

Citi Industrials Conference

June 13, 2017



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Key investment highlights

Managing business to maximize margin and ROIC

Defined strategy to close margin gap to peers by 2020

Managing costs and disciplined capital investment

Strong liquidity levels and healthy balance sheet

Will continue to return excess cash to shareholders

Demonstrating progress on Investor Day initiatives

Operational Integrity





Segmentation

**Re-fleeting &
Upgauge**

Operational Improvement

At Investor Day we committed to improving reliability and efficiency

April & May combined performance

Mainline operating metrics				
Completion factor (%)	1 99.8	99.2	98.2	99.4
On-time departure – D :00 (%)	1 69.7	67.4	62.7	53.7
On-time arrival – A :00 (%)	1 68.9	62.8	66.2	58.1
On-time arrival – A :14 (%)	1 82.1	79.4	79.9	78.5

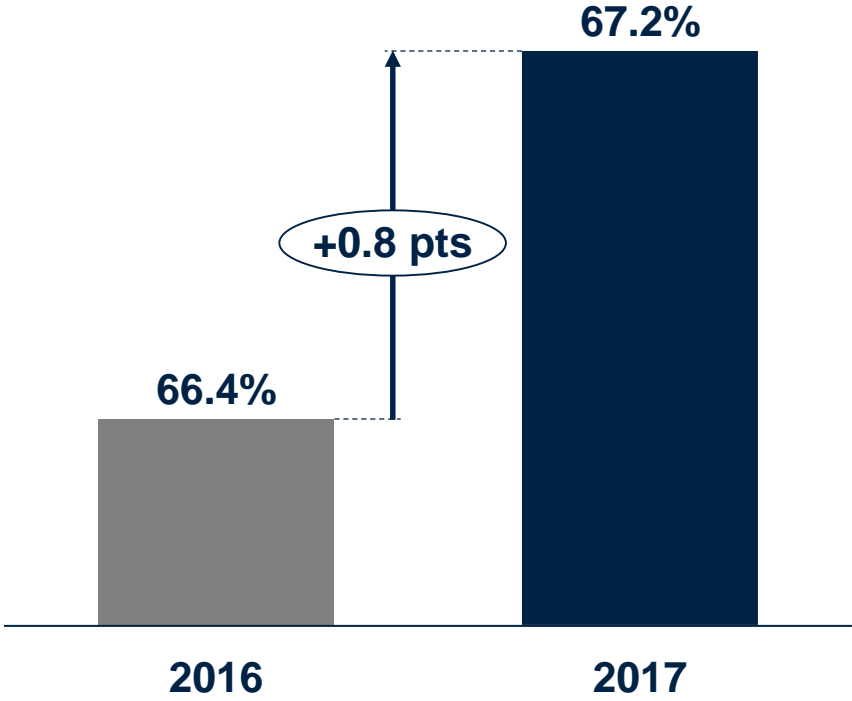
Relative performance rank

Achieved #1 performance in all metrics for April and May combined

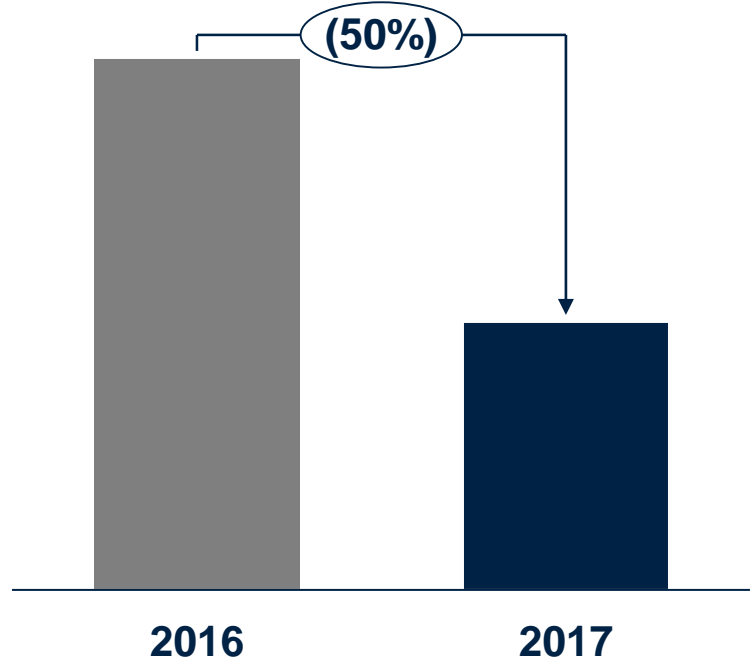
Note: competitive data based on masFlight.

