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# Delta Air Lines, Inc. (DAL)

## Q2 2025 Earnings Call

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning, everyone, and welcome to the Delta Air Lines June Quarter 2025 Financial Results Conference Call. My name is Matthew, and I will be your coordinator. At this time, all participants are on a listen-only mode, until we conduct a question-and-answer session following the presentation. As a reminder, today's call is being recorded. [Operator Instructions]

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

## Julie Stewart

*Vice President-Investor Relations and Corporate Development, Delta Air Lines, Inc.*

Thank you, Matthew. Good morning, everyone, and thanks for joining us for our June Quarter 2025 earnings call. Joining us from Atlanta today 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 analyst 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 analyst Q&A, we will move to our media questions.

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 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 will also discuss non-GAAP financial measures, and all results exclude special items, unless otherwise noted. Year-over-year figures compare against results as reported, unless otherwise stated. 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.*

Thank you, Julie, and good morning, everyone. We do appreciate you joining us today. Before we start, I'd like to take a moment to acknowledge the devastating events in Central Texas. Our hearts go out to the families and the communities that have been impacted. Delta is supporting the American Red Cross, and their relief efforts to aid those affected.

Earlier this morning, we reported June quarter results, posting pre-tax income of $1.8 billion, or earnings of $2.10 per share on record quarterly revenue, in line with our April guidance. This performance reflects strong execution in a demand environment that has stabilized and the continued resilience of our diverse, high margin revenue streams.

We achieved an operating margin of 13.2% and generated $700 million of free cash flow during the quarter, bringing our year-to-date free cash flow to $2 billion. With strong cash generation, we continued to repay debt and announced a 25% increase to our quarterly dividend.

I'm proud of the team for delivering strong financial and operational results in the first half of our centennial year. In a dynamic and somewhat unpredictable environment, our team has stayed focused, controlling what we can control and executing with discipline.

Operationally, Delta once again led network peers across key reliability and customer experience metrics, including on-time performance, completion factor, and Net Promoter Score. This strong performance underscores the resilience of our operation, and the exceptional efforts of our teams to take care of our customers, despite greater-than-normal summer storms across our system.

Consistent with Delta's longstanding commitment to industry leading total rewards for industry leading performance, we awarded our people with a well-deserved base pay increase of 4% during the quarter, and we're also on track for another industry leading profit sharing payout next February.

Turning to demand, the environment has been stable since resetting to a lower growth rate earlier this year. Overall demand for air travel remains similar to last year, with softness largely contained to main cabin, and particularly during off-peak periods. Diversified revenue streams, which make up nearly 60% of Delta's revenue, remain resilient.

The fundamentals of the US economy are solid. Our core consumer is in good shape and continues to prioritize travel. And affinity for Delta's brand has never been stronger. This is evidenced by the sustained strength of our premium products and our industry leading co-brand card with consumer spend growth on the Delta American Express card up double digits in the first half of the year.

The recent passage of the reconciliation package creates certainty around tax policy, and with continued progress on trade negotiations, we expect both consumer, and corporate confidence to improve in the second half of the year, creating the environment for travel demand to accelerate.

On the supply side, we're encouraged by the industry's actions to align capacity with demand as we move beyond the peak summer period. Importantly, seats at the lower end of the market are scheduled to contract as carriers adjust to the environment and work to improve financial performance. Against this backdrop, Delta remains very well positioned.

We have also adjusted to a lower growth environment. And as discussed in April, our focus is managing the levers in our control to generate strong earnings, and free cash flow. This includes adjusting our capacity to match demand and aggressively manage our cost base to deliver on our commitments.

For the September quarter, the midpoint of our guidance is for earnings per share flat to last year on low-single digit revenue growth, and a double-digit operating margin. The upper end of our outlook positions us to deliver earnings for the first nine months of the year that are flat with 2024. While not the growth we are planning for at the start of the year, this would represent solid performance in a very dynamic environment, and highlights the durability of our business model, as well as the growing divergence that we're seeing across the industry.

Reflecting our confidence in the business, we are restoring financial guidance for the full year. We expect to deliver earnings per share of $5.25 to $6.25, and free cash flow of $3 billion to $4 billion. This free cash flow outlook is within our long-term target range, and enables us to pay down $3 billion of debt this year, while also returning cash to shareholders. Looking beyond 2025, I am confident in our ability to deliver financial performance that is consistent with the three- to five-year framework we outlined for you last fall.

In our 100th year of flight, our strategic focus is clear. We're continuing to invest in elevating the world's best airline, expanding our global footprint, and transforming through technology. Globally, we have strengthened our network through a portfolio of best-in-class partnerships, providing access to over 90% of global demand via non-stop or one-stop service. What sets our international strategy apart is how we create value through both our global partnerships, and our equity investments in them. This quarter, we saw meaningful appreciation in our GAAP results in the value of several of our equity stakes with a more than $700 million mark-to-market gain, underscoring the strength and health of our portfolio.

We also announced two new opportunities further enhancing our long-term international growth potential. Our recently announced equity stake in WestJet helped solidify our standing as the carrier of the Americas, and our relationship with IndiGo is a critical next step to establish connectivity between India, Europe, and North America with India's largest and fastest-growing airline.

We are also continuing to make meaningful investments in technology across the business. For our customers, we're enhancing the travel experience with Delta Concierge, our virtual personal assistant built into the Fly Delta app that is launching later this year. In the operation, we're driving efficiency through predictive intelligence that improves resource availability and optimizes maintenance. And commercially, we're optimizing revenue through our partnership with Fetcherr, leveraging AI-enhanced pricing solutions. While we are still in the test phase, results are encouraging. As has always been the case, our greatest advantage, though, is our people and their unmatched skill, dedication and commitment to serving our customers.

In closing, we are focused on leveraging our competitive strengths and our scale advantage, while controlling what we can to deliver for our customers, our employees and our owners. Our centennial year is a powerful opportunity to demonstrate the magnitude of the differentiation that we have created, and the growing durability of our financial performance. Thank you again for joining us.

