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Delta Air Lines, Inc. (DAL)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to the Delta Air Lines September Quarter 2023 Financial Results Conference Call. My name is Matthew, and I'll be your coordinator. At this time, all participants are in a listen-only mode until we conduct a question-and-answer session following the presentation. As a reminder, today's call is being recorded. [Operator Instructions]

I would now like to turn the conference over to Julie Stewart, Vice President of Investor Relations. Please go ahead.

Julie Stewart

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

Thank you, Matthew. Good morning, everyone, and thanks for joining us. Today in Atlanta we are joined by CEO, Ed Bastian; our President, Glen Hauenstein; and our CFO, Dan Janki. Ed will open the call with an overview of Delta's performance and strategy, Glen will provide an update on the revenue environment, and Dan will discuss costs and our balance sheet. After the prepared remarks, we'll take analyst questions and then we'll move to our media questions.

Today's discussion contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from the forward-looking statements. Some of the factors that may cause such differences are described in Delta's SEC filings. We'll also discuss non-GAAP financial measures, and all results exclude special items, unless otherwise noted. You can find a reconciliation of our non-GAAP measures on the Investor Relations page at ir.delta.com.

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

Edward Herman Bastian

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

Well, thank you, Julie and good morning, everyone. We appreciate you joining us. Before we start I want to acknowledge the unfolding war in Israel and the tragic loss of life that has ensued. Delta is donating $1 million to the American Red Cross for the International Committee of the Red Cross to help fund humanitarian efforts in the conflict. This includes emergency assistance such as health services, emergency care, ambulance services and other critical needs.

Our inbound and outbound planes to Tel Aviv have been suspended through October 31st to ensure the safety and security of our customers and employees. We are also offering a customer waiver for travel to Tel Aviv for those who need to change their travel plans. Our hearts with everyone impacted by these tragic and horrific events.

Turning to our news for the day, this morning Delta reported September quarter results posting earnings at $2.03 per share, a 35% increase over last year. Revenue grew 13% and we achieved a 13.5% operating margin. This resulted in operating income of $2 billion, bringing our operating profit over the last 12 months to over $6 billion. The Delta people delivered for our customers throughout the very busy summer season. And I'm grateful to our

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teams for all they do for our customers and each other every day. Our people are the foundation of Delta and are our most important competitive strength.

Sharing our financial success with our people is a long-standing pillar of Delta's culture. With this quarter's financial performance, we accrued another $420 million towards next February's profit sharing. This bringing our profit sharing accrual to over $1 billion year-to-date marking an important and exciting milestone for the Delta team. The great work of our 100,000 people was recently recognized as Delta ranked No. 12 overall on TIME'S Magazine list of The World's Best Companies. We were the only airline to make the top 100 of this prestigious list. And USA Today readers just selected Delta as the Best Airline in the World.

Our operational fundamentals remain strong. Underscored by Delta's industry-leading position in on-time arrivals and Blue Sky operational performance that is reliably back to pre-COVID levels. Following a high number of irregular operations days early in the quarter driven by weather and ATC constraints, we have seen consistent improvement in our operating metrics.

In October we are running a near-perfect completion factor across the mainline system, and we remain number one in on-time arrivals year-to-date. As we're now in the final phase of our recovery, we're making important forward-leaning investments in the health and reliability of our fleet. These maintenance investments will position us to consistently deliver the operational excellence that underpins Delta's brand. Running a high-quality operation is critical to being the airline of choice for our customers and driving a competitive cost structure. Dan will speak more to this shortly.

During the quarter, we also made a $150 million strategic investment in Wheels Up, co-investing alongside Certares Management, Knighthead Capital and others. This new investment structure combines the number one premium commercial airline with the travel and tourism expertise of Certares and the turnaround expertise of Knighthead. Delta's relationship with Wheels Up creates a new premium product line for our customers. And I look forward to working with our co-investors and the new management team to unlock the full value of this uniquely positioned business.

Turning to our outlook, travel remains a top purchase priority and our core customer base is in a healthy financial position. We continue to see strength in bookings across Delta's global network, driven by our consumers. Demand for premium experiences, international travel, and increasing business travel further differentiate the trends that Delta is seeing within the industry. We expect our December quarter revenues to be 10% higher than 2022 with a 10% operating margin and earnings of over $1 per share. This brings our expectation for full year earnings to over $6 per share on a double-digit operating margin and free cash flow of $2 billion.

Since raising full-year guidance over the summer, our revenue outlook has improved though earnings and cash flow have been impacted by higher fuel and maintenance costs. Revenue for the full year is expected to increase 20% over last year, which was the high end of our expectations on steady domestic demand and continued strength in international. With strong top-line growth and margin expansion, we expect to double earnings year-over-year and deliver a 13% return on invested capital. Our outlook for 2023 keeps revenue, earnings, cash flow and debt reduction on track with our three-year plan, which we issued in December of 2021.

As we progress through the recovery, we have made meaningful investments in operational reliability and our people. Delta has led the industry in setting the bar for wages, including a new pilot deal and profit sharing. We are seeing the structural step-up in operating cost amid-increasing fuel prices, creating some near term pressure on industry margins. However, I fully expect that the market will adjust to higher costs as it has historically and re-

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establish equilibrium. With Delta's differentiated premium revenue strategy and strong global network, we will continue to deliver industry-leading profitability and generate robust free cash flow.

In closing, the strategy that we shared at Investor Day positions us well for the future. And while the operate – the environment we operate in continues to evolve in this post-COVID world, our objectives are unchanged as we move into 2024. With our network rebuilt and growth now moderating, optimizing the airline and driving efficiency are significant opportunities.

Thank you again for your support of our company. And with that, let me hand it over to Glen and to Dan to go through the details of the quarter.

Glen William Hauenstein

President, Delta Air Lines, Inc.

Thank you, Ed, and good morning. I want to start by thanking all of our employees for their hard work and dedication during the busy summer travel season. In the September quarter, Delta generated revenue of $14.6 billion up 13% over prior year. Total unit revenues were down 2.5% including a point of pressure from Cargo and MRO.

