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# Delta Air Lines, Inc. (DAL)

Q4 2020 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, everyone, and welcome to the Delta Air Lines December Quarter and Full-Year 2020 Financial Results Conference Call. My name is Cathy, and I will be your coordinator. At this time, all participants are in a listen-only mode until we conduct the question-and-answer session following the presentation. As a reminder, today's call is being recorded.

And now, I'd like to turn the conference over to Jill Greer, Vice-President of Investor Relations. Please go ahead.

### Jill Sullivan Greer

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

Thanks, Cathy. Good morning, everyone. And thanks for joining us for our December quarter and full-year 2020 Earnings Call. Joining us from Atlanta today are CEO, Ed Bastian; our President, Glen Hauenstein; and our Interim Co-CFO, Gary Chase. Our entire leadership team is available for the Q&A session. Ed will open the call with an overview of Delta's performance and strategy, Glen will provide an update on the revenue environment, and Gary will discuss cost liquidity and our balance sheet. We've extended our call today to 90 minutes in total to make sure we have plenty of time for questions. For analysts, we ask you to please limit yourself to one question and a brief follow-up so we can get to as many of you as possible. After the analysts Q&A, we'll move to our media questions, after which Ed will provide some closing remarks.

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 the 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. We'll also discuss non-GAAP financial measures, and 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 to Ed.

### Edward H. Bastian

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

Well, thanks, Jill. Good morning, everyone. This morning we reported pre-tax losses of \$2.1 billion for the December quarter, and \$9 billion for the full year capping the toughest year in Delta's history. We've been saying all along that this recovery wouldn't follow a straight line. The demand choppiness as COVID infections rose across the country, and government and public health officials issued travel advisories, our revenues at \$3.5 billion for the fourth quarter, which is 30% of last year's levels. And although we still have a tough winter ahead of us, we're encouraged by the progress that's been made on the vaccine front, and are confident that Delta is positioned to successfully lead our industry into recovery as the year unfolds.

While 2020 was a challenging year, we delivered results for all of our stakeholders. For our employees, we prioritized protecting their health and safety, and preserving our culture. For example, throughout the past year, we have offered and continue to offer an extensive employee testing program and pay protection programs for employees diagnosed, exposed, or at high risk of COVID-19. We have had remarkable volunteerism, up to 40,000 employees taking unpaid leaves throughout the summer to protect jobs and preserve cash, and in fact we

still have over 10,000 employees in the month of January out on unpaid leaves. And we have made it through this year without furloughing any employees.

Our emphasis on taking care of our people is reflected in Delta's recognition this week by Glassdoor as one of the Best Places to Work for the fifth year in a row, coming in seventh overall on a list of 100 large companies, the highest rank Delta has ever received, all in the face of the pandemic. Really incredible work by our team.

For our customers, we're keeping them at the center of our recovery. Our health and safety efforts from being the only major US airline that continues to block seats to partnering with leading names like the Mayo Clinic, Emory Healthcare, Lysol and Purell in developing the Delta CareStandard, to launching the industry's first COVID-tested transatlantic flights with no quarantine on arrival are all targeted at restoring consumer confidence in travel, and reopening borders, which will be an important driver of revenue growth in the future.

Our customers recognize the outstanding service our people provide with an all-time high December Net Promoter Score at 71, up 20 points year-over-year, and by Business Travel News naming Delta the top airline for corporate travelers for the 10th year in a row, and once again coming in first place on all 12 metrics that they measure in the survey. That customer preference and loyalty is what underlies our revenue premium, and has never been stronger.

And finally, for our shareholders, we secured our liquidity position and rescaled our cost structure. We reduced liquidity risk by raising over \$25 billion in capital since the pandemic began. With approximately \$17 billion of liquidity, our adjusted net debt, however, only increased \$8 billion year-over-year, and we don't expect that net debt will increase going forward.

We've swiftly removed cost from the business with three consecutive quarters of operating expenses declining by nearly 50% or more, increasing the variable nature of our cost structure. In fact, in the December quarter, our all-in unit costs were down 4.5% year-over-year despite flown capacity being down 44%. That is a remarkable achievement and credit to all Delta employees for making that happen. And by keeping our costs under control, we leveraged the modest increase in net sales to reduce our average daily cash burn to \$12 million a day for the December quarter, half of what it was in the September quarter, and a decrease of 90% since the early days of the pandemic in late March.

Turning to 2021, we expect the March quarter to look similar to the December quarter, with the March quarter revenues at 35% to 40% of March quarter 2019 levels, and our cash burn for the quarter holding at \$10 million to \$15 million per day. We expect that will be followed by an inflection point this spring as vaccine distribution continues, travel restrictions start to ease and consumer confidence begins to grow, hopefully resulting in cash burn reaching breakeven or better by the second quarter.

And as the year progresses, we expect demand will start to accelerate as vaccinations become more widespread, and the virus is in a contained state, and customers gain greater confidence to make future travel commitments. This should enable a sustained recovery to begin in the second half of 2021 with a return to profitability this summer.

So, as we work through this environment, we're focused on five things. First, as always, we're committed to keeping our culture intact and our employees engaged. The Delta people are our most strategic asset. They have done a tremendous job this year, and together will lead our airline through the recovery.

Second, we'll continue to prioritize the customer with a focus on health and safety, and the maintenance of the industry's strongest network, thereby increasing loyalty and preference for our brand. Customers have shown they're willing to pay more for the quality of our network, product, and our service. The gains we've achieved in customer satisfaction position us well to drive sustainable revenue growth in the future.

Third, we'll maintain our focus on innovation, which will enable our employees to improve the customer experience, and drive efficiency through the business. And innovative thinking will power our ability to tackle big challenges in front of us like our goal of achieving carbon neutrality in the next decade.

Fourth, we'll drive a competitive cost structure. Given the changes we've made over the last year, our goal is to sustain our non-fuel unit cost at or below 2019 levels by the December quarter of this year, and roughly 75% of 2019 capacity levels, displaying continued agility in managing our cost.

And finally, we're committed to debt reduction and creating long-term shareholder value, including continuing to protect our owners so that they can participate in future upside without dilution, because for investors, while the near-term demand path is murky, industry fundamentals remain intact.

Following almost a year of subdued travel, customers are beginning to exhibit behavior that is indicative of pent-up demand. Shopping visits across Delta's digital channels are significantly outpacing the passenger volumes we're carrying. In our most recent corporate survey, 40% of respondents expect full recovery by 2022.

Our partners at American Express are also seeing encouraging signs, whether it's cardholders holding on to their points in anticipation of redeeming them for air travel or a recent survey that suggested approximately 70% of respondents expect to take a trip in 2021 after not traveling in 2020.

Although it will take time, customers want to travel again when they feel it's safe. They feel they've had a year of their life taken from them, and they're starting to get ready to reclaim it. Until then, we're fortunate to have the support of the US government, which recognizes the importance of the airline industry, and we thank Congress and the Administration for passing the COVID Relief Bill last month. As a result of that bill, we anticipate receiving approximately \$3 billion in additional payroll support funds, largely on terms similar to the initial CARES Act program. These funds have been critical in saving thousands of industry jobs during an unprecedented level of demand decline. And it's why the US airline industry is in the best position to recover from the pandemic over any other international market.

So, while 2020 was a difficult year and challenges will continue in 2021, I'm encouraged by some of the data that we're seeing, and I'm proud of the foundation that we built at Delta. This company is well-positioned to emerge in a stronger competitive position from this crisis, and will continue to lead our industry in the years ahead.

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

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## Glen William Hauenstein

*President, Delta Air Lines, Inc.*

Thanks, Ed. And good morning, everyone. As Ed mentioned, we started the December quarter seeing encouraging demand trends, but with rising COVID cases and travel advisories, we began to see some weakness around Thanksgiving and into December. Despite that softness, the peak periods continue to outperform non-peak periods, and we've seen sequential improvement in total revenues, which recovered from being down 80% in the September quarter to down 70% in the December quarter on sellable capacity that was down 62%.

On January 3, we had a \$15 million (sic) [\$50 million] ticket revenue day and carried more than 250,000 customers. Both of these were the highest since the onset of the pandemic. And despite having meaningfully less inventory for sale given our middle seat block, we outperformed on passenger revenue generation in the first nine months of the year. This is a testament to customers' willingness to pay a premium for the Delta difference.

