



McIntire Investment Institute

Long: Delta Air Lines, Inc.

March 5, 2020



Target: \$60.00
Current: \$44.98
Upside: 33.3%

Agenda



1	Executive Summary	3
2	Thesis Point 1: Post-Outbreak Outperformance	6
3	Thesis Point 2: Market-Leading Carrier	16
4	Thesis Point 3: Market Misperceptions Drive Undervaluation	28
5	Appendix A: Supplementary Materials	45



Executive Summary



DAL is severely undervalued following CVD-19 fear

1

Airline stocks have historically outperformed in the twelve months immediately following pandemic scare

- The Airline industry as a whole has typically achieved revenue CAGRs of over 9% immediately following virus-scare declines
- An index of public airline peers achieved returns in excess of 40% from lows between 2003 and 2007 during the SARS, avian flu, and H1N1 epidemics

2

Delta is the industry-leading leading American legacy Carrier with top-ranked superior customer satisfaction and on-time performance, despite comparable ticket prices to competitors

- Delta is consistently ranked first among domestic legacy carriers in industry standard measures of customer value (on-time performance, on-tarmac delays, off-tarmac delays, etc.), which are highly-dependent on effective flight scheduling and capacity management
- DAL employs a differentiated fleet strategy of using older used models for extended periods of time; its superior TechOps capabilities allow it to achieve superior cost efficiency in a low-rate environment

3

Delta Airlines has become severely undervalued as the market has priced in catastrophic declines in ticket sales and operating income

- At a conservative terminal multiple of 4.5x LTM EBITDA and WACC of 5.80%, which ties with DAL's pre-CVD January share price of ~\$62, a decrease in 2020E EBIT of 190%, or -\$6.9Bn EBIT and -\$8.8Bn UFCF is required to reduce DALs implied equity value per share to the current market trading range of \$47
- Delta airlines has *never* earned EBIT below -\$1.5Bn (2004) since records begin in 1998; the Coronavirus would need to affect global travel by orders of magnitude more than any outbreak in history, and far exceed the most pessimistic estimates of its severity in order to approach DAL's current market valuation



Delta Air Lines, Inc.

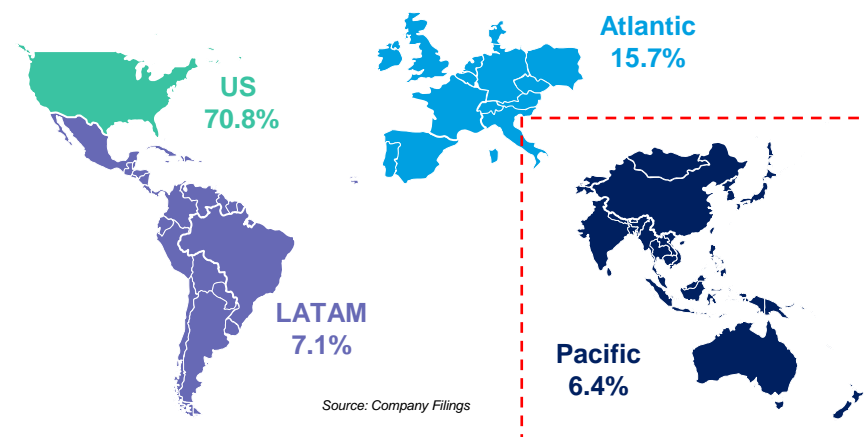
Company Profile



BUSINESS OVERVIEW

- Delta provides scheduled air transportation for passengers and cargo in the United States and internationally, and is one of the largest air carriers in the world with ~5% market share by revenue
- Delta's domestic network is centered on hubs in Atlanta, Minneapolis-St. Paul, Detroit, and Salt Lake City, and its international network is centered on hubs in Amsterdam, London-Heathrow, Mexico City, Paris-Charles de Gaulle, and Seoul-Incheon
- Headquartered in Atlanta, Delta competes against large U.S. carriers American, United, Southwest, and JetBlue, as well as against foreign carriers such as Deutsche Lufthansa.

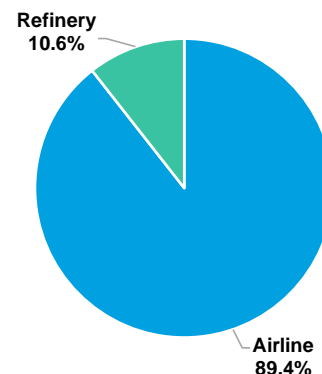
'19A SALES, BY REGION



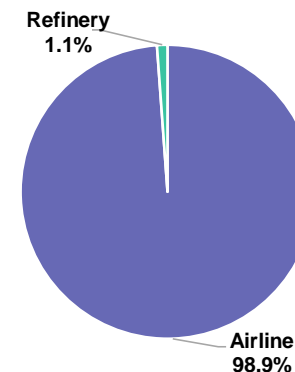
SUMMARY FINANCIALS

	2018A	2019A	2020E	2021E	2022E
Total Revenue	44,438.0	47,007.0	49,033.78	50,932.58	52,591.47
Growth Over Prior Year	8.0%	5.8%	4.31%	3.87%	3.26%
Gross Profit	11,452.0	12,916.0	-	-	-
Margin %	25.8%	27.5%	26.80%	-	-
EBITDA	7,583.0	8,913.0	9,391.57	9,744.94	9,838.27
Margin %	17.1%	19.0%	19.15%	19.13%	18.71%
EBIT	5,459.0	6,650.0	6,415.32	6,632.84	6,683.3
Margin %	12.3%	14.1%	13.08%	13.02%	12.71%
Earnings from Cont. Ops.	3,935.0	4,767.0	-	-	-
Margin %	8.9%	10.1%	-	-	-
Net Income	3,935.0	4,767.0	4,641.24	4,810.85	4,888.67
Margin %	8.9%	10.1%	9.47%	9.45%	9.30%
Diluted EPS Excl. Extra Items³	5.67	7.3	7.31	7.99	8.37
Growth Over Prior Year	28.0%	28.7%	(0.06%)	9.32%	4.78%

'19A SALES, BY SEGMENT (1)



'19A EBIT, BY SEGMENT (1)



1. Excludes corporate eliminations
2. Market data as of 3/3/2020

Source: Company Filings, S&P Capital IQ

Source: Company Filings, S&P Capital IQ

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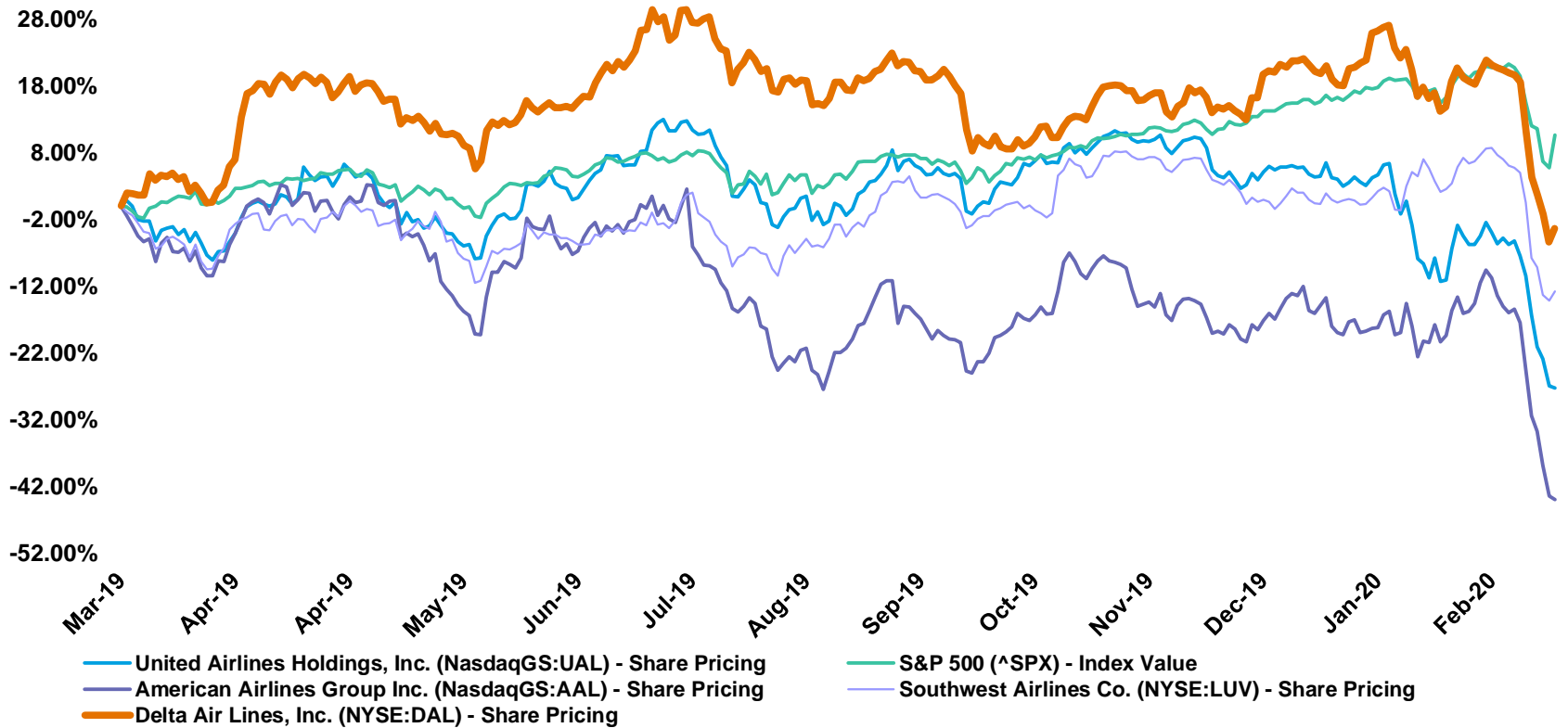
Airlines Outperform Following Outbreaks

DAL and peers have declined far more than the market



Share Price Performance, DAL and Airline Peers, March 2019A – March 2020A ⁽¹⁾

(%) Return



Source: S&P Capital IQ, Company Filings



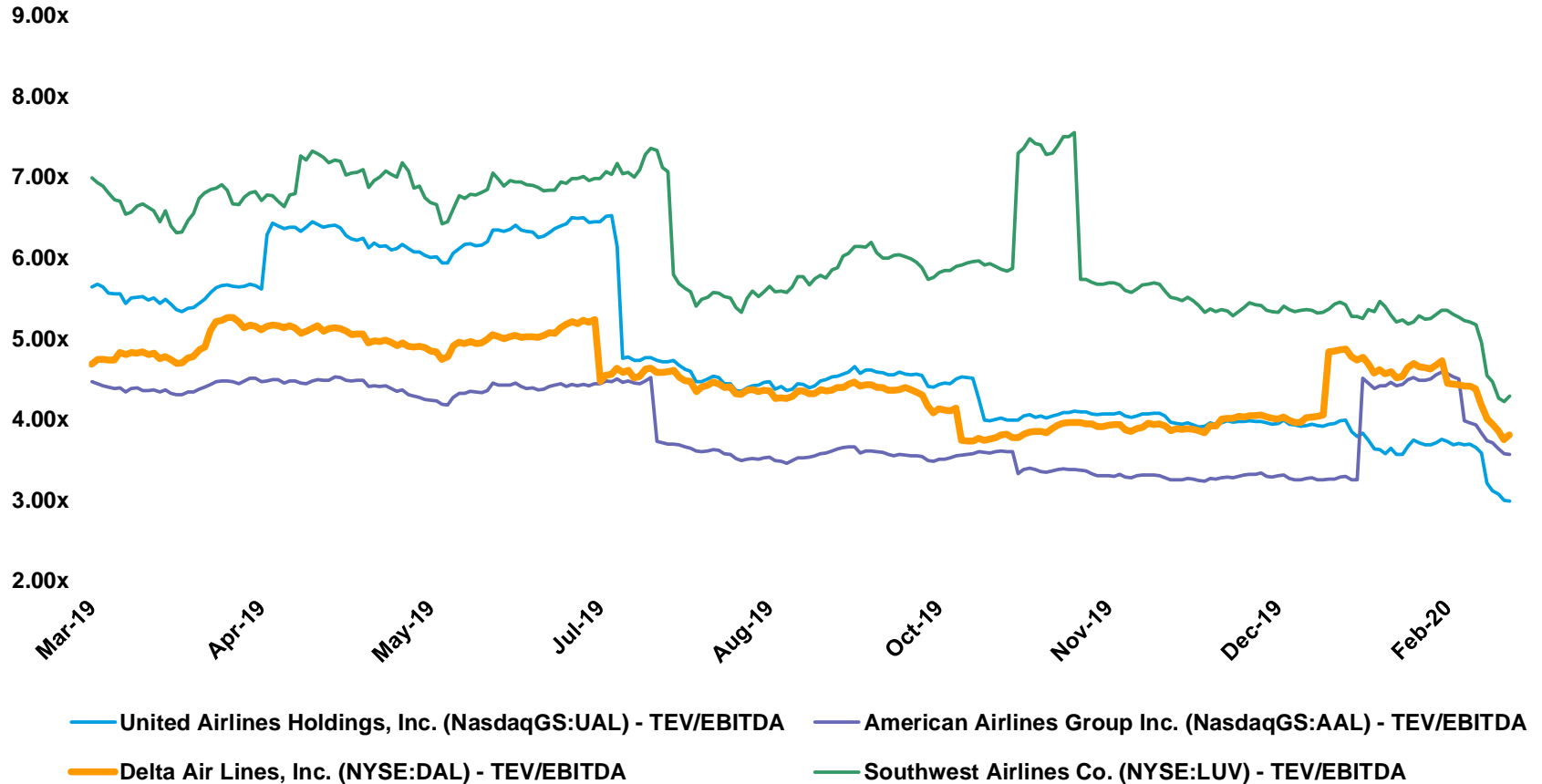
1. Market data as of Monday 3/2/2020

Airlines Outperform Following Outbreaks



DAL's multiple has declined sharply

LTM EV/EBITDA Multiple, DAL and Airline Peers, March 2019A – March 2020A ⁽¹⁾



Source: S&P Capital IQ, Company Filings



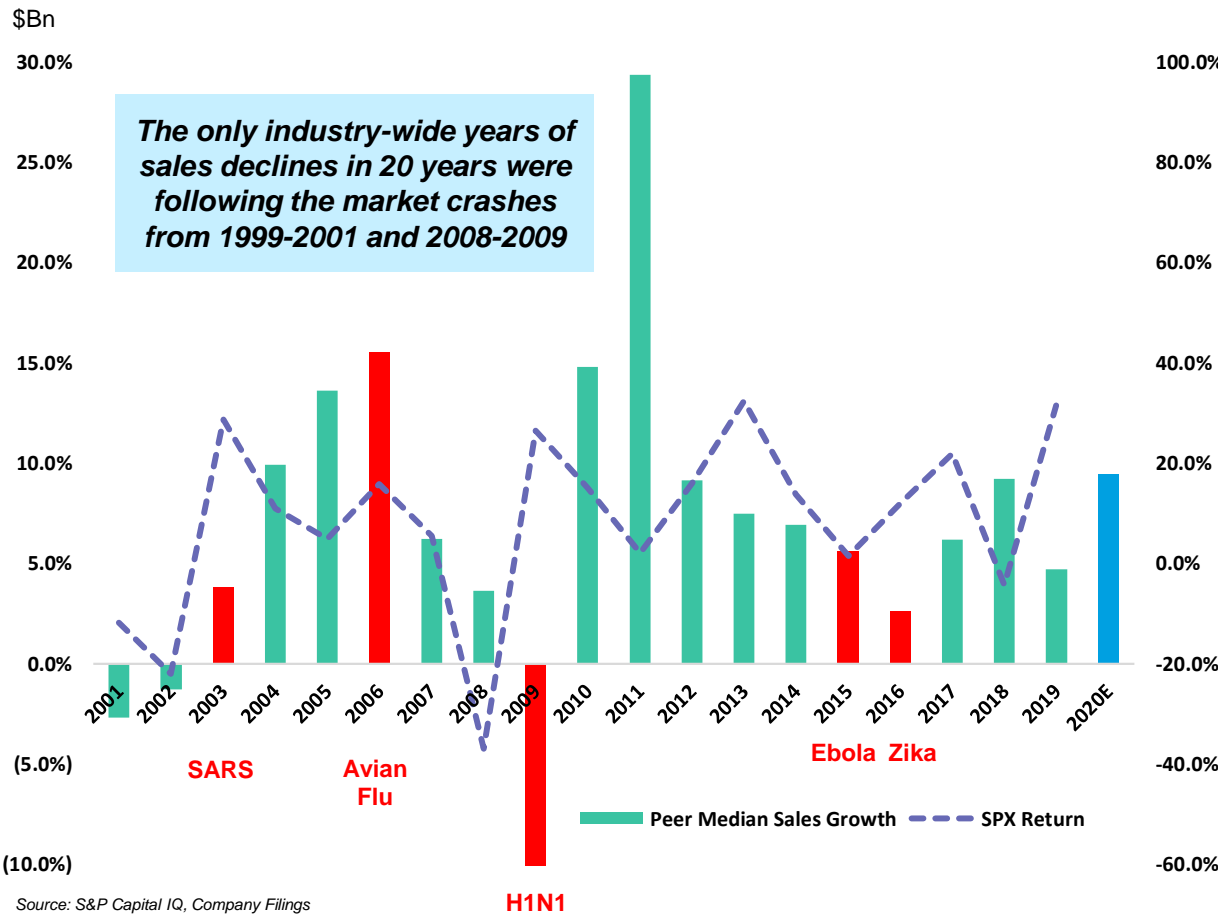
1. Market data as of Monday 3/2/2020

Airlines Outperform Following Outbreaks

Airline industry sales growth has been consistently positive



Peer Average Annual Revenue Growth, 2001A – 2020E ⁽¹⁾⁽²⁾



Commentary

- While sales growth was lower in years of market decline, or during some years with significant viral outbreaks (Ebola, Zika), industry sales growth is **rarely negative**

