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# Delta Air Lines, Inc. (DAL)

Q1 2026 Earnings Call

## CORPORATE PARTICIPANTS

### Julie Stewart

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### Edward Herman Bastian

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

### Joe Esposito

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

### Daniel C. Janki

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### Tim Mapes

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

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## OTHER PARTICIPANTS

### Savanthi Syth

*Analyst, Raymond James & Associates, Inc.*

### Conor Cunningham

*Analyst, Melius Research LLC*

### Thomas Fitzgerald

*Analyst, TD Cowen*

### Michael Linenberg

*Analyst, Deutsche Bank Securities, Inc.*

### John Godyn

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### Duane Pfennigwerth

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, everyone, and welcome to the Delta Air Lines March Quarter 2026 Financial Results Conference Call. My name is Matthew, and I will be your coordinator. At this time, all participants are on a listen-only mode until we conduct a question-and-answer session following the presentation. As a reminder, today's call is being recorded. [Operator Instructions]

I would now like to turn the conference over to Julie Stewart, Vice President of Investor Relations and Corporate Development. Please go ahead.

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### Julie Stewart

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

Thank you, Matthew. Good morning, everyone, and thanks for joining us for our March quarter 2026 earnings call. Joining us from Atlanta today are our CEO, Ed Bastian; our Chief Commercial Officer, Joe Esposito; and our CFO for the March quarter and recently named Chief Operating Officer, Dan Janki. We're also joined by our recently named CFO, Erik Snell; and President, Peter Carter.

Ed will open the call with an overview of Delta's performance and strategy, Joe will provide an update on the revenue environment, and Dan will discuss costs and our balance sheet. After the prepared remarks, we'll take analyst questions. We ask that you please limit yourself to one question and a brief follow-up, so that we can get to as many of you as possible. And after the analyst Q&A, we'll move to our media questions.

As a reminder, today's discussion contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Some of the factors that may cause such differences are described in Delta's SEC filings.

And we'll also discuss non-GAAP financial measures. All results exclude special items, unless otherwise noted. You can find a reconciliation of our non-GAAP measures on the Investor Relations page at [ir.delta.com](http://ir.delta.com).

And with that, I'll turn the call over to Ed.

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### Edward Herman Bastian

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

Thank you, Julie, and good morning, everyone. Thank you for joining us. Before we begin, I want to acknowledge the ongoing conflict in the Middle East. Our thoughts are with all those affected, and we remain hopeful for a peaceful resolution.

Turning to our performance for the March quarter, our results underscore the power of Delta's brand and the durability of our financial foundation. We delivered earnings that were 40% higher than last year and consistent with our January guidance, even with the significant step-up in fuel and several external headwinds.

Our strong results were driven by record revenue, which grew nearly 10%, increasing more than \$1 billion over last year. Demand was broad-based across corporate and leisure, with continued momentum in high-margin

diverse revenue streams. As a result, we delivered a pre-tax profit of \$530 million and earnings of \$0.64 per share, with \$1.2 billion of free cash flow and a 12% return on invested capital.

Our results are powered by the Delta people, who will always be our greatest competitive advantage. And I want to thank all 100,000 members of the Delta team for their commitment to delivering for our customers each and every day.

For the seventh year, Delta's people-first culture has earned a place on the Fortune 100 Best Companies to Work For list, moving into the top 10 for the first time. When Delta succeeds, so do our people. In February, we celebrated \$1.3 billion in profit-sharing payouts, similar to last year. This was more than the rest of the industry combined.

Looking at the current environment, demand remains strong. The acceleration we saw in March is carrying forward into the June quarter. Over the last month, cash sales, which are the clearest indicator of demand, are up double-digits, with strength across the booking curve, geographies and products.

Our consumers are continuing to prioritize experiences, with travel among the top spending categories. We are seeing this in continued double-digit spend growth on the Delta American Express card portfolio, building on last year's double-digit growth. Combined with strong corporate trends, our customer base is showing greater resilience to macro and geopolitical uncertainty.

The war in the Middle East has driven an unprecedented spike in jet fuel, with prices roughly double what they were earlier in the year. In this environment, our focus is on what we can control: running a reliable operation, taking care of our people and customers, and protecting our margins and cash flow. As part of that, we are meaningfully reducing capacity in the current quarter with a downward bias until we see the fuel situation improve.

At the same time, we're moving quickly to recapture higher fuel prices. With much of the industry still struggling to earn its cost of capital, there's a high sense of urgency to address higher fuel and reduce unprofitable flying.

Over my career, I've seen many periods of disruption in this industry; and time and again, high fuel prices have been the most powerful catalyst for change, separating the winners and forcing weaker players to rationalize, consolidate or be eliminated.

Delta is navigating from an advantaged position. We have the best-in-class brand with a loyal, resilient and financially healthy customer base. Our financial foundation transcends the industry, built on double-digit returns, durable cash flow, and an investment-grade balance sheet. And we own a refinery that provides a partial offset to elevated refining margins.

Based on current demand trends, we expect low-teens revenue growth in the June quarter, recapturing 40% to 50% of the more than \$2 billion of fuel headwind in the quarter. With that, we expect to deliver a 6% to 8% operating margin with a pre-tax profit of \$1 billion. Dan will talk more about the components of our outlook.

