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Delta Air Lines, Inc. (DAL)

Investor Day

CORPORATE PARTICIPANTS

Jill Sullivan Greer

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

Edward H. Bastian

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

Glen W. Hauenstein

President, Delta Air Lines, Inc.

Wayne Gilbert West

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

Kenneth Dichter

Founder & Chief Executive Officer, Wheels Up Partners Holdings LLC

Rick Salanitri

President of Delta Flight Products, Delta Air Lines, Inc.

Tim Mapes

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

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

Joanne Smith

Executive Vice President and Chief People Officer, Delta Air Lines, Inc.

Paul A. Jacobson

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

OTHER PARTICIPANTS

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Duane Pfennigwerth

Analyst, Evercore Group LLC

Hunter Keay

Analyst, Wolfe Research LLC

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Helane Becker

Analyst, Cowen and Company

Mike Linenberg

Analyst, Deutsche Bank Securities, Inc.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Joe Caiado

Analyst, Credit Suisse Securities (USA) LLC

Myles Walton

Analyst, UBS Securities LLC

Daniel J. McKenzie

Analyst, The Buckingham Research Group, Inc.

J. David Scott Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Darryl Genovesi

Analyst, Vertical Research Partners LLC

Bobby Eubank

Analyst, Chevy Chase Trust

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Please welcome Delta's Vice President, Investor Relations, Jill Greer.

Jill Sullivan Greer

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

Good morning, everybody. Welcome to Investor Day 2019. We kicked off yesterday morning at our Flight Attendant Training Center, where all of you got a taste of what it's like to be one of the 26,000 best flight attendants in the industry. We went over to Tech Ops in the afternoon – or later in the morning, sorry, to see not only what that team is doing to take care of Delta's fleet, but also to grow the businesses that we have with MRO and Delta Flight Products, and you'll hear a lot more about that today.

In the afternoon, we had our Delta Insight sessions. Those are a chance for us to dive deeper into topics like ESG, our international partner strategy, distribution, loyalty. It was really a highlight for us to have Frank Blake join us, as well as partners like American Express.

Today will be our executive presentations. We'll kick off with Ed in just a few minutes. He'll be followed by Glen and a Q&A session with the two of them. We'll then work through this agenda, wrapping up with Paul, a Q&A session with the group and then ending the day, of course, with our special holiday tradition.

Presentation today, a little bit of housekeeping, does contain forward-looking statements. Anything that can cause those to differ materially from our actual results are contained in our SEC filings. You can find those on our website at ir.delta.com. We'll also talk to non-GAAP financial measures. Reconciliation for those measures are in the back of your book, also on our website.

I want to take a minute, the presentation – sorry, the presentations are also available on the website, both today's and yesterday's slides. I need to take a minute to point out my amazing Investor Relations team in the back. They have done an incredible job putting together today, yesterday, all the presentations, you guys, Julie, Elizabeth, Brett, Aaron, somewhere in the back, Wesley, our honorary member. Tracy holding down the fort back in the office. You are literally the best in the business. And it is such an honor to work with you guys, laugh with you every day. I promise tomorrow you can relax. Yoga pants, cargo pants, whatever it is that you want to do.

Yesterday at Insights, we did announce that this will be our last December Investor Day as we move this event to June starting next year. So, it's again in some ways a little bit of the end of an era for us. And if we looked back at that first Investor Day that we did in December 2008, we were six weeks after the merger with Northwest, little did we know there was a recession coming at us the next year.

And the transformation at Delta over the last 11 years has been nothing short of remarkable. All of that is really an account to the 90,000 amazing employees of Delta. And so, I want to close just by saying thank you to all of them and by showing you all the amazing work that they've done this year that's turned into a record-breaking 2019.

Unverified Participant

Please welcome Delta's Chief Executive Officer, Ed Bastian.

Edward H. Bastian

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

Well, good morning, everyone. Thank you for joining us, great to see you. Welcome to Atlanta. It's fitting that we're having this day here in the museum. This is our original hangar. This is where Delta started in Atlanta. In 1940, the company moved from Monroe, Louisiana to Atlanta. Mayor Hartsfield was the Mayor of Atlanta at that time, had the foresight to make the commitment to invest in Hartsfield-Jackson, which is now the world's biggest airport in the world.

And this is where we started, so where we started building planes and moving out, moving customers and to think that from that humble beginning in 1940, we're going to be talking about today the world's biggest airline and where the world's biggest airline is going right on the floor for the men and women that built this great company, it's pretty cool. So, we're great to have you here with us. I'd also like to thank and welcome everyone that's on the webcast, because it's good to have you with us as well.

So, let me start by talking about our 2019 performance. It was just an outstanding year in my opinion in 2019 for Delta, arguably the best year in our history. More to come, but it was a very, very good year. First of all for our people, the strength of the Delta culture is loud and proud and engaged, and you see it when you travel, you see it when we fly. We have the very best team of airline professionals in the industry, are 90,000 strong, I have no doubt about that. In fact, I think that they're the best team of aviation professionals ever assembled and they're there and motivated and desired to do great by you to continue to win our business and to take good care of our customers.

So, we're also importantly investing in the future. We hired this year 6,800 new people into Delta. And the reason I mention that is that our hiring brand also is the strong – is strong as it's ever been. A lot of those people are getting ready for retirements as we have pilots, flight attendants, mechanics, other large groups of employees who start to hit the retirement cycle and we're bringing people in to take on those responsibilities, as well as preparing for growth and some better resources that we need to run the business.

But for those 6,800 people, they're a very, very impressive lot of people. I love when I travel and fly talking to the flight attendants and finding out where they came from and what they did and hopefully you see a lot of young faces and youth on our planes and in our airports, and they come from very interesting backgrounds. It's true as well on the merit staff, the companies that we're hiring and the industries that we're pulling into Delta is very cool.

I mentioned yesterday at the session for those of you that were there that of the 100 officers at Delta, the Vice Presidents and above, a full 50% are new to Delta within the last 10 years. So, that talks about where we're going and we're building new people and bringing people forward, and 25% of that 100 are actually new to Delta in the last five years. So, we continue to grow and build, and we've got great applicants, many people that want to come work for us.

Moving on to our – and by the way, the other thing I want to mention, for those of you that don't know the history of The Spirit of Delta, it's also fitting that we talk about our people as we sit under the wing of The Spirit of Delta.

That's the 767-200, that's the very first 767 that Delta took. It was a very touching story. In 1982, it's the first of what proved to be somewhat prophetic losing years in Delta's history.

We had some challenges back then even and the employees were so concerned and took such a good care of the customers that they raised the funds to buy that airplane, it was \$35 million in 1982 and they gave that airplane to our company. And so it's fitting that we're here under The Spirit, but that engagement is strong and it continues clear in our future.

Secondly, for our customers. Our employees did a great job. When you think about the industry-leading reliability and Gil will have a chance to talk about that some today, we continue to raise the bar ourselves. We already have broken last year's reliability records. We're over 260 days of this year alone without a cancellation on the main line.

Our customer satisfaction scores now are regularly in the 50s. When we started tracking that 10 years ago, we were in the teens and the numbers were so low that we didn't know if the math was right. It was couple of years for us to make sure that we understood what the math was. But we're regularly in the 50s, no large scale, full service provider has ever had net promoter scores anywhere close to that. And that's what's maintaining the revenue premium and the strength of our brand.

We had a great deal and I give Sandeep and the team huge credit, as well as Glen on the American Express renewal. We're renewed through the next decade with American Express, and not just the terms of that deal are important, but it really was putting our brands together officially.

We're no longer – initially with American Express, we didn't quite know what to make of each other. Were we competitors or were we there just to try to collaborate and get more sales together. We are true partners with American Express. Steve Squeri is a close friend and he's somebody I'm with every single month talking about how we make each of our businesses better.

When you think about the loyalty and the growth that we've had in that card business and taken that \$4 billion revenue contribution this year to \$7 billion over the next three to four years and beyond, it's just really, really impressive. For our owners, the great job that our customers do certainly reward our owners. This year, we've had top line growth of 7% in the business and we've reclaimed officially once again Delta as the largest airline revenue group in the world and just very proud of it. And it's not about being the biggest that's important, though, we like it, it's about being the best.

But when you're also the biggest and the best, that's powerful, and that's the stuff as owners that you're going to care about in terms of seeing continued improvements going forward in our valuation. We'll deliver \$6 billion of pre-tax profits this year, our fifth year in a row of profits in the north of \$5 billion. And our EPS growth this year in 2019 will be 25%, which places us in the top 10% of the Fortune 100 in terms of EPS growth this year.

Free cash flow, we've talked about that in the past, the importance of free cash flow and having that as a goal and as a target rather than simply as an outcome. \$4 billion was our goal going into the year. We're going to deliver that \$4 billion. We're going to talk in the next slide about next year, but \$4 billion you can consider as our baseline, that's the minimum that you should be able to expect from us over the next period of time, and we expanded our margins. It was another important goal for us in 2019 to expand margins across the business.

And then finally, with our partners and our communities, big, big year there as well. The investment that we're making in LATAM is game-changing for us. It provides us access to the one market where we've been under-

represented for our entire history. Together with LATAM, we're going to go from what today is a number four position to a number one position with significant growth and significant opportunities.

And I can tell you having gotten to know the Cuetos and the LATAM team, they are one impressive group of people. And I know some of you are investors and you cover LATAM, but they work in a hard territory. It's a region of the world that is very volatile, but they understand how to manage that and how to deal with that as well as continue to grow the business which we see there.

But it was also a year in which we invested in Korean and we shouldn't lose sight of that. These were two cornerstone franchises that we placed on the Delta team officially and for good in 2019. LATAM is the cornerstone for our Latin and South American business, Korean is the cornerstone for our Asian business. And that's another partnership and JV that as we move out of Narita and over to Seoul, and we see the opportunities to continue to improve Asia.

I think the Asia-Pacific franchise is the one that has the most amount of opportunity across any of our international businesses, and Glen will be talking a little bit about that. You saw on the slide how we continue to support our communities. 1% of our profits go back into our communities and we're pleased to do that. And we continue to focus on our ESG goals as we talked about yesterday and, this year, we improved the fuel efficiency of our airline by 2%.

So, let's talk about 2020 and what's coming for the year. And what I'd say is that momentum that we see in the business is going to stay. I really do believe that. The strength of demand is important. We've had a great fourth quarter of the year that demand has carried us forward as we closed out the year for the holidays.

We had the largest revenue day in our history last Sunday, the Sunday right after Thanksgiving, almost \$200 million of revenue on that day. That was \$20 million higher than the previous high revenue day in Delta's history. So, there's – the US consumer is healthy and is responding well, and we see that revenue growth going into 2020.

As you can see from this slide, we're looking for revenues in 2020 to grow 4% to 6%, and all signs are the US consumer continues to do well. That said, I know that 2020 has a couple of unique challenges. Every year has unique challenges to itself. One of the things we'll certainly be watching carefully is the return in the induction – re-induction of the MAX into the system.

Glen and I will talk about that over the course of this morning, and we've got our views in terms of how that's going to be handled, but the reality is that while that's an uncertainty, we did not get a material benefit. We got some benefit, no question about it, in the year. But it wasn't a big source of our revenue gains. It was really the strength of our brand and our own performance that drove our revenues, and I don't think where it's going to be a material risk to us as we look into 2020 either.

Secondly, 2020, as we all know, is an election year, and we know what happened in 2016 with the elections. It weighed on consumer sentiment a bit. Certainly, weighed on business decisions, as people were waiting to see with some clarity what direction are the politics in our nation and our government was going. That will be one of the factors that we deal with as we think for the year.

And then the other thing that we'll weigh on the year is that we're making some pretty big international moves. We are closing out Narita at the end of March and we're moving our Japanese operations down to Haneda and the connecting complex in Seoul will continue to be our Asian route. That's some pretty big moves in Asia.

And then, of course, bringing LATAM on is also going to create – again, it's not going to be a – it's going to take some time for that partnership to materialize and there'll be some movements as we unplug from GOL and plug into LATAM, so additional changes and some uncertainty, but all for the right reason, the long-term goal of having the best airline network around the world.

That all said, I really feel good about 2020. I will say, every year, we're going to have some challenges, every year we're going to have some certainties that we have to deal with, but the brand is strong, the performance is good. It's never been healthier and I think we're prepared for a strong year on the revenue front once again.

On earnings, we're ending this year – I'm sorry, I can't give guidance anymore. I almost gave you the guidance number, I stopped myself. It's kind of a habitual thing I got to work off of. Earnings have been good, okay. Earnings are good, and they're continuing good. We expect to grow earnings in 2019 by 25%. Again, as I mentioned, that's in the top 10% of the Fortune 100, and we expect in 2020 to hold that momentum that marked the gains that we built and then continue to expand that into the next year.

In free cash flow, \$4 billion, hopefully more in 2020. \$4 billion is what we set as our baseline. We were there in 2019. Our goal is to be there, if not look to potentially improve in 2020 as well. Our free cash flow is being added to our incentive systems for all the management team. So, going forward, starting next year, that free cash flow goal is going to be on a three-year basis, because it's appropriate we have a long-term measure. It's going to be a big part of our incentive systems. And so, we're signing up to that. Fundamentally, that's the return for you. You can think about free cash flow as the return for investors.

Our balance sheet's in great shape. We have – our debt levels right where we need them to be. They don't need to be any lower and the free cash flow that we're generating really is the return that you should expect from us and see from us in the business.

And then on margins, while we're not giving margins guidance, if you can do the math, you'll see that we expect margins in the year to be flat year-on-year, which I think is a good accomplishment. When you think about some of those revenue headwinds that I talked about, when you think about on the cost front, the non-fuel cost we talked about, it will be up 2% to 3% as we previously guided a couple of months ago.

But don't lose sight of the fact that total unit costs are only going to be up 1% to 2%, because we expect fuel to be flat year-on-year. And so, when you think about total unit costs, it's going to be up 1% to 2%. And when you do the math on our revenue guide and our capacity, you'll see our unit revenue expectations and our unit cost expectations largely match. And that will allow us to take the growth and then continue to drive higher EPS for the company. So, I'm excited about 2020. I think it's going to be a year of good growth for the business and we'll continue to keep you posted.

So, well, the question that we face is, when will these strong results translate into stronger valuation? We also have a question on this slide, did they change it on me? Okay, here it is. So, the question that we receive and this is a question that's not just by a top owner, I mean, there's a number of people that we continue to get this question from, is that, Delta's biggest weakness in terms of getting its valuation to reflect the underlying strength of the performance of the company, is that, it's an airline company. I don't know whether to apologize for that or not, but we are an airline. And there are a lot of fears around margin, cyclicality and exposure to macroeconomic or geopolitical shocks.

Fair question. But I look at it, with all due respect, very, very differently than that. I look at our company as more than just an airline. I look at our airline as a consumer brand, as a trusted consumer brand that people love and that people are investing in and that we have an opportunity with 200 million customers to make a difference this year. And all the opportunities that we're talking about here at Delta are going into building that connection, that emotional connection between our consumers and the company we love as well as our employees.

We're also in, I consider, a great sector. It's a growth sector. If you think about GDP, which historically has been the proxy that our investors wanted to make certain that our revenue growth kind of stayed within GDP bounds for fears of unwanted things happening to the business, our consumers are expanding their demand. Growth in our industry historically has been a dirty word. People imply on discipline, behaviors and market share battles and skirmishes and market share for market share shape rather than the opportunity to continue to invest in the business and grow the whole business, not just the top line of the business.

And this year, we're continuing to see that. We've grown our business by 15% over the last two years, because consumers are demanding, it's the surging demand of the business. They're demanding that we grow. And as the best performing airline in a market where consumers want to be invested in and want to experience, we're in a great place to be. Henry talked yesterday about some of the reasons for growth in our business and why we're growing outsized the traditional gains of the top line.

And I think there's a lot of relevance. I know we focused a lot on the next generations of travelers in terms of how they've come up traveling, how they've had a chance to explore and see and they'd rather that experience or rather than owning the car or owning the home or are investing somewhere else, they invest in themselves. That's true.

Also true for boomers like me, it's true for all demographics across all landscape. People are enticed and they want to travel, they want to experience. I think there's a number of reasons for that. I think technology has had a big impact on that. I think social media, whether you love it or you hate it, is a big driver of that. People see where the world is. People have more awareness, they have more curiosity, they have more adventure. They want to go and they want to do. They see their friends, they see their family members, they see people in their community and they even have me on Instagram, right, with my pictures these days.

And so, I remember growing up and some of you know I didn't set foot on an airplane till I was 25 years old. I didn't know what that meant. When I talk about travel to far off land, so I'd have to go to the encyclopedia and look up places and sit, and it seems so unreachable. Some place you can never explore.

Today, this stuff comes to you. It comes in streaming high quality with your friends and your families, and your pictures, and your opportunities. So, there's an excitement and an enthusiasm for travel that I think is just going to continue to grow.

And when you combine the fact that that interest is there and travel is more affordable than ever before, airfares on a real dollar basis are down 40%, including fees, over the last 25 years. It's huge. So, it's reasonable, it's affordable, it's not just we're creating interest in the product, we're also making it accessible to consumers, and that trend line, it will continue.

And so, when you think about the reasons why we got bigger airplanes, the larger gauge, we have lower fuel prices that we can afford to bring more people to places, I think these are secular changes in travel, in air travel, not just for Delta, but for the industry. That's going to mean significant opportunities for all of us as we go forward.

And if you accept the fact that this is a growth industry, that it's an attractive industry, an attractive place to be, against the backdrop of an improved industry structure and industry dynamics, where people are focused on returns and you've got a consolidated structure that makes sense and we're competing on quality and product and service rather than price solely, it's a whole new world.

We're competing for loyalty of our consumers over earned loyalty rather than forced loyalty, which used to be the pattern in the past. You get consumers trapped into programs and they don't like it, and they feel almost offended by it. Today, we're giving them loyalty that rewards them, that engages with them. So, we combine those two factors, we're in a great growth industry and that we have a great industry product, I don't – backdrop, I don't – I can't imagine why the valuation that we're sitting at today is going to stay much longer.

And as Delta being the best airline in that coupling, having great growth potential as well as a great backdrop in terms of industry structure, I think our future and our opportunities and the pipelines have never been greater. I'll get off my soap box.

Another question we get from our analysts and we'll protect the innocent here, Joe DeNardi. One way that Delta could approve their valuation and change the way that the market sees them would be to improve the level of disclosures on profitability of the various business lines. I agree with that. I absolutely agree with that.

I think it's one thing for us to talk about our businesses, and with today's announcement with Wheels Up, which is really exciting, and the opportunities with the MRO and the opportunities with Delta Flight Products, both of which you saw yesterday, but if we don't give you some better transparency and visibility and try to figure how we kind of get them out from underneath Delta to alongside Delta as we grow the adjacencies of our business, it will be – I think we'd be doing all of you a disservice. I think we'd be doing a disservice to ourselves.

And so, I know Jill mentioned yesterday that we're going to be moving to a longer-term investor focus starting next summer. I think it'll be in June where we'll give three-year expectations and targets and greater visibility into these various lines of business. So, you can see where the growth is going to be coming from in the future.

And then the other question we get a lot is that Delta's premium to the industry and their outperformance to the upside raises questions about how long that can continue. Well, I'd tell you, we've got a whole pipeline of opportunities. And if you think that we're anywhere close to being tapped out, I'm sorry to tell you, you are sadly wrong.

This is a slide that I used. I did this slide, I wrote it actually myself four years ago when I became CEO and I've been walking around with this slide to all of our employee groups religiously over the last four years. In fact, I presented – I just use this one slide to talk about our strategy and where we're going for the future. I gave it this week, I was in Salt Lake City, we had a big employee event of 700 people and I walked through that.

And these are our priorities. First and foremost, we're going to run the best airline on the planet. We already do. The good news is that we're there, but there's so many more things that we can get better at. It's great that we have the best on-time reliability in the industry, but you know how on-time reliability is measured by our government.

If we're up to 14 minutes late, none of you would expect that we're on time if we started this meeting 14 minutes late, you'll all be wondering what's happening, looking at your watches and wondering where you are. On-time means on-time at Delta. On-time at Delta is about 70% of the time. And by the way, that's still the best in the industry by a good margin.

But what does that mean? That means 30% of our customers today arrive late. And as the biggest hub airline in the world, we have more opportunity and exposure to running late than anyone else does. So, the continued focus to run on-time and get consumers where they need to be is a huge advantage, it's a huge advantage of building trust with our consumers and reliability, and it's a huge benefit for the company.

