UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-8957

ALASKA AIR GROUP, INC.

Delaware	**91-1292054**
(State of Incorporation)	(I.R.S. Employer Identification No.)

19300 International Boulevard, Seattle, WA 98188

Telephone: (206) 392-5040

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Ticker Symbol**	**Name of each exchange on which registered**
Common stock, $0.01 par value	ALK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer (Do not check if a smaller reporting company) ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The registrant has 126,891,838 common shares, par value $0.01, outstanding at April 30, 2024.

This document is also available on our website at http://investor.alaskaair.com.

ALASKA AIR GROUP, INC.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2024

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As used in this Form 10-Q, the terms "Air Group," the "Company," "our," "we" and "us" refer to Alaska Air Group, Inc. and its subsidiaries, unless the context indicates otherwise. Alaska Airlines, Inc. and Horizon Air Industries, Inc. are referred to as "Alaska" and "Horizon" and together as our "airlines."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or the Company's present expectations.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. For a discussion of our risk factors, see Item 1A. "Risk Factors" of the Company's annual report on Form 10-K for the year ended December 31, 2023. Some of these risks include competition, labor costs, relations and availability, general economic conditions including those associated with pandemic recovery, increases in operating costs including fuel, inability to meet cost reduction, ESG and other strategic goals, seasonal fluctuations in demand and financial results, supply chain risks, events that negatively impact aviation safety and security, and changes in laws and regulations that impact our business. Please consider our forward-looking statements in light of those risks as you read this report.

PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ALASKA AIR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions)	March 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 885**	$ 281
Marketable securities	**1,393**	1,510
Total cash and marketable securities	**2,278**	1,791
Receivables - net	**384**	383
Inventories and supplies - net	**104**	116
Prepaid expenses	**177**	176
Other current assets	**186**	239
Total Current Assets	**3,129**	2,705
Property and Equipment		
Aircraft and other flight equipment	**10,363**	10,425
Other property and equipment	**1,839**	1,814
Deposits for future flight equipment	**431**	491
	12,633	12,730
Less accumulated depreciation and amortization	**4,439**	4,342
Total Property and Equipment - Net	**8,194**	8,388
Other Assets		
Operating lease assets	**1,174**	1,195
Goodwill and intangible assets	**2,033**	2,033
Other noncurrent assets	**283**	292
Total Other Assets	**3,490**	3,520
Total Assets	**$ 14,813**	$ 14,613

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions, except share amounts)	March 31, 2024	December 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 181**	$ 207
Accrued wages, vacation and payroll taxes	**481**	584
Air traffic liability	**1,604**	1,136
Other accrued liabilities	**791**	800
Deferred revenue	**1,313**	1,221
Current portion of operating lease liabilities	**158**	158
Current portion of long-term debt and finance leases	**301**	353
Total Current Liabilities	**4,829**	4,459
Long-Term Debt, Net of Current Portion	**2,264**	2,182
Noncurrent Liabilities		
Long-term operating lease liabilities, net of current portion	**1,098**	1,125
Deferred income taxes	**649**	695
Deferred revenue	**1,320**	1,382
Obligation for pension and post-retirement medical benefits	**365**	362
Other liabilities	**311**	295
Total Noncurrent Liabilities	**3,743**	3,859
Commitments and Contingencies (Note 7)		
Shareholders' Equity		
Preferred stock, $0.01 par value, Authorized: 5,000,000 shares, none issued or outstanding	**—**	—
Common stock, $0.01 par value, Authorized: 400,000,000 shares, Issued: 2024 - 139,137,527 shares; 2023 - 138,960,830 shares, Outstanding: 2024 - 125,705,964 shares; 2023 - 126,090,353 shares	**1**	1
Capital in excess of par value	**707**	695
Treasury stock (common), at cost: 2024 - 13,431,563 shares; 2023 - 12,870,477 shares	**(840)**	(819)
Accumulated other comprehensive loss	**(294)**	(299)
Retained earnings	**4,403**	4,535
	3,977	4,113
Total Liabilities and Shareholders' Equity	**$ 14,813**	$ 14,613

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

(in millions, except per share amounts)	Three Months Ended March 31, 2024	2023
Operating Revenue		
Passenger revenue	**$ 2,004**	$ 1,984
Mileage Plan other revenue	**164**	154
Cargo and other revenue	**64**	58
Total Operating Revenue	**2,232**	2,196
Operating Expenses		
Wages and benefits	**804**	723
Variable incentive pay	**44**	47
Aircraft fuel, including hedging gains and losses	**565**	665
Aircraft maintenance	**122**	124
Aircraft rent	**47**	59
Landing fees and other rentals	**165**	152
Contracted services	**97**	95
Selling expenses	**77**	66
Depreciation and amortization	**126**	104
Food and beverage service	**58**	54
Third-party regional carrier expense	**54**	52
Other	**205**	177
Special items - fleet transition	**26**	13
Special items - integration costs	**8**	—
Special items - labor and other	—	51
Total Operating Expenses	**2,398**	2,382
Operating Loss	**(166)**	(186)
Non-operating Income (Expense)		
Interest income	**17**	17
Interest expense	**(35)**	(28)
Interest capitalized	**6**	7
Other - net	—	(9)
Total Non-operating Expense	**(12)**	(13)
Loss Before Income Tax	**(178)**	(199)
Income tax benefit	**(46)**	(57)
Net Loss	**$ (132)**	$ (142)
Basic Loss Per Share:	**$ (1.05)**	$ (1.11)
Diluted Loss Per Share:	**$ (1.05)**	$ (1.11)
Weighted Average Shares Outstanding used for computation:		
Basic	**125.970**	127.501
Diluted	**125.970**	127.501

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS *(unaudited)*

(in millions)	Three Months Ended March 31, 2024	2023
Net Loss	**$ (132)**	$ (142)
Other comprehensive income (loss), net of tax		
Marketable securities	**1**	21
Employee benefit plans	**3**	4
Interest rate derivative instruments	**1**	(2)
Total other comprehensive income, net of tax	**$ 5**	$ 23
Total Comprehensive Loss, Net of Tax	**$ (127)**	$ (119)

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY *(unaudited)*

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2023	***126.090***	**$ 1**	**$ 695**	**$ (819)**	**$ (299)**	**$ 4,535**	**$ 4,113**
Net loss	—	—	—	—	—	(132)	(132)
Other comprehensive income	—	—	—	—	5	—	5
Common stock repurchase	*(0.561)*	—	—	(21)	—	—	(21)
Stock-based compensation	—	—	15	—	—	—	15
Stock issued under stock plans	*0.177*	—	(3)	—	—	—	(3)
Balance at March 31, 2024	***125.706***	**$ 1**	**$ 707**	**$ (840)**	**$ (294)**	**$ 4,403**	**$ 3,977**

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2022	***127.534***	**$ 1**	**$ 577**	**$ (674)**	**$ (388)**	**$ 4,300**	**$ 3,816**
Net loss	—	—	—	—	—	(142)	(142)
Other comprehensive income	—	—	—	—	23	—	23
Common stock repurchase	*(0.414)*	—	—	(18)	—	—	(18)
Stock-based compensation	—	—	12	—	—	—	12
Stock issued under stock plans	*0.123*	—	(2)	—	—	—	(2)
Balance at March 31, 2023	***127.243***	**$ 1**	**$ 587**	**$ (692)**	**$ (365)**	**$ 4,158**	**$ 3,689**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in millions)	Three Months Ended March 31, 2024	2023
Cash Flows from Operating Activities:		
Net Loss	**$ (132)**	$ (142)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**126**	104
Stock-based compensation and other	**19**	23
Special items - fleet transition	**23**	13
Special items - labor and other	**—**	51
Changes in certain assets and liabilities:		
Changes in deferred income taxes	**(47)**	(56)
Increase in accounts receivable	**(55)**	(44)
Increase in air traffic liability	**468**	433
Increase in deferred revenue	**30**	46
Other - net	**(140)**	(206)
Net cash provided by operating activities	**292**	222
Cash Flows from Investing Activities:		
Property and equipment additions		
Aircraft and aircraft purchase deposits	**31**	(50)
Other flight equipment	**(44)**	(50)
Other property and equipment	**(44)**	(24)
Total property and equipment additions	**(57)**	(124)
Supplier proceeds	**162**	—
Purchases of marketable securities	**(13)**	(201)
Sales and maturities of marketable securities	**133**	388
Other investing activities	**93**	(3)
Net cash provided by investing activities	**318**	60
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net of issuance costs	**149**	—
Long-term debt payments	**(102)**	(96)
Common stock repurchases	**(20)**	(18)
Other financing activities	**(32)**	—
Net cash used in financing activities	**(5)**	(114)
Net increase in cash and cash equivalents	**605**	168
Cash, cash equivalents, and restricted cash at beginning of period	**308**	369
Cash, cash equivalents, and restricted cash at end of the period	**$ 913**	$ 537

(in millions)	Three Months Ended March 31, 2024	2023
Supplemental disclosure:		
Cash paid during the period for:		
Interest, net of amount capitalized	**$ 35**	$ 32
Non-cash transactions:		
Right-of-use assets acquired through operating leases	**13**	111
Property and equipment acquired through the issuance of debt	**45**	—
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	**885**	516
Restricted cash included in Other noncurrent assets	**28**	21
Total cash, cash equivalents, and restricted cash at end of the period	**$ 913**	$ 537

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The condensed consolidated financial statements include the accounts of Air Group, or the Company, and its primary subsidiaries, Alaska and Horizon. The condensed consolidated financial statements also include McGee Air Services (McGee), a ground services subsidiary of Alaska, and other immaterial business units. All intercompany balances and transactions have been eliminated. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Consistent with these requirements, this Form 10-Q does not include all the information required by GAAP for complete financial statements. It should be read in conjunction with the consolidated financial statements and accompanying notes in the Form 10-K for the year ended December 31, 2023. In the opinion of management, all adjustments have been made that are necessary to fairly present the Company's financial position as of March 31, 2024 and the results of operations for the three months ended March 31, 2024 and 2023. Such adjustments were of a normal recurring nature. Certain rows, columns, figures, or percentages may not recalculate due to rounding.

