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# Delta Air Lines, Inc. (DAL)

Bank of America Merrill Lynch Transportation Conference

# CORPORATE PARTICIPANTS

Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

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

# MANAGEMENT DISCUSSION SECTION

## Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Thank you for coming to the our Annual Bank of America Merrill Lynch Transportation Conference. We're going to kick off the airline section of the conference right now. And I want to thank, Paul Jacobson and the rest of the Delta team for being here this morning and being so supportive of our conference every year.

# QUESTION AND ANSWER SECTION

Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

So Paul, maybe I'll just kind of dive right into some Q&A and we'll certainly leave plenty of time for audience participation later. But my first question kind of centering around the return on invested capital has been a metric that Delta and a lot of others in the industry have really focused on over the course – really over course of this cycle, I think, 60% of airlines today have [ph] really got (00:46) some form of long-term performance fees kind of compensation metric. This I think compares to no airlines back in 2004.

But this, obviously, have been a metric that's been coming down the last year four or five quarters for the industry and for Delta, whether it's because of fuel, labor cost pressures and non-fuel CASM-Ex, I think has been reset about 10% higher over the last few years. So now that fuel has been higher for nearly – moving higher for nearly a year now, but really Delta's capacity outlook hasn't changed a whole lot over that timeframe. Why is this and shouldn't you really begin to think about pruning some routes that maybe don't meet return thresholds at this point in time?

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

A

Well, thanks for that Andrew and thank you everybody for joining us today and for joining us on the webcast. We are on webcast this morning. I'm joined here today with Jill Greer; and Elizabeth Lippitt from our Investor Relations Group; as well as Jenny Winter from our Airline Pilots Association, Investor Relations Leader. So pleased to be here and thanks for that opening question. Obviously, return on invested capital is critical for us. And I think represents not only for us, but for the industry one of those signs of a transformational shift that really kind of began post consolidation that is an industry phenomenon that we're much more shareholder friendly than we have been in the past historically.

And you know for Delta that has been a long-term goal of ours to continue to drive that, but what we've got to be mindful of is we're focused on that long-term view and while fuel prices have been going up for a year they've kind of been steadily climbing, albeit slowly up until the last kind of six weeks to eight weeks that we've seen where we've kind of taken a pretty big step function higher. And I would say that we've done a pretty good job of recapturing some of that fuel as we've seen, RASM has been on a pretty positive trajectory for us when you talk about going back to the fourth quarter where we've seen positive RASM in all the regions of the world, give us comfort that we've been able to pass that through. And I think this latest round of fuel increases, it's too soon to tell. I mean, we've got a lot of noise out there.

While I personally think that we're kind of at a new level that is probably going to be sustainable. I think we'll be in that $70 to $80 range for a while. I think, there are certainly signs that we could pop above $80, but this has all been very recent literally over the last six to eight weeks. And as we know in this business, the ability to recapture fuel has a lag effect to it. So, while we've captured a good bit of what we needed to kind of arrest the margin decline, this is a relatively new phenomenon. And at the end of the day, if after time, we don't see that type of fuel traction then we've got to make the right decisions around capacity. We still have a lot of time to do that. The summer is going to be strong.

We will have one of our most profitable June quarters on record, even with oil trending close to $80 a barrel. So we think obviously the future is bright and if there are changes that are needed to adjust for that phenomenon, we'll make those, but right now demand is really robust.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*
Q

I think you mentioned that you expect fuel to be at this kind of new level going forward. I mean, you talk about how the decision making process unfolds internally at Delta in terms of how you would go about thinking about cutting capacity at X point in the future?

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

Well, typically what – all those reductions always occur after the summer, I mean, the summer is going to be full, it's going to be a record summer for us in terms of customers carried and one of the most profitable summers that we've seen against history. So the time to really make those decisions is post that summer period and we still have a few months to just kind of watch the environment, see how it looks, see what happens the oil prices if they do stay here, if they inflect lower before we have to make those decisions. But as we start to get into the fall, we really begin in earnest our planning for 2019 as well and we'll take a fresh look at what fuel prices are going to do and our assumptions and make sure that we respond accordingly from that standpoint.

