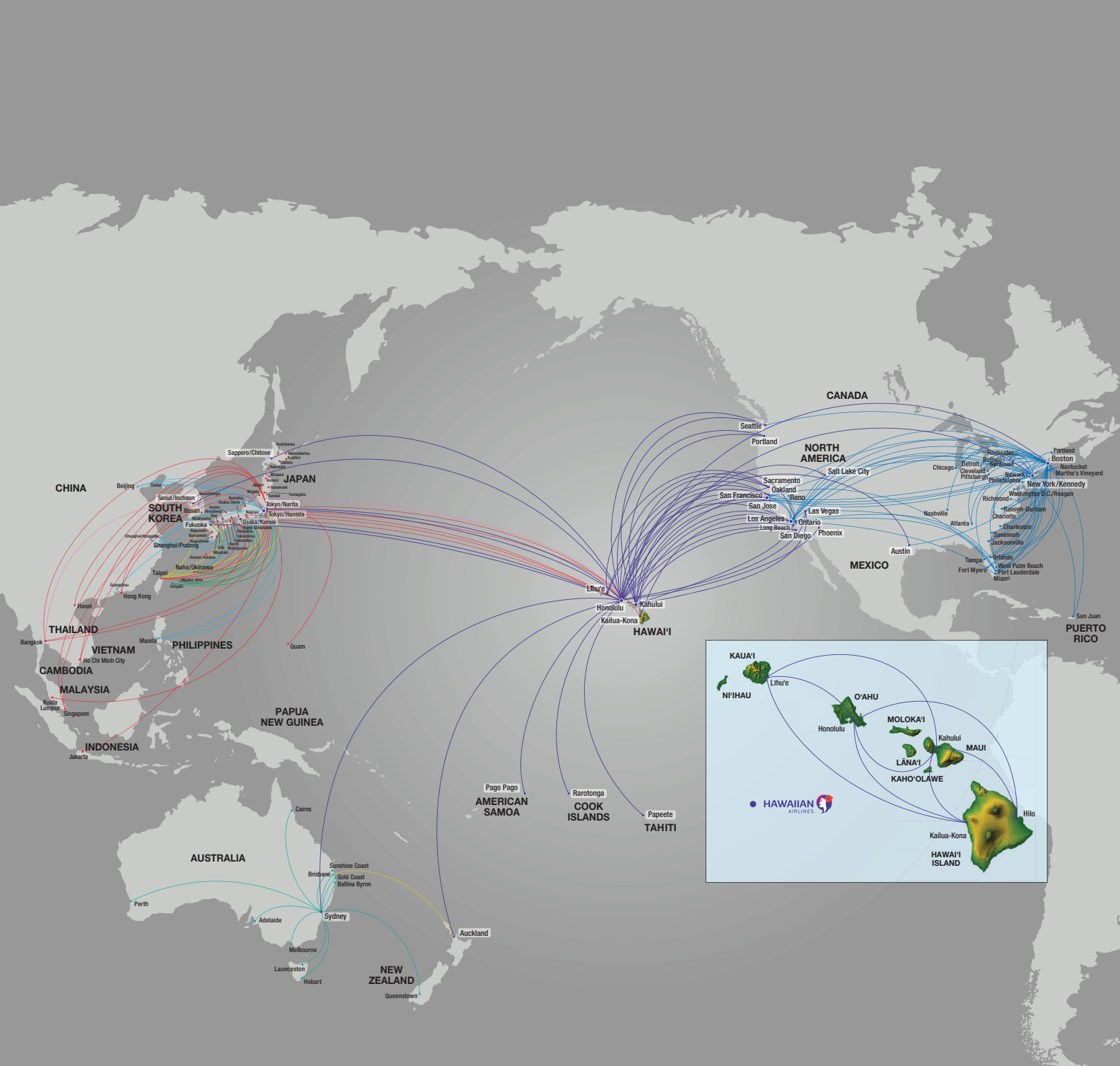




**HAWAIIAN AIRLINES**  
SINCE 1929

# 20 | Annual 23 | Report

HAWAIIAN HOLDINGS, INC.



**Codeshare Partners:**

- CHINA AIRLINES
- JAPAN AIRLINES
- KOREAN AIR
- jetBlue
- JAPAN TRANSOCEAN AIR
- virgin australia

Not all routes operate year-round.

**Interline Partners:**

- JAPAN AIRLINES

Hawaiian Airlines has 65 Interline Partners across the globe.  
 Some international routes behind and beyond Japan pending receipt of governmental operating authority.

April 1, 2024

To our Stockholders:

2023 was a year in which we made foundational investments in our business while facing a number of external challenges. Through it all, our employees executed on several large initiatives and took care of our guests with the signature Hawaiian hospitality for which we are known. I am grateful to them for their dedication and care. And the year culminated with the announcement of our plans to combine with Alaska Airlines – a transaction we believe will create a more competitive airline that benefits our existing shareholders, consumers, and the communities we serve.

We began the past year with significant operational issues associated with runway construction at Honolulu International Airport, our largest hub. These persisted into the early days of summer and prevented us from regaining the nation's on-time performance crown which we had held for 19 straight years through 2021. We also faced ongoing struggles with the reliability and availability of the Pratt and Whitney Geared Turbofan (GTF) engines that power our fleet of 18 A321neo aircraft. These GTF issues resulted in schedule adjustments and some disruptive close-in cancellations that affected our guests. These challenges were exacerbated by several brief but impactful technology issues, all of which have since been addressed. While our employees did a heroic job caring for our guests through these difficult events, there is no denying the impact they had on our guests.

In August, our home community was devastated by the tragic fires on the island of Maui. Hawaiian Airlines leapt into action, conducting one of the largest civilian airlifts in the state's history to evacuate visitors and displaced residents and bring in first responders and critical emergency supplies. While all of our nearly 500 Maui-based employees were safe, many suffered enormous losses. In spite of that, they reported to work to take care of our guests – many of whom were their friends and neighbors. The commitment of our team to rallying to support the community during its time of need was inspiring.

With all of these challenges, we ended the year with an adjusted net loss of \$313 million, on revenues of \$2.7 billion which were up 2.8% over the prior year.

Turning to demand, travel from North America to Hawai'i remained strong – with the exception of inbound travel to Maui in the second half of 2023. In our international markets, South Korea and Australia have shown encouraging improvement, while Japan, our largest international market, continues to lag the pace of recovery in other markets. The Neighbor Island market continues to suffer from excess capacity, but we are competing effectively, commanding strong consumer preference, and have seen improving average fares in recent months.

## **Combining with Alaska**

On December 3, 2023, we announced our plan to combine with Alaska Airlines. While the board remains confident in Hawaiian's long-term, stand-alone plan, we believe that the acquisition by Alaska creates more value for our stockholders, and for consumers. Bringing together our complementary networks will allow travelers in Hawai'i and elsewhere around the world to reach more destinations while enjoying the high-quality service for which both Alaska and Hawaiian are known. A combined loyalty program, as well as membership in the **oneworld** alliance, will bring greater benefits to members. And the beloved Hawaiian Airlines brand will live on as a part of the combined company. Together, we believe we will be able to compete more effectively against the giant airlines who dominate the U.S. domestic industry, and invest more in sustainability, workforce development, and community.

We were gratified that on February 16<sup>th</sup>, a substantial majority of our stockholders voted in favor of the merger. We are now working collaboratively with Alaska to provide the information requested by the Department of Justice for its review of our combination with Alaska.

## **Growing and diversifying our business**

In 2023, we initiated our freighter service for Amazon. We received the first of 10 committed A330-300 freighters and began service on schedule. Operational performance for this business, even during the high-pressure holiday season, was excellent. This new venture, which builds on the success of our preexisting cargo operation, is an important initiative to add a diversified stream of revenue to our leisure-travel-focused core business, and we recently inducted our second new freighter aircraft into the Amazon operation. We expect to have up to six freighters flying by the end of 2024.

While the challenges with the A321neo engines and delayed delivery of the Boeing 787-9 limited our ability to grow the passenger network in 2023, we expanded our presence in Oceania with new service to the Cook Islands, and returned to Fukuoka, Japan. For 2024, we have announced new service between Honolulu and Salt Lake City, as well as additional service between Sacramento and Kona and Lihue.

## **Supporting our community and stewarding the environment**

We continue to invest in our workforce of the future, expanding on innovative programs like our partnership with Honolulu Community College to train maintenance technicians. We have joined Embry-Riddle Aeronautical University's Aviation Maintenance Technology SkillBridge program, which has successfully transitioned more than 380 service members into civilian careers since its inception in 2019. We continue to work with universities, including the University of Hawai'i and Arizona State University, on career pathway programs and have begun expanding our presence in

Hawai'i's public and private high schools. Hawaiian Airlines remains an employer of choice in our home communities, and we are excited to be creating fulfilling, well-compensated jobs in Hawai'i and beyond. Having agreed upon a new, four-year contract with our pilots in March of 2023, none of our labor contracts are currently amendable.

As an airline based in the Pacific, we are acutely aware of the vulnerability of our environment to human caused impacts, including climate change. We are advancing our strategy to achieve net-zero carbon emissions by 2050 while continuing to provide the air service that is the lifeblood of our island economy. Our highest priority remains sourcing sustainable aviation fuel (SAF), which can be used on current aircraft and dramatically reduces the lifecycle carbon emissions associated with flying. We have committed to purchase 50 million gallons of SAF and continue to work with suppliers to ramp up production. Hawaiian in 2023 joined the United Airlines Ventures Sustainable Flight Fund, to co-invest in early-stage companies innovating SAF production. We have also formed a coalition to advocate for legislation to support the production of SAF in our home state, which will both drive decarbonization and improve our energy independence.

Above and beyond our normal focus on community giving and employee volunteerism, in 2023 our team rallied to support the Maui community in the wake of the wildfires. In the first three days of the crisis, we transported more than 17,000 people out of Maui, and brought in more than 54,000 pounds of essential supplies. We and our members donated HawaiianMiles equivalent to thousands of neighbor island seats to help the American Red Cross move personnel and displaced community members. As the recovery continued, and Maui's tourism economy suffered, we produced our *Travel Pono Maui* video series to encourage visitors to return to Maui with an understanding of the challenges faced by the community. Our Mālama Maui Desk responded to hundreds of requests for assistance, and we guided our guests to resources on how to help. We remain committed to Maui – a place personally dear to me and my family – and will be there for the long haul to support the recovery.

### **Becoming a better airline for our guests, our employees and our communities**

While 2023 was a challenging year, it was one in which we continued to make strategic, long-term investments in our business. We emerge from that year energized around delivering on what's most important for our guests – great operational performance; warm, authentic hospitality; a great guest experience; and of course, an unwavering and uncompromising focus on safety.

This year, we welcomed our first 787-9 – also called the Dreamliner and our new flagship – and expect to take delivery of two more aircraft by the end of 2024. With a new business class suite product called the Leihōkū Suite and a rich, Hawai'i-inspired design throughout the cabin, this is going to be a truly exceptional way to get to and from our islands. The Dreamliner's improved fuel efficiency will also help us move toward our net zero emissions goal. We are installing fast, free Starlink connectivity across our long-haul fleet – by far the best inflight wi-fi available worldwide. To match this exceptional experience in the air, we are also investing in our airport facilities,

including a new, \$14 million TSA checkpoint in Honolulu that opened in early 2023, new lounges, and better guest facing technology. Having implemented the Amadeus Altea passenger service system last year, we are now able to build new digital tools for travelers, including more convenient self-service options on common transactions like flight changes.

All of this, as well as the proposed combination with Alaska, makes clear that the future of our business and the Hawaiian Airlines brand is bright. I am grateful to the employees of Hawaiian Airlines for persevering through difficult times, and to you, our stockholders, for your support.

With Aloha,

A handwritten signature in black ink, appearing to read 'Lawrence S. Hershfield', written in a cursive style.

Lawrence S. Hershfield  
Chairman of the Board of Directors

*This letter contains forward-looking statements within the meaning of the U.S. securities laws that are subject to risks and uncertainties that could cause our actual results to differ materially from those indicated in these forward-looking statements, including but not limited to risks described in our filings with the Securities and Exchange Commission. For important cautionary language regarding these forward-looking statements, please see the section titled "Cautionary Note Regarding Forward-Looking Statements" in our Annual Report on Form 10-K, included herein. The Company undertakes no obligations to update any forward-looking statements.*

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2023

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-31443

**HAWAIIAN HOLDINGS INC**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**71-0879698**

(I.R.S. Employer Identification No.)

**3375 Koapaka Street, Suite G-350  
Honolulu, HI**

(Address of Principal Executive Offices)

**96819**

(Zip Code)

**(808) 835-3700**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock (\$0.01 par value)	HA	NASDAQ Stock Market, LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Rule Act 12b-2). Yes  No

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was approximately \$556.1 million, computed by reference to the closing sale price of the Common Stock on the NASDAQ Global Select Market, on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter.

As of February 2, 2024, 51,824,634 shares of Common Stock of the registrant were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2023.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to certain current and future events and financial performance. Such forward-looking statements include, without limitation, statements related to the Merger (defined below); including statements related to the timing of completion of the Merger, or the receipt of necessary approvals to complete the Merger; the significance and timing of costs related to the Merger; the impact on us of litigation or other stockholder action related to the Merger; the effects on us and our stockholders if the Merger is not completed; our financial statements and results of operations; any expectations of operating expenses, deferred revenue, interest rates, tax rates, income taxes, deferred tax assets, valuation allowances or other financial items; the demand for air travel in the markets in which we operate; anticipated levels of demand and bookings; additional route service; our dependence on tourism; the impact of reduced demand from any one type of customer; our ability to continue to generate sufficient cash to operate; whether or when we may engage in stock repurchases or dividends; changes in our future capital needs; estimations related to our liquidity requirements; the availability of aircraft fuel, aircraft parts and personnel; expectations regarding industry capacity, our capacity, our operating performance, available seat miles, operating revenue per available seat mile and operating cost per available seat mile for the first quarter and full year of 2024; the timing, fleet, scope and costs of our operations pursuant to the Air Transportation Services Agreement; expectations of the benefits and drawbacks related to exclusivity arrangements with loyalty, co-brand and other partners; expected salary and related costs; expected passenger servicing costs; expected commissions and other selling expenses; expected purchased services and other expenses; estimates for daily cash burn; our expected fleet as of December 31, 2024; estimates of annual fuel expenses and measure of the effects of fuel prices on our business; the start date for sustainable aviation fuel deliveries; the impact of inflation on our business; the availability of capital to operate our business, and any efforts to obtain such capital; changes in our fleet plan and related cash outlays; committed capital expenditures; continued investments towards achieving our environmental goals; the estimated timing for certain asset dispositions; estimated financial charges; expected delivery or deferment of new aircraft and engines; the funding of our aircraft orders; the impact of accounting standards on our financial statements; our ability to successfully assert legal defenses in litigation and the effects of any litigation on our operations or business; the effects of our fuel and currency risk hedging policies; the fair value and expected maturity of our debt obligations; our estimated contractual obligations; the effect of fleet changes on our business, operations and cost structure; estimates of fair value measurements; estimates of required funding of, and contributions to our defined benefit pension, other post-retirement plans and disability plans; the status and effects of federal and state legislation and regulations promulgated by the Federal Aviation Administration (FAA), U.S. Department of Transportation (DOT) and other regulatory agencies; the impact of new or revised noise abatement procedures at the airports we serve; airport rent rates and landing fees; estimates related to our frequent flyer program; our credit card holdback; our debt or lease obligations and financing arrangements; risk management, credit risks, and air traffic liability; future U.S. and global economic conditions or performance; and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Words such as “expects,” “anticipates,” “projects,” “intends,” “plans,” “believes,” “estimates,” “could,” “would,” “will,” “might,” “may,” variations of such words, and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties, and assumptions relating to our operations and business environment, all of which may cause our actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.

Factors that could affect such forward-looking statements include, but are not limited to: the Merger, including disruptions in our business caused by the pendency of the Merger; failure to complete the Merger in a timely manner or at all; the requirement to obtain necessary approvals to consummate the Merger; employee attrition; the role of cargo in our business model; the concentration of our cargo business with Amazon (defined below); fluctuations and the extent of declining demand for air transportation in the markets in which we operate; our dependence on the tourist industry; our ability to generate sufficient cash and manage the cash available to us; our ability to accurately forecast quarterly and annual results; global economic volatility; macroeconomic political and regulatory developments; the cost and availability of fuel, aircraft parts and personnel; foreign currency exchange rate fluctuations; competitive pressures, including the impact of increasing industry capacity between North America and Hawai‘i; the impact of

inflation on the economy, our financial condition and results of operations; the impact of interest rate increases; maintenance of privacy and security of customer-related information and compliance with applicable federal and foreign privacy or data security regulations or standards; our dependence on technology and automated systems; our reliance on third-party contractors; satisfactory labor relations; our ability to attract and retain qualified personnel and key executives; successful implementation of our growth strategy and cost reduction goals; adverse publicity; risks related to the airline industry; our ability to obtain and maintain adequate facilities and infrastructure; seasonal and cyclical volatility; the effect of applicable state, federal and foreign laws and regulations; increases in insurance costs or reductions in coverage; the limited number of suppliers for aircraft, aircraft engines and parts; our existing aircraft purchase agreements; delays in aircraft or engine deliveries or other loss of fleet capacity; changes in our future capital needs; fluctuations in our share price; the impact of outstanding warrants on our financial results and the market price of our common stock; our financial liquidity; and the effectiveness of our internal control over financial reporting. The risks, uncertainties, and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements also include the risks, uncertainties, and assumptions discussed under the heading “Risk Factors” in Item 1A in this Annual Report on Form 10-K and the risks, uncertainties and assumptions discussed from time to time in our public filings and public announcements. All forward-looking statements included in this report are based on information available to us as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this annual report.

## PART I

### ITEM 1. BUSINESS.

#### *Overview*

Hawaiian Holdings, Inc. (Holdings) is a holding company incorporated in the State of Delaware. Holdings' primary asset is sole ownership of all issued and outstanding shares of common stock of Hawaiian Airlines, Inc. (Hawaiian). Hawaiian was originally incorporated in January 1929 under the laws of the Territory of Hawai'i and became our indirect wholly-owned subsidiary pursuant to a corporate restructuring that was consummated in August 2002. Hawaiian became a Delaware corporation and Holdings' direct wholly-owned subsidiary concurrent with Hawaiian's reorganization and reacquisition by Holdings in June 2005. References to "the Company", "we", "us" or "our" in this Annual Report on Form 10-K include both Holdings and Hawaiian unless the context requires otherwise.

#### *Our Business*

We are engaged in the scheduled air transportation of passengers and cargo amongst the Hawaiian Islands (the Neighbor Island routes), between the Hawaiian Islands and certain cities in the United States (the North America routes, and together with the Neighbor Island routes, the Domestic routes), and between the Hawaiian Islands and the South Pacific, Australia, New Zealand and Asia (the International routes), collectively referred to as our Scheduled Operations. We offer non-stop service to Hawai'i from 15 U.S. mainland cities, which is more U.S. gateway cities than any other airline, and also provide approximately 151 daily flights between the Hawaiian Islands. In addition, we operate various charter flights.

We are the longest serving airline, as well as the largest airline headquartered, in the state of Hawai'i, and the 10th largest domestic airline in the United States based on revenue passenger miles (RPMs) reported by the Research and Innovative Technology Administration Bureau of Transportation Services as of October 2023, the latest data available.

At December 31, 2023, our fleet consisted of 19 Boeing 717-200 aircraft for the Neighbor Island routes and 24 Airbus A330-200 aircraft and 18 Airbus A321neo aircraft utilized primarily on our North America and International routes.

On October 20, 2022, we entered into an Air Transportation Services Agreement (ATSA) with Amazon.com Services LLC (Customer), a wholly-owned subsidiary of Amazon.com Inc. (Amazon), to provide certain air cargo transportation services to the Customer for an initial term of eight years. Thereafter, the Customer may elect to extend the ATSA for two years and, at the end of such period, the parties may mutually agree to extend the term for three additional years. The ATSA provides for us to initially operate ten A330-300F aircraft for the air cargo transportation services with the Customer having the right to enter into work orders for additional aircraft. We will supply flight crews, fuel, perform maintenance and certain administrative functions, and procure aircraft insurance. The Customer will pay us a fixed monthly fee per aircraft, a per flight hour fee, and a per flight cycle fee for each flight cycle operated. The Customer will also reimburse us for certain operating expenses, including fuel, certain maintenance, and insurance premiums. Services under the ATSA began in October 2023 and at the end of 2023, we were operating one aircraft. We anticipate that we will be operating six aircraft under the ATSA by the end of 2024.

Our goal is to be the number one destination carrier serving Hawai'i. We are devoted to the travel needs of the residents of and visitors to Hawai'i and we offer a unique travel experience. We are strongly rooted in the culture and people of Hawai'i and we seek to provide high quality service to our customers that exemplifies the spirit of Aloha.

#### *Purpose and Values*

Our purpose is to connect people with Aloha. It captures how we bring people closer together, and how we share the Aloha spirit with the people and places we serve. It is core to who we are, how we see the world and how we engage with the people and places around us. Aloha is a way of life, but also a choice each of our

employees makes every day, constantly striving to be the very best we can be. With Aloha in everything we do, we share moments and our spirit with guests and each other.

Our values, reflected below, guide how we act, lead, and make decisions:

- Mālama (Care): We care about the people and places we serve, and personally commit to their well-being
- Ho'okipa (Hospitality): We are genuine hosts, welcoming people into our home with warmth, gratitude and full hearts
- Lōkahi (Collaboration): We come together in harmony, always seeking better ways to succeed as a team
- Po'okela (Excellence): We strive for excellence, competing to thrive

#### *Announcement of Merger with Alaska Air Group*

On December 2, 2023, we entered into an Agreement and Plan of Merger (the Merger Agreement) with Alaska Air Group, Inc., a Delaware corporation (Alaska), and Marlin Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Alaska (Merger Sub). Pursuant to the Merger Agreement, Merger Sub will merge with and into Holdings (the Merger), with Holdings surviving as a wholly owned subsidiary of Alaska.

At the effective time of the Merger (the Effective Time), each share of our Common Stock, Series B Special Preferred Stock, Series C Special Preferred Stock, and Series D Special Preferred Stock issued and outstanding immediately prior to the Effective Time, subject to certain customary exceptions specified in the Merger Agreement, will be converted into the right to receive \$18.00 per share, payable to the holder in cash, without interest.

Completion of the Merger is subject to customary closing conditions, including approval by the Company's stockholders; performance by the parties in all material respects of all their obligations under the Merger Agreement; the receipt of required regulatory approvals; and the absence of an order or law preventing, materially restraining, or materially impairing the consummation of the Merger.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, we may be required to pay Alaska a termination fee of \$39.6 million in connection with the termination of the Merger Agreement.

The Merger is expected to close within 12 to 18 months of the date of the Merger Agreement.

#### ***Flight Operations***

Our flight operations are based in Honolulu, Hawai'i. As of December 31, 2023, we operated 221 scheduled flights with:

- Daily service on our North America routes between the state of Hawai'i and Long Beach, Los Angeles, Oakland, Ontario, Sacramento, San Diego, San Francisco, and San Jose, California; Las Vegas, Nevada; Portland, Oregon; Seattle, Washington; Phoenix, Arizona; New York City, New York; Austin, Texas; and Boston, Massachusetts.
- Daily service on our Neighbor Island routes among the four major islands of the state of Hawai'i.
- Scheduled service on our International routes between the state of Hawai'i and Tokyo (Haneda), Tokyo (Narita), Osaka, Fukuoka, and Sapporo, Japan; Sydney, Australia; Auckland, New Zealand; Pago Pago, American Samoa; Papeete, Tahiti; Rarotonga, the Cook Islands; and Seoul, South Korea.
- In addition, we operate various ad hoc charters.

