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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

May 4, 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 May 4, 2018, Alaska Air Group, Inc. (Air Group) provided an investor update including 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.

In accordance with General Instruction B.2 of Form 8-K, the information under this item Exhibit 99.1 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 May 4, 2018 - Impact of New Accounting Standards

### **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: May 4, 2018

/s/ Christopher M. Berry

Christopher M. Berry

Vice President Finance and Controller

# 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 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 required us to adjust prior period financial information for the new standards. For a more complete discussion of the new accounting standards, and their impacts on our accounting policies, see our first quarter 2018 Form 10-Q filed on May 4, 2018.

## CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

The historical condensed consolidated statements of operations presented below reflect the adoption of the new standards related to revenue recognition and retirement benefits (the standards). Line items not impacted by the standards have been condensed for presentation herein. Upon adoption of the standards, the presentation of certain line items was modified to address the new accounting requirements. Certain immaterial reclassifications have been made to "as reported" financial statements to conform to classifications used in the current year.

	Twelve Months Ended December 31, 2016 <sup>(a)</sup>				Twelve Months Ended December 31, 2017			
	As Reported	Adjustments		As Adjusted	As Reported	Adjustments		As Adjusted
		Revenue Recognition	Retirement Benefits			Revenue Recognition	Retirement Benefits	
<b>Operating Revenues</b>								
Passenger Revenue	\$ 5,006	\$ 386	\$ —	\$ 5,392	\$ 6,818	\$ 483	\$ —	\$ 7,301
Mileage plan other revenue	429	(59)	—	370	482	(64)	—	418
Cargo and other revenue	496	(333)	—	163	633	(458)	—	175
<b>Total Operating Revenue</b>	<b>5,931</b>	<b>(6)</b>	<b>—</b>	<b>5,925</b>	<b>7,933</b>	<b>(39)</b>	<b>—</b>	<b>7,894</b>
<b>Operating Expenses</b>								
Wages and benefits	1,382	—	12	1,394	1,924	—	7	1,931
Selling expenses	225	23	—	248	357	11	—	368
Special items—merger-related costs	117	—	—	117	118	(2)	—	116
All other operating expenses	2,860	—	—	2,860	4,271	—	—	4,271
<b>Total Operating Expenses</b>	<b>4,584</b>	<b>23</b>	<b>12</b>	<b>4,619</b>	<b>6,670</b>	<b>9</b>	<b>7</b>	<b>6,686</b>
<b>Operating Income</b>	<b>1,347</b>	<b>(29)</b>	<b>(12)</b>	<b>1,306</b>	<b>1,263</b>	<b>(48)</b>	<b>(7)</b>	<b>1,208</b>
<b>Nonoperating Income (Expense)</b>								
Other—net	1	—	12	13	(4)	—	7	3
All other nonoperating income (expense)	(3)	—	—	(3)	(52)	—	—	(52)
	(2)	—	12	10	(56)	—	7	(49)
Income (loss) before income tax	1,345	(29)	—	1,316	1,207	(48)	—	1,159
Income tax expense (benefit)	531	(12)	—	519	173	26	—	199
<b>Net Income (Loss)</b>	<b>\$ 814</b>	<b>\$ (17)</b>	<b>\$ —</b>	<b>\$ 797</b>	<b>\$ 1,034</b>	<b>\$ (74)</b>	<b>\$ —</b>	<b>\$ 960</b>

<sup>(a)</sup> As the acquisition of Virgin America closed on December 14, 2016, amounts include Virgin America results for the period December 14, 2016 through December 31, 2016.

	Three Months Ended March 31, 2017				Three Months Ended June 30, 2017				
	As Reported	Adjustments		As Adjusted	As Reported	Adjustments		As Adjusted	
		Revenue Recognition	Retirement Benefits			Revenue Recognition	Retirement Benefits		
Operating Revenues									
Passenger Revenue	\$ 1,484	\$ 118	\$ —	\$ 1,602	\$ 1,807	\$ 138	\$ —	\$ 1,945	
Mileage plan other revenue	119	(19)	—	100	128	(19)	—	109	
Cargo and other revenue	146	(108)	—	38	167	(119)	—	48	
Total Operating Revenue	1,749	(9)	—	1,740	2,102	—	—	2,102	
Operating Expenses									
Wages and benefits	448	—	2	450	469	—	1	470	
Selling expenses	81	2	—	83	97	5	—	102	
Special items—merger-related costs	40	(1)	—	39	24	—	—	24	
All other operating expenses	1,011	—	—	1,011	1,019	—	—	1,019	
Total Operating Expenses	1,580	1	2	1,583	1,609	5	1	1,615	
Operating Income	169	(10)	(2)	157	493	(5)	(1)	487	
Nonoperating Income (Expense)									
Other—net	(3)	—	2	(1)	(1)	—	1	—	
All other nonoperating income (expense)	(14)	—	—	(14)	(13)	—	—	(13)	
	(17)	—	2	(15)	(14)	—	1	(13)	
Income (loss) before income tax	152	(10)	—	142	479	(5)	—	474	
Income tax expense (benefit)	53	(4)	—	49	183	(2)	—	181	
Net Income (Loss)	\$ 99	\$ (6)	\$ —	\$ 93	\$ 296	\$ (3)	\$ —	\$ 293	

