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ALK.N - Q3 2021 Alaska Air Group Inc Earnings Call

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OVERVIEW:

Co. reported 3Q21 revenue of $1.9b and GAAP net income of $194m. Expects 4Q21 revenue to be down 16-19% on year-over-two-year basis.

CORPORATE PARTICIPANTS

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

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

Christopher Michael Berry *Alaska Air Group, Inc. - VP of Finance & Controller*

Constance E. von Muehlen *Alaska Airlines, Inc. - COO*

Diana Birkett Rakow *Alaska Air Group, Inc. - VP of External Relations*

Emily Halverson *Alaska Air Group, Inc. - IR*

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

Shane R. Tackett *Alaska Air Group, Inc. - CFO & EVP of finance*

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

CONFERENCE CALL PARTICIPANTS

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

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

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

Conor T. Cunningham *MKM Partners LLC, Research Division - Executive Director & Senior Travel Analyst*

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

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

Helane Renee Becker-Roukas *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

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

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

Myles Alexander Walton *UBS Investment Bank, Research Division - MD & Senior Analyst*

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

Savanthi Nipunika Prelis-Syth *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

PRESENTATION

Operator

Good morning. My name is Thea, and I will be the conference operator today. At this time, I would like to welcome everyone to the Alaska Air Group 2021 Third Quarter Earnings Release Conference Call. Today's call is being recorded and will be accessible for future playback at alaskaair.com. (Operator Instructions)

I will now turn the call over to Alaska Air Group's Managing Director of Investor Relations, Emily Halverson.

Emily Halverson - *Alaska Air Group, Inc. - IR*

Thank you, Thea, and good morning. Thanks for joining us for our Third Quarter 2021 Earnings Call. This morning, we issued our earnings release, which is available at investor.alaskaair.com. On today's call, you'll hear updates from Ben, Andrew and Shane. Several others of our management team are also on the line to answer your questions during the Q&A portion of our call. This morning, Air Group reported third quarter GAAP net income of $194 million. Excluding special items and mark-to-market fuel hedge adjustments, Air Group reported adjusted net income of $187 million. Pretax margins were 12%, a 15-point improvement from the prior quarter. This marks our first profitable quarter on an adjusted basis since the pandemic began.

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 in 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've provided a reconciliation between the most directly comparable GAAP and non-GAAP measures in today's earnings release.

Ben, over to you.

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

Thanks, Emily, and good morning, everyone. Air Group's $187 million adjusted net income marks an inflection point on our path to recovery. During our last earnings call, we forecasted a double-digit third quarter pretax margin. And despite the impact of the Delta COVID variant, we delivered. Our 12% pretax margin solidly led the industry and was just 6 points shy of our Q3 2019 margin. I'm proud of how our company is emerging strong from the pandemic, and I'm looking forward to when the recovery is stable and less likely to undergo the man shocks due to variants.

Our approach from the beginning has been deliberate, scaling our business back in a measured way, leveraging our strong balance sheet and running our operation to produce consistent industry-leading financial performance no matter what the external circumstances. Our third quarter results reflect the strength of the summer season with pent-up leisure demand, bringing passengers back to the skies. Both 4th of July and Labor Day passenger employments approached 2019 levels. Even with the dampening impact that the Delta variant had on demand in August and beyond, our third quarter load factor came in at 80% and total revenue was down just 18% on a year-over-2 basis, a 15-point improvement sequentially from the second quarter.

Our unit costs were up 9% in the third quarter, beating the better end of our guidance range. The solid cost execution reflects incremental progress towards our productivity goals as passengers per FTE increased 6% sequentially, falling just 12 points below 2019 levels for the quarter. Shane will provide more detail about our cost performance and pressures we are seeing in a few cost categories. Looking forward, our longer-term thinking about our approach to the recovery remains intact. Despite the transient choppiness we're experiencing from the Delta variant, our plan is still to return to our pre-COVID size, no later than next summer and then to grow from there. We anticipate recovery will continue to be volatile at times as we learn to live with COVID and until demand ultimately normalizes. Our job is to deliver consistently strong financial and operational performance, no matter what course the recovery takes and Q3 has shown us that when demand does come back, our business model is tuned for success.

Looking ahead to the fourth quarter, we plan to increase our capacity to 13% to 16% below Q4 of 2019. And given the dampening effect of the Delta variant, we expect to deliver breakeven to slightly positive pretax margins. If the pace of the recovery accelerates from here, there will be upside to our expectations. This quarter's results were only possible because of the hard work of our frontline employees and crews. Their dedication to delivering an efficient operation with our culture of kindness and caring is at the heart of our success. I want to thank them for their efforts and for putting Air Group amongst the top performers in the industry in on-time arrivals and completion rates once again this quarter. Our guests have shown their appreciation for that great service too. Guest satisfaction scores have exceeded internal targets every month so far in 2021.

Sustaining operational performance with high guest satisfaction is a remarkable achievement given how complex re-ramping our operations has proven to be. Several quarters of improving demand and financial performance have provided the stability necessary to invest in repairing our balance sheet. Year-to-date, we have made gross debt repayments of $1.2 billion, driving our debt-to-capitalization ratio down 10 points from year-end 2020 to 51% and moving within reach of our sweet spot for leverage between 40% to 50%. Having deleveraged so quickly from our pandemic borrowings makes clear to me that we made the right decision in not diluting shareholders during the depths of the crisis, even though that is not yet something the market is rewarding us for. We are making progress each quarter on our path to single fleet. This quarter, we took delivery of 2 more 737-9 aircraft and also exercised options for 12 incremental firm airplanes to be delivered in 2023 and 2024.

