
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**

November 17, 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 November 17, 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 November 17, 2017, Air Group issued a press release announcing its October 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 November 17, 2017

[Exhibit 99.2](#) October 2017 Traffic Press Release dated November 17, 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: November 17, 2017

/s/ Brandon S. Pedersen

Brandon S. Pedersen

Executive Vice President/Finance and Chief Financial Officer

Alaska Air Group

Investor Update - November 17, 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.

| | October 2017 | October 2016 Combined Comparative | % Change | October 2016 As Reported |
|-----------------------------------|--------------|---|-----------|-----------------------------|
| Revenue passengers (in thousands) | 3,623 | 3,436 | 5.4% | 2,751 |
| Traffic (RPMs in millions) | 4,367 | 3,935 | 11.0% | 2,905 |
| Capacity (ASMs in millions) | 5,211 | 4,671 | 11.6% | 3,451 |
| Load factor | 83.8% | 84.2% | (0.4) pts | 84.2% |
| Passenger RASM (cents) | 10.10¢ | 10.52¢ | (4.0)% | 10.78¢ |
| RASM (cents) | 11.75¢ | 12.40¢ | (5.2)% | 12.93¢ |
| Economic fuel cost per gallon | \$1.94 | \$1.65 | 17.6% | \$1.67 |

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 October 25, 2017 ^(d) |
|---|------------------|--|----------|---------------------------------------|---|
| Capacity (ASMs in millions) | 15,950 - 16,000 | 14,404 | ~ 11% | 11,407 | 15,950 - 16,000 |
| Cost per ASM excluding fuel and special items (cents) | 8.50¢ - 8.55¢ | 8.25¢ | ~ 3% | 8.45¢ | 8.50¢ - 8.55¢ |
| Fuel gallons (millions) | 205 | 184 | ~ 11% | 144 | 204 |
| Economic fuel cost per gallon ^(a) | \$2.00 | \$1.66 | ~ 20.5% | \$1.68 | \$1.95 |

| | Full Year 2017 Forecast | 2016 Combined Comparative ^(c) | % Change | 2016 As Reported ^(b) | Prior Guidance October 25, 2017 ^(d) |
|---|----------------------------|---|----------|---------------------------------|--|
| Capacity (ASMs in millions) | 62,130 - 62,160 | 57,953 | ~ 7.2% | 44,135 | 62,130 - 62,160 |
| Cost per ASM excluding fuel and special items (cents) | 8.19¢ - 8.21¢ | 8.04¢ | ~ 2% | 8.23¢ | 8.19¢ - 8.21¢ |
| Fuel gallons (millions) | 796 | 739 | ~ 7.5% | 554 | 795 |
| Economic fuel cost per gallon | \$1.82 | \$1.54 | ~ 18% | \$1.52 | 1.81¢ |

^(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—51 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.

^(d) Refer to our Investor Update issued on October 31, 2017 for revised unit cost guidance for the fourth quarter and full year to reflect the increase in cost from the pilot arbitration decision.

On November 14, 2017, we announced several adjustments to our flight schedule for 2018, including 5 permanent market exits and 12 temporary frequency reductions. Capacity from exited markets will be redeployed to more profitable routes, while frequency reductions will primarily effect our first quarter schedule and reduce capacity during a seasonally weak demand period. We now expect Q1 2018 ASM growth of ~8% and continue to expect full year 2018 ASM growth of ~8%.

Nonoperating Expense

We expect that our consolidated nonoperating *expense* will be approximately \$12 million in the fourth quarter of 2017.

Cash and Share Count

| <i>(in millions)</i> | October 31, 2017 | September 30, 2017 |
|--------------------------------|------------------|--------------------|
| Cash and marketable securities | \$ 1,886 | \$ 1,740 |
| Common shares outstanding | 123.045 | 123.387 |

Share Repurchase

Through November 16, 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

November 17, 2017

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Alaska Air Group reports October 2017 operational results

SEATTLE — Alaska Air Group, Inc. (NYSE: ALK) today reported October 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 an 11 percent increase in traffic on an 11.6 percent increase in capacity compared to October 2016. Load factor decreased 0.4 points to 83.8 percent.

