

# **Southwest Airlines Co. NYSE:LUV**

# **Company Conference Presentation**

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# Call Participants

## EXECUTIVES

**Tom Doxey**  
*Executive VP & CFO*

## ANALYSTS

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

# Presentation

**Thomas John Fitzgerald**

*TD Cowen, Research Division*

All right, everybody. Thanks so much for joining. We're back with the airlines and CFO of Southwest Airlines, Tom Doxey. Really excited to be here with you. Before we get into the Q&A, would you like to make any opening statements, Tom?

**Tom Doxey**

*Executive VP & CFO*

Sure. Yes. Really excited to be here and to be able to talk about the things that we're doing at Southwest. It is a really exciting time for us, right? We're transforming. We're doing a lot right now and transforming a lot of areas of the business.

Our first quarter earnings call, which several weeks back, we talked about a lot of the big things that we were doing that had already been implemented. And I think what's so great about so much of what we're doing is that it is very near term in nature, right?

So at the first quarter call, we talked about launching Expedia. We talked about doing a new deal with Chase, changing the earn and burn on the frequent flyer, changing for flight credits, the expiration dates, all very meaningful things.

This last week, so now in 2Q, we've launched Basic Economy and bags. Some initial data is just starting to come in. We'll talk more about that at our 2Q earnings call. And then as we get later into the year, we've got seat assignments. We've got extra leg room. So there's a lot that's happening right now, which is exciting to be a part of. And so yes, it's great to have venues like this where we can talk about what we're doing.

# Question and Answer

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Yes. What's the customer feedback been so far on the start of the basic economy and the bag fee era for you guys?

**Tom Doxey**  
*Executive VP & CFO*

Yes. So the data is just starting to come in now. So we'll talk more about that at our 2Q earnings call. I think we've got 6 days or so worth of data. We knew we would see a little bit of a pull forward in the days just leading up. We saw a bit of that. But yes, the data is just starting to come in now, and we'll talk more about that in about 6 weeks.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Would you just maybe remind us on the Basic Economy, how that can help you guys drive better buy up of the full cabin and maybe on the bag fees, just the fuel savings angle on that potentially?

**Tom Doxey**  
*Executive VP & CFO*

Sure. Yes. I think bags get maybe a little bit more of the press around it. But basic economy was really the structural change that needed to be fixed is probably the right word. As you think about that, so we were selling -- we had 4 categories, right?

We had Wanna Get Away, Wanna Get Away Plus, Anytime and Business Select. And we historically have been selling the lion's share of our inventory through that lowest category through Wanna Get Away. And it's obvious why. There was very little incentive to buy up historically.

And so the challenge there was we were largely pricing that against a Basic Economy fare like a Delta or United, where they may sell 10%, 15%, 20%, I think, are numbers that they've thrown out of their inventory in the end through that basic economy channel.

So we were in an environment where we were pricing the lion's share of our inventory against a small sliver of theirs and the products weren't the same. We were offering a lot more in that lower category, but there was no -- there was very little buy-up that was happening.

And so moving to this basic economy structure allows us the ability to be able to have more of a like-for-like there and then to incentivize buy-up to occur. Now bags are part of that, right? So we see that now is there's some differentiation with bags.

But as we get further into the year, there will be more differentiation that occurs. And so we've got, I think, probably about 15% of our airplanes already modified with the extra legroom configuration. Now we're not selling it yet. We've got to get everything.

But more and more people will get on the airplane, and will see that new configuration there, which is great. But as we roll more of that out, there will be more and more differentiation that will exist in the product. And so I think our expectation coming into this was the initial launch, there's some element of differentiation with bags and some flexibility and some other things.

And as we continue to move forward, as we create more and more differentiated elements, it only helps that buy-up to occur. So we'll start selling extra legroom and selling the seat assignments in the third quarter, but for flights in the first quarter. So that kind of next ramp probably occurs as we get closer to the end of the year.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Have you been doing any surveys or quantifying just on the planes that are already out there with the extra legroom seats, like have you seen like an NPS pop in those?