And while it's still early to update the full year outlook, our structural advantages and execution keep us on track to achieve our long-term financial targets. So while higher fuel is a current impact to earnings, I'm confident this environment ultimately reinforces Delta's leadership and accelerates our long-term earnings power. 2026 will be another opportunity to demonstrate how much we have structurally improved our business and reduced earnings volatility relative to prior cycles and to the industry.

That also shows up in how we operate and serve our customers. We've long been recognized as the industry leader in reliability; and this quarter, Cirium named Delta the most on-time airline in North America for the fifth consecutive year. That reflects the strength of our operation and the pride that our teams take in delivering for the customers. At the same time, over the past several months, particularly following severe weather, our reliability and recovery haven't met consistently enough our high standards. We understand the drivers, and this has our full attention.

Teams are taking targeted actions to improve resilience and recovery, as well as addressing challenges that have resulted from contractual changes to our Pilot Working Agreement that came into effect over the past year. While this will take a little bit of time to work through, we're partnering with our pilots and union leadership to ensure we deliver the reliability that Delta is known for.

Reliability and experience go hand in hand, and we're continuing to invest for our customers. During the quarter, we placed firm orders for 95 additional aircraft, accelerating our fleet renewal and supporting international growth in the years ahead. We also expanded our industry-leading lounge network, opening a new Sky Club in Denver and completing three newly renovated clubs here in Atlanta.

And as we invest in the physical experience on the ground and in the air, we're also continuing to set the standard for the digital travel experience. Fast, free Wi-Fi is already available to members on our 1,200 aircraft, enabling more personalized seatback and in-flight entertainment than any carrier in the sky. Last week, we took another strong step forward by announcing a game-changing partnership with Amazon Leo to bring the next generation of satellite connectivity to our aircraft.

Enhanced capabilities and our growing partnerships create meaningful opportunities as we continue to build Delta Sync into a powerful platform for onboard digital engagement. This year, we expect to cross 110 million customer logins, reflecting strong adoption and growing engagement. With partners like The New York Times joining YouTube Premium, Paramount+, American Express and T-Mobile, Delta Sync is delivering differentiated experiences that deepen customer engagement and strengthen our brand, and much more to come.

So, in closing, the March quarter reinforces the strength and durability of the Delta model and our investment thesis, strong demand, disciplined execution and the benefits of the strategic choices that we've made to build a more resilient business. Most importantly, we have the best people in the industry, and that advantage cannot be replicated.

With that, I'll turn it over to Joe to walk through revenue.

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## Joe Esposito

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

Thank you, Ed. I want to start by thanking the Delta people. In a quarter with strong demand and a dynamic backdrop, our people delivered for our customers. As I step into the Chief Commercial Officer role, our focus is accelerating the integrated strategy that has consistently delivered a sustained unit revenue premium. Commercially, we're building on our strength, leveraging our leading global network, scaling best-in-class domestic hubs and growing our international reach.

For customers, we're continuing to invest across the travel journey and expanding choice, enabled by better retailing and technology that improves how we sell and serve. Customers are responding by flying us more often and spending more within our loyalty ecosystem, deepening their engagement with Delta. And through continued

fleet renewal, we are driving incremental margin improvement with more premium seating, lower unit costs and improved fuel efficiency.

March quarter results demonstrate the power of this model. Total revenue of \$14.2 billion was a first quarter record and 9.4% higher than last year, several points above our initial outlook. Total unit revenue grew by 8.2%, with a nearly 2 point contribution from MRO. Passenger unit revenue growth was healthy across the board, with sequential improvement from the fourth quarter in all regions. Domestic and international unit revenue grew mid-single digits and improved through the quarter, with strong performance in both premium and Main Cabin.

Importantly, we saw an inflection in Main Cabin, with the first full quarter of positive unit revenue growth since the end of 2024. Diverse revenue streams represented 62% of total revenue in the quarter, with premium and loyalty growing mid-teens. Remuneration from American Express grew 10% to over \$2 billion, led by 12% spend growth on strong acquisitions. Corporate sales grew double-digits and set a quarterly record. Performance improved throughout the quarter with positive growth across all sectors.

Turning to our June quarter outlook, we are reducing capacity and taking steps to recapture higher fuel. Our strong brand preference, premium product focus and actions on capacity position us well to do so. While historically fuel recapture has lagged 60 to 90 days, we are seeing a quicker response with real-time traction in the industry, given the pace and magnitude of the move-up in fuel. Corporate and consumer demand continues to be strong even as we pass through higher fuel. Cash sales grew mid-teens in March, with momentum extending into April across the booking curve and in both premium and Main Cabin.

With these dynamics, we expect second quarter total revenue growth of low-teens on flat capacity growth, reflecting double-digit passenger unit revenue growth. This is a meaningful acceleration from mid-single digit unit revenue growth in the March quarter. As with any environment, we will remain nimble, prioritizing margins and return over both the near and long-term. In closing, the March quarter demonstrates our commercial advantages, and we are focused on investing to extend our leadership over time.