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

| | October | | | Year-to-Date | | |
|---|--------------|-------|-----------|---------------|--------|---------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue passengers (000) | 3,623 | 3,436 | 5.4% | 36,686 | 35,001 | 4.8% |
| Revenue passenger miles RPM (000,000) "traffic" | 4,367 | 3,935 | 11.0% | 43,438 | 40,605 | 7.0% |
| Available seat miles ASM (000,000) "capacity" | 5,211 | 4,671 | 11.6% | 51,380 | 48,219 | 6.6% |
| Passenger load factor | 83.8% | 84.2% | (0.4) 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 9.3 percent increase in traffic on a 10.6 percent increase in capacity compared to October 2016. Load factor decreased 1 point to 83.8 percent. Alaska also reported 86 percent of its flights arrived on time in October 2017, compared to 87.6 percent reported in October 2016.

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

| | October | | | Year-to-Date | | |
|--|--------------|-------|-----------|---------------|--------|-----------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue passengers (000) | 2,111 | 1,949 | 8.3% | 21,805 | 20,381 | 7.0% |
| RPMs (000,000) | 2,832 | 2,591 | 9.3% | 29,414 | 27,359 | 7.5% |
| ASMs (000,000) | 3,379 | 3,056 | 10.6% | 34,501 | 32,272 | 6.9% |
| Passenger load factor | 83.8% | 84.8% | (1.0) pt | 85.3% | 84.8% | 0.5 pts |
| On-time arrivals as reported to U.S. DOT | 86.0% | 87.6% | (1.6) pts | 82.4% | 88.4% | (6.0) pts |

VIRGIN AMERICA

Virgin America traffic increased 14.2 percent on a 13.4 percent increase in capacity compared to October 2016. Load factor increased 0.6 points to 85 percent. Virgin America also reported 73.3 percent of its flights arrived on time in October 2017, compared to 76.2 percent in October 2016.

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

| | October | | | Year-to-Date | | |
|--|--------------|-------|-----------|---------------|--------|-----------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue passengers (000) | 752 | 685 | 9.8% | 6,934 | 6,713 | 3.3% |
| RPMs (000,000) | 1,176 | 1,030 | 14.2% | 10,639 | 10,131 | 5.0% |
| ASMs (000,000) | 1,383 | 1,220 | 13.4% | 12,658 | 12,041 | 5.1% |
| Passenger load factor | 85.0% | 84.4% | 0.6 pts | 84.0% | 84.1% | (0.1) pts |
| On-time arrivals as reported to U.S. DOT | 73.3% | 76.2% | (2.9) pts | 67.8% | 76.5% | (8.7) pts |

REGIONAL

Regional traffic increased 14.3 percent on a 13.7 percent increase in capacity compared to October 2016. Load factor increased 0.5 points to 80 percent. Alaska's regional partners also reported 81.3 percent of its flights arrived on time in October 2017, compared to 85.5 percent in October 2016.

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

| | October | | | Year-to-Date | | |
|--|---------|-------|-----------|--------------|-------|-----------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue passengers (000) | 760 | 802 | (5.2)% | 7,947 | 7,907 | 0.5% |
| RPMs (000,000) | 359 | 314 | 14.3% | 3,385 | 3,115 | 8.7% |
| ASMs (000,000) | 449 | 395 | 13.7% | 4,221 | 3,906 | 8.1% |
| Passenger load factor | 80.0% | 79.5% | 0.5 pts | 80.2% | 79.7% | 0.5 pts |
| On-time arrivals as reported to U.S. DOT | 81.3% | 85.5% | (4.2) pts | 79.6% | 87.3% | (7.7) 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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