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Delta Air Lines, Inc. (DAL)

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MANAGEMENT DISCUSSION SECTION

Jamie N. Baker  
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Good morning, everybody. We might as well get started with a few prepared remarks as the audience continues to filter in. Welcome to the something Annual JPMorgan Aerospace, Transportation and Industrials Conference – aviation. Yeah, it's right there.

The reason it's a little bit difficult to identify how many years we've been doing this is because the conference itself continues to evolve. The first one of these really was a credit-only event that Mark Streeter put together shortly after 9/11. I added the equity perspective a couple of years later. And since that time, we have continued to grow the conference grow attendance, grow the sectors that are covered, move from one-day to two-day to three days. So hopefully we will be making good use of your time this year.

I think speaking for the airlines which will all be held in this room, I think we have an exceptionally strong management slate this year – probably one of the best yet. And I think that's important when you consider that since this time last year RASM trends have emerged stronger than expected, capacity trends have been benign at worst, fuel prices have been up and down. But the point is the outlook for the industry has only strengthened, and yet since we last stood on this stage about a year ago – with the exception of Spirit and United – the rest of the equity universe is flat to down as much as 40% in the case of American. So hopefully what we will be learning from the management teams this morning will at least potentially be able to reverse that otherwise challenging equity performance that we've been having.

I do apologize for some of the clunkiness of having it at this location as opposed to our bright and shiny facilities over at 383 Madison. I am amused this morning seeing how many flight crews utilize this hotel who are probably checking out and going to work wholly unaware that their bosses and bosses' bosses and bosses' bosses' bosses are probably also here in the same hotel.

Let me turn things over to – unfortunately, lunch will be on the third floor so that will require a little bit more elevator use. But other than that, this is the airline room. Let me turn it over to Mark Streeter to add a couple of introductory remarks and then we'll kick things off.

Mark S. Streeter  
Analyst, JPMorgan Securities LLC
Thank you, Jamie. We'll keep it short and sweet, but we just want to highlight the keynotes that we have here. So today, Larry Culp from GE. Very pleased. That's really a coup for our team and Steve Tusa to get Larry here today. So I know there'd be a lot of buzz about that; I don't think Larry has made really a sort of Wall Street type appearance since taking over, so that'll be great. Today at lunch and then tomorrow we have Jamie Dimon, our esteemed leader. Always very interesting to hear what Jamie has to say because he has some very great perspective on the markets, politics, New York City, Amazon; I'm sure he'll talk about it all. And then we have Bruce Kasman on Thursday morning as well, our Chief Economist, so those three keynotes.

There's also one other thing I want to mention. Jamie and I do a trip every two years with Boeing Capital out to Seattle to kick the tires on aircraft. But really, most of the airlines send someone from their treasury or finance team. We have the aircraft lessors there. And it's really a great insight into the world of aircraft and how aircraft are being financed and aircraft trends. So if you're an investor in airline equities or airline credit, and the same thing for aircraft leasing, and you're interested in joining us just reach out to Jamie or me; we're happy to give you details. That's at the end of April, April 30 and May 1.

So with that, I'll turn it back over to Jamie who will introduce Ed and we'll get the show on the road.

Jamie N. Baker  
 Analyst, JPMorgan Securities LLC  

Great. As is customary, we’re happy to start the day with Delta. The team up here includes Jill Greer; Paul Jacobson, and Glen Hauenstein. And it's always a pleasure that Ed can take time from a busy schedule of marathoning, singlehandedly standing up to the NRA, and navigating Delta as its CEO for the last four years, so it's a real pleasure to be able to turn the stage over to you. Thank you, Ed.

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

Good morning everyone. Jamie, thank you for that nice introduction and Mark, and it's good to see you guys; always good to be at your conference. And I agree with you; this is certainly one of the very, very best conferences we attend during the year and I think that's indicative by the turnout as you suggested. We need to remind everyone that we are on the web. This is an open call, and if you have any questions regarding any of our disclosures or forward-looking views you can reference our delta.com investor website for that information or talk to Jill Greer, Head of Investor Relations, or Julie or Elizabeth or any of the team that we have assembled here today.

