

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ALK.N - Q3 2023 Alaska Air Group Inc Earnings Call

EVENT DATE/TIME: OCTOBER 19, 2023 / 3:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Andrew R. Harrison Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Benito Minicucci Alaska Air Group, Inc. - President, CEO & Director

Emily Halverson Alaska Air Group, Inc. - VP of Finance, Controller & Principal Accounting Officer

Ryan St. John Alaska Air Group, Inc - VP Finance, Planning & Investor Relations

Shane R. Tackett Alaska Air Group, Inc. - CFO & Executive VP of Finance

Nat Pieper Alaska Air Group, Inc - SVP Fleet, Finance & Alliances

CONFERENCE CALL PARTICIPANTS

Andrew George Didora BofA Securities, Research Division - Director

Brandon Robert Oglenski Barclays Bank PLC, Research Division - VP & Senior Equity Analyst

Catherine Maureen O'Brien Goldman Sachs Group, Inc., Research Division - Equity Analyst

Conor T. Cunningham Melius Research LLC - Research Analyst

Daniel J. McKenzie Seaport Research Partners - Research Analyst

Duane Thomas Pfennigwerth Evercore ISI Institutional Equities, Research Division - Senior MD

Helene Renee Becker TD Cowen, Research Division - MD & Senior Research Analyst

Jamie Nathaniel Baker JPMorgan Chase & Co, Research Division - U.S. Airline & Aircraft Leasing Equity Analyst

Michael John Linenberg Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst

Ravi Shanker Morgan Stanley, Research Division - Executive Director

Savanthi Nipunika Prelis-Syth Raymond James Ltd., Research Division - MD

Scott H. Group Wolfe Research, LLC - MD & Senior Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Alaska Air Group 2023 Third Quarter Earnings Call. (Operator Instructions)

Today's call is being recorded and will be accessible for future playback at alaskaair.com. After our speakers' remarks, we will conduct a question-and-answer session for analysts.

I would now like to turn the call over to Alaska Air Group's Vice President of Finance, Planning and Investor Relations, Ryan St. John.

Ryan St. John - Alaska Air Group, Inc - VP Finance, Planning & Investor Relations

Thank you, operator, and good morning. Thank you for joining us for our third quarter 2023 earnings call. This morning, we issued our earnings release along with several accompanying slides detailing our results, which are available at investor.alaskaair.com.

On today's call, you'll hear updates from Ben, Andrew and Shane. Several others of our management team are also on the line to answer your questions during the Q&A portion of the call.

This morning, Air Group reported third quarter GAAP net income of \$139 million. Excluding special items and mark-to-market fuel hedge adjustments, Air Group reported adjusted net income of \$237 million. As a reminder, our comments today will include forward-looking statements about future performance, which may differ materially from our actual results.

Information on risk factors that could affect our business can be found within our SEC filings. We will also refer to certain non-GAAP financial measures such as adjusted earnings and unit costs, excluding fuel. And as usual, we have provided a reconciliation between the most directly comparable GAAP and non-GAAP measures in today's earnings release. Over to you, Ben.

Benito Minicucci - Alaska Air Group, Inc. - President, CEO & Director

Thanks, Ryan, and good morning, everyone. Before getting to our results, I'd like to start by acknowledging the human aspect of the work we do. This past quarter, close to home, we saw wildfires bring devastation to the West Maui community. More recently, we've been horrified by the terrorist attacks in Israel, and we mourn the innocent lives lost. I want to acknowledge that people are hurting and while we share in the privilege of connecting families and communities, we also share in the pain of seeing those around the world suffer.

Now turning to our results. Our third quarter performance continues to demonstrate the underlying strength of our business model and our commitment to drive consistent, measured progress against our goals. During the quarter, we ran the best operation in the country, delivering a 99.7% completion rate and on-time rate of over 80%. On September 30th, we retired our last Airbus aircraft from service, marking our official return to single fleet. We drove unit costs down nearly 5% year-over-year, a strong performance that stands alone versus our peers in achieving year-over-year unit cost reductions. And our 11.4% adjusted pretax margin nearly led the industry despite our lower direct exposure to record international demand as well as significant fuel cost headwinds given our geographic exposure to the West Coast.

Now moving to where we are today. Having been in this industry a long time, I know as well as anyone how volatile it can be and we are seeing this now. Crude oil has risen 12% from last quarter, while L.A. refining margins have increased 70% overall and 60% over Gulf Coast levels disproportionately increasing our economic fuel cost compared to peers, given the majority of our purchasing happens on the West Coast.

While we expect this divergence to be temporary, it is nonetheless a near-term headwind. Absent this \$50 million cost in Q3, we would have led the industry in adjusted pretax margin. Demand remains strong in peak periods, but shoulder periods are becoming more susceptible to lower demand without a full return of corporate travel. Despite these near-term headwinds that will likely make the next quarters more challenging, I continue to believe we have a strong fundamental long-term setup for several reasons.

One, our teams continue to deliver reliability. We now have 2 solid quarters in a row of industry-leading performance, and I can confidently say we have our operational muscle back. I want to thank all our employees for their hard work and effort. They have done an amazing job prioritizing and delivering a safe and reliable operation for our guests.

Our completion rate not only led the industry but set 20-year company records in all 3 months of the quarter during peak summer flying continuing to surpass our planning expectations.

Two, our relative cost advantage comes from decades of discipline and became a highlight in the third quarter. With visibility to another quarter of unit cost improvement year-over-year, we expect full year CASMex to be down 1% to 2% and likely the only carrier to achieve unit cost reductions for the year. Having retired our last Airbus aircraft in September, we brought our dual fleet chapter to a close and are poised to fully recognize the power of single fleet efficiencies as we move into 2024.

Three, we have the most diversified revenue of domestic-focused airlines, generating 45% of our revenue outside the main cabin. Our investments in fleet and premium seating have given us a domestic product that rivals any in the industry, including first and premium class, lounges, and global partnerships that will continue to serve us well going forward.