So I think, it's worth mentioning too, we've seen a lot of volatility in airline margins over the last few years, we've gone from a low oil price environment where margins were peaking and we've come off that cliff, but one of the ways that we need to look at it too is what was the last time oil was $80 a barrel, the last time oil averaged $80 a barrel for the full year was 2010, we made about $1.4 billion, but since that time we've taken our unit revenue index from basically about parity to 110 on a system basis, 118 on a domestic basis and at the end of the day – you turn this one up.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*
Q

 

Sorry, we're having some mic problems.

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

A

Okay. Is that better? To domestic unit revenue approaching 120 on the domestic side versus the industry, so Delta, I think, has actually performed considerably better since the last time we saw oil prices at these levels back in 2010 of any sustained level. We've also paid down our debt and our pension by over $10 billion. During that time, we reduced our non-op expense by $1 billion. And that's really provided the foundation for the type of profitability that we're seeing. So if you look at that trend not just from what margins did during that 2014, 2015, 2016 period, but from the last time, we were 80 to 80, the trajectory is actually really strong and along the lines of that long-term view that we're taking.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

All right. I've heard Glen made some interesting comments on the last earnings call. I think he said that the least profitable routes were those that where you don't have the right type of scale. Would I be correct in thinking that these are maybe some thinner routes with a little bit less demand, a little less ability to drive demand up much higher as opposed to being the bigger route picture you already have the right scale on. And if so why [ph] wouldn't (7:36) adding capacity through larger gauge help the return metrics on those types of thinner routes?

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

A

It's not necessarily thinner routes, it's where – anywhere, we have an opportunity securing more people in lower cost, right, that feed well into the network and this comment is really all about the upgauging strategy. When you look at the type of efficiency that we've driven into the business through gauge, it's pretty phenomenal. If you look at Atlanta, for example, I think our total capacity over the last several years is up 18% on relatively flat departures. It's that type of efficiency that you can drive inside that business. So when you're looking at routes that can improve their performance, it's not just the scale but it's also the cost side where you can drive that seat capacity at a much lower cost and improve the performance of those markets.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

Since you mentioned the gauge out of Atlanta, I guess we put out a note a month or two ago trying to frame Delta's long-term margin edge relative to the industry. We found it to be we thought a sustainable type of margin advantage was about 2 points to 3 points largely due to your presence at Atlanta. Now, feel free to comment on our conclusion if you choose, but I doubt that you will. So, I guess the biggest question that we've gotten from some investors is just kind of what drives the economies of the scale that you have in Atlanta and maybe can you comment -I'm not going to ask you to comment on other people's hubs, but what do you think the strategic advantages of Delta – of Atlanta are, say, versus Delta's other hubs?

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

A

Well, there isn't a hub in the world that has the efficiency of Atlanta. But, to say that that's driven by the airport, sure that has a component of it, but at the end of the day, you're not able to build that hub without the service and the quality and the reliability and the product that allows you to drive that much traffic into the of the business, so that's a testament to the 80,000 members of the Delta team and what they do to serve our customers every day, that's what drives customers through Atlanta, so they're choosing Delta, but you also have the geographic view, I think 80% of the country's population is within a two hour flight of Atlanta which makes it very conveniently located.

But all of that together, whether it's Atlanta, whether it's Minneapolis, Detroit, Salt Lake City, New York, L.A., Seattle, our hubs are unique in not only the geography, but the composition of those hubs and our presence at those hubs really drives what we think is a far superior domestic network to our competitors which is a sustainable competitive advantage. The way to really leverage that is to drive as much efficiency into it, while at the same time improving your product and improving your service and reliability so that customers want to choose to connect through those hubs or fly non-stop out of them where they can.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

As some of your competitors are trying, I'm not going to say replicate what Delta has done, but they want to certainly drive some more connectivity through their hubs. United has done a great job in improving some of its operational stats, obviously American has invested a lot in its fleet over the years. So operations and products are some of the – two of the biggest things that corporate travellers, I guess, really care about and one of the reasons why Delta has some of the revenue premium that you do. But as United and American kind of improve their product, have you seen any kind of shift in corporate share because of kind of some of the better product out of your competition and maybe in terms of Delta's continuous improvement, how are you positioning the company to compete against the stronger competition?