All told, we will have 93, 737-9 aircraft in our fleet by 2024 with options for 52 additional airplanes. This fleet order not only replaces our departing Airbus 319 and 320 fleet, but positions us for significant growth when demand comes back, which we expect will be in the back half of 2022. Importantly, we are in a financial position to take these deliveries while also maintaining our strong balance sheet.

To close, I'm optimistic about the foundation we have laid to prepare for Air Group's return to growth and profitability. We have a fantastic Boeing order book, creating flexibility for significant growth through 2025, a low-cost structure that allows us to compete with low fares supported by a strong balance sheet, a great onboard product matched with industry-leading customer service and operational performance, a powerful domestic West Coast network supported with the oneworld Alliance, a brand with a fierce customer loyalty behind it, and most importantly, a culture rooted in kindness and caring.

I'd like to thank our people one more time for a great quarter. And with that, I'll turn it over to Andrew.

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

Thanks, Ben, and good morning, everyone. My comments today will focus on third quarter performance, recent demand trends, progress with our alliances, and revenue guidance for the fourth quarter. Our third quarter revenues came in at $1.9 billion, down 18% versus 2019. This was on flown capacity that was also down approximately 18%, resulting in near flat unit revenues. We were very happy with this result, especially as the impact of the Delta variant started showing up in a meaningful way at the end of July.

Our revenue performance reflects a 15-point sequential improvement from last quarter, while capacity was just 3.5 points higher. Load factor sequentially increased 3 points to 80% but the bigger revenue driver was strong sequential yields, which improved 13 points from last quarter to up 4% versus 2019. On a monthly basis, loads were strongest in July at approximately 88%, then deteriorated to 81% in August and bottomed at 72% in September. In the same time frame, yield deteriorated about 5 points from up 3.6% in July to down 1.5% in September, both on a year-over-2 basis.

These negative trends were all driven by the emergence of the Delta variant. Geographically, Hawaii represents 16% of our capacity and was our weakest performing region during the quarter given the travel advisories for the state, which damaged demand for Hawaii. In fact, the impact to our system results was to reduce RASM by 2.5 points. Considering the headwinds in Hawaii, along with the broader impact of the Delta variant, I would characterize our Q3 revenue performance as strong. Our commercial team did a fantastic job managing revenue in a volatile demand environment.

As I'll expand on momentarily, the consequences from the Delta variant have not yet dissipated, and we're still working to build back Q4 bookings that were lost from the 4th COVID wave, given it occurred during an important period for building Q4 traffic. But sticking with third quarter results for a moment longer, there are 2 bright spots that have steadily bucked trends for several quarters now: premium product performance and our loyalty program. On the premium product side, this quarter's paid load factor in our first-class cabin was 3 points over 2019 and premium class cabin exceeded 2019 by 9 points. We continue to see strong demand for our premium products, and we believe this will only continue as business demand returns along with international demand associated with our entry into oneworld.

Regarding our loyalty program, this quarter, we received the highest level of cash compensation in our airline's history, which was up 7% from the same quarter in 2019. Our loyalty program is one of our most durable competitive advantages, and we are squarely focused on maintaining and improving this momentum over the coming quarters. Now looking at our network, it's only -- it's been our priority throughout the recovery to quickly rebuild Seattle and restore the Pacific Northwest capacity. This approach is producing results as is evident from our revenue performance this quarter. We're also seizing opportunities to capitalize on demand shifts as they arise. Reflecting on the year, we'll have added 30 new markets and only discontinued 3. In short, choices for our guests when combined with our strong relationship with American have improved significantly.

Today, we're flying approximately 85% of our pre-COVID network. Our Seattle hub capacity is fully restored with capacity above 2019, while overall Pacific Northwest flying is quickly approaching 2019 levels. California recovery remained slower as we flew 65% of 2019 capacity during the quarter. I still expect that by the summer of next year, our California flying will be back to pre-pandemic levels. As part of the California rebuild, we've recently announced that we're expanding our service from the Bay Area to Mexico, positioning Alaska with more nonstop flights to Mexico from the West Coast and any other U.S. carrier.

Now turning to the future. The current revenue environment has certainly been challenging. But, as I mentioned last call, my team is focused on building a strong commercial engine that will serve this company for a long time. One of the ways we'll do this is by leveraging the unique benefits available to us as part of oneworld. I'd like to give a shout-out to the Alliance's team who have been working tirelessly to establish robust commercial agreements that will unlock flexibility and benefits for our guests. So far in 2021, we've added 195 incremental codeshare routes with five oneworld partners, increasing our codeshare portfolio by 43%. This figure includes our recently announced agreements with Iberia and with Qatar. In very short order, we've seen Qatar become one of our top international partners as they efficiently connect our network with their nonstop services between Seattle, San Francisco, and Los Angeles with their global hub in Doha.

The Seattle-Doha nonstop, which was launched in January, has been especially strong. This success is an indication Alaska guests value our global portfolio, and I'm eager to see their responses to American's upcoming Seattle route launches to Shanghai and Bangalore in 2022. With American and our oneworld partners, our potential to capture international traffic out of Seattle and California is significant. Oneworld and our partnership with American have also opened the door to greater access to corporate travel, and we believe Air Group is uniquely positioned to get more than our pre-COVID corporate market share with the tools we're putting in place.

On September 1, we activated for the first time, our preferred partner status with American Express GBT, enabling greater access to more corporate guests and quality traffic. I'm really looking forward to sharing more details with you about these new initiatives as well as many others in the spring.

