Investor Presentation

Alaska Air Group

3Q 2019

Safe Harbor

This presentation may contain forward-looking statements subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. These statements relate to future events and involve known and unknown risks and uncertainties that may cause actual outcomes to be materially different from those indicated by our forward-looking statements, assumptions or beliefs. For a comprehensive discussion of potential risk factors, see Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Some of these risks include competition, labor costs and relations, general economic conditions, increases in operating costs including fuel, inability to meet cost reduction goals, seasonal fluctuations in our financial results, an aircraft accident, changes in laws and regulations and risks inherent in the achievement of anticipated synergies and the timing thereof in connection with the acquisition of Virgin America. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed in our most recent Form 10-K and in our subsequent SEC filings. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of such new risk factors on our business or events described in any forward-looking statements. We expressly disclaim any obligation to publicly update or revise any forward-looking statements made today to conform them to actual results. Over time, our actual results, performance or achievements may differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, assumptions or beliefs and such differences might be significant and materially adverse.

Who We Are – Company Overview

Alaska By The Numbers

$7.5 billion
Market Capitalization

$8.3 billion
2018 Revenue

46 million
2018 Passengers

23,420
Employees

234
Mainline Aircraft
97
Regional Aircraft

~1,300
Departures Per Day

Balanced, long-term orientation

Profitable growth creates value for all of our stakeholders.

Experienced leadership team


Ben Minicucci
President


Brandon Pedersen
CFO


Andrew Harrison
CCO


Gary Beck
Horizon Air CEO


Shane Tackett
EVP Planning & Strategy


Andy Schneider
SVP People


Diana Birkett Rakow
VP External Relations


Kyle Levine
General Counsel


Brad Tilden
CEO

16 Years

Average Tenure

Compelling vision and timeless values

Our Vision: The West Coast Favorite

Our Values

- Own Safety
- Deliver performance
- Do the right thing
- Be remarkable
- Be kindhearted

Industry-leading reliability, service and guest rewards

Recent Awards & Accolades

ACSI American Customer Satisfaction Index

#1 in Airline Customer Satisfaction for 2019

America's Best Airline for 2017

Forbes

#1 Traditional Carrier 11 straight years

Condé Nast Traveler

TRAVEL+ LEISURE

Best Domestic Airline 11 straight years

BEST TRAVEL REWARDS U.S.News & WORLD REPORT AIRLINES 2018-2019

the POINTS GUY

FORTUNE

Best Airline Loyalty Program for 2018

Long track record of successful growth

2001 **2019**

Long track record of financial outperformance

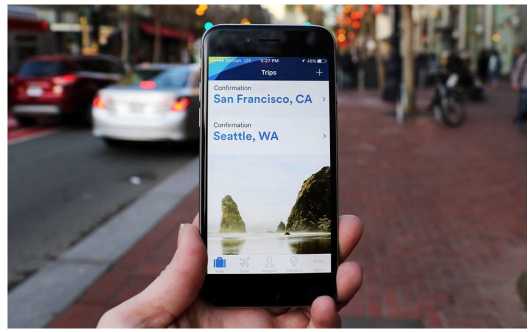
2010-2018	Airlines	High-Quality Industrials	Alaska
Pre-Tax Margin	10.4%	13.0%	**15.1%**
Free Cash Flow Margin	2.1%	7.7%	**7.8%**
ROIC	13.6%	14.8%	**16.7%**
Adj. Net Debt / EBITDAR	1.8x	1.6x	**0.9x**
Years of Positive Free Cash Flow	6.2 years	7.9 years	**9.0 years**

Source: Wells Fargo Securities; "Airlines" includes DAL, AAL, UAL, LUV, JBLU, SAVE, ALGT, WJA, AC; "High-Quality Industrials" includes CNR, CP, NSC, UNP, KSU, JBHT, UPS, FDX, MMM, CAT, BA, UTX, R

Our Competitive Advantages

We have durable competitive advantage

Industry’s Best Service



Low Costs, Low Fares

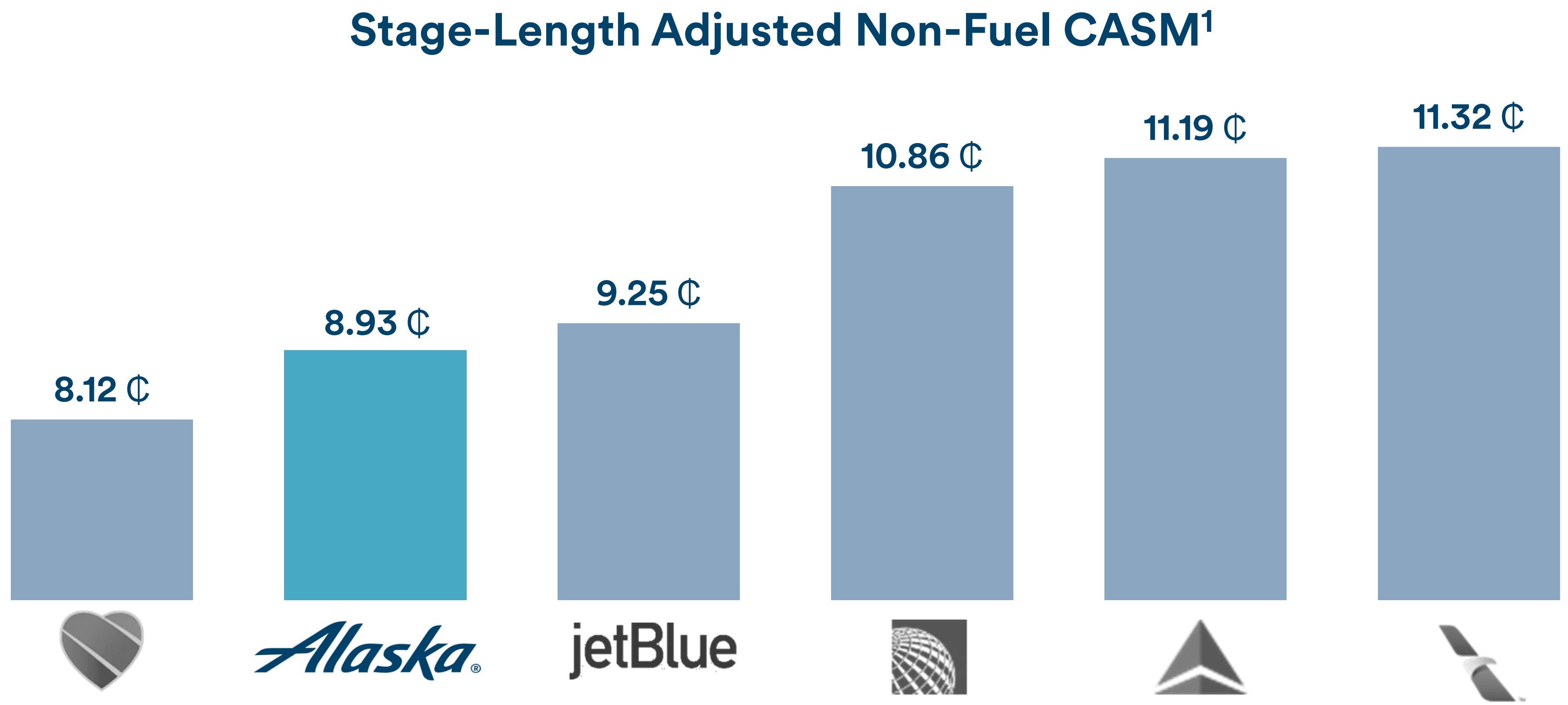
Operational Excellence

Fuel-Efficient Fleet

Best Loyalty Program

Strong Balance Sheet

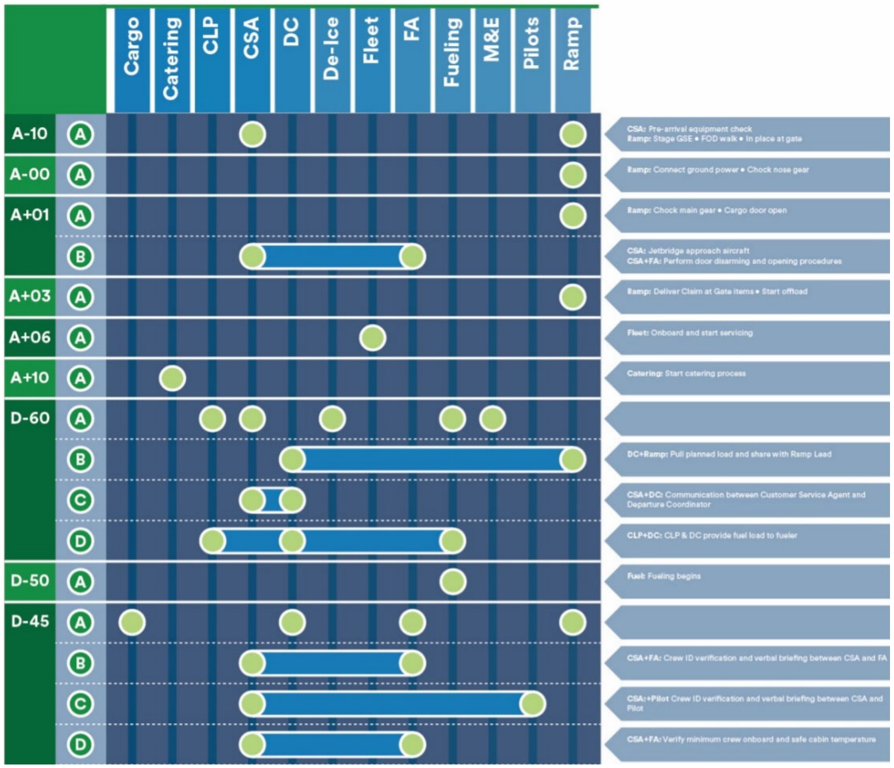
We maintain a ~20% cost advantage versus legacy carriers