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

A

Well, we position ourselves to compete every day and it's imperative that we continue to raise the bar on ourselves, I think [indiscernible] (11:36).

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

Can you – I think, there is something wrong with the mic again.

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

A

I think we continue to raise the bar on ourselves as well in everything that we do because while we have made tremendous strides in service, quality and reliability, we know there's a lot of things that we can do better, whether it's improving the operation through the storms that we had during spring break last year, investing in IT to improve reliability around that. There's lots of things that we know we can do to get better.

The corporate share battle continues to be, one, how do you establish preference with your customers and we do that through focusing our investment on the things that matter for customers, which is reliability, which is service and using that to the best of our ability. So we haven't seen any erosion in share and one industry comment that I'll make is, I think it's a very good thing for the long-term health of the industry that our competitors are improving operations.

I think the more that we do together to improve the quality of product and the consistency of service, the healthier it is for the industry. I mean, at the end of the day reliability can be demand stimulative, meaning that there are people that will take trips – more trips if they know that at the end of the day, they've got a reliable alternative and not one that's been fraught with some of the volatility that we've seen in the past. So I think that's a great thing for the industry and our competitors have done a great job with that. My hats are off to them because it's not always easy. We know that from the investment that we've made as well, but again we're going to continue to focus on that customer and delivering them that service.

We've got a lot of things in place in terms of technology to give our people better tools at the end of the day to serve customers and to serve them well, exceed their expectations, anticipate their needs and use that experience of the customer and that data that we have to enhance that service delivery for them at every step in the process. The more we can do that, I think the more we can continue to differentiate ourselves in terms of product, but against an industry that's improving is a great story for success.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*
Q

I think for the industry, another big opportunity is continuing to sell more direct to customers maybe changed the way the industry has kind of sold the ticket in the past. I think Delta and others are fairly uniquely positioned given that you have access to such large spending data with your credit card customers. How is Delta looking towards this? Where are your dollars being spent in terms of maybe trying to drive that change from a sales perspective and kind of become a lot smarter in the way you sell tickets?

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

Well, I mean, I think our distribution channels are all important to us and we've got great relationships with our agencies as well and I think they have an important role to play. What we've spent a lot of time doing over the last several years is making sure that we have the right incentives in place to serve our customers at the same level that we would. Clearly, that more direct relationship that we have with the customer, the better we can use the data and there are some things that we can do to help serve. But the agencies have a role in that too and we partner well with them across the board. But looking out and saying what is it that we're going to do, what do we want to incent them to do?

Well, we want premium share, we want them incented to help upgrade experiences as well and making sure that those incentives align. So while the relationship is different than it has been in the past, I wouldn't say that it's less important in fact in the space around corporate, it's sometimes more critical to make sure you're maintaining those relationships with the agencies. And we host them a couple of times a year and we've got great relationships where we're looking for insight, not just from our agencies, but also from our corporate customers to tell us how we can better relate to them, make it easier to sell the product, make it easier to select and chose Delta in everything they do so they can help guide our investments in the future.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*
Q

What is the biggest thing that, say, an agency or a corporate has come back to you with in terms of this would make it easier on us or this is what we'd like to see Delta do?

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

A lot of it has been around technology, certainly this is after the table stakes of reliability and customer service, but it's how do you report that technology and what can you do to help make their life more efficient and easier, so getting the visibility of being able to track corporate customers at the individual level and assisting the travel managers and assisting the agencies just makes their life easier and that's been a big focus of ours over the last several years and that relationship is good and they've always got a lot of good ideas and we're always listening.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

So, you obviously have a very good relationship with your agencies and your corporates and just as corporate – recovery in corporate travel today is sort of a big theme of mine and others at within research at Bank of America Merrill Lynch, particularly on the hotel side seeing all the commentary out of the Marriotts and Hiltons of the world are very positive around corporate travel, and you guys provided some pretty good commentary on your last call just in terms of where fares were compared to today versus where they were in 2014. I guess, when you're having these conversations with your corporates, what do you think is the biggest reason why up until recently corporate has been relatively weak versus leisure and maybe what are they saying to you now in terms of expectations for their future travel needs?

