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Delta Airlines: At the Helm of Innovation
and Market Leadership

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Abstract

This Equity Research report aims to provide investors with a comprehensive understanding of Delta Air Lines (DAL:NYSE), including its business model, strategic positioning, and outlook for the foreseeable future. The analysis incorporates a thorough examination of industry dynamics—past, present, and future—and Delta’s positioning within this landscape. Additionally, the report explores the company’s key value drivers and presents projections for these determinants. A valuation was conducted to derive an informed investment recommendation for the company’s stock.

Keywords: Delta Air Lines; Market Leader in Aviation; Legacy Carrier; Post-Pandemic performance

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This report is part of the ... report (annexed), developed by Tiago Cardoso and Teresa Fernandes and should be read as an integral part of it.

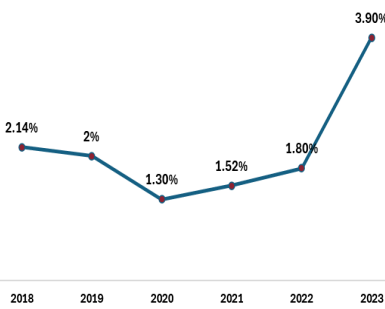
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Airline Industry Overview

In 2023, the global market size of the airline industry was valued at approximately \$762.8 billion, reflecting a 5% increase from the previous year. Currently, the industry contribution to the global GDP is approximately \$3.5 trillion (3.9%), ranking as the 17th largest economy in the world. Despite its scale, the sector faces significant competitive pressures and risks that can significantly affect the performance of its companies. The airline industry is capital-intensive, requiring significant long-term commitments and substantial investments. These factors create high barriers to entry and exit, resulting in a well-structured but restricted market. Moreover, the sector's reliance on three key suppliers – fuel, aircraft, and labor – adds additional layers of complexity. Fuel prices are heavily influenced by global market fluctuations, while aircraft supply is controlled by two dominant manufacturers, Airbus and Boeing. Labor is another critical component, with unions often challenging companies with political demands.

Exhibit 18: Aviation-Related Activity as a Percentage of GDP (2018-2023)



Source: Federal Aviation Administration - Aviation Economic Impact Report

Exhibit 19: Key Concepts

RPM/RPK: Revenue Passenger Mile/Kilometre, a metric of to traffic; calculated as the number of revenue passengers during a period multiplied by the number of miles/Kilometres flown by those passengers; ASM/ASK: Available Seat Mile/Kilometre, a metric of capacity calculated as the total number of seats available for transporting passengers during a period multiplied by the total of miles/Kilometre flown; PRASM: Passenger Revenue per ASM, passenger revenue per ASM; RASM: Airline's total revenue per ASM: Passenger Mile Yield: Passenger revenue earned by RPM; Load Factor: calculated by dividing RPM's by ASM; RPK: Revenue Passenger Kilometres, a measure of the volume of passenger carried by an airline; FTK: Freight Tonne Kilometres, a measure of the volume of cargo carried by an airline. CTK: Cargo Tonne Kilometres, tonnage of freight carried by the distance flown.

Source: Delta's Annual Report

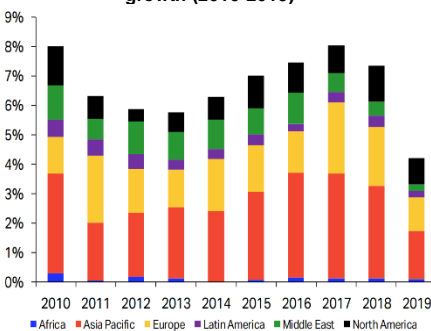
Advancements in distribution systems and online ticketing have made it easier for customers to compare schedules and fares, fostering more diversified and cost-conscious decisions while intensifying competition among airlines. Although different airlines may offer distinct services, passengers are increasingly guided by price rather than loyalty, as shared platforms facilitate easy price comparisons. Moreover, within the transportation industry, alternatives to air travel, such as cars, trains, and water transport, are always available. This dynamic has a stronger impact on regional travel, where alternatives are more competitive, but less so in international travel, where air travel is generally irreplaceable.

Crucially, airlines are highly susceptible to external factors and global disruptions, which can significantly impact their stability. Therefore, to gain a comprehensive understanding of the industry's performance, it is essential to analyze pre-pandemic years, to derive valuable insights and establish a benchmark for understanding the industry's financial stability.

Before Crisis: Pre-Pandemic Strong Performance

Between 2017 and 2019, the aviation industry experienced continuous growth, benefiting from global GDP expansion, an increasing middle class, the rise of e-commerce, and the expansion of low-cost carriers. Passenger demand, measured by Revenue Passenger Kilometres (RPK), grew at an average annual rate of 6.4%, while Available Seat Kilometres (ASK) increased by 5.3%, reflecting the industry's strategic capacity growth. Passenger load factors (PLF) reached an all-time high of 82.6% in 2019, as a result of airlines effectively managing their fleet, planning routes strategically, and optimizing ticket pricing to align with demand. However, 2019 marked the first year since the global financial crisis in which passenger

Exhibit 20: Contribution to annual RPK growth (2010-2019)



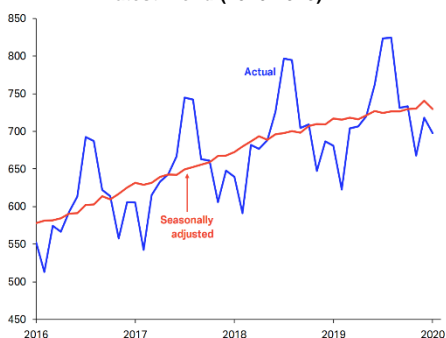
Source: IATA Economics

Exhibit X: Global RPK and FTK growth (2000-2020)



demand growth slowed to 4.2% (Exhibit 20), below the historical long-term growth rate of 5.5%. This deceleration was driven by weaker global economic conditions, a stabilization of demand following years of rapid expansion, and geopolitical tensions such as the U.S.-China trade war and Brexit uncertainty. Airlines felt the repercussions of the decrease in demand, rising fuel prices, and increasing operating costs on their financial performance, with global net profits declining from \$38 billion in 2017 to \$25.9 billion in 2019. As the industry entered 2020, there was cautious optimism despite the challenges faced in 2019. Passenger numbers were expected to grow by 4%, with total revenues projected to reach \$908 billion. Airlines anticipated continued growth in RPKs, by 4.8%, supported by a growing middle class in emerging markets, particularly in Asia-Pacific. The industry planned for a 4.7% rise in ASKs to sustain capacity expansion while maintaining a global load factor of 82%. Airlines extend their operations beyond passenger transportation, utilizing the spare capacity of their aircraft for an additional revenue stream: air cargo. In 2019, this sector faced a 3.5% decline in Freight Tonne Kilometres (FTKs), as a consequence of the challenges in the global trade environment. However, air cargo industry forecasts for 2020 projected a modest recovery, with a 2% growth expected to reverse the downturn from the previous year.

Exhibit 21: Air Passenger Volumes and Latest Trend (2016-2020)

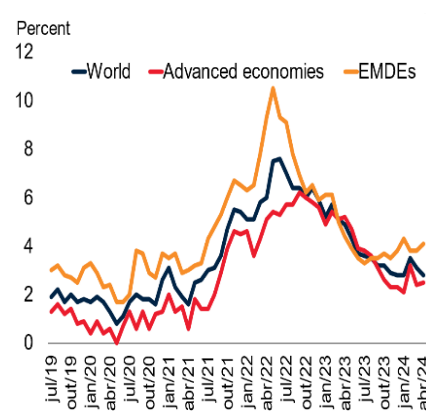


Source: IATA Economics

Crisis Recovery: Growth and Rising Challenges

These projections were completely overturned by the COVID-19 pandemic, which caused unprecedented disruptions in global air travel, with 2020 revenues plummeting by 60% and passenger numbers falling by 65.9%. Many airlines faced liquidity problems, forcing government interventions. While the industry is on its recovery path, significant economic changes remain. The industry has been steadily recovering and has finally made a strong comeback. Passenger numbers almost reached pre-pandemic levels, finishing 2023 just 3% below the 2019 peak. Even more notably, passenger revenues reached new highs for the first time in four years. Moreover, in 2024, advanced economies, including North America and Europe, are expected to grow at a modest rate of 1.5-2.0%, as inflationary pressures and tight monetary policies slow growth. Emerging markets, particularly China and India are expected to drive global economic expansion, with a 5% and 6.7% growth, respectively.

Exhibit 21: Core inflation, three-month annualized



Source: World Bank Group

Exhibit 22: Airline industry net profits and EBIT margin (2000-2024F)

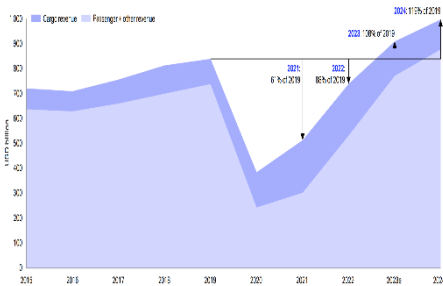


Source: IATA Economics

One of the biggest challenges facing the global economy continues to be the high inflation. Its surge, which began in 2021 (Exhibit 21) due to supply chain disruptions and energy price spikes, was further exacerbated by housing shortages, government budget deficits, along with fiscal stimulus provided by governments to mitigate the economic impact of the COVID-19 pandemic. These combined factors have sustained elevated inflation levels beyond initial expectations. This

phenomenon has had significant implications for the airline industry, as higher inflation has driven interest rates upward, increasing the burden on an industry that relies heavily on debt financing. For instance, in the first quarter of 2024, Air Lease Corporation (which leases aircraft to several airlines) reported a 19.8% rise in interest payments, reaching \$181.6 million, as a direct result of the U.S. Federal Reserve's sustained high interest rates aimed at controlling inflation. In addition, commodities like titanium – essential for aircraft parts and widely used in maintenance – have experienced significant price escalation, with material costs rising by more than 5.5%. Furthermore, pilots, who hold significant power in a market already impacted by a shortage of aviators, have advocated for higher wages to keep up with inflation. Combined with rising fuel costs, which increased by 12.9% in Q1 2024 due to the previously mentioned factors, have placed airlines under considerable financial pressure, highlighting the challenging impact of high inflation on the industry.

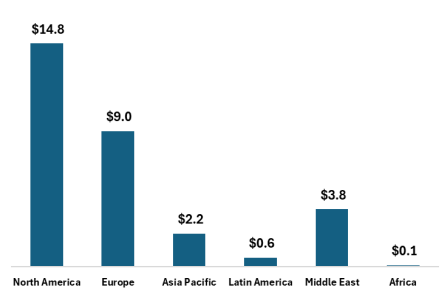
Exhibit 23: Passenger and cargo revenue, USD billion (2018-2024F)



Source: IATA Economics

Despite challenges, at the end of 2024, revenues are expected to reach \$996 billion (37% increase from 2023), surpassing pre-pandemic levels by 119% (Exhibit X), while passenger demand is nearing 95-100% of pre-pandemic levels, driven by increases in leisure, international, and business travel, with load factors stabilizing at pre-pandemic levels (82-84%). Moreover, cargo revenues are expected to normalize to 13% of total industry revenue, slightly above the pre-pandemic peak, of 12%. Nevertheless, cost pressures, including rising fuel prices, are expected to constrain net profit margins to 3.1% in 2024.

Exhibit 24: Projected Net Profit in 2024 (USD Billion)



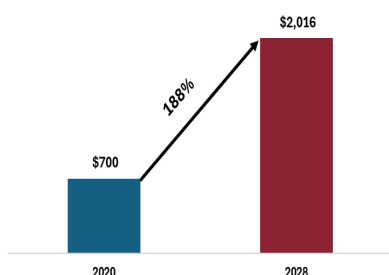
Source: IATA

North America is expected to continue leading global profitability in 2024, with US airlines forecasted to generate approximately \$15 billion in profits, contributing around 50% of total industry profits. European airlines are expected to experience slower growth, with projected net profits of around \$9 billion, partly constrained by higher fuel taxes, competition, and the ongoing effects of geopolitical instability, particularly the Russia-Ukraine conflict. The Asia-Pacific and Middle East are projected to make a bigger comeback, with airlines in these regions expected to generate \$6 billion in profits, supported by growing middle-class demand and the reopening of China to international flights in 2023.

Customer Segmentation and Travel Trends

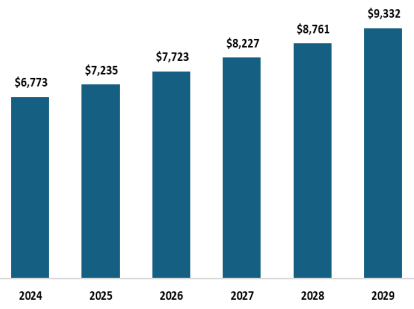
Passenger segmentation in the airline industry is a strategic approach used to tailor services to different types of travellers, ensuring that each segment's unique needs are met. Passengers are typically segmented into business and leisure travellers. Before the pandemic, business travellers accounted for 55% of airline revenues, with airlines offering flexible booking options, premium seating, loyalty programs, and access to airport lounges. Delta Air Lines and United Airlines, for instance, provide exclusive corporate travel packages designed to meet the high

Exhibit 25: Market value of the business travel industry Worldwide



Source: Statista

Exhibit 26: Leisure tourism spending outlook worldwide, in USD Billions (2024-2029)



Source: Statista

expectations of business travellers, who prioritize convenience, flexibility, and time efficiency. On the other hand, leisure travellers are more price-sensitive, prioritizing value and affordability. Airlines target this segment with budget-friendly fares and optional add-ons. Low-cost carriers like Ryanair and EasyJet excel in this space by providing low-cost flights while charging for extras like seat selection, baggage, and in-flight meals, allowing travellers to customize their experiences based on personal preferences.

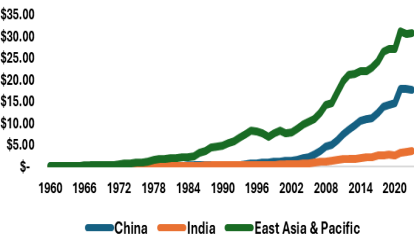
In addition to customer segmentation, airlines must carefully analyse industry trends to identify those that are essential for maintaining and improving their market position. The pandemic and technological advancements have introduced new dynamics, creating both opportunities and challenges for the airline industry by altering customer preferences and travel behaviour. Among the various shifts, we anticipate the following to be the most significant:

Predictive Analytics in Maintenance. Maintenance is a critical component of the cost structure for airlines, and advancements in technologies like machine learning (ML) and the Internet of Things (IoT) have driven a growing reliance on predictive maintenance. These technologies can analyse data in real time and forecast repairs while scheduling maintenance based on projected data. represents a transformative tool for the industry, offering the potential to reduce avoidable costs and enhance operational efficiency.

