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Delta Air Lines, Inc. (DAL)

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Delta Air Lines December Quarter and Full Year 2021 Financial Results Conference Call. My name is Cody, and I'll be your coordinator. At this time, all participants are in a listen-only mode until we conduct a question-and-answer session following the presentation. As a reminder, today's call is being recorded.

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

Julie Stewart

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

Thank you, Cody. Good morning, everyone, and thanks for joining us for our December Quarter and Full Year 2021 Earnings Call. Joining us today from Atlanta are our CEO, Ed Bastian; our President, Glen Hauenstein; and CFO, Dan Janki. Ed will open the call with an overview of Delta's performance and strategy, and Glen will provide an update on revenue and Dan will discuss costs and our balance sheet. After the prepared remarks, we'll take analyst questions, and we ask that you please limit yourself to one question with a brief follow-up so we can get to as many of you as possible. And after the analyst Q&A, we'll move to our media questions.

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.

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

Edward Herman Bastian

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

Well, thank you, Julie. Good morning, everyone. I really appreciate you joining us today. Before getting into the December quarter results and outlook, I want to spend a couple of minutes discussing the current environment. As everyone is aware, the Omicron variant has significantly impacted our people, our customers, and our operation as well as most parts of society over the last three weeks. The combination of the rapid spread of the variant at the peak of a strong holiday demand period and in the face of extreme winter condition in parts of the country created some of the most difficult travel conditions that we ever remember experiencing.

I'm incredibly appreciative of the great work that our front-line team has done and continue to do to help our customers get to where they need to be as safely and quickly as possible, no matter the circumstances. Our teams have faced these difficulties head on while also managing the impact of the virus in their own lives, and I want to thank every member of the Delta team for your work during a very challenging period.

To our customers who have been affected, we appreciate your patience and your understanding. The good news is that over the past seven days, our operation has stabilized, with Omicron-related cancelations impacting only

about 1% of our flights. And since Sunday, the number of Omicron-affected cancellations are around 20 a day out of nearly 4,000 daily flights. And, in fact, yesterday, we only had two Omicron-related mainline cancellations.

So while the new variant is not done, it appears that the worst may be behind us. Based on how quickly the case counts have risen, our medical team expects cases to peak in the US over the next few days followed by a steep decline in cases. And we're already starting to see that happen amongst our own staff.

Given the high transmissibility and lower severity of Omicron, this variant is likely to mark the shift in COVID-19 from being a pandemic to a manageable and ordinary seasonal virus which should accelerate the path to a normalized environment.

When we spoke last month about Omicron as a risk at Capital Markets Day, a lot was unknown. Today, we know a lot more. And while the first 60 days of the year will be impacted, we're confident that the pace of travel recovery will resume its December trajectory as we move into President's Day weekend and a strong spring and summer travel season are ahead of us.

So as we reflect on 2021, it was a year like no other for Delta. While challenging, we made significant progress in our recovery. At Capital Markets Day, we highlighted that our competitive strengths have deepened through the course of the past two years, and I'm extremely proud of our entire team for all their efforts.

Full year revenue of \$27 billion in 2021 improved nearly \$11 billion, or 67%, from 2020 with a rate of recovery accelerating from only 25% as measured against 2019 at the start of the year to a close of the year of nearly 80% as we exited December. This resulted in a full-year 2021 pre-tax loss of \$3.4 billion.

And while we obviously have still much work ahead of us, our pre-tax results improved by \$5.5 billion versus 2020 and included a profit of around \$400 million for the second half of this year. This performance positions Delta as the only major US airline to achieve second half profitability and demonstrates that we have significant momentum in the continued restoration of our financial foundation.

Sharing our success is one of the pillars of Delta's culture, which is why we are happy to announce this morning a special profit-sharing payment for all global employees. On February 14, the vast majority of our people will receive a payment of \$1,250. This is a well-earned recognition for the incredible work they have done over the past year to move our airline through the crisis and position us for recovery.

Turning to December quarter highlights and our March outlook, in the fourth quarter, we recorded a pre-tax profit of \$170 million. Excluding the impact of Omicron disruptions, we estimate our profitability would have been approximately \$250 million in the quarter. This was on revenue that was 74% recovered to 2019 levels, up 8 points from the September quarter. We started the quarter with lingering impacts of the prior variant, but encouraged by the significant improvement in demand and pricing that we saw throughout the quarter in each of our passenger segments.

Turning to the March outlook, we expect to incur pre-tax losses in the months of January and February before returning to solid profitability in the month of March. The Omicron case surge is impacting business travel and international recovery the most as meetings are canceled, planned office re-openings are postponed and countries put restrictions back in place.

On the consumer side, we're seeing some near-term hesitation in booking behavior given the prominence of COVID in our daily lives, and that combined with operational challenges that the industry is facing, consumers are

delaying travel until case counts subside and the industry operational reliability is restored. So as a result, we're seeing the rate of recovery step down in the months of January and February to approximately 70% versus 2019 levels from nearly 80% where we were in December.

And while the downturn in demand has been quick, we expect an equally rapid improvement once US case counts begin to decline. We remain confident in a strong spring and summer travel season, with significant pent-up demand for consumer and business travel both domestically and internationally. We expect the month of March to return to the recovery trajectory that we were on in December, resulting in revenue recovery of 72% to 76% for the full quarter. Glen will talk in greater detail about the revenue environment and Dan will walk through our costs shortly.

Based on our current outlook, we expect first quarter to be the only loss-making quarter for the year and we're confident that we'll generate a meaningful profit for the full year of 2022 as the recovery resumes and accelerates in the spring and the summer.

Despite the challenges of the current environment, the multiyear recovery plan that we laid out last month at Capital Markets Day is unchanged. No one is better positioned than Delta to lead the recovery as business travelers return to the skies. Delta is also uniquely prepared to benefit from the re-opening of international markets, which we are optimistic we'll start seeing this spring as restrictions lift.

Our three core priorities discussed last month remain unchanged: fortifying our trusted consumer brand, restoring financial performance and foundation, and building a better future for our people and our planet. As part of this, we remain firmly committed to our values and ESG goals, including our commitment to fighting climate change and moving forward towards a future of net-zero aviation.

We recently announced the hiring of our new Chief Sustainability Officer, Pam Fletcher, the industry's only C-level CSO. Pam established an impressive track record as a senior leader at General Motors and has an extensive history of putting the customer first and developing products that help to enable a world free of emissions.