	Three Months Ended September 30, 2017				Three Months Ended December 31, 2017				
	As Reported	Adjustments		As Adjusted	As Reported	Adjustments		As Adjusted	
		Revenue Recognition	Retirement Benefits			Revenue Recognition	Retirement Benefits		
Operating Revenues									
Passenger Revenue	\$ 1,824	\$ 134	\$ —	\$ 1,958	\$ 1,703	\$ 93	\$ —	\$ 1,796	
Mileage plan other revenue	122	(17)	—	105	113	(9)	—	104	
Cargo and other revenue	174	(127)	—	47	146	(104)	—	42	
Total Operating Revenue	2,120	(10)	—	2,110	1,962	(20)	—	1,942	
Operating Expenses									
Wages and benefits	475	—	2	477	532	—	2	534	
Selling expenses	91	1	—	92	88	3	—	91	
Special items—merger-related costs	24	(1)	—	23	30	—	—	30	
All other operating expenses	1,091	—	—	1,091	1,150	—	—	1,150	
Total Operating Expenses	1,681	—	2	1,683	1,800	3	2	1,805	
Operating Income	439	(10)	(2)	427	162	(23)	(2)	137	
Nonoperating Income (Expense)									
Other—net	—	—	2	2	—	—	2	2	
All other nonoperating income (expense)	(12)	—	—	(12)	(13)	—	—	(13)	
	(12)	—	2	(10)	(13)	—	2	(11)	
Income (loss) before income tax	427	(10)	—	417	149	(23)	—	126	
Income tax expense (benefit)	161	(3)	—	158	(224)	35	—	(189)	
Net Income (Loss)	\$ 266	\$ (7)	\$ —	\$ 259	\$ 373	\$ (58)	\$ —	\$ 315	

## CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

The historical condensed consolidated balance sheets below reflect the adoption of the new standards related to revenue recognition (the standard) as well as other classification changes. Line items not impacted by the standard have been condensed for presentation herein. Upon adoption of the standard, the presentation of certain line items was modified to address the new accounting requirements. Certain immaterial reclassifications have been made to "as reported" financial statements to conform to classifications used in the current year.

	December 31, 2016			December 31, 2017		
	As Reported	Adjustments - Revenue Recognition	As Adjusted	As Reported	Adjustments - Revenue Recognition	As Adjusted
<b>ASSETS</b>						
<b>Current Assets</b>						
Prepaid expenses, fuel hedge contracts and other current assets	\$ 121	\$ 6	\$ 127	\$ 127	\$ 6	\$ 133
All other current assets	1,929	—	1,929	2,019	—	2,019
<b>Total Current Assets</b>	<b>2,050</b>	<b>6</b>	<b>2,056</b>	<b>2,146</b>	<b>—</b>	<b>2,152</b>
<b>Total Property and Equipment—Net</b>	<b>5,666</b>	<b>—</b>	<b>5,666</b>	<b>6,284</b>	<b>—</b>	<b>6,284</b>
<b>Total Other Assets</b>	<b>2,246</b>	<b>—</b>	<b>2,246</b>	<b>2,310</b>	<b>—</b>	<b>2,310</b>
<b>Total Assets</b>	<b>\$ 9,962</b>	<b>\$ 6</b>	<b>\$ 9,968</b>	<b>\$ 10,740</b>	<b>\$ 6</b>	<b>\$ 10,746</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
Air traffic liability	\$ 849	\$ (87)	\$ 762	\$ 937	\$ (131)	\$ 806
Deferred Revenue	484	102	586	518	117	635
Other accrued liabilities	394	1	395	400	—	400
All other current liabilities	808	—	808	845	—	845
<b>Total Current Liabilities</b>	<b>2,535</b>	<b>16</b>	<b>2,551</b>	<b>2,700</b>	<b>(14)</b>	<b>2,686</b>
<b>Long-Term Debt, Net of Current Portion</b>	<b>2,645</b>	<b>—</b>	<b>2,645</b>	<b>2,262</b>	<b>—</b>	<b>2,262</b>
<b>Other Liabilities and Credits</b>						
Deferred income taxes	463	(110)	352	454	(84)	370
Deferred revenue	640	309	949	699	391	1,090
Other liabilities	417	(21)	396	451	(26)	425
All other liabilities and credits	331	—	331	453	—	453
<b>Total Other Liabilities and Credits</b>	<b>1,851</b>	<b>178</b>	<b>2,028</b>	<b>2,057</b>	<b>281</b>	<b>2,338</b>
<b>Shareholders' Equity</b>						
All other Shareholders' Equity	(637)	—	(637)	(733)	—	(733)
Retained earnings	3,568	(188)	3,380	4,454	(261)	4,193
	2,931	(188)	2,743	3,721	(261)	3,460
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 9,962</b>	<b>\$ 6</b>	<b>\$ 9,968</b>	<b>\$ 10,740</b>	<b>\$ 6</b>	<b>\$ 10,746</b>

