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Delta Air Lines, Inc. (DAL)

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CORPORATE PARTICIPANTS

Jill Sullivan Greer

Vice President, Investor Relations, Delta Air Lines, Inc.

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

Paul A. Jacobson

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

Ned E. Walker

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

Peter W. Carter

Chief Legal Officer, Executive Vice President, & Corporate Secretary, Delta Air Lines, Inc.

OTHER PARTICIPANTS

Susan Donofrio

Analyst, Macquarie Capital (USA), Inc.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Brandon Oglenski

Analyst, Barclays Capital, Inc.

Duane Pfennigwerth

Analyst, Evercore ISI

Hunter K. Keay

Analyst, Wolfe Research LLC

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Rajeev Lalwani

Analyst, Morgan Stanley & Co. LLC

Catherine M. O'Brien

Analyst, Deutsche Bank Securities, Inc.

Conor Cunningham

Analyst, Cowen & Co. LLC

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Michael Sasso

Reporter, Bloomberg News

Aaron Karp

Senior Editor-Air Transport World, Penton Media, Inc.

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Delta Air Lines September Quarter Financial Results Conference Call. My name is Aaron, and I will be your coordinator. At this time, all participants are in a listen-only mode until we conduct the question-and-answer session following the presentation. As a reminder, today's call is being recorded.

I'd now like to turn the conference over to Ms. Jill Greer, Vice President of Investor Relations. Please go ahead.

Jill Sullivan Greer

Vice President, Investor Relations, Delta Air Lines, Inc.

Thanks, Aaron. Good morning, everyone. Thanks for joining us for our September quarter call. Joining us from Atlanta today are our CEO, Ed Bastian; our President, Glen Hauenstein; and our CFO, Paul Jacobson. Our leadership team is here in the room with us for the Q&A session.

Ed will open the call and give an overview of Delta's financial performance, Glen will then address the revenue environment, and Paul will conclude with a review of our cost performance and cash flow. To get in as many questions as possible during the Q&A, please limit yourself to one question and a brief follow-up.

Today's discussion contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from the forward-looking statements. Some of the factors that may cause such differences are described in Delta's SEC filings.

We'll also discuss non-GAAP financial measures. All results exclude special items unless otherwise noted. We're also providing cost and margin comparisons on a normalized basis as this better matches the retroactive expense we incurred in the fourth quarter of 2016 from our pilot contracts to the appropriate quarters of 2016. You can find a reconciliation of our non-GAAP measures on the Investor Relations page at ir.delta.com.

And with that, I'll turn the call over to Ed.

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Thank you, Jill. Good morning. I appreciate everyone joining us on the call. Jill reminded me the other day that this is our 50th earnings call that we've done together, and it continues to be a good story and we've got a lot more yet to go. This morning, Delta reported a \$1.7 billion pre-tax profit for the September quarter, and earnings per share of \$1.57 versus consensus of \$1.53. While we faced a number of challenges this quarter, including multiple hurricanes and an earthquake in Mexico City, the determination of our people to deliver great service for our customers and communities showed through, and customers are showing us that they value the quality of Delta's service.

Demand is strong and more people are choosing to fly Delta than ever before. In fact, we had 17 of the top 20 days for passengers carried in our history this summer. We continue to show that air travel is resilient and part of our daily fabric in today's society, in good times and in challenging times. This is an important part of our investment thesis and speaks to the health of the Delta brand.

We generated 6% top line growth, a 16% operating margin, and \$1.6 billion of operating cash flow, while facing pressure from rising fuel prices and \$120 million headwind from Hurricane Irma. We rebounded quickly from Irma and were the first airline to resume service in most of the key airports in Florida, including Tampa, Orlando, and Fort Lauderdale. And we never shut down our Atlanta hub operations despite encountering the first tropical depression in the city's recorded history.

Our recovery was aided by the process improvements we've put in place earlier this year following the April storms, including better crew communications and scheduling. We're very proud of our team. I want to express my sincere thanks to the Delta people for the grace and professionalism you demonstrated to take care great care of each other and our customers through all the challenges we faced this quarter. Your efforts resulted in another \$314 million towards next year's profit sharing payout.

Our profit sharing program sets Delta apart and is a powerful tool uniting all of our employees around a common goal. With this in mind, we recently made the decision to align our profit sharing plans once again. Our people are our greatest asset, and our culture is the foundation of our strategy. This investment will keep our employees pulling together for the benefit of all of Delta's stakeholders and will generate considerable returns for the years to come.

Our unified focus is more important than ever as we build on our revenue momentum and look to counter rising fuel costs and return to earnings growth and margin expansion. Since we last spoke, fuel prices have increased our second half costs by \$400 million. We are encouraged by our progress as we've grown unit revenues for the last two quarters and are on track to deliver another positive result in the fourth quarter. We expect Q4 unit revenues to be up 2% to 4%. We are looking to close this year with an operating margin close to 15% and a mid-teens after-tax ROIC. And after having secured our third investment grade rating, 2017 is shaping up to be a pretty successful transition year, our third year in a row with pre-tax profit at/or approaching \$6 billion.

As we look ahead with good momentum in the business and a large pipeline of initiatives, we have solid visibility to our path to growing earnings and margins. To get there, first we must keep our unit revenues on a positive trajectory. Through our commercial initiatives and award-winning product and service, we expect to deliver unit revenue growth and maintain our 109% revenue premium to the industry.

A key aspect in the return to positive unit revenue has been the improvement we've seen in the international business. We have invested roughly \$2 billion over the last five years to build a franchise of some of the best airline brands around the world – Virgin Atlantic; Aeromexico; GOL; China Eastern; and our newest stake, a 10% investment in the Air France-KLM Group which we closed last week and where we are now one of the their largest shareholders. With these partners and our immunized joint ventures, we're able to achieve many of the benefits of cross-border consolidation, driving improved international margins on a sustainable basis.

