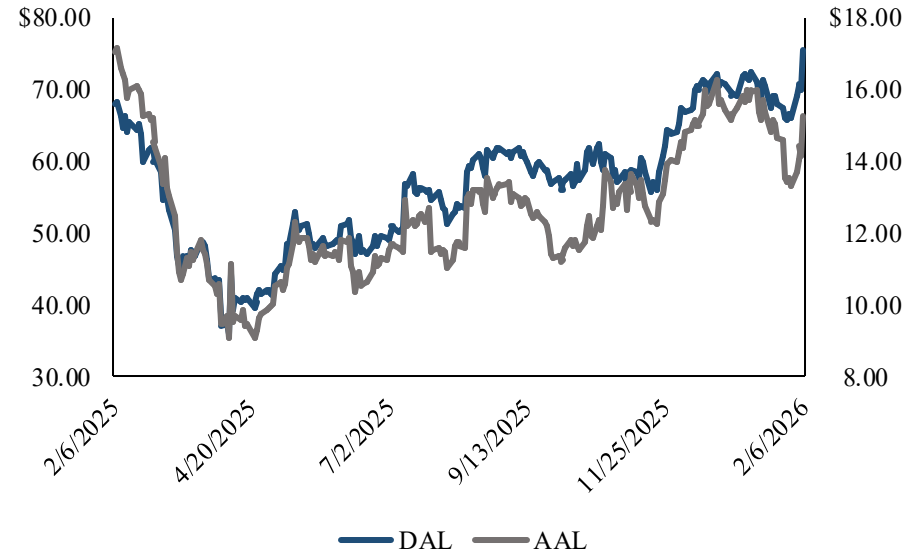




Delta Air Lines (DAL) & American Airlines (AAL) | One-Year Price Chart



Position Details

- Delta Air Lines, Inc. (DAL) | American Airlines Group Inc. (AAL)
- Underlying Price: DAL: \$75.35 | AAL: \$15.24
- Call Option Pair Trade
- Expiration Date: September 18, 2026

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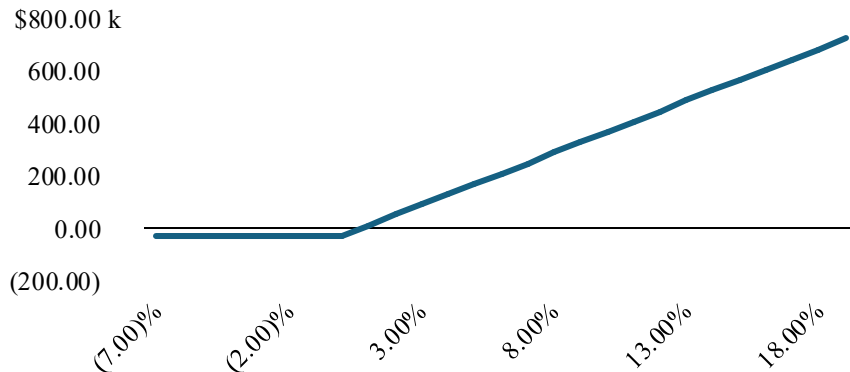
I. Product & Position Overview

Product & Position Overview

Product Description

- **Delta Air Lines, Inc. (DAL)**
 - Provides scheduled air transportation for passengers, freight, and mail over a network of routes. Delta is one of the world's largest airlines by revenue. The company serves over 800.00 destinations in more than 120.00 countries
 - Serves more than 200.00 mm customers each year and offers more than 5.00 k departures daily. Customers from the U.S. account for ~70.00% of Delta's revenue stream
- **American Airlines Group Inc. (AAL)**
 - The company's primary business activity is the operation of a major network carrier, providing scheduled air transportation for passengers and air cargo. They offer thousands of flights per day to ~350.00 destinations in about 60.00 countries

