

Delta Air Lines (DAL US)

FUNDAMENTAL VIEW ¹

As of 18 Jul 2025

- Delta's focus on premium cabin and atlantic flying driven by its loyalty program lead the airline to enjoy industry best profitability. Delta targets 1x gross leverage, an A level balance sheet in our view.
- Full-year guidance was reinstated at better-than-consensus levels with the 2Q earnings.
- Delta has Outperformed peers this year on its strong credit quality and defensive nature. We are retaining our O/P view and continue to favor DAL compared to LUV. We are happy to capture the basis between the two.

RISKS & CATALYSTS

As of 18 Jul 2025

- DAL faces all the industry exogenous risks: geopolitical events, pandemics, oil price volatility, and now recessionary fears.
- The recently weaker dollar may manifest as a headwind to international demand. DAL was able to capitalize on strong Atlantic recovery post-pandemic through its extensive existing network; however, it lost its status as the number one airline on US-Europe routes to United which grew very fast in the segment and now occupies the first spot.
- The airline noted that demand winds have shifted swiftly after the tariff talks started to pick up. CEO Ed Bastian noted that there was a significant drop in demand, both for consumers in the main cabin and for business travelers. While the premium cabin is currently holding up, it remains to be seen if the recession fears will hit that demand segment as well.
- DAL's 1x leverage target is the lowest target in the industry.

CREDIT QUALITY SCORE (CQS) ²

As of 26 Sep 2025

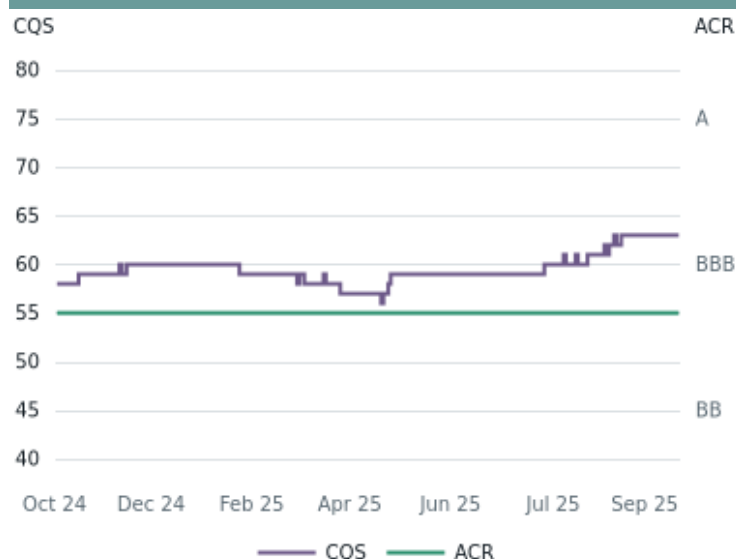
CURRENT CQS

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CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 18 Jul 2025

\$ MN	Y22	Y23	Y24	LTM 2Q25
Revenue	50,582	58,048	61,642	61,924
EBIT	3,661	5,521	5,995	5,785
EBITDAR	6,276	8,394	9,056	8,820
Cash	3,266	2,741	3,069	3,331
Short Term Investments	8,412	10,061	721	8
Net Debt	16,634	16,269	13,151	11,730
Adjusted Debt/LTM EBITDAR	4.9x	3.3x	2.5x	2.4x

Adjusted debt includes operating leases and underfunded pensions.

BUSINESS DESCRIPTION

As of 18 Jul 2025

- DAL is one of the world's largest airlines with a network comparable to UAL and AAL in size and distribution. It is perceived by the flying public as the "most premium" of the Big Three network carriers in the US.
- DAL has an extensive global network of airline affiliations, including Air France/KLM, Virgin Atlantic, Aeromexico, LATAM, and China Eastern.
- DAL management is the most evolved of the US network airlines, previously focused on used aircraft to lower capital costs and setting up full-cycle maintenance programs, buying a refinery to hedge crack spread, and developing non-commodity products including the leading loyalty program.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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