



Delta Air Lines (DAL) Stock Pitch

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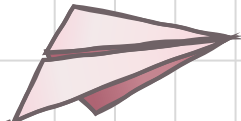


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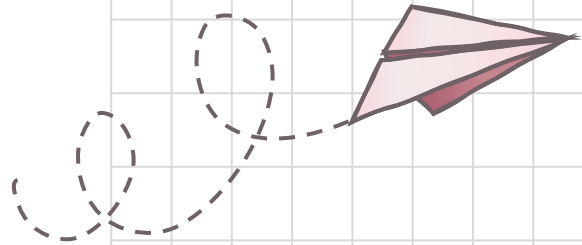
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Thesis

- ❑ We believe that delta is undervalued and because of its recent earnings, it will be very profitable in the upcoming months.
- ❑ Free cash flow is expected to triple over the next year
- ❑ Delta's "Skymiles" partnership with American Express is growing and offers the company great customer retention.
- ❑ Global passenger volume in 2023 is expected to reach 8.6 billion passengers. 2024 is expected to be a milestone for global passenger traffic recovery as it is projected to reach 9.4b passengers, surpassing 2019 that welcomed 9.2b passengers
- ❑ 100% of analysts recommend a buy (24/24)
- ❑ Going into holiday season which is a peak time for travel



Thesis Continued

- ❑ J.P. Morgan believes Delta will be leading the industry in the future due to its leadership team
- ❑ Balance sheet endured less strain from COVID than other airlines



Company Description

- ❑ DAL provides scheduled air transportation for passengers freight and mail worldwide operating from Atlanta, Georgia
- ❑ Founded in Macon, GA as the world's first crop-dusting service. World's largest airlines by traffic and revenues after \$ 2.8B acquisition of Northwest Airlines in 2008
- ❑ Serves over 800 destinations in about 130 different countries.
- ❑ Fleet of 1,200 aircraft with more than 5,000 departures daily
- ❑ Customers from the US account for approximately 75% of net sales
 - ❑ Economy/Coach tickets 40% of revenue, Business/Premium 30% of revenue and other services account for remainder

Company Strategy and Segments

- ❑ DAL divides its operations into two segments: airline and refinery - 80% and 20% of sales respectively
- ❑ Strategy to expand its global network has been to make significant investments in airlines in other parts of the world
 - ❑ Founding of SkyTeam which includes Aeromexico, Air France-KLM, China Eastern, Korean Air and Virgin Atlantic
- ❑ Technology as a strategic differentiator
 - ❑ Invests in technological improvements that enhance CX, support operations and provide tools for employees

Delta-Amex "SkyMiles"

- ❑ Delta has a partnership with American Express known as their "SkyMiles" loyalty program.
- ❑ Customers can earn Miles through everyday purchases with the Delta-Amex SkyMiles card which can be redeemed for travel on Delta Air Lines flights, Delta Vacation Packages, and upgrades, as well as premium drinks at Delta "Sky Club" lounges.
- ❑ Skymiles makes up 10% of Delta's revenue miles flown, which is up roughly 25% compared to pre-pandemic numbers.
- ❑ Currently there is about \$ 7.9 billion in deferred revenue waiting to be recognized when members redeem their miles.

Key Financials

In Millions of USD	2019 Y	2020 Y	2021 Y	2022 Y	Current/LTM	2023 Y Est	2024 Y Est
12 Months Ending	12/31/2019	12/31/2020	12/31/2021	12/31/2022	09/30/2023	12/31/2023	12/31/2024
Market Capitalization	37,589.3	25,661.3	25,009.9	21,072.0	22,762.5		
- Cash & Equivalents	2,882.0	14,096.0	11,319.0	6,534.0	5,005.0		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	17,255.0	35,548.0	34,679.0	30,610.0	26,799.0		

	Name (BI Peers)	Mkt Cap (USD)	Last Px (USD)	Chg Pct 1D	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Dvd 12M Yld
	Median	4.76B	35.45	4.29%	3.94%	69.18%	59.28%	4.98	42.50%	1.63%
101	DELTA AIR LINES INC	22.81B	35.45	3.73%	3.94%	69.18%	368.18%	6.61	50.03%	0.56%
102	AMERICAN AIRLINES GROUP INC	8.03B	12.29	4.29%	4.86%	63.88%	--	3.62	--	--
103	UNITED AIRLINES HOLDINGS INC	12.90B	39.48	3.56%	1.96%	82.49%	--	3.98	47.93%	--
104	ALASKA AIR GROUP INC	4.64B	36.21	5.33%	9.48%	56.19%	-88.06%	7.29	16.20%	--
105	AIR CANADA	4.76B	13.30	1.50%	2.51%	158.69%	59.28%	3.51	--	--
106	HAWAIIAN HOLDINGS INC	236.22M	4.58	11.98%	-6.82%	65.43%	49.44%	--	-83.38%	--
107	COPA HOLDINGS SA-CLASS A	3.91B	91.51	4.64%	8.58%	88.86%	210.87%	5.97	42.50%	2.69%

ESG

Scores

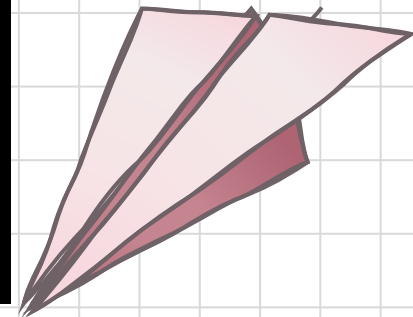
Source	Score	2Y Δ	● DAL US	◆ Peer Median
? Bloomberg ESG Score	4.98	↑	0	10
≡ MSCI Rating	AA	↑	CCC	AAA
≡ Sustainalytics Score	30.26	↓	100	0

