

12-Jan-2024

Delta Air Lines, Inc. (DAL)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Delta Air Lines December Quarter and Full-Year 2023 financial results conference call. My name is Matthew and I will be your coordinator. At this time, all participants are in a listen-only mode until we conduct a question-and-answer session following the presentation. As a reminder this call is being recorded. [Operator Instructions]

I would now like to turn the conference over to Julie Stewart, Vice President of Investor Relations. Please go ahead.

Julie Stewart

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

Thank you, Matthew, and good morning. Thanks for joining us for our December quarter and full-year 2023 earnings call. Joining us from Atlanta are our CEO, Ed Bastian; our President, Glen Hauenstein; and our CFO, Dan Janki. Ed will open the call with an overview of Delta's performance and strategy, Glen will provide an update on the revenue environment, and Dan will discuss costs and our balance sheet. After the prepared remarks, we'll take analysts questions. We ask that you please limit yourself to one question and a brief follow-up so that we can get to as many of you as possible. After the analysts Q&A, we'll move to our media questions.

As a reminder, today's discussion contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from the forward-looking statements. Some of the factors that may cause such differences are described in Delta's SEC filings. We'll also discuss non-GAAP financial measures, and all results exclude special items, unless otherwise noted. You can find a reconciliation of our non-GAAP measures on the Investor Relations page at ir.delta.com.

And with that, I'll turn the call over to Ed.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Well, thank you, Julie, and good morning, everyone. We appreciate you joining us this morning.

Earlier today, we reported our full-year and December quarter results posting fourth quarter earnings of \$1.1 billion, or \$1.28 per share, and record quarterly revenue that was 11% higher than 2022 and an operating margin of 10%.

I want to sincerely thank the 100,000 strong Delta team for their outstanding work in delivering these results and serving our customers. Delta carried more travelers this holiday season than any other time in our history and we delivered industry-leading operational performance with the number one System Completion Factor amongst our peer set throughout the December quarter.

To put that in context, we carried 9 million customers, a record 9 million customers, I'd add, on 60,000 mainline flights over the holiday period, with fewer than 40 cancellations in aggregate.

Our December quarter results marked a strong close to year two of our three-year plan. For the full-year, we reported earnings of \$6.25 per-share. The second-highest EPS result in our history on revenue that was 20% higher than the prior year. We delivered an 11.6% operating margin and pre-tax income of \$5.2 billion, a near-doubling over 2022. We generated free cash flow of \$2 billion while investing \$5.3 billion back into the business, and we improved our leverage by two full turns and reinstated our quarterly dividend. Return on invested capital was 13.4%, a 5-point improvement from 2022. A tremendous amount of progress, especially if you consider where we sat a short three-years ago, and I'm so proud of our team across the board.

Sharing our financial success is a long-standing pillar of Delta's culture, and I'm thrilled to announce that we'll be rewarding our employees with \$1.4 billion in well-earned profit-sharing on Valentine's Day. For our employees, the estimated payout will be approximately 10% of eligible 2023 compensation, about double of what last year's payment was. I expect our profit-sharing payments will be more than our three largest competitors combined.

Our people consistently deliver operational excellence with the relentless focus on raising the bar at every stage of the travel journey, to deliver safe, reliable and caring service for our customers. They are the reason our brand and our customer loyalty lead the industry, why Delta was recognized as the World's 12th Most Admired by Fortune, and why Glassdoor named us yesterday as the 13th Best Employer in the country.

In 2023, we made meaningful investment in our people, our operation, and our customers. We provided well-deserved pay increases for the Delta team, continuing our philosophy of industry-leading pay for industry-leading performance. In the operation, the investments that we made supported the best-in-class operational performance that Delta has long been known for. Our operational excellence was recognized by Cirium last week which named us, yet again, the most on-time airline in North America.

Our people and our operational reliability are the foundation of Delta's trusted consumer brand and we are building on that foundation as we elevate the premium flying experience and grow our SkyMiles members engagement with Delta.

Today, we also announced an order for 20 Airbus 350-1000 aircraft with options for 20 more, for delivery starting in 2026. These planes complement our fleet strategy and will offer a world-class customer experience for international travelers with more premium seats, higher gauge and great customer amenities. These aircraft are over 20% more fuel efficient than the 767s that they'll be replacing, further supporting our long-term sustainability goals. And with the successful launch of fast, free Wi-Fi and Delta Sync we are enhancing the in-flight entertainment experience for SkyMiles members. We expect to have these products rolled out globally by the end of this year.

On the ground, we're building the airports of the future in some of the most important markets and adding new Delta Sky Clubs to provide our customers a world-class airport experience. We completed our transformation at Los Angeles 18 months ahead of schedule including a state-of-the-art facility and a new Delta Sky Club that was named North America's Best Airline Lounge for 2023 by Business Traveler. We opened the latest phase of our Salt Lake City expansion and will complete the generational rebuild of LaGuardia this year.

Our digital investments continue as we work to increase our agility and provide employees with better tools and customers with a more seamless experience. Customers visited the Fly Delta App over 1 billion times last year, using our self-service tools almost 10 times more often than 2019, with much higher overall satisfaction.

As 2024 begins, our enterprise has moved from a period of restoration to optimization. We are focused on delivering excellent reliability, elevating the customer experience, and improving efficiency across the company to support continued growth in our earnings and our cash flow.

We expect demand to remain strong, particularly for the premium experiences that Delta provides. Consumer spend is continuing to shift from goods to services and our customer base is in a healthy financial position with travel remaining a top priority, and corporate travel continues to improve with demand accelerating into year end.

On supply, industry growth is normalizing after several years of network restoration. For 2024, we plan to grow Delta's capacity 3% to 5%, below the mid-single digit range that we discussed at our June Investor Day as we've refined our plan.

Domestically, supply and demand are coming into better balance as the industry adjusts to rising cost of production and we are seeing a positive inflection in domestic unit revenue growth. Internationally, we expect another strong year as we optimize our network and leverage our global JV partners.

