BERKSHIRE READ · CASE 4 · DAL

Six years after calling airlines “a mistake,” Berkshire bought back in — ~$2.65B into Delta.

First disclosed Q1 2026 13F (filed ~May 2026) · **Filing** passive Schedule 13G · **Target publication** Aug–Sep 2026 · Equity stake (13F position), not an acquisition

> In April 2020 Warren Buffett sold Berkshire’s entire airline book — Delta, United, American, Southwest — at a loss and called it “a mistake.” In Greg Abel’s first quarter as CEO, Berkshire bought back in: a brand-new ~$2.65B, 6.1% stake in Delta, its 14th-largest holding, filed as a passive 13G. The practitioner read: this is not a wide-moat compounder bought cheap — it is a contrarian re-entry into a transformed industry. A consolidated airline sector now throws off real free cash flow, and Delta, its best operator, is deleveraging while it does. The headline that might scare you — a Q1 net loss — is a non-operating accounting artifact. Read the financials, not the headline.

~$2.83B BRK POSITION (≈MID-JUN 2026 MKT VALUE)	**~+$0.18B** GAIN SINCE Q1’26 MARK (~+6.8%)	**~6.1%** STAKE IN DELTA (14TH-LARGEST)
$15,854M Q1’26 REVENUE (+12.9%)	**$501M** Q1’26 OPERATING INCOME	**$(289)M** Q1’26 NET LOSS*
$7.66 FY2025 DILUTED EPS	**~8.7×** P/E (PRICE / FY2025 EPS)	**~$0.675** FY2025 DIVIDENDS / SHARE
~$4.6B FY2025 FREE CASH FLOW (RECORD)	**~$9.1B** NET DEBT (MAR 31 2026)	**~1.1×** NET DEBT / EBITDA
~$55B ENTERPRISE VALUE (MKT CAP + NET DEBT)	**~$8.3B** FY2025 EBITDA	**~6.7×** EV / EBITDA

Position value and gain are versus the disclosed Q1'26 13F mark (cost basis undisclosed); gain reflects DAL's appreciation since, not a cost-basis return. Financials from Delta's Form 10-Q for the quarter ended March 31, 2026, and FY2025 results. Re-verify against the latest 10-Q / 13F before quoting at deadline.

The position

Position summary	Figure	Note
Shares held	39,809,456	New position — first disclosed Q1 2026 13F
Market value (Q1'26)	~$2.65B	Implied ~$66.5 / share
Market value (≈mid-Jun'26)	~$2.83B	39.8M sh × ~$71; DAL mkt cap ~$46.1B
Economic stake	~6.1%	Of ~657M Delta shares outstanding
Rank in BRK portfolio	14th-largest	Meaningful, not a token toe-in
Filing type	Schedule 13G	Passive — financial investment, no control intent

Per-share value is implied (market value ÷ shares); Berkshire does not disclose fill prices, so a true cost-basis return is not computable from public filings. The same Q1 2026 13F that opened the Delta position trimmed or exited Amazon, Visa, Mastercard and UnitedHealth and added to Alphabet. Reconcile share count and value against the latest 13F / Schedule 13G before quoting.

Look-through earnings — what Berkshire's 6.1% really earns

Buffett's preferred lens is *look-through earnings*: Berkshire's proportional share of the profits a business actually earns, whether or not they are paid out as dividends. At a 6.1% economic stake, Berkshire's look-through claim on Delta's FY2025 net income of $5,005M is roughly **$305M** — versus only about $29M in cash dividends the stake actually collects (6.1% of Delta's ~$470M payout). The gap is the point: the great majority of Delta's earnings are retained inside the company — funding debt paydown and the fleet — compounding on Berkshire's behalf rather than being distributed.

What Buffett said when he sold — and what changed

The reason this position is worth a Read is that it reverses one of Buffett's most-confessed mistakes. Between 2016 and 2020 Berkshire put roughly $7–8 billion into the four major U.S. carriers. When the pandemic grounded the industry in April 2020, he sold the entire book at a loss and explained, bluntly, why:

> *"The world has changed for the airlines. … We will not fund a company that — where we think that it is going to chew up money in the future. … It turned out I was wrong."*

> — Warren Buffett, Berkshire Hathaway 2020 Annual Meeting (May 2, 2020). *(Verify exact wording against the transcript before publishing.)*

So the question isn't "is Delta a good business?" It is: what changed that the same firm bought back in? Three things. The industry stayed consolidated and kept its capacity discipline through a once-in-a-century demand shock — and it just got *more* consolidated: in May 2026 Spirit Airlines ceased all operations and liquidated, the first shutdown of a significant U.S. carrier since 2001 (more below). Delta in particular leaned into premium — premium cabins, the American Express co-brand, and loyalty now drive a rising share of revenue, while basic main-cabin fares fell to about 37% of revenue in 2025 from 42% in 2023. And the result is a carrier generating record free cash flow and using it to pay down the debt it took on in 2020. The 2020 sale judged that airlines chew up money. This buy judges that this airline, now, does the opposite.

Spirit's shutdown — the consolidation thesis, proven in real time

The clearest evidence for the "industry changed" thesis arrived weeks before Berkshire's filing surfaced. On **May 2, 2026, Spirit Airlines ceased all operations and began an orderly wind-down** — terminals went dark overnight, ~17,000 direct and indirect jobs were lost, and a once-disruptive ultra-low-cost carrier simply disappeared. Spirit had filed for bankruptcy twice since 2024 and was seeking a ~$500M federal rescue; when the deal fell through, it stopped flying. It was the first shutdown of a significant U.S. airline since Midway folded after September 11, 2001.

For a Berkshire reader this is the thesis in miniature. The pre-2020 industry Buffett fled was a fare war — ultra-low-cost carriers like Spirit forced the majors to chase the bottom, and everybody chewed up money. Spirit's exit removes capacity, hands its slots and gates to survivors, and validates the discipline of the consolidated majors. **The low-cost model is the one that chewed up money; the premium operator is the one generating record free cash flow.** Delta sits at the opposite end of exactly the spectrum that just claimed Spirit.

And Spirit is not the only low-cost carrier under visible strain. JetBlue — the other major U.S. discounter — has now posted six consecutive years of losses, carries roughly $9 billion of debt, and was downgraded to **CCC+** by Fitch Ratings in April 2026; founder David Neeleman publicly described the airline as in "a really tough spot" that could face bankruptcy. We flag this from named, on-the-record sources (Fitch Ratings; Neeleman's own remarks), not rumor. The pattern is structural: the post-2020 industry rewards the premium network operator and concentrates financial distress at the low-fare end of the market — not at Delta's.

Delta by the numbers — read the headline with care

A Berkshire Read should let you see the financials for yourself — and Delta's Q1 is a case study in why the headline number can mislead. Delta reported a net loss of $(289)M. Read alone, that looks alarming for a company Berkshire just bought. It is misleading: the loss is created entirely below the operating line by a $(550)M mark-to-market loss on equity investments. Operating income was positive at $501M, on revenue up +12.9%. This is the mirror image of our Alphabet case, where a ~$36.8B unrealized gain inflated the headline. Same discipline, opposite direction: separate the operating engine from the volatile investment marks. On an adjusted basis — which

strips out that mark-to-market — Delta actually earned **$0.64 per share in Q1’26, up from $0.46 a year earlier**, the very quarter the GAAP headline reports as a $(0.44) loss.

Income statement ($M)	FY2023	FY2024	FY2025	Q1’25	Q1’26
Total operating revenue	$58,048	$61,643	$63,364	$14,040	$15,854
Total operating expense	$52,553	$55,648	$57,542	$13,471	$15,353
Operating income	$5,495	$5,995	$5,822	$569	$501
Operating margin	9.5%	9.7%	9.2%	4.1%	3.2%
Net (loss) / income	$4,609	$3,457	$5,005	$240	$(289)*
Diluted EPS (GAAP)	$7.17	$5.33	$7.66	$0.37	$(0.44)*
Adjusted EPS	$6.25	$6.16	$5.82	$0.46	$0.64

**Read the Q1 2026 net loss with care. The $(289)M loss is driven by a $(550)M non-operating mark-to-market loss on equity investments — an accounting entry, not a cash loss, and not a run-rate. Strip it out and the quarter shows positive operating income of $501M on +12.9% revenue, in Delta’s seasonally weakest quarter. Three years of full-year data show the real engine: ~$5.5–6.0B of annual operating income on a ~9–10% operating margin, and ~$5.8–7.7 of GAAP EPS. It is exactly the kind of line a careful reader normalizes before drawing conclusions.*

The balance sheet — capital intensity, and a float Buffett would recognize

This is where Delta departs hardest from a Berkshire-quality compounder. It is capital-intensive: ~$40.6B of net property and equipment (the fleet) against ~$20.4B of equity and roughly $9.1B of net debt. That balance sheet — one that must constantly be recapitalized — is the exact profile Buffett spent decades avoiding. The bet is that a deleveraging Delta (it paid down $1.6B of debt in the quarter) has tamed the cyclicality that historically made airline balance sheets dangerous.

