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## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to the Alaska Air Group 2023 First Quarter Earnings Call. (Operator Instructions) Today's call is being recorded and will be accessible for future playback at [alaskaair.com](http://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.

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### Ryan St. John

Thank you, operator, and good morning. Thank you for joining us first quarter 2023 Earnings Call. This morning, we issued our earnings release, which is available at [investor.alaskaair.com](http://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 a first quarter GAAP net loss of \$142 million. Excluding special items and mark-to-market fuel hedge adjustments, Air Group reported an adjusted net loss of \$79 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.

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

Hello, and good morning, everyone. Before I begin, I want to welcome Ryan St. John as our new Head of Investor Relations. Ryan is a 15-year veteran of Alaska and also leads our financial and resource planning groups. I'm excited to see Ryan step into this role and know he will do a great job in it. I also must acknowledge Emily Halverson, who Ryan is replacing. Emily stepped into the IR role at the onset of the pandemic, not the easiest time to learn how to do this important and challenging work. Emily has been fantastic as our Head of IR, but this change will allow her to fully focus on leading our accounting and financial reporting functions as our controller.

So now turning to our results. Despite our first quarter loss, I am pleased to report that our operational and financial performance trended positively as we progressed throughout the quarter. We are actively driving improvements in our business, and I believe we are well positioned to capitalize in the second and third quarters. It's important to note that Alaska, along with the entire industry, historically experiences weaker results in the first quarter, and our loss is primarily a reflection of our current network seasonality. In the past, Alaska has found ways to breakeven or earn a small profit in the first quarter. Therefore, we are setting a target to reduce our first quarter profit seasonality over the next few years. That's the right goal for us to have in the future, and it will have a meaningful impact on our full year results.

The start of this year has presented more challenging weather conditions than we've seen historically. Persistent storms, regular snow and elevated icing conditions throughout January and February across all our geographies, including California, led to higher cancellation rates than normal. Additionally, volcanic ash in Alaska and the Pacific Northwest recently disrupted our operations for several days. Despite these challenges, we still operated with one of the best on-time rates and we are second in completion rate year-to-date. We will continue to prioritize operational performance, and we remain committed to delivering a reliable experience for our people and our guests, especially as we move into peak demand periods. Although we can't control what Mother Nature throws at us, I have set a goal for our teams to significantly harden our operational resiliency before next winter and to reduce cancels and customer impacts from weather to the greatest extent possible. The total impact of storms in Q1 were in the order of \$13 million.

But most importantly, this quarter, we delivered on metrics that were squarely within our control. First quarter capacity, revenue and unit costs, excluding fuel, all landed within our originally guided ranges. I am particularly encouraged to see less close in variability and greater stability when forecasting company performance than we've seen in the past 3 years. As stability returns, our ability to execute on our cost and commercial initiatives improves.

Looking ahead, our outlook and priorities remain unchanged as we continue to execute on our strategic initiatives. Our teams remain focused on returning us to the foundational strengths that have served Air Group well for decades. These strengths, including operational excellence, disciplined cost management, high productivity and low overhead will continue to be the primary drivers of consistent, profitable growth, and we are making good progress on several fronts.

Our productivity trends are improving. Total passengers per FTE is up 6% compared to last year, and we have increased total aircraft utilization by 14%. In fact, our mainline utilization has exceeded 2019 levels. Absentee and attrition rates have declined across all work groups, including pilot attrition rates after the ratification of our new contract back in October. With several labor contracts signed last year, we are looking forward to reaching a deal with our flight attendants and aircraft technicians soon to complete the cycle.

Our move to a single mainline fleet is driving better economics. We have improved fuel efficiency by 4% year-over-year this quarter or the equivalent of \$25 million and 7 million fuel gallons saved as a direct result of the superior MAX aircraft in our fleet. This is the equivalent of taking 15,000 cars

off the road each year. Additionally, our upgauging strategy, which adds 28 more seats per aircraft than the A320s we replaced, allows us to unlock growth efficiencies without adding departures within an already constrained operating environment. As a result, we are now producing 20% more ASMs per aircraft than we did at this time last year.

Finally, our balance sheet continues to be a pillar of strength. Our trailing 12-month return on invested capital has continued to improve, reaching double digits for the first time since the pandemic began. Our financial strength has also allowed us to support a long history of shareholder returns, and during the first quarter, we officially restarted our share repurchase program to offset dilution and remain on target to spend at least \$100 million this year.

As we approach our busy Q2 and Q3, we are well prepared for peak summer flying. We have taken proactive steps to prepare our airline, including doubling our pilot training throughput compared to the same period last year and providing a 1-day immersive care retreat to 14,000 guest-facing employees. This retreat emphasized our core values of being kind-hearted and doing the right thing as well as focused on self care, team care and guest care, which are essential to our culture. This has become even more important and necessary in leadership's view post-pandemic. Our people are integral to our success, and I am proud of the work they do preparing our airline to meet demand while performing at a high level of operational excellence.

We have taken deliberate steps to build momentum coming out of this recovery and to fortify our ability to deliver on our targets. As we look forward, we have line of sight to returning to strong double-digit adjusted pretax margins this quarter, and assuming a stable economy, we remain confident that we will deliver our full year adjusted pretax margin of 9% to 12% and earnings per share of \$5.50 to \$7.50, which we believe will be at or near the top of the industry.

