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Delta Air Lines, Inc. (DAL)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Delta Air Lines Fourth Quarter Fiscal Year 2025 Earnings 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 would now like to turn the conference over to Julie Stewart, Vice President of Investor Relations and Corporate Development. Please go ahead.

Julie Stewart

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

Thank you, Matthew. Good morning, everyone, and thanks for joining us for our December quarter and full year 2025 earnings call. Joining us from Atlanta today are our CEO, Ed Bastian; our President, Glen Hauenstein; our CFO, Dan Janki; and our Chief Commercial Officer, Joe Esposito. Ed will open the call with an overview of Delta's performance and strategies, Glen will provide an update on the revenue environment, and Dan will discuss costs on 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 and related follow-up so that we can get to as many of you as possible. After the analyst 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.

Thank you, Julie, and good morning, everyone. The Delta team delivered a strong close to our centennial year, with results that are a clear proof point of the differentiation and the durability that we've built. I'm incredibly proud of our performance. We delivered for our customers and our employees, while also creating value for our owners all through a challenging environment.

Operationally, Delta continues to set the standard for reliability and customer experience. We have the number one Net Promoter Score among major airlines, and Cirium recently recognized our employees for the fifth consecutive year, naming Delta as the US industry's most on-time airline.

Financially, we continue to extend our industry leadership and delivered on key elements of our long-term framework. In the December quarter, we achieved record revenue, maintained a double-digit operating margin, and delivered earnings that were consistent with our expectations, outside of the impact of the government shutdown. For the full year, we recorded record revenue of $58.3 billion, an operating margin of 10%, pre-tax income of $5 billion, and earnings of $5.82 per share. A key highlight is free cash flow.

We delivered $4.6 billion at the top end of our long-term financial framework, and the highest in Delta's history. Over the past three years, we've generated $10 billion in free cash flow, allowing us to strengthen our investment-grade balance sheet and reduce leverage by more than 50%. Our return on invested capital of 12% is well above our cost of capital, placing us in the upper half of the S&P 500 and leading the industry. These results underscore the strength of our brand and the resilience of our competitive advantages. It would not be possible without the dedication of our people.

To all 100,000 members of the Delta team, we thank you for your unwavering commitment. Your care and professionalism, especially through a busy holiday season, are the reason customers choose Delta and why our results lead the industry.

At Delta, sharing success is at the heart of our culture. That's why in 2025, we awarded a 4% pay increase and I'm pleased to announce that we will celebrate with our team with $1.3 billion in well-earned profit sharing this February. This is one of the largest profit sharing payouts in Delta's history, a testament to the extraordinary efforts of our people who set us apart from the rest of the industry.

Turning to our outlook, the year is off to a strong start. Last week, we set a new record for bookings with cash sales up double-digits on top of the strength that we saw last year. Top line growth is accelerating on consumer and corporate demand, supporting an outlook for revenue growth of 5% to 7% in the March quarter. The US economy remains on firm footing and consumers continue to prioritize experiences, with travel among the top spending categories. Business travel is showing signs of improvement as corporate confidence grows, with the most recent survey of corporate customers indicating that they expect to grow their travel spend this year.

Structural changes are taking hold across the industry as unprofitable flying is rationalized, supporting a healthy balance between supply and demand. And against this backdrop and with continued benefits from Delta's strategic initiatives, we expect to deliver earnings per share growth of 20% year-over-year in 2026, ahead of our long-term target. Cash generation remains a key differentiator for Delta, and in 2026, we expect to generate free cash of $3 billion to $4 billion, supporting further debt reduction and growth in shareholder returns.

Our teams are executing our bold vision of reshaping the end-to-end travel experience and cementing Delta as the world's most loved airline. We're elevating every phase of the customer journey, making travel simpler, faster, and even more enjoyable. This includes expanding our Premium lounge network, delivering a connected experience for SkyMiles members, with more than 1,100 aircraft already equipped with fast and free Wi-Fi, and introducing innovative digital tools like Delta Concierge.

Our exclusive partnerships with leading brands such as American Express, Uber, and YouTube further enhance the experience. We're leveraging technology and personalization at scale with over 115 million annual logins to our industry-leading Delta Sync platform, creating new opportunities for personalized engagement and partnerships. At the same time, we're streamlining the travel experience with initiatives like Uber Airport Express Drop-Off at LaGuardia and Atlanta, offering customers curbside hospitality and a direct path to security, saving time and reducing congestion.

The response to our Delta-Uber partnership has been tremendous, with over 1.5 million SkyMiles members linking their accounts since launch, demonstrating the power of our loyalty strategy to engage members beyond the flight and drive high-margin, diverse revenue streams. Our Delta-Amex co-brand card portfolio continues to deliver double-digit spend growth, outpacing the broader consumer credit card industry. Co-brand cardholders are among our most valuable and satisfied customers, traveling more often and spending more on Delta.

Building on our strong domestic foundation and loyalty success, we're expanding Delta's international footprint in 2026 and beyond, while continuing to grow our margins. To support profitable growth, we're leveraging best-in-class joint ventures and investing in the renewal and expansion of our widebody fleet. This morning, we announced an order for 30 Boeing 787-10s with options for 30 more, set for delivery starting in 2031. These aircraft will enhance our international network, deliver superior economics, and extend our long haul capabilities.

As we look ahead to our next century of flight, my optimism for Delta's future has never been brighter. Much of our strong positioning today is thanks to the leadership and the vision of Glen Hauenstein. Glen has not only transformed our commercial strategy, but he has been an incredible co-pilot throughout our journey to make Delta the world's best and most profitable airline.

His unwavering customer focus and strategic discipline have built a world-class global network, firmly establishing Delta as the airline of choice for premium travelers. Glen's legacy is woven into the fabric of our company, and his vision will continue to guide us. Thanks to Glen's leadership and the talented team that he has built, we have a deep bench to support a seamless transition.

With Glen's retirement next month, Joe Esposito has been elevated to Chief Commercial Officer. With 35 years at Delta, much of it spent working very closely with Glen, Joe has led the teams behind our global network planning and revenue management. This continuity ensures our commercial organization remains in excellent hands.