**Tom Doxey**  
*Executive VP & CFO*

We have. Yes, we've actually seen about a 6-point increase already. And you think about this, this is -- that's for the entire airplane, not just those that were sitting. And of course, in today's environment, we don't know who is sitting in those seats. But the entire airplane, we've already seen a pretty significant increase. And that's an increase in the -- like the cabin score for Net Promoter Score.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Yes. No, I mean that's going to be a powerful tool, especially in the -- I mean, there's obviously markets you guys are really dominant in that like American and Charlotte, where you don't have a ton of choices, but in those competitive markets, just giving more people reasons not to choose a competitor.

**Tom Doxey**  
*Executive VP & CFO*

I think it will be good everywhere, right? I think the ability for us to do that. And the aircraft too is still -- it's comfortable everywhere. You -- I've seen some folks out there ask that question, well, does that just mean you're making it incredibly uncomfortable in the other seats? The answer is no.

When you look at all of our seats compared to a lot of other airlines, our economy seats, I mean, I think for -- I think it's 4 years in a row now, we've won the J.D. Power Award for Best Economy Cabin. We'll maintain that while also having the ability to add multiple inches of incremental leg room in those seats upfront.

So no, I think it's going to be really well received everywhere that we do it. And we're also looking at opportunities. I mentioned we'll start selling in the third quarter for the first quarter of next year.

We're also looking for opportunities now, we may not know 5 days in advance, but an hour or 2 before the flight leaves, we'll have a pretty good sense. Occasionally, you swap airplanes. We'll have a pretty good sense with quite a bit of certainty for whether or not that aircraft will have the extra legroom available.

And we're looking at ways that even in this interim period, we may be able to monetize that, things like a push notification or something else. But really, it will be as we get toward the end of the year and beginning of next year as that ramps up with the actual assignments and the selling that will -- I think that you see that impact on the buy-up and the differential.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

That should be pretty much right away, right? You get that big pop in revenue, and it's just not like a new market where there's a big spool-up period.

**Tom Doxey**  
*Executive VP & CFO*

That's right. Yes. That's right.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Can you talk about just some of the operational logistics that you guys are making a ton of big changes, the bag fees. I think you get a lot of questions a lot about the turn time, and you guys have made a lot of investments on the technology front to make sure all that goes smoothly.

But can you just talk about some of the -- a lot of the things that you and the ops team are juggling going into the summer, how that's looking and how technology is helping you guys?

**Tom Doxey**  
*Executive VP & CFO*

I'd love to do that. Our operations team has just done an amazing job. The Wall Street Journal rankings, they don't come out every month, but we track that portfolio of rankings. I mean, weekly, we're tracking that. And we handily have been in the top of that, the top tier of that and recently have been #1 when you put that portfolio together.

And so the operations team is doing an awesome job. And when you look -- you talked about Net Promoter Scores earlier. When you look about what drives -- look at what drives Net Promoter Scores, this isn't a scientific number, but like 80%, 90% of that number is, did you arrive on time.

And so we know that, that is where we need to have a lot of our focus. And then all the other elements, product and other things then layer on top of that. But as we think about some of the different things that we're doing on the operations side, we've had a lot of new tools that we've rolled out to make the operation better, but also to help with some of the changes that we're making.

We talk about bags and the fact that we're now charging for bags, likely that will mean some quantity of additional bags that will be in the cabin that will go into the overhead bins. So we're moving as quickly as we can on putting the larger overhead bins, the one where you put the bag on its side, putting those on the aircraft.

But we're also building tools for our people. A great example of that is a predictive tool that we have for the gate agents that has an AI element to it, which is neat. But more and more, it is going to be collecting data that will say how many gate checked bags.

This is where you say, "hey, I'm sorry, we're going to have to take these 5 bags and put them below." How many of those bags do we have by flight, by time of day, different markets and to be able to give predictive tools to our team so that they can say, okay, and of course, the longer we do this and the longer it runs, the better the data is going to get as it learns.

But okay, I'm likely going to need 5 bags. Well, they'll know that well before starting boarding, and they can then say, "Hey, we need 5 bags," and we can find ways to do that because it's one thing to have more gate checked bags. It's another thing to have gate checked bags right before departure. And so we're building tools like that.

There's a lobby tool that we've just built that's predictive about lobby flows that helps us to more dynamically staff the lobbies. That's just rolled out in the last couple of weeks. That also has an AI element to it as well.

