

Alaska[®]



Investor Presentation

Alaska Air Group

1Q 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

\$8 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

Alaska

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
VP 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



Do the right thing



Be kindhearted



Deliver performance



Be remarkable

Industry-leading reliability, service and guest rewards

Recent Awards & Accolades



*#1 Airline Quality
Rating for 2016-2018*

*America's Best
Airline for 2017*

Forbes

*#1 Traditional Carrier
11 straight years*



*Best Airline
Loyalty Program
for 2018*

FORTUNE



*Best Domestic Airline
11 straight years*

Long track record of successful growth



2001



2019

Long track record of financial outperformance

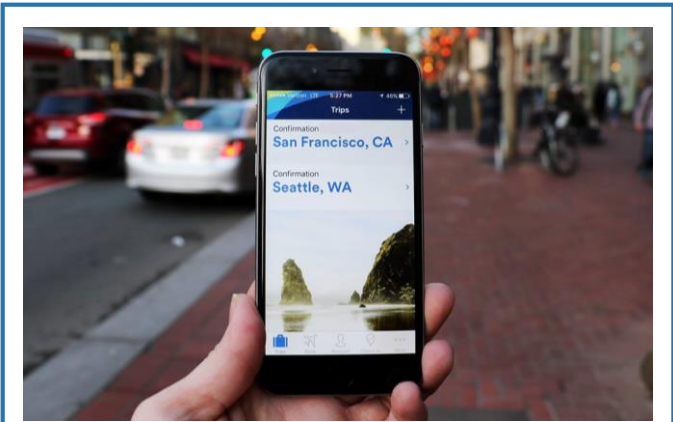
2010-2018	Airlines	High-Quality Industrials	<i>Alaska</i>
Years of Positive Free Cash Flow	6.2 years	7.9 years	9.0 years
Pre-Tax Margin	10.4%	13.0%	15.1%
Free Cash Flow Margin	2.1%	7.7%	7.8%
ROIC	13.6%	14.8%	16.7%
Adj. Net Debt / EBITDAR	1.8x	1.6x	0.9x

