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Delta Air Lines, Inc. (DAL)

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MANAGEMENT DISCUSSION SECTION

Julie Stewart

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

Good morning. On behalf of Delta, welcome and thank you for joining us here in New York for our Capital Markets Day. For those of you I haven't met, I'm Julie Stewart, Vice president of Investor Relations. It's great to be back in the city and see so many of you in person. For those of you joining us on the webcast today, hope to see you soon in 2022 and thank you for joining us.

So, over the next couple of hours, we are looking forward to sharing our recovery path over the next three years, and we have lots of time for question and answers from the live audience. This morning we also sent out an e-mail with instructions on how to submit virtual Q&A. But please note we will be prioritizing questions here in the room.

We'll start with an update from our CEO, Ed Bastian, and our President, Glen Hauenstein. And then we'll have a Q&A session with Ed and Glen, followed by a brief break. And after the break, we'll come back and hear from Alain Bellemare, our President of International, and our CFO, Dan Janki. And then we'll have another opportunity for questions.

To close the day, we have a special guest, Stephen Squeri, Chairman and CEO of American Express. He and Ed will discuss the power of our partnership and also take questions from the audience. We're thrilled to have

American Express as part of our day today, and I'd like to give a big thank you to Stephen and to the American Express team.

I'd also like to thank Shannon and our friends here at the Stock Exchange for hosting us, and of course, the Delta Investor Relations team, Isaac, Wesley, and Ben, you guys are the best. So, thank you. Also, the broader teams at Delta that helped us prepare for today, we have a number of Delta officers joining us in the back of the room, and I'd encourage everybody during the break and at the lunch to introduce yourself and get to know them.

So this morning we issued a press release and a fourth quarter investor update as well as the presentation for today with slides, and all of these can be found on ir.delta.com. You have a card in front of you with a QR code that will take you directly to the presentation.

As a reminder, our discussion today will contain forward-looking statements, and anything that can cause us to differ materially from our actual results are contained in our SEC filings. We'll also talk to non-GAAP financial measures, and a reconciliation of those measures in our SEC filings are available on ir.delta.com.

And with that, it is my pleasure to introduce our Chief Executive Officer, Ed Bastian.

Edward Herman Bastian

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

I forgot I have music. Sorry. Well, it's so good to see everyone. Thank you for being here live. It's really neat to have an opportunity to gather again, two years, right, since we were last together. Julie, thank you, and Isaac and your entire team for what you did in terms of putting this together. It's never easy to put together a Capital Markets Day, but putting it together while you're still going through a pandemic and keeping everybody comfortable and safe going through, it's a real tribute to you, and it's always a thrill to be here at the Stock Exchange as well.

But as I did say, it's almost two years to the day that we were last assembled. We were down in Atlanta at the Flight Museum and sort of looking into the entry of a new decade, the 2020s, with a lot of optimism and bullishness, just coming off a very, very strong 2019, best year in our company's history. And then the unimaginable happens. And we all know what that was and how it's impacted all of us. It doesn't matter what walk of life you are or where you sit in the world, you've been impacted by this incredible pandemic.

Very few industries as impacted as the airline industry. We went from the best year we ever had, candidly probably one of the best years any airline ever had in the world in 2019 to being down to only 5% of our revenue in about 30 days. And that was – it hurts to even think back to what that felt like at the time. But at the same time, when we look at how our team responded, it just gives me great pride to see how we handled the recovery. We took what was arguably the best performing airline in the world and we've rebuilt it, and we are positioned now to emerge from this pandemic in many ways stronger, better, more resilient, maybe financially weaker for a while, but we'll get our balance sheet back in order too. And I look forward to having the opportunity to show you why we feel very confident as we navigate the last stages of the pandemic and move out into the future.

It's also going to be a little bit of a different Investor Day typically we do, and we'd love to talk about our customer service initiatives, our operational initiatives, and prowess, and some of the technologies that we're going to be bringing to bear, but we thought for this event to be very focused on the recovery path itself, cost performance, how we're thinking about demand, how we're thinking about the next three years, realizing there continues to be an awful lot of uncertainty. And our numbers aren't right, but it's our best estimate of what we think we can deliver for you. And as a result of that, we're going to defer any conversation about the longer-term, the more strategic elements of our service strategy probably next year when we get through the last phases of the pandemic.

But you'll see our ambition here is not just to lead the industry through this troubled time, but to transcend in terms of delivering a trusted consumer brand. Helane and I were having a conversation this morning and Helane, it was a great conversation. The airlines seem to get caught with everything that happens, right, and it's always the airline's fault for some reason. But when you think about what we're doing here at Delta, the trust we're creating in our brand, and I will show you what we mean by that, we're not just simply trying to be the trusted brand in the airline space, we're trying to be a trusted brand in America and the world. A trusted consumer brand and we think there's great power to that and that's what fuels our ambition.

So, there's five key takeaways that I hope we are eloquent enough to leave you with today that you walk away with. I always like to tell you what you're going to hear and tell you and then I'll come back while closing the slide just to confirm that our messaging comes across. First, the competitive advantages that Delta have continue to be very strong. I've in past Investor Days called them our moats. There's five of them and I'm going to talk about how the five moats fared during the pandemic. And I venture to say the five moats not only supported us as we got through the pandemic in relatively good way, but we've deepened and strengthened those moats as we've gone through, enabling us to get into a position in this industry and in this world to be seen as a trusted consumer brand, not simply an airline. Airline is important, but we're focused on what our consumers think about and the opportunities to build and cement that preference with them.

Secondly, this has been a period of extreme disruption, particularly this year, as we've all tried to bring the industry back up. And really proud of the team at Delta in terms of how we've led operationally and financially by demonstrating newfound agility. One of the things the pandemic taught us were new skills, new competencies. We're going to talk about those; agility being one of them. I never in my wildest dreams imagined that we could get for the better part of a year last year fully 50% of our costs out of our system literally overnight, variabilizing the cost structure that quickly. We've learned from that. There's tools that we're going to provide to give you insights into that. Dan is going to spend a lot of time in his prepared remarks going through the cost structure and giving you a pretty good perspective on that.

Third, the preference for the brand continues strong, and we've seen it grow and elevate as we've gone through this pandemic, and we'll show you proof points to that. Fourth, Julie said we released our fourth quarter update, profitable fourth quarter, pleased to see on the backs of a really strong holiday period, not just for Thanksgiving, but more importantly coming up for the Christmas and New Year's holiday. Glen will talk about that. The numbers look really quite promising. And that puts us on a good platform to look at 2022 true as a recovery year, it will be a recovery year, but it will be a profitable recovery year. People have come to call it transition years, and I don't quite know what transition means sometimes, but this is a recovery year for us coming up next year, and we're going to recover profitably, and then by 2024 get to a path where our performance really shows the true earnings power of this franchise.

I do believe that both on the top line, we can exceed prior levels of revenue. We've got a goal to exceed \$50 billion by 2024, and we also have a goal internally to show the real earnings power of the franchise with better earnings than we even had in 2019 by that date.

And fifth and final key takeaway is on the financial foundation. We also haven't – it's the same – while we had a lot of new faces here, fundamentally we're the same company and we've got the same mindset in terms of how we manage ourselves, and our priority is to get the debt paid down, pure and simple. And you'll see that come across. We want to get back to the investment-grade metrics that we had prior to the pandemic. We think we can do that by 2024, and we've set a goal to get our net debt down to \$15 billion by that date. And I think that's quite achievable.

So let me start with the moats. The moats frame the business strategy of our company. And as I said, they were tested, tested severely during the pandemic. And I'm proud to say that they held up. And these are the building blocks on which we're going to continue to invest in one of the most trusted consumer brands in our country.

The first moat is our people. They are our number one competitive advantage. We have some of our team here today, thank you, some of the Delta board counsel is here joining us at our presentation, that's 75,000 strong, they are the Delta difference. There is a lot of talk in our industry about replicating what someone's doing or can somebody replicate what Delta is doing. And, yeah, you can buy a lot of hard goods. But what you can't buy is culture and what you can't buy are our people. And the performance culture, when we talk about culture, it's not just a culture, a feel nice culture, it's a performance culture. It's an operating culture and operational excellence.

And you're also going to see there's lot of new faces. We've got some new presenters today that three years ago weren't on our team, both Alan and Dan. And you'll see more new faces as you go on into the next year. But we have new faces up and down the company. When I talk about the operating results of our company on the next slide, the thing I'm most impressed by are 40% of our leaders in the company from top to bottom, all the way down the front line, were new in position this year, 40%.

A lot of people retired during the pandemic. We had 20,000 people leave. And we have a lot of new people, not only in leadership positions, but actually in front line operating positions delivering that 9,000 new people. And our staffing is exactly where I wanted to be. We're going to continue to hire next year obviously for growth in flight attendants and pilots and a few areas, mechanics. But we got early into the year hiring. And so we've got 9,000 already up and running. And I know all the airlines were talking about the staffing they need to put in place. Our staffing is in place and I'm impressed by that.

And when you see the results that our people deliver, the J.D. Power Award, something that we've after for quite some time, and if there was a year to win the J.D. Power, it was coming out of a pandemic. It's the first time J.D. Power actually put all the airlines together and just had one J.D. Power Award. And we're very proud that they gave it to Delta.

It's a company that made it through the pandemic without furloughing a single employee. There's only two companies in the world – two airlines in the world that could say that. I think Southwest can say that and I think Delta can say that. No other airline. And despite the government support and everything, people forget a lot of furloughs happened in this industry, and then they were brought back after the PSP's extensions were eventually approved. You talk about putting a big deposit in the bank of culture, I said to our team at the start of the pandemic, all of our employees that my goal was to get through this without furloughing an employee. And I said at the time we realize that sounds crazy and I have no idea how that's possible. But we're going to do our darndest to try to figure out how to make it happen. And we did. And when you deliver on a commitment like that, it moves mountains with your people and your culture.

And the other thing I want to highlight is the hiring of the industry's first Chief Health Officer, Henry Ting. Henry is here somewhere. There's Henry, over there. Everybody say hello to Henry. Henry is more than just getting us through this pandemic. Henry came as a very senior leader within the Mayo Clinic. Henry is helping us think differently about wellness, resilience and how we take care of our people, because they are the most important asset we have. And the better they feel about their position at Delta as well as our customers, the better we're all going to do. And redefining wellness for our people and our customers is another big thing that we did during the pandemic time.

Operational, I talk about that operational culture of excellence. I'm pleased to say it's here. I want to show you the cancellations. The airlines this year – as everyone has stood their airlines back up again, there was a lot of disruptions. There were a lot of headlines. And we had some challenges on the res lines, but generally speaking, we got through this thing in fine fashion.

Cancellations, that's the metric that we measure. That's the most disruptive thing to do to a customer is to cancel their flight. There's a lot of things you can do in this industry, that's by far the most disruptive thing you can do. And look at the can – this is cancellations by airline for the year-to-date through the end of November, the last data that we have. 5,000 cancellations at Delta for the full-year, and that's total cancels including regional jets, total system mainline, all in. That number through 2019 through November, I asked our team that, I was right, that's 50% less than we had in 2019 at the same point in time despite all the disruption, despite getting all the challenges for staffing and labor and everything that we had 5,000. And it's 5X to 7X lower than any of our major competitors. Very, very powerful operational prowess. Again, building more loyalty for our brand.

On time arrival, another key metric that everyone measures. We set a record this year in 2021 relative to on time arrivals. It's on time within 14 minutes. We also have set records in A0 as well, 89% on time year-to-date through the end of November, meaningfully above the competition. So the team continues to widen our operational lead during the pandemic.

Our network, another one of our moats. Glen is going to talk a lot about it. Alain is going to speak a little bit about our network. I won't spend too much time on this slide. But, when we speak about our network, I think of our network as second to our people, as the second most important structural advantage that we have to the competition. The power of our hub systems in the US, they were the strongest going into the pandemic. They're even stronger coming out. We gained share, 3 points of share in each one of our main hubs over the course of the pandemic, not just at the core, but also on the coastal hubs. And they're continuing to stay – sort of staying very focused on that as we rebuild. And that's against a backdrop where we were the most measured and the most disciplined about restoring capacity.

So, we used our resources wisely to build to our position of strength, and I think it's going to continue to strengthen us as we come through this. And those hubs, we talk about the hubs, talk about the network effects and the flow-through to the hubs, we've also made huge strides in improving the investments in the facilities themselves. In the next six months, we are going to be opening up three massive new facilities, three of the most important facilities that we have. A new LaGuardia airport that's going to be opening in the spring, and it's going to be wow, it's going to be a wow. And it's built by Delta, it's designed by Delta, very proud of how that's coming together. We will be opening that this spring.

LAX, we're going to be opening up this spring the new LAX facility. Again, Delta-designed, Delta built, Delta-engineered, great looking facility. The two biggest markets in our country, New York and L.A., will have two stunningly new facilities that are going to be not just stunning, but they're also going to be incredibly new, efficient, continuing to build preference for the brand.

And we're opening up our new Seattle facility as well in the first part of the year. It goes on top of the new Salt Lake facility that we opened last year and the continued progress we're making there. In JFK yesterday, I was with the governor here groundbreaking for the final piece of the JFK plans at Terminal 4. And by within the next two years, hopefully a little bit sooner than that, we will be completely out of Terminal 2 closed and with a brand new Terminal 4 facility. And again, it's going to be a stunning facility.

Internationally, you saw our news this week that we announced the restructuring investments that we're making in three very, very important partners to us long-term, Aeroméxico, the LATAM Group, and Virgin Group. I think everyone's aware the international space has been challenging to get through the pandemic. Many of these – in fact all those three markets, there was zero government support. You can imagine the state of the US airline industry if we didn't have a single dollar of PSP, the carnage, the wreck, it would have just been a disaster. Yet we know these markets are important. We know these airlines are important to our growth.

We're going to run out of growth opportunities eventually here in the US. Long term, our growth strategy is going to continue to be invested with our partners, with Delta metal flying around the globe. Great partners and the investments, and Alain will talk about it and Glen will talk a little bit about that too, give us leadership positions in many of the major markets around the world, from São Paulo to Mexico City to Paris, Amsterdam, London, Seoul with Korean and Shanghai with China Eastern. I don't know that you want a better set of international hubs and network strategies that you can pull together.

That's why we've made the investment. And Dan will talk about it. I've got a question back in the [indiscernible] (00:18:53) the \$1.2 billion, was that all new money coming in? No, I think we've invested over half of that already this year, and then maybe \$500,000 or so to come in the first half of 2022. So that's not new investment necessarily. [indiscernible] (00:19:05). I'm really proud of how we managed that very, very effectively with our team.

And, finally fleet. We took out 200 airplanes. The fleet is going to be coming as we continue not just retiring old planes, but bringing in a bunch of new planes. We invested in 350s during this pandemic, that's significant bargain as we see it on that metal which will be a long-time asset for Delta, it will be our flagship product. And we also had good progress in the 321s as we continue to up-gauge throughout the pandemic. And we're taking some 739s on the used market as well. So, we're very agile, we're very nimble to figuring it out. So, the airline that you're going to see, as coming through the pandemic, the new facilities, the new people, the new fleet, we dropped our fleet age down by two years over the course of these last two years. Usually in two years, you get two years older. We got two years younger going through the pandemic. It just goes to show that we've got a lot of excitement to look forward.

And what that comes to is it comes to the loyalty. It comes to the power of the brand. We spend a lot of time talking about our Net Promoter Score, our single biggest metric in terms of how our customers feel. Look at the satisfaction. We had a 10-point increase in Net Promoter Score from 2019 to 2021. That's our year-to-date number. And people that follow Net Promoter Score, and there's scientists that say, you just don't increase it 10 points in that it just doesn't move like that. If you get a 1- or 2-point increase, you're fortunate. We grew 10 points and we're going to do our very best to sustain it in that mid- to upper-50 range and eventually grow it from there.

Customer engagement, these are some of the numbers that that Dwight James, who is in the back of the room I'd say, who manages our loyalty arrangements in SkyMiles program together with American Express. Look at the way that our customers stay engaged with us through this pandemic. These are November month, so very fresh, current snapshot. Our co-brand spend in the month of November was up 22% over November of 2019, 22%. We've been running above – most of the year above 22%, we continue to accelerate. Co-brand acquisitions, we grew 11% more acquisitions than we had in November of 2019, 12% more SkyMiles acquisitions. So, cards and SkyMiles new entries to the family, and the Fly Delta app downloads were up 10%. All measured against November 2019, where we were at the time before the pandemic hit, and look at us now. So what that tells me is that customers love this brand, they're investing in this brand, and they're going to continue to stay invested as they come back to flight.

And then finally, on the share front, we have a lot of dialogue, and I'm sure we'll have some discussion today as to what the future of business travel is. We've got our views, we've studied it. But what can't be denied is how the share gains that we've taken through the pandemic, 35% is our estimate. Steve's here somewhere in the room, who leads our sales efforts. Steve, thank you for you and your team, best sales team. Forget airline, and it's best sales team. I think in one of the best in corporate America and the power of that team building on the great operational prowess of our airline.

You can see from this slide, I had them include, 2015 to 2018. We've talked about business share and being the business airline of choice for years here. Look at – we only gained 1 point of share from 2015 to 2019. We gained 4 points over the course of the pandemic. And that's not middle-seat block, by the way. That number has been held since the past the middle-seat block and our corporate share is 15 points higher than our seat share. Again, we're very measured, very disciplined about the seats that we're putting into the market.

So we don't have the advantage that the other guys do of having more seats out there. So when you think about what we look at forward, this number is not – we're not going backwards. We're going to continue to keep, and it's not because we say that, it's because our customers say that. Once they're on Delta, they want to stay on Delta.

And the other word I want to mention down that we just announced this week was Business Travel News. Won Airline of the Year for Business Travel News which is the most widely followed survey for business travel by corporate managers throughout our country 11th year in a row, okay. And we don't take it for granted. And that's why I wanted to talk about it for a moment. We don't take it for granted. You win an award for 11 years a row by the most widely read, most widely invested in travel survey, something to be proud of. They measure us all on 12 categories. We came in first in all 12 categories. I think it's like the 7th year in a row we came in first in almost every category. And we've widened our lead to the competition.

So, when you think about whatever is the future of business travel will be and we'll give you our views on that, again, the one thing that can't be denied, Delta is going in from a position of strength relative to 2019, and that that share performance, that share gap, all things being equal, is going to help sustain us going forward.

And then finally, measuring costs are really important. One of the things we told the team and I told the team repeatedly is that the only way we're going to get through this pandemic is we focus on controlling the things that you can control. And there's a lot of noise, there's a lot of distraction, there's a lot of uncertainty. It can get very distracting. It can wind up, you know, you're making your head hurt at times. Focus on the things you can control and do your very best at it and we'll be just fine. And that's what we've done. Over the last 12 months running, our adjusted – adjusted meaning we've just taken out the non-GAAP stuff, the non-fuel unit costs, we're up 11%. Our goal over the next few years is to get that as close to 2019 in to kind of low-single digits. And I think we can.

When you see that performance versus the competition, meaningful outperformance. And we've had the most disciplined amount of capacity restoration. The single biggest thing driving our cost growth is the lack of scale we've had. We have all the operating cost of a bigger airline and we're just not flying it. So, there's a lot of inefficiency and lack of productivity everywhere you go. Everyone on the – you know, it's about the same level of restoration as we are over this period, but American is significantly more restored as with Southwest. So, I'm really proud of the team, the discipline they're showing.

And, again, another proof point that as we go forward, we have credibility when we talk to you about what we're going to do with our cost. And all of that yields profits, \$200 million in profits in the fourth quarter, \$200 million of profits that we had in the third quarter, \$400 million of profit for the first or back-half of this year, and that's something that we're happy about, but we're happy we're above the line. And when you look at the expected

results of our three major competitors, there's real differentiation in there. There are three major competitors. Everybody was doing their best to get their airlines to get back up again. But, our \$400 million of profit compares to a combined roughly \$4 billion of losses at the other three carriers combined. So, when I say that we have used this pandemic, we didn't have an advantage going in. We all got leveled the same way in terms of how we performed coming out of it, these are the proof points that I wanted to talk about and why I do believe those moats are not only strong, but they're continuing to get stronger.

We know we have a lot of risk, and there's a lot of risk, and there is a lot of risk candidly have happened in this meeting today. I've given you an outlook while we're still in the midst of a pandemic, but we thought that it's important to have the conversation nonetheless. But our team is doing the very best of measuring and being agile with respect to the deployment of our capacity, our cost, our cash, and managing the risks that we can see.

Omicron is the next risk. It's already here. We are being impacted modestly, I'd say. In terms of bookings, it's not going to impact. We expect a very, very strong finish to the year in the holiday period, and Glen will talk more and give you his perspective and show you the numbers that he's seen. But Omicron's coming and it's already here in our country and everyone is paying attention to it. And, when you look, read the media, it already seems like it's the dominant strain in our country, just not yet, but Henry tells me it will be the dominant strain over the next couple of years – or just next couple of months – couple of weeks even, I mean, not just months.