Turn performance and maintenance reliability is improving

Turn performance¹
(% of flights departing on time – D :00)



Total maintenance cancellation rate¹
(% of flights cancelled)



D:00 and completion factor focus has intensified

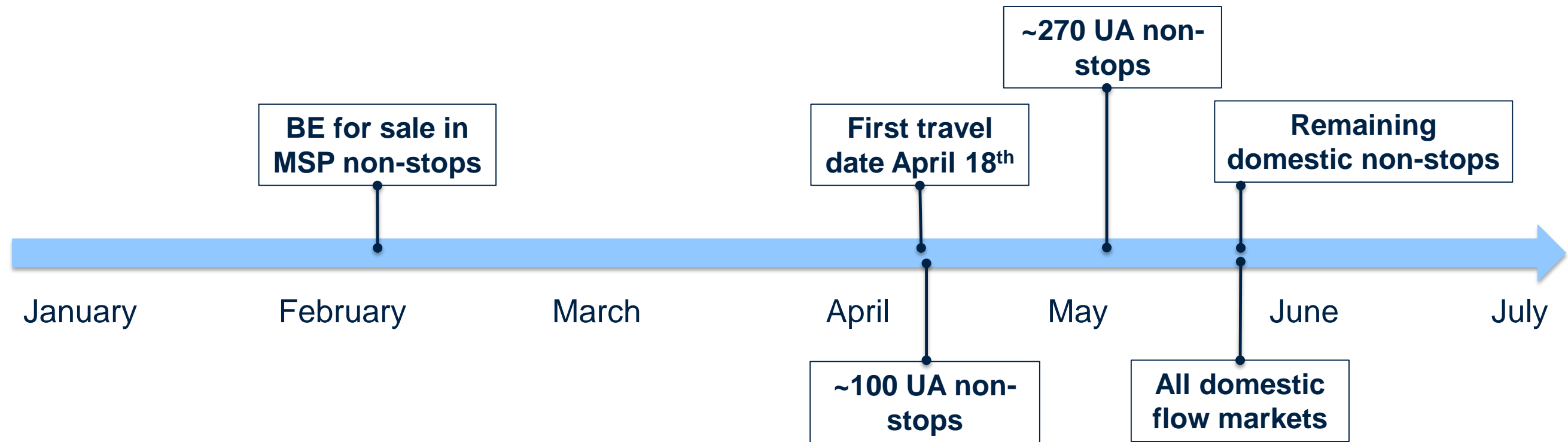
¹ Results January through May for each year

Improving operations drive cost savings

- Improved operations lead to increased revenue and lower cost
 - Quicker aircraft turn times, fewer cancellations and long delays
 - Enables incremental utilization of aircraft
- Reduction of 30% – 40% in other airline reaccommodation cost year-to-date
 - Improvement driven by better reliability and new tracking tools
 - Expect savings to continue to ramp up
- Irregular operations spend has declined

Segmentation

Basic Economy is rolled out in the majority of the U.S. domestic network



- Basic Economy fares now available everywhere in the U.S. except Hawaii
- Pace of roll-out consistent with plan
- Hawaii and Latin markets are set to roll-out by the end of 2017
- Exploring further product segmentation in our long-haul international markets

