

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

January 26, 2023  
(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  
(Address of Principal Executive Offices)

Seattle

Washington

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common stock, \$0.01 par value	ALK	New York Stock Exchange

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.

This document is also available on our website at <http://investor.alaskaair.com>.

## **ITEM 2.02. Results of Operations And Financial Condition**

On January 26, 2023, Alaska Air Group, Inc. (Air Group) issued a press release reporting financial results for the fourth quarter and full year of 2022. The press release is furnished herein as Exhibit 99.1.

## **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. The Investor Update is furnished herein as Exhibit 99.2.

In accordance with General Instruction B.2 of Form 8-K, the information under this item 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**

<a href="#">Exhibit 99.1</a>	Fourth Quarter and Full-Year 2022 Earnings Press Release dated January 26, 2023
<a href="#">Exhibit 99.2</a>	Investor Update dated January 26, 2023
104	Cover Page Interactive Data File - embedded within the Inline XBRL Document

## **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: January 26, 2023

/s/ EMILY HALVERSON

Emily Halverson

Vice President Finance and Controller

# Alaska Air Group

January 26, 2023

**Media contact:**  
Media Relations  
(206) 304-0008

**Investor/analyst contact:**  
Emily Halverson  
VP Finance and Controller  
(206) 392-5908

**Alaska Air Group delivers strong fourth quarter 2022 and full-year results**

*Delivered industry-leading full-year adjusted pretax margin of 7.6%;*

*Record annual revenue of \$9.6 billion, up 10% versus 2019;*

*Employees hard work recognized with performance-based bonuses totaling 10.5% of annual pay*

SEATTLE — Alaska Air Group Inc. (NYSE: ALK) today reported financial results for the fourth quarter and full year ended December 31, 2022, and provided an outlook for the first quarter ending March 31, 2023.

"2022 was a year of significant recovery and accomplishment for Alaska Airlines," said Alaska Airlines CEO Ben Minicucci. "Despite many challenges during the year, we ran one of the best operations, signed five new labor deals, and executed the majority of our single fleet transition. The results we posted today signal how well our teams are navigating this recovery. I want to thank our employees for their commitment to our success, and for the work they do every day to take great care of our guests. I am confident that we are well positioned to grow, compete and out-perform in 2023."

**Financial Results:**

- Reported net income for the fourth quarter and full year 2022 under Generally Accepted Accounting Principles (GAAP) of \$22 million, or \$0.17 per diluted share, and \$58 million, or \$0.45 per diluted share. These results compare to net income for the fourth quarter and full year 2021 of \$18 million, or \$0.14 per diluted share, and \$478 million, or \$3.77 per diluted share.
- Reported net income for the fourth quarter and full year 2022, excluding special items and mark-to-market fuel hedge accounting adjustments, of \$118 million, or \$0.92 per diluted share, and \$556 million, or \$4.35 per diluted share. These results compare to net income for the fourth quarter and net loss for the full year 2021, excluding special items and mark-to-market fuel hedge accounting adjustments, of \$31 million, or \$0.24 per diluted share, and \$256 million, or \$2.03 per share.
- Recorded \$257 million of incentive pay in 2022 earned by employees for meeting or exceeding profitability, safety and emissions targets. The payout is the richest in the 20-year history of the plan, representing nearly six weeks of pay for most employees.
- Recorded \$2.5 billion in operating revenue for the fourth quarter, resulting in \$9.6 billion in operating revenue for the full year 2022, the highest annual total in company history.
- Received nearly \$1.5 billion in annual cash remuneration under the renewed co-brand credit card arrangement with Bank of America, the highest level in the program's history.

**Balance Sheet and Liquidity:**

- Announced plans to resume share repurchases in early 2023 to offset annual dilution. Repurchases are expected to range from \$75 million to \$100 million in 2023.
- Ended the quarter with a debt-to-capitalization ratio of 49%, within our target range of 40% to 50%.
- Repaid \$52 million in debt in the fourth quarter, bringing total debt payments to \$385 million for the full year 2022.
- Held \$2.4 billion in unrestricted cash and marketable securities as of December 31, 2022.

**Fleet Updates:**

- Retired ten Airbus A320 aircraft and nine Q400 aircraft during the fourth quarter. All remaining A320 aircraft have since been retired and all remaining Q400 aircraft will be retired by the end of January 2023.
- Amended a previously existing aircraft purchase agreement with Boeing to convert 52 737 MAX aircraft options to firm purchases for delivery between 2024 and 2027. Alaska also added an incremental 105 delivery positions to purchase 737 MAX aircraft between 2026 and 2030.
- Received four 737-9 aircraft during the quarter, bringing the total 737-9 fleet to 37.
- Received three E175 aircraft during the quarter, bringing Horizon's total E175 fleet to 33.

**Other Operational Updates:**

- Partnered with Lyft to offer Mileage Plan members one mile for every \$1 spent on all Lyft rides in the U.S. and Canada.
- Added a new Mileage Plan partner, Mokulele Airlines, to offer guests more convenient connections within the Hawaiian Islands, starting in early 2023.
- Launched the first U.S. electronic bag tag program, enabling guests to tag their luggage through the airline's mobile app before they reach the airport.
- Opened the renovated C Concourse Lounge in Seattle, the first of several investments that will improve the lounge experience with more seating and food and beverage choices for guests in Seattle, Portland, San Francisco and Los Angeles.