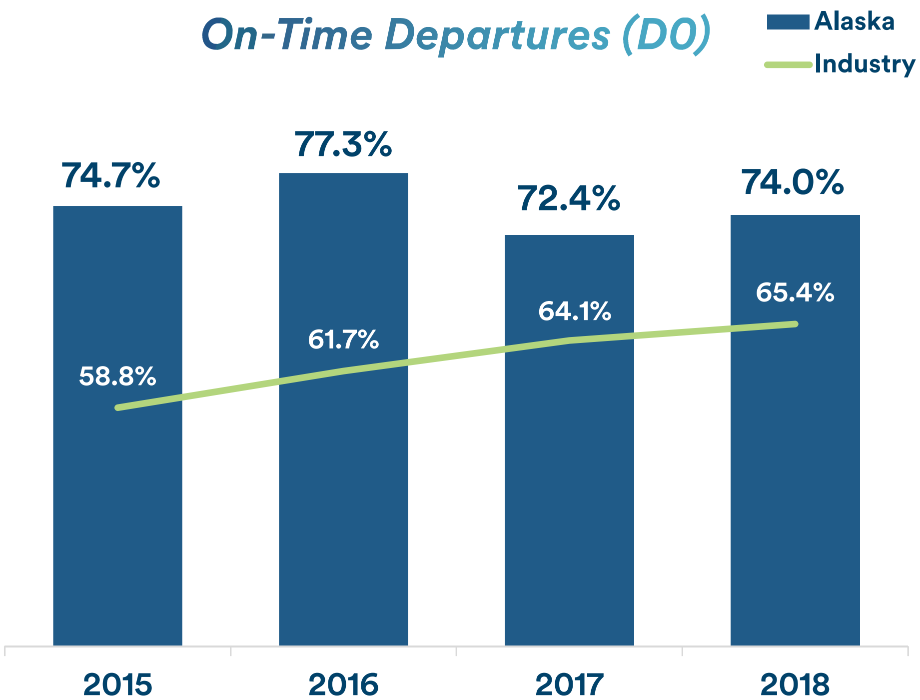
1. 12-Months Ended 12/31/18, SL-adjusted to industry average stage length of 894 miles.

Our robust processes enable us to deliver industry-leading operational reliability

Consistent deployment of our best-in-class operating process and timelines…



…has led to years of industry-leading performance



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

Our culture enables our award-winning service, builds guest loyalty, and drives our financial results

Genuine, Caring Guest Service

Supportive, Engaged Employees

"One Team" Culture

AQR

Condé Nast Traveler

TRAVEL+ LEISURE

#1

Customer Satisfaction

Loyal Customers

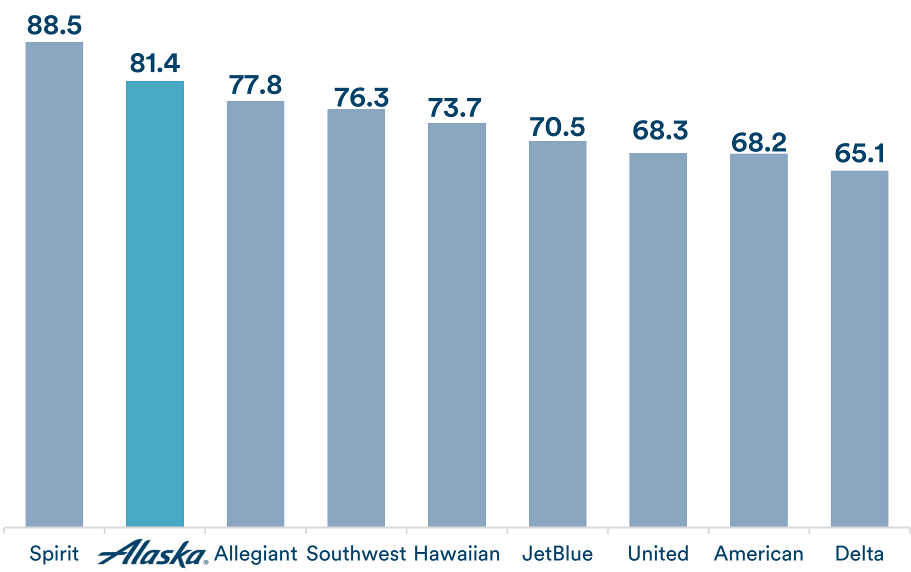
Consistent Demand

Higher Margins

Our fleet of 330+ aircraft is young and highly fuel-efficient

Mainline Fuel Efficiency

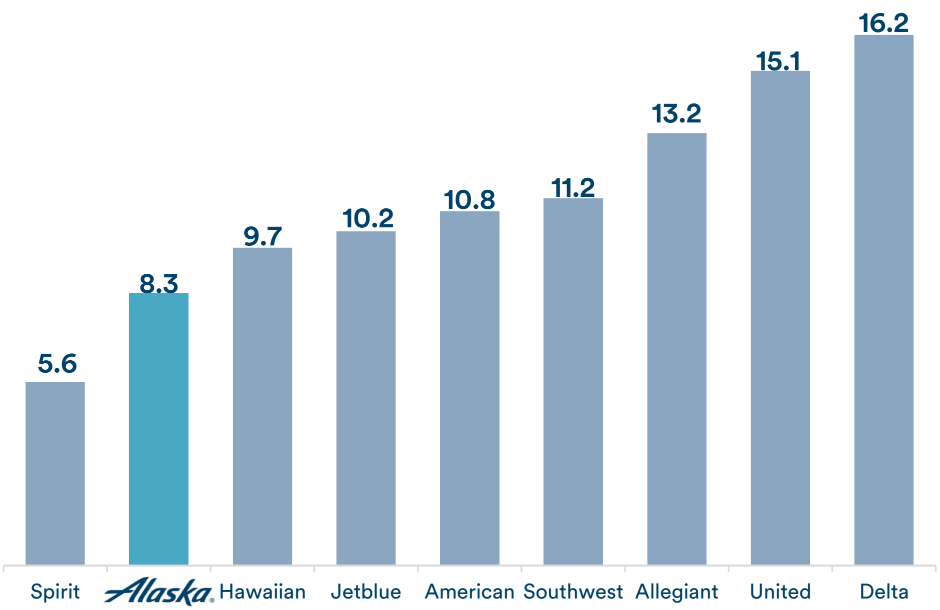
ASMs per gallon, trailing 12 months



Data as of 12/31/18; DAL and UAL estimates assume regional ASMs / gal of ~55

Average Fleet Age

Years



Data as of May 2019; Delta fleet age estimated based on Feb 2019 data

Our generous loyalty program attracts new, frequent customers and produces >$1 billion in annual cash flow

Mileage Plan™

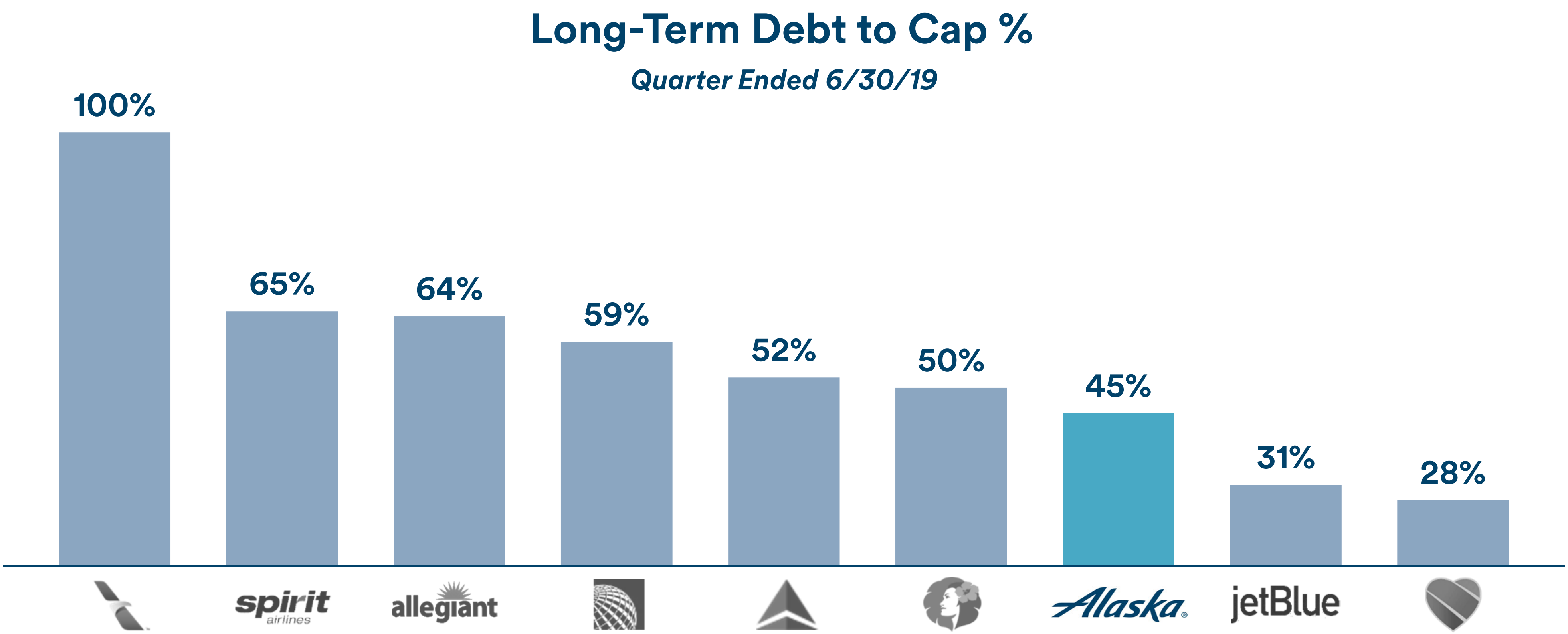
- Miles for miles
- Low redemption prices
- Fastest path to elite
- Earn & redeem miles on Global Partners
- Complimentary Upgrades for elites