In November 2023, we announced new daily service between Honolulu, Hawai'i and Salt Lake City, Utah, which will commence in May 2024.

## ***Fuel***

Our results of operations are significantly impacted by changes in the price and availability of aircraft fuel. The following table shows our aircraft fuel consumption and costs:

<u>Year</u>	<u>Gallons consumed</u>	<u>Total cost, including taxes</u>	<u>Average cost per gallon</u>	<u>Percent of operating expenses</u>
	(in thousands)			
2023 . . . . .	268,491	\$766,133	\$2.85	25.5%
2022 . . . . .	239,231	\$817,077	\$3.42	28.7%
2021 . . . . .	179,494	\$363,003	\$2.02	21.6%

As illustrated by the table above, fuel costs constitute a significant portion of our operating expenses. We purchase aircraft fuel at prevailing market prices and seek to manage economic risks associated with fluctuations in aircraft fuel prices by entering into various derivative financial instruments. In 2020, we suspended our fuel derivative program as a result of the COVID-19 pandemic. We recommenced the program in 2022.

In addition, the vast majority of our Scope 1 carbon emissions result from jet fuel consumption on our flights, so we believe that transitioning the fuel we use to more sustainable sources is important to achieving our climate-related goals. We have contracted to purchase 50 million gallons of sustainable aviation fuel (SAF) from biofuel company Gevo, Inc., with deliveries to our gateway cities in California expected to start in 2029.

## ***Aircraft Maintenance***

Our aircraft maintenance programs consist of a series of phased or continuous checks for each aircraft type. These checks are performed at specified intervals measured by calendar months, time flown, and by the number of takeoffs and landings, or cycles operated. In addition, we perform inspections, repairs, and modifications of our aircraft in response to FAA directives. We perform checks ranging from “walk around” inspections by our pilots before each flight’s departure to major overhauls of the airframes which can take several weeks to complete. Aircraft engines are subject to phased maintenance programs designed to detect and remedy potential problems before they occur. Certain airframe and engine parts and components, whose service lives are time or cycle controlled, are replaced or refurbished prior to the expiration of their time or cycle limits. We have contracts with third parties to provide certain maintenance on our aircraft and aircraft engines.

## ***Marketing and Ticket Distribution***

We utilize various distribution channels for marketing and ticket distribution including our website [www.hawaiianairlines.com](http://www.hawaiianairlines.com), (primarily for our North America and Neighbor Island routes) and travel agencies and wholesale distributors (primarily for our International routes).

Our website is available in English, Japanese and Korean, and offers our customers information on our flight schedules and status, information on our *HawaiianMiles* frequent flyer program, the ability to book reservations on our flights or connecting flights with any of our code-share partners, and the ability to purchase hotel, car and vacation packages. We also distribute our fares through online travel agencies.

## ***Frequent Flyer Program***

The *HawaiianMiles* frequent flyer program was founded in 1983, and has continued to grow over the years, with approximately 12.3 million total members as of December 31, 2023. Approximately 51% of frequent flyer program members reside in the U.S. mainland, approximately 18% reside in Hawai‘i, and the remainder reside within our international markets.

The *HawaiianMiles* program awards miles based on customer flight miles, providing more generous earning potential on competitive longer haul routes between the U.S. mainland and international cities and Hawai‘i. Our members generate approximately 36% of all passenger revenue. Our Pualani Gold and Platinum status

levels recognize our top fliers with additional benefits such as priority airport experiences, Premier Club access, seat upgrades and enhanced baggage allowances.

With a large Hawai'i-based route network, our program has developed an extensive network of partnerships with leading national and local companies that allow members to earn miles beyond their flight activity. Partnerships in key spend categories such as grocery, retail, dining, banking and home improvement provide opportunities for member engagement and third-party revenues.

Hawaiian's partnerships with Barclays, Bank of Hawaii and Mastercard to deliver key products are drivers of engagement and revenues. The HawaiianMiles program has over a half-million cardholders between the Barclays' issued World Elite Mastercard and the Bank of Hawaii VISA debit card. These products allow members to accumulate more miles between their trips on Hawaiian and are critical engagement tools for not only the loyalty program, but also the airline.

The number of free travel awards used for travel on Hawaiian was approximately 874,000 in 2023. The number of free travel awards as a percentage of total revenue passengers was approximately 8% and 7% in 2023 and 2022, respectively. We believe displacement of revenue passengers by passengers using free travel awards is reduced by our ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total revenue passengers.

Enhancing our loyalty offering, for *HawaiianMiles* members who do not reach Pualani elite status, we offer our Premier Club subscription program. Launched over 30 years ago, our subscription service allows members to enjoy free baggage, access to airport clubs, priority check-in and other value adds. With an annual rate of up to \$299, Hawaiian is able to generate ancillary revenues while helping to keep future customer purchases on Hawaiian flights.

In April 2021, the Company announced the termination of its *HawaiianMiles* expiration policy, effective April 1, 2021. Prior to April 1, 2021, accounts with no activity (miles earned or redeemed) for 18 months automatically expired. Since April 1, 2021, *HawaiianMiles* accounts do not expire.

### ***Code-Share and Other Alliances***

We have marketing alliances with other airlines to offer connecting services, as well as frequent flier program relationships that provide reciprocal frequent flyer mileage accrual and redemption privileges, and code-shares on certain flights. These programs enhance our revenue opportunities by:

- increasing value to our customers by providing easier access to more travel destinations and better mileage accrual/redemption opportunities;
- giving customers access to more connecting flights from other airlines; and
- providing our members and members of our alliance partners' frequent flyer programs an opportunity to travel on our system while earning mileage credit in the alliance partners' programs.

Our marketing alliances with other airlines as of December 31, 2023 were as follows:

	Hawaiian Miles Frequent Flyer Agreement	Other Airline Frequent Flyer Agreement	Code-share – Hawaiian Flight # on Flights Operated by Other Airline	Code-share – Other Airline Flight # on Flights Operated by Hawaiian
American Airlines . . . . .	No	Yes	No	Yes
China Airlines . . . . .	Yes	Yes	Yes	Yes
Delta Air Lines . . . . .	No	Yes	No	Yes
Japan Airlines . . . . .	Yes	Yes	Yes	Yes
JetBlue . . . . .	Yes	Yes	Yes	Yes
Korean Air . . . . .	Yes	Yes	Yes	Yes
Philippine Airlines . . . . .	No	No	No	Yes
Turkish Airlines . . . . .	No	No	No	Yes
United Airlines . . . . .	No	Yes	No	Yes
Virgin Atlantic Airways . . . . .	Yes	Yes	No	No
Virgin Australia . . . . .	Yes	Yes	Yes	No

**Competition**

The airline industry is highly competitive. We believe that the principal competitive factors in the airline industry are:

- Fares;
- Flight frequency and schedule;
- Customer service;
- On-time performance and reliability;
- Name recognition;
- Marketing affiliations;
- Frequent flyer benefits;
- Aircraft type;
- Change fee waivers;
- Safety record; and
- In-flight services.

*Domestic* — We face multiple competitors on our North America routes including major network carriers such as Alaska Airlines (AS), American Airlines (AA), Delta Airlines (DL), Southwest Airlines (WN) and United Airlines (UA). Various charter companies also provide non-scheduled service to Hawai‘i, mostly under public charter arrangements. Our Neighbor Island competitors consist of interisland carriers, which include Mokulele Airlines, Southwest Airlines, and a number of other “air taxi” companies.

*International* — We are the only provider of direct service between Honolulu, Hawai‘i and each of Sapporo, Japan; Fukuoka, Japan; Pago Pago, American Samoa; Papeete, Tahiti; and Rarotonga, the Cook Islands. However, we face multiple competitors from both domestic and foreign carriers on our other international routes.

**Employees and Human Capital Management**

Our workforce is a key driver to our success.



As of December 31, 2023, we had 7,362 active employees, of whom approximately 80.8% were covered by labor agreements with the following organized labor groups:

<u>Employee Group</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Agreement amendable on (*)</u>
Flight deck crew members . . .	Air Line Pilots Association (ALPA)	1,138	March 2, 2027
Cabin crew members . . . . .	Association of Flight Attendants (AFA)	2,186	April 2, 2025
Maintenance and engineering personnel . . . . .	International Association of Machinists and Aerospace Workers (IAM-M)	876	February 15, 2027
	International Association of Machinists and Aerospace Workers – Clerical Division (IAM-C)	1,689	February 15, 2027
Clerical . . . . .			
Flight dispatch personnel . . . .	Transport Workers Union (TWU)	63	April 21, 2027

\* Our relations with labor unions representing our airline employees are governed by the Railway Labor Act of 1926 (the Railway Labor Act). Under the Railway Labor Act, a collective bargaining agreement between us and the labor unions does not expire, but instead becomes amendable as of a stated date if either party wishes to modify the terms of the agreement.

In February 2022, our IAM-M and IAM-C employees ratified a new collective bargaining agreement (CBA), which included scheduled pay rate increases, a signing bonus valued at approximately \$2.1 million, improved health benefits and cost sharing, as well as the establishment of Health Retirement Accounts (HRAs) for retirees. During the second quarter of 2022, we recorded approximately \$2.6 million in one-time CBA related expenses associated with a voluntary separation program and establishment of the HRA plan.

In April 2022, flight dispatch personnel represented by the Transport Workers Union (TWU) ratified a new CBA. The terms of the new CBA were consistent with those of the IAM discussed above; however, the impact of the TWU CBA is not material to our financial statements.

On July 1, 2022, our collective bargaining agreement with representatives of our ALPA employees became amendable. In February 2023, the pilots ratified a new four-year CBA, which includes, amongst other things, a signing bonus, pay scale increases across all fleet types, improved health benefits and cost sharing, and enhancements to the Company’s postretirement and disability plans.

*Engagement, Community and Culture*

We recognize the importance of having an engaged workforce and seek to retain our employees through competitive compensation and benefits packages and by investing in training, mentoring, and career development.

We engage with our employees through various channels and initiatives, including via our Nā Leo (Our Voice) survey, a regular confidential employee survey that helps measure employee engagement. We review survey feedback with our management, Board of Directors, and company-wide, and we use our findings to help inform decision-making and drive improvements within the company. In 2023, over 4,000 of our employees participated in a day long Purpose and Values immersion learning what living our values looks like in various company roles and in our community.

We also understand that our commitment to our workforce extends to the communities of which both we and they are a part. We have several internship programs in which we train and recruit local candidates who are interested in pursuing a career with us. For those interested in working as an aviation mechanic, we partner with Honolulu Community College and the International Association of Machinists and Aerospace Workers union. For those interested in working in information technology or another of our corporate workgroups, we offer paid summer internships at our Honolulu headquarters and Phoenix, Arizona office.

*Diversity and Inclusion*

Our diversity efforts include participation in career events and conferences for veterans, people with disabilities, women, and underrepresented groups. In 2023, we were proud to lead the U.S. industry with the

highest percentage of women pilots at more than 10.8%; well above the 2022 U.S. average of 4.9%. We maintain an affirmative action program that employs evidence-based processes to inform our effort to minimize gender, ethnic/racial, and other bias in hiring and promotional practices. We are committed to creating an inclusive environment where our applicants and employees feel comfortable self-identifying their gender, race, and veteran and disability status. More than 80% of our active workforce identify as diverse based on ethnicity and more than 47% based on gender. We have policies that support inclusion of everyone in our workforce, including all sexual orientations and gender identities or expressions, and we provide inclusive benefits for same- and different-sex spouses. We also support the diversity and interests of our workforce through the following employee resource groups: ASCEND (A Support Community for Employees Nurturing Diverse Abilities), LGBTQA, Network for Black Employees and Allies, Sustainability, Wahine (Women) in Aviation and Veterans.

We take pride in and value the traditional culture of Hawai'i. Our 'ōlelo Hawai'i (Hawaiian language) certification program, which is offered at no cost to our employees, demonstrates our commitment to honor and perpetuate Hawai'i's rich culture by incentivizing our team members to share Hawai'i's native language with our guests and each other. We expanded our certification program for crewmembers and made it available for all employees. The 'ōlelo Hawai'i program complements our Ke Kumu project, which consists of employee-led hula and Hawaiian language classes.

### ***Seasonality***

Hawai'i is a popular vacation destination for travelers. For that reason, our operations and financial results are subject to substantial seasonal and cyclical volatility, primarily due to leisure and holiday travel patterns. Demand levels are typically weaker in the first quarter of the year with stronger demand periods occurring during the months of June, July, August, and December. We may adjust our pricing or the availability of particular fares to obtain an optimal passenger load factor depending on seasonal demand differences.

Our cargo operations are also subject to seasonal volatility. Global trade flows are typically seasonal in nature, with peak activity during the retail holiday season. Demand for air cargo capacity is historically low following a seasonal holiday peak in the fourth quarter of the previous year.

### ***Customers***

Our business is not dependent upon any single type of customer or groups of customers and the loss of any one type of customer would not have a material adverse effect on our business.

We have entered into agreements with our co-brand, payment, and loyalty partners that may contain exclusivity aspects which restrict us and our subsidiaries from entering into certain arrangements with other payment and loyalty partners. These arrangements generally extend for the terms of the agreements. We believe the financial benefits generated by the exclusivity aspects of these arrangements outweigh the limitations imposed under such agreements.

### ***Regulation***

Our business is subject to extensive and evolving international, federal, state and local laws and regulations. Many governmental agencies regularly examine our operations to monitor compliance with applicable laws and regulations. Governmental authorities can enforce compliance with applicable laws and regulations and obtain injunctions or impose civil or criminal penalties or modify, suspend, or revoke our operating certificates in case of violations.

### ***Industry Regulations***

We are subject to the regulatory jurisdiction of the DOT and the FAA. The DOT has jurisdiction over international routes and fares for some countries (based upon treaty relations with those countries), consumer protection policies including baggage liability, denied boarding compensation, and unfair competitive practices as set forth in the Airline Deregulation Act of 1978. The FAA has regulatory jurisdiction over flight operations, including equipment, ground facilities, security systems, maintenance, and other safety matters. Pursuant to these regulations, we have established, and the FAA has approved, a maintenance

program for each type of aircraft we operate that provides for the ongoing maintenance of our aircraft, ranging from frequent routine inspections to major overhauls.

#### *Maintenance Directives*

The FAA approves all airline maintenance programs and modifications to such programs. In addition, the FAA certifies and licenses the air carrier, mechanics, inspectors, and repair stations that perform inspections, repairs and overhauls.

The FAA frequently issues airworthiness directives in response to specific incidents or reports by operators or manufacturers, mandating operators of specified equipment types to perform prescribed inspections, repairs or modifications within stated time periods and/or aircraft hours and cycles.

#### *Airport Security*

The Aviation and Transportation Security Act (Aviation Security Act) mandates that the Transportation Security Administration (TSA) provide screening of all passengers and property, including mail, cargo, carry-on and checked baggage, and other articles that will be carried aboard a passenger aircraft. Under the Aviation Security Act, substantially all security screeners at airports are federal employees and airline and airport security is overseen and performed by federal employees, including security managers, law enforcement officers, and Federal Air Marshals. The Aviation Security Act also provides for increased security on flight decks of aircraft (and requires Federal Air Marshals to be present on certain flights), improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, provision of passenger data to U.S. Customs and Border Protection and enhanced background checks.

The TSA also has the authority to impose additional fees on air carriers, if necessary, to cover additional federal aviation security costs.

#### *Environmental and Employee Safety and Health*

We are subject to various laws and regulations concerning environmental matters and employee safety and health in the U.S. and other countries in which we do business. Many aspects of airlines' operations are subject to increasingly stringent federal, state, local, and foreign laws protecting the environment. U.S. federal laws that have a particular impact on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation, and Liability Act. Certain of our operations are also subject to the oversight of the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The U.S. Environmental Protection Agency (EPA), OSHA, and other federal agencies are authorized to promulgate regulations that affect our operations. In addition to these federal activities, states are delegated certain authority under the aforementioned federal statutes. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which, like some laws in California, are similar to or stricter than federal requirements.

The EPA is authorized to regulate aircraft emissions and has historically implemented emissions control standards previously adopted by the International Civil Aviation Organization (ICAO). Our aircraft comply with the existing EPA standards, as applicable, by engine design date.

We seek to minimize the impact of carbon emissions from our operations through reductions in our fuel consumption and other efforts. We have reduced the fuel needs of our aircraft fleet through the retirement and replacement of certain aircraft in our fleet with newer, more fuel-efficient aircraft. In addition, we have implemented fuel saving procedures in our flight and ground support operations that further reduce carbon emissions. We are also supporting initiatives to develop alternative fuels and efforts to modernize the air traffic control system in the U.S. as part of our efforts to reduce our emissions and minimize our impact on the environment.

#### *Noise Abatement*

Under the Airport Noise and Capacity Act, the DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided such procedures do not unreasonably interfere with

interstate and foreign commerce, or the national transportation system. Certain airports, including the major airports at Los Angeles, San Diego, San Francisco, and San Jose, California; Sydney, Australia; and Tokyo, Japan, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number of hourly or daily operations or the time of such operations. Local authorities at other airports could consider adopting similar noise restrictions. In some instances, these restrictions have caused curtailments in services or increases in operating costs, and such restrictions could limit our ability to expand our operations and reduce our profitability.

#### *Civil Reserve Air Fleet Program*

The U.S. Department of Defense (DOD) regulates the Civil Reserve Air Fleet (CRAF) and government charters. We have elected to participate in the CRAF program by agreeing to make aircraft available to the federal government for use by the U.S. military under certain stages of readiness related to national emergencies. The program is a standby arrangement that allows the DOD to call on as many as 12 contractually committed Hawaiian aircraft and crews to supplement military airlift capabilities. In August 2021, DOD asked us to activate two aircraft under the CRAF program for Stage 1 activation as defined under the program. The activation was completed in September 2021. As of December 31, 2023, none of our aircraft were mobilized under this program.

#### *Other Regulations*

Other aspects of airline operations are subject to regulation or oversight by federal agencies other than the FAA and the DOT. Federal antitrust laws are enforced by the U.S. Department of Justice. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services provided by our cargo services. Labor relations in the air transportation industry are generally regulated under the Railway Labor Act. We and other airlines certificated prior to October 24, 1978 are also subject to preferential hiring rights granted by the Airline Deregulation Act to certain airline employees who have been furloughed or terminated (other than for cause). The Federal Communications Commission issues licenses and regulates the use of all communications frequencies assigned to us and other airlines. There is increased focus on consumer protection both on the federal and state level. We cannot always accurately predict the cost of such requirements on our operations.

Additional laws and regulations are proposed from time to time, which could significantly increase the cost of airline operations by imposing additional requirements or restrictions. U.S. law restricts the ownership of U.S. airlines to corporations where no more than 25% of the voting stock may be held by non-U.S. citizens and the airline must be under the actual control of U.S. citizens. The President and two-thirds of the Board of Directors and other managing officers must also be U.S. citizens. Regulations also have been considered from time to time that would prohibit or restrict the ownership and/or transfer of airline routes or takeoff and landing slots and authorizations. Also, the award of international routes to U.S. carriers (and their retention) is regulated by treaties and related agreements between the U.S. and foreign governments, which are amended from time to time. We cannot predict what laws and regulations will be adopted or what changes to international air transportation treaties will be adopted, if any, or how we will be affected by those changes.

#### *Available Information*

General information about us, including the charters for the committees of our Board of Directors, can be found at <https://www.hawaiianairlines.com>. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as well as any amendments and exhibits to those reports that we file with the Securities and Exchange Commission (SEC) are available for download, free of charge, on our website. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be found at <http://www.sec.gov>.

We also use the investor relations section of our website <https://newsroom.hawaiianairlines.com/investor-relations> and our website (<https://www.hawaiianairlines.com>) as a means of disclosing material information and for complying with our disclosure obligations under Regulation FD.

Information on our website is not incorporated into this Annual Report on Form 10-K or our other securities filings and is not a part of such filings.

## **ITEM 1A. RISK FACTORS.**

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before making a decision to invest in our common stock. Our business, financial condition, results of operations or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

### **RISK FACTOR SUMMARY**

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

#### *Alaska Air Group Merger Risks*

- the pendency of the proposed Merger may cause disruption in our business
- failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock, as well as our future business and our results of operations and financial condition
- to complete the Merger, certain government approvals must be obtained

#### *Business Risks*

- future obligations and related impacts of such obligations with respect to our agreements with Amazon

#### *Economic Risks*

- global economic and market volatility
- our dependence on tourism to, from, and amongst the Hawaiian Islands
- our dependence on the price and availability of fuel
- our exposure to foreign currency exchange rate fluctuations

#### *Liquidity Risks*

- credit market conditions
- our debt, including covenants that restrict our financial and business operations
- requirements for us to maintain reserves under our credit card processing agreements

#### *Competitive Environment Risks*

- the extremely competitive environment in which we operate
- the effect of inflation on our profitability
- the effect of interest rate increases on the fair value of our fixed income investments
- the concentration of our business within Hawai‘i
- the competitive advantages held by network carriers in the North America market and our reliance on commercial relationships with other airlines to provide access to Domestic and International routes

- the effect of increased capacity provided by our competitors on our North American and Neighbor Island routes
- the effect of competition from domestic and foreign carriers on our International routes

#### *Information Technology and Third-Party Risks*

- compliance with U.S. and foreign laws and regulations relating to privacy, data protection, and data security and security standards imposed by our commercial partners
- actual or perceived failure to protect customer or other personal or confidential information
- our increasing dependence on technology and automated systems to operate our business
- our reliance on third-party contractors to provide certain facilities and services

#### *Labor Relations and Related Costs Risks*

- our dependence on satisfactory labor relations
- our ability to attract and retain qualified personnel and key executives

#### *Strategy and Brand Risks*

- our ability to successfully implement our route and network strategy
- damage to our reputation or brand image
- adverse publicity
- our ability to protect our intellectual property rights
- concentration of our cargo business with Amazon
- our ability to realize the full benefits of our agreements with Amazon

#### *Airline Industry, Regulation and Related Costs Risks*

- the substantial operating leverage of the airline industry and other conditions beyond our control
- any inability to maintain adequate facilities and infrastructure at airports within the state of Hawai'i
- substantial seasonal and cyclical volatility of our business
- terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities
- extensive government regulation, new regulations and taxes impacting the airline industry
- climate change, including increased regulation and the impact of severe weather events
- federal budget constraints
- compliance with various environmental laws and regulations required of the airline industry
- our expansion into non-U.S. jurisdictions and the related laws and regulations to which we are subject
- litigation or regulatory action in the normal course of business or otherwise
- changes in tax laws or regulations and our ability to use our net operating loss carryforwards
- increases in our insurance costs or reductions in coverage
- extended interruptions or disruptions in service

#### *Fleet and Fleet-Related Risks*

- our dependence on a limited number of suppliers for aircraft, aircraft engines and parts
- significant future financial commitments and operating costs related to our agreements to purchase Boeing 787-9 aircraft

- delays in scheduled aircraft deliveries or other loss of fleet capacity
- any impairment and other related charges related to the value of our long-lived assets

#### *Common Stock Risks*

- fluctuations in our share price
- we do not expect to repurchase our common stock or pay dividends on our common stock
- future earnings and earnings per share impacts from fluctuations in the value of the Amazon warrants
- dilution of existing stockholders and market price impacts related to the exercise of our outstanding warrants
- limitations on voting and ownership by non-U.S. citizens in our certificate of incorporation and exclusive forum provisions in our bylaws
- provisions of our certificate of incorporation and bylaws and our agreements with Amazon may delay or prevent a change of control
- Amazon may become a significant stockholder
- the publication of research about us by analysts

#### *Securities Offerings Risks*

- the effect of our indebtedness and liabilities related to our debt offerings on the cash flow available for our operations and to satisfy our obligations related such debt

#### *Restatement of our Consolidated Financial Statements Risks*

- challenges to developing and maintaining effective internal control over financial reporting so that we can accurately report our financial results in a timely manner
- litigation over the restatement of our previously issued financial statements

### **ALASKA AIR GROUP MERGER**

#### ***The pendency of the Merger may cause disruption in our business.***

The Merger Agreement restricts us from taking specified actions without Alaska's consent until the Merger is completed or the Merger Agreement is terminated. These restrictions are more fully described in the Merger Agreement. These restrictions may affect our ability to execute our business strategies and attain our financial and other goals and may impact our business, results of operations and financial condition.