**Environmental, Social and Governance Updates:**

- Donated a retired Q400 to the Portland Community College Foundation, providing students of the Aviation Maintenance Technology and Aviation Science programs the opportunity to gain hands-on experience working on a commercial aircraft.
- Completed the transition to paper cups for inflight beverages, which will replace more than 55 million plastic cups each year with a more sustainable alternative.
- Donated 55 million miles to 20 different charities through Alaska's Care Miles program in 2022.
- Created a new Diversity, Equity and Inclusion Disability Office dedicated to ensuring Alaska becomes a leader in disability inclusion.

The following table reconciles the company's reported GAAP net income per share (EPS) for the three and twelve months ended December 31, 2022 and 2021 to adjusted amounts.

<i>(in millions, except per-share amounts)</i>	<b>Three Months Ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Dollars</b>	<b>Diluted EPS</b>	<b>Dollars</b>	<b>Diluted EPS</b>
GAAP net income per share	\$ 22	\$ 0.17	\$ 18	\$ 0.14
Mark-to-market fuel hedge adjustments	12	0.09	21	0.16
Special items - fleet transition and other <sup>(a)</sup>	120	0.93	(6)	(0.05)
Special items - labor and related <sup>(b)</sup>	(6)	(0.04)	2	0.02
Income tax effect of reconciling items above	(30)	(0.23)	(4)	(0.03)
Non-GAAP adjusted net income (loss) per share	<u>\$ 118</u>	<u>\$ 0.92</u>	<u>\$ 31</u>	<u>\$ 0.24</u>

<i>(in millions, except per-share amounts)</i>	<b>Twelve Months Ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Dollars</b>	<b>Diluted EPS</b>	<b>Dollars</b>	<b>Diluted EPS</b>
GAAP net income per share	\$ 58	\$ 0.45	\$ 478	\$ 3.77
Payroll Support Program grant wage offset	—	—	(914)	(7.21)
Mark-to-market fuel hedge adjustments	76	0.60	(47)	(0.37)
Special items - fleet transition and other <sup>(a)</sup>	496	3.88	(1)	(0.01)
Special items - labor and related <sup>(b)</sup>	84	0.66	(10)	(0.08)
Income tax effect of reconciling items above	(158)	(1.24)	238	1.87
Non-GAAP adjusted net income (loss) per share	<u>\$ 556</u>	<u>\$ 4.35</u>	<u>\$ (256)</u>	<u>\$ (2.03)</u>

(a) Special items - fleet transition and other in the three and twelve months ended December 31, 2022 is primarily impairment charges and accelerated costs associated with the retirement of the A320 and Q400 fleets.

(b) Special items - labor and related in the three and twelve months ended December 31, 2022 is primarily a one-time payment to Alaska pilots following ratification of a new collective bargaining agreement.

Statistical data, as well as a reconciliation of the reported non-GAAP financial measures, can be found in the accompanying tables. A glossary of financial terms can be found on the last page of this release.

A conference call regarding the fourth quarter and full year results will be streamed online at 8:30 a.m. PST on January 26, 2023. It can be accessed at [www.alaskaair.com/investors](http://www.alaskaair.com/investors). For those unable to listen to the live broadcast, a replay will be available after the conclusion of the call.

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 news release may contain forward-looking statements subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, 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 our forward-looking statements, assumptions or beliefs. 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, 2021. Some of these risks include competition, labor costs, relations and availability, general economic conditions including those associated with pandemic recovery, increases in operating costs including fuel, inability to meet cost reduction, ESG and other strategic goals, seasonal fluctuations in demand and financial results, supply chain risks, events that negatively impact aviation safety and security, and changes in laws and regulations that impact our business. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed in our most recent Form 10-K and in our subsequent SEC filings. 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 made today to conform them to actual results. Over time, our actual results, performance or achievements may differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, assumptions or beliefs and such differences might be significant and materially adverse.

Alaska Airlines and our regional partners serve more than 120 destinations across the United States, Belize, Canada, Costa Rica and Mexico. We emphasize low fares and award-winning customer service. Alaska is a member of the oneworld global alliance. With the alliance and our additional airline partners, our guests can travel to more than 900 destinations on more than 20 airlines while earning and redeeming miles on flights to locations around the world. Learn more about Alaska at [news.alaskaair.com](https://news.alaskaair.com). Alaska Airlines and Horizon Air are subsidiaries of Alaska Air Group. (NYSE: ALK).

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

Alaska Air Group, Inc.