Mileage Plan members produce 4x more revenue & are 65% more likely to book direct

Credit Card

	Alaska Airlines	Delta / American Airlines / United
Top Loyalty Program	BEST TRAVEL REWARDS US News & World Report AIRLINES 2018-2019	×
Annual Fee	$75	$99
Companion Pass	$99	×
Miles on Airline Spend	3X	2X
Free checked bags	Up to 7	Up to 6
2018 cash flow	$1.1 Billion	

Our balance sheet is strong and continues to improve



Long-Term Debt to Cap % calculated as (LT Debt + Total Operating Lease Liability) / (LT Debt + Total Operating Lease Liability + Equity)

Our Network, Brand & Customer Proposition

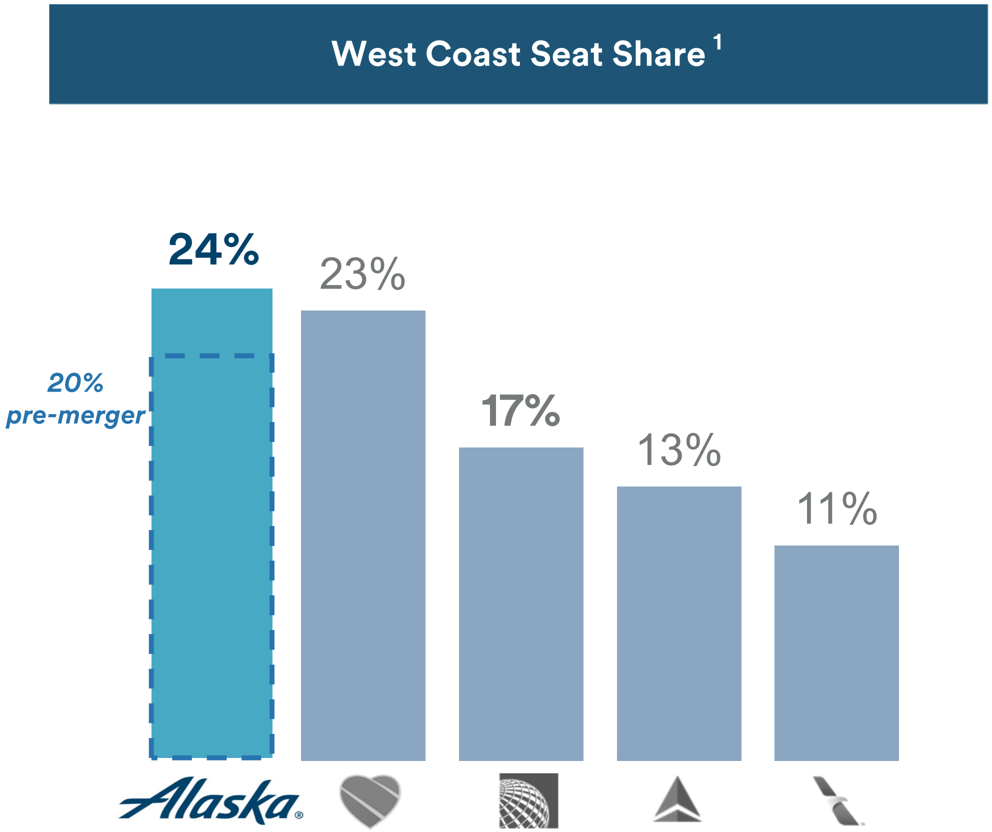
We operate the leading network on the West Coast

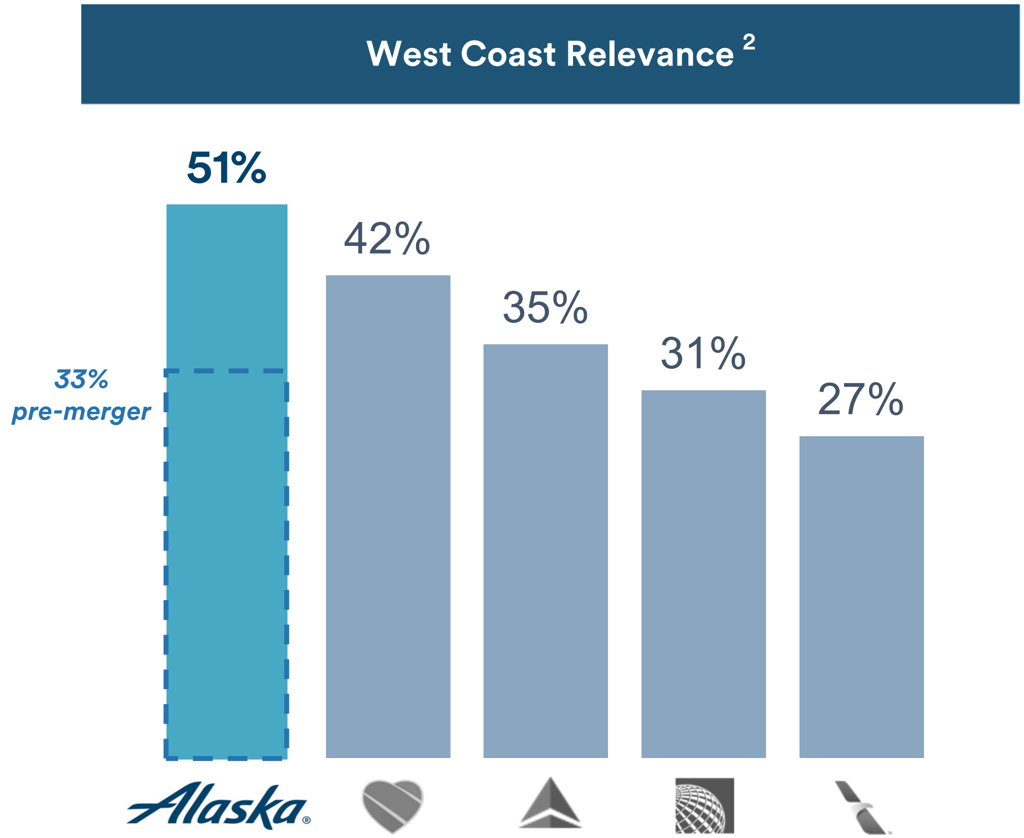
	Pre-Merger	Q2 2019	Rank
Nonstop Markets	233	285	#1
Daily Flights	756	978*	#1
Seat Share	20%	23%	#1
Relevance	33%	51%	#1

* from WC origins only; we have ~1,300 daily flights network-wide

Source: DOT/Published Schedules West Coast to North America for Q1 2019 vs. 2016

Our competitive position has improved substantially since the merger





1. U.S. West Coast-originating flights to North American destinations, Q2 2019

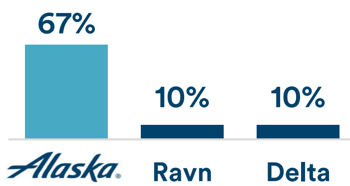
2. Relevance = percent of West Coast to North America passengers able to be served on a nonstop basis, Q1 2019