With that backdrop, we are providing full-year 2024 guidance for earnings of \$6 to \$7 per share and free cash flow of \$3 billion to \$4 billion. Free cash guidance is up to \$2 billion higher than 2023, driven by growth and profitability, lower CapEx, and an improved mix of cash sales. As we continue to grow earnings and reduce debt, we will further reduce leverage and advance our balance sheet towards investment-grade metrics. Glen and Dan will provide more details shortly including our outlook for the March quarter.

In closing, the people of Delta delivered a remarkable 2023, leading the industry operationally and financially while providing a world-class experience for our customers. Delta is well positioned to build on our momentum in the new year, with continued growth in earnings, and cash flow in 2024.

I could not be more excited about what's ahead for Delta and our customers and I am confident that our return-focused strategy will drive significant value creation for our owners in the years to come.

Thank you again for the support you show to our company. And with that, I'll turn it over to Glen.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Thank you, Ed, and good morning, everyone. I want to start by thanking all of our employees for their hard work and dedication this year.

For the full-year we delivered record revenues of \$55 billion, about 20% higher than pre-pandemic. Strong execution on our commercial strategy resulted in significant outperformance against the industry. With international delivering record margins and profits, we finished the year with unit revenues 3% higher than 2022, also about 20% above pre-pandemic levels.

Diversified revenue streams including Premium and Loyalty generated 55% of revenue reflecting Delta's differentiated strategy. Premium led all year with record paid load factors and yield growth outpacing Main Cabin. The rollout of Delta Premium Select on long-haul international is nearly complete and the revenue generation has been above our expectations. As we continued to increase our premium seat mix and segment the cabin through our five product strategy we have structurally improved the international margins.

Our Loyalty program continued to exceed our expectations with record SkyMiles acquisitions in 2023. Total Loyalty revenue was up 19% over the prior year with 15% growth in co-brand spend and increasing mix of premium cards in our AmEx Co-Branded portfolio.

In recognition of our commitment to the Business Traveler, Delta was named number one in Business Travel News Airline survey for an unprecedented 13th consecutive year. Delta gained corporate share during the year and successfully launched SkyMiles for Business providing small- to medium-sized companies new benefits to support further growth in the important SME segment. Corporate sales accelerated into year-end including double-digit year-over-year growth in the month of December.

Technology and Financial Services led this momentum for the December quarter, with Media and Auto sectors seeing notable traction following the strike resolutions. December quarter revenue was a record \$13.7 billion, 11% higher than 2022. While unit revenues were 3% lower than last year, we are entering the year with momentum in our highest – and had experienced our highest cash sales day in history this week. We expect March quarter revenue growth of 3% to 6% over 2023 on capacity growth of 6% which includes 1 point from Lead Day implying unit revenues will be flat-to-down 3% over last year. This is a 2-point sequential improvement on a year-over-year basis from the December quarter.

Our March quarter faces headwinds from three dynamics when compared to last year. These include higher international mix, normalization of travel credit utilization, and lapping a competitor's operational challenges. Looking through these headwinds, the core fundamentals of the business are improving faster than the headline numbers suggest. With encouraging developments in the domestic environment we expect domestic unit revenues to inflect to positive in the March quarter.

The Transatlantic, our oldest international entity, continues to perform well with strong demand through the shoulder period and we expect unit revenues to grow in the March quarter. In Latin and Pacific, we are rebuilding our networks and improving connectivity with our JV partners, accounting for the majority of capacity growth in the March quarter. These investments are supporting higher short-term profitability but with lower unit revenues.

Turning to our outlook for the full-year. Premium consumer trends remains strong and spending on travel experiences continues to outpace overall GDP by 2 to 3 points. We expect solid growth in business demand with nearly 95% of respondents in our recent corporate survey expecting to travel as much or more in 1Q than 4Q. This is a double-digit improvement in travel intentions from our last survey.

Our commercial strategy in 2024 builds on Delta's competitive advantages by optimizing our network, growing high-margin revenue streams and investing in our future. First, we have a unique opportunity to further optimize Delta's network to capitalize our strengths in core hubs and JV partner hubs, and reflect evolving travel trends. This is the first time we've been able to optimize since pre-pandemic as we now have a good set of demand to optimize from.

Second, growing revenue diversification through higher-margin sources remains an important differentiator for Delta. We have runway ahead as we continue adding more premium seats to our aircraft, further improve our retail capabilities and expand Loyalty revenues in travel adjacent services. We expect American Express remuneration to grow 10% over 2023 levels.

Finally, we are investing in the future to enhance the premium travel experience through our next-gen fleet, generational airport builds and digital transformation. With continued investment Delta's brand strength and leadership position will extend in the years ahead.

In closing, I'm incredibly proud of the team's performance in 2023 and we're entering the new year with momentum. I'm excited about Delta's opportunities to grow our lead in 2024.

And with that I'll turn it over to Dan to talk about the financials.

Daniel C. Janki

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

Thank you, Glen, and good morning to everyone.

2023 was another meaningful milestone in restoring our financial foundation. We delivered earnings of \$6.25 per share and pre-tax income of \$5.2 billion, nearly double our performance of last year. Operating margin of 11.6% was up 4 points from last year and expected to lead the industry. We generated operating cash flow of \$7.2 billion, enabling reinvestment in our people, our fleet and technology. After gross CapEx of \$5.3 billion, we generated free cash flow of \$2 billion.

During the year we paid more than \$4 billion of gross debt. This included accelerated repayment of \$1.7 billion of higher cost debt. We ended the year with liquidity of \$6.8 billion and grew our unencumbered assets to \$26 billion. Our leverage ratio improved two turns to finish the year at 3 times. Return on invested capital improved to 13.4%, up 5 points over 2022.

S&P upgraded our credit rating in the second half of last year. We are investment-grade rated at Moody's and we are now only one notch away from investment-grade with outlooks improving at both S&P and Fitch during the year. With this progress, we reinstated our dividend last summer, broadening our appeal to yield-focused investors.

