



NYSE: DAL

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# Introduction and Company Overview

# Investment Thesis

## Recommendation

**Delta is a sound company and global leader. While the airline industry is ravaged by the virus – thus driving share prices down – Delta’s size and customer base uniquely positions it for a strong recovery, which makes this an opportune time to **buy**.**

## Rationale

### Presently Undervalued due to COVID-19 and Will Remain Solvent

1

- Although DAL has lost more than 60% of its value since COVID-19 halted travel, its strong balance sheet going into 2020 will help it remain solvent compared to more highly levered companies.

### Solid Business Model

2

- High revenue and competitive EBITDA margins contributed to Delta’s healthy financials in recent years.

### Competitive Advantages

3

- Delta is the clear industry leader. The US government has already agreed on a bailout to ensure the company does not fail as a result of present conditions.

Price Target:

**\$32.02**

**42.5% upside to \$22.47**

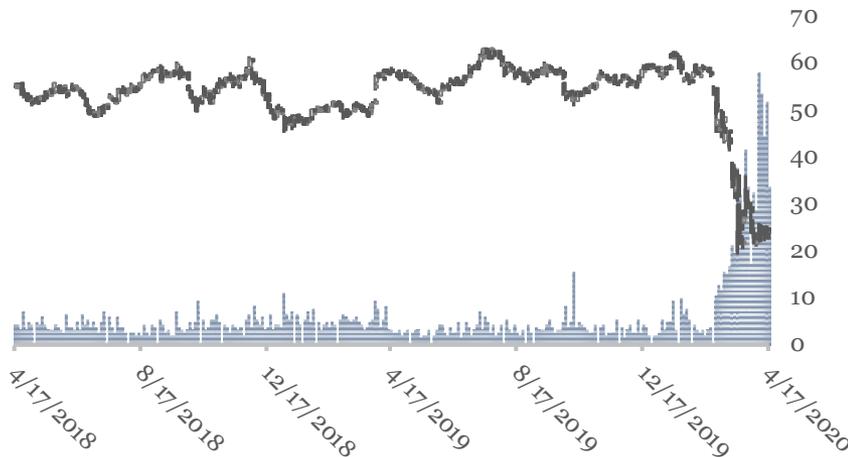
# Company Overview

## Global Presence

- Delta operates hubs in 16 airports worldwide and brings customers to over 300 destinations in more than 50 countries
- Over 200 million people fly with Delta each year
- Founding member of SkyTeam Alliance – an agreement of 20 airlines to work collectively to provide a seamless travel experience
- Fleet of more than 1,000 aircraft



## Two Year Stock Chart



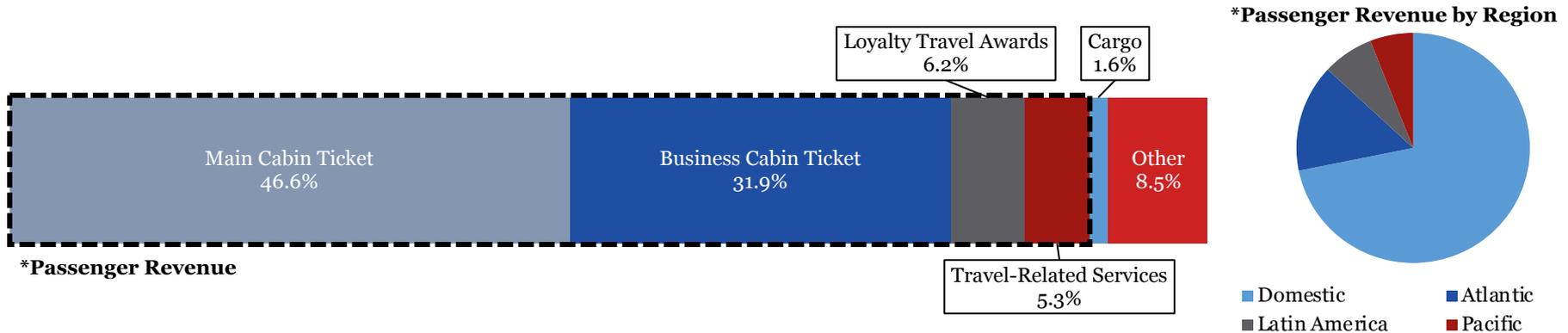
## Key Characteristics

- Largest airline company in the world with revenues consistently topping \$5 billion per year
- Known for servicing business travel – especially domestically
- Employs nearly 90,000 full-time workers
- SkyMiles loyalty program encourages repeat customers
- CEO Ed Bastian has been with the company for more than 20 years

Source: Company filings, Wall Street research

# Financials Overview

## 2019 Revenue Breakdown



## COVID-19 Financial Impacts

- Management predicts 90% hit to Q2 revenue
- As of April 3, burning \$60M cash every day

### Taking action:

- Requesting voluntary leaves of absence
- Pausing all capital projects
- Delaying nonessential maintenance
- 25% reduction in ground-based employee hours
- Skipping middle seat

## Valuation Statistics, \$ in millions

	2016	2017	2018	2019	2020E
EV/EBITDA	3.8x	3.7x	2.9x	2.6x	-
Revenue	39,450	41,138	44,438	47,007	17,045
EBITDA	7,952	8,210	7,583	8,913	(4346)
EBIT	6,224	6,175	5,459	6,650	(5660)
Net Income	4,195	3,205	3,935	4,767	(4472)

## Competitive Overview

# The Airline Industry in the United States

As a highly concentrated industry, COVID-19 will likely cause smaller airlines to default

## Porter's Five Forces Analysis

### Threat of New Entry - *Low*

- Capital intensive
- Economies of Scale

### Threat of Substitution – *Moderate*

- Rail, water, auto
- Low-cost airlines

### Competitive Rivalry

- High fixed costs intensifies quest to achieve market share and passengers
- High due to low-cost airlines

### Supplier Power *Moderate*

- Oil/fuel prices
- Labor costs ~40% of expenses
- Duopoly of Airbus and Boeing

### Buyer Power - *High*

- Price sensitive
- Easily switch airlines
- Increased by online booking

## Market Share

84.4% of the market is dominated by four players

**Delta** controls nearly **18%** of the entire market

American Airlines  **UNITED** 

**Southwest**  **DELTA** 

## COVID-19 Impact on Industry

- Revenue declines depend on size and scope of airline: Smaller airlines stand to lose more, while larger airlines can better weather the storm
- While global decline in crude oil prices has cut down on fuel expenses, most airlines hedge these costs anyway major airlines continue to offer competitive ticket prices
- International airlines are not only sensitive to the American economy reopening, but the global economy
- International travel is down 90%, while domestic travel is down 80%

## Why Not Another Airline?

- Many have cited United and Delta as the two largest, most critical players in the industry that are “**too big to fail**”
- American Airlines has \$21 billion in debt and has negative equity value
- United Airlines has higher debt levels, lower market share
- Smaller airlines, like Frontier and Spirit, are in complete survival mode and face **solvency concerns**
- Delta has a unique edge, even during normal business operations, that makes its brand uniquely positioned to thrive when travel resumes