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

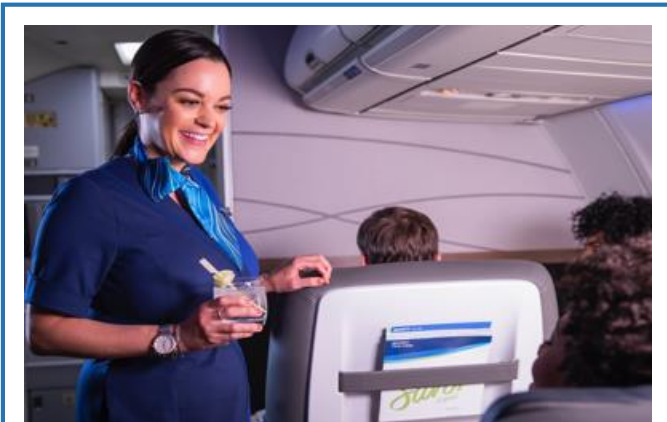
We have durable competitive advantage



Low Costs, Low Fares



Operational Excellence



Service-Oriented Culture



Fuel-Efficient Fleet



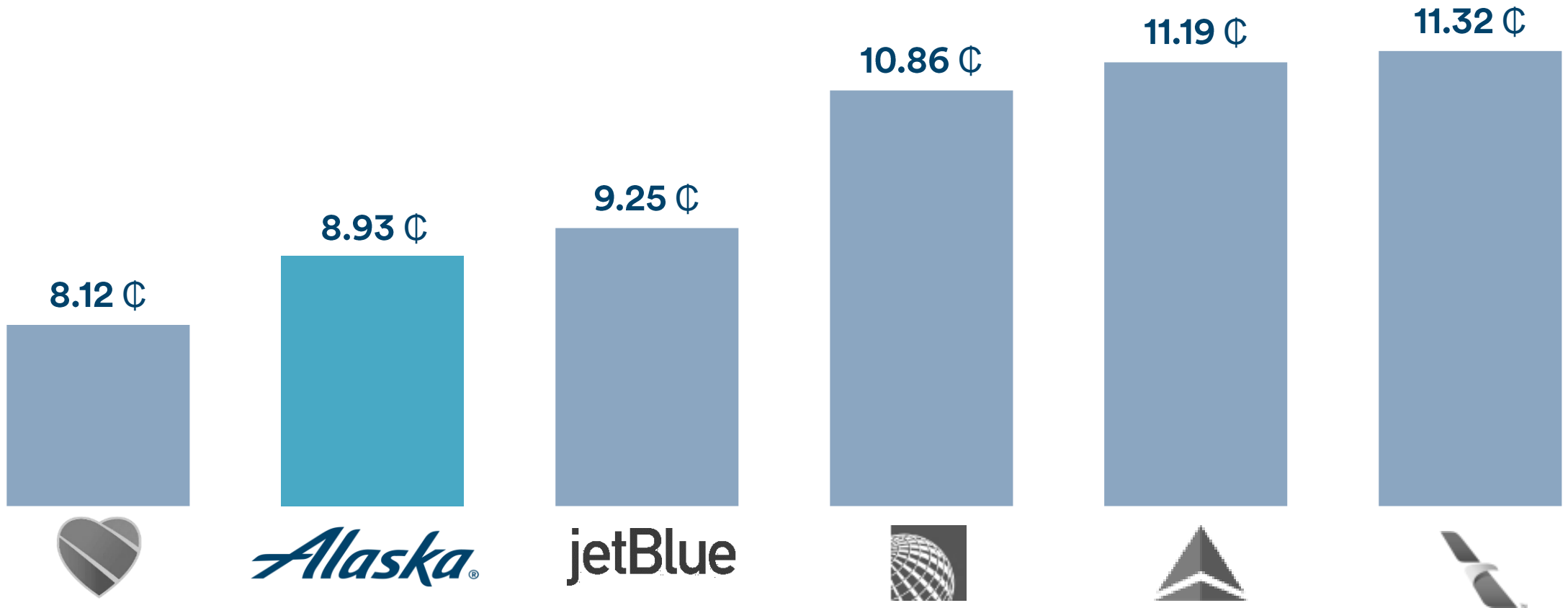
Best Loyalty Program



Strong Balance Sheet

We maintain a ~20% cost advantage versus legacy carriers

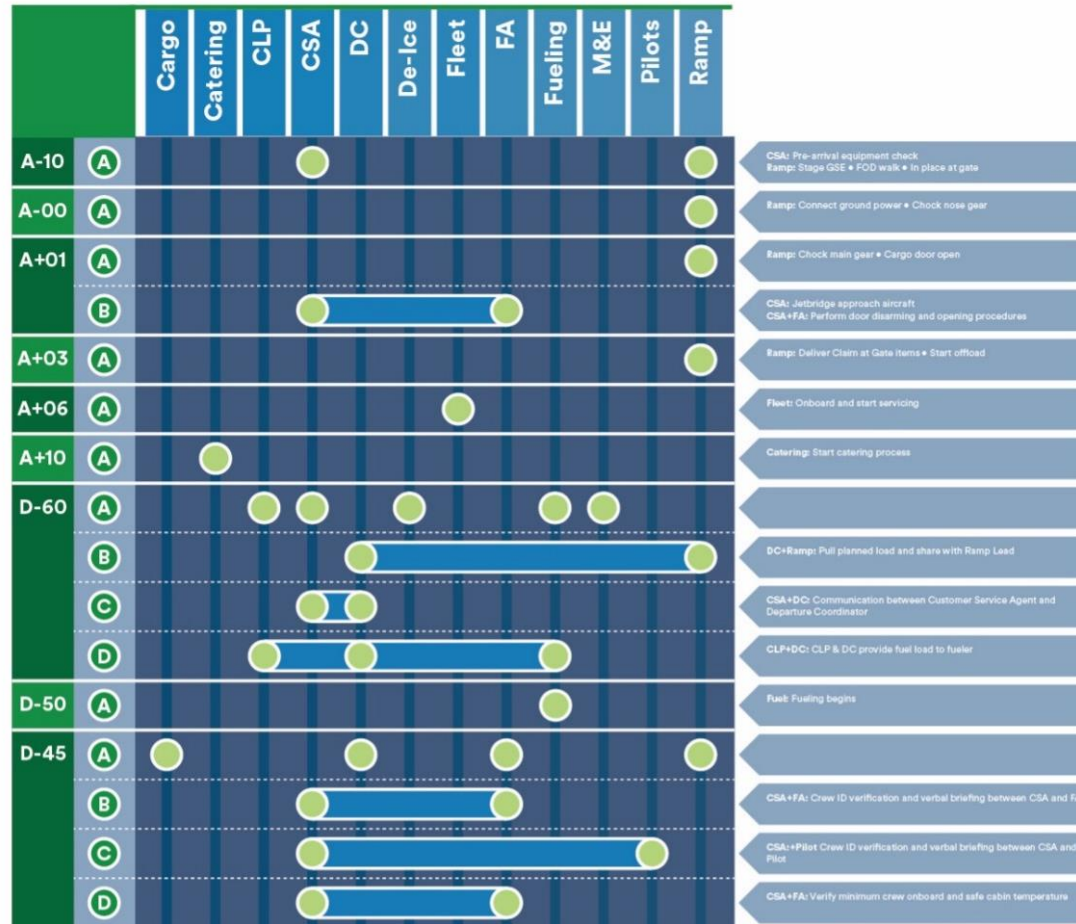
Stage-Length Adjusted Non-Fuel CASM¹



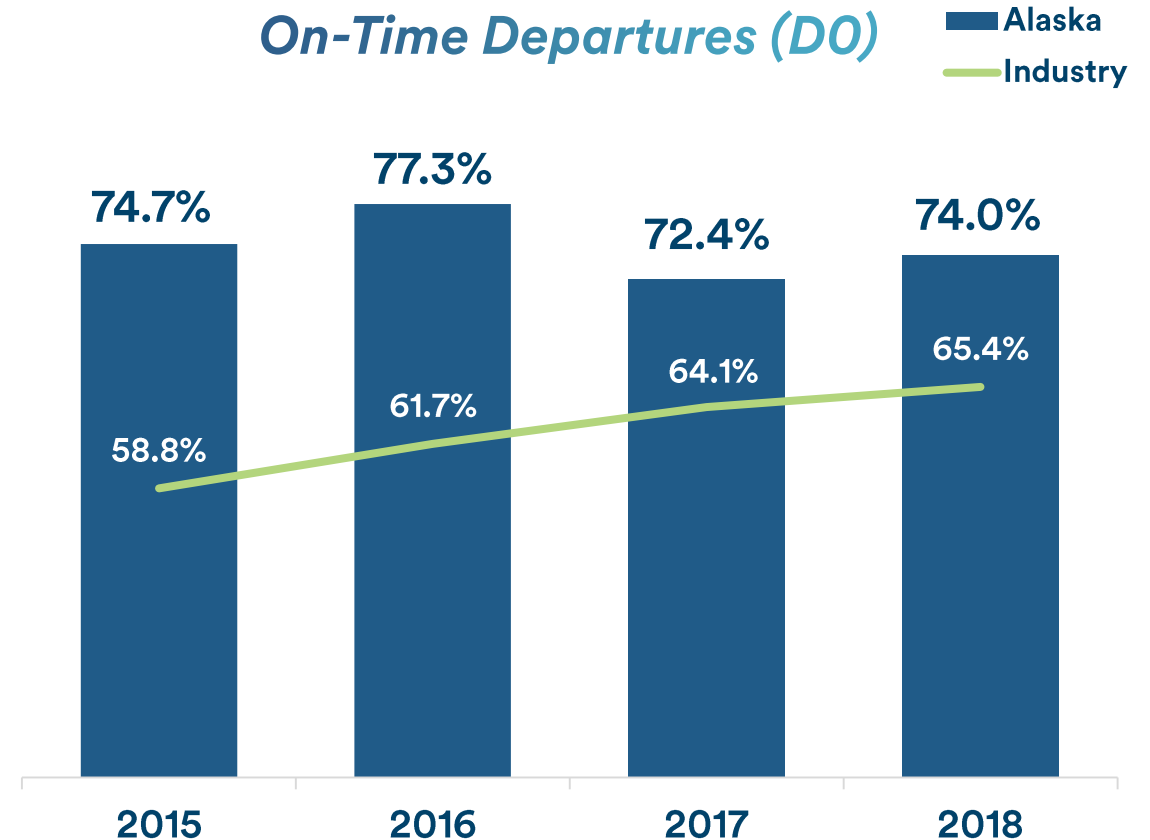
1. Trailing 12-Months Ended 12/31/18, SL-adjusted to industry average stage length of 894 miles.