So we're building those sorts of tools and then just doing things that hardware like portable printers that we have for our folks to be able to do things. So we're putting more tools in their hands to be able to have a good flow there.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

When you've rolled out some of these AI technology tools, is that system-wide? Or are you kind of beta testing these in certain markets? Just want to make sure I'm following on.

**Tom Doxey**  
*Executive VP & CFO*

Yes. So we do test all of these things. And typically, what we would do, it would vary by tool. But typically, what we would do is choose places where we would start to test these things and then roll them out more broadly across the system.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Yes. Have you had to make any changes to your bank structures at all just to maybe provide more buffer for the turn or anything -- any changes on the network side you have to make?

**Tom Doxey**  
*Executive VP & CFO*

Yes. The ops teams, like I mentioned, they've been doing really well, and we're actually pulling time out of the turn. So as we've improved our processes and our tools, we've come a long way in the last couple of years in the tools and the technology and the processes that we're using to run our operation.

And so in spite of the fact that we're doing some initiatives like charging for bags that would likely result in more bags going into the cabin, in spite of the fact that there's a headwind there, all of the other goodness that's coming from the rest of the operation is allowing us actually to pull time out of the turn.

And so we've got an initiative, you talked about rolling it out by airport. We've been doing just that, but we've been rolling 5 minutes out of the turn, which that allows for more flights to be in the good times of day. It helps with staffing efficiency. There's a lot of goodness that comes from that.

On bank structures, this, I think, is another really interesting topic. Sometimes we're asked, well, are you -- we know you've historically been a point-to-point carrier. Are you going to stay a point-to-point carrier? Or are you going to become a connecting carrier as if it's a binary decision. It's not binary.

Think of it as a dial and that dial can be different by season. It can be different by time of day. But we are moving toward having more connectivity in what we're doing. In August, for example, and this is already out in public schedules, we're moving from 39 of those very deliberate connecting opportunities across the system up to over 50. I think the number is 56, if I'm remembering right.

And that's significant, right? Because if you've got 20 flights coming in and 20 flights going out, if you add 2 more flights coming in, you're not just adding 2 more, you're adding 2 more that feeds the 20. You might be adding 20-plus more opportunities for connections.

And so we are going to add more of those and to make them, I think, more comprehensive in the ability to connect. That doesn't change the fact that we have the largest point-to-point network in the country and that we're the #1 carrier in half of the top 50 markets. All of that stays true. Again, it's not binary. It's just a dial, and we're finding that we can be more effective given what our network is by adding more of these connecting opportunities.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

I like the dial. It's a great image really to frame it. Maybe just jumping off on connecting flows. You have a partnership with Iceland Air. You expanded that. You recently announced a partnership with China Airlines.

Can you talk about how you view those both as -- should we think about this as mainly giving your core customers' abilities to kind of stay within your system and not choose somebody else? Or do you also see maybe especially with Asia Pacific, the potential for people to be connecting them off the West Coast, outbound international travel?

**Tom Doxey**  
*Executive VP & CFO*

Yes. So we're just starting with these partnerships, which is really exciting. And partnerships can take different flavors, but you'll see us continue to move forward with adding these. And it does everything that you described, right? And again, it depends on the partnership and the structure.

But as we move forward, yes, it brings more opportunities for our own travelers here in the U.S. to be able to have connecting opportunities and to go to new destinations that we don't offer today. Ultimately, it will give more opportunity on redemptions around loyalty, those sorts of things.

And then it brings flow in as well, right, from these other areas. So again, every partnership is different, and you'll see a progression of these partnerships, and they can become more comprehensive over time as far as what's there.

But yes, this is just the start, which is really exciting for us. There's a lot of levers that have been pulled. This is one of them that have been pulled at other places that we're just starting now to pull. This is one of them, and it will be helpful to our business.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Yes. So JetBlue was here earlier today talking about Paisly and one of your initiatives earlier this year was Getaways by Southwest. And any update there? How are things progressing? Should we expect that still kind of being a contributor second half of the year into next year or?

**Tom Doxey**  
*Executive VP & CFO*

Yes. The timing, I think, is similar to what we've described before. And yes, again, this is one of those levers for us that we can pull or we can pull in a more meaningful way. So yes, I don't think any real change there as we see that ramping in.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*



Okay. How do you think -- we've talked about technology on the operational side. How are you thinking about it in terms of the customer experience, whether the mobile app just on day of travel or the mobile app in terms of incentivizing buy app within the cabin. Are there areas that you see as like this is something I'd love to improve on? Or what's the latest there?

