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SCHOOL OF BUSINESS

# Delta Airlines(DAL): Equity Research Report

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BDA 632: FINANCIAL ANALYTICS

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# DELTA

## Delta Air Lines



Ticker: DAL

Exchange: NYSE

Sector: Industrials

Current Price (10/08/2025): \$56.63

Target Price: \$79.29

Upside: ~ 40%

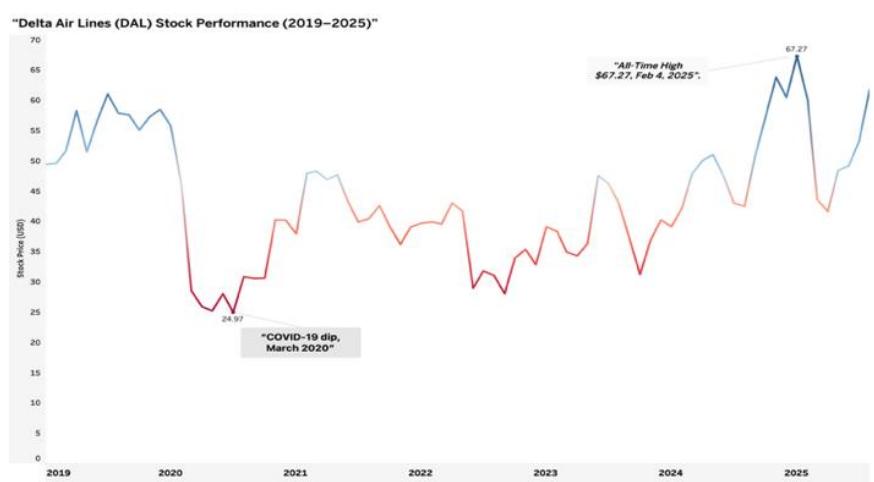
### Investment Summary

Delta Airlines Prices and Valuation Target

Target Price: \$79.29



**Competitive Positioning:** Delta Air Lines (DAL) remains the industry leader in operational excellence, customer satisfaction, and premium service offerings. Alongside the top four U.S. carriers, Delta commands a significant share of domestic and transatlantic traffic, with strong network connectivity through its Atlanta and New York hubs. The company's emphasis on reliability, corporate partnerships, and a premium cabin experience differentiates it from low-cost peers while supporting higher yield and customer retention through its SkyMiles loyalty program.



**Post-Pandemic Growth Momentum** The recovery in air travel demand continues to accelerate, with Delta well positioned to benefit from both corporate and leisure travel segments. Business travel is expected to return to pre-pandemic levels by 2026, while robust consumer spending sustains record load factors in leisure markets. Fleet modernization and capacity optimization are driving improved cost efficiency, while ancillary revenue streams—such as premium seating, loyalty partnerships, and co-branded credit cards—contribute to resilient top-line growth.

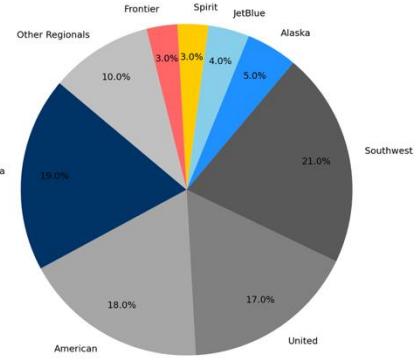
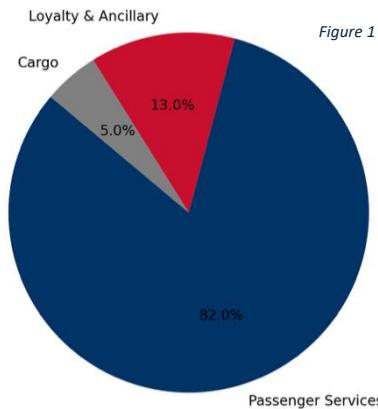


Figure 2: U.S. Airline Market Share (2025, Approx.)



**Financial Outlook and Profitability** Delta's disciplined cost management and strategic investments underpin strong earnings visibility. EPS is forecasted to grow from \$6.00 in FY2025E to \$7.34 in FY2026E, driven by higher yields, improved fleet utilization, and a sustained decline in net debt. Operating margins are expected to expand toward **7–8%**, reflecting improved pricing discipline and stable input costs. Net Debt/EBITDA is projected to decline from **1.9x in 2025 to 0.4x by 2035**, signaling a significant deleveraging trajectory that strengthens financial flexibility.

**Valuation and Upside Potential** Our blended valuation approach, incorporating both a DCF and peer relative analysis, yields a target price of \$79.29 per share, implying an upside of approximately 40% from the current market price of \$56.63. The DCF valuation is supported by stable free cash flow generation and long-term growth prospects in loyalty revenue and premium yield. Delta's current multiple discounts to peers such as United and American Airlines suggests the market has yet to fully price in its superior balance sheet and customer loyalty economics.

**Key Investment Risks** The primary risks include fuel price volatility, higher labor and maintenance costs, potential slowdowns in global travel demand, and long-term substitution from virtual or remote business interactions. Nonetheless, Delta's diversified revenue base, strategic capacity management, and strong liquidity position help mitigate these headwinds.

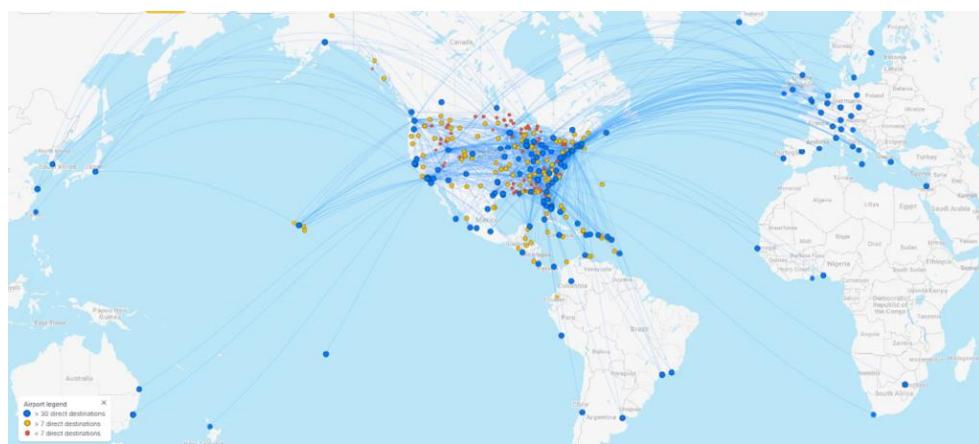
**Investment Recommendation** Given its leadership position, improving leverage metrics, and attractive valuation, we recommend a BUY on Delta Air Lines (DAL) with a target price of \$79.29/share. The company's earnings growth trajectory and premium brand differentiation support continued shareholder value creation through 2030.