With these results, I expect Delta to deliver a record September quarter unit revenue premium versus the industry. Reflecting the continued success of our commercial strategy. Domestic passenger revenue was up 6% over prior year. Performance was steady through the quarter with strength in our coastal hubs, where we are leveraging our leading positions and generational airport builds. International passenger revenue grew 35% with the Transatlantic and Pacific outperforming our already high expectations.

We delivered record margins across all international entities this summer and strength is continuing through the fall. Demand for our premium products is very strong with revenue up 17% over prior year, outperforming main cabin by 5 points. Domestic paid load factor in our first-class cabins was a record as we continued to advance our premium merchandising and upsell capabilities. Delta Premium Select has now been rolled out to over 85% of long-haul flights and the revenue generation from this product has been above expectations and a key contributor to our record international margins.

Business travel continues to steadily improve as corporates continue with return-to-office initiatives. Less recovered sectors like technology and financial services saw double-digit growth during the quarter. A recent corporate survey indicates continued growth in business demand with a significant majority of companies expecting their travel to stay the same or increase as we move into 4Q and into 2024.

SME and hybrid travelers are producing margins in line with corporate travelers and demand from these travel remains well above 2019 levels. Total loyalty revenue was up 17% over prior year with continued strength in our American Express co-brand portfolio. Amex remuneration of $1.7 billion grew approximately 20% over prior year. We expect full-year remuneration of close to $7 billion and our focused on reaching our long-term goal of $10 billion.

Diversified revenue streams including premium and loyalty have generated 55% of revenue year-to-date reflecting Delta's differentiated positioning to the industry. Turning to the December quarter, we expect total unit revenue to grow 9% to 12% over prior year, bringing our full-year revenues up 20% over prior year. This is at the high end of our guidance even with a few points less capacity than we had planned for the year, reflecting robust demand for the Delta product.

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Capacity in the fourth quarter is expected to be up 14% to 15% implying total unit revenues down 2.5% to 4.5%, versus prior year. Domestic and Transatlantic trends are expected to be consistent with the third quarter. Pacific and Latin America unit revenue trends are expected to modestly decelerate given capacity growth related to China reopening and investment in our LATAM JV. Domestic demand remain steady and initial bookings for the peak holiday periods are strong.

The ongoing UAW and actor strikes are having a modest impact and we have incorporated those into our outlook. As we move through the fourth quarter, our domestic capacity growth moderates, and in the first quarter of 2024, we expect domestic capacity to be flat to slightly down year-over-year. We have reallocated capacity to international leisure where we are expecting strong returns and remain focused on fully restoring our higher-margin core hubs.

On international, we are seeing continued demand strength through the winter. The Transatlantic remained very strong, driven by partner hubs and Southern European leisure traffic performance. We're closely monitoring the situation in Israel, as we will evaluate restarting the flights as the situation stabilizes.

In the Pacific, we expect to grow December quarter capacity 40% to 50% as we continue restoring the network. While this level of growth will impact unit revenue, we expect the new flying will be profit accretive. For the year, we remain confident in finishing strong with record profitability across all three international entities.

In closing, I'm proud of the revenue performance that our teams have delivered and I'm confident that our integrated commercial strategy will continue to drive industry-leading profitability.

And with that, I'll turn it over to Dan to talk about the financials.

Daniel C. Janki

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

Thank you, Glen, and good morning to everyone. For the September quarter, we delivered earnings of $2.03 per share and operating margin of 13.5%. Non-fuel unit costs were up 1.3% year-over-year, and fuel prices averaged $2.78 a gallon, including a refinery benefit of $0.11. We generated operating cash flow of $1.1 billion, and we reinvested $1.4 billion into the business.

Liquidity ended the quarter at $7.8 billion and adjusted net debt of $20.2 billion. Year-to-date, we've repaid $3.7 billion of gross debt. This is including $1.7 billion of accelerated repayments on our higher-cost debt.

Our leverage ratio improved to 3 times on a trailing 12-month basis. During the quarter, S&P upgraded our credit rating to BB+, one notch away from an investment grade, a recognition of our improving financial foundation. Our capital allocation priorities are reinvesting in the business and improving our balance sheet to investment-grade metrics, with a modest cash return to shareholders through our dividend.

Now moving to guidance. For the December quarter, we expect non-fuel unit costs to be flat to up 2% on a year-over-year basis. With the exception of maintenance costs, our second half unit costs are progressing as expected. As we discussed in September, there are three drivers to higher maintenance: first, investment in fleet health; second, expanded work scope on our 757 engine fleet; and third, challenges across the supply chain.

On fleet health and reliability, our investments are starting to deliver improved operational performance. Our September metrics were ahead of August, and October is ahead of September. On the 757 engine, a workhorse in our fleet, we're going through a wave of overhauls. The engines we took off-wing over the summer required

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larger work scope and a higher mix of new parts. Looking forward, we are forecasting higher new material consumption rates.

On supply chain, the industry continues to face challenges that will take time to work through. Engine and airframe turnaround times remain elevated, driving inefficiency and impacting productivity. We are working closely with our partners and leveraging our deep expertise in TechOps to manage supply chain challenges. Delta has a long heritage of industry-leading operational performance, driven by the best TechOps capability in the industry. Operational excellence is central to our brand promise and a key pacing item to drive out inefficiencies.

Moving to fuel. Fuel prices have moved higher since July, adding roughly $400 million of expense to our outlook for the second half of the year. We expect December fuel prices to be $2.90 to $3.20 per gallon, with the refinery expected to be roughly breakeven for the quarter. The refinery turnaround is progressing as we planned, and we expect production to resume in mid-November.

Based on our December quarter outlook for revenue and cost, we expect earnings of $1.05 to $1.30 per share on a 9% to 11% operating margin. This brings our full-year outlook to earnings to $6 to $6.25 per share and double-digit operating margin and free cash flow of $2 billion. We are focused on finishing the year strong, remain committed to delivering industry-leading margin performance, earnings growth and strong cash generation.