With that, I'll turn it over to Dan to go through the financials.

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## Daniel C. Janki

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

Thank you, Joe, and good morning to everyone. I also want to recognize and thank our people. This quarter demanded a lot from our teams across the operations. They responded with commitment, teamwork and an unwavering focus on our customers.

In the first quarter, we delivered record March quarter revenue with an operating margin of 4.6% and earnings per share of \$0.64, within our initial guidance range. Fuel prices averaged \$2.62 per gallon, including a \$0.06 benefit from our refinery. This was nearly \$0.40 higher than we expected at the start of the quarter, driven by the sharp run-up in March. Non-fuel unit costs grew 6% over prior year, reflecting lower capacity growth than planned and higher recovery costs.

On cash, we generated \$2.4 billion of operating cash flow after \$1.3 billion profit-sharing payment for our people. After reinvestment of \$1.2 billion, we delivered \$1.2 billion of free cash flow for the quarter. Strong cash generation enabled further balance sheet progress. We ended the quarter with adjusted net debt of \$13.5 billion, down 20% from last year, and gross leverage of 2.4 times.

Now, turning to the June quarter outlook. Our outlook is based on a fuel assumption using the forward curve as of April 2, resulting in an average price of approximately \$4.30 per gallon, approximately double the price we were paying last year. This includes an estimated \$300 million benefit from our refinery. Relative to the start of the year, this fuel price adds more than \$2 billion of additional fuel expense in the quarter.

With these fuel assumptions, the actions we are taking and continued strength in demand, and we expect total revenue to grow in the low-teens on flat capacity to prior year. With this, non-fuel unit costs are expected to grow similar to the rate in first quarter, reflecting the impact of our capacity reductions and the continuation of higher crew-related costs.

As Ed discussed, improving operational resilience is a top focus, and we are confident in delivering improvement in both operational and cost performance in the second half of the year. Based on those components, we expect a second quarter operating margin of 6% to 8%, with earnings per share of \$1 to \$1.50. With structural advantages and the actions we are taking, we are best positioned to navigate this evolving environment. The strength of the brand, the resilience of our customers and a more diversified revenue base provide greater financial durability.

Our balance sheet is the best in our history. We are investment-grade at all three credit rating agencies, have reduced our adjusted net debt below 2019 levels, and we have a well-laddered maturity profile, supported by a substantial base of unencumbered assets and secured borrowing capacity. Our vertically integrated fuel strategy is a unique differentiator. The refinery directly supplies a portion of our jet fuel needs, and its economics partially offset higher cracks, reducing the all-in price we pay for jet fuel.

Before we move to Q&A, I want to highlight the performance of our third-party maintenance, repair and overhaul business. As we discussed in January, with increased financial disclosure in MRO, breaking out both revenue and costs in the P&L. The MRO revenue in the first quarter more than doubled over the prior year to \$380 million on execution by the Delta TechOps team.

For the remaining quarters of the year, we expect a healthy, but more normalized rate of MRO growth, supporting a full year revenue outlook of \$1.2 billion, representing nearly a 50% improvement over last year, with expanding margins.

In closing, Delta's financial strength transcends the industry and positions us to extend our leadership through times of volatility, reinforcing our advantages and improving the long-term earnings power of the business.

Now, with that, I'll hand it back to Julie for Q&A.

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## Julie Stewart

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

Thank you, Dan. Matthew, can you please remind the analysts how to enter the question queue?

## QUESTION AND ANSWER SECTION

**Operator:** Certainly. And at this time, we'll be conducting a question-and-answer session for analysts. [Operator Instructions] Your first question is coming from Savi Syth from Raymond James. Your line is live.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Hey. Good morning, everyone. Maybe the industry, as you pointed out, has been quick here to raise fares and bag fees. I was curious if the mid-teens (sic) [low-teens] revenue outlook reflects what you're seeing on the books today or includes an assumption that some of those fares and fees will drive acceleration in the back half of the quarter.

**Edward Herman Bastian**

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

A

Savi, are you on speaker phone? We barely could hear what you were saying. It came across mumbled.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Yeah. Let me try this, Ed. Sorry about that.

**Edward Herman Bastian**

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

A

Thank you. Thank you.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Yeah. So related to kind of this quick action on fees and bag fees here, I was curious if the mid-teens (sic) [low-teens] revenue outlook reflects what you're seeing in the book today, or if that includes an assumption that some of those fare increases and fees will drive kind of acceleration in the back half of the quarter.

**Edward Herman Bastian**

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

A

While we are – what we've seen over the current term, clearly, we assumed in that analysis that oil prices are going to stay very high through the quarter, consistent with our fuel assumption. And so, there would be more growth anticipated in terms of improved RASM going forward throughout the quarter.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Makes sense. And maybe just a follow-up on that. You showed kind of really strong RASM across the four entities in 1Q. I was curious what the general expectations are in 2Q and if there was any differences in demand strength or ability to pass through higher cost across those entities.

**Joe Esposito**

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

A

Hi, Savi. This is Joe. No, we see actually really good demand right now across all entities. We're going into peak summer for Transatlantic, and that looks very good right now. Transatlantic was a bright spot for the first quarter. So no, across all the booking curves and across all the booking periods, we're seeing strong demand.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Helpful. Thank you.