Balance sheet ($M)	Dec 31 2025	Mar 31 2026	Note
Cash & equivalents	$4,310	$5,053	Liquidity
Property & equipment, net	$39,743	$40,582	The fleet — capital intensity
Total debt & finance leases	$14,112	$14,164	Excludes operating leases
Net debt	$9,802	$9,111	~0.45× equity — deleveraging
Net debt / EBITDA	~1.2×	~1.1×	Low leverage for the sector
Air traffic liability	$7,157	$10,742	+$3.6B float — prepaid summer travel
Stockholders’ equity	$20,853	$20,376	Drawn down by loss + dividends

But here is the feature a Berkshire reader spots instantly. Delta's air traffic liability — cash collected for flights not yet flown — jumped $3.6 billion in a single quarter to $10.7 billion as customers prepaid for summer travel. That is interest-free funding that swells seasonally, structurally similar to the insurance float Buffett built Berkshire on: the customer pays first, the service comes later, and the company holds the money in between. It isn't free capital the way insurance float is — it's owed as a seat, not investable for years — but the dynamic of customer-funded, negative-working-capital growth is one Berkshire understands better than almost any buyer alive.

The demand backdrop behind that swelling float is near record. The TSA screened roughly **906 million travelers in 2025**, an all-time high, and summer 2026 has already produced multiple ~3.0 million single-day screening records, with eight of the ten busiest days in the agency's history falling in June 2026. Delta itself ran an **82% load factor in Q1'26** (84% a year earlier), with the summer months running materially higher — planes are full. Record traffic running into a consolidated industry that holds capacity discipline is precisely what lets fares price rationally: it is the demand side of the same thesis Spirit's exit proved on the supply side.

Fleet age — the capex bill, and the cash-flow cushion, hiding in plain sight

Delta runs roughly **980 mainline aircraft at an average age of ~15.2 years** — level with United's ~15.2 years and older than American's ~14.3 years, among the *oldest* fleets of the U.S. majors. Unusually, Delta *owns* roughly **88% of that fleet outright and leases only ~12%**, so the metal sits on the balance sheet as a paid-for asset rather than a stream of lease obligations. A careful reader reads this two ways. The bear read: an old fleet is a deferred capital bill. Hundreds of aircraft will need replacement over the coming decade, and a new narrowbody runs **$80–120M** (a widebody far more), so the ~$4–5B annual capex line is not optional — it is the price of staying in business. The bull read, and the one that fits the cash-flow story: an old, largely *depreciated* fleet is a paid-for asset still generating revenue. Delta deliberately flies older airframes longer, supported by Delta TechOps (its in-house, third-party-revenue-generating maintenance arm), which keeps capital intensity *below* peers chasing the newest metal. The same fleet age that signals a future bill is what lets Delta convert more of today's revenue into the free cash flow it is using to deleverage. The risk is timing: a fuel spike or downturn that arrives while a heavy re-fleet cycle is underway is exactly the squeeze that made the pre-2020 bet a mistake.

The value of the routes — the moat you can't see on the balance sheet

The most valuable assets Delta owns barely appear in the PP&E line: its **slots, gates and route authorities**. Delta is the dominant carrier at both New York JFK and LaGuardia — roughly **465 peak daily departures across the two airports**, with 220+ at LaGuardia alone out of a $4B rebuilt terminal — and anchors the world's busiest hub in Atlanta. JFK and LaGuardia are slot-controlled: the number of takeoffs and landings is federally capped, the slots are almost entirely held by incumbents, and a would-be competitor cannot simply buy its way in at any price. Add the transatlantic joint venture and scarce Heathrow slots, and Delta holds a portfolio of government-rationed access rights that compound the physical moat of the fleet. These are the assets that make the consolidated-industry thesis real: capacity discipline holds because the gates and slots to add capacity are not available. It is the cleanest piece of the "why buy now" case — and it leads straight to the replacement-cost test.

The replacement-cost test — atoms, not bytes

Our Alphabet case turned on *bytes*: a capital-light toll booth whose moat is code, data and distribution, reproduced at near-zero marginal cost. Delta is the opposite case — a moat made of *atoms*, and that is precisely why the 2020 sale underrated it. Ask the same question we put to Cleveland-Cliffs in our **CLF case**: what would it cost to **build a second Delta from scratch?**

- **The metal.** ~980 aircraft. At $80–120M per narrowbody and up to ~$320M for a large widebody, the fleet alone is an **$80–120B+** replacement bill — roughly double Delta's ~$46B market cap, before a single gate or route.
- **The access.** The slots at JFK, LaGuardia, Reagan National and Heathrow, the gate leases, the Atlanta hub — federally rationed and incumbent-held. These are *not for sale at any price*; a new entrant literally cannot acquire them.
- **The permission.** Some 14 separate certifications, taking years, before a new carrier can fly — a regulatory moat independent of capital.
- **The franchise.** A loyalty program and the American Express co-brand that together monetize the customer relationship; a brand built over decades; an in-house maintenance base. None can be stood up quickly.
- **The workforce.** An assembled, trained workforce of roughly 100,000 — pilots, mechanics and crews — whose hiring, training and certification take years, plus the labor contracts and seniority structures attached to it (Delta's pilots are represented by ALPA). In an acquisition this is booked as an "assembled workforce" intangible; from scratch it cannot be hired overnight at any price.

Put together, the replacement cost of Delta's atoms-and-permissions stack runs to a large multiple of its market value — and the slots-and-certifications layer cannot be replicated at *any* price. Spirit's shutdown is the live demonstration: even a funded, scaled low-cost carrier could not make the economics work and exited, while its slots reverted to the incumbents. That is the moat the 2020 sale missed. It is not the capital-light, infinite-margin moat of Alphabet — it is a heavy, physical, regulation-protected moat, and in a consolidated industry that finally prices capacity rationally, a heavy moat that throws off cash is exactly the kind of asset Berkshire spent its career buying.

The cash engine — the actual case for the stake

Strip out the headline loss and the story is cash. Even in its weakest quarter, with the markdown, Delta generated $2.4 billion of operating cash flow and roughly $1.2 billion of free cash flow after capex, and steered it to deleveraging and a modest dividend (no buyback). For the full year 2025 Delta produced record free cash flow of ~$4.6 billion on a double-digit operating margin and about $6 of adjusted EPS. That is the engine Berkshire bought: not a high-return compounder, but a cyclical that has become reliably free-cash-flow generative and is repairing its balance sheet.

Cash flow ($M)	FY2023	FY2024	FY2025	Q1'25	Q1'26

Operating cash flow	$6,464	$8,025	$8,342	$2,378	$2,432
Gross capex	$(5,318)	$(5,140)	$(4,499)	$(1,224)	$(1,200)
Free cash flow (OCF – capex)	$1,146	$2,885	$3,843	$1,154	$1,232
Debt & finance-lease paydown	$(4,100)	$(4,000)	$(4,800)	$(531)	$(1,564)
Dividends paid	$(166)	$(385)	$(470)	$(99)	$(129)
Share repurchases	—	—	—	—	—

Free cash flow here is operating cash flow less gross capex. Delta's own reported "free cash flow" (~$4.6B FY2025, a record) is an adjusted measure that nets capex against certain financing/flight-equipment items; both are shown across the piece. FY figures are from Delta's FY2023–2025 results; quarterly figures from the Q1 2026 Form 10-Q. Confirm against the 10-K before publishing.

A note on cash taxes — a tailwind that is fading

Part of Delta's recent cash-flow strength came from a tax shield few headlines mention: the large net operating losses (NOLs) generated when the 2020–21 pandemic grounded the airline. Those carryforwards let Delta report GAAP tax expense while paying little or no cash federal income tax, widening the gap between book earnings and cash actually generated. A careful reader should not extrapolate it. Delta consumed substantially all of its remaining federal NOLs during 2025 and has begun paying cash federal tax again, so cash taxes will move back toward the book rate over the next few years. The shield that flattered recent free cash flow is largely spent — a modest, knowable headwind to the forward FCF run-rate, and a reason not to straight-line the last two years.

Nine quarters of cash flow — the deleveraging story, quarter by quarter

The clearest way to see the engine Berkshire bought is nine quarters of cash flow side by side — the same lens we used on Alphabet, and it tells the mirror-image story. Where Alphabet's table showed capex rising into an AI build with buybacks paused, Delta's shows free cash flow steered, quarter after quarter, almost entirely into **paying down debt** — no buybacks at all through the period, only a small and growing dividend.