Glen, it's been an honor and a privilege to work with you over these past two decades. On behalf of the Delta family, thank you for your incredible leadership and your friendship. You'll always be part of Delta, and your impact on our company and our industry cannot be overstated.

Now, I'm pleased to hand it over to Glen for one last earnings call update. Glen?

Glen William Hauenstein

President, Delta Air Lines, Inc.

Well, thank you, Ed, and thank you so much for those kind words. I am really, truly grateful to have worked by your side for these last 20 years and I am deeply proud of what we've accomplished together. Our strategy is proven, our culture is strong, and our team is truly the best in the business. Looking to the future, I'm confident that Delta's commercial team will continue to extend our leadership.

As you mentioned, Joe and I have worked closely together for the past 20 years, and he'll be supported by an exceptional team of senior executives that our investors know well. Paul Baldoni in Network Planning; Roberto Ioriatti in Revenue Management; and Dwight James in Loyalty; and Steve Sear in Global Sales and Distribution have combined more than 100 years of experience at Delta.

Together, we've re-engineered Delta's global network and built a customer-focused airline while diversifying revenue into higher-margin sources. We've expanded our Premium products and services, aligned customer value to price paid, and made generational investments in our airport facilities and lounge networks. At the same time, we've created an incredibly powerful loyalty program that extends beyond the flight and provides a more durable financial foundation. This consistent and integrated strategy positions Delta with a sustained unit revenue premium of nearly 115% relative to the industry.

Last year's performance truly showcased Delta's differentiation and industry leadership. In 2025, we delivered record revenue of $58.3 billion, up 2.3% year-over-year, with diversified revenue streams now representing 60% of total revenue. Premium revenue grew 7%, reflecting a robust demand for our most popular products, while cargo revenue increased 9% and maintenance, repair and overhaul revenue grew 25%.

Total loyalty revenue improved 6% and travel products continued to grow at double-digit rates. Our loyalty ecosystem remains a powerful engine of enterprise value, anchored by the strength of the SkyMiles program, a highly engaged member base, and our exclusive co-brand partnership with American Express.

For the year, American Express remuneration grew 11% to $8.2 billion, driven by a fourth consecutive year of more than 1 million new card acquisitions and double-digit year-over-year co-brand spend growth in every quarter. This impressive performance underscores the power of the Delta brand and the success of our integrated commercial and customer strategy.

Roughly one-third of active SkyMiles members carry a co-brand card, and we see significant runway ahead as member engagement and penetration continues to rise. In 2026, we expect high-single digit growth in co-brand remuneration, keeping us on track to achieve our $10 billion goal within the next few years.

For the December quarter, Delta delivered a record revenue of $14.6 billion, 1.2% higher than in 2024, including about 2 points of impact from the government shutdown on capacity growth of 1%. Consistent with the full year, diverse revenue streams led with high-single digit growth year-over-year. Demand trends were healthy outside of the temporary impact from the FAA-mandated flight reductions, with Premium showing continued strength and consumers demonstrating resilience through the holiday season.

Corporate sales grew by 8%, with growth across all sectors, led by banking, consumer services, and media. International performance improved significantly from the September quarter, with unit revenue growth improving 5 points driven by Transatlantic and Pacific.

Turning to our outlook, Delta is well-positioned to deliver positive a unit revenue growth throughout 2026, building on the strength of our Premium brand, deep loyalty engagement, and continued progress on commercial initiatives. We are heading into 2026 with robust demand and a balanced industry supply/demand environment, with March quarter revenue expected to increase 5% to 7% year-over-year, several points ahead of capacity growth.

As Ed mentioned, the year has started off with great momentum. Last week, cash sales were the highest in our 100-year history, with strength across the booking curve and in all geographies. Historically, March has been the strongest period for bookings, so it is very encouraging to be setting new records here in early January. Aligned with US GDP expectations, we plan to grow capacity by 3% for the full year, with all-new seat growth concentrated in premium cabins, driven by interior upgrades and new aircraft deliveries.

Domestically, we have balanced growth across our core and coastal hubs, and are leveraging our integrated strategy to strengthen our industry-leading position. Internationally, we will build on our leading domestic foundation to expand into high-growth Asia and Middle East markets while continuing to renew our widebody fleet with larger, more capable, and more efficient aircraft.

Beyond network and fleet initiatives, we are focused on better aligning products and price to the value delivered. This expands our ability to sell and service segmented products across every channel, and leverages digital platforms to unlock incremental revenues from travel products and partnerships. With this plan, our diverse revenue streams, Premium loyalty, cargo, MRO, and travel products are expected to continue to lead the growth, further differentiating Delta and positioning us for long-term success.

In closing, I am proud of what we have built together and excited to watch this very experienced leadership team carry our momentum forward. I have never been more confident of Delta's future. To the Delta people, thank you for your passion and commitment to our customers and to one another. It's been the honor of my life to work alongside you. And to our analysts and investment community, thank you so much for your engagement and support throughout the years. I appreciate the confidence you have placed in Delta.

And with that, thank you all again, and I'll turn it over to Dan.

Daniel C. Janki

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

Thank you, Glen, and good morning to all. I want to start by recognizing the Delta team for their outstanding work through a demanding holiday season. In the fourth quarter, we delivered pre-tax profit of $1.3 billion, an operating margin of 10%, and earnings of $1.55 per share.

As previously disclosed, the government shutdown reduced pre-tax profit by $200 million or $0.25 per share. The FAA-mandated flight reduction and weather disruption impacted capacity and non-fuel unit costs growth by about 1 point. For the quarter, non-fuel CASM increased 4% year-over-year on 1% higher capacity.

For the full year, disciplined execution kept non-fuel unit cost growth at 2%, in line with our long-term target of low-single digit. Combined with revenue performance, we delivered a full year operating margin of 10%, EPS of $5.82, and a return on invested capital of 12%. Strong cash generation is a key highlight of our performance. We reinvested $4.3 billion in the business, including 38 new aircraft deliveries, and continued enhancements to the customer experience and technology.

Free cash flow of $4.6 billion supported debt reduction of $2.6 billion, and we ended the year with gross leverage of 2.4 times. We closed the year with adjusted net debt of approximately $14 billion and unencumbered assets of $35 billion, positioning Delta with the strongest balance sheet and the highest credit quality in our history.

