

REFINITIV

DELTA REPORT

10-Q

HA - HAWAIIAN HOLDINGS INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1130

■ CHANGES	373
■ DELETIONS	382
■ ADDITIONS	375

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 **September 30, 2023** **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
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

3375 Koapaka Street, Suite G-350

96819

Honolulu, HI

(Zip Code)

(Address of Principal Executive Offices)

(Address of Principal Executive Offices)

(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 **October 20, 2023** **April 19, 2024**, **51,633,493** **51,848,906** shares of the registrant's common stock were outstanding.

Hawaiian Holdings, Inc.
Form 10-Q
Quarterly Period ended September 30, 2023 March 31, 2024

Table of Contents

Part I.	Financial Information	3
Item 1.	Consolidated Financial Statements of Hawaiian Holdings, Inc. (Unaudited)	3
	Consolidated Statements of Operations for the three months ended March 31, 2024 and nine months ended September 30, 2023 and 2022 2023	3
	Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2023March 31, 2024 and 2022 2023	4
	Consolidated Balance Sheets as of September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023 (audited)	5
	Consolidated Statements of Shareholders' Equity for the three and nine months ended September 30, 2023March 31, 2024 and 2022 2023	6
	Condensed Consolidated Statements of Cash Flows for the ninethree months ended September 30, 2023March 31, 2024 and 2022 2023	87
	Notes to Consolidated Financial Statements	98
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	3330
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	4742
Item 4.	Controls and Procedures	4742
Part II.	Other Information	4944
Item 1.	Legal Proceedings	4944
Item 1A.	Risk Factors	4944
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	7166
Item 3.	Defaults Upon Senior Securities	7166
Item 4.	Mine Safety Disclosures	7166
Item 5.	Other Information	7166
Item 6.	Exhibits	7166
	Signatures	7267

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,

		Three Months Ended March 31,				
		Three Months Ended March 31,				
Operating Revenue:	Operating Revenue:	Three Months Ended September 30,		Nine months ended September 30,		(unaudited)
		2023	2022	2023	2022	
		(unaudited)				
Passenger	Passenger	\$664,866	\$663,107	\$1,858,384	\$1,684,599	
Passenger						
Passenger						
Other						
Other						
Other	Other	62,813	78,047	188,826	225,634	
Total	Total	727,679	741,154	2,047,210	1,910,233	
Total						
Total						
Operating Expenses:						
Operating Expenses:						
Operating Expenses:	Operating Expenses:					
Wages and benefits	Wages and benefits	248,899	206,306	728,512	615,091	
Wages and benefits						
Wages and benefits						
Aircraft fuel, including taxes and delivery						
Aircraft fuel, including taxes and delivery						
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery	200,069	225,999	564,075	603,873	
Maintenance, materials and repairs	Maintenance, materials and repairs	65,057	59,317	169,000	170,934	
Maintenance, materials and repairs						
Maintenance, materials and repairs						
Aircraft and passenger servicing						
Aircraft and passenger servicing	Aircraft and passenger servicing	46,225	41,044	131,883	110,490	
Depreciation and amortization	Depreciation and amortization	34,760	34,347	100,775	102,435	
Depreciation and amortization						

Depreciation and amortization					
Aircraft rent					
Aircraft rent					
Aircraft rent	Aircraft rent	26,497	25,921	80,827	77,987
Commissions and other selling	Commissions and other selling	29,695	32,505	86,324	81,767
Commissions and other selling					
Commissions and other selling					
Other rentals and landing fees					
Other rentals and landing fees					
Other rentals and landing fees	Other rentals and landing fees	46,366	38,370	126,574	110,022
Purchased services	Purchased services	36,568	31,269	108,821	95,713
Purchased services					
Special items					
Special items					
Special items	Special items	—	6,303	—	6,303
Other	Other	48,460	43,145	132,344	112,884
Other					
Other					
Total					
Total	Total	782,596	744,526	2,229,135	2,087,499
Operating Loss	Operating Loss	(54,917)	(3,372)	(181,925)	(177,266)
Operating Loss					
Operating Loss					
Nonoperating Income (Expense):					
Nonoperating Income (Expense):					
Nonoperating Income (Expense):	Nonoperating Income (Expense):				
Interest expense and amortization of debt discounts and issuance costs	Interest expense and amortization of debt discounts and issuance costs	(22,597)	(23,206)	(68,182)	(72,760)
Gains (losses) on fuel derivatives		3,097	(1,063)	(5,627)	(1,063)
Other components of net periodic benefit cost		(1,707)	1,252	(4,907)	3,812

Interest expense and amortization of debt discounts and issuance costs					
Interest expense and amortization of debt discounts and issuance costs					
Interest income					
Interest income	Interest income	13,685	9,287	43,689	20,283
Capitalized interest	Capitalized interest	2,306	1,061	5,709	3,173
Loss on extinguishment of debt		—	—	—	(8,568)
Losses on investments, net	(4,054)	(4,028)	(6,906)	(38,519)	
Capitalized interest					
Capitalized interest					
Losses on fuel derivatives					
Losses on fuel derivatives					
Losses on fuel derivatives					
Other components of net periodic benefit cost					
Other components of net periodic benefit cost					
Other components of net periodic benefit cost					
Gains on investments, net					
Gains on investments, net					
Gains on investments, net					
Gains on foreign debt					
Gains on foreign debt					
Gains on foreign debt	Gains on foreign debt	4,311	9,978	18,745	42,295
Other, net	Other, net	(644)	(688)	(1,408)	(2,318)
Other, net					
Other, net					
Total					
Total	Total	(5,603)	(7,407)	(18,887)	(53,665)
Loss Before Income Taxes	Loss Before Income Taxes				
Income Taxes	Income Taxes	(60,520)	(10,779)	(200,812)	(230,931)
Loss Before Income Taxes					
Loss Before Income Taxes					
Income tax benefit					
Income tax benefit					
Income tax benefit	Income tax benefit	(11,800)	(1,510)	(41,500)	(41,010)
Net Loss	Net Loss	\$ (48,720)	\$ (9,269)	\$ (159,312)	\$ (189,921)
Net Loss					
Net Loss					
Net Loss Per Share					

Net Loss Per Share						
Net Loss Per Share	Net Loss Per Share					
Basic	Basic	\$ (0.94)	\$ (0.18)	\$ (3.09)	\$ (3.70)	
Basic						
Basic						
Diluted						
Diluted	Diluted	\$ (0.94)	\$ (0.18)	\$ (3.09)	\$ (3.70)	
Weighted Average Number of Common Stock Shares Outstanding:	Weighted Average Number of Common Stock Shares Outstanding:					
Weighted Average Number of Common Stock Shares Outstanding:	Weighted Average Number of Common Stock Shares Outstanding:					
Basic	Basic					
Basic	Basic					
Basic	Basic	51,632	51,388	51,576	51,344	
Diluted	Diluted	51,632	51,388	51,576	51,344	
Diluted	Diluted					
Diluted	Diluted					

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	(unaudited)	
			2024	2023
Net Loss	Net Loss	\$ (48,720)	\$ (9,269)	
Other comprehensive income (loss), net:				
Net change related to employee benefit plans, net of tax expense of \$177 and \$234 for 2023 and 2022, respectively	545	712		
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				

Net change in available-for-sale investments, net of tax expense of \$198 and net of tax benefit of \$4,870 for 2023 and 2022, respectively 609 (14,854)

Net change in available-for-sale investments, net of tax expense of \$250 and \$1,645 for 2024 and 2023, respectively

Net change in available-for-sale investments, net of tax expense of \$250 and \$1,645 for 2024 and 2023, respectively

Net change in available-for-sale investments, net of tax expense of \$250 and \$1,645 for 2024 and 2023, respectively

Total other comprehensive income (loss)	Total other comprehensive income (loss)	1,154	(14,142)
Total Loss	Total Loss	<u>\$(47,566)</u>	<u>\$(23,411)</u>

	Nine months ended September 30,	
	2023	2022
	(unaudited)	
Net Loss	\$ (159,312)	\$ (189,921)
Other comprehensive loss, net:		
Net change related to employee benefit plans, net of tax benefit of \$1,891 and tax expense of \$681 for 2023 and 2022, respectively	(6,058)	1,734
Net change in available-for-sale investments, net of tax expense of \$1,913 and tax benefit of \$12,301 for 2023 and 2022, respectively	5,687	(37,556)
Total other comprehensive loss	(371)	(35,822)
Total Comprehensive Loss	\$ (159,683)	\$ (225,743)

See accompanying Notes to Consolidated Financial Statements.

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

		March 31,		December 31, 2023					
		2024		March 31, 2024					
		(unaudited)		(unaudited)					
ASSETS									
ASSETS									
ASSETS	ASSETS								
Current Assets:	Current Assets:								
Cash and cash equivalents	Cash and cash equivalents	\$ 110,671	\$ 229,122						
Restricted cash	Restricted cash	17,250	17,498						
Short-term investments	Short-term investments	1,023,534	1,147,193						
Accounts receivable, net	Accounts receivable, net	97,283	113,862						

Income taxes receivable	Income taxes receivable	1,660	70,204
Spare parts and supplies, net	Spare parts and supplies, net	53,817	36,875
Prepaid expenses and other	Prepaid expenses and other	91,754	63,553
Total	Total	1,395,969	1,678,307
Property and equipment, less accumulated depreciation and amortization of \$1,143,934 and \$1,135,262 as of September 30, 2023 and December 31, 2022, respectively		1,969,556	1,874,352
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			
Other Assets:	Other Assets:		Other Assets:
Assets held-for-sale	Assets held-for-sale	2,813	14,019
Operating lease right-of-use assets	Operating lease right-of-use assets	423,706	459,128
Long-term prepayments and other	Long-term prepayments and other	117,716	100,317
Intangible assets, net	Intangible assets, net	13,500	13,500
Intangible assets, net			
Intangible assets, net			
Total Assets			
Total Assets	Total Assets	\$ 3,923,260	\$ 4,139,623
LIABILITIES AND SHAREHOLDERS' EQUITY	LIABILITIES AND SHAREHOLDERS' EQUITY		LIABILITIES AND SHAREHOLDERS' EQUITY
Current Liabilities:	Current Liabilities:		
Accounts payable	Accounts payable	\$ 198,007	\$ 196,009
Air traffic liability and current frequent flyer	Air traffic liability and current frequent flyer		
deferred revenue	deferred revenue	699,085	590,796
Other accrued liabilities	Other accrued liabilities	175,992	182,036
Current maturities of long-term debt, less discount	Current maturities of long-term debt, less discount	42,364	47,836
Current maturities of finance lease obligations	Current maturities of finance lease obligations	9,998	25,789

Current maturities of operating leases	Current maturities of operating leases	85,214	77,858	
Total	Total	1,210,660	1,120,324	
Long-Term Debt	Long-Term Debt	1,534,877	1,583,889	
Other Liabilities and Deferred Credits:	Other Liabilities and Deferred Credits:			Other Liabilities and Deferred Credits:
Noncurrent finance lease obligations	Noncurrent finance lease obligations	62,768	75,221	
Noncurrent operating leases	Noncurrent operating leases	311,647	347,726	
Accumulated pension and other post-retirement benefit obligations	Accumulated pension and other post-retirement benefit obligations	143,058	135,775	
Other liabilities and deferred credits	Other liabilities and deferred credits	71,967	94,654	
Noncurrent frequent flyer deferred revenue	Noncurrent frequent flyer deferred revenue	320,657	318,369	
Deferred tax liability, net	Deferred tax liability, net	88,868	130,400	
Total	Total	998,965	1,102,145	
Commitments and Contingencies	Commitments and Contingencies			Commitments and Contingencies
Shareholders' Equity:	Shareholders' Equity:			Shareholders' Equity:
Special preferred stock, \$0.01 par value per share, three shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—		
Common stock, \$0.01 par value per share, 51,633,094 and 51,450,904 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	516	514		
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				

Capital in excess of par value	Capital in excess of par value	292,335	287,161
Accumulated income (loss)		(18,556)	140,756
Accumulated loss			
Accumulated loss			
Accumulated loss			
Accumulated other comprehensive loss, net	Accumulated other comprehensive loss, net	(95,537)	(95,166)
Total	Total	178,758	333,265
Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	<u>\$ 3,923,260</u>	<u>\$ 4,139,623</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Common Stock(*)		Special Stock				Preferred Stock(**)		Capital In Excess of Par Value		Accumulated Loss	Accumulated Income (Loss)	Other Comprehensive Income (Loss)	Total	
(unaudited)															
Balance at December 31, 2023															
Net Loss															
Other comprehensive income, net															
Other comprehensive income, net															
Other comprehensive income, net															
Issuance of 24,254 shares of common stock, net of shares withheld for taxes															
Amazon warrant vesting															
Share-based compensation expense															
Balance at March 31, 2024															
(unaudited)															
Accumulated															
Special		Capital In		Other											
Common Stock(*)	Preferred Stock(**)	Excess of Par Value	Accumulated Income	Accumulated Income (Loss)	Comprehensive 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
Net Loss	—	—	—	(12,335)	—	(12,335)
Other						
comprehensive						
income, net	—	—	—	—	527	527
Issuance of						
82,632 shares						
of common						
stock, net of						
shares						
withheld for						
taxes	1	—	(48)	—	—	(47)
Share-based						
compensation						
expense	—	—	2,352	—	—	2,352
Balance at						
June 30, 2023	\$ 516	\$ —	\$ 289,828	\$ 30,164	\$ (96,691)	\$ 223,817
Net Loss	—	—	—	(48,720)	—	(48,720)
Other						
comprehensive						
income, net	—	—	—	—	1,154	1,154
Issuance of						
3,490 shares						
of common						
stock, net of						
shares						
withheld for						
taxes	—	—	(21)	—	—	(21)
Share-based						
compensation						
expense	—	—	2,528	—	—	2,528
Balance at						
September 30,						
2023	\$ 516	\$ —	\$ 292,335	\$ (18,556)	\$ (95,537)	\$ 178,758

(*) Common Stock—\$0.01 par value; 118,000,000 authorized as of September 30, 2023 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 September 30, 2023 March 31, 2023 and December 31, 2022.

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

	Common Stock(*)	Special Preferred Stock(**)	Capital In Excess of Par Value	Accumulated Income	Accumulated Other Comprehensive Income (Loss)	Total
(unaudited)						
Balance at December 31, 2021	\$ 512	\$ —	\$ 269,575	\$ 380,837	\$ (81,838)	\$ 569,086
Net Loss	—	—	—	(133,278)	—	(133,278)
Other comprehensive loss, net	—	—	—	—	(16,010)	(16,010)
Issuance of 93,701 shares of common stock, net of shares withheld for taxes	1	—	(1,490)	—	—	(1,489)
Share-based compensation expense	—	—	1,943	—	—	1,943
Balance at March 31, 2022	\$ 513	\$ —	\$ 270,028	\$ 247,559	\$ (97,848)	\$ 420,252
Net Loss	—	—	—	(47,374)	—	(47,374)
Other comprehensive loss, net	—	—	—	—	(5,670)	(5,670)
Issuance of 58,366 shares of common stock, net of shares withheld for taxes	1	—	(100)	—	—	(99)
Share-based compensation expense	—	—	1,981	—	—	1,981
Balance at June 30, 2022	\$ 514	\$ —	\$ 271,909	\$ 200,185	\$ (103,518)	\$ 369,090
Net Loss	—	—	—	(9,269)	—	(9,269)
Other comprehensive loss, net	—	—	—	—	(14,142)	(14,142)
Issuance of 25,900 shares of common stock, net of shares withheld for taxes	—	—	(252)	—	—	(252)
Share-based compensation expense	—	—	2,056	—	—	2,056
Balance at September 30, 2022	\$ 514	\$ —	\$ 273,713	\$ 190,916	\$ (117,660)	\$ 347,483

(*) Common Stock—\$0.01 par value; 118,000,000 authorized as of September 30, 2022 and December 31, 2021.

(**) Special Preferred Stock—\$0.01 par value; 2,000,000 shares authorized as of September 30, 2022 and December 31, 2021.

See accompanying Notes to Consolidated Financial Statements.

