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Alaska
Beyond

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**Flying better
together**

Creating the premier
airline for people on
the West Coast



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Flying better together

Creating the premier airline
for people on the West Coast

By Paul Frichtl





Alaska Airlines and Virgin America fly young fleets.
Alaska: Boeing 737s.
Virgin: Airbus A320 family.

Flight attendants working the red-eye flight from Seattle to Newark on the morning of April 4 disembarked with big news buzzing in their ears, news that had only been released at 3 A.M. through a companywide news alert.

Alaska Airlines had reached an agreement to purchase San Francisco-based Virgin America.

As Donna Engelhardt and her fellow flight attendants entered the gate area, a Virgin America crew approached; they wanted to take photos with the first Alaska crew they met.

“We all hugged, and we welcomed them to our family,” Engelhardt said. “It was a moment that was touching and exciting.”

The photo of the two smiling crews quickly went out on social media, immediately liked by hundreds of Alaska employees searching for more information on the purchase, excited by the opportunities that

the combination of two of the West Coast’s favorite airlines presents for not only employees but customers as well.

The agreement came unexpectedly for most, and the truth is, the work is only just beginning. Final approval of the \$2.6 billion cash deal by Virgin America shareholders and federal regulators is expected to come by January 1, 2017. It then may be more than another year—first quarter, 2018—before the two airlines are granted a single operating certificate by the U.S. Department of Transportation. Until then, Alaska and Virgin America operate independently.

On the day of the announcement, Alaska basked in the accomplishment and the possibilities. CEO Brad Tilden quickly credited “the foundation of strength forged by 15,000 employees working together” for making the transaction possible, and noted, “This transaction will make us the premier airline for people living on the West Coast.”

This merger is a big deal. Alaska currently operates about 1,000 departures each day. Virgin America would instantly add more than 200 departures, creating greater frequency out of key cities already served by Alaska and introducing new destinations across North America. The idea is to create an airline that becomes the go-to carrier on the West Coast, and to do so in such a way that the combined airline will continue serving customers as an independent airline for many years to come.

The resulting company will retain the Alaska Airlines name, will be headquartered in Seattle, and will be managed by the executive team currently led by Tilden. The combined company becomes the fifth-largest airline in the country, flying 39 million passengers each year, with annual revenue totaling more than \$7 billion. The expanded route network would utilize more than 280 aircraft, one of the youngest fleets in the country.

“Simply put, this deal puts Alaska Airlines squarely on the national map, something that would have taken years to accomplish on our own,” Tilden said.

The result is a network with strength in all the major American cities on the West Coast, and greatly enhances service for

customers flying East. Key to that is the addition of Virgin America’s presence in San Francisco and Los Angeles. With 39 million people, California has three times the combined population of the Pacific Northwest states, and it represents the airline’s single largest opportunity.

Through this acquisition, Alaska will be able to offer customers new or improved access—coast to coast—to important destinations such as Dallas; Washington, DC; and New York’s JFK and LaGuardia airports—airports that are so busy and competitive that it can take years for an airline to secure a gate for new service.

Alaska also has an opportunity to grow and improve its award-recognized Mileage Plan loyalty program, ranked “Highest in Customer Satisfaction with Airline Loyalty Rewards Programs” for the past two consecutive years by J.D. Power. As the airlines eventually combine, Virgin America’s Elevate program will merge into Mileage Plan—ranked the No. 1 rewards program by *U.S. News & World Report* for the last two years. While awaiting regulatory clearance, Mileage Plan members will continue to enjoy earning and redeeming miles on Alaska’s 16 airline partners, while Elevate members will continue to earn and redeem



Profile: Alaska Airlines

Alaska’s excellence in service has its roots in its long history in the state of Alaska. The airline started in 1932 with a frontier flyer named Linious “Mac” McGee, who flew his single-engine Stinson aircraft into the bush to deliver supplies for miners, trappers and adventurers. The pilots of the day embodied the can-do spirit of the backcountry—the willingness to do whatever was needed to help out a neighbor. By 1944, a string of more than a dozen mergers among small airlines had resulted in the name Alaska Airlines.