<i>(in millions, except per-share amounts)</i>	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	2022	2021	Change
<b>Operating Revenue</b>						
Passenger revenue	\$ 2,264	\$ 1,715	32 %	\$ 8,808	\$ 5,499	60 %
Mileage Plan other revenue	157	129	22 %	590	461	28 %
Cargo and other revenue	58	55	5 %	248	216	15 %
<b>Total Operating Revenue</b>	<b>2,479</b>	<b>1,899</b>	<b>31 %</b>	<b>9,646</b>	<b>6,176</b>	<b>56 %</b>
<b>Operating Expenses</b>						
Wages and benefits	709	637	11 %	2,640	2,218	19 %
Variable incentive pay	117	42	179 %	257	151	70 %
Payroll Support Program grant wage offset	—	—	— %	—	(914)	NM
Aircraft fuel, including hedging gains and losses	668	426	57 %	2,668	1,279	109 %
Aircraft maintenance	93	92	1 %	424	364	16 %
Aircraft rent	69	66	5 %	291	254	15 %
Landing fees and other rentals	146	141	4 %	581	555	5 %
Contracted services	86	68	26 %	329	235	40 %
Selling expenses	77	50	54 %	295	173	71 %
Depreciation and amortization	105	100	5 %	415	394	5 %
Food and beverage service	54	42	29 %	197	139	42 %
Third-party regional carrier expense	37	41	(10)%	182	147	24 %
Other	181	159	14 %	717	507	41 %
Special items - fleet transition and other	120	(6)	NM	496	(1)	NM
Special items - labor and related	(6)	2	NM	84	(10)	NM
<b>Total Operating Expenses</b>	<b>2,456</b>	<b>1,860</b>	<b>32 %</b>	<b>9,576</b>	<b>5,491</b>	<b>74 %</b>
<b>Operating Income</b>	<b>23</b>	<b>39</b>	<b>(41)%</b>	<b>70</b>	<b>685</b>	<b>(90)%</b>
<b>Non-operating Income (Expense)</b>						
Interest income	18	6	200 %	53	25	112 %
Interest expense	(24)	(27)	(11)%	(108)	(128)	(16)%
Interest capitalized	6	2	200 %	14	11	27 %
Other - net	12	9	33 %	50	36	39 %
<b>Total Non-operating Income (Expense)</b>	<b>12</b>	<b>(10)</b>	<b>NM</b>	<b>9</b>	<b>(56)</b>	<b>116 %</b>
<b>Income Before Income Tax</b>	<b>35</b>	<b>29</b>		<b>79</b>	<b>629</b>	
Income tax expense	13	11		21	151	
<b>Net Income</b>	<b>\$ 22</b>	<b>\$ 18</b>		<b>\$ 58</b>	<b>\$ 478</b>	
<b>Basic Earnings Per Share</b>	<b>\$ 0.17</b>	<b>\$ 0.14</b>		<b>\$ 0.46</b>	<b>\$ 3.82</b>	
<b>Diluted Earnings Per Share</b>	<b>\$ 0.17</b>	<b>\$ 0.14</b>		<b>\$ 0.45</b>	<b>\$ 3.77</b>	
Shares used for computation:						
Basic	127.303	125.708		126.657	125.063	
Diluted	128.470	127.284		127.899	126.775	

**CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

**Alaska Air Group, Inc.**

<b>As of December 31 (in millions)</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 338	\$ 470
Marketable securities	2,079	2,646
Total cash and marketable securities	2,417	3,116
Receivables - net	296	546
Inventories and supplies - net	104	62
Prepaid expenses and other current assets	223	196
<b>Total Current Assets</b>	<b>3,040</b>	<b>3,920</b>
<b>Property and Equipment</b>		
Aircraft and other flight equipment	9,053	8,127
Other property and equipment	1,661	1,489
Deposits for future flight equipment	670	384
	11,384	10,000
Less accumulated depreciation and amortization	4,127	3,862
<b>Total Property and Equipment - Net</b>	<b>7,257</b>	<b>6,138</b>
<b>Other Assets</b>		
Operating lease assets	1,566	1,453
Goodwill and intangible assets	2,038	2,044
Other noncurrent assets	380	396
<b>Total Other Assets</b>	<b>3,984</b>	<b>3,893</b>
<b>Total Assets</b>	<b>\$ 14,281</b>	<b>\$ 13,951</b>



**CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

**Alaska Air Group, Inc.**

**As of December 31 (in millions except share amounts)**

	<b>2022</b>	<b>2021</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 221	\$ 200
Accrued wages, vacation and payroll taxes	619	457
Air traffic liability	1,180	1,163
Other accrued liabilities	846	625
Deferred revenue	1,123	912
Current portion of operating lease liabilities	247	268
Current portion of long-term debt	276	366
<b>Total Current Liabilities</b>	<b>4,512</b>	<b>3,991</b>
<b>Long-Term Debt, Net of Current Portion</b>	<b>1,883</b>	<b>2,173</b>
<b>Noncurrent Liabilities</b>		
Long-term operating lease liabilities, net of current portion	1,469	1,279
Deferred income taxes	574	578
Deferred revenue	1,374	1,446
Obligation for pension and post-retirement medical benefits	348	305
Other liabilities	305	378
<b>Total Noncurrent Liabilities</b>	<b>4,070</b>	<b>3,986</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Preferred stock, \$0.01 par value, Authorized: 5,000,000 shares, none issued or outstanding	—	—
Common stock, \$0.01 par value, Authorized: 400,000,000 shares, Issued: 2022 - 136,883,042 shares; 2021 - 135,255,808 shares, Outstanding: 2022 - 127,533,098 shares; 2021 - 125,905,864 shares	1	1
Capital in excess of par value	577	494
Treasury stock (common), at cost: 2022 - 9,349,944 shares; 2021 - 9,349,944 shares	(674)	(674)
Accumulated other comprehensive loss	(388)	(262)
Retained earnings	4,300	4,242
	<b>3,816</b>	<b>3,801</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 14,281</b>	<b>\$ 13,951</b>

**SUMMARY CASH FLOW (unaudited)**
**Alaska Air Group, Inc.**

<i>(in millions)</i>	Year Ended December 31, 2022	Nine Months Ended September 30, 2022 <sup>(a)</sup>	Three Months Ended December 31, 2022 <sup>(b)</sup>
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 58	\$ 36	\$ 22
Non-cash reconciling items	953	719	234
Changes in working capital	407	654	(247)
<b>Net cash provided by operating activities</b>	<b>1,418</b>	<b>1,409</b>	<b>9</b>
<b>Cash Flows from Investing Activities:</b>			
Property and equipment additions	(1,671)	(947)	(724)
Other investing activities	453	59	394
<b>Net cash used in investing activities</b>	<b>(1,218)</b>	<b>(888)</b>	<b>(330)</b>
<b>Net cash used in financing activities</b>			
	<b>(325)</b>	<b>(296)</b>	<b>(29)</b>
Net increase (decrease) in cash and cash equivalents	(125)	225	(350)
Cash, cash equivalents, and restricted cash at beginning of year	494	494	719
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 369</b>	<b>\$ 719</b>	<b>\$ 369</b>

(a) As reported in Form 10-Q for the third quarter of 2022.

