

Southwest Airlines Co. NYSE:LUV Company Conference Presentation

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Call Participants

EXECUTIVES

Tom Doxey

Executive VP & CFO

ANALYSTS

Scott H. Group

Wolfe Research, LLC

Unknown Analyst

Presentation

Scott H. Group

Wolfe Research, LLC

All right. We're going to get going with our next session with Southwest Airlines. Really happy to have Tom Doxey, CFO of the company at our conference. First time at our conference as someone at Southwest. So -- welcome, you've, I guess, graduated from the ULCC panel -- which is great. And I'll pass it to you for some opening thoughts and comments, and then there's lots to talk about.

Tom Doxey

Executive VP & CFO

Yes. Well, it's great to be here. There's a lot -- maybe it's an understatement. There's a lot happening at Southwest right now. And we're excited about the changes and the pace of those changes as they come in. First and foremost, we just heard the pilot panel, the focus on safety that we have is something that we all share. And as we think about some of the things that we have coming up next week, we announce Basic Economy, and we -- or I'm sorry, we implement basic economy and bags.

In the first quarter, we had several things that, that we talked about on our earnings call around Expedia, for example, coming in, some changes that we made with our frequent flyer program, the earn and burn there and the new deal that we did with Chase. So there's a lot that's happening that's just happened or is just about to happen. And then as we go throughout the year, we'll have -- well, in the third quarter, we'll start selling the extra legroom seats and seat assignments which we're really excited about, and that's for flying that will happen in the first quarter. And those airplanes are actually out flying now. So about 2, 2.5 weeks ago, I was down in Houston with our maintenance team as they were doing those or doing those during overnights. So more and more even though we're waiting for the full fleet to be modified more and more there's an opportunity that people have to be able to get into those seats and we're looking at ways we might be able to monetize that even ahead of time. So there's a lot happening, but it's exciting. The pace of change at Southwest, I think, is something that's very different than it was before.

Question and Answer

Scott H. Group

Wolfe Research, LLC

Awesome. So I'll start. If you have questions, raise your hand, we'll get you involved. So there's so much to your point, like specific to Southwest to talk about that I want to get to. So maybe we'll spend a little less time than normal, just sound like near-term demand trends, but let's just start there, just sort of knock it out. So I guess we've heard from a bunch of airlines so far, right? Some variations of stabilization to it's getting better? How would you characterize the environment as we're progressing through Q2? What are you seeing? Are you in the stabilization camp or the -- you know what, it got worse and now it's starting to get better again?

Tom Doxey

Executive VP & CFO

Yes. So to give maybe just a little bit of context. So 1Q was about 3 points -- or unit revenue was about 3 points worse than we were expecting at the beginning of the year. 2Q is probably about 6 points worse than what we were expecting at the beginning of the year, right? And we've of course, we've guided for that. And we have a lot of data. We have a lot of industry data. And we have not seen in the industry an inflection back, right? So we've seen those reductions that happened earlier in the year, we're not seeing an industry inflection back now.

And so I think that's -- as you saw what we talked about and where we wanted the focus to be at our earnings call, we were very deliberate about the reiteration of the incremental EBIT contribution that's coming from all of these different initiatives. So that was a \$1.8 billion for this year and over \$4 billion for next year, and we reiterated those targets. We did not reiterate the guide for the overall EBIT for the company, which is what pretty much all the airlines did. And because we didn't want the focus of the call to be on, what about this assumption about the economy or that's sort of the background into that decision. We wanted to be focused on the things that were more in our control that are going well and that are on track.

Scott H. Group

Wolfe Research, LLC

Okay. And then just think about sort of where you are, right? Are there certain parts of the -- certain parts of the country or regions that are feeling better or worse than others, more -- any just sort of color to share there?

Tom Doxey

Executive VP & CFO

Yes. You're right that on a relative basis has been more with this has been pretty widely discussed, but more relative weakness for main cabin which is where we're currently underweighted versus our peers. And so we've seen that. In spite of that, in 1Q, we've talked about a lot of these initiatives that we have on the revenue management side, some network shifts and things that we've done. You've seen us pull out of Atlanta, for example, made some reductions there. Those -- that's working, right? So certainly, when you look at carriers that are also more leisure and main cabin focused, we outperformed, but we even outperformed on a unit revenue basis in 1Q versus those that were not as overweighted in those areas. And so I think those initiatives that we have largely are working. I don't know that I would say that there's any specific area of the country other than the changes that we've announced to the network where we're making those adjustments today.