We are off to a good start in 2019. The first two months of the year are coming in largely in line with the expectations that we set for you at the start of the quarter, and we are pleased to continue to affirm the full-year earnings guide that we gave of $6.00 to $7.00 a share at the start of the year. All the fundamentals are tracking as we suspected they would during the quarter. The only thing that's potentially different is fuel prices. As Jamie said, fuel prices have been moving around a bit. They're up about 5% from where they were at the point that we gave guidance. But that said, we're affirming the guide and the margins that we're anticipating for the first quarter.

We have had an exceptional operational performance to start March. The Delta team does a great job with providing reliable, on-time, and highly – the performance, the completion rate of the product is just exceptional in the quarter. In fact, we are going to be raising our capacity in the first quarter alone based on just some outstanding operational performance that we had in the month of January. The first quarter, as you can appreciate with weather, is one of the more difficult weather months, but we delivered I think a 99.8% completion
rate in the first quarter, so that will add. That's not a run rate factor; that's just the performance for the month of January. But in essence, it's going to add about 75 basis points to the capacity that we had in the quarter itself.

So I know this is a conference where people are always looking at capacity and the amount of supply — and this is good capacity. This is completing the missions that we are flying. And despite that, we're still going to, with that incremental 75 basis points of higher capacity within the quarter, we're still going to be coming in solidly in the range of the unit revenue guide that we gave you at the start of the quarter, that zero to 2%. We're going to be solidly at the midpoint of that guidance range and coming in at the top end of our total revenue guide for the quarter, and we guided 4% to 6%. We're going to be coming in at the top end, between 5% and 6% of top line growth.

So demand I would say is solid for Delta. Corporate demand has been strong. We're looking at corporate demand in the first quarter being up about 7%. Leisure demand has been a bit choppy. We've had a government shutdown that's influenced the results. We've had Easter shift, which I think you've heard from others is influencing some of the leisure demand within the quarter, a shift between first and second quarter. And we did have some really, really difficult weather in many parts of the country, this winter with the polar vortex. But despite all of that, the spring looks good, our advances look very strong, and we're coming in at the top end of the total revenue that we anticipated for the quarter.

So the priorities that we laid out for you in December when we had our Investor Day continue to take hold and take shape, and we're making good progress against those. At the top level, from the financial standpoint we're anticipating our fifth year in a row with profits of $5 billion or higher. And we will be returning to margin expansion in 2019. That's one of the key goals that we've had, as well as double-digit EPS growth and a 15% after-tax return on invested capital.

The revenue stream that we see in the business continues to diversify. We had good success here in the first quarter with our premium products that we sold; I think we're up about 10% for the first quarter-to-date on premium product sales. And we continue to expand the diverse offerings. It's not just the premium products and the branded products that we talk a lot about, but it's the MRO, it's what we're doing in our loyalty plans. We're finding alternative sources of revenue for the business.

A lot of this is rooted in the strength of our brand, the operational prowess by which we perform. That continues to build momentum with a great team of people behind it, and that's why we believe that revenue momentum and that premium revenue that we're driving is sustainable, and it's buffeted by a very good cost outlook. We had a good performance in 2018 on non-fuel costs; that's continuing in 2019 as well. We expect our non-fuel cost in the year to be below 2%, as we expect that to be in the first quarter as well.

The operational machine is running well. It's the foundation by which we set our business. It's what keeps our customers coming back to Delta, and it's what our employees love to do in terms of serving customers. As I was talking already, we have the best completion factor in the business, and that completion factor again is giving rise to great strength in the first quarter alone, a 99.8% completion factor in the last running 12 months. 251 days of the year last year without a cancellation on the mainline. You could add all of our mainline competitors combined and you won't get to 251 cancel-free days. More customers arriving on time than any other airline, almost 86% on-time arrivals. And all of that of course leads to great bag performance, which is supplemented by the RFID technology that we have implemented; 1.5 times fewer lost bags than industry average.

