PARTICIPANTS

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Richard H. Anderson – Chief Executive Officer, Delta Air Lines, Inc.
Edward H. Bastian – President & Director, Delta Air Lines, Inc.
Wayne Gilbert West – Chief Operating Officer & Executive Vice President, Delta Air Lines, Inc.
Glen W. Hauenstein – Executive Vice President–Network Planning & Revenue Management, Delta Air Lines, Inc.
Paul A. Jacobson – Chief Financial Officer & Executive Vice President, Delta Air Lines, Inc.

Other Participants

Savanthi N. Syth – Analyst, Raymond James & Associates, Inc.
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Barry G. Haimes – Managing Partner, Sage Asset Management, Inc.
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MANAGEMENT DISCUSSION SECTION

Jill Sullivan Greer, Managing Director-Investor Relations

Good morning everyone. If we could have everyone in the room take your seats, we are going to get ready and get started. So good morning and welcome to Delta's 2014 Investor Day. It's a great day here in New York. It's nice to see so many familiar faces; we've got a full room. For anybody that I haven't met, I'm Jill Sullivan Greer. I'm the Managing Director of Investor Relations for Delta. We've got a great set of speakers this morning.

In a few minutes, we'll kick off with our CEO, Richard Anderson. He'll be followed by our President Ed Bastian. We'll then have a Q&A session with Richard and Ed and a short break. And after that, we'll have Gil West, our Chief Operating Officer; Glen Hauenstein, our Chief Revenue Officer; and Paul Jacobson, our Chief Financial Officer. We'll do a Q&A session with Gil, Glen, and Paul and then wrap up the day and head downstairs for lunch. And we also have a couple new members of our leadership team here with us, our new EVP of Human Resources, Joanne Smith; and our Chief Communications Officer, Kevin Shinkle.

Just a couple of housekeeping items, today's presentation has now been filed on an 8-K and is available on our website at ir.delta.com. Everybody in the room has a copy in front of them. If you don't, raise your hand and we'll have someone from the IR team bring you one. Also today's presentation obviously contains forward-looking statements. The standard Safe Harbor provisions apply. We'll be using our non-GAAP financial measures and you can find those reconciliations on our website as well.

So with all of that important news out of the way, I'm happy to turn the stage over to Richard.

Richard H. Anderson, Chief Executive Officer

If you don't mind, I'm going to sit down. So first, I'd just like to thank all of you for being here and a lot of familiar faces over many years here. And in more difficult times you were always loyally following us, so we appreciate it that all of you are here. And also I just want to thank Jill and Bonita for tolerating Ed and I in this process and all the edits we go through and all the work we put into putting this together for you.

So, let's think about the backdrop of where the industry is today. And candidly, it's good to see the profitability across this industry because when we think about how Delta will do, we're part of a broader industry and so we want the broader industry to be successful and so to see the success not just here at Delta but to see it across the industry means that the overall industrial environment for our business is improving.

And when we think about it, it's a pretty remarkable reformation of the industry that really began with deregulation and went through some very difficult, tumultuous times but ultimately reformed; and consolidation has now created a very rational industrial organization for the industry that's really actually very good for consumers, it's very good for investors, very good for employees at airlines, which are the important constituents, and good for communities, the communities that we serve.

So when you think about the marketplace now, the marketplace is – the industrial organization of the marketplace is very rational. So there are three super international airlines, U.S. flag carriers; one very large domestic airline; three – two, three what I'll call super regionals in Seattle and in New York particularly; and then there's a whole group of what I'll call ultra-low-cost, kind of the equivalent of like the Dollar General in retail. So when you think about that tiering relationship, it creates very contestable markets but it also creates a rational industrial structure.

Think about how the railroads have evolved before the Staggers Act and what we have now in terms of the industrial organization of the railroad industry in the U.S. And I would submit to you, and we have to keep proving it to you that this industry is going down a very similar path. And when you think about the investment thesis and the people that are running the airlines in the U.S. today, they really were not products of regulation, so you have management teams and many of you were – played an important role in how the industrial organization of the industry evolved because the share owners and the people you represent and the work that you do really drove a lot of the change that you've seen in the industry to becoming an investor-focused sector in the S&P 500 Industrial.

So you played an important role in that, but when you look at the management teams that run the airlines in the United States today, you have very return-focused, very business-like people who are working very hard for their owners. And that's the most – when we take your capital, you entrust that capital to us, and we understand at Delta that the capital is your capital, we've been fortunate enough for you to supply us with that capital and we owe you the duty of wisely shepherding that capital.

And so when you think about where the investment thesis is for this industry and where a lot of the long equity that we want to continue to attract in this industry, today, in some industries that I would submit to you that are – do not have the strong environmental and industrial organization and track record that we have in this industry today. Think about packaged goods, consumer packaged goods today, what that industry's going through – brick-and-mortar retail. Those industries are in a very different place than where this industry is today.

If you think back 15 years ago, that's where a lot of long equity would have gone: to fast food, brick-and-mortar retail, consumer packaged goods. I would submit to you that airline – the airline industry today in the U.S. as an investment thesis for long equity is very much like the railroads. It's just, the railroads are further along. And when you think back 30 or 40 years ago the railroads – there were many Class A railroads, there was enormous underinvestment, and through a series of actions by rational leaders in that industry plus regulatory reform, you now have one of the strongest railroad industries in the world, and I believe it has some of the most productive and efficient pricing in the world. And the same thing is happening here in the U.S. industry. And I'd submit to you that Delta is at the lead.

So let me move it from the environment that we're in to Delta, Delta-specific. And just a few – I asked Jill to give me a few basic facts about our performance in the S&P and in the S&P Industrial Index. We're the third best performing stock in the entire S&P 500 the last two years. And during that time, our market cap has increased $30 billion. Our 2014 free cash flow is better than 85% of the S&P 500 Industrials, that includes being better than names like Lockheed Martin and John Deere. And we have the third highest free cash flow yield of the S&P Industrials, that's about 67 companies, all of which many of you probably follow and invest in.

But interestingly, we have the second lowest P/E, and I think that's where our work lies for you. Our work lies with – for you in continuing to build a very durable industrial company that manages well through every cycle. And so we have a significant opportunity ahead of us at Delta. And I'm not talking about just 2015 – 2015 will be a fantastic year. This year we should end the year – management's view, pre-tax at about $4.5 billion. And when we look out into 2015 with the fuel rundown, 2015 will be well – I believe well in excess of $5 billion.

But setting even aside where you all think fuel prices are going to be in three to five years, we have to continue to do the things that make Delta the attractive investment vehicle for long, patient capital. And so when we think about how we run the business, one, we want to run the business on investment-grade metrics because if you think about 20 years ago, the industry – the industry focused on EBITDA margins – well, EBITDA margins are not a good metric for our business. All right. EBITDA margins, it's almost like earnings before losses. I mean that's what really we ought to call it, we shouldn't call it EBITDA, we should call it EBL, earnings before losses.

So we don't use EBITDA at Delta and won't use EBITDA at Delta. And I understand why the industry had to do it because there were – you couldn't use a P/E multiple, right, because there weren't any E's to go with the P; but we're pretty well past that now. And so we run the company on investment grade, as an investment-grade thinker because when we think about what long equity wants, they want to be de-risked. And so the risk has to come off the balance sheet to protect the equity very long term, and in doing that, we can very comfortably run this airline with $2 billion to $3 billion of CapEx.

And I realize that our investment thesis is different on airplanes, but I would just submit to you that there are plenty of opportunities to continue the fleet strategy that we've undertaken, and I think the results are pretty remarkable. So we have – and this is probably, to get to the point on the slide about America's best-run airline, there is probably the most remarkable fact for an airline operator in the whole deck, is on Page 25. 472 maintenance cancellations year-to-date. Somebody else is excited about it, too.

My point in just pointing out 472 maintenance cancellations year-to-date is that most of our competitors hope that that's their number for a month. But this is what our fleet strategy produces. Lowest capital costs in the industry, by far the highest reliability in the industry and, Gil will talk about this, we have the lowest maintenance materials and repair costs in the industry. So in that, this can continue. We've been doing it a long time and it can continue, and it will continue. We're very comfortable at that level of CapEx.

And so the obvious question that comes to your mind is, well, what are you going to do with all the excess cash? Well, we're not going to run out and buy, regardless of what fuel prices are today. You make fuel – you make capital decisions over a very – over a much higher long-run fuel price, and have a much longer view of what's going to create value for our shareholders, because candidly the two most important metrics by our point of view that we manage your capital on, are return on invested capital and free cash flow generation, because the free cash flow generation enables us to de-risk the balance sheet, make the right investments, and return cash to our shareholders.

And we're going to continue to do that. And in order to enable that, we have to be the best-run airline in the world. And I think by any measure, we are the very best-run airline in the world. And that's what drives the huge RASM premiums, it's what drives non-fuel CASM at zero to two percent long-term year to year, and we'll continue to drive the business that way.

So in addition to driving – running this fantastic operation, where we sort of routinely set new records and have long-term plans to continue to drive reliability, that becomes really important being the best-run airline, because we are not a commodity any more. So the evolution that the industry went through and where we are today with that industrial organization I talked about, you know we're not a commodity. This is a really difficult business. I mean, this is not soybeans. This is not soybeans, wheat, and corn. This is not winter red wheat. It's really hard to do this well and to build the systems and have the people to do it. So we are not a commodity and we don't want to be priced at commodity levels and the organizational construct we have in the industry supports that thesis. So we want to be the best-run airline in the world. That's what – and you'll see it in the data that Glen will talk about and Gil and Ed.

But that's what becomes a really important part of the equation, and the other unique piece in making this all work are our employees. And you'll hear a lot about employee relations in the industry, but Delta is truly a unique place and the reason why we can run the airline the way we run it is the employees are so deeply engaged and do such a phenomenal job. Every single one of our employees plays a key role in the success of this enterprise. Every one is invaluable. Every single one of them is a professional and we rely on every single one of them to make important contributions to making the enterprise successful.

So, the employee piece is the other big risk that we take off the table. So if you think about taking the balance sheet risk and being wise at capital deployment and – Paul has a slide where we're going to take that CapEx at $2 billion to $3 billion a year, non-fuel CASM zero to two percent, and the net debt will drive down to $6 billion at the end of 2015. I think ultimately the net number is going to go much lower than that just on the basis of how much cash we generate.

So your question is, okay, what's the next step in capital deployment? And Paul will talk about it. So will Ed. We're going to finish the current share reauthorization in 2015. Share repurchase authorization we have from our board that I think we did in May of 2014, Gary? Did we do that in May of 2014? Early May of 2014, which was a $2 billion repurchase authorization. Well, we really accelerated that when the stock price dipped on the Ebola scare, and I hope all of you bought then, too. But we're going to finish that share repurchase a year early, the authorization that we had from the Board of Directors.

And so in 2015, counting dividends and share repurchase, we plan on investing a minimum of $1.5 billion in share repurchases and dividend. And we will be back to you and we started this regular rhythm of updating with our Board our capital deployment and capital structure at our April board meeting, and we will continue to do with you our mid-year review. The last couple of years, we got together with you or many of you in May; we're going to continue to do that every year.

So we're on this cycle now where we update you here, and then mid-year in May, we'll have another sort of update/investor meeting and by then we will have updated our five-year plan. We're way ahead of our five-year plan, and it was a pretty aggressive five-year plan, and we'll be back to our board in April, and then sit down with you again in May and update you on our thinking once we've kind of gotten into the year.

So I think – if you can flip the slide, Jill. This is actually I think the best slide in the deck from an investor standpoint. And these goals, the long-term goals on the left, we're building a business – we built a business plan, and we – it's interesting how we build our business plans. We build our business plans really from the bottom up, and Ed and I spend many, many hours and days in every single part of the business looking at every number and figuring out all the pieces so they all fit together. We're going to – we will have improved metrics across the board in our 2015 business plan.

And I think that's important because the annual EPS growth numbers we have here, 10% to 15%, you can see that S&P 500s are about 12.3%, and we'd like to pretty consistently run ahead of the S&P Industrials, and we think we need to do that to continue to prove our story and gain the trust of the long-term buy-side equity holders. And the return on capital numbers and return on invested capital numbers are incredibly strong, and we think we can actually improve on that even further. And as I said earlier, the net debt number will be down to $5 billion, and given the level of free cash flow generation, that number is just going to continue to go down.

But when you think about the exogenous risk in our business and the things that happen like Ebola, the most important thing we can do for you is to have a balance sheet that's relatively risk free. And the fleet strategy enables us to be able to do that because by and large on the main line, we own our airplanes because that's really how you get value out of airplanes long term versus leasing. And when you own as many airplanes as we do with no mortgages, you have real flexibility no matter what happens.

And you see that with the 747-400 fleet, the decision we took to put that fleet on the ground over the next three years. When you own the fleet, those kinds of decisions are relatively straightforward. And so we are going to continue to manage capital that way and manage the investment in our fleet that way so that we have – we take all these risk elements out of the equation for our long-term equity holders, and that's a very important part of our equation.

And then lastly, next slide, kind of really shows how we're running the enterprise. And we can hit these numbers – we can hit these numbers consistently over the long term. We have enough and a significant number of initiatives across the enterprise, whether it's the new frequent flyer deal with American Express that Ed will talk about, the investment in Virgin Atlantic, the investment in our other alliance partners, up-gauging, investments in technology, particularly our ancillary businesses.

Our ancillary businesses, for example, our MRO, vacation business, Delta Private Jets, our services business, that – those – that's a billion-dollar enterprise – a billion – over a billion dollars in those enterprises that generate a couple of hundred million in cash on our balance sheet. And it is those kinds of initiatives all across the company, and you'll hear more about those from Glen and from Paul, that have built very defensible positions for Delta and have given us the opportunity to be able to continue to grow EPS, improve our ROIC, free cash flow is the ultimate metric for you, and we – and our responsibility to you is to really keep our heads down and move the – and deserve and earn a P/E improvement by consistently delivering above these metrics and consistently delivering above the S&P Industrials.

So, that's really it, in a nutshell. You're going to get a lot more details from Ed and Glen and Gil and Paul, but now I'd like to invite my friend and colleague Ed Bastian to come up to go through the details on the commercial side, and then he and I will sit for a bit and take your questions before we take a break.

But thanks a lot for being here. We want this to be informative for you. We want it to be data-driven and for you to come away with the specific sort of objective facts to support our long-term investment thesis. Thank you very much.

Edward H. Bastian, President & Director

You can stay there, Richard. I can keep my eye on you that way.

Richard H. Anderson, Chief Executive Officer

What? I just didn't feel like standing.

Edward H. Bastian, President & Director

No. You can stay over there.

Richard H. Anderson, Chief Executive Officer

Can I sit over here?

Edward H. Bastian, President & Director

Yeah. I can keep my eye on you that way.

Richard H. Anderson, Chief Executive Officer

I'm going to get my – going to get my...

Edward H. Bastian, President & Director

Well good morning, everybody. It's great to see you all. Thank you for being here. I also want to thank the folks that have joined us on the phone today and I know we've got a large number on the webcast. This is always a great time of year for us to reflect on the progress that we have made over the past year as well as to update you on the commitments that we are making and how we see the business going into the new year.

We had some – a really strong year in 2014 and it was great with respect to the momentum that we've closed the year with. We will generate record profitability. In fact, we will have the most successful year by metrics of any airline has ever posted in 2014, and hats off to our employees, the hard work of our employees that generated this outstanding result. The profitability is supported by a 7% top line growth in 2014, 400 basis points of margin expansion and over $3 billion of free cash flow.

And as we look into 2015 and we look to build upon that momentum, we see the revenue environment as being solid. I know that's the question on everyone's mind as to this environment of lower fuel prices, how do we feel about revenues? Our revenue outlook, which I'll give you our guidance for the fourth quarter here in a minute, continues to be solid and stable. We don't see any change from the trajectories that we have been on.

We see 2015 also, obviously, with some substantial benefits driven by lower fuel prices as well as a great job that the team, both operational and finance team, have done on cost, keeping our non-fuel cost in check. And combined, those initiatives are expected to produce over $5 billion in pre-tax income in 2015.

