

STRATEGY FOR MAXIMIZING LONG-RUN VALUE: DELTA AIR LINES, INC.

INTRODUCTION

This report evaluates Delta Air Lines, Inc. (DAL), a leading global airline renowned for its operational reliability, extensive route network, and innovative customer loyalty programs. The focus of this report is on assessing DAL's overall value, financial strategy, and outlook for the future by examining its historical performance trends, calculating shareholder returns over the past three years in comparison to the S&P 500 and key competitor American Airlines Group Inc. (AAL) and performing a detailed ratio analysis and return on equity disaggregation. Additionally, this report incorporates a free cash flow computation for the most recent fiscal year, projects future cash flows, calculates the weighted average cost of capital, and creates a valuation model to reconcile projected values with actual market performance. Ultimately, this report delivers actionable insights to enhance DAL's financial performance and position in the airline industry and maximize shareholder value. The recommendations focus on strategically reinvesting its cash into fuel-efficient fleet expansion, leveraging brand strength, monetizing underutilized non-operating assets to drive sales growth, expanding capital returns, and leveraging sustainability for growth.

STRATEGIC OVERVIEW

Building on the foundation of its operational consistency, global network, and customer-centric innovations, DAL prioritizes its strategic goals to solidify its market leadership in the competitive airline industry. In terms of its network, DAL's core hubs – Atlanta, Minneapolis-St. Paul, Detroit, and Salt Lake City – form the backbone of its domestic network, supplemented by coastal hubs in Boston, Los Angeles, New York, and Seattle. Internationally, DAL utilizes alliances with carriers such as Aeroméxico, LATAM Airlines Group S.A., Air France-KLM, China Eastern, Korean Air, and Virgin Atlantic to offer seamless connectivity. This enables DAL and its partners to serve over 700 destinations in 130 countries, offering unparalleled market reach. Operationally, DAL demonstrates its industry-leading reliability, highlighted by its third consecutive Cirium Platinum Award in 2024 for operational excellence and its recognition as North America's most on-time airline. Also, its modernized fleet of 1,273 aircraft, featuring models that are 28% more fuel efficient than those phased out since 2019, reflects its commitment to cost efficiency and environmental sustainability. On the customer engagement front, DAL also innovates in customer engagement, as evidenced by the record addition of 8.5 million new SkyMiles members in 2022, showcasing its ability to attract and retain loyal customers who value DAL. Premium offerings such as Delta One®, Delta Premium Select, and Delta Comfort+®, etc. address diverse traveler preferences, further differentiating DAL's services from those of budget-oriented carriers. Looking forward, DAL's strategic priorities focus on reducing fleet complexity to streamline operations, expanding into emerging markets via alliances, and investing in digital transformations like the Fly Delta app to enhance the travel experience. By emphasizing these key drivers, DAL positions itself to sustain its growth trajectory and deliver value to its stakeholders.

FINANCIAL ANALYSIS

This section analyzes DAL's financial performance from 2021 to 2023, comparing shareholder returns and key financial ratios with its competitor, AAL, and with the S&P. Through this analysis, DAL demonstrates its position relative to the industry and broader economy.

SHAREHOLDER RETURNS ANALYSIS:

DAL's shareholder returns over the three-year period reflect significant volatility. In 2021, DAL underperformed with a -2.8% return compared to 13.89% from AAL and a robust 28.71% from the S&P (See Exhibit 01). This underperformance highlights the broader challenges faced by airlines due to disruptions from the COVID-19 pandemic, including reduced demand for air travel and operational constraints. The trend continued in 2022, with DAL posting a -15.93% return, a better performance than AAL's steep -29.18% and S&P's -18.11% (See Exhibit 01). However, 2023 saw a remarkable rebound for DAL with a 23.03% return, exceeding AAL's modest 8.02%, and aligning closely with the S&P's 26.29% (See Exhibit 01).

An initial \$1,000 investment in DAL at the beginning of 2021 would have grown to \$1,005 by the end of 2023, surpassing AAL's \$871, but underperforming the S&P's \$1,331 (See Exhibit 01). This illustrates

DAL's stability compared to AAL in a challenging environment but its inability to match the broader economic performance.

