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Delta Air Lines, Inc. (DAL)

Morgan Stanley Global Consumer & Retail Conference

CORPORATE PARTICIPANTS

Julie Stewart

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

Edward Herman Bastian

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

OTHER PARTICIPANTS

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Great. Thank you. So, for those who don't know me, I'm Ravi Shanker, Morgan Stanley's freight transportation and airlines analyst. And for the third year in a row...

Julie Stewart

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

Yes.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

...we are very happy to welcome back to the Consumer Conference, Delta Air Lines with CEO, Ed Bastian. Ed, thanks so much for being here.

Edward Herman Bastian

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

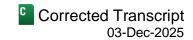
Ravi, it's good to be with you.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

So, before I hand over to Julie, for a second, I need to point out that for important disclosures, please see the Morgan Stanley Research Disclosure website at morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley representative. And, Julie, you have your own version of this.

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Julie Stewart

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

Thank you, Ravi. Thanks for having us. As a reminder, today's presentation contains forward-looking statements that represent our expectations about future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that may cause those differences are outlined in our SEC filings. Over to you, Ravi.

QUESTION AND ANSWER SECTION

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Okay. Thank you, Julie. So, Ed, thanks again for coming back here. This is Delta's third year of the conference. You're the only airline in attendance and have been the entire time, which I think says a lot about your differentiation, which we'll get to in the second. But in keeping with that theme, obviously, 2025 has been another really volatile year. How would you summarize the year here, sitting here in the first week of December, not wanting to jinx what happens the next three weeks?

Edward Herman Bastian

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

Well, thank you for not jinxing us then putting that out there. And we do appreciate coming because this is the forum that we want to be in as we continue to grow what is one of the most loved and trusted brands, consumer brands in our country, it's the right place for Delta to be at.

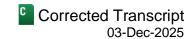
2025, I think, as you look back on the year, it has been a volatile year, whether it's the tariff issues that we faced the early part of the year, the consumer as well as business confidence freezing for the better part of several months in the early spring, right through just the start of summer. You look at the government coming through and mandating a shutdown of the airspace for us, which had never happened before the longest government shutdown in history.

And you look at how we performed through that period, we performed very, very well. We're going to end up the year with profits of roughly \$5 billion, which is just shy of where we were a year ago. That's against an industry backdrop where the industry, ex-Delta, is expected to be down 40% this year. And Delta is relatively flat. And in fact, just heading into the fourth quarter, which was doing great until we got to that mandated shutdown starting around November 7, we're right on track for the \$5.2 billion, which have been exactly that impact.

We looked at the impact of the shutdown, it's going to cost us about \$200 million. We saw from that day, the Friday, November 7, right through for about 10 days, somewhere between a 5% to 10% reduction -immediate reduction in bookings. Business was a big part of that, because people were trying to get their last business trip in prior to Thanksgiving. Everybody pulled up. Refunds also were part of that, because refunds grew significantly. None of that was in our forecast or plan.

That \$0.25 impact on the quarter, we'll do our very best to make up, but the reality is, is that we're through it. Thanksgiving was strong. We just had Cyber Monday, we had Travel Tuesday. We had Sunday, this past Sunday, which is always the busiest day of the year for us for travel, once again was, it's an all-time record we set

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on Sunday. So, I think we're through it and it's transitory and we're looking forward to the strong December, strong close to the year.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. Before I go on, just maybe a couple of follow-ups there, because that's new information you sent the 8K out. So, that's like a onetime thing. You think that's done, there's no lingering impact for the rest of the holidays?

Edward Herman Bastian

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

We don't see any lingering. Certainly, there was a delay in booking decisions during that period, which we're anticipating in December, making up some ground on that, but fundamentally, it was a November event.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. And when you look at that number you gave or the \$0.25 or \$200 million, that is isolated to the government impact only, it does not include any, like you said, if you look to make up for it or fuel or any other assumptions with the quarter.