(b) Cash flows for the three months ended December 31, 2022 can be calculated by subtracting cash flows for the nine months ended September 30, 2022, as reported in Form 10-Q for the third quarter 2022, from the year ended December 31, 2022.

**OPERATING STATISTICS SUMMARY (unaudited)**
**Alaska Air Group, Inc.**

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	2022	2021	Change
<b>Consolidated Operating Statistics:<sup>(a)</sup></b>						
Revenue passengers (000)	10,331	9,196	12.3%	41,468	32,407	28.0%
RPMs (000,000) "traffic"	12,855	11,279	14.0%	51,330	38,598	33.0%
ASMs (000,000) "capacity"	15,030	14,207	5.8%	60,773	52,445	15.9%
Load factor	85.5%	79.4%	6.1 pts	84.5%	73.6%	10.9 pts
Yield	17.61¢	15.20¢	15.9%	17.16¢	14.25¢	20.4%
RASM	16.49¢	13.36¢	23.4%	15.87¢	11.78¢	34.8%
CASMex <sup>(b)</sup>	11.14¢	10.12¢	10.1%	10.41¢	9.80¢	6.3%
Economic fuel cost per gallon <sup>(b)</sup>	\$3.55	\$2.26	57.1%	\$3.42	\$2.02	69.3%
Fuel gallons (000,000)	185	179	3.4%	758	656	15.5%
ASMs per gallon	81.2	79.4	2.3%	80.2	79.9	0.3%
Departures (000)	95	94	1.1%	404	377	7.2%
Average full-time equivalent employees (FTEs)	23,195	21,043	10.2%	22,564	19,375	16.5%
<b>Mainline Operating Statistics:</b>						
Revenue passengers (000)	8,237	6,900	19.4%	31,795	23,268	36.6%
RPMs (000,000) "traffic"	11,994	10,078	19.0%	46,812	33,755	38.7%
ASMs (000,000) "capacity"	14,004	12,737	9.9%	55,224	45,741	20.7%
Load factor	85.6%	79.1%	6.5 pts	84.8%	73.8%	11.0 pts
Yield	16.39¢	13.97¢	17.3%	15.92¢	13.07¢	21.8%
RASM	15.49¢	12.39¢	25.0%	14.91¢	10.99¢	35.7%
CASMex <sup>(b)</sup>	10.05¢	9.14¢	10.0%	9.45¢	8.96¢	5.5%
Economic fuel cost per gallon <sup>(b)</sup>	\$3.52	\$2.25	56.4%	\$3.40	\$2.01	69.2%
Fuel gallons (000,000)	163	150	8.7%	646	530	21.9%
ASMs per gallon	85.9	84.8	1.3%	85.5	86.2	(0.8)%
Departures (000)	62	56	10.7%	244	207	17.9%
Average full-time equivalent employees (FTEs)	17,792	15,855	12.2%	17,224	14,366	19.9%
Aircraft utilization	9.9	10.0	(1.0)%	9.9	9.7	2.1%
Average aircraft stage length	1,341	1,356	(1.1)%	1,347	1,324	1.7%
Operating fleet <sup>(d)</sup>	225	217	8 a/c	225	217	8 a/c
<b>Regional Operating Statistics:<sup>(c)</sup></b>						
Revenue passengers (000)	2,094	2,296	(8.8)%	9,673	9,139	5.8%
RPMs (000,000) "traffic"	861	1,201	(28.3)%	4,518	4,842	(6.7)%
ASMs (000,000) "capacity"	1,027	1,469	(30.1)%	5,549	6,704	(17.2)%
Load factor	83.9%	81.7%	2.2 pts	81.4%	72.2%	9.2 pts
Yield	34.66¢	25.57¢	35.5%	29.97¢	22.49¢	33.3%
RASM	30.08¢	21.82¢	37.9%	25.34¢	17.12¢	48.0%
Departures (000)	33	38	(13.2)%	160	170	(5.9)%
Operating fleet <sup>(d)</sup>	86	94	(8) a/c	86	94	(8) a/c

(a) Except for FTEs, data includes information related to third-party regional capacity purchase flying arrangements.

(b) See a reconciliation of this non-GAAP measure and Note A for a discussion of potential importance of this measure to investors in the accompanying pages.

(c) Data presented includes information related to flights operated by Horizon and third-party carriers.

(d) Excludes all aircraft removed from operating service.

Given the unusual nature of 2021 and 2020, we believe that some analysis of specific financial and operational results compared to 2019 provides meaningful insight. The table below includes comparative results from 2022 to 2019.