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

Three months ended March 31,		Three months ended March 31,
Nine months ended September 30,		
	2024	2023

		2023	2022	
		(unaudited)		
Net cash provided by (used in) Operating Activities		\$ 2,072	\$(24,050)	
		(unaudited)		(unaudited)
Net cash provided by Operating Activities				
Cash flows from Investing Activities:				Cash flows from Investing Activities:
Additions to property and equipment, including pre-delivery payments		Additions to property and equipment, including pre-delivery payments	(213,152)	(29,717)
Proceeds from the disposition of aircraft and aircraft related equipment				
Proceeds from the disposition of aircraft and aircraft related equipment				
Proceeds from the disposition of aircraft and aircraft related equipment		Proceeds from the disposition of aircraft and aircraft related equipment	19,911	10,743
Purchases of investments		Purchases of investments	(320,628)	(751,509)
Proceeds from sales and maturities of investments		Proceeds from sales and maturities of investments	452,913	756,561
Net cash used in investing activities		Net cash used in investing activities	(60,956)	(13,922)
Net cash used in investing activities				
Net cash used in investing activities				
Cash flows from Financing Activities:				Cash flows from Financing Activities:
Long-term borrowings				
Long-term borrowings				
Long-term borrowings				

Repayments of long-term debt and finance lease obligations	Repayments of long-term debt and finance lease obligations	(58,681)	(173,298)
Debt issuance costs and discounts			
Debt issuance costs and discounts			
Debt issuance costs and discounts	Debt issuance costs and discounts	—	(2,236)
Payment for taxes withheld for stock compensation	Payment for taxes withheld for stock compensation	(1,134)	(1,842)
Net cash used in financing activities	Net cash used in financing activities	(59,815)	(177,376)
Net decrease in cash and cash equivalents		(118,699)	(215,348)
Payment for taxes withheld for stock compensation			
Payment for taxes withheld for stock compensation			
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities		
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities		
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents		246,620	507,828
Cash, cash equivalents, and restricted cash - Beginning of Period	Cash, cash equivalents, and restricted cash - Beginning of Period		
Cash, cash equivalents, and restricted cash - End of Period	Cash, cash equivalents, and restricted cash - End of Period	\$127,921	\$292,480
Non-Cash Transactions:	Transactions:		
Non-Cash Transactions:			
Non-Cash Transactions:			
Right-of-use assets acquired under operating leases			
Right-of-use assets acquired under operating leases			

Right-of-use assets acquired under operating leases	Right-of-use assets acquired under operating leases	\$ 26,724	\$ —
---	---	-----------	------

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. (the Company) (Holdings) and its direct wholly owned subsidiary, Hawaiian Airlines, Inc. (Hawaiian), are incorporated in the State of Delaware. 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 consolidated subsidiaries. The Company's 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, 2022 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 September 30,	Affected line items in the statement	Details about accumulated other comprehensive	Three months ended March 31,	Affected line items in the consolidated statements of
Details about accumulated other	Details about accumulated other	Nine months ended September 30,				

comprehensive income (loss) components	comprehensive income (loss) components	2023	2022	2023	2022	where net income is presented	income (loss) components	operations where net income is presented				
						(in thousands)						
(in thousands)												
Amortization of defined benefit plan items												
Amortization of defined benefit plan items												
Amortization of defined benefit plan items												
Actuarial loss	Actuarial loss	\$ 537	\$ 504	\$ 1,524	\$ 1,559	Nonoperating Income (Expense), Other, net	Actuarial loss	\$ 290	\$ 450	Nonoperating income (expense), other, net	Nonoperating income (expense), other, net	
Prior service cost	Prior service cost	186	122	517	316	Nonoperating Income (Expense), Other, net	Prior service cost	173	145	145	Nonoperating income (expense), other, net	Nonoperating income (expense), other, net
Total before tax	Total before tax	723	626	2,041	1,875							
Total before tax												
Total before tax												
Tax benefit	Tax benefit	(172)	(151)	(486)	(539)	Tax benefit	(114)	(147)	(147)			
Total, net of tax	Total, net of tax	\$ 551	\$ 475	\$ 1,555	\$ 1,336	Total, net of tax	\$ 349	\$ 448				
Short-term investments	Short-term investments					Short-term investments						
Realized gain on sales of investments	Realized gain on sales of investments	\$ —	\$ (102)	\$ (579)	\$ (6,501)	Gains (losses) on investments, net	Realized gain on sales of investments	\$ (79)	\$ (393)	Gains (losses) on investments, net	Gains (losses) on investments, net	
Realized loss on sales of investments	Realized loss on sales of investments	1,492	1,235	4,167	22,823	Gains (losses) on investments, net	Realized loss on sales of investments	30	911	911	Gains (losses) on investments, net	
Total before tax	Total before tax	1,492	1,133	3,588	16,322		Total before tax	(49)	518	518		
Income tax benefit		(374)	(280)	(903)	(4,026)							
Income tax expense						Income tax expense	12	128				
Total, net of tax	Total, net of tax	\$ 1,118	\$ 853	\$ 2,685	\$ 12,296	Total, net of tax	\$ (37)	\$ 646				
Total reclassifications for the period	Total reclassifications for the period	\$ 1,669	\$ 1,328	\$ 4,240	\$ 13,632	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 and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows:

Three months ended September 30, 2023	Defined Benefit Plan Items	Short-Term Investments	Total
Three months ended March 31, 2024			
Three months ended March 31, 2024			

Three months ended March 31, 2024		Defined Benefit Plan Items			Short-Term Investments		Total
		(in thousands)			(in thousands)		
Beginning balance	Beginning balance	<u>\$ (66,042)</u>	<u>\$ (30,649)</u>	<u>\$ (96,691)</u>			
Other comprehensive loss before reclassifications, net of tax		(6)	(509)	(515)			
Other comprehensive income before reclassifications, net of tax							
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	Amounts reclassified from accumulated other comprehensive income (loss), net of tax	551	1,118	1,669			
Net current-period other comprehensive income	Net current-period other comprehensive income	545	609	1,154			
Ending balance	Ending balance	<u><u>\$ (65,497)</u></u>	<u><u>\$ (30,040)</u></u>	<u><u>\$ (95,537)</u></u>			

Three months ended September 30, 2022		Defined Benefit Plan Items	Short-Term Investments	Total
		(in thousands)		
Beginning balance		\$ (74,003)	\$ (29,515)	\$ (103,518)
Other comprehensive income (loss) before reclassifications, net of tax		237	(15,707)	(15,470)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax		475	853	1,328
Net current-period other comprehensive income (loss)		712	(14,854)	(14,142)
Ending balance		<u>\$ (73,291)</u>	<u>\$ (44,369)</u>	<u>\$ (117,660)</u>

Nine months ended September 30, 2023		Defined Benefit Pension		
		Items	Short-Term Investments	Total
		(in thousands)		
Beginning balance		\$ (59,439)	\$ (35,727)	\$ (95,166)
Other comprehensive income (loss) before reclassifications, net of tax		(7,613)	3,002	(4,611)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax		1,555	2,685	4,240
Net current-period other comprehensive income (loss)		(6,058)	5,687	(371)
Ending balance		<u>\$ (65,497)</u>	<u>\$ (30,040)</u>	<u>\$ (95,537)</u>

Nine months ended September 30, 2022		Defined Benefit Pension	Short-Term Investments	Total
		Items	Investments	
		(in thousands)		
Beginning balance		\$ (59,439)	\$ (35,727)	\$ (95,166)
Other comprehensive income (loss) before reclassifications, net of tax		(7,613)	3,002	(4,611)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax		1,555	2,685	4,240
Net current-period other comprehensive income (loss)		(6,058)	5,687	(371)
Ending balance		<u>\$ (65,497)</u>	<u>\$ (30,040)</u>	<u>\$ (95,537)</u>

Three months ended March 31, 2023		Defined Benefit Pension	Short-Term Investments	Total
		Items	Investments	
		(in thousands)		
Beginning balance		\$ (59,439)	\$ (35,727)	\$ (95,166)
Other comprehensive income (loss) before reclassifications, net of tax		(7,613)	3,002	(4,611)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax		1,555	2,685	4,240
Net current-period other comprehensive income (loss)		(6,058)	5,687	(371)
Ending balance		<u>\$ (65,497)</u>	<u>\$ (30,040)</u>	<u>\$ (95,537)</u>

Beginning balance	Beginning balance	<u>\$ (75,025)</u>	<u>\$ (6,813)</u>	<u>\$ (81,838)</u>
Other comprehensive income (loss) before reclassifications, net of tax	Other comprehensive income (loss) before reclassifications, net of tax	398	(49,852)	(49,454)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	Amounts reclassified from accumulated other comprehensive income (loss), net of tax	1,336	12,296	13,632
Net current-period other comprehensive income (loss)	Net current-period other comprehensive income (loss)	1,734	(37,556)	(35,822)
Ending balance	Ending balance	<u><u>\$ (73,291)</u></u>	<u><u>\$ (44,369)</u></u>	<u><u>\$ (117,660)</u></u>

3.4. 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 were 337,699 705,999 and 407,625 95,819 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 159,954 and 429,204 for the nine months ended September 30, 2023 and 2022, 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 September 30, 2023 March 31, 2024 and 2022, 2023, the unvested Amazon warrant shares excluded from antidilutive shares were 8,183,451 and zero, respectively, for both periods. Refer to Note 10 11 to the Notes to Consolidated Financial Statements for additional discussion.

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

Numerator:	Three Months Ended				(in thousands, except for per share data)	
	September 30,		Nine months ended			
	2023	2022	2023	2022		
Net Loss	Net Loss	\$ (48,720)	\$ (9,269)	\$ (159,312)	\$ (189,921)	
Net Loss	Net Loss					
Denominator:	Denominator:					
Weighted average common stock shares outstanding - Basic	Weighted average common stock shares outstanding - Basic	51,632	51,388	51,576	51,344	
Weighted average common stock shares outstanding - Basic	Weighted average common stock shares outstanding - Basic					

Weighted average common stock shares outstanding - Basic				
Dilutive effect of share-based awards and warrants				
Dilutive effect of share-based awards and warrants				
Dilutive effect of share-based awards and warrants				
Weighted average common stock shares outstanding - Diluted				
Weighted average common stock shares outstanding - Diluted				
Weighted average common stock shares outstanding - Diluted	Weighted average common stock shares outstanding - Diluted	Weighted average common stock shares outstanding - Diluted	Weighted average common stock shares outstanding - Diluted	Weighted average common stock shares outstanding - Diluted
Diluted	Diluted	Diluted	Diluted	Diluted
51,632	51,388	51,576	51,344	
Net Loss Per Share				
Basic	Basic	Basic	Basic	Basic
Basic	Basic	Basic	Basic	Basic
Basic	Basic	Basic	Basic	Basic
Diluted	Diluted	Diluted	Diluted	Diluted
\$ (0.94)	\$ (0.18)	\$ (3.09)	\$ (3.70)	
\$ (0.94)	\$ (0.18)	\$ (3.09)	\$ (3.70)	
Diluted	Diluted	Diluted	Diluted	Diluted

4.5. 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 is engaged in offers only one significant line of business (i.e., air transportation), the Company 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		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Three Months Ended					
March 31,					
Three Months Ended					
March 31,					
Three Months Ended					
March 31,					
2024					
2024					
2024					
Geographic Information					
Geographic Information					
Geographic Information					
Information					
(in thousands)					
Domestic	Domestic	\$545,408	\$635,808	\$1,596,221	\$1,703,800
					(in thousands)

Pacific	Pacific	182,271	105,346	450,989	206,433
Pacific					
Pacific					
Total	Total				
operating	operating				
revenue	revenue	<u>\$727,679</u>	<u>\$741,154</u>	<u>\$2,047,210</u>	<u>\$1,910,233</u>
Total operating revenue					
Total operating revenue					

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, **ground handling fees**, commissions, and fees earned under certain joint marketing agreements with other companies. These amounts are recognized when the service is provided.

	Three Months Ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Three Months Ended				
March 31,				
Three Months Ended				
March 31,				
Three Months Ended				
March 31,				
2024				
2024				
2024				

Passenger Revenue by Type

Passenger Revenue by Type

Passenger	Passenger	(in thousands)				
Revenue by	Revenue by	(in thousands)				
Type	Type	(in thousands)				
Passenger revenue, excluding frequent flyer	Passenger revenue, excluding frequent flyer	\$619,632	\$616,423	\$1,723,152	\$1,560,249	
Frequent flyer revenue, transportation component	Frequent flyer revenue, transportation component	45,234	46,684	135,232	124,350	

Frequent flyer revenue, transportation component

Frequent flyer revenue, transportation component

Passenger Revenue

Passenger Revenue

Passenger	Passenger					
Revenue	Revenue	\$664,866	\$663,107	\$1,858,384	\$1,684,599	
Other revenue (e.g., cargo and other miscellaneous)	Other revenue (e.g., cargo and other miscellaneous)	\$ 31,320	\$ 47,678	\$ 96,321	\$ 139,289	
Other revenue (e.g., cargo and other miscellaneous)	Other revenue (e.g., cargo and other miscellaneous)					
Other revenue (e.g., cargo and other miscellaneous)	Other revenue (e.g., cargo and other miscellaneous)					

Frequent flyer revenue, marketing and brand component	
Frequent flyer revenue, marketing and brand component	
Frequent flyer revenue, marketing and brand component	
Other Revenue	
Other Revenue	

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company's air traffic liability balance, as it relates to passenger tickets (excluding frequent flyer liability), was **\$508.9** **539.1** million and **\$414.5** million **\$423.1** million, respectively, which generally represents revenue that is expected to be realized in future periods.

During the three months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, the amount of passenger ticket revenue excluding frequent flyer revenue, recognized that was included in **air** **Air** traffic liability as of the beginning of the respective period was **\$332.1** million **\$250.2** million and **\$330.1** million **\$294.5** million, respectively. During the nine months ended **September 30, 2023** and **2022**, the amount of passenger ticket revenue, excluding frequent flyer revenue, recognized that was included in **air** traffic liability as of the beginning of the respective period was **\$338.7** million and **\$282.7** million, respectively.

Non-refundable tickets sold and credits issued generally expire 13 months from the date of issuance or scheduled flight, as applicable. In April 2020, the Company announced the waiver of certain change fees and extended ticket validity for up to 24 months for (a) tickets issued between March 1, 2020 and December 31, 2020 and (b) tickets issued prior to March 1, 2020 for original travel between March 1, 2020 and February 28, 2021. In December 2021, the Company announced the further extension of ticket validity to December 31, 2022, which also included all Main Cabin and First Class passenger tickets purchased in 2021. 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, and the extension of the expiration date for certain tickets impacted by the COVID-19 pandemic. At December 31, 2022, \$151.9 million of passenger tickets expired unused after receiving extended validity dates throughout the prior two years. The breakage revenue related to these expired tickets had been recorded over the extended ticket validity period.

including weather or other events impacting customer travel. During the three months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, the Company recognized advanced breakage of **\$16.5** **\$17.4** million and **\$49.7** million, respectively. During the nine months ended **September 30, 2023** and **2022**, the Company recognized advanced breakage of **\$46.2** million and **\$105.8** **\$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** **Air** traffic liability (short-term) and noncurrent **Noncurrent** frequent flyer deferred revenue on its unaudited Consolidated Balance Sheets. The table below presents the Company's frequent flyer liability balance:

	September 30, 2023	December 31, 2022		
	(in thousands)		March 31, 2024	December 31, 2023
Air traffic liability (current portion of frequent flyer revenue)	Air traffic liability (current portion of frequent flyer revenue)			
	\$ 183,521	\$ 166,211		
Noncurrent frequent flyer deferred revenue	Noncurrent frequent flyer deferred revenue			
	320,657	318,369		

Total	Total
frequent	frequent
flyer	flyer
liability	liability

The table below presents the Company's activity a roll forward of the current and noncurrent frequent Frequent flyer deferred revenue for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023:

5.6. Short-Term Investments

The Company's short-term investments that are not classified as cash equivalents are classified as available-for-sale investments and are stated at fair value. Realized gains and losses on sales of investments as well as unrealized gains and losses related to changes in the fair value of equity securities are reflected in Losses on investments, net within Nonoperating income (expense) on the unaudited Consolidated Statements of Operations.

