



Delta Air Lines, Inc.

DAL

EQUITY RESEARCH REPORT

October 06, 2026

DAL — DELTA AIR LINES, INC.

Report Date: 2026-10-06

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric | Value

Recommendation | AVOID

Current Price | \$83.08 USD / €73.88 EUR

Fair Value (Base Case) | \$71.50 USD

Margin of Safety | -13.9%

Target Entry (if HOLD) | Not applicable

Return Profile | Value

Dividend Yield | Not provided in research data; 0.0% used in scenario math

Expected Dividend Growth | Not verifiable

Expected Price Appreciation (Base) | 1.5% CAGR

Total Expected Return (Base) | 1.5% CAGR

Bear Case Total Return | -10.6% CAGR

Bull Case Total Return | 9.3% CAGR

Probability-Weighted Return | 0.4% CAGR

Risk Assessment | Value

Wealth Preservation Score | 22 / 100

Downside Protection Score | 35 / 100

Quality Score | 22 / 100

Risk Level | ELEVATED

Probability of >50% Loss | >25%

Recession Profile | VULNERABLE

One-Line Thesis:

Delta has the strongest premium-cabin and loyalty economics among large U.S. network carriers, but its leveraged, highly cyclical balance sheet and a price above its own historical earnings multiple fail the capital-preservation mandate.

INVESTMENT THESIS

Delta Air Lines is not a broken business. The supplied data shows a company that rebuilt its balance sheet after the pandemic, regained investment-grade ratings from all three major agencies in 2024, and now runs the highest net margin among the large U.S. network carriers at 7.9% for fiscal 2025. Its premium franchise is real. Q1 2026 premium-ticket revenue reached \$5.4 billion, up 14% year over year, and the SkyMiles and American Express arrangement delivered \$8.2 billion of cash remuneration in fiscal 2025, roughly 14% of adjusted operating revenue. Atlanta hub dominance is also concrete: over 1.1 million weekly seats, 968 daily flights, and

87% of mainline departures at the world's busiest airport. These factors explain why Delta trades at a higher margin than United, American, Southwest, and Alaska, and why analysts carry a median \$105 price target, about 26% above the current \$83.08 price.

That does not make Delta a wealth-preservation asset. Stage 1 of the framework classifies airlines as highly cyclical. Stage 2 requires exceptionally strong balance-sheet quality for highly cyclical names, and Delta does not meet that test. Total debt is \$21.08 billion against \$4.66 billion of cash, producing a debt-to-equity ratio of 96.65% and net debt of roughly \$16.4 billion. Net debt is about 2.2 times trailing EBITDA. Interest coverage and current ratio are not supplied, which is itself disqualifying under a framework that requires quantifiable downside protection before any upside analysis. The most recent trailing-twelve-month data shows earnings declining: diluted EPS was \$6.08 through June 30, 2026, down from \$7.66 in fiscal 2025, with quarterly earnings growth of -24.7%.

The scenario work in Section 5 drives the recommendation. In the bear case, a recession cuts normalized earnings roughly 40% and the market applies a 7x terminal multiple, producing a price near \$27 and a -10.6% annualized total return from \$83.08. Probability of a greater-than-50% loss exceeds 25%, far above the 10% threshold this mandate allows. The base case returns only 1.5% annually because the current price already embeds a forward multiple above Delta's own five-year historical average. This is a 50/50 risk profile with unacceptable downside, the precise pattern the framework tells us to reject. I would revisit Delta if the forward P/E fell below 9x normalized earnings, if net debt fell below 1.5 times EBITDA with confirmed interest coverage above 8x, or if the company demonstrated through a full cycle that it can keep dividends and positive free cash flow in a 30% revenue decline. None of those conditions is present at \$83.08.

1. BUSINESS QUALITY ASSESSMENT

Stage 1 Sector and Theme Identification

Delta passes the first two sector screens. The business model is understandable: passenger transportation, premium cabins, loyalty, cargo, maintenance, and a refinery. Air travel is not in secular decline. The problem appears at Question 3. Airlines are highly cyclical, and the framework requires exceptional balance-sheet strength and a valuation discount before proceeding with a highly cyclical operator. Delta does not supply either condition. Question 4 shows real tailwinds in premium demand and loyalty economics, but they are already visible in the financials. Question 5 is mixed: Delta screens below sector median multiples but above its own five-year average earnings multiple. Stage 1 verdict: proceed with heightened scrutiny, which then fails in Stage 2.

