

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 14, 2023**



SOUTHWEST AIRLINES CO.

(Exact name of registrant as specified in its charter)

Texas (State or other jurisdiction of incorporation)	1-7259 (Commission File Number)	74-1563240 (I.R.S. Employer Identification No.)
P. O. Box 36611 Dallas, Texas (Address of principal executive offices)	75235-1611 (Zip Code)	

Registrant's telephone number, including area code: **(214) 792-4000**

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock (\$1.00 par value)	LUV	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

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. ☐

Item 7.01 Regulation FD Disclosure.

Southwest Airlines Co. (the "Company") is providing updated guidance regarding selected financial trends. The Company's President and Chief Executive Officer, Bob Jordan, will be presenting at the J.P. Morgan Industrials Conference today, March 14, 2023, at 9:40 a.m. Eastern Standard Time. A live webcast of the Company's 2023 J.P. Morgan Industrials Conference presentation is available on the Company's website at www.southwestairlinesinvestorrelations.com, in the Events and Presentations section under Upcoming Events. Likewise, a replay of the webcast will be made available following the conclusion of the live event. The slides used in conjunction with today's presentation are furnished herein as Exhibit 99.1 and are incorporated by reference into this Item 7.01.

The following tables present updated selected financial guidance for first quarter and full year 2023. These projections are based on current booking trends and the Company's current outlook, and actual results could differ materially.

	1Q 2023 Estimation	Previous estimation
Operating revenue, year-over-year	Up 21% to 23%	Up 20% to 24%
ASMs (a), year-over-year	Up ~10%	No change
Economic fuel costs per gallon ¹ (b)	\$3.10 to \$3.20	\$3.25 to \$3.35
Fuel hedging premium expense per gallon	\$0.06	No change
Fuel hedging cash settlement gains per gallon	\$0.13	\$0.16
CASM-X (c), year-over-year ²	Up 5.5% to 6.5%	Up 2% to 4%
Scheduled debt repayments (millions)	~\$60	No change
Interest expense (millions)	~\$65	No change

	2023 Estimation	Previous estimation
ASMs (a), year-over-year	Up 15% to 16%	Up 16% to 17%
Economic fuel costs per gallon ¹ (b)	\$2.65 to \$2.75	\$2.90 to \$3.00
Fuel hedging premium expense per gallon	\$0.06	No change
Fuel hedging cash settlement gains per gallon	\$0.10	\$0.14
CASM-X (c), year-over-year ²	Down 3.5% to 5.5%	Down 6% to 8%
Scheduled debt repayments (millions)	~\$85	No change
Interest expense (millions) (d)	~\$250	No change
Aircraft (e)	833	843
Capital spending (billions) (f)	~\$4.0	\$4.0 to \$4.5

(a) Available seat miles (ASMs, or capacity). The Company's flight schedule is currently published for sale through November 4, 2023.

(b) Based on the Company's existing fuel derivative contracts and market prices as of March 9, 2023.

(c) Operating expenses per available seat mile, excluding fuel and oil expense, profitsharing, and special items.

(d) Based on scheduled debt repayments and current interest rates, the Company currently expects 2023 interest income to more than offset 2023 interest expense.

(e) Aircraft on property, end of period. The Company now estimates approximately 90 Boeing 737-8 (-8) aircraft deliveries in 2023, compared with its previous guidance of approximately 100 -8 aircraft deliveries. The Company continues to expect to retire 27 Boeing 737-700 (-700) aircraft in 2023. As a result, the Company now expects to end 2023 with 833 aircraft. The delivery schedule for the Boeing

737-7 (-7) is dependent on the Federal Aviation Administration (FAA) issuing required certifications and approvals to The Boeing Company (Boeing) and the Company. The FAA will ultimately determine the timing of the -7 certification and entry into service, and the Company therefore offers no assurances that current estimations and timelines are correct.

(f) The Company now estimates its 2023 capital spending to be approximately \$4.0 billion, which assumes approximately 90 -8 aircraft deliveries, compared with its previous 2023 capital spending estimate in the range of \$4.0 billion to \$4.5 billion, which assumed approximately 100 -8 aircraft deliveries. The Company's full year 2023 aircraft capital spending and non-aircraft capital spending is currently estimated to be approximately \$2.8 billion and \$1.2 billion, respectively.