Now turning to 2014, just for a moment to do the year in recap, we'll spend just a minute as we celebrate the success of the team. There's no question that what's underpinning the results and the performance of this company is the outstanding performance and operational performance, the reliability, the product, the service that our team produces. No airline in history has every produced the results we have, just because no airline in history has every produced the quality operation with the reliability and the consistency that our team's produced. So Gil West and the operating team -- I always joke with our sales guys, they have the easiest job in the company when go out and sell the product that you guys are producing, it's really amazing.

And it's backed up by the improvements we continue to see in customer satisfaction, the significant increases that we continue to see in the promoter scores, not just domestically, but internationally as well. We've received many accolades and recognitions this year by some very prestigious awards: Airline of the Year by Air Transport World; one of Fortune's Most Admired Companies, not Most Admired Airlines, we did win that too, but also Most Admired Companies. We will – we are announcing this week that Business Travel News has awarded us, yet again for the fourth year in a row, as Airline of the Year and our friends from Morgan Stanley – I saw Nelson there, thank you. Morgan Stanley's corporate travel survey denoted Delta as the Best Corporate Airline in the industry. And I think that's the second or third year in a row that we've won that.

But the awards that we really are focused on winning are those that are coming from our customers when our customers choose us and it's supported by the revenue premium that we're seeing versus the industry. We're going to generate a pre-tax profit this year, in 2014 of $4.5 billion, which is a 70% increase, or almost $2 billion improvement over where we were in 2013. We'll generate a 20% return on invested capital. And one of the finest comments from the deck or things that we enjoy most is celebrating that success with our people. Those record earnings will allow us to pay roughly $1 billion in profit sharing for the Delta employees. So when you see the smiling faces across the board, at Delta, when you see the outstanding results they're delivering for you as our customers, you know why they're receiving a 15% piece of that result. In fact, the profit-sharing payout this year will represent roughly 15% of their earnings for the full calendar year in 2014.

But all that goes to generate $6 billion of operating cash flow, allowing us to continue to invest in the business but still generate over $3 billion of free cash flow, which we use to pay down debt which Paul will cover, and as well as $1.35 billion that we returned to shareholders this year. And our year-to-date stock price has been up 70%. So, I think a good year by almost anyone's measure.

With respect to our December quarter forecast, we're updating the guidance here. We're coming in at the top-end of our range from the guidance that we gave in October for the fourth quarter. At that time, we were forecasting an operating margin to come in at between 10% and 12%. The numbers, as we've seen the quarter unfold, we think it's now going to be somewhere between 11.5% and 12.5% operating margin for the fourth quarter.

Our RASM growth that we forecasted, 0% to 2% increase for the fourth quarter, that RASM change will come in in the top half of that, it's going to be up 1% to 1.5% for the fourth quarter. Our fuel prices will come in somewhere between $2.63 and $2.68 a gallon. We do have, obviously, a hedge loss given the dramatic decline in fuel prices that are embedded in those results, so those numbers are all-in numbers. But interestingly, roughly half of the hedge loss that we've experienced this quarter is going to be offset by a profit at the Monroe Refinery, as product cracks have held very, very strong, also attributable to the rapid decline in the crude input cost.

So, we're looking at a hedge loss in the fourth quarter of somewhere in the order of $150 million at today's market, but we'll generate a profit of about $75 million for the Monroe Refinery for the fourth quarter, offsetting roughly half of that hedge loss. Our ex-fuel CASM will be up roughly 1%. So, again, the team's doing a great job on the cost front and our system capacity will be up 3.5%.

Now, as we turn to 2015 with enthusiasm, I just wanted to give you a few comments on the backdrop that we see, and we'll talk a lot about this over the course of the day as Glen and Gil and Paul come up and follow us with some more details on our specific initiatives for the year. But we do see a solid revenue outlook for the year.

We expect it to be – economic growth to be modest, though relative to prior years, continuing to stabilize and get a little stronger with clearly the best economies that we fly into or here in North America, which is why we have 60% of our capacity here in North America, and we're very happy with that.

On the international front, we do have some headwinds that we continue to face. On the currency front, a weakening euro, particularly the weakening the yen, though we have a very nice hedge position on the yen. I think the value is in the $140 million range for 2015, the yen savings we'll have from the hedge position, but over time, we are continuing to address the fact that we do expect the yen to continue to weaken. And on the capacity outlook, capacity is in a decent place across the globe, but I'd say the minor exception of in Asia, where capacity growth we see is considerably in excess of demand as we look out.

On the corporate travel front, the information we're hearing from our clients as well as what the GBTA has put out is they've given a 6% forecast for improvement in corporate travel spend in 2015. And the all important question on people's minds on fuel prices, at today's market, the industry outlook for fuel, unhedged, just the pure market rate today would be somewhere around $2.10 and $2.20 a gallon, which is 70% lower than we have incurred in 2014.

That $0.70 a gallon change for us, for Delta on a run rate basis, is about $3 billion net savings. So, while we do have a hedge position that will offset some amount of that $3 billion gain, we expect to record and secure roughly two thirds of that gain in the 2015 P&L, so we're looking at a net fuel savings of somewhere approximately around $2 billion with about $1 billion of costs incurred around the hedge. But importantly, as we look forward to 2016, we'll have full participation in any additional hedge reductions because we do not have any positions in place for 2016 and beyond.

The other question we get a lot about on fuel, and Paul will give more details, is margin postings. At today's price point for fuel, we expect a margin posting at the end of this year around $700 million. That posting will dissipate to practically nothing by the second quarter of 2015. So we're in a very good position on cash. That margin posting really is just a prepayment, an acceleration of the fuel price, and we'll get the full savings in 2015 as those hedges roll off.

Now, specific to Delta on capacity, we continue to – we gave this guidance a couple months ago and we continue to maintain that outlook. We look at system capacity growth of around 2%, which will be domestic up 3% and international up less than 1%, basically flat. And we expect another year of solid margin gains and improvements when you couple a solid revenue environment, lower fuel input cost, continued non-fuel cost productivity and savings that we see as we continue to de-lever the balance sheet and the interest savings that come along with that.

So, a little more color on fuel, as I mentioned that with the 2015 oil and fuel price, we do have an impact from the hedge, so we'll expect an all-in price to pay of somewhere around $2.40 to $2.50 a gallon. In 2014, we are paying, on average for the year, $2.90, so that's somewhere between a $0.40 and $0.50 a gallon reduction in the price of fuel net for Delta in 2015. Given that every penny of fuel is worth $40 million for Delta, that's why – how we get to the estimate. Doing that math you'd get to a savings of somewhere between $1.6 billion and $2 billion net savings for Delta in 2015.

However, I also want to reassure you that our commercial organization is not sitting there looking at the monitors trying to figure out where fuel prices are going to be as they're seeing their pricing strategies for the day or for the year. We continue to price to demand. Demand is very solid. We have a – we've had great initiatives going on, Glen's going to take you through, and many of those initiatives will help us continue to not just maintain the improvements we have had on the revenue line and the revenue outlook, but also be able to secure as much if not all of that fuel savings directly to the bottom line for 2015.

I mentioned earlier that our – the hedge book allows for roughly two thirds downward participation in 2015 while still maintaining sizable upside protection. So to the extent oil prices start to pick back up again at some point in 2015, we have decent coverage on that as well.

Richard covered this slide; I'll just go through it very, very quickly. I need some – we okay back there? Okay. This is really a good slide – you don't have to throw things.

Richard H. Anderson, Chief Executive Officer

Every time we put it up something falls.

Edward H. Bastian, President & Director

Exactly. But the long-term goals Richard touched on, we – these are the long-term goals that we laid out for you in May. And as Richard also said, we've got an update that we're going to be providing you in this May. Obviously, with a dramatic change in the outlook on fuel, that has a big input to the new long-term outlook that we'll be developing as we get into the early part of 2015. And we'll be giving you our update with respect to how we see these margin targets as we look out into the next few years.

But we are already coming in, as you can see, to the upper-end of those long-term margin ranges just in 2014 alone. Our operating margin for the year will be 13%. Our EPS growth for the year is 70% on a pre-tax basis, ROIC of 20%, cash flow is $6 billion of operating cash with over $3 billion – in fact, I think it's closer to $3.5 billion of free cash flow. And our balance sheet, the target net debt that we expect to achieve at the end of this year, adjusted for the margin posting is $7.2 billion at the end of this year, so well on the way to the long-term goals that we expected for the company. And then you can see how that compares to the S&P industrials, the peer group that we compare ourselves to, both on EPS growth and ROIC, we're very respectable in that mix.

Now, the key levers that we look at that are going to drive margin expansion in the current year are really fall into three categories. First, we've got to maintain discipline in how we grow our capacity. The capacity growth that I talked about for us is going to be in the domestic system for 2015. We've essentially – while we're growing in certain international markets on the balance, our international capacity for 2015 will be flat relative to 2014. But that growth that we're having in 2015 on the domestic front is entirely due to up-gauging.

In fact, our departure counts in 2015 are actually down. We're going to be down 0.3 points in departures on the domestic system in 2015, and we'll be operating that with 20 less aircraft in 2015.

So, it's a much higher and better utilization of existing assets producing greater revenue on a very similar cost base and where we're growing that capacity, where we're doing the up-gauging are into high revenue restricted, constrained markets as you would expect. Markets like London, markets like New York, Seattle and Los Angeles.

Secondly, with the great work that the team has done in the operational side of the business and the improvements that we've been making as we continue to aggressively invest in product, we need to get paid for it and we are getting paid for it as we continue to improve the yields in the revenue system. Glen's going to be taking you through the new customer segmentation approach that we announced to the market earlier this week and spent a lot of time talking about that. We think that's going to be the next evolution in the area of airline pricing and we're very excited about the possibilities it provides not just for Delta, but also for our customers, giving them value for what they're paying for.

It'll also be critical as we continue to make certain that our product is not treated as a commodity in the marketplace. If you ask me what's the number one matter that we need to do to make certain that we don't give back all the fuel savings to – through lower prices into the future is to make certain that our product is seen and priced and realized as a premium product for the service that we are providing, and not treated as a commodity as it had been in years gone past.

And third, cost productivity, not only on the fuel side, which we've already touched on, but on the non-fuel side; leveraging the work we're doing with technology and supply chain initiatives, the maintenance work that Gil and his team at Technical Operations are doing. So, we continue to maximize those benefits of scale through to the network to achieve the cost efficiency that we're looking at. So a combination of being disciplined as to where we put the capacity, making certain we're getting paid through pricing improvements and product service reliability and having scale, efficiency and cost productivity flowing through to the bottom line will be key to 2015.

One other thing I want to talk about is top line growth, because this is an industry that sometimes people aren't sure how they feel about top line growth in the airline business because with all the changes that we've implemented to the industry construct and being very disciplined in how we manage our capacity offerings have been key to the return of profitability and the improvement in valuations in this industry. And I want to assure you that that focus will not change in this new era of lower fuel prices. But to continue to secure valuation improvements and multiple improvements in our stock, we need to let our investors know that we will continue to deliver top line improvements and we also need to take advantage of the scale that that offers. So, responsibly growing our top line and maintaining scale leverage are not mutually exclusive goals. We can do both in this industry.

First – and how we think about that – first, any growth that we bring has to be margin accretive. It has to make – we have to make certain that it is cash flow positive and is not adding new and incremental debt to our balance sheet. And I already talked about the growth that we're implementing in 2015. I think it clearly fits those criteria.

Secondly, it needs to leverage our strength. We have an outstanding hub network that we've invested in over time. We have unique opportunities in those markets such as here in New York, such as out in London and Los Angeles that we are capitalizing on. And third, it needs to make certain that it minimizes any incremental costs that we bring into the system. Given the fact that we are bringing capacity adds through better utilization of existing assets, it will allow for us to generate the margin returns on that productivity as well as insure that the employee productivity is secured with respect to minimizing any frontline hiring and limited merit head count additions as we move forward.

There's no slide that I think better depicts this and we've used this a number of times with this, the domestic picture of re-fleeting and how that's improved our asset utilization. As I mentioned earlier, in 2015, all of our asset growth and capacity growth is going to be driven by higher capacity on flat departures and fewer aircraft, and you can see that trend that we've continued. So this year we're going to be down roughly 15% in the number of domestic aircraft that we had flying as compared to where we were at the merger of Delta and Northwest, while still maintaining our overall capacity at roughly a flat level to that position in 2009, and you can see the profit margin impact, a 1,400-basis point improvement in our domestic margins, driven by that domestic re-fleeting strategy.

And as we look to the future, we look to 2016 and beyond, we continue to see improvements in this. This is not something that we're in the late innings of. I'd say, if anything, we're probably in the middle innings, because we still have a considerable amount of 717s, 737-900s, 321 deliveries. We have a large number of modifications that we've been working on for years we'll continue to work on. They impact over 110 aircraft in 2015, adding an average of nine seats per plane. And we've already implemented the seat mods on over 450 aircraft since 2007.

One thing I want to make sure that you all realize and it's key to the implementation of this strategy though is that we have to put capital to work efficiently to make this work. When you can produce this type of capital efficiency with the type of maintenance reliability, with the type of product and service quality, it's no wonder it's a winning hand. And I'd say in this low fuel price environment, this strategy is going to work even more so, as compared to some other strategies in the industry. So domestic re-fleeting, I think, has really been the core movement of our profit gains over the last several years, and will continue to be that in 2015 and beyond.

Now, moving to the revenue front on the sales side and corporate customers, we have seen a continued improvement in our corporate revenue space this year. We're looking at roughly a 7% growth in corporate revenues, and you can see the industries along the right side of that slide as to where we're growing our corporate relevance and corporate share. Financial services, banking, media, markets in New York, LA, Seattle, London, all very, very important contributors to that.

As I mentioned earlier, the Business Travel News awarded us and we're very proud to receive the honor of Best Airline in the year, now fourth year in a row. And I haven't seen the details, but I'm told by my team that there were 10 categories of awards that they were given in 10 rating metrics. We came in first place in all 10 categories, so it wasn't even close with respect to number two. Very proud of the Delta people for delivering this honor.

Down below you can see we had a similar type of success with the Morgan Stanley Global Corporate Travel Survey that was just recently concluded. On the five areas of delineation and category, Delta for the first time ever in the history of the survey came in first place across all five. These are results that we're very proud of. These are results that we are going to continue to make sure that we earn every single day. And this is not something here that we think is something – is a point in time. This is the path we're on and the path that we're going to continue to stay on.

We announced today that we are renewing our great relationship with American Express for another six years. American Express is our most significant commercial partner by a large measure. In fact, the size of the relationship with American Express to Delta, they bring us about $2 billion of revenue across a multiple set of streams between the co-brand and Membership Rewards and Sky Club access and Merchant Services and bag fee participation. It's a fulsome experience. The Delta brand and the American Express brand go well together. They're both premium brands. They're both highly viewed by similar customer demographics. And we're very excited about the success we've had with the partnership over the years.

And the contract that we have with them was due to expire in 2016, the existing contract, and we have spent time, and led by Glen and Tim Mapes, over the last several months of working hard with American Express to see if we could go to an early renewal of that contract to eliminate any uncertainty in the market, to make certain both of our resources are focused on serving customers rather than figuring out contract terms and an RFP in a very difficult space.

And I'm glad to report that we were successful in that effort and that we are early renewing the contract, and in fact that early renewal will take effect as of January 1, 2015 with a 15% overall effective rate increase starting in the new year that will grow to 20% by the time that the new contract term which starts 2017 kicks in. It's a significant impact to Delta. It's a, I think, significant vote of confidence in Delta by American Express and by Delta in American Express and vice versa. And over the next five years this agreement will double the run rate benefits to Delta. So as you can see, it's a very, very big deal for us and something that we're very proud of.