Rise of the Asian Market. The growth of the Asian market has been driven by the expanding middle class in Asia, particularly in countries like India, where the middle class has grown at a rate of 6.3% annually from 1995 to 2021. As disposable income rises, countries such as China and India are expected to play a pivotal role in shaping the future of this regional market. India is set to become the third-largest aviation market by 2030, with passenger numbers expected to exceed 1.3 billion annually by 2040. Meanwhile, China is projected to handle over 1.6 billion passengers annually by 2035, driven by robust domestic travel demand and ambitious infrastructure projects, such as the development of new airports across the country. This presents an opportunity for global airlines, as by expanding their footprint in the region, they can capture untapped profits. Establishing partnerships with local carriers will be key to accessing this growing market, and airlines must adapt and prioritize their services to meet the preferences of Asian travellers, enhancing therefore their competitiveness on the market.

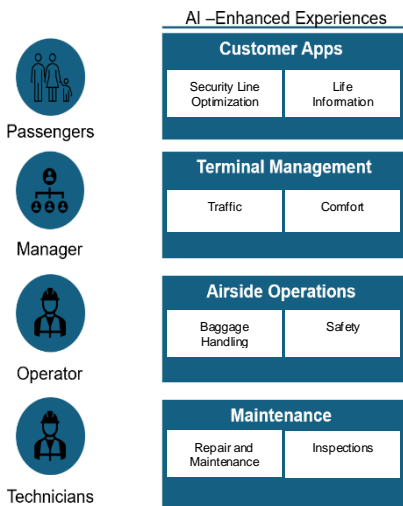
New Era: AI. The past two years have seen a tremendous surge in the use of Artificial Intelligence (AI) across industries, including aviation. It has introduced numerous opportunities for airlines, particularly in improving operational efficiency. For instance, Alaska Airlines has partnered with Airspace Intelligence’s Flyways AI platform to optimize flight routes by analysing weather patterns and air traffic. This

Exhibit 27: GDP, USD Trillion (1960-2023)



Source: World Bank

Exhibit 28: Architecture for airlines



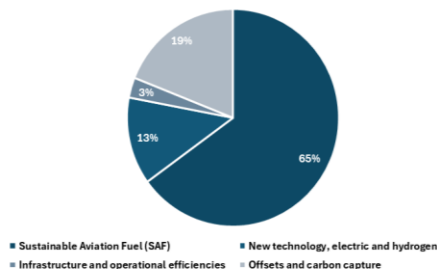
Source: Microsoft

initiative led to the reduction of over 1.2 million gallons of jet fuel in 2023, equating to approximately 11,958 metric tons of CO₂ emissions. The industry’s focus on passenger satisfaction has also been transformed by AI, with airlines implementing AI-powered virtual assistants that are capable of handling up to 80% of routine customer inquiries, freeing up human agents to focus on complex tasks and reduce costs on labour tasks. Beyond automating processes, AI plays an active role in training, through AI simulators that prepare pilots and crew members for real-world challenges.

Digital Acceleration: The Pandemic's Catalyst. The global pandemic accelerated the adoption of transformative technologies aimed at creating a seamless and hygienic travel experience. Airlines integrated contactless solutions such as biometric boarding, self-service kiosks, and mobile check-ins. Additionally, there has been a notable increase in investments in Big Data, particularly for health screening applications like thermal imaging and digital health documentation verification at airports. These technologies also support the goal of personalizing the passenger experience by enabling customized travel packages and dynamic pricing based on passenger preferences and behaviours.

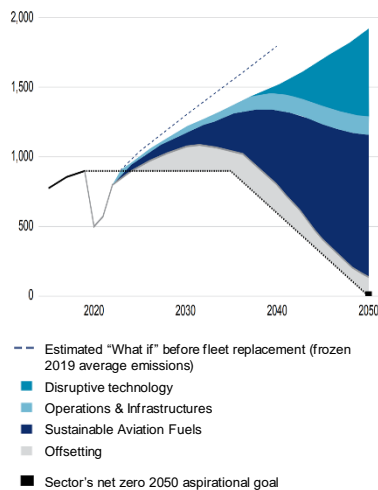
Sustainability as a Priority. Environmental awareness has increasingly influenced travel decisions in recent years, with 78% of travelers now expressing a willingness to pay extra for environmentally friendly travel options. To meet the rising demand for sustainable travel, airlines have adopted measures such as using Sustainable Aviation Fuel (SAF), offering carbon offset initiatives, and modernizing fleets by replacing older aircraft with more fuel-efficient models (Exhibit X). These efforts, combined with government regulations, have also driven the development of green technologies, such as electric and hydrogen-powered aircraft, as long-term solutions for sustainable aviation.

Exhibit 29: IATA strategy towards net zero CO2 Emissions



Source: IATA

Exhibit 30: Projected CO2 Emissions by 2050

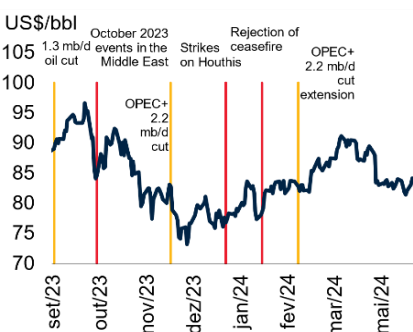


Source: Airbus

Oil Price: Managing its Volatility and Fuel Transition

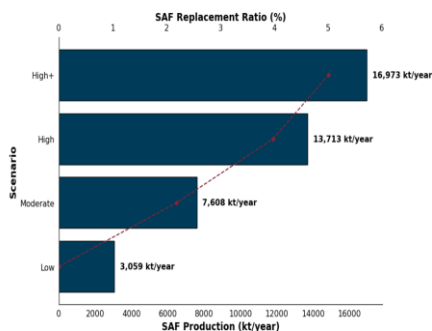
Volatile oil prices remain a critical player in the airline industry, with significant fluctuations heavily impact profitability. According to the World Bank, in 2025, oil prices are projected to average \$75 per barrel, up from \$65 in 2024. This increase is largely due to disruptions in the global oil supply chain caused by the Russia-Ukraine war and ongoing tensions in the Middle East (Saudi Arabia and Iran), who are major players in the oil production. In addition to ongoing geopolitical tensions, the election of Donald Trump could introduce further volatility to oil prices. While U.S. oil producers anticipate reduced regulations under his administration, Trump has simultaneously vowed to impose stricter sanctions on Iranian and Venezuelan barrels. This uncertainty places the airline industry in an even more vulnerable position, as fuel costs constitute a large portion of the airlines’ operating expenses, expected to represent 31% in 2024, up from 20-25% pre-pandemic. The rise in oil

Exhibit 31: Oil Prices and Key Events



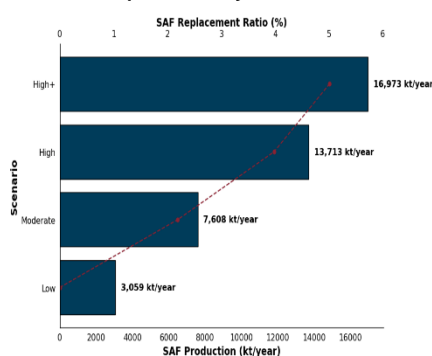
Source: World Bank Group

Exhibit X: SAF Production and Replacement by Scenario



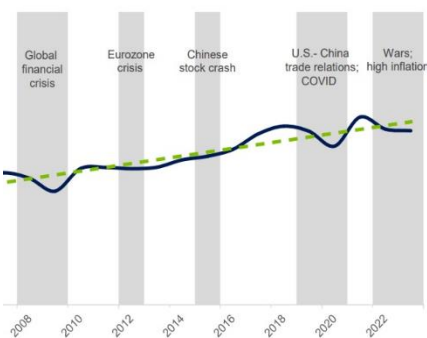
Source: ICAO

Exhibit 32: SAF Production and Replacement by Scenario



Source: ICAO

Exhibit 55: Global Air Cargo Historical Resilience



Green Dotted Line: Historical CTK considering average growth; Blue Line: Actual Historical CTK.
 Note: Cargo Tonne Kilometres (CTK), calculated by multiplying the tonnage of freight carried by the distance flown.
 Source: Boeing World Air Cargo Forecast

prices not only increases operating costs, but also reduces profit margins, especially for low-cost carriers that operate on lower margins. To mitigate these risks, airlines are increasingly investing in fuel-efficient aircraft and SAF, which is waste-derived, renewable, and meets sustainability criteria. However, the adoption of SAF remains constrained by limited supply, with Neste currently being its only primary large-scale supplier. This limitation makes a complete transition away from traditional jet fuel challenging, as SAF costs approximately three times more than conventional fuel (Exhibit 32). Nevertheless, airlines and aircraft manufacturers are pushing to scale up SAF production to enable mass adoption. The aim is for SAF to function as a direct replacement for traditional jet fuel, rather than just a supplementary option. In addition, to further manage volatility, many airlines employ fuel hedging strategies, through fuel derivatives, including futures contracts, options, and fuel swaps. Nevertheless, the overall exposure to rising fuel costs remains high.

Cost pressures have not only intensified the industry's focus on environmental sustainability through traditional fuel alternatives but also driven advancements in fleet improvements, with major manufacturers Boeing and Airbus making significant efforts to address this challenge. For instance, Boeing's 787 and 777X are 20 to 25% more fuel-efficient than previous models. Alongside the development of new, more efficient aircraft, other measures have been implemented to tackle environmental concerns, such as CORSIA, which requires airlines to offset all CO₂ emissions that exceed 2020 levels, starting in 2027.

Cargo

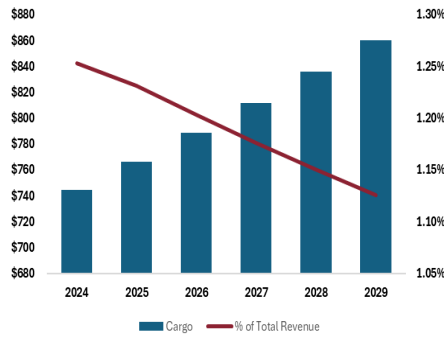
Cargo revenue is largely dependent on passenger operations, as a significant portion of cargo is carried in the unused capacity of passenger aircraft. To project the revenue for this segment, we followed the same geographic breakdown used in the Passenger Revenue segment, as cargo capacity is closely tied to the routes and frequencies of passenger flights.

In 2021, Legacy Carriers' cargo divisions experienced a remarkable growth, of 18.7%, reaching record breaking revenues. We conclude that this event is mainly due to the increase in demand for air freight, fueled by recovery from pandemic-induced supply chain disruptions and the rapid growth of e-commerce. However, by late 2023, all the airlines saw a decrease in demand, by approximately 7%. We attribute this drop to the decline in the freight rates, the decreased belly-hold capacity¹ and the higher competition from maritime shipping (by 6.3%), all of which put pressure on yields and profits.

From 2023 onward, each region's expected CAGR was derived from the Boeing

¹ refers to the cargo space located in the lower deck, or "belly" of passenger aircraft.

Exhibit 56: Cargo Revenue as % of Total Revenue (2024-2029)



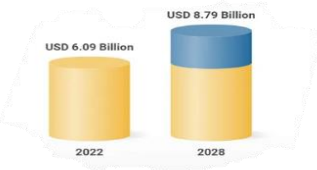
Source: Author's Calculations

World Air Cargo Forecast, which provides insights into growth trends across the global air cargo sector. The expected CAGR of Air Cargo, from 2022 to 2040, for the Domestic market is 3.1%, for the Atlantic 2.25%, for the Latin America 2.4% and for the Pacific 4.35%. By assigning each region a proportional weight to its contribution within the passenger segment, we ensure that our cargo projections reflect both the operational reality and geographic footprint of Delta's passenger operations. As a result, Delta's Cargo revenue is projected to grow at a CAGR of 2.94%, between 2024 and 2029. However, we find it realistic that this growth will stabilize in the future, with cargo remaining a steady revenue stream. We anticipate that the market will continue to be dominated by airlines that operate exclusively as cargo carriers or use freighter-only aircraft without scheduled passenger services, as they currently control 90% of the market (Exhibit 57).

Other

- Ancillary Businesses and Refinery

Exhibit 58: U.S. Power Ancillary Service CAGR (2022-2028)

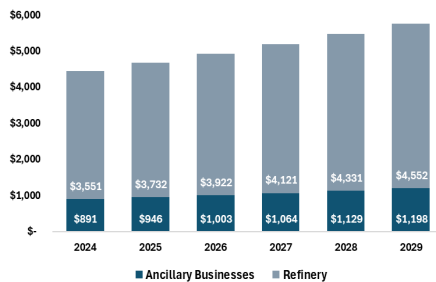


Source: Yahoo Finance

This category encompasses revenues from refinery sales to third parties, aircraft maintenance services offered to external clients, and Delta's vacation wholesale operations. Within this revenue stream, refinery is, historically, the dominant contributor, accounting for approximately 83% of its revenue.

According to Yahoo, the ancillary business market is expected to grow at a higher pace, compared to the refinery market. Its projections indicate that the U.S. ancillary market is expected to grow at a 6.1% CAGR over the next five years, while the refinery segment is projected to grow at a 5.09%, over the same period. We strongly believe that these projections can be applied to Delta's forecast, given the airline's strategic focus and internal vision for both MRO and refinery segments. As we analyze other airlines' structure, it becomes clear that many are heavily dependent on third-party MRO and refinery services. Delta, however, not only supports its own operations but also provides aircraft maintenance services to other airlines. Given that Delta TechOps is the largest MRO provider in the US and Monroe Energy ensures a stable and cost-effective fuel supply, we believe both subsidiaries have the potential to match the overall market's projected CAGR. After applying each expected market CAGR to its respective Delta's sub-segment stream, we expect an overall increase in this segment of approximately 5.30%, until 2029. However, going forward, we shall adopt a more conservative and realistic projection, given the maturity of these markets and respective industry's conditions. While MRO services are expected to grow due to higher outsourcing demand, the rate is moderated by market saturation, competition and capacity limits. Similarly, the refinery segment faces slower growth due to volatile fuel prices, regulatory challenges and, most important, to the shifting on energy consumption patterns, with the introduction of sustainable fuel.