And four, our growth is rational and disciplined. Having closed out a strong summer operation, our teams are turning their focus to winter preparedness and continuing to deliver strong operational performance for our guests throughout the holidays. Capacity discipline is the most

relevant lever our industry has and will be necessary to support off-peak periods going forward. We are focused on optimizing our flying and moderating growth as a prudent measure to deliver results. For 2024, we are actively discussing where within our long-term 4% to 8% target growth range is most optimal given the higher fuel environment.

To close, we produced solid third quarter results. Without our refining margin headwind, we would have had the best result in the industry. Our product set competes with the best and as the international versus domestic demand mix and business travel ultimately normalize over time, we have the right business model to deliver strong results and outperform well into the future.

Now more than ever, we are focused on extracting efficiencies from both sides of the profitability equation with all the elements in place to drive strong relative results within our evolving industry.

And with that, I'll turn it over to Andrew.

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Thanks, Ben, and good morning, everyone. Today, my comments will focus on third quarter results, recent trends and our outlook for the rest of the year.

Third quarter revenues reached \$2.8 billion, up 0.4% year-over-year on 13.7% more capacity, which was approximately 1 point below our revenue guidance midpoint. Unit revenues were down 11.7% versus 2022 and up 12.2% versus 2019. We had 3 sources of headwinds impacting third quarter revenue performance.

First, the strong close-in revenue performance we saw from April through most of August moderated as we moved into September.

Close-in demand for leisure looks to have normalized and without further return of business demand, shoulder periods are more challenged than they have been the past couple of years.

Second, we planned our network for relatively strong demand from summer into September as we experienced last year. However, that did not fully materialize.

This led to modest load factor weaknesses in areas of our network where we deployed more capacity than we normally would during the shoulder.

Third, the devastating Maui wildfires impacted third quarter revenue and therefore, profit by approximately \$20 million. For reference, Hawaii represents nearly 12% of our capacity, with 1/3 of that deployed to Maui. Following the wildfires in early August, bookings turned negative with high rates of cancellation. This reversed at the end of August as bookings to Maui began recovering. However, September bookings were still down 45% versus last year. As we move into the fourth quarter, we are seeing continuing recovery in Maui.

However, we expect revenues to be negatively impacted by approximately \$18 million and anticipate it will be several quarters before demand returns to normalized levels. Having cut a full frequency from Seattle and trimmed capacity from other hubs, we will continue capacity adjustments to match supply with demand while serving the people of Maui during the recovery process.

Lastly, although not a part of our baseline, we saw no upside benefit from corporate travel as revenue continues to hold at about 85% of 2019 levels.

Having covered our headwinds, though, there were several positive results in the quarter as well. With respect to product, our premium cabins continue to materially outperform the main cabin with first and premium class revenues up 10% and 6% year-over-year, respectively.

Alaska is the only primarily domestic carrier to have both first class and premium economy across 100% of our mainline and regional fleets. These premium seats represent 25% of our total seats and continue to be an area of opportunity for us in sustaining higher yields than other domestic focused competitors, especially as travel preferences continue to move in a more premium direction.

Total premium paid load factor was up 3 points year-over-year, but has increased over 10 points on 12% more seats versus 2019. Today, premium revenue represents 31% of our total revenue, contributing to the 45% of total revenue we generate outside the main cabin.

Putting aside premium for a moment, we have also seen success with more guests buying out from Saver into our main cabin product. This buy up has occurred at 22% higher fares versus last year. Loyalty remains a strong driver of revenue performance as well. Bank cash remuneration was up 11% versus the third quarter of 2022, outpacing system revenue that was only up 0.4 point.

We continue to make solid progress on our strategy of being able to directly sell our oneworld and other partners on alaskaair.com. We launched 13 partners this year, bringing our total to 18 partners with over 500 destinations worldwide now being sold direct on our website. These efforts will continue as we enable selling all cabins on our partners and continue to upgrade the digital guest experience on our website and within our native app.

This is another area where we are clearly differentiated from other domestic focused carriers. We are the only primarily domestic carrier that offers access to a portfolio of global partners where we offer elite status recognition, accrual and redemption and airport lounge access.

This capability along with our premium cabin offerings, gives me confidence that we will have built the right commercial offerings to meet our guests' preferences and drive long-term value to Air Group. As we shared on our last call, we have continued to see our guests take advantage of our global partner network with total accrual and redemptions on our long-haul partners up 26% for the third quarter versus last year.

Taking a step back, as illustrated in the supporting slides we published today, when comparing our unit revenue performance versus a 2019 baseline, it's clear that the differentiation of our products including our premium offering and international connectivity is a very positive story, which has resulted in unit revenues up 12% on capacity growth of 6%. This is a testament to the soundness of our business model and the success of changes we've made since 2019.

Now turning to fourth quarter guidance. We expect revenue to be up 1% to 4% on capacity that is up 11% to 14% year-over-year. In terms of bookings, holidays are in line with our expectations with load factors up a couple of points and yield up double digits versus 2019. As I mentioned, non-peak shoulders are weaker than 2022's historic demand levels, in part driven by a return to more normal seasonality and a continued, but we believe temporary, demand shift towards international travel. Today, we have approximately 58% of November and 35% of December revenue booked. Given our fourth quarter outlook and current demand backdrop, we are narrowing our full year revenue guide to up 7% to 8%. Our guide implies that our unit revenue trajectory is improving sequentially in the fourth quarter versus 2022, up 3 points.

And we believe the gap to legacy unit revenue performance is also closing sequentially. Our most significant step-up in capacity occurred during the third quarter as we worked to restore our pre-pandemic network. However, in the fourth quarter and into the first quarter of 2024 our growth follows more in line with normal seasonal patterns. After growing 6% above 2019 levels in Q3, our growth moderates to less than 3% above 2019 levels from the fourth quarter through February of 2024, which we believe should better support supply and demand dynamics in our market versus the industry.