The Company continues to estimate a negative revenue impact in the range of \$300 million to \$350 million in first quarter 2023, primarily isolated to January and February, associated with the December 2022 operational disruptions. However, the Company also continues to experience strong revenue trends in March 2023, primarily driven by strong yields and notable strength in Rapid Rewards® redemptions. Additionally, the Company continues to expect March 2023 managed business revenues to be roughly restored to March 2019 levels. Looking ahead, and based on current trends, bookings for second quarter 2023 appear solid and in line with expectations.

The Company now expects first quarter 2023 CASM-X to increase in the range of 5.5 percent to 6.5 percent, compared with its previous estimate to increase in the range of 2 percent to 4 percent, both year-over-year. Approximately half of the increase is attributable to an increase in expenses related to the December 2022 operational disruptions, including expected travel expense reimbursements to Customers and an increase in the estimated redemption rate of Rapid Rewards points offered as a gesture of goodwill to Customers. An additional point of the first quarter 2023 CASM-X increase is due to anticipated technology spend and other operational disruption-related expenses, and the remainder of the increase is primarily due to the timing of maintenance and airport costs. Furthermore, the Company now expects its full year 2023 CASM-X to decrease in the range of 3.5 percent to 5.5 percent—a two-and-a-half-point increase compared with its previous estimate to decrease in the range of 6 percent to 8 percent, both year-over-year. Approximately one point of the increase is attributable to the expected reduction in full year 2023 capacity compared with previous guidance. The remainder of the increase is primarily due to anticipated technology spend and other operational disruption-related expenses. Based on the Company's current plan to further invest in operational resiliency, full year 2023 operating expenses, excluding fuel and oil expense, profitsharing, and special items, and non-aircraft capital expenditures are both expected to increase compared with prior expectations. Based on fewer anticipated aircraft deliveries, the Company expects the decrease in aircraft capital expenditures to more than offset the increase in non-aircraft capital expenditures resulting in lower estimated total capital expenditures in full year 2023.

The Company has recently experienced significant cost relief from lower fuel prices, thus far, in first quarter 2023. The Company continues to maintain a multi-year fuel hedging program to provide insurance against spikes in jet fuel prices with significant fuel hedging protection in 2023. As of March 9, 2023, the fair market value of the Company's fuel derivative contracts settling in first quarter 2023 and full year 2023 was an asset of

approximately \$63 million and \$256 million, respectively, and the Company had cash and short-term investments of approximately \$12.2 billion, well in excess of debt outstanding.

The Company recently extended its published flight schedule for sale through November 4, 2023. The Company is taking a more conservative approach to fourth quarter growth and is trimming its fourth quarter 2023 capacity growth plans by approximately three points on a year-over-year basis. As such, the Company now expects its full year 2023 capacity to increase in the range of 15 to 16 percent, year-over-year, which is a decrease of approximately one point, year-over-year, compared with its previous guidance.

The Company continues to expect a net loss in first quarter 2023, and, barring significant unforeseen events and based on current trends, continues to expect a solid profit for full year 2023³, both excluding special items.

The information furnished in this Item 7.01, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

99.1 [Southwest Airlines 2023 J.P. Morgan Industrials Conference Presentation](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

¹Economic fuel cost projections do not reflect the potential impact of special items because the Company cannot reliably predict or estimate the hedge accounting impact associated with the volatility of the energy markets or the impact to its financial statements in future periods. Accordingly, the Company believes a reconciliation of non-GAAP financial measures to the equivalent GAAP financial measures for projected results is not meaningful or available without unreasonable effort.

²Projections do not reflect the potential impact of fuel and oil expense, special items, and profitsharing because the Company cannot reliably predict or estimate those items or expenses or their impact to its financial statements in future periods, especially considering the significant volatility of the fuel and oil expense line item. Accordingly, the Company believes a reconciliation of non-GAAP financial measures to the equivalent GAAP financial measures for projected results is not meaningful or available without unreasonable effort.

³Projections do not reflect the potential impact of special items because the Company cannot reliably predict or estimate those items or expenses or their impact to its financial statements in future periods. Accordingly, the Company believes a reconciliation of non-GAAP financial measures to the equivalent GAAP financial measures for these projected results is not meaningful or available without unreasonable effort.

