Southwest Airlines Reports Second Quarter 2025 Results

DALLAS, TEXAS - July 23, 2025 - Southwest Airlines Co. (NYSE: LUV) (the "Company") today reported its second quarter 2025 financial results and Company highlights:

- Net income of $213 million, or $0.39 income per diluted share
- Net income, excluding special items[1], of $230 million, or $0.43 income per diluted share
- Returned $1.6 billion to Shareholders through a combination of share repurchases and dividends
- Launched bag fees with financial benefit exceeding expectations and no negative operational impact
- Rolled out new basic economy product structure, laying the foundation for future product differentiation
- Maintaining targets of $1.8 billion full year 2025 and $4.3 billion full year 2026 incremental earnings before interest and taxes, excluding special items ("EBIT"[2]) contribution from slate of initiatives
- While early, recent industry demand shows signs of improvement off of depressed second quarter 2025 levels, which combined with moderated capacity across the industry and Southwest-specific initiatives, creates a constructive backdrop for the second half of the year
- Providing updated full year 2025 guidance for EBIT[2] in the range of $600 million to $800 million
- Board of Directors authorized a new $2.0 billion share repurchase program expected to be completed over a period of up to two years

Bob Jordan, President, Chief Executive Officer, & Vice Chairman of the Board of Directors, stated, "We continued to make meaningful progress against our transformational plan in second quarter, most notably implementing bag fees and a basic economy product. We had an exceptional operational rollout and continued to deliver outstanding service—a testament to our People. These initiatives are coming online quickly, and we are pleased with performance thus far, including bag fee revenue exceeding expectations. We are encouraged by the incremental fare product buy up that is already occurring at this early stage and in advance of assigned and premium seating that we will begin selling next week for flights beginning January 2026. We have already realized

approximately one-third of our $1.8 billion 2025 initiative EBIT[2] target in first half 2025 and remain highly confident in our ability to realize the remaining amount during the second half of the year, according to our plan. The value of these initiatives accelerates throughout second half 2025 and even more meaningfully into 2026. Underscoring belief in our transformational plan, strong management execution, and the ability to deliver significant value for Shareholders, our Board of Directors has authorized a new $2.0 billion share repurchase program, expected to be completed over a period of up to two years."

Guidance and Outlook:

The following tables provide select financial guidance for third quarter 2025 and full year 2025, and select full year 2025 and 2026 targets.

	3Q 2025 Estimation
RASM (a), year-over-year	Down 2% to up 2%
ASMs (b), year-over-year	~Flat
uel cost per gallon[3]	$2.40 to $2.50
ASMs per gallon (fuel efficiency)	82 to 84
CASM-X (c), year-over-year[1,4]	Up 3.5% to 5.5%
cheduled debt repayments (millions)	~$6
nterest expense (millions)	~$35

	2025 Estimation
EBIT[2] (millions)	$600 to $800

	2025 Target	2026 Target
EBIT[2] contribution from initiatives (billions)	~$1.8	~$4.3

) Operating revenue per available seat mile ("RASM" or "unit revenues").
) Available seat miles ("ASMs" or "capacity").
) Operating expenses per available seat mile, excluding fuel and oil expense, special items, and profit sharing ("CASM-X" o
nit costs").

Key Initiative Highlights:

- Introduced bag fees with initial financial benefit exceeding expectations
- Implemented basic economy product, laying the foundation for future product differentiation

- Reintroduced flight credit expiration
- Announced partnership with China Airlines and three new gateways for Icelandair partnership
- Completed retrofits of more than 220 aircraft for extra legroom seating
- Announced sell date of July 29, 2025, for assigned and premium seating, for travel beginning January 27, 2026
- Announced intention to commence new service at Cyril E. King International Airport on St. Thomas beginning early next year
- Completed the September 2024 $2.5 billion share repurchase authorization in second quarter 2025, repurchasing the remaining $1.5 billion through an accelerated share repurchase program. Final settlement of shares purchased through the second quarter 2025 accelerated share repurchase program is expected to occur by the end of July 2025

Revenue Results and Outlook:

- Second quarter 2025 passenger revenues were $6.6 billion, a 1.3 percent decrease, year-over-year
- Second quarter 2025 operating revenues were $7.2 billion, a 1.5 percent decrease, year-over-year
- Second quarter 2025 RASM decreased 3.1 percent on capacity up 1.6 percent, both year-over-year—in line with the Company's previous guidance range

Domestic leisure travel stabilized during second quarter 2025, with recent trends showing signs of improvement, and the Company once again outperformed its large industry peers on domestic unit revenue. The Company's portfolio of recently implemented initiatives provided incremental revenue in second quarter 2025 that is expected to ramp up as the year progresses.