**FINANCIAL INFORMATION AND OPERATING STATISTICS - 2022 Compared with 2019 (unaudited)**

**Alaska Air Group, Inc.**

	Three Months Ended December 31,			Year Ended December 31,		
	2022	2019	Change	2022	2019	Change
Passenger revenue	\$ 2,264	\$ 2,057	10%	\$ 8,808	\$ 8,095	9%
Mileage Plan other revenue	157	119	32%	590	465	27%
Cargo and other revenue	58	52	12%	248	221	12%
<b>Total Operating Revenue</b>	<b>\$ 2,479</b>	<b>\$ 2,228</b>	<b>11%</b>	<b>\$ 9,646</b>	<b>\$ 8,781</b>	<b>10%</b>
Operating expense, excluding fuel and special items	\$ 1,674	\$ 1,500	12%	\$ 6,328	\$ 5,796	9%
Aircraft fuel, including hedging gains and losses	668	476	40%	2,668	1,884	42%
Special items	114	—	NM	580	38	NM
<b>Total Operating Expenses</b>	<b>\$ 2,456</b>	<b>\$ 1,976</b>	<b>24%</b>	<b>\$ 9,576</b>	<b>\$ 7,718</b>	<b>24%</b>
<b>Total Non-operating Income (Expense)</b>	<b>\$ 12</b>	<b>\$ (9)</b>	<b>NM</b>	<b>\$ 9</b>	<b>\$ (47)</b>	<b>119%</b>
<b>Income Before Income Tax</b>	<b>\$ 35</b>	<b>\$ 243</b>	<b>(86)%</b>	<b>\$ 79</b>	<b>\$ 1,016</b>	<b>(92)%</b>
<b>Consolidated Operating Statistics:</b>						
Revenue passengers (000)	10,331	11,715	(12)%	41,468	46,733	(11)%
RPMs (000,000) "traffic"	12,855	13,928	(8)%	51,330	56,040	(8)%
ASMs (000,000) "capacity"	15,030	16,648	(10)%	60,773	66,654	(9)%
Load Factor	85.5%	83.7%	1.8 pts	84.5%	84.1%	0.4 pts
Yield	17.61¢	14.77¢	19%	17.16¢	14.45¢	19%
RASM	16.49¢	13.38¢	23%	15.87¢	13.17¢	21%
CASMex	11.14¢	9.01¢	24%	10.41¢	8.70¢	20%
FTEs	23,195	22,506	3%	22,564	22,126	2%

**OPERATING SEGMENTS (unaudited)**
**Alaska Air Group, Inc.**

Three Months Ended December 31, 2022							
<i>(in millions)</i>	Mainline	Regional	Horizon	Consolidating & Other <sup>(a)</sup>	Air Group Adjusted <sup>(b)</sup>	Special Items <sup>(c)</sup>	Consolidated
<b>Operating Revenue</b>							
Passenger revenue	\$ 1,966	\$ 298	\$ —	\$ —	\$ 2,264	\$ —	\$ 2,264
CPA revenue	—	—	71	(71)	—	—	—
Mileage Plan other revenue	146	11	—	—	157	—	157
Cargo and other revenue	58	—	—	—	58	—	58
<b>Total Operating Revenue</b>	<b>2,170</b>	<b>309</b>	<b>71</b>	<b>(71)</b>	<b>2,479</b>	<b>—</b>	<b>2,479</b>
<b>Operating Expenses</b>							
Operating expenses, excluding fuel	1,408	243	92	(69)	1,674	114	1,788
Fuel expense	572	84	—	—	656	12	668
<b>Total Operating Expenses</b>	<b>1,980</b>	<b>327</b>	<b>92</b>	<b>(69)</b>	<b>2,330</b>	<b>126</b>	<b>2,456</b>
<b>Non-operating Income (Expense)</b>	<b>18</b>	<b>—</b>	<b>(7)</b>	<b>1</b>	<b>12</b>	<b>—</b>	<b>12</b>
<b>Income (Loss) Before Income Tax</b>	<b>\$ 208</b>	<b>\$ (18)</b>	<b>\$ (28)</b>	<b>\$ (1)</b>	<b>\$ 161</b>	<b>\$ (126)</b>	<b>\$ 35</b>
<b>Pretax Margin</b>					<b>6.5 %</b>		<b>1.4 %</b>

Three Months Ended December 31, 2021							
<i>(in millions)</i>	Mainline	Regional	Horizon	Consolidating & Other <sup>(a)</sup>	Air Group Adjusted <sup>(b)</sup>	Special Items <sup>(c)</sup>	Consolidated
<b>Operating Revenue</b>							
Passenger revenue	\$ 1,408	\$ 307	\$ —	\$ —	\$ 1,715	\$ —	\$ 1,715
CPA revenue	—	—	84	(84)	—	—	—
Mileage Plan other revenue	115	14	—	—	129	—	129
Cargo and other revenue	55	—	—	—	55	—	55
<b>Total Operating Revenue</b>	<b>1,578</b>	<b>321</b>	<b>84</b>	<b>(84)</b>	<b>1,899</b>	<b>—</b>	<b>1,899</b>
<b>Operating Expenses</b>							
Operating expenses, excluding fuel	1,164	258	101	(85)	1,438	(4)	1,434
Fuel expense	339	66	—	—	405	21	426
<b>Total Operating Expenses</b>	<b>1,503</b>	<b>324</b>	<b>101</b>	<b>(85)</b>	<b>1,843</b>	<b>17</b>	<b>1,860</b>
<b>Non-operating Income (Expense)</b>	<b>(7)</b>	<b>—</b>	<b>(5)</b>	<b>2</b>	<b>(10)</b>	<b>—</b>	<b>(10)</b>
<b>Income (Loss) Before Income Tax</b>	<b>\$ 68</b>	<b>\$ (3)</b>	<b>\$ (22)</b>	<b>\$ 3</b>	<b>\$ 46</b>	<b>\$ (17)</b>	<b>\$ 29</b>
<b>Pretax Margin</b>					<b>2.4 %</b>		<b>1.5 %</b>

