European-based. But our revenues are generally about 80% US dollar-denominated, so that's been a very strong thing. And as most of you know, October is actually – and early November is actually a wonderful time to be in Europe and never a better time to travel than this year with the dollar trending right at parity. And so, we're seeing really strong strength into the shoulder season here for transatlantic travel. It's open; as a matter of fact, I just got back from Greece on Sunday and it's full, it's open and it's full. And so – then, you have to just get through the dead of the winter, the holidays, the dead of the winter, and then you're kind of back by March of next year into the US point of origin leisure travel segment. So, I think really good fall and winter for Transatlantic based on US consumer strength.

And then in Asia which is our least rebuilt of course, we still don't have really any resolution to China. We'll see what happens after October with the Congress over there and if they attempt to re-open after that event. Japan as you said is intending on re-opening. We don't have the exact specifics yet, but that looks like it will come back online. What I could say is if it's open, demand is really, really strong. So, places that are open like Korea, we will have our schedules fully rebuilt by October. Australia we're already rebuilt; will actually be larger this winter going into the peak holiday season. So, if it's open, the demand is quite strong.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. I loved how you slipped in that travel pitch there; very, very smooth. So, just kind of lastly to tie on the revenue line. Obviously, the other big focus area has been pricing running incredibly strong. You mentioned, Dan, in your remarks so far 2Q was running 20%, 25% above 2019 levels. I think that's probably not sustainable in the long-term, but what do you think is sustainable off that amount? I saw a survey that said I think 80% of respondents would pay 15% more than pre-prior levels to travel, which is a pretty strong number if you're going to institutionalize that and build that into the revenue base. So, how sticky do you think the current yield gains are?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

We don't comment on forward-pricing environment, so I'll just talk about what has already happened. And what you're seeing is really, and this is my own personal belief, is air travel is more inelastic than people give it credit for. And when you think about how much you're going to spend on a total trip, the airfare becomes – is really a very small percentage of the total spend. And so, to the extent that people are used to paying let's say \$100 to go from New York to Florida, if it's a \$115 or a \$120 is that enough to make a decision different that you're not going to go to Florida. And I think what our history would tell us is that there's very little demand destruction that occurs when yields are higher. So, just looking in the rearview mirror, I think there's always ability for us to continue to look for value. And I think what's different about us than past recessions or past events is we have a much more diversified revenue stream and it's much more based on the experience rather than just the seat. And so, I think that's what we're going to continue to work on; it's really the connection, the connection of the products, the connection of the services, the connection of the demand, and then what you're able to get out of your own ecosystem more and more.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Maybe switching gears and talking about kind of some of the challenges of the last six months, obviously not just for you but the entire industry around operations. Seems like the entire industry now has somewhat of a handle on that. Kind of in our most recent weekly, we pointed out that cancellations data for the last couple of weeks was kind of the lowest it's been in a while across the industry. Where does Delta stand from an operational standpoint? Like, do you have the resources you need? Do you have the line of sights to get the resources you need? How are we looking to the next six months?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

Yeah. Progress, we're really happy of the progress that the Delta team has been making. We talked about it back in July, that we took a number of proactive actions in June to reset our second half schedule to set how we do crew scheduling, the set of operational buffers, our airport procedures. And as we progressed here through the summer, July was better than June operationally, August was better than July, and September month-to-date is off to a really, really good start, to a point where we're running the mainline 99.96% completion factor; continue to lead the industry across those metrics year-to-date, month-to-date, quarter-to-date. So, we're really proud of the progress that the team's made on that front and that we're making. You're seeing it from our customers. Our NPS is very strong; it's above what we targeted. And even our operational metrics are actually better. We're tired of talking about 2019 in a lot of ways, but in September we're ahead of September of 2019 as it relates to operational performance, so we're happy and pleased with where we are.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Obviously, one of the big factors there has been labor, kind of the pilot pipeline. Kind of what is that situation like? Are you getting more people who want to work for an airline? Obviously, a very, very strong brand and franchise like yourselves. Is that pipeline easing? Is it – what does that cost inflation number look like and are you getting any relief there as well?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

We have had – you said it with the brand. We've had great application rates. We've been bringing on 200 a month. Our activities are really about training; we're training at an all-time high level. At any point in time, we have 1,700, 1,800 people in active training or training the new pilots or pilots that are moving up through the ranks of Delta, and that compares to 600 in a more traditional period so about 1,200 more consumed in that process. So, we're getting very close to the level of pilots that we had in 2019. We're in the high 90s, but we're consuming a lot of them through the training activity.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. So, just to maybe kind of wrap a bow on that and kind of looking at the CASM ex-fuel line. Understandably, kind of you said on the last call that it'll likely be a drag if you're operating a full airline, operating a full schedule for a certain period of time. What's the trajectory of that gap closing and kind of when do you think you can get that CASM ex number back to something more normalized?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