Source: S&P Capital IQ, Company Filings



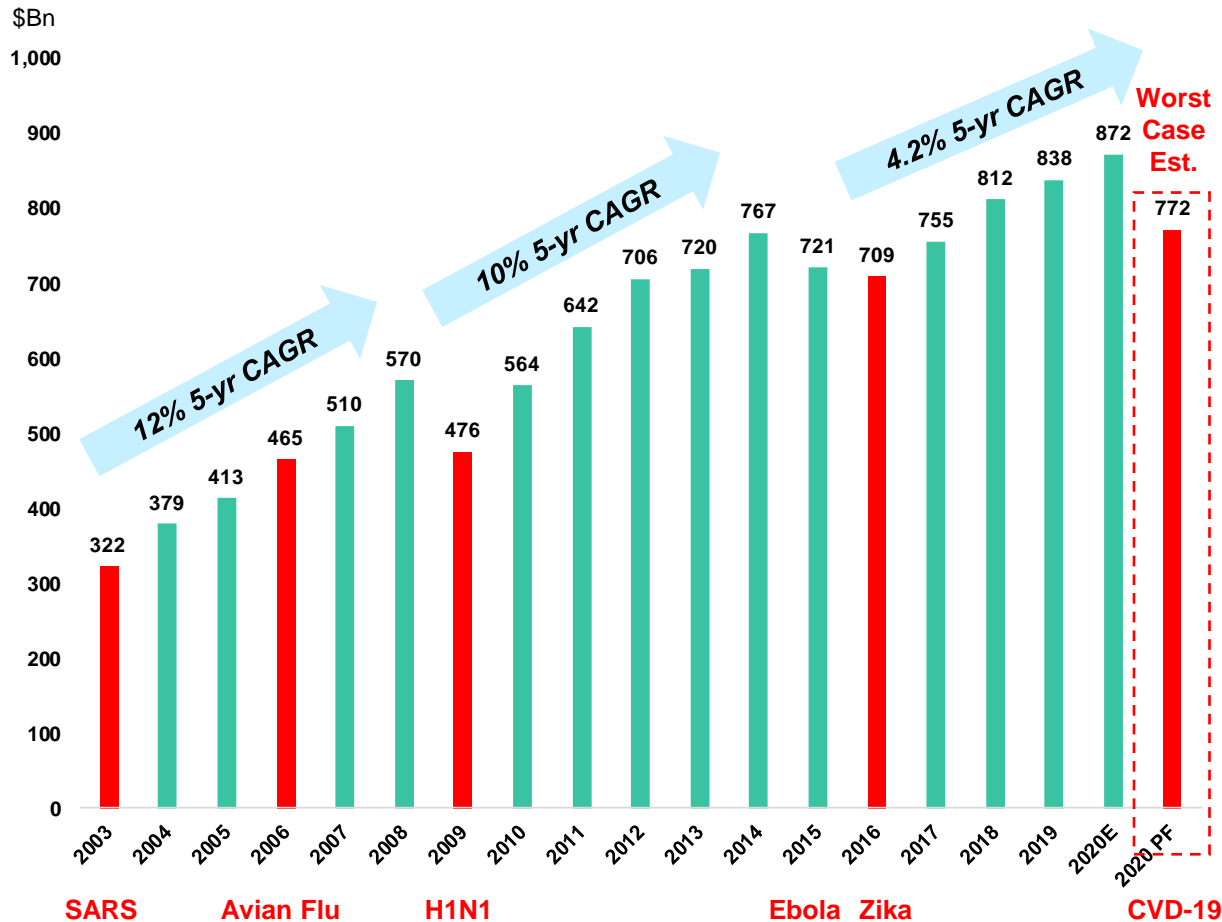
1. Peer firms include: AAL, UAL, LUV, JBLU, SAVE, ALK, LHA
 2. Forward consensus estimates per CIQ median

Airlines Outperform Following Outbreaks

Airline sales rise following years with outbreaks



Hist and Projected Global Commercial Airline Sales, 2003A – 2020E



Source: Statista Research

Commentary

- Global airline sales tend to increase in years following pandemic-induced decline
- In some cases, notably the 2005/2006 avian flu outbreak, global flight sales did not decline materially

Market-Implied Industry Sales Reduction	
<i>\$MM</i>	
Typical Airline Fixed Cost %	66.0%
Total DLA 2019A OPEX	40,357
Est. DLA 2019A Fixed Costs	26,636
Priced-In 2020E EBIT Margin	(16%)
Implied 2020E Net Sales	22,374
Consensus 2020E Revenue	49,161
Implied 2020E Sales Reduction	22,525
Required DLA 2020E Rev. Red.	45.8%
DLA Market Share	5.6%
Imp. Industry Sales Reduction	399,547
Current Max. Est. Sales Reduction	100,000



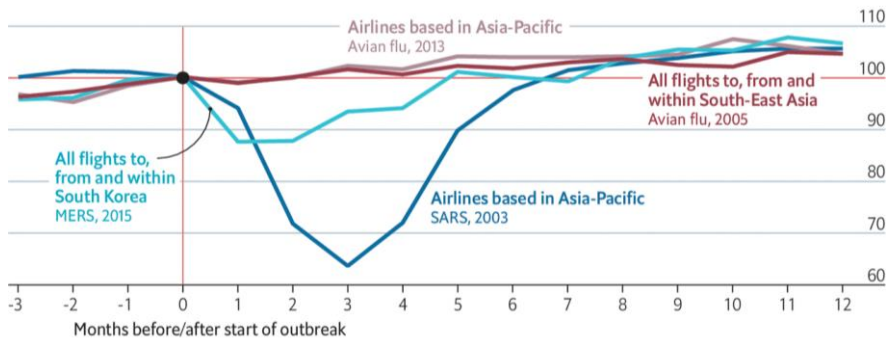
Airlines Outperform Following Outbreaks

Virus impacts on flight traffic are rarely severe



Effect of viral outbreaks on aviation

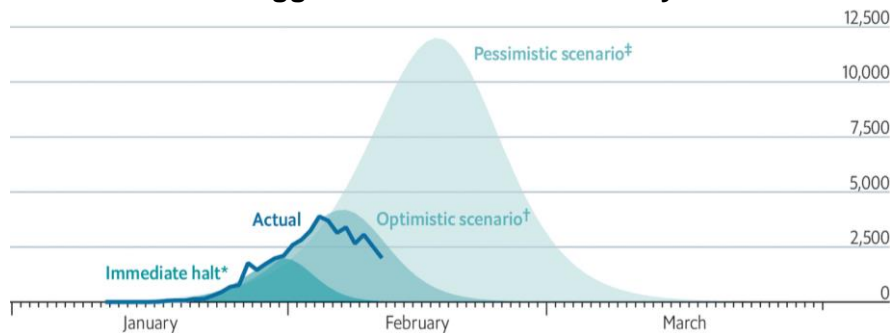
Impact of virus outbreaks on aviation, revenue-passenger km*
Start of outbreak=100



Source: IATA *One revenue-passenger km equates to flying one paying passenger one kilometre

The Economist

Infection trends suggest worst case is not likely



Sources: Cheng-Chih Hsu, National Taiwan University; National Health Commission of China
*Hypothetical model of Wuhan quarantine immediately stopping the spread
†Based on estimates by Zhong Nanshan, Guangzhou Institute of Respiratory Disease
‡Based on estimates by Jonathan Read, Lancaster University

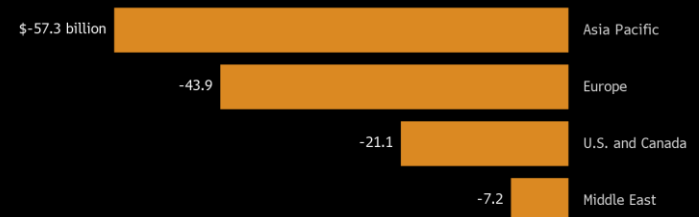
The Economist

Commentary

- Outbreaks have typically affected airlines based in the region of viral origin—the most pessimistic estimates (100+ Bn in lost revenue) attribute ~50% of these sales declines to the Asia Pacific Region, to which Delta only has ~7% exposure
- The progress of the outbreak indicates that worst-case scenarios are not likely—we believe that the natural course of the disease and vaccine efforts will end the hysteria within four months

Red Skies

Airlines may lose \$113 billion in revenue this year due to coronavirus



Source: International Air Transport Association
Note: Data adjusted for route overlaps. Estimates based on an "extensive spread" scenario

Bloomberg



Airlines Outperform Following Outbreaks

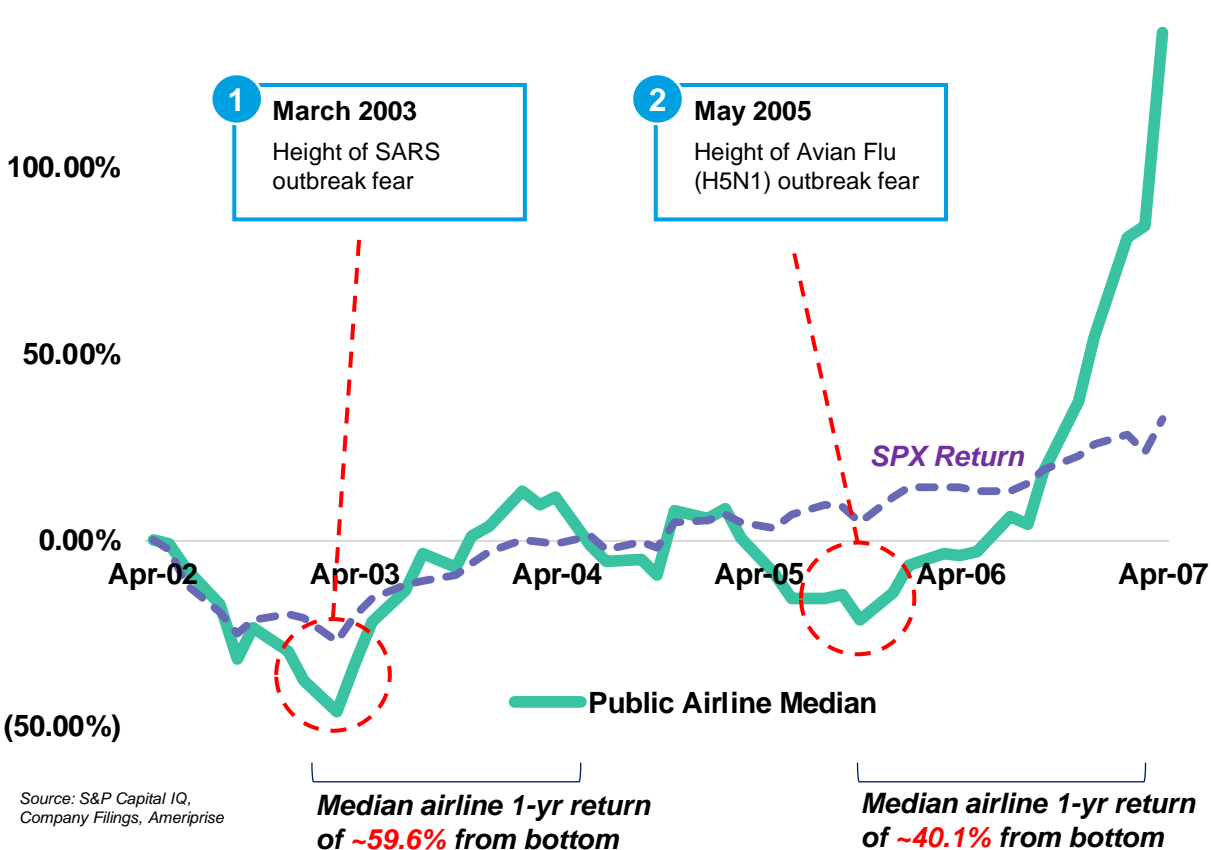
Peers have earned outsized returns in years after scares



Peer Median Return from Base Year, 2002A – 2007A ⁽¹⁾

(%) Return

150.00%



Source: S&P Capital IQ, Company Filings, Ameriprise

Commentary

- SARS and Avian Flu were two of the most-feared virus scares of the last two decades



1. Peer firms include: AAL, UAL, LUV, JBLU, SAVE, ALK, LHA

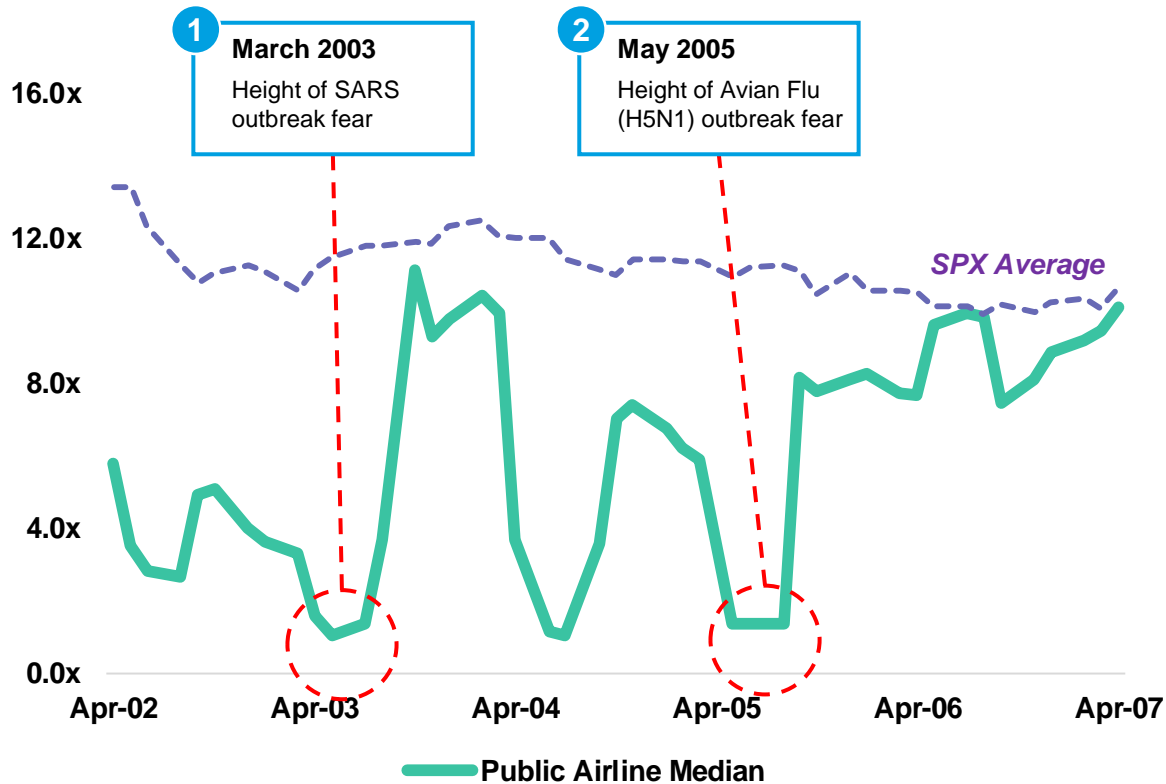
Airlines Outperform Following Outbreaks

Airlines have outperformed after virus scares



Peer LTM EV/EBITDA Multiple, 2002A – 2007A ⁽¹⁾

(X)



Source: S&P Capital IQ, Company Filings, Ameriprise

Median airline 1-yr multiple expansion of 10.11x

Median airline 1-yr multiple expansion of 8.72x

Commentary

- Peer LTM multiples declined from ~8x to nearly 2x during the height of the SARS and Avian Flu outbreak scares— they quickly returned to normal trading ranges near the S&P 500 average

Trading Multiples

	LTM	NTM
	12/31/2019	12/31/2020
EV/Sales	0.95x	0.91x
Sales	47,007.0	49,161.0
EV/EBITDA	5.00x	4.80x
EBITDA	8,913.0	9,276.8
EV/EBIT	6.70x	6.98x
EBIT	6,650.0	6,378.8
P/E	7.82x	6.30x
Norm. Diluted EPS	5.91	7.33



1. Peer firms include: AAL, UAL, LUV, JBLU, SAVE, ALK, LHA

Airlines Outperform Following Outbreaks

Superior market returns follow virus scares



The market tends to look past virus outbreaks over time

Epidemic	Month end	6-month % change in S&P 500	12-month % change in S&P 500
SARS	04/2003	+14.6	+20.8
Avian flu	06/2006	+11.7	+18.4
Swine flu	04/2009	+18.7	+36.0
MERS	05/2013	+10.7	+18.0
Ebola	03/2014	+5.3	+10.4
Measles/Rubeola	12/2014	+0.20	-0.7
Zika	01/2016	+12.0	+17.5
Measles/Rubeola	06/2019	+9.8	NA

Source: Dow Jones Market Data



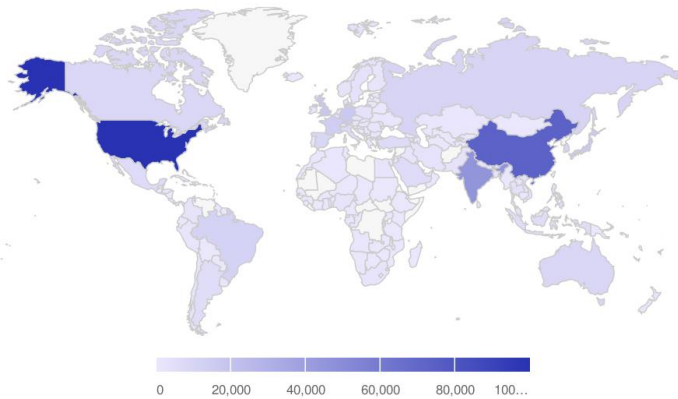
Airlines Outperform Following Outbreaks



Delta revenue is concentrated in the US

Global Comparison - Revenue in the Flights market

in million US\$ (worldwide)