Looking ahead, we remain confident in our commercial plan and cognizant of our environment. Our team has taken a hard look at our first quarter network amidst high fuel prices as part of our commitment to improving Q1 profitability. We are focused on managing capacity prudently, including capitalizing on leisure destinations, including 15 new routes such as Seattle and Los Angeles to Nassau, which will bring in new revenue while also constraining our total capacity growth to low levels and reducing business heavy routes and frequencies. For example, we've trimmed our higher-frequency Pacific Northwest and California business seats 22% versus January and February of last year.

To wrap up, we have a solid commercial plan that is producing results. Our combination of premium products, valuable loyalty program and global offerings through our partnerships in oneworld allows us to provide guests with what they want while producing strong financial results, and we're looking forward to building on that moving forward.

And with that, I'll pass it over to Shane.

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Thanks, Andrew, and good morning, everyone. As we discussed on previous calls, for the past year, we have prioritized returning Alaska to operational excellence. This is what our guests deserve, and it allows us to have more predictability across the company, which we can ultimately leverage to improve efficiency and cost performance. It was encouraging to see during the quarter that as we've delivered the industry's most reliable operation, our teams have begun to turn the corner on our cost profile as well. And while we acknowledge a more challenged near-term setup with temporary but elevated West Coast jet fuel refining margin costs and a more typical demand profile in shoulder periods, we remain confident our business has the right configuration to deliver financial performance over the long term.

For the third quarter, adjusted EPS was \$1.83, and we delivered an adjusted pretax margin of 11.4%. Unit costs were down 4.9% and economic fuel cost per gallon was \$3.26, which was materially impacted by refining margins on the West Coast that averaged \$0.30 higher than the rest of the country, which we believe will prove to be an anomaly, but materially impacted our performance relative to others.

Absent this refining margin differential, or the \$20 million of lost profit due to the tragedy in Maui, Alaska would have led the industry in margin despite not enjoying the current surge in international demand or a further rebound of corporate traffic. Our balance sheet and liquidity, long-time pillars of strength for us through many cycles remain stable and healthy. We generated approximately \$270 million in cash flow from operations during the quarter while total liquidity inclusive of on-hand cash and undrawn lines of credit stood at a healthy \$3 billion. Debt payments for the quarter were approximately \$93 million and are expected to be \$45 million in the fourth quarter.

Our debt to cap remains at 48%, unchanged from last quarter, while net debt to EBITDA finished the quarter at 1.1x, both within our target range. We have also revised our full year CapEx expectation to \$1.7 billion for 2023 and fully expect 2024 to be below this amount as we are currently reshaping our near-term delivery stream with Boeing to accommodate a more conservative 2024 capacity plan.

Our share repurchase program has, as intended, offset dilution year-to-date with spend reaching \$70 million, while our trailing 12-month return on invested capital ended at 10.7% this quarter.

Moving to costs, the third quarter marked a turning point for us in terms of our performance. CASMex ended down 4.9% year-over-year, coming in below our guided range of down 1% to 2%. This result includes the impact of a larger than initially anticipated market rate adjustment for our pilots, which added approximately \$20 million to the third quarter and will annualize at \$90 million.

Speaking of labor deals, during the quarter, we also reached a tentative agreement with our aircraft technicians, and we are in the process and looking forward to reaching the deal with our flight attendants.

Our unit cost performance was the result of nearly every department of the company coming in on or below their plan, which has been no easy feat to do over the past 3 years as we have re-ramped our operation.

We saw productivity improve 2% year-over-year, and we'll continue to work toward returning to 2019 levels. Other areas we saw good performance relative to our plan included maintenance, aircraft ownership, and selling expenses. ASMs were slightly ahead of guidance on the continued outperformance in our completion rate, providing a small additional benefit to unit costs.

And lastly, we have lowered our anticipated performance-based pay accruals given the tougher setup in Q4, which also benefited CASMex fuel this quarter. However, absent both of these last 2 impacts, unit costs would have still closed below our guide. As Ben mentioned, we crossed a significant milestone to end the third quarter as we retired our last Airbus from service. And in wrapping up our Airbus era, we announced this

morning that we reached an agreement to sell the 10 A321s to our partner, American Airlines, and expect deliveries to occur over the next 2 quarters.

Lastly, as I mentioned, fuel became a significant headwind during the third quarter. L.A. refining margins diverged materially from Gulf Coast levels moving from less than \$0.08 difference on average for the first half of the year to \$0.30 during the third quarter and at times exceeding \$0.90. While we have every expectation this divergence is temporary, it has created a material headwind to our near-term profitability.

Our economic fuel costs increased from the midpoint of our original guide, adding approximately \$110 million of total cost to the quarter with \$50 million coming from refining margin disparity or an approximately 2-point margin headwind for the quarter. For the fourth quarter, we expect fuel price per gallon to be between \$3.30 and \$3.40 per gallon, which is an approximate 4-point impact to margin compared to our expectations back in July. Fuel, combined with pricing moderation, have led us to revise our full year adjusted pretax margin to 7% to 8%, approximately 3 points lower than the midpoint of our prior guide. We expect CASMex to be down 3% to 5% year-over-year in the fourth quarter, and our full year CASMex to now be down 1% to 2% on capacity up 12% to 13%.

To close, we have run an excellent operation for several quarters. Our pretax margin exceeded peers with greater international tailwinds despite a refining margin disadvantage and sizable impacts from the Maui wildfires. We delivered a strong unit cost result for the quarter and have visibility to another strong result next quarter. We remain focused on and very intentional about setting targets and ensuring we take the right steps to deliver against them.

Our commercial offering with premium cabins and global access through our alliances is configured to compete in a way other domestically focused carriers cannot. Our operational strength has returned and our cost management is outperforming the industry, all of which are fundamental drivers of sustained long-term success.

