
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

January 18, 2017
(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))
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ITEM 7.01 Regulation FD Disclosure

Pursuant to 17 CFR Part 243 (“Regulation FD”), the Company is submitting information relating to its financial and operational outlook in an Investor Update as attached in Exhibit 99.2.

In accordance with General Instruction B.2 of Form 8-K, the information under this item 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 8.01 Other Events

On January 10, 2017, Alaska Air Group, Inc. issued a press release announcing its December 2016 operational results. The press release is furnished herewith as Exhibit 99.1.

ITEM 9.01 Financial Statements and Other Exhibits

Exhibit 99.1	December 2016 Traffic Press Release dated January 10, 2017
Exhibit 99.2	Investor Update dated January 18, 2017

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: January 18, 2017

/s/ Brandon S. Pedersen
Brandon S. Pedersen
Executive Vice President/Finance and Chief Financial Officer

News

Alaska Air Group

January 10, 2017

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or

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Alaska Air Group Reports December 2016 and Full-Year Operational Results

SEATTLE - Alaska Air Group Inc. (NYSE: ALK) today reported December and full-year operational results on a combined basis, for its subsidiaries Alaska Airlines, Inc. (Alaska) and Virgin America Inc., (Virgin America), and for its regional flying operated by subsidiary Horizon Air Industries, Inc. and third-party regional carriers, SkyWest Airlines and PenAir (Regional). Detailed information is provided below.

Air Group's acquisition of Virgin America took place on December 14, 2016. Operational results below include full period-to-date results from Virgin America for both the current period and the prior period for comparative purposes.

AIR GROUP

On a combined basis, Air Group reported a 5.6 percent increase in traffic on a 5.0 percent increase in capacity compared to December 2015. Load factor increased 0.5 points to 83.1 percent. These statistics include flights operated by Alaska, Virgin America, Horizon, and those under third-party capacity purchase agreements.

The following table shows the operational results for December⁽¹⁾ and full-year 2016⁽¹⁾, compared to the prior-year periods⁽²⁾:

	December			Full Year		
	2016	2015	Change	2016	2015	Change
Revenue passengers (in thousands)	3,509	3,361	4.4%	41,945	38,919	7.8%
Revenue passenger miles RPM (in millions)	4,125	3,905	5.6%	48,754	44,014	10.8%
Available seat miles ASM (in millions)	4,962	4,726	5.0%	57,951	52,605	10.2%
Passenger load factor	83.1%	82.6%	0.5 pts	84.1%	83.7%	0.4 pts

⁽¹⁾ 2016 information includes full period-to-date Virgin America operating results.

⁽²⁾ 2015 information has been adjusted to include Virgin America operating results for comparability purposes.

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ALASKA AIRLINES

Alaska reported a 4.2 percent increase in traffic on a 2.5 percent increase in capacity compared to December 2015. Load factor increased 1.4 points to 85.0 percent. Alaska also reported 76.1 percent of its flights arrived on time in December, compared to the 85.3 percent reported in December 2015.

The following table shows Alaska's operational results for December and full-year 2016, compared to the prior-year periods:

	December			Full Year		
	2016	2015	Change	2016	2015	Change
Revenue passengers (in thousands)	2,052	1,965	4.4%	24,421	22,869	6.8%
RPMs (in millions)	2,806	2,694	4.2%	32,859	30,340	8.3%
ASMs (in millions)	3,302	3,221	2.5%	38,715	35,912	7.8%
Passenger load factor	85.0%	83.6%	1.4 pts	84.9%	84.5%	0.4 pts
On-time arrivals as reported to U.S. DOT ⁽¹⁾	76.1%	85.3%	(9.2) pts	87.3%	86.4%	0.9 pts

⁽¹⁾ Winter storms in the Pacific Northwest caused the year-over-year decline in on-time performance in the month of December.

VIRGIN AMERICA

Virgin America traffic increased 9.0 percent on an 11.0 percent increase in capacity compared to December 2015. Load factor decreased (1.4) points to 79.2 percent. Virgin America also reported 70.2 percent of its flights arrived on time in December, compared to 71.1 percent in December 2015.

The following table shows Virgin America operational results for December and full-year 2016, compared to the prior-year periods:

	December			Full Year		
	2016	2015	Change	2016	2015	Change
Revenue passengers (in thousands)	675	629	7.3%	8,073	7,036	14.7%
RPMs (in millions)	1,013	929	9.0%	12,175	10,436	16.7%
ASMs (in millions)	1,279	1,152	11.0%	14,575	12,691	14.8%
Passenger load factor	79.2%	80.6%	(1.4) pts	83.5%	82.2%	1.3 pts
On-time arrivals as reported to U.S. DOT	70.2%	71.1%	(0.9) pts	76.8%	79.9%	(3.1) pts

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REGIONAL FLYING

Regional traffic increased 8.5 percent on an 8.2 percent increase in capacity compared to December 2015. Load factor increased 0.2 points to 80.3 percent. Regional also reported 61.6 percent of its flights arrived on time in December, compared to the 68.8 percent reported in December 2015.

