



## Southwest Airlines Co

*Southwest Airlines Co presentation delivered at the 2026 J.P. Morgan Industrials Conference on Tuesday, March 17, 2026 at 11:30 AM*

**Jamie Baker:** Folks, moving right along. This is our final presentation before an amazing boxed lunch that I'm sure everybody is excited for. Very happy to welcome Southwest Airlines back to the stage, obviously an anchor tenant of this conference for the last couple of decades.

We've got Bob Jordan, obviously CEO, at the end. Andrew Watterson, thank you for joining us, chief commercial officer. Tom Doxey, certainly no stranger to this event. Where did Danielle go? OK. Sitting in the front, but I still want people to become more familiar with you since you're also somewhat new to the bench.

Bob, let me turn it over to you for any prepared remarks, and we'll have a nice healthy chat.

**Bob Jordan:** All right, Jamie. Hey. Thanks so much. Yeah, we're bringing up near the rear here, so that's all right. We're no stranger. Thanks for having us. We appreciate it. Like to be here every year. I've got just a couple of remarks.

We don't have a formal presentation. We really want to have a conversation and talk to you about what's going on in Southwest. I'd give you just a couple of points. As you know, last year 2025 was the most transformational year in the history of Southwest Airlines.

We changed our product. We added different revenue streams. We went into different distribution channels. A huge year of transformation. It all went very, very well. I'm very proud to say that we ran a terrific operation at the same time and won the Wall Street Journal number-one airline ranking for 2025. Very proud of our people in that execution.

We're seeing strong proof point that the initiatives are working, and that is in two categories. Number one, customers are buying the products. They want the new products that we are selling.

Then it is showing up in the revenue performance. The revenue, we'll talk a lot about that today. You've heard that from other carriers. There's broad-based revenue strength, but we are seeing specific revenue strength in the new initiatives and products that we're selling at Southwest.

Basically, the headline there is everything that we told you about the initiatives and the program, what they would deliver and everything we told you at fourth-quarter earnings in January is fully on track. Of course, the only wildcard is fuel that faces all of us.

Again, we've got no presentation. We've got some questions from Jamie. We want to have a conversation about what's going on at Southwest. You also saw that we had no 8K out this morning. As we described, especially in our fourth quarter results, we're simplifying our approach to guiding and moving to leaning heavily on EPS guidance as the strategy.

At the end of the day, earnings, what we produce for our shareholders, is what matters. That's part of the reason there. A big piece of that too is that our EPS guide that we gave you in January stands, another reason that we didn't have an 8K out this morning.

Like you've heard from others, we're seeing broad-based demand strength. That strength is in all geographies. It's across all fare structures. It's across business. It's leisure. As far as we have visibility, that demand strength is across all forward months.

Unique to Southwest Airlines, we're seeing a lot of strength in the demand for our new products, the seat ancillaries. I would just point out, we talked a lot about this earlier in the year, the broad-based demand is something we all see.

The strength that is coming from the initiatives is unique to Southwest Airlines. A billion dollars in bag fees a year. Over a billion dollars in the assigned seating product, upsell and seat ancillaries. Those things are very unique to Southwest and only Southwest because only Southwest Airlines has those initiatives.

While we all wish fuel wasn't at the point that it is, I am incredibly glad to have that extra revenue source coming online and being optimized at a point where we are seeing high fuel, and it certainly acts as a hedge for us.

Then last, given what we know standing here today, if you look at the forward fuel and you run the fuel curves out, we continue to expect significant margin expansion and earnings growth in 2026. With that brief introduction to the business, I'd love to just spend the balance of our time on what's on your minds. Jamie, you've got questions.

**Jamie:** Got it.

**Bob:** Let's get to that.

**Jamie:** Grab a seat. Strap in.

[laughter]

**Jamie:** I do want to talk about the evolution at Southwest. I think I joked with you once or twice, but primarily with Gary Kelly. As the industry was evolving -- this goes back over a decade -- I felt that Southwest was failing to evolve, failing to keep pace with the industry.

I used to joke with Gary, "Middle age kind of sucks, but there comes a point where you can't fit in your college jeans anymore. You have to embrace change." I never thought I would see so much evolution at Southwest as what we've seen in the last year.

