UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒····**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

OR

☐····**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-8957

ALASKA AIR GROUP, INC.

Delaware	**91-1292054**
(State of Incorporation)	(I.R.S. Employer Identification No.)

19300 International Boulevard, Seattle, WA 98188

Telephone: (206) 392-5040

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common stock, $0.01 par value	ALK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The registrant has 126,891,838 common shares, par value $0.01, outstanding at April 30, 2024.

This document is also available on our website at http://investor.alaskaair.com.

ALASKA AIR GROUP, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2024

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As used in this Form 10-Q, the terms "Air Group," the "Company," "our," "we" and "us" refer to Alaska Air Group, Inc. and its subsidiaries, unless the context indicates otherwise. Alaska Airlines, Inc. and Horizon Air Industries, Inc. are referred to as "Alaska" and "Horizon" and together as our "airlines."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or the Company's present expectations.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. For a discussion of our risk factors, see Item 1A. "Risk Factors" of the Company's annual report on Form 10-K for the year ended December 31, 2023. Some of these risks include competition, labor costs, relations and availability, general economic conditions including those associated with pandemic recovery, increases in operating costs including fuel, inability to meet cost reduction, ESG and other strategic goals, seasonal fluctuations in demand and financial results, supply chain risks, events that negatively impact aviation safety and security, and changes in laws and regulations that impact our business. Please consider our forward-looking statements in light of those risks as you read this report.

PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ALASKA AIR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions)	March 31, 2024	December 31, 2023
ASSETS		

Current Assets		
Cash and cash equivalents	**$ 885**	$ 281
Marketable securities	**1,393**	1,510
Total cash and marketable securities	**2,278**	1,791
Receivables - net	**384**	383
Inventories and supplies - net	**104**	116
Prepaid expenses	**177**	176
Other current assets	**186**	239
Total Current Assets	**3,129**	2,705
Property and Equipment		
Aircraft and other flight equipment	**10,363**	10,425
Other property and equipment	**1,839**	1,814
Deposits for future flight equipment	**431**	491
	12,633	12,730
Less accumulated depreciation and amortization	**4,439**	4,342
Total Property and Equipment - Net	**8,194**	8,388
Other Assets		
Operating lease assets	**1,174**	1,195
Goodwill and intangible assets	**2,033**	2,033
Other noncurrent assets	**283**	292
Total Other Assets	**3,490**	3,520
Total Assets	**$ 14,813**	$ 14,613

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions, except share amounts)	March 31, 2024	December 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		

Accounts payable	**$ 181**	$ 207
Accrued wages, vacation and payroll taxes	**481**	584
Air traffic liability	**1,604**	1,136
Other accrued liabilities	**791**	800
Deferred revenue	**1,313**	1,221
Current portion of operating lease liabilities	**158**	158
Current portion of long-term debt and finance leases	**301**	353
Total Current Liabilities	**4,829**	4,459
Long-Term Debt, Net of Current Portion	**2,264**	2,182
Noncurrent Liabilities		
Long-term operating lease liabilities, net of current portion	**1,098**	1,125
Deferred income taxes	**649**	695
Deferred revenue	**1,320**	1,382
Obligation for pension and post-retirement medical benefits	**365**	362
Other liabilities	**311**	295
Total Noncurrent Liabilities	**3,743**	3,859
Commitments and Contingencies (Note 7)		
Shareholders' Equity		
Preferred stock, $0.01 par value, Authorized: 5,000,000 shares, none issued or outstanding	**—**	—
Common stock, $0.01 par value, Authorized: 400,000,000 shares, Issued: 2024 - 139,137,527 shares; 2023 - 138,960,830 shares, Outstanding: 2024 - 125,705,964 shares; 2023 - 126,090,353 shares	**1**	1
Capital in excess of par value	**707**	695
Treasury stock (common), at cost: 2024 - 13,431,563 shares; 2023 - 12,870,477 shares	**(840)**	(819)
Accumulated other comprehensive loss	**(294)**	(299)
Retained earnings	**4,403**	4,535
	3,977	4,113
Total Liabilities and Shareholders' Equity	**$ 14,813**	$ 14,613

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

	Three Months Ended March 31,	
(in millions, except per share amounts)	**2024**	**2023**
Operating Revenue		
Passenger revenue	**$ 2,004**	$ 1,984
Mileage Plan other revenue	**164**	154
Cargo and other revenue	**64**	58
Total Operating Revenue	**2,232**	2,196
Operating Expenses		
Wages and benefits	**804**	723
Variable incentive pay	**44**	47
Aircraft fuel, including hedging gains and losses	**565**	665
Aircraft maintenance	**122**	124
Aircraft rent	**47**	59
Landing fees and other rentals	**165**	152
Contracted services	**97**	95
Selling expenses	**77**	66
Depreciation and amortization	**126**	104
Food and beverage service	**58**	54
Third-party regional carrier expense	**54**	52
Other	**205**	177
Special items - fleet transition	**26**	13
Special items - integration costs	**8**	—
Special items - labor and other	**—**	51
Total Operating Expenses	**2,398**	2,382
Operating Loss	**(166)**	(186)
Non-operating Income (Expense)		
Interest income	**17**	17
Interest expense	**(35)**	(28)

Interest capitalized	**6**	7
Other - net	**—**	(9)
Total Non-operating Expense	**(12)**	(13)
Loss Before Income Tax	**(178)**	(199)
Income tax benefit	**(46)**	(57)
Net Loss	**$ (132)**	$ (142)
Basic Loss Per Share:	**$ (1.05)**	$ (1.11)
Diluted Loss Per Share:	**$ (1.05)**	$ (1.11)
Weighted Average Shares Outstanding used for computation:		
Basic	**125.970**	127.501
Diluted	**125.970**	127.501

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS *(unaudited)*

	Three Months Ended March 31,	
(in millions)	2024	2023
Net Loss	**$ (132)**	$ (142)
Other comprehensive income (loss), net of tax		
Marketable securities	**1**	21
Employee benefit plans	**3**	4
Interest rate derivative instruments	**1**	(2)
Total other comprehensive income, net of tax	**$ 5**	$ 23
Total Comprehensive Loss, Net of Tax	**$ (127)**	$ (119)

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY *(unaudited)*

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2023	***126.090***	**$ 1**	**$ 695**	**$ (819)**	**$ (299)**	**$ 4,535**	**$4,113**
Net loss	—	—	—	—	—	(132)	(132)
Other comprehensive income	—	—	—	—	5	—	5
Common stock repurchase	*(0.561)*	—	—	(21)	—	—	(21)
Stock-based compensation	—	—	15	—	—	—	15
Stock issued under stock plans	*0.177*	—	(3)	—	—	—	(3)
Balance at March 31, 2024	***125.706***	**$ 1**	**$ 707**	**$ (840)**	**$ (294)**	**$ 4,403**	**$3,977**

(in millions)	*Common Stock Outstanding*	Common Stock	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2022	***127.534***	**$ 1**	**$ 577**	**$ (674)**	**$ (388)**	**$ 4,300**	**$3,816**
Net loss	—	—	—	—	—	(142)	(142)
Other comprehensive income	—	—	—	—	23	—	23
Common stock repurchase	*(0.414)*	—	—	(18)	—	—	(18)
Stock-based compensation	—	—	12	—	—	—	12
Stock issued under stock plans	*0.123*	—	(2)	—	—	—	(2)
Balance at March 31, 2023	***127.243***	**$ 1**	**$ 587**	**$ (692)**	**$ (365)**	**$ 4,158**	**$3,689**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash Flows from Operating Activities:		
Net Loss	**$ (132)**	$ (142)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**126**	104
Stock-based compensation and other	**19**	23
Special items - fleet transition	**23**	13
Special items - labor and other	**—**	51
Changes in certain assets and liabilities:		
Changes in deferred income taxes	**(47)**	(56)
Increase in accounts receivable	**(55)**	(44)
Increase in air traffic liability	**468**	433
Increase in deferred revenue	**30**	46
Other - net	**(140)**	(206)
Net cash provided by operating activities	**292**	222
Cash Flows from Investing Activities:		
Property and equipment additions		
Aircraft and aircraft purchase deposits	**31**	(50)
Other flight equipment	**(44)**	(50)
Other property and equipment	**(44)**	(24)
Total property and equipment additions	**(57)**	(124)
Supplier proceeds	**162**	—
Purchases of marketable securities	**(13)**	(201)
Sales and maturities of marketable securities	**133**	388
Other investing activities	**93**	(3)
Net cash provided by investing activities	**318**	60
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net of issuance costs	**149**	—
Long-term debt payments	**(102)**	(96)
Common stock repurchases	**(20)**	(18)

Other financing activities	**(32)**	—
Net cash used in financing activities	**(5)**	(114)
Net increase in cash and cash equivalents	**605**	168
Cash, cash equivalents, and restricted cash at beginning of period	**308**	369
Cash, cash equivalents, and restricted cash at end of the period	**$ 913**	$ 537

(in millions)	**Three Months Ended March 31,**	
	2024	**2023**
Supplemental disclosure:		
Cash paid during the period for:		
Interest, net of amount capitalized	**$ 35**	$ 32
Non-cash transactions:		
Right-of-use assets acquired through operating leases	**13**	111
Property and equipment acquired through the issuance of debt	**45**	—
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	**885**	516
Restricted cash included in Other noncurrent assets	**28**	21
Total cash, cash equivalents, and restricted cash at end of the period	**$ 913**	$ 537

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

NOTE 1. GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The condensed consolidated financial statements include the accounts of Air Group, or the Company, and its primary subsidiaries, Alaska and Horizon. The condensed consolidated financial statements also include McGee Air Services (McGee), a ground services subsidiary of Alaska, and other immaterial business units. All intercompany balances and transactions have been eliminated. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Consistent with these requirements, this Form 10-Q does not include all the information required by GAAP for complete financial statements. It should be read in conjunction with the consolidated financial statements and accompanying notes in the Form 10-K for the year ended December 31, 2023. In the opinion of management, all adjustments have been made that are necessary to fairly present the Company's financial position as of March 31, 2024 and the results of operations for the three months ended March 31, 2024 and 2023. Such adjustments were of a normal recurring nature. Certain rows, columns, figures, or percentages may not recalculate due to rounding.

In preparing these statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenue and expenses, including impairment charges. Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices, changes in global economic conditions, changes in the competitive environment, and other factors, operating results for the three months ended March 31, 2024 are not necessarily indicative of operating results for the entire year.

Flight 1282 and Boeing 737-9 MAX Grounding

As a result of the Flight 1282 accident and the subsequent grounding of Boeing 737-9 MAX (B737-9) aircraft, Air Group's operation and results were significantly impacted. The Company received compensation from Boeing to address the financial damages incurred as a result of the grounding. As part of this compensation, Boeing paid Air Group $162 million in cash during the first quarter. Subsequent to quarter end, Boeing issued Air Group $61 million in supplier credit memos to be used on future Boeing purchases.

Compensation received under the agreement is accounted for as a reduction in cost basis of certain B737-9 aircraft. Proceeds received as of March 31, 2024 are reflected within Aircraft and other flight equipment or Deposits for future flight equipment within the condensed consolidated balance sheets.

NOTE 2. PROPOSED ACQUISITION OF HAWAIIAN HOLDINGS, INC.

On December 2, 2023, the Company entered into a definitive agreement to acquire Hawaiian Holdings, Inc. (Hawaiian). The Company has agreed to pay Hawaiian's shareholders $18.00 per share, or approximately $1.0 billion, in cash for the outstanding shares of Hawaiian. In addition, the Company expects to assume Hawaiian's debt and lease obligations on the date of acquisition. The acquisition has been approved by Hawaiian's shareholders and is subject to final approval by various regulatory bodies.

On February 7, 2024, Air Group and Hawaiian each received a request for additional information and documentary material (the "Second Request") from the Antitrust Division of the Department of Justice (the "DOJ") in connection with the DOJ's review of the acquisition. On March 27, 2024, Air Group and Hawaiian entered into a timing agreement with the DOJ pursuant to which they agreed, among other things, not to consummate the acquisition before 90 days following the date on which both parties have certified substantial compliance with the Second Request unless they have received written notice from the DOJ prior to the end of such 90-day period that the DOJ has closed its investigation of the acquisition.

In the first quarter of 2024, the Company incurred integration costs of $8 million. These costs are classified as special items within the condensed consolidated statements of operations. The Company expects to continue to incur integration costs as activities supporting the proposed acquisition continue.

NOTE 3. REVENUE

Ticket revenue is recorded as Passenger revenue, and represents the primary source of the Company's revenue. Also included in Passenger revenue is passenger ancillary revenue such as bag fees, on-board food and beverage, and certain revenue from the frequent flyer program. Mileage Plan other revenue includes brand and marketing revenue from the co-branded credit card and other partners, and certain interline frequent flyer revenue, net of commissions. Cargo and other revenue includes freight and mail revenue, and to a lesser extent, other ancillary revenue products such as lounge membership and certain commissions.

The level of detail within the Company's condensed consolidated statements of operations and in this footnote depict the nature, amount, timing, and uncertainty of revenue and how cash flows are affected by economic and other factors.

Passenger Ticket and Ancillary Services Revenue

Passenger revenue recognized in the condensed consolidated statements of operations (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Passenger ticket revenue, net of taxes and fees	**$ 1,648**	$ 1,648
Passenger ancillary revenue	**108**	104
Mileage Plan passenger revenue	**248**	232
Total Passenger revenue	**$ 2,004**	$ 1,984

Mileage Plan Loyalty Program

Mileage Plan revenue included in the condensed consolidated statements of operations (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Mileage Plan passenger revenue	**$ 248**	$ 232
Mileage Plan other revenue	**164**	154
Total Mileage Plan revenue	**$ 412**	$ 386

Cargo and Other Revenue

Cargo and other revenue included in the condensed consolidated statements of operations (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Cargo revenue	**$ 28**	$ 29
Other revenue	**36**	29
Total Cargo and other revenue	**$ 64**	$ 58

Air Traffic Liability and Deferred Revenue

Passenger ticket and ancillary services liabilities

The Company recognized Passenger revenue of $584 million and $485 million from the prior year-end air traffic liability balance for the three months ended March 31, 2024 and 2023.

Mileage Plan assets and liabilities

The Company records a receivable for amounts due from the affinity card partner and from other partners as mileage credits are sold until the payments are collected. The Company had $104 million of such receivables as of March 31, 2024 and $102 million as of December 31, 2023.

The table below presents a roll forward of the total frequent flyer liability (in millions):

	Three Months Ended March 31,	
	2024	2023
Total Deferred Revenue balance at January 1	**$ 2,603**	$ 2,497
Travel miles and companion certificate redemption - Passenger revenue	**(234)**	(218)
Miles redeemed on partner airlines - Other revenue	**(28)**	(21)
Increase in liability for mileage credits issued	**292**	285
Total Deferred Revenue balance at March 31	**$ 2,633**	$ 2,543

NOTE 4. FAIR VALUE MEASUREMENTS

In determining fair value, there is a three-level hierarchy based on the reliability of the inputs used. Level 1 refers to fair values based on quoted prices in active markets for identical assets or liabilities. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 refers to fair values estimated using significant unobservable inputs.

Fair Value of Financial Instruments on a Recurring Basis

As of March 31, 2024, cost basis and fair value for marketable securities were $1.4 billion. Differences in cost basis and fair value of marketable securities are primarily a result of changes in interest rates. Management does not believe any unrealized losses are the result of expected credit losses based on its evaluation of industry and duration exposure, credit ratings of the securities, liquidity profiles, and other observable information as of March 31, 2024.

Fair values of financial instruments on the condensed consolidated balance sheets (in millions):

	March 31, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets						
Marketable securities						

U.S. government and agency securities	**$ 370**	**$ —**	**$ 370**	$ 387	$ —	$ 387
Equity mutual funds	**6**	**—**	**6**	5	—	5
Foreign government bonds	**—**	**10**	**10**	—	10	10
Asset-backed securities	**—**	**170**	**170**	—	192	192
Mortgage-backed securities	**—**	**103**	**103**	—	115	115
Corporate notes and bonds	**—**	**695**	**695**	—	763	763
Municipal securities	**—**	**39**	**39**	—	38	38
Total Marketable securities	**376**	**1,017**	**1,393**	392	1,118	1,510
Derivative instruments						
Fuel hedge contracts - call options	**—**	**11**	**11**	—	11	11
Interest rate swap agreements	**—**	**9**	**9**	—	8	8
Total Assets	**$ 376**	**$ 1,037**	**$ 1,413**	$ 392	$ 1,137	$ 1,529

The Company uses the market and income approach to determine the fair value of marketable securities. U.S. government securities and equity mutual funds are Level 1 as the fair value is based on quoted prices in active markets. Foreign government bonds, asset-backed securities, mortgage-backed securities, corporate notes and bonds, and municipal securities are Level 2 as the fair value is based on standard valuation models that are calculated based on observable inputs such as quoted interest rates, yield curves, credit ratings of the security and other observable market information.

The Company uses the market approach and the income approach to determine the fair value of derivative instruments. The fair value for fuel hedge call options is determined utilizing an option pricing model based on inputs that are readily available in active markets or can be derived from information available in active markets. In addition, the fair value considers the exposure to credit losses in the event of non-performance by counterparties. Interest rate swap agreements are Level 2 as the fair value of these contracts are determined based on the difference between the fixed interest rate in the agreements and the observable interest SOFR-based forward rates at period end multiplied by the total notional value.

Activity and Maturities for Marketable Securities

Maturities for marketable securities (in millions):

March 31, 2024	Cost Basis	Fair Value
Due in one year or less	$ 443	$ 436
Due after one year through five years	939	907
Due after five years	34	31
Due after 10 years	14	13
No maturity date	4	6

Total	$ 1,434	$ 1,393

Fair Value of Other Financial Instruments

The Company uses the following methods and assumptions to determine the fair value of financial instruments that are not recognized at fair value as described below.

Cash, Cash Equivalents, and Restricted Cash: Cash equivalents consist of highly liquid investments with original maturities of three months or less, such as money market funds, commercial paper, and certificates of deposit. They are carried at cost, which approximates fair value.

The Company's restricted cash balances are primarily used to guarantee various letters of credit, self-insurance programs, or other contractual rights. Restricted cash consists of highly liquid securities with original maturities of three months or less. They are carried at cost, which approximates fair value.

Debt: To estimate the fair value of all fixed-rate debt as of March 31, 2024, the Company uses the income approach by discounting cash flows or estimation using quoted market prices, utilizing borrowing rates for comparable debt over the remaining life of the outstanding debt. The estimated fair value of the fixed-rate Enhanced Equipment Trust Certificate (EETC) debt is Level 2, as it is estimated using observable inputs, while the estimated fair value of $582 million of other fixed-rate debt, including PSP notes payable, is classified as Level 3, as it is not actively traded and is valued using discounted cash flows which is an unobservable input.

Fixed-rate debt on the condensed consolidated balance sheets and the estimated fair value of long-term fixed-rate debt (in millions):

	March 31, 2024	December 31, 2023
Fixed-rate debt	**$ 1,452**	$ 1,515
Estimated fair value	**$ 1,346**	$ 1,382

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are recognized or disclosed at fair value on a nonrecurring basis, including property, plant and equipment, operating and finance lease assets, goodwill, and intangible assets. These assets are subject to fair valuation when there is evidence of impairment. No material impairments were recorded during the three months ended March 31, 2024.

NOTE 5. LONG-TERM DEBT

Long-term debt obligations on the condensed consolidated balance sheets (in millions):

	March 31, 2024	December 31, 2023
Fixed-rate notes payable due through 2029	**$ 73**	$ 80
Fixed-rate PSP notes payable due through 2031	**600**	600

Fixed-rate EETC payable due through 2025 & 2027		**779**		835
Variable-rate notes payable due through 2036		**1,128**		971
Less debt issuance costs		**(15)**		(15)
Total debt		**2,565**		2,471
Less current portion(a)		**301**		289
Long-term debt, less current portion	**$**	**2,264**	$	2,182
Weighted-average fixed-interest rate		**3.3 %**		3.4 %
Weighted-average variable-interest rate		**6.8 %**		6.8 %

(a) Excludes finance lease liabilities recognized within Current portion of long-term debt and finance leases in the condensed consolidated balance sheets as of December 31, 2023.

Approximately $240 million of the Company's total variable-rate notes payable are effectively fixed via interest rate swaps at March 31, 2024, resulting in an effective weighted-average interest rate for the full debt portfolio of 4.6%.

During the three months ended March 31, 2024, the Company incurred debt of $195 million from multiple lenders and sources. New debt includes proceeds of $150 million which is secured by aircraft. Additionally, $45 million of debt was incurred as part of an agreement to finance certain E175 deliveries. Debt from this agreement is reflected as a non-cash transaction within the supplemental disclosures in the condensed consolidated statements of cash flows. During the three months ended March 31, 2024, the Company made debt payments of $102 million.

Debt Maturity

At March 31, 2024, long-term debt principal payments for the next five years and thereafter are as follows (in millions):

		Total
Remainder of 2024	$	201
2025		365
2026		322
2027		646
2028		131
Thereafter		915
Total Principal Payments	$	2,580

Bank Lines of Credit

Alaska has three credit facilities totaling $626 million as of March 31, 2024. One credit facility is for $150 million, expires in March 2025, and is secured by certain accounts receivable, spare engines, spare parts, and ground service equipment. A second credit facility is for $400 million, expires in June 2026, and is secured by aircraft. Both facilities have variable interest rates based on SOFR plus a specified margin. A third credit facility is for $76 million, expires in June 2024, and is secured by aircraft.

Alaska has secured letters of credit against the third facility, but has no plans to borrow using either of the other two facilities. All credit facilities have a requirement to maintain a minimum unrestricted cash and marketable securities balance of $500 million. Alaska was in compliance with this covenant at March 31, 2024.

Subsequent to quarter end, the Company executed an amendment to extend the term of the $150 million credit facility from March 2025 to April 2028.

NOTE 6. EMPLOYEE BENEFIT PLANS

Net periodic benefit costs for qualified defined-benefit plans include the following (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Service cost	**$ 7**	$ 7
Pension expense included in Wages and benefits	**7**	7
Interest cost	**27**	27
Expected return on assets	**(32)**	(28)
Recognized actuarial loss	**5**	6
Pension expense included in Non-operating Income (Expense)	**$ —**	$ 5

NOTE 7. COMMITMENTS AND CONTINGENCIES

Alaska continues to experience delivery delays of B737 aircraft. Boeing has communicated that certain B737 aircraft are expected to be delivered later than the contracted delivery dates provided to Alaska. This includes certain B737-10 aircraft contracted for delivery in 2025 that have been moved to 2026, pending certification of the B737-10. We have incorporated these adjustments in the tables below, however, management expects that other Boeing aircraft deliveries may also be delayed later than negotiated delivery timeframes.

Future minimum contractual payments for commitments as of March 31, 2024 (in millions):

	Aircraft-Related Commitments(a)	Capacity Purchase Agreements and Other Obligations (b)
Remainder of 2024	$ 1,164	$ 177
2025	830	230
2026	1,634	223
2027	601	220
2028	151	223
Thereafter	717	515

Total	$	5,097	$ 1,588

(a)Includes contractual commitments for aircraft, engines, and aircraft maintenance, and incorporates the impact of expected delays for certain B737 aircraft as communicated by Boeing. Option deliveries are excluded from minimum commitments until exercise.
(b)Primarily comprised of non-lease costs associated with capacity purchase agreements, as well as other various sponsorship agreements and investment commitments.

Aircraft Commitments

Aircraft purchase commitments include contractual commitments for aircraft and engines. Details for contractual aircraft commitments as of March 31, 2024 are outlined below.

	Firm Orders	Options and Other Rights	Total
Aircraft Type	**2024-2027**	**2025-2030**	**2024-2030**
B737	80	105	185
E175	7	7	14
Total	87	112	199

Aircraft Maintenance

Aircraft maintenance commitments include contractual commitments for engine maintenance agreements requiring monthly payments based upon utilization, such as flight hours, cycles, and age of the aircraft. In turn, these maintenance agreements transfer certain risks to the third-party service provider. Alaska has contracts for maintenance on its B737-800 and B737-900ER aircraft engines through 2026 and 2032, respectively. Horizon has contracts for maintenance on its E175 aircraft engines through 2033 and 2039.

Contingencies

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected. Liabilities for litigation related contingencies are recorded when a loss is determined to be probable and estimable.

As part of the 2016 acquisition of Virgin America, Alaska assumed responsibility for the Virgin trademark license agreement with the Virgin Group. In 2019, pursuant to that agreement's venue provision, the Virgin Group sued Alaska in England, alleging that the agreement requires Alaska to pay $8 million per year as a minimum annual royalty through 2039, adjusted annually for inflation and irrespective of Alaska's actual use (or non-use) of the mark. The possible range of contractual liability is between $10 million and $160 million. Alaska stopped making royalty payments in 2019 after ending all use of the Virgin brand. On February 16, 2023, the commercial court issued a ruling adopting Virgin Group’s interpretation of the license agreement. The Company has appealed the decision and believes the claims in the case are without factual and legal merit, a position supported by Virgin America’s representations during pre-merger due diligence. Alaska also commenced a separate claim for breach of the agreement against the Virgin Group that may affect the Company’s total liability in the matter.

On April 15, 2024, a private antitrust action captioned *Warren Yoshimoto, et al., v. Alaska Airlines, Inc., et al.* was filed in the United States District Court for the District of Hawaii, against Alaska Airlines, Inc. and Alaska Air Group, Inc. The plaintiffs, whom the complaint describes as airline passengers, allege that the pending acquisition of Hawaiian Airlines, Inc. by Alaska Airlines, Inc. would violate U.S. antitrust laws. They seek to enjoin the merger or obtain divestitures, as well as costs and attorneys' fees. The Company believes the allegations in the complaint are without merit and will defend against them vigorously, while continuing to work cooperatively with the U.S. Department of Justice to obtain regulatory clearance to close the acquisition.

NOTE 8. SHAREHOLDERS' EQUITY

Common Stock Repurchase

In August 2015, the Board of Directors authorized a $1 billion share repurchase program. As of March 31, 2024, the Company has repurchased 11.7 million shares for $709 million under this program.

Share purchase activity (in millions, except share amounts):

	Three Months Ended March 31,			
	2024		2023	
	Shares	Amount	Shares	Amount
2015 Repurchase Program—$1 billion	561,086	$ 21	413,554	$ 18

CARES Act Warrant Issuances

As taxpayer protection required under the Payroll Support Program (PSP) under the CARES Act, the Company granted the U.S. government a total of 1,455,437 warrants to purchase ALK common stock in 2020 and 2021. An additional 427,080 warrants were issued in conjunction with a draw on the CARES Act Loan in 2020. These warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, and have a five-year term.

As of March 31, 2024, there are 1,882,517 total warrants outstanding, with a weighted average strike price of $39.06. The value of the warrants was estimated using a Black-Scholes option pricing model. The total fair value of all outstanding warrants was $30 million, recorded in stockholders' equity at issuance.

NOTE 9. LOSS PER SHARE

Basic loss per share and diluted loss per share are calculated by dividing net loss by the weighted average number of common shares outstanding during the period.

	Three Months Ended March 31,	
(in millions, except per share amounts)	**2024**	**2023**
Net loss	**$ (132)**	$ (142)
Basic weighted average shares outstanding	**125.970**	127.501
Dilutive effect of share-based instruments	**—**	—
Diluted weighted average shares outstanding	**125.970**	127.501
Basic loss per share	**$ (1.05)**	$ (1.11)

Diluted loss per share	$	**(1.05)**	$	(1.11)
Antidilutive amounts excluded from calculation:				
Employee stock awards		**3.8**		2.4
Stock warrants		**0.2**		0.4

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

A roll forward of the amounts included in accumulated other comprehensive loss is shown below for the three months ended March 31, 2024 and 2023:

	Marketable Securities	Employee Benefit Plan	Interest Rate Derivatives	Tax Effect	Total
Balance at December 31, 2023	$ (46)	$ (358)	$ 8	$ 97	$ (299)
Change in value	1	—	1	—	2
Reclassifications into earnings	—	4	—	(1)	3
Balance at March 31, 2024	**$ (45)**	**$ (354)**	**$ 9**	**$ 96**	**$ (294)**

	Marketable Securities	Employee Benefit Plan	Interest Rate Derivatives	Tax Effect	Total
Balance at December 31, 2022	$ (104)	$ (421)	$ 15	$ 122	$ (388)
Change in value	20	—	(3)	(3)	14
Reclassifications into earnings	6	5	—	(2)	9
Balance at March 31, 2023	**$ (78)**	**$ (416)**	**$ 12**	**$ 117**	**$ (365)**

NOTE 11. OPERATING SEGMENT INFORMATION

Alaska Air Group has two operating airlines – Alaska and Horizon. Each is regulated by the U.S. Department of Transportation's Federal Aviation Administration. Alaska has CPAs for regional capacity with Horizon and SkyWest, under which Alaska receives all passenger revenue.

Under GAAP, operating segments are defined as components of a business for which there is discrete financial information that is regularly assessed by the Chief Operating Decision Maker (CODM) in making resource allocation decisions. Historically, our CODM has reviewed financial performance information for our airline operations and Horizon CPA as part of three reportable operating segments:

- **Mainline** - includes scheduled air transportation on Alaska's Boeing jet aircraft for passengers and cargo throughout the U.S., and in parts of Canada, Mexico, Costa Rica, Belize, Guatemala, and the Bahamas.

- **Regional** - includes Horizon's and other third-party carriers' scheduled air transportation for passengers across a shorter distance network within the U.S., Canada, and Mexico under a CPA. This segment includes the actual revenue and expenses associated with regional flying, as well as an allocation of corporate overhead incurred by Air Group on behalf of the regional operations.
- **Horizon** - includes the capacity sold to Alaska under CPA. Expenses include those typically borne by regional airlines such as crew costs, ownership costs and maintenance costs.

In addition to these reported segments, we have a "Consolidating and Other" column which reflects Air Group parent company activity, McGee Air Services, consolidating entries and other immaterial business units of the company. The "Air Group Adjusted" column represents a non-GAAP measure that is used by the Company's CODM to evaluate performance and allocate resources. Adjustments are further explained below in reconciling to consolidated GAAP results.

Over time, our Mainline and Regional airline segments have increasingly been managed as a single component that provides scheduled air transportation for passengers and cargo, and includes our loyalty program. Managing this component in an integrated manner enables our team to leverage our comprehensive network, single route scheduling system, and fleet as a single business to deliver optimized consolidated financial results. In the first quarter of 2024, management began evaluating changes to internal reporting that may change the discrete information that is provided to our CODM in the future to better align with the way the business is managed. Such changes may have an impact on the company's reportable segments once finalized. We will continue to report using the existing segment structure until changes in our internal reporting have been fully implemented, and a segment analysis has been performed to determine if any changes to reportable segments are indicated.

Operating segment information is as follows (in millions):

	Three Months Ended March 31, 2024						
	Mainline	Regional	Horizon	Consolidating & Other(a)	Air Group Adjusted(b)	Special Items(c)	Consolidated
Operating Revenue							
Passenger revenue	$ 1,629	$ 375	$ —	$ —	$ 2,004	$ —	$ 2,004
CPA revenue	—	—	104	(104)	—	—	—
Mileage Plan other revenue	149	15	—	—	164	—	164
Cargo and other revenue	62	—	—	2	64	—	64
Total Operating Revenue	1,840	390	104	(102)	2,232	—	2,232
Operating Expenses							
Operating expenses, excluding fuel	1,514	299	88	(102)	1,799	34	1,833
Fuel expense	485	93	—	—	578	(13)	565
Total Operating Expenses	1,999	392	88	(102)	2,377	21	2,398
Non-operating Income (Expense)	(3)	—	(11)	2	(12)	—	(12)

	Mainline	Regional	Horizon	Consolidating & Other(a)	Air Group Adjusted(b)	Special Items(c)	Consolidated
Income (Loss) Before Income Tax	$ (162)	$ (2)	$ 5	$ 2	$ (157)	$ (21)	$ (178)
Pretax Margin					(7.0)%		(8.0)%

	Three Months Ended March 31, 2023						
	Mainline	**Regional**	**Horizon**	**Consolidating & Other(a)**	**Air Group Adjusted(b)**	**Special Items(c)**	**Consolidated**
Operating Revenue							
Passenger revenue	$ 1,673	$ 311	$ —	$ —	$ 1,984	$ —	$ 1,984
CPA revenue	—	—	78	(78)	—	—	—
Mileage Plan other revenue	143	11	—	—	154	—	154
Cargo and other revenue	57	—	—	1	58	—	58
Total Operating Revenue	1,873	322	78	(77)	2,196	—	2,196
Operating Expenses							
Operating expenses, excluding fuel	1,390	256	84	(77)	1,653	64	1,717
Fuel expense	561	85	—	(1)	645	20	665
Total Operating Expenses	1,951	341	84	(78)	2,298	84	2,382
Non-operating Income (Expense)	(6)	—	(8)	1	(13)	—	(13)
Income (Loss) Before Income Tax	$ (84)	$ (19)	$ (14)	$ 2	$ (115)	$ (84)	$ (199)
Pretax Margin					(5.2)%		(9.1)%

(a)Includes consolidating entries, Air Group parent company, McGee Air Services, and other immaterial business units.
(b)The Air Group Adjusted column represents the financial information that is reviewed by management to assess performance of operations and determine capital allocation and excludes certain charges.
(c)Includes special items and mark-to-market fuel hedge accounting adjustments.

Total assets were as follows (in millions):

	March 31, 2024	**December 31, 2023**
Mainline	**$ 20,140**	$ 19,937
Horizon	**1,382**	1,352
Consolidating & Other	**(6,709)**	(6,676)
Consolidated	**$ 14,813**	$ 14,613

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand our company and the present business environment. MD&A is provided as a supplement to – and should be read in conjunction with – our consolidated financial statements and the accompanying notes. All statements in the following discussion that are not statements of historical information or descriptions of current accounting policy are forward-looking statements. Please consider our forward-looking statements in light of the risks referred to in this report's introductory cautionary note and the risks mentioned in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023. This overview summarizes the MD&A, which includes the following sections:

- *GAAP to Non-GAAP Reconciliations and Operating Statistics* - reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis, as well as operating statistics we use to measure operating performance.

- *First Quarter Review* - highlights from the first quarter of 2024 outlining some of the major events that occurred during the period.

- *Results of Operations* - an in-depth analysis of our consolidated revenue and expenses for the three months ended March 31, 2024. This section includes forward-looking statements regarding our view of the remainder of 2024.

- *Liquidity and Capital Resources* - an overview of our financial position, analysis of cash flows, and relevant contractual obligations and commitments.

GAAP TO NON-GAAP RECONCILIATIONS AND OPERATING STATISTICS

We are providing reconciliations of reported non-GAAP financial measures to their most directly comparable financial measures reported on a GAAP basis. We believe that consideration of these non-GAAP financial measures may be important to investors for the following reasons:

- By excluding certain costs from our unit metrics, we believe that we have better visibility into the results of operations. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can result in a significant improvement in operating results. We believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management and investors to understand the impact of company-specific cost drivers which are more controllable by management. We adjust for expenses related directly to our freighter aircraft operations to allow for better comparability to other domestic carriers that do not operate freighter aircraft. We also exclude certain special charges as they are unusual or nonrecurring in nature and adjusting for these expenses allows management and investors to better understand our cost performance.

- CASMex is one of the most important measures used by management and by the Air Group Board of Directors in assessing quarterly and annual cost performance. CASMex is also a measure commonly used by industry analysts, and we believe it is the basis by which they have historically compared our airline to others in the industry. The measure is also the subject of frequent questions from investors.

- Adjusted pretax income is an important metric for the employee incentive plan, which covers the majority of Air Group employees.

- Disclosure of the individual impact of certain noted items provides investors the ability to measure and monitor performance both with and without these special items. We believe that disclosing the impact of these items as noted above is important because it provides information on significant items that are not necessarily indicative of future performance. Industry analysts and investors consistently measure our performance without these items for better comparability between periods and among other airlines.

•Although we disclose our unit revenue, we do not, nor are we able to, evaluate unit revenue excluding the impact that changes in fuel costs have had on ticket prices. Fuel expense represents a large percentage of our total operating expenses. Fluctuations in fuel prices often drive changes in unit revenue in the mid-to-long term. Although we believe it is useful to

evaluate non-fuel unit costs for the reasons noted above, we would caution readers of these financial statements not to place undue reliance on unit costs excluding fuel as a measure or predictor of future profitability because of the significant impact of fuel costs on our business.

Although we are presenting these non-GAAP amounts for the reasons above, investors and other readers should not consider them a substitute for GAAP figures.

GAAP TO NON-GAAP RECONCILIATIONS (unaudited)

	Three Months Ended March 31,			
	2024		2023	
(in millions)	Dollars	Margin	Dollars	Margin
Loss before income tax	**(178)**	**(8.0)%**	(199)	(9.1)%
Adjusted for:				
Mark-to-market fuel hedge adjustment	**(13)**		20	
Special items - fleet transition(a)	**26**		13	
Special items - integration costs(b)	**8**		—	
Special items - labor and other(c)	**—**		51	
Adjusted loss before income tax	**(157)**	**(7.0)%**	(115)	(5.2)%

(a) Special items - fleet transition in the three months ended March 31, 2024 and 2023 is primarily for costs associated with the retirement of Airbus and Q400 aircraft, as well as gains on the sale of certain Q400 aircraft.
(b) Special items - integration costs is associated with our proposed acquisition of Hawaiian Airlines.
(c) Special items - labor and other is for changes to Alaska pilots' sick leave benefits resulting from an agreement signed in the first quarter of 2023.

	Three Months Ended March 31,			
	2024		2023	
(in millions, except per share amounts)	Dollars	Diluted EPS	Dollars	Diluted EPS
Net loss per share	**$ (132)**	**$ (1.05)**	$ (142)	$ (1.11)

Mark-to-market fuel hedge adjustment	**(13)**	**(0.10)**	20	0.16
Special items - fleet transition	**26**	**0.21**	13	0.10
Special items - integration costs	**8**	**0.06**	—	—
Special items - labor and other	**—**	**—**	51	0.40
Income tax effect of reconciling items above	**(5)**	**(0.04)**	(21)	(0.17)
Adjusted net loss per share	**$ (116)**	**$ (0.92)**	$ (79)	$ (0.62)

	Three Months Ended March 31,	
(in millions)	2024	2023
Total operating expenses	**2,398**	2,382
Less the following components:		
Aircraft fuel, including hedging gains and losses	**565**	665
Freighter costs(a)	**15**	14
Special items - fleet transition	**26**	13
Special items - integration costs	**8**	—
Special items - labor and other	**—**	51
Total operating expenses, excluding fuel, freighter costs, and special items	**1,784**	**1,639**
CASMex	**11.60 ¢**	10.44 ¢

(a) Freighter costs in the three months ended March 31, 2024 and 2023 are not presented separately on the consolidated statements of operations.

OPERATING STATISTICS (unaudited)

Below are consolidated operating statistics we use to measure operating performance. We often refer to unit revenue and adjusted unit costs, which are non-GAAP measures.

	Three Months Ended March 31,		
	2024	2023	Change
Revenue passengers (000)	**9,774**	9,852	(1)%
RPMs (000,000) "traffic"	**12,524**	12,554	—%
ASMs (000,000) "capacity"	**15,378**	15,705	(2)%

Load factor	**81.4%**	79.9%	1.5 pts
Yield	**16.00¢**	15.80¢	1%
PRASM	**13.03¢**	12.63¢	3%
RASM	**14.51¢**	13.98¢	4%
CASMex(a)	**11.60¢**	10.44¢	11%
Economic fuel cost per gallon(a)	**$3.08**	$3.41	(10)%
Fuel gallons (000,000)	**188**	189	(1)%
ASMs per fuel gallon	**81.8**	83.1	(2)%
Departures (000)	**95.7**	95.4	—%
Average full-time equivalent employees (FTEs)	**23,013**	22,978	—%
Operating fleet(b)	**315**	294	21 a/c

(a)Refer to reconciliation of this non-GAAP measure to the most directly related GAAP measure.
(b)Includes aircraft owned and leased by Alaska and Horizon as well as aircraft operated by third-party regional carriers under capacity purchase agreements. Excludes non-operating aircraft.

FIRST QUARTER REVIEW

Financial Overview

We reported a loss before income tax for the first quarter of 2024 of $178 million, compared to $199 million for the first quarter of 2023. Despite the impacts of Flight 1282 and the subsequent grounding of the B737-9 fleet, which are outlined more fully below, the Company recorded record first quarter revenue bolstered by strategic capacity deployment and strong leisure and business demand. Revenue improvement, combined with a $100 million decrease in aircraft fuel costs, offset by increased non-fuel operating expenses drove the year-over-year improvement in pretax loss.

See "*Results of Operations*" below for further discussion of changes in revenue and operating expenses as compared to 2023. A glossary of financial terms can be found at the end of this Item 2.

Flight 1282 and B737-9 Updates

Air Group's first quarter operation and results were significantly impacted by Flight 1282 in January and the B737-9 grounding which extended into February. These events negatively impacted results by $162 million in the first quarter, of which approximately $150 million relates to lost revenue and the remainder to incremental costs. The Company received $162 million in cash compensation from Boeing to address these financial damages, which was recorded as an offset to the cost basis of certain B737-9 aircraft. Subsequent to quarter end, Boeing issued Air Group $61 million in supplier credit memos to be used on future Boeing purchases.

Labor Update

In the first quarter, Alaska technicians, represented by the Aircraft Mechanics Fraternal Union (AMFA), ratified a new five-year Collective Bargaining Agreement (CBA) that includes wage increases and quality of life improvements.

Alaska is in negotiations with its flight attendants represented by the Association of Flight Attendants (AFA) for an updated CBA. A mediator from the National Mediation Board is involved in the negotiations. Horizon has initiated negotiations with certain labor groups for updated CBAs, including its pilots, represented by the International Brotherhood of Teamsters; its flight attendants, represented by AFA; and its technicians, represented by AMFA.

Outlook

The following represents our expectations for the second quarter and full year 2024 results:

	Q2 Expectation
Capacity (ASMs) % change versus 2023	Up 5% to 7%
Economic fuel cost per gallon	$3.00 to $3.20
Earnings per share(a)	$2.20 to $2.40
	Full Year Expectation
Capacity (ASMs) % change versus 2023	< 3%
Earnings per share(a)	$3.25 to $5.25
Capital expenditures	$1.2 billion - $1.3 billion

(a) Earnings per share guidance assumes a full year tax rate of approximately 25%

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 2024 TO THREE MONTHS ENDED MARCH 31, 2023

OPERATING REVENUE

Total operating revenue increased $36 million, or 2%, in the first quarter of 2024 compared to the same period in 2023. The changes are summarized in the following table:

	Three Months Ended March 31,		
(in millions)	**2024**	**2023**	**% Change**
Passenger revenue	**$ 2,004**	$ 1,984	1 %
Mileage Plan other revenue	**164**	154	6 %
Cargo and other revenue	**64**	58	10 %
Total Operating Revenue	**$ 2,232**	$ 2,196	2 %

Passenger revenue

On a consolidated basis, Passenger revenue for the first quarter of 2024 increased $20 million, or 1% compared to the same period in 2023. While the B737-9 grounding resulted in approximately $150 million in lost revenue, meaningful improvements in corporate travel revenue and general close-in strength drove improvements in unit revenue to help offset this negative impact. Additionally, increased traffic on ten E175 aircraft added to our fleet since the first quarter of 2023 contributed positively to Passenger revenue.

We expect to see further growth to Passenger revenue as we progress through 2024 driven by diverse revenue offerings, increased capacity, continued improvements to our strategic network, and further recovery of West Coast corporate travel.

Mileage Plan other revenue

On a consolidated basis, Mileage Plan other revenue for the first quarter of 2024 increased by $10 million, or 6%. The increase was driven by higher commissions from our bank card partner primarily due to increased credit card acquisitions, as well as higher commission revenue from other third party partners.

We expect to see continued strength in Mileage Plan other revenue for the remainder of 2024, enabled by higher commissions from increased card spend and incremental partner activity.

Cargo and other revenue

On a consolidated basis, Cargo and other revenue for the first quarter of 2024 increased by $6 million, or 10%. The growth was driven by incremental lounge revenue and other miscellaneous increases.

We expect to see further growth in Cargo and other revenue for the remainder of 2024, driven by increased freight volumes with the addition of a second B737-800 freighter to our fleet in the second quarter of 2024.

OPERATING EXPENSES

Total operating expenses increased $16 million, or 1%, compared to the first quarter of 2023. We believe it is useful to summarize operating expenses as follows, which is consistent with the way expenses are reported internally and evaluated by management:

	Three Months Ended March 31,		
(in millions)	**2024**	**2023**	**% Change**
Fuel expense	**$ 565**	$ 665	(15)%
Non-fuel operating expenses, excluding special items	**1,799**	1,653	9 %
Special items - fleet transition	**26**	13	100 %
Special items - integration costs	**8**	—	NM
Special items - labor and other	**—**	51	(100)%
Total Operating Expenses	**$ 2,398**	$ 2,382	1 %

Fuel expense

Aircraft fuel expense includes raw fuel expense (as defined below) plus the effect of mark-to-market adjustments to our fuel hedge portfolio as the value of that portfolio increases and decreases. Our aircraft fuel expense can be volatile because it includes these gains or losses in the value of the underlying instrument as crude oil prices and refining margins increase or decrease. Raw fuel expense is defined as the price that we generally pay at the airport, or the "into-plane" price, including taxes and fees. Raw fuel prices are impacted by world oil prices and refining costs, which can vary by region in the U.S. Raw fuel expense approximates cash paid to suppliers and does not reflect the effect of our fuel hedges.

Aircraft fuel expense decreased $100 million, or 15%, compared to the first quarter of 2023. The elements of the change are illustrated in the following table:

	Three Months Ended March 31,			
	2024		2023	
(in millions, except for per gallon amounts)	Dollars	Cost/Gal	Dollars	Cost/Gal
Raw or "into-plane" fuel cost	**$ 565**	**$ 3.01**	$ 633	$ 3.35
Losses on settled hedges	**13**	**0.07**	12	0.06
Economic fuel expense	**$ 578**	**$ 3.08**	$ 645	$ 3.41
Mark-to-market fuel hedge adjustments	**(13)**	**(0.07)**	20	0.11
Aircraft fuel, including hedging gains and losses	**$ 565**	**$ 3.01**	$ 665	$ 3.52
Fuel gallons		**188**		189

Raw fuel expense decreased 11% in the first quarter of 2024 compared to the first quarter of 2023, due to lower per gallon costs on decreased refining margins associated with the conversion of crude oil to jet fuel.

We also evaluate economic fuel expense, which we define as raw fuel expense adjusted for the cash we receive from hedge counterparties for hedges that settle during the period and for the premium expense that we paid for those contracts. A key difference between aircraft fuel expense and economic fuel expense is the timing of gain or loss recognition on our hedge portfolio. Economic fuel expense includes gains and losses only when they are realized for those contracts that were settled

during the period based on their original contract terms. We believe this is the best measure of the effect that fuel prices are currently having on our business as it most closely approximates the net cash outflow associated with purchasing fuel for our operations. Accordingly, many industry analysts evaluate our results using this measure, and it is the basis for most internal management reporting and incentive pay plans.