Despite the potential for a recession and softening in some sectors of the economy, travel demand remains strong. And while our industry and business may face continued economic volatility in 2023, it remains to be seen if there will be any negative impact on revenue. At Alaska, we have a proven track record of adapting and navigating challenging environments. As we progress on our road map to profitable growth, we are already seeing the benefits of restoring our historical strengths as a single fleet operator and unlocking new commercial initiatives. This positions us well in any environment to continue to deliver on our financial commitments and drive our long-term success. And with that, I'll turn it over to Andrew.

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

Thanks, Ben, and good morning, everyone. My comments today will focus on our first quarter results and in particular, on March, which I believe is more indicative of what we see going forward. I will also share our thoughts on second quarter trends and guidance.

First quarter revenues totaled \$2.2 billion, and that's up 31% versus the first quarter of 2022 with capacity up 14% over the same period. This marked a significant milestone for us as we finally restored capacity to pre-pandemic levels, a 3-year journey. Load factor came in at 80%, exceeding last year's load by 3 points as we lap the effects of Omicron in early 2022. Even when comparing our results to 2019, we delivered strong revenue progression throughout the quarter with January unit revenues up 13%; February up 15%; and March up 19%.

The strong results in March are a good indication of where we're headed as we look to the second quarter. Total March revenue came in above our record-breaking March last year on both higher capacity and higher yields while our pretax margin was nearly 2 points better despite higher fuel prices. Throughout my tenure at Air Group, this airline has been solidly profitable 10 months of the year, with January and February always being the most difficult due to our network configuration and predominantly leisure consumer base. Layer in business travel that hasn't fully recovered plus exceptionally high fuel prices, and it made for a tough quarter. As Ben mentioned, we are committed to driving improvements in these months to accommodate seasonally low demand with an aim to return to breakeven or better in the first quarter in future years.

Moving to business travel, nearly all of our core hubs are in geographies where business has not returned as quickly as in other major economic centers throughout the country. Corporate layoffs and a heavy concentration in the tech sector being major contributors. Yet despite the lagging tech sector, which is roughly 50% to 60% restored to pre-pandemic travel levels, overall, business travel remains around 75% recovered by volume and 85% to 90% by revenue when compared to 2019 levels. I believe the lag in West Coast business travel is upside for us, which we have not

factored into our revenue forecasts. There may be opportunity ahead as corporate travel budgets increase given some companies begin returning to the office and move into new fiscal periods later this year.

We see continuing strength this year in premium and loyalty performance. First and Premium Class revenues were up 35% and 33% year-over-year, respectively, on higher paid load factors and fares. This front cabin preference has persisted, and I expect this trend to continue. Bank cash remuneration also remains strong as we lap the anniversary of our renewed credit card deal with Bank of America. For the quarter, it was up 17% year-over-year. And with the launch of our new card benefits, acquisitions have exceeded our expectations, with the highest quarterly sign-ups in our history, surpassing 100,000 new cards during the quarter.

Regarding network and alliances, we are progressing nicely on our plan to unlock selling capabilities for 10 airline partners on our website this year, with the goal of making alaskaair.com a gateway to the world for our guests. Since our last call, we've turned on selling capabilities for Iberia as partner #5, and work is currently underway to launch 3 more airlines by summer. While we know partner-enabled selling drives positive yield contributions to our network, direct sales also offer a low-cost distribution channel that not only supports our partners but reinforces to our guests that Alaska Airlines can deliver on their global travel needs, which in turn keeps our guests within our network and loyalty program. I am excited to see this area of our commercial initiatives continue to grow and drive incremental benefit in line with our goals to enable 8% to 10% of our total revenues through Alliance partners.

Turning to second quarter guidance. We have line of sight to delivering strong results above and beyond the record quarter we produced last year during the demand surge our industry experienced. For Q2, we expect total revenue to be up 2.5% to 5.5% year-over-year on capacity that is up 6% to 9%. While we experienced softness in close-in bookings in January and February, which is understandable given the lack of business travel that usually materializes during this period, we exited March seeing improved performance across the booking curve. Near term, we continue to see strength in demand with held yields sitting above both 2019 and 2022 levels as we move into the second quarter.

My team is doing a great job optimizing the load and yield equation as capacity and demand remains more stable this year compared to last. I'm very excited to have Kirsten Amrine step into her new VP role overseeing both revenue management and network planning. Kirsten has spent her 16 years at Air Group in various roles in revenue management. Her deep knowledge and expertise have been an asset as we constantly learn how to manage our inventory to account for new shifts in booking patterns and make network adjustments going forward. Brett Catlin has done a fantastic job at managing our network for the last 4 years, and he will be taking on direct responsibility for our loyalty and credit card programs, corporate sales and continuing his alliance responsibilities. These leadership changes will ensure that the commercial organization stays laser focused and coordinated on these critical revenue-generating levers.

As Ben mentioned, our growth this year is primarily being driven by gauge and stage, a highly efficient form of expansion. Having returned to pre-pandemic levels of capacity at a system level, we are focused on building network depth in Portland and working to fully restore our network in many California markets.

Looking to the remainder of the year, we are poised to produce strong results as we rebuild our network, upgauge efficiently and refine our revenue capabilities within this evolving demand environment. Importantly, we are performing in line with our internal targets and remain confident in delivering on our full year goals. We have proven product initiatives in place, and they will continue to drive value for our business as we move forward. And with that, I'll pass it over to Shane.

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

Thanks, Andrew, and good morning, everyone. As Ben mentioned, we experienced improved stability to the business this quarter, which was good to see. In my experience, the biggest challenge to operational and cost management historically has been volatility. And as that volatility subsides, our ability to drive consistent operational and cost improvements is enhanced. I'm encouraged that we were able to start the year with financial performance, absent fuel price impacts within our original guidance ranges. Alaska has a long history of delivering on our commitments and guidance, and we are focused on doing so again in the second quarter and for the full year.