Cautionary Statement Regarding Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Specific forward-looking statements include, without limitation, statements related to (i) the Company's financial outlook, goals, plans, expectations, and projected results of operations, including factors and assumptions underlying the Company's expectations and projections; (ii) the Company's plans and expectations with respect to capacity, including factors and assumptions underlying the Company's plans and expectations; (iii) the Company's expectations with respect to its fuel costs, premium expenses, hedging gains, and the Company's related management of risks associated with changing jet fuel prices, including factors underlying the Company's expectations; (iv) the Company's plans and expectations related to repayment of debt; (v) the Company's fleet plans and expectations, including factors and assumptions underlying the Company's plans and expectations; (vi) the Company's plans and expectations with respect to capital spending, including factors and assumptions underlying the Company's plans and expectations; (vii) the Company's expectations regarding demand for travel, including managed business travel; and (viii) the Company's plans and expectations with respect to investments in operational resiliency. These forward-looking statements are based on the Company's current estimates, intentions, beliefs, expectations, goals, strategies, and projections for the future and are not guarantees of future performance. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (ii) the impact of fears or actual outbreaks of diseases, extreme or severe weather and natural disasters, actions of competitors, consumer perception, economic conditions, banking conditions, fears of terrorism or war, socio-demographic trends, and other factors beyond the Company's control, on consumer behavior and the Company's results of operations and business decisions, plans, strategies, and results; (iii) the Company's dependence on its workforce, including its ability to employ sufficient numbers of qualified Employees to effectively and efficiently maintain its operations; (iv) the number and amount of Customer reimbursement requests received and granted by the Company in connection with the operational disruption; (v) the emergence of additional costs or effects associated with the cancelled flights, including litigation, government investigation and actions, and internal actions; (vi) the impact of fuel price changes, fuel price volatility, volatility of commodities used by the Company for hedging jet fuel, and any changes to the Company's fuel hedging strategies and positions, on the Company's business plans and results of operations; (vii) the Company's dependence on Boeing with respect to the Company's aircraft deliveries, fleet and capacity plans, operations, strategies, and goals; (viii) the Company's dependence on Boeing and the Federal Aviation Administration with respect to the certification of the Boeing MAX 7 aircraft; (ix) the Company's dependence on other third parties, in particular with respect to its technology related to operational resiliency, fuel supply, and the impact on the Company's operations and results of operations of any third party delays or non-performance; (x) the Company's ability to timely and effectively prioritize its initiatives and focus areas and related expenditures; (xi) the impact of labor matters on the Company's business decisions, plans, and strategies; (xii) any negative developments related to the COVID-19 pandemic, including, for example, with respect to the duration, spread, severity, or any recurrence of the COVID-19 pandemic or any new variant strains of the underlying virus; the effectiveness, availability, and usage of COVID-19 vaccines; the impact of government mandates, directives, orders, regulations, and other governmental actions related to COVID-19 on the Company's business plans and its ability to retain key Employees; the extent of the impact of COVID-19 on overall demand for air travel and the Company's related business plans and decisions; and the impact of the COVID-19 pandemic on the Company's access to capital; (xiii) the impact of governmental regulations and other governmental actions on the Company's business plans and operations; and (xiv) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Caution should be taken not to place undue reliance on the Company's forward-looking statements, which represent the Company's views only as of the date this report is filed. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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 hereunto duly authorized.

SOUTHWEST AIRLINES CO.

March 14, 2023

By: /s/ Tammy Romo

Tammy Romo
Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)