I'm proud of how the team navigated 2025, staying focused on what we control and extending Delta's leadership, even in the year of unexpected challenges. Looking ahead, we are entering 2026 with momentum. For the March quarter, as Glen shared, we expect revenue growth of 5% to 7% year-over-year with positive unit revenue growth. With that, we expect first quarter earnings of $0.50 to $0.90 per share and an operating margin of 4.5% to 6%, both improving year-over-year.

For the full year, we expect EPS of $6.50 to $7.50, representing 20% year-over-year growth at the midpoint; free cash flow of $3 billion to $4 billion; and leverage of 2 times by year end. This outlook reflects margin expansion from growing high-margin, diverse revenue streams while maintaining disciplined cost management.

On non-fuel costs, we expect another year within our long-term framework of low-single digit. And as we prepare the fleet for peak summer, the first quarter non-fuel CASM growth is expected to be modestly above the full year average.

We are driving efficiencies across the operation, improving aircraft availability, scaling into our resources, and deploying new technology, which enables continued investment in our people and in the customer experience while delivering on a competitive cost performance. Strong earnings growth will drive higher operating cash flow, supporting reinvestment in higher return opportunities.

In 2026, we plan CapEx of $5.5 billion, including around 50 aircraft deliveries and ongoing investment in customer experience and technology. Our free cash flow outlook of $3 billion to $4 billion remains within our long-term target, though lower than 2025 due to increased capital investment and our transition to becoming a partial (sic) [cash] taxpayer. Debt reduction remains our top capital allocation priority, with opportunity to grow shareholder returns as we continue to reduce leverage.

With today's aircraft order, I'd like to highlight how our fleet strategy is positioning Delta for the future. Enhancing the customer experience, driving operational improvement, and supporting high margin expansion. Domestically, prioritizing flying on high-margin, large narrowbody aircraft; retiring older fleets; and building scale across our fleet types. This unlocks maintenance and crew efficiencies, elevates customer experience, and improves fuel burn.

For our international franchise, our growing next generation widebody fleet, strong domestic foundation, and leading joint ventures will enable further global expansion. New widebody aircraft deliver up to 10 points margin advantage over aircraft they replace, offering more Premium seating, 25% better fuel efficiency, and expanded cargo capability. Today's Boeing 787 order enhances diversity of our widebody order book, while creating cost efficient scale across all widebody fleets.

Before we move to Q&A, I want to highlight our ongoing commitment to financial reporting as the business evolves. We're providing additional detail on third party maintenance, repair and overhaul business, including revenue and cost. MRO is a unique Delta capability with strong growth potential, furthering the differentiation and durability. Given its profile, we'll separate MRO from our non-fuel unit cost metrics, preserving visibility into the core airline cost trends while also realigning loyalty-related revenue components to better match our reporting of how we operate.

Finally, I want to recognize Glen. Over the past five years, he's been an invaluable mentor, offering guidance, wisdom and partnership, which I will greatly, deeply be grateful for. Glen's impact and vision have redefined success in our industry. And the world-class team we built will continue to extend Delta's leadership well into the future. Thank you, Glen.

And with that, hand it back to Julie for Q&A.

Julie Stewart

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

Matthew, we're now ready to open it up to analysts' questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. At this time, we'll be conducting a question-and-answer session for analysts. [Operator Instructions] Your first question is coming from Jamie Baker from JPMorgan. Your line is live.

Jamie Baker
Analyst, JPMorgan Securities LLC

Q

Oh, hey, good morning. And, look, nothing but accolades from the JPMorgan team. Glen, you've always been so gracious and patient with us. We're really going to miss these interactions. Thank you so much.

First question for Ed. I know it's early innings, but if this 10% rate cap is codified and becomes reality and withstands legal scrutiny and all that kind of stuff, what – where does that leave Delta relative to your competitors? I mean, you have higher card fees, you lean into premium. If industry loyalty does take a hit, is the natural conclusion that higher-end loyalty outperforms lower-end? Or should we be thinking about it differently?

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

A

Well. Thanks, Jamie, and I could not agree with you more about your comments about Glen. As you said and prefaced, it's way early innings, and so it's really, really hard to speculate. And candidly, the challenges to having that comment of whatever the president is looking to do here are brought into actual delivery, I'm informed would likely require legislation. And I believe your company was out this morning with some pretty strong comments in terms of their disagreement and willingness to fight that potential order. That all said, we at Delta have the premium card in the industry. The – no question, our – the value of what we've created, the distinction and differentiation, if it did come to pass would be greater.

I think one of the big issues and challenges with the potential order is the fact that it would restrict the lower-end consumer from having access to any credit, not just what the interest rate they're paying, which would upend the whole credit card industry. So, from our standpoint, we'll be working closely with American Express. But I don't see any way we could even begin to contemplate how that would be implemented.

Jamie Baker
Analyst, JPMorgan Securities LLC

Q

Okay. And then, a follow-up for Glen, and this is actually a retirement related question. And look, maybe you don't think in these terms, but is there anything about the industry's evolution or Delta's evolution that maybe you, let's say, regret that you won't be at the table for? I mean, you obviously have a strong view on what Delta can accomplish going forward, but is there anything in particular that you're just personally disappointed to be missing? Thanks in advance.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Yeah. I think, there's a couple things I'll mention here. One is the continued evolution of our partnerships, and I think these are the strongest partnerships in the world with the strongest airlines in the world. So, whether it's LATAM or whether it's Korean, these are very, very deep relationships, which I think are still in their infancy.

And I think one of the things that's underappreciated is also we have equity stakes in all of them. And so, we are at the table with them. And I do think that one of my counsels to Julie is that continue to highlight that, because those are winning carriers and they're their stocks are appreciating well as well. And I think that's undervalued in valuation. So, I think that, the international continued expansion of international, the new fleets, like if you're an airline nerd like I am, who doesn't like to see how the new fleets perform once they get here?

These continue – another thing I think is undervalued at Delta is the fact that we've made these generational builds that can really sustain growth for Delta over the next 15 to 20 years without incremental CapEx into facilities. So, seeing those, seeing the Salt Lake City facility that we've just built get used over the next 10 to 15 years, there's so much I'm going to miss.