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

A

Well, I think they've been pretty consistent over the last several years that demand is robust and we've said that even through the time where close-in yields were struggling under the weight of lower fuel prices. We never really saw that as a big demand issue. And in fact, when we look at the economy today and we look at corporate traffic, demand is strong. And it's just a matter of making sure that the yields get to where they have been, now that's always been historically an easier lever than has weak demand in terms of being able to drive margin. But we've got to do that. And I think the latest increase in fuel while steep again that's what we need to be looking for is where can we drive that additional revenue capture in order to offset the increased cost that that fuel represents. And while that will take some time, I think we're confident that we'll be able to see it. And if we don't, we'll make the appropriate adjustments at the time.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

I guess, if demand is so good, why are corporate fares still only quarter of the way back to where they were in 2014? Is it just it takes time in that kind of that lag on the pricing side? Is it – I guess, a lot of it depends on the close-in yields which we've started to see a lot more traction on over the last few weeks, but that's been kind of the theme as cycle demand is so good, but pricing just doesn't seem to really be as strong as maybe it could be. Why do you think that is?

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

A

Well, I think there wasn't as much urgency across the industry when fuel prices had bottomed out, margins were continuing to decline even in the face of weaker RASM, and we took that task head on over the last couple of years and I think did a really good job of managing against that making sure that we bring RASM up for the system even at the expense of some marginal capacity that would've been cash accretive. That was a right long-term decision and it's more in line with the thinking of at the end of the day if we don't see that catch-up and that margin stabilization in the phase of higher prices, we're going to have to take a hard look at what capacity plans are from that standpoint, but with $80 oil and the pace at which it's come up, if it's sustained here, I think that presents the urgency that's there that we need to respond to it.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

This past six to eight weeks aside with the rising fuel, fuel has obviously been on a steady rise up since this time last year. What you've seen in your business and just overall industry, do you think what you've seen on the price – in terms of the pricing actions, do you think it has been rational to date so far?

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

A

Yeah. Going back to Investor Day, as we said we're entering the year, we felt very good about more revenue momentum in the business than we've seen in four years, which was as we laid out the plan to stabilize margins in 2018. This is a short-term phenomenon that we've seen and while it's been pretty steep, it's only been around for – now less than two months from where we saw that kind of level set against our plan. So I think we have to see. We've got some time before we have to make those decisions and we just need to watch the revenue and the fuel environment and see how it reacts before we make those decisions heading into the winter and into 2019.

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**Andrew G. Didora**
*Analyst, Bank of America Merrill Lynch*

Q

Got it. Maybe changing gears a little bit moving more onto international. Obviously, currency now beginning to move a little bit against you once again, outside just the translation impact, as this happens, have you seen any sort of shift in booking patterns on routes particularly trans-Atlantic because of this. And maybe you alluded to summer being very robust in terms of your bookings, but as we move further into kind of the July, August months of the summer, can this Atlantic strength hold up as maybe passenger mix shifts a little bit more towards leisure from corporate?

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

A

Again, based on what we can see today, we think that the summer is going to be very strong, especially in the trans-Atlantic, that's some of the momentum that we had talked about heading into 2018 and we haven't seen that change despite those currency impacts. We expect it to be strong. We expect it to hold up and certainly fuel holds a lot of weight in terms of the relative margins and what we'll see in that business with fuel prices affecting the long-haul a little bit more. But no reason to believe that from a demand set that summer isn't going to be a strong summer.

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**Andrew G. Didora**
*Analyst, Bank of America Merrill Lynch*

Q

Okay. Then maybe one last one from me before opening it up to the audience. Obviously, this is the first year you and many other airlines put out EPS guides pretty much anytime in the history of the sector, maybe if you can speak a little bit more conceptually about your EPS guide, this is obviously an outlook you put out back in December in a much different fuel environment. And I completely understand not wanting to constantly mark to market your guide to fuel. But when do you think you'll have enough visibility into other parts of your business to provide an outlook that maybe incorporates the new fuel reality a bit more?

