

Southwest Airlines Reports Record Third Quarter Revenue; Strong Execution of Transformational Initiatives Continues

Southwest Airlines Co. (NYSE: LUV) (the "Company") today reported its third quarter 2025 financial results, with unit revenues, unit costs, and net income all exceeding its expectations and strong execution continuing across the business.

Company Highlights:

- Net income of \$54 million, or \$0.10 income per diluted share
- Net income, excluding special items (1), of \$58 million, or \$0.11 income per diluted share
- Record third quarter operating revenues of \$6.9 billion
- Delivered results ahead of the Company's expectations, driven by both better-than-anticipated unit revenues and unit costs
- Returned \$439 million to Shareholders through a combination of share repurchases and dividends
- Launched the sale of assigned and extra legroom seating for flights beginning January 27, 2026, with the volume and composition of initial bookings in line with expectations
- Reaffirming full year 2025 earnings before interest and taxes, excluding special items ("EBIT" (2)) guidance range of \$600 million to \$800 million

Bob Jordan, President, Chief Executive Officer, & Vice Chairman of the Board of Directors, stated, "We continue to make substantial progress as we execute the most significant transformation in Southwest Airlines' history. We quickly implemented many new product attributes and enhancements, and the results are showing—we delivered a profitable quarter, with both unit revenues and unit costs performing better-than-anticipated, are reaffirming our full year 2025 EBIT (2) guidance, and expect meaningful margin expansion in the fourth quarter. We continue to deliver a strong operational performance and are currently in first place year-to-date based on our calculations of the Wall Street Journal's airline rankings, an important indicator of success from the continued investment in our operation. These significant accomplishments reflect the strength of our plan, the quality of our execution, and the dedication of our Team.

"We remain committed to meeting the evolving needs of our current and future Customers and delivering long-term value for our Shareholders. We are pleased with our initiative performance, which will continue to ramp into the fourth quarter and next year; and while early, indicators for our new assigned and extra legroom seating products are in line with expectations. We are encouraged by our momentum and confident in our direction. Our People continue to lead the way, and I couldn't be more excited about 2026 and beyond."

Guidance and Outlook:

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

	4Q 2025 Estimation
ASMs (a), year-over-year	Up ~6%
RASM (b), year-over-year	Up 1% to 3%
CASM-X (c), year-over-year ^{1,3}	Up 1.5% to 2.5%
Fuel cost per gallon ⁴	\$2.20 to \$2.30

	2025 Estimation
EBIT ² (millions)	\$600 to \$800

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

(a) Available seat miles ("ASMs" or "capacity"). This guidance includes approximately 2 points of additional capacity since July 2025 from the impact of shifting extra legroom seating retrofits of Boeing 737-700 ("-700") aircraft to January 2026, which delays the removal of six seats from each of these aircraft.

(b) Operating revenue per available seat mile ("RASM" or "unit revenues"). Fourth quarter 2024 RASM excluded special items related to a breakage revenue adjustment. Please see the Company's Earnings Press Release furnished on January 30, 2025, for additional information.

(c) Operating expenses per available seat mile, excluding fuel and oil expense, special items, and profit sharing ("CASM-X" or "unit costs"). The Company's GAAP and non-GAAP results for fourth quarter 2024 included a \$92 million gain from a sale-leaseback transaction. Excluding the impact of expected book gains from fleet transactions in the fourth quarter of both years, the Company anticipates fourth quarter 2025 CASM-X to be in the range of flat to up 1 percent, year-over-year.

Key Initiative Highlights:

- Launched the sale of assigned and extra legroom seating, for travel beginning January 27, 2026, with bookings in line with expectations

- Announced free WiFi sponsored by T-Mobile for all Rapid Rewards® Members beginning October 24, 2025
- Expanded distribution with online travel agencies, partnering with Priceline
- Launched Getaways by Southwest™, an in-house packaged vacations product creating more opportunities for Customers to book their vacations
- Announced partnership with EVA Air that will connect itineraries between North America and Asia through shared gateway airports in Los Angeles (LAX), San Francisco (SFO), Seattle-Tacoma (SEA), and Chicago (ORD)
- Announced intention to commence new service at McGhee Tyson Airport in Knoxville, Tennessee, Princess Juliana International Airport in St. Maarten, Charles M. Schulz Sonoma County Airport in Santa Rosa, California, and Ted Stevens Anchorage International Airport in Anchorage, Alaska in 2026
- To date, completed retrofits of more than 400 aircraft for extra legroom seating

Revenue Results and Outlook:

- Third quarter 2025 passenger revenues were a third quarter record of \$6.3 billion, a 1.0 percent increase, year-over-year
- Third quarter 2025 operating revenues were a third quarter record of \$6.9 billion, a 1.1 percent increase, year-over-year
- Third quarter 2025 RASM increased 0.4 percent on capacity up 0.8 percent, both year-over-year—above the midpoint of the Company's previous guidance range
- Expect all-time quarterly record operating revenues in fourth quarter 2025

The Company experienced a clear positive inflection in demand beginning in early July, which sustained momentum throughout third quarter. This improving demand environment, combined with the successful execution of strategic initiatives, drove record third quarter revenue performance. Corporate travel improved sequentially from second quarter, and the Southwest brand saw continued strength with third quarter loyalty revenue up 7 percent and new co-brand credit card acquisitions up double digits, both year-over-year.

