# DELTA

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Sharpe Alphas: Chloe Shewell, Jack McCormick, Jack Pollock, Noelle Kieffer

#### **Investment Thesis**

Investment Thesis Bu	usiness Model	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion	
Compar	Company Overview		Inv	Investment Thesis					
Company Name Ticker Business Summary Current Price Current Date Target Price Target Date Industry Sector Change in Shares	PartDAL: Delta Air Lines Inc. provides scheduled air transportation for passengers, freight, and mail over a network of routes.Int Price\$54.12Int Date10/25/2024t Price\$84.04t Date10/28/2027tryAirlinesrIndustrials			Cycl	Stable rever	nue growth operating r	projections margins		
Outstanding (TTM Market Cap Monthly Trading V Beta Sharpe Ratio EPS PE Ratio 52-week Low/Hig	\$35,240 n \$181.4 mi 1.36 2.49 7.21 7.51	llion			Sensitive to	o the price to interest			

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#### **Business Model**

Investment Thesis Business Model Historicals Industry Analysis Governance Risk and Growth Valuation Sell Proposal

Delta provides scheduled air transportation for passengers and cargo throughout the United States and around the world.

#### **Revenue Streams:**

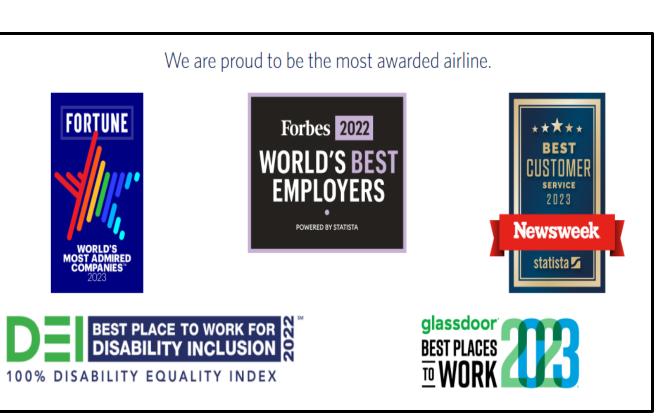
- Passengers 84.5%
- Cargo 1.25%
- $\circ$  Other 14.25%

#### **Customer Incentives:**

- SkyMiles frequent flyer program
- American Express partnership
- $\,\circ\,$  Delta Lounge access
- Excellent customer service
- Reliability, on-time performance
- Expansive route networks
- Delta One and Comfort+
- $\,\circ\,$  Ticket pricing is dynamic

#### Marketing Strategy/Business & Operating Model:

- Attracting corporate travelers (inelastic demand & core demographic)
- Shift from fixed to variable costs to appropriately meet demand
- $\circ$   $\;$  Owning a fuel refinery to control fuel costs
- $\circ \quad \text{Purchasing used aircrafts}$





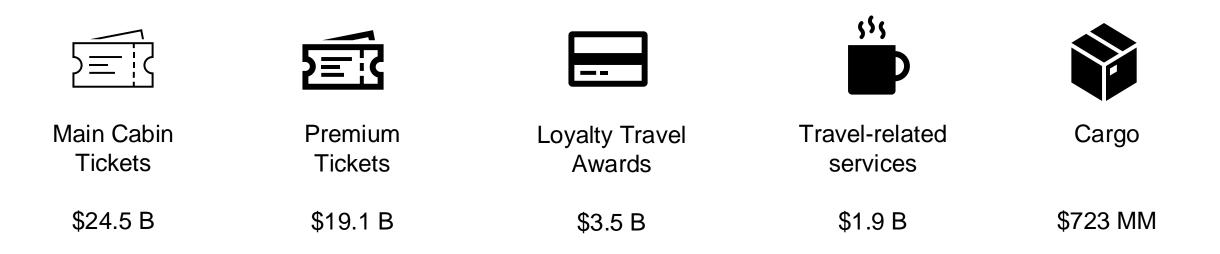
Conclusion



#### **Business Model**

Investment Thesis	Business Model	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion
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**Revenue Streams and Operating Revenue 2023** 







## **Historical Analysis**

Investment Thesis Business	Model Historicals Industry	Analysis Governance Risk	and Growth Valuation	Sell Proposal	Conclusion
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#### Major Historical Events

- EST: 1924
- Climbing out of Chapter 11 Bankruptcy 2005-07
- Dealing with Covid-19

#### **Delta Over Time**

- Delta evolved to be the most profitable airline in the world with a profitability of 7.8%
- Highest stock price of Delta was at \$63.44 in July of 2019
- Since 2020 Delta stock has continued to climb and as of currently (October 2024) Delta stock is at 89% of its highest stock price in 2019.

#### Simple Moving Average (as of 10/24/24)

- Current Price: \$54.77 Averages Showing Bullish Trend
- SMA20: \$52.14 Current (up 4.8%)
- SMA50: \$47.00 Current (up 14.19%)
- SMA200: \$45.72 Current (up 16.52%)

#### 52 Week High / Low

- High: \$56.48 Low: \$30.60
- Current: \$54.77 (10/24/24)
- 3.03% below 52-week high
- 44.13% above 52-week high





## **Historical Analysis**







## **Financial Statement Analysis**

Investment Thesis

Business Model Historicals

**Industry Analysis** 

Governance

**Risk and Growth** 

th Valuation

Sell Proposal Conclusion

#### **Financial Statement Overview**

All numbers in millions

Revenue	\$60,307.0
Net Income	\$4,651.0
Operating Margin	10.4%
<b>Operating Cash Flow</b>	\$6,676.0
CAPEX	\$5,462.0
Free Cash Flow	\$492.9
Total Assets	\$75,368.0
Total Liabilities	\$61,722.0
Dividends	6.2%
ROA	5.3%
ROE	40.7%
ROI	85.6%
Operating Margin	10.4%
Goodwill / Intangibles	\$15,730.0

#### Company/Industry Specific

- Pre-COVID, Delta maintained stable margins. Little fluctuation of accounts as a percentage of assets
- COVID disrupted entire industry, but Delta has seen an eventual return to stable pre-2020 levels
- High amount of asset value in goodwill and intangibles via mergers and the "SkyMiles" program, one of DAL's key differentiation points
- More profitable than other airlines in the "Big 4" of carriers





#### Industry Trends – Present and Historically

**Industry Analysis** 

Historicals

**Business Model** 

Investment Thesis

Primary Industry Classification: Passenger Airlines **Exprected Airlines CAGR Deltas Competitive Advantage Competitive Advantages of Paying Down Debt Delta Compared to 3 Main Competitor Airlines** Based on a 2022 rating by CAGR Delta 2024E Net Debt per business travel professionals EBITDAR Ratio: 1.94 Delta was rated the best airline for... Other full-service airlines ratio: **Business Travel** 4.43% 2024-2029 2.78**Quality Customer Service Complaint Resolution Client Communications** Quality