One of the real powerhouses that drives the success of our operational performance is in the maintenance team. We've got a great maintenance crew. And this is data I love. You may have heard it before; I love continuing to
brag on them. In 2010 when we started our journey to get our company to where we are today, that year we had 5,500 maintenance cancellations within the year. This past year, in 2018, we had 55. So you saw about 99% reduction in maintenance cancellations. That is at the core, at the crux of the operational performance that we are delivering. And that leads to great customer satisfaction, 49% domestic Net Promoter Score. That Net Promoter Score has tripled over the last 10 years. For those of you that track Net Promoter Scores, and we are students of this, you just don't see that type of performance in consumer businesses. It's a bit unheard of and we continue to grow it into 2019. The first two months of the year we're seeing strength in the Net Promoter Scores as well.

Another area of strength that we see in the business, and we talk about the foundation and elements who make airlines who they are, is what we're doing with our fleet. One of the things about Delta that we've been long known for I'd say is probably having an opportunistic fleet strategy. It dates back from our past, from the bankruptcy era, from our opportunities to go in and take fleet on in either used or new basis maintained a lot of flexibility. But there is a cost to that flexibility and there's a cost to being opportunistic over time and where you see us now moving more into a more strategic fleet foundation for the business. We still generate a lot of value from the existing fleet and we will continue to make good headway in there.

We've talked a lot in the past at these conferences about cabin segmentation and the branded product fares and families that we have on our aircraft; we continue to expand those offerings through seat mix and driving better customer satisfaction as a result of greater sell-up into those products whether it's in moving up to First Class or Economy moving to Comfort+.

Deployment optimization; we've implemented a really nice program this past year called Delta One which is driving a lot of cost efficiency and bringing silos across the airline down to a point where people can start to have greater transparency, visibility about running one company and one airline. And one of the big benefits we're seeing is that it's allowed us to operate our fleet and our resources and our crews a heck of a lot more efficiently.

And we're investing continuously still in the existing fleet through interior improvements. Our cabin scores are very strong. We're in the process of re-outfitting all of our international cabins into our new award-winning Delta One suites, and by 2021 – over the next two years – you will have our entire 160 international aircraft reconfigured into that product category. But while we're doing that, we're also looking at the opportunities to replace our fleet going forward. In the next five years we'll be replacing one-third of our mainline fleet while staying within our CapEx guidelines. Our guidance on CapEx has largely been 50% of our operating cash that we generate. This year we anticipate generating operating cash of roughly $8 billion, and our CapEx accordingly is going to be probably just a little bit greater than 50%, about $4.5 billion we're thinking for the year in terms of CapEx.

We are seeing significant opportunities in fleet simplification as we move forward. The gauge growth that running the largest hub network in the country provides us with allows us to up-gauge that fleet significantly. We brought the Airbus A220 into the fleet this year, and that's doing very, very well. We've got the Airbus A321s that we're pulling in and we've got a lot of opportunities as we replace the MD-88s and we're putting the A321s in. And all of that's coming with the next-gen technology driving best-in-class economics alongside that leading product. Fuel efficiency on these aircraft are running at a double-digit clip and customer satisfaction scores, as you saw earlier, are at all-time highs.

So as you look into the next decade, we're going to be – continue to be very disciplined and targeted with the reinvestment that we're making, 50% CapEx. I saw everybody running to their notes as I start talking about long-term CapEx and replacing one-third of your fleet. That's all going to be within the guidance that we've already provided you and I think you're going to be very pleased with the success we're going to have in that space.
One of the things we also did in the quarter was that with the strong cash generation we're building this year and the performance we're seeing, and we couple that with our fortress balance sheet and the fact that we saw the stock sell-off at the beginning of the quarter, we accelerated some share repurchases in the quarter. We anticipate returning to our shareholders $2.5 billion in the year; that's the number we gave you at the start of the quarter. And that's between dividends as well as share repurchases. We took the opportunity to purchase 26 million shares within the quarter, so that's $1.3 billion in the March quarter was repurchased. We haven't made a decision yet whether we will increase that $2.5 billion target in 2019. We'll evaluate that as the year goes and we see the performance of the business.