The other thing that we talked about running the world's best airline opportunities to improve is we are focused very much on the reliability in our bag performance, in our cancel-free days and the team does a fabulous job. But as you raise the bar in those areas [indiscernible] (00:26:21) it means our catering performance has to be at the same level of excellence and rigor as our on-time reliability and it's not yet.

It means that we need to have wheelchairs ready and willing and able at the gates when our consumers exit their flights. We're not there yet. It means that we have to have trust throughout the entire travel ribbon. Eric Phillips is going to talk this morning about, how do we build trust with consumers when our website has a whole different array of price points that people can't quite figure out and do they really trust you to give them a fair and honest deal when they can see if they delayed their flight by three hours, they could save a \$1,000. What does that communicate to your customers in terms of what you think about them and how do we build trust in there. So lot of interesting work we're doing in that space.

Second thing is that we want to grow our brand preference, be the trusted consumer brand. We already are, you see it in our net promoter scores. You see it in our distribution strength. You see it in the fact that last month, we won the Business Travel News Award for the 9th year in a row as the World's Best Airline for Business Travel. It came in first place now in all 11 categories across the board, but there's more to be done there. There's more, as I said, throughout the entire travel ribbon, we can be a more trusted consumer brand and that's where we're putting our investments and our energy.

Third, we accelerate the globalization of our airline. When you think about our industry, it's great that we are the largest moneymaker here in Atlanta that the US marketplace is the best marketplace to be serving. But it will eventually mature and it's on a maturity path. We're not building new places to fly. We're building bigger airports. We're building bigger aircraft, but we're not building new places to go.

So what's going to happen a decade from now, two decades from now? These are things we got to focus on, because this is where we're going. No airline out there is taking that approach to thinking about the true globalization of an industry and having a hands-on impact in where we're going and where we're building. So we're building for the future at the time when the marketplace will become more saturated. The airways already are saturated.

We don't have the technologies in the sky to enable that much more travel, that's why we're building the bigger planes and the bigger airports. But some day, we're going to reach the point where international is going to become the focus for growth and we're going to be very well positioned there.

The other thing I want to talk about international is I would say to be self-reflective is that, we've been a very good commercial investor. We've got ownership stakes in Air France, in KLM, in Virgin, in Aeroméxico, and coming into LATAM, in Korean, China Eastern and we probably left one or two out in that. But we haven't been as good an active equity investor in these airlines and we didn't buy our stakes to be an equity investor to try to – but we've now accumulated a portfolio of companies. When the LATAM deal closes, that will be worth \$4 billion that we have at our stead.

And think about Delta and you think about being inside the boardrooms and having a significant equity stake in those companies and the power of Delta as well, there's no one that has a better view of what's going on across the world in our industry than Delta, not even close. And we have the ability to lean into that and to invest and you're going to be seeing us invest more resources and some more talent and more – thinking about not just as a commercial partner, but as an equity owner, what can we be doing to grow our equity interest across the board and I'm excited about that.

And then the other thing I want to mention about, again, international is that today we carry 200 million customers a year across Delta, largest in the world. When you factor in just the companies that we have investments in, not SkyTeam, just the companies we have investments in, that's over 500 million customers that we serve this year alone, 500 million that we directly touch. Scale matters in this business and the opportunities for the future in that pipeline.

And then finally, investing for the long-term. I'm very proud of the balanced capital allocation that we've had, that roughly 50% going back into the business, 50% going to improve our capital structure or paying down debt, and we started that 10 years ago and we continue on with that philosophy to this point. In some years, we're a little higher, some years we're a little lower. But that's fundamentally the direction in which we are and we'll invest close to \$5 billion this year in our business and we've got great opportunities that we've invested in this year and that we'll continue to invest next year as well.

The fleet, a big part of our infrastructure is our fleet and the opportunities to continue to upgauge and to continue to generate better revenues and premium products, and Glen will be talking about our fleet strategy and where we're going in the new platforms that we're introducing with A321neo and the A220-300 next year.

On the airport side, we are on the cusp of really having some big impacts and improvements around the ground experience. I've said many times that we've improved the flight experience significantly, but what has come is that the expense of the ground experience. Well, we're tackling that and we've got new airports going up in Salt Lake City which we earlier this week took the tour of the other night of the new airport, you're just not going to believe it. It's got ceilings that are three times taller than what we have in the existing Salt Lake facility, windows, amenities, wider concourses.

It will be actually a place people want to go. Who wants to go to an airport these days? There's not many people. People will want to go to the airport and they'll want to go because Delta is there and the Delta experience. The Sky Club at Salt Lake will be close to three times as large as the Sky Club that we have today, and there'll be an outdoor patio and terrace, it's just beautiful. We're opening that this fall coming up. In October of 2020 a first big phase of Salt Lake City will be opening.

You see in New York, many of you live there and hopefully you've seen Concourse G and you get a glimpse of where we're going at LaGuardia. Over the next three to four years, that's going to be our LaGuardia experience as we build the new centralized headhouse that will be opening in a couple of years and then just knocking off the last Concourse of that facility over the timeline. LAX, brand new airport that we're building on the sites of Terminal 2 and Terminal 3, over the next couple of years we're going to be opening. There again a centralized headhouse and the opportunities to see the future. We've modernized them, continue to modernize the land, we're modernizing Minneapolis. We'll finish out JFK and we're going to close Terminal 2, and we're going to bring it all on to the T4 property as well as modernize T4.

T4 at JFK wasn't built for the volumes that we're seeing today and we're going to enable it for the volume. So, over the next three to five years, you're going to have tremendous changes in the ground experience.

Technology, the technology is another thing that we've been investing heavily in. Technology, I would tell you, it's something that last few years we've been playing defense. We've kind of tried and having things not go wrong and trying to have the reliability and the infrastructure put in place, Rahul and the team's done a great job of building a very reliable and robust infrastructure that now we can go on offense – you'll see us going offense. In fact, in January next month we will – Delta and I will be doing the lead keynote for CES, the Consumer Electronics Show, in Vegas in just a few weeks' time and we're going to be previewing that allow our presentation – the first presentation of CES, whole presentation focused on where we're going and our vision for travel and the innovation.

And we'll have some really exciting new partnerships to announce, as well as new technologies at the show and a lot of it will be focused on the ground experience, how we're changing that ground experience. And then finally, our ability to create adjacencies and invest in adjacencies across the business, the MRO, very, very exciting business opportunity. Delta Flight Products, really exciting opportunities there. Wheels Up, you'll hear from Kenny Dichter. Kenny is going to come up and spend a few minutes together with Gil, talk about Wheels Up and that opportunity. Those three business lines; the MRO, the Delta Flight Products business, Wheels Up are all multibillion dollar stand-alone businesses that will sit alongside Delta over the next three to five years, multibillion each one of them.

And they're on – each one of them are on some very, very impressive growth rates. And then you think about what Delta can create alongside those opportunities with technology and incubators and the like, it's a really exciting time. So, with all due respect, those of you who think that our juice has gone, hopefully you get a sense of that, our juice is just starting, and it's cool that Delta will be turning 95 years old next year and it's not often that you get to see a 95-year-old company accelerating into its future and really enthusiastic about it. And so, this is my last slide, I'm way over. I got too excited about what we do here. So, sorry, Glen, stole a few minutes on you, but you can have it back.

These are probably that tell – say the five things I'm hoping you take away from today. We're building on a great 2019 with expectations of 4% to 6% revenue growth, continue to grow our earnings per share, and the consistent delivery of at least \$4 billion of free cash flow in the year. We are in a great spot as an industry with growth and we see that that continuing into the year. Consumers want to travel and we're supplying the opportunities to meet that demand against a structurally much improved airline industry. Our unmatched competitive advantages about our culture and our people with Joanne, or operational prowess with Gil, or global network with Glen will talk about, the loyalty and investment-grade balance sheet.

All that's designed to continue to separate us within our industry and be seen on a global scale as a leading consumer brand supported by the investments in the long-term opportunities for growth that we see in the business. So, I hope you have a good day. I hope the presentations will continue to demonstrate why we're not just an airline company. Why we are a company that has a lot of opportunities and pipeline for improvement next year and that will continue to reap the benefits as owners in improved valuations in our stock.

So, thank you, all.

Unverified Participant

Please welcome Delta's President, Glen Hauenstein.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

Good morning, everybody. How are you? I thought I'd start with something new that you've probably never seen before and that would be a route map. And for those of you who know me really well, this is where I'm probably most comfortable standing in front of a route map and then explaining why we're doing certain things. But before I start with that, I thought I'd start with what goes behind that route map and what's so important to us and that's really Delta's people. And not only do we have the best people on the frontline working with our customers every day, but really when you think about it, it's the management team here and I'd like to just call them all out here, because I've had the privilege of working with all of them.

And whether it's Eric, or whether it's Steve, or whether it's Tim or whether it's Gil, the strength of this management team is really amazing. And when we go set out to do something and a lot of companies that I've worked at in the past, they'll say they want to do something, but then you go look and years later they don't do it, or five years later they don't do it, and one thing that Delta does is when they say they're going to do something, this team goes and does it. So, I'd just like to bring you back in time a little bit and talk about the merger, and the merger was a little over 10 years ago. And I remember Gil is going to give me \$10 if I say that when we did the merger we had – we put out in our press release it was the only truly global carrier.

Anybody remember that? So, you owe me \$10. But what we didn't know because we were so enamored by the size and the scale and the scope that we created is we didn't realize what we didn't have. And so, when you think about what we have, we had at the time the biggest airline in the world and it was amazing. But when you looked around at the world and what we still needed, we needed a lot. And I think when you think about what our future is? The last 10 years have been about creating the foundation that we needed to last in the long run. And while we had great domestic hubs, we didn't have a lot of things. And I want to just go around the world a little bit and talk about those things.

We had a great partnership with Air France, Northwest had a great partnership with KLM. We had a really good connecting complexes in both Amsterdam and de Gaulle, but Delta didn't had any access to Heathrow, and if you think about that as a challenge, Heathrow, of course, is the most important building block and really the anchor tenant for US-transatlantic travel, 35% of the total US business is going transit, so transatlantic goes to Heathrow, and we didn't really have great access to Heathrow. So, in the last few years, we, of course, added Virgin Atlantic, it gave us the solid number two position with the best access from all of our key gateway cities into Heathrow. And you think about the evolution and continuing to work on the building blocks, many of you last night asked me, well, what is this new joint venture between Air France, KLM and Virgin mean for Delta?

As many of you know next year we start what we call Blue Skies, which is the agreement between Virgin and KLM and Air France. And today, many of you don't know that Virgin cannot talk to Air France or KLM, because they don't have ATI. And so, when we talk to Virgin we can only talk about the UK. When we talk to Air France, we can talk about Continental Europe. But we can't talk to them about each other, and starting in January, we'll be able to coordinate across the world from all three partners. And that's really important for us, because if you think about our value proposition inside the minds of consumers in Heathrow, the ability to now take them West with Delta and Virgin and now East with Air France and KLM is going to be very powerful in the UK and this is something that we really need for global accounts these days.

If you look at our Pacific operation, every flight stopped from Northwest Airlines in Tokyo Narita. And Tokyo Narita is not the airport, the downtown airport; of course, the downtown airport is Haneda. And so, over the last years we knew we had a ticking time bomb, we had a great presence in Asia, but people didn't want to stop in Tokyo on

their way to Shanghai or on their way to Beijing or on their way to Seoul. And so, we've said to our investors over the last five years and thank you so much for being patient on this, every year we say it's a transition year, it's a transition year, it's a transition year. It was a multi-year transition for us to get out of Tokyo Narita, and this year we will close Tokyo Narita. So think about that from every flight stopping in Tokyo to a total closure of that station, and think about the evolution of that and to do that.

And I just like to bring you back to while all this was going on, while all this construction was in process this is a company that was producing industry-leading returns. So, just think about that. This is the last year you will hear from us it's a transition year. On March 31 of this year, we will close Narita, we move all of our operations to Haneda, and then we will rely on our great partners at China Eastern and Korean to transit traffic to either interior China or Southeast Asia. And really we believe that we have the best of both here. best in China and best in Asia. Australia, we didn't even serve. So, now, we have Australia fully served with Virgin Australia and then I'll talk a little bit about Latin America.

Latin America is a very exciting region for us and really one that we never could quite track. We had Aeroméxico, which we acquired a 49% stake in many years back, several years back, because we didn't have a hub in Texas and we needed a way to access interior points in Mexico. And that's worked out incredibly well and we had, of course, GOL in Brazil. But quite honestly, GOL is a great carrier. We've enjoyed working with them, but they are the Southwest of Brazil and they didn't really give us great coverage for the rest of Latin America. And so, this year, we were able to secure a long-term agreement with LATAM which will allow us now to go from the number four position in US to Latin America to number one, essentially overnight, not only with great access to the key markets in Latin America, but really also within Latin America itself so really a great asset for us.

But when you think about the stages of all this, all of this is construction. All of this was construction and this is setting the foundation of the future for the returns, the acceleration of returns over the next 10 years. And then, I'll just close with a little bit about North America and I think one thing an under-told story about Delta is when you look at what we started with hubs in Cincinnati, with hubs in Memphis, with really not a great West Coast presence, our only West Coast presence was in Salt Lake City and how we used our first-mover advantage, the first-mover advantage in the merger to take the unclaimed positions in constrained airports.

And so, you look at our map today, number one global carrier in Boston, number one in New York City, number one in Atlanta, number one in Detroit, number one in Minneapolis, number two in Seattle, number two in Los Angeles, number one in Salt Lake City. And you put all those together, you say, oh, that's great, but that's all new. And a lot of that is new and we did that, this year, we will have not only all the service in, but we will have close to the highest margins of any domestic carrier, higher than Southwest, higher than American, higher than United. And when you think about those now going into a cycle of maturity, these are constrained assets, these are places that are moats and our ability now to get the right airplanes and the right – with the right market service and then use that in a harvest mode to increase our margins over time.

This is something we get really excited about. I didn't mention WestJet. WestJet is also under construction. We're awaiting the US DOT approval. We should get that sometime in the first half of this year and we'll be very, very excited to enter into an agreement with WestJet. We think there's huge value there in the trans-border US-Canada market for us. But we're just getting started, we are just getting started. When you think about the JV and the equity partnerships, these are all new. They're all relatively new. These are not things that have been around for 20 years or things – not things that have been stuck in the closet that we haven't continued to invest in.

And what we really think when you put it all together is that we don't make the choice for consumer travel, consumers do. And when you think about that is, if we can get inside the mind of our consumers, we are going to

win. And that's a super important feature to think about because we don't think our competitors are really thinking about that. They're thinking about how to catch Delta or how to do this or how to do that. And they're forgetting that the person who really makes the travel decision are the individual consumers. And when you think about what consumers are wanting they're wanting seamless travel, they're wanting experiences, they're wanting things that we cannot supply for them today.

And that's what our real journey and our quest is to get inside the minds of our consumer and get a higher share of their wallet. Simply put, right, and whether or not that's with a branded fare products, whether or not that's with the markets we serve, whether or not that's – whether that's our presence in a city, whether or not that's the value of our credit cards, it's about getting inside the mind of our consumer and giving them what they want. Now, if we do that, and we do that over and over and over again, we're going to be successful. And then, all this kind of drafts off of that of course, with a JV and equity partnerships, customers want seamless global travel, and we're on a journey to get there. We are on a great journey.

Steve and the team have done an amazing job this year. We have a project called Aces. Aces is a technical version of saying, we know who our customers are and we know who you are not only when you're on Delta, but when you're on other airlines. And we're on that process and you can envision the world five or 10 years from now where customers get on an Air France flight and an Air France flight attendant will thank them for being a million mile member. Sounds farfetched but that's the quest. Know your customers, know what they want and recognize them.

Airports, Ed talked about all the airport investments we're making. Generational builds and generational builds in places that count. In Seattle, we'll be bringing on our new international facility at the end of this year. Salt Lake City, later this year. We opened phase one of LaGuardia. Every 9 to 12 months, we'll be opening a new phase of LaGuardia. And in 2022, the new head house we'll open with one of the world's largest Sky Clubs with great views of the Bay. It's going to be really incredible. Technology, Rahul and the team have done an amazing job bringing to life concepts, and I think when you think about what we've done here in the past few years, I remember sitting in an office with Eric when we talked about branded fares, I don't know five or six years ago and we sketched out what it might look like for Delta when you were pulling it up on your phone.

And I was just looking today and I was shopping on other carriers and I was shopping on BA and some of the other global carriers, and I looked and I thought, oh my gosh, when you think about what's happened over the past five years, that little sketch of how people would shop became the industry standard. And I'm really proud of the team and I'm really proud of everything they've done, but bringing those products and services to life and through technology and enabling customers to use miles as a form of payment, not only for their flight, but for everything else. And every month and every year and every month, we bring on new things that are exciting and fun for our customers.

And last but not least, our fleet transformation. Fleet is, of course, an important part, it's how we get people to where they're going, and when you think about the merger and putting together, we had one of every airplane ever made. It was great, because we sold it as we can put the right plane in the right market at the right time. The problem was its hugely inefficient. And so, when you think about having 17 of this or 25 of those or 91 of the other, it really becomes a nightmare for the operations team. So, the fact that they can produce an industry-leading product across the world with a fleet that's as complex as ours is really – they deserve a Purple Heart almost to get that done. So, thanks to Gil and the team. But as we look forward, we are so excited about where our fleet is going, not only will it be simpler and will take our types way down, but we will continue with our upgauging strategy, I'm going to get to a little more detail of that in a minute, but fleet is going to be a really transformative thing for this company over the next four to five years.

Delta has unmatched competitive advantages, whether it's its people, whether it's its networks, whether it's its loyalty programs, and I just want to take a little bit of time and go in a little bit more depth on a couple of these. One is, the scale, and when Ed talks about 200 million customers on Delta or 500 million customers on Delta and our partners, that is a scale that has never been achieved in this industry before. It's really something that that we never dreamed that we could get to this level of scale. And when you think about not only having the scale and this is the really important part I think is, we have scale and people like us, right? We have a have 50 Net Promoter Score and when you have scale and people like you; it really is a powerful potion, if you will.

And all of our strength really comes off of that, all of our strength comes off of we have relevance, we have relevance in major markets and customers like flying with us. So, when you think about the specifics of high-margin core hubs, we have – all of our interior core hubs we believe are the highest margins in the US bar none. JV and equity partnerships in every region, brand preference, people like us, flexible fleet with low ownership costs, that's what we told you at the merger, flexible fleet, low ownership costs. In 2020, we're going to work on a lot of those – enhancing those core assets, core hub growth maturing and a lot of our capacity, we talk about domestic being under construction, we had put a lot of our capacity in places that were under development, so Boston, Seattle, Los Angeles and at the same time, we had achieved highest margins in the business domestically.

But now, that we've got those positions solidified, we can go back to our core hubs, which quite honestly are a little bit easier for us to grow and they have been ignored. So if you look at Detroit for example, Detroit is actually smaller than it was at the merger, same with Minneapolis, and now we'll be able to go back and fill the patterns out in those markets, very important to us. Expand service in key markets, get our partnership with LATAM up and running, continue improvements in our five-cabin strategy, this has been incredibly successful. Our five-cabin strategy has led to incredible increases and I think we'll talk about that later with Eric, but premium revenue is really driving our domestic revenues. And then retire the MD-88 fleet, now many in this room I know will be sad for it to go.

Who would that be? Oh, couple of people here. But if you want to get on one, hurry up, because they're leaving the fleet here and they'll be all retired by the end of the year as we bring in the A220 and the A321 fleet. And I want to talk a little bit in another subsequent slide about 2020 and 2021 fleet transitions, but these are really kind of different years as we look to retire the MD88s and the MD90s and then we get back on our path of upgauge as we get to 2022. As we look at our vision for the future, we believe we can take our most efficient core assets and make them even higher margin. This is where the fleets are going. This is where the gauge will count. This is where we can get much more efficient. Best-in-class customer experience, we want to take it to the next level.

We believe we're good, we want to be great and we want customers to really love us. Enjoy travel with better technology and personalization, get stressed out of travel. If we can make travel less stressful, more people will want to do it and that's a really key thing for us. More people will want to do it and we are in the business of selling travel. If we make it faster, more people will want to do it. If we make it less stressful, more people will want to do it. And we are on a path to make it less stressful. And then, a simpler, more efficient fleet as we move forward and I've got a couple of slides on that. When we think about our fleet, again, very, very efficient in terms of capital structure, but very inefficient in terms of our ability to schedule crews, a number of training events we have to have, all the things that go along with complex fleet. I don't know exactly, I think it's 17 ladders we have in our training cycle and when you think about a 777 captain retiring at the very top end creating 17 events through that chain down into the induction of an A220 pilot.