We closed out the year strong, reporting a December quarter pre-tax profit of \$1.1 billion on operating margins of 9.7% resulting in earnings of \$2.28 (sic) [\$1.28] (00:17:36) per share. Non-fuel unit costs were up 1.1% year-over-year in line with our guidance.

Now moving to our outlook. For the March quarter we expect earnings of \$0.25 to \$0.50 per share on approximately 5% operating margin. We expect March quarter fuel price to be \$2.50 to \$2.70 per gallon, with a \$0.05 to \$0.10 refinery benefit. The refinery profit is expected to be down more than \$130 million from last year due to elevated crack spread in early 2023.

For the full-year, we expect to deliver earnings of \$6 to \$7 per share. With our reduced outlook for capacity growth, we expect full-year non-fuel unit costs to be up low-single digit over 2023, with the March quarter unit costs up approximately 3%.

The last two years were a period of intense restoration with unnatural high growth to rebuild our network. Growth is normalizing and we've entered a period of optimization with a focus on restoring our most profitable core hubs and delivering efficiency gains across the enterprise.

The intensity of hiring and training has moderated and investment and reliability are beginning to pay off with continued improvement in operational performance. We expect to deliver efficiencies through the year that will help fund investments in our people, the customer experiences that Ed spoke to earlier.

On maintenance, we have a higher number of heavy airframe and engine checks this year resulting from the timing of new aircraft deliveries over the last decade and the reactivation of our flex fleets. At the same time, industry-wide supply chain constraints are continuing, driving higher-cost and extended turnaround times.

For the full-year, we expect maintenance expense to be up \$350 million over 2023, as we prioritize continued improvement in operational reliability and readying our fleet for the peak summer period. We expect the majority of this increase to be in the early part of the year.

Unit cost growth is expected to improve for the March quarter levels as we deliver efficiency and lap investments we made in the second half of 2023.

Now, on to cash flow. We expect cash flow of \$3 billion to \$4 billion of free cash flow including CapEx of \$5 billion. The improvement in free cash flow is driven by growth and profitability, lower CapEx and a higher mix of cash sales, as cash sales are expected to compose a larger percentage of overall bookings as travel credit utilization normalizes.

We plan to pay cash for \$3 billion of 2024 debt maturities and for approximately 45 aircraft deliveries, growing our unencumbered asset base to \$30 billion. We expect to reduce leverage to under 3 times, returning the balance sheet to investment-grade metrics, while continuing to invest in the business remains our focus for capital allocation. We'll continue to evaluate shareholder returns with a focus on dividend growth as we reach our targeted leverage.

In closing, Delta is well positioned as we enter the final year of our three-year plan to restore our financial foundation. We are continuing to prioritize the objectives we laid out at Investor Day with an emphasis on earnings durability, free cash flow and capital efficiency. Our industry-leading operational and financial performance is result of the hard work and dedication of the Delta people. I'd like to thank each of them for what they do every day.

With that, I'd like to turn it back to Julie for Q&A.

Julie Stewart

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

Thanks, Dan. Matthew, can you please remind the analysts how to queue up for question?

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Your first question is coming from Michael Linenberg from Deutsche Bank. Your line is live.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Oh, hey. Good morning, everyone. This is a question probably to both Dan and Glen. With the new A350-1000s coming in 2026 and knowing that you do have some additional Airbus widebodies delivering over the next few years, are you still going to be in a situation where maybe you have to extend your 767 fleet? I know that that is to be fully retired I think it was going to be by 2025. Will you have enough lift, and if not, are we going to see additional investments into maybe some of these older aircraft to keep them running through until you take deliveries of the bigger airplanes?

Daniel C. Janki

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

A

As we move through 2025 – 2024 through the back half of the decade, we expect to retire the 767-300s through that period of time on a pretty consistent basis as you step through while continuing to fly the 400s.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Oh, so that – so you'll continue to fly the 400s beyond 2025, Dan?

Daniel C. Janki

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

A

Yeah.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Mike, I don't think...

Daniel C. Janki

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

A

Never in 2025...

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

...it was never our intent to have those fleet grounded by 2025. It was our intent to have them out of international long-haul by 2028 and retired by 2030.

Daniel C. Janki

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

A

2030, yeah.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Okay. Makes sense. They're a bit younger. And then, Glen, just my second question. What was the headwind due to the cancelation of the Israel services in the fourth quarter, and is that a good way to think about the March quarter impact if you don't restart those services by the 31st? Thanks.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

So, Mike, the initial hit was clearly the greatest, because as we moved through the quarter we redeployed the assets to other markets. So I would say it was about a point of revenue in 4Q and that really goes to very little impact in 1Q and beyond. And, of course, we're assessing the issues in Israel. Our current intent we have loaded for sale, April. We'll see how that manifests as we move through. But our priority is always safety first, safety of our customers and our crews, and that's going to be our priority.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thank you.

Operator: Thank you. Your next question is coming from Helane Becker from TD Cowen. Your line is live.

Helane Becker

Analyst, TD Cowen

Q

Oh, thanks very much, operator. Hey, team, thanks for the time. So two questions. One for, I think, Ed, you mentioned this morning on CNBC that you were seeing improvement in corporate especially in the tech sector. So I'm kind of wondering if you or Glen can talk about what you're seeing in corporate by sector and maybe by geographic region?

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Well, I'll start, and Glen can add his color as well. We are seeing continued improvement in the corporate sector, and we had a number of laggards, tech being by far the largest in terms that had essentially not returned to travel and we're finally starting to see tech companies traveling again. And again, I think a lot of it is due to return to office, that is driving some of that. The consultancies as well which have also been laggards, again given their clients have had their offices somewhat reduced office hours. Opening is helping there. And we've seen it across the board.

The other thing I mentioned this morning also is the auto and entertainment sectors have rebounded nicely. Entertainment clearly and the auto is starting to rebound following the strikes in the fourth quarter.