So as we move past the final phase of the pandemic, I'm confident that we'll continue our trajectory to not only emerge stronger than before but to expand our lead in the industry and strengthen our position as the premium airline of choice in the years ahead. Our ambition is to transcend the industry and create significant long-term value for all of our stakeholders. Everything we've done during this long crisis puts us closer to achieving that ambition.

Thank you again, and with that, I'll turn the call over to Glen.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Thank you, Ed, and good morning, everyone. Like Ed, I couldn't be prouder of what the Delta people accomplished during 2021, and I want to congratulate our people on their much-deserved special profit sharing payout they'll be receiving later next month.

During the December quarter, we generated \$8.4 billion of revenue. This was above our expectations at the onset of the quarter driven by strong consumer demand over the holidays. Total RASM was up 6% from the September quarter on a 7% improvement in yield. For the quarter, capacity was 79% restored versus 2019, 5 points below the industry as we maintain a disciplined approach to restoring our capacity.

The commercial strengths we spoke about last month at Capital Markets Day are evident in our December quarter results. First, we saw very strong demand during the holiday period. Domestic results were particularly strong with holiday PRASM finishing up 8% versus 2019 and with passenger revenue more than 90% recovered.

Second, long-haul international trends were positive in October and November as borders reopened and restrictions lifted. This momentum stalled in the second half of December as the Omicron variant resulted in more stringent restrictions and impacted our bookings.

Third, we saw a continued progression of business travel with domestic volumes approaching 60% restored during the December quarter. Fourth, our premium products continued to perform well. Domestic premium revenue was 84% recovered versus December quarter of 2019, 9 points better than main cabin. Fifth, our diverse revenue streams remained resilient. AmEx remuneration during the quarter was more than 110% restored, and cargo revenue was more than 160% of 2019 levels.

We also continue to see very strong consumer engagement with another record quarter for Fly Delta app downloads and signups for our loyalty program. In the December quarter, we added 1.5 million new SkyMiles members, up 5% from 2019 levels. For all of 2021, we added 5.5 million new SkyMiles members. This growing engagement demonstrates strong brand preference and our customers' desire to travel on Delta in 2022.

As Ed discussed, the recent rise in COVID cases is having an impact on near-term demand and bookings. Omicron has been different than previous waves. While infections are thankfully less severe in most cases, its high transmissibility is resulting in a swift increase in case counts and impacting short-term demand. With US case counts expected to peak within the next few days, we expect booking levels to rebound quickly. Once case counts begin to decline, we expect revenues to rebound within 30 to 45 days.

Additionally, we expect some of the January and February demand decline to be recaptured in future as customers make up for canceled trips.

Consistent with our approach all along, we are remaining nimble and agile in how we fly our network. For the March quarter, we expect our capacity to be between 83% and 85% restored, a few points below our initial expectation. This includes a more conservative approach to long-haul international flying that we expect to be – and we expect to be 15 to 20 points lower than the industry.

We have also actioned our regional capacity to ensure labor constraints at regional providers do not impact our operational integrity. We expect these constraints will ease in the second half of the year.

For 2022, we still expect our full-year capacity to be approximately 90% recovered versus 2019 with the progression weighted to the back half of the year, but this will ultimately be determined by demand. As we outlined at Capital Markets Day last month, Delta is well-positioned for the next phase of the recovery. The Delta people have proven time and time again why Delta is the global airline of choice. We remain focused on improving our competitive position and extending our commercial advantages by investing in premium products, growing our loyalty ecosystem and increasing our revenue diversification. We are confident that the demand recovery will accelerate as the variant subsides, keeping us on a path to exceed 2019 financial performance by 2024.

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

Daniel C. Janki

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

Great. Glen, thank you. The Delta team executed well in 2021 in an environment that remains very dynamic. I want to thank our people for their hard work, congratulate them on a well-earned special profit-sharing payment.

So let me start with the highlights from the December quarter. We delivered a profitable fourth quarter, reporting earnings of \$0.22 per share, representing a pre-tax income of \$170 million and a 2% margin on total revenue of \$8.4 billion. While it was a strong close to the year, operational disruptions during the last two weeks of the quarter impacted our pre-tax results by \$80 million.

Total fourth quarter operating expenses were \$8.1 billion, a 3% increase from the third quarter driven by both fuel and nonfuel costs from the continued restoration of the airline. Fuel expense of \$1.6 billion increased 4% sequentially as fuel prices per gallon increased to \$2.10. Total fuel expense included a \$0.24 per gallon benefit from the refinery. Embedded in fuel costs is a continued benefit from our fleet renewal, which supported a 4.3% improvement in fuel efficiency compared to 2019.

Nonfuel CASM was up 8.3% compared to 2019. This included a 1.2 point impact primarily due to lower capacity from cancellations during the last two weeks of the quarter.

Now, turning to cash flows and the balance sheet, we generated operating cash flow of \$518 million, we invested \$948 million into the business, and we repaid \$1.1 billion of debt in the December quarter. We ended the year with \$14.2 billion of liquidity and adjusted net debt of \$20.6 billion.

Now, on to the current environment and the March quarter outlook, as Ed and Glen noted, the variant is magnifying normal seasonality in the March quarter, which is our seasonally weakest of the year. The operational challenges has reduced our capacity outlook, and we now expect first quarter ASMs to be between 83% and 85% recovered to 2019. This reduction is a few points from our previously expected capacity recovery.

In this environment, we're also paying higher crew premiums over time and COVID-related costs as we work through staffing challenges, mitigation of cancellations and protect our people. We estimate that this will impact the first quarter by \$60 million to \$70 million.

The disruptions are impacting our first quarter nonfuel CASM comparison to 2019 by 3 points, with the majority of that driven by fewer ASMs. Absent the Omicron disruption, our March quarter nonfuel CASM is 12% higher than 2019 as our network remains 15% smaller. The sequential step-up in nonfuel CASM from December to March quarter is due to maintenance normalizing to 2019 levels.

As we talked about last month, when comparing nonfuel CASM to 2019, there was a 7-point benefit related to maintenance in 2021 total year due to depressed flying. This inflects to a 1-point headwind in 2022 as flying is restored. Our quarterly progression basis, the maintenance tailwind, was about 5 points specifically in the fourth quarter of 2021. And there will be no benefit in the first quarter of 2022.