The following table shows regional operational results for December and full-year 2016, compared to the prior-year periods:

	December			Full Year		
	2016	2015	Change	2016	2015	Change
Revenue passengers (in thousands)	782	767	2.0%	9,451	9,015	4.8%
RPMs (in millions)	306	282	8.5%	3,720	3,238	14.9%
ASMs (in millions)	381	352	8.2%	4,661	4,001	16.5%
Passenger load factor	80.3%	80.1%	0.2 pts	79.8%	80.9%	(1.1) pts
On-time arrivals ⁽¹⁾	61.6%	68.8%	(7.2) pts	85.2%	83.4%	1.8 pts

⁽¹⁾ Winter storms in the Pacific Northwest caused the year-over-year decline in on-time performance in the month of December.

Alaska Airlines, together with Virgin America and its regional partners, flies 40 million customers a year to 118 destinations with an average of 1,200 daily flights across the United States and to Mexico, Canada, Costa Rica and Cuba. With Alaska and [Alaska Global Partners](#), customers can earn and redeem miles on flights to more than 900 destinations worldwide. Learn more about Alaska's award-winning service and unmatched reliability at newsroom.alaskaair.com and blog.alaskaair.com. Alaska Airlines, Virgin America and Horizon Air are subsidiaries of Alaska Air Group (NYSE: ALK).

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Alaska Air Group

Exhibit 99.2

Investor Update - January 18, 2017

Note to Investors

This abbreviated Investor Update is being provided to communicate selected actual fourth quarter 2016 consolidated operating statistics. It also includes forecasted consolidated passenger unit revenue (PRASM), total unit revenue (RASM), unit cost excluding fuel (CASMex), estimated economic fuel cost per gallon for the quarter, expected consolidated non-operating expense, and expected weighted-average basic and diluted share counts. Additionally, forecasted consolidated information includes Virgin America Inc. (Virgin America) data for the period from December 14, 2016 through December 31, 2016, and the estimated impact of purchase accounting at December 14, 2016 at which time Virgin America became a wholly-owned subsidiary of Alaska Air Group.

Unit revenue, unit cost and other financial forecasts are estimates only. Actual amounts reported may differ and are dependent on our normal quarter-end closing process.

A full Investor Update with information about fuel hedge positions, planned capital expenditures, fleet information, and share repurchase activity will be provided in connection with our fourth quarter earnings release scheduled for February 8, 2017.

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

Information about Non-GAAP Financial Measures

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 expense per available seat mile. However, due to the large fluctuations in fuel prices, we are unable to predict total operating expense 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 unaudited information about our fuel costs on an "economic basis". Management believes it is useful to compare results between periods on this 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, 2015, as well as in other documents filed by Alaska Air Group 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 significant indebtedness, inability to meet cost reduction goals, seasonal fluctuations in our financial results, an aircraft accident, and changes in laws and regulations. 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

On December 14, 2016 Virgin America became a wholly-owned subsidiary of the Company. Fourth quarter statistics and forecast information includes Virgin America data for the period December 14, 2016 through December 31, 2016, and the estimated impacts of purchase accounting as of December 14, 2016.

Fourth Quarter 2016 Statistics

	Q4 2016
Revenue passengers (in thousands)	8,752
Traffic (RPMs in millions)	9,640
Capacity (ASMs in millions) ^(a)	11,407

^(a) Virgin America operational data from the period December 14, 2016 through December 31, 2016 resulted in an increase to Consolidated Capacity of 758 million ASMs.

Forecast Information

Due to the fact that the fourth quarter 2016 information includes Virgin America financial and operational data for the period December 14, 2016 through December 31, 2016, the year-over-year comparability is affected. We are presenting legacy Air Group prior-year information in the table below. Year-over-year percentage changes for the periods presented are not meaningful.

	Forecast Q4 2016	Actual Q4 2015
Passenger revenue per ASM (cents)	11.24¢ - 11.29¢	11.39¢
Revenue per ASM (cents)	13.31¢ - 13.36¢	13.32¢
Cost per ASM excluding fuel and special items (cents)	8.45¢ - 8.50¢	8.48¢
Fuel gallons (000,000)	144	131
Economic fuel cost per gallon ^(c)	\$1.68	\$1.62

^(a) Virgin America financial and operational data from the period December 14, 2016 through December 31, 2016 resulted in an increase to Consolidated PRASM of approximately 0.04 cents, a decrease to Consolidated RASM of approximately 0.02 cents, and a decrease to Consolidated CASMex of approximately 0.05 cents.

^(b) Our economic fuel cost per gallon estimate for the fourth quarter includes the following per-gallon assumptions: crude oil cost - \$1.24 (\$52 per barrel); refining margin - 34 cents; cost of settled hedges - 3 cents, with the remaining difference due to taxes and other into-plane costs.

Nonoperating Expense

We expect that our consolidated nonoperating *expense* will be approximately \$10 million in the fourth quarter of 2016.

Share Count

We expect our weighted-average diluted share counts to be approximately 124.1 million, respectively, for the fourth quarter of 2016.

Special Items

We expect to record merger-related costs of approximately \$82 million. Merger-related costs will be excluded from our adjusted earnings and costs per ASM.