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Delta Air Lines, Inc. (DAL)

Q1 2023 Earnings Call

CORPORATE PARTICIPANTS

Julie Stewart

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

Edward Herman Bastian

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

Glen William Hauenstein

President, Delta Air Lines, Inc.

Daniel C. Janki

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

Peter W. Carter

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

Trebor Banstetter

Managing Director-Enterprise & Leader Communications, Delta Air Lines, Inc.

OTHER PARTICIPANTS

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Duane Pfennigwerth

Analyst, Evercore ISI

Conor Cunningham

Analyst, Melius Research LLC

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Scott H. Group

Analyst, Wolfe Research LLC

Andrew G. Didora

Analyst, BofA Securities, Inc.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Helane Becker

Analyst, TD Cowen

Sheila Kahyaoglu

Analyst, Jefferies LLC

Alison Sider

Reporter, The Wall Street Journal

Mary Schlangenstein

Reporter, Bloomberg News

David Slotnick

Reporter, The Points Guy

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Delta Air Lines March Quarter 2023 Financial Results Conference Call. My name is Matthew, and I will 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. [Operator Instructions]

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, Matthew, and good morning, everyone. Thanks for joining us for our March quarter 2023 earnings call. Joining us from Atlanta today are our CEO, Ed Bastian; our President, Glen Hauenstein; and our CFO, Dan Janki. Ed will open the call with an overview of Delta's performance and strategy, Glen will provide an update on the revenue environment, and Dan will discuss costs and our balance sheet. After the prepared remarks, we'll take analyst questions. We ask you please limit yourself to one question and a follow-up, so we can get to as many of you as possible. After the analyst Q&A, we will 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

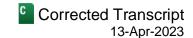
Chief Executive Officer & Director, Delta Air Lines, Inc.

Thanks, Julie. Good morning, everyone. We appreciate you joining us today. 2023 is off to a strong start for Delta with record advance summer bookings, the launch of free Wi-Fi and continued recognition as the industry leader not only by our customers, but by Fortune, Cirium and the Wall Street Journal. During the March quarter, we generated earnings of \$0.25 per share on revenue that was 45% above last year and a record for the March quarter.

Delta's operating income was \$550 million, a more than \$1 billion improvement year-over-year, bringing our trailing 12-month operating profit to nearly \$5 billion. We generated close to \$2 billion of free cash flow in the quarter, reflecting robust demand for summer travel. Better-than-expected cash generation enabled us to accelerate debt reduction, moving us closer to our goal of returning to investment grade metrics. All-in, a very solid performance by our team in the seasonally weakest quarter of the year.

Delivering safe and reliable service remains our top priority, and no airline does this better than Delta. I'd like to thank our teams for all they do for our customers each and every day. The dedication, professionalism and hard work of Delta's 90,000 people worldwide are the foundation of our company. Sharing our financial success with

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our people has always been an important part of our DNA. Our industry-leading profitability in 2022 enabled us to pay out more than \$550 million in profit sharing in February, more profit sharing than the rest of the industry combined. And we're looking forward to larger payouts next year, as we expect to deliver significant earnings improvement.

We also rewarded eligible employees with a 5% pay increase on the 1st of April and received strong ratification from our pilots on the new four-year contract, providing well-deserved increases for all of our people. The performance of our people and the momentum of our brand was recognized when Delta was ranked number 12 overall on Fortune's World's Most Admired Company (sic) [Companies] (00:03:52) list, a remarkable statement about the resiliency of our company given the pandemic challenges of the last few years.

Our brand is built on a foundation of service and operational reliability, and we are committed to delivering the level of service our customers expect as we ramp operations for the coming summer season. The operating teams have done a great job getting ready, and we are planning to grow June quarter capacity 17% over last year to meet strong customer demand. This growth is though a couple points below our initial plan to fully restore capacity this summer, as we focus on delivering the best operation in the industry and remain prudent in our capacity restoration.

As I mentioned at last December's Capital Markets Day, aviation infrastructure is still fragile. But collectively, we're working to ensure resiliency as we manage constraints around the supply chain, aircraft delivery delays and training needs. I want to commend the FAA for collaborating with the industry to help improve the customer experience in New York by temporarily relaxing minimum flight requirements given ATC staffing challenges.

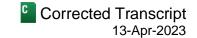
Turning to our outlook. With solid first quarter performance and visibility into the strength of summer travel demand, we are confident in our full-year guidance for revenue growth of 15% to 20% year-over-year, earnings of \$5 to \$6 per share, and free cash flow of over \$2 billion – the three main guideposts we shared with you last December. For the June quarter, we expect to deliver the highest quarterly revenue in our history, a 15% operating margin, and EPS of \$2 to \$2.25 a share. Our forecast operating profit of \$2 billion matches Q2 of 2019, demonstrating that the earnings power of this franchise is intact. Glen and Dan will provide more details on the components of our outlook.

As we look to our upcoming Investor Day in June, we'll outline the long-term opportunities that we've cultivated through years of investment, building on our industry leadership position and further enhancing our long-term financial profile. One focus area will be innovation in digital technology where we continue to grow our leadership position. Increasingly, it's one of the reasons customers are choosing Delta with significant growth in direct bookings and higher engagement through our digital channels.

We have reached an important step in our digital transformation with the rollout of fast, free, high-quality Wi-Fi which has been a tremendous success. We began this effort several years before the pandemic and it has required significant investment and resources to achieve. In addition, this month we begin rolling out Delta Sync for SkyMiles members which will unlock a more personalized customer experience in the air and on the ground. When customers join the SkyMiles loyalty program, it enables us to deepen our trusted relationship and create stronger brand preference.

As we've rolled out fast free Wi-Fi as well as other benefits, new SkyMiles memberships have accelerated at a record pace. Growth has been particularly strong among younger customers with a record 3 million total enrollments during the quarter. Thanks to the size and growth of our loyalty program, the value of our Amex cobrand card portfolio continues to reach new highs and leading brands are joining our consumer ecosystem,

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creating further opportunities. I look forward to discussing this and more about how Delta is transforming the customer experience on June 27 in Atlanta. Hope you all can join us that day.