The following is a summary of the amortized cost, gross unrealized gains and losses, and fair value of the Company's short-term investments held as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**, **December 31, 2023**:

U.S. government and agency securities	U.S. government and agency securities	443,136	4	(9,737)	433,403
Other fixed income securities	Other fixed income securities	66,799	4	(7,379)	59,424
Asset-backed securities	Asset-backed securities	27,234	37	(1,725)	25,546
Collateralized loan obligations	Collateralized loan obligations	44,057	52	(1,672)	42,437
Bank notes	Bank notes	9,303	14	(218)	9,099
Total debt securities	Total debt securities	868,267	231	(40,052)	828,446
Derivatives	Derivatives	543	1,603	(389)	1,757
Equity securities	Equity securities	221,415	—	(29,382)	192,033
Other investments measured at net asset value	Other investments measured at net asset value	1,236	62	—	1,298
Total short-term investments	Total short-term investments	\$1,091,461	\$ 1,896	\$(69,823)	\$1,023,534

December 31, 2022		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023					
December 31, 2023					(in thousands)
December 31, 2023					(in thousands)
December 31, 2023					(in thousands)
December 31, 2023					(in thousands)
Debt securities	Debt securities				
Debt securities	Debt securities				
Debt securities	Debt securities				
Corporate debt securities	Corporate debt securities	\$ 340,493	\$ 139	\$ (23,009)	\$ 317,623
Corporate debt securities	Corporate debt securities				
Corporate debt securities	Corporate debt securities				
U.S. government and agency securities	U.S. government and agency securities				
U.S. government and agency securities	U.S. government and agency securities				
U.S. government and agency securities	U.S. government and agency securities	467,049	181	(12,341)	454,889
Other fixed income securities	Other fixed income securities	110,881	23	(6,499)	104,405
Other fixed income securities	Other fixed income securities				
Asset-backed securities	Asset-backed securities				
Asset-backed securities	Asset-backed securities				
Asset-backed securities	Asset-backed securities	30,205	—	(2,039)	28,166
Collateralized loan obligations	Collateralized loan obligations	43,736	130	(3,684)	40,182
Collateralized loan obligations	Collateralized loan obligations				

Collateralized loan obligations						
Bank notes						
Bank notes						
Bank notes	Bank notes	11,493	3	(192)	11,304	
Total debt securities	Total debt securities	1,003,857	476	(47,764)	956,569	
Total debt securities						
Total debt securities						
Derivatives						
Derivatives						
Derivatives	Derivatives	43	1,433	(178)	1,298	
Equity securities	Equity securities	213,569	—	(26,109)	187,460	
Equity securities						
Equity securities						
Other investments measured at net asset value						
Other investments measured at net asset value						
Other investments measured at net asset value	Other investments measured at net asset value	2,087	—	(221)	1,866	
Total short-term investments	Total short-term investments	\$ 1,219,556	\$ 1,909	\$ (74,272)	\$ 1,147,193	
Total short-term investments						
Total short-term investments						

The following tables present fair values and gross unrealized losses by security type and length of time that individual debt securities and other investments measured at net asset value 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			
September 30, 2023										
(in thousands)										
March 31, 2024										
(in thousands)										
Debt securities	Debt securities	Less than 12 Months				12 Months or Greater				
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses			
Corporate debt securities										
Corporate debt securities										
Corporate debt securities	Corporate debt securities	\$ 79,698	\$ (1,043)	\$ 174,188	\$ (18,278)	\$ 253,886	\$ (19,321)			
U.S. government and agency securities	U.S. government and agency securities	173,150	(2,296)	236,458	(7,441)	409,608	(9,737)			
Other fixed income securities	Other fixed income securities	5,154	(86)	21,599	(7,293)	26,753	(7,379)			
Asset-backed securities	Asset-backed securities	2,583	(50)	17,861	(1,675)	20,444	(1,725)			

Collateralized loan obligations	Collateralized loan obligations	1,962	(75)	34,311	(1,597)	36,273	(1,672)
Bank notes	Bank notes	7,287	(166)	1,493	(52)	8,780	(218)
Total debt securities		\$ 269,834	\$ (3,716)	\$ 485,910	\$ (36,336)	\$ 755,744	\$ (40,052)
		\$	\$	\$	\$	\$	\$
		\$ 269,834	\$ (3,716)	\$ 485,910	\$ (36,336)	\$ 755,744	\$ (40,052)
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$

	Less than 12 Months		12 Months or Greater		Total				
	Unrealized		Unrealized		Unrealized				
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses			
December 31, 2022	(in thousands)								
	Less than 12 Months			Less than 12 Months					
	Fair Value			Fair Value					
	Value			Value					
December 31, 2023	December 31, 2023								
	(in thousands)								
Debt securities	Debt securities								
Corporate debt securities									
Corporate debt securities									
Corporate debt securities	Corporate debt securities	\$ 145,299	\$(10,104)	\$159,216	\$(12,905)	\$304,515			
U.S. government and agency securities	U.S. government and agency securities	314,790	(8,097)	98,653	(4,244)	413,443			
Other fixed income securities	Other fixed income securities	17,836	(1,191)	23,316	(5,308)	41,152			
Asset-backed securities	Asset-backed securities	11,155	(755)	14,435	(1,284)	25,590			
Collateralized loan obligations	Collateralized loan obligations	28,133	(2,372)	9,491	(1,312)	37,624			
Bank notes	Bank notes	2,836	(192)	—	—	2,836			
Total debt securities		\$ 520,049	\$(22,711)	\$305,111	\$(25,053)	\$825,160			
Other investments measured at net asset value		865	(221)	—	—	865			
		\$ 520,914	\$(22,932)	\$305,111	\$(25,053)	\$826,025			
						\$(47,985)			
		\$	—						
		\$	—						
		\$	—						
		\$	—						

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company's unrealized losses from debt securities were generated from **507** **393** positions out of **557** **495** positions and **496** **394** positions out of **547** **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 loss.

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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **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 **September 30, 2023** **March 31, 2024** were temporary in nature. The Company has evaluated these debt securities and did not recognize any significant credit losses as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

For the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the unrealized **losses** **gains** on equity securities, recorded in **Losses** **Gains** on Investment, net, in Nonoperating income (expense) were **\$2.6** **\$5.1** million and **\$3.4** **\$0.9** million, respectively. For the nine months ended **September 30, 2023** and **2022**, the unrealized **losses** on equity securities were **\$3.1** million and **\$22.8** million, respectively.

Contractual maturities of debt securities as of **September 30, 2023** **March 31, 2024** are shown below:

	Under 1 Year	1 to 5 Years	Over 5 Years	Total
	(in thousands)			
Debt Securities				
Corporate debt	\$ 131	\$ 180,920	\$ 77,486	\$ 258,537
U.S. government and agency debt	46,759	374,990	11,654	433,403
Other fixed income securities	31,995	13,703	13,726	59,424
Asset-backed securities	5	10,111	15,430	25,546
Collateralized loan obligations	—	—	42,437	42,437
Bank notes	222	4,850	4,027	9,099
Total debt securities	\$ 79,112	\$ 584,574	\$ 164,760	\$ 828,446

	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.

6.7. 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 September 30, 2023				Fair Value Measurements as of March 31, 2024			
Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
(in thousands)				(in thousands)			

Cash equivalents	Cash equivalents	\$ 58,141	\$ 58,141	\$ —	\$ —
Restricted cash	Restricted cash	17,250	17,250	—	—
Short-term investments	Short-term investments				
Debt securities	Debt securities				
Debt securities					
Debt securities					
Corporate debt securities					
Corporate debt securities					
Corporate debt securities	Corporate debt securities	258,537	—	250,946	7,591
U.S. government and agency securities	U.S. government and agency securities	433,403	—	433,403	—
Other fixed income securities	Other fixed income securities	59,424	—	59,424	—
Asset-backed securities	Asset-backed securities	25,546	—	16,729	8,817
Collateralized loan obligations	Collateralized loan obligations	42,437	—	39,887	2,550
Bank notes	Bank notes	9,099	—	1,857	7,242
Total debt securities	Total debt securities	828,446	—	802,246	26,200
Derivatives	Derivatives	1,757	—	1,757	—
Equity securities	Equity securities	192,033	191,293	740	—
Other investments measured at net asset value	Other investments measured at net asset value	1,298	—	—	—
Total short-term investments	Total short-term investments	1,023,534	191,293	804,743	26,200
Other Assets	Other Assets				
Fuel derivative contracts	Fuel derivative contracts	7,402	—	7,402	—
Fuel derivative contracts					
Fuel derivative contracts					
Assets held-for-sale					
Assets held-for-sale					
Assets held-for-sale	Assets held-for-sale	2,813	—	—	2,813
Total assets measured at fair value	Total assets measured at fair value	\$1,109,140	\$266,684	\$812,145	\$29,013

	Fair Value Measurements as of December 31, 2022				Fair Value Measurements as of December 31, 2023			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(in thousands)				(in thousands)			
Cash equivalents	Cash equivalents	\$ 46,729	\$ 46,535	\$ 194	\$ —			

Restricted cash	Restricted cash	17,498	17,498	—	—
Short-term investments	Short-term investments				
Debt securities	Debt securities				
Debt securities					
Debt securities					
Corporate debt securities					
Corporate debt securities					
Corporate debt securities	Corporate debt securities	317,623	—	309,450	8,173
U.S. government and agency securities	U.S. government and agency securities	454,889	—	454,889	—
Other fixed income securities	Other fixed income securities	104,405	—	104,405	—
Asset-backed securities	Asset-backed securities	28,166	—	19,133	9,033
Collateralized loan obligations	Collateralized loan obligations	40,182	—	37,624	2,558
Bank notes	Bank notes	11,304	—	1,878	9,426
Total debt securities	Total debt securities	956,569	—	927,379	29,190
Derivatives	Derivatives	1,298	—	1,298	—
Equity securities	Equity securities	187,460	186,670	790	—
Other investments measured at net asset value	Other investments measured at net asset value	1,866	—	—	—
Total short-term investments	Total short-term investments	1,147,193	186,670	929,467	29,190
Other Assets	Other Assets				
Fuel derivative contracts	Fuel derivative contracts	5,308	—	5,308	—
Fuel derivative contracts					
Fuel derivative contracts					
Assets held-for-sale	Assets held-for-sale	14,019	—	—	14,019
Assets held-for-sale					
Assets held-for-sale					
Total assets measured at fair value					
Total assets measured at fair value					
Total assets measured at fair value	Total assets measured at fair value	\$1,230,747	\$250,703	\$934,969	\$43,209

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 **September 30, 2023** **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 7,8, 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 **nine** three months ended **September 30, 2023** **March 31, 2024** is as follows:

Short-term Investment Activity for the nine months ended September 30, 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	
Short-term Investment Activity for the three months ended March 31, 2024						
Short-term Investment Activity for the three months ended March 31, 2024						
Short-term Investment Activity for the three months ended March 31, 2024						
(in thousands)						
Beginning balance as of December 31, 2023						
Purchases	Purchases	5	944	122	—	1,071
Sale of investments	Sale of investments	—	(2,189)	—	—	(2,189)
Redemptions and paydowns	Redemptions and paydowns	(126)	(957)	—	(23)	(1,106)
Amortization and accretion, net	Amortization and accretion, net	11	2	—	(24)	(11)
Realized and unrealized gains (losses), net	Realized and unrealized gains (losses), net	(106)	16	(130)	(535)	(755)
Ending balance as of September 30, 2023		\$ 8,817	\$ 7,242	\$ 2,550	\$ 7,591	\$26,200
Ending balance as of March 31, 2024						
Short-term Investment Activity for the nine months ended September 30, 2022						
	Asset-Backed Securities	Bank Notes	Collateralized Loan Obligations	Corporate Debt Securities	Total	
Beginning balance as of December 31, 2021	\$ 4,003	\$ 6,753	\$ 3,322	\$ —	\$14,078	

Short-term Investment Activity for the three months ended March 31, 2023												
Asset-Backed Securities		Asset-Backed Securities		Bank Notes		Collateralized Loan Obligations	Corporate Debt Securities	Total				
							(in thousands)					
Beginning balance as of December 31, 2022												
Purchases	Purchases	4,465	3,440	2,100	8,593	18,598						
Sale of investments	Sale of investments	—	—	—	—	—						
Redemptions and paydowns	Redemptions and paydowns	(99)	(676)	(2,852)	—	(3,627)						
Amortization and accretion, net	Amortization and accretion, net	88	10	896	22	1,016						
Realized and unrealized gains (losses), net	Realized and unrealized gains (losses), net	(118)	1	(916)	(666)	(1,699)						
Ending balance as of September 30, 2022		\$ 8,339	\$ 9,528	\$ 2,550	\$ 7,949	\$ 28,366						
Ending balance as of March 31, 2023												

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, rotatable 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 12.13 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								
September 30, 2023				December 31, 2022				
March 31, 2024				March 31, 2024				December 31, 2023
Carrying	Carrying	Fair Value	Carrying	Carrying	Fair Value	Carrying	Fair Value	Carrying

Amount	Amount	Total	Level 1			Level 2			Level 3			Amount	Total	Level 1			Level 2				
			1	2	Level 3	Amount	Total	1	2	Level 3	Amount			Total	Level 1	Level 2	Level 3	Amount	Total	Level 1	Level 2
(in thousands)																					
\$	1,577,241	\$1,333,371	\$—	\$—	\$1,333,371	\$1,631,725	\$1,356,561	\$—	\$—	\$1,356,561											

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.

7.8. 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.

		Three months ended September 30,				Nine months ended September 30,			
		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,			
Fuel derivative contracts	Fuel derivative contracts	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)									
Fuel derivative contracts									
Fuel derivative contracts									
(in thousands)									
(in thousands)									
(in thousands)									
Losses realized at settlement	Losses realized at settlement	\$ (3,867)	\$ —	\$ (8,175)	\$ —				
Reversal of prior period unrealized amounts	Reversal of prior period unrealized amounts	7,055	—	2,639	—				
Reversal of prior period unrealized amounts									
Reversal of prior period unrealized amounts									
Unrealized losses that will settle in future periods	Unrealized losses that will settle in future periods	(91)	(1,063)	(91)	(1,063)				
Gains (losses) on fuel derivatives recorded as nonoperating income (expense)		\$ 3,097	\$ (1,063)	\$ (5,627)	\$ (1,063)				
Unrealized losses that will settle in future periods									
Unrealized losses that will settle in future periods									
Losses on fuel derivatives recorded as Nonoperating Expense									

Losses on fuel derivatives
recorded as Nonoperating
Expense

Losses on fuel derivatives
recorded as Nonoperating
Expense

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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company's derivative positions reflected a net asset position of **\$1.8** **\$1.5** million and **\$1.3** **\$0.5** million, respectively, within the portfolio. During the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company recognized a net realized and unrealized gain of **\$1.0** **\$0.6** million and **\$3.1** million, respectively, through Nonoperating income (expense). During the nine months ended **September 30, 2023** and **2022**, the Company recognized a net realized and unrealized loss of **\$0.1** million and a net realized and unrealized gain of **\$7.8** **\$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 **September 30, 2023** **March 31, 2024**

Derivatives not designated as hedges	Balance Sheet		Notional Amount (in thousands)	Final Maturity Date	Gross Fair Value of Assets		Gross Fair Value of (Liabilities)		Net Derivative Position (in thousands)	
	Balance Sheet				Gross Fair Value of Assets		Gross Fair Value of (Liabilities)			
	Location	Location	Location	Location	Location	Location	Location	Location		
Derivatives not designated as hedges	Derivatives not designated as hedges									
Derivatives not designated as hedges										
Derivatives not designated as hedges										
Fuel derivative contracts										
Fuel derivative contracts										
Fuel derivative contracts	Fuel derivative contracts	Prepaid expenses and other	91,014 gallons	September 2024	\$	7,402	\$	—	\$ 7,402	
Foreign currency derivatives	Foreign currency derivatives	Short-term investments	35,478 Euro	March 2025	\$	1,241	\$	—	\$ 1,241	
Foreign currency derivatives										
Foreign currency derivatives										
Interest rate contracts										
Interest rate contracts										
Interest rate contracts	Interest rate contracts	Short-term investments	12,136 US Dollars	December 2028	\$	1,159	\$	(643)	\$ 516	

Derivative positions as of **December 31, 2022** **December 31, 2023**

Balance Sheet Location	Gross				
	Notional Amount	Maturity Date	Value of Assets	Value of (Liabilities)	Net
					Final Fair Gross Fair Derivative
Location	Amount	Date	Assets	(Liabilities)	Position

Balance Sheet				Balance Sheet				Final	Gross Fair	Gross Fair
Location	Location	Notional Amount	Final	Maturity	Value of	Value of				
		(in thousands)	Date	Assets	(Liabilities)	Net Derivative Position				
<i>Derivatives not designated as hedges</i>										
<i>Derivatives not designated as hedges</i>										
<i>Derivatives not designated as hedges</i>										
<i>Fuel derivative contracts</i>										
<i>Fuel derivative contracts</i>										
Fuel derivative contracts	Fuel derivative contracts	Prepaid expenses and other	57,288 gallons	December 2023	\$ 5,308	\$ —	\$ 5,308			
Foreign currency derivatives	Foreign currency derivatives	Short-term investments	36,426 Euro	March 2025	\$ 1,254	\$ (46)	\$ 1,208			
Interest rate contracts	Interest rate contracts	Short-term investments	32,891 US Dollars	March 2026	\$ 190	\$ (100)	\$ 90			

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 **\$9.2** **\$4.7** million and **\$6.6** **\$2.6** million as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **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 \$0.7 million collateral posted with its counterparties as of September 30, 2023. No collateral was posted with its counterparties as of December 31, 2022, 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.

8.9. Debt

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

	September 30, 2023	December 31, 2022	
			(in thousands)
March			
31,			
2024		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	Class A EETC-13, fixed interest rate of 3.9%, semiannual principal and interest payments, remaining balance due at maturity in January 2026	\$ 162,953	\$ 184,572
Japanese Yen denominated financing, fixed interest rate of 1.05%, quarterly principal and interest payments, remaining balance due at maturity in May 2030			
Japanese Yen denominated financing, fixed interest rate of 1.05%, quarterly principal and interest payments, remaining balance due at maturity in May 2030			
Japanese Yen denominated financing, fixed interest rate of 1.05%, quarterly principal and interest payments, remaining balance due at maturity in May 2030	Japanese Yen denominated financing, fixed interest rate of 1.05%, quarterly principal and interest payments, remaining balance due at maturity in May 2030	18,655	23,524
Japanese Yen denominated financing, fixed interest rate of 1.01%, semiannual principal and interest payments, remaining balance due at maturity in June 2030			
Japanese Yen denominated financing, fixed interest rate of 1.01%, semiannual principal and interest payments, remaining balance due at maturity in June 2030			
16,670	20,350		

Japanese Yen denominated financing, fixed interest rate of 0.65%, quarterly principal and interest payments, remaining balance due at maturity in March 2025	Japanese Yen denominated financing, fixed interest rate of 0.65%, quarterly principal and interest payments, remaining balance due at maturity in March 2025	46,055	64,276
Japanese Yen denominated financing, fixed interest rate of 0.76%, semiannual principal and interest payments, remaining balance due at maturity in September 2031	Japanese Yen denominated financing, fixed interest rate of 0.76%, semiannual principal and interest payments, remaining balance due at maturity in September 2031	43,646	55,731
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	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

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	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
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	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

Payroll	Payroll			
Support	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	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	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			
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	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			
Loyalty Program Financing, fixed interest of 5.75%, quarterly interest payments, principal balance due at maturity in January 2026	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	Unamortized debt discount and issuance costs			
		(22,721)	(28,711)	
Total Debt	Total Debt	\$ 1,577,241	\$ 1,631,725	

Less:	Less:	
Current	Current	
maturities of	maturities of	
long-term	long-term	
debt	debt	(42,364) (47,836)
Long-Term	Long-Term	
Debt, less	Debt, less	
discount	discount	\$ 1,534,877 <u>\$1,583,889</u>

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 **September 30, 2023** **March 31, 2024**, the Company had no outstanding borrowing under the Revolving Credit Facility.