As we progress through the 2024 planning process, our focus is shifting from restoration to optimization. Over the last two years, we've grown at an unprecedented rate for an airline of our size to restore our network. Growth is normalizing next year, and we expect operational reliability to continue to improve. This will allow us to optimize how we run the airline, reducing operational buffers and driving out inefficiencies that have resulted from the intensity of the rebuild.

Our capacity growth for 2024 will be focused on Delta's areas of strength. Domestically, we are prioritizing our core high-margin hubs, driving connectivity and gauge. Internationally, we are leveraging our best-in-class JV partnerships and increasing the mix of flying on next-generation aircraft. We are executing against the strategy and financial objectives we laid out at our Investor Day with an emphasis on free cash flow, earnings durability and capital efficiency.

In closing, Delta is well positioned to maintain industry leadership operationally and financially. I'd like to sincerely thank the Delta people for everything they do every day.

With that, I'll turn it back to Julie for Q&A.

Julie Stewart

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

Thanks, Dan. Matthew, can you please remind the analysts how to queue up for questions.

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QUESTION AND ANSWER SECTION

Operator: Certainly. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] We do ask that all Q&A participants please limit to one question and one follow-up question then re-enter the queue. [Operator Instructions] Please hold while we poll for questions. Your first question is coming from Jamie Baker from JPMorgan. Your line is live.

Jamie N. Baker
Analyst, JPMorgan Securities LLC

Q

Hey. Good morning, everybody. So, Dan, expanding on some of your engine comments, we're obviously focused on the GTF situation. I realize you're not – at least I don't believe you're directly impacted with any groundings right now. I'm just trying to square this situation against your MRO and your GTF in-house expertise. I mean, is there a scenario where the Pratt mess ends up benefiting Delta? Or should we think more about simply reducing the downside relative to some of your peers? Also, how does this impact the maintenance cost guide embedded in your 2024 CASM expectations? Thanks.

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

A

Maybe first start with the geared turbofan as it relates more directly to our fleet both. On the neo, we took our deliveries later, so the impact will be modest to minimal. If there are any inspections or things off-wing, it will be in the latter half of 2024 based on the analysis that we've gotten so far from Pratt. We're still waiting on the full analysis related to the A220 fleet. That should be coming later this month and we will assess that impact appropriately.

As it relates to MRO, Pratt is certainly a close partner of ours and an important one as it relates to that third-party capability and we will certainly support their efforts. We're working closely with them on that. We have capacity, it ultimately comes down to the allocation of capacity and availability of material to do the work, but we'll be working with them through fall and into next year on that.

Jamie N. Baker
Analyst, JPMorgan Securities LLC

Q

Okay. That's helpful. And then for Glen, I've asked about this before. A lot of Delta customers obviously took fairly lavish European vacations this year. You have SkyMiles data on these folks. What's the correlation between big summer spenders and big winter spenders? What's that, I don't know, sort of SkyMiles Venn diagram look like? Because what I'm wondering about is the potential for people scaling back on their winter trips because they spent lavishly on their summer holidays. Any actual data you can share on that? Thanks in advance.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Sure. I think what we're really excited about is the lengthening of the European travel season. And that has really gone from primarily ending in the summer IATA season, which would be October now through November through the holidays, through the New Year. And really, now we're only talking about a six- to eight-week period that are the doldrums for Europe. So the bookings, which most people wouldn't have expected, of course, we reduce our schedule in the fall and the winter IATA season.

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But our year-over-year comps are actually accelerating into the winter as we look into November, December and January. So I think we're seeing that continuing into the fall and early parts of winter, and we're very excited about that. And we've also, of course, expanded into a lot more Latin leisure this winter than we did last winter, and the advanced demand for that seems very, very robust. So leisure is still very strong and even through shoulder and off-peak periods.

Jamie N. Baker
Analyst, JPMorgan Securities LLC

Q

Okay. Thanks, Glen. Thanks, everybody. Take care.

Operator: Thank you. Your next question is coming from Savi Syth from Raymond James. Your line is live.

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

Hey. Good morning. If I may on – Glen, just your comment about domestic capacity being flat to down in the first quarter, I was just wondering if that was a decent trend for the full year? Or if it was related to also – in the last year, the way first quarter is kind of turned out wasn't what you expected and you were going to make some capacity changes? So is that related to that as well or is it more kind of weakness that you're seeing recently? Or maybe strength in international on a relative basis?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

It's really a reshaping of the demand patterns that we saw last year. And no shock, January and February are not in the northern tier, transcon to East-West markets, barnburner market, so reallocating those to warmer and sunnier places. So our total capacity will be up. Domestic capacity will be down slightly.

Core hubs will actually be up with more emphasis on warm and sunny places in Latin America and South Pacific. And so that's kind of how we're profiling and really optimization of the demand patterns we saw last year going into this winter.

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

That makes sense. And if I might also on – just on domestic unit revenue, you've been stable at Delta since kind of June. I was wondering how much of a contribution you're getting from restoring your hubs and separately perhaps, the domestic portion of international trips, given what you've talked about is the strength kind of continuing in Transatlantic longer than kind of historic? The reason I ask is, it seems that stable comment is a little bit different than maybe what we're hearing from kind of the purely domestic airlines?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Right, right. I think what domestic strength is really coming from are the premium products domestically. And I'm not going to speak for the other carriers; they all have coming in the next few weeks. But it really hasn't been on domestic portion of international journey, which is de minimis in terms of the variance to what it was last year. Our enplanements to – in the Transatlantic are up low double digits, but that only represents 13% of our total travel, so really a de minimis impact to domestic. So it's really coming from the premium products. And they're doing quite well, as I mentioned. Domestic first – paid first-class load factors are reaching new heights every month. So very

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excited about those demand trends. And I think that reinforces the strategy we've been working on for the last 10 years to have a differentiated product.

Savanthi Syth
Analyst, Raymond James & Associates, Inc.

Q

Helpful. Thank you.

