

# DELTA AIR LINES INC /DE/

## **FORM 8-K** (Current report filing)

Filed 04/02/15 for the Period Ending 04/02/15

Address	HARTSFIELD ATLANTA INTL AIRPORT 1030 DELTA BLVD ATLANTA, GA 30354-1989
Telephone	4047152600
CIK	0000027904
Symbol	DAL
SIC Code	4512 - Air Transportation, Scheduled
Industry	Airline
Sector	Transportation
Fiscal Year	12/31

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 2, 2015

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DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation)

001-05424

(Commission File Number)

58-0218548

(IRS Employer Identification No.)

P.O. Box 20706, Atlanta, Georgia 30320-6001

(Address of principal executive offices)

Registrant's telephone number, including area code: (404) 715-2600

Registrant's Web site address: www.delta.com

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.**

Delta Air Lines, Inc. (“Delta”) issued today an Investor Update which is furnished as Exhibit 99.1 to this Form 8-K.

Delta also issued today a press release reporting March 2015 financial and operating results. The press release is attached as Exhibit 99.2 to this Form 8-K.

*In accordance with general instruction B.2 of Form 8–K, the information in this report (including the exhibits) that is being furnished pursuant to Item 7.01 of Form 8–K shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject to liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth in such filing. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.*

*Statements in this Form 8-K and the attached exhibits that are not historical facts, including statements regarding our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the estimates, expectations, beliefs, intentions, projections and strategies reflected in or suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the cost of aircraft fuel; the availability of aircraft fuel; the impact of rebalancing our hedge portfolio, recording mark-to-market adjustments or posting collateral in connection with our fuel hedge contracts; the possible effects of accidents involving our aircraft; the restrictions that financial covenants in our financing agreements will have on our financial and business operations; labor issues; interruptions or disruptions in service at one of our hub or gateway airports; disruptions or security breaches of our information technology infrastructure; our dependence on technology in our operations; the effects of weather, natural disasters and seasonality on our business; the effects of an extended disruption in services provided by third party regional carriers; failure or inability of insurance to cover a significant liability at Monroe’s Trainer refinery; the impact of environmental regulation on the Trainer refinery, including costs related to renewable fuel standard regulations; our ability to retain management and key employees; competitive conditions in the airline industry; the effects of extensive government regulation on our business; the sensitivity of the airline industry to prolonged periods of stagnant or weak economic conditions; the effects of terrorist attacks or geopolitical conflict; and the effects of the rapid spread of contagious illnesses.*

*Additional information concerning risks and uncertainties that could cause differences between actual results and forward-looking statements is contained in our Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2014. Caution should be taken not to place undue reliance on our forward-looking statements, which represent our views only as of April 2, 2015, and which we have no current intention to update.*

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit 99.1      Investor Update

Exhibit 99.2      Press Release dated April 2, 2015 titled “Delta Reports Financial and Operating Performance for March 2015”

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DELTA AIR LINES, INC.

By: /s/ Paul A. Jacobson

Paul A. Jacobson

Executive Vice President and Chief Financial Officer

Date: April 2, 2015

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 99.1	Investor Update
Exhibit 99.2	Press Release dated April 2, 2015 titled “Delta Reports Financial and Operating Performance for March 2015”

## INVESTOR UPDATE – April 2, 2015

*Note: Guidance for the March quarter 2015 in this investor update is adjusted for special items and mark-to-market adjustments and settlements unless noted.*

### Overall Commentary

- Delta expects a March quarter operating margin of 8% – 9%, an improvement over the 7.9% operating margin for the March 2014 quarter. Excluding \$300 million of early fuel hedge settlements, Delta's March quarter operating margin is expected to be ~11.5%.
- Consolidated passenger unit revenue (PRASM) for the month of March was flat year over year, as domestic strength offset pressure in international markets, predominantly from currency fluctuations, which reduced system PRASM by 1.5 points. Domestic PRASM grew 2.5% for the month.
  - For the March quarter, unit revenues declined 1.5% as a function of 1.5 points of currency impact. The impact from currency fluctuations grew through the quarter and additional domestic strength in March did not materialize to the extent expected.
- Unit costs for the quarter are expected to be down 1% versus prior year driven by 0.8 points of benefit from foreign currency and the continued benefits from Delta's domestic refueling and cost reduction initiatives.
- Delta's strong cash generation in the March 2015 quarter allowed the company to return \$500 million to shareholders through dividends and share repurchases.