# The Delta Standard

## Delta Leads the Airline Industry

\*rankings out of top 9 major airlines, not all listed

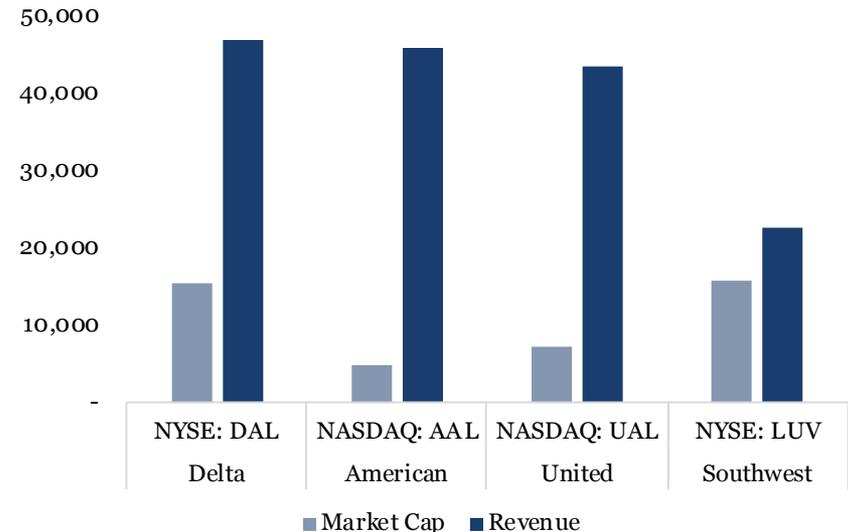
AIRLINE	OVERALL RANK	ON-TIME ARRIVALS	CANCELLED FLIGHTS	EXTREME DELAYS	2-HOUR TARMAC DELAYS	MISHANDLED BAGGAGE	INVOLUNTARY BUMPING	COMPLAINTS
Delta	1	1	1	3	6	4	1	3
Alaska	2	2	4	1	5	6	5	2
Southwest	2	4	8	2	1	3	6	1
Allegiant	4	5	2	4	2	1	8	6
Frontier	7	9	5	8	3	2	7	8
United	8	7	7	7	8	8	2	5
American	9	6	9	6	9	9	9	7

### Leading Brand

- Delta’s long-standing reputation of professionalism, social responsibility, and reliability leaves them best positioned among the industry as the economy begins to recover.

**“free flights for medical workers, cargo shipments of much-needed medical supplies, and repatriating thousands of people worldwide back to their homes”**

### 2019 Industry Performance



# Investment Thesis

# Attractive Price Due to COVID-19

## Poised to Recover

*“The program recognizes the decisive role Delta and our industry – which supports more than 10 million U.S. jobs and is an essential engine for the economy – will play in leading the recovery once the pandemic is contained.”*

*-CEO Ed Bastian, Delta 8-K*

Airlines are vital to the economy – and thus rarely trade at such a discount.

## Government Bailout: CARES Act Relief

- Delta will receive \$5.4 billion from the US Treasury
  - \$1.6 billion in the form of a 10-year low interest loan
  - \$3.8 billion will come as payroll grants designed to avoid lay-offs until at least October
- U.S. will receive warrants to purchase 6.5 million shares of Delta common stock at a strike price of \$24.39 with a 5-year maturity
- Eligibility for \$4.6 bil in secured government loans

## The Issues Facing Airlines

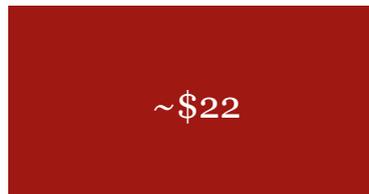
- 1 Serious market volatility driven by uncertainty
- 2 Fear of further spread from travel
- 3 Inherent inability to social distance on airplanes

## Massive Discount



### 2014 to February

- Fluctuations ranging \$40-60 per share
  - Trending higher in recent past



### Now

- Down more than 50% from highs
- Current price unseen since 2013

# Solvency and Liquidity

Relative to its peers and especially after considering market share and size, Delta is fit to weather the storm

	Total Debt to Total Assets	Debt to Equity	Interest Coverage	Current Ratio
	0.26	1.12	22.12	0.41
	0.36	1.77	6.20	0.55
	0.14	0.40	33.76	0.67
	0.55	-	3.38	0.45
	0.48	1.57	5.12	1.25
	0.26	0.65	10.37	0.67

# Solvency and Liquidity

We expect Delta to be able to meet its current obligations, even going into the first half of 2020

Maturity Date	Seniority	Amount Outstanding (\$mm)
December 4, 2020	Senior Unsecured	450
April 19, 2021	Senior Unsecured	600
March 15, 2022	Senior Unsecured	1,000

## Expense Management

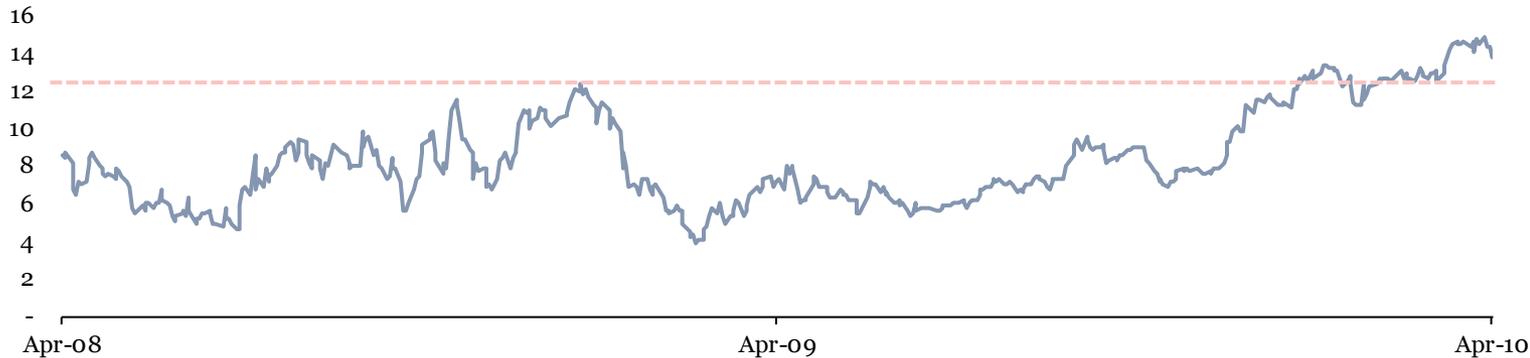
- **Expenses will decrease by 50%, or \$5 billion**, over prior year due to reduced capacity, lower fuel and cost initiatives
- Parking more than 650 aircraft, **consolidating operations**
- Instituting a company-wide hiring freeze and **offering voluntary leave** options with 37,000 employees taking short-term unpaid leave
- **Reducing salary expense** through pay reductions for executive management and reduced work schedules across organization

## Balance Sheet, Cash and Liquidity

- **Raised \$5.4 billion of capital since early March** (secured term loan, closing aircraft sale leasebacks, issuing private aircraft mortgages to enhance liquidity)
- Drew down \$3 billion under existing revolving credit facilities
- **Reduced planned capital expenditures** by more than \$3 billion
- **Extended payment terms** with airports, vendors and lessors
- Suspended shareholder returns, including the Company's stock repurchase program and future dividend payments
- **Cut cash burn by 50%** by end of June
- "The decade of work we put into the balance sheet to lower debt and build unencumbered assets has been critical to our success in raising capital and we expect to end the June quarter with approximately \$10 billion in liquidity"

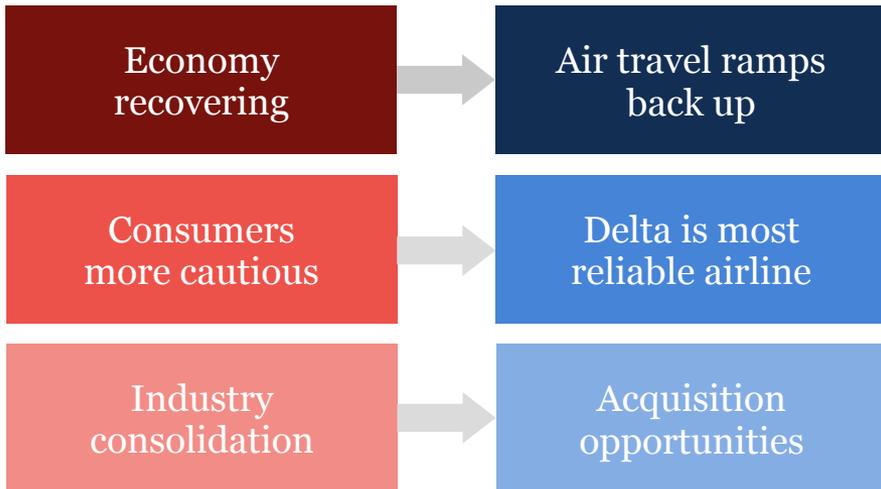
# Here to Stay

## Delta Can Make a Comeback



Delta's stock price made a full recovery—and more—during the 2008-09 crisis, all within a year.