Governance

**Risk and Growth** 

Valuation

Sell Proposal

Conclusion





## PESTEL Analysis

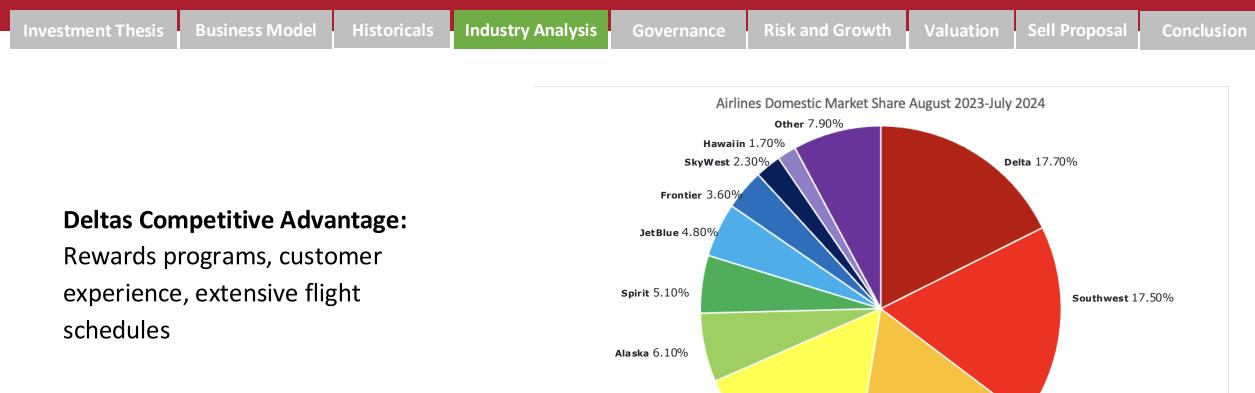
tment Thesis Busine	ess Model Historicals	Industry Analysis	Governance Risk and	Growth Valuation	Sell Proposal Co
Ρ	Ε	S	Т	Ε	L
Political	Economical	Social	Technological	Environmental	Legal
- Suspended Israel flights	- Crude oil raised 1% YTD	- Sustainable travel demand	- Fuel-efficient aircrafts	<ul> <li>Net-Zero emissions goals</li> </ul>	- Lawsuits - Highly
<ul> <li>2024 election</li> <li>Potential corporate tax</li> </ul>	<ul> <li>Travel costs</li> <li>rising</li> <li>Winter</li> </ul>	<ul> <li>Partnership opportunities</li> <li>Airline</li> </ul>	<ul> <li>Cyber risks</li> <li>Technological sector is</li> </ul>	<ul> <li>Evolving laws around the environment</li> </ul>	regulated industry - FAA, ICAO,
rate shift - Delta lobbies	schedule - Tourism	reliability - Employee	evolving	- Extreme weather	IATA, DOT, TSA
	expected to rise through 2028	unionization			- Health and Safety regulations: CDC, WHO

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#### **Competitive Landscape**



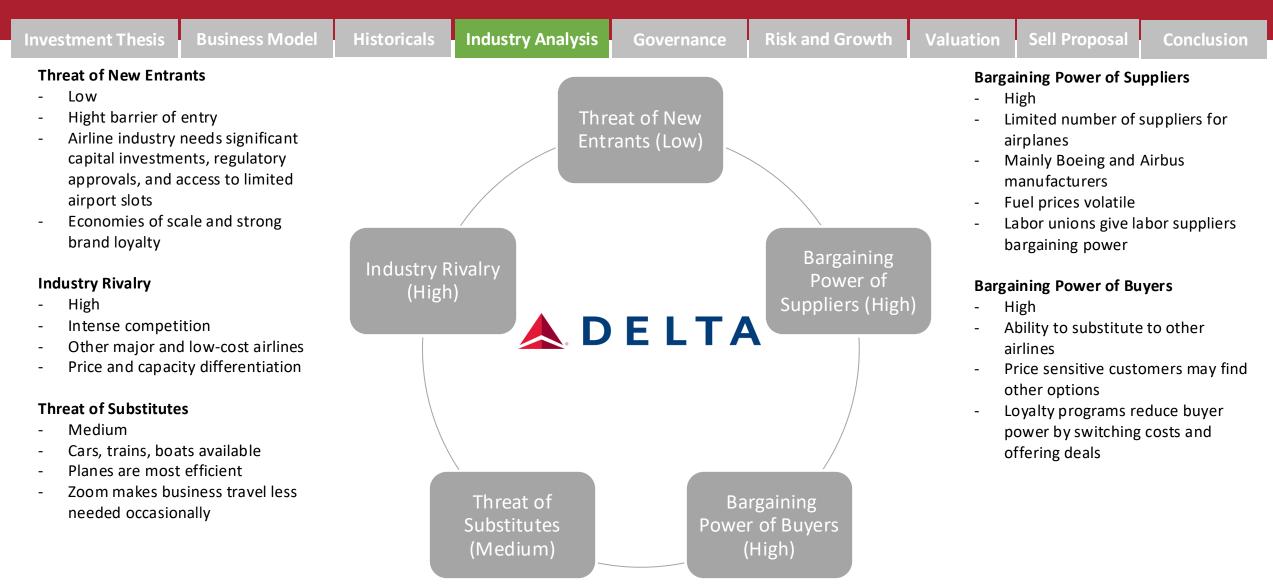
**United** 15.90%

**American** 17.40% Delta Southwest American United Alaska Spirit JetBlue Frontier SkyWest Hawaiian Other





#### **Porters Five Forces**



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## Management and Employees

Leadership	Compensation	Retention	Labor and Workforce	Legal
<ul> <li>CEO Ed Bastian has been CEO since May 2016</li> <li>CFO Dan Janki</li> <li>Delta Leadership Committee</li> <li>Board of Directors</li> <li>Safety &amp; Security Committee</li> </ul>	<ul> <li>Delta's senior executives: base salary, performance bonuses, stock options, and participation in the company's profit- sharing program</li> <li>In 2023, Delta paid \$1.4 billion in profit sharing to employees</li> <li>Offers 401(k) matching contributions up to 6% of eligible earnings</li> </ul>	<ul> <li>Engagement surveys for employees to provide feedback</li> <li>Holds executive town hall sessions</li> <li>Employee resource groups, having nearly 19,000 members across 12 affinity groups</li> </ul>	<ul> <li>Unionization efforts and high employee attrition rates</li> <li>High employee engagement score of 80 out of 100 in 2023, industry benchmarks is 66-71%</li> <li>Employs over 100,000 employees worldwide, about 20% are unionized</li> <li>Governed by Railway Labor Act</li> </ul>	<ul> <li>Has experienced la related legal disput</li> <li>Wage theft claims a employee lawsuits</li> <li>Cybersecurity protection: IT Risk Team, Enterprise R Management framework</li> <li>Environmental Compliance Obligations</li> </ul>





