
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

December 14, 2018
(Date of earliest event reported)

ALASKA AIR GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

1-8957
(Commission File Number)

91-1292054
(IRS Employer Identification No.)

19300 International Boulevard, Seattle, Washington
(Address of Principal Executive Offices)

98188
(Zip Code)

(206) 392-5040
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark 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.

ITEM 7.01. Regulation FD Disclosure

On December 14, 2018, Alaska Air Group, Inc. (Air Group) provided an investor update related to its financial and operational outlook. The investor update is furnished herein as Exhibit 99.1.

Also on December 14, 2018, Air Group issued a press release announcing its November 2018 operational results. The press release is furnished herein as Exhibit 99.2.

In accordance with General Instruction B.2 of Form 8-K, the information under this item Exhibit 99.1 and Exhibit 99.2 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing. This report will not be deemed an admission as to the materiality of any information required to be disclosed solely to satisfy the requirements of Regulation FD.

ITEM 9.01 Financial Statements and Other Exhibits

[Exhibit 99.1](#) Investor Update dated December 14, 2018

[Exhibit 99.2](#) November 2018 Traffic Press Release dated December 14, 2018

Signatures

Pursuant to the requirements 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.

Registrant

Date: December 14, 2018

/s/ CHRISTOPHER M. BERRY

Christopher M. Berry

Vice President Finance and Controller

Alaska Air Group

Investor Update - December 14, 2018

References in this update to “Air Group,” “Company,” “we,” “us,” and “our” refer to Alaska Air Group, Inc. and its subsidiaries, unless otherwise specified.

This update includes forecasted operational and financial information for our consolidated operations. Our disclosure of operating cost per available seat mile, excluding fuel and other items, provides us (and may provide investors) with the ability to measure and monitor our performance without these items. The most directly comparable GAAP measure is total operating expenses per available seat mile. However, due to the large fluctuations in fuel prices, we are unable to predict total operating expenses for any future period with any degree of certainty. In addition, we believe the disclosure of fuel expense on an economic basis is useful to investors in evaluating our ongoing operational performance. Please see the cautionary statement under “Forward-Looking Information.”

We are providing information about estimated fuel prices and our hedging program. Management believes it is useful to compare results between periods on an “economic basis.” *Economic fuel expense* is defined as the raw or “into-plane” fuel cost less any cash we receive from hedge counterparties for hedges that settle during the period, offset by the recognition of premiums originally paid for those hedges that settle during the period. Economic fuel expense more closely approximates the net cash outflow associated with purchasing fuel for our operation.

Forward-Looking Information

This update contains forward-looking statements subject to the safe harbor protection provided by 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. These statements relate to future events and involve known and unknown risks and uncertainties that may cause actual outcomes to be materially different from those indicated by any forward-looking statements. For a comprehensive discussion of potential risk factors, see Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as well as in other documents filed by the Company with the SEC after the date thereof. Some of these risks include general economic conditions, increases in operating costs including fuel, competition, labor costs and relations, our indebtedness, inability to meet cost reduction goals, seasonal fluctuations in our financial results, an aircraft accident, changes in laws and regulations, and risks inherent in the achievement of anticipated synergies and the timing thereof in connection with the acquisition of Virgin America. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed therein. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of such new risk factors on our business or events described in any forward-looking statements. We expressly disclaim any obligation to publicly update or revise any forward-looking statements after the date of this report to conform them to actual results. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse.

AIR GROUP - CONSOLIDATED

Operating and Financial Statistics

	November 2018	November 2017	% Change
Revenue passengers (in thousands)	3,676	3,627	1.4%
Traffic (RPMs in millions)	4,440	4,394	1.0%
Capacity (ASMs in millions)	5,281	5,216	1.2%
Load factor	84.1%	84.2%	(0.1) pts
Economic fuel cost per gallon	\$2.43	\$2.01	20.9%

Forecast Information

	Forecast Full Year 2018	Full Year 2017 As Adjusted ^(a)	% Change	Prior Guidance November 27, 2018
Capacity (ASMs in millions)	65,310 - 65,360	62,072	~ 5.3%	65,310 - 65,360
Cost per ASM excluding fuel and special items (cents) ^(a)	8.50¢ - 8.52¢	8.25¢	~ 3.2%	8.50¢ - 8.52¢
Fuel gallons (000,000)	839	797	~ 5.3%	839

	Forecast Q4 2018	Q4 2017 As Adjusted ^(a)	% Change	Prior Guidance November 27, 2018
Capacity (ASMs in millions)	16,055 - 16,105	15,901	~ 1.1%	16,055 - 16,105
Revenue per ASM (cents) ^{(a)(c)}	12.70¢ - 12.80¢	12.21¢	~ 4.0% - 5.0%	12.60¢ - 12.80¢
Cost per ASM excluding fuel and special items (cents) ^(a)	8.97¢ - 9.01¢	8.68¢	~ 3.6%	8.97¢ - 9.01¢
Fuel gallons (000,000)	208	205	~ 1.4%	208
Economic fuel cost per gallon ^(b)	\$2.36	\$2.00	~ 18.0%	\$2.33

(a) RASM and CASMex in the preceding forecast information reflect the impacts of the updated accounting standards, effective for the Company January 1, 2018. Information not impacted by the updated accounting standards (Fuel Gallons and Economic fuel cost per gallon) has not been restated. Additionally, certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year.