In preparing these statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenue and expenses, including impairment charges. Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices, changes in global economic conditions, changes in the competitive environment, and other factors, operating results for the three months ended March 31, 2024 are not necessarily indicative of operating results for the entire year.

Flight 1282 and Boeing 737-9 MAX Grounding

As a result of the Flight 1282 accident and the subsequent grounding of Boeing 737-9 MAX (B737-9) aircraft, Air Group's operation and results were significantly impacted. The Company received compensation from Boeing to address the financial damages incurred as a result of the grounding. As part of this compensation, Boeing paid Air Group $162 million in cash during the first quarter. Subsequent to quarter end, Boeing issued Air Group $61 million in supplier credit memos to be used on future Boeing purchases.

Compensation received under the agreement is accounted for as a reduction in cost basis of certain B737-9 aircraft. Proceeds received as of March 31, 2024 are reflected within Aircraft and other flight equipment or Deposits for future flight equipment within the condensed consolidated balance sheets.

NOTE 2. PROPOSED ACQUISITION OF HAWAIIAN HOLDINGS, INC.

On December 2, 2023, the Company entered into a definitive agreement to acquire Hawaiian Holdings, Inc. (Hawaiian). The Company has agreed to pay Hawaiian's shareholders $18.00 per share, or approximately $1.0 billion, in cash for the outstanding shares of Hawaiian. In addition, the Company expects to assume Hawaiian's debt and lease obligations on the date of acquisition. The acquisition has been approved by Hawaiian's shareholders and is subject to final approval by various regulatory bodies.

On February 7, 2024, Air Group and Hawaiian each received a request for additional information and documentary material (the "Second Request") from the Antitrust Division of the Department of Justice (the "DOJ") in connection with the DOJ's review of the acquisition. On March 27, 2024, Air Group and Hawaiian entered into a timing agreement with the DOJ pursuant to which they agreed, among other things, not to consummate the acquisition before 90 days following the date on which both parties have certified substantial compliance with the Second Request unless they have received written notice from the DOJ prior to the end of such 90-day period that the DOJ has closed its investigation of the acquisition.

In the first quarter of 2024, the Company incurred integration costs of $8 million. These costs are classified as special items within the condensed consolidated statements of operations. The Company expects to continue to incur integration costs as activities supporting the proposed acquisition continue.

NOTE 3. REVENUE

Ticket revenue is recorded as Passenger revenue, and represents the primary source of the Company's revenue. Also included in Passenger revenue is passenger ancillary revenue such as bag fees, on-board food and beverage, and certain revenue from the

frequent flyer program. Mileage Plan other revenue includes brand and marketing revenue from the co-branded credit card and other partners, and certain interline frequent flyer revenue, net of commissions. Cargo and other revenue includes freight and mail revenue, and to a lesser extent, other ancillary revenue products such as lounge membership and certain commissions.

The level of detail within the Company's condensed consolidated statements of operations and in this footnote depict the nature, amount, timing, and uncertainty of revenue and how cash flows are affected by economic and other factors.

Passenger Ticket and Ancillary Services Revenue

Passenger revenue recognized in the condensed consolidated statements of operations (in millions):

	Three Months Ended March 31,	
	2024	2023
Passenger ticket revenue, net of taxes and fees	**$ 1,648**	$ 1,648
Passenger ancillary revenue	**108**	104
Mileage Plan passenger revenue	**248**	232
Total Passenger revenue	**$ 2,004**	$ 1,984

Mileage Plan Loyalty Program

Mileage Plan revenue included in the condensed consolidated statements of operations (in millions):

	Three Months Ended March 31,	
	2024	2023
Mileage Plan passenger revenue	**$ 248**	$ 232
Mileage Plan other revenue	**164**	154
Total Mileage Plan revenue	**$ 412**	$ 386

Cargo and Other Revenue

Cargo and other revenue included in the condensed consolidated statements of operations (in millions):

	Three Months Ended March 31,	
	2024	2023
Cargo revenue	**$ 28**	$ 29
Other revenue	**36**	29
Total Cargo and other revenue	**$ 64**	$ 58

Air Traffic Liability and Deferred Revenue

Passenger ticket and ancillary services liabilities

The Company recognized Passenger revenue of $584 million and $485 million from the prior year-end air traffic liability balance for the three months ended March 31, 2024 and 2023.

Mileage Plan assets and liabilities

The Company records a receivable for amounts due from the affinity card partner and from other partners as mileage credits are sold until the payments are collected. The Company had $104 million of such receivables as of March 31, 2024 and $102 million as of December 31, 2023.

The table below presents a roll forward of the total frequent flyer liability (in millions):

	Three Months Ended March 31,	
	2024	2023
Total Deferred Revenue balance at January 1	**$ 2,603**	$ 2,497
Travel miles and companion certificate redemption - Passenger revenue	**(234)**	(218)
Miles redeemed on partner airlines - Other revenue	**(28)**	(21)
Increase in liability for mileage credits issued	**292**	285
Total Deferred Revenue balance at March 31	**$ 2,633**	$ 2,543

NOTE 4. FAIR VALUE MEASUREMENTS

In determining fair value, there is a three-level hierarchy based on the reliability of the inputs used. Level 1 refers to fair values based on quoted prices in active markets for identical assets or liabilities. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 refers to fair values estimated using significant unobservable inputs.

Fair Value of Financial Instruments on a Recurring Basis

As of March 31, 2024, cost basis and fair value for marketable securities were $1.4 billion. Differences in cost basis and fair value of marketable securities are primarily a result of changes in interest rates. Management does not believe any unrealized losses are the result of expected credit losses based on its evaluation of industry and duration exposure, credit ratings of the securities, liquidity profiles, and other observable information as of March 31, 2024.

Fair values of financial instruments on the condensed consolidated balance sheets (in millions):

	March 31, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets						
Marketable securities						
U.S. government and agency securities	**$ 370**	**$ —**	**$ 370**	$ 387	$ —	$ 387
Equity mutual funds	**6**	**—**	**6**	5	—	5
Foreign government bonds	**—**	**10**	**10**	—	10	10
Asset-backed securities	**—**	**170**	**170**	—	192	192
Mortgage-backed securities	**—**	**103**	**103**	—	115	115
Corporate notes and bonds	**—**	**695**	**695**	—	763	763
Municipal securities	**—**	**39**	**39**	—	38	38
Total Marketable securities	**376**	**1,017**	**1,393**	392	1,118	1,510
Derivative instruments						
Fuel hedge contracts - call options	**—**	**11**	**11**	—	11	11
Interest rate swap agreements	**—**	**9**	**9**	—	8	8
Total Assets	**$ 376**	**$ 1,037**	**$ 1,413**	$ 392	$ 1,137	$ 1,529

The Company uses the market and income approach to determine the fair value of marketable securities. U.S. government securities and equity mutual funds are Level 1 as the fair value is based on quoted prices in active markets. Foreign government bonds, asset-backed securities, mortgage-backed securities, corporate notes and bonds, and municipal securities are Level 2 as the fair value is based on standard valuation models that are calculated based on observable inputs such as quoted interest rates, yield curves, credit ratings of the security and other observable market information.

The Company uses the market approach and the income approach to determine the fair value of derivative instruments. The fair value for fuel hedge call options is determined utilizing an option pricing model based on inputs that are readily available in active markets or can be derived from information available in active markets. In addition, the fair value considers the exposure to credit losses in the event of non-performance by counterparties. Interest rate swap agreements are Level 2 as the fair value of these contracts are determined based on the difference between the fixed interest rate in the agreements and the observable interest SOFR-based forward rates at period end multiplied by the total notional value.

Activity and Maturities for Marketable Securities

Maturities for marketable securities (in millions):

March 31, 2024	Cost Basis	Fair Value
Due in one year or less	$ 443	$ 436
Due after one year through five years	939	907
Due after five years	34	31
Due after 10 years	14	13
No maturity date	4	6
Total	$ 1,434	$ 1,393

Fair Value of Other Financial Instruments

The Company uses the following methods and assumptions to determine the fair value of financial instruments that are not recognized at fair value as described below.

Cash, Cash Equivalents, and Restricted Cash: Cash equivalents consist of highly liquid investments with original maturities of three months or less, such as money market funds, commercial paper, and certificates of deposit. They are carried at cost, which approximates fair value.

The Company's restricted cash balances are primarily used to guarantee various letters of credit, self-insurance programs, or other contractual rights. Restricted cash consists of highly liquid securities with original maturities of three months or less. They are carried at cost, which approximates fair value.

Debt: To estimate the fair value of all fixed-rate debt as of March 31, 2024, the Company uses the income approach by discounting cash flows or estimation using quoted market prices, utilizing borrowing rates for comparable debt over the remaining life of the outstanding debt. The estimated fair value of the fixed-rate Enhanced Equipment Trust Certificate (EETC) debt is Level 2, as it is estimated using observable inputs, while the estimated fair value of $582 million of other fixed-rate debt, including PSP notes payable, is classified as Level 3, as it is not actively traded and is valued using discounted cash flows which is an unobservable input.