Following the May 28, 2025 launch of its basic economy product, the Company experienced a temporary reduction in the conversion rate of basic economy on its website. The Company took swift action and refined its booking flow and marketing approach in an effort to reduce friction, as well as offer additional promotional activity, and bookings and conversion rates quickly returned to expected levels. This resulted in an impact to second quarter 2025 year-over-year RASM of nearly one-half point, and an estimated impact to third quarter 2025 year-over-year RASM of approximately one point.

The Company expects third quarter 2025 unit revenues to be in the range of down 2 percent to up 2 percent on roughly flat capacity, both on a year-over-year basis. This guidance range assumes a modest sequential improvement in demand. Company-specific initiatives provide a unique offset to the broader industry revenue impact, and will continue to accelerate throughout third quarter 2025.

Third quarter 2024 RASM included approximately one point of positive year-over-year impact from the CrowdStrike industry event.

The Company has provided full year 2025 EBIT[2] guidance, as well as a reconciliation to its previous full year guide included in the materials accompanying this release. The Company's EBIT[2] guidance assumes further sequential improvement from third quarter 2025, driven by accelerating incremental revenue from Company-specific initiatives, the recovery of the temporary basic economy optimization impact, and anticipated improvement in domestic leisure travel trends.

Non-Fuel Costs and Outlook:

- Second quarter 2025 operating expenses increased 0.9 percent, year-over-year, to $7.0 billion
- Second quarter 2025 operating expenses, excluding fuel and oil expense, special items, and profit sharing[1], increased 6.4 percent, year-over-year
- Second quarter 2025 CASM-X increased 4.7 percent, year-over-year—in line with the Company's previous guidance range

The Company's second quarter 2025 CASM-X year-over-year increase included an approximate one-half point headwind from a non-cash mark-to-market adjustment for nonqualified deferred compensation plans which was driven by recent strong stock market performance.

The Company continues to expect to achieve its $370 million cost reduction target this year. The Company anticipates third quarter 2025 CASM-X to increase in the range of 3.5 percent to 5.5 percent, on roughly flat capacity, both on a year-over-year basis. This increase is driven primarily by the continuation of inflationary pressures, including those associated with labor contracts ratified in 2024, as well as approximately one point from the timing of engine overhaul expenses and one-half point from aircraft retrofit costs in advance of extra legroom seating launching in January 2026. Excluding the impact of book gains from fleet transactions in the fourth quarter of both years, the Company continues to expect fourth quarter 2025 CASM-X to be up low-single digits, year-over-year. The Company remains focused on driving efficiencies to offset overall inflationary cost pressures and achieve its multi-year cost reduction targets.

Fuel Costs and Outlook:

- Second quarter 2025 fuel costs were $2.32 per gallon—slightly above the Company's previous guidance range

- Second quarter 2025 fuel efficiency improved 2.9 percent, year-over-year, primarily due to operating more Boeing 737-8 ("-8") aircraft, the Company's most fuel-efficient aircraft, as a percentage of its fleet

During second quarter 2025, the Company terminated its remaining portfolio of fuel hedging contracts, which were scheduled to settle through 2027, to effectively close its fuel hedging portfolio. The cash proceeds from this transaction totaled approximately $40 million, which will reduce future premium costs. The remaining net premium costs of approximately $209 million will be recognized as an increase to Fuel and oil expense in the periods the originally forecasted transactions occur, specifically $72 million in the second half of 2025, $115 million in 2026, and $22 million in 2027. As of June 30, 2025, the Company had no fuel hedging contracts outstanding and its fuel hedging program has been discontinued.

Capacity, Fleet, and Capital Spending:

- Second quarter 2025 capacity increased 1.6 percent, year-over-year—in line with the Company's previous guidance range
- The Company received 17 -8 aircraft and retired seven Boeing 737-700 aircraft in second quarter 2025, ending the quarter with 810 aircraft
- Second quarter 2025 capital expenditures were $635 million, driven primarily by aircraft-related capital spending, as well as technology, facilities, and operational investments

The Company previously announced proactive capacity reductions in the second half of 2025 in an effort to better accommodate the current demand environment and capture associated cost savings, and continues to expect full year 2025 capacity to be up roughly 1 percent, year-over-year. This modest growth is driven entirely by an increase in aircraft utilization provided by redeye flying and turn time reduction initiatives.

The Company has updated its fleet planning assumptions to 47 Boeing -8 aircraft deliveries in 2025, from its prior estimate of 38, as The Boeing Company ("Boeing") continues to ramp up production. With these incremental deliveries, the Company now expects to retire approximately 55 aircraft in 2025, compared with its previous estimate of approximately 50 retirements this year. This includes the sale of five Boeing 737-800 ("-800") aircraft expected to occur in the second half of 2025. The Company continues to expect additional new aircraft deliveries to facilitate the retirement of aircraft from its existing fleet in support of its fleet monetization and capital allocation strategies.