There's so much I'm not going to miss, too. Controlling your own calendar is key at this age. But as you realize, you don't have infinity left in the world. So, there's so many exciting things at Delta, and the team is really an extraordinary team. And the people of Delta have just been amazing to get to know over the past 20 years. So, there's tons I'll miss. Thanks for that interesting question.

Jamie Baker
Analyst, JPMorgan Securities LLC
Q

That's fine. Thank you 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, and kind of echo Jamie's words. I mean, Glen, you're an industry thought leader and innovator, I mean, always willing to push the envelope. I mean, I just – I feel privileged to have had the opportunity to have learned from you for all these years. So, thank you.

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

Thank you. Thank you for the kind words.

Michael Linenberg
Analyst, Deutsche Bank Securities, Inc.
Q

And I guess with that, you'll get my last question. I have really only one question here and just sort of drilling down, I mean, this acceleration that we are seeing on demand from the fourth quarter into the March quarter, I mean, you talk about all groups and all geographies. But as I recall, in the past, you did talk about that the leverage was maybe going to be in Main Cabin in 2026. And I wonder whether or not you are seeing that at the lower end of the fare structure is truly moving up, and that's helping to drive that acceleration?

And combined with that, just the booking curve, I mean, is there any – have we seen the booking curve really shift back to normality, or are there any sort of idiosyncrasies about that curve that are maybe helping that acceleration? So, just the revenue down? Thanks for taking my question.

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

Sure. The revenue, has definitely accelerated here. And we're very excited about it, and it's across all entities, it's across all geographies. And the booking curve really hasn't moved out that far, it's just kind of returned to a more normal level. I think what happened in the fourth quarter was all over the place, right. It was that, by the time we got to the shutdown in November and we had the Secretary of Transportation questioning the safety of air traffic control, there was a lot of noise in fourth quarter.

And so, I – but I do think if we took out that noise and saw where we were in October and see where we are sitting today, we are a step above where we were in October, which was a fantastic month for the company. And what's really exciting about the return of business as we head into 2026 is 2025 grew, I think it's 8% it grew, but it was mostly on fare. And right now, we're seeing both fare and traffic. And so, seeing that traffic come back is, I think, a really good, good start to 2026.

Michael Linenberg
Analyst, Deutsche Bank Securities, Inc.
Q

Great. Thank you.

Operator: Thank you. Your next question is coming from John Godyn from Citi Research. Your line is live.

John Godyn
Analyst, Citigroup Global Markets, Inc.
Q

Hey, guys, thank you for taking my question here. I wanted to kind of follow-up on the concept of accelerating trends as well, but specifically on corporate demand and what you're seeing there? It sounds like the numbers to start the year are quite good. And I was curious, is that the broader environment, is that market share gains? Anything you can, say to help us unpack that would be fantastic.

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

Well, I think it is the broader market. I do think that Delta's market share has never been higher. But that's a gradual – that's year-after-year knocking away 0.5 point, 0.5 point, 0.5 point. So, I think our market share is in a fantastic position but – and it's at all-time highs, but I do think it's so much broader than just Delta at this point. Joe, you have any comments?

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.
A

No, I think we're setting up for a really good economy and everybody can feel that. And the corporate environment is optimistic about their travel plans for the future. So, I think those are things are lining up for a positive 2026.

John Godyn
Analyst, Citigroup Global Markets, Inc.
Q

Got it. And if I could just ask a follow-up on that, just broadening it up and linking it to the guidance a little bit. Obviously, an accelerating environment is fantastic. Are we in a situation where things need to accelerate even further and step even higher to get us to the high end of the annual guidance or even exceed it? Or if we just saw these trends continue, that you're observing right out of the gate, that's enough to get us there? I'm just trying to sensitize the guidance.

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

A

John, hey, it's Ed. I appreciate that question. And it's the second week in January, it's really hard to take a few weeks of bookings and reach any kind of early conclusion. We're encouraged by what we saw. And absolutely, if the momentum that we currently see continues, we'll be fine, we'll do well on our guidance range. That said, we also learned of the volatility. We're reminded of the volatility of the industry this past year, and we want to make certain that we have a bit of caution as we project how we'll do.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Could I add?

John Godyn
Analyst, Citigroup Global Markets, Inc.

Q

That makes a lot of sense. Thank you.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Let me just add one thing, because I didn't...

John Godyn
Analyst, Citigroup Global Markets, Inc.

Q

Sure.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Now, in retrospect, I didn't really answer Mike Linenberg's question about Main Cabin. And we have not really seen Main Cabin move yet, so I think when you think about the higher end of our guide, that would definitely be the Main Cabin starting to move. And I do think that it will move in 2026, we just have not seen it yet.

John Godyn
Analyst, Citigroup Global Markets, Inc.

Q

Appreciate all the color. 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. Echoing everyone else, Glen, congrats on the retirement. We've learned a ton from you over the years, so thanks again.

Maybe I could – maybe I can kick it over to Joe, actually. So, I mean, I was hoping you could just talk about your priorities as you take on the new role. You've obviously helped mold the Delta network for a long time, but just curious how you approach things with a commercial hat on and if the strategy changes at all? Just any thoughts there would be helpful. Thank you.

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.
A

Yeah. Thanks, Connor, and good morning. Overall, I feel very fortunate and grateful for working with Glen for 20-plus years now. And we've learned so much and we've been there from the beginning of transforming Delta. I think that theme, though, can – carries over into consistency and continuity.

Our strategies aren't changing. In fact, I think we're going to be digging even deeper into those strategies for further integration. I think the integration is still in the early innings of how we go-to-market from a complete commercial perspective. It used to be network and price. Now, it's so much more with the consumer and Amex and what we do for the customer and club.

So, immediately, there's lots of runway ahead for us in the – in product deployment. We've been doing this for over 15 years, and I think there's still a lot more runway to go in where we're going on the on the product side. We're in the early stages of merchandising. There's more to do with Amex, premium products, and the fleet that we're getting for the future is really exciting.

So, I think there's a lot to look forward to. There's a lot to build off of what we've already done, and I'm honored to lead the commercial team and proud to work with a really talented group of people that support us, both not only within the commercial organization but operationally. So, again, I want to thank Glen for all we've done together, and I think there's a lot more to do.