The Company expects fourth quarter 2025 unit revenues to be in the range of up 1 percent to 3 percent, compared with fourth quarter 2024 unit revenues, excluding special items, on capacity up approximately 6 percent year-over-year, a sequential improvement from third quarter. This guidance range assumes demand strength remains at current levels through the end of the quarter. It also reflects the planned acceleration from the Company's initiatives, the recent observed impact of the government shutdown, and the approximate 2-point year-over-year increase in fourth quarter

capacity since July. This 2-point capacity increase is a result of shifting the extra legroom retrofit of the -700 fleet to January, as described below. The Company expects to deliver an all-time quarterly record revenue performance in the fourth quarter.

Non-Fuel Costs and Outlook:

- Third quarter 2025 operating expenses increased 1.2 percent, year-over-year, to \$6.9 billion
- Third quarter 2025 operating expenses, excluding fuel and oil expense, special items, and profit sharing (1), increased 3.4 percent, year-over-year
- Third quarter 2025 CASM-X increased 2.5 percent, year-over-year—well below the Company's guidance range

The Company's third quarter 2025 CASM-X year-over-year increase was better-than-anticipated due to continued broad-based cost discipline across the organization.

The Company continues to expect to achieve its \$370 million cost reduction target this year. The Company anticipates fourth quarter 2025 CASM-X to be in the range of up 1.5 percent to 2.5 percent, or flat to up 1 percent when excluding the impact of expected book gains from fleet transactions in the fourth quarter of both years, on capacity up approximately 6 percent, all on a year-over-year basis. Unit costs continue to be driven primarily by the continuation of inflationary pressures, including those associated with labor contracts ratified in 2024. The Company remains focused on driving efficiencies to offset overall inflationary cost pressures and achieve its multi-year cost reduction targets.

Fuel Costs:

- Third quarter 2025 fuel costs were \$2.40 per gallon—in line with the Company's previous guidance range
- Third quarter 2025 fuel efficiency improved 2.4 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

Capacity, Fleet, and Capital Spending:

- Third quarter 2025 capacity increased 0.8 percent, year-over-year—above the Company's previous guide due to shifting retrofits of -700 aircraft to January and strong operational performance throughout the quarter

- The Company received eight -8 aircraft and retired 16 aircraft (15 -700 and the sale of one Boeing 737-800 ("-800") aircraft) in third quarter 2025, ending the quarter with 802 aircraft
- Third quarter 2025 capital expenditures were \$678 million, driven primarily by aircraft-related capital spending, as well as technology, facilities, and operational investments

The Company now expects full year 2025 capacity to be up roughly 1.5 percent, year-over-year, including the capacity increase associated with shifting extra legroom seating retrofits of -700 aircraft to January 2026, which delays the removal of six seats from each of those aircraft. This shift is expected to maximize revenue potential during the holiday travel period and still meet the Company's operate date milestone of January 27, 2026 for assigned and extra legroom seating, as the Company's Technical Operations Team has streamlined the timeline to complete this work.

The Company has updated its fleet planning assumptions to 53 -8 aircraft deliveries in 2025, from its prior estimate of 47, as The Boeing Company ("Boeing") continues to ramp up production. The Company continues to plan for 55 aircraft retirements in 2025, which includes the sale of one -800 aircraft in third quarter 2025 and the expected sale of four -800 aircraft in fourth quarter 2025.

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 -800 aircraft sales this year.

Liquidity and Capital Deployment:

- The Company ended third quarter 2025 with \$3.0 billion in cash and cash equivalents and short-term investments, and a fully available revolving credit line of \$1.5 billion
- The Company ended the quarter with leverage (1,5) of 2.1x, within its target 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 \$16.8 billion
- The Company returned \$439 million to its Shareholders during third quarter 2025, comprised of \$189 million of dividends and \$250 million of share repurchases under its current \$2.0 billion share repurchase authorization
- The Company intends to continue opportunistically repurchasing shares based on market conditions. This reflects the Company's continued confidence in its transformational plan and commitment to returning value to Shareholders

Supplemental Information:

The Company has provided a summary on progress against initiative development on the Investor Relations website at <https://www.southwestairlinesinvestorrelations.com>.

Conference Call:

The Company will discuss its third quarter 2025 results on a conference call at 10:00 a.m. Eastern Time on October 23, 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) 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.

(4) Based on market prices as of October 15, 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.

(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 financial and operational outlook, expectations, goals, plans, targets, and projected results of operations, including with respect to its initiatives, and including factors and assumptions underlying the Company's expectations and projections; (ii) the Company's initiatives, strategic priorities and focus areas, goals, and opportunities, including with respect to assigned and premium seating, the Company's transformational plan, commercial offering, product differentiation, meeting Customer needs, aircraft WiFi, delivering long-term Shareholder value, Getaways by Southwest, airline partnerships, and driving cost efficiencies; (iii) the Company's capacity plans and expectations; (iv) the Company's expectations with respect to fuel costs and fuel efficiency, including factors underlying the Company's expectations; (v) the Company's expectations with respect to fleet transactions; (vi) the Company's network plans and expectations; (vii) the Company's expectations with respect to passenger demand and bookings; (viii) the Company's expectations with respect to cost reductions; (ix) 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; (x) the Company's plans, estimates, and assumptions related to capital spending, including factors and assumptions underlying the Company's expectations and projections; (xi) the Company's plans and expectations with respect to share repurchases and other shareholder returns; and (xii) 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 or government shutdowns (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 impact of governmental regulations and other governmental actions, including with respect to government shutdowns, as well as the Company's ability to obtain any required governmental approvals, on the Company's business plans, results, and operations; (vi) 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; (vii) the Company's dependence on the Federal Aviation Administration with respect to, among other things, the certification of the Boeing MAX 7 aircraft; (viii) 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; (ix) the Company's ability to timely and effectively prioritize its initiatives and focus areas and related expenditures; (x) the impact of labor matters on the Company's business decisions, plans, strategies, and results; (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, and in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2025.

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 121 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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