We are prepared for it. We know that it will delay the international recovery probably about three months. We're estimating three to four months. We don't have a better view other than what we're finding out and watching it carefully in South Africa and the UK and other markets that are dealing with it. Good news for us is that international recovery really hasn't started back in any large measure, so it's not like we're going backwards. But I think it's just going to pause and delay the international recovery. Not seeing any discernible impact on the domestic side, but we know we will see some of it and probably in the first quarter.

Couple things that we do know though is that it's highly contagious. And highly contagious doesn't sound good, but highly contagious also means it's going to move fast. It should spread through and hopefully be the final phase of the pandemic that brings us to an endemic state by some point next year that we have the tools and the technologies to manage on a seasonal basis.

And the second thing about it, it does appears not to be a severe. Again, all the medical tools that we have, the vaccines, the boosters, just getting more people vaccinated and boosted should not see a rise in the spike the way the prior variants have in terms of hospitalizations and death, because that's really what you have to watch. That's your core concern.

I think our consumers are accustomed to dealing with it largely, not all, but many are, as evidenced by our cancellations for the Christmas period, really very, very minimal. I mean, we're flying full through this Christmas period today. I think we're like 90% load factor system-wide, and we haven't even really officially started into the Christmas full season yet. So, we're going to be managing it. We've been more disciplined about restoring international capacity than the others, and I think we'll be well positioned.

But we also know that you're worried about inflation, you're worried about what's [ph] going to happen on interest costs (00:29:14), you're worried about the volatility in the field. You're worried about the fact our industry has more supply than demand right now. And we get that, and we factor all of that into the equation. But when you do focus on those things that you can control, we can manage through this, and we'll talk a lot about these risks over the course of the day, and I'm sure sits underneath many of your questions.

The momentum for the next phase of the recovery, I'd like to think about it in term of two big segments, our consumer business and our business business. On the consumer front, you already know that the – it's not just pent-up demand, consumers are flushed with cash. Our estimate is that our consumers in the US, disposable wealth has grown \$2.5 trillion is what bankers tell us over the course of the pandemic, \$2.5 trillion. And of course, 20% are driving 80% of that number. But the 20% that are driving 80% of the number are over half of our travelers.

So our travelers are bread and butter travelers, our premium travelers are traveling with us and continue to invest with us. There is a – it might be hard to see on the screen, but there's a little chart there that I found very interesting that talks about consumer spending. We all know consumer spending has grown over the pandemic, but what we don't talk about is the composition necessarily of that spending. It's largely gone into goods, durable goods, non-durable goods, but services which is the red line on that chart has lagged considerably. The experience, restaurants, travel, people have not been investing at the same level.

The outlook that our economists give us and generally I tend to agree with it as we get through this next phase and move into the next phase past the pandemic, that spend is going to come back pretty strong. And you're going to see the goods orders start to moderate in terms of growth and service spending will grow significantly to start to catch back up closer to that dark blue line that's there in the middle. And that's good for us. That's who we are. We're in that service category.

So, we have a healthy consumer base that has not been spending on travel. So it's not just pent-up demand. They have an interest to it. And while our business travelers have not been traveling, we found many new customers, many new high-value leises as a new category that have been in those seats and have been enjoying because they're investing in themselves, and we know there's a growth of premium in this country. People are spending and investing in premium brands for themselves and their health and their wellness at a level never before. Again, Glen is going to talk about that in the course of his presentation.

So on the consumer side, we feel very, very strong. And every time the borders start to open, we see that happen internationally as well. So once we hopefully move through Omicron, we're going to be able to see a sustained lift on the international side.

Business is a different set of customers, but different set of dynamics. Everyone has their point of view, and I'm always amused by it because no one knows, right? I mean, everyone – and everyone's so firm in their point of view. It's great. I mean, everybody knows. And the only thing I know is that we're all wrong. But we'll figure it out. And there's something that somebody told me once that all behaviors die hard. And so while it's – there are lot of forced adaptation of Zoom and video conferencing and other technologies, people like to be together. I mean, there's a real joy at being assembled with you all this morning. I don't think I've ever said that at an investor meeting. But there is. I mean, there's value in doing this. This is why we travel. This is why we're social creatures.

But we do know it's not going to come back the way it was. We know video conferencing will be a substitute. And we've studied this a lot. We almost put out a paper on and had backed off because of Omicron not publishing it, but we did a lot of science and a lot of analytics behind how we see the return of travel, consumer as well as business. And from what we were able to tell, roughly 30% of business travel – and again, I don't think there's a hard and fast number, but it's generally, I think, right is in conferences and internal meetings, things that probably are most susceptible to doing over Zoom or video conferencing or not seeing a direct return for your business, 30% of business travel. We're estimating probably a third of that might go. That could be – like, maybe that's conservative, I don't know. But even if a third of that goes, it's only 10% of overall business travel. I think that's where the risk is.

The other 70% is composed of two big and they're about equally weighted, commercial, people that need to be out with their customers and need to be managing their business, there's the commercial need; and then essential travel, which people forget. People need to travel to run their businesses. We don't do this because we like it, it's something – we need to do it. And so, that 70%, we expect by 2023, will be about 100% recovered. So, if our math's right, maybe it's 90% by 2023. That comes back in terms of the traditional form of business travel.

But then you juxtapose a lot of other new things that have happened. The new ways of work, the new flexibility, the raging debate as to whether people are ever going to go back to the office or they're just going to work from the mountains and the flex time, and you can work wherever you wanted, many of you heard me talk about. There's nothing inherent to video conferencing that restricts mobility. Video conferencing actually enables mobility, allows you to take your office with you. It doesn't force you to stay at your house. You can if you want to, but it doesn't force you. It allows you to stay engaged. And so, I think we're going to have more remote work opportunities, more flexible work patterns. All of that's going to enable mobility. All of that's going to feed into travel, some with business, some with new forms of travel.

You look at the economic growth picture that we see. We have not looked at a crisis – coming out of a crisis as fast for the economy as we're looking at right now. These are the GDP assumptions that the economists are using, looking at about 3% per annum GDP growth per year for the next several years. That means by 2024, if these numbers are right, our economy in US will be close to 13% larger than it was in 2019. There's going to be a knock-on effect for business travel when you think about that. And, again, we've been accustomed to managing a GDP environment of about 2% growth, 1% growth. And there's going to be a pretty big uplift there.

And the other thing I mentioned is that high-value leisure component that we have is already – you're going to have new people sitting in business cabins [indiscernible] (00:35:57). So, when you put all that stuff together, our best estimate is that by some point in 2023, we're going to be back. It's 95%. Maybe it's 105%, I don't know, but we're going to largely be back. I'd give us kind of mid-2023 run rate to kind of get through the pandemic and the endemic and get these new ways of work more stabilized. So, we have a rather robust outlook.

And the other thing is that we think about business, we always talk about the big corporates. The small business is traveling a lot. American Express tells us, it's probably got the best calibration of that. They've said they're already 75% back, small business travel is already 75% back now. And we do expect coming out of the pandemic, small business travel is actually going to be north of 100% coming through this, because these are people in small, medium businesses that have to travel. And the size of a small and medium business population compared to the corporate business, it's about roughly the same, the same pool, the same population. We spend all the time on the big corporates because they're visible, but you've got this huge mass of additional travel that's happening with us.

So, as the premium brand in this industry, we're going to be fine, no matter what it comes back. So, that's why I don't get too concerned about all the speculative hypotheses that are out there, because it's the proven advantages that we have, the share gains that we've had, the moats. We are really uniquely positioned as demand continues to recover.

The path to recovery, I'd say, 2022 is – and I know I'm running late, Julie, so bear with me, haven't had a chance to do this in two years. So, I'm enjoying it. The path to recovery, [indiscernible] (00:37:32), he'll be happy to give it. The path to recovery, 2022 is going to be a recovery year for us. It's going to be a profitable recovery year for us.

First quarter, it's hard to tell what's on the ground and we're not going to give you a first quarter estimate because of that. We'll give you what we think about the first quarter when we report earnings in next month for the fourth quarter in January. But we do think that some part – at the end of the first quarter, moving into the spring, we're going to see a really strong growth of demand and we're going to have the capacity in place to serve that.

Our full year estimate on capacity is about 90% for the year. Obviously, lower on the front end, growing as we get to the back end of the year, and by 2023, we have the capability to be 100%. There's a lot of conversation about what capacity, the part of it, and I always tell that it's going to be based on demand. It's not based on what we can fly. But if the demand is there to support, it will be – we can be at 100% or even more.

If we're going to talk about fuel cost – excuse me, nonfuel cost, Dan will go through that, continuing to drop, by 2024, we expect to get our nonfuel costs down to single digits, and that's with inflation assumptions and labor cost escalation embedded within those assumptions. So, most people in the industry do not put labor cost escalation into the model. We know how important that is in this environment of labor having a whole lot more pull in the marketplace and the need to get staffing in place. So, we thought we take our best estimate.

And CapEx will be a little high, \$6 billion in 2022, dropping down to \$5 billion, \$5.5 billion in 2023. A lot of that is because of the \$5 billion of CapEx that we deferred in 2020 and 2021. We will be pushed, and we need this CapEx, and some of it was opportunistic, as I said, the 350s for example, that we went out and acquired.

Our goals by 2024 is to get our top line to \$50 billion or beyond, all-time record for our company; adjusted earnings per share north of \$7. This would be also potentially a record for our airline. I think our EPS number in 2019 was in the low-7 range. Internally, we want to do better than that. If we just think about the earnings power of this franchise that I've been talking about here, we should be able to do better than that and that will be our goal in generating the free cash flow to get down to investment grade metrics by 2024, and reduce our net debt to \$15 billion, and we're going to keep going from there. That's not a resting point. And all of that should yield a return on invested capital around 15%, which is where we were pre-pandemic.

So, concluding, we're bullish, we are bullish, but we don't have our heads in the clouds. We've been through a tough time. There's no group of people than airline executives that have been grounded in the realities of the environment and probably airline analysts, too, and investors for that matter. We know what we're facing. We know the power of our brand is strong and it's going to get us through, and continue to transcend within not just the airline space, but be seen as one of the best consumer brands in our country. That is our goal. Getting our financial performance back over these next couple of years through scale, efficiency, cost discipline, paying down debt, generating the cash that restores the pathway to the future.

And then finally is one of the things we'll be talking much more about next year and I wanted to talk about really, but didn't have time here today was about what we're doing to create a better future for our planet and our people. And as investors, I know that's incredibly important. ESG is something that we – many of you have heard me talk over time about ESG. One of the reasons why I'm so passionate about it is that this pandemic has caused us all to think about the purpose more than ever before, why we do what we do and what we need to do to make sure we're healthy going forward. And we've learned from the lessons, whether it's how you heal the planet or how you heal your society. Business has role to play and Delta has a role to play. Delta is playing a role in that and we'll be spending more time talking about in the future. So, our ambition is to transcend the industry. It's a bold ambition, but it's what drives us every single day and delivering on the outcomes that create long-term value for you, our owners.

So with that, I thank you for being here. It is a great, great tribute to you all that you came in the midst of difficult times to see us in person and we really do appreciate that.

With that, I'll introduce Glen.

Glen Hauenstein

Well, good morning, everybody, and I'd like to start by thanking you also for joining us today. It's been a tumultuous two years. I think unimaginable for many of us when we sat back and think of where we thought 2020 would wind up and where we actually did wind up. But it's been a great strengthening of the Delta brand, I think, and that's really what I want to talk about through my presentation is how we believe we're emerging stronger as an airline brand, and where we're are on our journey to be America's preferred brand and where we're going.

So, before we start on that, I'd like to just go a little bit into where we sit today, a little more color than what Ed had alluded to earlier, is when you think about where we sit today, we have the holidays sitting right ahead of us, and the holidays will be the best post-pandemic results of any short event period that we've had in the last two years. We're expecting our unit revenues over the 15-day holiday period to come in between – somewhere between 10% and 12% up on a unit revenue basis for the holidays and, again, a very, very strong demand. And that, of course, heads into the beginning part of January.

The situation remains fluid. We all know that that we want to be conservative, yeah, and we want to make sure that we don't have our capacity in place of anticipated demand, but really that we're reacting to that. Now, I'm very, very proud of our team who, I think, has done a really extraordinary job on in this area and I think one of the key tenets of why we are profitable and a lot of our competitors are not. And I'd just point to the chart here on the right. If you look, this is actual demand from the TSA enplanements expressed as a percent of 2019. That's the red line. And if you look at the solid black bolded line, that's Delta capacity levels and the gray line is industry capacity.

And so, what you've seen throughout this pandemic is that we've done a better job adjusting our capacity to demand. And as we sit here today, that's our commitment to our shareholders as we continue to have the pandemic turn more into an endemic situation, which is how we believe this will end up. And we are going to continue to place an emphasis on not placing that capacity in the marketplace in anticipation of demand to see if it occurs.

And so when you look at where we're sitting in terms of our forward capacity levels, we are sitting at about 20 points to 25 points below in the first quarter, where United and American sit in terms of international long haul capacity and we're quite comfortable with that. We still believe that we will get to a very strong summer in the Transatlantic, but this is a, as you all know, traditionally not the preferred time for Americans to go to Europe and we've seen some indications of delays and re-closings, spotty in Europe. So we're staying focused on that.

And even within that capacity that we have out in the marketplace, we are heavily focused on our European partner hubs where we can not only connect the specific local countries of the Netherlands or France, but we can connect the entire world through their hubs there. That's proven to be much more resilient as we move through the rest of this pandemic.

Our domestic restoration, as we sit here for the first quarter, has been focused on where the demand is, and the demand has primarily been in leisure. So in the first quarter, of course, sun and ski play a big role in that. So first

quarter additional capacity is heavily focused on sun and ski. I've talked to a lot of you in the room this morning, and a lot of you are heading to Florida with me this holiday season. And it's you, me, and several million other people who will be visiting warm, sunny places in the holiday season.

And the other thing I want to point out on this chart as we think about this evolving and we think about Omicron and we think about how that is impacting air travel is Americans have become more resilient. Americans have gotten used to traveling with the virus. And I think if you look here, we can look at the September, October, which was the peak Delta variant surge, and you can see that while it did push development to the right, it had very little impact in the long-term trajectories of upwards mobility and people wanting to get back to their lives.

So I think that's the one thing that we have learned from this is people want to get back to their normal [indiscernible] (00:46:49-00:47:07). We know that we're sitting with Omicron right ahead of us, but as you saw in the previous slide, each successive wave has less of an impact. But I thought I'd point out a little bit about where we sit in terms of restoration.

Consumer is more than 100% restored already, and I'm going to get back to that because within consumer, there are two types of consumers. Business in terms of traffic levels is about 60% recovered, as we sit today, as we exit the year. International consumer, 60% to 65%, and business international, about 25%. Both of those are up significantly with the lifting of 212(f) in the month of November, so some very good progress.

But when you add up what's been missing versus what we had in 2019, that totals to somewhere between \$13 billion and \$14 billion of revenues that are still to come as these categories fully restore. But I think what we didn't see and what is so interesting is that consumer high-value leisure actually grew during the pandemic. So, when you look at this and say consumer travel demand is 100% restored, what's leading that restoration in Delta – for Delta is high-value leisure. And when we add the component of domestic and international high-value leisure, and this is, of course, revenue that we didn't have in 2019, and you put those together, that's about \$2 billion to \$3 billion of additional high-value leisure travel that is now in our base.

And what we've seen is when people travel in those higher categories, it's very sticky. So, 70% repeat business in terms of, I flew in a premium cabin, and next time I fly, I have a 70% probability that I will continue to fly in that cabin. So, I think this is – when we say how will this all come back, it will come back differently. And what we've seen is it will come back, high-value leisure is one that we would not have counted on necessarily, but we want to explain to you where it is and how it's evolving, and how well that plays into our business strategy of being America's premium carrier.

We were quite worried, as a matter of fact, when we went into the pandemic that the premium products would not be the most demanded products on the airplane. But as we sit here today, if you took at our entire system and you looked at the unit revenues for our premium cabins, premium cabins are fully restored back to 2019 levels in terms of unit revenues, leading us out of the pandemic.

Main cabin is about 10 points behind in terms of its recovery. So that's a little bit more color of where we sit today, and then I'd like to talk a little bit where we're heading on our journey of being America's premium carrier. I think when we sat here and the first time we talked about this was back in 2014, when we said that we thought there was demand for premium cabins. We thought there was demand for being a premium airline.

But we had no idea really whether that was true or whether it was not. We did a lot of research. And what we found out, and it's still consistent today that 35% of air travelers choose on price alone, another 35% choose on price and schedule, and the remaining choose on other product attributes. That's decision of choice by category

of customer. But when you looked at the actual travel spend, the travel spend was heavily weighted to people who are selecting things on criteria other than price. And when we go back to 2014, if you look at the airline ecosystem, it was entirely geared towards price.

So if you think about back in your minds 2014 is Expedia, Orbitz, Travelocity, all of the commoditized OTAs had made price the only display, the only display. And remember that was only serving 35% of the customers, serving them well, but it really didn't tell you what you were buying, right, because you could buy a product on a carrier that charge for everything or you could buy a fully loaded flight on a full-service carrier like Delta.

So, we embarked on a journey that said what we need to do is we need to make the entire ecosystem based on value to customers, not just on price. And that was very, very complicated and involved a lot of intricate pieces. These businesses are all about details, all about details and going through the details of how could we get from where we were, which was kind of a commoditized product, to where we want it to be, which was a value-add premium product. And it was a daunting task. I'm going to show you a little bit where we are in the journey. But I think we are very, very satisfied where we are and truly believe that there is a lot more room for us as we move forward.

Growing our loyalty ecosystem, this is really an attribute of being able to better suit what expectations of customers are, because we all know and we all choose brands, and we choose brands because of their consistency and because we know what they can deliver. And I think growing loyalty and customer base was an objective, but it was really secondary to providing customers what they really value: on-time airline, clean, safe, reliable, with the best people in the sky, and the outcome, of course, was that we were able to continue to grow our loyalty programs.

And then increasing our revenue diversification, we started talking about this many years back, and I'm very proud of the – where we sit today and where we're heading here. And that's another outcome of being a better provider of goods and services to our customer and having a stronger brand. So, when you look and you say, how are we sitting here today in our journey to be premium brand? And I would ask you, how would you think that that would hold up during a pandemic? I think many of you would have said, oh, that's going to be very difficult in a pandemic. And what we found is exactly the opposite, exactly the opposite that this has been a core strength of ours throughout the pandemic and it's leading us out of the pandemic era.

A little bit about our premium revenue mix, again starting back in 2014. In 2014, we started with 24% of our revenue being premium. Where we sit today, we are in the 33% we exit this year. We're sitting in the 33%, 34% category with our 2024 estimates being about 36%. Premium versus main cabin margin, I really want to stop here and talk a little bit about this because this has been a huge evolution for us is back in 2009, after the merger, when we looked at what we had on our plates and we looked at how people sat in these cabins and what they were paying for it, we came to the conclusion or the reality that our premium cabins were actually lost leaders.

Because if you go back and you think about how the entire ecosystem was created, it rewarded travel points based on mileage flown, not fares paid. The cost to get into these premium cabins was exorbitant. And third of all, most, 80% of the people in there, we were only selling 13% of our first class seats when we started this project. And those were low yield, high value customers, but high value in terms of how much they flew, not the value they provided to Delta.

And so reengineering that way back when and I think we never knew how far we could go with this. We had a 13% paid load factor when we started this journey in domestic first class, 13% paid, 92% sat. Sitting here today,

we have a 60-plus percent paid load factor in domestic first class. We have an intent over the next several years not only to add more first class seats into our marketplace, but to get our load factor into the mid to high-60s.

And what we found is the same people who are entering what we call the great lottery, the great lottery was, I bought my ticket and I hope to god I get upgraded before departure date, that those same people with better price points and more ability to see what products they were buying were happy to pay to confirm their seat at time of purchase. And the Net Promoter Score for our premium products actually rose as we went through this transition.

And so, where we sit today is not with our premium products being a loss leader, but our premium products having a 10-point margin differential to main cabin, with a continued arrow up, and that gap has widened in the pandemic. So, another proof point of our journey to become America's premium carrier. And so, where do we believe we can take this? There are several things that are going to drive us to change over time, and one is clearly fleet efficiency. And fleet efficiency has so many other benefits, and I know Dan's going to talk a lot about them. But from a commercial standpoint, it also has the benefit of giving a higher level of customer service to our customer base.

So, every time we retire a 50-seat airplane, every time we bring on a new A321, we are improving the customer experience, improving the premium – ability to sell premium. And not only is that in our narrow body, but it's also in our wide-body fleet where we've embarked now on a multi-year up-gauge strategy of continuing to up-gauge our international long-haul wide-body fleet, which really has the same benefits. And I'm going to get to that in a few minutes. While we've done a lot of work and made a lot of progress domestically, we've made a ton of progress internationally during the pandemic, and I'll talk about that in just a few minutes, but really enabling us to have a higher mix of premium seats as we move forward.

