

27-Jun-2023

# Delta Air Lines, Inc. (DAL)

Investor Day

## CORPORATE PARTICIPANTS

**Julie Stewart**

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

**Edward Herman Bastian**

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

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

**Peter W. Carter**

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

**Roberto Alvo Milosawlewitsch**

*Chief Executive Officer, LATAM Airlines Group SA*

**Andrés Conesa Labastida**

*Chief Executive Officer, Aerovías de México, S.A. de C.V.*

**Woo Kee-Hong**

*Executive Director & President, Korean Air Lines Co., Ltd.*

**Allison C. Ausband**

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

**Ranjan Goswami**

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

**Dwight Lamar James**

*Senior Vice President-Customer Engagement & Loyalty, Delta Air Lines, Inc.*

**Ryan Smith**

*Founder, Executive Chair & Director, Qualtrics LLC*

**Daniel C. Janki**

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

## OTHER PARTICIPANTS

**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

**Scott H. Group**

*Analyst, Wolfe Research LLC*

**Helene Becker**

*Analyst, TD Cowen*

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

**Conor Cunningham**

*Analyst, Melius Research LLC*

**Brandon R. Oglenski**

*Analyst, Barclays Capital, Inc.*

**David Vernon**

*Analyst, Sanford C. Bernstein & Co. LLC*

**Andrew G. Didora**

*Analyst, BofA Securities, Inc.*

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

**Duane Pfennigwerth**

*Analyst, Evercore ISI*

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

**Daniel McKenzie**

*Analyst, Seaport Global Securities LLC*

**Will Mastoris**

*Analyst, Robert W. Baird & Co., Inc.*

**Christopher Stathoulopoulos**

*Analyst, Susquehanna Financial Group LLLP*

## MANAGEMENT DISCUSSION SECTION

### Julie Stewart

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

Good morning and welcome to Delta's 2023 Investor Day. The theme today is Beyond, and Ed will talk more about what we mean by that shortly.

To those in the room, it's great to have you back in Atlanta here under the Spirit of Delta in the historic Delta Flight Museum. Today we'll spend time talking about our long-term strategy and why we're excited for the future of Delta. You have a card in front of you with an agenda on the back and a QR code that links to the presentation that we filed this morning and you can refer to page 60 for a summary of our financial guidance.

As a reminder, today's presentations contain forward-looking statements that represent our expectations about future events. Forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from the forward-looking statements. Factors that may cause differences are outlined in our SEC filings. Today, we'll also talk to non-GAAP financial measures. A reconciliation of those measures are available in the appendix of today's deck, which can also be found on [ir.delta.com](http://ir.delta.com).

We have a great lineup today, and thank you to my team and to the events team for all of the hard work that went into this event. Ed will start off the presentation today talking about the industry backdrop, our long-term strategic priorities, the strength of our brand and our digital transformation. Glen will provide an update on the current demand environment and outline our commercial strategy. And then we'll invite three of our international JV partners to the stage for a discussion with Peter Carter and Ed about our opportunity ahead internationally.

We'll have our first Q&A session with Ed and Glen, and then we'll have a short break. And following the break, we'll spend time on our customer experience and loyalty strategy with Allison Ausband, Ranjan Goswami and Dwight James. Then the Co-Founder of Qualtrics, Ryan Smith, will join Ed on stage for a discussion around our brand. And then our CFO, Dan Janki, will spend time outlining our financial priorities and discuss our MRO opportunity, which we spent quite a bit of time on yesterday. We'll wrap up with a Q&A session, and then we'll have lunch over in Hangar 1, with transportation to the airport. Thank you again for joining us and please welcome Ed Bastian to the stage.

---

### Edward Herman Bastian

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

Well, good morning. Good to see you all. Thank you for those of you that were with us yesterday. Hopefully, you had a good opportunity to see another view of Delta into the future, and we'll be supplementing that today or augmenting, as Gred Reed likes to say, into our future strategies for growth.

Delta Beyond is our theme and that's the theme of today, and what that means is Delta beyond the pandemic. The pandemic has clearly been the defining period for all of us, for our industry, certainly for our company, probably for us all as professionals. I know personally I'll never go through a period of time because if there's a worst one coming, I'm not doing it, okay? Just putting it on record there. But there's so much that we've learned from it. There's so much that we've grown from it. We're coming through this better for the experience as horrible as it was, and that's what Delta Beyond is about. We're done with talking about comps to 2019. Who wants to go

back to 2019, right? Can we declare 2019 done, right, and into the future? So, that's what Delta Beyond is and that's what you're going to be hearing from us today.

But it's also not going to be a straight financial presentation, and I know that the last couple of investor events we've done, we focused more on the financial side of the business, because we were still in the midst of the pandemic, we still needed to build the confidence and walk each other through how we were going to get ourselves through it. This is going to be very much focused towards the future, in terms of the initiatives, the activities, the strategies that are going to ensure that the numbers and the growth for Delta Beyond are far in excess of anything that we've ventured previously.

We'll give, Dan, we'll give – we'll talk a little bit about the financial update. We've got some guidance that we issued this morning, but it's going to be very much focused on the future, and hopefully, you'll enjoy that at break. Our future is great, I'd tell you. I could not be more excited or enthused about where we are. The company is continuing to do remarkably well. Our industry, despite all the challenges, is doing remarkably well. And I think not just for Delta I think our industry is in for a very, very good run, and I look forward to sharing you reasons for my confidence.

So we always like to give you the cliff notes at the front. So if you take a nap during the middle here, you know what the takeaways are and we're going to close with the same slide, the same cliff notes. But these are the four themes we're going to be providing you first today.

All of this, all of this is driven by our people. We are a people-driven organization, a people-driven culture. We're a people-first business. It drives everything that we do. It's so appropriate that we're back here in the museum under the wing of the Spirit of Delta providing this presentation, because while a lot has changed over the course of the last few years, this is one that will never change. It will never change. This is the DNA of the company.

And, yes, we have a lot of new people and you'll see and you'll meet a few of our new leaders over the course of yesterday and today. But we are strong 30,000 new employees here, brought into the culture, they're developing their wings, their experience is building, the confidence is growing, the performance continues to improve. Culture first, people first is what separates Delta, what always separate Delta. And that's why the strategies of the business, you just can't take the strategy and impart it on another company. You have to have the people that execute and bring it to life and no one does that better than the people of Delta Air Lines, truly.

Secondly, the backdrop that we're in is as constructive as any I've seen in my 25 years in this business. And it's not just the constraints. I know everyone talks about the constraints. And yes, we'll talk about the supply constraints and they are real. But the demand tailwinds are also real and they're also substantial. And I'll give you some hopefully additional data points to that end that you have not seen in the past to let you know why we believe this is a multi-year return. Not just return, but growth into the future.

We're going to be building on the unique opportunities that we have to grow earnings. You've heard us talk forever about wanting our brand to continue to ascend the industry. We are ascending the industry. We are no longer a transportation company per se. We – yes, transportation is what we do, but we're an experience company. People come to us because of the experience they get on Delta as compared to others. And it's that differentiation, that distinction is what the definition of being a loved brand is. That people have a relationship. They have an irrational commitment towards. They'll invest a premium with and they spend their loyalty on Delta. And we continue to grow that through the competitive advantages that we have or we'll share as well as the digital transformation which we'll spend some time talking about today.

And finally, we're returns focused. We understand the volatility of this industry. We've been here before. We can do it again. We're very focused on getting the debt paid down. We were pleased that we could get through the pandemic without having to dilute our shareholders. One of the only airlines certainly in our country at least that did not take any equity in or issue any equity. So as a result of that, we have a little bit more debt than maybe the others took in. But we are very, very focused on getting that debt paid down.

We're putting out a new guidepost to generate \$10 billion of additional free cash flow between now and the end of 2025. So we've already been paying down debt. And our net debt stands at somewhere around \$19 billion to \$20 billion, if I'm not mistaken. Dan, I'm looking for a nod there? Yeah.

We'll be back by the end of 2025 to the level of debt on a much larger company, by the way, than we were pre-pandemic. And as I said yesterday at the meeting, I would anticipate we're going to continue to drive that debt down as reflection of where we've been. But the emphasis is also on durability, the durability of the earnings stream, and the capital efficiency in which we deploy the cash that we're generating. So, these are the themes that we'll be running through over the course of today.

As I mentioned, the constructive industry backdrop is unlike anything that any of us have ever seen. And this slide shows that chart of the missing demand. We've put a price tag of \$300 billion, if you were to just do the simple math between the size of the economy during the pandemic and the amount of travel that was actually able to be spent, that gap is \$300 billion. It's interesting to me, we're only back this year to 1.3% in 2023. So, while everyone's talking about this huge surge of pent-up demand, revenge travel, and call it what you may, we haven't even made a dent in that \$300 billion yet. So, when you think about it, what the optics of revenge travel and the demand, and certainly it's more than optics, it's real and the pricing that comes aside it, I think that's more a function of the fact that we have so much demand aligned with a higher economy where we're at today, but the supply constraints that we're stretching ourselves to even meet that, and that carries an incremental amount of view there, but travel is going gangbusters.

Travel is going gangbusters, but it's going to continue go gangbusters because we still have an enormous amount of demand waiting. Employment remains strong. Everyone's worried about the consumer. I get it. They should worry about the consumer maybe in certain sectors, but not in this sector. Employment is strong, wages are up, and the evolving consumer trends continue to benefit mobility. We talk a lot about hybrid and the opportunities to take your work wherever you go and the opportunities to explore, these things are on top of anything that we see in that \$300 billion missing demand chart on an historical basis that consumers continue to want to travel.

And this is another slide that shows evidence of that. We talked back in December of 2021 when we put together our three-year plan in the midst of COVID, just as Omicron was coming on the scene, that this was going to be a big theme of the recovery of our business, that share of shift between goods back to services, and you can see what that looks like. The dark blue line is service spent in the economy relative to personal consumption, and the light blue line is the goods investment in personal consumption expenditures.

And you can see that over time, this was gapping out. So, we were – and this is a decades-long phenomenon that the service economy was growing faster than the goods economy was and it was growing and growing and growing until COVID hit. And then people couldn't deploy services the way they were accustomed to and you see that big break. And then you see the trend line coming back. We're still not back anywhere close to the trend line that we were on based on historical analysis and using – this is all using government data. And when you think about where the consumer wants to spend their time, you see why you're going to continue to see the shift from goods into services is going to fund on top of additional wealth that consumers have accumulated during the

pandemic, that investment. So, my sense is we're only in the mid innings of this shift between service spending – or back to service spending from goods. And we have multi-years yet to go before that normalizes.

And then on top of that, the health of the consumer, our consumer is quite strong. 75% of the revenue in our industry is generated from households that have a household income of \$100,000 or more, which is the top 40% of consumers in our country. 40% of the consumers in our country generate 75% of the industry's revenue. And I would argue, since Delta is a premium brand, that we get an even higher percent of the revenue coming from the consumers, the higher income consumers.

Look at what the premium consumers have accumulated over these last four years. It's grown, the household wealth has grown \$27 trillion since 2019, \$27 trillion. Again, this is all government data, and we'll be happy later on to take any information. If you guys want to go back and research this for yourself. And some of the stuff, I've not seen before and credit to Julie and Aram and the team for pulling some of the stuff together. This is also explaining that current surge in travel. And when we talk to these high income consumers, their number one big ticket purchase priority is premium travel, more so than house, more so than car, more so than boat, more so than electronics, they want to go and travel, and they want to travel in a premium manner. \$27 trillion of household wealth has been accumulated since the pandemic.

So, when we think about is the consumer in good shape? Yeah, our consumer is in very good shape. In addition to that, we also have talked about excess savings. There was a number the banks have been using of \$2 trillion to \$3 trillion of excess savings collectively in the economy that was accumulated during the pandemic. That excess savings number is still well over \$1 billion. So all consumers have incremental wealth. But the households that we particularly do business with, the premium households, have the means and are interested in travel.

And then, you flip that against the supply constraints. Again, this is another chart that we shared in December at our Investor Day. And this is a chart that projects what their pre-pandemic estimates, for what supply was expected, what supply was being built towards, and what the actual supply that's in the market. And we project by the end of this year, there will be a 17 point gap between what people were thinking supply was going to be. Along the lines, I previously showed you in terms of the growing economy versus what the supply that can really be created. And by the way, I think that 103% is still optimistic. I described at the end of last year, the supply analogies and estimates that were out there as aspirational. If everything were in right and sure enough, you're not hearing about airlines growing capacity, you just continue to hear airlines cut capacity because then we all have to focus on reliability and providing a great product, and the constraints in the marketplace. So, I think you're going to continue to see close to a 20-point gap between what the economy could sustain and what the supply is in place, and that marketplace is not changing overnight. Everyone knows the challenges we're having in the OEMs, whether it's getting planes, getting engines, getting parts.

And by the way, Delta, we're experiencing it, maybe not to the extent of some others, but we're experiencing it ourselves. The labor market is tight. It's not a problem necessarily to hire employees, but it is a problem to keep them, to train them, to get them embedded with the experience. And this is a multiyear journey in terms of building our way back. And you couple all that with the industry cost convergence that is happening real time and you're seeing it, and at Delta, we're fortunate that we've got all of our employees at top of the scale wages and we are there, and everyone's now trying to race hard to catch Delta. The new Delta rates, whether it's for pilots or flight attendants or others, we're in place, and we're managing it, and we're fully, fully up, and the numbers you'll see today are fully anticipated – have all the wage growth and escalation that you could expect. Others are trying to catch us, which means for Delta, there's going to be also pricing that's going to continue to be able to be available to us.

So, when you think about that construct, the strength of the consumer, particularly our consumer, coupled with the supply constraints, that's why I believe this is a multiyear recovery that we're in. It's not going to be done by this summer. It's not going to be done next year. I think this is a multiyear phenomenon that we're seeing.

And that's one of the reasons why we are able to update the guidance that we had today with, this is our full year guide coming to the top-end both on EPS as well as operating margin. We also updated our Q2 guide. Dan will cover that in a little bit when he speaks. We have increased the free cash flow generation for the business for this year, raising it to \$3 billion for this year. And our ROIC, we talked originally at the start of the year getting into low-double digits. So I think we'll probably end up mid-double digits or mid-teens here before long. We're greater than 13%. We'll probably be in that 14% range somewhere there and moving quickly into the mid-teens range.

And when you think about 2024, these were the guideposts that we put out in December of 2021. And people were a bit surprised that we were willing to put three-year guideposts out in the midst of a pandemic when Omicron was just coming on the scene. And I realized that there was a lot of boldness in making those estimates. But I'm also proud of the team for delivering, because we needed to put some guideposts to let people know where we were headed and get our team to rally around. And we're doing just that. So we're not going to update the targets for 2024 at this meeting. As I said, this is not a financial meeting. There'll be opportunities to do that. But right now, sure enough, we're confident that we're going to hit these targets next year.

So, a question now moving into strategy, a question that everyone has is how do you get through this pandemic in a condition that you're more durable, you're more sustainable, you're more resilient, and structurally different than the past? What have you learned about yourself as you go through it? Because at Delta, our commitment is getting through these cycles profitably. We don't want our investors to have to ride on the roller coaster. And we know our industry will always have a cyclical nature to it. But the more and more which we can build durability and sustainability, resiliency into how we approach our business, the better off we're going to be.

And you look at time over – we're using various measurements over the course of today. We're using 2014 measurements. We kind of go back to 2009, the last really big crisis that we had, which, by the way, in 2009 coming through the recession, Delta would have been profitable in 2009 had we not hedged fuel. The losses of the company were entirely driven by massive fuel losses as fuel fell from \$100, down to \$30 and we lost billions of dollars. Exclude the fuel hedging loss, Delta on a cash basis and on a profit basis was profitable in that timeframe. And we are such a better company than we were in 2009.

We've got more diversified earnings, a higher margin earnings. Our American Express relationship continues to grow multiples above where we were before. Our brand, back in 2009, 2010, 2011, and 2012, we weren't talking about brand, we were just trying to get to one brand, it was, remember, get through the Northwest merger, and Delta just getting to one, defining where we are, our hub positions. We are now the number one revenue producer in Boston. We're now the number one revenue producer in LA. We're the number one revenue producer in New York. We're a number two producer in Seattle, but coming on fast as – because supplementing that core hub structure we have in the mid-continent of the country.

Our international partnerships, thank you, Andrés and Roberto and Kee-Hong for being here today. These were partnerships we didn't have in 2009. These were ATI relationships we didn't have. We were, in fact, I don't even know – I think we had one flight to Asia at that point before the Northwest merger. And you think about how different a company, you think about the learnings about flexibility, one of the historic learnings to me is how quickly we can move when we need to move to get cost out. This industry, one of the challenges has always been it's a fixed cost, high-fixed cost business, high cost of capital business. It takes a long time to be able to adapt to changing market conditions. That wasn't true during the pandemic. We took out over 50% of our cash cost within

3 months of the pandemic hitting and kept them out for up to 18 months thereafter. That required skill. That required a great amount of work with your people. We had half our company out on unpaid leaves of absence and tremendous amount of work we're doing to save. I mean, new skills, new learnings that we'll take and supplement to create more productivity and flexibility and agility going forward.

And we don't participate anymore in fuel hedging. Thank God. And we're not going to. Some people ask me to, I'm not doing it. And the cash flow and the debt reduction will continue to be prioritized. We prioritized it 10 years ago, and we're even deeper in that conviction that that has to be the priority for our capital, was to go to paying down debt.

I mentioned last night some numbers about where the stock was back in 2009, and I was actually off a little bit. In 2009, our stock price was \$6 a share, \$6 a share. We got it up to \$60 by 2019. That's a tenfold increase in performance over the last decade. Now, the pandemic came. It happened, okay? I had no control. Sorry. Can't blame the pandemic on us. But when you think about our ability to get back even faster, even stronger than where we did back then with the tools we have now and the energy and the focus on brand, I think you're going to see this opportunity grow coupled with obviously to continue to pay down our debt and getting that investment grade rating back.

These are competitive advantages. I use this every slide I do wherever I go. I've shown you guys this at least five or six different times. These are durable. This is what Delta's founded on. The very best people with the very best culture, as I said earlier, never change. That culture of excellence and operational performance, a great global network supplemented by some of the very best airlines in the world, a brand that's ascending the industry itself, becoming a great consumer brand and the loyalty that's attached to it, and that focus on financial returns and being a returns-oriented business, not a growth-oriented business. Yes, we are growing, but we're growing our returns first. And these are not changing.

So, as we look at the priorities going forward to Delta Beyond, these are what I would consider to be the strategy. This is the one-pager that you should walk away with as you leave this meeting. First, we need to run the world's best airline. We've said it in the past. We've done in the past. We are running the world's best airline today, but it's still not running as optimally as it needs to run. And we have improvements that we can make, substantial improvements over where we were compared to last summer. The Memorial Day Weekend, by the way, it's not just Delta, it's the industry. And we all need to make sure we all operate a great industry for our customers. At Delta, last Memorial Day weekend, we had 800 cancellations, 800. This past Memorial Day Weekend, we had 8, okay? So we're on the right path, okay? We've had storms. Some of you were affected coming out of the northeast over the course of the last week. The last 10 days have been pretty sloppy. We haven't figured out weather yet we're going to continue to build that durability around weather. But we are on a great path and hopefully you got a good chance to see Ryan in action.

Mike Spanos, where are you? I want to introduce our – stand up. I want to introduce our new Chief Operating Officer, joined us. Thank you, Mike, for coming and adding to the team and will bring great energy around that operational performance. This is the baseline. This is the foundation of everything that we do. We run the very best airline. [indiscernible] (00:25:30) if you're not running the very best airline, it really doesn't matter what your digital strategy is. It really doesn't matter what your brand strategy is. It really doesn't matter what your loyalty engagement is. If you don't have a product consumers love and want to buy, it just doesn't matter. And that's the strategy that we've been on, that we're staying on, and where we're we can continue to focus on.

Second, the brand. We've got a great brand, and we've been talking about the ascension of our brand, and that brand continues to ascend. And I'll show you some charts here that you may be surprised to see where our brand

ranks. We're partnering strategically. We have great partners that have joined us for this journey. Of course, American Express is number one. But whether it's Starbucks, whether it's Paramount, whether it's T-Mobile, the travel adjacencies Dwight's going to talk about, people want to be with a brand that's making things happen, growing our ecosystem collectively. And of course, the brand is also helping us build the leading MRO, which many of you got a chance to see and go over to tech ops yesterday. I mean, I go to airlines, and say, why would you not want Delta taking care of your engines and your airplanes? We are the leading airline in the world in terms of reliability. It's not a hard sell, okay, and they want to come in, and we have to figure out how to make that profitable for them and profitable for us, and we're building that.

Is Alicia here today? Alicia Tillman. There you are, Alicia, stand up. And we have our new Chief Marketing Officer who also joined us a couple of weeks ago, joined us from the financial services industry. She was a former CMO at SAP and prior to that at American Express. So she understands the travel space as well as the tech space. Alicia, great to have you on the team. She's going to be working with Tim and continuing to take this brand forward.

Third, digital, is a strategy, I'm starting to run low on time, I'll talk about digital. I'll have a couple of slides on that. And finally, creating wealth for our shareholders, delivering long-term wealth that you could count on, improving the durability focused on cash flow. And again, we did not dilute our shareholders during the pandemic.

When people ask me the transcension of the brand, Delta's brand, the ascent of the industry, what does that mean? How do you measure? Let me give you some stats in terms of the power because what it means is our brand is relevant. Our brand relevant to consumers, not just in the travel space, our brand is relevant. Do you realize Delta is the number five US e-commerce retailer in our country? Look at this slide. It's a pretty impressive group. You got Amazon, of course. You got Walmart, eBay, Apple, and then you got Delta. Number five e-commerce retailer in our country. Fortune just came out this most recent period with their most admired companies list. Delta was number 12th. 12th most admired company in the world. Still coming through a pandemic. That's brand and that's power and the power of the people and the power of performance, right? Because as people, how external people view Delta.

