

EX-99 2 exhibit991.htm EXHIBIT 99.1 - LETTER TO THE ISSUER'S BOARD, DATED JUNE 10, 2024

EXHIBIT 99.1



ELLIOTT INVESTMENT MANAGEMENT L.P.

360 S ROSEMARY AVE, 18TH FLOOR, WEST PALM BEACH, FL 33401

June 10, 2024

The Board of Directors
Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

Dear Members of the Board:

We are writing to you on behalf of funds managed by Elliott Investment Management L.P. (together with such funds, “Elliott” or “we”). Elliott has made an investment of approximately \$1.9 billion in Southwest Airlines (“Southwest” or the “Company”), representing an approximately 11% economic interest and making us one of the largest investors in the Company.

Southwest is a legendary airline with a proud history. Since starting service in 1971, Southwest revolutionized the airline industry with an innovative business model built on operational excellence and a commitment to providing customers with a low-cost alternative to the legacy airlines. This winning strategy generated decades of success and allowed Southwest to become the premier U.S. domestic airline, with 47 consecutive years of profitability in a highly competitive and challenging industry. Along the way, Southwest became a beloved brand among customers and a motivating career opportunity for its employees.

Today, however, poor execution and leadership’s stubborn unwillingness to evolve the Company’s strategy have led to deeply disappointing results for shareholders, employees and customers alike. Southwest’s share price has declined by more than 50% in the past three years and has now fallen below the levels at which it traded in March 2020, during the depths of the COVID-related travel shutdowns. And while the U.S. airline industry is seeing record revenues and peer airlines are enjoying very strong profitability, Southwest’s 2024 EBITDAR is expected to be nearly 50% lower than 2018 levels. In addition to negative returns for shareholders, this disappointing financial performance has cost each frontline employee tens of thousands of dollars on average in the form of reduced employee profit-sharing and declines in the value of Southwest stock held by employee retirement plans.

After 18 months of intensive research, we are convinced that Southwest represents the most compelling airline turnaround opportunity in the last two decades. The significant investment we have made reflects our conviction that, with the right leadership, Southwest can regain its status as an industry-leading airline. In this letter and the appended presentation, we lay out our perspectives on how Southwest can reclaim its status and achieve the success that Southwest’s shareholders, employees and customers deserve.

Southwest Today

Southwest's rigid commitment to an approach developed decades ago has inhibited its ability to compete in the modern airline industry; this ethos pervades the entire business with outdated software, a dated monetization strategy and antiquated operational processes. This failure to modernize is vividly underscored by the December 2022 operational meltdown that was caused by the Company's outdated technology, which led to Southwest stranding over two million customers over the holidays.

Southwest's Executive Chairman and its CEO, who have spent a combined 74 years at the Company, have presided over a period of severe underperformance, and they have demonstrated that they are not up to the task of modernizing Southwest. Since his appointment, Southwest CEO Bob Jordan has delivered unacceptable financial and operational performance quarter after quarter, resulting in seven negative guidance revisions in the last 17 months. Operational metrics are pointing in the wrong direction: Southwest's unit costs – a core priority for a low-cost carrier – have ballooned, while unit revenues have lagged peers. Even as the Company's performance has deteriorated, Jordan has demonstrated a surprising level of complacency, describing each quarter as “great” or “strong” while the earnings outlook continues to fall. Despite the management team's assertions that it is “absolutely committed” to bringing per-unit costs under control, management guided costs meaningfully higher for 2024 and revised cost guidance upward again in April.

Southwest's Board has failed to hold management accountable for poor execution and has been unable to catalyze (or permit) the necessary strategic evolution. Instead, the Board has reinforced an insular culture and outdated thinking in the face of indisputable evidence that change is required. The Board includes no directors with external airline experience, and a majority of the independent directors were recruited by Executive Chairman Gary Kelly. This Board has in turn selected a management team that, of the eight most senior executives, includes only one executive with experience at another airline; the rest have worked at Southwest for an average of over 25 years. The mandate from the Board has been clear: Keep doing things the way they have always been done.

The lack of accountability is best reflected in the Company's response to the December 2022 operational meltdown. In a clear display of poor leadership, CEO Bob Jordan declined to testify in front of Congress after the meltdown, despite attending a company rally just 40 miles away in Baltimore the prior day. No senior executives were terminated for their role in the meltdown. Most concerning, and in blatant disregard for the affected customers and employees, the Board nearly doubled the compensation of all key executives in the year after the incident.

We believe that new leadership is required at Southwest. While Southwest has a proud history, that history is not an argument for supporting poor leadership and sticking with a strategy that no longer succeeds in the modern airline industry. Rather, Southwest's legacy *necessitates* evolution and change to regain industry leadership for its customers, employees and shareholders. As one of Southwest's largest investors, we are committed to delivering the necessary leadership changes to achieve this goal.

A Stronger Southwest

In the accompanying presentation, “Stronger Southwest,” we outline our views on the challenges the Company faces today and our recommendations to drive improved performance, which we summarize below:

- (1) **Enhance the Board of Directors**: The Board should be reconstituted with new, truly independent directors from outside of Southwest who have best-in-class expertise in airlines, customer experience and technology.
- (2) **Upgrade Leadership**: Southwest must bring in new leadership from outside of the Company to improve operational execution and lead the evolution of Southwest’s strategy.
- (3) **Undertake a Comprehensive Business Review**: Southwest should form a new management and Board-level committee to evaluate all available opportunities to rapidly restore the Company’s performance to best-in-class standards. This review would modernize Southwest’s strategy and operations with a focus on increased customer choice, improved cost execution and updating outdated IT systems, among other opportunities, and it should leverage the fresh perspectives of the new directors to help formulate the optimal go-forward plan for Southwest.

By executing on the Stronger Southwest plan, we believe the Company can return to its rightful position as an industry leader, including generating best-in-class margins and compelling returns for its shareholders. **We believe Southwest’s stock can achieve \$49 per share within 12 months, representing a highly attractive 77% return during the period.** For the Company’s frontline employees who have a meaningful economic stake in Southwest’s success, we estimate the plan would result in approximately \$8 billion of incremental long-term value from additional profit-sharing payouts and appreciation of employee-owned stock.

The Stronger Southwest plan puts the Company on a path to more sustainable performance that will better serve customers, employees and shareholders. The plan modernizes Southwest’s approach to ensure that its offering is aligned with customer preferences. It upgrades leadership to improve execution. It drives the efficiency required to continue offering low fares. And it facilitates the necessary investments to run the reliable operation that customers and employees expect.

Next Steps

Southwest became a leading airline by innovating and executing. Today, Southwest’s failure to execute and evolve has led to deteriorating performance, and the Company simply is not living up to its legacy of efficiency and top-tier results. Nevertheless, we are convinced the issues the Company currently faces are addressable with the right leadership and a comprehensive, unbiased evaluation of the available opportunities.

We look forward to collaborating with Southwest to restore accountability and best-in-class financial performance for the benefit of the Company's employees, customers and shareholders. To that end, we will make ourselves available for a meeting with you at your earliest convenience to discuss these issues in greater detail and to align on the changes that Southwest needs in order to deliver on its significant potential.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Pike", with a stylized, somewhat vertical orientation.

John Pike
Partner

A handwritten signature in blue ink, appearing to read "Bobby Xu", with a cursive, flowing style.

Bobby Xu
Portfolio Manager

ELLIOTT®

Stronger Southwest



June 10, 2024

StrongerSouthwest.com

Disclaimer

THIS PRESENTATION IS FOR DISCUSSION AND INFORMATIONAL PURPOSES ONLY. THE VIEWS EXPRESSED HEREIN REPRESENT THE OPINIONS OF ELLIOTT INVESTMENT MANAGEMENT L.P. AND ITS AFFILIATES (COLLECTIVELY, "ELLIOTT MANAGEMENT") AS OF THE DATE HEREOF. ELLIOTT MANAGEMENT RESERVES THE RIGHT TO CHANGE OR MODIFY ANY OF ITS OPINIONS EXPRESSED HEREIN AT ANY TIME AND FOR ANY REASON AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO CORRECT, UPDATE OR REVISE THE INFORMATION CONTAINED HEREIN OR TO OTHERWISE PROVIDE ANY ADDITIONAL MATERIALS.

ALL OF THE INFORMATION CONTAINED HEREIN IS BASED ON PUBLICLY AVAILABLE INFORMATION WITH RESPECT TO SOUTHWEST AIRLINES CO. ("SOUTHWEST" OR THE "COMPANY"), INCLUDING FILINGS MADE BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") AND OTHER SOURCES, AS WELL AS ELLIOTT MANAGEMENT'S ANALYSIS OF SUCH PUBLICLY AVAILABLE INFORMATION. ELLIOTT MANAGEMENT HAS RELIED UPON AND ASSUMED, WITHOUT INDEPENDENT VERIFICATION, THE ACCURACY AND COMPLETENESS OF ALL DATA AND INFORMATION AVAILABLE FROM PUBLIC SOURCES, AND NO REPRESENTATION OR WARRANTY IS MADE THAT ANY SUCH DATA OR INFORMATION IS ACCURATE. ELLIOTT MANAGEMENT RECOGNIZES THAT THERE MAY BE CONFIDENTIAL OR OTHERWISE NON-PUBLIC INFORMATION WITH RESPECT TO THE COMPANY THAT COULD ALTER THE OPINIONS OF ELLIOTT MANAGEMENT WERE SUCH INFORMATION KNOWN. NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS GIVEN AS TO THE RELIABILITY, ACCURACY, FAIRNESS OR COMPLETENESS OF THE INFORMATION OR OPINIONS CONTAINED HEREIN, AND ELLIOTT MANAGEMENT AND EACH OF ITS DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS EXPRESSLY DISCLAIM ANY LIABILITY WHICH MAY ARISE FROM THIS PRESENTATION AND ANY ERRORS CONTAINED HEREIN AND/OR OMISSIONS HEREFROM OR FROM ANY USE OF THE CONTENTS OF THIS PRESENTATION.

EXCEPT FOR THE HISTORICAL INFORMATION CONTAINED HEREIN, THE INFORMATION AND OPINIONS INCLUDED IN THIS PRESENTATION CONSTITUTE FORWARD-LOOKING STATEMENTS, INCLUDING ESTIMATES AND PROJECTIONS PREPARED WITH RESPECT TO, AMONG OTHER THINGS, THE COMPANY'S ANTICIPATED OPERATING PERFORMANCE, THE VALUE OF THE COMPANY'S SECURITIES, DEBT OR ANY RELATED FINANCIAL INSTRUMENTS THAT ARE BASED UPON OR RELATE TO THE VALUE OF SECURITIES OF THE COMPANY (COLLECTIVELY, "COMPANY SECURITIES"), GENERAL ECONOMIC AND MARKET CONDITIONS AND OTHER FUTURE EVENTS. YOU SHOULD BE AWARE THAT ALL FORWARD-LOOKING STATEMENTS, ESTIMATES AND PROJECTIONS ARE INHERENTLY UNCERTAIN AND SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE, AND OTHER UNCERTAINTIES AND CONTINGENCIES AND HAVE BEEN INCLUDED SOLELY FOR ILLUSTRATIVE PURPOSES. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE INFORMATION CONTAINED HEREIN DUE TO REASONS THAT MAY OR MAY NOT BE FORESEEABLE. THERE CAN BE NO ASSURANCE THAT THE COMPANY SECURITIES WILL TRADE AT THE PRICES THAT MAY BE IMPLIED HEREIN, AND THERE CAN BE NO ASSURANCE THAT ANY OPINION OR ASSUMPTION HEREIN IS, OR WILL BE PROVEN, CORRECT.

THIS PRESENTATION AND ANY OPINIONS EXPRESSED HEREIN SHOULD IN NO WAY BE VIEWED AS ADVICE ON THE MERITS OF ANY INVESTMENT DECISION WITH RESPECT TO THE COMPANY, COMPANY SECURITIES OR ANY TRANSACTION. THIS PRESENTATION IS NOT (AND MAY NOT BE CONSTRUED TO BE) LEGAL, TAX, INVESTMENT, FINANCIAL OR OTHER ADVICE. EACH RECIPIENT SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND TAX AND FINANCIAL ADVISERS AS TO LEGAL AND OTHER MATTERS CONCERNING THE INFORMATION CONTAINED HEREIN. THIS PRESENTATION DOES NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL OF THE INFORMATION THAT MAY BE RELEVANT TO AN EVALUATION OF THE COMPANY, COMPANY SECURITIES OR THE MATTERS DESCRIBED HEREIN.

