

Alaska
AIRLINES



Investor Update: Delta Marketing & Codeshare Agreement



Safe harbor

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Alaska's marketing & codeshare agreement with Delta is ending effective April 30th, 2017

Backdrop

- Revenue and relevance of Delta marketing (“frequent flyer”) and codeshare relationship had been steadily declining since late 2013
- Both parties agreed to accelerated termination of codeshare agreement following Alaska's acquisition of Virgin America

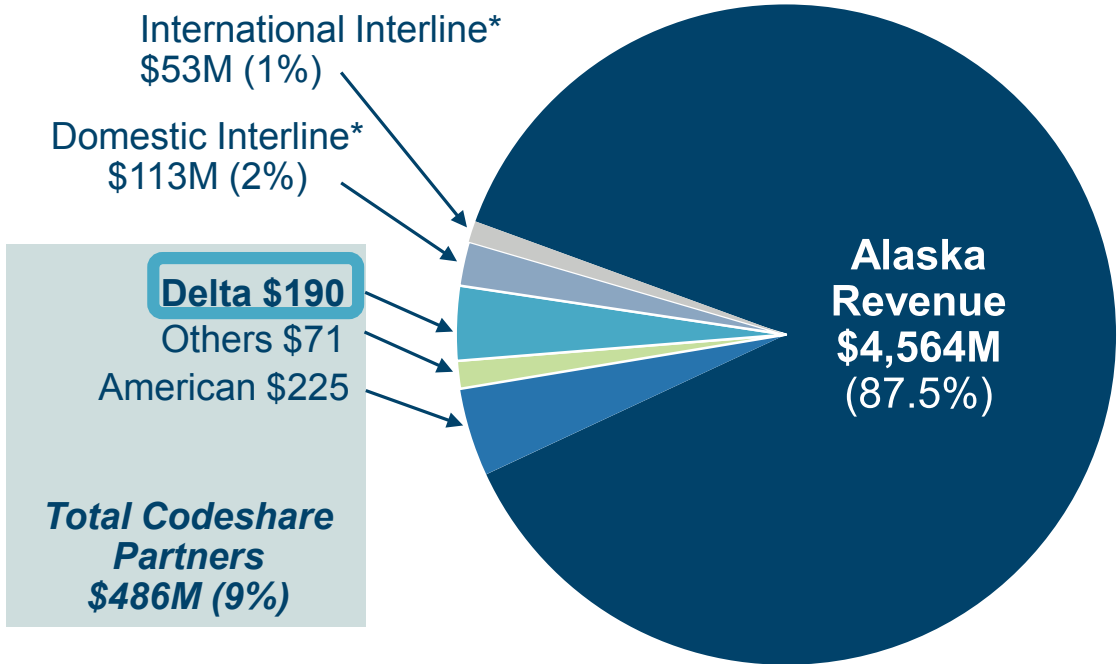
Highlights

- Interline agreement remains in place
- Impact to Alaska is estimated at \$5-\$10 million in 2017
- Customer impact expected to be minimal, due to growth in Alaska's own network and ability to codeshare with other partners

As Alaska's own network has grown, total revenue from domestic codeshare partners has decreased