And with that, I'll turn it over to Glen and to Dan to cover the details of the quarter.

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## Glen William Hauenstein

*President, Delta Air Lines, Inc.*

Thank you, Ed, and good morning. I want to begin by expressing my appreciation to the entire Delta team for your dedication throughout this busy summer travel season, and to our customers for continuing to place their trust in Delta.

June quarter revenue increased approximately 1% year-over-year to $15.5 billion, in line with our April guidance range. During the quarter demand trends stabilized at levels that are flat to last year. Our teams did a great job optimizing revenue performance in this environment by leveraging Delta's structural advantages and engaging customers beyond flight to generate a revenue premium to the rest of the industry.

Diverse high-margin revenue streams continued to show resilience, growing mid-single digits year-over-year and driving double-digit operating margins. Premium revenue grew 5% over the prior year, outpacing main cabin. We are actively rolling out expanded premium cabins in both domestic and international markets, and have recently begun booking tickets for travel this fall with our newly refined and further segmented cabin products. Early results are positive, and we expect this to be a long-term driver of margin expansion.

Loyalty revenue grew 8% as customer engagement reached new records, with millennial and Gen Z segments representing nearly 50% of our active member base. This positions us well to build long-term customer loyalty and capture more share of wallet through our expanding ecosystem.

Our best-in-class partnership with American Express continues to grow and lead the broader consumer card industry. In the quarter, we saw a record level of spend on our card portfolio, highlighting both the strength of our customer and the appeal of our program. Remuneration from American Express was $2 billion, up 10% over the prior year on double-digit spend growth, and momentum in new card acquisitions. We've remained on track for full-year remuneration of approximately $8 billion, providing durability to both earnings and cash flow. We benefit from a highly engaged, high-spending card member base, customers who are deeply loyal to Delta and possess strong credit profiles.

Revenue from Delta's travel products portfolio grew 8%, with significant growth in cars, stays and cruise products, as a record percentage of customers added travel products to their flight bookings. Cargo revenue grew 7% year-over-year on higher yields, and MRO revenue growth accelerated to 29% over prior year on higher volumes and work scopes.

Corporate revenue improved modestly year-over-year, and Delta's share of premium remains at historic highs. From a profitability perspective, margins are solid in all hubs and geographies, with our strongest margins in our domestic core hubs where we have industry-leading scale and connectivity. International margins have structurally improved and become more durable, reflecting the success of our multiyear international transformation through strategic investments in network, fleet and our partnerships.

Main cabin margins remain soft across both domestic and international markets. We expect improvement as industry demand and supply rebalances, and we continue to make progress on our commercial initiatives laid out at Investor Day last year. Post summer, we have proactively adjusted capacity to address areas of softness, with reductions in main cabin, and off peak flying beginning in August on a year-over-year basis. While consumer confidence has improved from the lows we saw earlier this spring, we're monitoring booking trends closely, and leveraging Delta strength to optimize revenue in this environment.

For the September quarter, we expect revenue to be flat to up 4% year-over-year. Our outlook reflects stable demand across both consumer and corporate segments, with the midpoint similar to second quarter performance, excluding the impact from lapping the CrowdStrike-caused outage. Diverse revenue streams remain resilient. And as the industry further rationalizes domestic supply, we expect unit revenue trends to improve through the back half of the year.

Internationally, while we are seeing some unit revenue pressure through the peak summer months, trends are improving as we move into the shoulder season, September and beyond. This is most pronounced in the TransAtlantic, where softness in European outbound travel is impacting July and August. At the same time, there is a continued shift from US point-of-sale demand into the shoulder periods as consumers look to avoid peak crowds and summer heat.

Our new markets are performing very well, and we look ahead to 2026. We're incorporating these evolving seasonal patterns into our international network planning to align with customer preferences and travel behavior. While focused on optimizing revenues and margins in the current environment, we are also making steady progress on our longer-term priorities. That includes investing in the travel experience, expanding customer choice, deepening loyalty to the Delta brand, and engaging customers beyond their flight.

In the air, we continue to invest in expanding premium cabins, and are elevating the Delta One experience with new premium amenities, and our rollout of fast, free Wi-Fi for SkyMiles members is nearly complete.

On the ground, we're expanding our clubs and premium lounge footprint. Just a few weeks ago in Seattle, we opened a new Sky Club and our fourth Delta One lounge. With 57 clubs and lounges, Delta customers have access to the largest and most awarded lounge network of any US airline. We're also growing the value of SkyMiles memberships by expanding ways to earn miles beyond travel, including our newest partnership with Uber, which launched during this quarter.

In closing, our consistent improvement strategy is delivering a sustained unit revenue premium and returns well in excess of our cost of capital. Our ability to deliver these strong results, while the broader industry works to re-establish equilibrium, underscores Delta's growing differentiation and enduring leadership position.

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

## Daniel C. Janki

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

Thank you, Glen, and good morning, everyone. For the June quarter, we delivered pre-tax income of $1.8 billion, with an operating margin of 13.2% and earnings of $2.10 per share, consistent with our April guidance. Non-fuel unit cost growth of 2.7% was similar to the March quarter. Cost execution continues to be an important focus across the enterprise. I'd like to thank the teams for delivering strong results in line with our expectations, despite a challenging operating environment. Severe weather impacted operations throughout the quarter, with the number of irregular operation days more than 50% higher than last year and our historical average.

For the first half of the year, operating cash flow was $4.3 billion, and after reinvesting $2.3 billion in the business, we generated free cash flow of $2 billion. Strong cash generation supported debt paydown of $1.5 billion through the first half, with gross leverage ending at 2.5 times. After reinvesting in the business, debt reduction remains our top capital allocation priority. Delta is investment grade rated at all three major credit agencies, has a fully funded pension and significant unencumbered assets and secured debt capacity. In addition to using cash flow for debt maturities, we are opportunistically prepaying and refinancing high cost debt where we can drive economic benefit.