**Operator:** Thank you. Your next question is coming from Conor Cunningham from Melius Research. Your line is live.

**Conor Cunningham**

*Analyst, Melius Research LLC*

Q

Hi, everyone. Thank you. Again, I totally appreciate you're not speaking to the 2026 earnings at this point. But when we like maybe play back last year, it was a much different circumstance when you did pull guidance. So I was hoping you could just level-set a little bit to how you view the year. Like, clearly, demand is where you think it is. Is it just like where jet fuel settles to see where you can start to potentially get back to growing earnings again this year? Thank you.

**Edward Herman Bastian**

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

A

Conor, yes, exactly. We woke up this morning with a very different set of fuel assumptions than we had when we went to bed. And in this environment, with this level of volatility, which we don't expect the volatility to stay at this pace day by day as this conflict progresses one way or the other. And so, until we have a better sense for where structurally we see oil landing, which we do believe will be higher for longer, not necessarily at the levels we modeled, we'll be in a better opportunity to guide, which I think is a little different than the situation where we were a year ago, where that was more revenue-based and that was a much more difficult wild card.

**Conor Cunningham**

*Analyst, Melius Research LLC*

Q

Fair. Okay. Just on the long-term EPS, your confidence there, I mean, I tend to agree with you. I think that, obviously, there's a clear foundation for strong earnings quality going forward. But in the past, you've seen oil spike, fares follow, and then oil kind of normalize, and then fares to kind of follow that. But it seems like it's a bit different as we start to look towards 2027. So if you could just walk through the puts and takes of how you see the industry kind of playing out, what you see for Delta to continue to take share and drive margins and durability in cash flows? Thank you.

**Edward Herman Bastian**

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

A

Well, I think I mentioned it in my prepared remarks. You have a considerable portion of the industry that has not returned its cost of capital, has not made a profit in years. And going back over the last decade, when we saw consolidation happen, we forget what drove consolidation. What drove consolidation was higher fuel prices back in 2009, 2010, 2011, and we were the leaders in that with the acquisition of Northwest in 2008.

So I anticipate higher fuel prices will cause much more significant structural reform than we've seen over this period. COVID, I think, was a different animal, where no one was strong enough to engage in the type of

rationalization that was necessary. And as we look forward to building a healthier business for the future, there's a number of business models that are – I think their owners are going to start questioning whether they continue to commit capital to. And however that plays out, it's going to be a benefit to Delta.

**Conor Cunningham**

*Analyst, Melius Research LLC*

Perfect. Thank you.

Q

**Operator:** Thank you. Your next question is coming from Tom Fitzgerald from TD Cowen. Your line is live.

**Thomas Fitzgerald**

*Analyst, TD Cowen*

Hi, everyone. Thanks again for the time. Really encouraging set of results. Just kind of curious if there's any kind of places where you've seen – whether geographies or customer segments or parts of the cabin where you've seen more demand elasticity, or so far so good and pretty much just broad banked and no pushback against higher fares?

Q

**Joe Esposito**

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

Yeah. Hey, Tom. This is Joe. Across our network, we've had a very strong bookings right now for the second quarter and summer. So, in a broad view, we've seen a very strong demand and especially still in the premium and corporate space. Couple of places that we've talked about before is point of sale Europe has been a little bit weaker. We've seen a little bit weakness in Mexico leisure just due to the incidents that occurred in Puerto Vallarta, and we've taken capacity actions there. So, a couple of hotspots around our network, but overall very broad and broad strength in what we're seeing.

A

**Thomas Fitzgerald**

*Analyst, TD Cowen*

Okay. Okay, thanks. That's really helpful. And then, just maybe sticking with international over the long-term here, how are you thinking about international margins and then just maybe the mix shift within international in terms of premium versus Main? Thanks again for the time.

Q

**Joe Esposito**

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

Yeah. As we – on our journey, as we expand our international footprint, we're really pleased with the results and what it does for our total network to ensure we're in the right economies around the world. Our premium demand, it comes from how we're redoing the interiors of our airplanes with seating with our D-One seats, our DPS. And if you look at the aircraft we're taking, closer to 50% of that cabin now is premium seating, and what we're retiring is aircraft that are 30% premium.

A

And we're actually able to carry a lot more cargo. If you look at our cargo numbers, this quarter, we were up 8%. That continues to grow a lot from Asia as we've invested in the product. So, as we invest in the product, fuel efficient airplanes, the strength of our domestic network, that feeds international, and more importantly, the hubs that we use around the world with our partners really gives us that insulation and our strength.

**Operator:** Thank you. Your next question is coming from Mike Linenberg from Deutsche Bank. Your line is live.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Yeah. Hey. Good results. Nice to see in a difficult environment. Joe, your predecessor had floated the idea of segmentation in the premium cabin. It looks like one of your competitors is going down that path. Where are you with respect to that? What are some of the gating issues in launching that?

**Joe Esposito**

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

A

Yeah. Hi, Mike.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Hey.