If you look at the bottom, 15 fleet families to 11 fleet families is where we are, with a future state of 8, of course, that drives an incredible efficiency in terms of training, in terms of provisioning, in terms of inventory, and I'll let Dan speak to that. But not only do we provide a better product, but we provide it at a lower incremental cost.

And then, really, where we've gone, I think this is an underappreciated slide in terms of, I don't think our investors know this, but if you look at how we've grown the airline over the past many years, we have here indexed through to 2009, we essentially have not grown the main cabin. We've kept the main cabin relatively flat. All the growth in the company since 2009 has occurred with premium seats, and that's really been fueling our ability to up-gauge and increase our unit revenues versus the industry, and that's a really hard trick to do to, to lead the up-gauge of the industry and be have accretive unit revenue, so, really another testament and a proof point.

This is a long journey. This is a long journey. We're midway, we're in the mid-innings, as I like to tell our team of this journey, and we have a long way to go. When you look at where we're heading with all of this and what we've achieved, it touches each piece of the customer experience. And so, if you think about shopping and booking as a category of what people have to do to get on the airline, the entire industry was not geared to sell premium or value-added products. It was geared to sell commoditized products and services.

And we have worked very, very hard, not only internally with our internal displays and how we sell on Delta.com, but really with our external partners. So, if you think about the GDSes, the online ticket agents and our travel agency partners, if you go back in time, almost all of those were exclusively geared to transactions, not to value, as well as our proposition to our customers in terms of the frequent flyer recognition.

And so, working with Steve's team, working with our distribution team, we've been working behind the scenes over the many years to change the model. You saw us announce with all three of the main GDSes in the world

new agreements that really reward value add and reward value to customers, not transactions. And we were actually sued by one of our – our GDS partner was sued by one of our competitors over the agreement because I don't think they were ready to make this transition. But we all know, if you go back to the thesis, that people in general, and most of the revenue in the industry was not selecting on price, we needed to display the value and we've been in this journey.

And I think as we met with you, up to 2019, it was hard for you to grasp how difficult that was to change the entire selling infrastructure of GDSes, travel agencies, online ticket agents. But now, we have those agreements in place. And moving forward, I think you'll see not only on our sites, not only on travel agency sites, but also on the OTAs, where even they realize selling a commoditized ticket is not necessarily in their best interest. So, they're all making the investments required to show you exactly what you're buying, which is a huge step forward for the industry.

Post-purchase, making – a premium carrier does not have punitive fees and services. So, one of the great accomplishments, which we haven't talked about, is the elimination of the change fees and really making us be best in class in terms of the ability to change your tickets, and providing flexibility. And this is really important part because hard to be a premium when you're seen as punitive, so getting rid of those and continuing to work.

And I think one of the things we've done in the pandemic is inside our commercial teams, we have never been closer, so reservation has a direct pipeline into revenue management to say, these are the reasons people are calling. This was really based on necessity. We needed to get calls out of the [indiscernible] (01:01:23) because of the volumes that were coming in. But this is something that when you say, why are we stronger, these feedback loops are going to be in perpetuity.

And so, we need to know why people are calling us. Why are they upset with Delta? What did we do? What policies do we have in place that are not working or customers find egregious? And so, creating that feedback loop where we can then go back and actually change the policies that created that problem, and we've never been better at that. So, I'm very, very proud of our team.

And then even in the international, one of the things we know – we've seen in this pandemic is when people feel safe and when they feel that it's not too onerous, they want to travel. And I think when you see what happened with the lifting of 212(f) and the immediate number of reservations we took for a long haul international, six times the number of reservations in one week than the previous week when 212(f) was lifted.

And so we know that if we can make it – if people feel safe and we can make it easy for them, they'll want to travel. So, it's been a real focus of us to continue to stay on top of not only the changing landscape, but of making travel much more easier for long-haul international, and this is an integration that is evolving every day. But what we want is we want you to have the same experience you had pre-pandemic where 65% of the people flying long-haul international were checked in prior to arriving at the airport and could go directly to the gate after they dropped their bag, if they had one. And so, we're on our journey there.

Ed mentioned a lot about the airports. And again, when you think about the foundations that we had to lay and the bets we had to make many years back, very, very exciting to be here at Delta where the airports are all about to come online. I think we have a late spring, early – late spring – late winter, early spring date, opening date for both Los Angeles and LaGuardia. And I went through it yesterday. It's really amazing. I think how many of you in this room here use LaGuardia as an airport? Well, I think next time we ask, it's going to be more because I think it's going to really be an experience that is worth going to go see.

And those two also have, I would mentioned, the largest two Sky Clubs in our network, will both be in Los Angeles and LaGuardia. And that's been another just huge increase for us. As we sit here, we have enplanements about 65% restored this year versus 2019 and our Sky Club visits are trending at about 85% to 90% restored. So, again, another sign that the premium travelers are traveling.

And then, of course, continuously improving the experience from lobby to gate, we've restored a priority boarding in the airports, which I think was a big hit with our most frequent fliers. And what we have in store for you in in-flight, and we'll say more about this in the future, but is continually reinventing all of our premium products. We've sat through and now gone through Delta One and that will be launched between now and the summer. Re-launch of Delta One or re-launch of Delta Premium Select and I really want to spend a lot of time on – I won't spend a lot of time on that, but Premium Select is really a new product for us.

We went to launch it in 2019, at the end of 2019, just as we headed into the pandemic. But by this coming summer, more than 80% of our long haul international flights will have an entirely new premium product, Premium Select, Delta Premium Select. And it's geared for high value leisure, as well as business travelers whose corporate policies don't include premium products and services. So, this is the main cabin product. And it's selling incredibly well. We have it in today about 40% of our international flights and it's running a load factor at twice the average coach fares of between 70% and 80%. So really great launch so far, but more enhancements to come to that product as we move into the summer and really having it ubiquitous into all we do by 2023.

A little bit about our virtuous cycle. I think when you look at where we sit and how is our brand being valued by our customers, nothing pleases us more than to have people do three things. One is, get the SkyMiles – get a SkyMiles account; two is download the app; and three is eventually get the consumer credit card. And the reason that we think that engagements with SkyMiles members are so important because that's also our big farming area for how we market to co-brand creditors.

A SkyMiles customer is twice as likely for repeat buying of premium products. And so, really continuing to widen our net, to continue to bring people into the Delta ecosystem has been a priority for us. And as Ed mentioned, I'm very, very proud of Dwight and the team because despite only 65% of our enplanements being back in 2019, it was a record SkyMiles acquisition, record SkyMiles acquisition. As you saw before, we're ending the year with co-brand acquisitions back above 2019 levels.

We talked before we went into the pandemic about the continuing increases in the contribution from the Amex co-brand card. And where we sit today and, again, I think we should all be very proud of this, we are exiting 2021 with record accounts in force, record spend, record remuneration. And so when you think about what did we do to strengthen Delta's brand and the pandemic that we're sitting here today still not in the endemic stage, still in the pandemic stage, but achieving records in all those categories, we feel very, very confident that we will get between continued organic growth and scheduled rate changes in the partnership to the \$7 billion, which is only one year later than our previous commitment of 2023. So, we've taken a two-year delay on COVID and a one-year delay on the commitment to the \$7 billion of contribution from the Amex card.

So, a little update here of where we sit – where we started, where we sit today, and where we're planning to be. Three key things we said we wanted to do was to create more demand for premium products and services, and diversify the revenue stream, and to eliminate commoditization. And so, back in 2014, when we first mentioned this, our composition was 56% or a majority of our revenues were sitting on main cabin commoditized products, 24% in premium products, and 20% in non-travel-related or travel-related and other products.

Sitting here today, we are sitting at 47%, so now less than half just sitting in the commodity, more commoditized, 32% in premium, and 21% in other. That was where we sat in 2019, and we've made continued progress against that. Here are our goals, and I think this is really important. We will have almost the same split between main cabin and premium products by 2024. And we believe by 2025 that premium products as a percent of total revenues will be the largest category that we have.

In addition, we've continued to diversify our revenue streams. We talked a lot about Amex. We have a little talk about cargo. As we look to where we sit today in cargo, cargo has been another great story through the recession – through the pandemic. And we have – we will achieve a record cargo revenue despite only flying 40% of our long haul international flights and we believe that will stay with us as we continue to scale up our international departures. And so we are looking at a cargo revenue that is \$500 million more per year coming out of the pandemic than it was pre-pandemic.

MRO continues to be quite successful and grow rapidly at double digit margins. And then another area that we're continuing to put more focus on are the other travel related. As I said, Delta as a trusted travel brand, Delta is a premium carrier, this has knock on benefits to those travel-related services that we attach our brand to. So we have an incredibly successful with Lyft, to Airbnb, and, of course, our wholly owned Delta Vacations, but we want to continue to expand that, gift cards, trip insurance, car rentals, hotels, and create good value for our loyal customers. And these are all our opportunities for us as we move forward.

Two slides to close and both about our network. It wouldn't be my presentation if I didn't talk about our network and really where we're excited to be. And I think Ed said this earlier, but I – one of our objectives was to get through the pandemic and to not lose share in all of our core hubs in coastal cities. And as we sit today and looking out into January schedule, not only have we picked up passenger share, but we've picked up seat share in every one of our interior hubs and in every one of our coastal gateways, with the exception of New York, which is running a little bit hot because everybody had to use their slot starting in November. And so, we're a little bit ahead of demand curves in New York, in particular. But other than that, every place we fly, we've picked up share, and picked up even more premium share. So, a really exciting place to be sitting, hopefully, at the end of this pandemic, moving more into an endemic situation.

And last but not least, unmatched scale and opportunity, and this is where we get really excited about the international opportunities moving forward is that interesting statistics, new generation wide-body equipment, in 2019, we had 15% of our international long-haul capacity. This coming summer, that number will be 65%, and those are, A, many more premium seats; but, B, much more efficient; and, C, drive much – a whole changed profile in terms of profitability as well as cargo capabilities.

Structural change to the landscape, I think you've seen a lot of our competitors. Again, I want to preface all of this by saying that we will be nimble. And if this recovery internationally push us off, we will not fly the schedules we have out for sale this summer, but we do have about an 85% restoration of Transatlantic scheduled for the summer coming up. And then stronger partnerships, and Alain's going to talk about it a lot more detail, but we feel incredibly good that between increased cargo contribution, between stronger partners on the other end for the distribution of our products and services, the structural changes in the landscape where a lot of the ULCCs have either been severely damaged or disappeared, and then our renewed wide-body fleet that we will be able, over the next several years, to have margins internationally that approach domestic margins, and that's our goal as we move over the next several years.

So, with that, that that concludes my presentation, and I'd like to ask Ed if you wouldn't mind coming up here to join me for our first set of Q&A.

QUESTION AND ANSWER SECTION

Edward Herman Bastian

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

A

Expensive stage, guys. Thanks, guys. I had to worry about my socks. I thought – I didn't know if – I thought we might sit on these stools and I – are you okay. I had three different pairs. I hope everybody likes, smiley faces on. All right. Let's get started. How do you want to do this? So, we just do it ourselves or we got mics?

Mike Linenberg

Analyst, Deutsche Bank

Q

Thanks. The first, Mike Linenberg here at Deutsche Bank. Ed, on your slide, you indicated that you had hired 9,000 employees, new employees last year. What are the numbers for 2022, and what are some of the challenges, which are some of the various groups that you're just finding real difficulties to hire? I mean, you hear like Starbucks, for example, providing fully paid college degrees. I mean, is that – is Delta going to have to do it? I realize you're a fantastic place to work for. You typically rank in, you know what, top 10, top 20 among all corporates. Pretty broad question there, but I want to know what the numbers are...

Edward Herman Bastian

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

A

Yeah.

Mike Linenberg

Analyst, Deutsche Bank

Q

...and the challenges you're running into. Thank you.

Edward Herman Bastian

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

A

So, I know everyone's been talking about all the new people. It doesn't matter what business, what industry. We're largely where we need to be right now, right? So, it's not – we're not playing catch-up. This year was catch up as we – as the industry came back faster. Hired 9,000 people this year. They're all up and running. Yes, there's some more hiring, but it's going to be in line with growth in the business. So, pilots, flight attendants, mechanics are three of the areas.

The focus we had this current year 2021 was very much on ACS, reservations, and a lot of the servicing areas of the business. I don't know what the number is, Mike. It's considerably less than 9,000 next year. But it's – and it's going to be a steady drumbeat over the next two to three years in some of those areas as we bring the pilots back, we have a considerable number of retirements, even though we have a lot of pilots voluntarily retire, we still have some decent number of retirements coming up in these next couple of years. So it's not all growth, part of it is backfill as well. So it's a lot, lot less than 9,000.

Mike Linenberg

Analyst, Deutsche Bank

Q

Great. Thank you.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Ravi Shanker, Morgan Stanley. A question for Ed, a question for Glen. Ed, maybe high level, your 2021 report card was amazing, given the circumstances, but at the spirit of never wasting a good crisis, what's your biggest learning or biggest takeaway that you have, both for Delta and for the rest of the industry? If you could address all your CEO peers in the industry kind of what do you – what would you hope that you take away as an industry kind of coming out of the pandemic?

And Glen, this may seem like a bit of a flippant question, it's not, but do you need to grow? Is growth really a priority for you guys, because you're building this amazing premium airline where mix is such a powerful driver of earnings of returns over time? Why not just focus on that and kind of not play the capacity game over time? Thank you.

Edward Herman Bastian

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

A

Learnings from the pandemic, we could spend an hour on that, Ravi. Yeah. I think the number one, let's say, the top two learnings for me, one, more than ever, about the relationship with your people. I mean, the only way we were able to deliver the results we had is we have amazing people. There's no management team or strategy that can again put that on paper and then go send it out. So, it's the operational grit and excellence in the performance culture, coupled with the fact that we have and I think people appreciate that. They haven't seen it to date the way we have this year a deep bench, a deep, deep bench. And we do have and Mike said, we have a great hiring brand. Mike, to answer the last part of your question, sorry, Ravi, is that we've now had to increase scales anyway. There are a couple of small markets, small amounts, but no, we're not doing college or very, very modest small signing bonuses and a couple of small high expensively to live cities. But we've been able to bring people into Delta because people really want to work here.

And I'd say the other thing that and unfortunately didn't have a lot of time, didn't have any time to talk about it is it's a wake-up call to us on sustainability. We're an industry that's not going to have the future that we project if we don't earn the right to show that we bring value to the world, not just travel, but bring value and healing to the world. And we've got a huge, huge sustainability initiative.

And I'm really proud that we announced yesterday our first Chief Sustainability Officer, Pam Fletcher is joining us from General Motors. She was Vice President, Global Innovation at General Motors, and she's done an amazing job. She was sitting underneath the development of the eVTOL platform or eVTOL, sorry, EV platform, not eVTOL, EV platform at General Motors for years, 15 years. She's been there, as well as a lot of the other innovation components to where GM is.

And if you were to think about autos, how advanced they've gone, how the level of government support they've received, the amount of consumer interest and demand for the product, we need to do the same thing in the sky as we're doing on the ground because people love to travel, but you're not going to be able to travel if it's seen as you're leaving a footprint that you don't clean up behind you. So the ESG component, taking care of you people, taking care of your planet, and focusing on the wellness of us all is – are the key lessons for me.

Glen Hauenstein

A

Do you want me to take a stab at the growth, because clearly growth is an evil word in terms of most of our investors. And I think we're not going to grow to grow. That's not our – we're not growing to get our unit costs

down. We're not going to take on additional market share. We're growing very specifically in terms of places we want to provide a level of utility in higher growth areas of the country.

So when you think about the prerequisites that you would have to get people into your ecosystem and getting them into your ecosystem, which we think is very, very important for us, we focus on repeat business, right? That's our core as who we are is get the people who travel frequently to prefer Delta. And so we have to continue as the economy grows to provide those levels and services and provide an entry point. You can't just be a premium. This has been tried at other carriers over the years. You can't just be a premium and not be – not participate in the commodity levels of the industry. No million miler starts as a zero miler. They all start somewhere.

And if you look at where price is more important, it tends to skew younger when you don't have the resources available to buy the premium products and services. So the places we choose to compete, we need to have that ecosystem work across the spectrum of travel, and that includes getting people in the front door with attractive prices. But growth isn't the prerequisite. I think efficiency is, I think utility is, and then selecting where we need to compete and ensuring that we have best-in-class capabilities in those places.

Edward Herman Bastian

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

A

Grow where you have a demonstrated right to grow and grow efficiently. I think if you look, the other thing that we haven't mentioned here is that our fleet count will actually be down versus 2019 all the way out to 2024.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

Good morning. Jamie Baker with JPMorgan. A short two-part question for Glen and then a follow-up for Ed. Glen, one of the things that Southwest mentioned last week when many of us were here was that they are seeing strength in internal business travel and conventions, which early on in the pandemic were cited by many as the two areas that would be most impaired. Are you seeing that as well?

And second, is the pace of OA capacity resumption in the Atlantic faster than what you would have expected? Has that tempered your longer term international optimism that you spoke about before? I'm just thinking about – I wasn't expecting A380s to be back this quickly, that sort of thing.

Glen Hauenstein

A

Well, I think there's a – the first part of the question is, yes, we are seeing similar to Southwest. There's a lot of pent-up demand. And I think if you have any question about that, go try and secure venues for large events. They're booked up for the next year, year and a half. So I do think that that's part of the return we'll see, of course, tempered by how the current wave evolves.

And then in the long-haul international, I think we're actually quite pleased with the aggregate. While you could point to a certain carrier and say, well, they're going a different route. Most carriers are down in terms of total capacity versus 2019. And clearly, we've lost a lot of the weaker carriers along the way. So the total Transatlantic capacity will likely be pointed down. And the upside scenario is that you have two years of demand sitting on one year of capacity. And if that doesn't play out, we have the big European booking season, which starts really after the holidays, late January through March. And if we're not seeing booking materialize, we'll take actions to rightsize our long-haul offering.

Jamie N. Baker

Analyst, JPMorgan Securities LLC

Q

And then, Ed, getting back to the first answer to Ravi's question about really understanding and learning about the power of the Delta brand and the Delta people during the downturn, how would you characterize the ask of employees post-pandemic relative to what it was before, what their priorities are? And I realize it's maybe a more fair question for your competitors that have more unions to deal with, but has the experience left your non-union status more vulnerable? Just thinking about we understand where managements, what they have learned, but how do you think the attitude and appetite of your workforce and their priorities may have changed, given that that ties back to your cost structure? Thanks.

Edward Herman Bastian

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

A

Sure. Well, if you're focused on cost kind of underlying some of that, absolutely. I mean, you're looking at inflation rates that we haven't seen in a very, very long period of time. It's impacting those on the lower income scale much more, obviously, than those of us that can manage that. We'll be addressing that in the coming year and I think it's all manageable.

A big thing with Delta is profit sharing. That was in 2019. We paid, this was the last thing we did prior to the pandemic. We paid \$1.6 billion. We're not paying \$1.6 billion of profit sharing. So, you had a little bit of a double impact there. So, we're going to address it, but through profit sharing and working closely with our people, we have the tools to do that.

We pulse our employees. We take a very good survey, and we do it regularly, and we just finished recently, to your point. And the positive engagement score is how we like to think about people that are engaged, they trust the brand, trust to the management team, and trust to the direction of the company is as almost as high as it was in 2019, almost as high.

Now, not quite because, I think, a part of it is the environment, the angst in the cabins. I mean, it's not a – it's not the same environment that the people had in the past and I think the stress of going through two years of the pandemic. But what has offset a lot of that is that they feel that Delta has put their arms around them, the fact that we did not furlough a single employee. And it's not that because of the government, we told them on the front-end, before we even know if we're going to get it made, that was going to be our goal, getting through this and being able to deliver that. So many people feel protected.

Now, that last for just so long, and then – and we do have – we do have assumptions in the cost numbers that you're going to see from Dan for labor cost growth. But, generally speaking, I'd say that the culture is in a really good place, a really good place.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Hey. Savi Syth from Raymond James. Just two quick questions and the first one is just as the industry has evolved, you talked about Delta being ahead on kind of trying to de-commoditize the product, and you've seen a lot of your competitors follow as well. But I do remember a few years back getting angry e-mails from my colleagues in Atlanta because the price differential had gotten so much that they were being forced to fly somebody other than Delta and they hated it. So how has the industry evolved and your ability to kind of lead and have that price gap? I mean, have you seen any changes? As I think about some of – couple of your key competitors, one is following Delta's footsteps and the other one is almost kind of going the other way and going

away from premium. And then, the second question was quickly just on MRO, have your targets changed versus kind of pre-crisis?

Edward Herman Bastian

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

A

Well, let me take the premium. I think one of the things that you have to think about when you start on these journeys is, well, what would happen if you're successful and everybody copied it? And I think we're very, very comfortable in saying that the de-commoditization of the industry was a good thing, period. It didn't matter if everybody did it or if nobody did it. It was a good thing for the industry and continuing to provide value in terms of perceived value as opposed to fair being the only thing that people counted on. So, I think we're very comfortable on that.