Operator: Thank you. Your next question is coming from Conor Cunningham from Melius Research. Your line is live.

Conor Cunningham
Analyst, Melius Research LLC

Q

Hi, everyone. Thank you. Ed, in the prepared remarks I think you touched on fuel recapture. Right now, there doesn't seem to be much of an adjustment on a capacity side from some of your industry participants despite, like, erratic fuel. So just trying to understand if there's a new calculus to how you're approaching fuel recapture right now in the current market? Thank you.

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Well, obviously, fuel moved an awful lot within just the last couple of months. And it's the volatility of fuel that really hits us hard as compared to the ability to recapture it. I think traditionally, we've seen over a two to three quarter rise. We have a pretty good success rate at recapturing it. And when you think about the strength of the demand environment and the fact that across the board everyone's, not just fuel costs are up, but labor rates are increasing and other inflationary pressure, supply chain and maintenance costs are up. Everyone has a similar incentive to continue to be able to recalibrate those pricing that – those market pressures into pricing. So my outlook is I'm optimistic as we're going into 2024. Glen can add his own color there.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

No, I think you mentioned it really well. It takes time. And when we have rapid fuel price run-ups, it usually takes a few quarters for that to roll into the industry realized fares. But historically it's always worked. So we're looking at history to predict the future. But that's what the history would tell you.

Conor Cunningham
Analyst, Melius Research LLC

Q

Okay. Appreciate that. And then, Dan, just back to the maintenance costs and operational investments. Just trying to understand, I know you touched on it in Jamie's question, but just trying to understand how it plays out. Are you basically assuming that maintenance and operational investments will be elevated in the first half? And then how does that roll off? And then when do the productivity gains that you've talked about in the past kind of kick in? I'm just trying to understand how that of – the moving parts are changing a little bit right now? Thank you.

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

A

Yeah, yeah, certainly talked about it. We're in the middle – Conor, thank you. We're in the middle of the 2024 planning process. When you think about maintenance, as Ed talked about, it is a foundational item as it relates to our operational reliability and the investments that we're making here related to fleet health and the work that

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we're doing on our engines. We're going to stay after here. And that will be with us at least into the first half of next year, and we want to drive that operational reliability.

The second part of that is as you get that operational reliability, that is really what creates the foundation to be able to start to optimize and unlock the cost investment and inefficiencies that we talked back about at our Investor Day, that $1 billion-plus. And as you see that operational reliability continue to improve, our teams will be able to lean more and more into getting those investment buffers out, those inefficiencies that are in every part of our operation. And our teams are working through that as they're building out their operating plan and financial plan for 2024.

Conor Cunningham
Analyst, Melius Research LLC

Q

Thank you.

Operator: Thank you. Your next question's coming from Duane Pfennigwerth from Evercore ISI. Your line is live.

Duane Pfennigwerth
Analyst, Evercore ISI

Q

Hey, good morning. Just on the maintenance investment. I'll follow-up to maybe Jamie's question there. Is this at all a reflection of your thoughts on future aircraft delivery constraints? In other words, were you always thinking about using those 75s next year? And then just generally, how do you think about and measure returns on capital for investing in something like 757 versus going out and buying new?

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

A

Yeah. Glen can chime in here, too. I think the 757 has been a fleet as we've gone through our restoration that we've characterized as a flexible fleet. And it's one that – it's certainly a workhorse. The returns are very good related to how we deployed and fly it within our network. So we have leaned on it. When you think back to where we might have been 18 months, 24 months ago the number that we're flying, we have reactivated more. As we continue to see new deliveries slide and we get recalibrated year-to-year, so it is one that we've leaned into. And it's one that we will be flexible on as we work through the next three, four, five years in regards to how we deploy it.

The wave of overhauls that we started last year and we're doing this year and we'll have same next year, but that gets us through a heavy wave that then allows us really very viable engines that the Delta team has always been very good at managing the end of life of an asset. We did it on the 90s, 88s in regards to how you manage that – those assets and deploy them, but also get the most out of them whether it's in whole or in parts and how they're redeployed back in the stream. And we're always working closely then with fleet and maintenance with Glen's team on how to deploy them and get the best returns for them. But those are good returning – it's a great workhorse for our fleet with good returns.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Nothing to add other than, yeah, we took a lot of late deliveries. I think our last 75 was produced – we had the last one ever built. So some of these planes are not that old and we have them in our fleet and we have – but as you said, as we get to the end of life of these towards the end of this decade, we'll be able to really start harvesting the engines, which will really improve the maintenance profile of the fleet.

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Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

And, Duane, this is Ed, if I could add my perspective. Your point is right, it is related to the OEMs fundamentally. Their inability to produce engines on time, which they're having their own challenges within the supply chain, as well as parts on time. And the one thing that has been a core part of Delta's strength over at TechOps is our ability to go into the used repair market and acquire assets and repurpose them towards our own needs. That market has largely dried up, given all the large rebound in flight activity, which was running at the same time the OEMs have been having and struggling to produce new.

So I think this is something you're going to see across the industry. This isn't just at Delta. And it's one of the constraints we talked about at Investor Day, that's going to keep us all pretty limited in the amount of capacity that we can produce. But I put my money on the Delta TechOps team, because they are the best in the business and we'll figure this out. And we know this is a – while it may hit the expense line, we know this is a long-term asset that's going to pay dividends for years to come.

Duane Pfennigwerth
Analyst, Evercore ISI

Q

Appreciate those thoughts. And maybe just for my follow-up on Pacific. And, Glen, can you just remind us where we are in China reopen. I think there's another round of expansion here in November. And then just broadly, in Pacific, what are the markets away from China that you're excited about?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Well, I think, what we're very excited about is the success of our Incheon hub with Korean. And that has really even exceeded our expectations. We think it's the best place to connect to get to Southeast Asia from any one of our hubs or as a double connect. So really trying to leverage that and we'll have some announcements on continuing to look to increase our capacity next year. But that's really been a linchpin. South Pacific has been a really great surprise for us, the demand there. We're really in tune with that same high demand for leisure destinations.