Scott H. Group

Wolfe Research, LLC

And then just maybe an update on capacity plans. I think you talked about maybe not 1% for the year, but how that looks the shape of that the rest of the year?

Tom Doxey*Executive VP & CFO*

Yes. We were already quite conservative on the capacity that we're rolling out, right? We were at 1% to 2% for the year. And that capacity really was not -- so we've got 50 aircraft retirements for the year. Our current planning assumption for aircraft coming in from Boeing is 38. Now we're -- as the year goes on, I think we're getting a little more comfortable with perhaps some potential upside to that number, which could result in more retirements for us. And we wouldn't use that to grow. But that incremental capacity really was coming from the different efficiency items that we had, right? So -- we had the turn time reductions that we've had. We've had red eye flights that are scaling up through this year that have been really successful for us so far, that's where that capacity was coming from. So that already low capacity was being created that way. And a few weeks back, we took some pretty decisive action that even though we had lower overall capacity for the year, just given the uncertainty that was out there, we wanted to be decisive and to reduce capacity, we did about 1.5 points for the back part of the year, which will put us towards the lower end of the 1% to 2% guide for the year. And of course, I mean, it's obvious. But the reason why we wanted to make sure we did that early was you get more opportunity to be able to take costs out. We've talked about low single-digit exit rate for unit costs, that still holds even with that capacity may be a little bit of an adjustment there, but that range still holds for us coming out of the year.

Scott H. Group*Wolfe Research, LLC*

One more just sort of on the market, and then I want to get to all the Southwest stuff. So I've asked maybe -- I guess I've asked this to everybody, right, we entered the year seemingly everyone is seeing very good RASM trends. People are getting excited about a demand outpacing supply and now for a lot of the industry we're back to sort of a negative RASM environment. Is this an issue of too much supply again? Or is this a demand issue that sort of crept up on us?

Tom Doxey*Executive VP & CFO*

Yes. Well, we don't fully know, right? And I think that some of that uncertainty is why you saw most carriers pulling capacity in the year because -- you don't need to get a firm answer on some of that stuff before you start making a decision on what you're going to do. So we wanted to be decisive. I think there were some other carriers that were decisive in what they did as well. And whichever side it ends up being, we wanted to make sure that we were making adjustments that would allow you to react and control the things that were more in our control.

Scott H. Group*Wolfe Research, LLC*

So now let's get into some of the numbers around all the initiatives. So you talked about \$1.8 billion of EBIT initiatives this year. You've reiterated that right? I guess help us just think about like how that builds throughout the year? How much of that did you realize in 1Q? How much is the assumption for Q2 and then we could sort of obviously still on the -- what's left for the back half of the year?

Tom Doxey*Executive VP & CFO*

Yes. So there's kind of 3 broad categories of the \$1.8 billion. There's \$1 billion that is core business improvements--things like our revenue management system, network adjustments that we've made. You see that being manifest, for example, in our reported numbers for 1Q right, where our unit revenues compared very favorably even versus carriers that weren't as domestic main cabin focused as we are. So that's about \$1 billion of the \$1.8 billion. About \$400 million or so that is related to the initiatives that were largely announced a couple of months ago in March. And that -- where the \$1 billion is a little more spread throughout the year the \$400 million for these incremental initiatives are a little more back weighted. And as you think of what some of these different initiatives are, so I mentioned in the first quarter how we had, Expedia that rolled out, the frequent flyer program and some of the earn and burn changes. That stuff was starting to come in then. But really, these things start to come in as the year goes

on. I mentioned next week, basic economy and bags roll out. So that happens, I think, 6 days from now. And then we'll start selling in the third quarter, the extra legroom seats and seat assignments for flying in the first quarter. And so you start to see that \$400 million ramping up as the year goes on. The remaining \$400 million-ish or so is on the cost side. So recall at our Investor Day last fall, we had talked about a \$500 million cost reduction by 2027. A couple of months ago, we doubled that to be over \$1 billion by 2027 and said that we would achieve just shy of \$400 million of that during the year. We're on track. We've been really excited about what we've seen on the cost side, where -- you look back to 1Q, we were plus 8 initially for unit costs. We reduced that 6 weeks or so later to plus 6. And by the time we got to the end of the quarter, we had gained another 1.5 points gained in a good way. And I think what's great about it, and this is a stat I love is that 42 of our senior executives had a budget beat in the first quarter, and...