Explore Advanced ESG Analysis »

Most Material Topics for Industry (63% of the BBG Score)

Topic	Weight	Score	Peer Rank
🌿 GHG Emissions Management	17%	7.9 ↑	Leading
💙 Occupational Health & Safety...	13%	3.5 ↓	Above Median
💙 Product Quality Management	13%	0.0 —	Lagging
🌿 Energy Management	12%	4.4 ↑	Above Median
👥 Board Composition	8%	7.2 —	Leading

Explore All Topics | ESG SCORE »



Free Cash Flow

In Millions of USD	2019 Y	2020 Y	2021 Y	2022 Y	Current/LTM	2023 Y Est	2024 Y Est
12 Months Ending	12/31/2019	12/31/2020	12/31/2021	12/31/2022	09/30/2023	12/31/2023	12/31/2024
Market Capitalization	37,589.3	25,661.3	25,009.9	21,072.0	21,517.4		
- Cash & Equivalents	2,882.0	14,096.0	11,319.0	6,534.0	5,005.0		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	17,255.0	35,548.0	34,679.0	30,610.0	26,799.0		
Enterprise Value	51,962.3	47,113.3	48,369.9	45,148.0	43,311.4		
Revenue, Adj	47,007.0	17,095.0	29,899.0	50,582.0	57,260.0	54,622.8	56,847.6
Growth %, YoY	5.8	-63.6	74.9	69.2	22.8	8.0	4.1
Gross Profit, Adj	—	—	—	—	—	—	—
Margin %	—	—	—	—	—	—	—
EBITDA, Adj	10,408.0	-4,865.0	216.0	6,593.0	7,838.0	8,600.8	9,047.4
Margin %	22.1	-28.5	0.7	13.0	13.7	15.7	15.9
Net Income, Adj	5,029.3	-8,883.7	-2,679.5	2,077.2	3,455.8	3,929.4	4,277.6
Margin %	10.7	-52.0	-9.0	4.1	6.0	7.2	7.5
EPS, Adj	7.70	-13.98	-4.21	3.24	5.37	6.12	6.67
Growth %, YoY	37.3	—	69.9	—	223.6	88.6	9.1
Cash from Operations	8,425.0	-3,793.0	3,264.0	6,363.0	7,107.0		
Capital Expenditures	-4,936.0	-1,899.0	-3,247.0	-6,366.0	-5,921.0	-5,376.8	-4,844.9
Free Cash Flow	3,489.0	-5,692.0	17.0	-3.0	1,186.0	2,539.5	3,656.7

Discounted Cash Flow

Instead of using the projected growth rates based on free cash flow (due to 2020 being such a outlier year from covid) we decided to use the industry average of around 3% to produce our DCF

1	Discounted Cash Flow Valuation	
2		
3	Market Assumptions	
4	Risk Free Rate	4.57%
5	Market Risk Premium	5.98%
6		
7	Equity Assumptions	
8	Beta	1.24
9	Cost of Equity	12.00%
10	MV of Equity Est. (\$M)	23,727
11		
12	Debt Assumptions	
13	Pre-Tax Cost of Debt	4.57%
14	Effective Tax Rate	23.63%
15	After Tax Cost of Debt	3.49%
16	MV of Debt Est. (\$M)	26,799
17		
18	Firm Assumptions	
19	Firm Value Est. (\$M)	50,526
20	Debt-MV Ratio	53.04%
21	WACC	7.5%
22	Initial Cash Flow	2,250
23	Long-Term (Terminal) Growth Rate	3.00%
24		
25		
26		
27		

Valuation Model						
Cal. Year	Year	Gr. Rate	FCF (\$M)	Term. Val.	Total	PV
	0	2.70%	2,250		2,250	
	1	3.00%	2,311		2,311	2,150
	2	3.00%	2,380		2,380	2,060
	3	3.00%	2,451		2,451	1,974
	4	3.00%	2,525		2,525	1,892
	5	3.00%	2,601		2,601	1,813
	6	3.00%	2,679	61,520	64,198	41,633
						Firm Value 51,522
						Percent Difference 1.97%
						Debt Value 26,799
						Equity Value 24,723
						Shares Outstanding 643.5
						Intrinsic Value/Share \$ 38.42
						Market Price/Share \$ 33.44
						Potential Gain 14.89%

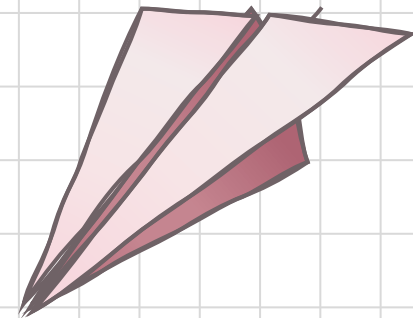
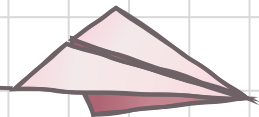
Analyst Numbers

- ❑ Our DCF produced #'s of \$ 38.42 intrinsic value and potential gain of 14.89%
- ❑ Compared to analyst #'s of \$ 51.36 intrinsic value and 45.5% potential return

12M Tgt Px	22/25	51.36
Last Price		35.31
Pricing Currency		USD
Return Potential		45.5%
LTM Return		2.3%

Risks

- ❑ slowdown in international and business recovery
- ❑ Jet fuel prices rapidly escalating and Delta cant raise fares.
- ❑ Original Equipment Manufacturer delays
- ❑ Competitors meeting Delta with an enhanced competitive response to Delta's growth



Conclusion

Buy 210 shares @ 35.24 for a total of \$ 7,400