So that's been doing very well, as well as Japan. As you know, Japan was closed for a couple of years and our Japanese franchise is doing quite well. So you put the Pacific together, and if you recall, for years, we're telling our investors to hold on. We've got this restructuring coming. We had the wrong airplanes, we were at the wrong airports and it took us many years to get to where we wanted to be. But we're finally there and we're producing great returns in the Pacific and we're excited about our opportunities moving forward.

Duane Pfennigwerth
Analyst, Evercore ISI

Q

Appreciate the detailed thoughts.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Oh, China, I didn't say – China, of course. We went from essentially double daily in Detroit – double weekly, I'm sorry, in Detroit and Seattle to 10x a week, with Seattle moving to daily and Detroit moving to 3x. And we'll see if there's another wave of this. I think the first thing we have to see is, is there demand for the capacity that's going into market right now, and we'll keep you abreast of that as we move forward on China reopening.

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Duane Pfennigwerth
Analyst, Evercore ISI

Q

Thank you.

Operator: Thank you. Your next question is coming from Andrew Didora from Bank of America. Your line is live.

Andrew G. Didora
Analyst, BofA Securities, Inc.

Q

Hi. Good morning, everyone. Ed, couple of questions. Just kind of want to bring it back to some things discussed at Investor Day. I guess maybe, first, just on capacity growth. I know you gave us a little color about how you're thinking about 1Q kind of domestic versus international. But mid-single-digit growth that you talked about in 2024, I guess in this fuel environment, would you consider that growth rate as reasonable or aspirational at this point in time?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Well, it's probably more a question for Glen than myself. But at my level, as I've just said in my last comments, I hear – my sense would be any capacity that you hear from us in terms of plans or the industry, you should read as somewhat aspirational, because there still are tremendous constraints in the marketplace in terms of delivering that growth. If all goes well and we get all the parts and we get the planes on time and we have the labor ready and ATC is not an issue and fuel prices stay reasonable, yeah, that's what's going to happen. But if you look over the last two to three years, we continue to evolve it. So those are just points in time, estimates as to what we could do. As to what we actually will be able to do, I think we'll probably across the board be a little less than that.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

And I would just add a comment. About half of that is run rate of what's in there as we enter the first quarter of next year, so the real number is half of low-single digits, which is very low single digits.

Andrew G. Didora
Analyst, BofA Securities, Inc.

Q

Yes. Got it. Makes sense. And then, I guess, Dan, just on cost and CASM next year, obviously, with capacity moving around, obviously the maintenance costs continuing into next year, can you just give us a sense of your level of confidence in 2024 CASM-ex being able to be down kind of low-single digits, or should we think about that differently as well? Thank you.

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

A

As I mentioned earlier, we're still in the middle of our planning process, so all these pieces are coming together, right, capacity, along with all the things that we've talked about regarding the maintenance. We're spending certainly a lot more time on that, given all the moving pieces in the industry and elements that we talked about.

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

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Yeah. Dan's comments earlier about this is going to be a pivot to optimization is a big deal, and maintenance is a part of that. Maintenance unlocks the ability...

Daniel C. Janki
Executive Vice President & Chief Financial Officer, Delta Air Lines, Inc.
A

Yeah.

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.
A

...to drive the efficiencies across the enterprise. And we're right in the middle of the planning process. So we're not trying to dodge the question, but we will give you at the typical time at the start of the year what we think we can do.

Andrew G. Didora
Analyst, BofA Securities, Inc.
Q

Understood. Thank you.

Operator: Thank you. Your next question is coming from Catherine O'Brien from Goldman Sachs. Your line is live.

Catherine O'Brien
Analyst, Goldman Sachs & Co. LLC
Q

Good morning, everyone. Thanks for the time. Ed, on CNBC this morning you called out a pickup in corporate bookings. Could we just dig into that a little bit more.

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.
A

Sure.

Catherine O'Brien
Analyst, Goldman Sachs & Co. LLC
Q

What have you seen since Labor Day on volumes or revenue from corporate? Any industries or regions that are bigger drivers that's really across the board? And anything on maybe just corporate booking windows today versus maybe a couple of months ago and they're still longer than pre-COVID? Appreciate it.

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.
A

Well, we said on the last call that we anticipated post Labor Day that we'd see volumes of corporate travel pick up, and indeed, we're seeing that. I think Glen mentioned a couple of sectors, the tech sector and the financial services sector as areas that we're seeing double-digit growth. We have – I'd say across the board, we're seeing increases. And it's – corporate travel as it's come back, it comes back and then plateaus, come back and plateaus. And I think you'll see another wave of return.

I think a lot of it's being driven by the return to office and getting into the new normal work patterns, which many companies are still sorting out for themselves. But it's healthy to see and it's one of the distinguishing factors

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between us and some of carriers that are on the other end of fare spectrum. So one of the many differentiating factors that is enabling us to grow revenue at the pace we are.

Catherine O'Brien
Analyst, Goldman Sachs & Co. LLC

Q

Makes a lot of sense. Thanks so much. And then one, maybe this is for Dan. Can you just speak to how the air traffic liability is trending year-to-date and into the fourth quarter versus your expectations at the start of the year? I know we kicked off the year with really strong first quarter performance on that ATL build. Should we be aware of any impact from normalization of booking windows versus last year, just given the pickup in corporate volume you're seeing? Thanks a lot.

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

A

No, I'd say it's performing as we expected. We're starting to maybe get back to a little bit more of the traditional seasonality. As we were restoring, it was a little bit different. And if you look at historical patterns, you're only down mid-teens as you go through into the fourth quarter, and that's kind of what we saw as we wrapped up the third quarter here and – so no. The other element that you have in there is you certainly have – we've had very friendly policies as it relates to credits, and customers have gotten really used to using them. And then we think it's obviously long-term beneficial that people have confidence to book and travel. But also consume when they don't travel. And those we've seen very consistent issuance and usage rates on them.

Catherine O'Brien
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you so much.