Additionally, with the ASM essentially flat sequentially, we are not yet benefiting from the scale and efficiency. As the ASM restoration progresses and we exit 2022 close to fully restored, we will realize the scale and efficiency benefit and our comparisons to 2019 will improve. This is consistent with the framework and guidance we laid out last month at Capital Markets Day.

Underlying our 7% to 10% full-year cost guidance, we expect nonfuel CASM versus 2019 for the first half of the year to be up in the low to mid-teens, while in the second half of the year averaging mid-single-digits as that scale and efficiency are restored and transition costs subside.

While we did not previously expect Omicron-related operational disruptions, there is still a lot of the year to unfold as it equates both to capacity and demand, and we remain confident in our nonfuel CASM framework and the guidance we laid out last month.

For the March quarter, adjusted fuel price per gallon is expected to be between \$2.35 to \$2.50. Fuel efficiency is estimated to be approximately 6% better than the same period in 2019. When combined with our revenue outlook Glen provided, we expect a loss in January and February months and a return to profitability in the month of March.

Now looking beyond the March quarter, even with the challenging start of the year, we remain positioned to generate a healthy profit in June, September and December quarters, resulting in a meaningful profit for 2022.

At this point in the year, we are not providing additional full year guidance beyond the metrics given last month at Capital Markets Day. This includes capacity at 90% restored to 2019, nonfuel CASM up 7% to 10%, and gross CapEx of \$6 billion. The \$6 billion compares to \$2.9 billion in 2021 and includes \$4.7 billion of aircraft CapEx, including delivery of approximately 70 aircraft and \$350 million of modification costs. The remainder is related to ground and technology projects.

The March quarter will be our largest delivery quarter with 22 deliveries, resulting in March CapEx of \$1.6 billion.

Now, reducing debt remains the top financial priority. During 2021, we reduced gross debt by \$6 billion, fully funded our pension on a Pension Protection Act basis with a \$1.5 billion contribution and a 16% return on our planned assets. In 2022, we have \$1.8 billion in debt maturities with \$1.2 billion in the current quarter. With a heavier CapEx quarter, we expected adjusted net debt to increase to \$22 billion in the first quarter. As we achieve sustained cash generation over the next 12 to 18 months, we will continue to opportunistically manage our balance sheet, reducing debt to return to investment-grade metrics and making progress towards that \$15 billion adjusted net debt target by the end of 2024.

So in closing, at our recent Capital Markets Day, we outlined our financial priorities and our recovery path over the next three years. The power of the brand, the strength of the competitive advantage give us strong conviction in the trajectory and the path of full financial recovery.

So with that, let me turn it back to Julie for Q&A.

Julie Stewart

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

Thanks, Dan. Cody, can you please remind the analysts how to queue up for a question and go to our first question?

QUESTION AND ANSWER SECTION

Operator: Absolutely. Thank you. [Operator Instructions] And we'll take our first question from Savi Syth with Raymond James. Please go ahead.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Hey. Good morning, everyone. Maybe this is for Glen, just early January is a fairly important time for booking into the rest of the year. I was curious if there is an impact on some of the forward booking trends as Omicron is just maybe only impacting close-in bookings, and also just if there's any color on how it's impacting the different – the four different entities here.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Sure. I think if we could pick a period of time for an Omicron variant to surge, we would probably pick this time of year because I think it's got two components that are unique to this time of year.

One is, these five weeks that it's impacting are five of the lightest weeks in terms of business travel; and two, as you indicated, it has really impacted more of the close-in demand than the further-out demand. And we believe we have plenty of time to recover those deferral of vacation bookings for summer. If they don't come in the third or fourth week of January, it's easy for them to come in sometime in February and March. So really not concerned yet about spring or summer. We just feel that we'll have a very, very robust demand profile for spring and summer. And while some of the bookings have been slightly delayed, we are still seeing much – the biggest magnitude of the impact impacting the next few weeks here.

On a regional perspective, for all intents and purposes, Asia remains very constrained. We expect that to continue. And our restoration of Asia through the summer is very minimal. Europe, we've seen some countries imposing more restrictions, and at the same time, we've seen some countries trying to lift restrictions. Of course, you saw in the UK, restrictions were added and they were removed. We're anticipating even further loosening of those restrictions over the next few weeks to the UK. Ireland has come out with much less restrictions.

So I think everybody is preparing at this point for the Omicron to be in the rearview mirror and the travel will be much more restored for this summer than it was for any of the last two summers, and that will lead to really what we think should be very, very strong and healthy demand for our transatlantic leisure travel this summer.

And then, Latin America has continued to be more resilient. Those restrictions have come off in a lot of those countries, and clearly, the short-haul Latin markets are performing well and long-haul are continuing to improve. So hopefully that gives you the color you need.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

No, that's super helpful, Glen. And I think you alluded to this as well, maybe as some of the operational issues should ease up heading into the summer. I know you've been hiring a lot of employees and especially pilots and flight attendants in the second half of last year. I was wondering if you could help provide some color on just how

much like slack is being built into with these hirings as you go into the summer, because your capacity levels are also coming up into the summer as well.

Edward Herman Bastian

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

A

How much slack? What do you mean by slack, Savi?

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

In the sense that I guess I don't know if it's like employee per aircraft or just like you are hiring, but you're also increasing your capacity, so just curious if we come into the summer and if we get another variant or something like that, if we will have a little bit more, I guess, reserve ratios or something like that to handle the next peak period.

Edward Herman Bastian

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

A

So we're getting better positioned on staffing. We did hire a lot of people in 2021 because we had a lot of people leave in 2020. We're looking at hiring several thousand people in 2022. A lot of those are for longer-term flight attendants. Pilots take a while to get into the pipeline and crew the airline over time, but I think I'm very comfortable with our staffing levels.

You can't plan in advance for something that comes up overnight like Omicron there where the world decides to shut down for 60 days. And we're going to get through this really quick and we're going to be glad we have the staffing in place, because I think it's going to be – the bookings – your earlier question, the bookings look very good post-President's Day looking forward, and really haven't seen a major impact at all relative to 2019 expectations in that. So we think it's going to be a quick rebound.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Makes sense. Thank you.

Operator: Thank you. We'll take our next question from Andrew Didora with Bank of America.

Andrew G. Didora

Analyst, BofA Securities, Inc.