But we thought given the confidence that we have in the business and where the valuation of the stock is and where the multiples are trading at we thought that would be a good long-term decision for us to go ahead and make that decision. It's being funded by a short-term, in essence, working capital loan of $1 billion that will be repaid before the end of the year so it's just a cash timing factor. But, again, it speaks to the confidence that this management team has in our plan and what we see for the year ahead.

So in summary, 2019 is shaping up very well. We've got a great airline that we're running. The Delta employees do an awesome job in delivering some industry-leading performance. Cancel-free days system-wide, including Delta Connection, are 134 in 2018. The March quarter completion factor as I said is expected to be a record level, and the team is doing great from a customer satisfaction and brand score with a 49% Net Promoter Score in January.

Top line growth is important to us in our business. The demand environment continues to be solid. As I said, corporate is staying strong, and corporate by the way is strong. I didn't talk domestic versus international as much but it's staying strong largely across the globe. We did see, as I mentioned, some choppiness in leisure in the quarter; not unexpected given some of the events we talked about. But the spring and summer look quite good with respect to what we see on the books.

The costs are doing well, that non-fuel unit cost keeping that below 2%, 1% is our committed number for the year and that's still our plan – coupled with the 80 aircraft deliveries that we're anticipating to take in this year are going to drive some great efficiency gains for us in the company. And we also continue to be a cash flow machine, $8 billion of operating cash expected in the year. Free cash flow of between $3 billion and $4 billion is allowing us not to do just the opportunistic share repurchase that we have here in the quarter, but it's allowing us to continue to transform our fleet, our technology, our airports, and all the things that will pay dividends for many, many years ahead. The team is doing a good job. We have the year well underway, and there's good confidence that we have in the business.

So with that, Jamie and Mark, I'll conclude our prepared remarks, a short summary in terms of how the year is starting to unfold, and we'll take your questions or any of those in the room.
QUESTION AND ANSWER SECTION

Jamie N. Baker  
Analyst, JPMorgan Securities LLC

Q

Thank you, Ed. A question for you or really for anyone on the team that wants to opine. If I had to choose a word to describe Delta's evolution, the industry's evolution over the last 10 years, I guess it would be change or upheaval, something like that. Your network looks considerably different than it did in 2009. The industry has seen subsequent acts of consolidation. If change has defined the last decade, what do you think is the big theme going forward for the next 10 years? Is it the same pace of change? Is it a different type of evolution? Things are obviously running very, very well. What takes the industry through the next 10 years? And I'm not asking the recessionary test or anything like that.

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

A

Of course. I'll give my perspective, and Glen, Paul, or Jill can add color as well. That's a good question. For me, thinking about where I'm going personally in terms of when I'm speaking to within the business and thinking about the business, I think we're turning more and more into a leading consumer company. Consumer brand, consumer technology is what's going to drive the shape of our business. I'm talking about Delta now. I'm not going to talk about the industry broadly for that necessarily but for Delta.

You see the size, the scale that we have, 200 million customers a year that we operate around. You see the opportunities that we have around mobility and digital technology. You see the areas that we can continue to enhance the improvement in the businesses. We were at a dinner last night with some of you, and the topic of digital transformation came up and AI and machine learning and what we're doing, what Delta is doing. We're doing a phenomenal amount in that space. It's going to allow us to run an even better airline while our numbers are pretty impressive on the face of it. What it's going to allow us to do is continue to improve the penetration that we're having in terms of giving our employees better information about our customers to better serve them, to better anticipate their needs, to make the brand stickier, and to make the brand preference scores more sustainable in people's eyes.

We're going to put better tools in place to be able to run the operations. One of the things I'm most excited by in the next year, say, is that we now have in our operations control center the data by which we can actually go back and replay the tapes when we have storms and outages and problems. There's so much data in this business that we collect and such a heavy volume of information that we don't have. It took us two years to create a data lake to store all of that data, to actually retain it and be able to operate it for 30 days and look back to see how you'd make smarter decisions or where you can turn left versus turn right. I'd say the biggest cost efficiency item we have that we still haven't cracked in our company is our interrupted trips, whether it's lost revenues, crew outages.
I estimate it costs us $0.5 billion a year in that space. It's just pure inefficiency. Now you're never going to eliminate it entirely, but let's say we cut it in half. That's hundreds of millions of dollars a year of savings.

