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Paul A. Jacobson – Chief Financial Officer & Executive Vice President, Delta Air Lines, Inc.

MANAGEMENT DISCUSSION SECTION

Michael John Linenberg, Analyst, Deutsche Bank Securities, Inc.

Good morning, everybody. I'm Mike Linenberg with Deutsche Bank. I head up the Global Airline Equity franchise. And with us today, we have Paul Jacobson from Delta, pleased to have Paul here, EVP and CFO. Paul is going to run through a few slides and then we're going to sit down into a fireside and then we'll open it up to Q&A from you. So, Paul?

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

Excellent, thank you for that, Mike, and good morning, everybody. Thanks for being here. I'm joined today by: Eric Phillips, who runs our pricing and revenue management function; Jenny Winter from our ALPA Pilots union; and also Elizabeth Lippitt from our Investor Relations group. We're pleased to be here today. We are webcast and today's presentation does include some forward-looking statements which are subject to risks and uncertainties. For more information about those risk factors, you can look at ir.delta.com for a description of that.

So today I want to spend a little bit of time, we'll talk about the June guidance which we put out earlier today. But just as a reminder, to level set, we are on a long journey here creating a model that is built to last, that is more durable and more sustainable than we have seen really in the history of the airline industry. And part of that is really to address shocks that come from time to time whether they are out of our control like we've seen with power outages or weather which has been particularly challenging this year or through the regular volatility that we see in the business through fuel prices like we're experiencing now. And our focus has always been on producing that reliable customer-focused service that we can because that's going to get us through both short and long-term inflection. So while we are adjusting obviously to fuel prices I suspect the rest of the industry will be discussing over the coming weeks as we're trying to digest this increase in fuel price that we've seen.

Demand is strong. That solid demand is generating consistent top line revenue growth and over time as we equalize or reach equilibrium with the higher fuel prices, at the same point that we're reaching the second half of our CASM inflection, which we've talked about going into the year. We still feel very good about 2018 and the prospects against our long-term thesis are very much intact and that's what our focus is and remains is all about that driving long-term value for our share owners that we've seen pretty consistently.

And when you look at our performance, we've been through a lot of ups and downs through the best of times on fuel and challenging times on RASM. But through that all, we've maintained a level of consistency in both our pre-tax profit as well as our cash flow and really ramped up our returns to shareholders, as that has become a critical component of what we're doing. But the important piece of that is we're doing that at the same time that we're also improving the balance sheet. So it's not just all-in on shareholder returns in the pursuit of short term. We're focusing on that long-term business model stability, and we've demonstrated that through earning our investment-grade credit ratings while at the same time returning record levels of cash back to shareholders and improving the balance sheet.

So we expect that 2018 will be our fourth consecutive year of over $5 billion in pre-tax profits, and this consistency is what is critical for us to help drive that level of confidence in the business model and what we've seen for the long term. And I think that demonstrates significant value for our shareholders over the long run.

So as I mentioned earlier this morning, we updated our June quarter guidance, no surprises, obviously a lot of impact from the spikes that we've seen in fuel over the last several weeks. Despite that, revenue and demand remain strong across all of our entities, and we've got that stellar top line growth that we talked about going back to Investor Day.

So we're now expecting to deliver earnings per share of $1.65 to $1.75 for the June quarter. This is slightly below the original guide that we had, which was $1.80 at the low end, but fuel prices have climbed by more than 12% since the beginning of the quarter. And while we see a little bit of abatement in the last couple of weeks, I think it's pretty clear that we are going to have to adjust to a price in the mid-$70s versus something that was akin to the low to mid-$60s as we were coming into the year. Those adjustments are all happening, and in real time we're figuring out the best way to respond to that challenging environment.

We know through history that revenue recapture tends to have a little bit of a lag effect to it, especially when you see the type of volatility that we've seen where you get rapid increases over a short period of time. The first thing that we need to do is assess the permanence of that shift and then focus on making the right decisions across the network. And as we think about that throughout the year, there will be more to come as we figure out how to adjust.