Containment Measures

Travel rules have spread in an effort to stop the coronavirus

■ Locations with known virus-related travel restrictions



Source: International Air Transport Association, as of Feb. 11, 2020

Delta North American Flight Routes



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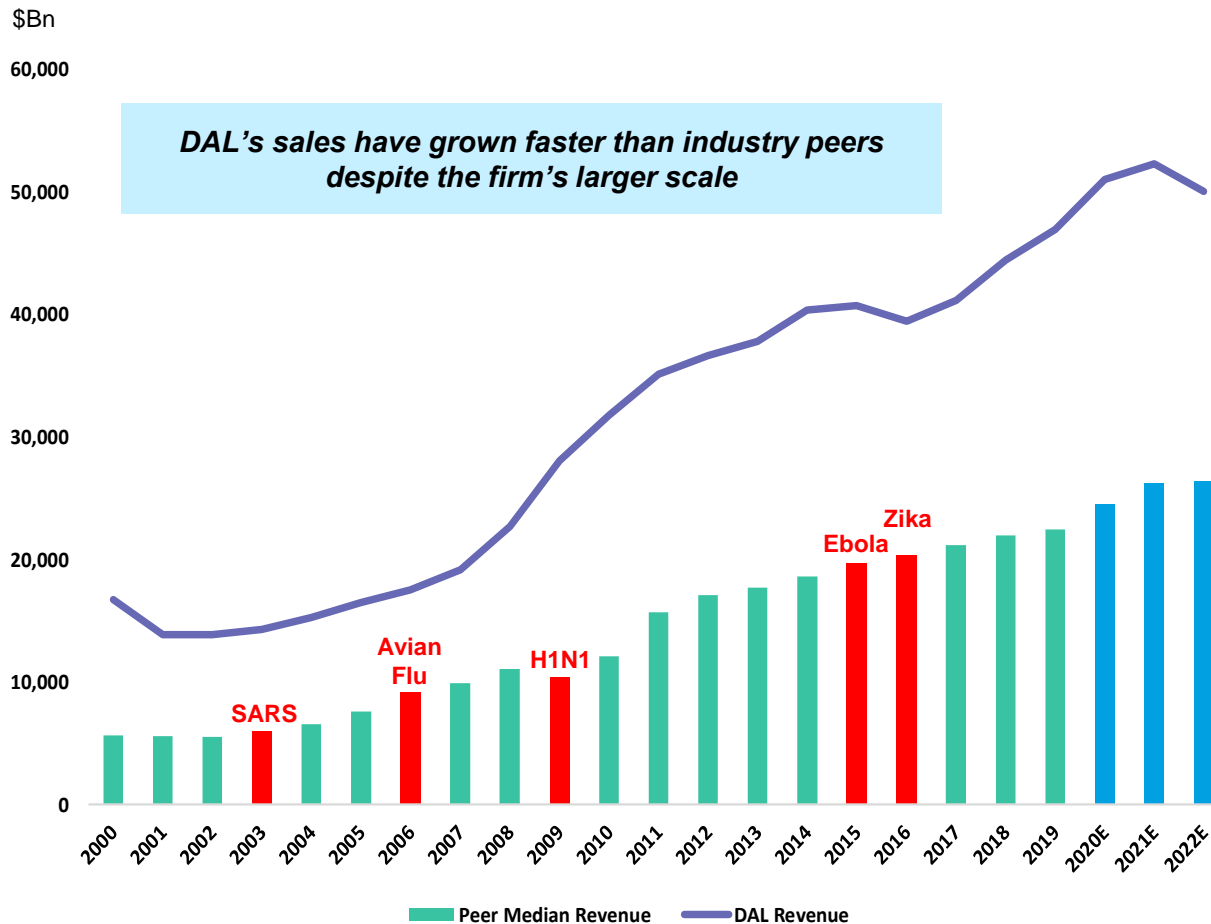


DAL is a Market-Leading Carrier

Delta enjoys superior size and scale over the competition



DAL Net Sales vs. Peer Median, 2000A – 2022E ⁽¹⁾⁽²⁾



Source: S&P Capital IQ, Company Filings

Commentary

- Superior scale gives DAL an inimitable competitive advantage over most industry peers, and economies of scale provide a buffer against margin compression in downturns

Growth Rates

	Sales	EBITDA
Historical		
1-year	5.8%	17.5%
2-yr CAGR	6.9%	4.2%
Estimated		
1-year	4.3%	(2.2%)
2-yr CAGR	4.1%	0.6%



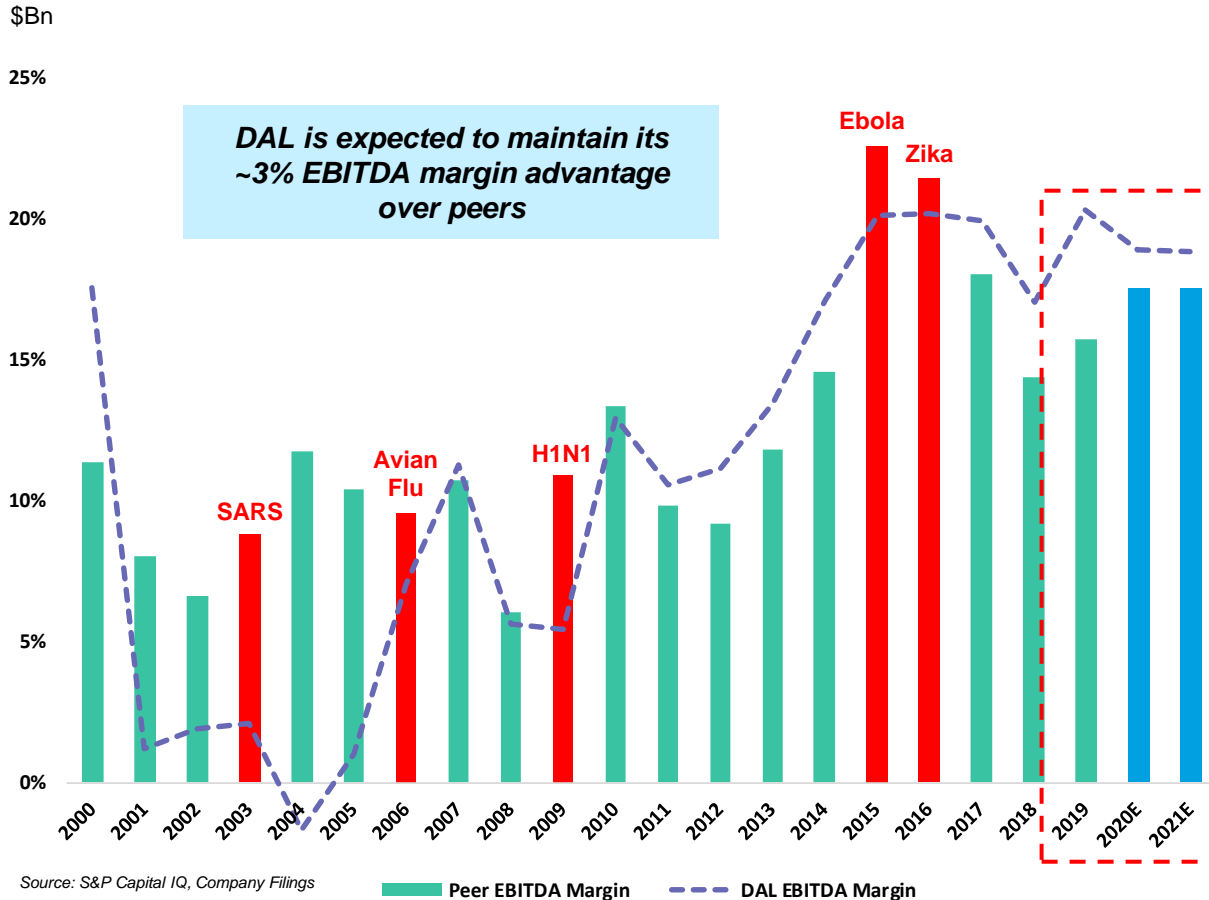
1. Peer firms include: AAL, UAL, LUV, JBLU, SAVE, ALK, LHA
 2. Forward consensus estimates per CIQ median

DAL is a Market-Leading Carrier



Historical outbreaks have not hurt margins much

DAL EBITDA Margin vs. Select Industry Peers, 2000A – 2021E



Commentary

- Airline industry margins track more closely with overall macroeconomic conditions than with industry-specific adverse epidemiological events

LTM Credit / Liquidity Ratios	
Debt/Total Cap.	58.2%
Current Ratio	0.41x
Net Debt/EBITDA	1.27x
EBITDA/Interest Exp.	39.48x
(EBITDA-capex)/Interest	23.08x
EBIT/Interest Expense	22.09x



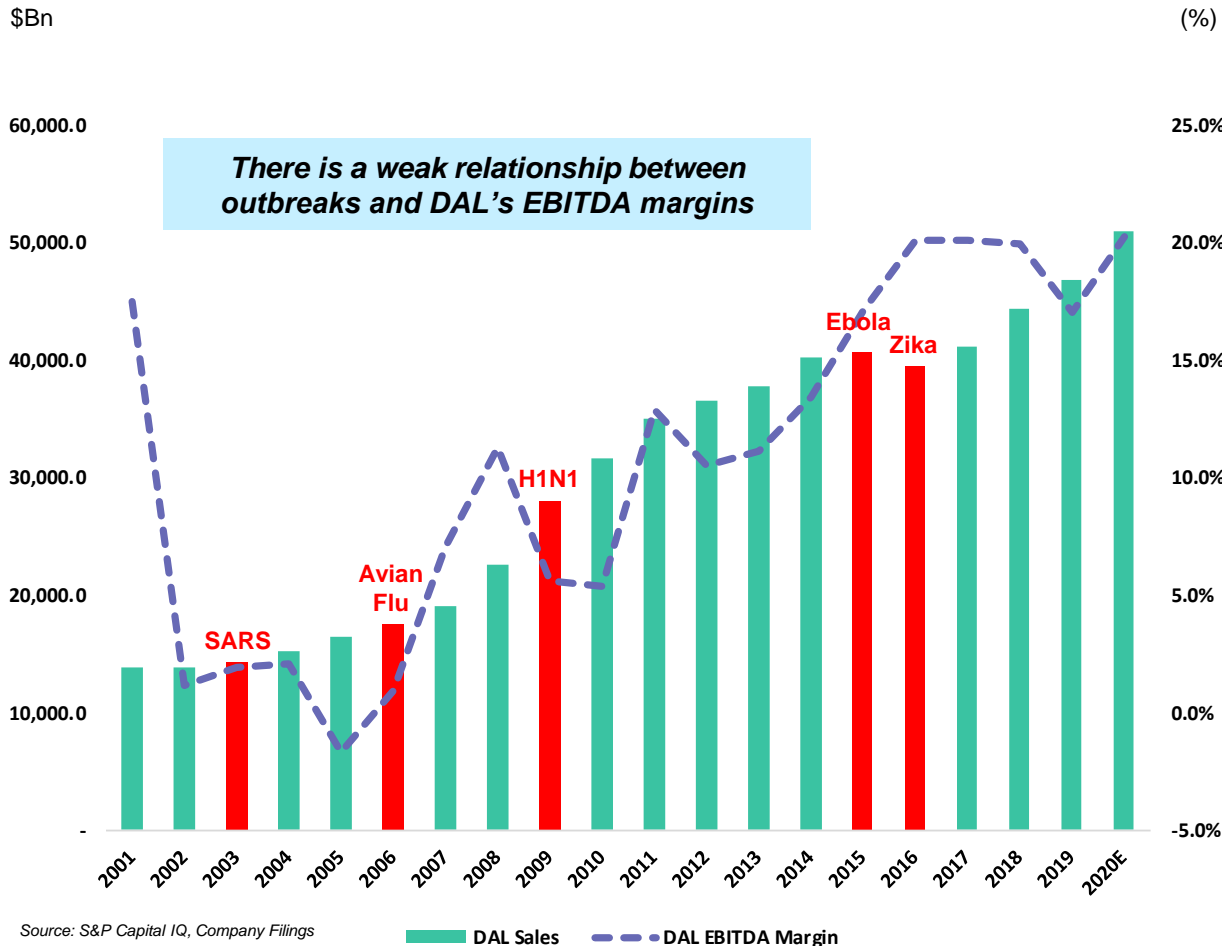
1. Peer firms include: AAL, UAL, LUV, JBLU, SAVE, ALK, LHA
 2. Forward consensus estimates per CIQ median

DAL is a Market-Leading Carrier



Delta's EBITDA margins have risen rapidly to new highs

DAL Revenue and EBITDA Margin, 2001A – 2020E ⁽¹⁾



Commentary

- DAL's EBITDA margins have reached historic highs during the last three years—the consensus margin of ~21% representing its highest ever
- EBITDA margins remained above 5% at their low during the depths of the great recession from 2007-2009

LTM Return & Efficiency Ratios

ROIC	11.7%
Return on Equity	32.8%
Return on Assets	6.7%
Dividend Yield	3.3%
Fixed Asset Turnover	0.8%
Total Asset Turnover	21.9%
DSO	21.9



1. Data as of latest filing date

DAL is a Market-Leading Carrier

DAL has market-leading on-time arrivals



CARRIER*	Jan 19		Feb 19		Mar 19		Apr 19		May 19		Jun 19		Jul 19		Aug 19		Sep 19		Oct 19		Nov 19		Dec 19		Year-to-date (YTD)	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
ALASKA AIRLINES	80.9	5	66.9	10	81.5	5	85.5	2	84.7	3	83.2	2	84.9	2	80.3	4	83.0	6	85.0	2	83.6	6	74.2	8	81.3	3
- ALASKA AIRLINES	80.5		68.0		81.2		83.7		82.6		81.8		83.4		77.7		81.5		84.3		83.5		73.8		80.3	
- BRANDED CODESHARE PARTNERS	81.5		65.2		81.9		88.1		87.9		85.4		87.3		84.5		85.1		86.0		83.8		74.8		82.8	
ALLEGiant AIR	73.4	8	75.2	4	85.3	4	81.6	4	79.5	4	72.9	5	78.6	5	76.8	5	84.1	4	83.4	5	81.6	7	73.6	9	78.7	6
AMERICAN AIRLINES**	77.6	6	73.8	6	80.4	6	77.6	9	74.2	9	70.4	7	74.9	6	75.0	6	82.7	7	80.3	8	84.1	5	78.3	4	77.4	7
- AMERICAN AIRLINES	80.0		75.8		78.3		75.6		70.4		67.1		73.7		74.6		82.9		80.5		84.7		81.2		77.0	
- BRANDED CODESHARE PARTNERS	75.7		72.2		82.1		79.3		77.2		73.1		75.9		75.3		82.6		80.2		83.7		76.0		77.8	
DELTA AIR LINES	82.7	3	77.9	2	85.6	3	83.9	3	85.4	2	78.7	3	80.3	3	82.1	3	88.2	2	85.5	1	88.1	2	83.0	2	83.5	2
- DELTA AIR LINES	86.7		81.6		88.3		86.2		86.7		79.9		80.8		83.2		88.6		86.6		89.6		84.6		85.2	
- BRANDED CODESHARE PARTNERS	77.9		73.4		82.3		81.0		83.8		77.1		79.7		80.7		87.7		84.0		86.1		80.9		81.2	
FRONTIER AIRLINES	73.9	7	74.3	5	78.3	8	77.6	8	67.0	10	64.0	10	66.0	10	71.2	8	78.8	10	74.5	10	78.5	10	75.3	7	73.1	10
HAWAIIAN AIRLINES	87.2	1	81.7	1	86.8	1	89.0	1	89.6	1	89.6	1	88.4	1	89.7	1	90.2	1	83.0	6	89.5	1	87.6	1	87.7	1
- HAWAIIAN AIRLINES	87.3		82.1		87.3		89.4		90.0		89.7		89.5		90.4		90.8		83.9		90.0		88.7		88.3	
- BRANDED CODESHARE PARTNERS	86.3		78.4		82.1		84.9		79.6		88.5		77.9		83.4		85.0		74.0		84.9		76.5		81.8	
JETBLUE AIRWAYS	69.4	10	70.0	9	73.8	10	73.4	10	77.6	5	70.1	8	70.2	9	67.8	10	82.0	8	80.7	7	80.4	9	66.7	10	73.5	9
SOUTHWEST AIRLINES**	81.9	4	73.5	7	80.0	7	78.7	6	75.8	7	75.1	4	80.3	4	82.2	2	88.1	3	84.0	4	85.3	4	77.9	5	80.2	4
SPIRIT AIRLINES	82.9	2	77.7	3	86.4	2	80.2	5	76.0	6	71.6	6	74.1	7	70.9	9	83.8	5	84.5	3	86.9	3	81.2	3	79.5	5
UNITED AIRLINES	72.1	9	71.1	8	77.1	9	78.2	7	74.7	8	67.4	9	72.2	8	73.6	7	79.0	9	79.5	9	81.0	8	75.9	6	75.2	8
- UNITED AIRLINES	78.8		77.0		78.8		79.7		75.5		70.2		73.6		75.4		80.2		82.0		83.9		78.7		77.7	
- BRANDED CODESHARE PARTNERS	68.0		67.4		76.0		77.1		74.2		65.5		71.3		72.4		78.3		77.8		79.2		74.1		73.5	
TOTAL	78.4		73.8		80.9		79.8		77.9		73.3		76.9		77.6		84.1		82.2		84.4		78.2		79.0	

Note: For simplicity, statistics are displayed to one decimal place. Actual ranking order is calculated to nine decimal places.

*All U.S. airlines with at least 0.5 percent of total domestic scheduled service passenger revenues plus any branded codeshare partners.