And with that, let's go to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question today comes from Duane Pfennigwerth with Evercore ISI.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

So you gave an update, I think, a week or so into September. Can you just talk about what shifted over the latter part of the month? How that played out relative to kind of what you thought what, September 9th?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Duane, it's Andrew. Yes, I think there was like at the beginning of September, I think we had reiterated our guide. I think 2 things. We were still getting our hands around Hawaii, which was deeply negative bookings, and we're trying to get clarity about where that was going to end up. And I think the other part was there was also right around that time with sort of that transition coming off the back end of a peak summer demand and also close in moving into the more traditional business season. And I think those couple of things combined. I think on \$2.8 billion, it was probably like \$15 million we were off. So that's the main reason. But fundamentally, the business was where we thought we were going to be.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. And then just segway to Hawaii. Can you maybe play back some history and talk about the current picture and maybe delineate between Maui and non-Maui bookings, that would be very helpful.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Yes. I think like Maui obviously stands out significantly different, and we're making some of the capacity adjustments there. We did see during this horrible period of time, some bookings continue to move to other islands. But, as you know, Hawaii books well in advance. So essentially, pretty much the rest of the year for now, we were sort of reset, but as we go into next year, we don't see any reason that Maui won't continue to recover, and we won't see traditional good solid demand to our Hawaii franchise.

Duane Thomas Pfennigwerth - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Okay. Sorry to be deliberate there. Hawaii bookings ex Maui, would you characterize that as stable/normal?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

They're a little softer than historical, but we've seen that for some time. I think just as -- just the capacity into the islands and, of course, some of the pricing pressures in Hawaii, the cost of going to Hawaii. But overall, we feel pretty good about it being somewhat stable.

Operator

Our next question will come from Savi Syth with Raymond James.

Savanthi Nipunika Prelis-Syth - *Raymond James Ltd., Research Division - MD*

I wonder if you could talk about the revenue trend where you are seeing kind of a better improvement of some of the -- your peers that have reported. And you talked about some of the components like how your capacity is developing, but I was curious if you can kind of provide a little bit more color on the contributors of that sequential improvement and how we should think about it then as you go into the first quarter and you make more adjustments as well?

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Yes, thanks, Savi, it's very interesting. I think what's really positive and some of the sequential improvement is you just look at our capacity in the third quarter and how much higher it was versus '19 versus the fourth quarter. And then some of the -- as I shared in my prepared remarks, where we had pushed summer capacity out into the fall in some of these Mid-Con markets and some of these other key areas, we brought that capacity back down starting in October, and we're already seeing the positive effects of doing that.

Savanthi Nipunika Prelis-Syth - *Raymond James Ltd., Research Division - MD*

Got it. That's the big driver. And if I might, on the growth plans that you kind of mentioned for next year, it sounds like you're still kind of evaluating between 4% and 8%. The first half kind of maybe on the lower end of that 4%, it seems like? Or how should we think about maybe early indications? I know you're probably not ready to give a full guide.

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Yes. I mean that's correct. And we've been clear as we go into the first quarter, we're going to be around 3% or so over '19 levels. And again, we've looked really hard at our lowest demand period for Alaska at least in the January, February time period, and we feel like we've made some pretty good reductions there, and we made that well ahead of the bookings of those flights. So we feel really good about the setup as we go into the first quarter.

Operator

Will move next to Andrew Didora with BofA Global Research.

Andrew George Didora - BofA Securities, Research Division - Director

Andrew, in your prepared remarks, you said your -- it seems like you're booked well ahead for November than another airline that reported earlier today. Is the 58% sort of a normal cadence for you, or is it more of how you're looking at close in trending today and just wanting to book more of that a little bit further out than usual.

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

I think our comments were a little bit related to when you compare it back to, say, 2019 sort of Thanksgiving sort of falls within the month. So -- but if you average it out between Thanksgiving and Christmas sort of in November and December. We're probably a little higher on the bookings, but not very much. And right now, we're just making sure that we manage that coming in with good solid yield to close out the year.

Andrew George Didora - BofA Securities, Research Division - Director

Okay. Understood. And then also, Andrew, on the last call, I thought you shared some good statistics on the shift you're seeing to international bookings on your partners over the summer, curious if you've begun to see more of a normalization there and maybe share shift back to domestic, or do you continue to see that elevated international demand booking on your partners.

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

I think we're seeing exactly actually what we saw on the domestic front, whereas last year pushed well into the shoulder season. I think that's what we're seeing, at least from our members on the international. So just to remind folks, in the summer, we reported in that we were up sort of 50% of our members year-over-year accruing and redeeming internationally. That number is only 26% for the fourth quarter. So we're certainly seeing it coming down. And so of course, the question will be, will that get normalized by next year. What we're seeing right now is it's on its way to normalization.

Operator

And we'll move next to Helane Becker with TD Cowen.

Helane Renee Becker - TD Cowen, Research Division - MD & Senior Research Analyst

Two questions. One, when you talk about -- maybe this is for Andrew, when you talk about optimization of the network, can you just describe maybe more fully what you're talking about? I know some of it is not flying as much in the first quarter in '24 as you did in '23 because of the shifts in the way people are flying and the fact that corporate probably back as far as it's going to go, right? I can't imagine that there are a lot of day trips

between Seattle and Portland or Seattle and San Fran or L.A. anymore given the unreliability of exogenous pressures, right? So how do we think about what optimization exactly means?

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Yes, Helane, I think, what I would say, when I talk about optimization, look, we're at a place now where we see where fuel is at elevated and has been for some time. The whole industry has a new set of structural unit costs. And we're also seeing sort of a settling down of overall capacity across the country. So given those things, we're looking much harder where we -- and business as you raise as another point, we're looking much harder about where we're putting our airplanes in high-frequency routes, leisure versus business, time of year. Just to be frank, we've probably been less concerned about being more surgical during summer.

But the reality is this past summer, you can certainly see as we get back to normalized booking patterns, there is definitely between July and September, very significant changes in demand profile. So we're going to do a much better job going forward, and we're already on it, it's just realigning our supply of aircraft. So I think that's what I'm basically saying, and I think there's only goodness from doing that.