During the quarter, we successfully completed a $2 billion unsecured note offering and achieved a blended rate of 5.1%. This transaction creates a marker for the industry and demonstrates the strength of our investment-grade balance sheet, which has an average cost of debt of 4.6%. At the same time, we are committed to shareholder returns. We recently announced a 25% increase to our quarterly dividend starting in the third quarter, bringing our annual commitment to approximately $500 million and, at our current price, this puts our annualized dividend yield at 1.5%, and that's ahead of the S&P 500 average.

Now, turning to our outlook. For the September quarter, we expect earnings of $1.25 to $1.75 per share and a 9% to 11% operating margin, and that's compared to 9.4% last year. As Glen discussed, our outlook for revenue growth is flat to up 4% compared to last year. On the cost side, we continue to execute well and make progress on driving efficiency. We expect third quarter will mark our strongest cost performance of the year, with non-fuel unit costs flat to down compared to 2024. We are effectively managing the levers within our control, reducing capacity growth post summer, and managing our cost base to deliver on our long-term targets of low single-digit non-fuel unit cost growth. We expect our performance to lead the industry in year-over-year unit cost growth for the second consecutive year, improving our relative cost position.

With a stable demand environment, a more constructive industry supply backdrop, strong cost execution and current fuel prices, we are positioned to deliver full-year results that reflect Delta's growing differentiation and durability. For the full year, we expect to deliver earnings per share of $5.25 to $6.25 and free cash flow of $3 billion to $4 billion. This free cash flow outlook is within our long-term target, and enables us to pay down $3 billion of debt, while also returning cash to shareholders.

Looking beyond 2025, we remain confident in our ability to achieve our long-term financial targets we outlined last November, delivering on margin expansion, durable earnings and cash flow, and reducing leverage to the lowest level in company's history. This confidence is grounded in Delta's enduring competitive advantages, positioning us to generate sustained value for our owners.

In closing, I want to extend my sincere thanks to the entire Delta team for their dedication to one another and to our customers, especially during this busy summer travel season. And with that, I'll turn it back to Julie for Q&A.

**Julie Stewart**

*Vice President-Investor Relations and Corporate Development, Delta Air Lines, Inc.*

Thank you, Dan. Matthew, can you please remind the analysts how to enter the question queue?

# QUESTION AND ANSWER SECTION

**Operator**: Certainly. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Thank you. Your first question is coming from Ravi Shanker from Morgan Stanley. Your line is live.

**Ravi Shanker** Q

*Analyst, Morgan Stanley & Co. LLC*

Great. Thanks. Good morning, everyone. Ed or Glen, I think you said in your prepared remarks that you're encouraged by industry supply actions, especially, lower end capacity coming out. Can you elaborate on that a little bit more and give us your thoughts on industry capacity in 3Q and 4Q? Do you think we are at a point that we were last summer where demand and supply came at a balance, and that was supportive of RASM, even in a falling jet fuel environment?

**Glen William Hauenstein** A

*President, Delta Air Lines, Inc.*

Hey, Ravi, it's Glen. When you look back, I think – when you look back into April for domestic, for example, we were – industry was up around 3%. And as you move forward through the period between May, June, July, August and then into September, it appears as though the industry has taken 4 points of capacity out. And by the time we hit September, domestic industry seats are actually down close to 1%. So, that's a significant reduction in capacity, and it's a significant reduction in off-peak capacity that's even greater than that. So, I think the industry has done an amazing job. And as you know, I've been in this business quite a long time, and I've really never seen that amount of capacity come out in a non-recessionary environment. And I don't think anybody is predicting that we're in a recession. So, I think this is a really good indication that the industry is doing what it needs to do to restore profitability.

**Ravi Shanker** Q

*Analyst, Morgan Stanley & Co. LLC*

Understood. That's very helpful. Maybe for a follow-up, Glen, can you just give us a little more color on the cabin segmentation? Again, how that's being received? What that means for premium cabin? And also, there is speculation that you guys may launch a new ultra-premium credit card. So, how do you think about premium cabin economics over the next couple of quarters?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

Well, premium has certainly been where our margins have continued to expand. And so, we're highly focused on continuing to provide improved service to those customers and more segmentation. And I think the segmentation that we've done in main cabin is kind of the template that we're going to bring to all of our premium cabins over time, because different people have different needs. And the more choices we can give customers with the more price points to provide value, the better, I think, the answer is going to be for Delta and for our customers. So, it's all about giving people more choice, more pricing options, and more products and services in every cabin.

**Ravi Shanker**
*Analyst, Morgan Stanley & Co. LLC*
Q

Very good. Thank you.

**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

Good morning. A question for Glen. And thanks to Ravi because it was a good lead in. So, the spread between premium growth and main cabin contraction widened to 10 points in the second quarter. The spread has been accelerating for the past several quarters, but it seems that this is a little bit more about main cabin weakness than just premium resilience. So, can I ask if premium trends whether you define that by revenue or maybe, I don't know, paid load factor, did it match your expectations in the second quarter? And is it safe to assume, given your earlier commentary, that we see at least another quarter of expansion?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

I think there is nothing in any of the forward bookings that would have us indicate that there is a diminishing demand for premium cabins or services. And so, as we continue to look – reevaluate, even now, the [indiscernible] (00:25:02) on the airplanes and put more and more premium, we are able to do two things. One is sell more of it, and two is accommodate more of our heaviest frequent flyers with upgrades, which is something we want to continue to do to provide additional value to them. So, we're very excited about where we sit today, and we're very excited about the possibilities moving forward.

**Jamie N. Baker**
*Analyst, JPMorgan Securities LLC*
Q

Okay. And then, a follow-up for you, Glen, or maybe this is for Ed. One of the post-COVID realities was workplace mobility, flexibility, the advent of bleisure, and Ed, I know you're not a fan of that term, neither am I. But when I think of the return to office trends – and look maybe I am biased, my company has certainly been vocal on this topic, but I guess the question is whether your demand forecasts are at all tempered by the fact that, at least for some of us, we can't escape to Europe with impunity the way we might have a year or two ago. Any thoughts on that? And maybe I'm just projecting.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

I think a little bit you're projecting. I think the workplace, under any circumstances, has become more flexible than it was pre-pandemic. And people, while they may be required to be in the office a few days a week, all the way up to five days a week, all of us, I think, have more flexibility on being places we want to be. And we continue to see that embedded in the demand strength here. I don't think – the offset of that is, as people continue to return to the office this fall, there could be even more upside in the business travel.

