



2Q 2018 Investor Presentation

Alaska Air Group

Alaska

Safe harbor

This presentation may contain 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, 2017, as well as in other documents filed by the Company with the SEC after the date thereof. Some of these risks include competition, labor costs and relations, general economic conditions, increases in operating costs including fuel, 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.



Our Vision and Strategy

Our **core values** drive everything we do



Own
safety



Do the
right thing



Be
kind hearted



Deliver
performance



Be
remarkable

We are executing our 2018 Plan across **five focus areas**

1



Deliver on the **Integration**

2



Run a **Safe & On-Time** Airline

3



Win Together With **Our People**

4



Lead in **Guest Satisfaction**

5



Generate **Financial Returns** That Fund Our Future

We have a long track record of **successful growth**



2001

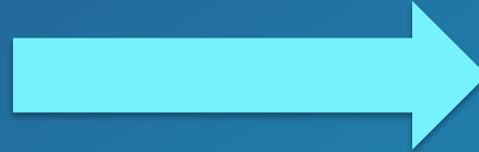


2018

Our growth model is **simple but powerful**



Be Relevant –
Fly When & Where Customers Go



Offer Low Fares –
Enabled By Low Costs

**Add Gauge,
Frequency &
New Routes**

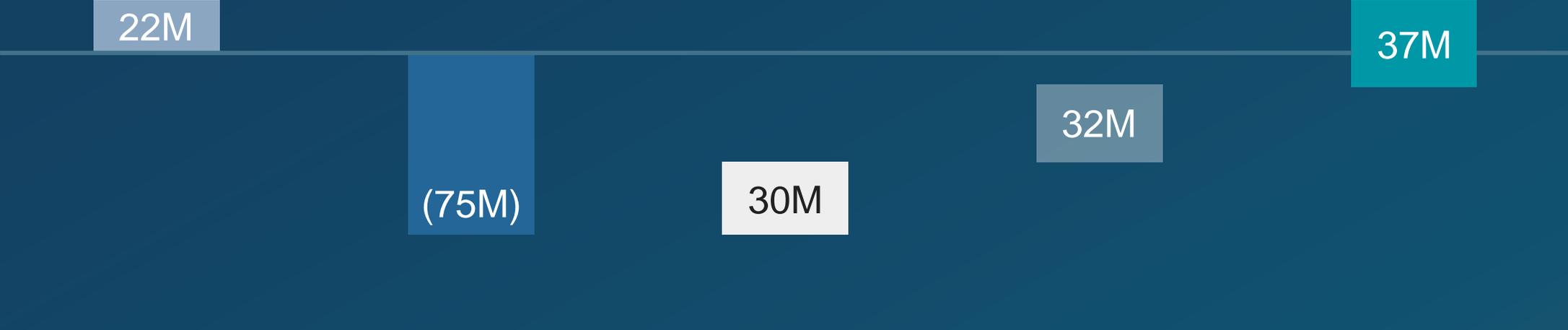


Build Loyalty –
With Leading Service & Generous Rewards



History has also shown that passengers prefer **low fares and a premium experience**

Net Change in Seats by Airline Segment 2000 to 2017



Industry

Network

ULCC

LCC

Premium Value



Alaska offers fares that are ~20% lower than the legacy carriers and in line with LCCs



Source: U.S. Department of Transportation, 12 months ended Q3 2017 North American Origin and Departures (stage-length adjusted to industry average stage length of 1,146)

Meanwhile, our product is **elevated and differentiated**



Blue Mood Lighting



**Comforting look & feel
for the cabin**



Satellite Connectivity



Free Movies and Chat



41" First Class Seat

35" Premium Class Seat

**New First and Premium
Class Seats**



**Fresh, Regional Food
& Beverage Offerings**

...and our customers will see a series of product upgrades over the next 18 months

We are creating an airline **people love**



*includes customer service quality, pre- and in-flight amenities, upgrade frequency, loyalty benefits, etc.

Fares from U.S. Department of Transportation; seat share reflects U.S. West Coast-originating flights to N. American destinations



Integrating Our Airlines

We've made significant progress integrating Alaska and Virgin



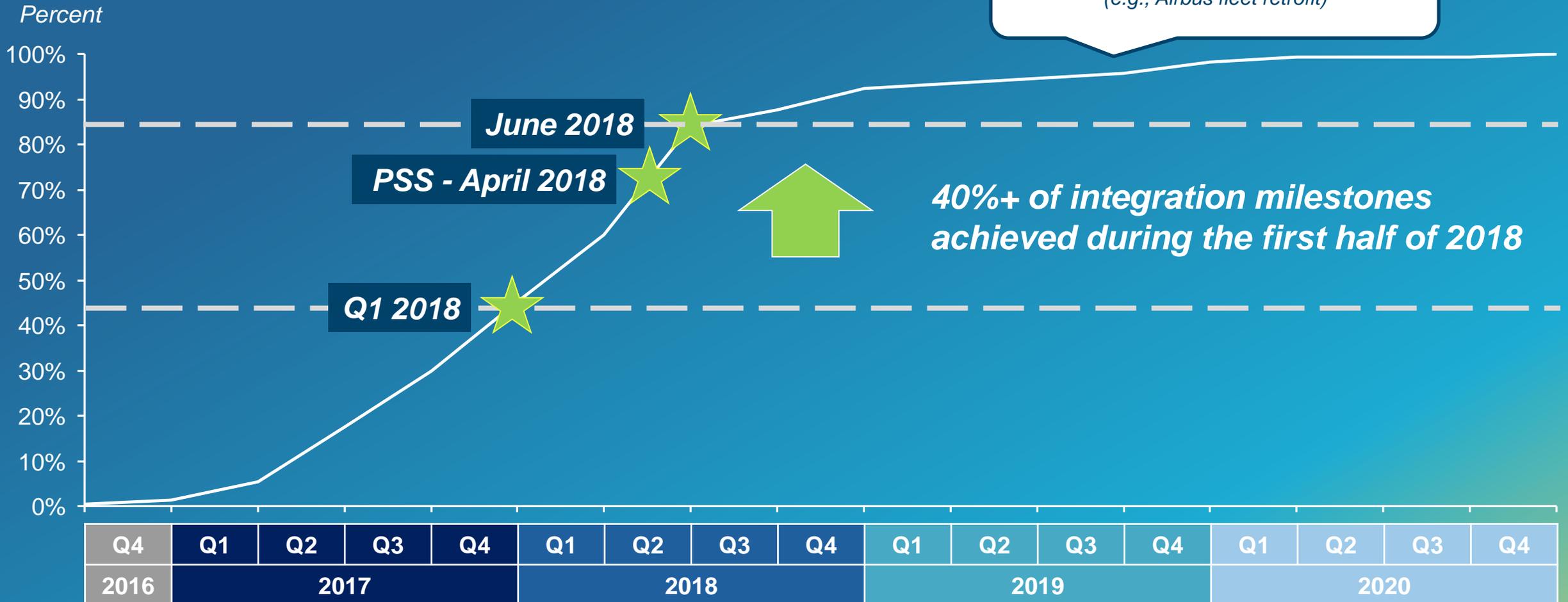
	Status
Single Passenger Service System	✓
Single Operating Certificate from the FAA	✓
Integrated Revenue Management	✓
Single guest loyalty platform	✓
Single HR, Finance and Payroll systems	✓
Merged all airport stations	✓
Invested in Culture (held 24 Momentum Sessions)	✓

Our overall integration timeline is tracking well against other recent airline mergers

Key milestone schedule <i>(Number of months from deal close)</i>	 	 	 	 	 
Single Passenger Service System (PSS)	16 months 1 st	16 months	17 months	43 months	22 months
Single website	16 months 1 st	16 months	17 months	42 months	22 months
Full codeshare	At close 1 st	2 months	11 months	n/a	3 months
Frequent Flyer Program (FFP) integration	13 months 2 nd	12 months	17 months	42 months	15 months
Single Operating Certificate	13 months 2 nd	15 months	13 months	10 months	16 months
Single operations center (OCC)	15 months 3 rd	6 months	12 months	n/a	n/a

85% of our integration milestones will be complete by June 2018

Integration Cumulative Milestone Completion (2016-2020)



Our successful PSS transition was the primary milestone to unlock our ability to capture synergies

On April 25, we transitioned to a single brand, guest experience, and Passenger Service System