Business Model and Revenue Quality

Delta monetizes more than seats. The supplied 10-K summary describes ticket sales, ancillary services, SkyMiles, a co-brand American Express card, international alliance joint ventures, Delta TechOps maintenance, vacation packages, and refinery operations. Fiscal 2025 revenue was \$63.36 billion, up 2.8% from the prior year. Geographic revenue in fiscal 2024 was concentrated in the United States at \$43.51 billion, or 70.6% of total revenue, with Atlantic at \$10.54 billion, Latin America at \$4.56 billion, and Pacific at \$3.04 billion. The Pacific segment grew 23.8% in 2024, the fastest region, but remains small. This concentration means Delta's core earnings power still depends heavily on U.S. domestic travel and the U.S. economy.

The premium franchise is the genuine quality point. Delta One and Delta Premium Select produced \$5.4 billion in Q1 2026 premium-ticket revenue, up 14% year over year, and supported above-peer unit revenue. The SkyMiles and American Express partnership produced \$8.2 billion in fiscal 2025 cash remuneration. These are high-margin, recurring revenue streams that reduce some, but not all, of the earnings volatility created by main-cabin pricing. The main-cabin softness remains a pressure point. Premium growth of roughly 14% is

carrying a business whose overall revenue growth was only 2.8% in fiscal 2025, and the supplied analysis notes that moderation in corporate travel could pressure results.

Moat Assessment

The moat is branding and switching economics rather than a durable regulated franchise. Delta has premium-cabin pricing power, loyalty-driven customer captivity through SkyMiles, and hub scale at Atlanta, Detroit, Minneapolis-St. Paul, and Salt Lake City. These advantages are real but cyclical. They reduce the probability of permanent market-share loss; they do not protect the income statement from recessions, fuel spikes, labor cost inflation, or geopolitical disruption. Moat durability during normal operating conditions looks solid. Moat durability during a severe demand shock does not. For a preservation mandate, the relevant question is whether the competitive position materially erodes over ten years. The answer is probably not, but the equity value can still fall more than 60% because leverage and fixed operating costs remain intact while revenue disappears.

2. FINANCIAL FORTRESS ANALYSIS

Stage 2 Gatekeeping

The framework requires a company that can survive a severe recession without impaired solvency, a broken dividend, or a dilutive rescue. Delta's balance-sheet data shows a carrier that is healthier than it was in 2020 but still not fortress-grade.

Solvency inputs from the supplied data:

- Debt-to-equity: 96.65%, or 0.97x. This passes the absolute 1.0x threshold but misses the preferred 0.5x threshold by a wide margin. Airlines do not normally carry fortress balance sheets, and this framework does not grant Delta a utility or REIT exception.
- Total debt: \$21.08 billion. Cash: \$4.66 billion. Net debt: \$16.42 billion. Cash equal to 22.1% of total debt is adequate.
- EBITDA: \$8.3 billion fiscal 2025 and \$7.51 billion trailing twelve months through June 30, 2026. Net debt to trailing EBITDA is approximately 2.19x.
- Interest coverage: Not calculable from the supplied data. The absence of interest expense is material, not cosmetic.

Free cash flow is positive and improving. Fiscal 2025 free cash flow was \$3.8 billion, up 33.2% year over year. The implied fiscal 2024 free cash flow was roughly \$2.85 billion. Operating cash flow rose every year in the five-year series supplied, from \$3.264 billion in fiscal 2021 to \$8.342 billion in fiscal 2025. That trend is the strongest element of Delta's financial case. However, fiscal 2021 and 2022 free cash flow, dividends, and buybacks are not supplied, so the required five-year FCF positivity test cannot be fully confirmed.

Stress Test

If revenue fell 30% for two years, an airline with \$21 billion in debt and a fixed-cost operating structure would likely remain solvent only with substantial liquidity actions. Delta has liquidity and access to capital, and it regained investment grade in 2024, which is meaningful. But the 2020 sector experience shows what a severe demand shock does to airline equity. Dividend payments and buybacks would stop, debt-funded losses would rise, and the equity value would absorb the damage first. On the framework's solvency scale, I classify Delta as MARGINAL, not ADEQUATE. That classification alone fails the Stage 2 gate.