Debt Extinguishment Financing Lease

In June 2022, **February 2024**, the Company repurchased 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 remaining \$62.4 million of its outstanding Series 2020-1A and Series 2020-1B Equipment Notes. The repurchase resulted in the recognition criteria of a loss 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 extinguishment SOFR plus a margin of debt of \$8.6 million during the three 3.85%, with quarterly principal and six months ended June 30, 2022, which is reflected in the Nonoperating income (expense), other, net line item on the unaudited Consolidated Statements of Operations. interest payments.

Schedule of Debt Maturities

As of **September 30, 2023** **March 31, 2024**, the expected maturities of debt, excluding debt issuance costs, for the remainder of **2023** **2024** and the next four years, and thereafter, were as follows (in thousands):

Remaining months in 2023		\$ 5,323
2024		43,593
Remaining months in 2024		
2025	2025	55,245
2026	2026	1,338,052
2027	2027	10,590
2028		
Thereafter	Thereafter	147,159
	\$	<u>1,599,962</u>

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 **September 30, 2023** **March 31, 2024**.

9.10. 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	Components of Net Period	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Benefit Cost	Benefit Cost				
Components of Net Period					
Benefit Cost					
Components of Net Period					
Benefit Cost					

		(in thousands)					
Service cost	Service cost	\$1,791	\$2,392	\$ 5,211	\$ 7,176		
Other cost:	Other cost:						
Other cost:							
Other cost:							
Interest cost	Interest cost						
Interest cost	Interest cost	6,513	4,572	19,455	13,727		
Expected return on plan assets	Expected return on plan assets	(5,529)	(6,471)	(16,589)	(19,413)		
Expected return on plan assets	Expected return on plan assets						
Recognized net actuarial loss	Recognized net actuarial loss						
Recognized net actuarial loss	Recognized net actuarial loss	723	626	2,041	1,875		
Recognized net actuarial loss	Recognized net actuarial loss						
Total other components of the net periodic benefit cost	Total other components of the net periodic benefit cost						
Total other components of the net periodic benefit cost	Total other components of the net periodic benefit cost						
Total other components of the net periodic benefit cost	Total other components of the net periodic benefit cost	1,707	(1,273)	4,907	(3,811)		
Net periodic benefit cost	Net periodic benefit cost	\$3,498	\$1,119	\$10,118	\$ 3,365		
Net periodic benefit cost	Net periodic benefit cost						
Net periodic benefit cost	Net periodic benefit cost						

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 and nine months ended September 30, 2023 March 31, 2024 and 2022, 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 2023, 2024.

10.11. 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. For the Second Tranche, which will not have an established exercise price until a future date, as noted above, was valued at approximately \$11.2 million, or \$3.57 per Warrant Share as of September 30, 2023 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.

11.12. Commitments and Contingent Liabilities

Commitments

As of September 30, 2023 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	Aircraft Type	Firm Purchase		Expected Delivery Dates	Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
		Orders	Rights					
A321neo aircraft	A321neo aircraft	—	9	N/A	A321neo aircraft	—	9	N/A
Boeing 787-9 aircraft	Boeing 787-9 aircraft	12	8	Between 2024 and 2027	Boeing 787-9 aircraft	11	8	Between 2024 and 2027
General Electric GEnx spare engines:	General Electric GEnx spare engines:							Between 2024 and 2027
General Electric GEnx spare engines:	General Electric GEnx spare engines:							
Boeing 787-9 spare engines	Boeing 787-9 spare engines	3	1	Between 2023 and 2027	Boeing 787-9 spare engines	3	1	Between 2024 and 2027
								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 will be delayed by a couple of months. In February 2024, the Company took delivery of its first Boeing 787-9 aircraft. The Company's first Boeing 787-9 aircraft is now expected 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 January April 2024. The committed expenditures under the amended purchase agreement and delivery delay are reflected in the table below.

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-parties to provide aircraft maintenance services which include fixed payments based on flight hours for the Company's fleet. The Company also 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 **September 30, 2023** **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 2023	\$ 48,815	\$ 6,381	\$ 55,196
2024	585,331	27,758	613,089
2025	519,228	16,069	535,297
2026	425,730	9,671	435,401
2027	249,569	7,068	256,637
Thereafter	—	60,906	60,906
	\$ 1,828,673	\$ 127,853	\$ 1,956,526

During the third quarter of 2023, the Company entered into amendments for two A330-200 aircraft leases, originally scheduled to mature in 2024, for an additional two years. The commitments associated with these amendments are reflected in the table above.

In October 2023, the Company entered into amendments for two additional A330-200 aircraft leases, originally scheduled to mature in 2024, for an additional two years.

	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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **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.

12.13. 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 **\$23.2** **\$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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, assets held for sale were **\$2.8 million** and **\$14.0 million**, respectively, **\$1.1 million** for both periods. A roll-forward of the Assets held-for-sale activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows:

Assets Held-For-Sale Activity for the nine months ended September 30, 2023					
ATR Aircraft		Commercial Real Estate		Total	
(in thousands)					
Beginning balance as of December 31, 2022	\$ 7,728	\$ 6,291	\$ 14,019		
Assets Held-For-Sale Activity for the three months ended March 31, 2024					
Assets Held-For-Sale Activity for the three months ended March 31, 2024					
Assets Held-For-Sale Activity for the three months ended March 31, 2024					
ATR Aircraft					
ATR Aircraft					
ATR Aircraft					
(in thousands)					
(in thousands)					
(in thousands)					
Beginning balance as of December 31, 2023					
Beginning balance as of December 31, 2023					
Beginning balance as of December 31, 2023					
Additions	Additions	—	—	—	—
Additions					
Additions					
Proceeds from sale	Proceeds from sale	(4,594)	(16,470)	(21,064)	
Realized gains	Realized gains	(418)	10,179	9,761	
Realized gains					
Realized gains					
Realized losses	Realized losses	97	—	97	
Ending balance as of September 30, 2023	\$ 2,813	\$ —	\$ 2,813		
Realized losses					
Realized losses					
Ending balance as of March 31, 2024					
Ending balance as of March 31, 2024					
Ending balance as of March 31, 2024					
Assets Held-For-Sale Activity for the nine months ended September 30, 2022					
Commercial					
ATR Aircraft	Real Estate	Total			

		(in thousands)		
Beginning balance as of December 31, 2021		23,158	\$ 6,291	\$29,449
Assets Held-For-Sale Activity for the three months ended March 31, 2023		Assets Held-For-Sale Activity for the three months ended March 31, 2023		
ATR	Aircraft	ATR Aircraft	Commercial Real Estate	Total
(in thousands)		(in thousands)		
Beginning balance as of December 31, 2022				
Additions	Additions	—	—	—
Proceeds from sale	Proceeds from sale	(10,530)	—	(10,530)
Impairment charge		(6,303)	—	(6,303)
Realized gains	Realized gains	3,288	—	3,288
Realized losses	Realized losses	(7)	—	(7)
Ending balance as of September 30, 2022		<u>\$ 9,606</u>	<u>\$ 6,291</u>	<u>\$15,897</u>
Ending balance as of March 31, 2023				

During the second quarter of 2022, the Company sold three ATR-72 aircraft and recognized a \$2.6 million gain on the transactions, which was recorded in Other operating expense in the consolidated statements of operations. During the third quarter of 2022, the Company estimated the fair value of its remaining ATR-42 and ATR-73 aircraft, using available market information and in consideration of recent transactions, which resulted in the recognition of a \$6.3 million impairment charge, which was recorded as a Special item in the unaudited consolidated statements of operations. During the second quarter of 2023, the Company sold one ATR-42 aircraft and recognized a \$0.4 million loss, which was recorded in Other operating expense in the consolidated statements of operations.

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, which did not result in a gain or loss on the transaction. The company anticipates completing the sale of remaining aircraft parts by early 2024, and will continue to monitor the asset group for potential impairment.

13.14. 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 13.14 as Subsidiary Issuer / Guarantor) of pass-through certificates, the Company Holdings (which is also referred to in this Note 13.14 as Parent Issuer / Guarantor) is fully and unconditionally guaranteeing the payment obligations of Hawaiian, which is a 100% owned subsidiary of the Company 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 September 30, 2023 / March 31, 2024

Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non- Guarantor Subsidiaries			Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non- Guarantor Subsidiaries		
		Subsidiaries	Eliminations	Consolidated			Subsidiaries	Eliminations	Consolidated
(in thousands)									

Operating Revenue	Operating Revenue	\$ —	\$ 727,779	\$ 13,997	\$ (14,097)	\$ 727,679	
Operating Expenses:	Operating Expenses:						
Wages and benefits	Wages and benefits	—	248,899	—	—	248,899	
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery	—	200,069	—	—	200,069	
Maintenance, materials and repairs	Maintenance, materials and repairs	—	65,088	(31)	—	65,057	
Aircraft and passenger servicing	Aircraft and passenger servicing	—	46,225	—	—	46,225	
Commissions and other selling	Commissions and other selling	9	29,686	53	(53)	29,695	
Aircraft rent	Aircraft rent	—	26,497	—	—	26,497	
Other rentals and landing fees	Other rentals and landing fees	—	46,366	—	—	46,366	
Depreciation and amortization	Depreciation and amortization	—	34,760	—	—	34,760	
Purchased services	Purchased services	—	36,513	120	(65)	36,568	
Special items							
Special items							
Special items							
Other							
Other	Other	1,910	60,120	409	(13,979)	48,460	
Total	Total	1,919	794,223	551	(14,097)	782,596	
Operating Income (Loss)	Operating Income (Loss)	(1,919)	(66,444)	13,446	—	(54,917)	
Nonoperating Income (Expense):	Nonoperating Income (Expense):						
Undistributed net loss of subsidiaries	Undistributed net loss of subsidiaries	(46,906)	(4,069)	—	50,975	—	
Interest expense and amortization of debt discounts and issuance costs	Interest expense and amortization of debt discounts and issuance costs	—	(4,852)	(18,501)	756	(22,597)	
Interest expense and amortization of debt discounts and issuance costs							
Interest expense and amortization of debt discounts and issuance costs							
Interest income	Interest income	105	13,154	1,182	(756)	13,685	

Capitalized interest	Capitalized interest	—	2,306	—	—	2,306
Gains on fuel derivatives		—	3,097	—	—	3,097
Losses on fuel derivatives						
Other components of net periodic pension cost	Other components of net periodic pension cost	—	(1,707)	—	—	(1,707)
Losses on investments, net		—	(4,054)	—	—	(4,054)
Other components of net periodic pension cost						
Other components of net periodic pension cost						
Gains on investments, net						
Gains on foreign debt	Gains on foreign debt	—	4,311	—	—	4,311
Other, net	Other, net	—	(644)	—	—	(644)
Total	Total	(46,801)	7,542	(17,319)	50,975	(5,603)
Loss Before Income Taxes	Loss Before Income Taxes	(48,720)	(58,902)	(3,873)	50,975	(60,520)
Income tax benefit	Income tax benefit	—	(11,800)	—	—	(11,800)
Net Loss	Net Loss	\$ (48,720)	\$ (47,102)	\$ (3,873)	\$ 50,975	\$ (48,720)
Comprehensive Loss	Comprehensive Loss	\$ (47,566)	\$ (45,948)	\$ (3,873)	\$ 49,821	\$ (47,566)

Condensed Consolidating Statements of Operations and Comprehensive Loss Income (Loss)

Three months ended **September 30, 2022** **March 31, 2023**

	Operating Revenue	Subsidiary Parent Issuer / Guarantor					Non-Subsidiary Issuer / Guarantor					Consolidated				
		Subsidiary Parent Issuer / Guarantor		Non-Subsidiary Issuer / Guarantor		Eliminations	Consolidated	Subsidiary Parent Issuer / Guarantor		Non-Subsidiary Issuer / Guarantor		Eliminations	Consolidated			
		(in thousands)										(in thousands)				
Operating Revenue	Operating Revenue	\$ —	\$ 740,479	\$ 11,746	\$ (11,071)	\$ 741,154										
Operating Expenses:												Operating Expenses:				
Wages and benefits	Wages and benefits	—	206,306	—	—	206,306										
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery	—	225,999	—	—	225,999										
Maintenance, materials and repairs	Maintenance, materials and repairs	—	59,272	45	—	59,317										
Aircraft and passenger servicing	Aircraft and passenger servicing	—	41,044	—	—	41,044										
Commissions and other selling	Commissions and other selling	9	32,495	75	(74)	32,505										
Aircraft rent	Aircraft rent	—	25,921	—	—	25,921										

Depreciation and amortization	Depreciation and amortization	—	34,347	—	—	34,347
Other rentals and landing fees	Other rentals and landing fees	—	38,399	—	(29)	38,370
Purchased services	Purchased services	23	30,963	349	(66)	31,269
Special items		—	—	6,303	—	6,303
Other						
Other	Other	1,284	52,775	(12)	(10,902)	43,145
Total	Total	1,316	747,521	6,760	(11,071)	744,526
Operating Income (Loss)	Operating Income (Loss)	(1,316)	(7,042)	4,986	—	(3,372)
Nonoperating Income (Expense):	Nonoperating Income (Expense):					Nonoperating Income (Expense):
Undistributed net loss of subsidiaries	Undistributed net loss of subsidiaries	(8,013)	(7,218)	—	15,231	—
Interest expense and amortization of debt discounts and issuance costs	Interest expense and amortization of debt discounts and issuance costs	—	(5,479)	(18,483)	756	(23,206)
Interest expense and amortization of debt discounts and issuance costs	Interest expense and amortization of debt discounts and issuance costs					
Interest income	Interest income	110	9,006	927	(756)	9,287
Capitalized interest	Capitalized interest	—	1,061	—	—	1,061
Losses on fuel derivatives	Losses on fuel derivatives	—	(1,063)	—	—	(1,063)
Other components of net periodic pension cost	Other components of net periodic pension cost	—	1,252	—	—	1,252
Losses on investments, net	Losses on investments, net	—	(4,028)	—	—	(4,028)
Other components of net periodic pension cost	Other components of net periodic pension cost					
Gains on investments, net	Gains on investments, net					
Gains on foreign debt	Gains on foreign debt	—	9,978	—	—	9,978

Other, net	Other, net	(50)	(638)	—	—	(688)
Total	Total	(7,953)	2,871	(17,556)	15,231	(7,407)
Loss Before Income Taxes		(9,269)	(4,171)	(12,570)	15,231	(10,779)
Income (Loss)						
Before Income Taxes						
Income tax benefit	Income tax benefit	—	(1,510)	—	—	(1,510)
Net Loss		\$ (9,269)	\$ (2,661)	\$ (12,570)	\$ 15,231	\$ (9,269)
Comprehensive Loss		\$ (23,411)	\$ (16,803)	\$ (12,570)	\$ 29,373	\$ (23,411)
Net Income (Loss)						
Comprehensive Income (Loss)						

Condensed Consolidating Statements of Operations and Comprehensive Loss

Nine months ended September 30, 2023

		Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
(in thousands)						
Operating Revenue		\$ —	\$ 2,046,609	\$ 42,218	\$ (41,617)	\$ 2,047,210
Operating Expenses:						
Aircraft fuel, including taxes and delivery		—	564,075	—	—	564,075
Wages and benefits		—	728,512	—	—	728,512
Aircraft rent		—	80,827	—	—	80,827
Maintenance materials and repairs		—	169,062	(62)	—	169,000
Aircraft and passenger servicing		—	131,883	—	—	131,883
Commissions and other selling	27	86,247	332	(282)	86,324	
Depreciation and amortization		—	100,775	—	—	100,775
Other rentals and landing fees		—	126,593	—	(19)	126,574
Purchased services	171	108,053	794	(197)	108,821	
Other	5,537	175,810	(7,884)	(41,119)	132,344	
Total	5,735	2,271,837	(6,820)	(41,617)	2,229,135	
Operating Income (Loss)		(5,735)	(225,228)	49,038	—	(181,925)
Nonoperating Income (Expense):						
Undistributed net loss of subsidiaries		(154,222)	(13,071)	—	167,293	—
Interest expense and amortization of debt discounts and issuance costs		—	(14,965)	(55,461)	2,244	(68,182)
Other components of net periodic pension cost		—	(4,907)	—	—	(4,907)
Interest income	648	41,559	3,726	(2,244)	43,689	
Capitalized interest		—	5,709	—	—	5,709
Losses on fuel derivatives		—	(5,627)	—	—	(5,627)
Loss on extinguishment of debt		—	—	—	—	—
Losses on investments, net		—	(6,906)	—	—	(6,906)
Gains on foreign debt		—	18,745	—	—	18,745
Other, net		—	(1,408)	—	—	(1,408)
Total	(153,574)	19,129	(51,735)	167,293	(18,887)	
Loss Before Income Taxes		(159,309)	(206,099)	(2,697)	167,293	(200,812)
Income tax benefit		—	(41,500)	—	—	(41,500)
Net Loss		\$ (159,309)	\$ (164,599)	\$ (2,697)	\$ 167,293	\$ (159,312)
Comprehensive Loss		\$ (159,683)	\$ (164,970)	\$ (2,697)	\$ 167,667	\$ (159,683)