### Trends Moving Forward



### Stable Outlook

**For now:**

- Delta will receive substantial relief from CARES Act to deliver paychecks and alleviate liquidity constraints.

**In the long run:**

- Air travel will resume without a doubt. Delta has fortified its market position enough over time to have no issue enduring the short-term acute pain of COVID-19 felt across the board.

# Delta's Evolving Competitive Advantage

Delta's superior customer service, operations, brand credibility, and partnerships will prove vital in ensuring its solvency and ability to rebound when travel resumes

## Before COVID-19

- **Investment grade** balance sheet going into 2020
- **Most profitable airline** during normal business operations
- In the past five years, Delta **raised its dividend by nearly 350%**, the largest increase among the major U.S. airlines
- Delta **grew its net income and free cash flow (FCF)** more than Southwest, United, or American Airlines over the past three years

## Continuous Fleet and Operational Advantage

- Whereas most airlines spend big \$\$\$ on new planes, Delta buys a mix of **new and used** planes and retrofits them
- Their **strong Delta TechOps maintenance team** is the best in the business, which allows them to extend the life of their airplanes and assemble for business faster than other airlines
- Delta has **no Boeing 737 Max exposure**, which has caused fleet shortages and delays for virtually every other major airline



## During COVID-19

- Taking most aggressive stance on cutting expenses and mitigating risk
- Delta supplies **more domestic flights** than United and American, who likely be slower to recover because of international overexposure
- Continues to leverage its lucrative **partnership with American Express**, who may deliver them cash during this liquidity crunch
- If Delta were to trade solely based on the value of its fleet, it would trade at **\$30/share**, compared to the roughly \$23 it trades at now

## Preparing for the Future of Travel

- If airlines must shrink and adjust, Delta is in the best position for reducing and altering operations.
- They the oldest average fleet age, so it's also not as destructive for them to retire planes early. Delta's strategy has long been to **keep older planes and just maintain them well**
- Already employing internal teams to determine the best and healthiest ways to fly going forward

# Final Recommendation



## Recommendation

**Delta (NYSE: DAL) is the strongest airline and an integral part of the US economy. It is presently undervalued due to current events – and has tremendous upside in the future. Therefore, we recommend a **buy**.**

Downside Case:

**\$18.28**

**-18.7% downside to \$22.47**

Base Case:

**\$32.02**

**42.5% upside to \$22.47**

Upside Case:

**\$46.47**

**106.8% upside to \$22.47**

# Appendix

# Case Selection and Share Price Snapshot

*\*in millions, unless otherwise noted*

## Case Metrics

Select Case: **Base**

Passenger Revenue Growth	2020 Q2	2020 Q3	2020 Q4	2021	2022	2023	2024
Upside	-90.0%	-85.0%	-45.0%	80.0%	25.0%	10.0%	5.0%
Base	-90.0%	-90.0%	-50.0%	75.0%	25.0%	10.0%	5.0%
Downside	-95.0%	-90.0%	-55.0%	70.0%	25.0%	10.0%	5.0%

Cargo Revenue Growth	2020 Q2	2020 Q3	2020 Q4	2021	2022	2023	2024
Upside	-35.0%	-35.0%	-30.0%	30.0%	10.0%	6.0%	6.0%
Base	-40.0%	-40.0%	-30.0%	30.0%	10.0%	5.0%	5.0%
Downside	-45.0%	-45.0%	-30.0%	30.0%	10.0%	4.0%	4.0%

Other Revenue Growth	2020 Q2	2020 Q3	2020 Q4	2021	2022	2023	2024
Upside	-90.0%	-85.0%	-45.0%	80.0%	25.0%	10.0%	5.0%
Base	-90.0%	-90.0%	-50.0%	75.0%	25.0%	10.0%	5.0%
Downside	-95.0%	-90.0%	-55.0%	70.0%	25.0%	10.0%	5.0%

Terminal Value Metrics	Perp Growth	F Exit Multiple
Upside	4.0%	6.5x
Base	4.0%	6.0x
Downside	4.0%	5.5x

Target Share Price	\$	33.71
Bankruptcy Risk Adjustment		5.0%
<b>Adjusted Target Share Price</b>	<b>\$</b>	<b>32.02</b>
Current Share Price	\$	22.47
<b>Upside %</b>		<b>42.5%</b>

# Income Statement

*\*in millions, unless otherwise noted*

## DAL Income Statement

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
<b>Revenue</b>	\$ 40,704.0	\$ 39,450.0	\$ 41,138.0	\$ 44,438.0	\$ 47,007.0	\$ 17,045.8	\$ 29,601.9	\$ 36,903.5	\$ 40,557.6	\$ 42,585.4
<b>% Growth</b>		-3.1%	4.3%	8.0%	5.8%					
Operating Expenses	32,902.0	32,454.0	35,172.0	39,174.0	40,389.0	22,308.8	25,612.9	31,930.5	35,092.2	36,846.8
<b>Operating Income</b>	<b>7,802.0</b>	<b>6,996.0</b>	<b>5,966.0</b>	<b>5,264.0</b>	<b>6,618.0</b>	<b>(5,263.0)</b>	<b>3,989.0</b>	<b>4,973.0</b>	<b>5,465.4</b>	<b>5,738.7</b>
<b>Total Non-Operating Expenses</b>	<b>(645.0)</b>	<b>(643.0)</b>	<b>(466.0)</b>	<b>(113.0)</b>	<b>(420.0)</b>	(397.2)	(412.9)	(288.7)	(264.7)	(249.7)
<b>Earnings Before Taxes</b>	<b>7,157.0</b>	<b>6,353.0</b>	<b>5,500.0</b>	<b>5,151.0</b>	<b>6,198.0</b>	<b>(5,660.1)</b>	<b>3,576.1</b>	<b>4,684.3</b>	<b>5,200.7</b>	<b>5,489.0</b>
Income Tax Expense	(2,631.0)	(2,158.0)	(2,295.0)	(1,216.0)	(1,431.0)	1,188.6	(751.0)	(983.7)	(1,092.1)	(1,152.7)
<b>Net Income</b>	<b>\$ 4,526.0</b>	<b>\$ 4,195.0</b>	<b>\$ 3,205.0</b>	<b>\$ 3,935.0</b>	<b>\$ 4,767.0</b>	<b>\$ (4,471.5)</b>	<b>\$ 2,825.1</b>	<b>\$ 3,700.6</b>	<b>\$ 4,108.5</b>	<b>\$ 4,336.3</b>
<b>Metrics &amp; Drivers</b>										
Depreciation Expense			2,222.0	2,329.0	2,581.0	916.7	1,591.9	1,984.5	2,181.1	2,290.1
Operating Margin	19.2%	17.7%	14.5%	11.8%	14.1%	-30.9%	13.5%	13.5%	13.5%	13.5%
Corporate Tax Rate	36.8%	34.0%	41.7%	23.6%	23.1%	21.0%	21.0%	21.0%	21.0%	21.0%
<b>EBITDA</b>			<b>8,188.0</b>	<b>7,593.0</b>	<b>9,199.0</b>	<b>(4,346.3)</b>	<b>5,580.9</b>	<b>6,957.5</b>	<b>7,646.4</b>	<b>8,028.8</b>