Now turning to the fourth quarter guidance. Although the Delta variant surge looks to be behind us, its impact on bookings have left an unfavorable imprint on our Q4 expectations. Bookings deteriorated from down 20% in July to down 35% in August and flirted with down 50% on a few booking days during the peak of the surge. While that rate of recovery since the peak has been slower than we experienced after the last surge this spring, over the last 7 days we've seen bookings recover to down 10% year over 2. Ultimately, we believe the Delta variant has reduced fourth quarter revenues by approximately $200 million. Although the trajectory of bookings today has improved, it is not enough to fully make up for what was lost in Q4. With this as our backdrop, we expect Q4 revenues to be down 16% to 19% on a year-over-2 year basis.

However, our assumptions reflect weaker performance in October, with total revenue down approximately 25%. So just looking at November and December, revenue is expected to be down between 13% and 16% right in line with our capacity reduction. From a unit revenue perspective, October RASM is shaping up to be down about 10% versus 2019, while November and December could improve to nearly flat versus 2019. Filling our planes is our top priority, but we're using discounts cautiously with an eye on preserving yields, especially in a rising fuel environment. While we aren't making any predictions about what awaits us around the corner, improving rates of vaccination, availability of booster shots, the expected near-term approval for vaccines for children and opening of international borders could have a positive impact on the recovery and the economy.

However the recovery unfolds I'm very optimistic that our commercial model will deliver relative outperformance as we saw in Q3 and that our work to date has positioned as well. As Ben just shared, we expect our efforts to lead to a breakeven quarter with upside potential. And with that, I'll pass it to Shane.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Thanks, Andrew, and good morning, everyone. As we've highlighted today, another quarter of sequential improvement and strong margins underscore the durability of Alaska's business model. Underlying our industry-leading results were July and August performance that came within about 2 points of 2019 margin levels. I'm impressed by our team's execution and the results they delivered in such an unpredictable environment. In my commentary today, I'll provide insights on these results, our cash flows and liquidity, cost performance, and our expectations going forward.

I'll begin with cash flows and liquidity. We ended the quarter with $3.6 billion in total liquidity, inclusive of on-hand cash and undrawn lines of credit. This is down from $4.4 billion of total liquidity in June as we paid down nearly $550 million in debt and made a $100 million voluntary pension contribution. Debt repayment included retiring our $425 million 364-day loan and our pension contribution brings our funded status to 94% and also allowed us to capture a onetime permanent tax benefit of $14 million.

Q3 cash flows from operations were essentially breakeven, excluding pension funding. The sequential decline from Q2 to Q3 was expected due to the absence of PSP grant inflows this quarter and the normal seasonal drawdown of ATL. However, as Andrew described in his commentary, the Delta variant stalled the otherwise strong demand recovery in the quarter, and as a result, the ATL drawdown was higher than originally forecast. Fourth quarter cash flows from operations are expected to be between negative $100 million and $0 dollars exclusive of tax refunds and payments, which we expect to net to a positive $100 million in the quarter, depending on when we receive our anticipated 2020 tax refund. This forecast factors in the reduced cash intakes due to the impact on bookings of the Delta variant.

Planned debt service for the remainder of the year is approximately $120 million, and we have no plans for further prepayments through the end of the year. With this quarter's debt retirements, our debt to cap has dropped to 51%, placing us just shy of our intended range as Ben shared. Today, our outstanding debt bears a relatively low weighted average effective rate of 3.3% and our 2022 debt service is very manageable at about $375 million for the year, roughly 1/4 that of 2021. Moving beyond 2022, annual debt service is in the range of $250 million to $400 million.

With a sustained return to profitability, I expect our net debt-to-EBITDAR levels to move to approximately 2x or less in 2022. Our liquidity and balance sheet are in great shape, and we plan to leverage both as we fund our fleet order and eventually look forward to reactivating shareholder distributions, which we can do towards the end of next year. As of now, I expect our total liquidity to move to approximately $2.5 billion in 2022.

Moving to costs - I will touch briefly on our Q3 performance, and then focus on our cost trajectory over the next several months as we prepare for a return to growth. This quarter, nonfuel costs were $1.3 billion with unit costs up 9.3% versus 2019, better than the guidance we issued in September. Our teams have continued to do a superb job meeting their internal cost plans, and we also saw lower-than-expected medical costs in the quarter.

Fuel costs rose again this quarter to $2.05 per gallon, up approximately 25% from where we started the year. With crude at $70 per barrel for the quarter, our fuel hedges provided a $21 million benefit or $0.11 per gallon. We currently have 50% of our planned fuel consumption hedged for the next 6 months at an average strike price of $61 in Q4 and $69 in Q1. Given the current spot prices of oil, we expect to continue to realize hedge benefits in Q4 and into 2022, meaning we also expect to see fuel cost headwinds impact absolute margin performance in the near term. Looking forward, we continue to make steady progress on getting costs back to pre-COVID levels. That remains an expectation and priority of the leadership team.

Our progression through 2021 has been solid with mainline CASMex compared to the same month in 2019, up 19% in June, up 7% in September, and likely to be up 4% to 5% in December. Capacity in December compared to 2019 levels is expected to still be down 13%. Capacity pressure is more acute for our Horizon operations as aggressive pilot hiring across the industry is expected to lead to abnormal attrition levels, creating lower capacity capability and consequently, also pressuring their unit costs in the near term. We're also seeing modest pressure in entry-level wages, which we believe is both an industry and general trend in the economy at large, and wage adjustments in this category are adding approximately $7 million to the fourth quarter.

Additionally, as we ramp to 100% of pre-COVID capacity, we are onboarding more employees earlier than we normally would, given our training throughput capacity. Costs associated with additional training and carrying employees for the quarter are approximately $5 million. The costs associated with ramping capacity will normalize by next summer. In 2022, we will continue to reduce unit costs as capacity returns. Doing so is not without its challenges as we have 2 particular headwinds to offset. One is airport related costs as our airport partners run through CARES grants and return to fully charging airlines for both operations and capital expenses. The other area is a step-up in transition costs related to the returning our Airbus fleet to lessors. The cost of returning aircraft were fully contemplated in our decision to return to a single fleet, and the economics of doing so are strongly favorable long term.