Edward Herman Bastian

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

I don't – other than that, we're performing completely within expectations.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. But also, just to kind of finalize the message for the fourth quarter, you're saying that holiday travel, like everything else is perfectly normal, both domestic, international are going to – you don't see any...?

Edward Herman Bastian

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

International was not affected during this period. The effect really was isolated to the domestic system. And we think about it when you've got the Secretary of Transportation telling people, we don't have controllers, questioning the safety, at some level, of travel, which has never before happened.

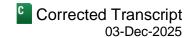
People said, well, I'm going to hold up in making decisions. It happened too late in the quarter for us to make it back up again. Obviously, it's late in the year. But on the go-forward basis, first half of the quarter was doing great. We had this little lull. We look at the beginning of 2026. The bookings look really strong. Christmas looks and New Year looks strong. So, I think we're through it.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. So, just go back to what you said about kind of you guys are doing great in 2025 despite all of the, honestly, chaos that unfolded. That's really impressive just given this was an industry that if there was like one cloud in the sky, like there will be chaos numbers. How have you built that resilience into your model? Like, what is that area of differentiation that you think sets...

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Edward Herman Bastian

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

Well, there's two things. The differentiation in terms of our product mix, who we are as a company, I know the airline industry is struggling for differentiation across the broad landscape. This is something we've been after for 15 years. Following the Northwest acquisition in 2010, we said that if we don't have a differentiated product and ability to drive a premium experience, we're going to die.

In fact, we had all been through bankruptcies in the early part of the – in the 2000s and we came out of it saying, first have to create the reliability. You have to give the tools to your people to do a great job. You have to build confidence in your customers and in your communities and that's what we've been after.

And you've seen over this last – certainly, this last decade, last 10 years that just continuing to grow. Actually, had an acceleration during COVID. Even while people weren't traveling, people were looking to where they were going to go. And the premiumization of how when Delta was traveling and flying, blocking middle seats, not furloughing a single, all the steps we took that were true to those values that we suppose have all now come to light.

One thing when you look at the backdrop within the industry, every airline in the United States has changed their strategy post-COVID. You think about it. And United is doing their best to copy us and I don't blame them. I would copy Delta, too, if I was them. They're smart. But you talk about some of these other airlines, whether it's Spirit going through a second bankruptcy and you got Frontier saying they're going to put more premium offerings out, Southwest changing their mind, American changing, everyone has changed their mind except Delta.

We are consistent, and that consistency of execution and alignment over time is far more important than any individual strategy decision. Our teams aligned. Our customers know what to expect. We continue to gain momentum, whether it's the Delta One experience and the One Lounge. I was just speaking with my friend here about in JFK, but throughout our system, the airports are built. The airports are done. We have the fleet that we've maintained consistency of delivery year in and year out. We've been getting our product out there, growing the technology. There's a lot of talk in our industry, as you know, about free Wi-Fi. You would think the – the industry doesn't have it yet. Delta, this month, we're certifying our 1,000th airplane with the free Wi-Fi system worldwide and that's basically the full system at this point. And we have more planes flying with free fast Wi-Fi than Starlink has in the sky in total.

And so, this consistency of execution started back when, and when you take a year that had the disruption you've seen, and as well as the cash flow aspect of that, too, the paying down debt this year, one, I think, one of the great telltale signs that we're on track is that despite some of the issues we just talked about, we're going to hit our free cash flow number that we committed at the start of the year, will be roughly around \$4 billion of free cash, all of which is going – majority of which going to pay down debt. And we're continuing that, taking that piece of volatility out.

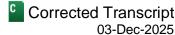
So, we're controlling what we control. We're controlling our balance sheet. We're controlling the experience. We're creating a differentiation in the market's mind and that continues to pay great dividends.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. I apologize for asking you a chicken-and-egg question, but which comes first, is it the consistency of the values and products from Delta and then the consumer is like, hey, this is amazing, I want that and they adapt, or

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does the consumer tell you had these are our expectations and then kind of you guys are like, we try to stay one step ahead of that. Like how do you set the benchmark on there?

