
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**

April 12, 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. The Company is also submitting specific financial and operating results from 2016 on a combined comparative basis as the sum of the historical consolidated results of the Company and of Virgin America, Inc. for the periods prior to the acquisition date of December 14, 2016. This information is being furnished in an Investor Update as attached in Exhibit 99.3.

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 April 12, 2017, Alaska Air Group, Inc. issued a press release announcing its March 2017 operational results. The press release is furnished herein as Exhibit 99.1.

ITEM 9.01 Financial Statements and Other Exhibits

Exhibit 99.1 March 2017 Traffic Press Release dated April 12, 2017
Exhibit 99.2 Investor Update dated April 12, 2017
Exhibit 99.3 Investor Update dated April 12, 2017: 2016 Combined Comparative Data

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: April 12, 2017

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

News

Alaska Air Group

April 12, 2017

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Alaska Air Group Reports March 2017 Operational Results

SEATTLE - Alaska Air Group Inc. (NYSE: ALK) today reported March and year-to-date 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 (Regional). Winter storms in 2017 significantly impacted the year-to-date operational performance across the network. Detailed information is provided below.

Air Group's acquisition of Virgin America took place on December 14, 2016. Operational results below include Virgin America results from pre-acquisition periods for comparison.

AIR GROUP

On a combined basis for all operations, Air Group reported a 5.5 percent increase in traffic on a 5.7 percent increase in capacity compared to March 2016. Load factor decreased 0.2 points to 85.4 percent.

The following table shows the operational results for March and year-to-date compared to the prior-year periods⁽¹⁾:

	March			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	3,741	3,551	5.4%	10,018	9,600	4.4%
Revenue passenger miles RPM (000,000) "traffic"	4,369	4,142	5.5%	11,707	11,186	4.7%
Available seat miles ASM (000,000) "capacity"	5,116	4,840	5.7%	14,394	13,719	4.9%
Passenger load factor	85.4%	85.6%	(0.2) pts	81.3%	81.5%	(0.2) pts

⁽¹⁾ 2016 information has been adjusted to include Virgin America operating results for comparison.

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ALASKA

Alaska reported a 6.8 percent increase in traffic on a 6.9 percent increase in capacity compared to March 2016. Load factor decreased 0.1 point to 86.7 percent. Alaska also reported 79.8 percent of its flights arrived on time in March 2017, compared to 86.4 percent reported in March 2016.

The following table shows Alaska's operational results for March and year-to-date compared to the prior-year periods:

	March			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	2,242	2,090	7.3%	5,951	5,642	5.5%
RPMs (000,000)	3,039	2,845	6.8%	8,091	7,716	4.9%
ASMs (000,000)	3,504	3,278	6.9%	9,799	9,354	4.8%
Passenger load factor	86.7%	86.8%	(0.1) pt	82.6%	82.5%	0.1 pt
On-time arrivals as reported to U.S. DOT	79.8%	86.4%	(6.6) pts	78.4%	87.5%	(9.1) pts

VIRGIN AMERICA

Virgin America traffic increased 2.4 percent on a 2.9 percent increase in capacity compared to March 2016. Load factor decreased 0.5 points to 83.3 percent. Virgin America also reported 65.5 percent of its flights arrived on time in March 2017, compared to 73.8 percent in March 2016.

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

	March			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	668	659	1.4%	1,833	1,766	3.8%
RPMs (000,000)	1,000	977	2.4%	2,736	2,615	4.6%
ASMs (000,000)	1,200	1,166	2.9%	3,461	3,265	6.0%
Passenger load factor	83.3%	83.8%	(0.5) pts	79.1%	80.1%	(1.0) pt
On-time arrivals as reported to U.S. DOT	65.5%	73.8%	(8.3) pts	64.7%	77.4%	(12.7) pts

REGIONAL

Regional traffic increased 3.1 percent on a 4.0 percent increase in capacity compared to March 2016. Load factor decreased 0.7 points to 80.1 percent. Regional also reported 84.2 percent of its flights arrived on time in March 2017, compared to 87.5 percent in March 2016.

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

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	March			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	831	802	3.6%	2,234	2,192	1.9%
RPMs (000,000)	330	320	3.1%	880	855	2.9%
ASMs (000,000)	412	396	4.0%	1,134	1,100	3.1%
Passenger load factor	80.1%	80.8%	(0.7) pts	77.6%	77.7%	(0.1) pt
On-time arrivals as reported to U.S. DOT	84.2%	87.5%	(3.3) pts	72.6%	89.0%	(16.4) pts

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. Alaska Mileage Plan ranked “[Highest in Customer Satisfaction with Airline Loyalty Rewards Programs](#)” in the J.D. Power Airline Loyalty/Rewards Program Satisfaction Report for the last three consecutive years. 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

Investor Update - April 12, 2017

Note to Investors

This abbreviated Investor Update is being provided to communicate certain actual first quarter 2017 operating statistics. It includes forecasted passenger unit revenue (PRASM), total unit revenue (RASM), unit cost excluding fuel (CASMex), estimated economic fuel cost per gallon for the quarter, expected non-operating income, and first quarter share repurchase information.

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 first quarter earnings release scheduled for April 26, 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 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. 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 fuel price movements and the impact of our hedging program on our financial results. 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, 2016, 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 Statistics

For the purposes of comparison, the consolidating operating statistics in the historical period of the table below are on a "Combined Comparative" basis, and include operations for Alaska Air Group and Virgin America, Inc. (Virgin America) for the periods prior to the acquisition date of December 14, 2016. Virgin America's historical operating statistics included in the Combined Comparative presentation below have been conformed to Alaska Air Group's presentation where appropriate.

	Q1 2017	Q1 2016 Combined Comparative	% Change	Q1 2016 As Reported
Revenue passengers (in thousands)	10,018	9,602	4.3%	7,835
Traffic (RPMs in millions)	11,707	11,186	4.7%	8,571
Capacity (ASMs in millions)	14,394	13,719	4.9%	10,453
Load factor	81.3%	81.5%	(0.2) pts	82.0%

Forecast Information

The following table provides a Combined Comparative perspective, calculated as the sum of 2016 historical results for Alaska Air Group and Virgin America for the prior year quarter, which was before the acquisition date of December 14, 2016.

	Forecast Q1 2017	Q1 2016 Combined Comparative	% Change	Q1 2016 As Reported	Prior Guidance March 13, 2017	
Passenger revenue per ASM (cents)	10.26¢ - 10.31¢	10.66¢	~ (3.5) %	10.84¢	N/A	N/A
Revenue per ASM (cents)	12.10¢ - 12.15¢	12.47¢	~ (3) %	12.88¢	N/A	N/A
Cost per ASM excluding fuel and special items (cents)	8.37¢ - 8.42¢	8.36¢	~ 0.5 %	8.51¢	8.40¢ - 8.45¢	~ 1%
Fuel gallons (000,000)	184	175	~ 5 %	132	185	~ 6%
Economic fuel cost per gallon ^(a)	\$1.78	\$1.38	~ 29 %	\$1.29	\$1.79	~ 29.5%

(a) Our economic fuel cost per gallon estimate for the first quarter includes the following per-gallon assumptions: crude oil cost - \$1.18 (\$50 per barrel); refining margin - 35 cents; cost of settled hedges - 2 cents; with the remaining difference due to taxes and other into-plane costs.

Nonoperating Income

We expect that our consolidated nonoperating *expense* will be approximately \$15 million in the first quarter of 2017 .

Share Count

We expect our weighted-average basic and diluted share counts will be 123.5 million and 124.2 million, respectively, for the first quarter of 2017.

Alaska Air Group

Investor Update - April 12, 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. References in this update to "Virgin America" refer to "Virgin America Inc."

Air Group completed its acquisition of Virgin America on December 14, 2016. Fourth quarter 2016 results within our previously filed 10-K reflect the results of operations for Virgin America from December 14, 2016 through December 31, 2016, including the impacts of purchase accounting.

This update includes specific financial and operational results on a combined basis, which we believe can be meaningful for year-over-year analysis. We have presented "Combined Comparative" financial and operational information below, determined as the sum of the historical consolidated results of the Company through December 31, 2016 and of Virgin America for the periods prior to the acquisition date of December 14, 2016. Virgin America's financial information has been conformed to reflect Air Group's historical financial statement presentation for each period presented. It includes the impact of purchase accounting only for the period following the acquisition.

The information presented below does not purport to reflect what our financial and operational results would have been had the acquisition been consummated at the beginning of the period presented.

This Investor Update may contain 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, 2016, 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, 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.

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).

2016 QUARTERLY COMBINED CONDENSED FINANCIAL INFORMATION (unaudited)

The following tables provide combined condensed financial information of Air Group and Virgin America for each of the quarters of 2016. Air Group's financial information is presented as reported. Virgin America's financial information has been conformed to reflect Air Group's historical financial statement presentation.