**Jamie N. Baker**
*Analyst, JPMorgan Securities LLC*

Q

Sure.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

Yes. We don't have that in our forecast, but we'll see. We're optimistic that business has been pretty resilient through this part of the demand set, and hopefully it accelerates as we move into the fall.

**Edward Herman Bastian**
*Chief Executive Officer & Director, Delta Air Lines, Inc.*

A

And, Jamie, this is Ed. I'll tag on to Glen's comments with one additional thought. We shouldn't lose sight of the fact that business travel, while it is returned, is still very much in line with where it had been versus where the size of the economy is today, particularly the growth rate. So, on any true comp, you have easily another 15% or 20% of business travel that isn't being done, that used to be done. And I think with all the new tools and flexibility models and being in-person is more important than ever in this turbulent world, I think there is going to be a lot more opportunity yet to see business growth.

**Jamie N. Baker**
*Analyst, JPMorgan Securities LLC*

Q

Gentlemen, thank you, both.

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

**David Vernon**
*Analyst, Bernstein Institutional Services LLC*

Q

Hey. Good morning, guys, and thanks for taking the time. So, first question on the capacity outlook as we're looking at the second half of the year, I mean, clearly, there's no explicit sort of guidance around what the capacity is going to look like. I'm kind of wondering how much of the guide for improving unit revenue trends is based on kind of what you think you can control in your network versus what you're expecting peers to do on the capacity front?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

I'm sorry, you were kind of fading out at the end of that question. Could you...

**David Vernon**
*Analyst, Bernstein Institutional Services LLC*
Q

Oh, sorry.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

...just repeat [indiscernible] (00:28:14)

**David Vernon**
*Analyst, Bernstein Institutional Services LLC*
Q

Yeah, I'm trying to figure out how much of the guide for 2H is based on what you think you can control in your network versus what you're expecting peers to do on the capacity front, right? Are you kind of building the forecast based on what you're expecting the industry to do, or based on what you think you can do within your customers in your network?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

I think it's a combination of both. We certainly know what we can control, and there are pieces that we don't control, which is the other airlines' capacity. But from what we see in the open for sale tapes, we think it's probably loaded well through September at this point. There's probably some more adjustments that need to come in the back half of the year, October through December, but – and what other carriers are saying about their capacity levels. So, I feel it's a combination of both. Certainly, we can control what we can control in our customer base, but also, we're responding to what the macro environment is for all capacity in the industry.

**David Vernon**
*Analyst, Bernstein Institutional Services LLC*
Q

All right. Thanks for that. And then maybe, Ed, as a bigger picture question on aircraft deliveries, right. Last time we spoke, the tariff news had just hit, and people were kind of trying to figure out what this is going to mean. Do you have any updated thoughts on how tariffs are going to impact the order book, and what are the discussions that you're having right now around – with the industry or with the government around trying to make sure we don't see disruptions in the order book?

**Edward Herman Bastian**
*Chief Executive Officer & Director, Delta Air Lines, Inc.*
A

Well, my thoughts, David, haven't changed. We're not planning on paying any tariffs for aircraft deliveries, and that's a pretty strong point of view here on the Delta side. That said, we are encouraged by the progress that we see happening in the discussions in Washington. We are heartened by the UK/US acknowledgement in the recent trade agreement that the 1979 Aviation Act, where there would be no tariffs on a reciprocal basis would be honored, and we hope that template will continue in future negotiations. Our industry is one that's maybe unique in our country's economy, in which the size of the surplus that we throw off, given the strength of our industry for aviation and aerospace, is the largest in the world. And this is not an area where tariffs would do anything but hurt US companies and consumers.

**David Vernon**
*Analyst, Bernstein Institutional Services LLC*
Q

All right. Thank you.

**Operator**: Thank you. Your next question is coming from Tom Fitzgerald from TD Cowen. Your line is live.

**Thomas Fitzgerald**
*Analyst, TD Cowen*
Q

Hey, everyone. Thanks so much for the time. I wanted to touch in on your comment on Fetcherr. I think back at the Investor Day, you mentioned that their revenue management solutions were being deployed on about 1% of the network. I'm wondering if you could tell us where that number stands today, and then just provide a little more details on what you've learned with another six months of experimenting with AI and revenue management.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

So, today, we're about 3% of domestic. And that's – our goal is to have about 20% by the end of the year. And that's a goal. I mean, we can report back on what the actual numbers are, but you have to train these models as you might and you have to give it multiple opportunities to provide different results.

So, we're in heavy testing phase. We like what we see. We like it a lot and we're continuing to roll it out. But we're going to take our time and make sure that the rollout is successful, as opposed to trying to rush it and risk that there are unwanted answers in there. So, the more data it has and the more cases we give it, the more it learns. And we're really excited about it and we're really excited about partnering with Fetcherr.

**Thomas Fitzgerald**
*Analyst, TD Cowen*
Q

Okay. That's really helpful. Thank you so much. And then just as a follow-up, you sounded constructive on corporate today. I'm just curious what you're hearing from some of your key accounts for the post Labor Day environment, and then how you'd characterize demand across some of the different sectors like financial services, tech, autos, agriculture, et cetera. Thanks again for the time.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

Sure. Most of our survey results indicate that people are going to spend the same or more, and they usually do that. So, we'll see as it materializes. But as far as the sectors go, really the favorable sectors are banking, consultancies and technology. And the laggards are autos and manufacturing, which is kind of surprising, given the way the government is trying to bring manufacturing back. So, hopefully, those will turn around here in the not-too-distant future.

