UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

December 22, 2020
(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	**91-1292054**
(Commission File Number)	(IRS Employer Identification No.)

19300 International Boulevard	**Seattle**	**Washington**	**98188**
(Address of Principal Executive Offices)			(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 7.01. Regulation FD Disclosure

On December 22, 2020, Alaska Air Group (the Company or Air Group) issued a press release announcing its intent to restructure its aircraft purchase agreement (the agreement) with The Boeing Company (Boeing). The press release is filed as Exhibit 99.1.

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

Exhibit 99.1	Press Release dated December 22, 2020
Exhibit 99.2	Investor Update dated December 22, 2020
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: December 22, 2020

/s/ CHRISTOPHER M. BERRY
Christopher M. Berry
Vice President Finance and Controller

Exhibit 99.1

News

Alaska AIRLINES

Dec. 22, 2020

Contact:
Media Relations
(206) 304-0008
newsroom@alaskaair.com

Alaska Airlines announces restructured agreement with Boeing to acquire a total of 68 737 MAX-9 aircraft with options for another 52

New agreement in principle adds 23 orders plus 15 options to airline's overall order

SEATTLE — Alaska Airlines announced today an agreement in principle with Boeing to restructure the airline's order to receive a total of 68 Boeing 737-9 MAX aircraft with options for an additional 52 planes.

Alaska is scheduled to receive 13 planes in 2021; 30 in 2022; 13 in 2023; and 12 in 2024. The delivery schedule will largely replace Alaska's Airbus fleet and moves the airline substantially toward a single, mainline fleet that's more efficient, profitable and environmentally friendly, and that will enhance the guest experience and support the company's growth. This restructured agreement with Boeing incorporates Alaska's announcement last month to lease 13 737-9 aircraft.

The agreement delivers superior economics to Alaska while providing flexibility in the final delivery schedule for the airline to optimize its fleet plan as the industry recovers. It also enables two major Pacific Northwest employers – Alaska and Boeing – to continue to support and revive jobs as the region and nation recover from the devastating impacts of the pandemic, fueling economic opportunity and growth in the coming decade.

"We are extremely proud to be announcing this transformative agreement with Boeing," said Brad Tilden, CEO of Alaska Air Group. "We believe in this airplane, we believe in our strong partnership with Boeing, and we believe in the future of Alaska Airlines and the incredible opportunities ahead as we climb our way out of this pandemic. We could not ask for a better partner than Boeing and we are delighted to be standing side by side with them as we work together to get our economy back on its feet."

"Alaska Airlines has done a tremendous job of weathering the impacts from the Covid-19 pandemic and is well positioned to return to its growth trajectory and strengthen its standing as one of the top U.S. airlines. With Alaska's industry-leading reputation for safety, sustainability and customer service, we are honored that the airline has chosen to invest in its future with a significant purchase of additional Boeing 737 airplanes," said Stan Deal, president and CEO, Boeing Commercial Airplanes. "We are grateful for Alaska's trust and partnership. Our team is focused on delivering their first 737 MAX jets and helping ensure a safe and seamless entry into service."

After significant work to manage costs and liquidity through the pandemic, support employees and jobs, and to ensure the safety of both employees and guests, Alaska's priority is to establish strong recovery and growth in the decade ahead. Alaska also prefers to own aircraft when it makes the best financial sense for the company. This decision enables the company to exit 61 expensive, short-term leases for its Airbus fleet that were inherited by Alaska through its acquisition of Virgin America. Furthermore, compared to the Airbus A320, the 737-9 has more seats, better fuel efficiency, lower emissions and lower maintenance costs.

The agreement includes mechanisms to adjust the timing of deliveries to meet economic conditions, giving the airline substantial flexibility to manage its fleet in step with network demand. Alaska's 52 aircraft options are for deliveries between 2023 to 2026.

TOTAL ORDERS: 68 737-9 Aircraft

Status	Announcement Date	Number of Aircraft
Existing Order	October 2012	32
Lease Agreement	November 2020	13
New Order	December 2020	23

TOTAL OPTIONS: 52 737-9 Aircraft

Status	Announcement Date	Number of Aircraft
Existing Order	October 2012	37
New Order	December 2020	15

The 737-9 will replace all A319 and A320 aircraft in Alaska's fleet to improve the airline's overall operational, financial and environmental performance. With this plan, Alaska will reduce its Airbus fleet to 10 A321neos by the summer of 2023. The 737-9 is 20% more fuel efficient and generates approximately 20% less carbon emissions per seat than the A320. Its larger, improved engines fly significantly quieter, and the Boeing Sky Interior lends a feeling of spaciousness to the cabin. The 737-9 can also fly up to 600 miles farther, which opens the possibility of new nonstop routes and destinations.