It was a year ago today, or a year ago at our conference, that you really blew the doors off and brought the new plan to the market. A two-part question. One, in terms of the execution of evolution over the last year, I'm curious what grade you would give yourself. Second, have we put the lion's share of Southwest evolution behind us? If not, what inning are we in?

**Bob:** First off, I don't have any of my college jeans. They'd be 45 years old at this point, so I have no idea whether I'd fit into them or not.

[laughter]

**Bob:** I understand your question. I don't spend any time thinking about what could have been 10 years ago or 5 years ago, though.

**Jamie:** Oh, sure.

**Bob:** The whole point is adapting to what we need to do today. Obviously, it creates value for our shareholders, but this whole thing is about driving to meet the needs of the customer in 2026 and beyond.

Our customers want product choice. Our customers want an evolution of our product, power at every seat back, the larger bins, extra legroom options, and so it is all about meeting the customers' needs.

What we know is that customers love Southwest Airlines -- highest NPS scores, best operation -- but if we don't offer a product, if we don't offer it and they want it, they cannot fly Southwest. This 18-month journey has been about evolving to meet the needs of our customers.

88 percent of folks that would not fly Southwest Airlines, it was because we had open seating and not assigned seating. About 80 percent of customers that do fly Southwest wanted assigned seating rather than open seating.

Timeline aside, you must adapt. I'm very proud of the fact that the company adapted very quickly. All of this change has been done in 18 months, and done while at the same time we ran a terrific operation and won the "Wall Street Journal" award.

The next point of your question in terms of...I'd give not me -- I'd give the company a high grade for that execution, both pace, quality, and hitting the mark. The "What comes next?" is the same thing. It is, what do we need to continue to do to meet the needs of our customers and evolve?

I'll tell you, right now, we're focused on optimizing the products we've just put in. They're performing extremely well -- and that's customer demand and that's revenue -- but there's room to continue to optimize and produce even better financial results for our shareholders.

The "What comes next?" is going to be on the product side. It's going to be continued network evolution. We know the products are much more favorable to our business customers, but there's work to do to gain more business share.

Again, nothing to report today specifically, but this is all about meeting the needs and the demands of your customers.

**Jamie:** Building on that, and you're not going to hurt my feelings if you don't remember this, but I think about six or seven quarters ago.

[laughter]

**Jamie:** I asked the team what the value proposition of Southwest really was. Just to give you the background, I think there's a perception that Wall Street analysts tend to map out their questions long before the conference calls start. Maybe my competitors do that, but indulge me for a second.

I asked a question, I was already in the queue, I didn't know what I was going to ask, and my son, who had just moved to Seattle, texted me. He's like, "Dad, should I get the Delta credit card or the Alaska credit card?" I said, "I don't know. I'm busy. What about the Southwest card?" He said, "Well, Southwest, it just doesn't really appeal to me."

That happened about 10 seconds before I had to come up with a question. The question I asked was, how would you describe the value proposition of Southwest Airlines to somebody who is just entering the workforce and looking to start from scratch?

Quite honestly, I think the team stumbled a little bit. It bounced. I did not think it was an A-plus answer, so I'm going to give you a second chance.

[laughter]

**Jamie:** I hope that's not too obnoxious. There's been a lot of evolution in...

[crosstalk]

**Jamie:** He just berated you...

**Bob:** Not any more obnoxious than normal.

[laughter]

**Jamie:** It's true.

**Bob:** I'm kidding.

**Jamie:** Let's push his bank's credit card, though. You got to give him that.

**Bob:** Your value proposition is things like price. For a long time, we laid our value proposition at the feet of one thing, policies. Bags fly free is a policy, flight credits that never expire is a policy.

Customers are going to choose you in part for that, but in a large part for do you offer the product that I want? There's more demand for product differentiation than ever. Do you fly and have a nonstop where I want to go?

The evolution of the product is meant to attack that and make the product more relevant to our customers, which means they're going to want to get the credit card.

The credit card comes with amazing benefits, like free bags and higher seat choice, those kinds of things. Then we are looking to continue to enhance. Nothing to report today. You've heard me talk many times about the potential for lounges. That's an active discussion. We would only do that if it makes sense from a financial threshold perspective.

It's very clear that customers have that high on their value proposition list. Then second, for us, for Southwest Airlines, it is the feature that allows you to have an even more premium credit card, which makes the Rapid Rewards and the co-brand program even more financially improves the returns and makes it more viable. It's another example of, if you can't offer it, they can't buy it.