Q

Hi. Good morning, everyone. Ed, maybe as a follow-up to Savi's hiring question. I guess, we're beginning to hear a little chatter from the regional airlines that it's becoming a bit more difficult to attract and hire new pilots. I know these airlines often feed pilots into your airline and others. But can you maybe give a little bit of color on how many pilots you need to hire over, say, the next three years to hit your capacity plans? And if regionals start to have a hard time finding new pilots in 2022, when do you think it would start to impact your and other mainline carriers' ability to hire, if at all?

Edward Herman Bastian

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

A

Thanks, Andrew. We're hiring at the mainline somewhere between 100 to 200 a month presently and we expect that pace to continue for some period of time, certainly through 2022 and into 2023. We don't want to get too far

ahead of ourselves, but that's the pace that we're hiring at. And everyone else in the industry is hiring too, so it's not just Delta.

We are not having any problem at all at Delta hiring and getting great pools of candidates. It's viewed as the premium airline to employees, in general, but particularly pilots want to come work for, which we're thrilled at. But it's having the impact at the regionals, as you mentioned. We are down flying in the first half of the year on some of the regional carriers given some of the staffing challenges we're facing primarily because of pilot hiring. The largest regional is our own that we work with, which is Endeavor, so we're working closely with them to help to mitigate some of the disruption and the churn that's going on through the process.

But I think this is a normal period of time. The next order of the crisis that we've all been through is pulling through, and it's actually going to be good. It's going to enable us to make sure that we pay good attention to the regional carriers and meet their needs but at the same time, I'd much rather have the issue down there than at the mainline.

Andrew G. Didora

Analyst, BofA Securities, Inc.

Q

Understood. And then, just one other question from me. Ed, just wanted to – you mentioned a little bit – you talked a little bit about this at the Capital Markets Day, but back in December, you did announce that you were putting about \$ 1 billion of new equity capital into your three of your international partners.

Just wanted to get your thoughts, why is it so important to Delta to have such a large equity investment as opposed to maybe a smaller one or none at all? Why is there such a focus there? I'm just curious on why you think other airlines don't follow a similar strategy? Thanks.

Edward Herman Bastian

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

A

Well, I can't speak for other airlines. You'd have to ask them that question. But I know for us, it's the right strategy. Long term, our opportunity is international. And when you think about growth, when you think about expansion, when you think about the natural opportunities that Delta has for the future, it's going to sit in the international arena and working very closely with that.

International's expensive. International is hard. International as a competitive set is very difficult. And it's hard to do it on your own, to go out there and try to advance a US airline in international borders unless you have some really good strong partners in the international marketplace. We're fortunate. We have great partners in the international marketplace with Virgin and Air France, KLM and Aeromexico, LATAM, Korean, et cetera.

But we also know that those airlines have their own objectives and they have their own desires. And we have found over time that it's very, very difficult through solely joint ventures or contractual means to try to enhance the customer experience and provide the very best quality service if you're just trying to do it as through a contract as compared to being in the room, a seat inside the company, if you will, influencing the decision to ensure that we're putting our customer interest at the center of what – because the growth's going to be based on customer preference. And just as you've seen, everything that we've done here domestically to grow customer preference, big opportunities for us to grow customer preference now soon in the international markets.

So we're thrilled with the investments we're making. We've made certain that each one of those investments pencil out on paper. They're good financial investments as well. We expect to get – to generate significant returns.

And candidly, given the fact that we've already made significant investments in the past, it's going to actually allow us to recoup some of that past investment easier by staying invested in the companies.

Andrew G. Didora

Analyst, BofA Securities, Inc.

Q

Okay. Thank you for that, Ed.

Operator: Thank you. We'll take our next question from David Vernon with Bernstein.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hey. Good morning, guys, and thanks for taking the question. Happy New Year. Glen, can you talk a little bit about what you're seeing sequentially in terms of yields on the business and the leisure front as you move through the quarter and into the first quarter? And then, specifically, as you look out past President's Day, how booking activity is shaping up there?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah. We usually don't comment on future yields, but I can say that through the past quarter, the bottom of the business yield was about minus 25%, which was in the September timeframe and then that moved up to being down low-single-digits. And I think we talked about that at our Investor Day and we were pleased with where the structure was sitting as we move forward. And I don't think anything has really changed since then. So I think that's the outlook I would give you is that we think the structure is fine. Now we need the traffic back.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Okay. And then, do you have any updates on discussions with business travelers about their plans for budgeting travel for the remainder of the year? Is there anything you can share on that front?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah, absolutely. As you know, we pulse our corporate clients very often, and we did it right before Investor Day and we did it right before this call, and what we saw was that the percentage of customers who thought in the first quarter that they would travel the same or more went down slightly, but it was still 80% of the corporate travel survey respondents thought they would travel the same or more in the first quarter than they did in fourth quarter.

Office re-openings have been pushed out, as you know. But we are expecting, as Ed indicated, when we get to spring and summer that we'll see a robust demand for business travel as people get back into the regular routine and feel safe traveling. So really optimistic about those results and optimistic about where we think this is going to head in the not-too-distant future.

Edward Herman Bastian

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

A

David, this is Ed. The business travel, I'd say the best way to characterize as I read it is kind of a wait and see. They're trying to understand what's going on with Omicron. They're trying to understand when their offices – if they're not back when they're going to open. And they're all making those decisions here.

And the good news is that as we're watching the case counts start to crest and peak here in our country and declining in certain early parts of the country that had the variant hit first, that's giving them encouragement to realize that they're going to be able to get back and get their people in, open their offices sooner than maybe they were thinking when first news of Omicron came.

So we're in a pretty good place. When you think about the trajectory we saw over the fourth quarter, we saw really nice growth in business both small business as well as big corporates. And small businesses as we pointed out at the Investor Day is something we haven't talked as much about historically, but it's just big a pool as the corporate space is for us. And then, when those offices open starting this spring, we think it's going to pick up where we left off in December and grow from there.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Q

Great. Thanks, guys.

Operator: Thank you. We'll take our next question from Ravi Shankar with Morgan Stanley.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Morning, everyone. So just to pick up on that last point, hopefully, the next few weeks is the last real disruption from the pandemic, especially with kind of availability of boosters and therapeutics and herd immunity and everything else. So if there is like genuinely like light – like real light at the end of the tunnel, are you having conversations with the regulators on when we can fly without masks on planes and timelines, say, with like full service being restored in the aircraft? Do you hazard a guess on kind of the timing of that?

