

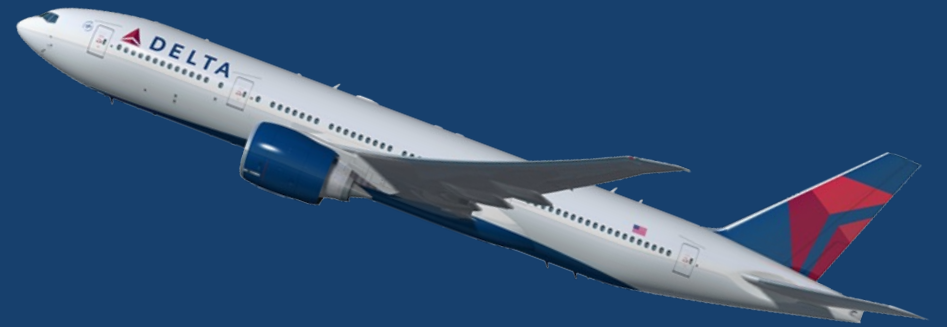
Delta Airlines

Keep Climbing



About Delta

- Founded 1925, serviced first commercial flight in 1929
- Headquartered in Atlanta, public in 2007
- Currently largest airline by:
 - Revenue, profit, and assets
- Second largest fleet behind AA (2019)
- ~200 million customers per year
- Services up to 300 destinations
- Member of SkyTeam



Industry Overview

- Two main competitors: AA and UA
- Four largest airlines control 64.7%
 - Delta has 15.9% (3rd)
- Mergers prevalent
 - US Air and AA (2013)
 - Delta and NWA (2008)
- Rev grew 5.3% annually 2009-2019
- Aviation industry contributes 5.2% to GDP



Impact of COVID

- COVID Update:
 - Currently 194M (59.0%) of US is vaccinated
 - Do NOT need to be vaccinated to fly domestic
 - Easing international travel restrictions
- Impact on airlines:
 - Travel decreased by 60% in US (2020)
 - \$35 billion lost by 6 largest
 - 57,900 less employees
- Travel return:
 - July flights 86% of pre-pandemic
 - Multiple days eclipsed 2019 travel numbers



Upcoming Travel Season

- TSA expecting near 2019 holiday travel
 - 11/19/21: 2,242,956
 - 11/19/20: 1,019,836
 - 11/19/19: 2,550,459
- Expects ~20M people from Nov 19-28
- Delta expecting 5.6M customers
 - Served 6.3M in 2019
- Will set pandemic record for travelers screened
 - Current record is ~2.2M in one day



Who is Traveling?

- 42% of Americans traveling
 - 2/3 of traveling, or 29% of all Americans, flying
 - 78% plan to match or exceed 2019 budget
 - Average of 2 trips
- 53% of high-income traveling
 - 1/3 will take 3+ trips
 - 85% plan to match or exceed 2019 budget
 - 30% plan to spend significantly more
- 45% of all air passengers will fly 2+ times



Improvements During COVID

- Exercised option for 25 new A321s in April
- Purchased 36 new planes in July 2021
 - 29 used 737-900ERs
 - 7 used A350-900s
- Purchased another 30 A321s in August
- Refurbished all 767 and A330 aircraft
- Will retire at least 383 aircraft by 2025
 - All 18 777-200s
- Newer planes are more efficient
 - A350s burn 21% less fuel per seat (777)



Peer Comparison

- Delta has recovered much faster than competitors



(In Millions)	Revenue	Net Income
Q3 2021	\$20,429	\$688
Q3 2020	\$13,122	(\$11,630)
Change	+55.69%	+105.92%



(In Millions)	Revenue	Net Income
Q3 2021	\$20,455	(\$1,061)
Q3 2020	\$13,309	(\$6,707)
Change	+53.69%	+84.18%



(In Millions)	Revenue	Net Income
Q3 2021	\$16,442	(\$1,318)
Q3 2020	\$11,943	(\$5,172)
Change	+37.67%	+74.52%



Positive Outlook

- Delta is the premier airline in NA
- Largest frequent flier program in US
- J.D. Power #1 in customer satisfaction
- WSJ #1 US airline, most on-time globally
- Positioned as a premium product:
 - Over 60% of customers have a degree
 - Average income is \$100,000+
- Delta expects 80-100% of business travel (2022)
- Prepared to outpace competitors



Risks

- Covid continues to hamper leisure and business
- Future of vaccines unknown
- Business travel may not return
- Fleet upgrades still taking place (2027)
- Rising fuel prices
- International travel uncertain
- Employee issues over Covid

Thesis

- Delta is a premium product and will outpace competition
- Company will return from Covid, question is when
- Strong winter travel season will bolster performance
- Delta has taken steps to enhance the company
 - New and refurbished planes
- Although Covid still poses a risk, potential upside is high

WACC

Cost of Debt: 2.0744%

Cost of Equity: 10.6022%

Weight of Debt: 30.5235%

Weight of Equity: 69.4765%

WACC: 8.00%

Proposal

- Purchase 20 shares of Delta (DAL) for ~\$793.80

Current Price \$39.69
As of 11/19/21 (+3.55%) YTD

Price Target \$43.63
For 11/18/22 (+9.92%)

Net Gain \$3.94 / Share

Pre-Covid \$62.03
As of 1/17/20 (-36.01%) to now



Thank you!



Questions?