Exhibit 59: Projected Ancillary Businesses and Refinery Revenue (2024-2029)



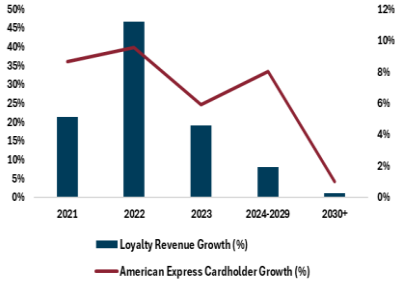
Source: Author's Calculations

- Loyalty Program

Delta’s loyalty program runs through the SkyMiles loyalty program, providing value to both passengers and to third-party companies through strategic partnerships. For passengers, the program offers miles for flights, upgrades, and services, incentivizing repeat travel and enhancing customer loyalty. Delta has established partnerships, such as American Express, which offers co-branded credit cards that allow members to earn miles on everyday purchases. These partnerships generate substantial revenue, as third-party companies purchase miles to offer their own customers.

As these revenues are primarily driven by the customer spending on American Express cards (Amex Cards), we established as the main driver influencing the revenues in this stream the growth in the number of American Express cardholders. For that, we analysed the historical data from Statista, from 2013 to 2023 (Exhibit 60). Based on the pattern from the past three years (2021 to 2023), i.e. the growth average, we assumed that the number of cardholders will continue to grow at the same rate of 8% from 2024 to 2029.

Exhibit 60: Projected Growth in American Express Cardholders and Delta Loyalty Revenue (2021-2030+)



Source: Author’s Calculations

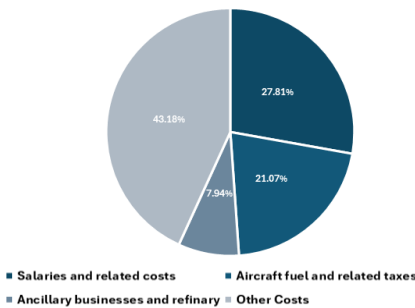
Cost Structure

Delta’s cost structure of 2023 is illustrated in Exhibit 61. As one can observe, most significant costs are salaries, aircraft fuel and ancillary businesses and refinery, accounting for more than half of Delta’s total OPEX (58.13%). This distribution highlights the high concentration of Delta’s cost structure in a few key areas. Following a similar approach as with the revenue projections, we forecasted each expense category individually, up to 2029. From that point onwards, we applied a linear interpolation until reaching a steady state in 2034, where we assume all cost elements will stabilize.

Salaries constitute a substantial portion of Delta’s operating expenses, especially after recent agreements with labor unions. In 2023, they were the largest contributor to total operating expenses, accounting for 27.8% of the total. This dependence is expected to remain stable, as jobs such as pilots, flight attendants, ground crew and maintenance personnel cannot be easily dismissed or replaced. A key driver of salary increases in the airline industry is the looming pilot shortage, driven by three main factors: i) the high number of mandatory pilot retirements due to age, ii) the growing demand for pilots from regional airlines, and iii) the low number of qualified candidates applying for airline positions. This imbalance between pilots’ supply and demand creates significant challenges for airlines in filling vacancies, driving upward pressure on salaries.

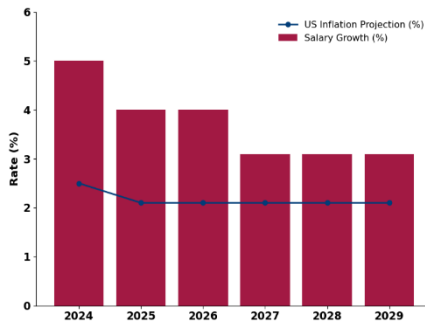
To project salary costs for the upcoming years, we have incorporated the terms of the recently negotiated labor agreement between Delta and the pilot’s union: a

Exhibit 61: Delta Cost Structure (2023)



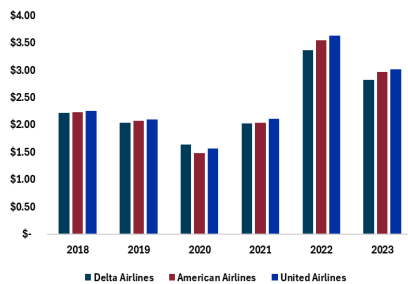
Source: Delta annual report

Exhibit 62: Delta’s Projected Salary Growth vs U.S. Inflation (2024-2029)



Source: Author’s Calculations; Statista

Exhibit 64: Average Fuel Price per Gallon (2018-2023)

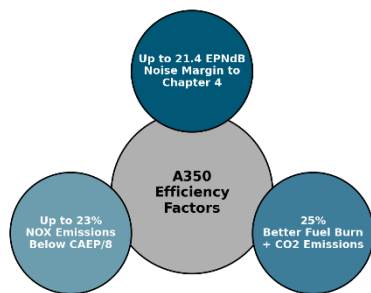


Source: Companies Annual Report

salary increase of 5% in 2024, followed by a 4% increase in 2025 and 2026. Afterwards, until 2029, we have assumed salaries would grow 1% above inflation² (Exhibit 62), in line with the company’s belief that this investment will drive better performance and reinforce its leadership position in the highly competitive and heavily unionized airline industry. Nevertheless, a slowdown in year-over-year salary growth is expected, as Delta has one of the lowest levels of unionized labor among US airlines, allowing it greater flexibility to manage salary increases as the industry continues to recover.

Aircraft fuel and related taxes, a close second, accounted for 21.07% of total operating expenses in 2023. These costs are closely tied to the airline’s flight frequency and are driven by fuel prices volatility and inflationary pressures. They include Monroe's cost of supplying 75% of the company's fuel needs directly, with the remaining 25% sourced from the open market.

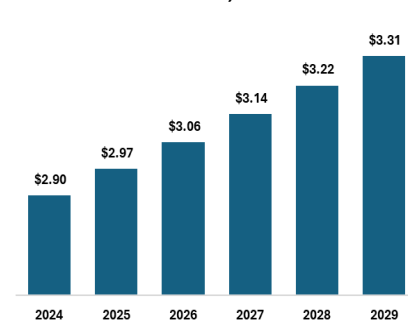
Exhibit 66: A350 New Efficiency Levels



Source: Airbus

Fuel costs can be decomposed into two primary components: fuel gallons consumed and cost per gallon. Fuel costs are one of the largest and most variable components of Delta’s total operating expenses, making accurate projections crucial but challenging. Over the past three years, Delta’s average fuel cost per gallon has averaged \$2.73 with a standard deviation of 67%. In comparison, American Airlines and United Airlines had higher averages of \$2.85 and \$2.92 per gallon, respectively, each with a standard deviation of 76% each. As shown in Exhibit 63, Monroe Energy has successfully achieved its goal by consistently maintaining fuel costs below those of the open market, except for the pandemic years. Notably, except for 2020, Delta has secured fuel at a lower cost than its peers, highlighting a significant competitive advantage (Exhibit 64). However, the evolution of Monroe Energy’s gallon costs is not disclosed. Therefore, we applied the projected CAGR_{2023–2032} of 2.71% for the US base oil market³ to the average cost per gallon, assuming that Monroe’s gallon cost and the open market cost will grow proportionally. By leveraging external market research, we are guaranteeing that anticipated changes in the oil market, as well as inflation growth, are accurately reflected in our projections. As for the number of gallons consumed, we expect them to be in line with the historical consumption (excluding pandemic years). However, we expect Delta’s future fuel consumption to shift in response to fleet modernization efforts. Delta has been investing heavily in newer, more fuel-efficient aircraft, a move that is anticipated to reduce fuel gallons consumed by 2030, up to 25%⁴ compared to older models. To incorporate this shift into our forecasts, we project the expected growth rate of fuel gallon consumption will gradually decline by 1% annually. We conclude, therefore, that the overall expense

Exhibit 65: Projected Cost per Gallon (2024-2029)



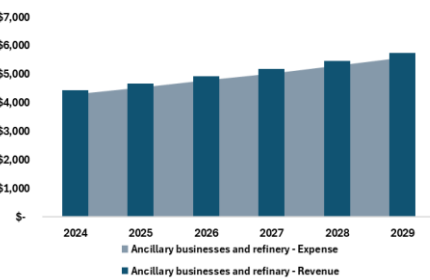
Source: Author’s Calculations

² Source: Statista Research Department (2023-2029 Inflation forecasts)

³ Source: Statista Research Department (2023-2032 SCGR of base oil market forecasts)

⁴ Source: Airbus (Global Market Forecasts 2024)

Exhibit 67: Ancillary Businesses & Refinery Revenue and Costs (2024-2029)



Source: Authors' Calculations

will increase at a CAGR of 7.05%, between 2024 to 2029. We believe that, in the long run, the cumulative impact of fuel efficiency improvements across the fleet and the gradual increase in the use of Sustainable Aviation Fuel will decrease this CAGR. Delta plans to gradually replace traditional fuel by SAF, targeting 10% of total fuel usage by 2030. Although we anticipate improvements in fuel consumption efficiency, one must consider that the process will be gradual, as the SAF price is currently around three times higher than traditional fuel. We are confident that this premium is unlikely to decrease significantly in the near future, as there is only one major supplier, Neste. Forecasting this category's trajectory is complex. Nevertheless, we remain optimistic about the potential positive impact on Delta's aircraft fuel expenses, reducing them gradually through reduced aircraft purchases, improved fuel efficiency, and SAF integration.

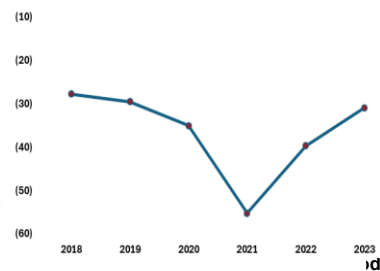
Lastly, Delta's third-largest expense, Ancillary Businesses and Refinery expenses, accounts for 7.94% of total operating expenses and is directly tied to the costs associated with each respective segment. Over the last five years, Delta's cost to revenue ratio for these segment has ranged between 94% and 99%. To project this category's expenses, we assumed that 97% (historical average) of ancillary and refinery revenue is consistently allocated to cover related expenses. As such, the growth rate for these expenses will match the growth rate of ancillary and refinery revenues, ensuring a direct correlation between the two. Therefore, we foresee an increase of 3.2% from 2023 to 2024, followed by a more significant annual rise of 5.3% from 2024 to 2029.

NWC

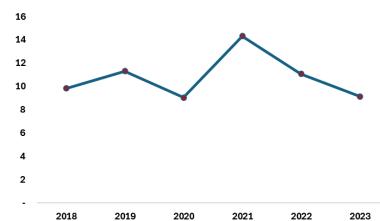
Working cash is assumed to be 3.8% of total revenues, as this follows the industry norm. Accounts receivable is driven by the historical average of the Average Collection Period from 2018 to 2023, excluding the pandemic years as outliers, of 20.94 days. Moreover, Delta's inventory is divided into 2 parts: i) Fuel Inventory and ii) Expendables Parts and Supplies Inventory. To forecast Fuel Inventory, we assumed it would vary in line with changes in fuel consumption, calculated as the product between total gallons consumed and the average price per gallon, both previously projected in the Aircraft Fuel Expense forecast. Fuel Inventory is, hence, projected to grow, from 2024 to 2029, 7%. Regarding Expendables Parts and Supplies Inventory, we expect to maintain, from 2024 onwards, the average of the Average Holding Period of 10.34, which is greatly below the industry's average, reflecting operational efficiency and optimized supply chain management. The average is based on data from 2018 to 2023, excluding the pandemic years as outliers. Prepaid expenses are assumed to be driven by total revenues. Since it is very uncertain the future evolution of Delta's equity investments, as it reflects the annual valuation of Delta's investments in other airlines, we assume it will vary

Exhibit 72: Delta's Average Collection Period (2018-2023)

Exhibit 74: Delta's Average Payable Period (2018-2023)

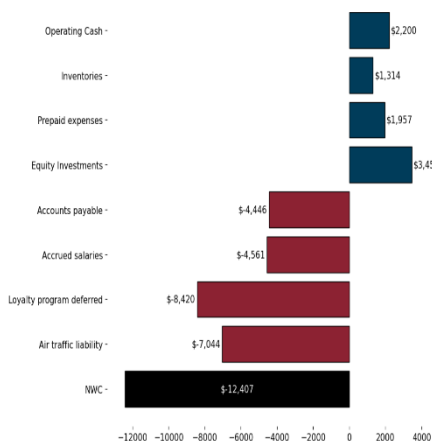


Source: Companies Annual Report



Source: Delta's Annual Report

Exhibit 75: Delta's NWC Breakdown (2023)



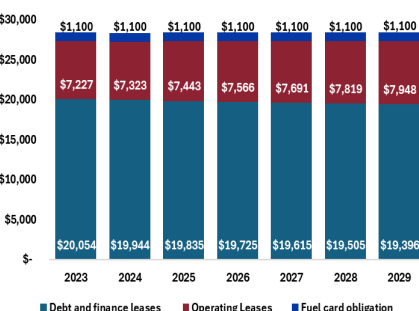
Source: Delta's Annual Report | Authors Computations

according to its past performance, i.e. the average growth observed between 2021 and 2023, of 14%. Accounts payable are assumed to be driven by the historical average of the Average Payable Period from 2018 to 2023, excluding the pandemic years as outliers, of 27.73 days. Accrued salaries and related benefits' main driver is the number of employees, outlined in the annual report and further predicted by the historical growth average. Finally, air traffic liability and loyalty program deferred revenue are projected to remain consistent as fixed percentages of Delta's total passenger revenue, approximately 12% and 15%, respectively, over the forecasted period. The airline industry operates as a negative working capital business, which is not a concern but rather a reflection of the industry's inherent dynamics. As illustrated in Exhibit 75, Delta carries significant liabilities, primarily tied to funds received in advance for tickets sold but not yet flown, recorded under deferred revenue. Airlines generally receive payments from customers faster than they are required to pay their suppliers. Consequently, Delta's Operating Capital has shown a negative and increasing trend in the historical years, a pattern expected to continue throughout the forecasted period, expected to increase at a CAGR of 11%.

Total Debt

In addition to "Debt and Finance Leases," we also classify "Operating Leases" and "Fuel Card Obligations" as debt.