And if we can get those inductions out, we can get productive time up, we can make the fleet more efficient and we can lower the unit cost on the core airline. And one of the things of having first travel being the preferred travel airline, we have no trouble filling up airplanes. And so, we're really going to work on cost and the interior hubs. Fleet simplification, complexity, next-generation technology, gauge growth and really something that we don't talk a lot about, but deserves a lot more is a lot more environmentally friendly as we continue to get rid of the older, less efficient airplanes, more CO2 emissions, getting rid of 50-seat airplanes.

And I just want to talk about kind of the barbells of our fleet when we did the merger, we had 550, 50-seat regional RJs and approximately a 100, 190-seat narrow bodies. In two years that will be totally flipped and we will have 150-seat RJs and 500, 190-seat airplanes. So think about that efficiency move and play as we continue to upgauge the airline. And a lot of you've asked where are you in the development of this? And so, see what we started in 2009 average departure had 97 fleets per departure. Right now at 2020, we're sitting at about 127. 2020 and 2021, the early parts are going to be a leveling off as we accelerate the exits or the MD88s and the MD90s and we bring on the CS300s and the A321s, both more efficient than what they replace, but really not a change in gauge because one is bigger and one is smaller.

And as soon as we get beyond that to the 321neo deliveries at the end of this year and into 2021, we start changing that mix again and start the acceleration ramp up and that's really important to think about and when you think about unit costs, 2020 unit costs being about a point over where they've been in the past, really driven a lot by the fact that gauge is taking a year off. So as we think about – sorry about that, lot better. As we think about 2021 – 2020 and 2021, think about one of those points of unit cost being driven by the fact that we've taken a little hiatus on gauge and we'll be coming back to that as we get into 2022 with the ultimate goal of us being a 150-plus seats. Again much more efficient for the airline, much lower cost structure, able to take more people at a lower cost, better for the environment, all around a good trade.

And then last but not least, growing loyalty and trust in the Delta brand, getting back inside the head of consumers, having consumers like you as a brand and having consumers trust you, we are doing an incredible amount of work on this. We are doing, whether or not it's – whether they trust us when they shop, they trust us when they get to the airport, they trust us we have their back if something goes wrong, they trust us if we lose their bag to do the best thing we can, it's really about continuing to reinforce that. It's about continuing to make customers want to fly Delta. And when we do that, we can engage them in multiple levels, so not only can we engage them in our SkyMiles program, but then we can market them the card.

So we have kind of a lifecycle, if you think about it they're very rudimentary thing what do we really want our customers to do, we want our customers to do certain things. We want them to join the SkyMiles program, because we can then market to them. We can give them offers. We can make them feel special. We want them to download the app, because the app if you don't have it, you need to download it now because it's a treasure trove and I would like to thank our app team for all the great work they do. NPS, Net Promoter Score for people who use the app with all the communications that we give them is 5 points higher than those people who don't have the app. So we want them to get the app, sign up for SkyMiles, download the app and then ultimately get the credit card.

And if we can do all three of those which we've been doing over the last few years, we will have continuation of the strength of the brand. And when you think about it, this year, we will enroll 6 million new members in SkyMiles, record acquisition of SkyMiles. When you think about it record download of apps, I think it's over 2 million or 3 million. And then record acquisitions of credit card members, so kind of that simple is, if you get them to fly you they will like you, if they like you they will join your programs, if they join your programs they will like you even more and then the cycle repeats. And that's why it's important for us to continue to grow, because when you

think about where we acquire and getting inside the mind of a consumer and becoming relevant, there's a level of relevance we have to get.

So if you go to Nashville, we will be the second biggest card issuer in Nashville. We are the second biggest airline in Nashville. If you go to Atlanta, we will be the number one card issuer. If you go to Boston, we will be the number one card issuer. If you go to New York, we'll be number one card issuer. So, the relevance of your offering and how much people like you is really back to tenant on how much they will give you of their allegiance and their spend. And when we think about American Express and putting these two together, we have American Express which has the best customer experience for credit cards and Delta, the best customer experience for airlines. And you say, well, what if people want, they want travel perks?

Travel perks are the number one perks with credit cards and the power of that and then having an airline people want to fly, having an airline people want to fly and being relevant in places that count. So when we think about our size in Cincinnati or Memphis, we are still the number one carrier in Cincinnati, we're still the number one carrier in Memphis. We've taken billions and billions of dollars of assets out of those cities and we relocated them to places that matter, places with big spend, places where we can get credit card acquisitions that count. And I think that's really been a secret for us in the last few years is how much that is all interlinked and how much the net of all that together produces because it's not one thing, it's not the size of the airline, not oh you're an airline people like. It's not, oh, you take me where I want to go.

It's not, oh, hey, you have some cool products, so you have a good app. It's not any one of those things individually. It's the collective sum of them, which is so exciting and which is where we are today. So with that, I'd like to just close with there is a Delta difference, a powerful brand, an airline people enjoy flying and an airline that people are going to enjoy flying a lot more in the future. You may not know it yet if you are Delta frequent flyer and I know a lot of you are – you are going to – if you like the scenario, you're going to love us tomorrow. If you're in New York and you got the New LaGuardia coming or if you're in Salt Lake City, you got the new airport coming or if you're in LA and you got the new airport coming and you've got these new airplanes with more and more amenities on them and more and more premium seats and better and better technology where people can acknowledge who you are and fix things when they go wrong for you.

Unmatched competitive advantages in our culture, our global network, customer loyalty, operational reliability, balance sheet and put it all together and what have we got, a future with top line growth, margin expansion and a balanced capital allocation. So with that, I just like to say how excited I am to stand here today, how much work and how much I'd like to thank the team who's here for Delta, whose put so much work into getting us where we are now. But be so excited about where we are going together in the future. And so thank you all and have a great day.

QUESTION AND ANSWER SECTION

A

Now time for Q&A. If you have a question, if you'll raise your hand, one of our microphone runners will find you, you stand up and tell us who you are, ask your question. I'm going to have Ed and Glen back on stage for 30 minutes of Q&A.

Edward H. Bastian

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

A

Okay, we're going to do 30 minutes of Q&A and try to get through hopefully as many if not all the questions as we can. Yes.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Good morning gentlemen. Jamie Baker with JPMorgan. Amazon does a good job at predicting my behavior of the cadence with which I purchase AA batteries, razor blades, or dog food something like that. But Delta knows well in advance, where I'm going to be going, when I'm going to be there, probably what I'm going to be doing. How and when do you monetize that and where is that effort being undertaken within the organization today? And is that something as modelers of the company in the long run that we should be thinking about?

Edward H. Bastian

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

A

I'll start. I think, we – there's no question that there's great insight in the data that we can glean and there's no question that we're not utilizing a lot of that that insight at present. The first priority for that insight is to make certain that we equip the people of Delta to better serve the customers first and foremost. And so, the work we've done with the digital transformation has been largely about that is that we want to know everything about Jamie Baker.

We don't really care where you're buying your razor blades, but we want to know about how your experiences have been on Delta, how your experiences coming up will be and to the extent we've done something that you may have missed a connection why not that we do right by you and that we can personalize our relationship with you. That's the journey we're on and putting that power in the hands of our people, putting the power in the hands of our operations control center in terms of making sure that we understand then not just the individual customer, but the planeload of customers, that who do we have collectively on the plane and the value and the importance of where they're going with us.

I do think longer-term there's more valuable opportunities. I think, we've got to be cautious that we don't become creepy or we don't be seen to be a stalker and I think we can learn from the Amazons, the Starbucks and many others that are a little ahead of us on this journey. We're doing this at scale with high value customers and we just want to be careful. But when you think about the power of American Express, the power of our digital technology, our insights, we do know a lot and we're still working through. So yes, you should include that in your future thoughts, but I think we'll be a bit careful of how we characterize it.

Glen W. Hauenstein
President, Delta Air Lines, Inc.

A

Can I?

Edward H. Bastian

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

A

Yeah, real quick and we [indiscernible] (01:06:18).

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Okay. Real quick. I think we are also just looking at the lifecycle of customers, where we want them to enter, what offers we want to give them when and I think that's the first step to getting this is, is relevance within the Delta ecosystem. And then maybe years from now, we could talk about relevance outside but right now, we're working on the inside relevance.

Duane Pfennigwerth

Analyst, Evercore Group LLC

Q

Thanks. Duane Pfennigwerth with Evercore. I had a quick follow-up for you, Glen, you mentioned captain retiring and that triggering 17 events and how that will ultimately save cost or reduce cost in your hubs. Can you just expand on that? I kind of missed the point you are trying to make?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

So today, with the number of sub fleets, fleets and sub fleets we have when a senior captain retires, it causes 17 ripple events inside the training ladder at flight operations. For those of you who don't know pilots salaries are second largest expense next to fuel. And so, when we have a lot of pilots in the training house which we have a lot of pilots in the training house all the time, every time we can take an event out of that cascade, we can save a significant amount of money. And so, as we get rid of the MD-88s this year that will take one of the ladders out of the training cycle, when we get rid of the MD-90s next year that will take two of the ladders out of the training cycle and the real goal here is to go from 17 training cycles down to nine or less in the near-term over the next several years. And each one of those ladders represents tens and millions of dollars of cost coming out of the company.

Duane Pfennigwerth

Analyst, Evercore Group LLC

Q

Thanks. And then just on the follow-up. You mentioned building of hubs and maybe less of a build-out of focus cities. You referenced Detroit. Any other hubs you care to mention?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

No, I think this year's capacity increases are primarily coming in the interior hub, so Atlanta, Detroit, Minneapolis and Salt Lake, which have not seen significant growth in the past years because we've been busy working on the LAs, the Seattles, the Bostons, the Raleighs and so as we look to this year, we have them all in places, we had a little bit more to go in Boston but we have them all in places, we feel pretty good about and so instead of accelerating that growth which is a little bit more challenged on the P&L, the short-term P&L that has the interior hub growth, we'll balance that out a lot more this year.

Duane Pfennigwerth

Analyst, Evercore Group LLC

Thank you.

Q

Hunter Keay

Analyst, Wolfe Research LLC

Good morning.

Q

Edward H. Bastian

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

Good morning.

A

Hunter Keay

Analyst, Wolfe Research LLC

How do you think about growth? And do you feel like your success has sort of entitled you to grow more than competitors and maybe put differently, are you comfortable under growing the industry, if you think that's the right thing for you guys and this is not a MAX question, this is not a 2020 question, this is a long-term question. How are you going to think about your success entitling you to growing at least in-line with the industry or more?

Q

Glen W. Hauenstein

President, Delta Air Lines, Inc.

Well Hunter, hopefully, I was very clear in my thoughts about growth, it's consumer demand that drives growth. Now what we sit and pencil out, what's going to give the best short-term financial result in a quarter or a year time and you really got to look at why we're growing and that, that growth is the attractiveness of the industry sector. We're a big scale operation. This leverage that gives us our powers, leverage that drives our results and leverage that drives the American Express relationship, that drives these other adjacency businesses. And in that world, we're not looking as much about what others are doing, we're looking at what Delta needs to do. We're mindful of it.

A

Of course, we're watching, we're not going to grow where we don't think we have the right to grow and the right to win. But growth for us is very much about continuing to extend the strengths of our brand. You see the ground investments in the airports. It's going to facilitate growth. You can see the new fleet is going to grow. All of those are designed to create efficiencies and scale and leverage – topline leverage and is coupled with the fact that our consumers are demanding it. Now if consumer sentiment changes, if somehow the brand isn't as powerful as it is and continue to grow then you've got to revisit your growth strategy. But I don't think anyone has the right to grow. I think they have to earn that and that's how we think about it.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

All right. Brandon Oglenski from Barclays. So Ed, appreciate the guidance that you provided today, but if we do look at the low end of your targets, effectively or not a lot of earnings expansion even with the pretty healthy top line outlook. So I guess, from an investor perspective, costs are coming in a little bit higher. The perceptions from the outside looking in could be as Delta lost a little bit of a discipline, a rigor around the expansion strategy and should we expect that flat margins are okay and that's where incentive targets are set for the organization?

Q

Edward H. Bastian

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

A

Listen, we gave you guidance for one year, okay. So don't ask me what the – the long-term we're going to talk about in summer and we're going to give you a three-year outlook. We've done a very nice job of growing our margins this year. Every year is not even straight up in terms of growth. We're going to grow EPS next year, that's our goal and that's where our targets are set at. I think with some of the uncertainties I mentioned in the revenue forecast, the MAX return, uncertainty around the election, some of these international moves had some revenue risk attached to them that we got to watch. But I think our unit revenue and our unit cost in total are pretty well balanced going into the year, kind of both looking up and kind of that 0 to 2 type range collectively.

And we'll have some and Paul will talk a little bit more, we had some benefits on the non-op line that are also going to help the pre-tax margins in the business with our pension outperformance as well as the equity earnings improvements from our international entities. So, no, I think there is no discipline lost. I think we're looking at just the scale of the growth we've had that we've had to make some important cost investments and we also took off remember a year of upgauge, that the upgauge strategy for the company has been a benefit of 1 to 2 points a year on our non-fuel unit cost, a year, based on last several years. We don't have that benefit this year. Okay. So when you think about a 2 to 3 without that benefit it's actually I think a pretty good performance.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Hi, Savanthi Syth from Raymond James, and just the investments you're making with your partners makes a lot of sense, it's easy to see on the network, you can really understand that from a core airline business. But could you talk a little bit about how you think about the investments that you make with Wheels Up or just some of the other investments that you're making, how that fits in the kind of the greater strategy in deciding whether to invest or not. And then kind of where – how you think just the partial investments that you make versus kind of bringing things in-house like...

Edward H. Bastian

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

A

Sure.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

...you've done with Delta Flight products?

Edward H. Bastian

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

A

Sure. All the adjacency business I talked about whether it's the MRO, whether it's Delta Flight products, whether it's the DPJ which is now going to be part of Wheels Up, I think are coming in at – it's a really kind of capital efficient investments. Our investment, we can't talk about Wheels Up and Kenny will talk in a few minutes, because it's a private company, we can't give you the financial details behind the arrangement, but you shouldn't assume we're putting a big amount of financial capital and we're contributing the business and we're walking away as a stakeholder in a larger business.

It's not a huge financial exchange that's happening there in terms of dollars and monetary capital. Each one of those businesses, that I mentioned and then we got a couple of others that are still, incubators and things that we

could look at, I really do believe our multi-billion dollar individual businesses that can attract their own capital by the way, not just coming from Delta if we so decide and over the next three to five years, we'll be significant contributors back to the airline and the opportunities and just the MRO alone, we already have a beat on getting to that \$3 billion over the next five years. Just what's on the books already.

And as all the new engine technologies and the new planes start to come in, that number is just going to continue to grow. So I don't look at those as capital tradeoffs, looking at fleet versus partners versus the side businesses are designed to kind of maintain their own capital structure. And we may put some, some capital. We will put some capital in but I think they, I think they are the ones where we can actually just leverage the core a lot better and lot more efficient and that's going to provide us the capital for the improvement.

Helene Becker

Analyst, Cowen and Company

Q

Hi. It's Helene Becker with Cowen. I just had a question with respect to the comments you made with ESG and the growth. I mean I know that people want to travel and they want to be environmentally responsible. But do you worry about a backlash especially with your large European footprint, that governments there will raise taxes on you, will try in ways to discourage tourism that, cities are discouraging it through over tourism. How do you think about that with the growth that you have planned because in the one hand it's great, on the other hand it's like they're taking it away from you?

Edward H. Bastian

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

A

Yeah. So as I mentioned yesterday, the environmental stewardship is the existential threat to our future ability to grow, there is no question about that Helene. You see it happening in Europe. I mean it's increasingly coming here to the US, you'll see it on a global scale. And we have been terrible advocates of our own cause. We're seeing in the world's eyes as somewhat of a dirty industry. Yet we have done a tremendous amount of good with all the reinvestment in our business, in the capital we're investing in new engine technologies and every plane that we put in there Glen talked about is that 25% less fuel than the planes that we're taking out and we've frozen. We've not increased our carbon footprint since 2012 and all the growth has actually been carbon neutral, but we've got to do more and we've got to stop talking as Delta and as an industry as about this is being on the defense. We need to stop talking about what we're doing less of. We need to start talking about what we're doing more of in investing, in renewables and how do we engage customers globally 200 million customers a year. It's helping us, because we're all in this together. It's not – the airlines aren't going to solve environmental and climate change. Everyone's got a role to play. We haven't reached out and embraced that.

So I think you are going to see us become more of an active voice in the conversation in the coming year. The 2% fuel efficiency that we're running per year is great, but it's not enough to get us to where we need to be. I don't know that we'll ever become Europe. I mean Europe's got its own specific issues, but that's how you get into flight-shaming, is that by – you're not talking about the good they travel though, you're not talking about the good they travel invest in, how you're renewing the earth's resources. And that's what you're going to see us do. Less on offsets, more on what we're actually doing to make the world a better place.

Mike Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Ed, Mike Linenberg, Deutsche Bank. When I look at one of the moats of the Delta story, the growth that your ancillary businesses and the high margins, I want to say four, five years ago, I had asked a question about whether or not those business to get to a point where they're 20% of your revs and I got – I remember getting

some pushback. When I look at everything that I've seen today and what you've done, it now feels like 20% is probably too low and we're not even talking about merchandising. We're just looking at MRO and loyalty and some of the basics. Your thoughts on that?

Edward H. Bastian

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

A

I just know, I think they're all high growth businesses that are growing faster than the core passenger airline. They are all at higher margin contributions than the core passenger business and we'll continue to invest aggressively in each of them, yeah.

Mike Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

And just one quick follow-up Ed, when you have hinted about the MAX that you had some thoughts, you and Glen and how that...

Edward H. Bastian

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

A

Yeah.

Mike Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

...airplane comes back. If you could just share that with us?

Edward H. Bastian

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

A

Yeah, Glen, why don't you take that?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Sure. I think – we're very cognizant of where the MAX is coming back. Everybody has published schedules now twice with the MAX back in them and only having to go back and pull them back out. So, we have pretty good visibility as to where the MAXs are going. And generally, they're not going to places that are of key importance to us. We think there's going to be some flow pressure this summer as those planes come back and depending on how they come back. But I think we know where they're going back to. And we feel really good about where they're going back to and them not really going to places that are going to impact our revenue streams directly.

Now, when you think about the whole industry growing a couple of points more than it has, than it's growing right now, it will put some pressure on the flow and our job is to make our local traffic and we're 60% local revenue now. We've been working on that for years to become a more local airline. And that relevance and – I think when you think about Boston or Seattle or Salt Lake City, they are generally not coming to places that would impact us directly.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hey guys. Joe DeNardi, Stifel. Ed, you kind of alluded to better disclosures on the loyalty program side. So, it seems like the only real element you're missing there is profitability. And so is that what you're intending to provide at some point?

Edward H. Bastian

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

A

Well, I wouldn't necessarily assume profitability. I think we're going to come out with better and more transparent guides for you to forecast that business line going forward in the summer conference that we're going to do on a long term basis. There's a lot of schools of thought and debate as to how you measure profitability and what's included and what's not included, which we're going through all that now. There is a lot of consideration to American Express not disclosing anything that could be seen as a competitive disadvantage to us or them that we got to protect.

But I think we can do a better job that all said in terms of giving you a sense for this is our business. This is what we generate roughly in terms of the contribution from the business. This is where we see it going into the future and this is the kind of the growth trajectory. So, you can start to do more of the sum of the parts going forward and see the resilience of that business, yeah.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

And then Glen, you talked about how a lot of the international network is kind of in an investing phase now. In a few years, once maybe you're in the harvesting phase, if the international entity generates the same margins as the domestic entity, how much higher will Delta's margins be?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Significantly. And I think when you think about the international, it's two things. It's – one is the international has been quite challenged over the last couple of years, they're very, very high dollar as well as the trade wars have had an impact on demand inbound to the US, not outbound. Outbound demand has been quite strong. So, when we think about at some point that will turn, it always does, we don't know exactly where it will inflect, where the dollar will peak.

But when it does start to peak and when those trade issues get settled or resolved at some level, we see a significant upside in the international arena, significant upside. At the same time, we're bringing on a lot of those partners that we think will provide an incredible incremental value to us. So, we're very optimistic about where the international margins are headed over the next several years.

Joe Caiado

Analyst, Credit Suisse Securities (USA) LLC

Q

Thank you. Good morning. Joe Caiado, Credit Suisse. Two quick questions from me. The first is on the joint ventures. Could you just comment on the potential for Aeroméxico to eventually join your multilateral Trans-Atlantic Joint Venture? And then the second unrelated question is on fleet's implication and the desire just to reduce fleet complexity. In that context, could you just talk about the recent decision to reinvest in the Boeing 717?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Well, Aeroméxico is in talks with the European partners right now and hopefully that gets resolved in the next few weeks or months. And yeah, so we're intending for them to join into the North Atlantic joint venture as an associate member, which is a little bit different in terms of the construct, but generally the same.