**OPERATING SEGMENTS (unaudited)**
**Alaska Air Group, Inc.**

Twelve Months Ended December 31, 2022							
<i>(in millions)</i>	Mainline	Regional	Horizon	Consolidating & Other <sup>(a)</sup>	Air Group Adjusted <sup>(b)</sup>	Special Items <sup>(c)</sup>	Consolidated
<b>Operating Revenue</b>							
Passenger revenue	\$ 7,454	\$ 1,354	\$ —	\$ —	\$ 8,808	\$ —	\$ 8,808
CPA revenue	—	—	359	(359)	—	—	—
Mileage Plan other revenue	538	52	—	—	590	—	590
Cargo and other revenue	244	—	—	4	248	—	248
<b>Total Operating Revenue</b>	<b>8,236</b>	<b>1,406</b>	<b>359</b>	<b>(355)</b>	<b>9,646</b>	<b>—</b>	<b>9,646</b>
<b>Operating Expenses</b>							
Operating expenses, excluding fuel	5,216	1,085	383	(356)	6,328	580	6,908
Fuel expense	2,195	397	—	—	2,592	76	2,668
<b>Total Operating Expenses</b>	<b>7,411</b>	<b>1,482</b>	<b>383</b>	<b>(356)</b>	<b>8,920</b>	<b>656</b>	<b>9,576</b>
<b>Non-operating Income (Expense)</b>	<b>30</b>	<b>—</b>	<b>(22)</b>	<b>1</b>	<b>9</b>	<b>—</b>	<b>9</b>
<b>Income (Loss) Before Income Tax</b>	<b>\$ 855</b>	<b>\$ (76)</b>	<b>\$ (46)</b>	<b>\$ 2</b>	<b>\$ 735</b>	<b>\$ (656)</b>	<b>\$ 79</b>
<b>Pretax Margin</b>					<b>7.6 %</b>		<b>0.8 %</b>

Twelve Months Ended December 31, 2021							
<i>(in millions)</i>	Mainline	Regional	Horizon	Consolidating & Other <sup>(a)</sup>	Air Group Adjusted <sup>(b)</sup>	Special Items <sup>(c)</sup>	Consolidated
<b>Operating Revenue</b>							
Passenger revenue	\$ 4,411	\$ 1,088	\$ —	\$ —	\$ 5,499	\$ —	\$ 5,499
CPA revenue	—	—	406	(406)	—	—	—
Mileage Plan other revenue	402	59	—	—	461	—	461
Cargo and other revenue	212	—	—	4	216	—	216
<b>Total Operating Revenue</b>	<b>5,025</b>	<b>1,147</b>	<b>406</b>	<b>(402)</b>	<b>6,176</b>	<b>—</b>	<b>6,176</b>
<b>Operating Expenses</b>							
Operating expenses, excluding fuel	4,101	1,096	373	(433)	5,137	(925)	4,212
Fuel expense	1,065	261	—	—	1,326	(47)	1,279
<b>Total Operating Expenses</b>	<b>5,166</b>	<b>1,357</b>	<b>373</b>	<b>(433)</b>	<b>6,463</b>	<b>(972)</b>	<b>5,491</b>
<b>Non-operating Income (Expense)</b>	<b>(38)</b>	<b>—</b>	<b>(21)</b>	<b>3</b>	<b>(56)</b>	<b>—</b>	<b>(56)</b>
<b>Income (Loss) Before Income Tax</b>	<b>\$ (179)</b>	<b>\$ (210)</b>	<b>\$ 12</b>	<b>\$ 34</b>	<b>\$ (343)</b>	<b>\$ 972</b>	<b>\$ 629</b>
<b>Pretax Margin</b>					<b>(5.6)%</b>		<b>10.2 %</b>

(a) Includes consolidating entries, Air Group parent company, McGee Air Services, and other immaterial business units.

(b) The Air Group Adjusted column represents the financial information that is reviewed by management to assess performance of operations and determine capital allocation and excludes certain charges. See Note A in the accompanying pages for further information.

(c) Includes Payroll Support Program grant wage offsets, special items and mark-to-market fuel hedge accounting adjustments.

**GAAP TO NON-GAAP RECONCILIATIONS (unaudited)**
**Alaska Air Group, Inc.**
**CASM Excluding Fuel and Special Items Reconciliation**

<i>(in cents)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
<b>Consolidated:</b>				
CASM	16.34 ¢	13.09 ¢	15.76 ¢	10.47 ¢
Less the following components:				
Payroll Support Program grant wage offset	—	—	—	(1.75)
Aircraft fuel, including hedging gains and losses	4.44	3.00	4.39	2.44
Special items - fleet transition and other <sup>(a)</sup>	0.80	(0.04)	0.82	—
Special items - labor and related <sup>(b)</sup>	(0.04)	0.01	0.14	(0.02)
<b>CASM excluding fuel and special items</b>	<b>11.14 ¢</b>	<b>10.12 ¢</b>	<b>10.41 ¢</b>	<b>9.80 ¢</b>
<b>Mainline:</b>				
CASM	14.95 ¢	11.77 ¢	14.42 ¢	9.52 ¢
Less the following components:				
Payroll support program grant wage offset	—	—	—	(1.75)
Aircraft fuel, including hedging gains and losses	4.17	2.66	4.11	2.33
Special items - fleet transition and other <sup>(a)</sup>	0.77	(0.05)	0.71	—
Special items - labor and related <sup>(b)</sup>	(0.04)	0.02	0.15	(0.02)
<b>CASM excluding fuel and special items</b>	<b>10.05 ¢</b>	<b>9.14 ¢</b>	<b>9.45 ¢</b>	<b>8.96 ¢</b>

(a) Special items - fleet transition and other in the three and twelve months ended December 31, 2022 is primarily impairment charges and accelerated costs associated with the retirement of the A320 and Q400 fleets.