In closing, the industry backdrop remains constructive and we are well-positioned to grow earnings and cash flow in 2023, 2024 and beyond. Delta continues to set itself apart. We are on our way to transcend the industry with our leading consumer brand and deliver financial outcomes that create significant long-term value for our owners. Thank you again. And with that, let me hand it over to Glen for more details on our commercial performance.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Thank you, Ed. I'd like to start by thanking our employees for the difference that they make every day. We delivered record March quarter revenue at \$11.8 billion, 14% higher than 2019 on 2% less capacity. Total unit revenues or TRASM was 16% higher than the same period in 2019. These results include approximately 1 point impact from flying less capacity than initially planned. Consumer demand was well ahead of pre-pandemic levels and drove strength in domestic and international travel. Business travel improved in the quarter with small and medium businesses ahead of 2019 levels while managed corporate travel showed steady progress led by international.

Diverse revenue streams, including premium and loyalty, generated 56% of total revenue in 1Q. Premium revenue growth continue to outpace the main cabin. Total loyalty and revenue grew 28% versus the prior year with continued momentum in our American Express cobrand portfolio. We saw card spend up more than 20% year-over-year. This supported a record \$1.7 billion of remuneration from American Express during the quarter, keeping us on track to deliver over \$6.5 billion in 2023.

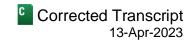
Throughout the recovery, travel behaviors and patterns continue to evolve. The hybrid workplace is blurring the lines between business and leisure trips while the removal of change fees has increased customer flexibility, allowing them to book trips earlier. This dynamic was more pronounced in the March quarter, and so we are continuing to adopt and see opportunities to further optimize our revenue management approach to these new travel behaviors in future months.

We expect June quarter revenue to be up 15% to 17% year-over-year on capacity that is 17% higher. This implies unit revenues will be flat to down 2% compared to prior year, including a couple of point impact from higher international mix as well as lapping record cargo revenues. For comparison to the March quarter, the midpoint of this outlook is a 3-point sequential improvement in total unit revenues versus 2019 driven by improvements in both domestic and international. Moving forward, we are sunsetting the comparisons to 2019 and returning to year-over-year metrics.

Domestically, we are growing our seats mid-single digits over last year, with our core hub rebuild beginning to take hold in June and accelerating through the fall. On international, we are excited with the momentum we're seeing and expect record revenues and profitability for the summer travel season. To meet increasing demand, we are growing our international seats by more than 20% in the June quarter compared to prior year, and we already have about 75% of our bookings on hand. In the Transatlantic, we're seeing strong demand on our largest-ever summer schedule. Our Amsterdam hub performance continues to improve and we are pleased with the outlook for all of our new markets.

In Latin America, momentum is continuing to build. The breadth of Delta's long-haul network to South America continues to improve as we begin to leverage our partnership with LATAM. Pacific demand is accelerating and we expect record margins meaningfully ahead of pre-pandemic levels. Our multi-year restructuring efforts in the

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Pacific are paying dividends and our partnership with Korean Air is performing extremely well, providing us future growth opportunities.

In closing, consistent execution of our long-term commercial strategy is supporting industry-leading margin performance and is demonstrating the resiliency of our business model. The long-term investments we made in our fleet, global network, and technology pave the way for future growth and margin expansion. Thank you. And with that, I'd like to turn the call over to Dan to talk about the financials.

Daniel C. Janki

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

Thank you, Glen, and good morning to everyone. For the March quarter, we delivered earnings of \$0.25 per share and a 4.6% operating margin, in line with our guidance. Our non-fuel costs were 4.7% higher than the first quarter of 2022, this including a 1 point impact from lower capacity primarily due to winter storms. Fuel price for the quarter averaged \$3.06 per gallon, this including a \$0.25 benefit from our refinery which continues to provide a unique hedge to fuel volatility.

Our operating cash flow was \$2.9 billion; that was the highest March quarter result in Delta's history. After investing \$1.1 billion back into the business, we generated \$1.9 billion of free cash flow. Strong cash generation enabled \$1.2 billion of debt reduction, this including accelerated debt repayment of \$700 million with an average interest rate of 7%. Liquidity ended the quarter at \$9.5 billion and adjusted net debt of \$21 billion. Our leverage ratio improved from 5 times at year-end to 3.9 times at the end of March on a trailing 12-month basis.

We now expect to complete our full year planned debt reduction in the first half of the year, and we'll continue to evaluate opportunistic debt repayment. Over the last year, we accelerated more than \$3 billion in debt reduction, targeting our highest cost debt and reducing our interest expense. Recognizing this progress we are making, S&P and Fitch both upgraded their outlook for our ratings. Returning to investment grade metrics is a key priority. We remain focused on reducing net debt and achieving our targeted 2 to 3 times leverage ratio in 2024, while continuing to consistently reinvest in the business.

Now, moving to guidance for the June quarter, on fuel, we expect our fuel price per gallon to be \$2.55 to \$2.80, including a \$0.10 to \$0.15 contribution from the refinery. While lower than that last year, I'd note that fuel prices remain volatile and are still approximately 30% higher than 2019. On non-fuel, we expect unit costs to be 1% to 3% higher than prior year. For the first half, we expect to grow capacity 17%, approximately 2 points less than our initial expectations, with a similar 2-point impact expected on our unit costs.

More than three months into the year, our absolute costs are tracking as expected. Higher labor rates are fully incorporated across the mainline and regionals. Inflation is stabilizing, and we are in the final stages of our rebuild. By the end of June, aircraft reactivations will largely be complete, and training is starting to step down, with a third of our pilots moving into production. As I outlined on our call in January, core maintenance is higher year-over-year in the first half of the year. We expect it to decline in the second half, resulting in a 5-point year-over-year progression in our unit costs from the beginning of the year to the end.

Secondly, achieving scale while restoring efficiency are Delta's largest CASM levers. The pace of capacity restoration remains a primary lever. In summary, we are confident in our year-over-year decline in the second half and expect a 10-point improvement in our unit cost progression as we progress through the year. Running the most reliable operation in the industry is key to delivering a competitive cost structure and underpins our industry-leading margins. Combined with our outlook for revenue, we expect the June quarter operating margin to be 14% to 16% and earnings to be between \$2 and \$2.25 per share.

With a quarter behind us and the visibility we have into summer, we have higher confidence in our full-year guidance for significant improvement in earnings and free cash flow. We are reaffirming our full-year guidance for operating margins of 10% to 12%, earnings of \$5 to \$6 per share and more than \$2 billion of free cash flow. And we remain on track to earn over \$7 per share in 2024, with more than \$4 billion of free cash flow. So, in closing, I'd like to thank the Delta people for the elevated service they provide to our customers every day. Our people will always be the Delta difference.