The one I'm still fascinated by is that our Cobrand spend on the American Express card is approaching 1% of total US GDP goes on the Delta American Express credit card. Some of you are big spenders out there. But unfortunately you're using the Amex card to conduct that spend and we get value from each dollar that's created there. Almost 1% of US GDP is going on our card. I mean, these are like crazy big numbers when you think about it in terms of what we can do to unlock additional value and the trajectory we're going on. And at the bottom, we've got this new ranking that just came out from Fortune, in the last few years, return on leadership where we were number 19 in the Fortune 100 in terms of total return on leadership, which is a survey that Fortune's doing and a focus that ranks companies really on change and momentum and growth and having a vision for the future. Delta was named number one by Fortune for strategic clarity within number 19 ranking. And number two on overall leadership alignment. If anything you need coming through a pandemic is you need to be aligned, you need to have a clear goal as to where you're going.

Delta is the top company in the US measured by Fortune on those rankings. I'm pretty proud of that. And I'm pretty proud of our team for developing that. That's what a brand does and this gives us an opportunity to continue to take this and grow and elevate. And you'll hear us talk about that over the course of today.

And this is one of the reasons why customers continue to drive to Delta. This is the growth in SkyMile acquisitions on a monthly basis since 2014 to now. And you see how certainly in the last four years people have flocked to Delta consumers. And Fast Free Wi-Fi is certainly one of those things that's driving it. We have almost 1 million

people that have signed up just since our soft launch in November, on the plane, customers we already had that wanted to be members of our program just to get the free Wi-Fi. And that number grows every single day and we don't even have it on international and some of our smaller planes yet.

And I think that understates the Wi-Fi impact, because I think a lot of people are signing up to be members before they fly to us to make sure they get the free Wi-Fi. It's powerful. But it's the overall strength of the brand. It's our Net Promoter Scores, our Customer Satisfaction Scores amongst our SkyMiles members has increased 15 points since 2014. These are big movements. If you move NPS one or two points a year, it's seen as statistically important, 15 points since 2014. Our direct distribution going directly on the app or directly to dot-com is up 50%. 60% of our sales are now made through direct. It's a 50% increase. And again, that was early focus on personalization, getting out of the commodity space and creating a direct relationship with your customer. And you see what's happened with the American Express remuneration, \$5 billion of growth just from 2014 to where we are today. And this is a relationship that goes back 30 years, but just look what's happened in these last 10 years. This is what the brand creates in terms of value for customers moving forward.

Digital, I think we have so many opportunities. I know everyone in the tech space wants us to talk about AI and all the ways it's going to change the game, and it will. There's no question about that. I mentioned last night at the event I was speaking at where our philosophy is go slow to go fast. So we're learning about it. But digital to me, if I could stand back, first of all, by the way, we've been after AI for an extended period of time. And you think about the revenue management systems and the technology that Glen and his team drive, the optimization schedules and applications and technologies that Ryan Gumm and the OCC use, we're a pretty powerful data analytics company. The technology is going to help us move faster and quicker, and enhance the overall performance, allowing our employees better information to drive operational performance.

You think about it, we have 1,000 planes, 5,000 times in a day in the sky in ultra-weather conditions with changing fuel prices, with thousands of pilots and flight attendants and mechanics scattered all over the world. We are one big Rubik's Cube when you think about from an optimization opportunity, right? And we're always tweaking it. We're always looking to get better. And we do it better than the rest many times, but we have so many things that we can improve. And the thing that's driving the improvement, I think the greatest is going to be digital being able to be better connected, more efficient in terms of usage. And that's why moving to the cloud during the pandemic is a big factor in that. Elevating the servicing and the experience, how many times do you as a customer, you're on Delta, you have information that our gate agent doesn't have? Our flight attendants don't have what's going on in the flight? I mean, how dysfunctional is that? When the flight attendants have to learn from the customers because they have better information on the app than they do have in the operating systems in terms of updates. Be able to get better information consistent, one source of truth, we've talked about that, from reservations all the way through the airport experience. Better engagement and better loyalty. The free Wi-Fi is doing that. The free opportunities to bring new partners in and new engagement, and be able to have brands that they love and appreciate brought together, leading to world-class retailing and market.

We've never talked about being a world-class retailer. We're already fifth largest e-commerce retailer. But we've never really talked about how important merchandising and retailing and the technology is. You step back from that. I think we all can say there's massive opportunity here for us, particularly at the scale we operate. This year we'll be over a \$50 billion company, to grow NPS, to improve our accretive margins. Our long-term efficiency gains, we've estimated at least \$1 billion, all of which drives to increase return on capital.

But the thing that gets me most excited in this space is you think about our overall company, the size of our company, we've got a \$40 billion installed invested capital base. \$40 billion that you trust with us to go out and operate with. That's the net capital deployed in this business.

If we can improve the performance of that 2%, 3%, 4%, I think we can go double-digits candidly over time. But just to get to anywhere from 3% to 5% over the next several years, that's billions of dollars a year of profit and cash flow. That's durable. And by the way, growth, yeah, we're always going to be looking to grow and we'll do the traditional growth thing and we'll buy planes. But we're going to buy planes more around efficiency than growth for growth's sake, because this is where the growth of the business need to come, the growth of the margins needs to come through digital, and we're all in on that, and we've got a big investment, and we're going to be talking about in aspect of that with Ryan Smith on the experience side coming up here in a couple of hours. I think you'll enjoy that conversation.

And we're already doing it. This is not a new revelation. We're already large way through the cloud migration. By the end of next year, we'll have our key apps in the cloud, which will allow for them to be increasingly resilient and agile and fast and cheaper in terms of making change. You've already heard us talk about Fast Free Wi-Fi, the billions of dollars that we spent over time was a 5-year journey to get here.

Self-service, do you realize that our customers have 3x the amount of self-service capability they had just in 2019. This is all stuff we created during the pandemic. So, 85% of the transactions. The biggest complaint we hear from customers many times is why can't I do this on the app? They want to do it and we want them to do it on the app, right? That's where we continue to go. And as I mentioned, the merchandising and the retailing and Eric Phillips is leading our digital strategy. And many of you know Eric kind of lead a lot of what we – the strategies we have around retailing and growth in terms of revenue management techniques and product and service. So I know we've got the right guy leading the e-commerce charge from a business standpoint. So, this to me, digital, is – it's not tomorrow, but it's going to continue to escalate and accelerate, and then when AI does kick in over the next several years, watch out.

And finally, prioritizing free cash flow generation. This is going to be the number one driver for us with relative to capital allocation. We have to get the debt pay down. We got to get our balance sheet not only back to where we were in 2019. We go to do beyond where we were in 2019. And we're going to be doing just that.

We're putting a marker out there to generate \$10 billion of free cash – over \$10 billion, actually free cash between now and 2025. That's a pretty significant and heady move, and I'm confident that we'll get there. I'm so confident that myself as well as our executive leadership team has put a high amount of our own personal compensation at risk in hitting that. This is the number one driver, you should all be happy to know, of our compensation, our executive compensation for the same three years in terms of the increased weighting.

And then when you couple that with the improved control you have over your business as you reduce debt, the improved performance Dan will talk about as we are bending that cost curve, that cost trajectory and getting our unit cost down next year for the first time in a very long time, and how good that is as you're going into potentially a weaker economic outlook, I don't think we'll be, but the world thinks so. So it's good to have your costs coming down. You get your debt coming down and be very disciplined as to how we invest. Yes, we'll be investing in aircraft, we'll be investing in airports, we'll be investing in technology. But I think the growth of that investment, the margin accretive growth, and that's going to be greater than what we've done in the past. And it's one of the reasons why, is because of the focus on free cash.

So, thank you for that. As you can tell, we are – I am personally excited. I know our team is very excited about the journey we're on. It's great to be talking about the future rather than getting back to the past. And I think you're going to have a really, really good day and a good opportunity to engage, to ask, to poke. And we're interested in your feedback. Of course, we're interested in your questions and your thoughts on our Delta Beyond strategy.

So, thank you. And with that, I'll bring my good friend Glen up.

## Glen William Hauenstein

*President, Delta Air Lines, Inc.*

Ed is always giving me a hard time about going over, so I won't call out that we are a little bit behind right now, but I'll try and I'll catch up. Before I started talking a little bit more about our long-term vision on revenue and our commercial strategy, just a few minutes here about where we sit today and how excited we are about what we're seeing in the marketplace. So today, we raised our guidance. We had been 15% to 17%. We are raising that guidance on revenue for the quarter to 17% to 18%. And we are raising our full-year guidance above to the top end of 17% to 20%, which would have an implied TRASM for this quarter at zero to plus 1% and an implied TRASM for the year at zero to plus 3%.

So I think what you're seeing, if you think about it, is a really, really exciting revenue environment. And I'd like to break that down into where we sat a year ago, and say, okay, if you knew the following pieces of the equation, what would you guess? And if you said fuel was down significantly and you said you're adding 17% capacity, and you were primarily adding long haul international and your cargo revenues were going to be below where they were last year, do you think your TRASM would be flat, up or down? And I think if you looked at that equation and you put it in your blender, the blender would say, wow, this is really going to be, you know, your margins may be okay, but your unit revenues are going to be down. And indeed, for the quarter, we are expecting them to be up.

And I think that's a real testament to the strength of the brand, the strength of all the work that went into getting us here. And as Ed said, we're not talking about today where we sit. We're talking about beyond. And why I'm so excited to sit here today and talk about that is – I should have clicked it, is that we think it's also a great setup for 2024. If you think about it, while we're sitting here today, I would think the big lift would have been last year to this year, given that we had to get most of the capacity, we had to stand up the international. And what are we looking at as we look at the back half of this year? We're looking at very, very positive trade-offs between revenue and fuel for the back half of the year. And then as we get towards the end and to the beginning of next year, we get something that we haven't had since the pandemic started. And that is a good baseline of demand to plan over.

So if you think about back two years ago, we had Omicron, of course, which ruined our first quarter. You couldn't tell what the demand was going to be looking back. This first quarter was really a, first, stability that we can now look back and base our decisions on where we're going to place capacity and how we're going to approach the market.

So thinking about going from a 17% growth this year and that 17% growth in the back half is about 2 to 3 points below where we thought we'd be again to those constraints that Ed was talking about earlier, we are investing in the back half of the year more into operational reliability because we're not quite where we want to be yet, as well as some aircraft delays that are causing a slightly lower production level. But then as you sit into 2024, our growth rates go from the 17% or just under 20% that we've been at for two years in a row, and we're looking at mid-single digits for next year.

So we get this huge shift down in that growth of – and we're calling the end of 2023, the end of the restoration process. By the time we get to the end of 2023 on an ASM level, we will be returned. We will actually be slightly higher in terms of ASM capacity than 4Q of 2019.

Interestingly though, what we haven't restored yet and we'll be working on in 2024 is our seats.

And I always tell people that we don't sell an ASM, we sell a seat. And so, our stage length is significantly longer in this year than it was in 2019. And we still had significant constraints, particularly on the regionals. The regionals we're not expecting to get fully restored until probably sometime in 2025. So, 2024 could be the beginning of the rebuild of the regionals. But if you look at what we're offering in market, what we will be offering in 2024, we'll actually have slightly less seats in market than we did in 2019. Now that's really important since we sell seats. And if you look at real GDP, it's up about 7%. And so, with that correlation of GDP to 1.3% of capacity and 7% higher real GDP in 2024 and with lower seats, we think this is a fabulous set up for us as we head out the back end of 2023 and into the beginning part of 2024.

So, what we have on the plate, we have real true optimization, not only optimization on where people want to fly, which is very different than it was pre-pandemic, when they want to buy, and that's also very different in terms of the booking curves, but now we have a full year of booking curve, the new normal behind us, and we'll use that to determine where we go in 2024.

And the last but not least thing I'll mention, and we're not really counting on this, but all of our corporate surveys say that corporates are planning on travelling more in the back half of 2023 and into 2024. Indeed, the last survey that came out, which was Morgan Stanley, I believe, had 9% for the back half of this year and 8.5% in 2024. I'm telling you, that's not in our plan. We're just assuming stable corporate environment. So that would be an upside to our plan as we close out 2023 and head into 2024. We'll be doing our own corporate survey here in the next weeks and we'll have more information on that as we get to earnings, I think is the 13th of July. So more to come on that.

What gets us excited in a little more detail of what Ed was talking about are the structural demand changes. I want to ask everybody, I happen to be a baby boomer, I was born in 1960, how many of you here are baby boomers? Raise your hands. Okay. Every year there's a few less of us. And that's kind of the point. We are midpoint. We are midpoint in our retirement. Thank you for the applause. We are the richest generation in the history of America with \$18 trillion of savings. And when you just think about that market segment, and that market segment coming to retirement and what do they want to do with their free time? And they want to do things and they want to travel and they want to see things. And they don't want to go camping in Uganda. We'll get to the Millennials in a little bit. They want to generally go to the Four Seasons in Paris and they want to fly on premium tickets and they want to really have a great experience. We worked very long and very hard, and as we get to retirement, this is our time. And if you look at all the surveys that we have plenty of money and we're going to do a lot of things. And I think that's a really exciting backdrop for us to think about in terms of what I'll call the more senior group of people.

But the demographics are clearly shifting, and I think this is where I'm truly excited about Delta. If you think about the problem, Cadillac, I was reading some business case on this. The average age of a Cadillac purchaser was in the mid- to late-60s. And General Motors finally woke up and said what's the real problem with this is they're only going to buy one or two more cars. And so, you have to attract a younger demographic. And I think Cadillac's done a fabulous job in repositioning their brand as much more cool and much more relevant to a younger generation. As have we at Delta, I think many years back we had kind of stogy, old line view of what Delta brand was, and we really worked very hard to make it more attractive to the millennials and Gen Zs, because we know that is the future, and we know that attracting those at a higher rate is going to be – if we can get them young and we can keep them engaged with the brand, their lifetime value is going to be huge.

And so we've been doing a lot of work to try and get the Gen Z and millennials in because there's a lot of interesting things. These guys love experiences. They love travel. They love services. And they have more time.

They're working less hours in the office and they're having more time to do what they want, where they want. And so that's a really exciting thing.

And I'm just going to bring this – your attention to the bottom part of the slide here because I think this is really interesting because we know you because you travel for business, but we also know you when you're not traveling for business because you don't have the corporate designator on. So those people who we've designated as working for corporations, 50% more travel for personal for them, 50% more. And you think about, well, how are you doing this? How are you going to produce really fantastic results when your corporates which have really been your bread and butter pre-pandemic aren't fully restored yet, and we have no intention of thinking they're going to be fully restored by 2024, it's going to be beyond that, we believe? Well, it's that people love travel and they have more time to do it. And the same people, these wealthy people who travel for business, now that they have more time are traveling 50% more on us. And that's an astounding statistic and I think one that we'll be very pleased with as that continues to evolve.

And then just a little bit on our unit revenue increases over the last few years. If you look at our 2010 to 2017 and I'll call these the years we weren't really focused as much on products and services, we had a 2% CAGR. And then between 2017 and 2024 when we're really, really pressing on acquiring, I'll call, the premium experiences as well as the card acquisitions, as well as the other ancillaries like MRO and cargo, we're at a 3% CAGR. So, really you can see that step up, but not dramatic. And I think a lot of people think, oh, my gosh, you're at the high point and you're never going to be able to retain these revenues. And I think into this very differently. I think we are at the beginning of a cycle, and that this cycle is going to last quite a long time. And that the things that we're focusing on are going to drive a CAGR that is higher than it had been historically before we focused on products and experiences.

This is just an intro slide of what I'm going to talk about next, really three advantages that I think we have and we're going to capitalize on. First is our – accelerate our network advantages and I have a slide on this, so I'm not going to go into most of the detail on it. The fleet evolution, the airport evolution talk a little bit about that. And then lastly, finish up with expanding our high margin revenues. So, dig right into this to try and get us back on time here.

This is actually Ed's favorite slide. It's become my favorite slide since it's Ed favorite slide. And this is the evolution of our domestic route network. And if you think about it, post-merger with Northwest, we had Minneapolis, we had Detroit, we had Atlanta, we had Salt Lake, we also had Cincinnati, we also had Memphis, we had part of New York. We didn't have Boston, we didn't have Seattle, we didn't have LA. And we have changed our network more than any other airline in the United States over the last 15 years to get these positions. And the reason we wanted these positions is these are where 20% of the US GDP is and 30% of US airline travel sits in the coastal gateways that we didn't have back in 2009.

So, a really concentrated effort for us to use the strength of our brand to move into these high-growth, high-revenue environments and become the leading carrier in all of them. And I think during the pandemic, the two that weren't on this slide is the number one position were both Boston and LA, and I'll talk a little bit about LA first. LA, we have moved into the number one position. And if you think about the planning that went into this, this was an astounding, we were landlocked in Terminals 5 and 6. We had to move 23 airlines. We had to demolish an entire – move to the north side of the airport, demolish a terminal, rebuild it and now we are in the final stages of opening the reinvented Terminals 2 and 3 complex with unfettered access for our ability to grow there over time.

And people talking about constrained environments. We have invested \$13.5 billion mostly during the pandemic to ensure that we have generational builds at all of these core hubs and that we have room to grow and room to

increase Gauge and room to create high-margin accretive experiences in them. And I think that's underappreciated because that's in our 40-year base now. This is year one, if you will, all of the expenses of LaGuardia being in, all the expenses of LA being in, and we have 40 years. We didn't build LaGuardia for next year. We built it for the next 40 years, because that's how long it's going to last. And the first year is always the most expensive because the employment is a little less. So as you grow, and as we grow over time, we can bring the cost structure down.

Geographic locations of our core hubs, so great geographic location. If you look at the dispersion, we have an amazing dispersion that really covers the entire US. And I want to talk about just two things before I close off on this slide. One is our coastal gateways, not only are they number one but their returns are improving dramatically. So, coming out of the pandemic they were running 5 to 7 points behind the core hubs. This is most recent. We're seeing that close to 2 to 3 points behind the hubs. And they're growing all of them in double-digit returns year-over-year.

So, really exciting results coming out of the coastal gateways. And then the game for us between now and next year is really rebuilding the core. In order for us in the constrained environment to put those planes on the coastal gateways, we had to sacrifice something. So, we've sacrificed rebuilding our core with the intent of making sure we maintained our local market share. And I'll talk about who didn't get on the bus in a minute.

And so we paired down Atlanta, Detroit, Minne and Salt Lake at their expense to create this. And now that we are catching back up and in the final stages of the rebuild, we are focusing back on them. And next year we expect that on a normal week, we have about a pre-pandemic, in the summer we had about 1 million seats a week in Atlanta. We should be at 1 million to 1.1 million by next summer at peak. So, back up to where we need to be in terms of creating seats in the core hubs. That should be an easier thing for us because the pieces that we were missing were the high yield traffic out of our core city. So, if you think about a constrained environment where you don't have enough seats, you have to prioritize somebody. We prioritized the local Atlanta, Detroit, Minneapolis, because we didn't want to give away core hub share.

One of the attributes of Delta is we have 10 points more of core hubs here in the core than our competitors. And we kept that, retained it, actually grew it through the pandemic and now, as we add those seats and the gauge and the frequency back, we're looking for the high yield flow that comes out of the places that we've always been the largest carrier in the Charleston's, the Savannah's, the Louisville's, the New Orleans. So, very, very exciting about where we – where we have to go still in the rebuild as we close out 2023.

And last but not least, I'll just hit our low cost for enplanement. I talked about the generational builds, but even with that and with the room to grow over the next four years, we still had the lowest cost per enplanement – if you take all of our core cities and then compare it to our competitors, and theirs are going up. I think you know that Chicago has \$8 billion, I think authorization that would probably run over \$10 billion by the time they're done, and that's really going to change the profile for the Midwest, for example, in terms of – our relative CPE.

Reshaping the global network, you all were very patient with us. So I can't tell you how many times we got on the quarterly update calls and said, particularly in the Pacific, we're in the middle of a multiyear redistribution and reinvention of our Pacific. When you think about what we inherited from Northwest back in 2009, we had 747s that flew only to Narita, and we knew that was not sustainable. And we said, be patient, we're going to get there. And what I'm really excited to say is in the post-pandemic world, and thanks to our partners at Korean – thank you – we now have returns that are above our average returns this summer in the Pacific. That is the first time ever that we have posted returns in the Pacific that were above our average returns and we expect those to continue.

So, we said we had to get a new fleet and so our fleet is in the Pacific as all our new generation airplanes we said to – we had to reshape our partnerships. We got the ATI with Korean, and now we have the most efficient and best place to connect for the places we don't serve non-stop in Korea, and we're leveraging that. And so really, really great progress on our Pacific operation with lots of room to grow over the next years.

Latin America, what a game changer there. Thanks to both of our partners Aeroméxico and LATAM. We had a distant number three position pre-pandemic with our partners. And now we are a solid number one position. We've announced a lot of new service going into South Florida and into Atlanta for the winter season as well as New York. So we've got a great basis. We're starting from a point of strength now. And really, the returns in South America are some of the fastest improving returns in the entire network right now. So very excited about what we have with Aeroméxico and what we're building with LATAM.

And then, of course, our transatlantic, where we had the best – last year was a really challenging year for the transatlantic. We had Amsterdam, unfortunately, which has historically always been known as the place to connect in Europe because it was so efficient and so easy to connect there. Post-Pandemic, they went into an unfortunate meltdown, which caused a lot of consternation not only by our employees there, but by our customers fairly.