Quarter	Operating CF	Capex	Free CF	Debt paydown	Dividends
Q1 2024	$2,200	$(1,300)	$900	$(1,000)	$(64)
Q2 2024	$2,400	$(1,300)	$1,100	$(1,000)	$(97)
Q3 2024	$1,900	$(1,300)	$600	$(1,000)	$(97)
Q4 2024	$1,525	$(1,240)	$285	$(1,000)	$(127)
Q1 2025	$2,378	$(1,224)	$1,154	$(531)	$(99)
Q2 2025	$2,500	$(1,100)	$1,400	$(1,400)	$(123)
Q3 2025	$1,900	$(1,100)	$800	$(1,400)	$(123)

Q4 2025	$1,564	$(1,075)	$489	$(1,469)	$(125)
Q1 2026	$2,432	$(1,200)	$1,232	$(1,564)	$(129)
9-quarter total	**$18,799**	**$(10,839)**	**$7,960**	**$(10,364)**	**$(984)**

$M. Free cash flow = operating cash flow less gross capex. Share repurchases were zero across all nine quarters. Q1'25 and Q1'26 are reported (10-Q); intermediate quarters are Institute estimates calibrated to audited FY totals (the four 2025 quarters tie to ~$8.3B operating cash and ~$4.5B gross capex). Delta authorized a new $1B buyback in June 2026 (undeployed at quarter-end). Reconcile each quarter to its 10-Q/10-K before publishing.

The fuel reminder — the cyclical risk, live in 2026

A clean illustration of the cost Delta does *not* control played out this year. The early-2026 Israel–Iran war sent crude and jet fuel sharply higher: the Argus U.S. Jet Fuel Index jumped from about $2.17 to $4.57 per gallon, with crude-equivalent jet fuel spiking from roughly $85–90 to as much as $150–200 per barrel at the peak. Delta CEO Ed Bastian said the spike added as much as **$400 million of cost in March alone**. Prices have since eased as the conflict de-escalated and shipping through the Strait of Hormuz normalized, but the episode is the cyclicality bear case in miniature: fuel is the single largest variable cost, it cannot be hedged away entirely, and a war or shock can swing a quarter's economics overnight — most dangerous if it lands mid re-fleet, the exact squeeze that made the pre-2020 airline bet a mistake.

Valuation in context — how Delta compares to the other airlines

The practitioner's question is not just "is Delta cheap?" but "cheap or dear *relative to the carriers it competes with*?" On the screen, Delta and United — the two premium-leaning network majors — trade at single-digit P/Es and the lowest EV/EBITDA multiples in the group, while the weaker carriers carry optically *high* P/Es precisely because their earnings are depressed. The headline cheapness is real, but read it through the right lens.

Carrier	Market cap	Net debt	EV	EBITDA (FY25e)	EV/EBITDA	P/E
Delta (DAL)	**~$46.1B**	**~$9.1B**	**~$55.2B**	**~$8.3B**	**~6.7×**	**~8.7×**
United (UAL)	~$38.7B	~$17.0B	~$55.7B	~$9.4B	~5.9×	~9.1×
American (AAL)	~$9.2B	~$26.0B	~$35.2B	~$5.2B	~6.8×	~76.0×
Southwest (LUV)	~$22.2B	~$(3.5)B	~$18.7B	~$2.0B	~9.4×	~45.1×
Alaska (ALK)	~$5.5B	~$2.0B	~$6.3×*	~$1.2B	~6.3×	~93.8×

*Approximate June 2026 market data; Delta row highlighted. EV = market cap + net debt; EV/EBITDA computed on those figures (third-party screens that lease-adjust EV will show higher multiples, lifting Delta toward ~7.8×). The very high P/Es at American, Southwest and Alaska reflect depressed earnings, not premium quality — the low-debt screen flatters Southwest's EV but its thin EBITDA inflates the multiple. The honest read: Delta and United are the cheap, cash-generative premium operators; the EBITDA lens compresses the apparent gap, and Delta sits at the low end on the metric Berkshire cares about — cash against enterprise value. See the companion model's "Valuation vs Airlines" tab. *Alaska EV ~$7.5B.*

The bear case — why this is graded differently

Risks a careful reader must underwrite

- **Capital intensity is structural.** The fleet must be perpetually recapitalized; free cash flow is real but earned against ~$40B of PP&E and ~$9B of net debt, with an old (~15-yr) fleet that means the capex bill is coming, not avoidable. This is not a capital-light toll booth.
- **Cyclicality and shocks.** The 2020 exit judged that airlines chew up money in a downturn. A recession, fuel spike or demand shock hits an indebted, fixed-cost business hard — the exact scenario that made the first airline bet a mistake, and most dangerous if it lands mid re-fleet.
- **Thin margins.** A 3–4% Q1 operating margin leaves little cushion; the premium and loyalty thesis has to keep delivering for the cash story to hold.
- **The markdown is a reminder.** The $(550)M investment loss shows Delta itself holds volatile equity stakes in other carriers — even "the good operator" carries industry exposure on its own balance sheet.

The Berkshire read

Put the pieces together and the logic is coherent, even elegant. Berkshire is a scale buyer that can absorb cyclicality, has a near-religious appreciation for customer float, and spent six years openly regretting how it handled airlines. Delta is the best operator in a consolidated industry that — unlike the pre-2020 era — now generates record free cash flow, carries an insurance-float-like prepaid-travel balance, and is deleveraging. Its moat is made of atoms and permissions a competitor cannot rebuild at any price, and Spirit's 2026 shutdown is the proof the low-cost challenge has broken against that moat. The stake is small against Berkshire's ~$10.4B of quarterly operating cash and ~$397B cash pile: a 14th-largest position that cost roughly a quarter of one quarter's operating cash. And the Q1 net loss that might scare a casual reader is, on inspection, a non-operating mark-to-market artifact over a positive operating quarter.

WHAT TO WATCH

Does the premium pivot hold through a downturn?

The variable that decides whether this Read ages well is whether Delta's premium-and-loyalty mix keeps the cash flowing when the cycle turns. Record FCF and deleveraging in a good economy is the easy part; the 2020 thesis was about the bad economy. If premium revenue and the Amex co-brand prove durable through a slowdown, this looks like a disciplined re-entry at a sensible price. If a shock still grounds the cash flow, it looks like 2016–2020 again. Berkshire, on the evidence, is betting the industry — and this operator — really did change.

Sources & verification notes

Position sizing from Berkshire Hathaway's Q1 2026 Form 13F and Schedule 13G (filed ~May 2026). Financials from Delta Air Lines' Form 10-Q for the quarter ended March 31, 2026 (SEC accession 0000027904-26-000022): Statements of Operations, Balance Sheets, and Cash Flows; and Delta's FY2023–FY2025 results. Spirit Airlines' cessation of operations: company and news reporting, May 2, 2026. Fleet size/age and route/slot figures from Delta fleet data and airport authority disclosures (~980 mainline aircraft, ~15-yr average age; NYC slot/gate position). Comparable-airline market data approximate, June 2026 — verify against live quotes. The 2020 exit and Buffett quotation: Berkshire Hathaway 2020 Annual Meeting (May 2, 2020). Before publication, re-verify against primary sources: exact 13F share count and value, the 2020 transcript wording, Delta's FY2025 10-K figures, and each quarter in the nine-quarter table. Educational analysis, not investment advice.

THE BARATELLI INSTITUTE · BERKSHIRE READ · INVESTMENT COMMITTEE MEMORANDUM

Delta Air Lines, Inc. (NYSE: DAL) Analysis of Berkshire Hathaway's Position

TO: Investment Committee · **FROM:** Phil Baratelli, The Baratelli Institute · **DATE:** June 2026
RE: Why Berkshire re-entered the airlines — through Delta · **CLASSIFICATION:** Educational analysis — not investment advice

ANALYTICAL VERDICT

A contrarian re-entry into a transformed industry — defensible, but graded on a different curve than a wide-moat compounder.

This is the most surprising position in the portfolio: six years after Buffett dumped Berkshire's entire airline book and called it "a mistake," Berkshire bought back in — through Delta, the industry's best-run operator. The case is not "capital-light compounder." It is that a consolidated, premium-shifting industry now throws off real free cash flow (Delta: ~$4.6B in FY2025), and that the best operator is deleveraging into it. The Committee finds the position rational — provided it is underwritten as a cyclical cash generator with ~$9.1B of net debt, not as a See's Candies.

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~$55B ENTERPRISE VALUE	**~$8.3B** FY2025 EBITDA	**~6.7×** EV / EBITDA

1. The position

Berkshire disclosed a brand-new Delta stake in its Q1 2026 13F (filed May 2026) — 39,809,456 shares, roughly $2.65 billion of market value at quarter-end, about a 6.1% economic stake in Delta and Berkshire's 14th-largest equity holding. The position was filed as a passive Schedule 13G, signalling a financial investment rather than an attempt to influence the company. It is also Greg Abel's first quarter as CEO — the same 13F that trimmed or exited Amazon, Visa, Mastercard and UnitedHealth and added to Alphabet. This is an equity position, not an acquisition, so the analysis below reads Delta's public filings (the Q1 2026 Form 10-Q) rather than deal terms.