April 24th

April 25th



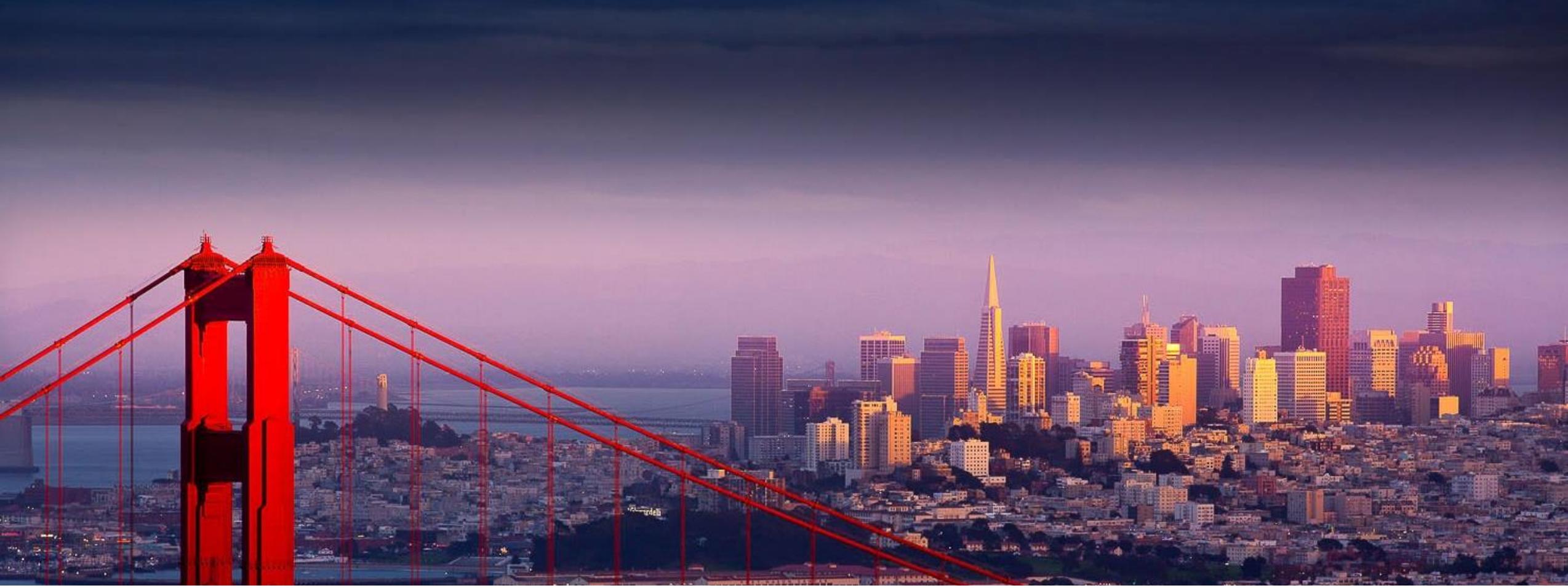
Operating with a single PSS enables us to capture the majority of the merger synergies

Annual synergies (revenue & cost) expected from Virgin America integration



Synergy capture remains on-track vis-à-vis our expectations at the time of the acquisition

...with zero disruption to our operation



Our Combined, West Coast Network

Virgin America gave us expanded reach, and we added 44 new routes to Virgin's foundation last year



Pre-deal Alaska network:
~240 routes



Post-deal network including Virgin:
~280 routes



Combined Networks + New Markets:
~320 routes

In 2018, Alaska operates a national network serving 115+ destinations from seven hubs along the West Coast

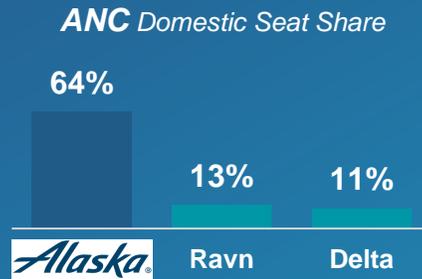
Seven West Coast cities anchor our route network today

Alaska maintains a significant leadership position in the **Pacific Northwest**

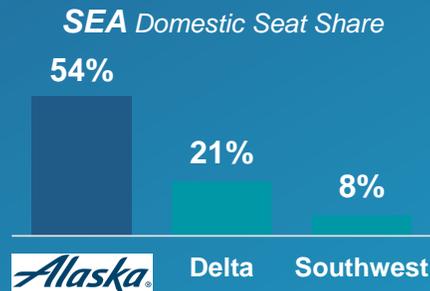
Post-Virgin, Alaska holds the #2 position at most hubs in **California**, a solid platform for future growth



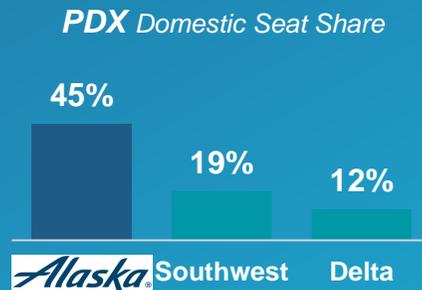
~45 ALK
Daily Departures



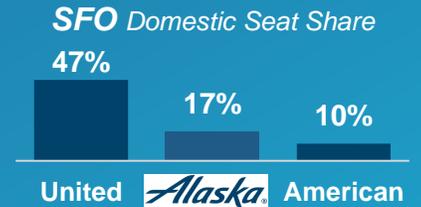
~300 ALK
Daily Departures



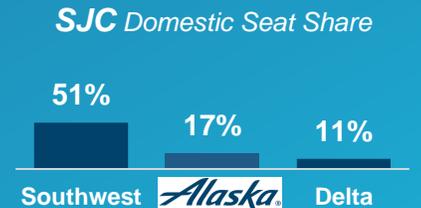
~125 ALK
Daily Departures



~90 ALK
Daily Departures



~35 ALK
Daily Departures

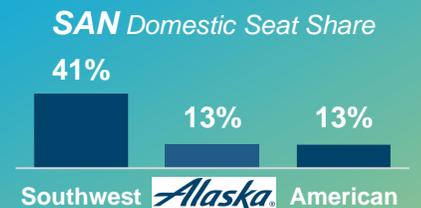


~80 ALK
Daily Departures

LAX Domestic Seat Share

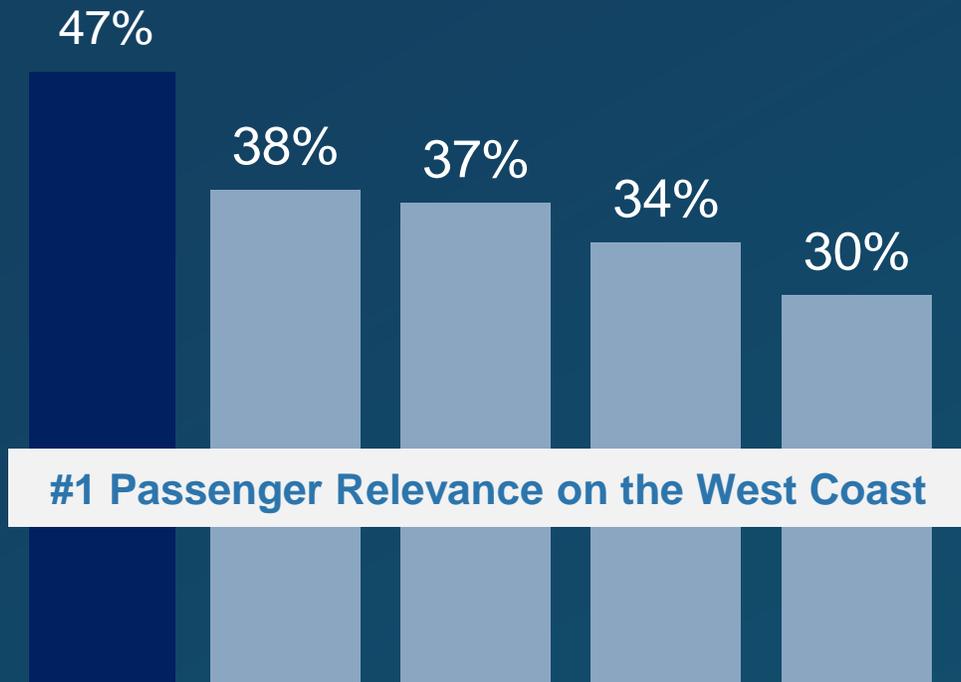
ALK ranks #5 with 11% share in this strategic and fragmented market

~40 ALK
Daily Departures



We now offer the highest customer relevance in the industry for West Coast passengers

Relevance on the West Coast
2018



San Francisco
13 New Destinations

San Jose
3 New Destinations

LA Basin
5 New Destinations

San Diego
8 New Destinations



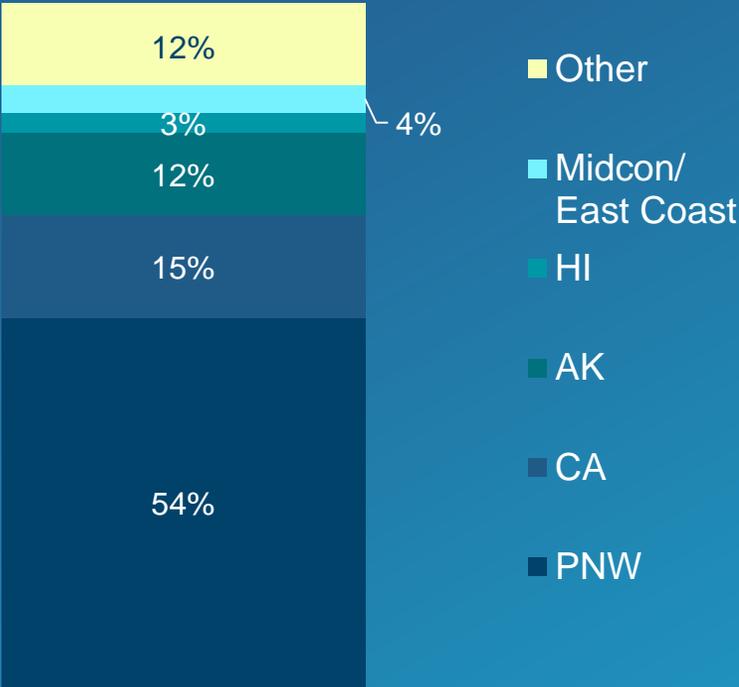
29 New California
Markets in 2017



*Data reflects mid-year 2018 schedules; Relevance is percent of North American O&D passengers in markets that each carrier serves with nonstop service