Edward Herman Bastian

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

A

Well, I think it's premature, Ravi, to speculate on masks on planes. Obviously, this is going to be driven by the medical experts and not by the airlines, and we'll follow their guidance. But in terms of restoring service on planes, yes, we're doing that pretty aggressively. And over the course of the next two to three months, you're going to see our service patterns largely restored from where we were in 2019 and continue to make improvements.

And when I say restored, restored is not the right word. It's going to be improved...

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Yeah.

Edward Herman Bastian

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

A

...from where we were in 2019 and we've taken the opportunity during the pandemic to make substantial changes to the whole catering spec who's providing it, took ownership positions in terms of kitchens and really big change that customers are going to be delighted when they start traveling again back in the springtime, particularly internationally. It's going to be good.

The thing you were mentioning about the rapid move of the variant, I agree with you. I think that there's a real silver lining here is that since this thing is moving so fast, it's so infectious, so many people are getting it, it's going to push the pandemic into – us into all of a normalized environment here sooner than we would have liked. So while we were together at Capital Markets Day, we talked about the uncertainty that Omicron presents, the good news is that the uncertainty is going to be short-lived and the path to normalization, I think, we're even more confident in it when we think about our 2022 numbers and travel patterns. So it's not all negative, that's for sure.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Understood. And just a follow-up, forgive me if I missed this, but is there an update on what premium cabin would look like relative to main cabin in the fourth quarter? I think in the past you've said it was running 10 percentage points ahead. And how do you expect that to trend through the year, especially as corporate and international come back? Thank you.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, yes, we're very excited about the fourth quarter results. I think it was in the comments that it was 9 points ahead of main cabin for the entire fourth quarter and we see those trends continuing. The headline for us is that premium leisure, we believe, is here to stay, and that's something that we want to continue to exploit as we think about how we service our customers moving forward and how we lay out the planes and what products and services we offer.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

Operator: Thank you. Our next question comes from Mike Linenberg with Deutsche Bank.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Hey. Good morning, everyone. Hey, just two quick – well, one quick one for Dan on the refinery. The revenue piece for the March quarter, I know normally you don't give guidance there, but it's been a big number. It was \$ 1 billion this last quarter. Should we assume just given where crack spreads are that March quarter refinery sales will maybe be of a similar magnitude?

Daniel C. Janki

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

A

Yeah, I think that's the right way to think about it. Our jet consumption will be about the same, and the refinery output. So keep it consistent, yes.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Very good. And then, second question to Ed here. Ed, I think if you look across the industry right now, I think most airlines, their pilot contracts have now been opened. They're at an amenable point, yours included. I think one of your competitors is trying to do a quick sort of two-year type extension. Can you just give us an

update of where you are, and I guess within the context, I mean, you didn't furlough anybody during the pandemic, so you're sort of maybe approaching this from a different perspective. Thank you.

Edward Herman Bastian

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

A

Thanks, Mike. We did not furlough any employee during the pandemic, pilots included. Yes, we're in a similar position, I guess, than some of our large competitors are as well, particularly relative to the pilot contract.

During the pandemic, it was very difficult for any of the airlines to – or the union for that matter – to feel confident in projecting the future, so I think all talks across the industry have probably put on hold. But we're now getting ready to reengage and we'll see where that goes. But, no, we're not trying to do an expedited anything. We're trying to get a real contract with our people.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Q

Very good. Thank you.

Operator: Thank you. We'll take our next question from Jamie Baker with JPMorgan.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Hey. Good morning. First question for Glen. Could you expand on your answer to Savi's question that you anticipate transborder testing impediments to ease during the quarter? For example, the move from a one-day back to a three-day testing requirement for US re-entry, is that specifically in your forecast? Does the guide envision that we get back to November 8 levels of sort of testing impediments? I'm only asking because as these headlines do improve, we're going to be asked whether that's incremental to the guide or not.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, I think what we've seen and a little more color on that is we've seen initially everybody reacted by putting in some pretty onerous testing requirements. And countries that are further along with us like the UK who is now on the backside of the Omicron has now started relaxing those restrictions and we've seen other countries like Ireland relax. We've seen Israel relax on the margin.

So I think that's what we would expect. I don't think for a customer who is traveling that the one-day testing requirement that the US has imposed is that all onerous. It's pretty easy to take a Proctor test with you when you travel overseas. So I couldn't speak to whether the US government was going to go back to the previous policy. But in general, I think once governments feel comfortable that they have a handle on the variant, they have backed off and started easing the restrictions again, I think that would be something that the whole world is looking towards as we move forward here.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Okay. And then, for Dan, the flat air traffic liability from third quarter to fourth quarter, that's pretty unusual. Ordinarily there's about a \$700 million sequential decline; even in 2020, we saw a few hundred million of decline.

What should we read into that other than strong bookings? I mean, has there been any change in how you are accounting for travel credits?

And on a side note, having recently bought a Delta ticket and having forgotten to apply some existing credits, I can't believe I'm the only passenger to experience this – I'm just trying to think through any implications of credit travel breakage and how that might influence the ATL going forward. Any color there?

Daniel C. Janki

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

A

Well, one, no change, right. But I think we talked about this a little bit in the third quarter call that the – I'll remind you that maybe historical seasonalities won't apply as you're restoring travel and the airline. And that proved to be the case in fourth quarter in what we saw. I think you're going to see a similar dynamic in first quarter. Normally that air traffic liability will grow. You've got to account for the additional restoration that you see as you progress towards second quarter that would – that changes those seasonal impacts.

So just take that into consideration. I think fourth quarter is a good proof point that you just can't take historical practices. But it's not due to the underlying change in practice. It's really just the dynamic that's going on with the restoration of the airline and the growth.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Okay. Okay. Perfect. I appreciate that.

Edward Herman Bastian

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

A

And to your question on – Jamie, this is Ed.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Hi, Ed.

Edward Herman Bastian

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

A

On your question on the credit, I don't know if we announced it this week...

Daniel C. Janki

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

A

Yes, we did.

Edward Herman Bastian

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

A

We did. Good news, we extended the expiration date through the end of 2023, so you'll be fine.

Daniel C. Janki

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

A

You can use it, Jamie.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Okay. I wasn't particularly worried about it. Thank you. I appreciate it. Thank you, gentlemen.

Operator: Thank you. We'll take our next question from Duane Pfennigwerth with Evercore ISI.

Duane Pfennigwerth

Analyst, Evercore Group LLC

Q

Hey, thanks. Maybe just to continue on Jamie's line of questioning there, can you tell us what breakage as a percent of revenue was in the fourth quarter, and how those trends have changed over time?