Exhibit 77: Delta's Debt Breakdown (2023-2029)



Source: Author's Calculations

The airline industry is highly capital-intensive, requiring significant funding for aircraft acquisitions, often facilitated through leasing options and debt secured by aircraft as collateral. When Covid-19 hit, airlines were forced to fully shutdown their operational activity, forcing Delta to contract a huge amount of debt to sustain its operations, pay salaries and keep the company alive. This led to a significant increase of long term debt from 2019 to 2020 of 161%, with D/E ratio rising from 1.1 to 14.92. Since then, Delta has balanced debt repayment – making more frequent payments whenever the opportunity arises – with the financing of new aircraft for fleet renewal and operational investments. Acknowledging this approach we estimate the total long-term debt by targeting a ratio of 1.2x EBITDAR for 2034, which is 2019's target, applying a linear interpolation that reflects a negative CAGR of 1%. We believe that this pre-pandemic benchmark reflects a healthy D/E ratio, while acknowledging that restoring such an increase in debt takes time. Additionally, we project debt from operating leases to grow from 2024 to 2034 at the CAGR₂₀₁₈₋₂₀₂₃, of 1.83%. These type of leases are very convenient to the airline, as they require lower levels of capital investment. Hence, even though we forecast a reduction in the number of newly acquired aircraft going forward, we are confident that Delta will continue to favor acquiring new airplanes under these agreements, mainly to adjust its fleet size more easily according to

Exhibit 76: Delta's D/E Ratio (2018-2023)



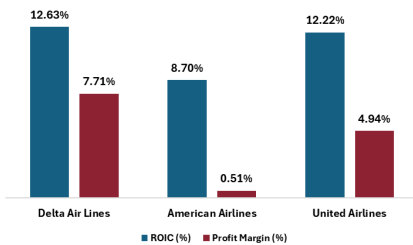
Source: Delta's Annual Report

fluctuations in demand. Finally, the fuel card obligation is tied to an Amex card, which provides a \$1.1 billion credit limit, used to purchase jet fuel and crude oil, requiring monthly payment. Since this credit limit has remained constant since 2020, we assume it will continue to follow the same pattern throughout the forecast period. As a result, we project total debt to grow at a CAGR of 0.07% over the forecast period. This modest growth reflects the offsetting effects of repaying the substantial debt incurred during the COVID-19 and incurring new debt required for fleet renewal, alongside a reduced overall need for financing due to the extended lifespan of the fleet.

Consolidated Perspective

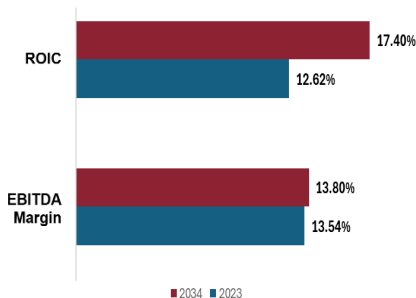
To provide a comparative view of Delta's performance against its competitors, we examine the company's metrics for 2023, which include revenues of \$58,048 million, an EBITDA margin of 13.54%, and a ROIC of 12.63%. We have selected American Airlines and United Airlines as Delta's main competitors, as they, along with Delta, are the primary US Legacy Carriers. In 2023, the total revenues of both peers were \$52,788 billion for American Airlines and \$53,717 billion for United Airlines. The EBITDA margin and ROIC were, respectively, 10.02% and 8.7% for American Airlines and 13.07% and 12.22% for United Airlines. In the same year, Delta outperformed its peers with a profit margin of 7.71%, while American Airlines and United Airlines recorded a margin of 0.51% and 4.94%. Important insights were derived from Delta's historical performance, including its leadership position in the sector and its competitive advantages, and were incorporated into Delta's operating model. By the end of our implicit horizon, we anticipate Delta to achieve a total revenue of \$88,008 million, an EBITDA margin of 13.8%, and a ROIC of 16.3%. These projections take into account key factors such as the airline's continued expansion into new international markets, its additional revenue streams generated through its subsidiaries, as well as its plans to build a more efficient fleet. We are confident that Delta will continue to leverage its subsidiaries to excel its performance, explore international alliances, and drive both operational and environmental efficiency, positioning the company for a successful transition to the final stage of our analysis: Delta's Valuation.

Exhibit 78: U.S. Legacy Carriers ROIC & Profit Margin (2023)



Source: Refinitiv

Exhibit 79: Delta's Metrics Comparison (2023 vs 2034)



Source: Delta's Annual Report | Authors' Calculations

Exhibit 83: Closest Competitors Average Price

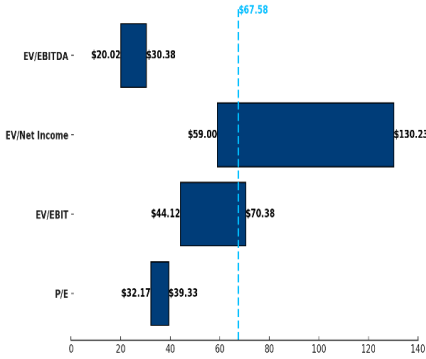
Relative Valuation - Closest Competitors	
P/E	\$ 35.75
EV/EBIT	\$ 57.25
EV/Net Income	\$ 94.52
EV/EBITDA	\$ 25.20
Average Price Implied	\$ 53.18
Upside (Downside) Potential	-19.14%

Source: Authors' Calculations

Multiples

Delta's closest peer group – American and United Airlines – was chosen primarily due to their comparable revenue scales and operational similarities. Together, these three companies represent the leading U.S. legacy carriers, with all of them covering similar geographic regions and operating under comparable market conditions. To triangulate our results, we leveraged the following multiples: P/E, EV/EBIT, EV/EBITDA, and EV/Net Income. The average of the selected multiples

Exhibit 84: Football Field Analysis (Third Quartile Mean)



Source: Author's Calculations

represents an implied share price of \$53.18 (Exhibit 83), indicating a potential downside of 19.14% compared to the current listed price. However, it is important to recognize that no company is perfectly comparable to another. As highlighted in previous sections, Delta holds distinct competitive advantages over its peers, consistently being the top performer within the industry, making it more challenging to accurately value the company using peer-based multiples alone. To address this, we calculated the third quartile for the same multiples and peer group, resulting in a share price of \$67.58. Therefore, based on the relative valuation, we recommend a **Hold** position, as the third quartile share price implies a potential upside of only 2.75%.

Sensitivity Analysis

Given that our model relies on various assumptions, we performed a sensitivity analysis to evaluate the impact of changes in key model inputs on the resulting output, in this case, Delta's share price and Enterprise Value. Specifically, we performed a sensitivity analysis on the WACC and Terminal Growth Rate (TGR).

Our base case assumptions for WACC and TGR were 7.26% and 1.06%, respectively, yielding a share price estimate of \$76.10. As seen in Exhibit 85, the share price is notably more sensitive to changes in WACC than to changes in the TGR. Specifically, holding the TGR constant, a 0.25% increase in WACC reduces the EV to \$78,384 and, consequently, the share price to \$70.64. Conversely, a 0.25% decrease in the TGR, with the WACC held constant, would decrease the EV to \$79,670 and the share price would drop to \$72.63.

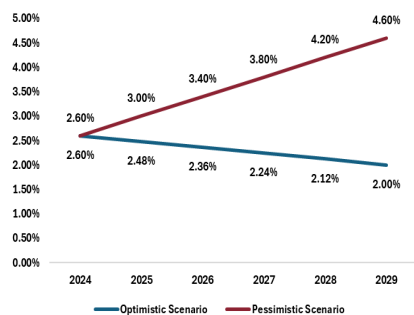
Exhibit 85. Impact in Delta's Stock Price and EV with Changes in the TGR and WACC (Sources: Author's Calculations)

		Terminal Growth Rate								
		0.06%	0.31%	0.56%	0.81%	1.06%	1.31%	1.56%	1.81%	2.06%
Terminal Post-Tax WACC	6.26%	\$ 84.75	\$ 88.81	\$ 93.22	\$ 98.03	\$ 103.31	\$ 109.12	\$ 115.54	\$ 122.69	\$ 130.70
	6.51%	\$ 78.85	\$ 82.52	\$ 86.50	\$ 90.83	\$ 95.55	\$ 100.73	\$ 106.44	\$ 112.74	\$ 119.76
	6.76%	\$ 73.40	\$ 76.74	\$ 80.34	\$ 84.25	\$ 88.49	\$ 93.13	\$ 98.21	\$ 103.81	\$ 110.00
	7.01%	\$ 68.36	\$ 71.39	\$ 74.66	\$ 78.20	\$ 82.03	\$ 86.20	\$ 90.75	\$ 95.74	\$ 101.23
	7.26%	\$ 63.67	\$ 66.44	\$ 69.42	\$ 72.63	\$ 76.10	\$ 79.86	\$ 83.96	\$ 88.42	\$ 93.32
	7.51%	\$ 59.30	\$ 61.84	\$ 64.56	\$ 67.49	\$ 70.64	\$ 74.05	\$ 77.74	\$ 81.76	\$ 86.14
	7.76%	\$ 55.23	\$ 57.56	\$ 60.05	\$ 62.72	\$ 65.59	\$ 68.69	\$ 72.03	\$ 75.66	\$ 79.60
	8.01%	\$ 51.42	\$ 53.56	\$ 55.85	\$ 58.29	\$ 60.92	\$ 63.74	\$ 66.77	\$ 70.06	\$ 73.61
	8.26%	\$ 47.84	\$ 49.82	\$ 51.93	\$ 54.17	\$ 56.57	\$ 59.15	\$ 61.92	\$ 64.90	\$ 68.12
			Terminal Growth Rate							
		0.06%	0.31%	0.56%	0.81%	1.06%	1.31%	1.56%	1.81%	2.06%
Terminal Post-Tax WACC	6.64%	\$ 87,489	\$ 90,106	\$ 92,951	\$ 96,058	\$ 99,463	\$ 103,212	\$ 107,360	\$ 111,974	\$ 117,136
	6.89%	\$ 83,683	\$ 86,052	\$ 88,619	\$ 91,412	\$ 94,461	\$ 97,803	\$ 101,482	\$ 105,552	\$ 110,080
	7.14%	\$ 80,167	\$ 82,318	\$ 84,643	\$ 87,163	\$ 89,904	\$ 92,896	\$ 96,175	\$ 99,786	\$ 103,781
	7.39%	\$ 76,910	\$ 78,870	\$ 80,981	\$ 83,262	\$ 85,735	\$ 88,425	\$ 91,362	\$ 94,581	\$ 98,125
	7.64%	\$ 73,885	\$ 75,674	\$ 77,597	\$ 79,670	\$ 81,909	\$ 84,336	\$ 86,976	\$ 89,859	\$ 93,018
	7.89%	\$ 71,067	\$ 72,706	\$ 74,463	\$ 76,350	\$ 78,384	\$ 80,582	\$ 82,965	\$ 85,556	\$ 88,385
	8.14%	\$ 68,438	\$ 69,942	\$ 71,551	\$ 73,275	\$ 75,128	\$ 77,124	\$ 79,282	\$ 81,620	\$ 84,164
	8.39%	\$ 65,978	\$ 67,362	\$ 68,839	\$ 70,418	\$ 72,110	\$ 73,929	\$ 75,889	\$ 78,007	\$ 80,303
8.64%	\$ 63,673	\$ 64,949	\$ 66,307	\$ 67,757	\$ 69,307	\$ 70,968	\$ 72,754	\$ 74,678	\$ 76,757	

Notably, the sensitivity is positively skewed, meaning that increases in WACC are more likely to lead to a higher share price compared to a scenario where the WACC decreases by the same value. Although this effect is more expressive with WACC fluctuations, the share price exhibits a similar asymmetrical sensitivity to changes in TGR, albeit to a lesser extent.

Scenario Analysis

Exhibit 86: Inflation Projection by Scenario (2024-2029)



Source: Authors' Calculations

In our projections, we carefully account for the impact of inflation, as Delta's profitability is closely tied to fluctuations in inflation levels. In light of the recent U.S. election results and the potential shifts in economic policy, we conducted an analysis to assess how changes in inflation rates could impact our current demand, through an Optimistic and a Pessimistic Scenario. These scenarios extend to 2029, as this analysis reflects the impact of the new election outcomes, with the presidential term ending that year. Afterward, we assume that, similar to our baseline scenario, growth will converge to our target terminal rate, regardless of the 2029 outcome. Assuming that prices will increase at the same rate as inflation, we evaluated the price elasticity of demand (PED). Elasticity estimates⁵ differ from short-haul and long-haul flights, as well as between leisure and business flights. Specifically, a 1% increase in ticket prices is expected to reduce demand by -0.7 and -0.27 for short-haul and long-haul flights, respectively, and -1.52 and -1.04 for leisure and business flights, respectively. To fairly adjust these elasticities to Delta's operating model, we applied a weighted average, considering that in 2023, 87.9% of Delta's flights were short-haul, while 12.1% were long-haul, with a 50/50 distribution between business and leisure travelers. As a result, Delta's PED is 1.06%.

Pessimistic Scenario: For a negative outlook, we project an inflation rate 2% higher than the current U.S. inflation rate of 2.6% by the end of our explicit horizon, in 2029. Using linear interpolation, inflation is expected to rise by 0.4% annually, leading to a proportional 0.41% decrease in demand each year. Consequently, Delta's revenues will grow at a CAGR of 3.9%, reaching \$74,906 million by 2029, compared to the CAGR of 4.29% and \$76,427 million in revenues in the base scenario. Operating costs are assumed to represent the same percentage of total revenues as they do in the baseline scenario. As a result, they are expected to increase at a CAGR of 3.09%, slightly lower than the 3.43% increase in the baseline scenario. Similarly, D&A, CapEx, and NWC adjustments reflect this inflationary effect, resulting in a lower CAGR for FCF from 2025 to 2029, dropping from 3.31% to 1.56%. Moreover, Delta's cost of capital metrics are expected to worsen, leading to a higher post-tax WACC of 7.6% and a slightly lower terminal growth rate of 1.06%. Under this scenario, the EV drops to \$65,174 million (vs baseline scenario EV of \$81,909 million) and the target share price to \$52.93 (Exhibit 87), a 30.45% decrease from the current share price.

Exhibit 87: Pessimistic Scenario Target Price

Σ Discounted FCF	\$ 21,387.30
Terminal Value	\$ 45,569.87
Enterprise Value	66,957.17
Net Debt	(\$ 32,800.98)
Equity Value	\$ 31,156.19
Number of Outstanding share	645,281,221
Price Target FY 2025	\$ 52.93
Upside (Downside)	-30.45%

Source: Authors' Calculations

Optimistic Scenario: In a more successful scenario, we assume inflation will decrease to the FED's target rate by 2029, which will result in a 0.13% increase in demand compared to the base case. Consequently, Delta's revenue is projected

⁵ Source: Gillen, Air travel demand elasticities: Concepts, issues and measurement, 2002

Exhibit 88: Optimistic Scenario Target Price

Σ Discounted FCF	\$ 24,675.81
Terminal Value	\$ 65,692.14
Enterprise Value	\$ 90,367.95
Net Debt	(\$ 32,800.98)
Equity Value	\$ 57,566.97
Number of Outstanding share	645,281,221
Price Target FY 2025	\$ 89.21
Upside (Downside)	17.23%

Source: Authors' Calculations

to be 4.4%, with revenues expected to reach \$76,888 million by 2029. Like the baseline scenario, operating costs are assumed to represent the same percentage of total revenues. As a result, they are expected to increase at a higher a CAGR of 3.54%, throughout the same period. Once again, Delta's D&A, CapEx and NWC will be adjusted to the anticipated decrease in inflation, leading to an overall increase in Delta's FCF, which is projected to grow at a CAGR of 3.44% from 2025 to 2029. Under this scenario, with a lower WACC of 6.92%, the expected EV is \$90,368 million (Exhibit 88), and the target share price is \$89.21, reflecting a 17.23% increase from the current stock price.