As we step squarely into the return window, we will be recognizing these expenses through the P&L in earnest. I expect the largest impact in 2022 with a significant step down from there into 2023 and a final one down in 2024, which will provide a nice tailwind to our CASMex trajectory as we exit 2022 and move through 2023. Notwithstanding the headwinds, we will emerge as an airline with a cost structure equal to or better than 2019 in short order. Our cost restructuring targets are intact, and this quarter's results reflect increased realization of productivity savings as well as the efficiencies of now 7, 737-9 aircraft flying for our mainline fleet. As a result of the headwinds and tailwinds I've described, our expectations for Q4 unit costs is that they will be up 7% to 9% versus 2019 on roughly 15% lower capacity.

To close, I would just say again that our underlying business model is strong. While demand is choppy and we hate that we don't get to have the fourth quarter that we think we were set up to have because of the Delta variant, we are confident that when reasonably strong demand returns, we are poised to deliver strong financial performance. We're looking forward to rescaling to our pre-COVID size, and demand allowing, growing from there. As we do this, we will be continuing to deliver on our cost restructuring and fleet transition and unlocking commercial levers to drive additional value to our bottom line.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question will come from Savi Syth with Raymond James.

Savanthi Nipunika Prelis-Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

As you talk about kind of rebuilding the network here, I was just kind of curious, the kind of big airports, Seattle, Portland, San Francisco and L.A. as you build those back, this is kind of the mission, the way, the strategy behind those airports or how you operate them change kind of post-crisis versus before?

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

Hi Savi. It's Andrew. I wouldn't say it's changed, but we have actually made some refinements and tweaks. Obviously, Seattle, we serve everywhere from there and Portland to a lesser extent. I think some of the pivots you've seen us make and given the contours is especially Los Angeles, you're going to see a little more leisure flying for us out of there, we do very, very well. And I think in San Francisco, we've built out a pretty good network, and I think what you're going to see us stay a little more focused on is the largest O&Ds out of there, making sure we serve the top [20 to 25] (corrected by the company after the call) business markets. And so that's sort of where we're landing on all of this.

Savanthi Nipunika Prelis-Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

Got it. And then just, Andrew, maybe if I could follow up on that a little bit more. On the other focus cities that you've tried to build in the past or kind of working. So think about kind of San Diego, Salt Lake City, Boise, how do those fit in within the network? And any kind of learnings on -- in the past trying to build those out?

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

Yes. We've -- especially on the secondary cities, but we've done a lot of Pacific Northwest to California. We used to flow that traffic over our major hubs, and just given the demand and the loyalty strength and the evolution of those markets, we're finding nonstop service to be very good there. I think San Jose as part of the Bay Area and San Diego for us, it's all about loyalty as well and making sure we've got utility for all of our guests. So while we focus mainly on the Seattle, Portland, San Francisco and Los Angeles, the Boise's and the secondary cities will always be very, very important to us, and we're going to continue to grow those over time.

Savanthi Nipunika Prelis-Syth - *Raymond James & Associates, Inc., Research Division - Airlines Analyst*

Makes sense. And just one last clarification. Where is business demand these days?

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

Business demand is coming back. In fact, we've had the best -- best week, I should say, recently versus the previous one in the pandemic, which was just before summer. So what we're seeing is an increased steady forward momentum of business demand starting to return.

Operator

The next question will come from Andrew Didora with Bank of America.

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

Thanks for the questions. I guess this question's for Andrew. I know industry capacity plans are pretty fluid here, but you've benefited from sort of below average competitive capacity growth through much of the pandemic, and I know this has been helping a lot of the yield performance that you talked about earlier, but we do see some of this capacity picking up, particularly into 1Q based on schedules. Can you maybe talk about what you're seeing in the competitive environment and how you see it unfolding over the next quarter or two?

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

We've -- I don't know. We look at the West Coast, Andrew, and we've looked at how the competitive environment goes, I think a little bit -- the West Coast has been honestly subjected to weaker demand than the rest of the country. So even though you may see that competitive capacity is not as high vis-a-vis others, I do think when you think about California specifically, demand has been soft there. But at the end of the day, we feel really good about our network mix and how we're structured. And we feel really good, as you can see by the third quarter that our network is configured for a good performance.

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

And Shane maybe, Ben, I mean, Shane, you mentioned in your prepared remarks, and I think you're the first airline to say this is that you were looking forward to shareholder returns this time next year. Your balance sheet can certainly handle it. But I guess, Shane or Ben, I guess when you're allowed, when you think about your capital return policy, do you think it will be as high up on your priority list as it was pre-pandemic? And the way you think about it now, do you think you'll be a little bit more focused on sort of a buyback or a dividend once you're allowed to?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Thanks, Andrew. I think, yes, our sort of thinking here is that we want to put ourselves into a position to be able to do shareholder returns. We're not committing to any particular time frame today to do that. We'll obviously sort of get together with our board and make decisions about what the best avenue is and at what levels. But I don't think a lot about our sort of capital deployment and capital allocation philosophy has changed. We do have to sort of understand what a go-forward environment with COVID looks like and how stable demand and returns are, but I think our philosophy that we had going into the pandemic is going to be very, very consistent with the one we have coming out in terms of shareholder distribution returns.

I will say that our first priority is making sure we have a stable business, enough liquidity on hand to manage the ups and downs, and to grow the airline, but shareholder returns are also super important to us.