### Guidance

	March Quarter 2015
Operating margin	8% – 9%
- excluding early fuel hedge settlement	~11.5%
Cargo and other revenue	\$1.45 billion
Average fuel price per gallon	\$2.90 - \$2.95
Profit sharing expense	\$140 million
Non-operating expense	\$235 million
	March Quarter 2015 vs.
	March Quarter 2014
Passenger unit revenue	Down 1.5%
CASM-Ex	Down 1%
System capacity	Up ~5%

### Fuel

- Delta's expected fuel price of \$2.90 - \$2.95 includes taxes, transportation, settled hedges, hedge premiums and refinery contribution and is adjusted for MTM adjustments. It also includes \$0.33/gallon associated with the early settlement of hedges.

### CASM-Ex

- Delta excludes fuel, profit sharing and certain other expenses from its unit cost guidance. Other expenses include the costs associated with third-party Maintenance Repair and Overhaul, Delta Global Services, MLT Vacations, Delta Private Jets, and refinery cost of sales to third parties. Delta expects to record \$295 million of other expenses in the March quarter. The revenue associated with these expenses is included in Delta's guidance for cargo and other revenue.

### Profit Sharing

- Delta's broad based employee profit sharing program pays 10% of the company's adjusted annual profit up to \$2.5 billion and 20% above that amount. Adjusted annual profit is calculated as the company's annual pre-tax income before profit sharing expense, special items and certain other items. Profit sharing expense is accrued at a blended rate based on the company's estimated profitability for the full year.

### Taxes

- Our March 2015 quarter results will reflect a 38% tax rate. There will be no material impact to cash as Delta's net operating loss carryforwards of more than \$12 billion will largely offset cash taxes during the next several years.

### Share count

- Delta expects approximately 827 million diluted and approximately 818 million basic weighted average shares outstanding.



## Forward Looking Statements

Statements in this investor update that are not historical facts, including statements regarding our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the estimates, expectations, beliefs, intentions, projections and strategies reflected in or suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the cost of aircraft fuel; the availability of aircraft fuel; the impact of rebalancing our hedge portfolio, recording mark-to-market adjustments or posting collateral in connection with our fuel hedge contracts; the possible effects of accidents involving our aircraft; the restrictions that financial covenants in our financing agreements will have on our financial and business operations; labor issues; interruptions or disruptions in service at one of our hub or gateway airports; disruptions or security breaches of our information technology infrastructure; our dependence on technology in our operations; the effects of weather, natural disasters and seasonality on our business; the effects of an extended disruption in services provided by third party regional carriers; failure or inability of insurance to cover a significant liability at Monroe's Trainer refinery; the impact of environmental regulation on the Trainer refinery, including costs related to renewable fuel standard regulations; our ability to retain management and key employees; competitive conditions in the airline industry; the effects of extensive government regulation on our business; the sensitivity of the airline industry to prolonged periods of stagnant or weak economic conditions; the effects of terrorist attacks or geopolitical conflict; and the effects of the rapid spread of contagious illnesses.

Additional information concerning risks and uncertainties that could cause differences between actual results and forward-looking statements is contained in our Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2014. Caution should be taken not to place undue reliance on our forward-looking statements, which represent our views only as of April 2, 2015, and which we have no current intention to update.

**Non-GAAP Reconciliations**

Delta sometimes uses information ("non-GAAP financial measures") that is derived from the Consolidated Financial Statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. ("GAAP"). Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. The tables below show reconciliations of non-GAAP financial measures used in this release to the most directly comparable GAAP financial measures.

**Operating Margin, Adjusted**

Delta adjusts for the following items to determine operating margin, adjusted for the reasons described below:

- *MTM adjustments and settlements.* MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settling during the period. These items adjust fuel expense to show an economic hedge impact that reflects cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze the company's core operational performance in the periods shown.
- *Restructuring and other.* Because of the variability in restructuring and other items, the exclusion of this item is helpful to investors to analyze the company's recurring core operational performance in the periods shown.

	<b>Three Months Ended</b>	
	<b>(Projected) March 31, 2015</b>	<b>March 31, 2014</b>
Operating margin	14% to 16%	7.0%
Adjusted for:		
MTM adjustments and settlements	(6)% to (7)%	0.4%
Restructuring and other	–	0.5%
Operating margin, adjusted	8% to 9%	7.9%
Excluding settlements	~3%	
Operating margin, excluding settlements	~11.5%	

**Average Fuel Price Per Gallon, Adjusted**

Delta adjusts for MTM adjustments and settlements to determine average fuel price per gallon, adjusted for the same reason described above under the heading Operating Margin, Adjusted.