Fixed-rate debt on the condensed consolidated balance sheets and the estimated fair value of long-term fixed-rate debt (in millions):

	March 31, 2024	December 31, 2023
Fixed-rate debt	**$ 1,452**	$ 1,515
Estimated fair value	**$ 1,346**	$ 1,382

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are recognized or disclosed at fair value on a nonrecurring basis, including property, plant and equipment, operating and finance lease assets, goodwill, and intangible assets. These assets are subject to fair valuation when there is evidence of impairment. No material impairments were recorded during the three months ended March 31, 2024.

NOTE 5. LONG-TERM DEBT

Long-term debt obligations on the condensed consolidated balance sheets (in millions):

	March 31, 2024	December 31, 2023
Fixed-rate notes payable due through 2029	**$ 73**	$ 80
Fixed-rate PSP notes payable due through 2031	**600**	600
Fixed-rate EETC payable due through 2025 & 2027	**779**	835
Variable-rate notes payable due through 2036	**1,128**	971
Less debt issuance costs	**(15)**	(15)
Total debt	**2,565**	2,471
Less current portion[(a)]	**301**	289
Long-term debt, less current portion	**$ 2,264**	$ 2,182
Weighted-average fixed-interest rate	**3.3 %**	3.4 %
Weighted-average variable-interest rate	**6.8 %**	6.8 %

(a) Excludes finance lease liabilities recognized within Current portion of long-term debt and finance leases in the condensed consolidated balance sheets as of December 31, 2023.

Approximately $240 million of the Company's total variable-rate notes payable are effectively fixed via interest rate swaps at March 31, 2024, resulting in an effective weighted-average interest rate for the full debt portfolio of 4.6%.

During the three months ended March 31, 2024, the Company incurred debt of $195 million from multiple lenders and sources. New debt includes proceeds of $150 million which is secured by aircraft. Additionally, $45 million of debt was incurred as part of an agreement to finance certain E175 deliveries. Debt from this agreement is reflected as a non-cash transaction within the supplemental disclosures in the condensed consolidated statements of cash flows. During the three months ended March 31, 2024, the Company made debt payments of $102 million.

Debt Maturity

At March 31, 2024, long-term debt principal payments for the next five years and thereafter are as follows (in millions):

	Total
Remainder of 2024	$ 201
2025	365
2026	322
2027	646
2028	131
Thereafter	915
Total Principal Payments	$ 2,580

Bank Lines of Credit

Alaska has three credit facilities totaling $626 million as of March 31, 2024. One credit facility is for $150 million, expires in March 2025, and is secured by certain accounts receivable, spare engines, spare parts, and ground service equipment. A second credit facility is for $400 million, expires in June 2026, and is secured by aircraft. Both facilities have variable interest rates based on SOFR plus a specified margin. A third credit facility is for $76 million, expires in June 2024, and is secured by aircraft.

Alaska has secured letters of credit against the third facility, but has no plans to borrow using either of the other two facilities. All credit facilities have a requirement to maintain a minimum unrestricted cash and marketable securities balance of $500 million. Alaska was in compliance with this covenant at March 31, 2024.

Subsequent to quarter end, the Company executed an amendment to extend the term of the $150 million credit facility from March 2025 to April 2028.

NOTE 6. EMPLOYEE BENEFIT PLANS

Net periodic benefit costs for qualified defined-benefit plans include the following (in millions):

	Three Months Ended March 31,	
	2024	2023
Service cost	$ 7	$ 7
Pension expense included in Wages and benefits	7	7
Interest cost	27	27
Expected return on assets	(32)	(28)
Recognized actuarial loss	5	6
Pension expense included in Non-operating Income (Expense)	$ —	$ 5

NOTE 7. COMMITMENTS AND CONTINGENCIES

Alaska continues to experience delivery delays of B737 aircraft. Boeing has communicated that certain B737 aircraft are expected to be delivered later than the contracted delivery dates provided to Alaska. This includes certain B737-10 aircraft contracted for delivery in 2025 that have been moved to 2026, pending certification of the B737-10. We have incorporated these adjustments in the tables below, however, management expects that other Boeing aircraft deliveries may also be delayed later than negotiated delivery timeframes.

Future minimum contractual payments for commitments as of March 31, 2024 (in millions):

	Aircraft-Related Commitments[a]	Capacity Purchase Agreements and Other Obligations [b]
Remainder of 2024	$ 1,164	$ 177
2025	830	230
2026	1,634	223
2027	601	220
2028	151	223
Thereafter	717	515
Total	$ 5,097	$ 1,588

(a) Includes contractual commitments for aircraft, engines, and aircraft maintenance, and incorporates the impact of expected delays for certain B737 aircraft as communicated by Boeing. Option deliveries are excluded from minimum commitments until exercise.
(b) Primarily comprised of non-lease costs associated with capacity purchase agreements, as well as other various sponsorship agreements and investment commitments.

Aircraft Commitments

Aircraft purchase commitments include contractual commitments for aircraft and engines. Details for contractual aircraft commitments as of March 31, 2024 are outlined below.

	Firm Orders	Options and Other Rights	Total
Aircraft Type	**2024-2027**	**2025-2030**	**2024-2030**
B737	80	105	185
E175	7	7	14
Total	87	112	199

Aircraft Maintenance

Aircraft maintenance commitments include contractual commitments for engine maintenance agreements requiring monthly payments based upon utilization, such as flight hours, cycles, and age of the aircraft. In turn, these maintenance agreements transfer certain risks to the third-party service provider. Alaska has contracts for maintenance on its B737-800 and B737-900ER aircraft engines through 2026 and 2032, respectively. Horizon has contracts for maintenance on its E175 aircraft engines through 2033 and 2039.

Contingencies

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected. Liabilities for litigation related contingencies are recorded when a loss is determined to be probable and estimable.

As part of the 2016 acquisition of Virgin America, Alaska assumed responsibility for the Virgin trademark license agreement with the Virgin Group. In 2019, pursuant to that agreement's venue provision, the Virgin Group sued Alaska in England, alleging that the agreement requires Alaska to pay $8 million per year as a minimum annual royalty through 2039, adjusted annually for inflation and irrespective of Alaska's actual use (or non-use) of the mark. The possible range of contractual liability is between $10 million and $160 million. Alaska stopped making royalty payments in 2019 after ending all use of the Virgin brand. On February 16, 2023, the commercial court issued a ruling adopting Virgin Group's interpretation of the license agreement. The Company has appealed the decision and believes the claims in the case are without factual and legal merit, a position supported by Virgin America's representations during pre-merger due diligence. Alaska also commenced a separate claim for breach of the agreement against the Virgin Group that may affect the Company's total liability in the matter.

On April 15, 2024, a private antitrust action captioned *Warren Yoshimoto, et al., v. Alaska Airlines, Inc., et al.* was filed in the United States District Court for the District of Hawaii, against Alaska Airlines, Inc. and Alaska Air Group, Inc. The plaintiffs, whom the complaint describes as airline passengers, allege that the pending acquisition of Hawaiian Airlines, Inc. by Alaska Airlines, Inc. would violate U.S. antitrust laws. They seek to enjoin the merger or obtain divestitures, as well as costs and attorneys' fees. The Company believes the allegations in the complaint are without merit and will defend against them vigorously, while continuing to work cooperatively with the U.S. Department of Justice to obtain regulatory clearance to close the acquisition.

NOTE 8. SHAREHOLDERS' EQUITY

Common Stock Repurchase

In August 2015, the Board of Directors authorized a $1 billion share repurchase program. As of March 31, 2024, the Company has repurchased 11.7 million shares for $709 million under this program.

Share purchase activity (in millions, except share amounts):

	Three Months Ended March 31,			
	2024		2023	
	Shares	Amount	Shares	Amount
2015 Repurchase Program—$1 billion	561,086	$ 21	413,554	$ 18

CARES Act Warrant Issuances

As taxpayer protection required under the Payroll Support Program (PSP) under the CARES Act, the Company granted the U.S. government a total of 1,455,437 warrants to purchase ALK common stock in 2020 and 2021. An additional 427,080 warrants were issued in conjunction with a draw on the CARES Act Loan in 2020. These warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, and have a five-year term.

As of March 31, 2024, there are 1,882,517 total warrants outstanding, with a weighted average strike price of $39.06. The value of the warrants was estimated using a Black-Scholes option pricing model. The total fair value of all outstanding warrants was $30 million, recorded in stockholders' equity at issuance.

NOTE 9. LOSS PER SHARE

Basic loss per share and diluted loss per share are calculated by dividing net loss by the weighted average number of common shares outstanding during the period.