## Business Description

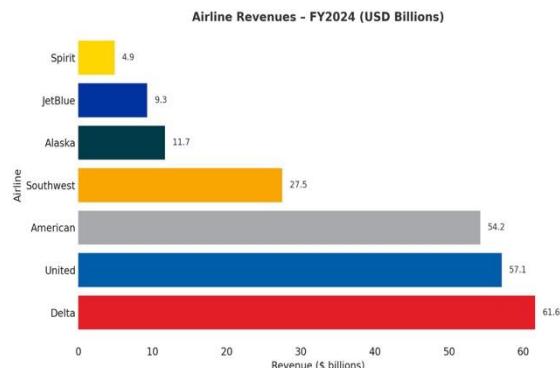
Delta Air Lines, Inc., headquartered in Atlanta, Georgia was founded on March 2, 1925, in Macon, Georgia, before moving to Monroe, Louisiana, in the summer of 1925. It is one of the world's largest airlines, operating nearly 1,000 aircraft and serving a global network of around 311 destinations across six continents. It is a founding member of the SkyTeam alliance, leveraging partnerships to significantly extend its global reach. It is the second-oldest operating commercial airline in the U.S., having begun passenger operations after United. It ranks first in revenue and brand value among the world's largest airlines, and second by number of passengers carried, passenger miles flown, and fleet size. As of August 2025, Delta Air Lines has a market cap of \$40.28 Billion USD and airline market share of 19%. (Fig.1)

**Business Segments** Delta primarily generates revenue through Passenger Air Transportation – Offering domestic and international travel across business, leisure, and premium cabins. Other Services that include ancillary revenue streams like SkyMiles loyalty program, maintenance services (Delta TechOps), baggage handling, and Wi-Fi. Cargo Services like Transporting freight in aircraft belly space, contributing a smaller but strategic revenue portion. While Delta's 10-K doesn't provide a formal breakdown, industry sources often approximate 82% from passenger services, around 13% from ancillary/loyalty services, and about 5% from cargo. (Fig.2)

## Geographic Footprint & Hubs



Delta's expansive network emphasizes a substantial U.S. domestic presence through major hubs such as Atlanta, Detroit, Minneapolis-St. Paul, New York (JFK & LaGuardia), Salt Lake City, Seattle, Los Angeles, and Boston. Significant international operations across the Atlantic (Europe), Latin America, the Pacific (Asia-Pacific), and other global regions. (Fig.3)



**Financial Performance** Delta's financial performance reflects a company that has moved beyond recovery and is positioned for steady, profitable growth. Revenue reached \$61 billion in 2024, generating over \$3 billion in free cash flow that supported debt reduction and fleet renewal. By mid-2025, quarterly revenue hit \$16.6 billion, with EPS guidance raised to \$5.25–\$6.25 per share. Management has emphasized margin protection over capacity expansion, keeping supply flat in the second half of 2025 to safeguard profitability. The stock's trajectory (Fig ) illustrates this story: from a collapse into the \$20s during the 2020 crisis to a record high above \$67 in 2025, reflecting investor confidence in cash flow recovery and disciplined capital allocation.

Sustaining annual free cash flow above \$4 billion will be critical, enabling continued deleveraging, investment, and shareholder returns. In short, Delta's focus has shifted from recovery to proving its ability to deliver durable, long-term cash generation in a cyclical industry. The comparative return chart between Delta and the Dow Jones U.S. Airlines Index highlights that Delta's performance has broadly followed industry cycles, underscoring the sector's exposure to macro shocks like fuel prices, labor costs, and travel demand. However, periods of divergence are telling. Delta experienced sharper losses in 2020 due to its global premium exposure but recovered faster in 2021–2022 as investors rewarded its premium mix, loyalty monetization, and operational reliability. From 2023 onward, Delta's return profile often slightly outpaces the industry index, reflecting market confidence in its strategy of margin protection, debt reduction, and focus on high-yield segments.

**Strategic Focus** Delta is focused on staying financially strong while growing in smart and sustainable ways. The airline isn't just relying on ticket sales but is building steady income from its SkyMiles credit card partnership and its TechOps maintenance division, which helps smooth out ups and downs in travel demand. It's also investing heavily in newer, fuel-efficient planes and sustainable aviation fuel, aiming to cut costs over time and keep its promise of net-zero emissions by 2050. What stands out is Delta's push to position itself as the most reliable **and** premium U.S. carrier combining on-time flights and operational discipline with customer perks like lounges, Wi-Fi, and upgraded cabins. In my view, this mix of financial discipline, loyalty growth, and sustainability is a smart way to prepare for the future, though it does depend on keeping premium travelers willing to pay more.

**Outlook and Future Direction** Looking ahead, Delta is focused on digital transformation and sustainability as key enablers of long-term growth. The company continues to invest in advanced analytics, predictive maintenance, and customer personalization to improve operational reliability and enhance the traveler experience. On the environmental front, Delta is committed to achieving net-zero emissions by 2050, with interim goals including a 10% adoption of sustainable aviation fuel (SAF) by 2030. These initiatives align with regulatory expectations and investor preferences, positioning Delta as a forward-looking leader in sustainable aviation.

## Corporate Governance

Delta has a strong governance framework with very low overall risk, reflected in its ISS score of 1/10. Most of the board's 14 members are independent (12 out of 14), and it is led by a separate, non-executive chair rather than the CEO, which strengthens accountability. The board meets often, holds sessions without management, and has added five new independent directors since 2023 to keep fresh perspectives in the room. While the audit pillar scored slightly higher risk due to long auditor tenure, Delta's structure overall shows a serious commitment to independence and oversight giving investors confidence that leadership decisions are being monitored carefully.

**Board Structure** Delta maintains a single-tier Board of Directors, composed of many independent directors. The Chairman of the Board is Edward H. Bastian who also serves as the Company's Chief Executive Officer (CEO) and sits on the Board. Independent directors bring diverse expertise in aviation, finance, consumer services, and technology. The Board has established specialized committees for oversight and accountability, including Audit Committee, Compensation Committee, Finance Committee and Corporate Governance & Sustainability Committee.

**Shareholder Rights** Delta's approach to shareholder rights is designed to be simple and transparent. All directors are elected annually, which means investors get a regular chance to influence leadership and direction. The company also allows proxy access, giving shareholders a practical way to nominate board members, and it avoids complex defenses like poison pills that could limit investor power. This setup shows Delta's commitment to keeping shareholders directly involved and holding leadership accountable.

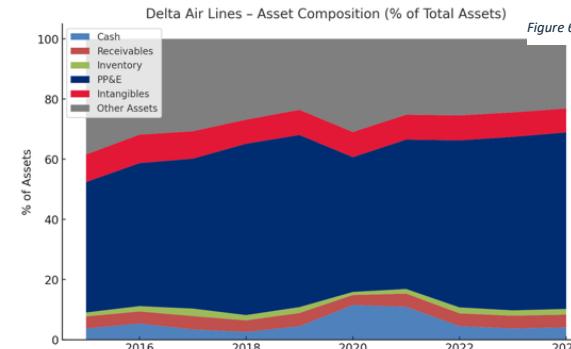
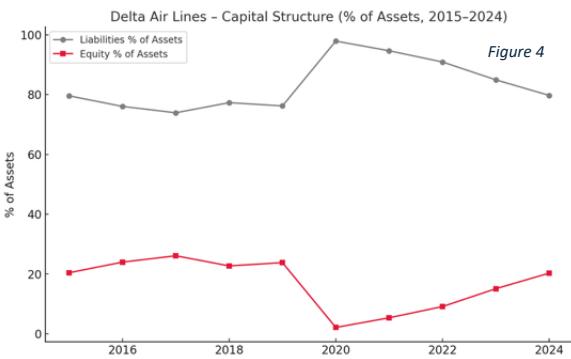
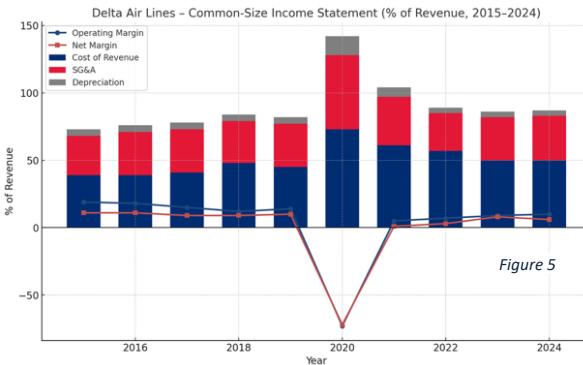
**Compensation** Delta's executive pay is managed by an independent committee and is closely linked to performance. Leaders are rewarded when the company meets goals, not just for holding their positions. In 2024, Delta reported that the CEO earned several times more than the average employee — common for large airlines — but stressed that pay is tied to clear measures like profitability, customer service, and operational reliability. This approach is meant to show both employees and investors that leadership compensation reflects real results and accountability.