Now, with that, I'd like to turn it back to Julie for Q&A.

Julie Stewart

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

Matthew, can you please remind the analysts how to queue up for a question?

QUESTION AND ANSWER SECTION

Operator: Certainly. At this time, we'll be conducting the analyst question-and-answer session. [Operator Instructions] Your first question is coming from Mike Linenberg from Deutsche Bank. Your line is live.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Oh, hey. Good morning, everyone. I just – I have one question, but it's a two-part – sort of pronged revenue question maybe for Glen or Ed. There is this ongoing debate about the pace of revenue growth and whether it's moderating in domestic versus international. I know, Glen, you gave some color on that. But you did also talk about a shift in the booking curve, which I think you referred to as being pronounced. One, can you dig into that a little bit deeper and maybe how that could be having some impact on the data?

And then, number two, when I think about Delta and your network, I mean, you do have the most exposure to the industrial heartland. And you look at the ISM number over the last five months, we've been contracting, right? The manufacturing sector may now be in a recession, and that's a part of the world that you have a decent amount of exposure to. What both corporate and/or discretionary that flow through sort of [ph] Detroit-Minne (00:18:52), is there any additional color that can you – that you've seen that you can sort of elaborate with respect to that comment? Thanks. Thanks for taking my questions.

Glen William Hauenstein

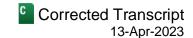
President, Delta Air Lines, Inc.

Sure, Mike. Let me try and answer the first one. And I'd like to just mention that on Tuesday, we had our second highest cash sales day ever in a seasonality that's starting to decline. Usually, those occur earlier in the year. So, I think that just points to the strength of the core demand for our products and services, be it domestic or

And so, behind that backdrop of really strong consumer demand across the board, I think what we've seen is travel patterns changing and shifting a little bit more than they did pre-pandemic. We had a lot of stability pre-pandemic, and we're adjusting here into what I would call a new normal. And we'll figure out exactly where that

international, just at a combined level, the number two sales day in our total history occurring this week.

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lands over time. What that meant in the quarter was materialization rates actually went down a bit throughout the quarter. And materialization rates to us is book to flown ratios.

Normally just a couple of points – accelerating a couple points more than usual, probably attributing that to the flexibility without change fees that we're seeing in the marketplace. And so, that's really easy to accommodate as we just turn up slightly our overbooking levels to make sure that we capture the higher load factors.

And then, secondly is the booking trends inside of 30 days. And we were knowing that inside of 30 days was declining and the strong demand was just outside of 30 days. And so, the demand is very strong, and it's a matter how many you let through the gate at what point in time. And we had, for example, wanting to go into the month 3 to 4 points ahead. We're dialing that up a little bit to be more like 5 to 6 points ahead, given that the combination of the materialization rates, which has some impact on that of course, but also where consumers are booking. I think those are just RM tactics that we're using to adjust to this new demand set, and I don't think that it indicates that there is any softness in core demand strength.

So, I think we feel really confident in the summer in what we have on the books and what we're seeing real-time in terms of demand. And so, I feel very good about that.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Okay.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Relating to industrial recession, we don't really see that. As a matter of fact, if you look at Minneapolis and Detroit, they're actually ahead. They're the least restored of our hubs right now, particularly in Detroit is one tick below the rest of the system. But you've also had rationalization in competing hubs in the region. And so, there's – while you say, okay, well, maybe some of the industrials, these hubs are not point-to-point like Boston or New York. They're really the connecting flow within the US. So, there's opportunity as we continue to restore those networks to put more flow on the network, not 100% resilient – reliant of course on Detroit. Mostly, we're reliant on the flow traffic that flows over Detroit.

So, I think what we're seeing, we see strength in all of our core hubs. Our core hubs are less restored than our coastal gateways, and that's one of the upsides I think we have for the rest of the year as we move through the year, and they're producing incredible returns and incredibly strong demand sets.

Michael Linenberg

Analyst, Deutsche Bank Securities, Inc.

Great. Great. Thanks, Glen.

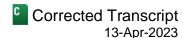
Operator: Thank you. Your next question is coming from Jamie Baker from JPMorgan. Your line is live.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Hey. Good morning, everybody. Glen, as we think about the swing year-on-year in the second quarter from domestic strength last year to international momentum this year, do you recall what the domestic portion of

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international journey contributed to last year's second quarter domestic revenue, what it's likely to contribute this year, and what the normal second quarter contribution used to be? Glen William Hauenstein President, Delta Air Lines, Inc. Domestic portion of international journey is right around 10% of domestic travel. Jamie N. Baker Analyst, JPMorgan Securities LLC Okay. Glen William Hauenstein President, Delta Air Lines, Inc. So, it's not that big of an impact. And last year was probably 7% or 8%, and this year is probably going to be 8% or 9%. So, I wouldn't say there's significant changes in that. The summer, of course, is highly reliant on the local demand since we sit in very big local markets for international marketplace, so New York and JFK being the largest in particular. Jamie N. Baker Analyst, JPMorgan Securities LLC Yes. Glen William Hauenstein President, Delta Air Lines, Inc. And generally, if you can take local, you prefer local because yields are higher. And JFK is largely 80% local for international travel. So, maybe less reliant. Atlanta of course has more flow on it, but still a large local component. Jamie N. Baker Analyst, JPMorgan Securities LLC Okay. Helpful. And as we assess the, I guess, achievability of this second quarter revenue guide, could you disclose what percent of revenue is already booked by entity? International tends to book further in advance. So, I'm assuming that's your highest confidence. Are we 70% booked internationally and 40% domestically, 60%/30%? Glen William Hauenstein President, Delta Air Lines, Inc. We are 75% internationally and we're significantly less than that domestically, but...

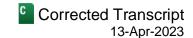
Operator: Thank you. Your next question is coming from David Vernon from Bernstein. Your line is live.