Seven cities anchor our route network today

We maintain a significant leadership position in the Pacific Northwest…

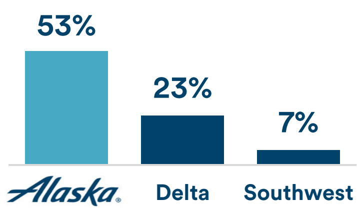
~45 ALK
Daily Departures

ANC Domestic Seat Share



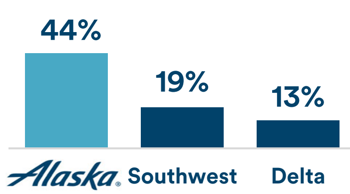
~305 ALK
Daily Departures

SEA Domestic Seat Share



~125 ALK
Daily Departures

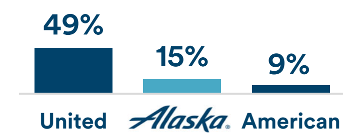
PDX Domestic Seat Share



…and hold the #2 position at most hubs in California

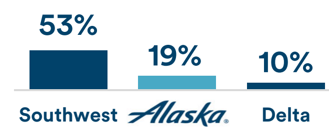
~80 ALK
Daily Departures

SFO Domestic Seat Share



~40 ALK
Daily Departures

SJC Domestic Seat Share



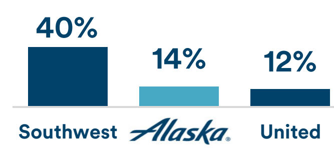
~70 ALK
Daily Departures

LAX Domestic Seat Share

ALK ranks #5 with 10% share in this strategic and fragmented market

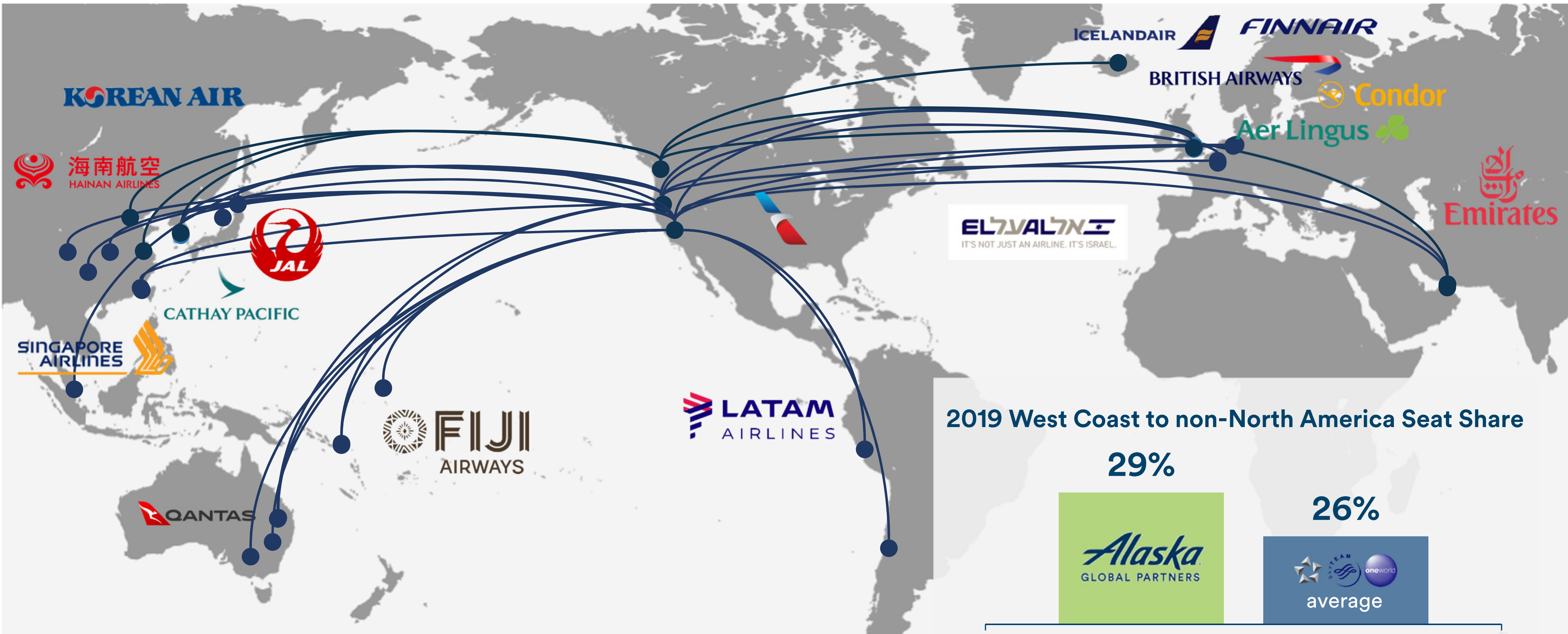
~50 ALK
Daily Departures

SAN Domestic Seat Share



16 Global Partners extend our network to more than 900 destinations around the world

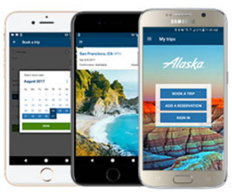
Alaska GLOBAL PARTNERS



Source: OAG filed schedules. Destination counts only include destinations with more than 10 operations per time period.

Our refreshed, West Coast-inspired brand is gaining momentum, especially in California

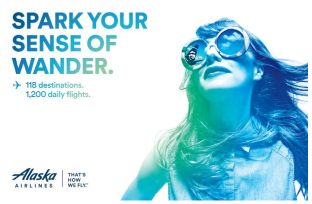
Four Brand Pillars support our vision to be the West Coast's Favorite Airline



Low Fares, Great Value

Genuine, Caring Service

Generous Mileage Plan

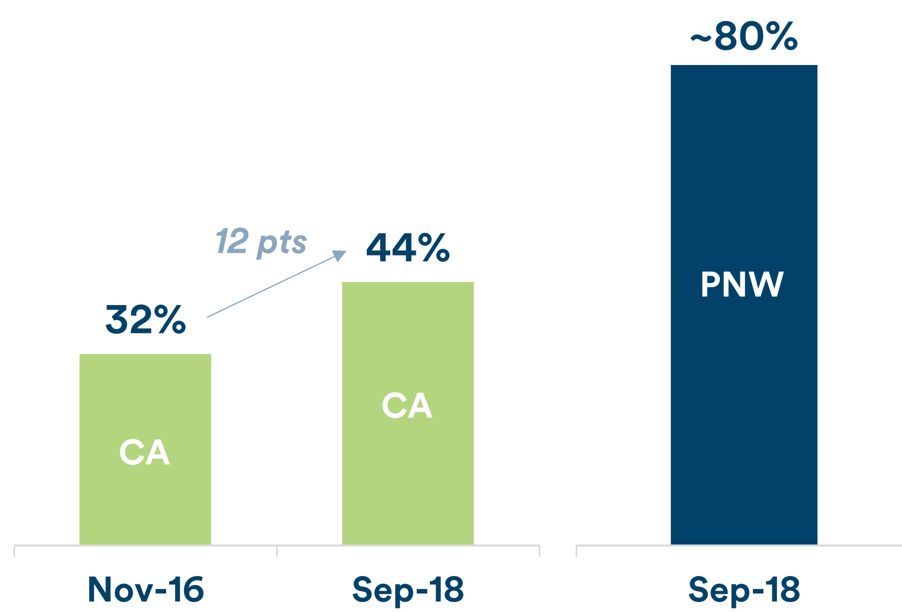


West Coast Vibe

The West Coast Favorite

Our brand awareness has increased significantly in California since deal close

Unaided brand awareness



Source: Kantar Brand Tracker (2018). Hall & Partners Brand Tracker (2016). PNW defined as Seattle + Portland.

We own a unique position in the industry by offering both Low Fares and Great Value

ULCC — **Legacy**

Fares

Alaska's Value Proposition:

- Low Fares +
- Great Value:
  - ✓ Award-Winning Service
  - ✓ Generous Rewards
  - ✓ Premium Product

Our value proposition centers on building long-term relationships with our guests

Thoughtful offerings, efficiently delivered

Highest Passenger Relevance on the West Coast

Average fares substantially lower than legacy carriers

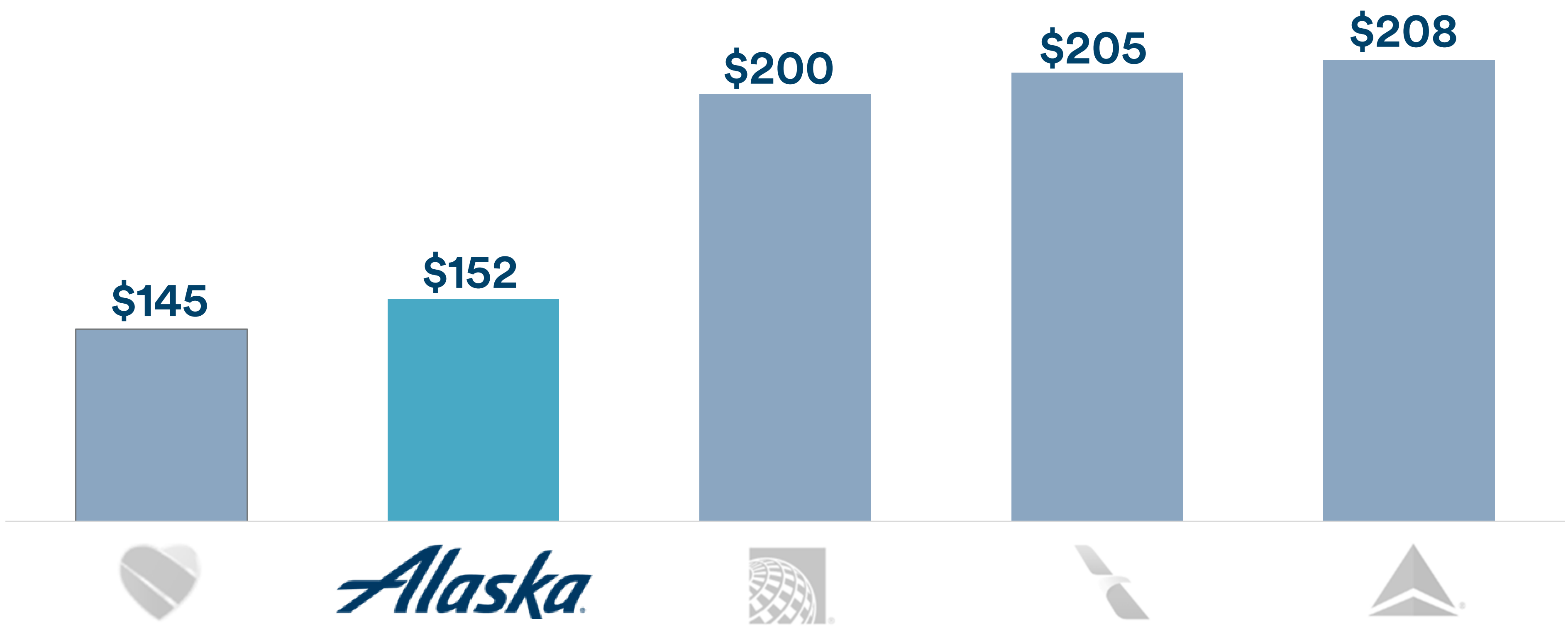
Greater cabin segmentation than other LCCs:

- First Class
- Premium Class
- Main Cabin
- Saver Fare

11 consecutive JD Power awards for Highest in Customer Satisfaction

Alaska

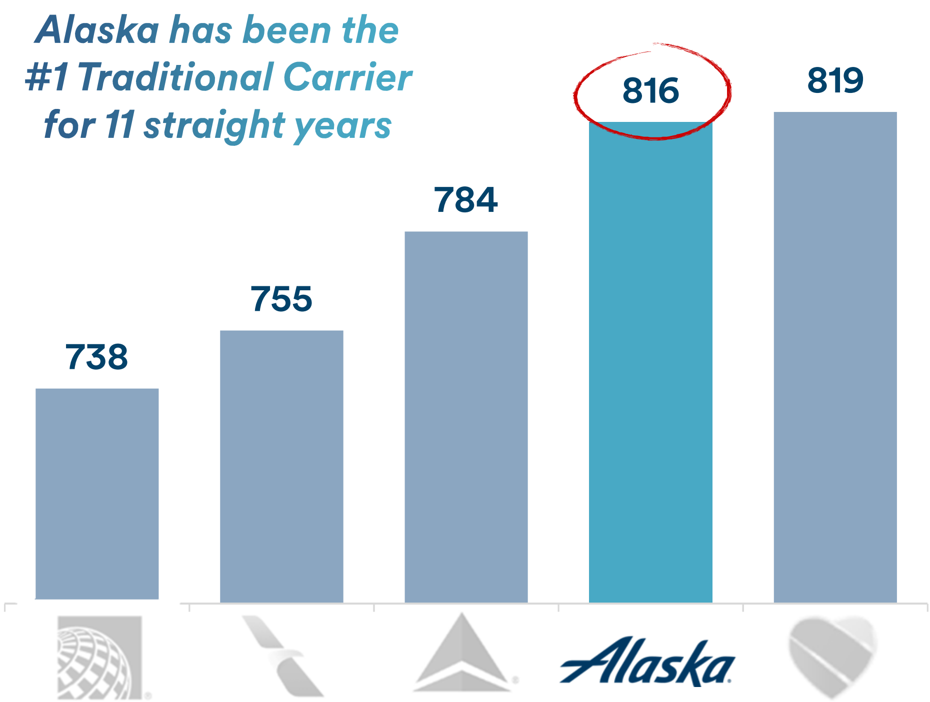
We offer low fares…



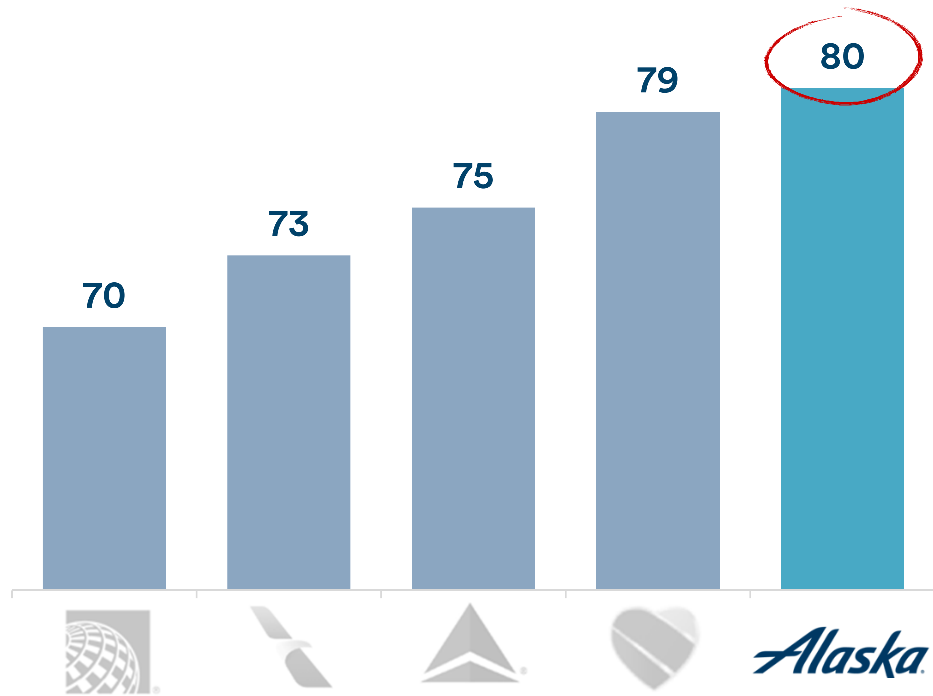
Source: US Department of Transportation 2018 trip-length-adjusted average O&D Fare within North America

...and great value, leading to high customer satisfaction

JD Power Customer Satisfaction Ratings[1]



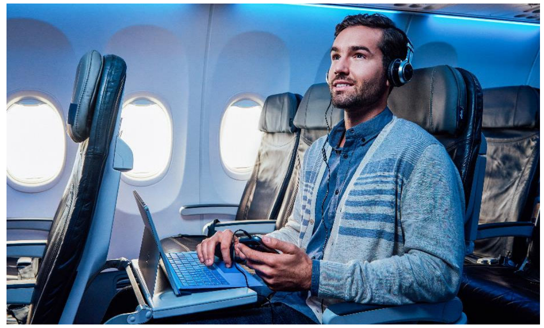
ASCI Airline Ranking[2]



1. 2019 Mid-Year Results for Traditional and Low-Cost Carriers; 2. American Customer Satisfaction Index, 2019 Results

We efficiently deliver guest product offerings that differentiate us from other low cost competitors

Contemporary look
and feel to the cabin



Satellite Internet
(rolling-out through 1Q 2020)

Free Movies & Chat

New First and
Premium Class Seats

Fresh, Regional Food &
Beverage Offerings

Up-leveled Lounges

Our award-winning loyalty program continues to grow rapidly and drive results

Mileage Plan membership and credit card acquisition have grown rapidly in all regions since Jan 2017

Alaska Mileage Plan

+38% +17%

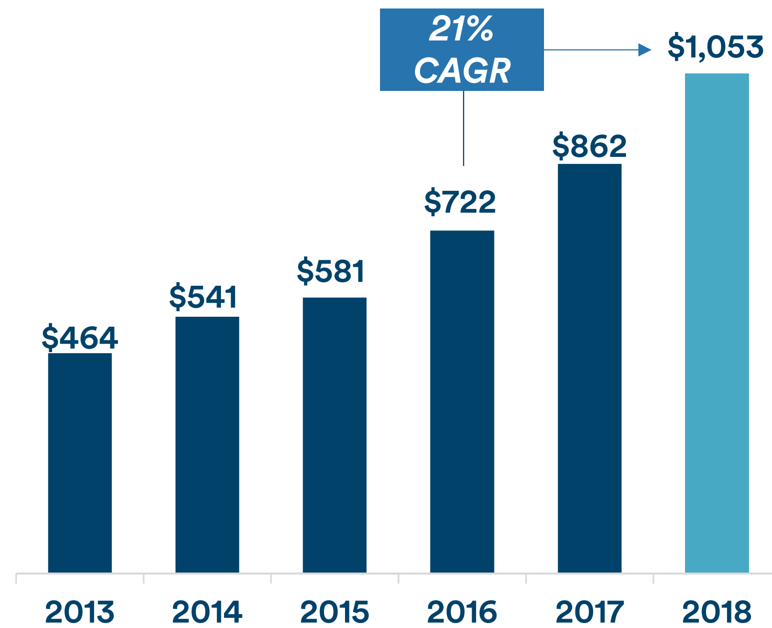
+19% +10%

+51% +34%

Jan 2017 through October 2018

Mileage Plan revenues have grown at a 21% CAGR since the merger, and now exceed $1B annually

$ millions



	2013	2014	2015	2016	2017	2018
% of Total Rev	9%	10%	11%	12%	11%	13%

Financial Outlook & Roadmap for the Future

We've slowed our growth in 2019-2020 and have shifted focus to harvesting the value of our larger network

2010-2016
Expansion (& Merger)

- **8%** ASM CAGR
- **16%** average pre-tax margin
- Declining leverage; 2016 debt-to-cap of **27%**
- **~$1.9B** capital returned to owners
- **Virgin America** merger (Dec 2016)

2017-2018
Integration

- **6%** ASM CAGR
- Declining margins
- Focus on **integration** of systems, programs, and workgroups
- Invested in CA network relevance
- **$800M** merger-related debt repaid