Edward Herman Bastian

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

Well, we set expectations to – that customers deserve greater value and crave better experiences. And we are in the experience economy, and I'm sure this conference is going to talk a lot about that over the course of the next day or so. When you look at our core consumer, our consumer households earning a minimum \$100,000 a year in terms of in terms of current income, about roughly 40% of US households fit that definition. That cohort has accumulated \$50 trillion of wealth since 2019. When you ask that cohort, what do they want to do with that wealth, their number one answer we get back is they want to travel. They want experience. And it's not just experience in

They're done buying things. They want to invest in themselves. And there's no show – there's no sign that consumers tapped out at all. And there's no sign that they've kind of had their fill of that. In fact, and it's at every demographic, every age level, whether it's Gen Zs and millennials who are some of our fastest-growing members of our SkyMiles programs and what they want to experience or the baby boomers who are taking more trips than ever. And you see the seasons being extended internationally.

air travel. It could be concerts, it could be a nice restaurant. It's something that they can invest in themselves.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Right.

Edward Herman Bastian

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

So, that's our sweet spot. That's our core. That's over 90% of our revenue base is that consumer. And that consumer is well-positioned as we enter the new year.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. Sticking to the topic of Delta's differentiation. Not to make you answer for your peers, but there's this very clear gap between like one or two airlines in the industry and the rest of the industry when it comes to returning, generating a cost in capital and actually generating consistent profitability, right? And there's been a lot of focus on that this year, rightly or wrongly, as to what is sustainable and what is not.

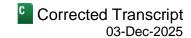
So, if you were to put your analyst hat on, what would you - what's the future of the industry like? What - where do you see this kind of this divergence between the haves and have-nots kind of finally ending up in the next maybe...?

Edward Herman Bastian

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

Well, it's certainly not sustainable, right, where you have two airlines generating 100% of the profits of the entire industry. By the way, it's not just a this-year phenomenon, it's been happening for several years, with Delta being more than 50% of that profitability. We have 20% of seats in market, yet we generate over 50% of the overall profits. So, something has to happen at the lower end.

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And what has to happen is supply is being rationalized to some extent, has to continue to be rationalized. If you're at the lower end and you don't have a premium, so you can't sell, you can't price with the higher cost levels that we've all seen that have happened post-COVID, the only thing you can do is you can adjust supply. You can't grow your way out of this.

And that's why you see all the changes to the business model. The changes aren't around growth, the change is around trying to create a higher-value experience that they can price for their higher cost. I don't know what's going to happen, but all I can say is, probably, we're seeing it happen right in front of our eyes. It's not going to continue for too much longer. And whatever happens there, it's going to be to the benefit of Delta.

Ravi Shanker Analyst, Morgan Stanley & Co. LLC	Q
Do you think	
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc.	A
The strong will get stronger.	
Ravi Shanker Analyst, Morgan Stanley & Co. LLC	Q
Got it. Do you think 2026 is going to be a fairly consequential year for the industry from this regard?	
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc.	A

I think it has the potential to be that. We'll see what happens. I know our setup feels great. I mean, when you think about the stuff we just got through this year, hoping for hopefully a little more of a stable environment on the political front, and hopefully we get that. But the reality is that we've been tested, right? We said it a year ago when we had our investor conference. We said, the two things about Delta that we're going to prove is differentiation and durability.

And we're hitting our free cash number that we committed at the start of the year before knowing any of this stuff, \$4 billion of free cash. And secondly, we're continuing to extend the competitive advantages, that differentiation, the diversity of our revenue mix, the quality of the experience and people continue to come to the product like never before.

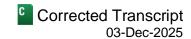
Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. So, ultimately, kind of while you guys are focusing on yourselves, you can only play the hand you're dealt. And so, a lot of it hinges on the macro as well. Obviously, there's a huge focus in this conference on the state of the consumer, the health of the consumer and where that goes in 2026. Our proprietary surveys show that people, to your point, are prioritizing travel over almost anything else, like it's growing share of the PC wallet, but, at the same time, there's obviously noise out there.