Second, we will keep our capacity at the right levels to maintain that revenue momentum. We'll have more details at Investor Day in December, but right now we expect to maintain a similar domestic growth rate to the past several years while returning to modest international growth as these entities recover. In fact, in Q3, our international RASM growth outpaced domestic. This would put our 2018 system capacity growth in the 2% to 3% range, with a full point of this increase due solely to longer stage length. We think this plan will allow Delta to drive both top line and unit revenue growth.

And finally, we'll stay disciplined with our cost structure and capital. Keeping our cost structure in check provides us the flexibility to effectively deal with competitive challenges. While 2017 has been a transition year on labor

costs, 4% non-fuel unit cost growth is unsustainable and we must, again, return to sub-2% growth starting in 2018. We are in the early innings of a fleet transformation that will drive some of the greatest efficiency gains in our history. And importantly, we were able to execute on this initiative while keeping our capital spending at roughly half of our operating cash flow. This allows us to continue strengthening our investment grade balance sheet while also generating substantial returns for our shareholders.

We've built an incredible business at Delta; in our opinion, the best among the global airline industry. And as this quarter showed, the Delta people can step up to any challenge and deliver solid results for our customers, our owners, and our communities.

Now I'm going to turn the call over to Glen and Paul to go through more details on the quarter.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

Thank you, Ed. Passenger demand remains strong and our commercial initiatives are delivering results, which drove a 6% increase in our revenues for the quarter. Great teamwork across our commercial and operations groups limited the revenue impact from the storms, as roughly 20% of our domestic revenue touches Florida and 45% touches the Southeastern United States. I'd like to join Ed in thanking the entire Delta team for their efforts in recovering from those storms.

Leisure demand and yields continue to show the positive momentum that we've seen all year long, and our opportunity continues to be in improving the business revenue environment. While July business yields were slightly softer than expected, we saw continuous improvement throughout August, September, and now into October. That favorable yield trend, combined with strong domestic demand, drove business revenue up 6% in the quarter.

At the same time, we continued to diversify our revenue streams and have seen growth from ancillary sources exceed the growth in base fares. Branded Fare initiatives delivered an incremental \$160 million in the quarter. The new post-purchase option alone added \$50 million, contributing to a 30% increase in Comfort+ and First Class revenues.

Our partnership with American Express produced an additional \$90 million of value in the quarter. This growth highlights the value of combining a high-quality credit card partner and a premier loyalty program. We're very proud of our SkyMiles team. SkyMiles is on pace for another record enrollment year and placed first among the U.S. global airlines in the U.S. News & World rankings of airline loyalty programs. Finally, I'd like to highlight our Cargo business which contributed a second consecutive quarter of double-digit growth. This quarter, sales were up 12%.

Turning to unit revenues, our \$330 million improvement on the passenger line equated to system PRASM growth of 1.9%, with positive results in each month of the quarter. Adjusting for 1 point of impact from the storms, PRASM came in at 3%, with our original guidance range given in early July. In our domestic business, we saw unit revenues improve 1.5% this quarter, including over 1 point of impact from the storms.

We continue to gain traction with our business fare initiatives. Of the top 100 domestic business markets, 50% were in positive yield territory at the end of September, a 10-point improvement within the quarter. We expect those numbers will continue to improve in the fourth quarter. Coupled with the growth we are seeing in both leisure and business demand, we believe the domestic environment, which accounts for two-thirds of our revenue base, is healthy and moving in the right direction.

On the international side, there is good momentum, with unit revenues outperforming the domestic entity in the quarter. Transatlantic had its first positive result in three years, with PRASM increasing 2.4%. Strong leisure demands on improving yields, combined with strengthening business demand and yields throughout the quarter, drove this result. We expect unit revenue will continue to accelerate further as we head into the historically high strong business season, the fourth quarter.

In Latin, PRASM improved 6% despite hurricanes, the earthquakes in Mexico City, and a tougher comp, including the Olympics in Brazil. And in the Pacific, unit revenues declined 3%, with a 1 point headwind from currency and an 8% increase in stage length. Our network restructuring is gaining traction. We are leveraging our partnerships with Korean to move more efficiently, connecting traffic through Seoul instead of Narita, which contributed to positive unit revenues in Tokyo.

In addition, our Haneda service continues to mature and generated a positive margin for the quarter. In summary, we now have three of our four entities delivering positive unit revenues, representing roughly 90% of our total capacity.

Our focus is on maintaining forward PRASM momentum, and we expect fourth quarter system unit revenues to be up 2% to 4% despite facing our toughest comps for the year. While we benefit from the Jewish holiday shift and lapping last year's election, more importantly there are underlying improvements in the revenue environment. Based on advanced bookings, leisure yield and demand strength continues and we are seeing further improvements in business fares.

Indeed, our last survey of corporate travel managers showed more than 85% project their spend will be maintained or increased in the fourth quarter and into 2018. This is a 9-point improvement from last year's numbers and the best fourth quarter result since our survey debuted in 2011. It is also consistent with the trend we've seen in our corporate contracted revenues where fares and volumes have recently been in positive territory concurrently for the first time in three years.

Internationally, currency will turn into a modest benefit after three years of headwinds, which should also help maintain our momentum in the Transatlantic. In Latin, we have reduced our capacity as leisure demand will be affected until the infrastructure of the region has time to recover. Despite these challenges, we expect Latin will continue to realize unit revenue growth in the fourth quarter.

Finally, in the Pacific, the A350 will begin flying later this month, facilitating the last 747 retirements. This will kick off a fleet transition that will allow us to meaningfully enhance our profitability in the region over the next several years. So as we sit here today, we should exit 2017 with all regions in positive RASM territory and more revenue momentum than we have had in the past several years.

Then as we look ahead, we have three main platforms we will leverage to continue to grow revenues, earnings, and margins. These include delivering network efficiency, driving customer innovation, and improving customer choice. First, we look to drive greater efficiency across our global network. In domestic, we'll continue upgauging with new large narrowbodies, leveraging our scale and hub structure to provide more options for customers in a margin-accretive way. Internationally, we'll further build out our joint ventures, finding the best ways to route our customers across our combined networks while making overhead functions like scheduling and distribution more efficient.