Conor Cunningham
Analyst, Melius Research LLC
Q

Great. And maybe I can – Glen, maybe you want to jump in, too, it's up to you. But like just on the geographies in general, as you look about, you talked a little bit about Main Cabin on the US side. And I think the overall assumption from a lot of us is that there's a lot of opportunity in the US domestic market, but international has been wildly resilient. And it obviously picked up again in the fourth quarter. So, if you could just talk about your expectations for Transatlantic and Asia and so on, that would be super helpful. Thank you.

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

Take it, Joe?

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.
A

Yeah, I'll take it. The Transatlantic and Pacific resiliency come from, I think, years of building the domestic network to have that strong foundation to launch from. You take the loyalty of cities. You think about New York, Los Angeles, Boston, and new gateways we've been able to expand with, you layer on top of that new airplanes, being able to monetize that Premium Cabin.

So, I think there – a lot of it's coming together and the order of the 787 is just another, future marker out there for innovation and especially when you think about, in the widebody space, fleet efficiency is really what's – what wins the day. You think about taking a 767 and replacing it with a A350 or a 787 drives that incremental margin, drives better product and drives incremental margin.

Conor Cunningham
Analyst, Melius Research LLC
Q

Great. Thank you.

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
Q

Great. Thanks. Morning, everyone. Glen, obviously, congratulations on an incredible career. You will be tremendously missed. But I'm also very envious of your upcoming travel plans, so please keep us updated there.

Maybe a couple of – maybe I'll start with my follow-up here. Obviously, lots of questions and a strong start to January. Glen, do you have any indication that there's been maybe some pent-up demand from 3Q or 4Q that's now coming on maybe in corporate or international, which may kind of maybe question the sustainability of the strength or do you not think so?

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

Well, as Ed mentioned in his opening remarks, 2025 had some very choppy points in it. And I think there was a lot of reason for people to hesitate to travel at different points in the year for different reasons. And so, as we look at 2026, assuming that the core demand stabilizes, there's huge upside for us across all entities, I think. So, especially as you get to the latter part of the first quarter and into the second quarter, where the tariff uncertainty and the economic uncertainty was kind of hitting the crescendo, I think that's what gives us confidence that 2026 is going to be a great year.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC
Q

Understood. That's helpful. And maybe also if you guys could unpack the previous response on the 787s, again, what was the rationale for that aircraft versus the A350 or maybe some others? And also, it almost sounds like you're planning to deploy them differently than your existing widebodies or on very specific routes? So, any clarity there would be helpful, even though I know that's some way off.

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.
A

Yeah. Thanks, Ravi. Yeah, I think it's a natural evolution in our fleet. When you think about – I think our priorities up until this point was to get critical mass into the A350 and the 339, and we're well on our way to do that. And that drives great efficiency, and that efficiency needed in the widebody category.

When we look out into the future, the 787 is a great airplane. Financially great airplane, we're able to do a lot with the 10 version of this on the Premium seating. It's a great cargo airplane. And it also drives diversification within our fleet, both – not only on the airframe, but on the engine side.

So, it's a natural fit, especially when it starts to replace the 767-400s, which it's slated to do. It's designed for growth and replacement. And we think about swapping a 764 or 763 to a 787-10, it's a very powerful change and a step function improvement in margin.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC

Q

Understood. Thank you...

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

I can be a little flippant here. Since it's my last call, I can be a little flippant and say, this one's too hard, this one's too soft, this one's just right. If you remember, I think that was Goldilocks.

[indiscernible] (00:40:42)

We have three fleets and one has long range, one has a lot of capabilities, one is a category killer on CASM, and one is kind of our milk run airplane that's going to do most of the spoke services out of our core hub. So, I think we've got a really good array just like we do domestically, where we can go all the way from the 76-seater up to a – and so, I think this gives us a lot of versatility moving forward and best-in-class for economics.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC

Q

Very good. Thanks, everyone.

Operator: Thank you. Your next question is coming from Savi Syth from Raymond James. Your line is live.

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

Hey, good morning, everybody. And I'd like to echo all the kind of glowing commentary on Glen. And congratulations to both Glen and – here. And what I would like to actually maybe ask a two-part question that's very similar on the operations side. Can Delta really differentiated itself in terms of kind of reliability and recoverability? Historically, it was kind of once described to me by one of your pilots as a [ph] Swiss watch (00:42:01) that was dismantled during COVID and had to put it back together.

So, first, I was wondering if you could provide an assessment on how operational reliability and recoverability stacks up today, compared to where it was during COVID? And second, with kind of many of your competitors looking to kind of meet the standard that you have set, what's your assessment on how your relative performance has evolved? And is that still a strong differentiator, especially as you have your [ph] current (00:42:27) discussions?

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

A

Hey, Savi. This is Ed. Let me take a stab at that. There's no question that we have work to do with respect to the resiliency of our recovery from irregular operations. We're working off of a great foundation. We just were named last week by Cirium as the most on-time airline in North America. So, it's not as if we're – we've got a big hole to fill. But that said, with a lot of the change post-COVID, including some pretty significant changes in our pilot contract in terms of how we route and reroute and schedule pilots, particularly at times of change, have caused some difficulties in providing the level of reliability that we'd like in the recovery aspect.

So, we're all hands on deck in that regard. We know what the factors are that's been driving it. It's just going to take us a little bit of time to get after. But we're working very, very closely with our flight ops team, our maintenance team, our technology team, our ops control team, as well as with the pilots' union to ensure – because our pilots don't like some of the recovery challenges with that either to make certain that we return to the top, not just in on-time, but also in overall recovery.

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

And, Ed, can I – just to follow-up on that. As you think about your comparison and your competitors really trying to kind of meet that standard that you've set, like is there something in how Delta approaches this that maintains your leadership, or how should we think about that, and how has that been in terms of all the corporate discussions that you're having?

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

A

Well, I think we're number one across the board in almost every metric in this industry that you can look at, so I don't believe we've lost our leadership in total. But yeah, I think that this – and we said all along, I've said all along, we want there to be a healthier industry, a higher quality, form of experience for customers that, forget Delta, everyone can see the industry in a much better and more reliable light. And I think one of the great things that Delta has done for the industry is raise the bar in the spotlight on what can be done collectively on many levels. And this will be the next opportunity for us.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

I just want to echo...