The second thing, and I think when we talked about growth earlier as well, how do you think about growth is we want to provide – we understand that there are multiple reasons of why you fly, and you don't always sit in the cabins for one purpose versus the other. And we have to be mindful of the differential between our through to consumer pricing and our competitors through to consumer pricing. And I sat with an unknown person, but they're in this room who said they were flying a competitor one way to Florida because our fares were too high, and they're flying us back.

And I think when you say why do you need to grow and why do you need to supply that is we cannot have the demand exceed supply so that our fares are always out of reach for people who are trying to work their way into the Delta ecosystem. And that's something we've become more and more mindful. And I think the one line that I didn't use that I should have used in my presentation is the reason we're so excited about the flip to a majority of our products, our revenues being in the premium products is this isn't now a game against our competitors. This is a game against ourselves and making sure that we monitor that, making sure that we have the right products and the right products in place at the right time in the booking curve.

We, as an industry and I think we're ahead of this, but we're geared to look at what other carriers are doing and then react to them. And so, how we reengineer even our pricing philosophies moving forward so that we become more cognizant of consistency and through to consumer pricing that we've become more reliable and more dependable. Part of being a trusted consumer brand is not – when I go to the website, you're charging \$1,100 and your competitor's charging \$300. That breaks the trust. So, we've got to get better at that piece as well, and that's something we're working really hard to use AI and to use other components to bring more stability and more predictability to the – in our customers.

So, I'd say Southwest, in the last 20 years, has done a really good job because they don't generally have the lowest fares in the marketplace, but people trust them that they're not going to get gouged. And that's really, I think, where we would like to be with all of our products and services. Long answer, but...

Glen Hauenstein

A

Your MRO question, Savi, I didn't hear it.

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

Q

Just how does it compare to 2019, your expectations.

Glen Hauenstein

A

The MRO?

Savanthi Syth

Analyst, Raymond James & Associates, Inc.

[indiscernible] (01:29:18).

Q

Glen Hauenstein

A

It's growing. It's growing. And it's growing faster as we go. We made some very big investments prior to the pandemic in the geared turbofan as well as on the [indiscernible] (01:39:30) platform. And those are long-ranged [indiscernible] (01:39:34) going materializing in a meaningful way over the next couple of years. So we've got a significant growth trajectory in MRO. Part of that's embedded in there, and I don't know that we're ready to give you the exact number in there, but it's probably double over the next three to four years from where we are today.

Hunter Keay

Q

Hi. It's Hunter Keay, Wolfe Research. Thanks for the time today. Couple questions for you. The first one, can you talk about basic economy and how that fits into this premium vision, particularly considering it's probably dilutive to the brand? And also, maybe more tactically talk about what went into the recent change on that accruing SkyMiles for when you buy a basic economy ticket? Thank you.

Glen Hauenstein

A

I think we've always said that basic economy is a more of a defensive product, and we'd like to sell less of it rather than more of it. But to the extent that we have off-peak days and we have off-peak months and we have off-peak periods and we have to sell fares below where we'd like to sell them, we think that it's not in our best interest to not be able to supply those because our products are too highly contented.

So, essentially going to that 35% that we know can use us from time to time and say, we're a fare-only and we call it internally the IQ test is I could have Delta or I could have brand X on basic economy. And we say we think that we have the first mover advantage that we will still be the preferred carrier no matter what your travel needs are, if we're providing reasonable products and services. So, I think we're very comfortable with that. We monitor it. When it gets to be too large of a percentage of our total customer base, we look at how we can work to move that down, and our internal targets are somewhere between 10% and 20% of the total ticket sales to be in basic economy, but still to make sure that we have best-in-class products and services across the entire spectrum, and when they're available they're still the best in class. And that's what those moves were about is to not put too much value in them, but to make sure that the value of having the people behind the Delta brand, the Delta on time arrival and completion factors for people who are, I would say, lucky enough to get those fares and get the Delta quality.

Hunter Keay

Q

Okay. Thanks. And then the second question is what sort of changes do you expect out of large corporate travel policies that is, do you expect them to maybe mandate bookings through a TMC? Do you expect changes in how they're able to book live flight seats and maybe how that folds into what you're doing with your GDSs? Thank you.

Glen Hauenstein

A

Sure. We just finished our corporate survey, which I didn't talk about. But it had some very interesting data in that. We asked how many of our corporate travelers would enhance their travel policy and make them less restrictive for premium products and how many would make them more? And so, this was a really recent survey from November 29th to December 10th. And when you net them out, it's about eight points minus two on more restrictive and plus 10 on less restrictive. And what I think you're seeing in this very tight labor market is that companies who have – who are hiring people who they know will be traveling quite often realize that to attract top talent, they're going to be able to – they have to make their products more competitive. And this is really a virtuous circle that we see in some of the heavy travel groups is where, if brand X does this and they're going out to college campuses and recruiting saying that, we know you're going to have to fly a lot. So we're flying you domestically at first class, then brand Y has to do it. And I think we're seeing that. And so that plays very, very well into our premium spectrum, and where we sit in the labor market right now, where everybody is competing for the same talent. So, see some very encouraging numbers there.

The other thing is that, that I didn't mention, but we had 61% of current offices open that ties almost exactly to the 60% of business travel we have recovered. They expect – and this again is a very current survey and may push out because of Omicron, but they expect that number to be 83% with a 10 point improvement and their company will accept visitors on campus. So, all very positive signs.

Edward Herman Bastian

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

A

Yeah. A couple of other things [indiscernible] (01:34:02). We had a big – it was a big – one of the huge banks or one of the huge consultancy, I've got a couple of big corporates in recently. And they had a – you know, they're hiring people. They say that's close to one of the number one questions that people stop by the recruits, what's your travel policy? Not that are you going to require me to travel, is that how am I going to travel? Because they want to travel and they want to travel at a different level.

And secondly we know that as – just like companies are trying to pull people workforce back into the office, they're also trying to push people back out to travel at the same time, and they're offering more flexible upgrades and premium services that we haven't seen in years. And the fact that we're investing in wellness, that says one of the learnings of the pandemic. We've been working closely with a lot of the big corporates about while this is a huge [indiscernible] (01:34:56) we're probably ahead of our time. This is a great incentive. It doesn't cost that much to provide whether it's Comfort Plus or first-class service, because they're not – you don't see the step change, massive retail changes that we used to have in the first structure, they're reachable. And this is something to market to your own people.

Glen Hauenstein

A

I think that's something Steve has been very effective in showing corporations how much it would have cost them to upgrade their travel policies, and it's not as much as they would have thought.

Duane Pfennigwerth

Q

Thanks. Duane Pfennigwerth of Evercore. I had a quick question for you on the fleet simplification. When you initially talked about this, there was going to be some employee basing efficiencies and reducing the complexity of the fleet. These are my words, not yours. Maybe the recovery happened a little bit faster or on a more accelerated basis than you initially thought going in, which created some training pressure with respect to this fleet simplification. So, can you just bring us up to speed on where are you on that training investment? There should still be efficiencies related to fleet simplification, but my guess is you're not seeing them now and you're not seeing them yet. So, when will you hit your stride there?

Glen Hauenstein

A

Could I defer to Dan because...

Edward Herman Bastian

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

A

Well, we can talk about it for a second, and then Dan can provide more detail when he comes up. But we're seeing the simplification. Yes, it's fair to say that the recovery probably was a little faster than we're seeing, and yes, it has put more pressure on the training level and has created noise that they don't see the flow through in terms of the cost and some of the inefficiency that we have. And it's not just on pilots, it's across the spectrum. And Dan's got captured a pretty good sizing of what that is and how much we expect to release in terms of taking that cost pressure out over the next couple of years.

Duane Pfennigwerth

Q

Sorry for the cost question. I will ask a network question.

Glen Hauenstein

A

No. You're going to see a lot more of that in Dan's presentation.

Duane Pfennigwerth

Q

If the summer plays out from the perspective that we think and we hope with respect to Transatlantic, how much capacity is flying around domestically that will tilt to international?

Glen Hauenstein

A

We have a schedule out there which is about 85% recovered, and we could go several points over that if we see the demands coming in stronger than that, and we can pull significant amounts out and redeploy our ground. So, we've got an incredible amount of flexibility. When we get to May and it's – and we're talking about June, we have a lot less flexibility than we do if we can see the booking trends in the first quarter. And that's really what we'll be paying very close attention to because that's really the peak European booking curve and gives us plenty of time to make those adjustments.

Helane Becker

Analyst, Cowen & Co. LLC

Q

Thanks, Isaac. It's Helane Becker with Cowen. Hi. Thank you very much for the time and for being here. It's nice to be here. So, here's my question for you, as you think about the investments that you've made in other airlines, and maybe for both of you, how are you thinking about going forward utilizing their capacity to expand your reach? And are you concerned that your brand is a superior brand where you have more premium seats going into a market that may have fewer premium seats, so that when a passenger connects in Santiago or Paris or somewhere else, they're going to be downgraded from a first class or business seat to an economy class seat.

And then, the other question, I don't know who wants to answer this, but a big test for return of travel will be the Consumer Electronics Show. So, are you guys going again this year, and what are you seeing about demand into Las Vegas that, you know, we...?

Edward Herman Bastian

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

A

So, I'll take the second question first because it's quick. No, we're not going. But I think CES is a trial to bring a large scale conference back. But as I think you probably know, a large part of the CES is international. And with the international restrictions coming back up and particularly Asia never having really opened yet, I think it's going to be a much smaller show and scaled down footprint than in the past. So I don't think you – I know we haven't added any sections, for example, of any note, because of that. So, I'm not sure it's a trial necessarily. I think Omicron is unfortunately going to have some impact.

I'll give you my view on the international, Glen can give you his view, those partnerships are really important, and they're a work in progress, right. And we realize that we're leading in many areas. We realize we have the financial capacity to lead on the premium space and there's carriers like Aeroméxico, or LATAM, or Virgin, I've had to kind of go through some very difficult restructurings. Their focus has not been on premium, their focus had been on survival and how they're going to manage through a legal process. I think they've done a really nice job of positioning themselves to get out.

They're going to have a much better balance sheet, particularly Aeroméxico and LATAM, much, much cleaner balance sheets. They've shed enormous amount of debt. They've taken an enormous amount of cost out of their cost system. Their unit cost are down double-digits in meaningful ways and sustainable ways going forward.

No, we don't have our partnership so that we can offload flying to them. We had our partnerships that can build flying for us and we can build flying together. And then I think that's just the philosophy of why we do this. It's not to find a cheaper way to get lift. It enables us to have greater relevance in the local market, because we know no matter what part of the world you're in, the local airline, the local flag carrier is always going to get the first call. There's always going to have the first dibs in terms of brand. And while our brands may objectively be at a higher level, the local tastes, the local culture always prefer something that they know as compared to something that they don't know. So there's a balance there.

We've worked really closely with them through the restructurings. The decisions that we made to reinvest were not taken lightly. We went through deep, deep, deep negotiations. Peter Carter and Alan led them. And we're feeling really good about where we landed in terms of the value. And we looked it through the lens of an investor, not just the lens of a partner, would you make this investment, even if you weren't in the business? But with all the benefit we know it brings us, there's a qualitative component. But we feel confident saying yes. Objectively even if

you put the partnership aside, you'd still want to make the investments that we make because we see the opportunity for the future.

Glen Hauenstein

A

And I would just say it's always a work in progress with our partners as it is a work in progress for Delta itself. But I think we have a great team that has worked really closely with our partners. And I think we do have more alignment in terms of what products and services we're bringing to market together than just about any other alliance on the planet or than any other alliance on the planet.

And so, if you think about the Transatlantic, their products are essentially the same. They're just called different things, but they all have the same product attributes. And we work very closely with our partners to make sure that there's a minimum level of expectations so that we don't disappoint customers when they buy a particular product like a Premium Select or a Delta One when they're on the equivalent of our partner airlines.

Edward Herman Bastian

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

A

And our equity position is also on the board. So, we're inside the boardroom driving those changes, not just as a contractual relationship asking for changes, and we're making decisions inside the company.

Julie Stewart

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

Q

Okay. Our last question for this session is coming from virtual. It's from Sheila Kahyaoglu from Jefferies, related to premium. In terms of thinking about premium versus main cabin, how do we strike the right balance and how do we think about what that balance is as we think over the next couple of years? And the second part of the question is how can we continue to sell those premium products better?

Glen Hauenstein

A

So, again, I'll start with the second part, which is selling those premium products better. And, again, that journey of what we talked about of having our distributors, we now sell directly a little over half our product, and we like the way we sell our product with the different shelves. I would suggest, go look at how some of our competitors sell their premium products, and it's a bit of a different approach.

But getting the ecosystem that really should want to support that to support that, and we've been working really, really hard. So, really, to take Expedia, for example, and the way that they're going to display their products and services in the future that will allow them to describe more of what those products are or calculate, for example, if you're going to take a bag on the airplane, what's the through-to-consumer cost on a full service carrier versus a ULCC? So it's not just the price of the ticket itself that it's really a customized offering of asking you first what your expectations are and then pricing it out that way.

So, I think we're in mid innings in that. I think we have a few big distributors that we're continuing to work with whose technology quite honestly hasn't kept up. And more in terms of maybe in the business category where their displays have historically not been as robust as through-to-consumer displays you can see on individual airlines website. But we are working closely with all of them. And all of them are receptive to making those changes and it's a matter of them rolling that out over the next several years. And I think that's one of the things that we are

excited about, because we think that the people who did this was actually designed for actually had the hardest time to buy it. And as we break through those barriers over the next several years, we think that we'll see increased demands.

And then as far as providing more of it, I think the fleet itself, and that's what the slide was supposed to demonstrate, is the fleet itself is providing more of that. At some point in time, if we continue to have that kind of success, we could look at changing [indiscernible] (01:45:07). But the first line of defense really is to continue with our fleet simplification and upgauge, so that we can provide more in market.

Edward Herman Bastian

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

A

All right. Two other things I'd like to add before we close. Savi, gets back to your question about people copying strategies, right? We've been at this for 10 years. It's great to say we're going to be like Delta. It takes a lot of work and a lot of capital and a lot of prowess and a culture of service to create. It's not just one thing. Glen talked about the product and the aircraft and that's wonderful. But if you're not people that actually deliver the on-time, the experience, the caring environment, it doesn't matter.

Glen Hauenstein

A

Absolutely.

Edward Herman Bastian

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

A

It doesn't matter. That's why all these things tie together. You got this, whether it's the how you sell it, how you deliver it, how you prepare for it in the future, we've got literally a 5- to 10-year head start on this. And I think it's smart for people to kind of follow in our footsteps. That's great. I guess they say it's the sincerest form of flattery. But we're not – I don't think that there's going to be all of a sudden now we have. So, I think our – and we're not standing still with, as you've heard. I mean, we're going to continue to push the envelope in this space.

There has been a secular trend that's moving towards premium. You see it in the economy. You see it in consumer wealth. It's not in all sectors of the economy, but the wealth accumulation, the consumer puts more value on the experience than ever before. I don't think that trend is going to stop any time soon. I think we've all been marked by what we've been through, and people have made different changes. For lots of different reasons, this is a category of value that I think people are going to want to continue to grow with us, and we have great opportunities and great partners to do that with.

And the other thing I want to say, hello to my good friend, Kenny Dichter and Gail from – Kenny is with Wheels Up, Gail's from Delta, but she's working with him. And when we speak about the category of premium, and the category of opportunity, I don't think there's a segment within the travel space that has shown that more than what Kenny and the Wheels Up team's doing. I mean, your top line is more than double, if not triple. Every time I turn around, I have a hard time keeping up with his growth, but we're proud to be investors as well as partners.

But you see the synergy of linking Delta and Wheels Up, which is what we're doing. And the pandemic kind of skewed things differently, and it was good for Kenny's business to some extent [indiscernible] (01:47:39). But our goal long-term is to continue to provide great value to consumers at every level, including the upper end, the highest end, which is private. And Kenny is a big part of that, that strategy.

So, thank you, all. We're going to take a break for a few minutes and then come back.

Julie Stewart

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

Thank you, Ed and Glen. We'll take about a 15-minute break.

Edward Herman Bastian

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

15 minutes.

Julie Stewart

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

We'll have another Q&A session. So, for those of you that we didn't get to [indiscernible] (01:48:05).

Edward Herman Bastian

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

Good. That was really good. Great job.

Glen Hauenstein

Yeah. You, too.

[Break] (01:48:08-02:14:23)

Operator: Please welcome to the stage, Alain Bellemare.

Alain M. Bellemare

President-International Business & Executive Vice President, Delta Air Lines, Inc.

Okay. Here we go. So, good morning. Great to be with you here in person in New York. I know we all share the same feeling of socializing and being able to talk to each other, which is great. I'm very proud to be part of the Delta team, and I'm excited to cover our International business today, which is a core priority for Delta and also a key driver of our long-term growth.

International travel, as you've heard, has been recovering, certainly slower than domestic, unevenly across regions, and with much uncertainty, but recovering. And we've remained disciplined, agile, and well-positioned to support that returning demand. And, in fact, over the past decade, we have profoundly transformed our International business. Today, we have the best International platform, which is anchored on a strong Delta foundation with best-in-class airline partners. And, together, we have an extensive global network with great connectivity.

In 2019, our International revenues were at \$14 billion, with about 70% of that generated through our joint ventures. So, we have the best global network in the industry. And, with this, we have great partners. Starting with Air France-KLM and Virgin Atlantic, this is the largest JV that we have that exists between US and Europe. And

then, you have in Latin America, we have a great partnership with Aeroméxico, which is the leading transborder JV between US and Mexico.

And then, with LATAM, once we have the JV approved, it will provide – it will significantly strengthen our position in South America. And we also have a codesharing partnership with WestJet that better connect the US and Canadian markets.

In Asia, we have a great partnership with Korean Air, and this gives us the ability to fly into Incheon, and we're focused on that, and this is the best number one hub in the Trans-Pacific. And when you add our partnership with China Eastern, I mean, we have a very strong network that is covering multiple destination across all of Asia. So, our leading global network will drive international growth and margin expansion moving forward.

In fact, our international platform is also built on a solid equity portfolio of world-class flag carriers, and our equity investments are very critical. They are actually core to do two things: they enhance the travel experience for our customers, but they also drive international growth for Delta. And we have strengthened these JVs along the way by having this equity position, this equity position in different partners. And they improve also access and connectivity. And they help us to accelerate the seamless customer experience.

And also, very importantly, these equity investment they enable new partnership, they deepen collaboration with our partners, and they provide meaningful influence on key strategic and corporate decisions, so they are very critical. Our partners are poised to emerge much stronger from the crisis. In fact, as Ed mentioned, they have reduced their structural costs. They have optimized their fleet. They have improved their balance sheet. And they have also capitalized on market consolidation.

So, when you look at this, they are in a very good position, and we've been working very closely and very actively with them, supporting them, and retaining a meaningful equity stakes in many of these – in many and pretty much all of our partners. In fact, as Ed mentioned, we have invested \$1.2 billion between the three partners Aeroméxico, LATAM, and Virgin. And if you look at this, Virgin is actually our access point to the UK with a strong position at [indiscernible] (02:19:13). So, we are injecting new capital to position Virgin for profitable growth, and we're maintaining our 49% equity stake.

LATAM is the largest South American carrier, and they provide a full service across the globe, and we are targeting a 10% equity ownership level. And then you have Aeroméxico, which is our successful transborder partner, where we are targeting a 20% stake at [indiscernible] (02:19:47) and we are doing this investment as at the best possible time, because the management teams have done a great job transforming their businesses and emerging in positions of strength. So, we have great partners at a good place, and this will bolster our global platform and will fuel our growth for years to come.

Going into 2022, we will further leverage our equity position to unlock synergies and to create additional value. At Delta, we have large scale today. And when you combine this with our partners, we are 3 times bigger, and this creates new opportunities, opportunities to drive incremental revenue and greater cost efficiency. On the revenue side, with our partners, we fly over 600 million people every year to more than 1,000 destination around the world, so great opportunity, and we're working closely with our partners, leveraging our best practices, know-how and trusted brand to improve the travel experience end-to-end and also to create the most attractive choice for our customers.

On the cost side, we are focused on increasing efficiency through scale. With the partners, we have over 3,000 aircraft, and we spend every year more than \$100 billion. So, this gives us a tremendous opportunity to work with

the partner and to do activities like joint procurement, strategic sourcing, or work on other key initiatives in areas such as fleet, MRO, cargo, technology, and sustainability. This year, we have added resources to increase focus on this and also to actively manage our equity portfolio. We believe that these scale-driven synergies have the potential to be sizable. It is still early days today, but clearly it provides a very significant competitive advantage for Delta and for our partners.