### **SWOT Analysis**

Investment Thesis

Business Model Historicals

Industry Analysis G

Governance

rowth Valuation

Sell Proposal Conclusion

#### Strengths

- One of the largest airlines globally
- SkyMiles program
- American Express and Digital ID TSA partnerships
- Low flight cancellation rates and high customer satisfaction
- SkyTeam alliance (e.g., Air France-KLM, LATAM, Virgin Atlantic)

#### **Opportunities**

- Demand for sustainable travel
- Business travel demand growth, expected from 8% to 12%
   2024
- Expanding SkyMiles partnerships
- Promotion of Delta's 100th-anniversary event at CES 2025 in Las Vegas

#### Weaknesses

- High operating cost sector
- Upfront costs from transition from Boeing to Airbus
- Dependence on U.S economy, consumer discretionary
- Wage theft claims and class-action lawsuits
- High employee turnover rate
- Business and results of operations dependent on aircraft fuel price

#### Threats

- Economic slowdowns
- Uncontrolled increases in oil prices
- High competition
- Government policies or regulations
- Climate change driven disruptions





#### DCF - WACC

	Investment Thesis	Bu
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isiness Model Historicals

Industry Analysis

s Governance

rnance Risk

Risk and Growth

wth Valuation

Sell Proposal Conclusion

WACC Calculations						
Capital Structure						
Total Debt	\$28,381.00					
Total Equity	\$35,015.64					
Debt-to-Total Capitalization	44.8%					
Equity-to-Total Capitalization	55.2%					

Cost of Debt	
Cost of Debt	2.7%
Tax Rate	24.1%
After-Tax Cost of Debt	2.1%

Cost of Equity	
Risk-free Rate	4.1%
Market Risk Premium	6.0%
Levered Beta	1.21
Cost of Equity	11.3%

WACC 7.22
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#### DCF – Assumptions Base

Investment Thesis Bu	usiness Model Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion
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Select Operating Data								
					Project	ed Annual Fore	ecast	
	2021	2022	2023	2024	2025	2026	2027	2028
Period				1	2	3	4	5
Revenue	\$29,899.0	\$50,582.0	\$58,048.0	\$61,530.9	\$64,607.4	\$67,514.8	\$70,215.3	\$73,024.0
Growth Rate (%)		69.2%	14.8%	6.0%	5.0%	4.5%	4.0%	4.0%
EBITDA	(\$478.0)	\$5,782.0	\$8,090.0	\$8,614.3	\$8,399.0	\$9,114.5	\$9,479.1	\$10,223.4
EBITDA Margin (%)	(1.6%)	11.4%	13.9%	14.0%	13.0%	13.5%	13.5%	14.0%
EBIT	(2,175.0)	3,982.0	6,089.0	\$6,399.2	\$5,814.7	\$6,413.9	\$6,670.5	\$7,302.4
EBIT Margin (%)	(7.3%)	7.9%	10.5%	10.4%	9.0%	9.5%	9.5%	10.0%
Depreciation & Amortization	\$1,998.0	\$2,107.0	\$2,341.0	\$3,076.5	\$3,230.4	\$3,375.7	\$3,510.8	\$3,651.2
D&A as a % of revenue	6.7%	4.2%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%





### DCF – Assumptions Base

Investment Thesis	Business Model	Historicals	Industry	Analysis	Governance	e Risk and	d Growth	Valuation	Sell Proposal	Conclusion
Select Balance	Sheet And Other Da	ata								
							Proje	ected Annual Fore	cast	
			2021	2022	2023	2024	2025	2026	2027	2028
Period						1	2	. 3	4	5
Cash			\$7,933.0	\$3,266.0	\$2,741.0	3 <i>,</i> 563.3	3,385.1	3,215.9	3,055.1	2,902.3
Accounts Receivab	ble		2,404.0	3,176.0	3,130.0	3 <i>,</i> 474.3	3 <i>,</i> 856.5	4,280.7	4,751.6	5,274.2
Inventories			1,098.0	1,424.0	1,314.0	1,432.3	1,503.9	1,624.2	1,737.9	1,842.1
Prepaid Expenses			956.0	1,739.0	1,758.0	1,881.1	2,012.7	2,153.6	2,304.4	2,465.7
Accounts Payable			\$4,240.0	\$5,106.0	\$4,446.0	\$4,846.1	\$5,233.8	\$5,652.5	\$6,104.7	\$6,593.1
Accrued Expenses			4,185.0	5,020.0	6,178.0	6,486.9	6,811.2	7,151.8	7,509.4	7,884.9
Debt			35,779.0	31,710.0	28,381.0	25,056.3	21,323.9	18,058.5	16,174.5	14,557.0
Capital Expenditur	es		3,247.0	6,366.0	5,323.0	5,003.6	5,203.8	4,579.3	4,899.9	3,772.9
Cash Growth (%)						30.0%	(5.0%)	(5.0%)	(5.0%)	(5.0%)
Accounts Receivab	le Growth (%)					11.0%	11.0%	11.0%	11.0%	11.0%
Inventories Growth	h (%)					9.0%	5.0%	8.0%	7.0%	6.0%
Prepaid Expenses (	Growth (%)					7.0%	7.0%	7.0%	7.0%	7.0%
Accounts Payable	Growth (%)					9.0%	8.0%	8.0%	8.0%	8.0%
Accrued Expenses	Growth (%)					5.0%	5.0%	5.0%	5.0%	5.0%
Capital Expenditur	es Growth (%)					(6.0%)	4.0%	(12.0%)	7.0%	(23.0%)





### **DCF - Calculations**

stment Thesis Business Model	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion
Sum of present values of FCFs		\$35,342.5	DCF		Implied Share Price		
			Approach		Base	Downside Upside	
Exit Multiple			Exit Multi	ple	\$99.94	\$67.08	\$116.68
EV/EBITDA valuation method:							
EV/EBITDA		7.60					
WACC		7.2%					
Terminal Value		77,697.50	FV/	EBITDA:			
Present Value of Terminal Value		\$54,956.0	<b>L</b> • / ·				

Enterprise Value to Equity Value	
Enterprise Value	\$90,298.6
Less: Net debt	25,640.0
Equity Value	\$64 <i>,</i> 658.6
Diluted Shares Outstanding	647.0
Equity Value Per Share	\$99.94