**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/Merrill Lynch*
Q

Hi. Good morning, everyone. So, Ed, you mentioned on TV this morning that you see the consumer pullback starting to wane here. What are the biggest data points that you see driving it today? And can you potentially quantify what you see in your booking curves to support that right now?

**Edward Herman Bastian**
*Chief Executive Officer & Director, Delta Air Lines, Inc.*

A

Sure. Andrew, I'm talking not specifically as much to the airline industry as the consumer data broadly. If you look at any measure of consumer confidence, it certainly took a big dip in the early part of the year and then again in April, after the Liberation Day announcements were made. And it's been slowly starting to climb back. I think our consumer, particularly who I'm also speaking to, is a consumer that has not been nearly as impacted by many of the consumers that are pulling down some of those surveys that be the lower income survey. Our target consumer is a household with $100,000 or more of annual earnings, which is not, by the way, an elite definition. That's 40% of all the US households. And that cohort has accumulated a significant amount of wealth in the post-COVID era, and we were worried, I think, in earlier part of the year about the wealth effect, what's going on in the markets and other financial instruments, but that's corrected itself. The market's beyond where it was even at the start of the year.

So, we look at a lot of data points. We talked to a lot of businesses, a lot of leaders. And there's a growing sentiment of confidence moving forward and ready to move our economy forward. One other thing that I did get a chance to talk about this morning, the first quarter actual results came in and the economy actually shrank a bit – just a tad, the US economy. And you know how highly correlated airline revenues are to the overall economy. The most recent Fed data is expecting in the second quarter, and the full year overall US economic growth to decline, but still be positive at 1.5% point. So, you have a lot of data in there. And you try to read through that. But there seems to be growing optimism. But clearly we still have a long ways to go.

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**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

And if I could just add...

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**Andrew G. Didora**
*Analyst, Bank of America/Merrill Lynch*

Q

Sure.

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**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

...some factoid, I've been hoping we get a question in regards, we had our highest cash sales day for the month of July in the 100-year history yesterday. So, advance bookings are doing well and people are starting – I think at the beginning when people were fearful, we saw the further out bookings going away. We see those starting to return again and hopefully those trends continue.

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**Andrew G. Didora**
*Analyst, Bank of America/Merrill Lynch*

Q

Got it. Thank you for those thoughts. Then, just, Ed, the $3 billion to $4 billion of free cash flow in this environment, I think, is pretty powerful. I know you've been repaying debt. You increase the dividend. But how should we think about the deployment of future cash flow, particularly in respects to a buyback here? Thank you.

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**Edward Herman Bastian**
*Chief Executive Officer & Director, Delta Air Lines, Inc.*

A

Well, as you know, Andrew, we did file a shelf for $1 billion buyback. In this environment, our priority continues to be debt repayment, and the growth we recently announced around the dividend. It's a three-year shelf. I fully anticipate over the course of the three years, we will exercise that for share repurchases. But in the interim period, we're still heavily focused on debt reduction.

**Andrew G. Didora**
*Analyst, Bank of America/Merrill Lynch*

Q

Great. Thank you.

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

**Conor Cunningham**
*Analyst, Melius Research LLC*

Q

Hi, everyone. Thank you. I've had a lot of questions on visibility today. And so, I'm just trying to get a little bit more confidence in. I know you're not guiding 4Q, but you can back into it, obviously. And it's your assumptions kind of assume a fairly substantial – I don't want to say substantial, but a pretty meaningful move in unit revenue performance, maybe an inflection in the fourth quarter. So I'm just trying to understand. Can you just frame up the confidence there? And it just seems like it's much more US domestic focused now than it is international. Just maybe we could talk about the geographies within the context of what you're seeing in 4Q. I know it's early. Thank you.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

Sure. I think we have the most visibility on long-haul international, which is inflecting up as you head out of the peak summer into the shoulder season. So, that's part of the base of what we see transforming to a better result in the fourth quarter than the third quarter in terms of unit revenue performance. And then, of course, the domestic is hopefully going to inflect back to positive year. And all trends are – all forward bookings indicate that if it's moving in the right direction. And sometime this fall, I would, believe that we would inflect back into positive. I'm not predicting the date yet, but, the indications of the early bookings are a much better base than we had for the peak summer at 60 or 90 days out.

**Edward Herman Bastian**
*Chief Executive Officer & Director, Delta Air Lines, Inc.*

A

And, Conor, this is Ed. To add on to that, it's also one of the reasons we gave a pretty wide range in terms of the full-year guidance. I know everyone focuses on the midpoint. We're not that good in terms of that level of accuracy and we do have a pretty wide range still, given we know there's a lot more to come yet.

**Conor Cunningham**
*Analyst, Melius Research LLC*

Q

Okay. And maybe I can go back to Andrew's comments on free cash flow, the $3 billion to $4 billion. It's great that we're talking about that again. I'm just trying to understand it seems somewhat counter-seasonal in the second half. And I was hoping you could just bridge to how you get there, driving the incremental $1.5 billion. Is there something within the tax code, that changes to the tax bill that drive up that a little bit? And maybe you can give an assumption around your long-term cash taxes, just given the new tax bill. That would be helpful. Thank you.

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

Yeah. Conor, thank you. Maybe a couple things I'll start with taxes just to clear that and then move to the cash flow drivers on. Cash taxes, as we talked about last November and came into the year, we expected to be a cash tax payer in the mid kind of single-digit way – level this year. But with both the change in the demand and profitability environment, that won't transpire. And now we get the benefit of [indiscernible] (00:40:09) or close to [indiscernible] (00:40:11) as it relates to depreciation acceleration. So, that will at least be deferred a full year. So, potentially a low-single digit, single-digit cash tax payer next year. And then that would march up over a longer-term period, multiple year period at a mid-teens is how we see it today. But that will adjust, as we are more and look at our growth plans and our fleet plans associated with that in the underlying business.