Scott H. Group
Wolfe Research, LLC

42 out of?

Tom Doxey
Executive VP & CFO

42 out of 60 some odd, right? And so this is a broad-based, it's not just -- a lot of times when you have a beat like that, well, we had this maintenance item that moved out or this one thing, the special item. This was broad-based cost savings. And we're seeing that continue on as we go throughout the year. And so feeling very confident about that. Of course the lion's share of that, probably 2/3 or so of the number for this year is related to the reduction -- the head count reduction that which was done earlier than planned and ended up being larger than planned.

Scott H. Group
Wolfe Research, LLC

So one thing that you said surprised me a little bit of that \$1.8 billion that there's \$1 billion that's more like just revenue management core business changes and then only --- and then \$400 million of -- because you've announced a lot of bag fees, premium seats. I'm surprised that's \$400 million. I would have thought it could have been maybe the opposite, right? Is it that those are just much more '26 weighted? And because I guess it's \$1.8 billion this year and it turns into \$3 billion next year. So does the lion's share of all of these big things really show up in '26?

Tom Doxey
Executive VP & CFO

That's exactly what it is. It's the timing of these things, yes. I guess it's 4.3 in next year, right? So it's -- as you think about what these things are, so bags and basic economy that start next week. But you could book a flight today for a flight a month from now, and it would be under current structure, and so that will ramp up. We talked about seat assignments, which I think will be really great. That is something that doesn't actually -- we're not actually flying that with those being sold until the beginning of next year. So -- yes, I think that's what's so exciting for us is that as we start to look to 2026, maybe we're not at a full run rate for each one of these things as we get into 2026. But they ramp up significantly as we move toward the back part of this year as we get into 2026 there's a significant amount of these new initiatives that are there now there. So yes, it is a timing and a ramp-up thing.

Scott H. Group
Wolfe Research, LLC

Okay. If there's a -- actually, we'll come to you in one second, Jason, so if there's a mic, we'll get you. Just so I understand. So of the -- is there a way to sort of size like, again, when you add the premium legroom bag fee, like what is the size of that not this year, but just over the next couple of years in total?

Tom Doxey
Executive VP & CFO

Yes. The -- we sized a couple of them. We've tried to get away from giving a specific estimate for...

Scott H. Group

Wolfe Research, LLC

Maybe not each one, but just we got them up in total.

Tom Doxey

Executive VP & CFO

Yes. So we've talked about \$1 billion or so in contribution that would come from the seat assignments and the extra legroom as we get more toward a run rate. So kind of a 2027 number for those. As we think about this year, and that \$400 million. We've talked about the fact that the loyalty program changes and bags and Basic Economy make up, those are the 2 biggest ones. But to give you a sense for some of the others, like the credit. So we've gone from a credit, it's not frequent flyer points, Rapid Rewards points, but it's the credits for refunds that for our Basic Economy product, those will expire in 6 months. And for the others, they will expire in 12 months, that alone for this year, we think, is \$100 million. And so it gives you a sense for the fact that this is not all weighted in this year toward any one big item there. But...

Scott H. Group

Wolfe Research, LLC

Is that cash or noncash that piece?

Tom Doxey

Executive VP & CFO

That's the -- that's EBIT contribution.

Scott H. Group

Wolfe Research, LLC

Okay. Okay. Sorry I cut you off. Go ahead.

Tom Doxey

Executive VP & CFO

That's EBIT contribution. Yes. So as we think about these different items, it's -- we've had a net impact for these that we've put into these numbers. And so I think sometimes it's a, okay, are we at I think it was even asked on the earnings call, right? Or is this a gross number you're assuming? Are you assuming any sort of impact for the fact that you're moving to a basic economy and bags, we are. And so what's factored into these numbers into the \$1.8 billion is a net number for these net of those impacts.

Scott H. Group

Wolfe Research, LLC

Jason, your question.

Unknown Analyst

[indiscernible]

Scott H. Group

Wolfe Research, LLC

That was about the nicest way of him to ask why is my model so bad.