Delta: 6.7

Median: 7.6

#### Mean: 10.2



## Multiples

Investment Thesis	<b>Business Model</b>	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion
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			Market and F	inancial Data				Valuation	
Company Name	Price	Market Cap (B)	Enterprise Value (M)	LTM Sales (M)	LTM EBITDA (M)	Earnings (M)	EV / Sales	EV / EBITDA	P/E
Target									
Delta Air Lines, Inc.	\$54.120	\$35,133.100	\$56,441.100	\$60,307.000	\$8,415.000	\$4,651.00	0.9x	6.7x	7.51
Comparable companies									
American Airlines Group, Inc.	12.96	8,510.90	38,970.90	53,448.00	5,150.00	275.00	0.7x	7.6x	31.31
United Airlines Holdings, Inc.	74.49	24,498.00	43,693.00	55,994.00	7,483.00	2,764.00	0.8x	5.8x	8.90
Southwest Airlines Co.	30.49	18,268.30	17,375.30	27,031.00	1,730.00	-48.00	0.6x	10.0x	18.28
JetBlue Airways Corporation	7.37	2,556.20	7,065.20	9,315.00	313.00	-947.00	0.8x	22.6x	
Alaska Air Group, Inc.	45.98	5,800.80	7,166.80	10,521.00	1,212.00	225.00	0.7x	5.9x	25.88
Frontier Group Holdings, Inc.	6.72	1,508.50	4,919.50	3,612.00	-239.00	-64.00	1.4x		
Allegiant Travel Company	62.87	1,112.10	2,633.20	2,499.00	292.50	-14.20	1.1x	9.0x	

Mean	0.9x	10.2x	21.09
Median	0.8x	7.6x	22.1x
25 Percentile	0.7x	6.3x	15.94
75 Percentile	0.9x	9.8x	27.24
Standard deviation	0.259	6.306	9.728





#### **Precedent Transactions**

Investment	Thesis	Business Model	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell	Proposal	Conclusion
			_							
Date	т	arget	Buyer	Target Business Description		Transaction Value	Revenue E	BITDA I	EV / Revenue	EV / EBITDA
9/18/2024	Hawai	ian Airlines A	laska Airlines	Airline that services 15 conti other countries (New Zealan Islands, etc.) with nonstop fli	d, Australia, Pacific	\$2,800.00	\$2,716.00	-	1.03x	
12/9/2013	Amerio	can Airlines	US Airways	Largest airline in the world the passenger miles and available services to over 50 countries	e seat miles, with	11,000	26,712 2	,252.00	0.41x	4.88x
12/14/2016	Virgi	n America A	laska Airlines	Low-cost, high-value airline, of California with flights acro Mexico and beyond		2,600	1,530.00	195.87	1.70x	13.27x
10/1/2010	Contine	ental Airlines U	nited Airlines	One of the US's largest carrie financial and labor issues, ev the most successful airlines i	entually became one of	8,500	23,229 2	,055.00	0.37x	4.14x
5/2/2011	AirTra	an Airways Sou	thwest Airlines	Smaller regional airline oper eastern and midwestern US	ating primarily in the	1,400	2,619	224.40	0.53x	6.24x
						Mean			0.81x	7.13x
						Median			0.53x	5.56x
						25 Percentile			0.41x	4.70x
						75 Percentile			1.03x	8.00x
						Standard deviation			0.564	4.185





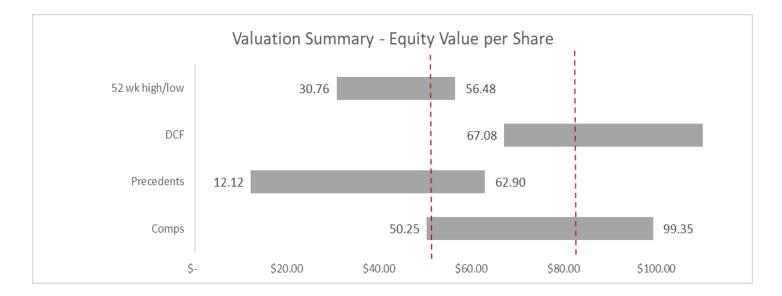
## Weighted Valuation

Investment Thesis Business Model Historicals Industry Analysi	Governance Risk and Growth	Valuation Sell Proposal	Conclusion
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#### Football Field Data

	Low bar	Difference	High Bar
Comps	50.25	49.10	99.35
Precedents	12.12	50.78	62.90
DCF	67.08	49.59	116.68
52 wk high/low	30.76	25.72	56.48

Implied Stock Price	
Total DCF	\$99.94
Comparable	\$84.28
Precedent Transactions	\$46.77



Weights	
DCF	40%
Comparable	40%
Precedent Transactions	20%

Target Price	83.04
Current price	54.12

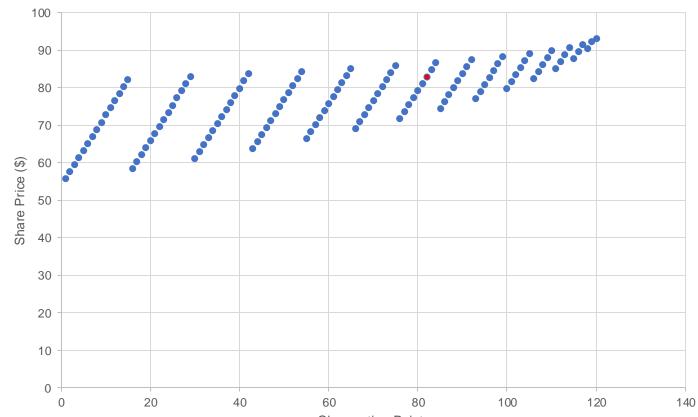




## Weighting Analysis

Investment Thesis	Business Model	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion
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Summary	Share Price	
Min		55.83
Max		93.05
25th Percentile		70.96
Mean		76.99
75th Percentile		83.55
Median		78.11
Our Estimate		83.04
Stdev		8.64



**Observation Points** 





## Sell Proposal

Investment Thesis

Business Model Historicals

Industry Analysis

Governance

**Risk and Growth** 

Frowth Valuation

Sell Proposal Conclusion

Old Strategy: Business Cycle Tracking Proposal Group: SIFway Surfers Date Adopted: 12/2023 Expected Rebalance: 4/2024 Expected Sell: 6/2024 % of Overall Fund: 7.25%

	CYCLE	DAL	BIL
Amount	\$123,210	\$7,098	\$116,112
β	1.10	1.21	0.00
StDev	5.87%	28.79%	0.29%
Sharpe	1.81	2.49	3.73

This strategy was meant to be rebalanced in April then sold in June. The old group expected negative returns after June; we should therefore exit the old strategy.

Given we want to lower the overall beta of the fund, we will be able to fund the DAL purchase and should keep the excess capital in BIL, a low-beta asset for new strategies.