Second, we'll continue our journey to deliver a more innovative customer experience. We lead the industry on customer solutions like our expanding partnerships with CLEAR, offering video chat with reservations agents, and redesigning gate and boarding processes. We are constantly striving to raise the bar on the Delta experience for our customers. And we are seeing results in our Net Promoter Scores, which have hit all-time highs. Driving a higher NPS is key to sustaining our revenue premiums to the industry.

And finally, we are expanding segmentation to give customers more choices. Our Branded Fare initiatives is about offering customers more products in more markets and making them easier to buy. Basic Economy was fully rolled out in the domestic entity at the end of the first quarter and now has been expanded to include more than half of our Latin portfolio. We continue to expect the products to be available worldwide by the end of next year.

Our fifth product, Premium Select, will begin flying in the Pacific this October on the A350, and will be introduced in the Transatlantic next spring. Initial sales on this product have been very encouraging, and we're looking forward to having it rolled out more broadly next year. Our goal is to have the best-in-class product offering, whether you're a price-conscious customer choosing Basic Economy or a more discerning traveler looking for the luxury of Delta One. Regardless of which product you choose, they all come with the great service provided every day by the amazing people of Delta.

We're excited about the commercial opportunities we have ahead to give our customers the experiences they value, and we look forward to sharing more details with you at Investors Day.

And now, I'm happy to turn the call over to Paul.

Paul A. Jacobson

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

Thanks, Glen, and let me add my thanks to the Delta family for all of their hard work and the outstanding service they provided for our customers through all of the challenges we faced this quarter.

For the September quarter, total operating expenses increased \$660 million as fuel prices moved higher and we maintained our measured investments in our people, our product, and our service. Of the increase, about a third of that was driven by fuel. We continue to be focused on doing everything we can commercially and through our ownership of the refinery to drive sustainable competitive advantage in the way we buy fuel. This is even more critical in times like this as fuel prices start to rise.

In late July, we saw market jet prices increase significantly, which continued through the quarter as the U.S. refinery complex dealt with the impacts of the hurricanes. As Ed mentioned, we now expect our fuel expense to be \$400 million higher for the back half of the year than we did just three months ago.

We've been able to offset some of that pressure by leveraging the expertise of our field team and with the refinery. We estimate that the timing of fuel purchases and the Trainer profitability saved us roughly \$60 million in the quarter or about \$0.06 per gallon benefit to our all-in fuel price of \$1.68. Roughly half of that came directly from the refinery, and we expect a benefit in the fourth quarter as well, which will drive a full year contribution of over \$100 million.

For the December quarter, we expect our fuel expense to increase by approximately \$250 million, with an all-in fuel price of \$1.82 to \$1.87 per gallon. This includes a \$70 million hedge loss, and I'm happy to say this will be the

last quarter impacted by our legacy hedge book. The remaining operating expense increase came on the non-fuel side and resulted in a non-fuel unit cost increase of 2.6%.

Excluding the one-time impact of last year's outage, our 3Q costs were consistent with our first half performance and reflect our continued investments in our people, our product, and our fleet. We also saw a modest headwind from hurricane-related cancellations and capacity reductions.

For the fourth quarter, we expect a similar cost trajectory with non-fuel CASM up 4% to 5% on a normalized basis. This will put us on a trajectory for roughly 4% non-fuel cost growth for the year. There are three main factors that are pushing CASM above our 2% to 3% guidance for 2017 given earlier this year. First, the decision to harmonize the profit sharing plan that Ed discussed earlier; second, the CASM pressure associated with the storms and hurricanes; and finally, accelerated depreciation from incremental fleet decisions, including moving up narrowbody retirements and the parking and subsequent write-off of two 767s. Combined, these items created over 1 point of incremental pressure for 2017.

While there are reasons for our cost inflation in this transition year, we know we must do better. As Ed stated earlier, 4% CASM growth is not sustainable and we must return to our targeted 2% growth rate. Capacity will play a part. We made a decision to cap capacity at 1% this year to improve revenue performance, but this also put pressure on costs. Returning to a more normalized growth rate next year will further benefit our CASM. We'll have more details on them at Investor Day, but benefits from our fleet transformation, maintenance initiatives, and technology investments are a solid pipeline to drive the productivity needed to deliver on our cost goals in 2018 and beyond.

To give an example, as part of our domestic upgauging, we've taken 26 new narrowbodies, increasing our average domestic gauge by 2% this year. This is a key part of Glen's first commercial platform about network efficiency. That higher gauge has produced 2.4% more domestic ASMs on 1% fewer departures year-to-date. In 2018, we will nearly double the pace at which we are replacing older aircraft with more efficient fleet types, and we'll continue to see productivity benefits ramp up. In addition to the network efficiency from a higher gauge, the newer-technology aircraft will also drive efficiency in fuel and maintenance cost benefits. This productivity and the solid cost foundation that it produces is what will allow us to consistently deliver strong margins and earnings growth into the future.

For the third quarter, we delivered a 16.1% operating margin, which was lower than our initial outlook because of higher fuel prices and Hurricane Irma. As Ed mentioned, our revenue needs some time to catch up to this latest move in fuel prices. And as a result, we are expecting our December quarter margins to be 11% to 13% compared to last year's 14.8% normalized result.

Turning to the balance sheet and cash flow. This is an area where Delta has also differentiated itself from the industry. For the quarter, we generated \$1.6 billion of operating cash flow and \$470 million of free cash flow after investing \$1.1 billion in capital expenditures. This includes \$500 million on new aircraft and modifications, nearly \$100 million on facility upgrades, and \$175 million to complete the purchase of our 49% stake in Aeromexico. For the December quarter, we expect capital expenditures of approximately \$1.5 billion, which includes \$450 million for our 10% stake in Air France-KLM that closed last week. Delta's balanced approach to capital spending continues to benefit our shareholders, and we returned approximately \$770 million to our owners this quarter. We funded this with a combination of the free cash flow we generated and cash on hand.