Turning to our balance sheet and liquidity. We remain well positioned with both. Our debt to cap finished the quarter at 48% and our net debt-to-EBITDAR stood below 1 turn at 0.8x. Both of these metrics are within our long-term target ranges. Debt payments were approximately \$100 million for the quarter and are expected to be \$50 million and \$100 million in the second and third quarters, respectively. We generated \$222 million in cash flow from operations during the quarter, while total liquidity inclusive of on-hand cash and undrawn lines of credit was a healthy \$2.8 billion at quarter end. As our business normalizes and we continue to pay for aircraft deliveries, we will anchor toward the higher end of our target liquidity range of 15% to 25% of revenue or around \$2 billion to \$2.4 billion, inclusive of lines of credit.

Our trailing 12-month return on invested capital surpassed double digits and closed the quarter at 10.6%. The last time we achieved double-digit trailing 12-month ROIC was, not surprisingly, February of 2020. It's nice for this metric to, once again, be well above our cost of capital, and our goal is to now remain above 10% and grow from there. We also restarted our share repurchase program this quarter and have spent approximately \$23 million year-to-date, a marker on our way to returning to our long-term capital allocation goals.

Turning to the performance of the business. We executed to our plan in the quarter, again, absent fuel price. First quarter CSMex was down 1% year-over-year on capacity up 14%, both within our guided ranges. Our teams did an excellent job delivering on their internal targets with the only source of significant variance being the cost of challenging winter weather that Ben mentioned, which was approximately \$8 million of cost of the \$13 million total impact.

Our completion rate exceeded our goal, while daily aircraft utilization increased 14% year-over-year, helping us return to pre-pandemic capacity. With the retirement of our A320s and Q400s in January, our total aircraft count was down 29 aircraft yet ASMs were up 14% versus Q1 2022, demonstrating the impact of both utilization and the benefits of our upgauging strategy. It's worth acknowledging that our capacity was at the high end of our guide and our CSMex fuel was just below our midpoint. I would like to see us return to our historical pattern of matching capacity outperformance with commensurate cost outperformance, and I'm confident we will ultimately see this. We are wholly focused on continuing to rebuild this muscle over the next several quarters.

Fuel was a clear headwind in the first quarter. While crude prices were between \$70 and \$80 per barrel during the quarter, refining margins continued to be particularly volatile. Although they have been more stable in the past few weeks at what I would view as reasonable levels. Our first quarter fuel price was \$3.41 per gallon versus our original guidance midpoint of \$3.25 and versus \$2.62 last year. This added more than \$30 million of cost versus our guide, which equated to approximately 150 basis points in margin impact. For the second quarter, we estimate our price per gallon will be between \$2.95 and \$3.15. We hope this is a conservative guide as month-to-date, our all-in per gallon price is close to the \$2.95 low end of our guide. At any fuel price within our range, we have line of sight to solid double-digit pretax margins for the quarter with any additional price favorability contributing direct upside opportunity to our results.

Turning to capacity and cost guidance. We expect capacity to be up 6% to 9% versus Q2 2022, and CSMex to be up 1% to 3%. While lower than the 14% year-over-year capacity increase in the first quarter, when comparing to 2019, our Q2 and first half capacity is roughly flat while we expect to step up to low single-digit growth in the back half of the year. From a cost standpoint, the first quarter year-over-year comparison benefited from \$35 million of lease return costs rolling off, while this is not the case for the second quarter. Along with lower sequential year-over-year growth, we have a slightly tougher cost comparison setup this quarter. For the full year, we still expect to reduce unit costs 1% to 3% as we drive productivity improvements, leverage the restoration of our full network and lap labor deals in the back half of the year.

Regarding our fleet transition, September 2023 will be the final month we operate the Airbus fleet, at which point, we will retire the last 10 A321s from what was at one point a 72 aircraft fleet. This cements our future as a single fleet operator by 2024. And as a result of this acceleration, we expect to incur approximately \$300 million to \$350 million in special fleet transition charges through the end of the year.

By fully retiring the Airbus fleet at the end of the third quarter, we expect all of our pilot training and associated transition costs should now be completed by year-end with very little spillover into 2024. We will plan to transition the remaining Airbus pilots in the fourth quarter of this year, which will set us up for a clean 2024 from a pilot training and dual fleet cost headwind standpoint. We still expect to deliver 8% to 10% capacity growth this year. As we've mentioned before, following the setbacks we experienced last year, we derisked our 2023 capacity plan considerably and will remain conservative in our capacity commitments as we protect stability and prioritize reliability in our operation. Which essentially means that we may continue to perform at the higher end of our guided capacity range if our completion rate continues to be strong.

In closing, our management team has been very intentional in setting targets and ensuring we execute the steps necessary to deliver on them. We know we still have work to do, but we are encouraged by our recent results and are optimistic about the second and third quarters, which are our peak performance periods. We remain of the belief that we have core competitive advantages, the right business model and the right strategic initiatives to continue to drive outperformance versus our peers in whatever economic backdrop we encounter. And with that, let's go to your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And our first question today comes from Savi Syth with Raymond James.

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

I wonder if you could talk about -- a little bit about what you're seeing in terms of kind of passenger travel changes versus pre-pandemic in terms of booking curve, seasonality, day of week or destination. Just curious on how that's progressing and how that's impacting how you're forecasting things.