	Old	New
β	1.14	1.05

BIL KEY STATS:

Yield: 5.54% Securities: US Government Bonds Maturity: Between 1-3 months Expense Ratio: 0.1356%





#### Conclusion

Investment Thesis	Business Model	Historicals	Industry Analysis	Governance	Risk and Growth	Valuation	Sell Proposal	Conclusion
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Investment Thesis	BUY \$7,098 of DAL in School Fund, sell off the "Business Cycle Strategy"
Business Model	Delta provides scheduled air transportation for passengers and cargo throughout the United States and around the world.
Industry Analysis	High expected growth, high competition, low threat of new entrants
Risks and Growth	Largest airline in the industry with many plans to continue growing, but much of the business is dependent on US economy
Governance	Extensive leadership team, regulations, employee programming
Valuation	Implied Stock Price at \$83.04, which is 53.44% higher than current
Sell Proposal	Sell "Business Cycle Strategy" from School Fund, \$7,098 goes to purchasing delta, \$116,112 goes into BIL (a bond ETF), for a total amount of \$123,210
Recommendation	BUY \$7,098 of DAL (equal to 131.15 shares), target price: \$83.04, target date: 10/27/2027 (sell \$123,210 amount from School Fund)





Vot	ing									
Investment Thesis	Business Model	Historicals	Industry Analysis	Go	overnance	Risk and Growth	Valuation	Sell Proposal	Conclus	ion
VOTE					- Sell "Bu \$7,098	,098 of DAL (ed isiness Cycle St goes to purcha . (a bond ETF), 10	rategy" frasing delta	om School F 1, \$116,112 g	und,	

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# **Exhibits**

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## Exhibit 1 – Downside Operating Data

Exhibit 1: Downside Operating Data

Select Operating Data								
	2021	2022	2023	2024		ed Annual Foreca	ast 2027	2029
Period	2021	2022	2023	2024	<b>2025</b>	<b>2026</b>	4	<b>2028</b>
	¢20.000.0	<u> </u>	<u> </u>	1				
Revenue	\$29,899.0	\$50,582.0	\$58 <i>,</i> 048.0	\$61 <i>,</i> 530.9	\$58,454.3	\$61,377.1	\$64 <i>,</i> 445.9	\$69,601.6
Growth Rate (%)		69.2%	14.8%	6.0%	(5.0%)	5.0%	5.0%	8.0%
EBITDA	(\$478.0)	\$5,782.0	\$8,090.0	\$8,614.3	\$6,430.0	\$6,751.5	\$7,089.0	\$7,656.2
EBITDA Margin (%)	(1.6%)	11.4%	13.9%	14.0%	11.0%	11.0%	11.0%	11.0%
EBIT	(2,175.0)	3,982.0	6,089.0	\$4,307.2	\$4,091.8	\$4,296.4	\$4,511.2	\$4,872.1
EBIT Margin (%)	(7.3%)	7.9%	10.5%	7.0%	7.0%	7.0%	7.0%	7.0%
Depreciation & Amortization	\$1,998.0	\$2,107.0	\$2,341.0	\$3,076.5	\$2,922.7	\$3,068.9	\$3,222.3	\$3,480.1
D&A as a % of revenue	6.7%	4.2%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%





#### Exhibit 2 – Downside Balance Sheet/Assumptions

#### Exhibit 2: Downside Balance Sheet and Assumptions

Select Balance Sheet And Other Dat	ta							
					Projecte	ed Annual Foreca	st	
	2021	2022	2023	2024	2025	2026	2027	2028
Period				1	2	3	4	5
Cash	\$7,933.0	\$3,266.0	\$2,741.0	3 <i>,</i> 563.3	7,563.3	7,033.9	6,541.5	6,083.6
Accounts Receivable	2,404.0	3,176.0	3,130.0	3,474.3	3,926.0	4,397.1	4,880.8	5,417.6
Inventories	1,098.0	1,424.0	1,314.0	1,432.3	1,647.1	1,778.9	1,903.4	2,017.6
Prepaid Expenses	956.0	1,739.0	1,758.0	1,881.1	2,012.7	2,153.6	2,304.4	2,465.7
Accounts Payable	\$4,240.0	\$5,106.0	\$4,446.0	\$4,846.1	\$5,379.2	\$5,917.1	\$6,449.7	\$6,965.7
Accrued Expenses	4,185.0	5,020.0	6,178.0	6 <i>,</i> 486.9	6,811.2	7,151.8	7,509.4	7,884.9
Debt	35,779.0	31,710.0	28,381.0	25,056.3	25,123.9	21,668.5	19,784.5	17,806.0
Capital Expenditures	3,247.0	6,366.0	5,323.0	5 <i>,</i> 003.6	5 <i>,</i> 203.8	4,579.3	4,899.9	4,000.0
Cash Growth (%)				30.0%	112.3%	(7.0%)	(7.0%)	(7.0%)
Accounts Receivable Growth (%)				11.0%	13.0%	12.0%	11.0%	11.0%
Inventories Growth (%)				9.0%	15.0%	8.0%	7.0%	6.0%
Prepaid Expenses Growth (%)				7.0%	7.0%	7.0%	7.0%	7.0%
Accounts Payable Growth (%)				9.0%	11.0%	10.0%	9.0%	8.0%
Accrued Expenses Growth (%)				5.0%	5.0%	5.0%	5.0%	5.0%
Capital Expenditures Growth (%)				(6.0%)	4.0%	(12.0%)	7.0%	(23.0%)

School of Business



## Exhibit 3 – Downside Exit Multiple

Exhibit 3: Downside Exit Multiple and Enterprise Value to Equity Value

Exit Multiple	
EV/EBITDA valuation method:	
ev/ebitda	7.60
WACC	7.2%
Terminal Value	58,186.92
Present Value of Terminal Value	\$41,156.0

Enterprise Value to Equity Value	
Enterprise Value	\$69,042.8
Less: Net debt	25,640.0
Equity Value	\$43,402.8
Diluted Shares Outstanding	647.0
Equity Value Per Share	\$67.08





## Exhibit 4 – Upside Operating Data

Exhibit 4: Upside Operating Data

				Projected Annual Forecast								
	2021	2022	2023	2024	2025	2026	2027	2028				
Period				1	2	3	4	5				
Revenue	\$29,899.0	\$50,582.0	\$58,048.0	\$61,879.2	\$65,591.9	\$69,527.4	\$73,699.1	\$78,121.0				
Growth Rate (%)		69.2%	14.8%	6.6%	6.0%	6.0%	6.0%	6.0%				
EBITDA	(\$478.0)	\$5,782.0	\$8,090.0	\$8,663.1	\$9,346.8	\$10,255.3	\$11,054.9	\$11,718.2				
EBITDA Margin (%)	(1.6%)	11.4%	13.9%	14.0%	14.3%	14.8%	15.0%	15.0%				
EBIT	(2,175.0)	3,982.0	6,089.0	\$6,187.9	\$6,756.0	\$7,509.0	\$8,106.9	\$8,593.3				
EBIT Margin (%)	(7.3%)	7.9%	10.5%	10.0%	10.3%	10.8%	11.0%	11.0%				
Depreciation & Amortization	\$1,998.0	\$2,107.0	\$2,341.0	\$3,094.0	\$3,279.6	\$3,476.4	\$3,685.0	\$3,906.1				
D&A as a % of revenue	6.7%	4.2%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%				