J.P. Morgan Industrials Conference
Bob Jordan, President & CEO
March 14, 2023

Cautionary Statement Regarding Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's current estimates, intentions, beliefs, expectations, goals, strategies, and projections for the future and are not guarantees of future performance. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, statements related to (i) the Company's financial outlook, goals, plans, expectations, and projected results of operations, including factors and assumptions underlying the Company's expectations and projections; (ii) the Company's expectations regarding demand for travel and bookings, including managed business travel; (iii) the Company's plans and expectations with respect to capacity, including factors and assumptions underlying the Company's plans and expectations; (iv) the Company's expectations with respect to its fuel costs, premium expenses, hedging gains, and the Company's related management of risks associated with changing jet fuel prices, including factors underlying the Company's expectations; (v) the Company's plans and expectations related to repayment of debt; (vi) the Company's fleet plans and expectations, including factors and assumptions underlying the Company's plans and expectations; (vii) the Company's plans and expectations with respect to capital spending, including factors and assumptions underlying the Company's plans and expectations; (viii) the Company's plans and expectations with respect to investments in technology and operational resiliency; (ix) the Company's tactical action plan in response to the operational disruption, including with respect to the expected tactical action plan components and enhancements, the anticipated timing of the tactical action plan, and the goals and expected results of the tactical action plan; (x) the Company's strategic priorities and initiatives, including with respect to its focus areas and its multi-year operations plan; (xi) the Company's aircraft productivity goals; (xii) the Company's plans for improving operating leverage; (xiii) the Company's network plans and expectations, including with respect to the benefits associated with restoring the route network; (xiv) the Company's plans for improving operating quality; (xv) the Company's plans for frontline staffing and tools; (xvi) the Company's plans and expectations with respect to Customer experience enhancements, including upgrades to WiFi hardware, larger bins, and seat power installations; (xvii) the Company's goal to enhance Shareholder value; and (xviii) the Company's balance sheet goals. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary from those expressed in or indicated by them. Factors include, among others, (i) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (ii) the impact of fears or actual outbreaks of diseases, extreme or severe weather and natural disasters, actions of competitors, consumer perception, economic conditions, banking conditions, fears of terrorism or war, socio-demographic trends, and other factors beyond the Company's control, on consumer behavior and the Company's results of operations and business decisions, plans, strategies, and results; (iii) the Company's dependence on its workforce, including its ability to employ sufficient numbers of qualified Employees to effectively and efficiently maintain its operations; (iv) the number and amount of Customer reimbursement requests received and granted by the Company in connection with the operational disruption; (v) the emergence of additional costs or effects associated with the cancelled flights, including litigation, government investigation and actions, and internal actions; (vi) the impact of fuel price changes, fuel price volatility, volatility of commodities used by the Company for hedging jet fuel, and any changes to the Company's fuel hedging strategies and positions, on the Company's business plans and results of operations; (vii) the Company's dependence on Boeing with respect to the Company's aircraft deliveries, fleet and capacity plans, operations, strategies, and goals; (viii) the Company's dependence on Boeing and the Federal Aviation Administration with respect to the certification of the Boeing MAX 7 aircraft; (ix) the Company's dependence on other third parties, in particular with respect to its tactical action plan, its technology related to operational resiliency, collaboration between aircraft and crew network systems, fuel supply, and the impact on the Company's operations and results of operations of any third party delays or non-performance; (x) the Company's ability to timely and effectively prioritize its initiatives and focus areas and related expenditures; (xi) the impact of labor matters on the Company's business decisions, plans, and strategies; (xii) any negative developments related to the COVID-19 pandemic, including, for example, with respect to the duration, spread, severity, or any recurrence of the COVID-19 pandemic or any new variant strains of the underlying virus; the effectiveness, availability, and usage of COVID-19 vaccines; the impact of government mandates, directives, orders, regulations, and other governmental actions related to COVID-19 on the Company's business plans and its ability to retain key Employees; the extent of the impact of COVID-19 on overall demand for air travel and the Company's related business plans and decisions; and the impact of the COVID-19 pandemic on the Company's access to capital; (xiii) the impact of governmental regulations and other governmental actions on the Company's business plans and operations; and (xiv) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

First quarter 2023 guidance update

Revenue trends remain steady, and lower fuel prices offset a portion of higher non-fuel costs; however, we continue to expect a net loss in first quarter 2023

Guidance metric	1Q 2023	Previous estimation
Operating revenues (year-over-year)	Up 21% to 23%	Up 20% to 24%
Available seat miles (ASMs, or capacity) (year-over-year)	Up ~10%	No change
Economic fuel costs per gallon ¹	\$3.10 to \$3.20	\$3.25 to \$3.35
Fuel hedging premium expense per gallon	\$0.06	No change
Fuel hedging cash settlement gains per gallon	\$0.13	\$0.16
Non-fuel unit costs (CASM-X ²) (year-over-year)	Up 5.5% to 6.5%	Up 2% to 4%
Scheduled debt repayments (millions)	~\$60	No change
Interest expense (millions)	~\$65	No change

➤ Strong revenue trends continue in March, driven primarily by yields and Rapid Rewards[®] redemptions, and we continue to expect March managed business revenues to be roughly in line with March 2019 levels