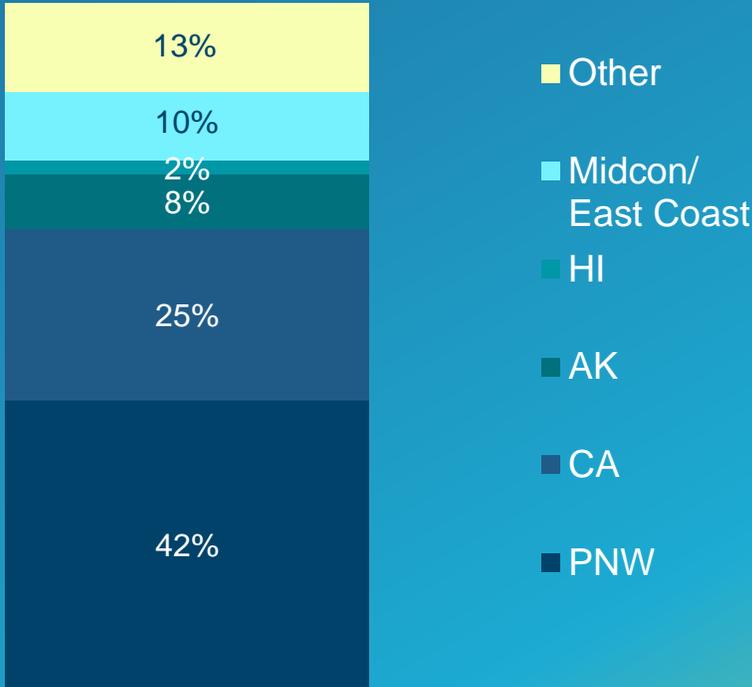
Our network is more diverse geographically due to our expanded presence in California

2013 Network Composition



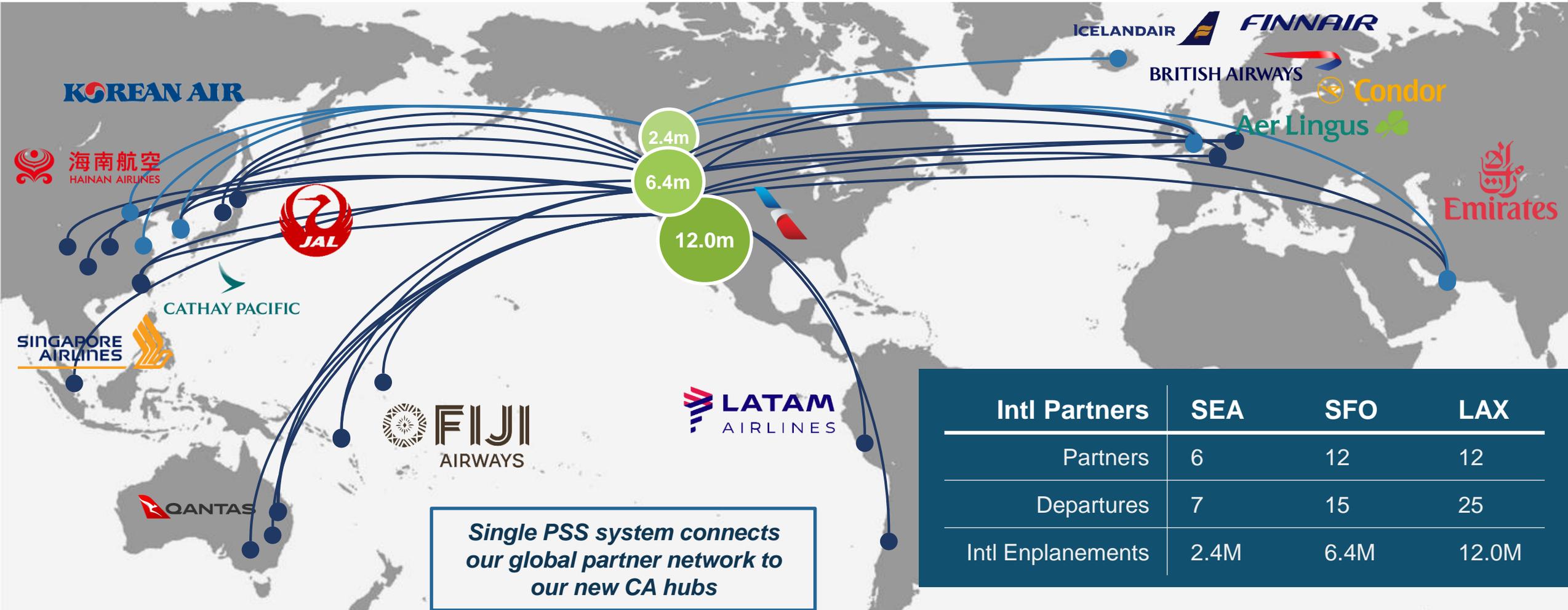
~825 Departures Per Day

2018 Network Composition



~1,200 Departures Per Day

Our alliance partners extend our network to more than 900 destinations globally



Intl Partners	SEA	SFO	LAX
Partners	6	12	12
Departures	7	15	25
Intl Enplanements	2.4M	6.4M	12.0M

* International enplanement figures are YE Aug 2017 totals published by airports



Our Enhanced Customer Proposition

Our award-winning customer service enables us to develop long-term relationships with our guests

Running a great airline leads to consistent recognition and awards...

...and a happy, loyal customer base



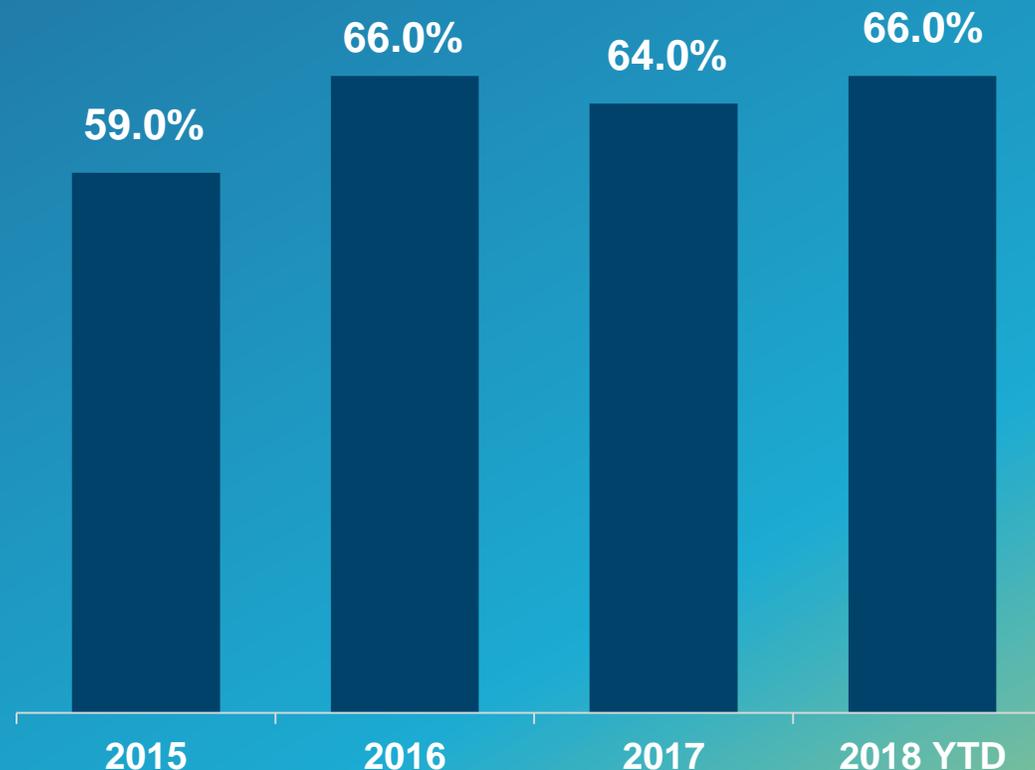
#1 Traditional Carrier
10 straight years



Best Domestic Airline
10 straight years



Net Promoter Score



...and our broader brand vision is attracting new customers

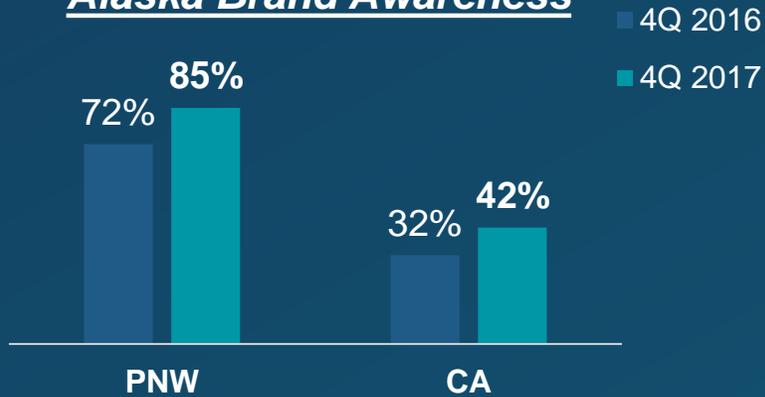


Warm & welcoming with a modern, West Coast-inspired vibe

HOSPITALITY

PERSONALITY

Alaska Brand Awareness



California Brand Rankings

	Brand Awareness	Brand Preference
#1	Southwest	Southwest
#2	United	
#3	Delta	Delta
#4		United

We are innovating on the customer experience to appeal to a broader West Coast audience



Single entertainment platform
Satellite WiFi on first aircraft
(full fleet roll-out by 2020)



Refreshed food & beverage
program on all aircraft



Designer uniform and upgraded
cabin experience roll-out (2019)



New JFK Airport Lounge



First Airbus with renovated
cabin (full roll-out by 2020)



Expanded SEA airport presence
and flagship lounge (mid-2019)



*Current timeline as of March 2018. Selected milestones only. Milestone timing subject to change.