#### Exhibit 5 – Upside Balance Sheet/Assumptions

#### Exhibit 5: Upside Balance Sheet and Assumptions

Select Balance Sheet And Other Data	A											
				Projected Annual Forecast								
	2021	2022	2023	2024	2025	2026	2027	2028				
Period			l	1	2	3	4	5				
Cash	\$7,933.0	\$3,266.0	\$2,741.0	3,563.3	3,385.1	3,215.9	3,055.1	2,902.3				
Accounts Receivable	2,404.0	3,176.0	3,130.0	4,950.3	5,247.4	5,562.2	5,895.9	6,249.7				
Inventories	1,098.0	1,424.0	1,314.0	1,208.9	1,208.9	1,208.9	1,208.9	1,208.9				
Prepaid Expenses	956.0	1,739.0	1,758.0	1,878.1	2,006.3	2,143.4	2,289.8	2,446.2				
Accounts Payable	\$4,240.0	\$5,106.0	\$4,446.0	\$4,851.9	\$5,294.9	\$5,778.3	\$6,305.9	\$6,881.6				
Accrued Expenses	4,185.0	5,020.0	6,178.0	6,187.9	6 <i>,</i> 559.2	6 <i>,</i> 952.7	7,369.9	7,812.1				
Debt	35,779.0	31,710.0	28,381.0	25,056.3	21,323.9	18,058.5	16,174.5	14,557.0				
Capital Expenditures	3,247.0	6 <i>,</i> 366.0	5,323.0	5,003.6	5,203.8	4,579.3	4,899.9	3,772.9				
Cash Growth (%)				30.0%	(5.0%)	(5.0%)	(5.0%)	(5.0%)				
Accounts Receivable (%) of revenue				8.0%	8.0%	8.0%	8.0%	8.0%				
Inventories growth (%)				(8.0%)	0.0%	0.0%	0.0%	0.0%				
Prepaid Expenses Growth (%)				6.8%	6.8%	6.8%	6.8%	6.8%				
Accounts Payable Growth (%)				9.1%	9.1%	9.1%	9.1%	9.1%				
Accrued Expenses % of revenue				10.0%	10.0%	10.0%	10.0%	10.0%				
Capital Expenditures Growth (%)				(6.0%)	4.0%	(12.0%)	7.0%	(23.0%)				





### Exhibit 6 – Upside Exit Multiple

Exhibit 6: Upside Exit Multiple and Enterprise Value to Equity Value

Exit Multiple									
EV/EBITDA valuation method:									
EV/EBITDA	7.60								
WACC	7.2%								
Terminal Value	89,057.97								
Present Value of Terminal Value	\$62 <i>,</i> 991.4								

Enterprise Value to Equity Value	
Enterprise Value	\$101,130.4
Less: Net debt	25,640.0
Equity Value	\$75 <i>,</i> 490.4
Diluted Shares Outstanding	647.0
Equity Value Per Share	\$116.68





## Exhibit 7 – Comparative Net Income

#### How The Four Biggest **U.S. Airlines Compare** Selected economical indicators of American, Delta, Southwest and United in H1 2024 Passenger revenue (in million U.S. dollars) Net income (in million U.S. dollars) 24,993 24,972 24,661 12,424 1,342 1,199 405 137 American Airlines **DELTA** Southwest' UNITED • Revenue passenger miles (in billions) Fuel consumption (in billion gallons) 123 119 71 125 2.2 1.1 2.2 2.0 Source: Company statements

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#### Exhibit 8 - StDev and Sharpe Calculations