Full year 2023 guidance update

The booking curve looks solid headed into summer travel season, and market fuel prices are lower, which currently more than offsets higher non-fuel cost increases

Guidance metric	2023	Previous estimation
Aircraft ¹	833	843
Available seat miles (ASMs, or capacity) (year-over-year)	Up 15% to 16%	Up 16% to 17%
Economic fuel costs per gallon ²	\$2.65 to \$2.75	\$2.90 to \$3.00
Non-fuel unit costs (CASM-X ³) (year-over-year)	Down 3.5% to 5.5%	Down 6% to 8%
Scheduled debt repayments (millions)	~\$85	No change
Interest expense (millions)	~\$250 ⁴	No change
Capital spending (CapEx) (billions)	~\$4.0 ⁵	\$4.0 to \$4.5

▶ We currently plan to further invest in operational resiliency, which will increase both non-aircraft capital expenditures and operating **expenses**⁶. Full year 2023 capacity growth plans are expected to decrease by ~1 point, compared with previous guidance, primarily due to a more conservative approach to our fourth quarter growth plans

1. Aircraft on property, end of period. The Company now estimates approximately 90 Boeing 737-8 (-8) aircraft deliveries in 2023, compared with its previous guidance of approximately 100 -8 aircraft deliveries. The Company continues to expect to retire 27 Boeing 737-700 (-700) aircraft in 2023. As a result, the Company now expects to end 2023 with 833 aircraft.

2. Includes fuel taxes, fuel hedging premium expense of \$0.06 per gallon, and favorable cash settlements from fuel derivative contracts of \$0.10 per gallon. Based on market values as of March 9, 2023.

3. Operating expenses per available seat mile, excluding fuel and oil expense, profitsharing, and special items

4. Based on scheduled debt repayments and current interest rates, the Company currently expects 2023 interest income to more than offset 2023 interest expense.

5. The Company now estimates its 2023 capital spending to be approximately \$4.0 billion, which assumes approximately 90 -8 aircraft deliveries, compared with its previous 2023 capital spending estimate in the range of \$4.0 billion to \$4.5 billion, which assumed approximately 100 -8 aircraft deliveries. The Company's full year 2023 aircraft capital spending and non-aircraft capital spending is currently estimated to be approximately \$2.8 billion and \$1.2 billion, respectively.

6. Operating expenses, excluding fuel and oil expense, profitsharing, and special items

Tactical action plan in response to operational disruption

Based on the review of December's operational disruption, we are developing a tactical action plan to boost operational resiliency

Key Root Cause

Severity of Winter Storm Elliott was more sudden and severe than had been predicted and thus had a greater than planned impact on Station operations and strained ability to keep up with pace and breadth of disruptions

Experienced outsized impacts in DEN and MDW (25% of Crew); cascading close-in cancellations overwhelmed processes and technology leading to manual alternatives that lengthened solution time

Tactical Action Plan

Improve Winter Operations (Infrastructure, equipment, & winter preparedness)

- Increase number of available deicing trucks / ground equipment
- Procure additional deicing pads and increase glycol capacity at key locations
- Implement new weather application to enhance deicing holdover times
- Purchase additional engine covers and heaters
- Augment winter staffing levels

Enhance Cross-Team Collaboration (Processes, decisions, & communication)

- Improve alignment between Network Planning and Network Operational Control (NOC)
- Update leading indicators dashboard
- Improve alerting and decision-support tools
- Upgrade capabilities to better integrate aircraft and Crew recovery optimization

Accelerate Other Investments (Technology & tools for greater volume and pace)

- Upgrade Skysolver optimization software
- Enhance electronic Crew notification system and upgrade phone system
- Upgrade Customer Support & Services phone stability
- Upgrade Employee mobility tools