Daniel C. Janki

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

A

The trends haven't changed and they're consistent, but we don't actually give breakage – report that.

Duane Pfennigwerth

Analyst, Evercore Group LLC

Q

Okay. And then, just a broader question, as you look back at the business travel recovery you started to see in 4Q, do you think that return to office is as meaningful of a guide post relative to your initial thinking? Have you seen any decoupling between return to office and business travel recovery? And it's not a – that's not a January 13 question, that's the recovery you were seeing in the fourth quarter.

Edward Herman Bastian

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

A

Yeah. I think there's a correlation. A lot of business travel is triggered by going to visit companies. And if the companies are closed, it makes it a little more difficult to do that. It's not a one for one. But the fact that, particularly the big corporates, the fact that our overall level of corporate demand the volume return is actually fairly closely correlated and maybe it's coincidence, I don't know, but the numbers are pretty tightly correlated to the amount of re-openings we've seen indicates there's a real cause and effect there, Duane.

Duane Pfennigwerth

Analyst, Evercore Group LLC

Q

Okay. I just wondered if you found travel has a higher utility than going back to an office, but appreciate the thoughts.

Edward Herman Bastian

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

A

Yeah, no, we do have – office is not the only thing. We have a lot of people traveling that aren't back into office yet. So we have a lot of noise probably in the numbers and there's a lot of choppiness as we navigated the course of – it felt like two or three pandemics over the course of 2021 with the various variants. But we're continuing to make good progress. The good news is that all of our corporates are saying they just can't wait to get back to be with people and be with their own people, be with their customers, visit new opportunities, and invest for the future. And I think this is going to be a strong spring and summer. They're just waiting for the all-clear sign that you don't have to worry about a variant as you're traveling.

Duane Pfennigwerth
Analyst, Evercore Group LLC

Q

Makes sense. Thank you.

Operator: Thank you. We'll take our next question from Sheila Kahyaoglu with Jefferies.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Good morning, guys. Thank you for the time. So you talked about Q1 international capacity being 15 to 20 points lower than the industry. Maybe can you talk about what metrics you'd like to see for that path to ramp capacity back up, how your fleet plays into it, and how you think about international capacity as we progress through the year?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Sure. I think we gave a pretty good outline of how we expect international restoration to occur, and what I'd say is we haven't changed from where we think we'll be in the summer yet. What we have changed is the lull season, this Winter IATA – the remainder of the Winter IATA. We had some seasonal services starting up earlier than we would have otherwise done because we thought demand might be back early. And now we're taking that bet off and moving those start dates to later in the year. And I think we still remain very, very confident that once – as Ed said, once people feel that it's safe to travel, they will.

And as we said in today's comments and in all previous', we will remain agile, and if we don't see that developing we'll pull it down. And if we see it coming faster, we have the ability to accelerate to a certain extent some growth in international. So really, it's – we're still very optimistic about the summer, and we expect to be 85% to 90% restored in the transatlantic, probably less than 50% in the Pacific, and largely restored in Latin America, and that's what we outlined previously. We really haven't deviated from that yet.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Okay. Maybe just a follow-on for that in the domestic market, you're seeing additional capacity come on with a recent order from a low-cost carrier. How do you think about the risks of supply coming into the US market?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

We've competed with ULCCs for many, many years, and I think that's really where we came to a couple of different strategies, including our premium strategy. And I'd like to say that some of our highest return markets, historically, have been straight up against LCCs and ULCCs. So I think we're really not afraid to compete in those markets. And we think our products stand on their own and it is a very different product and a very different customer than they are going after.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Great. Thank you.

Operator: Thank you. We'll hear next from Conor Cunningham with MKM Partners.

Conor T. Cunningham

Analyst, MKM Partners LLC

Q

Hi, everyone. Thanks for the time. One point from your Capital Markets Day that I found interesting was just the domestic share gains on the corporate side during the pandemic. In the past, those gains have been somewhat minimal year-over-year, but you clearly used the pandemic to your advantage. I was just curious, is there a gating factor to you growing share from here? And if there isn't, what's your expectations over the next couple of years for your share there? Thanks.

Edward Herman Bastian

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

A

Well, Conor, this is Ed. Yes, you're right, we did have a meaningful and an outsized share gain. And that's amongst the big corporates as our corporates really focused on premium. They appreciated the work we did around blocking the middle seats for the entire length of the pandemic while it was quite active. And what we find is when companies come to Delta or customers come to Delta, they tend not to leave, which is a good thing. And so the share tends to be sticky and we work really hard to ensure that we maintain that.

We've had good share gains in the past, too, don't get me wrong, we have it. We kind of had plateaued at a level pre-pandemic and we are significantly higher in share than our natural seat share in those markets. So I think we're going to work hard to make sure we maintain. And if we can grow it, we will. But I wouldn't expect you to see additional growth, not at that level, for the next couple of years.

Conor T. Cunningham

Analyst, MKM Partners LLC

Q

Okay. Great. Yeah, it was a big move. And then, just maybe to take the other side of Ravi's question and assume that there's actually going to be another wave of cases at some point. Each wave has been different, but could you just speak to lessons learned during this current wave? The reason why I ask is it just seems like your ability to work directly with your workforce actually benefited your operation relative to some of your competitors as you turned around pretty quickly. Thanks again for the time.

=><A – [005V8V-E]Ed Bastian – Delta Air Lines, Inc.: Yeah, thanks, Conor. I'm proud of our team, and it was a hellacious three weeks that – so, yes, there were definitely some learnings in there. But the good news is we recovered quickly. We got the operational integrity of the airline back to where it needs to be. It was not easy to do. But the fact that we have a very direct and strong and flexible workforce that will do whatever they need to do to ensure customers are being well taken care of and served was important, and that's shone through.

One of the things that to me was really interesting about the last few weeks of this Omicron surge is that demand was really strong. I mean, of course, it was built prior to that as it was going into the holidays, but we didn't see cancellations. [ph] The only cancellations that were taken (00:52:59) was because we couldn't staff the planes. So the resilience of customers and their willingness and interest in getting into travel, once things clear, I think's going to be that much stronger. And as each successive wave occurs, I think people are getting more used to the fact that we're having – this is a virus we're going to have to manage and live with over time. And it's going to be a seasonal virus. It's not going to be a pandemic. And that's what the doctors all believe and that's what I think we're going to wind up seeing here. And we've got all the tools and the technologies and the capability and the confidence that we can manage just that.