Non-fuel costs are coming in at the high end of our guide for the quarter. We remain solidly on track to deliver full-year non-fuel unit cost growth of below 2%, as I said during the last earnings call. We have some work to do to get to the low end of that zero to 2% range. We have our eyes on it. But I will get into the non-fuel CASM piece in a couple of slides and speak in a little bit more detail about why we have the confidence in the back half of the year about cost inflecting beginning in just a few weeks.

So for the quarter, pre-tax margin is 13% to 14%, total unit revenue change up 4% to 5%. This reflects a movement towards the high end of our original guide on TRASM and reflects the strength that we see in the market, and it's certainly going to be a solid summer in terms of top line revenue growth for us. Fuel price of $2.20 to $2.25, this is up from $2.07 to $2.12. And while that is significantly higher, I do believe that as the industry continues to update its guide, we're going to demonstrate yet again a solid advantage in our procurement of fuel. Some of that will be aided by the performance of the refinery, which we expect to produce a healthy profit in the quarter as well, which contributes to that fuel price advantage. CASM ex-fuel at the top end of our range of about 3%, non-operating expense of about $100 million, and capacity of up about 3% to 4%.

As I mentioned, the revenue environment remains strong. And while fuel is pressuring short-term results, we still have a number of initiatives that are unique to Delta that are demonstrating significant progress along the year and we feel very confident about hitting our overall goals of top line growth in revenues for the year. That's coming through continued annualization of Branded Fares and expansion of that product. The American Express partnership which is expected to drive an incremental $300 million of revenue this year, continues to perform very, very well for us. We're continuing to make strides in our alliance partnerships, ramping up joint venture activity with Aeroméxico and looking forward to the advantage of combining the alliances in Europe. Those are going to drive $100 million of incremental revenue this year, but also really digging down to the core, which is continuing to drive that high quality product and reliability for our customers. And that's resulted in a 10% revenue premium to the industry and certainly much, much stronger than that domestically.

As we go through the year and as we come up over the next month, we'll continue to make decisions on how we think about 2018 capacity plans in the fall, particularly as we look at it through the lens of strong demand and volatile fuel prices. That is what really ultimately has been the driver historically of that recapturing fuel through revenue. Ultimately, we have to be a business that gets paid for the cost of our product. And when the cost of that product changes, we have to adapt to the appropriate demand environment and the pricing.

And as you can see from the chart on page 5, there's a pretty heavy correlation between what you see in PRASM and fuel price change. And as you get through that lag period and as we make the adjustments that we need to, we feel confident that we'll be able to recapture this. And as I said at a prior conference a few weeks ago, the fuel price change that we've seen just based on the timing of when it occurred as we're leading into the strong summer really becomes a 2019 story with the short-term effect of what it's doing in 2018. And I think that will inform a lot of plans across the industry as we adapt and have to make the capacity decisions for 2019 in the face of what is significantly higher fuel than it was a year ago.

We continue to make those investments in the customer experience and in our reliability. And this is a little bit of the driver of what we've seen over the past couple of years in our CASM performance. But we believe very strongly in the long term that the way to stability and durability in the business is to really create a product that customers prefer. And then you see that across both our Net Promoter Scores as well as our PRASM performance versus the industry. You can tell that those initiatives have created that sustainable framework, which is part of the levers that we have to withstand whatever shocks that we might see in the economic environment. When you can perform at a premium to the industry, you naturally have a little bit more cushion to withstand those shocks. And when you compare that to the work that we've done across the balance sheet and the capital structure, I feel very, very good about our positioning to reflect whatever that economic environment might be coming forward and those challenges that it might face.