**Joe Esposito**

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

A

We're – we talked about this over the past couple of years of further segmentation. We're well on our journey, and we're on target for where we want to be by the end of the year with the premium segmentation. So, for us, we're full speed ahead on that, and we like what we see so far in the segmentation. So, you can expect more for us in the next couple of quarters.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Great. And then, second question, just maybe to Dan. This probably falls under your role. Notwithstanding the Strait of Hormuz maybe now open, we had been hearing about jet fuel shortages in parts of the world, Asia-Pacific, maybe Australia down to 25, 30 days. Do you have any issues with sourcing jet fuel, any issues on the horizon, anything that you're hearing? Thanks for taking my question.

**Daniel C. Janki**

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

A

Yeah. Mike, thank you. No, we have no issues today and we don't see any over the next 30 days or so.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you.

**Operator:** Thank you. Your next question is coming from John Godyn from Citigroup. Your line is live.

**John Godyn**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hey, guys. Thanks for taking my question. I was hoping to just maybe explore the conversation around capacity reductions a bit more. Is there anything you guys can just help us with kind of putting some bookends or some dimensions around back half capacity growth, what the pivot points are? Are you guys managing to EPS neutrality or other metrics? So, just help us think through that and what the puts and takes might be.

**Edward Herman Bastian**

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

A

John, hi. This is Ed. As you can appreciate, it's a pretty dynamic environment. I'd say with fuel moving around, that's the biggest driver of some of our decision-making. We have a good line of sight, and Joe can add color as to what we see happening in the second quarter, where the capacity is falling out to take out the growth.

But as you – as we watch the events over the course of the next month or so and when we set our summer schedule or finalize the summer schedule, there'll be opportunities and I think it'll be heavily dependent on what's happening in the economy, what's happening with respect to demand elasticity, as people have been asking, as well as where fuel prices are.

**Joe Esposito**

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

A

Yeah. And I think when – John, when you see \$4 to \$5, we're targeting capacity in off-peak times. Off-peak for us, if you think about our unit revenue basis, is 15% to 20% less valuable than peak-time flying. So, when you think about edge of day red-eye flying, those are all – when you think \$4 to \$5 of fuel, those markets will be under the most amount of pressure.

So, what you'll see from us is utilization flying, edge of day flying. We've done this over and over again when you have situations like this. So, it's a very easy amount of capacity to come in and out, and it's one where you want to be more conservative in an environment like this is. That said, we'll see where the rest of the year goes. But I think we'll probably take a downward bias and continue to look at the summer for opportunities.

**Edward Herman Bastian**

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

A

And to state the obvious, the best type of fuel recapture is not to purchase the fuel in the first place if it's not going to be profitable. So, that's at least my bias here.

**Daniel C. Janki**

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

A

Yeah. I would just add, from watching – working closely and involving with the commercial teams over time, they just always have this idea of profitability, margins and returns, and they know where to draw the line and they adjust accordingly.

**John Godyn**

*Analyst, Citigroup Global Markets, Inc.*

Q

That makes a lot of sense. Appreciate that color. It's certainly the right tactical playbook. I'm curious if there's a point where it becomes more of a strategic question about the fleet plan, accelerating retirements, getting out of an aircraft type, something like that. Should we be brainstorming the possibility of moves like that or are we just far away from that?

**Edward Herman Bastian**

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

A

We are doing that, and you're right, John. On the margin, we lean more heavily into making some of those decisions maybe a little sooner. But I'd say it's probably a bit early for us to announce a new strategic direction. But that's on the table.

**John Godyn**

*Analyst, Citigroup Global Markets, Inc.*

Thanks. Appreciate it.



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

**Duane Pfennigwerth**

*Analyst, Evercore ISI*

Hey. Thank you. Good morning. Wonder if you could frame yield improvement you may be seeing in Pacific ex-China as long haul flows avoid connecting through the Middle East for a period of time. Are you seeing a surge or maybe still seeing a surge in close-in premium?



**Joe Esposito**

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

Hey, Duane. This is Joe. Asia has been very – I'd say, very durable for the past several quarters. Japan has been an outlier. China has been strong. Incheon, with our partner, has been very strong. We have seen demand avoiding the Middle East for connections. I'd say our partners probably see more of that as they go through Europe – as they connect more through Europe or connect through Asia. But we can see it as well. And the close-in yields and bookings have been very strong on the business and corporate side.



**Duane Pfennigwerth**

*Analyst, Evercore ISI*

Thank you. And for my follow-up, just on MRO, hoping you can shed some light on the drivers of the pick-up in revenue growth there. Can you just remind us how much of your own engine work your own MRO does? And is the revenue growth acceleration a function of increased capacity investments that you've made over the last couple of years?



**Daniel C. Janki**

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

Yeah. A few items I'd talk about. First quarter was our lowest quarter last year. So we only used the one quarter I guess. It was a low watermark. It was \$140 million. So, low benchmark. It relates to a strong backlog that the team had built throughout 2025 for not only 2026, but 2026 and beyond. And it's a balance of what the customers' needs are versus our shop capacity, and those things aligned and allowed the team to execute.