The pendency of the Merger could cause disruptions to our business or business relationships, which could have an adverse impact on our results of operations. Parties with which we have business relationships, including guests, employees and labor groups, suppliers, third-party service providers and third-party distribution channels, may be uncertain as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The pursuit of the Merger is expected to place a significant burden on our management and internal resources. The diversion of management's attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could adversely affect our business, results of operations and financial condition.

In addition, we have incurred and will continue to incur significant costs, expenses and fees in connection with the Merger. The substantial majority of these costs will be non-recurring expenses relating to the Merger, and many of these costs are payable regardless of whether or not the Merger is consummated. Litigation

has been filed in connection with the Merger, and further litigation may arise prior to closing. Defending the litigation could prove costly and time consuming.

***Failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock, as well as our future business and our results of operations and financial condition.***

The Merger cannot be completed until the conditions to closing are satisfied or (if permissible under applicable law) waived. The failure to satisfy the required conditions could delay the completion of the Merger for a significant period of time or prevent it from occurring. Further, there can be no assurance that the conditions to the closing of the Merger will be satisfied or waived or that the Merger will be completed.

If the Merger is not completed in a timely manner or at all, our ongoing business may be adversely affected, including as follows:

- we may experience negative reactions from the financial markets, and our stock price could decline to the extent that the current market price reflects an assumption that the Merger will be completed;
- we may experience negative reactions from employees, guests, suppliers, communities or other third parties;
- we may be subject to further litigation, which could result in significant costs and expenses;
- management's focus may be diverted from our day-to-day business operations and from pursuing other opportunities that could have been beneficial to the Company;
- our costs of pursuing the Merger may be higher than anticipated;
- we may have difficulties in attracting and/or retaining key employees; and
- our access to capital markets may be limited and we may experience increased borrowing costs.

If the Merger is not consummated, there can be no assurance that these risks will not materialize and will not materially adversely affect our stock price, business, results of operations and financial condition.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, we may be required to pay Alaska a termination fee of \$39,600,000 in connection with the termination of the Merger Agreement. In certain circumstances, Alaska may be required to pay us a termination fee of \$100,000,000. Any requirement to pay a termination fee to Alaska may have an adverse effect on our liquidity and results of operations. The receipt of any termination fee from Alaska may not be sufficient to compensate us for all of the expenses incurred, and opportunities forgone, as a result of our pursuit of the Merger.

***In order to complete the Merger, the Company and Alaska must obtain certain regulatory approvals, and if such approvals are not granted or are granted with conditions, completion of the Merger may be jeopardized or the anticipated benefits of the Merger could be reduced.***

Although the Company and Alaska have agreed to use reasonable best efforts, subject to certain limitations, to make certain governmental filings and obtain the required regulatory approvals, there can be no assurance that the relevant approvals will be obtained (including through the expiration of applicable waiting periods). Governmental authorities may also commence litigation against us, Alaska or both to prevent the Merger from occurring. Defending any such lawsuit will be time-consuming and expensive and there can be no assurance that we and Alaska would ultimately be successful.

Additionally, if the Merger is not consummated, our stockholders and holders of RSUs, options, and warrants will not receive the merger consideration that would have been paid at the closing of the Merger.

## **BUSINESS RISKS**

***Our agreement with Amazon increases the role of cargo in our business model, which may have negative impacts on our operating results and financial condition.***

Our business has historically focused on passenger flights. The ATSA with Amazon is anticipated to increase our cargo operations. Historically, our revenue from non-passenger operations, which includes



cargo, accounted for approximately 9.4%, 11.6%, and 14.1% of total revenue during the years ending December 31, 2023, 2022 and 2021, respectively. Under the ATSA, cargo operations are expected to account for a larger portion of our revenue. Our cargo operations for Amazon may not generate the levels of revenue anticipated. We expect to incur additional costs in order to ramp up and prepare for increased cargo operations, including hiring crew, opening mainland bases and preparing to provide line maintenance for the Amazon fleet. Our pre-service efforts could be costly and be time-consuming and distracting to our management. Additionally, we will incur costs before we generate revenue from our cargo operations for Amazon, which may negatively impact our business and results of operations. Once we begin generating revenue from cargo operations for Amazon, some or all of that revenue will be offset against the value of Amazon's vested warrant shares due to our accounting policies.

## **ECONOMIC RISKS**

### ***Our business is affected by global economic volatility, including any future economic downturns.***

Our business and results of operations are significantly impacted by general world-wide economic conditions, including any future economic downturns. For example, the COVID-19 pandemic and associated decline in economic activity and increase in unemployment levels had a severe and prolonged effect on the global economy generally and, in turn, resulted in a prolonged period of depressed demand for air travel in general. As a result of the COVID-19 pandemic, we experienced a significant decrease in demand for air travel and reduced load capacity on flights. For the twelve months ended December 31, 2023, our passenger revenue was \$2.5 billion, up approximately \$124.6 million compared to 2022, but down \$137.8 million, or 5.3% from the pre-pandemic period in 2019. Across our business and as a result of the COVID-19 pandemic, we have faced operational challenges, including continued delay in the recovery of international travel. Our business depends on the demand for travel to, from and within the Hawaiian Islands and such demand for discretionary air travel remains unpredictable. Further deterioration or instability in demand, including resulting from any future pandemic or other public health related travel restrictions, recommendations, or other impacts on travel behavior, such as those that occurred during the COVID-19 pandemic, ongoing economic uncertainty or recession may result in sustained reduction in our passenger traffic and/or increased competitive pressure on fares in the markets we serve, which could continue to negatively impact our results of operations and financial condition. There can be no assurance that we will be able to offset passenger revenue reductions with other revenue, by reducing our costs or by seeking financing arrangements or other programs or opportunities. We also may not have sufficient cash flows to support our debt obligations, on which more detail is provided in Note 9 of the Notes to Consolidated Financial Statements. In addition, a rapid economic expansion following the height of the COVID-19 pandemic resulted in significant inflationary pressures and volatility in certain currencies, which have increased our costs for aircraft fuel, wages and other goods and services we require to operate our business.

In 2023, concerns arose with respect to the financial condition of certain banking institutions in the United States, in particular those with exposure to certain types of depositors and large portfolios of investment securities. In March 2023, both Silicon Valley Bank (SVB) and Signature Bank (Signature) entered receivership. While we do not maintain accounts with either SVB or Signature, we maintain our cash at other financial institutions in balances that exceed the current Federal Deposit Insurance Corporation insurance limits. If more banks and financial institutions experience financial hardship, enter receivership or become insolvent in the future due to financial conditions affecting the banking system and financial markets, our ability to access our cash, cash equivalents and short-term investments may be threatened and could have a material adverse effect on our business and financial condition.

### ***Our business is highly dependent on tourism to, from, and amongst the Hawaiian Islands and our financial results have been impacted and may continue to be impacted by the current and any future downturn in tourism levels.***

Our principal base of operations is in Hawai'i and our revenue is linked primarily to the number of travelers (mainly tourists) to, from and amongst the Hawaiian Islands. As a result of the COVID-19 pandemic and government mandates related to travel, we experienced a significant decline in the demand for travel to, from and amongst the Hawaiian Islands. The State of Hawai'i stopped imposing quarantine, testing and vaccination requirements at the end of the first quarter of 2022, but certain foreign government restrictions

remained in effect for international travelers during 2022. We have and will continue to incur costs as we further increase our number of flights as passenger traffic to and within the Hawaiian Islands increases, which we incur before the anticipated additional revenue is earned.

Hawai'i tourism levels are generally affected by the economic and political climate impacting air travel and tourism markets generally, including the availability of hotel accommodations, the popularity of tourist destinations relative to other vacation destinations, and other global factors including health crises, natural disasters, safety, and security. While we have seen some increased tourism activity in the state of Hawai'i since the start of the COVID-19 pandemic, we cannot predict if and when tourism levels will be sustained at levels seen prior to the COVID-19 pandemic, particularly with respect to international markets. Additionally, from time to time, various events and industry-specific problems such as labor strikes have had a negative impact on tourism generally and in Hawai'i specifically. The occurrence of natural disasters, such as wildfires, hurricanes, earthquakes, volcanic eruptions, and tsunamis, in Hawai'i or other parts of the world, could also have an adverse effect on our business or financial condition. For example, as a result of the August 2023 wildfires in West Maui, we have experienced a decline in tourism in this region that has adversely impacted our business and financial results. We expect demand for travel to Maui to remain depressed and continue to impact our business and financial results while West Maui continues to rebuild from wildfire devastation. In addition, the potential or actual occurrence of terrorist attacks, wars, and/or the threat of other negative world events have had, and may in the future have, a material adverse effect on or impede the recovery of tourism from the COVID-19 pandemic.

***Our business is highly dependent on the price and availability of fuel.***

Our results, operations, and plans for decarbonization are heavily impacted by the price and availability of jet fuel. The cost of jet fuel remains high and the availability of jet fuel remains volatile. The cost and availability of jet fuel are subject to political, economic, and market factors that are generally outside of our control, including those related to the conflict between Russia and Ukraine and the widening conflict in the Middle East. Prices may be affected by many factors including, without limitation, the impact of political instability, crude oil production and refining capacity, SAF production volume, unexpected changes in the availability of petroleum products due to disruptions to distribution systems or refineries, unpredicted increases in demand due to weather or the pace of global economic growth, inventory reserve levels of crude oil and other petroleum products, the relative fluctuation between the U.S. dollar and other major currencies, government taxes, regulations and subsidies that change the price or reduce the availability of jet fuel, and the actions of speculators in commodity markets. Because of the effects of these factors on the price and availability of jet fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. Also, due to the competitive nature of the airline industry, there can be no assurance that we will be able to increase our fares or other fees to sufficiently offset any increase in fuel prices.

While we may enter into derivative agreements to protect against the volatility of fuel costs, there is no assurance that such agreements will protect us during unfavorable market conditions or that counterparties will be able to perform under these hedge arrangements.

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, for further information regarding our exposure to the price of fuel.

***Our business is exposed to foreign currency exchange rate fluctuations.***

Prior to the COVID-19 pandemic, our business had been expanding internationally with an increasing percentage of our passenger revenue generated from our International routes. The fluctuation of the U.S. dollar relative to foreign currencies can significantly affect our results of operations and financial condition. For example, the value of the Japanese Yen has experienced significant volatility versus the U.S. dollar recently. Any weakening of the Japanese Yen relative to the U.S. dollar causes our flights, and travel in general, from Japan to Hawai'i to become more expensive to customers in Japan, which could negatively impact our business. To manage the effects of fluctuating exchange rates, we periodically enter into foreign currency forward contracts and execute payment of expenditures in those locations in local currency. As of December 31, 2023, we have Japanese Yen denominated debt totaling \$126.8 million. If our business continues to expand internationally, there is no assurance that these agreements will protect us against

foreign currency exchange rate fluctuations during unfavorable market conditions or that our counterparties will be able to perform under these hedge arrangements.

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, for further information regarding our exposure to foreign currency exchange rates.

## **LIQUIDITY RISKS**

### ***Our financial liquidity could be adversely affected by credit market conditions.***

Our business requires access to capital markets to finance equipment purchases, including aircraft, and to provide liquidity in seasonal or cyclical periods of weaker revenue generation. In particular, we will face specific funding requirements with respect to our obligation under purchase agreements with Boeing to acquire new aircraft. We may finance these upcoming aircraft deliveries; however, the unpredictability of global credit market conditions, particularly in light of the U.S. Federal Reserve System (Federal Reserve) raising interest rates, may adversely affect the availability of financing or may result in unfavorable terms and conditions.

Our current unencumbered aircraft can be financed to increase our liquidity, but such financings may be subject to unfavorable terms. In light of current market conditions, any such financings are likely to reflect loan-to-value ratios and interest rates and other terms and conditions less favorable than our recent aircraft financings.

Additionally, there can be no assurance that we will not face credit rating downgrades as a result of weaker than anticipated performance of our business or other factors, as demonstrated by our credit rating downgrades in 2020. Future downgrades could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets.

We can offer no assurance that financing we may need in the future will be available when required or that the economic terms on which it is available will not adversely affect our financial condition. In addition, our ability to refinance our existing or future indebtedness as we may need or desire will depend on the capital markets, including prevailing interest rates, and our financial condition and performance, which, among other things, is subject to economic, financial, competitive and other factors beyond our control. If we cannot obtain financing, we are unable to refinance our existing or future indebtedness, or we cannot obtain financing or refinance our existing or future indebtedness on commercially reasonable or desirable terms, we may default on our existing or future indebtedness and our business and financial condition may be adversely affected.

### ***Our debt could adversely affect our liquidity and financial condition, and include covenants that impose restrictions on our financial and business operations.***

As of December 31, 2023, we had approximately \$1.5 billion in outstanding commercial debt, excluding funds borrowed under the federal Payroll Support Programs (PSP). Our debt and related covenants could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limit, along with the financial and other restrictive covenants in the agreements governing our debt, our ability to borrow additional funds;
- place us at a competitive disadvantage compared to other less leveraged competitors and competitors with debt agreements on more favorable terms than us; and
- adversely affect our ability to secure additional financing in the future on acceptable terms or at all, which would impact our ability to fund our working capital, capital expenditures, acquisitions or other general corporate purpose needs.

These agreements require us to meet certain covenants. If we breach any of these covenants we could be in a default under these facilities, which could cause our outstanding obligations under these facilities to accelerate and become due and payable immediately, and could also cause us to default under our other debt or lease obligations and lead to an acceleration of the obligations related to such other debt or lease obligations. The existence of such a default could also preclude us from borrowing funds under other credit facilities.

Our ability to comply with the provisions of financing agreements can be affected by events beyond our control and a default under any such financing agreements if not cured or waived, could have a material adverse effect on us. In the event our debt is accelerated, we may not have sufficient liquidity to repay these obligations or to refinance our debt obligations, resulting in a material adverse effect on our financial condition.

***We are required to maintain reserves under our credit card processing agreements which could adversely affect our financial and business operations.***

Under our bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. As of December 31, 2023 and 2022, there were no holdbacks held by our credit card processors.

In the event of a material adverse change in our business, the holdback could incrementally increase to an amount up to 100% of the applicable credit card activity for all unflown flights, which would also cause an increase in the level of restricted cash. If we are unable to obtain a waiver, or otherwise mitigate the increase in restricted cash, it could adversely affect our liquidity and also cause a covenant violation under other debt or lease obligations and have a material adverse effect on our financial condition.

## **COMPETITIVE ENVIRONMENT RISKS**

***We operate in an extremely competitive environment.***

The airline industry is characterized by low profit margins, high fixed costs, and significant price competition. We compete with other airlines on all of our Domestic and International routes. The commencement of, or increase in, service on our routes by existing or new carriers at aggressive prices has and could continue to negatively impact our operating results, including as demand for air travel rebuilds. Most of our competitors are much larger and have greater financial resources and brand recognition than we do. Moreover, competitors or potential competitors may merge or enter alliances that increase their financial resources and other strategic advantages. Aggressive marketing tactics or a prolonged fare competition initiated by one or more of these competitors could adversely affect our financial resources and our ability to compete in these markets. Additionally, our competitors have been and may continue to be more successful in recovering from the impacts of the COVID-19 pandemic, which could impact our ability to compete successfully in the future. Since airline markets have few natural barriers to entry, we also face the constant threat of new entrants in all of our markets.

Additional capacity to or within Hawai'i, whether from network carriers or low-cost carriers, could decrease our share of the markets in which we operate, could cause a decline in our yields, or both, which could have a material adverse effect on our results of operations and financial condition.

***Inflation may adversely affect us by increasing costs beyond what we can recover through price increases and may contribute to a recession.***

In the past year, inflation increased throughout the U.S. economy to levels not seen in decades. Although inflation rates have recently declined, inflation can adversely affect us by increasing the costs of labor, fuel, and other costs as well as by reducing demand for air travel. In an inflationary environment, depending on airline industry and other economic conditions, we may be unable to raise prices enough to keep up with the rate of inflation, which would reduce our profit margins. We have experienced, and continue to experience, increases in the prices of labor, fuel and other costs of providing service. Continued inflationary pressures could impact our profitability.

In response to inflation, the Federal Reserve has increased interest rates in an effort to reduce inflationary pressures. The Federal Reserve's actions increase the risk of a recession in which demand for air travel is reduced, which could adversely affect our financial condition and results of operations.

***Interest rate increases may adversely affect the fair value of our investments.***

The Federal Reserve's interest rate increases have reduced and could continue to reduce, the fair value of our investments. Reductions in the fair value of our investments could have a negative impact on our earnings and liquidity.

***The concentration of our business within Hawai'i, and between Hawai'i and the U.S. mainland, provides little diversification of our revenue.***

During 2023, approximately 79% of our passenger revenue was generated from our Domestic routes. Most of our competitors, particularly major network carriers with whom we compete on North America and Neighbor Island routes, enjoy greater geographical diversification of their passenger revenue. As Domestic routes account for a significantly higher proportion of our revenue than they do for most of our competitors, a proportionately higher decline in demand for our domestic routes is likely to have a relatively greater adverse effect on our financial results than on those of our competitors. Sustained reduction in demand on our Domestic routes and continued industry capacity of major network carriers on routes to, from and within Hawai'i could adversely affect our financial results.

***Our business is affected by the competitive advantages held by network carriers in the North America market.***

During 2023, approximately 64% of our passenger revenue was generated from our North America routes. The majority of competition on our North America routes is from network carriers such as Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines, all of whom have a number of competitive advantages. Primarily, network carriers generate passenger traffic from and throughout the U.S. mainland, which enables them to attract higher customer traffic levels as compared to us.

In contrast, we lack a comparable direct network to feed passengers to our North America flights and are therefore more reliant on passenger demand in the specific cities we serve. We also rely on our code-share partner agreements (e.g. with JetBlue) to provide customers access to and from North American destinations currently unserved by us. Most network carriers operate from hubs, which can provide a built-in market of passengers depending on the economic strength of the hub city and the size of the customer group that frequents the airline. Our Honolulu and Maui hubs do not originate a large proportion of North American travel, nor do they have the population or potential customer franchise of a larger city to provide us with a significant built-in market. Passengers in the North American market, for the most part, do not originate in Honolulu, but on the U.S. mainland, making Honolulu primarily a destination rather than an origin of passenger traffic.

***Our North America and Neighbor Island routes are affected by increased capacity provided by our competitors.***

Prior to, and during the COVID-19 pandemic, certain of our competitors increased capacity to and within Hawai'i by introducing new routes and increasing the frequency of existing routes from North America to Hawai'i and by the introduction of additional flights within the neighbor islands. We are unable to predict competitor capacity related to air travel to Hawai'i or between the neighbor islands. Any increased competitor capacity that decreases our share of traffic to Hawai'i or between the neighbor islands could ultimately have a material adverse effect on our results of operations and financial condition.

***Our International routes are affected by competition from domestic and foreign carriers.***

During 2023, approximately 21% of our passenger revenue was generated from our International routes. Our competitors on these routes include both domestic and foreign carriers. Both domestic and foreign competitors have a number of competitive advantages that may enable them to attract higher customer traffic levels as compared to us.

Many of our domestic competitors are members of airline alliances, which provide customers access to each participating airline's international network, allowing for convenience and connectivity to their destinations.

These alliances formed by our domestic competitors have increased in recent years. In some instances, our domestic competitors have been granted antitrust exemptions to form joint venture arrangements in certain geographies, further deepening their cooperation on certain routes. To mitigate this risk, we rely on code-share agreements with partner airlines to provide customers access to international destinations currently unserved by us.

Many of our foreign competitors are network carriers that benefit from network feed to support international routes on which we compete. In contrast, we lack a comparable direct network to feed passengers to our international flights, and are therefore more reliant on passenger demand in the specific destinations that we serve. Most network carriers operate from hubs, which can provide a built-in home base market of passengers. Passengers on our International routes, for the most part, do not originate in Hawai'i, but rather internationally, in these foreign carriers' home bases. We also rely on our code-share agreements and our relationships with travel agencies and wholesale distributors to provide customers access to and from International destinations currently unserved by us.

## **INFORMATION TECHNOLOGY AND THIRD-PARTY RISKS**

***If we do not maintain the privacy and security of personal information or other information relating to our customers or others, or fail to comply with applicable U.S. and foreign privacy, data protection, or data security laws or security standards imposed by our commercial partners, our reputation could be damaged, we could incur substantial additional costs, and we could become subject to litigation or regulatory penalties.***

We receive, retain, transmit and otherwise process personal information and other information about our customers and other individuals, including our employees and contractors, and we are subject to increasing legislative, regulatory and customer focus on privacy, data protection, and data security both domestically and internationally. Numerous laws and regulations in the U.S. and in various other jurisdictions in which we operate relate to privacy, data protection, and security, including laws and regulations regarding the collection, processing, storage, sharing, disclosure, use and security of personal information and other data from and about our customers and other individuals. For example, in the European Union, the General Data Protection Regulation (GDPR) became effective in 2018. The United Kingdom has adopted legislation that substantially implements the GDPR. Additionally, California enacted the California Consumer Privacy Act (CCPA), effective as of January 1, 2020, which was modified significantly by the California Privacy Rights Act (CPRA), which became effective in most material respects on January 1, 2023. Other states, including Colorado, Connecticut, Delaware, Florida, Indiana, Iowa, Montana, New Jersey, Oregon, Tennessee, Texas, Utah, and Virginia have enacted similar legislation. The GDPR and CCPA, other new laws and regulations, and changes in laws or regulations relating to privacy, data protection and information security may require us to modify our practices with respect to the collection, use and disclosure of data. The GDPR provides for significant penalties in the case of non-compliance of up to €20 million or four percent of worldwide annual revenues, whichever is greater. The United Kingdom legislation implementing the GDPR provides for a similar penalty structure. The GDPR, CCPA, CPRA and other existing and proposed laws and regulations can be costly to comply with and can delay or impede our processing of data, result in negative publicity, increase our operating costs and subject us to claims or other remedies. The scope of laws and regulations relating to privacy, data protection, and security is changing, subject to differing interpretations, may be costly to comply with, and may be inconsistent among countries and jurisdictions or conflict with other obligations of ours.

A number of our commercial partners, including payment card companies, have imposed data security standards or other obligations relating to privacy, data protection, or data security upon us. We strive to comply with applicable laws, regulations, policies, and contractual and other legal obligations relating to privacy, data protection, and data security. However, these legal, contractual, and other actual and asserted obligations may be interpreted and applied in new ways and/or in manners that are inconsistent, and may conflict with other obligations or our practices.

Any failure or perceived failure by us to comply with laws or regulations, our privacy or data protection policies, or other actual or asserted privacy-, data protection-, or information security-related obligations to customers or other third parties, or any actual or perceived compromise of security resulting in the unauthorized disclosure, transfer, loss, unavailability, use, or other processing of personal or other

information, may result in governmental investigations and enforcement actions, governmental or private litigation, other liability, our loss of the ability to process payment card transactions, or us becoming subject to higher costs for such transactions, or public statements critical of us by consumer advocacy groups, competitors, the media or others that could cause our current or prospective customers to lose trust in us, any of which could have an adverse effect on our business. Additionally, if third-party business partners that we work with, such as vendors, violate or are alleged to violate applicable laws, applicable policies or other privacy-, data protection-, or security-related obligations, such violations may also put our customers' or others' information at risk and could in turn have an adverse effect on our business. Governmental agencies may also request or take customer data for national security or informational purposes, and also can make data requests in connection with criminal or civil investigations or other matters, which could harm our reputation and our business.