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



AQR

Condé Nast **Traveler** TRAVEL+LEISURE

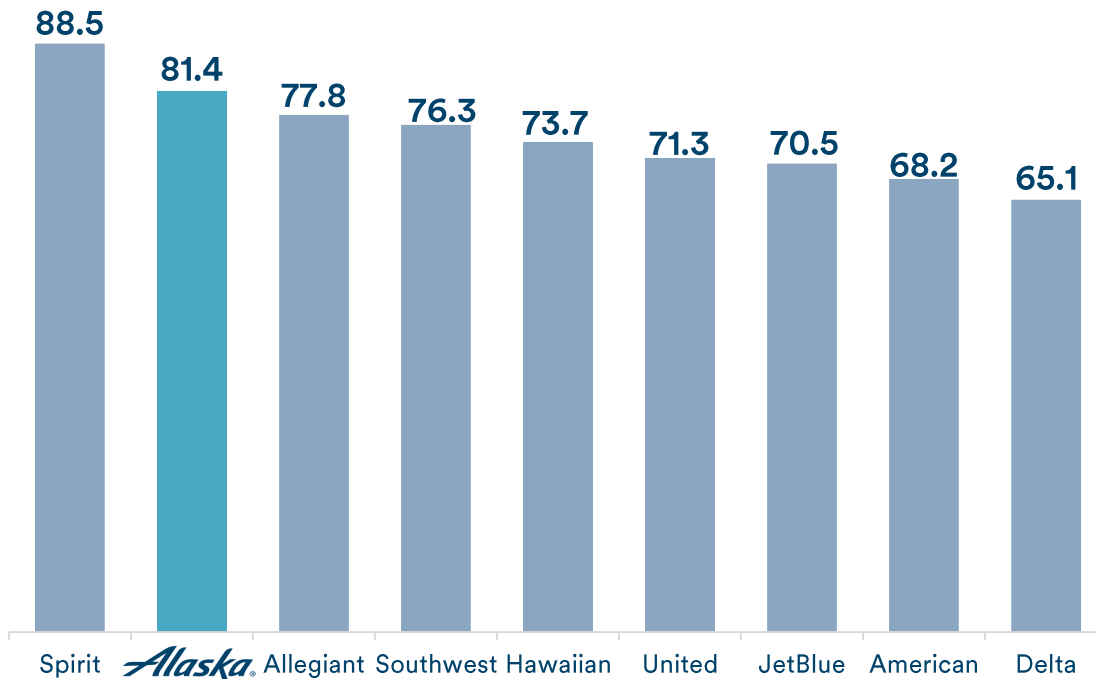
#1
Customer Satisfaction

Loyal Customers
↓
Consistent Demand
↓
Higher Margins

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

Mainline Fuel Efficiency

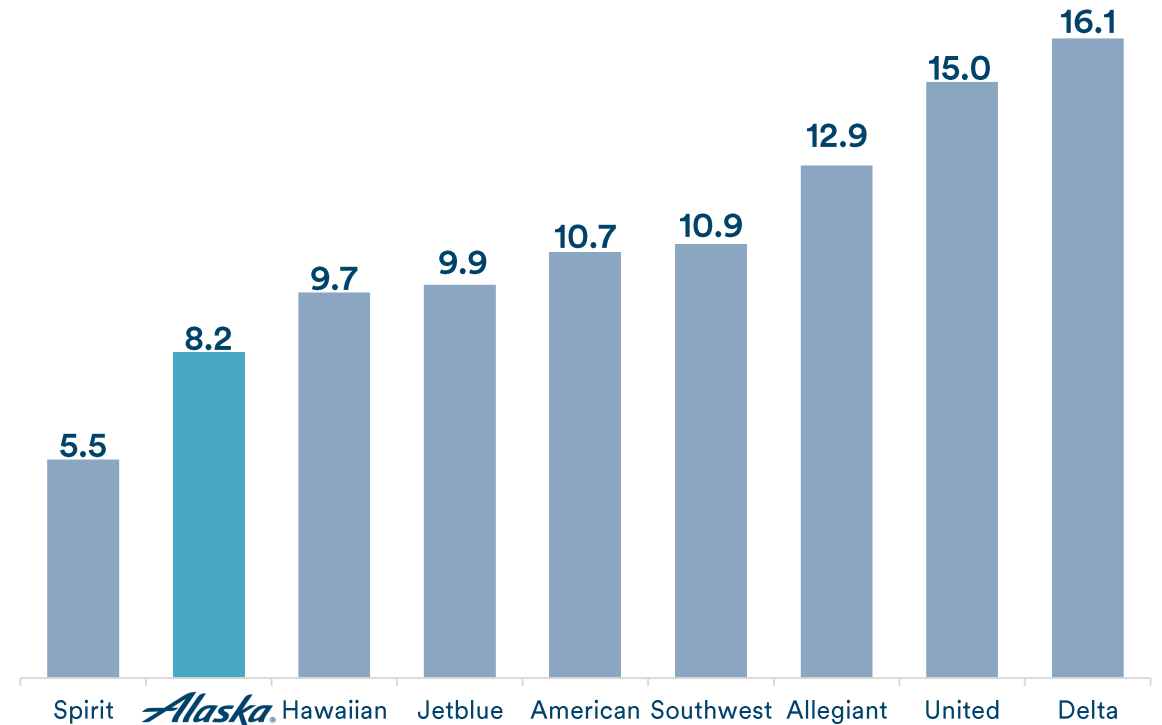
ASMs per gallon, trailing 12 months



Data as of 12/31/18; DAL and UAL as of 6/30/18

Average Fleet Age

Years



Data as of February 2019

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



Top Loyalty Program



x

Annual Fee

\$75

\$99

Companion Pass

\$99

x

Miles on Airline Spend

3X

2X

Free checked bags

Up to 7

Up to 6

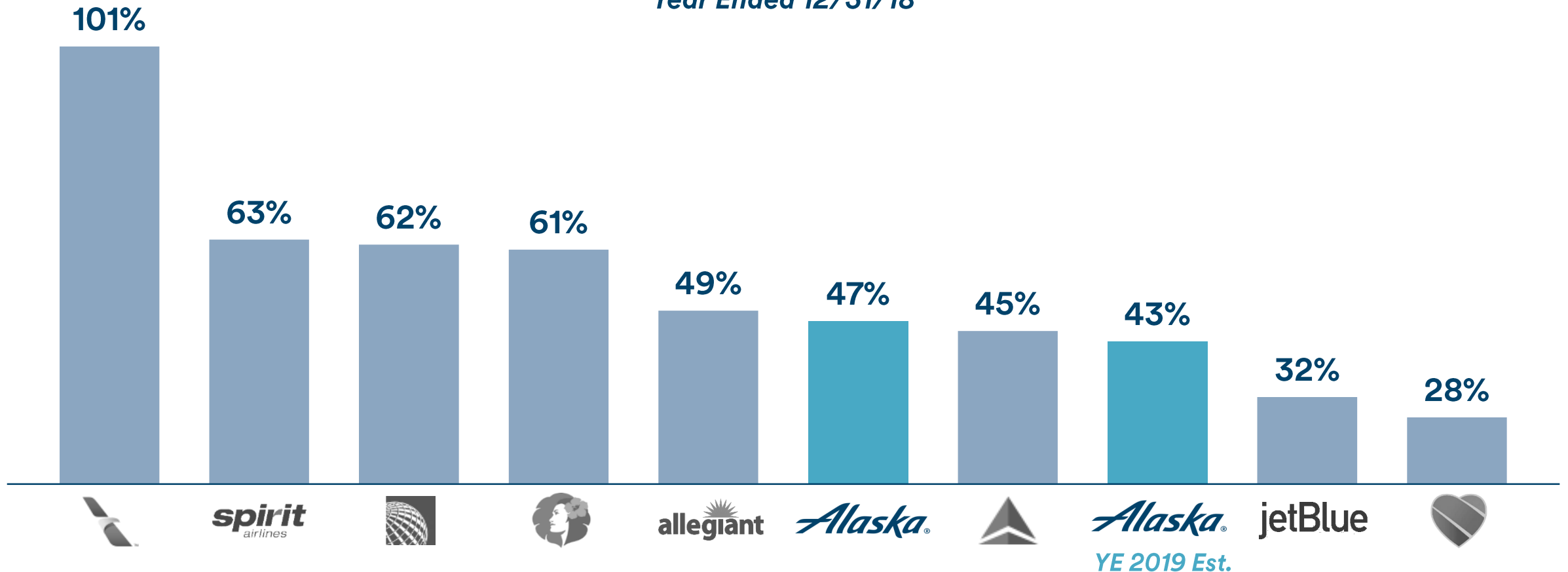
2018 cash flow

\$1.1 Billion

Our balance sheet is strong and continues to improve

Long-Term Debt to Cap %

Year Ended 12/31/18





Our Network, Brand & Customer Proposition

We operate the leading network on the West Coast

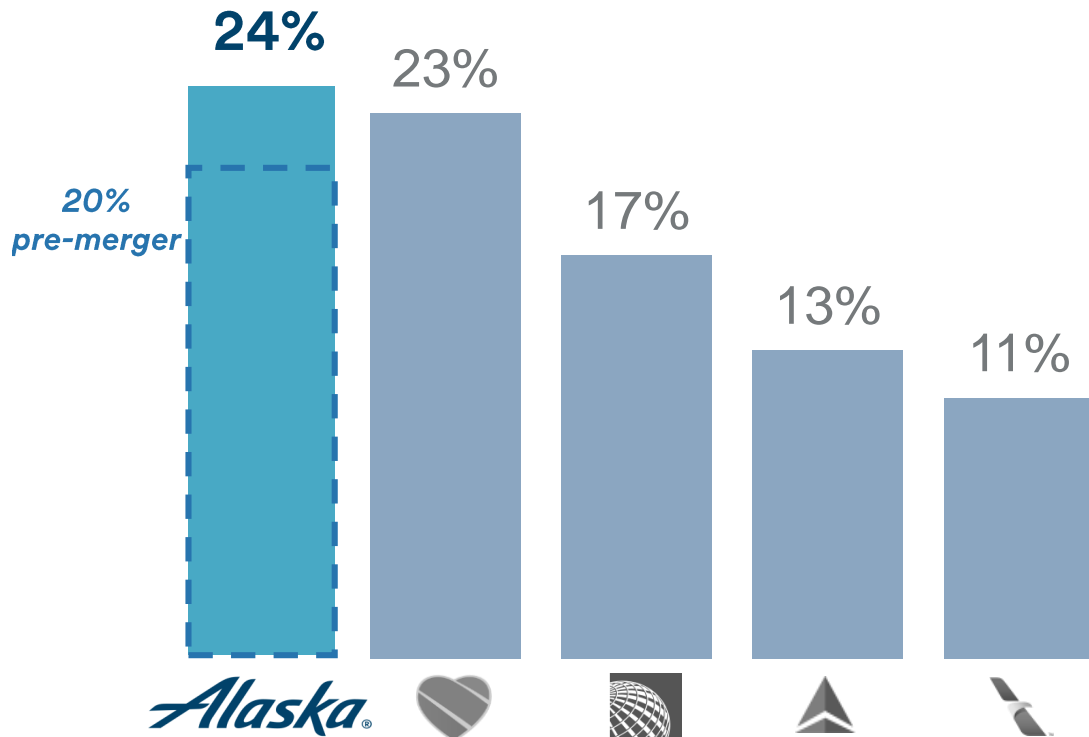
	Pre-Merger	Today	Rank
Nonstop Markets	233	285	#1
Daily Flights	756	931*	#1
Seat Share	20%	24%	#1
Relevance	33%	48%	#1

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

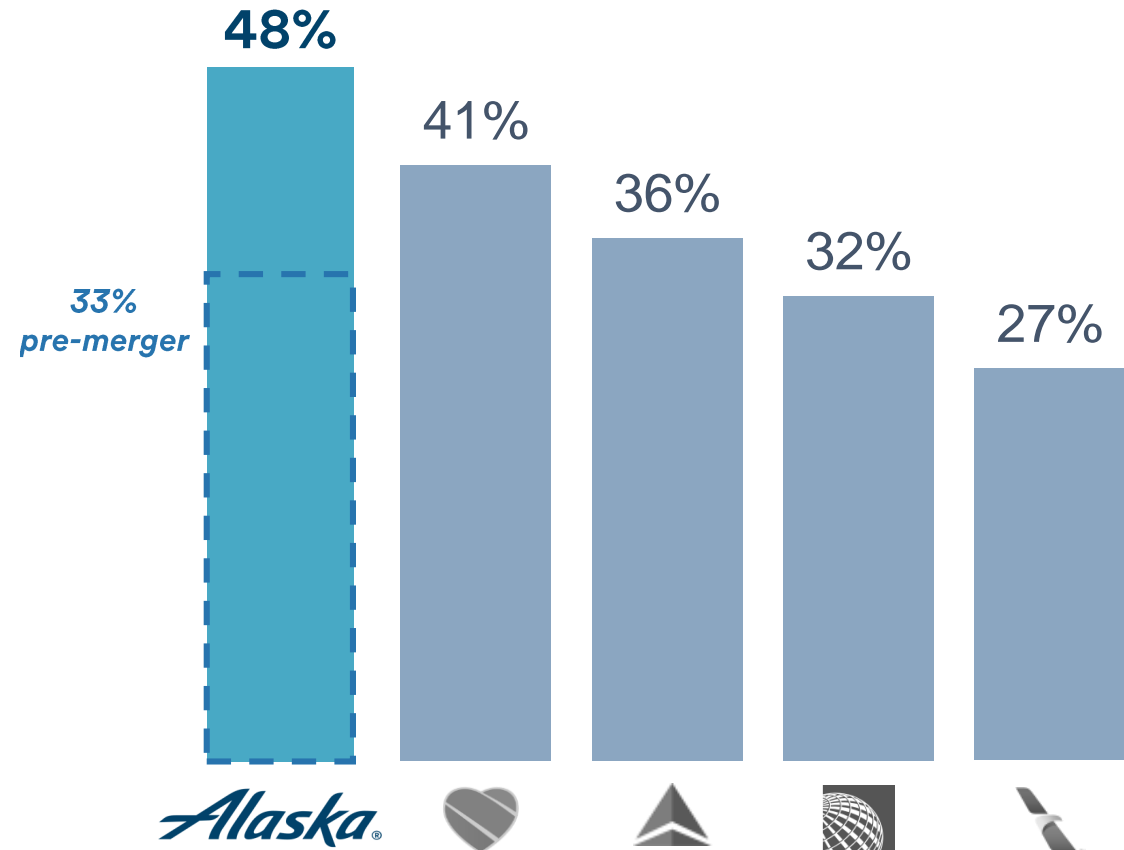


Our competitive position has improved substantially since the merger

West Coast Seat Share¹



West Coast Relevance²



1. U.S. West Coast-originating flights to North American destinations, YE 2018

2. Relevance = percent of West Coast to North America passengers able to be served on a nonstop basis, YE 2018

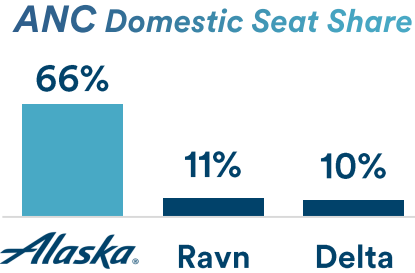
Seven cities anchor our route network today

We maintain a significant leadership position in the Pacific Northwest...

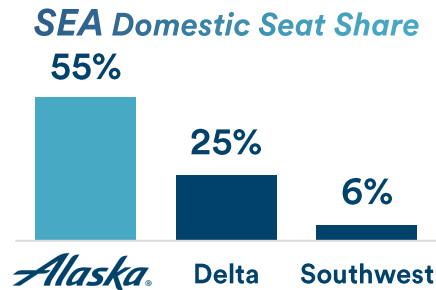
...and hold the #2 position at most hubs in California



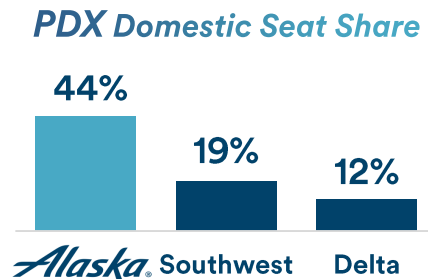
~45 ALK
Daily Departures



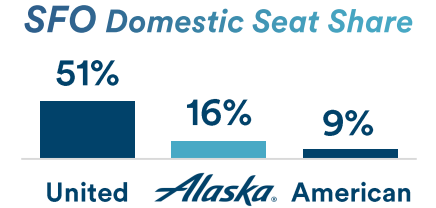
~300 ALK
Daily Departures



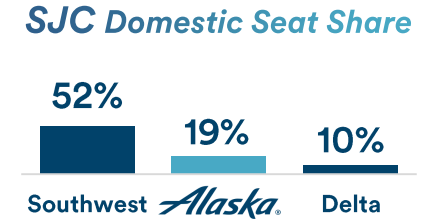
~130 ALK
Daily Departures



~80 ALK
Daily Departures



~40 ALK
Daily Departures

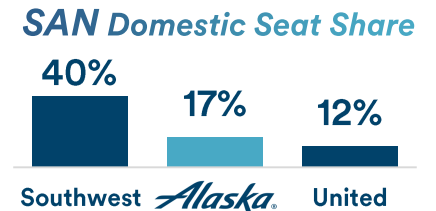


~75 ALK
Daily Departures

LAX Domestic Seat Share

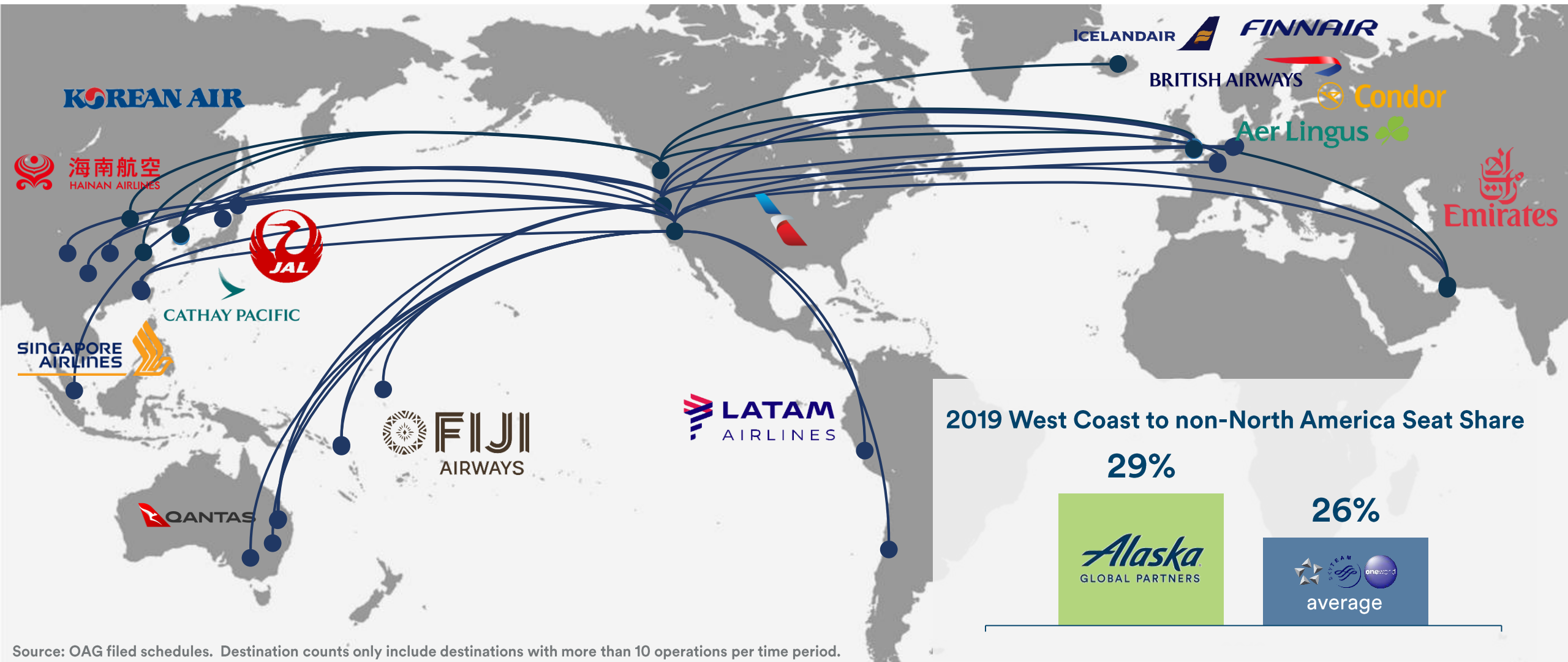
ALK ranks #5 with 10% share in this strategic and fragmented market