Losses recognized for hedges that settled during the first quarter were $13 million in 2024, compared to losses of $12 million in the same period in 2023. These amounts represent cash paid for premium expense, offset by any cash received from those hedges at settlement. In 2023, we suspended our crude oil hedge program. Our final option position will settle in the first quarter of 2025.

In the second quarter, we expect our economic fuel cost per gallon to range between $3.00 to $3.20.

Non-fuel expenses

The table below provides the reconciliation of the operating expense line items, excluding fuel and other special items. Significant operating expense variances from 2023 are more fully described below.

(in millions)	Three Months Ended March 31, 2024	2023	% Change
Wages and benefits	**$ 804**	$ 723	11 %
Variable incentive pay	**44**	47	(6)%
Aircraft maintenance	**122**	124	(2)%
Aircraft rent	**47**	59	(20)%
Landing fees and other rentals	**165**	152	9 %
Contracted services	**97**	95	2 %
Selling expenses	**77**	66	17 %
Depreciation and amortization	**126**	104	21 %
Food and beverage service	**58**	54	7 %
Third-party regional carrier expense	**54**	52	4 %
Other	**205**	177	16 %
Total non-fuel operating expenses, excluding special items	**$ 1,799**	$ 1,653	9 %

Wages and benefits

Wages and benefits increased by $81 million, or 11%, in the first quarter of 2024. The primary components of Wages and benefits are shown in the following table:

(in millions)	Three Months Ended March 31, 2024	2023	% Change
Wages	**$ 609**	$ 558	9 %
Payroll taxes	**44**	41	7 %
Medical and other benefits	**83**	66	26 %
Defined contribution plans	**61**	51	20 %
Pension - Defined benefit plans	**7**	7	— %
Total Wages and benefits	**$ 804**	$ 723	11 %

Wages increased $51 million, or 9%, driven by higher wage rates stemming from labor agreements reached with various represented labor groups since the first quarter of 2023, as well as additional impact from irregular operations following the B737-9 grounding. Increased expense for payroll taxes is consistent with the change in wages.

Increased expense for medical and other benefits was primarily driven by an increase in the cost of medical services compared to the prior year. Increased expense for defined contribution plans was driven by the change in wages as well as higher matching contributions for various labor groups.

We expect to see higher wages and benefits for the remainder of 2024 due to the increase in wage rates and additional agreements we may reach during the year with represented labor groups.

Aircraft rent

Aircraft rent expense decreased by $12 million, or 20%, in the first quarter of 2024. The decrease was primarily driven by the retirement of ten leased A321neo aircraft fleet from operations, partially offset by the addition of one leased B737-9 and one leased B737-800 freighter since the first quarter of 2023.

We expect aircraft rent to remain below 2023 levels for the remainder of 2024, due to the net reduction in leased aircraft described above.

Landing fees and other rentals

Landing fees and other rentals increased by $13 million, or 9%, in the first quarter of 2024. The increase was driven primarily by higher terminal rent costs resulting from rate increases at many of our facilities, as well as non-recurring favorable settlements that were realized in 2023.

We expect landing fees and other rentals to increase for the remainder of 2024 as compared to 2023 due to increased capacity and higher rates at airports.

Selling expenses

Selling expenses increased by $11 million, or 17%, in the first quarter of 2024. The increase was primarily driven by increased credit card commissions, as well as timing differences.

We expect selling expenses to increase for the remainder of 2024 as compared to 2023, due primarily to higher sales and an increase in marketing costs as we continue to build our brand.

Depreciation and amortization

Depreciation and amortization increased by $22 million, or 21%, in the first quarter of 2024. The increase was primarily due to the addition of 22 owned B737 aircraft and ten owned E175 aircraft to our fleet since the first quarter of 2023. Incremental depreciation on ground service and other equipment also contributed to the increase.

Other expense

Other expense increased by $28 million, or 16%, in the first quarter of 2024. The increase was primarily driven by passenger remuneration and crew hotel costs due to the B737-9 grounding. Additional software expenses also contributed to the increase.

Special items - fleet transition

We recorded expenses associated with the Company's fleet transition of $26 million in the first quarter of 2024. These costs consist of certain aircraft maintenance work performed as a result of the fleet retirements, adjustments to estimated costs to return the A320 fleet, and holdover rent for Airbus aircraft which have not yet been returned to the lessor as of the lease expiration date.

Special items - integration costs

We recorded $8 million in integration costs associated with our proposed acquisition of Hawaiian Airlines. These costs primarily consist of professional services fees. We expect to incur additional integration costs as activities supporting the proposed acquisition continue.

ADDITIONAL SEGMENT INFORMATION

Refer to Note 11 to the consolidated financial statements for a detailed description of each segment. Below is a summary of each segment's results.

Mainline

Mainline operations reported an adjusted pretax loss of $162 million in the first quarter of 2024, compared to a loss of $84 million in the same period in 2023. The $78 million decrease was driven by decreased passenger revenue as a result of the B737-9 grounding, as well as increased non-fuel operating expenses, which were primarily driven by higher wage rates across various labor groups and incremental ownership costs associated with 22 owned B737 aircraft added to Alaska's fleet since the first quarter of 2023. These increases were partially offset by decreased fuel costs due to lower per gallon costs and fewer gallons consumed.

Regional

Regional operations reported an adjusted pretax loss of $2 million in the first quarter of 2024, compared to a loss of $19 million in the same period in 2023. The $17 million improvement was driven by higher passenger revenue consistent with the increase in traffic, partially offset by higher operating expenses driven by increased capacity.

Horizon

Horizon reported an adjusted pretax profit of $5 million in the first quarter of 2024, compared to a loss of $14 million in the same period in 2023. The $19 million improvement was driven by incremental revenue consistent with increased capacity sold to Alaska, as well as cost reductions resulting from Horizon's transition to a single fleet. These improvements were partially offset by increased expenses driven by the addition of ten owned E175 aircraft added to Horizon's fleet since the first quarter of 2023.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are:

- Existing cash and marketable securities of $2.3 billion;
- Cash flows from operations of $292 million;
- Our Mileage Plan program and 63 unencumbered aircraft which could be financed, if necessary;
- Combined bank line-of-credit facilities, with no outstanding borrowings, of $550 million.

During the three months ended March 31, 2024, we incurred new debt of $195 million and made debt payments of $102 million. We ended the quarter with a debt-to-capitalization ratio of 47%, within our target range of 40% to 50%. We continued share repurchases, spending $21 million in the first quarter, pursuant to the $1 billion repurchase plan authorized by the Board of Directors in August 2015.

We believe that our current cash and marketable securities balance, combined with available sources of liquidity, will be sufficient to fund our operations, meet our debt payment obligations, and remain in compliance with the financial debt covenants in existing financing arrangements for the foreseeable future.

In our cash and marketable securities portfolio, we invest only in securities that meet our primary investment strategy of maintaining and securing investment principal. The portfolio is managed by reputable firms that adhere to our investment policy that sets forth investment objectives, approved and prohibited investments, and duration and credit quality guidelines. Our policy, and the portfolio managers, are continually reviewed to ensure that the investments are aligned with our strategy.

The table below presents the major indicators of financial condition and liquidity:

(in millions)	March 31, 2024	December 31, 2023	Change
Cash and marketable securities	**$ 2,278**	$ 1,791	27 %
Cash, marketable securities, and unused lines of credit as a percentage of trailing twelve months' revenue	**27 %**	22 %	5 pts
Long-term debt, net of current portion	**2,264**	2,182	4%
Shareholders’ equity	**$ 3,977**	$ 4,113	(3)%

Debt-to-capitalization, including operating and finance leases

(in millions)	March 31, 2024	December 31, 2023	Change
Long-term debt, net of current portion	**$ 2,264**	$ 2,182	4%
Capitalized operating leases	**1,256**	1,283	(2)%
Capitalized finance leases(a)	—	64	NM
Adjusted debt, net of current portion of long-term debt	**$ 3,520**	$ 3,529	—%
Shareholders' equity	**3,977**	4,113	(3)%
Total invested capital	**$ 7,497**	$ 7,642	(2)%
Debt-to-capitalization, including operating and finance leases	**47 %**	46 %	1 pt

(a)To best reflect our leverage at December 31, 2023, we included our capitalized finance lease balances, which are recognized within the Current portion of long-term debt and finance leases line in the condensed consolidated balance sheets.

Adjusted net debt to earnings before interest, taxes, depreciation, amortization, special items, and rent

(in millions)	March 31, 2024	December 31, 2023
Current portion of long-term debt and finance leases	**$ 301**	$ 353
Current portion of operating lease liabilities	**158**	158
Long-term debt	**2,264**	2,182
Long-term operating lease liabilities, net of current portion	**1,098**	1,125

Total adjusted debt	**3,821**	3,818
Less: Cash and marketable securities	**2,278**	1,791
Adjusted net debt	**$ 1,543**	$ 2,027

(in millions)	**Twelve Months Ended March 31, 2024**	**Twelve Months Ended December 31, 2023**
GAAP Operating Income(a)	**$ 414**	$ 394
Adjusted for:		
Special items	**413**	443
Mark-to-market fuel hedge adjustments	**(35)**	(2)
Depreciation and amortization	**473**	451
Aircraft rent	**196**	208
EBITDAR	**$ 1,461**	$ 1,494
Adjusted net debt to EBITDAR	**1.1x**	1.4x

(a)Operating Income can be reconciled using the trailing twelve month operating income as filed quarterly with the SEC.

ANALYSIS OF OUR CASH FLOWS

The following discussion summarizes the primary drivers of the increase in our cash and marketable securities balance.

Cash Provided by Operating Activities

For the first three months of 2024, net cash provided by operating activities was $292 million, compared to $222 million in 2023. Cash provided by ticket sales and from our co-branded credit card agreement are the primary sources of our operating cash flow. Our primary use of operating cash flow is for operating expenses, including payments for employee wages and benefits, payments to suppliers for goods and services, and payments to lessors and airport authorities for rents and landing fees. Operating cash flow also includes payments to, or refunds from, federal, state, and local taxing authorities.

The $70 million net increase in our operating cash flows was due to a combination of factors. Payments made in 2024 for our 2023 incentive pay program were approximately $60 million lower than payments in 2023 for our 2022 program. Additionally, growth in our air traffic liability increased $35 million in the first quarter compared to the prior year. These amounts were partially offset by other changes in working capital accounts.

Cash Provided by Investing Activities

Cash provided by investing activities was $318 million during the first three months of 2024, compared to $60 million in 2023. The change was due to a combination of factors. In the first quarter, the Company received $162 million in compensation from Boeing related to the B737-9 grounding, which is presented as Supplier proceeds. Total property and equipment expenditures decreased $67 million as we took no deliveries of B737-9 aircraft in the first quarter of 2024 compared to three owned B737-9 deliveries in the prior period, and due to changes in contractual terms of our aircraft purchase deposit schedule with Boeing. Cash flows from other investing activities increased $96 million due to the sale of certain A321neo aircraft. These changes were partially offset by decreased cash flows from net sales of marketable securities, which were $120 million in 2024, compared to $187 million in 2023.

Cash Used in Financing Activities

Cash used in financing activities was $5 million during the first three months of 2024, compared to $114 million in 2023. The change was largely driven by $149 million in new debt proceeds in 2024 compared to zero in 2023, partially offset by increased cash used in other financing activities, of which the settlement of our final A321neo finance lease was the largest component.

MATERIAL CASH COMMITMENTS

Material cash requirements include the following contractual and other obligations. In prior filings, we had indicated our expected capital expenditures for 2024 would be approximately $1.4 billion to $1.5 billion. Based on management's assumptions regarding aircraft delivery delays in 2024, described in more detail below, we now expect 2024 capital expenditures to be approximately $1.2 billion to $1.3 billion.

Aircraft Commitments

As of March 31, 2024, Alaska had firm orders to purchase 80 B737 aircraft with deliveries between 2024 and 2027. Alaska also had rights for 105 additional B737 aircraft through 2030.

Alaska continues to experience delivery delays of B737 aircraft. Boeing has communicated that certain B737 aircraft are expected to be delivered later than the contracted delivery dates provided to Alaska. This includes certain B737-10 aircraft contracted for delivery in 2025 that have been moved to 2026, pending certification of the B737-10. We have incorporated these adjustments in the tables below, however, management expects that other Boeing aircraft deliveries may also be delayed later than negotiated delivery timeframes.

As of March 31, 2024, Horizon had commitments to purchase seven E175 aircraft with deliveries between 2024 and 2026. Horizon also had options to acquire seven E175 aircraft between 2025 and 2026. The remaining E175 delivery expected in 2024 is covered under a financing agreement executed in 2023. Capital expenditures for this delivery, which are included within aircraft-related commitments in the contractual obligations table below, will be reflected as a non-cash transaction in the consolidated statements of cash flows. Subsequent to quarter end, two of Horizon's seven E175 options expired.

Options will be exercised only if we believe return on invested capital targets can be met over the long term.

The following table summarizes our fleet plan based on contractual terms, with adjustments to reflect delivery delays as communicated by Boeing:

	Actual Fleet	Anticipated Fleet Activity					
Aircraft	**March 31, 2024**	**2024 Changes**	**Dec 31, 2024**	**2025 Changes**	**Dec 31, 2025**	**2026 Changes**	**Dec 31, 2026**
B737-700 Freighters	3	—	3	—	3	—	3
B737-800 Freighters	1	1	2	—	2	—	2
B737-700	11	—	11	—	11	—	11

B737-800	59	—	59	—	59	—	59
B737-900	12	—	12	—	12	—	12
B737-900ER	79	—	79	—	79	—	79
B737-8	1	7	8	12	20	—	20
B737-9	64	16	80	—	80	—	80
B737-10	—	—	—	—	—	30	30
Total Mainline Fleet	**230**	**24**	**254**	**12**	**266**	**30**	**296**
E175 operated by Horizon	43	1	44	3	47	3	50
E175 operated by third party	42	—	42	1	43	—	43
Total Regional Fleet	**85**	**1**	**86**	**4**	**90**	**3**	**93**
Total	**315**	**25**	**340**	**16**	**356**	**33**	**389**

Fuel Hedge Positions

In 2023, we suspended our crude oil hedge program. Existing positions entered into before suspension of the program will settle through the first quarter of 2025. All future oil positions are call options, which are designed to effectively cap the cost of the crude oil component of our jet fuel purchases. With call options, we are hedged against volatile crude oil price increases and, during a period of decline in crude oil prices, we only forfeit cash previously paid for hedge premiums. Prior to suspension, our program was designed to hedge on up to 50% of our expected consumption. Our crude oil positions are as follows:

	Approximate % of Expected Fuel Requirements	Weighted-Average Crude Oil Price per Barrel	Average Premium Cost per Barrel
Second Quarter of 2024	40 %	$90	$5
Third Quarter of 2024	30 %	$88	$5
Fourth Quarter of 2024	20 %	$87	$5
Full Year 2024	**30 %**	**$88**	**$5**
First Quarter of 2025	10 %	$92	$5
Full Year 2025	**2 %**	**$92**	**$5**

Contractual Obligations

The following table provides a summary of our obligations as of March 31, 2024. For agreements with variable terms, amounts included reflect our minimum obligations.

(in millions)	Remainder of 2024	2025	2026	2027	2028	Beyond 2028	Total
Debt obligations	$ 201	$ 365	$ 322	$ 646	$ 131	$ 915	$ 2,580
Lease commitments(a)	173	204	204	196	187	705	1,669
Aircraft-related commitments(b)	1,164	830	1,634	601	151	717	5,097
Interest obligations(c)	99	110	124	99	54	115	601
CPA and other obligations	177	230	223	220	223	515	1,588
Total	$ 1,814	$ 1,739	$ 2,507	$ 1,762	$ 746	$ 2,967	$ 11,535

(a)Lease commitments include minimum payments for aircraft (operating and non-operating) with associated operating leases, as we have remaining cash obligations under existing terms. It also includes minimum lease payments for facilities.
(b)Includes contractual commitments for aircraft, engines, and aircraft maintenance, and incorporates the impact of expected delays for certain B737 aircraft as communicated by Boeing. Option deliveries are excluded from minimum commitments until exercise.
(c)For variable-rate debt, future obligations are shown above using interest rates forecast as of March 31, 2024.

Debt Obligations and Interest Obligations

The Company primarily issues debt to fund purchases of aircraft or other capital expenditures. At March 31, 2024, our debt portfolio carries a weighted average interest rate of 4.6%. Interest is paid with regular debt service. Debt service obligations remaining in 2024 are expected to be approximately $300 million, inclusive of interest and principal. Refer to Note 5 to the consolidated financial statements for further discussion of our debt and interest balances.

CPA and Other Obligations

We have obligations primarily associated with our capacity purchase agreements between Alaska and SkyWest, as well as other various sponsorship agreements and investment commitments.

Leased Aircraft Return Costs

For leased aircraft, contractual terms require us to return the aircraft in a specified state. As a result of these contractual terms, we incur significant costs to return these aircraft at the termination of the lease. Costs to return leased aircraft are accrued when the costs are probable and reasonably estimable, usually over the twelve months prior to the lease return or any expected early retirement date, unless a determination is made to remove the leased asset from operation. If the leased aircraft is removed from the operating fleet, the estimated cost to return is accrued at the time of removal. Lease return accrual estimates are based on the time remaining on the lease and the provisions included in the lease agreement, although the actual amount due to any lessor upon return may not be known with certainty until lease termination. At March 31, 2024, $90 million is accrued for lease returns, and classified within Other accrued liabilities in the consolidated balance sheets.

Credit Card Agreements

Alaska has agreements with a number of credit card companies to process the sale of tickets and other services. Under these agreements, there are material adverse change clauses that, if triggered, could result in the credit card companies holding back a reserve from our credit card receivables. Under one such agreement, we could be required to maintain a reserve if our credit rating is downgraded to or below a rating specified by the agreement or our cash and marketable securities balance fell below $500 million. Under another such agreement, we could be required to maintain a reserve if our cash and marketable securities balance fell below $500 million. We are not currently required to maintain any reserve under these agreements, but if we were, our financial position and liquidity could be materially harmed.

Sustainability Commitments

As part of our efforts to reach net-zero carbon emissions by 2040, we have outlined a five-part path that includes operational efficiency, fleet renewal, sustainable aviation fuel (SAF), investing in new technologies, and using credible offsetting and removal technologies to close the gaps to our emissions target in future years. We anticipate these efforts will require cash outlays, not all of which are reflected in our contractual commitments. Finding and establishing relationships with suppliers to meet these commitments is in process. Currently, Alaska has certain agreements to purchase SAF to be delivered in the coming

years. These agreements are dependent on suppliers' ability to obtain all required governmental and regulatory approvals, achieve commercial operation, and produce sufficient quantities of SAF. Financial commitments that have been contractually established and have defined minimum obligations, including those related to Alaska Star Ventures, are included within the CPA and other obligations row in the above table.

Income Taxes

For federal income tax purposes, the majority of our property and equipment are fully depreciated over a seven-year life using an accelerated depreciation method or bonus depreciation, if available. For financial reporting purposes, the majority of our assets are depreciated over 15 to 25 years to an estimated salvage value using the straight-line basis. This difference has created a significant deferred tax liability. At some point in the future, the property and equipment difference will reverse into taxable income, potentially resulting in an increase in income taxes payable.

While it is possible that we could have material cash obligations for this deferred liability at some point in the future, we cannot estimate the timing of long-term cash flows with reasonable accuracy. Taxable income and cash taxes payable in the short term are impacted by many items, including the amount of book income generated (which can be volatile depending on revenue and fuel prices, among other factors out of our control), whether bonus depreciation provisions are available, as well as other legislative changes beyond our control. We believe we have the liquidity to make our future tax payments.

Proposed Acquisition of Hawaiian Holdings Inc.

On December 2, 2023, the Company entered into a definitive agreement to acquire Hawaiian Holdings, Inc. (Hawaiian). The Company has agreed to pay Hawaiian's shareholders $18.00 per share, or approximately $1.0 billion, in cash for the outstanding shares of Hawaiian. In addition, the Company expects to assume Hawaiian's debt and lease obligations on the date of acquisition. The acquisition is dependent on approval by various regulatory bodies and other customary closing conditions. The Company expects to fund this acquisition through a combination of existing cash and marketable securities, new debt, as well as other available sources of liquidity.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to our critical accounting estimates during the three months ended March 31, 2024. For information regarding our critical accounting estimates, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2023.

GLOSSARY OF TERMS

Adjusted net debt - long-term debt, including current portion, plus capitalized operating and finance leases, less cash and marketable securities

Adjusted net debt to EBITDAR - represents net adjusted debt divided by EBITDAR (trailing twelve months earnings before interest, taxes, depreciation, amortization, special items and rent)

Aircraft Utilization - block hours per day; this represents the average number of hours per day our aircraft are in transit

Aircraft Stage Length - represents the average miles flown per aircraft departure

ASMs - available seat miles, or "capacity"; represents total seats available across the fleet multiplied by the number of miles flown

CASM - operating costs per ASM; represents all operating expenses including fuel, freighter costs, and special items

CASMex - operating costs excluding fuel, freighter costs, and special items per ASM, or "unit cost"

Debt-to-capitalization ratio - represents adjusted debt (long-term debt plus capitalized operating and finance lease liabilities) divided by total equity plus adjusted debt

Diluted Earnings per Share - represents earnings per share (EPS) using fully diluted shares outstanding

Diluted Shares - represents the total number of shares that would be outstanding if all possible sources of conversion, such as stock options, were exercised

Economic Fuel - best estimate of the cash cost of fuel, net of the impact of our fuel-hedging program

Freighter Costs - operating expenses directly attributable to the operation of Alaska's Boeing 737 freighter aircraft exclusively performing cargo missions

Load Factor - RPMs as a percentage of ASMs; represents the number of available seats that were filled with paying passengers

Mainline - represents flying Boeing 737, Airbus A320, and Airbus A321neo jets and all associated revenue and costs

PRASM - passenger revenue per ASM, or "passenger unit revenue"

RASM - operating revenue per ASMs, or "unit revenue"; operating revenue includes all passenger revenue, freight & mail, Mileage Plan and other ancillary revenue; represents the average total revenue for flying one seat one mile

Regional - represents capacity purchased by Alaska from Horizon and SkyWest. Financial results in this segment include actual on-board passenger revenue, less costs such as fuel, distribution costs, and payments made to Horizon and SkyWest under the respective capacity purchased arrangement (CPA). Additionally, Regional includes an allocation of corporate overhead such as IT, finance, and other administrative costs incurred by Air Group and on behalf of Horizon

RPMs - revenue passenger miles, or "traffic"; represents the number of seats that were filled with paying passengers; one passenger traveling one mile is one RPM

Yield - passenger revenue per RPM; represents the average revenue for flying one passenger one mile

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A. “Quantitative and Qualitative Disclosure About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2024, an evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and chief financial officer (collectively, our “certifying officers”), of the effectiveness of the design and operation of our disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in our periodic reports filed with or submitted to the Securities and Exchange Commission (the SEC) is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our certifying officers, as appropriate, to allow timely decisions regarding required disclosure. Our certifying officers concluded, based on their evaluation, that disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our internal control over financial reporting is based on the 2013 framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework).

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to routine litigation matters incidental to its business and with respect to which no material liability is expected. Liabilities for litigation related contingencies are recorded when a loss is determined to be probable and estimable.

As part of the 2016 acquisition of Virgin America, Alaska assumed responsibility for the Virgin trademark license agreement with the Virgin Group. In 2019, pursuant to that agreement's venue provision, the Virgin Group sued Alaska in England, alleging that the agreement requires Alaska to pay $8 million per year as a minimum annual royalty through 2039, adjusted annually for inflation and irrespective of Alaska's actual use (or non-use) of the mark. The possible range of contractual liability is between $10 million and $160 million. Alaska stopped making royalty payments in 2019 after ending all use of the Virgin brand. On February 16, 2023, the commercial court issued a ruling adopting Virgin Group’s interpretation of the license agreement. The Company has appealed the decision and believes the claims in the case are without factual and legal merit, a position supported by Virgin America’s representations during pre-merger due diligence. Alaska also commenced a separate claim for breach of the agreement against the Virgin Group that may affect the Company’s total liability in the matter.

On April 15, 2024, a private antitrust action captioned *Warren Yoshimoto, et al., v. Alaska Airlines, Inc., et al.* was filed in the United States District Court for the District of Hawaii, against Alaska Airlines, Inc. and Alaska Air Group, Inc. The plaintiffs, whom the complaint describes as airline passengers, allege that the pending acquisition of Hawaiian Airlines, Inc. by Alaska Airlines, Inc. would violate U.S. antitrust laws. They seek to enjoin the merger or obtain divestitures, as well as costs and attorneys’ fees. The Company believes the allegations in the complaint are without merit and will defend against them vigorously, while continuing to work cooperatively with the U.S. Department of Justice to obtain regulatory clearance to close the acquisition.

ITEM 1A. RISK FACTORS

See Part I, Item 1A. "Risk Factors," in our 2023 Form 10-K for a detailed discussion of risk factors affecting Alaska Air Group.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

This table provides certain information with respect to our purchases of shares of our common stock during the first quarter of 2024.

	Total Number of Shares Purchased	Average Price Paid per Share	Maximum remaining dollar value of shares that can be purchased under the plan (in millions)
January 1, 2024 - January 31, 2024	46,000	$ 36.74	
February 1, 2024 - February 29, 2024	227,708	37.36	
March 1, 2024 - March 31, 2024	287,378	38.38	
Total	561,086	$ 37.83	$ 291

The shares were purchased pursuant to a $1 billion repurchase plan authorized by the Board of Directors in August 2015.

As of March 31, 2024, a total of 1,882,517 shares of the Company's common stock have been issued to Treasury in connection with the Payroll Support Program. Each warrant is exercisable at a strike price of $31.61 (928,126 shares related to PSP1), $52.25 (305,499 shares related to PSP2), and $66.39 (221,812 shares related to PSP3) per share of common stock. An additional 427,080 warrants were issued in conjunction with a draw on the CARES Act Loan in 2020 at a strike price of $31.61. These warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, and have a five-year term. Such warrants were issued to Treasury in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, no director or officer of Alaska Air Group adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934.

ITEM 6. EXHIBITS

The following documents are filed as part of this report:

1. *Exhibits:* See Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALASKA AIR GROUP, INC.

/s/ EMILY HALVERSON

Emily Halverson

Vice President Finance, Controller, and Treasurer

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number
3.1	Amended and Restated Certificate of Incorporation of Registrant	10-Q	August 3, 2017	3.1
3.2	Amended and Restated Bylaws of Registrant	8-K	December 15, 2015	3.2
31.1†	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-Q		
31.2†	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	10-Q		
32.1†	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-Q		
32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	10-Q		
101.INS†	XBRL Instance Document - The instance document does not appear in the interactive data file because XBRL tags are embedded within the inline XBRL document.			
101.SCH†	XBRL Taxonomy Extension Schema Document			
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document			
104†	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			

†	Filed herewith
*	Indicates management contract or compensatory plan or arrangement.
#	Certain portions of this document that constitute confidential information have been redacted in accordance with Regulation S-K Item 601(b)(10).

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-5424

DELTA AIR LINES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**58-0218548**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Post Office Box 20706	
Atlanta, Georgia	**30320-6001**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (404) 715-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered

Common Stock, par value $0.0001 per share	DAL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

Number of shares outstanding by each class of common stock, as of March 31, 2024

Common Stock, $0.0001 par value - 645,312,283 shares outstanding

This document is also available through our website at http://ir.delta.com/.

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Forward Looking Statements

Unless otherwise indicated or the context otherwise requires, the terms "Delta," "we," "us" and "our" refer to Delta Air Lines, Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-Q (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections, goals, aspirations, commitments or strategies for the future, may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to Delta are described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("Form 10-K"), other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report except as required by law.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Delta Air Lines, Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of Delta Air Lines, Inc. (the Company) as of March 31, 2024, the related condensed consolidated statements of operations and comprehensive income/(loss), condensed consolidated statements of cash flows, and consolidated statements of stockholders' equity for the three-month periods ended March 31, 2024 and 2023, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2023, the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for the year then ended, and the related notes (not presented herein); and in our report dated February 12, 2024, we expressed an unqualified audit opinion on those Consolidated Financial Statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission (SEC) and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Atlanta, Georgia

April 10, 2024

DELTA AIR LINES, INC.
Consolidated Balance Sheets
(Unaudited)

(in millions, except share data)	**March 31, 2024**	**December 31, 2023**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,877	$ 2,741
Short-term investments	589	1,127
Accounts receivable, net of allowance for uncollectible accounts of $16 and $17	3,748	3,130
Fuel, expendable parts and supplies inventories, net of allowance for obsolescence of $124 and $123	1,452	1,314
Prepaid expenses and other	1,913	1,957
Total current assets	11,579	10,269
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation and amortization of $22,156 and $21,707	35,915	35,486

Operating lease right-of-use assets		6,785		7,004
Goodwill		9,753		9,753
Identifiable intangibles, net of accumulated amortization of $913 and $911		5,981		5,983
Equity investments		3,247		3,457
Other noncurrent assets		1,709		1,692
Total noncurrent assets		63,390		63,375
Total assets	$	74,969	$	73,644
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Current maturities of debt and finance leases	$	2,809	$	2,983
Current maturities of operating leases		742		759
Air traffic liability		10,193		7,044
Accounts payable		4,541		4,446
Accrued salaries and related benefits		3,037		4,561
Loyalty program deferred revenue		4,018		3,908
Fuel card obligation		1,100		1,100
Other accrued liabilities		2,038		1,617
Total current liabilities		28,478		26,418
Noncurrent Liabilities:				
Debt and finance leases		16,555		17,071
Pension, postretirement and related benefits		3,524		3,601
Loyalty program deferred revenue		4,523		4,512
Noncurrent operating leases		6,203		6,468
Deferred income taxes, net		994		908
Other noncurrent liabilities		3,541		3,561
Total noncurrent liabilities		35,340		36,121
Commitments and Contingencies				
Stockholders' Equity:				
Common stock at $0.0001 par value; 1,500,000,000 shares authorized, 657,166,677 and 654,671,194 shares issued		—		—
Additional paid-in capital		11,688		11,641

Retained earnings	5,622	5,650
Accumulated other comprehensive loss	(5,793)	(5,845)
Treasury stock, at cost, 11,854,394 and 11,224,246 shares	(366)	(341)
Total stockholders' equity	11,151	11,105
Total liabilities and stockholders' equity	$ 74,969	$ 73,644

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss)
(Unaudited)

	Three Months Ended March 31,	
(in millions, except per share data)	**2024**	**2023**
Operating Revenue:		
Passenger	$ 11,131	$ 10,411
Cargo	178	209
Other	2,439	2,139
Total operating revenue	13,748	12,759
Operating Expense:		
Salaries and related costs	3,791	3,386
Aircraft fuel and related taxes	2,598	2,676
Ancillary businesses and refinery	1,370	1,125
Contracted services	1,024	1,010
Landing fees and other rents	748	584
Aircraft maintenance materials and outside repairs	679	585
Depreciation and amortization	615	564
Regional carrier expense	550	559
Passenger commissions and other selling expenses	550	500
Passenger service	413	416
Aircraft rent	136	132
Profit sharing	125	72
Pilot agreement and related expenses	—	864
Other	535	563
Total operating expense	13,134	13,036

Operating Income/(Loss)	614	(277)
Non-Operating Expense:		
Interest expense, net	(205)	(227)
Gain/(loss) on investments, net	(227)	122
Loss on extinguishment of debt	(4)	(22)
Miscellaneous, net	(56)	(102)
Total non-operating expense, net	(492)	(229)
Income/(Loss) Before Income Taxes	122	(506)
Income Tax (Provision)/Benefit	(85)	143
Net Income/(Loss)	$ 37	$ (363)
Basic Earnings/(Loss) Per Share	$ 0.06	$ (0.57)
Diluted Earnings/(Loss) Per Share	$ 0.06	$ (0.57)
Comprehensive Income/(Loss)	$ 89	$ (316)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Net Cash Provided by Operating Activities	$ 2,408	$ 2,235
Cash Flows from Investing Activities:		
Property and equipment additions:		
Flight equipment, including advance payments	(883)	(630)
Ground property and equipment, including technology	(310)	(370)
Purchase of short-term investments	—	(999)
Redemption of short-term investments	546	897
Other, net	10	2
Net cash used in investing activities	(637)	(1,100)

Cash Flows from Financing Activities:		
Payments on debt and finance lease obligations	(712)	(1,166)
Cash dividends	(64)	—
Other, net	(11)	(13)
Net cash used in financing activities	(787)	(1,179)
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash Equivalents	984	(44)
Cash, cash equivalents and restricted cash equivalents at beginning of period	3,395	3,473
Cash, cash equivalents and restricted cash equivalents at end of period	$ 4,379	$ 3,429
Non-Cash Transactions:		
Right-of-use assets acquired or modified under operating leases	$ (34)	$ 208
Flight and ground equipment acquired or modified under finance leases	6	25
Operating leases converted to finance leases	—	30

The following table provides a reconciliation of cash, cash equivalents and restricted cash equivalents reported within the Consolidated Balance Sheets to the total of the same such amounts shown above:

	March 31,	
(in millions)	**2024**	**2023**
Current assets:		
Cash and cash equivalents	$ 3,877	$ 3,215
Restricted cash included in prepaid expenses and other	126	160
Noncurrent assets:		
Restricted cash included in other noncurrent assets	376	54
Total cash, cash equivalents and restricted cash equivalents	$ 4,379	$ 3,429

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Consolidated Statements of Stockholders' Equity
(Unaudited)

Common Stock	Accumulated Other	Treasury Stock

(in millions, except per share data)	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Comprehensive Loss	Shares	Amount	Total
Balance at December 31, 2023	655	$ —	$ 11,641	$ 5,650	$ (5,845)	11	$ (341)	$11,105
Net income	—	—	—	37	—	—	—	37
Dividends declared ($0.10 per share)	—	—	—	(65)	—	—	—	(65)
Other comprehensive income	—	—	—	—	52	—	—	52
Common stock issued for employee equity awards(1)	2	—	47	—	—	1	(25)	22
Balance at March 31, 2024	657	$ —	$ 11,688	$ 5,622	$ (5,793)	12	$ (366)	$11,151

(1)Treasury shares were withheld for payment of taxes, at a weighted average price per share of $39.83 in the March 2024 quarter.

(in millions, except per share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2022	652	$ —	$ 11,526	$ 1,170	$ (5,801)	11	$ (313)	$ 6,582
Net loss	—	—	—	(363)	—	—	—	(363)
Other comprehensive income	—	—	—	—	47	—	—	47
Common stock issued for employee equity awards(1)	2	—	18	—	—	—	(24)	(6)
Balance at March 31, 2023	654	$ —	$ 11,544	$ 807	$ (5,754)	11	$ (337)	$ 6,260

(1)Treasury shares were withheld for payment of taxes, at a weighted average price per share of $39.73 in the March 2023 quarter.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our consolidated subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Consistent with these requirements, this Form 10-Q does not include all the information required by GAAP for complete financial statements. As a result, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Form 10-K for the year ended December 31, 2023.

Management believes the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, including normal recurring items, considered necessary for a fair statement of results for the interim periods presented.

Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices and other factors, operating results for the three months ended March 31, 2024 are not necessarily indicative of operating results for the entire year.

We reclassified certain prior period amounts to conform to the current period presentation. Unless otherwise noted, all amounts disclosed are stated before consideration of income taxes.

NOTE 2. REVENUE RECOGNITION

Passenger Revenue

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Ticket	$ 9,833	$ 9,239
Loyalty travel awards	844	743
Travel-related services	454	429
Passenger revenue	$ 11,131	$ 10,411

Ticket

We recognized approximately $3.9 billion in passenger revenue during both the three months ended March 31, 2024 and 2023 that had been recorded in our air traffic liability balance at the beginning of those periods.

Loyalty Travel Awards

Loyalty travel awards revenue is related to the redemption of mileage credits ("miles") for air travel. Our SkyMiles loyalty program allows customers to earn miles by flying on Delta, Delta Connection and other airlines that participate in the loyalty program. Customers can also earn miles through participating companies, such as credit card, retail, ridesharing, car rental and hotel companies, who purchase miles from us. Our most significant contract to sell miles relates to our co-brand credit card relationship with American Express. During the three months ended March 31, 2024 and 2023, total cash sales from marketing agreements related to our loyalty program were $1.8 billion and $1.7 billion, respectively, which are allocated to travel and other performance obligations.

Current Activity of the Loyalty Program. Miles are combined in one homogeneous pool and are not separately identifiable. Therefore, revenue is comprised of miles that were part of the loyalty program deferred revenue balance at the beginning of the period as well as miles that were issued during the period. The timing of mile redemptions can vary widely; however, the majority of miles have historically been redeemed within two years of being earned.

The table below presents the activity of the current and noncurrent loyalty program deferred revenue and includes miles earned through travel and miles sold to participating companies, which are primarily through marketing agreements.

Loyalty program activity

(in millions)		2024		2023
Balance at January 1	$	8,420	$	7,882
Miles earned		1,021		999
Miles redeemed for air travel		(844)		(743)
Miles redeemed for non-air travel and other		(56)		(40)
Balance at March 31	$	8,541	$	8,098

Travel-Related Services

Travel-related services are primarily composed of services performed in conjunction with a passenger’s flight and include baggage fees, administrative fees and on-board sales.

Other Revenue

	Three Months Ended March 31,			
(in millions)		2024		2023
Refinery	$	1,185	$	916
Loyalty program		795		726
Ancillary businesses		180		231
Miscellaneous		279		266
Other revenue	$	2,439	$	2,139

Refinery. This represents refinery sales to third parties. See Note 9, "Segments," for more information on revenue recognition within our refinery segment.

Loyalty Program. This relates to revenues from brand usage by third parties and other performance obligations embedded in miles sold, which are included within the total cash sales from marketing agreements, discussed above. This also includes the redemption of miles for non-air travel and other awards.

Ancillary Businesses. This includes aircraft maintenance services we provide to third parties and our vacation wholesale operations.

Miscellaneous. This is primarily composed of lounge access, including access provided to certain American Express cardholders, and codeshare revenues.

Revenue by Geographic Region

Operating revenue for the airline segment is recognized in a specific geographic region based on the origin, flight path and destination of each flight segment. A significant portion of the refinery segment's revenues typically consists of fuel sales to support the airline, which is eliminated in the Condensed Consolidated Financial Statements. The remaining operating revenue for the refinery segment is included in the domestic region. Our passenger and operating revenue by geographic region is summarized in the following tables:

Passenger revenue by geographic region

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Domestic	$ 7,983	$ 7,594
Atlantic	1,305	1,244
Latin America	1,265	1,132
Pacific	578	441
Total	$ 11,131	$ 10,411

Operating revenue by geographic region

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Domestic	$ 10,031	$ 9,396
Atlantic	1,581	1,548
Latin America	1,442	1,280
Pacific	694	535
Total	$ 13,748	$ 12,759

NOTE 3. FAIR VALUE MEASUREMENTS

Assets/(Liabilities) Measured at Fair Value on a Recurring Basis

(in millions)	**March 31, 2024**	**Level 1**	**Level 2**	**Level 3**
Cash equivalents	$ 2,495	$ 2,495	$ —	$ —
Restricted cash equivalents	501	501	—	—
Short-term investments				
U.S. Government securities	473	101	372	—
Corporate obligations	86	—	86	—
Other fixed income securities	30	—	30	—
Long-term investments and related	2,641	2,387	139	115
Fuel hedge contracts	(22)	—	(22)	—

(in millions)	December 31, 2023	Level 1	Level 2	Level 3
Cash equivalents	$ 1,545	$ 1,545	$ —	$ —
Restricted cash equivalents	653	653	—	—
Short-term investments				
U.S. Government securities	859	204	655	—
Corporate obligations	218	—	218	—
Other fixed income securities	50	—	50	—
Long-term investments and related	2,867	2,614	134	119
Fuel hedge contracts	5	—	5	—

Cash Equivalents and Restricted Cash Equivalents. Cash equivalents generally consist of money market funds. Restricted cash equivalents generally consist of money market funds, time deposits, commercial paper and negotiable certificates of deposit. Restricted cash equivalents primarily relate to proceeds from debt issued to finance, among other things, a portion of the construction costs for our new terminal facilities at New York's LaGuardia Airport as well as certain self-insurance obligations and airport commitments. Restricted cash equivalents are recorded in prepaid expenses and other on our Consolidated Balance Sheet ("balance sheet"). The fair value of these cash equivalents is based on a market approach using prices generated by market transactions involving identical or comparable assets.

Short-Term Investments. The fair values of our short-term investments are based on a market approach using industry standard valuation techniques that incorporate observable inputs such as quoted market prices, interest rates, benchmark curves, credit ratings of the security and other observable information. These investments are expected to mature in one year or less.

Long-Term Investments and Related. Our long-term investments measured at fair value primarily consist of equity investments, which are valued based on market prices or other observable transactions and inputs, and are recorded in equity investments on our balance sheet. Our equity investments in private companies are classified as Level 3 in the fair value hierarchy as their equity is not traded on a public exchange and our valuations incorporate certain unobservable inputs, including non-public equity issuances. Fair value measurement using unobservable inputs is inherently uncertain, and a change in significant inputs could result in different fair values. See Note 4, "Investments," for further information on our equity investments.

Fuel Hedge Contracts. Our derivative contracts to hedge the financial risk from changing fuel prices are related to inventory at our wholly-owned subsidiary, Monroe Energy, LLC ("Monroe"). We recognized losses of $96 million and gains of $31 million on our fuel hedge contracts in aircraft fuel and related taxes on our Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) ("income statement") for the three months ended March 31, 2024 and 2023, respectively. The losses recognized during the first three months of 2024 were composed of $27 million of mark-to-market losses and $69 million of settlement losses on contracts. Gains and losses on settled contracts are reflected within Monroe's operating results. See Note 9, "Segments," for further information on our Monroe refinery segment.

NOTE 4. INVESTMENTS

Equity investments ownership interest and carrying value

(in millions)	Accounting Treatment	Ownership Interest		Carrying Value	
		March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Air France-KLM	Fair Value	3 %	3 %	$ 82	$ 110
China Eastern	Fair Value	2 %	2 %	116	134
Grupo Aeroméxico	Equity Method	20 %	20 %	441	421
Hanjin KAL	Fair Value(1)	15 %	15 %	439	561
LATAM	Fair Value	10 %	10 %	756	658
Unifi Aviation	Equity Method	49 %	49 %	161	162
Wheels Up	Fair Value(2)	38 %	38 %	756	903
Other investments	Various			496	508
Equity investments				$ 3,247	$ 3,457

(1)At March 31, 2024, we held 14.8% of the outstanding shares (including common and preferred), and 14.9% of the common shares, of Hanjin KAL.
(2)Our voting rights with respect to Wheels Up are capped at 29.9%.

NOTE 5. DEBT

Summary of outstanding debt by category

(in millions)	Maturity Dates	Interest Rate(s) Per Annum at March 31, 2024	March 31, 2024	December 31, 2023
Unsecured Payroll Support Program Loans	2030 to 2031	1.00%	$ 3,496	$ 3,496
Unsecured notes	2024 to 2029	2.90% to 7.38%	2,575	2,590
Financing arrangements secured by SkyMiles assets:				
SkyMiles Notes(1)	2024 to 2028	4.50% and 4.75%	4,381	4,518
SkyMiles Term Loan(1)(2)	2024 to 2027	9.07%	1,598	1,772
NYTDC Special Facilities Revenue Bonds(1)	2025 to 2045	4.00% to 6.00%	3,591	3,656
Financing arrangements secured by aircraft:				
Certificates(1)	2024 to 2028	2.00% to 8.00%	1,582	1,591
Notes(1)(2)	2024 to 2033	4.00% to 7.59%	94	165
Financing arrangements secured by slots, gates and/or routes:				
2020 Senior Secured Notes	2025	7.00%	812	838

2018 Revolving Credit Facility(2)	2026 to 2028	Undrawn	—	—
Other financings(1)(2)	2024 to 2030	2.51% to 5.00%	67	67
Other revolving credit facilities(2)	2024 to 2026	Undrawn	—	—
Total secured and unsecured debt			$ 18,196	$ 18,693
Unamortized (discount)/premium and debt issue cost, net and other			(69)	(83)
Total debt			$ 18,127	$ 18,610
Less: current maturities			(2,551)	(2,625)
Total long-term debt			$ 15,576	$ 15,985

(1)Due in installments during the years shown above.
(2)Certain financings are comprised of variable rate debt. All variable rates are equal to SOFR (generally subject to a floor) or another index rate, plus a specified margin.

Availability Under Revolving Credit Facilities

As of March 31, 2024, we had approximately $2.9 billion undrawn and available under our revolving credit facilities.

Fair Value of Debt

Market risk associated with our fixed- and variable-rate debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. The fair value of debt shown below is principally based on reported market values, recently completed market transactions and estimates based on interest rates, maturities, credit risk and underlying collateral. Debt is primarily classified as Level 2 within the fair value hierarchy.

Fair value of outstanding debt

(in millions)	March 31, 2024	December 31, 2023
Net carrying amount	$ 18,127	$ 18,610
Fair value	$ 18,000	$ 18,400

Covenants

Our debt agreements contain various affirmative, negative and financial covenants. We were in compliance with the covenants in our debt agreements at March 31, 2024.

NOTE 6. EMPLOYEE BENEFIT PLANS

Employee benefit plans net periodic cost

(in millions)	Pension Benefits 2024	Pension Benefits 2023	Other Postretirement and Postemployment Benefits 2024	Other Postretirement and Postemployment Benefits 2023
Three Months Ended March 31,				
Service cost	$ 3	$ —	$ 23	$ 18
Interest cost	201	213	45	50
Expected return on plan assets	(263)	(264)	(1)	—
Amortization of prior service credit	—	—	(1)	(1)
Recognized net actuarial loss	62	60	5	3
Net periodic cost	$ 3	$ 9	$ 71	$ 70

Service cost is recorded in salaries and related costs in our income statement, while all other components are recorded within miscellaneous, net under non-operating expense.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Commitments

Our future aircraft purchase commitments totaled approximately $20.7 billion at March 31, 2024.

Aircraft purchase commitments(1)

(in millions)	Total
Nine months ending December 31, 2024	$ 2,990
2025	3,970
2026	4,990
2027	5,020
2028	2,980
Thereafter	770
Total	$ 20,720

(1)The timing of these commitments is based on our contractual agreements with the aircraft manufacturers and remains uncertain due to supply chain, manufacturing and regulatory constraints.

Our future aircraft purchase commitments included the following aircraft at March 31, 2024:

Aircraft purchase commitments by fleet type

Aircraft Type	Purchase Commitments
A220-300	76

A321-200neo	101
A330-900neo	12
A350-900	16
A350-1000	20
B-737-10	100
Total	325

Aircraft Orders

In January 2024, we entered into a purchase agreement with Airbus for 20 A350-1000 aircraft, with an option to purchase an additional 20 widebody aircraft. Deliveries of these aircraft are scheduled to begin in 2026.