Along the way, Alaska has proved to be a proud and determined survivor. Following the Airline Deregulation Act of 1978, many airlines succumbed to the new competitive environment. While mergers and bankruptcies filled the headlines, Alaska sought opportunities, launching new service into California, Arizona, Mexico and more. The company acquired Pacific Northwest regional carrier Horizon Air in 1986 and Long Beach, California-based Jet America in 1987, but it has remained distant from the acquisitions market since.

In the first decade of this century, Alaska was one of the few U.S. airlines that refused to reorganize under the protections of bankruptcy law. Instead, it embarked on a campaign to cut costs and improve efficiencies. The company focused on becoming an innovator and leader—on the Internet, at the ticket counter, in the baggage area and on the flight deck—while maintaining one of the strongest balance sheets in the industry. It chose to grow organically, spreading its route system to Hawai’i and the East Coast one well-calculated route at a time.

CEO Brad Tilden credits the airline’s commitment to safety, to customers, to investors and to its people with making the deal with Virgin America possible—a deal that will make Alaska Airlines the fifth-largest airline in the country.

By the Numbers

		
Annual Revenue	\$5.6 billion	\$1.5 billion
Annual Passengers	32 million	7 million
Pre-Tax Profit	\$1.3 billion	\$200 million
Frequent-Flyer Programs	Alaska Airlines Mileage Plan™	Virgin America Elevate®
Member Lounge	Alaska Lounge	Virgin America Loft at LAX
Destinations	112 destinations 1,000 total daily departures	24 destinations 200 total daily departures
Hub Cities	Seattle Anchorage Portland	San Francisco Los Angeles
Employees	15,200	3,000
Fleets	219 aircraft Modern, all-Boeing mainline fleet Average fleet age: 10 years	60 aircraft Modern, all-Airbus fleet Average fleet age: 6 years



Profile: Virgin America

Virgin America is a young airline. It took to the skies over San Francisco in 2007, created by the diverse Virgin business group led by British business magnate Richard Branson.

Virgin America launched proclaiming a mission “to make flying good again.” The new carrier quickly caught the attention of the travel industry as well as flyers living in California, and almost immediately started winning industry best-in-class awards. Recognition includes Best Domestic Airline in *Condé Nast Traveler’s Readers’ Choice Awards* and *Travel + Leisure’s World’s Best Awards* for the past eight consecutive years.

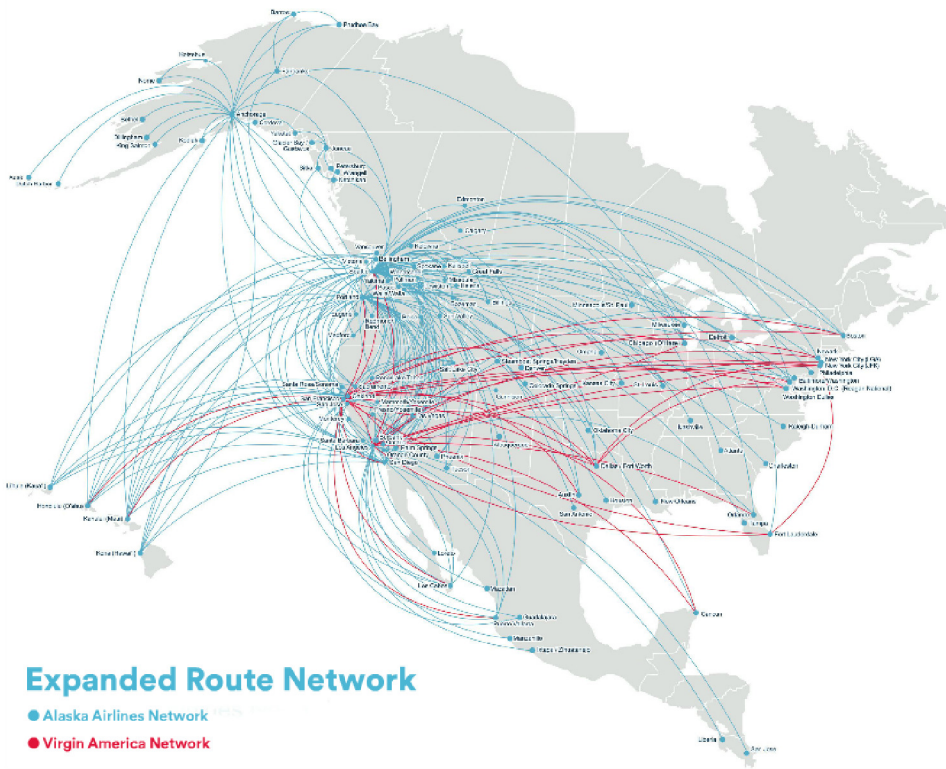
Today Virgin America is noted for its mood-lit cabins, Wi-Fi on every plane, custom leather seats with power outlets, and a seatback entertainment system that allows passengers to order food and beverages from their seats through the system’s touch-screen. Known as Red, the system similarly can order up movies, music and live TV, and streams services such as Netflix.

America’s customers and their needs, and why they love their airline.”

WHILE THE EXCITEMENT of joining the operations is palpable, the two airlines remain committed to taking the time to ensure the merging of the two operations plays to the strengths of each.

“By combining the two airlines, we will be better positioned to deliver more choice for our customers,” Tilden says. “I’m excited about the airline we’re going to become when the deal is done.”

Please turn to page 205 to read a Cautionary Statement Regarding Forward-Looking Statements, Important Additional Information About the Merger and Where to Find It, and Participants in the Solicitation, or visit FlyingBetterTogether.com.



Expanded Route Network

- Alaska Airlines Network
- Virgin America Network

points with Virgin America. Customers can continue to fly Virgin America and its partners and accrue points as normal, until the plans combine, and be confident that all points earned prior to or after the transaction announcement will be reflected in new

or existing Alaska Mileage Plan accounts.

“We’ll be looking thoughtfully at both our current portfolio of codeshare and frequent-flyer partnerships and Virgin America’s to ensure that we provide the greatest available network as a combined company,” says Sangita Woerner, Vice President, Marketing, at Alaska Airlines.

Already, the two airlines consistently rank at the top of a wide range of industry surveys. Alaska has been ranked Highest in Customer Satisfaction Among Traditional Carriers eight years in a row by J.D. Power, most recently in 2015. It has been rated the most on-time airline in North America for six years and counting by the industry tracker FlightStats, and the No. 1 airline in the U.S. by *The Wall Street Journal* the last three years in a row.

WSJ’s No. 2 overall performer for 2014 and ’15? Virgin America. The carrier consistently ranks at the top of *Condé Nast Traveler’s Readers’ Choice Awards* and *Travel + Leisure’s World’s Best Awards* for domestic airlines and first class/business experiences.

“Virgin America has built an incredible brand experience,” Woerner says. “They’ve built an emotionally engaging brand, and we have great respect for that. ... We will be examining each of those elements closely and thoughtfully over the coming months and years as we work to understand Virgin

Growing California

Service to Top 10 markets from San Francisco/SFO

SFO to:	Alaska Today	Alaska + Virgin America
New York/JFK		✓
Los Angeles/LAX		✓
Las Vegas		✓
Chicago		✓
Boston		✓
Seattle	✓	✓
Newark		✓
San Diego		✓
Denver		✓
Washington/Dulles		✓

Service to Top 10 markets from Los Angeles/LAX

LAX to:	Alaska Today	Alaska + Virgin America
New York/JFK		✓
San Francisco		✓
Chicago		✓
Seattle	✓	✓
Las Vegas		✓
Denver		
Newark		✓
Honolulu		✓
Boston		✓
Atlanta		