From our understanding, predicting which scenario will prevail is challenging. While President Trump's pro-business policies, tax cuts, and focus on energy independence could drive growth and stabilize inflation, his protectionist stance may cause deregulation, trade disruptions, and rising debt, leading to instability and inflationary pressures. Based on our external market predictions, such as the aforementioned one from Statista, and historical US inflation, we believe it is more likely that inflation will decrease rather than increase. Therefore, we assign a 5% probability to the pessimistic scenario and a 10% probability to the optimistic scenario.

Appendix

Income Statement: 2018 – 2029 – Historical Data & Explicit Horizon

Reformulated Income Statement (in USDm)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Core Business												
Operating Revenues:												
Passenger	\$ 39,755	\$ 42,277	\$ 12,883	\$ 22,519	\$ 40,218	\$ 48,909	\$ 49,807	\$ 52,048	\$ 54,800	\$ 57,682	\$ 60,697	\$ 63,852
Cargo	\$ 865	\$ 753	\$ 608	\$ 1,032	\$ 1,050	\$ 723	\$ 744	\$ 766	\$ 789	\$ 812	\$ 836	\$ 860
Other (Ancillary Businesses, Refinery, and Loyalty programs)	\$ 3,260	\$ 3,259	\$ 3,256	\$ 5,792	\$ 8,420	\$ 7,312	\$ 7,784	\$ 8,288	\$ 8,789	\$ 9,303	\$ 9,826	\$ 10,358
Total Operating Revenue	\$ 43,880	\$ 46,289	\$ 16,747	\$ 29,343	\$ 49,688	\$ 56,944	\$ 58,335	\$ 61,101	\$ 64,378	\$ 67,796	\$ 71,359	\$ 75,070
Operating Expenses:												
Salaries and related costs	\$ 10,608	\$ 11,424	\$ 8,818	\$ 9,547	\$ 11,692	\$ 14,329	\$ 15,046	\$ 15,647	\$ 16,273	\$ 16,778	\$ 17,298	\$ 17,834
Aircraft fuel and related taxes	\$ 9,020	\$ 8,519	\$ 3,176	\$ 5,633	\$ 11,482	\$ 11,069	\$ 11,777	\$ 12,928	\$ 14,056	\$ 15,283	\$ 16,458	\$ 17,723
Ancillary businesses and refinery	\$ 1,695	\$ 1,245	\$ 1,785	\$ 3,957	\$ 5,756	\$ 4,172	\$ 4,307	\$ 4,535	\$ 4,775	\$ 5,028	\$ 5,294	\$ 5,575
Contracted services	\$ 2,175	\$ 2,942	\$ 1,953	\$ 2,420	\$ 3,345	\$ 4,041	\$ 4,140	\$ 4,336	\$ 4,506	\$ 4,746	\$ 4,995	\$ 4,504
Landing Fees and other rents	\$ 1,662	\$ 2,176	\$ 1,833	\$ 2,019	\$ 2,181	\$ 2,563	\$ 2,652	\$ 2,770	\$ 2,889	\$ 2,982	\$ 3,074	\$ 3,167
Depreciation and amortization	\$ 2,329	\$ 2,581	\$ 2,312	\$ 1,998	\$ 2,107	\$ 2,341	\$ 3,587	\$ 2,776	\$ 2,584	\$ 2,503	\$ 3,315	\$ 3,775
Regional carrier expense	\$ 3,438	\$ 2,158	\$ 1,584	\$ 1,736	\$ 2,051	\$ 2,200	\$ 2,296	\$ 2,396	\$ 2,501	\$ 2,611	\$ 2,725	\$ 2,844
Aircraft maintenance materials and outside repairs	\$ 1,575	\$ 1,751	\$ 822	\$ 1,401	\$ 1,982	\$ 2,432	\$ 3,489	\$ 3,673	\$ 3,868	\$ 4,073	\$ 4,288	\$ 4,516
Passenger commissions and other selling expenses	\$ 1,941	\$ 2,211	\$ 643	\$ 953	\$ 1,891	\$ 2,334	\$ 2,392	\$ 2,499	\$ 2,083	\$ 1,616	\$ 1,093	\$ 1,150
Passenger service	\$ 1,178	\$ 1,312	\$ 551	\$ 756	\$ 1,453	\$ 1,750	\$ 1,743	\$ 1,822	\$ 1,918	\$ 2,019	\$ 2,124	\$ 2,235
Aircraft rent	\$ 394	\$ 423	\$ 399	\$ 430	\$ 508	\$ 532	\$ 539	\$ 548	\$ 557	\$ 566	\$ 576	\$ 585
Restructuring charges	\$ -	\$ -	\$ 8,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pilot agreement and related expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government grant recognition	\$ -	\$ -	\$ -3,866	\$ -4,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 1,723	\$ 1,827	\$ 1,232	\$ 1,405	\$ 1,700	\$ 2,239	\$ 2,316	\$ 2,420	\$ 2,524	\$ 2,605	\$ 2,686	\$ 2,767
Total Operating Expenses	\$ 37,738	\$ 38,569	\$ 29,461	\$ 27,808	\$ 46,148	\$ 50,866	\$ 54,283	\$ 56,351	\$ 58,536	\$ 60,809	\$ 63,928	\$ 66,675
												17.92%
Core Result before Taxes, net of profit sharing	\$ 6,142	\$ 7,720	\$ -12,714	\$ 1,535	\$ 3,540	\$ 6,078	\$ 4,052	\$ 4,750	\$ 5,843	\$ 6,987	\$ 7,431	\$ 8,395
Profit Sharing	\$ 1,285	\$ 1,618	\$ -	\$ 106	\$ 553	\$ 1,357	\$ 810	\$ 950	\$ 1,169	\$ 1,397	\$ 1,486	\$ 1,679
Core Result before Taxes	\$ 4,857	\$ 6,102	\$ -12,714	\$ 1,429	\$ 2,987	\$ 4,721	\$ 3,242	\$ 3,800	\$ 4,674	\$ 5,590	\$ 5,945	\$ 6,716
Statutory Taxes	\$ -1,020	\$ -1,281	\$ 2,670	\$ -300	\$ -627	\$ -991	\$ -681	\$ -798	\$ -982	\$ -1,174	\$ -1,248	\$ -1,410
Tax Adjustments	\$ -126	\$ -128	\$ -76	\$ -1,288	\$ -509	\$ 151	\$ -150.10	\$ -175.94	\$ -216.41	\$ -258.81	\$ -275.26	\$ -310.96
Core Result	\$ 3,711	\$ 4,693	\$ -10,120	\$ -159	\$ 1,851	\$ 3,881	\$ 2,411	\$ 2,826	\$ 3,476	\$ 4,157	\$ 4,421	\$ 4,995
Non-Core Business												
Operating Revenues:												
Other (Miscellaneous)	\$ 558	\$ 718	\$ 348	\$ 556	\$ 894	\$ 1,104	\$ 1,059	\$ 1,106	\$ 1,165	\$ 1,226	\$ 1,290	\$ 1,357
Total Operating Revenue	\$ 558	\$ 718	\$ 348	\$ 556	\$ 894	\$ 1,104	\$ 1,059	\$ 1,106	\$ 1,165	\$ 1,226	\$ 1,290	\$ 1,357
Operating Expenses:												
Salaries and related costs	\$ 135	\$ 177	\$ 183	\$ 181	\$ 210	\$ 278	\$ 291.70	\$ 303.37	\$ 315.50	\$ 328.12	\$ 341.24	\$ 354.89
Government grant recognition	\$ -	\$ -	\$ -80	\$ -84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 135	\$ 177	\$ 103	\$ 97	\$ 210	\$ 278	\$ 291.70	\$ 303.37	\$ 315.50	\$ 328.12	\$ 341.24	\$ 354.89
Gains (Losses) on Equity Investments:												
Impairments and equity method losses	\$ -	\$ -62	\$ -2,432	\$ -337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain/(loss) on investments, net	\$ 14	\$ 119	\$ -105	\$ 56	\$ -783	\$ 1,263	\$ 291	\$ 340	\$ 391	\$ 448	\$ 514	\$ 589
Miscellaneous, net	\$ 184	\$ -111	\$ 137	\$ 49	\$ -127	\$ -35	\$ -33	\$ -39	\$ -45	\$ -51	\$ -59	\$ -68
Total Gains on Equity Investments	\$ 198	\$ -54	\$ -2,400	\$ -341	\$ -910	\$ 1,228	\$ 257	\$ 301	\$ 346	\$ 396	\$ 455	\$ 521
Non-Core Result before taxes, net of Profit Sharing	\$ 621	\$ 487	\$ -2,155	\$ 118	\$ -226	\$ 2,054	\$ 1,024	\$ 1,104	\$ 1,195	\$ 1,294	\$ 1,404	\$ 1,524
Profit sharing	\$ 16.34	\$ 25.10	\$ -	\$ 2.01	\$ 9.95	\$ 26.30	\$ 205	\$ 221	\$ 239	\$ 259	\$ 281	\$ 305
Non-Core Result before taxes	\$ 605	\$ 462	\$ -2,155	\$ 116	\$ -236	\$ 2,028	\$ 819	\$ 883	\$ 956	\$ 1,035	\$ 1,123	\$ 1,219
Statutory Taxes	\$ -127	\$ -97	\$ 453	\$ -24	\$ 50	\$ -426	\$ -172	\$ -186	\$ -201	\$ -217	\$ -236	\$ -256
Tax Adjustments	\$ -17	\$ -9	\$ 4	\$ -141	\$ 69	\$ 64	\$ -63	\$ -68	\$ -74	\$ -80	\$ -87	\$ -94
Non-Core Result	\$ 461	\$ 356	\$ -1,699	\$ -49	\$ -117	\$ 1,666	\$ 584	\$ 630	\$ 682	\$ 738	\$ 801	\$ 869
Financing												
Interest expense, net	\$ -311	\$ -301	\$ -929	\$ -1,279	\$ -1,029	\$ -834	\$ -858	\$ -853	\$ -848	\$ -843	\$ -839	\$ (834.02)
Loss on extinguishment of debt	\$ -	\$ -	\$ -8	\$ -319	\$ -100	\$ -63	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension and related benefit/(expense)	\$ -	\$ -65	\$ 219	\$ 451	\$ 292	\$ -244	\$ 186	\$ 194	\$ 202	\$ 208	\$ 214	\$ 221
Financing Result before taxes	\$ -311	\$ -366	\$ -718	\$ -1,147	\$ -837	\$ -1,141	\$ -671	\$ -659	\$ -647	\$ -636	\$ -624	\$ -613
Statutory Taxes	\$ 65	\$ 77	\$ 151	\$ 241	\$ 176	\$ 240	\$ 141	\$ 138	\$ 136	\$ 133	\$ 131	\$ 129
Tax Adjustments	\$ 9	\$ 7	\$ 1	\$ 1,395	\$ 245	\$ -36	\$ 52	\$ 51	\$ 50	\$ 49	\$ 48	\$ 47
Other comprehensive Income (loss)	\$ -98	\$ -164	\$ -1,049	\$ -1,908	\$ 1,329	\$ -44	\$ -44	\$ -43.71	\$ -43.56	\$ -43.41	\$ -43.27	\$ -43.12
Financing Result	\$ -335	\$ -446	\$ -1,615	\$ -1,419	\$ 913	\$ -981	\$ -522	\$ -514	\$ -505	\$ -497	\$ -488	\$ -480
Comprehensive Income	\$ 3,837	\$ 4,603	\$ -13,434	\$ -1,628	\$ 2,647	\$ 4,565	\$ 2,473	\$ 2,942	\$ 3,653	\$ 4,399	\$ 4,734	\$ 5,384

Income Statement: 2030 – 2034 – Implicit Horizon

Reformulated Income Statement (in USDm)	2030F	2031F	2032F	2033F	2034F
Core Business					
Operating Revenues:					
Passenger	\$ 66,763	\$ 69,380	\$ 71,655	\$ 73,547	\$ 75,018
Cargo	\$ 882.98	\$ 903.87	\$ 922.64	\$ 939.14	\$ 953.23
Other (Ancillary Businesses, Refinery, and Loyalty programs)	\$ 10,832	\$ 11,254	\$ 11,607	\$ 11,884	\$ 12,036
Total Operating Revenue	\$ 78,478	\$ 81,538	\$ 84,185	\$ 86,370	\$ 88,007
Operating Expenses:					
Salaries and related costs	\$ 18,366	\$ 18,891	\$ 19,409	\$ 19,917	\$ 20,415
Aircraft fuel and related taxes	\$ 18,902	\$ 19,962	\$ 20,875	\$ 21,614	\$ 22,154
Ancillary businesses and refinery	\$ 5,828	\$ 6,048	\$ 6,231	\$ 6,372	\$ 6,467
Contracted services	\$ 4,168	\$ 3,956	\$ 3,848	\$ 3,834	\$ 3,910
Landing Fees and other rents	\$ 3,256	\$ 3,341	\$ 3,421	\$ 3,497	\$ 3,567
Depreciation and amortization	\$ 4,209	\$ 4,593	\$ 4,903	\$ 5,118	\$ 5,220
Regional carrier expense	\$ 2,952	\$ 3,047	\$ 3,127	\$ 3,192	\$ 3,240
Aircraft maintenance materials and outside repairs	\$ 4,692	\$ 4,852	\$ 4,995	\$ 5,119	\$ 5,221
Passenger commissions and other selling expenses	\$ 1,203	\$ 1,250	\$ 1,291	\$ 1,325	\$ 1,351
Passenger service	\$ 2,332	\$ 2,414	\$ 2,479	\$ 2,525	\$ 2,550
Aircraft rent	\$ 595	\$ 605	\$ 615	\$ 625	\$ 635
Restructuring charges	\$ -	\$ -	\$ -	\$ -	\$ -
Pilot agreement and related expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Government grant recognition	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 2,839	\$ 2,902	\$ 2,954	\$ 2,995	\$ 3,025
Total Operating Expenses	\$ 69,341	\$ 71,861	\$ 74,148	\$ 76,132	\$ 77,757
Core Result before Taxes, net of profit sharing	\$ 9,138	\$ 9,677	\$ 10,037	\$ 10,239	\$ 10,250
Profit Sharing	\$ 1,828	\$ 1,935	\$ 2,007	\$ 2,048	\$ 2,050
Core Result before Taxes	\$ 7,310	\$ 7,742	\$ 8,030	\$ 8,191	\$ 8,200
Statutory Taxes	\$ -1,535	\$ -1,626	\$ -1,686	\$ -1,720	\$ -1,722
Tax Adjustments	\$ -338	\$ -358	\$ -372	\$ -379	\$ -380
Core Result	\$ 5,437	\$ 5,757	\$ 5,972	\$ 6,092	\$ 6,099
Non-Core Business					
Operating Revenues:					
Other (Miscellaneous)	\$ 1,415	\$ 1,462	\$ 1,497	\$ 1,518	\$ 1,526
Total Operating Revenue	\$ 1,415	\$ 1,462	\$ 1,497	\$ 1,518	\$ 1,526
Operating Expenses:					
Salaries and related costs	\$ 365	\$ 376	\$ 386	\$ 396	\$ 406
Government grant recognition	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 365	\$ 376	\$ 386	\$ 396	\$ 406
Gains (Losses) on Equity Investments:					
Impairments and equity method losses	\$ -	\$ -	\$ -	\$ -	\$ -
Gain/(loss) on investments, net	\$ 671	\$ 759	\$ 855	\$ 957	\$ 1,065
Miscellaneous, net	\$ -77	\$ -87	\$ -98	\$ -110	\$ -122
Total Gains on Equity Investments	\$ 594	\$ 672	\$ 757	\$ 847	\$ 943
Non-Core Result before taxes, net of Profit Sharing	\$ 1,643	\$ 1,758	\$ 1,867	\$ 1,969	\$ 2,062
Profit sharing	\$ 329	\$ 352	\$ 373	\$ 394	\$ 412
Non-Core Result before taxes	\$ 1,314	\$ 1,406	\$ 1,494	\$ 1,575	\$ 1,650
Statutory Taxes	\$ -276	\$ -295	\$ -314	\$ -331	\$ -346
Tax Adjustments	\$ -101	\$ -108	\$ -115	\$ -121	\$ -127
Non-Core Result	\$ 937	\$ 1,003	\$ 1,065	\$ 1,123	\$ 1,176
Financing					
Interest expense, net	\$ -829	\$ -825	\$ -820	\$ -810	\$ -810
Loss on extinguishment of debt	\$ -	\$ -	\$ -	\$ -	\$ -
Pension and related benefit/(expense)	\$ 228	\$ 234	\$ 240	\$ 247	\$ 253
Financing Result before taxes	\$ -602	\$ -591	\$ -579	\$ -564	\$ -558
Statutory Taxes	\$ 126	\$ 124	\$ 122	\$ 118	\$ 117
Tax Adjustments	\$ 46	\$ 45	\$ 45	\$ 43	\$ 43
Other comprehensive Income (loss)	\$ -43	\$ -43	\$ -43	\$ -43	\$ -42
Financing Result	\$ -472	\$ -464	\$ -456	\$ -444	\$ -440
Comprehensive Income	\$ 5,902	\$ 6,296	\$ 6,581	\$ 6,770	\$ 6,835