# Operations Build

*\*in millions, unless otherwise noted*

DAI Operations Build	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Ticket - Main Cabin		20,380.0	21,196.0	21,919.0						
Ticket - Business Cabin		12,087.0	13,754.0	14,989.0						
Loyalty Travel Awards		2,403.0	2,651.0	2,900.0						
Travel-Related Services		2,077.0	2,154.0	2,469.0						
<b>Total Passenger Revenue</b>		<b>36,947.0</b>	<b>39,755.0</b>	<b>42,277.0</b>		<b>14,969.3</b>	<b>26,196.3</b>	<b>32,745.3</b>	<b>36,019.9</b>	<b>37,820.9</b>
<b>Cargo</b>		<b>744.0</b>	<b>865.0</b>	<b>753.0</b>		<b>507.2</b>	<b>659.4</b>	<b>725.3</b>	<b>761.6</b>	<b>799.6</b>
Loyalty Program		1,269.0	1,459.0	1,962.0						
Ancillary Businesses and Refinery		1,591.0	1,801.0	1,297.0						
Miscellaneous		587.0	558.0	718.0						
<b>Total Other Revenue</b>		<b>3,447.0</b>	<b>3,818.0</b>	<b>3,977.0</b>		<b>1,569.3</b>	<b>2,746.3</b>	<b>3,432.8</b>	<b>3,776.1</b>	<b>3,964.9</b>
<b>Total Revenue</b>		<b>41,138.0</b>	<b>44,438.0</b>	<b>47,007.0</b>		<b>17,045.8</b>	<b>29,601.9</b>	<b>36,903.5</b>	<b>40,557.6</b>	<b>42,585.4</b>
Salaries and Related Costs		10,058.0	10,743.0	11,225.0		9,058.0	7,154.2	8,918.8	9,802.0	10,292.1
Aircraft Fuel and Related Taxes		6,756.0	9,020.0	8,519.0		2,894.1	5,411.6	6,746.4	7,414.4	7,785.1
Regional Aircraft Expense, Excluding Fuel		3,466.0	3,438.0	3,584.0		2,002.2	2,347.1	2,926.0	3,215.7	3,376.5
Contracted Services		2,108.0	2,175.0	2,641.0		1,614.5	1,542.9	1,923.5	2,114.0	2,219.7
Depreciation & Amortization		2,222.0	2,329.0	2,581.0		916.7	1,591.9	1,984.5	2,181.1	2,290.1
Passenger Commissions and Other Selling Expenses		1,827.0	1,941.0	1,993.0		721.4	1,287.6	1,605.2	1,764.1	1,852.3
Landing Fees and Other Rents		1,501.0	1,662.0	1,762.0		1,156.1	1,098.9	1,370.0	1,505.6	1,580.9
Aircraft Maintenance Materials and Outside Repairs		1,591.0	1,575.0	1,751.0		957.9	1,098.9	1,369.9	1,505.6	1,580.9
Profit Sharing		1,065.0	1,301.0	1,643.0		-	889.2	1,108.5	1,218.3	1,279.2
Passenger Service		1,123.0	1,178.0	1,251.0		594.3	793.5	989.3	1,087.2	1,141.6
Ancillary Businesses and Refinery		1,495.0	1,695.0	1,245.0		866.5	996.3	1,242.0	1,365.0	1,433.3
Aircraft Rent		351.0	394.0	423.0		221.2	260.5	324.7	356.9	374.7
Other		1,609.0	1,723.0	1,771.0		1,306.0	1,140.3	1,421.5	1,562.3	1,640.4
<b>Total Operating Expenses</b>		<b>35,172.0</b>	<b>39,174.0</b>	<b>40,389.0</b>		<b>22,308.8</b>	<b>25,612.9</b>	<b>31,930.5</b>	<b>35,092.2</b>	<b>36,846.8</b>
<b>Operating Profit (Loss)</b>		<b>5,966.0</b>	<b>5,264.0</b>	<b>6,618.0</b>		<b>(5,263.0)</b>	<b>3,989.0</b>	<b>4,973.0</b>	<b>5,465.4</b>	<b>5,738.7</b>
<b>Revenue Metrics &amp; Drivers</b>										
Revenue Passenger Miles		217,712.0	225,243.0	237,680.0		84,156.9	147,274.7	184,093.3	202,502.7	212,627.8
Available Seat Miles		254,325.0	263,365.0	275,379.0			201,470.1	236,017.1	253,128.3	259,302.2
Passenger Load Factor		85.6%	85.5%	86.3%			73.1%	78.0%	80.0%	82.0%
Passenger Revenue Growth			7.6%	6.3%		-64.6%	75.0%	25.0%	10.0%	5.0%
Cargo Revenue Growth			16.3%	-12.9%		-32.6%	30.0%	10.0%	5.0%	5.0%
Other Revenue Growth			10.8%	4.2%		-60.5%	75.0%	25.0%	10.0%	5.0%
<b>Expenses Metrics &amp; Drivers</b>										
Salaries and Related % Sales		24.4%	24.2%	23.9%		53.1%	24.2%	24.2%	24.2%	24.2%
Aircraft Fuel & Related % Sales		16.4%	20.3%	18.1%		17.0%	18.3%	18.3%	18.3%	18.3%
Regional Aircraft Exp % Sales		8.4%	7.7%	7.6%		11.7%	7.9%	7.9%	7.9%	7.9%
Contracted Services % Sales		5.1%	4.9%	5.6%		9.5%	5.2%	5.2%	5.2%	5.2%
D&A % Sales		5.4%	5.2%	5.5%		5.4%	5.4%	5.4%	5.4%	5.4%
Passenger Commissions % Sales		4.4%	4.4%	4.2%		4.2%	4.3%	4.3%	4.3%	4.3%
Landing Fees % Sales		3.6%	3.7%	3.7%		6.8%	3.7%	3.7%	3.7%	3.7%
Aircraft Maintenance % Sales		3.9%	3.5%	3.7%		5.6%	3.7%	3.7%	3.7%	3.7%
Profit Sharing % Sales		2.6%	2.9%	3.5%		0.0%	3.0%	3.0%	3.0%	3.0%
Passenger Service % Sale		2.7%	2.7%	2.7%		3.5%	2.7%	2.7%	2.7%	2.7%
Ancillary Business % Sales		3.6%	3.8%	2.6%		5.1%	3.4%	3.4%	3.4%	3.4%
Aircraft Rent % Sales		0.9%	0.9%	0.9%		1.3%	0.9%	0.9%	0.9%	0.9%
Other % Sales		3.9%	3.9%	3.8%		7.7%	3.9%	3.9%	3.9%	3.9%