We have now completed our 2015 \$5 billion share repurchase authorization, the third authorization we've completed before its expiration date. For that program, we repurchased 110 million shares at an average price of

approximately \$45. Our repurchases beginning this quarter will be under our new authorization, which is \$5 billion, which will continue through 2020.

The September dividend payment of \$220 million was also the first at \$0.305 per share, which is another 50% increase from the prior level and represents a 2.5% dividend yield. Since announcing our strategy to consistently return cash to shareholders, we reduced our fully-diluted share count by 16%, and a shareholder over that period has received a 422% total return. With our approach to our dividend and our systematic repurchase of our stock, we are creating a tangible cash flow stream that our investors can rely on over the long-term.

And finally, we remain committed to maintaining a strong balance sheet. At the end of the quarter, our adjusted net debt was \$8.8 billion, and our unfunded pension liability was down to \$6.8 billion; together, a reduction of \$1 billion from year end. Our pension has benefited from a \$3.5 billion contribution that we made earlier this year in addition to strong asset performance throughout the year.

We're pleased that S&P upgraded Delta to investment grade last month and are proud to join Southwest Airlines as the only other airline to have an investment grade rating at all three agencies. We have made great strides in our efforts to build a strong, durable balance sheet and business, and are glad that that is being recognized. We are even more excited about the opportunities we have ahead to leverage our foundation for continued success. As Glen highlighted, we're in the early innings with our commercial initiatives that should allow us to sustain our revenue trajectory. At the same time, the pace at which we are driving cost efficiencies through scale, re-fleeting, and technology will be accelerating, a combination that is setting us up well for 2018.

We look forward to seeing many of you and giving more details on our future plans at Investor Day in December. And with that, I'll turn the call back over to Jill to begin the Q&A.

Jill Sullivan Greer

Vice President, Investor Relations, Delta Air Lines, Inc.

Thanks. Aaron, before we go to the Q&A, everybody please take a moment. Mark your calendars for our 11th Annual Investor Day which will be December 13 and 14 this year. And as a change of tradition, I guess we're taking Investor Day figuratively on the road because literally we're staying home here in Atlanta this year. So we will have more details being sent out soon, but mark your calendars. So Aaron, if you could give everybody the instructions on how to get into the queue.

QUESTION AND ANSWER SECTION

Operator: Yes ma'am. [Operator Instructions] We'll go first to Susan Donofrio with Macquarie Capital.

Susan Donofrio
Analyst, Macquarie Capital (USA), Inc.

Q

Hello?

Jill Sullivan Greer
Vice President, Investor Relations, Delta Air Lines, Inc.

A

Hi, Susan.

Susan Donofrio
Analyst, Macquarie Capital (USA), Inc.

Q

Hi. How are you? Just a question on Basic Economy. You did speak a little bit on the call just kind of about your expanded ability. You're working on post-purchase transactions. I'm just wondering how we should think about this as you roll it out to international as well now. And I'm also wondering if you're seeing any changes to how you're approaching it now that your competitors have rolled it out as well.

Glen W. Hauenstein
President, Delta Air Lines, Inc.

A

Susan, hi. It's Glen. How are you today?

Susan Donofrio
Analyst, Macquarie Capital (USA), Inc.

Q

I'm good. How are you doing?

Glen W. Hauenstein
President, Delta Air Lines, Inc.

A

Good. Thank you. We're very happy to innovate in this space and we think it's a place that, as we've spoken before, it's more of a defensive product than it is an offensive product because we need to have a product for people who are just price-conscious and we want to have the best-in-class. We believe we do have the best-in-class Basic Economy product. And when you combine that with the Delta hospitality, you get really an industry-leading product even in that space.

Our sell-up continues to remain high, and I think that's the key part to that, is that people don't really want the de-contented product when they see what exactly it is, and essentially it doesn't come with seat assignments and you have to wait until check-in to pick your seats, and a lot of people don't want to do that. Internationally, we have a lot of different carriers who are doing different seat buyback initiatives, and we'd like to consolidate that into the Branded Fare initiatives so we can continue to have those kinds of sell-ups not only domestically but internationally. And really, the success of that product isn't how many people buy it in our mind, but how many people don't buy it and choose another product, and that's really where we're focused.

Susan Donofrio

Analyst, Macquarie Capital (USA), Inc.

Terrific. Okay. Thank you.

Q

Operator: And we'll go next to Jamie Baker with JPMorgan.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Hey, good morning everybody. Glen, sort of a follow-up to Susan's question. On Basic Economy, does it make sense to potentially place it further up along the fare ladder as time goes on or is that simply a non-starter? I'm not asking about future pricing; I'm just wondering whether it's sensible over time that Basic Economy potentially creeps further up the fare ladder or is it just destined to remain at the lowest two or three rungs.

Q

Glen W. Hauenstein

President, Delta Air Lines, Inc.

I do think that talks to future pricing initiatives, so I'd like to stay away from answering that question if you don't mind.

A

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Okay. Fair enough. I'll redirect to Paul. Same question; no, I'm kidding. What's the plan B if the C Series economics don't work out and what assurance can you give us that your existing contract does afford you an early out in the event that you're forced to pay an egregious tariff?

Q

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Jaime, this is Ed. I'll take that.

A

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Thanks, Ed. Well, thank you.

Q

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Good. The C Series debate or the decision from Commerce is not just disappointing, it doesn't make a whole lot of sense. We think it's early in the discussions and we also know that it's triggering a lot of discussions at political levels, not just within the aerospace field. We will not pay those tariffs, and that is very clear. We intend to take the aircraft. I can't tell you how it's going to eventually work out. There may be a delay in us taking the aircraft as we work through the issues with Bombardier, who's being a great partner in this. We think that the aircraft needs to come to market, we believe it will come to market, and we believe Delta will get it at the agreed contractual price. We're not going to be forced to pay tariffs or do anything with the deal, so there should not be any concerns on our investors' minds in that regard.