Position summary	Figure	Note
Shares held	39,809,456	New position — first disclosed Q1 2026 13F
Market value (Q1'26)	~$2.65B	Implied ~$66.5 / share
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Economic stake	~6.1%	Of ~657M Delta shares outstanding
Rank in BRK portfolio	14th-largest	A meaningful, not token, position
Filing type	Schedule 13G	Passive — no control intent

Per-share value is implied (market value ÷ shares); Berkshire does not disclose fill prices, so the gain shown is appreciation since the disclosed Q1'26 mark, not a cost-basis return. Reconcile the market value and share count against the most recent 13F / Schedule 13G before publishing.

Look-through earnings — what the 6.1% really earns

Applying Buffett's preferred lens — *look-through earnings*, Berkshire's proportional share of the profits a business earns whether or not they are distributed — the 6.1% stake represents a claim on roughly **$305M** of Delta's FY2025 net income of $5,005M. Against that, the cash dividend Berkshire actually receives is only about $29M (6.1% of Delta's ~$470M payout, ~$0.675 per share). The Committee should weigh the position on the $305M of underlying earnings, not the $29M of cash yield: the difference is retained inside Delta, funding debt paydown and the fleet rather than being paid out.

2. The precedent — a mistake, finally reversed

The reason this position matters is that it reverses one of Buffett's most-confessed errors. Between 2016 and 2020 Berkshire built large stakes in all four major U.S. carriers — Delta, United, American and Southwest — investing roughly $7–8 billion. In April 2020, as the pandemic grounded the industry, Buffett sold the entire airline book at a loss and was unusually blunt about why:

> *"We took money out of the business basically even at a substantial loss. We will not fund a company … where we think that it is going to chew up money in the future. … The world has*

> *changed for the airlines. And I don't know how it's changed and I hope it corrects itself in a reasonably prompt way. … It turned out I was wrong."*
>
> — Warren Buffett, Berkshire Hathaway 2020 Annual Meeting (May 2, 2020)

So the analytical question is not merely "is Delta a good business?" It is: what changed such that the same firm that swore off airlines bought back in? Three things, in the Committee's read: the industry consolidated and held its discipline through a demand shock; Delta in particular pivoted toward premium cabins and high-margin ancillary revenue (the American Express co-brand, loyalty, premium seating); and the result is a carrier now generating record free cash flow and using it to pay down the debt taken on in 2020. The 2020 sale was a judgment that airlines "chew up money." This buy is a judgment that this airline, now, does the opposite.

Spirit's shutdown — the consolidation thesis, proven in real time

The thesis was stress-tested live just before Berkshire's filing surfaced. On **May 2, 2026, Spirit Airlines ceased all operations and began an orderly wind-down** — terminals dark overnight, ~17,000 direct and indirect jobs lost — after two bankruptcies since 2024 and a failed ~$500M federal rescue. It was the first shutdown of a significant U.S. carrier since Midway folded after September 11, 2001. For the Committee this is the consolidation case in miniature: the ultra-low-cost model that once dragged the whole industry into fare wars could not make the economics work and exited, handing its slots and gates to the survivors. **The low-cost model chewed up money; the premium operator generates record free cash flow.** Delta sits at the opposite end of exactly the spectrum that just claimed Spirit — precisely the structural shift that distinguishes this re-entry from the 2016–2020 bet.

3. Financial condition — read the headline with care

One analytical point in this memo mirrors the lesson from the Alphabet case — in reverse. In Q1 2026 Delta reported a net loss of $(289) million. Read alone, that headline looks alarming for a company Berkshire just bought. It is misleading. The loss is created entirely below the operating line by a $(550) million mark-to-market loss on equity investments (chiefly Delta's stakes in other carriers and travel businesses). Operating income was positive at $501 million, on revenue up +12.9%. Where Alphabet's Q1 headline was inflated by a ~$36.8B unrealized gain, Delta's is depressed by a $550M unrealized loss. In both cases the discipline is the same: separate the operating engine from the volatile investment marks. The three-year columns below show the real engine — ~$5.5–6.0B of annual operating income on a ~9–10% operating margin.

Income statement ($M)	FY2023	FY2024	FY2025	Q1'25	Q1'26
Total operating revenue	$58,048	$61,643	$63,364	$14,040	$15,854
Total operating expense	$52,553	$55,648	$57,542	$13,471	$15,353
Operating income	$5,495	$5,995	$5,822	$569	$501
Operating margin	9.5%	9.7%	9.2%	4.1%	3.2%
Net (loss) / income	$4,609	$3,457	$5,005	$240	$(289)*

Diluted EPS (GAAP)	$7.17	$5.33	$7.66	$0.37	$(0.44)*
Adjusted EPS	$6.25	$6.16	$5.82	—	—

**The $(289)M Q1'26 net loss is driven by a $(550)M non-operating mark-to-market loss on equity investments, not by operations. Operating income was positive at $501M, and Q1 is Delta's seasonally weakest quarter. The mark-to-market line is volatile and unrealized — not a cash loss and not a run-rate. FY columns from Delta's FY2023–2025 results; quarters from DAL Form 10-Q, quarter ended March 31, 2026.*

4. Balance sheet, leverage — and the float Buffett would recognize

This is where Delta departs hardest from a Berkshire-quality compounder, and where the Committee must be clear-eyed. Delta is capital-intensive: ~$40.6B of net property and equipment (the fleet), against ~$20.4B of equity and roughly $9.1B of net debt (total debt and finance leases of ~$14.2B less ~$5.1B of cash). That is the exact profile — a balance sheet that must constantly be recapitalized — that Buffett spent decades avoiding. The bet is that a deleveraging Delta (it paid down $1.6B of debt in the quarter) has tamed the cyclicality that historically made airline balance sheets dangerous.

Balance sheet ($M)	Dec 31 2025	Mar 31 2026	Note
Cash & equivalents	$4,310	$5,053	Liquidity
Property & equipment, net	$39,743	$40,582	The fleet — capital intensity
Total debt & finance leases	$14,112	$14,164	Excludes operating leases
Net debt	$9,802	$9,111	~0.45× equity — deleveraging
Net debt / EBITDA	~1.2×	~1.1×	Low leverage for the sector
Air traffic liability	$7,157	$10,742	+$3.6B float — prepaid summer travel
Total stockholders' equity	$20,853	$20,376	Drawn down by loss + dividends

But there is one feature a Berkshire reader will appreciate immediately. Delta's air traffic liability — cash collected for flights not yet flown — jumped $3.6 billion in a single quarter to $10.7 billion as customers prepaid for summer travel. That is interest-free funding that grows seasonally, structurally similar to the insurance float Buffett built Berkshire on: the customer pays first, the service is delivered later, and the company holds the money in between. It is not free capital in the way insurance float is (it is owed as a flight, not investable for years), but the dynamic — negative working capital, customer-funded growth — is one Berkshire understands better than almost any buyer alive.

Fleet age — the deferred capex bill, and the cash cushion

Delta operates roughly **980 mainline aircraft at an average age of ~15 years** — among the oldest fleets of the U.S. majors. The Committee reads this two ways. Bear: an old fleet is a deferred capital bill; hundreds of airframes need replacement over the coming decade at $80–120M per narrowbody (far more per widebody), so the ~$4–5B

annual capex line is not optional. Bull, and consistent with the cash story: an old, largely depreciated fleet is a paid-for asset still generating revenue. Delta deliberately flies airframes longer, supported by Delta TechOps (its in-house, revenue-generating maintenance arm), which holds capital intensity below peers chasing the newest metal — the same fleet age that signals a future bill is what lets Delta convert more of today's revenue into deleveraging cash. The risk is timing: a downturn or fuel spike that lands mid re-fleet is the squeeze that made the pre-2020 bet a mistake.

The value of the routes — the moat off the balance sheet

Delta's most valuable assets barely appear in PP&E: its **slots, gates and route authorities**. Delta is the dominant carrier at both New York JFK and LaGuardia — roughly 465 peak daily departures across the two, 220+ at LaGuardia alone out of a $4B rebuilt terminal — and anchors the world's busiest hub in Atlanta. JFK and LaGuardia are slot-controlled: takeoffs and landings are federally capped, the slots are incumbent-held, and a competitor cannot buy in at any price. Add the transatlantic joint venture and scarce Heathrow slots, and Delta holds a portfolio of government-rationed access rights that compound the physical moat of the fleet. This is what makes capacity discipline durable — the gates and slots to add capacity simply are not available — and it leads directly to the replacement-cost test.

5. The replacement-cost test — atoms, not bytes

The Alphabet case turned on *bytes*: a capital-light toll booth whose moat is code and data, reproduced at near-zero marginal cost. Delta is the opposite — a moat made of *atoms* and permissions — and that is precisely why the 2020 sale underrated it. The Committee applies the same Cliffs-style question used on any industrial: what would it cost to build a second Delta from scratch?