Legal Contingencies

We are involved in various legal proceedings related to employment practices, environmental issues, commercial disputes, antitrust and other regulatory matters concerning our business. We record liabilities for losses from legal proceedings when we determine that it is probable that the outcome in a legal proceeding will be unfavorable and the amount of loss can be reasonably estimated. Although the outcome of the legal proceedings in which we are involved cannot be predicted with certainty, we believe that the resolution of current matters will not have a material adverse effect on our Condensed Consolidated Financial Statements.

NOTE 8. ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of accumulated other comprehensive loss

(in millions)	Pension and Other Benefit Liabilities	Other	Tax Effect	Total
Balance at January 1, 2024	$ (6,681)	$ 40	$ 796	$ (5,845)
Reclassifications into earnings[1]	66	—	(14)	52
Balance at March 31, 2024	$ (6,615)	$ 40	$ 782	$ (5,793)
Balance at January 1, 2023	$ (6,624)	$ 41	$ 782	$ (5,801)
Reclassifications into earnings[1]	62	—	(15)	47
Balance at March 31, 2023	$ (6,562)	$ 41	$ 767	$ (5,754)

[1] Amounts reclassified from accumulated other comprehensive loss for pension and other benefit liabilities are recorded in miscellaneous, net in non-operating expense in our income statement.

NOTE 9. SEGMENTS

Refinery Operations

Our refinery segment operates for the benefit of the airline segment by providing jet fuel to the airline segment from its own production and from jet fuel obtained through agreements with third parties. The refinery's production consists of jet fuel, as well as non-jet fuel products. We use several counterparties to exchange non-jet fuel products produced by the refinery for jet fuel consumed in our airline operations.

Segment Reporting

Segment results are prepared based on our internal accounting methods described below, with reconciliations to consolidated amounts in accordance with GAAP. Our segments are not designed to measure operating income or loss directly related to the products and services included in each segment on a stand-alone basis.

Financial information by segment

(in millions)	Airline	Refinery	Intersegment Sales/Other	Consolidated
Three Months Ended March 31, 2024				
Operating revenue	$ 12,563	$ 2,049	$ (864) (1)	$ 13,748
Depreciation and amortization	615	27	(27) (2)	615
Operating income(2)	565	49	—	614
Interest expense, net	205	5	(5)	205
Total assets, end of period	72,875	2,123	(29)	74,969
Capital expenditures	1,178	15	—	1,193
Three Months Ended March 31, 2023				
Operating revenue	$ 11,843	$ 2,352	$ (1,436) (1)	$ 12,759
Depreciation and amortization	564	23	(23) (2)	564
Operating (loss)/income(2)	(499)	222	—	(277)
Interest expense, net	227	4	(4)	227
Total assets, end of period	70,183	3,005	(54)	73,134
Capital expenditures	971	29	—	1,000

(1) See table below for detail of the intersegment operating revenue amounts.
(2) Refinery segment operating results, including depreciation and amortization, are included within aircraft fuel and related taxes in our income statement.

Operating Revenue Intersegment Sales/Other

	Three Months Ended March 31,	
(in millions)	2024	2023

Sales to airline segment[1]	$	(386)	$	(596)
Exchanged products[2]		(439)		(714)
Sales of refined products		(39)		(126)
Total Operating Revenue Intersegment Sales/Other	$	(864)	$	(1,436)

(1)Represents transfers, valued on a market price basis, from the refinery to the airline segment for use in airline operations. We determine market price for jet fuel from the refinery by reference to the market index for the primary delivery location, which is New York Harbor.
(2)Represents value of products delivered under our exchange agreements, as discussed above, determined on a market price basis.

NOTE 10. EARNINGS/(LOSS) PER SHARE

We calculate basic earnings/(loss) per share and diluted loss per share by dividing net income/(loss) by the weighted average number of common shares outstanding, excluding restricted shares. We calculate diluted earnings per share by dividing net income by the weighted average number of common shares outstanding plus the dilutive effect of outstanding share-based instruments, including stock options, restricted stock awards and warrants. Antidilutive common stock equivalents excluded from the diluted earnings per share calculation are not material. The following table shows the computation of basic and diluted earnings/(loss) per share:

Basic and diluted earnings/(loss) per share

	Three Months Ended March 31,			
(in millions, except per share data)		**2024**		**2023**
Net income/(loss)	$	37	$	(363)
Basic weighted average shares outstanding		640		639
Dilutive effect of share-based instruments		5		—
Diluted weighted average shares outstanding		645		639
Basic earnings/(loss) per share	$	0.06	$	(0.57)
Diluted earnings/(loss) per share	$	0.06	$	(0.57)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and our audited Consolidated Financial Statements and related notes included in our 2023 Form 10-K.

March 2024 Quarter Financial Highlights

Our operating income for the March 2024 quarter improved $891 million compared to the March 2023 quarter to $614 million for the reasons discussed below.

Revenue. Compared to the March 2023 quarter, our total revenue increased $989 million, or 8%, due primarily to a 7% increase in capacity and continued strength in travel demand across all geographic regions, particularly for our premium products. Total revenue, adjusted (a non-GAAP financial measure, which excludes revenue related to refinery sales to third parties) increased in the March 2024 quarter by $721 million, or 6%, compared to the March 2023 quarter.

Operating Expense. Total operating expense in the March 2024 quarter increased $98 million, or 1%, compared to the March 2023 quarter, primarily due to higher employee costs from increased wages and profit sharing and increased costs associated with higher capacity, partially offset by the one time pilot agreement-related expenses in 2023. Total operating expense, adjusted (a non-GAAP financial measure) in the March 2024 quarter increased $627 million, or 6%, compared to the March 2023 quarter. Adjustments were primarily to exclude expenses related to refinery sales to third parties and the one time pilot agreement-related expenses in 2023.

Our total operating cost per available seat mile ("CASM") decreased 6% compared to the March 2023 quarter, primarily due to a 7% increase in capacity, as well as the one time pilot agreement-related expenses in 2023. Non-fuel unit cost ("CASM-Ex", a non-GAAP financial measure) increased 1.5%, primarily due to higher employee costs from increased wages and profit sharing.

Cash Flow. Our cash, cash equivalents, short-term investments and aggregate undrawn principal amount available under our revolving credit facilities ("liquidity") as of March 31, 2024 was $7.4 billion.

During the March 2024 quarter, operating activities generated $2.4 billion. Cash flows from operating activities benefited from the sale of tickets to managed corporate customers, including tickets for travel during and beyond the quarter, which grew 14% during the March 2024 quarter compared to the March 2023 quarter, led by large accounts, particularly in the technology, consumer services and financial services sectors. In addition, total cash sales to American Express were $1.7 billion in the March 2024 quarter, an increase of approximately 5% compared to the March 2023 quarter.

Cash flows used in investing activities during the quarter totaled $637 million as capital expenditures were partially offset by redemptions of short-term investments. These operating and investing activities yielded free cash flow (a non-GAAP financial measure) of $1.4 billion in the March 2024 quarter. Additionally, we had cash outflows of $712 million related to repayments of our debt and finance leases.

The non-GAAP financial measures referenced above for total revenue, adjusted, operating expense, adjusted, CASM-Ex and free cash flow are defined and reconciled in "Supplemental Information" below.

Results of Operations - Three Months Ended March 31, 2024 and 2023

Total Operating Revenue

(in millions)(1)	**Three Months Ended March 31, 2024**	**2023**	**Increase (Decrease)**	**% Increase (Decrease)**
Ticket - Main cabin	$ 5,425	$ 5,223	$ 202	4 %

Ticket - Premium products	4,408	4,016	392	10 %
Loyalty travel awards	844	743	101	14 %
Travel-related services	454	429	25	6 %
Passenger revenue	$ 11,131	$ 10,411	$ 720	7 %
Cargo	178	209	(31)	(15)%
Other	2,439	2,139	300	14 %
Total operating revenue	$ 13,748	$ 12,759	$ 989	8 %
TRASM (cents)	20.98 ¢	20.80 ¢	0.18 ¢	1 %
Third-party refinery sales	(1.81)	(1.49)	(0.32)	21 %
TRASM, adjusted(2)	19.17 ¢	19.30 ¢	(0.13)¢	(0.7)%

(1)Total amounts in the table above may not calculate exactly due to rounding.
(2)Total Revenue per available seat mile ("TRASM"), adjusted is a non-GAAP financial measure. For additional information on adjustments to TRASM, see "Supplemental Information" below.

Compared to the March 2023 quarter, total revenue increased $989 million, or 8%, due primarily to a 7% increase in capacity and continued strength in travel demand across all geographic regions, particularly for our premium products.

See "Refinery Segment" below for additional details on the refinery's operations, including third party refinery sales.

Passenger Revenue by Geographic Region

		Increase (Decrease) vs. Three Months Ended March 31, 2023					
(in millions)	**Three Months Ended March 31, 2024**	**Passenger Revenue**	**RPMs (Traffic)**	**ASMs (Capacity)**	**Passenger Mile Yield**	**PRASM**	**Load Factor**
Domestic	$ 7,983	5 %	5 %	2 %	— %	3 %	2 pts
Atlantic	1,305	5 %	6 %	2 %	(1)%	2 %	3 pts
Latin America	1,265	12 %	26 %	27 %	(12)%	(12)%	— pts
Pacific	578	31 %	34 %	36 %	(2)%	(4)%	(1) pt
Total	$ 11,131	7 %	9 %	7 %	(2)%	— %	2 pts

Domestic

Domestic passenger revenue increased 5% in the March 2024 quarter compared to the March 2023 quarter on a 2% increase in capacity and two point increase in load factor. We experienced strong revenue results across the domestic network, with coastal hub markets such as New York and Boston improving significantly compared to the prior year period.

International

International passenger revenue for the March 2024 quarter increased compared to the March 2023 quarter in each geographic region. Passenger unit revenue declined 3% as we continued to invest in rebuilding our Latin and Pacific networks. Strong demand for international travel, particularly to leisure destinations, enabled a one point increase in load factor on a 16% increase in capacity compared to the March 2023 quarter.

Other Revenue

(in millions)	Three Months Ended March 31, 2024	2023	Increase (Decrease)	% Increase (Decrease)
Refinery	$ 1,185	$ 916	$ 269	29 %
Loyalty program	795	726	69	10 %
Ancillary businesses	180	231	(51)	(22)%
Miscellaneous	279	266	13	5 %
Other revenue	$ 2,439	$ 2,139	$ 300	14 %

Refinery. Refinery sales to third parties increased $269 million compared to the March 2023 quarter due to higher sales volume. See "Refinery Segment" below for additional details on the refinery's operations, including third party refinery sales.

Loyalty Program. This relates to revenues from brand usage by third parties and other performance obligations embedded in miles sold, as well as redemption of miles for non-air travel and other awards. These revenues are mainly driven by customer spend on American Express cards and new cardholder acquisitions. Revenues from our relationship with American Express increased compared to the March 2023 quarter due to increased co-brand card spend.

Operating Expense

(in millions)	Three Months Ended March 31, 2024	2023	Increase (Decrease)	% Increase (Decrease)
Salaries and related costs	$ 3,791	$ 3,386	$ 405	12 %
Aircraft fuel and related taxes	2,598	2,676	(78)	(3)%
Ancillary businesses and refinery	1,370	1,125	245	22 %
Contracted services	1,024	1,010	14	1 %
Landing fees and other rents	748	584	164	28 %
Aircraft maintenance materials and outside repairs	679	585	94	16 %
Depreciation and amortization	615	564	51	9 %

Regional carrier expense	550	559	(9)	(2)%
Passenger commissions and other selling expenses	550	500	50	10 %
Passenger service	413	416	(3)	(1)%
Aircraft rent	136	132	4	3 %
Profit sharing	125	72	53	74 %
Pilot agreement and related expenses	—	864	(864)	NM
Other	535	563	(28)	(5)%
Total operating expense	$ 13,134	$ 13,036	$ 98	1 %

Salaries and Related Costs. We implemented a base pay increase for eligible employees of 5% effective April 1, 2023 and on January 1, 2024, Delta pilots received a 5% pay increase. Additionally, we had approximately 5,000 more employees as of March 31, 2024 than at March 31, 2023, principally in in-flight service, flight operations and aircraft maintenance, in order to support our operations. Each of these items contributed to the increase in salaries and related costs during the March 2024 quarter compared to the March 2023 quarter.

Aircraft Fuel and Related Taxes. Aircraft fuel and related taxes decreased $78 million compared to the March 2023 quarter primarily due to a 15% decrease in the market price of jet fuel partially offset by a 5% increase in consumption on a 7% increase in capacity. The refinery also provided a benefit of five cents per gallon compared to a benefit of 25 cents per gallon in the March 2023 quarter. We expect jet fuel prices to remain volatile.

See "Refinery Segment" below for additional details on the refinery's operations.

Fuel expense and average price per gallon

				Average Price Per Gallon		
	Three Months Ended March 31,		Increase	Three Months Ended March 31,		Increase
(in millions, except per gallon data)	2024	2023	(Decrease)	2024	2023	(Decrease)
Fuel purchase cost(1)	$ 2,620	$ 2,939	$ (319)	$ 2.81	$ 3.31	$ (0.50)
Fuel hedge impact	27	(41)	68	0.03	(0.05)	0.08
Refinery segment impact	(49)	(222)	173	(0.05)	(0.25)	0.20
Total fuel expense	$ 2,598	$ 2,676	$ (78)	$ 2.79	$ 3.01	$ (0.22)

(1)Market price for jet fuel at airport locations, including related taxes and transportation costs.

Ancillary Businesses and Refinery. Ancillary businesses and refinery includes expenses associated with refinery sales to third parties, aircraft maintenance services we provide to third parties and our vacation wholesale operations. Refinery sales to third parties increased $269 million compared to the March 2023 quarter due to higher sales volume. See "Refinery Segment" below for additional details on the refinery's operations, including third party refinery sales.

Landing Fees and Other Rents. The increase in landing fees and other rents primarily resulted from higher rates charged by airports following extensive redevelopment projects at numerous facilities and more flights compared to the March 2023 quarter that contributed to our increased capacity.

Item 2. MD&A - Results of Operations

Pilot agreement and related expenses. In the March 2023 quarter, Delta pilots ratified a new four-year Pilot Working Agreement effective January 1, 2023. The agreement includes numerous work rule changes and pay rate increases during the four-year term, including an initial pay rate increase of 18%. The agreement also includes a provision for a one-time payment made upon ratification in the March 2023 quarter of $735 million. Additionally, we recorded adjustments to other benefit-related items of approximately $130 million.

Non-Operating Results

(in millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Favorable (Unfavorable)
Interest expense, net	$ (205)	$ (227)	$ 22
Gain/(loss) on investments, net	(227)	122	(349)
Loss on extinguishment of debt	(4)	(22)	18
Miscellaneous, net	(56)	(102)	46
Total non-operating expense, net	$ (492)	$ (229)	$ (263)

Interest expense, net. Interest expense, net includes interest expense and interest income. This decreased compared to the prior year primarily due to reduced interest expense resulting from our debt reduction initiatives. During 2023, we made payments of approximately $4.1 billion related to our debt and finance lease obligations and we have continued to pay down our debt during the three months ended March 31, 2024 with $712 million of payments on debt and finance lease obligations. We continue to seek opportunities to pre-pay our debt, in addition to periodic amortization and scheduled maturities.

Gain/(loss) on investments, net. Changes in the valuation of investments accounted for at fair value are recorded in gain/(loss) on investments, net and are driven by changes in stock prices, foreign currency fluctuations and other valuation techniques for investments in certain companies, particularly those without publicly-traded shares. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for additional information on our equity investments measured at fair value on a recurring basis.

Loss on extinguishment of debt. Loss on extinguishment of debt reflects the losses incurred in the early repayment of certain loans and notes.

Miscellaneous, net. Miscellaneous, net primarily includes employee benefit plans net periodic cost, our share of our equity method investments' results, charitable contributions and foreign exchange gains/(losses).

Income Taxes

We project our annual effective tax rate for 2024 will be between 23% and 25%. In certain periods, we may have adjustments to our net deferred tax liabilities as a result of changes in prior year estimates, mark-to-market adjustments on our equity investments and tax laws enacted during the period, which will impact the effective tax rate for that period.

Refinery Segment

The refinery operated by Monroe primarily produces gasoline, diesel and jet fuel. Monroe exchanges non-jet fuel products the refinery produces with third parties for jet fuel consumed in our airline operations. The jet fuel produced and procured through exchanging gasoline and diesel fuel produced by the refinery typically provides approximately 200,000 barrels per day, or approximately 75% of our consumption, for use in our airline operations. The refinery generated lower operating income in the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily as a result of lower pricing.

For more information regarding the refinery's results, see Note 9 of the Notes to the Condensed Consolidated Financial Statements.

Refinery segment financial information

(in millions, except per gallon data)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Increase (Decrease)
Exchanged products	$ 439	$ 714	$ (275)
Sales of refined products	39	126	(87)
Sales to airline segment	386	596	(210)
Third party refinery sales	1,185	916	269
Operating revenue	$ 2,049	$ 2,352	$ (303)
Operating income	$ 49	$ 222	$ (173)
Refinery segment impact on airline average price per fuel gallon	$ (0.05)	$ (0.25)	$ 0.20

Operating Statistics

Consolidated(1)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	% Increase (Decrease)
Revenue passenger miles (in millions) ("RPM")	54,207	49,687	9 %
Available seat miles (in millions) ("ASM")	65,542	61,351	7 %
Passenger mile yield	20.53 ¢	20.95 ¢	(2) %
Passenger revenue per available seat mile ("PRASM")	16.98 ¢	16.97 ¢	— %
Total revenue per available seat mile ("TRASM")	20.98 ¢	20.80 ¢	1 %
RASM, adjusted(2)	19.17 ¢	19.30 ¢	(0.7) %
Cost per available seat mile ("CASM")	20.04 ¢	21.25 ¢	(6) %

ASM-Ex[2]	14.08 ¢	13.86 ¢	1.5 %
Passenger load factor	83 %	81 %	2 pts
Fuel gallons consumed (in millions)	931	888	5 %
verage price per fuel gallon[3]	$ 2.79	$ 3.01	(7) %
verage price per fuel gallon, adjusted[2][3]	$ 2.76	$ 3.06	(10) %

(1) Includes the operations of our regional carriers under capacity purchase agreements.
(2) Non-GAAP financial measures defined and reconciled to TRASM, CASM and average fuel price per gallon, respectively, in "Supplemental Information" below.
(3) Includes the impact of fuel hedge activity and refinery segment results.

Fleet Information

Our operating aircraft fleet, purchase commitments and options at March 31, 2024 are summarized in the following table.

Mainline aircraft information by fleet type

	Current Fleet[1]					Commitments	
Fleet Type	Owned	Finance Lease	Operating Lease	Total	Average Age (Years)	Purchase	Options
A220-100	45	—	—	45	4.3		
A220-300	24	—	—	24	1.8	76	
A319-100	57	—	—	57	22.1		
A320-200	60	—	—	60	28.5		
A321-200	70	15	42	127	5.3		
A321-200neo	54	—	—	54	1.0	101	70
A330-200	11	—	—	11	19.0		
A330-300	28	—	3	31	15.2		
A330-900neo	20	2	5	27	2.3	12	10
A350-900	17	—	11	28	5.3	16	10
A350-1000	—	—	—	—	—	20	
B-717-200	10	70	—	80	22.5		
B-737-800	73	4	—	77	22.5		
B-737-900ER	114	—	49	163	8.2		
B-737-10	—	—	—	—	—	100	30
B-757-200	98	—	—	98	26.5		

B-757-300	16	—	—	16	21.1		
B-767-300ER	44	—	—	44	28.0		
B-767-400ER	21	—	—	21	23.2		
Total	762	91	110	963	14.9	325	120

(1)Excludes certain aircraft we own or lease that are operated by regional carriers on our behalf shown in the table below.

The table below summarizes the aircraft operated by regional carriers on our behalf at March 31, 2024.

Regional aircraft information by fleet type and carrier

	Fleet Type(1)(2)				
Carrier	**CRJ-700**	**CRJ-900**	**Embraer 170**	**Embraer 175**	**Total**
Endeavor Air, Inc.(3)	9	120	—	—	129
SkyWest Airlines, Inc.	8	37	—	85	130
Republic Airways, Inc.	—	—	11	46	57
Total	17	157	11	131	316

(1)We own 192 and have operating leases for three of these regional aircraft. The remainder are owned or leased by SkyWest Airlines, Inc. or Republic Airways, Inc.
(2)Excluded from the total operating count above are nine CRJ-700 and three CRJ-900 aircraft which are owned and temporarily parked as of March 31, 2024.
(3)Endeavor Air, Inc. is a wholly owned subsidiary of Delta.

Financial Condition and Liquidity

As of March 31, 2024, we had $7.4 billion in cash, cash equivalents, short-term investments and aggregate undrawn principal amount available under our revolving credit facilities. We expect to meet our liquidity needs for the next twelve months with cash and cash equivalents, short-term investments and cash flows from operations. We expect to meet our long-term liquidity needs with cash flows from operations and financing arrangements.

Undrawn Lines of Credit. As of March 31, 2024, we had approximately $2.9 billion undrawn and available under our revolving credit facilities.

Sources and Uses of Liquidity

Operating Activities

We generated cash flows from operations of $2.4 billion and $2.2 billion in the three months ended March 31, 2024 and 2023, respectively. We expect to continue generating positive cash flows from operations during the remainder of 2024.

Our operating cash flow is impacted by the following factors:

Seasonality of Advance Ticket Sales. We sell tickets for air travel in advance of the customer's travel date. When we receive a cash payment at the time of sale, we record the cash received on advance sales as deferred revenue in air traffic liability. The air traffic liability typically increases during the winter and spring months as advance ticket sales grow prior to the summer peak travel season and decreases during the summer and fall months.

Fuel. Fuel expense represented approximately 20% and 21% of our total operating expense for the three months ended March 31, 2024 and 2023, respectively. The market price for jet fuel is volatile, which can impact the comparability of our periodic cash flows from operations. The market price for jet fuel was lower in the March quarter 2024 compared to the March quarter 2023. Fuel consumption was higher during the three months ended March 31, 2024 compared to the prior year period due to the increase in capacity. We continue to expect that fuel consumption for the full year 2024 will increase compared to 2023 aligned with capacity, partially offset by increases in the fuel efficiency of our fleet.

Profit Sharing. We paid $1.4 billion in profit sharing payments in February 2024 related to our 2023 pre-tax profit in recognition of our employees' contributions toward achieving the year's financial results. This is an increase compared to our profit sharing payment made in February 2023, where we paid $563 million in profit sharing related to our 2022 pre-tax profit.

Our broad-based employee profit sharing program provides that for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to eligible employees. In determining the amount of profit sharing, the program defines profit as pre-tax profit adjusted for profit sharing and certain other items. During the three months ended March 31, 2024, we accrued $125 million in profit sharing expense based on the year-to-date performance and current expectations for 2024 profit.

Sale of Miles to Participating Companies. Customers earn miles based on their spending with participating companies such as credit card, retail, ridesharing, car rental and hotel companies with which we have marketing agreements to sell miles. Payments are typically due to us monthly based on the volume of miles sold during the period. Our most significant contract to sell miles relates to our co-brand credit card relationship with American Express. Total cash sales to American Express were $1.7 billion in the three months ended March 31, 2024, an increase of 5% compared to the prior year period. See Note 2 of the Notes to the Condensed Consolidated Financial Statements for further information regarding the cash sales from marketing agreements.

Investing Activities

Short-Term Investments. During the three months ended March 31, 2024, we redeemed a net of $546 million in short-term investments. See Note 3 of the Notes to the Condensed Consolidated Financial Statements for further information on these investments.

Capital Expenditures. Our capital expenditures were $1.2 billion and $1.0 billion for the three months ended March 31, 2024 and 2023, respectively. We have committed to future aircraft purchases and have obtained, but are under no obligation to use, long-term financing commitments for a substantial portion of the purchase price of the aircraft. Our expected 2024 capital spend of approximately $5.0 billion, excluding the New York-LaGuardia airport project discussed below, will be primarily for aircraft, including deliveries and advance deposit payments, as well as fleet modifications and technology enhancements and may vary depending on financing decisions.

New York-LaGuardia Redevelopment. As part of the terminal redevelopment project at LaGuardia Airport, we are partnering with the Port Authority of New York and New Jersey to replace Terminals C and D with a new state-of-the-art terminal facility. Construction is ongoing with completion expected by the end of 2024.

Using funding primarily provided by existing financing arrangements and other sources of funding, we expect to spend approximately $400 million on this project during 2024, of which $93 million was incurred in the three months ended March 31, 2024.

Financing Activities

Debt and Finance Leases. In the three months ended March 31, 2024, we had cash outflows of $712 million related to repayments of our debt and finance lease obligations. We continue to seek opportunities to pre-pay our debt, in addition to periodic amortization and scheduled maturities.

In February 2024, Moody's credit rating agency affirmed our credit rating and upgraded its outlook for Delta to positive.

Capital Return to Shareholders. In the March 2024 quarter, the Board of Directors approved a quarterly dividend of $0.10 per share, which we paid on March 18, 2024 for total cash dividends of $64 million.

Covenants. We were in compliance with the covenants in our debt agreements at March 31, 2024.

Critical Accounting Estimates

There have been no material changes in our Critical Accounting Estimates from the information provided in the "Critical Accounting Estimates" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K.

Supplemental Information

We sometimes use information (non-GAAP financial measures) that is derived from the Condensed Consolidated Financial Statements, but that is not presented in accordance with GAAP. Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results.

Included below are reconciliations of non-GAAP measures used within this Form 10-Q to the most directly comparable GAAP financial measures. Reconciliations below may not calculate exactly due to rounding. These reconciliations include certain adjustments to GAAP measures to provide comparability between the reported periods, if applicable, and for the reasons indicated below:

- *Third-party refinery sales.* Refinery sales to third parties, and related expenses, are not related to our airline segment. Excluding these sales therefore provides a more meaningful comparison of our airline operations to the rest of the airline industry.

- *MTM adjustments and settlements on hedges.* Mark-to-market ("MTM") adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period, and therefore we remove this impact to allow investors to better understand and analyze our core performance. Settlements represent cash received or paid on hedge contracts settled during the applicable period.

- *One-time pilot agreement expenses*. In the March 2023 quarter, Delta pilots ratified a new four-year Pilot Working Agreement effective January 1, 2023. The agreement includes numerous work rule changes and pay rate increases during the four-year term, including an initial pay rate increase of 18%. The agreement also includes a provision for a one-time payment made upon ratification in the March 2023 quarter of $735 million. Additionally, we recorded adjustments to other benefit-related items of approximately $130 million. Adjusting for these expenses allows investors to better understand and analyze our core cost performance.

- *Aircraft fuel and related taxes.* The volatility in fuel prices impacts the comparability of year-over-year financial performance. The adjustment for aircraft fuel and related taxes allows investors to better understand and analyze our non-fuel costs and year-over-year financial performance.

- *Profit sharing.* We adjust for profit sharing because this adjustment allows investors to better understand and analyze our recurring cost performance and provides a more meaningful comparison of our core operating costs to the airline industry.

Total revenue, adjusted reconciliation

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Total revenue	$ 13,748	$ 12,759
Adjusted for:		
Third-party refinery sales	(1,185)	(916)
Total revenue, adjusted	$ 12,563	$ 11,842

Operating expense, adjusted reconciliation

	Three Months Ended March 31,	
(in millions)	**2024**	**2023**
Operating expense	$ 13,134	$ 13,036
Adjusted for:		
MTM adjustments and settlements on hedges	(27)	41
Third-party refinery sales	(1,185)	(916)
One-time pilot agreement expenses	—	(864)
Operating expense, adjusted	$ 11,923	$ 11,296

Fuel expense, adjusted reconciliation

			Average Price Per Gallon	
	Three Months Ended March 31,		Three Months Ended March 31,	
(in millions, except per gallon data)	**2024**	**2023**	**2024**	**2023**
Total fuel expense	$ 2,598	$ 2,676	$ 2.79	$ 3.01
Adjusted for:				
MTM adjustments and settlements on hedges	(27)	41	(0.03)	0.05

Total fuel expense, adjusted	$ 2,571	$ 2,718	$ 2.76	$ 3.06

TRASM, adjusted reconciliation

	Three Months Ended March 31,	
	2024	2023
TRASM (cents)	20.98 ¢	20.80 ¢
Adjusted for:		
Third-party refinery sales	(1.81)	(1.49)
TRASM, adjusted	19.17 ¢	19.30 ¢

CASM-Ex reconciliation

	Three Months Ended March 31,	
	2024	2023
CASM (cents)	20.04 ¢	21.25 ¢
Adjusted for:		
Aircraft fuel and related taxes	(3.96)	(4.36)
Third-party refinery sales	(1.81)	(1.49)
Profit sharing	(0.19)	(0.12)
One-time pilot agreement expenses	—	(1.41)
CASM-Ex	14.08 ¢	13.86 ¢

Free Cash Flow

The following table shows a reconciliation of net cash provided by operating and used in investing activities (GAAP measures) to free cash flow (a non-GAAP financial measure). We present free cash flow because management believes this metric is helpful to investors to evaluate the company's ability to generate cash that is available for use for debt service or general corporate initiatives. Adjustments include:

- *Net redemptions of short-term investments.* Net redemptions of short-term investments represent the net purchase and sale activity of investments and marketable securities in the period, including gains and losses. We adjust for this activity to provide investors a better understanding of the company's free cash flow generated by our operations.

- *Net cash flows related to certain airport construction projects and other.* Cash flows related to certain airport construction projects are included in our GAAP operating activities and capital expenditures. We have adjusted for these items because management believes investors should be informed that a portion of these capital expenditures from airport construction projects are either reimbursed by a third party or funded with restricted cash specific to these projects.

Free cash flow reconciliation

(in millions)		Three Months Ended March 31, 2024
Net cash provided by operating activities	$	2,408
Net cash used in investing activities		(637)
Adjusted for:		
Net redemptions of short-term investments		(546)
Net cash flows related to certain airport construction projects and other		154
Free cash flow	$	1,378

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of March 31, 2024 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the three months ended March 31, 2024, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

"Item 3. Legal Proceedings" of our Form 10-K includes a discussion of our legal proceedings. There have been no material changes from the legal proceedings described in our Form 10-K.

ITEM 1A. RISK FACTORS

"Item 1A. Risk Factors" of our Form 10-K includes a discussion of our known material risk factors, other than risks that could apply to any issuer or offering. There have been no material changes from the risk factors described in our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents information with respect to purchases of common stock we made during the March 2024 quarter. The table reflects shares withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the Delta Air Lines, Inc. Performance Compensation Plan (the "Plan"). The Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. The shares of common stock withheld to satisfy tax withholding obligations may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

Shares purchased / withheld from employee awards during the March 2024 quarter

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value (in millions) of Shares That May Yet be Purchased Under the Plan
January 2024	56,545	$ 40.22	56,545	$ —
February 2024	570,332	$ 39.77	570,332	$ —
March 2024	3,271	$ 43.73	3,271	$ —
Total	630,148		630,148	

ITEM 6. EXHIBITS

(a) Exhibits

3.1(a) Delta's Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on April 30, 2007).*

3.1 (b) Amendment to Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on June 27, 2014).*

3.2 Delta's Bylaws (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on December 9, 2022).*

4.1 Description of Registrant's Securities (Filed as Exhibit 4.1 to Delta's Annual Report on Form 10-K for the year ended December 31, 2020).*

10.1 Model Award Agreement for the Delta Air Lines, Inc. 2024 Long-Term Incentive Program.

10.2(a) Amendment No. 18, dated as of January 11, 2024, to Airbus A330-900 Aircraft and A350-900 Aircraft Purchase Agreement, dated as of November 24, 2014, between Airbus S.A.S. and Delta Air Lines, Inc.**

10.2(b) Letter Agreements, dated as of January 11, 2024, relating to Amendment No. 18.**

15 Letter from Ernst & Young LLP regarding unaudited interim financial information.

31.1 Certification by Delta's Chief Executive Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024.

31.2 Certification by Delta's Chief Financial Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024.

32 Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by Delta's Chief Executive Officer and Chief Financial Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024.

101.INS Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Labels Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 The cover page from this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101)

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* Incorporated by reference.
** Portions of this exhibit have been omitted as confidential information.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Delta Air Lines, Inc.

(Registrant)

/s/ William C. Carroll

William C. Carroll

Senior Vice President - Controller

(Principal Accounting Officer)

April 10, 2024

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-31443

HAWAIIAN HOLDINGS INC
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**71-0879698**
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
3375 Koapaka Street, Suite G-350	
Honolulu, HI	**96819**
(Address of Principal Executive Offices)	(Zip Code)

(808) 835-3700
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered

Common Stock ($0.01 par value)	HA	Nasdaq Stock Market, LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of April 19, 2024, 51,848,906 shares of the registrant's common stock were outstanding.

Hawaiian Holdings, Inc.
Form 10-Q
Quarterly Period ended March 31, 2024

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Hawaiian Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended March 31,	
	2024	2023
	(unaudited)	
Operating Revenue:		
Passenger	$ 583,448	$ 548,526
Other	62,119	64,077
Total	645,567	612,603
Operating Expenses:		
Wages and benefits	261,935	241,933
Aircraft fuel, including taxes and delivery	188,778	197,625
Maintenance, materials and repairs	70,971	50,287
Aircraft and passenger servicing	45,424	42,532
Depreciation and amortization	32,967	32,667
Aircraft rent	29,706	28,171
Commissions and other selling	28,443	28,238
Other rentals and landing fees	43,127	38,720
Purchased services	38,475	35,072
Special items	8,482	—
Other	45,905	34,785
Total	794,213	730,030
Operating Loss	(148,646)	(117,427)
Nonoperating Income (Expense):		
Interest expense and amortization of debt discounts and issuance costs	(24,069)	(22,880)
Interest income	10,021	16,465
Capitalized interest	3,134	1,458

Losses on fuel derivatives	(582)	(5,065)
Other components of net periodic benefit cost	(927)	(1,494)
Gains on investments, net	470	697
Gains on foreign debt	8,519	2,260
Other, net	(770)	155
Total	(4,204)	(8,404)
Loss Before Income Taxes	(152,850)	(125,831)
Income tax benefit	(15,285)	(27,574)
Net Loss	$ (137,565)	$ (98,257)
Net Loss Per Share		
Basic	$ (2.65)	$ (1.91)
Diluted	$ (2.65)	$ (1.91)
Weighted Average Number of Common Stock Shares Outstanding:		
Basic	51,838	51,507
Diluted	51,838	51,507

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)

	Three Months Ended March 31,	
	2024	2023
	(unaudited)	
Net Loss	$ (137,565)	$ (98,257)
Other comprehensive income (loss), net:		
Net change related to employee benefit plans, net of tax expense of $114 and net of tax benefit of $2,316 for 2024 and 2023, respectively	350	(7,078)
Net change in available-for-sale investments, net of tax expense of $250 and $1,645 for 2024 and 2023, respectively	767	5,026
Total other comprehensive income (loss)	1,117	(2,052)
Total Comprehensive Loss	$ (136,448)	$ (100,309)

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except shares)

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 230,865	$ 153,273
Restricted cash	17,250	17,250
Short-term investments	666,432	755,224
Accounts receivable, net	99,117	105,858
Income taxes receivable	642	669
Spare parts and supplies, net	65,444	60,115
Prepaid expenses and other	80,304	78,551
Total	1,160,054	1,170,940
Property and equipment, less accumulated depreciation and amortization of $1,160,495 and $1,150,529 as of March 31, 2024 and December 31, 2023, respectively	2,104,442	2,013,616
Other Assets:		
Assets held-for-sale	1,091	1,135
Operating lease right-of-use assets	393,769	413,237
Long-term prepayments and other	118,057	121,097
Intangible assets, net	13,500	13,500
Total Assets	$ 3,790,913	$ 3,733,525
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 214,848	$ 199,223
Air traffic liability and current frequent flyer deferred revenue	757,855	633,345
Other accrued liabilities	165,430	175,591
Current maturities of long-term debt, less discount	75,132	43,857
Current maturities of finance lease obligations	8,791	10,053
Current maturities of operating leases	79,281	83,332
Total	1,301,337	1,145,401
Long-Term Debt	1,612,235	1,537,152

Other Liabilities and Deferred Credits:		
Noncurrent finance lease obligations	56,269	60,116
Noncurrent operating leases	283,836	303,119
Accumulated pension and other post-retirement benefit obligations	142,367	140,742
Other liabilities and deferred credits	78,499	77,154
Noncurrent frequent flyer deferred revenue	304,099	308,502
Deferred tax liability, net	52,492	65,914
Total	917,562	955,547
Commitments and Contingencies		
Shareholders' Equity:		
Special preferred stock, $0.01 par value per share, three shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Common stock, $0.01 par value per share, 51,848,616 and 51,824,362 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	518	518
Capital in excess of par value	294,599	293,797
Accumulated loss	(257,303)	(119,738)
Accumulated other comprehensive loss, net	(78,035)	(79,152)
Total	(40,221)	95,425
Total Liabilities and Shareholders' Equity	$ 3,790,913	$ 3,733,525

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Statements of Shareholders' Equity
(in thousands)

	Common Stock(*)	Special Preferred Stock(**)	Capital In Excess of Par Value	Accumulated Loss	Accumulated Other Comprehensive Income (Loss)	Total
			(unaudited)			
Balance at December 31, 2023	$ 518	$ —	$293,797	$ (119,738)	$ (79,152)	$ 95,425
Net Loss	—	—	—	(137,565)	—	(137,565)
Other comprehensive income, net	—	—	—	—	1,117	1,117
Issuance of 24,254 shares of common stock, net of shares withheld for taxes	—	—	(200)	—	—	(200)
Amazon warrant vesting	—	—	131	—	—	131
Share-based compensation expense	—	—	871	—	—	871
Balance at March 31, 2024	$ 518	$ —	$294,599	$ (257,303)	$ (78,035)	$(40,221)

(*) Common Stock—$0.01 par value; 118,000,000 authorized as of March 31, 2024 and December 31, 2023.
(**) Special Preferred Stock—$0.01 par value; 2,000,000 shares authorized as of March 31, 2024 and December 31, 2023.

	Common Stock(*)	Special Preferred Stock(**)	Capital In Excess of Par Value	Accumulated Income	Accumulated Other Comprehensive Income (Loss)	Total
			(unaudited)			
Balance at December 31, 2022	$ 514	$ —	$287,161	$ 140,756	$ (95,166)	$333,265
Net Loss	—	—	—	(98,257)	—	(98,257)
Other comprehensive loss, net	—	—	—	—	(2,052)	(2,052)
Issuance of 131,858 shares of common stock, net of shares withheld for taxes	1	—	(1,067)	—	—	(1,066)
Share-based compensation expense	—	—	1,430	—	—	1,430
Balance at March 31, 2023	$ 515	$ —	$287,524	$ 42,499	$ (97,218)	$233,320

(*) Common Stock—$0.01 par value; 118,000,000 authorized as of March 31, 2023 and December 31, 2022.
(**) Special Preferred Stock—$0.01 par value; 2,000,000 shares authorized as of March 31, 2023 and December 31, 2022.

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three months ended March 31, 2024	2023
	(unaudited)	
Net cash provided by Operating Activities	$ 254	$ 118,291
Cash flows from Investing Activities:		
Additions to property and equipment, including pre-delivery payments	(127,018)	(106,215)
Proceeds from the disposition of aircraft and aircraft related equipment	105	9,563
Purchases of investments	(15,824)	(96,806)
Proceeds from sales and maturities of investments	109,485	144,069

Net cash used in investing activities	(33,252)	(49,389)
Cash flows from Financing Activities:		
Long-term borrowings	131,400	—
Repayments of long-term debt and finance lease obligations	(18,760)	(24,953)
Debt issuance costs and discounts	(1,849)	—
Payment for taxes withheld for stock compensation	(201)	(1,066)
Net cash provided by (used in) financing activities	110,590	(26,019)
Net increase in cash and cash equivalents	77,592	42,883
Cash, cash equivalents, and restricted cash - Beginning of Period	170,523	246,620
Cash, cash equivalents, and restricted cash - End of Period	$ 248,115	$ 289,503
Non-Cash Transactions:		
Right-of-use assets acquired under operating leases	$ 1,688	$ —

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

1. General

Business and Basis of Presentation

Hawaiian Holdings, Inc. (Holdings) and its direct wholly owned subsidiary, Hawaiian Airlines, Inc. (Hawaiian), are incorporated in the State of Delaware. Holdings' primary asset is its sole ownership of all issued and outstanding shares of common stock of Hawaiian. References to the "Company", "we", "us", and "our" in these Notes to Consolidated Financial Statements include both Holdings and Hawaiian unless the context requires otherwise.

The accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements contain all adjustments, including normal recurring adjustments, necessary for the fair presentation of the Company's results of operations and financial position for the periods presented. Due to seasonal variations in the demand for air travel, among other factors common to the airline industry, the results of operations for the periods presented are not necessarily indicative of the results of operations for the entire year. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and the notes of the Company included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Unless otherwise noted, all amounts disclosed are stated before consideration of income taxes.

2. Merger Agreement with Alaska Air Group

On December 2, 2023, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Alaska Air Group, Inc., a Delaware corporation (Alaska), and Marlin Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Alaska (Merger Sub), pursuant to which, subject to satisfaction or waiver of conditions therein, Merger Sub will merge with and into the Company (the Merger), with the Company surviving as a wholly owned subsidiary of Alaska.

At the effective time of the Merger (the Effective Time), each share of the Company's common stock, Series B Special Preferred Stock, Series C Special Preferred Stock, and Series D Special Preferred Stock issued and outstanding immediately prior to the Effective Time, subject to certain customary exceptions specified in the Merger Agreement, will be converted into the right to receive $18.00 per share, payable to the holder in cash, without interest.

Completion of the Merger is subject to customary closing conditions, including approval by the Company's stockholders, which was obtained on February 16, 2024; performance by the parties in all material respects of all their obligations under the Merger Agreement; the receipt of required regulatory approvals; and the absence of an order or law preventing, materially restraining, or materially impairing the consummation of the Merger.

On February 7, 2024, the Company and Alaska each received a request for additional information and documentary material (together, the Second Request) from the Department of Justice (the DOJ) in connection with the DOJ’s review of the Merger. On March 27, 2024, the Company and Alaska entered into a timing agreement with the DOJ pursuant to which we agreed, among other things, not to consummate the Merger before 90 days following the date on which both parties have certified substantial compliance with the Second Request unless we have received written notice from the DOJ prior to the end of such 90-day period that the DOJ has closed its investigation of the Merger.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, the Company may be required to pay Alaska a termination fee of $39.6 million in connection with the termination of the Merger Agreement.
The Merger is expected to close within 12 to 18 months of the date of the Merger Agreement.

During the three months ended March 31, 2024 and 2023, the Company incurred $8.5 million and $0.0 million, respectively, of costs related to the Merger Agreement, which was recorded as a Special item in the Consolidated Statements of Operations.

3. Accumulated Other Comprehensive Income (Loss)

Reclassifications out of accumulated other comprehensive income (loss) by component are as follows:

Details about accumulated other comprehensive income (loss) components	Three months ended March 31, 2024	Three months ended March 31, 2023	Affected line items in the consolidated statements of operations where net income is presented
	(in thousands)		
Amortization of defined benefit plan items			
Actuarial loss	$ 290	$ 450	Nonoperating income (expense), other, net
Prior service cost	173	145	Nonoperating income (expense), other, net

Total before tax	463	595	
Tax benefit	(114)	(147)	
Total, net of tax	$ 349	$ 448	
Short-term investments			
Realized gain on sales of investments	$ (79)	$ (393)	Gains (losses) on investments, net
Realized loss on sales of investments	30	911	Gains (losses) on investments, net
Total before tax	(49)	518	
Income tax expense	12	128	
Total, net of tax	$ (37)	$ 646	
Total reclassifications for the period	$ 312	$ 1,094	

A roll-forward of the amounts included in accumulated other comprehensive income (loss), net of taxes, for the three months ended March 31, 2024 and 2023 is as follows:

Three months ended March 31, 2024	**Defined Benefit Plan Items**	**Short-Term Investments**	**Total**
		(in thousands)	
Beginning balance	$ (60,677)	$ (18,475)	$ (79,152)
Other comprehensive income before reclassifications, net of tax	1	804	805
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	349	(37)	312
Net current-period other comprehensive income	350	767	1,117
Ending balance	$ (60,327)	$ (17,708)	$ (78,035)

Three months ended March 31, 2023	**Defined Benefit Plan Items**	**Short-Term Investments**	**Total**
		(in thousands)	
Beginning balance	$ (59,439)	$ (35,727)	$ (95,166)
Other comprehensive income (loss) before reclassifications, net of tax	(7,526)	4,380	(3,146)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	448	646	1,094
Net current-period other comprehensive income (loss)	(7,078)	5,026	(2,052)
Ending balance	$ (66,517)	$ (30,701)	$ (97,218)

4. Loss Per Share

Basic loss per share, which excludes dilution, is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding for the period.

The potentially dilutive shares that were excluded from the computation of diluted weighted average common stock shares outstanding because their effect would have been antidilutive was 705,999 and 95,819 for the three months ended March 31, 2024 and 2023, respectively. Certain warrant shares held by Amazon have not been included in the computation as their performance condition has not yet been satisfied. As of March 31, 2024 and 2023, the unvested Amazon warrant shares excluded from antidilutive shares were 8,183,451 for both periods. Refer to Note 11 to the Notes to Consolidated Financial Statements for additional discussion.

The following table shows the computation of basic and diluted loss per share:

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except for per share data)	
Numerator:		
Net Loss	$ (137,565)	$ (98,257)
Denominator:		
Weighted average common stock shares outstanding - Basic	51,838	51,507
Dilutive effect of share-based awards and warrants	—	—
Weighted average common stock shares outstanding - Diluted	51,838	51,507
Net Loss Per Share		
Basic	$ (2.65)	$ (1.91)
Diluted	$ (2.65)	$ (1.91)

5. Revenue Recognition

The majority of the Company's passenger revenue is derived from passenger ticket sales. Other revenue is primarily derived from the Company's cargo operations and loyalty program. The Company's primary operations are that of its wholly owned subsidiary, Hawaiian. Principally all operations of Hawaiian either originate and/or end in the state of Hawai'i. The management of such operations is based on a system-wide approach due to the interdependence of Hawaiian's route structure in its various markets. As Hawaiian offers only one significant line of business (i.e., air transportation), management has concluded that it has only one segment. The Company's operating revenues by geographic region (as defined by the U.S. Department of Transportation (DOT)) are summarized below:

	Three Months Ended March 31,	
	2024	2023
Geographic Information	(in thousands)	
Domestic	$ 492,410	$ 486,129
Pacific	153,157	126,474

Total operating revenue	$ 645,567	$ 612,603

Hawaiian attributes operating revenue by geographic region based on the destination of each flight segment. Hawaiian's tangible assets consist primarily of flight equipment, which is mobile across geographic markets, and therefore has not been allocated to specific geographic regions.
Other operating revenue consists of cargo revenue, commissions, and fees earned under certain joint marketing agreements with other companies. These amounts are recognized when the service is provided.