Passenger Revenue Breakdown by Geographic Region 2018 – 2029

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
RPM	\$ 214,267	\$ 237,651	\$ 73,859	\$ 134,225	\$ 195,892	\$ 231,213	\$ 229,783	\$ 235,523	\$ 242,866	\$ 250,310	\$ 257,852	\$ 265,485
Passenger Load Factor	\$ 0.86	\$ 0.86	\$ 0.55	\$ 0.69	\$ 0.84	\$ 0.85	\$ 0.84	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85
ASM (In Millions)	\$ 250,605	\$ 275,378	\$ 134,289	\$ 194,528	\$ 233,204	\$ 272,015	\$ 272,064	\$ 278,546	\$ 286,883	\$ 295,319	\$ 303,848	\$ 312,464
Passenger Mile Yield	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.17	\$ 0.21	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24	\$ 0.24
Global	\$ 39,755	\$ 42,277	\$ 12,883	\$ 22,519	\$ 40,218	\$ 48,909	\$ 49,807	\$ 52,048	\$ 54,800	\$ 57,682	\$ 60,697	\$ 63,852
RPM	\$ 159,541	\$ 180,864	\$ 63,955	\$ 138,753	\$ 184,465	\$ 204,012	\$ 210,540	\$ 217,533	\$ 224,864	\$ 232,440	\$ 240,272	\$ 248,367
Passenger Load Factor	\$ 0.86	\$ 0.86	\$ 0.55	\$ 0.69	\$ 0.84	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.86	\$ 0.86
ASM (In Millions)	\$ 186,598	\$ 209,575	\$ 116,283	\$ 201,091	\$ 219,602	\$ 240,014	\$ 247,695	\$ 255,621	\$ 263,801	\$ 272,242	\$ 280,954	\$ 289,945
Passenger Mile Yield	\$ 0.18	\$ 0.17	\$ 0.16	\$ 0.13	\$ 0.16	\$ 0.17	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.18
Domestic	\$ 28,159	\$ 30,367	\$ 10,041	\$ 18,468	\$ 30,197	\$ 33,968	\$ 34,550	\$ 36,002	\$ 37,908	\$ 39,901	\$ 41,985	\$ 44,165
RPM	\$ 43,263	\$ 38,232	\$ 7,411	\$ 13,251	\$ 36,972	\$ 52,996	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,963	\$ 59,702	\$ 61,493
Passenger Load Factor	\$ 0.86	\$ 0.86	\$ 0.55	\$ 0.69	\$ 0.84	\$ 0.85	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.83	\$ 0.83
ASM (In Millions)	\$ 50,600	\$ 44,302	\$ 13,475	\$ 19,205	\$ 44,014	\$ 62,348	\$ 64,219	\$ 66,145	\$ 68,129	\$ 70,173	\$ 72,279	\$ 74,447
Passenger Mile Yield	\$ 0.14	\$ 0.17	\$ 0.16	\$ 0.13	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.19	\$ 0.19
Atlantic	\$ 6,165	\$ 6,381	\$ 1,171	\$ 1,777	\$ 6,093	\$ 9,057	\$ 9,277	\$ 9,709	\$ 10,178	\$ 10,666	\$ 11,175	\$ 11,705
RPM	\$ 20,056	\$ 17,784	\$ 7,275	\$ 13,116	\$ 18,784	\$ 22,675	\$ 23,712	\$ 24,566	\$ 25,450	\$ 26,366	\$ 27,315	\$ 28,299
Passenger Load Factor	\$ 0.86	\$ 0.86	\$ 0.55	\$ 0.69	\$ 0.84	\$ 0.85	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86
ASM (In Millions)	\$ 23,457	\$ 20,608	\$ 13,226	\$ 19,009	\$ 22,362	\$ 26,676	\$ 27,636	\$ 28,631	\$ 29,662	\$ 30,730	\$ 31,836	\$ 32,982
Passenger Mile Yield	\$ 0.14	\$ 0.17	\$ 0.15	\$ 0.14	\$ 0.15	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Latin America	\$ 2,888	\$ 3,002	\$ 1,113	\$ 1,873	\$ 2,889	\$ 3,798	\$ 4,050	\$ 4,247	\$ 4,466	\$ 4,696	\$ 4,936	\$ 5,187
RPM	\$ 20,360	\$ 14,540	\$ 4,035	\$ 2,912	\$ 4,076	\$ 11,155	\$ 11,201	\$ 11,934	\$ 12,615	\$ 13,335	\$ 14,096	\$ 14,900
Passenger Load Factor	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.85	\$ 0.81	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82
ASM (In Millions)	\$ 23,755	\$ 16,964	\$ 4,707	\$ 3,398	\$ 4,756	\$ 13,124	\$ 13,845	\$ 14,607	\$ 15,410	\$ 16,258	\$ 17,152	\$ 18,095
Passenger Mile Yield	\$ 0.12	\$ 0.17	\$ 0.14	\$ 0.14	\$ 0.25	\$ 0.19	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.19
Pacific	\$ 2,543	\$ 2,527	\$ 558	\$ 401	\$ 1,039	\$ 2,086	\$ 1,930	\$ 2,090	\$ 2,248	\$ 2,419	\$ 2,601	\$ 2,796

Balance Sheet: 2018 – 2029 – Historical Data & Explicit Horizon

Reformulated Balance Sheet (in USDm)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Core activities												
Assets												
Operating Cash	\$ 1,689	\$ 1,786	\$ 650	\$ 1,136	\$ 1,922	\$ 2,206	\$ 2,217	\$ 2,322	\$ 2,446	\$ 2,576	\$ 2,712	\$ 2,853
Accounts receivable net of an allowance for uncollectible accounts	\$ 2,314	\$ 2,854	\$ 1,396	\$ 2,404	\$ 3,176	\$ 3,130	\$ 3,347	\$ 3,506	\$ 3,694	\$ 3,890	\$ 4,094	\$ 4,307
Fuel, expendable parts and supplies inventories net of an allowance for obsolescence	\$ 1,055	\$ 1,251	\$ 732	\$ 1,098	\$ 1,424	\$ 1,314	\$ 1,418	\$ 1,518	\$ 1,617	\$ 1,724	\$ 1,838	\$ 1,953
Fuel Inventory	\$ 592	\$ 730	\$ 377	\$ 694	\$ 815.87	\$ 752.84	\$ 762	\$ 836	\$ 909	\$ 989	\$ 1,064	\$ 1,146
Expendable parts and supplies inventories net of an allowance for obsolescence	\$ 463	\$ 521	\$ 355	\$ 404	\$ 608	\$ 561	\$ 656	\$ 681	\$ 708	\$ 735	\$ 773	\$ 806
Property and equipment net of accumulated depreciation and amortization	\$ 28,335	\$ 31,310	\$ 26,529	\$ 28,749	\$ 33,109	\$ 35,486	\$ 38,422	\$ 41,798	\$ 46,147	\$ 51,482	\$ 57,062	\$ 63,415
Operating lease right-of-use assets	\$ 5,994	\$ 5,627	\$ 5,733	\$ 7,237	\$ 7,036	\$ 7,004	\$ 7,246	\$ 7,571	\$ 7,895	\$ 8,148	\$ 8,401	\$ 8,655
Goodwill	\$ 9,781	\$ 9,781	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753
Identifiable intangibles net of accumulated amortization	\$ 4,830	\$ 5,163	\$ 6,011	\$ 6,001	\$ 5,992	\$ 5,983	\$ 5,979	\$ 5,975	\$ 5,971	\$ 5,967	\$ 5,963	\$ 5,959
Deferred income taxes	\$ -	\$ -	\$ 1,988	\$ 1,294	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses and other	\$ 1,203	\$ 1,262	\$ 1,180	\$ 1,119	\$ 1,877	\$ 1,957	\$ 2,024	\$ 2,094	\$ 2,166	\$ 2,240	\$ 2,309	\$ 2,373
Equity investments	\$ -	\$ -	\$ 1,665	\$ 1,712	\$ 2,128	\$ 3,457	\$ 3,926	\$ 4,458	\$ 5,063	\$ 5,749	\$ 6,554	\$ 7,472
Liabilities												
Air traffic liability	\$ (4,661)	\$ (5,116)	\$ (4,044)	\$ (6,228)	\$ (8,160)	\$ (7,044)	\$ (7,915)	\$ (8,894)	\$ (9,995)	\$ (11,231)	\$ (12,620)	\$ (14,182)
Accounts payable	\$ (2,976)	\$ (3,266)	\$ (2,840)	\$ (4,240)	\$ (5,106)	\$ (4,446)	\$ (4,754)	\$ (4,935)	\$ (5,126)	\$ (5,325)	\$ (4,856)	\$ (5,065)
Accrued salaries and related benefits	\$ (3,287)	\$ (3,701)	\$ (2,086)	\$ (2,457)	\$ (3,288)	\$ (4,561)	\$ (4,897)	\$ (5,258)	\$ (5,645)	\$ (6,061)	\$ (6,507)	\$ (6,987)
Loyalty program deferred revenue	\$ (6,641)	\$ (6,728)	\$ (12,407)	\$ (8,745)	\$ (7,882)	\$ (8,420)	\$ (9,710)	\$ (11,198)	\$ (12,915)	\$ (14,894)	\$ (17,176)	\$ (19,808)
Invested Capital in Core Operations	\$ 37,636	\$ 40,223	\$ 34,260	\$ 38,833	\$ 42,306	\$ 45,819	\$ 47,056	\$ 48,709	\$ 51,071	\$ 54,019	\$ 57,526	\$ 60,697
Non Core Activities												
Assets												
Other non current assets	\$ 3,850	\$ 3,766	\$ 1,357	\$ 1,300	\$ 934	\$ 1,692	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150
Cash restricted for airport construction	\$ 1,136	\$ 636	\$ 1,556	\$ 473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities												
Other accrued liabilities	\$ (1,117)	\$ (1,078)	\$ (1,670)	\$ (1,746)	\$ (1,779)	\$ (1,617)	\$ (1,617)	\$ (1,617)	\$ (1,617)	\$ (1,617)	\$ (1,617)	\$ (1,617)
Pension, postretirement and related benefits	\$ (9,163)	\$ (8,452)	\$ (500)	\$ (130)	\$ (3,707)	\$ (3,601)	\$ (1,760)	\$ (1,790)	\$ (1,800)	\$ (1,810)	\$ (1,820)	\$ (2,215)
Other noncurrent liabilities	\$ (969)	\$ (1,386)	\$ (4,862)	\$ (4,398)	\$ (4,050)	\$ (3,561)	\$ (3,204)	\$ (3,204)	\$ (3,204)	\$ (3,204)	\$ (3,204)	\$ (3,204)
Deferred income taxes net	\$ (163)	\$ (1,456)	\$ (5,713)	\$ (7,056)	\$ (24)	\$ (908)	\$ (908)	\$ (908)	\$ (908)	\$ (908)	\$ (908)	\$ (908)
Invested Capital in Non Core Operations	\$ -6,426	\$ -7,970	\$ -9,832	\$ -11,557	\$ -8,626	\$ -7,995	\$ (5,340)	\$ (5,370)	\$ (5,380)	\$ (5,390)	\$ (5,400)	\$ (5,795)
Excess Cash	\$ 124	\$ (1,096)	\$ (7,657)	\$ (6,797)	\$ (1,344)	\$ (535)	\$ (793)	\$ (982)	\$ (1,181)	\$ (1,406)	\$ (1,661)	\$ (1,948)
Short-term investments	\$ (203)	\$ -	\$ (5,789)	\$ (3,386)	\$ (3,268)	\$ (1,127)	\$ (449)	\$ (665)	\$ (824)	\$ (990)	\$ (1,179)	\$ (1,393)
Debt and finance leases (w/ current maturities)	\$ 9,771	\$ 11,160	\$ 29,157	\$ 26,920	\$ 23,030	\$ 20,054	\$ 19,944	\$ 19,835	\$ 19,725	\$ 19,615	\$ 19,505	\$ 19,396
Operating Leases	\$ 6,756	\$ 6,095	\$ 6,083	\$ 5,552	\$ 7,580	\$ 7,227	\$ 7,323	\$ 7,443	\$ 7,566	\$ 7,691	\$ 7,819	\$ 7,948
Current maturities of operating leases	\$ 955	\$ 801	\$ 678	\$ 703	\$ 714	\$ 759	\$ 737	\$ 737	\$ 737	\$ 737	\$ 737	\$ 737
Noncurrent operating leases	\$ 5,801	\$ 5,294	\$ 5,405	\$ 4,849	\$ 6,866	\$ 6,468	\$ 6,586	\$ 6,707	\$ 6,830	\$ 6,955	\$ 7,082	\$ 7,212
Fuel card obligation	\$ 1,075	\$ 736	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100
Net Debt	\$ 17,523	\$ 16,895	\$ 22,894	\$ 23,389	\$ 27,098	\$ 26,719	\$ 27,575	\$ 27,396	\$ 27,210	\$ 27,000	\$ 26,763	\$ 26,496
Equity	\$ 13,687	\$ 15,358	\$ 1,534	\$ 3,887	\$ 6,582	\$ 11,105	\$ 14,142	\$ 15,943	\$ 18,482	\$ 21,630	\$ 25,363	\$ 28,406