And then on the Boeing 717s, this is a flex fleet. When you think about it is – we have 91 of them and they're very low capital cost and they will provide us the ability to either flex up or flex down, depending on where we are in the economic cycle. But they are likely to or will be by the end of this decade. So, it's just a matter of which years they leave.

Myles Walton

Analyst, UBS Securities LLC

Q

Myles Walton, UBS. Glen, maybe a question for you on your outlook for Pacific [indiscernible] (01:23:48-01:23:56) what are you thinking about for the next five years in terms of [indiscernible] (01:23:58-01:24:04) targets for the Pacific? And then on the A321XLR, given the United's move [indiscernible] (01:24:11-01:24:16)?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Well, in the Pacific, we think of ourselves as actually quite a large player. When you think about us and in conjunction with our partner Korean, we are number one in trans-Pacific. And we have really the best connected complex in Korea, the best position in Tokyo, the best partner in China and you put all three of those together and we feel like we've built a really, really solid foundation.

It won't be – China, Asia, of course, is a fast growing region, even with the decline in the growth rates, it's still the fastest growing region in the world. And we see our growth kind of mirroring that growth rate over time. I don't think you'll see us maybe one market every year, one market every two years and really focused on continuing to build out the Seoul hub where we have best connections to the whole region. And so, not really aggressive growth or rapid growth, but keeping pace with what the traffic travel patterns are.

And what was your second question?

Myles Walton

Analyst, UBS Securities LLC

Q

A321XLR.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

A321XLR, we don't know whether or not – we fly the Boeing 757 today in the trans-Atlantic and we really don't know with the labor rates where they are today, whether or not narrow-bodies in the trans-Atlantic makes sense, we're studying that. And the XLR is really just a A321neo with a tank on it. And so, we can always move some of our orders to that, but really we see the application more for working on our cost structure in Europe, serving big cities and lowering our carbon profile, at the same time bringing more efficiency to our trans-Atlantic fleet and we're not convinced going with a long and narrow plane as where the evolution is going.

Edward H. Bastian

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

A

But as I said, we haven't made that decision either. So, we're looking at our options and obviously, we're interested in Boeing coming to market with a new airplane too hopefully.

Daniel J. McKenzie

Analyst, The Buckingham Research Group, Inc.

Q

Good morning. Dan McKenzie here from Buckingham Research. The part of expectation this morning that stuck out to me was domestic being the most profitable in the US airline industry, which implies a really big headwind from international, so kind of going back to the international part of the question depending on your comments.

First of all, how do we think about the size of the headwind this year? 35% of your business maybe, don't know, 10%. As we kind of think about 2020, what have you built into the forecast [indiscernible] (01:26:42) part of the business, is that building some improvement? And then as you look at that international component, I mean, where is the biggest opportunity for that growth with respect to the JVs letting the trade war issue side?

Edward H. Bastian

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

A

Dan, I don't know if you didn't fully – hopefully misconstrued some. International is not a headwind, it's just not the same profit contributor that the domestic business is and we're not expecting international to be negative on us next year. It's going to be something that we need to work through, we got some changes, Haneda for example. So, as we move out of Narita into Haneda, there's a disruption, there is a cost to that. But there's a huge benefit over in Seoul at the same time.

As we unplug from GOL and we plug into LATAM, there's some change. So, the revenues are still strong. These are all regions of the world that we see growing next year. So, there's some headwinds in terms of some marketplace changes, but it's not something I would say is going to be a drag on our overall performance. I'd expect international – the opportunity is to improve international actually are greater than they are in domestic next year.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Can I take a stab at that? I think we are saying that the margins domestically are and have been higher over the last couple of years than international, but that hasn't been true in the history of the company over the last 20 years. It's cyclical and there are good years for domestic and then there are good years for international.

And I think what we're trying to show you is the diversity of the portfolio that we've created and the resiliency. And yes, with the dollar being so high and with the trade wars out there, international margins have been under – lower than they were prior to that. And should all those get resolved, or should the dollar start falling, those margins will continue to improve again. And I think that's what we're excited about as our ability to play all sides of the cycle and move the airplanes around where we're generating the highest margins.

Daniel J. McKenzie

Analyst, The Buckingham Research Group, Inc.

Q

Very good.

J. David Scott Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hi. David Vernon with Bernstein. Just following up really quickly on the international question for a second. If you think about the international segments that you have that are maybe a little bit less profitable than domestic, can

you help us understand the relative profitability of the markets where you have really well-functioning partnerships [indiscernible] (01:29:00) joint venture level versus the other markets, is there [indiscernible] (01:29:04)?

Edward H. Bastian

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

A

David, we're not going to give the international margins that you want, because we don't disclose that level of detail. But just in terms of forced ranking the most profitable international region is Europe for us by a good margin in terms of both scale and size. It's about 20% of our business is across the trans-Atlantic and those margins while they're not right up to domestic centers, they start to rival certainly during seasons or even better than domestic during the peak.

Latin America, I'd characterize as our growth market. The margins are good. They're not – they are somewhere between that. And then the Pacific is closer to a breakeven-ish for us and that's I think the opportunity to improve.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

But I think the question was also about how much of margin accretion we should expect as we bring these JV partners. And then, we've modeled two to three points of margin expansion in the region from a good partnership that's up and running on a larger base, so there's upside in there for us.

J. David Scott Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

That's very helpful. Thank you. And then maybe just as a quick question. If you think about the investments you're making in the ground experience, should we be thinking about this as investments that you're going to be making that will be adding some cost that you'll be growing into, or will these investments also be helping you to drive efficiencies in ground operations and then maybe be a source of margin leverage?

Edward H. Bastian

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

A

No, there's no question as we build out these airports that – and by the way, it's not just for Delta, it's across the industry. There's going to be pressure to cover the cost of those investments and they'll come back in rents and landing fees, and you'll see a steady stream. We already see. That's one of the reasons why our non-fuel costs are up next year is because some of the higher – as some of our facilities come on higher rents and landing fees. But fundamentally, we had no choice. Our airport infrastructure is broken. And this hasn't been invested in general – it's a multi-generation build in decades. The airports that we operate today were built with a 1960's mindset in terms of at its core, and we got to get ready for the next generations to come there.

So, yes, there will be a step change cost growth over time in airport rents and landings fees across the industry, not just Delta. I think the way we're going about it, the way we're financing it, the way we have to have more active hands on the development there, we're going to be able to manage that better. I think it will come at certainly at the same time, there's going to be greater revenue opportunities, there's going to be greater efficiencies of operation. There's going to be both, but it's – but certainly the costs are going to be growing over the next five years.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

So if you take LaGuardia as an example, when we finished LaGuardia, we will have dual taxiways which should decrease our off time significantly, but during the whole construction process, we get the cost, but we don't get the efficiencies until the very end. So it's a little of both of what you said.

J. David Scott Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Thank you very much.

Q

Glen W. Hauenstein

President, Delta Air Lines, Inc.

Sure.

A

A

We'll have time for one last question before going to the break.

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Hi. Catie O'Brien from Goldman. Ed, you noted that...

Q

Edward H. Bastian

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

I can't see you, Catie. Sorry. There you are, hiding behind Chase.

A

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Exactly. So, Ed, you noted the future of growth is going to be international, can you talk about how you see international capacity growth next year, maybe over the next couple? And then, do you think your international partners have provided you with some growth opportunities you wouldn't have otherwise had? And then, if yes, how the equity investments figure in?

Q

Edward H. Bastian

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

So, I'd start with the premise of your question, the growth opportunities. Growth opportunities are domestic. I think still in the medium-term, we have great opportunities and Glen talked a lot about what we're doing. So I think the best opportunities for growth still for us are in the domestic system for easily the next five, five-plus years.

A

International, certainly having strong partners, understanding the local market, building the connectivity between us and our partners, the technology seems that Glen about that we're knocking down, making it easy for customers to travel on Delta Air France or Delta LATAM or Delta China Eastern is where we're focused. There's no airline group out there that does a really good job of managing those inefficiencies.

So technology and by being inside the company, inside the boardrooms of these companies, we can influence where they're going for a greater goal of the entire ecosystem of Delta travelers. So I think those opportunities, Catie, are there and yes, we have our own local opportunities as we move to Seoul, as we implement our LATAM

franchise, as we put new airplanes into market. But more importantly than that, I think the healthier our local partners are, the healthier our collective opportunities are.

And that's why I am saying we need to start to move away from solely a commercial orientation into an ownership orientation and you're going to see more and more of that. We do it somewhat today, we're certainly very active at Virgin. We're very active in Aeroméxico, but not as active as we need to be in certain other markets. You're going to see more of that from Delta.

Great. Thank you, all. We'll see you during the break.

Unverified Participant

All right. We are going to take a 15-minute break, during which time the showcase will be open and refreshments will be available. Our program will resume in 15 minutes.

Unverified Participant

Please welcome Delta's Chief Operating Officer, Gil West.

Wayne Gilbert West

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

All right. Sorry, my voice is a little bit scratchy, so and I want to apologize upfront. So as we talk about the update from the operational perspective, I'll just start by saying my colleagues have this wrap on me that I'm the charts and the graphs and the data guy. And so I thought, before I just go in and start grinding out our stats to you that, I would go ahead tell you the punch line, and the punch line here for my presentation really is colleagues of Delta. They are running the best airline in the business. We're number one in reliability again. They have been able to deliver a customer experience that other airlines just can't duplicate.

And it's a combination of that performance plus the Delta brand that have really brought in new partners – world-class partners for us. And it's those partners that help us unlock new business opportunities. So you're going to hear all about those things. So, first let's grind through the stats and I'll start with this chart, but really, I want to hit each one of these a little. The first is completion factor. So you probably know we've talked about before that we're on a march to cancel cancellations, done a great job rallying behind that over the years.

And we're in the industry and completion factor again, but this year, we'll finish it in all-time record completion factor. We're at 99.82% as of yesterday, but who's counting. But if you look at that number there's not a lot of headroom, you would think in terms of completion factor. But that's not really how we look at it. We see lots of opportunities in all these numbers. And about a decade ago, we started looking at kind of perfect completion factor days. And we had zero perfect completion factor days in our whole history. And over the last probably six years, seven years we started to see a few of those every year and finally building up to where we were really started producing and focusing on those.

So last year, as Ed mentioned, we had an all-time record completion factor of 100% – or not completion factor, but 100% perfect days of 251 days. This year, as of last night, we're up to 264 days of perfect completion factor, all right. And the team really just builds on itself where we're looking for how do we work and how do we learn from every cancellation that we have. I'll talk a little bit more about that in a second, some of those opportunities.

Next piece, of course, is our on-time performance. Ed said it really well. We've got a contrarian view about on-time, right. We look at it internally as zero minutes late, A0 and that's how our customers will get it, right zero minutes late, that's on-time or early even. Rest of the industry of course looks at is 14 minutes late is on time. So we have a different view, the number you see on the screen is that metric, that's what the DOT reports. But the momentum that's built on-time, I can tell you that, that opportunity for us is big, we've got some pretty aggressive plans as we move forward to continue to move that number in reliability.

By the way, the A0, not the A14, 14-minute late number, the A0 minute late number correlates highest of any of our operational metrics to our Net Promoter Score. So it's an important metric for us. We will finish the year all time record for us in terms of mishandled baggage rate, continuous improvement – continues to drive the performance with baggage. I'll just say, here that TechOps is a competitive advantage for us. It's also a core competency for us. Hopefully, you got to see some of that yesterday, but the team's done a great job. The one metric that really stands out with the effort that TechOps has done is their cancellation.

So you go back a decade ago, and we would average 5,500 maintenance cancellations a year. And that's about average today. That's about the norm for any airline of our size with maintenance cancellations. You fast forward to today, this year, we'll finish the year at about 50-ish maintenance cancellations, about the same level as we had last year and the year before, but you see the magnitude of 99% reduction. So that gives us truly a foundation that we can build off of in terms of not just reliability, but the customer experience.

And then finally, you see that all feed into our customer scores and our metrics. So, if we look at the customer experience, first, let me say, we measure everything. We are a bit data geekish, but if you look at all that data and metrics every one of our metrics in terms of customer experience were at all-time records in 2019, and that just builds from the years prior as we continue to set new records. The biggest of which of course Ed mentioned is a Net Promoter Score at 50, right. That's you know, we're really happy to break that 50 barrier. But as we look at what we call internally the travel ribbon, and so when you book a flight – from the time you book a flight to the time you come to the airport and experience some TSA and board the flight, fly the flight, claim your bag that whole travel ribbon, we survey, please keep filling those out, by the way. But we survey you to that, we have a lot of data, lot of robust backend analysis on that.

But as we look at that whole travel ribbon, while the aggregate experiences up 50. What really stands out is anytime you interface with the Delta people the scores are about 70, right. So, it's that uplift from our people that really set us apart in the customer experience and that's something candidly our competitors will never be able to replicate. So, that is a big moat for us especially in the customer experience. So, as I mentioned earlier, we got a lot of opportunities and ironically, so we look forward, I guess, if we consider and kind of try to sit on our laurels, but I can tell you the whole team, all of us are wired to what's the next opportunity.

And the biggest opportunity we have in terms of operation is irregular operations. Our IROPs, as we call them internally, so and these are weather events largely. These are thunderstorms and snowstorms, hurricanes, right. These are those type of events, but on a normal day without any of that, the operation is almost perfect, right. That's a 100% completion factor, on-time performance in the 90s. It's strong, but where we're challenged, when a thunderstorm comes through or some of the weather event.

So, we've looked at this as a real opportunity and we know that we can't control the weather, but we certainly own our performance during the weather. So, we've had an ongoing task team that has been stood up for the last three years and it's some of the best minds in the company and it's an agile approach. So, every IROP event we have, we critically review those through that team and look for lessons learned to see what do we need to

continue to tweak the move forward to have better performance. And the team is making progress as you can see by these charts, right.

So, the last two years, we've cut our weather-related, IROP-related cancellations by 70%. Okay. And if you look at that progress, it's really a function of a number of things. But at a high level, some of the key themes are refining our ability to do weather forecast and more of a probabilistic approach, so that we can game it out and set better plans. Crew resource management is another key piece of it, and we look at that holistically. How much buffer time do we build for the crews at the end, as a shock absorber, especially in the Northeast, but also during events, how do we better perform there.

Technology is a key piece of the equation here. And we've developed technology in both weather and crew management, but also decision-making through decision science tools that allow us things that a human can't do is play it forward, so that we can make those decisions. How many flights do we need to proactively cancel so that we can recover quicker and make those up on the back end? So but – so again, weather, crew, technology and then what I would call is constraint management. This is during an event, what is really limiting our throughput, right, is it de-icing, is it the ability that the ramp shut down for a thunderstorm, and we look at all of that critically and really think out of the box in an innovative sense to find what can we do to better perform our performance. So, we reduced the volume of cancellations during irregularly – irregular operations.

The other piece of the equation is we really focus on our service recovery. So, we do a better job when a flight is canceled to minimize the impact for our customers, right. Re-booking, reaching out, how do we protect them in these situations? How do we communicate with them in these situations? And you can see by the Net Promoter Score numbers in that sense that we typically – when your flight is canceled right, it's hard to get a 5 on our surveys versus scoring a 1, right. It's the nature of the event and you can see that in our numbers, our Net Promoter Scores were double-digit negative numbers. Fast forward today, we had an aspirational goal to try to achieve a positive Net Promoter Score. The team's done that. You can see we're almost double-digits when your flights cancel, right. So these are kind of things we've got to continue to lean into and move forward with.

So, as we look into 2020 and literally turn the page on a new decade, again, all we see is opportunities. There are just tremendous opportunities everywhere. So, we were very good I think at prioritizing, focusing on the levers and executing around those. And one of the tenets we have is to involve our people, our front line folks know better than any of us here at headquarters. What we need to do to improve, right. So, we're very engaged with our employees to come up with the strategies and the actions to improve our performance.

So a couple of key themes that we look at in 2020 as opportunities, of course, irregular operations I mentioned, while we've cut that 70% in two years, we're on a halfway program. We're obsessed with cutting that in half again and again, right. So it's a competitive advantage for us because if you compare kind of Delta's weather cancels to the other large operators, I mean, they're three to five times higher than our numbers. So we can continue to lean into this is an opportunity for us to differentiate ourselves.

Also, we're really blessed to have deep process expertise within Delta. And think of the process expertise, as I see it. It's the equivalent of industrial engineering. How do you better run your business smarter and we've got a lot of great skill around that. And it's a matter of where do we apply those skills and we've applied them throughout various areas of the company over the years. TechOps is a good example of that, the airports are another, but as we lean into that again and apply that there's a number of applications next year that we're engaged in. Ed mentioned one catering, example of that. And if you look at all of these areas, as well as the turn of the aircraft that's kind of a continuous area that we focus on, these type of process workouts that we have,

they're all geared around improving reliability, improving the customer experience and improving asset utilization and the team is just wired to continue to do that. It's a big part of our success and continuous improvement.

Second big area of course is technology and infrastructure. This is an area that, we really – we could talk about technology for hours. But I think from my perspective one big key output of all of that is developing better tools for our people. And with those tools, our people can do their thing even better right. It's taking that single view of the customer then the data and technology-enabled through our mobile applications to personalize that experience. And that's just one example, but the technology really builds throughout the company for us.

The third area, Ed touched on, was of course building out our portfolio businesses. And I'd like to talk a little bit more about those, those we segue in. I'll start with, what Ed discussed earlier. And – first this question, how many of you knew that we have a private jet business before today. It's not all the hands and you of course follow us you're tuned to what we do. But if we asked our customer base that, unfortunately not a lot of hands would go up, because Delta Private Jet has really been shadowed out of the sun from Delta Air Lines, right.

So, what we've done then is we're to have the ability then. We announced today to merge Delta Private Jets into Wheels Up, retain an equity position. And really it's a combination of the two best brands in private aviation and commercial aviation, right. That combination unlocks a couple of things. One, it really is an enabler to democratize private jet travel because of the scale and the efficiencies that it can drive, but also the customer bases that are connected. And then I would just say from a customer experience standpoint. And as this rolls out people want more, but as a customer perspective, segment of our medallions will have unique benefits that again that makes our loyalty program even stickier. And these were things that can't be replicated.

So, with that, I'm going to call our good friend and partner, Kenny Dichter, up. If you would – Kenny come to the stage. Kenny is the Founder and CEO of Wheels Up. Thanks man. I'm going to give you a mic. All right. Please.

Kenneth Dichter

Founder & Chief Executive Officer, Wheels Up Partners Holdings LLC

Thanks, Gil and Ed. Thank you for having us today. It's a real honor to announce our partnership and our deal the way that Ed and team have gone about this. I mean, doing the CNBC interview following Ed this morning, being here at the Investor Day, again just on behalf of the Wheels Up team, it's great to be in the family. Couple of things as private jet and commercial jet coming together, it's a real first. And I would tell you that the opportunity is as Ed said before, it's billions and billions of dollars of opportunity. And it's really simple. If you look what Travis Kalanick did at Uber, 2009 Taxi and Limousine was a very sleepy \$11 billion business. Today, it's over \$200 billion.

There are plenty of people that are flying in front of the airplane, businesses, there's tens and tens of thousands of business accounts, plenty of business in first class folks that we can serve last mile. Our opportunity coming in here – was we're focused on short haul, two hours and in, we bought a fleet of King Airs, which I would happy to report is the greenest airplane in the sky in our business. It only takes a 110 gallons of fuel to fly an hour that's less than 50% of the next up private jet, that's the core of our business.

We're a membership model. So think about Netflix, you think about Amazon Prime, you think about Costco. We have over \$60 million of run rate membership revenue. We'll double that in the next couple of years. And then the other two areas of our business that we're really going to focus on and why Delta Private Jet is so powerful is we've had to invest our balance sheet in our first 119 airplanes. We take on 75, 80 Delta planes – Delta Private Jet doesn't have those airplanes on their balance sheet, they're managed.

So, if you think about bucket one, we love this and I know the Wall Street does that membership revenue, that's great revenue. Our fleet revenue is also great revenue, but it's what I would call mortal – very mortal. The immortal revenue in our space is the Airbnb. The Uber type revenue that off balance sheet marketplace revenue that's enabled by technology, that's the future of our business and there's billions of dollars of business that we can aggregate using technology. We're early in that game. We had a great acquisition of a company called Avianis several months ago. That's allowing us give the software just like OpenTable or Airbnb gives its operators and its asset owners, enables them to have a network that ties right into your iPhone. So that's what we are looking to do together with the Delta.