	Three Months Ended March 31,	
	2024	2023
Passenger Revenue by Type	(in thousands)	
Passenger revenue, excluding frequent flyer	$ 539,622	$ 505,962
Frequent flyer revenue, transportation component	43,826	42,564
Passenger Revenue	$ 583,448	$ 548,526
Other revenue (e.g., cargo and other miscellaneous)	$ 33,547	$ 35,139
Frequent flyer revenue, marketing and brand component	28,572	28,938
Other Revenue	$ 62,119	$ 64,077

As of March 31, 2024 and December 31, 2023, the Company's air traffic liability balance, as it relates to passenger tickets (excluding frequent flyer liability), was $539.1 million and $423.1 million, respectively, which generally represents revenue that is expected to be realized in future periods.

During the three months ended March 31, 2024 and 2023, the amount of passenger ticket revenue recognized that was included in Air traffic liability as of the beginning of the respective period was $250.2 million and $294.5 million, respectively.

Non-refundable tickets sold and credits issued generally expire 13 months from the date of issuance or scheduled flight, as applicable. The Company records an estimate of breakage revenue on the scheduled flight date for tickets that will expire unused. These estimates are based on the evaluation of actual historical results, available market information, and forecasted trends, including weather or other events impacting customer travel. During the three months ended March 31, 2024 and 2023, the Company recognized advanced breakage of $17.4 million and $12.6 million, respectively. The Company will continue to monitor customers' travel behavior and may adjust its estimates in the future.

Frequent Flyer Accounting

The Company's frequent flyer liability is recorded in Air traffic liability (short-term) and Noncurrent frequent flyer deferred revenue on its unaudited Consolidated Balance Sheets. The table below presents the Company's frequent flyer liability balance:

	March 31, 2024	December 31, 2023
	(in thousands)	
Air traffic liability (current portion of frequent flyer revenue)	$ 211,321	$ 201,418

Noncurrent frequent flyer deferred revenue	304,099	308,502
Total frequent flyer liability	$ 515,420	$ 509,920

The table below presents a roll forward of Frequent flyer deferred revenue for the three months ended March 31, 2024 and 2023:

	2024	2023
	(in thousands)	
Total frequent flyer liability - beginning balance	$ 509,920	$ 484,580
Miles awarded	50,860	54,502
Travel miles redeemed (Passenger Revenue)	(43,826)	(42,564)
Non-travel miles redeemed (Other Revenue)	(1,534)	(1,226)
Total frequent flyer liability - ending balance	$ 515,420	$ 495,292

6. Short-Term Investments

The following is a summary of short-term investments held as of March 31, 2024 and December 31, 2023:

March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Debt securities				
Corporate debt securities	$ 160,488	$ 217	$ (11,617)	$ 149,088
U.S. government and agency securities	309,856	37	(4,819)	305,074
Other fixed income securities	33,843	33	(5,261)	28,615
Asset-backed securities	29,659	100	(1,207)	28,552
Collateralized loan obligations	36,270	25	(800)	35,495
Bank notes	8,672	—	(182)	8,490
Total debt securities	578,788	412	(23,886)	555,314
Derivatives	492	1,163	(148)	1,507
Equity securities	119,015	—	(10,504)	108,511
Other investments measured at net asset value	1,000	100	—	1,100
Total short-term investments	$ 699,295	$ 1,675	$ (34,538)	$ 666,432

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

	(in thousands)			
Debt securities				
Corporate debt securities	$ 217,777	$ 440	$ (10,717)	$ 207,500
U.S. government and agency securities	305,169	168	(4,908)	300,429
Other fixed income securities	35,319	42	(6,847)	28,514
Asset-backed securities	24,298	69	(1,281)	23,086
Collateralized loan obligations	39,628	83	(1,335)	38,376
Bank notes	9,118	—	(204)	8,914
Total debt securities	631,309	802	(25,292)	606,819
Derivatives	233	1,026	(745)	514
Equity securities	161,677	—	(14,866)	146,811
Other investments measured at net asset value	1,000	80	—	1,080
Total short-term investments	$ 794,219	$ 1,908	$ (40,903)	$ 755,224

The following tables present fair values and gross unrealized losses by security type and length of time that individual debt securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2024	(in thousands)					
Debt securities						
Corporate debt securities	$ 17,505	$ (938)	$ 120,679	$ (10,679)	$ 138,184	$ (11,617)
U.S. government and agency securities	273,683	(3,482)	8,489	(1,337)	282,172	(4,819)
Other fixed income securities	1,281	(23)	23,982	(5,238)	25,263	(5,261)
Asset-backed securities	3,903	(43)	14,234	(1,164)	18,137	(1,207)
Collateralized loan obligations	6,993	(129)	20,890	(671)	27,883	(800)
Bank notes	7,350	(97)	1,139	(85)	8,489	(182)
	$ 310,715	$ (4,712)	$ 189,413	$ (19,174)	$ 500,128	$ (23,886)

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

December 31, 2023						
	(in thousands)					
Debt securities						
Corporate debt securities	$ 9,784	$ (233)	$ 154,607	$ (10,484)	$ 164,391	$ (10,717)
U.S. government and agency securities	82,930	(608)	193,400	(4,300)	276,330	(4,908)
Other fixed income securities	1,867	(26)	21,933	(6,821)	23,800	(6,847)
Asset-backed securities	2,225	(17)	14,881	(1,264)	17,106	(1,281)
Collateralized loan obligations	5,032	(63)	29,445	(1,272)	34,477	(1,335)
Bank notes	8,396	(164)	519	(40)	8,915	(204)
	$ 110,234	$ (1,111)	$ 414,785	$ (24,181)	$ 525,019	$ (25,292)

As of March 31, 2024 and December 31, 2023, the Company's unrealized losses from debt securities were generated from 393 positions out of 495 positions and 394 positions out of 502 positions, respectively.

The Company reviews debt securities quarterly for credit losses and impairment. If the cost of an investment exceeds its fair value, the Company will evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. This determination requires significant judgment. In making this judgment, the Company employs a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. In addition, the Company considers specific adverse conditions related to the financial health of, and business outlook for, the investee. If the Company has plans to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in Other, net, within non-operating expense on the unaudited consolidated statements of operations, and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, the Company may incur future impairments.

Debt securities in a continuous unrealized loss position for twelve months or greater as of March 31, 2024 and December 31, 2023 were primarily attributable to changes in interest rates, relative to when the investment securities were purchased. The Company does not intend to sell any of these investments and it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis, which may be at maturity. Accordingly, the Company has determined that the unrealized losses on its debt securities as of March 31, 2024 were temporary in nature. The Company has evaluated these debt securities and did not recognize any significant credit losses as of March 31, 2024 and December 31, 2023.

For the three months ended March 31, 2024 and 2023, the unrealized gains on equity securities, recorded in Gains on Investment, net, in Nonoperating income (expense) were $5.1 million and $0.9 million, respectively.

Contractual maturities of debt securities as of March 31, 2024 are shown below:

	Under 1 Year	1 to 5 Years	Over 5 Years	Total
	(in thousands)			
Debt Securities				
Corporate debt	$ 132	$ 66,935	$ 82,021	$ 149,088
U.S. government and agency debt	7,109	284,695	13,270	305,074
Other fixed income securities	425	14,410	13,780	28,615
Asset-backed securities	305	9,627	18,620	28,552

Collateralized loan obligations	—	—	35,495	35,495
Bank notes	—	4,489	4,001	8,490
Total debt securities	$ 7,971	$ 380,156	$ 167,187	$ 555,314

The Company classifies its investments as current assets as these securities are available for use in its current operation.

7. Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement* (ASC 820), defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the assets or liabilities; and

Level 3 — Unobservable inputs for which there is little or no market data and that are significant to the fair value of the assets or liabilities.

The tables below present the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of March 31, 2024			
	Total	**Level 1**	**Level 2**	**Level 3**
	(in thousands)			
Cash equivalents	$ 139,427	$ 138,084	$ 1,343	$ —
Restricted cash	17,250	17,250	—	—
Short-term investments				
Debt securities				
Corporate debt securities	149,088	—	144,526	4,562
U.S. government and agency securities	305,074	—	305,074	—
Other fixed income securities	28,615	—	28,615	—
Asset-backed securities	28,552	—	20,768	7,784
Collateralized loan obligations	35,495	—	35,029	466
Bank notes	8,490	—	1,692	6,798
Total debt securities	555,314	—	535,704	19,610

Derivatives	1,507	—	1,507	—
Equity securities	108,511	107,623	888	—
Other investments measured at net asset value	1,100	—	—	—
Total short-term investments	666,432	107,623	538,099	19,610
Other Assets				
Fuel derivative contracts	3,189	—	3,189	—
Assets held-for-sale	1,091	—	—	1,091
Total assets measured at fair value	$ 827,389	$ 262,957	$ 542,631	$ 20,701

	Fair Value Measurements as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents	$ 99,965	$ 99,279	$ 686	$ —
Restricted cash	17,250	17,250	—	—
Short-term investments				
Debt securities				
Corporate debt securities	207,500	—	202,873	4,627
U.S. government and agency securities	300,429	—	300,429	—
Other fixed income securities	28,514	—	28,514	—
Asset-backed securities	23,086	—	15,172	7,914
Collateralized loan obligations	38,376	—	38,123	253
Bank notes	8,914	—	2,046	6,868
Total debt securities	606,819	—	587,157	19,662
Derivatives	514	—	514	—
Equity securities	146,811	146,031	780	—
Other investments measured at net asset value	1,080	—	—	—
Total short-term investments	755,224	146,031	588,451	19,662
Other Assets				
Fuel derivative contracts	2,069	—	2,069	—
Assets held-for-sale	1,135	—	—	1,135

Total assets measured at fair value	$ 875,643	$ 262,560	$ 591,206	$ 20,797

Cash equivalents and restricted cash. The Company's Level 1 cash equivalents consist of money market securities and mutual funds, which are valued based on quoted prices in an active market. The carrying amounts approximate fair value because of the short-term maturity of these assets. Level 2 cash equivalents consist primarily of debt securities with original maturity dates less than 90 days. The fair value of these instruments is based on a market approach using prices generated by market transactions involving similar assets. Restricted cash includes funds held in a controlled account to be used for debt service payments associated with the Company's loyalty and intellectual brand offering. As of March 31, 2024, approximately $17.3 million was held in the controlled account designated for debt servicing and was classified as restricted cash on the Company's Consolidated Balance Sheets.

Short-term investments. The Company's Level 1 short-term investments consist of equity mutual funds, which are valued based on a market approach using prices generated by market transactions involving identical assets. Level 2 short-term investments consist of corporate debt securities, U.S. government and agency securities, other fixed income securities, asset-backed securities, collateralized loan obligations, bank notes, equity securities, and derivative instruments as further discussed in Note 8, which are valued based on a market approach using industry standard valuation techniques that incorporate inputs such as quoted prices for similar assets, interest rates, benchmark curves, credit ratings, and other observable inputs or market data. Certain asset-backed securities, collateralized loan obligations, and private bank notes that are not readily marketable are classified as Level 3 in the fair value hierarchy and valued using certain unobservable inputs including future cash flows and discount rates.

The reconciliation of the Company's short-term investments measured at fair value on a recurring basis using unobservable inputs (Level 3) for the three months ended March 31, 2024 is as follows:

	Short-term Investment Activity for the three months ended March 31, 2024				
	Asset-Backed Securities	**Bank Notes**	**Collateralized Loan Obligations**	**Corporate Debt Securities**	**Total**
			(in thousands)		
Beginning balance as of December 31, 2023	$ 7,914	$ 6,868	$ 253	$ 4,627	$ 19,662
Purchases	—	—	213	—	213
Sale of investments	—	—	—	(10)	(10)
Redemptions and paydowns	(39)	(72)	—	—	(111)
Amortization and accretion, net	29	—	—	(68)	(39)
Realized and unrealized gains (losses), net	(120)	2	—	13	(105)
Ending balance as of March 31, 2024	$ 7,784	$ 6,798	$ 466	$ 4,562	$ 19,610

Short-term Investment Activity for the three months ended March 31, 2023

	Asset-Backed Securities	Bank Notes	Collateralized Loan Obligations	Corporate Debt Securities	Total
			(in thousands)		
Beginning balance as of December 31, 2022	$ 9,033	$ 9,426	$ 2,558	$ 8,173	$ 29,190
Purchases	—	944	—	—	944
Sale of investments	—	(2,189)	—	—	(2,189)
Redemptions and paydowns	(41)	(185)	—	(12)	(238)
Amortization and accretion, net	16	1	—	(24)	(7)
Realized and unrealized gains (losses), net	(145)	61	(130)	80	(134)
Ending balance as of March 31, 2023	$ 8,863	$ 8,058	$ 2,428	$ 8,217	$ 27,566

Other investments at net asset value (NAV). In accordance with relevant accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The investments measured using NAV are investments in a partnership for which a secondary market does not exist. Investments in the partnership are carried at estimated NAV as determined by and reported by the general partners of the partnerships and represent the proportionate share of the estimated fair value of the underlying assets of the limited partnerships. The Company can redeem its shares upon approval by the respective partnerships' managing member.

Fuel derivative contracts. The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices. The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. Any changes in fair value of these derivative instruments are adjusted through other Nonoperating income (expense) in the period of change. The Company's fuel derivative contracts consist of crude oil call options, which are not traded on a public exchange. The fair value of these instruments is determined based on inputs available or derived from public markets including contractual terms, market prices, yield curves, and measures of volatility among others.

Assets held for sale. The Company's assets held for sale consist of aircraft, engine, rotable and expendable aircraft parts. The assets are measured at the lower of the carrying amount or fair value less cost to sell and a loss is recognized for any initial adjustment of the assets' carrying amount to fair value less cost to sell. The fair value measurements for the Company's held-for-sale assets were based on Level 3 inputs, which include information obtained from third-party valuation sources and other market sources, including recent offers from potential buyers. Refer to Note 13 to the Notes to Consolidated Financial Statements for additional discussion.

The table below presents the Company's debt measured at fair value:

Fair Value of Debt

March 31, 2024		December 31, 2023	
Carrying	Fair Value	Carrying	Fair Value

Amount	Total	Level 1	Level 2	Level 3	Amount	Total	Level 1	Level 2	Level 3
(in thousands)									
$ 1,687,367	$ 1,526,555	$ —	$ —	$ 1,526,555	$ 1,581,009	$ 1,406,721	$ —	$ —	$ 1,406,721

The fair value estimates of the Company's debt were based on the discounted amount of future cash flows using the Company's current incremental rate of borrowing based on quotes of similar debt for other similarly rated companies.

The carrying amounts of cash, other receivables, and accounts payable approximate fair value due to the short-term nature of these financial instruments.

8. Financial Derivative Instruments

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices.

Fuel Risk Management

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. The Company uses a combination of derivative contracts to hedge its aircraft fuel expense.

The following table reflects the amount of realized and unrealized gains and losses recorded as Nonoperating income (expense) in the Consolidated Statements of Operations.

Fuel derivative contracts	Three months ended March 31, 2024	2023
	(in thousands)	
Losses realized at settlement	$ (2,398)	$ (1,513)
Reversal of prior period unrealized amounts	4,335	2,639
Unrealized losses that will settle in future periods	(2,519)	(6,191)
Losses on fuel derivatives recorded as Nonoperating Expense	$ (582)	$ (5,065)

Investment Portfolio Management

The Company's investment managers use a combination of derivative instruments (swaps, futures, options and forward contracts) to manage risk associated with its investment portfolio, including the volatility in interest rates and currency exchange rates on foreign denominated debt securities. As of March 31, 2024 and December 31, 2023, the Company's derivative positions reflected a net asset position of $1.5 million and $0.5 million, respectively, within the portfolio. During the three months ended March 31, 2024 and 2023, the Company recognized a net realized and unrealized gain of $0.6 million and a net realized and unrealized loss of $0.1 million, respectively, through Nonoperating income (expense).

The following table presents the gross fair value of asset and liability derivatives, all of which are not designated as hedging instruments under ASC 815, as well as the net derivative positions and location of the asset and liability balances within the Consolidated Balance Sheets.

Derivative positions as of March 31, 2024

	Balance Sheet Location	Notional Amount	Final Maturity Date	Gross Fair Value of Assets	Gross Fair Value of (Liabilities)	Net Derivative Position
		(in thousands)			(in thousands)	
Derivatives not designated as hedges						
Fuel derivative contracts	Prepaid expenses and other	93,114 gallons	March 2025	$ 3,189	$ —	$ 3,189
Foreign currency derivatives	Short-term investments	37,707 Euro	March 2025	$ 1,109	$ —	$ 1,109
Interest rate contracts	Short-term investments	47,217 US Dollars	May 2028	$ 550	$ (152)	$ 398

Derivative positions as of December 31, 2023

	Balance Sheet Location	Notional Amount	Final Maturity Date	Gross Fair Value of Assets	Gross Fair Value of (Liabilities)	Net Derivative Position
		(in thousands)			(in thousands)	
Derivatives not designated as hedges						
Fuel derivative contracts	Prepaid expenses and other	90,258 gallons	December 2024	$ 2,069	$ —	$ 2,069
Foreign currency derivatives	Short-term investments	38,385 Euro	March 2025	$ 543	$ (569)	$ (26)
Interest rate contracts	Short-term investments	16,110 US Dollars	May 2028	$ 797	$ (257)	$ 540

Risk and Collateral

The financial derivative instruments expose the Company to possible credit loss in the event the counterparties to the agreements fail to meet their obligations. To manage such credit risks, the Company (1) selects its counterparties based on past experience and credit ratings, (2) limits its exposure to any single counterparty, and (3) periodically monitors the market position and credit rating of each counterparty. Credit risk is deemed to have a minimal impact on the fair value of the derivative instruments as cash collateral would be provided to or by the counterparties based on the current market exposure of the derivative.

The Company's agreements with its counterparties also require the posting of cash collateral in the event the aggregate value of the Company's positions exceeds certain exposure thresholds. The aggregate fair value of the Company's derivative instruments that contain credit-risk related contingent features was in a net asset position of $4.7 million and $2.6 million as of March 31, 2024 and December 31, 2023, respectively.
ASC 815 requires a reporting entity to elect a policy of whether to offset rights to reclaim cash collateral or obligations to return cash collateral against derivative assets and liabilities executed with the same counterparty under a master netting agreement, or present such amounts on a gross basis. The Company's accounting policy is to present its derivative assets and liabilities on a net basis, including any collateral posted with the counterparty. The Company had no collateral with its counterparties as of March 31, 2024 and December 31, 2023, respectively.

The Company is also subject to market risk in the event these financial instruments become less valuable in the market. However, changes in the fair value of the derivative instruments will generally offset the change in the fair value of the hedged item, limiting the Company's overall exposure.

9. Debt

Long-term debt, net of unamortized discounts and issuance costs, is outlined as follows:

	March 31, 2024	December 31, 2023
	(in thousands)	
Class A EETC-13, fixed interest rate of 3.9%, semiannual principal and interest payments, remaining balance due at maturity in January 2026	$ 153,067	$ 162,953
Japanese Yen denominated financing, fixed interest rate of 1.05%, quarterly principal and interest payments, remaining balance due at maturity in May 2030	17,092	19,050
Japanese Yen denominated financing, fixed interest rate of 1.01%, semiannual principal and interest payments, remaining balance due at maturity in June 2030	15,278	16,394
Japanese Yen denominated financing, fixed interest rate of 0.65%, quarterly principal and interest payments, remaining balance due at maturity in March 2025	38,610	45,107
Japanese Yen denominated financing, fixed interest rate of 0.76%, semiannual principal and interest payments, remaining balance due at maturity in September 2031	40,462	46,225
CARES Act Payroll Support Program, fixed interest rate of 1.0% for the first through fifth years and variable interest of SOFR plus a margin of 2.0% for the sixth year through maturity, semiannual interest payments, principal balance due at maturity in April 2030 through September 2030	60,278	60,278
Payroll Support Program Extension, fixed interest rate of 1.0% for the first through fifth years and variable interest of SOFR plus a margin of 2.0% for the sixth year through maturity, semiannual interest payments, principal balance due at maturity in March 2031 through April 2031	27,797	27,797
Payroll Support Program 3, fixed interest rate of 1.0% for the first through fifth years and variable interest of SOFR plus a margin of 2.0% for the sixth year through maturity, semiannual interest payments, principal balance due at maturity in April 2031 through June 2031	23,908	23,908
Financing Lease, variable interest rate of SOFR plus a margin of 3.85%, quarterly principal and interest payments, remaining balance due at maturity in January 2034	131,400	—
Loyalty Program Financing, fixed interest of 5.75%, quarterly interest payments, principal balance due at maturity in January 2026	1,200,000	1,200,000
Unamortized debt discount and issuance costs	(20,525)	(20,703)

Total Debt	$	1,687,367	$	1,581,009
Less: Current maturities of long-term debt		(75,132)		(43,857)
Long-Term Debt, less discount	$	1,612,235	$	1,537,152

Revolving Credit Facility

In August 2022, the Company entered into an Amended and Restated Credit and Guarantee Agreement (the Revolving Credit Facility). The Revolving Credit Facility has an aggregate principal amount not to exceed $235.0 million and matures in December 2025. The Company may, from time to time, grant liens on certain eligible account receivables, aircraft, spare engines, ground support equipment and route authorities, as well as cash and certain cash equivalents, in order to secure its outstanding obligations under the Revolving Credit Facility. Indebtedness under the Revolving Credit Facility will bear interest, at a per annum rate based on, at the Company's option: (1) a variable rate equal to the Secured overnight financing rate (as defined in the Revolving Credit Facility) plus a margin of 3.0%; or (2) Alternate base rate (as defined in the Revolving Credit Facility) plus a margin of 2.0%. The Company is also subject to compliance and liquidity covenants under the Revolving Credit Facility. As of March 31, 2024, the Company had no outstanding borrowing under the Revolving Credit Facility.

Financing Lease

In February 2024, the Company entered into a Finance Lease Agreement for $131.4 million, collateralized by our first delivered Boeing 787-9 aircraft. The transaction did not meet the criteria of a sale under the applicable accounting framework and therefore the Company recorded the transaction as a financing liability. The financing has a term of ten years, maturing in January 2034. The financing has a variable interest rate based on SOFR plus a margin of 3.85%, with quarterly principal and interest payments.

Schedule of Debt Maturities

As of March 31, 2024, the expected maturities of debt, excluding debt issuance costs, for the remainder of 2024 and the next four years, and thereafter, were as follows (in thousands):

Remaining months in 2024	$	33,489
2025		64,422
2026		1,348,357
2027		21,708
2028		22,657
Thereafter		217,259
	$	1,707,892

Covenants

The Company's debt agreements contain various affirmative, negative and financial covenants. The Company was in compliance with the covenants in these debt agreements as of March 31, 2024.

10. Employee Benefit Plans

The components of net periodic benefit cost for the Company's defined benefit and other post-retirement plans included the following:

Components of Net Period Benefit Cost	Three months ended March 31, 2024	2023
	(in thousands)	
Service cost	$ 2,514	$ 1,629
Other cost:		
Interest cost	6,307	6,430
Expected return on plan assets	(5,843)	(5,531)
Recognized net actuarial loss	463	595
Total other components of the net periodic benefit cost	927	1,494
Net periodic benefit cost	$ 3,441	$ 3,123

Service costs are recorded within Wages and benefits on the unaudited Consolidated Statements of Operations. Total other components of the net periodic benefit cost are recorded within the nonoperating income (expense), other, net line item on the unaudited Consolidated Statements of Operations. During the three months ended March 31, 2024 and 2023, the Company was not required to, and did not make cash contributions to its defined benefit and other post-retirement plans. The Company is not required to make a cash contribution to its defined benefit plan for the remainder of 2024.

11. Amazon Agreement

On October 20, 2022, Hawaiian and Amazon.com Services LLC (Customer), a wholly owned subsidiary of Amazon.com, Inc. (Amazon), entered into an Air Transportation Services Agreement (the ATSA) under which the Company will provide certain air cargo transportation services to Customer for an initial term of eight years. Thereafter, the Customer may elect to extend the ATSA for two years and, at the end of such period, the parties may mutually agree to extend the term for three additional years.

The ATSA provides for the Company to initially operate ten A330-300F aircraft for air cargo transportation services, with the Customer having the right to enter into work orders for additional aircraft. The Company will supply flight crews, perform maintenance and certain administrative functions, and procure aircraft insurance. The Customer will pay the Company a fixed monthly fee per aircraft, a per flight hour fee, and a per flight cycle fee for each flight cycle operated. The Customer will also reimburse the Company for certain operating expenses, including fuel, certain maintenance, and insurance premiums. As part of the ATSA, the Company received $11.5 million toward start-up costs which has been recorded in Other liabilities in the Consolidated Balance Sheet. The deferred up-front payment will be amortized into revenue on a pro-rata basis over the term of the contract as revenue is earned. Operations under the ATSA commenced on October 2, 2023.

The Company and Amazon also entered into a Transaction Agreement, under which the Company agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon, a warrant (the Warrant) to acquire up to 9,442,443 shares (the Warrant Shares), of the Company's common stock, par value $0.01 per share.

The exercise price with respect to the first 6,294,962 Warrant Shares that vest will be $14.71 per share (the First Tranche). The exercise price with respect to the remaining 3,147,481 Warrant Shares (the Second Tranche) will be determined based on the 30-day volume-weighted average price of the Company's common stock as of the earlier of (i) October 20, 2025, or (ii) the date that the entire First Tranche is vested. At execution of the ATSA, 1,258,992 Warrant Shares, valued at $11.6 million, vested, and were recorded in Other assets in the Consolidated Balance Sheet. The remaining Warrant Shares will vest based on qualifying payments to be made by Amazon or its affiliates either under the ATSA or generally to the Company with respect to air cargo or air charter services (the Performance Condition), excluding commercial passenger service, up to $1.8 billion of qualifying payments in the aggregate.

The Warrant was valued in two tranches, both utilizing a Monte Carlo Simulation Model. The First Tranche, which met the grant date criteria under ASC 718 at execution of the ATSA, has a set exercise price and a grant date fair value of approximately $57.9 million, or $9.19 per Warrant Share. The Warrant is classified as an equity award, subject only to the Performance Condition referenced above which impacts the timing of the vesting of the Warrant Shares. The Second Tranche, which will not have an established exercise price until a future date, as noted above, was valued at approximately $27.6 million, or $8.77 per Warrant Share as of March 31, 2024. As a grant date has not yet been established, the Company will estimate the fair value of these Warrant Shares on a quarterly basis; however, the Company also considered that until the Warrant Shares vest, there is no financial statement impact related to the Second Tranche for unvested shares under ASC 718. At their grant date, the Company will value these Warrant Shares, which will be classified as equity awards, subject to the Performance Condition.

As discussed above, 1,258,992 Warrant Shares (included in the First Tranche), with a value of $11.6 million, vested at execution of the ATSA, and were recorded as Other assets on the Consolidated Balance Sheet. The $11.6 million will be recognized as contra-revenue pro rata with estimated revenue earned over the term of the ATSA. For the remaining Warrant Shares, the value of the Warrant Shares, at grant date, will be recognized as a reduction of the transaction price of the Company's flight services performance obligation over the term of the ATSA as revenue is earned with an offsetting entry to Capital in excess of par.

12. Commitments and Contingent Liabilities

Commitments

As of March 31, 2024, the Company had the following aircraft-related commitments consisting of firm aircraft and engine orders and purchase rights for additional aircraft and engines:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A321neo aircraft	—	9	N/A
Boeing 787-9 aircraft	11	8	Between 2024 and 2027
General Electric GEnx spare engines:			
Boeing 787-9 spare engines	3	1	Between 2024 and 2027

In July 2018, the Company entered into a purchase agreement for the purchase of 10 Boeing 787-9 "Dreamliner" aircraft, including purchase rights for an additional 10 aircraft with scheduled delivery from 2021 to 2025. In October 2018, the Company entered into a definitive agreement for the selection of GEnx engines to power its Boeing 787-9 fleet. The agreement provides for the purchase of 20 GEnx engines, the right to purchase an additional 20 GEnx engines, and the purchase of up to four spare engines.

In December 2022, the Company entered into a supplemental agreement to its Boeing 787-9 purchase agreement, pursuant to which (a) the Company agreed with Boeing to defer the delivery of the Boeing 787-9 aircraft and (b) agreed to exercise purchase options for an additional two Boeing 787-9 aircraft. In July 2023, the Company was notified by Boeing that its 2023 and 2024 Boeing 787-9 aircraft deliveries would be delayed by a couple of months. In February 2024, the Company took delivery of its first Boeing 787-9 aircraft under a finance lease. Refer to Note 9 of the Notes to Consolidated Finance Statements for additional discussion. This aircraft was placed into revenue service in April 2024.

The Company took delivery of its second Boeing 787-9 aircraft in April 2024, which is anticipated to enter into revenue service in May 2024. To finance the aircraft, the Company entered into (a) a $115.0 million senior note maturing in April 2034 with a variable interest rate based on SOFR plus 350 basis points, and (b) a $15.0 million junior note maturing in April 2029 with a fixed interest rate of 8.8693%. Principal and interest payments on the notes are due quarterly.

In order to complete the purchase of these aircraft and fund related costs, the Company may need to secure acceptable financing. Financing may be necessary to satisfy the Company's capital commitments for firm order aircraft and other related capital expenditures. The Company can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to us on acceptable terms when necessary or at all.

The Company has commitments with third-party service providers for reservations, information technology, and accounting services through 2033. Committed capital and other expenditures include escalation and variable amounts based on estimated forecasts. The gross committed expenditures and committed payments as of March 31, 2024 and for the next five fiscal years and thereafter are detailed below:

	Aircraft and Aircraft Related	Other	Total Committed Expenditures
		(in thousands)	
Remaining in 2024	$ 225,949	$ 20,204	$ 246,153
2025	419,557	18,328	437,885
2026	665,473	12,085	677,558
2027	252,872	8,270	261,142
2028	—	3,311	3,311
Thereafter	—	58,285	58,285
	$ 1,563,851	$ 120,483	$ 1,684,334

Litigation and Contingencies

The Company is subject to legal proceedings arising in the normal course of its operations. The Company does not anticipate that the disposition of any currently pending proceeding will have a material effect on the Company's operations, business or financial condition.

General Guarantees and Indemnifications

In the normal course of business, the Company enters into numerous aircraft financing and real estate leasing arrangements that have various guarantees included in such contracts. It is common in such lease transactions for the lessee to agree to indemnify the lessor and other related third parties for tort liabilities that arise out of, or relate to, the lessee's use of the leased aircraft or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by such parties' gross negligence or willful misconduct. Additionally, the lessee typically indemnifies such parties for any environmental liability that arises out of or relates to the lessee's use of the real estate leased premises. The Company believes that it is insured (subject to deductibles) for most of the tort liabilities and related indemnities described above with respect to the aircraft and real estate that it leases. The Company cannot reasonably estimate the potential amount of future payments, if any, under the foregoing indemnities and agreements.

Credit Card Holdbacks

Under the Company’s bank-issued credit card processing agreements, proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. As of March 31, 2024 and December 31, 2023, there were no holdbacks held with the Company's credit card processors.

In the event of a material adverse change in the Company's business, the credit card processor could increase holdbacks to up to 100% of the amount of outstanding credit card tickets that are unflown (e.g., air traffic liability, excluding frequent flyer deferred revenue), which would result in a restriction of cash. If the Company were unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material impact on the Company's operations, business or financial condition.

13. Assets Held-For-Sale

In 2021, the Company reclassified approximately $29.5 million in long-lived assets as held for sale as follows:

- The Company announced the termination of its 'Ohana by Hawaiian operations, which utilized its ATR-42 and ATR-72 fleet, and was operated under a capacity purchase agreement (CPA) with a third-party carrier. Following the termination of the operations, management committed to a plan of sale and wrote-down the related assets by approximately $6.4 million to fair value, less cost to sell, and classified approximately $23.4 million as assets held for sale on the Consolidated Balance Sheets.

- The Company sold certain commercial real-estate assets held by one of the Company's subsidiaries. Management fair valued the assets, less the cost to sell, which did not result in a write-down to the asset group, and reclassified approximately $6.3 million as assets held for sale on the Consolidated Balance Sheets.

As of March 31, 2024 and December 31, 2023, assets held for sale were $1.1 million for both periods. A roll-forward of the Assets held-for-sale activity for the three months ended March 31, 2024 and 2023 is as follows:

	Assets Held-For-Sale Activity for the three months ended March 31, 2024		
	ATR Aircraft	**Commercial Real Estate**	**Total**
		(in thousands)	
Beginning balance as of December 31, 2023	$ 1,135	$ —	$ 1,135
Additions	—	—	—
Proceeds from sale	(105)	—	(105)
Realized gains	61	—	61
Realized losses	—	—	—
Ending balance as of March 31, 2024	$ 1,091	$ —	$ 1,091

	Assets Held-For-Sale Activity for the three months ended March 31, 2023		
	ATR Aircraft	Commercial Real Estate	Total
	(in thousands)		
Beginning balance as of December 31, 2022	$ 7,728	$ 6,291	$ 14,019
Additions	—	—	—
Proceeds from sale	(2,769)	(16,470)	(19,239)
Realized gains	65	10,179	10,244
Realized losses	—	—	—
Ending balance as of March 31, 2023	$ 5,024	$ —	$ 5,024

In February 2023, the Company entered into a sale agreement for the sale of its commercial real estate and recognized a gain on sale of $10.2 million, which was recorded in Other operating expense in the consolidated statements of operations. The sale closed in March 2023.

In October 2023, the Company completed the sale of its remaining ATR 72-200 aircraft. The Company anticipates completing the sale of remaining aircraft parts classified as held-for-sale in 2024, and will continue to monitor the asset group for potential impairment.

14. Condensed Consolidating Financial Information

The following condensed consolidating financial information is presented in accordance with Rule 3-10 of Regulation S-X because, in connection with the issuance by pass-through trusts formed by Hawaiian (which is also referred to in this Note 14 as Subsidiary Issuer / Guarantor) of pass-through certificates, Holdings (which is also referred to in this Note 14 as Parent Issuer / Guarantor) is fully and unconditionally guaranteeing the payment obligations of Hawaiian, which is a 100% owned subsidiary of Holdings, under equipment notes issued by Hawaiian to purchase new aircraft.

The Company's condensed consolidating financial statements are presented in the following tables:

Condensed Consolidating Statements of Operations and Comprehensive Loss
Three months ended March 31, 2024

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	$ —	$ 645,591	$ 13,783	$ (13,807)	$ 645,567
Operating Expenses:					
Wages and benefits	—	261,935	—	—	261,935
Aircraft fuel, including taxes and delivery	—	188,778	—	—	188,778

Maintenance, materials and repairs	—	70,971	—	—	70,971
Aircraft and passenger servicing	—	45,424	—	—	45,424
Commissions and other selling	10	28,490	32	(89)	28,443
Aircraft rent	—	29,706	—	—	29,706
Other rentals and landing fees	—	43,127	—	—	43,127
Depreciation and amortization	—	32,967	—	—	32,967
Purchased services	120	38,327	94	(66)	38,475
Special items	—	8,482	—	—	8,482
Other	2,349	56,571	637	(13,652)	45,905
Total	2,479	804,778	763	(13,807)	794,213
Operating Income (Loss)	(2,479)	(159,187)	13,020	—	(148,646)
Nonoperating Income (Expense):					
Undistributed net loss of subsidiaries	(135,192)	(4,472)	—	139,664	—
Interest expense and amortization of debt discounts and issuance costs	—	(6,314)	(18,501)	746	(24,069)
Interest income	109	9,447	1,211	(746)	10,021
Capitalized interest	—	3,134	—	—	3,134
Losses on fuel derivatives	—	(582)	—	—	(582)
Other components of net periodic pension cost	—	(927)	—	—	(927)
Gains on investments, net	—	470	—	—	470
Gains on foreign debt	—	8,519	—	—	8,519
Other, net	—	(770)	—	—	(770)
Total	(135,083)	8,505	(17,290)	139,664	(4,204)
Loss Before Income Taxes	(137,562)	(150,682)	(4,270)	139,664	(152,850)
Income tax benefit	—	(15,285)	—	—	(15,285)
Net Loss	$ (137,562)	$(135,397)	$ (4,270)	$ 139,664	$ (137,565)
Comprehensive Loss	$ (136,448)	$(134,280)	$ (4,270)	$ 138,550	$ (136,448)

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Three months ended March 31, 2023

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Operating Revenue	$ —	$ 611,800	$ 14,275	$ (13,472)	$ 612,603
Operating Expenses:					
Wages and benefits	—	241,933	—	—	241,933
Aircraft fuel, including taxes and delivery	—	197,625	—	—	197,625
Maintenance, materials and repairs	—	50,318	(31)	—	50,287
Aircraft and passenger servicing	—	42,532	—	—	42,532
Commissions and other selling	8	28,153	222	(145)	28,238
Aircraft rent	—	28,171	—	—	28,171
Depreciation and amortization	—	32,667	—	—	32,667
Other rentals and landing fees	—	38,739	—	(19)	38,720
Purchased services	119	34,451	568	(66)	35,072
Other	1,829	55,564	(9,368)	(13,240)	34,785
Total	1,956	750,153	(8,609)	(13,470)	730,030
Operating Income (Loss)	(1,956)	(138,353)	22,884	(2)	(117,427)
Nonoperating Income (Expense):					
Undistributed net loss of subsidiaries	(96,696)	(4,830)	—	101,526	—
Interest expense and amortization of debt discounts and issuance costs	—	(5,147)	(18,473)	740	(22,880)
Interest income	398	15,542	1,265	(740)	16,465
Capitalized interest	—	1,458	—	—	1,458
Losses on fuel derivatives	—	(5,065)	—	—	(5,065)
Other components of net periodic pension cost	—	(1,494)	—	—	(1,494)
Gains on investments, net	—	697	—	—	697
Gains on foreign debt	—	2,260	—	—	2,260
Other, net	—	155	—	—	155
Total	(96,298)	3,576	(17,208)	101,526	(8,404)
Income (Loss) Before Income Taxes	(98,254)	(134,777)	5,676	101,524	(125,831)
Income tax benefit	—	(27,574)	—	—	(27,574)
Net Income (Loss)	$ (98,254)	$(107,203)	$ 5,676	$ 101,524	$ (98,257)

Comprehensive Income (Loss)	$ (100,309)	$(109,255)	$ 5,676	$ 103,579	$ (100,309)

Condensed Consolidating Balance Sheets
March 31, 2024

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 8,817	$ 190,050	$ 31,998	$ —	$ 230,865
Restricted cash	—	—	17,250	—	17,250
Short-term investments	—	666,432	—	—	666,432
Accounts receivable, net	1,269	93,977	27,687	(23,816)	99,117
Income taxes receivable	—	642	—	—	642
Spare parts and supplies, net	—	65,444	—	—	65,444
Prepaid expenses and other	—	80,304	—	—	80,304
Total	10,086	1,096,849	76,935	(23,816)	1,160,054
Property and equipment at cost	—	3,264,937	—	—	3,264,937
Less accumulated depreciation and amortization	—	(1,160,495)	—	—	(1,160,495)
Property and equipment, net	—	2,104,442	—	—	2,104,442
Assets held-for-sale	—	224	867	—	1,091
Operating lease right-of-use assets	—	393,769	—	—	393,769
Long-term prepayments and other	—	118,057	1,200,000	(1,200,000)	118,057
Goodwill and other intangible assets, net	—	—	13,500	—	13,500
Intercompany receivable	(713,153)	(62,065)	—	775,218	—
Investment in consolidated subsidiaries	807,451	(17,310)	503	(790,644)	—
Total Assets	$ 104,384	$3,633,966	$ 1,291,805	$(1,239,242)	$3,790,913
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					

Accounts payable	$ 2,048	$ 226,522	$ 636	$ (14,358)	$ 214,848
Air traffic liability and current frequent flyer deferred revenue	—	749,261	8,594	—	757,855
Other accrued liabilities	—	161,230	13,658	(9,458)	165,430
Current maturities of long-term debt, less discount	—	75,132	—	—	75,132
Current maturities of finance lease obligations	—	8,791	—	—	8,791
Current maturities of operating leases	—	79,281	—	—	79,281
Total	2,048	1,300,217	22,888	(23,816)	1,301,337
Long-Term Debt	—	1,621,457	1,190,778	(1,200,000)	1,612,235
Intercompany payable	142,552	(581,251)	127,943	310,756	—
Other Liabilities and Deferred Credits:					
Noncurrent finance lease obligations	—	56,269	—	—	56,269
Noncurrent operating leases	—	283,836	—	—	283,836
Accumulated pension and other post-retirement benefit obligations	—	142,367	—	—	142,367
Other liabilities and deferred credits	—	78,499	—	—	78,499
Noncurrent frequent flyer deferred revenue	—	304,099	—	—	304,099
Deferred tax liabilities, net	—	52,492	—	—	52,492
Total	—	917,562	—	—	917,562
Shareholders’ equity	(40,216)	375,981	(49,804)	(326,182)	(40,221)
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 104,384	$3,633,966	$ 1,291,805	$(1,239,242)	$3,790,913

Condensed Consolidating Balance Sheets
December 31, 2023

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 8,707	$ 113,026	$ 31,540	$ —	$ 153,273
Restricted cash	—	—	17,250	—	17,250

Short-term investments	—	755,224	—	—	755,224
Accounts receivable, net	1,269	101,655	26,261	(23,327)	105,858
Income taxes receivable, net	—	669	—	—	669
Spare parts and supplies, net	—	60,115	—	—	60,115
Prepaid expenses and other	—	78,551	—	—	78,551
Total	9,976	1,109,240	75,051	(23,327)	1,170,940
Property and equipment at cost	—	3,164,145	—	—	3,164,145
Less accumulated depreciation and amortization	—	(1,150,529)	—	—	(1,150,529)
Property and equipment, net	—	2,013,616	—	—	2,013,616
Assets held-for-sale	—	262	873	—	1,135
Operating lease right-of-use assets	—	413,237	—	—	413,237
Long-term prepayments and other	—	121,097	1,200,000	(1,200,000)	121,097
Goodwill and other intangible assets, net	—	—	13,500	—	13,500
Intercompany receivable	(577,961)	(57,591)	—	635,552	—
Investment in consolidated subsidiaries	807,451	(17,309)	502	(790,644)	—
Total Assets	$ 239,466	$3,582,552	$ 1,289,926	$(1,378,419)	$3,733,525
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 784	$ 212,464	$ 590	$ (14,615)	$ 199,223
Air traffic liability and current frequent flyer deferred revenue	—	623,324	10,021	—	633,345
Other accrued liabilities	—	170,651	13,652	(8,712)	175,591
Current maturities of long-term debt, less discount	—	43,857	—	—	43,857
Current maturities of finance lease obligations	—	10,053	—	—	10,053
Current maturities of operating leases	—	83,332	—	—	83,332
Total	784	1,143,681	24,263	(23,327)	1,145,401
Long-Term Debt	—	1,547,626	1,189,526	(1,200,000)	1,537,152
Intercompany payable	143,257	(573,873)	121,673	308,943	—
Other Liabilities and Deferred Credits:					
Noncurrent finance lease obligations	—	60,116	—	—	60,116

Noncurrent operating leases	—	303,119	—	—	303,119
Accumulated pension and other post-retirement benefit obligations	—	140,742	—	—	140,742
Other liabilities and deferred credits	—	77,154	—	—	77,154
Noncurrent frequent flyer deferred revenue	—	308,502	—	—	308,502
Deferred tax liabilities, net	—	65,914	—	—	65,914
Total	—	955,547	—	—	955,547
Shareholders’ equity	95,425	509,571	(45,536)	(464,035)	95,425
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 239,466	$3,582,552	$ 1,289,926	$(1,378,419)	$3,733,525

Condensed Consolidating Statements of Cash Flows
Three months ended March 31, 2024

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Net Cash Provided By (Used In) Operating Activities	$ (797)	$ 6,887	$ (5,836)	$ —	$ 254
Cash Flows From Investing Activities:					
Net payments to affiliates	—	(7,179)	6,272	907	—
Additions to property and equipment, including pre-delivery deposits	—	(127,018)	—	—	(127,018)
Proceeds from the disposition of aircraft and aircraft related equipment	—	83	22	—	105
Purchases of investments	—	(15,824)	—	—	(15,824)
Sales of investments	—	109,485	—	—	109,485
Net cash provided by (used in) investing activities	—	(40,453)	6,294	907	(33,252)
Cash Flows From Financing Activities:					
Long-term borrowings	—	131,400	—	—	131,400
Repayments of long-term debt and finance lease obligations	—	(18,760)	—	—	(18,760)
Debt issuance costs and discount	—	(1,849)	—	—	(1,849)
Net payments from affiliates	907	—	—	(907)	—

Payment for taxes withheld for stock compensation	—	(201)	—	—	(201)
Net cash provided by financing activities	907	110,590	—	(907)	110,590
Net increase in cash and cash equivalents	110	77,024	458	—	77,592
Cash, cash equivalents, & restricted cash - Beginning of Period	8,707	113,026	48,790	—	170,523
Cash, cash equivalents, & restricted cash - End of Period	$ 8,817	$ 190,050	$ 49,248	$ —	$ 248,115

Condensed Consolidating Statements of Cash Flows
Three months ended March 31, 2023

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in thousands)		
Net Cash Provided By (Used In) Operating Activities	$ (613)	$ 122,379	$ (3,475)	$ —	$ 118,291
Cash Flows From Investing Activities:					
Net payments to affiliates	—	24,435	(17,206)	(7,229)	—
Additions to property and equipment, including pre-delivery deposits	—	(106,215)	—	—	(106,215)
Proceeds from the disposition of aircraft and aircraft related equipment	6,793	20	2,750	—	9,563
Purchases of investments	—	(96,806)	—	—	(96,806)
Sales of investments	—	144,069	—	—	144,069
Net cash provided by (used in) investing activities	6,793	(34,497)	(14,456)	(7,229)	(49,389)
Cash Flows From Financing Activities:					
Repayments of long-term debt and finance lease obligations	—	(24,953)	—	—	(24,953)
Net payments from affiliates	(7,229)	—	—	7,229	—
Payment for taxes withheld for stock compensation	—	(1,066)	—	—	(1,066)
Net cash used in financing activities	(7,229)	(26,019)	—	7,229	(26,019)
Net increase (decrease) in cash and cash equivalents	(1,049)	61,863	(17,931)	—	42,883

Cash, cash equivalents, & restricted cash - Beginning of Period	28,620	151,357	66,643	—	246,620
Cash, cash equivalents, & restricted cash - End of Period	$ 27,571	$ 213,220	$ 48,712	$ —	$ 289,503

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to certain current and future events and financial performance. Such forward-looking statements include, without limitation, statements related to the Merger (defined below), including statements related to the timing of completion of the Merger, or the receipt of necessary approvals to complete the Merger; the significance and timing of costs related to the Merger; the impact on us of litigation or other stockholder action related to the Merger; the effects on us and our stockholders if the Merger is not completed; our financial statements and results of operations; any expectations of operating expenses, deferred revenue, interest rates, tax rates, income taxes, deferred tax assets, valuation allowances or other financial items; the extent to which the COVID-19 pandemic and related impacts will materially and adversely affect our business operations, financial performance, results of operations, financial position or achievement of strategic objectives; the demand for air travel in the markets in which we operate; demand for air travel to Maui, Hawai'i; changes in our future capital needs; estimations related to our liquidity requirements; future obligations and related impact of such obligations and our expectations related to our agreement with Amazon; the number of aircraft that we will be operating under the ATSA by the end of 2024; the availability of aircraft fuel, aircraft parts and personnel; the impact and timing of A321neo engine shortages on our operating performance (including bookings, revenue and results of operations), available seat miles, operating revenue, and operating cost per available seat mile for the second quarter of 2024, 2024 and potentially beyond; expectations about the recovery of international travel demand; expectations related to currency fluctuations; expected salary and related costs; our expected fleet as of March 31, 2025; estimates of annual fuel expenses and measure of the effects of fuel prices on our business; the impact of inflation on our business, our investments and the broader economy; the impact of climate change or natural disasters; the availability of, and efforts seeking, future financing; changes in our fleet plan and related cash outlays; committed capital expenditures; expected cash payments related to our post-retirement plan obligations; estimated financial charges; expected purchases of aircraft; expected delivery or deferment of new aircraft and engines; the impact of accounting standards on our financial statements; the effects of any litigation on our operations or business; the effects of our fuel and currency risk hedging policies; the fair value and expected maturity of our debt obligations; our estimated contractual obligations; and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Words such as "expects," "anticipates," "projects," "intends," "plans," "believes," "estimates," "could," "would," "will," "might," "may," variations of such words, and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and assumptions relating to our operations and business environment, all of which may cause our actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.