Leisure markets and sun destinations are the best performers in our network. With our approach of targeting salable capacity to match demand, we are biasing restoring capacity to leisure markets. As a result, roughly one-third of our domestic capacity is currently deployed into leisure destinations. Our coastal hubs, especially New York and Boston, are still some of the weakest areas in our network with demand in those hubs only 20% to 25% recovered.

International demand remains weak, and is limited to essential travel. That said, we continue to work towards opening additional COVID-tested lanes of travel with no quarantine on arrival, similar to our Atlanta to Rome and Atlanta to Amsterdam flights. This will be important in restoring confidence in long-haul international travel as vaccine rollouts continue.

While premium seat strategy is holding up well, domestic premium revenues performed in line with main cabin in the quarter. A good outcome considering that we're continuing to operate a largely leisure-driven environment with a higher proportion of premium seats held back due to our middle seat blocks.

As all of you are aware, corporate demand continues to be depressed, and was only 10% to 15% restored for the quarter. Corporate revenue was about 3 points higher than the September quarter, with small and medium accounts, which make up half of our corporate revenues recovering 5 points faster than large corporates.

While the passenger revenue environment remains challenging, we're encouraged that efforts to diversify our revenue streams have paid off. Our American Express remuneration in 2020 was nearly \$3 billion, down only 30% on a year-over-year basis. In fact, American Express has shared that spending on our co-brand card portfolio has performed in line to slightly better than their overall card portfolio spend in 2020.

In the December quarter, MRO revenue was down almost 30% relative to the same period last year, while cargo revenue was up 10% on a year-over-year basis. This marks the first quarter of cargo revenue growth since the December 2018 quarter.

Our December quarter results reflect the challenges that the pandemic has brought not just to Delta, but to the entire airline industry. I am incredibly grateful for the efforts of the entire Delta team in managing through the challenging year that we faced.

Now that we think about 2021, we see three distinct phases to the year and for each phase, we have levers to help us react to the emerging demand environment.

In the first phase, we expect demand choppiness to continue, the booking curve to remain more compressed, and the results to be similar to the December quarter. In response, we'll focus on making sure that our salable capacity largely aligns with the emerging demand environment. For example, our January and February domestic scheduled seats will be down 3% to 6% versus the non-holiday period in November. That will result in our March quarter salable capacity being approximately 55% lower relative to the same period in 2019, consistent with the expected 60% to 65% revenue decline.

We'll also continue to leverage our non-ticket revenue streams like cargo, loyalty, and MRO that we believe should continue to outperform passenger revenues.

In the second phase, vaccination distribution continues, travel restrictions and advisories begin to ease, and customer confidence begins to grow. As that happens, we expect to see an extension of the booking curve resulting in a cash-led recovery with revenue recovery to follow. We anticipate this will happen in the spring and will result in us achieving our cash burn break-even targets.

In response to the second phase, our middle seats will be a very powerful tool for us, one we can use to add capacity in a very cost-efficient way, generating a meaningful margin tailwind.

In the final phase, vaccinations become more widespread and offices begin to reopen. We expect that to occur in the second half of 2021, and as a result – and result in a sustained improvement in demand and yield with progression in cash generation as the booking curve normalizes.

With the recovery initially fueled by leisure demand, Delta's success will be driven by our superior connecting economics through our core hubs domestically and our partner hubs internationally.

With 34 new aircraft deliveries this year, we'll also leverage higher gauge and more efficient aircraft that produce lower seat costs, more premium seats, and a better customer experience. This will allow us to capitalize on our brand affinity and upsell opportunities which are enabled by the elimination of change fees for US customers and the redemption of eCredits.

It will take longer for corporate demand to return, but we are encouraged by the results of our recent corporate survey. Our corporate accounts are telling us that they largely anticipate returning to their offices and travel in the June and September quarters. They are also telling us by the end of 2021, half are expecting to return to 50% to 100% of pre-COVID domestic travel, and up to 50% of pre-COVID international travel.

To our corporate customers, our commitment to you remains unchanged. Delta is ready when you are. We will be ready to serve our corporate customers by leveraging the strongest domestic and international networks, rebuilding focus at even point-to-point flying based on customer needs, and by capitalizing on our efforts to always put the customer experience at the center of what we do.

We're optimistic for the future, having built the right foundation and focusing on what we can control. We are confident in our ability to successfully navigate the post-pandemic recovery.

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

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## Gary Lee Chase

*Interim Co-Chief Financial Officer & Senior Vice President – Business Development and Financial Planning, Delta Air Lines, Inc.*

Thanks, Glen, and good morning, everyone. Let me touch on the fourth quarter in 2020, and then I'll turn to the outlook for costs and the balance sheet as we head into 2021.

Our December quarter pre-tax loss of \$2.1 billion is about \$500 million better than the September quarter, given the revenue improvement Glen just discussed combined with strong cost discipline. We reduced costs by approximately 50% from 2019 levels for the third consecutive quarter. More importantly, our costs were up just 6% from the third quarter on 30% capacity growth, and three-quarters of that increase came from higher fuel. Total unit cost, including fuel, was down 4.5% compared to 2019 on 44% lower flown capacity.



Our average daily cash burn for the December quarter was \$12 million, half of the third quarter's \$24 million. We closed the year with \$16.7 billion in liquidity and adjusted net debt of \$18.8 billion, up about \$8 billion versus year-end 2019.

Now, as we look into the year ahead, improving demand fundamentals will underpin a transition of our financial focus from protecting our liquidity to positioning the company for a return to profitability and free cash flow. I'll explain our approach to costs and our balance sheet as we make this transition.

Let's start with costs. We need to stay flexible and maintain our discipline in order to position the company for the return to profitability Ed mentioned as we expect continued choppiness in demand in the early part of the year. We've already taken structural steps to resize our business. Our two largest cost drivers, fleet and head count, are both 15% to 20% smaller than they were in 2019.

Headcount reductions were a difficult but necessary decision. It was hard to see 18,000 talented and dedicated coworkers leave, but it's a testament to the Delta culture that these reductions were achieved entirely through voluntary means.

We accelerated our fleet transformation by retiring aircraft with relatively short remaining lives and simplified our fleet by eliminating two entire families while increasing our gauge. On a run-rate basis, these changes will drive more than \$400 million in annualized cost benefit.

As we add capacity in 2021, we will drive higher utilization of our system and we have room to rebuild our network from current levels at low incremental costs, approximately 40% to 50% of our December quarter non-fuel CASM. Our goal is to produce and sustain non-fuel unit cost below 2019 levels by the fourth quarter. That cost focus will be a key driver of profitability later in the year when demand returns.

Looking to the March quarter, we're preparing for stronger demand by reactivating aircraft and restoring our people to full hours, driving about \$200 million in additional costs versus the December quarter.

Our March quarter total operating expense will be 35% to 40% lower than March quarter 2019 with a total unit cost, including fuel, down 5% to 10% on approximately 35% lower flown capacity.

Let's move now to capital, the balance sheet, and liquidity. As we begin the year, conditions are similar to where we exited 2020. A modest uplift in net sales should offset the cost investments we're making in the quarter, and as a result, we expect average daily cash burn between \$10 million and \$15 million, similar to the December quarter.

With further improvements in net sales as customers gain confidence, we expect our cash burn to cease this spring. With that goal in sight, we're turning our focus to how we will balance reinvesting in the business while reducing our debt levels. Given our expectations for cash flow in 2021 and proceeds from the PSP extension, we expect our current adjusted net debt levels to be the high watermark for that important metric.

For the full year, we're expecting \$2.5 billion in gross CapEx, a significant reduction from the \$4 billion to \$5 billion that we were spending pre-COVID. We have \$1.3 billion of aircraft purchase commitments for 34 new deliveries this year, which we have the option to fully finance, and about \$1 billion in non-aircraft CapEx.



Including retirements, we expect our fleet count at the end of 2021 will be 15% smaller than at year-end 2019, with total fleet declining from about 1,350 to about 1,130.

An equal priority is to work on our balance sheet by reducing our liquidity and paying down debt. We have approximately \$1.8 billion of debt maturities in 2021 and \$2.1 billion in 2022. Our debt has an average interest rate of 4.6% which will drive approximately \$350 million in quarterly interest expense. However, we will begin reducing those expenses by paying down debt this year.

We do not have mandatory pension contributions until 2025 under Airline Relief, but we expect to make at least \$500 million in voluntary contributions this year.

In terms of the quarter-end outlook with about \$3 billion of PSP support expected from the government in the March quarter, we project ending the period with \$18 billion to \$19 billion in liquidity and adjusted net debt of approximately \$18 billion.