Conor T. Cunningham

Analyst, MKM Partners LLC



Great. Thanks, Ed.

Operator: Thank you. Our next question comes from Myles Walton with UBS.

Myles Walton

Analyst, UBS Securities LLC



Thanks. Good morning. I was just wondering, maybe, Ed, how do you think the zero COVID case policy in China plays out through the course of the year with respect to your business? I know it's a smaller piece, but just curious what do you think can make them move to endemic, because clearly, zero COVID case policy would still be in the pandemic mode.

Edward Herman Bastian

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



Well, that's a question, Myles, is way above my pay grade, the national policy in China. It's been interesting as we've watched a lot of the nations around the world all manage it seemingly somewhat differently. As it relates to us, you're right, China's not a big part of our network. We'd like it to be a bigger part, but it historically hasn't been. And it's going to be a pretty small part of our network at least for the next couple of years. We'll see beyond that.

One of the things we do and we look at where we put our mettle is demand. And there's not strong demand going between the US and China now, so I don't think it's a situation that's alarming to us. But hopefully Asia, and it's not just Japan – or China, but it's Japan and other [ph] countries, (00:55:11) Hong Kong and Singapore, they're all going to need to figure out how to move to that seasonal virus that I just talked about. And they've got the tools and the technologies to manage it. I think it's just going to be a longer road. We have a very downward feel as to growth rates in Asia for some time here, and we're fortunate we've got a great partner in Korean that can do that flying in the meantime for us.

Myles Walton

Analyst, UBS Securities LLC



Okay. And just for Dan, on the other expense, non-operating other expense for 2022, anything to throw out there as a placeholder, whether it's interest or pension moving parts?

Daniel C. Janki

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



No, I think when you look at the total year for 2021, it was just around \$900 million. When you take the interest expense with the pension, it's going to be about that level, slightly above actually. You're anything to have a little less pension income. And then, that interest expense line will start to really move down in 2023 and 2024 as you see that adjusted net debt coming down to our \$15 billion target.

Myles Walton

Analyst, UBS Securities LLC



Okay. Thank you.

Julie Stewart

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

A

Cody, we have time for one more analyst question before then moving to media Q&A.

Operator: Thank you. We'll take our final question on the analyst side with Hunter Key with Wolfe Research.

Hunter Key

Analyst, Wolfe Research LLC

Q

Hey, good morning. Thank you. Couple for me. Glen – I they're all for Glen, I know you had a need, obviously, with Sandeep leaving, but how can Scott Laurence help your team, and what is it about him that you like the most when you interviewed him?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Listen, we don't comment on individual performance or individual reasons, but I think Scott is a very well-seasoned industry executive and I think he's going to bring us some additional value over time. We'll see it when he gets here starting next week, I believe.

Hunter Key

Analyst, Wolfe Research LLC

Q

Okay. And then, do your capacity planners talk to Dr. Ting when you plan the schedule?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Every day.

Hunter Key

Analyst, Wolfe Research LLC

Q

Okay.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Every schedule is now Ting approved.

Hunter Key

Analyst, Wolfe Research LLC

Q

Got it. Thank you very much.

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Thank you, Hunter.

Julie Stewart

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

A

That will wrap the analyst portion of the call. I'll now turn it over to Tim Mapes, our Chief Marketing & Communications Officer, to start the media questions.

Tim Mapes

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

A

Cody, we have about 12 minutes for conversations with members of the media. If you would, please, just remind everyone the process to get in the queue for that. And I would remind everybody that we're going to try to keep this moving and do one question with one follow-up and end about 10 minutes after the hour, please.

Operator: Absolutely. [Operator Instructions] We'll take our first question from Mary Schlangenstein with Bloomberg News.

Mary Schlangenstein

Airlines Reporter, Bloomberg News

Q

Hi. Good morning. I wondered if you could comment on – of the passengers who had canceled flights during December, how many of those – what percentage of those were able to actually complete that travel, re-book, or whatever and complete that travel during the holidays? Can you talk about that percentage?

Edward Herman Bastian

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

A

Hi, Mary. This is Ed. I don't have the numbers in front of me, but the vast majority of the customers that had to be re-booked we had space that we were able to accommodate on other flights to get them to their destination. So it's not something that we enjoy doing, but we were able to get people to where they needed to be for the holidays.

Mary Schlangenstein

Airlines Reporter, Bloomberg News

Q

Okay. So no notable or noteworthy amount of lost revenue through that?

Edward Herman Bastian

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

A

Well, there was because there was flying and some customers decided not to travel. So that's – we estimated there was a \$70 million hit for that. But, no, there was not a substantial – if customers wanted to travel on Delta, we made certain we got them there.

Mary Schlangenstein

Airlines Reporter, Bloomberg News

Q

Okay. Thank you very much.

Operator: Thank you. We'll take our next question from Alison Sider with The Wall Street Journal.

Alison Sider

Reporter, The Wall Street Journal

Q

Hi. Thanks so much. You talked about sort of the pandemic entering this new phase where it's becoming more seasonal and it doesn't necessarily impact people's willingness to travel all that much. How does that change kind

of the way you plan and staff for peak periods? If there's going to be a future freeze but dramatic flare-up like we just saw, would you have a smaller peak holiday schedule – or how does that change your planning process?

Edward Herman Bastian

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

A

Well, our goal, Ali, is to ensure that we're meeting customer demand. And so I don't know that we can change customers' demand and interest in traveling during peak periods or holidays. That's when they go, and we need to make sure we're there to serve them.

There are learnings from Omicron, as I mentioned on the analyst call. But probably the most important learning that I saw was that even with Omicron being the headline throughout the country and the disruption that the airline industry was experiencing from people getting sick from Omicron, travelers are still traveling. And they were determined to travel. They were resilient. We didn't see mass cancelations. We didn't see people deciding it didn't feel right.

And so I think that this was another phase that we passed through. And who knows? Is there going to be another pandemic-type virus awaiting us? There's no – we don't know what it is, but we're also humbled by the fact we don't know what we don't know yet in this environment. But we do really believe that we're going to enter a nice period of being able to manage and create a set of normalcy around travel behaviors particularly but hopefully life in general. And this virus will become very similar to what we have with the flu right now and move into a seasonal category with tools and technologies to manage.