THIS PRESENTATION DOES NOT CONSTITUTE (AND MAY NOT BE CONSTRUED TO BE) A SOLICITATION OR OFFER BY ELLIOTT MANAGEMENT OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES OR AGENTS TO BUY OR SELL ANY COMPANY SECURITIES OR SECURITIES OF ANY OTHER PERSON IN ANY JURISDICTION OR AN OFFER TO SELL AN INTEREST IN FUNDS MANAGED BY ELLIOTT MANAGEMENT, OR A SOLICITATION OF A PROXY WITHIN THE MEANING OF APPLICABLE LAWS, AND ACCORDINGLY, COMPANY SHAREHOLDERS ARE NOT BEING ASKED TO GIVE, WITHHOLD OR REVOKE A PROXY. THIS PRESENTATION DOES NOT CONSTITUTE FINANCIAL PROMOTION, INVESTMENT ADVICE OR AN INDUCEMENT OR ENCOURAGEMENT TO PARTICIPATE IN ANY PRODUCT, OFFERING OR INVESTMENT OR TO ENTER INTO ANY AGREEMENT WITH THE RECIPIENT. NO AGREEMENT, COMMITMENT, UNDERSTANDING OR OTHER LEGAL RELATIONSHIP EXISTS OR MAY BE DEEMED TO EXIST BETWEEN OR AMONG ELLIOTT MANAGEMENT AND ANY OTHER PERSON BY VIRTUE OF FURNISHING THIS PRESENTATION. NO REPRESENTATION OR WARRANTY IS MADE THAT ELLIOTT MANAGEMENT'S INVESTMENT PROCESSES OR INVESTMENT OBJECTIVES WILL OR ARE LIKELY TO BE ACHIEVED OR SUCCESSFUL OR THAT ELLIOTT MANAGEMENT'S INVESTMENTS WILL MAKE ANY PROFIT OR WILL NOT SUSTAIN LOSSES. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

FUNDS MANAGED BY ELLIOTT MANAGEMENT CURRENTLY BENEFICIALLY OWN AND/OR HAVE AN ECONOMIC INTEREST IN AND MAY IN THE FUTURE BENEFICIALLY OWN AND/OR HAVE AN ECONOMIC INTEREST IN, COMPANY SECURITIES. ELLIOTT MANAGEMENT INTENDS TO REVIEW ITS INVESTMENTS IN THE COMPANY ON A CONTINUING BASIS AND DEPENDING UPON VARIOUS FACTORS, INCLUDING WITHOUT LIMITATION, THE COMPANY'S FINANCIAL POSITION AND STRATEGIC DIRECTION, THE OUTCOME OF ANY DISCUSSIONS WITH THE COMPANY, OVERALL MARKET CONDITIONS, OTHER INVESTMENT OPPORTUNITIES AVAILABLE TO ELLIOTT MANAGEMENT, AND THE AVAILABILITY OF COMPANY SECURITIES AT PRICES THAT WOULD MAKE THE PURCHASE OR SALE OF COMPANY SECURITIES DESIRABLE, ELLIOTT MANAGEMENT MAY FROM TIME TO TIME (IN THE OPEN MARKET OR IN PRIVATE TRANSACTIONS, INCLUDING SINCE THE INCEPTION OF ELLIOTT MANAGEMENT'S POSITION) BUY, SELL, COVER, HEDGE OR OTHERWISE CHANGE THE FORM OR SUBSTANCE OF ANY OF ITS INVESTMENTS (INCLUDING COMPANY SECURITIES) TO ANY DEGREE IN ANY MANNER PERMITTED BY LAW AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO NOTIFY OTHERS OF ANY SUCH CHANGES. ELLIOTT MANAGEMENT ALSO RESERVES THE RIGHT TO TAKE ANY ACTIONS WITH RESPECT TO ITS INVESTMENTS IN THE COMPANY AS IT MAY DEEM APPROPRIATE.

ELLIOTT MANAGEMENT HAS NOT SOUGHT OR OBTAINED CONSENT FROM ANY THIRD PARTY TO USE ANY STATEMENTS OR INFORMATION CONTAINED HEREIN. ANY SUCH STATEMENTS OR INFORMATION SHOULD NOT BE VIEWED AS INDICATING THE SUPPORT OF SUCH THIRD PARTY FOR THE VIEWS EXPRESSED HEREIN. ALL TRADEMARKS AND TRADE NAMES USED HEREIN ARE THE EXCLUSIVE PROPERTY OF THEIR RESPECTIVE OWNERS.

PORTIONS OF THIS INFORMATION HAVE BEEN EXTRACTED FROM CIRIUM'S HOSTED SERVICES. CIRIUM HAS NOT SEEN OR REVIEWED ANY CONCLUSIONS, RECOMMENDATIONS OR OTHER VIEWS THAT MAY APPEAR IN THIS DOCUMENT. CIRIUM MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE ACCURACY, ADEQUACY, TIMELINESS, OR COMPLETENESS OF ITS DATA OR ITS FITNESS FOR ANY PARTICULAR PURPOSE. CIRIUM DISCLAIMS ANY AND ALL LIABILITY RELATING TO OR ARISING OUT OF USE OF ITS DATA AND OTHER CONTENT OR TO THE FULLEST EXTENT PERMISSIBLE BY LAW.

Stronger Southwest

01 Executive Summary

02 Southwest Has Underperformed

03 Southwest Requires Change

04 A Stronger Southwest

About Elliott Investment Management

Founded in 1977, Elliott Investment Management L.P. (together with its affiliates, "Elliott") is one of the oldest private investment firms of its kind under continuous management

Elliott's Approach to Active Investing

- **Extensive Analysis:** Prior to making any investment, Elliott thoroughly researches the opportunity by drawing on internal and external resources
- **Hands-on Effort:** The creation – not just the identification – of value; we believe Elliott's strength is in catalyzing constructive change
- **Team Approach:** The companies with which we engage benefit from Elliott's diverse team of specialized experts in public relations, shareholder engagement, corporate governance, private equity, capital markets, credit, real estate and government relations

Elliott by the Numbers

47
Years under
continuous management

\$65.5 billion
Assets⁽¹⁾

130+
Active engagements
in last 10 years⁽²⁾

125+
Directors placed
on boards⁽²⁾

Representative Engagements



ELLIOTT

(1) As of 12/31/2023. (2) As of 6/7/2024.

Stronger Southwest

4

Our Analysis of Southwest

Elliott has sought the perspectives of industry executives and advisors to help us evaluate the Company's strategy, market position, operations and opportunities to enhance performance

Former Employees and Industry Execs

We engaged in more than 130 conversations with former Southwest employees and other airline industry executives

Industry Advisors

Elliott has been working with leading industry advisors to help us analyze Southwest's commercial strategy, operations, organization and cost structure to identify potential revenue and efficiency opportunities

Shareholder Survey

An independent third-party shareholder survey firm canvassed both Southwest's shareholders and other airline investors to understand sentiment on Southwest and its peers

Customer Study

We commissioned an extensive passenger airline consumer study with 2,000 respondents to understand customer preferences and drivers of customer choice for Southwest and its peers

After 18 months of extensive research, Elliott is pleased to share its perspectives on Southwest's performance and the steps needed to create a stronger company going forward

Southwest At a Glance

Southwest is the largest domestic carrier in the U.S., serving more than 137 million customers across a network of 121 destinations in 2023

Leading Domestic Carrier

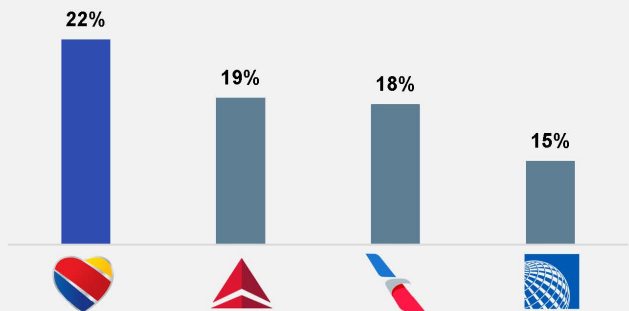
- **Largest domestic carrier in the U.S.** by passenger volume
- Supported by a fleet of **819 aircraft** and nearly **75,000 employees**

Robust Domestic Network

- **#1 market share** in 22 of the top 50 U.S. cities, and **#2 share** in an additional 10
- **>50%** of passengers fly on routes where **Southwest has 60% or greater share**

Leading Domestic Market Share

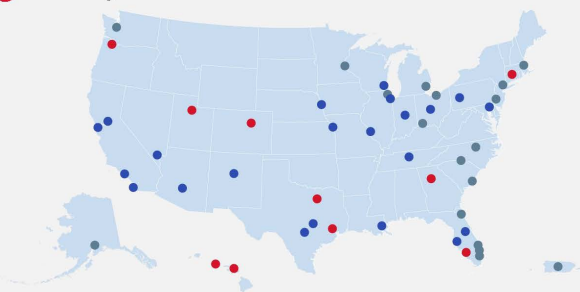
By Domestic Passenger Volumes⁽¹⁾



Southwest Domestic Network

Southwest Market Share in the Top 50 U.S. Cities⁽¹⁾⁽²⁾

- #1 Passenger Share
- #2 Passenger Share



137
Million
Customers⁽¹⁾

#1
Domestic Market
Share

74,695
Employees⁽³⁾

819
Aircraft Fleet⁽³⁾

121
Airports
Served⁽⁴⁾

53
Years Serving
Customers

ELLIOTT

Source: Company filings, Cirium as of 8/7/2024. (1) For year ended 12/31/2023. (2) Reflects domestic two-way passenger share. Treats co-located airports as a single market for LA (BUR, LAX, SNA and ONT), Bay Area (OAK, SFO and SJC), Washington (BWI, DCA and IAD), Dallas (DAL and DFW), Houston (HOU and IAH), Chicago (MDW and ORD) and New York City (EWR, JFK and LGA). (3) As of 3/31/2024. (4) As of 12/31/2023.

Stronger Southwest

6

Southwest's Remarkable Legacy

In 1971, Southwest introduced low-cost air travel to its customers. The model was highly innovative for its time and facilitated decades of consistent profitability and growth

Innovative Model

- Began service in 1971 with a highly innovative model for its time, offering no-frills, low-cost air travel
- Model was highly successful and served as the blueprint for many of the world's leading airlines today

Best-in-Class Efficiency

- Simple, highly efficient operation created a strong cost advantage versus legacy carriers
- Low-cost model allowed for low fares which facilitated Southwest's growth

Sustainable Growth

- Grew from three cities in the intra-Texas market to now serving 121 destinations⁽¹⁾ with 819 aircraft⁽²⁾
- Southwest has served nearly 3 billion passengers since commencing service in 1971

Consistent Profitability

- 47 consecutive years of profitability before 2020, a notable achievement in the difficult airline industry
- Sustainable profit growth facilitated reinvestment and development of new markets

“

If you don't change, you die...

If things change faster outside your company than they change inside your company, you've got something to worry about...

What we're talking about here is your future. If you don't change, you won't have one.

Southwest Founder Herb Kelleher, March 2014

”

Source: Southwest media.

8

The First 30 Years: An Innovative Leader

Southwest was once an industry leader with an innovative model and a unique customer-facing approach

➤ Invented the Low-Cost Carrier Model

Innovative model became the blueprint for many of the world's most successful airlines

➤ Led on Customer Segmentation

Introduced two-tier pricing for off-peak travel in 1972, driving a meaningful increase in load factor

➤ On the Cutting Edge of Technology

First major airline to create a website, which by 2000 generated over \$1 billion of revenue. Southwest was also the first major airline to introduce e-tickets

➤ Innovated on Operational Efficiency

After selling its fourth aircraft to fund its operations, Southwest dramatically reduced its turn time to 10 minutes (vs. 1 hour for peers) to maintain its schedule

Today: Southwest is “Outdated”

After years of aversion to change, the Company's strategy and operations are now outdated

⬇ “Dated commercial strategy”

Barclays, April 2024

⬇ “Industry passed them by”

Southwest Shareholder, May 2024

⬇ “Lost the passion for low-cost”

Ryanair CEO Michael O'Leary, March 2024

⬇ “Outdated approach”

Bernstein, January 2023

⬇ “Systemic failure... to modernize”

SWAPA (Pilots' Union), December 2022

⬇ “Sat out the industry's evolution”

J.P. Morgan Webcast, May 2023

ELLIOTT

Source: Company website, media articles, equity research, SWAPA.