And all of this create a very significant opportunity to fuel profitable growth. And we've already seen some progress. Between 2014 and 2019, we drew our International PRASM Index versus industry from a 1 point deficit to a 2 point premium leading the industry. And at the same time, our Net Promoter Score grew by double digit. And as a result of that, our international margins expanded to top-tier industry performance. So we are very well-positioned today. We have the key elements in place to keep growing the business and to bring our International margins closer to domestic levels.

As Glen mentioned, we are laser-focused on leveraging our strong domestic network, our strong domestic foundation, our global hubs, the fleet transformation that we have executed, and also the very large customer base that we have to keep expanding global connectivity and premium offering.

Our strategic investment made over the past few years and still today are in fact generating very strong tailwinds across all the regions. Transatlantic is our largest and most profitable region. And moving forward, we will leverage our next-generation wide-body aircraft to increase premium revenue. For the first time in 2022 and Glen mentioned that we will fly our Delta Premium products on all Transatlantic flights and we plan to roll it out across entire International long-haul network by 2023.

If you look at what we're doing in South America, the partnership with LATAM will be game changing. Once approved, the JV will give us meaningful access to South America and it will give us a path to increase revenue and to improve margins moving forward.

In Asia, we have – we will leverage our decade-long transformation. And we are well-positioned today in Japan with our strong base where we have centralized our operation in [indiscernible] (02:25:06). In China, we have a great partnership with China Eastern that is strengthening access at both Shanghai and now Beijing with the new Daxing Airport. And we have a great partnership with Korean Air, which is providing unparalleled access to Southeast Asia. And it will provide even more benefit once their merger with Asiana gets approved.

So, when you look at all of this, it's very promising. And in many cases, all these new partnership and opportunities are set at a very early stage with a long runway ahead to create value.

So, in summary, we are very well-positioned with our International platform to provide our customers with amazing connectivity and the best possible service that we can and the customers will benefit from this.

And as the demand keeps recovering, it will give us the ability to keep driving our International revenue and expand our margins moving forward. And all of this is made possible by our fantastic people, a team that has a proven track record of disciplined execution and great performance. And that gives us confidence in our ability to deliver and to drive superior performance in our International business moving forward.

Thank you. And now it's my pleasure to turn it over to my colleague, Dan 02:26:50.

Daniel C. Janki

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

Thank you. Alain. I appreciate that, great growth and profitability there. As I get started, a couple of things just to recap before I get into the financials and the value creation here. As Ed and the team have talked about, Delta is built on an incredible and strong foundation. We're executing a strategy that extends that leadership position. Ed went through those competitive moats have never been stronger. For me, coming into see the operational excellence that we're delivering, it's always been a hallmark, but the watch for this period of time where you're widening that capability is really, really good. Agile is certainly a word I've heard a lot here in the first five months, and we're staying agile, staying disciplined in execution, and it certainly keeps us very focused on those key strategic operating and financial priorities, but we're not standing still. We need to move quickly here, accelerate the future.

What I want to do for these pieces here, financials and value creation, is really how is this strategy? We believe the strategy really delivers a set of compelling financial outcomes, delivers real shareholder value over time, and I want to go through those pieces.

So with that, as you'd expect and you've already had questions on, three key elements: cost, cash, and capital. On cost, when we go through the components here and I'll take a lot of time here which really talking about how do we stand up and really scale. And heard we talk about the scaling of the operation over time, whilst – while delivering that operational excellence and improving the underlying productivity of the workforce to better than 2019 levels. We have to do that by balancing priorities. You have to deliver the execution. Every day you got to deliver for the customers. We want to invest in our in our employees through this period of time, but we also want to maintain that competitive cost structure.

As it relates to cash, here, a competitive cost structure coupled with Ed and Glen talked about, Alain talked about on the revenue side, this is where it comes together as it relates to margin and margin expansion, profitability that drives cash flow. And this certainly, like operational excellence, has been a foundational item of Delta. If you look back 2017 to 2019 \$22 billion of operating cash flow, \$7 billion annually. Those key – it's this team here that did that. Those key ingredients are still in place, are in place, and I would actually argue they've been enhanced since that period of time.

And then related to capital, there's no doubt that the balance sheet health and strength is foundational to the Delta team. It's a clear priority, paying down net debt, getting investment-grade firmly square investment-grade metrics while improving return on vested capital to mid-teen levels. So, those are really the important three building blocks that I want to spend time on and go through.

Before I go through each, just a recap on the targets that Ed talked about. As it relates to our objectives, we're confident as a team that we can deliver financial outcomes that are better than 2019. As this demand environment normalizes, we will make consistent progress along the way in each of the years. As we talked about, disciplined on capacity restoration, but growing those diversified revenue streams provide the foundation for over \$50 billion of revenue. That's \$3 billion higher than 2019. Non-ticket revenue, as Glen showed you, will be 25% of that, that foundation getting margins back to above – at or better than 2019 levels, operating margins provides a foundation for greater than \$7 a share of earnings. With that, you generate operating cash flow at or better than 2019 levels. That provides the fuel to reinvest back into business \$4.5 billion to \$5 billion. Also, free cash flow then is available to continue our journey of paying down debt, strengthening the balance sheet through this period.

So, cost. What we're trying to do here is provide you a few different lenses into cost, give you the transparency. It's certainly – there's a lot of moving pieces here, and the environment's dynamic. So, it's constantly moving.

So, I want to start first with the unit cost progression. And, as you know, delivering on cost is foundational to delivering on our overall financial objectives. But if I start in 2021 here, and you look at the cost execution, up 11% to 2019, and 30% less capacity, and I think that's important from that perspective, and it's also been foundational for us to be profitable here in the second half of year of that performance and being more measured than the industry as it relates to restoration. We will make progress. Next year, sequentially, we'll be up 7% to 10% as we progress. You'll see that progress through the year as we put more capacity in place and get more efficient, maintenance stabilizes, and then we'll make sequential progress as we go through 2023 and 2024 where we get additional benefit from scale and efficiencies.

So, Ed talked about we'll end in the low-single digits, but the workforce productivity, and I'll peel this apart for you, will be better than 2019 levels as we go through these pieces. This cost progression is not based on growing, it is about restoring the airline.

Here, what we wanted to do is give you three components, and each one of these, I'll drill down on. So, I'm not going to go through the specifics of the numbers and the progression, but I want you to have it as kind of a framework so that you could see, wanted to be clear on what our transition costs are. What is it really costing us to restore and rebuild the airline? Then, we'll break down the underlying business and give you what we believe are four very important drivers as we progress forward here. And then the last one is where are we investing? We're investing in the customer experience, operating expense into the customer experience, into the brand preference related plan. We'll go through those key components.

And it clearly shows you the progression of how this progressed from 2021 through 2024. So, the first one, it's an important one, the transition cost for this, certainly proud of this team. I didn't get to experience the entire taking down and standing back up at the airline. But when you look at that operational execution through that period of time, this was no small feat related to it, in 2021, and we certainly have learned a lot. It's been challenging, but there's been a lot of learnings along the way. In 2021 that we've spent \$900 million to do that, 4 point impact as it relates to our unit cost. A lot of that was driven from the reactivation of aircraft, reactivating over 30 aircraft. Also, the actual hiring, training activity that went on through the year.

As you go into 2022, that will step down and moderate, \$380 million, a little bit more first half loaded than second half loaded, about 60% in the first half, 40% in the back half. And then we expect all of this to sunset as we enter 2023.

So now, an important one here, really frame it, it's the underlying business, but there's really four drivers to speak of. The first one is really the most important driver that you see in regards to leverage. This is the scale and efficiency that you get over time as you restore that capacity. Just give you example, you see here in 2021, 13 point headwind, going to 2022, 4 point headwind. That 9 point difference, that's on 30% ASM growth going from 70% [indiscernible] (02:35:23) is the primary driver there.

Second one, in both scale and fleet, I'll talk more about on subsequent slides, but we've already talked a little bit – everybody has touched on the re-fleeting and up-gauging and simplification of our fleet. But here is where you can see [indiscernible] (02:35:42) impact build over time from that.

The third one is maintenance. We certainly had a benefit in 2021 related to maintenance costs. Given the depressed flying during the pandemic, our first half maintenance expense this year was down 45%, so a significant benefit as we ended the year. We expect that to normalize. As we get into 2022, the underlying fleet will be consistent from the 2022, 2023, 2024 at 2019 levels at it relates to maintenance. There is one exception in there. We are introducing our CJ900s. We introduced a significant amount of 130 aircraft, I think, we introduced

from the 2007 to 2009 time period. All those aircraft engine, major engine airframe checks are coming into service. We will service those aircraft pretty consistently over the next three years, 2022, 2023, 2024. That will add 1 point related to the maintenance expense.

The last one here, again, we've talked a little bit about this. This is about the supplier management and the Delta workforce. Here we procure over \$10 billion of goods and services, and it's also the Delta workforce. Here is where we capture the anticipated inflation related to the supply base and the escalation related to the workforce that Ed mentioned. You can see over time how that grows to a 4 point headwind in 2024. But I think what's really important here is the bottom. You can go see the 7 point change over time related to the underlying business, and this component is 1 point better than 2019 when you get to 2024.

So, that big number on there as it relates to scale and efficiency, here, this is really getting the leverage out of the fixed cost of the business, the underlying infrastructure, the asset utilization, and also getting the productivity out of the workforce.

To give you an example, as you think about our underlying workforce, bringing people back, the hiring that we've done, today, we're not at the 2019 levels of productivity. As you go through this plan, we expect to be there as we exit 2022 and enter 2023 so you can get back to those levels. When you get – as you exit 2023 and go into 2024, we expect to be more productive, that's why you're seeing the 4 point benefit down there. So, that's really the component.

Now, that's really – scale is significantly important here, but also the workforce is really important here, and this is really a point that I've thought about with regards to Delta culture, a real focus on that operational excellence, but a real mindset around a continuous improvement.

[indiscernible] (02:38:22) and applying and also innovation. And, when you couple that culture and that focus with, really, an industry-leading profit share plan, you get real alignment on the right operating outcomes and the right financial outcomes associated with that, and that's an underpinning of this.

Fleet transformation, Glen – and this – this really has three benefits as we go through this. We accelerate it and said we've four-year acceleration, 200 aircraft that we retired, we're getting into the new narrow-bodies that we've been taking delivery about, the next generation wide-body is here. You get the revenue benefit from having gauge in that premium product. You get the non-fuel CASM benefit from the simplification that we talked about regarding training and efficiency that you're taking out of the system.

The third benefit that you get is fuel efficiency. This growth showed an 8 point impact. We will exit this year right around 5%. First half was highly benefited given how we flow. But if you really look at the fourth quarter around 5%, that will grow 1 point a year as you go through 2024 as it relates to fuel efficiency, so big [indiscernible] (02:39:40) piece there.

So, hopefully related to underlying business, breaking it down and those four buckets really gives you the context of the moving pieces, understand the dynamics as we progress through this period and improve our underlying cost structure.

The next big one is investments and Glen covered this and – quite a bit. But this really – the biggest driver here is related to the airports. The generational redevelopment of LaGuardia, JFK, Salt Lake City, LAX bringing \$13 billion of assets into service from 2020 to 2024, this certainly has a cost impact. You can see that as we progress over time here in regards to the point impact related to that. But the – you have to look at the relative CPE

advantage that we have. We will maintain that relative CPE advantage. And as these facilities grow, we think we can enhance that throughout our network over time.

Second one, clean. During the pandemic stood up industry-leading clean operation. This is focused on the customer. It's focused on our employees. It's about the brand preference for Delta and the investments we're making around there. And then we continue to invest in the resiliency and the automation of our technology both in servicing and selling, but also in the diversified revenue streams, building out cargo, building out MRO, and scaling and investing in those operations.

So that really takes you through the components of cost, transition cost components of cost transition cost. The four big components related to the underlying business and then the investments we're baking back in so that you can understand the underpinnings of that unit cost progression as we go through the next three years.

So this is also where it really gets exciting. You bring that cost structure back together with what Glen talked about which is, where we're going related to commercial side and unit revenue. And it's really not one or the other. You really have to optimize both of them together to drive the margin comes in ultimately optimize the business. Here, we think with those, we could be in the mid-teens on the operating margin. And that ultimately provides the operating cash flow and the fuel that allows us to reinvest, strengthen the balance sheet, but also reinvest back in the business.

So restoring the balance sheet, certainly a journey here with that operating cash flow, clear objective, \$15 billion by 2024. That's not – that's just a way marker. We're going to keep going related that firmly investment grade. Ken and the team have already started that journey over the last 16 months, retired over \$12 billion of financial obligations related to that. This summer, the team contributed \$1.5 billion into the pension plan. We are now fully funded related to cash contributions to the pension plan.

Also, number that you may look at on the balance sheet is a GAAP net pension liability coming into the pandemic, it was about – average about \$6 billion. We expect to exit this year right around \$2 billion. We expect that to go to zero over this period of time. So a real focus back on Delta in regards to hallmark of strong, strong balance sheet, strengthen the position here over time. But we're also doing it in a way where we haven't diluted shareholders. So we're allowing them to participate in the full upside of the business.

A little bit now on investing. We've talked about CapEx, the \$6 billion here. This gives you a view where we were running coming into the pandemic on average. Ed talked about the significant actions that we took to preserve cash, radical restructuring of our order books during those period of times, reduced CapEx significantly, \$5 billion. We're now starting to take delivery of those aircraft. We will take – deliver about 75 aircraft this year. CapEx will moderate as we go 2023 and 2024. Over this period of time, it will average about \$5 billion, which is on par with where we were coming in.

But I think an important point is one that Glen had mentioned around fleet count. We will get back to fleet counts as we exit 2023 beginning at 2024 from that perspective. We're confident that this investment supports our mid-teens return and total capital for the business.

Certainly not a straight line between here and there. We talked about we have to continue to be agile and manage volatility. I think this team has demonstrated that we have the tools. Certainly two of the big levers that we have is CapEx, but also the fleet. And we can certainly flex that depending on the pace, the shape of the demand environment, and we will do that. We're also paying cash for our aircraft, thus building our unencumbered assets. We expect that to be \$20 billion by 2023.

So when you – back to where I started related to the Delta positioning here, it's really in a unique position. I have a strong conviction. I know we as team have a strong conviction in the future here. We think this unique position with this compelling strategy really provides us the leadership – to extend our leadership position. It is really built and I know everyone's mentioned it on the Delta people and the culture. But that's certainly foundational. But you do that, driving industry-leading margins with strong cash generation. It allows you to strengthen the balance sheet while further reinvesting in the business for both growth and productivity. And that's where I think you get the compelling set of financial outcomes and the real shareholder value because you get sustained earnings per share growth and free cash flow generation. So that's for me.

So maybe open it back up for everybody else back to questions. Can we bring in the chairs back? Okay.

Edward Herman Bastian

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

Before we start, I just want to officially welcome Alain and Dan to this session. I thought both of you guys [indiscernible] (02:47:01) this is a complex business and both of you come from very different industries and backgrounds. I think you've done this job in your inaugural and hopefully we'll give you a second shot here next year.

[indiscernible] (02:47:11-02:19)

QUESTION AND ANSWER SECTION

Brandon Oglenski

Q

Hey. How are you doing? Brandon Oglenski from Barclays. Thanks for doing this and taking my question. Dan, it looks like if I'm interpreting the charts right, obviously, unit costs will be up next year. But looking at 2023 and 2024, I think the objective is actually get that down from where you are in 2022. Is that correct?

Daniel C. Janki

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

Yes. Sequential improvement in each year.

A

Brandon Oglenski

Q

Okay. And I think you guys had mentioned earlier that there's assumptions baked in there not just normal labor inflation, but potentially a labor deal. Is that correct and can you elaborate on that a little bit?

Edward Herman Bastian

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

We're not – we have our labor assumptions in there and you can understand we're not going to share this...

A

Brandon Oglenski

Q

All right. One last for me then on free cash flow, I know the target is to be free cash flow positive by 2024, which we think that is a linear progression throughout this time period. It looks like your CapEx is going to be a little bit higher upfront. So, can you talk about the cadence of free cash flow and then what levels you could pay down on debt here or is this more baked in that your debt will come down later in the model here?

Daniel C. Janki

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

A

Yeah. We certainly were heavier on CapEx in the first part versus as you see us come down. Operating margins expand over a period of time. So, you will start to make progress on debt in both 2023 and then additional step down in debt in 2024.

Mark Streeter

Q

Hello. Mark Streeter from JPMorgan. So, curious about the environment in ESG. We didn't spend a lot of time on that in the prepared remarks. And I'm wondering how it sort of fits into CapEx and the CapEx plan, the ever-increasing focus on carbon. Have you thought about how that impacts the fleet plan in terms of the pace at which you want to re-fleet and bring in new technology aircraft. That's the first question.

Edward Herman Bastian

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

A

Do you want to take a shot Dan?

Daniel C. Janki

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

A

Well, there's no doubt that the fleet strategy is one element of our sustainability strategy and the efficiency that it drives. So that has been the foundation. There is a simplification point. There's the competitiveness of the product, but it's also the sustainability side and the efficiency of it. So, you saw that in the savings. And that will continue to grow as we bring in next-generation aircraft, retire older aircraft [indiscernible] (02:49:44) but that's certainly not the only element of this. We talk about a big part of this will be all also around sustainable aviation fuel. And that's going to take an ecosystem to bring that together and make that work. And that is something else that we're really focused on.

And we also know there's going to be other innovation in the industry that's going to have to take place, that's going to be require quite a bit of collaboration and a lot of government support through the process.

Edward Herman Bastian

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

A

Yeah. That's right, Dan. Nothing in here, Mark, is being driven explicitly at ESG in terms of trying to kind of get ahead on the challenges we face there. We know over time we've got opportunities to invest. We don't have flying helicopters or some of the other things that you hear a lot of press releases about here embedded. And we don't see that in the horizon, certainly over the next couple of years in my strategy.

My personal thoughts, I'd much rather be a fast follower than an early adopter in a lot of those spaces. So, in the timeframe, we're talking the next three years, we're not seeing any explicit other than the investment, by the way, which is a very, very big one to offset and the investments in offsets for our customers.

Mark Streeter

Q

And then just to follow up, how are we thinking – how are you thinking about the pace of cash deployment to pay down debt and what you need to see in the market before you get even more aggressive? You've already done some liability management. You've already started that process, right, of paying down debt and unencumbered assets and so forth. But are you waiting for, for example, international to pick up before you get even more aggressive? What are sort of the gating items for that, Dan, going forward?

Daniel C. Janki

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

A

Ken and team have – they've got a targeted plan of how we go about it and what is it that we want to do. And we pick our spots. Right? There was – in the beginning of the second half, there was a window. We thought it was smart, base use of liquidity at that point in time, we'll do it. We always are looking at what's the market environment look like, what's our confidence in our outlook? And I think as we come through 2022 here, we'll just continue to roll with that as we progress through 2022 and into 2023. Be opportunistic.

Daniel McKenzie

Analyst, Seaport Global Securities LLC

Q

Hey. Good morning. Thanks, guys, for the presentation. Great job. Dan McKenzie with Seaport. My question really ties to International, what's embedded in the plan in terms of the pace of the recovery? Of course, today it's the biggest question mark just given the testing requirements. But given the JVs, given the international relationships, is the opportunity for International to grow at a faster pace than domestic? And ex-US, what corporate travel trends are you seeing in your partner hubs? So, London, Mexico City, São Paulo, Seoul, is there signs of pent-up demand there that would point to a faster revenue recovery than what you're seeing domestically?

Glen Hauenstein

A

Maybe I'll take a stab at that. As we mentioned earlier, we see that we have planned for an 85% recovery in the Transatlantic for the summer. Conversely, in the Pacific, we're still down in the 30s and 40s. And again, we don't know when China will open. We don't know when Japan restrictions will come off. We don't know when that whole environment will change, but we do think it's out further to at least the second half of this year. At which time, I think we have the capabilities to accelerate our International growth to be higher. We have a lot of flexible airplanes that are still in the domestic system that could come out and fly internationally. But we're committed to seeing the demand materialize before we commit to the reallocation of airplanes. And I think when you look at our long-term plan, we do assume that International, at some point here in the next couple of years, starts to grow at a different measure than domestic, and we'll be ready for that.

Daniel McKenzie

Analyst, Seaport Global Securities LLC

Q

Yeah. Thanks.

Hunter Keay

Q

Hi. It's Hunter Keay from Wolfe Research back here. Thanks. Just a quick clarification, Dan, that's gross debt-to-EBITDA or net debt-to-EBITDA, the leverage targets? I know you didn't say that. I just want to make sure. The leverage targets of 2 to 3 times, if we can get back.

Daniel C. Janki

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

A

Yeah. That's the adjusted gross debt calculation...

Hunter Keay

Q

Gross debt.

Daniel C. Janki

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

A

...that you go through that take right out of the rating agency calculation.

Hunter Keay

Q

That's good.

Daniel C. Janki

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

A

Yeah.

Hunter Keay

Q

And then is there anything sort of funky or weird you're going to flag for us on working capital over the next maybe 6 to 12 months around maybe like breakage or loyalty or travel credits?