The work scopes that we worked on were heavier work scopes and had more content associated with them, and it drove the revenue growth. That's why you'll see it sometimes be a little bit lumpy. It's not like just clocking in at 20% a quarter type thing. You'll see it move around. So that's why the annual growth rate and working towards a \$1.2 billion and about just over 20%, you'll see for the remaining set of the quarters.

**Duane Pfennigwerth**

*Analyst, Evercore ISI*

Okay. Thanks, Dan. Appreciate it.



**Operator:** Thank you. Your next question is coming from Jamie Baker from JPMorgan. Your line is live.

**Jamie Baker**

*Analyst, JPMorgan Securities LLC*

Q

Oh, hey. Good morning, everybody. And one for Joe. So, we all know that the traditional discount airline model is impaired, and there are a lot of drivers for that. But one of them is clearly the absence – I'm sorry, the advent of Basic Economy. On CNBC this morning, Ed declared corporate is back. So, that's the basis of my question.

As corporate volumes increase, do you have the capacity to manage that without decreasing Basic Economy inventory? Or should we assume that corporate recovery for Delta may actually inadvertently rejuvenate some of those smaller competitors that can't earn their cost of capital? I mean, obviously, it's great news for Delta. I'm just trying to think bigger picture for the industry.

**Joe Esposito**

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

A

Yeah. Hey, Jamie. Yeah. When I look at our corporate customers and where they book, I think we have plenty of seats for where in the booking curve those customers want to book and in all cabins. So I don't think Main Cabin – and Basic is flexible depending on the market that we're in, right? So Basic is not the same in every market and where we compete. So our inventory teams can change those strategies based on what we see for where the customers are on that yield curve. So I think those are flexible. But we generally always have seats for our closer-in, higher demand consumers.

**Jamie Baker**

*Analyst, JPMorgan Securities LLC*

Q

And as a follow-up on that, any geographies where you think your corporate share may be at, I don't know, a deficit to where it otherwise should be at this point? I mean any meaningful difference between the coasts and the interior, that sort of thing? I appreciate it. Thanks.

**Joe Esposito**

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

A

No, I wouldn't say – I would think on a year-over-year basis, we look at where our RASM grew for the first quarter, our coasts were stronger than our core, because that's where corporate last year in the revenue side was more impaired.

**Jamie Baker**

*Analyst, JPMorgan Securities LLC*

Q

Yeah.

**Joe Esposito**

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

A

So we've seen the coasts actually very strong for the first quarter, which we were really pleased to see. Those are the biggest corporate markets. Some of our biggest clients are in the New York, Los Angeles, Boston, Seattle type market. So that's been really good to see on where that demand came from in the first quarter, kind of showing the resurgence and the durability of corporate.

**Edward Herman Bastian**

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

A

And to be clear, Jamie, we have gained share over this past year as well as this past quarter corporately. So we're not – to echo Joe's point, we're not seeing any signs of weakness at all. If anything, that's been double-digit just about every sector we follow.

**Jamie Baker**

*Analyst, JPMorgan Securities LLC*

Q

That's excellent. Thank you, gentlemen. Appreciate it.

**Operator:** Thank you. Your next question is coming from Atul Maheswari from UBS. Your line is live.

**Atul Maheswari**

*Analyst, UBS Securities LLC*

Q

Good morning. Thanks a lot for taking my question. Are you able to provide more color on the second quarter revenue expectations or RASM expectations by yield and load factors?

And then, related to that, any second quarter expectations for various geographies would also be helpful.

**Joe Esposito**

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

A

Yeah. I think on the yield and load factor, as we go to our flat capacity plan for the quarter, you'll see some load factor improvement in probably in all cabins, but mostly it'll come from yield. We've got a recovery from last year at this time where we got the hardest hit on revenue from the tariffs and other various events and fuel recapture. So those are the biggest pieces of where we see yield versus load factor for the second quarter.

And around the world, we're still seeing strength, I would say, equally around our system. The only thing that's really been dragging is Mexico leisure, as we talked about. But we've moved that capacity out very quickly after the events, and that capacity is down for the foreseeable future. And those customers have actually just moved to different entities of leisure destinations, whether it's Caribbean or Florida. So we'll recapture them somewhere else. But no – but I've seen – I think we'll see the strength across the board.

**Atul Maheswari**

*Analyst, UBS Securities LLC*

Q

Thank you. That's helpful. And as my follow-up, if the ceasefire proves permanent, oil moves sustainably lower from here and maybe price increases are not fully rolled back. In that scenario, do you think Delta can drive enough back half upside such that it enables you to achieve your previous full year outlook? Or do you think enough damage has already been done with the \$2 billion incremental fuel cost this quarter that basically makes achieving the previous full year outlook outside any reasonable realm of possibility?

**Edward Herman Bastian**

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

A

Atul, this is Ed. We're not in a position, given how dramatic the fuel swings have been, to really answer that. We do expect, hopefully, that fuel settles down. Now, it will settle down, I think, at a higher level than where we have in the plan. So fuel recapture is going to be important, no matter what we do. And the degree to which we can retain any of the pricing strength that we talked about from industry rationalization, that will certainly help us boost our margins this year and clearly into next year as well.

**Atul Maheswari**

*Analyst, UBS Securities LLC*

Q

Thank you. And good luck with the rest of the year.