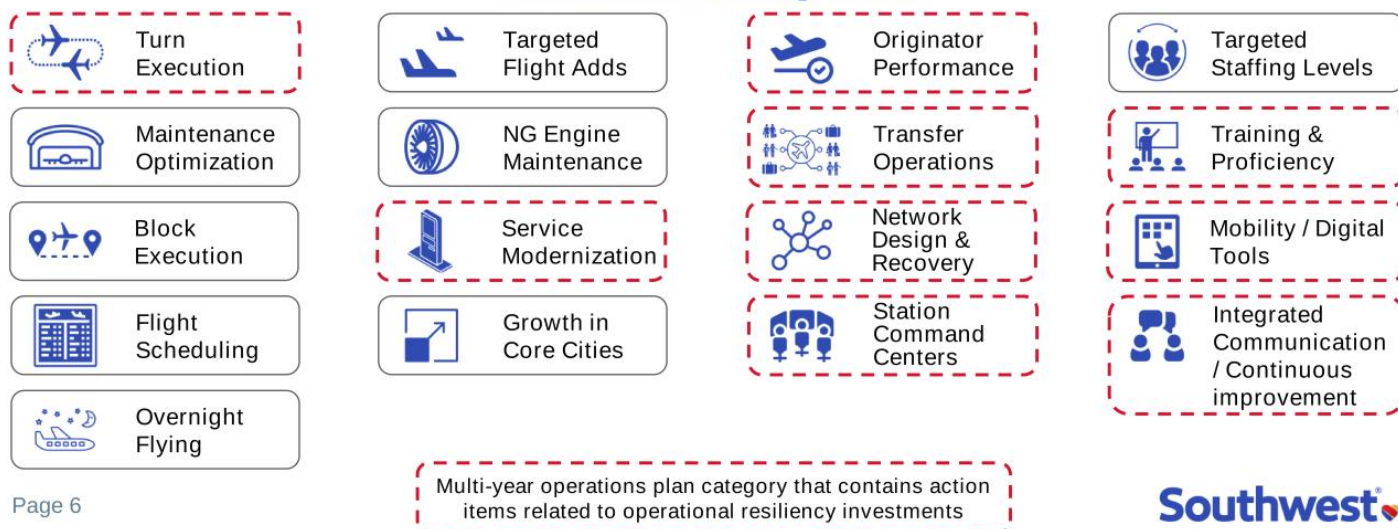
Tactical action plan aligns to multi-year operations plan

Our multi-year operations modernization plan—outlined at our December 7th Investor Day—complements the tactical action plan we are pursuing to enhance operational resiliency

Operational Focus Areas



Initiative Categories



Recent operational performance has been strong

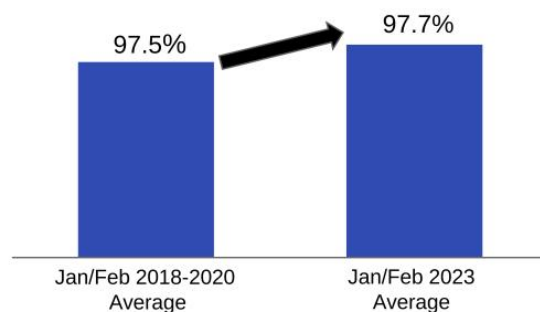
Operational performance and management of irregular operations was strong before and after the December operational disruptions

Ontime performance (A14)
Industry ranking (Jan-Feb 2023)

1	Delta	80.8%
2	Southwest	79.7%
3	American	78.3%
4	Alaska	77.3%
5	United	76.0%
6	Hawaiian	75.3%
7	Allegiant	72.9%
8	JetBlue	72.1%
9	Spirit	71.9%
10	Frontier	65.7%

↑ up 4 spots from 2022

Completion factor
% of scheduled flights completed (Jan-Feb)¹



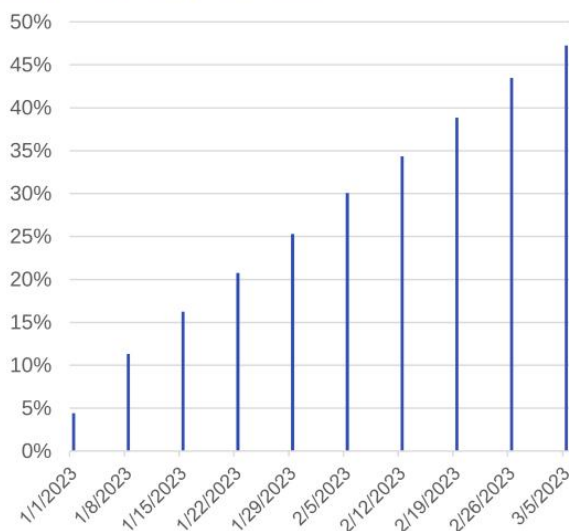
We are not cancelling a higher percentage of flights, on average, this year than historically. Our year-to-date completion factor is slightly better than our pre-pandemic average