(in millions, except per share amounts)	Three Months Ended March 31, 2024	2023
Net loss	**$ (132)**	$ (142)
Basic weighted average shares outstanding	**125.970**	127.501
Dilutive effect of share-based instruments	**—**	—
Diluted weighted average shares outstanding	**125.970**	127.501
Basic loss per share	**$ (1.05)**	$ (1.11)
Diluted loss per share	**$ (1.05)**	$ (1.11)
Antidilutive amounts excluded from calculation:		
Employee stock awards	**3.8**	2.4
Stock warrants	**0.2**	0.4

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

A roll forward of the amounts included in accumulated other comprehensive loss is shown below for the three months ended March 31, 2024 and 2023:

	Marketable Securities	Employee Benefit Plan	Interest Rate Derivatives	Tax Effect	Total
Balance at December 31, 2023	$ (46)	$ (358)	$ 8	$ 97	$ (299)
Change in value	1	—	1	—	2
Reclassifications into earnings	—	4	—	(1)	3
Balance at March 31, 2024	**$ (45)**	**$ (354)**	**$ 9**	**$ 96**	**$ (294)**

	Marketable Securities	Employee Benefit Plan	Interest Rate Derivatives	Tax Effect	Total
Balance at December 31, 2022	$ (104)	$ (421)	$ 15	$ 122	$ (388)
Change in value	20	—	(3)	(3)	14
Reclassifications into earnings	6	5	—	(2)	9
Balance at March 31, 2023	**$ (78)**	**$ (416)**	**$ 12**	**$ 117**	**$ (365)**

NOTE 11. OPERATING SEGMENT INFORMATION

Alaska Air Group has two operating airlines – Alaska and Horizon. Each is regulated by the U.S. Department of Transportation's Federal Aviation Administration. Alaska has CPAs for regional capacity with Horizon and SkyWest, under which Alaska receives all passenger revenue.

Under GAAP, operating segments are defined as components of a business for which there is discrete financial information that is regularly assessed by the Chief Operating Decision Maker (CODM) in making resource allocation decisions. Historically, our CODM has reviewed financial performance information for our airline operations and Horizon CPA as part of three reportable operating segments:

- **Mainline** - includes scheduled air transportation on Alaska's Boeing jet aircraft for passengers and cargo throughout the U.S., and in parts of Canada, Mexico, Costa Rica, Belize, Guatemala, and the Bahamas.
- **Regional** - includes Horizon's and other third-party carriers' scheduled air transportation for passengers across a shorter distance network within the U.S., Canada, and Mexico under a CPA. This segment includes the actual revenue and expenses associated with regional flying, as well as an allocation of corporate overhead incurred by Air Group on behalf of the regional operations.
- **Horizon** - includes the capacity sold to Alaska under CPA. Expenses include those typically borne by regional airlines such as crew costs, ownership costs and maintenance costs.

In addition to these reported segments, we have a "Consolidating and Other" column which reflects Air Group parent company activity, McGee Air Services, consolidating entries and other immaterial business units of the company. The "Air Group Adjusted" column represents a non-GAAP measure that is used by the Company's CODM to evaluate performance and allocate resources. Adjustments are further explained below in reconciling to consolidated GAAP results.

Over time, our Mainline and Regional airline segments have increasingly been managed as a single component that provides scheduled air transportation for passengers and cargo, and includes our loyalty program. Managing this component in an integrated manner enables our team to leverage our comprehensive network, single route scheduling system, and fleet as a single business to deliver optimized consolidated financial results. In the first quarter of 2024, management began evaluating changes to internal reporting that may change the discrete information that is provided to our CODM in the future to better align with the way the business is managed. Such changes may have an impact on the company's reportable segments once finalized. We will continue to report using the existing segment structure until changes in our internal reporting have been fully implemented, and a segment analysis has been performed to determine if any changes to reportable segments are indicated.

Operating segment information is as follows (in millions):

	Three Months Ended March 31, 2024						
	Mainline	Regional	Horizon	Consolidating & Other[a]	Air Group Adjusted[b]	Special Items[c]	Consolidated
Operating Revenue							
Passenger revenue	$ 1,629	$ 375	$ —	$ —	$ 2,004	$ —	$ 2,004
CPA revenue	—	—	104	(104)	—	—	—
Mileage Plan other revenue	149	15	—	—	164	—	164
Cargo and other revenue	62	—	—	2	64	—	64
Total Operating Revenue	1,840	390	104	(102)	2,232	—	2,232
Operating Expenses							
Operating expenses, excluding fuel	1,514	299	88	(102)	1,799	34	1,833
Fuel expense	485	93	—	—	578	(13)	565
Total Operating Expenses	1,999	392	88	(102)	2,377	21	2,398
Non-operating Income (Expense)	(3)	—	(11)	2	(12)	—	(12)
Income (Loss) Before Income Tax	$ (162)	$ (2)	$ 5	$ 2	$ (157)	$ (21)	$ (178)
Pretax Margin					(7.0) %		(8.0) %

	Three Months Ended March 31, 2023						
	Mainline	Regional	Horizon	Consolidating & Other[a]	Air Group Adjusted[b]	Special Items[c]	Consolidated
Operating Revenue							
Passenger revenue	$ 1,673	$ 311	$ —	$ —	$ 1,984	$ —	$ 1,984
CPA revenue	—	—	78	(78)	—	—	—
Mileage Plan other revenue	143	11	—	—	154	—	154
Cargo and other revenue	57	—	—	1	58	—	58
Total Operating Revenue	1,873	322	78	(77)	2,196	—	2,196
Operating Expenses							
Operating expenses, excluding fuel	1,390	256	84	(77)	1,653	64	1,717
Fuel expense	561	85	—	(1)	645	20	665
Total Operating Expenses	1,951	341	84	(78)	2,298	84	2,382
Non-operating Income (Expense)	(6)	—	(8)	1	(13)	—	(13)
Income (Loss) Before Income Tax	$ (84)	$ (19)	$ (14)	$ 2	$ (115)	$ (84)	$ (199)
Pretax Margin					(5.2) %		(9.1) %

(a) Includes consolidating entries, Air Group parent company, McGee Air Services, and other immaterial business units.
(b) The Air Group Adjusted column represents the financial information that is reviewed by management to assess performance of operations and determine capital allocation and excludes certain charges.
(c) Includes special items and mark-to-market fuel hedge accounting adjustments.

Total assets were as follows (in millions):

	March 31, 2024	December 31, 2023
Mainline	**$ 20,140**	$ 19,937
Horizon	**1,382**	1,352
Consolidating & Other	**(6,709)**	(6,676)
Consolidated	**$ 14,813**	$ 14,613

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand our company and the present business environment. MD&A is provided as a supplement to – and should be read in conjunction with – our consolidated financial statements and the accompanying notes. All statements in the following discussion that are not statements of historical information or descriptions of current accounting policy are forward-looking statements. Please consider our forward-looking statements in light of the risks referred to in this report's introductory cautionary note and the risks mentioned in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023. This overview summarizes the MD&A, which includes the following sections:

- *GAAP to Non-GAAP Reconciliations and Operating Statistics* - reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis, as well as operating statistics we use to measure operating performance.
- *First Quarter Review* - highlights from the first quarter of 2024 outlining some of the major events that occurred during the period.
- *Results of Operations* - an in-depth analysis of our consolidated revenue and expenses for the three months ended March 31, 2024. This section includes forward-looking statements regarding our view of the remainder of 2024.
- *Liquidity and Capital Resources* - an overview of our financial position, analysis of cash flows, and relevant contractual obligations and commitments.

GAAP TO NON-GAAP RECONCILIATIONS AND OPERATING STATISTICS

We are providing reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis. We believe that consideration of these non-GAAP financial measures may be important to investors for the following reasons:

- By excluding certain costs from our unit metrics, we believe that we have better visibility into the results of operations. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can result in a significant improvement in operating results. We believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management and investors to understand the impact of company-specific cost drivers which are more controllable by management. We adjust for expenses related directly to our freighter aircraft operations to allow for better comparability to other domestic carriers that do not operate freighter aircraft. We also exclude certain special charges as they are unusual or nonrecurring in nature and adjusting for these expenses allows management and investors to better understand our cost performance.
- CASMex is one of the most important measures used by management and by the Air Group Board of Directors in assessing quarterly and annual cost performance. CASMex is also a measure commonly used by industry analysts, and we believe it is the basis by which they have historically compared our airline to others in the industry. The measure is also the subject of frequent questions from investors.
- Adjusted pretax income is an important metric for the employee incentive plan, which covers the majority of Air Group employees.
- Disclosure of the individual impact of certain noted items provides investors the ability to measure and monitor performance both with and without these special items. We believe that disclosing the impact of these items as noted above is important because it provides information on significant items that are not necessarily indicative of future performance. Industry analysts and investors consistently measure our performance without these items for better comparability between periods and among other airlines.
- Although we disclose our unit revenue, we do not, nor are we able to, evaluate unit revenue excluding the impact that changes in fuel costs have had on ticket prices. Fuel expense represents a large percentage of our total operating expenses. Fluctuations in fuel prices often drive changes in unit revenue in the mid-to-long term. Although we believe it is useful to

evaluate non-fuel unit costs for the reasons noted above, we would caution readers of these financial statements not to place undue reliance on unit costs excluding fuel as a measure or predictor of future profitability because of the significant impact of fuel costs on our business.

Although we are presenting these non-GAAP amounts for the reasons above, investors and other readers should not consider them a substitute for GAAP figures.

GAAP TO NON-GAAP RECONCILIATIONS (unaudited)

	Three Months Ended March 31,			
	2024		2023	
(in millions)	Dollars	Margin	Dollars	Margin
Loss before income tax	**(178)**	**(8.0)%**	(199)	(9.1)%
Adjusted for:				
Mark-to-market fuel hedge adjustment	**(13)**		20	
Special items - fleet transition[(a)]	**26**		13	
Special items - integration costs[(b)]	**8**		—	
Special items - labor and other[(c)]	—		51	
Adjusted loss before income tax	**(157)**	**(7.0)%**	(115)	(5.2)%

(a) Special items - fleet transition in the three months ended March 31, 2024 and 2023 is primarily for costs associated with the retirement of Airbus and Q400 aircraft, as well as gains on the sale of certain Q400 aircraft.