(b) Special items - labor and related in the three and twelve months ended December 31, 2022 is primarily a one-time payment to Alaska pilots following ratification of a new collective bargaining agreement.

**Fuel Reconciliation**

<i>(in millions, except for per-gallon amounts)</i>	Three Months Ended December 31,			
	2022		2021	
	Dollars	Cost/Gal	Dollars	Cost/Gal
Raw or "into-plane" fuel cost	\$ 657	\$ 3.55	\$ 434	\$ 2.42
Losses (gains) on settled hedges	(1)	—	(29)	(0.16)
<b>Consolidated economic fuel expense</b>	<b>\$ 656</b>	<b>\$ 3.55</b>	<b>\$ 405</b>	<b>\$ 2.26</b>
Mark-to-market fuel hedge adjustment	12	0.06	21	0.12
GAAP fuel expense	<u>\$ 668</u>	<u>\$ 3.61</u>	<u>\$ 426</u>	<u>\$ 2.38</u>
Fuel gallons		<u>185</u>		<u>179</u>
<i>(in millions, except for per-gallon amounts)</i>	Twelve Months Ended December 31,			
	2022		2021	
	Dollars	Cost/Gal	Dollars	Cost/Gal
Raw or "into-plane" fuel cost	\$ 2,761	\$ 3.64	\$ 1,383	\$ 2.11
Losses (gains) on settled hedges	(169)	(0.22)	(57)	(0.09)
<b>Consolidated economic fuel expense</b>	<b>\$ 2,592</b>	<b>\$ 3.42</b>	<b>\$ 1,326</b>	<b>\$ 2.02</b>
Mark-to-market fuel hedge adjustment	76	0.10	(47)	(0.07)
GAAP fuel expense	<u>\$ 2,668</u>	<u>\$ 3.52</u>	<u>\$ 1,279</u>	<u>\$ 1.95</u>
Fuel gallons		<u>758</u>		<u>656</u>

**Debt-to-capitalization, including operating leases**

<i>(in millions)</i>	December 31, 2022	December 31, 2021
Long-term debt, net of current portion	\$ 1,883	\$ 2,173
Long-term and current capitalized operating leases	1,716	1,547
Adjusted debt, net of current portion of long-term debt	\$ 3,599	\$ 3,720
Shareholders' equity	3,816	3,801
<b>Total Invested Capital</b>	<b>\$ 7,415</b>	<b>\$ 7,521</b>
Debt-to-capitalization ratio, including operating leases	49%	49%

**Adjusted net debt to earnings before interest, taxes, depreciation, amortization, rent, and special items**

<i>(in millions)</i>	December 31, 2022	December 31, 2021
Current portion of long-term debt	\$ 276	\$ 366
Current portion of operating lease liabilities	247	268
Long-term debt	1,883	2,173
Long-term operating lease liabilities, net of current portion	1,469	1,279
<b>Total adjusted debt</b>	<b>3,875</b>	<b>4,086</b>
Less: Total cash and marketable securities	(2,417)	(3,116)
<b>Adjusted net debt</b>	<b>\$ 1,458</b>	<b>\$ 970</b>

<i>(in millions)</i>	Year Ended December 31, 2022	Year Ended December 31, 2021
GAAP Operating Income	\$ 70	\$ 685
Adjusted for:		
Special items and Payroll Support Program grant wage offset	580	(925)
Mark-to-market fuel hedge adjustments	76	(47)
Depreciation and amortization	415	394
Aircraft rent	291	254
<b>EBITDAR</b>	<b>\$ 1,432</b>	<b>\$ 361</b>
<b>Adjusted net debt to EBITDAR</b>	<b>1.0x</b>	<b>2.7x</b>



**Note A:** Pursuant to Regulation G, we are providing reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis. We believe that consideration of these non-GAAP financial measures may be important to investors for the following reasons:

- By excluding fuel expense and certain other items, such as the Payroll Support Program grant wage offset and other special items, from our unit metrics, we believe that we have better visibility into the results of operations. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can result in a significant improvement in operating results. In addition, we believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management (and thus investors) to understand the impact of (and trends in) company-specific cost drivers such as labor rates and productivity, airport costs, maintenance costs, etc., which are more controllable by management.
- Cost per ASM (CASM) excluding fuel and certain other items, such as the Payroll Support Program grant wage offset and other special items, is one of the most important measures used by management and by the Air Group Board of Directors in assessing quarterly and annual cost performance.
- Adjusted income before income tax (and other items as specified in our plan documents) is an important metric for the employee incentive plan, which covers the majority of Air Group employees.
- CASM excluding fuel and certain special items is a measure commonly used by industry analysts, and we believe it is the basis by which they have historically compared our airline to others in the industry. The measure is also the subject of frequent questions from investors.
- Disclosure of the individual impact of certain noted items provides investors the ability to measure and monitor performance both with and without these special items. We believe that disclosing the impact of these items as noted above. Industry analysts and investors consistently measure our performance without these items for better comparability between periods and among other airlines.
- Although we disclose our unit revenue, we do not, nor are we able to, evaluate unit revenue excluding the impact that changes in fuel costs have had on ticket prices. Fuel expense represents a large percentage of our total operating expenses. Fluctuations in fuel prices often drive changes in unit revenue in the mid-to-long term. Although we believe it is useful to evaluate non-fuel unit costs for the reasons noted above, we would caution readers of these financial statements not to place undue reliance on unit costs excluding fuel as a measure or predictor of future profitability because of the significant impact of fuel costs on our business.