So, from your perch, what do you think the consumer looks like right now and where do you think that goes in 2026?

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Edward Herman Bastian

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

I think the consumer is fairly healthy, our consumer. We talk about this K-shaped economy. We're in the right part of the K, the upper tier, and that consumer base is strong. I mean, yes, you'll have the little blips along the way that we saw during the tariff issues earlier in the year or the shutdown, but even during those periods, premium was still doing great. International was strong. Business travel was growing, start of the year 10%, paused the during the tariff, picked right back up to a 10% growth rate during the summer, paused a little bit then throughout the shutdown noise and I expect, going into next year, it's going to be back on trend. I've seen some of the surveys you guys do, which gives me a sense that I think that's what's going to happen.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Right.

Edward Herman Bastian

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

You look at what's underlying that growth in wealth that the top end has, it's the health of the market in terms of equities and real estate are the things that are supporting them and they continue to invest. And so, I think you will have to ask yourself, do you feel the market is poised for another good year? Does real estate feel healthy? I think it does. And so, as a result of that, we're going to have a great year being the top end of the premium stack in travel.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. You just touched on that, but I'll give you a chance to elaborate a little bit more. I think the premiumization of the industry has been one of the underlying trends, which, again, we initially thought was pandemic-related, but now appears to be structural. Where do you see that going over the next several years? Do you think we are in the early innings of that and there's a lot more room for that to grow? Do you think it's sustained at the current level going forward or like what gives you confidence that there's a pretty long kind of pipeline ahead?

Edward Herman Bastian

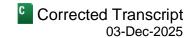
Chief Executive Officer & Director, Delta Air Lines, Inc.

Well, we have shown, even during some of the turmoil of the last few years, that that premium quality experience, that consumer for us is growing double-digits and there's various proof points of that. American Express, which is our largest, most important partner, we to them, them to us, that portfolio this year, as it has every year for the last five years, is growing double-digits. Even in the month of November, they were up another double-digit.

We've added for the last four years running over 1 million new cardholders each year and that trend line that continues. You look at what consumers want, they want the Delta One experiences. They want a better quality experience onboard. So, you look at who we've attached the brand to, with Uber, with a premium exclusive relationship, you look at Starbucks, you look at YouTube, these are all exclusive relationships that we've created where our brand sits in the center of – that's why these brands are coming to us, to draft off of our strength as well as American Express and us off of them.

So, you have this ecosystem that is created and the power that we sit with air travel being and being the preferred provider in the midst of that, continues to extend and expand our horizon, our pool of revenue sources and opportunities.

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So, these are not commercial. Yes, they are commercial relationships, but, more important, they're strategic decisions that these brands are taking to affiliate with Delta. And that's what gives me confidence that this ecosystem is going to continue to grow and expand because we're building off of each other.

American Express this year will generate \$8 billion of revenue this year. In 2019, that number was \$4 billion. Five years prior, it was \$2 billion. And so, you see the growth rate. And we've already publicly said that we expect, in the next two to three years, that number is going to start to approach \$10 billion.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Right.

Edward Herman Bastian

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

There's no sign that consumers – consumers want this. These are aspirations. These are valuable brands that they affiliate, that they find personal gain being attached to. And that's why I think next year is going to be another great year.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. I'm going to give you a chance to expand on this American Express relationship, because I know, A, that's close to your heart and, B, it is the benchmark in the industry for loyalty program and co-brand relationships. How are you guys so tight? And how do you feed off each other, like both in terms of like consumer expectations and kind of giving leads to each other, but also how you build that relationship and the perks and everything else, right? So, just talk about how that relationship has evolved and kind of where do you see that going.