Factors that could affect such forward-looking statements include, but are not limited to: the impact of our agreement with Amazon and the role of cargo in our business model; fluctuations and the extent of declining demand for air transportation in the markets in which we operate; our dependence on the tourism industry; our ability to generate sufficient cash and manage the cash available to us; our ability to accurately forecast quarterly and annual results; global economic volatility; macroeconomic political and regulatory developments; geopolitical conflict; the impact of climate change the impact of climate change or natural disasters; the price and availability of fuel, aircraft parts and personnel; foreign currency exchange rate fluctuations; competitive pressures, including the impact of increasing industry capacity on our Domestic routes; maintenance of privacy and security of customer-related information and compliance with applicable federal and foreign privacy or data security regulations or standards; our dependence on technology and automated systems; our reliance on third-party contractors; satisfactory labor relations; our ability to attract and retain qualified personnel and key executives; successful implementation of our growth strategy and cost reduction goals; adverse publicity; negative impacts to our intellectual property rights or brand; risks related to the airline industry; our ability to obtain and maintain adequate facilities and infrastructure; seasonal and cyclical volatility; the effect of applicable state, federal and foreign laws and regulations; increases in insurance costs or reductions in coverage; the limited number of suppliers for aircraft, aircraft engines and parts; our existing aircraft purchase agreements; delays in aircraft or engine deliveries or other loss of fleet capacity; timing for entry into service of aircraft; changes in our future capital needs; fluctuations in our share price; our financial liquidity; and our ability to implement our growth strategy. The risks, uncertainties, and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements also include the risks, uncertainties, and assumptions discussed under the heading “Risk Factors” in Part II, Item 1A in this Quarterly Report on Form 10-Q and discussed from time to time in our public filings and public announcements. All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available to us as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this quarterly report. The following discussion and analysis should be read in conjunction with our unaudited Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Unless the context otherwise requires, the terms the Company, we, us, and our in this Quarterly Report on Form 10-Q refer to Hawaiian Holdings, Inc. and its direct wholly owned subsidiary, Hawaiian Airlines, Inc. (Hawaiian).

Our Business

We are engaged in the scheduled air transportation of passengers and cargo amongst the Hawaiian Islands (the Neighbor Island routes), between the Hawaiian Islands and certain cities in the U.S. mainland (the North America routes and collectively with the Neighbor Island routes, referred to as our Domestic routes), and between the Hawaiian Islands and the South Pacific, Australia, New Zealand and Asia (the International routes), collectively referred to as our “Scheduled Operations.” We offer non-stop service to Hawai'i from 15 U.S. mainland cities, which is more U.S. gateway cities than any other airline, and also provide approximately 144 daily flights between the Hawaiian Islands. In addition, we operate various charter flights. We are the longest serving airline, as well as the largest airline headquartered in the state of Hawai'i and the tenth largest domestic airline in the United States based on revenue passenger miles (RPMs) as reported by the Research and Innovative Technology Administration Bureau of Transportation Statistics as of January 2024, the latest available data. As of March 31, 2024, we had 7,386 active employees.

On October 20, 2022, we entered into an Air Transportation Services Agreement (ATSA) with Amazon.com Services LLC (Customer), a wholly-owned subsidiary of Amazon.com Inc. (Amazon), to provide certain air cargo transportation services to the Customer for an initial term of eight years. Thereafter, the Customer may elect to extend the ATSA for two years and, at the end of such period, the parties may mutually agree to extend the term for three additional years. The ATSA provides for us to initially operate ten A330-300F aircraft for the air cargo transportation services with the Customer having the right to enter into work orders for additional aircraft. We will supply flight crews, perform maintenance and certain administrative functions, and procure aircraft insurance. The Customer will pay us a fixed monthly fee per aircraft, a per flight hour fee, and a per flight cycle fee for each flight cycle operated. The Customer will also reimburse us for certain operating expenses, including fuel, certain maintenance, and insurance premiums. Operations under the ATSA commenced on October 2, 2023 and as of March 31, 2024, we were operating one aircraft with two additional aircraft scheduled to commence operation in the second quarter of 2024. We anticipate that we will be operating six aircraft under the ATSA by the end of 2024.

General information about us is available at *https://www.hawaiianairlines.com*. Information contained on our website is not incorporated by reference into, or otherwise to be regarded as part of, this Quarterly Report on Form 10-Q unless expressly noted. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission (SEC).

First Quarter 2024 Financial Overview

- Passenger revenue in the first quarter was $583.4 million, up 6.4% as compared to the same period in 2023. During the three months ended March 31, 2024, capacity (as measured in Available Seat Miles or ASMs) was up 2.7%, while RPM increased 5.9%, as compared to the same period in 2023, driven by improving demand across our network.

- Operating loss in the first quarter was $148.6 million, as compared to an operating loss of $117.4 million during the same period in 2023.

- GAAP net loss in the first quarter was $137.6 million, or $2.65 per diluted share on total revenue of $645.6 million, compared to a net loss of $98.3 million, or $1.91 per diluted share, on total revenue of $612.6 million during the same period in 2023.

- Unrestricted cash, cash equivalents and short-term investments was $897.3 million as of March 31, 2024, compared to $908.5 million as of December 31, 2023.

- As of March 31, 2024, the Company had federal and state net operating losses (NOLs) of approximately $451.4 million and $968.8 million, respectively, which are available to reduce future pre-tax income. Analysis under GAAP required us to increase the valuation allowance related to the NOLs which resulted in a lower effective tax rate for the period.

See “Results of Operations” below for further discussion of changes in revenue and operating expense.

Merger with Alaska Air Group

On December 2, 2023, we entered into an Agreement and Plan of Merger (the Merger Agreement) with Alaska Air Group, Inc., a Delaware corporation (Alaska), and Marlin Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Alaska (Merger Sub), pursuant to which, subject to satisfaction or waiver of conditions therein, Merger Sub will merge with and into the Company (the Merger), with the Company surviving as a wholly owned subsidiary of Alaska.

At the effective time of the Merger (the Effective Time), each share of our common stock, Series B Special Preferred Stock, Series C Special Preferred Stock, and Series D Special Preferred Stock issued and outstanding immediately prior to the Effective Time, subject to certain customary exceptions specified in the Merger Agreement, will be converted into the right to receive $18.00 per share, payable to the holder in cash, without interest.

Completion of the Merger is subject to customary closing conditions, including approval by the Company's stockholders, which was obtained on February 16, 2024; performance by the parties in all material respects of their obligations under the Merger Agreement; the receipt of required regulatory approvals; and the absence of an order or law preventing, materially restraining, or materially impairing the consummation of the Merger.

On February 7, 2024, the Company and Alaska each received a request for additional information and documentary material (together, the Second Request) from the Department of Justice (DOJ) in connection with the DOJ’s review of the Merger. On March 27, 2024, Hawaiian and Alaska entered into a timing agreement with the DOJ pursuant to which we agreed, among other things, not to consummate the Merger before 90 days following the date on which both parties have certified substantial compliance with the Second Request unless we have received written notice from the DOJ prior to the end of such 90-day period that the DOJ has closed its investigation of the Merger.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, we may be required to pay Alaska a termination fee of $39.6 million in connection with the termination of the Merger Agreement.

The Merger is expected to close within 12 to 18 months of the date of the Merger Agreement.

Material Changes to our Consolidated Balance Sheet

During the three months ended March 31, 2024, material changes to our Consolidated Balance Sheet consisted of the following:

- As of March 31, 2024, our total debt was $1.7 billion, an increase of $106.4 million, or 6.7%, as compared to $1.6 billion as of December 31, 2023. The increase is attributed to $131.4 million in financing obtained for our first Boeing 787-9 aircraft delivery in the first quarter of 2024, partially offset by scheduled debt repayments.
- As of March 31, 2024, our air traffic liability and current frequent flyer deferred revenue was $757.9 million, an increase of $124.5 million, or 19.7%, as compared to $633.3 million as of December 31, 2023. The increase in air traffic liability is primarily due to an increase in advanced ticket sales and the seasonality of passenger travel.

Refer to the Cash Flow and Use of Liquidity section below for additional discussion.

Fleet Summary

The table below summarizes our total fleet as of March 31, 2023 and 2024, respectively and our expected fleet as of March 31, 2025 (based on existing executed agreements as of March 31, 2024):

	March 31, 2023			March 31, 2024			March 31, 2025 (Expected)		
Aircraft Type	**Leased (1)**	**Owned (2)**	**Total**	**Leased (1)**	**Owned (2)**	**Total**	**Leased (1)**	**Owned (2)**	**Total**
A330-200	12	12	24	12	12	24	11	12	23
A330-300F (3)	—	—	—	2	—	2	7	—	7
A321neo	4	14	18	4	14	18	4	14	18
787-9 (4)	—	—	—	—	1	1	—	4	4
717-200 (5)	5	14	19	1	18	19	—	19	19
ATR 42-500 (6)	—	1	1	—	—	—	—	—	—
ATR 72-200 (6)	—	1	1	—	—	—	—	—	—
Total	21	42	63	19	45	64	22	49	71

(1) Leased aircraft include aircraft under both finance and operating leases.

(2) Includes unencumbered aircraft as well as those purchased and under various debt financing arrangements.

(3) A330-300F aircraft to be utilized under the ATSA with Amazon. Operations under the ATSA commenced on October 2, 2023. As discussed above, the ATSA provides for the operation of 10 aircraft with customer options to expand the fleet.

(4) In February 2024, we took delivery of our first Boeing 787-9 aircraft under a financing lease, which did not meet the criteria for a sale under the applicable accounting framework and is therefore recognized as a debt financing, and will be placed into revenue service in April 2024. We took delivery of our second aircraft in April 2024 under a financing arrangement, which we anticipate placing into service in May 2024, with a third aircraft scheduled for delivery in late 2024.

(5) In December 2023, we entered into an agreement to purchase one 717-200 aircraft that was under a lease agreement. During the first quarter of 2024, we entered into an agreement to purchase three additional 717-200 aircraft previously under lease. We expect to purchase the remaining 717-200 aircraft under lease in the second quarter of 2024.

(6) The ATR 42-500 turboprop and ATR 72-200 turboprop aircraft are owned by Airline Contract Maintenance & Equipment, Inc., our wholly owned subsidiary. In 2021, we announced the termination of our 'Ohana by Hawaiian operations, which operated under a capacity purchase agreement with a third-party provider. As of March 31, 2024, there was one remaining aircraft and certain aircraft parts. The asset group was classified as Assets held-for-sale on the Consolidated Balance Sheets. In October 2023, we completed the sale of the remaining ATR 72-200 aircraft, which did not result in a gain or loss on the transaction. We anticipate completing the sale of remaining aircraft parts in the second quarter of 2024.

Results of Operations

For the three months ended March 31, 2024, we generated a net loss of $137.6 million, or $2.65 per diluted share, compared to a net loss of $98.3 million, or $1.91 per diluted share, for the same period in 2023.

Selected Consolidated Statistical Data (unaudited)

	Three months ended March 31,	
	2024	**2023**
	(in thousands, except as otherwise indicated)	
Scheduled Operations:		
Revenue passengers flown	2,620	2,592
Revenue passenger miles (RPM)	4,072,473	3,844,061
Available seat miles (ASM)	5,049,598	4,914,619
Passenger revenue per RPM (Yield)	14.33 ¢	14.27 ¢
Passenger load factor (RPM/ASM)	80.6 %	78.2 %
Passenger revenue per ASM (PRASM)	11.55 ¢	11.16 ¢
Total Operations:		
Revenue passengers flown	2,621	2,593
RPM	4,073,159	3,845,978

ASM		5,050,841		4,917,517
Operating revenue per ASM (RASM)		12.78 ¢		12.46 ¢
Operating cost per ASM (CASM)		15.72 ¢		14.85 ¢
CASM excluding aircraft fuel and non-recurring items (a)		11.82 ¢		11.04 ¢
Aircraft fuel expense per ASM (b)		3.74 ¢		4.02 ¢
Revenue block hours operated		52,141		52,228
Gallons of aircraft fuel consumed (c)		67,651		64,853
Average cost per gallon of aircraft fuel (b)	$	2.79	$	3.05

(a) Represents adjusted unit costs, a non-GAAP measure. We believe this is a useful measure because it better reflects our controllable costs. See "Non-GAAP Financial Measures" below for a reconciliation of non-GAAP measures.

(b) Includes applicable taxes and fees.

(c) Excludes operations under the ATSA with Amazon.

Operating Revenue

During the three months ended March 31, 2024, operating revenue increased by $33.0 million, or 5.4%, as compared to the same period in 2023 and is further discussed below.

Passenger revenue

For the three months ended March 31, 2024, passenger revenue increased by $34.9 million, or 6.4%, as compared to the same period in 2023. Details of this change are described in the table below:

		Increase (Decrease) vs. Three Months Ended March 31, 2024				
(in thousands)	**Three months ended March 31, 2024**	**Passenger Revenue**	**Yield**	**RPMs**	**ASMs**	**PRASM**
Domestic	$ 451,598	2.1 %	4.1 %	(2.0)%	(4.5)%	6.9 %
International	131,850	24.3	(11.0)	39.8	27.9	(2.8)
Total	$ 583,448	6.4 %	0.4 %	5.9 %	2.7 %	3.5 %

Domestic passenger revenue increased $9.2 million, or 2.1%, during the three months ended March 31, 2024 as compared to the same period in 2023, on a capacity reduction, as measured in ASM, of 4.5%. Demand on our domestic network has been supported by improved yields; however, these improvements have been, and continue to be, negatively impacted by engine shortages from Pratt & Whitney and its affiliates, which announced in July 2023 that a significant portion of the PW110G-JM engine fleet, including several engines utilized by Hawaiian, would require accelerated removals and inspections. This unanticipated time out of service resulted in lower-than-expected capacity growth in the quarter and we may continue to experience operational disruptions from our engine shortages from Pratt & Whitney during the remainder of 2024 and potentially beyond.

Our Neighbor Island traffic, which accounted for approximately 22.2% of total Domestic passenger revenue during the three months ended March 31, 2024, increased by 17.8% as compared to the same period in 2023. Despite year-over-year improvement in the Neighbor Island market, revenue during the first quarter was down 25.1% as compared to the same period in 2019 as we continue to face increased competitive pressures with additional capacity in the market combined with the lower priced Neighbor Island route fares.

International route passenger revenue increased by $25.8 million, or 24.3%, during the three months ended March 31, 2024, as compared to the same period in 2023, primarily driven by increased capacity, which was up 27.9%. Despite improvements, our International route network remains depressed in comparison to pre-COVID-19 pandemic levels, with revenue down 15.4% during the three months ended March 31, 2024, as compared to the same period in 2019. We expect demand on our International routes to continue to lag behind demand on our Domestic routes as we expect the weakening of the Japanese Yen, which has increased the cost of travel for customers from Japan, to continue to negatively impact international demand until the Japanese Yen recovers.

We expect our ASMs for the second quarter of 2024 to be up approximately 3.5% to 6.5% compared to the same period in 2023. We expect RASM will range between down 1.5% and up 1.5% for the second quarter of 2024 as compared to the same period in 2023.

Other Operating Revenue

For the three months ended March 31, 2024, Other operating revenue decreased by $2.0 million, or 3.1%, as compared to the same period in 2023, primarily driven by a reduction in cargo revenue of $1.4 million due to lower cargo volumes during the period. Other components in Other operating revenue include, but are not limited to, commissions, and fees earned under certain marketing agreements, which collectively decreased during the three months ended March 31, 2024 by approximately $0.6 million, as compared to the same period in 2023.

Operating Expense

Operating expenses were $794.2 million during the three months ended March 31, 2024. Increases (decreases) in operating expenses for the three months ended March 31, 2024, as compared to the same period in 2023, are detailed below:

	Increase / (decrease) for the three months ended March 31, 2024 compared to the three months ended March 31, 2023	
	$	**%**
Operating expenses	**(in thousands)**	
Wages and benefits	$ 20,002	8.3 %
Aircraft fuel, including taxes and delivery	(8,847)	(4.5)
Maintenance, materials and repairs	20,684	41.1
Aircraft and passenger servicing	2,892	6.8
Commissions and other selling	205	0.7
Aircraft rent	1,535	5.4
Other rentals and landing fees	4,407	11.4
Depreciation and amortization	300	0.9
Purchased services	3,403	9.7

Special items	8,482	100.0
Other	11,120	32.0
Total	$ 64,183	8.8 %

Wages and benefits

Wages and benefits expense increased $20.0 million, or 8.3%, during the three months ended March 31, 2024, as compared to the prior year period. The increase in wages and benefits expense is primarily attributed to increased headcount and training costs as we prepared for the ramp up of our ATSA operations with Amazon, as well as the introduction of our first Boeing 787 aircraft, which was placed into service in April 2024, scheduled contractual wage increases and increased inflationary and hiring costs. In February 2023, the pilots ratified a new four year collective bargaining agreement (CBA), which included, amongst other things, a signing bonus, pay scale increases across all fleet types, improved health benefits and cost sharing, and enhancements to the Company's postretirement and disability plans.

We expect that wages and benefits will increase during the second quarter of 2024, as compared to the same period in 2023, as a result of scheduled contractual wage increases, hiring and training costs associated with the commencement of operations under the ATSA in October 2023 and our Boeing 787 operations beginning in April 2024, and continued inflationary pressures.

Aircraft fuel

Aircraft fuel expense decreased during the three months ended March 31, 2024, as compared to the prior year period, primarily due to a decrease in the average fuel cost per gallon, offset by increased consumption, as illustrated in the following table:

	Three months ended March 31,		
	2024	**2023**	**% Change**
	(in thousands, except per-gallon amounts)		
Aircraft fuel expense, including taxes and delivery	$ 188,778	$ 197,625	(4.5)%
Fuel gallons consumed	67,651	64,853	4.3 %
Average fuel price per gallon, including taxes and delivery	$ 2.79	$ 3.05	(8.5)%

Fuel consumption increased by 4.3% during the three months ended March 31, 2024, as compared to the prior year period. The fuel consumption increase was a result of increased operations and aircraft up-gauging as a result of supply chain and engine availability issues impacting certain of our A321neo aircraft.

We believe *economic fuel expense* is a good measure of the effect of fuel prices on our business as it most closely approximates the net cash outflow associated with the purchase of fuel for our operations in a period and is consistent with how our

management manages our business and assesses our operating performance. We define *economic fuel expense* as GAAP fuel expense, including taxes and delivery, plus (gains)/losses on settlement of fuel derivatives contracts in the period, inclusive of costs related to hedging premiums.

Economic fuel expense is calculated as follows:

	Three months ended March 31,		
	2024	2023	% Change
	(in thousands, except per-gallon amounts)		
Aircraft fuel expense, including taxes and delivery	$ 188,778	$ 197,625	(4.5)%
Realized losses on settlement of fuel derivative contracts	2,398	1,513	58.5 %
Economic fuel expense	$ 191,176	$ 199,138	(4.0)%
Fuel gallons consumed	67,651	64,853	4.3 %
Economic fuel price per gallon	$ 2.83	$ 3.07	(7.8)%

We expect that fuel gallons consumed will be up between 2.5% to 5.0% during the second quarter of 2024 as compared to the same period in 2023.

Maintenance, materials and repairs

Maintenance, materials and repairs expense increased $20.7 million, or 41.1%, during the three months ended March 31, 2024, as compared to the same period in 2023.In December 2022, we entered into a Memorandum of Understanding (MOU) with one of our third-party service providers to terminate our Amended and Restated Complete Fleet Services (CFS) Agreement (Amended CFS) covering A330-200 aircraft. The Amended CFS was originally scheduled to run through December 2027, and terminated in April 2023. Upon execution of the MOU, we agreed to pay a total of $12.5 million in termination fees, which was recognized in fiscal year 2022. As of December 31, 2022, we had approximately $24.1 million in deferred liabilities which was amortized into earnings as contra-maintenance materials and repairs expense during the remainder of the contract period. During the three months ended March 31, 2023, we recognized approximately $18.1 million in amortization. Excluding this reduction in 2023, maintenance, materials and repairs expense increased $2.6 million, or 3.8%, during the three months ended March 31, 2024, as compared to the same period in 2023.

We expect maintenance, materials and repairs expense to increase during the second quarter of 2024, as compared to the same period in 2023 as a result of scheduled heavy maintenance events expected in the period and increased PBH costs.

Aircraft and passenger servicing

Aircraft and passenger servicing expense increased by $2.9 million, or 6.8%, for the three months ended March 31, 2024, as compared to the same period in 2023. The increase was primarily due to higher volume-related expenses associated with increased passenger demand and inflationary pressures. We expect aircraft and passenger service expense to increase during the second quarter of 2024, as compared to the same period in 2023.

Other rentals and landing fees

Other rentals and landing fees increased by $4.4 million, or 11.4%, for the three months ended March 31, 2024, as compared to the same period in 2023. A portion of our other rentals and landing fees are variable in nature and are dependent on factors such as the number of departures and passengers. The increase in landing fees and other rentals is attributed to an increase in rates and operations as discussed above. We expect other rentals and landing fees expense to increase during the second quarter of 2024, as compared to the same period in 2023 due primarily to increased airport costs.

Purchased services

Purchased services increased by $3.4 million, or 9.7%, for the three months ended March 31, 2024, as compared to the same period in 2023. The increase in purchased services is primarily related to our increased operations during the three months ended March 31, 2024 as compared to the same period in 2023. We expect other purchased services expense to increase during the second quarter of 2024, as compared to the same period in 2023.

Special Items

During the three months ended March 31, 2024, we recorded $8.5 million in Special items as a result of expenses related to our merger with Alaska, primarily consisting of legal, advisory, and other fees. Refer to the Merger with Alaska Air Group subsection above for additional information on the Merger.

Other expense

Other expense increased $11.1 million, or 32.0%, for the three months ended March 31, 2024, as compared to the same period in 2023. The increase was primarily related to personnel-related expenditures for crew travel, professional and technical expenditures, and other miscellaneous expense. During the first quarter of 2023, we also recognized a $10.2 million gain on the sale of commercial real estate.

Nonoperating Income (Expense)

Net nonoperating expense decreased by $4.2 million, or 50.0%, during the three months ended March 31, 2024, as compared to the same period in 2023. The change was attributed to favorable movements in unrealized gains (losses) associated with our foreign denominated debt and fuel derivatives portfolio, offset by decreased generation of interest income commensurate with the reduction of our investment portfolio.

Income Taxes

Our effective tax rate was approximately 10.0% for the three months ended March 31, 2024 as compared to 21.9% during the same period in 2023. The effective tax rate represents a blend of federal and state taxes, the impact of certain nondeductible items, and the valuation allowance on certain federal and state net operating loss carryforwards, realized capital losses, and unrealized capital losses on equity securities during the periods.

As of March 31, 2024, we generated federal and state NOLs of approximately $451.4 million and $968.8 million, respectively, which are available to reduce future taxable income. Our ability to use NOL carryforwards depend on the amount of taxable income generated in future periods. During the first quarter of 2024, we increased our valuation allowance on our net deferred tax assets. The incremental valuation allowance recorded by the Company during the first quarter of 2024 was primarily due to uncertainties in the future utilization of deferred tax assets related to our NOL carryforwards for federal income tax purposes. As a result of the incremental increase in the valuation allowance, our annual effective tax rate decreased to approximately 10.0%.

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments (excluding restricted cash) totaled approximately $897.3 million as of March 31, 2024, compared to approximately $908.5 million as of December 31, 2023.

As of March 31, 2024, our current assets exceeded our current liabilities by approximately $141.3 million as compared to $25.5 million as of December 31, 2023. Approximately $757.9 million of our current liabilities relate to our advanced ticket sales and frequent flyer deferred revenue.

Cash Flow and Uses of Liquidity

Operating Activities

Net cash provided by operating activities was $0.3 million during the three months ended March 31, 2024 compared to net cash provided by operating activities of $118.3 million during the prior year period. Our operating cash flows are impacted by the following factors:

Advanced Ticket Sales. We sell tickets for air travel and record the receipt on advance sales as deferred revenue in air traffic liability. The air traffic liability typically increases during the winter and spring months as advanced ticket sales grow prior to the summer and fall peak travel seasons and decreases upon utilization during these seasons. As discussed above, we noted marked improvements in air travel demand during the three months ended March 31, 2024, as compared to the same period in 2023; however, overall demand (measured in passengers flown) remains below 2019 levels, down approximately 7.1%, largely due to international travel demand lagging the recovery of domestic travel.

Aircraft Fuel. Fuel expense represented approximately 23.8% of our total operating expense during the three months ended March 31, 2024 compared to 27.1% during the same period in 2023. The market price for jet fuel is volatile, which can impact the comparability of our cash flows from operations. During the three months ended March 31, 2024, the average fuel price per gallon decreased 8.5%, as compared to the same period in 2023.

Pension and Other Postretirement Benefit Plan Funding. During the three months ended March 31, 2024 and 2023, we were not required to, and did not, make contributions to our defined benefit and other postretirement plans. Future funding requirements for our defined benefit and other postretirement plans are dependent upon many factors such as interest rates, funded status, applicable regulatory requirements and the level and timing of asset returns. Given available funding credits in the defined benefit plan from past contributions in excess of required minimums, we continue to evaluate whether any cash contributions will be made to our defined benefit plan during 2024.

Operating Lease Obligations. As of March 31, 2024, we had $363.1 million of operating lease obligations, which range between approximately $29.7 million to $84.6 million on an annual basis between 2024 and 2027. We have approximately $75.8 million in operating lease obligations during the remainder of 2023.

Other Commitments. We have certain purchase obligations under which we are required to make minimum payments for goods and services, including, but not limited to aircraft maintenance, IT, capacity purchases, and reservations. Total contractual obligations do not include long-term contracts where the commitment is variable in nature (with no minimum guarantee), such as aircraft maintenance deposits due under operating leases and fees under certain other agreements such as aircraft maintenance PBH, computer reservation systems and credit card processing agreements, or when the agreements contain short-term cancellation provisions. As of March 31, 2024, we had approximately $120.5 million of such obligations, which range from approximately $3.3 million to $18.3 million on an annual basis over the next five years.

Investing Activities

Net cash used in investing activities was $33.3 million during the three months ended March 31, 2024 compared to net cash used in investing activities of $49.4 million during the prior year period. Investing activities include capital expenditures, primarily related to aircraft and other equipment, and the purchases and sales of short-term investments.

Short-term Investments. During the three months ended March 31, 2024, our purchases and proceeds from the sale and maturity of short-term investments resulted in net cash inflow of $93.7 million as compared to net cash inflow of $47.3 million during the same period in 2023.

Capital Expenditures. Our capital expenditures are primarily related to the purchase of aircraft, fleet modifications, and technology enhancements. Our capital expenditures were $127.0 million during the three months ended March 31, 2024 as compared to $106.2 million in capital expenditures during the same period in 2023, primarily related to the delivery of our first Boeing 787-9 aircraft and scheduled predelivery payments for scheduled future deliveries.

As of March 31, 2024, we had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A321neo aircraft	—	9	N/A
Boeing 787-9 aircraft	11	8	Between 2024 and 2027
General Electric GEnx spare engines:			
Boeing 787-9 spare engines	3	1	Between 2024 and 2027

Committed expenditures for these aircraft, engines, and related flight equipment are approximately $225.9 million for the remainder of 2024, $419.6 million in 2025, $665.5 million in 2026, and $252.9 million in 2027.

In October 2020, we entered into an amendment to our Boeing 787-9 purchase agreement, which changed the scheduled delivery of each aircraft and related engines to between 2022 and 2026. In December 2022, we entered into a supplemental agreement to the purchase agreement, pursuant to which (a) we agreed with Boeing to defer delivery of the Boeing 787-9 aircraft, and (b) agreed to exercise purchase options for an additional two Boeing 787-9 aircraft. In February 2024, we took delivery of our first Boeing 787-9 aircraft. This aircraft was placed into service in April 2024. We took delivery of our second

aircraft in April 2024 with a third aircraft scheduled for delivery in late 2024. Refer to Note 12 in the Notes to Consolidated Financial Statements for additional discussion.

In order to complete the purchase of these aircraft and fund related costs, we may need to secure acceptable financing. We have backstop financing available from aircraft and engine manufacturers, subject to certain customary conditions. Financing may be necessary to satisfy our capital commitments for firm order aircraft and other related capital expenditures. We can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to us on acceptable terms when necessary or at all.

Financing Activities

Net cash provided by financing activities was $110.6 million during the three months ended March 31, 2024 compared to net cash used in financing activities of $26.0 million during the prior year period. Our financing cash flows are impacted by the following factors:

Debt and Finance Lease Obligations. During the three months ended March 31, 2024 and 2023, we repaid $18.8 million and $25.0 million of long-term debt and finance lease obligations, respectively. In February 2024, we took delivery of our first Boeing 787-9 aircraft, which was financed. The transaction did not qualify as a sale under the applicable accounting framework and we recorded $131.4 million as debt in the Consolidated balance sheet.

As of March 31, 2024, scheduled maturities of our debt remaining in 2024 were $33.5 million. The scheduled maturities total $64.4 million in 2025, $1.3 billion in 2026, $21.7 million in 2027, $22.7 million in 2028, and beyond 2028, scheduled maturities aggregate to $178.6 million. In addition, we are obligated to make periodic interest payments at fixed and variable rates, depending on the terms of the applicable debt agreements. Based on applicable interest rates and scheduled debt maturities as of March 31, 2024, these interest obligations total $65.3

million remaining in 2024, $88.4 million in 2025, $32.7 million in 2026, $11.8 million in 2027, $10.7 million in 2028, and $26.7 million thereafter.

As of March 31, 2024, we had $75.9 million of finance lease obligations. We have approximately $8.5 million in finance lease obligations during the remainder of 2024, approximately $11.3 million for each year between 2025 and 2028, and approximately $22.3 million in the aggregate thereafter.

Undrawn Lines of Credit. As of March 31, 2024, our revolving line of credit, which matures in December 2025, remained undrawn and available under our $235.0 million revolving credit facility.

Credit Card Holdbacks. Under our bank-issued credit card processing agreements, proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. As of March 31, 2024 and December 31, 2023, there were no holdbacks held by our credit card processors. In the event of a material adverse change in our business, the credit card processors could increase holdbacks to an amount up to 100% of the outstanding credit card tickets that are unflown (e.g., air traffic liability, excluding frequent flyer deferred revenue), which would result in the restriction of cash. If we were unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material impact on our operations, business or financial condition.

Covenants. We were in compliance with covenants contained in our financing agreements as of March 31, 2024.

Non-GAAP Financial Measures

We believe the disclosure of non-GAAP financial measures is useful information to readers of our financial statements because:

•We believe it is the basis by which we are evaluated by many industry analysts and investors;

•These measures are often used in management and Board of Directors decision making analysis;

•It improves a reader's ability to compare our results to those of other airlines; and

•It is consistent with how we present information in our quarterly financial results press releases.

See tables below for reconciliation between GAAP consolidated net income (loss) to adjusted consolidated net income (loss), including per share amounts (in thousands unless otherwise indicated), adjusted Operating Costs per Available Seat Mile (CASM), and adjusted EBITDA. The adjustments are described below:

•*CBA related expense*. In February 2023, pilots represented by the Air Line Pilots Association ratified a new four-year CBA, which included, amongst other things, a signing bonus, pay scale increases across all fleet types, improved health benefits and cost sharing, and enhancements to the Company's postretirement and disability plans. In connection with the ratification, we recorded a signing bonus and vacation liability true-up of approximately $17.7 million in wages and benefits during the first quarter of 2023.

•*Contract termination amortization.* In December 2022, we entered into a Memorandum of Understanding (MOU) with one of our third-party service providers to early terminate our Amended and Restated Complete Fleet Services Agreement (Amended CFS) covering A330-200 aircraft. The Amended CFS was originally scheduled to run through December 2027, but was terminated in April 2023. During the three months ended March 31, 2023, we recognized approximately $18.1 million in amortization within Maintenance, materials and repairs in the Consolidated Statements of Operation.

•*Special items.* During the three months ended March 31, 2024, we recorded $8.5 million in Special items as a result of expenses related to our merger with Alaska, primarily consisting of legal, advisory, and other fees.

•*Gain on sale of commercial real estate.* In February 2023, we entered into an agreement for the sale of our commercial real estate and recognized a gain on the transaction of $10.2 million, which was recorded in Other operating expense in the Consolidated Statements of Operations.

•*Interest income on federal tax refund*. In March 2023, we received $4.7 million in interest in connection with a $66.8 million federal tax refund received related to fiscal year 2018. The interest was recorded in Interest income in the Consolidated Statements of Operations.

•*Changes in fair value of fuel derivative contracts*. Changes in fair value of derivative contracts, net of tax, are based on market prices for open contracts as of the end of the reporting period. This line item includes the unrealized amounts of fuel derivatives (not designated as hedges) that will settle in future periods and the reversal of prior period unrealized amounts.

•*Unrealized gain on foreign debt*. Unrealized gain on foreign debt is based on the fluctuation in exchange rates and the measurement of foreign-denominated debt to our functional currency.

•*Unrealized gain on equity securities.* Unrealized gain on equity securities is driven by changes in market prices and currency fluctuations, which is recorded in Other nonoperating expense in the Consolidated Statements of Operations.

We believe that adjusting for the impact of the changes in fair value of equity securities and fuel derivative contracts, fluctuations in exchange rates on debt instruments denominated in foreign currency, and non-recurring expenses and income/gains (including CBA-related expense, contract termination amortization, Special items, interest income on federal tax refunds, and gain on sale of commercial real estate), helps investors better analyze our operational performance and compare our results to other airlines in the periods presented.

	Three months ended March 31,			
	2024		2023	
	Total	Diluted Net Loss Per Share	Total	Diluted Net Loss Per Share
	(in thousands, except for per share data)			
Net Loss, as reported	$ (137,565)	$ (2.65)	$ (98,257)	$ (1.91)
Adjusted for:				
CBA related expense	—	—	17,727	0.35
Contract termination amortization	—	—	(18,114)	(0.35)
Special items	8,482	0.16	—	—
Gain on sale of commercial real estate	—	—	(10,179)	(0.20)
Interest income on federal tax refund	—	—	(4,672)	(0.09)
Changes in fair value of fuel derivative contracts	(1,816)	(0.04)	3,552	0.07

Unrealized gain on foreign debt		(8,555)		(0.17)		(2,488)		(0.05)
Unrealized gain on equity securities		(5,115)		(0.10)		(944)		(0.02)
Tax effect of adjustments		1,037		0.03		1,568		0.03
Adjusted net loss	$	(143,532)	$	(2.77)	$	(111,807)	$	(2.17)

Operating Costs per Available Seat Mile (CASM)

We have listed separately in the table below our fuel costs per ASM and our non-GAAP unit costs, excluding fuel and non-recurring items. These amounts are included in CASM, but for internal purposes we consistently use unit cost metrics that exclude fuel and non-recurring items (if applicable) to measure and monitor our costs.

CASM and CASM-excluding aircraft fuel and non-recurring items are summarized in the table below:

	Three months ended March 31,			
	2024		2023	
	(in thousands, except as otherwise indicated)			
GAAP Operating Expenses	$	794,213	$	730,030
Adjusted for:				
CBA related expense		—		(17,727)
Special items		(8,482)		—
Contract termination amortization		—		18,114
Gain on sale of commercial real estate		—		10,179
Operating expenses excluding non-recurring items	$	785,731	$	740,596
Aircraft fuel, including taxes and delivery		(188,778)		(197,625)
Operating expenses excluding aircraft fuel and non-recurring items	$	596,953	$	542,971
Available Seat Miles		5,050,841		4,917,517
CASM - GAAP		15.72 ¢		14.85 ¢
Adjusted for:				
CBA related expense		—		(0.36)
Special items		(0.16)		—
Contract termination amortization		—		0.37
Gain on sale of commercial real estate		—		0.20
Aircraft fuel, including taxes and delivery		(3.74)		(4.02)
CASM excluding aircraft fuel and non-recurring items		11.82 ¢		11.04 ¢

Adjusted EBITDA

We believe that adjusting earnings for interest, taxes, depreciation and amortization, non-recurring operating expenses (such as changes in unrealized gains and losses on financial instruments) and one-time charges helps investors better analyze our

financial performance by allowing for company-to-company and period-over-period comparisons that are unaffected by company-specific or one-time occurrences.

We reclassified prior period EBITDA and Adjusted EBITDA to conform to the current period presentation.

	Three months ended March 31,	
	2024	2023
	(in thousands)	
Net Loss	$ (137,565)	$ (98,257)
Income tax benefit	(15,285)	(27,574)
Depreciation and amortization	32,967	32,667
Interest expense and amortization of debt discounts and issuance costs	24,069	22,880
Interest income	(10,021)	(16,465)
Capitalized interest	(3,134)	(1,458)
EBITDA, as reported	(108,969)	(88,207)
Adjusted for:		
CBA related expense	—	17,727
Contract termination amortization	—	(18,114)
Gain on sale of commercial real estate	—	(10,179)
Interest income on tax refund	—	(4,672)
Changes in fair value of fuel derivative instruments	(1,816)	3,552
Unrealized gain on foreign debt	(8,555)	(2,488)
Special items	8,482	—
Unrealized gain on equity securities	(5,115)	(944)
Adjusted EBITDA	$ (115,973)	$ (103,325)

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon financial statements that have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities as of the date of the financial statements. Actual results may differ from these estimates under different assumptions and/or conditions.

Critical accounting policies and estimates are defined as those accounting policies and accounting estimates that are reflective of significant judgments and uncertainties that potentially result in materially different results under different assumptions and conditions. There have been no material changes to our critical accounting policies and estimates during the three months ended March 31, 2024. For more information on our critical accounting policies, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in market risk from the information provided in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk", in our 2023 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)), which have been designed to permit us to effectively identify and timely disclose important information. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of March 31, 2024 to provide reasonable assurance that

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the information required to be disclosed by us in reports we file under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2024, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any litigation that is expected to have a significant effect on our operations or business.

ITEM 1A. RISK FACTORS.

RISK FACTOR SUMMARY

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

Alaska Air Group Merger Risks

- the pendency of the Merger may cause disruption in our business
- failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock, as well as our future business and our results of operations and financial condition
- to complete the Merger, certain government approvals must be obtained

Business Risks

- future obligations and related impacts of such obligations with respect to our agreements with Amazon

Economic Risks

- global economic and market volatility
- our dependence on tourism to, from, and amongst the Hawaiian Islands
- our dependence on the price and availability of fuel
- our exposure to foreign currency exchange rate fluctuations

Liquidity Risks

- credit market conditions
- our debt, including covenants that restrict our financial and business operations
- requirements for us to maintain reserves under our credit card processing agreements

Competitive Environment Risks

- the extremely competitive environment in which we operate
- the effect of inflation on our profitability
- the effect of interest rate increases on the fair value of our fixed income investments
- the concentration of our business within Hawai'i
- the competitive advantages held by network carriers in the North America market and our reliance on commercial relationships with other airlines to provide access to Domestic and International routes
- the effect of increased capacity provided by our competitors on our North American and Neighbor Island routes
- the effect of competition from domestic and foreign carriers on our International routes

Information Technology and Third-Party Risks

- compliance with U.S. and foreign laws and regulations relating to privacy, data protection, and data security and security standards imposed by our commercial partners
- actual or perceived failure to protect customer or other personal or confidential information
- our increasing dependence on technology and automated systems to operate our business
- our reliance on third-party contractors to provide certain facilities and services

Labor Relations and Related Costs Risks

- our dependence on satisfactory labor relations
- our ability to attract and retain qualified personnel and key executives

Strategy and Brand Risks

- our ability to successfully implement our route and network strategy
- damage to our reputation or brand image
- adverse publicity

- our ability to protect our intellectual property rights
- concentration of our cargo business with Amazon
- our ability to realize the full benefits of our agreements with Amazon

Airline Industry, Regulation and Related Costs Risks

- the substantial operating leverage of the airline industry and other conditions beyond our control
- any inability to maintain adequate facilities and infrastructure at airports within the state of Hawai'i
- substantial seasonal and cyclical volatility of our business
- terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities
- extensive government regulation, new regulations and taxes impacting the airline industry
- climate change, including increased regulation and the impact of severe weather events
- federal budget constraints
- compliance with various environmental laws and regulations required of the airline industry
- our expansion into non-U.S. jurisdictions and the related laws and regulations to which we are subject
- litigation or regulatory action in the normal course of business or otherwise
- changes in tax laws or regulations and our ability to use our net operating loss carryforwards
- increases in our insurance costs or reductions in coverage
- extended interruptions or disruptions in service

Fleet and Fleet-Related Risks

- our dependence on a limited number of suppliers for aircraft, aircraft engines and parts
- significant future financial commitments and operating costs related to our agreements to purchase Boeing 787-9 aircraft
- delays in scheduled aircraft deliveries or other loss of fleet capacity
- any impairment and other related charges related to the value of our long-lived assets

Common Stock Risks

- fluctuations in our share price
- we do not expect to repurchase our common stock or pay dividends on our common stock
- future earnings and earnings per share impacts from fluctuations in the value of the Amazon warrants
- dilution of existing stockholders and market price impacts related to the exercise of our outstanding warrants
- limitations on voting and ownership by non-U.S. citizens in our certificate of incorporation and exclusive forum provisions in our bylaws
- provisions of our certificate of incorporation and bylaws and our agreements with Amazon may delay or prevent a change of control
- Amazon may become a significant stockholder
- the publication of research about us by analysts

Securities Offerings Risks

- the effect of our indebtedness and liabilities related to our debt offerings on the cash flow available for our operations and to satisfy our obligations related such debt

ALASKA AIR GROUP MERGER

The pendency of the Merger may cause disruption in our business.

The Merger Agreement restricts us from taking specified actions without Alaska's consent until the Merger is completed or the Merger Agreement is terminated. These restrictions are more fully described in the Merger Agreement. These restrictions may affect our ability to execute our business strategies and attain our financial and other goals and may impact our business, results of operations and financial condition.

The pendency of the Merger could cause disruptions to our business or business relationships, which could have an adverse impact on our results of operations. Parties with which we have business relationships, including guests, employees and labor groups, suppliers, third-party service providers and third-party distribution channels, may be uncertain as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The pursuit of the Merger is expected to place a significant burden on our management and internal resources. The diversion of management's attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could adversely affect our business, results of operations and financial condition.

In addition, we have incurred and will continue to incur significant costs, expenses and fees in connection with the Merger. The substantial majority of these costs will be non-recurring expenses relating to the Merger, and many of these costs are payable regardless of whether or not the Merger is consummated. Litigation has been filed in connection with the Merger, and further litigation may arise prior to closing. Defending the litigation could prove costly and time consuming.

Failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock, as well as our future business and our results of operations and financial condition.

The Merger cannot be completed until the conditions to closing are satisfied or (if permissible under applicable law) waived. The failure to satisfy the required conditions could delay the completion of the Merger for a significant period of time or prevent it from occurring. Further, there can be no assurance that the conditions to the closing of the Merger will be satisfied or waived or that the Merger will be completed.

If the Merger is not completed in a timely manner or at all, our ongoing business may be adversely affected, including as follows:

- we may experience negative reactions from the financial markets, and our stock price could decline to the extent that the current market price reflects an assumption that the Merger will be completed;
- we may experience negative reactions from employees, guests, suppliers, communities or other third parties;
- we may be subject to further litigation, which could result in significant costs and expenses;
- management's focus may be diverted from our day-to-day business operations and from pursuing other opportunities that could have been beneficial to the Company;
- our costs of pursuing the Merger may be higher than anticipated;
- we may have difficulties in attracting and/or retaining key employees; and
- our access to capital markets may be limited and we may experience increased borrowing costs.

If the Merger is not consummated, there can be no assurance that these risks will not materialize and will not materially adversely affect our stock price, business, results of operations and financial condition.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, we may be required to pay Alaska a termination fee of $39.6 million in connection with the termination of the Merger Agreement. In certain circumstances, Alaska may be required to pay us a termination fee of $100.0 million. Any requirement to pay a termination fee to Alaska may have an adverse effect on our liquidity and results of operations. The receipt of any termination fee from Alaska may not be sufficient to compensate us for all of the expenses incurred, and opportunities forgone, as a result of our pursuit of the Merger.

In order to complete the Merger, the Company and Alaska must obtain certain regulatory approvals, and if such approvals are not granted or are granted with conditions, completion of the Merger may be jeopardized or the anticipated benefits of the Merger could be reduced.

Although the Company and Alaska have agreed to use reasonable best efforts, subject to certain limitations, to make certain governmental filings and obtain the required regulatory approvals, there can be no assurance that the relevant approvals will be obtained (including through the expiration of applicable waiting periods). Governmental authorities may also commence litigation against us, Alaska or both to prevent the Merger from occurring. Defending any such lawsuit will be time-consuming and expensive and there can be no assurance that we and Alaska would ultimately be successful.

Additionally, if the Merger is not consummated, our stockholders and holders of RSUs, options, and warrants will not receive the merger consideration that would have been paid at the closing of the Merger.

BUSINESS RISKS

Our agreement with Amazon increases the role of cargo in our business model, which may have negative impacts on our operating results and financial condition.

Our business has historically focused on passenger flights. The ATSA with Amazon is anticipated to increase our cargo operations. Historically, our revenue from non-passenger operations, which includes cargo, accounted for approximately 9.4%, 11.6%, and 14.1% of total revenue during the years ending December 31, 2023, 2022, and 2021, respectively. During the three months ended March 31, 2024, our revenue from non-passenger operations accounted for 9.6% of our total revenue. Under the ATSA, cargo operations are expected to account for a larger portion of our revenue. Our cargo operations for Amazon may not generate the levels of revenue anticipated. We expect to incur additional costs in order to ramp up and prepare for increased cargo operations, including hiring crew, opening mainland bases and preparing to provide line maintenance for the Amazon fleet. Our pre-service efforts could be costly and be time-consuming and distracting to our management. Additionally, we will incur costs before we generate revenue from our cargo operations for Amazon, which may negatively impact our business and results of operations. Once we begin generating revenue from cargo operations for Amazon, some or all of that revenue will be offset against the value of Amazon's vested warrant shares due to our accounting policies.