Condensed Consolidating Statements of Operations and Comprehensive Loss
Nine months ended September 30, 2022

	Subsidiary						(in thousands)	
	Parent Issuer / Guarantor		Issuer / Guarantor		Non-Guarantor Subsidiaries			
	\$	—	\$	—	\$	—		
Operating Revenue			1,907,977		32,121		(29,865) \$ 1,910,233	
Operating Expenses:								
Aircraft fuel, including taxes and delivery	—		603,873		—		603,873	
Wages and benefits	—		615,091		—		615,091	
Aircraft rent	—		77,987		—		77,987	
Maintenance materials and repairs	—		170,693		241		170,934	
Aircraft and passenger servicing	—		110,490		—		110,490	
Commissions and other selling	18		81,785		363	(399)	81,767	
Depreciation and amortization	—		102,435		—		102,435	
Other rentals and landing fees	—		110,109		—	(87)	110,022	
Purchased services	200		94,557		1,154	(198)	95,713	
Special items	—		—		6,303	—	6,303	
Other	4,958		138,812		(1,705)	(29,181)	112,884	
Total	5,176		2,105,832		6,356	(29,865)	2,087,499	
Operating Income (Loss)			(5,176)		(197,855)		(25,765)	
Nonoperating Income (Expense):								
Undistributed net loss of subsidiaries	(184,840)		(25,439)		—	210,279	—	
Interest expense and amortization of debt discounts and issuance costs	—		(19,600)		(55,404)	2,244	(72,760)	
Other components of net periodic pension cost	—		3,812		—	—	3,812	
Interest income	145		19,936		2,446	(2,244)	20,283	
Capitalized interest	—		3,173		—	—	3,173	
Loss on extinguishment of debt	—		(8,568)		—	—	(8,568)	
Losses on fuel derivatives	—		(1,063)		—	—	(1,063)	
Losses on investments, net	—		(38,519)		—	—	(38,519)	
Gains on foreign debt	—		42,295		—	—	42,295	
Other, net	(50)		(2,268)		—	—	(2,318)	
Total	(184,745)		(26,241)		(52,958)	210,279	(53,665)	
Loss Before Income Taxes			(189,921)		(224,096)	(27,193)	210,279	
Income tax benefit	—		(41,010)		—	—	(41,010)	
Net Loss	\$ (189,921)		\$ (183,086)		\$ (27,193)	\$ 210,279	\$ (189,921)	
Comprehensive Loss	\$ (225,743)		\$ (218,908)		\$ (27,193)	\$ 246,101	\$ (225,743)	

Condensed Consolidating Balance Sheets

September 30, 2023 **March 31, 2024**

	Subsidiary					Non-Guarantor					(in thousands)	
	Parent Issuer / Guarantor		Issuer / Guarantor		Subsidiaries	Parent Issuer / Guarantor		Issuer / Guarantor		Subsidiaries		
	\$	—	\$	—	\$	—	\$	—	\$	—		
(in thousands)												
ASSETS												
Current Assets:												
Current Assets:											(in thousands)	
Cash and cash equivalents	Cash and cash equivalents	\$ 7,500	\$ 71,787	\$ 31,384	\$ —	\$ 110,671						
Restricted cash	Restricted cash	—	—	17,250	—	17,250						
Short-term investments	Short-term investments	—	1,023,534	—	—	1,023,534						

Accounts receivable, net	Accounts receivable, net	1,269	91,987	26,573	(22,546)	97,283
Income taxes receivable	Income taxes receivable	—	1,660	—	—	1,660
Spare parts and supplies, net	Spare parts and supplies, net	—	53,817	—	—	53,817
Prepaid expenses and other	Prepaid expenses and other	—	91,754	—	—	91,754
Prepaid expenses and other	Prepaid expenses and other					
Total	Total	8,769	1,334,539	75,207	(22,546)	1,395,969
Property and equipment at cost	Property and equipment at cost	—	3,113,490	—	—	3,113,490
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	—	(1,143,934)	—	—	(1,143,934)
Property and equipment, net	Property and equipment, net	—	1,969,556	—	—	1,969,556
Assets held-for-sale	Assets held-for-sale	—	285	2,528	—	2,813
Operating lease right-of-use assets	Operating lease right-of-use assets	—	423,706	—	—	423,706
Long-term prepayments and other	Long-term prepayments and other	—	117,463	1,200,253	(1,200,000)	117,716
Goodwill and other intangible assets, net	Goodwill and other intangible assets, net					
Goodwill and other intangible assets, net	Goodwill and other intangible assets, net					
Goodwill and other intangible assets, net	Goodwill and other intangible assets, net	—	—	13,500	—	13,500
Intercompany receivable	Intercompany receivable	(478,616)	(53,463)	—	532,079	—
Investment in consolidated subsidiaries	Investment in consolidated subsidiaries	807,451	(17,310)	503	(790,644)	—
Total Assets	Total Assets	\$ 337,604	\$ 3,774,776	\$ 1,291,991	\$ (1,481,111)	\$ 3,923,260
LIABILITIES AND SHAREHOLDERS' EQUITY	LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:	Current Liabilities:					
Accounts payable	Accounts payable	\$ 1,149	\$ 210,913	\$ 535	\$ (14,590)	\$ 198,007
Air traffic liability and current frequent flyer deferred revenue	Air traffic liability and current frequent flyer deferred revenue	—	690,603	8,482	—	699,085
Other accrued liabilities	Other accrued liabilities	—	169,195	14,753	(7,956)	175,992
Current maturities of long-term debt, less discount	Current maturities of long-term debt, less discount	—	42,364	—	—	42,364

Current maturities of finance lease obligations	Current maturities of finance lease obligations	—	9,998	—	—	9,998
Current maturities of operating leases	Current maturities of operating leases	—	85,214	—	—	85,214
Total	Total	1,149	1,208,287	23,770	(22,546)	1,210,660
Long-Term Debt	Long-Term Debt	—	1,546,608	1,188,269	(1,200,000)	1,534,877
Intercompany payable	Intercompany payable	157,695	(567,969)	120,430	289,844	—
Other Liabilities and Deferred Credits:	Other Liabilities and Deferred Credits:					
Noncurrent finance lease obligations	Noncurrent finance lease obligations	—	62,768	—	—	62,768
Noncurrent finance lease obligations	Noncurrent finance lease obligations					
Noncurrent operating leases	Noncurrent operating leases	—	311,647	—	—	311,647
Accumulated pension and other post-retirement benefit obligations	Accumulated pension and other post-retirement benefit obligations	—	143,058	—	—	143,058
Other liabilities and deferred credits	Other liabilities and deferred credits	—	71,967	—	—	71,967
Noncurrent frequent flyer deferred revenue	Noncurrent frequent flyer deferred revenue	—	320,657	—	—	320,657
Deferred tax liabilities, net	Deferred tax liabilities, net	—	88,868	—	—	88,868
Total	Total	—	998,965	—	—	998,965
Shareholders' equity	Shareholders' equity	178,760	588,885	(40,478)	(548,409)	178,758
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 337,604	\$3,774,776	\$1,291,991	\$(1,481,111)	\$3,923,260

Condensed Consolidating Balance Sheets

December 31, 2022/2023

	Subsidiary Parent Issuer / Guarantor					Non- Guarantor Subsidiaries Eliminations Consolidated						Subsidiary Parent Issuer / Guarantor					Non- Guarantor Subsidiaries Eliminations Consolidated														
	(in thousands)					(in thousands)						(in thousands)					(in thousands)														
ASSETS	ASSETS											ASSETS																			
Current assets:	Current assets:											Current assets:																			
Cash and cash equivalents	Cash and cash equivalents	\$ 28,620	\$ 151,357	\$ 49,145	\$ —	\$ 229,122																									
Restricted cash	Restricted cash	—	—	17,498	—	17,498																									
Short-term investments	Short-term investments	—	1,147,193	—	—	1,147,193																									

Accounts receivable, net	Accounts receivable, net	—	106,321	25,785	(18,244)	113,862
Income taxes receivable, net	Income taxes receivable, net	—	70,204	—	—	70,204
Spare parts and supplies, net	Spare parts and supplies, net	—	36,875	—	—	36,875
Prepaid expenses and other	Prepaid expenses and other	—	63,524	29	—	63,553
Total	Total	28,620	1,575,474	92,457	(18,244)	1,678,307
Property and equipment at cost	Property and equipment at cost	—	3,009,614	—	—	3,009,614
Less accumulated depreciation and amortization	Less accumulated depreciation and amortization	—	(1,135,262)	—	—	(1,135,262)
Property and equipment, net	Property and equipment, net	—	1,874,352	—	—	1,874,352
Assets held-for-sale	Assets held-for-sale	—	293	13,726	—	14,019
Operating lease right-of-use assets	Operating lease right-of-use assets	—	459,128	—	—	459,128
Long-term prepayments and other	Long-term prepayments and other	—	99,801	1,200,516	(1,200,000)	100,317
Goodwill and other intangible assets, net	Goodwill and other intangible assets, net	—	—	13,500	—	13,500
Goodwill and other intangible assets, net	Goodwill and other intangible assets, net	—	—	13,500	—	13,500
Intercompany receivable	Intercompany receivable	—	609,207	—	(609,207)	—
Investment in consolidated subsidiaries	Investment in consolidated subsidiaries	767,831	(57,699)	502	(710,634)	—
Total Assets	Total Assets	\$ 796,451	\$ 4,560,556	\$ 1,320,701	(\$2,538,085)	\$ 4,139,623
LIABILITIES AND SHAREHOLDERS' EQUITY	LIABILITIES AND SHAREHOLDERS' EQUITY					LIABILITIES AND SHAREHOLDERS' EQUITY
Current liabilities:	Current liabilities:					Current liabilities:
Accounts payable	Accounts payable	\$ 630	\$ 207,294	\$ 617	\$ (12,532)	\$ 196,009
Air traffic liability and current frequent flyer deferred revenue	Air traffic liability and current frequent flyer deferred revenue	—	579,872	10,924	—	590,796
Other accrued liabilities	Other accrued liabilities	—	172,190	15,558	(5,712)	182,036
Current maturities of long-term debt, less discount	Current maturities of long-term debt, less discount	—	47,836	—	—	47,836
Current maturities of finance lease obligations	Current maturities of finance lease obligations	—	25,789	—	—	25,789

Current maturities of operating leases	Current maturities of operating leases	—	77,858	—	—	77,858
Total	Total	630	1,110,839	27,099	(18,244)	1,120,324
Long-Term Debt	Long-Term Debt	—	1,599,330	1,184,559	(1,200,000)	1,583,889
Intercompany payable	Intercompany payable	462,556	—	146,651	(609,207)	—
Other Liabilities and Deferred Credits:	Other Liabilities and Deferred Credits:					
Noncurrent finance lease obligations	Noncurrent finance lease obligations	—	75,221	—	—	75,221
Noncurrent finance lease obligations	Noncurrent finance lease obligations					
Noncurrent operating leases	Noncurrent operating leases	—	347,726	—	—	347,726
Accumulated pension and other post-retirement benefit obligations	Accumulated pension and other post-retirement benefit obligations	—	135,775	—	—	135,775
Other liabilities and deferred credits	Other liabilities and deferred credits	—	94,481	173	—	94,654
Noncurrent frequent flyer deferred revenue	Noncurrent frequent flyer deferred revenue	—	318,369	—	—	318,369
Deferred tax liabilities, net	Deferred tax liabilities, net	—	130,400	—	—	130,400
Total	Total	—	1,101,972	173	—	1,102,145
Shareholders' equity	Shareholders' equity	333,265	748,415	(37,781)	(710,634)	333,265
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 796,451	\$4,560,556	\$1,320,701	\$(2,538,085)	\$4,139,623

Condensed Consolidating Statements of Cash Flows
Nine Three months ended September 30, 2023 March 31, 2024

		Subsidiary					Non-Subsidiary					Consolidated					
		Parent Issuer / Guarantor		Issuer / Subsidiaries			Eliminations		Parent Issuer / Guarantor		Issuer / Subsidiaries			Eliminations		Consolidated	
		Guarantor	Guarantor	Subsidiaries	Eliminations	Consolidated	Guarantor	Guarantor	Subsidiaries	Eliminations	Consolidated	Guarantor	Guarantor	Subsidiaries	Eliminations	Consolidated	
(in thousands)																	
Net Cash Provided By (Used In) Operating Activities	Net Cash Provided By (Used In) Operating Activities	\$ (3,700)	\$ 18,688	\$ (12,916)	\$ —	\$ 2,072											
Cash Flows From Investing Activities:	Cash Flows From Investing Activities:						Cash Flows From Investing Activities:										
Net payments to affiliates	Net payments to affiliates	—	42,372	(9,659)	(32,713)	—											

Additions to property and equipment, including pre-delivery deposits	Additions to property and equipment, including pre-delivery deposits	—	(213,152)	—	—	(213,152)
Proceeds from the disposition of aircraft and aircraft related equipment	Proceeds from the disposition of aircraft and aircraft related equipment	15,293	52	4,566	—	19,911
Purchases of investments	Purchases of investments	—	(320,628)	—	—	(320,628)
Purchases of investments	Purchases of investments	—	—	—	—	—
Sales of investments	Sales of investments	—	452,913	—	—	452,913
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	—	—	—	—	—
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	—	—	—	—	—
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	15,293	(38,443)	(5,093)	(32,713)	(60,956)
Cash Flows From Financing Activities:	Cash Flows From Financing Activities:					
Long-term borrowings	Long-term borrowings	—	—	—	—	—
Long-term borrowings	Long-term borrowings	—	—	—	—	—
Long-term borrowings	Long-term borrowings	—	—	—	—	—
Repayments of long-term debt and finance lease obligations	Repayments of long-term debt and finance lease obligations	—	(58,681)	—	—	(58,681)
Debt issuance costs and discount	Debt issuance costs and discount	—	—	—	—	—
Debt issuance costs and discount	Debt issuance costs and discount	—	—	—	—	—
Debt issuance costs and discount	Debt issuance costs and discount	—	—	—	—	—
Net payments from affiliates	Net payments from affiliates	—	—	—	—	—
Net payments from affiliates	Net payments from affiliates	—	—	—	—	—
Net payments from affiliates	Net payments from affiliates	(32,713)	—	—	32,713	—
Payment for taxes withheld for stock compensation	Payment for taxes withheld for stock compensation	—	(1,134)	—	—	(1,134)

Net cash used in financing activities	(32,713)	(59,815)	—	32,713	(59,815)
Net decrease in cash and cash equivalents	(21,120)	(79,570)	(18,009)	—	(118,699)
Net cash provided by financing activities					
Net cash provided by financing activities					
Net cash provided by financing activities					
Net increase in cash and cash equivalents					
Cash, cash equivalents, & restricted cash - Beginning of Period	Cash, cash equivalents, & restricted cash - Beginning of Period	28,620	151,357	66,643	— 246,620
Cash, cash equivalents, & restricted cash - End of Period	Cash, cash equivalents, & restricted cash - End of Period	\$ 7,500	\$ 71,787	\$ 48,634	\$ — \$ 127,921

Condensed Consolidating Statements of Cash Flows
Nine Three months ended September 30, 2022 March 31, 2023

		Subsidiary					Non-Subsidiary					Consolidated				
		Parent Issuer / Guarantor		Issuer / Guarantor		Non-Subsidiaries	Eliminations	Consolidated	Parent Issuer / Guarantor		Issuer / Guarantor		Non-Subsidiaries	Eliminations	Consolidated	
		(in thousands)					(in thousands)					(in thousands)				
Net Cash Provided By (Used In) Operating Activities	Net Cash Provided By (Used In) Operating Activities	\$ (4,270)	\$ 6,116	\$ (25,896)	\$ —	\$ (24,050)										
Cash Flows From Investing Activities:	Cash Flows From Investing Activities:															
Net payments to affiliates	Net payments to affiliates	—	(37,188)	17,474	19,714	—										
Additions to property and equipment, including pre-delivery deposits	Additions to property and equipment, including pre-delivery deposits	—	(29,717)	—	—	(29,717)										
Proceeds from the disposition of aircraft and aircraft related equipment	Proceeds from the disposition of aircraft and aircraft related equipment	—	97	10,646	—	10,743										

Proceeds from the disposition of aircraft and aircraft related equipment					
Proceeds from the disposition of aircraft and aircraft related equipment					
Purchases of investments	Purchases of investments	—	(751,509)	—	— (751,509)
Sales of investments	Sales of investments	—	756,561	—	— 756,561
Net cash provided by (used in) investing activities					
Net cash provided by (used in) investing activities					
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	—	(61,756)	28,120	19,714 (13,922)
Cash Flows From Financing Activities:	Cash Flows From Financing Activities:				
Repayments of long-term debt and finance lease obligations	Repayments of long-term debt and finance lease obligations	—	(173,298)	—	— (173,298)
Debt issuance costs	Debt issuance costs	—	(2,236)	—	— (2,236)
Repayments of long-term debt and finance lease obligations					
Repayments of long-term debt and finance lease obligations					
Net payments from affiliates					
Net payments from affiliates					
Net payments from affiliates	Net payments from affiliates	19,714	—	— (19,714)	—
Payment for taxes withheld for stock compensation	Payment for taxes withheld for stock compensation	—	(1,842)	—	— (1,842)
Payment for taxes withheld for stock compensation					
Payment for taxes withheld for stock compensation					
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	19,714	(177,376)	— (19,714)	(177,376)
Net cash used in financing activities					
Net cash used in financing activities					
Net cash used in financing activities					

Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	15,444	(233,016)	2,224	—	(215,348)
Cash, cash equivalents, & restricted cash - Beginning of Period	Cash, cash equivalents, & restricted cash - Beginning of Period	20,803	434,615	52,410	—	507,828
Cash, cash equivalents, & restricted cash - End of Period	Cash, cash equivalents, & restricted cash - End of Period	\$ 36,247	\$ 201,599	\$ 54,634	—	\$ 292,480

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 severity, magnitude, duration and effects of the COVID-19 pandemic; 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, Hawaii; 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 fourth quarter of 2023, 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 September 30, 2024 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; the restatement of our financial statements for the Non-Reliance Periods and the impact of such restatement on our future financial statements and other financial measures; the material weakness we identified in our internal control over financial reporting and our efforts and timing related to such remediation; 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 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 consolidated subsidiaries, 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 **eleventh 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 **July 2023, January 2024**, the latest available data. As of **September 30, 2023** **March 31, 2024**, we had **7,347** **7,386** active employees.