Operator: Thank you. Your next question is coming from Mike Linenberg from Deutsche Bank. Your line is live.

Michael Linenberg
Analyst, Deutsche Bank Securities, Inc.

Q

Oh, yeah. Hey. Good morning, everyone. Glen, you called out a couple sectors that were underperforming from a corporate perspective. I mean, I think of any carrier probably the most indexed to the automotive sector and then sort of the media sector with the writers' and actors' strike. What sort of drag do you actually think that had on your corporates, at least in the month of September and maybe what you're seeing right now?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Well, clearly, I'll start with Los Angeles and the entertainment production strikes that are ongoing. That has had a not insignificant change in the business travel to and from Los Angeles, as well as now the UAW strike, which has curtailed a significant amount of the business in Detroit. As you point out, we're very big in both of those sectors. And what I'm really encouraged about is despite those two kinds of being things that we should look forward to as positives next year that our total corporate revenues are still accelerating. So despite those two being a drag on them and I think hopefully those are both resolves fairly, quickly here and we can get back to our normal business level. But you are right, spot on, that we are probably the most impacted by those two sectors.

Michael Linenberg
Analyst, Deutsche Bank Securities, Inc.

Q

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Great. And then just a quick one to Dan or Ed. I didn't see in the release a reiteration of the $7-plus for 2024. I know you're still mid-budget. But just based on the trajectory and everything you're seeing now, that number's still fine?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.
A

That's our plan, Mike. As I mentioned that we gave that guide in December of 2021 along with free cash and others and we're on track.

Michael Linenberg
Analyst, Deutsche Bank Securities, Inc.
Q

Very good. Thank you.

Operator: Thank you. Your next question is coming from Ravi Shanker from Morgan Stanley. Your line is live.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC
Q

Thanks. Good morning, everyone. Glen, I'm probably going to ask Jamie's initial SkyMiles data mining question in a different way. And based on data that you have, do you have any evidence that traditional domestic travelers have been flying internationally more often in 2023 [ph] than maybe people doing (00:43:04) their first or kind of rare international trips? Just trying to see if there's any truth or data to back up the thesis that there has been substitution of domestic with people flying internationally this year?

Glen William Hauenstein
President, Delta Air Lines, Inc.
A

Well, I'd say that's a very broad question. And, clearly, there's been an expansion of international. But if you think about domestic and the volume differential between the number of seats we have every day domestically and the number of seats we have every day to Europe, it would be very hard to track those incremental visits back to people who did not fly domestically because it's such a small piece of domestic travel in terms of total volumes. And so while clearly, the spend has been very robust for a long-haul in general, we have not seen a diminishing of short-haul leisure.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC
Q

Got it. That's really helpful. And maybe as a follow-up, kind of, feels like Transpacific has not quite been the explosion of pent-up demand that we saw in domestic and Transatlantic when they officially opened. But it looks like 2024 might be a better year for that. Is there any way you think that the historical profitability in that region, which has not been great to say the least, can be better when that initial kind of flow-through of demand comes through with the pricing the way it might potentially be?

Glen William Hauenstein
President, Delta Air Lines, Inc.
A

Well, I'd disagree with you on your premise there that Pacific has been a laagered. Pacific has been quite robust and I think we indicated these are our record profits in terms of margins and total profitability in the Pacific. And if you look at the Pacific, absent of China, it's been fully restored. So I think we're very pleased with the demand to

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the Pacific, and we're – right now, that's where our capacity is sitting up most in the fourth quarter and where it will be in the first and through next year. And so – and we're very enthusiastic about the results we're getting there.

Ravi Shanker
Analyst, Morgan Stanley & Co. LLC

Q

Very helpful. Thanks, Glen.

Operator: Thank you. Your next question is coming from Brandon Oglenski from Barclays. Your line is live.

Brandon R. Oglenski
Analyst, Barclays Capital, Inc.

Q

Yeah, good morning, and thanks for taking my question. Glen, I know you've called out your corporate travel here being up in coastal hub strength, but can you talk to maybe any areas of weakness domestically? And is there like diverging trends with your main cabin revenue?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Well, I think, yeah, we've called out diverging trends with main cabin. Those have been pretty consistent though, throughout the recovery is it's been led by premium products and services. So that's not inconsistent between quarters. I think it's actually relatively flat in terms of the – how much premium is driving there. And geographically, I think what we're really excited about is the coastal hub investments we've made and particularly New York, that's something we're looking for in 2024. We've – we see a lot of momentum in the Northeast and New York in particular as things to look forward to in 2024.

Brandon R. Oglenski
Analyst, Barclays Capital, Inc.

Q

Okay. And then on the outlook for next year, growing with your JVs on the international side, how does the changes in Mexico impact us as they move to a Category 1 with the FAA?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Right. Mexico's been a great source of strength for us through the last year and we see continued strength in those Mexican business. And I think when you think about what we read in the press and what you all see and the on-shoring and moving factories from Asia down into Mexico, we've seen really an incredible strength in demand from the business sector in Mexico and that's looking really robust into 2024.

And working with Aeroméxico now, we really couldn't do much with them. These are things we wanted to do in the past. You can see us coordinating with them. We have an ATI joint venture, so we've been working very closely with them to continue to work on where we see strength and being able to serve those markets better, including the auto sector in Detroit and including Atlanta as a primary gateway to Mexico primary and secondary airports.

Brandon R. Oglenski
Analyst, Barclays Capital, Inc.

Q

Thank you.

Operator: Thank you. Your next question is coming from Helane Becker from TD Cowen. Your line is live.

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Helane Becker
Analyst, TD Cowen

Q

Oh, thanks very much, operator. Hi, everybody, and thank you very much for the question. Just on – with respect to as you think about travel next summer on the North Atlantic, especially where US citizens are going to need visas, how are you thinking about communicating that to people as they book trips? Is that going to be in the reservation process or follow-ups? Or how do you avoid surprises?

Peter W. Carter
Executive Vice President-External Affairs, Chief Legal Officer & Corporate Secretary, Delta Air Lines, Inc.