Operator

The next question will come from Jamie Baker with JPMorgan.

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

So you echoed what other airlines have said this season about premium demand. To the extent that this phenomenon is permanent and growing, do you need to do anything differently to continue capitalizing on it? Or are you optimized for this next demand leg up, however you want to describe it?

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

Jamie, our cabins, I believe, are very well configured with first class and premium class. So I don't foresee any product changes. But to your point, we are going to definitely -- especially with business demand and our ability to play a much larger place there is our booking curves and how many seats we hold out and when. I think historically, we've probably denied business traffic to that cabin historically, and I think we're going to get more fine-tuned on that. So I think that would be sort of the largest change. And then the other part of that, too, is just making sure that our network, we're going to be a little bit more disciplined about timing our flights for that business demand. So I see just increased demand coming for that premium cabin going forward.

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

Okay. That's helpful. And second, and I apologize for pivoting to the model. Did you say the Delta variant saps fourth quarter revenue by $200 million. Was that right?

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

That's correct.

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

Okay. It's on the tape that it was $400 million. So I just wanted to make sure I wasn't wrong. So even if we allow for some variable costs associated with that, if we were to just tack that $200 million to today's guide, it implies that you'd be back in the double-digit pretax margin territory in the fourth quarter. And I know that's where the fourth quarter plan was in July because you said so, but that was on cheaper fuel. So I guess my question is whether -- well, one, is there anything wrong by math, -- hopefully not? But if not, it feels like you're ex-Delta fourth quarter plan actually strengthened over the summer despite the rise in fuel. Is that a fair, albeit mangled interpretation?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Jamie, it's -- the one thing you can never do is go backwards and redo things over again and know what it turns out if there wasn't a variant. But I think what we had going for us were very, very strong load factor builds. We were above -- at this call, in July, we were sitting on load factor builds that were above 2019 levels almost every forward month and on yields that were above 2019 levels in every single month. And so yes, I mean, I think we were feeling quite optimistic if that demand pattern sort of played out and wasn't interrupted that we could've had a really strong fourth quarter. Hard to exactly know if "strengthen over" between that and now is the right way to think about it. But yes, it would have been a strong quarter for sure.

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

I think, Jamie. I think this is -- and we said in our prepared statements, I think this is why we're confident about our business model. I think it's a business model that when recovery comes back, we're going to produce returns. And I think it just goes down the score of that. But go ahead, I think you have a follow-up.

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

Yes. And that's certainly my modeling interpretation as well. Just a real quick labor clarification, excuse me, do I recall correctly that you are the only airline of size in the U.S. that still doesn't have a preferential bidding system. Is that right?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

We don't with our pilot group, we do with our flight attendant group that is true, Jamie.

Operator

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

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

If I can just follow up on the last 2 questions. Are you guys surprised at all that the mix is so strong coming out of the pandemic. Again, is that something that you expected given of people's preference to travel in the front of the plane kind of given everything that's going on? Or is that a surprise? And second, on the competitive side, kind of given the concentration of travel, kind of are you surprised at all that that the industry has pulled back on traveling to certain lanes and it's not a free for all out there?

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

Ravi. I can't speak for the rest of the industry. But what I can speak to for Alaska is knowing business demand was where it was, we materially reduced fares in the front of the cabin. Our first-class fares were coming down, but they were way made up plus much on the volume side. So I feel the team did an outstanding job at lowering fares and driving net incremental value through volume. And so that's part of what we're going to have to measure going forward. But let's be clear- who doesn't want to travel in first or premium class? I mean, I don't believe there's anybody. So it's a matter about price and volume. So the demand -- that's the first place people want to sit. And so we've been working well there. I think on the industry capacity, again, and I know you all look at the network and the system. We look at the West Coast and as I look across the West Coast, you see a lot of adjustments by other carriers coming down closer in. And I think one of the things that I'm particularly proud of, especially with our operation folks and Ben's leadership here is that we have not been volatile adding back, reducing, adding back, reducing capacity. We've been on a steady path that's allowed for really good cost control, really good selling and inventory and minimal guest disruption. So I feel like all of that has been working for us.

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

I was going to say just with the leisure traveler, I think with just the environment of COVID, I think they are looking for more space and to have more comfort when they fly. And we have competitive fares up in our premium class and first class. I do think we're seeing the benefit of that. Sorry, go ahead, you had another question.

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

Yes. So just to follow up on that specific point. So how do we think about this going into '22 and '23? Are you going to be looking to keep this elevated mix of premium cabin with the fares at current levels? Or are you going to be looking to return fares to where they used to be, even if that kind of -- if you see this mix shift back a little bit to remain cabin?

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

The other thing I'll comment on that is it's not so much the fares that we're focused on. But of course, as business travel returns as our road warriors return and loyalty returns, we are still committed to having robust opportunity for our guests to upgrade into the first-class cabin. So we're going to be balancing fares with first-class upgrade occupancy rates, and that's going to be our challenge going forward, but it's a good problem to have.

Operator

The next question is from Dan McKenzie with Seaport Global.

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

Just a question here with respect to the American partnership. What is the aggregate wallet that Alaska can now tap into that it couldn't previously? And I guess what I'm really -- I'm really referring pardon me to just to a normalized backdrop. So corporate travel managers that, for the first time, can consider flying on Alaska/American as an alternative to their current program?

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

Yes, hi Dan, I'll answer the second one first, I think. But essentially, really the unlock here is a couple of things. To your point, we've had overwhelming response from our corporate clients wanting joint contracts with Alaska and American providing much more competitive fares and much bigger options. We've also, just to be frank, being more generous now with our big corporate accounts. We're opening up priority seating for them, handling on IROPs. And so the whole dynamic there has really improved.