Edward Herman Bastian

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

Well, it's interesting. Over – we've had a great relationship with them for over 30 years, but it's really in the last decade that the thing is has taken the trajectory, a step function, more than a step function change in terms of the improvements. There are a couple things. In the early years of the relationship, we spent a lot of time trying to figure out whose consumer was it. Was it our consumer that we were selling credit card to? Was it their consumer that they're selling an air travel experience to? And Steve Squeri, the CEO of Amex, and myself, and when he took on the reins about seven or eight years ago, we said, no, they're our consumers. They're – it's a shared pool. It's not yours. It's not ours. We both benefit and we both share the experience, and that's informed the decisions in terms of how the teams operate.

Prior to that point, there was a lot of negotiating what size of the pie you're getting. You're getting an outsized slice. I'm getting – I'm not getting my share. The reality is we don't argue about that anymore. We talk about how do we grow the overall size of the pie, and as a result, the shares grow together.

And when you – and while that sounds simple to say, it's hard to do. We have two very competitive organizations working together. But when you have that alignment at the top, that sends the teams working side by side cohesively into the marketplace. They are by far the premium credit card provider in our – within the US and particularly in our space because they not only have the card, they have the travel agency, and their expansion into travel broadly is quite profound.

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And looking at that strategy, American Express looks at it and says, hey, Delta is the number one source of where I get my revenue from, of any distribution channel they have. We – 10% of their overall worldwide billings are coming from us. And it's growing faster than any other channel they have, even though we are the largest. 30% of overall US consumer spend for American Express is our card.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Wow.

Edward Herman Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc. So, when you look at that, the health of that relationship, what that tells you is that we are wed and we're going to

continue to grow and expand on that. They need us. We need them. And the signal to the organizations are this is bigger than any individual part of the - we got to continue to keep this momentum building.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. That's really impressive. Maybe switching little bit – gears a little bit to corporate travel. We recently published a corporate travel survey, we do two every year, that shows momentum continuing to 2026, mid-singledigit growth. In fact, expectations for airfare actually stepped up sequentially for the first time in three years. So, that's a pretty positive sign.

No other airline caters to corporate customers as much as Delta does. So, can you talk about, A, where that is in the recovery post-pandemic? Do we have a definitive answer on the Zoom or no Zoom, kind of where does that go over time?

Edward Herman Bastian

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

I think this room answers that. I was looking at the conference, Ed, people are coming to be in person.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Absolutely.

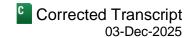
Edward Herman Bastian

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

I think the Zoom - I mean, Zoom and hybrid work will be a new feature that will complement. It doesn't replace what we do. And it keeps people more connected, which is good for people wanting to be in person.

Yes, I think business travel still has more to go. Pricing has been strong in that market in the last couple of years, but the volumes, I think, is where we still have opportunities. The volumes are at or slightly under where we were in 2019. You look at how the economy has grown 25%, I guess, since 2019. So, we know business travel is a function of the overall size of the economy. So, there's probably, I'd say, maybe a 30% gap between volume of travel versus where we were in 2019 to where we are today. And I think that we'll continue to chip away

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at that. I don't think we'll ever get that full 30% back, but I know we're going to continue to make progress. And in the meantime, pricing will stay strong because the supply base is also somewhat constrained within the industry.

So, our team won, as I think you know recently.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Yeah.

Edward Herman Bastian

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

Business Travel News, which is the number one survey by all the corporate buyers and purchasers of travel, 15th year in a row, Delta has come in number one. And to show that we're not resting on our laurels, we came in number one in all 11 categories. So, it's unquestioned in terms of what our team is doing to serve the business customer, but it's also unquestionable what we're doing to serve the premium leisure customer, who is also extremely important to us.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. So, just to go back to your point of the 30% gap in 2019, based on your conversations with your corporate customers, you're confident that the very vast majority of that is cyclical, not structural.

