
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

December 15, 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))

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 December 15, 2017, 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 December 15, 2017, Air Group issued a press release announcing its November 2017 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 December 15, 2017
Exhibit 99.2	November 2017 Traffic Press Release dated December 15, 2017

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: December 15, 2017

/s/ Brandon S. Pedersen

Brandon S. Pedersen

Executive Vice President/Finance and Chief Financial Officer

Alaska Air Group

Investor Update - December 15, 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.

This update includes forecasted operational and financial information for our mainline and 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 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, 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 and Financial Statistics

For the purposes of comparison, the consolidated operating and financial 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.

	November 2017	November 2016 Combined Comparative	% Change	November 2016 As Reported
Revenue passengers (in thousands)	3,628	3,438	5.5%	2,752
Traffic (RPMs in millions)	4,394	4,023	9.2%	2,992
Capacity (ASMs in millions)	5,215	4,773	9.3%	3,517
Load factor	84.2%	84.3%	(0.1) pts	85.1%
Passenger RASM (cents)	11.08¢	11.35¢	(2.4)%	11.55¢
RASM (cents)	12.73¢	13.18¢	(3.4)%	13.66¢
Economic fuel cost per gallon	\$2.01	\$1.62	24.1%	\$1.64

Forecast Information

The following tables provide a Combined Comparative perspective, calculated as the sum of 2016 historical results for Alaska Air Group and Virgin America for the fiscal period prior to the acquisition date of December 14, 2016.

	Q4 2017 Forecast	Q4 2016 Combined Comparative ^(c)	% Change	Q4 2016 As Reported ^(b)	Prior Guidance November 17, 2017
Capacity (ASMs in millions)	15,865 - 15,915	14,404	~ 10.5%	11,407	15,950 - 16,000
Cost per ASM excluding fuel and special items (cents)	8.63¢ - 8.68¢	8.25¢	~ 5%	8.45¢	8.50¢ - 8.55¢
Fuel gallons (millions)	205	184	~ 11%	144	205
Economic fuel cost per gallon ^(a)	\$2.00	\$1.66	~ 20.5%	\$1.68	\$2.00

	Full Year 2017 Forecast	2016 Combined Comparative ^(c)	% Change	2016 As Reported ^(b)	Prior Guidance November 17, 2017
Capacity (ASMs in millions)	62,050 - 62,080	57,953	~ 7%	44,135	62,130 - 62,160
Cost per ASM excluding fuel and special items (cents)	8.22¢ - 8.24¢	8.04¢	~ 2.5%	8.23¢	8.19¢ - 8.21¢
Fuel gallons (millions)	796	739	~ 7.5%	554	796
Economic fuel cost per gallon	\$1.83	\$1.54	~ 19%	\$1.52	1.82¢

^(a) Our economic fuel cost per gallon estimate for the fourth quarter includes the following per-gallon assumptions: crude oil cost—\$1.31 (approximately \$55 per barrel), refining margin—50 cents, cost of settled hedges—2 cents, with the remaining difference due to taxes and other into-plane costs.

^(b) Actual financial and operational data reported in prior year excludes Virgin America information prior to December 14, 2016 acquisition.

^(c) Refer to our Investor Update issued on April 12, 2017 on Form 8-K for further details of the calculation of the three and twelve months ended December 31, 2016 combined data.

The Company has completed its analysis of the pilot wage increase on certain benefits-related accruals such as accrued vacation and sick leave. In addition to the \$24 million cost impact attributable to the new pilot wage rates and benefits the Company previously announced on October 31, 2017, we will record a one-time, non-cash charge of approximately \$20 million associated with the application of new, higher pilot wage rates to existing accrued vacation and sick leave balances. This charge will result in a CASMex increase of .13 cents for the fourth quarter and .03 cents for the full year 2017. Excluding the impact of this one-time expense, our CASMex forecast remains unchanged at 8.50¢ - 8.55¢ for the fourth quarter and 8.19¢ - 8.21¢ for the full year 2017, despite a modest reduction in our capacity forecast.