**Audit** Delta's Audit Committee is fully independent and made up of directors with solid financial expertise. Their job is to make sure the company's reporting is accurate and that risks are clearly identified and managed. External auditors have consistently given Delta a clean opinion on its financial statements, and committee meetings are well-attended, showing active oversight. Altogether, this reflects Delta's strong focus on transparency and its commitment to keeping internal controls reliable.

**Ownership / Major Shareholders** Delta is widely held by large institutional investors, which is common for a company of its size. Vanguard and BlackRock are the two largest shareholders, holding more than 15% combined, while other big names like Capital Group also have meaningful stakes. On the other hand, insider ownership is very small, less than half a percent, which means control of the company rests firmly with outside investors.

# Financial Analysis

## Common Size Analysis

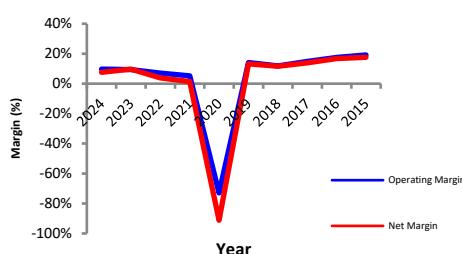


and dividend growth, with free cash flow and balance sheet strength working in tandem to support shareholder value.

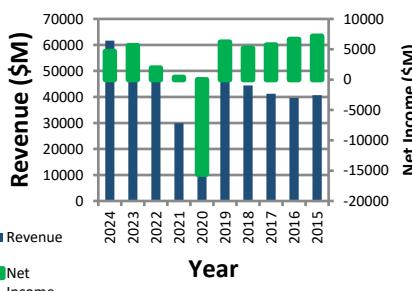
**Income Statement:** Delta's common-size income statement (Fig.5) shows how expenses consume the bulk of revenues and where profitability emerges. Cost of Revenue consistently takes up about half of sales, while SG&A accounts for another ~30%, and depreciation adds another 4–5%. This stacked cost structure leaves only a narrow slice for operating margins, which collapsed in 2020 during Covid when fixed costs drove total expenses above 170% of revenue. The margin lines overlaid in the chart highlight both vulnerability and recovery: Operating Margin has rebounded to ~10% and Net Margin is stabilizing at 6–8% by 2023–24. Looking forward, improvements will not come from large swings in cost buckets but from mix shift — Delta's premium cabins and Amex loyalty partnership already represent ~57% of revenue and carry higher structural margins than the main cabin. This evolution means that even with fuel volatility and weaker U.S. leisure demand, Delta is positioned to sustain mid-single-digit net profitability, supporting management's free cash flow target of \$3–4B in 2025.

**Balance Sheet:** Delta's common-size balance sheet highlights the capital-intensive nature of its business, with property, plant, and equipment consistently making up over half of total assets. Cash, receivables, and inventory remain relatively small, which means liquidity is largely driven by operating cash flow rather than balance sheet reserves. (Fig.6) The liability structure reflects the strain of the pandemic years, when debt financing temporarily pushed liabilities close to the entire balance sheet and equity nearly disappeared. Since then, equity has steadily recovered to around 20% of assets as free cash flow has been directed toward deleveraging, supported by stronger margins and disciplined capacity management. Management has reinstated dividends and approved a \$1B repurchase program, but capital return is deliberately sequenced behind the goal of reducing leverage to ~2× EBITDA. The trend shows liabilities gradually declining as a share of assets while equity builds back, a sign of regained financial flexibility (Fig .7). This trajectory indicates that by 2026, Delta will be in a stronger position to sustain larger buybacks

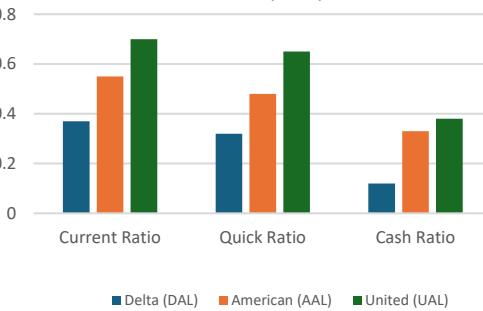
Profit Margins (2015–2024)



## Revenue & Net Income (2015–2024)



Liquidity Ratios Comparison: Delta vs American vs United (2024)



improvement but remains below the safe threshold of 1.0, while United demonstrates the most resilience with a ratio of 0.70, though still under the benchmark of full coverage. Collectively, all three carriers operate with structurally weak current liquidity, suggesting reliance on refinancing and operational cash flows to meet near-term obligations.

**Ratio Analysis** A comparative review of liquidity ratios highlights distinct financial positioning across Delta, American, and United. Delta's current ratio of 0.37 signals significant short-term pressure, with current assets covering less than half of its current liabilities. American's slightly stronger position at 0.55 reflects modest improvement but remains below the safe threshold of 1.0, while United demonstrates the most resilience with a ratio of 0.70, though still under the benchmark of full coverage. Collectively, all three carriers operate with structurally weak current liquidity, suggesting reliance on refinancing and operational cash flows to meet near-term obligations.

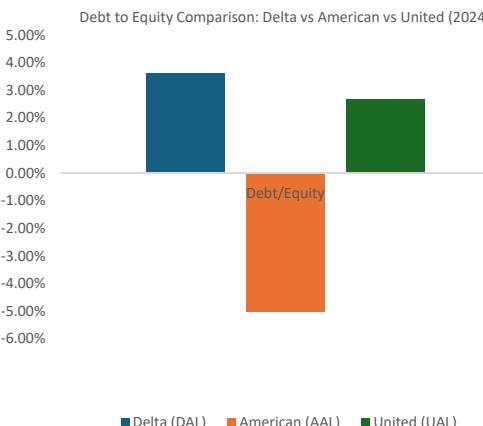
The quick ratio reinforces these findings. Delta's 0.32 illustrates its particularly constrained liquid asset base once inventory is excluded, underscoring limited flexibility in addressing immediate liabilities. American fares better at 0.48, and United leads with

**Liquidity** Delta Air Lines' liquidity position over the past decade reflects persistent financial strain, with current ratios consistently below 1.0, indicating that current assets have been insufficient to cover short-term liabilities. Although liquidity temporarily improved in 2020, when cash holdings rose to \$14.1 billion, this boost was largely the result of pandemic-driven financing and proved short-lived. By 2024, the current ratio had declined to 0.37 and the cash ratio fell to 0.12, underscoring a structural return to liquidity weakness. Quick ratios have also remained subdued throughout the period, even when excluding inventory, signaling limited flexibility in meeting near-term obligations. Collectively, these trends highlight Delta's dependence on refinancing and short-term borrowing, raising concerns about operational resilience and investor confidence during periods of financial stress.