RATIO ANALYSIS:

To evaluate DAL's financial performance comprehensively, four fundamental ratios - current, total asset turnover, debt/equity, and net profit margin - were selected. These metrics offer the most insightful and reliable indicators of a company's liquidity, asset utilization, financial leverage, and profitability.

- **Current Ratio:** DAL's current ratio consistently declined over the three-year period, from 0.76 in 2021 to 0.39 in 2023, signaling increasing pressure on short-term financial flexibility (See Exhibit 02). This is significantly below AAL's 0.62 in 2023, suggesting DAL may face challenges in meeting short-term obligations and require better cash management or improved operating liquidity (See Exhibit 02).
- **Total Asset Turnover Ratio:** DAL's total asset turnover rose from 0.41 in 2021 to 0.79 in 2023, indicating an increasing ability to generate revenue from its asset base (See Exhibit 02). However, this is slightly below AAL's 0.84 in 2023, highlighting DAL's need for better asset utilization (See Exhibit 02).
- **Debt/Equity Ratio:** DAL's debt-to-equity ratio improved from an alarming 692.56% in 2021 to 180.59% in 2023, showing a significant reduction in financial risk and a more balanced capital structure (See Exhibit 02). This is much more favorable than AAL's -632.49%, demonstrating DAL's better position to manage its financial obligations and sustain long-term operations compared to AAL, which struggles with financial distress (See Exhibit 02).
- **Net Profit Margin Ratio:** DAL's net profit margin increased steadily, from 0.94% in 2021 to 7.94% in 2023 (See Exhibit 02). This is notably above AAL's margin of 1.56% in 2023, reflecting DAL's strong profitability and effective cost management (See Exhibit 02).

RETURN ON EQUITY (ROE) DISAGGREGATION:

To gain deeper insights into DAL's financial performance, ROE was disaggregated into five components: tax burden, interest burden, profit margin (operating), asset turnover, and financial leverage. These components collectively drove DAL's ROE from 7.20% in 2021 to 41.50% in 2023, far outperforming AAL's -15.80% in 2023, exhibiting superior shareholder value (See Exhibit 03). The detailed breakdown of DAL's ROE disaggregation is as follows:

- **Tax Burden:** 2021 - 70.35% | 2022 - 68.86% | 2023 - 82.19% | (See Exhibit 03)
- **Interest Burden:** 2021 - 21.10% | 2022 - 52.28% | 2023: 101.58% | (See Exhibit 03)
- **Profit Margin (Operating):** 2021 - 6.31% | 2022 - 7.24% | 2023 - 9.51% | (See Exhibit 03)
- **Asset Turnover:** 2021 - 41.26% | 2022 - 69.97% | 2023 - 78.82% | (See Exhibit 03)
- **Financial Leverage:** 2021 - 1864.14% | 2022 - 1098.27% | 2023 - 663.16% | (See Exhibit 03)

Overall, DAL stands out as a more stable and efficient operator than AAL, positioning it well for long-term value creation.

VALUATION

This segment examines a detailed valuation of DAL's intrinsic value, free cash flow computations, future cash flow forecasts, and the weighted average cost of capital (WACC).

For 2023, DAL's free cash flow amounted to \$5,010 million, demonstrating robust operational performance (See Exhibit 04). Free cash flow is anticipated to grow consistently, beginning with \$1,882 million in 2024 and rising to \$2,116 million by 2028 (See Exhibit 05). The continuing value calculated using a short-term and long-term terminal growth rate of 6% and 5.50% respectively, amounted to \$74,679 million (See Exhibit 06).

The WACC, which functions as a reliable benchmark to assess a company's ability to generate value relative to its financial obligations, was estimated at 8.55% (See Exhibit 06).

Using a two-stage valuation model, the equity value per share was calculated at \$39.73, closely aligning with the actual market value of \$39.80 at the end of 2023, with a negligible difference (See Exhibit 06). This illustrates that DAL's market valuation accurately represents its intrinsic worth.

ANALYSIS OF THE COMPANY'S VALUE DRIVERS

This part evaluates the key value drivers influencing DAL per-share value. A uniform 1% change was applied to each driver to assess its impact.