**Operator:** Thank you. Your next question is coming from Andrew Didora from Bank of America. Your line is live.

**Andrew G. Didora**

*Analyst, BofA Securities, Inc.*

Q

Hi. Good morning, everyone. So the 40% to 50% fuel recapture in 2Q was pretty similar to how we were thinking about it. But I guess what we have debated here is how this trends into the back half of the year if we're in a higher for longer fuel environment. We would think this pass-through should continue to accelerate in that scenario. Is that a fair way to think about it, or can you help us understand how you would think about the fuel recapture as we move into the back half of the year?

**Edward Herman Bastian**

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

A

Yeah. Our goal is to recapture all the fuel. Given the level at which we snapped it, it's going to take more than the current quarter. But we would expect if that fuel level stays intact, then we're going to continue to see a much higher percent as we move into summer.

**Andrew G. Didora**

*Analyst, BofA Securities, Inc.*

Q

Okay. Thank you. And then, just I guess to touch upon the cost side. I think you've been highlighting some of these new pilot recovery issues certainly lingering here into 2Q. I guess how do you fix that? And is there any kind of concern on those costs maybe being higher as we head into peak summer when the operation is a little more tightly wound? Thanks so much.

**Daniel C. Janki**

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

A

Yeah. As we talked about, we don't have the resilience that we're known for related to that. We know what the drivers of that are. As Ed mentioned, it definitely has the full team's attention and focus. We're working on those things. It's a broad set of changes that we got to go put in place. It'll take us a little bit of time here as we work through it through the summer. And there's no doubt, when you're flying more intensive operation, and as you see with weather, some of that will be highlighted more. But we expect to make progress on it as we progress through the summer and through the back half of the year.

**Andrew G. Didora**

*Analyst, BofA Securities, Inc.*

Q

Great. Thanks, Dan.

**Operator:** Thank you. Your next question is coming from Catherine O'Brien from Goldman Sachs. Your line is live.

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey. Good morning, everyone. Thanks for the time. Just maybe on demand, despite quite a bit of geopolitical and macro uncertainty, demand is holding in remarkably well even in the face of higher fares to help offset fuel. This just feels really different than what we saw happen last year on macro and geopolitical uncertainty. What do you think is driving that difference?

**Edward Herman Bastian**

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

A

Catie, this is Ed. I said this publicly over the last number of months. I think the higher end consumer – the premium consumer is candidly immune or becoming more immune to the headlines and not delaying their investment in the experienced economy waiting to see what the next headline is going to be on the margin. I think a year ago at this time, I think people – and not just people, individual, importantly corporates, were stalled, were a bit frozen by the dramatic nature of the tariff uncertainty. And we hear about tariffs now every day. And sometimes they go up, sometimes they go down. But it's not affecting individuals' lives in a meaningful way. And I think you – as difficult as it is to see what's going on with the conflict in the Middle East, I'm not sure that our premium customers are feeling affected by that.

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. So, maybe volatility is our new normal. Got you. Maybe – I realize it's really hard to call what's going to happen in the back half of the year, and totally understand – totally understand that. But maybe just taking the \$1.2 billion of free cash flow that you produced in the first quarter – and I'm not sure what the free cash flow outlook is underlying your 2Q, but I'm sure you've got something penciled in there. How is first half free cash flow tracking versus your original \$3 billion to \$4 billion full year target?

**Daniel C. Janki**

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

A

It's on track through the first quarter. The second quarter will be impacted from where we expected the quarter is versus our current guide. But you would expect that with the loss in earnings.

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay, great. Thanks so much for the time.

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

**Michael Goldie**

*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Good morning and thank you for the question. Your release noted that you're seeing particular strength in corporate demand for premium products. Is this a general market trend or are there specific Delta initiatives such as merchandizing and working with your corporate clients to improve that premium uptake?

**Joe Esposito**

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

A

Hey, Mike. This is Joe. Well, overall, the economy is strong. And so, corporate customers are moving and it's been – first quarter had been a step-up from what we saw exiting last year. And so, customers are back on the road. Remember, last year at this time, we really had a very slow corporate growth as we got into the March and

April time period. So, it's a great year-over-year. It's a good confidence in the business, and everything that we hear from our clients is that they're going to continue to travel and travel even more than they did last year. So, I think those are good. Most of those do are in premium-type cabins, and merchandizing – they're not in the basic products that we have. So, they're more in our full fare or premium products. And that's been like – as I've said, all of the areas of corporate are up almost all double-digits.

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**Michael Goldie**

*Analyst, BMO Capital Markets Corp. (Canada)*

Q

And then, as my follow-up, the strength that you're seeing in demand, can you help us understand, as we look forward, like how much of that is coming from customers accepting higher fares versus actual momentum on the number of bookings?

---

**Joe Esposito**

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

A

I think you've got it on both, right. You've got great momentum in the – we had great momentum in the first quarter that's carrying in. And when you look at the cash sales that we said were up 10% and actually up 15% for March, that went out both in short-term periods of booking as well as long-term that people were working on their travel for summer in Transatlantic and areas like that. So, you've seen it across all areas. And what was really good to see is the close-in build, which is very strong. So, the revenue that's on the books also takes into consideration what we've seen in increases just recently.