Well, we said that we were going to put operational reliability first. We're going to make sure that we have the resources in place to be able to scale the airline with the standards that our customers hold us to and we hold ourselves to, and you see that. We're the least restored at this point in time, but that pace of restoration will progress based on demand, and we'll continue to adjust that. You'll see it here as we progress through the fourth quarter. We won't be – we're running much more of a flat schedule coming out of the summer, so the relative restoration will take place in the fourth quarter and we're keeping an eye to we want to have the ability to be fully restored in the summer of 2023, and we're going to continue to watch that based on the demand and set that capacity appropriately.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. One of the kind of transitions or the change in the industry you've seen in the last couple years has been the dynamics between kind of the network airlines and the regionals, both in terms of scheduling and in terms of resources and capacity. So, I think Delta has had a little bit of a strategy transition over the last decade, and we've seen obviously competitors having to raise wages significantly on the regional side in the last couple of quarters. Can you give us an update on kind of the future of regional versus network and kind of how that's going to play out in the long-term?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Let me just give you a little bit about where Delta sits...

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Yeah.

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

...first, and I don't want to prognosticate about where the regional space is heading in the long run. But if you go back to 2009, I'm going to ask you what percentage of departures do you think were on planes 50 seats or less? Just guess.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

23%?

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

43%.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Oh wow.

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

43% of our departures. And when you think about what's different and what's transpired over the last decade, the transition away from being so dependent on regionals and really moving more to the mainline, so 43% of our capacity, by the end of 2023 that number will be zero.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Wow.

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

So, a huge transformation in the fleet that's biasing away. And we're sitting in a very unique position with being the launch customer of the A220 and having that coming into our fleet and really our ability to continue to upgauge over the medium and long-term. And does that mean we'll be out of the regional business? No. Does that mean we'll become less and less reliant on it over time? Yes. We already have become significantly less reliant on it than we were historically or than maybe our peers say today. But we're continuing on that march. We were on that march before the wage inflation that's occurring right now at the regionals and clearly that will, on the margin, accelerate.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Just kind of maybe on a related note, Dan, how are the conversations with Boeing and Airbus going? Kind of are you happy with their current fleet strategy? Kind of what's that posture looking like and the visibility on that for the next 12 months?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

We're very pleased with our fleet strategy. I think the team's been clear about that year-in and year-out and where we're going. And you saw that with the MAX order fitting right into all the elements that we talk about; we want to continue to upgauge, we want to make sure that we have size within the fleets that we're operating, we want to ensure that they're sustainable and that we're driving the efficiency. And the new aircraft that we're taking, there's certainly some delays. Things are moving around a month here, a month there but overall, the deliveries are coming in. We're very happy with the performance of the neo and we're looking forward to more deliveries on that front; same with the A220 and the performance of that. And we continue to induct those slightly used aircraft that we bought in the 737-900s and looking forward to the MAXs over time. So, very pleased with our strategy and how we're positioned with our order book.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. You said the S-word there, so that's a pretty nice lay-up into my next question which is ESG. I think it's obviously a topic that's very, very close to your heart. You guys are doing a lot with sourcing sustainable fuels and kind of for now being carbon-neutral but then kind of moving away from offsets over time. So again, can you just give us a little bit of a – and for those who are new to the story, kind of a wrap on where Delta stands, kind of what your SAF commitments are, and your path to getting to net zero?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

Yeah. No doubt about it, no doubt that fleet is a big part of that efficiency as we go to next-generation aircraft and the efficiency of that. Sustainable aviation fuel is part of that. We have a commitment to be 10% of our fuel consumption in 2030 to be sustainable. It's a big goal; we're making progress with that. We have about 50% of that defined in offtake agreements with a diverse set of providers. There's a lot of different feedstocks and technologies out there and we're on that path. But that is a – for the industry to be at, let's say, 10% in that time period, you're talking about 3 billion gallons today; you're under 10 million gallons a year. So, the industry has a lot of development that needs to happen, and it's just not a airline or an OEM or – it will take a village, a real broad ecosystem here and a set of partners and government incentives that enable it through this period of time. Not really different than you saw in the electrical vehicle market, solar market, the wind market over time, but all that will have to take place here over the next decade.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Any questions from the audience? Any questions for the management team?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

Maybe – go.

Q

Can you discuss on your various labor contracts over the next quarters likely coming up? And then secondly, do you measure competitive capacity by route and how you compare versus American and United? Are you a little bit more to east-bound/west competitive markets, shall we say?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Let me – first of all, we only have – well, we have a dispatchers' union. But really, we only have one major union group which is the pilots, and that's been open since 2019. And of course, during the pandemic, by mutual consent we decided to defer any negotiations. That picked up again earlier this year and we are currently in open negotiations with our pilots, as are United and American. So, all three of us are currently in negotiations. We've got – there are 27 sections in the contract. We've closed a significant number of those contracts. I think of those sections, I think 20 of the 27 are closed. The seven that are remaining are always the big ones, right [indiscernible] (00:24:30). So, we're working very hard on that and hopefully, we can get that done by the end of the year. But we'll see the pace of negotiation.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