And I'm glad to report to you that they are back. Both Amsterdam and Paris are operating at record levels, record low misconnects, record low mishandled bags. So really, thanks to the team, the international team that really has driven a step change improvement year-over-year in terms of our European operating theater. And those, of course, have always been the most powerful hubs in Europe. So connecting to those is very important. So really great, great progress. But I know we'll talk a lot more about that in the upcoming – oh, wait one second, I wanted to go back, one. Hold on.

Last thing I wanted – I forgot to hit this on the slide – is two real big upsides in the medium and long run for our international franchise, which is having a fabulous year right now. But – when we started in 2019, we only had 12% of our capacity in next-gen equipment. I have a slide on this later. But not only does it provide better customer service, but it also provides a much lower unit cost. And those are going to be key drivers as we march to 100% of growing next-gen aircrafts sometime around 2030. We don't have that date finalized yet. But that's still to come. Next summer we should be about 40% complete on that journey. But we have a lot more upside on that.

And then increasing capacity into our partner hubs. Two ways to do this. One, we have more partners. So, we're going to have more hubs to connect to. And secondly, growing those conduits that are so successful and so durable. I think when we think about our commercial strategy, it's really about creating durable not this month, but really durable, sustainable improvements in our margins. And more and more connections to our customer – to our partner hubs are key to that strategy.

Fleet evolution. We're a long way along. We have a long way to go here. We retired what is it 200 airplanes during the pandemic and really got rid of – if you think – I used to think of our fleet as we had one of everything and we got rid of ones of a lot. So, I think we had 17 777s. We got rid of that small fleet. We have, of course, had already gotten rid of our small fleet of 747s. We got rid of the MD-80s, we got rid of the MD-90s. So, really a big clean up in terms of fleet efficiency, but still a lot to go here. Still we have too many types and too many sub fleets. So, we've got a great opportunity.

And I just want to point to this before we were retiring MD-80s for A321neos that was the last generation of replacements. This time now we're replacing 757 as they come to end of life with our A321neos. And just a few

stats here. Seat cost down 10%, premium seats up 13%, margin no magic there up 10 points to 12 points. Just every time we convert one. So, continuing to work on that as the [ph] 75s (01:01:01) continue to age out.

The other thing I think there isn't – didn't make the slide but I want to talk about is our carbon efficiency is just versus 2019, we are 6% lower fuel burn in our total fuel burn per ASM than we were in 2019. And of course, these take about a 20% every time we retire a 757 or replace it with A321neo. Our fuel burn per seat goes down about 20%. So, really good for the environment as well.

In our widebodies, we're starting to retire the 767-300s, by next summer we're down – I think our peak was in the mid-70s on this fleet which could be down into the mid-30s by the end of next summer and replacing those primarily with the A330-900neos, but also with the A350-900s. And again, seat costs down 7.5%. Premium seats up 49 seats, 49 more premium seats as we do that, every time we do that, and of course, our margin increasing by about 10 points. So, if you think about things that we have that are only in middle innings here. We have a lot of innings to go on this and a lot of continuous improvement to work on our fleet.

And then last but not least our growing demand for premium is – this is really durable. And I think one of the things that we were truly excited about and I think a lot of investors were apprehensive going into a pandemic, was, okay, well, this may have worked okay when corporates were traveling, but as you come back from a pandemic and you don't have the same mix of corporates on the airplane, how are you going to sell your premium products and seats?

And I think two things I will point back to, one is the 50% increase in people who travel for corporate, now traveling for other purposes. And guess what? Just like, I don't know about you, but I have a nice car. Going back to the car I had in college is not in my future. And I think I'm getting pickier as I get older in hotels in hotels once I get used to a nicer hotel, and I used to think Days Inn was nice, now I kind of have put that off of my selection list. And I think this is just human nature, you get used to better things and you don't go back.

And so, for purpose of travel business, you may have been introduced to these products. And guess what, when you're on your personal, you're finding ways to get in there. And so what we've seen quite surprisingly through the pandemic is the continuous lead of our premium products, increasing unit revenues faster than our coach products throughout the recovery from the pandemic. And so we are doubling down on that and continuing to increase the number of seats that we will be able to serve up in these categories over the next several years.

So premium revenues started in 2014 at \$10 billion. We're about \$15 billion now. And by 2023, our estimate is it will be at just under \$20 billion. So great continued progress and it shows no sign of abating I think for all those reasons we talked about earlier. An Instagram in the last row of coach, doesn't seem to make as much sense as an Instagram in first class. So everybody's aspirational goal is to get there.

Cobrand gaining momentum. Again on our premium spend, we had record acquisitions through the pandemic, which I think was another astounding act. The team did an amazing job. So – and if you think about accounts in force, we've never been higher. Attrition has been lower. Acquisitions have been at record levels. And spend, 60% more spend than we had in 2019 on the cobrand.

And I think, we see that the acceptance rates are going down as credit gets tightened in this part of the cycle, but that's not really slowing us down because we're focusing on things that we can control. And so to get that spend up, we're also working on upgrading people who have the card, getting the higher level cards. I had them change the slide from the gold card to the purple card here because that's really what we're doing. Not only do we have great acquisitions, it might not be a record year because of the lower credit acceptance rates, but it will be a

fantastic year. And we're seeing record levels of upgrades within our card portfolio. And Dwight is going to talk to this a little bit later, but I think they've done an amazing job there.

In the end, this is all about trying to create a more diverse revenue stream that it's not recession-proof. We know that we're still a cyclical business. But it's more recession-resistant. And I think that's really why we're looking at – growing the MRO. That's why we're looking at the cards. That's why we're looking at premium because we think that we can take some of that cycle out and dampen it a little bit.

And so, I think when you look at where we're sitting today, we're going to have a record profitable year, I mean, a record revenue year, \$54 billion. Our aspiration over the next several years is to get to be over \$60 billion. But if you look, it's a more diverse revenue stream. It's more dependent on premium cabins, it's more dependent on loyalty and other, and trying to make a much more durable Delta brand.

So with that, I'd like to thank you, all. And it's time to bring up our next panel, which – introduce Peter and Ed and Andrés and Roberto and Kee-Hong. If you would come up our international panel. Thank you.

---

## Unverified Participant

Please welcome to the stage our international JV partner panel.

---

### Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Thank you. We had a little staged change there, but great to see everybody. I'd like to start by welcoming Roberto Alvo, CEO of LATAM; Kee-Hong Woo, the President of Korean Air; and Andrés Conesa, the CEO of Aeroméxico.

It's truly extraordinary and very exciting to have LATAM, Aeroméxico, Korean Air and Delta together and stage together, and thank you all for coming because you've come from further than anyone else in this room, I'm confident of that and we greatly appreciate it.

Collectively, as we sit here, we represent the strongest, most successful, and most trusted airline brands on the planet. And I say that with a little bit of humility because it's a competitive world out there. We also – I would say are proud to have partnerships with really the flag carriers of the world. LATAM is the flag carrier of all of South America, Aeroméxico, the flag carrier of Mexico, and, of course, Korean, the flag carrier of Korea.

Partnerships like this, and you've heard a little bit about this already, really allow us to expand our global reach by connecting Delta's industry-leading domestic hubs with our partners' also industry-leading hubs. And that provides us access to markets that we wouldn't otherwise be able to serve as well on our own.

And what makes each of these partners unique is that each of the JVs has something that you've heard about antitrust immunity granted by the Department of Transportation, which allows us to schedule and price and coordinate our JV routes together, which of course, creates massive consumer benefits and also growth opportunities for Delta and its partners.

As a result, and you heard about this from Glen, we have the number one market share with Aeroméxico between the US and Mexico City. The number one market share with LATAM between North and South America and the number one market share with Korean between the US and Asia. And by the way, we've just gotten going. We've just gotten started.

I haven't even mentioned our JVs with Air France-KLM and Virgin over the transatlantic, which are having the best summer ever. And of course, Air France-KLM represents our longest standing JV and best-in-class. It's literally 30 years old, which has served as a model for us, for all our partnerships. We are really fortunate to have the best partners and the best with the best brands in all of the regions around the world are truly poises us for growth in high-growth regions. But I know you want to hear from the CEOs here. So we're going to start with some questions. And Ed, I'm going to start with you. You have long been a champion of international growth and partnerships. Why has that been important to you?

---

## Edward Herman Bastian

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

Well, we're in a business that we play the long game. And international, by definition is the long game. And while we've been very much over the last 20 years occupied with building the best US airline for US travelers, particularly for US premium travelers, for international travelers, emanating out of the US, we know that the long-term opportunities are going to be growth outside of the US internationally over the next 20, 30, 40, 50 years and beyond.

Right here, you have the leaders of the best and largest airlines throughout North – excuse me, throughout South America, Latin America, and the Asia-Pacific region, and our ability to partner with them, to learn from them, to grow together, to try to take in opportunities to expand, to help Delta become a better global citizen, better global service provider. And I know each one of our relationships, we do our share in terms of being able to return that, in terms of what the US consumer is looking for, because we know US consumers are driving international travel more than ever these days. It's a wonderful relationship.

And by the way, it's also a heck of a lot more effective to do it with somebody in the market than to try to go out and buy a bunch of planes and buy a bunch of – they make massive investments to kind of bring a US mindset to an international market. We want to bring a global mindset.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Why, Ed, do you believe that our approach to international partnerships is so powerful?

---

## Edward Herman Bastian

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

Well, it's, the ATI opportunities that you mentioned, I mean, we can operate as if we're one company in the market size so we can price together. We can schedule together. We can discuss opportunities that you would not ordinarily find in other industries. And the antitrust immunity creates that.

So rather than us having to go out and invest and purchase and build out a massive international franchise, we have the franchise in a very efficient way. We have shared profits that we create with profit sharing. So these aren't sales arrangements since we care about each other's bottom line and we care about each other's growth opportunities as well.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Ed, we're also a Delta equityholders of these partners. What has that brought for Delta? What does that meant?

## Edward Herman Bastian

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

Well, we've gotten that question a lot. And the reason we're equityholders as compared to just commercial partners, is we want to influence outcomes at Delta. We want to influence outcomes on behalf of our customers. We know that our strategy at the core of the strategy, the people that are going to determine the success of the strategy is going to be the customers. It's not going to be ourselves. It's going to be our ability to serve and reliably provide seamless travel experience to those customers.

This [ph] phase (01:14:02) is really hard to do when you have each airline internationally, not just charter airlines here, but collectively in the world on many different technology platforms and servicing systems and different customs and different traditions and it's just – it's hard enough running one big airline, much less than trying to figure out how you can connect on behalf of some customers to make it seamless.

And I found only way you can really have influence on behalf of the voice of the customer is being inside the leadership, being inside the boardroom, being inside the management team, working both ways by the way. It's not just Delta letting our customers, Andrés know what he has to do to improve the servicing and take out the friction between a US-Mexican itinerary. But Andrés reporting back to us what we have to do to help him grow his business in Mexico as well.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Ed from your vantage point, what do you see as the opportunities for us to keep winning in international?

---

## Edward Herman Bastian

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

We are just started. Europe is doing very, very well. We've got great relationships with Virgin and Air France and KLM. They were the leaders in this space. You had the two leading growth sectors in the world here between Latin and South America and Asia-Pacific with the leading airlines in the world. And we just are getting going in terms of ATI, the relationship, the work these three men had to do to lead their companies through the pandemic that they now can focus on the future. It's very, very exciting.

We said during the pandemic, one of our goals coming out of it was to have the margins of our international business rival our domestic margins. Well, we're seeing that this year, largely because of the strength of demand we want to make sure that's sustainable into the future.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Yeah. So I'm going to change gears a little bit and ask Roberto Alvo, who represents our newest JV partner. Roberto, what are your early impressions of our partnership?

---

## Roberto Alvo Milosawlewitsch

*Chief Executive Officer, LATAM Airlines Group SA*

Thanks, Peter, and thanks for – Ed allow us to be here. Yeah, I want to say something that [ph] Greg (01:16:08) said yesterday, which is culture. I mean, for us this is our first big JV and we're learning a lot from it. But at the

end of the day, it's easier set and done. I mean, setting up a JV sounds good. You have to make it work. And as [ph] Greg (01:16:23) said yesterday as well, it everything comes to how you operate and how do you execute.

And I think that the approach that Delta has with respect to how to treat partners, the culture of saying, let's do something that is the best for the combined business and not only for ourselves, the way that we feel – it's been approach is amazing. And it's been almost six, seven months since we started. We already launched seven routes, plus up-gauges, to Lima, to Santiago from Delta. I mean, in six months, so the teams are working extremely well. And the way to approach this executing well with the culture I feel very confident and I think it's great alliance.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Yeah, it is remarkable, only six months in and already number one in the market. Can you share your thoughts on what makes the time with Delta market leaders?

---

## Roberto Alvo Milosawlewitsch

*Chief Executive Officer, LATAM Airlines Group SA*

Well, I think it's easier if you see – I mean, a couple of things. First if you see geography, two-thirds of the traffic from South America to the US sits east of the Mississippi. And Atlanta is by far the best connecting point for that. And then you have – would just add – and Glen showed you – number one in LA, number one in New York, which are key cities for – I didn't travel to the US. And then South Florida, which is very important destination for the US.

But when you see the network combination, and as once Glen said to me a long time ago, you know when you're going to win. And this is easy to see because the combination we have in our hubs, the traffic, where it's funneling, with the strength of Delta's network in the US is just very complementary, unparalleled in my opinion.

And then you have the brand, the position with the customer, the service, the care for executing well. So it's very easy to see, in my opinion, that for customers on both sides of the equator here, this is easy, the best combination. And Ed just said, we're just getting started. So this is going to be a great partnership going forward. I think there is going to be a lot of growth and just the positioning of our networks is unique and very, very complementary.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Well, and you alluded to my last question for now, which is where do you see the growth in South America, Roberto?

---

## Roberto Alvo Milosawlewitsch

*Chief Executive Officer, LATAM Airlines Group SA*

Well, South America is still a very immature market in terms of airline travel. A very interesting stat is Chile is the most developed airline market in South America. And over the last 18 months, only 18% of people flew. 82% of the Chileans didn't take a plane in the last 18 months. In the US, I think the stat is about 70%. And this is the most developed market in Latin America in South America, on enplanements per passenger. So growth opportunities are huge within the region.

And then, as you think about how Latin America is connecting to the US, how people, wealthier people are setting up second homes in the US just traveling more often. I think that the growth potential for traffic on both sides of the equator here is great. And also within Latin America – and as people experience traveling and as I think Glen said it very well, and you probably do your first trip to the beach in South America, then you're going to think about, how about Miami? How about LA? How about New York? So clearly, if you think about GDP growth and air growth between South America and the US, this is going to be much faster.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Thank you. Andrés, turning to you, Aeroméxico has been having a terrific year and is benefiting from a strong demand environment. Can you tell us how you positioned the airline to win in Mexico?

---

## Andrés Conesa Labastida

*Chief Executive Officer, Aerovías de México, S.A. de C.V.*

Thank you, Peter, and thank you for the question. I'm very happy to be here. Thank you for the invitation. I mean, it's a combination of many, many things. It has to do with implementing the strategy. I mean, we have been for several years trying to position ourselves better in Mexico City Airport. We have been able to achieve that using the advantage of being in Chapter 11 we didn't choose to be there, the pandemic happened.

And we, basically the government of Mexico, along with other governments decided not to support any industry. So we had to file for Chapter 11 and these times of crisis are the best ways to change to really transform yourself. This is what we did. We completely not change the company, accelerate our restructuring plans in terms of fleet. That's already there. And also the fact that Mexico continue to be relatively open in these times of crisis. So, all these elements together with the consolidation of the industry is really what has helped to position ourselves today to have probably the best years in history.

I mean we're having a very, very, very strong year. And again, following what Ed mentioned before and also Roberto, I mean this couldn't have been possible without really having partners as Delta, leading our way. I mean we have – our JV has been in place for a long time. Delta has been participating in our equity for a long time. So, having the support of a very strong partner who treats you as equal, which is really important in these difficult periods, it's essential. So really, again that's one probably of the most important elements of why we are here stronger than ever after these complex two or three years.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Mexico market, Andrés, as you are well aware is the second-largest international market for US travelers. How does our partnership position us to be the best choice for our customers?

---

## Andrés Conesa Labastida

*Chief Executive Officer, Aerovías de México, S.A. de C.V.*

Well, actually, I have other information. I think we are the largest. So, we already moved ahead of – we cover...

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

I like that that you're claiming number one. That's a great instinct, I love it.

## Andrés Conesa Labastida

*Chief Executive Officer, Aerovías de México, S.A. de C.V.*

[indiscernible] (01:22:40). I was looking at the numbers and by traffic we – the traffic between Mexico and the US is the largest in the world. We are close to 25% above pre-pandemic levels. I was looking at our schedule, our network for July. And we will be flying together, Delta and Aeroméxico, 160 operations per day, well during the typical day in July. I mean it's huge.

How we have been able to do that? It's – working together is a powerful – the power of the JV. I mean, there are markets that you could never imagine that you could serve without the JV. For example, I guess Detroit, Monterrey, which Glen knows very well, we have been pursuing that for a long time. It's there, it's a reality. Other unique markets like Mexico City, Boston, which we will launch soon. And this is despite the fact that Mexico's Civil Aviation Authority today is under Category 2.

So, that means that for the last two years, we haven't been able to grow because of that, right. So, we are frozen versus a level that we were two years ago. We expect that to change next month, after two years, our authorities have been working very hard. And that will only give us additional lift to continue strengthening our leadership position Delta and Aeroméxico JV in this the largest trans-border market in the world.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Andrés, that's great news, by the way, on Category 1. Where do you see growth?

## Andrés Conesa Labastida

*Chief Executive Officer, Aerovías de México, S.A. de C.V.*

Well, I see I mean difficult to add growth. I mean, if we're about to CAT 1 like next month, it's obviously, you cannot add service to new cities right away. You need to wait a few months before you launch. But one thing, for example, that we can do immediately, imagine, I mean, we have – with – as we went through the restructuring of Chapter 11 before – before going into the process, we only had 6 737 MAXs.

Today, we have close to 60 new 737 MAXs. We cannot fly those planes to the US because they were not part of the AOC when the Mexican Civil Aviation Authority was downgraded. So one thing that we can do, like tomorrow, once we're back to CAT 1 is deploy those planes to the US Mexico markets, which again by up-gauging we can have 20%, 25% more seats versus the planes that we are flying today. That's one important source of growth.

Europe also with our partners, which includes Delta as well plus Air France and KLM and Virgin, we are growing Europe 25% versus last year. We will do between July and August, which is the largest in history, 500 roundtrips between Mexico and different countries in Europe. That's a huge source of growth. And the other part in the domestic market still in Mexico City Airport, where we have by far the largest slot holdings, we still fly 40% with regional jets with E190s. So these jets have 100 seaters. We are replacing those gradually 737 MAXs that are 187, 190 seats.

So we can grow potentially 90% by replacing the E190s with a large 737 MAX 9. That's another big source of growth. And finally, as Roberto mentioned still even though the Mexican travelers is playing more and more compared to the US or to Europe, still flights per capita are relatively low. So, we have a great opportunity as well to develop going forward on the domestic market as people travel more.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Thank you, Andrés. Kee-Hong, we recently celebrated the fifth-year anniversary of our joint venture in Seoul and wanted to get your thoughts on the first five years of our partnership and what excites you about the future.

## Woo Kee-Hong

*Executive Director & President, Korean Air Lines Co., Ltd.*

Actually three years out of five years was the pandemic.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

We have a long way to go.

## Woo Kee-Hong

*Executive Director & President, Korean Air Lines Co., Ltd.*

Yeah. And Korean Air has to reduce our present capacity 80% to 90% during 2020 to 2022. But we reduced our capacity into transpacific 40% to 50%. It was because of partially thanks to the [indiscernible] (01:27:54) revenue and also I think it's because of we have good connectivity from Incheon and Delta's hub.

And middle of 2020, Korea lifted restrictions of the pandemic. And very quickly, we picked – the demand of going to US picked up very quickly. And that's because of our strength between Incheon and hub in Delta in US. And I heard that this morning, we are the number one in transpacific joint venture. We started lately, but we became number one. Just because of our strength of network.

We fly certain cities with the Korean and Delta in US from Incheon Airport and fly 80 Asian cities into Asia. We are the most – we have the most of connectivity to Asian cities. I think it's a – and this year from January to May, Delta's contribution to Korean Air Lines' revenue into transpacific grow 49% compared with 2019.

And also Korean Air Lines' contribution to Delta's revenue into transpacific routes grew – increases 75% compared with 2019. Now during COVID, we didn't start implementing our joint venture operations from sales, network, operation, customer services, we try to close our [indiscernible] (01:29:56). And I think that's because of our efforts for last three years. I think it's a – post-pandemic I think that is – we are expecting very exciting future of our JV.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Kee-Hong, what do you find as unique about our partnership?

## Woo Kee-Hong

*Executive Director & President, Korean Air Lines Co., Ltd.*

With Delta we are founding partners of a SkyTeam alliance with the Aeroméxico and Air France. We have long relationships for 25 years even before we started JV. We don't need to incorporate network sales or marketing part. We help each other in the area of operations, especially safety. Then we have difficulties during late 1990s and early 2000. Delta helped to enhance our safety center. Like that we helped each other during very difficult times.

And also another unique one I think is that all the JV operations, they are based in Japan, Tokyo. Delta has base in Tokyo, but Delta shifted into Incheon Airport. I think that within five years we became number one in the PSP JV. The Delta's choice was right, I think.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

You mentioned Incheon. Incheon really is a, if not the premier gateway in Asia, and it is one of the most efficient hubs in the world. If you haven't been there and transferred there, it's really remarkable. How do we leverage that to continue to win in the region, Kee-Hong?