Couple of things on the benefits, our members, 90%, 95% of the Wheels Up member – membership, they fly commercially. These are CEOs and thought leaders in the world. They have businesses. Their employees don't fly privately for the most part. And they also mix in, when they fly to Europe, 95% of them are flying commercially. We're going to be able to onboard my view over time, hundreds and hundreds of millions of dollars' worth of revenue on the system.

Today, there's not a lot of loyalty with that customer because he or she, they book on the best flight, as it relates to time or energy. But now they will book because they're going to have some loyalty extended to them in their deal with us. And then for us last-mile, if somebody flies Reno to Atlanta and wants to go to Sea Island or if somebody flies overseas on a partner into JFK and wants to go to Buffalo for a meeting, in the same way that a Porsche can meet you on the ramp, a Wheels Up plane can meet you on the ramp.

My last quick comments on the deal, it's been 6 months or 8 months or even 10 months since we started talking about the deal. What's really been impressive to me is the level of entrepreneurialism that's inside the building. Hopefully, our project can unleash it even more. The nimbleness of Delta to do a deal with a company like Wheels Up in this space incredibly impressive for a business that's focused on big airplanes and big scale. So again, it's just – it's great to be here. I'm around if anybody's got a question in a break and wants to grab me. But again Wheels Up and Delta, two top brands in aviation coming together to do something really special.

Wayne Gilbert West

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

Well, I know on behalf of all of us, we're overwhelmed and excited about the partnership. So there's a lot we'll do together. Thanks, Kenny.

Kenneth Dichter

Founder & Chief Executive Officer, Wheels Up Partners Holdings LLC

Thank you. Thanks.

Wayne Gilbert West

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

So the other piece I would talk about in terms of the growth portfolios. Again Ed touched on it. But it's about pursuing growth to our core competencies and underlying core competencies, right. We're not just chasing new businesses. We have to be – it has to be a core competency, if it is then we'll ask ourselves should we be in the market or not; and that's a good builder, right. If it's a core competency we ought to be able to sell it or it's probably not a competency and we ought to look at other options.

So, one of those that we're really excited about is a new vertical. I think you got to see some of it yesterday as our Delta Flight Products or DFP and little bit of background about Delta Flight Products. First, I would describe Delta

Flight Products as an engineering and manufacturing business. This is different than our technical operations. This is engineering and manufacturing. And the genesis of Delta Flight Products really goes back to our interior modifications, right. So we'll – for an aircraft, we'll typically do at least two, maybe three interior modifications over the life of the aircraft, complete interior modifications. And candidly, the supply chain was pretty broken in that space.

So, we've got to take control over this. We need to control the design. We need to control the certification, the planning, the execution, so we formed Delta Flight Products around that space and they've delivered, I think if you got to do Boeing 767-400 interior mod yesterday, you probably can appreciate the skills that they bring to the table. But it's that power in terms of creating that then that led to other extensions of the business. And one of those is to add manufacturing capability. So, a lot of the product onboard the aircraft, the team at Delta Flight Products has the capability to manufacture that and did.

And then finally, the idea came in terms of the interior with our strategy around in-flight entertainment is our in-flight entertainment system. And how do we enable that because that had gotten fairly expensive, fairly unreliable. We said there's got to be a better approach to this. So the team, at Delta Flight Products designed a wireless in-flight entertainment system that of course cut the weight substantially, because its wireless or that adds to sustainability, but it also created a model that's a fraction of the price point that we've been paying for in-flight entertainment and its wireless. So if you look at the product map of the in-flight entertainment, it's almost limitless right, it's only limited by our imagination how we build that out going forward so it's a great product.

And as the team certified that, we began taking that product on our A220s originally, but really all our new deliveries have that product and then our interior mods are incorporating as they come through. So internally, it's been transformational, but again we ask ourselves, this is – it is a nice business, we should pivot externally and that's really the phase that we're in now and look to grow that as a business in a standalone, there's some great comps in this space of other companies, so there's some models for us to go after.

And we got an incredible leader, who I'd like to invite to the stage now, Rick Salanitri. Rick is the President, really the Founder of Delta Flight Products and he's done a great job with it. So, Rick congratulations on the progress that you made in a really short period of time.

Rick Salanitri

President of Delta Flight Products, Delta Air Lines, Inc.

Thanks, Gil. I think Gil summed it up very well. Any questions?

Wayne Gilbert West

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

Sorry, Rick.

Rick Salanitri

President of Delta Flight Products, Delta Air Lines, Inc.

The takeaway here for Delta Flight Products is this. First, we focused the business early on just as a supplier to Delta right. Managing risk was the primary focal there. Complex interior reconfigurations, projects in which there were five suppliers, six suppliers under a schedule. We wanted to take control and make technical decisions or product decisions on the basis of Delta's best behalf as opposed to a supplier who looks to see things we sold in the future.

Second, we work on projects that directly touch the brand, thoughtful, reliable and innovative. Recent examples on that Boeing 767-400 post modified aircraft, I don't know that anyone played with the overhead bins, right. And we put a electromechanical actuator that is designed to retract when heavy bags are placed and the bins are being closed, right. So, it'll reduce the lift force. Back injuries, customer pain points is – was the intention to reduce those lift forces required and we were able to put that – and on that fleet and on our Boeing 777 fleet.

Last is putting cost leverage into the equation. Cost measured in terms of hard dollars out of the pocket, acquisition cost or schedule and downtime of schedule. With Delta Flight Products, we've created a – Delta has created an incredible, powerful engine for – as a product OEM and as a line-fit operable supplier and a FAA approved production system. In 2020, you'll see this business pivot to third-party sales and I'm proud to announce that we will – we booked our first third-party sale with an international joint venture partner. We'll be installing closets on the main deck of their fleet – line-fit at their OEM – airframe OEM.

So with that, I'm going to hand it back to Gil. Thank you very much.

Wayne Gilbert West

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

Yeah. Thanks Rick and nice job. So Delta Flight Products, again it's a really exciting platform for us. There's a large addressable and high growth market they're positioned in and literally have 50% of that market have operable products already. So and then in the final portfolio company, I would highlight is our MRO business, hopefully, we got to see some of that yesterday as well. And that's a business that just to kind of frame it up, I mentioned TechOps is a core competency, right. So, again we should be able to sell those services in the market. We do and have and have built a nice base in terms of the business.

Over the last two years, it's grown \$250 million, right. So – and this business as we look into 2020, we see it going at similar rates. We should in the year pushing about a \$1 billion in revenue. Now this is really, before any of our new engine volumes began, as you probably saw yesterday. We've invested heavily in the future of this business, right. We built new engine shop. We built a new test cell. And as Don Mitacek probably told you it's the largest test cell in the world. It's also the newest test cell in the Americas. And I think the first one built in over 20 years in the Americas. So, these are big investments for us, but it stems from partnerships. I have started early talking about partnerships, but it really stems from partnerships with Pratt & Whitney and Rolls-Royce, right.

And ultimately those companies approached us because they knew about our core competencies and MRO. They needed those competencies and we consummated our agreement through one of our aircraft orders a few years back. So it's a great partnership. We're positioned with some products that will continue to grow and the demand is already there as we phase into it. But these are products from Rolls-Royce that that power both the Boeing 787 as well as the Airbus widebody aircraft as well. And on the Pratt & Whitney side they power the A220 aircraft as well as the A320 series Neo aircrafts.

So we'll be an operator of all those engines, both the Rolls-Royce Trent and the geared fan from Pratt & Whitney. So as an operator it gives us some unique insights into the whole lifecycle of those engines, which we can better manage ultimately for the business. So, we see big growth of that business going forward. I would frame it probably \$1 billion to \$2 billion of incremental growth in that portfolio as well. And I would just categorize that as a good start, right.

So, we're positioned well, TechOps is a core competency for us and we'll continue to build that business. So the word you're waiting to hear in closing, I would just sum it up by saying again, we've got just – hats off to our 90,000 colleagues at Delta many of which are standing in the back behind us that for what you've done to run the

best airline in the business. And none of this could be possible without what you've been able to enable and it's really just builds a momentum for us. Again, it attracts world class partners and then that unlocks just all kinds of new opportunities as we go in – as we go forward. So thank you all for being here today.

Operator: Please welcome Delta's Chief Marketing and Communications Officer, Tim Mapes.

Tim Mapes

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

When you reflect on everything that you've heard from us certainly all over yesterday and with Ed, and Glen, and Gil's comments this morning, I hope it's quite clear that Delta is extremely well positioned for a sustained continued growth and success and is certainly carrying an enormous amount of momentum into 2020. Nowhere is that more clear or evident than with regard to the Delta brand. So, as we talk today about building brand loyalty for Delta, we're actually talking about something that's much more difficult to attain than simply repeat purchase behavior, because repeat purchase behavior can be captured by network strength and other things like that.

But we're actually building relationships with customers when we talk about loyalty at Delta, in such a way that it leads customers to actively choose Delta at the expense of the competitive options that are available to them. And more deeply than that to have a rich emotional feeling that several of the speakers have talked about as of over yesterday and today, such that there's a dedication and an emotional connection to our brand that leads customers to behave in a way toward it regardless of competitive actions. And if you just want to think of a category outside of ours, if you love your iPhone it doesn't matter what Samsung does with regard to their phone, you're in love with iPhone, you're waiting for the next iteration of an Apple product that is the level of dedication that we seek and it's far more than simply repeat purchase behavior.

So how do we go about doing that? How do we go on that process? Well it starts with building a brand. As you've heard many people talk about this morning that transcends travel and you may say, okay, well that's interesting for Delta to say as an airline. But all good brands have core attributes by which customers evaluate and place value in the brands that they purchase. If you're a high value user of a particular brand, it's in all likelihood because that brand has got attributes, equities, behaviors, values that are reflective of your own. And that is exactly what we're working to build at Delta.

And when you think about all the things that Gil just took us through the foundational element on which all that sits for Delta is reliability. And you look at some of the awards that we've seen and if you get on our planes and you see the decal, right of the boarding door, you see many, many others. But the foundation that we are focused on is leading and delivering the world's best operational reliability, in such a way that this category and this industry has never seen it, because that strength, that level of trust that comes from reliability is absolutely critical, as anybody would be considering it.

But it goes deeper than that, because the second core aspect that we focus on is this innovativeness that you heard Glen and Ed talk about today, that no matter what it is we've done, we're striving for the next generation, the next best thing, whether that's in the network or in the loyalty program or in our products and our customer experience. And driving in such a way, as Ed talked about in doing the keynote at CES, that the world sees Delta for what we are, not just a leader in this business, but a leader period, regardless of category.

And a big part of that as you've heard throughout the years that we've been having these meetings is the culture on which this ultimately rests. The humanity, the people, the empathy, the sense that this is fueled by the very people that Gil just saluted in his closing comments, because it's the 90,000 people of Delta who serve the 200

million people we have the privilege of serving, every single day and bring that to life, in many instances in an unsupervised way. They're either inspired to be great on behalf of this company, on behalf of this brand, on behalf of you as our customers or they're not.

And a huge part of that is the fourth one, which is this values-led behavior. When we look at brand tracking research the thing that moves the needle the farthest with regard to the behavior we seek in this loyalty, this dedication in some ways almost a loyalty beyond reason, beyond facts, beyond rational thoughts when it comes to Delta, stems from the fact that the things we do reflect the values we hold so dear. C.E. Woolman who founded Delta had this belief. Let's put ourselves on the other side of the counter and demonstrate a service and a hospitality from the heart, I think that's fitting as we sit here in the very building that he walked around and started this place on.

So these values that drive some of the other recognitions and we've talked this morning about ESG and CSR and the reality that Delta just seem to be doing already more. In fact, you could argue and Ed said it, well this morning we do a poor job, if anything of even communicating the great things we do, because we're so oriented around doing them because they're simply the right things to do. So thoughtful, reliable, innovative, the core elements of what Delta is about, but it stems from this culture that is about this service from the heart, this empathy, the ability to bring humanity back into travel in such a way that it reflects the very culture that is evident, I hope in each of the 90,000 people that you come in contact with every day that's captured in a booklet and that we're in the process of modernizing called the rules of the road that in some instances takes things all the way back to C.E. Woolman. But in most instances a reflective of the types of qualities the golden rule how you want to be treated. Glen used the term today, let's be an airline people want to fly. What does that look like in a human context? What emotions should be triggered in our consumers when they see the Delta iconography and they experience the Delta brand? And how do we strengthen that in such a way that it is distancing Delta not only from the industry that we're in but from other brands, other top companies not just in the United States but around the world, a huge part of it is simply the culture that we have and that is present in everything that we do. Each of you today in front of you has got an example of this in live action with these kindness tags. If you have that there in front of you, I'll tell you a little bit about that.

Last week in Los Angeles and in Seattle, we launched this campaign that is designed to spread goodwill around the world. These tags that you have fit to a site that says deltakindnesstag.com if you go on and register your tag you can then give it to somebody who you see doing anything kind. They work as well to recognize Delta employees as other customers. And I'll just share a quick story that we put here that's evident even from last week in Los Angeles, there's a person, a customer who was asleep taking a nap on her seat and we put, we have a squad of people who go out there in L.A. and Seattle last week, Atlanta I believe this week or in Boston and New York today. But this person while she was napping, we inserted this kindness tag next to her along with a Starbucks gift card. And you can see the note, it says enjoy a cup of coffee on us. That person woke up, put in social media and put on the website, Delta had done this and given her this kindness tag. She in turn gave it to another customer who out of L.A. ultimately flew to Paris. That customer posted on social media, the message you see on the right who actually met another passenger from New York and they were talking about the interesting aspects of actually having roasted chestnuts on an open fire in the streets of Paris.

You say, well, what does that have to do with anything? It has to do with humanity. It has to do with kindness. It has to do the goodwill that we would all hope is present increasingly in the world at this time of year but equally present in the brand that we are because we are the means through which the world is more connected. We are the means through which the world is made to feel smaller, we are the means through which humanity actually is able to celebrate that we all have in common. So, this – imagine that kindness, imagine that level of thoughtfulness that I hope is all present in your hearts when you think about Delta and put it on a chastity of

performance the likes of which Gil just talked about or the likes of which you if some of you had the experience last night riding in a Porsche, riding a high performing top reliable platform that is based around the ability to deliver high end performance, but still be kind, still be thoughtful, still be driven by empathy and humanity and what it is like to be a customer on this airline.

So, the world is getting increasing attention to the operational reliability that again the 90,000 people of this company are inspired to provide you each and every day. It's not about Delta. It's important as it is to take 98.6 to 98.8. It's more important that what we're doing is getting you to the important elements and events in your life because people don't travel for the sake of probably you're traveling as a means to an end, to a wedding, to a funeral, to an important meeting. All of that has a rich emotional context that we either get to protect and have the privilege of serving or in other instances have the potential for it to be a failure and a letdown. And Delta's operational reliability isn't just the metrics and the numbers, it's about the hard aspects that come with that in the emotional context and the richness that comes with trust and reliability and the knowledge that says if we're going to get you there at 8:05, you're going to be there at least at 8:05 and hopefully a good bit earlier.

But that is then captured and faced with this idea that you've heard throughout the last two days of this inability to accept the status quo, right. This unrelenting interest on behalf of Delta to challenge the status quo to drive it further that's captured in our slogan Keep Climbing, no matter what it is we do, no matter how it is we do it. There's a constant evolution in this company to try to do it even better. Whether that's these meetings and the ability for us to play back to you, questions you have had in the past that you saw in Ed's presentation today or any number of these so it's not just the billion dollars that are going into airport terminals it's how do you feel when you're in those environments? What are those processes like? How does it feel to be in that space, not just are they beautiful? What's the emotional triggers that that space is creating in you? How do our processes enable and protect that? It's not just enhancing service.

Jamie's question earlier today was excellent with regard to – it's not just for us about our ability to know about batteries or razors or dog food, 50% of the revenue growth in the top line that's coming next year is going to come from our ability to increase the penetration of premium products and when you carry 200 million people you have as Jamie's question pointed out the ability for each one of those 200 million people to have an individual curriculum of what we call next best offer. If you bought main cabin on your last 10 flights we're talking to you about buying up to Comfort+. If you've bought Comfort+ on your last 10 flights, we're talking to you about domestic First Class. If you buy domestic – domestically when we're talking to you internationally it's about Delta – Premium Select and Delta One, if you're not a Sky Club member we want you to be one if you don't have the credit card. Every one of those is a high margin, high value transaction that is in an existing infrastructure with a brand that people trust the same way Amazon was able to move from books that I'm not saying – Jamie talking at the break we're not going into the hotel business. The first aspects of this are how do we make the things that you do in some of these premium products, more telegraphic, more clear in the value proposition of whether it's more recline or more leg room or the ability to be in a lounge in an airport whatever those things that you find value in.

How do we get that and that's the first phase. I think there's a subsequent phase that that Jamie's questions right about – about how do you monetize that? How do you have 200 million people in the billions of impressions and do more with that but it's across this extending global relevance, it's partners whether it's Wheels Up or LATAM but as importantly it's the removal of the seams between those experiences such that that feels like one experience based on one brand promise on this thoughtfulness as a reliability, increasingly investing in the irregular operations that Gil talked about because it's the fastest way to erode trust. If we don't live up to our commitment to you to get you where you want to go on-time and reliably, and ultimately all of it, as you heard in many instances yesterday through a mobile device and an application there's got to be able to be your lifeline in any country, in any language, using any of our products or services in every currency to include SkyMiles as a

currency, a mobile idea that the entire thing anything you need to be able to do with Delta needs to be able to be done through a device in the language you choose at the times that you choose to do it.

But as I said, the biggest parts of this that we see and this is interesting because it's surprised us, I think in some ways is the values led decisions that we make that move us the furthest, it's not about more juice in the lemon around. Could we be even more operational and reliable, people give us credit for that. They give our people credit for being the warmest and the most caring in the industry. But it's this values piece that's been an eye opener for us and is particularly true for Ys and Zs and the up and coming what we call emerging high value customers who are basing purchase decisions on the heart issues, on the values the way you're making decisions and how we're running our business.

And with regard to that, the most important elements are in Helene's question earlier around environmental sustainability and ESG. What's interesting to me before we get into even some of that, you may know or maybe not know as we sit here in the museum the idea of recycling on Delta started with a Delta flight attendant, her name is Susan Powell, that was years ago. To this point in just recycling, we've recycled over 230 tons of aluminum cans. That 230 tons is sufficient to make five A350 aircraft and has enabled the financial resources for Delta and Delta's employees and Delta's customers to build 12 habitat houses.

Just from an idea of an individual employee that the company that's into, responded to and put into action. You may have heard, we whisper about it at the moment. We need to do more with it – about Delta's new efforts to reduce single use plastics. It started with things like the drink stirrers or removing components of Delta's amenity kits, but has moved into the plastic that wraps everything from the Delta One headphones to the linens. And if you've had the opportunity to see some of these things, we were in a meeting yesterday that in September of next year we will be introducing a new line of blankets that not only feel amazing and that research indicates are preferred by the existing blankets, but made out of 23 plastic bottles, the likes of which you would never know is actually anything other than cloth and material.

So we've got to get this. This is a business imperative. This isn't a box to check. This isn't a nice thing to have. This is no longer something that we need to get to the future. That future is now in Europe. Flight shaming is a term we've heard loud and clear in the United States. And as you heard earlier today, it's around the world. So we have to move into new aircraft, exploration of biofuels, all of the different things. But equally as we're doing that and moving into each and all of these different directions to explore what else is capable [audio gap] (02:19:59) continue to still be an option. I think at the end of the day, they're in our world really the last preferred option. But nonetheless, all of your flights here today have been offset by carbon with something called TIST, which is an entity and an organization in Africa. They're specifically in Uganda, Kenya, Tanzania and also in India.

But in Kenya reverse the effects of deforestation. With a program around afforestation, 10 million trees through this effort. So while I think 70% of offsets are ultimately argued and debated as are they legitimate trust us when we tell you that to the extent offsets will be a part and remain a part of Delta strategy as an interim measure while we work through some of the bigger heavier issues those types of things are front and center as we go about that.

Why does any of that matter? Well, trust is core to the very behavior and the loyalty that we seek. This bar chart in your books just demonstrates the difference in things whether it's purchase intent or your willingness to defend a brand, clearly if trust is lacking whether it's a human relationship or relationship you have with your brand that ultimately there's just a cavernous gap between the types of behaviors that you can and should reasonably expect, whether that's around loyalty or advocacy. And what's particularly interesting as we embarked on NPS years ago the reason we did was the very thing that we've now seen over the last 10 years that as NPS goes up,

there's a direct correlation to the premium Delta is able to generate in revenue relative to the industry average revenue for this entire industry.