Let me close by saying this. The Delta difference has never been more important, and I'd like to thank the Delta team for delivering for each other and for our customers amid the industry's most challenging environment ever. Because of your dedication, we will emerge from the crisis stronger and more resilient than ever.

With that, I'll turn the call back over to Jill to begin the Q&A.

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### **Jill Sullivan Greer**

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

Thanks, Gary. Cathy, we're ready for questions from the analysts, if you could give the instructions on how to get in the queue.

## QUESTION AND ANSWER SECTION

**Operator:** Certainly. [Operator Instructions] And we'll go first to Savi Syth with Raymond James.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Good morning, everyone. I'm just kind of curious after the kind of vaccine news, have you seen a change in booking behavior? And also, I know the testing requirements probably positive longer-term for opening up international demand, but are you seeing travelers perhaps shifting to more domestic sun and sand destinations from international?

**Edward H. Bastian**

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

A

Savi, the vaccine deployment still is very early and we haven't really seen much in the form of changed behaviors. We hear a lot anecdotally, but it's also one of the weakest travel periods of the year in the current month that we're in. We've not seen the booking curve start to expand. We certainly hope to see that as we get through the quarter and vaccines continue to become more prevalent.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

Makes sense. I'd be curious, just a follow-up on some of the kind of the changing dynamics here. I was wondering if you have any kind of preliminary thoughts on how maybe the American and JetBlue partnership might impact kind of the Northeast position.

**Edward H. Bastian**

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

A

We're not going to comment on our competitors or speculate. You know us well. You know we love competition, and I think competition makes you better.

**Savanthi Syth**

*Analyst, Raymond James & Associates, Inc.*

Q

All right. Appreciate it. Thank you.

**Operator:** Next, we'll go to Jamie Baker of JPMorgan.

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Q

Hey. Good morning, everybody. First question for Glen. Sort of a follow-up I suppose on Savi's question. In normal times, what percentage of international revenue is made up of trips that lasts fewer than four or five days? I'm asking because I would think a trip of that duration would be particularly jeopardized by the need to land and almost immediately take a COVID test so that you could come home.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Well, I think that's dependent on how far customers are traveling. Generally the longer they travel, the longer the stay is. So, I think what we are seeing is a very good response from the closer-in Caribbean and Mexico resorts where hotels are now going to be offering that as part of the package.

And so while there may be some choppiness as there has been through this whole environment, as we start adopting those testing procedures, we think in pretty short order here that customers will adapt. And to the extent that travel does shift from short-haul international back to domestic, we'll be ready to move the airplanes back too.

**Edward H. Bastian**

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

A

Jamie, I'd like to add to Glen's comments. We're still working obviously with the CDC. We endorse and support the testing requirements they've put in place, but a new feature is the inclusion of rapid testing into the mix. So it doesn't necessarily mean it only has to be a PCR test, and with the growth of antigen testing, the quality of antigen testing that's out there and the supplies in place, you can literally, you can get some of these tests done within a 10-minute interval shortly before you return.

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Q

Excellent. Thank you for that, gentlemen. And a question for Gary. How are you thinking about the optimal level of liquidity to carry in the future? Sort of a post-pandemic question. And if you haven't reached that conclusion yet, is that because it's just not a priority right now, or do you simply need to wait and see how the recovery plays out before reaching a decision?

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President - Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Jamie, I think what I would say is it's obviously less than today. We need some time. We have I think some work in front of us to think through where we ultimately want that to be. But I think the important point is we're getting started, and I think you see some of that.

During the quarter, we prepaid our term loan that was matured in April for about \$3 billion. We mentioned during the script that we do plan to make a pension contribution, which, as you know, we consider part of our financial obligations. So we are getting started. We don't have more specifics, but we are getting started, and we're very focused on that \$350 million number that I described and using the liquidity that we have where it makes sense to drive that down.

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Q

And just a fine point. On PSP, a simple yes or no question. Have the terms been achieved, and if so, are they the same as the first round? Thanks.

**Peter W. Carter**

*Corporate Secretary, Chief Legal Officer & Executive Vice President, Delta Air Lines, Inc.*

A

Yeah, Jamie. It's Peter Carter. The terms are identical to PSP 1...

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Perfect.

Q

**Peter W. Carter**

*Corporate Secretary, Chief Legal Officer & Executive Vice President, Delta Air Lines, Inc.*

...because we already signed the agreement to the government.

A

**Jamie N. Baker**

*Analyst, JPMorgan Securities LLC*

Thank you, everybody. Take care.

Q

**Edward H. Bastian**

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

Thanks, Jamie.

A

**Operator:** Our next question will come from Hunter Keay of Wolfe Research.

**Hunter Keay**

*Analyst, Wolfe Research LLC*

Good morning. Ed, about a year ago, we talked on this call about intentionally running lower load factors, and it's happening in a weird way, but you're getting paid for it and your NPS scores are, as you mentioned, at an all-time high. So unblocking middle seats is obviously a tactical choice, but even when you unblock them, you don't have to sell them. So I guess the question is longer-term, how are you thinking about running less full airplanes as an opportunity to differentiate yourself to that premium traveler?

Q

**Edward H. Bastian**

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

Yes, Hunter, it is an interesting year. I'll say that. We've not made a decision beyond the end of March relative to our – when to unblock the middle seats. We have some time to continue to look at that. I think it's going to be very much driven by customer demand, customer input, the confidence customers have in those seats. But no question about it, we are generating a meaningful premium due to that decision.

A

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

Hunter, if I could have just a quick follow-up on that. I guess there are two ways as we discussed last year to do that. One is by creating more premium seats, and the other is by running lower load factors. As we go through this fleet transition, there are premium seats as a percent of our total seats continue to rise, and I think that's our primary way to satisfy the demand for premium customers is to continue to provide them with a higher level of quality.

A

**Hunter Keay**

*Analyst, Wolfe Research LLC*

Got it. Yeah, thank you, Glen. And then on the 18,000 early outs, can you achieve 2019 capacity without backfilling any of those positions?

Q

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Could you speak louder? We missed your question, the start of your question, Hunter.

**Hunter Keay**

*Analyst, Wolfe Research LLC*

Q

Sorry about that. The 18,000 early outs, the question is like how much – can you achieve 2019 capacity levels without backfilling the majority or the entirety of those positions?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

We can achieve 2019 levels without 20% of our people, there's no question about it. But there's we don't need to backfill it entirely either. So there's a middle ground there.

**Hunter Keay**

*Analyst, Wolfe Research LLC*

Q

Okay. And then just one more quick one, since we've 90 minutes. It's a follow-up on Jamie's follow-up. Peter, have you negotiated the new strike prices for the warrants attached to PSP 2?

**Peter W. Carter**

*Corporate Secretary, Chief Legal Officer & Executive Vice President, Delta Air Lines, Inc.*

A

We have, and it's \$39 and some change.

**Hunter Keay**

*Analyst, Wolfe Research LLC*

Q

Thank you.

**Operator:** And now, we will go to Andrew Didora of Bank of America.

**Andrew G. Didora**

*Analyst, Bank of America Merrill Lynch*

Q

Hi. Good morning, everyone. Glen, my first question is for you. Probably a little tough to answer, but just curious about how you're thinking about kind of the trade-off between yield and load factor as you move through kind of the different phases of recovery that you talked to. And as those travel restrictions ease, do you see the need to maybe stimulate more demand with price, or do you think there's enough pent-up demand in the network that load factors is the bigger driver? Just curious how you're thinking about that.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

I think we're taking a yield bias as we go into the peak summer hoping that demand exceeds supply, and if that doesn't materialize, we can make those adjustments later. But we have anticipated that it will be a nice recovery in demand as we get towards the summer and we've taken a conservative approach. I hope that answers your question.

**Andrew G. Didora**

*Analyst, Bank of America Merrill Lynch*

Q

That certainly helps stream it a bit. And then, Ed, I know Gary gave some information about CapEx this year, but I guess how are you thinking about that over the next few years, especially in light with your – with regard to de-levers here, and what do you need to see in order to feel more comfortable in placing these aircraft orders? Thank you.

**Edward H. Bastian**

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

A

Well, Andrew, I think we're a little early yet in terms of thinking about the long-term CapEx picture. Thinking now we moved \$5 billion of aircraft CapEx alone with Airbus out over the next several years. The degree to which we want to take positions and new positions coming up, we'll continue to evaluate that based on demand. But right now, I feel pretty comfortable with where we sit.