As I mentioned earlier, we do remain very focused on addressing our non-fuel unit costs. June quarter costs are at the high end of the range, but we're still seeing that sequential improvement from the March quarter that we anticipated. And if you recall the comments that we made at Investor Day, we knew the first half was going to be challenging. The second half will reach an inflection point, particularly as we look at categories like regional carrier expense, where we're lapping a significant one-time benefit from the Republic emergence from bankruptcy and the shares that we got out of that. When you look at passenger service investments that we made in the back half of the year in depreciation and security costs, all of those together as we get into the second half translate to almost 2 points of CASM relief that we had in the first half versus the second half.

And when you look at the initiatives of the One Delta transformation effort as well as the fleet updating that will start to take hold as our aircrafts are weighted more towards the back half of the year as they come in and that accelerated depreciation. We feel good about reaching that major inflection point and achieving our full year CASM of below 2%. I have mentioned before and I'll reiterate again today, I think we have a little bit of work to do to get that number closer to 0% than to get it to 2%, meaning that we're probably hovering around 1-ish to slightly above that. But that's what our eyes are focused on for the full year. And I feel good about the efforts and certainly the momentum that will be created once we inflect into that third and fourth quarter going forward. So no change to that despite the fact that some unique pressures in 2Q was weather and the Republic settlement are pushing us to the higher end of that guide. We still feel confident about our full year cost growth, and certainly more details to come on that as we report our second quarter earnings and begin to talk about what the second half of the year looks like in our call in July.

So, we're going to continue this balanced capital allocation approach. We believe this is the recipe that we have created that creates that sustainability and durability is making sure that we're disciplined in the capital investment. We've got to remain flexible so that in the event that we do see an economic recession, we can make sure that we're managing both with our cash flow and with our balance sheet to maintain continuity and how we think about the business, not ceasing investment and creating more implied cyclicality in the business as a result of our own adjustments that we make. This level of CapEx is very sufficient for what we need to do.

We'll be replacing about 30% of our mainline fleet between now and 2020, and also investing pretty heavily in the digital experience and the technology experience, with things like single view of the customer which we hope to roll-out as we get later into this year. Things like that that are going to continue to drive better improvement in the customer experience and help to drive that revenue premium.

We're still focused relentlessly on strengthening the balance sheet. The efforts that we have done have largely shifted to helping to prefund that pension, as the returns that we get on that are significantly greater than early retiring of balance sheet debt, which the yields have come down significantly since we got our investment grade credit ratings, and maintaining that return of cash to shareholders.

So, we get asked a lot about the investment grade ratings and what does it mean for us and I think there's a couple of transactions that I'd like to point to that really demonstrate the power that we're able to leverage as a result of that. Last year we invested $2 billion into the pension by going out and borrowing unsecured. Essentially, what we did is we frontloaded contributions that we had committed to make over the next three to five years. That put us in a position not only last year we returned 16.5% in the pension trust, but also we've gotten a nice pickup in discount rates, which has put us in a position where we've completed all of our minimum required funding through 2024. And while we have said publicly that we want to contribute $500 million a year in each of 2019 and 2020, we've reached that point where that is completely up to our discussion. So, in the event that we do see economic headwinds over the next few years, we can take a honeymoon, because we've bought up and stored up that dry powder, if you will, to be able to withstand that shock which could produce as much as $500 million a year in incremental cash flow should we need it.

In the meantime, that pension liability has been reduced by over $7.5 billion since 2012, currently sits at $5.7 billion based on where we sit in long-term corporate rates today. And just as a reminder, every 50 basis points of increase in the long-term interest rates reduces that pension liability by about $1.2 billion to $1.3 billion. So, as you look at a Fed tightening cycle, we could be in a position where that pension plan, just through earnings accretion in the plan as well as higher discount rates, could be in a position to be fully funded in as little as three to five years. And that's going to be a very significant time for us in terms of reducing long-term risk to the shareholder model.

Earlier this year, we also raised $1.6 billion of unsecured debt at a blended rate of less than 4%. This was used to refinance a term loan. We took it from secured to unsecured while also reducing the rate and increasing our revolver capacity. We now sit at over $3 billion of revolving credit facilities. Those of you that have followed this story for a long time know that even going back to my days as Treasurer, this has been a core component of our liquidity strategy. We need to have rainy day funds, but cash is the biggest drag on return on invested capital. The revolving credit facility for us has been one that we've leveraged for a long time to keep our non-operating expense lower.