➤ Southwest ranked #2 in ontime performance in January and February 2023, with a completion factor in line with pre-pandemic average

Customer engagement remains strong

In addition to the rebound in bookings and revenue trends in March 2023, we are seeing encouraging momentum in Customer engagement metrics

Impacted Customers booked or flown since disruption
January through early March 2023



Customer Engagement Metrics

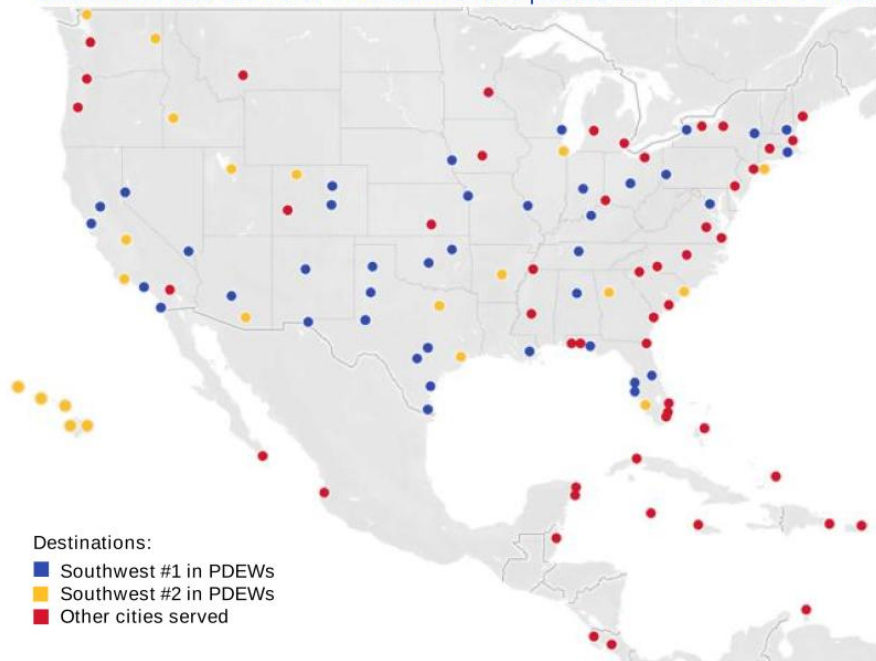
- Nearly 50% of Customers impacted by December operational disruption have since booked or flown on Southwest
- Rapid Rewards® new accounts and point redemptions have rebounded and remain above their trailing 12-month averages
- Survey results measuring Customer shopping consideration of Southwest have improved significantly since December
- Survey results measuring Customer confidence in Southwest delivering an ontime flight experience has also improved since December

➤ We are pleased with momentum in our Customer engagement metrics since late December; additionally, recent survey results show significant improvement in Customer consideration and confidence

Business model and network strengths remain intact

Our operational disruption review has not revealed structural changes needed to our low-cost business model or our point-to-point network

Southwest has the #1 or #2 market share position in 61 domestic cities



Key Business Model Attributes

- All Boeing 737 fleet
- High-frequency, point-to-point network
- High asset utilization
- Robust network serving 121 domestic and near-international airports
- #1 market share in 23 of the Top 50 travel markets in the U.S.
- ~75% nonstop flights
- Low-fare brand enabled by low-cost position in industry

➤ Network restoration by yearend 2023 is expected to further boost operational resiliency

Financial goals remain unchanged

Our annual goals are to generate consistent profitability, grow the route network and revenue, and enhance Shareholder value by generating consistent returns on invested capital in excess of weighted average cost of capital

Focus areas	Annual goals
Available seat miles (ASMs)	Modest new market growth and leverage robust network to connect dots and add depth and breadth
Non-fuel unit costs (CASM-X ¹)	Maintain competitive cost position and manage inflationary increases
Unit revenues (RASM ²)	Growth in excess of CASM growth
Pre-tax margin	Maintain industry-leading position
After-tax return on invested capital (ROIC)	Well above weighted average cost of capital (WACC)
Balance Sheet	Maintain adequate cash reserves, investment-grade rating, and modest leverage

▶ Despite recent headwinds, our 2023 goals are unchanged: grow profits, margins, and ROIC, year-over-year, and restore the route network to fully utilize our fleet by end-of-year. We remain focused on returning to 2019 profitability levels, and our outlook has been aided by lower fuel costs