Ultimately, one of the largest advantages that we have, if not the largest, is service and our people. We have the highest NPS scores for a reason, and it's because our folks go out of the way to produce what we call golden rule service, understand the need of the person in front of them, take action, a lot of times heroic action, and fix a problem, be fun.

While that's maybe a bit on the margin, as we have products that are similar to other carriers, the one completely outstanding difference is our people, the way they make you feel, and the service that they provide, in particular on the aircraft.

**Jamie:** Excellent. Very good answer. Thank you. This came up at a breakfast that we had together this morning, but I think there's a perception, and maybe this is a question for Andrew, but I think there's a perception that Southwest really skews to a more price-elastic demographic.

I've always pushed back on that, but I'd be very interested to hear any facts and figures that you can throw out that would address that. Because I don't think of you as uniquely targeting the lowest end of the demand curve.

**Andrew Watterson:** Yeah. It's true that we have a full range of customers. Our higher-end customers, the over 200k household income, we have a fairly high proportion, slightly less than the big three, but far more than the ULCCs or the LCCs. I think it really depends on where you live in the United States or how you think about that.

One of the tenants of your appeal is your schedule. In a place like New York, where Wall Street

analysts may be located, we're not terribly relevant. We bring people to New York. We're not really New York's carrier. There's at least four that think they're New York's carrier. We're not one of them.

We are the carrier in Nashville. We are the carrier in SoCal. We are the carrier in many places, Phoenix, Denver, lots of places around.

**Jamie:** We think it's a Laguna Conference. Everybody flies you in, right?

**Andrew:** Exactly. In those places, our predicament was we would have a lot of these people who would travel us short haul. If somebody needed to go from Orange County up to the Bay, maybe they would fly us, because we have lots of options around the Bay, not just SFO.

If you're flying longer haul, frankly, our product did not appeal to you. Our customer set shared their wallet with our competitors when they were flying further afield. Intra West, we had them, they would go East of Denver, we didn't. Having a product that appeals to these people so they can share their wallet back with us is the dynamic we're after here.

It's really starting to pay dividends because people found they willingly will give us more money when they could select their own seat, when they tailor their offering rather than this one-size-fits-all offering we had before that worked well if you were going San Diego to Sacramento, but didn't work well if you were going East Coast.

**Jamie:** This is obviously the first time in your history that you've really made a conscious decision to lean into premium demand. You're starting from scratch, you don't have lay flat internationals, so I'm not going in that direction. I'm just trying to think, Delta's at 49 percent of revenue coming through premium channels, or for premium products, I should say.

I assume United is in that ballpark. Air Canada just got off the stage. They're in 25 to 30, but they're moving north. One, how are you going to define that number? Given what you currently have on the drawing board, where can you take that...?

I don't see you going to 49 percent. It's just not that much of the low pass allocated to better products, but how do we think about the road map for further leaning into premium? That's the question.

**Bob:** I'd say, number one, we are focused on optimizing the products that we have just put in

place and seeing the optimal benefit. There's work to optimize the fare buy-ups between product choices. There's work to optimize and dynamically price things like seat ancillaries. We have a lot of opportunity.

The products are performing terrific, both from a demand and a pricing perspective, but we have an opportunity to continue to optimize that. Based on those learnings and share and where we might need to look, we'll continue to look at other more premium. It really leaves two things. It leaves true first class and then long-haul international, which would drag something else.

We're focused on optimizing the products in place. I would also say that if you look at all of our guides for the first quarter, it would imply that Southwest operating margins would be back in the hunt at being top of industry.

I think that's material, and that what you've been told over and over is you can only be there if you have premium and you have long-haul international, because that is where the revenues and drivers are coming from.

It tells you something about our underlying product strength, which is the best domestic network, the best people and best service, the best operation, as backed up by "The Wall Street Journal," our rankings, and now a much more appealing product to our customers without having long-haul international and 2x2 first class.

And we're in the hunt to have top-of-industry margins. It tells you something about the strength of the underlying product even absent those two things.

**Jamie:** Expand on that. Do you think that's largely a function just of the network, the momentum that you have, the cost structure? It's a very valid point. If you were to just transcribe everybody's EPS guide into a margin number, put them in front of us without identifying the airline, I'm not sure I would be able to pick out Deltas versus Southwest.