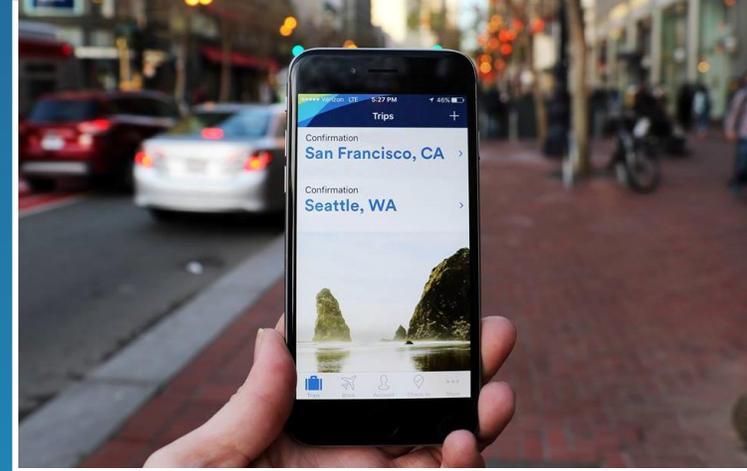
Our Mileage Plan and credit card programs build additional customer engagement and develop **high value guest relationships**

Mileage Plan Members:

4X more revenue

65% more likely to book **direct**

30% have a **credit card**



Our loyalty program is the best in the industry and offers the **most generous** benefits

Mileage Plan

- Miles for miles
- Low redemption prices
- Fastest path to elite
- Earn & redeem miles on Global Partners
- Complimentary Upgrades for elites

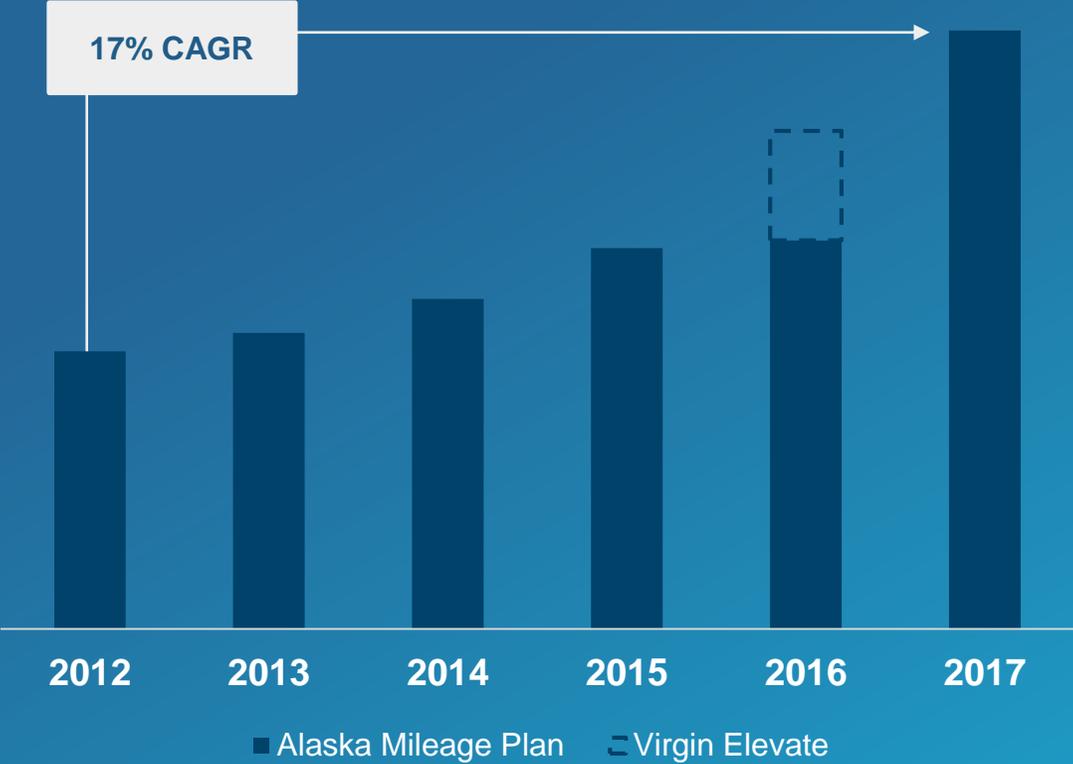
Credit Card



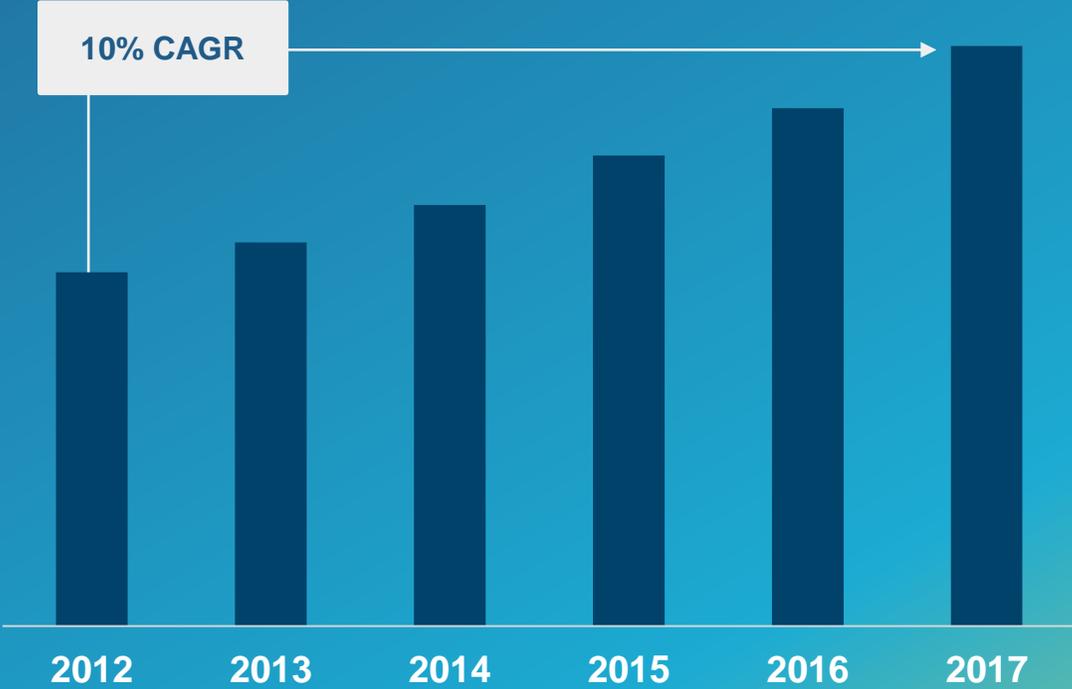
Top Loyalty Program		X
Annual Fee	\$75	\$69-\$99
Companion Certificate	\$99	X
Miles on Airline Spend	3X	2X

Growth in our loyalty programs far exceeds our passenger growth and has accelerated since the Virgin acquisition