**Andrew G. Didora**

*Analyst, Bank of America Merrill Lynch*

Q

Thank you.

**Operator:** And now, we'll go to Brandon Oglenski of Barclays.

**Brandon R. Oglenski**

*Analyst, Barclays Capital, Inc.*

Q

Hey. Good morning, everyone, and thanks for taking my question. Gary, can you talk about some of the structural things that you've taken out of the cost structure to reach that CASM target by the end of the year?

And I think you made a comment about incrementally like 40% to 50% of your fourth quarter CASM would be variable event. Did I hear that right?

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President – Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Yeah. So Brandon, let me start with the first question. The structural costs, and the two biggest ones in our business are really head count and fleet, as we mentioned. The fleet really determines an awful lot of the infrastructure that we need from a cost standpoint.

We expect to get leverage out of all of our costs associated with assets. We look about a third of our cost structure on a monthly basis is fixed. So as we grow, we'll obviously get leverage there, and we have pockets of opportunity. We have pockets of opportunity in terms of better utilization of just the overall system.

When I think about what we're doing here, and this gets to your second question, there are kind of two big things that I talk about or that we all talk about internally as we think about this effort that we're embarking on.

The first is baseline aggressively, and it's really have a laser-focus on what's in the cost structure now and what makes sense. And you see that in the 50% reductions that we've been posting now for several quarters.

The second thing we say is leverage the build, and that's really where the incremental thought process comes. That's about being very thoughtful about better leveraging the system as we start to rebuild.

Now, I think in terms of your second question, incremental costs, it's pretty simple the way we're thinking about it. It's just changing cost divided by change in ASMs, and we wanted to give some guide post as to the leverage that we do expect going forward for the 40% to 50% of December capacity comes in.

I'll just note if you take a look at the second half of 2020, it's quite a bit better than that. And that was why I emphasized that comment in the prepared remarks about how we scaled the system, particularly in the fourth quarter.

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**Brandon R. Oglenski**

*Analyst, Barclays Capital, Inc.*

Q

Well, thank you, sir. I think those were my two.

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**Operator:** Our next question will come from Ravi Shanker of Morgan Stanley.

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**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks. Good morning, everyone. A couple questions on business travel. You said that small and medium-sized corporates are coming back first. Are you surprised by that? And is that good news or bad news for when the bigger guys come back when the world opens up again?

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**Edward H. Bastian**

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

A

Ravi, we're not surprised by that. These are small business owners who need to get out to their customers who have to work hard every single day to keep their sales and their business moving. And we do see a meaningful continued improvement in small business traffic.

Some of that we can measure, others that we can't say because they're not under contracts with us, but we know that's an important part of overall business travel.

But I do want to talk about the overall corporate travel results. As you probably know, we extensively survey our corporate customers, our large corporate customers on a quarterly basis in addition to just being with them on a weekly basis as to their thoughts on the return of travel. And the most recent survey that we conducted, which just ended a couple of weeks ago, indicated that 40% of our big corporate customers expect they will be fully back to 2019 levels by 2022. And another 11% said that they expect to be fully back by 2023. So that's a little over 50% of the customers.

And these are the big ones. Everyone is speculating what's going to happen to business travel. These are the customers who make those decisions. 7% said we'll never be back to 2019 levels, only 7%. And 42% said they weren't sure, needed more time to figure it out.

So with all the dialogue and speculation around the death of business travel, just looking at that survey, it's very interesting. You take the 51% that said they'll be fully back by 2023, the majority of which is in 2022, and then you consider the second quadrant, the 50% who said they'll never return or they're not sure they'll return, and even if you assume that only 50% of their travel returns, that gets you 75% of the way back no later than 2023, and I think that's a very pessimistic view on business travel.



So what we've been talking about corporate travel and business travel returning, I felt optimistic when I saw those results. We know it's going to be different going forward. I've said many times it could be 10% to 20% lower over a period as it's substituted and complemented. There will be different types of travelers, different reasons for people traveling, but I think business travel has got a very, very strong opportunity to return over the next two years and we're going to be well-positioned to carry it.

**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

Q

That is great color on the demand side of business travel. Thank you for that. If I can just follow up with a question. The supply side, clearly you guys are leaders from a corporate travel standpoint, but we have seen some of your LCC competitors start to and maybe try and make some inroads as that traffic comes back. So maybe you can kind of – can you give us more color on kind of how you maintain that leadership and how you see the competitive environment looking like for business travel when that does come back?

**Edward H. Bastian**

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

A

I think that the Delta difference has never been more pronounced than it is right now. And if you look at our share of corporate travel that is traveling, we have experienced the highest levels in our history. So demand for our products and services is incredibly high for people who want it. And I think that's where our challenge remains is to continue to provide industry-leading products and services that our corporate travelers want and need. And that's been what we've been doing over the past several years and what we'll continue to do as we get to the end of this pandemic.

And I think that's going to be what differentiates us. And clearly, there's always people who would like to take that travel away from you because it is some of the highest yielding travel in the system, but I think that's our goal and our mission is to stay ahead of that and provide it through a pool of people who want to fly Delta as opposed to really push which is, hey, we can lower fares and try and move off the sides or at the bottom of this.

**Ravi Shanker**

*Analyst, Morgan Stanley & Co. LLC*

Q

Very good. Thank you.

**Operator:** And now our next question will come from Catherine O'Brien of Goldman Sachs.

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Good morning, everyone. Thank you so much for the time. So my first question is actually about your current [ph] expectations (00:41:26) about seeing a cash recovery before a revenue recovery. And just trying to square that with the 65% of your ATL vouchers. As maybe early prospective bookings are coming in for later in the year, are these majority of new bookings or maybe there's a higher percentage of those vouchers that are corporate and you expect the early part are going to be leisure. We just want some color on that comment. Thank you.

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President – Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Yeah, Catie, some of that came through a little garbled, but let me say this. I think the distinction is really about timing. In the early – in the spring, what we expect and we mentioned it a few times we think as confidence starts

to build, what you'll see is that people will start booking for further out in the booking curve. And so we will have a build in our air traffic liability that helps us cross cash break even earlier in the spring. P&L break-even is something that will take a little bit more. That's when our revenue is going to be covering our expenses, and that is something that we expect will lag a little bit behind the build in bookings and we'll be there by the summer, as we've mentioned.

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**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

And maybe just a little bit on our redemptions for the eCredits is we are running in the low- to mid-teens right now in terms of total revenues with the eCredits coming back, and we expect that to stay below 20 as we move through this next period here.

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**Edward H. Bastian**

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

A

And that number has been pretty consistent throughout the entire year. So we have a pretty good sense for what that's going to look like.

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**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. Understood. And can you hear me a little bit better now?

---

**Edward H. Bastian**

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

A

Yeah.

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**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. Great. Understood. And I know you guys have one of the furthest out periods through which people can redeem, so that makes sense. Maybe one on the cost structure. Of course, the pandemic has created a lot of pain for the industry, but I don't want to glaze over that, but outside of speeding up your fleet simplification, have you found other opportunities to make the operations more efficient, perhaps maybe speeding up some of your automation plans on the customer-facing side? I would love to just hear about other opportunities as we move forward in this crisis. Thank you very much.

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**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President – Business Development and Financial Planning, Delta Air Lines, Inc.*

A

We have, Catie. I'm not sure we're going to get into some of the specifics. I will say that the fleet simplification has been – it's something actually that we think is in our run rate today. You're seeing some of the benefit in the fourth quarter. But we – it's something that will have a much bigger impact as we move to rescale the network through 2021.

When I mentioned the concept of leveraging the build and maybe one of the reasons why I'm thinking through it just as I'm thinking through it is there are a lot of things that we want to think about doing differently. One of the unique opportunities of you always want to make something good out of what has transpired, and it does give us an opportunity to start fresh. One of the reasons I think we are showing the kind of leverage as we rebuild is because we have a clean sheet of paper in some sense to start from.

**Edward H. Bastian**

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

A

Yeah. I'd like to add to Gary's comments. I think it's remarkable the work the team has done on the cost side to get out in the fourth quarter to the point where our all-in unit costs are 4.5% lower quarter-over-quarter despite having over 40% less capacity to work with. It speaks to the ingenuity of the team rethinking as we speak what the not just the current environment but the future environment is, and these are not costs that we're deferring out into the future, we're making real changes real-time here. And it touches every part of our business. So, since demand has been low, we've been all over cost the entire year, and the team has gone really, really good work here.