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

Appreciate that.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

...what Ed said is that a better industry makes for a – selling more tickets at an industry level, not just at a Delta level. And so, raising the bar is a great thing for the industry.

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

Fair point. All right, thank you.

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

Duane Pfennigwerth
Analyst, Evercore ISI

Q

Hey. Good morning. Thank you. Glen, I was struggling with what to get you. I thought I'd ask you one last question as a as a parting gift, but congratulations. If we go back into the archives of your early career, maybe back to the days of trying to restructure Alitalia. What are the biggest surprises in how the industry and how Delta evolved, relative to what you might have thought at that point in your career?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

I think Ed and I have shared this journey together. And when you think about where we entered Delta, I think a lot of people would look and say, well, why'd you go there? Because it was in such trouble at the time we joined. And so, I remember to this day that I wrote Jerry Grinstein a note saying that I wanted to help restore Delta back to its rightful place at the top of the US aviation industry. And I think, not to sound bold or arrogant, but I think we could say mission accomplished on that.

And I think it's underappreciated how much hard work it was, and how many bold things we had to do to get here. And I think that's what I would impart on you and our team is, in order to stay here now, you have to continue to be bold. You have to continue to look beyond what the next quarter is or what the next year is, and look what the next decade looks like and where do you want this company to be 10 years from now? And I think this team does that every day. And I'm really proud to be a part of that, and I know the future is going to be super exciting for them.

Duane Pfennigwerth
Analyst, Evercore ISI

Q

Congratulations again. And then, just to switch gears on MRO, maybe, Dan, you're providing increased transparency. Can you speak a little bit about the outlook for that segment? Revenue growth margin expansion, and if there are any capital commitments embedded in the CapEx outlook for this year? Thank you for taking the questions.

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

A

Sure, Duane. Thank you. Quite optimistic about the MRO business. I think they had a really good, 2025. Great commercial wins, building the backlog. I think this is a business that we're excited to see across the $1 billion mark, and one that we continue to hold out and see it as a $2 billion. Then getting to $2 billion, then getting to $3 billion of top line that it can continue to grow.

This is a business that, where it's positioned, it's high-single digit margins today. It should be mid-teens and one that we've – we have fed it capital. But it's one of those things that you just have to consistently stay after as it relates to both shop capacity, but also repair capability. And how you think about it, it's something that Delta team is building off a really strong maintenance capability, and that we can extend the third party.

So, we're quite excited about it. We do think it is one of those elements that truly is unique to Delta and related to our differentiation and durability, and that's why we want to make sure that we provide you that – our investors with that transparency over time.

Duane Pfennigwerth
Analyst, Evercore ISI

Q

Thank you.

Operator: Thank you. Your next question is coming from Chris Wetherbee from Wells Fargo. Your line is live.

Chris Wetherbee
Analyst, Wells Fargo Securities LLC

Q

Yeah. Hey. Thanks. Good morning and congrats, Glen. Obviously, we haven't gotten to spend a lot of time together, but your reputation certainly transcends. So, congrats and enjoy the next leg of the journey here. I guess, I wanted to ask a question about Premium versus Main Cabin. Obviously, the revenue growth spread has been very wide here in the back half of 2025. So, as we think about sort of a normalization and maybe improvement as we go through 2026, what can that sort of spread look like? Obviously, capacity is going to be weighted towards Premium, but what do you think normal looks like at that relationship?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Well, the margin spreads, as you indicated, have never been greater. And as you know, the bottom end of the industry and the commodity side of the business has been struggling greatly. And so, I do think there's – we saw consolidation earlier in the week. We're waiting to see what happens with Spirit here as it continues to try and restructure.

But that sector has been unable to grow here for the last several years. And when that sector is not growing, it can't contain its CASM. Its CASM goes up significantly every quarter more than ours. And so that – so that's become a real challenge for that sector in the industry.

I don't know – Scott Kirby would say, it's only math, but I think it – that challenge continues to haunt that side of the industry, and it has to rebalance itself at some point. And the only way it can do that is to get their revenue bases up because their costs aren't going down. And so, it's taken longer than I would have thought, to be quite honest. But I believe it's still to come, and that is pure upside to us.

Chris Wetherbee
Analyst, Wells Fargo Securities LLC

Q

Okay. That's super helpful. And then, I guess, a quick follow-up. Just as you think about the guidance ranges that you guys have given, it seems like there's a path towards the upside of that. I guess, what are the things that we should be thinking about as risk to the downside, outside of obvious macro challenges that may arise? But I guess, in terms of the trends that you're seeing so far that are relatively robust, anything we should be thinking about? It could be 1Q or as we think out a little bit further into 2026?

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

A

Hey, this is Ed. So, on the risks, you don't have to go too far to think about what the risk could be. Just look at last year and where we were a year ago, we thought we were going to have a banner year, and gave guidance kind of similar to what we're giving today, and it got derailed a little bit. So, I think the I think the new year offers optimism for a different outlook than we were a year ago.

I think, relative to the administration and their priorities, I think we're all one year smarter and more conditioned to expect maybe the unexpected in some of the policy approach. And I think we're – if you look at the economy, if you look at strength of the market and you're looking how not just airlines are looking at – you're looking at high-end consumers are feeling about our – about their opportunities, they're quite bullish. And so, that's how I'd frame it.

Chris Wetherbee
Analyst, Wells Fargo Securities LLC

Q

Appreciate the time. 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, BofA Securities, Inc.

Q

Hey good morning everyone. Actually, just wanted to touch upon the free cash flow generation here, I think it's obviously very unique to Delta. But like, Ed, Dan, today you – you're giving us all a closer look at MRO, loyalty, and the like. When you look at the drivers of this free cash flow generation year-in, year-out, how much of this comes from these ancillary businesses versus the core airline? Does it over-index? Is it a bigger percentage of free cash flow than as a percentage of your revenues?

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

A

The – when you think about it, free cash flow is ultimately driven by your margins and drive your operating cash flow. So, I would say, the loyalty Premium, certainly, given its margin profile, has an outsized impact on it. Things like MRO that are smaller, things like cargo have less impact than the core, but Premium would be outsized related to it.

Andrew G. Didora
Analyst, BofA Securities, Inc.