And the American – the competitive...?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

And at a market level, do we track competitive capacity? I think yes, of course we do. But I think one of the things that we're really excited about with our brand and where it sits right now is that we actually have our highest returns in some of our most competitive markets, and that isn't where we sat when we had 43% of our departures with 50-seat regional jets, and so, that continued upgauge and continued movement away from the smaller cities and towards the more major metropolitan areas. If you look back at our history, we expect to be number one in Boston this year; we have been number one in New York for a long time; number one in Los Angeles as of this year. So, these are major – between New York and LA, that's 20% of the total revenue of the airline. And so, to not be big in big cities, you can't be a big airline. So, I think that's been really our journey, is to be a more preferred carrier in competitive markets and create the products and services that are resilient against your competitor set.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Glen, I wanted to kind of shift gears and kind of talk about the long-term. I think investors in this space tend to be very short-term focused for understandable reasons, and I think the gap between where the stock prices are right now and fundamentals probably has never been wider. So, two questions for you, and I know that you're not going to fix this problem or give us world peace on the stage in the next four minutes, but two things. One is what are some of the long-term enduring structural trends in the industry that excite you for the next 5, 10 years? And second, how do we make the space investable for investors in the long-term [indiscernible] (00:26:31)?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Right. I think there's a couple of things that you would think of. During the last recession, unfortunately, we posted a \$4 billion net loss or close to that. I don't know the exact number, but it was all on our fuel hedge so even in the worst recession on our lifetime, the airline actually created a profit over that period, and I think that was a missed opportunity because I think everybody looks in the headlines of what the losses were as to what the underlying transformation has been. And so, if you think about how we've transformed to be a much more resilient model, what I'm very excited about is the diversity of our revenue streams. It's no longer dependent on just a fare on a seat in a market. It's about an ecosystem, it's about owning your customer base and having your customers be loyal to you. And I don't know how many of you in this room are Delta loyalists, but I'm sure some of you are, and hopefully find that to be a great experience and you want to continue to give us your business. I think that's a seat change away from where we were as an industry 10 or 15 years ago. And it's been part of that loyalty ecosystem, it's been part of our products and services, it's been part of the array of trying to diversify our revenue portfolio. We laid out a goal to be 50% premium products and services, 50% of our revenue being from premium products and services in 2024. Correct?

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

A

Correct.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

And we will meet or exceed that goal, and I think that's underappreciated. And I think understanding your customers – I mean, airlines are good at fighting with each other. I think transforming that, not winning the airline game against United or American or Southwest but winning it in the hearts and minds of your customer is a really big seat change because getting your existing revenue base more and more excited and enfranchised in your brand and then offering them an array of products and services and continue to improve and get better is really the name of the game. And so, I feel like less and less am I worried about does United have 12 or 11 trips a day between LaGuardia and Chicago, but am I serving the needs of the people who are flying between LaGuardia and Chicago. And that's a great example because in LaGuardia, we've got that beautiful new terminal with the world's largest Sky Club. I don't know if any of you visited it; it's really, truly amazing...

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

It's incredible.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

...and transforms the LaGuardia experience. And in Chicago where we're now moving terminals and we're going to go to the international terminal and we're going to have a brand new 21,000-foot Sky Club where we can board the LaGuardia flights directly from the club itself and create a unique experience on what's otherwise a just commoditized marketplace that should bring more and more people to say hey, have you tried that Delta experience? And that's really what we're about now, is creating an experience of stickiness, and it bears out. We've had through the pandemic, even though we're not fully restored, we've had record acquisition in terms of our SkyMiles penetration on the airplanes. What percentage of the people are a part of our SkyMiles program has never been higher, although it's only in the low 50s so there's still a lot of opportunity there. And our co-brand card has had record acquisitions through the pandemic and we'll really be – we're well on track to achieve over \$7 billion of AMEX remuneration in 2024. So, really hitting on all cylinders in terms of the brand and really trying to move it more from just an airline seat to a brand experience.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. Dan, any comments?

Q

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

No. I agree with everything he said. It's interesting as we're sitting here and we talk about [indiscernible] (00:30:17) demand backdrop that Glen talked about is good. Operations really improving to the standards. We're pacing in line with our financial guidance, even being at the low end of capacity and with less fuel efficiency given how we've operated the airline and weathered about 1.5 points. We're headed where we wanted to be for our internal purposes for 2022, and we put out a plan to where we want to be in 2024. And we all sit here today with a lot that changed over the last nine months, being even more confident in that today. To be at that greater than \$7 of earnings per share, mid-teen margins, mid-teens return on capital, for me that's exciting but it's a backdrop into really how much the business model has changed over the last decade, the durability of it, the resiliency, the pieces that Glen spoke about. So, really powerful.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

A room with full of people, an airline management team with confidence in the outlook, it looks like this is 2019 all over again. I'd love to see it, I'd love to hear it. Glen, Dan, Julie, thanks so much for joining us, and this concludes the presentation.

Daniel C. Janki

Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

Thank you.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Thank you.

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