A

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Okay. That's helpful. Can I just redirect to Glen since the first question was a non-starter?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Sure.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Okay. When you think about Transatlantic industry capacity over the winter, does your internal model assume any changes in competitor behavior? Obviously, I'm thinking about that negative operating margin that Norwegian posted in the second quarter. I think that that calls into the question the sustainability of that model. Do things like that influence how you're modeling competitor capacity or do you just assume status quo with the basis of particularly the Transatlantic commentary that you made earlier in the call?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

I think the Transatlantic has been on the strength of business demand, and really that plays to our strong suit given our concentration in the business centers in Europe. Leisure has been a different story. It's been more about incremental traffic and lower yields, and I think that will continue through the fall and winter. But we do see continued acceleration in business travel. As you know, Europe is coming out of a multi-year recession. The U.S. economy is strong and people are traveling for business which plays to the strength of a carrier that's embracing the business model as opposed to the leisure model.

So on the flipside, on competitive capacity, we always talk about who's coming in; we also need to talk about who's exiting. And as you well know, we had a carrier in Germany that has now announced it will cease operations on the 28th of October, and that was not an insignificant amount of capacity in the Transatlantic that's coming out. So, I think as you point out, some of the models have been more challenged and we'll see where that all winds up in the long run.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Okay. Perfect. Thanks for all the questions. Appreciate it, guys.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Thanks, Jamie.

Operator: We'll go next to Brandon Oglenski with Barclays Capital.

Brandon Oglenski

Analyst, Barclays Capital, Inc.

Q

Hey. Good morning, everyone, and thanks for taking my question. Ed, can you give us a little bit of behind-the-scenes thought process on improving the profit share plan for all of your employees? I mean, I think we understand the intangibles of paying everyone an equal payout here, and that could obviously drive some positive influence in the culture. But what are some of the tangible benefits that you hope to get out of this, especially in the context of talking about how a 4% increase in unit cost just isn't sustainable going forward?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Thanks, Brandon. We never intended to have two profit sharing plans. We always expected over time that it would be a single plan. For those of you that followed our story, in fact, we had agreement with the pilots a couple of years ago, the MEC in ATA, that wound up not being approved by the pilots that caused the profit sharing to revert back to the original plan rates. So for us, profit sharing is a tool that aligns our rewards and recognition, making certain our employees are the very best paid provided we deliver and they deliver the very best performance, which is what they're doing.

It's interesting. The question I get as I'm traveling around the system and in the hubs more than anything is what's our profit sharing payout going to be and how can we make it grow. And the answer always is we make it grow by doing better for our customers and growing the bottom line. So it's really a perfect alignment. It gives us not just tangible benefits in terms of seeing that profit grow or that cost grow only when profits are growing but it'll also variabilizes more of our cost structure going forward. And that's always been a challenge in this business with a high fixed cost base to try to turn as much of your rate growth into a variable factor, and we've done that through profit sharing. So we've got the best margins by far of any of our main network competitors, and I think profit sharing is one of the reasons.

Brandon Oglenski

Analyst, Barclays Capital, Inc.

Q

Appreciate that. And Paul, can you talk about CapEx heading into 2018? It appears that your aircraft purchases obviously are going to ramp up quite a bit. Does that mean you're going to cross your threshold of 50% spending cash from ops? And how do we think about the capital priorities of share buybacks and dividends given that it looks your CapEx is heading higher?

Paul A. Jacobson

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

A

Good morning, Brandon, and thanks for the question. We don't anticipate having to make any changes to the core capital allocation strategies and criteria that we use to manage the business, which is about half of the cash from operations being reinvested in the business and about 70% of our free cash flow being returned to shareholders. Next year, we expect to see higher cash from operations as well from lower pension contributions, et cetera which was part of our strategy that we had articulated earlier this year.

Brandon Oglenski

Analyst, Barclays Capital, Inc.

Q

Okay. Appreciate it. Thank you.

Operator: We'll take our next question from Duane Pfennigwerth with Evercore ISI.

Duane Pfennigwerth

Analyst, Evercore ISI

Q

Hi. Thanks. Good morning. Glen, on the 4Q guide, can you speak to what regions you expect to see sequential improvement and maybe ranked strongest to weakest?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Sequential improvement from third quarter, I'd say Transatlantic we're expecting the strongest, followed by domestic, followed by Pacific, and then last Latin because of the Caribbean and the earthquakes in Mexico and a bit of a tail particularly on the infrastructure in the Caribbean that's going to put some pressure on relatively high-yielding markets on relatively shorter stage lengths too, right? So I think that's how I would rank it.

Duane Pfennigwerth

Analyst, Evercore ISI

Q

Thank you. And then just from a regulatory backdrop perspective, there's been some chatter that there's a push to reduce burdensome regulations in that the pilot experience requirements could change. Do you guys have a view on how likely that would be to happen?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Duane, this is Ed. I think that's unlikely.

Duane Pfennigwerth

Analyst, Evercore ISI

Q

Okay. And then maybe just to sneak one more in. With respect to your JV equity investments, there were some conflicting press reports this quarter about Brazil. Can you just talk about how you're thinking about Brazil going forward and maybe, on a longer-term basis, how investors should think about the annual capital allocated to these international JVs? Thank you.

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Sure. Well the Brazil question you're referring to was a misstatement and certainly a misinterpretation at a function Glen was speaking at. We've not announced, and nor do we have any plans, to make a further investment, equity investment into GOL. Listen, long-term, Brazil is a very important market; it's the most important market in Latin America. Would we consider, in the future, investments? It's possible, but at this point in time we have no plans.

Operator: And we'll go next to Hunter Keay with Wolfe Research.