AZEK E	CL	NON	WDFC	WING	BSET N	MSGS	РВРВ С	GME I	WGL	TREX M	EI	снуу	BECN	AZEK	ECL	ONON	WDFC	WING	BSET	MSGS	PBPB	GME	NWGL	TREX	MEI	снуу	BECN
42.55	253.49	50.65	266.59	360.38	13.95	220.01	7.78	20.57	1.49	64.32	9.19	26.95	93.36	-3.6460%	-3.0957%	4.6887%	6.2612%	-2.8207%	-2.6876%	0.7207%	-8.4974%	-3.1110%	-2.6492%	-0.4653%	-16.5127%	-7.5035%	-2.4128%
44.13	261.46	48.33	250.41	370.69	14.33	218.43	8.47	21.22	1.53	64.62	10.84	29.05	95.64	-0.8574%	2.8947%	-3.3971%	-3.6505%	-8.5603%	2.6876%	0.9845%	3.4838%	1.8550%	1.9803%	0.2014%	0.0923%	-0.1720%	4.0434%
44.51	254	50	259.72	403.82	13.95	216.29	8.18	20.83	1.5	64.49	10.83	29.1	91.85	1.6308%	1.1802%	-3.3628%	1.4583%	-2.7285%	-3.7289%	-0.4383%	-0.1222%	-2.6997%	-7.0769%	-2.6925%	-1.0106%	0.2753%	3.4333%
43.79	251.02	51.71	255.96	414.99	14.48	217.24	8.19	21.4	1.61	66.25	10.94	29.02	88.75	-6.5836%	-1.4122%	1.1280%	-0.2848%	0.8591%	-2.8593%	4.3224%	-2.5318%	-4.9235%	3.7979%	-2.4453%	-7.7367%	-3.1878%	1.1674%
46.77	254.59	51.13	256.69	411.44	14.9	208.05	8.4	22.48	1.55	67.89	11.82	29.96	87.72	0.5575%	1.4720%	2.3349%	0.6370%	-2.0353%	-0.6689%	0.4963%	2.1661%	2.8425%	5.9818%	-1.8389%	2.5708%	0.7034%	2.1665%
46.51	250.87	49.95	255.06	419.9	15	207.02	8.22	21.85	1.46	69.15	11.52	29.75	85.84	5.5932%	0.3554%	2.6782%	-0.5903%	6.1612%	8.3382%	1.0879%	4.7331%	5.6486%	0.0000%	4.5109%	9.8440%	-7.2282%	2.7878%
43.98	249.98	48.63	256.57	394.81	13.8	204.78	7.84	20.65	1.46	66.1	10.44	31.98	83.48	6.7727%	2.2166%	9.0101%	-1.5355%	8.5628%	0.0725%	1.2036%	3.7691%	-14.7000%	-2.6362%	6.8237%	8.1800%	19.9733%	2.3023%
41.1	244.5	44.44	260.54	362.41	13.79	202.33	7.55	23.92	1.499	61.74	9.62	26.19	81.58	-3.6550%	-3.2631%	-5.5582%	-0.5474%	-6.3346%	-2.6477%	-3.2673%	-5.5391%	2.1125%	-4.6277%	-3.1880%	-6.7328%	-8.6279%	-10.4870%
42.63	252.61	46.98	261.97	386.11	14.16	209.05	7.98	23.42	1.57	63.74	10.29	28.55	90.6	-2.7304%	2.3795%	5.2661%	4.0548%	-4.5020%	6.7179%	0.0861%	-1.2453%	5.3048%	-2.5159%	-5.7760%	-2.0203%	6.6993%	0.0000%
43.81	246.67	44.57	251.56	403.89	13.24	208.87	8.08	22.21	1.61	67.53	10.5	26.7	90.6	6.5315%	2.6913%	4.6616%	-0.8747%	3.9648%	5.7514%	3.8009%	2.5064%	-0.8518%	5.0966%	6.3108%	-0.9479%	-1.4870%	5.0132%
41.04	240.12	42.54	253.77	388.19	12.5	201.08	7.88	22.4	1.53	63.4	10.6	27.1	86.17	4.9448%	1.1392%	5.5832%	1.5327%	4.4700%	1.5317%	2.4415%	8.8859%	2.1205%	-12.7467%	4.3520%	5.9269%	12.9428%	0.2789%
39.06	237.4	40.23	249.91	371.22	12.31	196.23	7.21	21.93	1.738	60.7	9.99	23.81	85.93	-7.6610%	0.3080%	3.9549%	-2.0594%	2.3908%	-3.0402%	0.5058%	6.5926%	4.0005%	-1.9938%	-24.1233%	-11.6113%	6.5071%	0.6187%
42.17	236.67	38.67	255.11	362.45	12.69	195.24	6.75	21.07	1.773	77.26	11.22	22.31	85.4	-7.0494%	-3.3325%	-3.9300%	-4.2253%	-1.0047%	-4.2428%	-1.9377%	-6.7312%	-13.5606%	-19.2795%	-6.5622%	-12.4691%	-11.5440%	-16.9357%
45.25	244.69	40.22	266.12	366.11	13.24	199.06	7.22	24.13	2.15	82.5	12.71	25.04	101.16	2.3478%	0.8496%	0.3986%	6.4128%	-0.7998%	-2.7562%	1.1317%	-4.9977%	-3.4219%	-14.2791%	1.6499%	-4.2363%	-1.8596%	4.3643%
44.2	242.62	40.06	249.59	369.05	13.61	196.82	7.59	24.97	2.48	81.15	13.26	25.51	96.84	1.2292%	-1.2086%	6.5771%	4.6541%	-2.3089%	-4.5952%	-0.4663%	-0.6566%	-4.2343%	-26.4224%	-0.4917%	-1.7197%	-3.9206%	-0.2578%
43.66	245.57	37.51	238.24	377.67	14.25	197.74	7.64	26.05	3.23	81.55	13.49	26.53	97.09	6.5791%	3.2783%	0.8568%			6.2996%					13.8114%	36.6572%	6.0201%	
40.88	237.65	37.19	212.56	418.43	13.38	194.74	7.43	24.18	1.99	71.03	9.35	24.98	88.42	-3.0119%	0.0800%	-4.2380%			-4.4582%					-4.2583%	-7.9137%	-8.6611%	
42.13	237.46	38.8	218.15	422.37	13.99	188.13	8.03	24.69	1.69	74.12	10.12	27.24	90.5	-5.4729%	-2.2527%	-2.3435%			1.1503%				-4.0585%	-5.1152%	1.2929%	6.7185%	
44.5	242.87	39.72	220.09	414.47	13.83	188.5	7.24	23.93	1.76	78.01	9.99	25.47	93.97	-5.5934%	1.6272%	-5.5815%			1.6035%	3.4432%				-7.9678%	7.2646%	14.0115%	
47.06	238.95	42	220.31	398.51	13.61	182.12	7.48	28.7	1.99	84.48	9.29	22.14	96.41	5.7734%	0.3606%	-0.8299%			-2.3958%	-2.9913%			-2.4815%	5.2865%	-17.4396%	-2.7179%	
44.42	238.09	42.35	222.86	383.52	13.94	187.65	7.96	28.22	2.04	80.13	11.06	22.75	96.41	-7.6678%	2.9668%	-0.4476%			-5.8513%					-7.6263%	-3.9881%	7.0092%	
47.96	231.13	42.54	223.16	368.39	14.78	184.65	8.95	23.14	2.26	86.48	11.51	21.21	97.06	1.1956%	-0.9045%	5.5832%			5.9230%		3.4094%		-9.6918%	-2.0827%	0.2610%	24.6879%	
47.39	233.23	40.23	229.41	383.62	13.93	184.3	8.65	19	2.49	88.3	11.48	16.57	97.22	1.6167%	0.2748%	5.3874%			2.3240%				-3.1623%	0.7388%	-5.0117%	3.2508%	
46.63	232.59	38.12	237.05		13.61	189.83	8.73	22.21	2.57	87.65	12.07	16.04		1.1431%	0.0602%	22.6296%			-2.3240%				-9.9898%	0.3085%	12.7984%	3.8124%	
46.1	232.45	30.4	230.51	389.53	13.93	189.03	8.81	17.46	2.84	87.38	10.62	15.44	92.95	-0.9069%	2.6107%	-9.0213%			1.6649%	2.3444%	-11.6647%		-5.3140%	-5.1631%	-12.7155%	-2.9986%	
46.52	226.46	33.27	228.44	388.06	13.7	184.65	9.9	16.47	2.995	92.01	12.06	15.91	95.89	0.8419%	2.8532%	1.4532%			7.1865%		-7.1145%		-52.1453%	1.6216%	1.0000%	0.4409%	
46.13	220.09	32.79	223.99		12.75	186.78	10.63	11.9	5.045	90.53	11.94	15.84		3.1043%	1.3402%	3.7600%			0.0785%				-108.3634%	3.4614%	4.8916%	-1.9382%	
44.72	217.16	31.58	227.42	346.93	12.74	179.89	10.44	10.42	14.91	87.45	11.37	16.15	94.56	-5.5878%	-1.6034%	-4.0036%			-4.7519%				0.8081%	-4.9851% -4.6861%	-6.2227% 3.9617%	-8.8249% 3.4019%	-2.6919% -4.9310%
47.29	220.67	32.87	233.79		13.36	181.87	10.47	10.77	14.79	91.92	12.1	17.64	97.14	-5.0913%					-3.0953%								
49.76	226.7	31.98	248.39	349.99	13.78	184.04	10.75	11.25	14.9	96.33	11.63	17.05	102.05	-0.9202% 1.4845%	-1.3756% 0.9618%	-10.1036%	-0.8978%		-4.0532% -0.1393%		-11.9126% -2.2051%		1.2154%	-3.4887% 0.1706%	-1.1966% 1.1966%	6.9202% -4.3659%	4.0291%
50.22	229.84	35.38	250.63	365.94	14.35	184.52	12.11	12.52	14.72	99.75	11.77	15.91	98.02		1.1265%	4.3575%	2.0891%		-0.1393%		7.8093%		14.0905%	5.3420%	-3.9617%	-4.5289%	7.3672%
49.48	227.64	34.71	252.49		14.37	182.27	12.38	13.1	14	99.58	11.63	16.62		4.0207%	1.4364%	0.4222%	-1.1740%		-5.8136%		-11.5354%		7.8317%	-0.5283%	-3.9617%	-4.5289%	1.7916%
47.53	225.09	33.23	247.27	-	14.2	182.54	11.45	14.24	12.16	94.4	12.1	17.39		-2.8416%	-0.9107%	-4.6067%	-5.9206%	-3.4137%	-1.1889%	-1.9062%	-9.4248%			0.3061%	-42,5306%	-1.8472%	
48.9	221.88	33.09	250.19		15.05	185.5	12.85	14.65	11.244	94.9	13.64	17.7		4.2995%	1.4168%	7.3331%	0.4834%		-0.8500%		5.1592%		6.6306%	0.8492%	1.8376%	11.3839%	
48.95	223.91	34.65	265.45		15.23	189.07	14.12	14.95	16.99	94.61	20.87	18.03		4.1364%	3.1801%	1.4389%	2.0692%		4.5281%		6.8673%			3.1952%	-3.3592%	-4.3181%	
46.89	220.76	32.2	264.17	338.2	15.36	191.36	13.41	13.51	15.9	93.81	20.49	16.09		-0.5762%	6.0578%	7.3187%			0.6835%		0.8825%		30.8833%	-0.2967%	4.1432%	-3.5091%	
44.99	213.85	31.74	258.76		14.68	189.34	12.52	14.12	13.06	90.86	21.19	16.8		10.7204%	1.6834%	6.2958%	1.2883%		-3.7029%		-6.1714%		8.5969%	5.1334%	0.0492%	-2.4412%	
45.25	201.28	29.5	266.4		14.58	190.94	12.41	14.66	9.59	91.13	20.33	17.4		7.4278%	0.4253%	5.3766%			-2.7381%				2.4153%	6.3669%	-1.1742%	-8.3359%	
40.65	197.92	27.7	262.99		15.13	184.6	13.2	14.73	8.8	86.57	20.32	17.83		0.8248%	-0.6927%	-6.3109%	-1.7041%		2.6060%		-1.3245%		-1.1574%	-1.3086%	1.9647%	0.1549%	
37.74	197.08	26.25	256.01		15.55	186.65	12.75	14.49	8.59	81.23	20.56	19.38		0.4552%	0.4748%	-0.2144%	-3.3272%		-1.3115%		2.2702%		3.2751%	0.4628%	2.5114%	1.0912%	
37.43	198.45	27.96	260.41		15.15	189.94	12.92	14.51	8.69	82.3	20.16	19.35		3.1074%	1.8601%	5.3136%	16.0585%		4.0551%		15.3755%		1.3166%	5.7144%	-2.3625%	-6.5224%	
37.26	197.51	28.02	269.22		15.35	178.54	12.63	14.75	8.41	81.92	19.66	19.14		-5.7297%	-1.5711%	-1.4942%	-2.7955%		-7.8894%		3.8593%		3.6814%	-6.7708%	-8.0157%	-14.5513%	
36.12	193.87	26.57	229.28		14.74	177.54	10.83	15.96	8.3	77.37	20.13	20.43		-0.3393%	0.6572%	-3.8550%	-0.3599%		0.1883%	1.6133%	-1.6183%		0.0000%	-0.6381%	0.9212%	-3.3704%	
38.25	196.94	26.97	235.78		15.95	181.83	10.42	17.53	8	82.79	21.81	23.63		0.6011%	0.4251%	-9.6833%	1.9545%		7.3625%		12.0265%	-1.6945%	9.7062%	3.7916%	1.0700%	14.9796%	4.8423%
38.38	195.65	28.03	236.63		15.92	178.92	10.59	16.97	8	83.32	21.61	24.44	88.43	9.5074%	2.4000%	7.5654%	-1.7938%		-14.4542%				-12.6621%	9.4862%	3.4741%	8.4250%	
38.15	194.82	30.88	232.05		14.79	173.18	9.39	17.26	7.26	80.22	21.38	21.04		-1.6581%		-5.5372%							-14.2291%		-12.5021%		
34.69	190.2	28.63	236.25		17.09	170.82	9.27	15.55	8.24	72.96	20.65	19.34	80.5														
35.27	190.48	30.26	237.52	242.24	16.23	171.27	9.45	15.3	9.5	72.07	23.4	18.32	82.9														