Stronger Southwest

9

Southwest Must Change

Southwest's disappointing performance over the last several years highlights the need for new leadership and an evolution of the Company's strategy

↘	Market Value	Lost more than 50% of its market value in last three years
↘	Stock Price	On pace for its 5th straight year of negative stock returns
↘	Profit Sharing	Massive decline in annual profit sharing pay for employees
↘	Guidance	Revised guidance down seven times in the last 17 months
↘	Margins	Now has the worst margins of any major airline
↘	Operations	December 2022 meltdown stranded over 2 million customers
↘	Governance	Board lacks independence and external airline experience
↘	Leadership	Executive Chairman and CEO committed to dated strategy



Talk about a fall from grace. Of all the US airlines, Southwest has evolved the least since 9/11, relative to an industry that has undergone a massive profit transformation ... We believe **substantive changes to its business model are required if margins are ever going to reclaim the high ground, but management (thus far) appears uninterested.**

J.P. Morgan, December 2023

Southwest's Challenges are Addressable

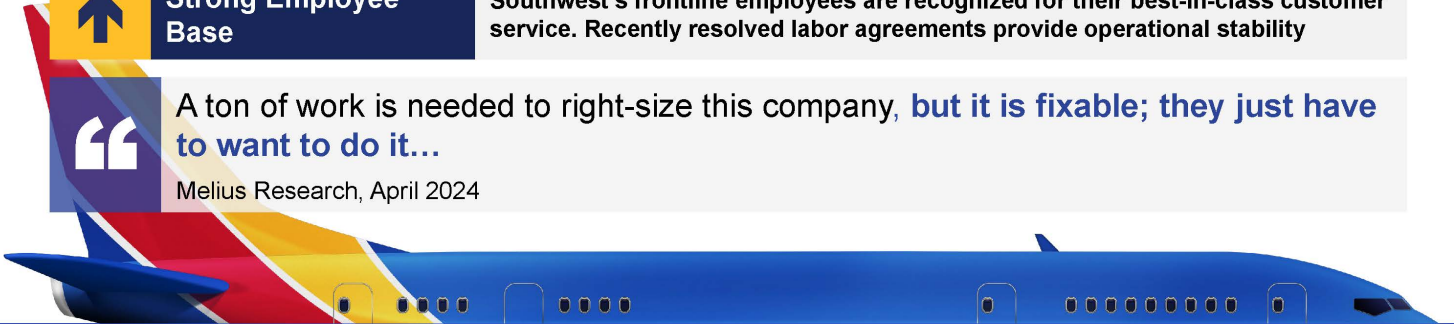
Southwest has the fundamental attributes necessary to restore its industry-leading position. With the right leadership and strategy, we believe today's challenges are readily addressable

↑	Robust Network and Customer Relevance	Largest domestic airline by passenger volume, operating an extensive domestic network with high flight frequencies that drives customer relevance
↑	Dominant Market Share	Dominant market share on its routes, with over half its passengers flying on routes where Southwest has 60%+ route-level share
↑	Unlevered Balance Sheet	Maintains a net cash balance sheet and has \$17 billion of unencumbered assets
↑	Leading Loyalty Program	Southwest's frequent flyer program generates leading loyalty economics
↑	Efficient and Well-Invested Fleet	Single fleet type drives cost efficiency and Southwest's average fleet age is well-below peer average ⁽¹⁾
↑	Strong Employee Base	Southwest's frontline employees are recognized for their best-in-class customer service. Recently resolved labor agreements provide operational stability



A ton of work is needed to right-size this company, **but it is fixable; they just have to want to do it...**

Melius Research, April 2024



Stronger Southwest

A Stronger Southwest starts with improved leadership and new perspectives. The Company must refresh its Board, upgrade its leadership and embark on a comprehensive review of its strategy and operations

➤ Board Change

Significant Board change including new independent directors with external airline experience

➤ Upgraded Leadership

Current Executive Chairman and CEO are rigidly committed to the status quo. Southwest must bring in new leadership from outside of the Company for Southwest's strategy to evolve

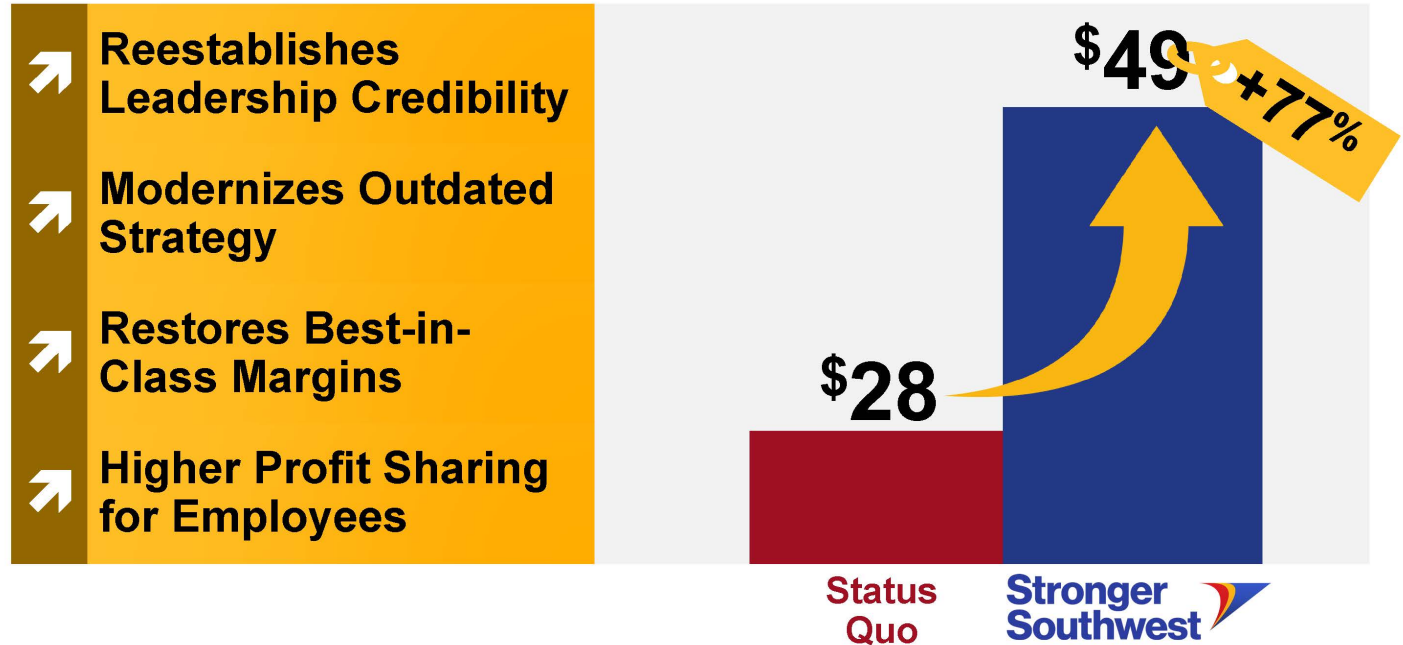
➤ Comprehensive Business Review

New management and Board-level committee will conduct a thorough review of Southwest's strategy and operations with the goal of rapidly restoring best-in-class performance

Elliott intends to pursue all available pathways to deliver the leadership changes that the Company requires

Upside from a Stronger Southwest

With the right leadership, Southwest has clear line-of-sight to improving performance and reclaiming its industry-leading position



We believe Southwest represents the most compelling airline turnaround opportunity in the last 20 years

ELLIOTT

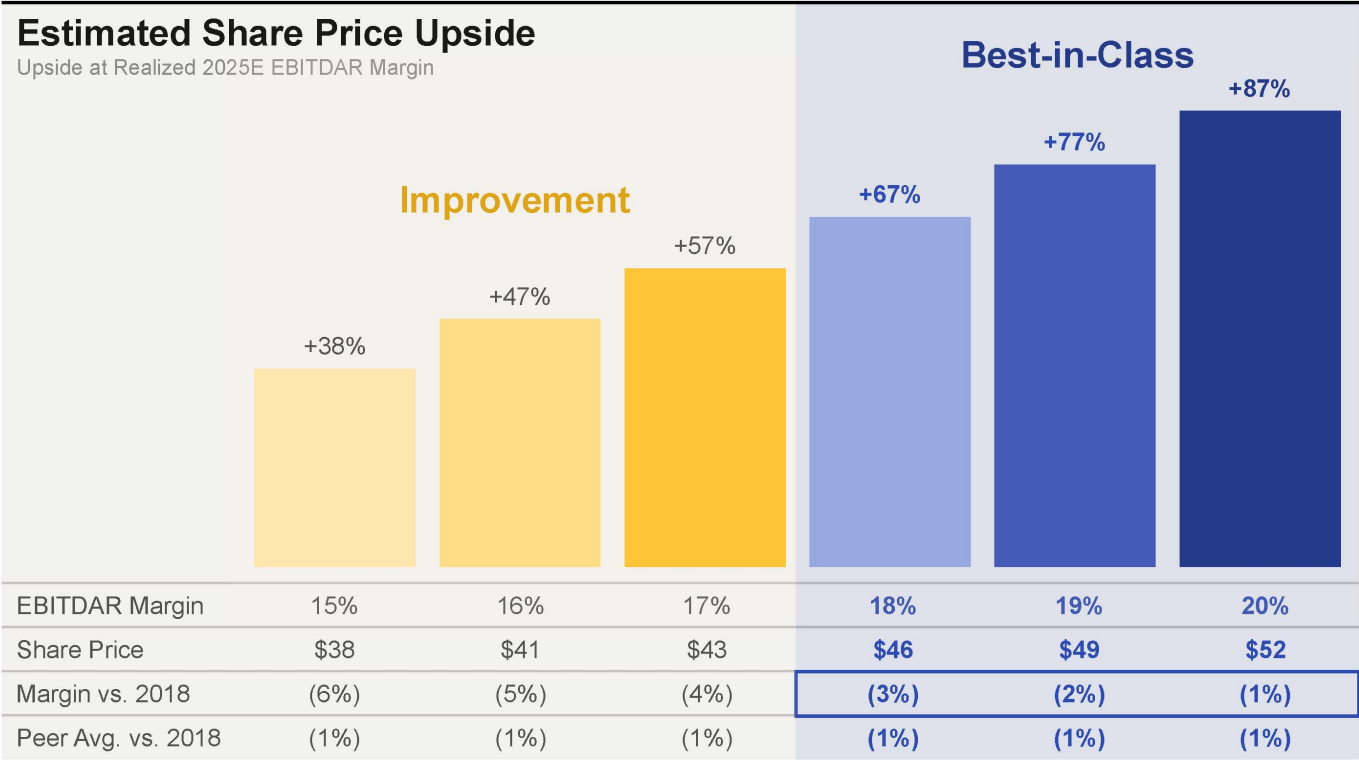
Source: Bloomberg as of 6/7/2024, Elliott analysis and estimates. Additional detail on the underlying calculation is provided on page 47.

Stronger Southwest

13

An Exceptional Turnaround Opportunity

Restoring best-in-class performance should drive substantial share price upside



Best-in-class margin target is still below levels Southwest historically achieved

Stronger Southwest

01 Executive Summary

02 Southwest Has Underperformed

03 Southwest Requires Change

04 A Stronger Southwest

“
What’s different [for Southwest] vs. some of the smaller domestic airlines is that Southwest has the network depth & breadth, balance sheet and brand to pivot quickly. Unfortunately, they have been slow to move, while industry costs ballooned. Given the lack of pivot, the revenue outcomes for Southwest have, frankly, not been acceptable in the current environment.
”

Melius Research, April 2024

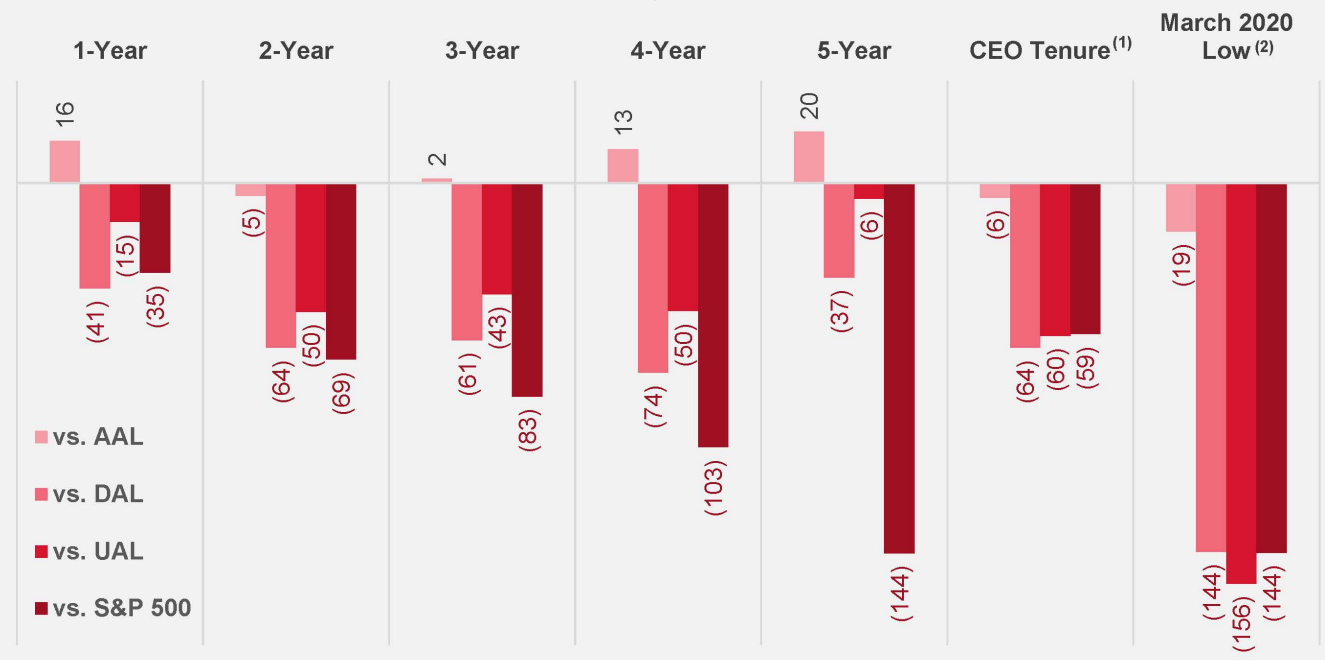
Source: Equity research. Note: Emphasis is added to the quote.