~50 ALK
Daily Departures



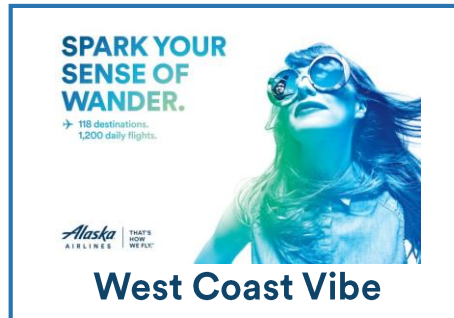
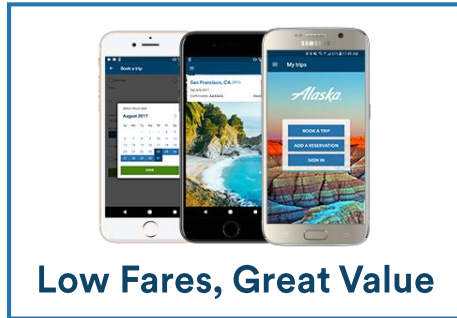
15 Global Partners extend our network to more than 900 destinations around the world

Alaska
GLOBAL PARTNERS



Our strong, West Coast-oriented brand is gaining momentum in California

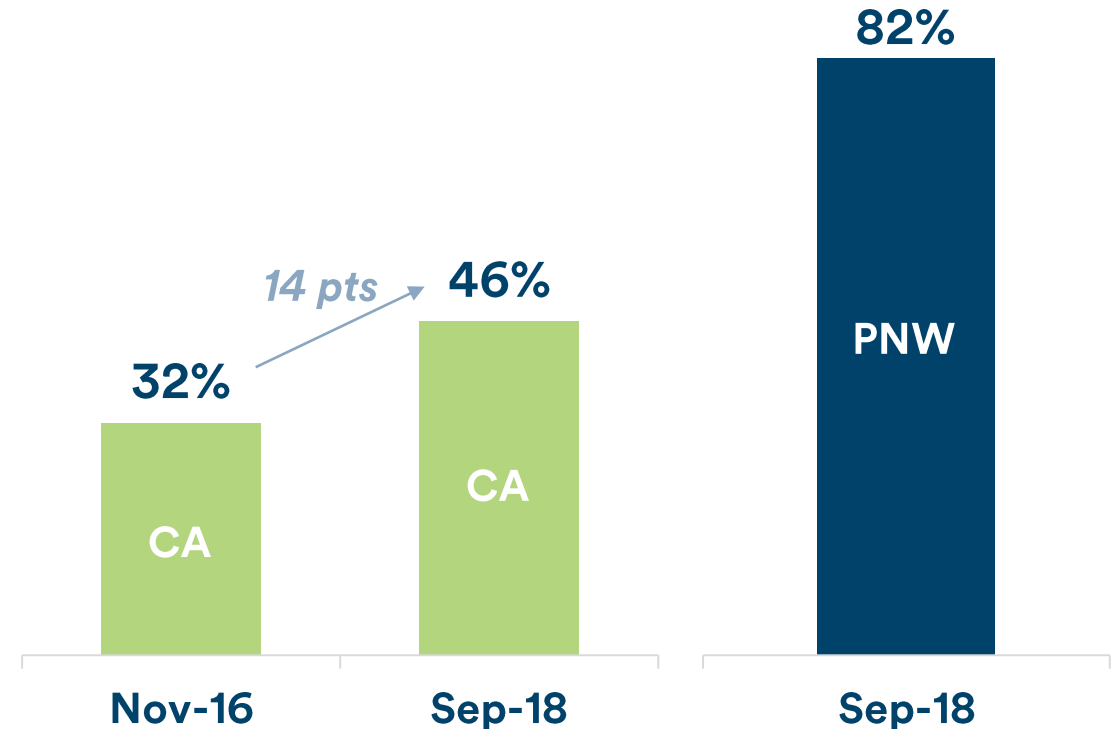
Four Brand Pillars support our vision to be the West Coast's Favorite Airline



The West Coast Favorite

Our brand awareness has increased significantly in California since deal close

Unaided brand awareness



Source: Qualtrics / TNS Brand Tracker (2018). Hall & Partners Brand Tracker (2016, 2017). PNW defined as Seattle + Portland.

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



ULCC

Fares



spirit[™]

allegiant[®]

FRONTIER
AIRLINES



Alaska's Value Proposition:

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

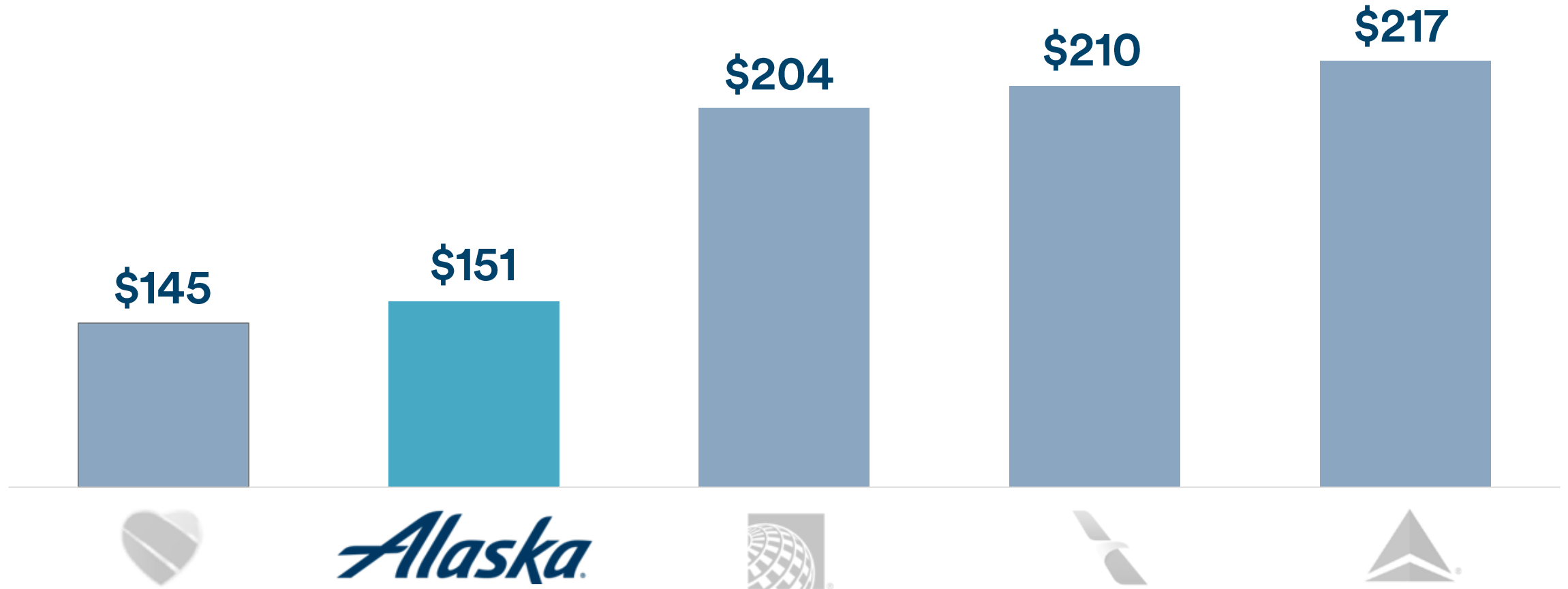
Legacy



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



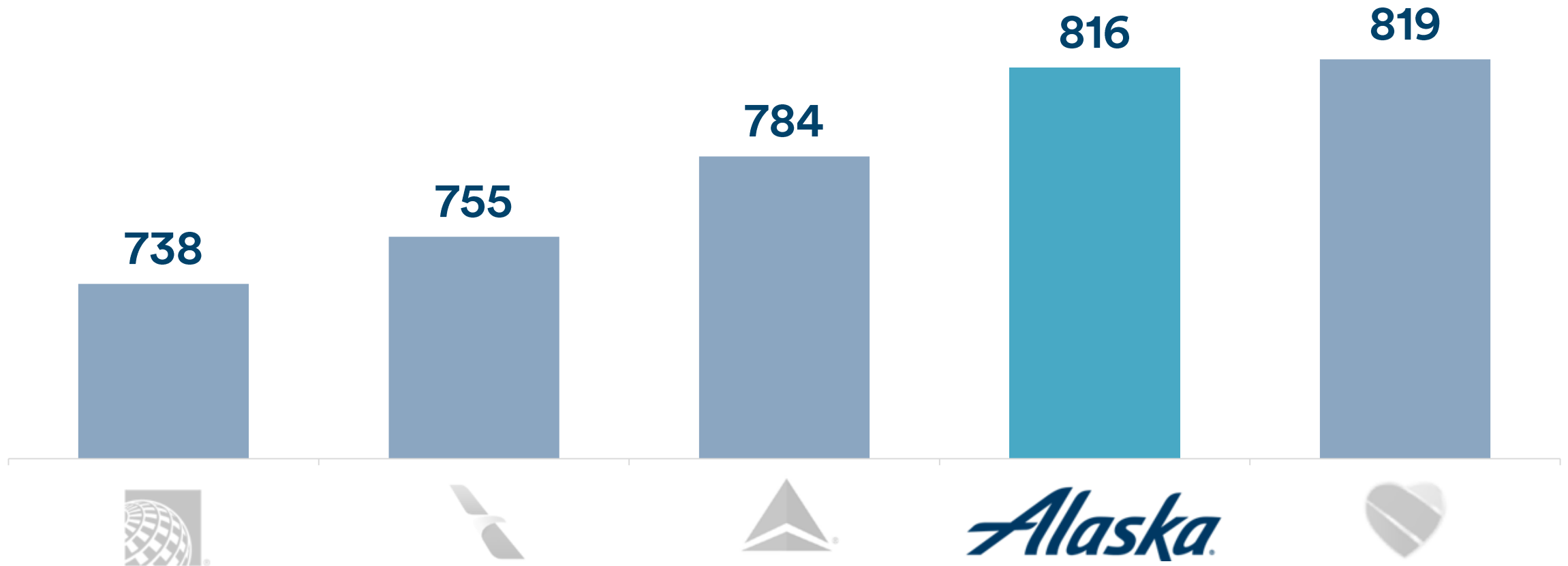
We offer low fares...