We will continue our efforts to comply with new and increasing privacy, data protection, and information security obligations; however, it is possible that such obligations may require us to expend additional resources, and may be difficult or impossible for us to meet. Any actual or alleged failure to comply with applicable U.S. or foreign privacy, data protection, or data security laws or regulations, any privacy or security standards imposed by our commercial partners, or any other actual or asserted obligations relating to privacy, data protection, or information security, may result in claims, regulatory investigations and proceedings, private litigation and proceedings, and other liability, all of which may adversely affect our reputation, business, results of operations and financial condition.

***Our actual or perceived failure to protect customer information or other personal information or confidential information could result in harm to our business.***

Our business and operations involve the storage, transmission and processing of information about our customers, our employees and contractors, our business partners, and others, as well as our own confidential information. We have not experienced a material cybersecurity incident, but we have experienced cybersecurity incidents in the past and we may experience cybersecurity incidents in the future, including incidents through cyber-attacks by third parties seeking unauthorized access to any of these types of information or to disrupt our business or operations. Ransomware and other malware, business e-mail compromises, fraudulent sales of frequent flier miles, and general hacking have become more prevalent in our industry. While we have taken steps to protect customer information and other confidential information to which we have access, there can be no assurance that any security measures that we or our third-party service providers have implemented will be effective against current or future security threats. We and our third-party service providers may be unable to anticipate attempted security breaches and to implement adequate preventative measures, and our security measures or those of our third-party service providers could be breached or otherwise compromised, we could suffer data loss, corruption, or unavailability, unauthorized access to or use of the systems or networks used in our business and operations, and unauthorized, accidental, or unlawful access to, or disclosure, modification, misuse, loss, unavailability, destruction, or other unauthorized processing of our or our customers' information. We may also experience security breaches or other incidents that may remain undetected for an extended period. Further, third parties may also conduct attacks designed to disrupt or deny access to the systems and networks used in our business and operations.

Actual or perceived security breaches or other security incidents could result in unauthorized use of or access to systems and networks, unauthorized, accidental, or unlawful access to, or disclosure, modification, misuse, loss, unavailability or destruction of, our or our customers' information, and may lead to litigation, claims, indemnity obligations, regulatory investigations and other proceedings, severe reputational damage adversely affecting customer or investor confidence and causing damage to our brand, indemnity obligations, disruption to our operations, damages for contract breach, and other liability, and may adversely affect our revenues and operating results. Additionally, our service providers may suffer security breaches or other incidents that may result in unauthorized access or otherwise compromise data stored or processed for us that may give rise to any of the foregoing.

Any such actual or perceived security breach or other incident may lead to the expenditure of significant financial and other resources in efforts to investigate or correct a breach or other incident, address and eliminate vulnerabilities, and to prevent future security breaches or incidents, as well as significant costs for

remediation that may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, costs in connection with payment card brand fines, and other liabilities. Certain breaches affecting payment card information or the environment in which such information is processed may also result in a loss of our ability to process payment cards or increased costs associated with doing so. We have incurred and expect to incur ongoing expenditures in an effort to prevent information security breaches and other security incidents.

We cannot be certain that our insurance coverage will be adequate for information security liabilities actually incurred or to cover any indemnification claims against us relating to any incident. Furthermore, we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

***We are increasingly dependent on technology and automated systems to operate our business.***

We depend heavily on technology and automated systems to effectively operate our business. These systems include flight operations systems, communications systems, airport systems, reservations systems, management and accounting systems, commercial websites, including [www.hawaiianairlines.com](http://www.hawaiianairlines.com), and other IT systems, many of which must be able to accommodate high traffic volumes, maintain secure information and provide accurate flight information, as well as process critical financial transactions. Any substantial, extended, or repeated failures of these systems could negatively affect our customer service, compromise the security of customer information or other information stored on, transmitted by, or otherwise processed by these systems, result in the loss of or damage to important data, loss of revenue and increased costs, and generally harm our business. Additionally, loss of key talent required to maintain and advance these systems could have a material impact on our operations. Like other companies, our systems may be vulnerable to disruptions due to events beyond our control, including natural disasters, power disruptions, software or equipment failures, terrorist attacks, cybersecurity incursions, computer viruses and hackers. There can be no assurance that the measures we have taken to reduce the adverse effects of certain potential failures or disruptions are adequate to prevent or remedy disruptions of our systems or prevent or mitigate all attacks. In addition, we will need to continuously make significant investments in technology to periodically upgrade and replace existing systems. If we are unable to make these investments or fail to successfully implement, upgrade or replace our systems, our operations and business could be adversely impacted. For example, in May 2023, a maintenance failure caused a power disruption at our Honolulu internet provider, which interrupted our operations and resulted in significant flight delays and, during our transition to the Amadeus Altéa Passenger Service System in April 2023, we experienced intermittent issues, including issues related to our website, mobile and kiosk passenger check-in capability and booking through our website, which could have a significant impact on our operations. We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to our business, results of operations, financial condition and reputation that may result from system interruptions or system failures.

***We are highly reliant on third-party contractors to provide certain facilities and services for our operations, and their failure to provide adequate products and services or the termination of our third-party agreements could have a potentially adverse effect on our financial results.***

There are a limited number of qualified employees and personnel in the airline and information technology industry, especially within the Hawai'i market. Due to these limitations, we have historically relied on outside vendors for a variety of services and functions critical to our business, including aircraft maintenance and parts, code-sharing, distribution and reservations, computer services including hosting and software maintenance, accounting, frequent flyer programs, passenger processing, ground facilities, baggage and cargo handling, personnel training, and the distribution and sale of airline seats. Our reliance on outside vendors may continue to increase in the future.



The failure of any of our third-party service providers to adequately perform their service obligations, or other interruptions of services are likely to reduce our revenues, increase expenses, and/or prevent us from operating our flights and providing other services to our customers. Our reliance on third-party distribution channels means we depend, in part, on their willingness and ability to reach customers and sell ancillary products and services that we offer. Such distribution channels may be more expensive or have less functionality than the distribution channels that we operate. Our business and financial performance would be materially harmed if our customers believe that any of our, or our contractors', services are unreliable or unsatisfactory.

## **LABOR RELATIONS AND RELATED COSTS RISKS**

### ***We are dependent on satisfactory labor relations.***

Labor costs are a significant component of airline expenses and can substantially impact an airline's results of operations. A significant portion of our workforce is represented by labor unions. We have entered into collective bargaining agreements with our pilots, mechanical group employees, clerical group employees, flight attendants, and dispatchers. We cannot ensure that future agreements with our employees' labor unions will be on terms in line with our expectations or comparable to agreements entered into by our competitors, and any future agreements may increase our labor costs or otherwise adversely affect our business. We may make strategic and operational decisions that may require the consent of one or more of these labor unions, and these labor unions could demand additional wages, benefits or other consideration in return for their consent.

Application of state and local laws to our operations may conflict with federal laws, or with the laws of other states and local governments, and may subject us to additional requirements and restrictions, which might affect our relationship with our workforce and cause our expenses to increase. Application of conflicting laws may result in operational disruption or have negative effects on our collective bargaining agreements, and any failure or perceived failure by us to comply with federal, state or local labor laws may lead to litigation.

### ***Our operations may be adversely affected if we are unable to attract and retain qualified personnel and key executives.***

We believe that our future success is dependent on the knowledge and expertise of our key executives and highly qualified management, technical, and other personnel. Attracting and retaining such personnel in the airline industry is highly competitive. We cannot be certain that we will be able to retain our key executives or attract other qualified personnel in the future. Any inability to retain our key executives, or other senior technical personnel, or attract and retain additional qualified executives, could have a negative impact on our operations.

In addition, as we rebuild our operations as passenger demand recovers, and expand our operations through the acquisition of new aircraft and introduction of service to new markets, it may be challenging to attract a sufficient number of qualified personnel including pilots, mechanics and other skilled labor. As we compete with other carriers for qualified personnel, we also face the challenge of attracting individuals who embrace our team-oriented, friendly and customer-driven corporate culture. Our inability to attract and retain qualified personnel who embrace our corporate culture could have a negative impact on our reputation and overall operations.

## **STRATEGY AND BRAND RISKS**

### ***Our failure to successfully implement our route and network strategy could harm our business.***

Our route and network strategy (how we determine to deploy our fleet) includes initiatives to increase revenue, decrease costs, mature our network, and improve distribution of our sales channels. It is critical that we execute upon our planned strategy in order for our business to attain economies of scale and to sustain or improve our results of operations. If we are unable to utilize and fill increased capacity provided by additional aircraft entering our fleet, hire and retain skilled personnel, or secure the required equipment and facilities in a cost-effective manner, we may be unable to successfully develop and grow our new and existing markets, which may adversely affect our business and operations.

We continue to strive toward aggressive cost-containment goals which are an important part of our business strategy to offer the best value to passengers through competitive fares while maintaining acceptable profit margins and return on capital. We believe a lower cost structure will better position us to fund our strategy and take advantage of market opportunities. If we are unable to adequately contain our non-fuel unit costs, our financial results may suffer.

***Any damage to our reputation or brand image could adversely affect our business or financial results.***

Maintaining a good reputation globally is critical to our business. Our reputation or brand image could be adversely impacted by, among other things, any failure to maintain our safety record, our high ethical, social and environmental sustainability practices for all of our operations and activities, our ability to provide on-time operational service to our customers, our impact on the environment, public pressure from investors or policy groups to change our policies, such as initiatives to address climate change, customer perceptions of our advertising campaigns, sponsorship arrangements or marketing programs, or customer perceptions of statements made by us, our employees and executives, agents or other third parties. Damage to our reputation or brand image or loss of customer confidence in our services could adversely affect our business and financial results, as well as require additional resources to rebuild our reputation.

We also increasingly use social media to communicate news and events. The inappropriate and/or unauthorized use of certain platforms or outlets could damage our brand image and reputation, and could lead to a loss of goodwill with our customers and stakeholders. Inappropriate or unauthorized use of social media could have legal implications if, for example, employees improperly collect or disseminate personally identifiable information of employees, customers or other stakeholders. Further, disclosure of our non-public information by our employees or others, whether intentional or unintentional, through social media could lead to information loss.

***Our intellectual property rights, particularly our brand, are valuable, and any inability to protect them may adversely affect our business and financial results.***

We consider our intellectual property rights, particularly our brand and its associated trademarks, to be valuable assets. We protect our intellectual property rights through a combination of trademark, copyright and other forms of legal protection, contractual agreements and policing of third-party misuses of our intellectual property. Our failure to obtain or adequately protect our intellectual property or any change in law that reduces or removes the current legal protections of our intellectual property may diminish our competitiveness and adversely impact our business and financial results. Any litigation or disputes regarding intellectual property may be costly and time-consuming and may divert the attention of our management and key personnel from our business operations, either of which may adversely impact our business and financial results.

***Our reputation and financial results could be harmed in the event of adverse publicity, such as in the event of an aircraft accident or incident, or if we are unable to achieve certain sustainability goals.***

Our customer base is broad and our business activities have significant prominence, particularly in Hawai'i and other destinations we serve. Consequently, negative publicity, including on social media, resulting from real or perceived shortcomings in our customer service, employee relations, business conduct, third-party aircraft components or other events or circumstances affecting our operations could negatively affect the public image of our company and the willingness of customers to purchase services from us, which could affect our financial results.

Additionally, we are exposed to potential losses that may be incurred in the event of an aircraft accident or incident. Any such accident or incident involving our aircraft or an aircraft operated by one of our code-share partners could involve not only the repair or replacement of a damaged aircraft or aircraft parts, and its consequential temporary or permanent loss of revenue, but also significant claims of injured passengers and others. We are required by the DOT to carry liability insurance, and although we currently maintain liability insurance in amounts consistent with the industry, we cannot be assured that our insurance coverage will adequately cover us from all claims and we may be forced to bear substantial losses incurred with an accident. In addition, any aircraft accident or incident could cause a public perception that we are less safe or reliable than other airlines, which would harm our business.

The airline industry is also subject to increasing scrutiny for its greenhouse gas emissions and impact on the environment. We are investing and intend to continue to invest towards achieving our environmental goals. While we are working to achieve our environmental goals, our sustainability plans and our ability to execute those sustainability plans are subject to substantial risks and uncertainties, including ongoing support from governments and other third-parties, the need for significant capital investment, and research and development as well as commercialization of new technologies. There can be no guarantee that we can achieve any or all of our environmental goals, and our brand, reputation and financial results may be harmed as a result of our inability to achieve such goals.

***Our cargo business will be concentrated with Amazon, and any decrease in volumes or increase in costs, or a termination of our commercial agreement with Amazon, could have a significant impact on our business, operations, financial condition and brand.***

We expect that a significant portion of our cargo revenue will consist of air cargo transportation services provided to Amazon under the ATSA. The ATSA does not require a minimum amount of volume or revenue and Amazon is permitted to decrease volume at any time. Our cargo business would not achieve its expected financial benefits if Amazon's use of our cargo services does not reach forecasted levels for any reason, including due to general economic conditions or preferences of Amazon and its customers. Such a shortcoming could significantly impact our business and results of operations.

In addition, the profitability of the ATSA is dependent on our ability to manage and accurately predict costs. Our projections of operating costs, crew productivity and maintenance expenses contain assumptions, including as to flight hours, aircraft reliability, crewmember productivity, compensation and benefits expense, and maintenance costs. If actual costs are higher than projected or aircraft reliability is less than expected, or aircraft become damaged and are out of revenue service for repair, the profitability of the ATSA and future operating results may be negatively impacted. We also rely on flight crews that are unionized. If collective bargaining agreements increase our costs and we cannot recover such increases, our operating results would be negatively impacted.

Performance under the ATSA is subject to a number of challenges and uncertainties, such as: unforeseen maintenance and other costs; our ability to hire pilots and other personnel necessary to support our services; interruptions in the operations under the ATSA as a result of unexpected or unforeseen events, whether as a result of factors within our control or outside of our control; and the level of operations and results of operations, including margins, under the ATSA being less than our current expectations and projections. The ATSA also contains monthly incentive payments for reaching specific on-time arrival performance thresholds, as well as providing for monetary penalties for on-time arrival performance below certain thresholds. As a result, our operating revenues may vary from period to period depending on the achievement of monthly incentives or the imposition of penalties. Further, we could be found in default if we do not maintain certain minimum reliability thresholds over an extended period of time. If we are placed in default due to the failure to maintain reliability thresholds, Amazon may elect to terminate all or part of the services we provide and pursue rights and remedies available to it at law or in equity. The ATSA is also subject to two extension options, which Amazon may choose not to exercise. To the extent that our volume of flying for Amazon is less than we anticipate or costs associated with our cargo business are higher than we forecast, or if the ATSA is terminated for any reason, our business, results of operations and financial condition could be significantly and adversely affected.

***Our agreements with Amazon confer certain termination rights which, if exercised or triggered, may result in our inability to realize the full benefits of the agreements.***

Our agreements with Amazon give Amazon the option to terminate in certain circumstances and upon the occurrence of certain events of default, including a change of control of Hawaiian or our failure to meet certain performance requirements. In particular, Amazon will have the right to terminate the agreement without cause after March 31, 2027, upon providing us prior written notice of termination and paying an early termination fee.

Upon termination, Amazon will generally, subject to certain exceptions, retain the warrants that have vested prior to the time of termination and, depending on the circumstances giving rise to the termination, may have the right to accelerated vesting of the remaining warrants upon a change of control of our company.

Upon termination, Amazon or we may also have the right to receive a termination fee from the other party depending on the circumstances giving rise to the right of termination.

An exercise by Amazon of any of these termination rights could have an adverse effect on our business, results of operations and financial condition.

## **AIRLINE INDUSTRY, REGULATION AND RELATED COSTS RISKS**

***The airline industry has substantial operating leverage and is affected by many conditions that are beyond its control, which could harm our financial condition and results of operations.***

Due to the substantial fixed costs associated with operating an airline, there is a disproportionate relationship between the cost of operating each flight and the number of passengers carried. However, the revenue generated from a particular flight is directly related to the number of passengers carried and the respective average fares applied. Accordingly, a decrease in the number of passengers carried, and when applicable, the aggregate effect of decreasing flights scheduled, causes a corresponding decrease in revenue that is likely to result in a disproportionately greater decrease in profits. Therefore, any future reductions in airline passenger traffic as a result of the following or other factors which are largely outside of our control, will likely harm our business, financial condition, and results of operations:

- decline in general economic conditions;
- threat of terrorist attacks and conflicts overseas;
- actual or threatened war and political instability;
- increased security measures or breaches in security;
- adverse weather and natural disasters, such as the Maui wildfires;
- changes in consumer preferences, perceptions, or spending patterns;
- increased costs related to security and safety measures;
- increased fares as a result of increases in fuel costs;
- outbreaks of contagious diseases or fear of contagion that affect travel behavior, such as occurred during the COVID-19 pandemic; and
- congestion or major construction at airports and actual or potential disruptions in the air traffic control system.

Our results of operations are and may continue to be volatile due to the conditions identified above. We cannot ensure that our financial resources will be sufficient to absorb the effects of the COVID-19 pandemic or any unexpected events, including those identified above.

***Our operations may be disrupted if we are unable to obtain and maintain adequate facilities and infrastructure at airports within the state of Hawai'i.***

We must be able to maintain and/or obtain adequate gates, maintenance capacity, office space, operations areas, and ticketing facilities, especially at airports within the state of Hawai'i, to be able to operate our existing and proposed flight schedules. Failure to maintain such facilities and infrastructure may adversely impact our operations and financial performance.

***Our business is subject to substantial seasonal and cyclical volatility.***

Our results of operations reflect the impact of seasonal volatility primarily due to passenger leisure and holiday travel patterns. Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year. Moreover, due to the widespread impact of the COVID-19 pandemic on the demand for air travel generally and travel to and within Hawai'i specifically, we have seen significant declines in demand for air travel in fiscal years 2020 through 2023, as compared to the years before the COVID-19 pandemic. As Hawai'i is a popular vacation

destination, demand from North America, our largest source of visitors, is typically stronger during the months of June, July, August and December and considerably weaker at other times of the year. Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

Our cargo operations are also subject to seasonal volatility. Global trade flows are typically seasonal in nature, with peak activity during the retail holiday season. Demand for air cargo capacity is historically low following the seasonal holiday peak in the fourth quarter of the previous year. While we expect our revenues to fluctuate seasonally, a significant proportion of the costs associated with our cargo business, such as crew salaries and benefits, facilities and overhead costs, cannot easily be reduced to match the seasonal drop in demand.

Because of fluctuations in our results from seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

***Terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry, could negatively affect us and the airline industry.***

Terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks, hostilities or acts of war, could adversely affect the airline industry, including us, and could result in a significant decrease in demand for air travel, increased security costs, increased insurance costs covering war-related risks, and increased flight operational loss due to cancellations and delays. Any future terrorist attacks or the implementation of additional security-related fees could have a material adverse effect on our business, financial condition and results of operations, and on the airline industry in general.

***The airline industry is subject to extensive government regulation, new regulations, and taxes which could have an adverse effect on our financial condition and results of operations.***

Airlines are subject to extensive regulatory requirements that result in significant costs. New, and modifications to existing, laws, regulations, taxes and airport rates, and charges imposed by domestic and foreign governments have been proposed from time to time that could significantly increase the cost of airline operations, restrict operations or reduce revenue. The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, aircraft landing safety measures, including with respect to the interaction of aircraft systems with new technologies such as 5G C-band service, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, commuter aircraft safety and increased inspections, and maintenance procedures to be conducted on older aircraft. A failure to be in compliance, or a modification, suspension or revocation of any of our DOT/FAA authorizations or certificates, would have a material adverse impact on our operations.

In 2018, Congress passed a five-year funding authorization for the FAA which was scheduled to expire in September 2023, and has been extended through March 8, 2024. The legislative process to renew this authorization (the FAA Reauthorization) could impact us, and the airline industry more generally, in numerous ways. As part of the FAA Reauthorization, Congress could seek to impose new rules or regulations concerning, among other things, customer service and consumer protection, aviation safety, labor requirements, investments in FAA staffing and resources and improvements to the air traffic control system, as well as new or increased fees or taxes intended to fund these policies. Any new or enhanced requirements resulting from the FAA Reauthorization have the potential to increase our costs or impact our operations.

We cannot predict the impact that laws or regulations may have on our operations, nor can we ensure that laws or regulations enacted in the future will not adversely affect our business. Further, we cannot guarantee that we will be able to obtain or maintain necessary governmental approvals. Once obtained, operating permits are subject to modification and revocation by the issuing agencies. Compliance with these and any future regulatory requirements could require us to incur significant capital and operating expenditures.

In addition to extensive government regulations, the airline industry is dependent on certain services provided by government agencies (DOT, FAA, U.S. Customs and Border Protection (CBP) and the Transportation Security Administration (TSA)). Furthermore, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports have significantly increased their rates and charges to airlines, including us, and may continue to do so in the future. In addition to passenger security requirements, the TSA has adopted comprehensive regulations governing air cargo transportation, covering things like cargo screening and security clearances for people with access to cargo. Additional measures have been proposed, which, if adopted, may have an adverse impact on our ability to efficiently process cargo and could increase our costs.

***We are subject to risks associated with climate change, including increased regulation of our CO<sub>2</sub> emissions and the potential increased impacts of severe weather events on our operations and infrastructure.***

There is increasing global regulatory focus on climate change and emissions of greenhouse gases, including CO<sub>2</sub>. In particular, the ICAO has adopted rules such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which is a market-based emissions offset program. Although the U.S. federal government has not yet enacted legislation to mandate that U.S. airlines participate in CORSIA, we are currently monitoring our international emissions for reporting purposes, and such data will be used in calculations to determine subsequent carbon offsetting requirements under the CORSIA program. At this time, we cannot predict the costs of complying with any future obligations under the CORSIA program. Regardless of the method of regulation or application of CORSIA, further policy changes with regard to climate change are possible, which could increase operating costs in the airline industry and, as a result, adversely affect our operations.

In the event that CORSIA does not come into force as expected, we and other airlines could become subject to an unpredictable and inconsistent array of national or regional emissions restrictions, creating a patchwork of complex regulatory requirements that may affect global competitors differently. Concerns over climate change may result in the adoption of municipal, state, regional, and federal requirements or in changing business environments that may result in increased costs to the airline industry and us. In addition, several countries and U.S. states have adopted or are considering adopting programs to regulate greenhouse gas emissions. On January 20, 2021, the United States rejoined the Paris Climate Accord and the current Presidential administration has made climate change mitigation an important policy priority. For example, on September 9, 2021, the current Presidential administration launched the Sustainable Aviation Fuel Grand Challenge to scale up the production of SAF, aiming to reduce greenhouse gas emissions from aviation by 20% by 2030. Additionally, the EPA pressed for ambitious new aircraft greenhouse gas emission standards at international negotiations organized by ICAO in 2022. The current Presidential administration may adopt additional regulatory changes that could impact the airline industry and our business. Moreover, certain airports have adopted, and others could in the future adopt, greenhouse gas emission or climate-neutral goals that could impact our operations or require us to make changes or additional investments in our infrastructure.

All such climate change-related regulatory activity and developments may adversely affect our business and financial results by requiring us to reduce our emissions, make capital investments to modernize aspects of our operations, purchase carbon offset credits, or otherwise pay for our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs. We may not be able to increase revenue in proportion with such additional costs.