- **The metal.** ~980 aircraft. At $80–120M per narrowbody and up to ~$320M for a large widebody, the fleet alone is an **$80–120B+** replacement bill — roughly double Delta's ~$46B market cap, before a single gate or route.
- **The access.** Slots at JFK, LaGuardia, Reagan National and Heathrow, gate leases, the Atlanta hub — federally rationed and incumbent-held, *not for sale at any price*.
- **The permission.** Some 14 separate certifications, taking years, before a new carrier can fly.
- **The franchise.** A loyalty program and the American Express co-brand, a decades-old brand, and an in-house maintenance base — none stood up quickly.

The replacement cost of Delta's atoms-and-permissions stack runs to a large multiple of its market value, and the slots-and-certifications layer cannot be replicated at *any* price. Spirit's shutdown is the live demonstration: a funded, scaled low-cost carrier could not make the economics work, and its slots reverted to incumbents. This is not Alphabet's capital-light moat — it is a heavy, physical, regulation-protected one. In a consolidated industry that finally prices capacity rationally, a heavy moat that throws off cash is exactly the kind of asset Berkshire has bought for decades (BNSF, the homebuilder, the utilities).

6. The cash engine — the actual case for the stake

Strip out the headline loss and the story is cash. Even in its weakest quarter, with the markdown, Delta generated $2.4 billion of operating cash flow and roughly $1.2 billion of free cash flow (after ~$1.2B of gross capex), and directed it to deleveraging and a modest dividend (no buyback). For the full year 2025 Delta produced record free cash flow of ~$4.6 billion on a double-digit operating margin and ~$6 of adjusted EPS. That is the engine Berkshire bought: not a high-return compounder, but a cyclical that has become reliably free-cash-flow generative and is repairing its balance sheet.

Cash flow ($M)	FY2023	FY2024	FY2025	Q1’25	Q1’26
Operating cash flow	$6,464	$8,025	$8,342	$2,378	$2,432
Gross capex	$(5,318)	$(5,140)	$(4,499)	$(1,224)	$(1,200)
Free cash flow (OCF – capex)	$1,146	$2,885	$3,843	$1,154	$1,232
Debt & finance-lease paydown	$(4,100)	$(4,000)	$(4,800)	$(531)	$(1,564)
Dividends paid	$(166)	$(385)	$(470)	$(99)	$(129)
Share repurchases	—	—	—	—	—

Free cash flow here is operating cash flow less gross capex; Delta’s reported “free cash flow” (~$4.6B FY2025, a record) is an adjusted measure netting certain financing/flight-equipment items. FY columns from FY2023–2025 results; quarters from the Q1 2026 Form 10-Q.

Nine quarters of cash flow — the deleveraging story, quarter by quarter

The same nine-quarter lens applied to Alphabet tells the mirror-image story here. Where Alphabet steered cash into a rising AI capex build with the buyback paused, Delta steers free cash flow, quarter after quarter, almost entirely into **paying down debt** — zero buybacks across the period, only a small and growing dividend.

Quarter	Operating CF	Capex	Free CF	Debt paydown	Dividends
Q1 2024	$2,200	$(1,300)	$900	$(1,000)	$(64)
Q2 2024	$2,400	$(1,300)	$1,100	$(1,000)	$(97)
Q3 2024	$1,900	$(1,300)	$600	$(1,000)	$(97)
Q4 2024	$1,525	$(1,240)	$285	$(1,000)	$(127)
Q1 2025	$2,378	$(1,224)	$1,154	$(531)	$(99)
Q2 2025	$2,500	$(1,100)	$1,400	$(1,400)	$(123)
Q3 2025	$1,900	$(1,100)	$800	$(1,400)	$(123)
Q4 2025	$1,564	$(1,075)	$489	$(1,469)	$(125)
Q1 2026	$2,432	$(1,200)	$1,232	$(1,564)	$(129)

9-quarter total	**$18,799**	**$(10,839)**	**$7,960**	**$(10,364)**	**$(984)**

$M. Free cash flow = operating cash flow less gross capex; repurchases zero across all nine quarters. Q1'25 and Q1'26 reported (10-Q); intermediate quarters are Institute estimates calibrated to audited FY totals (2025 quarters tie to ~$8.3B operating cash, ~$4.5B gross capex). Delta authorized a new $1B buyback in June 2026 (undeployed at quarter-end).

7. Valuation — how Delta compares to the other airlines

The Committee's question is not just "is Delta cheap?" but "cheap or dear relative to the carriers it competes with?" Delta and United — the premium-leaning network majors — trade at single-digit P/Es and the lowest EV/EBITDA multiples in the group, while the weaker carriers carry optically high P/Es precisely because their earnings are depressed.

Carrier	Market cap	Net debt	EV	EBITDA (FY25e)	EV/EBITDA	P/E
Delta (DAL)	**~$46.1B**	**~$9.1B**	**~$55.2B**	**~$8.3B**	**~6.7×**	**~8.7×**
United (UAL)	~$38.7B	~$17.0B	~$55.7B	~$9.4B	~5.9×	~9.1×
American (AAL)	~$9.2B	~$26.0B	~$35.2B	~$5.2B	~6.8×	~76.0×
Southwest (LUV)	~$22.2B	~$(3.5)B	~$18.7B	~$2.0B	~9.4×	~45.1×
Alaska (ALK)	~$5.5B	~$2.0B	~$7.5B	~$1.2B	~6.3×	~93.8×

Approximate June 2026 market data; Delta row highlighted. EV = market cap + net debt; EV/EBITDA computed on those figures (third-party screens that lease-adjust EV show higher multiples, lifting Delta toward ~7.8×). The very high P/Es at American, Southwest and Alaska reflect depressed earnings, not premium quality. The honest read: Delta and United are the cheap, cash-generative premium operators; Delta sits at the low end on the metric Berkshire cares about — cash against enterprise value. See the companion model's "Valuation vs Airlines" tab.

8. The bear case — why this is graded differently

Risks the Committee must underwrite

- **Capital intensity is structural.** The fleet must be perpetually recapitalized; free cash flow is real but earned against ~$40B of PP&E and ~$9B of net debt, with an old (~15-yr) fleet that means the capex bill is coming. This is not a capital-light toll booth.
- **Cyclicality and exogenous shocks.** The 2020 exit was a judgment that airlines "chew up money" in a downturn. A recession, fuel spike, or demand shock hits an indebted, fixed-cost business hard — most dangerous if it lands mid re-fleet.
- **Thin margins.** A 3–4% Q1 operating margin leaves little cushion; the premium-mix and loyalty thesis must keep delivering for the cash story to hold.

- **The markdown is a reminder.** The $(550)M investment loss shows Delta itself holds volatile equity stakes in other carriers — even "the good operator" carries industry exposure on its own balance sheet.

None of these is disqualifying, but together they explain the verdict: this position should be sized and underwritten as a cyclical cash generator bought at a sensible price, not as a permanent-compounder of the Coca-Cola / Apple / See's variety.

9. The Berkshire read

Put the pieces together and the logic is coherent, even elegant. Berkshire is a scale buyer that can absorb cyclicality, has a near-religious appreciation for customer float, and spent six years publicly regretting how it handled airlines. Delta is the best operator in a consolidated industry that — unlike the pre-2020 era — now generates record free cash flow, carries an insurance-float-like prepaid-travel balance, and is deleveraging. Its moat is made of atoms and permissions a competitor cannot rebuild at any price, and Spirit's 2026 shutdown is the proof the low-cost challenge has broken against it. The stake is small relative to Berkshire's ~$10.4B of quarterly operating cash flow and ~$397B cash pile: a 14th-largest position that cost roughly a quarter of one quarter's operating cash. The Q1 net loss that might scare a casual reader is, on inspection, a non-operating mark-to-market artifact over a positive operating quarter. The same discipline that taught us to discount Alphabet's inflated headline tells us to look past Delta's depressed one. Read the financials, not the headline — and the position makes sense.

Sources & verification notes

Primary financial data: Delta Air Lines, Inc. Form 10-Q for the quarterly period ended March 31, 2026 (SEC accession 0000027904-26-000022) — Condensed Consolidated Statements of Operations, Balance Sheets, and Statements of Cash Flows; and Delta's FY2023–FY2025 results. Berkshire position: Berkshire Hathaway Q1 2026 Form 13F and Schedule 13G. The 2020 exit and Buffett quotation: Berkshire Hathaway 2020 Annual Meeting (May 2, 2020). Spirit Airlines' cessation of operations: company and news reporting, May 2, 2026. Fleet size/age and route/slot figures: Delta fleet data and airport-authority disclosures (~980 mainline aircraft, ~15-yr average age; NYC slot/gate position). Comparable-airline market data approximate, June 2026. FY2025 free cash flow (~$4.6B), adjusted EPS (~$6) and premium-mix figures: Delta FY2025 results. All figures should be reconciled against primary filings before publication; this is educational analysis, not investment advice.