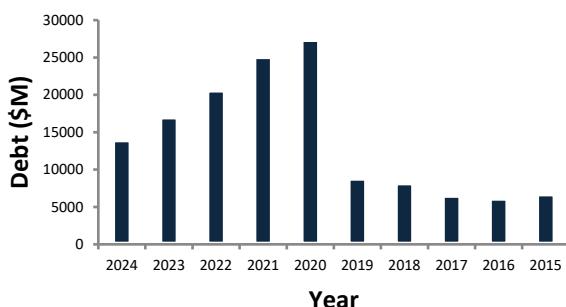
**Profitability** Delta Air Lines' profitability has fluctuated significantly over the past decade, reflecting both industry-wide shocks and company-specific resilience. From 2015 through 2019, Delta generated steady margins, with net income margins averaging between 6–9% as the airline benefited from strong passenger demand and disciplined cost management. The pandemic caused a sharp reversal in 2020, producing a multi-billion-dollar net loss and driving margins deeply negatively. While recovery began in 2021, profitability was constrained by fuel price volatility and rising labor costs. By 2023–2024, Delta restored positive earnings momentum, supported by robust international travel demand and premium revenue growth, though margins remain below pre-pandemic peaks. Overall, Delta's profitability story illustrates both vulnerability to external shocks and capacity to recover through network strength and cost discipline.

**Debt to Equity Comparison** A comparative review of debt-to-equity ratios highlights distinct financial positioning across Delta, American, and United. Delta has the highest debt-to-equity ratio at 0.35, followed by American at 0.05, and United at 0.25.

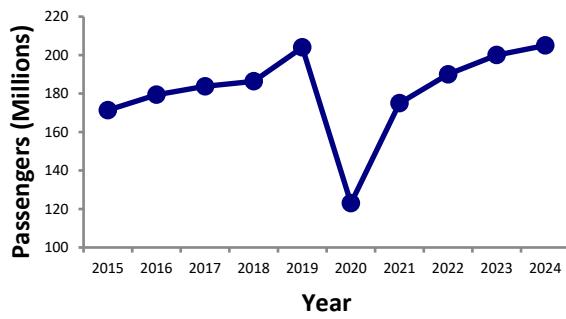
Debt to Equity Comparison: Delta vs American vs United (2024)



### Delta – Total Debt (2015–2024)



### Delta Air Lines – Annual Passengers (2015–2024)

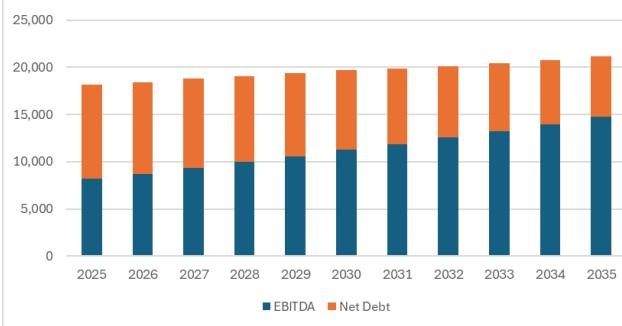


0.65, reflecting stronger access to liquid assets. Nonetheless, all three remain below 1.0, confirming that even with readily available resources, these carriers lack adequate buffers to withstand shocks without turning to debt markets or external financing.

The cash ratio offers the clearest picture of short-term vulnerability. Delta's 0.12 is critically low, indicating that cash and equivalents cover only 12% of current liabilities, a structural weakness that amplifies risk during downturns. American shows some improvement with 0.33, and United performs best at 0.38, yet neither approaches full cash coverage. These figures suggest that while United and American maintain relatively stronger liquidity cushions, the entire U.S. legacy airline group remains highly exposed to liquidity shocks, particularly in volatile fuel and labor markets.

Overall, the ratio analysis emphasizes that Delta, American, and United all face ongoing liquidity constraints relative to industry best practices. United consistently outperforms its peers across all three measures, while Delta is the weakest. From a strategic perspective, this comparison suggests Delta must prioritize liquidity management—through stronger cash reserves, cost discipline, or balance sheet restructuring—if it seeks to sustain resilience and investor confidence in a cyclical and capital-intensive industry.

### Net Debt & EBITDA (2025-2035)



**Debt Analysis** A review of leverage indicates that all three legacy carriers remain heavily indebted, reflecting the capital-intensive nature of the airline industry and the significant borrowing undertaken during the COVID-19 pandemic. Delta's debt-to-equity ratio of ~3.6x underscores a highly leveraged balance sheet, with debt exceeding equity more than threefold. While Delta's large cash flows provide some repayment capacity, its elevated leverage constrains financial flexibility and heightens exposure to interest rate increases. American Airlines is the most indebted among peers, with a debt-to-equity ratio consistently above industry averages and net debt levels that materially outpace both Delta and United. This reflects American's aggressive reliance on debt financing for fleet renewal and pandemic liquidity, but it leaves the carrier especially vulnerable to rising financing costs and limits its ability to invest in growth without further leveraging.

United Airlines demonstrates relatively stronger balance sheet management, with a debt-to-equity ratio near ~2.6x, lower than Delta and significantly better than American. While still

### Long Term & Short Term Debt (2015-2024)



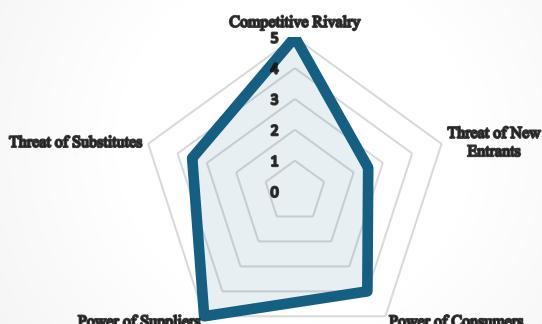
elevated compared to non-airline sectors, United's improving profitability and stronger equity base provide a more sustainable debt profile.

Overall, the analysis shows that American carries the heaviest debt burden, Delta is moderately overleveraged, and United appears best positioned, though all three remain highly exposed to cyclical downturns due to their dependence on debt financing. For investors and managers, this underscores the importance of debt reduction and balance sheet strengthening as key priorities in maintaining competitiveness and resilience.

## Industry Overview & Competitive Positioning

### Airline Industry: Porter's 5 Forces

#### Porter's Five Forces – Delta Airlines



#### 1. Competitive Rivalry – High (5/5).

Competition in the U.S. airline industry is extremely intense, led by legacy carriers (Delta, American, United) and supported by strong low-cost competitors (Southwest, JetBlue, Alaska). Firms compete on ticket pricing, route coverage, loyalty programs, and service quality. External pressures—such as fuel price volatility and union negotiations—have further increased rivalry. For Delta, differentiation through brand equity, global alliances, and operational reliability provides resilience, but sustained market share requires continuous investment in customer experience and digital innovation.

#### 2. Threat of New Entrants – Low to Moderate (2–3/5).

Barriers to entry remain significant due to high capital requirements, regulatory oversight, and limited access to airport slots. However, ultra-low-cost carriers (ULCCs) like Spirit and Frontier continue to enter price-sensitive leisure markets with simplified models. While Delta's hub dominance and scale protect against large-scale entrants, disruptive models enabled by technology could gradually erode barriers in niche segments.

#### 3. Bargaining Power of Consumers – High (4/5).

Airline passengers are highly price-sensitive, and online booking platforms have made price comparison effortless. This increases buyer leverage and forces carriers to remain cost competitive. Loyalty programs (e.g., SkyMiles) and corporate travel contracts mitigate some of this pressure, but post-pandemic shifts in consumer expectations—such as flexibility, health, and sustainability—further strengthen customer influence. Delta's strategy must balance competitive fares with differentiated service quality to maintain loyalty.