As it relates to cash flow, think about where we were – are through the half at $2 billion, things that – as we go into the back half of the year, we're currently looking at all our investments and the pacing of that. And that's one lever that we have. Also the $2 billion in the first half was impacted by the compression of the booking curve. And you think about that where you would have been, that was $400 million or $500 million associated with that. So, any type of normalization benefits with that.

And then, third and one of our larger levers that we continue to have continues to be the working capital that we've built up in our operation as we restored the network and our operation. And the teams are continuing to work on things across our operations, but particularly in maintenance and even with our third-party MRO activity, where we've carried a lot of material and we have the opportunity to continue as we reduce turnaround times and other elements to release that capital that we built up through the last few years and release that back into cash flow. And that's true both across our operations crew, also true with other elements of the business. So, we're working all those levers and, to the point, feel confident in the $3 billion to $4 billion range.

**Conor Cunningham**
*Analyst, Melius Research LLC*
Q

Awesome. Thank you.

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

**Duane Pfennigwerth**
*Analyst, Evercore Group LLC*
Q

Hey. Thanks. Good morning. I wanted to ask you a couple of credit card related questions, a data question and a growth question, maybe for Glen. First on the data, it just feels like there's a lot more credit card spend data swirling around, many of the firms on this call are saying their clients' data monthly or maybe even weekly. What do you think the limitations of this credit card data might be? And I'm thinking about maybe different segments of customers or changes in the booking curve. What do you think the data might be missing?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

I haven't spent a lot of time thinking about the data that comes out from others. I think I watched a comment this morning on somebody talking about credit card spend, and that it was much worse at the lower end of the spectrum than it was at the – for higher end. And I think that's what we are indicating here is we have the higher end. The higher end seems to feel more comfortable and is actually growing their disposable income. And so, I think when you look at all those numbers, it's an amalgamation of a lot of subsets that we don't have.

**Duane Pfennigwerth**
*Analyst, Evercore Group LLC*

Q

That's helpful. And then on your own co-brand, I think we understand or appreciate the competitive dynamics within the airline industry, but how do you think about Delta's competitive advantages outside of the airline industry as we see high-end cards, maybe high end clubs, but not attached, specifically to an airline brand?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

Right. We spend a lot of time thinking about this and how we can continue to enhance the benefits. And I'll just give you a satisfaction number. Holders of our card have had the highest satisfaction in the history of our card in the last quarter. So, continuing to innovate on the product side, continuing to provide value that people outside of our business can't provide, whether or not it's club access, whether or not it's status. And I think the totality of what we're offering our consumer is well received, and it results in us having continued high levels of acquisition and continued high levels of spend.

**Duane Pfennigwerth**
*Analyst, Evercore Group LLC*

Q

Thank you.

**Operator**: Thank you. Your next question is coming from Catherine O'Brien from Goldman Sachs. Your line is live.

**Catherine O'Brien**
*Analyst, Goldman Sachs & Co. LLC*

Q

Good morning, everyone. Thanks for the time. Despite a tough operational environment in the quarter, especially in Atlanta, at the close of the quarter, your CASM-ex came in line with plan. What else went better in the quarter to maybe offset some of those operational challenges? And do you think you can keep that momentum up going forward?

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

This is – thanks. As it relates to operational performance, I think this is consistent of what you've seen over the last 12, 18, 24 months from the team, just good line of sight to things where we can drive efficiency across the operation. And those types of things are what offsets. Normally, you have the events that we had in the abnormal or irregular operations and losing some of the ASMs and you'd have a point impact. And our teams are able to execute through that, because they're working on a whole basket of efficiency opportunities. And for instance, you see it in the line items of the SEC. You see maintenance down, right? It's the tech ops team and we've talked about it where we've had their costs at a high point over the last couple of years and last year hitting it, and with volume and with improvement and efficiency and turn around and other factors that are getting more effective associated with that, and you pick up that benefit. So, those types of things that the teams are working on and working on those basket of opportunities.

**Catherine O'Brien**
*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. And then maybe MRO revenue saw strong growth this quarter. Can you just update us on where we should be thinking MRO revenue can get to over the coming years? Are you guys mostly caught up on some of the delayed maintenance from the COVID era or on Delta's own fleet? Like just can you help us think about like how much more volume you can open up to third party over the coming months versus last year or two? Thanks very much for the time.

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

Yeah, we're excited about the future of MRO. And as we've talked about consistently over the last two, three, four years, that the priorities at coming through pandemic was the restoration of the Delta network and the Delta capabilities. But really proud of the tech op team and the capabilities that we have there. And we're well positioned both on next-generation equipment, but also deep competencies on all those installed legacy engine types. And we're now getting back to being able to focus on that and drive that growth. You're going to see growth for the first time this year for the total year. And this is one that you're going to continue to grow well above the rate of the core airline.

And I think a good marker of that was just here coming in the MRO Americas where we announced the UPS deal. Again, this isn't next generation. This is right in the heart of what we're really good at on the PW2000. And it's the largest in the history of Delta as it relates to a third-party commercial relationship and getting that benefit along with the next generation. So, this is something that can go from where it is today to $1 billion, $2 billion, $3 billion and continue to grow.

**Catherine O'Brien**
*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks so much.

**Operator**: Thank you. Your next question is coming from Mike Linenberg from Deutsche Bank. Your line is live.

**Michael Linenberg**
*Analyst, Deutsche Bank Securities, Inc.*

Q

Oh, yeah. Hey. Good morning, everyone. Hey, Dan, you talked about the fully funded pensions. How should we think about that with respect to potential tailwinds, either on the P&L or on sort of your cash flow this year? I mean, I realize that a lot of the plan – I mean, the plans are frozen, but there should be some sort of benefit. Can you size that for us?

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

Yeah. You see the expense benefit from it as the expense comes down in the other income line. It's a modest benefit this year...