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

Savi, we're still working and observing how we build back. But a couple of things I will share is that number one, I think the booking curve is back sort of to 2019 levels. So we're sort of seeing leisure booked further out again. So that's the first thing. I think second thing on the big day of week changes, Friday and Sunday are still CRASM Kings; they generate the highest unit revenues of the week, but we've seen Saturday take a step change up, and that's been one of the strongest increase in unit revenue days of week, and so flying a bit more on Saturdays. I think Wednesday Tuesday are the weakest and then sort of Thursdays on Mondays. Another big change that's occurred is sort of the advanced booking window.

I think in my career, I've never seen 30-day advanced purchase barriers that have gone up. And we're seeing that across our network which sort of leads me to believe that essentially business travelers are actually booking further out than they have historically. And then the last thing I would mention as Ben has well articulated is we need to do a much better job at matching supply and demand and what seems to be a weaker January and February with business traffic essentially down 25% at this time.

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

That's helpful color. And then if I might, on the fleet transition, the special charge that you talked about, is any of that cash this year? And just if you could talk a little bit more about how that transition went in the kind of the first part with the A320s and how that's informing how you do the A321 transition?

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

Savi, this is Emily. I will start on the cash, and then I'll hand it over to Nat to talk more about the fleet transition itself. Some of the cash will hit this year. I expect most of it -- most of what Shane mentioned, the 300 to 350 to hit over the next 12 months. We also have some cash that will be incurred this year related to the accruals that were taken last year. So as we work through the remainder of the A320 transition, it's all through the P&L already, but the cash is still going to be incurred in 2023.



**Nathaniel Pieper** - Alaska Airlines, Inc. - SVP of Fleet, Finance and Alliances

And Savi, on the A321s, it's Nat. We're really excited as you gather from Shane, from Ben, from Andrew, really everybody at Air Group to get this fleet transition done and get to single fleet as fast as we can. The op plan is in motion. And now the last hurdle we've got to get over is to come up with an A321 exit plan, and we're getting close. Late-stage discussions with a bunch of parties, lessors, financial firms, other airlines, and our objective is to paper the transaction for the 10 aircraft by the end of the second quarter. And we're confident the way we've structured it that we'll come out on an NPV and cash flow positive basis versus parking the aircraft to maturity and just making lease payments until then.

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**Operator**

Your next question comes from Conor Cunningham with Melius Research.

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

So the implied exit rate on cost is obviously awesome, but can you just speak to how you get to the high and low end of the full year guide? The reason why I ask is that the arc seems -- the arc in improvement seems pretty steep from up to the up 2% to I think you're implying basically like down 6% in the fourth quarter. So I just want to understand the puts and takes and how you get there?

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

Conor, it's Shane. Yes, I think the biggest driver of the second half performance trend is going to be the lapping of labor deals. I think we talked about this the last couple of quarters. We've got about \$75 million, \$80 million of structural cost increase due to the 6 labor deals we signed last year, they start to lap in August, but the biggest one, of course, is our pilot deal that really starts to lap in Q4. So we'll be fully through the comp headwinds by the fourth quarter. That's the biggest one.

I think the other thing just to realize is as we grew the first quarter of this year on an absolute basis over the fourth quarter of last year. We held extra resources to do that. We typically go down in capacity Q4 to Q1. We stressed the operation a bit and we made sure we had ample additional sort of resource to ensure that we didn't take a hit on completion rate or operational performance, which we did a really good job on the operations. So I think as we go forward, we'll get a little more productive with our resources, and then we'll start to lap these large labor deals.

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

Okay. Helpful. And then on the -- I think last quarter, there was like endless discussion between the link of fuel and revenue. Today, obviously, sure a lot lower than where it was in January. So you're reiterating your unit revenue assumptions, I think, for the full year. So I'm just trying to understand, why wouldn't we be at the lower end of the range if jet fuel is here? I know that you have a lot going on. So maybe you could just talk a little bit about the revenue drivers that you have that could offset some of that.

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

Conor, I'll start on the fuel. I think what -- I think we've always sort of felt like unit revenue is going to be more a function of capacity. Capacity may be more a function of economic sort of backdrop. That economic backdrop probably is what drives fuel. But I think our sort of full year expectation for fuel was in the \$3.15 range or \$3.20 range. We haven't decided that it's going to be materially below that yet. You can see our Q2 guidance is a little bit below that, but certainly above what we're paying today. If we sort of felt like there was a lot of confidence that fuel was trending below \$2.90 or something, yes, I think then we might have a slightly different perspective on unit revenues.



But right now, we think it's too early to tell. Fuel has been super volatile. Refining margins have moved around a lot in the first quarter. So we just -- our sort of baseline expectation is what we originally guided to over the -- in the first part of the year, which is fuel in the \$3.10 and change in unit revenues roughly flat for the full year.

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**Operator**

Our next question will come from Brandon Oglenski with Barclays.

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

Andrew, I was wondering if you could come back to your comments about sequential RASM here and looking at it year-over-year as well. Looks like you're going to be up sequentially, but maybe down from where you were in 2Q '22. Can you talk to that dynamic?

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

Yes. I mean, I think, well, sequentially from Q1 to Q2, you see an absolute unit revenue increase of about 14.5% on sort of given our seasonality. And as we've sort of shared, I think where we're at right now is our growth is obviously 9-plus percent as we move forward. And so essentially, our goal is to bring in traffic in line with our capacity growth at higher -- at essentially revenue -- at unit revenues that were essentially at the same level we achieved last year. So you're going to see them start to come down a little bit. We have, obviously, very tough comps, but I think big picture for us, the volumes are coming in as we sit here on Q2. And we're maintaining, give or take, a few points, our unit revenue increases that we achieved last year. So that's what goes into the guide, and that's how we feel pretty good about the second quarter.