# Quarterly Operations Build

*\*in millions, unless otherwise noted*

<b>DAL Quarterly Operations Build</b>	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2E	2020 Q3E	2020 Q4E	2020E
Passenger	9,254.0	11,368.0	11,410.0	10,245.0	7,569.0	1,136.8	1,141.0	5,122.5	14,969.3
Cargo	192.0	186.0	189.0	186.0	152.0	111.6	113.4	130.2	507.2
Other	1,026.0	982.0	961.0	1,008.0	871.0	98.2	96.1	504.0	1,569.3
<b>Total Operating Revenue</b>	<b>10,472.0</b>	<b>12,536.0</b>	<b>12,560.0</b>	<b>11,439.0</b>	<b>8,592.0</b>	<b>1,346.6</b>	<b>1,350.5</b>	<b>5,756.7</b>	<b>17,045.8</b>
Salaries and Related Costs	2,639.0	2,752.0	2,884.0	2,950.0	2,771.0	1,773.5	1,858.5	2,655.0	9,058.0
Aircraft Fuel and Related Taxes	1,978.0	2,291.0	2,239.0	2,011.0	1,595.0	243.7	238.2	817.2	2,894.1
Regional Aircraft Expense, Excluding Fuel	893.0	905.0	900.0	886.0	902.0	280.6	279.1	540.5	2,002.2
Contracted Services	632.0	657.0	685.0	667.0	675.0	241.8	252.1	445.6	1,614.5
Depreciation & Amortization	615.0	713.0	631.0	622.0	678.0	286.9	253.9	436.9	1,655.8
Passenger Commissions and Other Selling Expenses	427.0	538.0	539.0	489.0	358.0	74.5	74.6	214.4	721.4
Landing Fees and Other Rents	419.0	442.0	460.0	441.0	467.0	183.2	190.7	315.1	1,156.1
Aircraft Maintenance Materials and Outside Repairs	476.0	434.0	424.0	417.0	469.0	123.8	121.0	244.1	957.9
Profit Sharing	220.0	518.0	517.0	388.0	-	-	-	-	-
Passenger Service	271.0	322.0	345.0	313.0	257.0	80.0	85.7	171.6	594.3
Ancillary Businesses and Refinery	351.0	316.0	279.0	299.0	219.0	197.2	174.1	276.3	866.5
Aircraft Rent	102.0	107.0	110.0	104.0	100.0	30.0	30.8	60.4	221.2
Other	429.0	413.0	476.0	453.0	511.0	202.8	233.8	358.4	1,306.0
<b>Total Operating Expenses</b>	<b>9,452.0</b>	<b>10,408.0</b>	<b>10,489.0</b>	<b>10,040.0</b>	<b>9,002.0</b>	<b>3,718.0</b>	<b>3,792.4</b>	<b>6,535.4</b>	<b>23,047.9</b>
<b>Operating Profit (Loss)</b>	<b>1,020.0</b>	<b>2,128.0</b>	<b>2,071.0</b>	<b>1,399.0</b>	<b>(410.0)</b>	<b>(2,371.4)</b>	<b>(2,441.9)</b>	<b>(778.7)</b>	<b>(6,002.1)</b>
<b>Revenue Metrics &amp; Drivers</b>									
Passenger Revenue Growth					-18.2%	-90.0%	-90.0%	-50.0%	
Cargo Revenue Growth					-20.8%	-40.0%	-40.0%	-30.0%	
Other Revenue Growth					-15.1%	-90.0%	-90.0%	-50.0%	
<b>Expenses Metrics &amp; Drivers</b>									
Salaries and Related Costs					5.0%	-35.6%	-35.6%	-10.0%	
Aircraft Fuel and Related Taxes					-19.4%	-89.4%	-89.4%	-59.4%	
Regional Aircraft Expense, Excluding Fuel					1.0%	-69.0%	-69.0%	-39.0%	
Contracted Services					6.8%	-63.2%	-63.2%	-33.2%	
Depreciation & Amortization					10.2%	-59.8%	-59.8%	-29.8%	
Passenger Commissions and Other Selling Expenses					-16.2%	-86.2%	-86.2%	-56.2%	
Landing Fees and Other Rents					11.5%	-58.5%	-58.5%	-28.5%	
Aircraft Maintenance Materials and Outside Repairs					-1.5%	-71.5%	-71.5%	-41.5%	
Profit Sharing					-100.0%	-100.0%	-100.0%	-100.0%	
Passenger Service					-5.2%	-75.2%	-75.2%	-45.2%	
Ancillary Businesses and Refinery					-37.6%	-37.6%	-37.6%	-7.6%	
Aircraft Rent					-2.0%	-72.0%	-72.0%	-42.0%	
Other					19.1%	-50.9%	-50.9%	-20.9%	

# Balance Sheet

*\*in millions, unless otherwise noted*

DAL Balance Sheet	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
<b>ASSETS</b>										
Current Assets										
Cash and Cash Equivalents	1,972.0	2,762.0	1,814.0	1,565.0	2,882.0	3,200.0	2,411.3	7,899.3	12,227.6	17,263.4
Short-Term Investments	1,465.0	487.0	825.0	-	-	-	-	-	-	-
Accounts Receivable, net of allowance for	2,020.0	2,064.0	2,377.0	2,314.0	2,854.0	969.2	1,683.0	2,098.2	2,305.9	2,421.2
Fuel Inventory	379.0	519.0	916.0	592.0	730.0	290.4	504.4	628.8	691.1	725.6
Expendable parts and supplies inventories	318.0	372.0	413.0	463.0	521.0	179.2	311.2	388.0	426.4	447.7
Prepaid Expenses and Other Current Assets	2,902.0	1,247.0	1,499.0	1,406.0	1,262.0	539.4	936.7	1,167.7	1,283.3	1,347.5
<b>Total Current Assets</b>	<b>9,056.0</b>	<b>7,451.0</b>	<b>7,844.0</b>	<b>6,340.0</b>	<b>8,249.0</b>	<b>5,178.2</b>	<b>5,846.7</b>	<b>12,182.0</b>	<b>16,934.3</b>	<b>22,205.5</b>
Net PPE, net of accumulated depreciation	23,039.0	24,375.0	26,563.0	28,335.0	31,310.0	31,290.8	31,257.3	31,215.7	31,169.9	31,121.8
Operating Lease Right-of-Use Asset				5,994.0	5,627.0	5,627.0	5,627.0	5,627.0	5,627.0	5,627.0
Goodwill	9,794.0	9,794.0	9,794.0	9,781.0	9,781.0	9,781.0	9,781.0	9,781.0	9,781.0	9,781.0
Intangible Assets, net of accumulated amortization	4,861.0	4,844.0	4,847.0	4,830.0	5,163.0	5,163.0	5,163.0	5,163.0	5,163.0	5,163.0
Deferred Income Taxes, net	4,956.0	3,064.0	935.0							
Cash Restricted for Airport Construction	-	-	-	1,136.0	636.0	636.0	636.0	636.0	636.0	636.0
Other Noncurrent Assets	1,428.0	1,733.0	3,309.0	3,850.0	3,766.0	3,766.0	3,766.0	3,766.0	3,766.0	3,766.0
<b>Total Assets</b>	<b>53,134.0</b>	<b>51,261.0</b>	<b>53,292.0</b>	<b>60,266.0</b>	<b>64,532.0</b>	<b>61,441.9</b>	<b>62,077.0</b>	<b>68,370.7</b>	<b>73,077.2</b>	<b>78,300.3</b>
<b>LIABILITIES &amp; EQUITY</b>										
Current Liabilities										
Current Maturities of Debt and Finance Leases	1,563.0	1,131.0	2,242.0	1,518.0	2,287.0	780.2	1,354.9	1,689.1	1,856.3	1,949.2
Current Maturities of Operating Leases	-	-	-	955.0	801.0	290.5	504.4	628.8	691.1	725.7
Air Traffic Liability	4,503.0	4,626.0	4,888.0	4,661.0	5,116.0	1,889.5	3,281.3	4,090.7	4,495.7	4,720.5
Accounts Payable	2,743.0	2,572.0	3,674.0	2,976.0	3,266.0	1,282.7	2,227.6	2,777.1	3,052.1	3,204.7
Accrued Salaries and Related Benefits	3,195.0	2,924.0	3,022.0	3,287.0	3,701.0	1,285.0	2,231.6	2,782.0	3,057.5	3,210.4
Loyalty Program Deferred Revenue	1,635.0	1,648.0	1,822.0	2,989.0	3,219.0	1,022.9	1,776.4	2,214.6	2,433.9	2,555.6
Fuel Card Obligation	-	431.0	1,067.0	1,075.0	736.0	373.8	649.1	809.2	889.4	933.8
Other Accrued Liabilities	3,887.0	1,907.0	1,858.0	1,117.0	1,078.0	529.7	920.0	1,146.9	1,260.4	1,323.5
<b>Total Current Liabilities</b>	<b>17,526.0</b>	<b>15,239.0</b>	<b>18,573.0</b>	<b>18,578.0</b>	<b>20,204.0</b>	<b>7,454.4</b>	<b>12,945.3</b>	<b>16,138.4</b>	<b>17,736.4</b>	<b>18,623.2</b>
Debt and Finance Leases	6,766.0	6,201.0	6,592.0	8,253.0	8,873.0	23,004.0	15,323.0	14,723.0	13,723.0	13,723.0
Pension, Postretirement, and Related Benefits	13,855.0	13,378.0	9,810.0	9,163.0	8,452.0	8,452.0	8,452.0	8,452.0	8,452.0	8,452.0
Loyalty Program Deferred Revenue	2,246.0	2,278.0	2,296.0	3,652.0	3,509.0	3,509.0	3,509.0	3,509.0	3,509.0	3,509.0
Noncurrent Operating Leases	-	-	-	5,801.0	5,294.0	5,294.0	5,294.0	5,294.0	5,294.0	5,294.0
Deferred Income Taxes, net	-	-	-	163.0	1,456.0	1,456.0	1,456.0	1,456.0	1,456.0	1,456.0
Other Noncurrent Liabilities	1,891.0	1,878.0	2,111.0	969.0	1,386.0	1,386.0	1,386.0	1,386.0	1,386.0	1,386.0
<b>Total Liabilities</b>	<b>42,284.0</b>	<b>38,974.0</b>	<b>39,382.0</b>	<b>46,579.0</b>	<b>49,174.0</b>	<b>50,555.4</b>	<b>48,365.3</b>	<b>50,958.4</b>	<b>51,556.4</b>	<b>52,443.2</b>
Common Stock	-	-	-	-	-	-	-	-	-	-
Additional Paid-In Capital	12,936.0	12,294.0	12,053.0	11,671.0	11,129.0					
Retained Earnings (Accumulated Deficit)	5,562.0	7,903.0	9,636.0	10,039.0	12,454.0					
Accumulated Other Comprehensive Loss	(7,275.0)	(7,636.0)	(7,621.0)	(7,825.0)	(7,989.0)					
Treasury Stock, at cost	(373.0)	(274.0)	(158.0)	(198.0)	(236.0)					
<b>Total Equity</b>	<b>10,850.0</b>	<b>12,287.0</b>	<b>13,910.0</b>	<b>13,687.0</b>	<b>15,358.0</b>	<b>10,886.5</b>	<b>13,711.7</b>	<b>17,412.2</b>	<b>21,520.8</b>	<b>25,857.1</b>
<b>Total Liabilities and Equity</b>	<b>53,134.0</b>	<b>51,261.0</b>	<b>53,292.0</b>	<b>60,266.0</b>	<b>64,532.0</b>	<b>61,441.9</b>	<b>62,077.0</b>	<b>68,370.7</b>	<b>73,077.2</b>	<b>78,300.3</b>