On the first part of your question, can you repeat that?

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

Dan, I'll take it, actually. This is Nat. And speaking to the value of the American partnership, I think a couple of places. Initially, when we announced the WCIA, the focus was on American's nonstop flights out of Seattle to London, to Shanghai, to Bangalore. And obviously, with international travel a bit suppressed, those haven't taken off as actively as we want, but we're excited about the potential there. But what has really come to pass is linking our domestic networks via code share and having the ability to out of Los Angeles, San Francisco, and over the Chicago hub for American offering unique destinations that we can't get our passengers to and so think the Des Moines, the Grand Rapids, codeshare behind O'hare and behind the American hubs has really been valuable and lets us tap into demand streams that before we really couldn't.

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

Yes. Helpful. Okay. And then one of the comments in your prepared remarks, you're looking to get to a cost structure of 2019 sooner rather than later. Do you have to get to 100% of 2019 capacity to get to a CASMex that's similar? Or can you achieve CASMex of 2019 with less than 2019 flying?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. Thanks, Dan, it's Shane. No, we don't -- I don't think that we would have to get back to full 100%. We've got a pretty large cost restructure program and commitment that we're executing on. A big piece of that is movement to single fleet, and that takes a couple of years to get done, and so it's likely that we will actually be above 100% of pre-COVID sort of coinciding with the full capture of those cost restructure items. But if we for whatever reason, sat at 90% or 95% of our pre-COVID capacity for a long time, our commitment would be to get back to 2019 cost levels. Just I think the trajectory is going to be a bit different with our order book and with what we think about the opportunities in front of us up and down the West Coast and with our business model, it's likely we'll be growing above the pre-COVID size and at about the same time getting to the pre-COVID cost structure.

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

What we're focused on is productivity. And we're getting back to our premerger productivity targets, and that goes hand in hand with a single flat, and that's what we're squarely focused on. When we get back there, that's -- that's going to be the sweet spot for us, and we'll see a big benefit in CASM as well.

Operator

Next question is from Duane Pfennigwerth with Evercore ISI.

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

You're probably not the best airline to ask this because your plan has been appropriately conservative and your schedule hasn't whipped around as much. But on labor availability, airport staffing, ground handling, are you seeing any early signs of clouds parting on that front? Are you seeing any relief?

Constance E. von Muehlen - *Alaska Airlines, Inc. - COO*

Thanks for the question, Duane, this is Constance. I think as our performance has shown in the third quarter, we've really delivered among the top performers in the industry despite all the challenges we have. And that's for 2 reasons; one, you mentioned, which is disciplined return to capacity; and secondly, a really resilient proactive team in solving all the many challenges we have, some you listed in your conversation. Those are true across the industry. I think our leadership team has done a great job addressing those as we see them. I'm confident we'll continue to do just that through the fourth quarter and beyond.

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

Fair. All very fair comments, which we agree with. I guess the question is, I guess, the effort for higher or to the extent you're trying to acquire airport staffing. Is that getting any easier or is it just as difficult as it was?

Constance E. von Muehlen - *Alaska Airlines, Inc. - COO*

I would say it's consistently difficult. Perhaps the acquisition is one thing and then the kind of retention piece and consistently staffing on every day, it continues to be a challenge. I think that's true across the industry. So we do put an inordinate amount of effort into that relative to what we may have done in 2019.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Duane, let me just quickly add because we want to tighten our answers and go quick. But -- It's a thing -- I think everybody is dealing with it, certainly, the Seattle region has been tough to get entry-level workers. Just that pool of labor hasn't been what it used to be, but I will say it's improving. I think as we've gotten through the summer, and into the fall, our need for staffing is a little bit less. And I think the labor pool is starting to expand a bit. So I think the things are going in the right direction. The one thing I know Constance would also say is we so appreciate the employees who came to work every single day, put everything they had into the operation, work tons of over time to keep our guests moving, and really minimize operational disruption, they did a phenomenal job.

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

That's super helpful. And then just for my follow-up, I apologize if you mentioned this, but how are you thinking about CapEx in '22 and '23?

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

Capex, right now, Duane, we're -- for '22, we're looking at about $1.5 billion with airplanes, obviously, in the midst of our fleet growth. And then a little bit north of that in 2023 as well. Again, based on our liquidity forecast, based on our conservative pretax margin forecast, the plan is to pay cash for all of those airplanes and still be well above our minimum liquidity value at year-end '23.

Operator

The next question is from Mike Linenberg with Deutsche Bank.

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

Two questions here. Shane, you talked about the headwind with respect to re-delivering the Airbus airplanes. I think you said

said 2022 and 2023- how many airplanes are we looking at here? And what is it like $1 million to $2 million an airplane? I'm just trying to size this cost headwind that will go away in a few years?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. Thanks, Mike. It's well north of that. These are full engine restorations and airframe restorations as a condition of the lease. It's work we would have had to do had we extended the leases, so really all of these aircraft are due for sort of heavy maintenance cycles. The number of aircraft specifically by your, I think, Chris might have.

Christopher Michael Berry - *Alaska Air Group, Inc. - VP of Finance & Controller*

Yes. So we've got about 24 operating Airbus A320s that will all be gone by the end of 2023. So that's what you're -- that's really the number you're looking at. And to Shane's point, these are -- we've had some history of returning these. These are anywhere between $6 million to $12 million a tail on the return costs, and so that's kind of the bubble you're looking at for the next couple of years Cash is different Mike, we've got maintenance reserves for a lot of this, so that's the P&L expense portion. Every one is a negotiation.