Daniel C. Janki

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

A

No, no.

Hunter Keay

Q

Okay, that's fine.

Daniel C. Janki

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

A

No.

Hunter Keay

Q

You're shaking your head. And then last question is how should we think about maybe any aircraft purchase campaigns or any RFPs you may have to issue over the next one or two years? I mean, that impact the two to three-year CapEx guide but just any sort of longer term narrow-body replacement needs that you may need to think about over the next year or two. Thanks.

Edward Herman Bastian

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

A

I'll take that.

Daniel C. Janki

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

A

Yeah. Why don't you?

Edward Herman Bastian

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

A

We're always in the market trying to figure out if there's opportunities. Clearly, the vast majority of what we have in the phase for the next three years are committed. We have placeholders if we have opportunities to engage, but there's nothing in there.

Q

[indiscernible] (02:54:59) with Baird. Question for Dan. In your unencumbered asset number of \$20 billion, does that include the pay down of secured debt? That'll be my first question.

Daniel C. Janki

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

A

If you – if we were to pay down secured debt, those assets then are freed up and then are available and treated in the – and we count those in the unencumbered asset volume.

Q

Okay. But as it stands right now, you're not including the pay-down of...

Daniel C. Janki

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

A

We would...

Q

...your debt?

Daniel C. Janki

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

We would...

A

Q

...other than AATC payment.

Daniel C. Janki

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

Yeah we wouldn't – and we wouldn't signal exactly what we've paid down and when we pay it down. So, that is something that we'd look at based on every opportunity and where do we want to go to pay down debt? Or same as mechanics if we were to pay down secured debt, that would come out of that and go into an unencumbered asset bucket, yes.

A

Q

Okay. Then second question. Would you care to tighten up maybe some of the operating cash flow numbers for say, 2022 and 2023?

Daniel C. Janki

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

Not yet...

A

Edward Herman Bastian

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

We're not at this point [ph] Bill (00:02:55). We've given you the road map...

A

Daniel C. Janki

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

Exactly.

A

Edward Herman Bastian

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

We're not ready to give you....

A

[indiscernible] (02:56:04)

Edward Herman Bastian

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

I know you have to ask. Next.

A

Daniel McKenzie

Analyst, Seaport Global Securities LLC

A

Next.

Steve Trent

Q

Thank you very much. Steve Trent from Citi. Nice to see you, guys, again. Ed, thank you very much for your – the color you gave earlier on foreign equity investments, may be kind of a question for you and Alain. When you think about those foreign equity investments, how are you thinking kind of high-level about goalpost about what sort of ROI you're getting on those?

And then the second question, maybe more for you, Alain. Well, when we think about overseas investments, what's the high-level view of how you're balancing new equity investment versus doing something to expand your SkyTeam collaboration?

Edward Herman Bastian

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

A

I'll take the first shot and Alain, you can add to it. When we made these decisions on all three partners, as I said, we're objective. We looked at it through the eyes of an owner not the eyes of a partner because we still have partnerships that we can maintain. We know there's enormous strategic value in terms of customer seamlessness and the ability to influence direction from being on the board and being inside the companies. That did not factor in any the ROI calculus on the investments. We have the business plans. We have a five-year look as you can appreciate going through very public bankruptcies both at LATAM and Aeroméxico, there's a lot of detail available. Virgin [indiscernible] (02:57:32) that was an internal restructuring, but we have good confidence that this will be – well, all of three of them will be over the timeframe allotted, well north of the average ROIC we project for the company during that timeframe.

Alain M. Bellemare

President-International Business & Executive Vice President, Delta Air Lines, Inc.

A

And when – and your question as it relates the different between equity position, the SkyTeam and now we navigate between the two. I would say, I mean, you're talking about different layers. SkyTeam is like putting a first layer of connectivity, joint ventures much more integrated. And when we have an equity position on top of that, you accelerate the value creation, you amplify it. I mean, that's what I mentioned earlier. The equity position, they actually strengthened our commercial joint ventures. They enable us to do more, to better connect the world in a very cost-efficient and capital-efficient way. So that equity are an amplifier. And to Ed's point, they bring other benefits. And in some cases, they enable new partnerships and they bring – having a seat at the table, gives us the ability to influence some very critical decisions, sometimes corporate decision, strategic decision, financial decision. So, I mean, it is the ultimate lever to create value when you summit [indiscernible] (02:58:59).

Conor Cunningham

Q

Hey it's Cunningham from MKM. Just on the cost side. I think the risk reward right now on your network is all international. So I think it would be helpful to talk about just changes in capacity and how that impacts CASM ex-fuel. So I would think that if you were to take out a point of system capacity with all that drawdown coming from International as a larger impact on CASM ex-fuel, is there any rule of thumb to how you think about that dynamic either if you're to bring back capacity on a quicker rate like I would think that'd be higher – a benefit from that perspective? So is there any thought process around that?

Edward Herman Bastian

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

A

Yeah. It's a little bit where do you bring it down from and where do you put it. And that's always something Glen and the team take a look at. When we adjust in a near-term basis, when we adjust foot volume in or take volume out, I would say it's about 40% to 45% is the variable nature of it. Certainly, if you did that over longer periods of time, especially on big structural step up or big structural step down, it would look a lot different.

Myles Walton

Q

Thanks, good morning. Myles Walton, UBS. Dan, can you maybe add some color following Conor's question between 2022 and 2024 in particularly in the underlying business and the scale component – subcomponent that you've done a really good job of breaking down, but...

Daniel C. Janki

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

A

Yeah.

Myles Walton

Q

...the thing is you broke it all down so now I can ask the question.

Daniel C. Janki

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

A

Exactly.

Myles Walton

Q

[indiscernible] (03:00:36) basis point swing there on scale? How does that look 2022 to 2024? Is 2023 relatively to linear and does it feed mostly off the international question?

Daniel C. Janki

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

A

It is the ultimately the step up. You get a step up in – you get two dynamics that are play here, you get the restoration of capacity going up again in 2023. As we said, we could fly at 100% added in there at that point, you get that element of it and you start to pick up the efficiency of the underlying workforce being at 2019 levels. So those are really the two components in there. And then, when you get out into 2024, it's really, at this point, it depends what we want to fly and it's that balance of we know, there's 4 points in there of productivity and it can be on a side of, we know that there's productivity that we can get out of the system, but we also know that there's benefit from scale. So it's a balance in that, related to that.

Edward Herman Bastian

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

A

One way to – between both of you guys questions there, one way to think about it. Glen, correct me if I get the numbers wrong, but domestically, we expect to be largely restored this year in 2022. And I'm sure there's going to be the summer or the end of the year, some flexibility around that. So all the forward leaning growth, largely is

international. And our ability to kind of tweak that to demand set and we'll be making decisions as we go, but that's how you can kind of think what the scale fishing, what's going to come out of international versus what domestic.

Glen Hauenstein

A

And as we said earlier, it's mostly the Pacific.

Myles Walton

Q

Yeah.

Glen Hauenstein

A

So it's long haul, it's the Pacific. And hopefully, that gets back to being more open. And we have those great partners that Alain alluded to that we want to actually grow in the Pacific when we have the sole hub up and running. Right now, even if those countries were open, the Korean's less Asiana hub is largely still not restored. So hopefully, that all comes into play in 2023. And if it doesn't, we'll have a modification to the plan and we'll reallocate the assets as best we can. But they will be heavily skewed domestic.

Myles Walton

Q

Yeah. Just one quick one, Glen. In the chart you had on fleet simplification, you had eight fleet families in the future. Is that assuming the Delta 57 or the Delta 67 is no longer part?

Glen Hauenstein

A

Well, ultimately, neither of those will be at fleet.

Myles Walton

Q

Yeah. Yeah. So, is ADA's assuming a new family?

Glen Hauenstein

A

It would assume the existing families. I think – was it a 2030 number? Yeah, the future.

Myles Walton

Q

Yeah, future.

Glen Hauenstein

A

Yeah. I think it was a 2030 number and it didn't...

[indiscernible] (03:03:07-03:03:13).

Glen Hauenstein

A

But eventually we hope there's going to be a new opportunity to somewhere, but we'll see.

Myles Walton

Q

Yeah.

Julie Stewart

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

A

Okay. We'll quickly take a virtual question from Cathy O'Brien at Goldman Sachs. She has a question on what are the gating factors to bring back shareholder returns. Is it \$15 billion in adjusted net debt, or does it need to be even lower?

Edward Herman Bastian

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

A

We'll ask the new guy.

Daniel C. Janki

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

A

What's that?

Edward Herman Bastian

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

A

We'll ask the new guy.

Daniel C. Janki

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

A

It's something that we really haven't spent a lot of time discussing and deciding on. There's no doubt that we want to get \$15 billion and firmly investment grade, and that's the first way marker. And then once you get past that, then we'll reevaluate and look at all alternatives.

Edward Herman Bastian

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

A

One of the things that – we spent a lot of time, as hopefully you can appreciate, putting this plan together, not just with ourselves, with our board and with all of our leaders. And one of the questions around how do you frame the question about bringing the debt levels down and securing that financial foundation, which is one of our...

Daniel C. Janki

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

Yeah.

A

Edward Herman Bastian

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

...one of our moats, right? I mean, so we have to do it is do you look at the metrics or do you look at a number.

A

Daniel C. Janki

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

Yeah.

A

Edward Herman Bastian

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

There are certain people who want to look at metrics. I like to look at a number because, and I said this to our board, at a certain point, all CapEx is good CapEx...

A

Daniel C. Janki

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

Yeah.

A

Edward Herman Bastian

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

...unless you're anchored. And we're anchoring on \$15 billion. You've seen us do it in the past. And we said a few years back, \$10 billion of net debt and we were ruthless and we're not going to – we weren't going to take our eyes off that. We'll start to open up the aperture until we got there and we're going to be the same way around that number. We'll be \$15 billion, is it \$12 billion, I don't know.

A

Daniel C. Janki

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

Yeah.

A

Edward Herman Bastian

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

We need to get to \$15 billion first.

A

Daniel C. Janki

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

Cross that line first.

A

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Thank you. Ravi Shanker from Morgan Stanley, a follow-up on international. I think it's pretty clear there is a lot of pent-up demand on the International side, but for International to be a structurally more profitable business going forward, a lot of that depends on the competitive environment and the space. I think you'd said that the US airline

Q

industry was treated very differently than some of the international airline sectors. How would you characterize the competitive environment of International? Do you have a tremendous opportunity to gain share given a lot of your competitors internationally are wounded or does that make them a little more desperate and kind of be a little more aggressive on fares when that demand does come back?

The second question is for Dan. I can maybe back into this, but if I can ask you explicitly just on PRASM, what's your assumption for PRASM in 2024 and how – versus 2019 and how much of that is mix versus price?

Edward Herman Bastian

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

Glen, why don't you take that?

A

Daniel C. Janki

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

Glen, why don't you...

A

Glen Hauenstein

Sure. I'll try to take a stab at the first one. First of all, nobody really has a crystal ball. We know most what's right ahead of us and what's right ahead of us is the summer of 2022, which we know the most about. And we are seeing a very favorable at a macro level capacity level from the industry. And so, that's a quite big positive. And well, somebody in an earlier conversation was mentioning that the A380, some carriers chose to put them back into the North Atlantic this summer. Two of the major operators yesterday, I read that the last A380 was being delivered as of yesterday, right?

And so, generally, the bigger airplanes are coming out of the sky, [indiscernible] (03:06:37) Air France, as you know, Lufthansa, as you know, has retired all the A380. So, I see a period of time here where not only is the competitive environment good, but the average aircraft gauge while ours is going up, the industry is maybe actually coming down. And I think that will favor us in the short- to medium-term. Beyond the medium-term, the other good news is that the production rates for international wide-bodies are low. So, those things tend to stabilize the environment over time. And I think that's another thing we could point to beyond the medium-term that says alarms that you would look at is if they go up to the production levels of the wide-body fleets again.

So – but for the short and medium, I think we're in a very good spot.

Daniel C. Janki

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

And related to the PRASM question, it is – when you look out and took you through the diversified revenue streams, the loyalty growth, it's really driven – as we built the plan, we built it more on that than PRASM improvement.

A

Doug Runté

Doug Runté with Deutsche Bank. Maybe an extension plan of what you just discussed on network and fleet, your strategy on narrow-bodies is fairly consistent with what we see with competitors, you're up gauging and taking a look at opportunistically generally use narrow-bodies, your strategy on wide-bodies and by extension,

Q

intercontinental is quite different. You're up gauging wide-bodies where others are down gauging and even using narrow-bodies as surrogate wide-bodies. You're taking a look at a number of used wide-bodies where others have said they wouldn't take them for free. What is it about the network, the strategy, your skillset that has you pursuing such a different strategy? It seems on the wide-body and intercontinental versus your competitors and peers.

Edward Herman Bastian

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

Glen?

A

Glen Hauenstein

A

Well, first of all, ours was the smallest gauge internationally to begin with, and we had really skipped a generation in terms of investing in the new generation airplane. So, I think that is a huge opportunity for Delta moving forward because we had very relatively high unit cost for airplanes, they were at the end of their useful life, mainly in a Boeing 767 fleet, which we're calling our Flex fleet. And as we continue to opportunistically decide whether or not we're going to check those airplanes, do the engine checks or whether we're going to retire them, that's what's providing us that ability to flex up or flex down, depending on how actual international travel demand comes back.

But on the acquisition, since we were the smallest, of course, we're up-gauging to get that efficiency. I think when you're looking at the problem with the A380 and that in particular is that that was a wide-body that had higher unit costs and higher trip costs, which is why they don't make it any more, right? There's no position in the world where you would not make a trade of higher – of lower unit cost for higher trip cost and that's the – being that we have this great hub position on the coast, that's the play for us over the next couple of years is get the lower unit cost on the – and the more efficient wide-bodies and with those premium products generate that revenue premium similar to what we did domestically.

And then I just say with the wide-body used acquisition, that's opportunistic. We've always shown an ability and a desire to take advantage of dislocations of fleets that we're investing in in the long-term.

And coming out of the pandemic, there were gently used three- or four-year-old airplanes. They were quite close to our standard configurations and just needed an interior that we saw in the marketplace. And so I hate to speak for it here, but he said to our board, this is capital we're going to spend anyway and we're getting half off. So who wouldn't do that?

Edward Herman Bastian

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

Yeah. Anybody that wants to give us their planes for free, we'll take them. But in all seriousness, Doug, I mean, many of us have been around the industry for a long time. There's cycles. Domestic has been the cycle for the last five, six years. Earlier part of the last decade, it was all international and those international margins were crushing the domestic margins. And international is now out of favor, aircraft are not being produced. Aircraft are difficult to produce. You can see a run here that the narrow-body is going to start to run its course with where all the production is heading and international where you want to be. So it's balanced, it's not one, it's not a while. The other is trying to stay a little bit ahead of the curve, which is why we're also keenly interested in making sure our partners are doing what we need them to do collectively in a bigger ecosystem. We don't need to do all the flying, we wanted to do the fair share of the flying but they can be doing the flying. We fly far more than any airline to our partner hubs. And we leverage – take that risk off by doing that then it's also generated significant, significant rewards at less risk.

A

Doug Runté

Q

Yeah.

Mike Linenberg

Analyst, Deutsche Bank

Q

Mike Linenberg here, Deutsche Bank. Two questions, one sort of quick one, Dan and maybe Alain of the investments in LATAM and Aeroméxico, I realize it's open to interpretation whether or not you account for under the equity method. Will those the 10% and 20%, will they either an investment and or equity method like I think Virgin's the other one that you have accounted for under the equity method if you're going to run it through the P&L?

Daniel C. Janki

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

A

Those will be. – while we don't have control...

Edward Herman Bastian

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

A

Aeroméxico will be equity.

Daniel C. Janki

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

A

...an equity

Edward Herman Bastian

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

A

And LATAM will be the cost.

Daniel C. Janki

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

A

LATAM will not.

[indiscernible] (03:12:11)

Mike Linenberg

Analyst, Deutsche Bank

Q

Okay, great. And then just on to the airport piece Dan, I mean you talked about cost per employments and obviously that's a big issue across the industry, but you're dealing with this inflation on the airport side and you even mentioned that you're bringing on \$13 billion of new assets coming online. These are big projects. They're in expensive cities on one hand. On the other hand, these were built and designed by Delta. When we think about it on a cost per employment perspective, will you have a meaningful cost advantage in these airports with your new facilities or will you be sort of on average or maybe are you paying more? Where are you coming out on that front? Thank you.

Edward Herman Bastian

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

Well, if I could take that and maybe Dan [indiscernible] (03:12:56).

A

Daniel C. Janki

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

Yeah. Exactly.

A

Edward Herman Bastian

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

...I think we are really excited about where our competitive cost position is going to be in the medium and long run. One is inflation is happening real time. And if we were to go and build those terminals now, they'd already cost significantly more than what we've invested in them. So that's going to work in our favor. The second thing that's going to work in our favor and I'm going to talk about two specific projects, one is the Terminal 1 in JFK, which I believe is a 24-gate facility that is going to cost upwards of \$9 billion. And so we are – we can't wait for that to open. And I'm sure it's going to be absolutely beautiful.

A

The other one that we're excited about is the \$8 billion redevelopment of Chicago and we'll see if they bring that in on budget. But we have two very competitive hubs in Detroit and in Minneapolis. And I love to tell the folks in Minneapolis that every time Chicago spends money on a development, it makes Minneapolis move further South on the map. The CPEs for all of those complexes that are connecting are going to be, I think, significantly advantaged to Delta with a great quality product that we have today without any significant further investment.

So I think on a relative basis, while it will be a challenge for us as they open up in this next year and we're not growing, over the long-term, we are going to wind up in a great competitive position and we want to make take advantage of that.

Daniel C. Janki

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

Yeah. The only thing I would add is coming in and I didn't appreciate this prior, but the fact that Delta leads the development and the construction...

A

Edward Herman Bastian

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

Yeah. [indiscernible] (03:14:33).

A

Daniel C. Janki

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

...I was blown away by the capability that this team has and the discipline that they have. And to control it, to control the design, to control the execution, to be able to control the schedule you go and said he was at LaGuardia, I was there and go through with [ph] Brian (03:14:48) and that team, what they did and how they flex. I mean, it is a very much another piece that makes Delta different. And it ultimately you win out over the long-term because you get the right product at the right cost and it makes a big difference.

A

Edward Herman Bastian

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

A

These are airports that are designed by an airline. Unfortunately, a lot of the airports that the municipalities create is to generate revenue for the municipality, not...

Daniel C. Janki

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

Yeah.

A

Edward Herman Bastian

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

...to support the airline. And so, a top fundamentally different philosophy.

A

Daniel C. Janki

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

It's different.

A

Edward Herman Bastian

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

You'll see it show up over the next few years.

A

Daniel C. Janki

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

Really impressive.

A

Julie Stewart

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

Hey, that wraps up our second Q&A session. We'll now turn it back to Ed for closing remarks and to introduce Steve from American Express.

Edward Herman Bastian

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

I already see Steve back there. Steve, come on up. You don't need a big introduction. In fact, you put a tie on so that's good.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Currently, I'm not getting one.

Edward Herman Bastian

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

I haven't seen him wear a tie in like years.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Good to see him there. Hey, Dan. I'm good. Are you good?

Edward Herman Bastian

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

Okay, we got we got a hot start here. We're going to go right into it. This man doesn't need a big introduction, certainly not in this town. He's the Chairman and CEO of American Express, be four years. Hard to be believe it.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Four years, yeah.

Edward Herman Bastian

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

...in February.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah.

Edward Herman Bastian

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

Four years, wow. They didn't think you'd make it.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

No, they didn't. 37 years. They just ran out of candidates.

Edward Herman Bastian

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

That's awesome. He's a dear friend, but he's an even better business partner. When you think about companies that are on the leading edge of innovation in certainly in fintech and the platform that Steve and his team is driving around digital, around new forms of payment about creating a premium experience coupled with that, Delta could not be aligned with a better partner, the values that we shared and how we go to market.

Stephen, we've got to know each other.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

You can do my review from my board actually; that's really good.

Edward Herman Bastian

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

Okay.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah.

Edward Herman Bastian

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

Well, to that point yesterday, I spoke with Steve's leadership and he interviewed me. So we're kind of...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

What's interesting and I was telling my wife this today, this is the fifth time I've seen Ed in 30 days. I haven't seen my wife that much in 30 days. And she's a lot better looking than Ed.

Edward Herman Bastian

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

That's fair. That's fair. But when you think about our companies, when you think about American Express, when you think about Delta, when you think about what we spoke on this morning about a premium experience, a trusted consumer brand, a brand that transcends the airline space, I could not imagine two better companies aligned on that purpose. And a lot of the work we're doing to invest in brand, to invest in premium is because of the relationship with our good friends at American Express. So Steve, thank you. Thank you for joining us.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Oh, my pleasure to be here and it's a different group of analysts that I would normally have an opportunity.