(b) Special items - integration costs is associated with our proposed acquisition of Hawaiian Airlines.

(c) Special items - labor and other is for changes to Alaska pilots' sick leave benefits resulting from an agreement signed in the first quarter of 2023.

	Three Months Ended March 31,			
	2024		2023	
(in millions, except per share amounts)	Dollars	Diluted EPS	Dollars	Diluted EPS
Net loss per share	**$ (132)**	**$ (1.05)**	$ (142)	$ (1.11)
Mark-to-market fuel hedge adjustment	**(13)**	**(0.10)**	20	0.16
Special items - fleet transition	**26**	**0.21**	13	0.10
Special items - integration costs	**8**	**0.06**	—	—
Special items - labor and other	**—**	**—**	51	0.40
Income tax effect of reconciling items above	**(5)**	**(0.04)**	(21)	(0.17)
Adjusted net loss per share	**$ (116)**	**$ (0.92)**	$ (79)	$ (0.62)

	Three Months Ended March 31,	
(in millions)	2024	2023
Total operating expenses	**2,398**	2,382
Less the following components:		
Aircraft fuel, including hedging gains and losses	**565**	665
Freighter costs[(a)]	**15**	14
Special items - fleet transition	**26**	13
Special items - integration costs	**8**	—
Special items - labor and other	**—**	51
Total operating expenses, excluding fuel, freighter costs, and special items	**1,784**	**1,639**
CASMex	**11.60 ¢**	10.44 ¢

(a) Freighter costs in the three months ended March 31, 2024 and 2023 are not presented separately on the consolidated statements of operations.

OPERATING STATISTICS (unaudited)

Below are consolidated operating statistics we use to measure operating performance. We often refer to unit revenue and adjusted unit costs, which are non-GAAP measures.

	Three Months Ended March 31,		
	2024	**2023**	**Change**
Revenue passengers (000)	**9,774**	9,852	(1)%
RPMs (000,000) "traffic"	**12,524**	12,554	—%
ASMs (000,000) "capacity"	**15,378**	15,705	(2)%
Load factor	**81.4%**	79.9%	1.5 pts
Yield	**16.00¢**	15.80¢	1%
PRASM	**13.03¢**	12.63¢	3%
RASM	**14.51¢**	13.98¢	4%
CASMex[(a)]	**11.60¢**	10.44¢	11%
Economic fuel cost per gallon[(a)]	**$3.08**	$3.41	(10)%
Fuel gallons (000,000)	**188**	189	(1)%
ASMs per fuel gallon	**81.8**	83.1	(2)%
Departures (000)	**95.7**	95.4	—%
Average full-time equivalent employees (FTEs)	**23,013**	22,978	—%
Operating fleet[(b)]	**315**	294	21 a/c

(a) Refer to reconciliation of this non-GAAP measure to the most directly related GAAP measure.
(b) Includes aircraft owned and leased by Alaska and Horizon as well as aircraft operated by third-party regional carriers under capacity purchase agreements. Excludes non-operating aircraft.

FIRST QUARTER REVIEW

Financial Overview

We reported a loss before income tax for the first quarter of 2024 of $178 million, compared to $199 million for the first quarter of 2023. Despite the impacts of Flight 1282 and the subsequent grounding of the B737-9 fleet, which are outlined more fully below, the Company recorded record first quarter revenue bolstered by strategic capacity deployment and strong leisure and business demand. Revenue improvement, combined with a $100 million decrease in aircraft fuel costs, offset by increased non-fuel operating expenses drove the year-over-year improvement in pretax loss.

See "*Results of Operations*" below for further discussion of changes in revenue and operating expenses as compared to 2023. A glossary of financial terms can be found at the end of this Item 2.

Flight 1282 and B737-9 Updates

Air Group's first quarter operation and results were significantly impacted by Flight 1282 in January and the B737-9 grounding which extended into February. These events negatively impacted results by $162 million in the first quarter, of which approximately $150 million relates to lost revenue and the remainder to incremental costs. The Company received $162 million in cash compensation from Boeing to address these financial damages, which was recorded as an offset to the cost basis of certain B737-9 aircraft. Subsequent to quarter end, Boeing issued Air Group $61 million in supplier credit memos to be used on future Boeing purchases.

Labor Update

In the first quarter, Alaska technicians, represented by the Aircraft Mechanics Fraternal Union (AMFA), ratified a new five-year Collective Bargaining Agreement (CBA) that includes wage increases and quality of life improvements.

Alaska is in negotiations with its flight attendants represented by the Association of Flight Attendants (AFA) for an updated CBA. A mediator from the National Mediation Board is involved in the negotiations. Horizon has initiated negotiations with certain labor groups for updated CBAs, including its pilots, represented by the International Brotherhood of Teamsters; its flight attendants, represented by AFA; and its technicians, represented by AMFA.

Outlook

The following represents our expectations for the second quarter and full year 2024 results:

	Q2 Expectation
Capacity (ASMs) % change versus 2023	Up 5% to 7%
Economic fuel cost per gallon	$3.00 to $3.20
Earnings per share[(a)]	$2.20 to $2.40

	Full Year Expectation
Capacity (ASMs) % change versus 2023	< 3%
Earnings per share[(a)]	$3.25 to $5.25
Capital expenditures	$1.2 billion - $1.3 billion

(a) Earnings per share guidance assumes a full year tax rate of approximately 25%

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 2024 TO THREE MONTHS ENDED MARCH 31, 2023

OPERATING REVENUE

Total operating revenue increased $36 million, or 2%, in the first quarter of 2024 compared to the same period in 2023. The changes are summarized in the following table:

	Three Months Ended March 31,		
(in millions)	**2024**	**2023**	**% Change**
Passenger revenue	**$ 2,004**	$ 1,984	1 %
Mileage Plan other revenue	**164**	154	6 %
Cargo and other revenue	**64**	58	10 %
Total Operating Revenue	**$ 2,232**	$ 2,196	2 %

Passenger revenue

On a consolidated basis, Passenger revenue for the first quarter of 2024 increased $20 million, or 1% compared to the same period in 2023. While the B737-9 grounding resulted in approximately $150 million in lost revenue, meaningful improvements in corporate travel revenue and general close-in strength drove improvements in unit revenue to help offset this negative impact. Additionally, increased traffic on ten E175 aircraft added to our fleet since the first quarter of 2023 contributed positively to Passenger revenue.

We expect to see further growth to Passenger revenue as we progress through 2024 driven by diverse revenue offerings, increased capacity, continued improvements to our strategic network, and further recovery of West Coast corporate travel.

Mileage Plan other revenue

On a consolidated basis, Mileage Plan other revenue for the first quarter of 2024 increased by $10 million, or 6%. The increase was driven by higher commissions from our bank card partner primarily due to increased credit card acquisitions, as well as higher commission revenue from other third party partners.

We expect to see continued strength in Mileage Plan other revenue for the remainder of 2024, enabled by higher commissions from increased card spend and incremental partner activity.

Cargo and other revenue

On a consolidated basis, Cargo and other revenue for the first quarter of 2024 increased by $6 million, or 10%. The growth was driven by incremental lounge revenue and other miscellaneous increases.

We expect to see further growth in Cargo and other revenue for the remainder of 2024, driven by increased freight volumes with the addition of a second B737-800 freighter to our fleet in the second quarter of 2024.

OPERATING EXPENSES

Total operating expenses increased $16 million, or 1%, compared to the first quarter of 2023. We believe it is useful to summarize operating expenses as follows, which is consistent with the way expenses are reported internally and evaluated by management:

	Three Months Ended March 31,		
(in millions)	**2024**	**2023**	**% Change**
Fuel expense	**$ 565**	$ 665	(15)%
Non-fuel operating expenses, excluding special items	**1,799**	1,653	9 %
Special items - fleet transition	**26**	13	100 %
Special items - integration costs	**8**	—	NM
Special items - labor and other	**—**	51	(100)%
Total Operating Expenses	**$ 2,398**	$ 2,382	1 %

Fuel expense

Aircraft fuel expense includes raw fuel expense (as defined below) plus the effect of mark-to-market adjustments to our fuel hedge portfolio as the value of that portfolio increases and decreases. Our aircraft fuel expense can be volatile because it includes these gains or losses in the value of the underlying instrument as crude oil prices and refining margins increase or decrease. Raw fuel expense is defined as the price that we generally pay at the airport, or the “into-plane” price, including taxes and fees. Raw fuel prices are impacted by world oil prices and refining costs, which can vary by region in the U.S. Raw fuel expense approximates cash paid to suppliers and does not reflect the effect of our fuel hedges.

Aircraft fuel expense decreased $100 million, or 15%, compared to the first quarter of 2023. The elements of the change are illustrated in the following table:

	Three Months Ended March 31,			
	2024		**2023**	
(in millions, except for per gallon amounts)	**Dollars**	**Cost/Gal**	**Dollars**	**Cost/Gal**
Raw or "into-plane" fuel cost	**$ 565**	**$ 3.01**	$ 633	$ 3.35
Losses on settled hedges	**13**	**0.07**	12	0.06
Economic fuel expense	**$ 578**	**$ 3.08**	$ 645	$ 3.41
Mark-to-market fuel hedge adjustments	**(13)**	**(0.07)**	20	0.11
Aircraft fuel, including hedging gains and losses	**$ 565**	**$ 3.01**	$ 665	$ 3.52
Fuel gallons		**188**		189

Raw fuel expense decreased 11% in the first quarter of 2024 compared to the first quarter of 2023, due to lower per gallon costs on decreased refining margins associated with the conversion of crude oil to jet fuel.