In October 2022, 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).

Third First Quarter 2023 2024 Financial Overview

- Passenger revenue in the **third first** quarter was **\$664.9 million** **\$583.4 million**, up **0.3%** **6.4%** as compared to the same period in **2022, 2023**. During the three months ended **September 30, 2023** **March 31, 2024**, capacity (as measured in Available Seat Miles or ASMs) was up **4.2%** **2.7%**, while RPM increased **8.2%** **5.9%**, as compared to the same period in **2022, 2023**, driven by improving demand on across our **international routes** **network**.
- Our **operating** **Operating** loss in the **third first** quarter was **\$54.9 million** **\$148.6 million**, as compared to an operating loss of **\$3.4 million** **\$117.4 million** during the same period in **2022, 2023**.
- GAAP net loss in the **third first** quarter was **\$48.7 million** **\$137.6 million**, or **\$0.94** **\$2.65** per diluted share on total revenue of **\$727.7 million** **\$645.6 million**, compared to a net loss of **\$9.3 million** **\$98.3 million**, or **\$0.18** **\$1.91** per diluted share, on total revenue of **\$741.2 million** **\$612.6 million** during the same period in **2022, 2023**.
- Unrestricted cash, cash equivalents and short-term investments was **\$1.1 billion** **\$897.3 million** as of **September 30, 2023** **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~~ nine months ended ~~September 30, 2023~~ ~~March 31, 2024~~, material changes to our Consolidated Balance Sheet consisted of the following:

- Cash, cash equivalents and short-term investments totaled approximately \$1.1 billion. 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 September 30, 2023, compared December 31, 2023. The increase is attributed to \$1.4 billion as \$131.4 million in financing obtained for our first Boeing 787-9 aircraft delivery in the first quarter of December 31, 2022, 2024, partially offset by scheduled debt repayments.
- As of September 30, 2023, our total debt was \$1.6 billion, a decrease of \$54.5 million, or 3.3%, as compared to \$1.63 billion as of December 31, 2022.
- As of September 30, 2023 ~~March 31, 2024~~, our air traffic liability and current frequent flyer deferred revenue was ~~\$699.1~~ ~~\$757.9~~ million, an increase of ~~\$108.3~~ \$124.5 million, or 18.3% ~~19.7%~~, as compared to ~~\$590.8~~ \$633.3 million as of December 31, 2022 ~~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, partially offset by an influx of ticket refunds following the wildfires in West Maui in August 2023.

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 ~~September 30, 2022~~ ~~March 31, 2023~~ and ~~2023, 2024~~, respectively and our expected fleet as of ~~September 30, 2024~~ ~~March 31, 2025~~ (based on existing executed agreements as of ~~September 30, 2023~~ ~~March 31, 2024~~):

Aircraft Type	Aircraft Type	September 30, 2022			September 30, 2023			September 30, 2024 (Expected)			Aircraft Type	March 31, 2023			March 31, 2024			March 31, 2025 (Expected)		
		Owned			Leased			Owned				Leased			Owned			Leased		
		Leased (1)	Owned (2)	Total	(1)	Leased (2)	Total	(1)	Leased (2)	Total	(1)	Leased (2)	Total	(1)	Leased (2)	Total	(1)	Leased (2)	Total	
A330-200	A330-200	12	12	24	12	12	24	12	12	24										
A330-300F (3)	A330-300F (3)	—	—	—	1	—	1	7	—	7										
A321neo	A321neo	4	14	18	4	14	18	4	14	18										
787-9 (4)	787-9 (4)	—	—	—	—	—	—	—	3	3										
717-200		5	14	19	5	14	19	5	14	19										
ATR 42-500 (5)		—	3	3	—	—	—	—	—	—										
ATR 72-200 (5)		—	1	1	—	1	1	—	—	—										
717-200 (5)																				
ATR 42-500 (6)																				
ATR 72-200 (6)																				
Total	Total	21	44	65	22	41	63	28	43	71										

- (1) Leased aircraft include aircraft under both finance and operating leases. Four of our leased A330-200 aircraft have lease maturities in 2024. During the third quarter of 2023, we entered into an amendment to extend two of the A330-200 aircraft for an additional two years. In October 2023, we entered into amendments to extend the two remaining A330-200 aircraft leases for an additional two years.
- (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 July 2018, 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 purchase agreement for lease agreement. During the purchase first quarter of 10 Boeing 787-9 "Dreamliner" aircraft, including purchase rights for an additional 10 aircraft. In December 2022, 2024, we entered into a supplemental agreement to purchase three additional 717-200 aircraft previously under lease. We expect to purchase the Boeing 787-9 purchase agreement, pursuant to which (a) we agreed with Boeing to defer remaining 717-200 aircraft under lease in the delivery second quarter of the Boeing 787-9 aircraft and (b) agreed to exercise purchase options

for an additional two Boeing 787-9 aircraft. 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. Our first 787-9 aircraft is now expected to be delivered in January 2024. We are currently exploring financing options for our upcoming Boeing 787-9 deliveries.

(5) (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 **September 30, 2023** **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 **by early** in the second quarter of 2024.

Air Transportation Services Agreement

On October 20, 2022, we and Customer, a wholly owned subsidiary of Amazon, entered into an ATSA under which we 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 us to initially operate ten A330-300F aircraft for air cargo transportation services, with 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. 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. Customer will also reimburse us for certain operating expenses, including fuel, certain maintenance, and insurance premiums.

During the third quarter of 2023, we took delivery of our first A330-300F aircraft. Operations under the ATSA commenced on October 2, 2023.

Results of Operations

For the three months ended **September 30, 2023** **March 31, 2024**, we generated a net loss of **\$48.7 million** **\$137.6 million**, or **\$0.94** **\$2.65** per diluted share, compared to a net loss of **\$9.3 million** **\$98.3 million**, or **\$0.18** **\$1.91** per diluted share, for the same period in **2022**. For the nine months ended **September 30, 2023**, we generated a net loss of **\$159.3 million**, or **\$3.09** per diluted share, compared to a net loss of **\$189.9 million**, or **\$3.70** per diluted share, for the same period in **2022**. **2023**.

Selected Consolidated Statistical Data (unaudited)

Scheduled Operations:	Three months ended September 30,		Nine months ended September 30,		(in thousands, except as otherwise indicated)
	2023	2022	2023	2022	
	(in thousands, except as otherwise indicated)				
Revenue passengers flown	Revenue passengers flown	2,828	2,738	8,221	7,345
Revenue passengers flown	Revenue passengers flown				
Revenue passenger miles (RPM)	Revenue passenger miles (RPM)				
Revenue passenger miles (RPM)	Revenue passenger miles (RPM)				
Revenue passenger miles (RPM)	Revenue passenger miles (RPM)	4,450,305	4,113,172	12,641,181	10,950,031
Available seat miles (ASM)	Available seat miles (ASM)	5,166,464	4,957,011	15,095,334	13,704,779
Available seat miles (ASM)	Available seat miles (ASM)				
Available seat miles (ASM)	Available seat miles (ASM)				
Passenger revenue per RPM (Yield)	Passenger revenue per RPM (Yield)				

Passenger revenue per RPM (Yield)					
Passenger revenue per RPM (Yield)	Passenger revenue per RPM (Yield)	14.94 ¢	16.12 ¢	14.70 ¢	15.38 ¢
Passenger load factor (RPM/ASM)	Passenger load factor (RPM/ASM)	86.1 %	83.0 %	83.7 %	79.9 %
Passenger load factor (RPM/ASM)					
Passenger load factor (RPM/ASM)					
Passenger revenue per ASM (PRASM)					
Passenger revenue per ASM (PRASM)					
Passenger revenue per ASM (PRASM)	Passenger revenue per ASM (PRASM)	12.87 ¢	13.38 ¢	12.31 ¢	12.29 ¢
Total Operations:	Total Operations:				
Total Operations:					
Total Operations:					
Revenue passengers flown					
Revenue passengers flown					
Revenue passengers flown	Revenue passengers flown	2,828	2,741	8,223	7,361
RPM	RPM	4,451,484	4,117,551	12,644,415	10,975,703
RPM					
RPM					
ASM					
ASM					
ASM	ASM	5,168,883	4,964,785	15,100,831	13,744,129
Operating revenue per ASM (RASM)	Operating revenue per ASM (RASM)	14.08 ¢	14.93 ¢	13.56 ¢	13.90 ¢
Operating revenue per ASM (RASM)					
Operating revenue per ASM (RASM)					
Operating cost per ASM (CASM)					
Operating cost per ASM (CASM)					
Operating cost per ASM (CASM)	Operating cost per ASM (CASM)	15.14 ¢	15.00 ¢	14.76 ¢	15.19 ¢

CASM excluding aircraft fuel and non- recurring items (a)	CASM excluding aircraft fuel and non- recurring items (a)	11.27 ¢	10.32 ¢	11.13 ¢	10.73 ¢
CASM excluding aircraft fuel and non-recurring items (a)					
CASM excluding aircraft fuel and non-recurring items (a)					
Aircraft fuel expense per ASM (b)					
Aircraft fuel expense per ASM (b)	Aircraft fuel expense per ASM (b)	3.87 ¢	4.55 ¢	3.74 ¢	4.40 ¢
Revenue block hours operated	Revenue block hours operated	53,183	51,284	158,058	143,646
Gallons of aircraft fuel consumed		68,521	63,834	199,735	174,744
Revenue block hours operated					
Revenue block hours operated					
Gallons of aircraft fuel consumed (c)					
Gallons of aircraft fuel consumed (c)					
Gallons of aircraft fuel consumed (c)					
Average cost per gallon of aircraft fuel (b)	Average cost per gallon of aircraft fuel (b)	\$ 2.92	\$ 3.54	\$ 2.82	\$ 3.46
Average cost per gallon of aircraft fuel (b)					
Average cost per gallon of aircraft fuel (b)					

(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 and nine months ended **September 30, 2023** **March 31, 2024**, operating revenue **decreased** **increased** by **\$13.5 million** **\$33.0 million**, or **1.8%** **5.4%**, and increased by **\$137.0 million**, or **7.2%**, respectively, as compared to the same **periods** **period** in 2022. For the three months ended September 30, 2023, the decrease in operating revenue was primarily driven by a decrease in Other operating revenue of **\$15.2 million**, or **19.5%**, which **2023** and is further discussed in more detail below, while passenger was flat, up **0.3%**. For the nine months ended September 30, 2023, the increase was primarily driven by the continued recovery of passenger demand on our International routes, partially offset by reductions in our Domestic network revenue, which was negatively impacted by the wildfires in Maui and a **16.3%** decline in Other operating revenue, below.

Passenger revenue

For the three and nine months ended **September 30, 2023** **March 31, 2024**, passenger revenue increased by **\$1.8 million** **\$34.9 million**, or **0.3% 6.4%**, and **\$173.8 million**, or **10.3%**, respectively, as compared to the same periods in 2022. Details of these changes are reflected in the table below:

(in thousands)	Three months ended September 30, 2023	Increase (Decrease) vs. Three Months Ended September 30, 2023				
		Passenger Revenue	Yield	RPMs	ASMs	PRASM
Domestic	\$ 503,463	(13.0)%	(6.8)%	(6.6)%	(4.6)%	(8.8)%
International	161,403	90.9	(6.5)	104.3	43.6	33.0
Total	\$ 664,866	0.3 %	(7.3)%	8.2 %	4.2 %	(3.8)%

(in thousands)	Nine months ended September 30, 2023	Increase (Decrease) vs. Nine Months Ended September 30, 2023				
		Passenger Revenue	Yield	RPMs	ASMs	PRASM
Domestic	\$ 1,468,179	(3.8)%	(2.9)%	(0.9)%	(3.3)%	(0.5)%
International	390,205	146.1	(12.9)	182.5	99.4	23.4
Total	\$ 1,858,384	10.3 %	(4.4)%	15.4 %	10.1 %	0.2 %

Domestic passenger revenue decreased 13.0% during the three months ended September 30, 2023 as compared to the same period in 2022, 2023. Details of this change are described in the table below:

(in thousands)	Three months ended March 31, 2024	Increase (Decrease) vs. 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 **4.6% 4.5%**. Domestic passenger revenue decreased by 3.8% during the nine months ended September 30, 2023 as compared to the same period in 2022, on a capacity reduction, as measured in ASM, of 3.3%.

Demand on our Domestic routes has recovered to pre-COVID-19 pandemic levels, with passenger revenue up 1.0% and 1.9% during the three and nine months ended September 30, 2023, as compared to the same periods in 2019, respectively, which has primarily been driven by the strength of our North America traffic. This recovery domestic network has been supported by improved yields; however, these improvements have been, and continue to be, negatively impacted however, 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 anticipate that we will may continue to experience operational disruptions from our engine shortages from Pratt & Whitney into during the remainder of 2024 and potentially beyond.

Our Neighbor Island traffic, which accounted for approximately **18.4% and 18.5%** **22.2%** of total Domestic passenger revenue during the three and nine months ended **September 30, 2023** **March 31, 2024**, continued 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 low lower priced Neighbor Island route fares. Furthermore, on August 8 2023, the Island of Maui was devastated by wildfires, which decimated the historic town of Lahaina, a popular tourist destination. In the immediate aftermath, there was a sharp decline in passenger traffic to the island of Maui and an increase in passenger ticket refunds in the aftermath of the fires. With many areas of the island not impacted by the wildfires and portions of West Maui reopening for tourism on October 8, 2023, demand for travel to Maui is recovering, but is expected to remain below historic levels through at least the remainder of 2023 and into 2024. The impact of these events has led to declines in Neighbor Island route revenue yield of 10.8% and 16.2% during the three and nine months ended September 30, 2023 as compared to the same periods in 2022, and is expected to continue to be a headwind to our Neighbor Island route revenue during at least the remainder of 2023.

International route passenger revenue increased 90.9% and 146.1% by \$25.8 million, or 24.3%, during the three and nine months ended **September 30, 2023** **March 31, 2024**, respectively, as compared to the same periods period in 2022, 2023, primarily driven by increased capacity, which was up 43.6% and 99.4%, respectively. 27.9%. Despite improvements, our International route network remains depressed in comparison to pre-COVID-19 pandemic levels, with revenue down 17.5% and 23.1% 15.4% during the three and nine months ended **September 30, 2023** **March 31, 2024**, respectively, as compared to the same periods period in 2019. We expect demand on our International routes to continue to lag behind demand on our Domestic routes as international demand recovers to pre-COVID-19 pandemic levels. In addition, 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 **ASM ASMs** for the **fourth second quarter of 2023 2024** to be up approximately **1.5% 3.5%** to **4.5% 6.5%** compared to the same period in **2022, 2023**. We expect **RASM** will be range between **down between 10.0% 1.5%** and **13.0% up 1.5%** for the **fourth second quarter of 2023 2024** as compared to the same period in **2022, 2023**.

Other Operating Revenue

For the three and nine months ended **September 30, 2023** **March 31, 2024**, Other operating revenue decreased by **\$15.2 million** **\$2.0 million**, or **19.5%** **3.1%**, and **\$36.8 million**, or **16.3%**, respectively, as compared to the same periods period in **2022**.

During the three and nine months ended September 30, 2023, Cargo revenue decreased \$9.1 million and \$18.7 million, respectively, as compared to the same periods in **2022**, **2023**, primarily driven by reduced a reduction in cargo volumes. Loyalty revenue primarily comprised of brand and marketing performance obligations, increased \$1.4 million and \$6.4 million due to lower cargo volumes during the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022, as a result of increased credit card spend and new cardholder acquisitions. Other components in Other operating revenue include, but are not limited to, ground handling commissions, and other freight services, fees earned under certain marketing agreements, which collectively decreased during the three and nine months ended **September 30, 2023** **March 31, 2024** by approximately **\$7.5 million**, and **\$24.5 million**, respectively, as compared to the same periods period in **2022**, **2023**.