16

Shares Have Deeply Underperformed

Southwest has substantially underperformed peers and the S&P 500 over all relevant time periods. Returns rank in the bottom 10% of the S&P 500 over the last two and four years and in the bottom 5% over the last three and five years

Southwest Cumulative Total Shareholder Return, Relative to Peers and the S&P 500

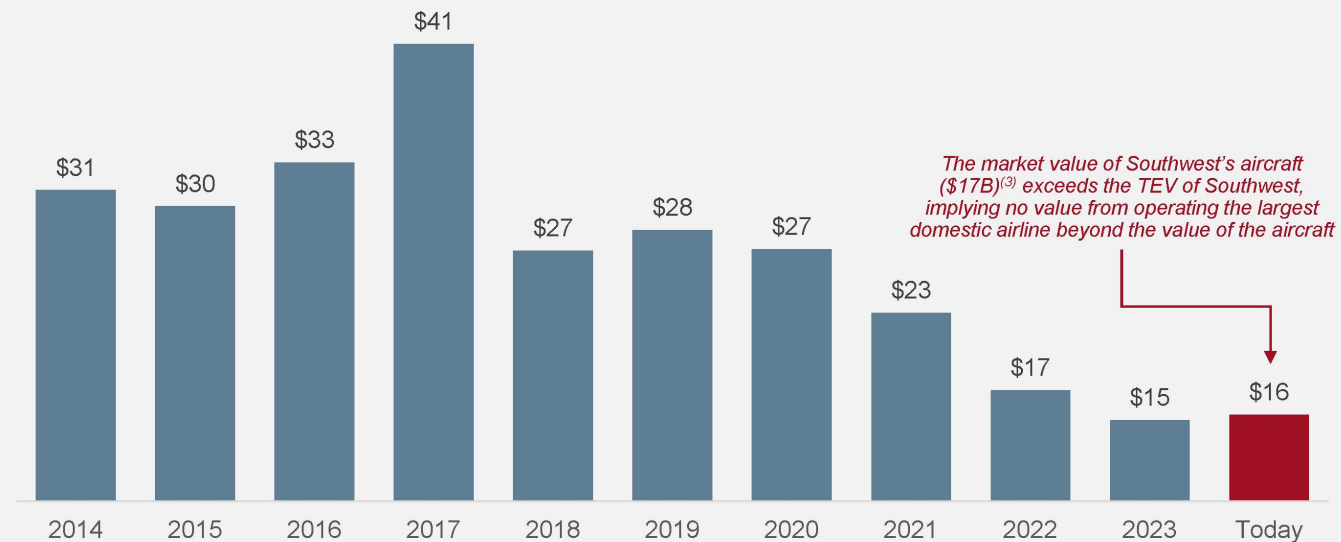


Extraordinary Decline in Southwest's Value

Southwest's enterprise value has declined 44% since 2019, reflecting a substantial diminution in investors' views of Southwest's future earnings power. In contrast, peer enterprise values are only 5% below 2019 levels on average⁽¹⁾

Southwest Year-end Enterprise Value Since 2014⁽²⁾

\$ in Billions



Presently, **investors are not convinced that the company can return to its former glory** based on how the stock has been trading of late.

Deutsche Bank, April 2024

ELLIOTT

Source: Company filings, peer company filings, Bloomberg as of 6/7/2024, Cirium as of 6/7/2024, equity research. Note: Emphasis is added to the quote. (1) Delta, American and United enterprise values are 4%, 1% and 11% below 2019 levels, respectively. (2) Enterprise value is adjusted for pension and capitalized aircraft leases. (3) Reflects Cirium's estimated market value of Southwest's fleet.

Stronger Southwest

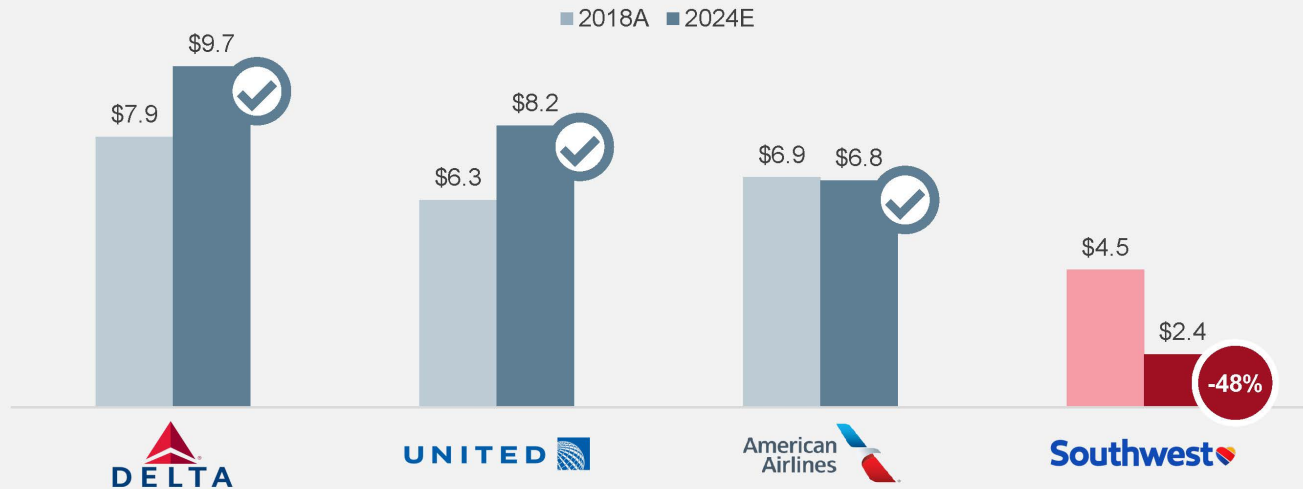
18

Southwest's Issues Are Unique

While peer EBITDAR is expected to be in-line with or meaningfully exceed pre-COVID levels, Southwest EBITDAR is expected to be nearly 50% lower despite record travel demand

EBITDAR vs. 2018⁽¹⁾

\$ in Billions



These record top-line results are not translating to record profitability, nor the Southwest standard of profitability levels (i.e., Southwest was once a profit leader) ... [Southwest's margins are] roughly **1,000 basis points below the industry leader**.

Deutsche Bank, October 2023

ELLIOTT

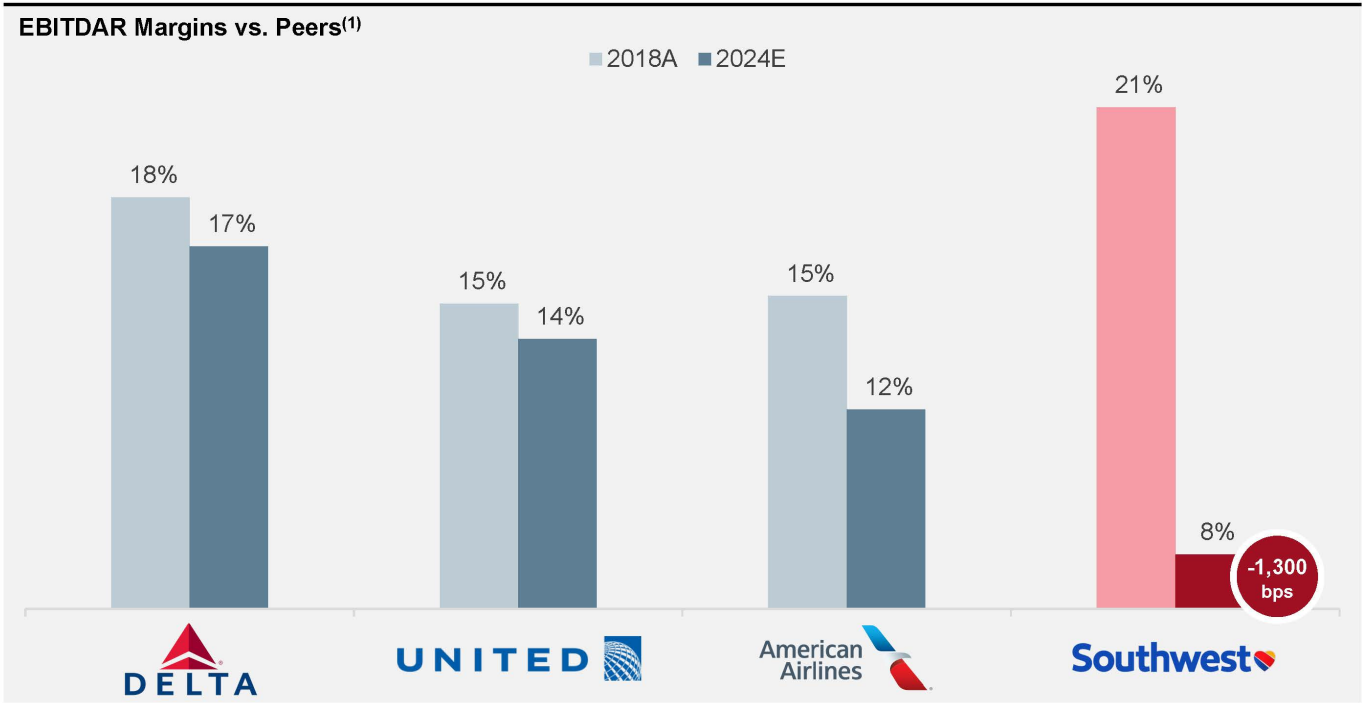
Source: Company filings, peer company filings, Bloomberg as of 6/7/2024, equity research. Note: Emphasis is added to the quote. (1) Historical figures reflect adjusted EBITDAR. 2024E EBITDAR reflects consensus estimates.

Stronger Southwest

19

From Best- to Worst-in-Class Margins

In 2018, Southwest had best-in-class margins. Today, Southwest’s margins are the lowest in the peer group and approximately 900 basis points below best-in-class



ELLIOTT

Source: Company filings, peer company filings, Bloomberg as of 6/7/2024. (1) Historical figures reflect adjusted EBITDAR margins. 2024E margins reflect consensus estimates.

Stronger Southwest

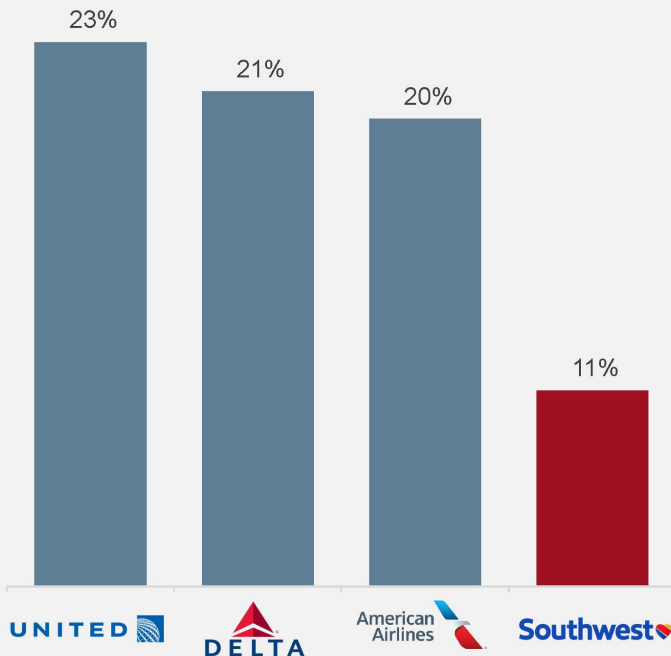
20

Substantial Revenue Underperformance

Southwest's dated commercial strategy has resulted in the worst unit revenue performance among its peers since 2018

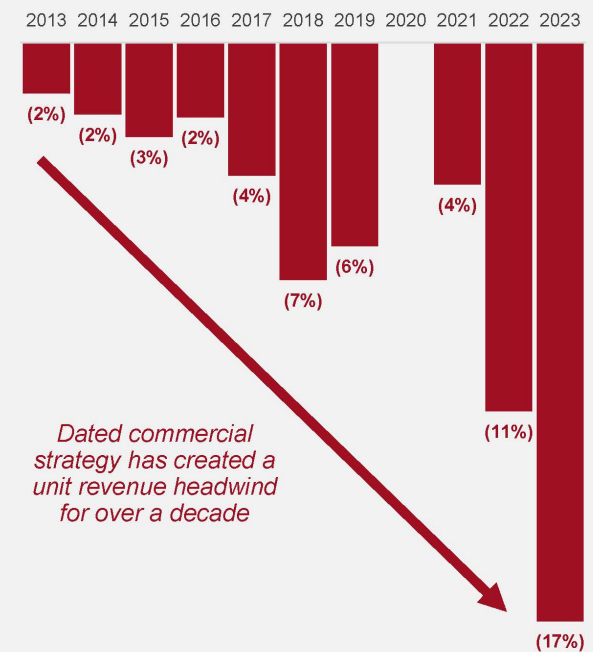
Unit Revenue Growth vs. Peers (2018 – 2023)

Revenue Per Available Seat Mile or "RASM"⁽¹⁾



Unit Revenue Growth vs. Peer Domestic Average

Passenger Revenue Per Available Seat Mile or "PRASM" Indexed to 2012



ELLIOTT

Source: Company filings, peer company filings. (1) Delta figures reflect adjusted RASM.