**Michael Linenberg**
*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay.

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

...in that line. So, it hasn't been material. We've been working it down as the surplus has improved, and it's really about what rates do and how the asset performance comes in versus the targeted 7% rate. Every time you beat that, do better than that 7% in the overall rate, you have an improvement in reducing that expense that you have. In fact, we feel really good in here, where we're close to $1 billion on a GAAP basis surplus. You go back to a period of time five, six years ago, that was at $5 billion to $6 billion. It was much greater than that a decade ago. And I think it just speaks to the financial strength and wherewithal of Delta. So, we're very happy that it's fully funded and it will be less and less of a drag as long as we continue to hit those metrics.

**Michael Linenberg**
*Analyst, Deutsche Bank Securities, Inc.*

Q

That's great. And then just my second question, Glen, just with respect to the booking curve, we've been hearing a lot of commentary how it just has gotten a lot closer in. I know Dan talked about on the cash flow. As that normalizes, that's going to release cash and be beneficial. Can you talk about how that has shifted and maybe whether you're seeing improvement? And as we think about how much you're booked up over the next few months, is that shorter booking curve manifesting in, say, 5 or 10 points lower on a load factor basis or not? Any color around that would be great. Thanks.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

So, yes, the booking curve has shifted in and, generally, there's a -outside of 120 days forward, it hasn't deteriorated that much. Inside of 120, down to 90, it has – or actually down to 60, it has. So, there's a piece in there that's moved closer in, and we tend to build a lot inside the month, which we didn't do last year because a lot of those tickets were already sold. So, we have seen indications that it's starting to move back out again. And I think this is very correlated to consumer confidence. As confidence returns, people will continue to book further out, which, if that happens, would have a very favorable impact to cash flow in the coming months.

**Michael Linenberg**
*Analyst, Deutsche Bank Securities, Inc.*

Q

Great. Thanks, Glen. Thanks, Dan.

**Operator**: Thank you. Your next question is coming from Sheila Kahyaoglu from Jefferies. Your line is live.

**Sheila Kahyaoglu**
*Analyst, Jefferies LLC*

Q

Good morning, guys. Maybe the first one on the main cabin, down 5%. How do we think about that turning positive? What were the biggest areas of weakness? How do we think about the improvement in Q3 and Q4 and just, yeah, the overall timeline to turn main cabin positive again?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

Right. So, main cabin has been the weakness as we move through the year. And it's been very weak in off-peak. So, how we've done with it, and I think a lot of the industry, if you listen to what they're all doing, is we're all taking the weakest trips out, which is what you would expect airlines to do. And they tend to be on off-peak days, so Tuesdays and Wednesdays. And they tend to be at off-peak times, pre 6:00 AM or post 21:00 departures. So, that's really where we've concentrated and trying to eliminate those and consolidate that travel back on to the peak a little bit more. And I think you're seeing very favorable results as we move through the – or I would expect to see very favorable results for main cabin as we move through the rest of the year, given what the industry is producing, too.

**Sheila Kahyaoglu**
*Analyst, Jefferies LLC*

Q

Is there a timeline on – could it be positive next year or in 2025?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

Oh, it could be positive this year.

**Sheila Kahyaoglu**
*Analyst, Jefferies LLC*

Q

Okay.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

I'm not writing off that it could not be – I think we have a good shot of it becoming positive or at least neutral by the third quarter or fourth quarter of this year.

**Sheila Kahyaoglu**
*Analyst, Jefferies LLC*

Q

And then just maybe on the Atlantic commentary, how do you think about US/non-US point-of-sale exposure to the curve, what's going on in Europe, and what are some of the best performing areas or countries versus lower performers?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

Well, I think, there's clearly less travel coming out of Europe, but currency changes have offset a lot of that in terms of the total revenue coming out of Europe. So, lower customer accounts but higher yields, given the currencies appreciated more than 10% over the past few months here. And so, those kind of balance each other out with just a slight negative. And what's really driving us in the peak being a little bit lighter than the shoulders is this change in demand set from the peak summer months when everybody's on vacation, prices are really high, places are crowded, Europe's hot, and to times where it's a much more pleasurable experience, cooler temperatures, lower hotel rates.

And so, I think we've seen this systematic shift, and this is not a one-year issue, this is multiyears that the peak is getting less peaky and the shoulders are getting stronger. And that's happened over a three-, four-, five-year period since coming out of COVID.

**Sheila Kahyaoglu**
*Analyst, Jefferies LLC*

Q

Thank you.

**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 for squeezing me in. I wanted to get back just a little bit. Maybe a follow-up on Andrew's question about the strong free cash flow you guys had. [ph] Why don't (00:53:30) we think about the co-branded card remuneration around the working capital flow. I sort of recall you guys were sort of looking to a high-single-digit increase in co-branded card remuneration, and it perhaps has come in a little bit stronger than that. If you could elaborate, please.

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**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.* A

Yeah. Both card spend and the cash that we've received from Amex is up 10% in the quarter. So, really good continued strong strength there.

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**Stephen Darrell Trent**
*Analyst, Citigroup Global Markets, Inc.* Q

Great. Thank you, Dan. And just a quick follow-up here. I also recall your international point of sale is maybe 80-some-odd-percent US, does that look – how does that look on the co-branded cards that? Do actually have a meaningful number of foreign cardholders or is this just pretty much entirely US cardholders? Thank you.

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**Glen William Hauenstein**
*President, Delta Air Lines, Inc.* A

It's 99% US cardholders.

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**Stephen Darrell Trent**
*Analyst, Citigroup Global Markets, Inc.* Q

Very helpful. And thanks for the time.

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**Julie Stewart**
*Vice President-Investor Relations and Corporate Development, Delta Air Lines, Inc.* A

Matthew, we will now go to our final analyst question, Savi Syth.

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**Operator**: Certainly, the last question is coming from Savi Syth from Raymond James. Your line is live.

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**Savanthi Syth**
*Analyst, Raymond James & Associates, Inc.* Q

Hey. Good morning, everyone. If I might ask, just given the level of uncertainty that was there the last time you had this earnings call, just how has your kind of view on the post-summer capacity plan evolved? And if you could talk about like on the domestic side as well as the international side?