Q

That makes sense. And when we think about kind of this free cash flow going forward, when we think about the CapEx side of the equation, do you have any step up in CapEx coming over the next few years maybe particularly because of the new Boeing order from this morning? Anything there to think about? Thanks.

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

A

Andrew, this is Ed. No, we've been very consistent over the last decade of CapEx in that $5 billion, some years a little lower, some years a little higher range. And while clearly there could be a one-off, maybe a year with a little bit more. Broadly speaking, we're very disciplined about that.

And I think one of the real exciting opportunities for Delta when you look at where our leverage ratio is, where it's going, the continued free cash flow generation, and I said on the – on CNBC this morning, I think the most tangible return we can generate for our shareholders is that free cash flow opportunity.

And as the balance sheet continues to be de-levered, it's going to be even more returning possibilities for our shareholders. It's not going to go into starting to try to get on a big growth spurt. That's not an answer that – we've seen people try that in the past, that never ends up well.

Andrew G. Didora
Analyst, BofA Securities, Inc.

Q

That's great. Thank you.

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. And Glen, all the best for the future. Just kind of looking at the bigger picture around the commentary you guys have provided today. It sounds like Delta revenues is accelerating, but the Main Cabin isn't. And I'm just wondering if that more plainly just means that this is about Delta and the strategies you guys put into place kind of working for Delta, and maybe the industry outlook is a bit more mixed.

And if that's right, what does that mean for like kind of competitive capacity as you're looking out at the market for 2026, particularly in relation to your hubs and where capacity is shifting in the marketplace? Is it right to think that maybe you guys have started to carve out a path that's a little bit easier to glide through a more mixed sort of industry outlook? Thanks.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Well. I think that's what 2025 was a proof point on, is that the industry, if you look at it, was very challenged in 2025 and Delta was at the very top of the industry. And I believe when everybody reports, this is my hypothesis, is that we will never have been in our past a higher percentage of the industry's total profits than we were in 2025. And so, as you think about what's working here at Delta, the diversification of the revenue streams, the continued focus on Premium products and services. I think, yes, we have charted a different path.

And we don't control what decisions are made at other airlines. But I do think that those who cater to more commoditized, you've seen them trying to change, right? You've seen Southwest going in a very different direction, talking about clubs, talking about international. So, I do think we have charted our own path, and I do think there's a lot of upside there. There's tremendous upside for us when the industry finally does reckon with the fact that the commodities are not making any money and they either have to be removed or they have to be upgraded.

David Vernon
Analyst, Bernstein Institutional Services LLC

Q

And as far as kind of competitive capacity and as you – like last year, we were talking about how competitive capacity was a little more subdued in your core hubs. Obviously, the industry entered in a very different position in terms of what it thought its growth aspirations were going to be last year. But I was wondering, is there also a little bit of a parting of the Red Sea for you guys around some of your core hubs?

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.

A

Well, I think – this is Joe – looking at competitive capacity, it's in a really good place for us as we start the year. I think the – to your earlier comments, the bottom side of the industry has got – has been and will continue to rationalize that capacity. You've seen a lot of the unprofitable part coming out. But it's they're only – when you look at how they are going to come out of this, it's either going to be an internal/external restructuring. So, the competitive capacity, it is good today. We offer our customers great products in our own hubs and we're very competitive in all of our hubs.

David Vernon
Analyst, Bernstein Institutional Services LLC

Q

All right. Thank you. And, Glen, again, I'll let you drop the mic here, but thanks and good luck in your retirement.

Glen William Hauenstein A

President, Delta Air Lines, Inc.

Thank you so much.

Operator: Thank you. Your next question is coming from Michael Goldie from BMO Capital Markets. Your line is live.

Michael Goldie Q

Analyst, BMO Capital Markets Corp. (Canada)

Good morning and thank you for the question. Revenue diversification continues with non-Main Cabin CapEx kind of getting to that 61%, 61.5% this quarter. Seat growth is really concentrated in Premium going forward. Where do you see this non-Main Cabin revenue mix over the longer term? Is it 65%, 70% in the coming years? Thank you.

Glen William Hauenstein A

President, Delta Air Lines, Inc.

Yeah. I don't think we're seeking out a number here. We're reacting to how customers behave and how the industry constructs fit. So, again, as we talked about the margins being in the Premium products right now, at some point this is going to shift and it'll shift to have hopefully the Premiums not go down, but the Main Cabin go up because that's just how the math has to work.

And so, I think as you look forward to that, that's clearly upside for Delta, but someplace the industry has to go. And I think we've thought that it would happen before now, but it's taken a long time and – but it's happening. It's happening with capacity reductions, it's happening with consolidation. And it will continue to happen around us until Main Cabin returns accelerate.

Michael Goldie Q

Analyst, BMO Capital Markets Corp. (Canada)

And as a follow-up on the industry consolidation, we saw this week you've had Hawaiian a year or two ago, Spirit. When you step back, do you think the landscape will see further consolidation in the coming years or eventually find a plateau?

Glen William Hauenstein A

President, Delta Air Lines, Inc.

I think it's very clear that you're going to see further rationalization. Can come in lots of forms, could be in consolidation, could be liquidation, could be internal, can be external drivers as we've seen in the industry with activists involved. But I think you're going to see rationalization in any carrier that's not earning its cost of capital, is already experiencing significant duress and distress amongst their ownership base and they need to continue to work to enhance their business models.

Michael Goldie Q

Analyst, BMO Capital Markets Corp. (Canada)

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

Hey. Good morning, everyone. And Glen, another congratulations on such an amazing career. It's really been a pleasure getting to work with you and I hope you're looking forward to a lot more time in Italy in 2026.

And maybe just speaking of international destinations, maybe a shorter-term one, but could you walk us through how you're thinking through sequential trends across each of your geographies in 1Q on a RASM basis? It all sounded positive in the prepared remarks. So just, I guess, any bright spots that stand out in particular?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

I'll let Joe take that question because I'm easing out of this, reading these reports every morning. So, he's probably more up-to-date than I am.

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.

A

Yeah. Hi, Catie. I think our sequential trends in international and domestic are both really positive as we go into 2026. We've seen the most sequential trends in international from third quarter to fourth quarter. We had identified more of a blip for the summer of 2025, and that played out the way we wanted to as improving those trends as we went along. I think that's going to continue, especially with – as we go into 2026.