**On March 13, 2019, the Federal Aviation Administration ordered the immediate grounding of Boeing 737 MAX aircraft operated by U.S. airlines or in U.S. territory based on data arising out of the relevant accident investigations. American Airlines informed the Department that the grounding of the 737 MAX aircraft negatively impacted its on-time performance statistics during the March reporting period. Southwest Airlines informed the Department that the grounding of the 737 MAX aircraft negatively impacted its on-time performance statistics during the March, April, May, and June Reporting periods.



DAL is a Market-Leading Carrier

DAL has market-leading flight performance



CARRIER*	AT ALL US AIRPORTS				
	NUMBER OF AIRPORTS REPORTED	FLIGHT OPERATIONS SCHEDULED	FLIGHT OPERATIONS CANCELLED	PERCENT OF OPERATIONS CANCELLED	RANK
SPIRIT AIRLINES	51	17299	98	0.6	1
DELTA AIR LINES NETWORK	223	145164	888	0.6	2
- DELTA AIR LINES	148	81524	26	0.0	
- BRANDED CODESHARE PARTNERS	204	63640	862	1.4	
JETBLUE AIRWAYS	64	25217	183	0.7	3
ALLEGiant AIR	121	9381	70	0.7	4
HAWAIIAN AIRLINES NETWORK	22	8026	73	0.9	5
- HAWAIIAN AIRLINES	19	7276	8	0.1	
- BRANDED CODESHARE PARTNERS	4	750	65	8.7	
AMERICAN AIRLINES NETWORK	236	177350	1760	1.0	6
- AMERICAN AIRLINES	110	79405	177	0.2	
- BRANDED CODESHARE PARTNERS	223	97945	1583	1.6	
SOUTHWEST AIRLINES	88	114442	1194	1.0	7
FRONTIER AIRLINES	92	12267	139	1.1	8
UNITED AIRLINES NETWORK	233	133060	2070	1.6	9
- UNITED AIRLINES	106	51291	139	0.3	
- BRANDED CODESHARE PARTNERS	222	81769	1931	2.4	
ALASKA AIRLINES NETWORK	97	37735	701	1.9	10
- ALASKA AIRLINES	72	21993	241	1.1	
- BRANDED CODESHARE PARTNERS	47	15742	460	2.9	
TOTAL AIRPORTS SERVED	363	679,941	7,176	1.1	

Note: For simplicity, statistics are displayed to one decimal place. Actual ranking order is calculated to nine decimal places.

*All U.S. airlines with at least 0.5 percent of total domestic scheduled service passenger revenues plus any branded codeshare partners.

Note: For a complete list of flights by number canceled 5% or more of the time, go to <https://www.transtats.bts.gov/ONTIME/5PctCancels.aspx>



DAL is a Market-Leading Carrier

Delta is widely recognized as the best-performing airline



Wall Street Journal Airline Scorecard

AIRLINE	OVERALL RANK	ON-TIME ARRIVALS	CANCELED 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
Spirit	5	3	6	5	4	5	4	9
JetBlue	6	8	3	9	7	7	3	4
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

Showing 1 to 9 of 9 entries

Two-hour tarmac delays and consumer complaints from Transportation Department, based on 12 months ended in Oct. DOT involuntary bumping based on 12 months ended September. DOT mishandled baggage based on 10 months Jan.-Oct. 2019

On-time, canceled flights and extreme delays data for full year 2019 from masFlight, the flight-data analytics unit of Global Eagle. Includes regional affiliate flights and international.

DAL has earned numerous awards for quality of service in 2020 alone

Organization: Award:

Fortune	Delta was named one of the 2020 Fortune 100 Best Companies to Work For, according to global research and consulting firm Great Place to Work® and Fortune, for the fourth straight year.
Business Travel Awards	Delta Air Lines was named Best Long-Haul Airline at the 25th annual Business Travel Awards , retaining one of the U.K.'s most prestigious travel awards for a second straight year.
Fortune	Delta ranked no. 19 on Fortune magazine's Top 50 Most Admired Companies list for its leadership in social responsibility, innovation, and culture. Fortune also named Delta No. 1 on its Most Admired Airline list.
Wall Street Journal	The Wall Street Journal named Delta the best U.S. airline of 2019, ranking Delta as No. 1 on the annual list of best U.S. airlines of 2019.
Great Place to Work	Great Place to Work® and Fortune magazine named Delta as one of the 2019 Best Workplaces for Diversity, an honor the airline has now earned for four years running. Delta ranked no. 58 on the 2019 list, the only passenger airline to be included.

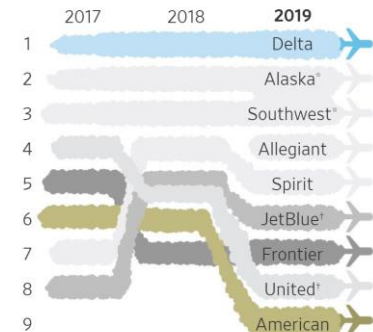
Source: WSJ

Commentary

- Airlines are typically forced to choose between service quality and returns because tighter scheduling timelines lead to better capacity usage at the expense of more delays/overbookings—Delta is a leader in both quality and returns

How the Airlines Stack Up

The overall performances of the largest U.S. airlines on the Middle Seat scorecard, from 2017 to 2019.



*Tied †Tied in 2018

Sources: masFlight, the flight-data analytics unit of Global Eagle; Transportation Department

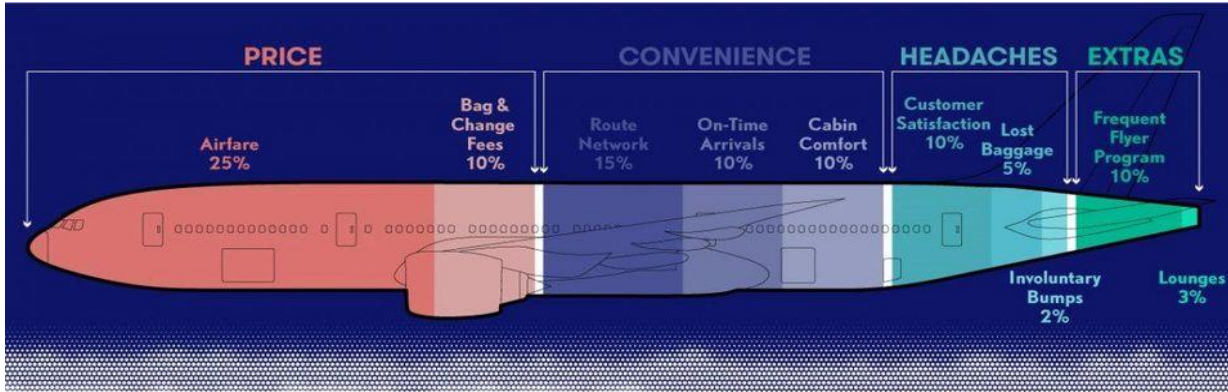


DAL is a Market-Leading Carrier



Airlines compete on price, convenience, and service

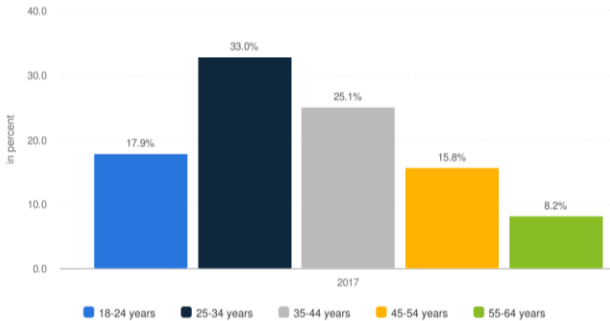
Airlines compete on price, convenience, and reliability



Commentary

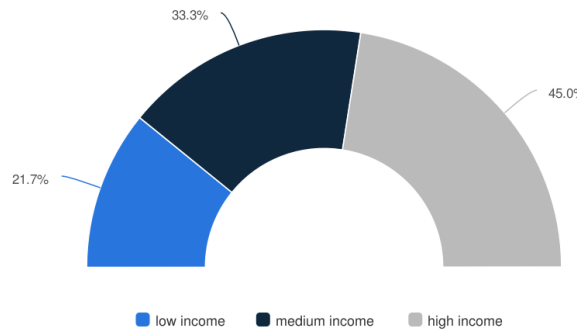
- Despite accounting for 8% of flights, business and first-class customers account for 27% of revenue for US airlines on average ⁽¹⁾
- Just 15% of global passengers account for ~50% of global flight revenue ⁽²⁾

Global Flight Passengers, by Age

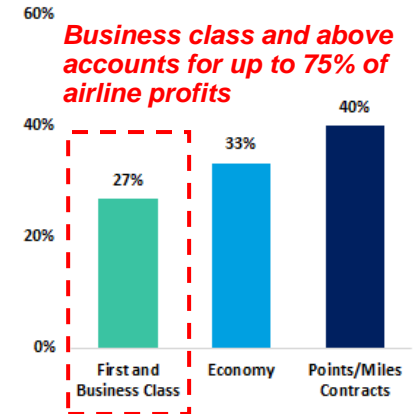


Source: Forbes, Statista Research, Investopedia

Global Flight Passengers, by Income



Global Airline Sales by Class



1. Per IATA
2. Per Boeing

DAL is a Market-Leading Carrier

Delta's differentiated fleet strategy improves performance



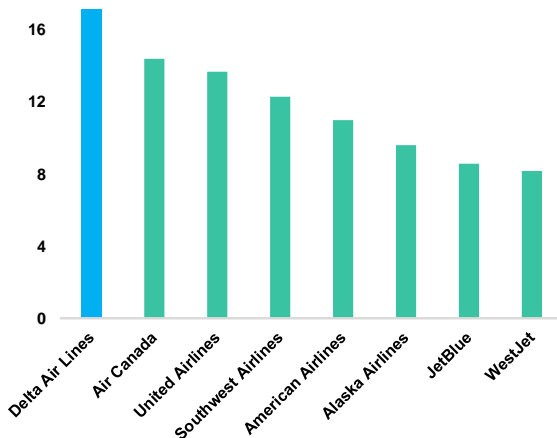
Delta buys cheaper used planes and uses them for record time

- Delta' buys extremely cheap used airplanes and its TechOps team completely refits the interiors—almost all other airlines have more new planes
- Low rates have allow airlines to invest more readily in newer airplanes, pushing down used plane prices
- Oil prices are expected to stay low

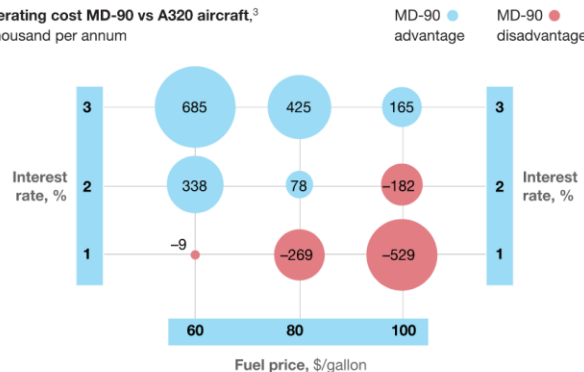
An older fleet pays off when fuel prices are low and interest rates are rising.

MD-90	Assumptions	A320
Cost drivers		
4.56 ¹	Acquisition cost, \$ million	42.31
715	Maintenance, repair, and overhaul cost, \$/BH ²	600
900	Fuel burn, gallons/BH	780
7.5	Utilization, BH/day	12.5
10	Depreciation period, years	20
0	Residual value, \$ million	8.1

Average Fleet Age of NA Airline Peers



Operating cost MD-90 vs A320 aircraft,³
\$ thousand per annum



¹\$2.06 million acquisition (1999 vintage—latest year produced) and \$2.50 million assumed refurbishment.

²Block hour.

³Considers only fuel expense; maintenance, repair, and overhaul cost; and ownership cost (depreciation, interest cost assuming full debt financing) in 1st year.

DELTA MAINLINE FLEET

 WINGSPAN: 212ft & 7in TAIL HEIGHT: 6ft 1in & 6in LENGTH: 209ft & 1in SEATS: 291 SPEED: 550mph	 WINGSPAN: 212ft TAIL HEIGHT: 6ft 6in LENGTH: 231ft & 10in SEATS: 376 SPEED: 564mph
 WINGSPAN: 156ft & 1in TAIL HEIGHT: 52ft LENGTH: 182ft & 3in SEATS: 261 SPEED: 517mph	 WINGSPAN: 156ft & 1in TAIL HEIGHT: 52ft LENGTH: 180ft & 3in SEATS: 226 SPEED: 517mph
 WINGSPAN: 179ft TAIL HEIGHT: 54ft & 10in LENGTH: 209ft & 6in SEATS: 246 SPEED: 517mph	 WINGSPAN: 134ft & 9in TAIL HEIGHT: 44ft & 6in LENGTH: 155ft & 3in SEATS: 180 SPEED: 517mph
 WINGSPAN: 124ft & 10in TAIL HEIGHT: 45ft & 1in LENGTH: 177ft & 5in SEATS: 224 SPEED: 517mph	 WINGSPAN: 134ft & 9in TAIL HEIGHT: 44ft & 6in LENGTH: 155ft & 3in SEATS: 168 SPEED: 517mph
 WINGSPAN: 117ft & 6in TAIL HEIGHT: 41ft & 6in LENGTH: 102ft & 6in SEATS: 124 SPEED: 517mph	 WINGSPAN: 117ft & 6in TAIL HEIGHT: 41ft & 6in LENGTH: 108ft & 3in SEATS: 160 SPEED: 517mph
 WINGSPAN: 117ft & 6in TAIL HEIGHT: 41ft & 6in LENGTH: 133ft & 2in SEATS: 180 SPEED: 517mph	 WINGSPAN: 93ft & 6in TAIL HEIGHT: 29ft & 1in LENGTH: 120ft SEATS: 110 SPEED: 504mph
 WINGSPAN: 111ft & 10in TAIL HEIGHT: 38ft & 7in LENGTH: 111ft SEATS: 126 SPEED: 517mph	 WINGSPAN: 111ft & 10in TAIL HEIGHT: 38ft & 7in LENGTH: 132ft & 3in SEATS: 150 SPEED: 517mph
 WINGSPAN: 111ft & 10in TAIL HEIGHT: 38ft & 7in LENGTH: 112ft & 6in SEATS: 150 SPEED: 517mph	 WINGSPAN: 107ft & 10in TAIL HEIGHT: 56ft & 6in LENGTH: 208ft & 10in SEATS: 293 SPEED: 517mph
 WINGSPAN: 107ft & 10in TAIL HEIGHT: 30ft & 6in LENGTH: 147ft & 10in SEATS: 140 SPEED: 498mph	 WINGSPAN: 107ft & 10in TAIL HEIGHT: 30ft & 6in LENGTH: 152ft & 7in SEATS: 160 SPEED: 498mph



Source: Forbes, Statista Research, Delta, McKinsey Research

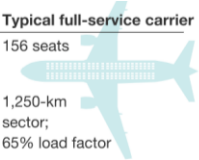
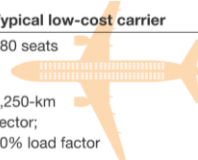
McKinsey&Company | Source: Aircraft Value Analysis Company; Airline Monitor

DAL is a Market-Leading Carrier

Delta economics and service outcompete budget airlines



Airline Unit Economics Result in a Trade-off Between Quality Measures and Per-Seat Costs

Line item	Typical full-service carrier	Typical low-cost carrier
	156 seats  1,250-km sector; 65% load factor	180 seats  1,250-km sector; 80% load factor
Aircraft	\$/month	
	\$340,000	\$195,000
	BH ¹ /day	
	8	12
Fuel	Gallons/BH	
	820	800
	\$/gallon	
	\$1.40	\$1.40
Maintenance	\$/BH	
	\$700	\$600
Cockpit crew	Annual salary	
	\$120,000	\$100,000
	Benefit load	
	35%	25%
	Annual training	
	\$15,000	\$15,000
	BH/month	
	60	65
Cabin crew	Annual salary	
	\$50,000	\$40,000
	Benefit load	
	25%	20%
	Cabin crew	
	6	4
	BH/month	
	60	65
HOTAC ²	\$/crew member	
	\$150	-
Airport/nav	\$/turn, aircraft	
	\$2,500	\$2,000
	\$/leg, Ldg/nav ³	
	\$750	\$500
	\$/pax, ⁴ handling	
	\$5	\$3.50
Onboard	\$/pax	
	\$5	\$1
S&D ⁵	\$/pax	
	\$15	\$5
G&A ⁶	\$/pax	
	\$10	\$5
Cost per available seat kilometer	8.19¢	4.71¢

Low-Cost Airlines Reduce Prices at the Expense of Customer Experience

Share of cost per available-seat kilometer (CASK), %

Short-haul flight
100% = CASK for mainline network carriers: 11.4¢

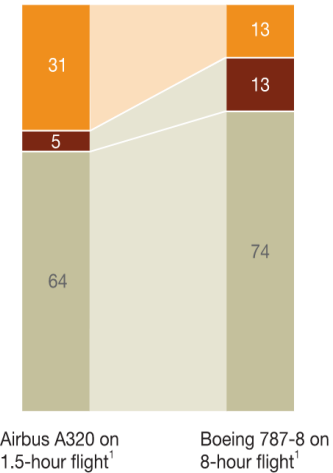
Long-haul flight
100% = CASK for mainline network carriers: 6.2¢

Cost breakdown:

Savings for low-cost carriers in **input costs**— eg, onboard services, labor, administrative

Savings available from higher **seat density** for either kind of carrier

Fixed costs common to mainline and low-cost carriers



¹Seat counts based on announced configurations by carriers that fit the respective archetypes; Airbus A320: 180 seats for low-cost carrier compared with 168 for mainline carrier; Boeing 787-8: 291 seats for low-cost carrier compared with 247 for mainline carrier.