Flu is a pretty significant cause of death historically in our country. I think we're seeing a lot less of that over the last couple years because of the new tools and mitigations that we've learned to live with, and I think you're going to see people maybe wearing masks and doing different things and having technologies and antivirals that they can take to help manage in order to keep themselves moving.

We're getting to a point where I think, Ali, we're going to focus our efforts on the small percent of people that are immunocompromised that are most at risk, but the general population is learning and willing and exhibiting an interest to live with this risk.

Alison Sider

Reporter, The Wall Street Journal

Q

Thanks.

Operator: Thank you. We'll hear next from Leslie Josephs with CNBC.

Leslie Josephs

Airline Reporter, CNBC

Q

Hi. Good morning, everyone. Just a question on hiring. Can you just update us on the number of people that you want to hire, and is there any detail on perks or increased salaries that you're offering to attract workers, and if there's anywhere that you're having problems attracting workers either work group or geographies, I'd love to hear that. Thanks.

Edward Herman Bastian

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

A

Yeah, Leslie, as you know, we hired a substantial number of people in the past year. I think it was around 9,000. We're going to be hiring less people this year. But this number is still in the, say, 3,000 to 5,000 range depending on how demand shapes and comes back.

We're not having any meaningful impact in terms of difficulty getting people to come work for this company. Regionally, yes, there's some pressure points in some of the higher-cost markets particularly in the Northeast, but, no, we're doing a very, very good job of bringing the team together and we're not having to put any unusual perks out there in order to attract talent.

Leslie Josephs

Airline Reporter, CNBC

Q

Okay. Thanks.

Edward Herman Bastian

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

A

The ability to travel free is a great perk. And we've always had that at Delta.

Operator: Thank you. We'll take our next question from Edward Russell with Skift.

Edward Russell

Airlines Reporter, Skift

Q

Hi. Thank you. Following on what Leslie asked, in terms of the regional flying reductions that you're doing in the first half, what is Delta doing to mitigate that?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, we've taken about 20% to 25% of our regional flying down in the first part of the year, and that stems really from flow-through pilots to the mainline as well as getting the right people on the right training seat at the regional carriers. And I think those are the two things that we are counting on as we get to the back half of the year to resolve themselves.

So I think one of the things is how many hours do you have in seat, can you get training, can you get moved? We're working through all the details of how those transactions or transitions actually happen, and we're really pretty confident now that by the second half of this year, that the pipelines will be more full and we'll be able to restore a lot of the small and medium-sized communities that we've had to pull down during the shortage in the first year.

So we are meeting on this really daily and weekly to make sure that this really can materialize, but right now we feel very confident that we can catch back up again as we get to the back half of the year.

Edward Russell

Airlines Reporter, Skift

Q

Okay. Thank you. And one follow-on. Have you had to park any regional aircraft as a result or exit any markets?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

We have had to exit a handful of markets. Mostly those that are on prorate, so they weren't directly scheduled by Delta. So as of now, things that Delta had scheduled control over we have not closed any stations, although our partners have. And what was the second part of that question?

Edward Russell

Airlines Reporter, Skift

Q

Have you had to park any regional aircraft as a result?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Oh, there are parked regional airplanes right now. But we expect those to return back into the sky as I said earlier in the second half of the year.

Edward Russell

Airlines Reporter, Skift

Q

Thank you very much.

Operator: Thank you. We'll take our next question from David Slotnick with TPG.

David Slotnick

Senior Aviation Business Reporter, The Points Guy

Q

Good morning. Thanks for taking the question. I wanted to talk a little bit more about premium leisure, which you introduced at the Capital Markets Day and again today. What does that look like in the long-haul market particularly? Is that people who are able to pay for Delta One? Is that more affordable Delta One tickets? Is that a more widespread premium economy, or you have something else?

Glen William Hauenstein

President, Delta Air Lines, Inc.

A

Well, we've got big plans for our long-haul premium leisure sector. This year we will be ubiquitous in introducing a new product, Delta Premium Select, to the transatlantic marketplace and that is really designed specifically for high-end leisure as well as corporate travelers whose travel policies don't include the flat bed Delta One product.

So early returns on that are phenomenal, far above our expectations. And as we get to ubiquity, we'll monitor that closely and we'll report back to you. But we're excited about that. We're excited about the enhancements that Ed talked about as we get to spring and summer on the existing premium products and the long-haul. And we think we have over the years developed a great suite of products that fit a lot of needs for customers whether or not it's just basic transportation and getting there safely and on time to really more of the luxury products with the flat bed seats and the luxurious amenities that come with that.

So a wide spectrum. And if you think of where we started, we started with just a flat bed and a coach product. So now we have a full suite of five products that we can offer in the transatlantic marketplace, and that will extend to all of our internationals by 2023.

David Slotnick

Senior Aviation Business Reporter, The Points Guy

Q

Thank you.

Tim Mapes

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

A

Cody, we have time for one final question, please, before we have Ed wrap it up.

Operator: Thank you. We'll take our final question from Robert Silk with Travel Weekly.

Robert Silk

Senior Editor, Travel Weekly

Q

Good morning, guys. So I think you said you expect the pilot shortage or I guess the flow-through to sort of resolve itself as the year progresses. Explain to me how you expect that to happen to get more people – to get more pilots coming back into the system.

Edward Herman Bastian

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

A

Really there are no shortage of pilots wanting to come to us or really to our regional partners. It's a matter of getting them through the training and getting into the right seat with the right number of hours. So that's what we're working through as we look to resolve the current staffing issues there. It's how long does that take to really catch up and when we'll be in a position to start growing those regional players again.

Robert Silk

Senior Editor, Travel Weekly

Q

Okay. So I guess, that answers my question. Thank you.

Edward Herman Bastian

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

Well, thank you, everyone. I want to wrap up here and appreciate your time this morning. Thank you for joining us. I particularly want to thank once again the Delta employees for the amazing work they have done over the course of this last year and congratulate them on the special profit sharing payment, which we're thrilled to be able to award them with. And realize that we're making really good progress. Omicron has been a challenging period of time, but we've learned from it. There's new findings and one of the most important findings is that we're going to move through this thing quickly and get to a point of stabilization in our view.

So with that, being that we are in the State of Georgia, we have to close with a Go Dawgs and congratulations to our boys, the national champions, and thank you all for joining us today.

Operator: Thank you. That does conclude today's call. We do thank you all for your participation, and you may now disconnect.

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