Helane Becker

Analyst, TD Cowen

Q

That's very helpful. Thank you. And then just for my follow-up question. As you think about international, I noticed that in your schedules you're elongating the season with maybe just January and February in international being seasonally lower. Are you seeing travel move into those months as well so that you would extend or add especially to your coastal hubs more international service going east?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Absolutely. I think we've disclosed this previously is that we've seen the seasons elongate for leisure travel to Europe and really March through October now is pretty strong. Of course, the shoulder is still not as strong as the peak summer, but in response to that, and again, this is part of our optimization of how we fly is tailoring our capacity to when demand actually exists.

Helene Becker

Analyst, TD Cowen

Q

Okay. That's really helpful. Thanks, team. Have a nice day.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Thank you.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Thank you.

Julie Stewart

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

A

Of course.

Operator: Thank you. Your next question is coming from Jamie Baker from JPMorgan. Your line is live.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Oh, good morning, everybody. Glen, on the pending inflection in domestic RASM, I appreciate we're seeing capacity plans tighten up across the industry. My question is whether you're seeing any revisions in how the growth year airlines are behaving outside of nearly cutting capacity. Anything else interestingly we should be focused on, or is it simply a supply exercise that's driving the improvement?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

I think, Jamie, you've got a couple of contributors to it. One is what Ed just mentioned, the improving conditions in the corporate environment. And it's been a slow and steady rebuild since the end of the pandemic but we are at post pandemic highs somewhere right around 90% restored to pre-pandemic levels as we head into this year, so that I think is an exciting backdrop for a domestic turnaround. Of course, we have some of the rationalization of capacity but we also have continued improvements through segmentation and pricing.

I can't talk to our competitors. I just know how we are working now and 20 years ago we were only worried about the lowest fares in the market and now we're worried about the entire ladder and the relativity within those ladders and trying to get people to experience the higher-quality product. And I think that's really led to our ability to continue to segment the customers in a more enlightened way moving forward. And that's going to be one of the key drivers as we head through this year.

Jamie N. Baker

Analyst, JPMorgan Securities LLC



Okay. I appreciate that. And then a second question for Ed. During your interview with Phil this morning, you mentioned you're still holding out hope for the \$7 earnings outcome this year. If we fast forward to a year from today, give or take, and that indeed has been the outcome. What do you think the primary driver will have been? I guess, better way to ask is, do you think there's upside based on what Delta can control or do you think it'll simply be exogenous factors like, hey, fuel cooperated or I don't know, maybe the consumer leaned even further into premium, that sort of thing.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.



Sure. Thanks, Jamie. I get the question. I think the level of volatility that we see is what causes us to be a bit cautious and prudent in giving that \$6 to \$7 EPS guide in 2024. We've been signaling that a bit for the last six months, and that's where we sit today. I have great confidence in us hitting that guide which is what I think the Street wants to know where our confidence level is.

There are a bunch of macros that we look at into the year, which will help to see how they play out. Clearly, the geopolitical front continues to be quite testy, including the fact that this is a politically election season, not just in the US but around the world. Energy prices, we saw this morning just how volatile energy prices are. And to me, the supply chain, both the cost and the constraints that we see in this industry continue unabated. We're not making nearly the progress on the supply chain improvements. If anything, every news we get seems to be a bit worse, not better. So that constrains growth and increases cost.

That all said, my internal stretch for myself and our team is to still get to that \$7 number this year. I think we have a possibility to get there. But I also think that the macro weighs on that assessment. And I think to be prudent, we should set expectations maybe a little bit lower and hope to overachieve, just, by the way, we did in 2023. We gave a \$5 to \$6 guide and came in on the top-end, and I'd like to see a year from now that we're reporting that same type of result.

Jamie N. Baker

Analyst, JPMorgan Securities LLC



Glen and Ed, thank you very much for taking my questions. Take care.

Glen William Hauenstein

President, Delta Air Lines, Inc.



Sure.

Operator: Thank you. Your next question is coming from Conor Cunningham from Melius Research. Your line is live.

Conor Cunningham

Analyst, Melius Research LLC



Hi, everyone. Thank you. Just on the regions in general, you obviously sound more constructive domestically, but I think you mentioned that you still see a lot – a fair bit of upside in terms of international. If you could just level set on your overall like regional expectations in 2024, I think that would be helpful. Thank you.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

I think we're expecting domestic to improve. The comps get easier as we move through the year so we should see some nice momentum there. We had a fantastic year in the Transatlantic. We're hoping to beat that, but there's a really high bar as we move through the year. What we have on the books today is really pretty exciting for the month of April where we have about 40% of our Transatlantic bookings in place. We have unit revenues sitting at high-single digits up, which I think most people wouldn't expect. Of course, we have a lot of booking to go there, but the early returns for spring and summer are very favorable as we sit today.

Pacific, where we have an incredible amount of capacity, it's being absorbed nicely and we expect that to inflect into a positive territory as those growth rates come down, we move through the year. And last but not least, Latin, and our ambitious build of South America with our partners LATAM is paying very strong dividends. We're improving our profitability albeit at lower unit revenue. So I think we're very excited about where South America sits and the beaches this winter seem a little oversaturated, that will rationalize itself out as we move through the year.

Conor Cunningham

Analyst, Melius Research LLC

Q

Appreciate that. And then, Dan, on 2024 costs, I was hoping if you could provide some thought just on the shape of the cost trajectory. It seems like a lot of it just has to do with timing of maintenance and really that type of stuff, so just any color – additional color on that could be helpful. Thank you.

Daniel C. Janki

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

A

Yeah. Maintenance was up \$350 million for the year with a focus on the first part of the year. The other piece of it is, if you think about efficiencies, efficiencies just build as you progress through the year. One example is we're down on – we're fully staffed but one place we're hiring is pilots. That will be down 50% – over 50% from last year. But again, front half centric with trading associated with it as you get ready for the summer and that really normalizes the historical levels in the back half of the year. So just a good, steady drumbeat of efficiencies as we pace through the year.

Conor Cunningham

Analyst, Melius Research LLC

Q

Appreciate it.

Operator: Thank you. Your next question is coming from Stephen Trent from Citi. Your line is live.