The WACC shows the largest impact, with a \$43.38 per-share difference, as the share value shifts from \$39.80 to \$83.18 (See Exhibit 07). The terminal growth rate (long-term) ranks second in importance, with a \$34.40 impact (See Exhibit 07). Capital expenditures, investments in net working capital (NWC), and investments in other assets, each show an impact of \$29.05 (See Exhibit 07). Cost-related drivers, including the cost of goods sold (COGS), other expenses, research & development (R&D), and selling, general & administrative (SG&A), each exhibit a \$22.06 per-share impact. (See Exhibit 07). Sales growth and tax rate observe a smaller impact of \$4.07 and \$2.70 respectively (See Exhibit 07).

STRATEGY FOR INCREASING SHAREHOLDER VALUE

- **Strategic Utilization of Strong Cash Position:** With \$2,741 million in cash in 2023, DAL holds a significantly stronger cash position than its competitor, AAL which reported \$1,488 million in cash for the same period (See Exhibit 08). This provides DAL with a significant financial advantage to allocate a portion of these funds toward expanding its fleet of fuel-efficient, modernized aircraft. By investing in additional fuel-efficient models, DAL can drive significant cost savings. For example, if this investment reduces DAL's annual aircraft fuel expenses by as little as 0.25%, it could increase DAL's share value from its current price of \$39.73 to \$45.26 (See Exhibit 09).
- **Leverage Brand Strength:** Building on its reputation for industry-leading reliability – DAL can strategically reduce branding, marketing, and selling expenses within SG&A. With a well-established industry dominance, even a modest 0.15% reduction in these expenses could further increase DAL's share price from \$45.26 to approximately \$48.58, showcasing the financial benefits of leveraging its strong market position (See Exhibit 10).
- **Sell Underutilized Assets:** DAL holds \$20,885 million in other assets (non-operating) compared to AAL, which holds only \$7,895 million in 2023 (See Exhibit 08). DAL's total asset turnover was 0.79, which was lower than AAL's 0.84, indicating that DAL needs to utilize its assets more efficiently to generate revenue (See Exhibit 02). By monetizing a portion of these non-operating assets – unlocking even a few million dollars – DAL could reinvest the proceeds into initiatives aimed at driving sales growth. Such reinvestments would not only improve DAL's asset turnover but also boost revenue generation. For instance, if this capital were successfully invested to drive at least a 1% increase in sales, it could raise the company's valuation further to \$53.13, demonstrating a meaningful impact on shareholder value (See Exhibit 11).
- **Expansion of Capital Returns:** DAL's existing \$2 billion buyback initiative demonstrates its commitment to shareholder value. By scaling up or accelerating this program, DAL can further enhance earnings per share (EPS) and maximize shareholder wealth. Additionally, DAL should consider launching or increasing dividend payouts to attract investors who prefer steady income, while building stronger loyalty among long-term shareholders.
- **Leverage Sustainability for Growth:** DAL can accelerate investments in Sustainable Aviation Fuel (SAF) production and partnerships to further reduce carbon emissions and attract long-term, sustainability-focused investors and position itself as a leader in the green aviation market.

CONCLUSION

DAL showed robust financial performance, consistently outperforming its competitor AAL, and aligned closely with the broader market. A thorough valuation analysis confirmed that DAL's market price aligns closely with its intrinsic value, reflecting investor confidence in its operational and strategic positioning. To maximize shareholder value, DAL should prioritize strategically allocating a portion of its substantial cash toward expanding its fleet with more fuel-efficient aircraft, which could lead to cost savings and enhance environmental sustainability. Additionally, reducing non-essential branding, marketing, and selling expenses could improve profitability without compromising its strong market presence. Furthermore, monetizing underutilized non-operating assets and channeling the proceeds into targeted growth initiatives would enhance asset utilization and further boost revenue generation. Moreover, expanding capital returns through share buybacks or dividends can enhance investor confidence. Finally, leveraging sustainability initiatives to meet ever-evolving market demand. By adopting these strategies, DAL can solidify its leadership in the competitive airline industry and will not only drive immediate financial improvements but also ensure long-term value creation for its shareholders.