Alaska plans to begin revenue service with its first 737-9 in March 2021, with five additional aircraft expected to begin flying by summer 2021. Learn more about Alaska's confidence in the safety and certification of the 737-9 MAX at alaskaair.com/737MAX.

Editor's note: A small signing ceremony between Alaska and Boeing executives was held on Friday, Dec. 18, at the Boeing Delivery Center in Seattle. High resolution pictures and broadcast quality b-roll and interviews from the event can be downloaded here.

About Alaska Airlines

Alaska Airlines and its regional partners serve more than 115 destinations across the United States and North America. The airline provides essential air service for our guests along with moving crucial cargo shipments, while emphasizing Next-Level Care. Alaska is known for low fares, award-winning customer service and sustainability efforts. Guests can earn and redeem miles on flights to more than 800 destinations worldwide with Alaska and its Global Partners. On March 31, 2021, Alaska will officially become a member of the **one**world global alliance. Learn more about Alaska at newsroom.alaskaair.com and blog.alaskaair.com. Alaska Airlines and Horizon Air are subsidiaries of Alaska Air Group (NYSE: ALK).

About The Boeing Company

Boeing is the world's largest aerospace company and leading provider of commercial airplanes, defense, space and security systems, and global services. As a top U.S. exporter, the company supports commercial and government customers in more than 150 countries, leveraging the talents of a global supplier base. Building on a legacy of aerospace leadership, Boeing continues to lead in technology and innovation, deliver for its customers and invest in its people and future growth.

# # #

Exhibit 99.2

Alaska Air Group

Investor Update – December 22, 2020

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 fleet plan and capital expenditures. Please see the cautionary statement under "Forward-Looking Information."

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 Dec. 31, 2019, the Company's Quarterly Report on Form 10-Q for the year ended September 30, 2020, as amended, as well as in other documents filed by the Company with the SEC after the date thereof. 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, 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

On December 22, 2020 we announced an agreement in principle to restructure our aircraft purchase agreement with Boeing. We will take delivery of a total of 68 737-9 MAX aircraft (inclusive of 32 previous purchase commitments and 13 leased aircraft to be acquired through the recently announced agreement with Air Lease Corporation) between 2021 and 2024, with options for an additional 52 aircraft (inclusive of 37 previous options). The agreement announced today provides substantial flexibility to change the timing of firm deliveries to match actual aircraft acquisition with network demand.

The firm delivery schedule is largely designed to replace outgoing leased Airbus aircraft, while the options will provide the flexibility for future growth. This deal lays the groundwork for us to move substantially towards a single mainline fleet that is more profitable given the cost efficiency and additional seats on the MAX aircraft relative to the Airbus A319s and A320s, and more environmentally responsible given the superior fuel burn profile on the MAX. These improvements are driven by the 737-9 MAX's longer mission capabilities and its significant upgauge benefits as it is configured with 178 seats, 28 more than the A320s that the new MAX aircraft will primarily replace.

Fleet Update

The below table reflects our expected fleet activity through the end of 2023, including this agreement in principle and the leases with Air Lease Corporation. As part of the agreement in principle, we have established a revised delivery timeline with Boeing for existing order of 32 737-9 MAX aircraft, which are now expected to deliver between 2021 and mid-2023. The 23 incremental firm aircraft are expected to deliver between 2023 and 2024. The 52 options, which are available for delivery between 2023 and 2026, are not reflected in the fleet table, as options have not yet been exercised.

The agreement in principle provides material flexibility for us, including aircraft slide rights and substitution rights should we desire to acquire any other 737 MAX model types.

In connection with this order, we have determined that we will cease use of an additional 20 Airbus A320 aircraft effective immediately. In the fourth quarter we anticipate recognizing a one time charge of approximately $200 to $250 million associated primarily with the write off of the remaining right of use asset and estimated lease return costs for certain permanently parked aircraft. Twenty-one A320 aircraft and ten A321 aircraft will remain in our operating fleet as of the end of 2020. See Lease Returns discussion below for additional information.

