

DELTA AIR LINES INC /DE/
Form 10-Q
July 15, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-5424

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

State of Incorporation: Delaware

I.R.S. Employer Identification No.: 58-0218548

Post Office Box 20706, Atlanta, Georgia 30320-6001

Telephone: (404) 715-2600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Number of shares outstanding by each class of common stock, as of June 30, 2016:

Common Stock, \$0.0001 par value - 748,907,678 shares outstanding

This document is also available through our website at <http://ir.delta.com/>.

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Unless otherwise indicated, the terms “Delta,” “we,” “us” and “our” refer to Delta Air Lines, Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-Q (or otherwise made by us or on our behalf) that are not historical facts, including statements about 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. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to Delta are described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (“Form 10-K”) and in “Part II, Item 1A. Risk Factors” of this Form 10-Q, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Delta Air Lines, Inc.

We have reviewed the consolidated balance sheet of Delta Air Lines, Inc. (the Company) as of June 30, 2016, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015 and condensed consolidated statements of cash flows for the six-month periods ended June 30, 2016 and 2015. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Delta Air Lines, Inc. as of December 31, 2015 and the related consolidated statements of operations, comprehensive income, cash flows and stockholders' equity for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 5, 2016.

Atlanta, Georgia /s/ Ernst & Young LLP
July 14, 2016

DELTA AIR LINES, INC.
Consolidated Balance Sheets
(Unaudited)

(in millions, except share data)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$1,662	\$ 1,972
Short-term investments	1,289	1,465
Accounts receivable, net of an allowance for uncollectible accounts of \$11 and \$9 at June 30, 2016 and December 31, 2015, respectively	2,102	2,020
Fuel inventory	455	379
Expendable parts and supplies inventories, net of an allowance for obsolescence of \$103 and \$114 at June 30, 2016 and December 31, 2015, respectively	340	318
Hedge derivatives asset	773	1,987
Prepaid expenses and other	1,017	915
Total current assets	7,638	9,056
Property and Equipment, Net:		
Property and equipment, net of accumulated depreciation and amortization of \$11,711 and \$10,871 at June 30, 2016 and December 31, 2015, respectively	23,975	23,039
Other Assets:		
Goodwill	9,794	9,794
Identifiable intangibles, net of accumulated amortization of \$820 and \$811 at June 30, 2016 and December 31, 2015, respectively	4,852	4,861
Deferred income taxes, net	3,797	4,956
Other noncurrent assets	1,578	1,428
Total other assets	20,021	21,039
Total assets	\$51,634	\$ 53,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital leases	\$1,115	\$ 1,563
Air traffic liability	5,955	4,503
Accounts payable	2,956	2,743
Accrued salaries and related benefits	2,237	3,195
Hedge derivatives liability	895	2,581
Frequent flyer deferred revenue	1,589	1,635
Other accrued liabilities	1,503	1,306
Total current liabilities	16,250	17,526
Noncurrent Liabilities:		
Long-term debt and capital leases	6,689	6,766
Pension, postretirement and related benefits	12,576	13,855
Frequent flyer deferred revenue	2,294	2,246
Other noncurrent liabilities	2,015	1,891
Total noncurrent liabilities	23,574	24,758
Commitments and Contingencies		
Stockholders' Equity:		

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Common stock at \$0.0001 par value; 1,500,000,000 shares authorized, 762,988,573 and 799,850,675 shares issued at June 30, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	9,361	10,875
Retained earnings	10,000	7,623
Accumulated other comprehensive loss	(7,279)	(7,275)
Treasury stock, at cost, 14,080,895 and 21,066,684 shares at June 30, 2016 and December 31, 2015, respectively	(272)	(373)
Total stockholders' equity	11,810	10,850
Total liabilities and stockholders' equity	\$51,634	\$ 53,134

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
(in millions, except per share data)	2016	2015	2016	2015
Operating Revenue:				
Passenger:				
Mainline	\$7,471	\$7,587	\$13,915	\$14,136
Regional carriers	1,499	1,552	2,817	2,926
Total passenger revenue	8,970	9,139	16,732	17,062
Cargo	165	207	327	424
Other	1,312	1,361	2,639	2,609
Total operating revenue	10,447	10,707	19,698	20,095

Operating Expense: