



Investor Day 2014



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Lavanya Sareen – Managing Director, Investor Relations

Safe Harbor

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's estimates, expectations, beliefs, intentions, and strategies for the future, and are not guarantees of future performance. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Please refer to the risk factors described in Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.



“HIGHEST IN CUSTOMER SATISFACTION
AMONG TRADITIONAL CARRIERS IN NORTH AMERICA,
SEVEN YEARS IN A ROW”

FORTUNE

500

READY
SAFE
GO

Alaska Airlines

N471AS

900ER

FitchRatings







WELCOME HOME,
RAISBECK AVIATION HIGH SCHOOL!
THE SKY IS NOT THE LIMIT!



Thank you
Alaska. We are
flying high
because of
you!
You are heroes!

Crystal Futch became the first woman driver to win a classification since 2008, while Lody Jones shows off his

Thank You

Thank You
Alaska Airlines
for your
Humanitarian Flights Out
of Cabo San Lucas During
Hurricane Odile!



Your employees were great
in helping out in every way.









"HIGHEST IN CUSTOMER SATISFACTION
AMONG TRADITIONAL CARRIERS IN NORTH AMERICA,
SEVEN YEARS IN A ROW"

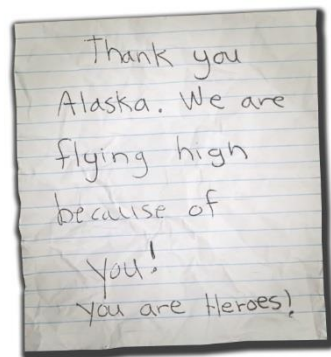
**FORTUNE
500**



GEAR UP



Fitch Ratings



Alaska



Investor Day 2014

Brad Tilden – Chief Executive Officer

5 Focus Areas define our strategy



2015 Plan is focused on execution and delivering noticeable changes

2015 Plan

Overview of the day



A Great Place to Work

Tammy Young – Vice President, Human Resources



Building Customer Loyalty

Curtis Kopf – Vice President, Customer Innovation



The “60 Second” Airline

Ben Minicucci – Chief Operating Officer



Grow Our Airline and Strengthen The Network

Andrew Harrison – Senior Vice President Planning & Revenue Management



Create Long-Term Value

Brandon Pedersen – Chief Financial Officer



A Great Place to Work

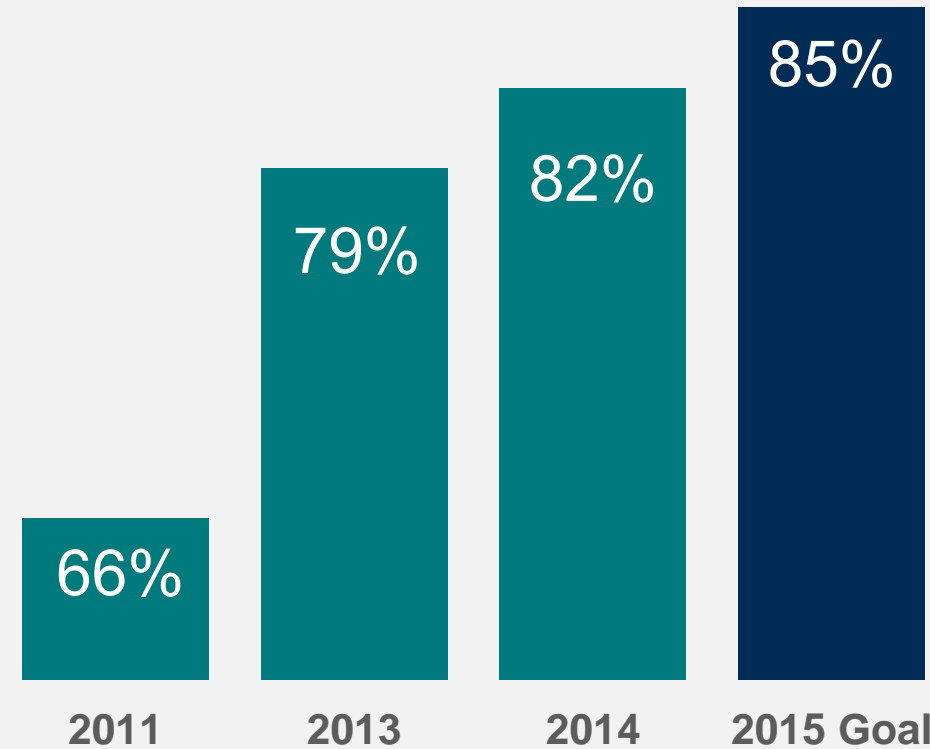
Tammy Young – Vice President, Human Resources

Alaska

Higher employee engagement drives higher productivity, superior execution, and better customer service



ALASKA AIR GROUP EMPLOYEE ENGAGEMENT



Leaders throughout the organization are the drivers of sustained success



Impactful Leaders
Create Alignment

“Gear-up” – Leadership Training



Employee
Engagement



Productivity



Excellent
Customer Service

In 2015, we are making two major investments in our employees



2012 - 2013



2015 – Signature Service Training



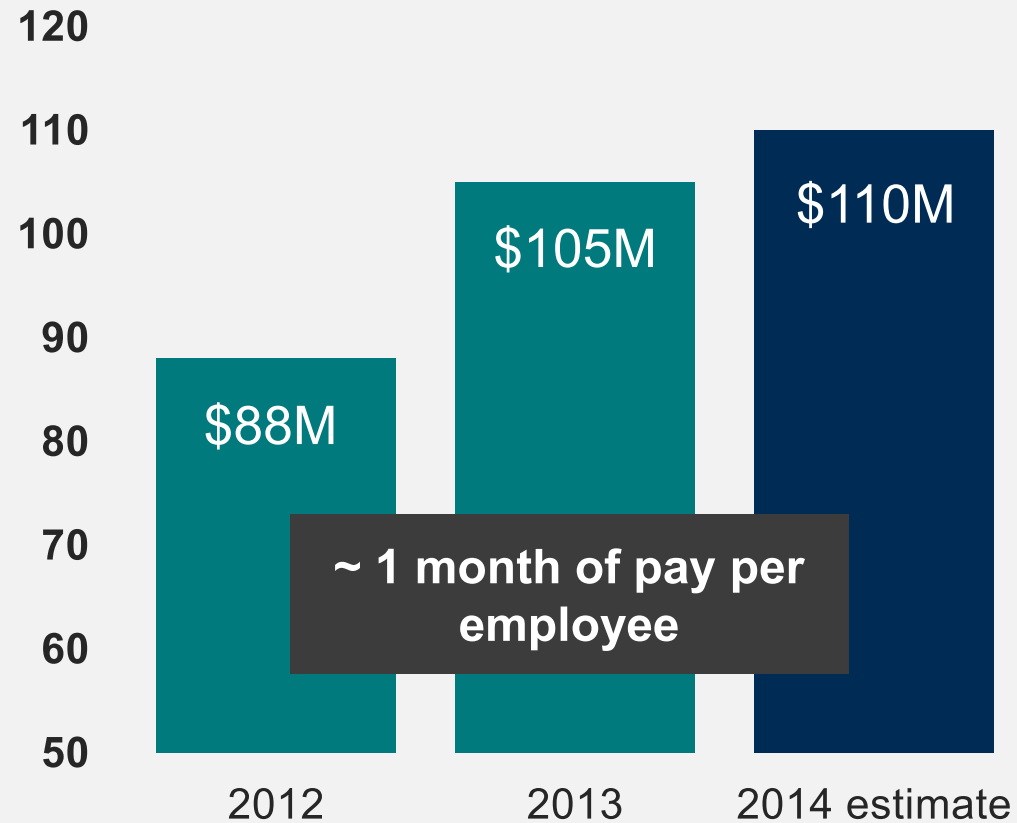
2014



2015

When the company does well, our people do well

COMBINED INCENTIVE PAY



PERFORMANCE BASED PAY

- 70% Profit
- 10% Cost Ex-fuel
- 10% Customer Satisfaction
- 10% Safety

OPERATIONAL PERFORMANCE REWARDS

- On-time Performance
- Customer Satisfaction Goals

2015 People Goals



1. Employee engagement 85% or better
2. Raise leadership impact through “Gear Up 2”
3. Meet or exceed incentive pay targets
4. Maintain fully funded pension plan

2015 People Goals



1. Employee engagement 85% or better
2. Raise leadership impact through “Gear Up 2”
3. Meet or exceed incentive pay targets
4. Maintain fully funded pension plan



Building Customer Loyalty

Curtis Kopf – Vice President, Customer Innovation

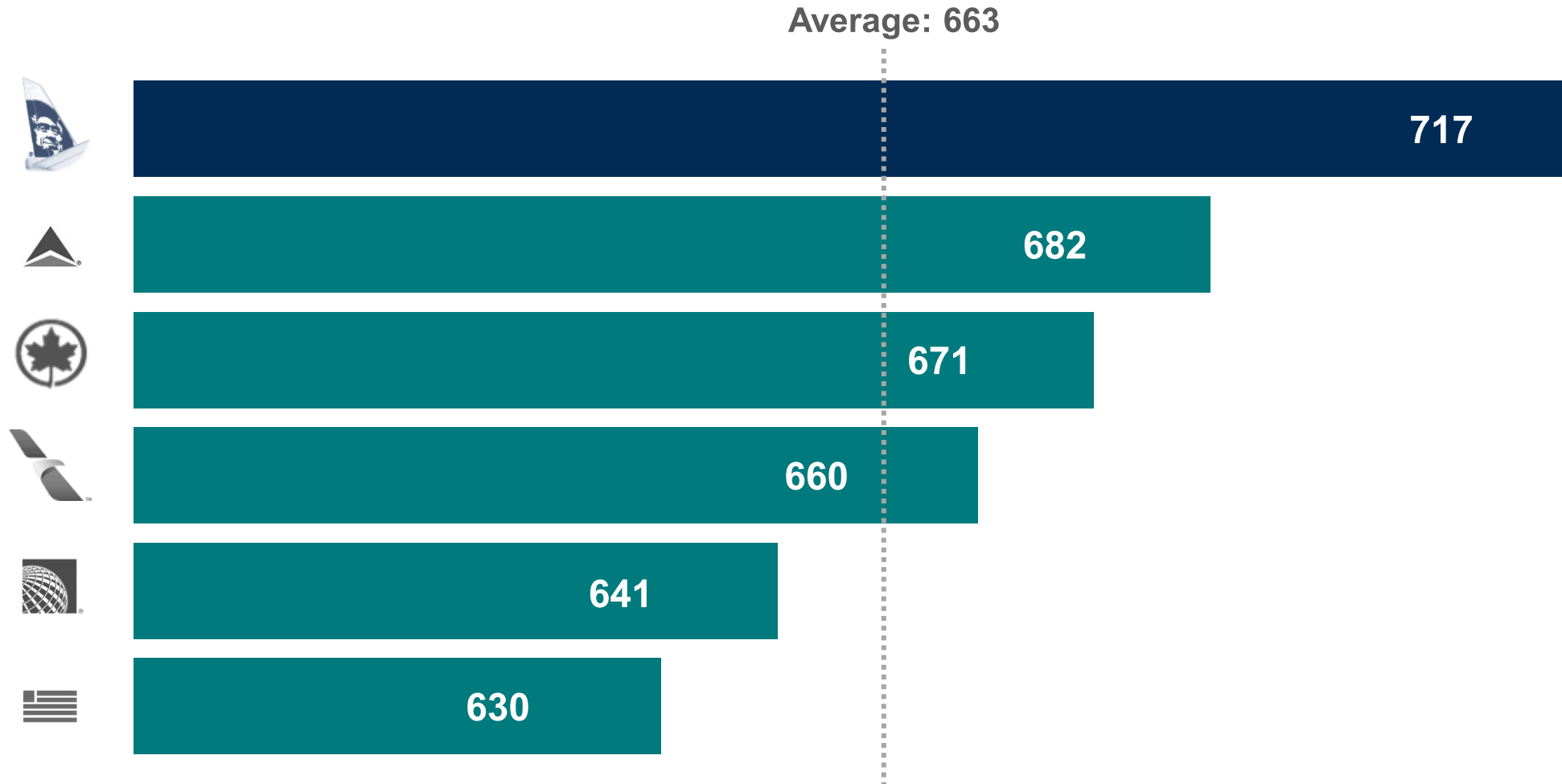


We were ranked #1 in customer satisfaction by J.D. Power for the 7th Year in a Row...



“HIGHEST IN CUSTOMER SATISFACTION
AMONG TRADITIONAL CARRIERS IN NORTH AMERICA,
SEVEN YEARS IN A ROW”

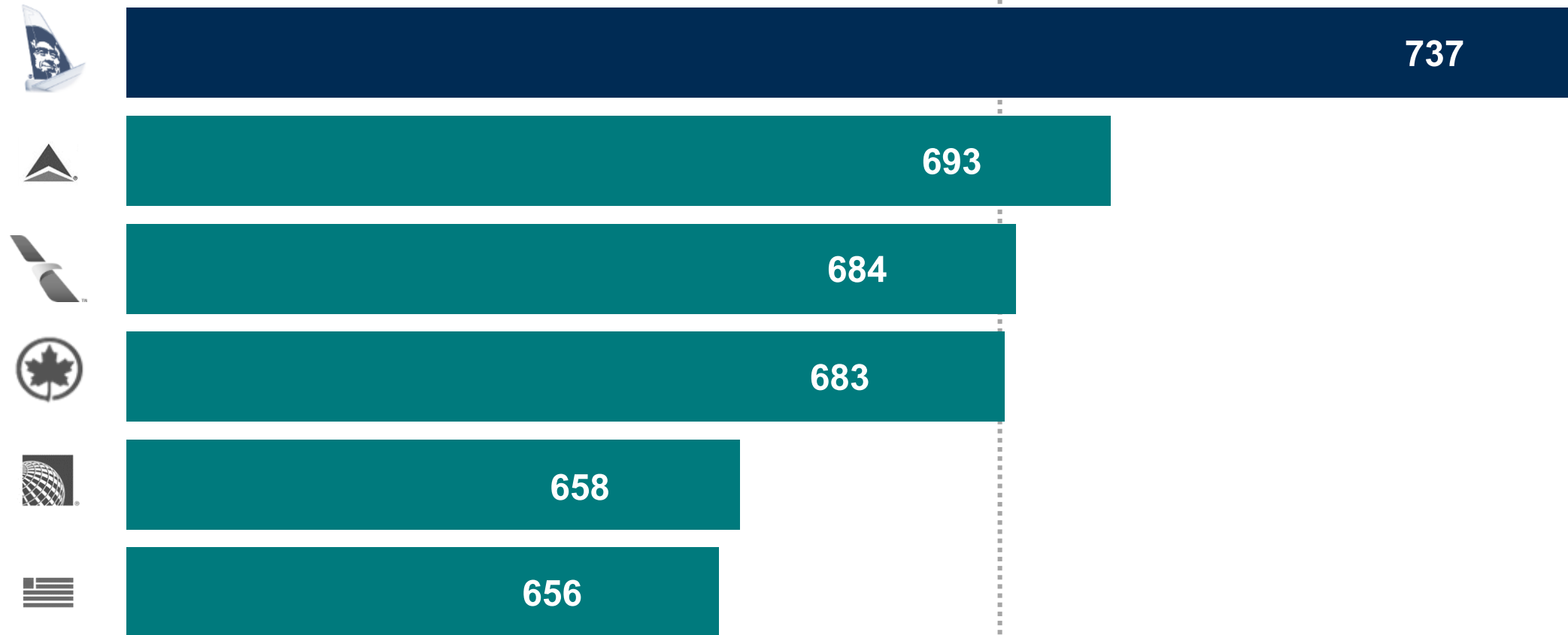
We were ranked #1 in customer satisfaction by J.D. Power for the 7th year in a row...



...And we increased our gap vs. our closest competitor



Average: 683



We will strengthen our customer loyalty further through innovative products, differentiated onboard experience, and excellent service



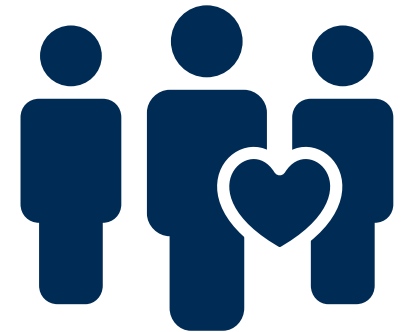
Customer Service



Onboard Experience



Hassle Free Self-service

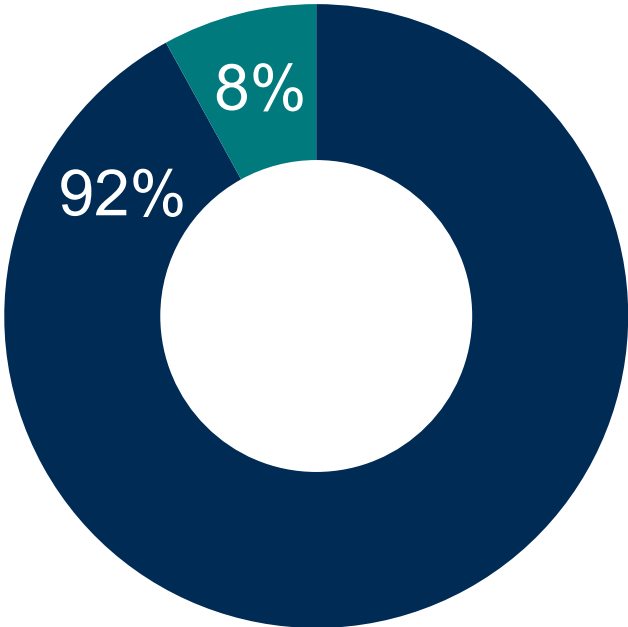


Loyal Customers



Innovation

We launched Alaska Listens to gather and respond to customer feedback quickly



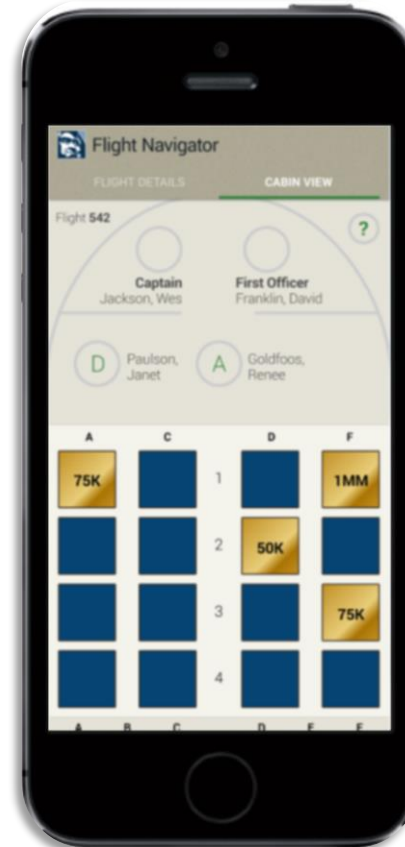
■ Positive Feedback ■ Red Flags

Respond to concerns within 72 Hours

In 2015, we are making another major investment in our frontline employees...



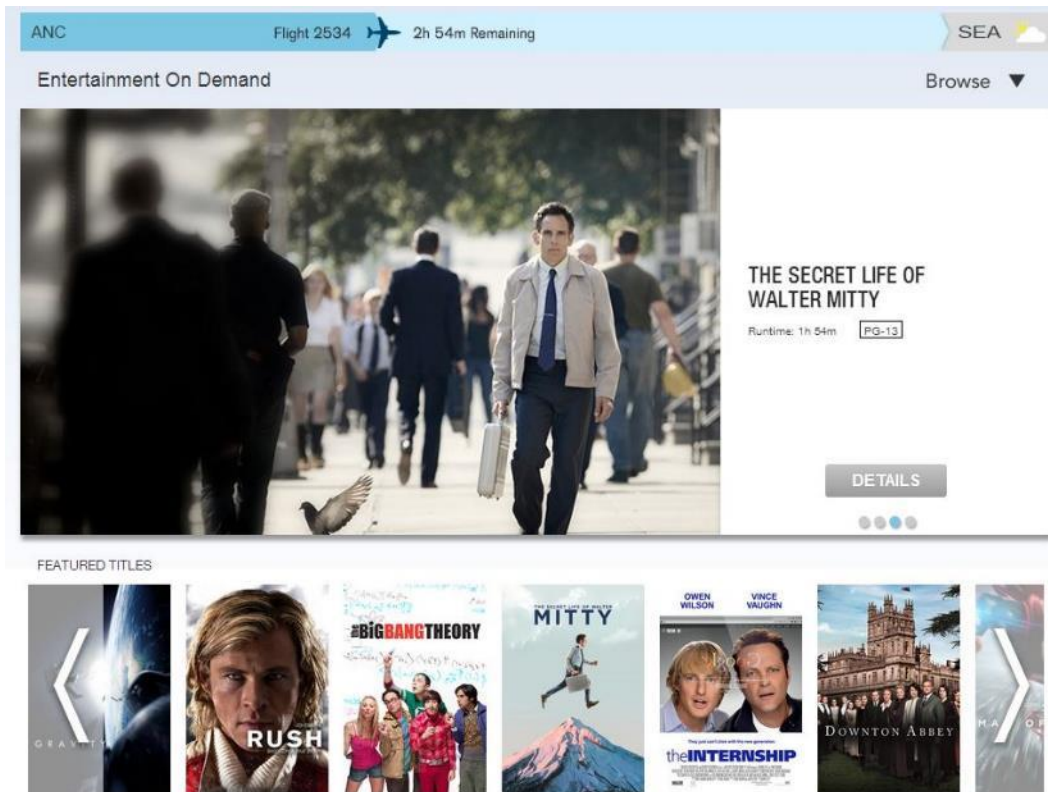
...And equipping them with tools to better serve our customers and improve productivity



AIRPORT AGENT AND FLIGHT ATTENDANT MOBILE DEVICES

We are rolling out new in-flight entertainment options...

Streaming IFE, FREE BRANDED CONTENT



WIRELESS SERVICE

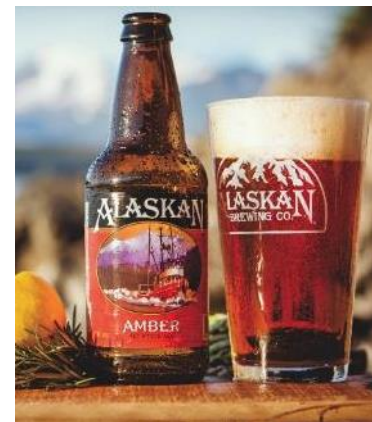
To personal devices



ALASKA TABLETS

Replacing digEplayers

...and increasing Pacific Northwest loyalty with premium locally sourced onboard products



Consistent brand experience will improve brand recognition



Our mobile tools are making travel interactions hassle free for our customers...



1. A great use of location services

★★★★★ seatx - Oct 8, 2014

Every now and then, a company will come up with a decent use of location based services. Most just want to force feed you advertising. But using these services to figure out that you have arrived at an airport, and then further trying to figure out if you might be able to get on an earlier flight .. well that's just awesome. Proof will be in the execution, but definitely the sort of forward thinking that makes a difference!

56. The Best!

★★★★★ db forever - Nov 8, 2014

By far the best app and airlines in the US! Please keep it AK Airlines!

37. A great app by a great airline

★★★★★ FujitaGoro - Nov 1, 2014

This latest version is even easier to use than the earlier ones. What can I say? Thanks a bunch, Alaska Air for listening to your customers, and making the flight experience even that much more painless and convenient. Cheers!

8. Best airline app

★★★★★ Jdub22cb - Nov 6, 2014

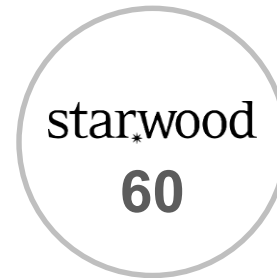
I travel every week for work. This is my first time traveling on Alaska air and I must say it is by far the best airline app I've used. Better than american, United, southwest, delta, and all the others....

Big fan!



...and we are leading the travel industry in mobile innovation

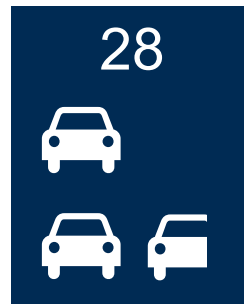
TRAVEL PULSE MOBILE APP QUALITY INDEX



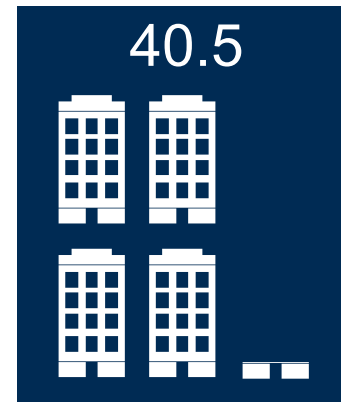
Industry
Avg.
Score



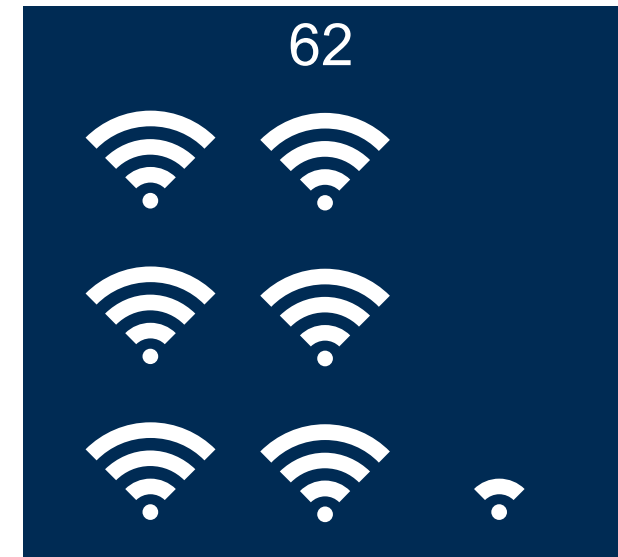
Airlines*



Rental Cars

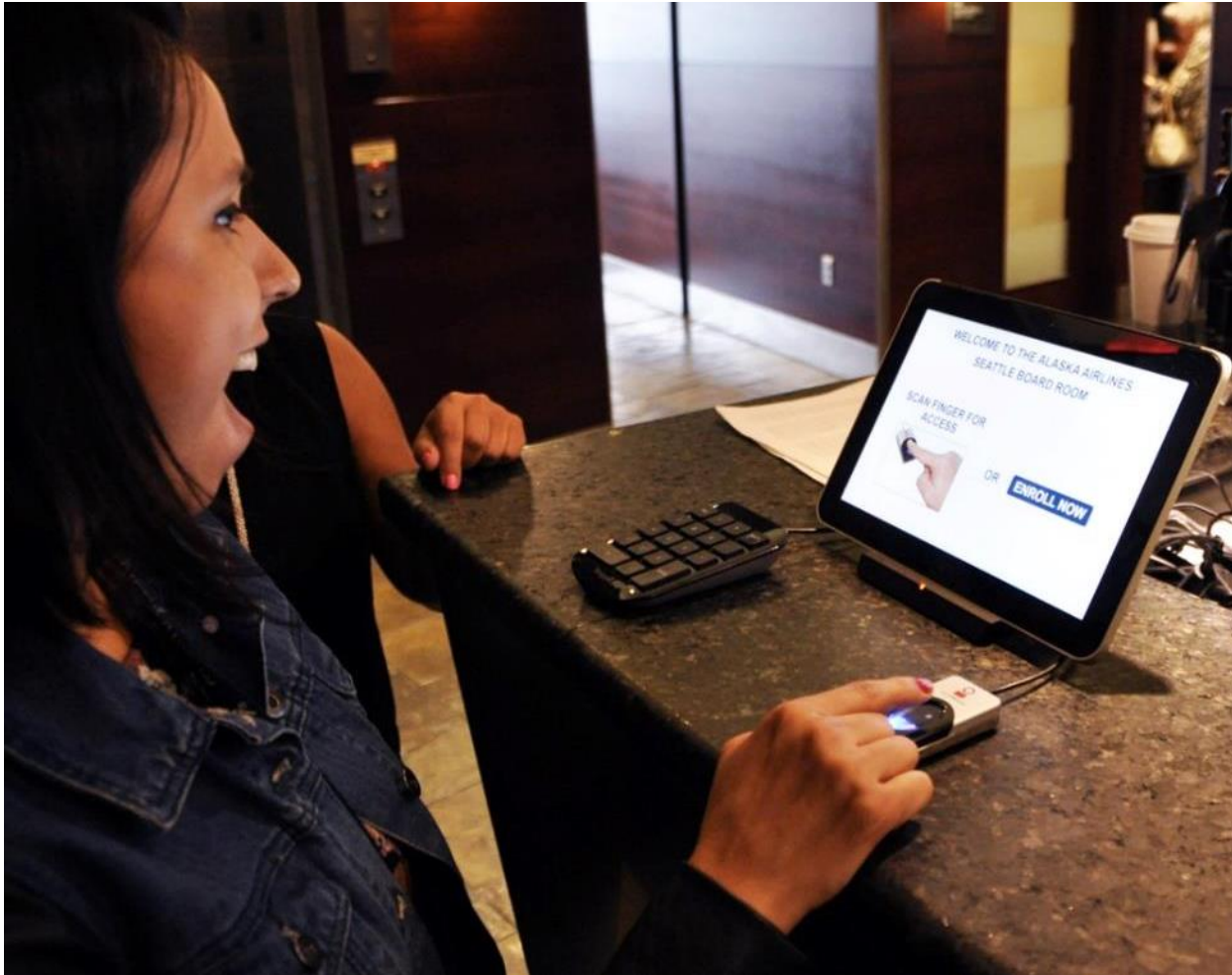


Hotel Industry



Online Booking

Nimble innovation is reducing our time to market...considerably



“Forget E-Tickets, Alaska Air Mulling E-Thumb for Boarding.”
– Bloomberg

“Alaska Airlines pushes for fingerprint scanning at check-in.”
– USA Today

**Concept to Execution in
8 Weeks**

We are reinforcing brand affinity in core markets and increasing awareness in growth markets with advertising



2015 Customer Goals



1. Complete customer service workshops for more than 8,000 employees
2. New inflight entertainment system
3. Improve the onboard food and beverage offering
4. Become the easiest airline to fly by 2017
5. Win 8th J.D. Power award for customer service



The “60 Second” Airline

Ben Minicucci – Chief Operating Officer



We are operating reliably and driving costs down



Engaged Employees



Clear Metrics/Measurement



Strong Operational Systems



Reliable
Operation



Lower Costs



Safety is foundational and non-negotiable

60 Seconds...



Every second...matters!



=

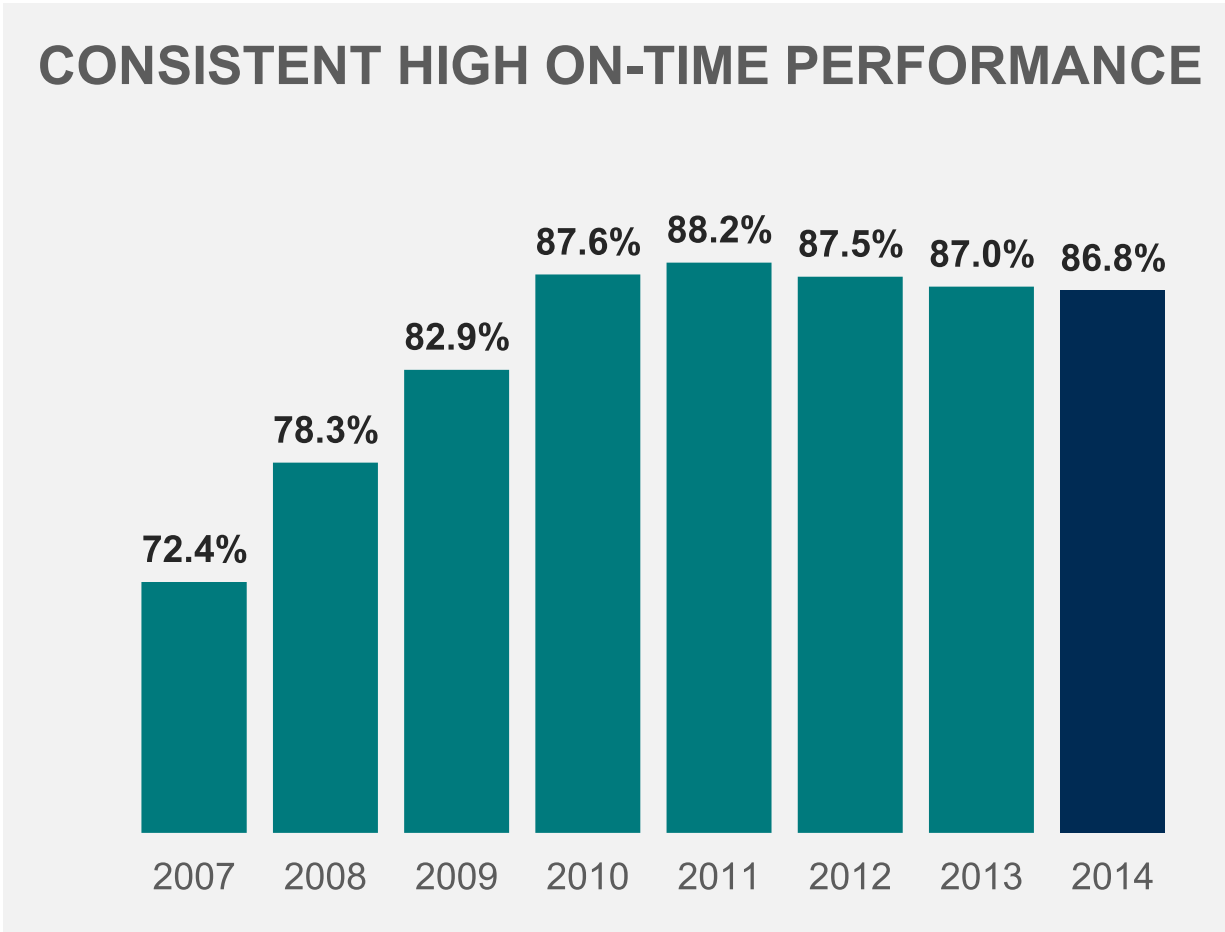


3 mins./Dep.

25 hrs./day



We have led the industry in on-time performance over the last 4 years ...



...and we are on-track for the 5th year of #1 on-time performance

2010



2011



2012



2013

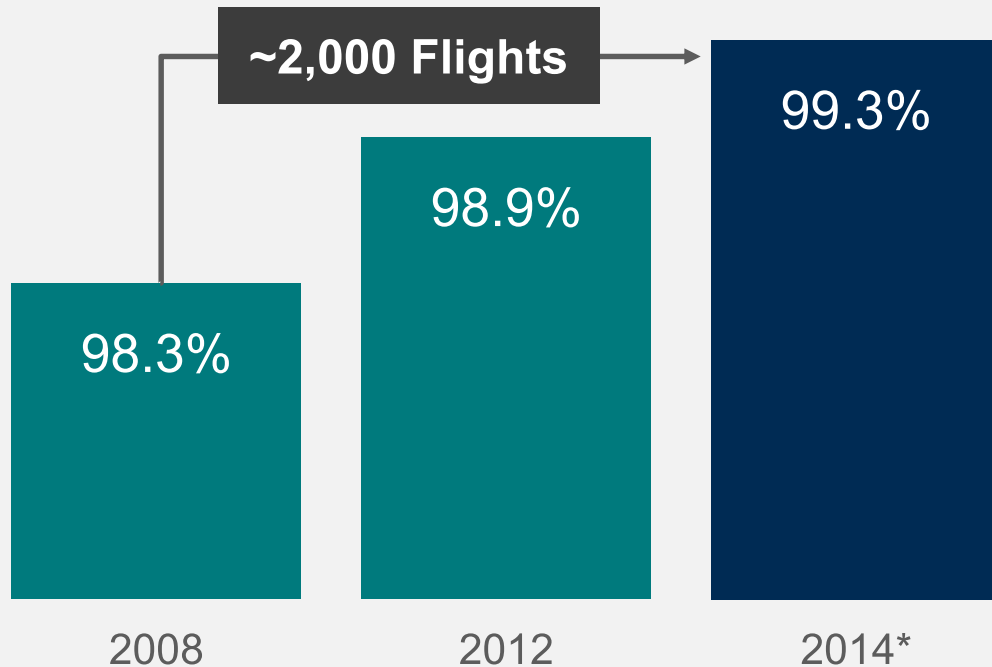


ON-TRACK FOR 5TH YEAR OF
#1 ON-TIME PERFORMANCE



...and greatly improved performance across several key operational metrics

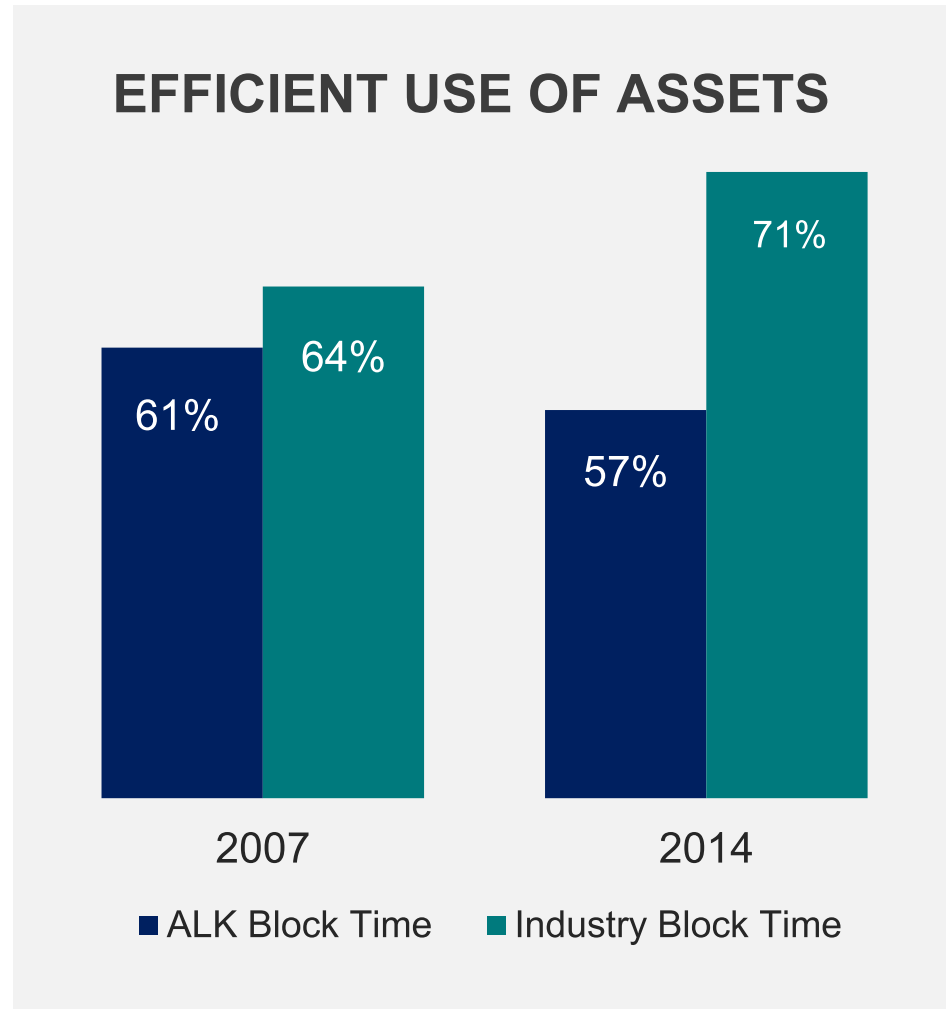
INDUSTRY-LEADING COMPLETION RATE



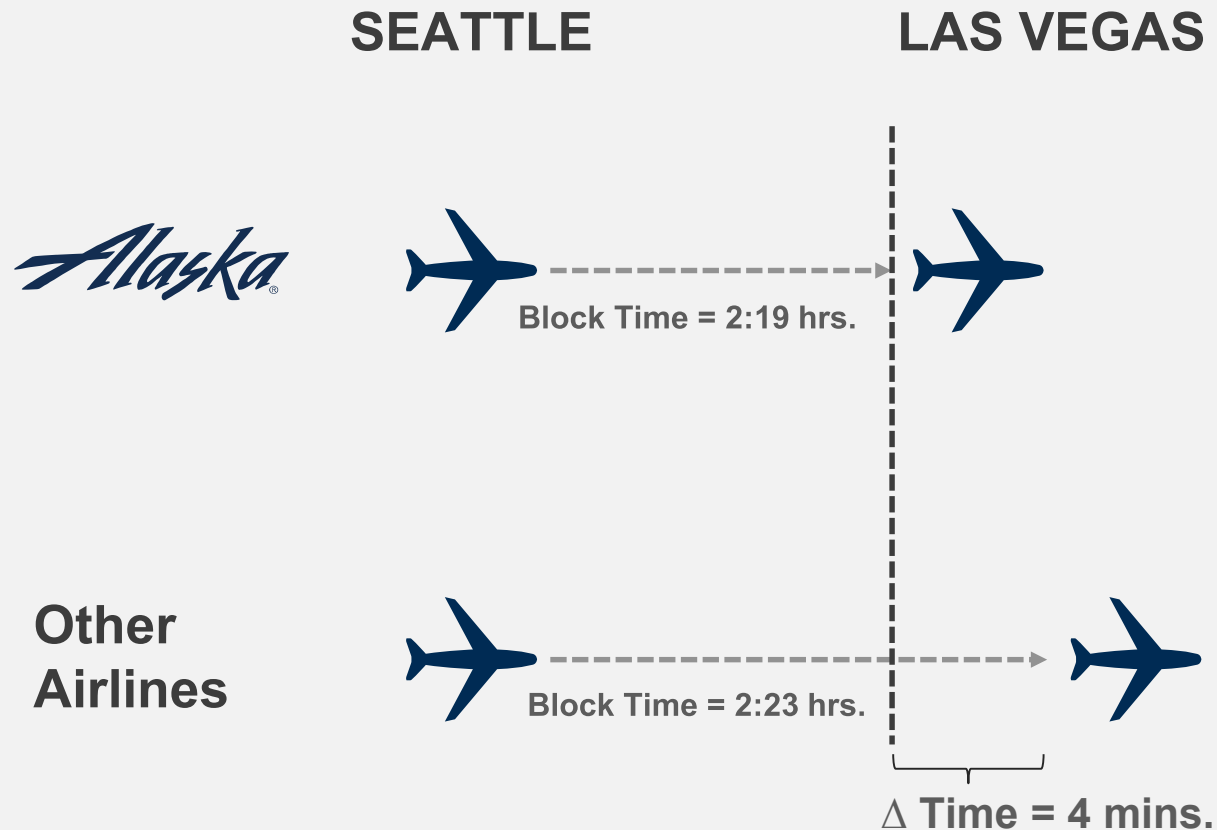
ONLY AIRLINE WITH A 20 MINUTE BAG GUARANTEE



We have earned this through higher efficiency...not expensive block time



We have earned this through higher efficiency...not expensive block time



~ 2.5 AIRCRAFT

~\$50M



27 PILOTS

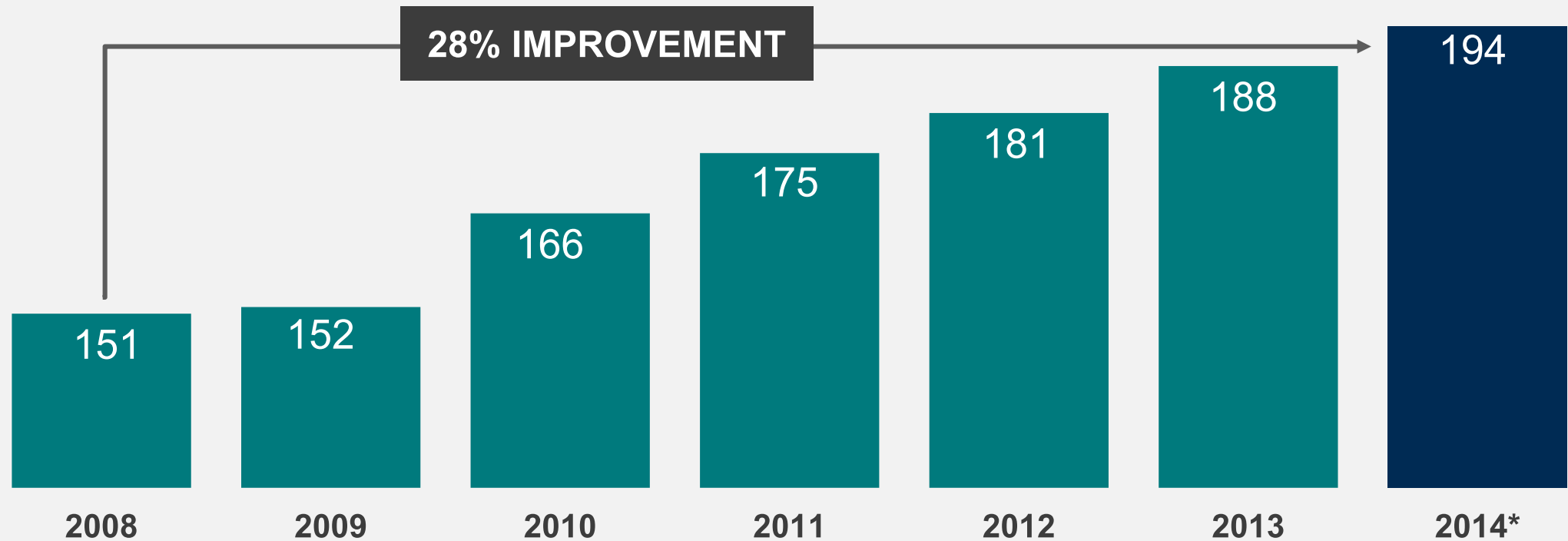


60 FA'S

Alaska

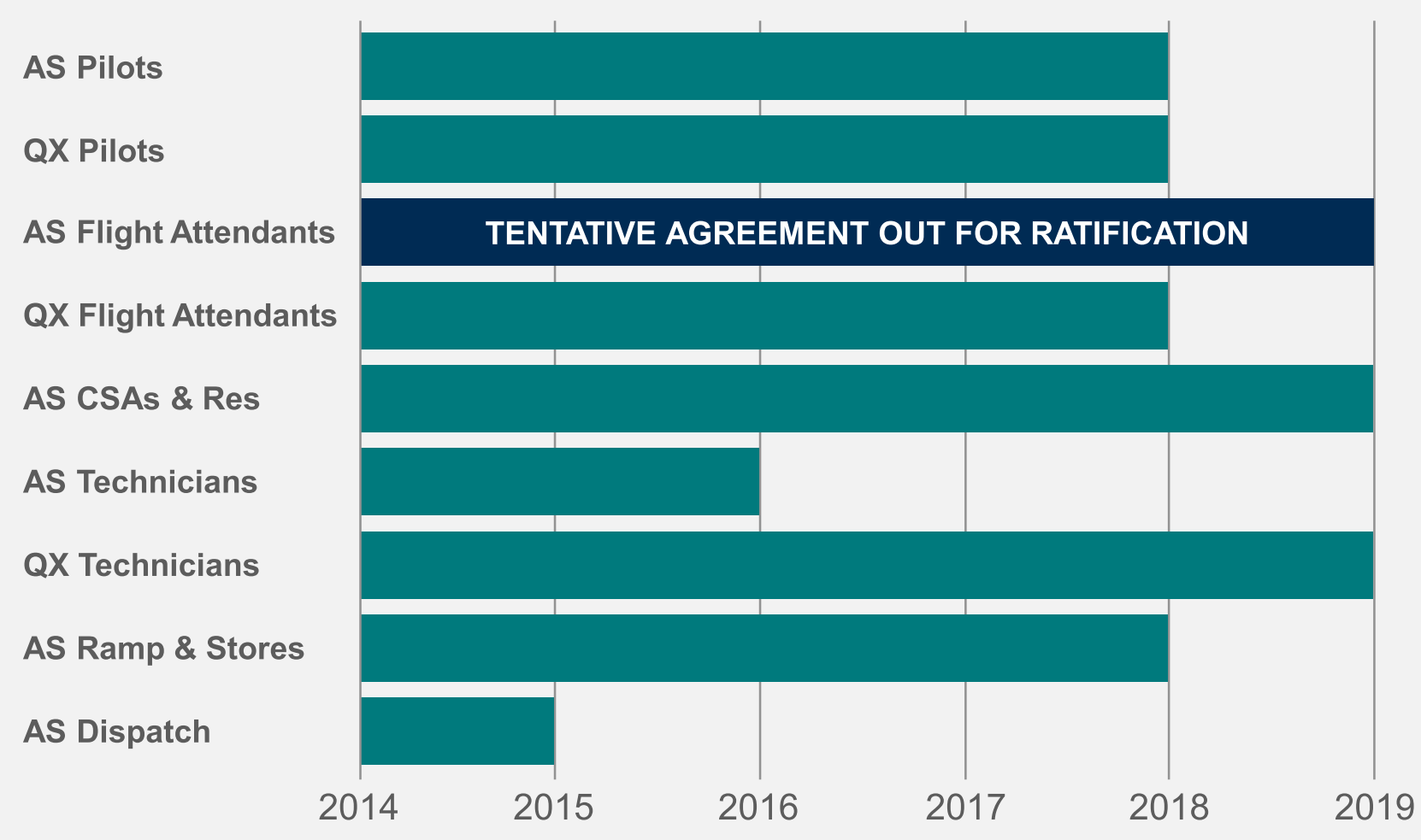
Our employees understand that higher productivity means lower costs

PRODUCTIVITY – PAX/FTE



Every 1% Improvement in Productivity = ~\$11M Annually

Our long term labor contracts provide stability to our employees and investors



2015 Operational Goals



1. Complete customer service workshops for more than 8,000 employees
2. Shorten the bag drop process to improve productivity and save passengers time
3. Maintain #1 on-time position
4. Completion Rate >99%
5. Productivity target of 200 Pax/FTE

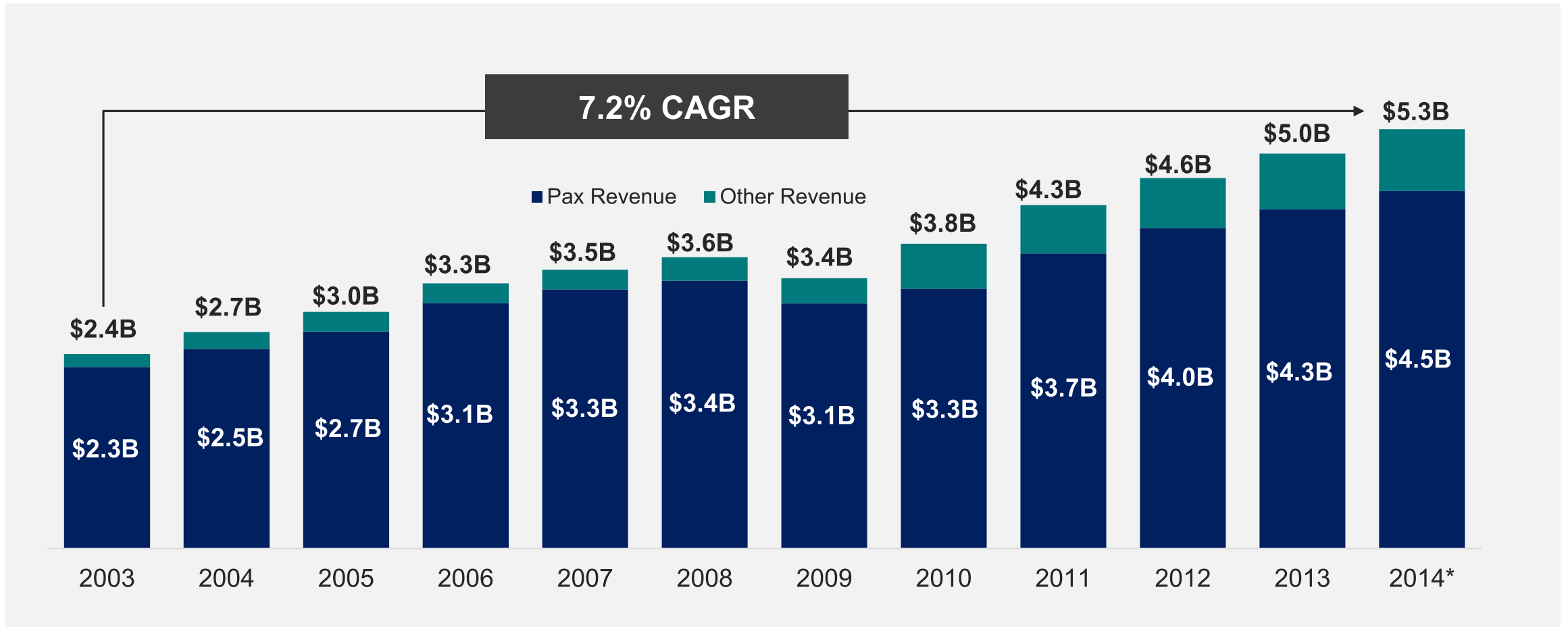


Grow Revenue and Strengthen Network

Andrew Harrison – Senior Vice President Planning & Revenue Management

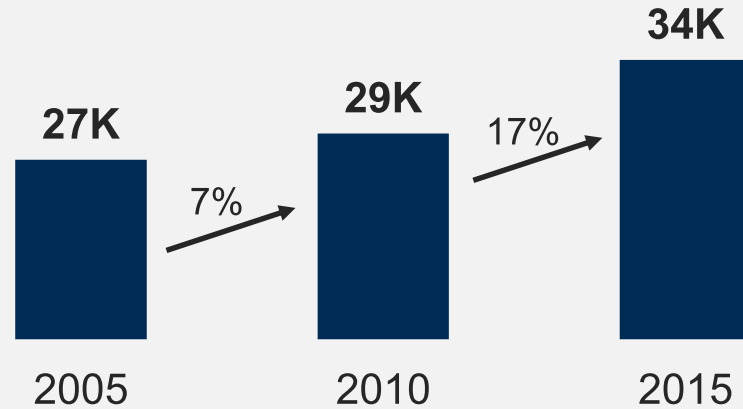


Alaska's revenue has more than doubled over the last 12 years...

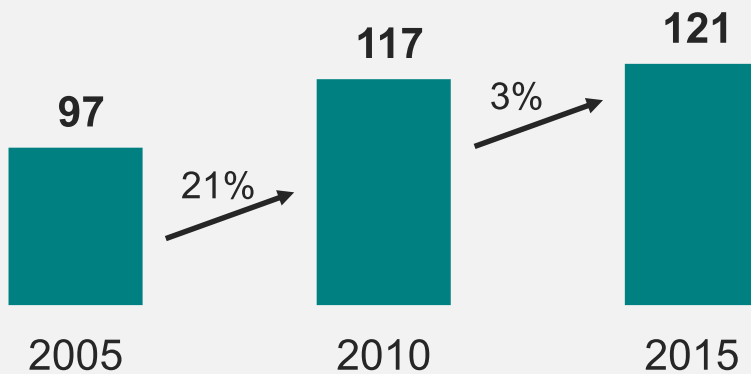


...and we continue to grow and diversify

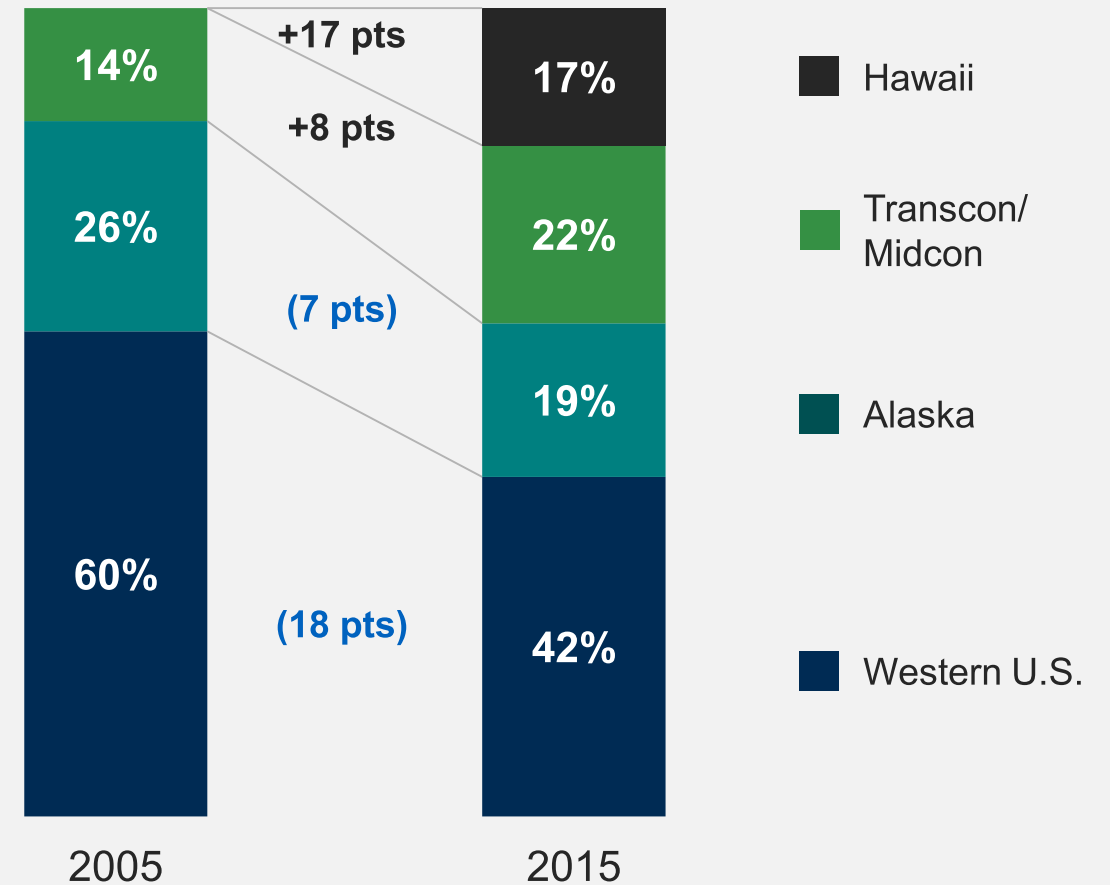
DAILY SEATS FROM SEATTLE



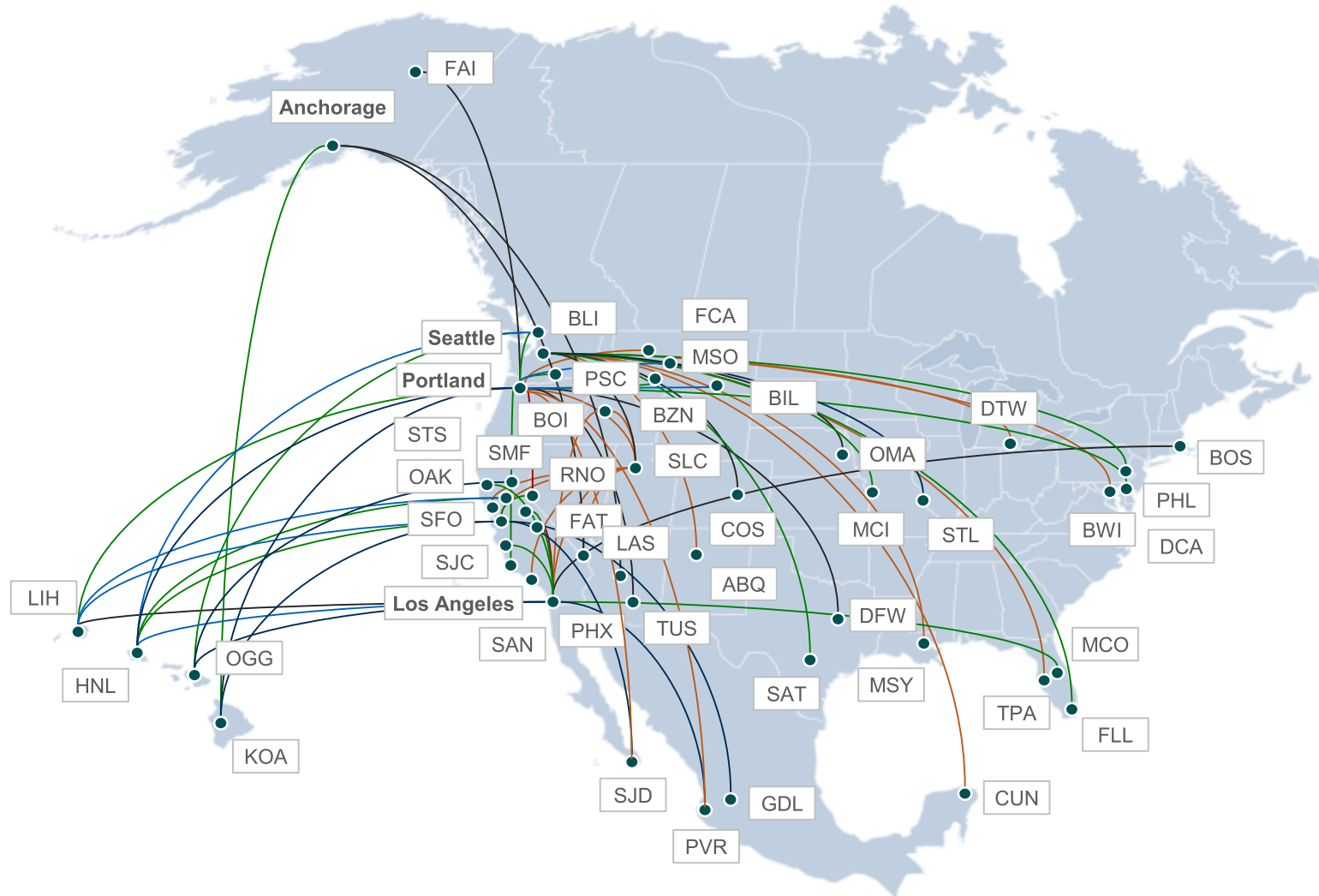
SEATS PER DEPARTURE



CAPACITY DIVERSIFICATION



We have entered 63 new markets since 2010...



9 New Markets in 2010

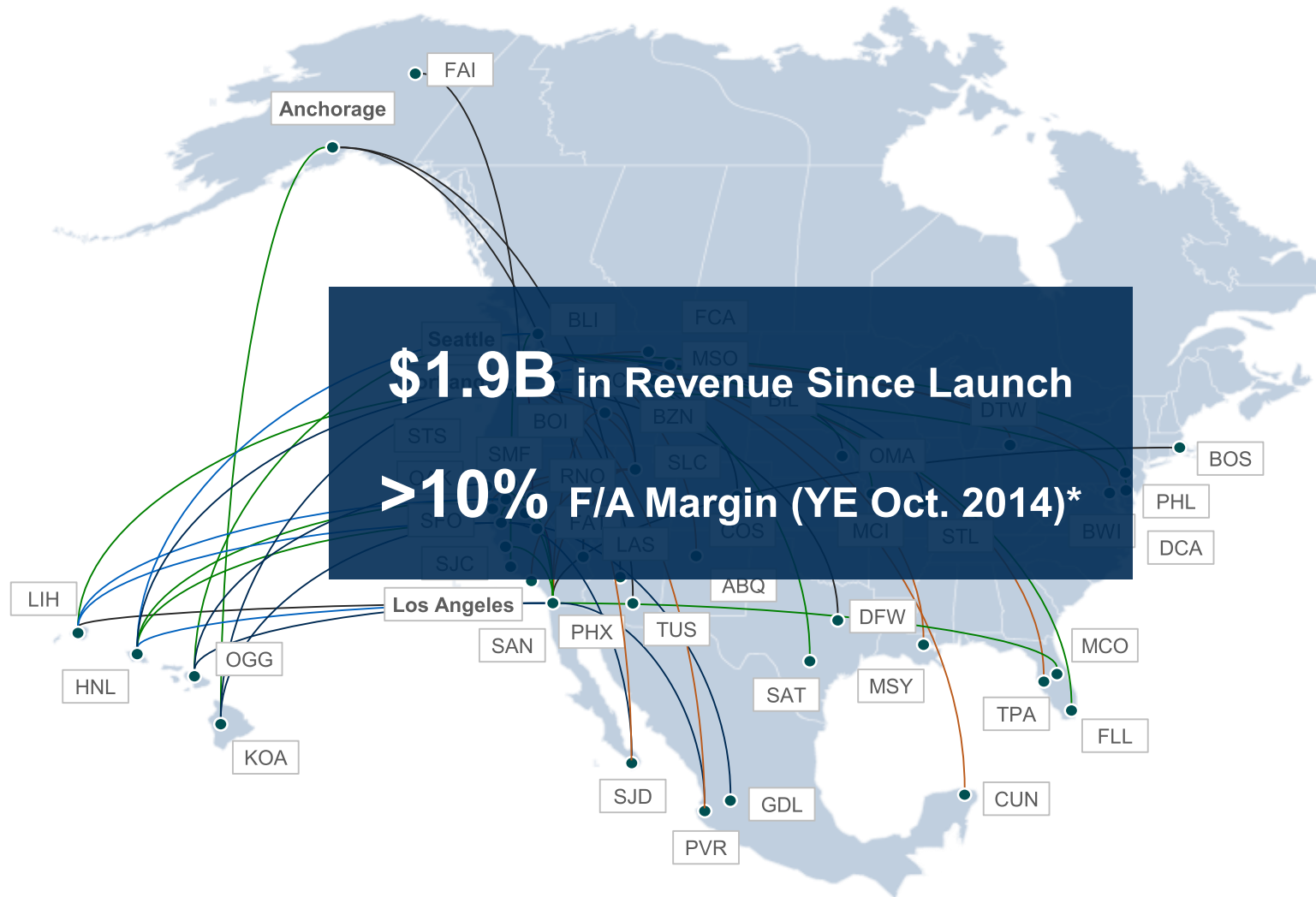
6 New Markets in 2011

19 New Markets in 2012

13 New Markets in 2013

16 New Markets in 2014

...helping grow and diversify our revenues



9 New Markets in 2010

6 New Markets in 2011

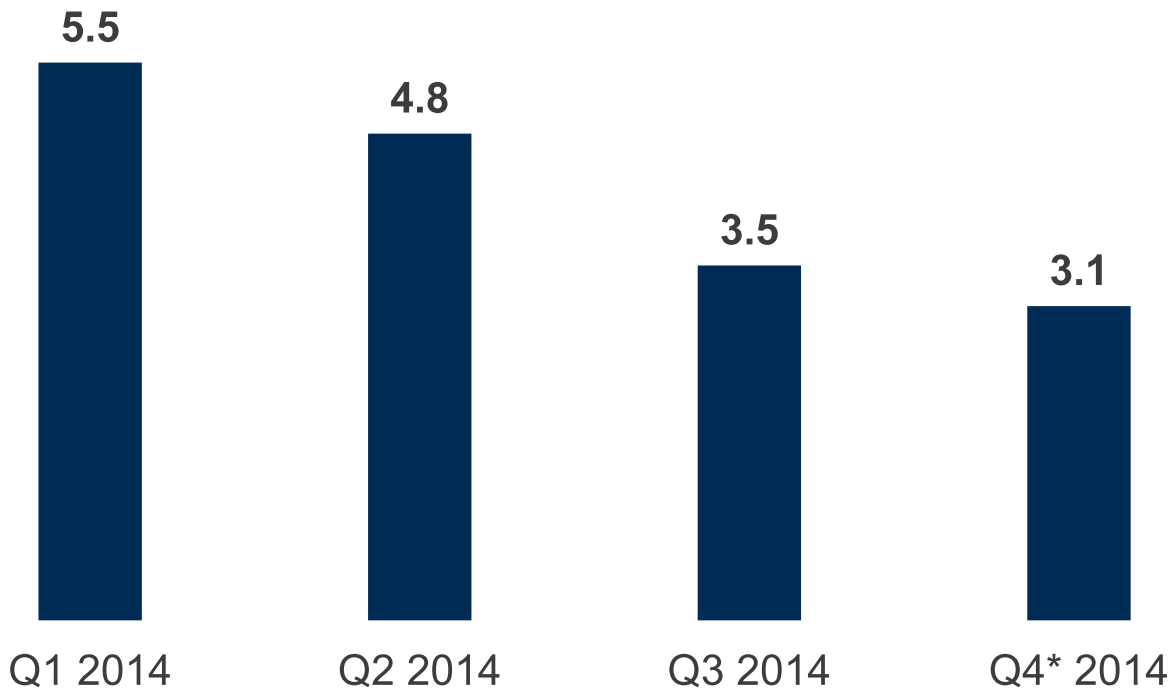
19 New Markets in 2012

13 New Markets in 2013

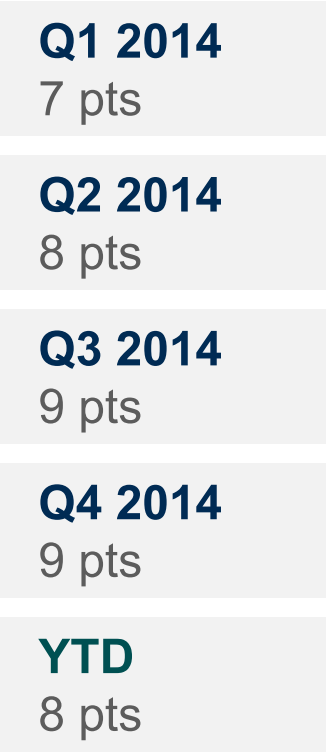
16 New Markets in 2014

Our margins have expanded despite competitive capacity growth

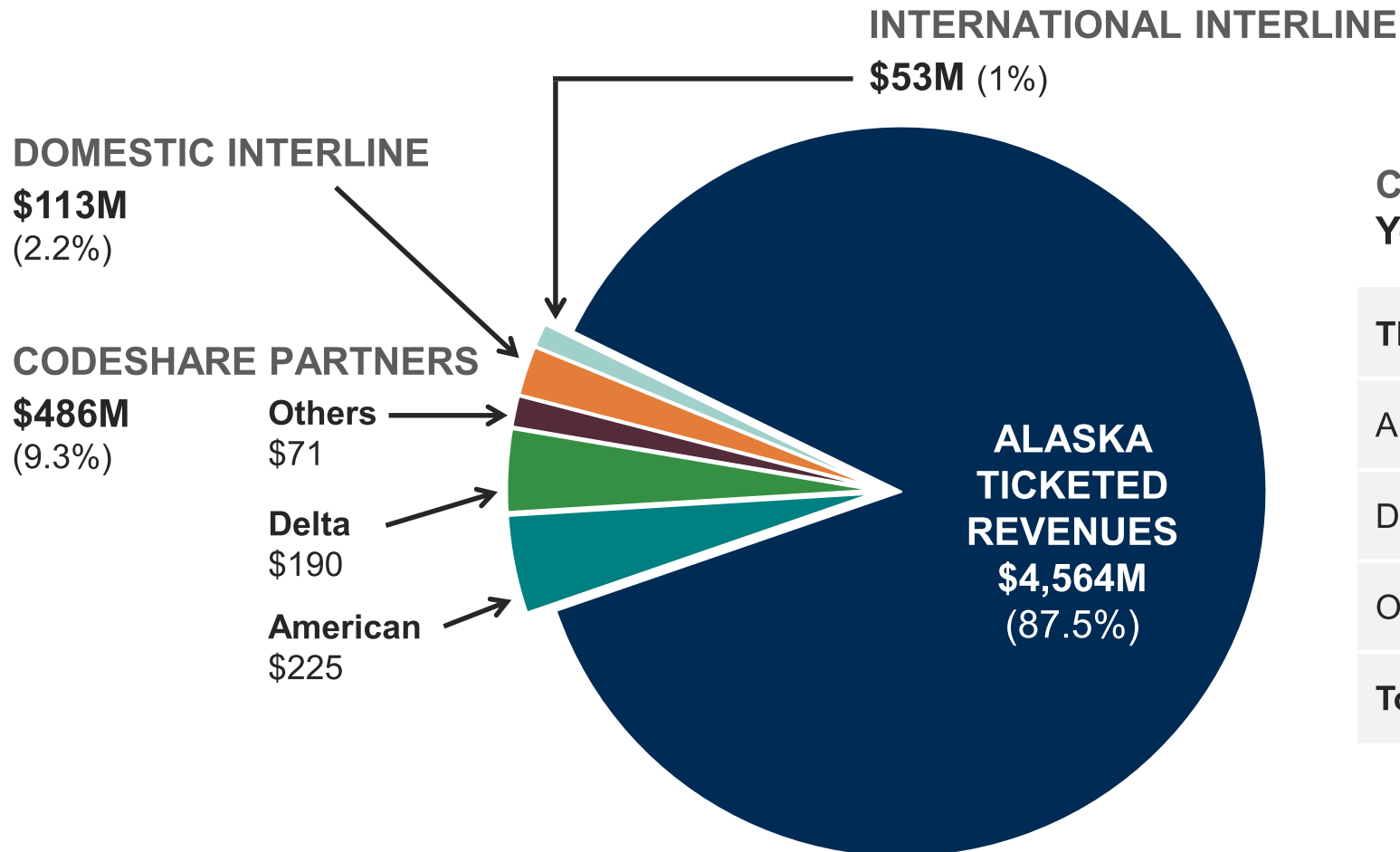
2014 MARGIN YOY GROWTH



COMPETITIVE CAPACITY YOY



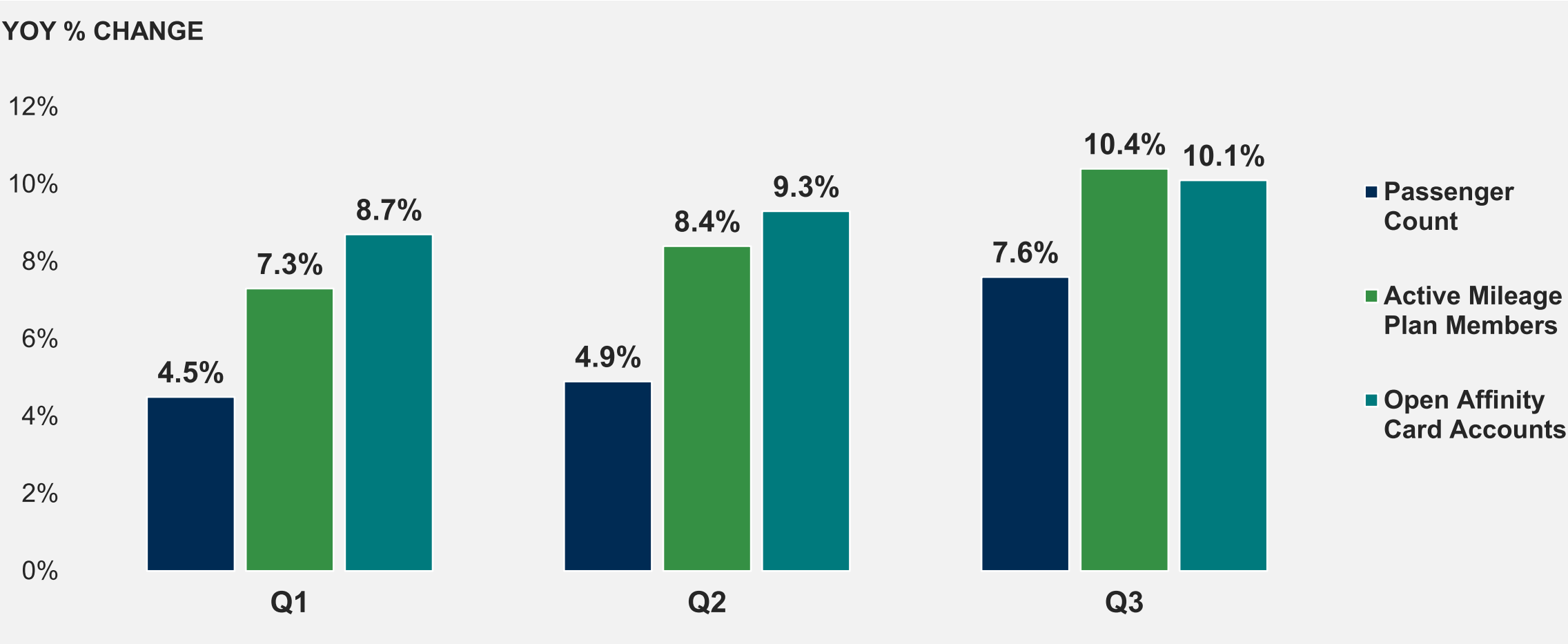
Majority of revenue is AAG generated, despite changes in mix of alliance revenues



CODESHARE PARTNERS YoY Rev. Change

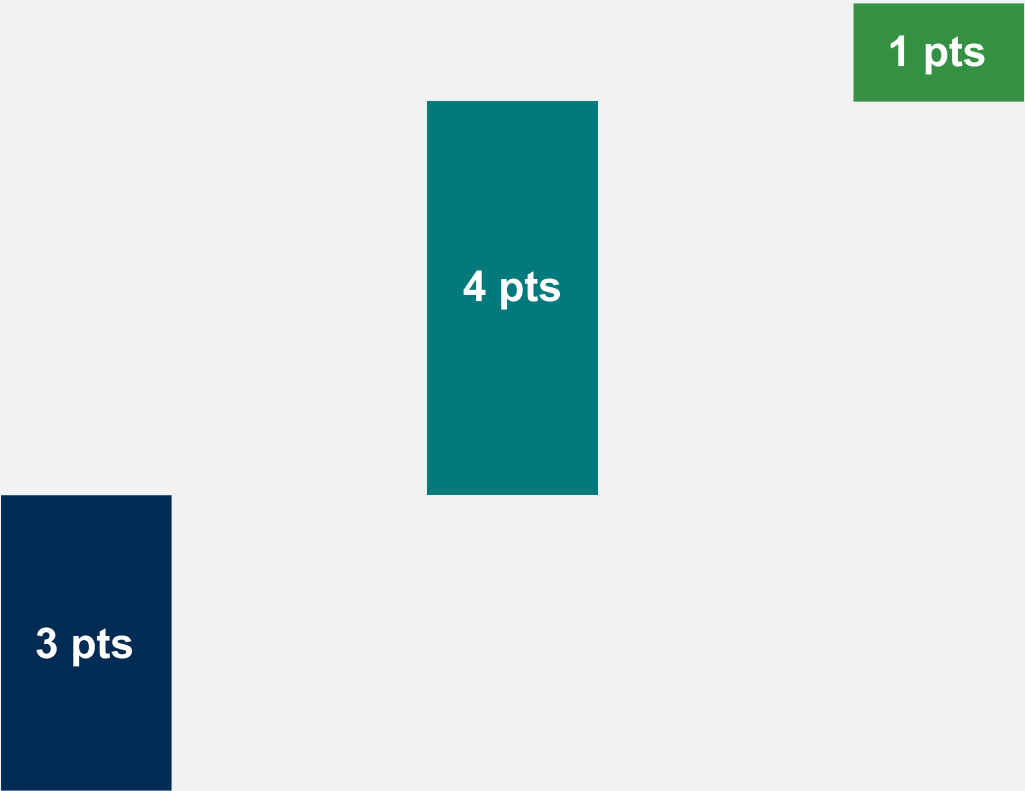
TRAFFIC TYPE	REV (\$M)	PT Δ
American	\$39.3	+0.5
Delta	(\$44.2)	(1.1)
Others	\$13.7	+0.2
Total	\$8.8	(0.4)

Record growth in loyalty and bank card memberships have outpaced passenger growth

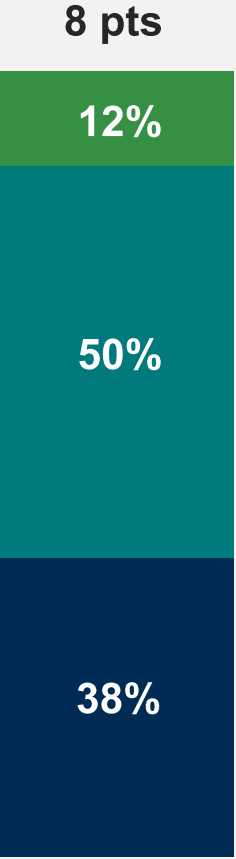


We are adding capacity to strong core markets and creating new revenue sources

NEW MARKETS CORE MARKETS GAUGE/STAGE



YE 2015
Estimate



We have a track record of taking capacity out of under-performing and over-saturated markets and we will continue that in 2015



MARKETS EXITS	CAPACITY REDUCTIONS
LAX-SJC	ANC-PDX
ANC-DEN	BLI-LAS
LGB-PDX	BLI-HNL
ATL-PDX	GDL-LAX
PSP-SMF	LAX-MEX
LGB-SEA	LAX-YVR
	PDX-SJC
	SAN-SEA
	SEA-ONT



Industry transition to a revenue-based loyalty program provides opportunity in the near term for Alaska

ENHANCEMENTS EFFECTIVE 1/1/15

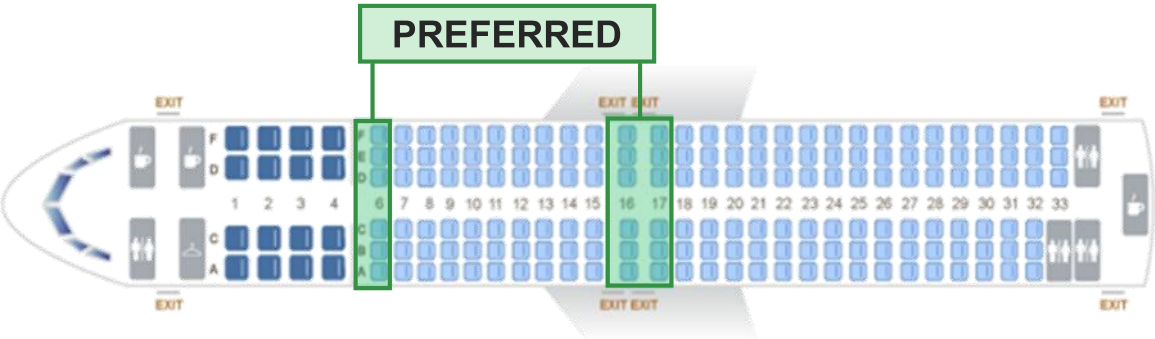
		Booking Class	Previous Bonus	New Bonus
Premium	{	F	50%	75%
		P	50%	75%
High Yield	{	Y	25%	50%
		S	0%	50%
		B	0%	25%
Low Yield	{	M	0%	25%
		H-R	0%	0%
<hr/>				
Elites	{	MVP	50%	50%
		Gold	100%	100%
		75K	100%	125%



COMPARISON OF MILEAGE PLAN VS. REVENUE PLAN	
Passenger Segment	% Members*
At Risk (10 to 20% less earn)	5%
Neutral (-10 to 10% more earn)	16%
Slightly Better (10 to 20% more earn)	6%
Significantly Better (20%+ more earn)	73%
Total Members	100%



We are introducing preferred seating in Q1/Q2 of 2015 with an initial expected annual benefit of ~\$15M



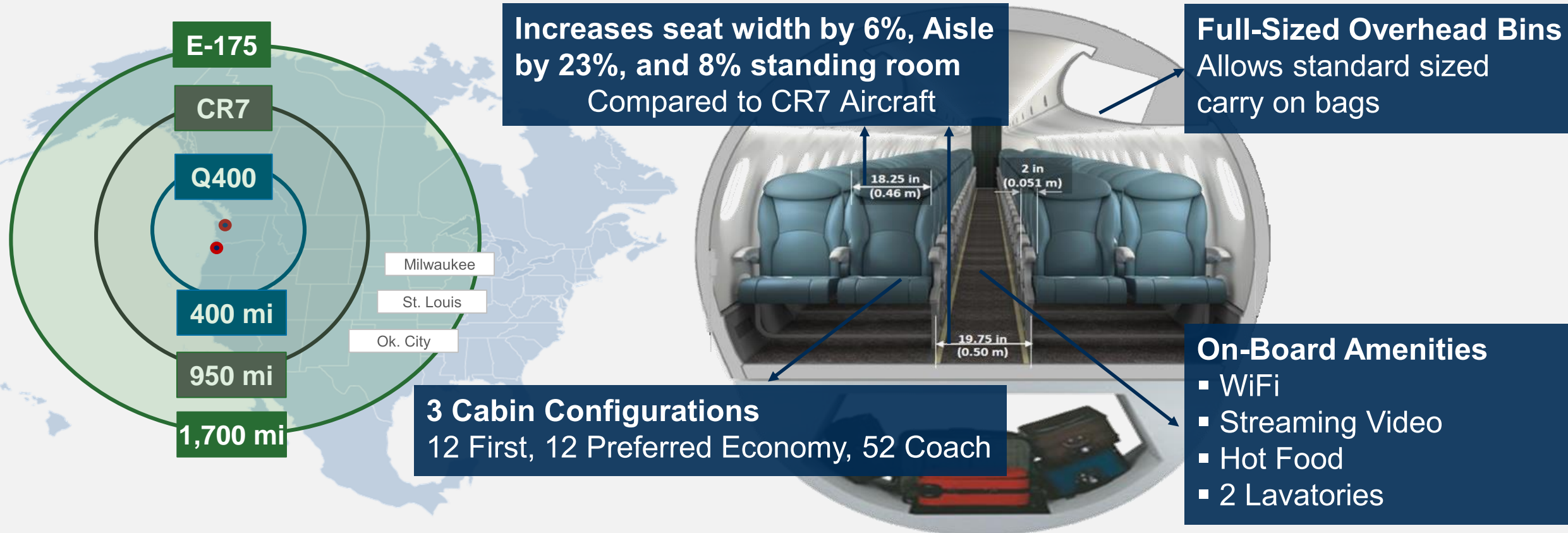
PREFERRED SEATING – AMENITIES

Extra Leg Room (7–9” extra seat pitch)
Free Drink
Priority Boarding

PREFERRED SEATING – PRICING

Up to 1,250 miles	+ \$15
1,251–2,000 miles	+ \$30
>2,000 miles	+ \$50

SkyWest E-175's open up new routes and revenue opportunities



Three to enter service July 2015, four in late Q1,16

Impact of Revenue Initiatives



1.	Annualization of 2014 initiatives	~\$30M
2.	Preferred Seating (1Q/2Q Launch)	~\$15M
3.	Revenue Initiatives (Revenue management system, class of service etc.)	~\$50M
	Total	~100M

2015 Revenue Goals



1. Remain #1 carrier in Seattle through low fares, best network utility, and preferred loyalty program
2. Reduce and reallocate capacity in under-performing and non-strategic markets
3. Enhance and grow our loyalty program
4. Grow ancillary revenues through preferred seating and other initiatives
5. Add new regional aircraft to grow revenue and presence in long/thin markets



Create Long-Term Value

Brandon Pedersen – Chief Financial Officer

We are well positioned to create long term value for our shareholders

#1

Leading Margin
Performance



Improving
Cost Profile



Strong
Balance Sheet



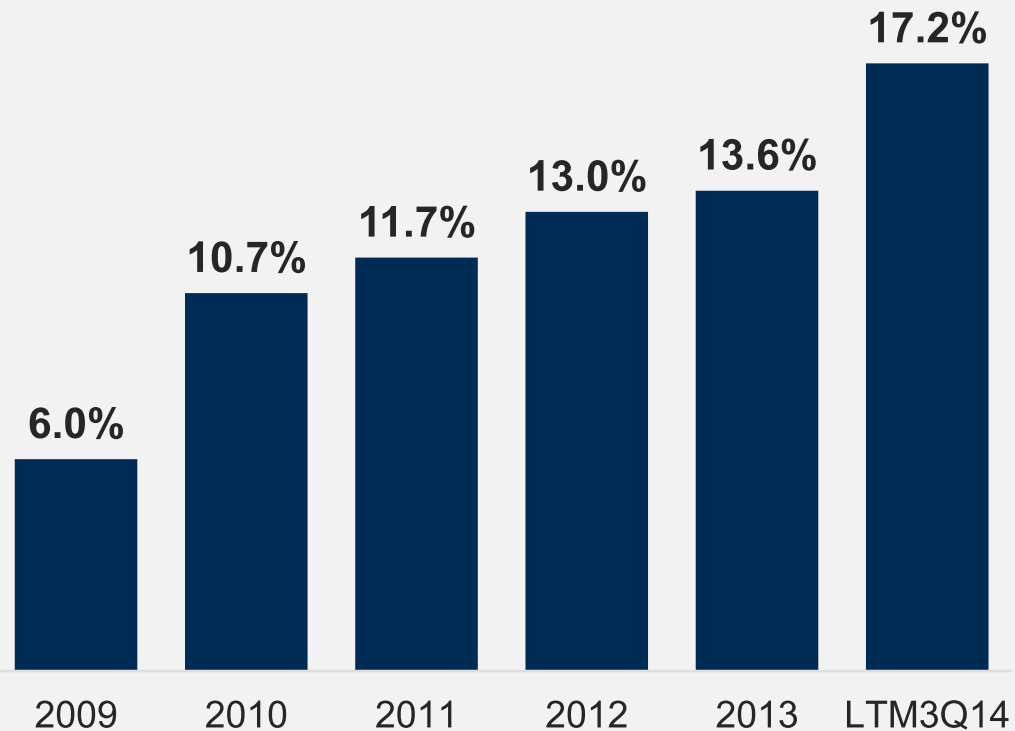
Balanced
Capital Allocation



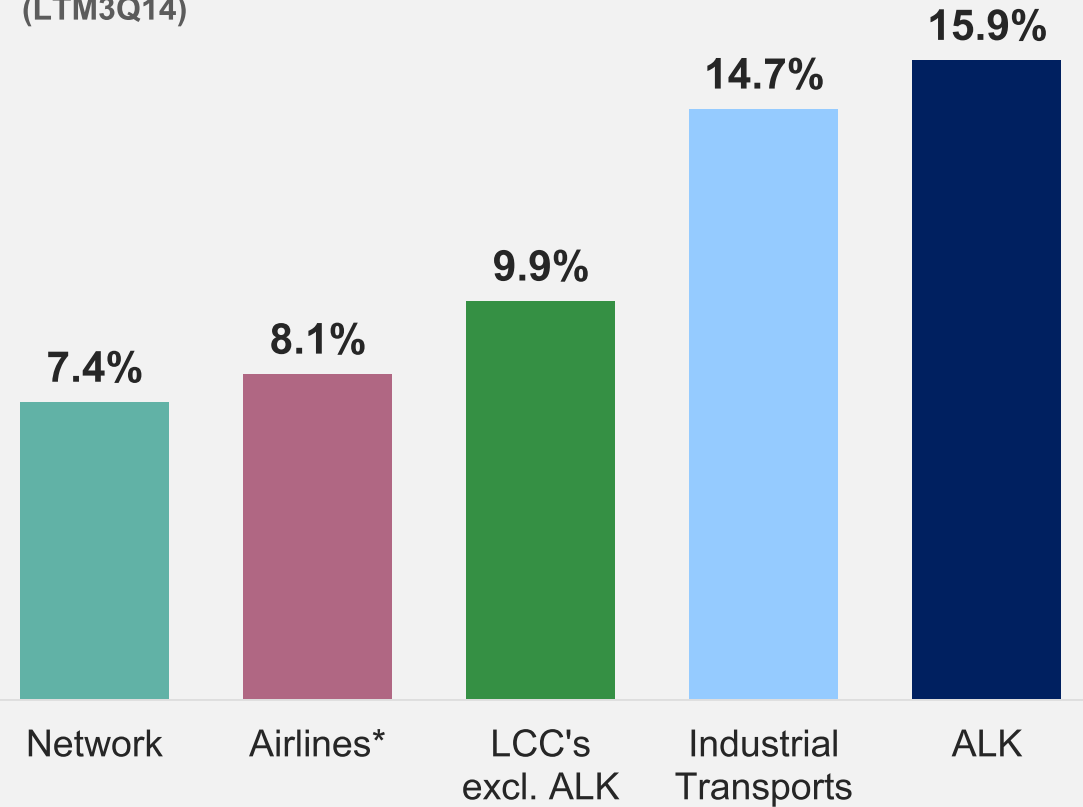
Incremental Returns to Shareholders

We are earning our cost of capital consistently and generating returns in line with high quality industrial transportation companies

AFTER-TAX RETURN ON INVESTED CAPITAL



INDUSTRY AND SECTOR LEADING PRE-TAX MARGIN (LTM3Q14)



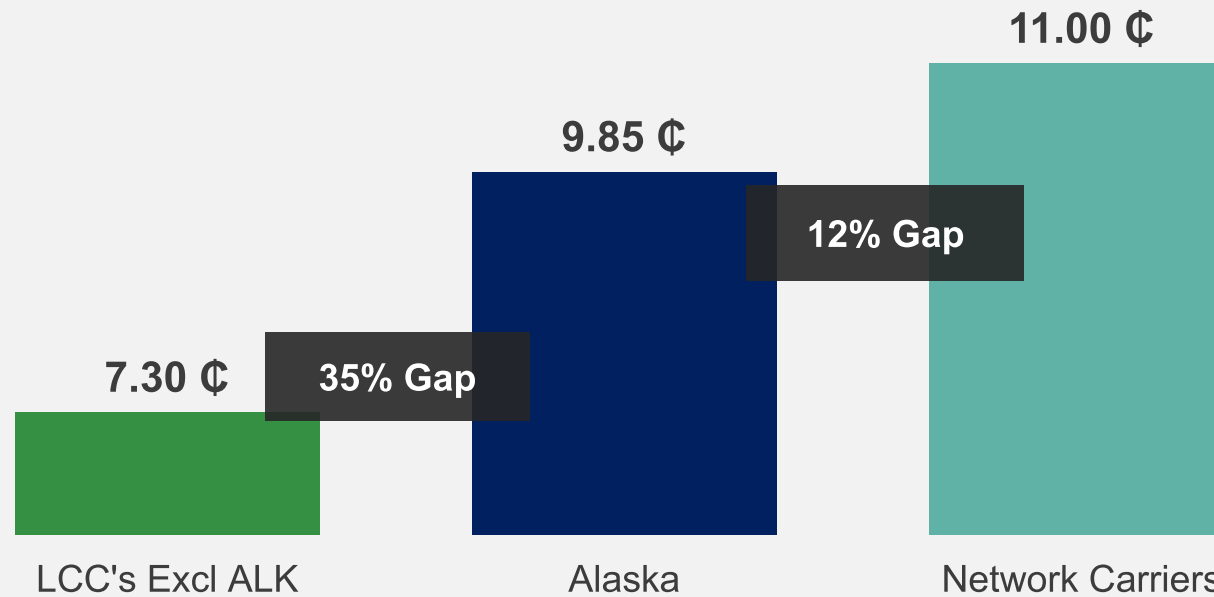
Network: AAL, DAL, UAL. LCC's excl ALK: LUV, HA, JBLU, SAVE, and ALGT