**Tom Doxey**  
*Executive VP & CFO*

Yes. We haven't -- you talk about using the mobile app to incentivize buy up in the moment. It's something that we've talked about, but the functionality it's not there as you're describing it yet. And I think that's a future opportunity that we have to be better at the way that we in the moment.

And I did mention earlier, we talked about ways that we're looking at potentially monetizing the extra legroom seats prior to when we're actually selling them as that product. It's the same sort of mindset, which is how can we help to give opportunities for our customers to be able to make choices like that for things that they're wanting and to do that in a way that's more seamless than it is today.

So yes, I would say that, that doesn't really -- as you're describing it, doesn't really exist today, and we want to move toward being able to do that. It's one of those levers that hasn't really been pulled yet.

As far as functionality on the app itself, we do receive a lot of feedback that we have a very, I think, seamless straightforward app. The ease of use scores that we get on the app are really, really high. We're constantly trying to add more functionality.

I think what you'll see us continuing to move toward is the app that kind of follows you through your journey during the day. So as you're arriving in a location, while you're probably going to -- if you're connecting, you're going to want to have information about your connection that's available there to you. If you're not connecting, you're going to want to know where you can go to get your bag if you had a bag and making it easy to be able to do.

So I think following you along the journey and putting those resources that are most important for you practically as a traveler right there without you having to click multiple times to find them, that I think, is where some of the apps -- some of the apps that I think receive really high marks for that sort of functionality. That's what they're doing. And so I think you'll see us moving more toward that sort of structure.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Okay. Makes sense. Maybe switching to short term. I'd love to ask everybody this, but any -- what's the latest on -- it's such a fluid environment. What's the latest on the close-in bookings? Anything that's changed since earnings since your presentations over the last couple of weeks? How does close in June looking so far as we start the month?

**Tom Doxey**  
*Executive VP & CFO*

Yes. We don't have -- we're not updating guidance or giving anything there. But we certainly have seen things stabilize versus where things were earlier in the quarter. You've heard us talk in the past how our expectations at the beginning of the year that we were 3 points lower for 1Q and 6 points lower for 2Q versus -- and this is again, no new information.

This is what's in our guidance today, but versus what we were thinking at the beginning of the year. So it came down quickly, but it certainly has stabilized. I think that all of the carriers now are looking to see signs of an industry inflection back. And while it's stabilized, we haven't really seen a major significant inflection back yet as an industry. And so I think that's something we'll continue to watch.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Are there any -- like is there -- are there any under the surface, any green shoots, whether it's in like VFR or geographies like this market is doing a little bit better. Any trends that you think are notable there?

**Tom Doxey**  
*Executive VP & CFO*

I think stable is the best way to describe it. You've heard that pretty consistently from -- really from everybody that we've kind of stabilized at these levels. I think that's probably the best way to describe it.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Okay. Okay. How would you -- how do you guys like view the competitive capacity environment? I mean, obviously, the demand is a big question, something everyone is worried about. But it seems like, again, like kind of similar to last year, there's a lot of capacity that is going to be coming out of the market in the second half of the year. So domestically, at least there's a favorable setup if demand does rebound.

**Tom Doxey**  
*Executive VP & CFO*

Yes. We took pretty decisive -- or we made a decisive decision, right, to pull about 1.5 points of capacity out at the end of the year. And you saw some other carriers that announced capacity reductions in that period as well. And of course, the earlier you do that, the more you are able to adjust the business if you wait right until the end, then there's cost that would be more sticky than it would be if we decide to do that sooner.

And so we made that decision. Others made that decision to pull some of that capacity out then. So you're correct. I mean, to the point we see an inflection back, there is some capacity that has come out.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Okay. Maybe switching to capital allocation. Would you just -- you guys have a buyback going on. Would you just maybe remind us of some of the puts and takes for first half of the year and then just longer term, how you think about the different opportunities for you to deploy your capital?

**Tom Doxey**  
*Executive VP & CFO*

So the framework that we will use that we've continued to use for capital allocation, first and foremost, you're investing into the business. There are a lot of things that we're doing today that you've seen numbers that we've put out around targets for contribution that will come from these different initiatives.