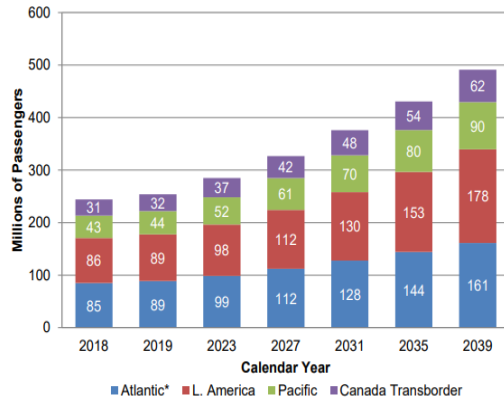
Source: Forbes, Statista Research, Delta, McKinsey Research

Industry Analysis



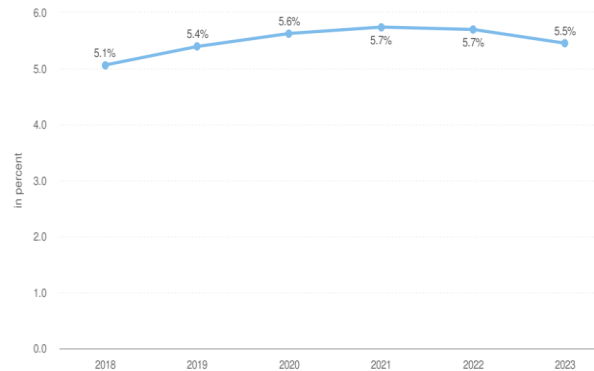
The airline industry has multiple secular tailwinds

Total Passengers To/From the US



Source: US Customs & Border Protection data processed and released by Department of Commerce; data also received from Transport Canada

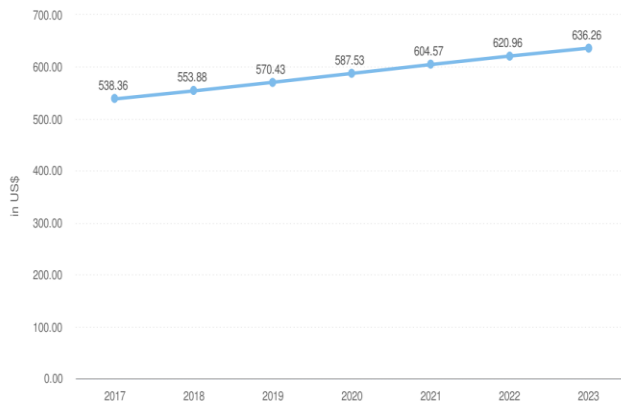
Flight Market Projected Revenue Growth



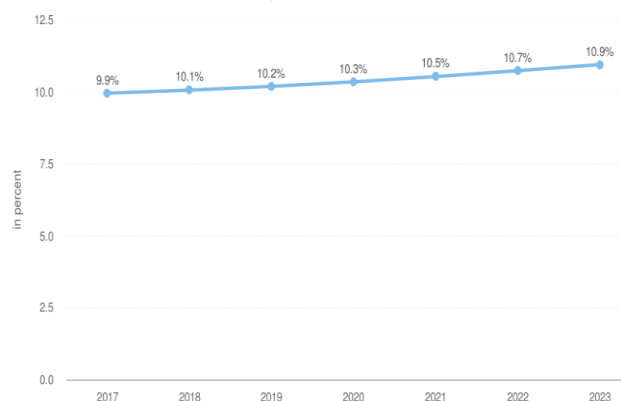
Commentary

- Passengers are spending more on average, and more potential passengers continue to enter the market

Flight Market APRU



Flight Market Penetration Rate



Ownership

Berkshire is increasing its stake on market lows



Warren Buffett's Berkshire Hathaway Just Bought More Delta Stock. It Probably Won't Buy It All.

By [Andrew Bary](#) Updated March 3, 2020 12:45 pm ET / Original March 3, 2020 11:09 am ET

Text size ⊖ ⊕



Warren Buffett
Photograph by Saul Loeb/AFP via Getty Images

[Delta Air Lines](#) is getting a lift from news that [Berkshire Hathaway](#) has slightly increased its stake in the carrier to more than 11%, but it's unlikely that Berkshire will buy the entire airline.

The move amounts to a vote of confidence by Berkshire CEO

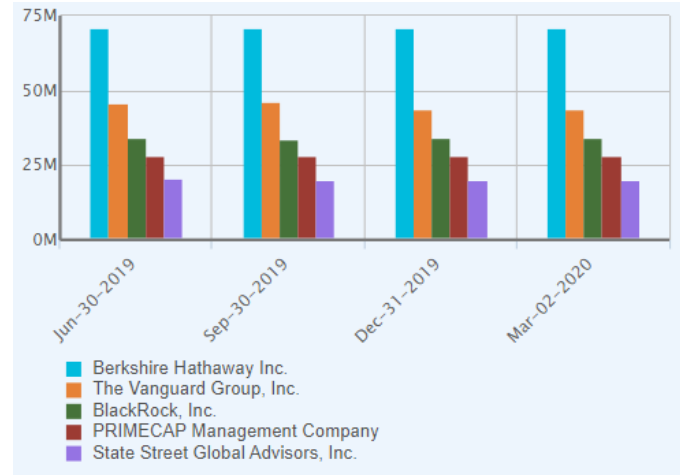
Markets

Berkshire Boosts Delta Air Stake by \$45 Million Amid Market Rout

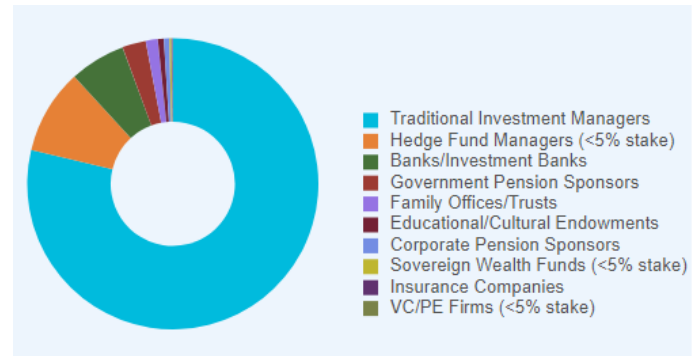
By [Dan Reichl](#)
March 2, 2020, 7:25 PM EST



DAL Top Shareholders



DAL Ownership by Type



Agenda



1	Executive Summary	3
2	Thesis Point 1: Post-Outbreak Outperformance	6
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5	Appendix A: Supplementary Materials	45

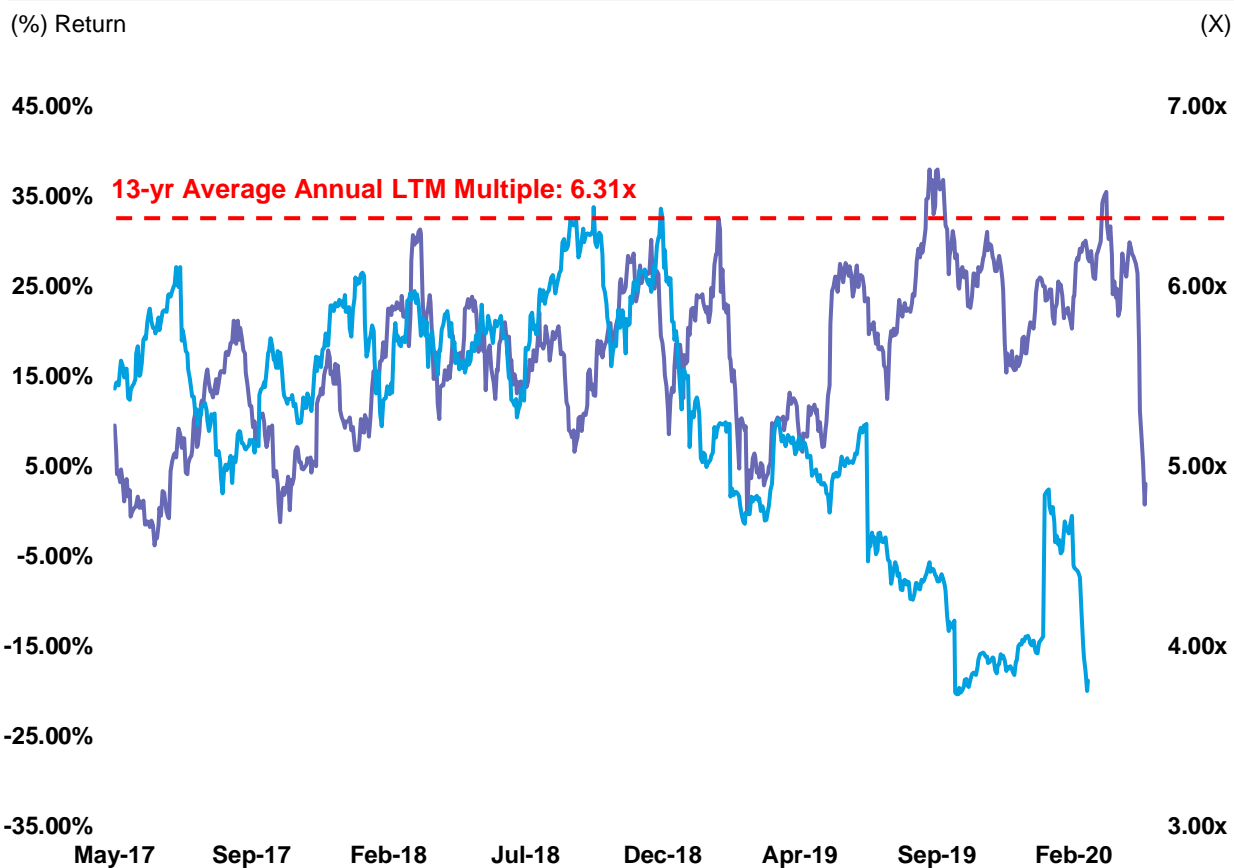


DAL is Undervalued by COVID-19 Selloff

DAL is down ~20% from January 2020



Delta share price and LTM EV/EBITDA multiple performance, 3-yr ⁽¹⁾



Commentary

- Delta's LTM multiple has reached historic lows with recent market declines— this decline is not justified by fundamentals

Selected Market Data

Current Price	3/3/2020	\$46.18
% of 52-wk High		72.8%
52-wk High	7/24/2019	\$63.44
52-wk Low	3/2/2020	\$44.33
Dividend / Share		\$1.51
Fully Diluted Shares Out.		637.50
Equity Value		29,439.9
Plus: Total Debt		17,995.0
Plus: Preferred Stock		-
Plus: Noncontrolling Interest		-
Less: Cash and Equivalents		(2,894.00)
Enterprise Value		44,540.9

Source: S&P Capital IQ, Company Filings

— Delta Air Lines, Inc. (NYSE:DAL) - Share Pricing
 — Delta Air Lines, Inc. (NYSE:DAL) - TEV/EBITDA



1. Market data as of Monday 3/2/2020

DAL is Undervalued by COVID-19 Selloff

DAL trades fairly relative to airline peers



	General					Enterprise Value Multiples				Price Multiples			
	EV	Mkt. Cap	\$ / Sh.	Revenue LTM	EBITDA LTM	EV / NTM Sales	EV / NTM EBIT	EV / LTM EBITDA	EV / NTM EBITDA	Price/ TBV	P/ LTM LFCF	FWD P/E	FWD PEG
Airline Peers													
American Airlines Group Inc.	37,653	8,035	18.08	45,768	6,207	0.8x	10.6x	3.6x	5.3x	(65.6x)	NM	3.7x	0.4x
United Airlines Holdings, Inc.	29,959	14,453	58.29	43,259	6,721	0.7x	6.7x	2.9x	4.2x	1.3x	11.7x	4.9x	0.4x
Southwest Airlines Co.	24,217	24,287	45.54	22,428	3,990	1.0x	8.0x	4.3x	5.6x	2.4x	12.4x	10.3x	1.0x
JetBlue Airways Corporation	6,218	4,394	15.06	8,094	1,287	0.7x	6.2x	3.4x	3.8x	0.9x	229.7x	6.3x	0.4x
Spirit Airlines, Inc.	4,340	1,867	25.73	3,831	674	1.0x	7.6x	4.3x	4.1x	0.8x	10.0x	4.9x	0.4x
Alaska Air Group, Inc.	7,844	6,149	47.09	8,781	1,494	0.9x	6.7x	3.6x	4.1x	1.3x	9.2x	7.2x	0.3x
Deutsche Lufthansa AG	13,211	5,691	11.90	40,043	4,485	0.3x	5.7x	2.6x	2.5x	0.6x	7.6x	3.9x	NM
High	37,653	24,287	58.29	45,768	6,721	1.0x	10.6x	4.3x	5.6x	2.4x	229.7x	10.3x	1.0x
Average	17,635	9,268	31.67	24,600	3,551	0.8x	7.4x	3.5x	4.2x	(8.3x)	46.8x	5.9x	0.5x
Median	13,211	6,149	25.73	22,428	3,990	0.8x	6.7x	3.6x	4.1x	0.9x	10.8x	4.9x	0.4x
Low	4,340	1,867	11.90	3,831	674	0.3x	5.7x	2.6x	2.5x	(65.6x)	7.6x	3.7x	0.3x
DAL	44,541	29,440	46	47,007	8,913	0.9x	6.9x	3.8x	4.7x	1.9x	13.0x	6.3x	0.5x



DAL is Undervalued by COVID-19 Selloff

DAL earns superior returns on capital



	Profitability							Liquidity		Solvency			
	Gross Margin	EBIT Margin	EBITDA Margin	Net Margin	UFCF Margin	ROE	ROA	ROIC	Current Ratio	Quick Ratio	Debt / EV	Net Debt / EBITDA	EBITDA / Interest
Airline Peers													
American Airlines Group Inc.	27.4%	8.5%	13.6%	3.7%	1.5% NM		4.0%	4.5%	0.4x	0.3x	88.8%	2.8x	9.6x
United Airlines Holdings, Inc.	34.2%	10.6%	15.5%	7.0%	3.8%	27.9%	5.6%	9.7%	0.5x	0.4x	68.3%	1.5x	15.9x
Southwest Airlines Co.	31.3%	13.1%	17.8%	10.3%	8.9%	23.4%	7.1%	14.2%	0.7x	0.6x	16.5%	NM	68.8x
JetBlue Airways Corporation	33.8%	10.1%	15.9%	7.0%	0.7%	12.0%	4.4%	7.5%	0.7x	0.6x	50.7%	1.0x	28.3x
Spirit Airlines, Inc.	34.6%	13.6%	17.6%	8.8%	6.3%	16.0%	5.3%	6.7%	1.2x	1.1x	82.0%	2.4x	11.5x
Alaska Air Group, Inc.	28.4%	12.2%	17.0%	8.8%	8.0%	19.0%	5.6%	8.9%	0.6x	0.6x	41.0%	0.8x	34.4x
Deutsche Lufthansa AG	23.0%	5.1%	11.2%	3.8%	2.7%	13.8%	2.8%	5.4%	0.7x	0.6x	79.4%	1.4x	11.9x
High	34.6%	13.6%	17.8%	10.3%	8.9%	27.9%	7.1%	14.2%	1.2x	1.1x	88.8%	2.8x	68.8x
Average	30.4%	10.4%	15.5%	7.0%	4.6%	18.7%	5.0%	8.1%	0.7x	0.6x	61.0%	1.6x	25.8x
Median	31.3%	10.6%	15.9%	7.0%	3.8%	17.5%	5.3%	7.5%	0.7x	0.6x	68.3%	1.4x	15.9x
Low	23.0%	5.1%	11.2%	3.7%	0.7%	12.0%	2.8%	4.5%	0.4x	0.3x	16.5%	0.8x	9.6x
DAL	27.5%	14.1%	19.0%	10.1%	5.2%	32.8%	6.7%	11.7%	0.4x	0.3x	40.4%	1.3x	39.5x



WACC Analysis

Base Case CAPM Method



WACC Analysis for DAL

	Notes		Base Case	
Risk-Free Rate	10YR US Treasury	1.10%	1.10%	1.10%
Market Risk Premium	Historical Average	5.5%	5.5%	5.5%
Relevered Beta	2-Yr adj. Beta levered @ current debt / equity	1.27	1.27	1.27
Cost of Equity (+ / -) 1%		7.1%	8.1%	9.1%
Weight of Equity (+ / -) 1%	Based on current capitalization	62.8%	62.8%	62.8%
Pre-Tax Cost of Debt	Yield on Outstanding Debt	2.56%	2.56%	2.56%
Long-Term Tax Rate	Consensus LT ETR	23.0%	23.0%	23.0%
After-Tax Cost of Debt		1.97%	1.97%	1.97%
Weight of Debt (+ / -) 1%	Based on current capitalization	37.2%	37.2%	37.2%
Weighted Average Cost of Capital		5.18%	5.81%	6.44%

LTM Return ROI & Efficiency Ratios

Return on Invested Capital	11.7%
Return on Equity	32.8%
Return on Assets	6.7%
Dividend Yield	3.4%
Fixed Asset Turnover	0.8%
Total Asset Turnover	21.9%
Days Sales Outstanding	21.9

		Levered Beta				
		1.07	1.17	1.27	1.37	1.47
Target Debt-to-Capitalization	33.0%	5.33%	5.70%	6.07%	6.44%	6.80%
	35.0%	5.23%	5.59%	5.95%	6.30%	6.66%
	37.0%	5.13%	5.48%	5.82%	6.17%	6.52%
	39.0%	5.03%	5.37%	5.70%	6.04%	6.37%
	41.0%	4.93%	5.25%	5.58%	5.90%	6.23%