**Bob:** I think it's all. It's a combination of all of those things that make Southwest attractive. Again, the most nonstops, the best network, the best people, the best frequent-flyer program, high NPS scores, this terrific operator, it all comes together, and now with a product offering that appeals to folks that want to fly longer haul to business, to folks that want some level of premium.

It's very hard to tear it apart, but you put all that together and it says that, even without having those other attributes, we have a very appealing product because we're attracting customers that

even without that allow us to be at or near top of the industry in terms of operating margins.

It also shows you where we can go as we continue to add, think about adding, not just optimizing what we have, continuing to optimize the network, continuing to pull in more business passengers, but then more products and services. It just shows you the upside for Southwest Airlines.

**Jamie:** Since you mentioned corporate, any update on corporate momentum here in the quarter, and how you track that?

**Bob:** Andrew, you want to take that?

**Andrew:** Yeah. We're seeing strong both on price because corporates are buying up product-based segmentation that we've embraced now, along with the rest of industry of basic, but also product-based sell-ups. The corporates are responding well on the price side and the volume side.

In fact, for March, if we didn't sell a dollar more of corporate travel, March would be our biggest corporate travel month in our history as of last Friday, and we still have half the month to go, and corporate books close in, as you know, so quite the momentum.

**Jamie:** I've reiterated that in this room today, even though you weren't here.

**Andrew:** [laughs]

**Andrew:** That's a cool sound bite.

**Andrew:** Yeah, corporate is really working for us. We professionalized that, stood it up a couple years ago, so we have the infrastructure, we have a sales force, we have the distribution channels, we just didn't have the product to go with it. Now our sales force, armed with a better product, is winning more business for us.

**Jamie:** On corporate, and I don't know how you would gather this, but do you have any feel for the percentage of corporate revenue where policy will pay for the upsell? For example, at J.P. Morgan, as long as I don't move cabins, I can basically spend with impunity anything I want intra-cabin.

I think it's that way at other investment banks who've got friends around the industry. For other businesses, are companies reimbursing business travelers for that, or is that coming out of pocket?

**Andrew:** It's broadly reimbursed.

**Jamie:** It is. OK.

**Andrew:** Now, each company, each industry is a little bit different, and that moves with the economy. Broadly speaking, corporates will block basic, number one; number two, allow you to add on a bag or a reasonable seat that's within the coach cabin very easily.

The very high end of consultants and banks may buy first class domestic. For the large majority of the corporate warriors, they are flying coach, and they can expense seats and that kind of stuff in that coach cabin.

**Bob:** Including allowing you to expense the extra-leg-room section, broadly.

**Jamie:** Yeah. That was the point. The evolution seems to be successfully embraced by passengers on an increasing basis. What's been the internal embrace of all of this change, particularly in the cabin? Because I do see social media posts, "So they wouldn't let me move one seat over."

The flight attendant, they're having to police things. How much of a strain is this putting on a culture that had developed sort of decades of muscle memory?

**Bob:** I separate it because there were actually two things going on. It was an incredibly successful implementation of all of these things. With anything that is huge change, overnight, we changed our seating and our boarding completely, flip a switch overnight.

By the way, that next day when we operated in that new environment, we beat Delta, American, United in on-time performance and cancel rate.

**Jamie:** In middle of a large storm, right?

**Bob:** That's exactly right. I use that a lot because I'm very proud of it. We put all this stuff in and still beat the network carriers in terms of performance. Any huge change, you're going to have

things that you discover. We have discovered the way some of the seat assignment algorithms work.

It was clumping folks, and that's been fixed. In some cases, somebody that is A list, so they're tier, they ended up in a lower boarding group than we intended. This is all designed to be configurable, so we can literally change it on the fly. Those are being worked.

I would put that in a very small but sometimes noisy category, but it is a very small percent of all folks that are flying. As you know, social media has a tendency to amplify things. I would put that all in the category of expected tweaking of the product after it was implemented, and it's moving very quickly. Where our employees on board with this evolution of Southwest Airlines? Absolutely.