Earnings Quality

Operating cash flow of \$8.342 billion against net income of \$5.005 billion in fiscal 2025 gives a ratio of 167%, which is strong. Receivables contributed \$432 million to cash flow in fiscal 2025, reversing a \$126 million prior-year use. The problematic line is fair-value investments, which swung from a \$323 million loss in fiscal 2024 to a \$1.209 billion gain in fiscal 2025. That \$1.5 billion swing is a non-operating item that flattered the fiscal 2025 net income comparison and the +44.8% net income growth rate. Exclude that gain and the earnings trend is less impressive. I mark earnings quality **ACCEPTABLE** with a caveat: the reported growth is partly financial-asset noise, not operating momentum.

Dilution and share count

Shares outstanding were 653 million in fiscal 2025, up 1.1% year over year. Annualized dilution below 2% is acceptable. The supplied records show no large dilutive equity raise in the most recent period. This is not a dilution problem. Insider selling, addressed in Section 7, is a separate governance signal.

3. DIVIDEND ANALYSIS

The supplied research data does not contain a current dividend amount, dividend yield, payout ratio, dividend growth history, or consecutive-years-dividend record for Delta. I cannot produce a dividend sustainability analysis under the framework because the necessary inputs are absent. This is a substantive limitation, not a minor data gap, because the wealth-preservation mandate treats dividends as real, bond-like cash returns that cushion a down market.

For scenario work in Section 5, I used a 0.0% dividend yield. If Delta pays a dividend today, that assumption understates the total return in the base and bull cases. It would not materially change the bear case, because a severe recession would likely force suspension, and it would not change the recommendation. Even adding a hypothetical 2% yield to the 1.5% base-case price appreciation produces a 3.5% total return, still below the 7% hurdle and still carrying a -10.6% bear case. The absence of confirmed dividend data is itself a negative for this mandate because I cannot verify that income cushions the downside.

4. VALUATION ANALYSIS

At the current price of \$83.08, Delta's valuation is mixed. It looks cheap against sector medians but expensive against its own five-year history. The preservation framework does not reward sector-relative cheapness when the absolute risk is too high.

The table below uses the supplied figures.

Metric | Current | DAL 5Y Average | Sector Median | Assessment

P/E (TTM) | 13.7x computed on \$6.08 EPS; sources show 13.18x-14.55x | 9.24x non-GAAP TTM | 21.16x-24.86x | Above own history; below sector

Forward P/E | 12.67x non-GAAP; alternatively 9.18x Yahoo | 9.84x non-GAAP | 19.45x | Above own history

P/B | 2.41x | 3.92x-3.96x | 3.02x | Below own history and sector

P/S | 0.77x-0.81x | 0.56x | 1.81x-4x | Above own history

P/FCF | 6.39x | 5.64x | 14.37x | Above own history, below sector

EV/EBITDA | 11.89x | no 5Y average supplied | no peer supplied | Above FY2025 level of 7.69x

The tension is clear. Delta is not expensive relative to the S&P 500 or the broad airline group, but it is expensive relative to the multiple the market has historically assigned to this exact cyclical earnings stream. For a preservation investor, the relevant baseline is Delta's own history, not the sector median. The market previously paid roughly 9 to 10 times forward earnings for Delta. Today it pays roughly 12.7 times forward earnings.

Fair Value Calculation

I use \$6.50 as normalized EPS, equal to the low end of the fiscal 2026 guidance range of \$6.50 to \$7.50 and above the trailing \$6.08 figure. I apply an 11x multiple, which is a 12% premium to the five-year forward average of 9.84x but below the current 12.67x. Fair value equals \$71.50. Against the current price of \$83.08, the margin of safety is negative 13.9%. An investor using the analyst consensus \$105 target would need a roughly 15x multiple on \$7.00 EPS, a re-rating the framework does not assume.

Valuation verdict: FULL relative to Delta's own earnings history, despite the sector discount. No margin of safety exists at \$83.08.

5. SCENARIO ANALYSIS

The scenario model starts with normalized EPS of \$6.50. I use no dividend because the current dividend is not supplied. The ten-year horizon applies a conservative earnings growth rate and a terminal multiple.

Bear Case (25% weight)

A recession hits revenue 15% to 20%, and the fixed-cost structure converts that into a larger earnings decline. Normalized EPS falls 40% to \$3.90 and stays flat for the remainder of the decade. The market applies a 7x terminal multiple, consistent with cyclically depressed airline earnings. The price falls to \$27.30. The total return from \$83.08 is -10.6% per year. This is not a temporary drawdown; it is a permanent impairment relative to the purchase price.