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

No. That's actually super helpful because it gives us a good sense of what's going to kind of go away. And then just to my second question, I guess it's to Andrew, there's been some comments about some commentary, some very good qualitative commentary about your relationship with

American and oneWorld. Interestingly, American on their call, they said that the benefit that they were getting from you and Jet Blue was accretive to revenue thus far by -- I think they threw out a 0.5% to 1%. They said something on the order of 750,000 passengers. And obviously, we'd have to split and sort of figure out what's your piece and what's JetBlue's piece. But the fact is they're 5x bigger than you are. So I'm curious if anything that you can throw out as it relates to what you've seen on the revenue front, is it a couple of percentage points accretion to revenue since it's been up and running? Anything quantitative would be helpful.

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

Yes, that's a great question, and we're not probably prepared to make a whole lot of comments here other than to say that we're going to unpack this for you on Investor Day. And I mean, we're going to give you a lot more transparency then and that's probably where we'll leave it.

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

We're getting -- Mike, it's Ben. We're seeing a lot from the value of this partnership with American and oneworld. Again, it's not totally unlocked because of COVID, but we do see upside, and we'll give you more details on Investor Day.

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

What is Investor Day, by the way?

Emily Halverson - *Alaska Air Group, Inc. - IR*

It's going to be in March -- the day will be sent out mid-March.

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

We promise it won't be raining, although we're going to do it in New York, right?

Operator

The next question is from Helane Becker with Cowen.

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Just a couple of questions, actually shifting gears completely to ESG. You've made a number of changes, I guess, to the Board over the last couple of years. So as you're thinking about that is the Board where you want it to be? Are there retirements coming up that gives you a chance or to change -- to get more diverse or are you okay with that? And then the other part of my question is with respect to Alaska Star Ventures. What's the focus for that? What are you hoping for it to do? Is that focused on SAF acquisition? Or maybe you can unpack some of that.

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

It's Kyle. I'll take the first question, and Diana will take the second, I think. Our Board is so fantastic, and we just added a new board member, bringing us to 12 independent directors. Adrian Lofton just joined last week, bringing really fantastic marketing and brand experience to our Board. I'll also just note, I think currently, we are at 50% gender diversity and about 40% plus ethnic diversity. We're super proud of that. And we're very happy with the board composition right now.

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

Yes. And Helen, what I'll say is our board is squarely focused on ESG and sustainability. It's a big strategic driver for us. And they're really excited about our path forward on this, which will dovetail into answering your second question here on there, we're excited about Alaska Star Ventures. Diana?

Diana Birkett Rakow - *Alaska Air Group, Inc. - VP of External Relations*

Yes. Thanks, Mike, for asking -- So specifically, Alaska Star Ventures is right now focused on the 5 parts of our path to net zero, which we announced earlier this year. So just briefly, those are operational efficiency, obviously the fleet evolution, which Star Ventures is not focused on, but sustainable aviation fuel, novel propulsion, and credible carbon offsets to close the gap to our target. So we're looking specifically for technologies or in the case of our first investment, a specifically sector-focused fund that can help us accelerate those paths, that path, and bring technologies to the system that can help us do that in the next 3 to 5 years.

Helane Renee Becker-Roukas - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

That's very helpful. I just have a question. Your -- maybe Ben for you. I don't want you to say anything you can't say with respect to the pilot negotiations, but what's up with them?

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

No, Helen. First, I want to say we have a fantastic group of pilots. They're highly skilled professionals. They keep us safe and on time, and we value their contributions. They do a great job for us. We're -- we've got some sticky issues we're working our way through, and we've asked the National Mediation Board for some help, and we're confident we're going to get to a deal. We have a history of getting deals with our unions. And so we know we're going to get there. What I'll say is we have an exciting future for our pilots. And you heard our growth plans. We plan to grow the airline a lot over the next 3, 4 years. So this will be a phenomenal place for our pilots to spend their career. So we'll get there. I appreciate the question.

Operator

The next question will come from Conor Cunningham with MKM Partners.

Conor T. Cunningham - *MKM Partners LLC, Research Division - Executive Director & Senior Travel Analyst*

I might be wrong, but I think your credit card agreement is up soon? The market reset a little with a recent agreement from another carrier. I was wondering if you could just provide some details around how many sign-ups you've had since closing on the Virgin America acquisition or maybe just how spend has evolved on the card over the past couple of years?

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

Yes, we've been -- we've still got a little bit of time on our agreement. That said, we are very aware of other agreements done, and we are working very closely with Bank of America, who we have a 30-year relationship with. Things are changing, and they're working to change with us. But I think as I said in my prepared remarks, I think since '13, we've got a compounded annual growth rate of 9% on both our portfolio of members and spend. So this program has done nothing but deliver and return, and as I also shared, we've had the highest cash receipts we've ever had. So more to come there, and as we get into '22, we've got a lot of exciting things planned that I think is only going to fuel growth in our loyalty program.

Conor T. Cunningham - *MKM Partners LLC, Research Division - Executive Director & Senior Travel Analyst*

Okay. Great. And then, Ben, in the past, you've talked about making Alaska a national brand. And I assume that would involve some further investment in markets that are off the West Coast. I saw that you put in for slots at Newark and clearly, that would be big for the brand in the Northeast. Just Wondering how you may benchmark that success of just brand awareness outside of the West Coast outside of where you guys are already pretty dominant?

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

Yes. No, thanks, Conor. No, this is a big strategic initiative for us. It won't be just a 6-month or a 12-month initiative. This will span the next 3, 4 years, and it's really linked to what Andrew was saying on how we build back our network from 80% to 100% and growth from there. So there will be a focus first on the West Coast and making sure people understand who Alaska is and the strength we bring with our network and with our brand and with our loyalty and our products. So we're going to focus first on the West Coast and then move east from there.

