

Subject: Airlines stocks weak [C]
From: Tazia Smith <[REDACTED]>
Date: Wed, 02 Jul 2014 11:56:37 -0400
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Vahe Stepanian <[REDACTED]>,
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Classification: Confidential

Hi Rich - I'll let you decide whether you want to highlight to Jeffrey.

Airline stocks are down today (American is off over 3% and Delta is down ~4.75% right now). This is driven by Delta's traffic and margin commentary (see below). I spoke with our Airline analyst team and bottom line, they believe near-term pressure is an entry point for clients to buy for the long-term. They point to continuing improving business trends (even at the low-end of estimates, Delta's margins will be up 300bps (~14% vs. 11%) year over year), continued stock buy-backs, and continued additions back to indices etc as additional tailwinds for the shares.

Jeffrey is clearly already long the AAL, which DB has a 12mo target of \$45 on.

DB likes DAL shares here with an implied ~26% upside to their \$48 target. I don't know that Jeffrey needs/wants to add to his airline exposure, but a similar risk reversal set up in DAL prices as follows:

DAL spot ref 38.45
S DAL Jan15 38 put ~3.70
B DAL Jan15 38 call ~4.15

I actually like just selling puts too:
S DAL Jan15 37 puts ~3.20 (collect ~8% for 6mos, or create the stock at 33.80)

And of course could do something with AAL on weakness too.

All My Best,
Tazia

(See attached file: Delta.pdf)(See attached file: Airline Weekly 6.26.pdf)

----- Forwarded by Tazia Smith [REDACTED] on 07/02/2014 11:28 AM -----

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From: "Tazia Smith (DEUTSCHE ASSET MANAG)"



To: undisclosed-
recipients;;,

Date: 07/02/2014 11:26
AM

Subject: (BFW) Delta Sell-Off 'Seems Aggressive' Given Margin Guidance:
C

(BFW) Delta Sell-Off 'Seems Aggressive' Given Margin Guidance: C
owen

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Delta Sell-Off 'Seems Aggressive' Given Margin Guidance: Cowen
2014-07-02 15:06:16.177 GMT

By Libby Sallaberry McGowan

July 2 (Bloomberg) -- Delta June traffic was in-line, while unit rev. was lower, driven by lower intl yields, Cowen analyst Helane Becker says in a note.

- * Says weakness specifically came from Brazil, where World Cup has caused decline in business traffic; expects situation to improve once World Cup ends
- * Reiterates outperform rating and 2Q EPS est. \$1 (vs Bloomberg consensus \$1.03)
- * DAL reiterated qtr margin guidance of 14%-16%
- * DAL down as much as 5.7%, UAL down as much as 6.5%, AAL down as much as 5.6% after Delta guidance earlier

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