The other – at the other hand, we also continue to have a strong relationship with American Express and leveraging the fact that they are in a unique position as not just being a great credit card provider but also the largest global travel agency and securing additional share commitments on the corporate travel share front as well, which we were able to update as part of this discussion. So there'll be more to come as you hear more about this contract and the rollout in 2015, but it's also going to be another one of those tools that we use as we improve our revenue performance in 2015 and make certain that we secure as much of the fuel savings to the bottom line of the company.

Now, two years ago at this meeting, we announced our investment in Virgin Atlantic, and while we had high expectations for that investment, I can tell you safely that our results have clearly exceeded any expectations that we had. It's been a great relationship and a great partnership, and our share of the JV earnings, we have a 50/50 JV across the transatlantic between the U.K. and the U.S., as well as the revenues that we've been able to generate through the synergies of having a good U.K. local partner in the market and our equity in Virgin Atlantic earnings. Remember at the time that we purchased the 49% stake in Virgin they were losing a considerable amount of money. All that turned around to the point where Delta, the net impact on Delta in 2015, will be a $200 million contribution to our earnings in 2015 from Virgin.

The JV has only had one year of history; 2014 was the first year of history, and you can see the success. Our Heathrow unit revenues are up 7% and the JV margins over the current year have improved by 300 basis points on 4% capacity growth. The thing I am floored by is just the impact you see in the market. Glen and I spent a week – last week, we were in London, and you can see how the Delta brand is being seen in the market and the complementary nature of the two companies working side by side and the great partnership. Remember, this is a market five years ago that Delta only had minimal presence in. This summer, we will have 39 peak daily round trips, the JV will have, which is a 10% growth in 2015. But that's compared to a minimal presence Delta had just five years ago. The most important international market for U.S. travelers, particularly U.S. business travelers, Delta is making significant headway into.

And we also are making progress on the Virgin side as we reshape their U.K. network. As you've seen, they've announced some changes to their U.K. flying patterns. They're going to be eliminating some services from the U.K. to other parts of the world and bringing them into transatlantic. So that growth that we're talking about is coming from better deployment of existing assets as compared to going out and acquiring new assets. So a very capital effective and capital efficient way to grow in the most important international travel market in the world.

And then finally, turning to the other side of the globe, the Pacific, I'd say that, and Glen's going to talk about this, the largest area of improvement that we have on the international front, the international geography is in the Pacific and we've been working hard on that over the course of the last couple years and you've been following our progress. First of all, the scale that we've been building in Seattle to make certain that we had adequate feed to our international operations. We expect in 2015 to build Seattle, that hub to 120 peak daily departures in 2015, which will allow us to offer one-stop service to 95% of West Coast to Asia traffic flows; big, big improvement over time.

We're adjusting our capacity levels. I mentioned to you, overall, our international capacity is going to be flat in 2015. However, in the Pacific region we're going to be down. We're going to be down somewhere between 6% and 8%, and particularly down in Japan. A 15% reduction in Japan, primarily triggered by the weakening yen, and while we do have a nice hedge book against the yen, we realize that's temporal and we need to make the structural changes we need in the industry to adjust to a weaker yen for the future.

We've announced the 747s are being retired on an accelerated base and we announced also a couple weeks ago that we're going to be acquiring Airbus 350s, which coupled with the 330s that we're going to be picking up here in the next couple years, will allow us to have a 15% to 20% reduction in seats per departure and a 20% improvement in overall cost per seat in the Pacific region, which allows us to continue to realign the network hub and recalibrate the network hub for better service for local passengers.

We'll serve five intra-Asia routes in 2015. That's down from twelve in 2009. So the series of changes that we're implementing in the Pacific, we anticipate will improve the overall Pacific margins by anywhere between 5 and 10 points over the next three years. It's an aggressive strategy. It's one that we've put all the building blocks in place and now it's really up to execution as we deliver over the next year.

So in conclusion, it's been a good year. It's been a very, very good year for Delta. But it's also a year that we've created a nice level of momentum as we enter into 2015. And over the course of today, you'll hear more detail around the enthusiasm and excitement that we have for 2015 prospects.

Our revenue environment continues to – the outlook continues to be solid with a host of new commercial initiatives that I touched quickly on, but Glen will spend a lot more time talking about over the course of today. We will capitalize on the fact that fuel costs have come down dramatically, close to $2 billion over where we were just in 2014 alone. We're using that cash to not only improve the quality of the product we're bringing, but also reduce the debt on the balance sheet. And we expect, as Richard said, our net debt levels by the end of 2015 to be below $6 billion, somewhere between $5 billion and $6 billion, which continues to generate really nice interest savings, somewhere in the order of about $150 million, so that drops directly to the bottom line.

And when you couple all that with the best product in the industry which is served by the best people in the industry, it gives us a really winning formula for 2015. So, glad you're all here. I'm glad you're investing with Delta and we look forward to continuing to keep you updated over the course of the day and the year ahead. Thank you.

Jill Sullivan Greer, Managing Director-Investor Relations

We're now going to go to the Q&A session. We'll let Ed get settled in. For everybody in the room, if you could just wait for the microphone to get to you for questions and if you could introduce yourself with your name and your firm for the people on webcast. So?

QUESTION AND ANSWER SECTION

<A – Jill Greer – Delta Air Lines, Inc.>: We'll start with Savi, because she's right here on the aisle and makes it easy for me.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Hey. Just with the – historically, the airline industry cost structure has been set up for one of growth, and it seems like one way to address the slower growth environment is this up-gauging that you're doing. Is there more that you've done or more that you can do to make – to change Delta's cost structure to one that can be profitable through a longer period of slow growth?

<A – Richard Anderson – Delta Air Lines, Inc.>: Absolutely, and let me address some evidence. Ed will obviously have a lot of good things to add. If you think about how this – the key thing to do in the airline is to build the business plan with as many variable costs as possible. And so, if you think about the first piece of the equation, which is airplanes, which is where a lot of the cost is both in terms of owning them and then operating them.

The ownership we've talked about. So our ownership of our fleet is variable in the sense that like MD-80. If we have an economic downturn, MD-88s are very easy to park and that ends up being – the fleet ends up being a natural hedge in that regard, because you don't have any capital costs and you're not making a monthly mortgage payment or a monthly lease payment on the airplane.

And when you park an airplane, what we've been able to do – the reason our MM&R line keeps going down is, you really have to have a strategy against the original equipment manufacturers, because they like to raise spare part prices 8% a year. So what you do is part that airplane out, so we have a part out business. And so it has both a CASM benefit and it takes the cost out, right? So the fleet is variable. Our spare parts are variable, right? Because the way we do our maintenance at the airline is the heavy airframe maintenance is typically outsourced. The really big airplane maintenance checks and the engines and components are inside. And so we have variability in terms of being able to vary that.

On the employee side, we're in a big hiring – the whole industry, which candidly works – it's pretty difficult now to grow these things, to tell you the truth. I mean, it is – you've got to really be planning pilots two years to three years out now in the industry given the demographics and the 1500-hour rule.

So for us, on the pilot side, it's just a variation on how many you're going to hire. And you really have to be to – in order to get capacity in two summers from now, you got to make the decision right now. So my point is, is that you have a lot of variability in pilot hours if you have an economic downturn. At our airports, we're about 60% full-time and 40% part-time. And our DGS subsidiary handles a whole lot of the smaller station operations at Delta.

The other expenses, and I think the other hedge, that's naturally built in the business is, if you do see the cycle turn economically, carbon prices, carbon molecules are going to get cheaper, right? I mean, fuel and carbon – carbon and the economy are sort of tied together. And so I think fuel prices – when the economy dips, fuel prices are going to dip, because the demand equation is going to change.

And then lastly, where the industry got in trouble in the past was in two places. One, it had – its fixed obligations were too high. So when your net debt is down as low as our net debt will be, but I mean, our net debt is probably heading for zero, candidly, I mean, when you look at where the cash flows are going, which, of course, your question is going to be – that's why I said $1.5 billion minimum return to shareholders in 2015, because your question is, well, what are you going to do with all of it, right? I promise, we're not going to flitter it away, okay? But the point of it is, is that the capital structure has a lot to do with the viability in a downturn.

So what we spend a lot of time doing is studying what do the railroads do, what does UPS do, how does the cycle in an S&P industrial that you want to invest in, how do those companies act and perform through cycles. And what we really want to do is mimic the best of the S&P industrials, so that we have that same kind of investment model for long-term equity.

<A – Ed Bastian – Delta Air Lines, Inc.>: I think you covered it well, Richard. I think the only other thing I'd add to that is in addition to variablizing the staffing levels, we've also got a very significant part of our employee compensation, which is profit sharing, which is tied to performance. And to the extent we were to face a difficult environment, not that we foresee it, but there is $1 billion of costs that automatically adjust based on profit levels as compared to going into a contentious discussion trying to take money away from people and building them into a fixed structure. So that's another element of variability that we've created.

<A – Richard Anderson – Delta Air Lines, Inc.>: And when you think about just the size of our employee count, just think about sort of American, United, and Delta running roughly the same size; American is bigger, but roughly the same size. We do that net at the airline with 72,000 FTEs. And just do the comparison and you'll see kind of how that productivity – how we try to keep our – we are really tight. So we're this year in the budget process, Glen, and everybody can – Gil can testify to this, I mean the goal was you were flat on non-front line head count. You were not allowed to come in on your budget with any additional head count.

And there won't be any more buildings and there won't be any more parking lots, so you better figure out how to make what you have to run your part of the business, fit in what we already own. And the – because the notion is you've got to get operating leverage in this business. The topline needs to grow mid-single-digits, but the EPS needs to be three times that, really when you think about it. And the way to do that is just really tough expense management. I mean, part of it is, we lived together in a lot of lean years, Ed; and we're still that way. I mean, we will sit down and have long meetings over spending $3 million of capital on a project.

Anyway that was kind of long-winded. I better get a little shorter or we're not going to...

<Q – Duane Pfennigwerth – Evercore ISI>: Hey. Duane Pfennigwerth, Evercore ISI. Thanks.

<A – Richard Anderson – Delta Air Lines, Inc.>: Yeah, Duane.

<Q – Duane Pfennigwerth – Evercore ISI>: Just a couple questions on hedging. I wonder if you could give us some sensitivity on 2015? Is it Brent that we should be looking at? And where is that sort of breakeven price relative to the 1.2 that you outlined? And then to your question thinking longer-term about economic cycles and where fuel prices might be, I have to feel it's very tempting to look at 2016 much more aggressively down here, how do you think about that? And if one of your competitors were to put on a multi-year positional bet, how do you think that would change the environment?

<A – Ed Bastian – Delta Air Lines, Inc.>: Well, I'll let Paul – not to take all of Paul's material from him. I'll let Paul talk a little bit more, if you can wait on the sensitivity component, because we do have some nice upside participation protection on that. But it is Brent that you ought to be looking at. And also for us, given that we are in the refining business, the product cracks that we measure. So as I said, for the fourth quarter we offset half of the hedge impact just through the improved product cracks and to the extent you expect to see fuel prices stay lower for a sustained period. We'd expect to see product cracks at least during the first half of 2015 to remain relatively strong into the New Year.

The team has done a really disciplined job, as we've watched the oil markets come undone here in the last six months and we've not added any tenor during this downturn. So we've not attempted to get in and catch a falling knife. So we're roughly 30%, 35% – excuse me – 65% participation level in 2015. That's kind of where we've been for bit and we haven't added to that. And I think we're watching it.

I don't know that we're going to try to pick the bottom. I think that's a bit dangerous. Because when it hit $70, and it hit $80, you can look at that. I think we'll do it more on making certain that we keep some level of risk protection as we start to approach 2016. But, no, I don't think you'll see us necessarily go long on a big position just because a competitor might do something.

<A – Richard Anderson – Delta Air Lines, Inc.>: And I would – just to add to that. In terms of really long-range planning at the airline, when you're thinking about like, five-year plans or the wide-body purchase that we just did, we use – and even in our annual budget cycle, we use high fuel assumptions, because we've learned this the hard way. But what we've learned is, is that you're always better off using a high cost per gallon assumption in the business plan, because then that forces the organization to drive down on fuel CASM, it is a good damper on how your capacity is planned, and forces a higher ROIC, because you're going to be – unless something is going to have a return and you know it's going to contribute to the bottom line, it's not going to get in the plan, but it has a big hurdle to get into the plan.

So, I mean, from our perspective, look, it's wonderful that fuel has run down. We love it, right? There is $2 billion opportunity out there if we hold fair levels constant. But over the very long-term horizon, it's just more conservative and prudent to use a high fuel assumption when you're buying airplanes or making other kind of investments. And then when it comes in lower, hang on to all of it. That's kind of our philosophy.

<Q – Julie Yates-Stewart – Credit Suisse Securities (USA) LLC (Broker)>: You've addressed the opportunity for improvement in both Asia and on the Transatlantic. Can you talk about Latin America and the return on the investments that you've made there? And then give us an update on potential open skies with Mexico and what that means to your relationship with Aeromexico?

<A – Ed Bastian – Delta Air Lines, Inc.>: Sure. I'll just be real quick and I'll save some material for Glen because he is going to talk about Latin America here. The Latin American geography has done well for us, Mexico particularly, where we've made a significant investment in Aeromexico. We do have open skies that we believe, we'll receive, which should open in 2016. We are in discussions with Aeromexico about creating a JV to take advantage of that with a antitrust immunized relationship there. I think that could be a big opportunity for us over the next several years, but there is – we still need to get that filed, we still need to get that negotiated with Aeromexico and implemented.

The biggest market that we have in Latin America, obviously, is Brazil and we've got a relationship with GOL in Brazil and that's been going really well. We provide about 30% – excuse me, they provide about 30% of the feed on our Brazilian network and vice-versa we provide a tremendous amount of revenue benefits back to them. The marketplace down there, the economy has been pretty volatile. The currency has been in difficult shape, but I will give a nice kudos to Kakinoff and to Junior down at GOL, they've been managing that environment really well. We're very close. We're one of the board members there, we spent a lot of time in the market with those two.

So those are the two big markets that we have for Latin America. We've been investing in Central America and to the Caribbean, and Glen will talk more about that as we move to more – I wouldn't say harvest mode, but certainly a lower level of growth mode in 2015 there as well.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Good morning, guys. You have – Dan McKenzie from Buckingham Research here. Hello.

<A – Richard Anderson – Delta Air Lines, Inc.>: Yeah, well I'll repeat it.

<A – Ed Bastian – Delta Air Lines, Inc.>: I can hear you, Dan.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Okay, great. I'm just wondering if you can clarify the UK [inaudible] (01:11:36). I think you talked about that being up 10% and I'm just – I understand the international re-fleeting strategy. Is this [inaudible] (01:11:46) an invested capital. [inaudible] (01:11:51)

<A – Ed Bastian – Delta Air Lines, Inc.>: I can't hear you.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Sorry. Okay. Just starting over. With respect to the UK to U.S. growth, question one is, does that hit your 15% to 18% pre-tax return on invested capital in year five, year three, year one on a fuel-neutral basis?

And then tied to that, is that offset by capacity reductions elsewhere to Europe? Should we think of all capacity for 2015 for Delta elevated for – pardon me, elevated for 2015?

<A – Ed Bastian – Delta Air Lines, Inc.>: The number that we quoted, the 10% improvement, was a JV number, not a Delta-specific number. So a lot of the growth in 2015 is going to be on Virgin metal. A lot of the growth was in Delta metal in 2014. A lot of the growth in 2015 will be Virgin metal as they take assets out of other parts of their network and bring them to the Transatlantic. So it's going to have a very healthy improvement in the overall level of returns, not just for Delta, but Virgin Atlantic.

Talking about ROIC, it's a great question when looking at – we paid $360 million for our stake in Virgin Atlantic. That will be fully paid back by the end of this year, by the end of 2015. So that's a pretty good return.

<A – Richard Anderson – Delta Air Lines, Inc.>: Yeah. The returns are very good in the Transatlantic. If you look at both the joint venture with Air France-KLM, Alitalia, and then the second joint venture with Virgin Atlantic, I think by any measure, it's about a $13 billion business. And if you look at – I can just tell you, it's the most profitable by far, number one position in the marketplace, hubs in London, Amsterdam, Paris, Rome, number one market position, number one profit position, and number one rating in customer service. So very good business that produces very nice contribution margins.