And as a result of those transactions, we expect our non-op expense to be $200 million to $250 million lower year over year. And that's also an important piece I want to highlight on the CASM story. We are going to be $250 million better year over year in pension expense, which up until this year was actually in the CASM line. So you saw some of that inflection. So that's worth about a point of CASM just in terms of the uplift that we would have gotten had that remained in operating expense. But it is still flowing to the bottom line and still very much a core part of earnings expansion and how we think about the business going forward.

And of course, we're committed to consistent shareholder returns, returning about 70% of free cash flow to shareholders. We were a little bit above that last year, but we remain committed to doing that and on track to complete our $5 billion program by mid-2020, which is what we targeted from the inception.

But importantly, we have been a serial increase of the dividends, 50% annually since 2013. We continue to believe that the dividend is the right long-term vehicle. And as the valuation continues to work its way higher to reflect the fact that the cash flow stability, we think, is in a much better place than it has been over time, we can continue to walk the component of that dividend up. We are targeting returning 20% to 25% of free cash flow through dividends. We sit at the lower end of that right now, with a dividend yield of 2.2%.

We're going to be cautious in how we think about that, making sure that the market gives us credit. If we were to go all the way up to those targeted levels immediately, it would push the dividend yield to a level that I believe the market wouldn't really respect or wouldn't really believe at that time. But we do remain committed to that dividend piece.

And as we've said before, we're in the market every day repurchasing stock. We believe that the implementation of our stock buyback program is one that's meant to provide liquidity and direct access into the market, almost functioning as a voluntary dividend for our shareholders. And as we continue to work through that program, we expect that to continue to have a positive effect on EPS. Since 2013, we've reduced our share count by 18%. And again to reiterate, the most important piece of that is we've done it while earning back three investment-grade credit ratings, making sure that we've got that balance between returning capital to shareholder and that long-term view to create durability and sustainability.

So before I close, turning it over to questions with Mike, I just want to reiterate. The long-term thesis is very much intact, and part of that long-term thesis is to create the flexibility and the nimbleness that we need to respond to changing environments, and => whether those are economic, demand-driven, global issues, or fuel price, we remain committed to that long-term durable and sustainable model and feel we've got the right tools in place to be able to do that. And as we get through 2018, we hope to prove that out to our shareholders into 2019 and beyond.

So thank you for those comments. And with that, Mike, I'll turn it over to you.

QUESTION AND ANSWER SECTION

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Great, Paul. Thanks for that comprehensive rundown. I guess a couple questions. First, it sounds like we may be a month or two away from you unveiling potential capacity changes later this year 2019, if I'm reading what was on the slide. If that's the case, is there the risk that if you do pull out some supply in the fourth quarter that the zero to 2% for the year that that target is unachievable? Now it's all of a sudden 1% to 3%. The fact that you're pulling down capacity, or can you do it in such a way that you can – maybe it should be early – not even early retirement, but the retirement of some of the older airplanes. As you think through the plan there, can we maintain that cost guide if we start pulling the supply out in the fourth quarter?

<A – Paul Jacobson – Delta Air Lines, Inc.>: I think it's premature to make any calls on what we're going to do from that standpoint. As I've said, and we've had various executives out. It's obviously a heavy investor month is that we have time to make those decisions based on the timing of the fuel price run up. The summer is the summer, right. And it's going to be a very, very strong summer as Eric and the entire team can attest from a load and from a pricing standpoint. We feel good about where our RASM guide is, which is why coming in at the top end of the range, I think, reiterates that.

So you're really looking at – well, how are you thinking for that shoulder season post summer. We don't have to make those decisions really until as we get into the middle of the summer. So taking up and using that option value time that you have to get all the information, see what the demand environment is, and make those assessments. And obviously if you think about, if we don't see the traction that we need to in order to begin that process, given the lag effect to get fully paid for the – recapture the fuel costs then we have to make those adjustments going forward. So there is more to that to come.