Mileage Plan Membership



Affinity Cardholders



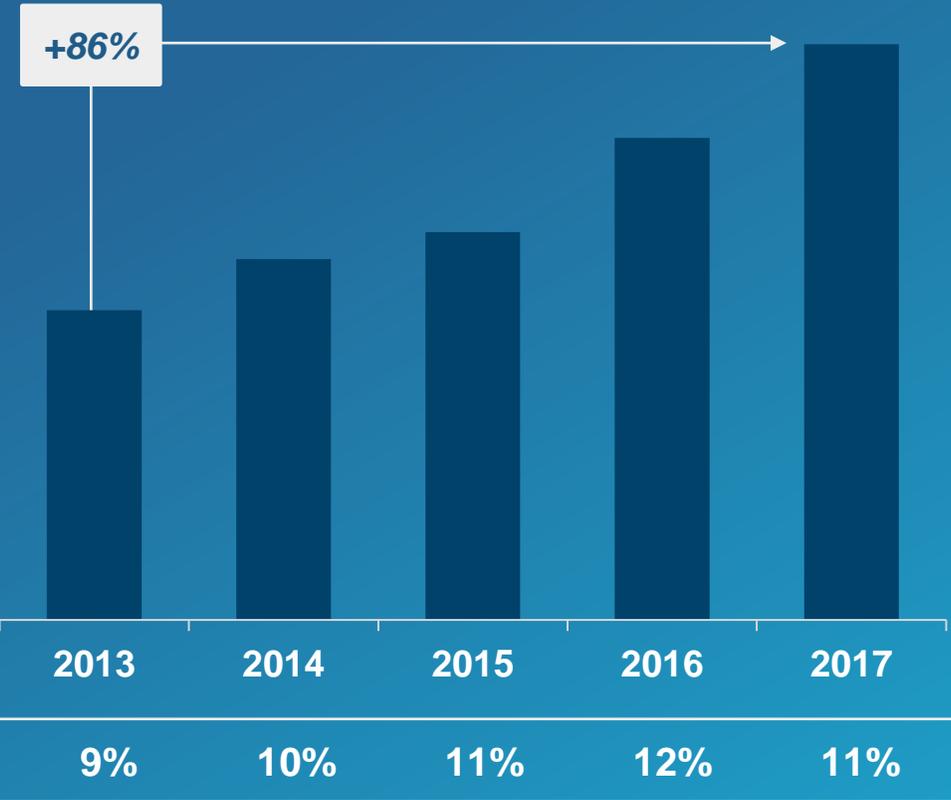
Mileage Plan and Affinity Cardholder growth outpaces system average in California

*Includes Virgin Elevate members

Our credit card programs are growing and delivered ~\$1 billion in cash flow last year

Mileage Plan revenues have consistently grown far in excess of passenger growth...

Total Mileage Plan Revenues



...and related affinity credit card programs generate substantial annual cash flow for the airline



~\$1 billion
in cash flows from card programs in 2017

We are also targeting \$150M in revenues from initiatives in 2019

Our new “Saver Fare” product will offer guests more choice with greater benefits than Basic Economy

		 American Airlines  UNITED 
Seat Assignment	✓	✗
Carry-On Bag	✓	Delta-only
Ability to Change / Cancel	✗	✗
Rewards Accrual	Mileage-based	Spend-based

\$100M annual run-rate by 2019

We will also implement a series of accretive revenue management changes later this year