**Catherine O'Brien**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yes. Definitely see impressive stats you were able to throw out earlier. Well, thank you, all, for the time.

**Edward H. Bastian**

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

A

Thank you.

**Operator:** Our next question will come from Duane Pfennigwerth of Evercore ISI.

**Duane Pfennigwerth**

*Analyst, Evercore Group LLC*

Q

Hey. Thanks. Good morning. You covered this in pieces, and I'll follow-up to a couple of other analysts, but one of the things that Delta has been talking about during this crisis, which makes a lot of sense, is getting to 2019 CASM on a capacity footprint that's smaller. So, I wonder if you'd kind of quantify how much smaller a footprint can Delta still deliver 2019 CASM, and is the thinking or the logic and the focus really more on CASM recovery and margin recovery before necessarily capacity recovery?

**Edward H. Bastian**

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

A

Duane, I'll take that. Listen, they're all interrelated. You need to put the revenue and the capacity out there in line with demand not CASM strategy, and – but they're certainly connected to the ability to drive costs down. One of the things that we have been a leader for many, many years really in the last decade is on our up-gauging strategy domestically, particularly. And that will continue to be important as we move forward, and while we talk about simplifying the fleet, we've taken some big steps in that direction. We're also going to be advancing the up-gauging of the domestic fleet at the same time. So, that's a big contributor. We'll continue to be a contributor with both driving down cost as well as improving the customer experience and revenue, including premium revenue opportunities. We've said in – I said in my remarks that our goal is to get that 2019 unit cost by the end of this year on roughly 75% of 2019 capacity levels, it's a pretty good marker. We hope our capacity level is higher. I'll be honest with you. The demand environment is driving that. But that's going to be driven by demand, not by cost.

**Duane Pfennigwerth**

*Analyst, Evercore Group LLC*

Q

That's very helpful. And then maybe just broad brush strokes, you gave us the 75% by year-end. Is that how we should be thinking about your view of exit rate, and how are you thinking – again it can change, but how are you thinking about the summer as a percent of 2019?

**Edward H. Bastian**

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

A

Yeah. We're not using that as a guide for capacity levels. We're using that for our own internal calculations in terms of where we need to get our cost structure down. It won't be 75%. It may be higher, it may be lower. I don't know. There's a long way to go between here and there, and we'll keep you posted as we go.

**Duane Pfennigwerth**

*Analyst, Evercore Group LLC*

Q

Okay. And then, just last one, maybe a question from a different era. But could you walk us through the comps on revenue monthly, because it seems like your guidance [indiscernible] (00:49:10) January, February, similar to kind of 4Q levels, but March, it seems like there's a wide range of outcomes on March, and obviously the comps fall off materially middle of March. So, I don't know if you have the data handy, but how much easier is March and April relative to kind of January, February?

**Edward H. Bastian**

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

A

Duane, we're not going back to giving monthly revenue guide, so, I'm sorry, I'm going to have to pass.

**Duane Pfennigwerth**

*Analyst, Evercore Group LLC*

Q

Fair enough. The comps do get easier. Thanks for taking the question.

A

[indiscernible] (00:49:46) it will be easier.

**Operator:** And now, we will go to Joseph DeNardi of Stifel.

**Joseph William DeNardi**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Hi. Yes. Good morning. Ed, you talked about the corporate travel environment. In a scenario where corporate traffic is impaired 15% to 20%, what does that mean for your earnings power, and why should we be concerned that the fleet strategy is adding more premium seats into a declining premium market?

**Edward H. Bastian**

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

A

Joe, I wouldn't draw the conclusion that corporate travel is impaired at all. In fact, I've not said that. I think we may see lower corporate travel, but I also think it'll be changed, potentially different mix. So, I don't think we should be worried or ringing alarm bells relative to the future of corporate travel. All indications are that corporate travel is ready to start coming back, it'll come back pretty aggressively beginning in the second half of this year. We're a smaller airline. We've got 200 fewer planes today. We've already right-sized the business to be smaller, which will help protect the premium revenue sources and the margins of the business, and that's why we've spent a lot of time on this call talking about our cost performance. That's going to be the key to make sure that we protect the margins in an environment where corporate travel will be down for the foreseeable future. Maybe it's permanently down by a little bit of lower amount, but I'm not ready to declare that yet.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Could I add something to that; is that I think when you think about our premium products and services, you also ought to think that these are not only filled by corporate travelers. As a matter of fact, only less than a third of the seats are actually filled by the corporate travelers, and two-thirds are filled by noncorporate. And I think it's our ability to provide the right products and services for the noncorporate as well with the right set of opportunities so that we can match their preferences to our products and services. And I think that's really been one of the great hallmarks of the transformation is to say this is really available to everybody at reasonable prices, and that's been one of our key successes, I think.

**Joseph William DeNardi**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Got it. That makes sense. Ed, it's my understanding that owners of your SkyMiles debt are getting access to quarterly updated financial disclosures for SkyMiles similar to those you provided when you marketed the transaction. It's my understanding that equity investors are not. So, my question to you is how is that fair? How do you expect your equity investors to make a fully-informed decision on your stock if they're not being provided with updated disclosures for what you guys have proven is your most valuable asset? Thank you.

**Edward H. Bastian**

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

A

Well, Joe, I'll let Gary take that because he's closer to the financial disclosures. But I'll say while the loyalty partner is a very important asset, our most important asset are our people. Gary?

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President - Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Yeah, Joe, so we are providing some disclosures to those debtholders, as you described. Look, I think we agree with some of the sentiment that you have expressed over time. We see the value there. I think Glen did a good job of articulating how well it is holding up. We've been on a path to provide more information there. I think you'll have to be a little forgiving. We've had a lot on our mind, and I think you can expect us to continue down that path for the very same reason that I think you've been asking about it because we do see the value there.

**Joseph William DeNardi**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Thank you.

**Operator:** And now, we will go to Greg Konrad of Jefferies.

**Greg Konrad**

*Analyst, Jefferies LLC*

Q

Good morning, and thank you. Just to follow up on some of the past questions, I mean, I guess in terms of the competitive environment, your yields have held up relatively well, only down 2% or 3% on a relatively short booking curve with reduced corporate travel. I mean, how do you think about that potential trajectory for yields as the booking curve normalizes and some of the corporate travel returns? I mean, is there an opportunity to kind of above where you were in 2019?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

I think there's always opportunity to be above where we were in 2019. That's clearly our goal. If it could be a short-term goal, it would be, but I think it's more a medium- to a long-term goal. But I think we're going to come out with a higher preference than we've ever had, and that higher preference will drive a higher demand set, which should enable us to work on yields as we come out the back-end of this. So, I think it goes back to how did people react to the pandemic and how did Delta's brand come through this. And I think from all the research we've done, and from all the data that we see that our brand has never been stronger, and demand for our products and services has never been stronger on a relative basis. And we're planning on capitalizing on that on the back-end of this.

**Greg Konrad**

*Analyst, Jefferies LLC*

Q

Thank you. And then, just one quick follow-up, just a cleanup question. I mean, how should we think about refinery sales for the year? Any change versus what you saw in Q4?

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President - Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Are you referring to the third-party sales? Is that what you're asking?

**Greg Konrad**

*Analyst, Jefferies LLC*

Q

Yeah. Sorry, the third party.

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President - Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Yeah. The phenomenon that you're seeing in the third-party sales is anything we produce and do not exchange for jet fuel, we sell to third parties. Obviously, with our jet consumption being way down, we've had a lot more of those sales to third parties. So, that is going to likely trend with how we rebuild our network, and how much jet fuel we're consuming.

I do think it's important to point out that those sales have no margin. If you look in some of the reconciliations in the back of the release, you'll see that those are offset dollar-for-dollar rather on the cost side. So, they're all wrapped into the economics of the refinery, but you should expect those to start trending down as our consumption picks back up and we're exchanging more for our own use.

**Greg Konrad**

*Analyst, Jefferies LLC*

Q

Thank you.

**Operator:** And next, we will go to Mike Linenberg of Deutsche Bank.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Hey. Good morning, everyone. Hey, Ed, I'd just like to go back on the mandatory COVID tests for international arrivals. Are you aware of any potential carve-outs like for those 24- or 48-hour round trips? And if you were to have a vaccine to be vaccinated, would you be precluded from actually having to provide that test on entry?

**Edward H. Bastian**

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

A

Hey, Mike. It's Ed. We're still working through the guidance from the CDC.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay.