Okay. All right, perfect. Thank you. Appreciate it.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

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David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Hey. Good morning, guys. Glen, please don't drop the mic. Question for you. Can you walk us through why revenues maybe came in at the lower end of the 1Q range and talk to whether there's anything in there that was trailing off through the quarter? I ask this because the market is really struggling with whether Delta's limping or leaping into the June quarter. And any color on what drove the source of weakness in 1Q and why that may carry forward into 2Q could help a lot. Thanks.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Clearly, I think we talked a little bit about the two components. One was we have 1 point less capacity driven by some weather events and recovering from those weather events. The second is the fact of the lower materialization rates and the RM systems adapting to those that we couldn't do it real-time because you have to see if they're stable before you adjust for them. So, I think that's what we're looking at in the second quarter. And as we mentioned in the – versus 2019, we have positive momentum 1Q to 2Q both domestically and internationally. So, I think we're feeling – I know there's a lot of anxiety about domestic demand for the summer, but we don't share that anxiety.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

Okay. Thanks for that. And then, maybe just as a quick follow-up. You mentioned sort of corporate domestic or core domestic sort of corporate bookings at 85% recovered. Is the expectation – can you talk a little bit bigger picture about how you expect that to trend throughout the rest of this year based on the research work you've done, based on what your bigger corporate fliers are telling you right now and the level of certainty maybe they have on some of those plans?

Glen William Hauenstein

President, Delta Air Lines, Inc.

Right. Our corporate travelers are telling us they expect that to continue to accelerate. We are not counting that in our – we're counting a stable 85% revenue and 75% of traffic.

David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

That's in the 2Q guide?

Glen William Hauenstein

President, Delta Air Lines, Inc.

Yes.

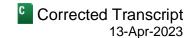
David Vernon

Analyst, Sanford C. Bernstein & Co. LLC

All right. Thank you.

Operator: Thank you. Your next question is coming from Savi Syth from Raymond James. Your line is live.

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Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Hey. Good morning, everybody. Maybe switching gears a little bit, it looks like capacity in 2Q is a couple points lower than you were thinking back in December. Where is that? Is that mostly coming out of the domestic market? And along those lines, as you go into the summer months, how do you kind of think about the four entities? I know you gave a little color on international and domestic for 2Q, but just a little bit further in.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Yeah. It's being driven by our desire to ensure that we have an industry-leading operational – and what we saw in the March quarter was we had a little bit longer than we would like in recovering from weather events. So, we canvassed where the shortfalls were and they were primarily in the domestic narrow bodies that we want to ensure we have the right resources behind them because we know we'll have weather events in the summer as we always do. So, it was just a bit of a step back, not really by demand but really by supply. And our supply was a little bit more constrained than we had hoped, and that should provide us the ability to provide whatever level we want of capacity in the fall depending on how the global environment shapes up.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Understood. And then, maybe a question for Dan. There seem to be less kind of cost surprises this year. Could you talk a little bit about what's leading to that better predictability?

Daniel C. Janki

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

We're just deeper into the restoration, and I think as we've gotten deeper in we continue to have better visibility to that. We have all the labor dialed in as we've talked about. You're seeing stabilization in the regionals; that was one that we chased last year. As it relates to third-party suppliers, the peak of the contract inquiries and repricing was heavy in fourth quarter of 2021 and the first half of 2022. And if you look at those requests coming in, they dropped off meaningfully for that. So, I think you're starting to see that stabilization in the inflation component of third-party and coming in very in line with what we expected from that perspective. So, just better visibility. I think we're deeper into the restoration so operationally, [ph] arms on it (00:29:20) related to that. So, our absolute cost visibility is good at this point in time. Certainly, the unit cost metric as we've talked about is impacted by the ultimate capacity that we fly.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Thank you.

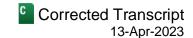
Operator: Thank you. Your next question is coming from Duane Pfennigwerth from Evercore ISI. Your line is live.

Duane Pfennigwerth

Analyst, Evercore ISI

Hey. Thanks. Good morning. Most of the sort of short-term revenue questions have been asked. But just on corporate, can you talk a little bit about maybe the change, changes, if any, that you saw since mid-March? Any commentary on financial services or banking in particular? And then relatedly, there's so many headlines around

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technology and layoffs, and I know you're less levered to that. But could you just contrast how recovered is the technology vertical from a corporate travel perspective relative to other industries that you serve?

Glen William Hauenstein

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President, Delta Air Lines, Inc.

Sure. Technology is one of the least recovered. Financial services is actually showing some momentum surprisingly. And so, I think as we think about our geographic pull, one of the things we're excited about is New York was really not back last year. And of course, we have a lot of exposure to New York and we're seeing really good New York not only as an origin market improvement but New York as a destination market improvement as well. So, that should bode well for us for the summer. And again, I think what's really interesting is more the blurred lines between the yields of corporate and high-yield leisure that didn't exist back pre-pandemic five years ago. And so, where we're not selling those premium seats to corporates, we are selling them at near-corporate rates to high-end leisure customers and that's really providing a very nice insulation for us.

Edward Herman Bastian

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

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Duane, this is Ed. One thing I'd add to that is that you're seeing corporately a pretty significant push to get workers back in the office. And we have seen a high correlation between the opening of offices with the return of corporate travel, principally with consultancies, advisors, people being available to take meetings. And so, that underlies the strength and I think you're going to continue to see that over the course of the year. It's going to be, I think, a good tailwind for us on the corporate revenue front.

Duane Pfennigwerth

Analyst, Evercore ISI



Thanks. And then, just for my follow-up with respect to the core hub restoration and maybe getting back some of your RASM premium, to the extent that you see that as a driver. Where are we on core hub restoration and sort of what part of the calendar, as we think about the balance of 2023, would you expect that to really contribute? And thanks for taking the questions.

Glen William Hauenstein

President, Delta Air Lines, Inc.

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No. Thanks for that question, because I think it's very important. I think when we outlined back in December, core restoration is one of the highlights of 2023 that just is distinctive about Delta's. What we didn't say is when that occurred in 2023 and kind of a mea culpa on that, because in the first half of the year, that really wasn't what happened. And it starts right around now and it goes through the fall. So, that should be really a key driver for us as we move through the back half of the year, both on costs and on revenue.

Daniel C. Janki

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

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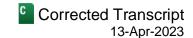
Yeah. Revenue and costs, yes.

Duane Pfennigwerth

Analyst, Evercore ISI

Thank you.