Offering Exit Rows for sale



Better managing revenue post-sale



Dynamic Pricing for Premium Class



Eliminating fee waivers for ticket changes outside of 60 days

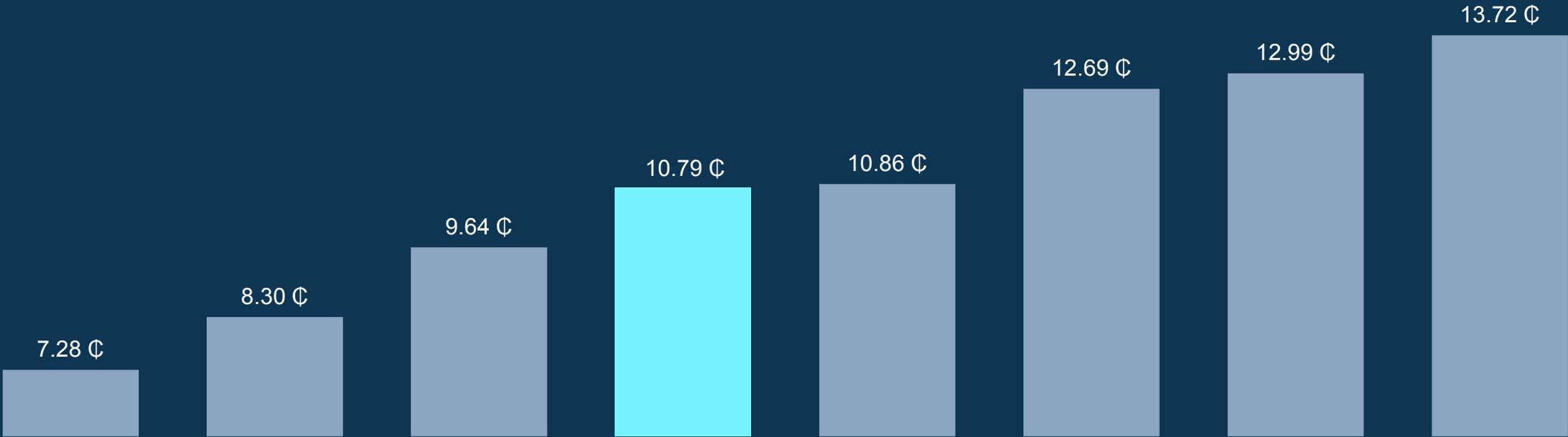
\$50M annual run-rate by 2019

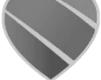


Our Cost and Operations Advantage

Our efficient cost structure is a competitive advantage

Stage-Length Adjusted Total CASM¹

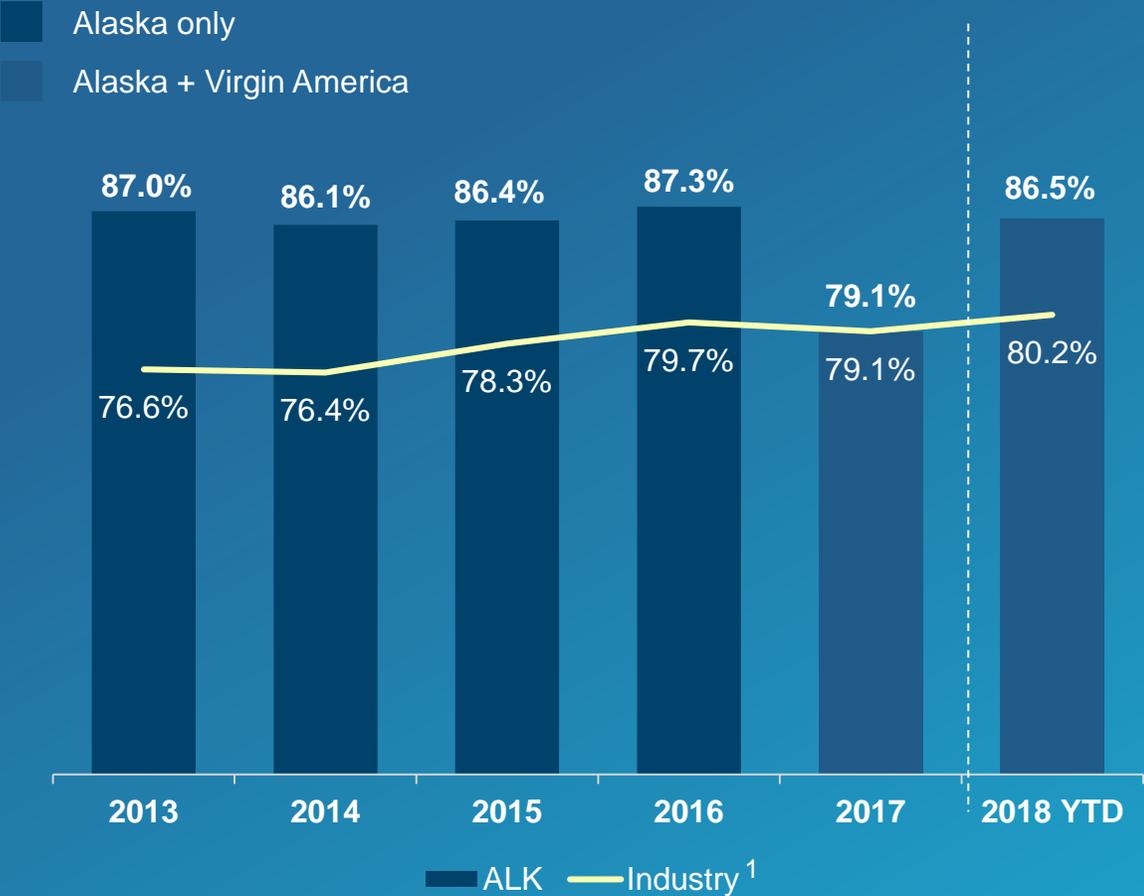


							
West Coast Seat Share ² : 2%	1%	23%	24%	3%	13%	12%	16%

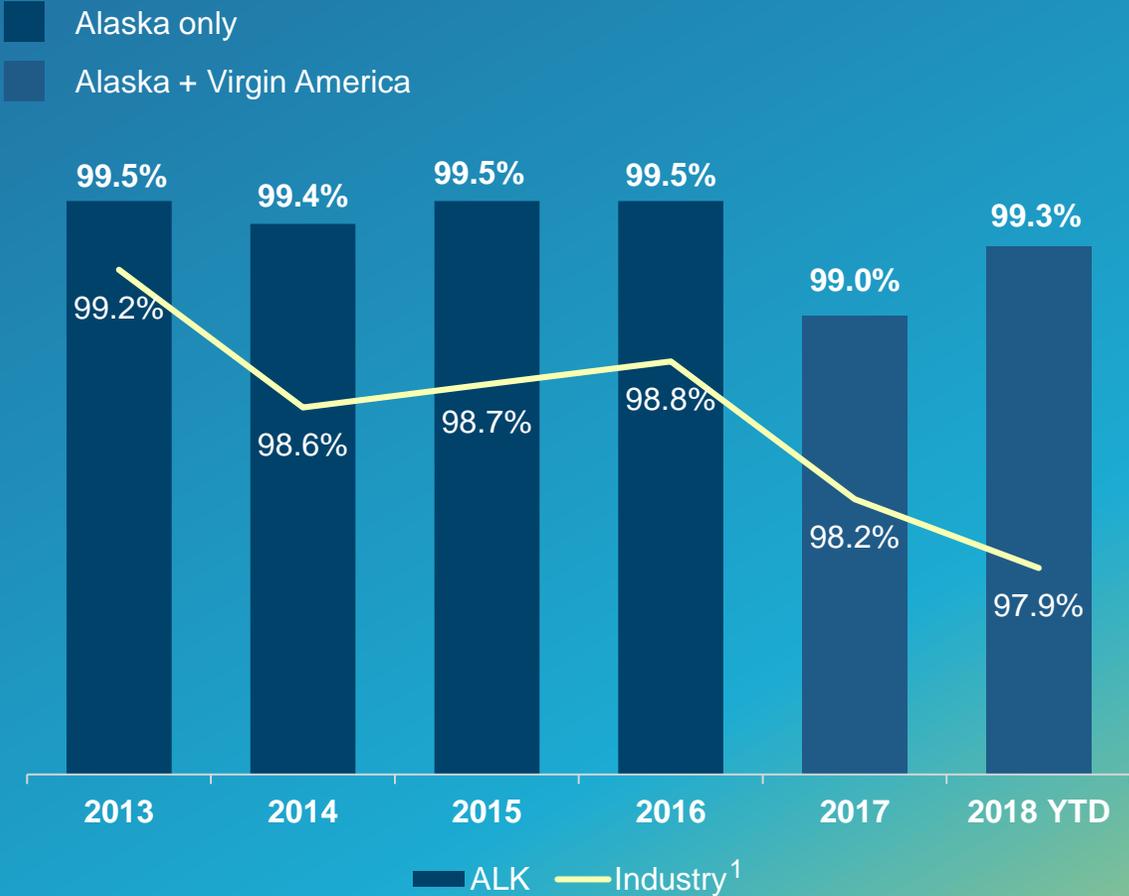
1. Trailing 12-Months Ended 3/31/18 2. U.S. West Coast-originating flights to North American destinations

Our low costs have historically been underpinned by industry-leading operational performance

On-time performance led the industry for 7 years prior to the Virgin acquisition; 2018 is “back to normal”