Consensus DCF

Median Analyst Valuation



DAL DCF — Consensus Street Case

\$MM	Historical			Projected					
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Revenue	41,138	44,438	47,007	49,161	51,040	52,991	55,016	57,119	
Direct Costs	29,305	32,986	34,091	35,653	37,361	38,789	40,272	41,811	
D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
SG&A	1,827	1,941	1,993	2,138	2,204	2,280	2,379	2,465	
(-) COVID Op. Margin Adj.				-					
Other OPEX	1,796	1,928	2,010	2,127	2,208	2,293	2,380	2,471	
EBIT	6,175	5,459	6,650	6,576	6,410	6,734	7,259	7,556	
% Margin	15.0%	12.3%	14.1%	13.4%	12.6%	12.7%	13.2%	13.2%	
Income Tax Expense	(1,420)	(1,256)	(1,530)	(1,512)	(1,474)	(1,549)	(1,669)	(1,738)	
NOPAT	4,755	4,203	5,121	5,063	4,936	5,185	5,589	5,818	
% Margin	11.6%	9.5%	10.9%	10.3%	9.7%	9.8%	10.2%	10.2%	
(+) D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
(-) Capex	(3,891)	(5,168)	(4,936)	(4,500)	(4,463)	(4,382)	(4,549)	(2,815)	
(-) (Increase)/Decrease NWC	291	1,627	540	(190)	473	472	490	508	
UFCF	3,190	2,786	2,988	3,040	3,802	4,170	4,256	6,327	
% Margin	7.8%	6.3%	6.4%	6.2%	7.4%	7.9%	7.7%	11.1%	
% Growth		(12.6%)	7.2%	1.8%	25.0%	9.7%	2.1%	48.7%	
EBITDA	8,210	7,583	8,913	9,242	9,266	9,629	9,985	10,372	
% Margin	20.0%	17.1%	19.0%	18.8%	18.2%	18.2%	18.1%	18.2%	
				Discount Period	0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value			Implied Valuation		
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.80%	4.50x	21,594.5	18,473.6	46,672.5	-6.83%	36,214.0	54,687.5	39,586.5	\$62.10
5.80%	5.00x	21,594.5	18,473.6	51,858.4	-5.70%	40,237.7	58,711.3	43,610.3	\$68.41
5.80%	5.50x	21,594.5	18,473.6	57,044.2	-4.76%	44,261.5	62,735.1	47,634.1	\$74.72

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value			Implied Valuation		
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	1.75%	5.80%	1.05%	21,594.5	18,473.6	49,512.0	4.77x	38,417.1	56,890.7	41,789.7	\$65.55
60.0%	2.25%	5.80%	1.35%	21,594.5	18,473.6	53,006.8	5.11x	41,128.8	59,602.3	44,501.3	\$69.81
60.0%	2.75%	5.80%	1.65%	21,594.5	18,473.6	57,006.8	5.50x	44,232.5	62,706.0	47,605.0	\$74.67



Base Case DCF

Unaffected Market Valuation



DAL DCF — Base Case

\$MM	Historical			Projected					
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Revenue	41,138	44,438	47,007	49,161	51,040	52,991	55,016	57,119	
Direct Costs	29,305	32,986	34,091	35,653	37,361	38,789	40,272	41,811	
D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
SG&A	1,827	1,941	1,993	2,138	2,204	2,280	2,379	2,465	
(-) COVID Op. Margin Adj.				-					
Other OPEX	1,796	1,928	2,010	2,127	2,208	2,293	2,380	2,471	
EBIT	6,175	5,459	6,650	6,576	6,410	6,734	7,259	7,556	
% Margin	15.0%	12.3%	14.1%	13.4%	12.6%	12.7%	13.2%	13.2%	
Income Tax Expense	(1,420)	(1,256)	(1,530)	(1,512)	(1,474)	(1,549)	(1,669)	(1,738)	
NOPAT	4,755	4,203	5,121	5,063	4,936	5,185	5,589	5,818	
% Margin	11.6%	9.5%	10.9%	10.3%	9.7%	9.8%	10.2%	10.2%	
(+) D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
(-) Capex	(3,891)	(5,168)	(4,936)	(4,500)	(4,463)	(4,382)	(4,549)	(2,815)	
(-) (Increase)/Decrease NWC	291	1,627	540	(190)	473	472	490	508	
UFCF	3,190	2,786	2,988	3,040	3,802	4,170	4,256	6,327	
% Margin	7.8%	6.3%	6.4%	6.2%	7.4%	7.9%	7.7%	11.1%	
% Growth		(12.6%)	7.2%	1.8%	25.0%	9.7%	2.1%	48.7%	
EBITDA	8,210	7,583	8,913	9,242	9,266	9,629	9,985	10,372	
% Margin	20.0%	17.1%	19.0%	18.8%	18.2%	18.2%	18.1%	18.2%	
				Discount Period	0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value			Implied Valuation		
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.80%	4.00x	21,594.5	18,473.6	41,486.7	-8.20%	32,190.2	50,663.8	35,562.8	\$55.78
5.80%	4.50x	21,594.5	18,473.6	46,672.5	-6.83%	36,214.0	54,687.5	39,586.5	\$62.10
5.80%	5.00x	21,594.5	18,473.6	51,858.4	-5.70%	40,237.7	58,711.3	43,610.3	\$68.41

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value			Implied Valuation		
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	1.00%	5.80%	0.60%	21,594.5	18,473.6	45,025.9	4.34x	34,936.3	53,409.8	38,308.8	\$60.09
60.0%	1.50%	5.80%	0.90%	21,594.5	18,473.6	47,925.0	4.62x	37,185.8	55,659.4	40,558.4	\$63.62
60.0%	2.00%	5.80%	1.20%	21,594.5	18,473.6	51,202.4	4.94x	39,728.7	58,202.3	43,101.3	\$67.61



COVID-19 Pro Forma Valuation

Likely Case: 16% Lower EBIT in 2020



DAL DCF — Base Case

\$MM	Historical			Projected					
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Revenue	41,138	44,438	47,007	43,523	50,825	52,767	54,784	56,878	
Direct Costs	29,305	32,986	34,091	31,564	37,204	38,626	40,102	41,635	
D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
SG&A	1,827	1,941	1,993	1,893	2,195	2,270	2,369	2,454	
(-) COVID Op. Margin Adj.				1,032.0					
Other OPEX	1,796	1,928	2,010	1,883	2,199	2,283	2,370	2,461	
EBIT	6,175	5,459	6,650	4,484	6,371	6,693	7,217	7,513	
% Margin	15.0%	12.3%	14.1%	10.3%	12.5%	12.7%	13.2%	13.2%	
Income Tax Expense	(1,420)	(1,256)	(1,530)	(1,031)	(1,465)	(1,539)	(1,660)	(1,728)	
NOPAT	4,755	4,203	5,121	3,453	4,905	5,154	5,557	5,785	
% Margin	11.6%	9.5%	10.9%	7.9%	9.7%	9.8%	10.1%	10.2%	
(+) D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
(-) Capex	(3,891)	(5,168)	(4,936)	(4,500)	(4,463)	(4,382)	(4,549)	(2,815)	
(-) (Increase)/Decrease NWC	291	1,627	540	(1,550)	1,781	470	488	506	
UFCF	3,190	2,786	2,988	69	5,080	4,136	4,222	6,291	
% Margin	7.8%	6.3%	6.4%	0.2%	10.0%	7.8%	7.7%	11.1%	
% Growth		(12.6%)	7.2%	(97.7%)	7,287.3%	(18.6%)	2.1%	49.0%	
EBITDA	8,210	7,583	8,913	7,151	9,227	9,588	9,943	10,328	
% Margin	20.0%	17.1%	19.0%	16.4%	18.2%	18.2%	18.1%	18.2%	
				Discount Period	0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value			Implied Valuation		
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.80%	4.00x	19,797.8	16,674.4	41,311.6	-8.18%	32,054.3	48,728.7	33,627.7	\$52.75
5.80%	4.50x	19,797.8	16,674.4	46,475.5	-6.81%	36,061.1	52,735.5	37,634.5	\$59.03
5.80%	5.00x	19,797.8	16,674.4	51,639.4	-5.69%	40,067.9	56,742.3	41,641.3	\$65.32

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value			Implied Valuation		
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	1.00%	5.80%	0.60%	19,797.8	16,674.4	44,764.9	4.33x	34,733.8	51,408.2	36,307.2	\$56.95
60.0%	1.50%	5.80%	0.90%	19,797.8	16,674.4	47,647.3	4.61x	36,970.3	53,644.7	38,543.7	\$60.46
60.0%	2.00%	5.80%	1.20%	19,797.8	16,674.4	50,905.7	4.93x	39,498.5	56,172.9	41,071.9	\$64.43



COVID-19 Pro Forma Valuation

Worst Case: Zero EBIT in 2020E



DAL DCF — CVD-19 Case

\$MM	Historical			Projected					
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Revenue	41,138	44,438	47,007	43,523	50,825	52,767	54,784	56,878	
Direct Costs	29,305	32,986	34,091	31,564	37,204	38,626	40,102	41,635	
D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
SG&A	1,827	1,941	1,993	1,893	2,195	2,270	2,369	2,454	
(-) COVID Op. Margin Adj.				5,516.0					
Other OPEX	1,796	1,928	2,010	1,883	2,199	2,283	2,370	2,461	
EBIT	6,175	5,459	6,650	0	6,371	6,693	7,217	7,513	
% Margin	15.0%	12.3%	14.1%	0.0%	12.5%	12.7%	13.2%	13.2%	
Income Tax Expense	(1,420)	(1,256)	(1,530)	(0)	(1,465)	(1,539)	(1,660)	(1,728)	
NOPAT	4,755	4,203	5,121	0	4,905	5,154	5,557	5,785	
% Margin	11.6%	9.5%	10.9%	0.0%	9.7%	9.8%	10.1%	10.2%	
(+) D&A	2,035	2,124	2,263	2,667	2,856	2,895	2,726	2,815	
(-) Capex	(3,891)	(5,168)	(4,936)	(4,500)	(4,463)	(4,382)	(4,549)	(2,815)	
(-) (Increase)/Decrease NWC	291	1,627	540	(1,550)	1,781	470	488	506	
UFCF	3,190	2,786	2,988	(3,384)	5,080	4,136	4,222	6,291	
% Margin	7.8%	6.3%	6.4%	(7.8%)	10.0%	7.8%	7.7%	11.1%	
% Growth		(12.6%)	7.2%	(213.3%)	(250.1%)	(18.6%)	2.1%	49.0%	
EBITDA	8,210	7,583	8,913	2,667	9,227	9,588	9,943	10,328	
% Margin	20.0%	17.1%	19.0%	6.1%	18.2%	18.2%	18.1%	18.2%	
				Discount Period	0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value			Implied Valuation		
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.80%	4.00x	16,345.1	13,317.7	41,311.6	-8.18%	32,054.3	45,372.0	30,271.0	\$47.48
5.80%	4.50x	16,345.1	13,317.7	46,475.5	-6.81%	36,061.1	49,378.8	34,277.8	\$53.77
5.80%	5.00x	16,345.1	13,317.7	51,639.4	-5.69%	40,067.9	53,385.6	38,284.6	\$60.05

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value			Implied Valuation		
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	1.00%	5.80%	0.60%	16,345.1	13,317.7	44,764.9	4.33x	34,733.8	48,051.5	32,950.5	\$51.69
60.0%	1.50%	5.80%	0.90%	16,345.1	13,317.7	47,647.3	4.61x	36,970.3	50,288.0	35,187.0	\$55.20
60.0%	2.00%	5.80%	1.20%	16,345.1	13,317.7	50,905.7	4.93x	39,498.5	52,816.2	37,715.2	\$59.16



Valuation Matrix

DAL is cheap even considering extreme downside scenarios



		Exit Multiple						
		3.50x	3.75x	4.00x	4.25x	4.50x	4.75x	5.00x
EBIT Margin Reduction	16.0%	\$47.48	\$50.62	\$53.77	\$56.91	\$60.05	\$63.19	\$66.34
	50.0%	\$47.07	\$50.21	\$53.35	\$56.50	\$59.64	\$62.78	\$65.93
	75.0%	\$46.77	\$49.91	\$53.05	\$56.19	\$59.34	\$62.48	\$65.62
	100.0%	\$46.46	\$49.61	\$52.75	\$55.89	\$59.03	\$62.18	\$65.32
	125.0%	\$46.16	\$49.30	\$52.45	\$55.59	\$58.73	\$61.87	\$65.02
	150.0%	\$45.86	\$49.00	\$52.14	\$55.29	\$58.43	\$61.57	\$64.71
	175.0%	\$45.56	\$48.70	\$51.84	\$54.98	\$58.13	\$61.27	\$64.41

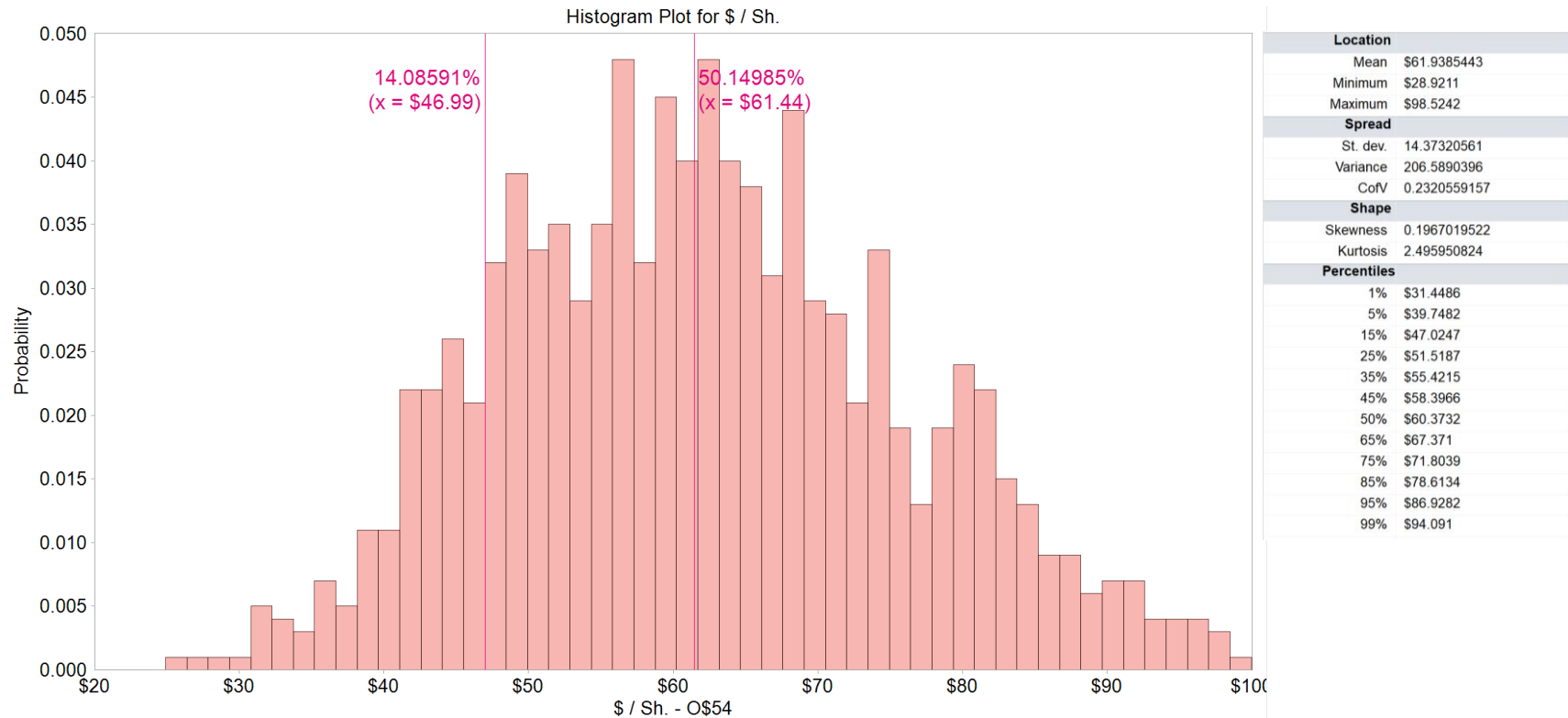
COVID Sales Reduction — DAL	
\$MM	
DAL 2020E Sales	49,161
Total Global 2020E Airline Sales	872,000
% Fwd. Market Share	5.6%
Total CVD Revenue Cost	100,000
Est. DAL Reduction	(5,638)
Est. Pro Forma 2020E Sales	43,523
DAL EBIT Margin @ \$44,000	12.3%
Est. Pro Forma 2020E EBIT	5,347
2020E Consensus EBIT	6,379
Est. 2020E EBIT Reduction	(16.2%)



Monte Carlo Simulation – KVD Method



DAL has an expected equity value per share of \$61.44



A simulation with *very conservative* assumptions returns an expected value close to DAL's January trading range, with a ~14% chance of an intrinsic value below its current trading price of \$47.7