<Q – Bill Greene – Morgan Stanley & Co. LLC>: Hi. Bill Greene, Morgan Stanley.

<A – Richard Anderson – Delta Air Lines, Inc.>: Hey, Bill.

<Q – Bill Greene – Morgan Stanley & Co. LLC>: Hey.

<A – Ed Bastian – Delta Air Lines, Inc.>: Welcome back.

<Q – Bill Greene – Morgan Stanley & Co. LLC>: Thank you. So you've done well since I was away.

<A – Ed Bastian – Delta Air Lines, Inc.>: Maybe you should stay away.

<Q – Bill Greene – Morgan Stanley & Co. LLC>: Yeah, exactly. I wouldn't have minded that. So, Richard, you made a few interesting remarks about railroads. I spend a little time with them.

<A – Richard Anderson – Delta Air Lines, Inc.>: You do.

<Q – Bill Greene – Morgan Stanley & Co. LLC>: And I – two questions came out of that. The first was that railroads have historically shown a willingness to walk from revenue when it's not satisfactory return or margin or what not. How does that work in the airline industry from your perspective? How do you think about the ability to sort of walk – whether it's a corporate contract – it's a little different with individuals, but how do you think about walking the revenue profitability up?

And then the second question is, you've got better returns on capital now than the railroads do. And in the railroads, we talk a lot about the implications from a regulatory standpoint of high returns on capital. Do we have to worry at all about a government reaction here, or is that just off the table because of the way the regulations work? Thanks.

<A – Richard Anderson – Delta Air Lines, Inc.>: On number two, I think that's totally off the table. I mean, there is no rail Surface Transportation Board in our industry. And there was an effort in 1998 by the Clinton administration briefly to try to do some sort of price regulation and it didn't get anywhere. And so I don't think it will, because the markets are very contestable, and that's really ultimately the test. And the markets remain very contestable.

On the first part, just broadly, if you look at Ed's slide, this slide Ed had put up about the fleet, where capacity since the merger has been relatively flat. If you just kind of look across where our capacity has been, we went down a bit after the merger, fleet count down, margin up. And that is the best macro way of describing the fact that we are always redeploying assets and passing on – and Glen can talk more about this – but we're incredibly disciplined about how we make those kinds of decisions and where we take revenue and where we don't take revenue. And you wouldn't produce the kind of results in the kind of $2 billion in year-on-year pre-tax improvement effectively this year if you didn't run the assets that way.

And to give you an idea, we track return on invested capital by fleet. So we want to know what this set of assets – what's the ROIC on the MD-88, what's the ROIC on the 737-900. And then we set that at a strategic level. And then Glen and his team and Eric Phillips do a phenomenal job of making certain that we maintain – I think domestically our RASM premium is well north of 110%.

So I think we do that well and we're very choosey about being certain we get the yields for the high quality product that we put in the market.

<Q – Jamie Baker – JPMorgan Securities LLC>: Good morning, gentlemen.

<A – Richard Anderson – Delta Air Lines, Inc.>: Hey, Jamie.

<Q – Jamie Baker – JPMorgan Securities LLC>: Jamie Baker with JPMorgan. First for Richard, you identified the fleet strategy that's been in place for some time. It seems to me that that actually probably dates back to your leadership at Northwest. You talk about the process continuing going forward, and that's where I'm a little bit less clear; not that the market would ever force you to concentrate on newer aircraft, but I'm just kind of curious where do you see the next potential glut of aircraft coming that would allow you to continue that? And the second question, as we ponder down the road, the resumption of cash taxes, is there anything that you contemplated that might be able to lead to an effective tax rate that would be below the 39% that we've typically used in the past?

<A – Richard Anderson – Delta Air Lines, Inc.>: That second question is very prescient. Yes. We're all over it. But we aren't going to – you'll learn about it probably in the 1Q. We got it figured out; at least, we have a good piece of it figured out. So – but we're not ready to talk about it, but we're working on it, all right? When you have these big joint ventures that are euro-denominated and you own 49% of an airline in London and you already have a big commercial office in Amsterdam for joint venture pricing and yield management – Amsterdam is a good place. So that's number two.

And number one on the fleet, I think the next opportunity, and this pretty much is just narrow-bodies. I don't think the strategy – we tried the strategy on wide-bodies and it was painful, because the interior modifications and bridging the maintenance records just overwhelm the cost in terms of commissioning. And the pricing we got on this last wide-body deal was so good that on a cash basis it never, ever would work. You'd end up putting so much cash up front that the cash on cash returns would never get to the level of what we're paying for – I wish I could tell you the prices. But that's what happens when you run a very competitive process on every fleet decision.

I think on the narrow-bodies it's going to be – all these neos that are coming out, the Airbus neo and the 737 neo, and with the glut of narrow-bodies in the world, I think it's going to be the narrow-body opportunity on A321s and 737-900s, 737-800s to a lesser extent. But Glen has rightly tasked me on how to continue the – we have a lot of upgauging to go, but upgauging is – we've got to have a regular stream. We have a whole lot of it left, but there's – the next play, I think, is going to be the 10-year-old, 12-year-old A321, probably with V2500 motors. So what do you think? I mean, you're in the debt markets, you cover the debt markets too; where do you think it's going to be?

<Q – Jamie Baker – JPMorgan Securities LLC>: [Inaudible] (01:20:40)

<A – Ed Bastian – Delta Air Lines, Inc.>: Was he the one – was he the guy throwing stuff?

<A – Richard Anderson – Delta Air Lines, Inc.>: Was he the guy throwing stuff? Yeah. Okay. Let's see if I can – we can go faster. I would like to not leave a single hand unanswered.

<Q>: [Inaudible] (01:20:54)

<A – Richard Anderson – Delta Air Lines, Inc.>: Jill doesn't like that idea.

<A – Ed Bastian – Delta Air Lines, Inc.>: Setting expectations, yeah.

<Q – Helane Becker – Cowen & Co. LLC>: Hey, it's Helane Becker with Cowen & Co. Thanks for the time. So over the past, I would say, maybe three months or four months, your stocks really underperformed the market. And I'm just kind of wondering – two parts to that. One, what are your concerns about the business in general going forward about things that you think about that keep you up at night? And then the second part of the question is what do you think we are missing, or the market is missing about your story that has your P/E so low relative to other industrials when your metrics are so much better than other industrials? Thank you.

<A – Richard Anderson – Delta Air Lines, Inc.>: I think – well, first we've had – the last 24 months the top three in the S&P 500 on stock price run. So $30 billion in market cap created in the last two years. So, I mean, over the long run the cycle has been phenomenal and there's very few companies that have performed at this level.

But I think it gets to the remarks that I made at the beginning of the session, which is, we have to continue to prove the model for the long-term investor to get to that same P/E ratio and we just got to keep our heads down and keep plowing ahead to be certain that the long equity investor has the same kind of confidence they'd have in John Deere or Lockheed Martin through the cycle.

So I think that's ultimately – and that's why I talked about the environment that we're in now, because I think part of what we've got to do for the long cycle investor is have the long cycle investor understand that the environment is a very different environment than 15 years ago. So that we do get to those kinds of industrial transport multiples. But I'm very happy with the performance of the stock price and I'm glad to see it's just steady, that's how we want it to be. We want it to be a steady, steady growth in the stock price on a consistent basis with ever-increasing cash returns to shareholders.

And we execute day in, day out, just like we took guidance up today and we continue to do that the way we've done it the last five years. And continue to do it, we will earn more and more of the confidence and trust of the long investor that will see us side by side with John Deere or Lockheed Martin or one of the railroads.

<A – Ed Bastian – Delta Air Lines, Inc.>: If I could add quickly to that, Richard. Helane, I think the other thing is that – building off what Richard said, this will be another proof point along the way that this time is different. That's been the story for the last several years. It took quite a while for the market to start to believe in the fact that truly is structurally different. And you need these moments of dislocation to prove that our actions and the results deliver a different impact than they've historically given. And I think that there's no question with the level of fuel price volatility, it spooked a lot of people as to what's going on, what will the airlines do, will they give it all back in revenue, is this a peek at the old days? Because we've seen that happen. We've seen that story play out. And we're very determined to make certain that people do not see our pricing strategy or our product and service as a commodity.

We're a premium. We've invested in the product. We've got the best reliability and the best service. And you will see it deliver in bottom line improvements in terms of being able to keep – but it will be a test for us. And I think we'll pass the test. But I think you have to go through these various gates along the way. And as Richard said, to be the number three performer in the S&P 500 over two years, we obviously are getting some level of credit, it just can't come fast enough.

<Q – Tom Kim – Goldman Sachs & Co.>: Hi. Tom Kim at Goldman Sachs. Thanks for your time. Ed just leveraging on or just sort of piggybacking off your comments here, I think the investment community, obviously, is really concerned about the risk of passing along these fuel cost savings to customers. But doesn't the – do you think that the industry or that the customer base does not yet have a full appreciation of how much you're actually re-investing back into your businesses? And shouldn't the conversations really be about that very aspect, that yourself you're adding about 6% of your revenue back – your CapEx back into your business. Your peers are adding more than that. And so to what extent do you think that the industry can and perhaps should be doing a better job at articulating how much the industry is actually re-investing back into your businesses to improve service and improve product?

And then just sort of piggybacking off to some of the comments earlier and analogies to the railroads, they seem to be doing a good job articulating that they're investing, call it, 18% of their revenue back into the business, and that's why they need to continue to price to basically compensate for all the money that they're actually putting back to work for – in the end, to benefit a customer? So just help us understand, like, how does this vernacular change? What can the industry do to really help re-educate the investment community and the customer, frankly, about everything that you guys are already doing to make the experience better? Thank you.

<A – Ed Bastian – Delta Air Lines, Inc.>: That's a good point, Tom. There is no question we can continue to make that very clear. I think our customers are seeing it. I know they're seeing it based on the revenue performance we're seeing. I know – if you segment our market profile when you look at our corporate travelers and the business travelers and the places – this is where the revenue pool is very rich and very deep and very important to us. We're winning the awards and we're getting the recognition and we're getting the share movement that we desire and we continue to build on that. But this is a long-term plan. People ask us where Delta came from, how do you guys get to where you are. Well, it's been a 10-year process. And I think we're just now at the stage after building the airline to be able to tell the story, that we can go out more aggressively with that communication strategy. So I think that's a good point.

Our broad – for those of you're not familiar with, our broad strategy is to invest 50% of our operating cash back into product. So we're investing somewhere between $2 billion to $3 billion, and we've been marching it up as our operating cash flow has been improving. And the other 50% goes to reward shareholders and pay down debt. That's not changing. So that will continue to grow over time.

<A – Richard Anderson – Delta Air Lines, Inc.>: You can all help us get that story out, because it's a good idea. I mean, when you think about the investment that's going into the infrastructure in the U.S. and the fleets, and the improvements; it's pretty remarkable.

<Q – Dave Fintzen – Barclays Capital, Inc.>: Hey. Thanks. Dave Fintzen at Barclays. This actually follows up on this exact topic. With oil coming down, the incremental dollar on CapEx for the last few years really seems to have gone away from fleet, more towards innovation, product reliability, et cetera. Does low fuel give you an opportunity to sort of accelerate that in ways that might be very advantageous to Delta specifically? Or are there other pacings around sort of innovating things like what you announced earlier in the week, or different IT efforts that – is a staffing limitation? Is there just a backlog limitation in terms of accelerating sort of innovation in the business decommoditization so on and so forth?

<A – Richard Anderson – Delta Air Lines, Inc.>: We believe there is. Although back to your first point, we're still – the lion's share is going into fleet and fleet mods. So our IT CapEx is about $300 million. So that's investment in core IT systems. And I think that's where there is a lot of innovation opportunity, particularly in the decision making technology of the business, the pricing systems, the yield management system, which for Delta are all proprietary. We don't – we run our own RM and pricing systems. And Glen can talk about some of those investments when he's up, but I think that's a huge opportunity in the enterprise.

And I think there are more opportunities in maintenance, materials, and repair, in the form of some test equipment, better engine shop capabilities, part outs. So buying more airplanes to part out, so we don't have to go to Boeing and GE and buy parts. So there are lot of those kinds of initiatives all across the company. But the lion's share is still going to be in the fleet, either in the form of we're taking – we still have 44 717s to take from Southwest, and we have about probably 65 737-900s that are still coming, so – and 10 A330-300s. So the lion's share is still going to be in the fleet, but we are not ignoring those other parts of the equation.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Yeah, Richard, Ed. Mike Linenberg, Deutsche Bank here. When you look at your position having one major union, the pilots, I mean, you're in a unique position to spend a lot of time and come up with a fairly creative initiatives and solutions. And I think at the last pilot contract that you did and the fact that you were able to bring the 717 and deal with the 50-seaters, to some extent the entire industry has been following your lead. And so with your pilot contract amendable really within the next 12 months, should we anticipate some interesting angles? Because like, in the past you have been very clever, and, again, you've been able to spend a lot of resources and think about this stuff and you've been able to work very cooperatively, much better than your peer group.

<A – Richard Anderson – Delta Air Lines, Inc.>: Well, we think that's – the most important thing we do at Delta is our people, and the relationship with our pilots is so important for us. That's why the enterprise is successful. They're really the leaders of the operation. The front of the airplane is what makes this airline run so well. And we – that's a precious relationship, candidly. And you should expect that – our goal is to have it done by the end – before its end date and you can bet that we'll be creative in fashioning a win-win solution that allows us to continue the kind of innovation and the relationship that we have with our pilots.

Did anybody – do we have to wrap up? I hate not answering questions.

<A – Ed Bastian – Delta Air Lines, Inc.>: Somebody in the back had their hand up.

<A – Richard Anderson – Delta Air Lines, Inc.>: Jill's going would you stop? It's time.

<A – Ed Bastian – Delta Air Lines, Inc.>: I know.

<A – Jill Greer – Delta Air Lines, Inc.>: [Inaudible] (01:32:00)

<Q – George Messner – Seminole Management Co., Inc.>: Sorry. Just a quick one. George Messner, Seminole Capital. I think the Staggers Act analogy and Bill hit on earlier is a very, very good one. But when you look at operating margins in the railroads post-Staggers, it went from – when they started to really normalize around low single-digits, it took about 20 years to get to the mid-single-digits target. And then from there they've been able to double those again. So now we're pushing close to 30% reliably in railroads. So you guys have an 11% to 14% target, but we're not really at a point where everybody is consolidated and the industry has really been able to figure out what the leverage of the model truly is. As you look long, long term, can you find – when you're lying around thinking, can you find the operating leverage in this model comparable to what the railroads have been able to do?

<A – Richard Anderson – Delta Air Lines, Inc.>: I don't know that we've put together a five-year plan that has our operating margin getting to 30% and...

<Q>: [Inaudible] (01:33:05)

<A – Richard Anderson – Delta Air Lines, Inc.>: Yeah. It took 20 years. But I do think that there is still – and you've seen us every year build on that margin expansion. I believe that we can continue to grow the margins. We haven't pegged a number on where we think it will go, but there is still a lot of operating leverage left in the business. And a lot of that operating leverage is in non-op, candidly, and there's still a lot of operating leverage on the topline. I mean, if the topline – if you do things like the Amex deal and the Virgin deal, you can continue to see nice expansion and we've built a plan for 2015 that has nice margin expansion on that even before the fuel price ran down.

So I think we probably have to give some more thought to that. And I think when we get together in May and we've done the re-do on our five-year plan with our board to come up with our next shareholder return strategy, we need to address where we think a better idea for our long-term investors on where we think that could go. I'll tell you we've gotten there a lot faster than the railroads to where we are today.

<A – Ed Bastian – Delta Air Lines, Inc.>: We've got one over here.

<A – Richard Anderson – Delta Air Lines, Inc.>: We've got one over here.

<A – Jill Greer – Delta Air Lines, Inc.>: [Inaudible] (01:34:34)

<A – Ed Bastian – Delta Air Lines, Inc.>: Okay, one last...