I've been at Southwest 38 years. I've never seen, especially the frontline, embrace change because they saw many things. Number one, they're going to be able to serve their customers better. If you're a flight attendant, you now know the name of the person sitting in a seat and you can serve them better, you know their history with us and you can provide very personalized service, which is what they want to do.

The way we board now helps clean up some of the pre-boarding issues that we weren't known for. Our employees saw operational improvements coming from this, but most of all, they saw, I love serving my customer, and now I can serve them better. I've never seen a set of changes that were more embraced by our 60,000 frontline employees than this.

**Jamie:** Excellent. I think we've got a question from Mark Streeter.

**Audience Member:** We've got a couple. Bob, thank you for the quote, not more obnoxious than normal. I think I'm going to use that again to describe Jamie in multiple ways.

**Bob:** [laughs]

**Bob:** I was just responding.

**Audience Member:** Love that. That's a keeper. We'll be remembering that. On the lounge strategy, you said you're tying it, of course, to how you're thinking about cards. When you look at the American Express/Delta relationship, they both built up lounge networks independently. American Express came maybe a little bit later, obviously, after the Delta lounge network. Delta

was already fully established.

When I think about Southwest maybe pursuing a lounge strategy, and I haven't talked to my internal colleagues on this, but Chase has a lounge network right now. Is there an opportunity for Southwest and Chase, for you to maybe piggyback off of some of that? Is there a way to maybe co-brand a lounge together or get your premium card customers access to the Sapphire lounge network? Is that on the table?

**Jamie:** In fairness, as Etihad already has in some of our facilities.

**Bob:** Yes. I think I would say nothing to report today. We've been frank that it's something we are considering given customer demand and the value that it would create with this more premium card that would provide lounge access. Obviously, yeah, we have a terrific and strong partner with Chase.

To the extent that our wants and needs intersected, that would be wonderful, but again, nothing to report. I would tell you that the way we think about something like this is, it is again in the context of pursuing what customers want from Southwest because we want to give you fewer and fewer reasons to fly somebody else.

Then number two, we're a low cost, high efficiency carrier, so the construct of adding something in attribute light lounges has to fit in the financial thresholds that maintain our goal of returns and financial efficiency, all those things. It's got to fit both. We wouldn't do something that violates that tenant simply because it is highly favorable to our customers.

Know that as we think about things like this, we will do it in the Southwest way in terms of making sure that it fits our financial structure especially.

**Audience Member:** Tom, last year at our conference, I think it might have been day number two or something like that for you.

**Tom Doxey:** I do remember when you asked me a very specific question on day two.

**Audience Member:** Yes. Thank you. Am I the obnoxious one? I owe you an apology on that.

**Bob:** I don't know. Did Jamie grade your answer?

**Tom:** Yes. He did. Jamie said it, and I'm the obnoxious guy.

**Audience Member:** Exactly, because it was a little unfair of me. For those in the room around the webcast, what I asked Tom a year ago was, how do you think about the balance sheet, leverage targets, and so forth? To be fair, you were dealing with Elliott as a very large shareholder.

You were turning over all rocks as we've talked about going through all the change we talked about. Eventually as last year progressed, you did land on some balance sheet targets. Can you maybe talk about that dynamic between the boardroom, I know you're not going to talk about what your large shareholder wanted?

As you try to balance shareholder returns and the lines that you've drawn in the sand with how far you'll take leverage on the balance sheet and liquidity down, maybe talk about that interplay and why you landed where you landed?

**Bob:** Maintaining a strong and efficient investment grade balance sheet is really important to us. It's a strategic differentiator for us. You've seen us go out with some great terms on financing here in the past 12 months. We had the lowest debt balance in the industry. We need to make sure that we're maintaining that. We put guardrails in place, gross debt to EBITDA between 1 and 2.5 times.

The idea there is, everybody can see where our ratings are and you also know the components that make up those ratings. We were very deliberate about putting guardrails in place that would allow us to stay where we are, given how important that is. We also have a liquidity target of \$4.5 billion. That includes a \$1.5 billion of undrawn revolver that's there.

The banks, we pay them in other ways, so it's nice when they take part of that liquidity cost for us. To give you some of the behind the scenes, there is a lot of broad support as we talked through maintaining that and the guardrails that would ultimately keep that in place.

**Audience Member:** One quick follow-up on the balance sheet. You recently raised some secured debt. I know it was at attractive rates, but did you really save, versus where you could have raised unsecured debt? Why the pivot? Was it just to keep some secured lenders happy? Why did you do that?