Payoff Diagram



*See slide 13 for Payoff Matrix

Trade Breakdown

- **Call Option Pair Trade**
 - The trade will benefit from more bullish movement from DAL than AAL, as the Sector profits from a wider spread between the price of the underlying of the two companies
- **Setup**
 - We Buy – 10,000.00 ITM \$75.00 Calls | DAL U.S. Equity
 - We Sell – 47,359.00 ITM \$15.00 Calls | AAL U.S. Equity
- **Expiration**
 - Date: September 18, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **8.00% / 3.00% / (2.00%)**
 - Breakeven – 0.00%
- **Methodology**
 - The Sector sold enough AAL Calls to be Delta-neutral relative to the DAL Calls that were purchased, to benefit from high Beta
- **Hedge Strategy**
 - The Sector will reverse trade by purchasing AAL Calls and selling DAL Calls if the spread falls to ~(2.00%)

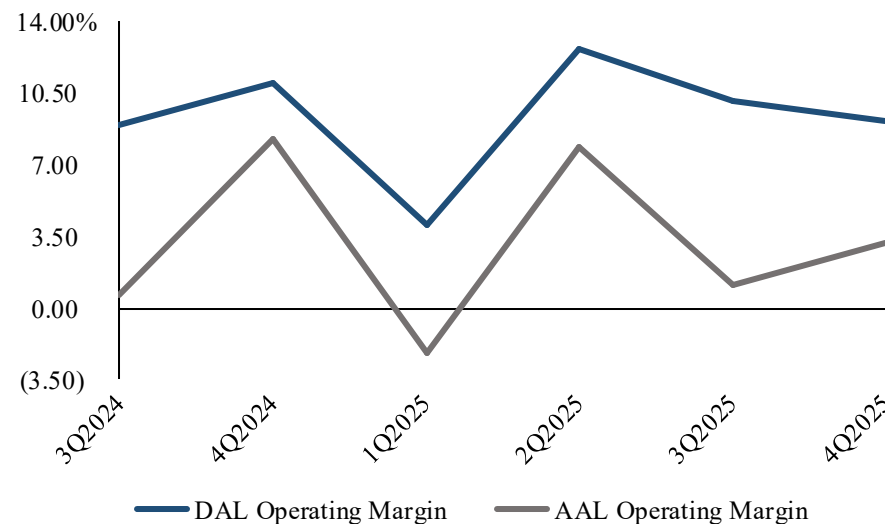
II. Macroeconomic Thesis

Macroeconomic Thesis

Macroeconomic Summary

- Loyalty Monetization and Revenue Mix Favor Delta Over American**
 - Delta's SkyMiles + Amex generated ~\$8.20 bn in 2025FY (+11.00% y/y), already ~14.00% of total revenue. Delta has added ~1.00 mm cardholders annually for four straight years, signaling durable demand
 - In 2024, Delta shifted to spend-only elite qualification, further monetizing high-margin customers and strengthening the Amex flywheel. ~60.00% of Delta revenue is now diversified (loyalty, premium, ancillaries), materially lowering earnings volatility
 - American Airlines AAdvantage generated ~\$5.60 bn y/y in cash, with management guiding ~10.00% long-term growth driven by Citi-exclusive co-brand agreement, with higher credit cycle sensitivity
- Delta is Repositioning Its Flight Portfolio Toward Higher Return Routes**
 - Delta will expand its transatlantic operations in Summer 2026, operating over 650.00 flights to ~30.00 European destinations, making it the largest transatlantic deployment the airline has ever operated. AAL only operates ~350.00 flights to ~19.00 European destinations
 - The airline is adding more flights at its core hubs, increasing daily departures to ~1,000.00. This increases connections for passengers, who make up 40.00 to 50.00% of hub traffic. Connecting flights are more profitable because they allow for more higher capacity flights
- Corporate Travel Budgets Forecasted to Uplift in 2026**
 - The Global Business Travel Association's 1Q2026 survey reported that ~84.00% of buyers expect 2026 business travel spend to increase ~44.00%. Additionally, ~75.00% of corporate buyers expect their business travel operating budgets to rise, and investors are forecasting a ~12.00% increase in corporate travel budgets
 - Delta is better positioned than American to monetize corporate travel demand, as *Business Travel News*' 2025 Airline Survey ranked Delta as the top airline among corporate travel buyers for 15.00 consecutive years. In 2025, corporate buyers rated DAL 4.38/5.00 stars across 11.00 quality categories, compared with 2.75/5.00 for AAL