<A – Richard Anderson – Delta Air Lines, Inc.>: Jill's – we're getting the look from Jill.

<A – Ed Bastian – Delta Air Lines, Inc.>: We always get in trouble...

<A – Richard Anderson – Delta Air Lines, Inc.>: You get in trouble when you don't follow the rules.

<Q – Barry Haimes – Sage Asset Management, Inc.>: Thanks. Barry Haimes, Sage Asset Management. The buildup in Seattle, I wonder if you could give us some feel for how to think about the pace of profitability there? You're obviously investing a lot in the Seattle hub now and just some feel for how that's going to progress over the next couple years? And then one very quick factual question, the slide that had the $200 million benefit from Virgin in 2015, was that pre-tax cash, and what was the comparable 2014 number? Thank you.

<A – Ed Bastian – Delta Air Lines, Inc.>: The second question first. The $200 million is a cash number and a profit number. The cash number is actually better than that. The same number for 20 – that's a 2015 number. The same number for 2014, I think was in the low $100 millions, $125 million, $150 million, so it's a sizable improvement from 2014 to 2015. And Seattle, we're going – we're stealing everybody else's material, so we're going to wait to let Glen talk about Seattle. But rest assured, it's doing very well and the margins have been strong there. Great. Thanks, everybody.

<A – Richard Anderson – Delta Air Lines, Inc.>: Thanks a lot.

MANAGEMENT DISCUSSION SECTION

Jill Sullivan Greer, Managing Director-Investor Relations

Okay. Because I am going to introduce our next speaker who wants to keep us on time and does do a great job of keeping us on time in everything we do. Our next speaker is our Chief Operating Officer, Gil West.

Wayne Gilbert West, Chief Operating Officer & Executive Vice President

All right. Good morning. And I look around, I know you guys didn't show up to an investors conference, you're here in ops discussion; so those of you that are here right now, thanks for being back on time.

But – I think Ed and Richard did a nice job just articulating it, but I would say it this way. I think our underlying foundation for our strategy really is to run the best operations in the industry, and couple that with the best customer service, and we get paid a revenue premium for that. We get about a 7% revenue premium, as you know, on a RASM basis. So that's been our strategy. And – so I've got a few slides here where I get to brag about my 80,000 colleagues in the ops performance and the customer service that they deliver day in and day out for the airline.

Okay. Ed talked about some of the awards we've won over the last few years. He mentioned Air Transport World – Airline of the Year Award. By the way, we were the first domestic carrier to win that award in 10 years. We've won the Business Travel News Award, Fortune's awards multiple years. This award that I'm showing here is a little bit different. It is Airline of the Year, but it's all based on operational performance. And it's based on the DOT information that we report on as carriers monthly. So it's transparent data and we were named the best airline of the year.

So we're certainly proud to be recognized in number one position. Now, that award was for last year. So you fast-forward to this year, this year year-to-date and I'm happy to say we're still at the top of the industry. And it is – there is a lot of work obviously in this. And I would say it's not luck that we repeat our industry-leading performance in ops. And there is several different things that drive that.

I'll start by saying that, in a broad sense, we've got well-disciplined management systems; and those management systems starts with a strategy, of course, that we articulate internally with something we call a flight plan. We take that flight plan, we cascade it into goals/metrics that then are actually rolled all the way to the front line. So everybody has got goals/metrics. There is plans, initiatives, of course, driving those results day-in, day-out. And then we recap those regularly, annually. We're all incented on the results both monthly and annually. And then we do it all over again. And we set records. We've got a strong view of continuous improvement. So no matter how well we perform, we raise the bar for next year. And you see that in our metrics again.

Baggage, you see that. That's the one metric we're number two place. Baggage – just to digress for a minute. Baggage is all about transfers. So when you're connecting bags, similar to when you're connecting passengers, and, of course, we've got hub operations in the biggest hub in the world; that's where the challenge is with bags. Point to point, pretty easy. Transfer is not so easy. So we've moved in baggage literally from five years ago, six years ago, bottom of the industry to the top tier. We win on occasional in month. Yesterday, we actually set an all-time record for a day in baggage in a good sense, so we continue to work hard on that.

The other piece, in addition to management systems, I would say to drive ops performance, process is a big part of what we do. We believe, I mean, our colleagues, our front line, they work very hard, they execute well, but we also look to how can we work smarter. So from a process standpoint, we've got a very strong team of industrial engineers. We've invested in a team of BI skills as well as analytical skills and tools to kind of help us take the data, turn it into actionable information and know what levers to pull, and then granularly where do we need to focus.

The other piece that Richard and Ed talked about was technology and those investments. We continue to invest in technology to give our frontline better tools to manage, to give us better analytical tools, better customer tools, and self-service tools that work operationally as well as from a productivity standpoint for us.

We have targeted infrastructure investments. Baggage, again is an example. We've invested over the last five years, six years in our Atlanta baggage system that was designed originally 30 years ago. A lot has changed in Atlanta over 30 years. So we've made those focused capital investments for the infrastructure and they've paid off, because we've seen the operational performance improve. And then, finally, the execution. We've got an incredible work force makes it happen day in and day out, and they just do a great job from an execution standpoint.

So from an operational standpoint it all starts with having a ready aircraft at the gate for every flight, right? Again, Richard, kind of – first slide he referred to was on this page, but I think it is reflected. We've got an organization that we call internally Technical Operations. And it's a group of engineers and technicians that really run the airline from a technical sense. And it really – for completion factor, in particular, it all boils down to mechanical completion factor. I mean, weather is always a big variable. We do everything we can to manage – we can't control weather, but we can manage better with weather, so those irregular operations, we spend a lot of time on and manage. But on the real differentiation point with us and other carriers, I would say the mechanical completion factor is a big differentiation.

And there is a lot of work goes into this. We could talk for hours about mechanical completion factor and we do internally, but you can see – we continue to set record performance here. We've had a 92% improvement since 2010 in mechanical completion factor, over a 40% improvement just this year in reductions. We count a 100% completion factor days. So we look at – and year-to-date now on the mechanical side, the slide is just a little back-dated, but we're up to 151 mechanical, 100% completion days. That translates overall into our operational performance. We're up to 84 100% completion days as an airline, so those are records that we love to break. We track them. We run duration, how many days in a row can we get 100% completion factor, but there's a passion about this.

So Ed talked about our fleet, and we certainly have a mix of new aircraft, used aircraft, old aircraft in some sense, and we have the lowest capital cost as a fleet. But the other piece of it is, I think our – many of our competitors would look at our older aircraft as a disadvantage or a weakness; we actually look at it as a strength. We are one of the few airlines with, what I would call, a really technical operations. I mean, there is a minimum amount of technical operations you need to run an airline and the FAA obviously has oversight. But we have a pretty powerful footprint of TechOps, and we leverage that, so that we drive not only the best reliability in the business, but we also drive the lowest maintenance cost in the business and Richard touched on that. When you kind of distill down maintenance cost, material cost is the big driver. And as you said, the OEMs, whether it's GE or Boeing or Pratt & Whitney, Honeywell, it's about 8% to 10% annual increase on materials. So we have strategies that we leverage our TechOps group to drive material costs down.

As we mentioned, we buy aircraft for parts, part out. We take green time off those aircraft, fly it, part out, and that avoids replacing a part that's scrapped as we inspect it, and we replace it. We have an infrastructure that we repair engines and components on. And the industrial processes there are world-class. We know they're world-class because we got ancillary businesses to the tune of over $0.5 billion a year for – that we compete against GE and Pratt & Whitney and Honeywell and United Technologies that are very difficult competitors that we compete on. And we know that our processes are good because our turnaround times are the best in the industry, which means we own fewer assets than our competitors, spare engines, spare components, spare parts. And then also from a materials management standpoint, our cost advantages are there.

We invest in part repair technologies, so that when a part's scrapped – of course, we have our surplus replacement strategies, but, also, we can repair those parts – and we've got engineers, repair engineers that develop repairs for those parts, so we don't have to scrap them, we can repair them instead at a fraction of the cost of a new part or even a surplus part. We partner with Georgia Tech that's in our backyard, to look at emerging technologies, things like 3D printing, if you're familiar with that, to come up with part repairs as well as part manufacturing; so that, again, we reduce our materials cost. So there remains tremendous opportunities here for us, but our TechOps team has done a great job and will continue to drive maintenance costs down.

Okay. So we talked a little bit about the operational piece, shift gears for a minute on the customer service side. And Ops is the foundation, but at Delta I think our DNA, certainly our front-line DNA – in our agents, our flight attendants, our pilots, our res agents, customer service is in that DNA and it goes back to our founder, right? And that culture is very strong at our airline.

So as we look at the metrics, you can see we set record performance year-after-year in customer service. And I'm sure all of you fly Delta, so we send you an email survey when we do, and we really appreciate you filling that out, because there's an old adage, feedback is the breakfast of champions – and we get good feedback, we get not so good feedback, but we really analyze it well. And the surveys that you get, you should probably know – and we get millions of responses annually as you would expect. So there is good statistical sample sizes that we cut the data. But it's a very intelligent survey for us because we – it's tied to your individual passenger notification record or PNR.

So we know exactly where you flew, what flights you flew on. We know who checked you in. We know who your flight crews were. We know how quick you got your bags, how long you waited to park if we misplaced a bag or your flight cancelled. There's always intelligence behind those surveys. So we're able to cut that data all kinds of ways, and we do that, and we got a good analytical team that helps us with that. We have dashboard set up. But getting data is one thing; using it is something completely different. So there is a lot of focus on how we use that data to drive our customer service.

So as I mentioned earlier, we, of course, have goals around this; we're very transparent with that data; we share it with the front line; we incent on it to the front line; there is accountability all across our organization to that. So as an example, we cut data at the agent level. So if I'm an airport agent, I get feedback on that surveys on a one point to five point scale how well do I do, how well my customers view me, free form comments, so that again we're always looking to get better.

And the same thing is true whether it's in flight, at a station level, all of that, by fleet types we can cut what our customer views are. And we're always looking for where are the key levers to pull and keep improving. So that's helped us really fuel the customer service improvements that we've had. We've been able to manage with that data to kind of take us really to the next level.

I should probably define this with that one chart on the right-hand side, net promoter score. So if you look at our survey scores, one point to five points, one being poor, five being outstanding, three being good, and everything in between. The net promoter score is just a percentage of those groups. And it takes a percentage of the folks at scores a five, outstanding; and it subtracts the folks at scores of one, two or a three, right? And then that percentage is just the difference. Four, we view as neutral. And that kind of gives us a sense of how powerful is our brand, how powerful is our customer perspective. So we see the similar trends with net promoter scores, the other scores, but this gives you a relative feel on that score. The other thing we've done, as you've heard and noted with your questions, is we continue to invest in product. And we get paid for that of course. Glen will talk about that in a minute.

But a lot of product investments, first on the interior upgrade side, and I'll talk a little bit more about that in just a second, but food, beverage improvements, entertainment on demand, not just IFE, but we've got servers on the aircraft that stream movies and sitcoms or what have you. Some of that's free content. Some of it's paid – pay-per-view content. So it's another piece of entertainment that we provide.

We've launched international Wi-Fi recently. I'll talk about that a little bit more in a second. And then finally, we continue to invest in our airports. Again, survey, customer survey scores tell us where the weak points are so – and you see those investments, I hope, here in New York between JFK and LaGuardia, but also certainly with the growth we've got on the West Coast; there's a lot of investment there at the airport level.

So finally, just to continue a little bit on the product side. First, interior mods. We've been doing interior mods for years. You've read about some of our competitors announcing that they're about to do interior mods. And these are things with fairly long lead times, because if you look at an interior mod, you've got to come up with a concept first, but then you've got to design it, engineer it, you've got to certify it, you've got to manufacture the parts, the seats, et cetera. Then you've got to install them, get it certified, and go into a production mode, right?

So we're through our wide-bodies. We're in the production cycle of our narrow-bodies. So we're starting to produce these modifications. As Ed talked about too, I would just say part of all these modifications, aside from new interiors, new seats, new lavs, new galleys, new bins in many cases, new IFE systems, it's all of that, plus we're adding seat density in half. So our upgauging strategy is not just about replacing 50-seaters with dual-class aircraft and new narrow-body aircraft. It's also taking our existing shells, upgrading the interiors, but also adding density to it. So on the 57 fleet, as an example, depending on what the current configuration is, we add between 15 seats and 25 seats as part of the new interior mod. Similar on the narrow-body Airbus fleets, the A320 adds 10 seats as part of that modification. So we are investing in the interiors as well as seat density as part of that.

Wi-Fi, it's become a very important part of the customer experience. We, as you probably recall, we are the lead airline to roll out Wi-Fi, well-recepted by our customers. So we're investing now domestically to improve the speed with that. That is this ATG4 that's referenced on the slide, higher speed Wi-Fi. And then, internationally, we have progressed through certified international Wi-Fi on our international fleets. By the end of the year a third of our aircraft, international aircraft, will have Wi-Fi. By the end of next year, almost all of our aircraft will have Wi-Fi as well. So that's another nice differentiation point for us.

So I guess just couple comments in closing, I hope you get a sense of the passion as an airline we've got for operational performance and customer service. We've led the industry. In 2015, we – I mentioned it earlier, we believe in stretched goals. We take goals that will set all-new records in ops, performance, as well as customer service. And we've got good plans and initiative to make those happen. So I really think this coming year you'll see – you'll see more of the same.

So thank you again for choosing Delta. And with that, I'll turn it over to my good friend and colleague, Glen Hauenstein, our CRO, Chief Revenue Officer, to talk more detail about what we're doing. Thank you.

Glen W. Hauenstein, Executive Vice President-Network Planning & Revenue Management

Well, before I start, I'd like to thank Gil, and I'd like to thank the entire operations team, because I think I have one of the easiest jobs in the industry. When you have a great product, people want to buy it, and Gil and the entire operations team have done an outstanding job giving us a product that I think everybody at Delta is very, very proud of.

And when you're proud of our product, you're not un-proud to try and charge more for it, because really value is not having the lowest price or we all know it's not getting the lowest price, it's getting the lowest price for what I want. And I think really that's where we are sitting today in terms of our ability to charge customers not what they want to pay but what they're willing to pay and for the services and products that they want to buy.

I think one of the questions that everybody had earlier in the day when I was talking to you was how do we view the revenue environment for 2015 with lower fuel prices. And I'd like to start there, because I think that the demand set probably influences the entire outcome of the 2015 revenue plan. And it's very, very interesting to think about what lower fuel prices not only does to the airline, but what it does to the consumer, and what they intend to do with their savings with lower fuel prices.

And so I think if we think about what the millenniums are doing and what people are generally doing, you don't see them buying T-shirts, you don't see them running to the malls, you don't see them buying short-term goods. You see them buying durable goods and you see them buying experiences.

And I think that's where we could get pretty excited about the 2015 revenue base, because if you think about it, as Richard said, the die has already been cast on the capacity. So if you wanted to fly peak summer departures, additional flight hours, we had to put those pilots in the pipeline well before this decline in fuel prices, not only did we have to do that, but our competitors had to do that.

So while some may try and run up a little bit of extra capacity here and there over the peak summer, really the die has been cast. And we will use every pilot we have available and every flight attendant we have this summer available. But that decision was made last winter. And it'll be very, very difficult to stretch beyond that. So I think you've got a natural buffer in the short to medium term for a large amount of additional capacity to come on line.

I also think you have a background of millenniums who want experiences and they're – you see it – we see it on their credit card spends, we see it in our portfolio, what are they spending money on? They're spending money on entertainment and travel. They're not spending it on T-shirts. They're not going to the mall. And as they have more disposable income with a general economy that looks like it will have another positive year, where they get more disposable income back because they have lower energy input prices whether it's their electric bill at home, whether or not it's their gas bill for their car, that disposable income we think will go in a large part to experiences. And we think we're very, very well positioned in our business to capitalize on that.