Helene Renee Becker - TD Cowen, Research Division - MD & Senior Research Analyst

Okay. That's sort of helpful. Until things kind of revert to more normalized behavior, and you have to fix it again. But that's not a new problem. My other follow-up question on the A321s that are being -- I thought those were actually going to be leased in aircraft, but they're being transferred over to American. So I didn't see it in the press release, but that doesn't mean anything. It just means I didn't see it. Can you talk about the accounting for that? Can you comment on the cost of what they're paying you or any information that would help us think about that for you guys.

Nat Pieper - Alaska Air Group, Inc - SVP Fleet, Finance & Alliances

Helane, it's Nat. Thanks for the question. I'd say this transaction is probably one of the more complicated ones that I've seen in my 25 years of doing this. But our thinking on it is really simple. We've been public in that there's 6 to 8 years left on these above-market leases that Alaska acquired as part of the Virgin transaction and our objective was just to find a transaction and build it that economically offset those remaining obligations. We've been working it for 12 to 18 months and just happy to get this process to a close because as you know, this is the last unlock to truly get us to single fleet.

Just like we don't comment on pricing on -- in the airline. I'm not going to comment on pricing of what American is paying us, but we feel good about the economics. And again, covering what our PV of lease obligations was through the extended period of those leases. And then I'm going to kick it to Emily on the accounting side, just where that is.

Emily Halverson - Alaska Air Group, Inc. - VP of Finance, Controller & Principal Accounting Officer

Thanks, Nat. Helane, we have taken the vast majority of the special charges which are associated with these transitions to P&L already. You've seen those in special charges over the last 12 to 18 months, as Nat noted. Cash-wise, we're about 2/3 of the way through the cash that we're going to incur with this, of course, as we've purchased the lease or the planes from the lessors and then we sell the planes to America, and there will be cash inflows and outflows. So about 2/3 of the \$300 million to \$350 million total cash exposure that we've shared with you guys previously, we've already incurred that. And then the remaining 1/3 will happen over the next 2 quarters.

Operator

And we'll hear next from Conor Cunningham with Melius Research.

Conor T. Cunningham - *Melius Research LLC - Research Analyst*

Helene, maybe you can submit those notes on the accounting. (inaudible) year, it seems like on cost side. Could you just talk about some of the moving parts as you think about headwinds, maybe in the content, so productivity offsets that you, that are clearly in the cost structure now.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & Executive VP of Finance*

Conor, thanks. It's Shane. Bringing up a tiny, but I think you were asking about 2024 sort of puts and takes on costs. I'll be high level, I think we're not quite ready to fully discuss '24 or cost guidance or anything like that. But the areas that we'll have headwinds won't be a surprise. I think there's continued investment in airport infrastructure that we'll see come into the P&L next year. Really across all of our major hubs, and that's just a generational reinvestment that is needed in these airports. There'll still be some labor cost headwinds.

We've got to annualize the market rate adjustment we did with the pilots. We're really hopeful we get the TA with our mechanics fully ratified. We'll have that in the cost base next year. And then pretty much the entire industry needs to get contracts done with flight attendants, which we're really anxious to do and actively in the process of negotiating. I think on the other side, we've now got truly a single fleet. We should have almost every Airbus pilot trained over to the Boeing by the end of the year.

And really, we need to start looking at leaning out the operation and focusing again on productivity. That we started to do this quarter. I think we've got a good trend through the end of the year. We've been waiting for these trends. We're happy to see them now, and we just need to leverage them into next year.

So it's really about making the airline more efficient, taking some of the buffer out that we've got in there today. We'll go slow on it. We're not going to risk operational resilience at all. It took us a lot to get to where we are in the operation, we're going to keep operating well, but lots of opportunity to get more productive over the next couple of years.

Conor T. Cunningham - *Melius Research LLC - Research Analyst*

Okay. That's helpful. And then you guys are being pretty rational in '24, it seems versus an industry that's really not at the current moment. Like when you think about potential share losses versus protecting margins. Does that matter to you in the near term if it's potentially just a temporary thing? Just curious how you think about it given the fact that you're pulling out so much growth relative to some of the others out there.

Benito Minicucci - *Alaska Air Group, Inc. - President, CEO & Director*

Conor, it's Ben. Of course, market share matters to us, especially in our key hubs. So we will protect our key hubs fiercely and maintain the market share. Of course, we're going to look at areas where there won't be such an impact to us. But again, this industry is very capacity-dependent, and it has a huge leverage on profitability.

So we're going to take a hard look. The teams are out there looking at next year's capacity. And like Andrew said, we're going to look at Q1 really hard, fringing on days where we have to fringe and flying hard where, we can fly hard. So it's a delicate balance, but we're determined to get as close to right as we can on this.

Operator

Our next question will come from Ravi Shanker with Morgan Stanley.

Ravi Shanker - *Morgan Stanley, Research Division - Executive Director*

So I know we're all chasing what normal seasonality is, and there's already been a couple of questions on the call. But I'm wondering to what extent do you think it's return to office that's kind of impacted shoulder season compared to the last couple of years? And kind of maybe that's restricting the ability of the so-called leisure travel, if you will, and that actually sets up for peakier peaks in the next couple of go-arounds.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Ravi, so I just -- you mentioned returned to office. And I think we all see the public statistics sort of think sort of slowly climbing its way back, but still a long way off. What I would share is that we have seen between September and October, especially in high tech, where we've started to see in some places for some accounts, a decent uptick in travel, albeit overall general yields and not where we have seen them historically. So I think this is still a moving subject. But I think if you just look at the macro size of our network and traditional business versus leisure, I think for us, specifically, I think it's just beyond more -- some of this bleisure traveler type conversation.

But what we are seeing is beginning to see a little more strength come in on the corporate side. And again, we just have a lot of opportunity on our core high-frequency routes, getting those to a place where they can support the current demand as well as the new unit cost of production that the industry now faces.