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

Conor Cunningham

Analyst, Melius Research LLC

Hey, everyone. Thank you for the time. So, the range of outcomes on revenue is still pretty wide for the full year. I was just curious if you could unpack the high and low assumptions. Presumably, you have pretty good visibility on the first half. Just curious on the swing factors as you think about the second half for your revenue.

Glen William Hauenstein

President, Delta Air Lines, Inc.

I think we see the same reports that everybody sees. I think Ed outlined very well that we think there is still remaining pent-up demand from the \$300 billion that was not spent on airline travel during the pandemic. So, we'll see how that plays out in the fall, and we have a lot of flexibility in terms of what we offer as we get out of the summer. What we're saying today is we are confident through the summer, and then we'll take another look as we get closer to it, do we see any demand trends changing. I think what we hear from the marketplace, everybody is looking for those signs. We don't see them right now. So, we would tell you if we did. And if we do see them, we'll make the adjustments that would be required for the fall.

Conor Cunningham

Analyst, Melius Research LLC

Okay. And then, maybe following up on Savi's earlier question, Dan, I think you mentioned that you have 2 points lower capacity in the first half, which is hurting CASM-Ex. And I don't think you changed your 2023 capacity and cost guidance. So, just curious like what the offsets might be, or is the first half impact just going to impact the full year from that level? Thank you.

Daniel C. Janki

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

Yeah. We – sure, Conor. We had the 2-point impact on capacity. That had a 2-point impact on unit cost. We're still sitting here in April. So, we have a lot of the year to play out as it relates to capacity, and as we progress through the year and set that, that will ultimately determine it. If you went through the year and you made that up, you pick that up. If not, it would have a corresponding impact on unit cost as you progress. But as we talked about on the point with Savi is our visibility to absolute cost is clear and better than it's been in the restoration.

And as you go through the back half, you get that inflection point. The points that we've talked about with core maintenance stepping down from being a headwind to a 2 to 3-point benefit. And as Glen talked about with the restoration of the hubs, you start to pick up scale and efficiency associated with that and the rebuild steps down. So, that gives us confidence in the progression. Ultimately, [indiscernible] (00:35:36) on a unit basis, where do you fall out as it relates to capacity impact that has. But as you know here, we're focused on running a great operation and the alignment is to the primary financial outcomes, which is margins, earnings and cash.

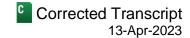
Conor Cunningham

Analyst, Melius Research LLC

Okay. Thank you.



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

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Hey. Good morning, everyone. Maybe just a follow-up on the cost side, just a clarification, that 10-point cost progression. With March quarter up just under 5%, does that mean we should be modeling December quarter to be down 5% or how should we be thinking about that 10 points? And then, that improvement, that's driven by cost you have really good visibility on, right? So, timing of maintenance events, I think you said that's a 5-point swing, and then some benefit from planned training decelerating. If you could just talk a little bit more about that, that'd be great. Thanks.

Daniel C. Janki

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

Yes. No, that's right. You think about the 10-point progression from beginning to end, and that would be - you'd be down mid single-digits from that perspective. The maintenance is the 5 points, 4 to 5 points related to first half being up [ph] 2% (00:36:49), back half being down. The other driver there is rebuild, those transition rebuild costs. We incur about 80%, 85% of them in the first half of the year, really aircraft reactivations, it's training, it's hiring, components. Those step down.

And I mentioned that in the prepared remarks, pilots being one of – the crews being one of them. We're putting 600 pilots into production. So, it's really the first time over the last 18 months that our schoolhouse will actually step down here during the second quarter. And then, the other components are the efficiency, scale and efficiency that start to step in as you get the core rebuild, 5 points of aircraft utilization, and we just get a better use of our facilities and our people as we progress through the back half.

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Great. Makes a lot of sense. And then, maybe one for Glen. Can we just dig into the corporate sales international ex China 90% recovered? Can you just walk us through how that looks from your different cabins? Are Business Class cabins running at a similar level restored? And then, by type of trip, are you still seeing a similar number of like out-and-back road warrior-type trips as you were pre-COVID? Thanks so much.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Great question. Most of the business travel internationally is in the front cabin. So, I'd say 75% to 80% is in the front cabin. So, that's fueling front cabin strength. I'd say all of our premium products in the long-haul international markets are doing incredibly well. This is really the first year we have Premium Economy at scale. About 85% of our flights long-haul now have it. That'll be 100% by next year, so we're flying this for the first time with ubiquity in the international arena, and we're seeing amazing results on the Premium Economy and the Premium Select. So, very excited about the rebound in international travel, both leisure as well as business. Now, what was the second part of your question? I'm sorry.

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Yeah. Just like on the type of trip, are you still seeing those kind of like shorter road warrior out-and-back type trips to the same degree or are you seeing the length of trip change at all here?

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Glen William Hauenstein

President, Delta Air Lines, Inc.

We are seeing the length of trip change. And road warriors are not staying one day. Day trips are down. And that's really what we're trying to harness here as we move forward is normally we would use AP, advance purchase, as one of the big key drivers for separating out business versus leisure. Now, it's really stay. And even with stay, it's not as defined as it used to be. So, those are the fences. We're trying to rearrange how we think about our pricing systems and fencing. We don't want to get too much into how we think about that. But clearly AP is one that we're leading out of.

Catherine O'Brien

Analyst, Goldman Sachs & Co. LLC

Clear. Thanks for the color.

Operator: Thank you. Your next question is coming from Scott Group from Wolfe Research. Your line is live.

Scott H. Group

Analyst, Wolfe Research LLC

Hey. Thanks. Good morning. I got just a couple near-term follow-ups and then a longer term question. So, the 70% booked for Europe and significantly less domestically, how does that compare with pre-pandemic sort of levels entering Q2? And then, the overall unit revenue flat to down slightly, is there a difference domestically, internationally on the year-over-year trend?

Glen William Hauenstein

President, Delta Air Lines, Inc.

We are -75% is about where we would expect to be at this point in time for international long-haul. Domestic, we are within a couple of points of where we would expect to be. It's really how much you want to take in advance, and when you think about 90 days, it's not all 90 days. Inside of 30 days, we want to be ahead. So, that's the difference. Second guestion? I'm sorry.

Scott H. Group

Analyst, Wolfe Research LLC

There was just like the RASM for the – the unit revenue flat to down slightly for Q2, is there a difference domestic, international?

Glen William Hauenstein

President, Delta Air Lines, Inc.