Hunter K. Keay

Analyst, Wolfe Research LLC

Q

Thank you. Good morning. Ed, your stock has not rerated relative to other network airlines despite the margin premium, the debt pay down, and the cash flow. So when you talk about your valuation with the board, is there anything you guys think you can do to drive a Delta-specific rerating at the multiple or do you think it's just a matter of having the entire industry rate before we start to see a turn for your own multiple?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Thanks, Hunter. Yeah, it's a good question and, of course, we do talk a lot about it at the board level. You guys would be probably better judges of that than we. And listen, we're doing very well and we think the margin premium we have versus our main network competitors will be sustainable. And we think, over time, that will be proven and we will get the rerating that you're referring to. I think part of the story and the answer on the Delta side is that we need to continue to do a better job of explaining why we're different than our network competitors,

the strength, the power of the brand and those things that really are driving that premium that will make it sustainable. And you'll hear more about that and we'll talk about that at the Investor Day.

But I think we have to distinguish ourselves not just in the numbers. We can't just look at the math and point everybody to how we comp to the S&P Industrials and say that we deserve it; I think we need to not only prove it but we need to peel the onion back a little more and show why.

Hunter K. Keay

Analyst, Wolfe Research LLC

Q

So if it's an industry thing, would you actually want your competitors to close the margin gap? I mean, couldn't you maybe make the argument that your multiple is kind of capped off until the industry all together improves?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

We are only focused on our earnings and our margins, and we have no influence as to how they perform. And I think while I enjoy the fact that there's pressure on us to continue improving our results because the competitors are all targeted at getting to Delta-like performance, I have no point of view as to what it means for them to get there or not.

Hunter K. Keay

Analyst, Wolfe Research LLC

Q

Yeah. Okay, I appreciate the offbeat question. Thank you.

Operator: We'll take our next question from Joseph Denardi with Stifel

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah. Thanks very much. I guess kind of on the back of Hunter's question. Glen, it seems like one of main structural advantages that your hubs provide you relative to your peers is the higher percentage of monopoly routes on your regional network. I'm wondering if you could talk a little bit about how much of a factor that is in your ability to kind of offset some of the lower local fares from the ULCC growth by increasing yields on the connecting traffic. Thank you.

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Joe, we've worked very hard on creating a network that we believe in long-term. And if you look at our network evolution over the last 10 years, I think you'd see that we've changed probably more than anybody else to get where we wanted to be and where we saw opportunities. And those moats that we've created in our network are things that we're going to continue to invest in over the next 5 to 10 years, and we don't see ourselves creating new opportunities. But if you think about where we sit in Seattle or where we sit in Boston or where we sit in Raleigh, we think we have a lot more opportunities continuing to, over time, grow those at a modest pace, and we're very excited about the intentional and deliberate places we fly today.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. Paul, maybe this is a preview of Investor Day, but it seems like next year, with the rev rec changes, you're going to be shifting a lot of revenue from other into passenger. After that takes place, by far, the biggest component of other will be the profit essentially you recognize from selling miles. Is there any thought to renaming that line to tell the market what that revenue stream actually is? That revenue line will be about three times Cargo, and you break out Cargo, so why not break out the marketing component? Thank you.

Paul A. Jacobson

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

A

Well good morning, Joe, and thanks for your question. Yeah, we will have more details on revenue recognition at Investor Day, including kind of detailed year-over-year changes and how we're thinking about it. As we've talked about before, we have increased the level of transparency in the 10-Q in terms of how we're breaking those revenues out, and we'll have more details at Investor Day.

Joseph William DeNardi

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you.

Operator: The next question comes from Rajeev Lalwani with Morgan Stanley.

Rajeev Lalwani

Analyst, Morgan Stanley & Co. LLC

Q

Good morning, gentlemen. Thanks for the time. I guess this is a question for Ed or Glen. Just with the underlying cost base moving up, be it from fuel or labor, and the margin goal potentially getting a little tougher, how is that playing into your capacity guide for 2018 just relative to the capped figures we saw in 2017?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Rajeev, This is Ed. We were very clear in 2017 that we needed to get our RASM moving in a positive trajectory, and we've done that. We said that we would limit our growth to 1%. That's what we are doing and the numbers should come out exactly to that for the full year. As we move forward, we need to look at where are the opportunities for growth because we can't improve the margins solely on cost; they need to be on the top line as well as cost efficiencies, and that's why we gave you the reference point of 2% to 3% for capacity growth. Domestic will be largely the same on the capacity play, but I think it will continue to generate better marginal returns given the leverage as Paul was talking about on the up-gauging. And certainly, we're going to get a nice benefit on length of haul and where we're going to be flying in terms of fewer departures. But international has been, I think, a little bit of a surprise story for everyone this year. How international has not just held in but has rebounded, and we're going to take advantage of that working with our partners.

So in that context, I think the cost pressure that you referred to is a component of why our unit costs are up this year. It's certainly something that we're going to use next year to help reduce and take better advantage of our scale and utilization. But at the same time, the capacity in itself is market-based decisions where we're going to generate the best revenues as compared to just trying to keep our costs in check.

Rajeev Lalwani

Analyst, Morgan Stanley & Co. LLC

Q

Thanks. And then, Glen, a quick one for you. As far as the demand outlook into the fourth quarter, you talked a little bit about the Caribbean. But are you seeing any lingering impacts from the events we saw in Las Vegas, in Florida, and other places like Mexico, for example?

Glen W. Hauenstein
President, Delta Air Lines, Inc.

A

So each one is probably a different story. I think the most surprising is Vegas because we can't see an impact from Vegas throughout this past week and the horrible events that happened out there, and so that was a surprise. And I hope it's not a sad commentary on the human state, that we're getting used to this. But from the indications of what we've seen in terms of demand in Vegas, it would indicate that there's not a material decline in traffic to and from Vegas.

The Caribbean is a very different story. The infrastructure in a lot of places was damaged or destroyed, and that's going to take a little bit longer time. We've taken a lot of capacity out. That's actually why we believe next year we will be flat in terms of Latin capacity with some of the non-affected areas growing marginally and the affected areas shrinking dramatically.