So I think that's where we're going. What we aspire to be is a great consumer brand, not just a great airline. And moving into the consumer brand space I think will also attract a lot more attention to the stock as well.

Mark S. Streeter
Analyst, JPMorgan Securities LLC

Great. Ed, I'll jump in. Picking up on Jamie's theme of evolution and change, one thing that's changed a lot over the last 10 years has been your investment in other airlines and your partnerships, whether it be GOL or what you've done with Virgin, with SkyTeam, a lot of changes right now at Air France-KLM, and also some press rumors that you might be involved in some further efforts to bolster Alitalia. So maybe you can just talk about the partner network out there and what we should expect for 2019.

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

Sure, I'll address the Alitalia rumors straight up since it's what you're asking about here. We're not going to talk about speculation in that space. But that said, Alitalia is a very important part of our transatlantic joint venture, and the team there at Alitalia actually has done a really nice job in the restructuring of that business. So whether we decide to provide some support or not, it's not been decided. Honestly, the numbers that are being thrown around out there are pretty large and not the type of numbers that we're considering, just to quell any concerns. But it's an important company; it's an important market for the U.S. consumer to go to. It's a great travel destination. Italy is a big market. And to the extent we can help them stay within SkyTeam and the transatlantic JV and provide some incremental support along the way, it's really important to consider whether we should do that.

The future for Delta, probably piggybacking off of Jamie's question, the second thing I'd add in addition to being considered a great consumer brand is also the global growth over time is going to be international as compared to domestic. Our U.S. guys are fairly congested; there's not new markets to anticipate flying into. We're flying bigger planes but into more congested skies here in the U.S., so we're building bigger tubes and bigger airports but not new runways and not new places to go. So it's incumbent upon us to find growth over time over the next 5, 10, 20 years, is to continue to expand internationally. And international expansion comes at much higher prices, much more higher degree of difficulty. Takes a lot more complexity because you can't go in and actually own the partner carriers. I mean, it'd be easier if we can buy and start to consolidate internationally; that's not available to us. So we have to find ways to influence them, beyond just a commercial contract, as a partner.

And what we have found is by making investments into these businesses we can actually get inside the boardrooms and start to help shape the strategy, help to eliminate the seams that exist for customers, the investments that those airlines are making to help us have a unified experience for our customers on a global scale. That's where we're going and it's working well. It's not easy but I think over time it's going to prove to be an important strategy for us.

Thank you, good morning.
Good morning, Joe.

Thank you, Ed. Could you comment on your newest aircraft, the Bombardier, which is now the A220? I know you launched it from LaGuardia here and you picked both Boston and Dallas I believe.

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

Yes.

I've heard it's a great plane; it takes off very quietly. But please tell us more about it.

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

So we launched it last month, the Airbus A220. It was produced by Bombardier and they’ve subsequently sold a controlling stake in that to Airbus. So it used to be called the CSeries, now it’s called the A220. I still have a hard time with that. I still myself think about it as a CSeries product.

It’s a wonderful aircraft. It’s I think will be the nicest domestic product in the skies. It’s a small gauged aircraft, operate at the mainline of 110 seats though we’ve also purchased the 300 variation that we’ll be launching by the end of next year which has 130 seats, that’s the 300, so the 100 and the 300. It’s got the widest seats that we have in our domestic fleet. It's got wide-body windows on a narrow-body chassis which gives it a much more spacious feeling from the customers. When you're onboard you actually think you're on a larger aircraft than you might otherwise think.

It's coming in at a great fuel efficiency. The fuel efficiency that we're replacing, whether it's regional jets or even the MD-80s with it, are coming in at double-digit improvements. And the customer satisfaction onboard is great. We've got Wi-Fi on it that works with IFE and LiveTV. And I think you'll see us continue to expand and grow that aircraft starting on the coast, whether it's up here in the Northeast. You'll see it in the West Coast this year; eventually move its way interior into Atlanta over the next year or two. But we’ve got 90 of those coming over the next few years and you'll see it be the next evolution of domestic air travel, moving out of the regional space and moving into a higher-quality product, so what I was referring to when we're talking about we're not building new runways or new slots. So you have to build bigger aircraft but they also have to be nicer aircraft at the same time. But it's doing very well. Thank you.