# Cash Flow Statement

\*in millions, unless otherwise noted

DAL Cash Flow Statement										
	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Net Income	4,526.0	4,195.0	3,205.0	3,935.0	4,767.0	(4,471.5)	2,825.1	3,700.6	4,108.5	4,336.3
Depreciation and Amortization			2,222.0	2,329.0	2,581.0	916.7	1,591.9	1,984.5	2,181.1	2,290.1
Deferred Income Taxes			2,242.0	1,364.0	1,473.0					
Pension, Postretirement and Postemployment greater than expense			(3,302.0)	(790.0)	(922.0)					
Changes in Certain Assets and Liabilities										
Receivables			(428.0)	108.0	(775.0)					
Fuel Inventory			(397.0)	324.0	(139.0)					
Prepaid Expenses and Other Current Assets			(57.0)	(440.0)	94.0					
Air Traffic Liability			284.0	297.0	454.0					
Loyalty Program Deferred Revenue			399.0	319.0	87.0					
Profit Sharing			(51.0)	233.0	354.0					
Accounts Payable and Accrued Liabilities			955.0	(418.0)	144.0					
Other			(49.0)	(247.0)	307.0					
Change in NWC			656.0	176.0	526.0	(9,360.8)	4,033.8	2,345.7	1,173.9	651.5
<b>Cash from Operating Activities</b>			<b>5,023.0</b>	<b>7,014.0</b>	<b>8,425.0</b>	<b>(12,915.6)</b>	<b>8,450.9</b>	<b>8,030.9</b>	<b>7,463.5</b>	<b>7,277.9</b>
Additions to Flight Equipment, including advance payments			(2,704.0)	(3,704.0)	(3,344.0)	(897.4)	(1,558.5)	(1,942.9)	(2,135.3)	(2,242.0)
Additions to Ground Property and Equipment, including technology			(1,187.0)	(1,464.0)	(1,592.0)					
Purchase of Equity Investments			(1,245.0)	-	(170.0)	-	-	-	-	-
Sale of Equity Investments			-	28.0	279.0	-	-	-	-	-
Purchase of Short-Term Investments			(925.0)	(145.0)	-	-	-	-	-	-
Redemption of Short-Term Investments			584.0	766.0	206.0	-	-	-	-	-
Other, net			211.0	126.0	58.0	-	-	-	-	-
<b>Cash from Investing Activities</b>			<b>(5,266.0)</b>	<b>(4,393.0)</b>	<b>(4,563.0)</b>	<b>(897.4)</b>	<b>(1,558.5)</b>	<b>(1,942.9)</b>	<b>(2,135.3)</b>	<b>(2,242.0)</b>
Payments on Debt and Finance Lease Obligations			(1,258.0)	(3,052.0)	(3,320.0)	-	(7,681.0)	(600.0)	(1,000.0)	-
Repurchase of Common Stock			(1,677.0)	(1,575.0)	(2,027.0)	-	-	-	-	-
Cash Dividends			(731.0)	(909.0)	(980.0)	-	-	-	-	-
Fuel Card Obligations			636.0	7.0	(339.0)					
Proceeds from Short-Term Obligations			-	-	1,750.0	7,231.0	-	-	-	-
Proceeds from Long-Term Obligations			2,454.0	3,745.0	2,057.0	1,500.0	-	-	-	-
Proceeds from Bailout Grant						3,800.0	-	-	-	-
Proceeds from Bailout Loan						1,600.0	-	-	-	-
Other, net			(154.0)	58.0	(21.0)					
<b>Cash from Financing</b>			<b>(730.0)</b>	<b>(1,726.0)</b>	<b>(2,880.0)</b>	<b>14,131.0</b>	<b>(7,681.0)</b>	<b>(600.0)</b>	<b>(1,000.0)</b>	<b>-</b>
Beginning Cash						2,882.0	3,200.0	2,411.3	7,899.3	12,227.6
<b>Net Change in Cash</b>			<b>(973.0)</b>	<b>895.0</b>	<b>982.0</b>	<b>318.0</b>	<b>(788.7)</b>	<b>5,488.0</b>	<b>4,328.3</b>	<b>5,035.8</b>
Ending Cash					2,882.0	3,200.0	2,411.3	7,899.3	12,227.6	17,263.4

# Property, Plant, and Equipment

*\*in millions, unless otherwise noted*

## DAL PP&E Schedule

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Beginning Balance PPE						31,310.0	31,290.8	31,257.3	31,215.7	31,169.9
(+) Capital Expenditures			3,891.0	5,168.0	4,936.0	897.4	1,558.5	1,942.9	2,135.3	2,242.0
(-) Depreciation and Amortization			(2,222.0)	(2,329.0)	(2,581.0)	(916.7)	(1,591.9)	(1,984.5)	(2,181.1)	(2,290.1)
<b>Ending Balance PPE</b>					<b>31,310.0</b>	<b>31,290.8</b>	<b>31,257.3</b>	<b>31,215.7</b>	<b>31,169.9</b>	<b>31,121.8</b>
<b>Metrics &amp; Drivers</b>										
Revenue		41,138.0	44,438.0	47,007.0		17,045.8	29,601.9	36,903.5	40,557.6	42,585.4
Capex % Sales			9.5%	11.6%	10.5%	5.3%	5.3%	5.3%	5.3%	5.3%
D&A % Sales			5.4%	5.2%	5.5%	5.4%	5.4%	5.4%	5.4%	5.4%