ECONOMIC RISKS

Our business is affected by global economic volatility, including any future economic downturns.

Our business and results of operations are significantly impacted by general world-wide economic conditions, including any future economic downturns. For example, the COVID-19 pandemic and associated decline in economic activity and increase in unemployment levels had a severe and prolonged effect on the global economy generally and, in turn, resulted in a prolonged period of depressed demand for air travel in general. As a result of the COVID-19 pandemic, we experienced a significant decrease in demand for air travel and reduced load capacity on flights. For the three months ended March 31, 2024, our passenger revenue was $583.4 million, up approximately $34.9 million compared to 2023, but down $17.9 million, or 3.0% from the pre-pandemic period in 2019. Across our business and as a result of the COVID-19 pandemic, we have faced operational challenges, including continued delay in the recovery of international travel. Our business depends on the demand for travel to, from and within the Hawaiian Islands and such demand for discretionary air travel remains unpredictable. Further deterioration or instability in demand, including resulting from any future pandemic or other public health related travel restrictions, recommendations or other impacts on travel behavior, such as those that occurred during the COVID-19 pandemic, ongoing economic uncertainty or recession may result in sustained reduction in our passenger traffic and/or increased competitive pressure on fares in the markets we serve, which could continue to negatively impact our results of operations and financial condition. There can be no assurance that we will be able to offset passenger revenue reductions with other revenue, by reducing our costs or by seeking financing arrangements or other programs or opportunities. We also may not have sufficient cash flows to support our debt obligations, on which more detail is provided in Note 9 of the Notes to Consolidated Financial Statements. In addition, a rapid economic expansion following the height of the COVID-19 pandemic resulted in significant inflationary pressures and volatility in certain currencies, which have increased our costs for aircraft fuel, wages and other goods and services we require to operate our business.

In 2023, concerns arose with respect to the financial condition of certain banking institutions in the United States, in particular those with exposure to certain types of depositors and large portfolios of investment securities. In March 2023, both Silicon Valley Bank (SVB) and Signature Bank (Signature) entered receivership. While we do not maintain accounts with either SVB or Signature, we maintain our cash at other financial institutions in balances that exceed the current Federal Deposit Insurance Corporation insurance limits. If more banks and financial institutions experience financial hardship, enter receivership or become insolvent in the future due to financial conditions affecting the banking system and financial markets, our ability to access our cash, cash equivalents and short-term investments may be threatened and could have a material adverse effect on our business and financial condition.

Our business is highly dependent on tourism to, from, and amongst the Hawaiian Islands and our financial results have been impacted and may continue to be impacted by the current and any future downturn in tourism levels.

Our principal base of operations is in Hawai'i and our revenue is linked primarily to the number of travelers (mainly tourists) to, from and amongst the Hawaiian Islands. As a result of the COVID-19 pandemic and government mandates related to travel, we experienced a significant decline in the demand for travel to, from and amongst the Hawaiian Islands. The State of Hawai'i stopped imposing quarantine, testing and vaccination requirements at the end of the first quarter of 2022, but certain foreign government restrictions remained in effect for international travelers during 2022. We have and will continue to incur costs as we further increase our number of flights as passenger traffic to and within the Hawaiian Islands increases, which we incur before the anticipated additional revenue is earned.

Hawai'i tourism levels are generally affected by the economic and political climate impacting air travel and tourism markets generally, including the availability of hotel accommodations, the popularity of tourist destinations relative to other vacation destinations, and other global factors including health crises, natural disasters, safety, and security. While we have seen some increased tourism activity in the state of Hawai'i since the start of the COVID-19 pandemic, we cannot predict if and when tourism levels will be sustained at levels seen prior to the COVID-19 pandemic, particularly with respect to international

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markets. Additionally, from time to time, various events and industry-specific problems such as labor strikes have had a negative impact on tourism generally and in Hawai'i specifically. The occurrence of natural disasters, such as wildfires, hurricanes, earthquakes, volcanic eruptions, and tsunamis, in Hawai'i or other parts of the world, could also have an adverse effect on our business or financial condition. For example, as a result of the August 2023 wildfires in West Maui, we have experienced a decline in tourism in this region that has adversely impacted our business and financial results. We expect demand for travel to Maui to remain depressed and continue to impact our business and financial results while West Maui continues to rebuild from wildfire devastation. In addition, the potential or actual occurrence of terrorist attacks, wars, and/or the threat of other negative world events have had, and may in the future have, a material adverse effect on or impede the recovery of tourism from the COVID-19 pandemic.

Our business is highly dependent on the price and availability of fuel.

Our results, operations, and plans for decarbonization are heavily impacted by the price and availability of jet fuel. The cost of jet fuel remains high and the availability of jet fuel remains volatile. The cost and availability of jet fuel are subject to political, economic, and market factors that are generally outside of our control, including those related to the conflict between Russia and Ukraine and the widening conflict in the Middle East. Prices may be affected by many factors including, without limitation, the impact of political instability, crude oil production and refining capacity, sustainable aviation fuel (SAF) production volume, unexpected changes in the availability of petroleum products due to disruptions to distribution systems or refineries, unpredicted increases in demand due to weather or the pace of global economic growth, inventory reserve levels of crude oil and other petroleum products, the relative fluctuation between the U.S. dollar and other major currencies, government taxes, regulations and subsidies that change the price or reduce the availability of jet fuel, and the actions of speculators in commodity markets. Because of the effects of these factors on the price and availability of jet fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. Also, due to the competitive nature of the airline industry, there can be no assurance that we will be able to increase our fares or other fees to sufficiently offset any increase in fuel prices.

While we may enter into derivative agreements to protect against the volatility of fuel costs, there is no assurance that such agreements will protect us during unfavorable market conditions or that counterparties will be able to perform under these hedge arrangements.

See Item 7A “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for further information regarding our exposure to the price of fuel.

Our business is exposed to foreign currency exchange rate fluctuations.

Prior to the COVID-19 pandemic, our business had been expanding internationally with an increasing percentage of our passenger revenue generated from our International routes. The fluctuation of the U.S. dollar relative to foreign currencies can significantly affect our results of operations and financial condition. For example, the value of the Japanese Yen has experienced significant volatility versus the U.S. dollar recently. Any weakening of the Japanese Yen relative to the U.S. dollar causes our flights, and travel in general, from Japan to Hawai'i to become more expensive to customers in Japan, which has and could continue to negatively impact our business. To manage the effects of fluctuating exchange rates, we periodically enter into foreign currency forward contracts and execute payment of expenditures in those locations in local currency. As of March 31, 2024, we have Japanese Yen denominated debt totaling $111.4 million. If our business continues to expand internationally, there is no assurance that these agreements will protect us against foreign currency exchange rate fluctuations during unfavorable market conditions or that our counterparties will be able to perform under these hedge arrangements.

See Item 7A “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for further information regarding our exposure to foreign currency exchange rates.

LIQUIDITY RISKS

Our financial liquidity could be adversely affected by credit market conditions.

Our business requires access to capital markets to finance equipment purchases, including aircraft, and to provide liquidity in seasonal or cyclical periods of weaker revenue generation. In particular, we will face specific funding requirements with respect to our obligation under purchase agreements with Boeing to acquire new aircraft. We may finance these upcoming aircraft deliveries; however, the unpredictability of global credit market conditions, particularly in light of the U.S. Federal Reserve System (Federal Reserve) raising interest rates, may adversely affect the availability of financing or may result in unfavorable terms and conditions.

Our current unencumbered aircraft can be financed to increase our liquidity, but such financings may be subject to unfavorable terms. In light of current market conditions, any such financings are likely to reflect loan-to-value ratios and interest rates and other terms and conditions less favorable than our recent aircraft financings.

Additionally, there can be no assurance that we will not face credit rating downgrades as a result of weaker than anticipated performance of our business or other factors, as demonstrated by our credit rating downgrades in 2020. Future downgrades could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets.

We can offer no assurance that financing we may need in the future will be available when required or that the economic terms on which it is available will not adversely affect our financial condition. In addition, our ability to refinance our existing or future indebtedness as we may need or desire will depend on the capital markets, including prevailing interest rates, and our financial condition and performance, which, among other things, is subject to economic, financial, competitive and other factors beyond our control. If we cannot obtain financing, we are unable to refinance our existing or future indebtedness, or we cannot obtain financing or refinance our existing or future indebtedness on commercially reasonable or desirable terms, we may default on our existing or future indebtedness and our business and financial condition may be adversely affected.

Our debt could adversely affect our liquidity and financial condition, and include covenants that impose restrictions on our financial and business operations.

As of March 31, 2024, we had approximately $1.6 billion in outstanding commercial debt, excluding funds borrowed under the federal PSP. Our debt and related covenants could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limit, along with the financial and other restrictive covenants in the agreements governing our debt, our ability to borrow additional funds;
- place us at a competitive disadvantage compared to other less leveraged competitors and competitors with debt agreements on more favorable terms than us; and
- adversely affect our ability to secure additional financing in the future on acceptable terms or at all, which would impact our ability to fund our working capital, capital expenditures, acquisitions or other general corporate purpose needs.

These agreements require us to meet certain covenants. If we breach any of these covenants we could be in a default under these facilities, which could cause our outstanding obligations under these facilities to accelerate and become due and payable immediately, and could also cause us to default under our other debt or lease obligations and lead to an acceleration of the obligations related to such other debt or lease obligations. The existence of such a default could also preclude us from borrowing funds under other credit facilities.

Our ability to comply with the provisions of financing agreements can be affected by events beyond our control and a default under any such financing agreements if not cured or waived, could have a material adverse effect on us. In the event our debt is accelerated, we may not have sufficient liquidity to repay these obligations or to refinance our debt obligations, resulting in a material adverse effect on our financial condition.

We are required to maintain reserves under our credit card processing agreements which could adversely affect our financial and business operations.

Under our bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. As of March 31, 2024, there were no holdbacks held by our credit card processors.

In the event of a material adverse change in our business, the holdback could incrementally increase to an amount up to 100% of the applicable credit card activity for all unflown flights, which would also cause an increase in the level of restricted cash. If we are unable to obtain a waiver, or otherwise mitigate the increase in restricted cash, it could adversely affect our liquidity and also cause a covenant violation under other debt or lease obligations and have a material adverse effect on our financial condition.

COMPETITIVE ENVIRONMENT RISKS

We operate in an extremely competitive environment.

The airline industry is characterized by low profit margins, high fixed costs, and significant price competition. We compete with other airlines on all of our Domestic and International routes. The commencement of, or increase in, service on our routes by existing or new carriers at aggressive prices has and could continue to negatively impact our operating results, including as demand for air travel rebuilds. Most of our competitors are much larger and have greater financial resources and brand recognition than we do. Moreover, competitors or potential competitors may merge or enter alliances that increase their financial resources and other strategic advantages. Aggressive marketing tactics or a prolonged fare competition initiated by one or more of these competitors could adversely affect our financial resources and our ability to compete in these markets. Additionally, our competitors have been and may continue to be more successful in recovering from the impacts of the COVID-19 pandemic, which could impact our ability to compete successfully in the future. Since airline markets have few natural barriers to entry, we also face the constant threat of new entrants in all of our markets.

Additional capacity to or within Hawai'i, whether from network carriers or low-cost carriers, could decrease our share of the markets in which we operate, could cause a decline in our yields, or both, which could have a material adverse effect on our results of operations and financial condition.

Inflation may adversely affect us by increasing costs beyond what we can recover through price increases and may contribute to a recession.

In the past year, inflation increased throughout the U.S. economy to levels not seen in decades. Although inflation rates have recently declined, inflation can adversely affect us by increasing the costs of labor, fuel, and other costs as well as by reducing demand for air travel. In an inflationary environment, depending on airline industry and other economic conditions, we may be unable to raise prices enough to keep up with the rate of inflation, which would reduce our profit margins. We have experienced, and continue to experience, increases in the prices of labor, fuel and other costs of providing service. Continued inflationary pressures could further impact our profitability.

In response to inflation, the Federal Reserve has increased interest rates in an effort to reduce inflationary pressures. The Federal Reserve's actions increase the risk of a recession in which demand for air travel is reduced, which could adversely affect our financial condition and results of operations.

Interest rate increases may adversely affect the fair value of our investments

The Federal Reserve's interest rate increases have reduced and could continue to reduce, the fair value of our investments. Reductions in the fair value of our investments could have a negative impact on our earnings and liquidity.

The concentration of our business within Hawai'i, and between Hawai'i and the U.S. mainland, provides little diversification of our revenue.

During the three months ended March 31, 2024, approximately 77.4% of our passenger revenue was generated from our Domestic routes. Most of our competitors, particularly major network carriers with whom we compete on North America and Neighbor Island routes, enjoy greater geographical diversification of their passenger revenue. As Domestic routes account for a significantly higher proportion of our revenue than they do for most of our competitors, a proportionately higher decline in demand for our domestic routes is likely to have a relatively greater adverse effect on our financial results than on those of our competitors. Sustained reduction in demand on our Domestic routes and continued industry capacity of major network carriers on routes to, from and within Hawai'i could adversely affect our financial results.

Our business is affected by the competitive advantages held by network carriers in the North America market.

The majority of competition on our North America routes is from network carriers such as Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines, all of whom have a number of competitive advantages. Primarily, network carriers generate passenger traffic from and throughout the U.S. mainland, which enables them to attract higher customer traffic levels as compared to us.

In contrast, we lack a comparable direct network to feed passengers to our North America flights and are therefore more reliant on passenger demand in the specific cities we serve. We also rely on our code-share partner agreements (e.g. with JetBlue) to provide customers access to and from North American destinations currently unserved by us. Most network carriers operate

from hubs, which can provide a built-in market of passengers depending on the economic strength of the hub city and the size of the customer group that frequents the airline. Our Honolulu and Maui hubs do not originate a large proportion of North American travel, nor do they have the population or potential customer franchise of a larger city to provide us with a significant built-in market. Passengers in the North American market, for the most part, do not originate in Honolulu, but on the U.S. mainland, making Honolulu primarily a destination rather than an origin of passenger traffic.

Our North America and Neighbor Island routes are affected by increased capacity provided by our competitors.

Prior to and during the COVID-19 pandemic, certain of our competitors increased capacity to and within Hawai'i by introducing new routes and increasing the frequency of existing routes from North America to Hawai'i and by the introduction of additional flights within the neighbor islands. We are unable to predict competitor capacity related to air travel to Hawai'i or between the neighbor islands. Any increased competitor capacity that decreases our share of traffic to Hawai'i or between the neighbor islands could ultimately have a material adverse effect on our results of operations and financial condition.

Our International routes are affected by competition from domestic and foreign carriers.

During the three months ended March 31, 2024, approximately 22.6% of our passenger revenue was generated from our International routes. Our competitors on these routes include both domestic and foreign carriers. Both domestic and foreign competitors have a number of competitive advantages that may enable them to attract higher customer traffic levels as compared to us.

Many of our domestic competitors are members of airline alliances, which provide customers access to each participating airline’s international network, allowing for convenience and connectivity to their destinations. These alliances formed by our domestic competitors have increased in recent years. In some instances, our domestic competitors have been granted antitrust exemptions to form joint venture arrangements in certain geographies, further deepening their cooperation on certain routes. To mitigate this risk, we rely on code-share agreements with partner airlines to provide customers access to international destinations currently unserved by us.

Many of our foreign competitors are network carriers that benefit from network feed to support international routes on which we compete. In contrast, we lack a comparable direct network to feed passengers to our international flights, and are therefore more reliant on passenger demand in the specific destinations that we serve. Most network carriers operate from hubs, which can provide a built-in home base market of passengers. Passengers on our International routes, for the most part, do not originate in Hawai'i, but rather internationally, in these foreign carriers' home bases. We also rely on our code-share agreements and our relationships with travel agencies and wholesale distributors to provide customers access to and from International destinations currently unserved by us.

INFORMATION TECHNOLOGY AND THIRD-PARTY RISKS

If we do not maintain the privacy and security of personal information or other information relating to our customers or others, or fail to comply with applicable U.S. and foreign privacy, data protection, or data security laws or security standards imposed by our commercial partners, our reputation could be damaged, we could incur substantial additional costs, and we could become subject to litigation or regulatory penalties.

We receive, retain, transmit and otherwise process personal information and other information about our customers and other individuals, including our employees and contractors, and we are subject to increasing legislative, regulatory and customer focus on privacy, data protection, and data security both domestically and internationally. Numerous laws and regulations in the U.S. and in various other jurisdictions in which we operate relate to privacy, data protection, and security, including laws and regulations regarding the collection, processing, storage, sharing, disclosure, use and security of personal information and other data from and about our customers and other individuals. For example, in the European Union, the General Data Protection Regulation (GDPR) became effective in 2018. The United Kingdom has adopted legislation that substantially implements the GDPR. Additionally, California enacted the California Consumer Privacy Act (CCPA), effective as of January 1, 2020, which was modified significantly by the California Privacy Rights Act (CPRA), which became effective in most material respects on January 1, 2023. Other states, including Colorado, Connecticut, Delaware, Florida, Indiana, Iowa, Montana, New Jersey, Oregon, Tennessee, Texas, Utah, and Virginia have enacted similar legislation. The U.S. federal government also is contemplating federal privacy legislation. The GDPR and CCPA, other new laws and regulations, and changes in laws or regulations relating to privacy, data protection and information security may require us to modify our practices with respect to the collection, use and disclosure of data. The GDPR provides for significant penalties in the case of non-compliance of up to €20 million or four percent of worldwide annual revenues, whichever is greater. The United Kingdom legislation implementing the GDPR provides for a similar penalty structure. The GDPR, CCPA, CPRA and other existing and proposed laws and

regulations can be costly to comply with and can delay or impede our processing of data, result in negative publicity, increase our operating costs and subject us to claims or other remedies. The scope of laws and regulations relating to privacy, data protection, and security is changing, subject to differing interpretations, may be costly to comply with, and may be inconsistent among countries and jurisdictions or conflict with other obligations of ours.

A number of our commercial partners, including payment card companies, have imposed data security standards or other obligations relating to privacy, data protection, or data security upon us. We strive to comply with applicable laws, regulations, policies, and contractual and other legal obligations relating to privacy, data protection, and data security. However, these legal, contractual, and other actual and asserted obligations may be interpreted and applied in new ways and/or in manners that are inconsistent, and may conflict with other obligations or our practices.

Any failure or perceived failure by us to comply with laws or regulations, our privacy or data protection policies, or other actual or asserted privacy-, data protection-, or information security-related obligations to customers or other third parties, or any actual or perceived compromise of security resulting in the unauthorized disclosure, transfer, loss, unavailability, use, or other processing of personal or other information, may result in governmental investigations and enforcement actions, governmental or private litigation, other liability, our loss of the ability to process payment card transactions, or us becoming subject to higher costs for such transactions, or public statements critical of us by consumer advocacy groups, competitors, the media or others that could cause our current or prospective customers to lose trust in us, any of which could have an adverse effect on our business. Additionally, if third-party business partners that we work with, such as vendors, violate or are alleged to violate applicable laws, applicable policies or other privacy-, data protection-, or security-related obligations, such violations may also put our customers' or others' information at risk and could in turn have an adverse effect on our business. Governmental agencies may also request or take customer data for national security or informational purposes, and also can make data requests in connection with criminal or civil investigations or other matters, which could harm our reputation and our business.

We will continue our efforts to comply with new and increasing privacy, data protection, and information security obligations; however, it is possible that such obligations may require us to expend additional resources, and may be difficult or impossible for us to meet. Any actual or alleged failure to comply with applicable U.S. or foreign privacy, data protection, or data security laws or regulations, any privacy or security standards imposed by our commercial partners, or any other actual or asserted obligations relating to privacy, data protection, or information security, may result in claims, regulatory investigations and proceedings, private litigation and proceedings, and other liability, all of which may adversely affect our reputation, business, results of operations and financial condition.

Our actual or perceived failure to protect customer information or other personal information or confidential information could result in harm to our business.

Our business and operations involve the storage, transmission and processing of information about our customers, our employees and contractors, our business partners, and others, as well as our own confidential information. We have not experienced a material cybersecurity incident, but we have experienced cybersecurity incidents in the past and we may experience cybersecurity incidents in the future, including incidents through cyber-attacks by third parties seeking unauthorized access to any of these types of information or to disrupt our business or operations. Ransomware and other malware, business e-mail compromises, fraudulent sales of frequent flier miles, and general hacking have become more prevalent in our industry. While we have taken steps to protect customer information and other confidential information to which we have access, there can be no assurance that any security measures that we or our third-party service providers have implemented will be effective against current or future security threats. The security risks that we and our third-party service providers face have been heightened by an increase in employees and service providers working remotely. Additionally, these risks may be elevated in connection with geopolitical events such as the conflict between Russia and Ukraine and the widening conflict in the Middle East. We and our third-party service providers may be unable to anticipate attempted security breaches and to implement adequate preventative measures, and our security measures or those of our third-party service providers could be breached or otherwise compromised, we could suffer data loss, corruption, or unavailability, unauthorized access to or use of the systems or networks used in our business and operations, and unauthorized, accidental, or unlawful access to, or disclosure, modification, misuse, loss, unavailability, destruction, or other unauthorized processing of our or our customers' information. We may also experience security breaches or other incidents that may remain undetected for an extended period. Further, third parties may also conduct attacks designed to disrupt or deny access to the systems and networks used in our business and operations.

Actual or perceived security breaches or other security incidents could result in unauthorized use of or access to systems and networks, unauthorized, accidental, or unlawful access to, or disclosure, modification, misuse, loss, unavailability or destruction of, our or our customers' information, and may lead to litigation, claims, indemnity obligations, regulatory investigations and other proceedings, severe reputational damage adversely affecting customer or investor confidence and causing damage to our brand, indemnity obligations, disruption to our operations, damages for contract breach, and other liability, and may adversely affect our revenues and operating results. Additionally, our service providers may suffer security breaches or other incidents that may result in unauthorized access or otherwise compromise data stored or processed for us that may give rise to any of the foregoing.

Any such actual or perceived security breach or other incident may lead to the expenditure of significant financial and other resources in efforts to investigate or correct a breach or other incident, address and eliminate vulnerabilities, and to prevent future security breaches or incidents, as well as significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, costs in connection with payment card brand fines, and other liabilities. Certain breaches affecting payment card information or the environment in which such information is processed may also result in a loss of our ability to process payment cards or increased costs associated with doing so. We have incurred and expect to incur ongoing expenditures in an effort to prevent information security breaches and other security incidents.

We cannot be certain that our insurance coverage will be adequate for information security liabilities actually incurred or to cover any indemnification claims against us relating to any incident. Furthermore, we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

We are increasingly dependent on technology and automated systems to operate our business.

We depend heavily on technology and automated systems to effectively operate our business. These systems include flight operations systems, communications systems, airport systems, reservations systems, management and accounting systems, commercial websites, including www.hawaiianairlines.com, and other IT systems, many of which must be able to accommodate high traffic volumes, maintain secure information and provide accurate flight information, as well as process critical financial transactions. Any substantial, extended, or repeated failures of these systems could negatively affect our customer service, compromise the security of customer information or other information stored on, transmitted by, or otherwise processed by these systems, result in the loss of or damage to important data, loss of revenue and increased costs, and generally harm our business. Additionally, loss of key talent required to maintain and advance these systems could have a material impact on our operations. Like other companies, our systems may be vulnerable to disruptions due to events beyond our control, including natural disasters, power disruptions, software or equipment failures, terrorist attacks, cybersecurity incursions, computer viruses and hackers. There can be no assurance that the measures we have taken to reduce the adverse effects of certain potential failures or disruptions are adequate to prevent or remedy disruptions of our systems or prevent or mitigate all attacks. In addition, we will need to continuously make significant investments in technology to periodically upgrade and replace existing systems. If we are unable to make these investments or fail to successfully implement, upgrade or replace our systems, our operations and business could be adversely impacted. For example, in May 2023, a maintenance failure caused a power disruption at our Honolulu internet provider, which interrupted our operations and resulted in significant flight delays and, during our transition to the Amadeus Altéa Passenger Service System in April 2023, we experienced intermittent issues, including issues related to our website, mobile and kiosk passenger check-in capability and booking through our website, which could have a significant impact on our operations. We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to our business, results of operations, financial condition and reputation that may result from system interruptions or system failures.

We are highly reliant on third-party contractors to provide certain facilities and services for our operations, and their failure to provide adequate products and services, or the termination of our third-party agreements could have a potentially adverse effect on our financial results.

There are a limited number of qualified employees and personnel in the airline and information technology industry, especially within the Hawai'i market. Due to these limitations, we have historically relied on outside vendors for a variety of services and functions critical to our business, including aircraft maintenance and parts, code-sharing, distribution and reservations, computer services including hosting and software maintenance, accounting, frequent flyer programs, passenger processing, ground facilities, baggage and cargo handling, personnel training, and the distribution and sale of airline seats. Our reliance on outside vendors may continue to increase in the future.

The failure of any of our third-party service providers to adequately perform their service obligations, or other interruptions of services are likely to reduce our revenues, increase expenses, and/or prevent us from operating our flights and providing other services to our customers. Our reliance on third-party distribution channels means we depend, in part, on their willingness and ability to reach customers and sell ancillary products and services that we offer. Such distribution channels may be more expensive or have less functionality than the distribution channels that we operate. Our business and financial performance

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would be materially harmed if our customers believe that any of our, or our contractors', services are unreliable or unsatisfactory.

LABOR RELATIONS AND RELATED COSTS RISKS

We are dependent on satisfactory labor relations.

Labor costs are a significant component of airline expenses and can substantially impact an airline's results of operations. A significant portion of our workforce is represented by labor unions. We have entered into collective bargaining agreements with our pilots, mechanical group employees, clerical group employees, flight attendants, and dispatchers. We cannot ensure that future agreements with our employees' labor unions will be on terms in line with our expectations or comparable to agreements entered into by our competitors, and any future agreements may increase our labor costs or otherwise adversely affect our business. We may make strategic and operational decisions that may require the consent of one or more of these labor unions, and these labor unions could demand additional wages, benefits or other consideration in return for their consent.

Application of state and local laws to our operations may conflict with federal laws, or with the laws of other states and local governments, and may subject us to additional requirements and restrictions, which might affect our relationship with our workforce and cause our expenses to increase. Application of conflicting laws may result in operational disruption or have negative effects on our collective bargaining agreements, and any failure or perceived failure by us to comply with federal, state or local labor laws may lead to litigation.

Our operations may be adversely affected if we are unable to attract and retain qualified personnel and key executives.

We believe that our future success is dependent on the knowledge and expertise of our key executives and highly qualified management, technical, and other personnel. Attracting and retaining such personnel in the airline industry is highly competitive. We cannot be certain that we will be able to retain our key executives or attract other qualified personnel in the future. Any inability to retain our key executives, or other senior technical personnel, or attract and retain additional qualified executives, could have a negative impact on our operations.

In addition, as we rebuild our operations as passenger demand recovers, and expand our operations through the acquisition of new aircraft and introduction of service to new markets, it may be challenging to attract a sufficient number of qualified personnel including pilots, mechanics and other skilled labor. As we compete with other carriers for qualified personnel, we also face the challenge of attracting individuals who embrace our team-oriented, friendly and customer-driven corporate culture. Our inability to attract and retain qualified personnel who embrace our corporate culture could have a negative impact on our reputation and overall operations.

STRATEGY AND BRAND RISKS

Our failure to successfully implement our route and network strategy could harm our business.

Our route and network strategy (how we determine to deploy our fleet) includes initiatives to increase revenue, decrease costs, mature our network, and improve distribution of our sales channels. It is critical that we execute upon our planned strategy in order for our business to attain economies of scale and to sustain or improve our results of operations. If we are unable to utilize and fill increased capacity provided by additional aircraft entering our fleet, hire and retain skilled personnel, or secure the required equipment and facilities in a cost-effective manner, we may be unable to successfully develop and grow our new and existing markets, which may adversely affect our business and operations.

We continue to strive toward aggressive cost-containment goals which are an important part of our business strategy to offer the best value to passengers through competitive fares while maintaining acceptable profit margins and return on capital. We believe a lower cost structure will better position us to fund our strategy and take advantage of market opportunities. If we are unable to adequately contain our non-fuel unit costs, our financial results may suffer.

Any damage to our reputation or brand image could adversely affect our business or financial results.

Maintaining a good reputation globally is critical to our business. Our reputation or brand image could be adversely impacted by, among other things, any failure to maintain our safety record, our high ethical, social and environmental sustainability practices for all of our operations and activities, our ability to provide on-time operational service to our customers, our impact on the environment, public pressure from investors or policy groups to change our policies, such as initiatives to address climate change, customer perceptions of our advertising campaigns, sponsorship arrangements or marketing programs, or customer perceptions of statements made by us, our employees and executives, agents or other third parties. Damage to our reputation or brand image or loss of customer confidence in our services could adversely affect our business and financial results, as well as require additional resources to rebuild our reputation.

We also increasingly use social media to communicate news and events. The inappropriate and/or unauthorized use of certain platforms or outlets could damage our brand image and reputation, and could lead to a loss of goodwill with our customers and stakeholders. Inappropriate or unauthorized use of social media could have legal implications if, for example, employees improperly collect or disseminate personally identifiable information of employees, customers or other stakeholders. Further, disclosure of our non-public information by our employees or others, whether intentional or unintentional, through social media could lead to information loss.

Our intellectual property rights, particularly our brand, are valuable, and any inability to protect them may adversely affect our business and financial results.

We consider our intellectual property rights, particularly our brand and its associated trademarks, to be valuable assets. We protect our intellectual property rights through a combination of trademark, copyright and other forms of legal protection, contractual agreements and policing of third-party misuses of our intellectual property. Our failure to obtain or adequately protect our intellectual property or any change in law that reduces or removes the current legal protections of our intellectual property may diminish our competitiveness and adversely impact our business and financial results. Any litigation or disputes regarding intellectual property may be costly and time-consuming and may divert the attention of our management and key personnel from our business operations, either of which may adversely impact our business and financial results.

Our reputation and financial results could be harmed in the event of adverse publicity, such as in the event of an aircraft accident or incident, or if we are unable to achieve certain sustainability goals.

Our customer base is broad and our business activities have significant prominence, particularly in Hawai'i and other destinations we serve. Consequently, negative publicity, including on social media, resulting from real or perceived shortcomings in our customer service, employee relations, business conduct, third-party aircraft components or other events or circumstances affecting our operations could negatively affect the public image of our company and the willingness of customers to purchase services from us, which could affect our financial results.

Additionally, we are exposed to potential losses that may be incurred in the event of an aircraft accident or incident. Any such accident or incident involving our aircraft or an aircraft operated by one of our code-share partners could involve not only the repair or replacement of a damaged aircraft or aircraft parts, and its consequential temporary or permanent loss of revenue, but also significant claims of injured passengers and others. We are required by the DOT to carry liability insurance, and although we currently maintain liability insurance in amounts consistent with the industry, we cannot be assured that our insurance coverage will adequately cover us from all claims and we may be forced to bear substantial losses incurred with an accident. In addition, any aircraft accident or incident could cause a public perception that we are less safe or reliable than other airlines, which would harm our business.

The airline industry is also subject to increasing scrutiny for its greenhouse gas emissions and impact on the environment. We are investing and intend to continue to invest towards achieving our environmental goals. While we are working to achieve our environmental goals, our sustainability plans and our ability to execute those sustainability plans are subject to substantial risks and uncertainties, including ongoing support from governments and other third-parties, the need for significant capital investment, and research and development as well as commercialization of new technologies. There can be no guarantee that we can achieve any or all of our environmental goals, and our brand, reputation and financial results may be harmed as a result of our inability to achieve such goals.

Our cargo business will be concentrated with Amazon, and any decrease in volumes or increase in costs, or a termination of our commercial agreement with Amazon, could have a significant impact on our business, operations, financial condition and brand.

We expect that a significant portion of our cargo revenue will consist of air cargo transportation services provided to Amazon under the ATSA. The ATSA does not require a minimum amount of volume or revenue and Amazon is permitted to decrease volume at any time. Our cargo business would not achieve its expected financial benefits if Amazon's use of our cargo services does not reach forecasted levels for any reason, including due to general economic conditions or preferences of Amazon and its customers. Such a shortcoming could significantly impact our business and results of operations.

In addition, the profitability of the ATSA is dependent on our ability to manage and accurately predict costs. Our projections of operating costs, crew productivity and maintenance expenses contain assumptions, including as to flight hours, aircraft reliability, crewmember productivity, compensation and benefits expense, and maintenance costs. If actual costs are higher than projected or aircraft reliability is less than expected, or aircraft become damaged and are out of revenue service for repair, the profitability of the ATSA and future operating results may be negatively impacted. We also rely on flight crews that are unionized. If collective bargaining agreements increase our costs and we cannot recover such increases, our operating results would be negatively impacted.

Performance under the ATSA is subject to a number of challenges and uncertainties, such as: unforeseen maintenance and other costs; our ability to hire pilots and other personnel necessary to support our services; interruptions in the operations under the ATSA as a result of unexpected or unforeseen events, whether as a result of factors within our control or outside of our control; and the level of operations and results of operations, including margins, under the ATSA being less than our current expectations and projections. The ATSA also contains monthly incentive payments for reaching specific on-time arrival performance thresholds, as well as providing for monetary penalties for on-time arrival performance below certain thresholds. As a result, our operating revenues may vary from period to period depending on the achievement of monthly incentives or the imposition of penalties. Further, we could be found in default if we do not maintain certain minimum reliability thresholds over an extended period of time. If we are placed in default due to the failure to maintain reliability thresholds, Amazon may elect to terminate all or part of the services we provide and pursue rights and remedies available to it at law or in equity. The ATSA is also subject to two extension options, which Amazon may choose not to exercise. To the extent that our volume of flying for Amazon is less than we anticipate or costs associated with our cargo business are higher than we forecast, or if the ATSA is terminated for any reason, our business, results of operations and financial condition could be significantly and adversely affected.

Our agreements with Amazon confer certain termination rights which, if exercised or triggered, may result in our inability to realize the full benefits of the agreements.

Our agreements with Amazon give Amazon the option to terminate in certain circumstances and upon the occurrence of certain events of default, including a change of control of Hawaiian or our failure to meet certain performance requirements. In particular, Amazon will have the right to terminate the agreement without cause after March 31, 2027, upon providing us prior written notice of termination and paying an early termination fee.

Upon termination, Amazon will generally, subject to certain exceptions, retain the warrants that have vested prior to the time of termination and, depending on the circumstances giving rise to the termination, may have the right to accelerated vesting of the remaining warrants upon a change of control of our company. Upon termination, Amazon or we may also have the right to receive a termination fee from the other party depending on the circumstances giving rise to the right of termination.

An exercise by Amazon of any of these termination rights could have an adverse effect on our business, results of operations and financial condition.

AIRLINE INDUSTRY, REGULATION AND RELATED COSTS RISKS

The airline industry has substantial operating leverage and is affected by many conditions that are beyond its control, which could harm our financial condition and results of operations.

Due to the substantial fixed costs associated with operating an airline, there is a disproportionate relationship between the cost of operating each flight and the number of passengers carried. However, the revenue generated from a particular flight is directly related to the number of passengers carried and the respective average fares applied. Accordingly, a decrease in the number of passengers carried and, when applicable, the aggregate effect of decreasing flights scheduled, causes a corresponding decrease in revenue that is likely to result in a disproportionately greater decrease in profits. Therefore, any future reductions in airline passenger traffic as a result of the following or other factors, which are largely outside of our control, will likely harm our business, financial condition, and results of operations:

- decline in general economic conditions;
- threat of terrorist attacks and conflicts overseas;
- actual or threatened war and political instability;
- increased security measures or breaches in security;
- adverse weather and natural disasters, such as the Maui wildfires;

- changes in consumer preferences, perceptions, or spending patterns;
- increased costs related to security and safety measures;
- increased fares as a result of increases in fuel costs;
- outbreaks of contagious diseases or fear of contagion that affect travel behavior, such as occurred during the COVID-19 pandemic; and
- congestion or major construction at airports and actual or potential disruptions in the air traffic control system.

Our results of operations are and may continue to be volatile due to the conditions identified above. We cannot ensure that our financial resources will be sufficient to absorb the effects of any unexpected events, including those identified above.

Our operations may be disrupted if we are unable to obtain and maintain adequate facilities and infrastructure at airports within the state of Hawai'i.

We must be able to maintain and/or obtain adequate gates, maintenance capacity, office space, operations areas, and ticketing facilities, especially at airports within the state of Hawai'i, to be able to operate our existing and proposed flight schedules. Failure to maintain such facilities and infrastructure may adversely impact our operations and financial performance.

Our business is subject to substantial seasonal and cyclical volatility.

Our results of operations reflect the impact of seasonal volatility primarily due to passenger leisure and holiday travel patterns. Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year. Moreover, due to the widespread impact of the COVID-19 pandemic on the demand for air travel generally and travel to and within Hawai'i specifically, we have seen significant declines in demand for air travel in fiscal years 2020 through 2023, as compared to the years before the COVID-19 pandemic. As Hawai'i is a popular vacation destination, demand from North America, our largest source of visitors, is typically stronger during the months of June, July, August and December and considerably weaker at other times of the year. Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

Our cargo operations are also subject to seasonal volatility. Global trade flows are typically seasonal in nature, with peak activity during the retail holiday season. Demand for air cargo capacity is historically low following the seasonal holiday peak in the fourth quarter of the previous year. While we expect our revenues to fluctuate seasonally, a significant proportion of the costs associated with our cargo business, such as crew salaries and benefits, facilities and overhead costs, cannot easily be reduced to match the seasonal drop in demand.

Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

Terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry, could negatively affect us and the airline industry.

Terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks, hostilities or acts of war, could adversely affect the airline industry, including us, and could result in a significant decrease in demand for air travel, increased security costs, increased insurance costs covering war-related risks, and increased flight operational loss due to cancellations and delays. Any future terrorist attacks or the implementation of additional security-related fees could have a material adverse effect on our business, financial condition and results of operations, and on the airline industry in general.

The airline industry is subject to extensive government regulation, new regulations, and taxes which could have an adverse effect on our financial condition and results of operations.

Airlines are subject to extensive regulatory requirements that result in significant costs. New, and modifications to existing, laws, regulations, taxes and airport rates, and charges imposed by domestic and foreign governments have been proposed from time to time that could significantly increase the cost of airline operations, restrict operations or reduce revenue. The Federal Aviation Administration (FAA) from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, aircraft landing safety measures, including with respect to the interaction of aircraft systems with new technologies such as 5G C-band service, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, commuter aircraft safety and increased inspections, and maintenance procedures to be conducted on older aircraft. A failure to be in compliance, or a modification, suspension or revocation of any of our DOT/FAA authorizations or certificates, would have a material adverse impact on our operations.

In 2018, Congress passed a five-year funding authorization for the FAA which was scheduled to expire in September 2023, and has been extended through May 10, 2024. The legislative process to renew this authorization (the FAA Reauthorization) could impact us, and the airline industry more generally, in numerous ways. As part of the FAA Reauthorization, Congress could seek to impose new rules or regulations concerning, among other things, customer service and consumer protection, aviation safety, labor requirements, investments in FAA staffing and resources and improvements to the air traffic control system, as well as new or increased fees or taxes intended to fund these policies. Any new or enhanced requirements resulting from the FAA Reauthorization have the potential to increase our costs or impact our operations.

We cannot predict the impact that laws or regulations may have on our operations, nor can we ensure that laws or regulations enacted in the future will not adversely affect our business. Further, we cannot guarantee that we will be able to obtain or maintain necessary governmental approvals. Once obtained, operating permits are subject to modification and revocation by the issuing agencies. Compliance with these and any future regulatory requirements could require us to incur significant capital and operating expenditures.

In addition to extensive government regulations, the airline industry is dependent on certain services provided by government agencies (DOT, FAA, U.S. Customs and Border Protection (CBP) and the Transportation Security Administration (TSA)). Furthermore, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports have significantly increased their rates and charges to airlines, including us, and may continue to do so in the future. In addition to passenger security requirements, the TSA has adopted comprehensive regulations governing air cargo transportation, covering things like cargo screening and security clearances for people with access to cargo. Additional measures have been proposed, which, if adopted, may have an adverse impact on our ability to efficiently process cargo and could increase our costs.

We are subject to risks associated with climate change, including increased regulation of our CO2 emissions and the potential increased impacts of severe weather events on our operations and infrastructure.

There is increasing global regulatory focus on climate change and emissions of greenhouse gases, including CO2. In particular, the International Civil Aviation Organization (ICAO) has adopted rules such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which is a market-based emissions offset program. Although the U.S. federal government has not yet enacted legislation to mandate that U.S. airlines participate in CORSIA, we are currently monitoring our international emissions for reporting purposes, and such data will be used in calculations to determine subsequent carbon offsetting requirements under the CORSIA program. At this time, we cannot predict the costs of complying with any future obligations under the CORSIA program. Regardless of the method of regulation or application of CORSIA, further policy changes with regard to climate change are possible, which could increase operating costs in the airline industry and, as a result, adversely affect our operations.

In the event that CORSIA does not come into force as expected, we and other airlines could become subject to an unpredictable and inconsistent array of national or regional emissions restrictions, creating a patchwork of complex regulatory requirements that may affect global competitors differently. Concerns over climate change may result in the adoption of municipal, state, regional, and federal requirements or in changing business environments that may result in increased costs to the airline industry and us. In addition, several countries and U.S. states have adopted or are considering adopting programs to regulate greenhouse gas emissions. On January 20, 2021, the United States rejoined the Paris Climate Accord and the current Presidential administration has made climate change mitigation an important policy priority. For example, on September 9, 2021, the current Presidential administration launched the Sustainable Aviation Fuel Grand Challenge to scale up the production of SAF, aiming to reduce greenhouse gas emissions from aviation by 20% by 2030. Additionally, the U.S. Environmental Protection Agency pressed for ambitious new aircraft greenhouse gas emission standards at international negotiations organized by ICAO in 2022. The current Presidential administration may adopt additional regulatory changes that could impact the airline industry and our business. Moreover, certain airports have adopted, and others could in the future adopt, greenhouse gas emission or climate-neutral goals that could impact our operations or require us to make changes or additional investments in our infrastructure.

All such climate change-related regulatory activity and developments may adversely affect our business and financial results by requiring us to reduce our emissions, make capital investments to modernize aspects of our operations, purchase carbon offset credits, or otherwise pay for our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs. We may not be able to increase revenue in proportion with such additional costs.

We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We could also experience significant operational disruption, reduced demand and increased costs as a result of increases in the frequency, severity or duration of natural disasters, such as wildfires, like the August 2023 wildfires in West Maui, and severe weather events, like hurricanes, exacerbated by climate change. Such severe weather events may increase the incidence of delays and cancellations, increase turbulence-related injuries, impact fuel consumption to avoid weather, require repositioning of aircraft to avoid damage or accommodate changed flights, or reduce demand for travel. We are not able to accurately predict the materiality of any potential losses or costs associated with the physical effects of climate change.

Federal budget constraints may adversely affect our industry, business, results of operations and financial position.

Many of our airline operations are regulated by governmental agencies, including the FAA, the DOT, the CBP, the TSA, and others. If a failure by the federal government to reach budgetary consensus for fiscal year 2024, or future periods, results in mandatory furloughs and/or other budget constraints, our business and results of operations could be materially negatively impacted, including as a result of actual or potential disruption in the air traffic control system, actual or perceived delays at various airports, and delays in deliveries of new aircraft, which may materially adversely impact our industry, our business, results of operations and financial positions.

The airline industry is required to comply with various environmental laws and regulations, which could inhibit our ability to operate and could also have an adverse effect on our results of operations.

Many aspects of airlines’ operations are subject to increasingly stringent federal, state, local, and foreign laws protecting the environment. U.S. federal laws that have a particular impact on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Comprehensive Environmental Response Act and the Compensation and Liability Act. Compliance with these and other environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties. Governments globally are increasingly focusing on the environmental impact caused by the consumption of fossil fuels and as a result have proposed or enacted legislation which may increase the cost of providing airline service or restrict its provision. We expect the focus on environmental matters to increase.

Concern about climate change and greenhouse gases may result in additional regulation of aircraft emissions in the U.S. and abroad. In addition, other legislative or regulatory action to regulate greenhouse gas emissions is possible. At this time, we cannot predict whether any such legislation or regulation would apportion costs between one or more jurisdictions in which we operate flights. We are monitoring and evaluating the potential impact of such legislative and regulatory developments. In addition to direct costs, such regulation may have a greater effect on the airline industry through increases in fuel costs. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the atmosphere or have a greater impact on climate change than other industries.

Our operations may be adversely affected by our expansion into non-U.S. jurisdictions and the related laws and regulations to which we are subject.

The expansion of our operations into non-U.S. jurisdictions has expanded the scope of the laws and regulations to which we are subject, both domestically and internationally. Compliance with the laws and regulations of foreign jurisdictions and the restrictions on operations that these laws, regulations or other government actions may impose could significantly increase the cost of airline operations or reduce revenue. For example, various jurisdictions have imposed or are currently imposing restrictions that impede or restrict travel in response to the COVID-19 pandemic and certain of our destinations in Asia have been revising their privacy and consumer laws and regulations. Limitations placed on our business as a result of these or other laws and regulations or failure to comply with evolving laws or regulations could result in significant penalties, criminal charges, costs to defend ourselves in a foreign jurisdiction, restrictions on operations and reputational damage. In addition, we operate flights on international routes regulated by treaties and related agreements between the U.S. and foreign governments, which are subject to change as they may be amended from time to time. Modifications of these arrangements could result in an inability to obtain or retain take-off or landing slots for our routes, route authorization and necessary facilities. Any limitations, additions or modifications to government treaties, agreements, regulations, laws or policies related to our International routes could have a material adverse impact on our financial position and results of operations.

We may be party to litigation or regulatory action in the normal course of business or otherwise, which could have an adverse effect on our operations and financial results.

From time to time, we are a party to or otherwise involved in legal or regulatory proceedings, claims, government inspections, investigations or other legal matters, both domestically and in foreign jurisdictions, including proceedings related to the COVID-19 pandemic. For example, despite the removal of COVID-19 vaccine requirements as a condition of employment, we continue to be subject to related civil lawsuits and employee grievances that may give rise to legal liability. We believe we have meritorious defenses and intend to vigorously contest such claims. Resolving or defending legal matters, however, can take months or years. The duration of such matters can be unpredictable with many variables that we do not control including adverse party or government responses. Litigation and regulatory proceedings are subject to significant uncertainty and may be expensive, time-consuming and disruptive to our operations. In addition, an adverse resolution of a lawsuit, regulatory matter, investigation or other proceeding could have a material adverse effect on our financial condition and results of operations. We may be required to change or restrict our operations or be subject to injunctive relief, significant compensatory damages, punitive damages, penalties, fines or disgorgement of profits, none of which may be covered by insurance. We may have to pay out settlements that also may not be covered by insurance. There can be no assurance that any of these payments or actions will not be material. In addition, publicity of ongoing legal and regulatory matters may adversely affect our reputation.