Stephen Darrell Trent

Analyst, Citigroup Global Markets, Inc.

Q

Good morning, everybody, and thanks very much for taking my question. This might be for Ed or Glen. But, you addressed it a little bit in an earlier response. But, how did you think the supply chain stuff goes? First, we have the GTF engine. Now the MAX 9 door plug. Do you think we've kind of reached the bottom or are you concerned there could be more to come 6 to 12 months from now?

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Thanks, Stephen. This is Ed. I hope there's no more surprises, but I'd be lying to you if I thought that's the case. I think we're continuing to work through in this post pandemic world, the implications of the supply chain issues that we saw, and the MAX 9 issue is a one-off – a separate issue, I'm not referring to that. I am referring principally to the engine side of the business and there's a lot of work on Pratt. We have a lot of reliance on Pratt, and their challenges that they're facing have been well-chronicled.

One of the things that we see on the engine side is there's a lot of the incremental resources that our engine providers and suppliers have put their resources against, it also strips away resources from maintenance work on their existing business with us. So we're working through in as efficient a manner with Pratt, in this weekend we spent a lot of time with them. Rolls and GE, everybody in the engine world has challenges not just on the original build but more importantly, on the parts and the repair side of the business. And a lot of it's inexperienced factory level, all the suppliers in our industry lost a tremendous amount of experience due to the pandemic and have taken time to get that back, to get the turn times down to where they need to be and we have higher turn times that not only delays the entry into service, it also causes costs to go up.

Stephen Darrell Trent

Analyst, Citigroup Global Markets, Inc.

Q

I appreciate that, Ed. Thank you. And as my follow-up, I appreciate as well what you mentioned on the Latin market doing well. Any high-level color with respect to sort of deep LATAM versus short-haul LATAM? I mean, I presume a lot of the uplift you're seeing is from the – the JBA is spooling up but just wanted to make sure I understood that correctly. Thank you.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah. So, I think you described it perfectly. There's a little pressure on the short-haul Latin particularly on the resorts where a lot of capacity was added by the industry year-over-year but we're having really incredible performance into deep South America as we continue our coordination of launching the JV with LATAM and we're very excited about the short-term and the long-term prospects there.

Stephen Darrell Trent

Analyst, Citigroup Global Markets, Inc.

Q

Great. Appreciate it, Glen, and thank you very much.

Operator: Thank you. Your next question is coming from David Vernon from Bernstein. Your line is live.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hey. Good morning, guys, and thanks for taking the question. So, Dan, as you think about what happened in 2023 as far as kind of the cost creep that led us to a little bit of a higher-cost position than maybe you would have thought in the beginning of the year. Can you give us kind of rundown around what you missed in 2023, and then with that as kind of a backdrop, talk to some of the sources of risk that you might see for that low-single digit outlook for CASM-Ex in 2024?

Daniel C. Janki

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

A

Yeah. Predominantly, yes, David, certainly. Two drivers. First, we flew less capacity and kept the cost into – invest back into the business. That was one. And the second piece was, what we talked a lot in the second half of the year was the investment in maintenance and the cost associated with maintenance and those were really when you look at where we were from what we guided to, where we ended up just over plus two. Those were the single two biggest drivers associated with that.

When you think about that as we go into new year [ph] – four here (00:39:02), a lot different backdrop as we're in a more normalized growth environment. When you're thinking and planning and the teams are executing to 3% to 5% growth versus 17% to 20% growth, the focus really less on this training and hiring and the restoration of the airline and our operating teams are focused on the operational performance and fine-tuning that. And as you do that, that sets the stage to drive the efficiency.

And things that – actions that we took in 2023 are paying off. If you look at the maintenance, doing a lot of work and there's a lot to still go. But the fourth quarter performance, aircraft out of service down 30%, maintenance cancels down over 80%. So those actions that they're taking around proactive reliability, getting the touch time on the aircraft [indiscernible] (00:40:00) but that's really what allows us when you're in that normalized environment, you can really stay after that consistently day in and day out. That sets the stage for the execution around efficiency.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

David, if I could jump in here. It's hard to overstate just how hard it was to bring the full business back up again over the last two-and-a-half years. And the intensity of that has been phenomenal and our team's done a great job and has taken every fiber of our being in hiring and resource we have to try to get ahead of it. We're there now. Okay? And you see the results in the fourth quarter. They were remarkable. The best fourth quarter operational results I think this company has ever posted. And that is, I think, the big opportunity as we enter the year.

I don't know that we know yet just how much we have available to us as we start to return to a normalized environment, we started tweaking those efficiencies. I think it's going to be significant. And it's kind of hard to forecast because this team has been for the last two-plus years in a very different part of the build, but I'm confident we're going to see some great opportunities. And that's – to Jamie's earlier question, some of my internal expectations of hoping we can get to that \$7 above EPS number. Unwilling to put that number on paper quite yet, but, yeah, I think the opportunity is there.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Thanks for that added color. Just to maybe kind of follow up on that point a little bit. As you think about the optimization of efficiency gains that are ahead of you. I appreciate that it's hard to quantify at all, but can you give us a sense for what the driver of some of these things are, kind of big picture wise? Is it about utilization of aircraft? Is it about getting the staffing optimized or is it more about just working some of the friction costs in the business out and – so they're continuously improving, chasing down a bunch of little dogs and cats across the business. I'm just trying to get a sense for kind of what are we looking at here? Are we looking at a large set of projects or are they one or two things that are going to be super-pivotal around the optimization plan then.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

David, I think it's all of the above. And it's not just what you mentioned on the cost side, it's also on the revenue side. Consumer behaviors have changed a lot and to this point, we've been using somewhat older models to predict behavioral patterns. And we now have actually a good baseline over the last year-and-a-half of how consumers are purchasing, what they're purchasing, when they want to travel, which Glen and his team will use to drive better network and revenue outcomes for our business. It's in the cost line.