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

A

Well, I think as we assess the impact of this run up in fuel and what the summer looks like, we'll have a better idea of how to think about the back half. We've said that we are making progress on our cost goals, we feel good about that full year cost guide, we have some work to do to get to the lower end of that, as we've said going back through Investor Day and through Q1. So I think as we get through the summer, we'll have more visibility. And the trade-off is, look, you've got an input cost that is going to fluctuate daily, sometimes it's going to spike and come back, sometimes it's going to spike and sit there, sometimes it's going to drop.

What we don't want to do is get into a scenario where we basically become a proxy for oil prices. I [ph] don't (24:26) think there is some of that anyway, but getting some consistency in that view and this is an evolution, as you said. This is the first year that we and others have provided a full year EPS guide that's a good sign of progress, but as we've said all along, we're playing the long game here in the renaissance story of the industry and feel like we've got a good track record and we're going to continue to track that, but as we get through in the summer, we'll have a better view of how the full year will look.

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**Andrew G. Didora**
*Analyst, Bank of America Merrill Lynch* **Q**

Okay. We have a little under 10 minutes left to go. We'll open it up to the audience in the room for any questions. [ph] I think you did (25:13) a good job. No questions in the room, I guess maybe another one – another one for me, I guess. The board I think a year or so ago changed one of your long-term compensation metrics and tied it to relative shareholder return not against other airlines, but against the S&P, I think this is – I think you and maybe one other airline kind of benchmark to yourself versus the broader market as opposed to just within the industry. I know you don't sit on the board, but can you speak about why this change was made and don't you think this is something that's sort of a material change in the industry?

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

No, we do see it is a material and we see it is an important step in the way we think about the business. I think for too long parts of our history it was a little bit of a defeatist view of [ph] why (26:09) we're an airline we can't be better or we're different. The reality is we're not as we compete for capital, we're competing with all of the large companies in the entire market, so why not measure our performance against that market. We've never really been in a position to do that, but the health of the business, the health of the balance sheet, the return profile, the amount of cash that we're returning both in the form of dividend as well as buybacks is really, really strong and you look at how far that we've come since 2013 when we began in earnest, this capital return and this disciplined capital allocation, now is the right time to be thinking about that.

That's a challenge when we still think that there is some issues with the market's valuation of our cash flows and that of the industry as a whole, but as I said before, I certainly understand some of that skepticism given our history. So we've got to make sure that we focus on that view point. But when you think about how different the business is today, one of those key differences is the credit card, you didn't ask specifically about that but the loyalty programs have become so powerful in partnership, our partnership with American Express is proven – creates tremendous value for both us and American Express and that is a huge source of some of the stability that we've seen and what we think is much more of a powerful force for that durability and sustainability of the business going forward for the long term, that deal to us, as we've disclosed, is worth $3 billion in annual cash to us and it's going to grow to $4 billion by 2021.

With businesses like that would be MRO with cargo, with the passenger segmentation, all combined with the capital allocation, comparing ourselves to the S&P 500 is the right thing to do for us for the long-term compensation.

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**Andrew G. Didora**
*Analyst, Bank of America Merrill Lynch* **Q**

So what do you think is the next evolution in the process of making the Delta or the industry better so that it can better compete for that global capital?

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

A

Well, I think it goes back to consistency of results and durability of the business. What we've never proven before historically is our ability to withstand an economic recession or a downturn. And the jury is out on what that's going to look like for the industry going forward. We're confident in our own ability, in fact, what we've been doing really for the last 10 years is preparing ourselves for that eventuality, whenever it does happen. I don't happen to think that it's going to be soon, but in a way we're ready for it if it is. We've paid down over $10 billion of debt. We've voluntarily funded our pension plan to the point that we have no required contributions to that plan through 2024 has provided tremendous flexibility for us to withstand that.