You look at the Transatlantic, competitive capacity looks really good as we go forward in the summer. And looking forward, our partners are well-positioned. I think we're expanding conservatively but from a position of strength. And the traveling public is very excited about new destinations. When you look at where we've added this year into – and we've put that out to our loyalty program for a vote. So, we're doing some kind of unique things and some exciting things.

On the Pacific side, our cornerstone with the Pacific is Korean Air, and they're a great partner. And we've built our foundation around the Incheon hub, and also now expanding a little bit beyond into the biggest economies. So, we've seen really good progression, as Korean and Asiana work through their merger. The Incheon hub has been a fantastic hub to connect through. So, there's only greater upside into pushing our traffic through Incheon and also making sure we have access to some of the biggest economies out there like Taipei, Hong Kong, and there will be a few others later in the next couple of years.

And finally in Latin America, it's kind of two different entities, you've got the short haul, which acts very much like domestic, short haul in the Caribbean, Central America. And that moves with domestic and is much more of a leisure operation for us. And we've had a very good Christmas, we've had really good strength in the Christmas bookings. Good strength in spring break. And so, some of the – some of what you're seeing in close-in bookings and cash sales really goes to the leisure side of spring break.

You've got March, April and Easter, and that also includes the short haul Latin America. And then, with our partner, LATAM in South America, further integration into their hubs. They've just opened up – the Lima airport is fairly new. And how we move traffic efficiently through South America, and they've got fantastic hubs that they continue to develop, which is only a positive for us for the future.

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

Q

Okay. Got it. Thanks, Joe. And maybe just like very – I just want to make sure that, international, you're expecting a bigger sequential improvement versus domestic into the first quarter, is that what you said?

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.

A

They're both moving at the same rate.

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

Q

Okay. Okay, great. Okay.

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc.

A

I would say, as we go in to the first quarter, I think, with international, we have good margin upside. We've closed a lot of those gaps over the years from international to domestic. And there's more, especially when you think about using the fleet and Premium products for international.

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

Q

Okay. And if you guys will allow it, maybe just a bit of a follow-up to your answer to Andrew, Dan. as you work towards your 2 times – turns leverage this year on your way to 1 turn, can you remind us how increasing shareholder return fits into your capital allocation priorities? I think back in Investor Day, Ed might have noted that you wouldn't necessarily need to be at 1.0 turns of gross leverage to consider share purchases. What factors went into that calculus? Thanks for the time.

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

A

Thanks, Catie. You're right, we don't have to be exactly at 1 time gross leverage in order to expand the range of shareholder return capabilities and opportunities to create, and every step that we take getting closer to that, time continues to afford us those opportunities.

First, starting with, as we've done, the growth of the dividend rate, which we hope we will continue. Last year, we put a shelf on the table, for repurchase. It was a three-year, and I certainly expect we'll be utilizing that over the course of that timeframe.

And, obviously, looking at the multiple and where it's headed, our priority is very clear for this year, it's continue to pay down debt. But as the year and the next couple of years go, you're going to see more opportunities explored. And I'll leave it at that.

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

Q

Great. Thanks for all the time. Congrats again, Glen and Joe.

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

Matthew, we'll now go to our final analyst question, Tom Fitzgerald at Cowen.

Operator: Certainly. Tom Fitzgerald, your line is live.

Thomas Fitzgerald
Analyst, TD Cowen Q

Hey, everyone. Thanks very much for the time. Congrats, Glen. Just curious on – at investor Day, you talked a lot about the revenue segmentation and further aligning value with price. So, I'd love to hear what's next for that this year? And then, on the technology side, just curious, with all the advances we're seeing every day, where do you guys see some low-hanging fruits move through 2026? Thanks again for the time.

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

I think we've talked about really having three categories for every product, which is Basic, Main (sic) [Classic] and Extra, and that continues to evolve. I think we put those products in place for Comfort+ earlier in the year, and that implementation is producing results that are actually slightly above our internal projections.

So, as you see us continue to bring that and move that up the ladder to give customers choice not only of the seat, but the actual product that they want to buy with that seat, and really disaggregating that out. And that should be rolled out pretty much throughout 2026 and as part of our initiatives and our Delta initiatives in our plan. And hopefully, those exceed our own expectations of how people select.

Because I think the – if you were offered a $500 ticket, there was no reason for you to ever want to pay more than $500 because it was fully loaded. Now, we have that seat is $500 but you can buy it for $450 if you're willing to get the seat assignment at 48 hours, if you're willing to have it non-refundable. And then, all the way up to Extra where it's fully refundable and you get it – the best seats unlocked at that time.

So, I think it's the seat, and then it's the product attributes. And we'll be bringing that in 2026. That's one of our 2026 initiatives. Joe, you want to add anything?

Joe Esposito
Executive Vice President & Chief Commercial Officer, Delta Air Lines, Inc. A

No. And no, that's exactly right. We've been incredibly thoughtful about not going too fast, making sure that we're measured in that approach. We're still testing Comfort Basic right now. We're going to expand that for the rest of this year. The great thing is, when you think about merchandising, is the products you're able to put in there and we've got a lot of products we're innovating with more products, and there's just more we can offer the customer based on what they're willing to pay.

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

And I think that's the key to merchandising in the future. This is, if you look further out, this is continues to be multi-billion-dollar opportunities in here to add high value, lower cost, lower margin – higher margin products that we don't have on the shelf today. And that's really what our retailing tools are going to enable over the next several years.

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

Okay. That'll wrap up the analyst portion of our call. I'll now turn it over to Trebor Banstetter to open the media portion.

Trebor Banstetter
Managing Director-Corporate & Executive Communications, Delta Air Lines, Inc.
A

Thank you, Julie. Matthew, if you could read the instructions to the media for queuing up for questions, and then we'll get into the final part of the call.

Operator: Certainly. At this time, we'll be conducting a Q&A session for media questions. [Operator Instructions] Thank you. [Operator Instructions] There are no media questions in the queue at this time.

Julie Stewart
Vice President-Investor Relations & Corporate Development, Delta Air Lines, Inc.

All right. Well, thank you everyone for joining us today and we'll look forward to talking with you again in April.

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