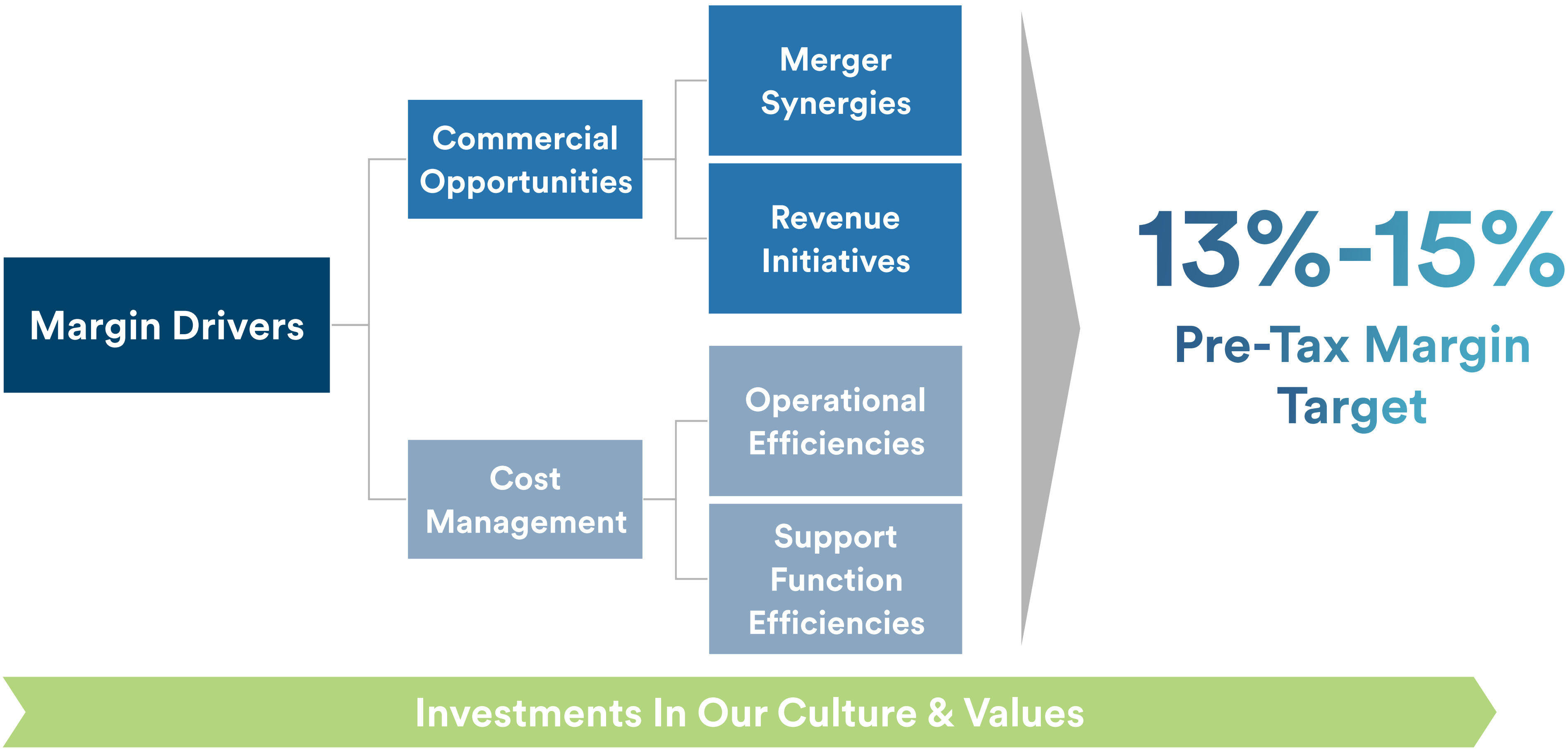
2019-2020
Optimization

- **2%-4%** ASM growth
- **Improving margins**
- Focus on **synergy capture & business optimization**
- CA network matures
- Balanced capital deployment w/ focus on **debt reduction**

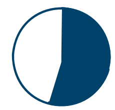
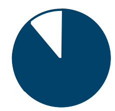
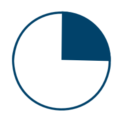
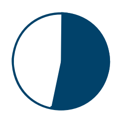
Longer Term
Profitable Growth

- **4%-6%** ASM growth
- **13%-15%** pre-tax margin target
- **Investment Grade** Balance Sheet
- **Growing** free cash flow & capital returned to owners

We're beginning to execute against our multi-year roadmap to improve pre-tax margins…



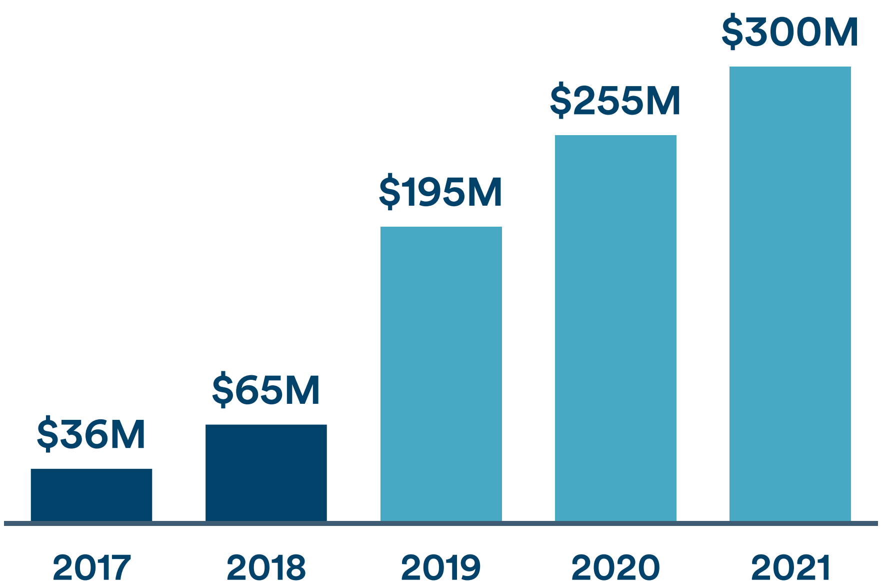
…which includes a number of accretive Commercial and Cost Management initiatives

Margin Drivers			Multi-Year Opportunity	Targeted for 2019	Supporting Initiatives
Margin Drivers	Commercial	Merger Synergies	$235M		• Loyalty Growth • Cross-Fleeting • Airbus Modifications • Global Partner Growth
		Revenue Initiatives	$240M+		• Saver Fare • Bag Fees & Other Ancillaries • Corporate Sales
	Cost Management	Operational Efficiencies	$75M+		• Productivity • Schedule Optimization • Guest Self-Service
		Support Function Efficiencies	$85M+		• Constraining Overhead • Vendor Management • Selling & Distribution

We are poised to capture $235M in additional revenue synergies over the next three years

Synergy capture to-date is on track, and our timing and run-rate expectations are unchanged since deal-close

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



We are pursuing several opportunities for additional synergy capture in 2019-2021

Cross-Fleeting

Loyalty Growth

Airbus Modifications

Alaska
GLOBAL PARTNERS

Partner Network

~80% of merger synergy value has yet to be realized

Cross-Fleeting synergies will benefit 2019, while Airbus modification benefits reach run-rate in 2020

Cross-Fleeting

Example: JFK-LAX from A320 to 737-900ER

Incremental Seats	32
Incremental Revenue	~$3,600
Airbus Redeployment Offset	~($1,100)
Net revenue per flight	**~$2,500**

~6.5 margin points per flight

Airbus Modifications

Example: LAX-SEA A320 146 seats to 150

Incremental Seats	4
Incremental Revenue from new seats	~$300
Incremental Revenue from improved FC/PC mix	~$250
Net revenue per flight	**~$550**

~4 margin points per flight

We've added new cabin segmentation with the launch of our Saver Fare product

$100M+ Revenue Opportunity

- Competitive pricing tool to drive load factors while limiting yield dilution
- Launched Jan 2019, ramped to full run-rate in 2Q19

We are reducing our gap to industry on ancillary revenues while maintaining our generous brand position

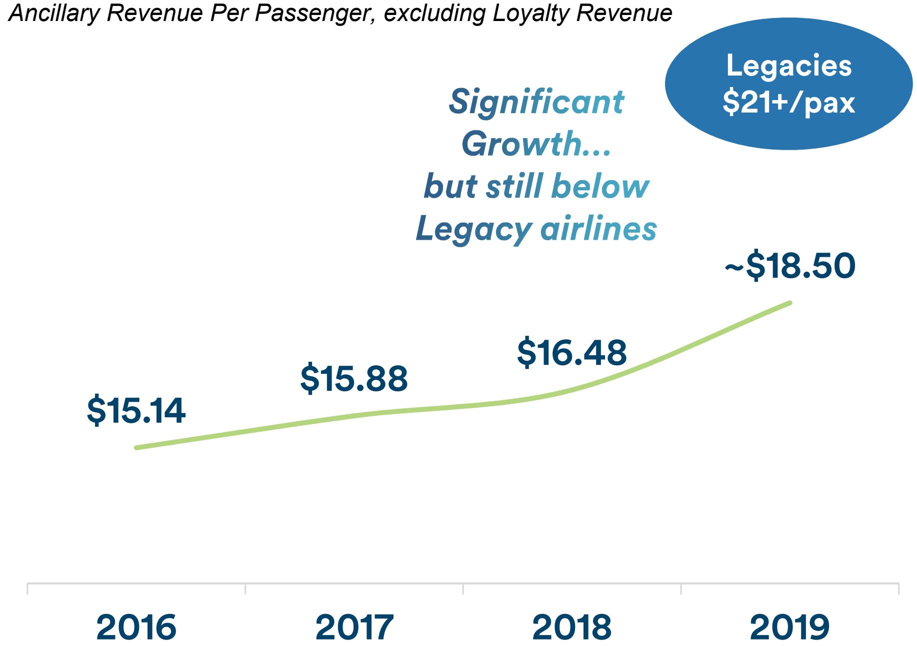
Going forward, we will accelerate our ancillary revenue growth …