So this works, right, caring about your customers listening to what it is they say, responding as best as we're able and then listening again to say did we get it right. What else do we have to do. The idea of Keep Climbing and this tenacity to absolutely ensure that whatever it is we're doing we're finding a way to do with better, thoughtfulness as I hope you experience, the reliability you've heard so much about, innovativeness which you're hearing about and has been a part of Delta for 95 years. And you'll hear even more on January 7 when Ed kicks off CES with that. But most importantly, spending time with a number of you last night, I think it's this last point underneath values led determined to make the world better and a more connected place. The 90,000 people of this company are committed to the belief that no one better connects this world. Part of that is no one should be better protecting this world, but it's an absolute privilege to represent this brand and to get to spend the time with each of you today, and it's been great spending the time that we've had together over the last two days. So, thank you all very much.

Unverified Participant

Please welcome Delta's Senior Vice President – Pricing and Revenue Management, Eric Phillips.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

Good morning. Good morning. So, I'm going to start my talk with four words complex, dynamic, fast paced, and competitive.

Now, some of you are thinking he's talking about a Porsche that I test drove last night at the reception. I guess I should really say what you test rode in because today is about trust and we love you but we don't trust you with driving that kind of car that fast at night though. But what I'm really talking about with those four words that are attributes that have historically been used to describe the airline revenue model. And over the years, airlines have invested a lot of resources to help manage those attributes. We've invested a lot in data systems and tools, all with the goal of helping us to create what we thought was the optimal or maybe even what we thought was the perfect offer for our customers.

But what we completely missed was talking to them, listening to them and learning from them about what their actual expectations or needs were when they traveled with us. So, we've proven as a company at Delta that Delta people when they use data, systems, and tools can lead the industry on how we manage the operation and how we drive revenue. And when you combine that technical ability with an effort to continually better know our customers and what they expect from us, it tells us that we have an incredible opportunity in front of us in terms of how we will continue to lead the industry and revenue generation. But it also tells us that we've got a lot to do, a lot to learn, and we're just getting started.

So, when you combine what we've done with the network globally over the last years, and you combine that with while – what we've been doing of learning our customers better and working hard to improve their experience, it's resulted in an unparalleled brand position. And we have proof points to tell us that it's working. One, our unit revenue premium to the industry sits above 110%. Two, we have carried more than 200 million customers in 2019, more than we have ever carried before. And three, in 2019 more people have joined the SkyMiles loyalty program, and we have acquired more members in the Amex card than we have ever acquired before. So it tells us that people want to fly on Delta, and they want to be associated with our brand.

So, a lot of you know Delta well. You cover us obviously, you – a lot of you fly on us very often. And so, when you're on a Delta flight, you hear a pilot or a flight attendant say something like, thank you for flying Delta. We know you have a choice when you travel, and we're grateful that you chose Delta. We look forward to serving you again in the future. So, all of you fit somewhere on that I'd like you really know that, you've heard Delta say that or maybe you haven't flown on a Delta flight but now you really, really want to. But it really speaks to why customers choose airlines. And when I started with Delta more than 20 years ago, the old adage was that 75% of a customer's purchase decision was driven by three things; schedule, price and frequent-flyer program. So, when you think back to when schedule, price and frequent-flyer program were the main drivers of the purchase decision for a customer, what it forced all of us in this industry to do is to think of two things as a commodity. One was the seat and two was your time. It led us to believe that every seat was equal regardless of where it was in the aircraft or what the experience might have been with it. But importantly, it made us think that your time was of equal value regardless of who you were or why you were traveling with us. And when you have those two things thought of as commodities, it forces us to then say that lowest fare becomes really, really important.

So, when you think about lowest fare as being the most important attribute for a customer to purchase, you spend a lot of time figuring out how you're going to optimize the individual transaction. You want to maximize that transaction rather than thinking about who is the individual who is actually making the transaction. And so, a few years ago we decided that one of the most important ways that we can value your time as an individual is to be very good with operational reliability and always provide excellent service and that focus for us will never end. But what we also learned was that you all don't think about the experience onboard the aircraft the same.

This matters to customers. They wanted to have a choice in the products or the experiences that they would have when they were onboard Delta aircraft. There was an important turning point for us to think about now providing choice for customers. And so when we think then about what we really do. Obviously, data and systems and tools and science and math will always be important to us but what we've done is we've moved out of just the science of economics and just supply and demand because in the end we're not economists. In the end what we really are is behaviorists. And we've learned a lot about what customer behavior is and it's led us to move towards evolving the model even further towards our ultimate goal of really understanding what customer preferences are.

Creating offers for them that meet their needs and always striving to improve their experience on us. It tells us importantly where we need to focus next. Ultimately tailoring our products, our programs and our services to meet or exceed our customer's needs and expectations and really value your time is the best way for us to earn your trust.

The Delta revenue story has been years in the making and what we have built and what we do has resulted in consecutive years of outperforming both GDP and the industry. We expect those trends to continue in 2020 with top line growth between 4% and 6% which is going to put our total revenue number just above \$49 billion. We continue to get bigger and we continue to believe that we will continue to outperform on revenue generation. So then you ask, well what does Delta do across these years that has driven this results? And the answer to that question is that we do a lot of things, but I think two things really stand out. One, this team has proven that they can execute and we've proven that we can execute in a variety of environments. Two, a very important trait about us is that we are focused. In fact, we take focus to another level. We are obsessed with getting better each and every year. And when we close a year, we sit back, we look back, we reflect on what we could have done better and this is what should be really exciting for you all as investors is that when we do that we know we could have done better when we look back.

And so, what we do is we take the playbook off the shelf and we figure out what are we going to do new. What is this something new we're going to add to the playbook for the next year and some years' maybe it's a couple of something's new. But we're always thinking about what could be next. So, in 2020, the what's next in terms of our new moves are going to center around four things, building trust, selling and servicing our products better, continuing to win with business and corporate travelers and driving more loyalty with more customers.

So you've heard earlier about trust and when a Delta customer gets onboard a Delta aircraft they absolutely trust us. They trust that they are going to get where they're going. It is going to be on time. The flight is not going to cancel. They are going to have excellent service onboard the aircraft. So it's in those days and weeks leading up to the day of travel where we have a lot of opportunity. And we know we can do better. We can do better in how we display our products. We can do better when you're shopping and booking travel. We can be better at making sure that you the customer knows about what the attributes are with the products that you're looking to buy. We can be better at providing flexibility.

Look, we recognize, life happens. Meetings get rescheduled. Dance recitals are important. And yes, sometimes tee-ball practice is like a Game 7. So our goal is to make sure that we provide our employees with the tools and the policies that they need so they can respond to the customers with the fairness and empathy that customers want. What are the more exciting and interesting initiatives we have underway at Delta is called changing change. So, we're not ready to share any specifics with you all about it yet. But you should know that we have a broad array of customers and employees working together to think about how we could change and approach flexibility differently than this industry has in the past.

We look forward to sharing more with you as we move through 2020, but it's a really interesting project for us to think through how we can change change. And then when you get to the airport we can be more transparent about what you should expect as you move through the airport on your way to the aircraft. You heard about a lot of the investments we're making with airports and that obviously is going to improve the experience. But one of the really interesting stats for 2019 for Delta is that – and it occurs at the airport, is that for the full year of 2019, we have had six involuntary denied boardings. It's an incredible accomplishment, especially when you're carrying the volume of customers that we are and running the types of load factors that we have this year.

But what it really speaks to, it's proof that Delta employees when they come together can come up with creative and innovative solutions that are beneficial not just for customers but obviously for the employees who are serving those flights. So safety, reliability, great service, they've always been hallmarks of what Delta is, improving the ways that we are consistent, clear and fair and transparent and above all getting better at empathy, these are great opportunities for us and I know you'd never thought that a pricing person would quote Maya Angelou but I'm going to. Maya Angelou had a great quote and she said, I've learned that people will forget what you said. People will forget what you did, but they will never forget how you made them feel. What it speaks to is the importance of trust and how when you build trust and earn trust with customers they come back to brands where customers have that, you all know that you're consumers and when customers come back to a brand time and time again that's always good for revenue.

Combining Delta's brand affinity with product affinity has been a very important part of our strategy not just for revenue growth but for margin improvement and we have absolutely seen that over the last years, an interesting stat, 70% of those who utilize a premium product on Delta buy a product of equal or higher value on future travel. For domestic First Class that ratio is even higher, it's 90% of customers who sit in domestic First Class buy the premium product on future travel and the other thing is that margin improvement in the premium products in the domestic entity has improved, premium product margins have improved three times more than the margin improvement we've seen in main cabin.

So, we continue to invest in premium products because customers want them. They're willing to pay for them and they are the most profitable products on Delta aircraft. So if you have products that customers want to buy then you have to make sure that the store is open for them and for us the store is the channels that customers do business in. We've made a lot of progress in the last years of better selling and servicing products that will continue in 2019. The reason why this is important is that in 2019 we had more customers than ever who chose to do business directly in our channels, Delta.com, the app, reservations. Importantly in our direct channels more than 40% of the revenue that we've driven has been premium revenue. We've improved our product offering and ability to sell with corporate and agency customers.

And you can see that in the number of customers now in the corporate agency side who now have a premium product embedded in their employee travel policies. And we continue to work with external channels like OTAs of how they display and sell our products and allowing customers to compare those attributes apples-to-apples. Every point in improvement that we see in upsell in an external channel is worth between \$400 million and \$500 million to us each year. We continue to win with business and corporate travelers. You heard Ed talk about it earlier, but in 2019, Delta won the Business Travel News Airline Survey for the ninth consecutive year. We continue to see corporate and business revenue as a growth vehicle both domestically and internationally. We've seen corporate and business travel grow in our core hubs, our coastal hubs, and our focused cities. Delta has outperformed in all.

Importantly, in our coastal hubs, Boston, JFK, LaGuardia, LAX, Seattle, Delta's corporate revenue growth has outpaced the industry by 9 points and it's been higher than the industry by 6 points in our focused cities of Austin, Nashville, Raleigh and San Jose. Internationally, we continue to see corporate revenue growth in the double digits. And we expect that these corporate trends into which have been strong in 2019 and the results we have seen they'll continue into 2020.

Some of the most exciting developments we've seen into 2019 have been the developments in the loyalty program and with our partner American Express. So you've heard it said before how we've added people to the program at a record rate. We've had more card acquisitions in 2019 than we've ever had before. Importantly, it's the relaunch of the Amex travel card. And so, that's relaunching in just a few months, but it offers very exciting opportunities for Delta which is going to help push the Amex contribution to Delta up over \$4 billion for 2020.

And when you think about the components of that card, it is not going to offer only great value to customers it's also going to provide an elevated travel experience for the customers who carry those cards. Though it's a new breed of travel credit card that offers both; rich value, elevated experience, and speaks very well to what the brand proposition has been for Delta over the years.

So we're proud of what we've built. It has taken us years to get to this point and it is very, very difficult to replicate to achieve this level of scale in large cities that have large and valuable amounts of local demand while driving continued preference with corporate and business travelers. Delta is built to win and not just in 2020. So if we come back to the question then – well, what has Delta done to help drive these industry leading revenue results? And I said that's a combination of a lot of things, it is this combination of these things, but importantly it's the management team here, and all Delta employees are very focused on the importance of each of them. And we're obsessed with making each of them better every year.

So the top line growth number of 4% to 6% for revenue in 2020 is a combination of all of that. But importantly it's another stepping stone for us to move out of 2020 and beyond and continue leading the industry and revenue generation. We're excited about the opportunities that we have in front of us. We're very thankful for all the Delta

employees that have helped to generate these types of results. And we're very thankful for your time here today and over the last two days of learning more about Delta.

Unverified Participant

All right, ladies and gentlemen, we're going to take a very quick 10 minute break. We're going to resume our program promptly at 11:45. Thank you.

Unverified Participant

Please welcome Delta's Chief People Officer, Joanne Smith.

Joanne Smith

Executive Vice President and Chief People Officer, Delta Air Lines, Inc.

Hello. I need you in your seats because I have a audience participation exercise. So if you will please indulge me. Okay, because you know I'm going to talk about culture. And I would like to ask you a question and I need your help. So we talked about the importance of culture and our brand and it fuels our success. So if you could just hold your hands out here with your thumb pointed sideways. That's neutral, thank you for your participation. Those in the back, don't leave me hanging. Okay, this is neutral. I'm going to ask you three questions and this means you absolutely think it's important. This is neutral. This makes not important at all. In your company let's start at neutral. Don't – try not to look at your neighbors, get any help, in your company and the important jobs that you do with all the money that you invest with your clients, how important is corporate culture in your company? Neutral, really strong, not that strong? Good. A lot of thumbs up a lot of side, so good. If you think about investments that you make, I have two more questions, investments that you make in the companies that you invest in your companies, how important is corporate culture broadly very important, sort of important, not important?

By the way Gil was here he'd say okay this is a 98.5. You don't have to go straight up. So mostly thumbs up. Okay an airline business. We carry 200 million customers a year. How important is culture to an airline. Thumbs up. Everybody says two thumbs up. Thank you, Jill. Thank you. That's your hard work is over with, we 100% percent agree with you. For us, culture is our largest competitive advantage. It's our biggest moat. It's the only thing that can't be replicated and we are passionate about sustaining the passion in our corporate culture.

So we've talked about the virtuous circle here. I've talked about the virtuous circle of passionate employees. We are intentional about the care of our employees. We invest heavily. Gil talked about we do things as a team. We work together, all people at Delta to make Delta better and when we free up our employees and give them time to be passionate, but really what they care about is people and caring for people, our customers. The net customer service manifests itself in higher NPS which creates greater revenue in this virtuous circle, this wheel spins faster and faster. But I want to talk about what the power of that in slightly different way. Ed talks about the heart of service that we describe the brand, the culture of Delta. It's our service heart and continuous improvement results focus always trying to get better as Eric said.

I want to talk about a little bit differently to the power to empowerment of our people to make our customer's day and make Delta better every day. So to tell some stories about how our employees are passionate about creating these moments that matter for our customers and to bring some of this passion to life and a few I'll start clockwise from 1 o'clock. I mean this is Shalani, who was based – it's based in Honolulu. She's hugging Morgan one of our

youngest customers. The Morgan in our family were traveling from Honolulu to Los Angeles and Morgan unbeknownst to the family or Morgan left behind her doll named Dolly. I created Dolly with left behind and they didn't know it so the flight attendant Shalani kind of picked up the doll and because we have the technology in the hands of our flight attendants to know where this family is connecting, she was able to go to the gate in Los Angeles where the family was connecting to next. And again unbeknownst to the families sneaked on the flight and strapped Dolly in to Morgan's seat. So that kind of crisis averted from not knowing that the doll was lost to the magic of having the doll in the seat when they board it to their connecting flight.

The next story, the story of Amanda and Xavier. So Xavier and his brother, Xavier Spies and he and his brother were traveling back from Washington D.C. with their mom and the mom Sonia, these two children were in Washington D.C. They have a rare genetic disease called MMA. They were up for additional research in Washington. And while there, the mom learns that Xavier has also been diagnosed with autism.

And so as a parent, you can just imagine, a little bit of the panic and a little concern on the flight home thinking of the processing what she has just learned and how do I keep my children, any of our children content on that flight back. And so halfway through the flight Xavier starts to fuss and Amanda without really pausing too long kind of goes to in front of her, can I take Xavier, can I help? She swoops Xavier up into her arms. She walks up and down the cabin, looks at the little blue lights on the overhead bins, she takes Xavier to the galley, feeds him some Biscoff cookies, puts a pair of kiddie wings on and brings him back to the mom before landing. The mom snaps a picture of Amanda holding her joyous son Xavier in her arms and posted on Instagram. And within days got 1.5 million likes over that kindness – that act of kindness.

The next story I'm going to tell is, one of my favorites. It's also the story of a lost dollar precious toy on an airplane, only this time the family realized. And if you have a child that has to sleep with their stuffed animal, stuffed teddy bear, you'll know how kind of panic the family is when they realized teddy has been left at the gate from Minneapolis to Los Angeles. So with the help of the crew, who radios to the OCC, who calls the gate, who finds the stuffed animal, who give it to the next flight attendant to go on, on their way to Las Vegas which is where the family is going and instead of just putting that teddy in a box and shipping it to the family's home address, the crew and this had everybody together, working together decides to make a journal of teddy's great adventure starting from visiting the Sky Club in the cockpit and then chronicles that so that when that is reunited with the child, it actually, child got to see where teddy had been and what he's been up to.

And then the last story is this, story of this cross-country team from Orange, New Jersey and they, they were waiting kind of all year to compete in this great cross country meet in Disney. And the evening – and we were not the airline that was traveling them, they were booked on, the evening their Philadelphia to Orlando flight canceled. And that panic team, there doesn't seem to be any other options to get there the next morning for the cross-country meet.

And so they reached out to Delta and through a Digital Engagement. And somebody in our Digital Engagement team sitting in the OCC that got the message and asked around and said do we have a spare airplane that we can get up to Philadelphia tonight? And the answer was yes. So we flew that team down to Orlando and they took first place, second place, and fourth place in their events. And again a happy team.

And I'm going to share another story that's not on here, but I heard last night from one of the attendees whose mother hates to fly. So trying to convince her mom to visit her, she books her mom a seat, thank you very much on Delta and the mother hates to fly, but she does love the Biscoff cookies. And so the flight attendant gave her not just one bag or two bags of Biscoff cookies but on deplaning had an entire bag filled with this Biscoff cookies to give to the mom and thought that was so sweet. I can think back on years ago when in the dark days where

there were three peanuts on the bag of peanuts, right, we never did takeoff the Biscoff cookies because that was sacrosanct.

But we did – I think about the empowerment right, the story that kind of weaves, if you think about what are the common thread of all of this, is it service, is it a culture of continuous improvement, I think about it's a culture of empowerment. Nowhere in any of these stories was there leadership involvement saying to act this way on this flight or certainly with the team of the cross-country, it was a duty manager on duty that night didn't ask for permission to ferry an airplane up to Philadelphia or in the days of the three peanut days, when I'm kind of encouraged maybe just one bag of snacks, and to give an entire bag of – probably a dozen or more this Biscoff cookies, the empowerment that our employees have that we create through celebration of service, right at these moments that matter and promoting those.

Now we have thousands of stories just like these and it's hard to choose. I chose my favorite to do big things, as well as and I as these little things, the everyday that make moments that matter. In Hurricane Dorian hit September 1 and devastated, Abaco, Treasure Cay, the places that we don't fly to. We knew – the Delta team knew we had to do something. We always have to come together in times of crisis, we've into places that we don't serve with big airline jets. So we get a call, what can we do to help? Really a board member got involved. He was going to fly Freeport. We were going to fly an evacuation flight to Freeport. We're going to fly some supplies into that area. And a board member, got a propeller airplane to kind of zoom the runway and see if it was safe to land there.

I mean it had been underwater, completely underwater just a couple of days previously. And within 24 hours, we had an MD-88 land in Freeport, evacuate in the next couple of days, several flights about 500 women, men, children off that island and importantly, brought about 80,000 pounds of goods into Freeport ports. And Tim Mapes was telling me, he was on that flight along with a number of other leaders. He said when they got there, he learned that the relief workers were just about ready to leave the island because they didn't have enough supplies to last for the next couple of days.

And our supplies were really necessary to keep those relief workers there. And so these big and kind of small moments that we do – it's that power of the values that we've got of giving back and we give back to our communities. And I know many of the speakers before me and leaders talked about giving to our communities. And the 1% that we share of our profits that go back into our communities as part of our corporate giving program, it's just really only part of the story.

Last year or this year in 2019, we will log over 800,000 volunteer hours. And that's just what we capture when we log in various organizations that we support. Many of them that you've already heard about. But I'll tell you in addition to those homes that Tim was talking about the Habitat homes that started with an idea from a TechOps employee many years ago and now has grown to 273 homes. And Tim said, many of those homes have been built with the funds from recyclables on the airplane. Those homes that were built from the recyclables are also LEED certified homes. The pints of blood that shows in the middle, we are the number one donor and have been for two years in a row to The American Red Cross. Our employees have a lot of blood running through us, but the number one company for the American Red Cross, the number two company has 1.5 million employees and we have 90,000. It's just remarkable in that spirit of giving back that continues.