## OPERATING STATISTICS *(unaudited)*

The operating statistics included in the table below were impacted by the adjustment of prior year financial information as part of the adoption of new accounting standards. Due to the reclassification of the majority of Other revenue to Passenger revenue, Passenger revenue per available seat mile (PRASM) is not restated below as it closely correlates with revenue per available seat mile (RASM). Yield represents passenger revenue per revenue passenger mile (RPM), or the average revenue for flying one passenger one mile. Cost per available seat mile excluding fuel and special items (CASMex) is used to help track progress toward reduction of non-fuel operating costs. These operating statistics are commonly reviewed by management when evaluating performance.

	RASM			Yield			CASMex		
	As Reported	As Adjusted	% Change	As Reported	As Adjusted	% Change	As Reported	As Adjusted	% Change
<b>Full Year 2016 <sup>(a)</sup></b>	13.44¢	13.43¢	(0.1)	13.45¢	14.49¢	7.7	8.23¢	8.32¢	1.1
<b>Q1 2017</b>	12.15¢	12.09¢	(0.5)	12.68¢	13.69¢	8.0	8.37¢	8.38¢	0.1
<b>Q2 2017</b>	13.46¢	13.46¢	—	13.33¢	14.35¢	7.7	7.94¢	7.98¢	0.5
<b>Q3 2017</b>	13.12¢	13.06¢	(0.5)	13.21¢	14.18¢	7.3	7.98¢	8.00¢	0.3
<b>Q4 2017</b>	12.34¢	12.21¢	(1.1)	12.84¢	13.54¢	5.5	8.64¢	8.68¢	0.5
<b>Full Year 2017</b>	12.78¢	12.72¢	(0.5)	13.03¢	13.95¢	7.1	8.23¢	8.25¢	0.2

(a) As the acquisition of Virgin America closed on December 14, 2016, amounts include Virgin America results for the period December 14, 2016 through December 31, 2016.

## NON-GAAP ADJUSTED NET INCOME AND EPS RECONCILIATION *(unaudited)*

The following tables reconcile the company's GAAP net income and earnings per diluted share ("diluted EPS"), restated for the new accounting standards, to adjusted amounts:

<i>(in millions, except per share amounts)</i>	Twelve Months Ended December 31, 2016		Twelve Months Ended December 31, 2017	
	Dollars As Adjusted	Diluted EPS As Adjusted	Dollars As Adjusted	Diluted EPS As Adjusted
GAAP net income and diluted EPS	\$ 797	\$ 6.41	\$ 960	\$ 7.75
Mark-to-market fuel hedge adjustments	(13)	(0.10)	(7)	(0.06)
Special items—merger-related costs	117	0.93	116	0.94
Income tax effect	(24)	(0.19)	(41)	(0.33)
Special tax (benefit)/expense	17	0.14	(280)	(2.26)
Non-GAAP adjusted net income and diluted EPS	<u>\$ 894</u>	<u>\$ 7.19</u>	<u>\$ 748</u>	<u>\$ 6.04</u>

<i>(in millions, except per share amounts)</i>	Three Months Ended March 31, 2017		Three Months Ended June 30, 2017	
	Dollars As Adjusted	Diluted EPS As Adjusted	Dollars As Adjusted	Diluted EPS As Adjusted
GAAP net income and diluted EPS	\$ 93	\$ 0.75	\$ 293	\$ 2.36
Mark-to-market fuel hedge adjustments	10	0.08	2	0.02
Special items—merger-related costs	39	0.30	24	0.19
Income tax effect	(18)	(0.14)	(10)	(0.09)
Non-GAAP adjusted net income and diluted EPS	<u>\$ 124</u>	<u>\$ 0.99</u>	<u>\$ 309</u>	<u>\$ 2.48</u>

<i>(in millions, except per share amounts)</i>	Three Months Ended September 30, 2017		Three Months Ended December 31, 2017	
	Dollars As Adjusted	Diluted EPS As Adjusted	Dollars As Adjusted	Diluted EPS As Adjusted
GAAP net income and diluted EPS	\$ 259	\$ 2.09	\$ 315	\$ 2.55
Mark-to-market fuel hedge adjustments	(5)	(0.04)	(14)	(0.11)
Special items—merger-related costs	23	0.19	30	0.24
Income tax effect	(7)	(0.06)	(6)	(0.06)
Special tax (benefit)/expense	—	—	(280)	(2.26)
Non-GAAP adjusted net income and diluted EPS	<u>\$ 270</u>	<u>\$ 2.18</u>	<u>\$ 45</u>	<u>\$ 0.36</u>