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

Okay. I appreciate that. And then can you give us any detail on business travel trends in your network, especially given Silicon Valley Bank in March?

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

Yes. I think on a macro level, and again, I just went back and looked at the ARC data as well as our own data around the weeks of all of that. And essentially, the booking levels, there's blips here and there, but they've sort of really been stuck at this back in our network at least 75% with revenues closer to 85% and 90%. And I think as we look forward, we're not forecasting it, but we're hoping to see as we move past some of these little shocks to the system that business travel comes back a little bit better than the 75% it's been at, but we're not expecting it.

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**Operator**

And we'll hear next from Ravi Shanker with Morgan Stanley.

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

The last response, you said in your prepared remarks that West Coast corporate travel is an opportunity for you and I completely agree. But at what point do you kind of say that, hey, that's taking too long or maybe that's just structurally not coming back as much as you think kind of given the job cuts there. I was wondering, do you envision a point where you're structurally thinking of moving away from West Coast corporate as much exposure as you've had and moving more towards a leisure traveler?

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

That's actually a really good question, Ravi. I think where we are, for now, is that the close-in volumes aren't there and so we're going to be biasing towards building the volumes outside of the typical business window. Actually, right now, leisure revenues are up about 130% versus 2019, very, very strong. And so we're going to continue to capitalize on that and watch that. And I think on the network side, some of the hub to hub heavy traditional business traffic markets, we're going to sort of trim back and maybe put that capacity elsewhere. So again, we're watching it. But I think that's going to be a big question as we move forward through this year.

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

Got it. That's helpful. And maybe as a follow-up. Kind of given your West Coast alliance and as a part of oneworld, how do we think about China reopening as a potential tailwind for you guys over the next 12 months? Kind of how do you size the multiplier effect of domestic travel once you have people coming in through the West Coast hubs?

**Nathaniel Pieper** - Alaska Airlines, Inc. - SVP of Fleet, Finance and Alliances

Ravi, it's Nat Pieper. Great question on China. And I can't speak specifically to that as we're kind of watching that with all of our Alliance Partners. What I can say is that we're really optimistic and bullish with the oneworld feed and linking our West Coast network to our partners, whether it's nonstop flights into Seattle, Japan Airlines to Tokyo, Finnair to Helsinki and then Los Angeles with Iberia. We're really seeing a lot of pickup and a lot of incremental revenue that's getting there. So as China opens over time, we'd expect to participate in that through our partners.

**Operator**

We'll move next to Andrew Didora with Bank of America.

**Andrew George Didora** - BofA Securities, Research Division - Director

Andrew, just can you talk to how recovered your California market is right now? How do you think about the build up here? And we've actually heard anecdotally over the last few days from several folks just -- and seeing transcon fares pretty weak. What kind of dynamic do you think is going on there that from your seat?

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

Yes. I think we talk in macro levels about our growth and getting back flat with '19. The reality is Seattle is actually healthily above 2019 and the rest of the network and specifically California is still below 2019. And so in some respects, I think that's the right place to be. I think on a year-over-year basis, we've actually, in our network at least, been very happy with our unit revenue performance in the California market because we are building ourselves back to a stronger place. And so at the highest level, your comments are actually absolutely true. I think for us internally, we feel good that our California network is actually improving.

**Andrew George Didora** - BofA Securities, Research Division - Director

Got it. And then thoughts on transcon?

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

California transCon?

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**Andrew George Didora** - *BofA Securities, Research Division - Director*

Yes.

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

Yes. Again, I think especially with our partnership with American and part of oneworld, we've got code on these flights, especially out of the Bay Area that's really helping. And I think we'll see what happens this summer, although it's not specifically West Coast, but I think the general New York areas, some of the slots are being pulled down a little bit. But again, I think we're in a better position than we were certainly last year as it relates to the transcon markets.

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**Andrew George Didora** - *BofA Securities, Research Division - Director*

Got it. Understood. And then, Shane, what would have to happen for you to consider buying back more stock than just for dilution purposes?

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

Andrew, I might just add one thing. I think your sort of implication of the question is California is somewhat weaker in terms of recovery than a lot of the rest of the country. And I think that's generally true. We've done a good job putting the right supply in there, but it's all upside for us. And I think we're feeling good because we've got a chance to still be the industry's top margin producer and further upside when California does recover. It's the sixth largest economy in the world. It's going to come back...

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**Andrew George Didora** - *BofA Securities, Research Division - Director*

I wasn't saying that it was unexpectedly weak. I was just curious where it was in the recovery?

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

Got you. No, I appreciate that. Yes, I think we're -- I think if we continue to trade at prices that we believe are a really good value, which is what we believe about our stock price today, we'll have a bias to do more than just dilution throughout the year. So we'll continue to talk about that internally and with our Board. But I think if prices are where they are today, we'll probably be more aggressive in the second quarter.

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**Operator**

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

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

So maybe just one more on the revenue. Your guidance is implying a reacceleration in RASM in 2Q from 1Q on a versus '19 basis that helps us adjust for seasonality there. Can you just walk us through what drove the deceleration from year-end into 1Q and what you're seeing today that gives you confidence in a better 2Q? Is that just higher leisure mix? Or is there anything else driving that improvement?