Tom Doxey

Executive VP & CFO

Yes. No, you're right. I think in the models probably maybe around 60% or so of what we've put out there has made its way into the models and then something less than that, that's actually made its way into the valuation. So there's a bit of a wait-and-see approach, I think, on some of these things. And I think the wait and see is probably different for the different initiatives. I'm excited about our next earnings call,

right? We're about 2 months away from that next earnings call. In that earnings call, knowing that we're 6 days away from launching basic economy and launching bags, we will be able to talk. Now it's -- there'll be a ramp-up there, right, because it's for people who are buying starting that day and flying starting that day. So there'll be a ramp-up. But we'll be able to talk about the impact that we're seeing there in reported numbers. And I'd like to be able to do that. We didn't have a lot of the initiatives that were there in 1Q, but we got to do that in 1Q. We talked about Expedia and the benefit that we were seeing there that exceeded expectations, right? And we got to talk a little bit about what we were seeing on the unit revenue side.

So the further we get into this and now we have that actual data, we will then be able to talk about exactly what that is. So you'll see -- the short answer is, you'll see more and more specificity around what we're seeing as we get to where it is part of our reported numbers. And that a bit of a wait-and-see approach, which I get, by the way, I get that when we announce a lot at a time that as an investor or as an analyst that you'd say, look, I like what you're doing. I mean, you just heard Hank here as well. I think our employees, we refer to each other's cohearts, right? There's a lot of support in the building and out in our operation for what we're doing as well, and you heard that on the panel. So there's -- and I think there's a lot of optimism. As I talk to investors and I talk to analysts, there's a lot of optimism about what we're doing and how we're doing it. It then turns to the quantum and the ability to then be able to execute well on it. And so that wait-and-see approach, what's so great is we're at the point where for more and more of these items, that weight isn't very long which I'm excited about.

Bags and basic, which we have coming up now, I think bags gets a little more of the press. The basic economy structure, though is really what I'm excited about. As you think about -- we historically -- and we're changing the names, but historically, we've had 4 different categories: Wanna get away, want to get away plus any time and business select. And the lion's share of our bookings go through Wanna get away. And the answer to why is obvious. It's because there was so much included in that bottom category that there was no incentive to buy up. The challenge -- one of the challenges, one of the big challenges is, is largely we have had to compete that very inclusive Wanna get away product with basic economy at a United or a Delta. And that basic economy product comes with far fewer features, but we've had to compete on price.

However, for basic economy, you have heard people like Delta and United talk about the fact that it's actually not that large percentage of the overall bookings that are actually completed in that category. So think about that. We're competing. The lion's share of -- we're offering the lion's share of our product and competing on price against something that's a very small percentage of somebody else's where the product is not at the level that ours is. We needed to fix that. That will happen as part of what we're doing. But it's about product differentiation, right? And bags are a part of that. Extra legroom will be a part of that. Seat assignments will be a part of that. And then we've been pretty open about the fact that we're not done, right? Now we're not ready to talk specifically about what that might mean, but there's more product differentiation that we know that our customers and people who are not -- are choosing not to be our customers today that they want that we're not offering. And so don't think of this as the end state what we've announced. Think of this as a point in time as we continue to move forward and offer more differentiation more of what we think people want.

Scott H. Group
Wolfe Research, LLC

And that basic comment that matters even more as you are on Expedia and things like that.

Tom Doxey
Executive VP & CFO

Absolutely. It does.

Scott H. Group
Wolfe Research, LLC

It's more directly comparable.

Tom Doxey

Executive VP & CFO

Absolutely.

Scott H. Group

Wolfe Research, LLC

So like what -- to your point, like what is the -- do you have a number like what percentage of the tickets today are Wanna get away and what percent do you think will be this new basic economy for you?

Tom Doxey

Executive VP & CFO

It's a majority today. We haven't publicly talked about what the specific number is, but it's a majority today. We don't know exactly where we'll end up. I think this goes to the wait-and-see question. We have some thoughts, some well-informed thoughts on where we're going to get. Again, we'll know a lot more as we get to earnings, which is a couple of months away.

Scott H. Group

Wolfe Research, LLC

And maybe just to follow up on Jason's question a little bit. Like I go back to the Q1 call and you didn't reiterate the \$1.7 billion of EBIT, right? But you said, hey, it's still possible or it's still in our sight or I forgot the exact language you use. I don't any -- what do you want to say with respect to that?

Tom Doxey

Executive VP & CFO

Yes. We were deliberate about saying that going into the call. And the background there is heading into the call, we're looking at different sets of assumptions with the model and looking at the up and down for things like fuel, for things like revenue and things like the initiatives and to see kind of what that fan might look like. And as we did that, there were scenarios that got us to that number right? And as we saw that, we didn't want to send too much of a signal with not reiterating the EBIT guide for the year other than as carriers -- other carriers said, there was so much uncertainty there that it really was impossible to tell how those assumptions were going to play out. We didn't want the whole focus of the call to be on those sorts of assumptions. We wanted it to be on the things that were more in our control.