Completion rate has also been strong for many years relative to competitors

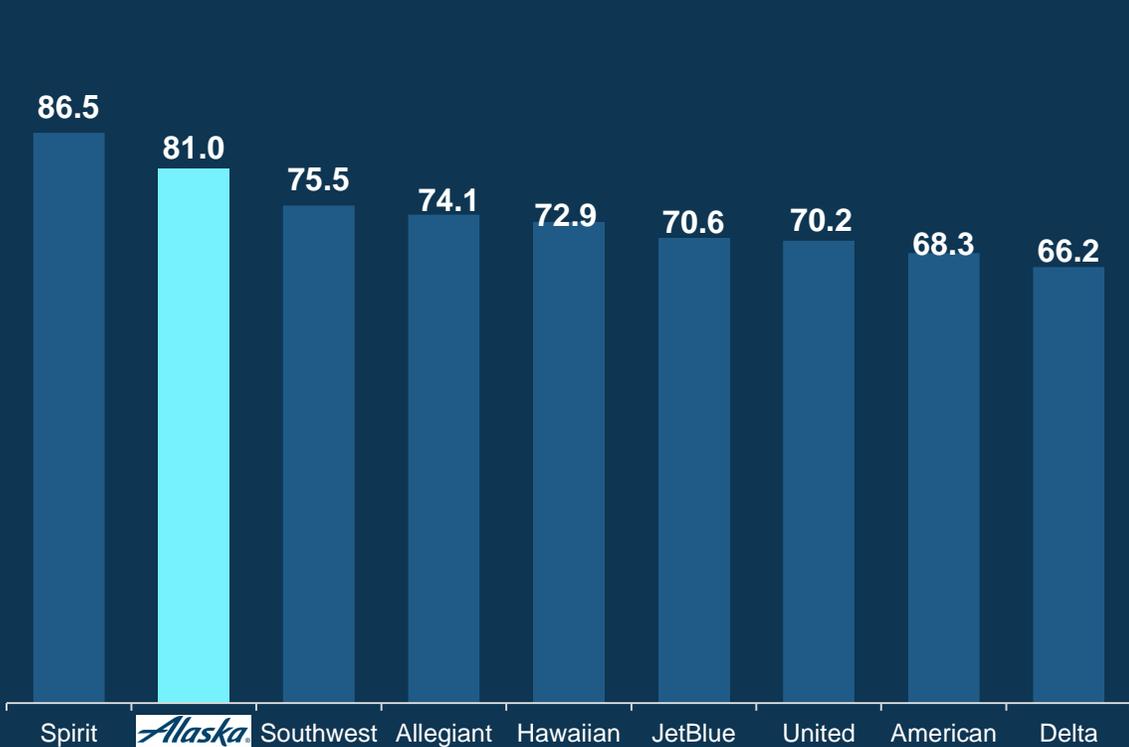


1. "Industry" includes AAL, DAL, UAL, LUV, JBLU, SAVE

A young, fuel-efficient fleet also supports a lower cost structure

Mainline Fuel Efficiency

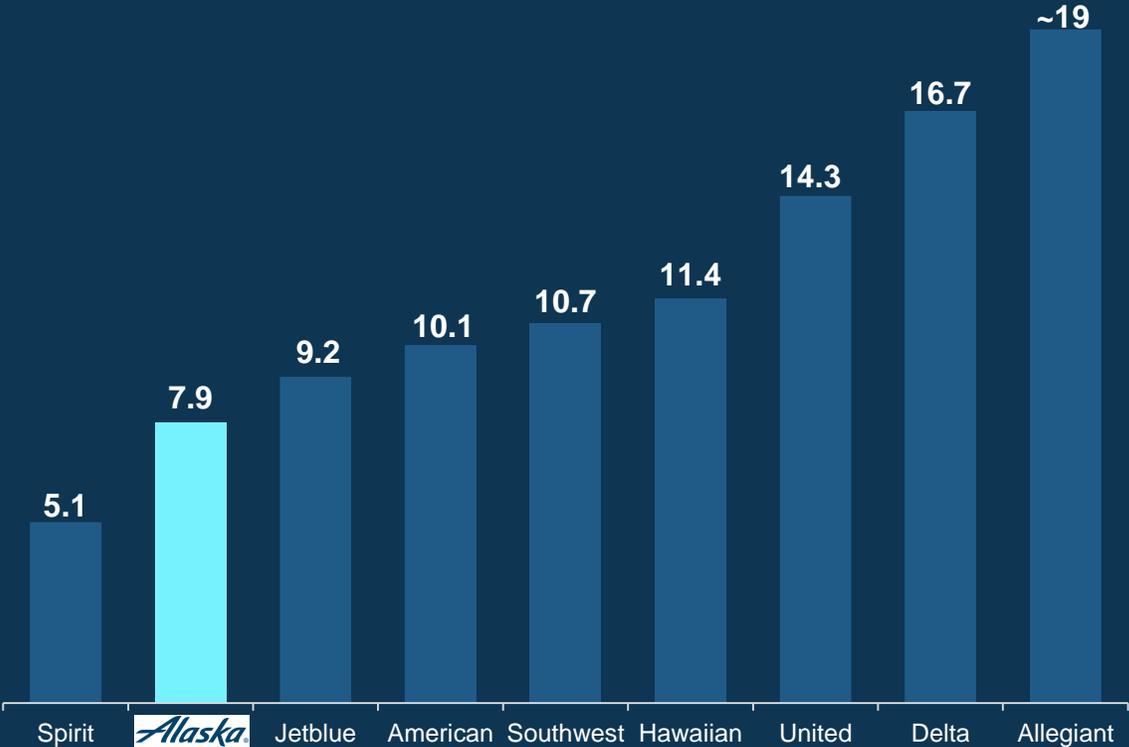
ASMs per gallon, Trailing 12 Months



Data as of 3/31/18

Average Fleet Age

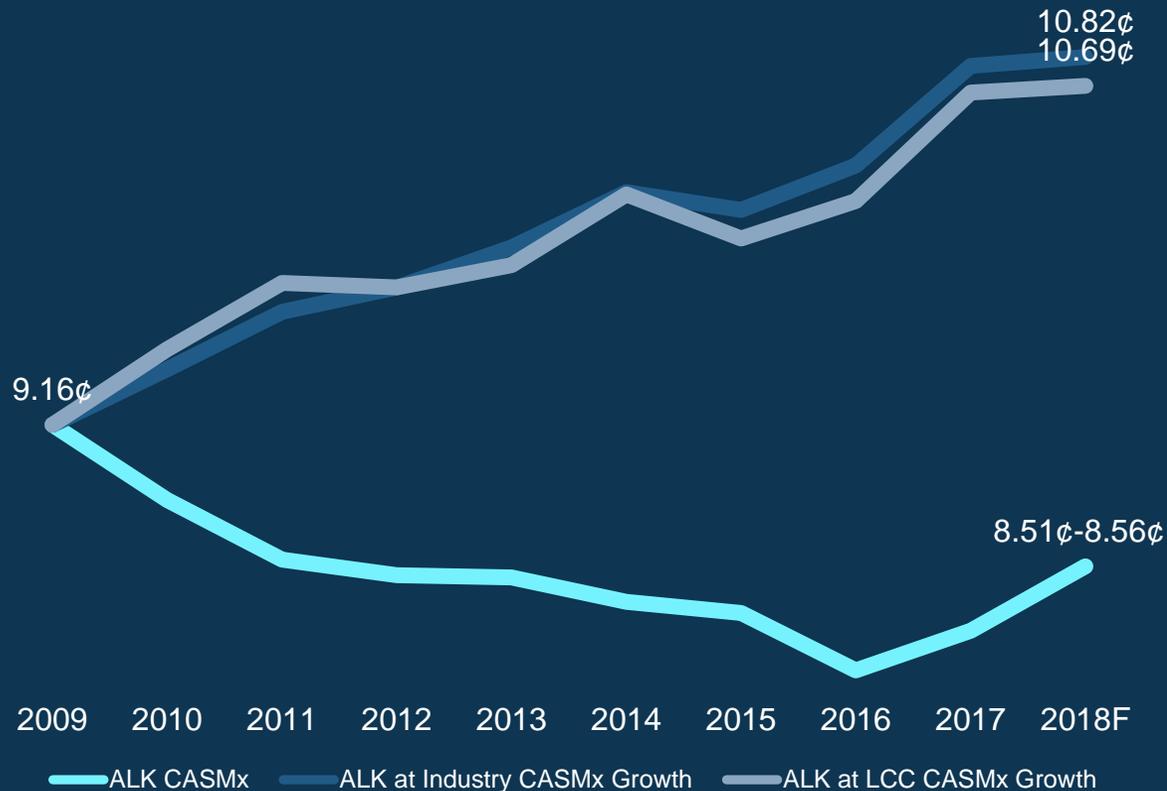
Years



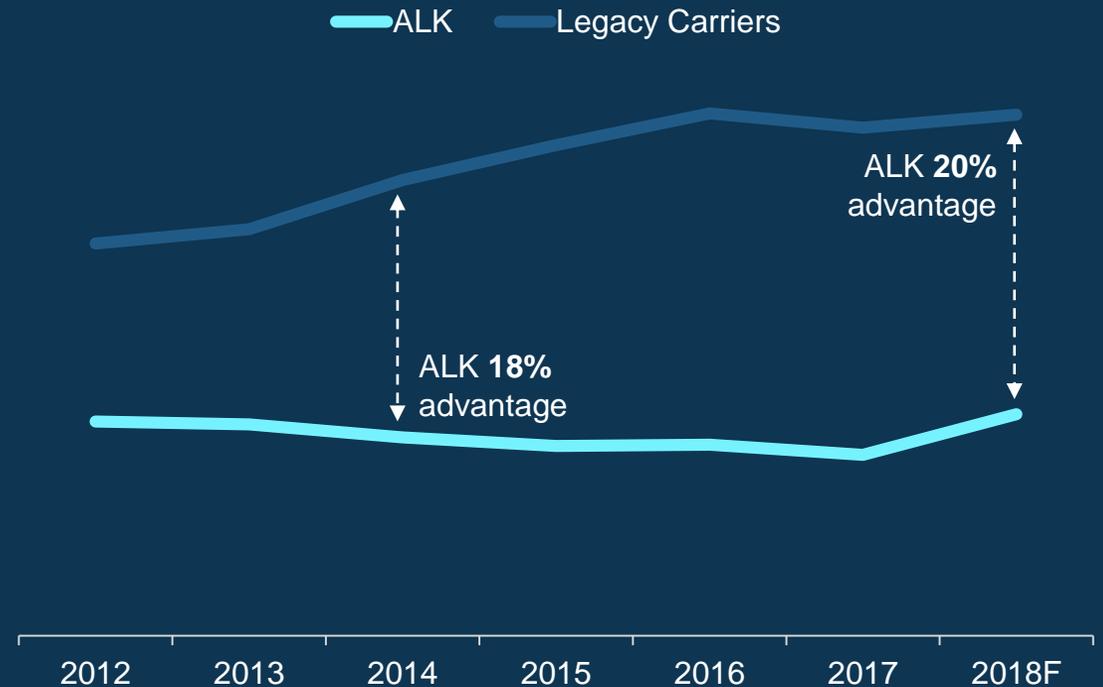
Data as of 12/31/17

Our relative cost advantage remains substantial despite marking our pilot pay scales to market in 2018

ALK Total CASM excluding Fuel

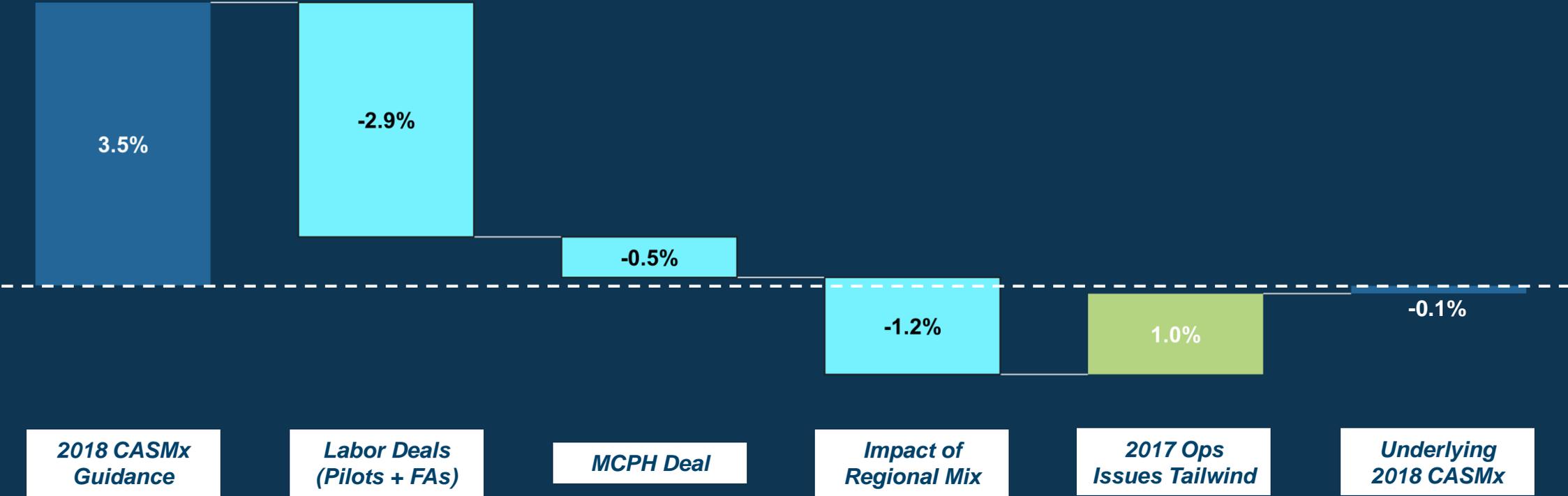


Stage-Length Adjusted CASMx – ALK vs. Legacies



Underlying CASMx guidance is flat for 2018 when looking beyond the unique headwinds and tailwinds we face this year