Exhibits

Exhibit 01 - Market Returns to Shareholders					
DAL, AAL, and S&P500					
Calendar Years Ended 2021, 2022 and 2023					
	DAL			AAL	
Year	Price	Div.		Price	Div.
2020	\$39.59	\$0.00		\$15.77	\$0.00
2021	\$38.48	\$0.00		\$17.96	\$0.00
2022	\$32.35	\$0.00		\$12.72	\$0.00
2023	\$39.80	\$0.00		\$13.74	\$0.00
Return = Dividend / Price(0) + [Price(1) - Price(0)] / Price(0)					
Returns					
	DAL		AAL		S&P500
2021	-2.80%		13.89%		28.71%
2022	-15.93%		-29.18%		-18.11%
2023	23.03%		8.02%		26.29%
\$1,000 Invested from 1/1/21 to 12/31/23 yields:					
DAL	\$1,005				
AAL	\$871				
S&P500	\$1,331				

Exhibit 02 - Ratio Analysis							
DAL Compared to AAL							
Calendar Years Ended 2021, 2022 and 2023							
	DAL			AAL	Time-Series	Cross-Section	Overall
	2021	2022	2023	2023			
Liquidity							
Current Ratio	0.76	0.50	0.39	0.62	Down	Low	Low
Activity							
Inventory Turnover	27.23	35.52	44.18	22.00	Up	High	High
Average Coll. Period	29.35	22.92	19.68	14.01	Down	High	Ok
Fixed Asset Turnover	1.04	1.53	1.64	1.72	Up	Low	Ok
Total Asset Turnover	0.41	0.70	0.79	0.84	Up	Low	Ok
Debt							
Debt/Equity Ratio	692.56%	349.89%	180.59%	-632.49%	Down	High	Ok
Profitability							
Gross Profit Margin	19.32%	31.00%	30.99%	26.04%	Steady	High	Ok
Oper. Profit Margin	6.31%	7.24%	9.51%	5.75%	Up	High	High
Net Profit Margin	0.94%	2.61%	7.94%	1.56%	Up	High	High
Return on Inv.	0.39%	1.82%	6.26%	1.30%	Up	High	High
Return on Equity	7.20%	20.02%	41.50%	-15.80%	Up	High	High
Operating ROA	2.60%	5.06%	7.50%	4.81%	Up	High	High

Exhibit 03 - Return on Equity Disaggregation

DAL Compared to AAL

Calendar Years Ended 2021, 2022 and 2023

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Exhibit 04 - Free Cash Flow Calculation	DAL	DAL	DAL	DAL		AAL	AAL
	2023	2022	2021	2020		2023	2022
COMPUTATION OF NOPAT							
EBIT	\$5,521	\$3,661	\$1,886	(\$12,469)		\$3,034	\$1,607
- Cash Taxes on EBIT	\$0	\$0	\$0	\$0		\$0	\$0
Income Tax Expense	(\$999)	(\$596)	(\$118)	\$3,202		\$299	\$59
+ Tax Shield on Interest Expense	\$200	\$247	\$307	\$223		\$515	\$471
- Tax Shield on Int. & Other Inc.	\$221	(\$172)	(\$50)	(\$525)		\$56	\$130
+ Tax Shield on Lease Interest	\$0	\$0	\$0	\$0		\$0	\$0
- Change in Deferred Taxes	\$884	\$1,318	\$694	(\$1,988)		\$211	(\$3,099)
Total Cash Taxes	(\$1,904)	(\$1,495)	(\$455)	\$5,938		\$547	\$3,499
+ Implied Interest on Leases	\$0	\$0	\$0	\$0		\$0	\$0
+ Increase in LIFO Reserve	\$0	\$0	\$0	\$0		\$0	\$0
NOPAT	\$7,425	\$5,156	\$2,341	(\$18,407)		\$2,487	(\$1,892)
COMPUTATION OF INVESTMENT							
+ Change in Net Working Capital:							
+ Current Assets	(\$2,742)	(\$2,929)	(\$1,464)	\$17,404		(\$1,697)	\$15,269
- Excess Cash	(\$525)	(\$4,667)	(\$374)	\$8,307		\$53	\$1,435
- Deferred Income Taxes	\$0	\$0	\$0	\$0		\$0	\$0
-Other Current Assets-Non Operating	(\$2,141)	(\$118)	(\$2,403)	\$5,789		(\$1,525)	\$8,525
- Current Liabilities	\$478	\$4,974	\$5,039	\$15,927		\$566	\$21,496
+ Notes Payable & C.L.T.D.	\$624	\$577	\$50	\$1,732		\$358	\$3,274
+ Deferred Income Taxes	\$0	\$0	\$0	\$0		\$0	\$0
+Other Current Liabilities-Non Operatin	\$0	\$0	\$0	\$0		\$0	\$0
Total Change in Net Working Capital	\$70	(\$2,541)	(\$3,676)	(\$10,887)		(\$433)	(\$12,913)
+ Capital Expenditures (Net)							
Change in Net Fixed Assets	\$2,377	\$4,360	\$2,220	\$26,529		\$564	\$30,200
+ Other:							
+ Change in Other Assets-Operating	(\$32)	(\$201)	\$1,504	\$5,733		(\$155)	\$8,094
+ Change in PV of Lease Payments	\$0	\$0	\$0	\$0		\$0	\$0
+ Change in LIFO Reserve	\$0	\$0	\$0	\$0		\$0	\$0
INVESTMENT	\$2,415	\$1,618	\$48	\$21,375		(\$24)	\$25,381
FREE CASH FLOW	\$5,010	\$3,538	\$2,293	(\$39,782)		\$2,511	(\$27,273)