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Delta Air Lines (DAL) — Full Financial Model

Case 4 companion · $ in millions unless noted · 2026 edition

Tabs in this workbook

Income Statement	Revenue, operating income, the $550M investment markdown — Q1'26 vs Q1'25
Balance Sheet	Mar 31 2026 vs Dec 31 2025 — PP&E, debt, equity, the air-traffic-liability float
Cash Flow Statement	Operating cash flow, gross capex, free cash flow, dividends — FY2023-25 + quarters
Liquidity & Debt	Debt & finance leases, net debt, and the $10.7B air traffic liability float
Returns & Capital Quality	Margins, ROE, why an airline is the mirror image of a capital-light compounder
Position vs BRK	Berkshire's new 6.1% Delta stake against its Q1'26 cash engine — the 2020 reversal
Nine-Qtr Cash Flow	Nine quarters: OCF -> capex -> free cash flow, debt paydown, dividends, buybacks
Valuation vs Airlines	DAL vs UAL/AAL/LUV/ALK - market cap, EV/EBITDA, P/E; why Delta screens cheap

Blue = input · Black = formula · Green = cross-sheet link · Yellow = key assumption. Income-statement, balance-sheet and cash-flow figures are taken directly from Delta's Form 10-Q for the quarter ended March 31, 2026 (SEC accession 0000027904-26-000022). FY2025 reference points are from Delta's FY2025 results. Berkshire position facts are from the Q1 2026 13F / Schedule 13G. Educational analysis, not investment advice. *© 2026 The Baratelli Institute.*

Income Statement

$ in millions. FY2023–FY2025 (Delta 8-K) and Q1 2025 & Q1 2026 reported (Form 10-Q). Margins & EPS computed.

($M)	FY2023	FY2024	FY2025	Q1 2025	Q1 2026	YoY (Q1)
Passenger revenue				$11,480	$12,302	7.2%
Cargo				$208	$226	8.7%
Other				$2,352	$3,326	41.4%
Total operating revenue	**$58,048**	**$61,643**	**$63,364**	**$14,040**	**$15,854**	**12.9%**
Total operating expense	$52,553	$55,648	$57,542	$13,471	$15,353	14.0%
Operating income	**$5,495**	**$5,995**	**$5,822**	**$569**	**$501**	**-12.0%**
Operating margin	**9.5%**	**9.7%**	**9.2%**	**4.1%**	**3.2%**	
Interest expense, net				($179)	($151)	
Gain / (loss) on investments, net				($40)	($550)	
Loss on extinguishment of debt				-	($4)	
Miscellaneous, net				($30)	($10)	
Total non-operating expense, net				($249)	($715)	
(Loss) / income before income taxes				$320	($214)	
Income tax (provision) / benefit				($80)	($75)	
Net (loss) / income	**$4,609**	**$3,457**	**$5,005**	**$240**	**($289)**	
Diluted EPS (GAAP)	$7.17	$5.33	$7.66	$0.37	($0.44)	
Diluted EPS (adjusted)	$6.25	$6.16	$5.82			

FY2023–FY2025 are full-year GAAP figures from Delta's 8-K earnings releases; the passenger/cargo/other split and the non-operating detail are shown for the quarters only. The headline read: Delta posted a Q1 2026 net LOSS of $(289)M — created below the operating line by a $(550)M mark-to-market loss on equity investments (vs $(40)M a year ago). Operating income was POSITIVE at $501M on revenue +12.9%; Q1 is Delta's seasonally weakest quarter. On a full-year basis Delta earned $5.0B (FY2025) with a ~9% operating margin and $7.66 GAAP / $5.82 adjusted diluted EPS. Adjusted EPS differs from GAAP mainly by non-operating mark-to-market items. Quarterly EPS uses ~648M (Q1'25) and ~657M (Q1'26) weighted diluted shares. Source: DAL 8-K (FY) and Form 10-Q (quarters). FY2023 figures approximate — reconcile to the FY2023 10-K.

Balance Sheet (Condensed)

$ in millions. Reported Mar 31 2026 vs Dec 31 2025 (Form 10-Q).

($M)	Dec 31 2025	Mar 31 2026	Note
ASSETS			
Cash & cash equivalents	$4,310	$5,053	Reported
Total current assets	$10,968	$13,663	Reported
Property & equipment, net	$39,743	$40,582	Fleet & facilities — capital intensity
Operating lease right-of-use assets	$6,244	$6,300	Reported
Goodwill	$9,753	$9,753	Reported
Identifiable intangibles, net	$5,966	$5,964	SkyMiles, slots, brand
Equity investments	$4,222	$3,696	Source of the $(550)M Q1 markdown
Total assets	$81,317	$84,431	Reported
LIABILITIES & EQUITY			
Current maturities of debt & finance leases	$1,605	$3,088	Near-term maturities stepped up
Air traffic liability	$7,157	$10,742	+$3.6B — customers prepay summer travel (float)
Total current liabilities	$27,624	$32,699	Reported
Debt & finance leases (noncurrent)	$12,507	$11,076	Reported
Total noncurrent liabilities	$32,840	$31,356	Reported
Total liabilities	**$60,464**	**$64,055**	*Current + noncurrent*
Retained earnings	$13,343	$12,931	Net loss + dividends drew this down
Total stockholders' equity	$20,853	$20,376	Reported
Total debt & finance leases	**$14,112**	**$14,164**	*Current + noncurrent maturities*
Net debt (total debt - cash)	**$9,802**	**$9,111**	*~$9.1B net debt — opposite of a net-cash compounder*

All lines are reported figures from the Form 10-Q balance sheet. Two airline-specific dynamics for the Berkshire read: (1) the air traffic liability rose $7.2B → $10.7B in the quarter as customers prepaid for summer travel — an interest-free, insurance-float-like source of funding; (2) Delta carries ~$9.1B of net debt against ~$20.4B of equity, the capital-intensive profile that made Buffett call his 2008-2020 airline bets a mistake. Note total debt excludes operating lease liabilities. Source: DAL Form 10-Q, Condensed Consolidated Balance Sheets.

Cash Flow Statement (Condensed)

$ in millions. FY2023–FY2025 (Delta 8-K) and Q1 2025 & Q1 2026 reported (Form 10-Q). Free cash flow computed.

($M)	FY2023	FY2024	FY2025	Q1 2025	Q1 2026	YoY (Q1)
Net cash from operating activities	**$6,464**	**$8,025**	**$8,342**	**$2,378**	**$2,432**	2.3%
Capex — flight equipment				($987)	($1,000)	
Capex — ground property & other				($237)	($200)	
Gross capital expenditures	($5,318)	($5,140)	($4,499)	($1,224)	($1,200)	
Free cash flow (OCF − gross capex)	**$1,146**	**$2,885**	**$3,843**	**$1,154**	**$1,232**	
Free cash flow (Delta reported, adjusted)	$2,000	$3,400	$4,600			
Payments on debt & finance leases	($4,100)	($4,000)	($4,800)	($531)	($1,564)	
Dividends paid	($166)	($385)	($470)	($99)	($129)	
Share repurchases	-	-	-	-	-	
Net increase in cash, equiv. & restricted				$520	$734	

The cash engine is intact even with the headline loss: operating cash flow rose to $2.4B and free cash flow (OCF less ~$1.2B gross capex) was ~$1.2B in the seasonally weak first quarter; Delta directed cash to deleveraging ($1.6B of debt & finance-lease payments) and a $129M dividend. On a full-year basis OCF has climbed from $6.5B (FY2023) to $8.3B (FY2025) while gross capex fell, lifting free cash flow. Delta also reports an ADJUSTED free cash flow metric — ~$4.6B FY2025 (record), ~$3.4B FY2024, ~$2.0B FY2023 — which adjusts for financed aircraft and other items; that is the figure Delta headlines. Delta paid NO buybacks 2023–2025; it authorized a new $1B repurchase program in June 2026 (undeployed). FY debt-paydown and dividend lines are approximate — reconcile to the 10-K. Source: DAL Form 10-Q & 8-K cash-flow statements.

Nine-Quarter Cash Flow

$ in millions. Quarterly. Q1'25 and Q1'26 are reported (10-Q); intermediate quarters are Institute estimates that tie to audited FY totals.

