

ASA 2012: Business Issues Impacting Distributors



June 25th, 2012

Alaska AirGroup Overview

Alaska Airlines & Horizon Air

80 year anniversary in 2012

11,840 employees

Over 90 destinations served

(including US, Canada, and Mexico)

Over 700 daily departures

(including HI, new routes to FLL, PHL, and SAT)

Record Year in 2011

\$4.3B Revenue

\$287.4M Adjusted Net Profit

\$1.1B in Cash

25M RPMs flown

84.5% Load Factor

More to Come in 2012

Recently Introduced Boeing Sky Interior
20 deliveries thru 2014 (Includ. B737-900ER)

Industry Recognition



Alaska Airlines

ATW

Joseph S. Murphy
Industry Service award

Alaska Airlines / Horizon Air

Agenda

1. Why Airlines Can be Challenging Partners
2. Why Alaska Can be a Challenging Partner
3. Historical Airline Market View
4. Alaska Market View
5. Alaska Strategy
5. Alaska Scope of Alaska Opportunity
6. Right Fit Qualities Suppliers
7. Getting Started with Alaska

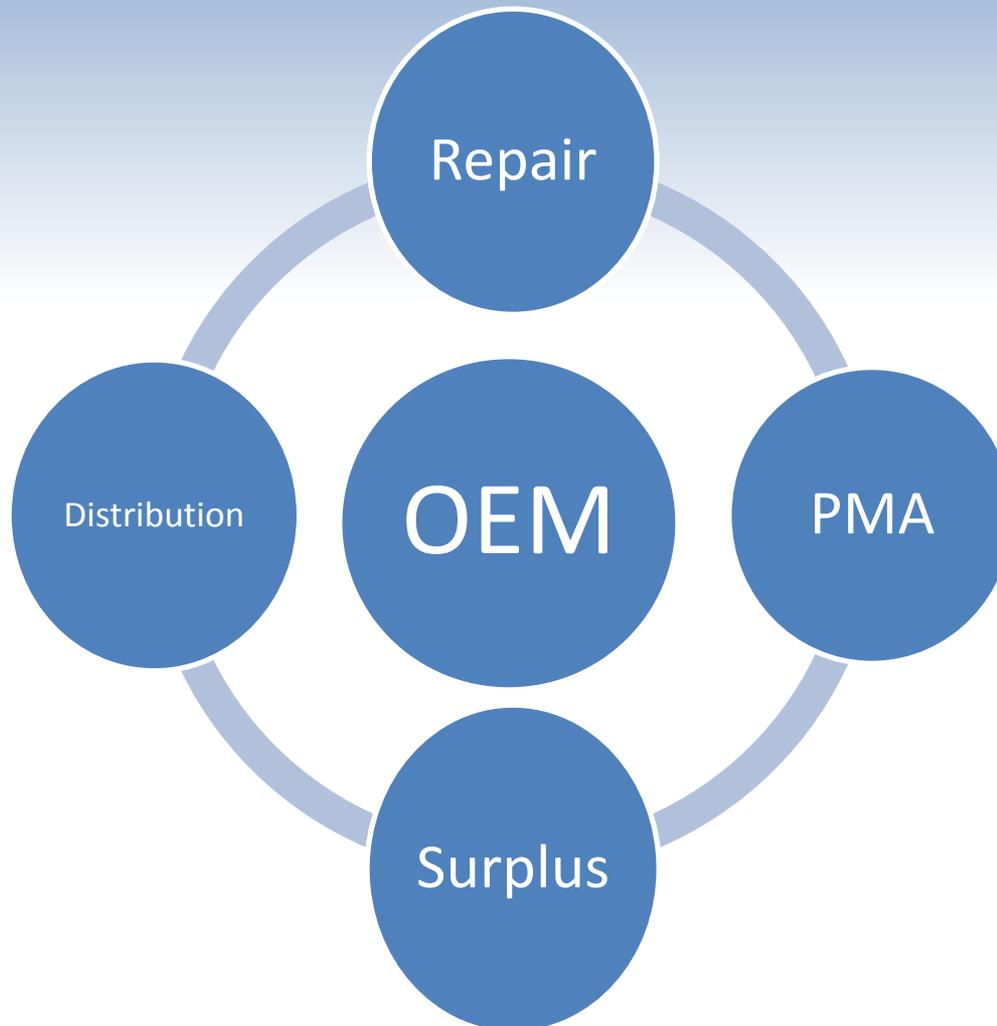
Why Airlines Can be Challenging Partners?

- Belief that little true forecasting possible for parts needs
- Operating/financial environment can lead to OEM-centric focus
- Outsourcing heavy maintenance
- Labor agreements
- Technology handicapped
- Fewer internal resources to manage strategic and tactical needs (post 9/11)
- Continued regulatory scrutiny and increased compliance requirements
- Desire to streamline partners to reduce supplier management resource burden

Why Alaska Can be a Challenging Partner?

- Long term PBH programs across heavy maintenance (Engine, APU, LG, W&B)
- Direct spend for Line usage varies year to year for parts required
- Less than fully robust forecasting methodology
- Less than fully robust reporting for airframe MRO parts usage
- Higher compliance standards

Historical Airline Market View



Alaska Market View

OEMs: Biggest MRO opportunities

Repair: Further consolidation/standardization of contracts/performance and transition to cost per hour structure

PMA: Strategic approach to increase market competition and parts availability

Parts: Chase parts on the open market (ILS)

Alaska Strategy

Near Term – Cost Reductions

“Top 100” Spend Strategy and scheduled orders

Develop “Preferred Status” and “Pricing Agreements”

Mid Term – Supply Availability and Performance

Develop partners who can provide on-going part support

Develop improved forecasting ability

Long Term – Solidify strategy across total available parts needs

Contracts, exposure to heavy mtc parts (Airframe) spend and linking contracts to support Airframe MRO’s requirements

Alaska Scope of Opportunity

Alaska

- \$15-\$16M annual direct parts purchases
- ~25% on contract/preferred vendor status
- \$??M in additional heavy mtc parts spend

Horizon

- \$12-15M annual direct parts purchases (including C-Check)
- <10% under contract

Right Fit Suppliers

- Safety & Compliance Culture – Operating beyond just the minimum requirements
- 737NG/Q400-D8 inventory investment power
- Educate us on what kind of distributor you are and your business processes
- Good relations with manufacturers/OEMs
- Analytical tools (parts forecasting)
- Strategic inventory locations
- Demonstrated performance to customer requirements

Getting started with Alaska

- Are you an approved vendor? We have forms for that.
- Do you understand our organization?
- What differentiates you from everyone else?
- If you already support us, how are you performing?
- Determine who to contact (Buyers names/responsibilities)
- Ease of use to incentivize Alaska to forego searching the open market via the web?

Chapter Assignments

Alaska (737-400, NG)

Dennis Scappini: PowerPlant, Hardware, Lighting, Expendables

Keisha Wendt: Avionics, Landing Gear, Structures, Systems

Michael Schaller: Interiors, Fire Protection, Oxygen, Raw Mtls

Horizon (Q400)

Jo Hayes: Chemicals, Electrical, Landing Gear, Systems

Paul Berglund: Check, PowerPlant, Expendables

Starla Pinstter: Hardware, Fire Protection, Oxygen, Structures

Manager of Procurement

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Thank you!