DAL vs. AAL Operating Margin | One-Year Chart



Market Pros & Cons

- K-shaped economy signals weakness in American Airlines customers
- Positive net Gamma protects the strategy from sector-wide crashes
- American Airlines executes on rolling out its Flagship Suites & Airbus A321XLR fleets, aiming to close the premium revenue gap
- American Airlines has greater short interest than Delta Air Lines, making it more at risk to a "short squeeze" situation, creating a negative spread

III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- DAL \$444,193.60 | AAL (\$444,193.60) | Net (\$2.07)
- For every 1.00% move in DAL & AAL, the contract gains or loses \$2.07, representing near Delta-neutrality. If DAL rises 1.00% and AAL stays the same, the contract gains \$444,193.60

- **Gamma Analysis**

- DAL \$4,554.99 | AAL (\$3,962.768) | Net \$592.23
- A 1.00% bullish move increases net Delta by ~\$592.23, reflecting that the trade becomes progressively more profitable as the pair trades up, reflecting accelerating gains
- As the DAL – AAL spread widens, Delta increases in our favor, as the strategy is net long gamma. As the spread narrows or reverses, Delta works against our trade, at a controlled rate

Implied Volatility Risk

- **Vega Analysis**

- DAL \$227,141.09 | AAL (\$215,573.36) | Net \$11,567.73
- Implied Volatility: DAL 40.81% | AAL 44.52%
- The trade benefits from increases in Implied Volatility for the sector because of the positive net Implied Volatility
- DAL's Implied Volatility is trading at a discount to its historical volatility, whereas AAL's IV was priced fairly. By purchasing cheap volatility in DAL, we positioned ourselves to benefit from any expansion in its Implied or Realized Volatility over the trade

Time Risk

- **Theta Analysis**

- DAL (\$18,065.62) | AAL \$17,699.25 | Net (\$366.37)
- The trade will lose \$366.37 for every day that passes due to time decay reducing the extrinsic value of the strategy
- Theta decay is largest near-the-money and declines as options move in-the-money, so as the trade moves in either direction, time decay becomes less of a headwind and the position's P&L becomes increasingly driven by relative price performance

Interest Rate Risk

- **Rho Analysis**

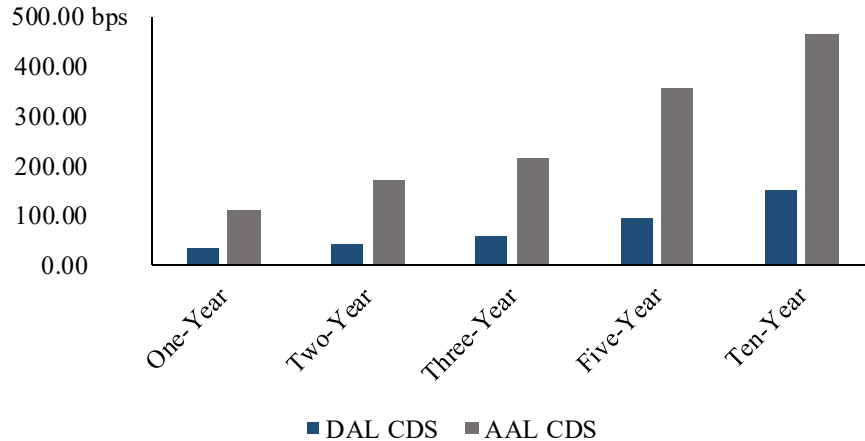
- DAL \$208,447.42 | AAL (\$202,311.38) | Net \$6,136.04
- For every 100.00 bps move in risk-free interest rates, the options strategy will gain or lose \$6,136.04 in value
- The Sector believes a bull-steepening will occur, attributed to market expectations that the Fed will lower rates by 25.00 bps this summer. Our trade benefits from an increase in long-term interest rates, so our options strategy will gain value if a bull-steepening happens. However, the Sector views Rho as less significant to this trade than other Greeks like Delta or Gamma