Changes in tax laws or regulations could have a material adverse effect on our business, results of operations, and financial conditions.

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service, the U.S. Department of the Treasury (the Treasury) and state and local tax authorities. Changes in U.S. tax laws or their interpretations (which may have retroactive application) could materially increase the amount of taxes we owe, thereby negatively impacting our results of operations as well as our cash flows from operations. For example, the U.S. enacted the Inflation Reduction Act, which, among other changes, implements a 1% excise tax on certain stock buybacks and a 15% alternative minimum tax on adjusted financial statement income of certain companies. Furthermore, our implementation of new practices and processes designed to comply with changing tax laws and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, potentially adversely impacting our business, financial position and results of operations.

As we continue to grow internationally, we may also be subject to taxation in jurisdictions around the world with increasingly complex tax laws, the application of which may be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, potentially adversely affecting our liquidity and results of operations. For example, the Organization for Economic Cooperation and Development proposed a global minimum tax of 15%, which has been adopted by the European Union effective January 1, 2024. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the relevant authorities could claim that various withholding requirements apply to us or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could adversely impact us and our results of operations.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of March 31, 2024, we had NOLs available to reduce future taxable income of approximately $451.4 million for federal income tax purposes that have indefinite carryover, but are limited to 80% utilization, and approximately $968.8 million for state income tax purposes that will expire, if unused, beginning in 2024. The majority of our state NOLs relate to the state of Hawai'i, most of which have indefinite carryover, but are limited to 80% utilization.

Our ability to use our NOLs will depend on the amount of taxable income generated in future periods. If our financial results continue to be adversely impacted, there can be no assurance that an increase in the valuation allowance on our net deferred tax assets will not be required in the future. Such valuation allowance could be material. Additionally, due to our ongoing financial recovery, the NOLs may expire before we can generate sufficient taxable income to use them.

During the first quarter of 2024, we determined that it is no longer more-likely-than-not that our deferred tax assets will be fully realized based on expected sources of future taxable income. As a result, we increased our valuation allowance resulting in the reduction of our annual effective tax rate to approximately 10.0%.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Our ability to use NOLs to reduce future

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taxable income and liabilities may be subject to annual limitations as a result of prior ownership changes and ownership changes that may occur in the future.

Our insurance costs are susceptible to significant increases, and further increases in insurance costs or reductions in coverage could have an adverse effect on our financial results.

We carry types and amounts of insurance customary in the airline industry, including coverage for general liability, passenger liability, property damage, aircraft loss or damage, baggage and cargo liability, and workers’ compensation. We are required by the DOT to carry liability insurance on each of our aircraft. We currently maintain commercial airline insurance with a major group of independent insurers that regularly participate in world aviation insurance markets, including public liability insurance and coverage for losses resulting from the physical destruction or damage to our aircraft. However, there can be no assurance that the amount of such coverage will not change or that we will not bear substantial losses from accidents or damage to, or loss of, aircraft or other property due to other factors such as natural disasters. We could incur substantial claims resulting from an accident or damage to, or loss of, aircraft or other property due to other factors such as natural disasters in excess of related insurance coverage that could have a material adverse effect on our results of operations and financial condition. As a result of the COVID-19 pandemic, we have experienced, and may continue to experience, increases in our policy premiums as our policies become eligible for renewal.

Extended interruptions or disruptions in service have and could continue to have a material adverse impact on our operations.

Our financial results have been and may continue to be adversely affected by factors outside our control, including, but not limited to, flight cancellations, significant delays in operations, and facility disruptions. Our principal base of operations is in Hawai'i and a significant interruption or disruption in service has had and may continue to have a serious impact on our business and results of operations. In addition to international health crises, such as the COVID-19 pandemic, natural disasters, such as hurricanes, earthquakes and tsunamis, have in the past and may again impact the demand for transportation in the markets in which we operate.

FLEET AND FLEET-RELATED RISKS

We are dependent on our limited number of suppliers for aircraft, aircraft engines and parts.

We are dependent on a limited number of suppliers (e.g. Airbus, Boeing, Pratt & Whitney, Rolls Royce) for aircraft, aircraft engines, and aircraft-related items. We are vulnerable to malfunction, failure, recall or other problems associated with the supply and performance of these aircraft and parts and/or related operational disruptions, such as those caused by the COVID-19 pandemic and recalls of Pratt & Whitney engines used on our A321neo aircraft due to contamination in the powdered metal used to manufacture certain engine parts. Certain of our suppliers have experienced and continue to experience significant supply chain disruptions. We have experienced delays and part shortages from our suppliers and may experience additional delays and part shortages in the future. These disruptions have and may continue to have a negative impact on our operations, including for example, aircraft out of service due to part unavailability. During 2023, we experienced shortages of Pratt & Whitney engines that resulted in aircraft out of service, and we expect these challenges to continue into 2024 and potentially beyond. We do not yet know the full impact of these operational disruptions resulting from our engine shortages from Pratt & Whitney and its affiliates. We believe that such disruptions could result in reputational harm, increased parts and maintenance costs, increased aircraft down time, and adverse effects on our financial position and results of operations.

Our agreements to purchase Boeing 787-9 aircraft represent significant future financial commitments and operating costs.

As of March 31, 2024, we had the following firm order commitments and purchase rights for additional aircraft:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A321neo aircraft	—	9	N/A
Boeing 787-9 aircraft	11	8	Between 2024 and 2027

We have made substantial pre-delivery payments for aircraft under existing purchase agreements and are required to continue these pre-delivery payments as well as make payments for the balance of the purchase price through delivery of each aircraft. In December 2022, we entered into a supplemental agreement to our Boeing 787-9 purchase agreement with the Boeing Company, pursuant to which (a) we agreed with the Boeing Company to defer the delivery of our Boeing 787-9 aircraft, the first of which we initially expected to receive in the fourth quarter of 2023, with the remaining deliveries scheduled through 2027, and (b) we

agreed to exercise purchase options for an additional two Boeing 787-9 aircraft with scheduled delivery dates in 2027. In July 2023, we were notified by Boeing that our 2023 and 2024 Boeing 787-9 deliveries will be delayed by a couple of months. In February 2024, we took delivery of our first Boeing 787-9 aircraft, which was placed into service in April 2024. In April 2024, we received delivery of our second Boeing 787-9 aircraft and anticipate delivery of our third aircraft in late 2024. We have, and may continue to experience delays in the delivery of our future Boeing 787-9 aircraft deliveries.

These future commitments substantially increase our future capital spending requirements and may require us to increase our level of debt in future years. We are continuing to evaluate our options to finance these commitments. There can be no assurance that we will be able to obtain such financing on favorable terms, or at all.

Delays in scheduled aircraft deliveries or other loss of fleet capacity may adversely impact our operations and financial results.

The success of our business depends on, among other things, the ability to effectively operate a certain number and type of aircraft. As noted above, we are uncertain about the future of our contractual commitments to purchase additional aircraft for our fleet and have and may continue to experience supply chain delays that impact the availability of our aircraft. Our inability to purchase and introduce new aircraft into our fleet could negatively impact our business, operations and financial performance. Even if we proceed with some or all of our contractual commitments to purchase additional aircraft, delays in scheduled aircraft or our failure to integrate newly purchased aircraft into our fleet as planned may require us to utilize our existing fleet longer than expected. Such extensions may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs.

We may never realize the full value of our long-lived assets such as aircraft and non-aircraft equipment, resulting in impairment and other related charges that may negatively impact our financial position and results of operations.

Long-lived assets used in operations consist principally of property and equipment and had a carrying value of approximately $2.1 billion as of March 31, 2024. Economic and intrinsic triggers, which include extreme fuel price volatility, an uncertain economic and credit environment, unfavorable trends in historical or forecasted results of operations and cash flows, as well as other uncertainties, may cause us to record material impairments of our long-lived assets. Additionally, we could be subject to impairment charges in the future that could have an adverse effect on our financial position and results of operations in future periods.

Long-lived assets are tested for impairment when events or changes in circumstances indicate, in management's judgement, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. To determine whether impairment exists for aircraft used in operations, assets are grouped at the fleet-type level (the lowest level for which there are identifiable cash flows) and future cash flows are estimated based on projections of capacity, passenger mile yield, fuel costs, labor costs and other relevant factors. If, at any time, management determines the net carrying value of an asset is not recoverable, the amount is reduced to its fair value during the period in which such determination is made.

We continue to evaluate our current fleet and other long-lived assets for impairment accordingly. As of March 31, 2024, our remaining long-lived assets continued to generate future cash flows from operation of the fleet through the respective retirement dates in excess of their respective carrying values.

COMMON STOCK RISKS

Our share price is subject to fluctuations.

The market price of our stock is influenced by many factors, many of which are outside of our control, and include other factors discussed in the Risk Factors section, as well as the following:

- our operating results and financial condition;

- how our operating results and financial condition compare to securities analyst expectations, particularly with respect to metrics for which we do not give guidance, including whether those results significantly fail to meet or exceed securities analyst expectations;
- changes in the competitive environment in which we operate;
- fuel price volatility including the availability of fuel;
- announcements concerning our competitors including bankruptcy filings, mergers, restructurings or acquisitions by other airlines;

- increases or changes in government regulation;
- general and industry specific market conditions;
- changes in financial estimates or recommendations by securities analysts; and
- sales of our common stock or other actions by investors with significant shareholdings.

In recent years the stock market has experienced volatile price and volume fluctuations that often have been unrelated to the operating performance of individual companies. These market fluctuations, as well as general economic conditions, have affected and may continue to affect the price of our common stock.

In the past, securities class action litigation has often been instituted against a company following periods of volatility in its stock price. This type of litigation, if filed against us, could result in substantial costs and divert our management's attention and resources. In addition, the future sale of a substantial number of shares of common stock by us or by our existing stockholders may have an adverse impact on the market price of our common stock. There can be no assurance that the trading price of our common stock will remain at or near its current level.

We do not expect to repurchase our common stock pursuant to our share repurchase program or pay dividends on our common stock for the foreseeable future.

You should not rely on an investment in our common stock to provide dividend income. Although we have historically issued quarterly dividends and repurchased shares, we do not currently anticipate any future dividends or share repurchases and we cannot provide any assurance that we will initiate any dividend or a share repurchase program again in the future. Accordingly, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. Our decision whether to declare dividends or institute a share repurchase program could be based on, amongst other things, our operating results, financial condition, capital requirements, and general business conditions.

Our future earnings and earnings per share, as reported under generally accepted accounting principles, will be impacted by the Amazon warrants.

The warrants held by Amazon are subject to fair value measurements during periods that they are outstanding. Accordingly, future fluctuations in the fair value of the warrants are expected to adversely impact our reported earnings measures from time to time. See Note 11 in the accompanying consolidated financial statements of this report for further information about the warrants issued to Amazon.

If Amazon or the Treasury exercise their rights to acquire shares of our common stock pursuant to the outstanding warrants held by them, such exercise will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our common stock.

If Amazon or the Treasury exercise their rights to acquire shares of our common stock pursuant to their warrants, it will dilute the ownership interests of our then-existing stockholders and reduce our earnings per share. In addition, any sales in the public market of any common stock issuable upon the exercise of the warrants by Amazon or the Treasury, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock. Moreover, the warrants include anti-dilution adjustments for certain issuances of common stock or convertible securities by us. If such anti-dilution adjustments are made, Amazon would receive more shares for the exercise of its warrants than before the anti-dilution adjustment, increasing their dilutive impact.

Our certificate of incorporation includes a provision limiting voting and ownership by non-U.S. citizens and our bylaws include a provision specifying an exclusive forum for stockholder disputes.

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our certificate of incorporation restricts voting of shares of our common stock by non-U.S. citizens. Our certificate of incorporation provides that the failure of non-U.S. citizens to register their shares on a separate stock record, which we refer to as the "foreign stock record," would result in a suspension of their voting rights in the event that the aggregate foreign ownership of the outstanding common stock exceeds the foreign ownership restrictions imposed by federal law.

Our certificate of incorporation further provides that no shares of our common stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law. If it is determined that the amount registered in the foreign stock record exceeds the foreign ownership restrictions imposed by federal law, shares will be removed from the foreign stock record in reverse chronological order based on the date of registration therein, until the

number of shares registered therein does not exceed the foreign ownership restrictions imposed by federal law. As of March 31, 2024, we believe we were in compliance with the foreign ownership rules.

Our bylaws provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware or, if such court lacks jurisdiction, any other state or federal court located in the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, stockholders or other employees to us or our stockholders; (iii) any action asserting a claim against us or any of our directors, officers, stockholders or other employees arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws (as each may be amended or restated from time to time); or (iv) any action asserting a claim against us or any of our directors, officers or other employees governed by the internal affairs doctrine. Our amended and restated bylaws further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Accordingly, stockholders may be limited in the forum in which they are able to pursue legal actions against us.

Certain provisions of our certificate of incorporation and bylaws, and our issuance of warrants to Amazon, may delay or prevent a change of control, which could materially adversely affect the price of our common stock.

Our certificate of incorporation and bylaws contain provisions that may make it difficult to remove our Board of Directors and management, and may discourage or delay a change of control, which could materially and adversely affect the price of our common stock. These provisions include, among others:

- the ability of our Board of Directors to issue, without further action by the stockholders, series of undesignated preferred stock, or rights to acquire preferred stock, that could dilute the interest of, or impair the voting power of, holders of our common stock or could also be used as a method of discouraging, delaying or preventing a change of control;
- advance notice procedures for stockholder proposals to be considered at stockholders' meetings and for nominations of candidates for election to our Board of Directors;
- the ability of our Board of Directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- a prohibition against stockholders calling special meetings of stockholders; and
- super-majority voting requirements to modify or amend specified provisions of our certificate of incorporation.

In addition, some terms of the agreements between us and Amazon may discourage attempts to acquire our company. Amazon is entitled to notice of certain transactions, including transactions that might result in a change of control of Hawaiian, ten days before we enter into a definitive agreement related to such transactions, subject to certain exceptions. Also, the vesting of the warrants issued by us to Amazon will generally, subject to certain exceptions, be accelerated upon a change of control of the Company.

If Amazon exercises its right to acquire additional shares of our common stock pursuant to its warrants, Amazon may become a significant stockholder.

The warrants issued by us to Amazon grant Amazon the right to purchase, in the aggregate, up to 15%, as of the date of the agreements, of our common stock on a post-issuance basis. If the warrants issued to Amazon, including pursuant to any anti-dilutive adjustments, are exercised, Amazon may become a significant stockholder of our company.

If securities analysts do not publish research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade the outlook of our common stock, the market price of our common stock could decline.

The trading market for our common stock will depend in part on the research and reports that third-party securities analysts publish about us and our industry. One or more analysts could downgrade the outlook for our common stock or issue other negative commentary about us or our industry. Furthermore, if one or more of these analysts cease coverage of us, we could lose visibility in the market. In addition, analysts and other market observers assessing our performance and prospects will take into account our existing and future amounts of debt, securities offerings, and any offers by us to repurchase our securities. As a result of one or more of these factors, the market price of our common stock could decline and cause you to lose all or a portion of your investment.

SECURITIES OFFERINGS RISKS

In connection with the issuance of Hawaiian's enhanced equipment trust certificate, our indebtedness and liabilities could limit the cash flow available for our operations, and consequently expose us to risks that could materially adversely affect the resources available to us and Hawaiian to satisfy our obligations under such certificates.

As of March 31, 2024, the outstanding principal balance of our enhanced equipment trust certificate (EETC) issuances was $153.1 million. Offerings of structured finance securities, such as the EETC issuances may present risks similar to those of the other types of debt obligations in which we or Hawaiian may invest and, in fact, such risks may be of greater significance in the case of such structured finance securities. In addition, the performance of the EETCs will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, and the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. If we or Hawaiian fail to comply with these covenants or to make payments under such indebtedness when due, then we or Hawaiian would be in default under that indebtedness, which could, in turn, result in ours or Hawaiian's other indebtedness becoming immediately payable in full.

In connection with the issuance of the senior secured notes due 2026, our indebtedness and liabilities could limit the cash flow available for Hawaiian's operations, and consequently expose us to risks that could materially adversely affect the resources available to us to satisfy our obligations under the Notes.

In February 2021, we conducted a private offering of 5.75% senior secured notes due 2026 (the Notes) collateralized by certain loyalty and brand assets (Notes Offering). The indebtedness of Hawaiian and its subsidiaries increased significantly as a result of the Notes Offering. As of March 31, 2024, Hawaiian had approximately $1.7 billion of total indebtedness (excluding finance lease obligations of approximately $65.1 million and operating lease obligations of $363.1 million). We incurred approximately $1.2 billion principal amount of indebtedness as a result of the Notes Offering. We may also incur additional indebtedness to meet future financing needs. The indebtedness of Hawaiian and its subsidiaries could have significant negative consequences for our security holders and the resources available to satisfy our obligations under the Notes, including the following:

- greater difficulty satisfying our obligations with respect to the Notes;
- increasing Hawaiian's vulnerability to adverse economic and industry conditions;
- limiting Hawaiian's ability to obtain additional financing;
- requiring the dedication of a substantial portion of Hawaiian's cash flow from operations to service Hawaiian's indebtedness, which will reduce the amount of cash available for other purposes;
- limiting Hawaiian's flexibility to plan for, or react to, changes in its business;
- placing Hawaiian at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital; and
- potentially causing Hawaiian's credit ratings to be reduced and causing our and Hawaiian's debt and equity securities to significantly decrease in value.

Hawaiian's business, including the HawaiianMiles Program, may not generate sufficient funds, and we and Hawaiian may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our and Hawaiian's indebtedness, including the Notes, and our and Hawaiian's cash needs may increase in the future. In addition, future indebtedness that we or Hawaiian may incur may contain financial and other restrictive covenants that limit our ability to operate our business, including with respect to the HawaiianMiles Program, raise capital or make payments under our or Hawaiian's indebtedness. If we or Hawaiian fail to comply with these covenants or to make payments under ours or Hawaiian's indebtedness when due, then we or Hawaiian would be in default under that indebtedness, which could, in turn, result in ours and Hawaiian's other indebtedness becoming immediately payable in full.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

ITEM 6. EXHIBITS.

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of principal executive officer.
31.2	Rule 13a-14(a) Certification of principal financial officer.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Valuation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data Files (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HAWAIIAN HOLDINGS, INC.

Date: April 24, 2024

By: /s/ Shannon L. Okinaka

Shannon L. Okinaka

Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to__________

Commission File Number: 000-49728

JETBLUE AIRWAYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**87-0617894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

27-01 Queens Plaza North	Long Island City	New York	11101
(Address of principal executive offices)			(Zip Code)

(718) 286-7900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	**JBLU**	**The NASDAQ Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of March 31, 2024, there were 340,135,050 shares outstanding of the registrant's common stock, par value $0.01.

JETBLUE AIRWAYS CORPORATION
FORM 10-Q
INDEX

Forward-Looking Information

This Quarterly Report on Form 10-Q (the "Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Report are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "expects," "plans," "intends," "anticipates," "indicates," "remains," "believes," "estimates," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "goals," "targets" or the negative of these terms or other similar expressions. Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed, or assured. Forward-looking statements contained in this Report include, without limitation, statements regarding our outlook and future results of operations and financial position, our business strategy and plans for future operations, our sustainability initiatives, the impact of industry or other macroeconomic trends affecting our business, seasonality, and our expectations regarding the wind-down of our Northeast Alliance with American Airlines Group Inc. (the "NEA") and the related impact on our business, financial condition and results of operations. Forward-looking statements involve risks, uncertainties and assumptions, and are based on information currently available to us. Actual results may differ materially from those expressed in the forward-looking statements due to many factors, including, without limitation, the risk associated with the execution of our strategic operating plans in the near-term and long-term; our extremely competitive industry; risks related to the long-term nature of our fleet order book; volatility in fuel prices and availability of fuel; increased maintenance costs associated with fleet age; costs associated with salaries, wages and benefits; risks associated with a potential material reduction in the rate of interchange reimbursement fees; risks associated with doing business internationally; our reliance on high daily aircraft utilization; our dependence on the New York metropolitan market; risks associated with extended interruptions or disruptions in service at our focus cities; risks associated with airport expenses; risks associated with seasonality and weather; our reliance on a limited number of suppliers for our aircraft, engines, and our Fly-Fi® product; risks related to new or increased tariffs imposed on commercial aircraft and related parts imported from outside the United States; the outcome of legal proceedings with respect to the NEA and our wind-down of the NEA; risks associated with cybersecurity and privacy, including information security breaches; heightened regulatory requirements concerning data security compliance; risks associated with reliance on, and potential failure of, automated systems to operate our business; our inability to attract and retain qualified crewmembers; our being subject to potential unionization, work stoppages, slowdowns or increased labor costs; reputational and business risk from an accident or incident involving our aircraft; risks associated with damage to our reputation and the JetBlue brand name; our significant amount of fixed obligations and the ability to service such obligations; our substantial indebtedness and impact on our ability to meet future financing needs; financial risks associated with credit card processors; risks associated with seeking short-term additional financing liquidity; failure to realize the full value of intangible or long-lived assets, causing us to record impairments; risks associated with disease outbreaks or environmental disasters affecting travel behavior; compliance with environmental laws and regulations, which may cause us to incur substantial costs; the impacts of federal budget constraints or federally imposed furloughs; impact of global climate change and legal, regulatory or market response to such change; increasing attention to, and evolving expectations regarding, environmental, social and governance matters; changes in government regulations in our industry; acts of war or terrorism; and changes in global economic conditions or an economic downturn leading to a continuing or accelerated decrease in demand for air travel. It is routine for our internal projections and expectations to change as the year or each quarter in the year progresses, and therefore it should be clearly understood that the internal projections, beliefs, and assumptions upon which we base our expectations may change prior to the end of each quarter or year.

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. You should understand that many important factors, in addition to those discussed or incorporated by reference in this Report, could cause our results to differ materially from those expressed in the forward-looking statements. Further information concerning these and other factors is contained in JetBlue's filings with the U.S. Securities and Exchange Commission (the "SEC"), including but not limited to in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"). In light of these risks and uncertainties, the forward-looking events discussed in this Report might not occur. Our forward-looking statements speak only as of the date of this Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

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Where You Can Find Other Information

Our website is *www.jetblue.com*. Information contained on our website is not part of this Report. Information we furnish or file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC. Our SEC filings, including exhibits filed therewith, are also available at the SEC's website at *www.sec.gov*.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	March 31, 2024	December 31, 2023
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,237	$ 1,166
Investment securities	326	401
Receivables, less allowance (2024 - $4; 2023 - $3)	362	336
Inventories, less allowance (2024 - $37; 2023 - $35)	111	109
Prepaid expenses and other	128	148
Total current assets	2,164	2,160
PROPERTY AND EQUIPMENT		
Flight equipment	13,050	12,796
Pre-delivery deposits for flight equipment	389	393
Total flight equipment and pre-delivery deposits, gross	13,439	13,189
Less accumulated depreciation	3,974	4,021
Total flight equipment and pre-delivery deposits, net	9,465	9,168
Other property and equipment, gross	1,300	1,310
Less accumulated depreciation	821	803

Total other property and equipment, net	479	507
Total property and equipment, net	9,944	9,675
OPERATING LEASE ASSETS	571	593
OTHER ASSETS		
Investment securities	145	163
Restricted cash	156	151
Intangible assets, net of accumulated amortization (2024 - $534; 2023 - $518)	383	349
Other	358	762
Total other assets	1,042	1,425
TOTAL ASSETS	**$ 13,721**	**$ 13,853**

See accompanying notes to condensed consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	March 31, 2024	December 31, 2023
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 647	$ 641
Air traffic liability	1,723	1,463
Accrued salaries, wages and benefits	597	591
Other accrued liabilities	613	509
Current operating lease liabilities	112	117
Current maturities of long-term debt and finance lease obligations	330	307
Total current liabilities	4,022	3,628
LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS	4,682	4,409
LONG-TERM OPERATING LEASE LIABILITIES	528	547
DEFERRED TAXES AND OTHER LIABILITIES		
Deferred income taxes	689	743

Air traffic liability - non-current	743	740
Other	424	449
Total deferred taxes and other liabilities	1,856	1,932
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 25 shares authorized, none issued	—	—
Common stock, $0.01 par value; 900 shares authorized, 500 and 499 shares issued and 340 and 339 shares outstanding at March 31, 2024 and December 31, 2023, respectively	5	5
Treasury stock, at cost; 160 and 159 shares at March 31, 2024 and December 31, 2023, respectively	(2,002)	(1,999)
Additional paid-in capital	3,233	3,221
Retained earnings	1,398	2,114
Accumulated other comprehensive loss	(1)	(4)
Total stockholders' equity	2,633	3,337
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 13,721**	**$ 13,853**

See accompanying notes to condensed consolidated financial statements.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share data)

	Three Months Ended March 31,	
	2024	**2023**
OPERATING REVENUES		
Passenger	$ 2,055	$ 2,182
Other	154	146
Total operating revenues	2,209	2,328
OPERATING EXPENSES		
Aircraft fuel	625	785

Salaries, wages and benefits	823	741
Landing fees and other rents	165	160
Depreciation and amortization	158	151
Aircraft rent	27	32
Sales and marketing	77	76
Maintenance, materials and repairs	132	176
Special items	562	112
Other operating expenses	359	337
Total operating expenses	2,928	2,570
OPERATING LOSS	**(719)**	**(242)**
OTHER INCOME (EXPENSE)		
Interest expense	(53)	(46)
Interest income	19	12
Capitalized interest	4	5
Gain (loss) on investments, net	(22)	3
Other	4	2
Total other expense	(48)	(24)
LOSS BEFORE INCOME TAXES	**(767)**	**(266)**
Income tax benefit	51	74
NET LOSS	**$ (716)**	**$ (192)**
LOSS PER COMMON SHARE		
Basic	$ (2.11)	$ (0.58)
Diluted	$ (2.11)	$ (0.58)

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited, in millions)

Three Months Ended March 31,

	2024	2023
NET LOSS	**$ (716)**	**$ (192)**
Changes in fair value of available-for-sale securities and derivative instruments, net of reclassifications into earnings, net of taxes of $0 and $(1) in 2024 and 2023, respectively.	3	(5)
Total other comprehensive income (loss)	3	(5)
COMPREHENSIVE LOSS	**$ (713)**	**$ (197)**

See accompanying notes to condensed consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in millions)

	Three Months Ended March 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (716)	$ (192)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income taxes	(54)	(78)
Depreciation and amortization	158	151
Spirit special items, non cash	450	—
Stock-based compensation	12	10
Changes in certain operating assets and liabilities	331	520
Other, net	23	(6)
Net cash provided by operating activities	204	405
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(427)	(172)
Pre-delivery deposits for flight equipment	(39)	—
Purchase of held-to-maturity investments	—	(4)
Proceeds from the maturities of held-to-maturity investments	19	4
Purchase of available-for-sale securities	(1)	(102)
Proceeds from the sale of available-for-sale securities	75	267

Payment for Spirit Airlines acquisition	(22)	(33)
Other, net	(4)	—
Net cash used in investing activities	(399)	(40)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale-leaseback transactions	332	38
Repayment of long-term debt and finance lease obligations	(58)	(109)
Acquisition of treasury stock	(3)	(3)
Net cash provided by (used in) financing activities	271	(74)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	76	291
Cash, cash equivalents and restricted cash at beginning of period	1,317	1,188
Cash, cash equivalents and restricted cash at end of period (1)	$ 1,393	$ 1,479
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	$ (24)	$ (6)
Cash payments for income taxes, net	(6)	—
NON-CASH TRANSACTIONS		
Operating lease assets acquired under operating leases	$ 6	$ 4
Flight equipment acquired under finance leases	20	—

(1) Reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets.

	March 31, 2024	**March 31, 2023**
Cash and cash equivalents	$ 1,237	$ 1,333
Restricted cash (2)	156	146
Total cash, cash equivalents and restricted cash	$ 1,393	$ 1,479

(2) Restricted cash primarily consists of funds held in escrow for estimated workers' compensation obligations and other letters of credit.

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in millions)

	Common Stock Issued Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2023	**499**	**$ 5**	**159**	**$ (1,999)**	**$ 3,221**	**$ 2,114**	**$ (4)**	**$3,337**
Net loss	—	—	—	—	—	(716)	—	(716)
Other comprehensive income	—	—	—	—	—	—	3	3
Vesting of restricted stock units	1	—	1	(3)	—	—	—	(3)
Stock compensation expense	—	—	—	—	12	—	—	12
Balance at March 31, 2024	**500**	**$ 5**	**160**	**$ (2,002)**	**$ 3,233**	**$ 1,398**	**$ (1)**	**$2,633**

	Common Stock Issued Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2022	**486**	**$ 5**	**159**	**$ (1,995)**	**$ 3,129**	**$ 2,424**	**$ —**	**$3,563**
Net loss	—	—	—	—	—	(192)	—	(192)
Other comprehensive loss	—	—	—	—	—	—	(5)	(5)
Vesting of restricted stock units	1	—	—	(3)	—	—	—	(3)
Stock compensation expense	—	—	—	—	10	—	—	10
Balance at March 31, 2023	**487**	**$ 5**	**159**	**$ (1,998)**	**$ 3,139**	**$ 2,232**	**$ (5)**	**$3,373**

See accompanying notes to condensed consolidated financial statements.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

JetBlue Airways Corporation ("JetBlue") provides air transportation services across the United States, the Caribbean, Latin America, Canada, and Europe. Our condensed consolidated financial statements include the accounts of JetBlue and our subsidiaries which are collectively referred to as "we" or the "Company." All majority-owned subsidiaries are consolidated on a line-by-line basis, with all intercompany transactions and balances being eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with our 2023 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

These condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). In our opinion, they reflect all adjustments, including normal recurring items, that are necessary to present fairly the results for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted as permitted by such rules and regulations; however, we believe that the disclosures included herein are adequate to make the information presented not misleading.

We have reclassified certain prior periods to conform to the current period presentation. Unless otherwise noted, all amounts disclosed are stated before consideration of income taxes.

Note 2 - Revenue Recognition

The Company categorizes revenue recognized from contracts with its customers by revenue source as we believe it best depicts the nature, amount, timing, and uncertainty of our revenue and cash flow. The following table provides revenue recognized by revenue source for the three months ended March 31, 2024 and 2023 (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Passenger revenue		
Passenger travel	$ 1,888	$ 2,026
Loyalty revenue - air transportation	167	156
Other revenue		
Loyalty revenue	107	100
Other revenue	47	46
Total operating revenue	**$ 2,209**	**$ 2,328**

TrueBlue® is our customer loyalty program designed to reward and recognize our customers. TrueBlue® points earned from ticket purchases are recorded as a reduction to *Passenger travel* within passenger revenue. Amounts presented in *Loyalty revenue - air transportation* represent revenue recognized when TrueBlue® points have been redeemed and travel has occurred. *Loyalty revenue* within other revenue is primarily comprised of the non-air transportation elements from the sale of TrueBlue® points.

Contract Liabilities

Our contract liabilities primarily consist of ticket sales for which transportation has not yet been provided, unused credits available to customers, and outstanding loyalty points available for redemption (in millions):

	March 31, 2024	December 31, 2023
Air traffic liability - passenger travel	$ 1,354	$ 1,099
Air traffic liability - loyalty program (air transportation)	1,076	1,072
Deferred revenue (1)	472	487
Total	**$ 2,902**	**$ 2,658**

(1) Deferred revenue is included within other accrued liabilities and other liabilities on our consolidated balance sheets.

During the three months ended March 31, 2024 and 2023, we recognized passenger revenue of $834 million and $858 million, respectively, which was included in passenger travel liability at the beginning of the respective periods.

The Company elected the practical expedient that allows entities to not disclose the amount of the remaining transaction price and its expected timing of recognition for passenger tickets if the contract has an original expected duration of one year or less or if certain other conditions are met. We elected to apply this practical expedient to our contract liabilities relating to passenger travel and ancillary services as our tickets or any related passenger credits expire generally one year from the date of booking.

TrueBlue® points are combined into one homogeneous pool and are not separately identifiable. As such, the revenue is comprised of points that were part of the air traffic liability balance at the beginning of the period as well as points that were issued during the period.

The table below presents the activity of the current and non-current air traffic liability for our loyalty program, and includes points earned and sold to participating companies for the three months ended March 31, 2024 and 2023 (in millions):

Balance at December 31, 2023	**$ 1,072**
TrueBlue® points redeemed passenger	(160)
TrueBlue® points redeemed other	(7)
TrueBlue® points earned and sold	171
Balance at March 31, 2024	**$ 1,076**

Balance at December 31, 2022	**$ 1,000**
TrueBlue® points redeemed passenger	(156)
TrueBlue® points redeemed other	—
TrueBlue® points earned and sold	154
Balance at March 31, 2023	**$ 998**

The timing of our TrueBlue® point redemptions can vary; however, the majority of points are redeemed within approximately three years of the date of issuance.

Note 3 - Long-term Debt, Short-term Borrowings and Finance Lease Obligations

During the three months ended March 31, 2024, we made principal payments of $58 million on our outstanding debt and finance lease obligations.

At March 31, 2024, we had pledged aircraft, engines, other equipment, and facilities with a net book value of $6.4 billion as security under various financing arrangements.

At March 31, 2024, scheduled maturities of our long-term debt and finance lease obligations were as follows (in millions):

Year	Total
Remainder of 2024	$ 265
2025	302
2026	1,044
2027	297
2028	403
Thereafter	2,701
Total	**$ 5,012**

The carrying amounts and estimated fair values of our long-term debt, net of debt acquisition costs, at March 31, 2024 and December 31, 2023 were as follows (in millions):

	March 31, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value (1)	Carrying Value	Estimated Fair Value
Public Debt				
Fixed rate special facility bonds, due through 2036	$ 42	$ 43	$ 42	$ 43
Fixed rate enhanced equipment notes:				
2019-1 Series AA, due through 2032	477	483	476	474
2019-1 Series A, due through 2028	149	151	149	150
2019-1 Series B, due through 2027	70	86	70	86
2020-1 Series A, due through 2032	506	606	506	597
2020-1 Series B, due through 2028	117	150	117	150
Non-Public Debt				
Fixed rate equipment notes, due through 2028	290	278	322	305
Floating rate equipment notes, due through 2030 (2)	101	106	109	113

Aircraft sale-leaseback transactions, due through 2036	1,962	2,121	1,648	1,738
Unsecured CARES Act Payroll Support Program loan, due through 2030	259	190	259	184
Unsecured Consolidated Appropriations Act Payroll Support Program Extension loan, due through 2031	144	104	144	101
Unsecured American Rescue Plan Act of 2021 Payroll Support loan, due through 2031	132	96	132	93
0.50% convertible senior notes due through 2026	743	671	742	657
Total (3)	**$ 4,992**	**$ 5,085**	**$ 4,716**	**$ 4,691**

(1) The estimated fair values of our publicly held long-term debt are classified as Level 2 in the fair value hierarchy. The fair values of our non-public debt are estimated using a discounted cash flow analysis based on our borrowing rates for instruments with similar terms and therefore classified as Level 3 in the fair value hierarchy. The fair values of our other financial instruments approximate their carrying values. Refer to Note 7 for an explanation of the fair value hierarchy structure.

(2) Floating rate debt is equal to Secured Overnight Financing Rate ("SOFR"), plus a margin.

(3) Total excludes finance lease obligations of $20 million at March 31, 2024 and an immaterial amount at December 31, 2023.

We have financed certain aircraft with Enhanced Equipment Trust Certificates ("EETCs"). One of the benefits of this structure is being able to finance several aircraft at one time, rather than individually. The structure of EETC financing is that we create pass-through trusts in order to issue pass-through certificates. The proceeds from the issuance of these certificates are then used to purchase equipment notes which are issued by us and are secured by our aircraft. These trusts meet the definition of a variable interest entity ("VIE"), as defined in Topic 810, *Consolidation* of the Financial Accounting Standards Board ("FASB") Codification, and must be considered for consolidation in our financial statements. Our assessment of our EETCs considers both quantitative and qualitative factors including the purpose for which these trusts were established and the nature of the risks in each. The main purpose of the trust structure is to enhance the creditworthiness of our debt obligation through certain bankruptcy protection provisions and liquidity facilities, and also to lower our total borrowing cost. We concluded that we are not the primary beneficiary in these trusts because our involvement in them is limited to principal and interest payments on the related notes, the trusts were not set up to pass along variability created by credit risk to us, and the likelihood of our defaulting on the notes. Therefore, we have not consolidated these trusts in our financial statements.

2024 Sale-Leaseback Transactions

During the three months ended March 31, 2024, we entered into $332 million of sale-leaseback transactions. These transactions did not qualify as sales for accounting purposes. The assets associated with these transactions remain on our consolidated balance sheets within property and equipment and the related liabilities under the lease are classified within debt and finance leases obligations. These transactions are treated as cash from financing activities on our condensed consolidated statements of cash flows.

Short-term Borrowings

Citibank Line of Credit

On October 21, 2022, JetBlue entered into the $600 million Second Amended and Restated Credit and Guaranty Agreement (the "Facility"), among JetBlue, Citibank N.A., as administrative agent, and the lenders party thereto. Borrowings under the Facility bear interest at a variable rate based on SOFR, plus a margin of 2.00% per annum, or another rate (at JetBlue's election) based on certain market interest rates, plus a margin of 1.00% per annum, in each case with a floor of 0%. The Facility is secured by spare parts, aircraft, simulators, and certain other assets as permitted thereunder. The Facility includes covenants that require us to maintain certain minimum balances in unrestricted cash, cash equivalents, and unused commitments available under revolving credit facilities. In addition, the covenants restrict our ability to, among other things, dispose of certain collateral, or merge, consolidate, or sell assets. On October 17, 2023, JetBlue further amended the Facility to, among other things, extend the maturity date to October 21, 2025.

As of and for the periods ended March 31, 2024 and December 31, 2023, we did not have a balance outstanding or any borrowings under the Facility.

Morgan Stanley Line of Credit

We have a revolving line of credit with Morgan Stanley for up to approximately $200 million. This line of credit is secured by a portion of our investment securities held by Morgan Stanley and the amount available to us under this line of credit may vary accordingly. This line of credit bears interest at a floating rate based upon LIBOR (or such replacement index as the bank shall determine from time to time in accordance with the terms of the agreement), plus a margin. As of and for the periods ended March 31, 2024 and December 31, 2023, we did not have a balance outstanding or any borrowings under this line of credit.

2022 $3.5 Billion Senior Secured Bridge Facility

JetBlue entered into a Second Amended and Restated Commitment Letter (the "Commitment Letter"), dated July 28, 2022, with Goldman Sachs Bank USA; BofA Securities, Inc.; Bank of America, N.A.; BNP Paribas; Credit Suisse AG, New York Branch; Credit Suisse Loan Funding LLC; Credit Agricole Corporate and Investment Bank; Natixis, New York Branch; Sumitomo Mitsui Banking Corporation; and MUFG Bank, Ltd. (collectively, the "Commitment Parties"), pursuant to which the Commitment Parties committed to provide a senior secured bridge facility in an aggregate principal amount of up to $3.5 billion to finance the acquisition of Spirit Airlines, Inc. ("Spirit") under the Agreement and Plan of Merger (the "Merger Agreement"). The Commitment Letter was terminated on March 4, 2024. Prior to its termination, we did not have a balance outstanding or any borrowings under this facility. Please refer to Note 12 for additional details on the termination of the Merger Agreement.

Note 4 - Loss Per Share

Basic loss per share is calculated by dividing net loss by the weighted average number of shares outstanding. Diluted loss per share is calculated similarly but includes potential dilution from restricted stock units, the crewmember stock purchase plan, convertible notes, warrants issued under various federal payroll support programs, and any other potentially dilutive instruments using the treasury stock and if-converted method. Anti-dilutive common stock equivalents excluded from the computation of diluted loss per share amounts were 3.8 million and 1.6 million for the three months ended March 31, 2024 and March 31, 2023, respectively.

The following table shows how we computed basic and diluted loss per common share for the three months ended March 31, 2024 and 2023 (dollars and share data in millions):

	Three Months Ended March 31,	
	2024	**2023**
Net loss	**$ (716)**	**$ (192)**
Weighted average basic shares	**339.7**	**327.6**
Effect of dilutive securities	—	—
Weighted average diluted shares	**$ 339.7**	**327.6**
Loss per common share		
Basic	$ (2.11)	$ (0.58)
Diluted	$ (2.11)	$ (0.58)

Note 5 - Crewmember Retirement Plan

We sponsor a retirement savings 401(k) defined contribution plan (the "Plan"), covering our U.S. and Puerto Rico crewmembers, where we match 100% of our eligible crewmember's contributions up to 5% of their eligible wages. Employer contributions vest after three years of service and are measured from a crewmember's hire date. Crewmembers are vested immediately in their voluntary contributions.

Certain Federal Aviation Administration ("FAA") licensed crewmembers received a discretionary contribution of 3% of eligible compensation, which we refer to as *Retirement Advantage.* As of January 2024, the *Retirement Advantag*e program ended and these licensed Crewmembers now receive a discretionary contribution of 8% of eligible compensation, which we refer to as *Retirement Non-elective Licensed Crewmember* contributions. System Controllers also receive a Company discretionary contribution of 5% of eligible compensation, referred to as *Retirement Non-elective Crewmember* contributions. The Company's non-elective contributions vests after three years of service.

Our Pilots receive a non-elective Company contribution of 16% of eligible compensation per the terms of the finalized collective bargaining agreement between JetBlue and the Air Line Pilots Association ("ALPA"), in lieu of the above 401(k) Company matching contribution, *Retirement Non-elective*, and *Retirement Advantage* contributions. The Company's non-elective contribution of eligible Pilot compensation vests after three years of service.

Total 401(k) company match and non-elective crewmember contribution expense was $66 million for each of the three months ended March 31, 2024 and 2023.

Note 6 - Commitments and Contingencies

Flight Equipment Commitments

As of March 31, 2024, our committed expenditures for aircraft and related flight equipment, including estimated amounts for contractual price escalations and pre-delivery deposits, is set forth in the table below (in millions):

Flight equipment commitments

Year	**Total**
Remainder of 2024	$ 820
2025	1,165
2026	1,144
2027	1,011
2028	1,529
Thereafter	1,198
Total	**$ 6,867**

As of March 31, 2024, our firm aircraft orders included the following aircraft:

Flight equipment deliveries (1)

Year	**Airbus A220**	**Airbus A321neo**	**Total**
Remainder of 2024	15	4	19
2025	20	5	25
2026	20	4	24
2027	5	9	14
2028	7	16	23
Thereafter	4	14	18
Total (2)	**71**	**52**	**123**

(1) The aircraft orders stated above represents the current delivery schedule set forth in our Airbus order book as of March 31, 2024.

(2) In addition, we have options to purchase an additional 20 A220-300 aircraft.

Other Commitments and Contingencies

We utilize several credit card processors to process our ticket sales. Our agreements with these processors do not contain covenants, but do generally allow the processor to withhold cash reserves to protect the processor from potential liability for tickets purchased, but not yet used for travel. While we currently do not have any collateral requirements related to our credit card processors, we may be required to issue collateral to our credit card processors, or other key business partners, in the future.

As of March 31, 2024, we had $59 million in restricted cash assets serving as collateral for letters of credit relating to a certain number of our leases, which will expire at the end of the related lease terms. We also had a $65 million letter of credit relating to our 5% ownership in JFK Millennium Partner LLC, a private entity that will finance, develop, and operate John F. Kennedy International Airport ("JFK") Terminal 6. The letters of credit are included in restricted cash on the consolidated balance sheets. Additionally, we had $32 million cash pledged primarily related to our workers' compensation insurance policies and other business partner agreements, which will expire according to the terms of the related policies or agreements.

JETBLUE AIRWAYS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Labor Unions and Non-Unionized Crewmembers

As of March 31, 2024, 52% of our full-time equivalent crewmembers were represented by labor unions. The pilot group, which represents 22% of our full-time equivalent crewmembers, is covered by a collective bargaining agreement that have begun initial negotiations in April 2024. Our pilots are represented by ALPA. Our inflight crewmembers and flight instructors are represented by the Transport Workers Union of America ("TWU"); our other frontline crewmembers do not have third party representation.

ALPA

In January 2023, JetBlue pilots approved a two-year contract extension effective March 1, 2023, which included a ratification payment and adjustments to paid-time-off accruals resulting from pay rate increases of $95 million. This was recorded as an expense within special items in the first quarter of 2023.

TWU

On July 14, 2022, TWU filed a representation application with the National Mediation Board ("NMB") seeking an election among the 35 pilot instructors (called "Flight Instructors"). JetBlue disputed TWU's application alleging that "Flight Instructors" do not constitute a craft or class. On October 26, 2023, the NMB notified the participants that it rejected JetBlue's argument and ordered an election. The Flight Instructors voted for TWU representation. Contract negotiations have not yet begun.

Non-Unionized Crewmembers

We enter into individual employment agreements with each of our non-unionized FAA-licensed crewmembers, which include dispatchers, technicians, inspectors, and air traffic controllers. Each employment agreement is for a term of five years and automatically renews for an additional five years unless either the crewmember or we elect not to renew it by giving at least 90 days' notice before the end of the relevant term. Pursuant to these agreements, these crewmembers can only be terminated for cause. In the event of a downturn in our business that would require a reduction in work hours, we are obligated to pay these crewmembers a guaranteed level of income and to continue their benefits if they do not obtain other aviation employment.

Legal Matters

Occasionally, we are involved in various claims, lawsuits, regulatory examinations, investigations, and other legal matters involving suppliers, crewmembers, customers, and governmental agencies, arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain. The Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously, and has recorded accruals determined in accordance with GAAP, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party and record a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses, and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our condensed consolidated results of operations, liquidity, or financial condition.

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on our operations or financial condition. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our condensed consolidated results of operations, liquidity, or financial condition.

As previously disclosed, in July 2020, JetBlue and American Airlines Group Inc. ("American") entered into the Northeast Alliance (the "NEA"), which was designed to optimize our respective networks at JFK Airport, LaGuardia Airport, Newark Liberty International Airport, and Boston Logan International Airport. On September 21, 2021, the United States Department of Justice, along with the Attorneys General of six states and the District of Columbia filed suit against JetBlue and American seeking to enjoin the NEA, alleging that it violated Section 1 of the Sherman Act. The court issued a decision on May 19, 2023, permanently enjoining the NEA, and shortly thereafter we initiated a wind down of the NEA. On July 28, 2023, the court issued its Final Judgement and Order Entering Permanent Injunction, which took effect on August 18, 2023 (the "Final Injunction"). The wind down of the NEA is substantially complete, but remaining impacts could require us to incur additional costs and therefore have an impact on our financial condition and results of operations.