Edward Herman Bastian

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

Yeah, I don't – I think it's a little bit of both. And I think that gap will – I don't know that that gap will fully close because it's just grown and the pandemic was a - such a disruptive period of time. But I do think there's opportunities for growth that will be, candidly, faster than what we've seen historically.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. Some of your peers are looking to step up into the corporate space as well, kind of. Do you feel like it's established relationships? I mean, you kind of spoke about your partnership with Amex and of all the ecosystem you're building. Does it work the same way with the corporate customers as well that will make it harder for new entrants to break into the corporate world?

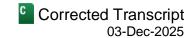
Edward Herman Bastian

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

No, absolutely. I mean, these are people with decisions and they're going to choose the best provider because the corporate manager wants to make sure that their travelers are being taken care of. That's above anything else. Yes, they care about price. Yes, they care about discounts. But most importantly, they care about service.

And Delta provides service better than any other. And we're, by the way, we're built for that, and that's the place we started 15 years ago, saying, we've got to win in this marketplace. And Delta historically had not won that award for years. And so, when we started, and anything you win 15 years in a row, at some point you wonder whether that's just - you take the pedal off the gas and you think, well, it's ours to lose, we don't feel it. We want more and we continue to be hungry in terms of that service aspect.

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The gap we've seen this year is the greatest we've ever seen in terms of our share. Over – well over 30% of corporate travel comes on Delta, yet we only have a – little over 20% share of seats in the market. And despite others saying that they're going for it, they're not – they're certainly not taking it out of us. I don't know where they're getting it, but they're not getting it out of Delta.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Fair enough. Let's look ahead a little bit and talk about maybe some investments. Obviously, AI is going to be a big theme at the conference here. You guys were early in using it for route planning and operations. Can you just talk about how you're using AI through the organization today and kind of what benefits that might bring in the coming years?

Edward Herman Bastian

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

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We're still learning, obviously. I think everybody in corporate America is still learning what these tools can do and the reliability and the confidence you have. I think it has great promise, I also think it has great hype, and we're all stepping our way through that.

I see the greatest value for us is going to be around efficiency and process. You think about what Delta does. We are a highly technical business with difficult problems to solve, with a lot of moving parts, fast-moving parts that are operating 24/7, 365. So, I think it's a perfect model to say how can we outcome and deliver better outcomes, higher reliability, better efficiency for our people as well as our customers. How can you continue to improve the operating model using better intelligence and predictive capabilities and knowledge sets?

And we're working with some – with great providers of AI tools in the marketplace, trying to sort that out, whether it's on the maintenance front, how can we clear and drive, which is historically a very manually intensive, highly detailed process with – that's largely change resistant and an FAA that certifies and governs it that is very change resistant.

How do you bring AI to show them that you actually can drive better outcomes by making change in your maintenance staffing levels and the volume of work to where in the cycle it sits? Or it can be, we've talked about how do you improve the efficiency of pricing, not how we price, but just the efficiency, the speed with hundreds of millions of price points out there that we're selling at all times. How do you get – because machines have always operated, that's the only way you can operate, how can you get smarter machines to be more flexible, to be faster, to be – raise price as well as lower price to meet consumers where they're at?

And I'm excited about the opportunities that are out there and you're going to see, I think, over the next couple years, some significant proof points within certainly our company, but I also think our industry, that this is a tool for efficiency. I haven't seen yet the tool to grow, which I think is the big question with AI broadly, it was where the growth is going to come from, but I can see it certainly driving better efficiencies.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

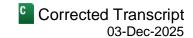
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Got it. That makes sense. Any question from the audience?