($M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	FY25 chk
Operating cash flow	**$2,200**	**$2,400**	**$1,900**	**$1,525**	**$2,378**	**$2,500**	**$1,900**	**$1,564**	**$2,432**	**$8,342**
Gross capital expenditures	($1,300)	($1,300)	($1,300)	($1,240)	($1,224)	($1,100)	($1,100)	($1,075)	($1,200)	($4,499)
Free cash flow (OCF − capex)	**$900**	**$1,100**	**$600**	**$285**	**$1,154**	**$1,400**	**$800**	**$489**	**$1,232**	**$3,843**
Debt & finance-lease payments	($1,000)	($1,000)	($1,000)	($1,000)	($531)	($1,400)	($1,400)	($1,469)	($1,564)	($4,800)
Dividends paid	($64)	($97)	($97)	($127)	($99)	($123)	($123)	($125)	($129)	($470)
Share repurchases	-	-	-	-	-	-	-	-	-	-

Nine quarters tell the deleveraging story cleanly: through every quarter Delta converts operating cash into free cash flow, then sends it almost entirely to PAYING DOWN DEBT — not to buybacks (zero, 2024–2026) and only a small, growing dividend. Free cash flow is seasonal (Q1–Q2 strong on advance bookings, Q4 lighter) but positive across the cycle; the FY25 check column ties the four 2025 quarters to the ~$8.3B operating-cash and ~$4.5B gross-capex full-year figures. Delta authorized a new $1B buyback in June 2026 (undeployed at quarter-end). Intermediate quarters are Institute estimates calibrated to audited annual totals; reconcile to each 10-Q/10-K before publishing. Compare to Alphabet, whose nine-quarter table shows the mirror image — capex rising into AI, with buybacks and a new dividend as the uses of cash.

Liquidity, Debt & the Float

$ in millions. The capital structure — and the air-traffic-liability float Buffett would recognize.

Item	Value	Note
Cash & cash equivalents (Mar 31 2026)	$5,053	
Current maturities of debt & finance leases	$3,088	
Debt & finance leases (noncurrent)	$11,076	
Total debt & finance leases	**$14,164**	
Net debt (total debt - cash)	**$9,111**	*The leverage a quality buyer must underwrite*
Total stockholders' equity	$20,376	
Net debt / equity	**0.4x**	
FY2025 EBITDA (approx.)	8,300	*Operating income + D&A; ~$8.3B (FY2025)*
Net debt / EBITDA	**1.1x**	*~1.1x — low leverage for the sector*
The float		
Air traffic liability (Dec 31 2025)	$7,157	
Air traffic liability (Mar 31 2026)	$10,742	
Quarterly increase in the float	3,585	*Interest-free cash from customers prepaying travel*

Two things a Berkshire reader cares about. First, leverage: Delta carries ~$9.1B of net debt — about 0.45x equity and ~1.1x EBITDA — the capital intensity that defines airlines and that Buffett spent decades avoiding. The bet is that a deleveraging, premium-skewing Delta has broken the industry's boom-bust pattern. Second, the float: the air traffic liability — cash collected for flights not yet flown — jumped $3.6B in the quarter to $10.7B. It is interest-free funding that grows into the summer, structurally similar to insurance float, the engine Buffett built Berkshire on. Note this

Returns & Capital Quality

$ in millions. The mirror image of a capital-light compounder — the Berkshire read.

Item	Value	Note
Q1 2026 operating income	$501	
Q1 2026 operating revenue	$15,854	
Operating margin (Q1, seasonally weak)	**3.2%**	*Thin margins; Q1 is Delta's weakest quarter*
Less: Q1 mark-to-market investment loss	($550)	*Below the line — turned op income into a net loss*
Reported net (loss) / income	($289)	*Headline is depressed by the markdown, not operations*
Total stockholders' equity (Mar 31 2026)	$20,376	
Net debt	$9,111	
FY2025 free cash flow (record)	$4,600	*~$4.6B — the case for the business*
FY2025 pre-tax income (approx.)	$5,000	
FY2025 FCF / equity	**22.6%**	

The read

Delta is the opposite profile to Case 3's Alphabet. Where Google earns ~40% returns on capital with a net-cash balance sheet and a markdown-free core, Delta runs thin operating margins, ~$9.1B of net debt and a fleet that must be constantly recapitalized. So why would Berkshire buy it? Because the investment case is not 'capital-light compounder' — it is 'best-in-class operator in a consolidated, premium-shifting industry, now generating record free cash flow (~$4.6B in FY2025) and deleveraging.' The Q1 net loss is a non-operating, mark-to-market artifact; operating income was positive. Read the headline with care — the same discipline that flagged Alphabet's inflated print flags Delta's depressed one. FY2025 figures are approximate; confirm against the 10-K.

Valuation vs Comparable Airlines

Approximate, mid-June 2026. Market data from public screens (Yahoo/StockAnalysis/GuruFocus); reconcile before publishing.

Metric	Delta (DAL)	United (UAL)	American (AAL)	Southwest (LUV)	Alaska (ALK)
Market cap ($B)	**$46.1**	**$38.7**	**$9.2**	**$22.2**	**$5.5**
Net debt ($B, approx.)	$9.1	$17.0	$26.0	($3.5)	$2.0
Enterprise value ($B)	**$55.2**	**$55.7**	**$35.2**	**$18.7**	**$7.5**
EBITDA (TTM, $B, approx.)	$8.3	$9.4	$5.2	$2.0	$1.2
EV / EBITDA (×)	**6.7×**	**5.9×**	**6.8×**	**9.4×**	**6.3×**
Diluted EPS (TTM, GAAP $)	$7.66	$10.85	$0.45	$0.65	$0.55
P/E (TTM, ×)	**8.7×**	**9.1×**	**76.0×**	**45.1×**	**93.8×**
Operating margin (FY25, approx.)	9.2%	9.4%	4.5%	2.0%	4.0%

The read: on PRICE-TO-EARNINGS Delta and United screen near the bottom of the group (~8-9x) while American, Southwest and Alaska carry optically HUGE P/E multiples (45-94x) — not because the market prizes them but because their earnings are depressed, a tiny denominator. On EV/EBITDA — which strips out that earnings distortion and the differing debt loads — the whole industry sits in the mid-single digits, and Delta (~6.7x) and United (~5.9x) again sit at the low end despite being the two most profitable carriers. So Berkshire bought the highest-quality, best-margin franchise in a consolidated industry at the lowest multiples in it — the opposite of paying up. Net-debt and EBITDA are approximations on differing definitions (some screens lease-adjust EV, lifting Delta toward ~7.8x); market cap and P/E are public-screen values as of ~mid-June 2026. Reconcile to each carrier's latest filing before publishing.

The Stake — and the 2020 Reversal

$ in billions unless noted. BRK Q1 2026 figures per berkshire-read.html.

BRK Delta shares held (millions)	39.8	*39,809,456 shares — new position, Q1 2026 13F*
BRK Delta position (Q1'26 market value)	$2.7	*~6.1% of DAL; 14th-largest BRK holding*
BRK Q1'26 operating cash flow	$10.4	
BRK Q1'26 cash & T-bills	$397.4	
Position / one quarter of BRK operating cash	**25.5%**	
Position / cash & T-bills	0.7%	
The 2020 reversal		
Berkshire's 2008-2020 airline bet (invested, approx.)	$8.0	*DAL, UAL, AAL, LUV — sold entirely April 2020*
New Delta stake (this position)	$2.7	*First airline buy since the 2020 exit*

The narrative: in April 2020 Buffett dumped Berkshire's entire ~$7-8B airline book — Delta, United, American and Southwest — calling it "a mistake" and saying "the world has changed for the airlines." In Q1 2026, the first quarter with Greg Abel as CEO, Berkshire re-entered the industry with a ~$2.65B, 6.1% Delta stake (filed as a passive Schedule 13G), its 14th-largest holding. The same quarter's 13F trimmed or exited Amazon, Visa, Mastercard and UnitedHealth and added to Alphabet. A top-15 position cost roughly a quarter of one quarter's operating cash — scale, again, is the story. Reconcile the market value against the latest 13F before publishing. Sources: BRK Q1 2026 13F / Schedule 13G; 2020 annual meeting remarks.

Mark-to-market update		
Current market value (≈ mid-Jun 2026)	$2.83	*39.8M sh × ~$71 (DAL mkt cap ~$46.1B)*
Unrealized gain vs Q1'26 mark	**$0.18**	*Cost basis undisclosed; gain shown vs disclosed Q1'26 value, no*
as %	**6.8%**	

BERKSHIRE READ · CASE 4 · DAL

The return to the airlines

Six years after calling airlines "a mistake," Berkshire bought back in — ~$2.65B into Delta.

A passive 6.1% stake in the industry's best operator — a contrarian re-entry into a transformed, consolidated industry that now throws off real free cash flow.

Philip A. Baratelli, CPA, MBA · The Baratelli Institute | Target publication Aug–Sep 2026

THE THESIS

Why Berkshire reversed its most-confessed mistake

A contrarian re-entry, not a quality compounder. This is not a See's Candies bought cheap. It is a cyclical, capital-intensive business bought because the industry, and this operator, changed.

The case is cash, not margin. Delta posted record free cash flow of ~$4.6B in FY2025 and is steering it to pay down the debt taken on in 2020. A consolidated industry finally prices capacity rationally.

Read the headline with care. The Q1 net loss that might scare you is a non-operating, mark-to-market artifact over a positive operating quarter. The mirror image of the Alphabet case.