Hi. You talked about data. Do you participate in Skywise on the Airbus planes you're taking? And just generally, how does the data sharing work with your suppliers?

Edward H. Bastian  
Chief Executive Officer & Director, Delta Air Lines, Inc.
I won't get into any specifics on that. Yes, we've signed on with Airbus in some of the data information. Predictive technology is a big opportunity for the industry moving forward. It's one of the reasons why I mentioned those maintenance statistics that I did. You can't possibly take your maintenance cancellation rate from 5,500 a year to 55 without having great technology; it's just not smarter processes, it's smarter learnings from our maintenance team. So we've already implemented a lot of that working with the OEMs in trying to get better intel and to anticipate the needs of our aircraft. The aircraft give off a lot of information. There's a lot of sensor technology that's being embedded in the new aircraft types and the new engine types as well that we're still learning in terms of what to do with it.

Another reason that we've had the success we've had with our maintenance programs is a subsidiary that we set up a number of years ago called Delta Material Services. We're actually going out there and pulling in parts and carving up old planes and having part-ready usage so that we're not causing cancellations or delays in engine repair. So you marry up the predictive technology with the part availability and that's what's driving the improvements we're seeing.

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

I have a quick question for Paul. Yesterday, the IRS published some detail in regards to export tax relief, and I know you're traveling up here. I don't know if you had an opportunity to be thinking about that. I believe it affords full deductibility for service that you provide between one nation and another nation, so potentially some of the inter ports in Asia, and then a 50% deductibility on anything from the U.S. Is that something as shareholders in the room that we should be thinking about or is that more of a rounding error in your mind?

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

Thanks for that question, Jamie. I think that, it's a little bit too preliminary to start counting on it. It's in the discussion stages and there's lots of opportunities. Keep in mind that the airline industry, especially internationally from a tax scheme, gets very complicated because it's all governed by international bilateral treaties on taxation. So while there certainly could be a benefit there for us, we haven't built anything around materiality, and we still believe that we will be a cash taxpayer in 2020. That gets reduced by things like immediate expensing of aircraft and pension contributions, et cetera, and we're working within the construct of the current law to try to minimize that as much as we can.

Mark S. Streeter  
**Analyst, JPMorgan Securities LLC**

Ed, Mark, again, you've touched on the fleet a couple of times. And I think it was at this podium last year we asked you about the NMA, the new middle market aircraft that Boeing still has under study. It's a year later now. We're that much closer to the potential launch of that. You have a lot of 757s. Any evolution in your thinking regarding that aircraft? Is Delta still very interested and still very engaged with Boeing on that?

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

We are still very interested in it. It's still in the preliminary discussion phases because I know Boeing has not even made a decision whether they're going to launch the aircraft. We hope they will. We're very interested in it. We have not just the 757 replacement needs that we're looking at; 767s as well. We have almost 200 aircraft between the 757s and 767s that we need to replace over the next decade. That's why one of the slides I did talk to is fleet transformation. When you think about the importance of those decisions that we're going to be taking into the next
Can you just talk to Delta's targets for their credit ratings, balance sheet leverage, and pension fundings?

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

Sure. Paul, do you want to do it?

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

Sure. So we came out at Investor Day and revamped our credit metrics, as we had talked about. Previously, we've been working on a $4 billion net adjusted debt goal that was created when we were a much smaller company in terms of profitability, cash flow. The pension was significantly less funded than it is today. So what we've done is we've revised that to look at it more as a debt-to-EBITDAR level of 1.5 to 2.5 times. We believe that in our analysis and our conversations with the rating agencies, keeping that within that range through the cycle will allow us to hold on to that investment-grade rating. And as we've gradually increased our operating cash flow, the performance of the company, we can sustain a little bit higher leverage than what we anticipated.