Stronger Southwest

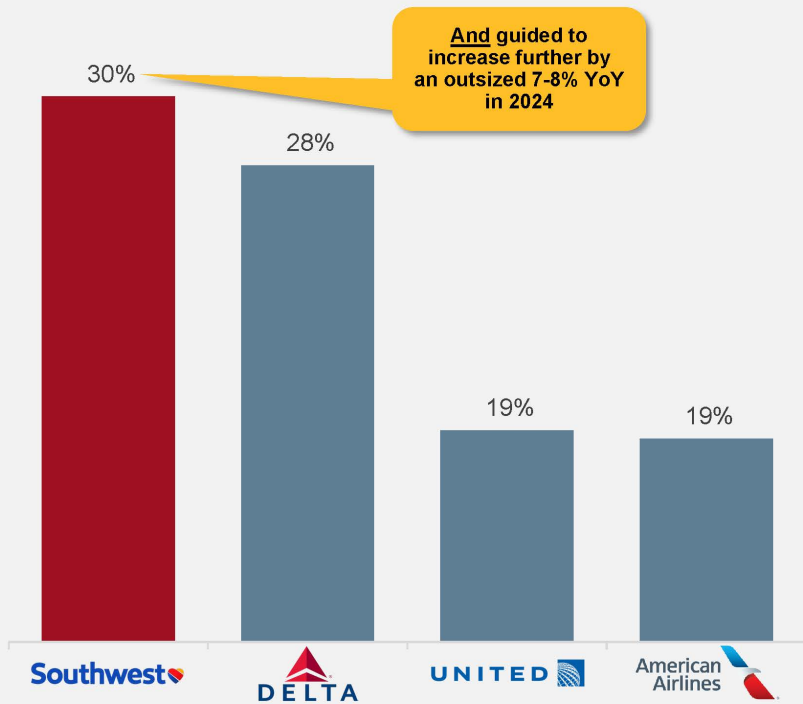
21

Bottom-tier Unit Cost Performance

Southwest has delivered peer-worst unit cost performance over the past five years. Poor cost control undermines Southwest's competitive positioning as a low-cost carrier

Change in Unit Costs vs. Peers (2018 – 2023)

Cost Per Available Seat Mile Excluding Fuel, Profit Sharing and Special Items or "CASMx"⁽¹⁾



Southwest has lost the passion for low-cost, low-fare air travel.

Ryanair CEO Michael O'Leary, March 2024



Costs are the real glaring issue at Southwest as they over-hired (23% more headcount vs. '19) during the recovery phase and have seen productivity decline (capacity is up 13.8% vs. '19)...

Melius, January 2024



Southwest is tied (with United) for the most growth, but its unit cost inflation is still worse than all others.

J.P. Morgan, July 2023



When [CEO Bob Jordan] came to the SWAPA Board of Directors meeting, he said specifically that operations wasn't his strong suit.

SWAPA President Casey Murray, August 2022

ELLIOTT

Source: Company filings, peer company filings, equity research, media reports, SWAPA. Note: Emphasis is added to all quotes. (1) American reported CASMx includes profit sharing expense. Profit sharing expense is excluded in these materials for comparability.

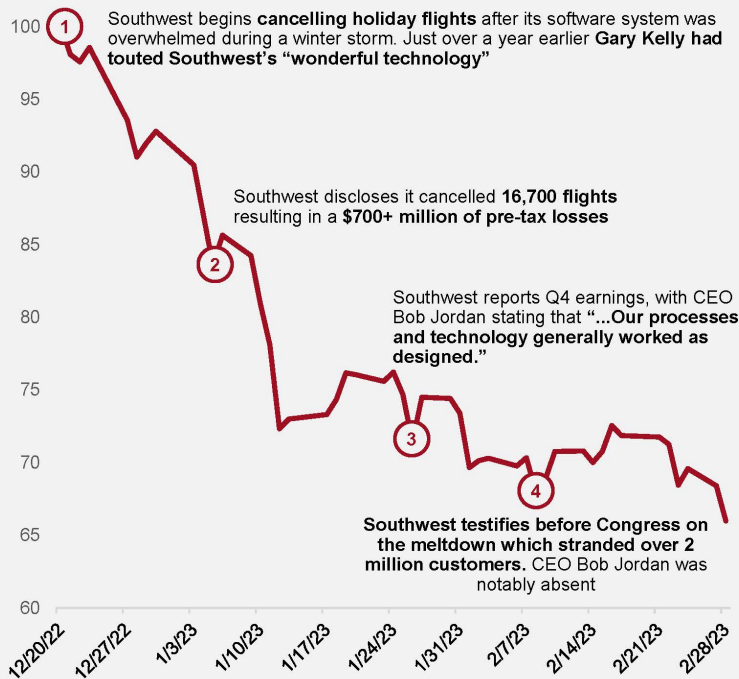
Stronger Southwest

22

December 2022 Operational Meltdown

Southwest's operational meltdown stranded 2 million customers over the holidays and drove 30%+ share price underperformance relative to peers over 2 months⁽¹⁾

Indexed Relative Share Price Performance vs. Peers



Its Reputation in Tatters, Southwest Aims to Resume Normal Schedule on Friday

The New York Times



U.S. Senators blast Southwest holiday meltdown, labelled 'unmitigated disaster'

THOMSON REUTERS



Southwest Doubles CEO Pay, Neglects Boardroom Risks Despite Crisis

Forbes



Southwest Airlines meltdown highlights insular management team

FORTUNE



Southwest hit by record \$140 million fine for holiday service meltdown in 2022

ELLIOTT

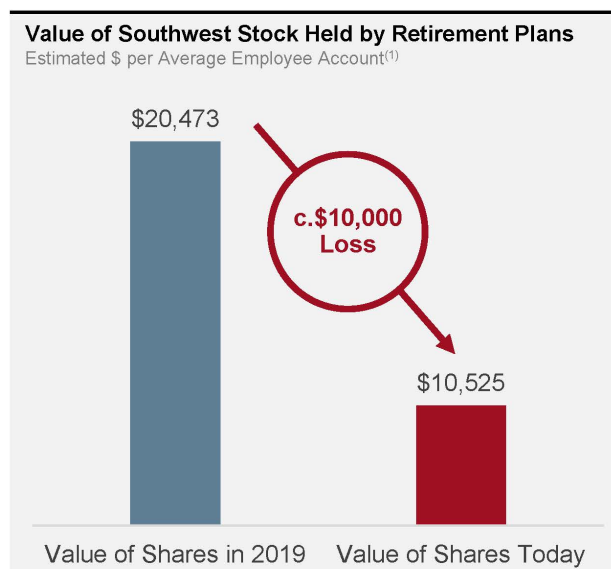
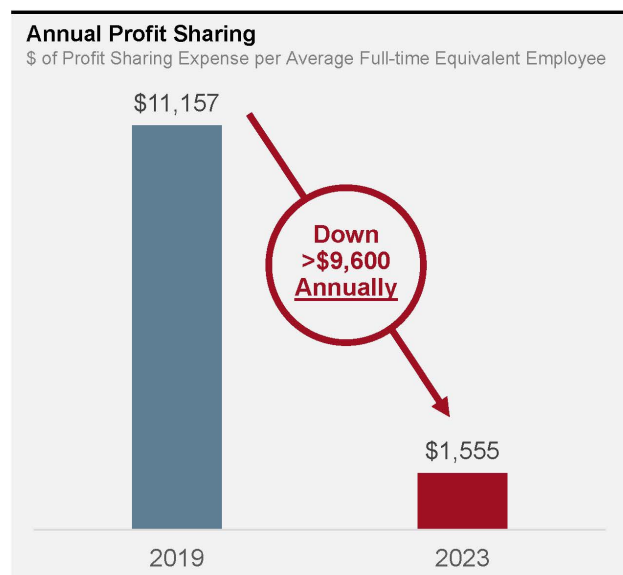
Source: Bloomberg as of 6/7/2024, Company transcripts, Company filings, media reports, Department of Transportation. (1) Reflects share price performance relative to peers from 12/20/2022 to 2/28/2023.

Stronger Southwest

23

Poor Performance Has Cost Employees

Southwest's poor financial performance has cost employees tens of thousands of dollars on average due to lower profit sharing and declines in the value of Southwest stock held by retirement plans



[2023 profit sharing was] **definitely underwhelming**. And it's probably going to continue that way for another year or two... We have a little bit of a revenue problem right now, right?... We also have a lot of cost creep on the expense side of the house, right? **So in order to have profit sharing, you have to have profits. And so those profits have been shrinking.**

Southwest Captain Damian Jennette, February 2024

ELLIOTT

Source: Company filings, Department of Labor, Bloomberg as of 6/7/2024, SWAPA. Note: Emphasis is added to the quote. (1) Reflects the average decline in value of Southwest shares held by Company retirement plans per participant. Based on average shares held per participant account as of 12/31/2019 and the change in share price from 12/31/2019 to 6/7/2024.

Stronger Southwest

24

Stronger Southwest

01 Executive Summary

02 Southwest Has Underperformed

03 Southwest Requires Change

04 A Stronger Southwest

We'd obviously welcome a substantive turnaround plan from Southwest... In our opinion, bona fide turnarounds often include meaningful changes in network composition, fleet overhauls, and revisions to business models. Management turnover is sometimes a component, as are changes in pricing philosophy... Unfortunately, we don't believe Southwest is eager to meaningfully engage in such changes...

J.P. Morgan, April 2024

Note: Emphasis is added to the quote.

26

More Time Will Not Fix Southwest's Issues

Southwest requires decisive action and stronger oversight to restore confidence after years of deteriorating execution

FAILURE TO EVOLVE STRATEGY

- 4+ years of consistent disappointments and self-inflicted performance deterioration
- Complacent approach and lack of urgency to confront challenges
- Preference for incrementalism resulting in a series of failed improvement initiatives
- Poor cost execution that has resulted in billions of incremental costs relative to initial targets

◀EXIT▶

Investors appear to have given up on Southwest and believe today's performance is the "new normal"

➤ 16 downgrades and 0 upgrades since year-end 2022⁽¹⁾

➤ Estimates well below prior earnings power

➤ Market value of Southwest's aircraft exceeds the Company's enterprise value

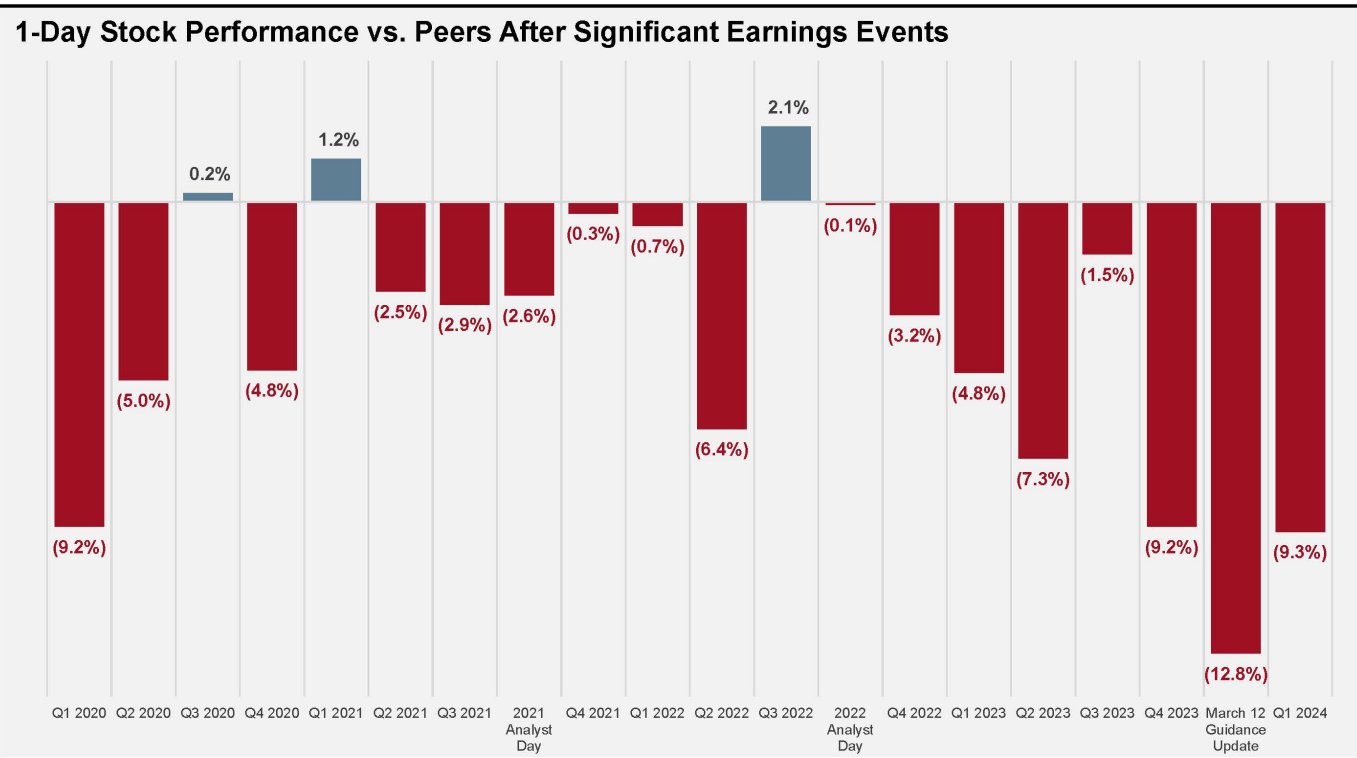
ELLIOTT

Source: Company filings, Bloomberg as of 6/7/2024, Cirium as of 6/7/2024. (1) Analyst upgrades and downgrades reflect cumulative net rating changes here and throughout these materials.