---

## Woo Kee-Hong

*Executive Director & President, Korean Air Lines Co., Ltd.*

Yeah, Incheon now is under construction of increasing capacity for Terminal 2 where Korean and Delta is operating. It will be finished end of next year. And we are planning to put more capacity of our [indiscernible] (01:32:24) facilities and upgrade our facilities. And also, after completion of Terminal 2 and our merger with Asiana, we will have a more slots in Incheon Airport.

And with that increased slots, we can leverage our flights and also we can increase our flights into Asia and US cities. I think that we can better connect to a continent. It's a – I think we have good opportunity. And also, Incheon is very strong point for air cargo. Maybe in 2022, Incheon was number two in air cargo operations after Hong Kong. And also, we are building – we are starting to build smart cargo terminal in Incheon Airport with Incheon Airport Authorities. I think we can not only increase our passengers joint venture in revenue potential, but also air cargo in Incheon.

---

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Yeah. So I've got one quick-fire question for each of the panelists, starting with Roberto. Roberto, when you look at the long-term horizon in South America, what do you see as the market for demand for air travel in the region? Again, this is looking down the road.

---

## Roberto Alvo Milosawlewitsch

*Chief Executive Officer, LATAM Airlines Group SA*

Well, South America is huge. It doesn't have other means of transportation that are easy or comparable. So, air travel is going to be key for the development of the region. So I think that we will see a lot of – which is very mature. We call it regional, but it's international within South America. I think that international travel within South America still has a long ways to go.

And by the way, domestics as well, average of the industry is 0.6 travelers per inhabitant compared to 2.5 in the US. So, just doubling the size, getting to half of what is the US, we're talking about 450 million passengers more. So, it is very clear to me that the development on the industry in the region is there, it's going to be a high growth place. And the infrastructure constraints are easing up a little bit. So, I think the demand will be growing a lot in the next few years in the region.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Andrés, same question for you vis-à-vis Mexico, what's the long-term growth of air travel demand?

## Andrés Conesa Labastida

*Chief Executive Officer, Aerovías de México, S.A. de C.V.*

I think it's very positive. For the first time in history, Mexico was the largest market in the region. Brazil used to be, by far the largest, now with numbers for the first Q, Mexico to cover and there is different elements that will help, for example, more or less the income elasticity of demand in Mexico is around between 3% and 4%. So, GDP has been relatively stable, but with GDP growing and expected around 3% to 4%, there you get 10 points.

We moved last year, all the airlines around 110 million passengers. So, with this growth rate plus the fact that already Mexico City is saturated, we have Mexico City Airport, plus a new airport, plus Toluca. So, you have opportunities to grow in places, huge cities like Guadalajara, who has close to 10 million people. Also, Monterrey, we've, for example, started service there to Europe, which has proven really, really positive going back to CAT 1 opening, from this secondary huge cities in Mexico to the US. That's another very important source of growth.

Nearshoring is huge. I mean what – the opportunities that we are seeing of additional CapEx close to the border to replace that investment that was going to China before. It's really important. And finally, Mexico has a relatively young population. It's very young. Those people are starting to travel. 10 years ago the average age of our passenger was in the mid-40s. Today it's in the low-30s. So, still as these people get to work and start travelling, I think there is again tons of opportunities to – not to see a huge expansion of the market. And together I think we have a great opportunity to capture most of that growth.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

And Kee-Hong what is your long-term forecast for growth in your region?

## Woo Kee-Hong

*Executive Director & President, Korean Air Lines Co., Ltd.*

I think China and Japan is big. Now, it has some problems coming to US. But it's a – the market is big. And including Korea is growing in the future, I think in the long-term basis. And also Southeast Asian countries like Indonesia, Philippines, Thailand, Vietnam and they have a big, huge population and they are young. And also their GDP per capita grow like 4% to 8% per year. It's almost 2 or 3 times higher than developed countries.

And until now, in most of Southeast Asian countries, they are focused on incoming tourists. But now it's time for them to go out of their countries. They start to travel a lot to regional countries such as Korea or Japan or other Southeast Asian people, they come to Korea. And I think that they will, in the near future, they will start to travel to longer ranges like Europe or US.

And I think a lot of companies, they relocate their factories from China to Southeast Asian country. And I think air cargo demand will grow very fast. We see – we are seeing that air cargo demand intra-Asia and from Asia to Europe to US is growing very fast as. I think it's promising.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Thank you, Kee-Hong. And very exciting, any closing thoughts?

## Edward Herman Bastian

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

First of all, thank you all for coming and joining us. I think just the fact that we are together, presenting to our investor base kind of a unified vision for international was powerful in and of itself. But the thing I'm struck with is it doesn't matter where in the world you live. As humans, we have an innate desire to explore, to travel, to experience, to go. It's only going to accelerate probably because of the pandemic lockdowns. And I would not want to do it with a better group of airlines collectively on a global scale than the three of you. So thank you for being here and it's great to see you. And I know we've got a great future ahead of us collectively.

## Peter W. Carter

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Thank you.

# QUESTION AND ANSWER SECTION

A

Ladies and gentlemen, it's time for Q&A. At this time, we'll invite Glen back to the stage. And while he makes his way to the stage, please remember we will have two mic runners in each aisle. If you have a question, please raise your hand, and we will bring a microphone to you, and you can ask your question to Ed and Glen. Let's give one more round of applause to our international JV partners' panel. Thank you. And now, we'll turn it back over to Ed and Glen

## Edward Herman Bastian

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

I'll turn it to Julie, I'm trying to catch up time here. So, raise your hand, and we'll go. Fire away.

## Julie Stewart

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

The analysts if they sat in the front row that they'd get a priority.

## Edward Herman Bastian

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

Exactly.

## Julie Stewart

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

So, Ravi.

**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you. Ravi Shanker, Morgan Stanley. Question for each of you. Ed, obviously, we are looking at a future beyond the pandemic. But unfortunately, I'm going to ask you, kind of what do you think is the biggest one or two risks you see going forward, just given how clear the horizon is on a relative basis?

And Glen for you, obviously, you've given us the revenue growth targets for a couple of years. How much of that is coming from volume versus price? And kind of how – has that relationship between the two of them and your internal levers changed post-pandemic? Thank you.

**Edward Herman Bastian**

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

A

I'll start. I think one of the single-biggest risk factors we face is our ability to execute that vision reliably with the level of excellence and I'm not just talking about Delta, as an industry, because there is so much demand, and there are so many new people that have joined the industry, and there is so much constraint in the infrastructure that we'll – we can turn off demand as much as we can turn on demand by not delivering the reliability of service that customers expect.

So that's why we're continuing to invest deeper in resources, in training, in working our way up. We're still very careful that we don't exceed our capabilities. We still have the ability to fly more if we wanted to. We're very cautious in getting there. And I know other airlines talk about there being this extra layer of staffing. I think that's a real thing for the current to compensate for the lack of experience. I don't think it's necessarily a long, long thing. And I think as an industry we have to be careful that we don't build those buffers in and make them structural. I think we need to continue to work towards the efficiency, the productivity, the technology that's capable of that.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

And, Ravi, I'll just say at a macro level, I think it's about half and half. Half comes from growth and the growth, we have a lot of great new airplanes coming. We also have a lot of older airplanes that we can retire as the cycle play out. But really seeing long-term growth slightly over GDP but not much over GDP. And then really the other 50% coming from a higher mix of premium products, a higher mix of loyalty, a higher mix of MRO and cargo. So kind of view it as a 50/50.

**Julie Stewart**

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

A

Catie O'Brien.

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Catie O'Brien from Goldman Sachs over here, guys. Ed, we spoke a lot about durability of earnings during this presentation. Airline revenue and demand has proven to be a bit volatile historically. Going forward, besides getting back to a better than historical balance sheet, what parts of your strategy do you think are going to be the most meaningful in terms of increasing durability? Obviously, you presented a whole host of things you're going to be working on over the next couple of years. Just wondering if this one you most excited about?

And then, Glen, in terms of just premium mix going forward, we've talked about historically that return to office has driven an increase in corporate. You gave that really impressive stat and 50% increase of travel on leisure given

more flexibility of work. I guess how do you see that mix changing going forward? Is there an ideal outcome for Delta or are you agnostic?

---

**Edward Herman Bastian**

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

A

Well, I'll take your first question, Catie. Yes, we absolutely live in a volatile industry. There is a lot of volatile factors that we move. The one thing that's not volatile is the relationship between revenue and the economy. And you can go back over the last 50 years, and you could see that 1.3% almost year in and year out. It's crazy how airline travel is a direct reflection of the size of the economy.

And so, from that standpoint, when I think about where we are with the amount of demand that still yet to come, I think that's a huge opportunity for us, so that demand set. So again, coming back to Ravi's question, I think the most important thing we can do is make sure we have the staffing, the tools. We don't get ahead of ourselves in terms of trying to push hard because we know it's going to take a long time. It's going to stay there. Airlines have historically also been a little bit of a feast or famine story. They feel that way sometimes. And so you've got to push when you see it and you pull back before it going to disappears.

I think with the constrained infrastructure, the constrained supply, whether it's talent, planes, capabilities, whatever you want to call it, and continuing to push further, I think we're going to be a much better industry for it over time, by the way. I think that way internationally as well as domestically.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

And on your question of as people continue to return back to the office, do we see them traveling less for leisure? And I think the answer is no. I think there is a new norm out there that people can take their office with them. And they're – while they're going back to the office, they're not going back to the office Monday through Friday, and not everybody. I drive in Monday through Friday into Delta, and I notice a distinct difference in the traffic patterns on Mondays and Fridays than Tuesdays, Wednesdays and Thursdays. And so if you look at what a lot of companies have done in their transition back into the office, it's more flexible than it ever was.

And so, I think we can keep a lot of that travel on leisure for the longer weekends for people who maybe don't even have to live in their domiciles that they lived in before. So, how many of the finance people have moved to Florida and commute back and forth to the office as necessary. Those are all components of that 50%. And certainly some of that might go away. But I think that would be more than offset by a higher propensity to travel for business. So, I think where we sit, we're in a great spot, I think it could get even better.

---

**Edward Herman Bastian**

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

A

If I could build on what Glen was saying. I think one of the biggest opportunities we have is that we know consumer behaviors have changed. We know we've got really bad data now, looking back, because revenue management models and network planners and our systems all designed around how to optimize and make it better based on historical patterns. Those patterns got disrupted over a very extended period of time. So, we're still learning about the new way of travelling. We're doing our best. Others are doing their best to identify it. And I saw it, it's going to take probably two to three years before that new normal behaviors start to get optimized in terms of revenue potential, growth potential and networks.

So I think that is a – people don't talk about that, but I think there is significant benefit of – we're going to continue to get better. At Delta, we say keep climbing every single quarter over quarter we're smarter. And by the way, as you know, we build these schedules up to a year ahead of time. So, we're not necessarily the most agile on an airline basis, we're going to – that's a really, really big opportunity, as we really understand the consumer behaviors and get ahead of them rather than behind them.

---

**Scott H. Group**

*Analyst, Wolfe Research LLC*

Q

Thanks. It's Scott Group from Wolfe. So, Ed, when do you think industry capacity constraints will start to ease and become less aspirational? And then for Glen, you talked about RASM, being better than you thought. The higher guidance still implies lower RASM in the back half of the year. So, I'm just wondering is something changing. Is that just the comps harder? Is there conservatism there? And then ultimately what I want to understand is do you need higher RASM to grow the earnings next year to your guidance or can you get there without higher RASM.

---

**Edward Herman Bastian**

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

A

Your question Scott was on the constraints?

---

**Scott H. Group**

*Analyst, Wolfe Research LLC*

Q

When does it start to ease?

---

**Edward Herman Bastian**

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

A

Again, I think this is multiyear, right because we are still, at Delta, we like to think ourselves near the top of the food chain within our industry. We're still getting our people to train, the experience, the factors all in place. It trickles down from there. So, the regional industry still is a small fraction of what it was or a fraction of what it was compared to pre-pandemic – compared to the planes we have.

If you look at the pilot staffing challenges, you look at the cost to serve has grown, you look at the infrastructure, you look at what's happened in the Northeast this past week is a good reminder of how vulnerable we are to thunderstorms and weather kind of the good old things. We haven't had to worry about those in the last few years because we didn't have capacity. Now, that we're have capacity there and how the systems have to do.

So I think this is multiyear and by the way, we are never getting back close to what the trend line we were on pre-pandemic. So and we all are got the same motivation that I mentioned that we have. We're not trying to outgrow each other. We're trying to outperform each other on reliability. You see it – talk about – you guys are monitoring cancellations and stuff I see in your reports like you've never had before. I mean, so this is the – we're competing on the right things rather than trying to who can outgrow somebody. We should earn our way by outcompeting on performance.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

I'll just answer the implied RASM and the 2024 RASM is, you've got Dan section coming up and I think that will show you how it all comes together so I won't steal his thunder by getting ahead of him. But I think what we do have is a sequential, slightly down turn from where we are today in the third and fourth quarters in terms of total

RASM, I won't marry that to CASM and show you how their profitability comes out. But hopefully, that is conservative. We've been upwardly surprised as we get into it.

And I think what we can see right now is we can see to the end of summer IATA long haul international and that looks incredibly strong. Hard for us to see really – we have about 55% of third quarter bookings on hand now, but that's about 70% for long haul international and in the 40s for domestic. We have a lot to come domestically and so we don't want to get ahead of ourselves in terms of estimating where we wind up and hopefully we have some good surprises for you in the back half of the year.

---

**Edward Herman Bastian**

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

A

But when you think about the revenue, we were just talking about the chance to optimize it, do it better, get a chance to do it over again. We're going to do it over again a lot better this coming year than we did this year. The cost trajectory is bending. And Dan is going to talk about how we're looking at negative unit costs starting in the second half of the year into 2024. That's a good guide.

When you think about the cash we're generating, the debt we're paying down in terms of taking that that pressure off the operating line, in terms of interest costs and the like, we have significant contributions in each area to continue to grow profitability. And then I think technologies and other wild card how quickly can we get to technology to turn on to drive that personalization [indiscernible] (01:51:39)? Poor, Dan.

---

**Helane Becker**

*Analyst, TD Cowen*

Q

It's me, Helane Becker. I'm over here.

---

**Edward Herman Bastian**

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

A

Helane.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Hey, Helane.

---

**Helane Becker**

*Analyst, TD Cowen*

Q

Hi, team. How are you? So thanks very much for this. You're doing less with more people, right? You're flying less. Have more people. How do you keep the government out of your business so that you can keep doing what you're doing and doing it well? Because meltdowns that occur, not necessarily Delta-backed competitors, get the government, and some congressmen thinking that they need to reregulate the industry. So as you think about getting from here to where you want to be in the next three or five years, how do you do that successfully without more medaling and more cost that they would just add to the business? Thanks.

---

**Edward Herman Bastian**

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

A

Well, the best thing we can do, and I tell my friends who run the other airlines we can all do to that end is run a really good airline. We all collectively have to run really good operations. And by running good operations, you're

not going to give the critics the fodder to come at us on the political side. Last year, it was a hard year for the industry. It gave the politicians a lot of fodder. We gave them the ammunition. We gave them the weaponry to come at us. You don't see it coming as much this year for that reason.

You see some of it now because we're in the FAA reauthorization cycle that goes every four or five years. So that's – I can tell you Helene, you have as many people on one side of the issue politically as you do on the other side, the odds of Congress or the Senate figuring this thing out and actually starting to – I think is a very low risk by the way, on things that matter forget legislating sizes of seats, but again actually getting the FAA funded to where it needs to be.

So Washington will do its thing. We work collectively on both sides of the aisle. We just need to continue to run really good operations and put customers first and put our people first. Delta has a history of doing that. We'll continue to do it. I mean, it's just a short answer.

---

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Q

Hey. Good morning. Jamie Baker with JPMorgan. Two questions. So, Glen, you talked about the rebuild of the regionals in 2025. What happens – what has to go right for that to happen? How does that rebuild look? As you just mentioned not a big ASM contribution, but operationally, I think that was 35%, 40% of daily operations at one point. So what has to go right for that to happen?

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

So think of it as about 100 regionals that are either grounded or sub-optimized. And so that's about if you take the seats, that's about 50 mainline narrowbody equivalents that are grounded. And what we've tried to do is we've tried to estimate when the pilot training catches up to the pilot hiring because that's where the shortage has occurred.

And so we look at how many people are coming out of classes, how many people are coming out of the military and where they're going. And our best estimate is that this starts to ease towards the end of next year and into 2025. And those planes are sitting and they're in long-term contracts. So we will begin to fly them then. And I think when you think about things that we – when you look at our results at the end of this quarter, and you think, okay, that you still got 50 airplanes that are sitting – 50 mainline equivalents sitting on the ground, not producing, that's a pretty one hand tied behind your back result.

---

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Q

Second question. So, American has, I guess, broken with tradition in terms of its pursuit of NDC and leaning away from US corporates. I'm not asking you to critique that, but why is that not the right strategy for Delta? Or if it is, when should we expect you to follow American's lead?

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Listen, I think we want to meet people where they want to be met, and I think some of the backlash American is getting is they're telling people this is how we're going to do business, and that's not the way Delta does business. We have the best sales force in the industry. We're leaning into them. We want agencies to tell us how they want to receive our products and what they're lacking and work on that. So I think one of the exciting things that we

have in the pipeline is we've been working very closely with Concur and that Concur OBT, which is what most of the agencies use because your expense reports are all tied to them, has been a laggard in terms of being able to display the products correct that we want it displayed correctly.

Through Ed's leadership, we've made a lot of progress with their senior leadership, and I think, Steve, we've got some – we think that'll get changed next year, in the beginning part of next year, and that should really help us with selling the higher-end products to our corporates. So, there are many ways to do this, and we don't want to be the ones telling people how they have to do business with. We want to hear them and provide value to them. If we use NDC, which we will, we want it to be good for them and ask or not us say this is how we're going to distribute our products. So, that's all I have to say about that.

---

**Conor Cunningham**

*Analyst, Melius Research LLC*

Q

Hey, everyone. Conor Cunningham, Melius here. Hi. On the supply shortfall commentary, when you look at it domestically versus international, it's way more skewed internationally. So, as you think about growth over the next three to five years in a capacity constrained environment, why isn't Delta pushing more aggressively on the international side or what's the opportunity there as you balance both of those?

And then on the premium seating commentary, the accessibility of premium seating, I think, has been a big surprise, at least from my standpoint. And just curious on where the pricing optimization is there and any levers that you could drive further adoption longer-term? Thank you.

---

**Edward Herman Bastian**

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

A

You want to take that?

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

[indiscernible] (01:57:58)

---

**Edward Herman Bastian**

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

A

You can do [indiscernible] (01:58:00).

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Sure. This was our largest Transatlantic schedule ever this summer. And we will be larger next year. We do have the opportunity. But, again, this is about doing it better and understanding where customers wanted to go and what we were making great returns on and pairing back places that we weren't meeting.

So we have modest growth next year, but remember this was the biggest ever. We have some plane starts – start away. We don't really know what's going to happen in China. And that's kind of the big question mark for next year. We're limited right now to four frequencies a week. We've got extra airplanes to stand up additional China services. If we don't use those, we've got great opportunities throughout the rest of the world. So I'd say we have significant growth this year other than in China, and we have significant growth next year. We'll see what happens with China. But we do have access to airplanes. That's not the constraint for us. And widebodies, it's a matter of

how long do we want to retain them, how long do we want to fly. Because if we're flying the older airplanes, by definition, we're getting lower margins.

And your second question was, again, pricing optimization, listen, we're still in mid-innings on the premium products and pricing optimization. We've partnered with IBM to do some AI on price points and we've had some really encouraging initial results from that. So we have to continue to work to get that product in-market displayed correctly. That's one venue, so distribution. The second is optimization of pricing. These are relatively new products. We've been pricing coach for 100 years. And the relative position of coach tier because it's a game you play against yourself. That's what we like about it. It's not a game versus your competitors. It's how much were your customers willing to pay you for those products and services, and understanding where those break points on or how we can accelerate improving them is really a new frontier for us.

---

**Edward Herman Bastian**

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

A

And the reason we play against ourselves is because the strength of the brand. Historically, we didn't have the brand strength, so we had to play versus to the lowest common denominator. Now, we have a brand that can sustain its pricing, gives us the opportunity to play the game more in our terms as compared to someone else's.

---

**Brandon R. Oglenski**

*Analyst, Barclays Capital, Inc.*

Q

Hi. Good morning. Brandon Oglenski from Barclays. Thank you again for hosting. Glen, I think you did mention that your coastal hubs are still maybe underperforming system by a few points. So, can you just talk to the strategy there for improvement and how maybe those global partnerships work into it? And then Ed, strategically, I mean, I really like the focus on free cash flow and ROIC, but there's clearly a different strategy at some of your competitors where they're willing to deploy a lot more capital. How do you defend the brand? Your relevance in some of these markets when obviously order books are pretty tight, and there's going to be a little bit more growth from your other competitors?

---

**Edward Herman Bastian**

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

A

Glen, you want to go first?

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Sure. On the coastal hubs, I didn't have time on my presentation, but here's a little more detail on that, is that we are very close to interior hub positions this summer, with the exception of LaGuardia. And LaGuardia is a tale of our own doing in large part, because we've had the wrong equipment flying to the wrong cities because of a shortage of equipment and because we had to use the slots, we sub-optimized it. So, as we get to next year, I think one of the things that we're really excited about in 2024 is getting New York back to really where its historic performance was. And we see nothing impeding it.

Last year was that New York wasn't moving. This year New York is moving. But we have, I tell the board, other than the fact that we have the wrong airplanes flying to the wrong cities at the wrong time, there's nothing wrong with it. So, that's on us and that's something we're going to fix. But I don't think we will ever see parity between the interior hubs and the coastal gateways domestically. Internationally we will. As a matter of fact, internationally, you might see superiority in some of those coastal gateways. But domestically, it's hard when you have a hub like Atlanta or Detroit that's pegged in the middle of the country with these giant poles that like to flow over it, and you

don't really have that when you're in Boston where the next thing north is Maine and Canada and the next thing east is Europe. So it's a little bit harder to get those flows to move over those hubs. So, love where they are with the exception of New York this year, and think that they will always be a couple of points below the interior hubs.