Ravi Shanker - *Morgan Stanley, Research Division - Executive Director*

Got it. And maybe as a follow-up, kind of you kind of -- you spoke about how you're being more rational than many of your peers and capacity growth for next year. But you also kind of mentioned a few headwinds. So if you were to rank the current softness in the domestic demand environment, extreme capacity growth plans by your competitors or fuel headwinds? Like what's the order of those 3 headwinds that would make you kind of question your capacity growth plans next year relative to what you currently have in mind?

Benito Minicucci - *Alaska Air Group, Inc. - President, CEO & Director*

I think fuel for us is a big one, Ravi, especially with like we talked about, the L.A. refining margins on the West Coast, we're paying \$0.30 a gallon more than everyone else across the country. So that is a huge headwind for us. In terms of capacity, we can't control what our competitors do. What I can say is we're confident with our business model. Andrew talked about it in the prepared remarks, we have a remarkable premium product. We are not we may be low cost, but we're a premium brand airline.

And I believe that we can always extract the higher revenues because of the brand we have, our premium offerings, lounges and global access. So I would say fuel is the biggest headwind. The other thing I would say, even with costs up, we have cost discipline in our DNA. And we've shown this year that we brought unit costs down. This is something that we're wired for. We're wired for high productivity of resources and assets. And so I feel confident we're going to get back to the place that we've been, and single fleet, I am just ecstatic starting October 1st that we're now back to an all-Boeing fleet, and I think you're really going to start seeing those synergies come in. So those are the things, I think, for us, that we can control. And I think we have the right setup and the business model to go execute.

Operator

We'll move next to Michael Linenberg with Deutsche Bank.

Michael John Linenberg - *Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst*

Andrew, you talked about -- as you look out towards holiday travel, you mentioned that loads are up a couple of points, yields are up double digits. So obviously, that looks very good for the latter part of the year. Does that hold or do you think some of that also reflects the shifting of the booking

curve? Or maybe in the past, we saw people booking closer in and maybe this holiday season, as you've said before, seasonality is returning, booking curves are becoming more elongated. How much of that is possibly going to shift or change because of those factors?

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Mike, just for clarity, the comments that you just shared that I had made was versus 2019. I think yes, because last year, obviously, was very different, very different fare environment capacity set up. So we just wanted to anchor back in on 2019, which is a very stable, normalized year. And so we've been very encouraged by what we've seen. And I think as we've seen, I think, when you look at the industry right now, when you look at 2019, our unit revenues sequentially flat Q3 to Q4, where the industry is down anywhere from 1 to 5 points.

And then if you look at '23, as we said, we're up 3 points where the industry is sort of flat to up 1%. So we feel like, number one, I would say that what we are seeing at least in our network is outside of this business travel matter, back to sort of normal booking curves, normal demand environment. And I think some of the reduced capacity and reallocation of capacity is serving us very well.

Michael John Linenberg - Deutsche Bank AG, Research Division - MD and Senior Company Research Analyst

Okay. Great. And then just a quick second one. I don't know if you mentioned this or it was Shane, who said, look, the goal next year is to return back to 2019 levels on a productivity basis, a little bit different than sort of a network optimization. But if we get back to 2019 productivity, help me translate that into like a CASM benefit. Is that like a point or 2 of CASM tailwind? And how long does it take to actually get to 2019 productivity? Is that through the year? Or is that a 2025-type objective? Any color on that would be great.

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Mike, it's Shane. One thing, let me -- I'll clarify. I think it's going to take us a couple of years to 2019. We're going to work it methodically. And like I said, a couple of answers ago, we're not going to overly stress the operation now that we've got it working really well. It's worth at least a couple of points, all else equal, of unit costs. If there were no other puts and takes. I mean, I would say, minimally, it's worth that.

I think we signed a single fleet alone at \$75 million of benefit, and then we have less productivity in many areas, whether it's aircraft utilization or other work groups. And all of those are opportunities to get better from where we are. I think we're doing better than the rest of our competitors generally. And I think our focus has been, will continue to be to come out of all of this with the best relative change in cost structure. And I think we're well on our way to doing that.

Operator

Your next question will come from Jamie Baker with JPMorgan.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline & Aircraft Leasing Equity Analyst

So the 45% of revenue outside of Main Cabin, can you break that down into various buckets. Is it as simple as premium being 31% and then the rest is just loyalty and cargo. Also, as part of the main cabin, so it was part of the 55%. Any color on how basic -- or sorry, Saver contribution has changed year-on-year?

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Thanks, Jamie. We're not going to go into the details of that, obviously. I think you've heard other airlines quote. We don't have MROs and other things, but we feel very diversified as it relates to what is not the main cabin. I think in our slides, we provide some of that breakdown there, about

35% of it is premium cabins and some carriers have 0%. So I think as we've shared all along, we feel like we live more in the group right now that has premium product and global reach as it relates to our business model versus those that do not.

Benito Minicucci - Alaska Air Group, Inc. - President, CEO & Director

Yes. I think, Jamie, I think the point in here with those stats is just to differentiate us among domestic carriers. We are the only domestic carrier with that suite of offerings with the premium, again, lounges, the global access, this equivalent redemption of miles, we do separate ourselves from I think what do you call low.

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline & Aircraft Leasing Equity Analyst

LMA, low-margin airline.

Benito Minicucci - Alaska Air Group, Inc. - President, CEO & Director

You came up with a new acronym. Like my point here is we are not in that group based on the offerings. We invested heavily in our product. We have over 300 airplanes in our fleet. Every airplane in our fleet, including regional has a first class, has a premium product. And again, when you add our oneworld membership, our global access, our lounges, it is a compelling product. And to be honest, Jamie, it's why our margin is equivalent to Delta and United in Q3 despite not having the international tailwinds and having the headwinds of Maui and the refining margins. So the business model is resilient.

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

And last, Jamie, you asked about Saver, it's doing quite well, too. It's up strong double digits year-over-year. And I think it also speaks and you've heard this from other airlines, we can access the price-sensitive part of the market really well, too. So we've been able to...