Airlines* include legacy and low cost carriers but exclude ALK

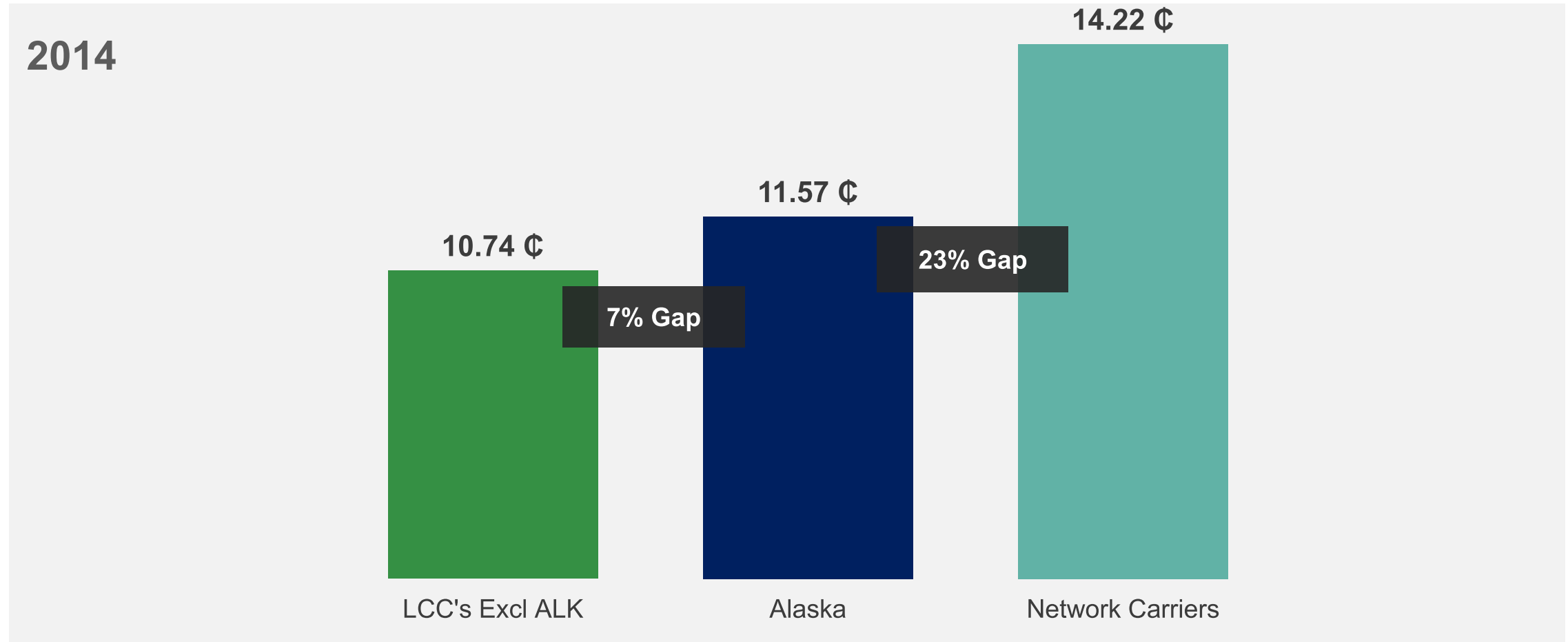
Industrial Transport companies include the rail, parcel, truckload, intermodal, forwarders/brokers and LTL companies

We have reduced our costs...

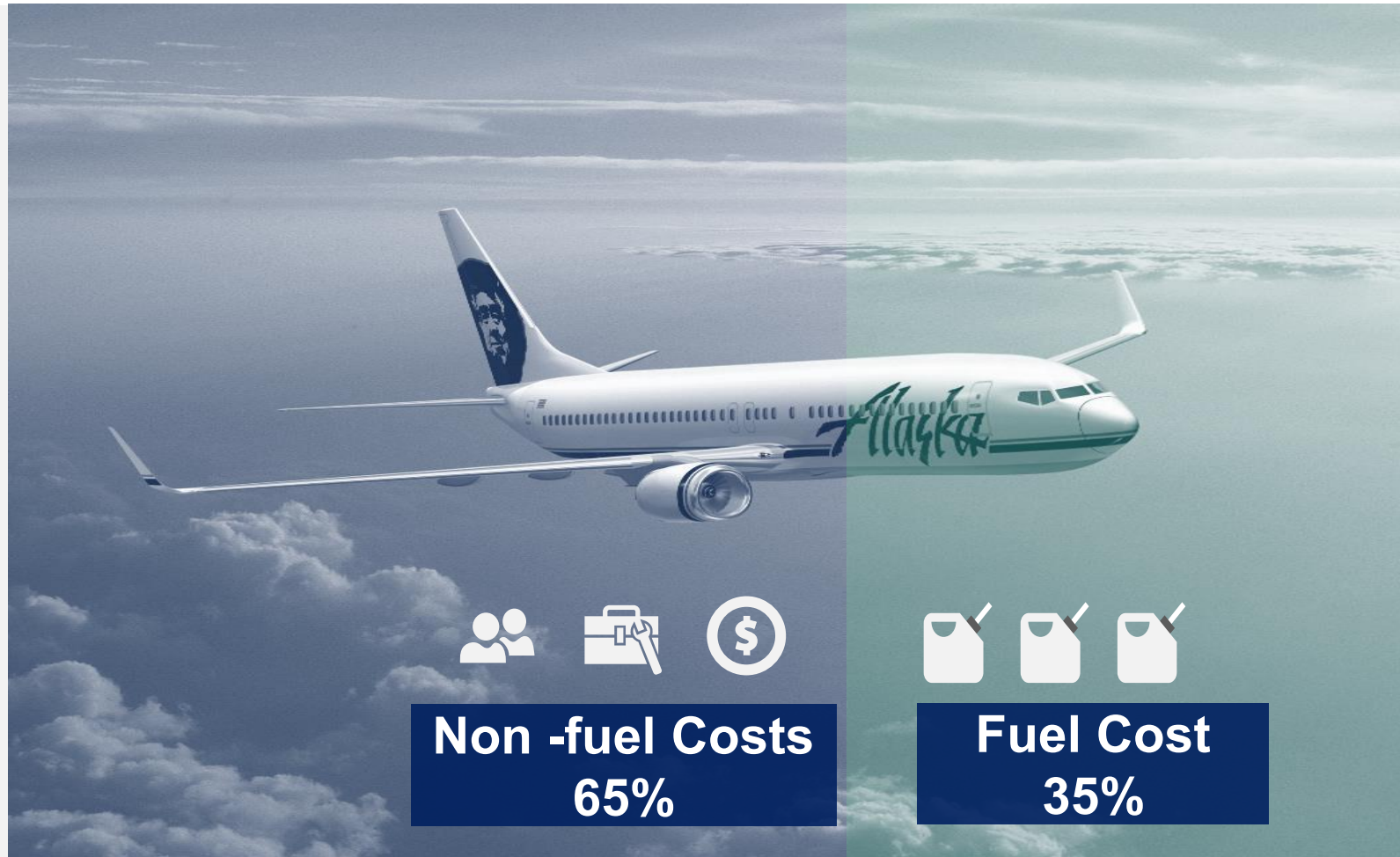
2002



...and today our cost structure resembles LCC's and provides a sustainable advantage against network carriers



Productivity remains an important lever to reduce costs



Catalysts provide further runway to lower costs...

Fleet Renewal
737-400 Replacement

Upgauging 737-800/900

Increase Productivity

Increase Fuel Efficiency

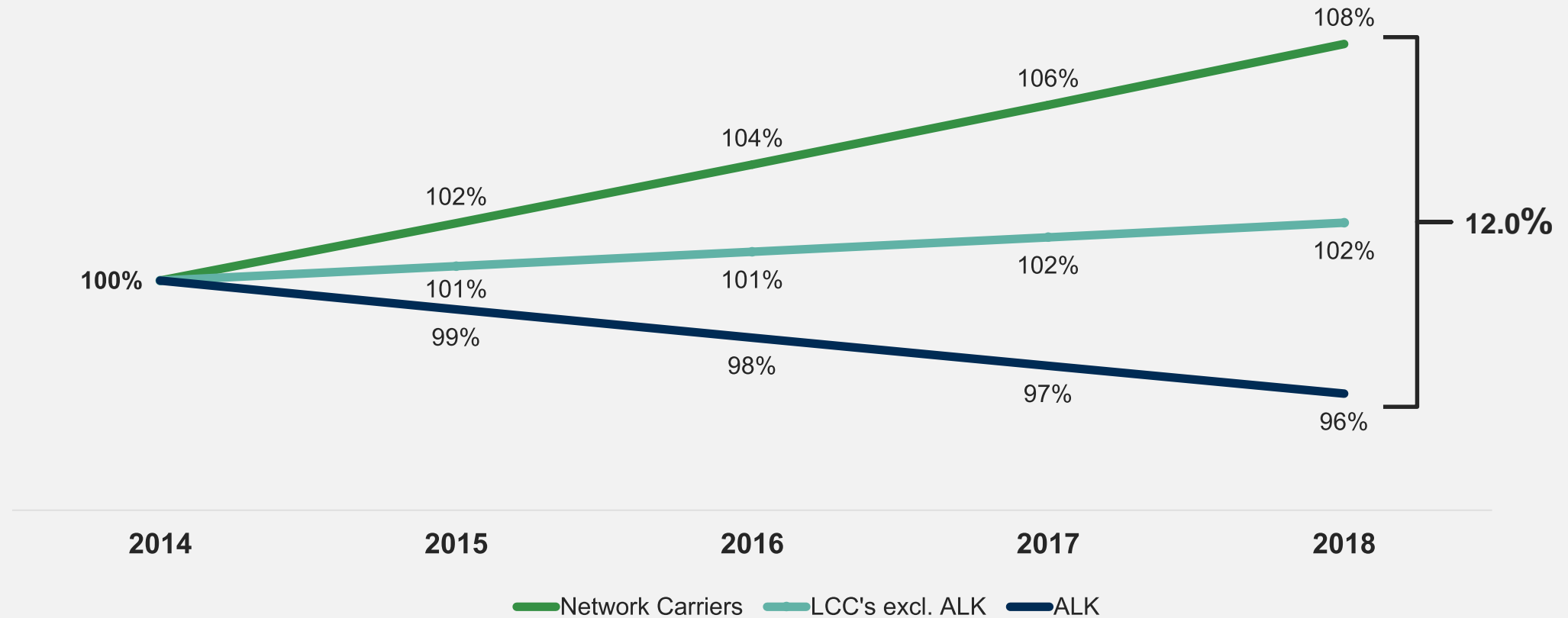
Reduce Fuel Price Gap



Improving Cost Profile

...and further strengthen our competitive position

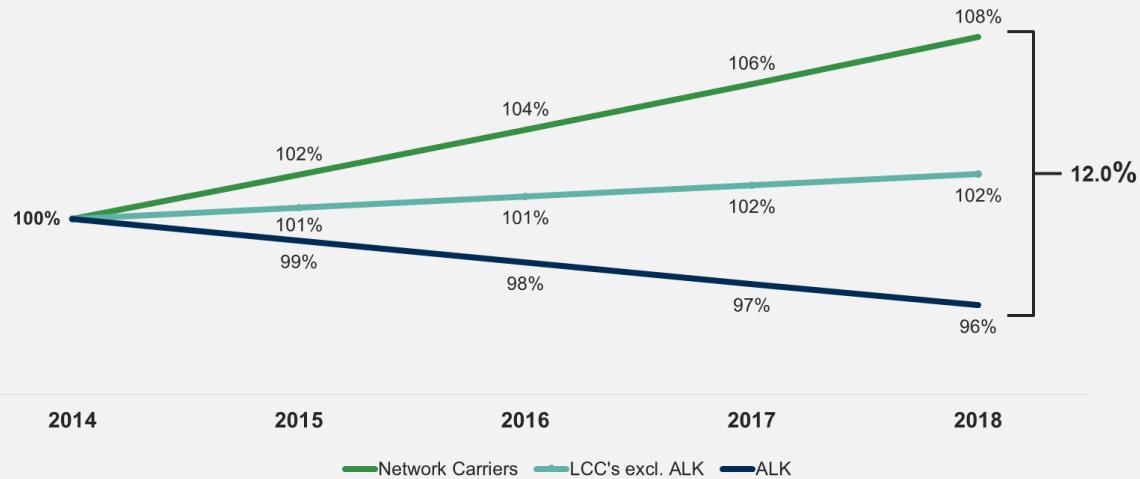
COST PROFILE EXCLUDING FUEL



Network costs expected to grow ~2%/year, LCC costs increase ~0.5% per year and ALK costs go down ~1% per year

...and further strengthen our competitive position

COST PROFILE EXCLUDING FUEL



**2015 CASM Ex-Fuel,
Ex FA Contract**

(1.0%) – (1.5%)

2015 CASM Ex-Fuel

~ (0.5%)

Network costs expected to grow ~2%/year, LCC costs increase ~0.5% per year and ALK costs go down ~1% per year

Our fuel efficiency has improved 22% since 2004...



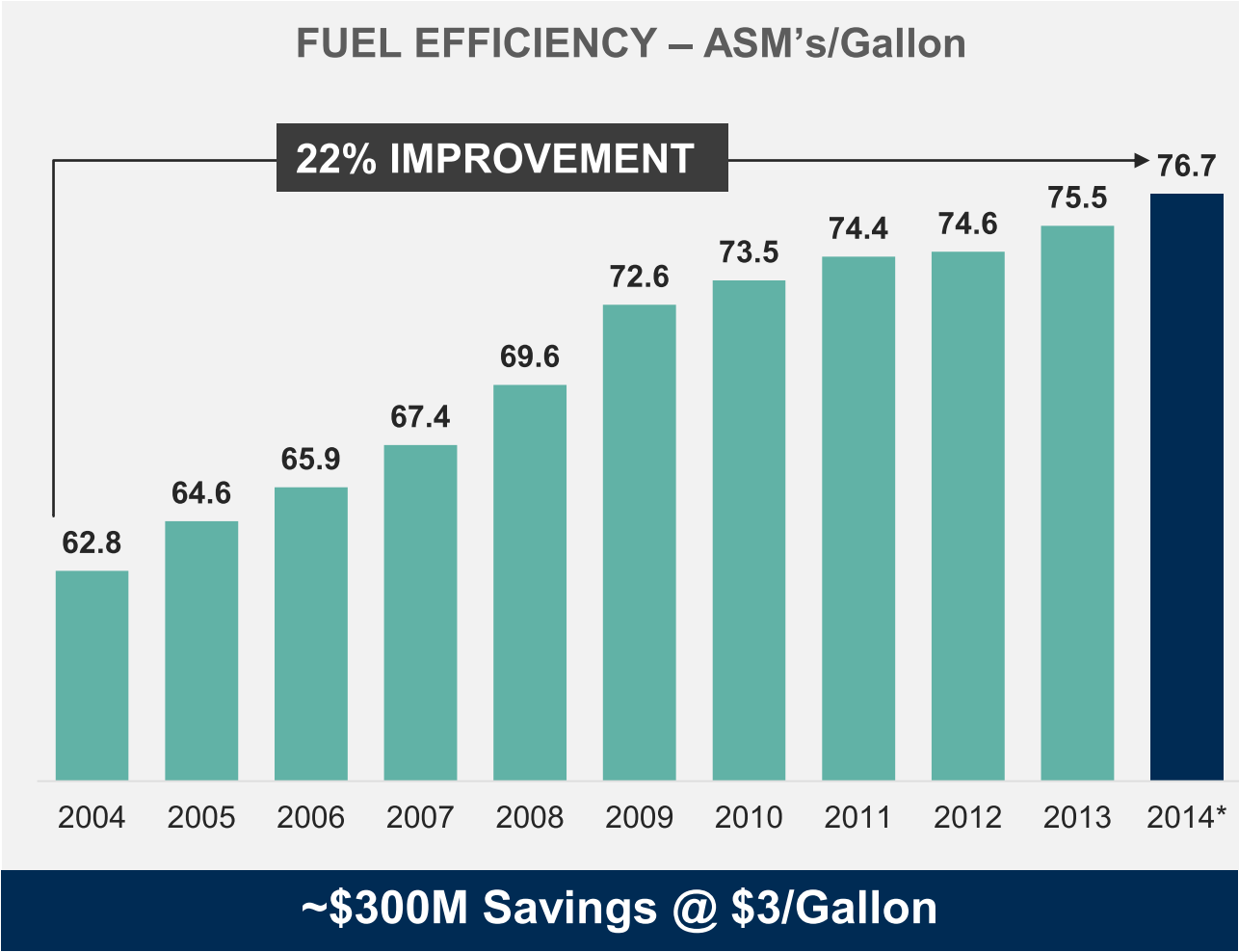
Fleet Transition



Navigation
(RNP)



Process
Improvements



...and is now among the best in the industry...