Edward Herman Bastian

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

I think they may want to buy some [indiscernible] (03:18:03).

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

You know, we'll see. We'll see.

Edward Herman Bastian

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

You never know. You never know. Well, I'm going to start off talking about the partnership. And one of the things we're very proud of is the unique nature of our partnership. And all airlines have – they have credit card partners. I think many times they're somewhat transactional. I will tell you personally, I've been around this space for over 20 years working with American Express, at one point, ours was very transactional. It's morphed over the last decade to be very strategic; speak to the unique nature.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah. I still...

Edward Herman Bastian

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

...of what we create together.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

It's just a pleasure to be here. And I said Ed was – I had a leadership meeting yesterday and we're sort of reversing roles a little bit. I was interviewing Ed a little bit. But when you look back at American Express and at Delta really, it goes back 64 years. And it started from a merchant perspective. And 25 years ago, we got involved from a co-brand perspective. And now it's co-brand. It's business travel. It's leisure travel. It's membership rewards. It's lounges that we share and it continues to go on and on.

But when you look at the two companies, we share the same values. And I was saying yesterday at my own leadership meeting, values are an interesting thing because a lot of people put those values on a plaque and they put them on a wall. But when the chips are down, that's when you really look at values. And our values, the first thing for us is it's all about our colleagues, right? The first thing is you got to take care of your colleagues because if you take care of your colleagues, you'll take care of your customers. And there's no better example than during a pandemic with the layoffs, right? I mean, there were no layoffs. We had no layoffs. I mean, that is – those are values to really value your employees.

When you look at customer, we put customer at the forefront of everything we do. We're all about experiences. And when you look again at the pandemic, that's what it was. So when you look at this unique nature of this particular relationship and Ed talked about it, we're in the co-brand space with lots of different entities across the world. Some of them are transactional and that becomes disappointing. But this is not transactional. This is really a strategic relationship.

And so you sign a contract and for us, we sort of put the contract in the drawer and we look to do what's right for the customer. And when you look at our customer base, boy, we overlap pretty nicely. You've got the number one airline and you've got the number one credit card and that's a pretty special place to be.

And so...

Edward Herman Bastian

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

It's a one-plus-one-equals-three.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

That's – yeah...

Edward Herman Bastian

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

Or four.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

...that's why I didn't major math. But, yes. But one-plus-one-equals-three in this case is really, really good thing.

Edward Herman Bastian

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

Yeah. Speak to the importance of the Delta relationship within American Express.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah. It emanates – and what's interesting is and Ed said this, we are – we have become different. I took over four years ago, and I think I had met you once prior to that. I was purely the mister inside. They didn't want to let me out in public.

Edward Herman Bastian

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

You were in the basement.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

I was in the basement...

Edward Herman Bastian

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

I knew you existed.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

...with the jet engines and so forth that run America Express. But what happened was there were two phone calls I made the second day that I was named back in October of 2017. The first one was to Warren Buffet because if that one didn't go well, there'd be no more phone calls to make. And I called Ed, but the first person that I went to see and with my team was Ed and his team because it is a critical relationship. It is the most important and the broadest relationship that we have and it's one that we continue to nurture; it's one that drives tremendous value for us, not only with those cardholders who are Delta cardholders, but those cardholders who hold our Platinum card and our Centurion Card. And it gets back to the fact that when you think about values and you think about the customer base, they are so intertwined and so special. And so, the American Express team and the Delta team, if you were in a room, you couldn't tell who was wearing what uniform, especially now with everybody with jeans on all the time and it doesn't make much of a difference, but that's the reality.

The reality is that they look at this as we are here to drive this relationship forward. And the other important thing and this is very different than other relationships, it's not my customer and it's not Ed's customer. It is our customer. And that's how we treat it. And we make decisions based on what's best for our customer. And sometimes, those decisions may not be the best at the moment for one of the partners. But in the aggregate, it's best for the customer. And if you treat the customer right, good things will happen overall for the partnership.

Edward Herman Bastian

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

Yeah. And if you look at our relationship over time again, I've been with Steve's various predecessors and teams over 20 years following this. There was a good period of time, 10, 12 years that we were just very focused on whose customer it was. It was unclear. Is it a Delta customer or is it an American Express customer? And both teams had that struggle.

And I would point Steve to your first trip, one of your very first trips down. I welcomed Steve down and I was looking forward to spending some time. And I said to Steve, I said, Steve, we have the two best – the best card provider, we've got the best airline, don't you think we should have the best co-brand, period? And Steve said, absolutely. I said, well, we don't.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah.

Edward Herman Bastian

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

We don't. And at that point, kind of it dawned on everybody – we got to go fix the economics to make it – make that incentive so that we're truly aligned around that customer.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

And that's really important, right? I mean, you can sit here, and I always tell my team, because we always get asked about what the discount rate is in our business – because that – people look at that as a more – you guys don't care about discount rate, talking to Dan over here in finance, said you don't worry about it. But they talk about that because they look at it as a measure of sort of marginal profit. But the reality is making 300 basis points on zero is not really a good answer. Making 100 basis points on a lot is a much better answer. And so, I think that – and this relationship, I mean, Glen and Doug Buckminster, who runs my card business and Dwight who is in the back with the rest of the people in the team.

These relationships – the relationship that Ed and I have transcends throughout the organization and I think that's really, really important because we win together in this. And I think that's important and so, we fix the economics. And look, one of the first things that we did – and I think this has played out brilliantly for us, especially during the pandemic, we extended our deal in my first year, we extended this out to the end of 2029. And what's really interesting is, if we haven't done that, we would be sitting here now, thinking about RFP, thinking about all those things and not thinking about the customer.

But now, we are sitting here thinking about the customer as opposed to slowing everything down, worrying about who's going to get this basis point and that basis point. And Ed and I developed a pretty good rapport just over that first 12 months and we basically said, we said to the team, you got 90 days; go out and do it. And that's what we did and I met you in Detroit, when you were on your way to China and we finalized the whole thing and that was early 2019 and off we went.

Edward Herman Bastian

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

That was fabulous. So, the last couple years, I know how stressful it was for you and company – our company. When you go inside your boardroom and you see your airline [ph] partners on its knees (03:26:04), what was the board's response knowing that you would just sign this rich new deal with us? Was there ever a moment of doubt or was there ever...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

No, I think we got a pretty savvy board, right? And you have one or two board members that'll always be an outlier, which is really good because you want contrarians in the room. You don't want everybody sort of, oh well, he said it, so it must be so and yeah, you had a few. But the reality is, look, while I haven't been in charge for 37 years, I've been in this business for 37 years. And things happen, but people will return to travel. I mean, we saw that after 9/11. We saw that after the financial crisis when people didn't have maybe as much funding. But we are a society that has become globally intertwined. And so basically, not traveling is like ripping somebody's heart out. You cannot imagine not traveling. And so, reality is, is what I had said to the board is, look, I don't know when we're going to come out of this, but now because we've signed this deal, we can actually focus on coming out of this and being stronger.

And what's interesting is Warren Buffett owns 20% of American Express, which is a nice hedge against activist investors and other kinds of things. But we're like-minded. He's got a little bit more coin in his pocket, but we're like-minded. And what we are like-minded around is exactly what Ed is like-minded around is too, which is we focus on making sure we take care of the brand and we also take care of our customers.

And so during the pandemic, when it looked bad, we were talking to each other every week during the pandemic. And I thought my situation was bad because I had a point in time where I had one day I was down 50% and Ed said to me, I'll take it. I'll take it. And the reality is, we both decided though, and this is why the values are so important, we're going to invest in the customer. He did that with extra safety, blocking the middle seats. And we did that next year in extra value injection within the product, including the Delta product that we have, we put extra value in it because people were still using that product.

So we made sure we invested in the brand and you had a few board members at it, well, I said, look, the reality is we're a 176-year-old company. You don't remain a 176-year-old company by managing for the next nine months. And so, that's what we did. But no, the reality is this was as I look back, extending our relationship and in hindsight, it looks good. It was probably the best decision that we made because it gave us the opportunity to really invest and grow this business right now versus let's do the kabuki dance, right? I mean, let's see. We'll get the networks in, do this, do that and I think we shocked everybody when we expanded it, right? I know we shocked our competitors which was good.

Edward Herman Bastian

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

So, we're working well together. I'm going to talk about the recovery in a second. But we shared with our owners, our investors here that we have a goal to get to \$7 billion with [indiscernible] (03:29:22) pathway in the \$5 billion-plus range next year in terms of this is the contribution [indiscernible] (03:29:31) P&L. It takes a little bit of time to come through the P&L. What's your confidence in us hitting that \$7 billion number in the next couple of years?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah. Look, we're – I'm very confident that we're going to hit that number. And what's interesting is I say we're very confident to hit that number. That's a good thing for me because this is a good deal for both of us. So, I am happy to pay the remuneration of \$7 billion. I look forward to doing that and...

Edward Herman Bastian

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

Would you pay more?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

No. Well, yeah. Listen, the nice thing is I'd love to pay more because what happens is so much of this is built on volume. So much is built on getting more cards. And if you look and I think you showed a slide today, in November, we were up 22% over 2019. When you look at our results year-to-date, we're over 2019, we're going to end with the most volume that we've ever had and we're on a really good glide path right now.

And the reason we're on that good glide path is because this product is not just used on Delta. In fact, less than 10% of the volume actually is on the airline. This is a product that is used broadly. And you see 70% of the spending is goods and services, which is why the value injection that we did during the pandemic, whether it was some dining credits for takeout or grocery credits to put on there, the extension of the travel certificates, that's not a contract anywhere. That's just good business between two good business partners and that's what was really important. So yeah, I'm really confident that we're going to make it because I believe we're going to grow at a really good rate next year. And remember in 2019, we were growing at 11%, which is a great growth rate.

Edward Herman Bastian

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

Yeah.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

And so we're on a glide path right now and I think we will definitely make that \$7 billion.

Edward Herman Bastian

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

That's great. That leaves me to – I showed a slide earlier today as part of my presentation that kind of dissected spending. We know the consumer has accumulated a tremendous amount of wealth; \$2.5 trillion is the...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah.

Edward Herman Bastian

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

...is the general estimate that people are using. And we know the spending rates have been high because of their wealth. But we know they've gone deeply into goods versus services because of the pandemic. Our expectation is services are going to start to catch up and then start to potentially even over time pass goods. Can you speak to that, so you have good insight into the consumer wallet?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah. Yes. So we look at it and typically our business is about 70% what we would call goods and services. We used to call it non-T&E, but it seems so defeatist. So we changed it to goods and services, took us 40 years to do it, but we changed it. And you have travel and entertainment. And so travel and entertainment, hotel, airline, restaurant, car rental, that was about 30% overall.

Right now, we're probably running at about 80/20 or so, and you're seeing travel spending down – and we've talked about this – approximately 20%. We said by the end of the fourth quarter, we'll get to about 80% of our traditional T&E spending. But we're really seeing a boom in goods and services. And what's really interesting as we look at it, a lot of that goods and services spending were spending that we didn't have.

Okay. So, I'll give you an example. We didn't get maybe as much cell phone service. We didn't get as much streaming on our card and things like that. We may not have had as much groceries. So, a lot of the moves that we've made with the portfolio were to get people to shift their behavior and when we talk about shifting behavior, from one card to the other card. And the reason for that, and this is why these cards are so important is people love to accumulate for those trips that they want to take.

They want to accumulate for status, they want – and which I think is going to become even more important as we move forward and they want to accumulate for their rewards overall. And so I think that's a permanent shift. Having said that, then you look and say, well, the travel is going to come back. And if you look at the profile of our customer, we are taking share, I believe, from other cards because we never have 100% of somebody's spend. If we can get to 50%, 55%, [ph] 100% (03:33:44) of my spend makes sense.

But we don't get to 100% of everybody's spend. So, if we can get up to that 55%, 60% of share of wallet, you're now moving some goods and services. And with travel coming back, it'll be a tailwind for us. And that's why we're confident that next year, we'll actually be able to retain some of the growth rates that you're seeing right now in the portfolio.

Edward Herman Bastian

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

So, when we're talking about the recovery, we spend a lot of time this morning talking about the shape of the recovery in terms of demand for our business, for the airline. I don't think there is a whole lot of pushback that consumer demand is pretty strong as there's pent-up, there's new wealth, there's new opportunities, new categories, premium consumer that we really haven't invested as much in that we're investing in and we seek the growth. But the big source of debate and there's 1,000 different opinions just around the business recovery in terms of business, what's your view on how the business recovery spend in our business will shape?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah. So look I think that's been slow, right, I mean, the business reduced. So let me talk about in the context of the card and let me just talk about in the context of sort of to macro. I'll go micro to macro. When you look at our card product, the majority of our cards, the Delta-American Express cards are consumer cards, right? They are consumer cards. We have small business cards, a very small percentage, but they do punch above their weight. They probably punch about 2 to 3 times more than a consumer health card does. And so we really don't have a lot of corporate. We don't have any corporate cards, Delta corporate cards.

And so I think as you look at the portfolio, I think we have huge opportunity and we've talked about this at our meeting couple of weeks ago. We have a huge opportunity with small business because small business today represents a small percentage of the overall T&E spending, and it also represents a even smaller percentage of the travel spending.

Edward Herman Bastian

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

In your portfolio?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

In the American Express-Delta card portfolio.

Edward Herman Bastian

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

Right. Right.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Huge opportunity for us. And I think that's going to be a big tailwind for us because we're going to get focused on that.

Edward Herman Bastian

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

But the macro on that is pretty...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

But the macro on that is – look, the macro on that from a small business perspective, small business has been probably the most resilient segment that we have had. They're down a lot less than our corporate business from a T&E perspective. And they are coming back and it's been really good credit quality. Because when people think about small businesses, you tend to think about the restaurateur, you tend to think about the small retail shop in your neighborhood. It's the lawyer, it's the dentist, C architect, C engineer, C HVAC. And let me tell you, those guys were busy and those gals were busy during this pandemic, right, who didn't have something go wrong with their air conditioning or heating or what have you during – I saw more electricians and air conditioning people in

my house than ever before, which I questioned my wife on, but that's another story. And so, as you move along, corporations are still not back, right? They're not back in full force. Some of the banks are back and I think that will come back – it's going to come back different and we've talked about this.

I think you're going to have a much more virtual world, but it's probably going to mean different travel and it's probably going to mean even more connected because the reality is a more virtual world, I believe, will actually lead to more travel. Now, that may seem like something that is completely crazy. But the reality is it's because you're not seeing as many people. So the people that were based in New York, the people that were based in Atlanta, the people that were based in Florida may now be based in Colorado, may now be based in California. They're going to have more reason to get together, okay? Because they're not seeing one another in the office. So I think travel will change.

And the other thing that's not going to change is customer travel. There is nothing like getting in front of a customer. I don't know how you close and there's stories of [indiscernible] (03:37:31) deals you closed over Zoom and so forth. But I was at the Business Roundtable meeting in Washington last week or the week before. And I saw 200 CEOs that I haven't seen in person and it was energizing. It was energizing. And I think a lot of CEOs walked away saying, you know what, we need to do more of this. So it's not there yet. Our large and global businesses is down. We're probably at about 50% of where we were, but I think it's going to come back. Is it going to come back by the end of 2022? Is it going to come back by the end of 2023? I think that's anybody's guess. But the death of business travel is completely exaggerated.

Edward Herman Bastian

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

Yeah. I completely share your view. I think anything that enables connectivity is going to grow. Travel is going to be good for our business, and that's whether it's video conference. We went back, we studied cell phone. It's kind of an interesting in analog back in the mid-90s when cell phones gained popularity and over the kind of the 10-year period, what happened to travel during that period. Travel expanded because of cell phones because people wanted to connect even more because they had more opportunities to connect and it's a supplement. That's not a substitute for a lot of what we do.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

No. And as I say to my team, look, there were really good things about being in-person, there's some really good things about being virtual. Let's take the both of them and put those things together. And I think that that's what will be interesting.

Edward Herman Bastian

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

So last question, then we're going to go to the floor for questions from our investors. What are some of the biggest lessons? We all talked about lessons learned these last couple years. And when you think about American Express specifically, what are some of the lessons that you've learned as you've led through this crisis that could be instructive for this?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah. I mean, the first thing that you learned is when you're making a decision here, really be open to change. And I remember March 15, 2020, in the morning when we were sending out a memo that was talking about, we're going to go to red and blue teams or green and blue, whatever it was, by the afternoon, it was maybe coming once a week. By the end of the day, it was stay home until further notice.

And so I think you really have to make sure you're not only listening to your customers, but you're listening to your colleagues and you're really taking in the external environment in a full way. And it's not a weakness to change a decision. It's not a sign of weakness. It's actually a sign of strength. It shows confidence. And we've had to change course many, many times. Your colleagues and your customers are a lot more resilient than you actually think that they are. They are resilient. And if you stick behind them, they will stick with you. And I think we both do that. We both said we're putting the stake in the ground about our customers, and that's what we did. And you got to be agile. You really have to be agile. And everybody will talk about being agile, but agility means going down a different path than you would have gone before, again being able to change your mind.

And the other thing is I think we democratized a little bit more decision-making. And what I mean by that is, it used to be – I'd give you a funny – it's a funny story because it was funny to me, so I was yelling. We had to change some terms and we deal with regulators like you deal with certain issues that you have to deal with. And we had to change terms, so we had sent out two letters, two letters to a card member to change the terms. But they had to get this simultaneously. So that's easy, put the two letters in the envelope. And I say, wellll get people, but you can't get people together because it's COVID.

So, put it. How long it's going to take? Eight weeks. Eight freaking weeks to put two letters in? So we wound up getting the programmer in the room and this was on a Tuesday. We had the letters out on Friday. But you play this game of telephone in an organization, right, where the SVP tells the VP who then tells the director, who tells the manager, who forgot what the SVP said, so you've got to go all the way back. But we wound up having to program. And when is the programmer ever in the meeting with the CEO? Now, this CEO happened to be the CIO at one particular point in time. But still, I said, bring me the person that has to code this. And so, the democratization of this – and what I mean by that is bringing the right people in the room, stop with the hierarchy, stop with the nonsense. And we're doing that on an ongoing basis.

Edward Herman Bastian

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

And we're doing that with our teams collectively, too. We got – we want to hear from our teams at all levels.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Yeah.

Edward Herman Bastian

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

And we both bring them...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

And look at the meeting that we had, it was – we had about 20 people there and it was all levels.

Edward Herman Bastian

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

That's right. All of us. Great. Okay. Well, let's turn it open to Q&A from this group.

QUESTION AND ANSWER SECTION

Helane Becker

Analyst, Cowen & Co. LLC

Q

Thanks very much. So, hi, I'm Helane Becker with Cowen, nice to have you here. So here's my question, you just talked a little bit about corporate – big corporate. I mean you mentioned smaller companies like lawyers and so on. So what's the opportunity set for SMEs over the next few years? How do you see that working through both your networks?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Yeah. So I'll take the first shot at it. But from an SME perspective, American Express is the number one small business issuer in the United States. In fact, if you add it up, the next four issuers, we're still bigger. So we know small businesses. And the reason we know small businesses is because of the product that we have. And the product that we have is one that provides them with no preset spending limit as opposed to a line of credit, which is really good if you're a small business from a working capital perspective. I think what we need to do and we focused a lot from a consumer perspective. I think there's tremendous opportunity for the two brands to work even more closely together on penetrating more small businesses. And we talked about that at our last meeting.

Edward Herman Bastian

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

A

Yeah. Helane, we talk about corporate travel. And Steve, you're back there. Do I – correct me if I'm wrong. I think the total number of corporations included in our corp – is like 1,500, something like that.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Right.

Edward Herman Bastian

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

A

1,500 companies. That's it. And everything else is SME. Just so think about the scale. So – and small and medium business given where we're focusing a lot on the larger spend because you can capture it more clean that you could RFP it easier. There's a lot of work to do. And we haven't had the orientation. We've got some products out there. We've been kind of mindful of it, but didn't really understand it. Now, we're deep in that space and we're developing products together with Steve and his team, but also with our own brand loyalty.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

And we're working together on...

Edward Herman Bastian

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

A

And I think that's – I think the next 12 months, that's where the real opportunity is for it. That's why I happen to be bullish that by the time, as I said earlier, we get to 2023, early year, midyear, I don't know when, that we're going to have total business back to 2019 levels.

Conor Cunningham

Q

Hey. It's Conor Cunningham from MKM. Card spend has been incredibly resilient during the pandemic. And it just seems like the driving factor on the outperformance is just the way that customers are engaging with it. And curious to see how Amex plans to position the co-brand card to continue to morph into this everyday use card rather than just a travel type of card.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Yeah. Well, I mean, I think that journey is well underway and the train has kind of left that station, I mean, where 70% of the volume is on goods and services and not travel. So – and now it's probably more 80%. So I think we're going to continue to do that. And what you do is you add more benefits and you continue to prop up the value proposition so that it has benefits that encourages spending in those particular categories.