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

Catie, just to touch on Q2 first. We're actually -- we have 63% of the second quarter's revenues in the books right now. And I think as I look forward, looking at what we've been booking in the last few weeks, both on the yield side and the traffic side, it's sitting very nicely in our guide. I think from Q4 to Q1, obviously, growth in the first quarter was very significant at 14%. Also, obviously, in what is our weakest quarter being January and February. I think as it relates to January and February, I do think that -- and this is on me that we -- had we known differently, we probably would have structured and shaped the network a little differently in January and February. And of course, we had some very difficult weather and issues there as well that didn't help. But -- that's really a big part of the deceleration. But again, as you can see in the graphs, we're back on up. We're accelerating back into March, April, May and June, and I think we're on a good trajectory.

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

Great. And then maybe one for Shane. So based on your commentary on two half capacity growth and then your comments on being conservative on completion, it sounds like there's a decent chance you're going to come in at the higher end of capacity guide. Should that inform our view on how CASM ultimately comes in? Or there are offsets that higher capacity where we shouldn't assume coming in at the higher end of the capacity moves us towards the better end of the down 1 to 3 similar to what we just saw in the first quarter?

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

And I tried to address this bit in my script. We were at the high end in Q1 of capacity. We have built conservatism into the capacity guide. We certainly have more planes and more resources that we could fly harder if we wanted to put more capacity into the system. We're going to continue to prioritize operational reliability and stability, and we're going to watch the economy closely. So I think I said in the script that if we continue to complete flights at a high level, we could easily be at the high end of that range. And I think that's an absolute true statement, and that's kind of where we would expect to be at this point. I don't think we should infer too much in terms of a change in our posture on unit costs.

Our goal long term would be to be on the high end of the capacity range and the low end of the CASM range. That's where we want to get back to. We didn't do that in Q1. I think we'll get there. It's just a matter of rebuilding this muscle - we need stability in the operation, which we now have, we need to lap some of the headwinds that we've got, which we're going to do. And I don't think we've forgotten how to work the cost muscle, we just need some time to go do it. And that's what we're going to focus on this year. And by the end of the year, I think we'll be in a position to outperform capacity and be on the better end of our CASM guides as well.

**Operator**

Your next question comes from Duane Pfennigwerth with Evercore ISI.

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

Just on the technology corporate recovery stat, it's one we've been looking for, for a while. I think you said 50% to 60%. Is that a revenue or a volume comment? And maybe you could just put it in context, was it at a higher level than that at any point last year? In other words, are you seeing any incremental weakness in tech business travel? Or is it kind of bouncing along the bottom where it has been for some time?

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

Duane, it's Andrew. That's a volume metric that I just gave you. And there are some technology companies that are way worse than that and some that are actually way better than that. I think just going off memory, I think back in the third quarter of '22, I think we saw a resurgence a little bit of tech. And then we started to see it collapse by the back end of the year again. And just -- it just really has not changed. And my personal view is

that literally, this is driven by the CFOs and a constraint on travel and budgets. And until that gets released, I don't think we're going to see an improvement.

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

It's Ben. Just on that, just being here on the West Coast and watching some of these big tech companies, mandate return to office, new fiscal budgets coming, it's not in our forecast, but I think we just see a lot of upside going forward in the future. I think we're out of the trough, to answer your question, and we're hopeful that it gets better as these tech companies recover and get stable and then move forward with their business.

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

Great. And then -- I appreciate that. And then just on revenue management generally and the trade-off between loads and yields any different approach going forward than maybe the one that you entered the March quarter with? And could you just contrast that approach right here and now versus how you thought about the world in 2019?

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

Yes. That's -- you know what, for Kirsten and I, the load and yields trade-off is what keeps us up at night. It is a critical question. And I think really what we wrestle with on a daily basis is how much do we rely on the close-in both yields and volume. And to date, we've seen them be a little weaker versus -- certainly versus 2019. So I think as we continue to watch this, but I think when you go back to 2019, unit revenues were up a couple of points, capacity was up a couple of points. It was a pretty stable nonexciting year per se, but I think the volatility that we've got going on and looking at how we manage these ebbs and flows is key. So I think as we go closer into summer and we are a high leisure carrier, and that's where we -- Q2 and especially Q3 is where we really do well. We're going to have to really wrestle with that question.

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**Operator**

And your next question will come from Jamie Baker with JPMorgan.

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

Well, speaking of return to office mandates, here I am. So it's typically better to take local yields over connecting yields, just sort of a broader industry comment. But in light of this surging international demand dynamic right now year-on-year, is Alaska at a point where prioritizing fee to long-haul oneworld flights might make more economic sense? Or would that be sort of overstating the portion of the international journey that you take. I mean are you still better off chasing local yields in other words?

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

Jamie, it's a question that we're actually focused on right now. I will -- and I think we shared this on previous calls, but the traffic and the pro rates and the connecting and even the local from American is actually better than our system average. And so this is highly valuable traffic, especially with the surge in international. We have hired some international pricing folks as well. So as an RM team, we're getting more and more focus on this. As we shared at the highest level, 8% to 10% of all revenue coming from partners, International is obviously a subset of that, the domestic is obviously a much higher portion. But I do think that there is opportunity on certain markets and connecting markets to focus more on this area.

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

Okay. Interesting. And then second, when I think back to the start of COVID, One of the things that I wasn't initially thinking about or anticipating was the industry brain drain that has taken place. And maybe brain drain isn't the best term. I don't mean that in a derogatory sense, but gyrations in the C-suite, whatever you want to call it. As we think about your bench but also the broader industry, and I apologize I'm just kind of thinking out loud here, but is this a topic that your team gives much consideration to internally? And if it's a stupid question, just say so I'm sure my competitors will be thrilled.