**Edward H. Bastian**

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

A

It's evolving. We have mentioned – I personally have had a number of conversations with Dr. Redfield on this. We've mentioned the needs to consider some waivers in unusual circumstances where, for example, COVID testing resources are not available or if there're probably some relatively short-term, as you mentioned, travel. So, we're working through the implementation details. I think it's absolutely the right thing to do for the long term for our industry. But it's going to create some short-term hiccups.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay. Agreed. And then, just a question to Glen, and possibly Peter Carter. I know that you had sort of deferred on JetBlue-American. What I'm more interested is it looks like as part of that transaction, it does look like that there's going to be a slot divestiture, and that would obviously be at airports that are near and dear to Delta. Are those slots that – from what you know, are those slots that only new entrants can bid on, or are those slots that all carriers can bid on? And if that's the case, is that something that would interest Delta? Thank you.

**Peter W. Carter**

*Corporate Secretary, Chief Legal Officer & Executive Vice President, Delta Air Lines, Inc.*

A

So, the DOT has not made it clear what the rules are with respect to those slots, but I think it's suffice it to say that we are deserving in DCA without question because of our market position.

**Michael Linenberg**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Very good. Thank you, Peter.

**Operator:** And now, we will go to David Vernon of Bernstein.

**David Vernon**

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

Q

Hey. Good morning. So, Ed or Gary, could you talk to how as we move through phases, how and when discretionary costs may come back into the system? I'm wondering if there's going to be a need to prime the pump a little bit on the cost side to prepare for what should be a pretty steep recovery as vaccinations roll out.



**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President – Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Well, there will be some, David. We expect, for example, to have reactivation expenses around maintenance in aircraft through the remainder of the year, so we expect that pace to continue. I'm not sure I quite heard the non – was it discretionary or non-discretionary expenses you were asking?

**David Vernon**

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

Q

Yeah. I imagine you guys have curtailed a lot of discretionary expense, so there's marketing or IT development or systems work or training programs, what have you. I'm just wondering if there's going to be a need to step up that spend ahead of a recovery here in the intervening months.

**Gary Lee Chase**

*Interim Co-Chief Financial Officer & Senior Vice President – Business Development and Financial Planning, Delta Air Lines, Inc.*

A

Well, I'd prefer to think of it not to pick it up before recovery, but we will have a need to revisit some of the things that we've done. If you take a look, David, at what we're pointing to in terms of incremental costs as we leverage the network, it does look different than what we saw in the second half of 2020. And one of the reasons is we do expect to have pressure in pockets. We have to be really mindful and balance some of those needs with the realities of the business because we are determined here to turn the profit equation around, and to be framing those releases with black ink this year.

**David Vernon**

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

Q

Okay.

**Edward H. Bastian**

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

A

Hey, David. This is Ed. Let me expand on that just a bit. We are, whether it's maintenance expenses, we've got our staffing levels back to where we need to be starting the first of this year. We restored the pay in terms of some of the pay cut, the voluntary pay cuts that our employees took last year. So, there's a meaningful step-up already in the numbers we've given you for the cash burn in the first quarter to get ready for the recovery.

So, I'm very comfortable with where we sit. In fact, if we wanted to continue to run the same cost structure and forego some of those expenses, you'd see our cash burn coming down in a relatively meaningful level in the first quarter as well. But we've maintained the same level of cash burn to get ready for the spring.

**David Vernon**

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

Q

That's helpful. And then, maybe just as a follow-up, you noted in the release the amount of CapEx that's come out of the budget over the next couple of years. I'm wondering if there's been a discussion at the board level about goalposts or guideposts for profitability before we kind of go back to renewing the fleet in earnest.

**Edward H. Bastian**

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

A

David, again, I think that question is a little premature. Yes, we talk about that topic with the board. We also haven't made any determinations quite yet. The goal we have with the board is very much what we said to you is

that we get to our goals to get to a cash breakeven position for the second quarter, and a return to profitability starting in the third quarter.

**David Vernon**

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

Great. Thank you.

Q

**Edward H. Bastian**

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

The pace of that recovery over the next couple of years, obviously we still have some work to do yet.

A

**David Vernon**

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

Okay. Thanks.

Q

**Jill Sullivan Greer**

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

Cathy, we're going to have time for one more question from the analysts, if you can queue it up.

A

**Operator:** Certainly. And that question will come from Joe Caiado of Credit Suisse.

**Joe Caiado**

*Analyst, Credit Suisse Securities (USA) LLC*

Hey. Good morning, everyone. Thanks for the time. Ed, Glen, just a quick clarification question regarding your annual corporate travel survey. One, 40% of respondents say fully recovered by 2022. Are they referring to their businesses being fully recovered by 2022, or their corporate travel budget being fully recovered by that, or do they see them as one and the same?

Q

**Edward H. Bastian**

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

Their corporate travel being back by that.

A

**Joe Caiado**

*Analyst, Credit Suisse Securities (USA) LLC*

Got it. Okay. Understood. That's helpful. And my second question just – it's clear that you're not seeing any elongation of the booking curve yet at this stage, but what about clicks or looks? Stopping short of actual bookings, but is there any data like that that you're tracking analytics on a website, something like that that provides a basis for your recovery outlook beyond Q1 and sort of saying that you have a good shot at P&L breakeven in Q3, or you're just hopeful that that's going to be the case? Are there any analytics that you can share with us that maybe give you a better indication? Thank you for the time.

Q

**Edward H. Bastian**

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

Absolutely. Corporate looks are actually doing quite well. We're 40% up quarter-over-quarter where we were last quarter in terms of looks. And look to book is very low. So, people are looking, they're aspiring to travel, and

A

they're just not ready to commit yet. And I think that's what really gives us that sense that there will be a time in which people feel comfortable again to travel, and that look will turn into a click, turn into a booking. And so, we are monitoring that very, very carefully, and we're looking forward to the opportunity to serve these customers when they come back.

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**Joe Caiado**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Thanks for that color.

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**Jill Sullivan Greer**

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

That's going to wrap up the analyst portion of this call. I will turn it over to Tim Mapes, our Chief Marketing and Communications Officer.

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**Tim Mapes**

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

Well, good morning, everybody. I want to thank all the members of the media who have gathered on the call today. Your interest in Delta is not only appreciated, it's never been greater, and we're very pleased today to provide you with an expanded period of time to make sure that we address your questions.

I'd also like to thank Ed and Glen, and the members of the Delta Leadership Committee, all of whom are on this call for their involvement as we turn the page on 2020, and optimistically look at 2021.

So, Cathy, if you could please review the instructions, and mention to everyone how they go about asking a question.

## QUESTION AND ANSWER SECTION

**Operator:** Certainly. [Operator Instructions] And we'll go first to Alison Sider of the Wall Street Journal.

**Alison Sider**

*Reporter, The Wall Street Journal*

Q

Glen, I was wondering if you could talk a little bit about some of the operational issues we saw around the holidays, Thanksgiving and Christmas? And what, looking back, do you think were kind of the root causes of that, and what, if any, changes you've made to prevent the same sort of thing from happening again?

**Edward H. Bastian**

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

A

Sure, Ali. We certainly had a much better Christmas holiday than the Thanksgiving break. There were a number of factors going on in the staffing levels of the company with a lot of the changes that we had implemented. And you couple that with COVID, and some of the exposures which everyone is seeing, the no-fly capability of some of our staffing, which came in. We learned from that for Thanksgiving. We made some pretty aggressive changes in December in terms of getting the schedule fine-tuned to anticipate that.

And we were in really, really good shape, and then we got hit with a massive storm in Minneapolis on the 23rd of December, which cost us probably a couple of hundred cancels, incremental cancels over that next couple of day timeframe, which was concerning but unavoidable unfortunately.

The most important thing in all of that is one, the Delta people, and I know there were some bloggers out there wondering whether the Delta pilots weren't doing everything. Again, the Delta pilots were amazing through both holiday periods, and showing up and getting the flights going, and giving up their holidays and their time away with their families to help the company out. So, it had nothing to do with pilot staffing at all.

The other thing was the number of customers who may have been canceled. While it's higher than we've been expecting, the vast majority of the people got to their destination within hours of their original scheduled time. So, the team did a very, very good job, and that issue was pretty much over with by the 26th, 27th.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

And that really manifested itself in the record Net Promoter Score we had in the December time period. So, as Ed mentioned, despite the fact that we had to cancel some flights, our average lateness was not very late versus the original itinerary, and our customers over the holiday period were quite satisfied posting record high Net Promoter Scores.

