

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 15, 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 February 15, 2018, Alaska Air Group, Inc. (Air Group) provided an investor update including a preview of the prior year impacts for the new revenue recognition accounting standard and retirement benefits accounting standard that became applicable for the Company beginning January 1, 2018. The investor update is furnished herein as Exhibit 99.1.

Air Group also provided an investor update related to its financial and operational outlook. The investor update is furnished herein as Exhibit 99.2.

Also on February 15, 2018, Air Group issued a press release announcing its January 2018 operational results. The press release is furnished herein as Exhibit 99.3.

In accordance with General Instruction B.2 of Form 8-K, the information under this item Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3 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 - Impact of New Revenue Recognition Accounting

[Exhibit 99.2](#) Investor Update dated February 15, 2018

[Exhibit 99.3](#) January 2018 Traffic Press Release dated February 15, 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: February 15, 2018

/s/ Brandon S. Pedersen

Brandon S. Pedersen

Executive Vice President/Finance and Chief Financial Officer

Alaska Air Group

Investor Update - Impact of New Accounting Standards

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 a preview of the prior year impacts for the new revenue recognition accounting standard and retirement benefits accounting standard that became applicable for the Company beginning January 1, 2018. We have elected to apply the new standards using a full retrospective transition, which will require us to restate prior period financial information. For a more complete discussion of the new accounting standards, and their impacts on our accounting policies, see our 2017 Form 10-K which filed on February 15, 2018.

As we have elected to apply the new accounting standards using a full retrospective transition method, we are providing a preview of the impacts to certain key metrics, including passenger revenue per available seat mile (PRASM), revenue per available seat mile (RASM) and costs per available seat mile excluding fuel and special charges (CASMex).

2016 ^(a)									
	PRASM			RASM			CASMex		
	As Reported	As Recast	% Change	As Reported	As Recast	% Change	As Reported	As Recast	% Change
Q1 2016	10.84¢	11.66¢	7.6	12.88¢	12.86¢	(0.2)	8.51¢	8.59¢	0.9
Q2 2016	11.42¢	12.35¢	8.1	13.51¢	13.54¢	0.2	7.78¢	7.87¢	1.2
Q3 2016	11.79¢	12.75¢	8.1	13.97¢	13.96¢	(0.1)	8.20¢	8.30¢	1.2
Q4 2016	11.29¢	12.13¢	7.4	13.36¢	13.31¢	(0.4)	8.45¢	8.51¢	0.7
Full Year 2016	11.34¢	12.23¢	7.8	13.44¢	13.43¢	(0.1)	8.23¢	8.31¢	1.0

2017 ^(a)									
	PRASM			RASM			CASMex		
	As Reported	As Recast	% Change	As Reported	As Recast	% Change	As Reported	As Recast	% Change
Q1 2017	10.31¢	11.13¢	8.0	12.15¢	12.09¢	(0.5)	8.37¢	8.40¢	0.4
Q2 2017	11.57¢	12.47¢	7.8	13.46¢	13.46¢	—	7.94¢	7.99¢	0.6
Q3 2017	11.29¢	12.12¢	7.4	13.12¢	13.05¢	(0.5)	7.98¢	8.00¢	0.3
Q4 2017	10.71¢	11.30¢	5.5	12.34¢	12.20¢	(1.1)	8.64¢	8.67¢	0.3
Full Year 2017	10.98¢	11.77¢	7.2	12.78¢	12.71¢	(0.5)	8.23¢	8.26¢	0.4

^(a) Actual as reported and as recast financial data reported in 2016 excludes Virgin America information prior to December 14, 2016 acquisition.

Alaska Air Group

Investor Update - February 15, 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

	January 2018	January 2017	% Change
Revenue passengers (in thousands)	3,340	3,241	3.1%
Traffic (RPMs in millions)	3,971	3,837	3.5%
Capacity (ASMs in millions)	5,237	4,911	6.6%
Load factor	75.8%	78.1%	(2.3) pts
Economic fuel cost per gallon	\$2.14	\$1.77	20.9%

Forecast Information

The cost guidance below excludes a \$25 million special charge in January 2018 for the \$1,000 bonus awarded to employees in connection with the passing of the Tax Cuts and Jobs Act.

	Forecast Full Year 2018	Full Year 2017	% Change	Prior Guidance January 25, 2018
Capacity (ASMs in millions)	66,595 - 66,745	62,072	~ 7.5%	~ 7.5%
Cost per ASM excluding fuel and special items (cents) ^(a)	8.45¢ - 8.50¢	8.26¢	~ 2.5%	8.45¢ - 8.50¢
Fuel gallons (000,000)	870	797	~ 9%	870
Economic fuel cost per gallon	(c)	\$1.82	(c)	(c)

We continue to expect first quarter 2018 Revenue per Available Seat Mile (RASM) to decline approximately 3.5% to 4.5%.