---

**Edward Herman Bastian**

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

A

And on focus on cash, we've always had the focus on cash and paying down debt. This is not new. The thing I love about our strategy is that we're not doing it to the exclusion of investing in the future at the same time. We're still going to invest significant dollars in aircraft, in technology, in airports on a relatively consistent basis to where you've seen us over time, but we're still – because of the strength of our operating model, going to generate as well returns back to kind of pay-down and de-risk the business in terms of cash flow.

So compared to some of our competitors, there's one at least that's spending all of its cash on capital, there's another competitor that's spending very little of its cash on capital. Those both have long-term consequences. I'd like our kind of a little bit more middle of the road. We're significantly paying down debt. We're significantly investing in the future. All you're hearing – and by the way, we've been doing it on a pretty steady basis over the last decade, including during the pandemic. So I think we're very comfortable that we're going to have the technology, the innovation and the product that matters into the future.

And, yes, I know there's rumors about are we making a widebody decision, well, there's no decisions, there's no news, nothing to announce at all. But at some point, we're going to have to. And but, we've got the capital and the capacity to do that within our model.

---

**David Vernon**

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hi. David Vernon with Bernstein. Wanted to dig in to the premiumization of the product here a little bit. Can you quantify what percentage of seats today are available in premium something different in the main cabin, and then where you think that'll be in three years? And then as you think about how you're extracting value from that, the concept of a buyout is pretty straightforward, but you've been able to tease out any benefit from cyclical – or from market volatility perspective in terms of your average fares in markets where you have premium tickets in the mix or where are you seeing maybe your average price being a little bit less sensitive to what's happening in market in capacity and competition and at any given market? Thanks.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

I'll start with the second part of the question, which is absolutely. This was not by chance that we decided to go to a premiumization many, many years back. This was out of necessity. If you think about where the airline industry was and where it suffered, and I just point out, coming out of almost every recessionary environment or every event, the LCCs and the ULCCs led the profitability out of those events. And this time is different. And the reason it's different is because of I believe a lot of the work that's been done on the diversification, including premiumization of seats.

So, before, if you were just thinking of yourself as a commodity and you were flying against a ULCC, all you had was a cost disadvantage. Now you have a product advantage, and really leaning into that product advantage to have a much higher unit revenue base that overcomes your cost differential. So just you take your X, Y, Z favorite carrier, whether or not it's one based in Texas or one based in Florida or one based in Denver, and say, how did you compete against those before you went down this path? And the answer was, it was very difficult, right? And

you saw a lot of airlines that used to loss minimize as opposed to profit maximize. They'd say, okay, well, we're going to put an RJ so we can serve our customers that need to go there. But we're going to limit our exposure. And what's happened now is we go big. We got the biggest airplane as possible with the most seats, because those are also the biggest market. These guys don't go to tiny markets. They go to big markets. And the big markets also have a higher propensity for premium. And so that's been really the game changer that I think is under-appreciated and that we have to keep talking about, because it makes us a much more resilient carrier. Your first question, it's about 25% and it grows by about a point every year.

---

**Julie Stewart**

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

A

Okay. We'll now take our last question and we'll more time for questions later.

---

**Andrew G. Didora**

*Analyst, BofA Securities, Inc.*

Q

Hi. Good morning. Andrew Didora from Bank of America. Ed, you had obviously the slide up there just with regards to the GDP relationship and revenues. And this is all without, you know, you have that coming back to kind of normalized levels by the end of this year, and this is all without corporate. Obviously, leisure and premium leisure has been robust. I mean, you spoke about a lot of the industry constraints. How does Delta and I guess, more importantly, the industry, how do you need to work together to make sure once all the demand channels are back, that the product is, yeah, in the right position for the consumer?

---

**Edward Herman Bastian**

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

A

Well, it's probably more Glen's area than mine. Listen, I think what the slide is telling you is that consumers are spending at historic levels relative to current GDP. We're not supplying the demand yet. Okay. I think it's going to take an extended period of time if ever we're going to catch up. So, we got years that we're going to be in a favorable balance in terms of supply versus the real demand that's going to continue to grow. And as I said, I don't think revenge travel is necessarily what's driving that. I think people were just getting back to the fact our economy is 25% bigger than where we left off four years ago is one of the big contributors to that effect. And we're just getting back to a normalized, but we just can't fill the supply. I don't think that we're going to turn around and start to grow anywhere close to outside of GDP growth. Well, we may grow, as Glen said, maybe 1 point or 2. I think the growth that we're going to build is going to be optimized growth, bigger planes, not more planes as much, more efficient planes, focusing on how technology can drive the margins rather than just putting more planes in the sky. Planes in the sky is not the solution in terms of driving a better outcome for consumers is.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

No, I agree. I think that what we see is we know we can continue to open the aperture for premium, we know we haven't optimized it. So, we think under any condition we're pretty safe there. And then the question is, what is the general demand for? And we think we have first pick. So, if there is a \$79 to Florida fare from New York, we think that we get the first phone call. And other carriers will have harder times feeding themselves than we will.

So I feel like we're in a really good spot here for the next several years, and I'll close with that because I think we're going to have some great years. This is going to be our top five-year – one of our top five years this year.

---

**Edward Herman Bastian**

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

A

Yeah.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

In terms of profitability.

**Edward Herman Bastian**

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

This will be the top Q2 in our history.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

Yeah.

**Edward Herman Bastian**

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

And we got so much improvement to go. And we'll be back up for Q&A later. So I think we'll probably move to break and we'll be back in, what time?

**Julie Stewart**

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

We'll have a 15-minute break.

**Edward Herman Bastian**

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

Have a 15-minute break. So it's 10:11. We'll be back at 10:25. Thank you.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

Thank you.

[Break] (02:09:42-02:29:56)

**Unverified Participant**

Please welcome to the stage Allison Ausband and Ranjan Goswami.

**Allison C. Ausband**

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

Good morning. Good morning. Thank you, all, for being here today. Ranjan and I are going to talk about Delta Beyond and the customer experience. We'll kick it off, and then Dwight James is going to come up and talk about loyalty, which is a key part of our customer experience. And I think we need a clicker.

## Ranjan Goswami

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

Yeah. Here we go.

---

## Allison C. Ausband

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

Thank you. So, our experience is really centered on how do we continue to drive more customers to preference Delta. In addition to that, how do we continue to generate that revenue premium at Delta? And it all starts with listening to our customers. We get several million surveys from you all every single year, we get a 10% response rate. A normal brand gets about in the single digits. Our members give us even more feedback, and that feedback guides us every single day.

We have a team, Ranjan and I both, every single morning looking at what are our customers telling us. This is what they're telling us is most important. These are the top four drivers of Delta's customer satisfaction. 50% of our satisfaction is driven by our people. First and foremost, is that operational excellence. We talked about it yesterday. Ed talked about it today. Every single flight, is it safe? Is it on time? Is it clean? And do you have your bags?

The second most important thing is our people. We do believe we are highly differentiated from everybody else. We know those interactions matter to our customers. We just introduced, as a matter of fact, earlier this year, the opportunity as you take our surveys, we ask our customer if you want to leave a video message for the Delta people, feel free to do so. We get 200 videos a day from customers taking the time to recognize our people. We use those in training. It's a great feedback for us.

The third thing that's most important is our on board product. This is everything from our seats to our food and beverage. And I hope, by the way, you enjoyed the food yesterday, this morning and at lunch. Those are all from our premium food and beverage, our onboard product, our onboard food. And these are the items that our customers say are most popular on board. And the fourth thing that matters to our customers is that app. And we will continue to drive that self-service.

So, if you look at these top four drivers, we created our customer experience strategy. It's very straightforward. But the foundation to everything we do again is that operational excellence. Nothing else matters if we and our people don't get that right. The second is our people, it's going back making sure that consistency of service excellence is out there every single interaction you have with the Delta people, you see Delta in them.

And elevated product, we'll continue to invest there where it has the most impact, the highest impact for our customers and for Delta. And truly then the next frontier for us is personalization. Ranjan talked a little bit about that yesterday. He'll talk more about it today. But we carry 200 million customers every single year, 50 million of which are unique. So the more we get to know them what they like, what they preference, what they don't like, the better experience we can give them. So if you think about the ultimate experience to drive preference to Delta and to drive a revenue premium, it truly is this personalization.

So how are we doing relative to our operational performance? I know, again, several of us have talked about it, but this is foundational to what we do. We're number one in the industry. We're not quite back to where we were. We've learned a tremendous amount of lessons last year. Think about 30,000 people from someone on the ramp to the cockpit. Everybody has to be in rhythm. The process, the timing. That synchronization is starting to happen with 30,000 new people into our system. But I would just say we're not going to stop here. We are number one.

We still have a little bit of ways to go, but we're going to keep climbing relative to reliability because it is number one from a customer satisfaction.

And then as we look at continuing to elevate the experience, again, people, we have the best people in the industry. It's about our people living those brand beliefs of welcoming, caring and elevated that you saw in the video. Every single person from the time you call our res office to the time you get to baggage claim, you see welcome, caring and elevated. We've got training going on around the world to make sure all of our people are living that.

Generational airport investments, Glen talked a little bit about this relative to our hubs, we've got a little more to close out in LA and Salt Lake City. We'll have that done this summer. And truly, if you look at our hubs, we will have best-in-class experience for originating and connecting customers for all of our traffic, which will be amazing.

Brand-ready aircraft. If you think about premium and you think about elevating the experience, this is a new metric for us. So, we're measuring the hard product onboard the airplane and provisioning. So as everything inside that cabin working for the customer is IFE. The seatback, the tray table. Did we provision everything we needed to provision for our teams and for our customers? Ultimately, they bought a ticket on us and are we meeting their expectation every single time that plane takes off.

Premium cabins. Glen was just talking about this. Our widebody, 85% of our widebodies will have four classes of service by the end of this summer. So, everybody wants choice. So the opportunity for our customers to have four choices on our international aircraft promotes upsell as well. So, we'll continue to elevate on that front.

And then the last one is certainly technology and digital. As you think about elevating their experience, technology will be key for us. A digital ID, we talked a little bit about it yesterday. The question around frictionless travel. We call it seamless speed and particularly as you go through the airport. So new biometrics around digital ID customer doesn't have to pull out a thing to be able to get through the TSA and ultimately get on board the aircraft. Free Wi-Fi. Huge opportunity for us when we think about that next frontier with personalization. Again, 640 aircraft domestically, we'll have it by the end of this year. And we've actually already started deploying the new system on our international, we've got launch on two...

---

## Ranjan Goswami

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

Two.

---

## Allison C. Ausband

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

Two aircrafts flying. So, we welcome your feedback on any and all of that. And so just to sum it up, as you look at, as you look at NPS, look at lifetime value, we know from all of our data the more and more that our customers engage with our people and with our products, we know they are more satisfied the more engaged they are. And we also know that we get that lifetime value from that customer. Delta gets it and the customer gets it as well. And you want to build off of that as well.

---

## Ranjan Goswami

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

I do. Thanks, Allison. We really love this chart. And some of us talked about this yesterday, but this build and this walk on the power of membership is unmistakable. Non-members rate us on average about in the low-30s, from

an NPS perspective. Just getting membership and the app raises that by 13 points. And then as customers earn medallion status, get the co-branded credit card, buy ancillaries, which Dwight will talk about, and buy those 25% of our cabins being premium seats, as Glen was mentioning, NPS basically doubles and gets into the mid-to-high-60s. That's a 30-point accretive journey on satisfaction.

But it's not just satisfaction. And by the way, one other point on that, the fact that that satisfaction is happening as they spend more and paid Delta our premium to the industry, shows that they feel they're getting their money's worth, which is really important because we want to continue to command that premium. Similarly, the value is there as well. Our members spend five times more than our non-members do. So as we get new members into the system and into the flywheel, that value starts to come as well. Our members repurchase premium at an 85% attachment rate. That also starts to flow through as you think about our premium strategy and having more inventory in the premium cabin.

But there's much more room to grow. Only 30% of our 25 million engaged customers have a co-branded credit card today. That's a lot of commercial ground to mine for more co-branded members. And as we've talked about before, only 50% of the aircraft today is a SkyMiles member. So as we think about Wi-Fi, which I'll talk about shortly here, we're able to now onboard and onramp people into our membership program, get them through that life cycle, and ultimately see more of these returns both on the satisfaction side of the house, as well as on the return for Delta.

So when you look at our strategy, what you will now see is it's about personalization, but it's absolutely powered by membership. We have members. We have a member ecosystem. We have engaged members. How do we utilize that? And that SkyMiles number has a unique identifier to ultimately give them the experience that we know them wherever they go and wherever they show up in our product and service.

Second, we have the ability to scale that. If you think about all the channels we have with our customers that are real-time logged in channels, we can scale how that personalization comes to life in ways that few brands can. We are also sitting on so much first-party data, maybe second only to the financial services industry. And that is really exciting because that allows us to use that first-party data and gain more of that knowledge as our customers interact with us in those channels to better serve them as well.

And then the final thing is time, we spend an incredible amount of time with our customers. The average customer books their ticket 50 days out. And once they book their ticket, we're talking with them until the day of travel. On the day of travel, they spend many hours with us in the ground, in our airports, connecting in our airports. And on average, almost three hours in the tube on the airplane flying, not to mention the ground and taxi time. And I'm dwelling on that here because Wi-Fi has a real unlock to this specific part of time with our customers.

So, when you look at our ecosystem of logged in membership as it relates to how our employees get to see our customers through their channels and how our customers get to interact with us through our channels, there's a lot of opportunity here that continue to accelerate. First, we have this profile, as we talked about yesterday, that's an enduring profile that we will keep adding more data to. Second, we're going to add preferences and needs to those profiles as well, both explicitly aspect to our customers as well as those that are inferred observed by our customers. And third, we're going to take all of the customer history of how they have interacted with us and understand the quality of their experience over the continuum of time. Using these variables, we can now much more personalize their interactions with us.

The next piece of this journey is making sure that all of these channels are synchronous. So, we call it an omni-channel journey where we want to make sure; one, we can transact and engage with our customers in the

channel of their choice and preference. And two, as you go from channel to channel, the hand offs are clear and you're not having to repeat yourself. Things are known from one channel to the next. And finally, this notion of logged in membership. This is really, really important because all of these customer facing channels that you see at the bottom of the circle allow us to engage with the customer when they are logged in with their SkyMiles number, which allows us then to build on that data store to know and serve them better over time.

So, let's talk about this Wi-Fi journey in the two new channels we've created. I first want to talk about Wi-Fi and Delta strategy on Wi-Fi because it is different from the industry. First, we've decided not to stay focused on selling Wi-Fi to a handful of people in the single digits of our customers because that TAM is really small.

Second, we've also deliberately decided not to just turn Wi-Fi on for everybody without any interaction ability by doing so, like electricity in the room, because we believe that's not a data full strategy. So, what we've chosen to do is make Wi-Fi a benefit of SkyMiles membership. That does a couple of things. One, it on-ramps people into the membership ranks; but two, it allows us to have an engaging conversation and take advantage of that time onboard the airplane that we ordinarily would not have had before.

In the industry, we've talked about how do you take advantage of time onboard the airplane for decades. But what Wi-Fi allows us to do is to create an logged-in relationship with our customers while they're in the airplane. Where are we today on Wi-Fi on the 600-plus airplanes that have fast, free streaming capable Wi-Fi? We have a 37% take rate that's approaching 40%, and our device take rate's almost at 45%. So, more people are bringing more devices on the airplane, and they're plugging all those devices in.

---

## Allison C. Ausband

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

All logged in.

---

## Ranjan Goswami

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

All logged in. Second, we're seeing an incredible increase in [indiscernible] (02:44:49) as it relates to the Wi-Fi product and quality 20 points year-over-year on former paid models versus the free model that we're in. We've also unlocked two really interesting segments with our Wi-Fi journey. The first is this on-ramp, almost a million new customers into our ecosystem who have joined the SkyMiles program as a result of free Wi-Fi. These folks are younger, so going back to Gen Z and millennials, 81% of them are 42 years or younger, versus our SkyMiles average of 63%, 42 or younger who are using Wi-Fi on the airplane. They are more coastally located as well, which is really encouraging.

For the people who are using Wi-Fi who are already members, they're some of our best customers. So, engaging our most valuable customer even more. 97% of them use the app, 40% of them are medallions, 40% of these Wi-Fi users have a co-branded credit card. So the strategy is allowing us to on ramp new members on the one hand into that ecosystem and flywheel, and take care of our most precious customers who are paying the premium to fly on Delta.

So what we've now done is introduce two logged-in channels that are powered by Wi-Fi. We call this Delta Sync. And the way Delta Sync works is, first, on your PED device, your personal electronic device. When you log in to Wi-Fi starting – actually, we have 100 airplanes flying with this just today. We went from 25 to 100 this morning. We didn't do it for you. We've done a lot of testing to make sure it's going to be working. But on...

## Allison C. Ausband

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

And it is working.

## Ranjan Goswami

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

And it is working. But on those 100 airplanes, when you log in with your SkyMiles member authentication, you don't just get free Wi-Fi, you get access to Delta Sync's entire bevy of opportunities for you to sample, experience and discover new products and services. Paramount+ with Showtime. If you're not a member, you get to watch that for free unlimited for the entire duration of your itinerary. New York Times Games Behind the Paywall. You get to play those games as much as you want, even if you're not a Times subscriber. Atlas Obscura content for destinations. We get to now encourage you to explore the destination you're traveling to with really cool off-the-beaten path data.

And then even with Amex, we're working with them on their new platform with Resi, to give you the idea of the best restaurants in the places that you're going to. So it's not just about using your member benefit to log in to free Wi-Fi. On your PED device, it's using that benefit to also gain access to curated, personalized experiences with all of these partners in the ecosystem.

In addition to that, we're going to leverage our current partners. So our Amex cobranded credit card features prominently in this new Delta Sync environment. T-Mobile Wireless plans as well, a key partner for us as well. So we will keep adding to this Delta Sync ecosystem as it relates to the PED device. In addition, Wi-Fi offers our second logged in channel, the actual IFE screen. Remember, Delta has 150,000 individual screens, more than double on next largest US competitor.

But the problem with these screens is they've never been smart TVs. You couldn't log into them. Well, we have now successfully tested a ferry flight just a couple of weeks ago where we were able to authenticate you into the screen by getting a six-digit code from the Fly Delta app. And that screen, that Delta Sync seatback screen now knows who you are, greets you by your name, thanks you for your status, tells you what your connecting gate will be, tells you where your bags will be on which carousel, and asks you, do you want to leave off or pick up where you left off on your last flight with the content you were consuming; do you want to create a persistent favorites list that goes from flight to flight as you log in from screen to screen. And all of a sudden now what we're doing is creating that smart TV environment in the air. But again, it's a logged in member environment.

So we talked for a long time about how Delta has really led the industry on a multiscreen environment onboard the plane. We provided one screen, our customers brought a bunch of screens. What we did not do is have those screens all be logged in. And that is what we're doing with Delta Sync.

Take a look at this video to learn a little bit more.

[Video Presentation] (02:49:12-02:50:25)

## Allison C. Ausband

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

So I'll wrap this up. We're excited about the days ahead for Delta, and more importantly, our customers. We intend to keep climbing in operational excellence. We've got the best people. We will continue to invest where it

adds value. And now, we have the data, a single source of the truth. All the data in one spot to really drive that lifetime value. And again, as similar to how I opened, key to all this is membership. It's about driving that loyalty. So Dwight's going to come up next and talk about the loyalty ecosystem.

So thank you all very much.

---

## Ranjan Goswami

*Senior Vice President-Customer Experience, Delta Air Lines, Inc.*

Thank you.

---

## Unverified Participant

Please welcome to the stage, Dwight James.

---

## Dwight Lamar James

*Senior Vice President-Customer Engagement & Loyalty, Delta Air Lines, Inc.*

Good morning. Thank you all for being here. And for those of you who have a SkyMiles membership, we thank you for your loyalty and your business. For those of you who do not have a SkyMiles account, I know someone who can help with that. I'm going to spend a few moments talking to you about how we are expanding our loyalty ecosystem. If you think about it, we have been on a multiyear journey to transform loyalty beyond what people would traditionally think an airline loyalty program should look like.

You've heard it throughout the day, we have a vision to build an ecosystem for our members, both on the ground and in the air, where our members have an even stronger affinity for Delta, and it allows them to engage much further beyond the flight. So from the conversation from Ed, Glen, and most recently, Allison and Ranjan, we've talked about the importance, the power of personalization. We are improving our SkyMiles membership experience via personalization.

We've talked about how we are growing a more engaged membership base and how we're delivering high margin revenue growth. So we've talked at length about how our SkyMiles program, we're growing it right now at all-time record levels. We are bringing in on average more than 1 million new members each month into the program.

But here's the thing about the membership. We've talked about how they're becoming younger, more engaged and more premium. If you look at the average age of a new member to our program, in 2017, it was 44 years of age; in 2022, it was 39 years of age. Currently, in 2023, it's much younger. And it has been fueled by the introduction of free Wi-Fi. Our members are becoming more engaged beyond the flight. 9 million of our members are engaging beyond the flight, which is up 50% from what we saw in 2017.

Now that consists of members who are engaging with a co-brand credit card, members who are engaging in travel-adjacent experiences, which I'll talk about both of those shortly, but it also could include a member who is engaging with a non-air partner. One example would be Starbucks, which many of you know, we established that partnership in the fourth quarter of 2022.

