

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

June 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 June 15, 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 June 15, 2018, Air Group issued a press release announcing its May 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 June 15, 2018

[Exhibit 99.2](#) May 2018 Traffic Press Release dated June 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: June 15, 2018

/s/ Brandon S. Pedersen

Brandon S. Pedersen

Executive Vice President/Finance and Chief Financial Officer

Alaska Air Group

Investor Update - June 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

| | May 2018 | May 2017 | % Change |
|-----------------------------------|----------|----------|-----------|
| Revenue passengers (in thousands) | 4,042 | 3,790 | 6.6% |
| Traffic (RPMs in millions) | 4,835 | 4,500 | 7.4% |
| Capacity (ASMs in millions) | 5,660 | 5,202 | 8.8% |
| Load factor | 85.4% | 86.5% | (1.1) pts |
| Economic fuel cost per gallon | \$2.33 | \$1.71 | 36.3% |

Forecast Information

| | Forecast Full Year 2018 | Full Year 2017 As Adjusted ^(a) | % Change | Prior Guidance May 15, 2018 |
|--|-------------------------|---|--------------|-----------------------------|
| Capacity (ASMs in millions) | 65,950 - 66,100 | 62,072 | ~ 6.2 - 6.5% | 65,980 - 66,130 |
| Cost per ASM excluding fuel and special items (cents) ^(a) | 8.51¢ - 8.56¢ | 8.25¢ | ~ 3.5% | 8.51¢ - 8.56¢ |
| Fuel gallons (000,000) | 845 | 797 | ~ 6.0% | 845 |

| | Forecast Q2 2018 | Q2 2017 As Adjusted ^(a) | % Change | Prior Guidance May 15, 2018 |
|--|------------------|------------------------------------|------------------|-----------------------------|
| Capacity (ASMs in millions) | 16,850 - 16,900 | 15,612 | ~ 8.0% | 16,910 - 16,960 |
| Cost per ASM excluding fuel and special items (cents) ^(a) | 8.23¢ - 8.28¢ | 7.98¢ | ~ 3.5% | 8.34¢ - 8.39¢ |
| Fuel gallons (000,000) | 217 | 201 | ~ 8.0% | 217 |
| Economic fuel cost per gallon ^(b) | \$2.31 | \$1.71 | ~ 35.0% | \$2.27 |
| Revenue per ASM (cents) ^{(a)(c)} | — | — | ~ (4.0) - (5.0)% | (2.75) - (3.75)% |

(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 (Capacity, Fuel gallons, Economic fuel cost per gallon) has not been restated.

(b) Our economic fuel cost per gallon estimate for the second quarter includes the following per-gallon assumptions: crude oil cost – \$1.61 (\$68 per barrel); refining margin – 57 cents; benefit of settled hedges – 4 cents; with the remaining difference due to taxes and other into-plane costs.

(c) Based on current booking and revenue trends, we now expect second quarter 2018 Revenue per Available Seat Mile (RASM) to decline approximately 4% to 5%, year-over-year. This guidance compares to our previous guidance of down 2.75% to 3.75%, year-over-year, and is driven by two primary components:

- i. **Acceleration in award travel activity (100 bps impact):** Award travel, which is typically RASM-dilutive during stronger demand periods of the year, has accelerated significantly following our transition to a single reservation system on April 25, 2018. This acceleration in May and June results from the greater network and schedule options on the legacy Virgin America network that are now available to our growing mileage plan membership base for award and companion fare redemptions. We estimate that award travel in excess of our forecast will reduce second quarter unit revenues by approximately 100 basis points relative to initial guidance. Despite this near-term impact, we are encouraged by the level of engagement among our new Mileage Plan members, which over time will lead to higher and more consistent demand for our services.
- ii. **Mainland to Kona Flying (25 bps impact):** In addition, approximately 25 basis points of our guidance reduction is attributable to softer demand in our Mainland-to-Kona, Hawaii market, resulting from volcanic activity on the Big Island during the second quarter.

Nonoperating Expense

We expect that our consolidated nonoperating expense will be approximately \$17 million in the second quarter of 2018.

Cash and Share Count

| (in millions) | May 31, 2018 | | March 31, 2018 | |
|--------------------------------|---------------------|----------------|-----------------------|---------|
| Cash and marketable securities | \$ | 1,664 | \$ | 1,528 |
| Common shares outstanding | | 123.254 | | 123.350 |

Share Repurchase

Through May 31, 2018, Air Group had repurchased a total of 322,049 shares of its common stock for approximately \$21 million.

News

Alaska Air Group

June 15, 2018

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Alaska Air Group reports May 2018 operational results

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported May operational results on a consolidated basis for its mainline operations flown by subsidiary Alaska Airlines, Inc. and for its regional flying operated by subsidiary Horizon Air Industries, Inc. 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 7.4 percent increase in traffic on an 8.8 percent increase in capacity compared to May 2017. Load factor decreased 1.1 points to 85.4 percent.

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

| | May | | | Year-to-Date | | |
|--|--------------|-------|-----------|---------------|--------|-----------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Revenue passengers (000) | 4,042 | 3,790 | 6.6% | 18,370 | 17,468 | 5.2% |
| Revenue passenger miles RPM (000,000) "traffic" | 4,835 | 4,500 | 7.4% | 21,837 | 20,554 | 6.2% |
| Available seat miles ASM (000,000) "capacity" | 5,660 | 5,202 | 8.8% | 26,597 | 24,616 | 8.0% |
| Passenger load factor | 85.4% | 86.5% | (1.1) pts | 82.1% | 83.5% | (1.4) pts |

MAINLINE

Mainline reported a 5.8 percent increase in traffic on a 7.3 percent increase in capacity compared to May 2017. Load factor decreased 1.2 points to 85.8 percent. Mainline also reported 81.8 percent of its flights arrived on time in May 2018, compared to 76.2 percent reported in May 2017.

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

| | May | | | Year-to-Date | | |
|--|--------------|-------|-----------|---------------|--------|-----------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Revenue passengers (000) | 3,162 | 2,979 | 6.1% | 14,398 | 13,641 | 5.5% |
| RPMs (000,000) | 4,403 | 4,161 | 5.8% | 19,966 | 19,014 | 5.0% |
| ASMs (000,000) | 5,132 | 4,781 | 7.3% | 24,188 | 22,658 | 6.8% |
| Passenger load factor | 85.8% | 87.0% | (1.2) pts | 82.5% | 83.9% | (1.4) pts |
| On-time arrivals as reported to U.S. DOT | 81.8% | 76.2% | 5.6 pts | 83.6% | 75.4% | 8.2 pts |

REGIONAL

Regional traffic increased 27.4 percent on a 25.4 percent increase in capacity compared to May 2017. Load factor increased 1.3 points to 81.8 percent. Alaska's regional partners also reported 87.8 percent of its flights arrived on time in May 2018, compared to 86.4 percent in May 2017.

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

| | May | | | Year-to-Date | | |
|--|--------------|-------|---------|--------------|-------|-----------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Revenue passengers (000) | 880 | 811 | 8.5% | 3,972 | 3,827 | 3.8% |
| RPMs (000,000) | 432 | 339 | 27.4% | 1,871 | 1,540 | 21.5% |
| ASMs (000,000) | 528 | 421 | 25.4% | 2,409 | 1,958 | 23.0% |
| Passenger load factor | 81.8% | 80.5% | 1.3 pts | 77.7% | 78.7% | (1.0) pts |
| On-time arrivals as reported to U.S. DOT | 87.8% | 86.4% | 1.4 pts | 86.4% | 78.4% | 8.0 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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