Balance Sheet: 2030 – 2034 – Implicit Horizon

Reformulated Balance Sheet (in USDm)	2030	2031	2032	2033	2034
<i>Core activities</i>					
Assets					
Operating Cash	\$ 2,982	\$ 3,098	\$ 3,199	\$ 3,282	\$ 3,344
Accounts receivable net of an allowance for uncollectible accounts	\$ 4,503	\$ 4,678	\$ 4,830	\$ 4,955	\$ 5,049
Fuel, expendable parts and supplies inventories net of an allowance for obsolescence	\$ 2,021	\$ 2,121	\$ 2,211	\$ 2,287	\$ 2,348
Fuel Inventory	\$ 1,224	\$ 1,295	\$ 1,358	\$ 1,411	\$ 1,454
Expendable parts and supplies inventories net of an allowance for obsolescence	\$ 798	\$ 826	\$ 853	\$ 876	\$ 894
Property and equipment net of accumulated depreciation and amortization	\$ 69,202	\$ 75,495	\$ 81,587	\$ 87,318	\$ 92,522
Operating lease right-of-use assets	\$ 8,915	\$ 9,183	\$ 9,459	\$ 9,743	\$ 10,035
Goodwill	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753
Identifiable intangibles net of accumulated amortization	\$ 5,956	\$ 5,953	\$ 5,951	\$ 5,948	\$ 5,946
Deferred income taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses and other	\$ 2,429	\$ 2,479	\$ 2,521	\$ 2,555	\$ 2,581
Equity investments	\$ 8,458	\$ 9,507	\$ 10,610	\$ 11,756	\$ 12,931
Liabilities					
Air traffic liability	\$ (15,840)	\$ (17,586)	\$ (19,406)	\$ (21,283)	\$ (23,199)
Accounts payable	\$ (5,268)	\$ (5,459)	\$ (5,633)	\$ (5,784)	\$ (5,907)
Accrued salaries and related benefits	\$ (7,454)	\$ (7,903)	\$ (8,325)	\$ (8,714)	\$ (9,063)
Loyalty program deferred revenue	\$ (22,593)	\$ (25,484)	\$ (28,422)	\$ (31,340)	\$ (34,160)
Invested Capital in Core Operations	\$ 63,064	\$ 65,837	\$ 68,334	\$ 70,476	\$ 72,180
<i>Non Core Activities</i>					
Assets					
Other non current assets	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150
Cash restricted for airport construction	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities					
Other accrued liabilities	\$ (1,617)	\$ (1,617)	\$ (1,617)	\$ (1,617)	\$ (1,617)
Pension, postretirement and related benefits	\$ (2,215)	\$ (2,215)	\$ (2,215)	\$ (2,215)	\$ (2,215)
Other noncurrent liabilities	\$ (3,204)	\$ (3,204)	\$ (3,204)	\$ (3,204)	\$ (3,204)
Deferred income taxes net	\$ (908)	\$ (908)	\$ (908)	\$ (908)	\$ (908)
Invested Capital in Non Core Operations	\$ (5,795)	\$ (5,795)	\$ (5,795)	\$ (5,795)	\$ (5,795)
Excess Cash	\$ (2,289)	\$ (2,688)	\$ (3,154)	\$ (3,693)	\$ (4,314)
Short-term investments	\$ (1,634)	\$ (1,919)	\$ (2,254)	\$ (2,645)	\$ (3,097)
Debt and finance leases (w/ current maturities)	\$ 19,286	\$ 19,176	\$ 19,067	\$ 18,847	\$ 18,847
Operating Leases	\$ 8,080	\$ 8,215	\$ 8,352	\$ 8,491	\$ 8,633
Current maturities of operating leases	\$ 737	\$ 737	\$ 737	\$ 737	\$ 737
Noncurrent operating leases	\$ 7,344	\$ 7,478	\$ 7,615	\$ 7,754	\$ 7,896
Fuel card obligation	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100
Net Debt	\$ 26,178	\$ 25,803	\$ 25,364	\$ 24,745	\$ 24,266
Equity	\$ 31,092	\$ 34,240	\$ 37,175	\$ 39,937	\$ 42,119

Free Cash Flow: 2018 – 2029 – Historical Data and Explicit Horizon

FREE CASH FLOW MAP (in USDm)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F	2027F	2028F	2029F
Core Business												
EBIT	\$ 6,142	\$ 7,720	\$ -12,714	\$ 1,535	\$ 3,540	\$ 6,078	\$ 4,062	\$ 4,750	\$ 5,843	\$ 6,987	\$ 7,431	\$ 8,395
Aircraft Rent Obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,021	\$ 947	\$ 822	\$ 770	\$ 646	\$ 544
EBIT before Aircraft Rent	\$ 6,142	\$ 7,720	\$ -12,714	\$ 1,535	\$ 3,540	\$ 6,078	\$ 5,073	\$ 5,697	\$ 6,665	\$ 7,757	\$ 8,077	\$ 8,939
Statutory Taxes	\$ -1,020	\$ -1,281	\$ 2,670	\$ -300	\$ -627	\$ -991	\$ -681	\$ -798	\$ -982	\$ -1,174	\$ -1,248	\$ -1,410
Tax Adjustments	\$ -126	\$ -128	\$ -76	\$ -1,288	\$ -509	\$ 151	\$ -150	\$ -176	\$ -216	\$ -259	\$ -275	\$ -311
Profit Sharing	\$ -1,285	\$ -1,618	\$ -	\$ -106	\$ -553	\$ -1,357	\$ -810	\$ -950	\$ -1,169	\$ -1,397	\$ -1,486	\$ -1,679
NOPLAT	\$ 4,996	\$ 4,693	\$ -10,120	\$ -159	\$ 1,851	\$ 3,881	\$ 4,076	\$ 4,370	\$ 4,817	\$ 5,413	\$ 5,475	\$ 5,881
Depreciation & Amortization (w/ Intangibles)	\$ 2,329	\$ 2,581	\$ 2,312	\$ 1,998	\$ 2,107	\$ 2,341	\$ 3,587	\$ 2,776	\$ 2,584	\$ 2,503	\$ 3,315	\$ 3,775
Gross Cash Flow	\$ 7,325	\$ 7,274	\$ -7,808	\$ 1,839	\$ 3,958	\$ 6,222	\$ 7,662	\$ 7,146	\$ 7,401	\$ 7,916	\$ 8,790	\$ 9,656
Net PP&E	\$ 28,335	\$ 31,310	\$ 26,529	\$ 28,749	\$ 33,109	\$ 35,486	\$ 38,422	\$ 41,798	\$ 46,147	\$ 51,482	\$ 57,062	\$ 63,415
Δ in Net PPE	n.a.	\$ 2,975	\$ -4,781	\$ 2,220	\$ 4,360	\$ 2,377	\$ 2,936	\$ 3,376	\$ 4,348	\$ 5,335	\$ 5,579	\$ 6,353
Net Identifiable intangibles	\$ 4,830	\$ 5,163	\$ 6,011	\$ 6,001	\$ 5,992	\$ 5,983	\$ 5,979	\$ 5,975	\$ 5,971	\$ 5,967	\$ 5,963	\$ 5,959
Δ in Identifiable intangibles	n.a.	\$ 333	\$ 848	\$ -10	\$ -9	\$ -9	\$ -4	\$ -4	\$ -4	\$ -4	\$ -4	\$ -4
Right-of-Use Assets	\$ 5,994	\$ 5,627	\$ 5,733	\$ 7,237	\$ 7,036	\$ 7,004	\$ 7,246	\$ 7,571	\$ 7,895	\$ 8,148	\$ 8,401	\$ 8,655
Δ in Right-of-Use Assets	n.a.	\$ -367	\$ 106	\$ 1,504	\$ -201	\$ -32	\$ 242	\$ 325	\$ 325	\$ 253	\$ 253	\$ 253
(-) Net CAPEX	n.a.	\$ -5,522	\$ 1,515	\$ -5,712	\$ -6,257	\$ -4,677	\$ -6,761	\$ -6,472	\$ -7,253	\$ -8,088	\$ -9,144	\$ -10,378
Operating Cash	\$ 1,689	\$ 1,786	\$ 650	\$ 1,136	\$ 1,922	\$ 2,206	\$ 2,217	\$ 2,322	\$ 2,446	\$ 2,576	\$ 2,712	\$ 2,853
Accounts receivable	\$ 2,314	\$ 2,854	\$ 1,396	\$ 2,404	\$ 3,176	\$ 3,130	\$ 3,347	\$ 3,506	\$ 3,646	\$ 3,890	\$ 4,094	\$ 4,307
Inventories	\$ 1,055	\$ 1,251	\$ 732	\$ 1,098	\$ 1,424	\$ 1,314	\$ 1,418	\$ 1,518	\$ 1,617	\$ 1,724	\$ 1,838	\$ 1,953
Prepaid expenses and other	\$ 1,203	\$ 1,262	\$ 1,180	\$ 1,119	\$ 1,877	\$ 1,957	\$ 2,024	\$ 2,094	\$ 2,166	\$ 2,240	\$ 2,309	\$ 2,373
Equity Investments	\$ -	\$ -	\$ 1,665	\$ 1,712	\$ 2,128	\$ 3,457	\$ 3,926	\$ 4,458	\$ 5,063	\$ 5,749	\$ 6,554	\$ 7,472
Operating Current Assets	\$ 6,261	\$ 7,153	\$ 5,623	\$ 7,469	\$ 10,527	\$ 12,064	\$ 12,932	\$ 13,897	\$ 14,966	\$ 16,179	\$ 17,507	\$ 18,957
Air traffic liability	\$ -4,661	\$ -5,116	\$ -4,044	\$ -6,228	\$ -8,160	\$ -7,044	\$ -7,915	\$ -8,894	\$ -9,994	\$ -11,231	\$ -12,620	\$ -14,182
Accounts payable	\$ -2,976	\$ -3,266	\$ -2,840	\$ -4,240	\$ -5,106	\$ -4,446	\$ -4,754	\$ -4,935	\$ -5,126	\$ -5,325	\$ -5,525	\$ -5,665
Accrued salaries and related benefits	\$ -3,287	\$ -3,701	\$ -2,086	\$ -2,457	\$ -3,288	\$ -4,561	\$ -4,897	\$ -5,258	\$ -5,645	\$ -6,061	\$ -6,507	\$ -6,987
Loyalty program deferred revenue	\$ -6,641	\$ -6,728	\$ -12,407	\$ -8,745	\$ -7,882	\$ -8,420	\$ -9,710	\$ -11,198	\$ -12,915	\$ -14,894	\$ -17,176	\$ -19,808
Operating Current Liabilities	\$ -17,565	\$ -18,811	\$ -21,377	\$ -21,670	\$ -24,436	\$ -24,471	\$ -27,276	\$ -30,285	\$ -33,680	\$ -37,511	\$ -41,160	\$ -46,042
Operating Working Capital	\$ -11,304	\$ -11,658	\$ -15,754	\$ -14,201	\$ -13,909	\$ -12,407	\$ -14,345	\$ -16,388	\$ -18,895	\$ -21,331	\$ -23,653	\$ -27,085
(-) Δ in Operating Working Capital	n.a.	\$ -353	\$ -4,097	\$ 1,554	\$ 292	\$ 1,502	\$ 1,937	\$ 2,044	\$ 2,306	\$ 2,637	\$ 2,322	\$ 3,432
Operating Deferred tax assets	\$ -	\$ -	\$ 1,988	\$ 1,294	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Δ in Operating Deferred tax assets	n.a.	\$ -	\$ -1,988	\$ 694	\$ 969	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating FCF before Goodwill	n.a.	\$ 1,399	\$ -12,378	\$ -1,626	\$ -1,038	\$ 3,371	\$ 2,839	\$ 2,717	\$ 2,455	\$ 2,465	\$ 1,968	\$ 2,710
Goodwill	\$ 9,781	\$ 9,781	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753
(-) Δ in Goodwill	n.a.	\$ -	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating FCF after Goodwill	n.a.	\$ 1,399	\$ -12,350	\$ -1,626	\$ -1,038	\$ 3,371	\$ 2,839	\$ 2,717	\$ 2,455	\$ 2,465	\$ 1,968	\$ 2,710
Non-Core Business												
Operating Revenues:	\$ 0											
Other (Miscellaneous)	\$ 558	\$ 718	\$ 348	\$ 556	\$ 894	\$ 1,104	\$ 1,059	\$ 1,106	\$ 1,165	\$ 1,226	\$ 1,290	\$ 1,357
Total Operating Revenue	\$ 558	\$ 718	\$ 348	\$ 556	\$ 894	\$ 1,104	\$ 1,059	\$ 1,106	\$ 1,165	\$ 1,226	\$ 1,290	\$ 1,357
Operating Expenses:												
Salaries and related costs	\$ 135	\$ 177	\$ 183	\$ 181	\$ 210	\$ 278	\$ 292	\$ 303	\$ 315	\$ 328	\$ 341	\$ 355
Government grant recognition	\$ -	\$ -	\$ -80	\$ -84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 135	\$ 177	\$ 103	\$ 97	\$ 210	\$ 278	\$ 292	\$ 303	\$ 315	\$ 328	\$ 341	\$ 355
Gains (Losses) on Equity Investments:												
Impairments and equity method losses	\$ -	\$ -62	\$ -2,432	\$ -337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain(loss) on investments, net	\$ 14	\$ 119	\$ -105	\$ 56	\$ -783	\$ 1,263	\$ 291	\$ 340	\$ 391	\$ 448	\$ 514	\$ 589
Miscellaneous, net	\$ 184	\$ -111	\$ 137	\$ -60	\$ -127	\$ -35	\$ -33	\$ -39	\$ -45	\$ -51	\$ -59	\$ -68
Non Operating Result before Taxes, net of profit sharing	\$ 621	\$ 487	\$ -2,155	\$ 118	\$ -226	\$ 2,054	\$ 1,024	\$ 1,104	\$ 1,195	\$ 1,294	\$ 1,404	\$ 1,524
Profit Sharing	\$ 16	\$ 25	\$ -	\$ 2	\$ 10	\$ 26	\$ 205	\$ 221	\$ 239	\$ 259	\$ 281	\$ 305
Non Operating Result before Taxes	\$ 605	\$ 462	\$ -2,155	\$ 116	\$ -236	\$ 2,028	\$ 819	\$ 883	\$ 956	\$ 1,035	\$ 1,123	\$ 1,219
Statutory Taxes	\$ -127	\$ -97	\$ 453	\$ -24	\$ 50	\$ -426	\$ -172	\$ -186	\$ -201	\$ -217	\$ -236	\$ -256
Tax Adjustments	\$ -17	\$ -9	\$ 4	\$ -141	\$ 69	\$ 64	\$ -63	\$ -68	\$ -74	\$ -80	\$ -87	\$ -94
Non Operating Result	\$ 461	\$ 356	\$ -1,699	\$ -49	\$ -117	\$ 1,666	\$ 584	\$ 630	\$ 682	\$ 738	\$ 801	\$ 869
Non-Core Invested Capital	\$ -6,426	\$ -7,970	\$ -9,832	\$ -11,557	\$ -8,626	\$ -7,995	\$ -5,340	\$ -5,370	\$ -5,380	\$ -5,390	\$ -5,400	\$ -5,795
(-) Δ in Non-Core Invested Capital	n.a.	\$ -1,544	\$ -1,862	\$ -1,725	\$ 2,931	\$ 631	\$ 2,656	\$ -30	\$ -10	\$ -10	\$ -10	\$ -395
Non Operating FCF	n.a.	\$ 1,900	\$ 163	\$ 1,676	\$ -3,048	\$ 1,035	\$ -2,071	\$ 660	\$ 692	\$ 748	\$ 811	\$ 1,264
Unlevered Firm FCF	n.a.	\$ 3,299	\$ (12,187)	\$ 50	\$ (4,086)	\$ 4,406	\$ 767	\$ 3,377	\$ 3,146	\$ 3,213	\$ 2,779	\$ 3,974
dds A												
Interest expense, net	\$ -311	\$ -301	\$ -929	\$ -1,279	\$ -1,029	\$ -834	\$ -1,501	\$ -1,450	\$ -1,367	\$ -1,329	\$ -1,246	\$ -1,177
Loss on extinguishment of debt	\$ -	\$ -	\$ -8	\$ -319	\$ -100	\$ -63	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension and related benefit/(expense)	\$ -	\$ -65	\$ 219	\$ 451	\$ 292	\$ -244	\$ 186	\$ 194	\$ 202	\$ 208	\$ 214	\$ 221
Net Financial Result before Taxes	\$ -311	\$ (366)	\$ (718)	\$ (1,147)	\$ (837)	\$ (1,141)	\$ (1,315)	\$ (1,256)	\$ (1,165)	\$ (1,121)	\$ (1,032)	\$ (956)
Statutory Taxes	\$ 65	\$ 77	\$ 151	\$ 241	\$ 176	\$ 240	\$ 140.95	\$ 138.40	\$ 135.78	\$ 133.48	\$ 131.13	\$ 128.75
Tax Adjustments	\$ 9	\$ 7	\$ 1	\$ 1,395	\$ 245	\$ -36	\$ 52	\$ 51	\$ 50	\$ 49	\$ 48	\$ 47
Other comprehensive Income (loss)	\$ -98	\$ -164	\$ -1,049	\$ -1,908	\$ 1,329	\$ -44	\$ -43.85	\$ -43.71	\$ -43.56	\$ -43.41	\$ -43.27	\$ -43.12
Net Financial Result	\$ -335	\$ (446)	\$ (1,615)	\$ (1,419)	\$ 913	\$ (981)	\$ (1,166)	\$ (1,111)	\$ (1,023)	\$ (982)	\$ (896)	\$ (823)
Net Debt	\$ 17,523	\$ 16,895	\$ 22,894	\$ 23,389	\$ 27,098	\$ 26,719	\$ 27,575	\$ 27,396	\$ 27,210	\$ 27,000	\$ 26,763	\$ 26,496
Aircraft Rent Obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,021	\$ 947	\$ 822	\$ 770	\$ 646	\$ 544
Δ in Net Debt	n.a.	\$ -627	\$ 5,998	\$ 496	\$ 3,709	\$ -379	\$ 855.74	\$ -178.67	\$ -185.89	\$ -209.96	\$ -236.95	\$ -267.15
Cash Flow Financing Debt	n.a.	\$ (1,074)	\$ 4,383	\$ (924)	\$ 4,622	\$ (1,360)	\$ (1,331)	\$ (2,236)	\$ (2,031)	\$ (1,962)	\$ (1,779)	\$ (1,634)
Equity	\$ 13,687	\$ 15,358	\$ 1,534	\$ 3,887	\$ 6,582	\$ 11,105	\$ 14,142	\$ 15,943	\$ 18,482	\$ 21,630	\$ 25,363	\$ 28,406
Δ in Equity	n.a.	\$ 1,671	\$ -13,824	\$ 2,353	\$ 2,695	\$ 4,523	\$ 3,037	\$ 1,801	\$ 2,538	\$ 3,148	\$ 3,734	\$ 3,043
(-) Total Comprehensive Income	\$ -3,837	\$ -4,603	\$ 13,434	\$ 1,628	\$ -2,647	\$ -4,565	\$ -2,473	\$ -2,942	\$ -3,653	\$ -4,399	\$ -4,734	\$ -5,384
Net Change in Equity (In Cash)	n.a.	\$ (2,932)	\$ (390)	\$ 3,981	\$ 48	\$ (42)	\$ 564	\$ (1,141)	\$ (1,115)	\$ (1,251)	\$ (1,000)	\$ (2,341)
Financing Free Cash Flow	n.a.	\$ (4,006)	\$ 3,993	\$ 3,057	\$ 4,670	\$ (1,402)	\$ (767)	\$ (3,377)	\$ (3,146)	\$ (3,213)	\$ (2,779)	\$ (3,974)