Source: US Department of Transportation YE1Q18 Stage length adjusted average O&D Fare

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

JD Power Customer Satisfaction Ratings¹



1. 2019 Mid-Year Results for Traditional and Low-Cost Carriers; Alaska has been the #1 Traditional Carrier for 11 straight years

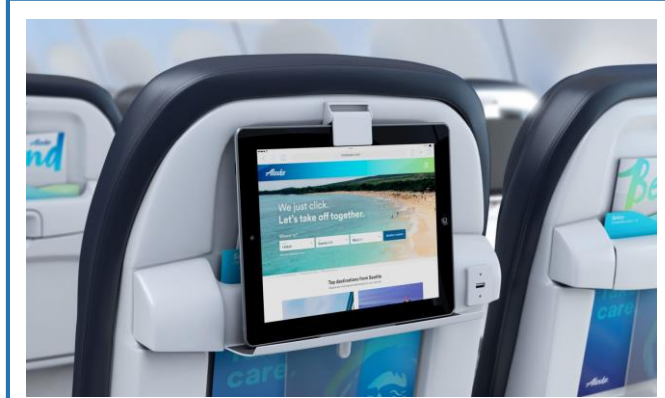
Our guest product offerings differentiate us from other low cost airlines



**Contemporary look
and feel to the cabin**



Satellite Internet
(rolling-out through 1Q 2020)



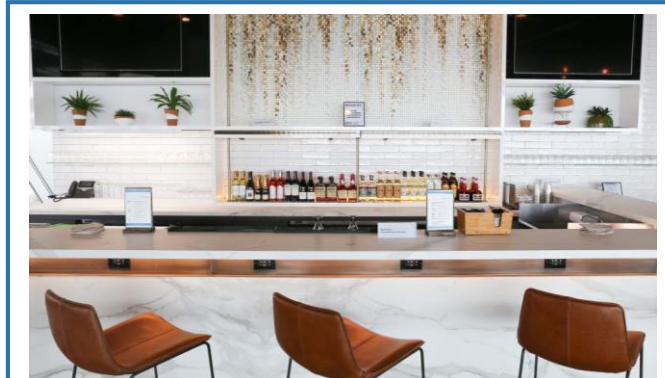
Free Movies & Chat



**New First and
Premium Class Seats**



**Fresh, Regional Food &
Beverage Offerings**



Up-level Lounges

Our award-winning loyalty program continues to grow rapidly, even off of a larger base

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

Alaska
Mileage Plan



+38%

+17%



+19%

+10%



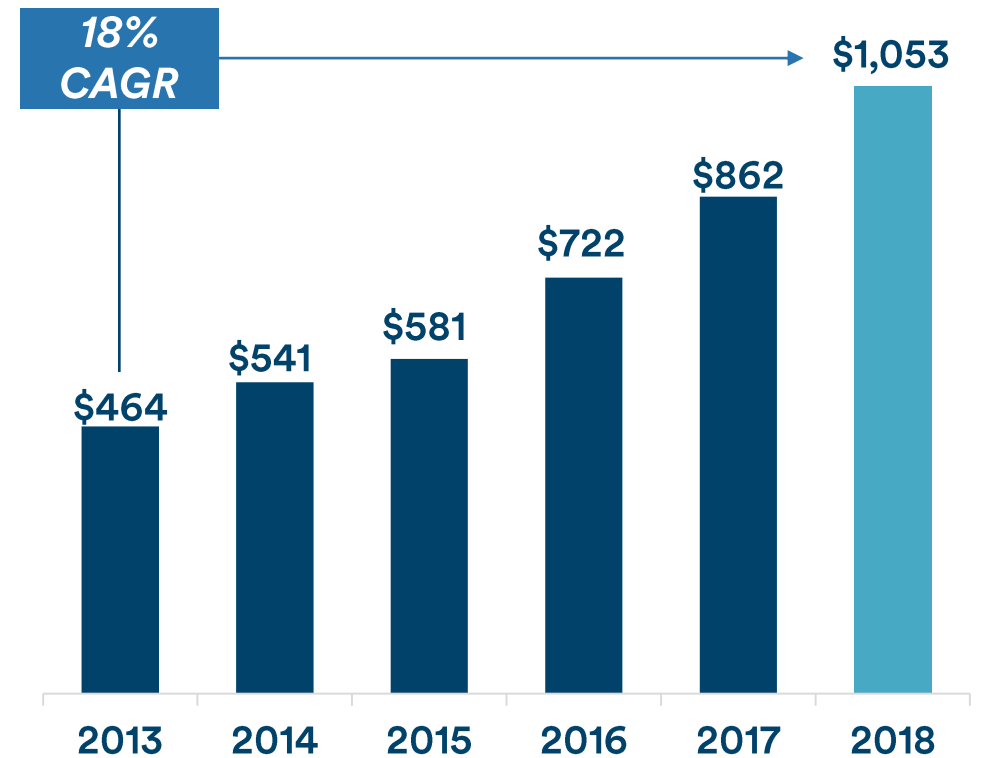
+51%

+34%

Jan 2017 through October 2018

Mileage Plan revenues now exceed \$1B annually and continue to grow as a % of sales

\$ millions



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

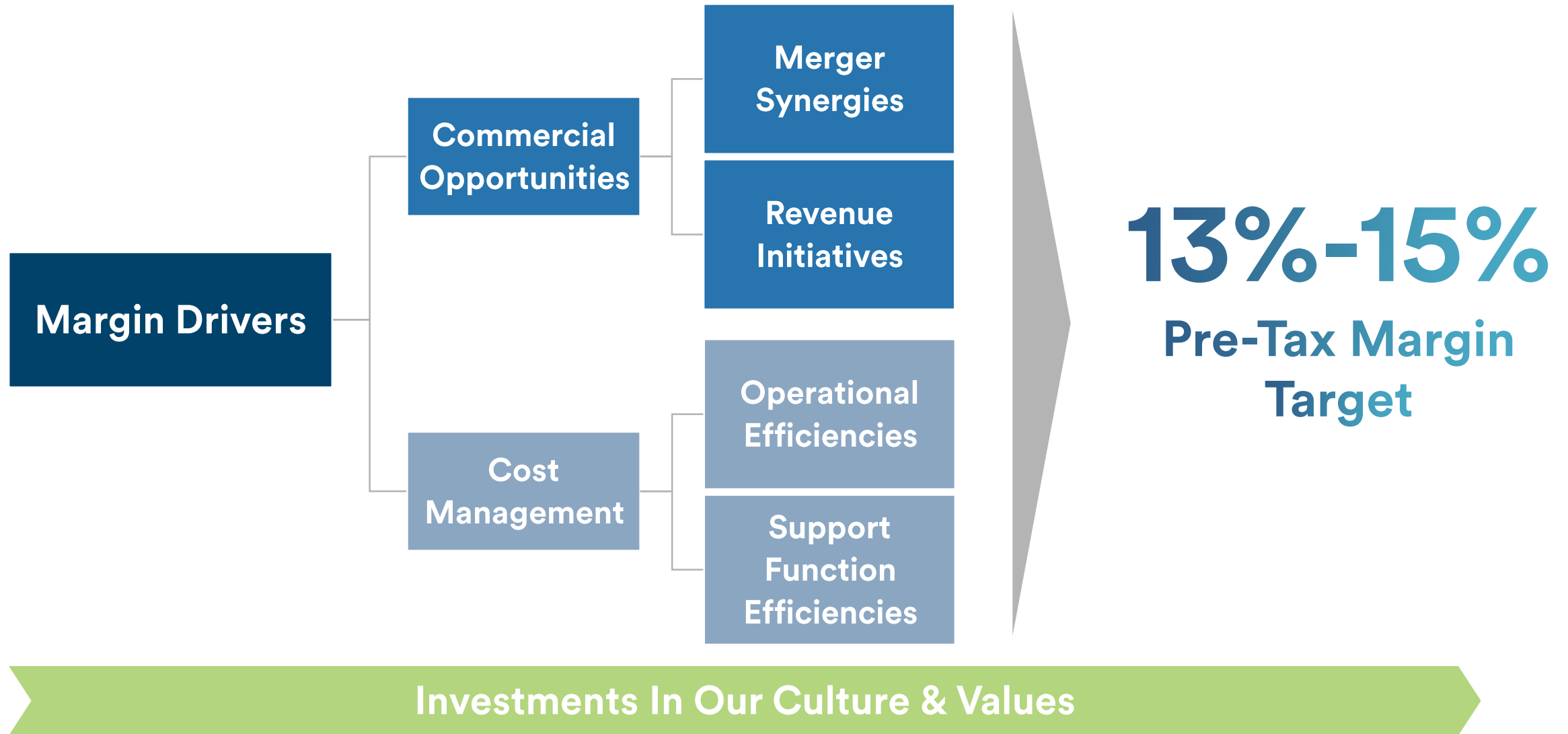


Financial Outlook & Roadmap for the Future





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



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



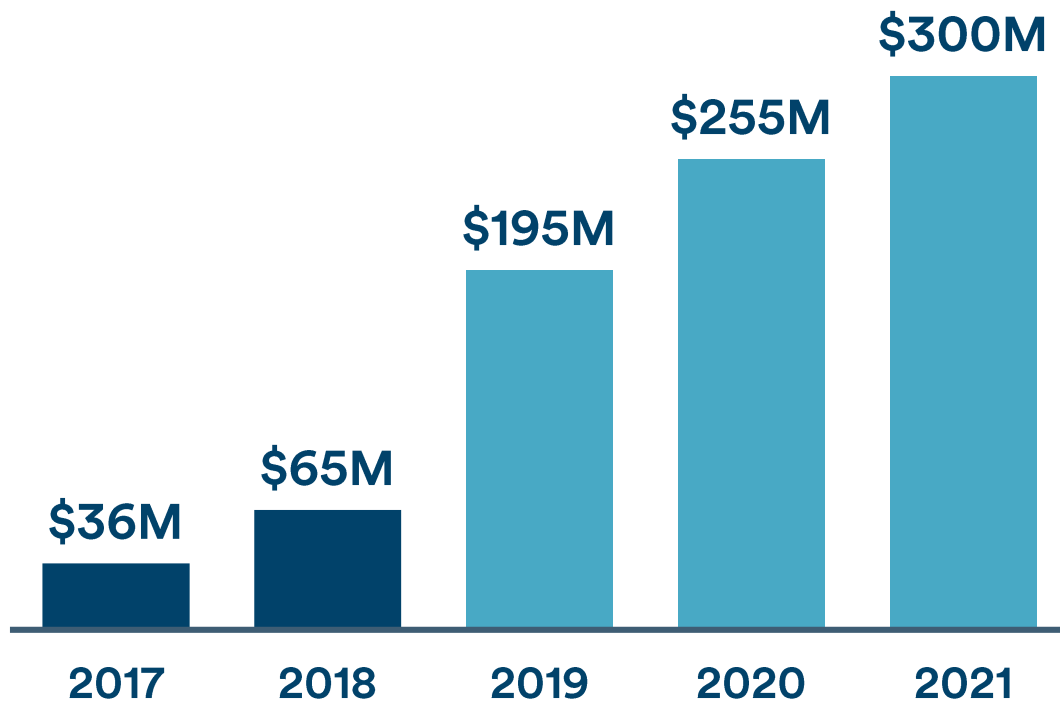
...which includes a number of accretive Commercial and Cost Management initiatives