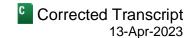
Oh, yeah. It's a mix difference. International is up significantly and domestic is relatively flat year-over-year.

Scott H. Group

Analyst, Wolfe Research LLC

And then, Ed, on the prepared comments, you said you expect strong earnings growth again in 2024. Is that a market macro comment or are there company-specific tailwinds that you have that you can share? Just like when I look at the second half guide, right, it's sort of flattish year-over-year. So, what changes in 2024 to get back to strong earnings growth, anything company-specific?

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Edward Herman Bastian

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

Well, I don't know what you're inferring on the second half guide. We really haven't given a second half guide. I think you're just backing into the overall. We haven't updated our full year. I think it's too early in the year to give an updated 2023 guide. But if you look at our 2024 guide, it's to get to north of \$7 a share, and that's the trajectory we're on. And one comment I made, which I haven't heard anyone pick up on that for the second quarter forecast, we are forecasting to be already at \$2 billion of operating profit, which is the same amount that we were at the second quarter of 2019. It's quite a statement in terms of how the recovery is going, and you consider that at a much higher fuel price, it's at much higher labor rates, and it's also with the system not restored. So, I think all of that gives you continued opportunities.

We're looking to take the non-fuel CASM down in the back half of the year, which is going to be a meaningful tailwind for us. We don't see revenue declines in terms of demand strength. I know everyone has their own point of view on that, and we don't have a great crystal ball beyond the next four or five months. But from what we're hearing from our travelers, what we're hearing from the market, what we're hearing from agencies, this is a very different recovery trajectory than other consumer businesses are experiencing.

Scott H. Group Analyst, Wolfe Research LLC	Q
Thank you.	

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

Andrew G. Didora Analyst, Both Securities, Inc.

Hi. Good morning, everyone. So, the \$11 billion air traffic liability, pretty staggering number here versus the \$6 billion to \$7 billion that you had in 2019. I assume it's this number that gives you a lot of the confidence in your outlook. But I guess my question, just curious if any of the dynamics within the ATL have changed today versus, say, pre-pandemic where maybe a lower percentage gets translated into revenues because of no change fees or something else. Just curious there.

Daniel C. Janki Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.

Yeah. Let me – a few things. One, I think the level of it is what gives us confidence in the second quarter and the second quarter revenue and revenue through the summer, the strength that we're seeing both internationally and domestic. You get the benefit of the people more comfortable booking longer, elongation of the curve. You certainly have fares that are up. But I also think at Delta, with the policies that we've taken during this period of time being customer-focused, customer-friendly, people have gotten comfortable with no change fees and booking out, and that's driven the elongation of the curve. And we've seen the behavior within that to be very consistent in regards to how it's been performing. So, yes, it's a step-up, but I think it's a sign of strength and – in regards to the customers feeling comfortable with the policies and changes that we've made

regards to the customers feeling comfortable with the policies and changes that we've made.

Andrew G. Didora

Analyst, BofA Securities, Inc.

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Thanks. And just as a follow-up, Ed, we spoke about kind of – I know you've been tweaking down capacity a little bit. But what have you done from an operational perspective to minimize the risk of having the disruptions that you saw during last year's summer peak? Thanks.

Daniel C. Janki

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

The teams have – well, we've spent a lot of time in regards to just ensuring that we have the right resources in the right places with the right level of training. So, a lot of effort has gone into this over the past – month after month after month across the operating teams, everything from the crew activity and ensuring that we're aligned network to crewing, all the way down into tech operations in regards to the staffing that we have in place as it relates to line maintenance. They're continuing to focus on turnaround time regarding aircraft out of service and the associated items. So, we continue to be ensuring that we're putting those types of capabilities buffers in place for the readiness, and then the proactive actions that we talked about with adjusting June capacity based on, Glen mentioned it, the resiliency and the ability to recover from storms. We know that they will happen in the summer, and we're targeting that around areas that we want to ensure that we have deeper resiliency around, and the teams are focused on that.

Edward Herman Bastian

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

If I could add to Dan's comments, one major thing in addition is that our team has another year under their belt of experience.

Daniel C. Janki



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

Yeah.

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Edward Herman Bastian

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

We have a very young team out there and leaders as well as front-line employees. And getting through another year gives you a lot more confidence in terms of what we're seeing. Secondly, we are pretty much through the hiring. We still hire, but the hiring rates that we're at right now are just normal hiring rates for normal attrition, not the massive bulge that we needed to go through to restore the business. And so, not only are we able to reduce the focus on getting out and hiring people, we can take the people that have been doing the training and put them back in the business because our employees train and we have some of our very best employees that do the training. So, getting them back focused into the business for the summer will also be a very nice benefit as we go through this, but there's a list of 50 steps...

Daniel C. Janki

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

Yeah.

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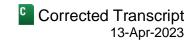
Edward Herman Bastian

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

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...and 50 things that we're doing that we review in great detail, and we're confident it's going to be a very, very strong operational summer for Delta customers.

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Andrew G. Didora

Analyst, BofA Securities, Inc.

That's great. Thank you all.

Operator: Thank you. Your next question is coming from Brandon Oglenski from Barclays. Your line is live.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

Yeah. Good morning, everyone, and thanks for taking the question. Glen, I'm going to ask kind of a nerdy one, but your load factor did seem to step down sequentially in the first quarter. Did that have an impact from this actualization factor that you're talking about? And I guess can you expand on how you control for that in the future with your RM system? Do we even get to like backwardation on yields or no?

Glen William Hauenstein

President, Delta Air Lines, Inc.

I think really, there's two things I'd talk about in that realm. And one, I just want to mention, even though it wasn't in the question, was there's two things we need to do better next year. And one is harness the demand set better, that is the new norm in post-pandemic world, and I think we're getting that real-time now and we'll make those adjustments. And so, materialization rate is relatively easy to combat because it just relates to your overbooking model. So, if you were at 103% on average and you have 2 extra points, you just go to 105% in terms of what your ability to take is.

There's a little bit of risk in that, and so we probably won't go to 105% right away. We go to 104%, see how that works, 104.5%. And that's why you have to retrain yourself and see what the actual events happen because these are changing in relatively condensed time periods. We don't want to overshoot and cause a disruption, so we're going to be a little bit more careful on getting that real-time. But the other piece is doing the whole network over better next year, right, is that we saw travel patterns evolve that are very different than pre-pandemic in where people are flying. And so, as we get to – one of the things that gives us real confidence about improving next year over this year is when we look at what we did in January, being able to do that better in terms of where we have our capacity placed.