Aircraft	Actual Sep. 30, 2020	Anticipated Fleet Activity[a] 2020 Changes	Dec. 31, 2020	2021 Changes	Dec. 31, 2021	2022 Changes	Dec. 31, 2022	2023 Changes	Dec. 31, 2023
B737 Freighters	3	-	3	-	3	-	3	-	3
B737-700	11	-	11	-	11	-	11	-	11
B737-800	61	-	61	-	61	-	61	-	61
B737-900	12	-	12	-	12	-	12	-	12
B737-900ER	79	-	79	-	79	-	79	-	79
B737-9 MAX	—	-	—	13	13	30	43	13	56
A320	41	(20)	21	-	21	(8)	13	(13)	—
A321 NEO	10	-	10	-	10	-	10	-	10
Total Mainline Fleet	**217**	**(20)**	**197**	**13**	**210**	**22**	**232**	**—**	**232**
Q400 operated by Horizon	32	-	32	-	32	(1)	31	(6)	25
E175 operated by Horizon	30	-	30	-	30	-	30	3	33
E175 operated by third party	32	-	32	-	32	-	32	-	32
Total Regional Fleet	**94**	**—**	**94**	**—**	**94**	**(1)**	**93**	**(3)**	**90**
Total	**311**	**(20)**	**291**	**13**	**304**	**21**	**325**	**(3)**	**322**

a. Our expected fleet activity reflects intended early retirements and extensions or replacement of certain leases, not all of which have been contracted yet.

Capital Expenditures

As of the date of this filing, we have approximately $550 million in pre-delivery deposits on hand with Boeing for existing firm aircraft orders. The revised delivery timeline for our existing firm orders, in connection with the pre-delivery payment schedule we have agreed upon with Boeing will reduce our 2021 capital commitments significantly from our previous contractual commitments. In the event that the demand environment does not support the need for deliveries as scheduled, we can utilize slide rights to defer as much as $300 million of these capital commitments from 2022 into later years.

The below table summarizes estimated capital expenditures, including aircraft and non-aircraft spend, for 2021, 2022 and the combined 2-year period before and after the agreement in principle, and provides an estimate of minimum capital expenditures in the event that we exercised slide rights.

	2021	2022	Combined 2 Year
Expected Capital Expenditures before agreement	$600 - $700 million	$500 - $600 million	$1.1 to $1.3 billion
Expected Capital Expenditures after agreement	$150 - $250 million	$1.3 - $1.4 billion	$1.45 to 1.65 billion
Minimum Capital Expenditures after agreement	$150 - $250 million	$1.0 to $1.1 billion	$1.15 to $1.35 billion

Firm orders and option exercises beyond 2021 are expected to be financed primarily through long-term debt and operating cash flows.

Lease Returns

In addition to the 41 Airbus A320 aircraft in operating service as of September 30, 2020, Alaska has 10 Airbus A319 aircraft and 10 A320 aircraft that have been retired and removed from operating service in response to pandemic-related capacity reductions. As noted above, 20 additional A320 aircraft have been determined to be retired and removed from operating service in connection with this new contemplated aircraft order. Furthermore, reflected in the operating fleet table above, all remaining A320 aircraft are expected to be out of operating service by the end of 2023.

Leased aircraft that are retired and removed from our operating fleet are returned to the lessor on their contractual lease return schedule, unless early returns or other arrangements are negotiated. The contractual lease return schedule for the 10 A319s and 51 A320s begin in earnest in 2021, and will be mostly complete by 2023, with six aircraft returns in 2024 and three in 2025. We estimate and accrue for the expected cost of lease returns either throughout the 12-month period leading up to lease return if the aircraft is in service, or all at once upon removing the aircraft from service. In most cases, the cash impact of preparing Airbus aircraft for return to lessors is incurred within a few months of the lease return date. Cash outflows incurred as lease return preparations are completed are offset by the claims we make against maintenance deposits that have previously been paid to lessors. As of September 30, 2020, we have approximately $320 million in maintenance deposit assets on the balance sheet which we expect to claim as we perform the requisite work to prepare aircraft for return.

In aggregate, we expect that the net cash impact of returning the Airbus aircraft will be approximately $45 million in 2021, and $65 million in 2022.