So how are we going to capitalize on that? Well, really, it's putting all these pieces together, right? And giving customers what they value. We have worked very, very hard over the past few years. And if you look 10 years ago and look at Delta's route network and look at where it sits today, I think just visually on a map, you would see that no other carrier has changed more than Delta. We saw the 50 seats – the subscale hubs in Cincinnati and Memphis were not viable in the long run. We saw that the 50-seat equipment was not viable first. We got ahead of the game in all of these.

And now we have our planes pretty much positioned where we think they are well positioned not only for today, but for tomorrow. So you won't read in the paper tomorrow that we're opening a new hub in x city, because we have now the hubs that we want. And the great news, as with everything in business is, once you have established your positions, then you get to do it over and over and over again, just like Gil, and the maintenance, how he gets to do it over and over and get better and better and better at it; once we have the hub and network positions that we want, we get to get better and better and better at it in extracting more and more value from the positions that we have. So we're very excited about our hub positions.

Our pricing department. I'm very proud of our pricing department. I think we have industry-leading pricing, not only on the ancillaries but on the core pricing itself, because we price for what people are willing to spend and we also price from what we know our competitors can make money on. So other pricing departments and if you think about the history of aviation, if somebody put a $9 fare in the marketplace every carrier matched, every carrier thought their revenue management system would take care of it. But the answer was, is that – it optimized a sub-optimal set of answers, right?

It said, okay, I have to take some of the $9 fares, I should match it. Our pricing department has gone above and beyond that now, and not only do we know what our cost of production is as we think about pricing, but we know what our competitors' cost of production is. And we use those in the equations of deciding whether or not we are actually even going to publish a price to let our revenue management system manage it on or off the airplanes.

One of the other more exciting things, we think, is as you think about experiences and moving from airlines – the primary transaction being the sale of the transportation to the primary transaction being the sale of the experience. And I think that's where we see huge value as move forward. We've come a long way. We've already created billions of dollars of ancillaries, but we are still in the very early stages of this, and we have some great plans, I'll talk about it a little bit later that outline what we think is the next step in ancillary revenue.

Changes in the SkyMiles program. This is really one of the most important things I think we've done over the last few years, because if you think about the value transaction to a business customer, and you think about what it was just four years or five years ago, the business customer tends to book last, so the seat inventory that was available to the business customer was usually the last seats that were available on the airplane. Those would be center seats usually; the least desirable.

That customer got boarded based on where they sat and they get rewarded based on the mileage they flew. So if you were going from New York to Greensboro or from New York to Phoenix, or New York to Las Vegas and you are a business customer and you are paying $800 or $900 for your fare, and you are sitting next to somebody who is on an aisle seat who already had their luggage in the overhead bin, because they got boarded in a zone before you, and you were sitting there in the center seat and you happen to ask them what did they pay for their ticket, and they said they paid $139. What did you want to do the next time you bought a ticket? You did not want to pay $800, you wanted to pay $139 because of the perception of the value was that you got no value for paying the higher fares.

And so through a re-arrangement and a reinvention of the SkyMiles program, through a reinvention of the process and the cabins, what we want to provide is we want to provide a better level of service to our most valuable customers. So that when you pay $800, you get a choice of seats. You get priority to upgrade, and that you get rewarded based on the number of dollars you spent on the airline, not based on the number of miles you flew.

And when you think about it, it sounds simple. It sounds like, well, could have had a V-8, but it was really complicated to get there, because these systems were born 20 years ago when it was a regulated environment and when the distance flown by the government equal fare paid. So it's taken the industry, as Richard points out, many, many years to rationalize its capacity to rationalize its industrial structure, but really also to rationalize its product offering.

And last, but not least, building a strong brand. Delta has always been. When I was a kid, I grew up 30 miles from here. And there were a bunch of airlines when I was a kid you could take. And if you could get Delta for the same price, you would always take it, because you perceived it as being superior to the competitors that most of which were out of business today. And that is the space that this brand has to occupy in everybody's mind today. It is a premium brand. It is one that is top of its class and top of the industry, and really top of the industry in terms of the history, in terms of its reliability and its service culture. And what we want it to be is we want it to be even more innovative. We want it to be more thoughtful in the eyes of the customer and we need it to be the consistency and reliability that Gil just talked about.

So how is that paying off for our shareholders? Hopefully, all of you own stock. I know I do. And if you don't, it's still a great asset to buy. But as I said earlier, we are working now to optimize the network footprint. We're not out building new hubs. We're not out chasing new revenue, we're out to do the same thing we did last year, but do it even better because we're in the right revenue pools.

I give an example. One of the things we have to do when we close a hub is we have to explain to our employees why we close the hub. And several years ago we had the opportunity to talk to our employees and dialog with them on the closing of Memphis. And I told them this one little factoid, that the city of Memphis produces as much revenue as one market, JFK, LA and New York. And when you think about where we fly our airplanes and where we deploy our assets, we have to deploy them where people are flying and where they're going to pay us revenue. And then we have to produce the best products so they want to fly us, and then we have to charge them more, and that's really the name of my game.

In the product side, we continue to re-fleet. Somebody just asked me about flow fares, and our flow fare is moving at the same rate as non-stop fares, and the answer is no they're not. Flow fares had been and always will be more competitive. But if you think about the margins that we can make on flow fares, if you were going from Jacksonville to Madison, Wisconsin via Cincinnati you used to take a 50-seat regional jet from Jacksonville to Cincinnati and then another 50-seat regional jet from Cincinnati to Madison, and the product wasn't really that great, right? Single class, no opportunity to upsell, small airplane, no overhead, had to check your luggage, and really expensive for us to produce.

And if you think of it now you can take a 757 on our every hour and 15-minute operation from Jacksonville to Atlanta, and then take a two-class regional jet from Atlanta to Madison. Even at the same fare level we're producing much higher margins with much higher opportunities to upsell customers and a much better customer experience. So I think we're looking at all assets that we have and saying, what do we control? What do we not control? And how can we continue to make the margins on each one of these segments better?

And last in service. We achieved this last month and we continue to achieve record unit revenues versus the industry in our domestic arena, and that's really a tribute to everybody. Everybody in this room who works at Delta, whether or not you're in the operation, pricing, revenue management, sales, it's really phenomenal that it all comes together and that we're able to continue to strive higher and higher on the revenue curve.

A couple of our initiatives that we've talked about for the last few years are on our next page. New York, and I think Gail's here, our Head of New York, and thank you Gail for all the very hard work that you've done over the past few years. I think when we said we wanted to win in New York people asked us, well, what does winning mean? Well, winning really means two things. One, that you have a sustainable position, and I think many years ago we thought that our position was not sustainable so we either needed to grow it or exit it.

And so we've grown it and this past year we will pass another competitor, and for the first time in 20 years New York will have a new number one airline and that's metropolitan New York including New Jersey Airport that serves New York. And so Delta has achieved its number one position, but we've done that with two things in mind. One is to improve profitability along the way, and we've done that every year, and this past year will be our first year where we are fully allocated segment profitable in New York, and ensure that it's long-term sustainable.

So in that, we really did have some holes in our network in New York, whether or not we were operating a giant hub in New York without any access to Heathrow just 5.5 years ago. And now through our own acquisition of slots with our partners, through the acquisition of the 49% stake in Virgin, we have a very, very competitive schedule out of the two airports that can serve London, and we've been able to really capitalize with our corporate clients, many of you are here with us in this room today. And if you haven't flown on Delta and Virgin, I do really ask you to try it, because I think you will find it to be better than its historical competitor. And people are voting with their pocketbooks, and our unit revenues in that market are up dramatically.

The next phase of our initiative is centered also here in New York around the opening of the new terminal. In January 14, we will close, and I don't know, maybe you can – how many here in this audience live in New York? Can you raise your hands? Most. How many have ever been to our T2? Raise your hands. Again most of you. Thank you. How many have ever been in the Horseshoe, what we call the Horseshoe, the regional jet? Raise your hand. Okay. Well, I'm sure you'll join me in applauding that we will be replacing the Horseshoe on January 14, which is really probably the last component of our New York City expansion that has kept us from having a competitive product.

And I think if you think about this, customers choose based on their own reality, and Americans have the smartest consumers in the world. So when we were flying a 50-seat RJ to Buffalo that left from the Horseshoe, which was really made into 13 gates and it was actually originally two gates, and your choice was to take JetBlue out of their brand-new terminal on an E175 with a television or take Delta out of its Horseshoe on a 50-seat RJ, guess what? Consumers are smart, and they voted. And we have been able, again, to cobble this position in New York together with assets that needed to be replaced that had been under-invested in without the right slot portfolios, but through the great performance of Gail and the team, through the great performance of the sales team, we've made it.

And now, it may not be significant to people in this room, but it's significant to me because we've made it with a substandard set of assets, and really, it wasn't the best of Delta when you were going to Buffalo from the Horseshoe in Terminal 2. And starting in January, we will close that Horseshoe down. We will come back to the two mainline regional gates. We will do a refresh of the terminal in T2, we will improve the busing operations to four, and for the first time, I think we will now have world-class facilities, world-class people, world-class products, and world-class operation in New York. And I think where we can take that, from where we start today already being profitable is some incredible places over the next few years.

On the West Coast, a lot of people have had a lot of questions about Seattle and the buildup of Seattle, and where we are in our development of Seattle. And this summer we will have about 95%

of the West Coast connections, and if you think about our primary East Coast gateway for Asia is Detroit, our primary West Coast gateway for Asia is Seattle. Our primary gateway for Asia used to be Narita. And for 100% of our travel, after the merger of our – travel to Asia after the merger, had to transit Narita. And so now, we're able to offer three gateways from Narita, and it has been re-scaled and resized and re-optimized, and it's – despite the yen going from ¥80 to ¥120, we've been able to maintain the profitability of our Narita hub, which is an incredible feat. And at the same time, we built out our Detroit hub, and then we built out our Seattle hub. And now I think we have a very well diversified portfolio into Asia, and that we can grow from.

The last piece was securing the domestic feed in Seattle. And a lot of skeptics, including a lot of skeptics inside of Delta, that we could pull this off against a very, very tough competitor, Alaska. But our domestic operations in Seattle, on a significant increase in capacity depending on the month, were profitable, and the margin did expand. And so, as we temper that growth rate down in 2015 and into 2016, give you a sense of, we are about 70% done with what we need to do in Seattle, I think it's long-term and sustainable. But we think that the expansion and being able to be profitable and being able to be margin accretive was really a great feat to have occurred.

In Los Angeles, we again have created our sustainable position. Of course, that's our gateway to Hawaii, that's our gateway to the South Pacific, and our gateway from the Southwest to Asia. And our presence now on the West Coast is really, we believe we're in a superior and sustainable position with the only U.S. carrier with three hubs operating in the west. So Seattle and Salt Lake and Los Angeles combining to give us a very, very good portfolio on the west.

And I would say, in a market like Spokane where just a few years ago our only services were to Seattle, now we serve Minneapolis, we serve Seattle, we serve Detroit. Did I say Seattle? I meant Salt Lake, I'm sorry. So now we are a leading carrier in Spokane, and we can take you every direction you want to go. We have a sense of utility in Spokane that we did not have just a few years ago. And so that's very, very exciting about our future moving forward and our ability to continue to optimize that through gauge and product offerings in the Pacific Northwest and in the West Coast itself.

Then in Latin America where we have been growing very rapidly there, we had the opportunity last year to obtain a route authority to operate a second Atlanta/Sao Paulo. And we took that opportunity and we're connecting now about 35% of our traffic beyond our network into the GOL network, and that number continues to increase every day as we continue to improve the process flow and improve the customer experience into both Sao Paulo and Rio as well as Brasilia.

And as the year rolls on here that growth will all taper off because there is no designation for additional Sao Paulo frequencies this year that we will obtain. Our launch into the Caribbean is mainly done; we'll get through the season; the advance loads and the advance unit revenues for the increased Caribbean capacity are up significantly as we do think consumers have more discretionary income to travel. And I think that's another proof point when you look at places that are just destination markets like the Caribbean or like the Mexican beach resorts. And continue enhancing our relationships with GOL and Aeromexico. These have been incredibly successful relationships, but they're very, very young. And if you think about our relationship with Air France or KLM which is now approaching 20, 25 years and what we've been able to do there, and say GOL and Aeromexico are both less than five years old, but we're very, very – we've made a lot of progress with both and we're very enthusiastic that we will continue to make [ph] process (2:31:53) and drive value with those relationships for our shareholders over the next several years.

Earlier this week we announced a change in the way we will be selling. And I would say this is going to be an evolution, not a revolution. We've committed now to a four-class product, a four-tiered product. And let me describe a little bit about these tiers. The front of the cabin is going to be called Delta One internationally because we thought after flying it and after flying our competitors, we had kind of labeled ourself in a bad spot with Business Elite.

I had the opportunity to fly one of our competitors. You might call it the flag carrier of the United Kingdom, the other week. And I was in their business section over and I was in their first class section coming back. And I was just as a comparator I would say ours is in the middle. It's clearly not as good as their first class but it's clearly better than their business class. And I think by saying business and equating us to business, we don't have seats that fly backward, we don't have seats you have to climb over, we have 100% direct dial access, we have 100% the best staff in the world. And so I think we had to re-brand that and we will be adding new amenities, celebrity chefs, better movies in TVs, better entertainment and we needed the moniker of Business Elite is really one that was constraining us in terms of distributing what that product really was. It really is Delta's best and it competes with the best in the world.

First class domestic. I'm going to get through a slide on that, but that has been an incredibly successful product over the last few years and transforming that from being a cabin that lost money to being a cabin now that makes a lot of money and a very nice return from us. It has really been one of the greatest things we've done in the last few years. And then separating our Main Cabin from those customers who are paying us full fares versus those who are paying us fares that compete with the ultra low-cost carriers. And really, by traveler purpose, are you buying just based on price or do you want some of the services we offer?

And we have introduced this Main Cabin. [ph] When we've actually built (2:34:19) Basic Economy we've actually been in trials with this product for the last two-and-a-half years. I think today it's in about 35 markets and they're very, very big markets. What we've found is people want value, but it has to be presented to them. And so if you think about our competing with Spirit in the Detroit to Orlando or anywhere we compete in Detroit or in Atlanta, our lowest fare has a lot more content than their lowest fare. So the first thing we need to do is to choose where we want our sales entry point to be and then we have to map it up to their product line. And so, if they want to have a $9 fare generally we will not match it. We might occasionally match it, but generally we won't match it. And say their entry, the entry point, we want to come in at is $139 roundtrip from Detroit to Orlando. Historically, you would buy that seat – and because you were a leisure customer who was being price driven, you would historically buy that very early on in the process, leaving that problem of leaving the center seat for the business guy or a girl who bought last.

We don't want that, right? We were giving away way too much of our product to compete with somebody whose product was significantly inferior. Spirit is not the most on-time airline in the country; we are. Spirit doesn't deliver connecting bags as well as we do. Spirit doesn't have the friendliest staff in the world. Spirit doesn't have minimum of 30-inch pitch width recline. Spirit doesn't have all these things, and on top of that, we were giving away seating assignments and we were giving the lowest-value customers the best seats on the airplane, leading to that endpoint where the business customer was buying a center seat and saying, I see no value in this.

So by introducing this product and being competitive where we want to be in select markets and we do think there are very, very broad applications for this. But we think that we are the best-in-class in this area. Right, if your choice is to buy Spirit or to buy Delta, or to buy an ultra-low, we will always have the best product. We will always have the best product in Main Cabin. We will always have the best product in the value-add of comfort plus, and we'll be adding service attributes to there, improved snacks, free liquor. And we'll always have the best first class.

So companies want to know – Ed's giving me the hurry-up – companies want to know why to fly Delta. Because whatever you want, whatever services you want, we are best-in-class. So in order to get us back on time and get you all out of here on time, I will skip this next. Just a quick highlight. We will have more premium seats, continue to do in our evolution, more premium seats and sell more of them. We set a goal to sell 15%. We're at 45% – 50%, we're at 45%. Our goal is going to go to 70% or 80% over the next couple of years, and we're going to increase the number of seats.

Then we'll optimize the revenue – we optimize the revenue streams on the fare differentials within those.