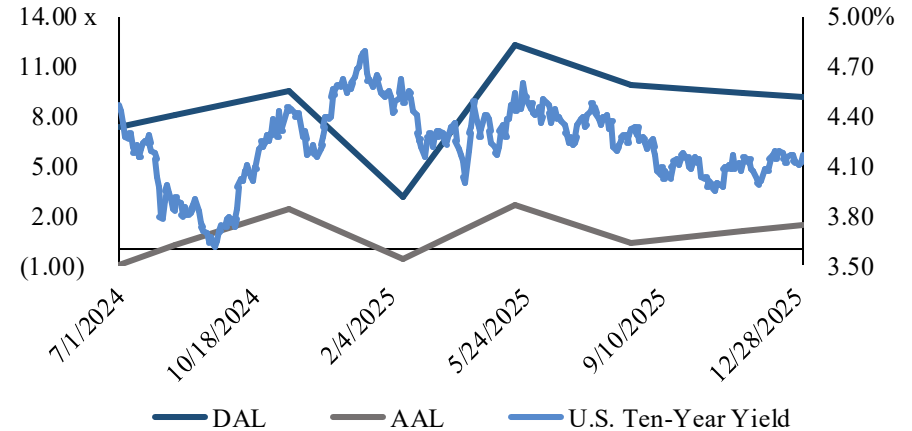
IV. Technical Bias & Fair Value

Technical Bias & Fair Value

DAL vs. AAL Credit Default Swaps | Ten-Year Chart



DAL vs. AAL Interest Coverage Against Ten-Year Yield | 18.00-Month Chart



Monte Carlo

	Long Call (DAL)	Short Call (AAL)
Value	\$ 18.5916	\$ 3.0057

Synopsis

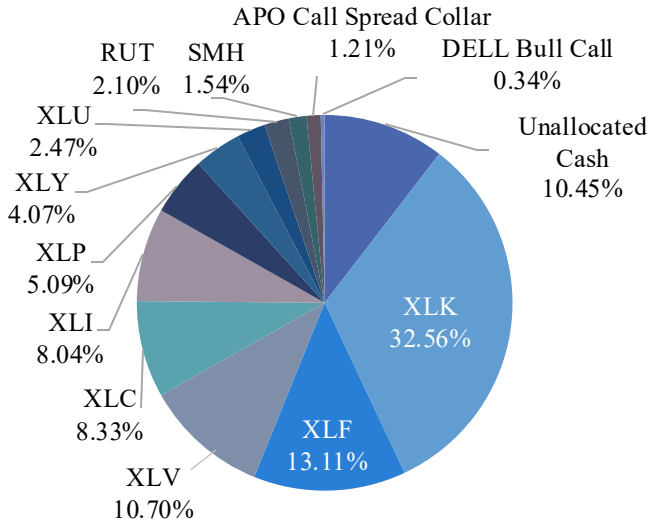
- American Airlines Credit Default Swaps are much more expensive than Delta Air Lines, especially for long-term trades. American trades over 300.00 bps higher than Delta for a Ten-Year CDS, reflecting low investor confidence in American's ability to manage their debt load and pay back their financing. This higher risk of default or bankruptcy reflects bearish investor sentiment, and any failure to meet credit obligations would significantly impact the equity
- Delta reported an interest rate coverage of 9.34 compared to American Airlines' 1.07 coverage as of their most recent earnings reports. The interest rate coverage spread of 8.27 between the two airlines in conjunction with Delta's historically healthier interest rate coverage reflects Delta's superior ability to generate EBIT in comparison to their borrowing. The Sector believes the substantial interest rate coverage spread between Delta and American Airlines positions the performance gap between them to widen