			Multi-Year Opportunity	Targeted for 2019	Supporting Initiatives
Margin Drivers	Commercial	Merger Synergies	\$235M		<ul style="list-style-type: none"> Loyalty Growth Cross-Fleeting Airbus Modifications Global Partner Growth Saver Fare Bag Fees & Other Ancillaries Corporate Sales Productivity Schedule Optimization Guest Self-Service Constraining Overhead Vendor Management Selling & Distribution
		Revenue Initiatives	\$240M+		
	Cost Management	Operational Efficiencies	\$75M+		
		Support Function Efficiencies	\$85M+		

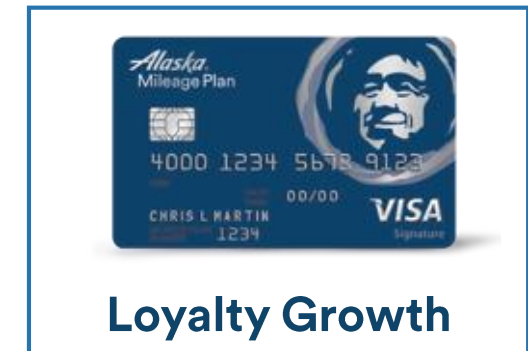
We are poised to capture \$235M in additional revenue synergies over the next three years

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



~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

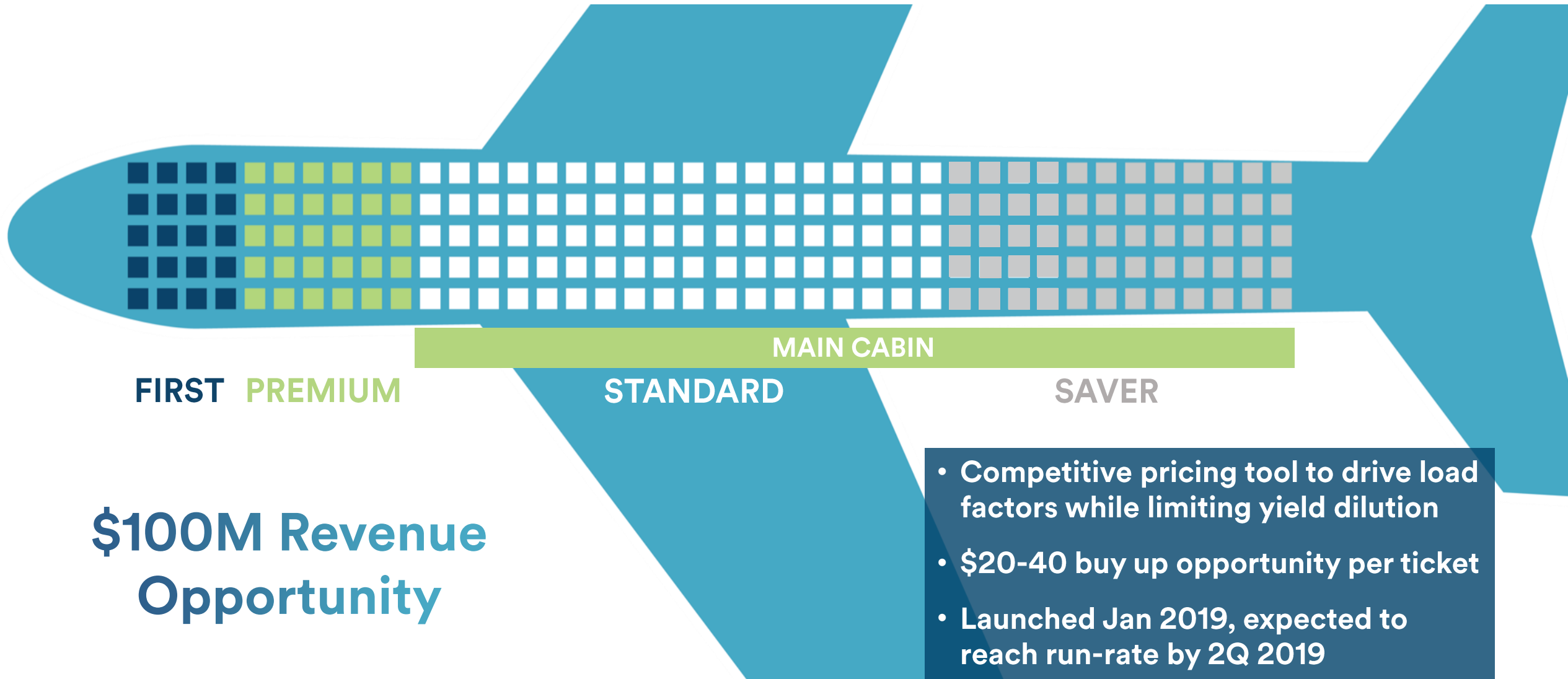
Airbus Modifications

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



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

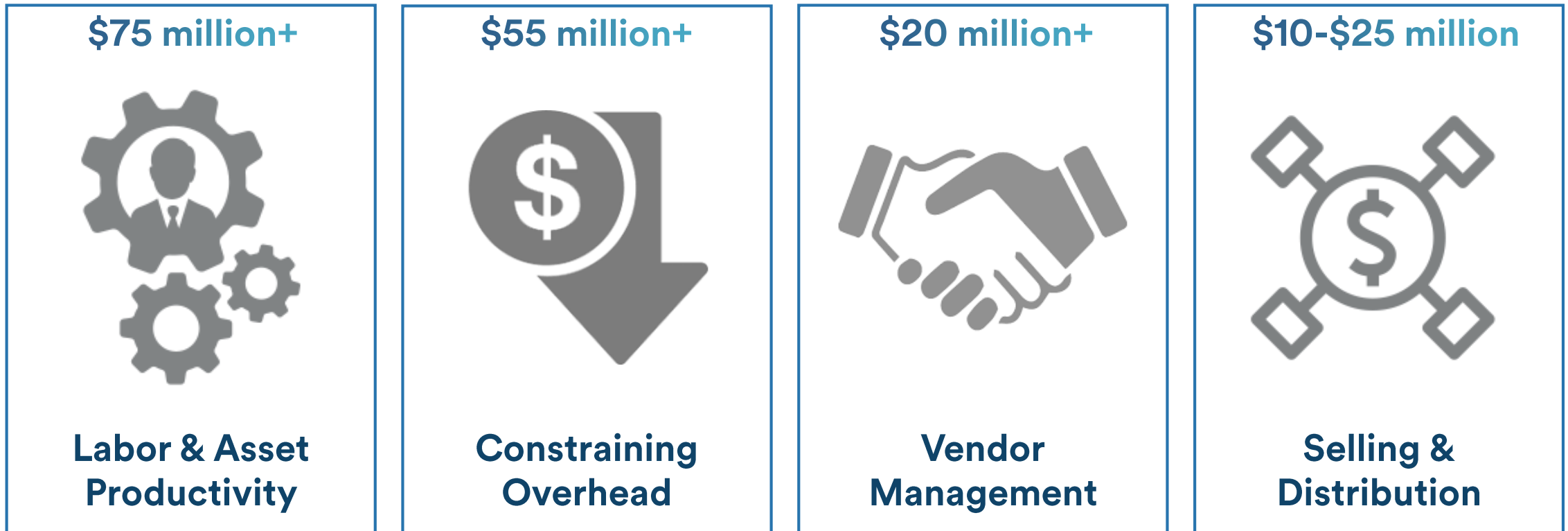
...while also protecting our generosity-based positioning vis-à-vis competitors