	Forecast Q1 2018	Q1 2017	% Change	Prior Guidance January 25, 2018
Capacity (ASMs in millions)	15,520 - 15,570	14,394	~ 8%	~ 8%
Cost per ASM excluding fuel and special items (cents) ^(a)	8.84¢ - 8.89¢	8.40¢	~ 6%	8.84¢ - 8.89¢
Fuel gallons (000,000)	205	184	~ 11.5%	205
Economic fuel cost per gallon ^(b)	\$2.10	\$1.78	~ 18%	\$2.18

(a) 2017 and 2018 CASMex reflect the impacts of the updated accounting standards, effective for the Company January 1, 2018. Information not impacted by the updated accounting standards (Capacity, Fuel gallons, Economic fuel cost per gallon) has not been restated.

(b) Our economic fuel cost per gallon estimate for the first quarter includes the following per-gallon assumptions: crude oil cost - \$1.44 (\$60 per barrel); refining margin - 48 cents; cost of settled hedges - 0 cents, with the remaining difference due to taxes and other into-plane costs.

(c) Because of the volatility of fuel prices, we do not provide full-year economic fuel estimates.

The preceding 2018 forecast CASMex for both the full year and the first quarter exclude the impact of a tentative agreement reached with our flight attendants in February 2018. This tentative agreement will provide pay increases to our nearly 4,400 flight attendants for Alaska and brings Virgin America inflight teammates into the overall collective bargaining agreement. If the tentative agreement is ratified, our unit costs are expected to increase. We will provide updated cost guidance once the agreement has been ratified.

Nonoperating Expense

We expect that our consolidated nonoperating expense will be approximately \$14 million in the first quarter of 2018. This amount excludes unrealized gains or losses on our marketable securities portfolio that, beginning January 1, 2018, are required to be recorded through the income statement. We will exclude these mark-to-market changes from our adjusted earnings.

Cash and Share Count

(in millions)	January 31, 2018		December 31, 2017	
Cash and marketable securities	\$	1,499	\$	1,621
Common shares outstanding		122.997		123.061

Share Repurchase

Through January 31, 2018, Air Group had repurchased a total of 69,412 shares of its common stock for approximately \$5 million.

News

Alaska Air Group

February 15, 2018

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Alaska Air Group reports January 2018 operational results

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported January operational results on a consolidated basis, for its mainline operations operated by subsidiaries Alaska Airlines, Inc. (Alaska) and Virgin America Inc. (Virgin America), 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). As a result, operational 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 3.5 percent increase in traffic on a 6.6 percent increase in capacity compared to January 2017. Load factor decreased 2.3 points to 75.8 percent.

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

	January		
	2018	2017	Change
Revenue passengers (000)	3,340	3,241	3.1%
Revenue passenger miles RPM (000,000) "traffic"	3,971	3,837	3.5%
Available seat miles ASM (000,000) "capacity"	5,237	4,911	6.6%
Passenger load factor	75.8%	78.1%	(2.3) pts

MAINLINE

Mainline reported a 2.4 percent increase in traffic on a 5.1 percent increase in capacity compared to January 2017. Load factor decreased 2.1 points to 76.4 percent. Mainline also reported 87.1 percent of its flights arrived on time in January 2018, compared to 73.7 percent reported in January 2017.

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

	January		
	2018	2017	Change
Revenue passengers (000)	2,595	2,522	2.9%
RPMS (000,000)	3,642	3,558	2.4%
ASMs (000,000)	4,768	4,535	5.1%
Passenger load factor	76.4%	78.5%	(2.1) pts
On-time arrivals as reported to U.S. DOT	87.1%	73.7%	13.4 pts

REGIONAL

Regional traffic increased 17.9 percent on a 24.7 percent increase in capacity compared to January 2017. Load factor decreased 4.1 points to 70.1 percent. Alaska's regional partners also reported 86.3 percent of its flights arrived on time in January 2018, compared to 64.1 percent in January 2017.

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

	January		
	2018	2017	Change
Revenue passengers (000)	745	719	3.6%
RPMS (000,000)	329	279	17.9%
ASMs (000,000)	469	376	24.7%
Passenger load factor	70.1%	74.2%	(4.1) pts
On-time arrivals as reported to U.S. DOT	86.3%	64.1%	22.2 pts

Alaska Airlines, together with Virgin America and its regional partners, flies 44 million guests a year to 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 Satisfaction Study for 10 consecutive years from 2008 to 2017. Learn more about Alaska's award-winning service 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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