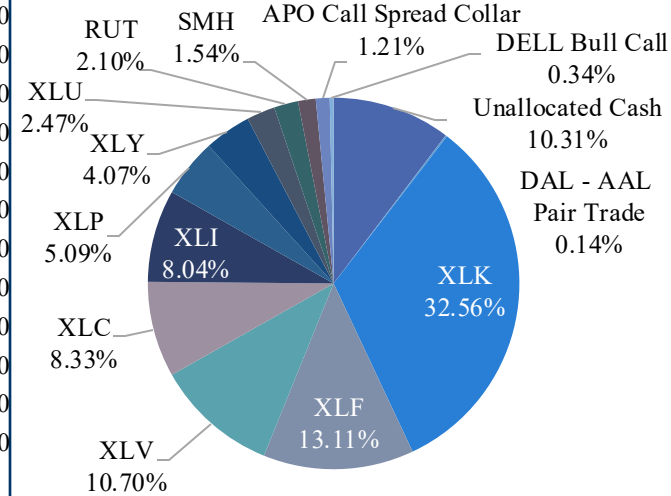
V. Capital Allocation

Capital Allocation

Current Portfolio Allocation

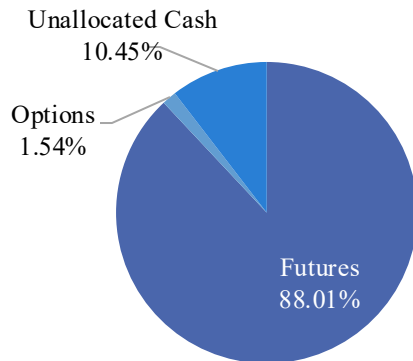


Proposed Portfolio Allocation

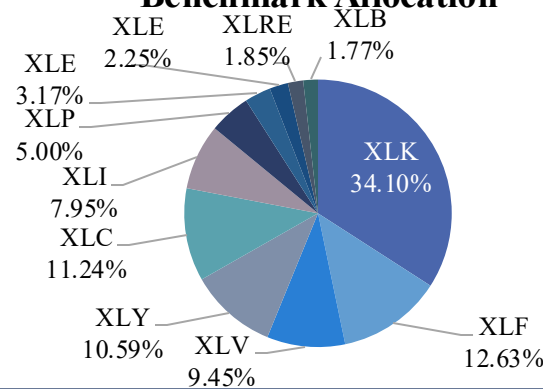


Transaction Summary		
Ticker	Position Change	
	Contracts	Allocation
XLK	0	\$0.00
XLV	0	\$0.00
XLX	0	\$0.00
XLC	0	\$0.00
XLI	0	\$0.00
XLP	0	\$0.00
XLY	0	\$0.00
XLU	0	\$0.00
RUT	0	\$0.00
SMH	0	\$0.00
APO Call Spread Collar	0	\$0.00
DELL Bull Call	0	\$0.00
DAL - AAL Pair Trade	+57,359.00	\$31,020.00
Allocation Change		\$31,020.00