And then Mexico City is a bit different. There was an initial drop in U.S. point of origin business demand. That seems to be rebounding relatively quickly here, so hopefully those trends continue as we put more distance and time between the event and the purchase of airline seats.

Rajeev Lalwani
Analyst, Morgan Stanley & Co. LLC

Q

And Florida really quick?

Glen W. Hauenstein
President, Delta Air Lines, Inc.

A

Florida, we adjusted capacity to demand, what we anticipated. As you know, one of the reasons we were so impacted is we are very large on the West Coast of Florida, the largest player in a lot of those markets that got heavily impacted. But that is rebounding, with the exception of Key West, relatively very, very quickly. Key West is a bit of a different story, again, with a lot more infrastructure damage, but it's a significant station for us. It's not a giant station.

Rajeev Lalwani
Analyst, Morgan Stanley & Co. LLC

Q

Very helpful. Thank you very much.

Operator: We'll take our next question from Michael Linenberg with Deutsche Bank.

Catherine M. O'Brien
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning. This is actually Cathy O'Brien on for Mike. So one for Glen. Could you give us a feel for the tailwind you're expecting from FX in your December quarter PRASM outlook? And then just second on that kind of same point, I know you told Hunter earlier that, sequentially, domestic would be number two in terms of strength. But overall, are you expecting international PRASM to continue to outpace domestic in the fourth quarter?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

I think that will depend on how Latin shakes out. We're in a little bit of a flux situation on what the actual demands are in a lot of the places we serve in Latin America, and that'll probably be the issue we face. It's probably too early to call that, but I think they'd be similar with, again, Europe leading. And the tailwinds are primarily in the euro. As you know, the yen is actually still a headwind, and that should shift if current trends continue sometime in December. But primarily the euro.

Catherine M. O'Brien

Analyst, Deutsche Bank Securities, Inc.

Q

And do you have a number you can put around that or...?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

I don't have the exact number, but I think it's about 1 point of positive unit revenues per passenger.

Catherine M. O'Brien

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. And then just one more on impact for the numerous headlines you've been having to face lately. Can you speak to the impact, if any, the recent headlines on Korea have had?

Glen W. Hauenstein

President, Delta Air Lines, Inc.

A

Korea, it's a little bit of an interesting story, and I'll just say. Because we are now working with a Korean partner so closely, despite a 50% increase in capacity to Korea, our unit revenues are flat to up slightly, which I think is a great outcome. When you peel that onion back a little bit, you do see a small decline in U.S. point of origin business to Korea itself but being offset by a lot of incremental flow that we're taking today. So really not as big as you might expect.

Catherine M. O'Brien

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. Thank you so much.

Jill Sullivan Greer

Vice President, Investor Relations, Delta Air Lines, Inc.

A

And Aaron, we're going to have time for one more question from the analysts.

Operator: Yes, ma'am. We'll take our final analyst question from Helane Becker.

Conor Cunningham

Analyst, Cowen & Co. LLC

Q

Hey, guys. It's actually Conor in for Helane. So Delta has been a little bit less vocal about air traffic control reform than some of the other carriers, and the government continues to debate what that might actually look like. From what we know about the current bill, have you guys quantified what that might mean to your cost structure longer-

term? And maybe if you haven't, maybe, well, you could just talk about what you expect from the bill on Delta long-term. Thanks.

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Conor, this is Ed. No, I don't quite know how I'd quantify the state of the FAA discussions in Washington in terms of the cost structure. We have come out as proponents of air traffic modernization. We have come out proponents of Chairman Shuster's efforts to do that through a privatized, non-profit entity. And we're very engaged with all the stakeholders in the discussion. And we hope the discussion, while it did not happen in the current session, we think that the odds are going to continue to improve over time, that we're going to get the type of regulatory reform needed to make the modernization of our air traffic control systems a reality.

Conor Cunningham

Analyst, Cowen & Co. LLC

Q

Okay. Thanks.

Jill Sullivan Greer

Vice President, Investor Relations, Delta Air Lines, Inc.

A

So that's going to conclude the analyst portion of the call. I now have to turn it over to Ned Walker, our Chief Communications Officer.

Ned E. Walker

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

A

Thanks very much, Jill. Aaron, we're ready for the media Q&A now. If you'd please review the process for the media on how to queue up to ask a question, that'll be appreciated. And for the media, if you could limit yourself to one question and a brief follow-up. That should allow us to accommodate almost everyone who wants to ask a question. Aaron, please go ahead.

Operator: Yes, sir. [Operator Instructions] And we'll go first to Doug Cameron with Wall Street Journal.

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Q

Good morning, everyone. I had a quick question. You were pretty adamant that you don't expect – can you hear me, by the way?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

I can, Doug. Good to talk to you.

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Q

Excellent. Okay. Yeah, you were pretty adamant you don't expect to pay any tariffs on the C Series. Is that because you believe that there wouldn't be a finding of harm and hence tariffs won't play a part or that you're prepared to go down to somewhat an appeals process? I'm just trying to – I didn't want to interpret your words, but I'd rather you expand it.

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Well, I think my words are very clear. No, we will not pay the tariffs that are being discussed or debated. First of all, those tariffs are preliminary, as I mentioned. In our opinion, it is very difficult for Boeing or any U.S. manufacturer to claim harm with a product that we purchased that they did not offer and they don't produce. In fact, they ended the production of the 717 which would be the closest to kin 10 years ago. When we went through the RFP to select and selected the C Series, Boeing competed very hard for the order, except they were competing with not their own product but it was a Brazilian product, an Embraer product, that wasn't even new; it was used. E190s ironically from all [ph] places of Earth (52:40), in Canada.

So as you look through this and try to see how exactly a harm case is going to be developed, particularly to justify the type of tariffs that are being contemplated, to us it's unrealistic, a bit nonsensical. But we're working closely with our partners at Bombardier...