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**Michael Goldie**

*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Thank you.

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**Operator:** Thank you. Your next question is coming from Sheila Kahyaoglu from Jefferies. Your line is live.

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**Sheila Kahyaoglu**

*Analyst, Jefferies LLC*

Q

Good morning, guys, and thank you. Maybe similar to, I think, Jamie asked on the coastal hubs, but post-COVID you took share. How do you think about higher fuel and how it changes the competitive landscape, but specifically focusing on international? How do you think about market share opportunities, where you're investing the most? And maybe my follow-up would be on how we think about price increases internationally and domestic, were they different and what are you seeing thus far?

---

**Joe Esposito**

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

A

Yeah. Sheila, on the share side, I think we've – we look at the past year, we've done very well on not just maintaining, but increasing our share across all entities, as we continue to expand into the international regions. I think the fare changes on fuel are different for domestic and international, but both have to meet their returns is what we're really guiding towards. So, whether you're in domestic or international, it's different for both of those entities. But the same intent is to recapture the cost of fuel.

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**Sheila Kahyaoglu**

*Analyst, Jefferies LLC*

Q

Okay, great. I'll stop there. Thank you.

**Julie Stewart**

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

Matthew, we'll now go to our final analyst question.

A

**Operator:** Certainly. Our final question is coming from Chris Stathoulopoulos from Susquehanna. Your line is live.

**Christopher Stathoulopoulos**

*Analyst, Susquehanna Financial Group LLLP*

Good morning. Thanks for taking my question. I want to go back, Ed, to the differentiated and durable theme. I think it was a quarter or two ago, you spoke about emphasizing or growing your loyalty presence or ecosystem in your focus cities. And maybe, I guess, if you could talk about how you're thinking about your brand loyal market share as it relates to your core and coastal hubs. Not asking about profitability. I realize a competitor or competitors of yours spend a lot of time debating that. But given where fuel prices are and then contextualizing what you said a quarter or two ago about growing the loyalty piece within the focus, how you're thinking about this concept of brand loyal share as it relates to your core and coastal hubs in this environment? Thank you.

Q

**Joe Esposito**

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

Hi, Chris. This is Joe. I'll take that. We've been very purposeful with how we put our – where we put our capacity and how we build that brand loyalty in a city. And I think we're very fortunate that we have a very loyal following and the Delta brand is loved in actually the hubs and the cities that we choose to compete. So, a lot is how much more we can offer our customers and how much more they pay us.

A

And I think that's been on the loyalty side, as well as you think about segmentation, the ground products we've put in, not only the air products, but we've been upgrading the fleet in our coastal and our focus cities, as well as our core hubs. But the investment we've made in all of our cities is a testament to what we get back in that brand loyalty from our customers. So, we're going to continue on that path. I think that's – in my opening comments, that was one that we're really focused on is how to deliver more of that brand strength in a city, which also gets more loyalty and also allows customers to be able to spend more on Delta.

**Christopher Stathoulopoulos**

*Analyst, Susquehanna Financial Group LLLP*

Okay, great. I'll keep it to one. Thank you.

Q

**Julie Stewart**

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

Yeah. That will wrap up the analyst portion of our Q&A. And I'll now turn it over to Tim Mapes to open the media portion of the call.

A

**Tim Mapes**

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

Thank you, Julie. Matthew, if you would please – as we transition to the members of the media, if we have any, would you please remind people how to access the call queue, please?

A

**Operator:** Certainly. At this time, we'll be conducting a Q&A session for media questions. [Operator Instructions] Your first question is coming from Leslie Josephs from CNBC. Your line is live.

**Leslie Josephs**

*Reporter, CNBC*

Q

Hi. Good morning, everyone. Wondering if the capacity plans that you have now – or flat capacity rather is affecting your hiring at all for 2026 and maybe into 2027. And then, also United has made – the executives have made some comments about trying to catch up to Delta in terms of profit and including getting some more customers in more up-for-grab markets like LA. And just wondering if you could talk about some of the initiatives Delta has in the hopper over the next few months and years that you think will keep your competitive advantage going. Thanks.

**Edward Herman Bastian**

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

A

Hi, Leslie. You squeezed in like eight questions in one sentence. I'm impressed. No, we have not adjusted our hiring plans. Again, as I said, the situation is fairly fluid. We've largely completed hiring on the frontline side for the summer season anyway. So, no changes there. We love competition. And I think it's good, as I mentioned to you yesterday, that we have other carriers that are replicating our model, and we will continue to do well. We know the Delta brand is the strongest brand in our industry. We know our market share in places where we compete heavily, including most importantly the coast, continues to take an outsized share. And we'll continue to keep our investments going strong to keep those customers happy, particularly our premium customers.

**Leslie Josephs**

*Reporter, CNBC*

Q

Thank you so much.

**Operator:** Thank you. [Operator Instructions] Thank you. There are no further media questions.

**Tim Mapes**

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

Great, Matthew. Thank you very much. That will conclude today's call then.

**Leslie Josephs**

*Reporter, CNBC*

Thanks, everyone, for joining.

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

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