In fact, we have 10% more employees today than we had at this point pre-pandemic, essentially driving the same level of operations, tremendous amount of opportunity to get efficient. But when the operators know what they can count on and they've got their arms around the full operation, I think you're going to see the cash register start to ring with cost and savings efficiencies. So, I know it's a [indiscernible] (00:43:20) a little bit but I'm optimistic we'll get there. But it's really hard to quantify at the same time.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC



Thanks a lot for the added color, Ed.

Operator: Thank you. Your next question is coming from Ravi Shanker from Morgan Stanley. Your line is live.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC



Thanks. Good morning, and Happy New Year, everyone. I know your commentary on demand sounds pretty good, but can you unpack a little bit more detail on what you're seeing in the forward booking curve through spring break. Maybe even the activity through like the Paris Olympics, so what the summer kind of – what kind of forward indicator do you have that people might be traveling more?

Glen William Hauenstein

President, Delta Air Lines, Inc.



Well, I think I've mentioned it as a response to one of the other questions, but we have pretty good visibility on the early bookings for the summer Transatlantic season and we have a higher booked load factor as well as higher yield. So those are the two things we watch for and both are indicating quite positive for the Transatlantic.

The US has, of course, a closer-in booking curve but as far as we can see out through spring break things look great for the US. And as I mentioned earlier, some of the closed-in beach resorts have a little bit too much industry capacity this year that'll probably get rationalized out over time, but still we'll be very profitable as we move through the peak winter season. And then as the Pacific – as we continue to lap the buildup of our Pacific as we move through the year, we expect those unit revenues to accelerate demand, particularly strong to the Incheon hub as well as to Japan and the spring season, so very exciting as we look forward. I hope we can outdo our plan.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC



Got it. And apologies if I missed this earlier but do you – I mean, some of your peers are having issues with potential extended grounding of some aircraft for inspections. Do you see any kind of spillover benefit for that in the short-term and kind of – is any of that in your 1Q guidance?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

We've seen minimal improvements in – what we have seen is mostly in Seattle where they had to cancel a significant portion of their schedule out of Seattle. But we'll see how long that stays out. But right now I wouldn't say it's a significant number in the grander scheme of things. It's significant for Seattle but not significant for our whole network.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Understood. Thank you.

Operator: Thank you. Your next question is coming from Duane Pfennigwerth from Evercore ISI. Your line is live.

Duane Pfennigwerth

Analyst, Evercore ISI

Q

Hey. Good morning. Maybe just on the cadence of the non-op savings and the component drivers of that. Is it spread pretty evenly throughout the year or is it more kind of second half weighted?

Daniel C. Janki

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

A

Yeah. So, the drivers, \$75 million to \$100 million really driven by interest expense and as we've accelerated the debt reduction action, that drives the benefit. We expect pension to be flat on a year-over-year basis. The team did a great job. The pension delivered at or slightly above its targeted return, so no headwind associated with that. You get some – a little bit around some of the equity earnings of our partners, but we expect to be pretty consistent throughout the year due to the interest reduction and savings coming through as you progress through the year.

Duane Pfennigwerth

Analyst, Evercore ISI

Q

Thanks. And then just a follow-up for Glen. You've done a nice job, taken active steps to – on the capacity sequentially 4Q to 1Q. But could you just speak to seasonality and maybe by entity, where is seasonality a lot different than it used to be? Where is it kind of normalized? So any key trends you'd highlight in change in the underlying seasonal patterns here into the first quarter.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah. I think we're at our new norm, and our new norm is different than 2019, but what I see mainly is an extension of the international seasons. So, we mentioned that in an earlier question that it used to be the summer of peak was just June, July, August, and now I think we're moving into a April through March all the way through October as a very strong season particularly for Southern Europe. Northern Europe starts a little bit later.

And then the other thing I'd just mention, I mentioned in an earlier call as well is that, the beach – the Mexican and the Caribbean beaches just seem to have a little bit too much capacity this year, and we'll work through that as we go through the year. But it's – if you look, those are up 20% to 30% across the board, and having little trouble

keeping up with that – the demand keeping up with that kind of capacity increase and I'd imagine it is people plan next year that [ph] will trim on the margin goes back (00:48:23) down again or let that demand catch up.

So generally, I think we're in a good spot here with supply and demand as far as the eye can see. We're positive in all the future months and almost all the future, in almost every entity with the exception of Latin.

Duane Pfennigwerth

Analyst, Evercore ISI

Thank you.

Q

Operator: Thank you. Your next question is coming from Brandon Oglenski from Barclays. Your line is live.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Hey. Good morning, everyone. And thanks for taking my question. I guess, to Ed or Dan, I mean, looking back from your prior 2021 targets, you guys are guiding at the top-end here to effectively reach that. And I think not a lot of people give you credit. So that's the context of my question. But that said, valuation in your stock, still pretty low. I think investors are just concerned that we've seen peak airline profitability. And your guidance would effectively say about flat profitability this year, in 2024 versus 2023. So maybe coming back to some of these prior questions. What is in your control that can get profitability higher, maybe looking beyond this year that can give investors comfort that this business should be earning mid-teens.

Q

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Thanks, Brandon, and you're right. When you think about when we set that target it was in December of 2021. I'll never forget we were at the Exchange, I believe you were there, and Omicron was just being announced, the newest variant. So the level of knowledge we had to the future and where this thing was going it was candidly kind of maybe a bit crazy for us to put out a three-year plan, but I thought it was really important and constructive for us as well as our investors to let them see how we're thinking about the progress. And the great news is through the first two years we are at if not ahead of plan along that way. And I think if I was to go back and say what has changed that maybe has given me a little bit of pause for \$7, not longer term but just in the short term, I think it's the higher cost of labor, certainly was not known back then. The higher inflation rates were not known back then. And most importantly, the supply chain constraints. The full extent were clearly not known. I had no knowledge of the challenges we faced.

A

So when you think about all the macros we encountered, I think we've done a very good job of controlling those things that we can control. And as you've heard from several of the questions, I still internally am targeting us to get to that \$7 number this year and I think we can. I really do, but I think it's also prudent that we give a nod to some of those macros that we're facing. I think the optimization opportunities as I mentioned are significant and they run across every single part of this business and all of our leaders are working hard to ensure that we're delivering an excellent quality product which unleashes that optimization of benefits.