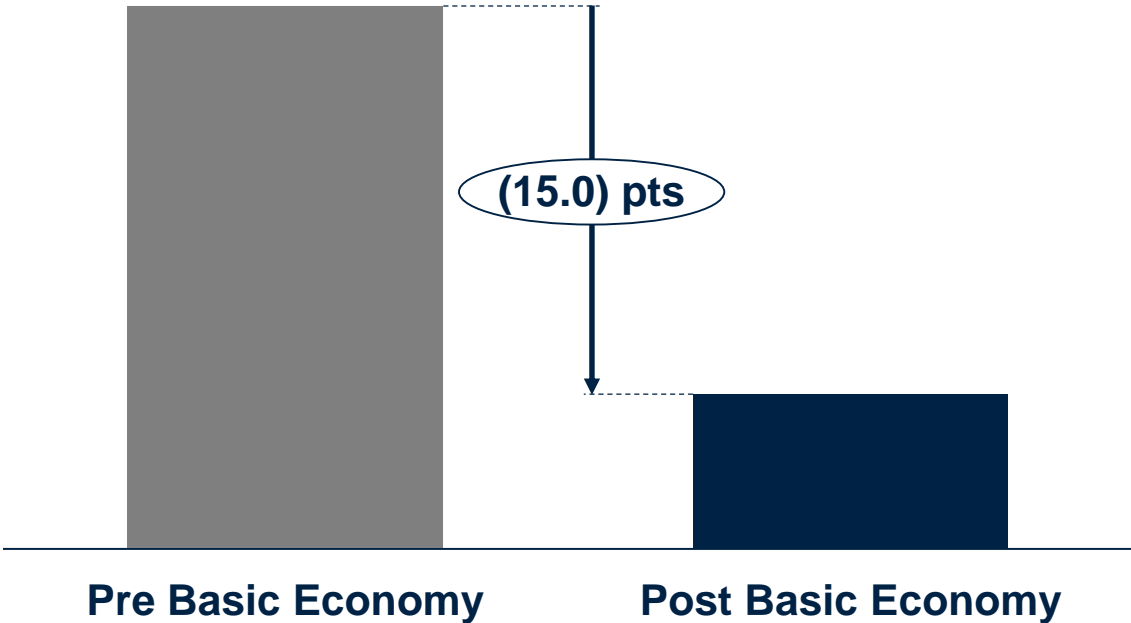
Basic Economy is performing well

- Basic Economy fare available all the way up the economy fare structure
 - Greater choice results in better upsell revenue
- 60% - 70% of passengers select the standard product over Basic when given a clear choice
- Improves ability to compete with ULCC's
- Part of broader revenue strategy to further segment the cabin and better optimize pricing

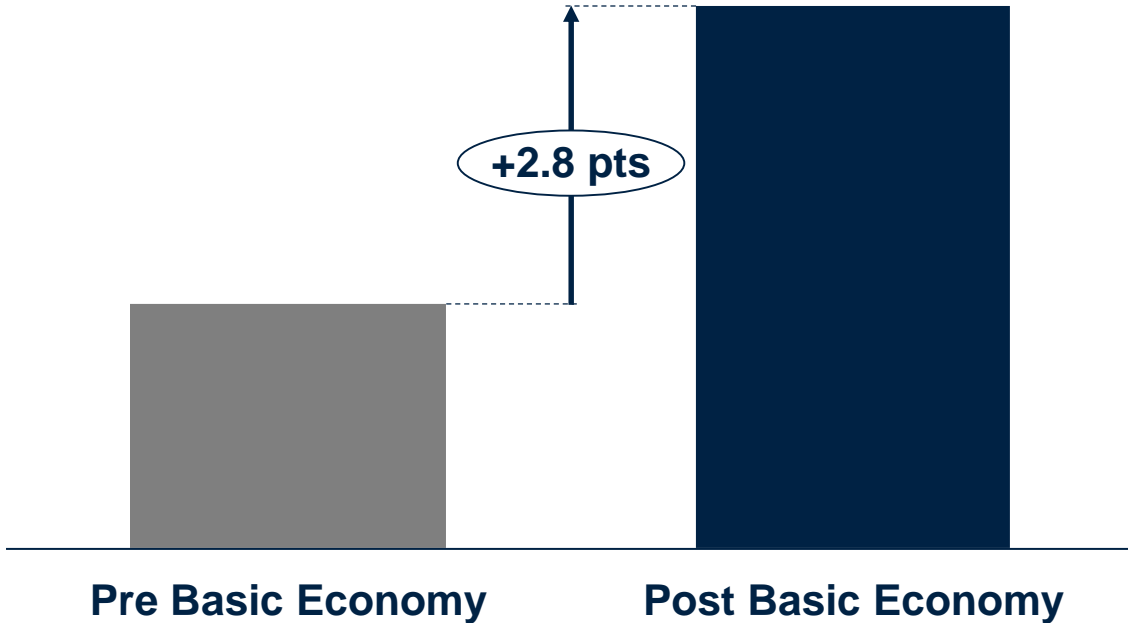
List view		Detailed view						Basic Economy (most restricted)	Economy	Economy (flexible)	First (lowest)
Depart	Arrive	Stops	Duration								
6:50 am	9:50 am	Nonstop	6h		Details	Seats	\$569	\$594	\$835	\$893 4 tickets left at this price	