## GLOSSARY OF TERMS

**Adjusted net debt** - long-term debt, including current portion, plus capitalized operating leases, less cash and marketable securities

**Adjusted net debt to EBITDAR** - represents net adjusted debt divided by EBITDAR (trailing twelve months earnings before interest, taxes, depreciation, amortization, special items and rent)

**Aircraft Utilization** - block hours per day; this represents the average number of hours per day our aircraft are in transit

**Aircraft Stage Length** - represents the average miles flown per aircraft departure

**ASMs** - available seat miles, or "capacity"; represents total seats available across the fleet multiplied by the number of miles flown

**CASM** - operating costs per ASM, or "unit cost"; represents all operating expenses including fuel and special items

**CASMex** - operating costs excluding fuel and special items per ASM; this metric is used to help track progress toward reduction of non-fuel operating costs since fuel is largely out of our control

**Debt-to-capitalization ratio** - represents adjusted debt (long-term debt plus capitalized operating lease liabilities) divided by total equity plus adjusted debt

**Diluted Earnings per Share** - represents earnings per share (EPS) using fully diluted shares outstanding

**Diluted Shares** - represents the total number of shares that would be outstanding if all possible sources of conversion, such as stock options, were exercised

**Economic Fuel** - best estimate of the cash cost of fuel, net of the impact of our fuel-hedging program

**Load Factor** - RPMs as a percentage of ASMs; represents the number of available seats that were filled with paying passengers

**Mainline** - represents flying Boeing 737, Airbus 320 and Airbus 321neo family jets and all associated revenue and costs

**Productivity** - number of revenue passengers per full-time equivalent employee

**RASM** - operating revenue per ASMs, or "unit revenue"; operating revenue includes all passenger revenue, freight & mail, Mileage Plan and other ancillary revenue; represents the average total revenue for flying one seat one mile

**Regional** - represents capacity purchased by Alaska from Horizon and SkyWest. In this segment, Regional records actual on-board passenger revenue, less costs such as fuel, distribution costs, and payments made to Horizon and SkyWest under the respective capacity purchased arrangement (CPAs). Additionally, Regional includes an allocation of corporate overhead such as IT, finance, other administrative costs incurred by Alaska and on behalf of Horizon.

**RPMs** - revenue passenger miles, or "traffic"; represents the number of seats that were filled with paying passengers; one passenger traveling one mile is one RPM

**Yield** - passenger revenue per RPM; represents the average revenue for flying one passenger one mile

# Alaska Air Group

## Investor Update - January 26, 2023

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 expected operational and financial information, including operating cost per available seat mile, excluding fuel and other items (CASMex). Our disclosure of CASMex, 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. Please see the cautionary statement under “Forward-Looking Information.”

We are providing information about estimated fuel prices. 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, 2021. Some of these risks include the risks associated with contagious illnesses and contagion, such as COVID-19, 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, and changes in laws and regulations. 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

This investor update provides information about recent developments and performance trends for Alaska Air Group (Air Group) and subsidiaries Alaska Airlines (Alaska) and Horizon Air (Horizon).

### Q1 AND FULL YEAR 2023 OUTLOOK

In 2023 we are returning to year-over-year comparisons for guidance purposes (e.g. 2022 as the comparison year). Recovery patterns were non-linear in 2022, in part due to industry volatility and disruptions from Omicron, pilot staffing challenges, and weather-related events. Where useful in our forward-looking guidance, we will include sequential commentary or comparisons against 2019.

	Q1 2023 Expectation	Full Year 2023 Expectation
Capacity (ASMs) % change versus 2022	Up 11% to 14%	Up 8% to 10%
Total revenue % change versus 2022	Up 29% to 32%	Up 8% to 10%
CASMex % change versus 2022	0% to down 2%	Down 1% to 3%
Economic fuel cost per gallon	\$3.15 to \$3.35	\$3.10 to \$3.30 <sup>(a)</sup>
Adjusted pre-tax margin %	(1%) to (4%)	9% to 12%
Earnings per share		\$5.50 to \$7.50
Capital Expenditures		\$1.8 to 2.0 billion

(a) Represents our fuel cost planning assumption based on recent trends in jet fuel and refining margin costs, as well as the current forward curve.

After several challenging and volatile recovery years, we are pleased to provide full year earnings per share guidance of \$5.50 to \$7.50 for 2023, which implies restoration to 2019 EPS levels at the midpoint. As we shared in our December investor update, our 2023 plans include expanding adjusted pre-tax margins versus 2022, growing capacity between 8% and 10%, and reducing CASMex on a year-over-year basis between 1% and 3%. Along with our newly introduced EPS guidance, we are reiterating those expectations today.

Our adjusted pre-tax margin guidance reflects non-operating expense of approximately \$60 million in 2023. The driver of the increase compared to prior year is pension expense, which has grown materially due to increases in interest rates between December 2021 and December 2022.

With January nearly complete, demand remains strong and passenger booking patterns are keeping pace with scheduled capacity. We have flown our last Airbus A320 revenue service flight and will retire our last Q400 this week, marking two major phases of our single-fleet initiative complete. Ten remaining A321neo aircraft will fly in our operating fleet through the end of 2023 or until we finalize arrangements to retire the aircraft, whichever is sooner.

For Q1 we expect to grow capacity 11% to 14%, which at the midpoint represents a sequential increase from Q4 2022 of approximately 3%. Total revenue is expected to be up 29% to 32% in Q1 2023. As a result, first quarter unit revenues are expected to be up in the mid-teen percentages versus 2022, continuing the strong pricing trends we experienced throughout the second half of 2022.