Q

Helane, hi. It's Peter Carter.

Helane Becker
Analyst, TD Cowen

Q

Hi, Peter.

Peter W. Carter
Executive Vice President-External Affairs, Chief Legal Officer & Corporate Secretary, Delta Air Lines, Inc.

Q

Say – we will make sure our customers are aware of the visa requirement at various points along the purchasing path and the journey. And I will tell you that the nice thing about the new visa requirement is, it is a e-Visa, so it's a fairly straightforward process that we think it will take about 24 hours.

Helane Becker
Analyst, TD Cowen

Q

Yeah, I think it's like Australia, right, where it's pretty quick unless it's not. I think – okay. That's helpful. Thank you. And then the other question I had was just on the changes to Israel. How big actually is that in your total – in the total market? It's a lot of ASMs, but it can't be that big in terms of I guess exposure.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

It's a little over a point of ASMs, and we're not going to give an exact number, but it's included – the revenue hit is included in our fourth quarter guide. So we've extended at least through October and then we'll see what happens. The reason we're not saying how much exposure there is, is we don't know how this will evolve yet, so we're staying very fluid. But I think we feel very confident that we can get inside of our guidance ranges here with Israel kind of in a worst-case scenario.

Helane Becker
Analyst, TD Cowen

Q

Got it. Okay. Thanks very much.

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

A

Matthew, we'll now go to final analyst question.

Operator: Certainly. Your last question is coming from Sheila Kahyaoglu from Jefferies. Your line is live.

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Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Thank you. Good morning, guys. Ed, I wanted to ask you a question. You made a comment about leaning into the cost curve and really leading the industry here with pilot pay and the like. So the question comes, how do we think about your double-digit margin today versus low-cost carriers and what they'll report in Q3? And margin moving pieces maybe into 2024, if you want to provide that or maybe the Delta versus Delta and other carriers?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Sheila, you should look at our 2024 guide that we gave you with our three-year plan. The good news at Delta is that we have all of our labor costs at the new market across the board today in posting those double-digit margins so to the extent that other carriers need to be increasing their labor and cost in future negotiations. They're just going to be chasing the Delta cost. And I think that conversions of industry rates is something we've talked about as another opportunity as we look at trying to make sure we're all running a better business here and we're not – we have the same incentives to make sure that our costs are finding their way into our pricing.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Sure. No, it makes sense. And if I could ask one more, a lot on Delta TechOps. Obviously, a big asset for Delta right now. Anything you could talk about? I think you previously said GTF shop visits, they're running at 70 to 80 engines. I don't know if that was only GTF or all engines ramping to potentially 400. Maybe if you could just give us the – talk about the opportunity longer term with Delta TechOps and what utilization is?

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

A

Yes. We talked about it at baseline this year. TechOps for geared turbofan engine overhauls would be in the 150, 160 range. We have built capacity to take that to – up to 350 and continue to discuss long-term – medium and longer-term capacity needs with Pratt related to that. So we talk about it at Investor Day, very optimistic about our position, not only the heritage that we have and the great expertise that we have in the Delta TechOps team, but our positioning as it relates to being on all the key next-generation platforms, whether that's geared turbofan or whether that's Rolls and also, the LEAP engine create a real set of opportunities for us as we think about this business and multiples of what it can be today over the medium and long term.

Sheila Kahyaoglu
Analyst, Jefferies LLC

Q

Thank you so much.

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

A

That will wrap the analyst portion of the call. I will now turn it over to Tim Mapes to start the media questions.

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

A

Thank you, Julie. Matthew, if we could, as we transition from the analyst questions to those from the members of the media, maybe repeat the instructions for everyone, please.

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Operator: Certainly. At this time, we'll be conducting a Q&A session for media questions. [Operator Instructions] Please hold while we pull for questions. Your first question is coming from Dawn Gilbertson from Wall Street Journal. Your line is live.

Dawn Gilbertson
Travel Columnist, The Wall Street Journal

Q

Hi. Good morning. Ed, I wonder if you could give us any more color, Ed or Glen, on the reaction to the SkyMiles changes and when you expect to announce the things you might be rolling back or changing?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Hi, Dawn. I've mentioned publicly over the last couple of weeks that we're certainly receiving good feedback from our customers with respect to the changes. I have indicated that we had too many changes rolled out at the same time and we needed to go back and reassess the planned rollout for the new qualification levels. Yeah, I mentioned this, this morning on the CNBC interview. There's two things, though, that are common throughout all of the feedback, one is there is a intense loyalty to Delta, which is really heartwarming to see. The loyalty to this brand is great. We've worked hard to build it, we maintained it, we will continue to maintain that. There should be no question about that.

And, secondly, that – most everyone also agrees that something has to be done because everyone sees that the premium number of customers that we continue to build are in excess of the premium assets that we have to offer.

And so figuring out how to better rationalize and make certain that the service levels for our premium customers are where they need to be is – there's various ways to get it. We've received a lot of ideas as to different ways to think about it and you'll be hearing from us in the coming days.

Dawn Gilbertson
Travel Columnist, The Wall Street Journal

Q

Okay. If I can just have one quick follow-up on that front. What is driving – in terms of reaction, I mean, are you seeing just feedback or are you seeing an impact on credit card signups and/or cancellations? I mean, what's driving this pretty quick change to your initial plans?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

Well, it's the feedback. It's not – no, we're not seeing any change in trajectory rather on acquisitions or changes in spend levels. Everything continues to stay intact, as Glen, I think, mentioned during some of his comments. This is good feedback that we're seeing, and candidly, with some of it, I agree with him.

Dawn Gilbertson
Travel Columnist, The Wall Street Journal

Q

Thank you.

Operator: Thank you. Your next question is coming from Alison Sider from Wall Street Journal. Your line is live.

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Alison Sider
Reporter-Air Travel Business, The Wall Street Journal

Q

Hey. Thanks so much. [indiscernible] (00:55:22) there's been some analyses recently about sort of the potential impact of cost savings, if people really started taking weight loss drugs like Ozempic in big numbers. Is that something you look at, at all? Have you factored that into your fuel projections or anything like that?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

No, we don't, Aly.