I talked to you about the evolution of SkyMiles in the beginning, so I'll skip over to the slide. And then last, just to talk about the brand itself. We do think that we've led the industry in innovations. We want to be more thoughtful for our customers and think through their eyes, and we want to keep the hallmark of reliability that we've had for the last few years at even a higher level. So, Ed did I do a good job of speeding up? Perfect. Got the thumbs up.

Well, thank you all for your time and look forward to questions in a few minutes. And with that I'll turn it over to my friend, Paul Jacobson.

Paul A. Jacobson, Chief Financial Officer & Executive Vice President

Thanks, Glen. I think we've got a sneak peek of how we can sometimes rectify late departure and arrive on time by speeding up the airplane. But thanks everybody for being here. I mean here we are again after another year on this journey that we've seen of really re-inventing this industry. We're a part of that and couldn't be more fortunate and blessed to be a part of where we are in this journey in the history.

Before I begin I want to just take a second to thank Jill, Jason, Bonita, Terry, Mary, really, the whole team that put this Investor Day together. They do a great job every year and it's a lot of effort to go in and to coordinate all the invitations and the gifts. So thank you Jill, and everybody for putting that together.

And every year we do it in the church, every year the stock price seems to go up, so I think we just probably lost a little negotiating leverage for next year based on the stock price performance today.

If you think that this slide looks familiar, really you're right. This is a franchise model that has proven to be durable and sustainable. And if I could sum it up in one word I would sum it up with a word balance. It's balanced in its cost discipline. We're not so uniquely focused on cost discipline that we miss out on investing in the operation and improving the product in order to generate the revenue and the premiums that we are. So instead of just going out and striving to be absolutely low cost and driving efficiencies what we're doing is we're using those efficiencies to reinvest back into the product each and every year. Because it's not just about cost, it's not just about revenue, it's about margin expansion. And the way we get there is by delivering a better product more efficiently year in and year out. And I think we've done a good job of keeping that balance between the product and the operation. And it's a balanced use of cash flow.

It's balanced in the discipline to continue to reinvest in the franchise, make sure that it's sustainable and durable going forward, investing in that infrastructure that you need and arming the Delta people with the tools that they need to be successful in terms of driving the customer service and the service premium that we've come to expect from Delta which is driving that revenue premium. It's balanced in the way we allocate the free cash flow. Balanced not only to return capital to shareholders in a sustainable, systematic way that's been missing for so long in this industry, but balanced also in knowing that we're still not at the point where we can ignore risk in the business. We have risk in the business, we need to continue to improve it and de-risk the model, so that we can see year in and year out that we're not going to have shocks to the system the way we've had in years past. And that's what this is all about and why we think it's a durable model.

And really that starts on the finance side with maintaining our cost performance. Our cost performance has been a really terrific success over the last couple of years, and when I look around at the business unit leaders and some of them are sitting here in the front, and we look at the way that we've attacked this problem together; and this challenge is really fascinating. It's fascinating because we've been able to go out and drive innovation everywhere in the business. And we've been able to leverage our scale and create those opportunities to drive more efficiency each and every year.

There's probably no bigger foundational cost performance or cost initiative that we have than the upgauging. Ed talked about it earlier, it's on slide 16 in your presentations. Whether it's increasing the gauge, retiring 50-seaters and bringing in higher density airplanes, what we're doing is driving operating leverage in the business. The Delta people continue to perform more efficiently each and every year as we can grow capacity modestly and drive that operating leverage through the business. This year we still have a lot of runway ahead, forgive the pun. We're taking delivery of 19 Boeing 737s, we're taking delivery of over 40 Boeing 717s. We're continuing to pull CRJ 50-seaters out of the business, and we've got more operating leverage ahead of us. And that will continue on over the next couple of years.

But we feel solid in our conviction that we'll hold our non-fuel unit cost below 2% in 2015. And we do it with the most capital efficient fleet in the industry, single handedly the most capital efficient fleet in the industry. Let that soak in for a second because not everybody can do this and perform this model. It takes a world-class maintenance organization and a world-class operating organization led by strong Delta people to be able to employ a fleet strategy that bucks conventional wisdom, and says you know what, it can be older, it can be less capital intensive. It takes risk out of the business, gives us more flexibility to weather storms. And when you can couple that with an industry leading operation, the lowest maintenance CASM in the industry, you've got the recipe for real sustainable outperformance in return on invested capital. And it's been a core piece of the model.

If we couldn't do that, if we couldn't lead by that operational example, Glen and his team wouldn't have the best product in the world to sell and this strategy doesn't work. It's unique to Delta but it's core to what we can do and why we believe that model is sustainable going forward. It affects all things throughout the business. Whether it's our costs, our reliability, our capital spending and how we think about having conviction about our ability to keep CapEx down at low levels even though we've got strong, in fact, record breaking free cash flow performance. And that's what we're core all about.

We've still got a lot of opportunities in the supply chain. Those of you who have heard us speak we talk a lot about still being in the relative infancy of consolidation, learning to be comfortable in our own skin. Learning the benefits of scale, the likes of which this industry's never seen before. And it comes in a couple of forms. It comes in the form of you know what, when we buy more goods, we can just get better prices than we have historically. We have more leverage at the table in a negotiation than we've ever had before. Anywhere in the supply chain whether you're talking about manufacturers or contracted services, we have a lot of leverage.

Now it would be nonsensical for us to beat and bludgeon our supply chain partners to the point that they're not sustainable either. So the other side of that is what scale provide us is the ability to drive efficiencies through the entire supply chain creating benefits not only for us, but for our suppliers as well. And that's one thing that's been lacking in this industry over its history is the lack of scale to be able to make that meaningful impact across the supply chain for the mutual benefit of everybody that's participating. And we see that and there's still a lot of runway to go on that.

Technology, huge driver of productivity, arming the people with the information, the data and the flexibility they need to be able to manage the challenges that come about them every day. We've armed our passengers with a lot of information and ability and flexibility to create their own journey and to manage their own journey through the process. We need people standing by to help those who can't do it themselves or also to help work out of problems and challenges, because the airline that can create that opportunity and be more flexible and arm its people with the tools that it needs to be able to respond to those operational challenges that occur is going to help us drive that incremental revenue opportunity each and every day, because people are going to want to fly an airline that has their back.

It's not just about non-fuel CASM it's also about fuel. We have a coordinated, fully integrated business unit that we manage with fuel. And it's not about hedging. It's not about the refinery. It's not about supply chain. It's about all of it together and how we communicate amongst all those groups. We made the decision to invest in fuel and attack it head-on. We don't regret that decision one bit. Our goal, unapologetically, is to drive $0.08 to $0.10 a gallon savings over the industry average. Now, we're going to do that, and you've seen our performance, and this chart indicates over the last couple of years we've driven a sustainable advantage in our fuel price in the way we integrate that. That's going to happen during periods of relative price stability.

During periods of dramatic price swings or what we would consider to be tail-like events in movements in oil prices, our goal is to drive industry parity in those scenarios. And I think when you look at the guidance, when you look at the guidance we've given and where people are, I think we're going to be in line with the industry among those hedged carriers. And that's the type of performance that we think we can generate an advantage, time in and time out.

These things balance each other sometimes, too. When you see an event like this where you have a supply-driven sell-off in the commodity markets, the cracks tend to lag. We've seen jet cracks go up by over $2.50 a gallon, a big reason why the refinery is going to produce a $70 million profit this quarter. We talked about what that was going to do in terms of insulating us against the increases and expansions of crack spreads. This is that type of environment where you see that, and that's providing a great balance to the offsets that the hedge program is giving against market prices.

As we look forward, today we're actually about 60% hedged on a $10 increase in prices off these levels. The question was asked earlier about what our breakeven price is. Our breakeven price, assuming the way we typically manage the book, would probably be around the $80 to $85 level in terms of how we would look at managing and constructing the hedge position based on what the market conditions give us today.

And we have participation. We'll continue to participate downwards. It's not going to be a 100%, but we'll continue to enjoy the benefits of lower fuel prices should we see the market continue to reset. But we have the flexibility, we have the balance sheet, and we have the financial strength to be able to manage that portfolio and to create this opportunity for the long term and believe that we're very, very well positioned.

Another question that we get frequently is on our NOLs and our taxes. I apologize, the numbers that are actually, I believe, in the printed materials that you have are actually incorrect. I apologize, we lost it in a version control. The numbers that you see here are the correct numbers and we posted an updated slide for those of you listening via webcast. We posted an updated slide to the Internet.

We've put this slide out here because as we continue to grow and expand our pre-tax income we often get the question about when we're going to become a taxpayer. I wanted to spend just a second to talk about the difference between book income and taxable income. And what you can see here is that if you look out over the last two years we've got about a little over $7 billion in pre-tax income on management view – or on GAAP. But – I'm sorry, management view. But our NOL usage over that time period has only been about 54% of that level.

That results from a couple of things. Number one, it's a lot closer to GAAP than it is to management view, so as we think about the timing of special items or we think about out-of-period hedge proceeds, et cetera, that goes into taxable income and gets taxed immediately as an expense.

Our accelerated cash contributions to the pension plan, we're able to take a tax deduction against those, so it doesn't have a P&L impact but every time we put an extra $250 million into the pension plan we actually lower our taxable income over that time period. And then probably the biggest difference is accelerated depreciation. When you have a capital investment in aircraft, for GAAP purposes you're looking at about a 25-year depreciation curve. For tax purposes that gets depreciated over seven years or eight years. So that acceleration in the depreciation actually prolongs the use of the NOLs for a fair bit. And we're actually projecting that based on what our five-year plan, and we have to continue to update that. We won't become a cash taxpayer until probably sometime in 2017 and I don't think that will be a full year.

So I think, as Richard mentioned, as we look forward at $4.5 billion of income and where we see our projections next year, I think for the foreseeable future we expect that we'll continue to generate the cash flow more commensurate with the pre-tax line, and we'll continue to manage that, as he mentioned, in order to try to keep that taxable impact down. We really manage, when we look at return on invested capital, we're looking at every opportunity to drive return out of the business and we've got a lot of opportunities ahead of us.

The other question we get a lot about is CapEx. What's going to happen to CapEx? Are you going to be able to maintain $2 billion to $3 billion of CapEx while you re-fleet the airline? The answer to that is yes. Yes we can. We've got a balanced approach. We're looking at trying to manage across all of the competing initiatives.

You saw earlier with the last couple of years as we've focused on replacing some of the older narrow-bodies. You see as we're phasing into with the most recent announcement that we made around the 50 wide-body airplanes, phasing into wide-body retirements and then phasing back into narrow-body retirements after that, we feel like we can keep this balance.

So we generally target 50% of cash from operations, $2 billion to $3 billion, for the foreseeable future. That will probably – it'll tick higher in 2015 than it was in 2014, but still really centered around that $2.5 billion number as we think about it. So we're projecting $2.8 billion of capital expenditures for 2015, primarily focused on new aircraft. We still have a lot of modifications on density, but the bulk of the capital spending over the next couple of years is going to be aircraft related as we continue to update and refresh the fleet.

We're going to maintain our diversified strategy of new and used airplanes where we see opportunities to drive capital efficiency in the business and to create lift in a much lower capital base. We're going to do that. And with the confidence that we have in the operation and the technical services team, we know that we'll be able to deliver that industry leading reliability and industry leading costs, regardless of what our fleet looks like. And when you can drive capital efficiency through that equation, it's a way to really leverage that advantage for the sustainable future, rather than just relying on a few pennies of cost improvement.

Everybody has their favorite slide and so far all of them have been different. This is my favorite slide. And with all due respect to Ed and Richard, I think this slide tells the story of what's going on at Delta and what we've seen in the transformation over the last several years. And when we look back on the cycles and when we think, what is the proof statement? What is different this time? Many of you have seen this chart before. I'll probably never get old, I'll probably teach this slide to my grandchildren one day. But this shows a lot of things. Number one, the operating cash flow, as evidenced by the redline, it shows a sustainable increase and upward trajectory. That really demonstrates and illustrates the power of the brand and the revenue performance and what we've seen out of Glen's team, combined with the operation to really drive a revenue premium and focus on generating and managing this business for cash flow, driving that operating cash flow in the business.

It also shows what CapEx discipline will do for you. Six consecutive years of CapEx discipline and self-funded investment. Six consecutive years of self-funded investment. Look back over the last cycle, and when you think about where we were, we weren't – even though we were in record cash flow territory, we weren't even funding ourselves. The burden that the industry has carried over the years is that it's capital-intensive. It is capital-intensive, but it doesn't mean it can't be capital sustainable. And that's what we need to do is make sure that we're driving the cash flow and managing the cash flow to be able to self fund what we're doing and not drive leverage onto the balance sheet.

And lastly, it shows the conviction and the discipline. It shows that that area under that redline and above those blue bars, for the last six years, has been focused and allocated in a disciplined, balanced manner, permanently taking risk out of this business and making sure that we don't ever repeat the sins of the past, and we think about what we're doing to drive to consistent free cash flow outperformance, as we measure ourselves against the S&P 500. So this is my favorite, and I'm not going to change my mind unless they tell me I have to.

Let's talk about balanced capital deployment and how that drives value into the business. We've talked about reinvesting into the business. We need to reinvest. We need to continually improve. We need to arm our people and arm our salespeople and arm our product with the tools that they and the product need, in order to be world-class, and in order to really buck the trends and get people to drive and perceive value in what they're doing. And what Glen's team and what they're doing in terms of driving that margin, by creating value for customers on the backs of the most reliable airline in the industry, that's going to be sustainable and we need to keep up that pace. We can't fail to reinvest in the business.

We need to continue to strengthen the balance sheet. We're not done yet. As you heard Richard, we have ways to go. $5 billion of net adjusted debt is still $8 billion of adjusted debt, and it still has an interest expense burden that we need to continue to chip away at. We continue to need to drive the business to investment grade metrics. So we paid down over $4 billion of debt in the last two years. We paid down over $10 billion of debt in the last five years. And that type of performances has led to three upgrades by S&P in the last 18 months. Proof statement that, you know what, the conviction is there, the improvement is there, the sustainability and the perception of, this is different, is there and we need to continue to reinforce that. As we stand today with S&P, we're only two notches away from investment grade. The journey's been long but we see the destination out there in terms of what we need to be to be perceived as a high-quality investment in the eyes of the broader market.

We need to return cash to shareholders and we've been focused on that. It seems like just yesterday that we had our first May meeting in 2013 and we embarked on the ambitious goal of spending about $350 million a year on share buybacks and dividends, $350 million a year. Here we are 18 months away, we're closing the books on a year in which we returned $1.35 billion, 4x what we talked about just doing just 18 months ago. That type of conviction, that type of discipline, that type of mentality about what surplus cash flow should be used for is a good guidepost for how we think about those capital decisions.

It's not all of it. We need to continue to pay down the pension. We need to continue to invest in de-risking the enterprise whether it's through the pension or through debt reduction, but it's a big chunk of it and it's an important chunk of it. And it's not lost on us that the industry's following. This year the industry will return $3.5 billion to shareholders and we're still at the beginning. And that's exciting as you look at how we think about the transformation and the transformational nature of what we're doing with the industry as a whole. As I said, debt pay-down remains a priority. If you look at this trajectory, we've been averaging about $100 million to $200 million a year in interest expense and pre-tax contribution each and every year just from paying down debt.

Now we were able to leverage a lot of high-value opportunities, and the Treasury team that seems to be sitting over there in the VIP lounge has done a fantastic job of managing that. I told them I was going to get them a velvet rope and a stanchion and a big burly person with sunglasses. But what they've done has been nothing short of superb, going out and attacking yield everywhere we can find it. Such that we're at the point right now where we've nearly run out of high-returning, high-yielding debt opportunities to go buy back. Those of you who are holding double ETCs that are priced at [ph] $1.25 on the dollar (2:59:53), sorry, we're probably going to let you hold those for a little while because I'm not really interested in going out and buying debt at a 3% yield. We've got better uses for that cash and we need to continue to deploy it.