Initial Basic Economy results showing operational improvement

Gate checked bag volume
(% of flights with at least one gate checked bag)



Basic Economy reliability
(% of flights departing on time – D :00)



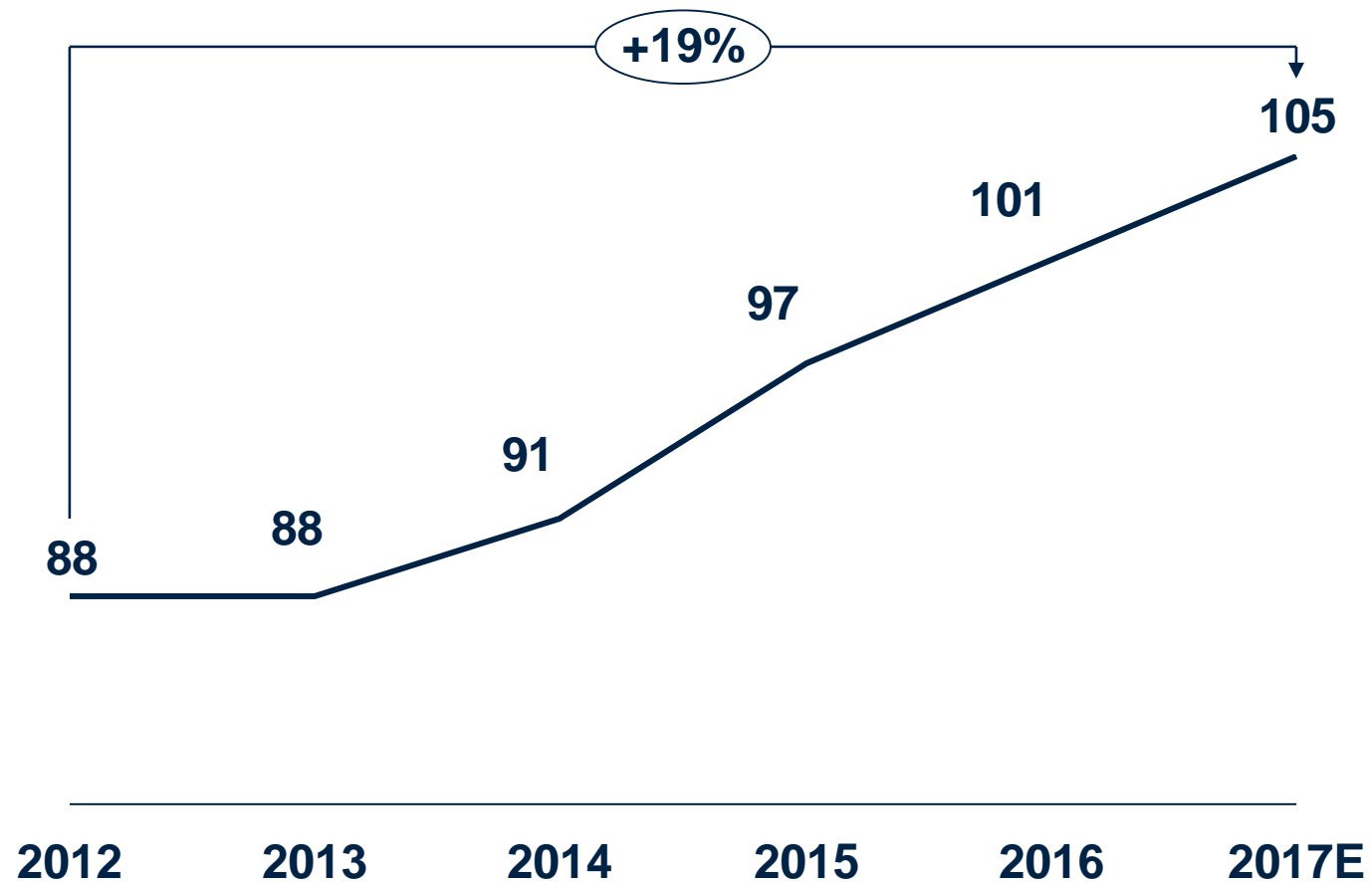
While still early in the roll out, Basic Economy is having the desired positive impact on reliability performance