And that's the part, I think, I'm really excited about is we now have the real post-pandemic travel patterns which are very different in terms of cities that people fly to and places they want to go. You take New York to Florida which has never been bigger. There's a reason why, right, as people have decided that they can live in Florida and work in New York. And those are the things that we're now incorporating into our analysis as we move forward and things, I think, we're really excited about in the future.

Brandon R. Oglenski

Analyst, Barclays Capital, Inc.

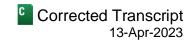
Appreciate that, Glen. And then, very quickly related to the ATL being close to \$11 billion and your free cash flow guidance for \$2 billion this year. Does that guidance incorporate the payment to the pilots? And how do we think about free cash as the year progresses now?

Daniel C. Janki

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

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Free cash flow as we mentioned in December and on first quarter, the one-time ratification payment that was made was not – it's a special item. You see it this quarter. It's not in the free cash flow. And certainly, going back to the ATL, the cash performance in total as it relates to the operating cash and where we are on free cash flow gives us confidence in being greater than \$2 billion for the year [indiscernible] (00:50:49)...

Brandon R. Oglenski Analyst, Barclays Capital, Inc.	Q
All right. Thank you, Dan.	
Daniel C. Janki Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc. first quarter and through the half.	A
Brandon R. Oglenski Analyst, Barclays Capital, Inc.	Q
Thank you.	
Operator: Thank you. Your next question is coming from Helane Becker from TD Cowen. Your line is live.	
Helane Becker Analyst, TD Cowen	Q
Thanks very much, operator. Hi, everybody, and thank you very much for the time. Ed, you talked about something I had a question about actually and that was productivity improvements which you mentioned that many people have a year or more's worth of experience. Is there any way you or Dan can put any numbers around that and just say it's like X-percent of CASM improvement or cost improvement?	t so

Daniel C. Janki

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

When you – yeah. There's a lot of different benchmarks you'll use and you certainly look at this at every operating group, and things have changed. We use 2019 as a benchmark, as a waymarker, but I don't know that that's always – your operations changed, how the teams execute has changed. But it's an anchoring point that we use and we look at our operating groups, each of those by where they were, what's changed, how are they tracking to those levels. And we certainly have by-group metrics and we know where we're at. But when you look at the total, when you bring it back up and you think about what's in our run rate, take out the rebuild component but just around efficiency, there's 2 to 3 points, 4 points of opportunity in there as it relates to us getting better as we move forward through the back half of the year into next year.

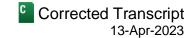
And those are all going to move at different paces in regards to it. The one that's going to be, for instance, probably the slowest here will be around regionals and the regional flying that we do. We know we're at elevated levels. We're underutilized by almost 30% as it relates to the aircraft and capability, and that one will [ph] peer over (00:52:46) the 2024 period and into 2025. And then, other ones will have a different pace associated with them.

Edward Herman Bastian

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

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Helane, a couple added points. We mentioned in past calls the amount of incremental training that we're doing is in the hundreds of millions of dollars a year. Obviously, a lot of that's going to dissipate now that we get into a more normalized pattern. We're going to get the employees, not just the cost of the training but the instructors who are doing the training back into the operation and providing that leadership. The other thing is that as Glen mentioned, the network is continuing to evolve. And what we've seen is the staffing has been a bit lumpy during this recovery from the pandemic. And getting your employees and your shifts to the schedule and understanding what the schedule looks like, there's a lot of opportunity in there at the airport level and efficiency across the board.

So, I think efficiency is certainly a big part of the reason why we expect the second half of this year to bend the trajectory on non-fuel CASM and start taking it down relative to prior year versus the continued upward push we've been seeing.

Helane Becker Analyst, TD Cowen That's hugely helpful. Thanks. Ed. And then, just for my follow-up question, as you know being in New York, the

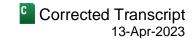
That's hugely helpful. Thanks, Ed. And then, just for my follow-up question, as you know being in New York, the FAA asked you to cut capacity by 10% this summer. So, that adds to your inability to be back to where you really want to be. Does that continue into the fourth quarter? And then, have you talked to them about getting more experienced controllers in the region, A? And B, is this something we need to look forward to every single summer? I mean, don't they have to do their part too in terms of improving their infrastructure?

Peter W. Carter Executive Vice President-External Affairs, Delta Air Lines, Inc.	A
Helane, hi. It's Peter Carter. Thanks for the question.	
Helane Becker Analyst, TD Cowen	Q
Hi, Peter.	
Peter W. Carter Executive Vice President-External Affairs. Delta Air Lines. Inc.	A

So, good to hear from you. So, that release is until September 15. So, it does not get into the fourth quarter. But what I would say is that it is hopefully going to be only something we would need to do this summer, because we are engaged in ongoing discussions with the FAA precisely on the topic of ensuring that they have the appropriate staffing for that New York – and frankly, it's beyond New York, but for our national air system. And I think the one thing you've probably seen from them in their granting this waiver is that they are acknowledging that they have an issue that they need to solve, which is really an important, I think, acknowledgment because it allows us to work together to try to solve it – help them solve it together. So, it is the most efficient and safest air traffic control system in the world, and we need to continue to invest in it.

System in the world, and we need to continue to invest in it.	
Helane Becker Analyst, TD Cowen	Q
Thank you, Peter. Thanks, everybody.	
Julie Stewart	А

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Thanks, Helane. Now, we'll go to our final analyst question.

Operator: Thank you. Your final analyst is going to be Sheila Kahyaoglu from Jefferies. Your line is live.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Thank you. Good morning, everyone. Just to switch gears a little bit, maybe talking about the loyalty program, it continues to be pretty successful. Revenue is up 27% year-over-year in the quarter, and I know you've laid out 2024 targets. But generally, how are you thinking about growth runway from here? What levers are there to pull? And how do you think about the correlation to the broader economy and the broader macro and if there's any metrics you watch more carefully with that?

Glen William Hauenstein

President, Delta Air Lines, Inc.