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

No, Jamie, I would never say that's a dumb question. No, actually, it's a topic we talk about at the Board. As I look around the table here at my executives and my officers, we've had very -- we were fortunate, we've had very little turnover at the executive level at Alaska. But I think what you're talking about is an important topic, is how do you create a bench? How do you create succession? And it's something we're focused on and working on as we speak. So your question is valid. Again, short term, we're fortunate here. We haven't had that brain drain, but it's something to be aware of in the next 3 to 5 years.

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**Operator**

Our next question will come from Stephen Trent with Citigroup.

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**Stephen Trent** - *Citigroup Inc. Exchange Research - Research Analyst*

I was just curious what your thoughts are on U.S. infrastructure. So I know you guys and your competitors have done a lot of good work to make -- to ensure, for example, a smoother summer travel period. What are you seeing on the government side in terms of appropriately staffed TSA, traffic control, infrastructure investment? It looks like the House of Rep and the White House can seem to agree on budget. So I'm wondering how you're seeing all that on a high level.

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

Stephen, thanks for your question. So maybe the best way I can contrast it is back to 2019. So when I look at the capacity of the airline industry vis-a-vis today, it's roughly the same. So we have roughly the same amount of capacity than we did in 2019. I think the pinch point is air traffic controllers. As you see some of the actions that need to be taken in New York, I think in Florida, I think we've seen some in California and our L.A. market. So I think staffing on the federal side is the key pinch point.

And again, we're talking with our government counterparties and making sure that they hire and train appropriately. Infrastructure is another one. I think that airlines and government have to work on together to make sure the airspace is efficient. There's a lot of things that we can do in terms of technology to facilitate that. And I think that going forward, like I say, we're back to 2019 levels where we were already constrained. But going forward, I think we really need a solid plan to really facilitate this next generation of air space management.

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**Operator**

And we'll move next to Mike Linenberg with Deutsche Bank.

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

Andrew, your this objective about sort of reducing the seasonality of the company in the March quarter or at least finding a way to get to profitability. It seems like no management team at Alaska has really ever been able to crack the code in that regard. I think there's been like maybe a year here

or there where we've seen profitability, but it was usually sort of peak. I guess absent, I don't know, building a hub in Cabo, is it network? Is it just scaling back frequency in some of these corporate markets and maybe running airplanes -- more airplanes through maintenance, maybe your utilization goes down, but that's better? Or is it more on the cost side, just moving to a single fleet type and you get a nice tailwind there. I mean I'm just trying to figure out what you're thinking about. It's interesting.

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

Mike, it's Ben. It's a great question. So if you look at for us, March was very profitable. We almost hit a double-digit pretax margin. It was January and February that were the issues. So for us, like I got to be honest, I just set the mandate for my team and say, look, leaders change outcomes. We don't like the outcome in January and February, and we don't know the exact answer, Mike, to be honest. But the mandate has been given to the commercial team to say, look, there are things that we know if we dissect the data, airplanes can be moved, we can do things with our network, manage capacity. But you have to do that not only right before the quarter, you got to start thinking about it 9 months before, which is why we're setting the goal now.

So Andrew needs to think about what he does in the second and third quarter as he builds capacity so he can manage the first quarter of next year. And so a lot of work to do, Mike. And hopefully, we can show that at least we've closed the gap to next year as we work on this thing. And to your point, it's not been consistently done, but at Alaska. We just like taking big audacious challenges that says let's change the narrative.

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

I know, very good. Now just one more. On just watching American sort of shift on their distribution and I'm sure you've been following the reports closely where it does look like that they're now focusing on their larger corporate accounts. And given that you guys have gotten closer and as part of the partnership, you, obviously, want to grow and build on that and then obviously bring in more corporate travel. Does that have an impact on you? And I guess, specifically, I'm saying where American has said that they're going to sort of back away at some of the smaller accounts, corporate accounts that maybe do less than \$1.5 million or \$2 million of sales.

And I know that may be an area that you play in. I mean, obviously, you have big corporates that you do business with, but when I think about Alaska historically, I mean given your network and size prior to oneworld prior to the American partnership, you probably had a disproportionate amount of your corporates were probably maybe small, medium enterprises. So I'm just curious if there's any sort of impact there, you're probably watching that closely. Any comments that you can make about that shift on American on the distribution and sales side.

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

Yes. I think obviously, it's well documented and some of the significant changes that American are doing specifically around NDC and the impact with GDS and all the rest of it. I think for us, we obviously have good and a lot of joint contracting with American and our larger corporates, and they've been working extremely well. One of Brett Catlin's priority one objectives is I think we under-index where we should in the small and medium enterprise. So I think it's not something we've focused on as much as we should. So again, if anything, given our West Coast footprint, we're going to be focusing a lot more on that. As it relates to NDC, we are well into our journey as well and more to come on that -- we'll be sort of fully up and running next year with OTAs and all that connected. And I think there's a good cost story there and there's a good product story there and more to come.

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**Operator**

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



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

I want to just go back to the chart on the monthly RASM. So I think you said 63% of revenue is booked for the quarter. How much of June is booked at this point because there's obviously a big further step-up assumed in June? And how do I think about that further acceleration in June relative to some of your comments about RASM following fuel prices?

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

Yes. So I think June, I'm going to just -- even on our load factor, I think we still got a good 45-plus points to go. So to your point, Scott, it is the lowest booked of the summer, but I'll also say it is one of the strongest and highest demand as we go into summer there. So I think that's what the team is squarely focused on right now. And to my earlier comments, we need to get right, the mix between bookings further out and what we're going to allow to come closer in.

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

Okay. And then, Shane, I just want to clarify is, you're still assuming 8% to 10% revenue growth for the year. And then the fuel hedges -- I know I've asked this before, but I'll ask it, doesn't feel like they're helping. Any thoughts about either changing how we hedge or just getting rid of hedges?