And as you think about that in the shoulder season, sure it will put some pressure on CASM. But again while we're focused on hitting a CASM goal, we're focused on long-term CASM sustainability. So whether that impacts a metric by a quarter is not really part of the thesis from that standpoint. We've got to make the right decisions for margin in the business. So that's why I go back to my comments that I made today and earlier that this is really a 2019 story. Because once you get past the summer, we're getting into our planning season and we'll start making capacity decisions about 2019 given that environment and we'll see where we are at that point in time.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Talking out in sort of longer term and looking at 2019, everybody I think is now focused on March 2019 with the Brexit situation. You could argue that with your 49% stake in Virgin, you probably have more exposure to that market than any other carrier on one hand. On the other hand, with that 49% stake in the JV, you may have more levers to pull than any other carrier, and I just saw recently that Virgin is now moving some supply out of Manchester to some U.S. markets, so there's some movement there. So talk about that and if you think about 2019, how much that sort of features in your thinking about supply and your ability to kind of work through some of that, given your very strong partnership?

<A – Paul Jacobson – Delta Air Lines, Inc.>: I think you hit the nail on the head. We look at our portfolio and the global portfolio that we've built as part of a diversified strategy. So, yeah, I do think we have more tools and while Brexit in and of itself is a unique occurrence, unique occurrences aren't unique to global companies, right, which is why a diversified portfolio is helpful. So we have seen a very strong performance in the trans-Atlantic and London and that partnership is doing very, very well for us right now. But so is Latin America and Asia is picking up with some of the restructuring that we're doing in that region as well. So that's part of having that global diversified portfolio is you're going to have shocks to one part of that system. And if you're going to create that sustainable durable model, you've got to have that flexibility in other geographies or through alliance partners to be able to maximize the value of those assets by shifting them around. And the more partners that we have and the developed partnerships we have, we get more tools at our disposal to do that.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Okay, great. And then just one other maybe before I pass it out to the audience, because we are at an industrial conference and we have other transport companies here including the shippers. This topic has been coming up a lot at least from that side as it relates to the International Maritime Organization mandate beginning, I think it's January 1, 2020, and it's all about moving towards low sulfur fuel, talking about an environmental mandate. And I think the concern out there is that there will be an upward bid on energy complex, whether it's in the crack or even in the underlying. And when I think about the position that you're in, you own a refinery. Refinery stocks have performed very well over the last 12 months partly because of – I think the view is because of this mandate coming on and the impact that it's going to have. Can you sort of talk about how you're thinking about it right now, number one?

Obviously, number two probably makes sense to continue to maintain a position in train or sort of longer term and what maybe the potential impact could be across the industry, because I think if we do get significant input or an increase in input costs like fuel, we could see a lot of supply coming out and probably from some of the guys who are financially little bit getting closer to the edge?

<A – Paul Jacobson – Delta Air Lines, Inc.>: I think we obviously have, through our fuel group and through the refinery, spent a lot of time on IMO 2020. And I think there are a lot of scary prognostications out there that you're going to see jet fuel and diesel fuel supply come down as they try to reduce the sulfur content in bunker fuel. Some skeptics think that it's going to drive crude oil higher, but there are a few people that are saying the impact is going to be a little bit overblown and not as severe as people think. But I have yet to read anything that said fuel prices are going to be lower as a result of this and I think that's true with every environmental mandate that we've seen.

So I think I'll summarize it this way, I mean I don't think that in the short run as we get closer to 2020, higher jet costs are good for any particular airline, it's less not good for an airline that owns a refinery, and that's part of the diversification that we've seen. So to the extent that it manifests itself through much higher jet cracks, we would expect to get a significant piece of that back, and it would impact us a little bit less than the competitors. To the extent that it manifests itself in higher crude prices, that's obviously something that the refinery will have less of an impact on.