Exhibit 05 - Forecast	AAL	DAL	DAL	DAL	Adjustments	Adjusted	DAL	DAL	DAL	DAL	DAL	Sensitivity
	2023	2021	2022	2023		2023	2024	2025	2026	2027	2028	
VALUE FORECAST												
Net Sales	\$52,788	\$29,899	\$50,582	\$58,048	\$0	\$58,048	\$61,357	\$64,302	\$65,819	\$67,373	\$68,963	
Sales Growth Rate (Value Line)	7.79%	74.90%	69.18%	14.76%	0.00%	14.76%	5.70%	4.80%	2.36%	2.36%	2.36%	0.00%
RETURN ON CAPITAL												
COGS/Sales	73.96%	80.68%	69.00%	69.01%	0.00%	69.01%	69.01%	69.01%	69.01%	69.01%	69.01%	0.00%
SG&A/Sales	3.41%	3.19%	3.74%	4.02%	0.00%	4.02%	4.02%	4.02%	4.02%	4.02%	4.02%	0.00%
R&D/Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Expenses/Sales	16.88%	9.82%	20.02%	17.46%	0.00%	17.46%	17.46%	17.46%	17.46%	17.46%	17.46%	0.00%
Operating Margin	5.75%	6.31%	7.24%	9.51%	-----	9.51%	9.51%	9.51%	9.51%	9.51%	9.51%	
PP&E (Net)/Sales	58.28%	96.15%	65.46%	61.13%	na	61.13%	61.13%	61.13%	61.13%	61.13%	61.13%	
Working Capital/Sales	-25.28%	-48.71%	-33.81%	-29.34%	na	-29.34%	-29.34%	-29.34%	-29.34%	-29.34%	-29.34%	
Other Assets/Sales	15.04%	24.20%	13.91%	12.07%	na	12.07%	12.07%	12.07%	12.07%	12.07%	12.07%	
Capital Turnover	2.08	1.40	2.20	2.28	-----	2.28	2.28	2.28	2.28	2.28	2.28	
Pre-Tax Return	11.97%	8.80%	15.89%	21.69%	-----	21.69%	21.69%	21.69%	21.69%	21.69%	21.69%	
Cash Tax Rate	18.03%	-24.12%	-40.83%	-34.48%	0.00%	-34.48%	24.00%	24.00%	24.00%	24.00%	24.00%	0.00%
1 - Tax Rate	81.97%	124.12%	140.83%	134.48%	-----	134.48%	76.00%	76.00%	76.00%	76.00%	76.00%	
Return on Capital	9.81%	10.93%	22.38%	29.17%	-----	29.17%	16.48%	16.48%	16.48%	16.48%	16.48%	
FREE CASH FLOW												
Capital Expenditures (Net)/Sales	1.07%	7.42%	8.62%	4.09%	0.00%	4.09%	4.09%	4.09%	4.09%	4.09%	4.09%	0.00%
Investment in Working Capital/Sales	-0.82%	-12.29%	-5.02%	0.12%	0.00%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.00%
Investment in Other Assets/Sales	-0.29%	5.03%	-0.40%	-0.06%	0.00%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	0.00%
Net Sales	\$52,788	\$29,899	\$50,582	\$58,048	-----	\$58,048	\$61,357	\$64,302	\$65,819	\$67,373	\$68,963	
Investment Rate	-0.97%	2.05%	31.38%	32.53%	-----	32.53%	57.56%	57.56%	57.56%	57.56%	57.56%	
Invested Capital	\$25,357	\$21,423	\$23,041	\$25,456	-----	\$25,456	\$26,907	\$28,199	\$28,864	\$29,545	\$30,242	
Return on Capital	9.81%	10.93%	22.38%	29.17%	-----	29.17%	16.48%	16.48%	16.48%	16.48%	16.48%	
NOPAT	\$2,487	\$2,341	\$5,156	\$7,425	-----	\$7,425	\$4,435	\$4,648	\$4,758	\$4,870	\$4,985	
Free Cash Flow	\$2,511	\$2,293	\$3,538	\$5,010	-----	\$5,010	\$1,882	\$1,973	\$2,019	\$2,067	\$2,116	