We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We could also experience significant operational disruption, reduced demand and increased costs as a result of increases in the frequency, severity or duration of natural disasters, such as wildfires, like the August 2023 wildfires in West Maui, and severe weather events, like hurricanes, exacerbated by climate change. Such severe weather events may increase the incidence of delays and cancellations, increase turbulence-related injuries, impact fuel consumption to avoid weather, require repositioning of aircraft to avoid damage or accommodate changed flights, or reduce demand for travel. We are not able to accurately predict the materiality of any potential losses or costs associated with the physical effects of climate change.

***Federal budget constraints may adversely affect our industry, business, results of operations and financial position.***

Many of our airline operations are regulated by governmental agencies, including the FAA, the DOT, the CBP, the TSA, and others. If a failure by the federal government to reach budgetary consensus for fiscal year 2024, or future periods, results in mandatory furloughs and/or other budget constraints, our business and results of operations could be materially negatively impacted, including as a result of actual or potential disruption in the air traffic control system, actual or perceived delays at various airports, and delays in deliveries of new aircraft, which may materially adversely impact our industry, our business, results of operations and financial positions.

***The airline industry is required to comply with various environmental laws and regulations, which could inhibit our ability to operate and could also have an adverse effect on our results of operations.***

Many aspects of airlines' operations are subject to increasingly stringent federal, state, local, and foreign laws protecting the environment. U.S. federal laws that have a particular impact on us include the Airport Noise and Capacity Act of 1990, the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Comprehensive Environmental Response Act and the Compensation and Liability Act. Compliance with these and other environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties. Governments globally are increasingly focusing on the environmental impact caused by the consumption of fossil fuels and as a result have proposed or enacted legislation which may increase the cost of providing airline service or restrict its provision. We expect the focus on environmental matters to increase.

Concern about climate change and greenhouse gases may result in additional regulation of aircraft emissions in the U.S. and abroad. In addition, other legislative or regulatory action to regulate greenhouse gas emissions is possible. At this time, we cannot predict whether any such legislation or regulation would apportion costs between one or more jurisdictions in which we operate flights. We are monitoring and evaluating the potential impact of such legislative and regulatory developments. In addition to direct costs, such regulation may have a greater effect on the airline industry through increases in fuel costs. The impact to us and our industry from such actions is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the atmosphere or have a greater impact on climate change than other industries.

***Our operations may be adversely affected by our expansion into non-U.S. jurisdictions and the related laws and regulations to which we are subject.***

The expansion of our operations into non-U.S. jurisdictions has expanded the scope of the laws and regulations to which we are subject, both domestically and internationally. Compliance with the laws and regulations of foreign jurisdictions and the restrictions on operations that these laws, regulations or other government actions may impose could significantly increase the cost of airline operations or reduce revenue. For example, various jurisdictions have imposed or are currently imposing restrictions that impede or restrict travel in response to the COVID-19 pandemic, and certain of our destinations in Asia have been revising their privacy and consumer laws and regulations. Limitations placed on our business as a result of these or other laws and regulations or failure to comply with evolving laws or regulations could result in significant penalties, criminal charges, costs to defend ourselves in a foreign jurisdiction, restrictions on operations and reputational damage. In addition, we operate flights on international routes regulated by treaties and related agreements between the U.S. and foreign governments, which are subject to change as they may be amended from time to time. Modifications of these arrangements could result in an inability to obtain or retain take-off or landing slots for our routes, route authorization and necessary facilities. Any limitations, additions or modifications to government treaties, agreements, regulations, laws or policies related to our International routes could have a material adverse impact on our financial position and results of operations.

***We may be party to litigation or regulatory action in the normal course of business or otherwise, which could have an adverse effect on our operations and financial results.***

From time to time, we are a party to or otherwise involved in legal or regulatory proceedings, claims, government inspections, investigations or other legal matters, both domestically and in foreign jurisdictions,

including proceedings related to the COVID-19 pandemic. For example, despite the removal of COVID-19 vaccine requirements as a condition of employment, we continue to be subject to related civil lawsuits and employee grievances that may give rise to legal liability. We believe we have meritorious defenses and intend to vigorously contest such claims. Resolving or defending legal matters, however, can take months or years. The duration of such matters can be unpredictable with many variables that we do not control including adverse party or government responses. Litigation and regulatory proceedings are subject to significant uncertainty and may be expensive, time-consuming and disruptive to our operations. In addition, an adverse resolution of a lawsuit, regulatory matter, investigation or other proceeding could have a material adverse effect on our financial condition and results of operations. We may be required to change or restrict our operations or be subject to injunctive relief, significant compensatory damages, punitive damages, penalties, fines or disgorgement of profits, none of which may be covered by insurance. We may have to pay out settlements that also may not be covered by insurance. There can be no assurance that any of these payments or actions will not be material. In addition, publicity of ongoing legal and regulatory matters may adversely affect our reputation.

***Changes in tax laws or regulations could have a material adverse effect on our business, results of operations, and financial conditions.***

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service, the U.S. Department of the Treasury (the Treasury) and state and local tax authorities. Changes in U.S. tax laws or their interpretations (which may have retroactive application) could materially increase the amount of taxes we owe, thereby negatively impacting our results of operations as well as our cash flows from operations. For example, the U.S. recently enacted the Inflation Reduction Act, which, among other changes, implements a 1% excise tax on certain stock buybacks and a 15% alternative minimum tax on adjusted financial statement income of certain companies. Furthermore, our implementation of new practices and processes designed to comply with changing tax laws and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, potentially adversely impacting our business, financial position and results of operations.

As we continue to grow internationally, we may also be subject to taxation in jurisdictions around the world with increasingly complex tax laws, the application of which may be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, potentially adversely affecting our liquidity and results of operations. For example, the Organization for Economic Cooperation and Development proposed a global minimum tax of 15%, which has been adopted by the European Union effective January 1, 2024. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the relevant authorities could claim that various withholding requirements apply to us or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could adversely impact us and our results of operations.

***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

As of December 31, 2023, we had net operating loss carryforwards (NOLs) available to reduce future taxable income of approximately \$435.0 million for federal income tax purposes that have indefinite carryover and approximately \$902.0 million for state income tax purposes that will expire, if unused, beginning in 2024. The majority of our state NOLs relate to the state of Hawai‘i, most of which have indefinite carryover, but are limited to 80% utilization.

Our ability to use our NOLs will depend on the amount of taxable income generated in future periods. If our financial results continue to be adversely impacted, there can be no assurance that an increase in the valuation allowance on our net deferred tax assets will not be required in the future. Such valuation allowance could be material. Additionally, due to our ongoing financial recovery, the NOLs may expire before we can generate sufficient taxable income to use them.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an ownership change, the corporation’s ability to use its pre-change NOLs to offset its post-change income may be limited. In general, an ownership change will occur if there is a cumulative change in our ownership



by 5-percent shareholders that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Our ability to use NOLs to reduce future taxable income and liabilities may be subject to annual limitations as a result of prior ownership changes and ownership changes that may occur in the future.

***Our insurance costs are susceptible to significant increases, and further increases in insurance costs or reductions in coverage could have an adverse effect on our financial results.***

We carry types and amounts of insurance customary in the airline industry, including coverage for general liability, passenger liability, property damage, aircraft loss or damage, baggage and cargo liability, and workers' compensation. We are required by the DOT to carry liability insurance on each of our aircraft. We currently maintain commercial airline insurance with a major group of independent insurers that regularly participate in world aviation insurance markets, including public liability insurance and coverage for losses resulting from the physical destruction or damage to our aircraft. However, there can be no assurance that the amount of such coverage will not change or that we will not bear substantial losses from accidents or damage to, or loss of, aircraft or other property due to other factors such as natural disasters. We could incur substantial claims resulting from an accident or damage to, or loss of, aircraft or other property due to other factors such as natural disasters in excess of related insurance coverage that could have a material adverse effect on our results of operations and financial condition. As a result of the COVID-19 pandemic, we have experienced, and may continue to experience, increases in our policy premiums as our policies become eligible for renewal.

***Extended interruptions or disruptions in service have and could continue to have a material adverse impact on our operations.***

Our financial results have been and may continue to be adversely affected by factors outside our control, including, but not limited to, flight cancellations, significant delays in operations, and facility disruptions, such as those caused by the COVID-19 pandemic. Our principal base of operations is in Hawai'i and a significant interruption or disruption in service has had and may continue to have a serious impact on our business and results of operations. In addition to international health crises, such as the COVID-19 pandemic, natural disasters, such as hurricanes, earthquakes and tsunamis, have in the past and may again impact the demand for transportation in the markets in which we operate.

## **FLEET AND FLEET-RELATED RISKS**

***We are dependent on our limited number of suppliers for aircraft, aircraft engines and parts.***

We are dependent on a limited number of suppliers (e.g. Airbus, Boeing, Pratt & Whitney, Rolls Royce) for aircraft, aircraft engines, and aircraft-related items. We are vulnerable to malfunction, failure, recall or other problems associated with the supply and performance of these aircraft and parts and/or related operational disruptions, such as those caused by the COVID-19 pandemic and recalls of Pratt & Whitney engines used on our A321neo aircraft due to contamination in the powdered metal used to manufacture certain engine parts. Certain of our suppliers have experienced and continue to experience significant supply chain disruptions. We have experienced delays and part shortages from our suppliers and may experience additional delays and part shortages in the future. These disruptions have and may continue to have a negative impact on our operations, including for example, aircraft out of service due to part unavailability. During 2023, we experienced shortages of Pratt & Whitney engines that resulted in aircraft out of service, and we expect these challenges to continue into 2024 and potentially beyond. We do not yet know the full impact of these operational disruptions resulting from our engine shortages from Pratt & Whitney and its affiliates. We believe that such disruptions could result in reputational harm, increased parts and maintenance costs, increased aircraft down time, and adverse effects on our financial position and results of operations.

***Our agreements to purchase Boeing 787-9 aircraft represent significant future financial commitments and operating costs.***

As of December 31, 2023, we had the following firm order commitments and purchase rights for additional aircraft:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A321neo aircraft . . . . .	—	9	N/A
Boeing 787-9 aircraft . . . . .	12	8	Between 2024 and 2027

We have made substantial pre-delivery payments for aircraft under existing purchase agreements and are required to continue these pre-delivery payments as well as make payments for the balance of the purchase price through delivery of each aircraft. In December 2022, we entered into a supplemental agreement to our Boeing 787-9 purchase agreement with the Boeing Company, pursuant to which (a) we agreed with the Boeing Company to defer the delivery of our Boeing 787-9 aircraft, the first of which we initially expected to receive in the fourth quarter of 2023, with the remaining deliveries scheduled through 2027, and (b) we agreed to exercise purchase options for an additional two Boeing 787-9 aircraft with scheduled delivery dates in 2027. In July 2023, we were notified by Boeing that our 2023 and 2024 Boeing 787-9 deliveries will be delayed by a couple of months. In February 2024, we took delivery of our first Boeing 787-9 aircraft under a purchase assignment and leaseback transaction.

These commitments substantially increase our future capital spending requirements and may require us to increase our level of debt in future years. We are continuing to evaluate our options to finance these commitments. There can be no assurance that we will be able to obtain such financing on favorable terms, or at all.

***Delays in scheduled aircraft deliveries or other loss of fleet capacity may adversely impact our operations and financial results.***

The success of our business depends on, among other things, the ability to effectively operate a certain number and type of aircraft. As noted above, we are uncertain about the future of our contractual commitments to purchase additional aircraft for our fleet and have and may continue to experience supply chain delays that impact the availability of our aircraft. Our inability to purchase and introduce new aircraft into our fleet could negatively impact our business, operations and financial performance. Even if we proceed with some or all of our contractual commitments to purchase additional aircraft, delays in scheduled aircraft or our failure to integrate newly purchased aircraft into our fleet as planned may require us to utilize our existing fleet longer than expected. Such extensions may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs.

***We may never realize the full value of our long-lived assets such as aircraft and non-aircraft equipment, resulting in impairment and other related charges that may negatively impact our financial position and results of operations.***

Long-lived assets used in operations consist principally of property and equipment and had a carrying value of approximately \$2.0 billion at December 31, 2023. Economic and intrinsic triggers, which include the ongoing impact of the COVID-19 pandemic, extreme fuel price volatility, an uncertain economic and credit environment, unfavorable trends in historical or forecasted results of operations and cash flows, as well as other uncertainties, may cause us to record material impairments of our long-lived assets. Additionally, we could be subject to impairment charges in the future that could have an adverse effect on our financial position and results of operations in future periods.

Long-lived assets are tested for impairment when events or changes in circumstances indicate, in management’s judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. To determine whether impairment exists for aircraft used in operations, assets are grouped at the fleet-type level (the lowest level for which there are identifiable cash flows) and future cash flows are estimated based on projections of capacity, passenger mile yield, fuel costs, labor costs and other relevant factors. If, at any time, management determines the net carrying value of an asset is not recoverable, the amount is reduced to its fair value during the period in which such determination is made.

We continue to evaluate our current fleet and other long-lived assets for impairment accordingly. As of December 31, 2023, our remaining long-lived assets continued to generate future cash flows from operation of the fleet through the respective retirement dates in excess of their respective carrying values.

## COMMON STOCK RISKS

### *Our share price is subject to fluctuations.*

The market price of our stock is influenced by many factors, many of which are outside of our control, and include other factors discussed in the Risk Factors section, as well as the following:

- our operating results and financial condition
- how our operating results and financial condition compare to securities analyst expectations, particularly with respect to metrics for which we do not give guidance, including whether those results significantly fail to meet or exceed securities analyst expectations
- changes in the competitive environment in which we operate
- fuel price volatility including the availability of fuel
- announcements concerning our competitors including bankruptcy filings, mergers, restructurings or acquisitions by other airlines
- increases or changes in government regulation
- general and industry specific market conditions
- changes in financial estimates or recommendations by securities analysts
- sales of our common stock or other actions by investors with significant shareholdings

In recent years the stock market has experienced volatile price and volume fluctuations that often have been unrelated to the operating performance of individual companies. These market fluctuations, as well as general economic conditions, have affected and may continue to affect the price of our common stock.

In the past, securities class action litigation has often been instituted against a company following periods of volatility in its stock price. This type of litigation, if filed against us, could result in substantial costs and divert our management's attention and resources. In addition, the future sale of a substantial number of shares of common stock by us or by our existing stockholders may have an adverse impact on the market price of our common stock. There can be no assurance that the trading price of our common stock will remain at or near its current level.

### *We do not expect to repurchase our common stock pursuant to our share repurchase program or pay dividends on our common stock for the foreseeable future.*

You should not rely on an investment in our common stock to provide dividend income. Although we have historically issued quarterly dividends and repurchased shares, we do not currently anticipate any future dividends or share repurchases and we cannot provide any assurance that we will initiate any dividend or a share repurchase program again in the future. Accordingly, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. Our decision whether to declare dividends or institute a share repurchase program could be based on, amongst other things, our operating results, financial condition, capital requirements, and general business conditions.

### *Our future earnings and earnings per share, as reported under generally accepted accounting principles, will be impacted by the Amazon warrants.*

The warrants held by Amazon are subject to fair value measurements during periods that they are outstanding. Accordingly, future fluctuations in the fair value of the warrants are expected to adversely impact our reported earnings measures from time to time. See Note 15 of the Notes to Consolidated Financial Statements in the accompanying consolidated financial statements of this report for further information about the warrants issued to Amazon.

***If Amazon or the Treasury exercise their rights to acquire shares of our common stock pursuant to the outstanding warrants held by them, such exercise will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our common stock.***

If Amazon or the Treasury exercise their rights to acquire shares of our common stock pursuant to their warrants, it will dilute the ownership interests of our then-existing stockholders and reduce our earnings per share. In addition, any sales in the public market of any common stock issuable upon the exercise of the warrants by Amazon or the Treasury, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock. Moreover, the warrants include anti-dilution adjustments for certain issuances of common stock or convertible securities by us. If such anti-dilution adjustments are made, Amazon would receive more shares for the exercise of its warrants than before the anti-dilution adjustment, increasing their dilutive impact.

***Our certificate of incorporation includes a provision limiting voting and ownership by non-U.S. citizens and our bylaws include a provision specifying an exclusive forum for stockholder disputes.***

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our certificate of incorporation restricts voting of shares of our common stock by non-U.S. citizens. Our certificate of incorporation provides that the failure of non-U.S. citizens to register their shares on a separate stock record, which we refer to as the foreign stock record, would result in a suspension of their voting rights in the event that the aggregate foreign ownership of the outstanding common stock exceeds the foreign ownership restrictions imposed by federal law.

Our certificate of incorporation further provides that no shares of our common stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law. If it is determined that the amount registered in the foreign stock record exceeds the foreign ownership restrictions imposed by federal law, shares will be removed from the foreign stock record in reverse chronological order based on the date of registration therein, until the number of shares registered therein does not exceed the foreign ownership restrictions imposed by federal law. As of December 31, 2023, we believe we were in compliance with the foreign ownership rules.

Our bylaws provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware or, if such court lacks jurisdiction, any other state or federal court located in the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, stockholders or other employees to us or our stockholders; (iii) any action asserting a claim against us or any of our directors, officers, stockholders or other employees arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws (as each may be amended or restated from time to time); or (iv) any action asserting a claim against us or any of our directors, officers or other employees governed by the internal affairs doctrine. Our amended and restated bylaws further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Accordingly, stockholders may be limited in the forum in which they are able to pursue legal actions against us.

***Certain provisions of our certificate of incorporation and bylaws, and our issuance of warrants to Amazon, may delay or prevent a change of control, which could materially adversely affect the price of our common stock.***

Our certificate of incorporation and bylaws contain provisions that may make it difficult to remove our Board of Directors and management, and may discourage or delay a change of control, which could materially and adversely affect the price of our common stock. These provisions include, among others:

- the ability of our Board of Directors to issue, without further action by the stockholders, series of undesignated preferred stock, or rights to acquire preferred stock, that could dilute the interest of, or impair the voting power of, holders of our common stock or could also be used as a method of discouraging, delaying or preventing a change of control;
- advance notice procedures for stockholder proposals to be considered at stockholders' meetings and for nominations of candidates for election to our Board of Directors;

- the ability of our Board of Directors to fill vacancies on the board;
- a prohibition against stockholders taking action by written consent;
- a prohibition against stockholders calling special meetings of stockholders; and
- super-majority voting requirements to modify or amend specified provisions of our certificate of incorporation.

In addition, some terms of the agreements between us and Amazon may discourage attempts to acquire our company. Amazon is entitled to notice of certain transactions, including transactions that might result in a change of control of Hawaiian, ten days before we enter into a definitive agreement related to such transactions, subject to certain exceptions. Also, the vesting of the warrants issued by us to Amazon will generally, subject to certain exceptions, be accelerated upon a change of control of the Company.

***If Amazon exercises its right to acquire additional shares of our common stock pursuant to its warrants, Amazon may become a significant stockholder.***

The warrants issued by us to Amazon grant Amazon the right to purchase, in the aggregate, up to 15%, as of the date of the agreements, of our common stock on a post-issuance basis. If the warrants issued to Amazon, including pursuant to any anti-dilutive adjustments, are exercised, Amazon may become a significant stockholder of our company.

***If securities analysts do not publish research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade the outlook of our common stock, the market price of our common stock could decline.***

The trading market for our common stock will depend in part on the research and reports that third-party securities analysts publish about us and our industry. One or more analysts could downgrade the outlook for our common stock or issue other negative commentary about us or our industry. Furthermore, if one or more of these analysts cease coverage of us, we could lose visibility in the market. In addition, analysts and other market observers assessing our performance and prospects will take into account our existing and future amounts of debt, securities offerings, and any offers by us to repurchase our securities. As a result of one or more of these factors, the market price of our common stock could decline and cause you to lose all or a portion of your investment.

## **SECURITIES OFFERINGS RISKS**

***In connection with the issuance of Hawaiian's enhanced equipment trust certificate, our indebtedness and liabilities could limit the cash flow available for our operations, and consequently expose us to risks that could materially adversely affect the resources available to us and Hawaiian to satisfy our obligations under such certificates.***

As of December 31, 2023, the outstanding principal balance of our enhanced equipment trust certificate (EETC) issuances was \$163.0 million. Offerings of structured finance securities, such as the EETC issuances may present risks similar to those of the other types of debt obligations in which we or Hawaiian may invest and, in fact, such risks may be of greater significance in the case of such structured finance securities. In addition, the performance of the EETCs will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, and the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. If we or Hawaiian fail to comply with these covenants or to make payments under such indebtedness when due, then we or Hawaiian would be in default under that indebtedness, which could, in turn, result in ours or Hawaiian's other indebtedness becoming immediately payable in full.

***In connection with the issuance of the senior secured notes due 2026, our indebtedness and liabilities could limit the cash flow available for Hawaiian's operations, and consequently expose us to risks that could materially adversely affect the resources available to us to satisfy our obligations under the Notes.***

In February 2021, we conducted a private offering of 5.75% senior secured notes due 2026 (the Notes) collateralized by certain loyalty and brand assets (Notes Offering). The indebtedness of Hawaiian and its

subsidiaries increased significantly as a result of the Notes Offering. As of December 31, 2023, Hawaiian had approximately \$1.6 billion of total indebtedness (excluding finance lease obligations of approximately \$70.2 million and operating lease obligations of \$386.5 million). We incurred approximately \$1.2 billion principal amount of indebtedness as a result of the Notes Offering. We may also incur additional indebtedness to meet future financing needs. The indebtedness of Hawaiian and its subsidiaries could have significant negative consequences for our security holders and the resources available to satisfy our obligations under the Notes, including the following:

- greater difficulty satisfying our obligations with respect to the Notes;
- increasing Hawaiian's vulnerability to adverse economic and industry conditions;
- limiting Hawaiian's ability to obtain additional financing;
- requiring the dedication of a substantial portion of Hawaiian's cash flow from operations to service Hawaiian's indebtedness, which will reduce the amount of cash available for other purposes;
- limiting Hawaiian's flexibility to plan for, or react to, changes in its business;
- placing Hawaiian at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital; and
- potentially causing Hawaiian's credit ratings to be reduced and causing our and Hawaiian's debt and equity securities to significantly decrease in value.

Hawaiian's business, including the HawaiianMiles Program, may not generate sufficient funds, and we and Hawaiian may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our and Hawaiian's indebtedness, including the Notes, and our and Hawaiian's cash needs may increase in the future. In addition, future indebtedness that we or Hawaiian may incur may contain financial and other restrictive covenants that limit our ability to operate our business, including with respect to the HawaiianMiles Program, raise capital or make payments under our or Hawaiian's indebtedness. If we or Hawaiian fail to comply with these covenants or to make payments under ours or Hawaiian's indebtedness when due, then we or Hawaiian would be in default under that indebtedness, which could, in turn, result in ours and Hawaiian's other indebtedness becoming immediately payable in full.

## **RESTATEMENT OF OUR CONSOLIDATED FINANCIAL STATEMENTS RISKS**

***In the past, we have had to restate our previously issued consolidated financial statements and as part of that process identified a material weakness in our internal control over financial reporting as of March 31, 2022, June 30, 2022, and September 30, 2022. If we are unable to develop and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and may adversely affect our business, financial condition and results of operations.***

On October 21, 2022, the Audit and Finance Committee of our Board of Directors concluded, after discussion with our management, that our consolidated unaudited financial statements as of and for the quarterly periods ended March 31, 2022 and June 30, 2022 (collectively, the Non-Reliance Periods) included in the Quarterly Reports on Form 10-Q filed with the SEC for the Non-Reliance Periods, (1) should no longer be relied upon due to an error in accounting for net unrealized losses from equity securities, as further described below, and (2) would require restatement. As a result of this restatement, our management re-evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of March 31, 2022 and June 30, 2022 and evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of September 30, 2022. Management concluded that our disclosure controls and procedures were not effective as of March 31, 2022, June 30, 2022 and September 30, 2022, and that our internal control over financial reporting was not effective as of March 31, 2022, June 30, 2022 and September 30, 2022 due to a material weakness. Specifically, there was a lack of effectively designed control activity over the accounting for unrealized gains and losses on equity securities.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim

financial statements will not be prevented, or detected on a timely basis. Effective internal control over financial reporting is necessary for us to provide reliable financial reporting and prevent fraud. We remediated the material weakness as of December 31, 2022.

Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial condition and results of operations on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC or other regulatory authorities. In either case, there could be an adverse effect on our business, financial condition and results of operations. Ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information which could have a negative effect on the trading price of our stock.

We can give no assurance that the measures we took and plan to take in the future will prevent the occurrence of additional material weaknesses or restatements of financial results in the future due to a failure to implement or maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

***We may face litigation and other risks as a result of the restatement and material weakness in our internal control over financial reporting.***

As part of the restatement, we identified a material weakness in our internal control over financial reporting, which was remediated as of December 31, 2022. As a result of such material weakness, the restatement, the change in accounting for unrealized gains and losses on equity securities, and other matters raised or that may in the future be raised by the SEC, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatement and the material weakness in our internal control over financial reporting and the preparation of our financial statements. As of the date of this Annual Report on Form 10-K, we have no knowledge of any such litigation or dispute. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could adversely affect our business, financial condition and results of operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 1C. CYBERSECURITY.**

***Risk Management and Strategy***

We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our overall risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conduct annual risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments include identification of reasonably foreseeable internal and external risks, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks.

Following these risk assessments, we re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards. We devote significant resources and designate high-level personnel, including

our Senior Director, Information Protection & Compliance, who reports to our Chief Information Officer (CIO), to manage the risk assessment and mitigation process.

As part of our overall risk management system, we monitor and test our safeguards, including through the use of automated tools and manual processes, such as vulnerability scanning, penetration tests, and assessments of our technology infrastructure, and regularly train our employees on these safeguards, in collaboration with management, including phishing tests and third party training modules.

We engage assessors, consultants and other third parties in connection with our risk assessment processes. These service providers review our cybersecurity policies, procedures and safeguards and provide feedback to increase the effectiveness of our cybersecurity controls.

We require third-party service providers that process personal information on our behalf to certify that they have the ability to implement and maintain appropriate security measures, consistent with all applicable laws, in connection with their work with us, and to promptly report any suspected breach of its security measures that may affect our company.

For additional information regarding whether any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect our company, including our business strategy, results of operations, or financial condition, please refer to Item 1A, “Risk Factors,” in this annual report on Form 10-K, including the risk factor entitled, “Our actual or perceived failure to protect consumer information or other personal information or confidential information could result in harm to our business.”

### ***Governance***

One of the key functions of our Board of Directors is informed oversight of our risk management process, including risks from cybersecurity threats. Our Board of Directors is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks we face. Our Board of Directors oversees our cybersecurity risk management. The Company’s Audit and Finance Committee periodically reviews with management the Company’s operational risk exposure related to cybersecurity and information technology and the steps management has taken to monitor and control these exposures, including the Company’s related guidelines and policies.

Our Senior Director, Information Protection & Compliance directly oversees our information security team and has over twenty years of experience in the information security industry and industry certifications, including Certified Information Systems Security Professional and Certified Information Security Manager. Our Senior Director, Information Protection & Compliance and our management committee on cybersecurity, which includes our Chief Executive Officer, Chief Operating Officer, Chief Legal Officer, and CIO are primarily responsible to assess and manage our material risks from cybersecurity threats. This same group oversees our cybersecurity policies and processes, including those described in “Risk Management and Strategy” above.

The processes by which our Senior Director, Information Protection & Compliance and our management committee on cybersecurity are informed about and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents includes the following: bimonthly management committee on cybersecurity meetings, formal e-mail notifications, and CIO updates as part of regular Executive Officer meetings.

Our management team provides the Audit and Finance Committee with quarterly briefings regarding enterprise risks, and reviews enterprise risks with the Board of Directors on an annual basis. Cybersecurity risks are included in these reviews, and our Senior Director, Information Protection & Compliance, CIO and representatives from our management committee on cybersecurity periodically provide more detailed cybersecurity-focused briefings to the Audit and Finance Committee and Board of Directors regarding cybersecurity risks and activities, including notable recent cybersecurity incidents and related responses.

## **ITEM 2. PROPERTIES.**

### ***Aircraft***

The table below summarizes our total fleet as of December 31, 2022 and 2023, and expected fleet as of December 31, 2024 (based on existing executed agreements as of December 31, 2023):



Aircraft Type	December 31, 2022			December 31, 2023			December 31, 2024 (Expected)			Seating Capacity (Per Aircraft)	Simple Average Age (In Years)
	Leased <sup>(5)</sup>	Owned <sup>(6)</sup>	Total	Leased <sup>(5)</sup>	Owned <sup>(6)</sup>	Total	Leased <sup>(5)</sup>	Owned <sup>(6)</sup>	Total		
A330-200 . . . . .	12	12	24	12	12	24	12	12	24	278	9.5
A330-300F <sup>(1)</sup> . . . . .	—	—	—	1	—	1	6	—	6	—	N/A
A321neo . . . . .	4	14	18	4	14	18	4	14	18	189	4.0
787-9 <sup>(2)</sup> . . . . .	—	—	—	—	—	—	1	2	3	300	N/A
717-200 <sup>(3)</sup> . . . . .	5	14	19	4	15	19	—	19	19	128	20.7
ATR 42-500 <sup>(4)</sup> . . . . .	—	2	2	—	—	—	—	—	—	48	18.6
ATR 72-200 <sup>(4)</sup> . . . . .	—	1	1	—	—	—	—	—	—	—	31.8
Total . . . . .	<u>21</u>	<u>43</u>	<u>64</u>	<u>21</u>	<u>41</u>	<u>62</u>	<u>23</u>	<u>47</u>	<u>70</u>		

- (1) A330-300F aircraft to be utilized under the ATSA with Amazon. Operations under the ATSA commenced on October 2, 2023. As discussed above, the ATSA provides for the operation of 10 aircraft with customer options to expand the fleet.
- (2) In February 2024, we took delivery of our first Boeing 787-9 aircraft under a purchase assignment and leaseback transaction. The aircraft is anticipated to be placed into revenue service in April 2024.
- (3) In December 2023, we entered into an agreement to purchase one 717-200 aircraft that was under a lease agreement. We anticipate purchasing the remaining four leased aircraft in the first quarter of 2024.
- (4) The ATR 42-500 turboprop and ATR 72-200 turboprop aircraft were owned by Airline Contract Maintenance & Equipment, Inc., a wholly-owned subsidiary of the Company. In the second quarter of 2021, we announced the termination of our ‘Ohana by Hawaiian operations, which operated under a capacity purchase agreement with a third-party provider, and committed to a plan to dispose of the aircraft and related asset group. The asset group has been classified as assets held for sale on the Consolidated Balance Sheets. As of October 31, 2023, we completed the sale of the ATR 42-500 turboprop and ATR 72-200 turboprop aircraft. We anticipate completing the sale of remaining aircraft parts in the first half of 2024.
- (5) Leased aircraft include aircraft under finance and operating leases. See Note 10 to the Notes to Consolidated Financial Statements for further discussion regarding our aircraft leases.
- (6) Includes unencumbered aircraft as well as those purchased and under various debt financing.

At December 31, 2023, we had 12 aircraft on order scheduled for delivery through 2027:

Delivery Year	B787-9 Aircraft <sup>(1)</sup>
2024 . . . . .	3
2025 . . . . .	4
2026 . . . . .	3
2027 . . . . .	<u>2</u>
	<u>12</u>

- (1) In July 2018, we entered into a purchase agreement for the purchase of 10 Boeing 787-9 “Dreamliner” aircraft with purchase rights for an additional 8 aircraft with scheduled deliveries between 2021 to 2025. In December 2022, we entered into a supplemental agreement to the purchase agreement, pursuant to which (a) we agreed with Boeing to defer delivery of the B787-9 aircraft, the first of which we initially expected to receive in the fourth quarter of 2023 with the remaining deliveries scheduled through 2027, as reflected in the table above, and (b) agreed to exercise purchase options for an additional two B787-9 aircraft. In July 2023, we were notified by Boeing that our 2023 and 2024 Boeing 787-9 deliveries would be delayed by a couple of months. In February 2024, we took delivery of our first Boeing 787-9 aircraft under a purchase assignment and leaseback transaction. We are currently exploring financing options for upcoming Boeing 787-9 deliveries.

**Ground Facilities**

Our principal terminal facilities, cargo facilities and hangar and maintenance facilities are located at the Daniel K. Inouye International Airport (HNL). The majority of the facilities at HNL are leased on a month-to-month basis. We are also charged for the use of terminal facilities at other Neighbor Island airports owned by the State of Hawai‘i. Some terminal facilities, including gates and holding rooms, are considered by the State of Hawai‘i to be common areas and thus are not exclusively controlled by us. We also utilize other State of Hawai‘i facilities, including station manager offices, Premier Club lounges, and operations support space.

The table below sets forth the airport locations to which we have access pursuant to various agreements as of December 31, 2023:

Name of Airport	Location	
Phoenix Sky Harbor International Airport . . . . .	Phoenix	Arizona
Long Beach Airport . . . . .	Long Beach	California
Los Angeles International Airport . . . . .	Los Angeles	California
Oakland International Airport . . . . .	Oakland	California
Ontario International Airport . . . . .	Ontario	California
Sacramento International Airport . . . . .	Sacramento	California
San Diego International Airport . . . . .	San Diego	California
San Francisco International Airport . . . . .	San Francisco	California
Norman Y. Mineta San Jose International Airport . . . . .	San Jose	California
San Bernardino International Airport . . . . .	San Bernardino	California
Cincinnati/Northern Kentucky International Airport . . . . .	Boone County	Kentucky
Hilo International Airport . . . . .	Hilo	Hawai‘i
Daniel K. Inouye International Airport . . . . .	Honolulu	Hawai‘i
Kahului Airport . . . . .	Kahului	Hawai‘i
Ellison Onizuka Kona International Airport . . . . .	Kailua-Kona	Hawai‘i
Lihue Airport . . . . .	Lihue	Hawai‘i
Boston Logan International Airport . . . . .	Boston	Massachusetts
Harry Reid International Airport . . . . .	Las Vegas	Nevada
John F. Kennedy International Airport . . . . .	New York	New York
Austin-Bergstrom International Airport . . . . .	Austin	Texas
Portland International Airport . . . . .	Portland	Oregon
Seattle-Tacoma International Airport . . . . .	SeaTac	Washington
Pago Pago International Airport . . . . .	Pago Pago	American Samoa
Sydney International Airport . . . . .	Sydney	Australia
Rarotonga International Airport . . . . .	Rarotonga	Cook Islands
Haneda International Airport . . . . .	Tokyo	Japan
Fukuoka International Airport . . . . .	Fukuoka	Japan
Kansai International Airport . . . . .	Osaka	Japan
Narita International Airport . . . . .	Tokyo	Japan
New Chitose International Airport . . . . .	Sapporo	Japan
Auckland Airport . . . . .	Auckland	New Zealand
Incheon International Airport . . . . .	Seoul	South Korea
Faa’a International Airport . . . . .	Papeete	Tahiti

Our corporate headquarters are located in leased premises adjacent to the Daniel K. Inouye International Airport.

**ITEM 3. LEGAL PROCEEDINGS.**

We are subject to legal proceedings arising in the normal course of our operations. We do not anticipate that the disposition of any currently pending proceeding will have a material effect on our operations, business or financial condition.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the NASDAQ Global Select Market under the symbol "HA."

#### *Holders*

There were 651 stockholders of record of our common stock as of February 2, 2024, which does not reflect those shares held beneficially or those shares held in "street" name.

#### *Dividends and Other Restrictions*

Our receipt of financial assistance under the federal government's Payroll Support Programs precluded us from making any further dividend payments through September 30, 2022. We did not make any dividend payments during the twelve months ended December 31, 2023, 2022, and 2021.

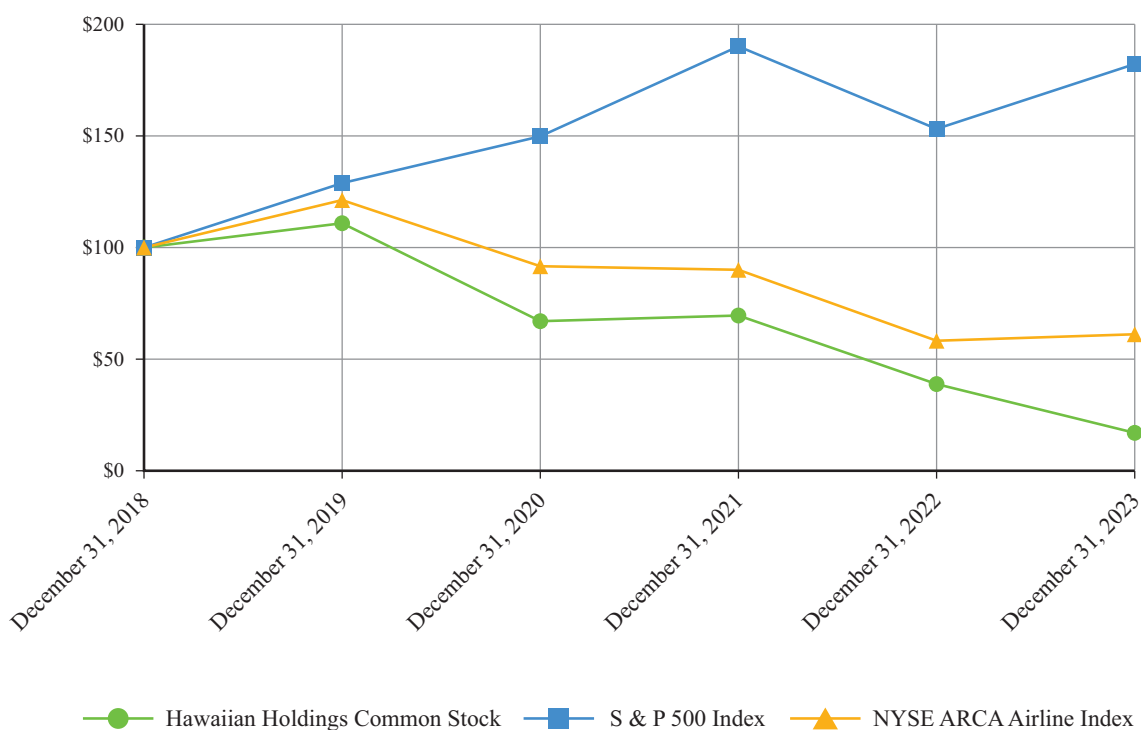
U.S. law prohibits non-U.S. citizens from owning more than 25% of the voting interest of a U.S. air carrier or controlling a U.S. air carrier. Our certificate of incorporation prohibits the ownership or control of more than 25% (to be increased or decreased from time to time, as permitted under the laws of the U.S.) of our issued and outstanding voting capital stock by persons who are not "citizens of the U.S." As of December 31, 2023, we believe we are in compliance with the law as it relates to voting stock held by non-U.S. citizens.

#### *Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

None.

#### *Stockholder Return Performance Graph*

The following graph compares cumulative total stockholder return on our common stock, the S&P 500 Index and the NYSE ARCA Airline Index from December 31, 2018 to December 31, 2023. The comparison assumes \$100 was invested on December 31, 2018 in our common stock and each of the foregoing indices and assumes reinvestment of dividends before consideration of income taxes.



The stock performance depicted in the graph above is not to be relied upon as indicative of future performance. The stock performance graph shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate the same by reference, nor shall it be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

## **ITEM 6. RESERVED.**

## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### *Overview*

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand the Company and its operations and is focused on our 2023 and 2022 financial results, including comparisons of year-over-year performance between these years. Discussion and analysis of our 2021 fiscal year, as well as the year-over-year comparison of our 2022 financial performance to 2021, is located in Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 15, 2023.

This discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks and uncertainties. We have based these forward-looking statements on our current expectations and projections of future events. However, our actual results could differ materially from those discussed herein as a result of the risks that we face, including but not limited to those risks stated in the “Risk Factors” section of this report. In addition, the following discussion should be read in conjunction with the audited consolidated financial statements and the related notes thereto included elsewhere in this report.

### *2023 Financial Overview*

- During 2023, operating revenue was \$2.7 billion, an increase of \$75.0 million, or 2.8%, as compared to 2022. During 2023, capacity (as measured in Available Seat Miles (ASMs)) was up 8.4%, while Revenue Passenger Miles (RPM) increased 12.9%, as compared to 2022, driven by improving demand on our international routes.
- Our operating loss during 2023 was \$293.7 million, as compared to an operating loss of \$210.1 million during 2022.
- GAAP net loss in 2023 was \$260.5 million, or \$5.05 per diluted share, compared to a net loss of \$240.1 million, or \$4.67 per diluted share in 2022.
- Unrestricted cash, cash equivalents and short term investments was \$0.9 billion as of December 31, 2023.

### *Proposed Merger with Alaska Air Group*

On December 2, 2023, we entered into a Merger Agreement with Alaska and Merger Sub, pursuant to which, subject to satisfaction or waiver of conditions therein, Merger Sub will merge with and into Holdings, with Holdings surviving as a wholly owned subsidiary of Alaska.

At the effective time of the Merger (the Effective Time), each share of our common stock, Series B Special Preferred Stock, Series C Special Preferred Stock, and Series D Special Preferred Stock issued and outstanding immediately prior to the Effective Time, subject to certain customary exceptions specified in the Merger Agreement, will be converted into the right to receive \$18.00 per shares, payable to the holder in cash, without interest.

Completion of the Merger is subject to customary closing conditions, including approval by the Company’s stockholders; performance by the parties in all material respects of their obligations under the Merger

Agreement; the receipt of required regulatory approvals; and the absence of an order or law preventing, materially restraining, or materially impairing the consummation of the Merger.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, we may be required to pay Alaska a termination fee of \$39.6 million in connection with the termination of the Merger Agreement.

The Merger is expected to close within 12 to 18 months of the date of the Merger Agreement.

#### *Amazon Air Transportation Services Agreement*

On October 20, 2022, we and the Customer entered into the ATSA under which we will provide certain air cargo transportation services to the Customer for an initial term of eight years. Thereafter, the Customer may elect to extend the ATSA for two years and, at the end of such period, the parties may mutually agree to extend the term for three additional years. The ATSA provides for us to initially operate ten A330-300F aircraft for the air cargo transportation services, with the Customer having the right to enter into work orders for additional aircraft. We supply flight crews, fuel, perform maintenance and certain administrative functions, and procure aircraft insurance. The Customer pays us a fixed monthly fee per aircraft, a per flight hour fee, and a per flight cycle fee for each flight cycle operated. The Customer reimburses us for certain operating expenses, including fuel, certain maintenance, and insurance premiums. As part of the ATSA, the Company received \$11.5 million toward start-up costs which has been recorded in Other Liabilities in the Consolidated Balance Sheet. The deferred up-front payment will be amortized into revenue on a pro-rata basis over the term of the contract.

Contemporaneously with the ATSA, we and Amazon entered into a Transaction Agreement (the Transaction Agreement), under which, we agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon, a warrant (the Warrant) to acquire up to 9,442,443 shares (the Warrant Shares), of our common stock. At execution, 1,258,992 Warrant Shares, valued at approximately \$11.6 million, vested upon warrant issuance. Future vesting is based on payments to be made by Amazon or its affiliates either under the ATSA or generally with respect to air cargo or air charters, excluding commercial passenger service (Qualified Payments), up to \$1.8 billion in the aggregate. Subject to certain conditions, including vesting, the Warrant may be exercised, in whole or in part and for cash or on a net exercise basis, at any time before October 20, 2031. The exercise price with respect to the first 6,294,962 Warrant Shares that vest will be \$14.71 per share (the First Tranche). The exercise price with respect to the remaining 3,147,481 Warrant Shares will be determined based on the 30-day volume-weighted average price of our common stock as of the earlier of (i) October 20, 2025, or (ii) the date that the entire First Tranche is vested. The exercise prices and the Warrant Shares issuable are subject to customary antidilution adjustments.

Services under the ATSA commenced in October 2023. As of the end of 2023, we were operating a single aircraft. We anticipate operations increasing to six aircraft by the end of 2024.

## Selected Consolidated Statistical Data

Below are the operating statistics we use to measure our operating performance.

	Year ended December 31,		
	2023	2022	2021
	(in thousands, except as otherwise indicated)		
<b>Scheduled Operations<sup>(a)</sup> :</b>			
Revenue passengers flown . . . . .	10,876	9,995	6,515
Revenue passenger miles (RPM) . . . . .	16,860,663	14,932,750	9,979,848
Available seat miles (ASM) . . . . .	20,196,230	18,636,466	14,411,410
Passenger revenue per RPM (Yield) . . . . .	14.59¢	15.64¢	13.74¢
Passenger load factor (RPM/ASM) . . . . .	83.5%	80.1%	69.2%
Passenger revenue per ASM (PRASM) . . . . .	12.18¢	12.53¢	9.51¢
<b>Total Operations<sup>(a)</sup> :</b>			
Revenue passengers flown . . . . .	10,879	10,015	6,543
Revenue passenger miles (RPM) . . . . .	16,864,998	14,964,500	10,054,062
Available seat miles (ASM) . . . . .	20,204,497	18,684,642	14,535,425
Operating revenue per ASM (RASM) . . . . .	13.44¢	14.14¢	10.98¢
Operating cost per ASM (CASM) . . . . .	14.90¢	15.26¢	11.55¢
CASM excluding fuel and non-recurring items <sup>(b)</sup> . . . . .	11.29¢	10.78¢	11.20¢
Aircraft fuel expense per ASM <sup>(c)</sup> . . . . .	3.79¢	4.37¢	2.50¢
Revenue block hours operated . . . . .	211,019	195,361	157,236
Gallons of jet fuel consumed . . . . .	268,491	239,231	179,494
Average cost per gallon of jet fuel (actual) <sup>(c)</sup> . . . . .	\$ 2.85	\$ 3.42	\$ 2.02

(a) Includes the operations of our contract carrier under a CPA, which was terminated in the first half of 2021. Total Operations includes both scheduled and chartered operations.

(b) See “Non-GAAP Financial Measures” below for our reconciliation of CASM excluding fuel and non-recurring items, a non-GAAP financial measure, to its most directly comparable GAAP financial measure. We believe this is a useful measure because it better reflects our controllable costs.

(c) Includes applicable taxes and fees.

### Operating Revenue

Our revenue is derived primarily from transporting passengers on our aircraft. We record passenger revenue when the transportation is provided or when scheduled flights for tickets are expected to expire unused. We measure capacity in terms of ASM, which represent the number of seats available for passengers multiplied by the number of miles the seats are flown. Yield, or the average amount one passenger pays to fly one mile, is calculated by dividing passenger revenue by RPMs. Typically, we strive to increase passenger revenue primarily by increasing our yield per flight or by filling a higher proportion of available seats, which produces higher operating revenue per available seat mile. Other revenue primarily consists of cargo revenue, incidental services revenue, marketing component related to the sale of frequent flyer miles, and contract services.

Operating revenue was approximately \$2.72 billion, \$2.64 billion and \$1.60 billion for the years ended December 31, 2023, 2022 and 2021, respectively. Operating revenue was severely impacted beginning in early 2020 as a result of the COVID-19 pandemic. Although passenger travel demand continues to improve, demand and capacity remain below pre-pandemic levels, predominantly in our international markets as further discussed below.