# Equity Schedule

*\*in millions, unless otherwise noted*

<b>DAL Equity Schedule</b>	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Beginning Balance Equity						15,358.0	10,886.5	13,711.7	17,412.2	21,520.8
(+) Net Income						(4,471.5)	2,825.1	3,700.6	4,108.5	4,336.3
(-) Share repurchases						-	-	-	-	-
(-) Dividends			(731.0)	(909.0)	(980.0)	-	-	-	-	-
<b>Ending Balance Equity</b>					<b>15,358.0</b>	<b>10,886.5</b>	<b>13,711.7</b>	<b>17,412.2</b>	<b>21,520.8</b>	<b>25,857.1</b>

# Net Working Capital

\*in millions, unless otherwise noted

## DAL NWC Schedule

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Short-Term Investments			825.0	-	-	-	-	-	-	-
Accounts Receivable, net of allowance for uncollectibles			2,377.0	2,314.0	2,854.0	969.2	1,683.0	2,098.2	2,305.9	2,421.2
Fuel Inventory			916.0	592.0	730.0	290.4	504.4	628.8	691.1	725.6
Expendable parts and supplies inventories			413.0	463.0	521.0	179.2	311.2	388.0	426.4	447.7
Prepaid Expenses and Other Current Assets			1,499.0	1,406.0	1,262.0	539.4	936.7	1,167.7	1,283.3	1,347.5
<b>Total Current Assets</b>			<b>6,030.0</b>	<b>4,775.0</b>	<b>5,367.0</b>	<b>1,978.2</b>	<b>3,435.3</b>	<b>4,282.7</b>	<b>4,706.7</b>	<b>4,942.1</b>
Current Maturities of Debt and Finance Leases			2,242.0	1,518.0	2,287.0	780.2	1,354.9	1,689.1	1,856.3	1,949.2
Current Maturities of Operating Leases			-	955.0	801.0	290.5	504.4	628.8	691.1	725.7
Air Traffic Liability			4,888.0	4,661.0	5,116.0	1,889.5	3,281.3	4,090.7	4,495.7	4,720.5
Accounts Payable			3,674.0	2,976.0	3,266.0	1,282.7	2,227.6	2,777.1	3,052.1	3,204.7
Accrued Salaries and Related Benefits			3,022.0	3,287.0	3,701.0	1,285.0	2,231.6	2,782.0	3,057.5	3,210.4
Loyalty Program Deferred Revenue			1,822.0	2,989.0	3,219.0	1,022.9	1,776.4	2,214.6	2,433.9	2,555.6
Fuel Card Obligation			1,067.0	1,075.0	736.0	373.8	649.1	809.2	889.4	933.8
Other Accrued Liabilities			1,858.0	1,117.0	1,078.0	529.7	920.0	1,146.9	1,260.4	1,323.5
<b>Total Current Liabilities</b>			<b>18,573.0</b>	<b>18,578.0</b>	<b>20,204.0</b>	<b>7,454.4</b>	<b>12,945.3</b>	<b>16,138.4</b>	<b>17,736.4</b>	<b>18,623.2</b>
NWC			(12,543.0)	(13,803.0)	(14,837.0)	(5,476.2)	(9,510.0)	(11,855.7)	(13,029.7)	(13,681.2)
Change				(1,260.0)	(1,034.0)	9,360.8	(4,033.8)	(2,345.7)	(1,173.9)	(651.5)
<b>Metrics &amp; Drivers</b>										
Revenue			41,138.0	44,438.0	47,007.0	17,045.8	29,601.9	36,903.5	40,557.6	42,585.4
Total Other Current Assets as % of Sales										
Short-Term Investments as % of Sales			2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A/R % Sales			5.8%	5.2%	6.1%	5.7%	5.7%	5.7%	5.7%	5.7%
Fuel Inventory % Sales			2.2%	1.3%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%
Expendable parts % Sales			1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Prepaid Exp and Others Current Assets as % of Sales			3.6%	3.2%	2.7%	3.2%	3.2%	3.2%	3.2%	3.2%
Total Other Current Liabilities as % of Sales										
Current Maturities of Debt and Finance Leases			5.4%	3.4%	4.9%	4.6%	4.6%	4.6%	4.6%	4.6%
Current Maturities of Operating Leases			0.0%	2.1%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Air Traffic Liability			11.9%	10.5%	10.9%	11.1%	11.1%	11.1%	11.1%	11.1%
Accounts Payable			8.9%	6.7%	6.9%	7.5%	7.5%	7.5%	7.5%	7.5%
Accrued Salaries and Related Benefits			7.3%	7.4%	7.9%	7.5%	7.5%	7.5%	7.5%	7.5%
Loyalty Program Deferred Revenue			4.4%	6.7%	6.8%	6.0%	6.0%	6.0%	6.0%	6.0%
Fuel Card Obligation			2.6%	2.4%	1.6%	2.2%	2.2%	2.2%	2.2%	2.2%
Other Accrued Liabilities			4.5%	2.5%	2.3%	3.1%	3.1%	3.1%	3.1%	3.1%

# Debt Schedule

*\*In millions, unless otherwise noted*

DAL Debt Schedule	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
<b>Beginning Debt</b>										
Revolver Beginning Balance						-	7,231.0	-	-	-
Term Loan Beginning Balance						8,873.0	10,373.0	9,923.0	9,323.0	8,323.0
Bailout Grant Beginning Balance						-	3,800.0	3,800.0	3,800.0	3,800.0
Bailout Loan Beginning Balance						-	1,600.0	1,600.0	1,600.0	1,600.0
<b>Beginning Debt Balance</b>						<b>8,873.0</b>	<b>23,004.0</b>	<b>15,323.0</b>	<b>14,723.0</b>	<b>13,723.0</b>
<b>Debt Paydown and Issuance</b>										
Beginning Cash Balance						2,882.0	3,200.0	2,411.3	7,899.3	12,227.6
Cash from Operating Activities						(12,915.6)	8,450.9	8,030.9	7,463.5	7,277.9
Cash from Investing Activities						(897.4)	(1,558.5)	(1,942.9)	(2,135.3)	(2,242.0)
Scheduled Debt Paydown						-	-	-	-	-
Dividends						-	-	-	-	-
Share Repurchases						-	-	-	-	-
Less: Minimum Cash Balance						(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
<b>Total Cash Available (Required)</b>						<b>(11,031.0)</b>	<b>9,992.4</b>	<b>8,399.3</b>	<b>13,127.6</b>	<b>17,163.4</b>
Bailout Grant Issued						3,800.0	-	-	-	-
<b>Total Cash Available</b>						<b>(7,231.0)</b>	<b>9,992.4</b>	<b>8,399.3</b>	<b>13,127.6</b>	<b>17,163.4</b>
Revolver Issued						7,231.0	-	-	-	-
Term Loan Issued						1,500.0	-	-	-	-
Bailout Loan Issued						1,600.0	-	-	-	-
<b>Total Cash Available</b>						<b>(700.0)</b>	<b>9,992.4</b>	<b>8,399.3</b>	<b>13,127.6</b>	<b>17,163.4</b>
Revolver Paydown						-	(7,231.0)	-	-	-
Term Loan Paydown						-	(450.0)	(600.0)	(1,000.0)	-
Bailout Grant Paydown						-	-	-	-	-
Bailout Loan Paydown						-	-	-	-	-
<b>Total Debt Paydown</b>						<b>-</b>	<b>(7,681.0)</b>	<b>(600.0)</b>	<b>(1,000.0)</b>	<b>-</b>
<b>Ending Debt</b>										
Revolver Ending Balance						7,231.0	-	-	-	-
Term Loan Ending Balance						10,373.0	9,923.0	9,323.0	8,323.0	8,323.0
Bailout Grant Ending Balance						3,800.0	3,800.0	3,800.0	3,800.0	3,800.0
Bailout Loan Ending Balance						1,600.0	1,600.0	1,600.0	1,600.0	1,600.0
<b>Total Ending Debt Balance</b>						<b>23,004.0</b>	<b>15,323.0</b>	<b>14,723.0</b>	<b>13,723.0</b>	<b>13,723.0</b>
<b>Interest Schedule</b>										
Revolver Balance						3,615.5	3,615.5	-	-	-
Term Loan Balance						9,623.0	10,148.0	9,623.0	8,823.0	8,323.0
Bailout Grant Balance						1,900.0	3,800.0	3,800.0	3,800.0	3,800.0
Bailout Loan Balance						800.0	1,600.0	1,600.0	1,600.0	1,600.0
<b>Cost of Debt</b>										
Revolver						3.00%	3.00%	3.00%	3.00%	3.00%
Term Loan						3.00%	3.00%	3.00%	3.00%	3.00%
Bailout Grant						-	-	-	-	-
Bailout Loan						-	-	-	-	-
<b>Interest Expense</b>										
Revolver						108.47	108.47	-	-	-
Term Loan						288.69	304.44	288.69	264.69	249.69
Bailout Grant						-	-	-	-	-
Bailout Loan						-	-	-	-	-
<b>Total Interest Expense</b>						<b>397.2</b>	<b>412.9</b>	<b>288.7</b>	<b>264.7</b>	<b>249.7</b>