Nonoperating Expense

We expect that our consolidated nonoperating *expense* will be approximately \$11 million in the fourth quarter of 2017.

Cash and Share Count

<i>(in millions)</i>	November 30, 2017		September 30, 2017	
Cash and marketable securities	\$	1,932	\$	1,740
Common shares outstanding		123.051		123.387

Share Repurchase

Through December 13, 2017, Air Group had repurchased a total of 981,277 shares of its common stock for approximately \$75 million in 2017.

News

Alaska Air Group

December 15, 2017

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Alaska Air Group reports November 2017 operational results

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported November 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.

Air Group's acquisition of Virgin America took place on Dec. 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 9.2 percent increase in traffic on a 9.3 percent increase in capacity compared to November 2016. Load factor decreased 0.1 points to 84.2 percent.

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

	November			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	3,628	3,438	5.5%	40,315	38,439	4.9%
Revenue passenger miles RPM (000,000) "traffic"	4,394	4,023	9.2%	47,833	44,628	7.2%
Available seat miles ASM (000,000) "capacity"	5,215	4,773	9.3%	56,597	52,991	6.8%
Passenger load factor	84.2%	84.3%	(0.1) pts	84.5%	84.2%	0.3 pts

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

ALASKA

Alaska reported a 6.7 percent increase in traffic on a 7.7 percent increase in capacity compared to November 2016. Load factor decreased 0.8 points to 85 percent. Alaska also reported 83.2 percent of its flights arrived on time in November 2017, compared to 88 percent reported in November 2016.

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

	November			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	2,103	1,989	5.7%	23,909	22,370	6.9%
RPMs (000,000)	2,875	2,694	6.7%	32,289	30,053	7.4%
ASMs (000,000)	3,383	3,141	7.7%	37,885	35,413	7.0%
Passenger load factor	85.0%	85.8%	(0.8) pts	85.2%	84.9%	0.3 pts
On-time arrivals as reported to U.S. DOT	83.2%	88.0%	(4.8) pts	82.5%	88.3%	(5.8) pts

VIRGIN AMERICA

Virgin America traffic increased 12.4 percent on a 9.9 percent increase in capacity compared to November 2016. Load factor increased 1.9 points to 84 percent. Virgin America also reported 77.5 percent of its flights arrived on time in November 2017, compared to 81.5 percent in November 2016.

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

	November			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	749	686	9.2%	7,683	7,399	3.8%
RPMs (000,000)	1,159	1,031	12.4%	11,799	11,161	5.7%
ASMs (000,000)	1,380	1,256	9.9%	14,039	13,297	5.6%
Passenger load factor	84.0%	82.1%	1.9 pts	84.0%	83.9%	0.1 pts
On-time arrivals as reported to U.S. DOT	77.5%	81.5%	(4.0) pts	68.8%	77.0%	(8.2) pts

REGIONAL

Regional traffic increased 20.8 percent on a 20.2 percent increase in capacity compared to November 2016. Load factor increased 0.3 points to 79.6 percent. Alaska's regional partners also reported 85.1 percent of its flights arrived on time in November 2017, compared to 87.6 percent in November 2016.

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

	November			Year-to-Date		
	2017	2016	Change	2017	2016	Change
Revenue passengers (000)	776	763	1.7%	8,723	8,670	0.6%
RPMs (000,000)	360	298	20.8%	3,745	3,414	9.7%
ASMs (000,000)	452	376	20.2%	4,673	4,281	9.2%
Passenger load factor	79.6%	79.3%	0.3 pts	80.1%	79.7%	0.4 pts
On-time arrivals as reported to U.S. DOT	85.1%	87.6%	(2.5) pts	87.6%	87.3%	0.3 pts

Alaska Airlines, together with Virgin America and its regional partners, flies 40 million guests 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](#), 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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