Base Case (50% weight)

Revenue grows at roughly 4% annually, and EPS compounds from \$6.50 to \$9.62 over ten years. The terminal multiple is 10x, below today's forward multiple. The price reaches \$96.20. The annualized price return is 1.5% before any dividend. With no confirmed dividend, total return is 1.5% per year, well below the 7% hurdle.

Bull Case (25% weight)

Premium and loyalty revenue accelerate, Delta gains share, and margins expand. EPS grows 10% annually from \$6.50 to \$16.86. The market applies a 12x terminal multiple, producing a \$202.32 price target and a 9.3% annualized return. This is the only scenario that clears the hurdle, and it requires a decade of uninterrupted growth and multiple expansion.

Probability-Weighted Return

Scenario	10-Year Price Target	Total CAGR	Weight	Contribution
Bear	\$27.30	-10.6%	25%	-2.65%
Base	\$96.20	1.5%	50%	0.75%
Bull	\$202.32	9.3%	25%	2.33%
Expected		0.4%		0.4%

The expected total return is approximately 0.4% per year. The bear case alone carries a 25% probability of a 67% price decline. The probability of a greater-than-50% loss is therefore at least 25%, and likely higher when fatter-tailed airline outcomes are considered. Both outcomes violate the absolute requirements. A preservation mandate cannot accept this profile.

6. RISK ASSESSMENT

Fuel is the largest swing variable. Delta's 10-K warns that passengers book tickets far ahead of travel, so a rapid fuel-price increase cannot always be recovered through higher fares. Delta also operates a refinery that supplies roughly 200,000 barrels of aviation fuel per day in normal years, about 75% of its needs. The refinery reduces some volatility but creates physical and transition climate exposure. A supply disruption at the Monroe refinery could materially affect operations.

The cost structure is rigid. Delta operates a hub-and-spoke network with aircraft, leases, airport infrastructure, and labor contracts. The supplied SWOT analysis identifies high operating expenses and fleet maintenance as structural burdens. The company also has significant long-term lease and aircraft purchase commitments that assume continued air-travel growth. When demand falls, revenue falls faster than costs, and the equity absorbs the gap.

The regulatory and macro environment is active. The data cites FAA scrutiny as a current headwind, along with geopolitical, trade-policy, visa, and international travel-pattern risks. Business travel remains moderated. Corporate travel weakness would pressure the premium segment that currently drives Delta's outperformance. TTM results through June 30, 2026 already show this: quarterly earnings growth was -24.7%, profit margin fell to 5.78%, and operating margin fell to 7.92% from 9.2% in fiscal 2025.

The balance sheet adds risk. Total debt of \$21.08 billion against cash of \$4.66 billion leaves net debt of \$16.42 billion. Net debt to trailing EBITDA is 2.19x. The airline has investment-grade ratings, but the equity remains junior to \$21 billion of claims during a downturn. A preservation mandate requires quantifiable downside protection. The model shows a 67% bear-case decline, so the maximum drawdown is unacceptably large.

Insider activity adds a caution. The supplied data reports a heavy sell signal with \$131.8 million in sales and a cluster of Form 144 filings from August 3 through August 5, 2026. Form 144 is a notice of proposed sale, not a completed sale, but six filings in three days is a concentrated signal. Accounting quality is acceptable overall, but the \$1.209 billion fair-value investment gain inflates fiscal 2025 net income. No litigation or going-concern warning appears in the supplied data. The risk problem is structural leverage and cyclicity, not fraud.

7. MANAGEMENT & GOVERNANCE

The supplied data does not include a full compensation analysis, a five-year capital allocation scorecard, or insider ownership percentages. Management quality must therefore be inferred from the available record. The strongest evidence is balance-sheet restoration. Delta made approximately \$4.0 billion in debt and finance-lease payments in 2024 and regained investment-grade ratings from all three major agencies. That was a rational priority after the pandemic damage.

A leadership transition occurred on March 5, 2026. John Laughter, EVP and Chief of Operations, retired April 30 after 30 years. Dan Janki became Chief Operating Officer, Erik Snell became Chief Financial Officer, and Peter Carter became President. The announcement framed the change as improving operational coordination and long-term strategy. Officer transitions of this breadth create execution uncertainty even when the individual leaders are qualified. The framework treats management turnover as a caution, not a disqualifier.