Let's talk about engagement for a second. In the Starbucks partnership, since the inception, we've had over 2 million members link their SkyMiles account to their Starbucks Rewards account. In addition to that, we've had over 300,000 new SkyMiles members to our program as a result of the Starbucks partnership. And so, when you

talk about engagement and you look at the early success of the Starbucks partnership, a lot of that success was driven by digital integration and personalization, two common brands that really focused on growing joint customer bases and driving more engagement within our respective ecosystem.

And if you look at the new members who have joined our program from the Starbucks partnership, they're younger, they're more engaged, and they're more premium, the same attributes that are really representing our program today that we've been talking about this morning.

Now speaking of premium, we've talked at length this morning about how premium experiences are aligning with our premium product strategy. Glen talked about it. Allison and Ranjan just recently talked about. If you look at the premium penetration of our SkyMiles member base, it's doubled since 2017.

Now Ranjan was talking about all the data that we have within our customer base. I mean, we're constantly conducting performance and insights to really understand the various customer segments. Segments that have been talked about at length this morning are really millennials and Gen Zs. The millennial population, and I think we all know this, has traveled more than any other generation in our history. They're traveling 35 days a year on average, spending more than \$5,000 in discretionary travel. And many of them have a higher propensity to acquire a co-brand credit card.

In fact, in our portfolio, nearly 50% of our new co-brand acquisitions are coming from the millennial and Gen Z population, which brings me to our industry-leading co-brand portfolio. Now in Glen's presentation, he was quick to point out that he had a gold card on his presentation slide, but he upgraded, like many of our customers are doing, to a more premium card, which is the purple card. I'd like to let you know, I originally had a purple reserve card on my presentation, but I decided to upgrade to a limited edition reserve card made out of a Boeing 747 aircraft. Once again, I know a guy.

We have 25 million active members in our program, 25 million. This represents members who have engaged with Delta and/or have partnered over the past 12 months. Now if you were looking at how many SkyMiles members do we have in total, anyone who has an account, that number is 130 million, which represents roughly 40% of the US population. Now of the 25 million, 30% have a co-brand credit card, which Ranjan alluded to earlier. But the one thing about our portfolio that I want to keep coming back to that you're hearing throughout the morning is our portfolio is becoming more and more premium. The more premium my portfolio, the higher the average spend and the higher the remuneration from American Express.

Now earlier I referenced millennials and Gen Z as a customer segment. That is something that we're watching closely, particularly because their behavior is suggesting more premium experiences. But in our co-brand portfolio, as we've conducted more and more performance and insights, one segment that really sticks out is the small business segment. The small business customer, particularly when you look at our co-brand portfolio, overindexes on growth of acquisition of cards, but also the premium nature of the cards they acquire. In fact, over 50% of our small business co-brand portfolio are premium cards.

And so, when you start putting these pieces together, you can see how we've been able to grow our remuneration by 3x since 2014 to now where we anticipate we will exceed \$6.5 billion of remuneration in 2023. Ed shared a statistic with you earlier that our portfolio, when you aggregate all of our card spend of all of our card products, we are approaching 1% of the US GDP. And Glen shared on his slide but he didn't cover it, but we have now a new long-term goal of \$10 billion in remuneration, which we anticipate we will achieve by the end of the contract with American Express.

Our co-brand portfolio is the perfect case study within our loyalty ecosystem, where our members are engaging beyond the flight and delivering high margin revenue. But it's time to expand our loyalty ecosystem even more. And we're doing it through vacations, cars, stays and insurance. And what's really exciting about this is it is low capital, limited investment, incredibly synergistic when you think about our ecosystem and travel, and we think the growth opportunity has a tremendous amount of potential for us.

Today, we have 500,000 of our SkyMiles members engaging with travel adjacent experiences. This represents 2% of our current active population. But if you look at the profile of these members that are engaging, the profile of – these are among our most engaged members in the portfolio. I mean, 90% are utilizing the Fly Delta App; 60% are participating in premium experiences; 60% have a co-brand credit card; and 40% are small business customers.

Now recall, when discussing the co-brand portfolio, the small business segment is a segment that is overindexing in card acquisition growth and premium penetration. But when you combine this together, you can start to see how within the ecosystem all these different components fit together between customer segments, products, and experiences.

Today, this portfolio is \$250 million in profit contribution to Delta. We firmly believe that we can grow this in excess of 3 times in the coming years. And we're going to do it in a variety of ways, but the foundation of it, though, starts with digital.

The three things that we're going to do is, number one, we're going to increase awareness amongst our SkyMiles member base to drive top-of-funnel growth. Ed shared earlier this morning that we are a top five US e-commerce retailer. That's a pretty good foundation to start with if you're driving top-of-funnel growth. The second thing is we're going to enhance our digital merchandising with improved personalization, placements, segment targeting. This is going to drive higher click-through rates, higher conversion rates. And then lastly, we're going to offer compelling value propositions to our members where they truly understand the value and the utility of the SkyMiles currency.

And so, the moment we do these things, we continue to optimize this portfolio, drive even more engagement to travel-adjacent experiences. As Allison and Ranjan outlined for you, the more our members are engaged within our ecosystem, they're happier and drive a higher Net Promoter Score, and they drive more contribution to Delta. But this is why for this portfolio, we're not only excited about the opportunity, we're convinced that we can grow this profit potential in the future.

But when you look at the core, the center of all of this, and this is something that you're hearing consistently throughout the morning, it starts with Delta's trusted travel brand. Because we are number one in operational reliability, because we have the best people in the industry delivering elevated experiences to our members and our customers every single day, it allows this to work. This is exactly why we will continue to integrate SkyMiles across our loyalty ecosystem, so our members will understand the value of their currency but the power of membership.

We will continue to make digital investments, enabling personal engagement with our members, both on the ground and in the air. And we're going to continue to seek strategic investments and partnerships where they make sense, where we can deliver industry-leading value to our members.

And so, when you sum all of this up, it's easy to see why we are so excited and confident that we will continue to deliver high margin revenue growth as we continue to expand our loyalty ecosystem.

Thank you for your time.

---

## Unverified Participant

Ladies and gentlemen, please welcome back to the stage, Ed and Ryan Smith.

---

### Edward Herman Bastian

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

Well, thank you. Ryan, great to have you here.

---

### Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

It's good to be here.

---

### Edward Herman Bastian

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

Appreciate it, brother. So for those of you that don't know Ryan, Ryan is the founder of a company called Qualtrics, which I consider and I think most in the industry consider to be the creator of the experience management technology platform. Everything we've talked about today, you heard me, right at the very start, talk about Delta as a brand, as an experience company. It's a company that, yeah, we do transportation, but what we deliver is experience.

And it's Ryan's company, Qualtrics, that's helping us take all of that customer insight, personalize it, be able to cobble it together, to create better outcomes and better experiences for customers because we have sold – we have 200 million customers around the world that we take care of on an annual basis.

So Ryan grew Qualtrics, built it from his basement to where it's now a \$12 billion company himself over the last 20 years. Pretty, pretty impressive young guy. A longtime Delta loyalist, Salt Lake City-based. A few years ago, he took some of his money off the table and bought the Utah Jazz. So he's the owner of the Utah Jazz, so congratulations.

And another thing we share in common is...

---

### Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Wish me luck.

---

### Edward Herman Bastian

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

...we built back the Delta system center and all that goes into the marketplace. But we have so much in common in terms of how we think about business, how we think about growth, how we think about opportunity. It's great to have Ryan with us today.

So Ryan, if you could say a few words about Qualtrics, and we'll kind of jump into some Q&A.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah. So first, it's great to be here. It's actually good to be on this side of it and not on Ed's side for a change. But look, experience management is an incredible category. It's a category that we pioneered in 2017. And what we're seeing out there in the world is we have an interesting seat. We work with 20,000 brands globally. And we get to sit down with executive teams all over and a lot of them are commodity businesses that are being disrupted by technology, and they're trying to figure out how to have a moat, how to have a moat around this business.

And there's an interesting stat that 80% of CEOs believe that they're providing a great experience to their customers and their employees. But only 8% of the other side believes that to be true. And what we call that is the experience gap. And the best companies in the world are the ones that are actively closing that gap. And the reason why that's important is because as a tech entrepreneur, we sit back and look for gaps in large companies' market and say, whoa, there's a problem or I had this experience. I want to found a company that goes and disrupts that gap. And that's where disruptions happen.

So when organizations can actually close the gap and be in lockstep with the customer and the employee, magic can happen. And this is what we love about our relationship with Delta. There's probably not a better company in the world that defies experience management on that relationship between the customer and employee in that evolution. Because if you actually think about it, there's a whole host of airlines who actually have similar planes and similar routes, but how does one airline and brand separate itself constantly and consistently, and it's because of experience.

---

## Edward Herman Bastian

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

And it's because of its people.

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah.

---

## Edward Herman Bastian

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

And I always say the secret sauce of Delta are the people of Delta Air Lines. Because you're right, in our industry, we all have the same opportunities and tools and technologies, but it's only the people that will uniquely distinguish the performance and that's a sustainable advantage. And at Delta, we do it the best. But we need information to do it. We need insight, we need technology, and we've been working together for a few years now, trying to see how we can take the Delta experience and continue to elevate it above the pack.

So, do you want to share some of your experience with how we've been – we've been approaching it, and how – where do you see us going with this thing?

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah. So, I think a lot of – a lot of brands and the reason why I experienced this so hard is because if you actually look at an organizational structure, who owns the experience of a brand, right? Is it a marketing department? Is it

an HR department? And typically, we'll come into an organization and everyone wants the experience to be good, but there's no ownership, because we're structured in a way as an organizational hierarchy that isn't optimal for running the experience of a company.

And so, what I love about working with Delta is from day one, the experience has been owned from the executive team, starting with Ed and the group. And I'll never forget the first time we walked into a conference room together, we had outlined on the wall every single experience of the customer from the booking experience, the baggage experience to what's the missed flight experience of Delta Airline. And if you actually think about that, this is a brand or a business that probably didn't have a lot of control over a flight being missed or weather, stuff like that. But by leaning into every single one of these meaningful interactions and touchpoints, you are able to actually create an amazing experience for each one of your profiles or audience members which needs to be personalized.

And so, if you take that into context, and then you say, well, actually, how do you manage the experience? Well, you actually need to get all of your experience data into one single spot, and that could be on social, that could be through the web. It could be through your feedback, your surveys, your NPS. And so what we've been working on is taking the Qualtrics platform and Delta with all of the data that they have and putting it on to one single platform where we can manage every single experience and personalize and know what that experience is.

And I'll give you an example with some changes that were made to the missed flight experience, right? So simply by focusing on that one experience, by turning up how we were going to together act on that experience, by offering help, offering drinks and services for people that were going to miss a flight.

There were two interesting numbers. Number one is we saw that the customer NPS, by leaning into that specific experience, went up by 18 points. But more than that, the employee NPS went up by 23 points. And so, there's an age-old saying that we see in our business where if you've got happy employees, you have happy customers.

And the reason why this is so complex often why brands can't do it is because experience is not a one-size-fits-all. If you actually look at the segmentation of the travel base at Delta, you've got all sorts of different travelers with different needs. And the only way to do this is to take every single meaningful touch point and roll out a data program where you're having a live communication with every single person at scale.

And the one thing that we saw, even in a bad experience with a missed flight, is that 50%-plus of the individuals that went through that wanted to have a conversation back with Delta. That's unheard of from a data standpoint. And then being able to actually tie that to who these people are, their segments, how often they fly, what type of traveler they are, and make sure that no matter who you are, there is an experience that is built for you within the airline. This is how you manage experiences.

---

## Edward Herman Bastian

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

That's incredible. So, Ryan's company serves, I think, 75 of the Fortune 100. I think you have almost 20,000 unique customers for the product, all different types of product offerings. How would you evaluate how we're doing on a scale compared against many of the major consumer brands out there that we all know and love?

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah, I think for a 100-year old company, like I think it's pretty – it's pretty incredible. And there's two attributes. Number one, I explained, which was it's not a department, it's actually a cultural dynamic that starts from the executive team down. That's rare. And the reason why that's important is because you often with experience, you have to have honest conversations about how you're really doing. You almost have to be your own activist inside your company and the experience lens where you've got to admit, when you've messed up, you've got to be honest. And that's the part that I love about working with the Delta team. Nothing's off limits when it comes in, which is the opportunity you have.

And then I think number two is when it comes to innovation, I'll never forget with the free Wi-Fi where here you are, you're making \$1 billion-plus bet into launching something out there. And we're setting up a listening post at every single point as someone gets in there because we want to know what's wrong from an experience standpoint faster than anyone else. We had a command center setup at Qualtrics there. It was like our team was launching free Wi-Fi with you to go through and say, hey, how do we know how this is going because we want to get it right. And if I look out what the opportunity is, is really that ecosystem.

We just saw the whole discussion around that ecosystem. And a lot of times if you're a brand that can actually win the hearts and minds of all of the people, that entire ecosystem becomes yours. Delta's brand will not go away, but owning the ecosystem is not a guarantee for any brand.

---

### Edward Herman Bastian

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

Yeah.

---

### Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

And when you look at growth from that ecosystem, that ecosystem of travel of experiences is just getting bigger and bigger and bigger and way bigger than anyone thought. You almost can't pencil it in what that's going to be.

---

### Edward Herman Bastian

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

Absolutely.

---

### Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

And we've seen that just continually grow, and when there's loyalty within that ecosystem in a way that people almost don't want another experience, they don't want another brand because they want that experience, they don't leave it, they don't look, they don't shop. They know what they like.

---

### Edward Herman Bastian

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

Right.

---

### Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

And that's what we're seeing, and I think it's an exciting time to be that. So, those are the two things that I think are going really well. I think going forward is how do we together take experience and make it even more of a competitive advantage? I mean, there's a reason why, when that experience gap closes, the brand becomes what it is. There's a reason why you're a top 20 brand. It's because that experience gap is to a point that it is.

And so the key is with experience, you have to continually do that. That is an everyday, every moment, every flight iteration and adjustment that the organization needs to make. And I think lastly, what I think's incredible is there's a culture of action. There's a lot of organizations that gather a lot of data. That doesn't mean they do anything with it. And I think people get – there's a little bit of an adjustment people need to make is how do you actually build a culture of action, and that comes down to people.

---

## Edward Herman Bastian

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

Right.

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

And so, I think what we have a chance to do is you've got an incredible brand. You're increasingly on the offense around experience, which is going to create a moat that's going to make it nearly impossible for people to catch. The ecosystem is going to get back to you. You're seeing that with Amex and everything else. The culture of action is what's going to continue. That is where when the data comes in. When someone sees something, does someone move, does the organization move, do they say, hey, that's not how Delta should be, especially when you can't control every experience.

---

## Edward Herman Bastian

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

Yeah. Yeah.

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

And so, that's the power.

---

## Edward Herman Bastian

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

That's kind of the magic of it, because we have 50 million unique customers a year travelling on Delta. Collectively, 200 million times a year. And you're enabling your technology to be the voice of those 50 million people, which is hard to get to because the 50 million people interact with us in so many different parts of the journey, whether it could be on the phone, whether it could be in the app, whether it could be in the airport, whether it could be on board.

And the complexity of understanding that single customer view and how to engage with that individual to enable that personalized touch that they feel, yeah, this is Delta, this is my brand, we do it through hard work. I mean, our people do an amazing yeoman's job. But if we can put the technology in their hands to help them get ahead of it or just a little bit better. I think it's – I think it's powerful.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah. I think there's two types of data that typically come in. You have the data that's telling you what happened, right? This person booked a flight at this time and this is who they are. And most organizations really lean on that part of the business where it's saying, hey, here's the revenue that came in, this is what's going on. Well, in experience, there's another side of data which we call experience data, which is also telling you how do they feel? What do they think? What can they improve on? And what's happening is, people are valuing that data and they want to share that data with the organization.

And by the way, they're going to share it with the world...

## Edward Herman Bastian

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

Right.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

...if they don't have a chance to share that, so what we're doing is really building a connection where you're running the business off both data points. And you're actually combining them together. What are the hearts and minds of the people. And what happened.

And reality is when I first started 20 years ago, to run the business on experience data, it was nearly impossible. It was a data point. And you would run the business from the inside out. And now, because of technology, the way we can communicate all the different channels, the way we can roll out Wi-Fi with a listening post at every point, we actually can run the business from what happened to the outside in how they're feeling in real time, and then drive action and say, hey, that's not the Delta experience or that is do more of that, like we hit something or there's a new marketing campaign.

A customer told us about that. Or, you know what? They would actually rather have that product as something we launched that we controlled the Delta way. And that's part of the ecosystem as well.

## Edward Herman Bastian

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

So I'll ask one more question, and I'll open it up.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah.

## Edward Herman Bastian

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

We have time for a couple of questions from the group here. One of the challenges with getting customer insight is making it simple for customers to give it to you. They don't want to fill out. Some do fill out the long...

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yes.

## Edward Herman Bastian

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

...form. This is all the stuff happened. I get emails every day like that, that's painful. But how do we get information simplified so that customers can give almost real-time feedback and us be able to respond? Because the worst thing about customer feedback is, once it comes in, you have to do something with it.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yes.

## Edward Herman Bastian

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

And if you don't go back to the customer, then they feel like you don't care.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah. So, historically, this has been a technology problem where you're kind of starting over every time you reach out to the customer. And as we just heard on the panel, Ranjan was talking about the smart panel where everything on that panel brings up your profile and where you're at.

The way we're thinking about experience data with Delta is very similar. What we want to know is, hey, we have the operational data that told you what you did. And then, at every moment, we're trying to get, are you good? Are you good on your journey? Is there anything we can do? And we roll that in. And we roll that in. We actually build this longitudinal profile of the individual where if I go to scene two or how it used to be done, you would go back and you would ask a bunch of questions. That data would come in, you'd look at it and no one in the organization would ever use that again.

So wait. Someone like me who is flying your plane, plane on your plane, took time to tell you how I feel and your organization's going to look at it. If someone's going to look at it and they're not going to use it again, like that's how the world's operated. And so what we're doing is we're saying, hey, we're going to build this profile of record of not only what someone's done, but how they feel throughout the process. And we're going to know you and get to know you better and better and better.

And so we don't need to ask questions that we already have answers to. Not only that, we have up to 30 different ways that we can do this, whether it's a QR code, whether it's something in the app, whether it's thumbs up, thumbs down, whether it's on the side bar of the app, whether it's an email at the end, whether it's through social media. Wherever you want to be communicated with, wherever your personalized way of communication is going to be in the future, we will be there with Delta to say, you good. And if you're not, our goal is to trigger that back and be able to take action. And that's how you create and truly become one of the world's top experience companies.

## Edward Herman Bastian

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

It takes from us doing, managing experiences in a one-off manner. Almost – I've referred to it within our team as heroic effort, which we do, and we're really good at it. But if you can manage the heroic attitude and DNA of the Delta people with the technology that's going to point them to where those heroics are best applied, it's – I think it just takes this thing to another meaningful level. And our goal clearly here is there's no reason why anybody should ever have to fly another airline ever again other than Delta, right? That's the bottom line.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah. Yeah.

## Edward Herman Bastian

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

That's the bottom line.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

It's an aggressive one and it's good because – but it's easy to have conversations with people one-to-one.

## Edward Herman Bastian

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

Yeah.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

It's hard to do it one to many. And the best brands in the world are the ones that are able to do that, so it feels like it's one-to-one...

## Edward Herman Bastian

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

Yeah.

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

...even though you've got 200 million people.

## Edward Herman Bastian

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

Precisely. Well, we have time for a question or two, whoever has the mic.

## QUESTION AND ANSWER SECTION

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Hey. Thanks. Mike Linenberg, Deutsche Bank. Really enjoyed the segment, fascinating to kind of hear it broken down. Ryan, you talked about touch points, you measure virtually every touch point. What are we talking, hundreds here, thousands here? I mean, it...

**Ryan Smith**

*Founder, Executive Chair & Director, Qualtrics LLC*

A

I mean, it could be billions.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

But I'm saying in the case of Delta right now.

**Ryan Smith**

*Founder, Executive Chair & Director, Qualtrics LLC*

A

Yeah. Yeah. I think that as we've started, we've gotten super specific, like, for example, when we were launching Wi-Fi, we wanted to make sure on the free Wi-Fi on the planes that we're going out that every time they log in, it was literally a prompt, like, you're good and then we spent a lot of time trying to say, hey, we don't want to interrupt the experience, but we want them to know that we're here. And so, that's a little what I would call kind of little more reactive data consumption. And so, I think that those could be hundreds of thousands.

And then we have like where we're going to post-flight, and then we also have something we're really working on is on the employee side, right? And for the first time ever, how do you measure the customer and the employee together? So, I gave that stat where we knew that one fix might have improved the customer experience by 18 points on an NPS, because they were offering donuts or a drink or something to ease the pain. But historically, you wouldn't have known that your employee experience went up 23 points. And that's probably more important because that will garner more love and support for that. And so, millions and millions of data points, I mean, it's tough to say at this point. But they continue to grow as we roll out this platform, this customized experience management platform across every touch point so.

**Edward Herman Bastian**

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

A

And the great thing Mike about it, I love about Ryan's platform is that we're going slow. We're not trying to kind of dive in and boil the ocean. We've got a bunch of pilots that we're testing and rolling together and learning from it. And so, this is something, this is journey. You never arrive at the destination of, it's always about getting better, not necessarily arrive.

**Ryan Smith**

*Founder, Executive Chair & Director, Qualtrics LLC*

A

My guess is there'll be, by the time we're done 60 or 70 major experiences within Delta that we'll have listening posts at every major touch point both digitally. Because if you think about digitally, everyone is like, hey, we're

going to be a digital company. We need to go digital-first. We have a digital transformation. How do you know you're getting it right? Everything I've ever launched digitally and I'm in that world has been wrong when we started. Go look at our first website. Go look at our first code. Go look at everything. And everyone's like, okay, digital transformation, we're done. That's not how it goes. You actually need to make sure you're getting that feedback in, in real-time to be iterating. And that's what I love about where we're going.