Stronger Southwest 27








Four Years of Consistent Disappointments

Southwest has underperformed peers on 17 of its last 20 significant earnings events



CEO Commentary Disconnected From Reality

In the face of deteriorating financial performance, CEO Bob Jordan claims that performance is “great” and that he is “very proud”

Event	Decline in EBIT Consensus ⁽¹⁾	Management Perspective on Performance
Q1'23 Earnings	(13%) 	"But for the ops disruption, we would have had a very strong profit in the first quarter. Second quarter, our guide is really strong ." CEO Bob Jordan on CNBC
Q2'23 Earnings	(23%) 	"You know, the quarter was great ... We're predicting record revenues again in the third quarter. Record passengers. Record flights ." CEO Bob Jordan on CNBC
Q3'23 Earnings	(60%) 	"We had a great quarter in the third quarter. We're forecasting record revenue and record passengers again for the fourth quarter." CEO Bob Jordan on CNBC
Q4'23 Earnings	(72%) 	" We had a great 2023 . Record operating revenue, record passengers, record loyalty revenue." CEO Bob Jordan on CNBC
Proxy Statement	(73%) 	"I am extremely proud of our progress and accomplishments in 2023— we ended the year a better Company ..." CEO Bob Jordan in 2024 Proxy Statement
Q1'24 Earnings	(78%) 	"We had a strong first quarter, despite the financial results ." CEO Bob Jordan on CNBC
Annual Meeting	(85%) 	"I'm very proud of the Company's progress in 2023 ... we entered 2024 a stronger company ." CEO Bob Jordan at Annual Shareholder Meeting

ELLIOTT

Source: Company filings, Company transcripts, Bloomberg as of 6/7/2024, CNBC. Note: Emphasis is added to all quotes. (1) Reflects change in consensus 2024E EBIT since 12/31/2022.

Stronger Southwest

29

Leadership Has Ignored Calls for Change

Investors and research analysts have been calling for changes for years, but Southwest's management and Board have pressed forward with incrementalism and inaction



Quite frankly, I think **regaining the high ground** is going to require evolution. We've been concerned about Southwest for some time, that it has mostly, not entirely, but mostly sat out the industry's evolution... They have a product and price points that skew more toward discount airlines but a cost structure overall that skews a bit more toward the Big 3. It's a bit of an identity crisis.

J.P. Morgan Webcast, May 2023



Everything [they're] doing is incremental. [They] **need to make radical changes**.

Wolfe Research Weekly Webcast, October 2023



...What might you consider strategically or put on the table that hasn't been on the table before? So if we think about things like seat assignments, basic economy, bags fly free, historically, those have been sacrosanct... **If you have lagging margins, it may require a harder look**.

Evercore Analyst on Q3 2023 Earnings Call, October 2023



There is **a lot of debate about the airline's lack of a premium product vs. peers and ancillary revenue opportunities** beyond boarding... The drum beat on closing the margin gap with the network airlines will continue to beat louder...

Cowen, January 2024



Time to pull the RASM lever?... The main – and perhaps only – lever they have now to overcome cost inflation is to boost RASM... LUV still remains at a relative disadvantage to all their major competitors in the pursuit of premiumization.

Morgan Stanley, January 2024







We have **long made the case that the Company's inability to monetize its cabin** and participate in various high-margin revenue streams was a drag on relative margin performance.

Deutsche Bank, April 2024

Entrenched Views on Strategy

Southwest's leadership has written off key commercial innovations and revenue opportunities across the airline industry for the last 15 years

Management Has Historically Ruled Out Industry-Standard Commercial Initiatives...

	 DELTA	 UNITED	 American Airlines	 Southwest
Assigned Seating	✓	✓	✓	Until recently: "We are not looking at assigning seats right now. We are not talking about assigning seats now, and we're not talking about looking at it at some time in the future."
Premium Products	✓	✓	✓	"I think things like curtains and things like that are a bit far afield from [who] Southwest Airlines is."
Basic Economy	✓	✓	✓	"You're not going to see basic economy from Southwest. That's not what we do."
Checked Bag Fees	✓	✓	✓	"Absolutely never"

...Despite Skepticism From Investors and Industry Executives

 <p>Exiting of competitive hub airports drives questions of long-term competitiveness of Southwest's <u>dated commercial strategy</u>... [We] are concerned Southwest may need a strategic overhaul...</p> <p>Barclays, April 2024</p>	 <p>They put out all this schlock about 'our passengers are our guests, and you wouldn't want to charge your guests for their bags,' but <u>why do you charge for the seats if that's the case? Give it all away for free.</u></p> <p>Ryanair CEO Michael O'Leary, March 2024</p>
--	---

Management Opted for Small Changes...

To date, Southwest's approach has focused on incrementalism rather than an unbiased evaluation of all available opportunities

Initiatives Portrayed as Transformative Are Actually Incremental

“We have transformed before, adding things like WiFi, larger bins and in-seat power, and we will continue to adapt as needed.

CEO Bob Jordan, April 2024

Examples of Initiatives

- > Larger Overhead Bins
- > Upgraded Wi-Fi
- > In-Seat Power
- > Network Changes
- > Targeted Flight Adds
- > Growth in Core Cities
- > Mobility / Digital Tools
- > Flight Scheduling
- > Turn Execution
- > Training & Proficiency

“

Larger overhead bins? Improved WiFi? ... We're not convinced [these] drive share shift when Southwest fails to offer a pricing advantage vs. a nonstop competitor.

J.P. Morgan, April 2023

“

In-seat power, larger overhead bins and Wi-Fi are **table stakes**...

Cowen, April 2024

“

... Management reduced [their guidance] to \$1.0 to \$1.5B (vs \$1.5B) of pre-tax profit improvements from network optimization and other initiatives. However, **on our revised outlook, we're now modeling \$0 benefit in 2024... Network optimization so far has been inadequate...**

Seaport, April 2024

These initiatives do not deliver the strategic evolution required to remedy Southwest's challenges. They are a normal part of running the business

ELLIOTT

Source: Company filings, Company transcripts, equity research. Note: Emphasis is added to all quotes.

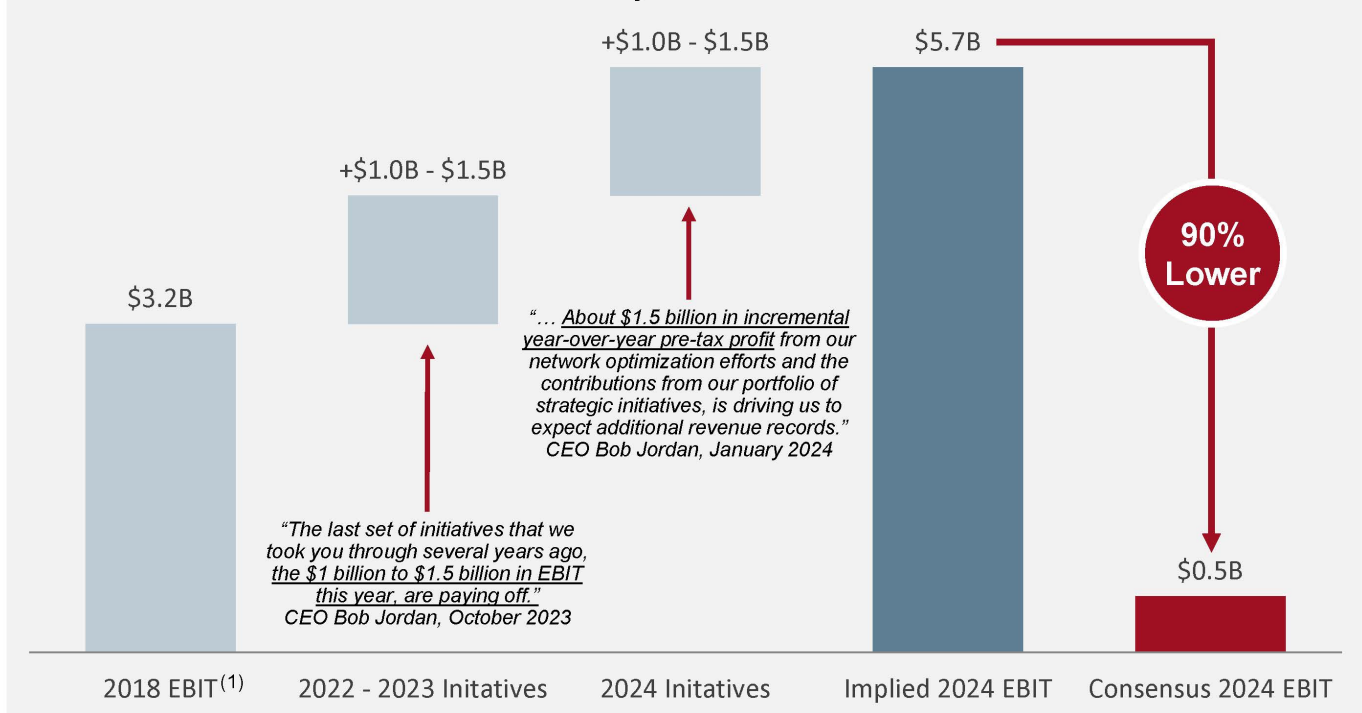
Stronger Southwest

32

Which Failed to Bolster Profits

Management's initiatives have not been enough to reverse Southwest's declining profitability despite management's frequent reaffirmation that they are delivering

Incrementalism Has Not Bolstered Profitability



ELLIOTT

Source: Company filings, Company transcripts, Bloomberg as of 6/7/2024. Note: Emphasis is added to all quotes. (1) Reflects adjusted EBIT.

Stronger Southwest

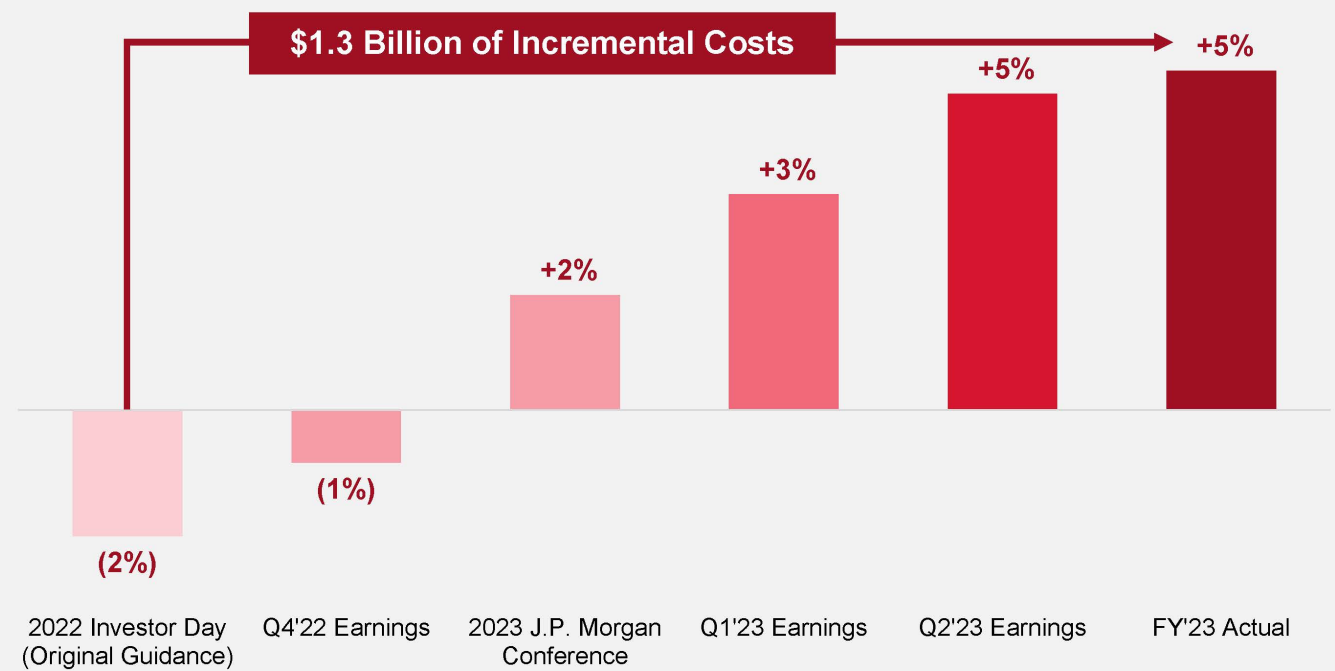
33

2023 Cost Execution Missed Targets...

Management revised unit costs up four times in 2023. Poor execution has substantially eroded management's credibility and damaged Southwest's competitive positioning as a low-cost carrier

Unit Cost Guidance Revisions in 2023

FY'23 Unit Costs Excluding Fuel, Profit Sharing and Special Items ("CASMx") Growth Guidance vs. FY'22 Expectations Pre-Meltdown⁽¹⁾



ELLIOTT

Source: Company filings. (1) 2022 baseline reflects FY'22 CASMx guidance as of the Company's December 2022 Investor Day and prior to the December 2022 meltdown.

Stronger Southwest

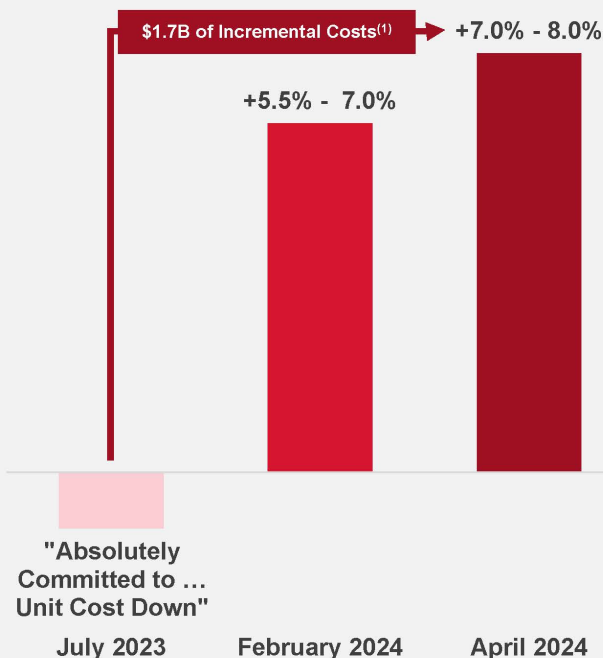
34

And 2024 is Off to an Even Worse Start

Only 11 months ago, management said it was “absolutely committed” to driving unit costs down in 2024. Today, management is guiding to a 7-8% increase, representing \$1.7B of incremental costs

Unit Costs have Substantially Missed Expectations

Guidance for FY'24 Unit Costs Excl. Fuel, Profit Sharing and Special Items or “CASMx” Growth vs. FY'23



April 2023

“We are very focused on bending our cost down again in 2024.”