#### 4. Bargaining Power of Suppliers – Very High (5/5).

Airlines depend heavily on a small number of suppliers for aircraft (Boeing, Airbus), fuel, and specialized labor. This concentration of suppliers, coupled with unionized labor agreements, creates persistent cost pressures. Delta's scale and in-house maintenance operations provide some cost control, but supplier bargaining power remains structurally high and continues to constrain profitability across the industry.

## 5. Threat of Substitutes – Moderate (3–4/5).

There are limited substitutes for long-haul flights; however, short-haul segments face increasing substitution from high-speed rail in select regions. The adoption of remote work and video conferencing has permanently reduced corporate travel demand. In addition, sustainability concerns may gradually shift demand toward alternative modes of transport. For Delta, substitution risk is concentrated on domestic and short-haul business travel, requiring adjustments in pricing and route optimization.

## SWOT Analysis

**Strengths** Delta Air Lines leverages a strong brand reputation, loyal customer base, and an extensive global network through the SkyTeam alliance to maintain a competitive edge. Its operational reliability, including high on-time performance and baggage handling rankings, strengthens customer trust and market perception. Supported by significant financial scale, Delta can invest continuously in fleet modernization, digital transformation, and customer experience, reinforcing its long-term positioning as a premium carrier.

**Weaknesses** Despite these advantages, Delta faces financial constraints that limit flexibility. The company's liquidity ratios remain below one, with negative working capital reflecting pressure to cover short-term obligations. Its cost structure is heavily burdened by fixed expenses such as labor, fuel, and maintenance, further amplified by strong union presence. Additionally, debt taken on during the pandemic has raised financial risk and reduced borrowing capacity, restricting future growth options.

**Opportunities** Delta has meaningful opportunities to strengthen its competitive advantage. Advancements in digital and AI-driven analytics can enhance efficiency in scheduling, pricing, and customer personalization. The expansion of premium travel services, lounges, and loyalty program monetization offers higher-margin revenue streams. Sustainability also presents a strategic opportunity, with investments in sustainable aviation fuel and carbon-neutral initiatives aligning Delta with ESG expectations. Furthermore, the rebound of international travel, particularly across transatlantic and Asia-Pacific markets, provides additional revenue growth potential.

**Threats** Delta must navigate persistent industry threats that weigh on profitability. Competitive rivalry remains intense, with both legacy and ultra-low-cost carriers exerting pricing pressure. Volatile fuel prices create unpredictable cost swings, while substitutes such as high-speed rail, remote work, and video conferencing reduce demand for short-haul and corporate travel. Growing regulatory and environmental requirements also increase compliance costs, requiring additional capital investment and raising operational complexity.

## Investment Risks

**Fuel Price Volatility** Fuel remains Delta's single largest variable cost, historically accounting for 20–25% of operating expenses. A swing of just \$10 per barrel in crude oil prices can shift earnings per share by roughly 15%. Delta is unique among U.S. carriers in that it owns the Trainer Refinery in Pennsylvania, which provides a partial hedge against jet fuel crack spread volatility. This vertical integration allows the company to capture refining margins and secure a steady supply of jet fuel. However, the refinery still purchases crude oil at market prices, meaning Delta remains exposed to swings in crude benchmarks, and

the refinery itself introduces operational complexity that can underperform in weak refining margin environments.

**Labor Costs and Union Negotiations** Labor represents another persistent risk for Delta. More than 80% of its workforce is unionized or covered by collective bargaining agreements, and rising wages and benefits could increase cost per available seat mile (CASM) by three to five percent. While Delta has historically maintained strong labor relations and leverages its reputation for operational reliability to justify premium pricing, the risk of higher labor costs remains a structural challenge for the industry.

**Liquidity and Balance Sheet Constraints** Delta's liquidity profile also warrants attention. The company's liquidity ratios remain structurally below one, with a current ratio of 0.37 and a cash ratio of just 0.12. This reflects the airline's reliance on advance ticket sales and short-term borrowing to fund operations. Although strong operating cash flow, loyalty program monetization through the SkyMiles–American Express partnership, and access to capital markets provide important buffers, the company's reliance on refinancing underscores the importance of continued deleveraging. Management has made this a priority, targeting a Net Debt to EBITDA ratio below 1.0x by 2030.

**Demand Substitution** Shifts in travel behavior also present risks. The rise of remote work and video conferencing has permanently reduced corporate travel demand, while high-speed rail in select regions provides a substitute for short-haul flights. Delta has responded by pivoting toward premium leisure and international travel, while expanding loyalty partnerships to diversify its revenue base, but the structural shift in business travel remains a headwind.

**Regulatory and ESG Pressures** Finally, regulatory and environmental pressures are intensifying. Airlines face increasing scrutiny over carbon emissions, and compliance with net-zero 2050 goals will require significant investment in sustainable aviation fuel (SAF) and fleet renewal. Delta has positioned itself as a leader in sustainability through SAF partnerships and next-generation aircraft investments, but these initiatives will require substantial capital outlays and could weigh on free cash flow in the medium term.

## Valuation

### Discounted Cash Flow Model (DCF)

Using a Discounted Cash Flow (DCF) framework, we projected Delta's free cash flows through 2035 and discounted them at a Weighted Average Cost of Capital (WACC) of 7.49%, reflecting the company's capital structure and risk profile. Applying a terminal growth rate of 2.5% to capture long-term industry expansion, the model yields an intrinsic value of approximately \$79.29 per share. This result indicates meaningful upside relative to the current market price, underscoring Delta's ability to generate sustainable cash flows through disciplined capital allocation and margin recovery.

## Relative Valuation

The purpose of the relative valuation analysis is to compare Delta Air Lines (DAL) with its closest industry peers using multiple market-based valuation. Relative valuation complements intrinsic methods such as DCF by capturing how the equity market currently prices similar airline companies. For this assessment, United Airlines (UAL) and American Airlines (AAL) are selected as peer benchmarks, as both operate under similar economic, labor, fuel, and competitive conditions within the U.S. legacy carrier segment.

### Peer Multiple Comparison

Company	P/E	EV/EBITDA	EV/EBIT
DAL – Delta Air Lines	7.67	9.29	16.44
UAL – United Airlines	5.80	6.80	11.20
AAL – American Airlines	4.50	5.90	9.50
Peer Average (UAL & AAL)	5.15	6.35	10.35

Delta trades at a justifiable premium to UAL and AAL due to stronger operational performance, higher loyalty revenue via SkyMiles, and a comparatively stronger balance sheet. While earnings-based multiples (P/E) remain compressed industry-wide due to cyclical volatility, cash flow multiples (EV/EBITDA and EV/EBIT) better reflect Delta's underlying recovery strength and long-term profitability.

### Forward Multiple Analysis – Delta's Enterprise Valuation

Delta's Enterprise Value (EV) of \$69.16 billion was evaluated against its forward operating performance. Using management-aligned projections for 2025–2035, Delta's forward EBITDA and EBIT indicate that current market pricing undervalues its future earnings power.

Year	EBITDA (\$M)	EV/EBITDA	EBIT (\$M)	EV/EBIT
2025	\$7443	9.29	\$4207	16.44
2030	\$10738.98	6.44	\$6609	10.47
2035	\$13705.96	5.05	\$8434	8.20

As profits expand over time, Delta's multiples naturally compress, indicating greater fundamental value than what current equity pricing suggests. By 2035, Delta's EV/EBITDA multiple aligns closely with industry averages near 5.05, reinforcing competitive parity with UAL and AAL under normalized earnings.