Insider action is more concerning than the transition itself. The same records show a heavy sell signal with \$131.8 million in sales and Form 144 filings clustered on August 3, August 4, and August 5, 2026. A Schedule 13D appeared June 2, 2026, and a Schedule 13G/A on August 14, 2026. These filings indicate active large-holder and insider activity around the current price. The absence of compensation data and a full five-year share-count history prevents a stronger assessment. I rate management ADEQUATE, with monitoring required.

Governance structure is clean on the surface: no controlling shareholder, EY as auditor with an unqualified ICFR attestation, and an adopted insider-trading policy. No restatements, material weaknesses, or going-concern

warnings appear in the supplied data. The governance problem is not fraud; it is that management is running a leveraged carrier whose equity cannot be made safe through good capital allocation alone.

8. PEER COMPARISON

The supplied peer data covers fiscal 2025 revenue, net income, and net margin.

Company | FY2025 Revenue | FY2025 Net Income | Net Margin

Delta (DAL) | \$63.4B | \$5.0B | 7.9%

United (UAL) | \$59.1B | \$3.4B | 5.7%

American (AAL) | \$54.6B | \$111.0M | 0.2%

Southwest (LUV) | \$28.1B | \$441.0M | 1.6%

Alaska (ALK) | \$14.2B | \$100.0M | 0.7%

SkyWest (SKYW) | \$4.1B | \$428.3M | 10.5%

Delta is the strongest large network carrier on net margin and absolute earnings. SkyWest's 10.5% margin is higher, but SkyWest is a smaller regional operator with a different business model and does not offer a valid large-cap preservation comparison. Delta's 7.9% margin is 220 basis points above United and 770 basis points above American. ROE of 20.13% exceeds the sector average of 17.8%, and quarterly revenue growth of 18.7% exceeds the sector average of 11.7%. These figures explain Delta's premium reputation.

The preservation test is balance sheet, not margin. The supplied data does not include peer debt-to-equity, interest coverage, free cash flow, or dividend histories, so a full Wealth Preservation Quality Score cannot be computed for the cohort. Delta's own debt-to-equity of 96.65% sits at the sector median of 0.97x, which means the entire group is leveraged. That is the sector-wide problem. A high-quality leveraged airline is still a leveraged airline.

Wealth Preservation Quality Score for DAL

Sub-score | Points Awarded | Basis

Balance Sheet Fortress | 10 / 40 | D/E 0.97x gives 10 points; interest coverage not supplied gives 0; FCF five-year record not confirmed gives 0

Income Reliability | 0 / 30 | No current dividend, payout, growth, or history supplied

Capital Efficiency | 7 / 15 | ROIC 12.0% gives 7 points; trend not supplied gives 0

Valuation | 5 / 15 | P/E above 5Y average; mixed signals on P/B and P/S

Total | 22 / 100 | Below the 45-point removal threshold

This score is conservative because the supplied data lacks interest coverage and dividend detail. If those missing items turned out healthy, the score would rise. But even a generous recovery would likely leave Delta below 65, and the structural leverage and cyclicity remain.

9. KEY METRICS SUMMARY

Metric | Value

Ticker | DAL

Current Price | \$83.08 USD / €73.88 EUR

Implied Market Cap | ~\$54.3B based on 653M shares and current price

Enterprise Value | \$67.87B (Yahoo supplied)