## 2023 vs. 2022

### Passenger Revenue

Passenger revenue increased by \$124.6 million, or 5.3%, in the year ended December 31, 2023, as compared to the prior year. Details of this change are described in the table below:

	Year Ended December 31, 2023 (in millions)	Increase (Decrease) vs. Year Ended December 31, 2022				
		Passenger Revenue	Yield	RPMs	ASM	PRASM
Domestic . . . . .	\$1,928.7	(6.9)%	(4.9)%	(2.2)%	(3.3)%	(3.7)%
International . . . . .	531.3	102.3%	(13.6)	133.5	71.9	17.3
Total scheduled . . . . .	<u>\$2,460.0</u>	5.3%	(6.7)%	12.9%	8.4%	(2.8)%

Domestic passenger revenue decreased by \$143.3 million, or 6.9%, as compared to 2022, on a capacity reduction, as measured in ASM, of 3.3%. Demand on our domestic network has surpassed pre-COVID-19 pandemic levels, with domestic passenger revenue up 0.4% during 2023, as compared to the same period in 2019, primarily driven by the strength of our North America traffic. This recovery has been negatively impacted, however, by engine shortages from Pratt & Whitney and its affiliates, which announced in July 2023 that a significant portion of the PW110G-JM engine fleet, including several engines utilized by Hawaiian, would require accelerated removals and inspections. This unanticipated time out of service resulted in lower-than-expected capacity growth in 2023 and we anticipate that we will continue to experience operational disruptions from our engine shortages from Pratt & Whitney into 2024 and potentially beyond.

Our Neighbor Island traffic, which accounted for approximately 14.9% of total Domestic passenger revenue during 2023, continued to face increased competitive pressures with additional capacity in the market combined with the low priced Neighbor Island route fares. Furthermore, on August 8 2023, the Island of Maui was devastated by wildfires, which decimated the historic town of Lahaina, a popular tourist destination. In the immediate aftermath, there was a sharp decline in passenger traffic to the island of Maui and an increase in passenger ticket refunds in the aftermath of the fires. With many areas of the island not impacted by the wildfires and portions of West Maui reopening for tourism on October 8, 2023, demand for travel to Maui is recovering, but remained below historic levels through the fourth quarter of 2023 and is expected to remain depressed into 2024. The impact of these events has led to a decline in Neighbor Island route revenue yield of 10.9% during 2023 as compared to 2022, and is expected to continue to be a headwind to our Neighbor Island route revenue during the first half of 2024.

International passenger revenue increased \$267.9 million, or 101.7%, during 2023 as compared to 2022, on capacity growth of 71.9% as a result of the recommencement of scheduled international passenger flights. Despite these improvements, our international network remains depressed in comparison to pre-COVID-19 pandemic levels, with revenue down 21.5% in 2023, as compared to the same period in 2019. We expect demand on our International routes to continue to lag behind demand on our Domestic routes as international demand recovers to pre-COVID-19 pandemic levels. In addition, we expect the weakening of the Japanese Yen, which has increased the cost of travel for customers from Japan, to continue to negatively impact international demand until the Japanese Yen recovers.

### Other Operating Revenue

Other operating revenue decreased by \$49.5 million, or 16.2%, in the year ended December 31, 2023, as compared to the prior year, primarily driven by decreases in our cargo and other miscellaneous revenue, partially offset by an increase in loyalty revenue.

Cargo revenue decreased \$26.4 million during 2023 as compared to the prior year, resulting from decreased volumes. Other components in Other operating revenue include, but are not limited to, ground handling and contract services, other freight services, and miscellaneous revenue, collectively decreased during 2023 by approximately \$26.1 million as compared to the prior year, primarily attributed to decreased volumes and



reduction in contract service operations. The decrease was partially offset by an increase in loyalty revenue, primarily comprised of brand and marketing performance obligations, which increased \$3.0 million during 2023, as compared to the prior year, as a result of increased credit card spend and new cardholder acquisitions.

### *Operating Expenses*

During the year ended December 31, 2023, total operating expense increased \$0.2 billion or 5.6% to \$3.0 billion as compared to 2022. Increases (decreases) in operating expenses are detailed below.

	Changes for the year ended December 31, 2023 as compared to year ended December 31, 2022	
	\$	%
	(in thousands)	
<b><i>Operating expenses:</i></b>		
Aircraft fuel, including taxes and delivery . . . . .	\$ (50,944)	(6.2)%
Wages and benefits . . . . .	118,387	14.2
Aircraft rent . . . . .	5,895	5.7
Maintenance materials and repairs . . . . .	8,143	3.4
Aircraft and passenger servicing . . . . .	24,148	15.8
Commissions and other selling . . . . .	3,289	2.9
Depreciation and amortization . . . . .	(2,554)	(1.9)
Other rentals and landing fees . . . . .	24,228	16.5
Purchased services . . . . .	15,472	12.0
Special items . . . . .	(8,242)	(43.8)
Other . . . . .	20,816	12.8
Total . . . . .	\$158,638	5.6%

### *Aircraft fuel*

The price and availability of aircraft fuel is volatile due to global economic and geopolitical factors that we can neither control nor accurately predict. The increase in aircraft fuel expense is illustrated in the following table:

	Year Ended December 31,		% Change
	2023	2022	
	(in thousands, except per-gallon amounts)		
Aircraft fuel expense, including taxes and delivery . . . . .	\$766,133	\$817,077	(6.2)%
Fuel gallons consumed . . . . .	268,491	239,231	12.2%
Average fuel price per gallon, including taxes and delivery . . . . .	\$ 2.85	\$ 3.42	(16.7)%

We believe *economic fuel expense* is the best measure of the effect of fuel prices on our business as it most closely approximates the net cash outflow associated with the purchase of fuel for our operations and is consistent with how management manages our business and assesses our operating performance. We define *economic fuel expense* as GAAP fuel expense, including taxes and delivery, plus realized (gains)/losses on settlement of fuel derivative contracts in the period. As of December 31, 2023, we have hedged, through the purchase of fuel derivative instruments, approximately 30% of our projected fuel requirements for 2024.

*Economic fuel expense* is calculated as follows:

	<u>Year Ended December 31,</u>		<u>% Change</u>
	<u>2023</u>	<u>2022</u>	
	<u>(in thousands, except per-gallon amounts)</u>		
Aircraft fuel expense, including taxes and delivery . . . . .	\$766,133	\$817,077	(6.2)%
Realized losses on settlement of fuel derivative instruments . . . . .	10,923	401	2,623.9%
Economic fuel expense . . . . .	\$777,056	\$817,478	(4.9)%
Fuel gallons consumed . . . . .	268,491	239,231	12.2%
Economic fuel costs per gallon . . . . .	<u>\$ 2.89</u>	<u>\$ 3.42</u>	<u>(15.5)%</u>

See Item 7A, *Quantitative and Qualitative Disclosures about Market Risk*, for additional discussion of our jet fuel costs and related derivative program.

*Wages and benefits*

Wages and benefits expense increased by \$118.4 million, or 14.2%, in the year ended December 31, 2023, as compared to the prior period. The increase in wages and benefits expense is primarily attributed to (a) increased headcount and training costs as we prepared for the commencement of our ATSA operations with Amazon, the introduction of our Boeing 787 aircraft (anticipated to commence operations in April 2024), and improving demand from our international operations, predominantly Japan, (b) scheduled contractual wage increases and (c) increased inflationary and hiring costs. In February 2023, the pilots ratified a new four year collective bargaining agreement (CBA), which included, amongst other things, a signing bonus, pay scale increases across all fleet types, improved health benefits and cost sharing, and enhancements to the Company’s postretirement and disability plans.

We expect that wages and benefits expense will increase in the first quarter of 2024 as compared to the same period in 2023 as a result of (a) our current headcount relative to the first quarter of 2023 commensurate with our continued international recovery, expansion of cargo operations under the Amazon ATSA and preparation for introduction of our first Boeing 787-9 aircraft into revenue service in April 2024, (b) scheduled rate increases under CBAs, and (c) inflationary pressures and hiring costs.

*Maintenance materials and repairs*

Maintenance materials and repairs increased \$8.1 million, or 3.4%, during the year ended December 31, 2023, as compared to the prior year.

As discussed above in the subsection titled Passenger Revenue, challenges with engine supply for our A321neo fleet has negatively impacted our operations. In response, we have, and continue to receive credits from Pratt & Whitney offsetting Power-by-the-Hour (PBH) expense, and recognized a reduction in maintenance, materials and repairs expense of \$18.6 million during 2023. In December 2022, we entered into a Memorandum of Understanding (MOU) with one of our third-party service providers to terminate our Amended and Restated Complete Fleet Services Agreement (Amended CFS) covering A330-200 aircraft. The Amended CFS was originally scheduled to run through December 2027, and terminated in April 2023. Upon execution of the MOU, we agreed to pay a total of \$12.5 million in termination fees, which was recognized in fiscal year 2022. As of December 31, 2022, we had approximately \$24.1 million in deferred liabilities which was amortized into earnings as contra-maintenance materials and repairs expense during the remainder of the contract period (April 2023). Excluding these reductions, maintenance, materials and repairs expense increased 50.8 million, or 21.5% during 2023, as compared to the same period in 2022, primarily the result of increased rates and utilization associated with our PBH agreements, upgauging of aircraft to supplement A321neo aircraft that were out of revenue service due to engine availability issues noted above, the timing of scheduled heavy maintenance events and inflationary pressures on costs.

We expect maintenance, materials and repairs expense to increase during the first quarter of 2024, as compared to the same period in 2023 as a result of scheduled heavy maintenance events expected in the period, increased PBH costs, and incremental costs attributed to the upgauging of aircraft to supplement our A321neo fleet.

### *Aircraft and passenger servicing*

Aircraft and passenger servicing expense increased by \$24.1 million, or 15.8%, for the year ended December 31, 2023 as compared to the prior year. The increase is primarily due to increased capacity, as discussed above, and passengers flown, which increased 8.6% in 2023, as compared to 2022. We expect aircraft and passenger servicing expense to increase in the first quarter of 2024, as compared to the same period in 2023 as a result of increased operations as we continue to rebuild our international operations to pre-COVID-19 pandemic levels.

### *Other rentals and landing fees*

Other rentals and landing fees increased by \$24.2 million, or 16.5%, for the year ended December 31, 2023 as compared to the prior year. A significant portion of our other rentals and landing fees are variable in nature and are dependent on factors such as the number of departures and passengers, which were up in 2023 as we continued our post-COVID-19 recovery. We expect other rentals and landing fees expense to increase in the first quarter of 2024, as compared to the same period in 2023, as we continue to rebuild international operational capacity and passenger travel demand to pre-COVID-19 pandemic levels, inflationary pressures and increased infrastructure projects at various airports in which we operate, the costs of which are passed onto airlines.

### *Purchased Services*

Purchased services expense increased by \$15.5 million, or 12.0%, for the year ended December 31, 2023 as compared to the prior year. The increase in purchased services was primarily related to the increased operations during the year. We expect purchased services to increase in the first quarter of 2024 as compared to the same period in 2023 as we continue to build our operations, predominantly international travel, to pre-COVID-19 pandemic levels.

### *Special items*

During the year ended December 31, 2023, we recorded \$10.6 million in Special items as a result of expenses related to our merger with Alaska, primarily consisting of legal, advisory, and other fees. Refer to the *Proposed Acquisition by Alaska Air Group* subsection above for additional information on the proposed Merger.

During the year ended December 31, 2022, we recorded \$18.8 million in Special items as follows:

- During the fourth quarter of 2022, we entered into a MOU with our third-party service provider to early terminate our Amended CFS, which was originally scheduled to run through December 2027, and instead terminated in April 2023. Upon execution of the MOU, the Company agreed to pay a total of \$12.5 million in termination fees, which was recognized at execution as a Special item in the Consolidated Statements of Operations.
- During the third quarter of 2022, we estimated the fair value of our remaining ATR-42 and ATR-72 aircraft, using available market information and taking into consideration recent transactions, which resulted in the recognition of a \$6.3 million impairment charge.

### *Other expense*

Other expense increased by \$20.8 million, or 12.8%, for the year ended December 31, 2023, as compared to the prior year. The increase was primarily attributed to our continued post-COVID-19 recovery, including personnel-related expenditures for crew travel, professional and technical expenditures, and other miscellaneous expense. We expect other expense to increase during the first quarter of 2024 as compared to 2023 as we continue to rebuild operational capacity to pre-COVID-19 pandemic levels.

### *Nonoperating expense, net*

Net nonoperating expense decreased by \$49.7 million in the year ended December 31, 2023, as compared to the prior year. The decrease in expense was attributed to (a) increased generation of interest income

commensurate with the expansion of our investment portfolio into higher risk, higher yielding investments, (b) reduction in interest expense as a result of debt reduction initiatives, and (c) the recognition of \$0.6 million in realized and unrealized (net) investment losses in 2023 as compared to net investment losses of \$43.1 million in 2022. Refer to Note 9 in the Notes to Financial Statements for additional discussion. These decreases were offset by the increases in realized and unrealized losses associated with our debt instruments denominated in Japanese Yen and fuel derivative instruments. Additionally, in 2023, we recognized \$6.6 million related to net periodic benefit expense in comparison to a credit of \$5.1 million in 2022.

### *Income Tax Expense*

Our effective tax rate was 20.5% for the year ended December 31, 2023, compared with 18.3% for the prior year. The effective tax rate for 2023 represented a blend of federal and state taxes and included the impact of the \$9.4 million valuation allowance reserve against capital losses and state deferred tax assets. Refer to Note 11 of the Notes to Consolidated Financial Statements for additional discussion.

### **Liquidity and Capital Resources**

Cash, cash equivalents (excluding restricted cash) and short-term investments totaled approximately \$0.9 billion as of December 31, 2023, compared to \$1.4 billion as of December 31, 2022.

As of December 31, 2023, our current assets exceeded our current liabilities by approximately \$25.5 million as compared to \$558.0 million as of December 31, 2022. Approximately \$633.3 million of our current liabilities relate to our advanced ticket sales and frequent flyer deferred revenue.

We cannot assure you that the assumptions used to estimate our liquidity requirements will be correct because (a) we have never experienced an unprecedented event like the COVID-19 pandemic, impacting global travel and, as a consequence, our ability to predict full recovery from the COVID-19 pandemic is uncertain, (b) the future impact of inflationary costs and pressures on our business is uncertain, and (c) the impact of competitive pricing and pressures on our business is difficult to predict. However, we expect to meet our liquidity needs for the next twelve months with cash and cash equivalents (excluding restricted cash), short-term investments and cash flows from operations. We expect to meet our long-term liquidity needs with cash flows from operations and financing arrangements.

### **Cash Flow and Uses of Liquidity**

#### *Operating Activities*

Net cash used in operating activities was \$160.0 million in the year ended December 31, 2023 compared to net cash used in operating activities of \$57.8 million in the prior year. Our operating cash flows are impacted by the following factors:

*Advanced Ticket Sales.* We sell tickets for air travel and record the receipt on advance sales as deferred revenue in air traffic liability. The air traffic liability typically increases during the winter and spring months as advanced ticket sales grow prior to the summer and fall peak travel seasons and decreases upon utilization during these seasons.

*Fuel.* During the years ended December 31, 2023 and 2022, fuel expense represented approximately 25.5% and 28.7%, respectively, of our total operating expense. As reflected in the increase in percentage, the market price for jet fuel is volatile, which can impact the comparability of our cash flows from operations. We expect fuel consumption to increase in the first quarter of 2024 as compared to the same period in 2023.

*Pension and Other Postretirement Benefit Plan Funding.* We sponsor a defined pension plan covering eligible pilots and retirees. This plan is closed to new entrants and frozen for future benefit accruals. Additionally, we sponsor four unfunded defined benefit postretirement medical and life insurance plans and a separate plan to administer the pilots' disability benefits. As of December 31, 2023, the excess of the projected benefit obligations over the fair value of plan assets was approximately \$148.4 million. We contributed \$4.0 million and \$4.1 million to our disability plan in 2023 and 2022, respectively.

During the years ended December 31, 2023 and 2022, we were not required to, and did not make, contributions to our defined benefit pension plan. Future funding requirements for our defined benefit and other postretirement plans are dependent upon many factors such as interest rates, funded status, applicable regulatory requirements and the level and timing of asset returns. Given available funding credits in the defined benefit plan and funding status, we do not anticipate requiring any cash contributions to our defined benefit plan through at least 2024. For our pilot's disability plan, we anticipate annual contributions to the plan of approximately \$4.5 million between 2023 and 2027.

*Operating Lease Obligations.* As described further in Note 10 of the Notes to the Consolidated Financial Statements, as of December 31, 2023 we had a total of \$386.5 million of minimum operating lease obligations. These minimum lease payments range from approximately \$29.7 million to \$104.7 million on an annual basis over the next five years.

*Other Commitments.* We have certain purchase obligations under which we are required to make minimum payments for goods and services, including, but not limited to aircraft maintenance, IT, capacity purchases, and reservations. Total contractual obligations do not include long-term contracts where the commitment is variable in nature (with no minimum guarantee), such as aircraft maintenance deposits due under operating leases and fees due under certain other agreements such as aircraft maintenance power-by-the-hour, computer reservation systems and credit card processing agreements, or when the agreements contain short-term cancellation provisions. As of December 31, 2023, we had approximately \$123.7 million of such obligations, which range from approximately \$2.8 million to \$58.2 million on an annual basis over the next five years.

#### *Investing Activities*

*Short-Term Investments.* During 2023, we generated cash of approximately \$422.3 million through sales and maturity of positions (net of purchases) within our short-term investments portfolio to support operational and capital needs. See Note 6 of the Notes to the Consolidated Financial Statements for further information on these investments.

*Capital Expenditures.* Our capital expenditures are primarily related to the purchase of aircraft, fleet modifications and technology enhancements. Our capital expenditures increased to \$290.2 million in 2023 as compared to \$47.5 million in 2022. We expect that we will have capital expenditures between approximately \$500.0 million and \$550.0 million in 2024, primarily for aircraft, including advance deposit payments for future aircraft deliveries and aircraft modifications, along with facility upgrades and technology enhancements. We expect that the capital expenditures in 2024 will be funded through available liquidity and cash flows from operations. We have committed to future aircraft purchases, with scheduled deliveries between 2024 and 2027 as reflected below.

As of December 31, 2023, we had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A321neo aircraft . . . . .	—	9	N/A
Boeing 787-9 aircraft . . . . .	12	8	Between 2024 and 2027
General Electric GEnx spare engines:			
B787-9 spare engines . . . . .	3	1	Between 2023 and 2027

Committed expenditures for these aircraft, engines, and related flight equipment are approximately \$476 million in 2024, \$630 million in 2025, \$426 million in 2026, \$253 million in 2027, and \$0 million in 2028.

In October 2020, we entered into an amendment to our Boeing 787-9 purchase agreement, which changed the scheduled delivery of each aircraft and related engines to between 2022 and 2026. In December 2021, we received notification of further delivery delays, and we agreed to defer delivery of our first two aircraft from the scheduled delivery date at the end of 2022. In December 2022, we entered into a supplemental agreement to our purchase agreement, pursuant to which (a) we agreed with Boeing to defer delivery of the B787-9 aircraft, the first of which we initially expected to be delivered in the fourth quarter of 2023 with

additional deliveries scheduled through 2027, and (b) agreed to exercise purchase options for an additional two B787-9 aircraft. In July 2023, we were notified by Boeing that our 2023 and 2024 Boeing 787-9 deliveries will be delayed by a couple of months. In February 2024, we took delivery of our first Boeing 787-9 aircraft under a purchase assignment and leaseback transaction. The aircraft is anticipated to be placed into revenue service in April 2024. Refer to Note 17 of the Notes to Consolidated Financial Statements for additional discussion.

In order to complete the purchase of these aircraft and fund related costs, we may need to secure acceptable financing. We have backstop financing available from aircraft and engine manufacturers, subject to certain customary conditions. Financing may be necessary to satisfy our capital commitments for firm order aircraft and other related capital expenditures. We can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to us on acceptable terms when necessary or at all.

#### *Financing Activities*

##### *Debt Obligations.*

As of December 31, 2023 our total debt was \$1.6 billion, compared to \$1.6 billion as of December 31, 2022.

In February 2021, we completed the issuance of \$1.2 billion in 5.75% senior secured notes, which are collateralized by our loyalty program and intellectual property. The Notes require quarterly interest payments and mature in January 2026. See above and Note 9 of the Notes to the Consolidated Financial Statements for more information on the offering.

During the years ended December 31, 2023 and 2022, we repaid approximately \$66.7 million and \$184.3 million in scheduled debt repayments. As described in Note 9 of the Notes to the Consolidated Financial Statements, as of December 31, 2023, scheduled maturities of our debt from 2024 through 2026 are approximately \$45.0 million, \$57.6 million, and \$1,338.7 million annually, respectively. In 2026, our loyalty offering matures, resulting in scheduled debt repayment of \$1.2 billion. Scheduled repayments in 2027 and 2028 are approximately \$11.3 million, respectively. As of December 31, 2023, scheduled maturities after 2028 are equal to \$137.9 million in the aggregate. In addition, we are obligated to make periodic interest payments at fixed and variable rates, depending on the terms of the applicable debt agreements. Based on applicable interest rates and scheduled debt maturities as of December 31, 2023, these interest obligations total \$78.4 million in 2024, \$77.4 million in 2025, \$22.6 million in 2026, \$2.7 million in 2027, \$2.6 million in 2028, and \$5.1 million thereafter.

*Finance Lease Obligations.* As described further in Note 10 of the Notes to the Consolidated Financial Statements as of December 31, 2023, we had a total of \$70.2 million of minimum finance lease obligations. These minimum lease payments range from approximately \$11.3 million to \$12.9 million on an annual basis over the next five years.

*Undrawn Lines of Credit.* As of December 31, 2023, we had approximately \$235.0 million undrawn and available under our revolving credit facility which matures in December 2025. Refer to Note 9 of the Notes to the Consolidated Financial Statements for more information.

*Credit Card Holdbacks.* Under our bank-issued credit card processing agreements, proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. As of December 31, 2023 and 2022, there were no holdbacks held with our credit card processors. In the event of a material adverse change in our business, the holdback could increase to an amount up to 100% of the applicable credit card activity for all unflown tickets, which would also result in an increase in the required level of restricted cash. If we are unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material adverse impact on our operations.

*Covenants.* We are in compliance with covenants in our debt and lease agreements at December 31, 2023.

### *Non-GAAP Financial Measures*

We believe the disclosure of non-GAAP financial measures is useful information to readers of our financial statements because:

- We believe it is the basis by which we are evaluated by industry analysts and investors;
- These measures are often used in management and Board of Directors' decision making analysis;
- It improves a reader's ability to compare our results to those of other airlines; and
- It is consistent with how we present information in our quarterly earnings press releases.