---

**Edward Herman Bastian**

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

Time for one more.

A

---

**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

Thank you. Ravi Shanker, Morgan Stanley. Two questions. One, it's pretty clear, we've all become walking data sets in the last decade. How do you balance telling a customer we are here for you all the time versus privacy concerns? Kind of where is that line? And second, I may be slightly facetious of this question, but one of the biggest friction points post-pandemic is basically co-passenger behavior on planes. Given that you have billions of touchpoints and datasets, is there any way you can predict something like this before it happens and going to film customers blowing up and maybe try to diffuse that? I don't know, maybe, I'm kidding.

Q

---

**Ryan Smith**

*Founder, Executive Chair & Director, Qualtrics LLC*

Yeah. So, first on the privacy side, I think that the beauty of a brand like Delta is people want to talk. I mean, that's, and I'm just going to stop there. We work with a lot of customers who their people do not want to talk to them. They do not want to have a conversation at scale and when you have a brand where 50% of the people want to communicate, it's, I mean, you're up there with like the NBA, where everyone wants to write a diatribe about everything. Like this is powerful. And so I think that there is a chance to do something great there.

A

As well as is especially with the rewards and the loyalty program, they're basically coming and saying, hey, like my whole world is privacy, but actually I want to be part of this group. And so, they're opting into that, which makes that – it makes that Wi-Fi move even a bigger move. Because if you look at it, you're able to customize that even more. Sometimes it's hard when people don't share who they are or their location or how they are, like it's hard to provide the experience. It's like, hey, we're trying to help you, we're not going to use your data for something weird like, this is it.

And then on the unruly passenger side, like, I mean, Delta has a better idea how to deal with this, but hopefully, we can – with the data points, my guess and what we're seeing is you'll be able to look at a passenger's historical flight data and then how they feel and maybe say, hey, you know, as I talk about, experience isn't the same one, same thing for everyone.

If you want to get experience wrong, try to just give everyone the same experience. You actually have to personalize the experience for individuals and the type of travelers they are. And I think everyone's going to deal with this or has been dealing with this. I think the chances to fix it when you have a better profile of who people are from an employee standpoint helps.

I also think that when you have employees who are charged, who love their job, they're the ones who matter in these moments versus an employee who's worn down. The organization is not changing. They're not feeling supported. It becomes this compounding flywheel. And we've all seen that when someone goes home and you're

like, wow, that was a hard situation. You're amazing. Way to solve that. And I actually believe that that's one of the big benefits that the Delta has, that people love it.

---

## Edward Herman Bastian

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

Great. Well, Ryan, thank you. We've got – we made a lot of progress, we got a long ways to go on the journey, and we're glad we've got you as our platform creator and the innovation that your team provides us and because you're right, we're a 100-year-old company. We have – this is new stuff for us to be caring about and thinking about, but I think it's powerful if we can get this thing right.

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Well, we appreciate your support, especially if you look where I'm from in Utah, Delta is everything, right? The contribution not only to someone who's grown, probably one of the bigger tech companies there, like your brands fundamentally change our state, which is pretty cool.

---

## Edward Herman Bastian

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

Okay. Thank you, everybody.

---

## Ryan Smith

*Founder, Executive Chair & Director, Qualtrics LLC*

Thank you.

---

## Unverified Participant

Please welcome to the stage Dan Janki.

---

## Daniel C. Janki

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

Good morning, everyone. How are you doing today? In the homestretch, right? Here we go. Well, hopefully, you got a sense today on Delta Beyond, just the power of it, and how much stronger it can make Delta. And over time, the shareholder value that it can create and the compelling financial outcomes associated with that.

Today, what I want to do is spend time on our top three financial imperatives and the progress that we're making against them on the long term here. And the three are really clear for us: run the company for margins; focus on cash, cash generation; and three, over time, we want to build more durable earnings, and you've got a sense for that today, capability with enhancing returns.

So let me start with margins. Delta has a long track record and history here. In the past decade there, we had six consecutive years of mid-teens margin performance. And you heard a lot about today that was built on this foundation of, what, the best people in the industry, leading operational reliability, a real focus as it relates to the commercial and network strategy that gives you that durable revenue premium, but we delivered that with a competitive cost advantage, and that was foundational over that period of time.

And when you fast-forward to today, we believe those foundational elements are only stronger. So as we go into this year, we're executing at the high end of our margin target of 12%. That's 400 basis points increase year-over-year. And we're on track to deliver 13% to 15% next year. Another 200 basis points, as you see growth normalizing and us driving down that unit cost.

Cash; cash generation. As Ed said, it's always been part of the culture and focus. It starts with that margin, that margin performance that drives the operating cash flow and allows us to then be really disciplined, consistent and disciplined investors over time and ensuring that we also build a strong financial foundation and balance sheet. We've always been focused on debt and leverage ratios, but also delivering meaningful capital back to shareholders, and we're on that journey.

When you look at our three-year plan, we're ahead of it as it relates to cash generation. We're paying down debt. We're chipping away at the interest cost. And at the same time, we just recently announced a dividend and got that. So again, margins, cash and then building those durable earnings over time while enhancing returns. Ed talked about the levers that the company now has and has built and more dynamic around it. But I think you saw all the attributes today that create the foundation block that just make the business more robust and more resilient over time.

So I'll talk about each of these in a little bit more detail as we go through this. But what I want to do is just step back and talk about where we are in our three-year plan. It was December of 2021 when we laid out our targets and put out markers out there where we wanted to be over the next three years. We're now at the halfway mark and we're even more confident today in the end point of 2024 and the targets that we're on.

As you saw today, 2023 is just really, really strong performance across the board and good demand. We raised our second quarter outlook. That's on the back of what Glen talked about, revenue, the demand environment. We have moderation in fuel. We have costs in line with our expectations related that – and that really sets the stage. That, along with the visibility that we have into the second half, third quarter and into the fall, gives us confidence that we will be at the high end of our total year guidance. That's revenue up 17% to 20%. That's margins of 12%. That will put pre-tax around \$5 billion and that creates the foundation for \$6 of earnings per share. On a year-over-year basis, that's almost doubling from that perspective. We'll have cash. We had it greater than \$2 billion. Now, it's \$3 billion. That allows us to drive down our leverage to 3 times versus the 3 to 3.5 times and now on our way to below 2.5 times as it relates to 2024.

So, the environment, when we sat with you in December of 2021, we had expectations of how it might play out and the evolution. It certainly has played out differently, but the one consistency through that has been our execution against that plan.

So now, let's talk about the first priority, margins and margin performance. Fundamental to that is cost and our cost performance. We control our cost execution. It's within our control. As you heard from Ed down, and I'm sure as you spent the last day with our leaders, you get the sense that our cost execution and unit cost execution is enterprise-wide priority. It certainly starts and as we talked about, throughout the quarters, throughout the months with you, with great operational reliability.

The other one that we're going to talk about is getting back to normalized growth, also will enable that cost execution in getting the friction out of the system. Our 2Q costs are in line, and as we go in the third quarter in the back half of the year, we hit an important inflection point. We'll have unit costs down on a year-over-year basis in low-single digits, and that momentum will continue as we drive cost down into 2024 with that normalized [ph] growth (03:40:43) really getting at the efficiency level.

When you think about 2023 from first quarter to fourth quarter, you have about a 7 to 8-point decline as it [ph] rates (03:40:55) progression over that period of time, and it comes back to the three drivers that we talked about. As we complete the restoration, our rebuild costs are complete, most of that is behind us here in the first half of the year.

The second component of that is normalization of our core maintenance. We're higher in the first half, lower as we get through the back half of the year, and we're also now starting to see the benefits of both the scale and the efficiency as we go through this, and we restore the elements that we talked about. Some of the core hub restoration is in the back half of this year and now goes into 2024, but we'll get those benefits associated with that.

That progression of 7 to 8 points is a few points lower than what we thought or expected at the beginning of the year, and that's driven by capacity. When you look through June, through the back half of the year, we took out just over 3 points of capacity over that period of time, thus impacting that and results in our total year non-fuel cost being flat on a year-over-year basis.

Absolute costs are in line with expectations. We have very good visibility to that in regards to it. It also takes into consideration all the labor escalation as it relates to the Delta workforce, as it relates to regionals, and also as it relates to our third-party supply base. We are certainly seeing moderation as it relates to inflation in that base. And now, as we go into this more normalized period of growth, as we go into the back half of this year and next year, we'll really get after those frictional costs, those rebuild costs and drive those efficiencies.

So I want to give you a little bit of context on the opportunity in front of us as it relates to this efficiency when you think about it. I also want to put in perspective the growth in the period of time that we've been through in the last two years. Growing an airline at 20% and 17% like we've done over the last 24 months is certainly unnatural for an airline of our size. It has put a lot of pressure on our operating teams, and with that, it's required additional buffers and it's created frictional costs associated with it.

It's taken a herculean amount of effort and intensity. Ed talked about we've hired about 25,000 new employees that we brought into the system. Hire them, train them, onboard them. The good news is that started in earnest in late 2021, continued through 2022, we're through that, so that workforce is starting to season. We've also talked about 40% of our leaders being new in role during this period of time. They're now spending much more time running the operation versus the hiring, the onboarding, and training. And they too have gained that experience associated with it.

Let me give you a few examples as we look at the \$1 billion of opportunities in front of us, related to rebuild and efficiency coming out of the system here. I've talked a lot about things like flight crews, as the hiring and training comes down, also airport operations as we build out the core hubs and our low-cost efficient ones. Maybe give you a few other examples. Reservations today is a great one as it relates to newness. And Allison sits every day with the team, over 50% of our frontline employees there and 60% of our leaders are new over this 24-month period of time.

We now added – we entered the year where we were finally fully staffed. So, now the workforce is back to normalized hiring, normalized training. We can now deploy the specialist in support of the frontline. And with that, you're seeing call handle time improved, down over 10% just from the beginning of the year. And we'll continue to move forward. And that doesn't even take into consideration what you heard today as it relates to the opportunity,

continued to be in front of us to drive self-service and digital penetration with our customers and serve them differently.

Another area is with maintenance. You guys cover the aerospace industry. You see it every day. The supply chain is taking a long time to normalize. If you look at engine turnaround time running across our platforms, on average, 20% higher. If you look at external third-party airframe checks, turnaround time 30% higher. Component lead times, 30% higher.

So, what's that mean? We're carrying more inventory. We have more engines in WIP at any point in time. anybody that was over there yesterday. Granted the roll shop was mostly third-party activity, but you got a sense of the magnitude of just WIP that's waiting for material associated with that. So, our opportunity in front of us is continued to improve our labor productivity, but also work with the supply base as it relates to material flow and continue to get those inefficiencies out. That's both a cost opportunity, but it's also a cash opportunity because we're carrying those excess inventory buffers to support the operation.

And maybe the last one, I'll give you an example on is one that actually just across the field here, it's our catering operation. We had a new partner, we actually built a new kitchen, but in the midst of standing it up, we weren't able to optimize it day one when the team went after it. And this spring, through about a 12-week sprint of lean activity, they reflowed the activity from the moment a cart comes in to how do you receive it, how do you decant it, how do you clean it, how do you re-inventory the product, how do you rebuild it and get it ready for the next flight.

And as the team worked through that, they were able to take contract labor hours per cart out by over 20%, inventory in that kitchen came down over 20%, and we significantly shrank the turnaround time. And now they've put in a continuous improvement daily management process that will continue to drive opportunity. We're not done. That's – they're still in the early innings of the opportunity in front of it. But what we really have the opportunity there to do is take it around our system those learnings and apply it everywhere else to drive those levels of efficiency.

So not of these in themselves move it. It's the collective nature of this in regards to being able to drive it and have leaders and teams that can focus on it, and really getting into that normalized growth period, allows you to really lean in to these activities and it'll be part of what we do at the end of this year throughout next year.

Another thing I thought was helpful we talk a lot about, certainly, our financial results for us and the industry at times through this restoration period have been hard to analyze. But when you step back and you look at some of the core unit metrics on a 5, 7, 10-year basis, it's amazing how consistent and similar they look as you look through this cycle.

Glen talked about TRASM this morning, but when you look at the 2% to 3% TRASM over this period of time, it outpaced the all-in aggregate performance as it relates to fuel and non-fuel cost and fuel efficiency, thus driving margin expansion. Over that period of time, real GDP grew 2%, our capacity grew 2%. And Glen and the team grew TRASM 3%, a 1-point benefit to that. And at the same time, you can see non-fuel cost being about in line with inflation through this 14-year period. So, again, it gives you context in regards to that performance and actually how similar they look. But as we look at this and we think about the durability of the revenue premium and the TRASM and we are driving down unit cost is what gives us confidence as it relates to margins in 2023 and 2024

So here related to margins, here's the historical look. We've talked about coming in at the high end this year, another 200 basis points next year. The key drivers associated with it. One thing that was weaved through today's

discussion, Glen hit on it, you heard it in digital. The other thing that's underappreciated is there's a lot already in our run rate. Glen talked about the airports. We've brought \$13 billion of generational assets online. That's in the cost base. And as he mentioned earlier today, and he reminds me of the most expensive day is the first day associated with that operation. It only gets better from there.

The technology investment, whether it's Wi-Fi, whether it's moving things to the cloud, all that's in our run rate, and we'll be able to get benefit from that as you go forward. And you can see that as we're starting to get leverage on our invested capital, a 500 basis point increase this year and with a target of being in the mid-teens.

So with that margin performance, that drives the fuel, the jet fuel for the company. That is the cash. And over time, we've been able to be consistent, disciplined investors through the cycle, continuing to strengthen the balance sheet, but also return capital to shareholders. This year, we had \$2.4 billion of natural amortization of debt. We'll pay down over \$4 billion. So we're accelerating that paydown, getting after that interest line and continuing to de-lever the company.

And then I also just point on reinstituting a dividend. Just as a point of reference, we now open up the shareholder base to investors that have a yield focus. In 2018-2019 time period, that represented just about 10% of our shareholder base, to give you that context.

And as you look through this three-year plan and you put all the elements, not just leverage together regards to how we're performing related to this, we will have leveraged down below 2.5 times. The other point here is a much stronger pension before we're contributing about \$1 billion a year in the 2014, 2015, 2016 timeframe. We're now fully funded both on a GAAP and a cash basis. Our unencumbered assets built by over \$10 billion during this period of time, and we're carrying more liquidity.

So, as you come through the cycle just a much stronger balance sheet with more flexible tools available to us to weather any type of cycle as we go through it, so really strong financial foundation. So as I think about this and you come through the three-year plan, we'll have restored our margins, our earnings power, our cash flow generation, we'll exit with even a stronger balance sheet position and financial foundation as we go into this.

We've talked about earnings durability, and that's the third piece. And you heard a lot about how the core has opportunity and continues to get better, the resiliency and robustness of the revenue premium and elements associated with that, the international part, all the components associated with that. And you also heard about loyalty, digital on the other items. One of the ones that we had an opportunity yesterday spend with 30, 40 investors was going through our TechOps operation, both the delta side of it, but also the third-party side. This is another one that we're quite excited about. When you look at the market, the market is about of the MRO market. Engines and components make up about \$55 billion of the overall market. And they're both growing the fastest. And you're going through this generational transition to next-generation technology.

And the Delta team had the foresight here in regards to thinking proactively versus just opportunistically here and there about the MRO as we were building off the heritage of 90-plus years of Delta tradition related to maintenance but to go after in a more systematic way. And we started this journey back in 2015 with the first agreement with Rolls-Royce on the next-generation platform of engines that they had. We then extended that in the 2018-2019 period with Pratt & Whitney Geared Turbofan to be on their set of platforms related to those engines.

And then last summer we extended again in entering being a preferred with GE CFM as it relates to lead platform. We're now positioned the vast majority of the next-generation platforms as we go forward. Those platforms, from

an engine perspective, when you look at over the next decade, they'll be growing 14% annually while the legacy market shrinks by 4%. So incredible, powerful, [ph] demographic (03:53:29) and well-positioned. These are things that we had done for Delta, but we can expand this capability and serve the third-party market associated with this.

So this is a market and a business that we're quite excited about. It was – for us, it's just been under \$1 billion. Certainly, as we went through the pandemic, a lot of that activity was paused as we focused on the restoration of Delta. We continue to invest and build the capability. And now, we're in a position as these shop visits are starting to come in. Recently, many of you that were over there yesterday saw that we opened up the Geared Turbofan. We talked about that. Shop with Pratt, the dedicated shop for Rolls, and we'll be starting on a dedicated shop for GE CFM in the coming months and quarters here. So we think this is a business that can double in the coming years and then has the opportunity to more than double again when you think on a long-term basis associated with this business and a business that enjoys good margins, mid-teens margins related to the industry and what we believe we can achieve in this marketplace.

So again, just another way that differentiates Delta. So hopefully, you get the context coming around today that there's a lot of opportunity. We already have an incredibly strong core built on great people, industry-leading operations, credible network, commercial strategy and network, a brand that's continuing to ascend. Great international partners allow us to continue to globalize the business and build off of it. But also, the things that are very unique to Delta to be able to extend.

You heard the discussion with Ed and Ryan as it relates to personalization and where we can go with digital, the loyalty journey and things like MRO that are accelerators. So that's what we're most excited about is not only building the opportunities available in the core, but all these other elements that only accelerate the revenue, improve earnings, improve return, improve durability through the cycle and we think create basis for where I started, very compelling financial outcomes and long-term shareholder value creation.

So with that, I'd like to wrap it up, say thank you, and I think we're going to now move to Q&A.

---

## Unverified Participant

Ladies and gentlemen, please welcome back to the stage our Delta leaders.

## QUESTION AND ANSWER SECTION

**Duane Pfennigwerth**

*Analyst, Evercore ISI*

Q

Hey. Thanks. Duane Pfennigwerth, Evercore, back here in main cabin. Next Investor Day, I'll definitely pay for the upgrade...

**Julie Stewart**

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

A

Upsell.

**Duane Pfennigwerth**

*Analyst, Evercore ISI*

Q

But I want to come back to Glen. Just on loads versus yields, if we think back to this idea of changing behavior and changeability. You mentioned on last quarter's call some different approaches just given close-in behavior changes. Could you give us an update on how that's going and how we should be thinking about building load factor versus sustaining yields this quarter and into the back half? And then just on your planning assumptions, I think one of the surprises last year was the duration of leisure strength into September and October. And of course, we don't know that yet. But you have some bookings. You put out some percentages there. How are you thinking about that leisure dynamic into what is normally a stronger corporate period?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

So, sure, more than you wanted to – this is going to be a harder question than you thought. When we had the first quarter earnings, we had a lower materialization rate than we had seen. We assumed that that was going to continue, but now, looking back, we think it may be related to the Southwest disruption and people double booking for their spring break. And so while I was here in the March period, it seemed to ebb and flow back out and we're back to more of the materialization rates that we had seen at the beginning of the year.

And as loads go, our ability to capture and I'll just throw out one statistic today, the airline is booked to 97% of the seats that we had open for sale, which is at on-year record and we'll probably close with a flow and load factor of 95% to 96%. So I think we're managing the new reality really, really well here in Atlanta. And for those of you who will be doing, look around because 99% of our seats out of Atlanta today were sold. So look around, it's going to be a busy day and hopefully, we get everybody back on time.

**Edward Herman Bastian**

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

A

And Duane, we're going to be back to you guys in a couple of weeks with Q2 earnings. So we'll address fall then, I'd rather not, I get into the little bit of the near term like that.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Hey. It's Savi Syth from Raymond James. I guess I paid for premium economy here. Just on the MRO side, could you talk about how you get from here to 2032 in the sense of is that more ratable or do you see more of kind of a

hockey stick as some of the new generation aircraft have to come in for maintenance and any investments around that?

And then my second question is just on kind of on an earlier topic around the JVs and you were talking about wanting a seamless travel and not having passengers get caught in the [indiscernible] (03:59:47), like where are you in that journey? Like, what do you think you can realistically deliver in the next kind of three years' timeframe and in improving that experience?

---

**Daniel C. Janki**

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

A

Yeah. And MRO, when you go out, you, well, one is you can see the next gen for geared turbofan for LEAP, for the Rolls installed base building. And then you get a sense for the – how those shop visits come in. And they are pretty linear and they build very nicely and actually don't peak until you get into the 2035, 2040, really, time period. And we talked a little bit about it with – yesterday, both with Rolls. We have an agreement to where we'll take up to 150 of their shop visits with Pratt, it's up to 350. And we have agreement to at this point in time. And as they're ready to send us those shop visits, we'll bring them through and as we're building the capability and both shops are up and running. So you'll start to see those flow through.

---

**Edward Herman Bastian**

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

A

And on the customer seams, it's a journey. And obviously, during the pandemic, that journey got halted a bit because the international airlines didn't have the resources, the capabilities, the international flying just didn't exist for the better part of a couple of years. So where we are is we're back at it. The teams working hard on it. We have some light version. We're well-advanced [indiscernible] (04:01:09) out there somewhere in terms of that – sitting on the same frame and continuing to drive together the experience. We have others that – we've got quite a ways to go. The LATAM is new. The Korean relations are still relatively new, but it's the right thing and the strength of the international opportunity, as it grows, it becomes more apparent to both of us, us and our partners, to continue to commit the resources. So what I can tell you is that it's at the top of the list of things that we as CEOs and as leaders here share with our partners. So we're making good progress.