FY2025 Revenue | \$63.36B

TTM Revenue (to 6/30/2026) | \$68.29B

FY2025 Net Income | \$5.005B

TTM Net Income | \$3.95B

FY2025 Diluted EPS | \$7.66

TTM Diluted EPS | \$6.08

FY2026 Guidance EPS | \$6.50-\$7.50

FY2025 EBITDA | \$8.3B

TTM EBITDA | \$7.51B

FY2025 FCF | \$3.8B

FY2026 Guidance FCF | \$3-\$4B

Total Debt | \$21.08B

Cash | \$4.66B

Net Debt | \$16.42B

Debt/Equity | 96.65%

Net Debt/TTM EBITDA | 2.19x

FY2025 Operating Margin | 9.2%

TTM Operating Margin | 7.92%

FY2025 Net Margin | 7.9%

TTM Net Margin | 5.78%

ROE (TTM) | 20.13%

ROIC (FY2025) | 12.0%

Trailing P/E | 13.7x computed

Forward P/E | 12.67x

P/B | 2.41x

P/S | 0.77x

P/FCF | 6.39x

EV/EBITDA | 11.89x

Analyst Consensus | Buy, median target \$105

Short Interest | Not supplied

Beta | Not supplied

10. MONITORING CHECKLIST

Item | Frequency | Trigger

Debt-to-equity | Quarterly | Review if >1.0x; ideal <0.5x

Interest coverage | Quarterly | Must confirm >8x; cannot verify today

Current ratio | Quarterly | Not supplied; obtain from 10-Q

Free cash flow | Quarterly | Must stay positive; FY2026 guide \$3-\$4B

Net debt/EBITDA | Quarterly | Review if >2.5x

Premium revenue growth | Quarterly | Q1 2026 +14%; review if <5%

Amex/SkyMiles remuneration | Annual | FY2025 \$8.2B; review if declining

TTM operating margin | Quarterly | 7.92% today; review if <6%

Fuel price trend | Weekly | Any rapid increase pressures fares and margins

Insider Form 144 activity | Monthly | Cluster Aug 3-5, 2026; review if persists

Leadership transition execution | Quarterly | Dan Janki, Erik Snell, Peter Carter onboarding

Q3 2026 earnings | Oct 8/9, 2026 | Consensus EPS \$2.02; beat or miss matters

FY2026 EPS guidance | Quarterly | \$6.50-\$7.50; review if narrowed lower

11. MARKET EXPECTATIONS & CONSENSUS

What the current stock price implies about growth:

The current price of \$83.08 against the fiscal 2026 earnings guidance midpoint of \$7.00 gives a forward P/E of approximately 11.9x. The supplied Seeking Alpha forward P/E is 12.67x. At 12.67x \$7.00, the market is pricing a price of roughly \$88.70, very close to the current quote. The current multiple embeds modest earnings growth but no re-rating to the sector median. If the market applied the sector forward median of 19.45x to \$7.00, the price would be \$136.15. Current price does not reflect that. The market is not treating Delta as a sector-average growth asset.

Consensus Bull Case:

Analysts expect EPS near the upper end of the \$6.50-\$7.50 guidance, with the median price target at \$105 supporting 26% upside. The bull narrative depends on premium-cabin growth continuing in the low-to-mid teens, Amex remuneration holding near \$8 billion annually, and revenue growth hitting the 5%-7% guidance. Positive Q3 earnings versus the \$2.02 estimate on October 8 or 9, 2026 would validate the start of this path.

Consensus Bear Case:

The bear narrative centers on main-cabin softness, moderate corporate travel, fuel spikes, and FAA scrutiny. The trailing data already shows earnings pressure: TTM EPS of \$6.08 and quarterly earnings growth of -24.7%. A Q3 miss, a cut to full-year guidance, or a sharp increase in fuel would confirm that the fiscal 2025 margin peak is behind the company. The heavy insider-sale signal and the executive transition add downside catalysts.

Forward Valuation:

Metric | Value | vs. Sector Avg | Assessment

Forward P/E | 12.67x non-GAAP | Sector 19.45x | Below sector; above Delta 5Y avg 9.84x

PEG | 0.73 non-GAAP forward; 39.29 Yahoo 5Y | Sector 1.51 | Mixed source; treat with caution

EV/EBITDA | 11.89x | Not supplied | Above FY2025 7.69x

Beta | Not supplied | Not supplied | Cannot assess factor exposure

12. KEY BUSINESS DRIVERS

Driver 1: Premium cabin revenue growth

Why it matters: Delta One and Delta Premium Select generate higher-margin revenue and offset main-cabin softness.

Current level: \$5.4B in Q1 2026, up 14% year over year.

Bull threshold: Sustained 10%+ annual growth.

Bear threshold: Below 5% growth or absolute decline.

Next data point: Q3 2026 earnings, October 8/9, 2026.

Driver 2: SkyMiles and American Express remuneration

Why it matters: This is recurring, high-margin cash flow, roughly 14% of adjusted operating revenue.

Current level: \$8.2B in fiscal 2025.

Bull threshold: Maintain or grow above \$8.2B.

Bear threshold: Declining remuneration or renegotiated economics.

Next data point: Annual disclosure in 10-K.

Driver 3: Fuel cost and refinery performance

Why it matters: Fuel is the largest input cost; the Monroe refinery supplies about 75% of normal needs but creates price and operational risk.

Current level: Not supplied; monitor versus prior-year average.

Bull threshold: Stable to lower jet fuel prices and normal refinery output.

Bear threshold: Sustained fuel increase that fares cannot offset.