A thriving culture and why it's important. You all, I've been telling you stories. I love to tell stories. I hope you feel moved the way I feel moved about them. But I know you like data. So let's talk about data. The O.C. Tanner 2020 Culture Report. If you haven't read it, it's a great read filled with data. The 2020 O.C. Tanner Culture Report said that companies that have good cultures thriving cultures, the employees are 13 times more likely to be highly

engaged. And that engagement leads to discretionary effort and passion to build that customer service. They're 7% more likely to have employees that innovate and there are six times more likely to have higher Net Promoter Scores. And as Gil mentioned the Net Promoter Scores for those places of the business that we are interacting personally with our customers are even higher, 70% Net Promoter Scores when we interact personally with our customers. That is a beloved brand status, those areas that we have really achieved that kind of raving fans of Delta with those moments that matter in creating those opportunities.

So, I do want to just close with a video that kind of puts all this storytelling into a little bit more action. Thank you.

Unverified Participant

Please welcome Delta's Chief Financial Officer, Paul Jacobson.

Paul A. Jacobson

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

Well, good afternoon, everybody. Thank you for being down here. We certainly hope the last day-and-a-half has been valuable for you. We have rolled out the red carpet and the best of everything Delta, whether it's the displays that we see here, the programs that we had yesterday. And before I began, I'd really just like to take one quick moment to thank Jill and Julie and Elizabeth and Aaron and Brett and Tracie, the entire Investor Relations team for an incredibly very, very well done and orchestrated event.

We've told her that Atlanta is such a success. We ought to consider making that a permanent location. So we'll talk about that. But really love being here in the museum. Look, you heard a lot today about our performance in 2019. You've heard a lot about all of the initiatives that we've been putting in place over time that we expect will continue the trajectory that we've been on. I think one of the biggest challenges that we hear is you've done so much, and the rest of the industry catches up where is the upside in Delta? Well, hopefully you will leave today understanding that there is no stop to innovation. There is no stop or slow down to the benefit of compounded annual investment, which is something that we really haven't ever taken advantage of in this industry. And I've got a few slides here that I'd like to walk through that kind of highlight the momentum that we have in the business that sometimes gets lost in the short-term that we see.

So, as we sit here and reflect on how far that we've come over the last couple of years, so hearken back really to the last decade. And 10 years ago, we set out to really fundamentally transform our business. We undertook unprecedented investment in the product, in reliability knowing that at the end of the day, the key to success in a consolidated business is differentiation. We really succeeded in doing that. We disrupted the commodity like nature of air travel. No longer is it – a seat is a seat is a seat, and if I book last, I'm going to get the worst of the rest. What we've done is we've really transformed that into selling value based experiences. What is it that customers want and how do we best deliver that. And we've been able to scale it at a level that has never been seen before. We also reinvented loyalty to directly tie that program into revenue generation in a way that really hadn't ever been done, going back to the days of deregulation.

What that allowed us to do is enhance the value proposition for all of our customers by increasing redemption opportunities and really improving the value of that currency, which has allowed us to continue to monetize that in an ever-increasing fashion. And the results are that we've now delivered over \$5 billion in profits for each of the last five years. And there's really no looking back. But I really think about this decade not necessarily in the trend lines that you see here, but really in two halves because if you think about the last 10 years, this hasn't necessarily been a 10-year journey of innovation because we spent the first five years of this really building the

foundation that we knew we needed to do in order to undertake long term success because the business has enjoyed success before. What it's never enjoyed historically is sustained success and compounded growth and compounded investment.

So as we laid that foundation in the first five years, the first half, our pre-tax profits if you look at 2010 to 2014 was \$11 billion. Since that time, 2015 through 2019, we've generated \$28 billion in pre-tax profits. Same with operating cash flow, \$19 billion in the first half of this decade. Second half of this decade is \$37 billion. Those are the trend lines that we're on right now and when we said in 2013 that we were going to change the way shareholders were treated in this business and get to serial returns of capital, meaningful capital returns as a result of driving for free cash flow in the business, we began that in 2013. And for the 2010 to 2014 period, we returned \$1.7 billion in cash back to shareholders. Since that time in 2015 through today, we've returned \$13.3. Much more emblematic of the trend lines that we're on and what we see us going forward as we continue to build the business. In 2019 was as Ed said, a record year in all measures and how we think about the business.

If you really look at our performance this year, we've returned our margins to near the levels that we saw in 2015 and 2016, but we've done it with 25% higher fuel prices. You see that time back then was a little bit of an anomaly where we saw fuel prices in the low 40s. Not a sustainable environment really for energy production throughout the world, but one that we enjoyed some short term success. But we reinvested that short term success that we saw back into the business to drive more investment, better performance going forward. And the result is that we've been able to replicate those previously unprecedented financial ratios into a basis where there's a much more sustainable long term oil price environment.

And throughout this year we've been on a path to exceed the top end of our guidance range. We started out with a vision of \$3 billion to \$4 billion of free cash flow in 2019. Then we said that we were going to achieve at least \$4 billion and we completed that in the September quarter. Year-to-date, through the end of September, we had over \$4 billion of free cash flow at that point in time. So as a result, we've been able to do even more with it in the fourth quarter. We made the decision to fund an incremental \$500 million into the pension plan this quarter because we could do that while still overachieving on our \$4 billion free cash flow number. The reason we did that was simple.

Number one that's a liability we need to continue to address and we can – need to continue to invest in it, we need to continue to shore that up. So, ultimately in the long-term, there is no call on cash flow for that. We've satisfied all of our obligations and we've met that. Returns have been strong this year, discount rates are down but as we've talked about before, we've got time to deal with that. With airline relief, we have no mandatory contributions until 2024. So as we saw that opportunity to increase the funded status, we wanted to take that and put that into the plan. So, we're still generating that cash flow and still returning at least 70% back to free cash flow – or back to shareholders, sorry.

So this slide really represents the simplification and the roll up of what we think is the streamline guidance picture that we're going to provide in the future. These are the most important metrics as we think about the long-term health of the business and we think what's most important to value creation for us, revenue, earnings per share and free cash flow. But in the spirit of streamlining guidance, I'm not going to stand here and reiterate the guidance that Ed gave just three hours ago, but suffice it to say, we're on track and on trend.

I want to spend a little bit of time on expense growth. This has been a big topic of conversation that we've seen over the last couple of months in which we highlighted that our unit costs we're going to grow about 2% to 3% next year. Gil – or Glen touched a little bit on some of the fleet, and I'll get into more detail on that, but what we really wanted to do is look at the total expense picture across the airline and we actually expect total expense

growth to be slightly lower in 2020 than what we saw in 2019. So, as we look at the total picture, there is a number of things that are affecting us, but there are a number of things that are affecting the industry as a whole. We've alluded to some of those earlier in the day. Industry wide we continue to see benefits from fleet renewal. There's more efficiency going into the system and more efficiency going across the industry. We think we've got more runway than others because we've got a lot more room to go on our fleet renewal. We're making great progress. But when you think about the performance that we've been able to drive with the fleet that we have, it should only get you more excited about the opportunity that's ahead of us to continue to improve on that.

The entire industry is going to see pressure continually from wage increases, airport construction, we see that across the system. But it's important. It's important because it's easing the stresses of travel. Ed alluded to the project at Salt Lake. I had the privilege of being able to walk through that, making it look and making it somewhere that people want to go and are okay spending time in, decreasing the hassle factor and streamlining that experience is only going to serve to increase demand against the consumer trends that Henry spoke about yesterday. And we're positioned to be able to satisfy that demand with our growth with our network and with our scale.

We also see some specific key drivers for Delta. On the benefit side, Gil and his team are undertaking really a order of magnitude change in catering transformation, how we supply the airplanes whether it's logistically, warehouse, inventory, food preparation, every bit of that supply chain ribbon has value engineering going on into it. But unlike the past where we did that in order to sacrifice quality, today, we're doing it to drive efficiency so that we can reinvest some of that back into the product for our customers. Because if there is waste in the system, we have to take care of that for two reasons. Number one, it's our financial stewardship obligation. But number two, we have an opportunity to go drive further improvements in the product and in the customer experience because when we do that, customers will pay more to fly on Delta and that's what we need to continue to enable them to do.

In 2020, we have a little bit of a good guy coming in trends in depreciation. For the last several years, we've been ramping up our depreciation as we absorb the increases that we've seen in CapEx, taking our CapEx from \$3 billion up to \$4.5 billion as the company has grown and our ability to invest has grown alongside with it. That started to level out and we'll see some goodness in depreciation this year. We have One Delta benefits. One Delta continues to ratchet up improvements and really transform the way we think about the business, more across divisional collaboration, more opportunities to balance tradeoffs in each and everything that we do.

We don't always get it right. This is an evolutionary process. This is not a project because if it's a project, it's a project that will have to be done in five more years. But if we transform the way we think and we drive the business for efficiency every single day, then we don't need another project down the road. And we've had some successes with that. And we expect to drive another \$450 million across the system by driving efficiency and utilization of our fleet and our resources and our assets.

Lower gauge benefit is a headwind. Glen talked about this in the past and this is somewhat unique to us. It's also somewhat unique to the moment and time that we're in, and the best way to articulate this is if you think about the MD-88 retiring for the last couple of years they've been retired with a hybrid of A321s and 737-900s. The 737-900s are not delivering, and we took the last of those this year. So in 2020 with some of the delays that we've seen in the A321neos that we're having to adjust to, those aircraft are being replaced with a combination of A321 Classics and A220s, essentially resulting in flat gauge on those marginal retirements unlike what we've seen. That's generating about a point of pressure year-over-year just in 2020 versus 2019.

But against our past trends that we've seen over the last couple of years, it's been closer to two points that we've seen over time. We continue to make investments in product service and technology because these are the investments you want us to make as a management team. We need to continue to drive value for the customers' eyes and we need to continue to make investments in technology to drive efficiency in the business, but to drive that receptivity to the customer and make it easier for them to do business with us every single day.

On the fuel side, fuel is in equilibrium and I think in a pattern that we haven't seen in several years. We expect fuel to be stable and in the \$62 to \$65 range. That's essentially flat to what we saw in 2019 providing an opportunity where there's no huge adjustments needing to be made to the business to adjust for the fuel economy. And that's giving us that runway and that precedent to continue that momentum going forward. Ed alluded earlier to tailwinds in pension – and non-operating, those pension expense as well as some of the investment income that we get from our partner holdings, we expect to be a nice tailwind for us heading into the year.

Now one item to note and this is driving some of the growth in P&L that we see in 2020. This is largely non-cash as we see it. So, as we get into the free cash flow conversation, I want you to recall that fact and we'll get into more detail on that. And with the increased profitability, we expect increased profit sharing. So, as we think about that 2019 and hearken back to standing in New York a year ago, when we were giving our guidance, we really exceeded every metric. We've outperformed on margin expansion in 2019. We've outperformed on top line growth. And of course, as a result of those two things, we've also outperformed on free cash flow and EPS. And we expect 2020 to be another strong year for Delta. But as we know from our past, this performance is only as good as our stewardship of the resources that it presents and we've been continually focused on getting that balanced allocation of cash flow and capital.

Ed mentioned that earlier. And as I think about what we've accomplished over the last decade that discipline, that capital allocation balance is one of the things that I'm most proud of, of the team because it's the one thing that we can point to that is night and day different from our past and that's what's going to provide the foundation for the sustainability going forward.

Once again as we look at cash generation over the last decade, we've been very balanced, \$64 billion of cumulative operating cash flow before our pension investments over time. We've taken about 50% of that over the last decade and reinvested back in the business. We're doing that in an accelerated rate of course as the business has gotten bigger. 20% to shareholder returns due to a lot higher to that than what we've seen in – or skewed a lot higher than that in the last few years than what we saw before that. Once we got the balance sheet into a level that we felt comfortable with, we were able to comfortably put more allocation back into the hands of our shareholders.

And then ultimately pension funding, we continue to chip away at that. We continue to proactively fund to that. So it never becomes a problem for us down the road, never results in unexpected or unanticipated call on cash because while the cash is being generated today, we have the opportunity to shore up that balance sheet and get good returns in that portfolio was well. But if you look at cash generation, our average run rate has nearly doubled from what we saw in the first half of the decade. We're now averaging about \$8.3 billion in operating cash flow over the last five years compared to \$4.5 billion annually as we're getting this started. Core CapEx has grown, which has funded improved return on invested capital, which ultimately leads to value creation. So as we turn to the future, we expect more of the same of this.

We have less cash flow needing to pay down debt because we're essentially entering maintenance mode being where the balance sheet sits today. But we've got a lot of investments ahead of us. A lot of opportunities to grow and compound that foundation leaving more opportunities for the future growth. So when you think about what our

number one task is amongst our financial metrics, it's really how do we improve our return on invested capital while investing more capital. Those I think about all of the metrics that we could put, there's probably no stronger endorsement of our journey than our long-term performance on return on invested capital. Coming out of the merger, many questioned our ability to return our weighted average cost to capital over a cycle.

There was even some doubt here personally, we didn't know what to expect. We didn't know the full extent of the momentum that we could put forth. But as you can see over the last 10 years, we've increased our return on invested capital by 400 basis points while doubling our invested capital base. That's not a mature industry, that's a growth industry that's reinventing itself as a consumer brand and one that we think serves as the basis for us going forward.

So, we're tasked with investing more, reinvestment is going to be consistent going forward, but we have to maintain flexibility. We have to make sure that as we're managing the business for free cash flow, we're dynamic in how we invest in the business. We expect core CapEx spend to be similar to what we saw in 2019 going forward as we continue to improve facilities, the fleet technology and our product going forward.

We get a lot of comments out on the road about how much our CapEx has grown or about how much headwind we have because of fleet renewal and capital. All of these are true. We have grown CapEx quite a bit. We've doubled CapEx against the trends that we saw five years ago, but lost in all this is the consistency at which we've been investing as a function of the size of the company. So, if you look at our CapEx as a percentage of sales, it's actually remained pretty consistent in that 9% to 10% range over the years. That's the sign of disciplined investment. We don't invest according to need, we invest according to ability prioritized by needs and prioritized by those things that are going to drive returns for us going forward, and we have that ability to manage that flexibility going forward.

We've done it while maintaining and improving the balance sheet and maintaining our investment-grade credit rating is a priority for us. In fact, as we establish that long-term targeted range of 1.5 times to 2.5 times adjusted debt to EBITDAR, this is a range we feel very comfortable and operating within and being able to maintain that investment grade credit rating. What that allows us to do is ultimately move capital allocation into maintenance mode as we continue to drive cash flow managing inside this range and as the company gets bigger its ability to hold a little bit more debt grows as well. That's consistent with every application of capital structure theory.

But also allows us to take advantage of any strategic opportunities that might arise. A strong balance sheet is the foundation for future strategic growth. And as we think about the opportunities that are ahead of us, you only can look at some of the opportunities that we've seized today in order to take advantage of that position. So this is our balance. This is how we think about it. There's nothing changed about this slide because it's working. Don't try to fix it.

And 70% of free cash flow going back to shareholders has resulted in a consistent stream of capital returns both in terms of the dividend but also share buybacks. Each and every day as we go through this business, so this allows us to really empower the extraordinary change that we've had in the way shareholders are treated in this business and that one that we're committed to the long-term. And there's probably no better example of that than the dividend. When we embarked upon the dividend in 2013, you may recall that we said, we're serious. We employed the first meaningful dividend in airline history and by meaningful, I don't mean the check the box dividend that some people have to pay from time to time to attract those mandatory dividend payers among funds.

This was a commitment through thick and thin to serially return capital to our shareholders and all we've done is increase that dividend each and every year such that we currently sit at about \$1 billion a year of dividend flowing

back. That's a dividend yield of about 2.9%, a little lower today. Thank you, market, but ultimately, one that represents what we believe is a sustainable long-term commitment, the serial capital return in this business augmented by buybacks as free cash flow continues to accrete.

So you've heard many examples today of the momentum that we have in the business. It's great to look back at where we've come from. Sometimes reflecting on that journey is a good place that are about where the next journey begins. And hopefully you come away today understanding, we have a vast portfolio of future opportunities to not just deliver these results, but compound them over the future and over the long-term, because travel is here to stay. Demographic changes have made corporate – have made travel a priority both among corporations and among the traveling public. And consumers today are more aware of the world than they've ever been. And they've got an airline that's more able to deliver that world to them than has ever existed before. We're proud of what we've done, but much more importantly, we're incredibly enthusiastic about what there is left to do.

Thank you. Look forward to your questions.

Unverified Participant

All right. Welcome back to the stage. Joining Paul for our final Q&A session, Mr. Gil West; Mr. Tim Mapes; Mr. Eric Phillips; and Mrs. Joanne Smith.

QUESTION AND ANSWER SECTION

A

Once again if you have a question, raise your hand and one of mic runners will find you. State your name and your question. Thank you.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Q

I'll speak loudly. So Brandon Oglenski from Barclays. Appreciate your presentation Paul. Can you talk to us though about, I guess, why cost is coming in a little bit higher this year? Just given that we knew gauge was probably going to come down in the past as well as you said One Delta is still ramping. So I guess where's the mismatch and where the outlook was where you're coming in on 2020?

Paul A. Jacobson

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

A

Sure. Some of some of that Brandon is the delays in the A321, we would have been taking A321neos in combination with the classics, and the A220s, which would have helped to bridge some of that gap on gauge. So gauge has been a somewhat unexpected not fully planned view as we headed into the long-term for 2020. That's driving about a point of pressure. I mean it's not insignificant at all. The headwinds that we face is a little bit less capacity growth, as we are guiding into 2020 versus 2019. But overall, that level of inflation with a modest fuel side of it and the uplift that we get in pre-tax is helping to fuel some of that overcoming that disadvantage as we head into EPS growth for 2020.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Hi, Paul. Jamie Baker with JPMorgan. When we think ahead to June of 2025 and use that point to look back over the last 5 years, 5.5 years, what do you think the one or two biggest industry themes will proven to have been and how does Delta frame with those themes? And just to give you some guidance, there was a point that the correct answer to this question would have been broad based industry consolidation or broad based Chapter 11s or maybe cabin segmentation. So maybe going forward it's ESG, maybe it's real estate that finally meets the rail and airline, comparison more validated, I don't want to plant answers, what would be sort of your thematic view when we look back, what's going to define the next 5 years.

Paul A. Jacobson

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

A

I'm looking at Peter.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

And how does Delta...

[indiscernible] (03:23:04)

Paul A. Jacobson

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

A

I'm looking at Peter Carter. I think he would have objected to that as a leading question. But yeah, look I think where we sit right now we are at the forefront of probably the largest facilities transformation that the industry has seen really and you just look at the projects that are out there. We've alluded to some of them over time. So, I think we talk about this a lot that we have really extended beyond the loop and the arena of competition aboard the aircraft in terms of how we can drive value aboard the aircraft.

I think we're in the infancy of how we can drive value on the ground for consumers and how we think about that. And I think we'll have a much better picture of that in 2025 when these facilities are up and running and we see consumer demand react to that. And I think the real estate theory as we've talked about that before certainly helps that in terms of costs are all going up and the cost of flying is going to go up a little bit to help overcome that. But really the experience is going to be magnified and maybe Eric and Tim can talk about that a little bit.

Financially, I think I tried to highlight what we've seen in terms of the power of the compounded serial investment that we've been making. This is unprecedented in this business and when you think about the level that we are and you think about our continued confidence of being able to generate \$4 billion of free cash flow and \$8 billion to \$9 billion of operating cash flow year-in and year-out, hard to imagine what that might mean in terms of transformational capabilities and product going forward into 2025. But overall I think all of this is return enhancing and contributing to a much more stable industry going forward. If you guys want to add anything to that?

Tim Mapes

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

A

One thing I'd say Jamie is customer segmentation. You mentioned product segmentation. I mean we're in our infancy with regard to applied use of data. So we've had warm and caring employees for 95 years. What we haven't had is information that marketing or frequent flyer might have in the hands of flight attendants who've got

handheld devices in the hands of pilots who have handheld devices and could connect that data all the way through. When you when you hear us talk about single view of the customer for us, I think it's revealing what used to be business in leisure or first-class and coach and Eric talked about so much of the product segmentation. But when you really think about retirees travelling internationally who don't speak French that are going to go through Charles de Gaulle. At our scale, that's an addressable audience.

What products might they need? You're checking golf clubs, you're checking skis, you're motivated the vast majority of people when they think they're going to a leisure place, see a palm tree or see a ski resort, how do you curate those things? So I think among the things, we're starting to see and that certainly will be among the things in 2025 when we look back is just how far we will have come from a world in which data today is used to the insights that will come from some of the things that were behind your previous question and how we are reacting to that as a brand and as a customer and branching out into entirely new levels of service and experiences.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

I think that's well said. I think Tim hit it on the head. We've always defined a customer by trip type never the person. So getting more granular on that is absolutely going to drive a great benefit for I think revenue, but importantly, very importantly customer experience. The other one, the other realm that's going to be under a lot of change in the next five years is distribution. I think the way we think about content and how content is put together in the offer, how it moves through channels to the customer and what that relationship looks like is going to change pretty dramatically.