Jamie Nathaniel Baker - JPMorgan Chase & Co, Research Division - U.S. Airline & Aircraft Leasing Equity Analyst

That was one reason I asked Yes. Yes. No, listen, I appreciate the color. But so let me press on premium, you cited -- you're obviously enthusiastic about it. It's an area for growth. You leaned into this when you answered Ravi's question a couple of moments ago, should we think about premium growth more as yield upside? Or as you think about that 4% to 8% capacity number, are you considering possibly expanding the cabin? I ask in part because American spoke to this just a couple of hours ago, so it's top of mind.

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Yes. I'll take that. I think I don't think you're going to see like a wholesale refurbishment of the interiors. I will say that we're still working on our MAX 8 interior, and we would love to get 16 first-class seats on that, our 8s carry 12 today. The rest of the mainline fleet carries 16. And it's relatively small, but could have ...

Unidentified Company Representative

59 airplanes.

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Yes, 59 airplanes. And it could have a good impact, obviously, for us once we get there, but that's a couple of years off if we end up getting it done.

Operator

We'll hear next from Scott Group with Wolfe Research.

Scott H. Group - Wolfe Research, LLC - MD & Senior Analyst

Thanks. So I just want to go back to this fourth quarter RASM re-acceleration just given the implied September trends. So I just want to understand, are you seeing this already show up in October? Or is this more of a November, December? And I guess, that's a direct question. Just philosophically, like if we're slowing capacity and we're seeing sort of an immediate RASM benefit, like why you even think about 4% to 8% for next year? Why isn't it like we're not going to grow until we actually start grow at all until we see positive RASM again.

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Yes, I'll let that Andrew -- Yes. No, no. I think it's a good question, Scott. Andrew can speak to the -- where we're seeing the sequential improvement if it's already on the books or sort of to come. I think on the capacity, I think the way to think about it is we've been pretty clear about our first quarter capacity being relatively modest, certainly versus 2019. Andrew mentioned in the script, we were up 6 points versus 2019 and Q3, 2 points in Q4. So at least, from our view, Scott, I think what you're asking is exactly what we're doing. We're not ready to talk about full year next year yet. But right now, given fuel and where we see pricing, we're making the right decisions in terms of capacity management.

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

And the only other thing I would add there, Scott, and you don't see this obviously in the details, but even the reduction in growth relatively speaking, has been helpful for sure. We also had some regions with some very significant growth. And I mean, very significant. And I think we've abated those back down to more normalized levels, and that's where we're seeing the greatest upside with some of this slowing capacity. So there's micro regions which we've really dialed it back, and we're seeing immediate help from that.

Scott H. Group - Wolfe Research, LLC - MD & Senior Analyst

So you are seeing some of it already in October?

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Yes.

Scott H. Group - Wolfe Research, LLC - MD & Senior Analyst

Okay. And then, Shane, you talked about working on some pushing out some deliveries. What does that mean for overall CapEx next year?

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Just for color, so you guys sort of understand, and I had mentioned this high level in the prepared remarks. We're going to be at \$1.7 billion this year, down from our original thoughts about CapEx in 2023. And it's going to be under that next year. I think we're not quite ready to say how

much, but I would think in the couple of hundred million dollar range minimally. We'll say more about that in the January call. Nat can just very briefly speak to what we're doing with on the great partners in this. And it speaks to the flexibility that we were able to build into this order book with them.

Nat Pieper - Alaska Air Group, Inc - SVP Fleet, Finance & Alliances

Scott, we are working with Boeing just to reshape '24 and even into '25 a bit to a capacity level that we think maximizes profitability. One of the other variables that we're managing is the MAX 10 certification. So, better plane originally scheduled to come to us next year. Certification, obviously, is its own story and pushing out to the right. So good common ground with us and Boeing to sort through when does that airplane come. The economics we've been really clear on how much we like the MAX 10, and we want to take as many of those as we can. So it gave us to joint impetus to then let's reshape '24 and as a result, manage our capacity down a little bit. You've heard us talk before, we leverage the proximity with Boeing, we talk to them all the time, and it's a really good partnership with great flexibility.

Operator

And we'll take our next question from Brandon Oglenski with Barclays Capital.

Brandon Robert Oglenski - Barclays Bank PLC, Research Division - VP & Senior Equity Analyst

So I heard some comments earlier about trying to be disciplined around growth. And I know you guys have mentioned that you're going to try to slow growth in the first quarter next year. But I guess just thinking through some of these trends that you're talking about with lower corporate shoulder demand being a little bit less than you would have thought. Is this just -- looking forward, should we expect margins at Alaska are just going to be lower in 4Q and 1Q structurally? I mean, they have historically, but should we expect even more volatility in the future? And does that reshape your commercial focus, I guess, during your peak periods? Do you take more price then? I mean how do you reshape the formula to get the prior margin targets that you guys have set out?

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Yes. Thanks, Brandon. I actually think about it a little bit the opposite. I think the work that Andrew is doing and his team are doing in the first quarter is meant to improve the margin profile of the first quarter. I think we talked 2 calls ago that Ben had given the commercial team a challenge over the course of a few years, move back towards breakeven in the first quarter. We are the most seasonal airline, the sort of peakiest airline. We have been through basically all cycles. So we understand when and where we make all of our money.

And I think we're really good at managing capacity in the peak environments. Q4, honestly, I think this Q4 is a bit of an aberration. I think the results are really a consequence of this refining margin differential in fuel price and the continued but normalizing surge in international demand. And I think once that normalizes, we're set up really well to do good in Q4. We'll probably be somewhat lower than some of the other carriers who tend to have less peakiness in their year, but I think we'll be more competitive on a relative basis as we move forward.

Brandon Robert Oglenski - Barclays Bank PLC, Research Division - VP & Senior Equity Analyst

Okay. I appreciate that response. But I guess as you reshape the first quarter, that's kind of at odds with the prior view that long-term CASM could actually decline in the out years, right? Is that why I heard you say it's going to be -- take a couple of years to get back to those productivity targets?