Ed, are there any indications from the administration that they would w weak/very weak competitors right now?	ant to try and support some of your
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc.	Α
I don't see any indication that the government is inclined to do that, no.	
Ravi Shanker Analyst, Morgan Stanley & Co. LLC	C
One up here.	
	C
Yeah. I have a question on the secret sauce that you have at Delta. An people that work at Delta. And how do you create that, that others in the work? The people that are at Delta seem very positive today over the yealways the case. And I choose an airline when I have a good experience.	e airline industry aspire to go to Delta to rears that occurred, because that wasn't
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc. Absolutely. And	Α
	C
How did you create this training program, the follow-up that differentiate that they aspire to go there if they're not there?	es your people from others in the industry
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc.	Δ
Yeah.	
	C
How did you do that?	
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc.	Δ

Well, that is the secret sauce. And thank you, the credit goes to the people, the 100,000 team members of Delta that are out there every single day making it happen for people like you. And while in leadership, we talk about strategy and we talk about international and premiumization, all these big fancy words. At the end of the day, you want someone that's treating you right, put a smile on your face, solving problems, having a positive attitude and helping you, get you to where you need to be and improve the value of that experience along the way.

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At Delta, we have – we spend – it's all-in everyday effort. It's about explaining to people the alignment, why we're doing things the way we do. A tremendous amount of leadership involvement personally from me as well as all of our leadership team, with our people, we take the – our founder's wisdom, Mr. C.E. Woolman, 100 years ago; first airline, by the way, to reach 100 was Delta, this year; he said, take care of your people first and they will take care of your customers.

We're in a world where everything is about the customer. We're in a customer conference, right? It's a consumer conference. We should be at a people conference, because it's the people that make the consumer experience, right? That's where you start.

And I tell our folks that my job is really simple. I know I got a lot of stuff to do. My job is to take care of them. And the better job I and our senior leadership, Dan and Julie and all of our team take care of our frontline people, the trust they have, the confidence they have to go execute, they know that I have their back and they do what they do great. I can't fix the planes. I can't fly the planes. I have a hard-enough time going through airports at times. What I can do is take care of them and get them what they need. I can listen. I don't have to be talking all the time. I have to be listening. My mom taught me early in life, you got two ears and one mouth, use them accordingly.

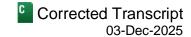
We need – the world needs more listening and more care and more understanding. And when you create that experience and people really do believe that you're behind them, they see the strategy is working. They understand that we want to continue to grow our profit share, and we share 15% of the profits of the company with our people. That's bigger than what we pay them annually. It's bigger than all the rest of the airlines put together.

They want to figure, how do you grow your profit-sharing bigger? That's the number one question you have on the financial side. They're not interested in debt and all this other stuff. How do we make our profit-sharing bigger? The perfect alignment with the shareholder and the customer and our community, and it's – and that flywheel that we have, it's been well-developed for the last decade and we just keep spinning that flywheel faster and faster. And that's why you have a Delta One Lounge experience, and that's why you have 1,000 planes with free, fast Wi-Fi. And that's why you have people that are happy because we give them what they need.

Easy to say. There's not a person that wouldn't say that that's the right strategy, but it takes commitment on a daily basis, 24/7.

	Q
Execution.	
Edward Herman Bastian Chief Executive Officer & Director, Delta Air Lines, Inc.	A
Execution, absolutely.	
Ravi Shanker Analyst, Morgan Stanley & Co. LLC	Q
Any other questions in the audience? Yeah, one back there. It's right I	think.

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Edward Herman Bastian

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

Yeah.

A

You talked about the Al being – as a tool to drive efficiency. I'm wondering if the Al tool will become available to your peers, your competitors, and that – who are less efficient right now, and then eventually they can close that gap over time with Delta. And how do you view that? And do you think it's a positive for the industry [ph] over wide (00:34:14) or do you think closing the gap with Delta is more negative?

Edward Herman Bastian

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

А

No, I think we all have upside. And I'm a firm believer that a healthier industry is a better industry. And Delta is a beneficiary of that, as well as others. So, I would encourage everyone, whatever tool's out there, we all understand there's – these tools are pretty transparent. We all understand we have some of the same issues, same opportunities that we'll learn together as an industry going forward. But I would say that while the technology is important, you still don't have the secret sauce, which is the people, and how they take that tool and bring it to life for the customers.

That is the equation. It's not technology that's going to drive the answer here. It's service and it's experience. And that's why people pay a premium to be on Delta more than any other airline. No Al is going to figure that out. It's the people of the company.