But I think the other place that we'll be looking to hunt even more is with millennials. One of the things that we've had a lot of success in and we're having – we've had a lot of success from an American Express perspective and when you look at our – and we talked about this in our third quarter results, 75% of our Gold and Platinum card acquisition were millennials. And 50% quarter-to-date, millennials are spending 50% more than they did in 2019. And that stat is not just in American Express overall. That's an American Express co-brand Delta stat as well.

So I think as we talked about focusing on small businesses and – they use this card to run their businesses and that's an – that's still an opportunity you get more. But I think we've done a really good job of positioning it to everyday spend. And what the pandemic has done is accelerated the shift from cash and check to card. So you're seeing – and so you see these card numbers going up, but the question is is how much actual incremental spend and how much is being kind of cannibalized from cash and check? Go to a ballgame now, go to a stadium, go just about anywhere, nobody takes cash anymore and try and cash a check. I mean, forget about that. But that's what we're going to continue to focus on.

Q

[indiscernible] (03:46:39) from Raymond James. This is a bit more rudimentary question and you actually partially answered it already. But we've been surprised by just how much the airlines have done a good job in Delta and just getting signups. And what was driving that trend in kind of the US here to see that level of more and more people signing up for cards because it's a fairly mature industry and a penetrated market? And as you partially answered this before like, past the pandemic, what are the factors that might change there? It sounds like it's going to accelerate.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Yeah. I think it's going to accelerate. But let me take a step back. The reason you do these partner – you do these partnerships for two reasons, right? You take two great brands and two great products and you put it together and you get a great experience. And so now, that's what we call value proposition, right? So that value proposition of what American Express can bring and what Delta can bring, we think is better than other co-branded value propositions.

Then what you do is – the reason you do these particular deals is because it helps from a distribution perspective, right? Because you have a targeted audience and you have eyeballs that you can control through various outlets within the entire Delta network, whether that be at the airport, online, etcetera, etcetera. And so our view is that and I think you mentioned this, in Europe that a third of the – I think that a third of the SkyMiles – probably the active SkyMiles are participants have the card. So, we have a lot of area to hunt in. And when you look at our product line, the refreshed product line, we have four products. We have an entry-level Blue product. We have our Gold product, which allows you to earn even some more miles. Then we have our Platinum product, which gives you some more miles and gives you some lounge access at a reduced rate and then we have our Reserve product, top of the line, which if you're a real frequent traveler.

So, we can bring people along the journey from a fee-free card to a fee card. And we're out there and modifying these value propositions and I believe – look, I'm biased, but I believe Delta is the best airline in the world; all you have to do is look at the statistics. And so you have, what I believe, is the best credit card in the world, you put the two of them together and we're going to hit over – we hit 1 million cards that we acquired, over 1 million in 2019 and we'll be exceeding that number as we move into 2021 – 2022 and beyond because we're really focused on it from a team perspective.

Q

Good afternoon.

Edward Herman Bastian

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

Sorry. It's a lot of hands, but I...

A

Q

That's fine. My name is [ph] Jamie Baker (03:49:20), I'm employed by one of your competitors. Delta knows where my wife and I are going to be in July. And notwithstanding my employment, Amex knows where I'm going to be, what I'm going to spend and what my spend patterns have been in the past because it is your card that I use primarily for travel. Is that knowledge – I mean, this seems pretty valuable. You know exactly what I'm going to be doing and how I like to spend...

Edward Herman Bastian

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

It's a little creepy advantage.

A

Q

...is this knowledge being fully leveraged? And if not, when will it be? And do those benefits accrue primarily to American Express or to Delta? What would this...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Well, I would say, look, we're still on a journey as everybody else is because what you're talking about is merging that data. So for example, if that car, if that trip that you're taking on Delta is bought with an American Express-Delta card, then reality is we know when and where you're going to be there. And when you think about offers that we could potentially make and so who benefits by that? Both of us benefit by that because I'm going to get to spend, Ed's going to get to spend, we're going to get more loyalty. And that's where the whole digital journey comes along. And that's where we really need to do, continue to do more work in the app because we're not going to send you a coupon, right? I mean, really what we want to do is send that either to the Delta app or to the American Express app and integrate that in.

And the teams are looking at that right now because our next big journey is how do we technologically do that to make it easier to communicate? Because that's the Holy Grail, right? The Holy Grail is to know where you are like Google or anybody else and then give you an offer or a recommendation that you say, you know what, I use the American Express. I went with Delta, I use the American Express-Delta card and I got an offer for a restaurant. I got an offer for a retail shop or something like that. And look, you can go into the Amex offers today and look at all of those offers, which are a lot of those are curated for individuals; but we can do the exact same thing with the Delta American – Delta American Express card as well.

Q

My question is, is there a lot more to come?

Edward Herman Bastian

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

A

Yes.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

We're at the beginning of this journey.

Q

Do you think...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Oh yeah, we're at the beginning of this journey because look, if there's not a lot more to come, I'm disappointed.

Edward Herman Bastian

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

A

We have a – obviously, we have a shared interest in this. We have a lot to learn from American Express. They're much further ahead of us in terms of overall experienced management. But we're investing heavily and we've got some very interesting technologies that we're out deploying. We'll be talking about those next year as they come up, but it's beyond just making offers. So it's about the experience itself. And the last time you flew this happened. Sorry, [ph] Jamie (03:52:13), let us do this for you real-time, right? And we're – and already we're doing a lot. A lot of it's around having a singular view of that customer. So architecturally, we're not ready to pull it all together, but we're working with some very, very interesting technologies that we both share and we...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

And the interesting thing is with the deal that we have, which goes all the way almost to 2030, investment makes sense, right? I mean you really – you're encouraged to invest together to do that. And that's what happens when it's a strategic relationship versus transactional relationship. And that's what happens when you have relationships and culture at the top that merge because you don't mind – it's not, oh my God, if I invest in this, is it throwaway investment? That's not how we think about it.

Edward Herman Bastian

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

A

And that's why we talk about Delta long term ascending just in airline. I mean we're a travel company. We're a consumer brand. We're trusted. We're aligned with American Express and partners. And we bring value to you whatever you want to do.

Duane Pfennigwerth

Q

Thanks. Duane Pfennigwerth...

Edward Herman Bastian

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

A

How much do you have to pay Isaac to get the mic I'm wondering? He just – he walks very deliberately to certain people.

Duane Pfennigwerth

Q

[indiscernible] (03:53:27) Upside surprise. So in that basement, with the jet engines that you were in, I assume you have some macro folks and you have a good view into the consumer. So if you could, to what extent would you rank sort of categories that massively over-indexed through the pandemic, categories where you're like, jeez, I don't need to spend any time there because it's obviously going to come down relative to where it is today? And is there any category that you would be more excited about relative to travel from an upside perspective.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

So, it's interesting, the obvious category that over-indexed during the pandemic is online, any kind of online spending, right? I mean, that – that's happened. And our customer over-indexes more than the bank card customer by a lot, maybe almost twice. And you look at restaurants, we over-index from a restaurant perspective as well. And so – and obviously, we over-index from a hotel and we over-index from an airline perspective. I mean that's what the American Express customer looks like. But during the pandemic, we saw an increase in customers

that were into streaming services, which have become even bigger. We got a big bump in that and I think that will continue. Same thing with wireless, which just didn't make a lot of sense, but it did bump up and supermarkets, supermarkets, especially online delivery and in online delivery of restaurants. I mean when you look at restaurants right now, restaurants right now are back. I mean the ones that survived are completely back. But we don't look at it individually from a restaurant perspective. I look at it from a category perspective. And from a category perspective, take out online dining, it's through the roof and has sustained that. But the in-person dining is also higher, okay?

And so, their biggest problem right now is getting cooks and waiters and things like that. So, I think those are the categories that we have and that we'll continue to focus on. High-end retail has always been a big category for us as well. And that's pretty much what our consumers look at, very different from a small business perspective. You'll see advertisers, you'll see service providers. Amazon Web Services is a big one as well. So, that's how we see it.

Kenny Dichter

Q

Hey, Steve. Kenny Dichter, Wheels Up.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Well, Kenny.

Kenny Dichter

Q

It's good to see you, Steve.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

How are you?

Kenny Dichter

Q

Last time I saw you was at the Masters.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Yes, that was true. You were walking around.

Kenny Dichter

Q

Yeah. Great. Just a quick thought about the way you described that cell phones and how it was going to affect travel and then Zoom. One thing as the father of three daughters and you talked about millennials and I would say even younger Gen Z, both of you have said the word experience a bunch of times and I'm the biggest believer in the world that we're in the experience economy. And when I think about Snapchat and I think about TikTok and I think about Instagram and I think about Facebook, to me, my daughters, when we travel somewhere, I'm not sure

it's even about the travel as much as it is about the post that you're figuring out and what they want to do. What kind of insights does Amex have at the influencers and everybody that's moving around and travelling on this next generation, which I think is super, super bullish for where travel, Delta and where Amex ends up?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Well, I have four girls, so I'm one up on you. And three are millennials and one is a snowflake, I guess, but that's what we call, right? So, I guess she's Gen Z. But you're right, it's all about the experience. And my older – my two older ones, my 30-year old and my 26-year old, big huge, big Platinum cardholders and it's all about the experience for them. It's all about checking into the hotel early and having a late checkout and getting a free breakfast and doing that and then it's access. It's not only experience, but it's access, whether it's access to a show or access to something that only we can provide.

And I think when you think about these two brands and what we can do together from an experience perspective, it's going to be huge and which is why I'm really encouraged as I look at the American Express card base and I look at my proprietary business with 75% of my acquisition in Gold and Platinum being millennial and Gen Z and we continue to increase that with Delta as we continue to move on. That's where I think a lot of people thought that the American Express card was your father's card. Right? And it's not anymore. And the American Express-Delta card is not your father's card. It is your card to unleash a whole world of experiences because you're right, I mean, nobody can eat a meal without taking a picture of them first. I mean, the food gets cold. Right? Because they're too busy taking angles of how they're going to take those pictures. So I think it's all about experiences and that I think will serve our joint interest very, very well and it's obviously serving me on the other side as well.

Hunter Keay

Q

Hi. Back here, it's Hunter Keay at Wolfe Research. Steve, nice to meet you. Thanks for doing this. Some people on our side of the industry have suggested that the marketing component that you pay Delta is some crazy margin like 90% margin in Delta, just like banks it to the bottom line, like free profit. So the question is does that bother you when you hear that? Do you believe that? And then the second part of the question is, what is your expectation that Delta does with this money? The marketing component of the money that you give to them?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

So what I would say is there are a lot of things that bother me when people say things, that's not one of the things that bother me.

Hunter Keay

Q

Would you say it's true?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Look, the reality is, I'm not going to get into the individual financials, but as Delta – as a Delta co-brand card does well, I do well. And that's really important to me. And so, from a marketing perspective, what I expect from my partners at Delta is that they create the best experience and they have the same joint incentive that I do to acquire more cards and to drive more spending. And so, what I would say is, we are totally aligned in terms of the

outcomes that we want and where the investment comes from is kind of irrelevant. When we make investments, whether they be co-brand relationships, whether they be individual card relationships that we do, we have an ROI that we shoot for. And you just look at our return on equity and you could see we're getting it. And Delta's the biggest partner that we have. And so, if it wasn't a good, good relationship on both sides, I wouldn't be here and I wouldn't be smiling.

Hunter Keay

Q

All right. Thanks. And then just another quick one. How many people sort of trade up? What's the sort of life ecosystem going...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Yeah.

Hunter Keay

Q

...blue card to the...

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

It's a good question. We do do a pretty good – and I don't have the percentages off the top of my head. But it is part of the strategy. It's part of the marketing strategy to do that because and that's where you look at how people use the card. That's why I introduced a zero fee card and then you say, hey, look, this is – I'm not getting as many. Now every card we have, you get two times whenever you spend on Delta. But then as you move up, you can get on dining, you can get on hotel and so forth. And if you start to travel more, it makes sense for you to get the Platinum card. It makes sense for you to get the Reserve card. And that's where with information, you could target people to say, look, you could – by upgrading this card, not only do you get, you might get a welcome offer, but what you're also going to get is you're going to get access to the lounge. You'll get access to the lounge with the Platinum card, it's \$39 to get in. However, if you get the Reserve card, which we charge \$4.54 now, you can go to the lounge any time you want, you can bring two guests. So how you use the product, which is exactly what Ed knows and what I know is that's how we can really market. That's – hopefully that's some of – how do you use in some of the marketing money as well.

Julie Stewart

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

A

Okay. We have time for one more question. Thank you, Ravi.

Ravi Shanker

Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Maybe we can end with a bit of a longer term question. It's to both of you, so I'd love to get each of your views on this. You have a long-term contract. It goes into almost 2030. My view is that both your industries are going to see some significant technology disruption into the next decade. Obviously we've already seen that with payments with things like crypto and utilization and ESG in the airline space. How relevant is that for each of your respective businesses? How much do your core members care about ESG footprints of airlines? How much

do your customers expect innovative new technology solutions from Amex and your partners? And how do you think that influences your relationship over the next decade?

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Well, look, I'll start. I think from an ESG perspective. I think when you look at millennials and Gen Z, they care very, very deeply about it. And I think what Delta is doing and what it has committed to do I think is right aligned. And that bar is going to keep getting raised over time. And – this is where values come in, right? And we both talk about being good citizens in our community. And it's one thing, as I said to my team yesterday. It's one thing to put that on a wall. It's one thing to put that at a place card. It's another thing to live it.

And I'm confident in Ed and the management team and how – and what Delta's mission is, is that they will continue to be good citizens in the community in which we live and work. And they've demonstrated that and I believe they will continue to demonstrate that. So, I don't – I'm not concerned about that.

Edward Herman Bastian

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

A

The question about crypto.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

A

Yeah. So, look, I'll give you a long answer. It's two minutes. So this could be a filibuster. But look, I get asked about crypto all the time and the reality is, is I'll take it to a different level. You really got to think about digital currencies, okay? It's just not about crypto. When you think about digital currencies, you got three types. You've got cryptocurrencies, Ethereum, Ripple, obviously Bitcoin. And if you look at the market value of all that, it's about \$2.4 trillion, \$2.5 trillion today. Maybe tomorrow it's \$2.3 trillion and \$3 trillion after that. Then you look at gold, and gold is probably worth about \$12 trillion and you look at the M2 money supply, that's about \$145 trillion. It is really hard for anybody to see cryptocurrency actually becoming a fiat currency that is accepted as a medium of exchange. You cannot have a value of something on a Friday when you get your paycheck be \$48,000 and then on Monday it's worth \$36,000 and then Tuesday it's worth \$60,000. I don't know how people can live like that. So that's an asset class.

The second one is stablecoins, okay, and that's where you have people like Facebook with DM. You've got JPMorgan Chase has a stablecoin and so forth. And the reality is is those things will ultimately be surpassed by centralized bank currencies. There will be centralized bank digital currency. Why? It actually becomes a national security issue. China is really moving very, very quickly from a centralized digital currency and they like nothing better to have everything traded in the Chinese RMB, right? I mean, that's what they want.

So the US government needs to come up with their own digital currency. And I think the Fed is thinking about that and working on that because you need the dollar, I think, to be the medium of exchange, the international medium of exchange. And that's what will ultimately take over. Now why do we need a US-backed digital currency? The reality is it's not going to change all that much, but you need to be able to operate in the New World and you'll get rid of a lot of the intermediaries in the banking system and so forth. And you'll be able to do more cross-border payments. But it's really just going to be another form factor of how we transact today. How many of you use cash today? How many of you write checks today? The reality is all you do is ledger transfers today from your bank account to pay another bill and you do debits and credits. And so my belief is digital – cryptocurrency is here to stay. You will see cards that provide rewards in cryptocurrencies. You might even see us use membership

rewards to buy cryptocurrency. But it's not – in my opinion, it's not going to take over from a currency that we will all use to transact.

Having said that, and I know I'll stop, but having said that, we're aware of everything that goes on. We look to play with everybody. I got investments in digital in cryptocurrency companies, in stablecoin companies because we want to learn. And the reality is, is that when you look at what's happened in fintech, there's been a lot of disruption in the space. But with that disruption comes opportunity. And when you look at a company like American Express where we have a balance sheet, a brand and we have scale. Melding that with sort of fintech type capabilities and fintech companies can give us an advantage, which is why we last year we bought Kabbage during the pandemic. And so we look to partner with a lot of these guys. And if we can come up with something that, again, gives us a one plus one equals three for the relationship, we'll do it. So that's my long-winded cryptocurrency...

Edward Herman Bastian

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

A

That's a great filibuster. And I'll give you 30 seconds on the backend, our customers are the same customers. They care about all the things we talked about. They care about sustainability. You didn't hear us talk a lot about ESG today because we wanted to be very focused on our recovery path. Don't let that kind of fool you to think that we're not all in. And candidly, we haven't talked this entire year much about ESG for that same reason. It's been about how do we survive, how do we get through it? There hasn't been a platform to really go after because when we talk about sustainability, we're serious. We're just not about sending press releases or latest flash in the pan or I'm going to do this, I'm going to do that. We want to have real development and real initiatives that we can talk to our consumers that we can fulfill and we can stay behind.

I'm excited about bringing Pam Fletcher onboard as she starts in February as our Chief Sustainability Officer and all the learnings that we can garner from the autos, Amelia DeLuca's here. Amelia, where are you? She's in the back. She's doing a great job leading. She's also going to be helping lead the sustain – continue to lead our sustainability efforts as well. Amelia comes from the corporate sales team. And so, she knows all the companies, your companies and all the companies out there that we do business how they're thinking about it too. So, we're all in. It's going to be a big message and platform for us next year, but we wanted to get through the worst of the recovery first before we launch it because we don't think people could hear it and it was just noise at a certain point.

Well, Steve, thank you. You're a dear, dear partner and more importantly, a dear friend. Hopefully, you got a chance to see inside the relationship and have a little confidence as to how we're working together, how we think and what that future holds. I think we have a long way to go to continue to develop the opportunities together and you provide us great value and great insights, so I thank you.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

As do you and your team. So, we're excited about what's to come.

Edward Herman Bastian

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

Thank you, Steve.

Stephen J. Squeri

Chairman & Chief Executive Officer, American Express Co.

Thank you. Thanks.

Edward Herman Bastian

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

I've got one slide to wrap it up. You okay? Do we have a closing slide or...

Julie Stewart

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

Yes.

Edward Herman Bastian

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

Am I done?

Julie Stewart

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

It's coming back.

Edward Herman Bastian

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

Okay. Thank you. You're going to share me? Okay. Great. Thank you, Steve. You're staying, right? Makes sure he doesn't leave. He's got one other thing to do and I don't – don't go. Thank you. It's been a full morning and beyond. And I can't tell you how much I appreciate you being here in person. I appreciate you all in the Web. But we really appreciate the people that made the effort to be here in person to share this experience together.

These are the five takeaways. I told you at the start of the day I was going to share with these. I'm going to close with these same things. I'm not going to walk through them in any depth. But our moats are strong and have gotten stronger. The industry position of leadership that this team is delivering and the agility it's showing and the discipline and the grit to deliver, hopefully, we've given you those proof points.

Brand is, if you walk away with one message, this is a company very focused on driving brand preference. And we drive brand preference because it's about driving the loyalty together with American Express. But it's also about driving broader influence within our customer sector. We do expect to be profitable in 2022 and we expect to be meaningfully profitable.

Now, we'll start to give you a perspective as we go into the year as to what that means. We're not ready yet with Omicron on our doorstep here, let's say, quite yet, but it will be a year of not just recovery, it would be a year of profitability. And our goal is to get the earnings power of this franchise not just back to where we were pre-pandemic, but beyond it by 2024. And the financial foundations, I thought Dan you did a great job of laying out the cost, laying out the detail, the transparency on the [indiscernible] (04:11:17). We've never shared that level of detail on our costs, particularly on a three-year basis.

We're very targeted and very focused in terms of making sure we deliver on that. We've got good line of sight. It was a bit bold to take you through this level of depth while we're still in the pandemic, but we felt we owed it to you to show you the pathway. We know it's not going to go exactly as we'd like. Hopefully, it'll be better. But at least you know how we're thinking, where we're prioritizing, what we're investing in, and most importantly, to show the power of the Delta people and what they're delivering for this brand.

One other thing that I'll mention before we go is that on behalf of all that attended here in person, we've made a donation in your name for \$50,000 to the local New York chapter of Toys for Tots. And so you'll be bringing Christmas joy to many children in this community. It's a special relationship we have with Toys for Tots around the country, rather than bringing the Marines in and delivering you that message, but know that you all collectively are going to be sharing a lot of Christmas joy with a lot of needy kids in the area.

So thank you for your day. We look forward to continuing the conversation over lunch, but it's just great to see you all, and look forward to the New Year ahead. I hope everyone has a great holiday, a great Christmas. I hope you all get some well-needed rest. Thank you.

Julie Stewart

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

Lunch will be in the boardroom, so if you exit the back and take a right and go down the stairs, there's seated lunch.

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