	<b>(Projected) Three Months Ended March 31, 2015</b>
Average fuel price per gallon	\$2.30 to \$2.25
MTM adjustments and settlements	\$0.60 to \$0.70
Average fuel price per gallon, adjusted	\$2.90 to \$2.95



**Non-Fuel Unit Cost or Cost Per Available Seat Mile ("CASM-Ex")**

We adjust for the following items to determine CASM-Ex to evaluate the company's core unit cost performance:

- *Aircraft fuel and related taxes.* The volatility in fuel prices impacts the comparability of year-over-year non-fuel financial performance. The adjustment for aircraft fuel and related taxes (including our regional carriers) allows investors to better understand and analyze our non-fuel costs and our year-over-year financial performance.
- *Profit sharing.* We adjust for profit sharing because this adjustment allows investors to better understand and analyze our recurring cost performance and provides a more meaningful comparison of our core operating costs to the airline industry.
- *Restructuring and other.* We adjust for restructuring and other for the same reasons described above under the heading Operating Margin, Adjusted.
- *Other expenses.* Other expenses include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations, and refinery cost of sales to third parties. Because these businesses are not related to the generation of a seat mile, we adjust for the costs related to these sales to provide a more meaningful comparison of the costs of our airline operations to the rest of the airline industry.

	(Projected) Percentage Change Three Months Ended March 31, 2015 vs. 2014
CASM (cents)	(12)% to (13)%
Adjusted for :	
Aircraft fuel and related taxes	13% to 14%
Profit Sharing	(1)%
Restructuring and other	1%
Other expenses	(2)%
CASM-Ex	(1)%

**Non-operating Expense, Excluding Special Items**

Delta adjusts for the following items to determine non-operating expense, excluding special items to evaluate the company's financial performance:

- *Virgin Atlantic MTM adjustments.* We record our proportionate share of earnings from our equity investment in Virgin Atlantic in non-operating expense. Similar to the adjustment for Delta's MTM adjustments and settlements discussed above, we adjust for Virgin Atlantic's MTM adjustments to allow investors to better understand and analyze the company's financial performance in the period shown.

(in millions)	(Projected) Three Months Ended March 31, 2015
Non-operating expense	~\$265
Adjusted for :	
Virgin Atlantic MTM adjustments	~(30)
Non-operating expense excluding special items	\$235



**CONTACT:** Corporate Communications  
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404-715-2170

**Delta Reports Financial and Operating Performance for March 2015**

**ATLANTA** , April 2, 2015 – Delta Air Lines (NYSE: DAL) today reported financial and operating performance for March 2015.

Consolidated passenger unit revenue (PRASM) for the month of March was flat year over year, as domestic strength offset pressure in international markets, predominantly from currency fluctuations, which reduced system PRASM by 1.5 points. Domestic PRASM grew 2.5% for the month.

The company’s financial and operating performance is detailed below.

**Preliminary Financial and Operating Results**

March consolidated PRASM change year over year	Flat
Projected March quarter fuel price per gallon, adjusted	\$2.90 - \$2.95
March mainline completion factor	99.3%
March on-time performance (preliminary DOT A14)	84.0%

- Note: Projected fuel price of \$2.90 - \$2.95 includes taxes, transportation, settled hedges, hedge premiums and refinery contribution and is adjusted for MTM adjustments. It also includes \$0.33/gallon associated with the early settlement of hedges.

Delta Air Lines serves more than 170 million customers each year. Delta was named to FORTUNE magazine’s top 50 World’s Most Admired Companies in addition to being named the most admired airline for the fourth time in five years. Additionally, Delta has ranked No.1 in the Business Travel News Annual Airline survey for four consecutive years, a first for any airline. With an industry-leading global network, Delta and the Delta Connection carriers offer service to 321 destinations in 58 countries on six continents. Headquartered in Atlanta, Delta employs nearly 80,000 employees worldwide and operates a mainline fleet of more than 700 aircraft. The airline is a founding member of the SkyTeam global alliance and participates in the industry’s leading trans-Atlantic joint venture with Air France-KLM and Alitalia as well as a newly formed joint venture with Virgin Atlantic. Including its worldwide alliance partners, Delta offers customers more than 15,000 daily flights, with key hubs and markets including Amsterdam, Atlanta, Boston, Detroit, Los Angeles, Minneapolis/St. Paul, New York-JFK, New York-LaGuardia, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Delta has invested billions of dollars in airport facilities, global products, services and technology to enhance the customer experience in the air and on the ground. Additional information is available on [delta.com](http://delta.com), Twitter @Delta, [Google.com/+Delta](http://Google.com/+Delta), [Facebook.com/delta](http://Facebook.com/delta) and Delta’s blog [takingoff.delta.com](http://takingoff.delta.com).