Shane R. Tackett - Alaska Air Group, Inc. - CFO & Executive VP of Finance

Well, look, I think it's very correct to think that there's a correlation between capacity deployment and unit cost. The more we deploy capacity, the easier it is to see the cost decline. But we haven't lifted it off of the idea of unit cost ultimately going down over time. We'll say more about 2024 and the trajectory when we're talking about guidance for next year, Brandon, but this is something we're thinking about a lot. I'll just reiterate as we come out of all of this, we're going to have exposure to all segments of demand, including premium.

We're going to increasingly be attractive from an international perspective to our partners. And I think we're going to have the best relative cost structure story of anybody in the industry. And so I think our setup is really good to continue to be a margin and financial performance leader over the long term.

Operator

Your next question comes from Catherine O'Brien with Goldman Sachs.

Catherine Maureen O'Brien - Goldman Sachs Group, Inc., Research Division - Equity Analyst

So we've heard from 2 of your peers so far that the tech sector in San Francisco in particular have seen a recent uptick in corporate travel. It sounds like you didn't see that in the third quarter. I think your comment was stable. But then just mentioned to Ravi, there's been some momentum in October. Can you just help us size order of magnitude, that improvement you've seen? And is that coming from San Fran and Tech or anything else you'd want to highlight in the recent improvement?

Andrew R. Harrison - Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP

Thanks, Catie. Yes, I mean, and certainly some of the larger technology companies have seen quite a significant movement in volume. And of course, it depends where they fly. As I said, some of the yield environment right now has offset some of those volumes. But for sure, there has been positive movement in California, Pacific Northwest, these big techs cover both regions actually. So some promising signs there.

Catherine Maureen O'Brien - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Okay. Great. And then maybe for Shane, pardon the modeling question, but just trying to get a sense of the aircraft rent tailwind into next year. Is there further downside to 3Q, \$48 million in aircraft rent and some of those aircraft exited in September. Can you just help us think about what the right exit rate is for this year on that line item? And are there any additions on lease aircraft, we should be thinking about into next year?

Emily Halverson - Alaska Air Group, Inc. - VP of Finance, Controller & Principal Accounting Officer

Catie, this is Emily. What you saw this quarter in terms of aircraft rent was a pretty good normalized level. We've now removed all the Airbus leased aircraft from the books. So you're not seeing that rent come through. We've taken delivery of all the MAX leased aircraft that we're going to have, which is the 13 -- I believe, 13 over the last year. So that's pretty normalized now. You will start to see from an ownership perspective, depreciation will tick up to offset some of that as we've taken on so many new MAX aircraft and those will start depreciating through the books.

Operator

And our next question will come from Dan McKenzie with Seaport Global.

Daniel J. McKenzie - *Seaport Research Partners - Research Analyst*

Andrew, when I look at Alaska's network in California, it looks like the state is only about 80% recovered relative to the footprint that was there in 2019. So it looks like a pretty big revenue hole that has yet to recover. And if I'm not mistaken, I believe it accounts for about 23% of Alaska seats. So my question really is that, that part of the network were fully restored, what is the size of that revenue hole that could eventually go away, or however you can size it would be helpful.

Andrew R. Harrison - *Alaska Airlines, Inc. - Chief Revenue Officer, Chief Commercial Officer & Executive VP*

Well, I think if I'm understanding your question, Dan, I think again, we're not going to put seats into a state where there's no demand. So your observations are absolutely correct as far as capacity, and we're down. And I think other carriers are down as well. I think what I'm still seeing here is even on tech and non-tech, and I repeat non-tech business recovery has not been as good at all versus what's happening in the Pacific Northwest.

So we're going to -- again, we talked about the network, we're going to be very disciplined and thoughtful about how we maintain our work and where we fly our seats. But again, as we've maintained for some time, I don't think that's going to be forever, and we're going to be very prepared and in a good position as demand begins to strengthen and crawl back up that demand curve back to 2019 levels to be able to serve that demand.

Daniel J. McKenzie - *Seaport Research Partners - Research Analyst*

Yes. Understood. And then, Shane, I think I might risk kicking a dead horse here. My question is really the same as others here, and that's just to -- really just to close the circle on the path back to low double-digit pretax margin. I think you touched on fleet commonality at \$75 million. It looks like Maui annualized might be close to \$80 million or so. So it looks like maybe 1.5 points to pretax margins there, or please correct me. But from where you sit, what are the biggest revenue and cost opportunities that get you where you want to be?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & Executive VP of Finance*

I want to underscore what Andrew said a second ago, just so we don't lose the point. One of the things I think you all should be thinking about in terms of Alaska setup is we're still in the least recovered portion of the country and still fighting for industry's best margins. So I just think there's goodness to come overall for the company. In terms of your question, yes, the cost side is really leaning out the company, getting rid of the -- not all of the buffer we've put in, but starting to work that back, getting closer to the 2019 productivity levels, I think there is opportunity to further leverage technology and automate more of what the guests do, and we're certainly going to be working on that over the next few years as I think every company is going to be doing. On the revenue side, like once we see sort of where demand normalizes, and in addition to the recovery we expect in the international demand or international domestic demand mix and the West Coast recovery and business recovery, there's a lot more that Andrew and his team are starting to think about and look at from a commercial initiative perspective.

They've done a great job delivering, and we don't get to talk a lot about them on the calls, but delivering on many initiatives this year, we're selling things like exit row seats now that we've not done before, a huge uptick in first class and premium class load factors while yields in those cabins are going up. That is both demand and things that the e-commerce and distribution and pricing team are doing. And there's more of those types of things that we're thinking about for the next year or 2. And we'll talk more about that as we firm plans up and include them in our guidance and/or get to an Investor Day at some point in 2024.

Benito Minicucci - *Alaska Air Group, Inc. - President, CEO & Director*

Thanks, Dan, and thanks, everyone, for joining us for our call. We'll see you next -- or talk to you next quarter. For those we didn't get to, our IR team will be in contact with you. Thanks, everybody.

Operator

This concludes today's conference call. Thank you for attending.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.