



Model updated:09 June 2014

Running the numbers

North America

United States

Airlines

Delta Air Lines, Inc.

Reuters: DAL.N

Bloomberg: DAL US

Buy

Price (6 Jun 14) USD 42.23

Target Price USD 48.00

52 Week range USD 17.36 - 42.23

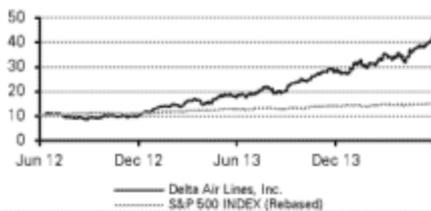
Market Cap (m) USDm 35,642

EURm 26,132

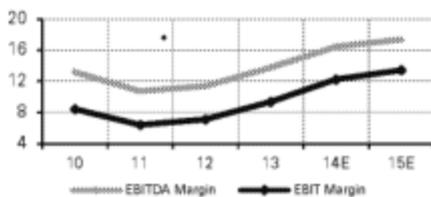
Company Profile

Atlanta-based Delta Air Lines, serving more than 160 million customers each year, is the largest airline in the world. With its vast global network and fleet of nearly 800 aircraft, Delta and the Delta Connection carriers offer service to more than 350 destinations in nearly 70 countries on six continents. A founding member of the SkyTeam global alliance, Delta participates in one of the industry's leading transatlantic joint ventures with Air France-KLM.

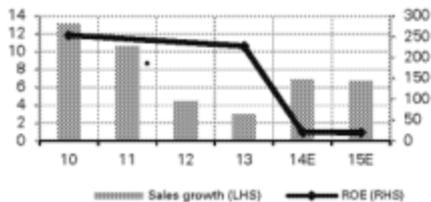
Price Performance



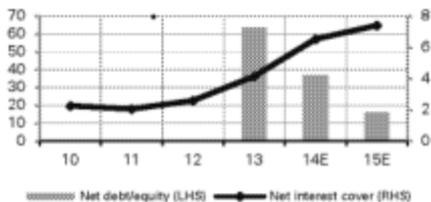
Margin Trends



Growth & Profitability



Solvency



Michael Linenberg

body text

Fiscal year end 31-Dec

2010 2011 2012 2013 2014E 2015E

Financial Summary

DB EPS (USD)	1.71	1.41	1.83	3.14	3.05	3.55
Reported EPS (USD)	1.71	1.43	2.49	12.80	3.05	3.55
DPS (USD)	0.00	0.00	0.00	0.12	0.24	0.00
BVPS (USD)	1.08	-1.67	-2.52	13.72	16.80	20.03

Valuation Metrics

Price/Sales (x)	0.3	0.2	0.2	0.4	0.9	0.8
P/E (DB) (x)	7.4	6.6	5.5	6.4	13.9	11.9
P/E (Reported) (x)	7.4	6.5	4.0	1.6	13.9	11.9
P/BV (x)	11.7	nm	nm	2.0	2.5	2.1
FCF yield (%)	14.5	20.3	8.2	10.2	6.7	7.9
Dividend yield (%)	0.0	0.0	0.0	0.6	0.6	0.0
EV/Sales	0.6	0.4	0.4	0.7	1.1	1.0
EV/EBITDA	4.5	4.1	4.0	4.8	6.6	5.9
EV/EBIT	7.1	6.9	6.3	7.1	8.9	7.6

Income Statement (USDm)

Sales	31,755	35,115	36,670	37,773	40,368	43,070
EBITDA	4,178	3,766	4,166	5,184	6,623	7,471
EBIT	2,667	2,243	2,601	3,526	4,934	5,775
Pre-tax profit	1,460	1,106	1,568	2,675	4,213	4,965
Net income	1,445	1,201	2,114	10,813	2,599	3,028

Cash Flow (USDm)

Cash flow from operations	2,832	2,834	2,669	4,658	4,675	5,074
Net Capex	-1,306	-1,254	-1,966	-2,928	-2,300	-2,250
Free cash flow	1,526	1,580	701	1,730	2,375	2,824
Equity raised/(bought back)	0	0	0	-250	258	0
Dividends paid	0	0	0	-102	-253	-304
Net inc/(dec) in borrowings	-2,592	-1,777	-899	-1,193	-1,500	-1,500
Other investing/financing cash flows	-649	-38	150	397	-128	150
Net cash flow	-1,715	-235	-48	582	752	1,171
Change in working capital	664	1,028	348	634	-1,155	634

Balance Sheet (USDm)

Cash and cash equivalents	4,019	3,920	3,749	3,925	4,628	5,649
Property, plant & equipment	20,307	20,223	20,713	21,854	22,465	23,019
Goodwill	0	0	0	0	0	0
Other assets	18,862	19,356	20,088	26,473	28,339	28,407
Total assets	43,188	43,499	44,550	52,252	55,432	57,074
Debt	15,252	13,791	12,709	11,342	9,842	8,342
Other liabilities	27,039	31,104	33,972	29,267	31,411	31,829
Total liabilities	42,291	44,895	46,681	40,609	41,253	40,171
Total shareholders' equity	897	-1,396	-2,131	11,643	14,179	16,903
Net debt	11,233	9,871	8,960	7,417	5,214	2,693

Key Company Metrics

Sales growth (%)	13.2	10.6	4.4	3.0	6.9	6.7
DB EPS growth (%)	na	-17.6	29.6	71.8	-3.1	16.5
Payout ratio (%)	0.0	0.0	0.0	0.9	7.8	0.0
EBITDA Margin (%)	13.2	10.7	11.4	13.7	16.4	17.3
EBIT Margin (%)	8.4	6.4	7.1	9.3	12.2	13.4
ROE (%)	253.1	nm	nm	227.4	20.1	19.5
Net debt/equity (%)	nm	nm	nm	63.7	36.8	15.9
Net interest cover (x)	2.3	2.1	2.6	4.1	6.5	7.4

DuPont Analysis

EBIT margin (%)	8.4	6.4	7.1	9.3	12.2	13.4
x Asset turnover (x)	0.7	0.8	0.8	0.8	0.7	0.8
x Financial cost ratio (x)	0.6	0.5	0.6	0.8	0.8	0.9
x Tax and other effects (x)	1.0	1.0	1.3	4.0	0.6	0.6
= ROA (post tax) (%)	3.3	2.8	4.8	22.3	4.8	5.4
x Financial leverage (x)	75.9	-173.7	-25.0	10.2	4.2	3.6
= ROE (%)	253.1	-481.4	-119.9	227.4	20.1	19.5
annual growth (%)	na	na	75.1	na	-97.1	-3.2
x NTA/share (avg) (x)	0.7	-0.3	-2.1	5.5	15.1	18.2
= Reported EPS	1.71	1.43	2.49	12.80	3.05	3.55
annual growth (%)	na	-16.8	74.8	405.7	-75.8	16.5

Source: Company data, Deutsche Bank estimates