

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.

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.

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	~6.7x	~8.7x
United (UAL)	~\$38.7B	~\$17.0B	~\$55.7B	~\$9.4B	~5.9x	~9.1x
American (AAL)	~\$9.2B	~\$26.0B	~\$35.2B	~\$5.2B	~6.8x	~76.0x
Southwest (LUV)	~\$22.2B	~\$(3.5)B	~\$18.7B	~\$2.0B	~9.4x	~45.1x
Alaska (ALK)	~\$5.5B	~\$2.0B	~\$7.5B	~\$1.2B	~6.3x	~93.8x

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 ~7.8x.

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.

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.

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).