We also evaluate economic fuel expense, which we define as raw fuel expense adjusted for the cash we receive from hedge counterparties for hedges that settle during the period and for the premium expense that we paid for those contracts. A key difference between aircraft fuel expense and economic fuel expense is the timing of gain or loss recognition on our hedge portfolio. Economic fuel expense includes gains and losses only when they are realized for those contracts that were settled

during the period based on their original contract terms. We believe this is the best measure of the effect that fuel prices are currently having on our business as it most closely approximates the net cash outflow associated with purchasing fuel for our operations. Accordingly, many industry analysts evaluate our results using this measure, and it is the basis for most internal management reporting and incentive pay plans.

Losses recognized for hedges that settled during the first quarter were $13 million in 2024, compared to losses of $12 million in the same period in 2023. These amounts represent cash paid for premium expense, offset by any cash received from those hedges at settlement. In 2023, we suspended our crude oil hedge program. Our final option position will settle in the first quarter of 2025.

In the second quarter, we expect our economic fuel cost per gallon to range between $3.00 to $3.20.

Non-fuel expenses

The table below provides the reconciliation of the operating expense line items, excluding fuel and other special items. Significant operating expense variances from 2023 are more fully described below.

	Three Months Ended March 31,		
(in millions)	**2024**	**2023**	**% Change**
Wages and benefits	**$ 804**	$ 723	11 %
Variable incentive pay	**44**	47	(6) %
Aircraft maintenance	**122**	124	(2) %
Aircraft rent	**47**	59	(20) %
Landing fees and other rentals	**165**	152	9 %
Contracted services	**97**	95	2 %
Selling expenses	**77**	66	17 %
Depreciation and amortization	**126**	104	21 %
Food and beverage service	**58**	54	7 %
Third-party regional carrier expense	**54**	52	4 %
Other	**205**	177	16 %
Total non-fuel operating expenses, excluding special items	**$ 1,799**	$ 1,653	9 %

Wages and benefits

Wages and benefits increased by $81 million, or 11%, in the first quarter of 2024. The primary components of Wages and benefits are shown in the following table:

	Three Months Ended March 31,		
(in millions)	**2024**	**2023**	**% Change**
Wages	**$ 609**	$ 558	9 %
Payroll taxes	**44**	41	7 %
Medical and other benefits	**83**	66	26 %
Defined contribution plans	**61**	51	20 %
Pension - Defined benefit plans	**7**	7	— %
Total Wages and benefits	**$ 804**	$ 723	11 %

Wages increased $51 million, or 9%, driven by higher wage rates stemming from labor agreements reached with various represented labor groups since the first quarter of 2023, as well as additional impact from irregular operations following the B737-9 grounding. Increased expense for payroll taxes is consistent with the change in wages.

Increased expense for medical and other benefits was primarily driven by an increase in the cost of medical services compared to the prior year. Increased expense for defined contribution plans was driven by the change in wages as well as higher matching contributions for various labor groups.

We expect to see higher wages and benefits for the remainder of 2024 due to the increase in wage rates and additional agreements we may reach during the year with represented labor groups.

Aircraft rent

Aircraft rent expense decreased by $12 million, or 20%, in the first quarter of 2024. The decrease was primarily driven by the retirement of ten leased A321neo aircraft fleet from operations, partially offset by the addition of one leased B737-9 and one leased B737-800 freighter since the first quarter of 2023.

We expect aircraft rent to remain below 2023 levels for the remainder of 2024, due to the net reduction in leased aircraft described above.

Landing fees and other rentals

Landing fees and other rentals increased by $13 million, or 9%, in the first quarter of 2024. The increase was driven primarily by higher terminal rent costs resulting from rate increases at many of our facilities, as well as non-recurring favorable settlements that were realized in 2023.

We expect landing fees and other rentals to increase for the remainder of 2024 as compared to 2023 due to increased capacity and higher rates at airports.

Selling expenses

Selling expenses increased by $11 million, or 17%, in the first quarter of 2024. The increase was primarily driven by increased credit card commissions, as well as timing differences.

We expect selling expenses to increase for the remainder of 2024 as compared to 2023, due primarily to higher sales and an increase in marketing costs as we continue to build our brand.

Depreciation and amortization

Depreciation and amortization increased by $22 million, or 21%, in the first quarter of 2024. The increase was primarily due to the addition of 22 owned B737 aircraft and ten owned E175 aircraft to our fleet since the first quarter of 2023. Incremental depreciation on ground service and other equipment also contributed to the increase.

Other expense

Other expense increased by $28 million, or 16%, in the first quarter of 2024. The increase was primarily driven by passenger remuneration and crew hotel costs due to the B737-9 grounding. Additional software expenses also contributed to the increase.

Special items - fleet transition

We recorded expenses associated with the Company's fleet transition of $26 million in the first quarter of 2024. These costs consist of certain aircraft maintenance work performed as a result of the fleet retirements, adjustments to estimated costs to return the A320 fleet, and holdover rent for Airbus aircraft which have not yet been returned to the lessor as of the lease expiration date.

Special items - integration costs

We recorded $8 million in integration costs associated with our proposed acquisition of Hawaiian Airlines. These costs primarily consist of professional services fees. We expect to incur additional integration costs as activities supporting the proposed acquisition continue.

ADDITIONAL SEGMENT INFORMATION

Refer to Note 11 to the consolidated financial statements for a detailed description of each segment. Below is a summary of each segment's results.

Mainline

Mainline operations reported an adjusted pretax loss of $162 million in the first quarter of 2024, compared to a loss of $84 million in the same period in 2023. The $78 million decrease was driven by decreased passenger revenue as a result of the B737-9 grounding, as well as increased non-fuel operating expenses, which were primarily driven by higher wage rates across various labor groups and incremental ownership costs associated with 22 owned B737 aircraft added to Alaska's fleet since the first quarter of 2023. These increases were partially offset by decreased fuel costs due to lower per gallon costs and fewer gallons consumed.

Regional

Regional operations reported an adjusted pretax loss of $2 million in the first quarter of 2024, compared to a loss of $19 million in the same period in 2023. The $17 million improvement was driven by higher passenger revenue consistent with the increase in traffic, partially offset by higher operating expenses driven by increased capacity.

Horizon

Horizon reported an adjusted pretax profit of $5 million in the first quarter of 2024, compared to a loss of $14 million in the same period in 2023. The $19 million improvement was driven by incremental revenue consistent with increased capacity sold to Alaska, as well as cost reductions resulting from Horizon's transition to a single fleet. These improvements were partially offset by increased expenses driven by the addition of ten owned E175 aircraft added to Horizon's fleet since the first quarter of 2023.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are:

- Existing cash and marketable securities of $2.3 billion;
- Cash flows from operations of $292 million;
- Our Mileage Plan program and 63 unencumbered aircraft which could be financed, if necessary;
- Combined bank line-of-credit facilities, with no outstanding borrowings, of $550 million.

During the three months ended March 31, 2024, we incurred new debt of $195 million and made debt payments of $102 million. We ended the quarter with a debt-to-capitalization ratio of 47%, within our target range of 40% to 50%. We continued share repurchases, spending $21 million in the first quarter, pursuant to the $1 billion repurchase plan authorized by the Board of Directors in August 2015.

We believe that our current cash and marketable securities balance, combined with available sources of liquidity, will be sufficient to fund our operations, meet our debt payment obligations, and remain in compliance with the financial debt covenants in existing financing arrangements for the foreseeable future.

In our cash and marketable securities portfolio, we invest only in securities that meet our primary investment strategy of maintaining and securing investment principal. The portfolio is managed by reputable firms that adhere to our investment policy that sets forth investment objectives, approved and prohibited investments, and duration and credit quality guidelines. Our policy, and the portfolio managers, are continually reviewed to ensure that the investments are aligned with our strategy.

The table below presents the major indicators of financial condition and liquidity:

(in millions)	March 31, 2024	December 31, 2023	Change
Cash and marketable securities	**$ 2,278**	$ 1,791	27 %
Cash, marketable securities, and unused lines of credit as a percentage of trailing twelve months' revenue	**27 %**	22 %	5 pts
Long-term debt, net of current portion	**2,264**	2,182	4%
Shareholders' equity	**$ 3,977**	$ 4,113	(3)%

Debt-to-capitalization, including operating and finance leases

(in millions)	March 31, 2024	December 31, 2023	Change
Long-term debt, net of current portion	**$ 2,264**	$ 2,182	4%
Capitalized operating leases	**1,256**	1,283	(2)%
Capitalized finance leases[(a)]	**—**	64	NM
Adjusted debt, net of current portion of long-term debt	**$ 3,520**	$ 3,529	—%
Shareholders' equity	**3,977**	4,113	(3)%
Total invested capital	**$ 7,497**	$ 7,642	(2)%
Debt-to-capitalization, including operating and finance leases	**47 %**	46 %	1 pt

(a) To best reflect our leverage at December 31, 2023, we included our capitalized finance lease balances, which are recognized within the Current portion of long-term debt and finance leases line in the condensed consolidated balance sheets.