Alison Sider
Reporter-Air Travel Business, The Wall Street Journal

Q

And then [indiscernible] (00:55:45) follow-up, I was also curious on potential Israel evacuation flights. I know there's ongoing discussions with the government on this. But would Delta be open to flying to Israel under a charter, if the government asks or if there was a [indiscernible] (00:56:00)? Or would you rather just fly to points outside of Israel? Is there any openness, I guess, to flying kind of under those circumstances?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.

A

There are discussions, as I've indicated. Right now, we're looking at providing some additional lift to Europe to get people out of Europe. But no, we don't have any plans to be flying into Israel. It's considered unsafe for a US carrier to operate in that airspace currently.

Alison Sider
Reporter-Air Travel Business, The Wall Street Journal

Q

Thank you.

Operator: Thank you. Your next question is coming from Mary Schlangenstein from Bloomberg News. Your line is live.

Mary Schlangenstein
Correspondent, Bloomberg News

Q

Hi. Good morning. I wanted to ask real quickly. With the ongoing slot waiver situation in New York where the airlines were asked to reduce capacity because of the congestion and the air traffic controller shortage, can you talk about how much of that Delta's taking advantage of and whether you expect that, if it continues long term, to start to have some significant impact; also, whether you're redeploying that capacity into other markets.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Well, thanks for that question. Yes, we're planning on using the entirety of the slot waiver, which is, I believe, 10% of our flights into and out of Kennedy and LaGuardia in order to help with the airspace congestion issues that are surrounding those airports right now. So what we're trying to do is have minimal impact. We will not withdraw from an individual markets. We will thin out some frequencies. We'll put some larger gauge in.

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And any of the assets that are freed up from New York will get redeployed into other parts of our network for now. But it shouldn't really be very different than the summer. As you know, that's rolled forward from the summer, which we had 10% out and that's just extending it through the winter. So you won't see, really, I think, any dramatic changes to our schedule versus where we're sitting today.

Mary Schlangenstein
Correspondent, Bloomberg News

Q

Does that become a broader problem for you if that continues to be extended?

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

I think the broader problem is not being able to operate in the New York airspace. And so, I think we're working very closely with the government to see what we can do to improve the situation there. It was very difficult on our customers this summer and certainly, we're all hoping for some relief by next summer.

Peter W. Carter
Executive Vice President-External Affairs, Chief Legal Officer & Corporate Secretary, Delta Air Lines, Inc.

A

And, Mary, we really – this is Peter Carter, we really appreciate the FAA providing that relief and acknowledging that there is a constraint in the Northeast with respect to the staffing of air traffic controllers. And, frankly, that's the thing that we need to really solve as an industry.

Mary Schlangenstein
Correspondent, Bloomberg News

Q

Okay. Thank you.

Operator: Thank you. Your next question is coming from Leslie Josephs from CNBC. Your line is live.

Leslie Josephs
Airline Reporter, CNBC

Q

Hi. Good morning. We keep seeing airfares fall, and I was wondering if you could talk a little bit about what kind of discounting you're having to do in the fall. And then have you made any capacity changes on days when people might have traveled in the off peak and maybe they're going back to more traditional bookings, if that's the case? Thanks.

Glen William Hauenstein
President, Delta Air Lines, Inc.

A

Sure. I think the most recent data that came out this morning had been flat to up slightly month-over-month. So I don't think that at an industry level that's a good indication. What we've seen is that actually June was our lowest point in terms of year-over-year average fares, and it's moved up for us since then. And that's really driven by the premium side and the success we've had in terms of selling more premium and the fares we're getting for our premium products and services. So, yes, at the bottom end there's discounting. There's also some fare initiatives, so it's always a very fluid situation. And right now, I think we're very – we're calling it stable between third quarter and fourth quarter.

Leslie Josephs
Airline Reporter, CNBC

Q

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And the fares that you're discounting to, is that like on par with 2019? Or, is that – like is there kind of a reference point for...?

Glen William Hauenstein
President, Delta Air Lines, Inc.
A

Yeah, certain markets are above, so I think the market basket is there at the very bottom end and maybe slightly below where they were in 2019, but not really. There's always a fare in any market that is below, but in general they're not.

Leslie Josephs
Airline Reporter, CNBC
Q

Thanks.

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

Thank you, Leslie. Matthew, we have time for one final question, please.

Operator: Certainly. Your last question is coming from David Slotnick from TPG. Your line is live.

David Slotnick
Senior Airline Reporter, The Points Guy
Q

Good morning and thank you for taking my question. Going back to the loyalty program, were you surprised by the customer reaction and I suppose the degree of it? And what were you sort of expecting instead of that effect?

Edward Herman Bastian
Chief Executive Officer & Director, Delta Air Lines, Inc.
A

We were certainly expecting some feedback. And by the way, some of the feedback we've received is very positive and encourages us not to make any changes. So, there wasn't any one cohort that was silent on the matter.

We had a full 360 view of the perspective, but it gave us a chance to sit back, reflect on it, and there were points about the program that I thought we could make some modifications to. There still will be changes to the program, I've been very clear about that, but we're going to make modifications to what we announced.

David Slotnick
Senior Airline Reporter, The Points Guy
Q

Thank you. And just a follow-up. Was American Express expecting any changes to the premium card demand just lounge access? Do they think of that potentially going to fall? And if so, will that impact your loyalty revenue?

Glen William Hauenstein
President, Delta Air Lines, Inc.
A

American Express, we of course did this with full back-and-forth knowledge, so we did this together with American Express. And if anything, since that we've announced it, we've seen a shift to higher premium card acquisitions. So I think we're well within from that perspective where we thought we'd be.

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David Slotnick
Senior Airline Reporter, The Points Guy

Q

Great. Thank you.

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

A

Thank you, David.

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

And, Matthew, I think that will conclude our call.

Operator: Thank you. That concludes today's conference. Thank you for your participation today.

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