But we need to continue to drive towards lower debt. We need to bring this debt burden down and bring it down permanently, because we've got to create that cushion for what might happen. We don't know what it is, but if this model is sustainable we've got to drive that sustainability and take that risk out of the business. And one of those areas is pensions. We've talked about and articulated a plan last May to take down $250 million a year approximately of extra contributions. That will put us on a path to be 80% funded by 2020 at current discount rates, and that's important because that creates a lot of flexibility to be able to address the challenge that the hard frozen plan creates. Address it permanently so that the people that have it can rely on it forever, and that we can rest and the shareholders can rest knowing that there's no exposure in that plan any more. We fully funded it. We've met the obligations and we're moving on.

We've got some work to do, but we think over time with changes in interest rates, with continued extra funding, and with a return profile and the investments that we have we'll be able to manage that; and we have flexibility in this, as well. We still have the Pension Protection Act which governs our contributions through 2024. Every extra contribution we make creates a little bit more optionality and a little bit less risk in the event that we do see some type of disruption, because our cash contributions – the required ones – go down over time. But we're committed to continuing to drive that funding and that's led to another year, and we expect 2015 to be yet another one where year-over-year our pension expense is down.

2015 won't be down as much as 2014 was versus 2013 but that's because of a couple of phenomena. One, interest rates are down, so we've seen it despite the fact that we continue to believe that interest rates can't be low this long, they continue to surprise us each and every time. And this time interest rates are down about 75 basis points. It's going to create a little bit of an increase in the GAAP liability, a little bit of an increase in the expense.

The second thing, which I think many of you are familiar with, is the change to the mortality tables. Good news, we're all living longer. The challenge is we're all living longer. And we need to continue to manage that. But we think even with both of those impacts to the changes to the actuarial tables and the lower discount rate, year-over-year we still project that we're going to be on lower year-over-year pension expense, continuing to drive improvements into non-fuel CASM.

And you see the results. As I said, we've continued to make significant progress towards balance sheet metrics. As we look at 2015, I think we're probably ahead of where I thought we would be a few years ago, and I think most people in the room would agree that that trajectory is a little bit faster paced than where we thought we'd be. But nonetheless, it's strong, strong performance, an indicative of where we want to manage the business and where we want to run the business going forward in terms of driving credit worthiness and how the markets look at us. But we can't do that at the expense of capital return. And as you've already heard today, we've made great progress on the $2 billion program. We're now $850 million complete, $1.15 billion remaining which we expect to complete by the end of 2015 with the strong cash flow performance that we have.

We've taken advantage of market opportunities out there. During the quarter we repurchased 12.2 million shares at an average price of $40 a share. To-date under that $2 billion program, we've purchased 21 million shares at an average price of under $40. And each time we do that, we do so with the conviction that we have room to go. We have improvement to make, we have multiples to expand, and we believe, very strongly, that this pattern that we're on is going to continue to result in strong value for those repurchases.

If you culminate all the actions that we've taken to take risk out of this business, and you look back to the last time the industry lost money, the results are easily illustrated and measurable from the perspective of what we can do to take risk out of the business. We've lowered our business risk, we're a premium carrier, we've taken better revenue generation through capacity discipline, through product improvement, through a lower fixed cost structure, and even through generating the most efficient, lean operation that we can. Taking less capital to drive the operation, driving the operation more reliably, so there's not as much slack in the system. All that leads to much more efficiency than we had in past cycles in this business.

Industry leading employee relations. Labor risk was always the historical unknown that's out there. Guess what, world-class employees deserve world-class compensation, and we do that. We do that through profit sharing and we do that through the most favorable employee relations in the business and the correlation to customer service and perception and revenue generation, it's there, you see it every day, because we can come up with the best strategies, we can buy an oil refinery, we can charter an oil tanker, we can do just about anything you want. At the end of the day, if the 80,000 people at Delta aren't performing to the best of their ability every day and we don't give them the tools to be successful it doesn't matter. And that's what having favorable employee relations can do for you.

We've lowered fuel risk. We've actually taken control as much as we can, investing in that to really manage that business better. In a way non-fuel CASM has emerged as the industry bellwether, the genesis of non-fuel CASM was one where it was born out of a world where we didn't think we could control fuel, or fuel wasn't significant because it was $0.60 a gallon. The reality is fuel will be, is, and always has been a major input into what we do. And I know we're in a period of volatility but we know that ultimately that volatility and that flex is what we need to be able to manage and deliver the most efficient fuel delivery system to Delta that we can every single day regardless of what the price is.

And we've lowered financial risk, all in the name of creating sustainability. We've got to pay down debt. Companies and healthy industries do not drive 100% or higher debt to cap ratios. They just don't do it. We've got to have that flexibility to be able to weather a storm, whatever it might be, should we need it. And that's the type of results that we're driving going forward.

And in conclusion, I think we're on a strong path. We've created a lot of value. We've got a lot more value to create. As Richard talked about, Delta is up 290% over the last couple of years, conventional wisdom would have you sell a stock that isn't named something.com if it's got 290% return over a two-year period. But as you can see with what we're doing and the results that we measure up against, we still have a lot of room to go. And we still believe that we've got strong upside and strong potential in this investment, even today. Today we crossed and became the first airline to have a $40 billion market cap. It's not good enough. We need to continue to improve that and we need to continue to see value and drive value through the organization. And that's what we aspire to do.

Thanks for your support. Thanks for your interest in Delta. Thanks for being here today. And with that I'd like to invite Glen and Gil up to the stage and we'll do a short Q&A session. Thank you.

QUESTION AND ANSWER SECTION

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Over here. [ph] I think (3:08:16) It's Mike Linenberg with Deutsche Bank. My question to Glen. Since the acquisition of 49% of Alitalia by Etihad since that has closed, have you seen any change in that relationship or interaction? Have there been some management changes and the people that you deal with? And did the Etihad folks recognize that it is a privilege to be part of this ATI, or antitrust immunity JV with Air France, KLM and yourselves. I mean Richard went through some of the numbers, talked about how profitable it is. I mean, what sort of actions or behavior have you seen or is it just – is it too early?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, we haven't had our official meeting yet but all indications are that they want to remain as a part of this, as a great partner in the joint venture. It's one of the pieces of Alitalia that does very, very well today and they share the success of the trans-Atlantic joint venture. And I think they have a lot of improvement to do in other areas that they need to focus on, and so I'm looking forward to a great relationship with them.

<Q – Jamie Baker – JPMorgan Securities LLC>: Glen, hi, over here. Jamie Baker with JPMorgan. Two questions, Ed cited the capacity reductions at Narita, do those reductions reduce your slot footprint there? If it does, do those slots just go back to the government or is there an opportunity to potentially monetize that? That's the first question.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: They are not monetizable.

<Q – Jamie Baker – JPMorgan Securities LLC>: Okay. Second question, when we think about the success that Delta has had here in New York, some of that success has been driven by demolition. Some of that success has been driven by facility swaps. Is there a parable in Los Angeles? Can you recreate the success that you've had here given the constraints of LAX?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: We'll see. I think LAX is very profitable as it is today. It created a very nice value proposition for us last year despite the fact that we grew it significantly, but we are out of gates in L.A. and gates are the constraint in LA. And so over time we'll see if there's some opportunities that you might suggest could be out there.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Hey, it's Savi Syth from Raymond James. Just a Basic Economy question, you've already had Basic Economy in a lot of the markets that you compete with Spirit and just wondering one, what has been your experience since introducing the product? And two, is there something different that you'd be doing with the product as you roll it across the network?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Savi, great question and one that when I sat down I realized I didn't explain very well in the value proposition is customers really don't want that product. When they realized what it is, we have an 80% rate of them selecting a different product. And what we have to do now is manage what that value is. Right now it's about $20 a customer and for $20 you can have a ticket that's refundable. You can get your advanced seating assignment. And so, what ultimately people are willing to pay for that and how we manage the click-through rate and how we manage the availability is really going to be the key to our success in that product. And know the product that exists today is primarily a product that will exist tomorrow. Where we are continuing to make enhancements to the product is in the Main Cabin and in the Comfort Plus and in the First Class and Delta One categories.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Hi. Good morning. Glen a question here, again, for you. Dan McKenzie from Buckingham again. As you think about the revenue pools that Delta has, leisure versus corporate, it seems like we have pretty good line of sight on corporate. Wondering if you could help us understand that other bucket, leisure, and if I'm not mistaken it's roughly 50% of your revenues but please correct me on that. And then given this huge tax cut on the consumer, windfall, you talked about that should drive an experience, I wonder if you can just help us think more about that? How do we think about this potential wealth that the consumer has with – I'm just wondering if you can expand upon your previous comments on how that leisure demand revenue pool would grow?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Right, we are expecting it to grow. The purpose of – travel is about 50% purpose of travel business, 50% purpose of travel leisure. The revenue stream is a little bit different because the business customers are paying significantly more than leisure customers, so our revenue mix is more in the 60/40 category towards business. But I think what you'll see is that people are willing to spend more for vacations now, and that translates into going further. So people who might have done a staycation will now fly to Florida; people who will fly to Florida will now fly to the Caribbean; and people who are flying to the Caribbean will fly to Europe.

I think last year if you look at the European revenues in a stagnant environment where Europe had close to zero growth rate, in aggregate, capacity was up 7% and the industry was able to hold unit revenues, indicating that unit revenues between the United States which grew GDP at 2%, 2.5% to a place that had 0% GDP with a pretty much a 50/50 split of origin/destination travel was able to grow unit revenues at 7%, or grow the revenue pool at 7%.

I would expect that Europe's still in that spot, but taking a vacation to Europe, and I might suggest to everybody in this room, it's on sale. Right? It's marked off. It's marked down and it's the best value you'll get. And now with that disposable income coming into the hands of consumers combined with the fact that the dollar is strong, I think we'll see a surge in overseas travel for the summer.

<Q – Julie Yates-Stewart – Credit Suisse Securities (USA) LLC (Broker)>: Julie Yates, Credit Suisse. Glen, could we go back to slide 32 where you have the $1.5 billion opportunity from the branded fares annually by 2018, how do we think about how that phases in, in 2015?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I think we have about $250 million in the plan for 2015.

<Q – Julie Yates-Stewart – Credit Suisse Securities (USA) LLC (Broker)>: Is that a linear trajectory? Or how do we...

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I think this is really uncharted territory. We have that goal out there, hopefully we can get to it sooner, and I think it's going to depend on customer adaptation and our ability to continue to optimize these products. Because once you put them in, similar to building a hub, the real value comes as you've developed it, and then you can optimize it and squeeze down. The same thing with these products, are they new to the marketplace. We don't know the right differential in pricing between Basic Economy and Main Cabin yet. We don't know the actual – and we'll get that data over time and we'll be able to massage it, and it's different by market. So people going transcon might be willing to pay you $20 more. And that's where we see the value is, getting these products into market, getting the data back on it, and then continuing to re-optimize not only the price differentials, the product offerings and the availability.

<Q – Julie Yates-Stewart – Credit Suisse Securities (USA) LLC (Broker)>: Is the underlying assumption that the core pricing is flat in that scenario, or...?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: We never have an underlying assumption of the core pricing is and we're always looking for opportunities to raise the core pricing. And we have a great team that I think has done a great job over the years in continuing to see opportunities. Even – you read the headlines and you say, oh, $3 fare increase but every day we try and increase fares, and we're successful more often than not.

<Q – Julie Yates-Stewart – Credit Suisse Securities (USA) LLC (Broker)>: Thank you.

<Q – Tom Kim – Goldman Sachs & Co.>: Hi, Paul. This is Tom Kim from Goldman Sachs. First off, I would say, congratulations on just doing a phenomenal job deleveraging the business and massively decreasing the overall interest expense as a percentage of your overall revenues. I mean, the incremental impact to net margin from that is obviously tremendous, and we applaud you for continuing to drive down your leverage ratios. But as you think about the forward, can you help us understand how you're thinking about the long-term capital structure?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Thanks for that, Tom. I mean, it's a great achievement, but it's a great achievement that really comes off the operation and the performance of the airline, because without the free cash flow performance and the ability to drive that cash, you don't have a way to de-lever. So it really is a function of the results of everything that we've been doing together.

I think when you look at the forward capital structure, we've been pretty consistent in saying we want to manage it like an investment-grade enterprise. And I think we still have to see what that's going to take. We've made a lot of progress. We still have a little ways to go. There's some inconsistencies across the rating spectrum, et cetera. But I think there's still room to pay that down when you – as I mentioned, $5 billion of net adjusted debt is still $8 billion of adjusted debt, and that doesn't include the pension, it doesn't include facilities. So there's a lot of room to be able to continue to drive that down and take more risk out of it.

So I don't have a definitive number for you. We're continuing to talk about that. I think if you look at, over the last few years, that's continued to evolve, and I think we're still in that evolutionary process. And we'll provide more color as we talk to investors in the spring and talk to each of you in the spring as we work through that.

<Q – Tom Kim – Goldman Sachs & Co.>: [indiscernible] (3:18:13) follow-up question with regard to the capital allocation. One of the industrial peers that had been referenced earlier by Richard has a policy, or an implicit policy aiming to return about 100% of its net income to shareholders, whether it's in the form of repurchase agreements, or through dividends. As your capital return strategy evolves [ph] every (3:18:34) time, is this a possibility? Is this something that you think about or that you possibly aspire to? Thank you.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Well, I think to talk about aspirations at this point, I think, is premature. Hopefully you took from the slides and from everybody talking that, this is a work in progress. We still feel that we have work to do to take some risk out. We've made a lot of progress. I think it's fundamentally different than it used to be, but still not where it needs to be when you look at it across the S&P peer spectrum. So we're going to continue to be balanced about it, and I think as we've talked about it, be prudent in the way we use the cash flow, and that's going to continue to evolve. So we'll continue to update you each year.

The share buyback has been a very flexible tool for us, as you've seen, with the acceleration of both of the programs that we had initiated and completing those well ahead of schedule. That's a good, good tool for us to use to continue to amplify and use the flexibility to be able to manage that. And as we work with the dividend and future buybacks we're going to continue to maintain that flexibility, but we're focused on returning cash to shareholders, we just need to do it in a balanced, prudent way.

<A – Jill Greer – Delta Air Lines, Inc.>: Time for one more.

<Q – Adam Zirkin – Knighthead Capital Management LLC>: Thanks, Jill. Glen, it's Adam Zirkin, Knighthead Capital. Glen, one of the things that resonated most I thought about your comments today is that you spoke about revenue and pricing, not only in terms of microeconomic models, but in terms of broader social trends, how Millennials are spending their money, and that sort of stuff. You could take that sort of commentary and really expand it, right? You can look at fares on an inflation adjusted basis over two decades and see that they haven't performed as well as mike or movie tickets, or sort of 100 different things.

So my question is, have you ever sort of closed your eyes, thrown out all the models, and sort of said, is there any thought as to what people ought to be willing to pay for a ticket, right? Is there some sort of target as to what the product's worth? And particularly in the context of a flattish capacity environment that's genuinely constrained. I guess I wonder if we are set up for some sort of step function change in price potential, is the competitive setup in the industry such that that would be allowed for?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I think that you've seen, well you've taken the long view of 20 years and said that airline fares have, that was also during the early days of deregulation. And over the last cycle, I think what you've seen is airfares and airline revenues have accelerated at more than movie theaters or more than some of the other examples that you cited. And so I think we are in a different era. This is another proof point of being in a different era. So take that long tail off, and as the industry was finding its new industrial organization post deregulation and put on the last five years and say what do we think people ought to be willing to pay for airfares. That's really where we have departments and models and a lot of creative juices going to what can we ask consumers to pay reasonably and where do we see opportunities at a market level every day. And really, that's what we do for a living. And so I think is it structured perfectly? Will it ever be structured perfectly? No. But it's moving in a direction with the consolidation that I think it's a sound base and I think that it's in a good equilibrium right now.

Jill Sullivan Greer, Managing Director-Investor Relations

That is going to conclude the formal part of our program. Thanks to all of our speakers and thank you for everybody that came out today. We are now going to wrap up and head downstairs for lunch.