Adjusted net debt to earnings before interest, taxes, depreciation, amortization, special items, and rent

(in millions)	March 31, 2024	December 31, 2023
Current portion of long-term debt and finance leases	**$ 301**	$ 353
Current portion of operating lease liabilities	**158**	158
Long-term debt	**2,264**	2,182
Long-term operating lease liabilities, net of current portion	**1,098**	1,125
Total adjusted debt	**3,821**	3,818
Less: Cash and marketable securities	**2,278**	1,791
Adjusted net debt	**$ 1,543**	$ 2,027

(in millions)	Twelve Months Ended March 31, 2024	Twelve Months Ended December 31, 2023
GAAP Operating Income[(a)]	**$ 414**	$ 394
Adjusted for:		
Special items	**413**	443
Mark-to-market fuel hedge adjustments	**(35)**	(2)
Depreciation and amortization	**473**	451
Aircraft rent	**196**	208
EBITDAR	**$ 1,461**	$ 1,494
Adjusted net debt to EBITDAR	**1.1x**	1.4x

(a) Operating Income can be reconciled using the trailing twelve month operating income as filed quarterly with the SEC.

ANALYSIS OF OUR CASH FLOWS

The following discussion summarizes the primary drivers of the increase in our cash and marketable securities balance.

Cash Provided by Operating Activities

For the first three months of 2024, net cash provided by operating activities was $292 million, compared to $222 million in 2023. Cash provided by ticket sales and from our co-branded credit card agreement are the primary sources of our operating cash flow. Our primary use of operating cash flow is for operating expenses, including payments for employee wages and benefits, payments to suppliers for goods and services, and payments to lessors and airport authorities for rents and landing fees. Operating cash flow also includes payments to, or refunds from, federal, state, and local taxing authorities.

The $70 million net increase in our operating cash flows was due to a combination of factors. Payments made in 2024 for our 2023 incentive pay program were approximately $60 million lower than payments in 2023 for our 2022 program. Additionally, growth in our air traffic liability increased $35 million in the first quarter compared to the prior year. These amounts were partially offset by other changes in working capital accounts.

Cash Provided by Investing Activities

Cash provided by investing activities was $318 million during the first three months of 2024, compared to $60 million in 2023. The change was due to a combination of factors. In the first quarter, the Company received $162 million in compensation from Boeing related to the B737-9 grounding, which is presented as Supplier proceeds. Total property and equipment expenditures decreased $67 million as we took no deliveries of B737-9 aircraft in the first quarter of 2024 compared to three owned B737-9 deliveries in the prior period, and due to changes in contractual terms of our aircraft purchase deposit schedule with Boeing. Cash flows from other investing activities increased $96 million due to the sale of certain A321neo aircraft. These changes were partially offset by decreased cash flows from net sales of marketable securities, which were $120 million in 2024, compared to $187 million in 2023.

Cash Used in Financing Activities

Cash used in financing activities was $5 million during the first three months of 2024, compared to $114 million in 2023. The change was largely driven by $149 million in new debt proceeds in 2024 compared to zero in 2023, partially offset by increased cash used in other financing activities, of which the settlement of our final A321neo finance lease was the largest component.

MATERIAL CASH COMMITMENTS

Material cash requirements include the following contractual and other obligations. In prior filings, we had indicated our expected capital expenditures for 2024 would be approximately $1.4 billion to $1.5 billion. Based on management's assumptions regarding aircraft delivery delays in 2024, described in more detail below, we now expect 2024 capital expenditures to be approximately $1.2 billion to $1.3 billion.

Aircraft Commitments

As of March 31, 2024, Alaska had firm orders to purchase 80 B737 aircraft with deliveries between 2024 and 2027. Alaska also had rights for 105 additional B737 aircraft through 2030.

Alaska continues to experience delivery delays of B737 aircraft. Boeing has communicated that certain B737 aircraft are expected to be delivered later than the contracted delivery dates provided to Alaska. This includes certain B737-10 aircraft contracted for delivery in 2025 that have been moved to 2026, pending certification of the B737-10. We have incorporated these adjustments in the tables below, however, management expects that other Boeing aircraft deliveries may also be delayed later than negotiated delivery timeframes.

As of March 31, 2024, Horizon had commitments to purchase seven E175 aircraft with deliveries between 2024 and 2026. Horizon also had options to acquire seven E175 aircraft between 2025 and 2026. The remaining E175 delivery expected in 2024 is covered under a financing agreement executed in 2023. Capital expenditures for this delivery, which are included within aircraft-related commitments in the contractual obligations table below, will be reflected as a non-cash transaction in the consolidated statements of cash flows. Subsequent to quarter end, two of Horizon's seven E175 options expired.

Options will be exercised only if we believe return on invested capital targets can be met over the long term.

The following table summarizes our fleet plan based on contractual terms, with adjustments to reflect delivery delays as communicated by Boeing:

	Actual Fleet	Anticipated Fleet Activity					
Aircraft	March 31, 2024	2024 Changes	Dec 31, 2024	2025 Changes	Dec 31, 2025	2026 Changes	Dec 31, 2026
B737-700 Freighters	3	—	3	—	3	—	3
B737-800 Freighters	1	1	2	—	2	—	2
B737-700	11	—	11	—	11	—	11
B737-800	59	—	59	—	59	—	59
B737-900	12	—	12	—	12	—	12
B737-900ER	79	—	79	—	79	—	79
B737-8	1	7	8	12	20	—	20
B737-9	64	16	80	—	80	—	80
B737-10	—	—	—	—	—	30	30
Total Mainline Fleet	**230**	**24**	**254**	**12**	**266**	**30**	**296**
E175 operated by Horizon	43	1	44	3	47	3	50
E175 operated by third party	42	—	42	1	43	—	43
Total Regional Fleet	**85**	**1**	**86**	**4**	**90**	**3**	**93**
Total	**315**	**25**	**340**	**16**	**356**	**33**	**389**

Fuel Hedge Positions

In 2023, we suspended our crude oil hedge program. Existing positions entered into before suspension of the program will settle through the first quarter of 2025. All future oil positions are call options, which are designed to effectively cap the cost of the crude oil component of our jet fuel purchases. With call options, we are hedged against volatile crude oil price increases and, during a period of decline in crude oil prices, we only forfeit cash previously paid for hedge premiums. Prior to suspension, our program was designed to hedge on up to 50% of our expected consumption. Our crude oil positions are as follows:

	Approximate % of Expected Fuel Requirements		Weighted-Average Crude Oil Price per Barrel	Average Premium Cost per Barrel
Second Quarter of 2024	40	%	$90	$5
Third Quarter of 2024	30	%	$88	$5
Fourth Quarter of 2024	20	%	$87	$5
Full Year 2024	**30**	**%**	**$88**	**$5**
First Quarter of 2025	10	%	$92	$5
Full Year 2025	**2**	**%**	**$92**	**$5**

Contractual Obligations

The following table provides a summary of our obligations as of March 31, 2024. For agreements with variable terms, amounts included reflect our minimum obligations.

(in millions)	Remainder of 2024	2025	2026	2027	2028	Beyond 2028	Total
Debt obligations	$ 201	$ 365	$ 322	$ 646	$ 131	$ 915	$ 2,580
Lease commitments[(a)]	173	204	204	196	187	705	1,669
Aircraft-related commitments[(b)]	1,164	830	1,634	601	151	717	5,097
Interest obligations[(c)]	99	110	124	99	54	115	601
CPA and other obligations	177	230	223	220	223	515	1,588
Total	$ 1,814	$ 1,739	$ 2,507	$ 1,762	$ 746	$ 2,967	$ 11,535

(a) Lease commitments include minimum payments for aircraft (operating and non-operating) with associated operating leases, as we have remaining cash obligations under existing terms. It also includes minimum lease payments for facilities.
(b) Includes contractual commitments for aircraft, engines, and aircraft maintenance, and incorporates the impact of expected delays for certain B737 aircraft as communicated by Boeing. Option deliveries are excluded from minimum commitments until exercise.
(c) For variable-rate debt, future obligations are shown above using interest rates forecast as of March 31, 2024.

Debt Obligations and Interest Obligations

The Company primarily issues debt to fund purchases of aircraft or other capital expenditures. At March 31, 2024, our debt portfolio carries a weighted average interest rate of 4.6%. Interest is paid with regular debt service. Debt service obligations remaining in 2024 are expected to be approximately $300 million, inclusive of interest and principal. Refer to Note 5 to the consolidated financial statements for further discussion of our debt and interest balances.

CPA and Other Obligations

We have obligations primarily associated with our capacity purchase agreements between Alaska and SkyWest, as well as other various sponsorship agreements and investment commitments.

Leased Aircraft Return Costs

For leased aircraft, contractual terms require us to return the aircraft in a specified state. As a result of these contractual terms, we incur significant costs to return these aircraft at the termination of the lease. Costs to return leased aircraft are accrued when the costs are probable and reasonably estimable, usually over the twelve months prior to the lease return or any expected early retirement date, unless a determination is made to remove the leased asset from operation. If the leased aircraft is removed from the operating fleet, the estimated cost to return is accrued at the time of removal. Lease return accrual estimates are based on the time remaining on the lease and the provisions included in the lease agreement, although the actual amount due to any lessor upon return may not be known with certainty until lease termination. At March 31, 2024, $90 million is accrued for lease returns, and classified within Other accrued liabilities in the consolidated balance sheets.