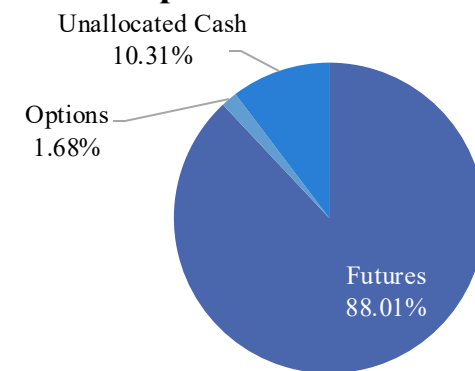
Current Position Allocation



Benchmark Allocation



Proposed Position Allocation



Payoff Matrix

AAL

DAL

	0.00%	1.00%	2.00%	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%
0.00%	\$ (31,020.00)	\$ (741,405.00)	\$ (1,451,790.00)	\$ (2,162,175.00)	\$ (2,872,560.00)	\$ (3,582,945.00)	\$ (4,293,330.00)	\$ (5,003,715.00)	\$ (5,714,100.00)	\$ (6,424,485.00)	\$ (7,134,870.00)
1.00%	\$ 718,980.00	\$ 8,595.00	\$ (701,790.00)	\$ (1,412,175.00)	\$ (2,122,560.00)	\$ (2,832,945.00)	\$ (3,543,330.00)	\$ (4,253,715.00)	\$ (4,964,100.00)	\$ (5,674,485.00)	\$ (6,384,870.00)
2.00%	\$ 1,468,980.00	\$ 758,595.00	\$ 48,210.00	\$ (662,175.00)	\$ (1,372,560.00)	\$ (2,082,945.00)	\$ (2,793,330.00)	\$ (3,503,715.00)	\$ (4,214,100.00)	\$ (4,924,485.00)	\$ (5,634,870.00)
3.00%	\$ 2,218,980.00	\$ 1,508,595.00	\$ 798,210.00	\$ 87,825.00	\$ (622,560.00)	\$ (1,332,945.00)	\$ (2,043,330.00)	\$ (2,753,715.00)	\$ (3,464,100.00)	\$ (4,174,485.00)	\$ (4,884,870.00)
4.00%	\$ 2,968,980.00	\$ 2,258,595.00	\$ 1,548,210.00	\$ 837,825.00	\$ 127,440.00	\$ (582,945.00)	\$ (1,293,330.00)	\$ (2,003,715.00)	\$ (2,714,100.00)	\$ (3,424,485.00)	\$ (4,134,870.00)
5.00%	\$ 3,718,980.00	\$ 3,008,595.00	\$ 2,298,210.00	\$ 1,587,825.00	\$ 877,440.00	\$ 167,055.00	\$ (543,330.00)	\$ (1,253,715.00)	\$ (1,964,100.00)	\$ (2,674,485.00)	\$ (3,384,870.00)
6.00%	\$ 4,468,980.00	\$ 3,758,595.00	\$ 3,048,210.00	\$ 2,337,825.00	\$ 1,627,440.00	\$ 917,055.00	\$ 206,670.00	\$ (503,715.00)	\$ (1,214,100.00)	\$ (1,924,485.00)	\$ (2,634,870.00)
7.00%	\$ 5,218,980.00	\$ 4,508,595.00	\$ 3,798,210.00	\$ 3,087,825.00	\$ 2,377,440.00	\$ 1,667,055.00	\$ 956,670.00	\$ 246,285.00	\$ (464,100.00)	\$ (1,174,485.00)	\$ (1,884,870.00)
8.00%	\$ 5,968,980.00	\$ 5,258,595.00	\$ 4,548,210.00	\$ 3,837,825.00	\$ 3,127,440.00	\$ 2,417,055.00	\$ 1,706,670.00	\$ 996,285.00	\$ 285,900.00	\$ (424,485.00)	\$ (1,134,870.00)
9.00%	\$ 6,718,980.00	\$ 6,008,595.00	\$ 5,298,210.00	\$ 4,587,825.00	\$ 3,877,440.00	\$ 3,167,055.00	\$ 2,456,670.00	\$ 1,746,285.00	\$ 1,035,900.00	\$ 325,515.00	\$ (384,870.00)
10.00%	\$ 7,468,980.00	\$ 6,758,595.00	\$ 6,048,210.00	\$ 5,337,825.00	\$ 4,627,440.00	\$ 3,917,055.00	\$ 3,206,670.00	\$ 2,496,285.00	\$ 1,785,900.00	\$ 1,075,515.00	\$ 365,130.00