---

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Oh, hey, Mike Linenberg here at Deutsche Bank. Thank you. I guess two to probably Dwight and Glen. I want to go back to that \$10 billion of remuneration of Amex. It says, I think long-term, you're going to be probably over \$7 billion in 2024. And what I think is remarkable about that, that \$7 billion is from whatever, 2018, 2019, pre-COVID, the fact that you were able to hit that. So let's say that that \$10 billion is 2026, and your MRO revenue is \$2 billion. At what point, are we at maybe 70% of your revenue is premium and ancillary, because those are both faster growing businesses than I think your passenger business?

---

**Edward Herman Bastian**

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

A

No question.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Yes. Well, I'll let Dwight answer, I'll just start by, the \$10 billion we said was in this contract. The contract ends at the end of 2028 (sic) [2029]. So we're not – hopefully, we get there sooner rather than later. But that's our guidepost for the TAM.

---

**Edward Herman Bastian**

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

A

I think both us, and Amex, would like to get there a lot faster than 2028 (sic) [2029].

---

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Right, yeah.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

But that's our outside guidepost. I just wanted to – and listen, I think we're really excited about moving and accelerating to more diversified faster. I think we put some markers out there today that we'd be pleased to be ahead of those. Dwight?

---

**Dwight Lamar James**

*Senior Vice President-Customer Engagement & Loyalty, Delta Air Lines, Inc.*

A

Well, I think Glen and Ed both answered it. But we will say that we are excited about the opportunity. You know, earlier I referenced how premium, the portfolio has become, which is actually growing the average spend on remuneration at a very high rate. In fact, the premium nature of our portfolio is up 6 points year-over-year and 14 points versus 2019. So you can then kind of appreciate why are you seeing those spin numbers be as strong as they are and remuneration coming in at the rate they're coming in.

---

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

That actually sort of leads into my sort of follow-on on driving that \$10 billion. Are you assuming any additional sort of revenue or pick up from the agreements that you have with your partners? And when I think about the antitrust immunized JVs, we think about networks and extension, extending the brand. But now you have so many other parts of your ecosystem. And I think like – I think in the case of Aeromexico, I think maybe you have an MRO JV. I mean, it's across the – how much of that – is that actually in that number, and is that a meaningful opportunity to start bringing them in, not just connecting passengers but really being able to allow them to spread the Delta ecosystem around the world?

---

**Edward Herman Bastian**

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

A

The answer is yes.

---

**Dwight Lamar James**

*Senior Vice President-Customer Engagement & Loyalty, Delta Air Lines, Inc.*

A

Yes.

---

**Daniel McKenzie**

*Analyst, Seaport Global Securities LLC*

Q

Hey, good morning, guys. You have Dan McKenzie here on your left. Great presentation. Thanks for doing this. A question for Glen and then Dan. But, Glen, I think the reason Delta stocks trading at 6 times estimates for next year is just the worry of a recession. And so the question really is the incremental revenue hit from a potential recession is corporate, are corporate travel managers today behaving like there's a recession and if there is a recession, how might their behavior change versus what you're seeing today?

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

So corporate travel year-over-year is up mid-single digits pretty consistently. And the surveys that we've been doing show that they expect that to go up. As I mentioned earlier, our internal forecast don't include it going up, so we have a little bit of a hedge there for a potential upside if it does continue to grow. And your crystal ball is as good as my crystal ball at when would a recession hit, how deep would it be. But I think what we're committed to is we have a lot of levers that we can play in a recession. I alluded to a lot of older airplanes that we still have. We have kind of a barbell, a lot of new airplanes, a lot of older airplanes. And we'll adjust capacity to meet demand to maintain the unit revenues that we need to deliver our plan numbers. And I think we have all the things we need in place.

---

**Edward Herman Bastian**

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

A

Can I take my crack on that, Glen? We know how to handle recessions, a lot better than we know how to handle strong demand periods. And so the challenge is much greater on this environment candidly than in a recession. By the way, if there's – who knows if there's going to be a recession. I mean, you looked at my charts this morning and saw the strength of the demand set, the health of our consumer, and where our revenue – we don't come from consumers, we come from premium consumers. Yeah, we feel very comfortable saying that this travel surge you're seeing has got multiyears to go, certainly to carry through any kind of near-normal kind of recessionary climate that will continue to keep it pretty strong. So we just came through the worst recession ever of our life, and we're still recovering. By the way, corporates are still recovering.

---

**Daniel McKenzie**

*Analyst, Seaport Global Securities LLC*

Q

Still recovering.

---

**Edward Herman Bastian**

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

A

Corporates aren't back from the recession, so there's really not a lot to cut. It's just a question whether you just stabilized. Tech companies have never come back, right? And I think some of them are regretting it. The reason they can't come back is they can't get their employees in the office. And so, banks are coming back more. So the – as companies get more vigilant about having employees in person, that's what drives business travel more than anything.

---

**Daniel McKenzie**

*Analyst, Seaport Global Securities LLC*

Q

Very good. Thanks. Second question, Dan, this is a quick simple question. The gross debt that you need to pay down to get to your 2.5 leverage multiple, I think it's about \$4 billion to \$5 billion. But if you could just shed a light...

**Daniel C. Janki**

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

A

That's about right, Dan. It will take our adjusted net down to about \$15 billion.

**Daniel McKenzie**

*Analyst, Seaport Global Securities LLC*

Q

[ph] One-year (04:07:02) free cash flow?

**Daniel C. Janki**

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

A

Yeah.

**Daniel McKenzie**

*Analyst, Seaport Global Securities LLC*

Q

Thanks.

**Will Mastoris**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Will Mastoris from Baird. So a two-part question for Dan. We've heard a lot of aircraft lessors and a lot of airlines that have lamented that they rarely receive an aircraft, a new aircraft on time. So the first part of the question is, do you expect to receive all your deliveries on time this year or you expect it to be far below?

And then the second part of that is contained within the \$10 billion free cash flow assumption, are you assuming that you get your scheduled aircraft deliveries the way you've laid them out in your Q?

**Daniel C. Janki**

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

A

The – what we do – our fleet team works really close with the OEMs and closely with Airbus as it relates to deliveries. We know where our tails are within the year and within the quarter. And then our team certainly takes their view. We don't always get it right. We've got one here that was supposed to happen here in June and will happen in July, and we didn't have enough quite buffer in entry into service. And we've got about two weeks that we're working through some commercial operations about how we're going to backfill that aircraft.

So it is dynamic every day. We have seen delays, and we believe we'll continue to see delays. And we have our internal view related to that. It is different than the contractual view.

**Edward Herman Bastian**

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

A

Yeah. And listen, Bill, we probably should move past this, but Delta, those numbers are pretty darn close, okay? We're not just any airline, okay? They delay a Delta delivery, alarm bells go off until loose, okay? So we're pretty good. We're pretty good. You don't need to worry about it.

Next question? We got to keep moving.

**Helane Becker**

*Analyst, TD Cowen*

Q

Oh, here, it's me Helane Becker. I'm over here, Ed. So Ed, in the past 3.5 years, I want to commend you on the diversity we have up here at this stage because you'll recall, last time we were here, I yelled at you for not having more.

**Edward Herman Bastian**

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

A

You did.

**Helane Becker**

*Analyst, TD Cowen*

Q

So yay, well done. So my new question for you is, can you talk a little bit about your depth of management and your succession planning?

**Edward Herman Bastian**

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

A

Yeah.

**Helane Becker**

*Analyst, TD Cowen*

Q

Thank you.

**Edward Herman Bastian**

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

A

Well, you saw yesterday our Sustainability and DE&I panel, and it was amazing, right? Keyra and Cherie and Amelia did an amazing job. A lot of companies talk about diversity, and Peter leads a lot of this effort, certainly in sustainability, we show it, right? And having that – and I sat in the back of the room yesterday afternoon, I was just so proud of the three of them in terms of the amazing work they did.

That's at the top of the house sort of, right? But as you go down, it's even deeper. And so, the pipeline continues to get filled as we move through both on female – women talent. We're pretty close at the managing director level to the overall size of women within the organization. We're kind of in the 40% range, general manager. We've got those gaps largely closed. As we said yesterday, black talent is a bit lower in that regard. So we still have bigger gaps on black talent, but we're making good progress. And I'm thrilled with the work we're doing, especially, again, coming through a tough time. I mean, getting talent like Alicia Tillman to join us just coming through a pandemic, she's a world-class CMO, is a credit to our brand. It's a credit to who we are and the progress we're making.

In Atlanta, Georgia, I think I might have mentioned to you at the cocktail party last night, there were years here that we couldn't hire black talent because they didn't trust Delta. They didn't know if it was a stable company. They didn't know whether it was a welcoming company. They didn't know what it stood for at some level, now just going back 10, 15, 20 years ago. Today, we are the employer of choice in this city, which is largely – the majority of the population in Atlanta is African-American. So you see the progress and the steps we're taking. We're just going to continue to encourage and push forward, and really proud of the team that's doing this.

**Peter W. Carter**

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Ed, can I build on that for just a moment?

A

**Edward Herman Bastian**

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

Yeah.

A

**Peter W. Carter**

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

Helane, I would say, too, under Joanne's leadership, the development and the investment in that talent is really amazing through leadership acceleration programs, mentorship programs, and it's very intentional and thoughtful. So I think you're going to see the diversity that you'd like to see continuing to increase.

A

**Helane Becker**

*Analyst, TD Cowen*

And then just on succession planning, how you're thinking about you and Glen [ph] leaving (04:11:58)?

Q

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

[indiscernible] (04:11:59)

A

**Edward Herman Bastian**

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

We're not going anywhere. We got a ways to go. We got a ways to go.

A

**Christopher Stathoulopoulos**

*Analyst, Susquehanna Financial Group LLLP*

Thank you. Chris Stathoulopoulos, Susquehanna International Group. As we think about your capacity guide for this year and next year and perhaps into mid-decade, do you feel that you have the assets in place with the current fleet and head count to get to that where you're comfortable with your performance? And if we look at Memorial Day, which was perceived as a test, some would say that you had a fair-weather comp where you got through that. But are you at a point where you could handle a more stressful point in the network?

Q

And then on the deliveries, it sounds like you're comfortable with the order book and supply chain issues across, A&D seemed to be getting a little bit better. But could you kind of remind us where you are with the order book? And also if deliveries do slip, what are some of the things you can do to offset that? Is it utilization? How should we think about that? Thank you.

**Edward Herman Bastian**

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

So listen, Chris, we should take all those detailed questions offline as compared to in this session. We're largely in place. We've got the resources. We have the equipment. We are stressed as stressful points like when it's thunderstorms in New York, in Atlanta, in South Florida and we got 98% load factor day, that's a bad – it's going to be a tough time. And by the way, it always was a tough time. It never – summer travel never was a breeze in our industry. Our goal is to be better than ever before. And so, we probably still have another year or two before

A

I'll tell you that we've got the level of service excellence. OEMs' delays, aircraft delay, that all exists, probably less so at Delta than other places.

**Christopher Stathoulopoulos**

*Analyst, Susquehanna Financial Group LLLP*

Q

Yeah.

**David Vernon**

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Right. Over here on the left side – or on your right side, David Vernon...

**Edward Herman Bastian**

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

A

And excuse me, David, just one other thing. And to the extent if you were to see us taking schedule down at this point, it's not because of that. It's because of our wanting to make sure that we continue to drive reliability.

**Christopher Stathoulopoulos**

*Analyst, Susquehanna Financial Group LLLP*

Q

Yeah.

**Edward Herman Bastian**

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

A

It's not missing airplanes or missing parts. It's just driving reliability.

**David Vernon**

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Thanks for fitting me in here. So Dan, a question for you, sticking with the theme of Delta Beyond. You've laid out some credit metrics for what 2024 could look like. But could you talk at a high level what you want to take absolute levels of debt down to, for the next, call it, cycle or 5, 10 years? Like what are you shooting for from a balance sheet repair perspective? I'm just trying to get a sense for how you guys are thinking about what it means to have a balance sheet that's repaired.

And then, Ed, once you've kind of established kind of where that – where we need to get to before we start thinking about more shareholder returns, is there anything different about the way you think Delta is going to approach returning surplus capital to shareholders? Is it going to be back to the old mix of dividend growth and some buybacks or is it going to be episodic special – like how do you think about rewarding shareholders for joining you on this Delta Beyond journey? Thanks.

**Daniel C. Janki**

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

A

I'll start. And the – related to restore, when we get through 2024, we're beyond restore. As we showed you on those metrics, we have a stronger financial foundation, \$10 billion more encumbered assets, leverage that's below 2.5 times, a fully funded pension. You compare that to 2017, 2018, 2019, I'd take that as much stronger and more tools at our disposal. Now saying that that \$15 billion of adjusted net debt, I view that as a mile marker. I think we talked about it a little bit yesterday with [ph] Greg (04:15:36), we truly believe these aid on enterprise

value, and we think paying down debt naturally accretes to the equity holders, and we'll continue to use cash flow and prioritize it on paying down debt.

---

**Edward Herman Bastian**

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

A

And while Dan is right that at the end of 2024, we'll be at a comparable level, that's not good enough for what we've been through. So you can expect us to continue to pay down debt beyond. And we'll talk in the next couple of years about shareholder returns, repurchase. But that's not on our agenda for easily the next two to three years.

---

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Q

Hey, Dan. Jamie Baker, JPMorgan again. So American, United and Southwest having lockdown pilot economics. Hopefully that's forthcoming. It does fuel these – some of the conversations that the market has continued to appreciate since you since you ratified your deal. Could you remind us when your look back mechanism, I don't know if that's really the right term. When you test for that given your snap up, when that test is applied, whether it applies to all seniorities in the cockpits and most importantly whether it's been articulated in your CASM guide. I'm just trying to assess whether the market moving on pilots could be a catalyst for you to walk back some of some of your CASM.

---

**Edward Herman Bastian**

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

A

Yeah. I can't remember those specifics of the CASM because I'm sure it's like a 20-page section that determines the calculation. We're not anticipating – Delta is the model that people are shooting at. And if someone were to go over it, you're not talking about way over it. So it's not going to impact the way the guidance. My guess is those contracts are caught up less in rates, more in quality of life and work rules.

---

**Julie Stewart**

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

A

Yes.

---

**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

Q

Ravi Shanker, Morgan Stanley. Glen, maybe to you. There's been a lot of focus on corporate and the volume recovery. But can we talk about the corporate pricing opportunity? Our survey suggests that over half of corporates are still running pricing opportunity, [indiscernible] (04:17:38) that over half of corporates are still running on a 2019 RFP and are going to renew that process over the next 12 months. So, what kind of incremental upside revenues do you think it could be from a corporate pricing opportunity over the next 12 months?

And maybe a follow up to Allison or Ranjan. Obviously, you guys are leaders on the sustainability side. How much do your customers care about what you're doing on sustainability? And when you talk about brands and values and engagement, how do you get your customers to care more about that? Thank you.

---

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

So, first, on a corporate contracting, almost all of our corporate contracts are discount to published pricing as opposed to fixed rates. So, they tend to fluctuate with corporate pricing and as we renew them, we're talking about would the discount rate be higher or lower. My guess is it's aggregately going to be about the same as it is now. And our real quest is to continue to get more corporations to buy the premium products and services by making them more easily available to their customers.

And as these tight labor markets – if the tight labor market stays in place, that always is a competitive advantage for a recruiter especially somebody who's going to be travelling a lot to offer a better experience while you're travelling. And that's really something we've had great success with and I think we'll continue to see great success as we move forward.

---

**Allison C. Ausband**

*Chief Customer Experience Officer & Executive VP, Delta Air Lines, Inc.*

A

Yeah. And I think I'll speak to sustainability, and certainly, Peter can from a broader perspective, but from a customer onboard perspective, very much focused on sustainability. And if you look at the cabin onboard, there are 180 plastic SKUs, if you will, that we are focused on taking away every single one of them, everything from taking 15,000 pounds off the aircraft of plastic, wrapping our bedding in Delta One, working through our wine bottles and sustainability there.

And then our biggest – one of our biggest issues to solve for which we will is the plastic cup on board the airplane and getting a lot of feedback from our customers. Right? How do we zero in on that? And we're about to test a new paper cup on board so that we can really eliminate plastic on board the airplane. And then, there's a bigger show around sustainability.

---

**Peter W. Carter**

*Executive Vice President-External Affairs, Delta Air Lines, Inc.*

A

And, Ravi, what I would say is that, the trick is our customers do not like single-use plastic, period, especially as you look at millennials and our younger customer cohort. But you have to replace it with things that are lighter because if not, you're going to actually increase your fuel burn. And so, that is the puzzle that we're in the midst of solving. And I can tell you that we're going to solve it. We're going to be, continue to be leaders in this space. And at some point, by the way, this is something we're going to be asking our customers to get more and more involved in, because when you think about it, what you bring on an aircraft impacts the fuel burn and the carbon impact, the carbon footprint of an aircraft. And so, that's something as our customers begin to get more engaged in this particular journey, we think they're going to be more part of the solution as well.

---

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hi. Catie O'Brien from Goldman again. Thanks for the time. Just one on the MRO. What do the cost synergies look like being able to do your engine turnarounds in-house versus having to send those to a third party? And then, how do we think about just by virtue of the fact that you have third party, that you do scaling materials, having the workforce, maybe more efficient. Just trying to think through the advantage you have of doing in-house and then, the additional benefits you have from having that third party work?

---

**Daniel C. Janki**

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

A

I think the biggest benefit from having it in-house and the flexibility of the maintenance is the operational reliability. I think, having that technical expertise and our ability to be more flexible in serving our fleet and being able to

partner with OEMs. There's a lot of times technically our engineering team leans in and works hand-in-glove with the OEMs and we get the solutions faster. And I think that ultimately results in better reliability for the airline. And it is one of the real differentiators for us.

As it relates to scale, take a shop, like your turbo champ, you're going to make the facility investment hanger that you put it in the capability by running third-party volume through. Yes, you have to buy more tooling in that. But the core capital that you put in, you get the leverage. And as you go down and as these engines mature and you get more into investing in repair, when you define a repair and build the capability, you're able to utilize it. We had a just done it for the Delta fleet, now you get to use it for the third-party fleet too. And then again, that's where your investment dollars get leverage and you'll become more capital efficient.

---

**Julie Stewart**

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

Right. This will be our final question. Conor?

---

**Conor Cunningham**

*Analyst, Melius Research LLC*

Hi, everyone. Conor Cunningham.

[indiscernible] (04:22:47)

---

**Conor Cunningham**

*Analyst, Melius Research LLC*

And as we think about declines in the second half of this year and then into 2024, trying to understand the balance between increased asset utilization and then now marrying that with the buffers that you put in place. I mean, next year, a lot of the issues that we talk about from a constraint standpoint probably aren't going away like tomorrow. So I'm just curious on how you think about that. And if there's a longer term implications as well, that would be great. Thank you.

---

**Daniel C. Janki**

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

Yeah. We're certainly getting an aircraft asset utilizations decreasing in the mid-single digits this year and you get that benefit in the back half of the year. Glen's talked about the core hub rebuild, certainly leveraging our core that are lower cost. That really takes place in the second half of this year and through, especially given how we took down capacity, some of that growth wasn't – it was going to go to the core now. It's deferred into 2024. It will happen related to there. So I'd say that, as it relates to asset utilization, that you definitely see that as part of it.

The real step-down though is about the rebuild that we had, spent over \$200 million in the first half of the year related to that. You don't have that level of investment in the back half and then the maintenance dynamic is the other one.

---

**Edward Herman Bastian**

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

Just like we've spoke, Connor, about the revenue opportunities to continue to get better with a lot of change behaviors and learnings in a post-COVID world versus pre-COVID, which is where all the machines were pointed towards. You have that same opportunity on the cost front because we just crushed as many resources into the

funnel as we could that just cover ourselves. So whether it's training coming out, whether it's experience growing, whether it's – we said we got to get the business stabilized, not our costs met.

Now, we're turning that curve and now, it's about focusing on taking all those resources and making them much more productive and using the tools that we learned during the pandemic to enhance that, whether digital is going to play and technology is going to play in. So many things and I think Dan and his team deserve tremendous accolades because they are deep into Gary Chase – Gary's there today somewhere, deep into the operational fabric of the business. And so this is almost a singular focus of our finance and op team is working to get that cost trajectory bent because that's going to give us confidence back. I think if there's one thing that we could arguably be said that we don't – we haven't delivered on is the cost performance of the business. And we're going to get there. We're going to get there. And by the we're going to get there. We're going to get there. And by the – and the best way you get there is running a really good operation.

---

## Julie Stewart

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

All right. Well, that will wrap up our Q&A. Ed, we'll turn it back to you for closing remarks.

---

## Edward Herman Bastian

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

Just real quick. Thank you. We covered in a lot of ground over the course of the last two days. I appreciate you being here participating with our team. Our team has got a lot of pride in what they do and they love to show the work and achievements to our owners and our analyst community in terms of the people – one of the reasons we do this work is for you. So hopefully you enjoyed the presentations and the opportunities. Hopefully, you walk away with that same sense of enthusiasm that we had. We don't feel like we've just marched through a three-year desert, at least I don't. I mean maybe some of us do. Maybe Glen does. I don't know. But – I'm joking there, Glen.

But we are coming out of this in such a optimistic frame when we see that the strength of the demand set, when we see the opportunities on the cost front, when we see the cash that we're generating into the business. We see all the new people that have joined us over the course of the last couple of years starting to come of age and learn. We see the technology impact. We see what digital is doing. I mean it's really a pretty interesting.

I said last night to the group I was talking to, in some ways we're better for what we've been through, which is hard to say going through a pandemic, but we are. We're further along on our journey. And that's going to be our goal is take this and then continue to run with it, do what we do best, which is serve people and keep that culture strong. But all these opportunities we talked about, they're all out there and we're just going to do our very best to deliver them for you.

So thank you for your support. Thank you for your patience and not letting us go down rabbit holes on modeling issues. There will be plenty of time to do that in the future, but focus on where the big opportunities lie and they certainly lie here at Delta. So, I want to thank you for that.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2023 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.