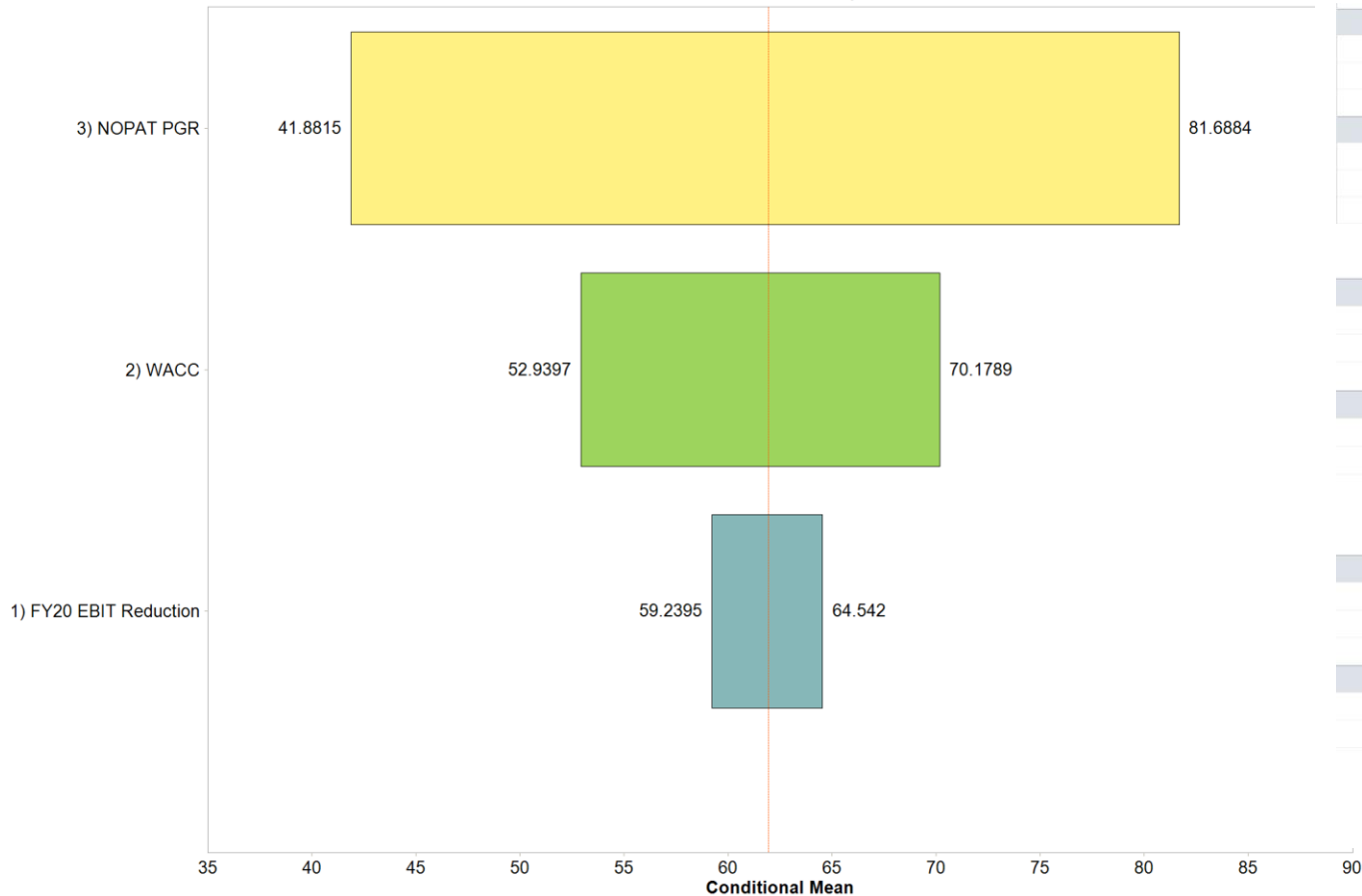


Monte Carlo Simulation – KVD Method

Base Case DCF Assumptions



Tornado Plot for \$ / Sh.



Location	
Mean	73.5957137671362%
Minimum	19.3558439714843%
Maximum	147.683360437408%
Spread	
St. dev.	0.2862119031
Variance	0.08191725347
CofV	0.3888975165

Location	
Mean	0.900122385847388%
Minimum	0.610478496422621%
Maximum	1.19209415897878%
Spread	
St. dev.	0.001230624543
Variance	1.514436765E-6
CofV	0.1367174689

Location	
Mean	5.4780000000001%
Minimum	5%
Maximum	6%
Spread	
St. dev.	0.004997657109
Variance	2.497657658E-5
CofV	0.09123141856



Monte Carlo Simulation – Exit Multiple Method

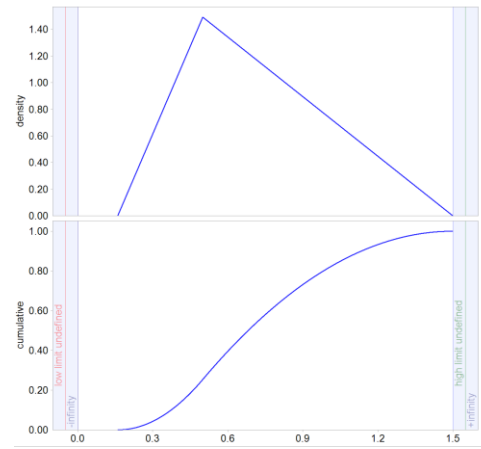


Base Case DCF Assumptions

WACC

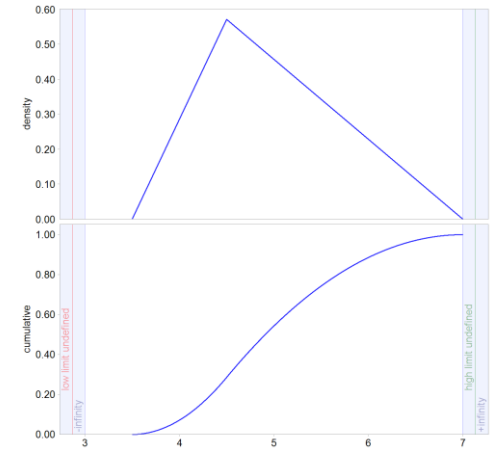
- Uniform distribution +/- 1% from current WACC estimate of 5.8% (5.0%, 6.6%)
- Highly conservative distribution that assumes every WACC in the range is equally likely, despite our estimates

2020 EBIT Reduction



Statistics	
Overlays	Triangle(16%,50%,1)
Location	
Mean	0.7200
Median	0.6815
Mode	0.5000
Min	0.1600
Max	1.5000
Spread	
St. dev.	0.2844
Variance	0.0809
CofV	0.3950
Shape	
Skewness	0.4179
Kurtosis	2.4000

Terminal Multiple



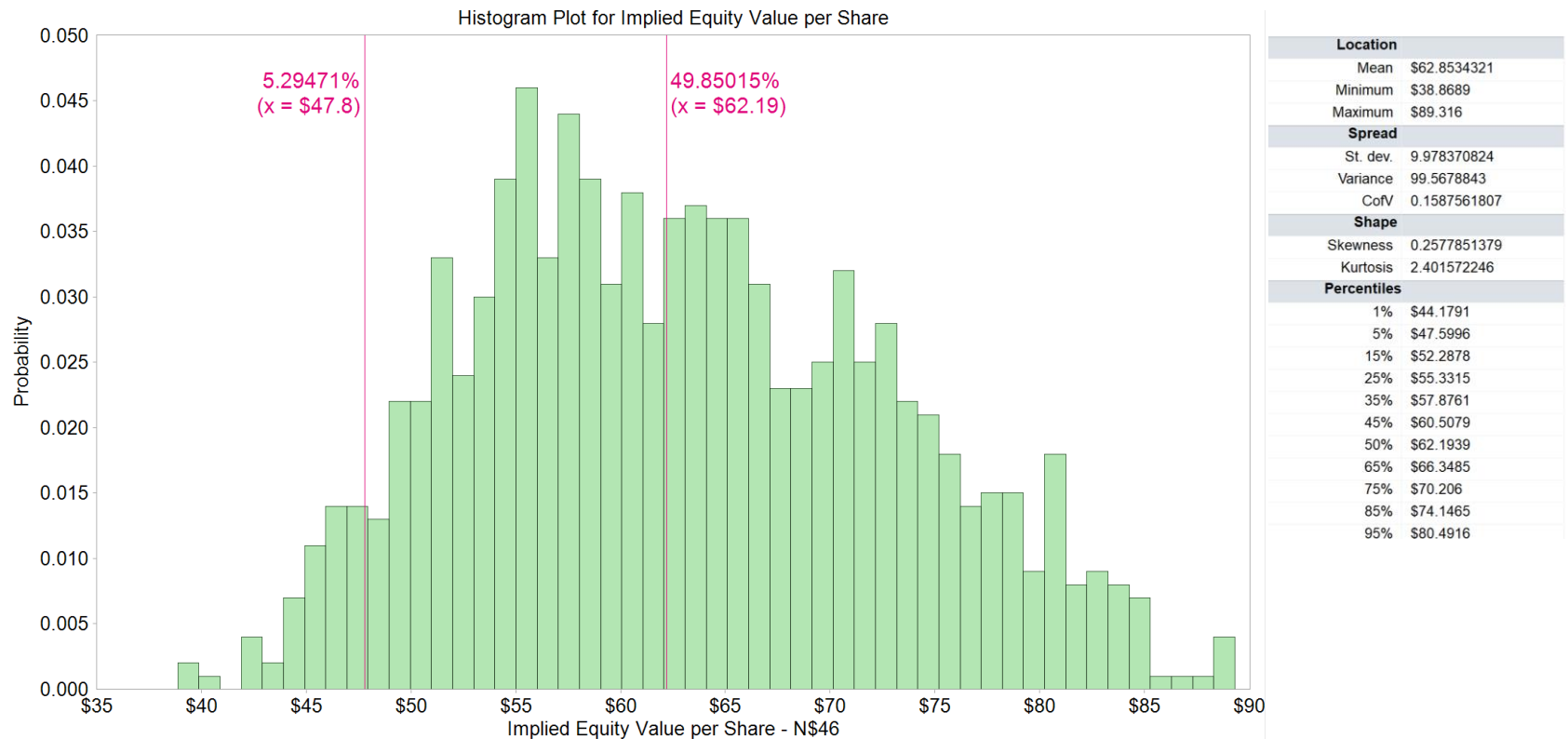
Statistics	
Overlays	Triangle(3.5,4.5,7)
Location	
Mean	5
Median	4.9083
Mode	4.5000
Min	3.5000
Max	7
Spread	
St. dev.	0.7360
Variance	0.5417
CofV	0.1472
Shape	
Skewness	0.3763
Kurtosis	2.4000



Monte Carlo Simulation – Exit Multiple Method



DAL has an expected equity value per share of \$62.19



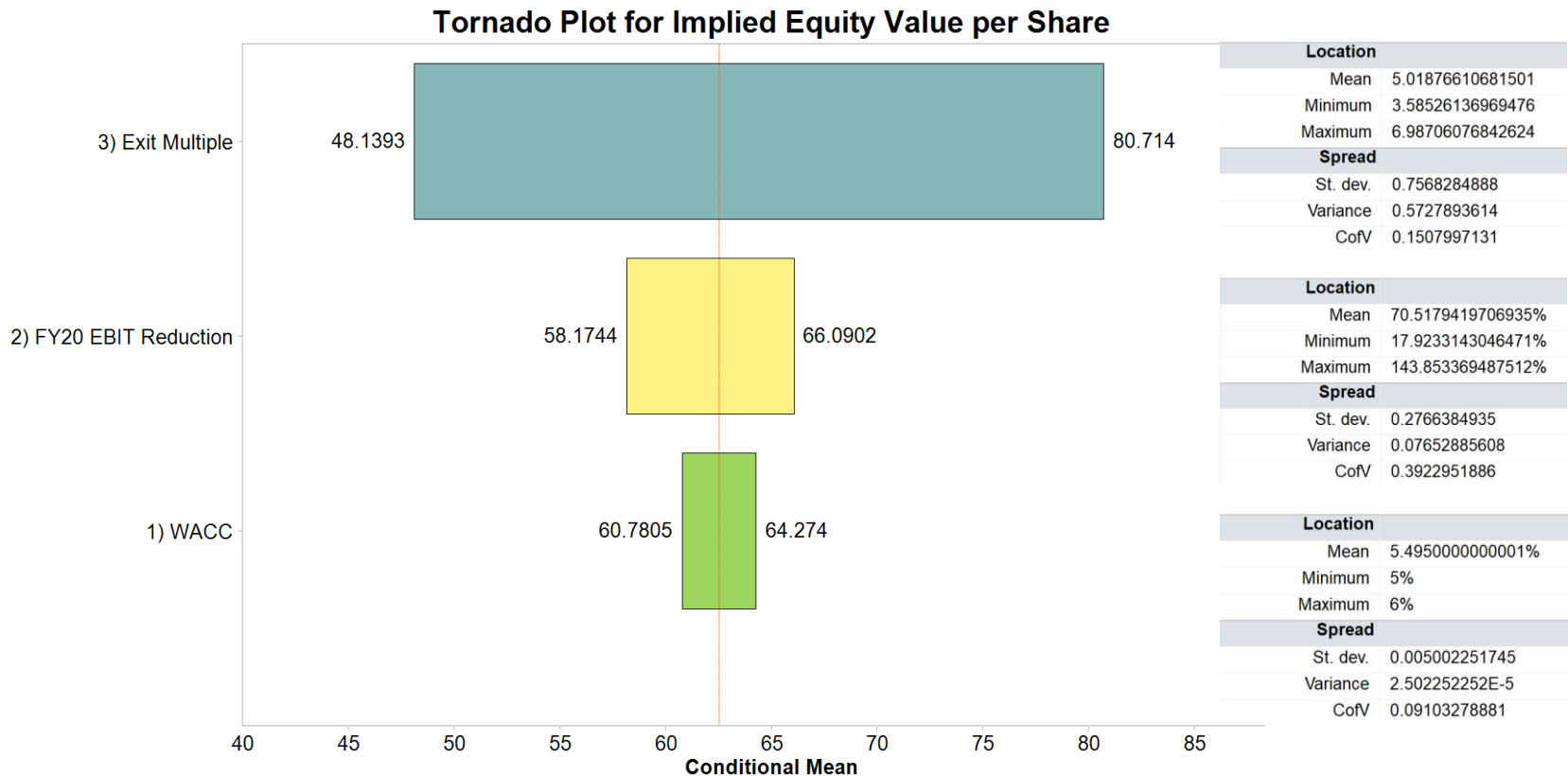
A simulation with *very conservative* assumptions returns an expected value close to DAL's January trading range, with a ~5% chance of an intrinsic value below its current trading price of \$47.7



Monte Carlo Simulation – Exit Multiple Method



Simulation sensitivity analysis



DAL's intrinsic is most sensitive to terminal multiple, and least sensitive to WACC, reflecting the fact that the majority of value is in its long-term operations, which one year of even catastrophic performance does not reduce much.



Monte Carlo Simulation – KVD Method

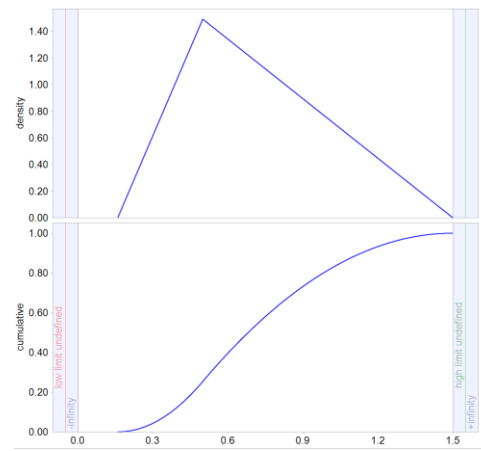


Base Case DCF Assumptions

WACC

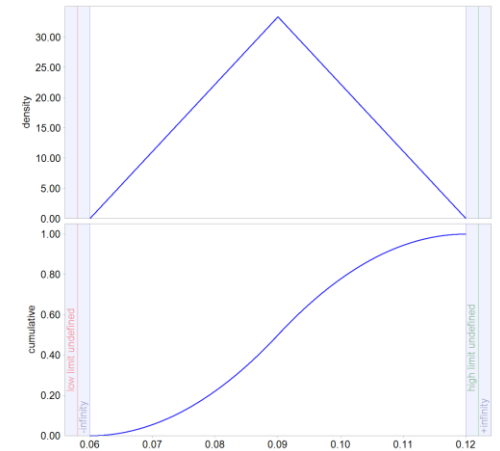
- Uniform distribution +/- 1% from current WACC estimate of 5.8% (5.0%, 6.6%)
- Highly conservative distribution that assumes every WACC in the range is equally likely, despite our estimates

2020 EBIT Reduction



Statistics	
Overlays	Triangle(16%,50%,1
Location	
Mean	0.7200
Median	0.6815
Mode	0.5000
Min	0.1600
Max	1.5000
Spread	
St. dev.	0.2844
Variance	0.0809
CofV	0.3950
Shape	
Skewness	0.4179
Kurtosis	2.4000

NOPAT PGR (1)



Statistics	
Overlays	Triangle(0.06,0.09,0
Location	
Mean	0.0900
Median	0.0900
Mode	0.0900
Min	0.0600
Max	0.1200
Spread	
St. dev.	0.0122
Variance	0.0001
CofV	0.1361
Shape	
Skewness	-0
Kurtosis	2.4000



Agenda



1	Executive Summary	3
2	Thesis Point 1: Post-Outbreak Outperformance	6
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5	Appendix A: Supplementary Materials	45



DAL Model Assumptions

Adjusted Median Street Financials



Financial Statement Assumptions

Delta Air Lines, Inc.