And there's some investment that's required to stand some of these things up. But investing in the business, first and foremost, then maintaining a strong and efficient balance sheet. It's very important for us that we continue as an investment-grade carrier.

There are very few airlines in the world that are in that category. We are in that category. We're going to do everything we can to stay in that category. And so maintaining that framework, whether that means pay down of debt or whatever a company needs to do to be able to ensure that they're doing that, we'll make sure that we're doing that.

And then the third category would be around returning capital to shareholders, right? And that's something that can be done through dividends. We have a dividend. That's also something, of course, that could be done through share repurchases.

Now we had some excess cash on the balance sheet, and we've used some of that to be able to buy back shares recently. We are in the last phases of the \$2.5 billion buyback that we will have completed by July. And as we think about the future there, it really comes back to that framework. We've announced a lot of things that will -- our expectations are that it will generate more free cash flow, will generate more EBIT for the business.

And that as that happens, it gives you more flexibility. But again, it all comes back to that framework. So what I would say is our focus is on more than anything, building up more profitability in the business through the things that we're doing that ultimately then give us the flexibility to do those things. But it will always come back to that framework.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Okay. That makes a lot of sense. Have there been any -- you have -- it's not part of the core strategy, but your fleet strategy is very important here. Any changes to your thinking? Or you're still kind of expecting some more asset sales at the end of the year? And maybe just kind of remind the audience where we stand on that.

**Tom Doxey**  
*Executive VP & CFO*

I can. So the -- we will continue to monetize the value that's in the fleet. We have tremendous value there, both in the order book and also in the aircraft that are in the fleet today. We've got over \$16 billion of unencumbered aircraft assets alone, plus a significant amount of unencumbered nonaircraft assets.

So we have that, and there's significant value there. So as we're bringing these new aircraft in, we will be selling older aircraft, and it's an opportunity for us to be able to monetize some of that value.

Now as we think about what that does, of course, it creates gains, but that's -- you heard us, we guided a couple of months back. We excluded any gains that may come from those asset sales in those guides. We wanted to have the focus be on the core business. And we also know that, that generates proceeds.

So as we think about net CapEx and then the impact that, that has on CapEx, as we think about proceeds that can be generated from those fleet transactions, that's just one more input into that capital allocation strategy and that framework that's there.

But yes, you'll see us continue to sell those. I think you will see less in the form of sale leasebacks, and you'll likely see more in the form of either direct sales or parting the aircraft out and using assets from the -- I mean, we may have an engine that we overhauled fully 6 months prior.

We could then use that largely fresh engine, fresh from overhaul to offset maintenance work that would need to be done on another engine, right? And so it's an opportunity for us to utilize that, call it, green time, right, utilize that maintenance value that's there, so we can monetize them really in any of those ways, but you'll see us focused more on selling directly and on parting out.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Do you see your overall fleet level just kind of being more flattish over the next few years just with all the puts and takes and maybe just with the focus -- it's a mature market and the focus being more on getting better price action out of it, you don't need as much just outright growth there.

**Tom Doxey**  
*Executive VP & CFO*

The capacity that we've announced, 1% to 2%-ish that we've announced, that is largely driven by efficiencies that we are creating. We've added red-eye flights, which helps with aircraft utilization, the turn time initiatives that we've talked about. These are things that add more available time for the aircraft. And so you're right.

If you look at our fleet plan, the fleet grows at a lesser extent than the ASMs grow. And there's a gauge element to that as well, right? The aircraft size of the aircraft that are coming in that we're replacing. It is significantly NPV positive for us to replace our used airplanes with the new MAX.

And as we do that, especially as we're replacing the 700s, right, the smaller variant of the current generation 737 that we have, even more so, right? And part of that, there's other areas where it becomes more efficient, but part of that is the incremental seats that you get along with that cost efficiency that you get by flying the new airplane.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

On the red-eye flying, I'm curious to your response. United has talked a lot about viewing that as like not really worth the cost of it, even though it's low incremental cost. Like how do you -- but you guys have viewed it as a pretty efficient way to get more out of your assets. So what's your rebuttal to that?

**Tom Doxey**  
*Executive VP & CFO*

Yes. Well, the rebuttal -- I don't know if it's a rebuttal, but I can speak to what we are seeing, which is that we're seeing a lot of success in that flying. And it helps us in multiple ways.