# Weighted Average Cost of Capital

*\*in millions, unless otherwise noted*

## DAL WACC Analysis

CAPM	
Risk Free Rate	1.50%
Market Risk Premium	5.00%
Levered Beta	1.59
Cost of Equity	9.45%

Capital Structure		
Debt	17,995.0	53.64%
Equity	15,550.0	46.36%
Total	33,545.0	100.00%

Debt	
YTM - Loan	7.50%
After-tax Cost of Debt	5.93%

<b>WACC</b>	<b>7.56%</b>
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## Beta Analysis

Company Name	Ticker	Levered Beta	Total Debt	Market Cap	Total Debt		Tax Rate	Unlevered Beta
					Equity	Total Cap		
United Airlines Holdings, Inc.	NASDAQ: UAL	1.81	20,450.0	7,790.0	262.5%	72.4%	21.0%	0.59
American Airlines Group, LLC.	NASDAQ: AAL	2.04	33,444.0	5,330.0	627.5%	86.3%	21.0%	0.34
Southwest Airlines Co.	NYSE: LUV	1.63	4,002.0	18,870.0	21.2%	17.5%	21.0%	1.40
Delta	NYSE: DAL	1.59	17,995.0	15,550.0	115.7%	53.6%	21.0%	0.83
<b>Mean</b>		<b>1.83</b>	<b>19,298.7</b>	<b>10,663.3</b>	<b>303.7%</b>	<b>58.7%</b>	<b>21.0%</b>	<b>0.78</b>
<b>Median</b>		<b>1.81</b>	<b>20,450.0</b>	<b>7,790.0</b>	<b>262.5%</b>	<b>72.4%</b>	<b>21.0%</b>	<b>0.59</b>

## Re-Levered Beta

Mean Unlevered Beta	0.78
Peer Debt/Equity	1.16
Tax Rate	21.0%
<b>Average Re-Levered Beta</b>	<b>1.49</b>

# Discounted Cash Flow Analysis

\*in millions, unless otherwise noted

DAL DCF Analysis										
	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
<b>Revenue</b>						<b>17,045.8</b>	<b>29,601.9</b>	<b>36,903.5</b>	<b>40,557.6</b>	<b>42,585.4</b>
% Growth							73.7%	24.7%	9.9%	5.0%
(-) Operating Expense						(22,308.8)	(25,612.9)	(31,930.5)	(35,092.2)	(36,846.8)
<b>EBITDA</b>						<b>(5,263.0)</b>	<b>3,989.0</b>	<b>4,973.0</b>	<b>5,465.4</b>	<b>5,738.7</b>
% Margin						-30.9%	13.5%	13.5%	13.5%	13.5%
(-) D&A						(916.7)	(1,591.9)	(1,984.5)	(2,181.1)	(2,290.1)
<b>EBIT</b>						<b>(6,179.6)</b>	<b>2,397.1</b>	<b>2,988.4</b>	<b>3,284.3</b>	<b>3,448.6</b>
% Margin						-36.3%	8.1%	8.1%	8.1%	8.1%
(-) Tax						1,297.7	(503.4)	(627.6)	(689.7)	(724.2)
<b>EBIAT</b>						<b>(4,881.9)</b>	<b>1,893.7</b>	<b>2,360.9</b>	<b>2,594.6</b>	<b>2,724.4</b>
(+) D&A						916.7	1,591.9	1,984.5	2,181.1	2,290.1
(-) Change in NWC						(9,360.8)	4,033.8	2,345.7	1,173.9	651.5
(-) Capital Expenditures						(897.4)	(1,558.5)	(1,942.9)	(2,135.3)	(2,242.0)
<b>Unlevered FCF</b>						<b>(14,223.5)</b>	<b>5,961.0</b>	<b>4,748.2</b>	<b>3,814.3</b>	<b>3,423.9</b>
<b>WACC</b>						<b>7.56%</b>	<b>7.56%</b>	<b>7.56%</b>	<b>7.56%</b>	<b>7.56%</b>
<b>Present Value of FCF</b>						<b>(13,223.9)</b>	<b>5,152.6</b>	<b>3,815.9</b>	<b>2,849.9</b>	<b>2,378.4</b>
Discount Periods						1	2	3	4	5

Perpetuity Growth Method	
2024E FCF	2,378.4
Terminal Growth Rate	4.0%
Terminal Value	69,500.7
PV Terminal Value	48,278.6
PV Projected FCFs	972.9
Implied EV	49,251.5
(-) Debt	(17,995.0)
(+) Cash	2,411.3
Implied Equity Value	33,667.9
Shares Outstanding	637.5
<b>Share Price</b>	<b>52.81</b>

Exit Multiple Method	
2024E EBITDA	5,738.7
Exit Multiple	6.0x
Terminal Value	34,431.9
PV Terminal Value	23,918.1
PV Projected FCFs	972.9
Implied EV	24,891.0
(-) Debt	(17,995.0)
(+) Cash	2,411.3
Implied Equity Value	9,307.4
Shares Outstanding	637.5
<b>Share Price</b>	<b>14.60</b>

Blended Share Price	
Perpetuity Growth Method	52.8
Exit Multiple Method	14.6
<b>Blended Share Price</b>	<b>33.71</b>

Blended Share Price									
WACC									
	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	
Perpetuity Growth	2.00%	32.50	27.45	23.36	19.98	17.13	14.69	12.57	10.72
	2.50%	37.78	31.48	26.52	22.52	19.21	16.41	14.03	11.95
	3.00%	44.82	36.65	30.48	25.62	21.70	18.45	15.72	13.38
	3.50%	54.67	43.56	35.56	29.50	24.75	20.90	17.72	15.04
	4.00%	69.44	53.23	42.33	34.49	28.55	23.89	20.12	17.01
	4.50%	94.07	67.73	51.82	41.14	33.45	27.63	23.06	19.37

Blended Share Price									
WACC									
	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	
Exit Multiple	4.0x	62.72	46.66	35.92	28.22	22.43	17.91	14.27	11.29
	4.5x	64.40	48.30	37.52	29.79	23.96	19.40	15.74	12.72
	5.0x	66.08	49.94	39.13	31.36	25.49	20.90	17.20	14.15
	5.5x	67.76	51.58	40.73	32.92	27.02	22.40	18.66	15.58
	6.0x	69.44	53.23	42.33	34.49	28.55	23.89	20.12	17.01
	6.5x	71.12	54.87	43.94	36.06	30.09	25.39	21.59	18.44
	7.0x	72.81	56.51	45.54	37.63	31.62	26.89	23.05	19.87
	7.5x	74.49	58.15	47.15	39.19	33.15	28.38	24.51	21.30
8.0x	76.17	59.80	48.75	40.76	34.68	29.88	25.98	22.73	