Active Case: Consensus	Historical			Projected				
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Income Statement Assumptions								
Revenue Growth, Consensus Case	4.28%	8.02%	5.78%	4.54%	3.86%	3.86%	3.86%	3.86%
COGS (% Sales)	70.9%	71.2%	74.2%	72.5%	73.2%	73.2%	73.2%	73.2%
SG&A (% Sales)	4.4%	4.4%	4.2%	4.3%	4.3%	4.3%	4.3%	4.3%
R&D Expense (% Sales)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Expenses (% Sales)	4.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Income Taxes (% EBT)	4,172.7%	23.6%	23.1%	23.1%	23.0%	23.0%	23.0%	23.0%
Interest Expense (% Avg. Total Debt)	4.4%	2.3%	1.8%	2.8%	2.8%	2.8%	2.8%	2.8%
BS & CFS Assumptions								
CAPEX (\$)	3,891	5,168	4,936	4,500	4,425	4,343	4,511	4,685
Days Accounts Payable	38.1	36.9	33.2	33.2	33.2	33.2	33.2	33.2
Days Accounts Receivable	21.5	21.1	21.9	21.9	21.9	21.9	21.9	21.9
Days Inventory Held	13.8	13.2	12.3	13.1	13.1	13.1	13.1	13.1
D&A, Hist. & Consensus	2,035	2,124	2,263	2,702	2,833	2,895	3,282	-
D&A, % Beg. Net PPE	8.0%	6.4%	6.3%	6.9%	6.5%	6.6%	6.7%	6.6%
Other Current Assets (% Sales)	3.5%	2.7%	2.7%	3.0%	3.0%	3.0%	3.0%	3.0%
Other Current Liabilities (% Sales)	27.8%	29.5%	30.1%	29.1%	29.1%	29.1%	29.1%	29.1%
Other LT Assets % Total Assets	9.9%	8.4%	6.6%	8.3%	8.3%	8.3%	8.3%	8.3%
Other LT Liabilities % Sales	37.9%	31.0%	28.4%	28.4%	28.4%	28.4%	28.4%	28.4%
DTLs % Sales	0.0%	0.4%	3.1%	1.2%	1.2%	1.2%	1.2%	1.2%
LT Financing Assumptions								
Non-Compensation Equity Issuance				-	-	-	-	-
Equity Repurchase			536.0	821.3	821.3	821.3		
Debt Issuance	3,090	3,752	3,807	1,800	2,200	2,800	3,600	4,600
Debt Repayment (% Total)	13.7%	21.6%	20.6%	18.6%	18.6%	18.6%	18.6%	18.6%
Current Portion of LT Debt	31.3%	10.5%	12.3%	18.0%	18.0%	18.0%	18.0%	18.0%
Stock-Based Compensation (% Direct Costs)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%



Source: S&P Capital IQ,
Company Filings

Trading Comparables

UAL trades at a discount relative to peers



	General					Enterprise Value Multiples				Price Multiples			
	EV	Mkt. Cap	Revenue \$ / Sh.	EBITDA LTM	EBITDA LTM	EV / NTM Sales	EV / NTM EBIT	EV / LTM EBITDA	EV / NTM EBITDA	Price / TBV	P / LTM LFCF	FWD P/E	FWD PEG
Airline Peers													
American Airlines Group Inc.	37,734	8,116	17.67	45,768	6,207	0.8x	10.6x	3.6x	5.3x	(64.1x)	NM	3.7x	0.4x
Delta Air Lines, Inc.	44,509	29,408	44.39	47,007	8,913	0.9x	6.9x	3.8x	4.7x	1.9x	13.0x	6.3x	0.5x
Southwest Airlines Co.	23,824	23,894	44.54	22,428	3,990	1.0x	7.8x	4.2x	5.5x	2.4x	12.2x	10.1x	1.0x
JetBlue Airways Corporation	6,218	4,394	15.57	8,094	1,287	0.7x	6.2x	3.4x	3.8x	0.9x	229.7x	6.3x	0.4x
Spirit Airlines, Inc.	4,421	1,948	26.41	3,831	674	1.0x	7.7x	4.3x	4.2x	0.8x	10.4x	5.0x	0.4x
Alaska Air Group, Inc.	7,897	6,202	48.72	8,781	1,494	0.9x	6.8x	3.6x	4.1x	1.4x	9.3x	7.2x	0.3x
Deutsche Lufthansa AG	12,690	5,227	10.93	40,043	4,485	0.3x	5.3x	2.5x	2.4x	0.6x	7.0x	3.5x	NM
High	44,509	29,408	48.72	47,007	8,913	1.0x	10.6x	4.3x	5.5x	2.4x	229.7x	10.1x	1.0x
Average	19,613	11,313	29.75	25,136	3,864	0.8x	7.3x	3.6x	4.3x	(8.0x)	46.9x	6.0x	0.5x
Median	12,690	6,202	26.41	22,428	3,990	0.9x	6.9x	3.6x	4.2x	0.9x	11.3x	6.3x	0.4x
Low	4,421	1,948	10.93	3,831	674	0.3x	5.3x	2.5x	2.4x	(64.1x)	7.0x	3.5x	0.3x
UAL	30,695	15,189	61	43,259	6,721	0.7x	6.9x	3.0x	4.3x	1.3x	12.3x	4.9x	0.4x



Trading Comparables

UAL has earned an attractive ROIC relative to peers



	Profitability								Liquidity		Solvency		
	Gross Margin	EBIT Margin	EBITDA Margin	Net Margin	UFCF Margin	ROE	ROA	ROIC	Current Ratio	Quick Ratio	Debt / EV	Net Debt / EBITDA	EBITDA / Interest
Airline Peers													
American Airlines Group Inc.	27.4%	8.5%	13.6%	3.7%	1.5% NM		4.0%	4.5%	0.4x	0.3x	88.8%	2.8x	9.6x
Delta Air Lines, Inc.	27.5%	14.1%	19.0%	10.1%	5.2%	32.8%	6.7%	11.7%	0.4x	0.3x	39.8%	1.3x	39.5x
Southwest Airlines Co.	31.3%	13.1%	17.8%	10.3%	8.9%	23.4%	7.1%	14.2%	0.7x	0.6x	16.5%	NM	68.8x
JetBlue Airways Corporation	33.8%	10.1%	15.9%	7.0%	0.7%	12.0%	4.4%	7.5%	0.7x	0.6x	50.7%	1.0x	28.3x
Spirit Airlines, Inc.	34.6%	13.6%	17.6%	8.8%	6.3%	16.0%	5.3%	6.7%	1.2x	1.1x	82.0%	2.4x	11.5x
Alaska Air Group, Inc.	28.4%	12.2%	17.0%	8.8%	8.0%	19.0%	5.6%	8.9%	0.6x	0.6x	40.7%	0.8x	34.4x
Deutsche Lufthansa AG	23.0%	5.1%	11.2%	3.8%	2.7%	13.8%	2.8%	5.4%	0.7x	0.6x	82.7%	1.4x	11.9x
High	34.6%	14.1%	19.0%	10.3%	8.9%	32.8%	7.1%	14.2%	1.2x	1.1x	88.8%	2.8x	68.8x
Average	29.4%	11.0%	16.0%	7.5%	4.8%	19.5%	5.1%	8.4%	0.7x	0.6x	57.3%	1.6x	29.2x
Median	28.4%	12.2%	17.0%	8.8%	5.2%	17.5%	5.3%	7.5%	0.7x	0.6x	50.7%	1.3x	28.3x
Low	23.0%	5.1%	11.2%	3.7%	0.7%	12.0%	2.8%	4.5%	0.4x	0.3x	16.5%	0.8x	9.6x
UAL	34.2%	10.6%	15.5%	7.0%	3.8%	27.9%	5.6%	9.7%	0.5x	0.4x	66.6%	1.5x	15.9x



Consensus DCF

Median Analyst Valuation



UAL DCF — Consensus Street Case

\$MM	Historical			Projected					
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	
Revenue	37,784	41,303	43,259	44,921	47,345	48,765	50,228	51,735	
Direct Costs	25,013	28,109	28,477	29,571	31,167	32,102	33,065	34,056	
D&A	1,979	2,043	2,153	2,393	2,544	2,659	2,802	2,868	
SG&A	1,652	1,769	1,863	1,941	2,037	2,102	2,166	2,229	
(-) COVID Op. Margin Adj.									
Other OPEX	5,450	5,712	6,198	6,376	6,720	6,922	7,129	7,343	
EBIT	3,690	3,670	4,568	4,640	4,877	4,981	5,066	5,238	
% Margin	9.8%	8.9%	10.6%	10.3%	10.3%	10.2%	10.1%	10.1%	
Income Tax Expense	(849)	(844)	(1,051)	(1,067)	(1,122)	(1,146)	(1,165)	(1,205)	
NOPAT	2,841	2,826	3,517	3,573	3,755	3,835	3,901	4,033	
% Margin	7.5%	6.8%	8.1%	8.0%	7.9%	7.9%	7.8%	7.8%	
(+) D&A	1,979	2,043	2,153	2,393	2,544	2,659	2,802	2,868	
(-) Capex	(3,870)	(4,070)	(4,528)	(6,950)	(4,524)	(4,100)	(4,223)	(2,868)	
(-) (Increase)/Decrease NW	(693)	1,602	816	(340)	536	314	324	333	
UFCF	257	2,401	1,958	(1,324)	2,311	2,709	2,804	4,367	
% Margin	0.7%	5.8%	4.5%	(2.9%)	4.9%	5.6%	5.6%	8.4%	
% Growth		833.1%	(18.4%)	(167.6%)	(274.6%)	17.2%	3.5%	55.7%	
EBITDA	5,669	5,713	6,721	7,033	7,421	7,640	7,869	8,106	
% Margin	15.0%	13.8%	15.5%	15.7%	15.7%	15.7%	15.7%	15.7%	
				Discount Period	0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value		Implied Valuation			
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.90%	4.50x	10,866.8	8,849.4	36,478.0	-5.42%	28,183.8	37,033.2	21,527.2	\$86.82
5.90%	5.25x	10,866.8	8,849.4	42,557.7	-3.95%	32,881.1	41,730.5	26,224.5	\$105.76
5.90%	5.75x	10,866.8	8,849.4	46,610.8	-3.17%	36,012.6	44,862.1	29,356.1	\$118.39

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value		Implied Valuation			
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	2.50%	5.90%	1.50%	10,866.8	8,849.4	37,216.0	4.59x	28,754.0	37,603.4	22,097.4	\$89.12
60.0%	3.50%	5.90%	2.10%	10,866.8	8,849.4	43,347.0	5.35x	33,490.9	42,340.4	26,834.4	\$108.22
60.0%	4.00%	5.90%	2.40%	10,866.8	8,849.4	47,200.7	5.82x	36,468.4	45,317.9	29,811.9	\$120.23



UAL WACC Analysis

Base Case CAPM Method



WACC Analysis for UAL

	Notes		Base Case	
Risk-Free Rate	10YR US Treasury	1.10%	1.10%	1.10%
Market Risk Premium	Historical Average	5.5%	5.5%	5.5%
Relevered Beta	2-Yr adj. Beta levered @ current debt / equity	1.26	1.26	1.26
Cost of Equity (+ / -) 1%		7.0%	8.0%	9.0%
Weight of Equity (+ / -) 1%	Based on current capitalization	57.3%	57.3%	57.3%
Pre-Tax Cost of Debt	Yield on Outstanding Debt	4.22%	4.22%	4.22%
Long-Term Tax Rate	Consensus LT ETR	26.0%	26.0%	26.0%
After-Tax Cost of Debt		3.12%	3.12%	3.12%
Weight of Debt (+ / -) 1%	Based on current capitalization	42.7%	42.7%	42.7%
Weighted Average Cost of Capital		5.36%	5.93%	6.51%

		Levered Beta				
		1.05	1.15	1.25	1.35	1.45
Target Debt-to-Capitalization	38.0%	5.45%	5.79%	6.13%	6.47%	6.81%
	40.0%	5.37%	5.70%	6.03%	6.36%	6.69%
	42.0%	5.30%	5.62%	5.94%	6.26%	6.58%
	44.0%	5.22%	5.53%	5.84%	6.15%	6.46%
	46.0%	5.15%	5.45%	5.74%	6.04%	6.34%



Base Case DCF

Unaffected Market Valuation



UAL DCF — Base Case

\$MM	Historical			Projected				
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue	37,784	41,303	43,259	44,921	47,345	48,765	50,228	51,735
Direct Costs	25,013	28,109	28,477	29,571	31,167	32,102	33,065	34,056
D&A	1,979	2,043	2,153	2,393	2,544	2,659	2,802	2,868
SG&A	1,652	1,769	1,863	1,941	2,037	2,102	2,166	2,229
(-) COVID Op. Margin Adj.								
Other OPEX	5,450	5,712	6,198	6,376	6,720	6,922	7,129	7,343
EBIT	3,690	3,670	4,568	4,640	4,877	4,981	5,066	5,238
% Margin	9.8%	8.9%	10.6%	10.3%	10.3%	10.2%	10.1%	10.1%
Income Tax Expense	(849)	(844)	(1,051)	(1,067)	(1,122)	(1,146)	(1,165)	(1,205)
NOPAT	2,841	2,826	3,517	3,573	3,755	3,835	3,901	4,033
% Margin	7.5%	6.8%	8.1%	8.0%	7.9%	7.9%	7.8%	7.8%
(+) D&A	1,979	2,043	2,153	2,393	2,544	2,659	2,802	2,868
(-) Capex	(3,870)	(4,070)	(4,528)	(6,950)	(4,524)	(4,100)	(4,223)	(2,868)
(-) (Increase)/Decrease NW	(693)	1,602	816	(340)	536	314	324	333
UFCF	257	2,401	1,958	(1,324)	2,311	2,709	2,804	4,367
% Margin	0.7%	5.8%	4.5%	(2.9%)	4.9%	5.6%	5.6%	8.4%
% Growth		833.1%	(18.4%)	(167.6%)	(274.6%)	17.2%	3.5%	55.7%
EBITDA	5,669	5,713	6,721	7,033	7,421	7,640	7,869	8,106
% Margin	15.0%	13.8%	15.5%	15.7%	15.7%	15.7%	15.7%	15.7%
				Discount Period				
				0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value			Implied Valuation		
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.90%	4.00x	10,866.8	8,849.4	32,424.9	-6.67%	25,052.3	33,901.7	18,395.7	\$74.19
5.90%	4.75x	10,866.8	8,849.4	38,504.6	-4.89%	29,749.6	38,599.0	23,093.0	\$93.14
5.90%	5.50x	10,866.8	8,849.4	44,584.3	-3.55%	34,446.9	43,296.3	27,790.3	\$112.08

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value			Implied Valuation		
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	2.00%	5.90%	1.20%	10,866.8	8,849.4	34,737.6	4.29x	26,839.1	35,688.5	20,182.5	\$81.40
60.0%	2.75%	5.90%	1.65%	10,866.8	8,849.4	38,586.5	4.76x	29,812.8	38,662.3	23,156.3	\$93.39
60.0%	3.50%	5.90%	2.10%	10,866.8	8,849.4	43,347.0	5.35x	33,490.9	42,340.4	26,834.4	\$108.22



COVID-19 Pro Forma Valuation

UAL Worst Case: Zero EBIT in 2020E



UAL DCF — Pro Forma for COVID-19

\$MM	Historical			Projected				
	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Revenue	37,784	41,303	43,259	39,759	47,066	48,478	49,932	51,430
Direct Costs	25,013	28,109	28,477	26,173	30,983	31,913	32,870	33,856
D&A	1,979	2,043	2,153	2,393	2,544	2,659	2,802	2,868
SG&A	1,652	1,769	1,863	1,718	2,025	2,090	2,153	2,216
(-) COVID Op. Margin Adj.				3832				
Other OPEX	5,450	5,712	6,198	5,643	6,680	6,881	7,087	7,300
EBIT	3,690	3,670	4,568	(0)	4,833	4,936	5,020	5,190
% Margin	9.8%	8.9%	10.6%	(0.0%)	10.3%	10.2%	10.1%	10.1%
Income Tax Expense	(849)	(844)	(1,051)	0	(1,112)	(1,135)	(1,155)	(1,194)
NOPAT	2,841	2,826	3,517	(0)	3,721	3,801	3,865	3,997
% Margin	7.5%	6.8%	8.1%	(0.0%)	7.9%	7.8%	7.7%	7.8%
(+) D&A	1,979	2,043	2,153	2,393	2,544	2,659	2,802	2,868
(-) Capex	(3,870)	(4,070)	(4,528)	(6,950)	(4,524)	(4,100)	(4,223)	(2,868)
(-) (Increase)/Decrease NW	(693)	1,602	816	(1,482)	1,617	312	322	332
UFCF	257	2,401	1,958	(6,039)	3,359	2,672	2,767	4,328
% Margin	0.7%	5.8%	4.5%	(15.2%)	7.1%	5.5%	5.5%	8.4%
% Growth		833.1%	(18.4%)	(408.4%)	(155.6%)	(20.4%)	3.5%	56.4%
EBITDA	5,669	5,713	6,721	2,393	7,377	7,595	7,822	8,059
% Margin	15.0%	13.8%	15.5%	6.0%	15.7%	15.7%	15.7%	15.7%
				Discount Period				
				0.5	1.5	2.5	3.5	4.5

Exit Multiple Method

Assumptions		Cash Flows		Terminal Value			Implied Valuation		
WACC	Multiple	FV of FCF	PV of FCF	FV of TV	Imp. CF PGR	PV of TV	EV	Eq. Value	\$ / Sh.
5.90%	4.00x	7,085.9	5,136.0	32,234.2	-6.64%	24,904.9	30,040.9	14,534.9	\$58.62
5.90%	4.75x	7,085.9	5,136.0	38,278.1	-4.86%	29,574.6	34,710.5	19,204.5	\$77.45
5.90%	5.50x	7,085.9	5,136.0	44,322.0	-3.52%	34,244.2	39,380.2	23,874.2	\$96.29

Key Value Driver Method

Assumptions				Cash Flows		Terminal Value			Implied Valuation		
Plowback	ROIC	WACC	NOPAT PGR	FV of FCF	PV of FCF	FV of TV	Imp. Multiple	PV of TV	EV	Eq. Value	\$ / Sh.
60.0%	2.00%	5.90%	1.20%	7,085.9	5,136.0	34,421.3	4.27x	26,594.7	31,730.7	16,224.7	\$65.44
60.0%	2.75%	5.90%	1.65%	7,085.9	5,136.0	38,235.2	4.74x	29,541.4	34,677.4	19,171.4	\$77.32
60.0%	3.50%	5.90%	2.10%	7,085.9	5,136.0	42,952.4	5.33x	33,186.0	38,322.0	22,816.0	\$92.02

