
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**

February 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))
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ITEM 7.01. Regulation FD Disclosure

Pursuant to 17 CFR Part 243 ("Regulation FD"), the Company is submitting information relating to its financial and operational outlook in an Investor Update as attached in Exhibit 99.1.

In accordance with General Instruction B.2 of Form 8-K, the information under this item and Exhibit 99.1 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 February 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: February 17, 2017

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

Alaska Air Group

Investor Update - February 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 large 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 Alaska Air Group with the SEC after the date thereof. Some of these risks include general economic conditions, increases in operating costs including fuel, competition, labor costs and relations, 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

Operating and Financial Statistics

For the purposes of comparison, the consolidated operating and financial statistics in the historical periods 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.

	January 2017	January 2016 Combined Comparative	% Change	January 2016 As Reported
Revenue passengers (in thousands)	3,246	3,070	5.7	2,509
Traffic (RPMs in millions)	3,837	3,590	6.9	2,756
Capacity (ASMs in millions)	4,911	4,565	7.6	3,485
Load factor	78.1%	78.6%	(0.5)pts	79.1%
Passenger RASM (cents) ^(a)	9.80¢	10.13¢	(3.3)	10.23¢
RASM (cents)	11.57¢	12.00¢	(3.6)	12.29¢
Economic fuel cost per gallon	\$1.77	\$1.40	26.4	\$1.29

(a) Excluding Virgin America operations, Air Group would have reported a 2.9-point decline in PRASM, 0.5 points of which were driven by winter storms in January 2017. Standalone Virgin America PRASM declined approximately 4.5% compared to January 2016. We expect February 2017 will also be impacted by winter storms, although not to the same extent as January.

Forecast Information ^(b)

The following tables provides 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.

	Forecast Q1 2017	Q1 2016 Combined Comparative	% Change	Q1 2016 As Reported	Prior Guidance February 8, 2017
Capacity (ASMs in millions)	14,500 - 14,550	13,718	~6%	10,453	14,500 - 14,550
Cost per ASM excluding fuel and special items (cents)	8.35¢ - 8.40¢	8.36¢	flat	8.51¢	8.35¢ - 8.40¢
Fuel gallons (000,000)	185	175	~6%	132	185
Economic fuel cost per gallon ^(c)	\$ 1.79	\$ 1.38	~29.5%	\$ 1.29	\$ 1.78

	Forecast Full Year 2017	2016 Combined Comparative	% Change	2016 As Reported	Prior Guidance February 8, 2017
Capacity (ASMs in millions)	62,800 - 63,000	57,953	~8.5%	44,135	62,800 - 63,000
Cost per ASM excluding fuel and special items (cents)	8.00¢ - 8.05¢	8.04¢	flat	8.23¢	8.00¢ - 8.05¢
Fuel gallons (000,000)	800	739	~8%	554	790
Economic fuel cost per gallon	(d) \$	1.54		\$ 1.52	(d)

(b) Consolidated forecast information includes Virgin America, which became a wholly-owned subsidiary of the Company on December 14, 2016.

(c) Our economic fuel cost per gallon estimate for the first quarter includes the following per-gallon assumptions: crude oil cost - \$1.26 (\$53 per barrel), refining margin - \$0.31, cost of settled hedges - \$0.02, with the remainder due to taxes and into-plane costs.

(d) Because of the volatility of fuel prices, we do not provide full-year economic fuel estimates.

Nonoperating Expense

We expect that our consolidated nonoperating expense will be approximately \$14 million in the first quarter of 2017.

Cash and Share Count

(in millions)	January 31, 2017	December 31, 2016
Cash and marketable securities	\$ 1,740	\$ 1,580
Common shares outstanding	123,344	123,328

MAINLINE - ALASKA AND VIRGIN AMERICA

Operating and Financial Statistics

For the purposes of comparison, the mainline operating and financial statistics in the historical periods of the table below are on a Combined Comparative basis, and include operations for Alaska Airlines and Virgin America for the periods prior to the acquisition date. Virgin America's historical operating statistics included in the Combined Comparative presentation below have been conformed to Alaska Air Group's presentation where appropriate.

	January 2017	January 2016 Combined Comparative	% Change	January 2016 As Reported
Revenue passengers (in thousands)	2,527	2,372	6.5	1,811
Traffic (RPMs in millions)	3,558	3,325	7.0	2,491
Capacity (ASMs in millions)	4,535	4,208	7.8	3,128
Load factor	78.4%	79.0%	(0.6)pts	79.6%
Passenger RASM (cents) ^(a)	9.14¢	9.49¢	(3.7)	9.38¢
RASM (cents)	10.91¢	11.36¢	(4.0)	11.46¢
Economic fuel cost per gallon	\$1.76	\$1.41	24.8	\$1.29

(a) Refer to note (a) in the Consolidated section above for discussion of Virgin America's standalone January RASM.

Forecast Information

The following tables provides a Combined Comparative perspective, calculated as the sum of 2016 historical results for Alaska Airlines Mainline and Virgin America for the fiscal period prior to the acquisition date.

	Forecast Q1 2017	Q1 2016 Combined Comparative	% Change	Q1 2016 As Reported	Prior Guidance February 8, 2017
Capacity (ASMs in millions)	13,325 -13,375	12,619	~6%	9,354	13,325 -13,375
Cost per ASM excluding fuel and special items (cents)	7.55¢ - 7.60¢	7.60¢	~(0.5)-0%	7.49¢	7.55¢ - 7.60¢
Fuel gallons (000,000)	165	156	~6%	113	165
Economic fuel cost per gallon ^(b)	\$ 1.79	\$ 1.39	~29.5%	\$ 1.28	\$ 1.78

	Forecast Full Year 2017	2016 Combined Comparative	% Change	2016 As Reported	Prior Guidance February 8, 2017
Capacity (ASMs in millions)	57,200 - 57,400	53,291	~7.5%	39,473	57,200 - 57,400
Cost per ASM excluding fuel and special items (cents)	7.30¢ - 7.35¢	7.34¢	~(0.5)-0%	7.3¢	7.30¢ - 7.35¢
Fuel gallons (000,000)	705	659	~7%	474	700
Economic fuel cost per gallon	(c) \$	1.54		\$ 1.52	(c)

(b) Please see note (c) in Consolidated for the breakout of economic fuel cost per gallon.

(c) Because of the volatility of fuel prices, we do not provide full-year economic fuel estimates.