Ancillary Revenue Per Passenger, excluding Loyalty Revenue



\$100M Revenue Opportunity

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



Defending our cost advantage remains central to our strategy

We are optimistic on 2019

We have a favorable setup for 2019 Revenue Growth

...and we will tightly manage costs on ~2% ASM growth

\$130 million



Merger Synergies

\$200 million

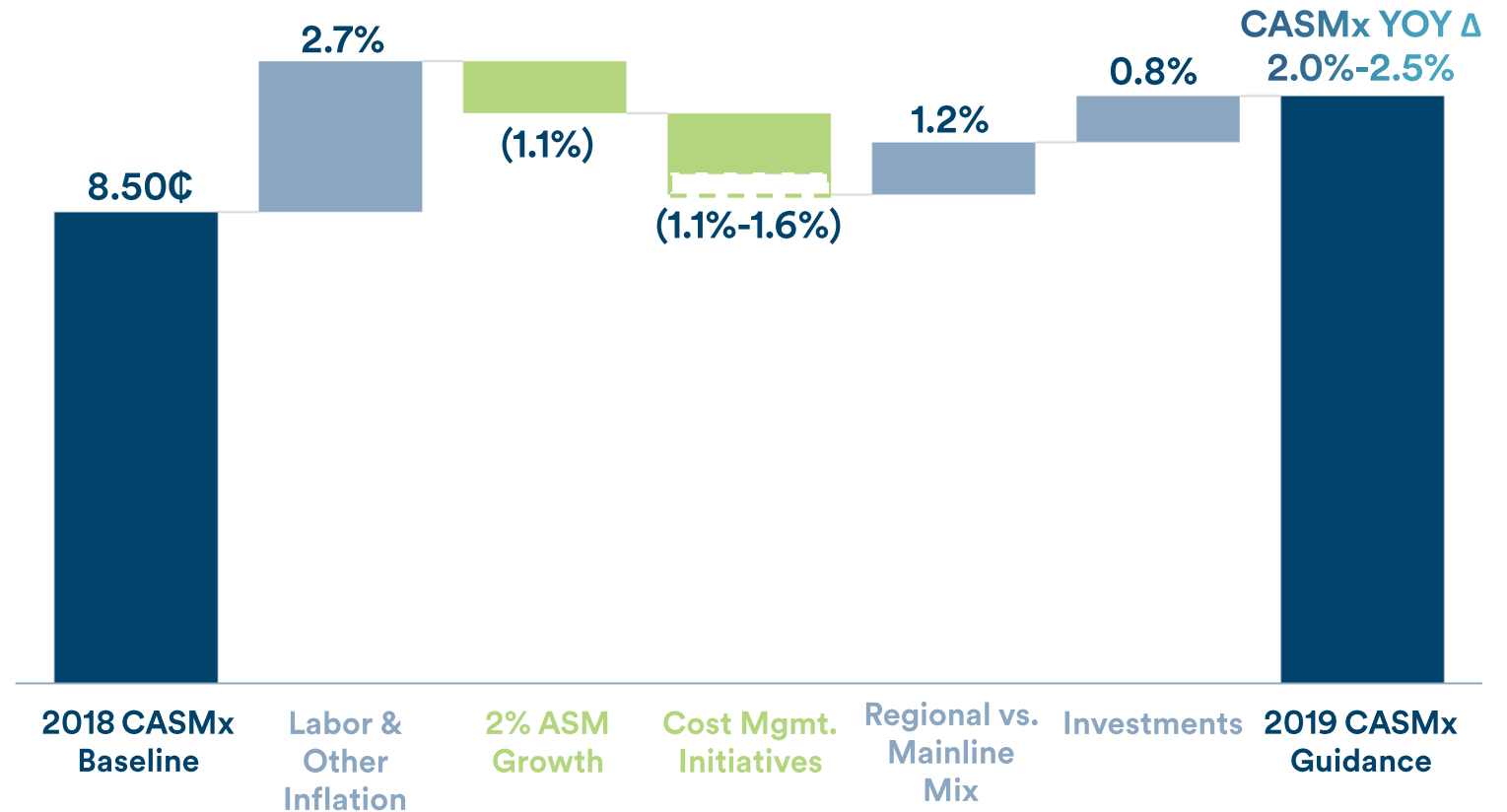


Revenue Initiatives

Slower Growth

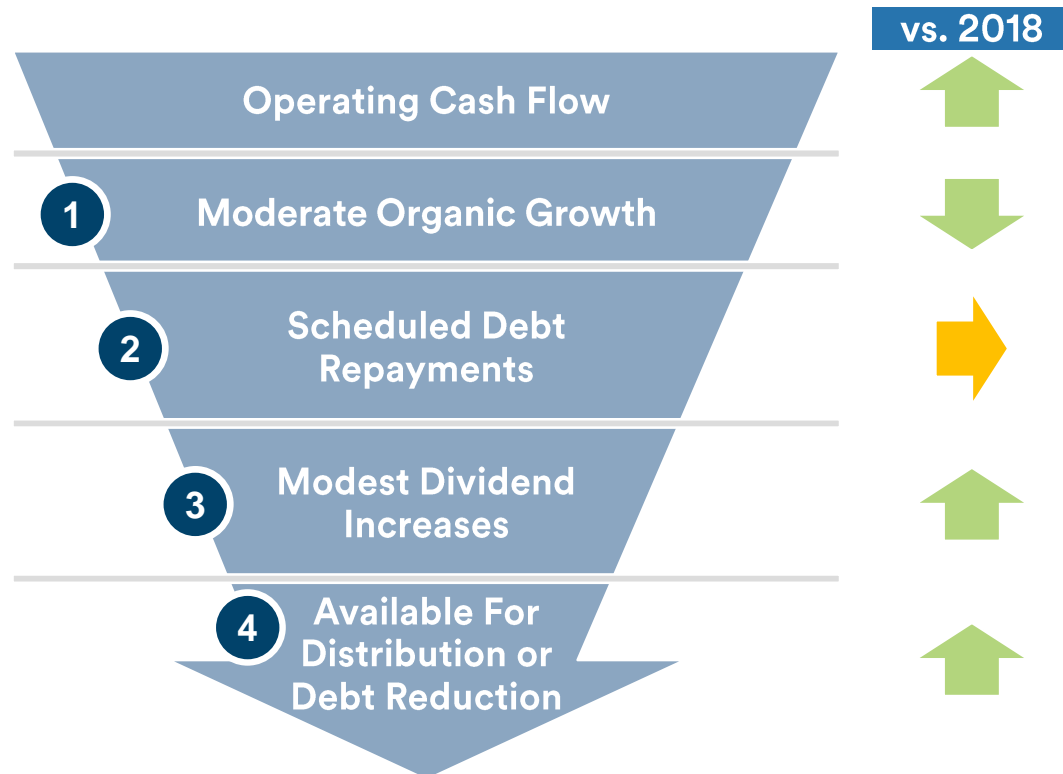


Few New Markets



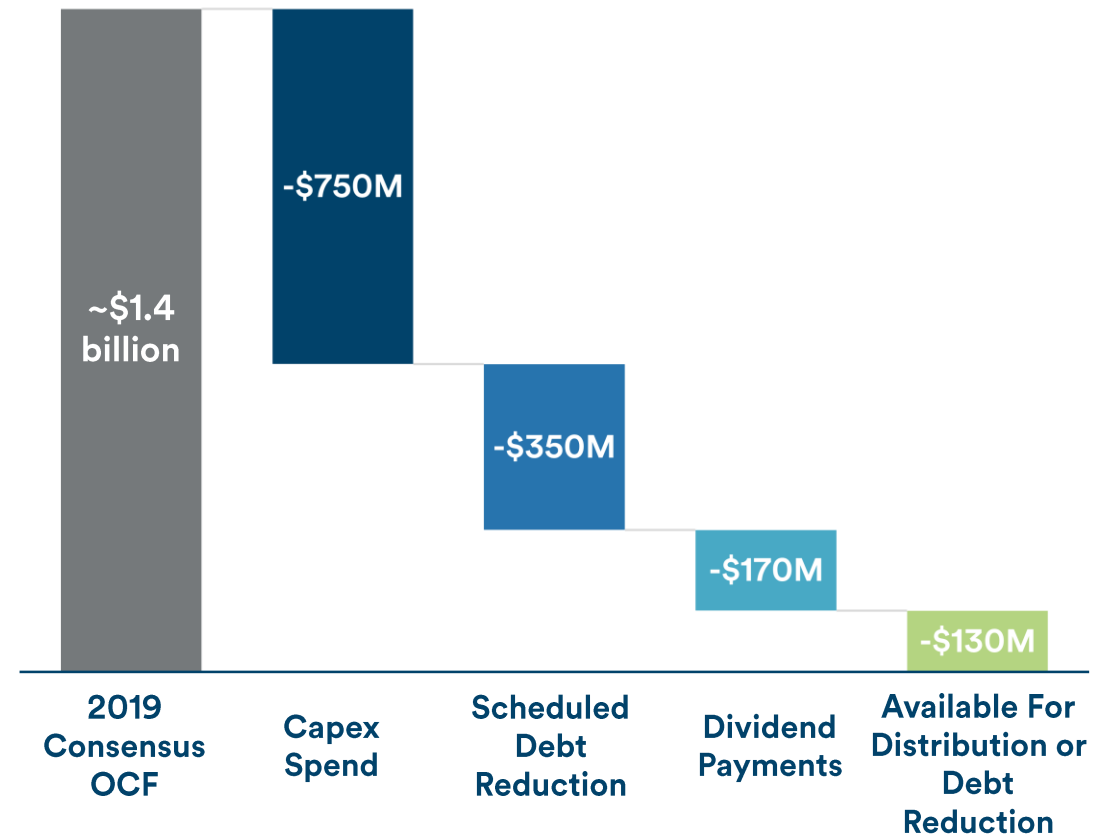
Our capital allocation will remain balanced, with a near-term focus on further debt repayment

2019-2020 Capital Allocation Priorities



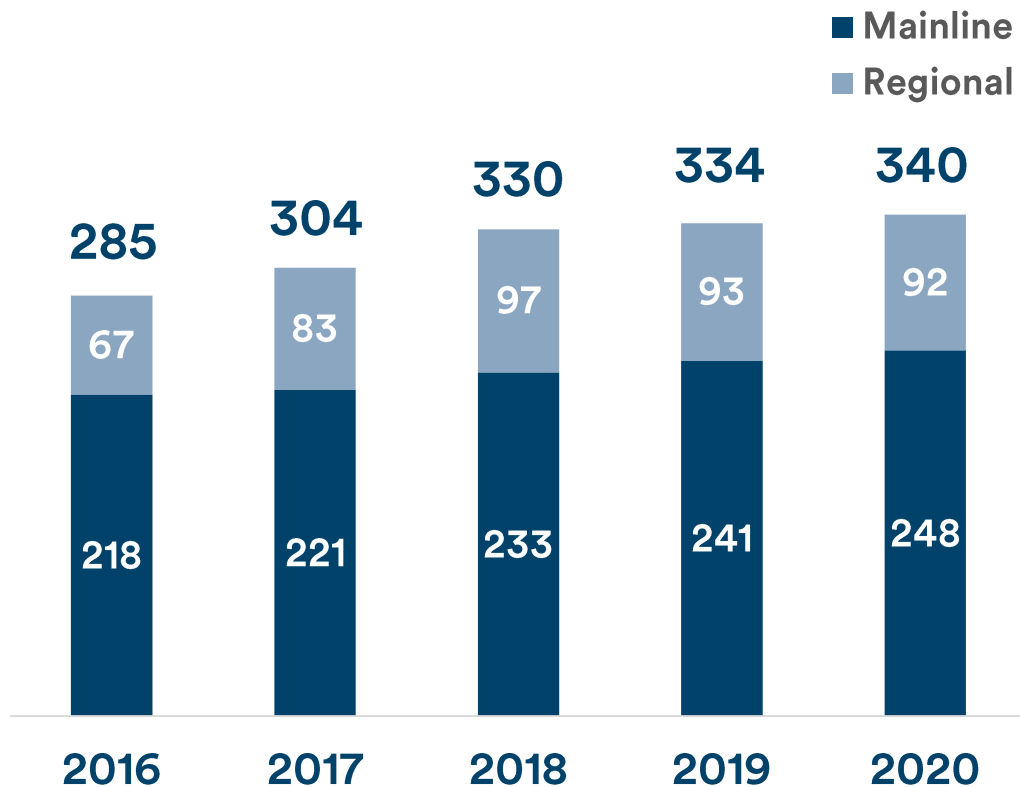
Balanced Allocation Favoring Conservatism

2019 Capital Deployment Plan

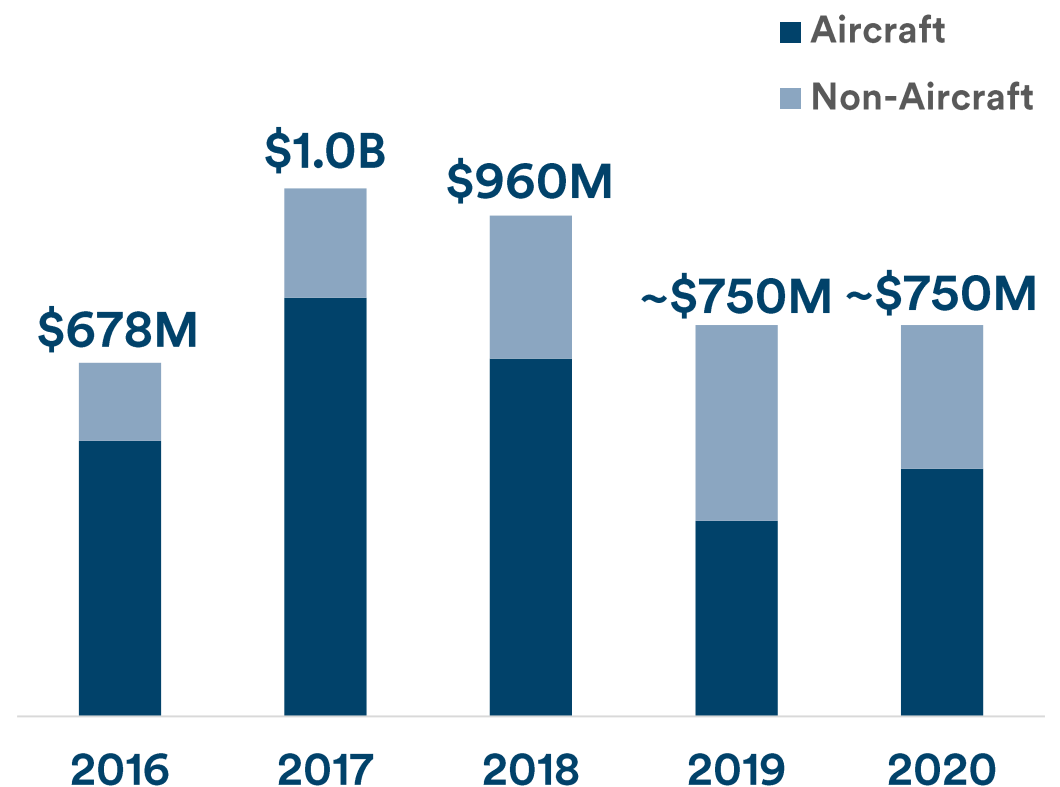


Our fleet growth is slowing in line with our lower capex, which will decline to \$750M in 2019 and 2020