Operating Expense

Operating expenses were **\$782.6 million** and **\$2.2 billion** **\$794.2 million** during the three and nine months ended **September 30, 2023**, respectively, **March 31, 2024**. Increases (decreases) in operating expenses for the three and nine months ended **September 30, 2023** **March 31, 2024**, as compared to the same periods period in **2022**, **2023**, are detailed below:

		Increase / (decrease) for the three months ended September 30, 2023 compared to the three months ended September 30, 2022				Increase / (decrease) for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022			
		\$	%			\$	%		
		Increase / (decrease) for the three months ended March 31, 2024 compared to the three months ended March 31, 2023							
		Increase / (decrease) for the three months ended March 31, 2024 compared to the three months ended March 31, 2023							
		Increase / (decrease) for the three months ended March 31, 2024 compared to the three months ended March 31, 2023							
		\$							
		\$							
		\$							
Operating expenses									
Operating expenses									
Operating expenses	Operating expenses	(in thousands)				(in thousands)			
Wages and benefits	Wages and benefits	\$	42,593	20.6	%	\$	113,421	18.4	%
Wages and benefits									
Wages and benefits									
Aircraft fuel, including taxes and delivery									
Aircraft fuel, including taxes and delivery									
Aircraft fuel, including taxes and delivery									
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery		(25,930)	(11.5)			(39,798)	(6.6)	
Maintenance, materials and repairs	Maintenance, materials and repairs		5,740	9.7			(1,934)	(1.1)	
Maintenance, materials and repairs									
Maintenance, materials and repairs									
Aircraft and passenger servicing									
Aircraft and passenger servicing									
Aircraft and passenger servicing	Aircraft and passenger servicing		5,181	12.6			21,393	19.4	
Commissions and other selling	Commissions and other selling		(2,810)	(8.6)			4,557	5.6	
Commissions and other selling									
Commissions and other selling									
Aircraft rent									
Aircraft rent									
Aircraft rent	Aircraft rent		576	2.2			2,840	3.6	
Other rentals and landing fees	Other rentals and landing fees		7,996	20.8			16,552	15.0	
Other rentals and landing fees									

Other rentals and landing fees						
Depreciation and amortization						
Depreciation and amortization						
Depreciation and amortization	Depreciation and amortization	413	1.2	(1,660)	(1.6)	
Purchased services	Purchased services	5,299	16.9	13,108	13.7	
Purchased services						
Purchased services						
Special items						
Special items						
Special items	Special items	(6,303)	(100.0)	(6,303)	(100.0)	
Other	Other	5,315	12.3	19,460	17.2	
Other						
Other						
Total	Total	\$ 38,070	5.1 %	\$ 141,636	6.8 %	
Total						
Total						

Wages and benefits

Wages and benefits expense increased \$42.6 million \$20.0 million, or 20.6%, and \$113.4 million, or 18.4% 8.3%, during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the prior year periods period. The increase in wages and benefits expense is primarily attributed to increased headcount and training costs as we prepare prepared for the commencement ramp up of our ATSA operations with Amazon, as well as the introduction of our first Boeing 787 aircraft, (anticipated to commence which was placed into service in April 2024), 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 fourth second quarter of 2023, 2024, as compared to the same period in 2022, 2023, as a result of the amended CBAs we have entered into over the past several years, 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 and nine months ended September 30, 2023 March 31, 2024, as compared to the prior year periods 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 September 30,			Nine months ended September 30,		
	2023	2022	% Change	2023	2022	% Change
	(in thousands, except per-gallon amounts)	(in thousands, except per-gallon amounts)		(in thousands, except per-gallon amounts)	(in thousands, except per-gallon amounts)	
Three months ended March 31,						
Three months ended March 31,						
Three months ended March 31,						
2024						
2024						
(in thousands, except per-gallon amounts)						
(in thousands, except per-gallon amounts)						
(in thousands, except per-gallon amounts)						
Aircraft fuel expense, including taxes and delivery						
Aircraft fuel expense, including taxes and delivery						

Aircraft fuel expense, including taxes and delivery	Aircraft fuel expense, including taxes and delivery	\$	200,069	\$	225,999	(11.5)	%	\$	564,075	\$	603,873	(6.6)	%
Fuel gallons consumed	Fuel gallons consumed		68,521		63,834	7.3	%		199,735		174,744	14.3	%
Fuel gallons consumed													
Fuel gallons consumed													
Average fuel price per gallon, including taxes and delivery	Average fuel price per gallon, including taxes and delivery	\$	2.92	\$	3.54	(17.5)	%	\$	2.82	\$	3.46	(18.5)	%
Average fuel price per gallon, including taxes and delivery													
Average fuel price per gallon, including taxes and delivery													

Fuel consumption increased by 7.3% and 14.3% 4.3% during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the prior year periods. period. The fuel consumption increase was a result of increased operations combined with operational challenges, including runway construction at the Daniel K. Inouye International Airport in Honolulu, Hawai'i, 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 raw GAAP fuel expense, including taxes and delivery, plus (gains)/losses realized through actual cash payments to/(receipts from) hedge counterparties for on settlement of fuel derivatives settled contracts in the period, inclusive of costs related to hedging premiums.

Economic fuel expense is calculated as follows:

	Three months ended September 30,			Nine months ended September 30,									
	2023	2022	% Change	2023	2022	% Change							
	(in thousands, except per-gallon amounts)			(in thousands, except per-gallon amounts)									
Three months ended March 31,													
Three months ended March 31,													
Three months ended March 31,													
2024													
2024													
2024													
(in thousands, except per-gallon amounts)													
(in thousands, except per-gallon amounts)													
(in thousands, except per-gallon amounts)													
Aircraft fuel expense, including taxes and delivery													
Aircraft fuel expense, including taxes and delivery													
Aircraft fuel expense, including taxes and delivery	Aircraft fuel expense, including taxes and delivery	\$	200,069	\$	225,999	(11.5)	%	\$	564,075	\$	603,873	(66.7)	%

Realized losses on settlement of fuel derivative contracts	Realized losses on settlement of fuel derivative contracts	3,867	—	100.0	%	8,175	—	100.0	%
Realized losses on settlement of fuel derivative contracts									
Realized losses on settlement of fuel derivative contracts									
Economic fuel expense									
Economic fuel expense									
Economic fuel expense	Economic fuel expense	\$ 203,936	\$ 225,999	(9.8)	%	\$ 572,250	\$ 603,873	(5.2)	%
Fuel gallons consumed	Fuel gallons consumed	68,521	63,834	7.3	%	199,735	174,744	14.3	%
Fuel gallons consumed									
Fuel gallons consumed									
Economic fuel price per gallon	Economic fuel price per gallon	\$ 2.98	\$ 3.54	(15.8)	%	\$ 2.87	\$ 3.46	(17.1)	%
Economic fuel price per gallon									
Economic fuel price per gallon									

We expect that fuel gallons consumed will be up between 5.0% 2.5% to 8.0% 5.0% during the fourth second quarter of 2023 2024 as compared to the same period in 2022, 2023.

Maintenance, materials and repairs

Maintenance, materials and repairs expense increased \$5.7 million \$20.7 million, or 9.7%, and decreased \$1.9 million, or 1.1% 41.1%, during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022.

As discussed in the section titled Passenger Revenue, challenges with engine supply for our A321neo fleet has negatively impacted our operations. In response, we have, and continue to receive credits from Pratt & Whitney offsetting Power-by-the-Hour (PBH) expense, and recognized a reduction in maintenance, materials and repairs expense of \$7.6 million and \$17.5 million during the three and nine-months ended September 30, 2023. 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 and nine months ended September 30, 2023 March 31, 2023, we recognized approximately \$0.0 million and \$24.1 million, respectively, \$18.1 million in amortization. Excluding these reductions, this reduction in 2023, maintenance, materials and repairs expense increased 13.4 million, \$2.6 million, or 22.5%, and \$39.6 million, or 23.2% 3.8%, during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022, primarily the result of increased rates and utilization associated with our PBH agreements, the timing of scheduled heavy maintenance events and inflationary pressures on costs. 2023.

We expect maintenance, materials and repairs expense to increase during the fourth second quarter of 2023, 2024, as compared to the same period in 2022 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 \$5.2 million \$2.9 million, or 12.6%, and \$21.4 million, or 19.4% 6.8%, for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022 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 fourth second quarter of 2023, 2024, as compared to the same period in 2022, as we continue to build international operational capacity. 2023.

Other rentals and landing fees

Other rentals and landing fees increased by \$8.0 million \$4.4 million, or 20.8% 11.4%, and \$16.6 million, or 15.0% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022, 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 fourth second quarter of 2023, 2024, as compared to the same period in 2022, as we continue 2023 due primarily to rebuild international operational capacity, increased airport costs.

Purchased services

Purchased services increased by \$5.3 million \$3.4 million, or 16.9%, and \$13.1 million, or 13.7% 9.7%, for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022, 2023. The increase in purchased services is primarily related to our increased operations during the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in 2022, 2023. We expect other purchased services expense to increase during the fourth second quarter of 2023, 2024, as compared to the same period in 2022, 2023.

Special Items

During the three months ended March 31, 2024, we recorded \$8.5 million in Special items as we continue a result of expenses related to build international operational capacity, 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 \$5.3 million \$11.1 million, or 12.3%, and \$19.5 million, or 17.2% 32.0%, for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022, 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.

We expect other expense to increase during the fourth quarter of 2023 as we continue to build operational capacity.

Nonoperating Income (Expense)

Net nonoperating expense decreased by \$1.8 million \$4.2 million, or 24.4%, and \$34.8 million, or 64.8% 50.0%, during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in 2022, 2023. The change in both periods was attributed to (a) increased 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 expansion reduction of our investment portfolio into higher risk, higher yielding investments, (b) reduction in interest expense as a result of debt reduction activities in 2022, and (c) improvements in our investment portfolio positions, which were offset by a reduction in gains associated with our foreign denominated debt portfolio.

Income Taxes

Our effective tax rate was 19.5% and 20.7% approximately 10.0% for the three and nine months ended September 30, 2023 March 31, 2024 as compared to 14.0% and 17.8% 21.9% during the same periods period in 2022, 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.

We expect 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 be approximately 21.0% for the fourth quarter of 2023, 10.0%.

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments (excluding restricted cash) totaled approximately \$1.1 billion \$897.3 million as of September 30, 2023 March 31, 2024, compared to approximately \$1.4 billion \$908.5 million as of December 31, 2022 December 31, 2023.

As of September 30, 2023 March 31, 2024, our current assets exceeded our current liabilities by approximately \$185.3 million \$141.3 million as compared to \$558.0 \$25.5 million as of December 31, 2022 December 31, 2023. Approximately \$699.1 million \$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 \$2.1 million \$0.3 million during the nine three months ended September 30, 2023 March 31, 2024 compared to net cash used in provided by operating activities of \$24.1 million \$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 and nine months ended September 30, 2023 March 31, 2024, as compared to the same periods period in 2022, 2023; however, overall demand (measured in passengers flown) remains below 2019 levels, down approximately 7.8% 7.1%, largely due to international travel demand lagging the recovery of domestic travel.

Aircraft Fuel. Fuel expense represented approximately 25.6% and 25.3% 23.8% of our total operating expense during the three and nine months ended **September 30, 2023** **March 31, 2024** compared to 30.4% and 28.9%, respectively 27.1% during the same periods period in **2022**, **2023**. The market price for jet fuel is volatile, which can impact the comparability of our cash flows from operations. During the three and nine months ended **September 30, 2023** **March 31, 2024**, the average fuel price per gallon decreased 17.5% and 18.5% 8.5%, respectively, as compared to the same periods period in **2022**, **2023**.

Pension and Other Postretirement Benefit Plan Funding. During the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**, **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 **2023**, **2024**.

Operating Lease Obligations. As of **September 30, 2023** **March 31, 2024**, we had **\$396.9** **\$363.1** million of operating lease obligations, which range between approximately **\$42.0** **\$29.7** million to **\$102.7** **\$84.6** million on an annual basis between 2024 and 2027. We have approximately **\$27.8** **\$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 **September 30, 2023** **March 31, 2024**, we had approximately **\$127.9** **\$120.5** million of such obligations, which range from approximately **\$7.1** **\$3.3** million to **\$27.8** **\$18.3** million on an annual basis over the next five years.

Investing Activities

Net cash used in investing activities was **\$61.0** **\$33.3** million during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** compared to net cash used in investing activities of **\$13.9** **\$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 **nine** **three** months ended **September 30, 2023** **March 31, 2024**, our purchases and proceeds from the sale and maturity of short-term investments resulted in net cash inflow of **\$132.3** **\$93.7** million as compared to net cash inflow of **\$5.1** **\$47.3** million during the same period in **2022**, **2023**.

Capital Expenditures. Our capital expenditures are primarily related to the purchase of aircraft, fleet modifications, and technology enhancements. Our capital expenditures were **\$213.2** **\$127.0** million during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** as compared to **\$29.7** **\$106.2** million in capital expenditures during the same period in **2022**, **2023**, primarily related to predelivery payments toward the delivery of our first Boeing 787-9 aircraft the first of which is now expected to be delivered in the first quarter of 2024, and scheduled predelivery payments for scheduled future deliveries.

As of **September 30, 2023** **March 31, 2024**, we had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

Aircraft Type	Aircraft Type	Firm Purchase			Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
		Orders	Rights	Expected Delivery Dates				
A321neo aircraft	A321neo aircraft	—	9	N/A	A321neo aircraft	—	9	N/A
Boeing 787-9 aircraft	Boeing 787-9 aircraft	12	8	2027	Boeing 787-9 aircraft	11	8	Between 2024 and 2027
General Electric GEnx spare engines:	General Electric GEnx spare engines:							
General Electric GEnx spare engines:	General Electric GEnx spare engines:							
Boeing 787-9 spare engines	Boeing 787-9 spare engines	3	1	2027	Boeing 787-9 spare engines	3	1	Between 2024 and 2027

Committed expenditures for these aircraft, engines, and related flight equipment are approximately **\$48.8** **\$225.9** million for the remainder of **2023**, **\$585.3** million in **2024**, **\$519.2** **\$419.6** million in **2025**, **\$425.7** **\$665.5** million in **2026**, and **\$249.6** **\$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 July 2023, February 2024, we received notification from 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 delay for the first aircraft from the scheduled delivery at November 2023 to be delayed until January in late 2024. Refer to Note 11 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 used in provided by financing activities was \$59.8 million \$110.6 million during the nine three months ended September 30, 2023 March 31, 2024 compared to net cash used in financing activities of \$177.4 million \$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 nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we repaid \$58.7 million \$18.8 million and \$173.3 million \$25.0 million of long-term debt and finance lease obligations, respectively. In January 2022, February 2024, we made took delivery of our first Boeing 787-9 aircraft, which was financed. The transaction did not qualify as a sale under the final scheduled principal payment of \$45.1 million for our Class B EETC-13 applicable accounting framework and we recorded \$131.4 million as debt obligation and in June 2022, we paid \$71.6 million to the Consolidated balance sheet.

extinguish our remaining outstanding Series 2020-1A and Series 2020-1B Equipment Notes. Refer to Note 8 in the Notes to Consolidated Financial Statements for additional discussion.

Future Debt Obligations. As of September 30, 2023 March 31, 2024, scheduled maturities of our debt remaining in 2023 2024 were \$5.3 \$33.5 million. The scheduled maturities total \$43.6 million in 2024, \$55.2 \$64.4 million in 2025, \$1.3 billion in 2026, \$10.6 \$21.7 million in 2027, \$22.7 million in 2028, and beyond 2027, 2028, scheduled maturities aggregate to \$147.2 \$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 September 30, 2023 March 31, 2024, these interest obligations total \$17.8 million \$65.3 million remaining in 2023, \$78.3 million in 2024, \$77.4 million \$88.4 million in 2025, \$22.6 million \$32.7 million in 2026, \$2.7 million \$11.8 million in 2027, \$10.7 million in 2028, and \$7.6 million \$26.7 million thereafter.

Finance Lease Obligations. As of September 30, 2023 March 31, 2024, we had \$85.1 million \$75.9 million of finance lease obligations, which range between approximately \$11.3 million to \$13.2 million on an annual basis between 2024 to 2027. obligations. We have approximately \$2.9 million \$8.5 million in finance lease obligations during the remainder of 2023.

Return to Shareholders. Pursuant to our receipt of financial assistance under federal Payroll Support Programs, we were restricted from making any stock repurchases or dividend payments through September 30, 2022. We did not repurchase stock or make dividend payments during 2024, approximately \$11.3 million for each year between 2025 and 2028, and approximately \$22.3 million in the three and nine months ended September 30, 2023. Pursuant to the Inflation Reduction Act passed by Congress in August 2022, future stock repurchases will be subject to excise tax aggregate thereafter.

Undrawn Lines of Credit. As of September 30, 2023 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. In August 2022, we renewed the revolving credit facility for an additional three years, maturing in December 2025.