Helane Becker

Analyst, Cowen and Company

Q

Hi, it's Helane Becker again. So, maybe Joanne, I'll ask you this question or two questions. One is I think one of the advantages Delta has is with their flight attendants and in the fact that they're not union. So – and I know that from time-to-time there's unionization efforts. Could you maybe address that?

And then the second thing is something Ed said yesterday when he was doing the fireside chat, if you see me, you can be me. And all morning we have heard from white men and I'm going to ask the girl question, what is Delta doing from the cultural and diversity perspective that goes beyond just women in HR or our so-called mic runners as the announcer just said referring to your very high quality IR team. It just seems that you've talked about it, but we're not seeing it. And I know that's like not the feminist thing to say or the politically correct thing to say. We're just kind of curious if you can address those issues. Thanks.

Joanne Smith

Executive Vice President and Chief People Officer, Delta Air Lines, Inc.

A

Yeah. Thanks. Thank you very much. Well, let me just start with the first question today. We are very proud of our direct relationship with our flight attendants. We do think that is a kind of the secret of our success is being able to work together and directly and that direct relationship with our flight attendants. Having said that, we know that we represent is a big target, because we are the only really large non-union workforce. So it always just keeps us in our – the importance of just making sure that we always are connected with our flight attendants that we always build them into the processes of making better, I mean, proud of our track record of every year involving all of our employees and how do we make Delta better and best places to work.

So we'll see about that on the – diversity and inclusion issue and I really thank you for that question because last week, we had our board meeting, our annual board meeting. I did a D&I update and we are proud of the progress

we've made, but it is not fast enough and investors and our board increasingly more and more and more important, it's critically important to our board, it's critically important to the leaders on here. So we kind of look at it [indiscernible] (03:29:03) pipelining. This year for example, 100% of our Senior Officers that are new or promoted to Delta are female or diverse and over two-thirds of our officers new to the company or promoted are diverse. So it's in the vast majority – and we're doing much better on females, the gender diversity frankly than we are people of color, but for example in the last four years, we have more than doubled the number of female officers in our top 100 and almost doubled the percentage of officers in the top 100.

I mean looking Gil to the right, I mean that's the big problem that we've got her in the pipeline for flight Ops and in tech Ops. So we have to reach further back and to attract minorities, people of color and women to technical fields. So we do a lot with women in aviation. For the last several years have done an all-female crewed flight bringing in a lot of youth, junior high and high school age. We do our ACE Camp which is about black students and minority, mostly African-Americans on these summer camps that we do with them and we're doing that for years, so we've got to get that pipeline fixed and that's a much longer time, but where we do have a lot of traction is in the commercial and support areas.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

Can I add to that?

Joanne Smith

Executive Vice President and Chief People Officer, Delta Air Lines, Inc.

A

Oh, and he's our Chair of our Diversity Council.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

Well, no. Well, we all sit on the Diversity & Inclusion Council.

Joanne Smith

Executive Vice President and Chief People Officer, Delta Air Lines, Inc.

A

Yeah.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

So I think what's really important to know about the diversity question and it's a great question, and very importantly it's not an HR topic.

Joanne Smith

Executive Vice President and Chief People Officer, Delta Air Lines, Inc.

A

Yeah.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

Diversity & Inclusion for us is a business topic. And the reason why is it's a very important one for our employees, but it's really, really important for our customers. We want our customers to know that Delta understands and appreciates who they are and where they're coming from and where they are going. And I think really importantly

for us, for our customers, we have to have that kind of face towards the customers that we serve and the communities that we live in. The Diversity & Inclusion is not an HR topic, it is across all of our realms everywhere that we sit and what we're responsible for because it's really, really important to the future growth of this company.

Darryl Genovesi

Analyst, Vertical Research Partners LLC

Q

Darryl Genovesi from Vertical Research. Thanks for the time. I guess for Paul, you had provided some interesting first half versus second half comparisons of various financial metrics this cycle. You didn't do it on ROIC, but I think if you had most of the improvement would have come in the first half of the economic cycle. Back then you talked about return on invested capital more, I think there was an industry wide focus on sort of capacity discipline, higher ROIC right when the stock was ripping. Fast forward to today, I think most of the discussion was about growth, and you didn't mention ROIC at all until page 74 of your presentation. And so I just wonder to what extent is that still sort of a metric that that guides you?

Paul A. Jacobson

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

A

Well I mean it's still in our long-term incentive compensation and everybody here is motivated by driving return on invested capital and it's one that becomes, if you can consistently grow it at a level and you can consistently drive a level that is 50% higher than your cost of capital, you're meant to continue to do that. And there's a dual edged focus here not just on the return on invested capital, but also the invested capital base, right. Because companies that have expanding return on invested capital, but aren't reinvesting back into the business are companies that are ultimately in decline over the long-term, because the value creation starts to diminish on that lower capital base. So we're striking that balance and we've got return on invested capital in a very good range and we feel very good about that. You see that in our margin performance and I think we're doing that at scales that are unprecedented in this business whether you look at the revenue generation that we've seen and as well as the operational performance contributing to that driver. So ROIC is very much a motivator. And as we continue to drive for free cash flow and we continue to drive for earnings growth and top line revenue growth, those are all going to contribute to expanding ROIC and/or an expanding capital base at the same time.

Darryl Genovesi

Analyst, Vertical Research Partners LLC

Q

Thank you.

Bobby Eubank

Analyst, Chevy Chase Trust

Q

Right. Bob Eubank from Chevy Chase Trust. Thanks for the event. One, I don't think I heard the word cargo mentioned the last two days. So you know is that increasing focus for you guys, clearly it's a challenged environment. It's a zig while there is a zag out there and you know as an example of not allocating to areas that are not generating return that you want. And then second on returns, the MRO and Delta Flight Products business seem to be multibillion dollar business that you're quite excited about, how come there's not more capital being put into those?

Wayne Gilbert West

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

A

Well, I'll take a stab at it fruitfully though, Paul or Eric to chime in, I think on the cargo front. Yeah, we've seen headwinds this year has been reported in the earnings call. Just like the rest of the industry I think we fair pretty well relative to some of the peers but it's generally a function of some of the tariffs and trade issues. Going

forward, I think strategically cargo remains a big piece of our strategy. It's still roughly a \$1 billion business for us very high margins. So we see that business a couple different ways in terms of opportunities. One is through the partnership networks that we have with our partner airlines in different regions. It really is an enabler for us. Certainly with Korean and LATAM now that really help us access new markets that are important markets for us. So, I think we'll continue to build on that, those relationships continue to develop.

I also think I don't know how – I don't recall how much we've talked about it but internally we set up what we what we framed is Delta Logistics Control Center. And primarily it's geared around moving our own materials including first and last mile. We move a lot of materials. I mean we spend hundreds of millions a year moving stuff, TechOps is an example or in-flight operations, airport customer service. So that's been a really good mechanism for us to kind of fine tune that, save costs at the same time. But then at some point, we think we can offer that service maybe not as a generic service to everyone but there are key strategic customers there. Generally, people that want to move big pieces of expensive whether it's parts or merchandise that need to get there quickly, of course, we have a network, it's not next day. It's actually within a few hours, we can get anything anywhere. So we see it as a big opportunity moving forward. We'll have to continue that. One is, we're adapting to the market that we're in of course. And then two, we do see growth going forward in different channels than we've seen historically.

On the other businesses Delta Flight Products, MRO, yeah, I think in terms of capital investment I think you've seen some of that in our MRO if you were able to go by yesterday with the investments we've made in infrastructure in TechOps, so we believe in that business. We continue to invest in it. Delta Flight Products is fairly young business. Ironically, it hadn't taken a lot of capital. We haven't starved it for capital at all. We've given it, it's all it's needed. But a large portion of that business is the engineering certification capabilities and those are big moats in our industry, certainly the certification side. So, a lot of that investment has been in systems, facilities and in the manufacturing piece we've been investing in. So, yeah, that's a business that will certainly allocate capital appropriately to grow the business.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Hey. Savi Syth, Raymond James. You talked about a lot of that kind of revenue stuff that's been talked about even Amex has kind of focused on local traffic, how that drives that in kind of larger big city markets and I'm kind of curious how – what's the role of this both small market and your regional product within that, I know Gil when you talk about metrics now that that's included in those metrics as well. But just curious from a revenue standpoint, from an operations standpoint how you're thinking about kind of the small markets and the regional operation engine?

Wayne Gilbert West

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

A

Go ahead, Eric.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

Sorry. They continue to be important. I don't think when we talk just about like focus cities and coastal hubs that were not concerned about Billings, Montana, I grew up in Montana so I'm very concerned about Billings, Montana. But we're still – it's kind of like we're out-nationaling and out-internationaling some of the local regional carriers in cities and regions like that and because they continue to play a really strong role but we can also outreaching all the big, really big global players. So when you think about feed into those hubs, be they coastal hubs or the kind

of mid-continent hubs, the core hubs, smaller markets continue to play a really important role. And I think what we've seen then is the evolution of the fleet is really important of how we serve those markets. So moving away from 50 seat regional jets doesn't mean that small markets are less important to us. It will change the way we serve them but they provide a really important part of the structure of all of our hubs.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

It's Joe DeNardi, Stifel. Just maybe more of a question for Ed but Paul mentioned, so to get your perspective on it, it seems to me like that the biggest challenge facing Delta in terms of getting a higher multiple is ensuring that all of this high margin revenue that you're going to get from Amex over the next few years actually gets down to the bottom line and doesn't get competed away or subsidize the airline business. And so what's your strategy for ensuring that happens. Because I think that's why the stock is flat. Since you guys announced this transformational extension with Amex, the market doesn't think it's going to actually produce higher earnings longer term. So what's the strategy to kind of protect that stream of earnings?

Paul A. Jacobson

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

A

I think every trap I've ever heard started, well this is a question for Ed but I'll ask you – excuse me, especially when Ed is sitting here, but that's called experience. It's called experience. But look I think, you know, I think the market perception of the industry still has a ways to go, right, it tends to be a little bit myopic and a little bit short term focus. So I don't know that it's necessarily discounting the long-term side of it. It's really trying to figure out what the right baseline is as we come into the max returns and so on.

And I think what we're doing here and you've heard it throughout the presentation is we're focusing on consumer demand. We're focused on – focusing on demand that has outpaced GDP for the last several years. We're focusing on those demographic trends and we're focusing on creating products that our consumers want. And you know I think the days of that ultimate low fare wins in every single market on every single seat are behind us quite a bit especially when you see the type of performance that we see in the premium cabin and some of those other experiences as well.

So, we're not worried about competing away the benefits that we – that we see out there. And we feel good about that momentum that's going to be created. Now I think the opportunity here is how do you redeploy some of that cash flow in the balanced capital allocation to drive multiplication factors into the ability to drive more value into the currency and SkyMiles as a currency. You see that with technology, innovation and you see that in market product development, where we have more and more opportunities for consumers to use them. That's going to continue to attract more consumers to that currency as well.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay.

J. David Scott Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hi. David Vernon with Bernstein. Paul or Gil, a question for you on the Boeing 757, is there a point in time where you need to make a decision on a replacement platform for that aircraft given its age, or do you feel you can kind of extend the runway that would prefer a number of years just given how big it is in the fleet and the age of it? And maybe a second question for the broader panel on also related to the fleet, how much of real estate or seat share

is going to be opened up to more premium products as you're investing in the five cabin strategy, and that just opening up some organic opportunities for premium sales over the next three to five years, if you could talk about that a little bit that be great?

Wayne Gilbert West

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

A

Let me try the first one and Eric if you want to cover with the second one. The first – in terms of the Boeing 757, keep in mind – our – the delivery cycles of our Boeing 757s are kind of staggered. So we've retired some Boeing 757 as an example already. And we've got retirement plans as we move forward, but a large portion of those are out in the more distant horizon, things that may come up in next number of years. We have a number of options, obviously we're – we've got decisions to make, as Ed mentioned relative to the larger scale of the Boeing 757 and the Boeing 767 fleet plan. So the NMA as well as the Airbus competitive products at some point will make those type of decisions. In the meantime, we've got a number of options or levers to pull as some of those aircraft retire, some of those are already on order or we have options to them namely the A321 series aircraft. So I don't – there's – we have the ability to flex from a timing standpoint with options that are already in place.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

And I would say in terms of premium seats, you can look at the number of premium seats we have in the fleet for 2020 and it's going to be over 69 million premium seats across the fleet very drastically different from where we were a few years ago, certainly very different from where we were in 2010. Looking forward as the fleet, you know we take more of the larger narrowbodies, you know you will see more kind of premium seats especially the Comfort+, First Class, that's part of the benefit of upgauging. But the other thing is we, you know, we're just still learning the demand profiles for these product, the Comfort+ or Premium Select or First Class. So, going back and even revisiting some of the configurations maybe that we have on some of the other aircraft is always an option for us too. So like, I said in my comments, continuing to invest in the premium products makes sense for us for where we're at, because customers want to buy on. And I think we're learning still a lot about what that demand curve and how we manage it, what that looks like.

Wayne Gilbert West

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

A

Just to dovetail off of that. That's one of the advantages of Delta Flight Products and our interior modification is we're much more flexible and adaptive to those type of market changes or decisions.

J. David Scott Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Right.

Operator: Now, we will take our last question.

Hunter Keay

Analyst, Wolfe Research LLC

Q

Thanks, is it working? Hey Gil. Hi. It's Hunter Keay by the way.

Wayne Gilbert West

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

A

Hello.

Hunter Keay

Analyst, Wolfe Research LLC

Q

Can you talk about some of the operational pressures that you guys faced over the summer due to the MAX with the high load factors? And where you see load factors going next year, as you think about sustaining and high Net Promoter Score and other key operational metrics and then Eric or Paul, can you guys talk about how that dynamic ties to the 4% to 6% top line growth guide? Thank you.

Wayne Gilbert West

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

A

Yeah. Thanks Hunter. Yeah. You know, every, I mean, just presses it by every summer is stressful, for the team it's a peak operation for us obviously and the team did an incredible job this summer, probably a little more stressful than some prior summers. We were up a bit from a capacity standpoint, but we're – what I would say is that all the things I talked about earlier, especially during irregular operations are so important for us during those times, because if – candidly if we didn't have some of the processes in place and some of the technology in place that we have today, last summer would've been far more difficult for us.

So you know credit to team for their perseverance during a challenging summer. But at the same time, if you look at that – if you look at all the metrics during the summer operations, they were record metrics for us for any summer, whether it's reliability or whether it was all our customer service metrics. So the team delivers that level of performance even during the most challenging times of the year for us. But as we look forward, I think that's all the things again I talked about it just enables us to be able to really take in the variability of our demand and our capacity on a year basis, over a year basis.

We have a very flexible infrastructure as well as construct with our team. So as an example, we'll bring in flexible staff like summer seasonal employees for our airports that give us some flex-up capabilities that are unique to Delta. And those are the kind of levers that we pull to be able to add variable capacity when we really need it.

Eric Phillips

Senior Vice President – Pricing and Revenue Management, Delta Air Lines, Inc.

A

And in terms of you know overall load factor for the summer, I think admittedly, we ran a little hotter than we wanted to. In domestic on loads, and so a huge credit to Gil and the entire team for the way they managed through that, I think what I alluded to six involuntary denied boardings for the full year of 2019. In the second quarter, there was zero. And you're talking about big travel months for Delta, when you're coming through spring break period and in the beginning of the summer. So the team on the frontline did just a spectacular job in very difficult circumstances.

As it pertains to 2020, we can't get any more full than we are. So we're not really looking for a load factors to go up. If anything we're looking to take some pressure off, as we look at the next kind of peak periods and looking at like next summer, spring. You already see that kind of – the way that we flew the schedule for this last peak period through the holidays. So we did not run as full in terms of load factor that we did last year, but we still generated significantly more revenue. So finding where that balance is obviously is always the set of tactics we're looking to employ, as we think about these booking curves, in these markets with challenges that are going to pop up either for us or for others that's going to change the way that that demand curve looks.

Hunter Keay

Analyst, Wolfe Research LLC

Thanks.

Q

Paul A. Jacobson

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

Well, thank you, everybody. And I think we'll conclude the Q&A and bring Ed back up.

A

Unverified Participant

Please welcome back to the stage, Delta's CEO, Mr. Ed Bastian.

Edward H. Bastian

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

Well, thank you for hopefully what's been a informative, productive, entertaining, enjoyable couple of days with us. We've enjoyed and you know that the pride that we take in this business and showing off what we're doing and our team members all who've been – have done a great job over the course of the last couple of days, as well as the 90,000 people that stand behind us. We've got the very best team in the industry. And I just can't tell you how excited we are about those opportunities we're talking about for the future. But before I go into the closing slide, just a couple of questions since they're added to the panel, and first of all, Helane, I think great question on diversity.

I spoke, wherever you are, Helane,- you're still here, and you're somewhere here, I can't see, very well. Great question on diversity, you heard me talk about it yesterday. To that end, I'm also pleased to welcome back our newest Senior Vice President to our team, Ms. Gail Grimmett. Gail, welcome back to the Delta, Gail is going to be joining the Wheels Up team. She's going to be our rep – our lead rep within Wheels Up and really excited about what you're going to be doing there. We haven't officially signed Gail on but I just did now. So she's – she can't change her mind at this point. So she is all good at it.

Second, the question on ROIC, I don't understand the question to be honest with you, but I can tell you that it's 25% of our long-term incentive compensation, it's been – I think though, it's a three-year basis, the last three years, it's running between 14% to 15%, I know that because that's in my compensation. And the targeted payout for the next three years is going to be 15% in terms of the return, so we're very focused on ROIC.

We don't necessarily – hello, okay, sorry – we don't necessarily spend a lot of our time talking about ROIC, but it's a given in our business is one of the fundamental drivers of our performance. And Joe on loyalty, I think Paul did a good job explaining your question. I would say, if you look at loyalty revenues over the last couple of years, our top line contribution, growth has been about a \$1 billion in \$3 and \$3.3 or something in 2018, growing into like \$4.3%, \$4.4% in 2020. And that \$1 billion you can put kind of whatever margin you want on it. We can debate what the right margin is. If you look at the performance of the business in 2018 to the performance of the business in 2020, we expect to increase our pre-tax profits by over a \$1 billion during that timeframe. So it's an important part. We're certainly sensitive to not competing it away, but we don't see any signs. It will be competed away. But we'll continue to demonstrate that as we look forward here.

So this is the closing slide and hopefully you've got a chance to hear from us over the course of this morning, why we believe Delta is a compelling long-term investment opportunity. We have a fabulous brand. We have a brand

that consumers love, that consumers have relationship with. We are in an incredibly attractive market with a lot of great growth that's driving our opportunities for the future. And it's the performance around our customer satisfaction scores that allow us to maintain the revenue premiums that we have. As you continue to drive more customers to the brand and greater preference and greater loyalty, that's what drives your revenue premium, it's not math, its emotion and connection and performance.

Secondly you hear us. We've talked a lot about our moats, whether it would be our culture, our fleet, our loyalty programs, our operational prowess, our balance sheet. These are competitive advantages that are really hard to replicate – really hard to replicate in our business. And we spend the majority of our time figuring out how we can make those moats deeper, stronger and more defensible for the long-term. We've got great partners.

You've heard us talk about the opportunities on the partner side. If today, we have 200 million customers at Delta, I don't think about that as 200 million, I think about the over 500 million customers that we touch every single year between Delta and our partner equity investments and the opportunity to expand that footprint on a global scale, why that's so important that we continue to look to the long-term and think about the international opportunities to grow this business not just what we're doing here in the US and you've got the best team in the business. I hope there's no debate about that.

The operational reliability performance, the financial performance, the commercial strategies, right across the board, the uniformity and we're glad to show off some of our talent here that you don't always hear from over the course of the year and we're going to continue as we get into the long-term session in next summer, give you opportunities to meet more of our next layer of management team. But across the board, our management team is motivated. It's excited. It's together. We're on a journey that we continue to look at and are motivated by just as motivated by the frontline employees has served you every day while you travel. We're just as motivated on the management side to take care of those employees and then help take care of you.

So, we've got a great opportunity for the future. Hopefully, that message came across loud and clear and we look forward to an exciting 2020 and importantly, really look forward to being able to talk to the long-term opportunities this summer when we do our three-year update with you.

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