(b) Our economic fuel cost per gallon estimate for the fourth quarter includes the following per-gallon assumptions: crude oil cost – \$1.46 (\$61 per barrel); refining margin – 69 cents; benefit of settled hedges – 1 cent; with the remaining difference due to taxes and other into-plane costs.

(c) We raised the low end of our guidance range primarily due to continued strength in close-in pricing.

Special Charges

In early December, we restructured the maintenance services program on the majority of our Airbus engines. We entered into a new services agreement that provides more flexibility for the timing and scope of engine work and will result in more favorable economics over the life of the contract. Concurrently, we terminated an existing maintenance services agreement, resulting in a one-time settlement fee of \$20 million, which will be recorded in the fourth quarter.

We also expect to record an impairment charge of \$17 million on our Q400 fleet in the fourth quarter. This is in addition to an \$8 million impairment charge taken in the third quarter, for a total charge of \$25 million in 2018.

These special items will be excluded from CASMex and adjusted earnings for the quarter and full year ended December 31, 2018.

Nonoperating Expense

We expect that our consolidated nonoperating expense will be approximately \$11 million in the fourth quarter of 2018.

Cash and Share Count

<i>(in millions)</i>	November 30, 2018	September 30, 2018
Cash and marketable securities	\$ 1,375	\$ 1,397
Common shares outstanding	123.259	123.361

Share Repurchase

Through November 30, 2018, Air Group had repurchased a total of 723,575 shares of its common stock for approximately \$47 million.

News

Alaska Air Group

December 14, 2018

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Alaska Air Group reports November 2018 operational results

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported November and year-to-date operational results on a consolidated basis, for its mainline operations operated by subsidiary Alaska Airlines, Inc. (Alaska) and for its regional flying operated by subsidiary Horizon Air Industries, Inc. (Horizon) and third-party regional carriers SkyWest Airlines and Peninsula Airlines.

On January 11, 2018, Alaska and Virgin America consolidated their operations onto a Single Operating Certificate (SOC). Results for Alaska and Virgin America have been combined into a single mainline operation.

AIR GROUP

On a combined basis for all operations, Air Group reported a 1.0 percent increase in traffic on a 1.2 percent increase in capacity compared to November 2017. Load factor decreased 0.1 pt to 84.1 percent.

The following table shows the operational results for November and year-to-date compared to the prior-year periods:

	November			Year-to-Date		
	2018	2017	Change	2018	2017	Change
Revenue passengers (000)	3,676	3,627	1.4%	42,105	40,288	4.5%
Revenue passenger miles RPM (000,000) "traffic"	4,440	4,394	1.0%	50,184	47,832	4.9%
Available seat miles ASM (000,000) "capacity"	5,281	5,216	1.2%	59,874	56,596	5.8%
Passenger load factor	84.1%	84.2%	(0.1) pts	83.8%	84.5%	(0.7) pts

MAINLINE

Mainline reported a 0.6 percent decrease in traffic on a 0.3 percent decrease in capacity compared to November 2017. Load factor decreased 0.3 pts to 84.4 percent. Mainline also reported 81 percent of its flights arrived on time in November 2018, compared to 81.5 percent reported in November 2017.

Mainline operational results reflect both Alaska and Virgin America combined. The following table shows mainline operational results for November and year-to-date compared to the prior-year periods:

	November			Year-to-Date		
	2018	2017	Change	2018	2017	Change
Revenue passengers (000)	2,813	2,851	(1.3)%	32,808	31,564	3.9%
RPMs (000,000)	4,011	4,034	(0.6)%	45,745	44,087	3.8%
ASMs (000,000)	4,752	4,764	(0.3)%	54,302	51,923	4.6%
Passenger load factor	84.4%	84.7%	(0.3) pts	84.2%	84.9%	(0.7) pts
On-time arrivals as reported to U.S. DOT	80.8%	81.5%	(0.7) pts	82.7%	78.7%	4.0 pts

REGIONAL

Regional traffic increased 19.2 percent on a 17.0 percent increase in capacity compared to November 2017. Load factor increased 1.5 points to 81.1 percent. Alaska's regional partners also reported 78.6 percent of its flights arrived on time in November 2018, compared to 85.1 percent in November 2017.

The following table shows regional operational results for November and year-to-date compared to the prior-year periods:

	November			Year-to-Date		
	2018	2017	Change	2018	2017	Change
Revenue passengers (000)	863	776	11.2%	9,297	8,724	6.6%
RPMs (000,000)	429	360	19.2%	4,439	3,745	18.5%
ASMs (000,000)	529	452	17.0%	5,572	4,673	19.2%
Passenger load factor	81.1%	79.6%	1.5 pts	79.7%	80.1%	(0.4) pts
On-time arrivals as reported to U.S. DOT	78.6%	85.1%	(6.5) pts	83.4%	87.6%	(4.2) pts

Alaska Airlines and its regional partners fly 44 million guests a year to more than 115 destinations with an average of 1,200 daily flights across the United States and to Mexico, Canada and Costa Rica. With Alaska and [Alaska Global Partners](#), guests can earn and redeem miles on flights to more than 900 destinations worldwide. Alaska Airlines ranked "Highest in Customer Satisfaction Among Traditional Carriers in North America" in the J.D. Power North America Airline Satisfaction Study for 11 consecutive years from 2008 to 2018. Learn about Alaska's award-winning service at newsroom.alaskaair.com and blog.alaskaair.com. Alaska Airlines and Horizon Air are subsidiaries of Alaska Air Group (NYSE: ALK).

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