Free Cash Flow: 2030 – 2034 – Implicit Horizon

FREE CASH FLOW MAP (in USDm)	2030F	2031F	2032F	2033F	2034F
Core Business					
EBIT	\$ 9,138	\$ 9,677	\$ 10,037	\$ 10,239	\$ 10,250
Aircraft Rent Obligation	\$ 520	\$ 497	\$ 476	\$ 455	\$ 435
EBIT before Aircraft Rent	\$ 9,658	\$ 10,174	\$ 10,513	\$ 10,694	\$ 10,686
Statutory Taxes	\$ -1,535	\$ -1,626	\$ -1,686	\$ -1,720	\$ -1,722
Tax Adjustments	\$ -338	\$ -358	\$ -372	\$ -379	\$ -380
Profit Sharing	\$ -1,828	\$ -1,935	\$ -2,007	\$ -2,048	\$ -2,050
NOPLAT	\$ 6,284	\$ 6,568	\$ 6,747	\$ 6,833	\$ 6,808
Depreciation & Amortization (w/ Intangibles)	\$ 4,209	\$ 4,593	\$ 4,903	\$ 5,118	\$ 5,220
Gross Cash Flow	\$ 10,494	\$ 11,162	\$ 11,651	\$ 11,951	\$ 12,028
Net PP&E	\$ 69,202	\$ 75,495	\$ 81,587	\$ 87,318	\$ 92,522
Δ in Net PPE	\$ 5,787	\$ 6,294	\$ 6,091	\$ 5,731	\$ 5,204
Net Identifiable intangibles	\$ 5,956	\$ 5,953	\$ 5,951	\$ 5,948	\$ 5,946
Δ in Identifiable intangibles	\$ -3	\$ -3	\$ -3	\$ -3	\$ -3
Right-of-Use Assets	\$ 8,915	\$ 9,183	\$ 9,459	\$ 9,743	\$ 10,035
Δ in Right-of-Use Assets	\$ 260	\$ 268	\$ 276	\$ 284	\$ 292
(-) Net CAPEX	\$ -10,254	\$ -11,152	\$ -11,268	\$ -11,130	\$ -10,714
Operating Cash	\$ 2,982	\$ 3,098	\$ 3,199	\$ 3,282	\$ 3,344
Accounts receivable	\$ 4,503	\$ 4,678	\$ 4,830	\$ 4,955	\$ 5,049
Inventories	\$ 2,021	\$ 2,121	\$ 2,211	\$ 2,287	\$ 2,348
Prepaid expenses and other	\$ 2,429	\$ 2,479	\$ 2,521	\$ 2,555	\$ 2,581
Equity Investments	\$ 8,458	\$ 9,507	\$ 10,610	\$ 11,756	\$ 12,931
Operating Current Assets	\$ 20,394	\$ 21,884	\$ 23,371	\$ 24,835	\$ 26,253
Air traffic liability	\$ -15,840	\$ -17,586	\$ -19,406	\$ -21,283	\$ -23,199
Accounts payable	\$ -5,268	\$ -5,459	\$ -5,633	\$ -5,784	\$ -5,907
Accrued salaries and related benefits	\$ -7,454	\$ -7,903	\$ -8,325	\$ -8,714	\$ -9,063
Loyalty program deferred revenue	\$ -22,593	\$ -25,484	\$ -28,422	\$ -31,340	\$ -34,160
Operating Current Liabilities	\$ -51,155	\$ -56,432	\$ -61,787	\$ -67,121	\$ -72,329
Operating Working Capital	\$ -30,762	\$ -34,548	\$ -38,416	\$ -42,286	\$ -46,076
(-) Δ in Operating Working Capital	\$ 3,677	\$ 3,786	\$ 3,868	\$ 3,870	\$ 3,790
Operating Deferred tax assets	\$ -	\$ -	\$ -	\$ -	\$ -
Δ in Operating Deferred tax assets	\$ -	\$ -	\$ -	\$ -	\$ -
Operating FCF before Goodwill	\$ 3,917	\$ 3,796	\$ 4,250	\$ 4,691	\$ 5,104
Goodwill	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753	\$ 9,753
(-) Δ in Goodwill	\$ -	\$ -	\$ -	\$ -	\$ -
Operating FCF after Goodwill	\$ 3,917	\$ 3,796	\$ 4,250	\$ 4,691	\$ 5,104
Non-Core Business					
Operating Revenues:					
Other (Miscellaneous)	\$ 1,415	\$ 1,462	\$ 1,497	\$ 1,518	\$ 1,526
Total Operating Revenue	\$ 1,415	\$ 1,462	\$ 1,497	\$ 1,518	\$ 1,526
Operating Expenses:					
Salaries and related costs	\$ 365	\$ 376	\$ 386	\$ 396	\$ 406
Government grant recognition	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 365	\$ 376	\$ 386	\$ 396	\$ 406
Gains (Losses) on Equity Investments:					
Impairments and equity method losses	\$ -	\$ -	\$ -	\$ -	\$ -
Gain/(loss) on investments, net	\$ 671	\$ 759	\$ 855	\$ 957	\$ 1,065
Miscellaneous, net	\$ -77	\$ -87	\$ -98	\$ -110	\$ -122
Non Operating Result before Taxes, net of profit sharing	\$ 1,643	\$ 1,758	\$ 1,867	\$ 1,969	\$ 2,062
Profit Sharing	\$ 329	\$ 352	\$ 373	\$ 394	\$ 412
Non Operating Result before Taxes	\$ 1,314	\$ 1,406	\$ 1,494	\$ 1,575	\$ 1,650
Statutory Taxes	\$ -276	\$ -295	\$ -314	\$ -331	\$ -346
Tax Adjustments	\$ -101	\$ -108	\$ -115	\$ -121	\$ -127
Non Operating Result	\$ 937	\$ 1,003	\$ 1,065	\$ 1,123	\$ 1,176
Non-Core Invested Capital	\$ -5,795	\$ -5,795	\$ -5,795	\$ -5,795	\$ -5,795
(-) Δ in Non-Core Invested Capital	\$ -	\$ -	\$ -	\$ -	\$ -
Non Operating FCF	\$ 937	\$ 1,003	\$ 1,065	\$ 1,123	\$ 1,176
Unlevered Firm FCF	\$ 4,854	\$ 4,799	\$ 5,315	\$ 5,814	\$ 6,281
dds A					
Interest expense, net	\$ -1,157	\$ -1,138	\$ -1,120	\$ -1,097	\$ -1,085
Loss on extinguishment of debt	\$ -	\$ -	\$ -	\$ -	\$ -
Pension and related benefit/(expense)	\$ 228	\$ 234	\$ 240	\$ 247	\$ 253
Net Financial Result before Taxes	\$ (930)	\$ (904)	\$ (879)	\$ (851)	\$ (832)
Statutory Taxes	\$ 126.37	\$ 124.02	\$ 121.68	\$ 118.37	\$ 117.08
Tax Adjustments	\$ 46	\$ 45	\$ 45	\$ 43	\$ 43
Other comprehensive Income (loss)	\$ -42.98	\$ -42.84	\$ -42.69	\$ -42.55	\$ -42.41
Net Financial Result	\$ (800)	\$ (777)	\$ (756)	\$ (731)	\$ (714)
Net Debt	\$ 26,178	\$ 25,803	\$ 25,364	\$ 24,745	\$ 24,266
Aircraft Rent Obligation	\$ 520	\$ 497	\$ 476	\$ 455	\$ 435
Δ in Net Debt	\$ -318.20	\$ -375.06	\$ -438.78	\$ -619.02	\$ -478.79
Cash Flow Financing Debt	\$ (1,638)	\$ (1,650)	\$ (1,670)	\$ (1,805)	\$ (1,628)
Equity	\$ 31,092	\$ 34,240	\$ 37,175	\$ 39,937	\$ 42,119
Δ in Equity	\$ 2,686	\$ 3,148	\$ 2,936	\$ 2,761	\$ 2,183
(-) Total Comprehensive Income	\$ -5,902	\$ -6,296	\$ -6,581	\$ -6,770	\$ -6,835
Net Change in Equity (in Cash)	\$ (3,216)	\$ (3,149)	\$ (3,645)	\$ (4,009)	\$ (4,652)
Financing Free Cash Flow	\$ (4,854)	\$ (4,799)	\$ (5,315)	\$ (5,814)	\$ (6,281)

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