I think the work that we're doing on the balance sheet with all of the debt reduction is – de-risking and taking that down is important. We're on track with our free cash flow guidance, \$3 billion to \$4 billion this year and we're still looking at a \$10 billion target between 2023 and 2025 for free cash.

So I think there's a – you're right, there's a lot of noise that "we're lowering guidance," I don't really look at it that way. I think it's giving nod to some of the macro realities and wanted to give you a prudent estimate to what we are confident we can deliver this year with a nod towards there's some real upside here.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Q

Thank you for that, Ed. And then Dan, the maintenance issues have been present now for probably over a year, if not longer. I guess, what are you doing longer term planning to maybe mitigate that? And is there any favorable offset longer term here in your MRO business? Thank you.

Daniel C. Janki

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

A

One is, we continue as we get into a period here where we're more normalized in growth. It's allowing us to extend our planning horizon where we're able to look out on a rolling not only 12 months but 18, 24, 36 months and I think the more visibility and stability that we get from that allows us to better plan as it relates back into how we run our fleet and how we balance that capacity with cost. And I think that will continue to give us more certainty around that.

The other piece is just the heavy lift that our entire TechOps team has in working closely with the supply chain, and with all our partners across that getting clarity in regards to the things that they need to do and we can do on their behalf as it relates to Delta in regards to continue to improve the execution of that over time and we've got to work closely with those partners to continue to improve that.

And then to last piece on MRO, yes, there will be an opportunity to continue to grow. I think as we've talked about before, we're well positioned on all these platforms. The focus has been and will be right here, making sure that we've got strong foundation on Delta and Delta's fleet, but we also do have an eye to continue to grow the MRO business and you'll start to see that start this year but really in earnest in the years two and three years out.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Q

Thank you.

Operator: Thank you. Your next question is coming from Andrew Didora from Bank of America. Your line is live.

Andrew G. Didora

Analyst, Bank of America Securities

Q

Hi. Good morning, everyone. So a question for Glen. I think you started ramping up your core hub growth in the middle of 2023. Is there any way you can quantify maybe what the benefits of this build-out were to your revenue performance over the back half and what share of your capacity growth this year will be growth in these hubs?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

I think we just eluded to a majority of our growth will be in our core hubs, or to partner hubs. So probably 75% to 80% of our growth will be in those locations. We feel that we accelerated the coastal gateway growth earlier in the process...

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Yeah.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

...with our once in a lifetime opportunities to become the leading carriers in markets like Los Angeles and Boston, and those are paying huge dividends for us as we head into 2024 with Boston, for example, leading the unit revenue ascension for this quarter. So we're really, really pleased with the way it shook out and we still have some more rebuild to do in our core hubs. It'll probably take us through this year and into next year given the lower growth rates that we have, but that's what we're working on for the next 18 to 24 months.

Andrew G. Didora

Analyst, Bank of America Securities

Q

Got it. That's helpful. And then just, Dan, in the \$3 billion to \$4 billion of free cash flow, are you assuming any sort of cash taxes this year or – when do you expect to become a cash taxpayer? I thought it was a number of years out but just curious if there's any update there. Thank you.

Daniel C. Janki

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

A

No, we don't expect cash taxes this year, and we expect that potentially cash tax payments starting in 2025 and beyond.

Andrew G. Didora

Analyst, Bank of America Securities

Q

Thank you.

Julie Stewart

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

A

Matthew, we'll go to our final analyst question before then going over to the media.

Operator: Certainly. Your next question is coming from Savvy Syth from Raymond James. Your line is live.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Hey. Good morning, everyone. Maybe a quick one for me, just you talked about pilot – hiring being down 50% year-over-year and you've heard similar comments from the industry. Just curious what that means for your regional operation and if that is much of a drag in 2023, either to cost or to revenue from that operation and what you can expect this year and next year.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

So thanks for that question. And I think that plays well into some of the other themes that we've talked about of what are the potential upsides to our plan that can get you towards the \$7. We had planned for stability in the regionals after two-and-a-half years of really instability where we didn't know how many hours we have really

three to four months ahead of time. And what we've seen is that there is a lot more stability. What we haven't accounted for is the full utilization of our fleet. So we still have 50 to 100 airplanes less of utilization than we have on the ground and in our fleet. So should that lower hiring at the mainline translating to more availability in the back half of the year that would be potential upside to our P&L.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Yeah.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Perfect. All right. Thank you.

Julie Stewart

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

A

All right. That will wrap up the analyst portion of the call. I'll now turn it over to Tim Mapes to start the media question.

Tim Mapes

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

A

Thank you, Julie. Matthew, if we can reiterate for the members of the media, the instructions with regard to accessing the call and follow-ups, please?

Operator: Certainly. [Operator Instructions] Your first question is coming from Ted Reed from Forbes. Your line is live.

Ted Reed

Reporter, Forbes Media LLC

Q

All right. Thanks for taking the question. It's for Glen. I just wondered if the Delta passenger in 2024 looks different than the passenger in 2023, and I'm also asking whether the age of revenge travel is over and – or we passed revenge travel. Thank you.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, I mean this is all an opinion, right, as revenge travel I think has years to go particularly in long-haul international. When you look at the aging of the demographics, that people in their retirement year want to travel and they were robbed of the ability to travel for three years and we weren't able to accommodate until our last year. I think that we continue the accommodation of that for the next couple years until that revenge travel catches up. I think domestically [indiscernible] (00:58:42) revenge travel was earlier in the process and we're kind of in our new equilibrium and that gives us the opportunity to optimize as we move forward. And, do they look different? They always look different.

Ted Reed

Reporter, Forbes Media LLC

Q

As for destinations, are we more in the unique – is it more unique Transatlantic that they're looking at or more the traditional Transatlantic or something else?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

I think it's more of a traditional. Italy, Spain, those are two of the – Italy, Spain, Greece are fresh hotspots. Portugal is a hotspot. And I think during the peak summer we're really excited about the prospect to bring SAS along with us and now having hubs in Copenhagen and Stockholm that will allow us to have even more destinations in Europe than we serve today.