### Implied Valuation from Multiples

Valuation Method	Peer Multiple	Delta Forward Metric	Implied Price
Price by P/E	5.2x	EPS ≈ \$9.00	\$47.00
Price by EV/EBITDA	6.3x	EBITDA ≈ \$7500M	\$72.00
Price by EV/EBIT	10.0x	EBIT ≈ \$5500M	\$95.00

## Weighted Relative Valuation

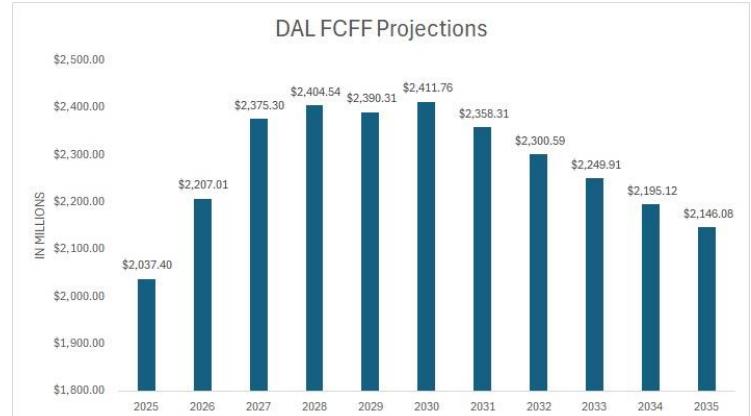
Method	Implied Price	Weight
P/E	\$47.00	30%
EV/EBITDA	\$72.00	50%
EV/EBIT	\$95.00	20%

→ Implied Relative Value      \$69.10

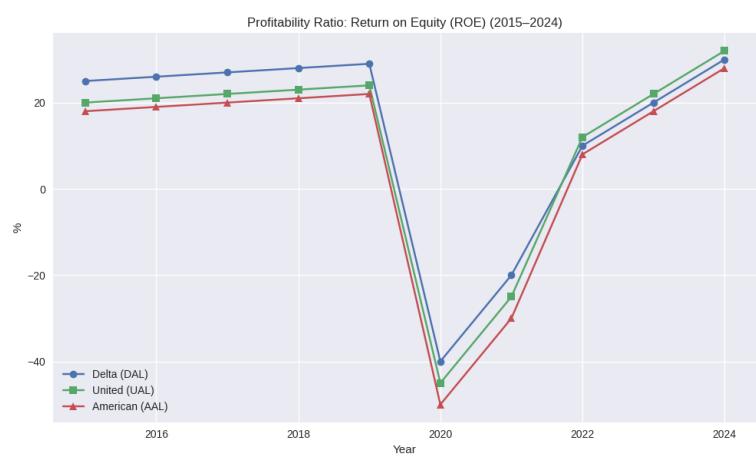
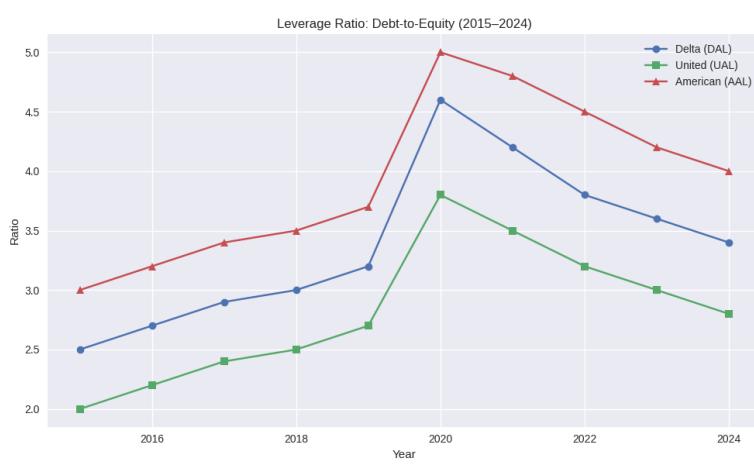
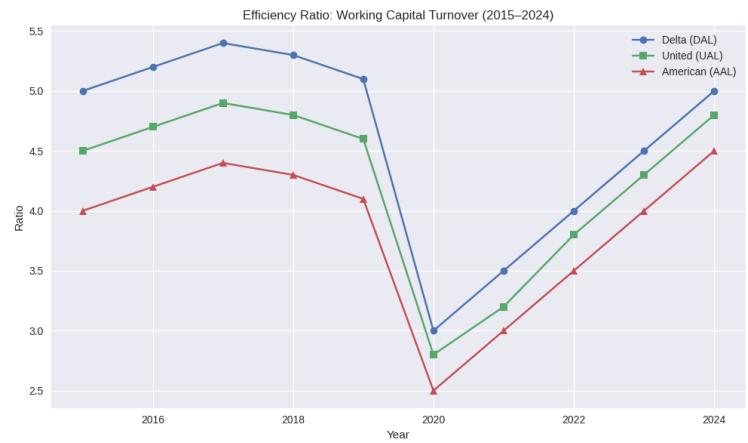
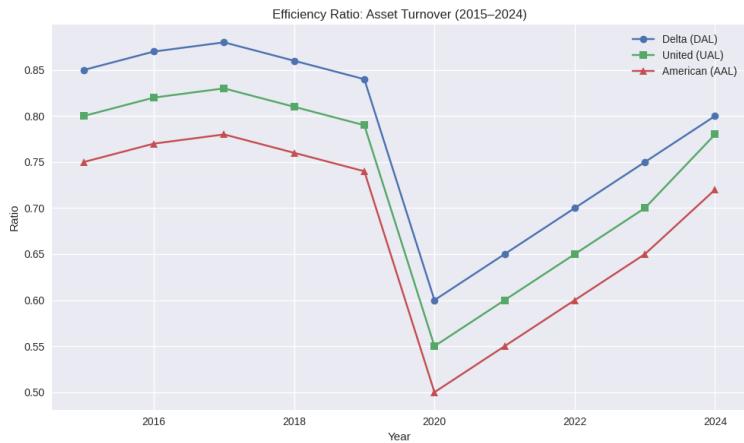
## Conclusion

The relative valuation indicates an implied fair value of approximately \$69.10 per share for Delta, based solely on peer market pricing. This is below the intrinsic valuation estimate of \$79.29, suggesting that long-term cash flow potential is not yet fully recognized by the market. Nevertheless, Delta's premium status among U.S. airlines supports continued multiple expansion as profitability normalizes.