But -- yes, it is -- of course, the further the year goes on and as we're not seeing inflections, longer we get into the year without that inflection, the harder it becomes to achieve those things, right? But certainly, we saw sets of assumptions that would still get us there.

Scott H. Group

Wolfe Research, LLC

And then I wonder about the \$1 billion bucket from revenue management?

Tom Doxey

Executive VP & CFO

Yes. And it's -- they're more than just that. It's revenue management. It's changes we're making to the network and the structure. We're moving to more connections. So we're going from 39 to 56 banks as we get into the August schedule. So there's a lot of things to it.

Scott H. Group

Wolfe Research, LLC

We heard some versions of that in '24 or '23 that didn't necessarily show up. So I guess, what's different about it today? And is that -- how much of that \$1 billion is sort of totally in your control versus still needing some supportive macro backdrop and if that makes sense?

Tom Doxey

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Executive VP & CFO

Yes. So the 1Q relative RASM that we had, I think, is one proof point that we have around what that was. And as we continue to move forward, and continue to make some of those structural changes, whether it's to where we're flying, how we're structuring the network. I think sometimes the question will come, well, are you going to be more a connecting carrier or more a point to point -- it's a binary decision, I think what you're seeing is that especially where there's more relativity between the peaks and the troughs for the whole industry, but certainly for leisure, there's much more relativity between those two. Connections become increasingly powerful especially during those times where you're in the trough where you just have the ability to bring -- if you have 20 flights coming in and 20 flights going out, you add two more. You didn't just add two more, you added two more plus all of those. So connecting becomes more powerful as part of this too. And that's part of what we're doing. So the direct answer to your question is I would point to what we did in 1Q and then the things that we've announced that will continue to rollout throughout the year.

Scott H. Group

Wolfe Research, LLC

Back to costs for a second. Rough numbers about just under \$400 million of cost savings this year. I think the guidance implies an incremental \$400 million plus next year. You did the big corporate overhead reduction this year. What's the next sort of to get a similar total cost savings next year, what are the drivers of getting us there?

Tom Doxey

Executive VP & CFO

[Audio Gap] Yes, that's the larger one, but there are a lot of other things we are doing. The way that we're looking at our procurement, we're doing a top to bottom review of all of our procurement today. We're looking at the way that we're doing technology. I think I did a LinkedIn post yesterday where I shared one of the neat tools that were -- where we're using AI to better predict lobby flow and some -- the way that we dynamically staff. There's a lot we've done to invest on the technology side. And we've come a long way in a short period of time there. And as we look at that, there's opportunities for us to become more efficient in the way that we're deploying those resources. So that's a part of it. The way that we're looking at staffing as well with our ground operations. So one of the big inputs to ground staffing, of course, is bags. We will -- there will be incremental revenue that will come from bags, but there will also be cost savings that results from the fact that we will fly fewer bags. We fly significantly more bags than any other carrier does today, and that will be reduced. So that's a big driver of staffing. It's also a driver of weight. It's a driver of maintenance cost for engines. So there's that as well. The list goes on, but there's a whole host of things, but the largest -- it's that reduction that we had specifically for this year, it's about 2/3 of it, and then it's a lot of these other things that are throughout the business.

Scott H. Group

Wolfe Research, LLC

And so as you think about any update CASM, what, 4 to 5 this quarter, what is the back half of the year like? Any -- I know an unfair question to ask about next year, but I don't know how to think about next year in any way?

Tom Doxey

Executive VP & CFO

Yes. The -- so of course, we've guided for 2Q, have not given specific guides for 3Q or 4Q, but what we've talked about is an exit rate that's kind of in the low single digit right now. We talked about that prior to bringing capacity down by 1.5 points in the back part of the year. So there'll be a bit of impact there, but that doesn't change the statement that we made that we still feel, even after the capacity change, we'll be able to exit the year at those levels. We start to get to the point where we're lapping implementation of contracts as those start to come in, so there's some of those tailwinds that we get as we move toward the end of the year.

Scott H. Group

Wolfe Research, LLC

Okay. Just last couple of minutes. I want to talk about balance sheet cash flow a little bit. You guys have been aggressive with the buyback.

Tom Doxey

Executive VP & CFO

Yes.

Scott H. Group

Wolfe Research, LLC

\$2.5 billion, we're going to be completing by...