C

Thank you.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC



Any other questions? Ed, you said earlier that you going to generate \$4 billion of free cash flow and kind of use that primarily to pay down debt, right? So, obviously, the balance sheet has come a long way for yourself and the industry. Can you just talk about, again, free cash flow generation, capital use priorities over time?

Edward Herman Bastian

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



Well, we laid out our financial roadmap last year. We said that we're going to grow our earnings 10% per year every year. This year, while we had some disruptions, we're flat. Next year, I think is going to be an outsized growth year, to that point. And we said it's not going to be 10% every single year. Some will be less, some will be more. I think next year will be more.

Free cash flow is really important to us. \$3 billion to \$5 billion of free cash flow each year. This year, we're \$4 billion. I expect we're certainly going to be in that \$3 billion to \$5 billion range next year and certainly the next number of years.

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Over the next couple of years, we will get our overall debt levels down to a point where we're effectively deleveraged. I mean, we're not going to completely deleverage, but when you get down to 1 times your debt level, at that point in time, that generates a tremendous amount of free cash flow opportunity.

We expect by the next two years, we'll get our net debt levels down to \$10 billion or less. And at that point, there's going to be a tremendous amount of free cash capability for us to be able to increase. And it's not just waiting two years, you're going to see us increase over time the ability to deploy that free cash to our shareholders in other ways.

Right now, we have a dividend, but over time, we'll find more uses to get directly. It's really a question of our valuation. And if our valuation continues to be lower than what we believe the inherent value of this enterprise and the cash that we're generating, we'll deploy it.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Got it. Just on that note, maybe to close us out, kind of what do you think investors are missing about the Delta story?

Edward Herman Bastian

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

I think it's that point. It's that when you look – I know many of our investors are split. Some think, yes, absolutely, continue to pay down their debt because that's the last bit of volatility. We believe, in this business, you control what you can control, you manage what you control. There's always going to be noise, but if you focus on what you control and drown out the noise, taking good care of your people, keeping your financial health in order and growing your service levels and the experience of your customers, you're going to win, and we do that better than anyone, what that will generate then is a balance sheet that's a fortress balance sheet that will eliminate that last bit of volatility.

We talked about differentiation at the start. I think it's clear that we've created a differentiated product and experience that we're going to continue to gain ground on over time. And the second part is durability, financial durability, getting that debt level down to a point where we have no more call on debt. We control our outcomes better than ever and what – because there's always going to be volatility in this industry. There's always going to be some level of risk that's hard to mitigate. It's really hard when you're overleveraged, and that's where the industry finds itself today.

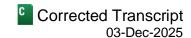
Delta will not be in that place. Delta arguably, and we already have our investment-grade rating back and continuing to improve ratings within the investment-grade stack, Delta will be at a point today, I'd argue it already is better than it's ever been in terms of overall balance [ph] management (00:38:34), but next two years, if you look at where we're going to be, there's no question, I think that multiple is going to expand mightily as people start to see the reality of this cash flow, the power this cash flow generation that Delta has.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Using the word fortress balance sheet in the context of an airline seemed unthinkable five years ago. So it just shows kind of how far the – you guys have come and the industry has come in the last five years.

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Edward Herman Bastian

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

But that's the answer to how do we get the valuation that we deserve is get the balance sheet that people take that risk off the table, and realize in good times and bad times, this is going to be the winning hand.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Absolutely. And with that, we are fresh out of time. Ed, I believe this is the last event of your centennial here, your last public event. So, it has been great to see all the amazing things you guys have done from the special livery, to the celebrations, to the merch and everything else.

Congratulations. Look forward to another 100 years.

Edward Herman Bastian

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

Well, thank you, Ravi. It's good being with you. And I thank you all. I know many of you are great Delta customers as well. We appreciate the opportunity to serve you all.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Thank you.

Edward Herman Bastian

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

Thank you.

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