### Exhibit 8.2 - StDev and Sharpe Calculations

	AZEK	ECL	ONON	WDFC	WING	BSET	MSGS	PBPB	GME	NWGL	TREX	MEI	CHWY	BECN
StDev	4.6228%	1.9569%	5.9164%	3.9764%	4.5414%	4.5541%	2.1007%	6.4153%	9.8772%	22.0709%	5.8879%	10.6119%	8.1265%	4.3698%
Weight	10.38%	7.41%	9.45%	7.14%	6.73%	6.43%	8.04%	4.59%	12.05%	0.65%	4.49%	5.21%	11.31%	6.14%
WeightedSt	5.87%													

	AZEK	ECL	ONON	WDFC	WING	BSET	MSGS	PBPB	GME	NWGL	TREX	MEI	CHWY	BECN
Return	18.7647%	28.5777%	51.5113%	11.5460%	39.7230%	-15.1382%	25.0432%	-19.4458%	29.5981%	-185.252%	-11.3767%	-93.4620%	38.5990%	11.8828%
Weight WeightedReturn	10.3600% 14.6521%	7.4100%	9.4500%	7.1400%	6.7300%	6.4300%	8.0400%	4.5900%	12.0500%	0.6500%	4.4900%	5.2100%	11.3100%	6.1400%
Sharpe	1.81													





### Exhibit 8.3 - StDev and Sharpe Calculations

BIL \$	Return	BIL\$	Return
91.75	0.09%	89.62	0.51%
91.67	0.08%	89.16	-0.30%
91.6	0.50%	89.43	0.09%
91.14	-0.32%	89.35	0.10%
91.43	0.08%	89.26	0.53%
91.36	0.12%	88.79	-0.33%
91.25	0.53%	89.08	0.10%
90.77	-0.31%	88.99	0.09%
91.05	0.09%	88.91	0.11%
90.97	0.09%	88.81	0.47%
90.89	0.12%	88.39	-0.28%
90.78	0.52%	88.64	0.08%
90.31	-0.33%	88.57	0.12%
90.61	0.11%	88.46	0.53%
90.51	0.10%	87.99	-0.34%
90.42	0.53%	88.29	0.10%
89.94	-0.32%	88.2	0.08%
90.23	0.09%	88.13	0.12%
90.15	0.09%	88.02	0.09%
90.07	0.56%	87.94	0.55%
89.57	-0.33%	87.46	-0.35%
89.87	0.06%	87.77	0.11%
89.82	0.13%	87.67	0.55%
89.7	0.09%	87.19	
0.28%	StDev		
5.10% <i>3.7</i> 3	Total Return <i>Sharp</i> e		·