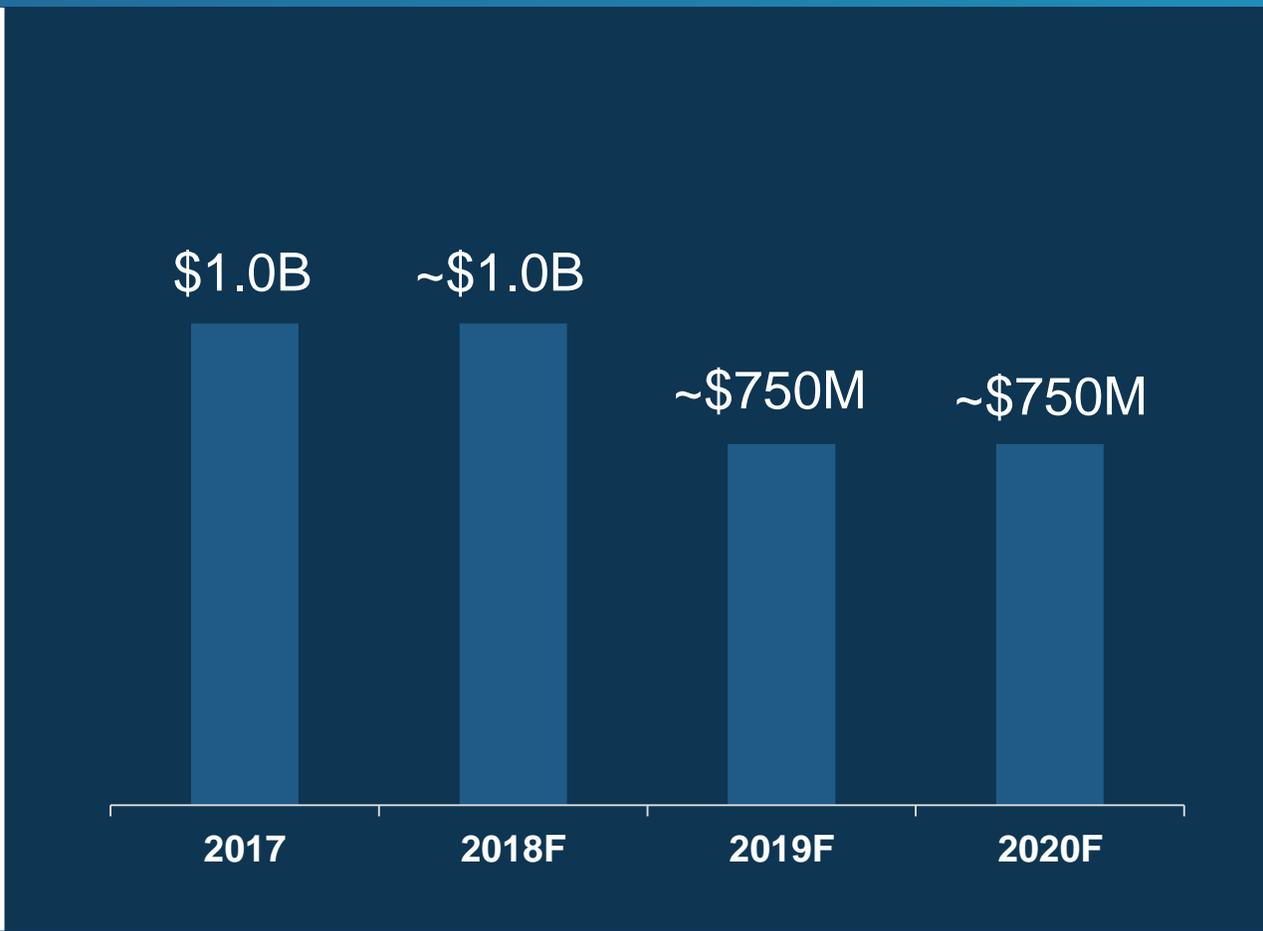
2018 CASMx Guidance – Key Drivers





Capital Deployment Plan

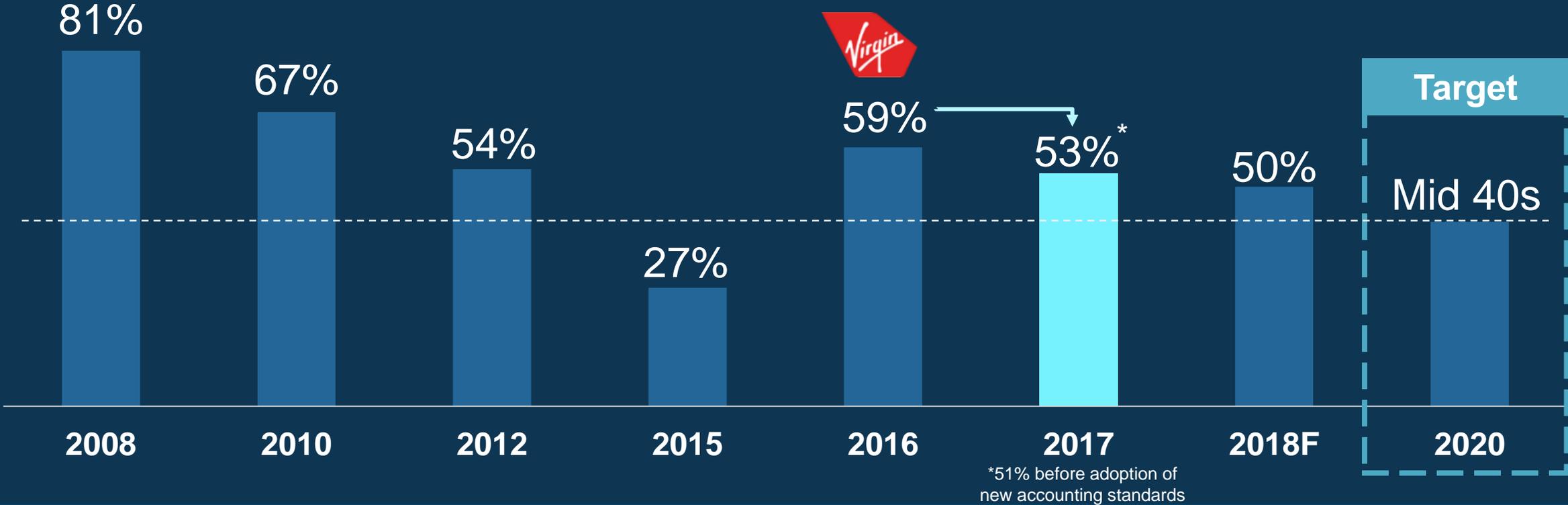
Going forward, we will continue to invest in our fleet and product...



...though we are reducing our spend as we optimize our post-acquisition network and capture deal-related synergies

Our balance sheet is improving...

Alaska Air Group Debt-to-Cap (%)

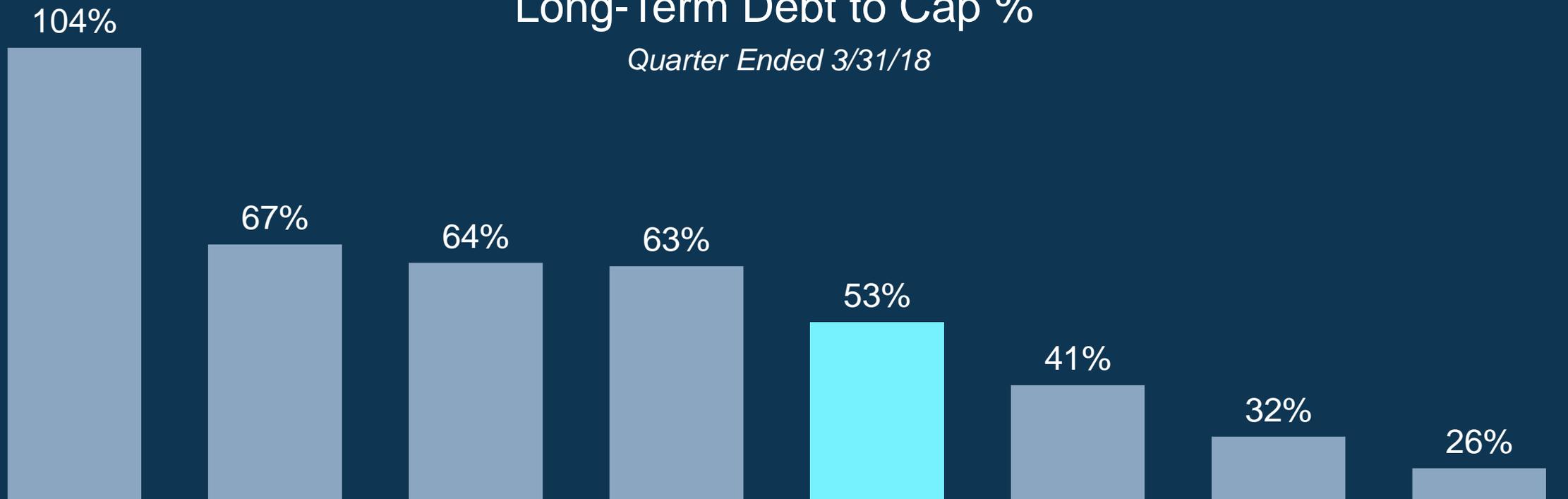


Long-term leverage target consistent with other high-quality industrials

...and our leverage remains one of the lowest in the industry

Long-Term Debt to Cap %

Quarter Ended 3/31/18



allegiant

spirit
airlines

Alaska



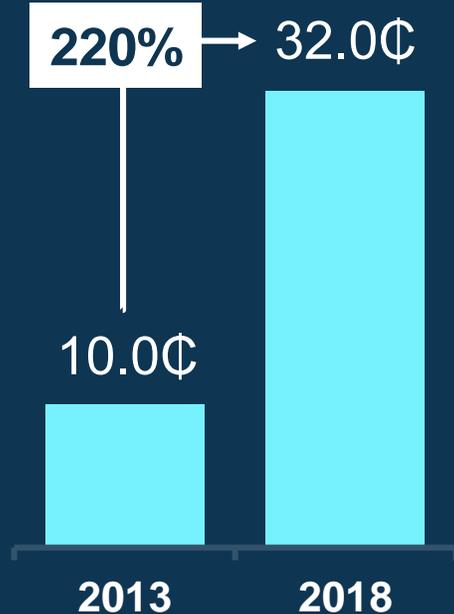
jetBlue

Our commitment to **growing the dividend** and returning capital to shareholders displays our confidence in the business

Annual Dividend Spend



Increased dividend each year since inception



In millions, except per share values
Dividend initiated in August 2013; spend subject to Board approval

We also plan to repurchase \$50M in stock in 2018



We are creating an airline **people love**

The integration is tracking well; 85% of milestones complete by **June 2018**

Our combined platform offers the most seats and **#1 customer relevance** on the West Coast

Our growth is slowing in 2019-2020 as we **realize synergies** and optimize our network

We remain committed to generating **strong ROIC** and to returning capital to shareholders