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**Glen William Hauenstein**
*President, Delta Air Lines, Inc.* A

How has it evolved? Well, I think we've seen the industry continue to act responsibly and take capacity down, particularly in the off peaks and particularly in domestic main cabin. So, those are the areas that have been the weakest. And I think the industry is doing a very effective job in terms of addressing that in the supplier offering. Internationally, I'd say we're in pretty good shape. I don't think everybody's winter IATA schedules are loaded yet, so we'll keep a close eye on that. But there's probably – that's where the slowdown in growth has not occurred as dramatically as it has domestically yet. But I think as we move through the year, we'll see more and more of that.

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**Savanthi Syth**
*Analyst, Raymond James & Associates, Inc.*
Q

And does that apply for your thinking, Glen, too? Like nothing really has changed from how – your approach?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

No, I think a lot's changed for us. We've taken several points of capacity down. Our European capacity offering as you get to the shoulder is relatively flat. I think we're up 2.5% in seats. We were up in the mid-to-high single digits at the peak of peaks. So, I think everybody's doing their fair share in terms of trying to get this back to capital returns that are in excess of our cost of capital.

**Savanthi Syth**
*Analyst, Raymond James & Associates, Inc.*
Q

I appreciate that. And just a last follow-up, just you had a comment about replicating some of the shoulder seasonal patterns on the international network. Is that more of a Transatlantic comment? Is that kind of other Pacific and LatAm as well? Just kind of curious if you could flesh that out a little bit?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

Well, LatAm is actually contra-seasonal, so its peak is in December and January. And the Pacific is less seasonal than Europe. So, this is really related to Europe, which is 60% to 65% of our total international.

**Savanthi Syth**
*Analyst, Raymond James & Associates, Inc.*
Q

Got it. Appreciate it. Thank you.

**Julie Stewart**
*Vice President-Investor Relations and Corporate Development, Delta Air Lines, Inc.*
A

That will wrap up the analyst portion of the call today. And I'll now turn it over to Tim Mapes to start the media questions.

**Tim Mapes**
*Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.*
A

Thank you, Julie. Matthew, if you don't mind reiterating for the members of the media the call instructions and the follow-up, please?

**Operator**: Certainly. At this time, we'll be conducting a Q&A session for media questions. [Operator Instructions] Thank you. Your next question is coming from Leslie Josephs from CNBC. Your line is live.

**Leslie Josephs**
*Reporter, CNBC*
Q

Hi. Good morning, everyone. Thanks for taking my question. Just curious on the segmentation at the front of the plane. Is that something that you plan to roll out in 2025 or 2026? And would it look something more like a basic business where you – the customer doesn't have a seat assignment or something like that? Or do you plan to have kind of a fancier or more desirable seat within Delta One or one of the other first-class cabins? Thanks.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

I think we're going to reserve comments on that until we roll it out. I think we're testing it with customers today, and we're doing a lot of surveys. And we haven't rolled it out yet, not because we don't have the technological capability, but we want to make sure that customers understand what we're putting in market and that they find value in it.

**Leslie Josephs**
*Reporter, CNBC*

Q

Okay. Could you tell us what you're testing exactly, currently?

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*

A

No. No, we can't. But thank you for the question.

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

**Mary Schlangenstein**
*Reporter, Bloomberg News*

Q

Hi. Good morning. In the last quarterly report, you said you were going to just add an incremental 10 aircrafts this year. I wondered if that's still the plan or if that's changed and for your capacity reductions later in the year. Is that going to be mostly what you just talked about, dropping some of those off-peak time flights, or will you be parking any planes or anything like that?

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

Yes. From a fleet perspective, we expect new deliveries to be around 40 aircrafts, and we expect our retirements to be around 30, slightly more, so adding just about 10 aircrafts or under that. So, about 1% of the fleet.

**Mary Schlangenstein**
*Reporter, Bloomberg News*

Q

Okay. And what about – how you're going to go about cutting capacity different ways?

**Daniel C. Janki**
*Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.*

A

I think Glen talked about it earlier in regards to the focus has been mostly as it relates to where there's demand weakness. So, domestic, particularly in the off-peak and shoulder periods, we've taken the unprofitable or where the weak demand is flying out.

**Mary Schlangenstein**
*Reporter, Bloomberg News*

Q

Thank you.

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

**Alison Sider**
*Reporter, The Wall Street Journal*
Q

Hey. Thanks so much. I guess I was just curious what you guys are seeing now in terms of crowding in the Sky Clubs, especially now that you've sort of expanded the Delta One network and with some of the changes to visit – limits on visits.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

We are continually working to eradicate the lines and crowding at Sky Clubs, whether or not that's building new and better Sky Clubs. We didn't mention, for example, that the D Sky Club last quarter in Atlanta opened up, replacing 8,000 square feet with 26,000 square feet. So, we have a lot of plans to continue to address the places where we are constrained. Now, one of the issues with the constraint is, and particularly with the weather that's been in New York this year, with thunderstorms almost every day with flights being delayed is that you can't build a club big enough for lengthy delays. So, I think we're trying to look at alternatives that we can use as overflow in those instances. But I think generally by structurally non-IROP days, we should have almost all of our crowding issues solved in the next 18 to 24 months.

**Alison Sider**
*Reporter, The Wall Street Journal*
Q

Thanks. And how is the sort of general competitive landscape for lounges changed over the last couple of years? It just seems like there's so many lounges getting built by so many different providers.

**Glen William Hauenstein**
*President, Delta Air Lines, Inc.*
A

Yes. And we're very proud to have an award-winning portfolio and a largest portfolio in the United States. And it's very interesting to me to see carriers like Southwest say that they may need to start building clubs. So, I think people have seen the value in the clubs and the value and the premiumization of Delta, and I think that's something that a lot of people are trying to emulate. But they are many, many, many years behind us.

**Alison Sider**
*Reporter, The Wall Street Journal*
Q

Thanks.

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

Thanks, Aly. Matthew, we are right on time. So, that will wrap us up.

**Operator**: Thank you. That concludes today's conference. Thank you, all, for your participation today.