When you look at the way we manage capital expenditures and keep capital at about 50% of operating cash that provides a pretty significant free cash flow buffer on the business for us to make sure that, contrary to history, we're not out diluting shareholders at the worst possible time and as good stewards of shareholders dollars providing tangible cash returns to the market on a consistent basis, I think, it's what's going to make us that much more valuable in the future, but not having proven that, I certainly understand the skepticism of the portfolio managers and the analysts out there that look at the track record of history and say, every CFO that's been in front us before saying this time is different has been wrong. We take that very seriously.

We own that history, but at the same time we've done a lot to try to change that trend, we've focused on making the business healthier, we've focused on generating a quality product through our investments in our people and technology and feel like we've transformed the business in a way that will provide that sustainability through tough times.

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**Andrew G. Didora**
*Analyst, Bank of America Merrill Lynch*

Q

We have a question in the room.

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Q

Yes. Paul, can you give us an idea of how long, I hate to use the capacity because I'm not really talking about generic capacity, but route changes in the September to November period, how long can you go into the summer before you have to make decisions or are they set?

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

A

No. Thanks for the question, [ph] Ross (31:02). As I said, we've got some time, so really if you get into that middle of the summer you've got to start thinking about what the back half of the year it looks like. As we've said historically, international routes take a little bit more time because you've got seasonal route authorities and slots that you've got to contend with but domestically we've got a lot of flexibility and can make changes even well into the sort of back half of the summer from that standpoint. So there is not a need to overreact. Based on where we sit right now, we've got time to monitor that process. But as I said in the question that Andrew asked, it really becomes much more of a precursor of how do you set your plans up for 2019, because you'll have to make those decisions in the fall because as you're looking at growth plans for the future year, it affects hiring decisions, training that has to be done through the winter to prepare for that summer. So that's where it really starts to begin in earnest as we get into the late summer early fall period for 2019.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Q

Anyone else in the audience? I guess, last one from me before we wrap it up. You made interesting comments, I guess, two questions ago just in terms of you've kind of been preparing Delta this entire cycle for that inevitable next downturn to prove out the durability of the business. But you said that you don't think that that downturn is coming anytime soon. I guess one of the biggest pushbacks I get from airline investors outside of kind of maybe frustration about near-term capacity or pricing is that the cycle is peaking and you clearly are not of that thought process. I'm just curious why, is there anything that you see in Delta's business that can be sort of a leading indicator of that?

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

A

I mean, certainly, everything that we've said around the demand outlook and our profitability indicates that we see this as a good year by any historical measures. Is it as good as it could have been? Certainly not with fuel being volatile. But our job is to create that durability and the way that happens is to be nimble and making sure we can respond faster than we have historically to the changing economic environment.

But if you look at growth around the world, it certainly feels better than it's felt internationally in the last couple of years. Domestic is picking up, we see that in our corporate landscape as well. So I don't think there's any reason to believe. That being said, we've been shocked before. I mean, you go back to 2009, and the credit crisis post 2008 which looks to me to be more like a stress test type future scenario than it would a natural economic cycle, but what we have to ask ourselves as followers of the industry is, is this a sign that things really are different. Because this is the longest sustained cycle by far that we've had in terms of profitability, it was helped by lower fuel prices, but that was providing margin expansion, even without that we were still much, much healthier as an industry. So you have to ask yourself has that dynamic changed and are the cycles here going to be longer, more stretched out in terms of the wave length and less volatile in terms of the amplitude of the gains and losses.

We certainly feel that way, we've tried to position the business that way to make sure that when we do go through that down cycle we have significantly better results. We started several years ago saying that we thought we could be profitable through a cycle, I actually personally think that that bar is not high enough anymore and what I've reiterated to our investors and to the market is that our goal is to be free cash flow positive through that downturn, that would be game changing for Delta in its history and I think a strong sign that the work that we've put into it over the last decade has really paid off, which is important for all of the members of the Delta team, 80,000 strong that rely on us to provide that sustainable durable framework.

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Andrew G. Didora
*Analyst, Bank of America Merrill Lynch*

Great. It looks like we're out of time. So, I'll leave it there, Paul.

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

Okay. Thank you.

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## Andrew G. Didora

*Analyst, Bank of America Merrill Lynch*

Thank you, and thank you everybody for joining us.