I think there are two components to that. One is the accounts in force, and that is of course related to our ability to bring new customers in. And we have posted record acquisitions in the last year, and we just had another – in the month of March, it was a record monthly acquisition in the history of the card. So, I'd say we see real strength in the brand, and that's really what drives the acquisitions. People want to associate with Delta and they want to associate with the SkyMiles program, because it does supply great value to those customers.

So, put that in one side, and then put then the actual spend on the accounts in force, and that I think is more a fluctuation of the economy. We see that continuing to be strong as we sit here today. But that's the piece, I think, that could shift up or down a little bit depending on how the economy rolls out in the second half of the year. But what we're counting on is that being more than offset by our new acquisitions accounts in force and really more and more premium customers. And I think that's an exciting thing that we'll talk about in June. So, stay tuned on details on that. We're going to give you some more details on how we see that evolving.

Sheila Kahyaoglu

Analyst, Jefferies LLC

Great. Thank you.

Julie Stewart

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

That will wrap up the analyst portion of the call. I'll now turn it over to Trebor Banstetter from our corporate communications department to start the media questions.

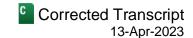
Trebor Banstetter

Managing Director-Enterprise & Leader Communications, Delta Air Lines, Inc.

Thank you, Julie. And just to remind everyone, we've got time for one question and one follow-up each, and we'll get to as many as we can in the time remaining. Matthew, if you could please reiterate for the members of the media the instructions for joining the question queue.

Operator: Certainly. At this time, we'll be conducting the media question-and-answer session. [Operator Instructions] Your first question is coming from Alison – your first question is coming from Alison Sider from Wall Street Journal. Your line is live.

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Alison Sider

Reporter, The Wall Street Journal

Hi. Thanks so much. I was wondering if you could talk a little bit about the recent near-miss or safety incidents that we've been seeing. Has Delta – have you looked at your own data? Have you noticed anything concerning or any kinds of trends or anything that would suggest if there's sort of a cause behind some of these incidents?

Edward Herman Bastian

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

Hi, Aly. It's Ed. We talked about this several weeks ago around the time of the summit that the FAA convened, and we thought was a very positive step to bring all the stakeholders together to talk about what we're seeing and what we can do to continue to improve upon the very best safety aviation system in the world. Yeah, there's no question that we've had some additional incidents than you would see that are a bit out of the norm in terms of timing. Fortunately, the safety systems caught those incidents. But we've got to be vigilant at all times and continue to find ways to get better in that environment. So, nothing that gives us pause. It is by far the safest form of travel, period; of any form of travel. But we want to make certain the stakeholders are all focused as this industry works through the infrastructure rebuild that FAA is seeing as well as the airlines are seeing.

Alison Sider

Reporter, The Wall Street Journal

And you mentioned like the relative newness or inexperience of the workforce as a factor in the operational issues. Do you think that that has played a role in kind of that uptick in safety incidents as well?

Edward Herman Bastian

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

There's no evidence that that is necessarily the case. Listen, we have the world's foremost safety management systems and risk mitigation focus in the aviation community, and we knew that we have younger people. And so, we get out ahead of that. We don't wait for something to happen. We are on the front-end of that with training and added procedures, added buffers, added focus in the operation. So, no, I would not lay it necessarily at the hands of experience.

Alison Sider

Reporter, The Wall Street Journal

Thank you.

Operator: Thank you. Your next question is coming from Mary Schlangenstein from Bloomberg News. Your line is live.

Mary Schlangenstein

Reporter, Bloomberg News

Thank you. I wanted to get one quick clarification, and then I have a quick question. When you were talking about corporate recovery and you were saying you've recovered 85% of revenue, 75% of traffic in the second quarter, is that like total overall domestic and international corporate or was that a segment of that?

Glen William Hauenstein

President, Delta Air Lines, Inc.

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That's system.

Mary Schlangenstein

Reporter, Bloomberg News

Okay, okay. And then, the second question I had was on high-end leisure travelers continuing to buy up. Are you seeing these folks buy up into what you would normally see business or First Class seats or are they buying up only to the top Premium Economy level? And if it's the former, is that something that you expect to continue long-term where these passengers are buying up into your ultimate highest classes?

Glen William Hauenstein

President, Delta Air Lines, Inc.

No, they're buying all the way up to Domestic First and Delta One on the long-haul international. And this is a phenomenon that we've in making it more accessible. I think that's really been part of our long-term journey that we've been talking about for many years. It's something we wanted to achieve is to make those products more accessible to people, and I think we've seen success through the pandemic and coming out of the pandemic. Once you – we see high stickiness to those products. So, once you start flying in those cabins, you tend not to go back.

Mary Schlangenstein

Reporter, Bloomberg News

And you expect it then to be durable, to maintain well beyond the pandemic or post-pandemic years?

Glen William Hauenstein

President, Delta Air Lines, Inc.

Absolutely.

Mary Schlangenstein

Reporter, Bloomberg News

Okay. Thank you.

Operator: Thank you. [Operator Instructions] Your next question is coming from David Slotnick from TPG. Your line is live.

David Slotnick

Reporter, The Points Guy

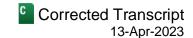
Good morning, everyone. Thank you for the question. You touched on this a little bit in the analyst portion. But I wondered if you could talk a bit about staffing levels both on the flight deck, elsewhere throughout the operation and really with your third-party vendors. Have you had any disruption and do you expect any disruption because of short staffing, say, with caterers or refuelers or anything like that?

Glen William Hauenstein

President, Delta Air Lines, Inc.

We said on the call that we're getting into our normal staffing ranges, and the amount of churn and turnover we're seeing both on the third-party support staff as well as the added staffing we've hired is starting to get in a pretty good place. So, no, I don't – again, there's always a one-off pocket where you have some unique pressure. But on balance, no, that's not a problem.

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Okay. Thanks. And then, you had said that you're 75% booked for international travel this summer. Just with waived change fees and everything, what percent of that would you normally expect to see change their flights or maybe cancel and postpone for a later point?

Glen William Hauenstein

President, Delta Air Lines, Inc.

That'll be in the high single-digits.

David Slotnick

Reporter, The Points Guy

Okay. Great. Thank you very much.

Trebor Banstetter

Managing Director-Enterprise & Leader Communications, Delta Air Lines, Inc.

Thank you, David. And that covers our media questions for today. So, we can go ahead and wrap the call. We want to thank everyone for their time and participation.

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

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