
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

February 13, 2019
(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 February 19, 2019, 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 February 13, 2019, Air Group issued a press release announcing its January 2019 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 February 19, 2019

[Exhibit 99.2](#) January 2019 Traffic Press Release dated February 13, 2019

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: February 19, 2019

/s/ CHRISTOPHER M. BERRY

Christopher M. Berry

Vice President Finance and Controller

Alaska Air Group

Investor Update - February 19, 2019

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, 2018, 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

	January 2019	January 2018	% Change
Revenue passengers (in thousands)	3,396	3,340	1.7%
Traffic (RPMs in millions)	4,071	3,971	2.5%
Capacity (ASMs in millions)	5,282	5,237	0.9%
Load factor	77.1%	75.8%	1.3 pts
Economic fuel cost per gallon	\$2.03	\$2.14	(5.1)%

Forecast Information

	Forecast Full Year 2019	Full Year 2018	% Change	Prior Guidance January 24, 2019
Capacity (ASMs in millions) ^(a)	66,590 - 66,790	65,335	~ 2%	66,685 - 66,885
Cost per ASM excluding fuel and special items (cents)	8.67¢ - 8.72¢	8.50¢	~ 2.0% - 2.5%	8.67¢ - 8.72¢
Fuel gallons (000,000)	844	839	~ 1.0%	845

(a) Expected ASMs for the full year have declined from our prior guidance due to the impact of winter storms in Seattle, described more fully below.

	Forecast Q1 2019	Q1 2018	% Change	Prior Guidance January 24, 2019
Capacity (ASMs in millions) ^(a)	15,550 - 15,600	15,480	~ 0.6%	15,645 - 15,695
Revenue per ASM (cents) ^(b)	12.15¢ - 12.35¢	11.84¢	~ 2.5% - 4.5%	12.15¢ - 12.35¢
Cost per ASM excluding fuel and special items (cents) ^(a)	9.25¢ - 9.30¢	8.81¢	~ 5.0% - 5.5%	9.21¢ - 9.26¢
Fuel gallons (000,000)	198	197	~ 0.5%	208
Economic fuel cost per gallon ^(c)	\$2.05	\$2.14	~ (4.0)%	\$2.05

(a) Expected ASMs for the first quarter have declined from our prior guidance due to the impact of winter storms in Seattle, described more fully below.

(b) See note below for impact of recent winter storms on guidance.

(c) Our economic fuel cost per gallon estimate for the first quarter includes the following per-gallon assumptions: crude oil cost – \$1.24 (\$52 per barrel); refining margin – 60 cents; cost of settled hedges – 2 cent; with the remaining difference due to taxes and other into-plane costs.

Nonoperating Expense

We continue to expect that our consolidated nonoperating expense will be approximately \$19 million in the first quarter of 2019.

Impact of Winter Storms and Guidance Updates

During February we experienced unusual winter weather in the Pacific Northwest, which posed significant challenges to our operations. These storms resulted in the cancellation of approximately 1,100 flights over a ten-day period, and we expect will have a direct financial impact of approximately \$20 million (\$15 million of expected revenue loss and \$7 million expected incremental costs, offset by \$2 million fuel savings). The weather-related cancellations resulted in a reduction of approximately 95 million ASM's, a 20 basis-point reduction in first quarter Revenue per ASM growth (RASM) and a nearly 50 basis-point increase in first quarter Cost per ASM (CASM) growth, excluding fuel. Canceled flights were disproportionately higher-RASM regional flights and the direct revenue impact will provide a modest headwind to our RASM for the quarter.

Cash and Share Count

<i>(in millions)</i>	January 31, 2019	December 31, 2018
Cash and marketable securities	\$ 1,281	\$ 1,236
Common shares outstanding	123.116	123.194

Share Repurchase

Through January 31, 2019, Air Group had repurchased a total of 83,444 shares of its common stock for approximately \$5 million.

News

Alaska Air Group

February 13, 2019

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Alaska Air Group reports January 2019 operational results

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported January 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, a subsidiary of RAVN Air.

AIR GROUP

On a combined basis for all operations, Air Group reported a 2.5 percent increase in traffic on a 0.9 percent increase in capacity compared to January 2018. Load factor increased 1.3 pts to 77.1 percent.

The following table shows the operational results for January compared to the prior-year period:

	January		
	2019	2018	Change
Revenue passengers (000)	3,396	3,340	1.7%
Revenue passenger miles RPM (000,000) "traffic"	4,071	3,971	2.5%
Available seat miles ASM (000,000) "capacity"	5,282	5,237	0.9%
Passenger load factor	77.1%	75.8%	1.3 pts

MAINLINE

Mainline reported a 0.1 percent increase in traffic on a 1.1 percent decrease in capacity compared to January 2018. Load factor increased 0.9 pts to 77.3 percent. Mainline also reported 80.5 percent of its flights arrived on time in January 2019, compared to 87.1 percent reported in January 2018.

The following table shows mainline operational results for January compared to the prior-year period:

	January		
	2019	2018	Change
Revenue passengers (000)	2,542	2,595	(2.0)%
RPMs (000,000)	3,647	3,642	0.1%
ASMs (000,000)	4,715	4,768	(1.1)%
Passenger load factor	77.3%	76.4%	0.9 pts
On-time arrivals as reported to U.S. DOT	80.5%	87.1%	(6.6) pts

REGIONAL

Regional traffic increased 28.9 percent on a 20.9 percent increase in capacity compared to January 2018. Load factor increased 4.7 points to 74.8 percent. Alaska's regional partners also reported 81.9 percent of flights arrived on time in January 2019, compared to 86.3 percent in January 2018.

The following table shows regional operational results for January compared to the prior-year period:

	January		
	2019	2018	Change
Revenue passengers (000)	854	745	14.6%
RPMs (000,000)	424	329	28.9%
ASMs (000,000)	567	469	20.9%
Passenger load factor	74.8%	70.1%	4.7 pts
On-time arrivals as reported to U.S. DOT	81.9%	86.3%	(4.4) 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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