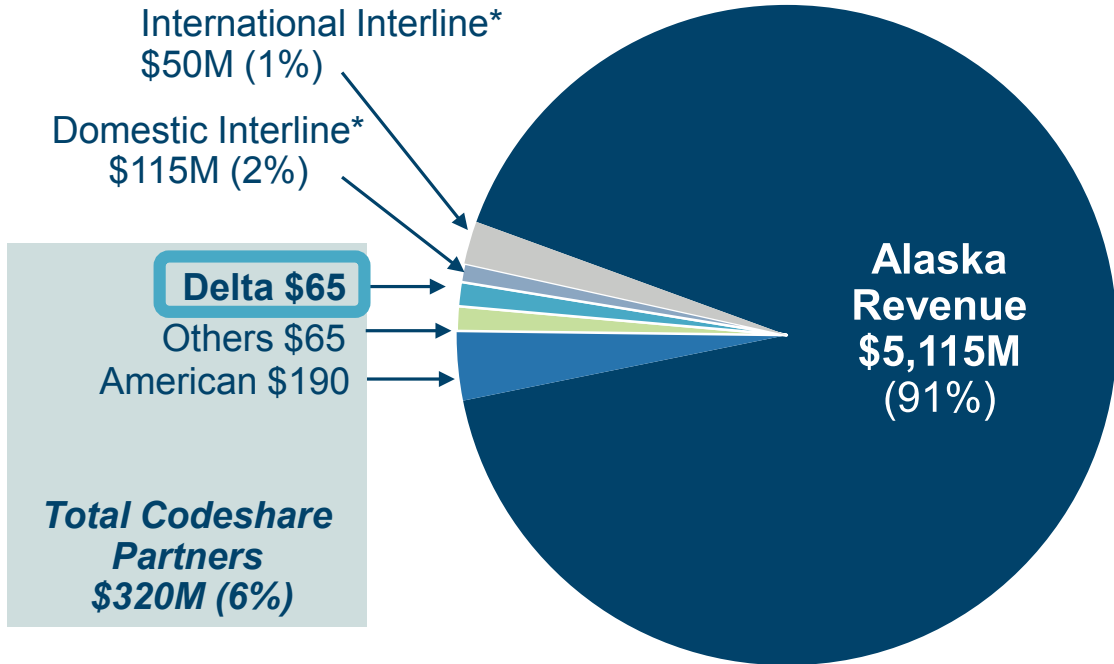
2014

9% of Revenue
from Codeshare Partners



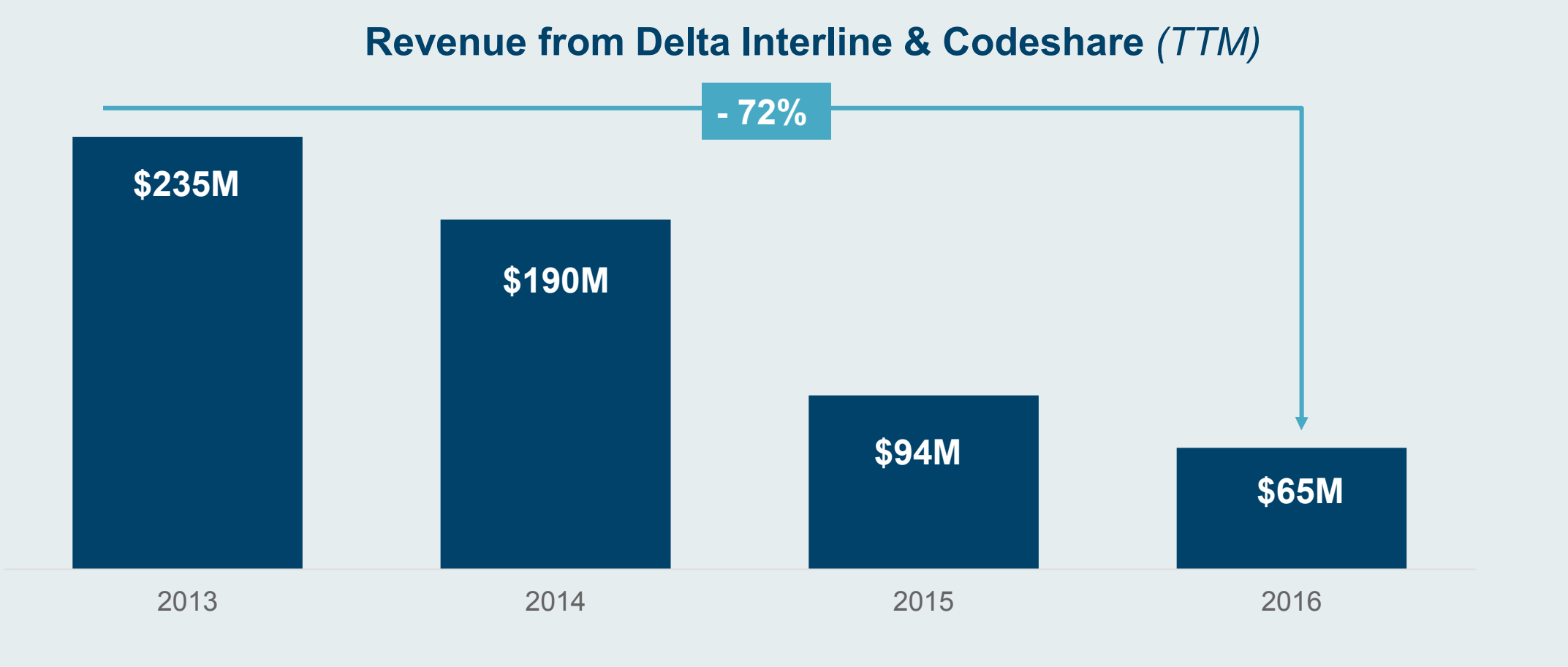
2016

6% of Revenue
from Codeshare Partners



*Interline excluding Delta and America
Total Onboard Revenue; YE Sep 2014 and Oct 2016

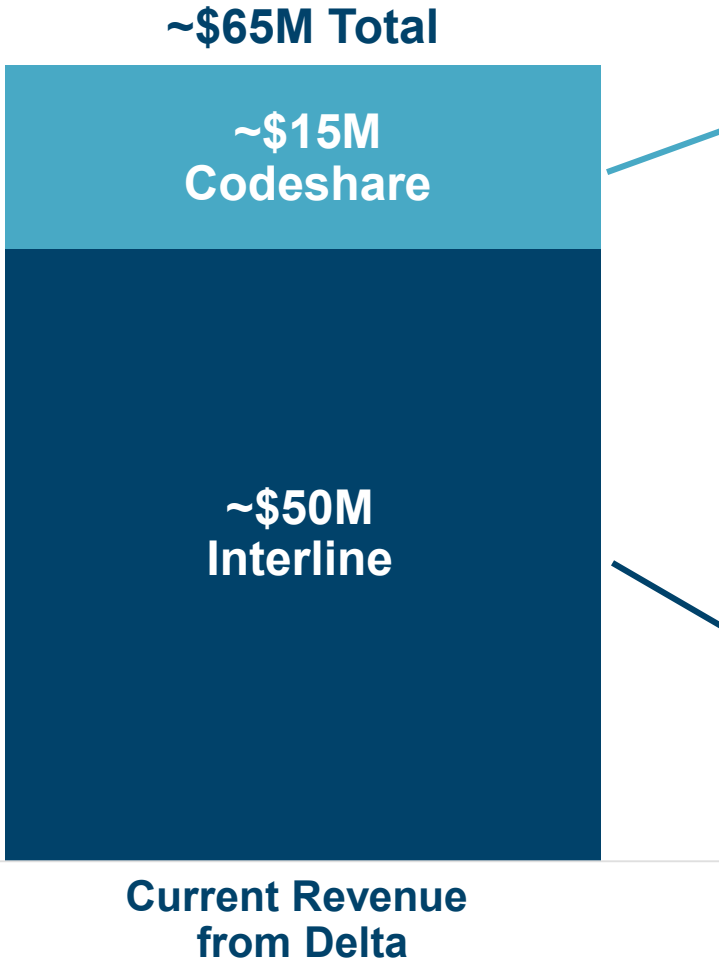
At ~\$65M of revenue, the Delta partnership has declined *significantly* since its peak in 2013



~80% (\$50M) of current revenue is from interline agreement (not from code sharing)

*Total Onboard Revenue; TTM ending Sep '13, Sep '14, Oct '15, Oct '16

We believe that financial exposure from codeshare termination is between \$5-\$10M



Codeshare agreement ends:

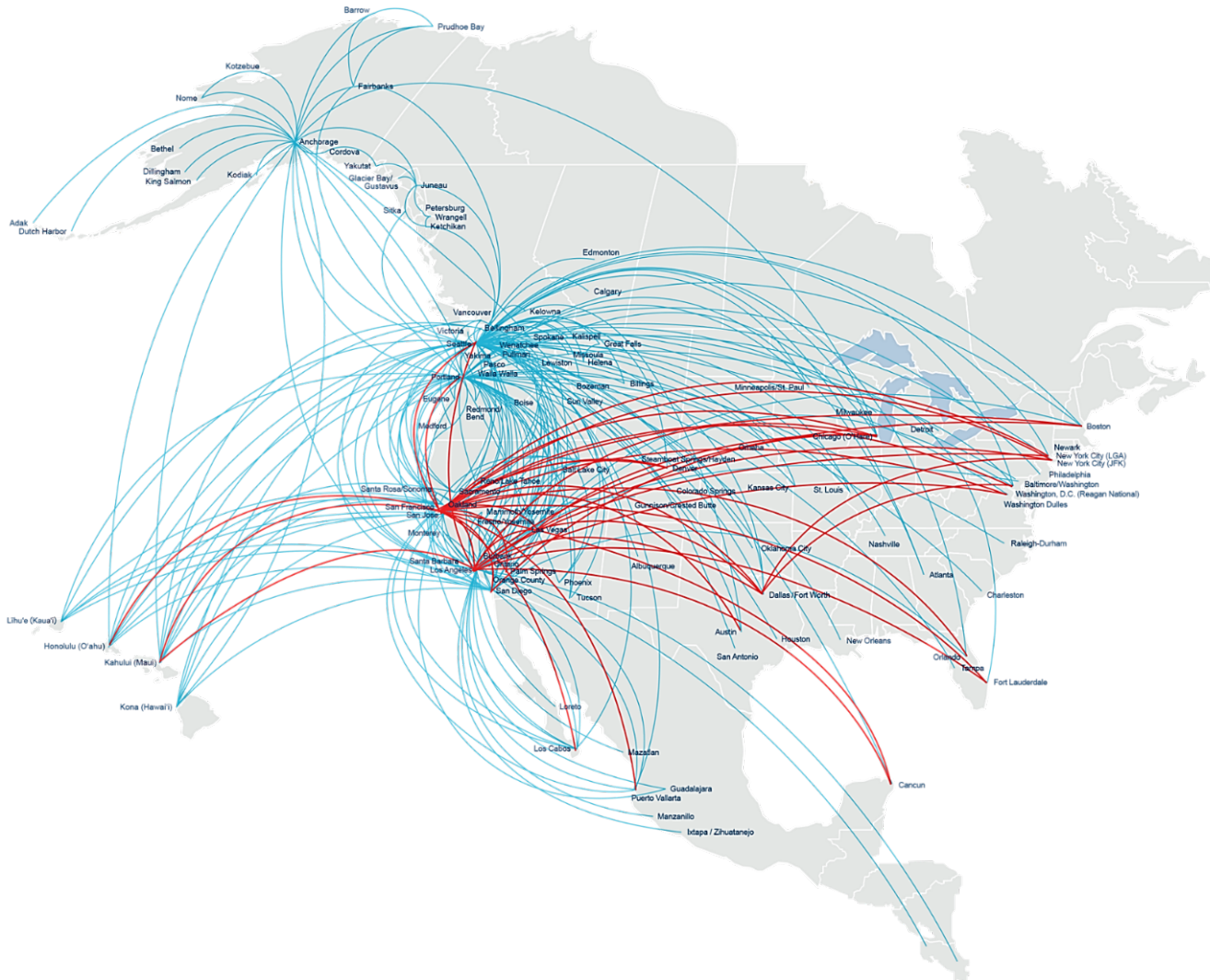
- Customer demand in a market does not disappear when codeshare ends, but revenue may shift between carriers (“recapture”)
- We believe we will be able to recapture between \$5-\$10M of current codeshare revenue, since all except for 8 destinations (<\$500K revenue) are already served by either Alaska or its other codeshare partners

Interline agreement remains in place:

- Interline revenue comes from multi-airline itineraries constructed by online travel agencies that include Delta & Alaska

*Total Onboard Revenue; TTM ending Oct '16

In addition, the customer impact should be limited as the combined Alaska-Virgin network provides increased utility...



As a larger airline, we offer customers:

- ~1,200 daily flights to 118 destinations in the U.S., Canada, Mexico, Costa Rica, and soon Cuba
- The most non-stop flights and destinations from the West Coast
- The ability for customers of both airlines to immediately earn miles on both Virgin America and Alaska flights

...and our other international partners have already replaced the global utility Delta used to provide



Our global partner network offers access to more than 900 destinations worldwide