Ted Reed

Reporter, Forbes Media LLC

Q

Got it. Thank you, Glen.

Operator: Thank you. Your next question is coming from Kelly Yamanouchi from Atlanta-Journal Constitution. Your line is live.

Kelly Yamanouchi

Reporter, The Atlanta-Journal Constitution

Q

Thanks. Ed, you mentioned having 10% more employees today than pre-pandemic and essentially driving the same level of operations and the opportunities to get efficient. I was wondering if that means growing operations with the same number of employees or potentially cutting the staffing level.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Hi, Kelly. No, there's no plans to cut staffing levels at all. This is about our people being able to garner more experience because a lot of the new employees that we've added over the last few years are adding to that 10% and continuing to be a bit more efficient in productivity and the staffing levels. But no, we have no intention to make any reductions in people.

Kelly Yamanouchi

Reporter, The Atlanta-Journal Constitution

Q

Okay. Great. Thank you.

Operator: Thank you. Your next question is coming from Leslie Josephs from CNBC. Your line is live.

Leslie Josephs

Reporter, CNBC LLC

Q

Hi. Good morning, everyone. Wondering if you're seeing increased bookings since United and Alaska have had to ground their MAX 9. And then separately, maybe this is a question more for Glen, but do you think you're done with the measures that you had to take last year in terms of the SkyMiles program and lounges to sort of combat crowding since this year is going to be so busy and if you have enough premium seats to offer the market currently?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, I'll take the second question first is we made some serious changes to our programs that were designed to really put the right people in the right categories so that we could deliver industry-leading premium experiences.

And as you know, while they were announced in the fall, most of them don't take into effect until 2025. And I think what we've estimated is that should – we should be done with that – those kinds of major changes to our programs. Of course, those programs are always changing, but I think the changes moving forward will be much more minimal. So I think that's behind us. We'll see how that plays out by the end of this year and into 2025.

And your other question was...

Julie Stewart

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

MAX.

A

Glen William Hauenstein

President, Delta Air Lines, Inc.

Oh, the MAX, yes...

A

Leslie Josephs

Reporter, CNBC LLC

On your bookings – oh, yeah. And...

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

We've seen a – we've seen a small...

A

Leslie Josephs

Reporter, CNBC LLC

...since the grounding.

Q

Glen William Hauenstein

President, Delta Air Lines, Inc.

We've seen a small uptick specifically in Seattle, but Seattle is a small portion of our entire system, so it's kind of minimal in the grander scheme of things but it's relevant in Seattle.

A

Leslie Josephs

Reporter, CNBC LLC

Thank you.

Q

Operator: Thank you. Your next question is coming from Mary Schlangenstein from Bloomberg News. Your line is live.

Mary Schlangenstein

Reporter, Bloomberg L.P.

Yeah. My question was asked. Thank you.

Q

Operator: Thank you. Your next question is coming from Alison Sider from Wall Street Journal. Your line is live.

Alison Sider

Reporter, The Wall Street Journal

Q

Thank you. I was wondering, do you still think Delta still has the same advantage over rivals just in terms of reliability and its operation and is that something that you're kind of working on.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Hi, Ali. This is Ed. The one thing that we've seen over the last couple of years which has been great for customers is that the overall reliability in the industry has improved and carriers increasingly are competing over operational performance rather than other – some other things in the past that people may have been focused against, and I think that's great. And I think it pushes us to be even better, and I think it's a great outcome for the industry as a whole. So, yes, the competition is definitely more focused on reliability than ever before, and I still expect Delta to maintain its premium lead in that sector...

[indiscernible] (01:03:28)

Alison Sider

Reporter, The Wall Street Journal

Q

And then if I could ask about sort of labor shortages. Are you concerned at all or starting to feel the impact of the shortage of maintenance workers? Is that something you expect to come to a head this year?

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

We are not experiencing any issues around the labor shortages. Maybe very small isolated places we still have some additional people we'd like to bring in. But we are at where we need to be. And for us it's less about the shortages. It's more about the new people that we've brought on continuing to gain experience and that's a big deal particularly in the maintenance area.

Alison Sider

Reporter, The Wall Street Journal

Q

Thanks.

Tim Mapes

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

A

Thank you, Ali. Matthew, we have time for one final question, please.

Operator: Certainly. Your last question is coming from Robert Silk from Travel Weekly. Your line is live.

Robert Silk

Reporter, Travel Weekly

Q

Hello. Good morning. Glen, you've mentioned that you gained corporate share this year. I wonder if you could elaborate on what caused that you think, how you gained it and if there was any – some of it might have come from the removing of fares from the traditional GDS channel by other – your main competitors.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah. I think one of the issues where we were very inventory constrained in 2022 as we were behind the industry in our rebuild. And in 2023, we caught up back to basically our pre-pandemic level of capacity and those additional seats were – enabled more corporates to get on the aircraft.

I'd say what's different about now versus pre-pandemic is that before the pandemic and before the segmentation of customers, the differential between the yields on corporate and the yields on non-corporate high end leisure were significant and these days those are closed. So now you have competition for the premium seats between those two categories that didn't exist pre-pandemic. And that's exciting for us as we manage them. But I think getting more seats available is one of the key priorities in the premium sector, so that we can accommodate all the demand.

Robert Silk

Reporter, Travel Weekly

Q

Okay. What about seeing any sort of share shift based upon your strategy of leaving all your fares available in the traditional EDIFACT GDS.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah. Clearly, we think that our strategy is more customer-friendly and I'm sure that's part of it, but we don't want to buy it.

Robert Silk

Reporter, Travel Weekly

Q

Okay. Thank you.

Tim Mapes

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

Matthew, that will wrap up the call if you want to close it up.

Operator: Certainly. That concludes today's conference. Thank you for your participation today.

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