In December 2022 and February 2023, four putative class actions lawsuits were filed in the United States District Court for the Eastern District of New York and the United States District Court for the District of Massachusetts, respectively, alleging that the NEA violates Sections 1 and 2 of the Sherman Act. Among other things, plaintiffs seek monetary damages on behalf of a putative class of direct purchasers of airline tickets from JetBlue and American and, depending on the specific case, other airlines on flights to or from NEA airports from July 16, 2020 through the present. Plaintiffs in these actions also seek to enjoin the NEA. JetBlue believes these lawsuits are without merit and has moved to dismiss the claims.

For information on legal proceedings related to our previously planned acquisition of Spirit, see Note 12.

Note 7 - Fair Value

Under Topic 820, *Fair Value Measurement* of the FASB Accounting Standards Codification, (the "Codification"), disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 - observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - quoted prices in active markets for similar assets and liabilities, and other inputs that are observable directly or indirectly for the asset or liability; or

Level 3 - unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a listing of our assets required to be measured at fair value on a recurring basis and where they are classified within the fair value hierarchy as of March 31, 2024 and December 31, 2023 (in millions):

	March 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$ 897	$ —	$ —	$ 897

Available-for-sale investment securities	—	240	16	256
Aircraft fuel derivatives	—	4	—	4

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 724	$ —	$ —	$ 724
Available-for-sale investment securities	—	314	16	330
Aircraft fuel derivatives	—	4	—	4

Refer to Note 3 for fair value information related to our outstanding debt obligations as of March 31, 2024 and December 31, 2023.

Cash Equivalents

Our cash equivalents include money market securities and time deposits which are readily convertible into cash, have maturities of three months or less when purchased, and are considered to be highly liquid and easily tradable. The money market securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy and recorded within cash and cash equivalents on our consolidated balance sheets.

Available-for-Sale Investment Securities

Our available-for-sale investment securities include investments such as time deposits, commercial paper, and convertible debt securities. The fair value of time deposits and commercial paper is based on observable inputs in non-active markets, which are therefore classified as Level 2 in the hierarchy. The fair value of convertible debt securities is based on unobservable inputs and is classified as Level 3 in the hierarchy.

Aircraft Fuel Derivatives

Our aircraft fuel derivatives include call spread options which are not traded on public exchanges. Their fair values are determined using a market approach based on inputs that are readily available from public markets for commodities and energy trading activities; therefore, they are classified as Level 2 inputs. The data inputs are combined into qualitative models and processes to generate forward curves and volatility related to the specific terms of the underlying hedge contracts. Aircraft fuel derivatives are included in prepaid expenses and other within current assets of our consolidated balance sheets.

Held-to-Maturity Investment Securities

Our held-to-maturity investment securities consist of corporate bonds, which are stated at amortized cost. If the corporate bonds were measured at fair value, they would be classified as Level 2 in the fair value hierarchy, based on quoted prices in active markets for similar securities.

We do not intend to sell these investment securities. The carrying value and estimated fair value of our held-to-maturity investment securities were as follows (in millions):

	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-to-maturity investment securities	$ 215	$ 212	$ 234	$ 231

Note 8 - Investments

Investments in Debt Securities

Investments in debt securities consist of available-for-sale and held-to-maturity investment securities. The carrying amount is recorded within investment securities in the current assets section of our consolidated balance sheets if the remaining maturity is less than twelve months. Maturities greater than twelve months are recorded within investment securities in the other assets section of our consolidated balance sheets. The aggregate carrying values of our short-term and long-term debt investment securities consisted of the following at March 31, 2024 and December 31, 2023 (in millions):

	March 31, 2024	December 31, 2023
Available-for-sale investment securities		
Time deposits	$ 215	$ 290
Commercial paper	25	24
Debt securities	16	16
Total available-for-sale investment securities	256	330
Held-to-maturity investment securities		
Corporate bonds	215	234
Total held-to-maturity investment securities	215	234
Total investments in debt securities	**$ 471**	**$ 564**

When sold, we use a specific identification method to determine the cost of the securities. Refer to Note 7 for an explanation of the fair value hierarchy structure.

We did not record any material gains or losses on available-for-sale or held-to-maturity investment securities during the three months ended March 31, 2024 and 2023.

Equity Investments

The aggregate carrying values of our equity investments are recorded in other assets on the consolidated balance sheets and consist of the following at March 31, 2024 and December 31, 2023 (in millions):

	March 31, 2024	December 31, 2023

Equity method investments (1)	$ 47	$ 43
JetBlue Ventures equity investments (2)	79	96
TWA Flight Center (3)	14	14
Total equity investments (4)	**$ 140**	**$ 153**

(1) We have the ability to exercise significant influence over these investments and therefore they are accounted for using the equity method in accordance with Topic 323, *Investments - Equity Method and Joint Ventures* of the FASB Codification. Our share of our equity method investees' financial results is included in other income on our consolidated statement of operations. We did not record any material gains or losses on our equity method investment securities during the three months ended March 31, 2024 and 2023.

(2) Our wholly owned subsidiary JetBlue Technology Ventures LLC ("JBV") has equity investments are in emerging companies which do not have readily determinable fair values. In accordance with Topic 321, *Investments - Equity Securities* of the FASB Codification, we account for these investments using a measurement alternative which allows entities to measure these investments at cost, less any impairment, adjusted for changes from observable price changes in orderly transactions for identifiable or similar investments of the same issuer. Refer to the table below for investment gain (loss) activity during the three months ended March 31, 2024 and 2023.

(3) We have an approximate 10% ownership interest in the TWA Flight Center Hotel at JFK, which is accounted for under the measurement alternative described above. We did not record any material gains or losses on our TWA Flight Center Hotel during the three months ended March 31, 2024 and 2023.

(4) As of March 31, 2024 and December 31, 2023, we had an immaterial amount of equity securities recorded within investment securities in the current asset section of our consolidated balance sheets. Our equity securities include investments in common stocks of publicly traded companies which are stated at fair value. Refer to the table below for investment gain (loss) activity during the three months ended March 31, 2024 and 2023 (in millions):

	March 31, 2024	March 31, 2023
JBV Equity Investments		
Unrealized loss recognized in gain (loss) on investments, net (1)	$ (22)	$ —
Equity Securities		
Unrealized gain recognized in gain (loss) on investments, net	—	3

(1) The net unrealized loss primarily relates to a mark-to-market adjustment on our preferred shares of one of our JBV equity investments.

Note 9 - Financial Derivative Instruments and Risk Management

As part of our risk management techniques, we periodically purchase over the counter energy derivative instruments to manage our exposure to the effect of changes in the price of aircraft fuel. Prices for the underlying commodities have historically been highly correlated to aircraft fuel, making derivatives of them effective at providing short-term protection against sharp increases in average fuel prices. We do not hold or issue any derivative financial instruments for trading purposes.

(unaudited)

Aircraft Fuel Derivatives

We attempt to obtain cash flow hedge accounting treatment for each fuel derivative that we enter into. This treatment is provided for under the *Derivatives and Hedging* topic of the FASB Codification which allows for gains and losses on the effective portion of qualifying hedges to be deferred until the underlying planned aircraft fuel consumption occurs, rather than recognizing the gains and losses on these instruments into earnings during each period they are outstanding.

For the effective portion of hedges, when aircraft fuel is consumed and the related derivative contract settles, any gain or loss previously recorded in other comprehensive income (loss) is recognized in aircraft fuel expense. All cash flows related to our fuel hedging derivatives are classified as operating cash flows.

Ineffectiveness occurs, in certain circumstances, when the change in the total fair value of the derivative instrument differs from the change in the value of our expected future cash outlays for the purchase of aircraft fuel. If a hedge does not qualify for hedge accounting, the periodic changes in its fair value are recognized in interest income and other.

Our current approach to fuel hedging is to enter into hedges on a discretionary basis. We view our hedge portfolio as a form of insurance to help mitigate the impact of price volatility and protect us against severe spikes in oil prices, when possible.

The following table illustrates the approximate hedged percentages of our projected fuel usage by quarter as of March 31, 2024 related to our outstanding fuel hedging contracts that were designated as cash flow hedges for accounting purposes.

	Aircraft fuel call option spread agreements
Second quarter 2024	27 %
Third quarter 2024	3 %
Fourth quarter 2024	5 %

The table below reflects quantitative information related to our derivative instruments and where these amounts are recorded in our financial statements (dollar amounts in millions):

	March 31, 2024	**December 31, 2023**
Fuel derivatives		
Asset fair value recorded in prepaid expenses and other current assets (1)	$ 4	$ 4
Longest remaining term (months)	3	3
Hedged volume (barrels, in thousands)	1,827	2,706
Estimated amount of existing gains (losses) expected to be reclassified into earnings in the next 12 months	$ —	$ (3)

(1) Gross asset or liability of each contract prior to consideration of offsetting positions with each counterparty and prior to impact of collateral paid.

	Three Months Ended March 31,	
	2024	**2023**
Fuel derivatives		
Hedge effectiveness gains (losses) recognized in aircraft fuel expense	$ (2)	$ 1

Hedge gains (losses) on derivatives recognized in comprehensive income	$ 1	$ (5)
Percentage of actual consumption economically hedged	30 %	9 %

Any outstanding derivative instrument exposes us to credit loss in connection with our fuel contracts in the event of nonperformance by the counterparties to our agreements; however, we do not expect that any of our counterparties will fail to meet their obligations. The amount of such credit exposure is generally the fair value of our outstanding contracts for which we

are in a receivable position. To manage credit risks we select counterparties based on credit assessments, limit our overall exposure to any single counterparty, and monitor the market position with each counterparty. Some of our agreements require cash deposits from either JetBlue or our counterparty if market risk exposure exceeds a specified threshold amount.

We have master netting arrangements with our counterparties allowing us the right of offset to mitigate credit risk in derivative transactions. The financial derivative instrument agreements we have with our counterparties may require us to fund all, or a portion of, outstanding loss positions related to these contracts prior to their scheduled maturities. The amount of collateral posted, if any, is periodically adjusted based on the fair value of the hedge contracts. Our policy is to offset the liabilities represented by these contracts with any cash collateral paid to the counterparties.

There were no offsetting derivative instruments as of March 31, 2024 and December 31, 2023.

Note 10 - Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes changes in fair value of our aircraft fuel derivatives which qualify for hedge accounting and unrealized gain (loss) on available-for-sale securities. A rollforward of the amounts included in accumulated other comprehensive income (loss), net of taxes for the three months ended March 31, 2024 and 2023 is as follows (in millions):

	Aircraft fuel derivatives (1)	Available-for-sale securities	Total
Balance of accumulated loss, at December 31, 2023	**$ (3)**	**$ (1)**	**$ (4)**
Reclassifications into earnings, net of taxes of $0	2	—	2
Change in fair value, net of taxes of $0	1	—	1
Balance of accumulated gain (loss), at March 31, 2024	**$ —**	**$ (1)**	**$ (1)**
Balance of accumulated income (loss), at December 31, 2022	**$ 1**	**$ (1)**	**$ —**
Reclassifications into earnings, net of taxes $0	(1)	—	(1)
Change in fair value, net of taxes of $(1)	(4)	—	(4)

Balance of accumulated loss, at March 31, 2023	**$ (4)**	**$ (1)**	**$ (5)**

(1) Reclassified to aircraft fuel expense.

Note 11 - Special Items

The following is a listing of special items presented on our consolidated statements of operations for the three months ended March 31, 2024 and 2023 (in millions):

	Three Months Ended March 31,	
	2024	**2023**
Special items		
Spirit-related costs (1)	$ 532	$ 17
Voluntary opt-out costs (2)	15	—
Embraer E190 fleet transition costs (3)	15	—
Union contract costs (4)	—	95
Total special items	**$ 562**	**$ 112**

(1) As a result of the termination of the Merger Agreement in the first quarter of 2024, we wrote off the Spirit prepayment and breakup fee discussed in Note 12. These costs also include consulting, professional, and legal fees. Spirit costs in the first quarter of 2023 primarily relate to consulting, professional and legal fees.

(2) Voluntary opt-out costs relate to severance and benefit costs associated with the Company's opt-out program for eligible

crewmembers in the airports, customer support, JetBlue Travel Products and support center workgroups.

(3) Embraer E190 fleet transition costs relate to the early termination of a flight-hour engine services agreement.

(4) Union contract costs primarily relate to pilot ratification payments and adjustments to paid-time-off accruals resulting from pay rate increases. See Note 6 for further discussion.

Note 12 - Termination of Merger Agreement with Spirit

The Merger Agreement

As previously disclosed, on July 28, 2022, JetBlue entered into the Merger Agreement with Spirit and Sundown Acquisition Corp., formerly a Delaware corporation and a direct wholly owned subsidiary of JetBlue ("Merger Sub"), pursuant to which and subject to the terms and conditions therein, Merger Sub would merge with and into Spirit, with Spirit continuing as the surviving corporation (the "Merger").

On March 1, 2024, JetBlue, Spirit and Merger Sub entered into a Termination Agreement (the "Termination Agreement"), pursuant to which the parties agreed to terminate the Merger Agreement, effective immediately, subject to limited exceptions related to JetBlue's previously agreed indemnification obligations. Pursuant to the Termination Agreement, JetBlue agreed to pay the $69 million breakup fee on March 5, 2024, which was recorded in special items on the consolidated statement of operations. The parties also agreed to release each other from claims, demands, damages, actions, causes of action and liability relating to or arising out of the Merger Agreement and the transactions contemplated therein or thereby.

In accordance with the terms of the Merger Agreement, on a monthly basis between January 2023 and February 2024, JetBlue paid to the holders of record of outstanding Spirit shares an amount in cash equal to $0.10 per Spirit share (such amount, the "Additional Prepayment Amount", and each such monthly payment, an "Additional Prepayment"). During the quarter ended March 31, 2024, JetBlue made an aggregate of $22 million in Additional Prepayments to Spirit shareholders resulting in a total prepayment of $425 million. These Additional Prepayments have been written off, in addition to the $25 million reimbursement payment to Spirit in connection with the Frontier transaction costs as a result of the termination of the Merger Agreement. The write off is recorded in special items on the consolidated statement of operations for the period ending March 31, 2024.

In the first quarter of 2024, the Company recorded a valuation allowance of $134 million related to the tax impact of the Spirit transaction costs.

Refer to Note 3 for further detail of the $3.5 billion Senior Secured Bridge Facility commitment to fund the purchase of Spirit, which was terminated concurrently with the termination of the Merger Agreement.

Legal Proceedings Related to the Merger

As previously disclosed, in March 2023, the U.S. Department of Justice, along with the Attorneys General of six states and the District of Columbia, filed suit in the U.S. District Court for the District of Massachusetts against JetBlue and Spirit, seeking a permanent injunction preventing the Merger (the "Government Merger Lawsuit"). The trial commenced on October 31, 2023 and on January 17, 2024, the Court issued its Final Judgment and Order granting the plaintiffs' request for a permanent injunction of the Merger. On January 19, 2024, JetBlue and Spirit filed a Notice of Appeal with respect to the January 17, 2024 Final Judgment and Order and the Court's corresponding January 16, 2024 Findings of Facts and Conclusion of Law, which the parties then moved to dismiss following their entrance into the Termination Agreement. On March 5, 2024, the Court approved JetBlue and Spirit's voluntary dismissal of the appeal.

As also previously disclosed, on November 3, 2022, 25 individual consumers filed suit in the U.S. District Court for the Northern District of California against JetBlue and Spirit seeking to enjoin the Merger, alleging that it violates Section 7 of the Clayton Act (the "Private Merger Lawsuit"). On March 29, 2023, the Private Merger Lawsuit was transferred to the U.S. District Court for the District of Massachusetts. The trial in the Private Merger Lawsuit was stayed pending resolution of the Government Merger Lawsuit. Following the execution of the Termination Agreement, JetBlue and Spirit moved to dismiss all proceedings related to the Private Merger Lawsuit in the U.S. District Court for the District of Massachusetts and The United States Court of Appeals for the First Circuit. The motions to dismiss remain pending at this time.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Part I, Item 2 of this Report should be read together with our condensed consolidated financial statements and related notes included elsewhere in this Report and our audited consolidated financial statements and related notes included in our 2023 Form 10-K. This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part I, Item 1A "Risk Factors" of our 2023 Form 10-K and in Part II, Item 1A "Risk Factors" and other parts of this Report.

OVERVIEW

First Quarter 2024 Results

In the first quarter of 2024, we experienced improved operational reliability and healthy peak demand. Despite industry cost pressures, we continue to execute on our controllable cost initiatives.

Our first quarter highlights include as follows:

- First quarter 2024 system capacity decreased by 2.7% compared to the first quarter of 2023.
- Revenue for the first quarter of 2024 decreased by $119 million year-over-year to $2.2 billion, a 5.1% decrease compared to the first quarter of 2023.
- Operating expense for the first quarter of 2024 increased by 14.0% year-over-year to $2.9 billion.
- Operating expense, excluding special items for the first quarter of 2024 decreased 3.7%(1) year-over-year.
- Operating expense per available seat mile ("CASM") for the first quarter of 2024 increased by 17.1% year-over-year to 17.95 cents compared to the first quarter of 2023.
- Our operating expense for the first quarter of 2024 and 2023 included the effects of special items. Excluding aircraft fuel, special items, and operating expenses related to our non-airline businesses, our operating expense (1) increased by 4.2% to $1.7 billion year-over-year.
- Excluding fuel, special items, and operating expenses related to our non-airline businesses, our cost per available seat mile ("CASM ex-fuel")(1) increased by 7.1% to 10.57 cents in the first quarter of 2024 compared to the first quarter of 2023.
- For the first quarter of 2024 and 2023, our reported loss per share was $2.11 and $0.58, respectively. Excluding special items, our adjusted loss per share (1) for the first quarter of 2024 and 2023 was $0.43 and $0.34, respectively.

Recent Developments

Network

During the quarter, we expanded our presence in the transatlantic market with new seasonal service to Dublin, Ireland from New York and Boston, and launched daily nonstop service to Paris Charles de Gaulle Airport from Boston. We also began service to Tallahassee, Florida.

We announced we will be moving a number of routes and markets from daily service to seasonal service to free up aircraft for increased frequency and relevance in markets that are more profitable. We have actioned to leave Baltimore, Maryland; Bogota, Colombia; Burlington, Vermont; Kansas City, Missouri; Lima, Peru; Newburgh, New York; and Quito, Ecuador, to better utilize our aircraft in other markets.

Customer Experience

We announced new and improved signature perks for Mosaic program members, including dedicated phone support, greater access to the Mint cabin, and the ability to gift Mosaic 1 status, further expanding the ways our most loyal customers can be awarded.

We announced new Mint® product offerings expected to launch in Spring 2024, including new amenity partners, menu changes and entertainment options.

We launched preferred seating on select routes, giving customers more options to choose the seat that best aligns with their preferences.

(1) Refer to "Regulation G Reconciliation of Non-GAAP Financial Measures" at the end of this section for more information on this non-GAAP measure.

Pratt & Whitney

In July 2023, Pratt & Whitney, a division of Raytheon Technologies, announced the requirement, mandated by the Federal Aviation Administration ("FAA"), for removal of certain engines for inspection due to contaminated powdered metal used in high-pressure turbine disks on the V2500, PW1100G, and PW1500G engine types. These engines power our Airbus A320, Airbus A220 and Airbus A321neo fleets. The contaminated powdered metal affects engines manufactured between October 2015 and September 2021. Engines are now required to be inspected after they have reached a reduced number of cycles dependent on the fleet type. As of March 31, 2024, we had nine aircraft grounded for required inspection. The Company currently expects each removed engine to take up to 360 days to complete a shop visit and return to a serviceable condition and expects an average of 11 aircraft out of service throughout the year.

In 2023, we reached a confidential settlement agreement with Pratt & Whitney, which was intended to address damages incurred by us in 2023 due to the grounding of the affected engines. Into 2024 and beyond, we expect to have a certain number of engines grounded and, therefore, will continue to assess the resulting impact on our future capacity plans. We are currently working with Pratt & Whitney on compensation arrangements.

While we are working with Pratt & Whitney to secure additional compensation, the full impact of the removal and any potential remediation steps remains uncertain. The engine groundings, including but not limited to a reduction in capacity, could adversely impact our operations and financial results.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 vs. 2023

Overview

We reported a net loss of $716 million, operating loss of $719 million and an operating margin of (32.6)% for the three months ended March 31, 2024. This compares to net loss of $192 million, an operating loss of $242 million and an operating margin of (10.4)% for the three months ended March 31, 2023. Our loss per share was $2.11 for the first quarter of 2024 compared to a loss per share of $0.58 for the same period in 2023. Net loss increased $524 million year-over-year primarily due to the write off of Spirit-related costs as a result of the termination of the Merger Agreement discussed in Note 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Report.

Our reported results for the three months ended March 31, 2024 included the effects of special items. Adjusting for these one-time items, our adjusted net loss (1) was $145 million, adjusted operating loss (1) was $157 million, adjusted operating margin (1) was (7.1)%, and adjusted loss per share (1) was $0.43 for the three months ended March 31, 2024.

Our reported results for the three months ended March 31, 2023 included the effects of special items. Adjusting for these one-time items, our adjusted net loss (1) was $111 million, adjusted operating loss (1) was $130 million, adjusted operating margin (1) was (5.6)%, and adjusted loss per share (1) was $0.34 for the three months ended March 31, 2023.

On-time performance, as defined by the DOT, is arrival within 14 minutes of scheduled arrival time. In the first quarter of 2024, our systemwide on-time performance was 70.9% compared to 70.4% for the same period in 2023. Our completion factor decreased to 98.7% in the first quarter of 2024 from 98.8% in the same period in 2023.

(1) Refer to "Regulation G Reconciliation of Non-GAAP Financial Measures" at the end of this section for more information on this non-GAAP measure.

Operating Revenues

(Revenues in millions; percent changes based on unrounded numbers)	Three Months Ended March 31,		Year-over-Year Change	
	2024	2023	$	%
Passenger revenue	$ 2,055	$ 2,182	$ (127)	(5.8) %
Other revenue	154	146	8	5.5 %
Total operating revenues	**$ 2,209**	**$ 2,328**	**$ (119)**	**(5.1)%**
Average fare	$ 214.39	$ 214.07	$ 0.32	0.1 %
Yield per passenger mile (cents)	15.80	16.31	(0.51)	(3.1)
Passenger revenue per ASM (cents)	12.60	13.01	(0.41)	(3.2)
Operating revenue per ASM (cents)	13.54	13.88	(0.34)	(2.5)
Average stage length (miles)	1,279	1,199	80	6.7
Revenue passengers (thousands)	9,584	10,192	(608)	(6.0)
Revenue passenger miles (millions)	13,002	13,375	(373)	(2.8)
Available seat miles (ASMs) (millions)	16,313	16,769	(456)	(2.7)
Load factor	79.7 %	79.8 %		(0.1) pts.

Passenger revenue is our primary source of revenue, which includes seat revenue and baggage fees, as well as revenue from our ancillary product offerings such as Even More® Space. The decrease in passenger revenue of $127 million, or 5.8%, for the three months ended March 31, 2024, compared to the same period in 2023, was due to both a 6.0% decrease in revenue passengers and a 3.1% decrease in yield per passenger mile.

Other revenue is primarily comprised of the marketing component of the sales of our TrueBlue® points. It also includes revenue from the sale of vacation packages, airport concessions and advertising revenue.

Operating Expenses

In detail, our operating costs per ASM, were as follows:

(in millions; per ASM data in cents; percent changes based on unrounded numbers)	Three Months Ended March 31,		Year-over-Year Change		Cents per ASM		
	2024	2023	$	%	2024	2023	% Change
Aircraft fuel	$ 625	$ 785	$ (160)	(20.4) %	3.84	4.68	(18.1) %
Salaries, wages and benefits	823	741	82	11.0	5.04	4.42	14.1
Landing fees and other rents	165	160	5	3.1	1.01	0.95	5.9
Depreciation and amortization	158	151	7	4.6	0.97	0.90	7.6
Aircraft rent	27	32	(5)	(16.1)	0.16	0.19	(13.8)
Sales and marketing	77	76	1	1.7	0.47	0.45	4.6
Maintenance, materials, and repairs	132	176	(44)	(24.2)	0.81	1.04	(22.1)

Special items	562	112	450	NM (2)	3.44	0.68	NM
Other operating expenses	359	337	22	6.3	2.21	2.01	9.3
Total operating expenses	**$ 2,928**	**$ 2,570**	**$ 358**	**14.0 %**	**17.95**	**15.32**	**17.1 %**
Total operating expenses excluding special items (1)	**$ 2,366**	**$ 2,458**	**$ (92)**	**(3.7)%**	**14.51**	**14.64**	**(1.0)%**

(2) Not meaningful or greater than 100% change.

(1) Refer to "Regulation G Reconciliation of Non-GAAP Financial Measures" at the end of this section for more information on this non-GAAP measure.

Aircraft Fuel

Aircraft fuel decreased by $160 million, or 20.4%, for the three months ended March 31, 2024 compared to the same period in 2023. Over the same period, the average fuel price decreased by 17.3% to $2.97 per gallon and fuel consumption decreased by 3.8%, or 9 million gallons.

Salaries, Wages and Benefits

Salaries, wages and benefits increased $82 million, or 11.0%, for the three months ended March 31, 2024 compared to the same period in 2023 driven by wage rate increases. The wage rate increase was primarily due to the new pilot union contract effective March 1, 2023, which included an initial pay rate increase of 14% and an additional 3% pay rate increase effective August 2023.

Aircraft Rent

Aircraft rent decreased $5 million, or 16.1%, in the three months ended March 31, 2024 compared to the same period in 2023, primarily due to fewer leases for Airbus A320 aircraft and Embraer E190 aircraft.

Maintenance, Materials, and Repairs

Maintenance, materials, and repairs decreased $44 million, or 24.2%, for the three months ended March 31, 2024 compared to the same period in 2023 due to timing and the type of maintenance events that occurred during the period.

Other Operating Expenses

Other operating expenses consist of the following categories: outside services, airport expenses (including expenses related to ground handling, skycap, security, and catering services), personnel expenses, professional and legal fees, onboard supplies, shop and office supplies, bad debts, communication costs and taxes other than payroll and fuel taxes.

Other operating expenses increased $22 million, or 6.3%, for the three months ended March 31, 2024 compared to the same period in 2023 due in part to information technology service costs, outside services, and personnel expenses.

Special Items

For the three months ended March 31, 2024, special items included the following:

- $532 million relating to Spirit-related costs;
- $15 million relating to voluntary opt-out costs; and
- $15 million relating to Embraer E190 fleet transition costs.

For the three months ended March 31, 2023, special items included the following:

•$95 million relating to union contract costs; and

•$17 million relating to Spirit-related costs.

(1) Refer to "Regulation G Reconciliation of Non-GAAP Financial Measures" at the end of this section for more information on this non-GAAP measure.

Operational Statistics

The following table sets forth our operating statistics for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Year-over-Year Change
(percent changes based on unrounded numbers)	**2024**	**2023**	**%**
Operational Statistics			
Revenue passengers (thousands)	9,584	10,192	(6.0)
Revenue passenger miles (RPMs) (millions)	13,002	13,375	(2.8)
Available seat miles (ASMs) (millions)	16,313	16,769	(2.7)
Load factor	79.7 %	79.8 %	(0.1) pts
Aircraft utilization (hours per day)	10.2	11.1	(8.1)
Average fare	$ 214.39	$ 214.07	0.1
Yield per passenger mile (cents)	15.80	16.31	(3.1)
Passenger revenue per ASM (cents)	12.60	13.01	(3.2)
Operating revenue per ASM (cents)	13.54	13.88	(2.5)
Operating expense per ASM (cents)	17.95	15.32	17.1
Operating expense per ASM, excluding fuel (1) (cents)	10.57	9.87	7.1
Departures	79,700	87,481	(8.9)
Average stage length (miles)	1,279	1,199	6.7
Average number of operating aircraft during period	285	278	2.5
Average fuel cost per gallon	$ 2.97	$ 3.59	(17.3)
Fuel gallons consumed (millions)	210	219	(3.8)
Average number of full-time equivalent crewmembers	20,222	20,536	(1.5)

We expect our operating results to significantly fluctuate from quarter-to-quarter in the future as a result of various factors, many of which are outside of our control. For example, air traffic controller shortages in the

Northeast and Florida continue to cause disruptions in the industry, resulting in the FAA waiving the minimum usage requirement and permitting us to voluntarily turn in up to 10% of our slots in the New York area to help protect our operations. Even with the flight cutbacks, we experienced and continue to expect challenges in the operating environment. Consequently, we believe quarter-to-quarter comparisons of our operating results may not necessarily be meaningful; you should not rely on our results for any one quarter as an indication of our future performance. Except for uncertainty related to the cost of aircraft fuel, we expect our expenses to continue to increase as we acquire additional aircraft, as our fleet ages, and as we expand the frequency of flights in existing markets as well as enter into new markets.

Operational challenges impacted our business in the first quarter of 2024. These challenges include disruptions in our supply chains and those of our business partners, leading to aircraft delivery delays. Additionally, reliability challenges with some of our aircraft engines using new technology have led to grounded aircraft events. These challenges have resulted - and are expected to continue to result - in flight delays and cancellations.

LIQUIDITY AND CAPITAL RESOURCES

The airline business is capital intensive. Our ability to successfully execute our growth plans is largely dependent on the continued availability of capital on attractive terms. In addition, our ability to successfully operate our business depends on maintaining sufficient liquidity. We believe we have adequate resources from a combination of cash and cash equivalents, investment securities on hand, and available lines of credit. Additionally, our unencumbered assets could be an additional source of liquidity, if necessary.

At March 31, 2024, we had unrestricted cash, cash equivalents, short-term investments, and long-term marketable securities of approximately $1.7 billion, which we believe will be sufficient to satisfy our liquidity needs for at least the next twelve months from the date of this Report, and we expect to meet our long-term liquidity needs with our projected cash from operations, available lines of credit and debt financing.

(1) Refer to "Regulation G Reconciliation of Non-GAAP Financial Measures" at the end of this section for more information on this non-GAAP measure.

We believe a healthy liquidity position is a crucial element of our ability to weather any part of the economic cycle while continuing to execute on our plans for profitable growth and increased returns. Our goal is to continue to be diligent with our liquidity, maintain financial flexibility, and be prudent with capital spending.

Analysis of Cash Flows

Operating Activities

We rely primarily on operating cash flows to provide working capital for current and future operations. Cash flows from operating activities were $204 million and $405 million for the three months ended March 31, 2024 and 2023, respectively. The decrease in operating cash flow is driven by the change in working capital and Spirit merger termination.

Investing Activities

During the three months ended March 31, 2024, flight equipment capital expenditures included $386 million related to the purchase of aircraft and spare engines as well as aircraft interior modifications. Flight capital expenditures also included $20 million in spare part purchases. Other property and equipment capital expenditures included ground equipment purchases and facilities improvements for $21 million. Investing activities for the current year period also included $93 million in net proceeds from investment securities, $39 million in pre-delivery deposit payments for future aircraft deliveries and $22 million in Spirit shareholder payments.

During the three months ended March 31, 2023, flight equipment capital expenditures included $131 million related to the purchase of aircraft and spare engines as well as aircraft interior modifications. Flight capital expenditures also included $10 million in spare part purchases. Other property and equipment capital expenditures included ground equipment purchases and facilities improvements for $31 million. Investing activities also included $165 million in net proceeds from investment securities and $33 million in Spirit shareholder payments.

Financing Activities

Financing activities for the three months ended March 31, 2024 primarily consisted of proceeds from sale-leaseback transactions of $332 million partially offset by $58 million in payments on our outstanding debt and finance lease obligations.

Financing activities for the three months ended March 31, 2023 primarily consisted of proceeds from a sale-leaseback transaction of $38 million, offset by $109 million in payments on our outstanding debt and finance lease obligations.

Working Capital

We had a working capital deficit of $1.9 billion and $1.5 billion at March 31, 2024 and December 31, 2023, respectively. Our working capital deficit increased by $390 million due to several factors, including an increase in air traffic liability and other accrued liabilities.

We expect to meet our obligations as they become due through available cash, investment securities, and internally generated funds, supplemented, as necessary, by financing activities which may be available to us. However, we cannot predict what the effect on our business might be from future developments related to the extremely competitive environment in which we operate, or from events beyond our control, such as volatile fuel prices, economic conditions, weather-related disruptions, airport infrastructure challenges, the spread of infectious diseases, the impact of other airline bankruptcies, restructurings or consolidations, U.S. or international military actions, acts of terrorism, or other external geopolitical events and conditions. We believe there is sufficient liquidity available to us to meet our cash requirements for at least the next 12 months.

Contractual Obligations

Our material cash requirements for known contractual and other obligations as of March 31, 2024 includes the following (in millions):

	Remainder of 2024	2025	2026	2027	2028	Thereafter	Total
Debt and finance lease obligations (1)	$ 442	$ 507	$ 1,238	$ 474	$ 561	$ 3,193	$ 6,415
Operating lease obligations	118	116	92	86	74	365	851
Flight equipment purchase obligations (2)	820	1,165	1,144	1,011	1,529	1,198	6,867
Other obligations (3)	253	330	324	334	404	—	1,645
Total	**$ 1,633**	**$ 2,118**	**$ 2,798**	**$ 1,905**	**$ 2,568**	**$ 4,756**	**$ 15,778**

The amounts stated above do not include additional obligations incurred as a result of financing activities executed after March 31, 2024.

(1) Includes actual interest and estimated interest for floating-rate debt. Estimated floating rate is equal to Secured Overnight Financing Rate ("SOFR") plus a margin based on March 31, 2024 rates.

(2) Amounts represent obligations based on the current delivery schedule set forth in our Airbus order book as of March 31, 2024.

(3) Amounts primarily include non-cancelable commitments for flight equipment maintenance, construction and information technology.

As of March 31, 2024, we are in compliance with the covenants of our debt and lease agreements. We have approximately $59 million of restricted cash pledged under standby letters of credit related to certain leases that will expire at the end of the related lease terms. Approximately 61% of our owned property and equipment and intangible assets at net book value were pledged or committed to be pledged as security under various loan agreements.

As of March 31, 2024, our operating fleet consisted of (1):

Aircraft Type	Aircraft Count
Airbus A220	29
Airbus A320	11
Airbus A320 Restyled	119
Airbus A321	28
Airbus A321 with Mint®	35
Airbus A321neo	16
Airbus A321neo with Mint®	8
Airbus A321neoLR with Mint®	9
Embraer E190 (2)	32
Total	**287**

(1) This table includes aircraft that have been temporarily removed from service, but are expected to return to operation in the future.

(2) Embraer E190 excludes 10 permanently parked owned aircraft and 6 parked aircraft awaiting lease return.

Of our fleet, 244 are owned by us, 43 are leased under operating leases, and none are leased under finance leases. Our owned aircraft include aircraft associated with sale-leaseback transactions that did not qualify as sales for accounting purposes. As of March 31, 2024, the average age of our operating fleet was 12.2 years.

Our committed future aircraft deliveries as of March 31, 2024 are as follows (1):

Year	Airbus A220	Airbus A321neo	Total
Remainder of 2024	15	4	19
2025	20	5	25
2026	20	4	24
2027	5	9	14

2028	7	16	23
Thereafter	4	14	18
Total (2)	**71**	**52**	**123**

(1) Our committed future aircraft deliveries are subject to change based on modifications to the contractual agreements or changes in the delivery schedules.

(2) In addition, we have options to purchase an additional 20 A220-300 aircraft.

Committed expenditures for our aircraft and spare engines include estimated amounts for contractual price escalations and pre-delivery deposits. We expect to meet our pre-delivery deposit requirements for our aircraft by paying cash or by using short-term borrowing facilities for deposits generally required six to 24 months prior to delivery. Any pre-delivery deposits paid by the issuance of notes are fully repaid at the time of delivery of the related aircraft.

Depending on market conditions, we anticipate using a mix of cash and debt financing for aircraft scheduled for delivery in 2024. Although we believe debt and/or lease financing should be available to us, we cannot give any assurance that we will be able to secure financing on attractive terms, if at all. To the extent we cannot secure financing on terms we deem attractive, we may be required to pay in cash, further modify our aircraft acquisition plans, or incur higher than anticipated financing costs.

Off-Balance Sheet Arrangements

There have been no material changes to off-balance sheet arrangements from the information provided in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Off Balance Sheet Arrangements included in our 2023 Form 10-K.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates included in our 2023 Form 10-K.

REGULATION G RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We report our financial results in accordance with GAAP; however, we present certain non-GAAP financial measures in this Report. Non-GAAP financial measures are financial measures that are derived from the condensed consolidated financial statements, but that are not presented in accordance with GAAP. We present these non-GAAP financial measures because we believe they provide useful supplemental information that enables a meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, our financial measures prepared in accordance with GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies. The information below provides an explanation of each non-GAAP financial measure presented in this Report and shows a reconciliation of each such non-GAAP financial measure to its most directly comparable GAAP financial measure.

Operating Expenses, excluding Fuel, Other Non-Airline Operating Expenses, and Special Items ("Operating Expenses ex-fuel") and Operating Expense ex-fuel per Available Seat Mile ex-fuel ("CASM ex-fuel")

Operating Expense per Available Seat Mile ("CASM") is a common metric used in the airline industry. Our CASM for the relevant periods are summarized in the table below. We exclude aircraft fuel, operating expenses related to other non-airline businesses, such as JetBlue Ventures and JetBlue Travel Products, and special items from total operating expenses to determine Operating Expenses ex-fuel, which is a non-GAAP financial measure, and we exclude the same items from CASM to determine CASM ex-fuel, which is also a non-GAAP financial measure. We believe the impact of these special items distorts our overall trends and that our metrics are more comparable with the presentation of our results excluding such impact.

We believe that Operating Expenses ex-fuel and CASM ex-fuel are useful for investors because they provide investors the ability to measure our financial performance excluding items that are beyond our control, such as fuel costs, which are subject to many economic and political factors, as well as items that are not related to the generation of an available seat mile, such as operating expense related to certain non-airline businesses and special items. We believe these non-GAAP measures are more indicative of our ability to manage airline costs and are more comparable to measures reported by other major airlines.

For the three months ended March 31, 2024, special items included Spirit-related costs, voluntary opt-out costs, and Embraer E190 fleet transition costs. Please refer to Note 11 in our condensed consolidated financial statements included in Part 1, Item 1 of this Report.

For the three months ended March 31, 2023, special items included union contract costs and Spirit-related costs.

The table below provides a reconciliation of our total operating expenses ("GAAP measure") to Operating Expenses ex-fuel, and our CASM to CASM ex-fuel for the periods presented.

NON-GAAP FINANCIAL MEASURE
RECONCILIATION OF OPERATING EXPENSE AND OPERATING EXPENSE PER ASM (CASM), EXCLUDING FUEL

	Three Months Ended March 31,					
	Three Months Ended March 31,			**Cents per ASM**		
($ in millions; per ASM data in cents; percent changes based on unrounded numbers)	**2024**	**2023**	**Percent Change**	**2024**	**2023**	**Percent Change**
Total operating expenses	**$ 2,928**	**$ 2,570**	**14.0**	**17.95**	**15.32**	**17.1**
Less:						
Aircraft fuel	625	785	(20.4)	3.84	4.68	(18.1)
Other non-airline expenses	17	18	(4.4)	0.10	0.09	(1.8)
Special items	562	112	NM (1)	3.44	0.68	NM
Operating expenses, excluding fuel	**$ 1,724**	**$ 1,655**	**4.2**	**10.57**	**9.87**	**7.1**

(1) Not meaningful or greater than 100% change.

Operating Expense, Operating Loss, Adjusted Operating Margin, Pre-tax Loss, Adjusted Pre-tax Margin, Net Loss and Loss per Share, excluding Special Items and Gain (Loss) on Investments

Our GAAP results in the applicable periods were impacted by credits and charges that were deemed special items.

For the three months ended March 31, 2024, special items included Spirit-related costs, voluntary opt-out costs, and Embraer E190 fleet transition costs. Please refer to Note 11 in our condensed consolidated financial statements included in Part 1, Item 1 of this Report.

For the three months ended March 31, 2023, special items included union contract costs and Spirit-related costs.

Certain net gains and losses on our investments were also excluded from our March 31, 2024 and 2023 non-GAAP results.

We believe the impact of these items distort our overall trends and that our metrics are more comparable with the presentation of our results excluding the impact of these items. The table below provides a reconciliation of our GAAP reported amounts to the non-GAAP amounts excluding the impact of these items for the periods presented.

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NON-GAAP FINANCIAL MEASURE

RECONCILIATION OF OPERATING EXPENSE, OPERATING LOSS, ADJUSTED OPERATING MARGIN, PRE-TAX LOSS, ADJUSTED PRE-TAX MARGIN, NET LOSS, LOSS PER SHARE, EXCLUDING SPECIAL ITEMS AND GAIN (LOSS) ON INVESTMENTS

	Three Months Ended March 31,	
(in millions except percentages)	**2024**	**2023**
Total operating revenues	$ 2,209	$ 2,328
RECONCILIATION OF OPERATING EXPENSE		
Total operating expenses	$ 2,928	$ 2,570
Less: Special items	562	112
Total operating expenses excluding special items	$ 2,366	$ 2,458
Percent change	(3.7)%	
RECONCILIATION OF OPERATING LOSS		
Operating loss	$ (719)	$ (242)
Add back: Special items	562	112
Operating loss excluding special items	$ (157)	$ (130)
RECONCILIATION OF ADJUSTED OPERATING MARGIN		
Operating margin	(32.6)%	(10.4)%
Operating loss excluding special items	$ (157)	$ (130)
Total operating revenues	2,209	2,328
Adjusted operating margin	(7.1)%	(5.6)%

RECONCILIATION OF PRE-TAX LOSS				
Loss before income taxes	$	(767)	$	(266)
Add back: Special items		562		112
Less: Gain (loss) on investments, net		(22)		3
Loss before income taxes excluding special items and gain (loss) on investments, net	$	(183)	$	(157)
RECONCILIATION OF ADJUSTED PRE-TAX MARGIN				
Pre-tax margin		(34.7)%		(11.4)%
Loss before income taxes excluding special items	$	(183)	$	(157)
Total operating revenues		2,209		2,328
Adjusted pre-tax margin		(8.3)%		(6.8)%
RECONCILIATION OF NET LOSS				
Net loss	$	(716)	$	(192)
Add back: Special items		562		112
Less: Income tax benefit related to special items		7		29
Less: Gain (loss) on investments, net		(22)		3
Less: Income tax benefit (expense) related to gain (loss) on investments, net		6		(1)
Net loss excluding special items and gain (loss) on investments, net	$	(145)	$	(111)

NON-GAAP FINANCIAL MEASURE

RECONCILIATION OF OPERATING EXPENSE, OPERATING LOSS, ADJUSTED OPERATING MARGIN, PRE-TAX LOSS, ADJUSTED PRE-TAX MARGIN, NET LOSS, LOSS PER SHARE, EXCLUDING SPECIAL ITEMS AND GAIN (LOSS) ON INVESTMENTS (CONTINUED)

	Three Months Ended March 31,			
CALCULATION OF LOSS PER SHARE	**2024**		**2023**	
Loss per common share				
Basic	$	(2.11)	$	(0.58)
Add back: Special items		1.65		0.34

Less: Income tax benefit related to special items	0.02	0.09
Less: Gain (loss) on investments, net	(0.06)	0.01
Less: Income tax benefit related to gain (loss) on investments, net	0.01	—
Basic excluding special items and gain (loss) on investments, net	$ (0.43)	$ (0.34)
Diluted	$ (2.11)	$ (0.58)
Add back: Special items	1.65	0.34
Less: Income tax benefit related to special items	0.02	0.09
Less: Gain (loss) on investments, net	(0.06)	0.01
Less: Income tax benefit related to gain (loss) on investments, net	0.01	—
Diluted excluding special items and gain (loss) on investments, net	$ (0.43)	$ (0.34)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Except as described below, there have been no material changes in market risks from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk included in our 2023 Form 10-K.

Aircraft Fuel

Our results of operations are affected by changes in the price and availability of aircraft fuel. Market risk is estimated as a hypothetical 10% increase in the March 31, 2024 cost per gallon of fuel. Based on projected fuel consumption for the next 12 months, including the impact of our hedging position, such an increase would result in an increase to aircraft fuel expense of approximately $262 million. As of March 31, 2024, we have hedged approximately 27% of our projected fuel requirement for the second quarter of 2024, 3% for the third quarter of 2024, and 5% for the fourth quarter of 2024.

Interest

Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments and on interest income generated from our cash and investment balances. The interest rate is fixed for $4.6 billion of our debt and finance lease obligations, with the remaining $395 million having floating interest rates. As of March 31, 2024, if interest rates were on average 100 basis points higher year-over-year, our annual interest expense would increase by approximately $4 million. This amount is determined by considering the impact of the hypothetical change in interest rates on our variable rate debt.

If interest rates were to average 100 basis points lower in 2024 than they were during 2023, our interest income from cash and investment balances would decrease by approximately $7 million. This amount is determined by considering the impact of the hypothetical change in interest rates on the balances of our money market funds and short-term, interest-bearing investments for the trailing twelve-month period.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer ("CEO"), and our Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of our CEO and CFO, performed an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2024. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we are party to various legal proceedings and claims which we believe are incidental to the operation of our business. Refer to Note 6 to our condensed consolidated financial statements included in Part I, Item 1 of this Report for additional information.

ITEM 1A. RISK FACTORS

Part I, Item 1A "Risk Factors" of our 2023 Form 10-K includes a discussion of our risk factors which are incorporated herein. For information on the termination of our planned merger with Spirit, refer to Note 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Report. There have been no other material changes from the risk factors associated with our business previously disclosed in our 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

(c) During the three months ended March 31, 2024, no director or "officer" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit

10.1	Transition Agreement and General Release, dated February 11, 2024, between JetBlue Airways Corporation and Robin N. Hayes (incorporated by reference to Exhibit 10.11(e) to our Annual Report on Form 10-K for the year ended December 31, 2023).
10.2	Offer Letter between JetBlue Airways Corporation and Martin St. George, dated February 6, 2024 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 7, 2024).
10.3	Employment Agreement, dated as of February 11, 2024, by and between JetBlue Airways Corporation and Joanna Geraghty (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K/A dated February 14, 2024).
10.4	Director Appointment and Nomination Agreement, dated February 16, 2024, by and among the Icahn Group and JetBlue (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated February 16, 2024).
10.5	Termination Agreement, dated March 1, 2024, by and among JetBlue Airways Corporation, Sundown Acquisition Corp., and Spirit Airlines, Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated March 4, 2024).
10.6*^§	Amendment No. 17 to the A320 Family Aircraft Purchase Agreement, dated as of October 19, 2011, between Airbus S.A.S. and JetBlue Airways Corporation.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)
*	Filed herewith.
**	Furnished herewith.
^	Information in this exhibit identified by brackets is confidential and has been excluded because it (i) is not material and (ii) is the type of information that the registrant treats as private or confidential.
§	Pursuant to Item 601(a)(5) of Regulation S-K, schedules have been omitted and will be furnished on a supplemental basis to the Securities and Exchange Commission upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JETBLUE AIRWAYS CORPORATION

(Registrant)

Date:	April 25, 2024	By:	/s/ Dawn Southerton
			Dawn Southerton
			Vice President, Controller
			(Principal Accounting Officer)