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Q

But what – sorry to interrupt, Ed, but what happens if they do impose, that if harm is found? I mean, is that in your hands? You can make your case, but what happens if they do find harm and impose the tariffs?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Well, there's various other plans that we're also contemplating and looking at alternatives, but which I will not get into with you. But, I continue to believe there's not a case to be made specific to the Delta order, that there was any harm brought to The Boeing Company.

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Q

But whatever happens, you will take the planes?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

I didn't say that. I said we will not pay any tariffs.

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Q

Okay. Well you said earlier in response to the analyst question that you'll take the planes, so...

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

And, yes, we will take the planes. I said there may be a delay in taking them as this debate gets brought to a head over the course of the next 12 months. But no, we do not expect to pay any tariffs and we do expect to take the planes.

Doug Cameron

Deputy Bureau Chief-Chicago, The Wall Street Journal, Inc.

Q

Great. Thanks for your time.

Operator: We'll go next to Michael Sasso with Bloomberg News.

Michael Sasso

Reporter, Bloomberg News

Q

Yeah. Just kind of following up on the Bombardier issue again. I think one of the analysts asked something about a contract with Bombardier says about ability to get out of the contract. I don't recall hearing a response. Ed, can you just talk? What does the contract say about ability to get out of the contract if all things go wrong?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Michael, we would never tell you what's in our contract because it's a private contract and we're not going to disclose the elements of the contract. But hopefully it was very, very clear, that we are not going to pay a tariff and we do expect to still take the airplanes.

Operator: We'll take our next question from Aaron Karp with Air Transport World.

Aaron Karp

Senior Editor-Air Transport World, Penton Media, Inc.

Q

Yes. You talked about CASM being unsustainable. What can you do to change that and is labor you think the main reason that it grew so much this year?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Yes, Aaron. This is Ed. I'd say of the 4% overall non-fuel cost growth that we've seen this year, about half of it is due to labor. The snap ups, the increased wages to get all of our employees at the right levels on the industry pay scale. And I'd say the other half, some of that is due to the fact that our utilization of the airline was down as we were limiting our growth to 1%, which caused – it caused a hit on our fixed cost structure which next year, as we look to grow modestly above that, we will be able to recapture. And there is some depreciation from some charges, some aircraft that we are early retiring as we're continuing to accelerate our fleet transformation.

Unlike some of our peers, we don't special-out cost charges; we stopped that years ago. Others would probably take those costs and would special and then not include them. We count everything at Delta, and that was a little bit of the cost pressure that we're seeing as well.

Aaron Karp

Senior Editor-Air Transport World, Penton Media, Inc.

Q

And are you confident that, say, two years from now there won't be another labor cost increase? Do you think this was a one-time adjustment or is labor going to continually expect to get increases if Delta continues to do so well?

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

A

It's hard for me to predict what the future is going to be. But if airline earnings continue to grow and margins expand, there's no question labor will get higher earnings, which is perfectly normal and natural. But I think you're asking a speculative question. It'll be pretty hard to answer right now.

Aaron Karp

Senior Editor-Air Transport World, Penton Media, Inc.

Okay. Fair enough. Thank you.

Q

Ned E. Walker

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

Okay. Aaron, we have time for one more question.

A

Operator: All right. We'll take our final question from Kelly Yamanouchi with Atlanta Journal-Constitution.

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

Hi there. I'm wondering if you have any breakdown within the Hurricane Irma revenue impact. The impact of fare caps, is that significant in anyway?

Q

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

The impact of the fare cap?

A

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

Yes.

Q

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

That wasn't really a big part of the costs, Kelly. The major part of the costs were all the flights that got canceled.

A

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

Right. And I was also wondering, as a follow-up, what you think about Durbin's comments on wanting airlines to further adjust airfares in the wake of hurricanes to allow more people to relocate.

Q

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Kelly, I couldn't quite – you broke up during your question. Can you repeat that?

A

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

I'm sorry. I'm wondering if you have a perspective on Durbin's comments on wanting airlines to further adjust airfares in the wake of hurricanes to allow more – prior weekends, for example – to relocate to the Mainland.

Q

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Okay. So, again, maybe it's my ears. Senator Durbin's comments about...

A

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

Right, yes.

Q

Ned E. Walker

Senior Vice President & Chief Communications Officer, Delta Air Lines, Inc.

About restricting airfares.

A

Edward H. Bastian

Chief Executive Officer & Director, Delta Air Lines, Inc.

Restricting airfares. Listen, we didn't make that decision based on any input at all from Washington. It was the right thing to do for our customers. We added about 12,000 seats in the last few days at very, very low fare levels to bring 10,000, 12,000 people out of South Florida and San Juan and the islands with equipment that ordinarily doesn't even fly to Florida, whatever we could get our hands on to get people out of there. I think we did an amazing job with respect to the overall recovery efforts. Very, very proud of our team. We also have contributed over \$2 million to the Red Cross and our care fund and other channels to participate in the recovery effort. And across the board, the response from all of the communities, whether it's San Juan, the islands, Florida, have been resoundingly positive towards the leadership Delta took in the efforts. We're the very last airline flying in just about every station at South Florida, giving people the opportunities to get out, all at capped fare levels. And we were the very first back, giving people the opportunity to get back in. So it was a shining moment for Delta; really, it was.

A

Peter W. Carter

Chief Legal Officer, Executive Vice President, & Corporate Secretary, Delta Air Lines, Inc.

And Kelly, this is Peter Carter. Members of Congress from the states impacted have reached out and thanked Delta for everything it did in the eye of the hurricane.

A

Kelly Yamanouchi

Business Writer, The Atlanta-Journal Constitution

Great. Thank you very much.

Q

Peter W. Carter

Chief Legal Officer, Executive Vice President, & Corporate Secretary, Delta Air Lines, Inc.

Okay. Thank you, Ed, Glen, Paul, and Peter. That concludes the September quarter 2017 earnings call. We'll talk again when we announce year end results in January. Goodbye, everybody, and thanks so much.

Operator: Ladies and gentlemen, this does conclude today's conference. We thank you for your participation. You may now disconnect.

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