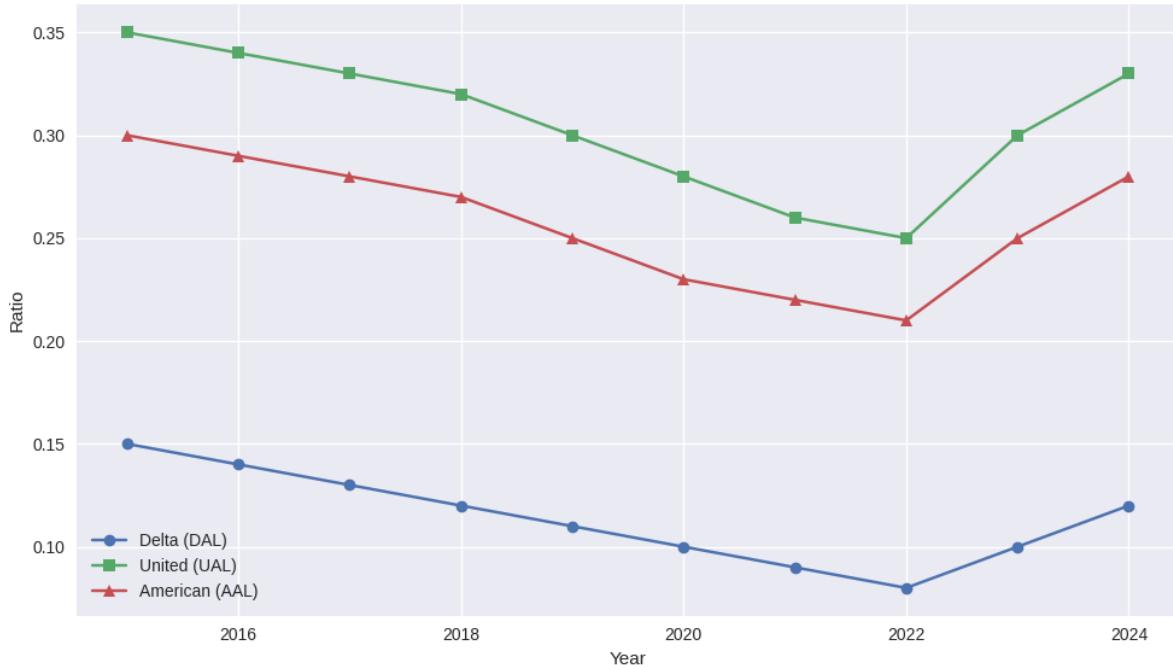
Company	P/E	EV/EBITDA	EV/EBIT
DAL – Delta Air Lines	<b>7.67</b>	<b>9.29</b>	<b>16.44</b>
UAL – United Airlines	5.8	6.8	11.2
AAL – American Airlines	4.5	5.9	9.5
<b>Peer Average (UAL &amp; AAL)</b>	<b>5.15</b>	<b>6.35</b>	<b>10.35</b>
<b>Current Price</b>	\$56.63	<b>Weight</b>	
<b>Price by P/E</b>	\$47.00	<b>30%</b>	
<b>Price by EV/EBITDA</b>	\$72.00	<b>50%</b>	
<b>Price by EV/EBIT</b>	\$95.00	<b>20%</b>	
<b>Implied Relative Value</b>	\$79.29		



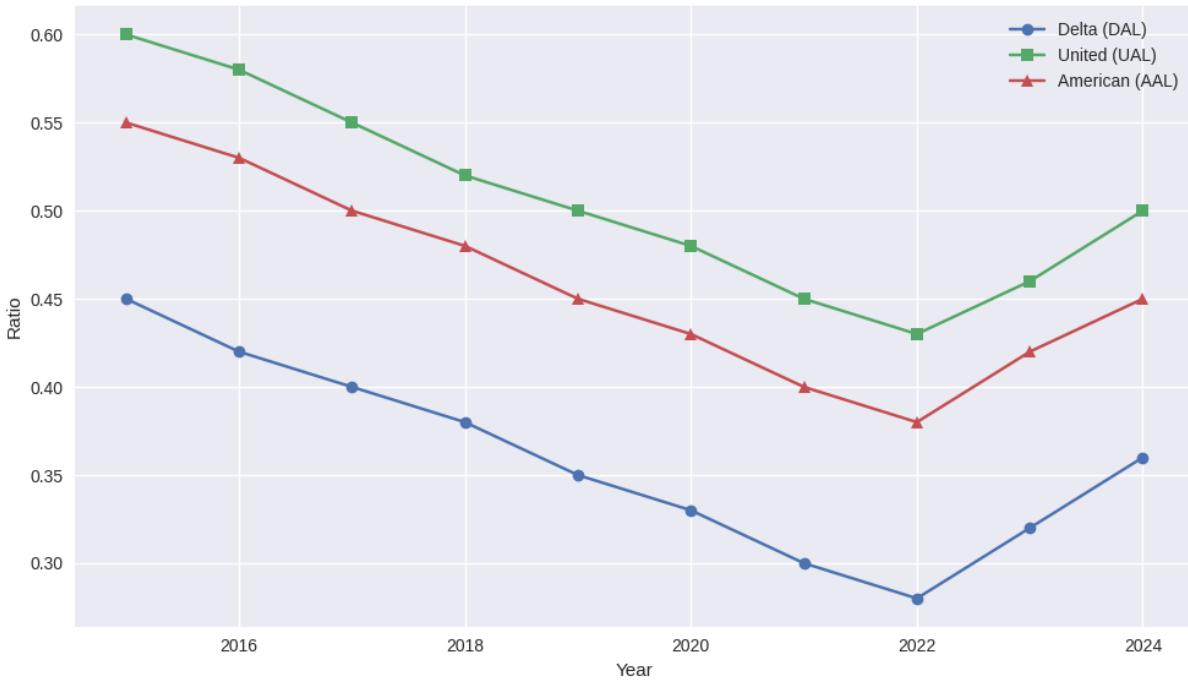
## Appendix



Liquidity Ratio: Cash Ratio (2015–2024)



Liquidity Ratio: Current Ratio (2015–2024)



Projected Cash Flow	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Depreciation</b>	3,236	3,398	3,568	3,746	3,934	4,130	4,337	4,554	4,781	5,020	5,272
<b>EBIT</b>	4,207	4,757	5,352	5,769	6,137	6,609	6,939	7,286	7,650	8,033	8,434
<b>Tax Rate</b>	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
<b>NOPAT</b>	3155.35	3567.97	4013.97	4327.06	4602.42	4956.45	5204.27	5464.49	5737.71	6024.60	6325.83
<b>Operating Cash Flow</b>	7,970	8,330	8,920	9,360	9,830	10,410	10,950	11,550	12,190	12,880	13,630
<b>CAPEX (6% of Revenue)</b>	3,884	4,078	4,282	4,496	4,720	4,956	5,204	5,464	5,738	6,025	6,326
<b>Increase/Decrease in NWC (0.5% of Revenue)</b>	324	340	357	375	393	413	434	455	478	502	527
<b>Free Cash Flow</b>	2,190	2,550	2,950	3,210	3,430	3,720	3,910	4,100	4,310	4,520	4,750