Exhibit 06 - Valuation

WACC	8.55%		
Short-Term Terminal Growth Rate	6.00%		
Long-Term Terminal Growth Rate	5.50%		
Fade Period	8.00		
H	4.00		
	Cash		Cumulative
Free Cash Flows:	Flow	PV	PV
2023	\$5,010		
2024	\$1,882	\$1,734	\$1,734
2025	\$1,973	\$1,674	\$3,409
2026	\$2,019	\$1,579	\$4,988
2027	\$2,067	\$1,489	\$6,477
2028	\$2,116	\$1,404	\$7,881
Terminal Value	\$74,679	\$49,560	\$57,441
Excess Cash		\$2,741	
Estimated Value of Assets	\$60,182		
Value of Liabilities	\$34,635		
Estimated Value of Equity	\$25,547		
Common Shares Outstanding	643		
Estimated Equity Value Per Share	\$39.73		
Actual Equity Value Per Share	\$39.80		
Difference	-\$0.07		
%	-0.17%		

Exhibit 07 - Key Performance Indicators

DAL

Value Driver	Impact		Original Value	New Value
WACC	\$43.38	Key	\$39.80	\$83.18
Terminal g	\$34.40	Key	\$39.80	\$74.20
Cap. Ex.	\$29.05	Key	\$39.80	\$68.85
Inv. NWC	\$29.05	Key	\$39.80	\$68.85
Inv. Ot. Assets	\$29.05	Key	\$39.80	\$68.85
COGS	\$22.06	Key	\$39.80	\$61.86
Other Exp.	\$22.06	Key	\$39.80	\$61.86
R&D	\$22.06	Key	\$39.80	\$61.86
SG&A	\$22.06	Key	\$39.80	\$61.86
Sales Growth	\$4.07		\$39.80	\$43.87
Tax Rate	\$2.70		\$39.80	\$42.50

Impact shows the impact of a one percentage change in the value driver on value per share.