- Demand-Based Premium Class Fares
- Upgraded Food & Beverage Platform
- Higher Bag Fees
- Tighter Change Fee Policy

Higher Ancillary Revenues

…while also protecting our generosity-based positioning vis-à-vis competitors

Ancillary Revenue Per Passenger, excluding Loyalty Revenue



$100M Revenue Opportunity

We see multiple opportunities to mitigate non-fuel cost increases going forward

$75 million+

Labor & Asset Productivity

$55 million+

Constraining Overhead

$20 million+

Vendor Management

$10-$25 million

Selling & Distribution

Defending our cost advantage remains central to our strategy

We are optimistic on 2019

We are leveraging significant self-help revenue opportunities in 2019

$130 million

Merger Synergies

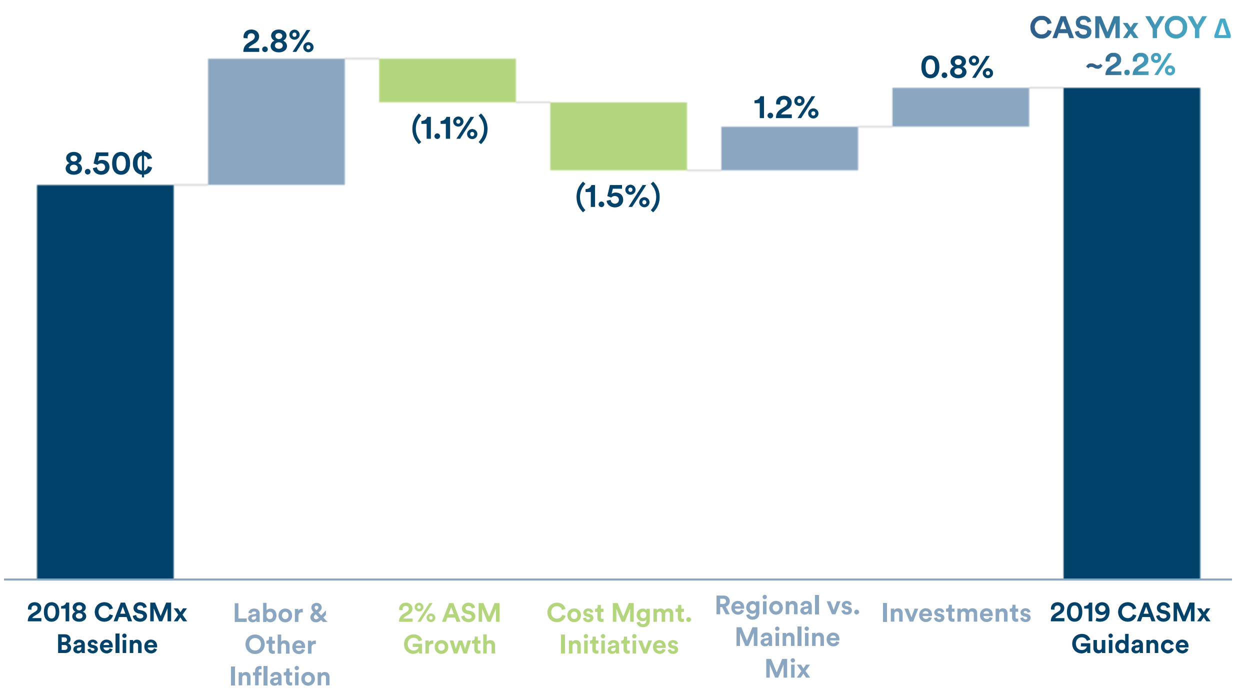
$200 million

Revenue Initiatives

Slower Growth

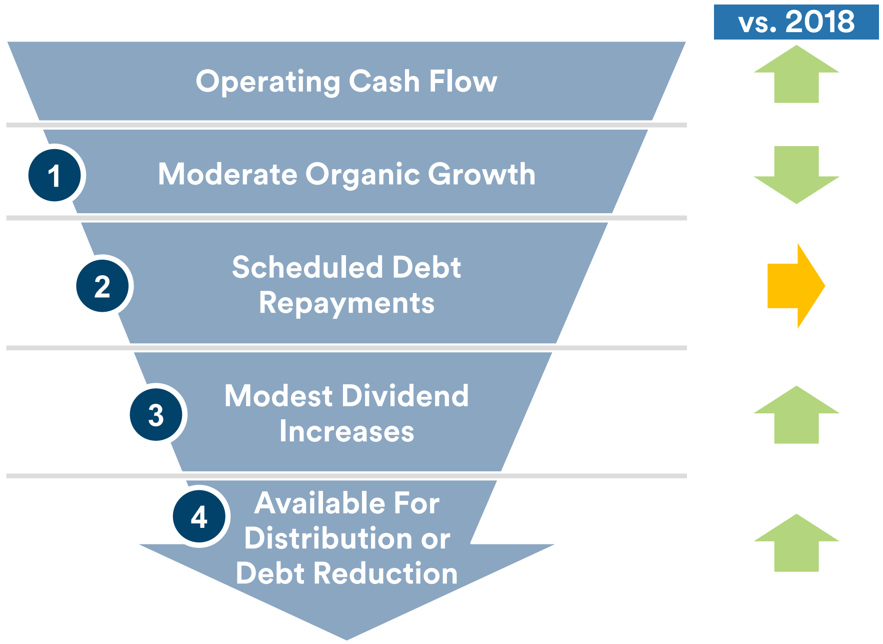
Few New Markets

…and we are tightly managing costs on ~2% ASM growth



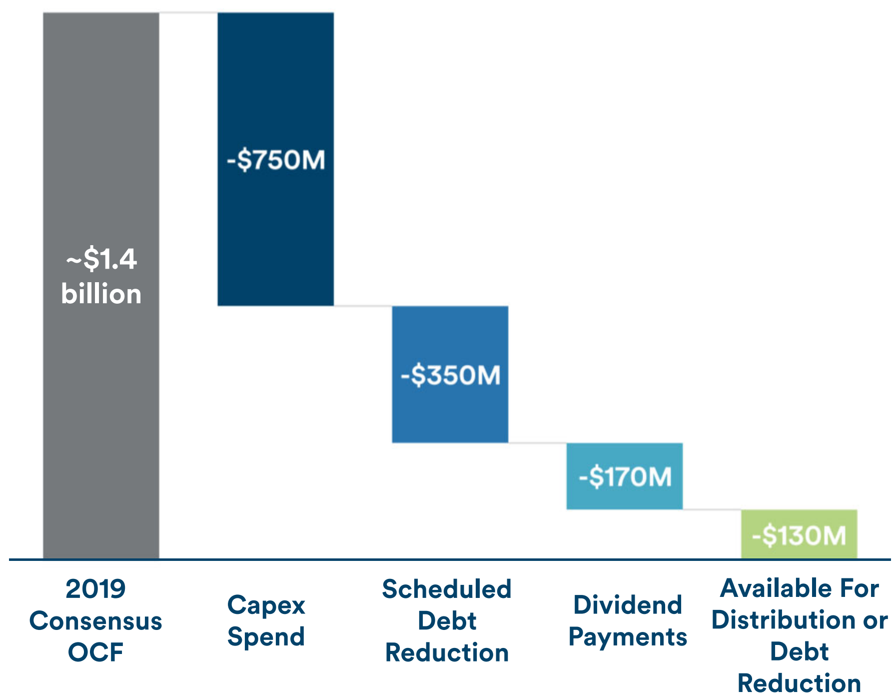
Our capital allocation will remain balanced, with a near-term focus on further debt repayment

2019-2020 Capital Allocation Priorities



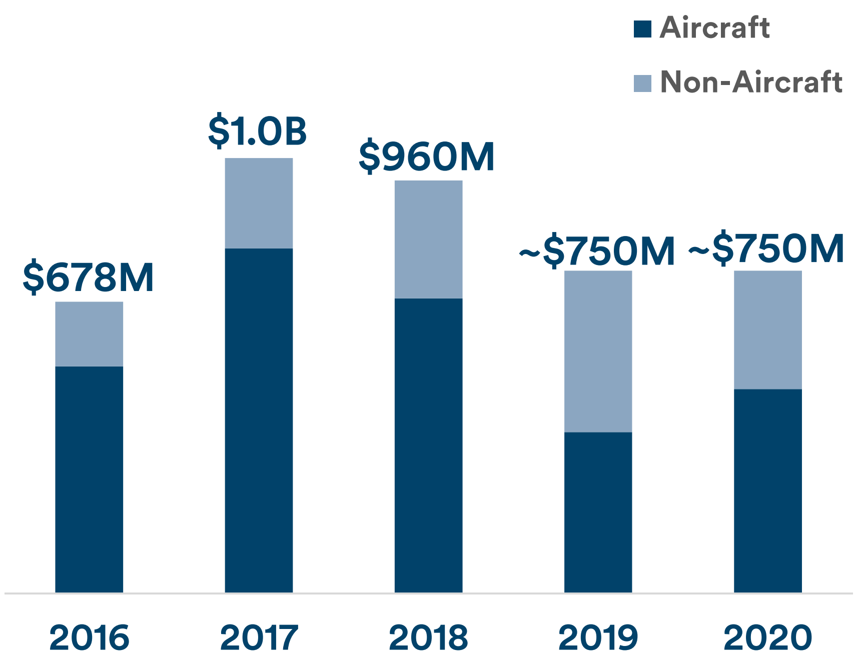
Balanced Allocation Favoring Conservatism