The Company continues to expect its 2025 capital spending to be in the range of $2.5 billion to $3.0 billion, including the additional aircraft deliveries now expected, as well as the impact of the expected sale of five -800 aircraft this year.

Liquidity and Capital Deployment:

- The Company paid off $1.6 billion of convertible notes in cash and prepaid $976 million for the first tranche of the Payroll Support Program notes in second quarter 2025
- The Company ended second quarter 2025 with $3.8 billion in cash and cash equivalents and short-term investments, and a fully available revolving credit line of $1.0 billion
- The Company returned $1.6 billion to its Shareholders during second quarter 2025, comprised of $103 million of dividends and $1.5 billion of share repurchases

The Company completed its September 2024 $2.5 billion share repurchase authorization in second quarter 2025, repurchasing the remaining $1.5 billion through an accelerated share repurchase program. Final settlement of shares purchased through the second quarter 2025 accelerated share repurchase program is expected to occur by the end of July 2025.
The Company's capital allocation framework supports its continued commitment to a strong and efficient investment-grade balance sheet. Moving forward, the Company will target liquidity of approximately $4.5 billion, comprised of cash and cash equivalents, short-term investments, and a revolving credit line, which was recently increased to $1.5 billion. The Company will target leverage [1,5] in the range of 1.0x to 2.5x adjusted debt to adjusted EBITDAR[1,5]. The Company continues to have a large base of unencumbered aircraft and primarily aircraft-related assets with a net book value of approximately $16.6 billion. The Company's Board of Directors recently approved a $2.0 billion share repurchase authorization expected to be completed over a period of up to two years, which is supported by this framework and expected ramp up in initiative benefit.

Supplemental Information:

The Company has provided a summary on progress against initiative development and detail on its full year 2025 EBIT[2] guidance on the Investor Relations website at https://www.southwestairlinesinvestorrelations.com.

Conference Call:

The Company will discuss its second quarter 2025 results on a conference call at 12:30 p.m. Eastern Time on July 24, 2025. To listen to a live broadcast of the conference call, please go to https://www.southwestairlinesinvestorrelations.com.

Footnotes

[1]See Note Regarding Use of Non-GAAP Financial Measures for additional information on special items. In addition, information regarding special items and economic results is included in the accompanying table Reconciliation of Reported Amounts to Non-GAAP Measures (also referred to as "excluding special items").

[2]Earnings before interest and taxes, excluding special items ("EBIT"), a non-GAAP financial measure, also excludes gains or losses from fleet transactions. Projections do not reflect the potential impact of special items because the Company cannot reliably predict or estimate those items or expenses or their impact to its financial statements in future periods. Accordingly, the Company believes a reconciliation of non-GAAP financial measures to the equivalent GAAP financial measures for these projected results is not meaningful or available without unreasonable effort.

[3]Based on market prices as of July 17, 2025. Fuel cost per gallon includes fuel taxes and fuel hedging net premium expense of $0.07 per gallon related to terminated fuel derivative contracts.

[4]Projections do not reflect the potential impact of fuel and oil expense, special items, and profit sharing because the Company cannot reliably predict or estimate those items or expenses or their impact to its financial statements in future periods, especially considering the significant volatility of the fuel and oil expense line item. Accordingly, the Company believes a reconciliation of non-GAAP financial measures to the equivalent GAAP financial measures for these projected results is not meaningful or available without unreasonable effort.

[5]Leverage, adjusted debt, and adjusted EBITDAR are each non-GAAP financial measures. Leverage is calculated as adjusted debt divided by trailing twelve month adjusted EBITDAR. Adjusted EBITDAR is calculated as earnings before interest and taxes, and non-operating other (gains) losses, net, excluding special items, and adjusted by adding depreciation and amortization and the fixed portion of operating lease expense ("adjusted EBITDAR"). Adjusted debt includes current and long-term debt, finance lease obligations, and operating lease liabilities (including fleet, ground, and other). While the Company has provided reconciliations of historical leverage, adjusted debt, and adjusted EBITDAR below, it does not provide reconciliations of projections of these measures as the Company believes a reconciliation of non-GAAP financial measures to the equivalent GAAP financial measures for these projected results is not meaningful or available without unreasonable effort.