"The man who swore off airlines bought the best one. The question isn't whether Delta is a great business — it's what changed that the same firm bought back in. The answer is a consolidated industry, a premium pivot, and record cash."

A new top-15 holding — filed passive

~$2.65B
Market value at Q1'26 13F

~$2.83B
Current value (≈mid-Jun'26)

~+$0.18B
Gain since Q1'26 mark (~+6.8%)

~6.1%
Economic stake · 14th-largest

The position, sized today. 39,809,456 shares, first disclosed in the Q1 2026 13F (filed May 2026) and filed as a passive Schedule 13G. At ~$71/share in mid-June 2026 the stake is worth ~$2.83B — about +$0.18B (~+6.8%) above the disclosed Q1'26 mark. Berkshire does not disclose fill prices, so this is appreciation since disclosure, not a cost-basis return.

Same 13F, in context. The quarter that opened the Delta position trimmed or exited Amazon, Visa, Mastercard and UnitedHealth and added to Alphabet — Greg Abel's debut quarter as CEO. Reconcile share count and value against the latest 13F / 13G before quoting.

The financials, in six figures

$15,854M

Q1'26 revenue (+12.9%)

$501M

Q1'26 operating income (+)

$(289)M

Q1'26 net loss* (mark-to-market)

~$4.6B

FY2025 free cash flow (record)

$7.66

FY2025 diluted EPS

~$9.1B

Net debt — deleveraging

**The net loss is created entirely below the operating line by a $(550)M unrealized mark-to-market loss on equity investments — not a cash loss, not a run-rate. Operating income was positive.*

WHAT CHANGED

From "the world has changed for airlines" to buying one

2020: sold everything. Berkshire put ~$7–8B into all four major carriers (2016–20), then dumped the book at a loss in April 2020 and called it "a mistake."

Consolidation held — and deepened. The industry kept its capacity discipline through a once-in-a-century shock, then got more consolidated: in May 2026 Spirit Airlines ceased operations and liquidated.

Delta went premium. Premium cabins, the Amex co-brand and loyalty now drive a rising share of revenue; basic main-cabin fares fell to ~37% of revenue in 2025 from 42% in 2023.

The result: record cash. FY2025 free cash flow of ~$4.6B — used to deleverage. The 2020 thesis was "airlines chew up money"; this buy says this airline, now, does the opposite.

Spirit's shutdown, in one line: the first failure of a significant U.S. carrier since 2001 (~17,000 jobs) — the low-cost model chewed up money; the premium operator generates record free cash flow. Delta sits at the opposite end of the spectrum that just claimed Spirit.

READ THE HEADLINE WITH CARE

A net loss — over a positive operating quarter

WHAT THE HEADLINE SAYS

$(289)M

Reported Q1 2026 net loss. Diluted EPS $(0.44). Driven entirely below the operating line by a $(550)M mark-to-market loss on equity investments — an unrealized accounting entry.

WHAT THE BUSINESS DID

+$501M

Positive operating income on revenue up +12.9%, in Delta's seasonally weakest quarter. Three FY columns show the real engine: ~$5.5–6.0B annual operating income on a ~9–10% margin.

Same discipline as the Alphabet case, opposite direction: separate the operating engine from the volatile investment marks.

Capital intensity, customer float — and a moat off the books

The cost of entry: capital intensity. ~$40.6B of net property & equipment (the fleet) against ~$20.4B of equity and ~$9.1B of net debt — the recapitalize-forever profile Buffett avoided for decades.

The feature he'll love: the float. The air traffic liability — cash for flights not yet flown — jumped $3.6B in a quarter to $10.7B. Interest-free, customer-funded, insurance-float-like working capital.

Fleet age — a deferred bill and a cushion. ~980 mainline aircraft at ~15 years average — among the oldest of the majors. An old, depreciated fleet is a paid-for asset that converts more revenue to cash today (capex below peers, via Delta TechOps), but the replacement bill is coming.

The value of the routes. Dominant at JFK & LaGuardia (~465 peak daily departures), Atlanta the world's busiest hub, plus scarce Heathrow slots — federally rationed, incumbent-held access a competitor cannot buy at any price.

$10.7B

Air traffic liability (float)

~15 yrs

Avg mainline fleet age (~980 a/c)

~465

Peak daily NYC departures (JFK+LGA)

Atoms, not bytes — what a second Delta would cost

Alphabet's moat was bytes — capital-light, near-zero marginal cost. Delta's is atoms and permissions, and that is why the 2020 sale underrated it. What would it cost to build a second Delta from scratch?

The metal

$80-120B+

~980 aircraft at $80–120M/narrowbody, up to ~$320M/widebody — ~2× the market cap, before a gate or route.

The access

Not for sale

Slots at JFK, LGA, DCA, Heathrow + the Atlanta hub — federally rationed, incumbent-held, unavailable at any price.

The permission

Years

~14 separate certifications before a new carrier can fly — a regulatory moat independent of capital.

The franchise

Decades

Loyalty + the Amex co-brand, a decades-old brand, in-house maintenance — none stood up quickly.

Spirit is the live proof: a funded, scaled low-cost carrier couldn't make the economics work and exited — its slots reverting to incumbents. A heavy, regulation-protected moat that throws off cash is exactly what Berkshire bought in BNSF and the utilities.

Cheap — but read the multiple through the right lens

Carrier	Market cap	Net debt	EV	EBITDA (FY25e)	EV/EBITDA	P/E
Delta (DAL)	**~$46.1B**	**~$9.1B**	**~$55.2B**	**~$8.3B**	**~6.7×**	**~8.7×**
United (UAL)	~$38.7B	~$17.0B	~$55.7B	~$9.4B	~5.9×	~9.1×
American (AAL)	~$9.2B	~$26.0B	~$35.2B	~$5.2B	~6.8×	~76.0×
Southwest (LUV)	~$22.2B	~$(3.5)B	~$18.7B	~$2.0B	~9.4×	~45.1×
Alaska (ALK)	~$5.5B	~$2.0B	~$7.5B	~$1.2B	~6.3×	~93.8×

The read: Delta and United — the premium network majors — are the cheap, cash-generative operators at single-digit P/Es and the lowest EV/EBITDA in the group. The very high P/Es at American, Southwest and Alaska reflect depressed earnings, not premium quality. Delta sits at the low end on the metric Berkshire cares about: cash against enterprise value. EV = mkt cap + net debt; lease-adjusted screens lift Delta toward ~7.8×.

WHAT BUFFETT SAID WHEN HE SOLD

“The world has changed for the airlines … We will not fund a company … where we think it is going to chew up money in the future. … It turned out I was wrong.”

— Warren Buffett, Berkshire Hathaway 2020 Annual Meeting (May 2, 2020). Verify exact wording before publishing.

Six years later, in Greg Abel's first quarter, Berkshire bought back into the one industry it swore off — through its best operator, now generating record cash and deleveraging. The world changed; so did the call.

SCALE OF PARENT

A meaningful position that barely touched the engine

~25%

Position (cost) ÷ one quarter BRK OCF

~0.7%

÷ BRK ~$397B cash & T-bills

14th

Largest BRK equity holding

Berkshire built a ~$2.65B position using roughly a quarter of one quarter's operating cash flow (~$10.4B), against a ~$397B cash pile that still rose to a record. As with the Alphabet and TMHC reads, the point isn't the size of the buy — it's how much room is left over. The stake is meaningful for a 14th-largest holding, immaterial against the balance sheet.

Two angles a reporter could write today

ANGLE 1

“Buffett goes back to the airlines.” Six years after calling them “a mistake” and dumping the entire book, Berkshire re-enters — through Delta, the best operator — in Greg Abel's debut quarter.

ANGLE 2

“Why you can't build a second Delta.” Spirit's 2026 shutdown plus a slots-and-fleet moat worth far more than the market cap — the replacement-cost case for the consolidated majors.

Preferred attribution: “Phil Baratelli, Baratelli Institute.” Full quote sheet in the case PDF.

WHAT WOULD MAKE THE BUY WRONG

The bear case a serious Read must name

Cyclicality

A recession, fuel spike or demand shock hits an indebted, fixed-cost business hard — the exact scenario that made the first airline bet a mistake, most dangerous mid re-fleet.

Capital intensity

Free cash flow is real but earned against ~$40B of PP&E and ~$9B of net debt. An old (~15-yr) fleet means the capex bill is coming, not optional.

Thin margins

A 3–4% Q1 operating margin leaves little cushion; the premium-and-loyalty thesis has to keep delivering for the cash story to hold.

None is disqualifying — but together they explain the verdict: underwrite this as a cyclical cash generator bought at a sensible price, not a permanent compounder.

THE READ

A disciplined re-entry into a transformed industry — read the cash, not the headline.

Library crosswalk: First Principles of Master Investing (changing your mind; a fair price for a cyclical) · CFO & Controller's Technical Guide (capex vs free cash flow; customer float) · Three Masters' Library, free (the moat & capital-allocation bibliography).