Operator

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

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

So it sounds like you laid out a path to have capacity flat to up for 2022. I mean, I guess, correct me if I'm wrong. But -- and then from some earlier comments, it sounds like in that scenario, we should be expecting unit cost down versus 2019. I guess is anything wrong there? And if that's right, are there any larger tailwinds you want to flag?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

I just -- I want to stop short of giving guidance for next year because we don't want to be doing that today. We do totally recognize that there's an appetite to understand what our view on 2022 capacity and cost is for the full year. I think when we have our earnings call in January, we'll strongly consider giving full year guidance instead of just quarterly guidance. But Yes, the essential thing is get back to pre-COVID by summer of next year, and we've got planes coming in, in the second half that could allow us to grow if demand is there, and we're configured to do it. And as we go along that capacity trajectory, we see our unit cost ultimately step back to hopefully flatten, then down, but not -- I don't want to commit to a timing for that right now.

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

That's fair enough, and then it sounds like you've already locked in either some new contracts with corporate clients or perhaps have made adjustments that give you greater wallet share with existing accounts that have occurred since the onset of the pandemic with your American and oneworld partners. Can you help us frame the upside you have on the books like as of now, if you were to assume that all else equal, your pre-pandemic corporate volumes returned to 100%. I'm sure you can't give like an exact number, but just like -- Is it 110, is it 150? Like just really high level will be helpful.

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

Thanks, Catie. What I will say is that how these things go, they have RFPs, they cycle through every few years. I think we are rapidly in the process of changing out our agreements for joint contracting agreements, RFPs are plentiful, and we've just found an overwhelming engagement. And we're also being more and more competitive on business fares and working with big, big TMCs like GBT, which are just going to only help us propel that more. So I think that's what I'll share, and again, on Investor Day, we will share more about our strategy around that.

Operator

The next question is from Myles Walton with UBS.

Myles Alexander Walton - *UBS Investment Bank, Research Division - MD & Senior Analyst*

I was wondering, maybe I'll follow up on Catie's question and it's a little bit cart before the horse. But is it reasonable, I think '22 is a double-digit margin year? And maybe some of the frustration you sense the market not recognizing your performance is simply that everybody is losing money. So when everybody's losing money, losing less isn't necessarily a big deal, but maybe the market isn't differentiating your uniquely higher gearing on the volume as it drops through from a pretax basis?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes. Myles, appreciate it. It's really hard to say. I just -- if you look at the revenue impact that we mentioned from this 1 wave, it's a couple of hundred million for Q4 alone, it was more than that if you added Q3 impact. So if there are no more waves and demand comes back and the economy is strong, then we're configured to deliver really strong financial performance. But I think what we've been saying all along and Ben opened with this - we expect a choppy recovery. That's what we're sort of mentally prepared for. Oil prices are spiking right now. That's going to be a headwind. So it's hard to give you some exact confidence that we're headed towards those types of margins. We would love it if everything stabilized, and we could deliver that. But I think the environment is really too choppy to be able to predict that right now.

Myles Alexander Walton - *UBS Investment Bank, Research Division - MD & Senior Analyst*

Okay. One detailed one. So your headcount is down about 16%, roughly in line with capacity as you get back to 2019 capacity, where will your headcount be relative to 2019?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Yes, great question there as well. It should be downish as we really execute on the productivity targets that we've got, probably not a huge amount, but as we achieve the productivity targets, we will, on an average basis, do a little bit better. So that's our expectation going forward. And the other thing that I would just mention is we've got really -- we've done a really nice job of managing overhead at the company, and we'll grow overhead back at a much slower rate over time relative to capacity.

Operator

The next question is from Chris Stathoulopoulos with Susquehanna.

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

I appreciate the comments you just gave on your ASMs per FTE. But if you've spent a lot of time going through the productivity initiatives. I was wondering could you put a finer sort of point on that? And if there are 2 or 3 metrics that we should think about, if it's ASMs per FTE, as we think about this next stage of the recovery here, 2019 was around 3.3 or is it perhaps something block hours per month per crew. Just a finer point on some of the metrics here that we should consider as we look at this next leg of the recovery?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Hey Chris, the two that I think are most easily consumed externally are passengers per FTE, which obviously has a demand component to it, and then the other is departures per FTE. We do manage a lot of the business from that perspective in terms of the labor inputs for departure. Internally, we track more than that sort of at the specific employee group level and certainly block hour production for our crews is something that we look at closely. That is probably something that can be derived externally, but not as easily as those other two numbers.

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

Okay. And just a follow-up question here. So in your prepared remarks, on your signaling capital returns here. As we think about 2022 cash flow from operations, a lot of moving pieces here - you have the partnership, we have concerns around inflation, higher fuel, but if there's any sort of detail finer point you could put up, how we should be thinking about yields or more specifically CASMex in the back half of next year. I think you've said that you're expecting to fly 2019 -- your 2019 book for next summer. And then what would that imply for CASMex as we think about the second half of 2022?

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Thanks, Chris. I appreciate the question. I'm going to kind of stand by my earlier comment that I don't want to give guidance for next year. I totally appreciate that there's a desire to hear more about our full year expectations, and I do think on our next call, we'll consider giving you guys the annual guidance for both CASM and ASMs for all of 2022, so you can get a better sense of the shape of what that looks like quarter-by-quarter.

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

Okay. I appreciate all the questions from everyone, appreciate all the questions. We're out of time. Thank you, and we'll talk to you on the next call. Thanks, everybody.

Shane R. Tackett - *Alaska Air Group, Inc. - CFO & EVP of finance*

Thanks, everyone.

Operator

Thank you for participating in today's conference call. This call will be available for future play bank at alaskaair.com. You may now disconnect.