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## Forward Looking Statements

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**Non-GAAP Reconciliation**

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**Average Fuel Price Per Gallon, Adjusted**

Delta adjusts for mark-to-market adjustments and settlements to determine average price per fuel gallon, adjusted. MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settling during the period. These items adjust fuel expense to show an economic hedge impact that reflects cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze the company's core operational performance in the periods shown.

	(Projected) Three Months Ended March 31, 2015
Average fuel price per gallon	\$2.30 to \$2.25
MTM adjustments and settlements	\$0.60 to \$0.70
Average fuel price per gallon, adjusted	\$2.90 to \$2.95

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	Monthly Traffic Results (a)			Year to Date Traffic Results (a)		
	Mar 2015	Mar 2014	Change	Mar 2015	Mar 2014	Change
<b>RPMs (000):</b>						
<b>Domestic</b>	10,903,993	10,519,340	3.7%	28,042,948	26,713,146	5.0%
Delta Mainline	9,060,684	8,593,875	5.4%	23,221,771	21,771,262	6.7%
Regional	1,843,310	1,925,465	(4.3%)	4,821,177	4,941,884	(2.4%)
<b>International</b>	6,642,812	6,596,154	0.7%	18,178,317	17,887,668	1.6%
Latin America	1,844,864	1,808,649	2.0%	5,265,017	4,810,543	9.4%
Delta Mainline	1,809,154	1,775,260	1.9%	5,169,521	4,718,548	9.6%
Regional	35,710	33,389	7.0%	95,495	91,995	3.8%
Atlantic	2,726,481	2,659,542	2.5%	7,111,753	7,125,501	(0.2%)
Pacific	2,071,466	2,127,963	(2.7%)	5,801,547	5,951,624	(2.5%)
<b>Total System</b>	17,546,805	17,115,494	2.5%	46,221,265	44,600,814	3.6%
<b>ASMs (000):</b>						
<b>Domestic</b>	12,531,973	12,173,277	2.9%	33,715,645	32,038,298	5.2%
Delta Mainline	10,260,986	9,783,299	4.9%	27,419,711	25,621,838	7.0%
Regional	2,270,987	2,389,978	(5.0%)	6,295,934	6,416,460	(1.9%)
<b>International</b>	8,103,182	7,884,040	2.8%	22,884,779	21,865,527	4.7%
Latin America	2,265,981	2,162,779	4.8%	6,470,933	5,739,946	12.7%
Delta Mainline	2,220,023	2,118,008	4.8%	6,340,896	5,613,748	13.0%
Regional	45,958	44,771	2.7%	130,037	126,198	3.0%
Atlantic	3,442,580	3,230,987	6.5%	9,494,713	9,108,359	4.2%
Pacific	2,394,621	2,490,274	(3.8%)	6,919,133	7,017,222	(1.4%)
<b>Total System</b>	20,635,155	20,057,317	2.9%	56,600,424	53,903,825	5.0%
<b>Load Factor:</b>						
<b>Domestic</b>	87.0%	86.4%	0.6 pts	83.2%	83.4%	(0.2) pts
Delta Mainline	88.3%	87.8%	0.5 pts	84.7%	85.0%	(0.3) pts
Regional	81.2%	80.6%	0.6 pts	76.6%	77.0%	(0.4) pts
<b>International</b>	82.0%	83.7%	(1.7) pts	79.4%	81.8%	(2.4) pts
Latin America	81.4%	83.6%	(2.2) pts	81.4%	83.8%	(2.4) pts
Delta Mainline	81.5%	83.8%	(2.3) pts	81.5%	84.1%	(2.6) pts
Regional	77.7%	74.6%	3.1 pts	73.4%	72.9%	0.5 pts
Atlantic	79.2%	82.3%	(3.1) pts	74.9%	78.2%	(3.3) pts
Pacific	86.5%	85.5%	1.0 pts	83.8%	84.8%	(1.0) pts
<b>Total System</b>	85.0%	85.3%	(0.3) pts	81.7%	82.7%	(1.0) pts
<b>Mainline Completion Factor</b>	99.3%	99.8%	(0.5) pts			
<b>Passengers Boarded</b>	15,455,443	14,982,272	3.2%	40,005,369	38,162,854	4.8%
<b>Cargo Ton Miles (000):</b>	198,102	201,048	(1.5%)	548,528	530,258	3.4%

<sup>a</sup> Results include flights operated under contract carrier arrangements