**737-400
Replacements**

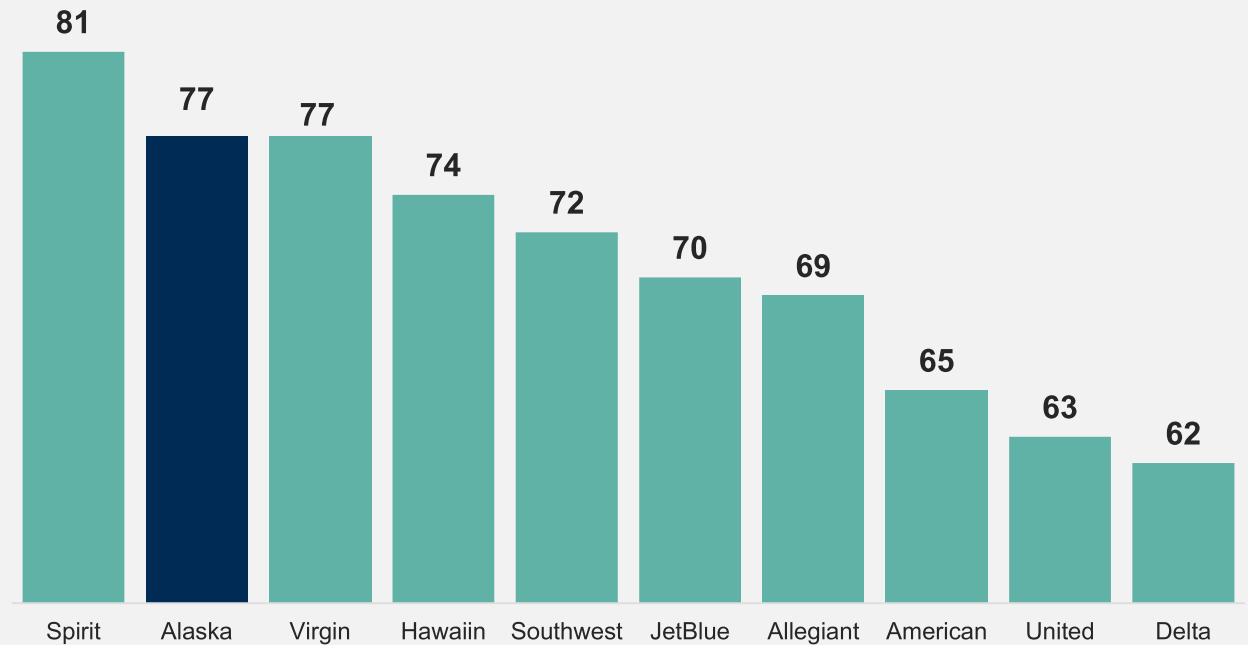


**Split Scimitar
Winglets**



**Operational
Efficiency**

FUEL EFFICIENCY – ASM's/GALLON



...and should continue to get better



**737-400
Replacements**

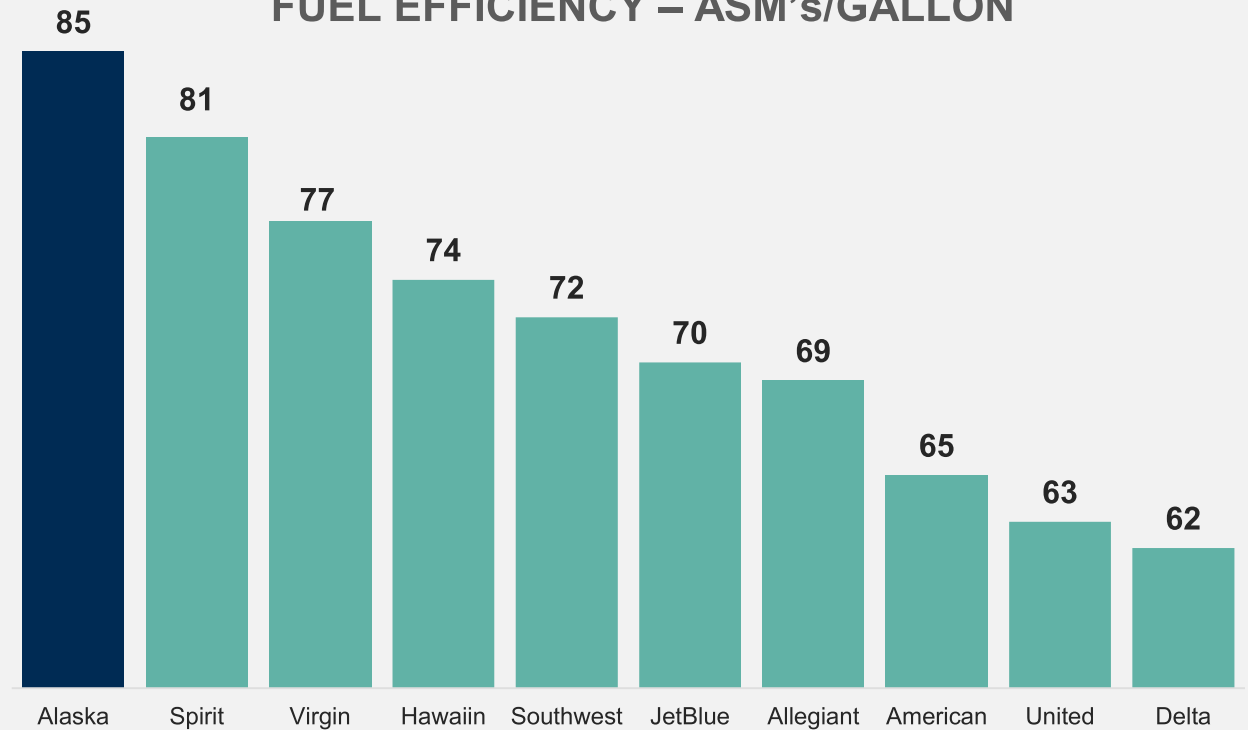


**Split Scimitar
Winglets**



**Operational
Efficiency**

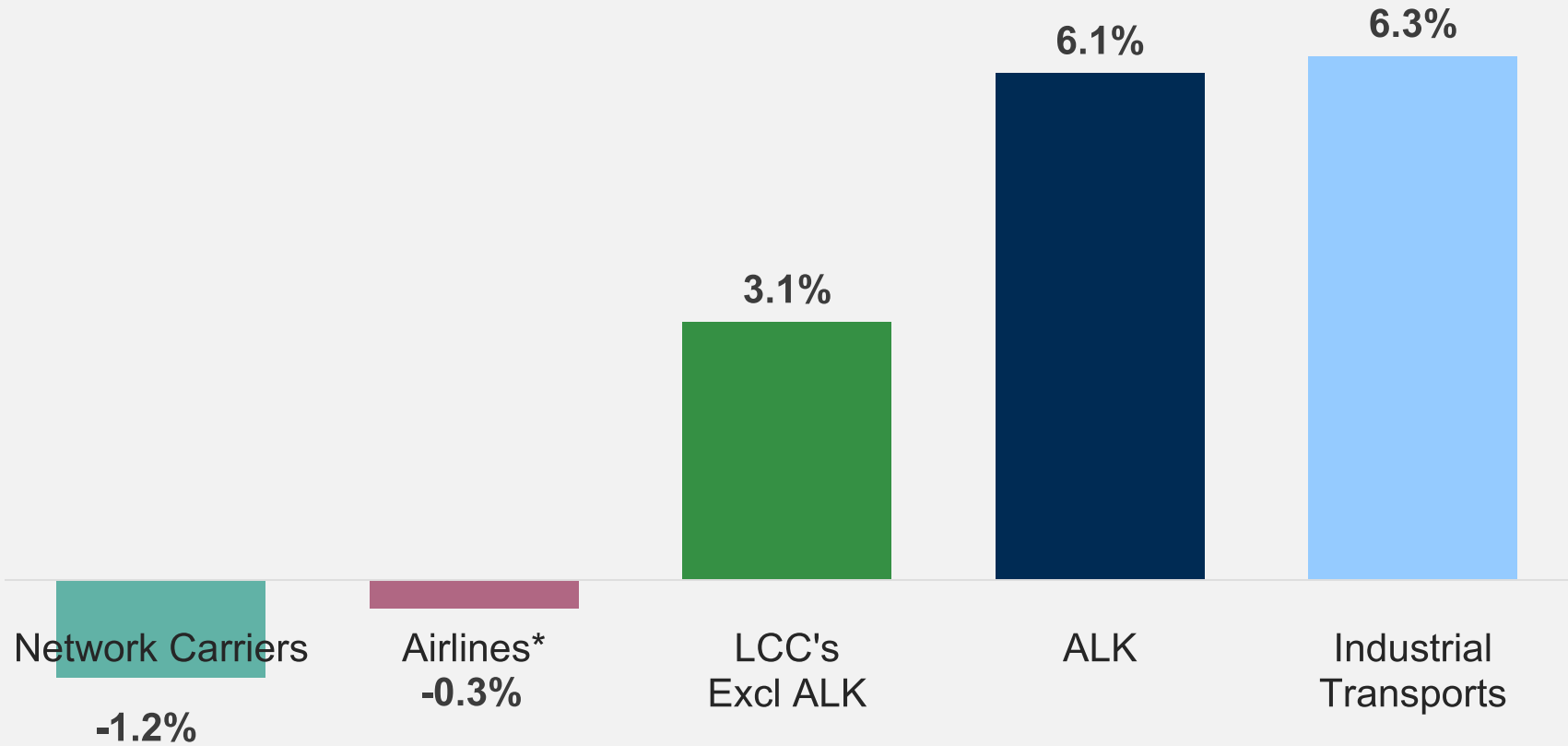
FUEL EFFICIENCY – ASM's/GALLON



~\$100M Savings By 2017 @3/Gallon

Our cash flow generation is best in class and comparable to high quality industrial transports

LTM 3Q14 – FCF AS A % REVENUE



Legacies: AAL, DAL, UAL. LCC's: LUV, HA, JBLU, SAVE, and ALGT

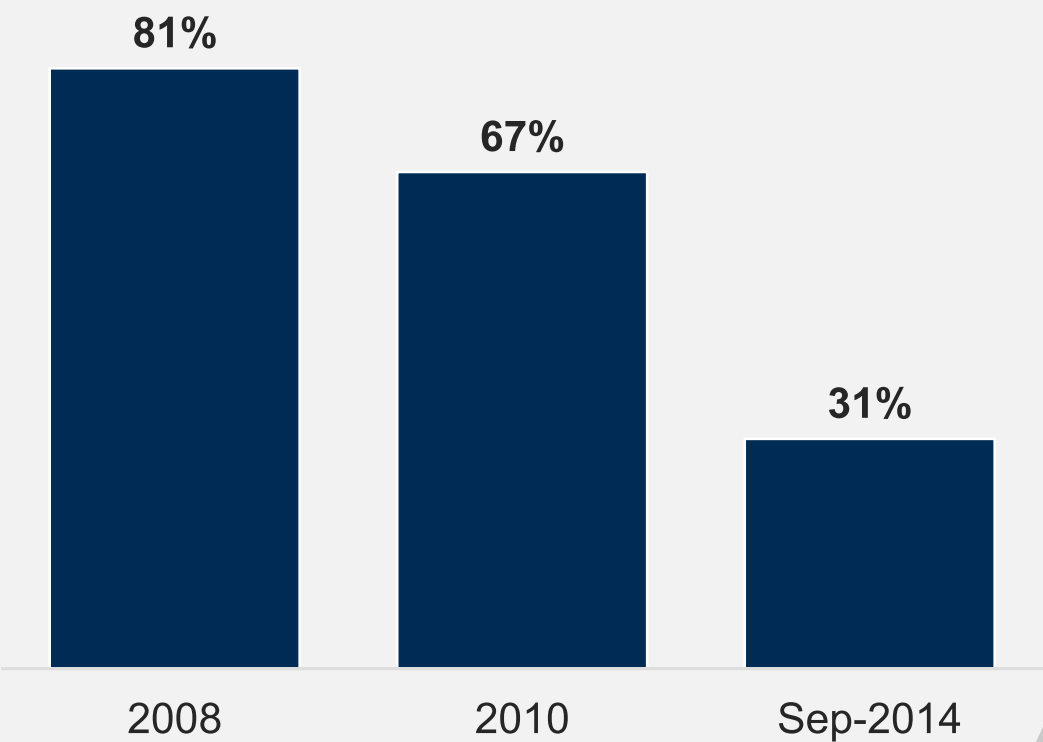
*Airlines include legacy and low cost carriers but excludes ALK












Industrial Transport companies include the rail, parcel, truckload, intermodal, forwarders/brokers and LTL companies



And our investment grade balance sheet de-risks the cash flow to shareholders

DEBT TO CAP

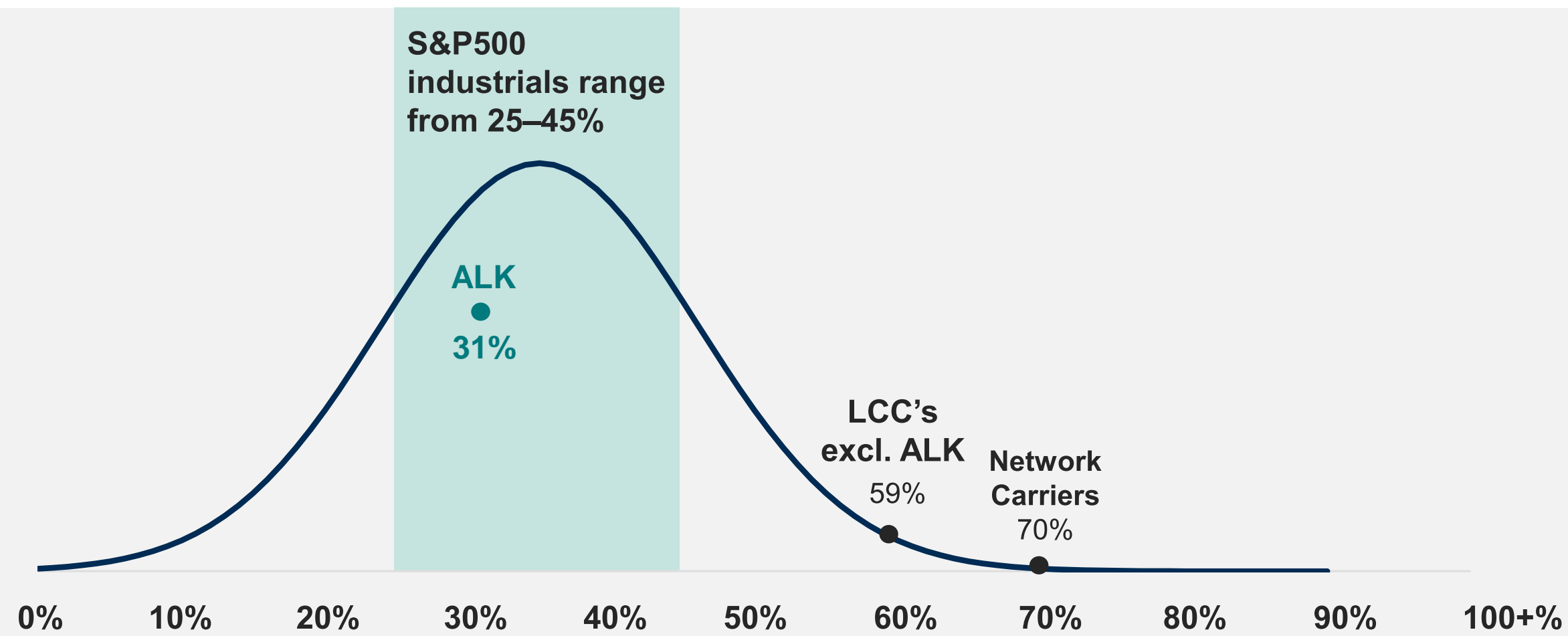


Airline Credit Rating		
	S&P	Fitch
BBB+		
BBB	 SOUTHWEST	 SOUTHWEST
BBB-	 Alaska	 Alaska
BB+		
BB		
BB-	 allegiant	
B+		
B	 jetBlue	 jetBlue
B-		

Investment Grade



Our capital structure is consistent with S&P 500 industrials



Capex and other obligations are manageable...