On the pension, we're continuing to march down the path to try to get to 80% fully funded or 80% funded on a GAAP basis by the end of 2020, and we're making good progress on that. We, like everybody last year, had a challenging year on investment returns but that's coming off of the 16.5% that we had in 2017, so it's all balancing out. We're roughly on schedule to be able to do that with the $500 million contribution allocated this year and a $500 million contribution earmarked for next year as well.

It's important to know as a lot of people talk about needing flexibility that we have satisfied all of our minimum required contributions through 2024, so any contributions that we make at this time are completely voluntary. And should we run into any headwinds we have the ability to be able to pull those contributions back to preserve cash flow if we need to. But we feel very confident on the plan right now and the trajectory that we're on and making good progress.

Just on the CapEx, you mentioned you're targeting 50% of operating cash flow, but last year it looked to be a bit over 70%; this year's guide of $4.7 billion looks more like 60%. So can you describe into next year what's going to come down or how you're going to get there? Thank you.

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

Sure. The 50% has been a long-term guidepost. Some years we've been under it; some years we've been over it. You make your fleet decisions obviously two, three, four years out into the future, and the operating economics of the business go up and down a little bit based on some of the underlying fundamentals, but that's over time the direction that we have, so it's not a 50% number you're going to see year-in and year-out.
I'd say over the next three years we're probably going to get closer to that 50%. Of course, the best way to do that is improving the operating cash flow of the business, making that higher. We expect it to be higher this year. The $8 billion of operating cash that we have is a bit higher than we had projected for the last couple of years, and I think you're going to continue to see it. When you've got your debt ratings to where we're at – we've got our investment-grade back – we really are not looking to pay down debt any further, so it's just really a question between CapEx and shareholder returns that we're looking at there.

Jamie N. Baker  
Analyst, JPMorgan Securities LLC

I have a two-part question. So, Glen, with as many as five differentiated onboard experiences on your aircraft, does that add to the recessionary resilience of Delta? And for Paul, what does Delta look like through the next U.S. recession?

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

We clearly see the segmentation options and the ability to continue to bring them to a broader spectrum of our customers as something that could help us in a recessionary environment given the fact that, for example, the GDSs don't display them today given the fact that we haven't made them available to our frequent flyers until just this past quarter. And so we see the aperture opening for those products and services by broader distribution more than offsetting a mild U.S. recession and the ability to continue to grow those premium services throughout a recessionary environment we think is a very good bet for us.

So great reception on those products. I know we talked at dinner last night about bringing those products and services to our frequent flyers. So if you're not a Delta frequent flyer and you live in New York – which you're here, you should be – and you could use your app right now to choose your seat and then deduct any difference between what your corporation would pay and the seat you want out of your mileage balance, and that's a very unique feature to Delta; we're very proud of it. And those are the kinds of things we're bringing to market that we think are going to continue to have that grow at a disproportionate pace.

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

And I think to your earlier question, Jamie, about change, one of the things that has evolved pretty considerably is our thoughts about how Delta might perform through a downturn. And of course nobody can predict exactly what that's going to look like, how long it's going to last, etcetera, but we used to say that our goal is to be profitable through a recession, and if I were to say that today it would probably drop the stock by a lot, by a considerable amount. But we believe that's actually achievable, which has never been done before, to be free cash flow positive through a recession which I think is completely game-changing for this industry as a whole.

And we predicate that based on a couple of key principles. Number one, we significantly improved the balance sheet. So if you look at 2009, the last year that we lost money, we lost just over $1 billion but our interest expense and pension expense was $1.7 billion that year; today it's $100 million. We had a Net Promoter Score of 15; today it's almost 50. We had an Amex contribution that was just over $1 billion; today it's closer to $3.5 billion. We've done a lot of insulating factors to both diversify the revenue sources but also clean up our own house and make sure that we were ready for that. So we feel that that is very achievable, to deliver that free cash flow positive type outcome. Of course, that depends on what it looks like but we've been preparing for it for a long time.
Edward H. Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

Great. Thanks, everybody.