CFO Tammy Romo

June 2023

“We've got a lot of **opportunity** to now go work on **bringing out inefficiencies...**”

CEO Bob Jordan

July 2023

“As we look ahead to next year, we are absolutely committed to driving our unit cost down.”

CFO Tammy Romo

Jan. 2024

“Our [FY'24] CASMx guidance of a 6% to 7% increase year-over-year is also essentially driven by labor and maintenance cost pressures...”

CFO Tammy Romo

April 2024

“[We expect] our full year CASM-X to increase in the range of 7% to 8% year-over-year, elevated from our previous full year CASM-X guidance due to lower capacity plans in the second half of the year.”

CFO Tammy Romo

ELLIOTT

Source: Company filings, Company transcripts. Note: Emphasis is added to all quotes. (1) Baseline costs assume year-over-year CASMx declines of 1.5% for FY'23 (per FY'23 guidance provided with Q2'23 earnings) and 1.0% for FY'24 (estimated per management's commentary).

Stronger Southwest

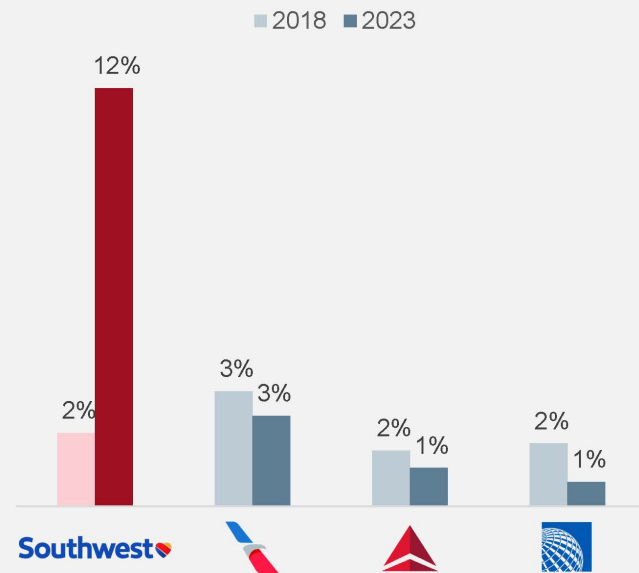
35

Simplistic Growth Strategy is Failing

A significant increase in unprofitable flying driven by a growth strategy focused on capacity expansion (rather than product innovation) appears to have driven substantial unnecessary losses

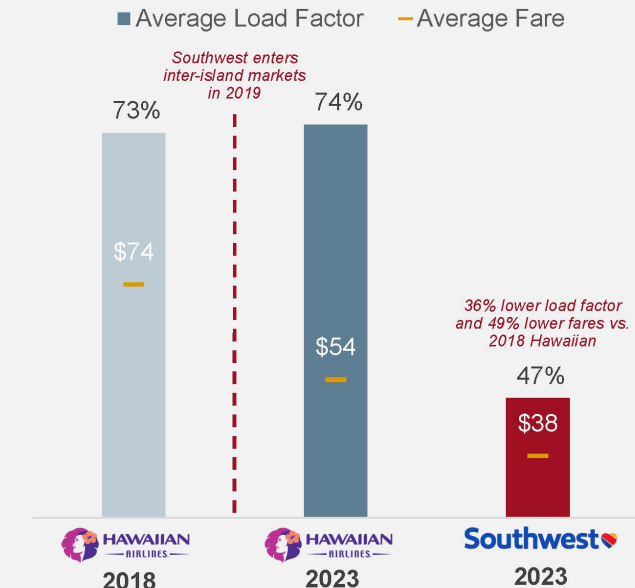
Substantial Increase in Uneconomic Flying

% of Domestic Capacity on Routes with Less than 70% Load Factor



Example of Growth Ambition: Hawaii Inter-island Markets

Average Inter-island Fares and Load Factors⁽¹⁾



If you look even at the big airlines that have lower margins than the top two, **there's a core airline within them that has the same kind of margins as United and Delta, but it's dragged down by the stuff that loses money.**

United CEO Scott Kirby, June 2024

ELLIOTT

Source: Cirium as of 6/7/2024, media reports. Note: Emphasis is added to the quote. (1) Hawaii inter-island markets include HNL, ITO, KOA, LIH and OGG.

Stronger Southwest

36

Leadership Must Be Upgraded

We believe new leadership is required at Southwest after years of consistent disappointments and a steadfast commitment to the status quo. The Executive Chairman and CEO, who have spent a cumulative 74 years at Southwest, have presided over a period of stunning underperformance at the Company. Further, they have demonstrated that they are not up to the task of modernizing Southwest

Bob Jordan's 2-Year Tenure as CEO

8 Negative Guidance Revisions



-84% Decline in 2024 EBIT Expectations



-43% TSR Underperformance Relative to Peers



-36% TSR and a -34% Decline in Enterprise Value



13 Analyst Downgrades and Not a Single Upgrade



December 2022 Meltdown Stranded Over 2 Million Customers



Share Price Underperformance on 10 of 11 Significant Earnings Events



So I think the [strategic] daylight between [me and Gary Kelly] is, yes, there's some, but it's really small, and it's absolutely none of the fundamentals.

CEO Bob Jordan, December 2021

ELLIOTT

Source: Company filings, Company transcripts, Bloomberg as of 6/7/2024, Department of Transportation.

Stronger Southwest





37

Management is Viewed as Worst-in-Class

In an independent survey, Southwest ranked last on every metric and investors expressed low confidence in management's capabilities

Shareholders Rate Southwest Worst Among Peers

Independent Shareholder Survey

	Cost & Operations	Monetization	Strategy Innovation	Management Quality
 DELTA	Best	Best	Best	Best
 UNITED	2 nd	2 nd	2 nd	2 nd
 American Airlines	3 rd	3 rd	3 rd	3 rd
 Southwest	Worst	Worst	Worst	Worst



The rate limiter on [a new strategy] is the CEO. I don't have a lot of confidence he is the right person at this stage... **The Street would be widely supportive of a change.**

Southwest Shareholder



I have **zero confidence this team can get this right**... I rarely call for wholesale change at a company, but that is what is needed here.

Southwest Shareholder



The CEO is a headwind to a turnaround. **Firing him is the tailwind.**

Southwest Shareholder



I would rate them as the **worst performing management team in airlines**. This was a company that has **destroyed more value based on their own inaction** than anyone else in the industry. They need to go.

Southwest Shareholder

ELLIOTT

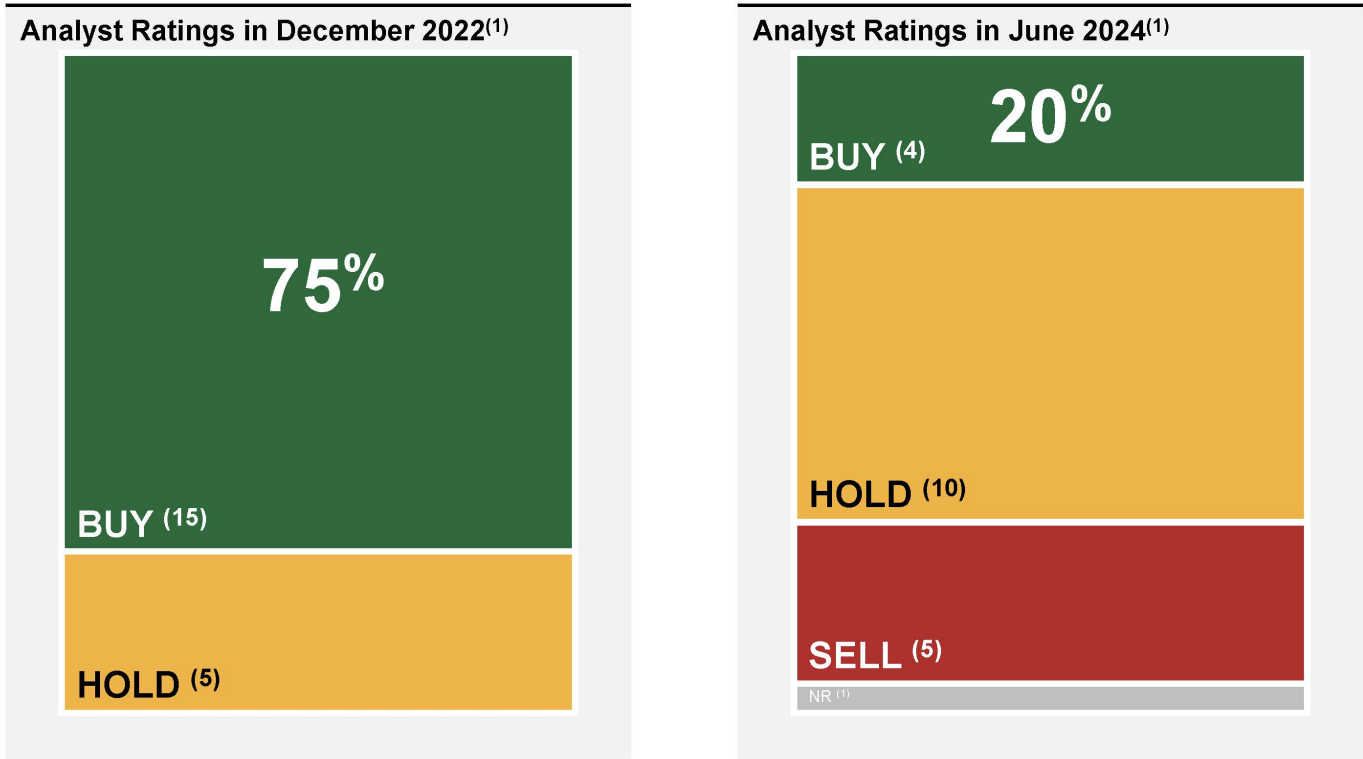
Source: Shareholder survey. Note: Emphasis is added to all quotes.

Stronger Southwest 

38

Analysts Have Given Up on Southwest

While once a consensus “Buy”, sentiment on Southwest has substantially deteriorated amid poor execution and failed efforts to get back on track



Stronger Southwest

01 Executive Summary

02 Southwest Has Underperformed

03 Southwest Requires Change

04 A Stronger Southwest

Stronger Southwest



Board Changes

Southwest's Board needs new directors with the relevant experience to challenge the current strategy and the independence to hold management accountable



Upgraded Leadership

Southwest must bring in new leadership from **outside** of the Company to improve operational execution and lead the evolution of Southwest's strategy



Comprehensive Business Review

New management and Board-level committee will conduct a thorough review with the goal of modernizing Southwest's strategy and restoring best-in-class performance

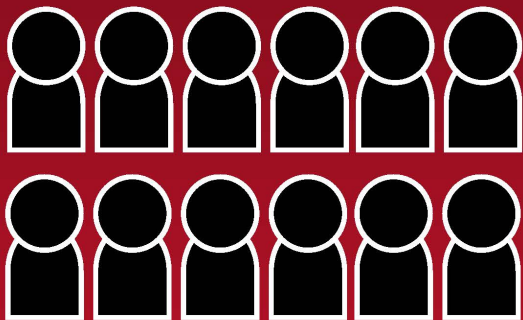


Board Change is Needed at Southwest

We believe Southwest’s Board lacks the airline industry experience and independence required to hold management accountable and drive necessary strategic changes

Problematic Board Composition and Independence

No Independent Directors with Airline Operating Experience



Majority of Independent Directors were Recruited by Gary Kelly⁽¹⁾



Key Board Roles are Populated by Long-Tenured Directors

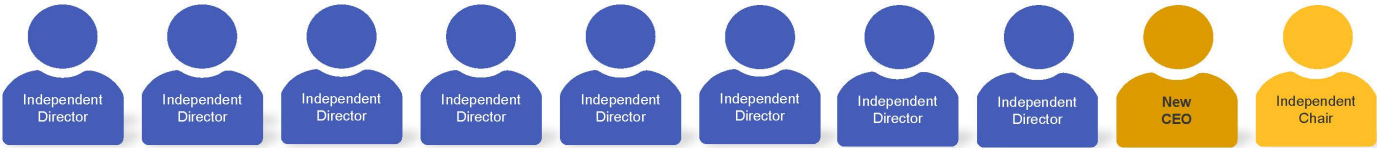
Key Board Position	Director	Tenure
Chairman (Executive)	Gary Kelly	20
Lead Independent Director	William Cunningham	24
Chair of Nom./Gov. Committee	Veronica Biggins	13
Chair of Comp. Committee	David Biegler	18

“Lead outside director William H. Cunningham, has been a board member for 22 years. Seven have served for more than a decade. In other words, they’ve remained in place, gripping their seats with what George Orwell referred to as “prehensile bottoms,” throughout the company’s period of declining customer service and during its scheduling disaster.”