**Alison Sider**

*Reporter, The Wall Street Journal*

Q

And just to follow up, is there anything you can share about what you're seeing in terms of crew member infection at this point? I know the pilots have said they saw some big increases in COVID infections in the late fall. I'm just wondering if they're still seeing that, or if that's sort of been brought under control.

**Edward H. Bastian**

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

A

Well, we're a microcosm of the country, and as the pandemic has accelerated over the course of the last few months, it accelerated across the airline employees as well. But our team is doing a great job. We're not seeing it spread within the company when they're at work. It's unfortunately in communities where people are getting sick. So, I'd say every work category of the company is experiencing an increase in exposures as we've all been seeing over the last couple of months.

**Alison Sider**

*Reporter, The Wall Street Journal*

Q

Yeah. Thank you.

**Operator:** And now, we will go to Tracy Rucinski of Reuters.

**Tracy Rucinski**

*Reporter, Reuters*

Q

Hi. Good morning. I'm wondering if you think we'll see COVID-19 testing being required for domestic flights.

**Edward H. Bastian**

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

A

Tracy, I don't think so.

**Tracy Rucinski**

*Reporter, Reuters*

Q

Okay. And just to follow up with a separate question, should we expect to see a deal with Boeing this year for a 737 MAX order?

**Edward H. Bastian**

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

A

We're not going to speculate on that.

**Tracy Rucinski**

*Reporter, Reuters*

Q

Okay. Thank you.

**Edward H. Bastian**

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

A

Sorry.

**Operator:** And now, we'll go to Claire Bushey of Financial Times.

**Claire Bushey**

*Reporter, Financial Times*

Q

Hi. I know Delta has been growing its own list of people who're not able to fly on the airline, but I was wondering if the company had any visibility into whether more names are being added to that federal no-fly list based on last week's Capitol attacks.

**Edward H. Bastian**

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

A

Sorry, the last part was a little garbled. Is your question, are we adding increased numbers to our no-fly list based on federal information?

**Claire Bushey**

*Reporter, Financial Times*

Q

I was asking whether Delta knows if names are being added to the federal no-fly list based on the Capitol attacks.

**Edward H. Bastian**

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

A

We certainly know that the TSA is looking very carefully at those that were in the Capitol building, the rioters, and we are working closely with them. And I do anticipate if the TSA is able to identify individuals, you'll have people added to the no-fly list, no question about it.

**Claire Bushey**

*Reporter, Financial Times*

Q

Thank you.

**Operator:** And next, we have Leslie Josephs of CNBC.

**Leslie Josephs**

*Reporter, CNBC*

Q

Hi. Good morning, everybody. You mentioned that there was a lot of pent-up demand and also the hoarding of points from the frequent flyer program. What happens if a lot of people try to redeem at once? Is that something that you're expecting based on search data and other things?

And then, also you mentioned a recovery second half of the year. Where are you seeing demand? Are those sort of outdoor social distancing destinations showing more strength than others? Like, where is the demand coming from? Thanks.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Well, clearly leisure destinations are at the forefront of the recovery right now, and I think it doesn't matter whether or not it's a beach or a mountain peak, that's where people are headed at this point in the recovery. And then, your second question was...

**Leslie Josephs**

*Reporter, CNBC*

Q

About points.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Points. Oh!

**Leslie Josephs**

*Reporter, CNBC*

Q

So, if people are hoarding – yeah, what happens if everyone, and are you foreseeing that they will or are trying to redeem...

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

We are happy and really are indifferent whether or not people who are booking are using points or whether or not they're using actual dollars or whether they're using eCredits. What we are anticipating is that all of those will increase, and we have plenty of capacity to meet that demand as we head to the second half of 2021. So, we're hoping that all of the above happens.

**Leslie Josephs**

*Reporter, CNBC*

Q

Okay.

**Edward H. Bastian**

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

A

When I'm talking to American Express, good partners there, it's clear that people place great value on their loyalty points with Delta, and like to see the values grow over time. And so, while they've been in the pandemic, we've seen redemptions down for points because flying levels are down, but they haven't stopped the spending on the card. Our co-brand card is as good if not better than almost any other product card AmEx has. So, it has great appeal, and we expect it's not going to be a run on the bank type situation that you're referring to.

**Leslie Josephs**

*Reporter, CNBC*

Q

Okay. You could just adjust the awards, the availability and things like that, too, right, if there is a...

**Edward H. Bastian**

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

A

Absolutely. Absolutely. We're looking forward to that day.

**Leslie Josephs**

*Reporter, CNBC*

Q

Thank you.

**Operator:** And now, we will go to David Koenig of The Associated Press.

**David Koenig**

*Reporter, The Associated Press*

Q



Hi. Real quick question. Unless I missed it, I have not heard an update in a while on the number of people you have banned for not wearing face masks. Is there a current figure on that? And any changes in in-cabin policies?

**Edward H. Bastian**

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

I think that number is north of 800 at this point, David.

**David Koenig**

*Reporter, The Associated Press*

Okay. Very good. And then, how many of those are since last week, do you know?

**Edward H. Bastian**

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

A number, not a huge number, but a number.

**David Koenig**

*Reporter, The Associated Press*

Okay.

**Operator:** And now, our question will come from Kelly Yamanouchi of the Atlanta Journal-Constitution.

**Kelly Yamanouchi**

*Reporter, The Atlanta-Journal Constitution*

Hi, there. I wanted to ask about profit sharing. With no profit sharing next month from 2020 results, I was wondering what impact you think that may have on employee satisfaction. And also wondering if you think there's a possibility of profit sharing a year from now.

**Edward H. Bastian**

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

Well, I think everyone is aware why there's not profit sharing in this year, and I can tell you employee satisfaction is at a very high level. I mentioned during this script, Kelly, that we just were awarded the seventh best employer by Glassdoor. Glassdoor is an entirely employee-driven acknowledgment. The company doesn't have any input or any insight into that. That's purely by employees talking about their employers. So, that gives you the sense for the sentiment. The sentiment is very strong.

The volunteerism with the tens of thousands of people that have taken unpaid leaves of absence over the year indicates that. We've been mindful of the fact that there won't be a profit-sharing payout, and we're providing added services and assistance around financial health and financial well-being and credit counseling and other services to employees that may need it. We have been ramping up and talking about it. We're going to continue to talk about it on an ongoing basis going forward with our people providing that support.

And relative to next year's profit sharing, I certainly hope we'll be paying it. It's hard to speculate it now. It's just only a couple weeks into the year, but I'm hopeful that we'll be paying it.

**Kelly Yamanouchi**

*Reporter, The Atlanta-Journal Constitution*

Great. I also heard mentioned during the call so far about the value of connecting economics, but also the importance of point-to-point and focus. So, I was wondering if you expect – how you expect the Atlanta hub's role to be different going forward in terms of size or the role in your network.

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Well, clearly, the size of Atlanta is relative to the size of demand in the United States. As the world's largest hub, it is a microcosm of global airline demand. So, we expect it to recover as the airline continues to recover.

The two things that I would say that we're going to continue to work on average gauge, which I think is something that's really important and we'll be bringing more details about, but bigger airplanes with better products and services, and so I think you'll see the departures get back to 2019 levels at some point in the future, but before that you'll probably see the enplanements start to rise dramatically, and using really the gauge lever as much as the departure lever. This is, as you know, our most valuable asset here in Atlanta, and we're very proud to be a part of the Atlanta community, and it has led us in rebuilding our network so far.

**Kelly Yamanouchi**

*Reporter, The Atlanta-Journal Constitution*

Q

Great. Thank you so much.

**Operator:** Our next question will come from Ted Reed of Forbes.

**Ted Reed**

*Reporter, Forbes Media LLC*

Q

Thank you for taking the questions. I have two questions for Glen. First one, Glen, when you said earlier Delta is ready when you were talking about when you come back, were you talking about in terms of capacity or something else?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

I think that when customers are wanting to fly on Delta, we'll be ready for them. And I know you for a long time and I know you remember that slogan, so it's harkening back to a little bit of history there with Delta.

**Ted Reed**

*Reporter, Forbes Media LLC*

Q

So, you're just saying you'll be ready, and you'll have the capacity suited to what you anticipate customers will want?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Correct.