I mean, one, the more obvious is around the utilization you get on the aircraft, more flying. But the other thing that it can do for us is it could create better connection opportunities and better flow on the East Coast.

So you could have a flight that comes from Las Vegas flies to the East Coast that now connects into a very early morning flight out of that city up into a smaller city. And historically, that out leg from that bigger airport may not have been as busy as the in leg.

You're leaving very early to go and pick people up. In some cases, we base airplanes out in those out stations. But where we're not, it gives more opportunities for people to be able to connect into there. So if you had multiple cities flying into one of our big cities on the East Coast, it just gives more opportunity for connections there. And so yes, certainly not a rebuttal, everybody's network is different. But what we are seeing for us in our markets is that this is accretive to our business.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Okay. Well, that's really exciting. I mean, Tom, you guys got a lot of exciting initiatives going on. I'd love to just add maybe just as we close out, you've worked at a bunch of different airline types. You've been at low-cost carriers. You've been at United.

Now you're at Southwest, which feel like it's kind of its own thing. What surprised you the most? What are some lessons you've taken from other places that you're deploying in so far in your tenure here?

**Tom Doxey**  
*Executive VP & CFO*

The culture that I saw for so many years, right, I saw it as a kid growing up in Las Vegas, right, a big Southwest city. But as I got into the industry and saw that -- I experienced the culture as a customer, right, flying around throughout my career. I expected that, that culture would be -- would continue into the headquarters and the other buildings there as well. That exceeded my expectations and then some coming into that, it is -- our building is full of smart, hard-working people who have that same hospitality feel that you feel on the airplane as you get on and you interact with our flight attendants and gate agents and pilots and others.

That is alive and well inside of our building, but just smart, hard-working, great people. The ability now that we have to transform a business, starting at a position of a lot of strength, right? A lot of times, when you think about a transformation that's happening at a business, it's happening at a business that's in a really weak spot.

Well, we're 1 of 3 investment-grade airlines in the world. We have a great balance sheet. We are a profitable carrier today. And we can structure this business now in a way as we move forward that is meeting the customer more where they want to be met as far as product.

We talked about extra legroom, talked about seat assignments and other things. We have been very -- I think -- well, we've been -- it's not even signaling, right? Like we have been talking openly about the fact that this is a point in time, and there is more to come.

We know there are things that our customers want today and people who are not our customers who are choosing not to be our customers today that they want that we don't offer. And it's not as if we know all these things and we're keeping them all secret, but we are working through to decide what of those additional things are the right things for us to be doing for our customers.

And so it's a really neat time to be at Southwest because all of those things are on the table to decide whether those would be the right things for us to do for all of our stakeholders.

Our employees are really, really engaged and excited right now. I've been in, I think, 5 different Southwest airports just this week. We've had lots of conversations with folks. And they are used to winning and we've continued to win in a lot -- certainly, we win in hospitality.

We win on things like balance sheet. We're winning on operations. There's a lot of areas where we're still winning. But we have not been performing as well as we previously had on margins, right? And our employees know that, not the finance department, our flight attendants and our gate agents and others, we have a really rich profit sharing, right?

They know that. They want to get that profit sharing back. They want to win. And they're excited about the direction that we're moving, how quickly we're moving. But we're doing it in a way that's focused on customers, on a way that's -- and product and getting that product built up.

There's more to come, more that we'll be announcing. And then we're doing it in a way that focuses on them, right? The investing, we're investing in tools and processes and procedures. And we pay -- there's good pay as well, right, in our agreements.

And so getting back to where we're winning in that area and adding that to the areas where we're already winning, it's a really exciting thing to be a part of with a great, really, really great team.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

No, absolutely. And the next chapter for a company with a rich history.

**Tom Doxey**  
*Executive VP & CFO*

That's right.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Look forward to the business case studies on this time and that.

**Tom Doxey**  
*Executive VP & CFO*

That's right. Yes.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

I think that's a great note to end it on. Tom Doxey, thank you so much.

**Tom Doxey**  
*Executive VP & CFO*

Yes. Thanks, Tom.

**Thomas John Fitzgerald**  
*TD Cowen, Research Division*

Take care. Thank you very much. Thanks, everybody.

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