<i>(in millions)</i>	Three months ended March 31, 2016			Three months ended June 31, 2016		
	Air Group	Virgin America	Combined	Air Group	Virgin America	Combined
Passenger revenue	\$ 1,133	\$ 329	\$ 1,462	\$ 1,263	\$ 384	\$ 1,647
Other revenue	214	34	248	231	41	272
Total Operating Revenues	1,347	363	1,710	1,494	425	1,919
Non-fuel operating expense	890	260	1,150	875	277	1,152
Fuel expense	167	71	238	201	77	278
Total Operating Expenses	1,057	331	1,388	1,076	354	1,430
Operating Income	290	32	322	418	71	489
Nonoperating income (expense)	2	(4)	(2)	2	(5)	(3)
Income before taxes	292	28	320	420	66	486
Special items—merger-related	—	2	2	14	4	18
Mark-to-market fuel hedge adjustments	(2)	(1)	(3)	(10)	(1)	(11)
Adjusted Income Before Taxes	\$ 290	\$ 29	\$ 319	\$ 424	\$ 69	\$ 493

<i>(in millions)</i>	Three months ended September 30, 2016			Three months ended December 31, 2016			Year ended
	Air Group	Virgin America	Combined	Air Group	Virgin America ^(a)	Combined	December 31, 2016 ^(a)
Passenger revenue	\$ 1,322	\$ 402	\$ 1,724	\$ 1,288	\$ 299	\$ 1,587	\$ 6,420
Other revenue	244	44	288	236	31	267	1,075
Total Operating Revenues	1,566	446	2,012	1,524	330	1,854	7,495
Non-fuel operating expense	941	275	1,216	1,045	237	1,282	4,800
Fuel expense	225	81	306	238	64	302	1,124
Total Operating Expenses	1,166	356	1,522	1,283	301	1,584	5,924
Operating Income	400	90	490	241	29	270	1,571
Nonoperating income (expense)	2	(5)	(3)	(10)	(5)	(15)	(23)
Income before taxes	402	85	487	231	24	255	1,548
Special items—merger-related	22	2	24	81	13	94	138
Mark-to-market fuel hedge adjustments	3	—	3	(4)	—	(4)	(15)
Adjusted Income Before Taxes	\$ 427	\$ 87	\$ 514	\$ 308	\$ 37	\$ 345	\$ 1,671

(a) Reflects a reclassification adjustment from other to passenger revenue identified subsequent to the issuance of the supplementary combined comparative information included in our fourth quarter 2016 results issued on February 8, 2017. This reclassification adjustment was made to align Virgin America's financial statement presentation to that of Air Group. Its impact to the combined comparative results is \$6 million and \$26 million for the three and the twelve months ended December 31, 2016.

2016 QUARTERLY COMBINED OPERATING STATISTICS (unaudited)

The following table provides selected combined comparative operating statistics of Air Group and Virgin America for each of the quarters of 2016:

	Three months ended				Year ended
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016
Revenue passengers (in 000)	9,602	10,734	11,229	10,382	41,947
Revenue passenger miles (in 000,000)	11,186	12,562	12,922	12,084	48,754
Available seat miles (ASM) (in 000,000)	13,719	14,751	15,079	14,404	57,953
Load Factor	81.5%	85.2%	85.7%	83.9%	84.1%
Passenger revenue per ASM (PRASM) ^(a)	10.66¢	11.16¢	11.43¢	11.02¢	11.08¢
Revenue per ASM (RASM)	12.47¢	13.01¢	13.34¢	12.87¢	12.93¢
Cost per ASM excluding fuel and special items (CASMex)	8.36¢	7.69¢	7.90¢	8.25¢	8.04¢

(a) The three and the twelve month periods ended December 31, 2016 reflect a reclassification adjustment from other to passenger revenue identified subsequent to the issuance of the supplementary combined comparative information included in our fourth quarter 2016 results issued on February 8, 2017. The impact of this reclassification to the combined comparative resulted in an increase of 0.05 cents for both the three and twelve months ended December 31, 2016.

2016 MONTHLY COMBINED PRASM AND RASM (unaudited)

The following table provides combined PRASM and RASM of Air Group and Virgin America for each of the months of 2016:

2016	Combined PRASM	Combined RASM
January	10.19¢	12.00¢
February	10.20	11.99
March	11.51	13.33
April	10.85	12.66
May	10.74	12.59
June	11.88	13.75
July	12.17	14.02
August	11.27	13.16
September	10.77	12.77
October	10.52	12.40
November	11.35	13.18
December	11.17	13.02