Note: Basic Economy launched on inbound and outbound MSP flights on April 18th; Pre Basic Economy measures April 1st through April 17th, 2017

Re-fleeting & Upgauge

Upgauging and densification lead to better unit cost economics

Average Narrowbody and Express Gauge¹
Seats per departure

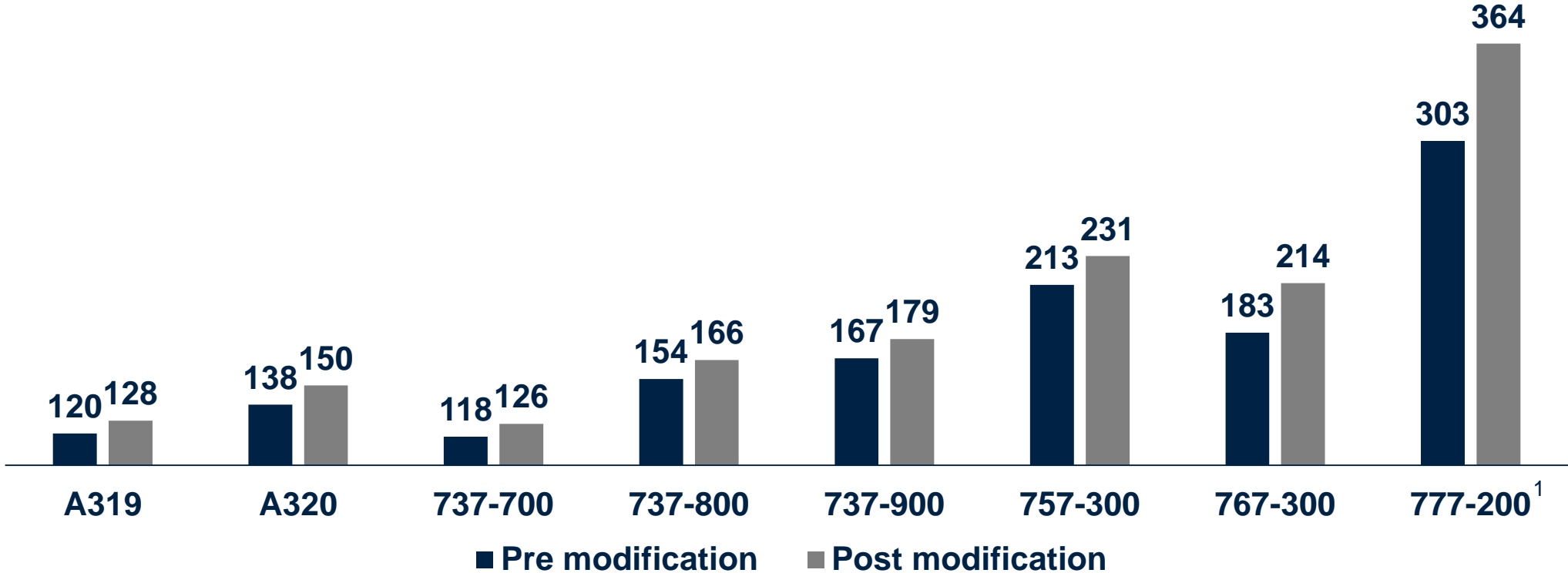


- Seat densification projects add incremental capacity, where marginal revenue exceeds modest carrying costs
- Upgauging the fleet with larger aircraft and seat densification drive more efficient growth