DAL Key Performance Indicators

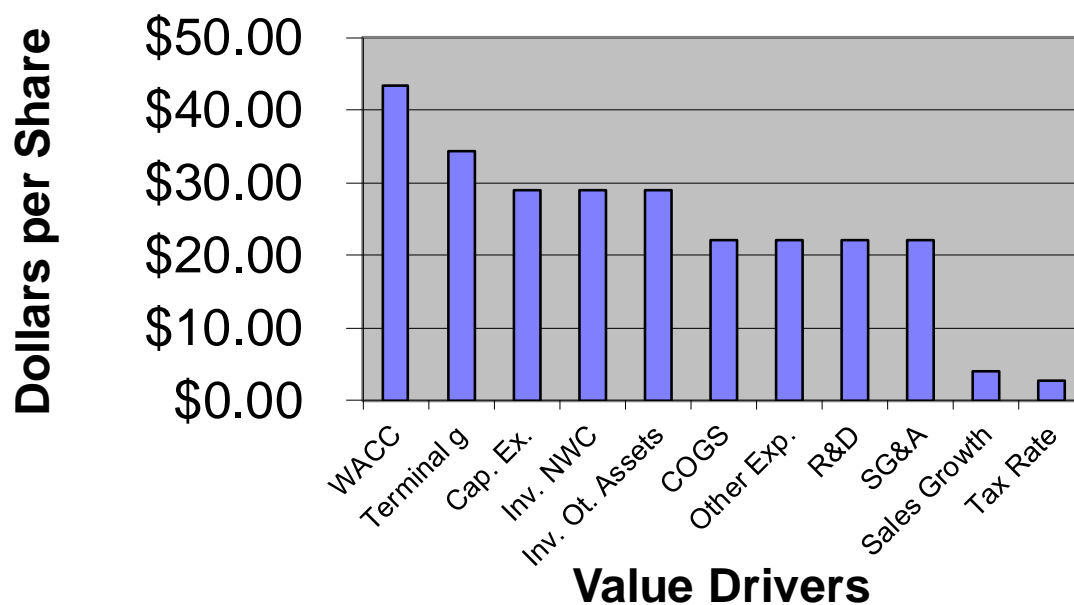


Exhibit 08 - Balance Sheet	DAL	DAL	DAL	DAL		AAL	AAL
	2023	2022	2021	2020		2023	2022
ASSETS							
CURRENT ASSETS							
Cash & M.S.	\$2,741	\$3,266	\$7,933	\$8,307		\$1,488	\$1,435
Accounts Receivable	\$3,130	\$3,176	\$2,404	\$1,396		\$2,026	\$2,138
Contracts in Progress	\$0	\$0	\$0	\$0		\$0	\$0
Inventories	\$1,314	\$1,424	\$1,098	\$732		\$2,400	\$2,279
Deferred Income Taxes	\$0	\$0	\$0	\$0		\$0	\$0
Other Current Assets-Operating	\$1,957	\$1,877	\$1,119	\$1,180		\$658	\$892
Other Current Assets-Non Operating	\$1,127	\$3,268	\$3,386	\$5,789		\$7,000	\$8,525
TOTAL CURRENT ASSETS	\$10,269	\$13,011	\$15,940	\$17,404		\$13,572	\$15,269
P, P, & E	\$35,486	\$33,109	\$28,749	\$26,529		\$30,764	\$30,200
Other Assets-Operating	\$7,004	\$7,036	\$7,237	\$5,733		\$7,939	\$8,094
Other Assets-Non Operating	\$20,885	\$19,132	\$19,239	\$20,342		\$7,895	\$8,054
Deferred Income Taxes	\$0	\$0	\$1,294	\$1,988		\$2,888	\$3,099
TOTAL ASSETS	\$73,644	\$72,288	\$72,459	\$71,996		\$63,058	\$64,716
LIABILITIES & S.E.							
CURRENT LIABILITIES							
Notes Payable & C.L.T.D.	\$2,983	\$2,359	\$1,782	\$1,732		\$3,632	\$3,274
Advance Payments	\$0	\$0	\$0	\$0		\$0	\$0
Accounts Payable	\$4,446	\$5,106	\$4,240	\$2,840		\$2,353	\$2,149
Accrued Employee Compensation	\$4,561	\$3,288	\$2,457	\$2,086		\$2,377	\$1,713
Deferred Income Taxes	\$0	\$0	\$0	\$0		\$0	\$0
Other Accrued Expenses	\$1,617	\$1,779	\$1,746	\$1,670		\$2,738	\$2,981
Other Current Liabilities-Operating	\$12,811	\$13,408	\$10,741	\$7,599		\$10,962	\$11,379
Other Current Liabilities-Non Operating	\$0	\$0	\$0	\$0		\$0	\$0
TOTAL CURRENT LIABILITIES	\$26,418	\$25,940	\$20,966	\$15,927		\$22,062	\$21,496
Accrued Retiree Benefits and Other L-T	\$3,601	\$3,707	\$6,035	\$10,630		\$3,044	\$2,837
Long-Term Debt	\$17,071	\$20,671	\$25,138	\$27,425		\$29,270	\$32,389
Deferred Income Taxes	\$908	\$24	\$0	\$0		\$0	\$0
Other Long-Term Liabilities-Operating	\$10,980	\$11,314	\$12,035	\$11,618		\$12,326	\$12,535
Other Long-Term Liabilities-Non-Opera	\$3,561	\$4,050	\$4,398	\$4,862		\$1,558	\$1,258
STOCKHOLDER'S EQUITY							
Preferred Stock	\$0	\$0	\$0	\$0		\$0	\$0
Common Stock	\$0	\$0	\$0	\$0		\$7	\$6
Additional P.I.C.	\$11,641	\$11,526	\$11,447	\$11,259		\$7,374	\$7,291
Equity Adjustments	(\$6,186)	(\$6,114)	(\$7,412)	(\$9,297)		(\$4,894)	(\$4,585)
Retained Earnings	\$5,650	\$1,170	(\$148)	(\$428)		(\$7,689)	(\$8,511)
TOTAL STOCKHOLDER'S EQUITY	\$11,105	\$6,582	\$3,887	\$1,534		(\$5,202)	(\$5,799)
TOTAL LIABILITIES & S.E.	\$73,644	\$72,288	\$72,459	\$71,996		\$63,058	\$64,716