So we're looking at all things across it, but feel good about our relative position and what we've tried to create vis-à-vis the industry around fuel and that advantage that we've created which has reached as high as $0.10 a gallon on an unhedged basis really manifesting itself now that you see us clean of any legacy hedge losses that we feel very, very good about. A $0.10 per gallon advantage on our consumption is worth $400 million a year of incremental margin, and that's a testament to the people that we've hired and the energy experts that have come in to help integrate that refinery to our overall operations. I feel very good about that strategy.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: You did mention that you could potentially see higher feedstock, WTI or Brent prices. As you look at your analysis, could we possibly see Delta come back and start hedging WTI or Brent, or is that – historically you've said we're not doing that anymore, that doesn't make sense. But I think – I'm never sure that you really actually shut the door on that. I think a lot of times it's based on the circumstances and if the world changes, I mean you know.

<A – Paul Jacobson – Delta Air Lines, Inc.>: I think we need to be prudent risk managers. And I think the argument against fuel hedging has been if nobody is doing it and there's parity, there's actually less risk because obviously everybody is facing the same type of cost inflation. I think where the industry has gotten a little bit sideways is where you've got major discrepancies in what the carriers are paying. So we have focused our efforts on creating a commercial advantage through the way we supply airports, through the integration of the refinery as well.

But certainly we have to look at risk management across the context and while we have no plans to initiate hedging at this time, lots of circumstances can change from time to time. And if it constitutes that there is a significant probability of an emerging massive spike in crude oil prices, you'd want to take a look at that but do it more from an insurance-based approach of I'm going to spend a little bit of premium to eliminate this risk. Part of why I think it's important that we create that advantage because really if you create an advantage commercially, there's two ways it can manifest itself. One is I'm just lower than the industry every year, or two, I invest a little bit of that back into insurance. And I've got a marginal advantage in fuel costs, but I've got a much less volatile enterprise across that. So lots of things that we bat around from time to time, but no immediate plans to do anything.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Well said. Thank you for that. Just back to the audience here, any questions?

<Q>: In light of your updated outlook and the fact that you lowered the 2Q guide but maintained the full year, how should we think about that? Do you expect that this lag effect or recapture on a lag is going to help you offset the 2Q business in the back half, or is it still wait and see given that you said you're contemplating for the back half now?

<A – Paul Jacobson – Delta Air Lines, Inc.>: I think as I mentioned in the original question from Mike and just to reiterate, I think as we get into the second quarter, and we'll take a much bigger look at the second half. I think we'll provide some updates at that point in time based on how we think about capacity. But as we said back at the beginning of the year, as fuel price changed immediately and then it lowered again, what we don't want to do is to create so much noise around the full-year guide that it becomes something that's just not useful. So as we think about the second half and provide more information about that, I expect that we'll talk about the full year in more detail.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Can I ask on the balance sheet with respect to debt that comes due over the next couple years, I think one of the concerns for many carriers is that they have a lot of rollover refinancing risk. You've done a great job cleaning up your balance sheet over the past couple years. When you look out the next one to two years, do you have a lot of – what do you have coming due? Put some context around that.

<A – Paul Jacobson – Delta Air Lines, Inc.>: The refinancing that we did earlier this year took out a pretty big chunk of maturing revolver capacity, but also some maturing funded debt as well. Part of the strategy of improving our balance sheet and getting that investment credit rating is making sure that that just doesn't become an issue anymore, much the same as we no longer report liquidity levels because it really is a relic of the past. So getting into much more regular way refinancing as we think about that, we actually feel very good about where we sit. Through this transaction and others, we've significantly increased our unencumbered asset base. So in addition to having unsecured capacity, we also have a lot to fall back on in the event that there's a shock to the capital markets, whether it be double ETCs or routes and slots and et cetera type activity.