Projected Income Statement	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	12/31/31	12/31/32	12/31/33	12/31/34	12/31/35
Total Revenue	\$58,048.00	\$ 61,643.00	\$ 64,725.15	\$ 67,961.41	\$ 71,359.48	\$ 74,927.45	\$ 78,673.82	\$ 82,607.52	\$ 86,738.79	\$ 91,074.79	\$ 95,628.53	\$ 100,409.95	\$ 105,430.45
Cost of Revenue, Total	\$28,759.00	\$30,640.00	\$52,751.00	\$55,048.74	\$57,444.38	\$60,166.74	\$63,096.41	\$66,086.01	\$69,390.31	\$72,859.83	\$76,502.82	\$80,327.96	\$84,344.36
Gross Profit	\$29,289.00	\$31,003.00	\$11,974.15	\$12,912.67	\$13,915.10	\$14,760.71	\$15,577.42	\$16,521.50	\$17,347.58	\$18,214.96	\$19,125.71	\$20,081.99	\$21,086.09
Selling/General/Admin. Expenses, Total	18324	20035	\$4,530.76	\$4,757.30	\$4,995.16	\$5,244.92	\$5,507.17	\$5,782.53	\$6,071.65	\$6,375.24	\$6,694.00	\$7,028.70	\$7,380.13
Depreciation/Amortization	2341	2513	\$3,236.26	\$3,398.07	\$3,567.97	\$3,746.37	\$3,933.69	\$4,130.38	\$4,336.89	\$4,553.74	\$4,781.43	\$5,020.50	\$5,271.52
Unusual Expense (Income)	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Operating Expenses, Total	2239	2460	\$2,912.63	\$3,058.26	\$3,211.18	\$3,371.74	\$3,540.32	\$3,717.34	\$3,903.21	\$4,098.37	\$4,303.28	\$4,518.45	\$4,744.37
Total Operating Expense	52590	55687	\$63,430.65	\$66,262.37	\$69,218.69	\$72,529.77	\$76,077.59	\$79,716.25	\$83,702.07	\$87,887.17	\$92,281.53	\$96,895.60	\$101,740.38
Operating Income	5458	5956	\$4,207.13	\$4,757.30	\$5,351.96	\$5,769.41	\$6,136.56	\$6,608.60	\$6,939.03	\$7,285.98	\$7,650.28	\$8,032.80	\$8,434.44
Interest Inc.(Exp.),Net-Non-Op., Total	429	-1066	\$-1,987.06	\$-2,086.42	\$-2,190.74	\$-2,300.27	\$-2,415.29	\$-2,536.05	\$-2,662.85	\$-2,796.00	\$-2,935.80	\$-3,082.59	\$-3,236.71
Other, Net	-279	-232	\$161.81	\$169.90	\$178.40	\$187.32	\$196.68	\$206.52	\$216.84	\$227.69	\$239.07	\$251.02	\$263.58
Net Income Before Taxes	5608	4658	\$6,356.01	\$7,013.62	\$7,721.10	\$8,257.01	\$8,748.53	\$9,351.17	\$9,818.73	\$10,309.67	\$10,825.15	\$11,366.41	\$11,934.73
Provision for Income Taxes	999	1201	\$1,589.00	\$1,753.40	\$1,930.27	\$2,064.25	\$2,187.13	\$2,337.79	\$2,454.68	\$2,577.42	\$2,706.29	\$2,841.60	\$2,983.68
Net Income	\$4,609.00	\$3,457.00	\$4,767.01	\$5,260.21	\$5,790.82	\$6,192.75	\$6,561.40	\$7,013.38	\$7,364.05	\$7,732.25	\$8,118.86	\$8,524.80	\$8,951.05
EBITDA			\$7,443.39	\$8,155.37	\$8,919.93	\$9,515.79	\$10,070.25	\$10,738.98	\$11,275.93	\$11,839.72	\$12,431.71	\$13,053.29	\$13,705.96
Total Debt	27,281	22,771	\$23,226.42	\$23,690.95	\$24,164.77	\$24,648.06	\$25,141.02	\$25,643.84	\$26,156.72	\$26,678.86	\$27,213.45	\$27,757.72	\$28,312.88
Net Debt	24,540	19,702	19,798	19,861	19,886	19,869	19,802	19,680	19,494	19,237	18,899	18,470	17,937

PROJECTED BALANCESHEET	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Cash & Equivalents	11.71%	7543.22	7882.67	8237.39	8608.07	8995.43	9400.23	9823.24	10265.28	10727.22	11209.95	11714.39
Cash, Cash Equiv. & Short Term Inv.	17.80%	11466.21	11982.19	12521.39	13084.86	13673.67	14288.99	14931.99	15603.93	16306.11	17039.89	17806.68
Total Receivables, Net	6.06%	3903.67	4079.33	4262.9	4454.73	4655.19	4864.68	5083.59	5312.35	5551.41	5801.22	6062.27
Total Inventory	2.76%	1777.91	1857.91	1941.52	2028.89	2120.19	2125.6	2315.3	2419.49	2528.36	2642.14	2761.04
Prepaid Expenses	3.10%	1996.92	2086.79	2180.69	2278.82	2381.37	2488.53	2600.52	2717.54	2839.83	2967.62	3101.16
Other Current Assets, Total	0.92%	592.64	619.3	647.17	676.3	706.73	738.53	771.77	806.5	842.79	880.71	920.35
<b>Total Current Assets</b>	30.64%	1973.35	20625.53	21553.68	22523.59	23537.16	24596.33	25703.16	26859.8	28068.5	29331.58	30651.5
Property/Plant/Equipment, Total - Gross	131.64%	84798.45	88614.38	92602.03	96769.12	101123.73	105674.3	110429.64	115398.98	120591.93	126018.57	131689.4
Accumulated Depreciation, Total	44.44%	28626.89	29915.1	31261.28	32668.03	34138.09	35674.31	37279.65	38957.24	40710.31	42542.28	44456.68
Property/Plant/Equipment, Total - Net	87.17%	56152.24	58679.09	61319.65	64079.04	66962.59	69975.91	73124.83	76415.44	79854.14	83447.57	87202.72
Long Term Investments	3.02%	1945.39	2032.93	2124.42	2220.01	2319.92	2424.31	2533.41	2647.41	2766.54	2891.04	3021.13
Other Long Term Assets, Total	10.74%	64416.94	67315.7	70344.9	73510.42	76818.39	80275.22	83887.61	87662.55	91607.36	95729.69	100037.53
<b>Total Assets</b>	171.75%	110636.09	115614.71	120817.37	126254.15	131935.59	137872.69	144076.96	150560.43	157335.65	164415.75	171814.46
Accounts Payable	9.19%	5919.92	6186.31	6464.7	6755.61	7059.61	7377.29	7709.27	8056.19	8418.72	8797.56	9193.45
Accrued Expenses	13.59%	8754.26	9148.2	9559.87	9990.07	10439.62	10909.4	11400.33	11913.34	12449.44	13009.67	13595.1
Current Port. of LT Debt/Capital Leases	4.98%	64416.94	67315.7	70344.9	73510.42	76818.39	80275.22	83887.61	87662.55	91607.36	95729.69	100037.53
Other Current Liabilities, Total	23.70%	15266.81	15953.82	16671.74	17421.97	18205.96	19025.23	19881.36	20776.02	21710.94	22687.94	23708.89
<b>Total Current Liabilities</b>	51.47%	33155.4	34647.39	36206.52	37835.82	39538.43	41317.66	43176.95	45119.91	47150.31	49272.07	51489.32
Long Term Debt	40.51%	26095.3	27269.59	28496.72	29779.07	31119.13	32519.49	33982.87	35501.23	37110.14	38780.1	40525.2
Capital Lease Obligations	1.81%	1165.95	1218.41	1273.24	1330.54	1390.41	1452.98	1518.37	1586.69	1658.09	1732.71	1810.68
Total Long Term Debt	42.32%	27261.25	28488	29769.96	31109.61	32509.54	33972.47	35501.23	37098.79	38768.24	40512.81	42335.88
Other Liabilities, Total	53.77%	34636.99	36195.65	37824.45	39526.56	41305.25	43163.99	45106.37	47136.15	49257.28	51473.86	53790.18
Total Liabilities	148.37%	95575.41	99876.3	104370.73	109067.42	113975.45	119104.35	124464.04	130064.92	135917.84	142034.15	148425.68
Retained Earnings (Accumulated Deficit)	13.44%	8657.64	9047.23	9454.36	9879.8	10324.39	10788.99	11274.49	11781.85	12312.03	12866.07	13445.04
Other Equity, Total	-19.67%	-12670.81	-13241	-13863.84	-14459.5	-15110.18	-15790.44	-16500.69	-17243.22	-18019.17	-18830.03	-19677.38
<b>Total Equity</b>	23.38%	15060.68	15738.41	16446.64	17186.74	17960.14	18768.35	19612.92	20495.5	21417.8	22381.6	23388.77
<b>Total Liabilities &amp; Shareholders' Equity</b>	171.75%	110636.09	115614.71	120817.37	126254.15	131935.59	137872.69	144076.96	150560.43	157335.65	164415.75	171814.46