**Bob:** There was a bit of savings that we have there. You talk with folks about the level of

unencumbered assets that we have. We have upwards of \$40 billion of unencumbered assets. You talk with folks, some of whom are in this room today and they tell you, you get credit for having assets in that category, but it gets to a law of diminishing returns.

We did take a very small portion of that group, and we're going to save a little bit of borrowing costs there as we did that. Ultimately, this will be to help refinance some of the government debt that has rate adjustments that's coming due this year.

**Jamie:** Bob, I have a consolidation question that I want to ask you. When I think about, gosh, Muse Air, Morris Air making a run on Frontier and bankruptcy, the ATA involvement, oh, Midway, AirTran.

I think what all of those events have in common was that they were at or near the bottom of an economic cycle. I've long applauded Southwest for putting its balance sheet to good use during periods of industry strain.

I hope that we are not on the precipice of a protracted four-dollar Jack Caro environment. If we are, or better yet, the next downturn that comes along, should I still consider Southwest as an entity that uniquely tries to harness the power of the downturn?

Or are you just at a certain size and scope now that the plan for the next downturn is just hunker in the bunker and make it to the other side, then all will be right with the world. Should we still view you as an opportunistic hunter during times of periods of industry strain?

**Bob:** There is a lot in that question.

**Jamie:** I should have started with that one.

**Bob:** You almost have to put M&A aside because while it can be more attractive in certain periods, it really comes down to the specific carrier their reasons, network, can this be approved, synergies, all that, fleet that really make that attractive, which I think actually drive the transaction more than the downturn. I'd just say that we don't comment on those kinds of things.

This has been part of our history. If it makes sense, it's something we'll consider. I think I would flip it around and say, when you think about a period of a protracted...None of us know what fuel prices are going to do, whether this is a one-month spike, it's a nine-month spike. What I'd focus on is, in either of those conditions, we are well positioned.

Number one, as Tom said, we have strong balance sheet discipline and financial discipline overall. Two, we have a strong cost structure, a focus on efficiency and costs. I would say through what we've been through in the last 24 months and even far more renewed focused on agility, cost discipline, what you're seeing come through the quarters.

Then we are low call, we have great fares. We have tended to win in periods of a challenge for consumers. Gas prices go up, consumers pull back a bit. You see things like premium pullback. That's where Southwest has won, and you've seen us take advantage.

I'm not predicting this by putting a little more capacity in when it's a period that even more than normal favors us. It's only been a few weeks. It's very hard to understand or know what the environment is going to create.

Again, I would just say that we are the best positioned carrier financially, the product, the initiatives that are uniquely helping support and offset fuel for Southwest Airlines, our cost structure and then our appeal to our customers to weather this, whether it is three months, nine months, whatever the period of time, we will be the carrier that weathers this the best.

**Jamie:** Any questions from the field? We got one.

**Audience Member:** Excuse me. Would you hand that to me? Thank you.

**Audience Member:** Hi, Bob, and thanks everyone for coming out. My question is, as you look back on the results of the changes so far, important ones like the assigned seating and the boarding groups, you mentioned a lot about optimizing. Is it possible that there's an ability to optimize while also improving in the case that you still are expanding partnerships with ANA?

You recently announced you're pulling out of IAD and O'Hare. Is this more of an effort to double down on your focus cities and get with the program that the other airlines are doing, focusing on a hub system? How would you say that's affecting your margins?

**Bob:** The answer is it is all. Our initiatives and the reach of the product, reach of the network will continue, so adding partners. As you know, we've added distribution. We'll optimize our products. All that continues. At the same time, we have a lot of opportunity to tune what we've put in place, but it's really all.

We're focused on creating more and more value out of the initiatives that have been successfully implemented at Southwest, focusing on creating value out of our new and expanding partnerships, focusing on creating more value out of winning even more business customers because we have a more attractive product, optimizing the network, on and on and on.

It's all in focus, and we can do all of those things at the same time. The whole purpose is to be more attractive to our customers, number one, and number two, produce more value for our shareholders.

**Jamie:** Gentlemen, thank you very much. Look forward to next year. Thank you.

**Bob:** Thanks, Jamie. Thank you.



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