Fleet History & Plan



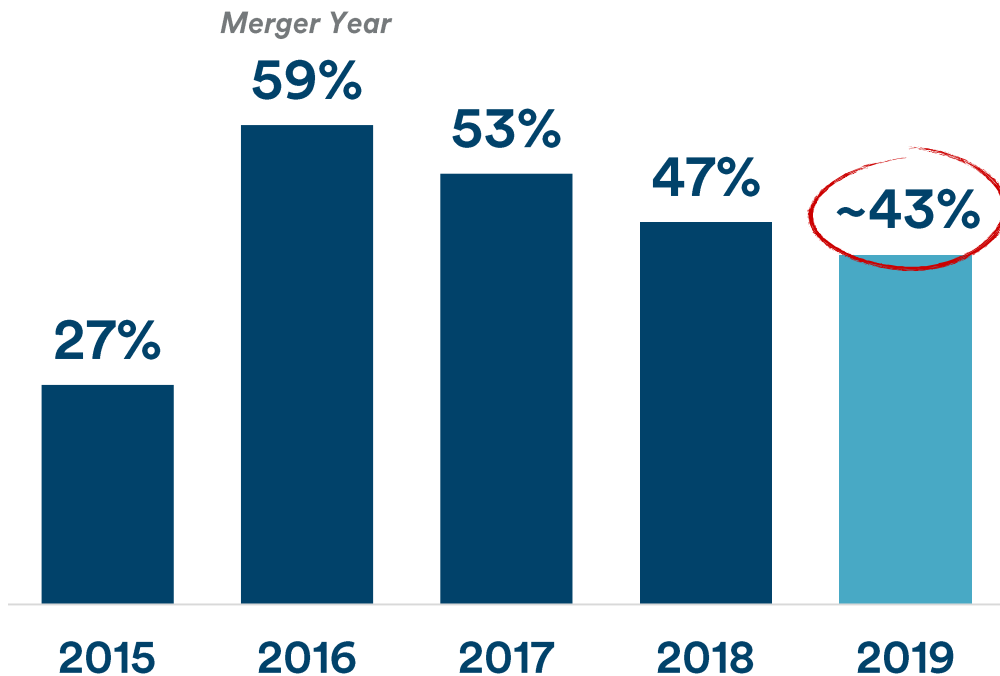
Capex History & Plan



We've made substantial progress repaying our merger-related debt since 2016

Long-Term Debt-to-Total Capitalization %

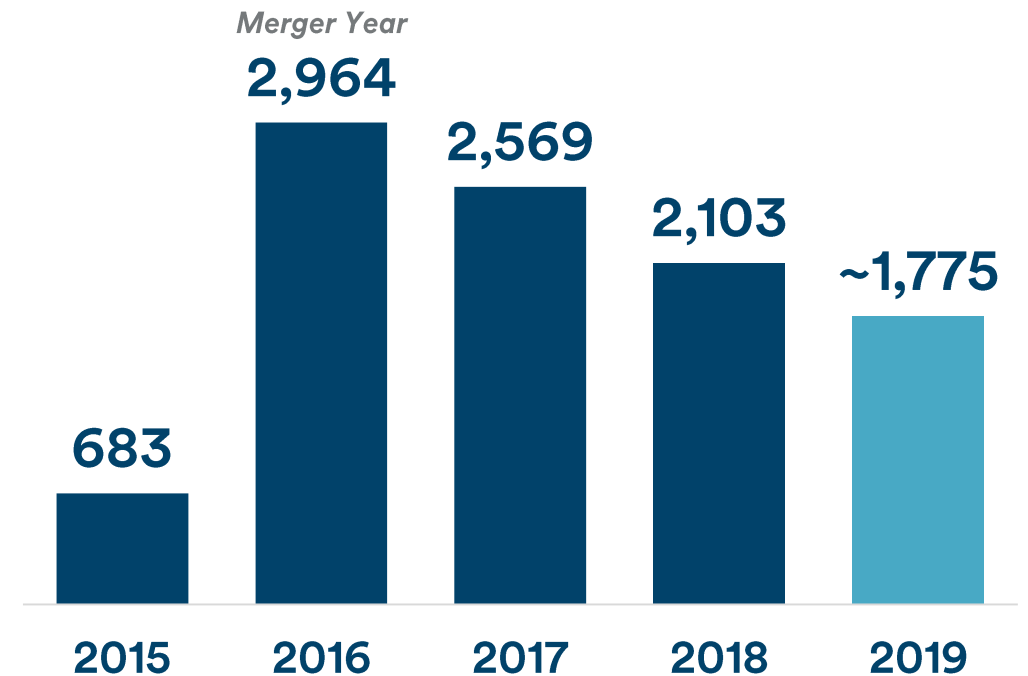
Adjusted for net present value of future operating lease commitments



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

Total On-Balance Sheet Debt

\$ millions

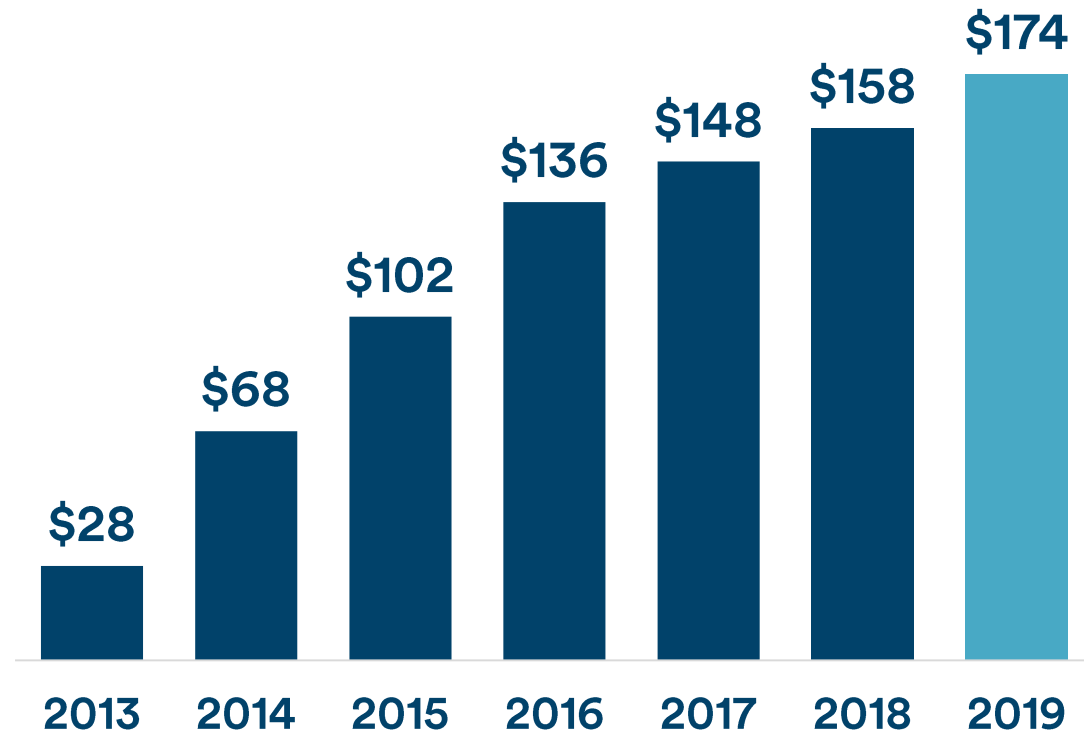


...and plan to repay ~60% of our merger-related debt by YE 2019

Consistent dividend growth displays our confidence in the long-term health of the business

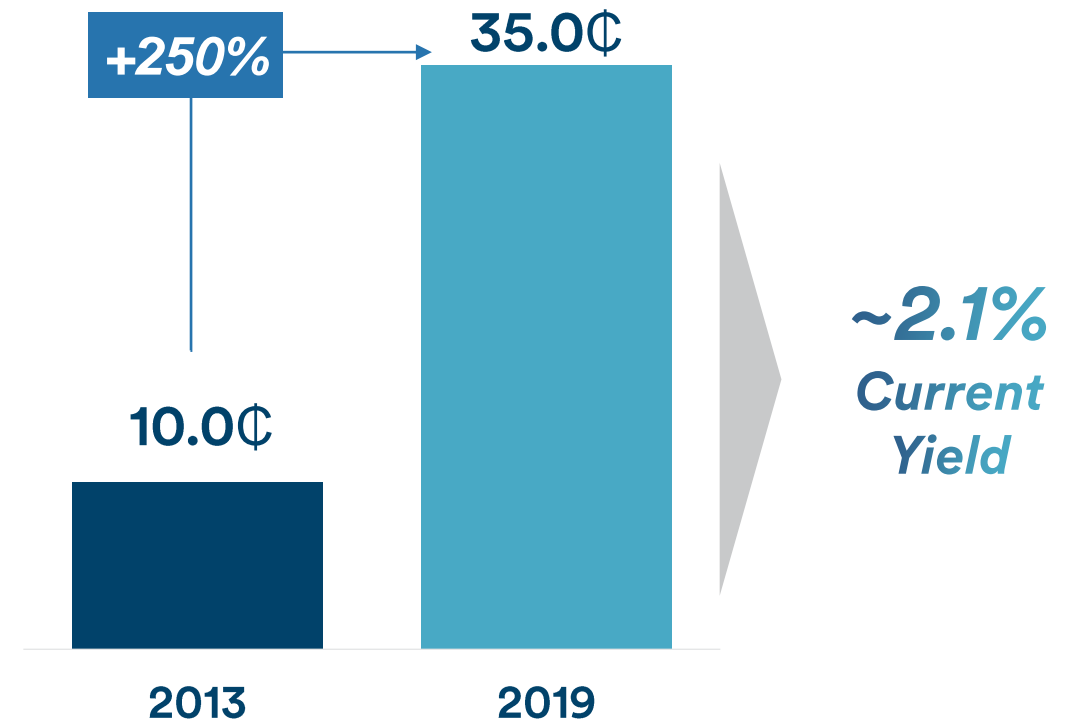
Annual Dividend Spend

\$ 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