Exhibit 09 - Valuation Impact of Fuel Savings

WACC	8.55%		
Short-Term Terminal Growth Rate	6.00%		
Long-Term Terminal Growth Rate	5.50%		
Fade Period	8.00		
H	4.00		
	Cash		Cumulative
Free Cash Flows:	Flow	PV	PV
2023	\$5,205		
2024	\$1,999	\$1,842	\$1,842
2025	\$2,095	\$1,778	\$3,620
2026	\$2,144	\$1,677	\$5,297
2027	\$2,195	\$1,581	\$6,878
2028	\$2,247	\$1,491	\$8,369
Terminal Value	\$79,303	\$52,629	\$60,998
Excess Cash		\$2,741	
Estimated Value of Assets	\$63,739		
Value of Liabilities	\$34,635		
Estimated Value of Equity	\$29,104		
Common Shares Outstanding	643		
Estimated Equity Value Per Share	\$45.26		
Actual Equity Value Per Share	\$39.80		
Difference	\$5.46		
%	13.73%		

Exhibit 10 - Valuation Impact of Fuel Savings + Branding, Marketing & Selling Savings			
WACC	8.55%		
Short-Term Terminal Growth Rate	6.00%		
Long-Term Terminal Growth Rate	5.50%		
Fade Period	8.00		
H	4.00		
	Cash		Cumulative
Free Cash Flows:	Flow	PV	PV
2023	\$5,322		
2024	\$2,069	\$1,906	\$1,906
2025	\$2,168	\$1,840	\$3,746
2026	\$2,219	\$1,735	\$5,482
2027	\$2,272	\$1,637	\$7,118
2028	\$2,325	\$1,543	\$8,662
Terminal Value	\$82,078	\$54,471	\$63,132
Excess Cash		\$2,741	
Estimated Value of Assets	\$65,873		
Value of Liabilities	\$34,635		
Estimated Value of Equity	\$31,238		
Common Shares Outstanding	643		
Estimated Equity Value Per Share	\$48.58		
Actual Equity Value Per Share	\$39.80		
Difference	\$8.78		
%	22.07%		

Exhibit 11 - Valuation Impact of Fuel Savings + Branding, Marketing & Selling Savings + Sales Growth			
WACC	8.55%		
Short-Term Terminal Growth Rate	6.00%		
Long-Term Terminal Growth Rate	5.50%		
Fade Period	8.00		
H	4.00		
	Cash		Cumulative
Free Cash Flows:	Flow	PV	PV
2023	\$5,322		
2024	\$2,089	\$1,924	\$1,924
2025	\$2,210	\$1,875	\$3,800
2026	\$2,284	\$1,786	\$5,585
2027	\$2,361	\$1,701	\$7,286
2028	\$2,440	\$1,619	\$8,905
Terminal Value	\$86,121	\$57,154	\$66,059
Excess Cash		\$2,741	
Estimated Value of Assets	\$68,800		
Value of Liabilities	\$34,635		
Estimated Value of Equity	\$34,165		
Common Shares Outstanding	643		
Estimated Equity Value Per Share	\$53.13		
Actual Equity Value Per Share	\$39.80		
Difference	\$13.33		
%	33.50%		