Credit Card Agreements

Alaska has agreements with a number of credit card companies to process the sale of tickets and other services. Under these agreements, there are material adverse change clauses that, if triggered, could result in the credit card companies holding back a reserve from our credit card receivables. Under one such agreement, we could be required to maintain a reserve if our credit rating is downgraded to or below a rating specified by the agreement or our cash and marketable securities balance fell below $500 million. Under another such agreement, we could be required to maintain a reserve if our cash and marketable securities balance fell below $500 million. We are not currently required to maintain any reserve under these agreements, but if we were, our financial position and liquidity could be materially harmed.

Sustainability Commitments

As part of our efforts to reach net-zero carbon emissions by 2040, we have outlined a five-part path that includes operational efficiency, fleet renewal, sustainable aviation fuel (SAF), investing in new technologies, and using credible offsetting and removal technologies to close the gaps to our emissions target in future years. We anticipate these efforts will require cash outlays, not all of which are reflected in our contractual commitments. Finding and establishing relationships with suppliers to meet these commitments is in process. Currently, Alaska has certain agreements to purchase SAF to be delivered in the coming

years. These agreements are dependent on suppliers' ability to obtain all required governmental and regulatory approvals, achieve commercial operation, and produce sufficient quantities of SAF. Financial commitments that have been contractually established and have defined minimum obligations, including those related to Alaska Star Ventures, are included within the CPA and other obligations row in the above table.

Income Taxes

For federal income tax purposes, the majority of our property and equipment are fully depreciated over a seven-year life using an accelerated depreciation method or bonus depreciation, if available. For financial reporting purposes, the majority of our assets are depreciated over 15 to 25 years to an estimated salvage value using the straight-line basis. This difference has created a significant deferred tax liability. At some point in the future, the property and equipment difference will reverse into taxable income, potentially resulting in an increase in income taxes payable.

While it is possible that we could have material cash obligations for this deferred liability at some point in the future, we cannot estimate the timing of long-term cash flows with reasonable accuracy. Taxable income and cash taxes payable in the short term are impacted by many items, including the amount of book income generated (which can be volatile depending on revenue and fuel prices, among other factors out of our control), whether bonus depreciation provisions are available, as well as other legislative changes beyond our control. We believe we have the liquidity to make our future tax payments.

Proposed Acquisition of Hawaiian Holdings Inc.

On December 2, 2023, the Company entered into a definitive agreement to acquire Hawaiian Holdings, Inc. (Hawaiian). The Company has agreed to pay Hawaiian's shareholders $18.00 per share, or approximately $1.0 billion, in cash for the outstanding shares of Hawaiian. In addition, the Company expects to assume Hawaiian's debt and lease obligations on the date of acquisition. The acquisition is dependent on approval by various regulatory bodies and other customary closing conditions. The Company expects to fund this acquisition through a combination of existing cash and marketable securities, new debt, as well as other available sources of liquidity.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our critical accounting estimates during the three months ended March 31, 2024. For information regarding our critical accounting estimates, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2023.

GLOSSARY OF TERMS

Adjusted net debt - long-term debt, including current portion, plus capitalized operating and finance leases, less cash and marketable securities

Adjusted net debt to EBITDAR - represents net adjusted debt divided by EBITDAR (trailing twelve months earnings before interest, taxes, depreciation, amortization, special items and rent)

Aircraft Utilization - block hours per day; this represents the average number of hours per day our aircraft are in transit

Aircraft Stage Length - represents the average miles flown per aircraft departure

ASMs - available seat miles, or “capacity”; represents total seats available across the fleet multiplied by the number of miles flown

CASM - operating costs per ASM; represents all operating expenses including fuel, freighter costs, and special items

CASMex - operating costs excluding fuel, freighter costs, and special items per ASM, or "unit cost"

Debt-to-capitalization ratio - represents adjusted debt (long-term debt plus capitalized operating and finance lease liabilities) divided by total equity plus adjusted debt

Diluted Earnings per Share - represents earnings per share (EPS) using fully diluted shares outstanding

Diluted Shares - represents the total number of shares that would be outstanding if all possible sources of conversion, such as stock options, were exercised

Economic Fuel - best estimate of the cash cost of fuel, net of the impact of our fuel-hedging program

Freighter Costs - operating expenses directly attributable to the operation of Alaska's Boeing 737 freighter aircraft exclusively performing cargo missions

Load Factor - RPMs as a percentage of ASMs; represents the number of available seats that were filled with paying passengers

Mainline - represents flying Boeing 737, Airbus A320, and Airbus A321neo jets and all associated revenue and costs

PRASM - passenger revenue per ASM, or "passenger unit revenue"

RASM - operating revenue per ASMs, or "unit revenue"; operating revenue includes all passenger revenue, freight & mail, Mileage Plan and other ancillary revenue; represents the average total revenue for flying one seat one mile

Regional - represents capacity purchased by Alaska from Horizon and SkyWest. Financial results in this segment include actual on-board passenger revenue, less costs such as fuel, distribution costs, and payments made to Horizon and SkyWest under the respective capacity purchased arrangement (CPA). Additionally, Regional includes an allocation of corporate overhead such as IT, finance, and other administrative costs incurred by Air Group and on behalf of Horizon

RPMs - revenue passenger miles, or "traffic"; represents the number of seats that were filled with paying passengers; one passenger traveling one mile is one RPM

Yield - passenger revenue per RPM; represents the average revenue for flying one passenger one mile

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosure About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2024, an evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer (collectively, our "certifying officers"), of the effectiveness of the design and operation of our disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in our periodic reports filed with or submitted to the Securities and Exchange Commission (the SEC) is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our certifying officers, as appropriate, to allow timely decisions regarding required disclosure. Our certifying officers concluded, based on their evaluation, that disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our internal control over financial reporting is based on the 2013 framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework).

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected. Liabilities for litigation related contingencies are recorded when a loss is determined to be probable and estimable.

As part of the 2016 acquisition of Virgin America, Alaska assumed responsibility for the Virgin trademark license agreement with the Virgin Group. In 2019, pursuant to that agreement's venue provision, the Virgin Group sued Alaska in England, alleging that the agreement requires Alaska to pay $8 million per year as a minimum annual royalty through 2039, adjusted annually for inflation and irrespective of Alaska's actual use (or non-use) of the mark. The possible range of contractual liability is between $10 million and $160 million. Alaska stopped making royalty payments in 2019 after ending all use of the Virgin brand. On February 16, 2023, the commercial court issued a ruling adopting Virgin Group's interpretation of the license agreement. The Company has appealed the decision and believes the claims in the case are without factual and legal merit, a position supported by Virgin America's representations during pre-merger due diligence. Alaska also commenced a separate claim for breach of the agreement against the Virgin Group that may affect the Company's total liability in the matter.

On April 15, 2024, a private antitrust action captioned *Warren Yoshimoto, et al., v. Alaska Airlines, Inc., et al.* was filed in the United States District Court for the District of Hawaii, against Alaska Airlines, Inc. and Alaska Air Group, Inc. The plaintiffs, whom the complaint describes as airline passengers, allege that the pending acquisition of Hawaiian Airlines, Inc. by Alaska Airlines, Inc. would violate U.S. antitrust laws. They seek to enjoin the merger or obtain divestitures, as well as costs and attorneys' fees. The Company believes the allegations in the complaint are without merit and will defend against them vigorously, while continuing to work cooperatively with the U.S. Department of Justice to obtain regulatory clearance to close the acquisition.

ITEM 1A. RISK FACTORS

See Part I, Item 1A. "Risk Factors," in our 2023 Form 10-K for a detailed discussion of risk factors affecting Alaska Air Group.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

This table provides certain information with respect to our purchases of shares of our common stock during the first quarter of 2024.

	Total Number of Shares Purchased	Average Price Paid per Share	Maximum remaining dollar value of shares that can be purchased under the plan (in millions)
January 1, 2024 - January 31, 2024	46,000	$ 36.74	
February 1, 2024 - February 29, 2024	227,708	37.36	
March 1, 2024 - March 31, 2024	287,378	38.38	
Total	561,086	$ 37.83	$ 291

The shares were purchased pursuant to a $1 billion repurchase plan authorized by the Board of Directors in August 2015.

As of March 31, 2024, a total of 1,882,517 shares of the Company's common stock have been issued to Treasury in connection with the Payroll Support Program. Each warrant is exercisable at a strike price of $31.61 (928,126 shares related to PSP1), $52.25 (305,499 shares related to PSP2), and $66.39 (221,812 shares related to PSP3) per share of common stock. An additional 427,080 warrants were issued in conjunction with a draw on the CARES Act Loan in 2020 at a strike price of $31.61. These warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, and have a five-year term. Such warrants were issued to Treasury in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, no director or officer of Alaska Air Group adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934.

ITEM 6. EXHIBITS

The following documents are filed as part of this report:

1. *Exhibits:* See Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALASKA AIR GROUP, INC.

/s/ EMILY HALVERSON

Emily Halverson

Vice President Finance, Controller, and Treasurer

May 3, 2024

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number
3.1	Amended and Restated Certificate of Incorporation of Registrant	10-Q	August 3, 2017	3.1
3.2	Amended and Restated Bylaws of Registrant	8-K	December 15, 2015	3.2
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-Q		
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-Q		
32.1†	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-Q		
32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-Q		
101.INS†	XBRL Instance Document - The instance document does not appear in the interactive data file because XBRL tags are embedded within the inline XBRL document.			
101.SCH†	XBRL Taxonomy Extension Schema Document			
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document			
104†	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			

†	Filed herewith
*	Indicates management contract or compensatory plan or arrangement.
#	Certain portions of this document that constitute confidential information have been redacted in accordance with Regulation S-K Item 601(b)(10).