**Ted Reed**

*Reporter, Forbes Media LLC*

Q

All right. Secondly, we've been talking a lot about the middle seats being empty, and being you said a powerful tool. How are you measuring what the value – how can you tell that these are so valuable to your customers?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

Our revenue premiums have never been higher, and so customers are valuing the Delta difference, and I think that's how we're looking at that as when we look at our revenue production versus our competitive set, despite having the least amount of sellable capacity, our revenues have kept pace. So, I think we're seeing not only the highest share of corporate demand we've ever had, although – albeit on depressed levels but a real differentiator when customers are shopping to want to fly Delta versus some of our competitors.

**Ted Reed**

*Reporter, Forbes Media LLC*

Q

And you think that's due to middle seats being empty longer than others?

**Glen William Hauenstein**

*President, Delta Air Lines, Inc.*

A

I think it's the entire Delta difference. Clearly, that's a piece of it. But whether or not it's the Delta CareStandard, whether or not it's the Delta people, which are really always at the heart of it, but this is one component of ensuring that Delta is seen as the brand you want to associate with.

**Ted Reed**

*Reporter, Forbes Media LLC*

Q

All right. Thank you. I appreciate it.

**Operator:** And now, we'll go to Dawn Gilbertson of USA Today.

**Dawn Gilbertson**

*Reporter, USA TODAY*

Q

Hi. Good morning. I also have questions on your middle seat policy. Ed and Glen, I know you both said no decision has been made yet, but Glen, your comment about in the second phase is middle seats will be a very powerful tool, it sounds to me at least like you're certainly leaning towards unblocking them. A, is that a fair assumption? B, can you talk to us about the timing of this decision, when will you decide whether they are blocked beyond March 30? Thank you.

**Edward H. Bastian**

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

A

Dawn, this is Ed. No, I would not say that's a fair assumption. What we said is that when the demand returns, which is that next inflection point, that will inform our decision around what we do with the middle seat. So, we've not made any decisions to unblock them post March 30.

**Dawn Gilbertson**

*Reporter, USA TODAY*

Q

Can you give us a sense of when will you make that decision? Because pretty soon I know the booking curve, it's still short, but you're kind of optimistic about summer. So, will you make that decision in the next month, the next few weeks, a couple of months? Can you give us any sense of that, please?

**Edward H. Bastian**

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

A

We continue to monitor it on a regular basis. It's not imminent. We have some bit of time. But it's going to be informed by customer sentiment, demand. We have in addition to middle seats, we have a lot of other seats still empty on our planes, and confidence in travel relative to COVID and vaccine requirements. So, it's not a clear line, and there's a lot that has to go into that. We know that it's been an important – not the only, but one of the important reasons why Delta has been able to earn – continue to earn an even higher revenue premium during this past year than we've historically had, and so we want to be very careful as to how we make that decision.

**Dawn Gilbertson**

*Reporter, USA TODAY*

Q

Thank you very much.

**Operator:** And now, we will go to Skift's Edward Russell.

**Edward Russell**

*Reporter, Skift, Inc.*

Q

Hi. Yes. I was wondering if you could talk a little bit about the changes in the competitive environment, American-JetBlue alliance, the Northeast, and then how you intend to respond to that.

**Edward H. Bastian**

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

A

I think we're very confident in our products and services, and we compete well against both those carriers individually, and I'm sure we'll compete very well against them together. So, we have a lot of confidence in our products and services in the Northeast.

**Edward Russell**

*Reporter, Skift, Inc.*

Q

Okay. And then, there's also been some expansion in some of your focus cities, Raleigh-Durham, Austin. Does Delta plan to return there and compete there as well?

**Edward H. Bastian**

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

A

Focus cities will be an important part of our portfolio moving forward, and we'll continue to work on making sure that we have the right capacity in those cities as demand returns. And so, we're looking forward to demand continuing to return in all of our focus cities.

**Edward Russell**

*Reporter, Skift, Inc.*

Q

Thank you.

**Operator:** And now, we will go to Robert Silk of Travel Weekly.

**Robert Silk**

*Reporter, Travel Weekly*

Q

Well, thanks for taking my call. A couple of questions. Do you see – CDC gave an indication – I know that A4A had called for – wanted testing – airline, you all wanted to testing to be put in place, but got in exchange a rollback of travel bans? Any indication that that could be coming?

**Edward H. Bastian**

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

A

Yeah. Your question, I'm sorry, was a bit garbled. Could you repeat that? We're having a hard time with some of our communications this morning.

**Robert Silk**

*Reporter, Travel Weekly*

Q

Can you hear me a little bit better now?

**Edward H. Bastian**

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

A

Yeah.

**Robert Silk**

*Reporter, Travel Weekly*

Q

Okay. So, the question is any indication or sense from the Federal Government or CDC that with this blanket testing requirement that there could be a rollback of travel bans, which is something that the airlines have called for? And I'll also follow – another question is any sense that vaccines ultimately could be included in the mix, if you're vaccinated, it relieves testing requirements or could be an either/or?

**Edward H. Bastian**

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

A

We're still working with the CDC on the specific testing strategy and deployment. This is something that we – Delta endorse, and I know our industry similarly endorses. We would like to see the travel restrictions lifted once the testing protocols are in place, and that will be a decision by the new administration is my understanding when they take office. And – but I think by having the testing protocols in place, it then gives confidence to the regulatory authorities to start to lift the bans, which is why we endorse the testing strategy.

Your question relative to vaccines, yes, obviously once vaccines are at scale, we would hope that vaccination evidence would supplant the need to show a test result, but of course we're still working with the authorities on that.

**Robert Silk**

*Reporter, Travel Weekly*

Q

Okay. Thanks.

**Edward H. Bastian**

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

A

Cathy, we have time for one final question for the group, please.

**Operator:** Certainly. And that will come from David Slotnick of Business Insider.

**David E. Slotnick**

*Reporter, Business Insider*

Q

Hey, everyone. How are you? Thanks for the question. I was just wondering about the phases, the three phases that Glen outlined earlier. With that timing in mind and with the responses that you've gotten from the corporate travelers, is Delta still expecting a recovery to 2019 revenue and travel levels in line with the rest of the industry with the – I think it was 2023 or 2024 the IATA, and if you're previously forecasting, or has that moved up for you at all?

**Edward H. Bastian**

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

A

Again, I'm sorry. It was hard to hear the question. Let me take a shot at it. The information we shared on the call about corporate travel is the sentiment we're getting from our own customers. As you are aware we are the largest carrier of corporate travel amongst the US carriers. So, I think we have some of the best insights as compared to IATA or any other group. I don't know how they determine what 2023 or 2024 looks like. I wouldn't place too much confidence in that. But what our corporate travelers, corporate travel managers are telling us is that 50% expect it to be fully back by 2023. The other 50% is largely uncertain, but we expect a meaningful amount of that travel to return as well.

**David E. Slotnick**

*Reporter, Business Insider*

Q

Thanks. So, does Delta have a forecast for when they'll return to 2019 travel levels?

**Edward H. Bastian**

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

A

The numbers we're comparing are 2019 travel volumes, yes.

**David E. Slotnick**

*Reporter, Business Insider*

Q

Okay. Thanks.

**Tim Mapes**

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

A

Thank you, David.

**Tim Mapes**

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

With that, we'll turn it over to Ed to make some final comments. Again, thank you, everybody, for your time this morning.

**Edward H. Bastian**

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

Well, thanks, Tim. Just in closing, I think you can all appreciate that 2020 was a difficult year, but we're on a recovery path. We see the start of it beginning to crystallize here, particularly with the vaccine development.

And as you've heard earlier from Glen and Gary, I'm confident that we've got the foundation in place to return Delta to revenue growth, profitability, and free cash flow generation. We're committed to keeping our culture intact and our employees engaged. We'll continue to listen to our customers, and put them first in order to further enhance their experience on Delta, increase their loyalty, and drive affinity towards our brand. We're very focused on innovation, which is allowing us not only to enhance the customer experience and drive efficiency but also to tackle the big challenges that still lie ahead for us.

We'll remain very focused on cost performance. We talked a lot about that during the call to ensure that the leisure-led demand environment that emerges we'll be able to respond to it. And finally, we're committed to reducing debt, strengthening our balance sheet, and creating long-term shareholder value, and allowing our owners to participate in future upside without dilution. We have the very best employees in the industry, and we're ready to see this strategy through, which gives me optimism, confidence in our ability to thrive and emerge as the industry leader.

So, thanks again for joining us today. And we look forward to speaking with you soon.

**Operator:** And that concludes today's conference. We thank you for your participation today.

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