But remember, the way Delta is positioned with the underfunded pension plan, we are actually a strong advocate of higher interest rates, because we have less debt than our competitors. And because of the leverage that we've created with that underfunded pension plan, we really are in a great position to be able to withstand if not actually benefit from higher interest rates over the coming years and really like the position that we're holding as it seems that the economy is gaining strength, and we would anticipate being in a tightening cycle for the next few years.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: I know you've said that every 50 basis point increase, it brings down pension liability by $1.2 billion to $1.3 billion and if you just figure out any sort of refinancing risk, would more than offset that. So that's a very good offset.

<A – Paul Jacobson – Delta Air Lines, Inc.>: I go back to the transaction that we did last year and hats-off to our treasury team for implementing that. That was really a play on the environment that we're in right now. We got a nice ride on the equity markets, but it really was about going in there and saying I'm going to fix debt at a low rate for cash that I was otherwise going to put in – that cash I was going to put in will pay down that debt. But I get the benefit of interest rate accretion through a lower funded balance in that plan. And sometimes in the category that's better to be lucky than good, that timing has worked out perfectly for us.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: You gave a really elegant answer on the refinery savings and maybe taking some of that and going out and basically buying some hedges, buying some options, and at the end of the day reducing the volatility, and that's what it's all about with this industry, a group that historically where the equity – the betas is used to be north of 2, and I think among the majors you're actually the lowest beta when you compare it versus the other two. In fact, you're probably not that far off with Southwest.

Along those lines, when we look at what you're doing on the ancillary side, and this isn't just about Branded Fares. This is about getting a lot bigger in loyalty and merchandising and the MRO, where five years from now, I don't know, 10%, 15%, maybe 20% of Delta's revenue falls into this bucket, where you have a margin of 15% to 18% and it's fixed, it's very constant. And it seems like you're – no one else, I mean, other are trying to pursue it. But they're so much further behind and you're so much further ahead like the exclusivity that you have with the GTF maintenance in North America with Pratt, I mean just things like that. Talk about that and maybe that's the strategy to get to that – the Promised Land, which is the higher valuations, the higher multiples, having more of your business with the cash flow certainty and earnings certainty.

<A – Paul Jacobson – Delta Air Lines, Inc.>: First I'll credit the Delta people, I mean especially when you look at our maintenance team and what they've done with MRO and they've earned that business on the geared-turbofan. That's not a gift. That is just leading the industry in productivity and professionalism. You can't do that unless you've got a highly motivated and engaged workforce and our people are the best in the industry and that allows us to go do things like that. But I think I'll put a lot of what you said in the category that I've said for years that we're still in an evolution of learning how to live with the size and the scale that we are.

The reality is we have a lot of expertise in a lot of very specific areas tied to aviation that we can both with our partners help lend our expertise to help improve them while also learning things from our partners as well. But then also monetizing it through third-party revenue and there's some challenges out there. I highly doubt if I were to show up at a competitor's door and say, would you like to buy fuel from Delta, because we get it cheaper than anybody is going to take us up on that. But at the same time it's really an opportunity for us to then bring that across our partners, leverage that scale with our equity investments, and really help to lend that expertise.

But the MRO business, obviously that's an area where there's going to be a lot of demand going forward, and whether it's the geared-turbofan of the test cell facility that we're building with Rolls-Royce, really leading the way on helping to leverage that expertise and that productivity we have into additional revenue and additional earnings, which remember funnels back into additional profit sharing for our people as well as additional investment back into the product to help sustain that revenue advantage. So we feel very good about where we're heading and have a lot of momentum in many of those businesses.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: You mentioned Rolls. I think you also have an exclusivity with Rolls in North America with them.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Yeah. So building for the large engines in that large test cell facility construction is going well and we feel good about that business partnership as well.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Great. Great. Questions or – oh, we're down to zero but anybody last?

Michael John Linenberg, Analyst, Deutsche Bank Securities, Inc.

Okay.

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

Thank you for having me.

Michael John Linenberg, Analyst, Deutsche Bank Securities, Inc.

Yes, Paul, thank you.

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

I appreciate it.