



## Delta Calls Hot as Airliners Strengthen

**Ticker/Price:** DAL (\$62.80)

### Analysis:

**Delta Airlines (DAL)** buyers early for more than 6,000 August \$62.50 calls up to \$1.03 and now seeing 2,800 December \$65 calls bought for \$2.79 to \$2.80. DAL had buyers in the January 2021 \$65/\$50 bull risk reversal last week while the June 2020 \$55 longer-dated calls bought nearly 4,000X on 5-31. The September \$57.50 and \$60 calls with buyers recently. Shares have traded well recently riding the 8-EMA higher and above the April highs near \$59. The measured move targets \$66/\$67 but big monthly range breakout stretching back to late 2017 targets \$75. The \$41B airline trades 8.23X earnings, 0.90X sales, and 7.5X FCF with a 2.6% yield. DAL is expecting 5.5% and then 7.3% EPS growth with revenues up 3.5% to 4.2%. DAL is coming off a strong quarter and guiding strong to 1.5% to 3.5% unit growth and revenues above expectations. The company sees tailwinds into the 2H and early 2020 from a strong fleet pipeline, premium investments like seating and corporate travel benefits and improvements to their loyalty initiatives. Analysts have an average target for shares of \$68 with 10 buy ratings and 6 hold. Stifel positive on 7-3 noting that DAL is one of the biggest beneficiaries of the Boeing 737 MAX grounding given lack of exposure. The company's strong domestic load factor for the quarter of 89% also benefited MAX fleet is keeping industry capacity growth constrained. Stephens starting at Overweight and a \$70 PT in July. They are positive on DAL's fare momentum, cost controls, and recent extension of their co-branded credit card agreement. Short interest is 1.8% and near two-year lows. Hedge Fund ownership fell 7% in Q1. Lansdowne Partners and PAR Capital two concentrated holders, 22% and 11.5% respectively. Berkshire Hathaway owns 70.9M shares and buying stock on the open market in March at \$50.

### Hawk Vision:



**Hawk's Perspective:** DAL and UAL continue to be leaders and overall liking to recent monthly metrics and earnings from the group, but with Airliners I rarely chase a move to new highs as they are cyclical and offer better opportunities into weakness.

**Confidence Ranking:** \$\$