Capex
~\$650M Annually



Debt Obligations
~\$100M Annually

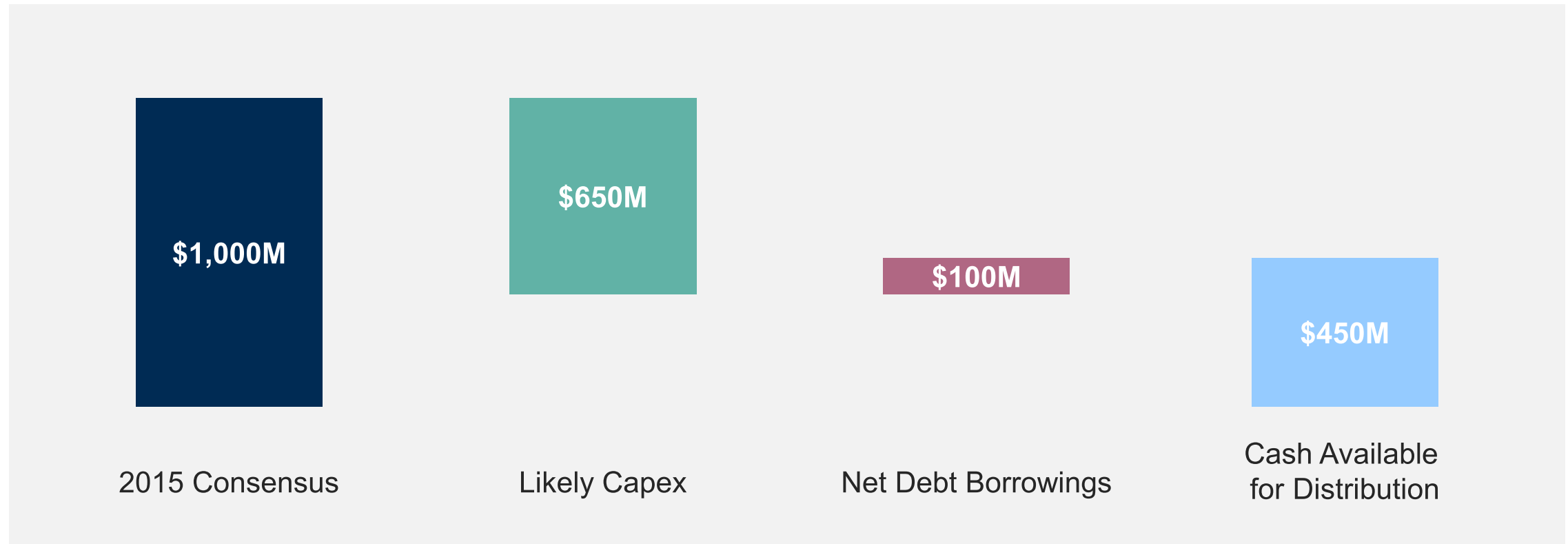


Fully Funded Pension*
No Required Funding

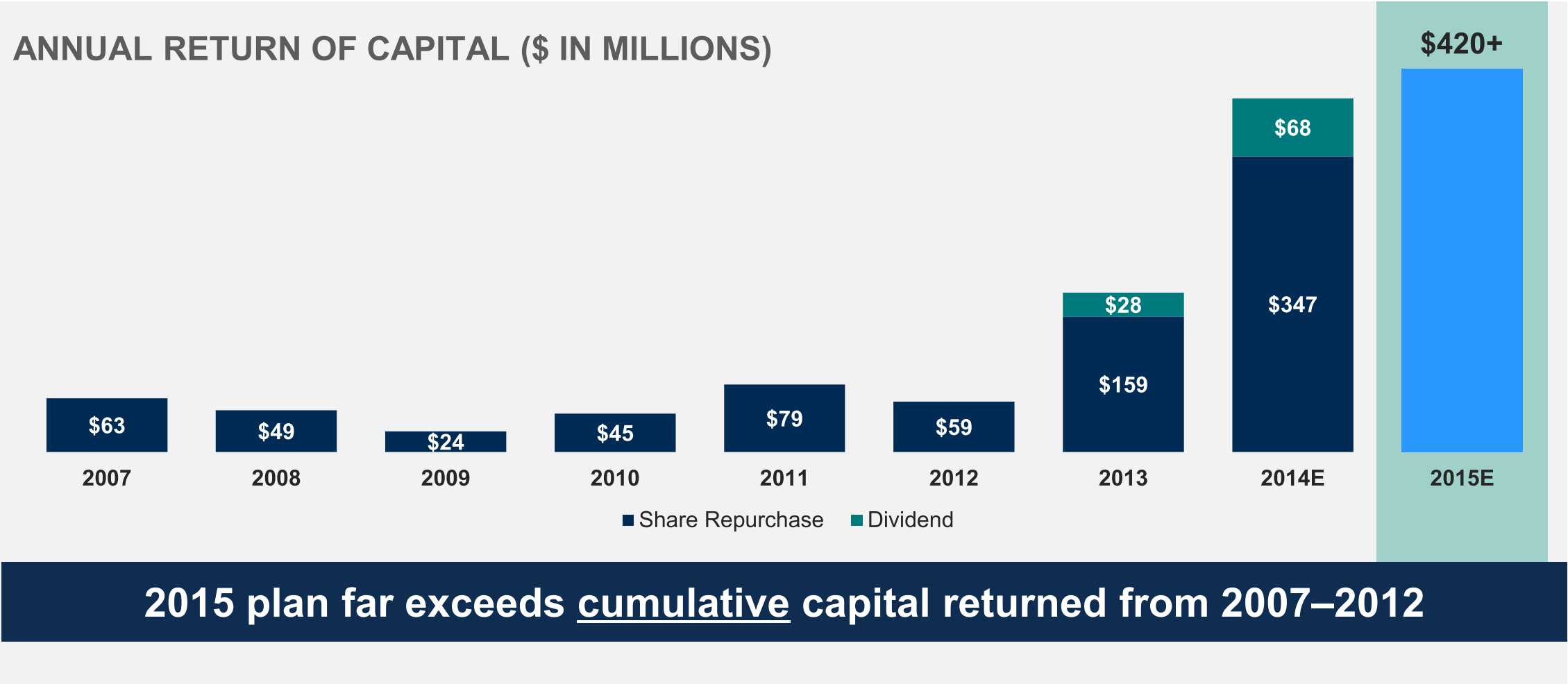


Total Net Obligations
~\$750M
Run Rate

...resulting in another year of strong capital returns



We plan to return more cash to our shareholder in 2015 than this year



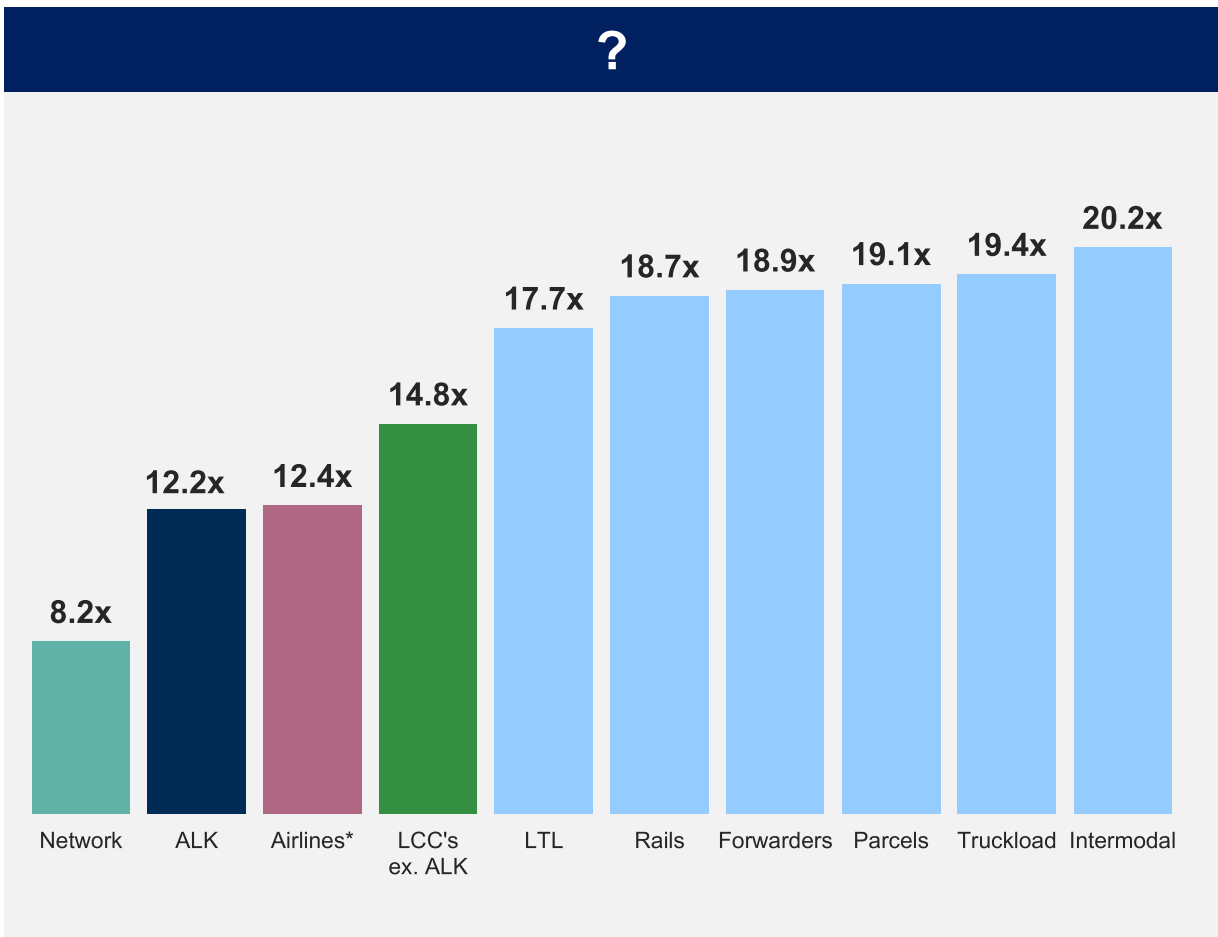
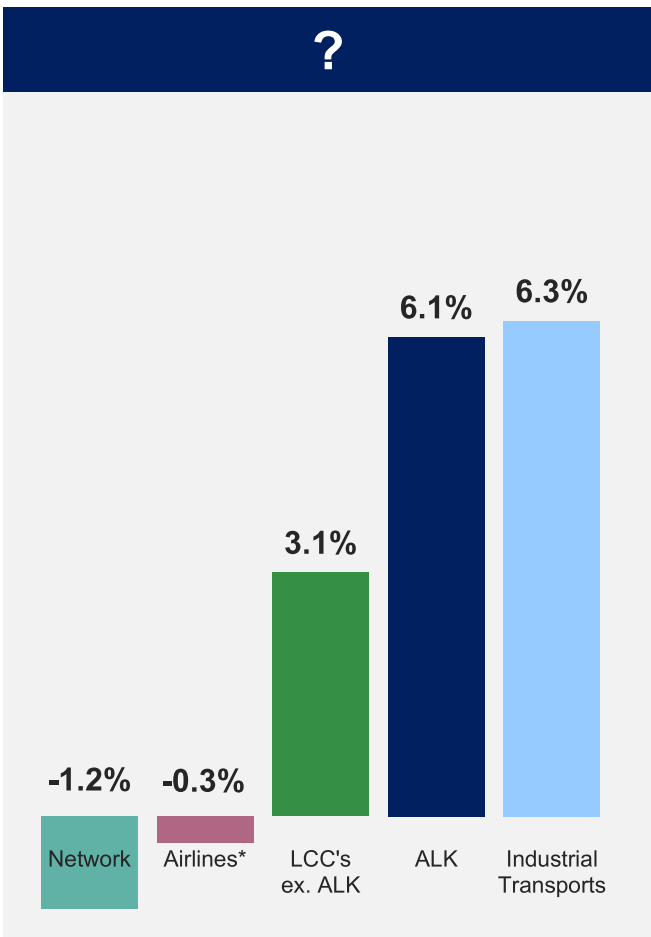
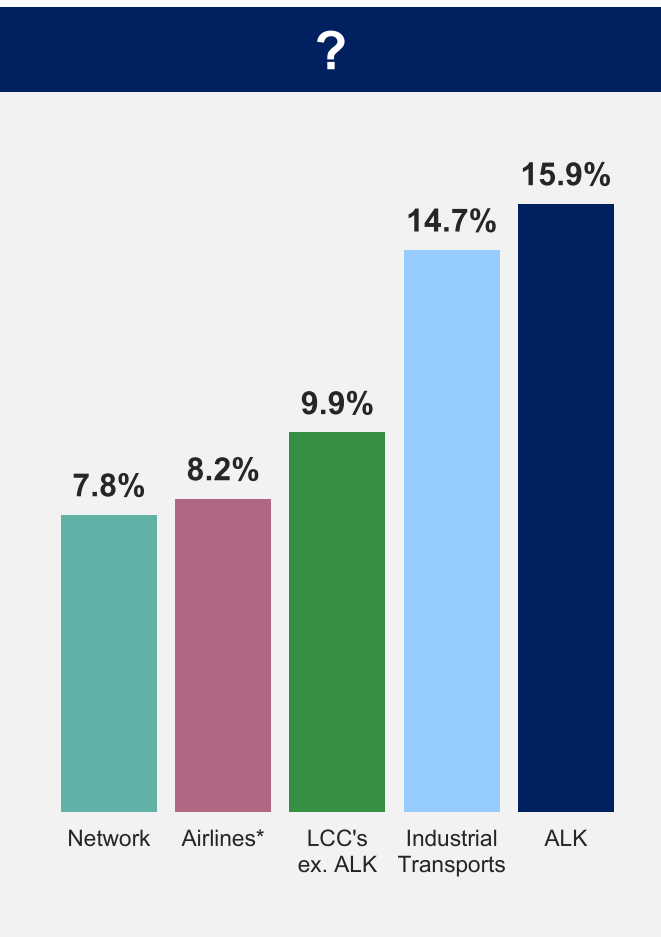
2015 Goals



1. Meet our 2015 profit budget
2. Hit our cost plan, reduce non-fuel costs by ~0.5%
3. Narrow fuel price differential versus industry

**Return more capital to
shareholders in 2015 than 2014**

Trivia Question

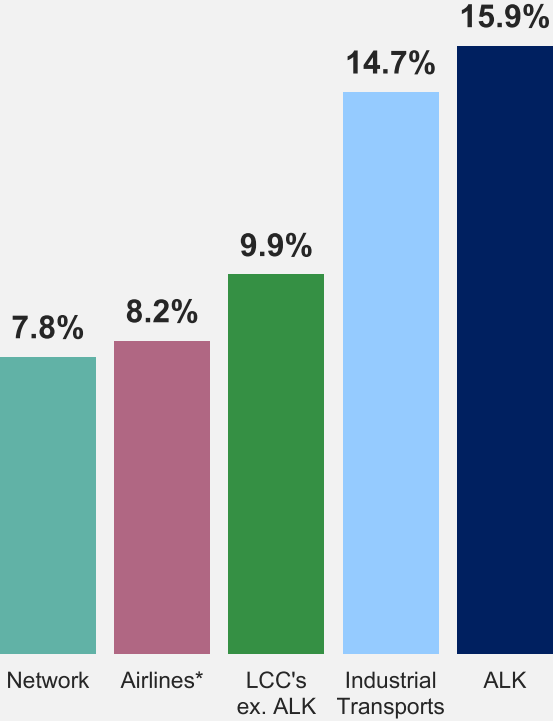


Legacies: AAL, DAL, UAL. LCC's: LUV, HA, JBLU, SAVE, and ALGT
Airlines include legacy and low cost carriers but excludes ALK
Industrial Transport companies include the rail, parcel, truckload, intermodal, forwarders/brokers and LTL companies

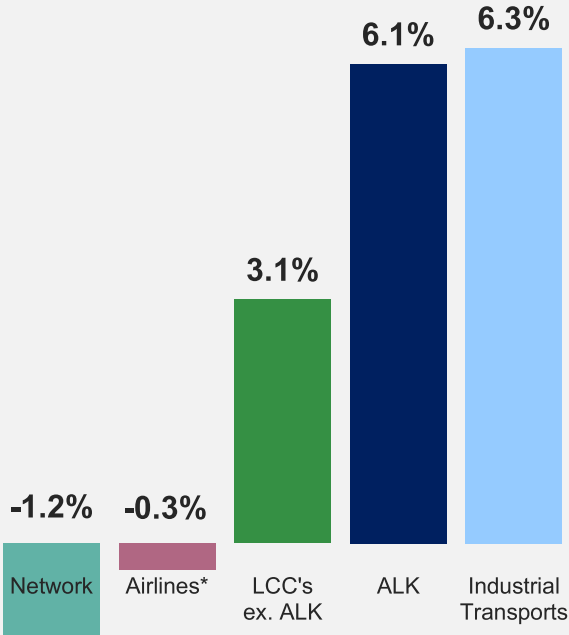


Trivia Question

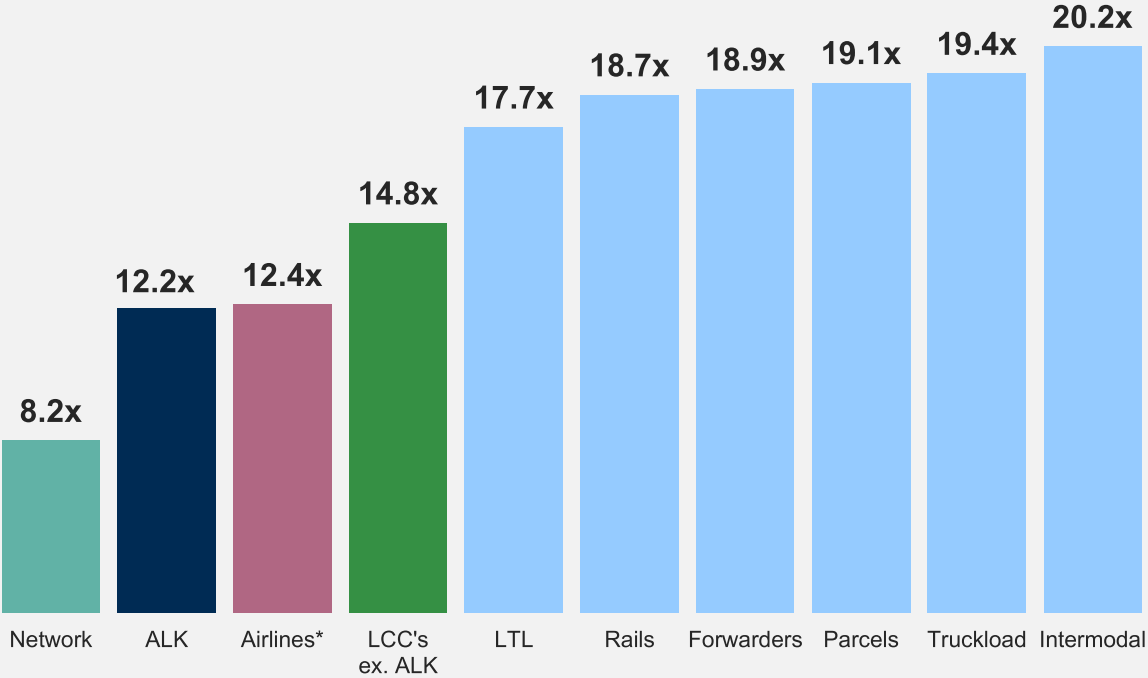
Pre-Tax Margin



FCF As a % of Revenue



P/E Multiples

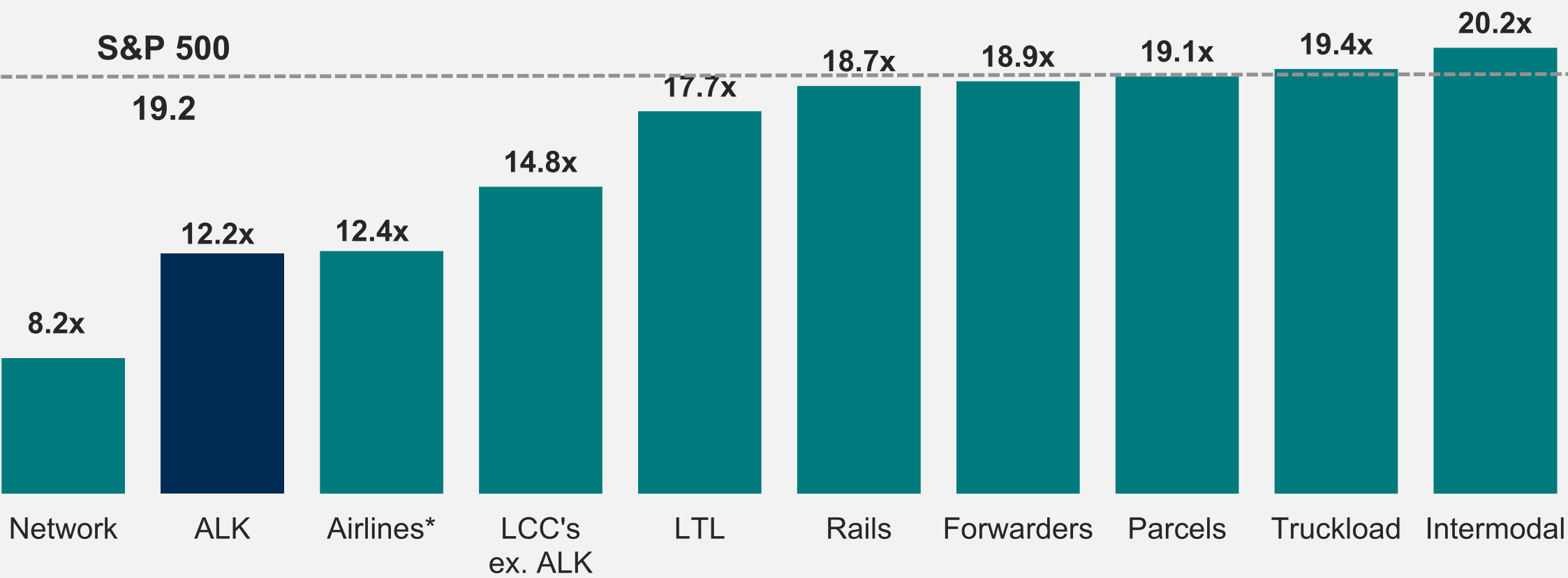


Legacies: AAL, DAL, UAL. LCC's: LUV, HA, JBLU, SAVE, and ALGT
Airlines include legacy and low cost carriers but excludes ALK
Industrial Transport companies include the rail, parcel, truckload, intermodal, forwarders/brokers and LTL companies



ALK earnings multiple still lags comparable companies

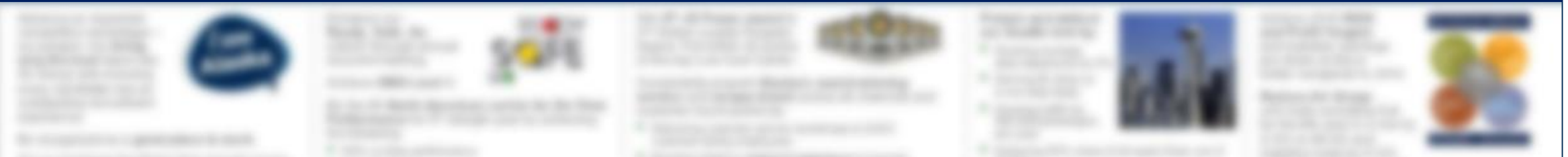
2015 P/E RATIO



Legacies: AAL, DAL, UAL. LCC's: LUV, HA, JBLU, SAVE, and ALGT
Airlines include legacy and low cost carriers but excludes ALK
90 HQIT: High Quality Industrial Transport companies include the rail, parcel, truckload, intermodal, forwarders/brokers and LTL companies



ALK – Top 10 List



1. Award winning service
2. Industry leading on-time performance
3. Loyal customers
4. Low costs...and getting lower
5. One of the most fuel efficient fleets...and getting better
6. Growing ancillary revenues
7. Industry leading margins in-line with high quality industrials
8. Investment grade credit
9. Record returns to shareholders in 2014...and more in 2015
10. Team of 13,000 employees aligned and executing for visible results



Thank you.