Cautionary Statement Regarding Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Specific forward-looking statements include, without limitation, statements related to (i) the Company's initiatives, strategic priorities and focus areas, goals, and opportunities, including with respect to assigned and premium seating, cost reductions, the Company's transformational plan, commercial offering, product differentiation, bag fees, financial performance, providing value for Customers and Shareholders, and driving cost efficiencies; (ii) the Company's financial and operational outlook, expectations, goals, plans, and projected results of operations, including with respect to its initiatives, and including factors and assumptions underlying the Company's expectations and projections; (iii) the Company's expectations with respect to passenger demand and bookings; (iv) the Company's capacity plans and expectations; (v) the Company's plans and expectations with respect to share repurchases and other shareholder returns; (vi) the Company's expectations with respect to fuel costs and fuel efficiency, and the Company's related management of risks associated with changing jet fuel prices, including factors underlying the Company's expectations; (vii) the Company's plans, estimates, and assumptions related to repayment of debt obligations, interest expense, and capital spending, including factors and assumptions underlying the Company's expectations and projections; (viii) the Company's plans and the Company's network plans and expectations; (ix) the Company's plans and expectations with respect to fleet transactions; (x) the Company's plans and expectations with respect to redeye flying and reducing turn times; (xi) the Company's fleet plans and expectations, including with respect to its fleet order book, fleet utilization, fleet retrofits, fleet modernization, fleet transactions, flexibility, and expected fleet deliveries and retirements, and including factors and assumptions underlying the Company's plans and expectations; (xii) the Company's plans and expectations with respect to its balance sheet; and (xiii) the Company's plans, expectations, and targets with respect to liquidity and leverage. These forward-looking statements are based on the Company's current estimates, intentions, beliefs, expectations, goals, strategies, and projections for the future and are not guarantees of future performance. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the impact of fears or actual outbreaks of diseases, extreme or severe weather and natural disasters, actions of competitors (including, without limitation, pricing, scheduling, capacity, and network decisions, and consolidation and alliance activities), governmental actions, consumer perception, consumer uncertainties with respect to trade policies (including the imposition of tariffs), economic conditions, banking conditions, fears or actual acts of terrorism or war, sociodemographic trends, and other factors beyond the Company's control, on consumer behavior and the Company's results of operations and business decisions, plans, strategies, and results; (ii) the Company's ability to

timely and effectively implement, transition, operate, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives, including with respect to revenue management and assigned and premium seating; (iii) consumer behavior and response with respect to the Company's new commercial products and policies; (iv) the impact of fuel price changes, fuel price volatility, and fuel availability on the Company's business plans and results of operations; (v) the Company's dependence on The Boeing Company (“Boeing”) and Boeing suppliers with respect to the Company's aircraft deliveries, Boeing MAX 7 aircraft certifications, fleet and capacity plans, operations, maintenance, strategies, and goals; (vi) the Company's dependence on the Federal Aviation Administration with respect to, among other things, the certification of the Boeing MAX 7 aircraft; (vii) the Company's dependence on other third parties, in particular with respect to its technology plans, its plans and expectations related to revenue management, online travel agencies, operational reliability, fuel supply, maintenance, Global Distribution Systems, environmental sustainability, and the impact on the Company's operations and results of operations of any third party delays or nonperformance; (viii) the Company’s ability to timely and effectively prioritize its initiatives and focus areas and related expenditures; (ix) the impact of labor matters on the Company's business decisions, plans, strategies, and results; (x) the impact of governmental regulations and other governmental actions, as well as the Company’s ability to obtain any required governmental approvals, on the Company's business plans, results, and operations; (xi) the Company's ability to obtain and maintain adequate infrastructure and equipment to support its operations and initiatives; (xii) the Company's dependence on its workforce, including its ability to employ and retain sufficient numbers of qualified Employees with appropriate skills and expertise to effectively and efficiently maintain its operations and execute the Company’s plans, strategies, and initiatives; (xiii) the cost and effects of the actions of activist shareholders; and (xiv) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

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ABOUT SOUTHWEST AIRLINES CO.

Southwest Airlines Co. operates one of the world's most admired and awarded airlines, offering its one-of-a-kind value and Hospitality at 120 airports across 12 countries. Southwest took flight in 1971 to democratize the sky through friendly, reliable, and low-cost air travel and now carries more air travelers flying nonstop within the United States than any other airline(fn. 1). By empowering its more than 73,000(fn. 2) People to deliver unparalleled Hospitality, the maverick airline cherishes a passionate loyalty among more than 134 million Customers carried in 2025. Southwest leverages a unique legacy and mission to serve communities around the world including harnessing the power of its People and Purpose to put communities at the Heart of its success. Learn more by visiting Southwest.com/citizenship.

1. Based on U.S. Dept. of Transportation quarterly Airline Origin & Destination Survey as of Q4 2025
2. Fulltime-equivalent active Employees as of March 31, 2026

Media Contacts:
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