Next data point: Monthly fuel cost disclosures.

Driver 4: TTM operating margin

Why it matters: Confirms whether premium and cost initiatives are converting into profit.

Current level: 7.92% TTM, down from 9.2% fiscal 2025.

Bull threshold: Return above 9%.

Bear threshold: Below 6%.

Next data point: Q3 2026 10-Q.

Driver 5: FY2026 revenue growth and EPS guidance

Why it matters: Confirms the base-case revenue and earnings trend.

Current level: Revenue guidance +5% to +7%; EPS \$6.50-\$7.50.

Bull threshold: Full-year EPS above midpoint.

Bear threshold: Guidance narrowed to below \$6.50 or revenue below 5%.

Next data point: Q3 earnings and guidance update.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy | Ticker/Symbol | Relationship | Signal

U.S. Global Jets ETF | JETS | Correlates with airline sector and DAL | Bullish if JETS holds above its 200-day average; bearish if it breaks below the 50-day

United Airlines | UAL | Direct network-carrier peer | Bullish if UAL outperforms on margin and EPS; bearish if UAL guides weak

Crude oil / United States Oil Fund | CL=F or USO | Inverse driver of airline margins | Bearish for DAL if crude sustains a sharp rise; bullish if fuel costs fall

S&P 500 Transportation or TSA volumes | XTN / TSA checkpoint data | Macro travel-demand proxy | Bullish if passenger volumes accelerate; bearish if volumes stall

Monitoring rule: If JETS breaks below its 200-day moving average for five consecutive sessions, re-evaluate the DAL thesis within five days.

EXIT TRIGGERS AND REASSESSMENT CONDITIONS

This is an AVOID recommendation, so no position exists to exit. The following conditions would trigger a full re-review:

- Forward P/E below 9x normalized earnings. At \$6.50 normalized EPS, that implies a price near \$58.50.
- Confirmed interest coverage above 8x with net debt below 1.5x EBITDA.
- Bear-case total return shifting to 0% or higher.
- Confirmed dividend with a payout below 60% of free cash flow and a yield above 3%.
- Q3 2026 earnings beat and full-year guidance raised above the \$6.50-\$7.50 range with no fuel spike.

The following would worsen the assessment:

- Q3 2026 EPS miss below \$2.02.
- Full-year 2026 EPS guidance cut below \$6.50.
- Net debt to EBITDA above 2.5x.
- Additional concentrated insider selling following the August 2026 Form 144 cluster.
- A credit rating downgrade or loss of investment-grade status.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Delta Air Lines fails the absolute requirements of the wealth-preservation framework. The bear-case total return is -10.6% annually, the base-case total return is 1.5%, and the probability-weighted expected return is 0.4%. Solvency is MARGINAL, not ADEQUATE or FORTRESS, because of 96.65% debt-to-equity and unconfirmed interest coverage. The probability of a greater-than-50% permanent loss exceeds 25%, against a 10% maximum. The current \$83.08 price sits above my \$71.50 base-case fair value and above Delta's own five-year forward P/E average. The premium-cabin and loyalty franchises are real, but they do not outweigh the structural downside of a leveraged cyclical airline at this price.

ANALYST NOTES

Key Assumptions:

- Current price \$83.08 USD / €73.88 EUR is authoritative.
- Normalized EPS of \$6.50 equals the low end of fiscal 2026 guidance.
- No dividend used in scenario math because the supplied data includes no current dividend.

- Beta, short interest, current ratio, and interest coverage are not supplied and therefore could not be scored.
- The audited FY2025 10-K figures are used over the conflicting PR Newswire fiscal 2025 revenue and EPS figures.

Limitations:

- Missing dividend data, interest expense, current ratio, five-year FCF history, and historical maximum drawdown.
- Missing peer balance-sheet data prevents full peer scoring.
- Conflicting forward P/E figures of 12.67x and 9.18x across sources.
- The PR Newswire summary lists fiscal 2025 revenue of \$58.3B and EPS of \$5.82, conflicting with the audited 10-K revenue of \$63.36B and EPS of \$7.66.
- No `deep_dive_metrics` object was supplied for forward valuation.

Confidence Level: MEDIUM. The recommendation is high confidence structurally because Delta's cyclicity, leverage, and bear-case downside are clear from the supplied data. The precise fair value and scenario targets carry medium confidence because the missing dividend, interest coverage, and current-ratio data could narrow or widen the margin of safety.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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