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 September 30, 2023 March 31, 2024 and December 31, 2022 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 September 30, 2023 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.
 - In February 2022, employees represented by the International Association of Machinists and Aerospace Workers and International Association of Machinists and Aerospace Workers - Clerical Division ratified a new CBA, which included a one-time signing bonus of \$2.1 million, which was recorded in wages and benefits during the first quarter of 2022. During the second quarter of 2022, the Company and the IAM also completed a separation program under the CBA and recognized an additional \$2.6 million one-time expense, which was recorded in wages and benefits.
- **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, and will now terminate but was 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 to be recognized into earnings over the remaining contract term as contra-maintenance materials and repairs expense. During the three and nine months ended September 30, 2023 March 31, 2023, we recognized approximately \$0.0 million and \$24.1 million, respectively, \$18.1 million in amortization within Maintenance, materials and repairs in the Consolidated Statements of Operation.
- **Special items.** During the third quarter of 2022, we estimated the fair value of our remaining ATR-42 and ATR-72 aircraft, which resulted in the recognition of a \$6.3 million impairment charge recorded as a Special item in the consolidated statements of operations.
- **Loss (gain) on sale of aircraft.** During the three months ended June 30, 2023, the Company completed the sale of one ATR-42 aircraft and recognized a loss of approximately \$0.4 million. During the three months ended June 30, 2022 March 31, 2024, we sold three ATR-72 aircraft recorded \$8.5 million in Special items as a result of expenses related to our merger with Alaska, primarily consisting of legal, advisory, and recorded a \$2.6 million gain on sale of aircraft in other operating expense. 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.
- **Loss on extinguishment of debt.** During the three and six months ended June 30, 2022, we recognized a \$8.6 million loss on the extinguishment of our remaining outstanding Series 2020-1A and Series 2020-1B Equipment Notes. Loss on extinguishment of debt is excluded to allow investors to better analyze our core operational performance and more readily compare our results to other airlines in the periods presented below.
- **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 loss/gain on equity securities.** Unrealized loss/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, loss (gain) on sale of aircraft, loss on extinguishment of debt, Special items, interest income on income federal tax refund, 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 September 30,				Nine months ended September 30,			
2023		2022		2023		2022	
Total	Diluted Net Loss Per Share	Total	Diluted Net Loss Per Share	Total	Diluted Net Loss Per Share	Total	Diluted Net Income Per Share
(in thousands, except for per share data)							

		(in thousands, except for per share data)							
		(in thousands, except for per share data)							
		(in thousands, except for per share data)							
Net Loss, as reported	Net Loss, as reported	\$ (48,720)	\$ (0.94)	\$ (9,269)	\$ (0.18)	\$ (159,312)	\$ (3.09)	\$ (189,921)	\$ (3.70)
Adjusted for:	Adjusted for:								
Adjusted for:									
Adjusted for:									
CBA related expense	CBA related expense	—	—	—	—	17,727	0.34	4,678	0.09
CBA related expense	CBA related expense	—	—	—	—	(24,085)	(0.47)	—	—
Contract termination amortization	Contract termination amortization	—	—	—	—	—	—	—	—
Contract termination amortization	Contract termination amortization	—	—	—	—	—	—	—	—
Special items	Special items	—	—	6,303	0.12	—	—	6,303	0.12
Loss (gain) on sale of aircraft	Loss (gain) on sale of aircraft	—	—	—	—	392	0.01	(2,578)	(0.05)
Special items	Special items	—	—	—	—	—	—	—	—
Gain on sale of commercial real estate	Gain on sale of commercial real estate	—	—	—	—	—	—	—	—
Gain on sale of commercial real estate	Gain on sale of commercial real estate	—	—	—	—	—	—	—	—
Gain on sale of commercial real estate	Gain on sale of commercial real estate	—	—	—	—	(10,179)	(0.20)	—	—
Interest income on federal tax refund	Interest income on federal tax refund	—	—	—	—	—	—	—	—
Interest income on federal tax refund	Interest income on federal tax refund	—	—	—	—	(4,672)	(0.09)	—	—
Interest income on federal tax refund	Interest income on federal tax refund	—	—	—	—	—	—	—	—
Changes in fair value of fuel derivative contracts	Changes in fair value of fuel derivative contracts	(6,964)	(0.13)	1,063	0.02	(2,548)	(0.05)	1,063	0.02
Loss on extinguishment of debt	Loss on extinguishment of debt	—	—	—	—	—	—	8,568	0.17
Changes in fair value of fuel derivative contracts	Changes in fair value of fuel derivative contracts	—	—	—	—	—	—	—	—
Changes in fair value of fuel derivative contracts	Changes in fair value of fuel derivative contracts	—	—	—	—	—	—	—	—
Unrealized gain on foreign debt	Unrealized gain on foreign debt	(4,196)	(0.08)	(9,734)	(0.19)	(18,791)	(0.36)	(41,697)	(0.81)
Unrealized loss on equity securities	Unrealized loss on equity securities	2,607	0.05	3,445	0.07	3,149	0.06	22,839	0.44
Unrealized gain on foreign debt	Unrealized gain on foreign debt	—	—	—	—	—	—	—	—
Unrealized gain on foreign debt	Unrealized gain on foreign debt	—	—	—	—	—	—	—	—

Unrealized gain on equity securities								
Unrealized gain on equity securities								
Unrealized gain on equity securities								
Tax effect of adjustments								
Tax effect of adjustments								
Tax effect of adjustments	Tax effect of adjustments	2,344	0.04	497	0.01	7,445	0.15	4,969
Adjusted net loss	Adjusted net loss	\$ (54,929)	\$ (1.06)	\$ (7,695)	\$ (0.15)	\$ (190,874)	\$ (3.70)	\$ (185,776)
Adjusted net loss								
Adjusted net loss								

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		Nine months ended September		(in thousands, except as otherwise indicated)	
		September 30,		30,			
		2023	2022	2023	2022		
GAAP	GAAP					(in thousands, except as otherwise indicated)	
Operating Expenses	Operating Expenses	\$ 782,596	\$ 744,526	\$ 2,229,135	\$ 2,087,499		
Adjusted for:	Adjusted for:						
Adjusted for:							
Adjusted for:							
CBA related expense							
CBA related expense							
CBA related expense	CBA related expense	—	—	(17,727)	(4,678)		
Special items	Special items	—	(6,303)	—	(6,303)		
Special items							
Special items							
Contract termination amortization	Contract termination amortization	—	—	24,085	—		
Gain (loss) on sale of aircraft		—	—	(392)	2,578		
Contract termination amortization							
Contract termination amortization							
Gain on sale of commercial real estate							
Gain on sale of commercial real estate							

Gain on sale of commercial real estate	Gain on sale of commercial real estate	—	—	10,179	—
Operating expenses excluding non- recurring items	Operating expenses excluding non- recurring items	\$ 782,596	\$ 738,223	\$ 2,245,280	\$ 2,079,096
Operating expenses excluding non-recurring items	Operating expenses excluding non-recurring items				
Operating expenses excluding non-recurring items	Operating expenses excluding non-recurring items				
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery				
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery	(200,069)	(225,999)	(564,075)	(603,873)
Operating expenses excluding aircraft fuel and non-recurring items	Operating expenses excluding aircraft fuel and non-recurring items				
Operating expenses excluding aircraft fuel and non-recurring items	Operating expenses excluding aircraft fuel and non-recurring items				
Available Seat Miles	Available Seat Miles				
Available Seat Miles	Available Seat Miles				
Miles	Miles	5,168,883	4,964,785	15,100,831	13,744,129
CASM - GAAP	CASM - GAAP	15.14 ¢	15.00 ¢	14.76 ¢	15.19 ¢
CASM - GAAP	CASM - GAAP				
Adjusted for:	Adjusted for:				
Adjusted for:	Adjusted for:				
CBA related expense	CBA related expense	—	—	(0.12)	(0.03)
CBA related expense	CBA related expense				
Special items	Special items				
Special items	Special items	—	(0.13)	—	(0.05)
Contract termination amortization	Contract termination amortization	—	—	0.16	—
Gain on sale of aircraft	Gain on sale of aircraft	—	—	—	0.02
Contract termination amortization	Contract termination amortization				

Contract termination amortization				
Gain on sale of commercial real estate				
Gain on sale of commercial real estate				
Gain on sale of commercial real estate	Gain on sale of commercial real estate	—	0.07	—
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery	(3.87)	(4.55)	(3.74)
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery	(4.40)		
Aircraft fuel, including taxes and delivery	Aircraft fuel, including taxes and delivery			
CASM excluding aircraft fuel and non-recurring items	CASM excluding aircraft fuel and non-recurring items	11.27 ¢	10.32 ¢	11.13 ¢
CASM excluding aircraft fuel and non-recurring items	CASM excluding aircraft fuel and non-recurring items			10.73 ¢
CASM excluding aircraft fuel and non-recurring items	CASM excluding aircraft fuel and non-recurring items			
CASM excluding aircraft fuel and non-recurring items	CASM excluding aircraft fuel and non-recurring items			

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.

	Three months ended September 30,		Nine months ended September 30,	
			2023	2022
			(in thousands)	
Net Loss	\$	(48,720)	\$ (9,269)	\$ (159,312)
Income tax benefit		(11,800)	(1,510)	(41,500)
Depreciation and amortization		34,760	34,347	100,775
Interest expense and amortization of debt discounts and issuance costs		22,597	23,206	68,182
EBITDA, as reported		(3,163)	46,774	(31,855)
Adjusted for:				
CBA related expense		—	—	17,727
Contract termination amortization		—	—	(24,085)
Gain on sale of commercial real estate		—	—	(10,179)
Interest income on tax refund		—	—	(4,672)
Loss on extinguishment of debt		—	—	8,568
Changes in fair value of fuel derivative instruments		(6,964)	1,063	(2,548)
Unrealized gain on foreign debt		(4,196)	(9,734)	(18,791)
Loss (gain) on sale of aircraft		—	—	392
Special items		—	6,303	—
Unrealized loss on equity securities		2,607	3,445	3,149
Adjusted EBITDA	\$	(11,716)	\$ 47,851	\$ (70,862)
				\$ (56,560)

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

Three months ended March 31,

	2024	2023
	(in thousands)	(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	<u>(108,969)</u>	<u>(88,207)</u>
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	<u>\$ (115,973)</u>	<u>\$ (103,325)</u>

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 **nine** **three** months ended **September 30, 2023** **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, 2022** **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 **2022** **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 **September 30, 2023** **March 31, 2024** to provide reasonable assurance that 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 **September 30, 2023** **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 ~~its~~ 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

Restatement ALASKA AIR GROUP MERGER

The pendency of the Merger may cause disruption in our Consolidated Financial Statements Risks business.

- challenges

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 ~~develop~~ execute our business strategies and ~~maintaining~~ effective internal control over financial reporting so that we can accurately report ~~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, over 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 restatement 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 previously issued financial statements 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 11.6% 9.4%, 14.1% 11.6%, and 21.3% 14.1% of total revenue during the years ending December 31, 2022 December 31, 2023, 2021 2022, and 2020 2021, respectively. During the three and nine months ended September 30, 2023 March 31, 2024, other our revenue from non-passenger operations accounted for 8.6% and 9.2%, respectively, 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 September 30, 2023 March 31, 2024, our passenger revenue was \$664.9 million \$583.4 million, up approximately \$1.8 million \$34.9 million compared to 2022 2023, but down \$29.4 million \$17.9 million, or 4.2% 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 89 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.

Earlier in 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 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 **recent** **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**, **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, 2022** **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 **September 30, 2023** **March 31, 2024**, we have Japanese Yen denominated debt totaling **\$125.0** **\$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, 2022** **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 **September 30, 2023** **March 31, 2024**, we had approximately **\$1.5 billion** **\$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 **September 30, 2023** **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 **September 30, 2023** **March 31, 2024**, approximately **75.7%** **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 **American** **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 **September 30, 2023** **March 31, 2024**, approximately **24.3%** **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 **been** not experienced a material cybersecurity incident, but we have experienced cybersecurity incidents in the past and we may again become experience cybersecurity incidents in the target of 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 Altea 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 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 2021, 2022 and through 2023, to-date** 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 December 31, 2023 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 Challenger 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 the COVID-19 vaccine requirement 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. recently 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 December 31, 2022 March 31, 2024, we had NOLs available to reduce future taxable income of approximately \$236.0 million \$451.4 million for federal income tax purposes that have indefinite carryover, but are limited to 80% utilization, and approximately \$708.0 million \$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, by the COVID-19 pandemic, 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, from the impacts of the COVID-19 pandemic and other economic factors, 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 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 have resulted in, and could result in additional 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 **September 30, 2023** **March 31, 2024**, we had the following firm order commitments and purchase rights for additional aircraft:

Aircraft Type	Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
Type	Type	Orders	Rights	
A321neo aircraft	A321neo aircraft	9	N/A	A321neo aircraft
Boeing 787-9 aircraft	Boeing 787-9 aircraft	12	8 Between 2024 and 2027	Boeing 787-9 aircraft

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 **now expect** **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. **Our** **In** **February 2024, we took delivery of our first Boeing 787-9 aircraft, is now expected** **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 be delivered** **experience delays in January 2024.** 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 **\$2.0** **\$2.1** billion as of **September 30, 2023** **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 **September 30, 2023** **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** **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** **expectations**;
- changes in the competitive environment in which we **operate** **operate**;
- fuel price volatility including the availability of **fuel** **fuel**;
- announcements concerning our competitors including bankruptcy filings, mergers, restructurings or acquisitions by other **airlines** **airlines**;
- increases or changes in government **regulation** **regulation**;
- general and industry specific market **conditions** **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 **10** **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 **September 30, 2023** **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** **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 **September 30, 2023** **March 31, 2024**, the outstanding principal balance of our enhanced equipment trust certificate (EETC) issuances was **\$163.0 million** **\$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 **September 30, 2023** **March 31, 2024**, Hawaiian had approximately **\$1.6 billion** **\$1.7 billion** of total indebtedness (excluding finance lease obligations of approximately **\$72.8 million** **\$65.1 million** and operating lease obligations of **\$396.9 million** **\$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.

RESTATEMENT OF OUR CONSOLIDATED FINANCIAL STATEMENTS RISKS

In the past, we have had to restate our previously issued consolidated financial statements and as part of that process identified a material weakness in our internal control over financial reporting as of March 31, 2022, June 30, 2022, and September 30, 2022. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and may adversely affect our business, financial condition and results of operations.

On October 21, 2022, the Audit and Finance Committee of our Board of Directors concluded, after discussion with our management, that our consolidated unaudited financial statements as of and for the quarterly periods ended March 31, 2022 and June 30, 2022 (collectively, the Non-Reliance Periods) included in the Quarterly Reports on Form 10-Q filed with the SEC for the Non-Reliance Periods, (1) should no longer be relied upon due to an error in accounting for net unrealized losses from equity securities, as further described below, and (2) would require restatement. As a result of this restatement, our management re-evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of March 31, 2022 and June 30, 2022 and evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of September 30, 2022. Management concluded that our disclosure controls and procedures were not effective as of March 31, 2022, June 30, 2022, and September 30, 2022, and that our internal control over financial reporting was not effective as of March 31, 2022, June 30, 2022, and September 30, 2022 due to a material weakness. Specifically, there was a lack of effectively designed control activity over the accounting for unrealized gains and losses on equity securities.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, or detected on a timely basis. Effective internal control over financial reporting is necessary for us to provide reliable financial reporting and prevent fraud. We concluded that we remediated the material weakness as of December 31, 2022.

Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial condition and results of operations on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC or other regulatory authorities. In either case, there could be an adverse effect on our business, financial condition and results of operations. Ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information which could have a negative effect on the trading price of our stock.

We can give no assurance that the measures we took and plan to take in the future will prevent the occurrence of additional material weaknesses or restatements of financial results in the future due to a failure to implement or maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

We may face litigation and other risks as a result of the restatement and material weakness in our internal control over financial reporting.

As part of the restatement, we identified a material weakness in our internal control over financial reporting, which was remediated as of December 31, 2022. As a result of such material weakness, the restatement, the change in accounting for unrealized gains and losses on equity securities, and other matters raised or that may in the future be raised by the SEC, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatement and the material weakness in our internal control over financial reporting and the preparation of our financial statements. As of the date of this Quarterly Report on Form 10-Q, we have no knowledge of any such litigation or dispute. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could adversely affect our business, financial condition and results of operations.

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

On March 18, 2020, we announced the suspension of our repurchase program and pursuant to our receipt of financial assistance under federal Payroll Support Programs, we were prevented from executing stock repurchases through September 30, 2022. We had no stock repurchase activity during the nine months ended September 30, 2023. 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: **October 25, 2023** April 24, 2024

By: **/s/ Shannon L. Okinaka**

Shannon L. Okinaka

Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

7267

Exhibit 31.1

CERTIFICATION

I, Peter R. Ingram, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hawaiian Holdings, Inc. for the quarter ended **September 30, 2023** **March 31, 2024**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 25, 2023** **April 24, 2024**

By: **/s/ Peter R. Ingram**
Peter R. Ingram
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Shannon L. Okinaka, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hawaiian Holdings, Inc. for the quarter ended **September 30, 2023** **March 31, 2024**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 25, 2023** **April 24, 2024**

By: **/s/ Shannon L. Okinaka**

Shannon L. Okinaka

Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Hawaiian Holdings, Inc. (the "Company") for the period ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter R. Ingram, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **October 25, 2023** **April 24, 2024**

By: **/s/ Peter R. Ingram**

Peter R. Ingram

President and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Hawaiian Holdings, Inc. (the "Company") for the period ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shannon L. Okinaka, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **October 25, 2023** **April 24, 2024**

By: **/s/ Shannon L. Okinaka**

Shannon L. Okinaka

Executive Vice President, Chief Financial Officer and Treasurer

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.