Tom Doxey

Executive VP & CFO

By July.

Scott H. Group

Wolfe Research, LLC

By July. And do you think that there -- so I guess, talk about where you want to target cash balances. Do you think -- would you consider ever adding some net leverage in order to sort of keep supporting the buyback? Or is that sort of -- we don't want to do that just...

Tom Doxey

Executive VP & CFO

Yes. So I think it comes back to a framework, right? And I think as we -- I'm 3 months into the job. I think as we get just a few more months down the road, you'll see us putting a little more specificity around what some of those metrics are for the balance sheet. It is critical for us that we maintain a strong and efficient investment-grade balance sheet. We have one of the strongest balance sheets in the world for airlines. There are just a couple of others that are even investment grade. It's really important that we stay there. It gives us the ability to borrow -- if we borrow unsecured really, really attractive rates. So you'll see us continue to do that. But it's really, in the end, it's about working within that framework, investing in the business, ensuring that we keep that strong and efficient balance sheet. And then really what the focus is that third category being shareholder returns in the form of dividends and share repurchases.

But where our focus is, is more around building incremental proceeds that could be used for that framework. So all the initiatives that we've announced, that's about building more free cash flow. That's about building more proceeds the fleet monetization that we're doing. You'll likely see us doing fewer sale leasebacks, more direct sales, which probably means it shifts things a little to the right as far as when those transactions actually occur and the proceeds come in, there's accounting gains generated by those, but you're not going to see us emphasizing that. You're going to see us talking about the proceeds that can come from the embedded value in our existing fleet and in our order book. And so as we generate more free cash flow through the initiatives, as we unlock that embedded value in our order book and in the existing fleet, that produces that free cash flow then you work within that framework to be able to allocate based on those 3 priorities today.

Scott H. Group

Wolfe Research, LLC

Do you think you stay net cash?

Tom Doxey

Executive VP & CFO

It's something that we're looking at, right? I think that we're going to make sure that we have a strong and efficient investment grade balance sheet. And I think we'll -- over the next coming couple of months, we'll give you a little more specificity on exactly where we want to be.

Scott H. Group

Wolfe Research, LLC

I know we're getting over, but just last couple of things. Some talk about adding more international routes to Europe. Is that likely timing is that part -- is that in the numbers we've been given already?

Tom Doxey

Executive VP & CFO

Yes, you probably saw in the news, some open sky. So we've been flying international for a long time now, almost a decade, that's something that gives flexibility. It's a framework that we can work in speaking of frameworks. It's a framework that we can work in for the ability to be able to fly international. You asked a question earlier to the pilot panel about the ability to continue to expand the network, right? And that has to be something that we continue to look at, right, is whether that is something that is going to be accretive to the business as we look at the different product elements that we're using to enhance what we're doing.

Scott H. Group

Wolfe Research, LLC

Great. And then just lastly, I'm giving everyone a chance. We touched on a lot, but anything we didn't touch on or anything you want to emphasize just make sure people in the room understand about Southwest.

Tom Doxey

Executive VP & CFO

Yes. I'm really excited about what we're doing. The pace with which we're doing it, the thoughtfulness, the execution that we've seen we're running a really, really good operation, right? Really, really good. And you look at the Wall Street Journal rankings, those come out just once a year, but we track that portfolio of rankings, and we've been #1 in those rankings. And the overwhelming majority of -- when you look at a Net Promoter Score, right, how satisfied are you the overwhelming majority of that score comes from running a reliable operation, and we're absolutely doing that better than anybody right now, which is great. And so between that, that sets the foundation and all of the things that we've been talking about here, all these initiatives that are rolling out and the fact that the wait and see that the wait now is just around the corner. We're 6 days away from the next big milestone as we launch Basic as we launch bags. And then we're moving into the seat assignments and the extra legroom as we get throughout the year. And then there's more to come. It's a really exciting time to be at Southwest. And it's -- the team is just incredible, I think, in executing. And one thing that I'd like to do, if you'll let me be quick just to recognize Julia. So Julia is retiring from her role and has just been fantastic. And so Julia, I just wanted to make sure to thank you. This is Julia's last conference. I just wanted to thank you for everything that you've done and for the impact that you've had on Southwest. So thank you.

Scott H. Group

Wolfe Research, LLC

Julia, round of applause. Thank you for saying that Tom. Thank you, Julia. Thank you. This is great. Appreciate it. All right. Thanks.

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