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Overall Sentiment Summary: Slightly Positive

<u>Company Performance:</u>	Positive	<u>Employee Reward Program:</u>	Positive
<u>Operational Performance:</u>	Positive	<u>Investments & Expansion:</u>	Positive
<u>Outlook for 2024:</u>	Slightly Positive	<u>Supply Chain Constraints:</u>	Negative

Guidance and Outlook

- Delta Air Lines (DAL) has provided its full-year 2024 guidance, expecting earnings to be between \$6 and \$7 per share. This outlook also anticipates free cash flow ranging from \$3 billion to \$4 billion. The company's positive expectations are grounded in robust demand, especially for premium experiences. Moreover, the shift in consumer spending from goods to services, coupled with the strong financial position of their customer base, also bolsters this outlook. According to the company, travel remains a top priority.
- The airline anticipates that Delta's capacity will grow by 3% to 5% in 2024, a rate slightly below the mid-single-digit range discussed at their June Investor Day. Domestic supply and demand are expected to balance out as the industry adjusts to rising production costs, leading to a positive inflection in domestic unit revenue growth.
- The company is focused on optimizing its operations, supporting ongoing growth in earnings and cash flow. Operational efficiency is expected to improve across the company, thus enhancing reliability and elevating the customer experience.

Key Financials

- Delta Air Lines achieved significant financial milestones in 2023. The company reported earnings of \$6.25 per share, marking the second-highest earnings per share (EPS) result in Delta's history. Revenue was 20% higher than the previous year, with an operating margin of 11.6% and pretax income of \$5.2 billion, nearly doubling that of 2022.
- The company generated free cash flow of \$2 billion, while investing \$5.3 billion back into the business. It also improved leverage by two full turns and reinstated a quarterly dividend.
- Delta reported a return on invested capital of 13.4%, marking a five-point improvement from 2022. On the back of these results, Delta plans to reward employees with \$1.4 billion in profit-sharing on Valentine's Day.

Core Business Performance

- Aircraft Acquisition:** Delta announced an order for 20 Airbus 350-1000 aircraft, with options for 20 more for delivery starting in 2026. These fuel-efficient aircraft will replace the company's 767s, further supporting Delta's long-term sustainability goals.
- Digital Investments:** The airline is investing in digital initiatives to increase agility, provide employees with better tools, and offer customers a more seamless experience. The Fly Delta app had over 1 billion visits last year, with customers using self-service tools almost 10 times more often than in 2019, resulting in higher overall satisfaction.

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- **Network Optimization:** Delta is optimizing its network to capitalize on its strengths in core hubs and joint venture (JV) partner hubs and to reflect evolving travel trends. Key growth areas include high-margin revenue streams and travel adjacent services.
- **Operational Excellence:** Delta delivered industry-leading operational performance, with the highest system completion factor amongst its peers throughout Q4 2023. The company carried a record 9 million customers on 60,000 mainline flights over the holiday period with fewer than 40 cancellations in aggregate.

Employee Engagement and Growth

Delta's workforce grew by 10% compared to its pre-pandemic level while delivering the same level of operations. The company foresees opportunities to improve efficiency as these new employees gain more experience. Furthermore, the company continues to invest in its people, providing pay increases and rewarding them with profit-sharing benefits.

Regional Performance

The company had a strong year in the Transatlantic sector, with the expectation of another robust year ahead as it optimizes its network and leverages its global JV partners. In the domestic market, supply and demand are expected to balance out, leading to positive unit revenue growth. In the Pacific and Latin regions, the company is rebuilding its networks and improving connectivity with JV partners, supporting short-term profitability but with lower unit revenues. The company expects robust growth in business demand, with 95% of respondents in a corporate survey anticipating traveling as much or more in Q1 2024 than in Q4 2023.

Sentiment

The overall sentiment from the conference call is largely positive, with Delta Air Lines reporting robust earnings and operational performance for Q4 2023. The company also demonstrated its commitment to employee welfare with a significant boost in profit sharing. Major investments in aircraft and digital technologies underscore the company's commitment to improving customer experience and operational efficiency. Looking ahead, the company provided a slightly positive outlook for 2024, projecting earnings of \$6 to \$7 per share and a free cash flow of \$3 billion to \$4 billion. However, ongoing supply chain constraints, especially in the engine sector, pose a challenge, causing cost increases and extended turnaround times. Despite these challenges, the company remains confident in its ability to navigate these issues and continue delivering strong results.

● Positive

Company Performance

Delta Air Lines reported robust Q4 2023 earnings with a record quarterly revenue that was 11% higher than 2022. For the full year, the company reported earnings of \$6.25 per share, the second highest in its history, and a 20% increase in revenue compared to the previous year. Additionally, the company generated a free cash flow of \$2 billion.

● Positive

Employee Reward Program

Delta's CEO announced a reward of \$1.4 billion in profit-sharing for its employees, which is approximately 10% of eligible 2023 compensation. This payout is about double compared to the previous year's payment.

Delta Air Lines (DAL)● [AI Expert Transcript Summary](#)● [View Transcript](#)● [January 12, 2024 Earnings Call](#)

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● **Positive**
Operational Performance

Delta delivered an industry-leading operational performance during the holiday season, carrying a record 9 million customers on 60,000 mainline flights with fewer than 40 cancellations in aggregate. The company also reported the #1 system completion factor among its peers during the December quarter.

● **Positive**
Investments & Expansion

Delta announced an order for 20 Airbus 350-1000 aircraft for delivery starting in 2026, complementing its fleet strategy and enhancing customer experience. The company also made significant digital investments to improve customer experience and operational efficiency.

● **Slightly Positive**
Outlook for 2024

Delta expects to deliver earnings of \$6 to \$7 per share in 2024, with a free cash flow of \$3 billion to \$4 billion. The company plans to reduce leverage to under 3x, returning the balance sheet to investment-grade metrics.

● **Negative**
Supply Chain Constraints

The company expressed concern over ongoing supply chain constraints, particularly in the engine sector, which are causing cost increases and extended turnaround times. These constraints are expected to continue impacting operations and costs.

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