¹ Includes all Narrowbody and Express aircraft regardless of region flown

Gauge is the predominant driver of capacity growth in 2017

Seat configuration by aircraft type

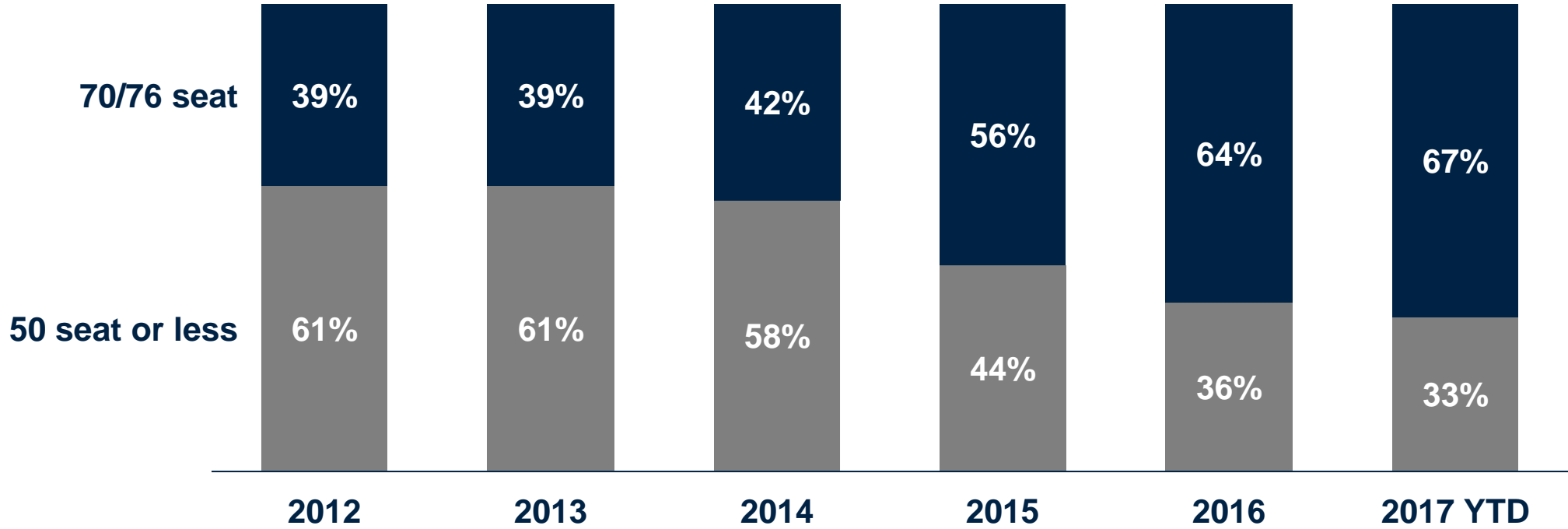


Densification of aircraft drives more value from existing assets

¹ Represents 19 domestic configured 777-200 aircraft; 10 aircraft were previously in an international configuration (266 seats)

Optimizing regional fleet mix

Percentage mix of regional aircraft available seat miles



Improving regional product with larger two-cabin aircraft

Note: Pilot contract scope clause - up to 255 70/76-seat aircraft of which 153 can be 76-seat aircraft

What's next?

- Continued focus on operational improvement
- Network optimization in both the domestic and international networks
- Implementation of new revenue management system (Gemini) begins in late Summer 2017
- Rebanking initiative starts with IAH in Fall 2017; ORD and DEN in early 2018
- Maturation of Basic Economy and decision on Premium Economy
- Update on fleet strategy

Plan to provide update on our Investor Day initiatives progress in 4Q17

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