2019 Capital Deployment Plan

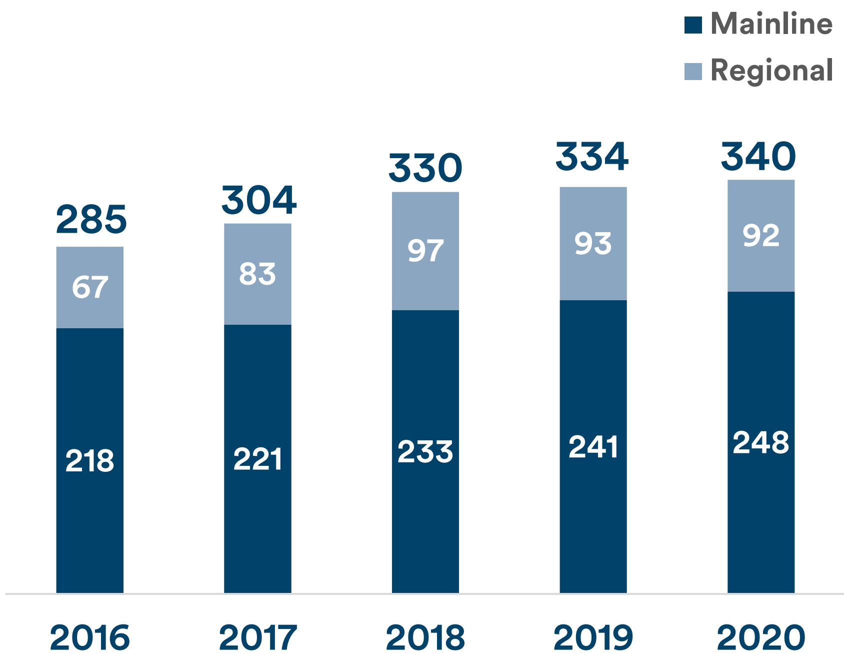


Our fleet growth is slowing in line with our lower capex, and lower capex has led to increased free cash flow

Capex History & Plan



Fleet History & Plan



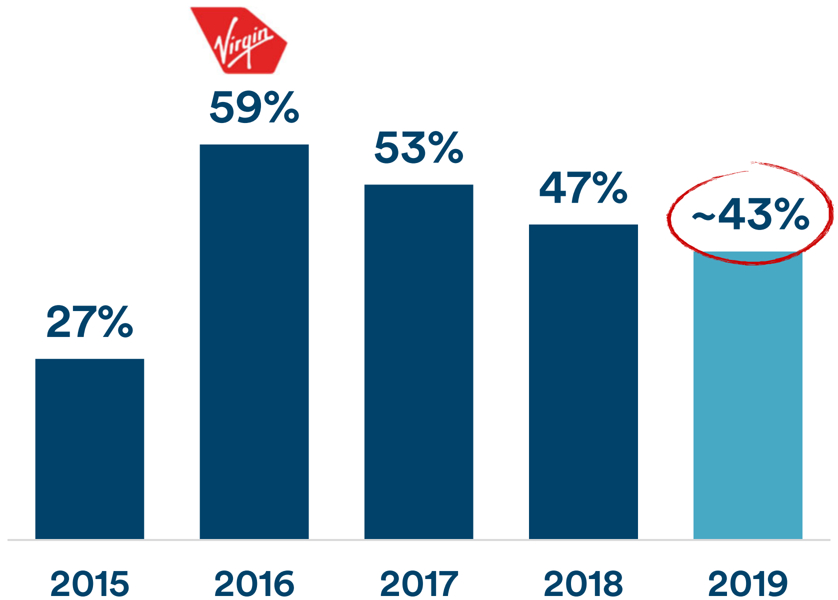
Q2 2019 FCF of $735M*, ~$360M higher than Q2 2018

*excludes integration costs

We've already repaid more than $1B in merger-related debt and expect to further reduce our leverage this year

Long-Term Debt-to-Total Capitalization %

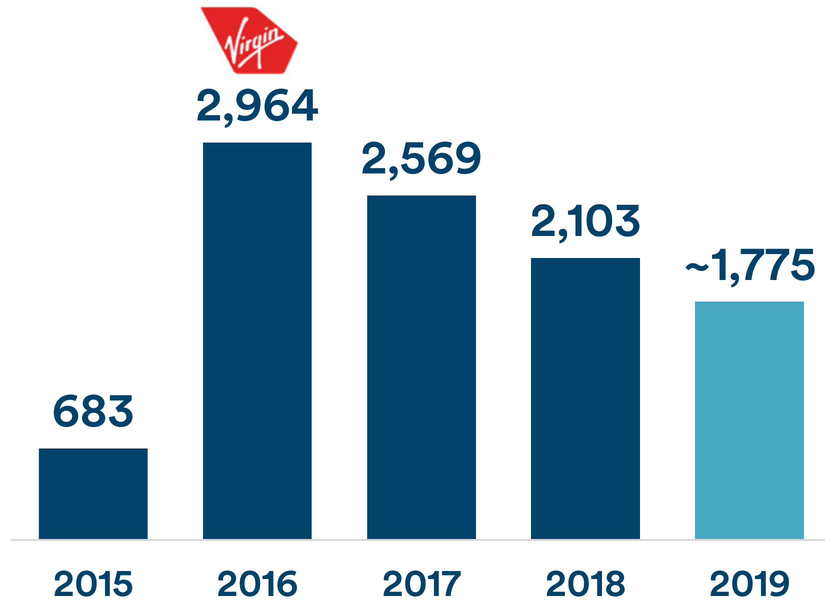
Adjusted for net present value of future operating lease commitments



We expect to achieve our leverage target roughly one year ahead of schedule…

Total On-Balance Sheet Debt

$ millions

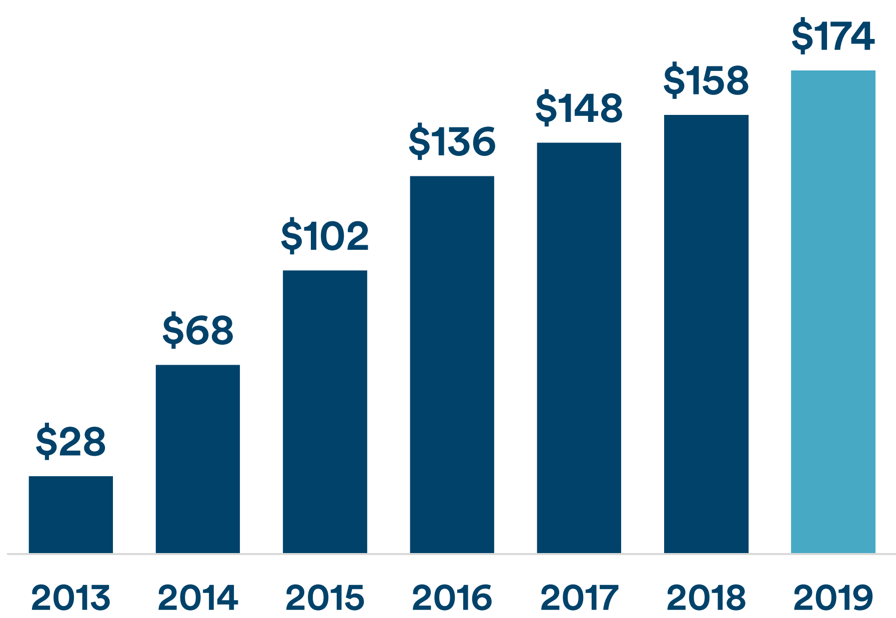


…and plan to repay ~60% of our merger-related debt by YE 2019

Consistent dividend increases display our confidence in the health and trajectory of the business

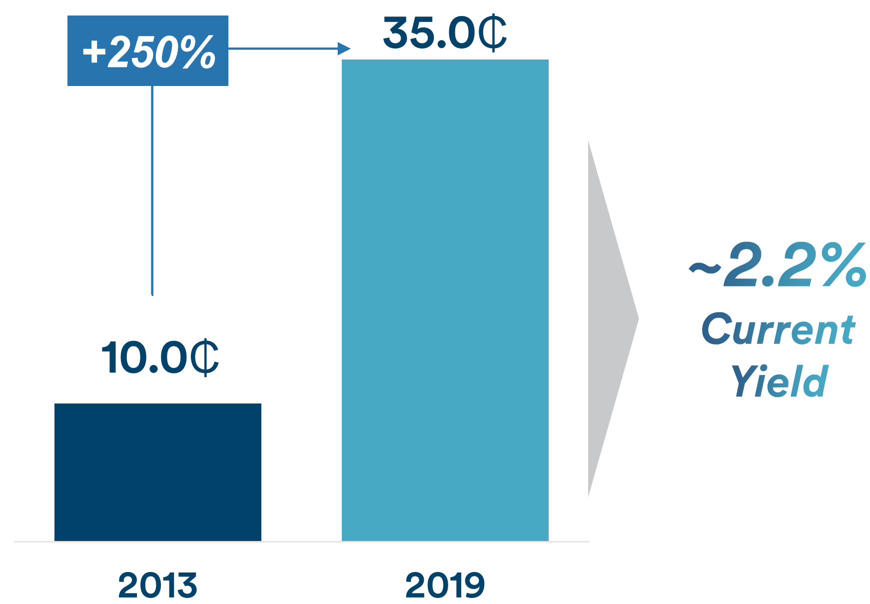
Annual Dividend Spend

$ millions



We've increased the dividend every year since inception in 2013

Quarterly dividend per share



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