**Nathaniel Pieper** - *Alaska Airlines, Inc. - SVP of Fleet, Finance and Alliances*

Scott, it's Nat. Consistent with the Alaska you know, we are -- we play it for the long run. And hedging costs in the quarter was about \$12 million. Long term, it was \$170 million to the good last year. So we didn't get a lot of questions last year about changing the hedge program as you might expect. Since we've had this program specifically in place since 2015, buying calls 20% out of the money, 18 months in advance, the program has been positive for us. It's all about limiting volatility and really trying to just put a box around it. So one quarter doesn't cause us necessarily to change a multiyear process, but I think we're going to be intelligent about it and look at it over the long run. And if there are smart changes to be made, we'll make them.

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

And then the 8% to 10% revenue, is that still the right number?

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

Yes. Sorry, Scott, I didn't mean to not answer that question. Yes, that is still the right number for us for sure.

**Operator**

And our next question comes from Helane Becker with TD Cowen.

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

I have two questions. My first question is in February this year, I think you lost a lawsuit. And in the Virgin America case, number one, A, have you taken accruals for that? And B, will you appeal that decision? Or is it not appealable?

**Kyle B. Levine** - Alaska Air Group, Inc. - Chief Ethics & Compliance Officer, Senior VP of Legal, General Counsel and Corporate Secretary

Helene, it's Kyle. This litigation is a long road. We've been fighting this for about 7 years. It's the Virgin Group Royalty license matter pending in London. And the very first stage of that was a ruling by the judge in London, adopting Virgin Group's interpretation of our contract. There are additional proceedings coming, so continue to watch, and we'll keep you posted. On the accrual side, we have accrued \$10 million at this point, and you'll see additional disclosures in our 10-Q in a couple of weeks.

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

Okay. That's very helpful. And then my follow-up question or another question, you guys announced recently, I think, within the last week or so that you're eliminating kiosks at the airport. And I'm just wondering how you're thinking about that? I know most people come to the airport with their boarding pass in hand, but how are you thinking about the acceptance rate of that among your clients?

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

Thanks for bringing that up, Helene. Actually, this is very exciting. And the reality is our lobbies are hugely congested. And we've actually started rolling these out. We've had about 7 or 8 stations done, including Portland. And what we're finding is at least a 10-point increase in people coming prepared to the lobby, checked in already, even paid for their bag. And so what it's going to do is there's a little bit of change management, of course, but we've seen hugely positive results both from our guests and our agents.

And I think what you're going to see in the future is people only needing to check bags that are going to be milling around in the lobby. Only half of all passengers check bags. The rest need to go straight to security. We've had about 1/4 of those be in the lobby, using kiosks, do all sorts of things. And now we're fully mobile and we can do that outside. So I think you're going to see good productivity, efficiency and a much more pleasant lobby experience as we roll this out over '23 and '24.

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

And Helene, it's Ben. Like our long-term vision is to have people come in just get their bag tag or have an electronic bag tag, which we've already introduced, go to a self bag drop, drop your bag and get through security within under 5 minutes is the goal. So really, make it a wonderful, easy customer experience. So these are the things that we're rolling out in the next 12 to 18 months. It's really exciting for us on the innovation front.

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

That's really helpful, Ben. Are you able to lower facility costs then?

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

Well, I think what we would do as we're growing, as my CFO here is on my right side, he would say, keep the same footprint but process more people. And I think that's the goal, right, is to increase the productivity of the real estate footprint we have, which is what we're all about.

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**Operator**

Our next question will come from Chris with Susquehanna International.

**Christopher Nicholas Stathoulopoulos** - *Susquehanna Financial Group, LLLP, Research Division - Associate*

Ben, could you comment on the procedures in place to navigate, let's say, less than ideal operating conditions versus periods of strong demand, meaning how confident are you in Alaska's ability -- operational resiliency and ability to keep your completion factors north of, let's say, 95% when conditions are tough?

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

Chris, great question. I would say right now, as we head to the summer, I'm extremely confident. I think two things that have to be in place: One, you have to be staffed properly, and our staffing numbers are quite strong across every labor group. The second thing is, as we're getting our footing as we go back and you know our history, we've always had great performances. We have an operational playbook that we execute, and this is something that we've focused on is we have a timeline. We know exactly what to do and when, and that is starting to click in from what I see across all areas and all of our hubs. So I'm quite confident in our operations team, and I think we're going to have a great summer.

**Christopher Nicholas Stathoulopoulos** - *Susquehanna Financial Group, LLLP, Research Division - Associate*

Okay. And then my follow-up on the stage and gauge focus this year, as we think about the cadence of second half CASMex, should we expect this benefit to flow through evenly through the second half? Or is this something that would be more fully realized as we exit 4Q? And I realize there's also implicitly some type of macro assumption around stage and certainly as it relates to gauge and any order book risk that you've contemplated there?

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

Chris, yes, the CASMex cadence, I think we tried to -- we issued some slides that may help if you take a look at them. Certainly, the Q4 exit rate is the best rate of the year, but it's actually pretty ratable as you get through Q2 to Q3 then Q4. It's not like all of the benefit comes in Q4. So we'll have a chance to see how we're doing against that in the next 1.5 quarters or so. But yes, I think given that we're lapping the labor deals primarily in the fourth quarter, that's where you get the biggest sort of CASMex tailwind benefit.

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

Thanks Chris and thank you everyone, for joining us. We'll talk to you next quarter.

**Operator**

And this concludes today's conference call. Thank you for attending.

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