Michael Hiltzik, Los Angeles Times, January 2023

An Improved Southwest Board

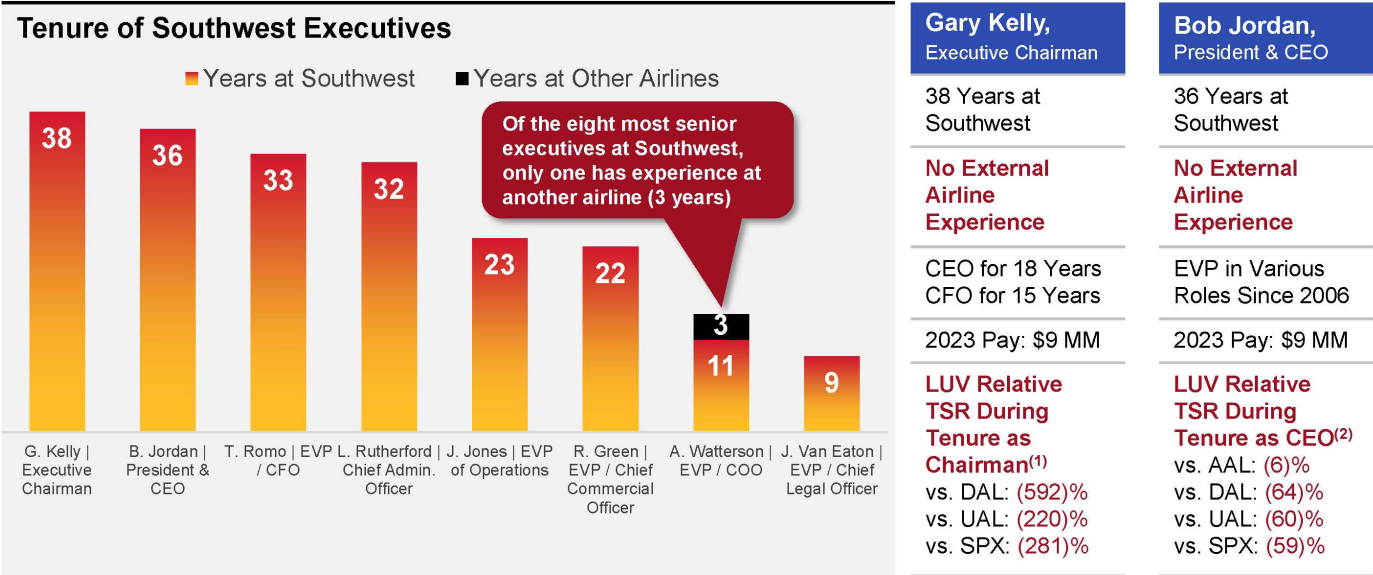
Southwest needs new independent directors with relevant expertise to challenge entrenched thinking, drive strategic changes and hold management accountable



- Airline Operating Experience ↗
- Consumer and Hospitality Experience ↗
- Retire “Executive Chairman” Structure ↗
- Reconfigured Committees ↗
- Unimpeachable Independence ↗

New Leadership is Needed

Lack of outside perspectives and long tenure have contributed to Southwest's stagnation. Leadership from outside of Southwest is necessary for the strategy to evolve



Upgraded Leadership

We believe Southwest needs new leadership from outside the Company that has the capabilities to improve operational execution and drive strategic changes

- ✓ Relevant Transportation Industry Experience
- ✓ Strong Operational Capabilities
- ✓ Track Record of Shareholder Value Creation
- ✓ External Hire with Fresh Perspectives



New leadership to be laser-focused on executing against plan targets, with a refreshed Board providing strong oversight



Updated Strategy

Commercial Approach

Improved Value Proposition

Modernized Operations

Comprehensive Business Review

A new board-level committee, assisted by independent advisors, will lead a comprehensive business review to modernize Southwest and restore best-in-class profitability

Review Committee Focus

- ✓ Commercial Strategy
- ✓ Unit Cost Performance
- ✓ Network Performance and Optimization
- ✓ Capital Allocation and Fleet Plans
- ✓ Technology

OUTPUT OF REVIEW

- Improved Unit Revenue
- Lower Unit Costs
- Best-in-Class Profitability
- Substantial FCF Generation

Restoration of Best-in-Class Margins

2025E EBITDAR Margin⁽¹⁾



The Opportunity at Southwest

We expect 67% - 87% share price upside as Southwest restores its best-in-class margins and we believe a turnaround is eminently achievable

→ Southwest's return to best-in-class margins should drive substantial share price upside of 67% - 87% and c.\$3B - 4B of annual free cash flow

Share Price Upside

\$ in Billions Unless Otherwise Noted

Realized EBITDAR Margin	15%	16%	17%	Best-in-Class		
				18%	19%	20%
2025E Revenue	30.7	31.0	31.3	31.6	31.9	32.2
2025E EBITDAR	4.6	5.0	5.3	5.7	6.1	6.4
Peer Average TEV/EBITDAR ⁽¹⁾	4.8x	4.8x	4.8x	4.8x	4.8x	4.8x
Total Enterprise Value	\$22.1	\$23.7	\$25.5	\$27.2	\$29.0	\$30.8
Adjusted Net Cash ⁽²⁾	0.8	0.8	0.8	0.8	0.8	0.8
In-the-Money Convert Above Face Value ⁽³⁾	(0.0)	(0.2)	(0.3)	(0.4)	(0.5)	(0.6)
Market Capitalization	\$22.9	\$24.4	\$26.0	\$27.7	\$29.3	\$31.0
Shares Outstanding (M)	598	598	598	598	598	598
\$/Share	\$38	\$41	\$43	\$46	\$49	\$52
Upside vs. Current Price	38%	47%	57%	67%	77%	87%
Memo: Equity Free Cash Flow	\$2.3	\$2.6	\$2.9	\$3.2	\$3.5	\$3.8

→ This upside is eminently achievable and may actually be conservative with strong execution; on a pro forma basis Southwest's relative margin performance vs. 2018 would still be in-line with or worse than peers

2025E Margin and EBITDAR vs. 2018 Levels Relative to Peers⁽⁴⁾

Southwest Pro Forma 2025E Margin vs. 2018	(6%)	(5%)	(4%)	Best-in-Class		
				(3%)	(2%)	(1%)
Delta	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)
United	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)
American	(2%)	(2%)	(2%)	(2%)	(2%)	(2%)
Peer Average 2025E EBITDAR Margin vs. 2018	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)
Southwest Pro Forma 2025 \$ EBITDAR vs. 2018	2%	10%	17%	25%	34%	42%
Delta	33%	33%	33%	33%	33%	33%
United	45%	45%	45%	45%	45%	45%
American	10%	10%	10%	10%	10%	110%
Peer Average 2025 \$ EBITDAR vs. 2018	29%	29%	29%	29%	29%	29%

ELLIOTT

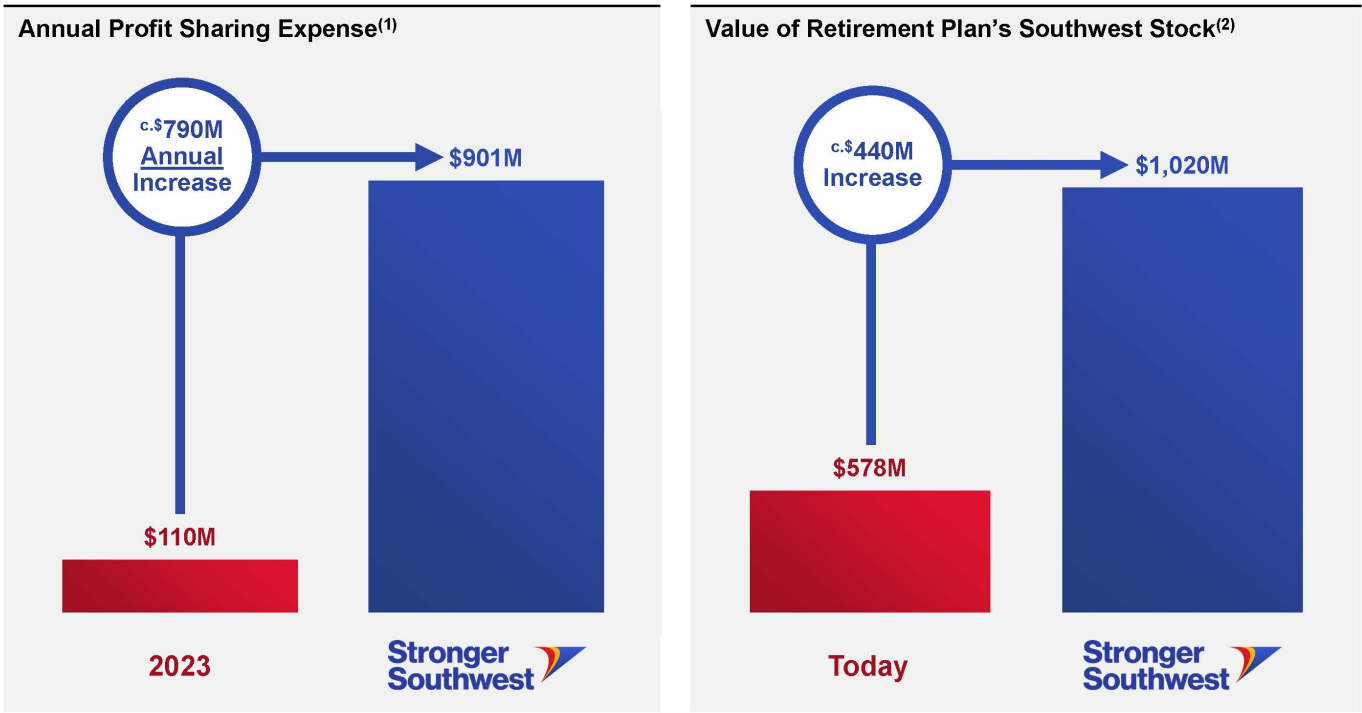
Source: Company filings, peer company filings, Bloomberg as of 6/7/2024. Elliott analysis and estimates. (1) TEV is adjusted for pension and capitalized aircraft leases. (2) Reflects cash net of debt, capitalized aircraft leases and pension. (3) Reflects dilution from in-the-money convertible debt in excess of face value. (4) Peer 2025E figures reflect consensus estimates.

Stronger Southwest

47

The Best Path Forward for Employees

We believe a Stronger Southwest would deliver substantially more value to employees from higher profit sharing driven by enhanced profitability and better share price performance



Stronger Southwest

The Stronger Southwest plan ambitiously addresses the Company's key issues and delivers a brighter future for Southwest



Lagging Unit Revenue,
Underperforming Unit Costs
and Eroded Profitability



Leadership Unwilling
to Change



\$28 Share Price Below
March 2020 Lows



Comprehensive Review to
Modernize Strategy and
Improve Profitability



Board Change and Upgraded
Leadership



\$49 Share Price Reflective of
Southwest's Value

ELLIOTT

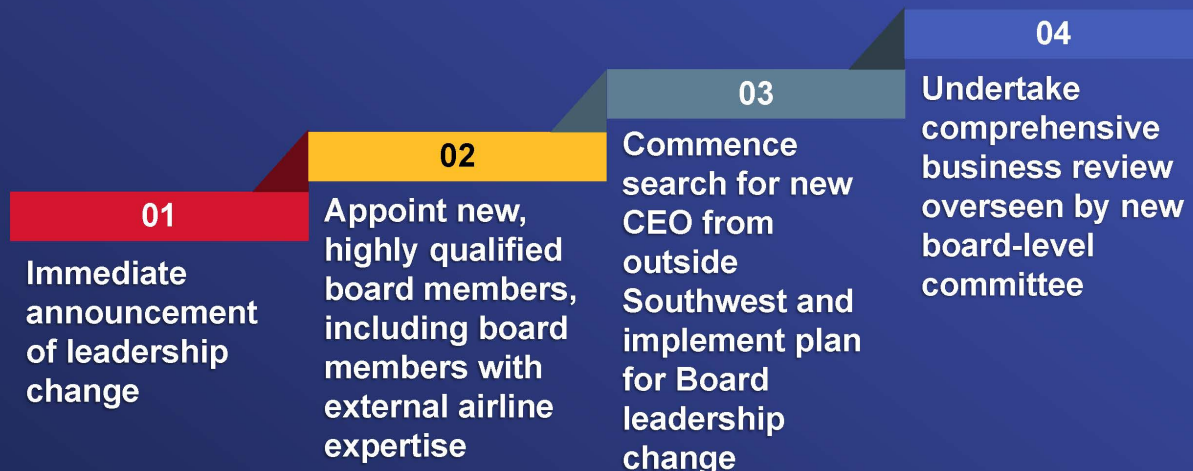
Source: Company filings, peer company filings, Bloomberg as of 6/7/2024, Elliott analysis and estimates.

Stronger Southwest

49

Next Steps

We believe that Southwest should begin the process of change immediately, enabling the Company to be in a position to update shareholders on its go-forward strategy by year-end 2024



Elliott looks forward to engaging with our fellow shareholders and other Southwest constituents on the best path forward for the Company

Stronger Southwest



Contact Us

Website | StrongerSouthwest.com

Investors | Investors@StrongerSouthwest.com

Media | Casey Friedman

Direct: +1.212.478.1780

Email: cfriedman@elliottmgmt.com