See table below for reconciliation between GAAP net income to adjusted net income, including per share amounts (in thousands unless otherwise indicated). The adjustments are described below:

- *CBA related expense.*
  - In February 2023, pilots represented by the Air Line Pilots Association ratified a new four-year CBA, which included, amongst other things, a signing bonus, pay scale increases across all fleet types, improved health benefits and cost sharing, and enhancements to the Company's postretirement and disability plans. In connection with the ratification, we recorded a signing bonus and vacation liability true-up of approximately \$17.7 million in wages and benefits during the first quarter of 2023.
  - In January 2022, we reached a tentative agreement with our IAM-M and IAM-C employees. In February 2022, employees represented by the IAM-M and IAM-C ratified a new CBA, which included a one-time signing bonus of \$2.1 million, which was recorded in Wages and benefits during the first quarter of 2022. During the second quarter of 2022, we and the IAM completed a separation program under the CBA and recognized a \$2.6 million one-time expense, which was recorded in Wages and benefits in the Consolidated Statements of Operations.
- *Employee retention credit (ERC).* In the fourth quarter of 2023, we received a \$32.5 million employee retention credit under the CARES Act, which was recorded in Wages and benefits in the Consolidated Statements of Operations. In addition, we received \$1.8 million in interest income in connection with the ERC, which was recorded in Interest income in the Consolidated Statements of Operations.
- *Contract termination amortization.* In December 2022, we entered into a Memorandum of Understanding (MOU) with one of our third-party service providers to early terminate our Amended and Restated Complete Fleet Services Agreement (Amended CFS) covering A330-200 aircraft. The Amended CFS was originally scheduled to run through December 2027, but was terminated in April 2023. Upon execution of the MOU, we agreed to pay a total of \$12.5 million in termination fees, which was recognized as a special item in fiscal year 2022. During the twelve months ended December 31, 2023, we recognized approximately \$24.1 million over the remaining contract term as contra-maintenance materials and repairs expense and recorded the amortization within Maintenance, materials and repairs in the Consolidated Statements of Operations.
- *Special items.*

During the year ended December 31, 2021, we recognized approximately \$9.0 million of Special items expense, comprised of the following:

- During the second quarter of 2021, we announced the termination of our 'Ohana by Hawaiian operations, which operated under a CPA with a third-party carrier. The asset group met the requirements for, and was reclassified as Held-for-Sale on the Consolidated Balance Sheets. We fair valued the asset group resulting in the write-down of approximately \$6.4 million. Additionally, we recorded an early termination charge associated with the CPA of approximately \$2.6 million.

During the year ended December 31, 2022, we recognized approximately \$18.8 million of Special items expense, comprised of the following:

- During the third quarter of 2022, we estimated the fair value of our remaining ATR-42 and ATR-72 aircraft, using available market information and taking into consideration recent transactions,

which resulted in the recognition of a \$6.3 million impairment charge as a Special Item in the Consolidated Statements of Operations.

- During the fourth quarter of 2022, we entered into an MOU with our third-party service provider to early terminate our Amended CFS. The Amended CFS was originally scheduled to run through December 2027, but terminated in April 2023. In connection with the MOU, the Company agreed to pay a total of \$12.5 million in termination fees, which was recognized at execution as a Special item in the Consolidated Statements of Operations.

During the year ended December 31, 2023, we recorded \$10.6 million in Special items related to expenses related to our merger with Alaska Air Group, primarily consisting of legal, advisory, and other fees. Refer to Proposed Acquisition by Alaska Air Group section above for additional information on the proposed merger.

- *Government grant recognition.* During the year ended December 31, 2021, we recognized \$320.6 million in contra-expense related to grant proceeds from the federal government's Payroll Support Programs. The grant proceeds were recognized in proportion to estimated Wages and benefits expense over the period the grant covers. We utilized all proceeds under the federal government's Payroll Support Programs as of December 31, 2021.
- *Loss (gain) on sale of aircraft.* During the second quarter of 2023, we completed the sale of one ATR-42 aircraft and recognized a loss of approximately \$0.4 million. During the second quarter of 2022, we sold three ATR-72 aircraft and recognized a \$2.6 million gain on the transactions, which was recorded in Other operating expense in the Consolidated Statements of Operations.
- *Gain on sale of commercial real estate.* In February 2023, we entered into an agreement for the sale of our commercial real estate and recognized a gain on the transaction of \$10.2 million, which was recorded in Other operating expense in the Consolidated Statements of Operations.
- *Interest income on federal tax refund.* In March 2023, we received \$4.7 million in interest in connection with a \$66.8 million federal tax refund received related to fiscal year 2018. The interest was recorded in Interest income in the Consolidated Statements of Operations. In December 2023, we received \$1.8 million in interest income in connection with the ERC, which was recorded in Interest income in the Consolidated Statements of Operations.
- *Changes in fair value of fuel derivative contracts.* Changes in fair value of derivative contracts, net of tax, are based on market prices for open contracts as of the end of the reporting period. This adjustment includes the unrealized gains and losses on fuel and interest rate derivatives (not designated as hedges) that will settle in future periods and the reversal of prior period unrealized amounts. Excluding the impact of these derivative adjustments allows investors to analyze our core operational performance and compare our results to other airlines in the periods presented below.
- *Loss on extinguishment of debt.* During the second quarter of 2022, the Company recognized an \$8.6 million loss on the extinguishment of its remaining outstanding Series 2020-1A and Series 2020-1B Equipment Notes. Losses on the extinguishment of debt are excluded to allow investors to better analyze our core operational performance and more readily compare our results to other results in the periods presented below.
- *Unrealized gain on foreign debt.* Change in unrealized losses (gains) on foreign debt are based on fluctuations in foreign exchanges rates related to foreign-denominated debt agreements to our functional currency. We believe that excluding the impact of these amounts helps investors analyze our operational performance and compare our results to other airlines in the periods presented below.
- *Unrealized gain on non-designated foreign exchange positions.* Changes in fair value of foreign currency derivative contracts, net of tax, are based on market prices for open contracts as of the end of the reporting period. This adjustment includes the unrealized amounts of foreign currency derivatives (not designated as hedges) that will settle in future periods and the reversal of prior period unrealized amounts. We believe that excluding the impact of these derivative adjustments helps investors analyze our operational performance and compare our results to other airlines in the periods presented below.



- *Unrealized loss (gain) on equity securities.* Unrealized loss on equity securities and gains on derivative instruments in our investment portfolio are driven by changes in market prices and currency fluctuations, which are recorded in Other nonoperating expense in the Consolidated Statements of Operations.

We believe that excluding such Special items helps investors analyze our operational performance and compare our results to other airlines in the periods presented below.

	Year Ended December 31,					
	2023		2022		2021	
	Total	Diluted Per Share	Total	Diluted Per Share	Total	Diluted Per Share
	(in thousands, except for per share data)					
GAAP net loss, as reported . . . . .	\$(260,494)	\$(5.05)	\$(240,081)	\$(4.67)	\$(144,773)	\$(2.85)
Adjusted for:						
CBA related expense . . . . .	17,727	0.34	4,678	0.09	—	—
Employee retention credit (ERC) . . .	(32,516)	(0.63)	—	—	—	—
Contract termination amortization . .	(24,085)	(0.47)	—	—	—	—
Special items . . . . .	10,561	0.21	18,803	0.37	8,983	0.18
Government grant recognition . . . . .	—	—	—	—	(320,645)	(6.32)
Loss (gain) on sale of aircraft . . . . .	392	0.01	(2,578)	(0.05)	—	—
Gain on sale of commercial real estate . . . . .	(10,179)	(0.20)	—	—	—	—
Interest income on federal tax refund . . . . .	(6,492)	(0.13)	—	—	—	—
Changes in fair value of fuel derivative contracts . . . . .	1,696	0.03	2,640	0.05	(382)	(0.01)
Loss on extinguishment of debt . . . .	—	—	8,568	0.17	38,889	0.77
Unrealized gain on foreign debt . . . .	(11,668)	(0.22)	(26,196)	(0.51)	(27,593)	(0.54)
Unrealized gain on non-designated foreign exchange positions . . . . .	—	—	—	—	(1,352)	(0.03)
Unrealized loss (gain) on equity securities . . . . .	(10,755)	(0.21)	24,949	0.49	—	—
Tax effect of adjustments . . . . .	12,269	0.24	(1,242)	(0.02)	63,441	1.25
Adjusted net loss . . . . .	<u>\$(313,544)</u>	<u>\$(6.08)</u>	<u>\$(210,459)</u>	<u>\$(4.08)</u>	<u>\$(383,432)</u>	<u>\$(7.55)</u>

*Operating Costs per Available Seat Mile (CASM)*

We have separately listed in the table below our fuel costs per ASM and non-GAAP unit costs, excluding fuel and Special items. These amounts are included in CASM, but for internal purposes we consistently use cost metrics that exclude fuel and Special items (if applicable) to measure and monitor its costs. CASM and CASM excluding fuel and non-recurring items are summarized in the table below:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except CASM data)		
<b>GAAP operating expenses</b> . . . . .	\$ 3,009,959	\$ 2,851,321	\$ 1,679,148
Adjusted for:			
CBA related expense . . . . .	(17,727)	(4,678)	—
Employee retention credit (ERC) . . . . .	32,516	—	—
Contract termination amortization . . . . .	24,085	—	—
Special items . . . . .	(10,561)	(18,803)	(8,983)
Government grant recognition . . . . .	—	—	320,645
Gain (loss) on sale of aircraft . . . . .	(392)	2,578	—
Gain on sale of commercial real estate . . . . .	10,179	—	—
<b>Operating Expenses excluding non-recurring items</b> . . . . .	<u>3,048,059</u>	<u>2,830,418</u>	<u>1,990,810</u>
Aircraft fuel, including taxes and delivery . . . . .	(766,133)	(817,077)	(363,003)
<b>Operating Expenses excluding fuel and non-recurring items</b> . . . . .	<u>\$ 2,281,926</u>	<u>\$ 2,013,341</u>	<u>\$ 1,627,807</u>
Available Seat Miles . . . . .	20,204,497	18,684,642	14,535,425
CASM – GAAP . . . . .	14.90¢	15.26¢	11.55¢
Aircraft fuel, including taxes and delivery . . . . .	(3.79)	(4.37)	(2.50)
CBA related expense . . . . .	(0.09)	(0.02)	—
Employee retention credit (ERC) . . . . .	0.15	—	—
Contract terminations expense . . . . .	0.12	—	—
Special items . . . . .	(0.05)	(0.10)	(0.06)
Government grant recognition . . . . .	—	—	2.21
Gain (loss) on sale of aircraft . . . . .	—	0.01	—
Gain on sale of commercial real estate . . . . .	0.05	—	—
<b>CASM excluding fuel and non-recurring items</b> . . . . .	<u>11.29¢</u>	<u>10.78¢</u>	<u>11.20¢</u>

**Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations are based upon financial statements that have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Critical accounting policies and estimates are defined as those accounting policies and accounting estimates that are reflective of significant judgments and uncertainties, and that potentially result in materially different results under different assumptions and conditions. Our most critical accounting policies and estimates are described below. See the summary of significant accounting policies included in Note 1 to the Notes to Consolidated Financial Statements for additional discussion of the application of these estimates and other accounting policies.

**Revenue Recognition**

*Passenger revenue.* We record direct passenger ticket sales and tickets sold by other airlines for use on Hawaiian as passenger revenue when the transportation is provided or when scheduled flights for tickets are expected to expire unused.

The value of unused passenger tickets is included in current liabilities as Air traffic liability. Prior to the second quarter of 2020, non-refundable tickets sold and credits issued generally expired 13 months from the

date of issuance or flight, as applicable. In April 2020, we announced the waiver of certain change fees and extended ticket validity for up to 24 months for (a) tickets issued between March 1, 2020 and December 31, 2020 and (b) tickets issued prior to March 1, 2020 for original travel between March 1, 2020 and February 28, 2021. In December 2021, we announced the further extension of ticket validity to December 31, 2022, which also included all Main Cabin and First Class passenger tickets purchased in 2021. We record an estimate of breakage revenue on the scheduled flight date for tickets that will expire unused. These estimates are based on the evaluation of actual historical results, available market information, forecasted trends and the extension of the expiration date for certain tickets impacted by the COVID-19 pandemic. At December 31, 2022, \$151.9 million of passenger tickets expired unused after the end of their extended validity dates. During the years ended December 31, 2022 and 2021, we recognized approximately \$100.5 million and \$51.4 million, respectively, in advanced ticket breakage related to these tickets.

Excluding tickets with extended validity dates, as discussed above, during the years ended December 31, 2023, 2022, 2021, we recognized advanced breakage of \$61.7 million, \$49.8 million, and \$48.3 million, respectively. Despite improvements in the industry and overall travel demand, the unflown rates continue to trend higher than historical metrics. The Company will continue to monitor customers' travel behavior and may adjust our estimates in the future.

The primary assumption utilized in our calculation of advanced ticket breakage involves an estimate of future breakage patterns, which is based on a combination of historical activity and expected customer behavior. A 10% change in this rate represents a change of approximately \$5.0 million in advanced ticket breakage.

*Frequent flyer revenue.* *HawaiianMiles*, Hawaiian's frequent flyer travel award program, provides a variety of awards to program members based on accumulated mileage. ASC 606 requires us to account for miles earned by passengers in the *HawaiianMiles* program through flight activity as a component of the passenger revenue ticket transaction at the estimated selling price of the miles. Ticket consideration received is allocated between the performance obligations, primarily travel and miles earned by passengers. The allocated value of the miles is deferred until the free travel or other award is used by the passenger, at which time it is included in passenger revenue. The value of the ticket used in the determination of the estimated selling price is based on the historical value of equivalent flights to those provided for loyalty awards and the related miles redeemed to obtain that award adjusted for breakage or fulfillment. The equivalent ticket value (ETV) includes a fulfillment discount (breakage) to reflect the value of the award ticket over the number of miles that, based on historical experience, will be needed to obtain the award. On a quarterly basis, we calculate the ETV by analyzing the fares of similar tickets for the prior 12 months, considering cabin class and geographic region.

We also sell mileage credits to companies participating in our frequent flyer program. These contracts generally include multiple performance obligations, including the transportation that will ultimately be provided when the mileage credits are redeemed and marketing and brand related activities.

During the first quarter of 2018, we amended our partnership with Barclaycard US, Hawaiian's co-branded credit card partner. Management determined that the amendment should be accounted for as a termination of the existing contract and the creation of a new contract under ASC 606 and the relative selling price was determined for each performance obligation of the new agreement. The new agreement continues through 2024 and includes improved economics and enhanced product offerings for our Barclay's co-branded cardholders. The amended agreement did not change, and includes the following performance obligations; (i) transportation that will ultimately be provided when mileage credits are redeemed (transportation), (ii) the Hawaiian Airlines brand and access to its members lists (collectively, brand performance), (iii) marketing, and (iv) airline benefits to cardholders, including discounts and anniversary travel benefits, baggage waivers and inflight purchase credits. We determined the relative fair value of each performance obligation by estimating the selling prices of the deliverables by considering discounted cash flows using multiple inputs and assumptions, including: (1) the expected number of miles to be awarded and redeemed; (2) the estimated weighted average equivalent ticket value, adjusted by a fulfillment discount; (3) the estimated total annual cardholder spend; (4) an estimated royalty rate for the Hawaiian portfolio; and (5) the expected use of each of the airline benefits. The overall consideration received is allocated to the performance obligations based on their relative selling prices.

The transportation performance obligation is deferred and recognized as passenger revenue when the transportation is provided. The value to the financial institution is provided each time a new cardholder chooses the Hawaiian branded credit card and each time a cardholder chooses to use the co-branded credit card. Therefore, we recognize revenue for the brand performance obligation as members use their co-brand credit card and the resulting mileage credits are issued to them, which best correlates with our performance toward satisfying the obligation.

Accounting for frequent flyer revenue involves the use of various techniques to estimate revenue. To determine the total estimated transaction price, we forecast future credit card activity based on historical data. The relative selling price is determined using management’s estimated standalone selling price of each performance obligation. The objective of using the estimated selling price based methodology is to determine the price at which we would transact a sale if the product or service were sold on a standalone basis. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, number of miles awarded and number of miles redeemed. We estimate the selling price of miles using an ETV adjusted for a fulfillment discount as described above.

In April 2021, we announced the elimination of our HawaiianMiles expiration policy, effective April 1, 2021. Prior to this change in policy, miles expired after 18 months of member account inactivity. We review our breakage estimates annually based upon the latest available information regarding redemption and expiration patterns (e.g., credit card and non-credit card holders). Our estimate of the expected expiration of miles requires significant management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program could affect the estimated value of a mile. Due to the effects of the COVID-19 pandemic, including changes to our ticket validity and exchange policies, management continues to monitor customers’ travel behavior and may adjust its estimates in the future as additional information becomes available. The change in expiration policy did not have a material impact on our accounting estimates and will continue to evaluate the impact of this change as additional information becomes available.

***Pension and Other Postretirement and Postemployment Benefits***

The calculation of pension and other postretirement and postemployment benefit expenses and its corresponding liabilities require the use of significant assumptions, including the assumed discount rate, the expected long-term rate of return on plan assets, expected mortality rates of the plan participants, and the expected health care cost trend rate. Changes in these assumptions will impact the expense and liability amounts, and future actual experience may differ from these assumptions.

The significant assumptions as of December 31, 2023 are as follows:

***Pension:***

Discount rate to determine projected benefit obligation . . . . .	5.21%
Expected return on plan assets . . . . .	7.10%^

***Postretirement:***

Discount rate to determine projected benefit obligation . . . . .	5.21%
Expected return on plan assets . . . . .	N/A
Expected health care cost trend rate:	
Initial . . . . .	6.50%
Ultimate . . . . .	4.75%
Years to reach ultimate trend rate . . . . .	7

***Disability:***

Discount rate to determine projected benefit obligation . . . . .	5.15%
Expected return on plan assets . . . . .	6.15%^

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N/A Not Applicable

^ Expected return on plan assets used to determine the net periodic benefit expense for 2024 is 7.10% for the pension plans and 6.87% for the disability plan.

The expected long-term rate of return assumption is developed by evaluating input from the trustee managing the plans' assets, including the trustee's review of asset class return expectations by several consultants and economists, as well as long-term inflation assumptions. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The Retirement Plan for Pilots of Hawaiian Airlines, Inc. and the Pilot's Voluntary Employee Beneficiary Association Disability and Survivor's Benefit Plan strive to have assets sufficiently diversified so that adverse or unexpected results from any one security class will not have an unduly detrimental impact on the entire portfolio. We believe that our long-term asset allocation on average will approximate the targeted allocation. We periodically review our actual asset allocation and rebalance the pension plan's investments to our targeted allocation when considered appropriate. Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected long-term rate of return by 100 basis points will have the following effects on our estimated 2024 pension and disability benefit expense recorded in wages and benefits and nonoperating expense:

	<b>100 Basis Point Decrease</b>
	<b>(in millions)</b>
Increase in estimated 2024 pension expense . . . . .	\$2.9
Increase in estimated 2024 disability benefit expense . . . . .	0.5

We determine the appropriate discount rate for each of our plans based on current rates on high quality corporate bonds that would generate the cash flow necessary to pay plan benefits when due. The pension and other postretirement benefit liabilities and future expense both increase as the discount rate is reduced. Lowering the discount rate by 100 basis points would have the following effects:

	<b>100 Basis Point Decrease</b>
	<b>(in millions)</b>
Increase in pension obligation as of December 31, 2023 . . . . .	\$32.5
Increase in other postretirement benefit obligation as of December 31, 2023 . . . . .	16.9
Decrease in estimated 2024 pension expense (operating and nonoperating) . . . . .	0.3
Increase in estimated 2024 other postretirement benefit expense (operating and nonoperating) . . . . .	1.7

The health care cost trend rate is based upon an evaluation of our historical trends and experience taking into account current and expected market conditions. Changes in the assumed current health care cost trend rate by year by 100 basis points would have the following annual effects:

	<b>100 Basis Point Increase</b>
	<b>(in millions)</b>
Increase in other postretirement benefit obligation as of December 31, 2023 . . . . .	\$6.0
Increase in estimated 2024 other postretirement benefit expense (operating and nonoperating) . . . . .	1.2

	<b>100 Basis Point Decrease</b>
	<b>(in millions)</b>
Decrease in other postretirement benefit obligation as of December 31, 2023 . . . . .	\$5.2
Increase in estimated 2024 other postretirement benefit expense (operating and nonoperating) . . . . .	1.0

***Long-Lived Assets***

Our long-lived assets used in operations, consisting principally of aircraft and other non-aircraft equipment, are classified as property and equipment, net on the Consolidated Balance Sheets, and have a carrying value of approximately \$2.0 billion at December 31, 2023.

In 2023, we revised our accounting estimate for the expected useful life of our Boeing 717-200 aircraft from a range of 15 to 16 years to 17 to 18 years. The change in estimate was applied prospectively effective December 1, 2023 and does not have a material impact on current and/or future reporting periods.

We review long-lived assets used in operations for impairment when events or changes in circumstances indicate, in management's judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying value. To determine whether impairment exists for aircraft used in operations, assets are grouped at the fleet-type level (the lowest level for which there are identifiable cash flows) and future cash flows are estimated based on projections of capacity, passenger mile yield, fuel costs, labor costs and other relevant factors. If, at any time, management determines the net carrying value of an asset is not recoverable, the amount is reduced to its fair value during the period in which such determination is made. Any changes in the estimated useful lives of these assets will be accounted for prospectively.

During the years ended December 31, 2023, 2022 and 2021, the Company recorded impairment of \$0.0 million, \$6.3 million and \$6.4 million, respectively as follows:

- In the second quarter of 2021, we announced the termination of our 'Ohana by Hawaiian operations, which utilizes the ATR-42 and ATR-72 fleet, and was operated under a CPA with a third-party carrier. Following the termination of the operations, which were temporarily suspended in late 2020, management committed to a plan of sale and wrote-down the related assets by approximately \$6.4 million to fair value, less cost to sell, and classified approximately \$23.4 million as assets held for sale on the Consolidated Balance Sheets. Additionally, during the second quarter of 2021, management committed to a plan to sell certain commercial real-estate assets held by one of the Company's subsidiaries. Management fair valued the assets, less the cost to sell, which did not result in a write-down to the asset group, and as of December 31, 2021, reclassified approximately \$6.1 million as assets held for sale on the Consolidated Balance Sheets. Management expects to complete the sale of the above referenced assets within the upcoming 12 months, and will continue to monitor the asset groups for potential impairment.
- During the second quarter of 2022, the Company sold three ATR-72 aircraft and recognized a \$2.6 million gain on the transactions, which was recorded in Other operating expense in the consolidated statements of operations. During the third quarter of 2022, the Company estimated the fair value of its remaining ATR-42 and ATR-73 aircraft, using available market information and in consideration of recent transactions, which resulted in the recognition of a \$6.3 million impairment charge, which was recorded as a Special item in the consolidated statements of operations.

The Company estimated the fair value of its ATR-42 and ATR-72 fleets using a third-party valuation, available market information, and consideration of recent transactions and estimated the fair value of the assets held in its commercial real-estate subsidiary using a combination of a market and income-based approach, which estimates fair value based upon projections of future revenues, expenses, and cash flows discounted to its present value. The principal assumptions used in the Company's discounted cash flow analysis consisted of (a) the long-term projections of future financial performance and (b) the weighted-average cost of capital of market participants, adjusted for the risk attributable to the Company and the industry in which it operates.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are subject to market risk exposure related to commodity (fuel) prices, interest rates, and foreign currency exchange rates. The adverse effects of potential changes in these market risks are discussed below. In an effort to manage our exposure to these risks, we may enter into derivative contracts from time to time and may revise our derivative portfolio as market conditions change.

The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions we might undertake to mitigate our exposure to such changes. Actual results may differ.

### ***Aircraft Fuel***

Aircraft fuel costs constitute a significant portion of our operating expense and changes in fuel prices could materially impact the results of operations. Fuel expense represented 25% of our operating expenses for the year ended December 31, 2023. Approximately 67% of our fuel was purchased based on Singapore jet fuel prices, 27% was purchased based on U.S. West Coast jet fuel prices, and 6% on other jet fuel prices. We periodically enter into derivative financial instruments to manage our exposure to changes in the price of jet fuel. As of December 31, 2023, we hedged approximately 30% of our projected fuel requirements for 2024. Based on gallons expected to be consumed in 2023, for every one cent increase in the cost of a gallon of jet fuel, our fuel expense would result in approximately \$3.0 million in additional annual fuel expense.

### ***Interest Rates***

Our exposure to market risk associated with changes in interest rates is primarily associated with our debt obligations. At December 31, 2023, we had \$1.6 billion of fixed-rate and no variable-rate debt. Market risk associated with our fixed rate long-term debt relates to the potential reduction in fair value from an increase in interest rates. An increase of 100 basis points in average annual interest rates would have decreased the estimated fair value of our fixed-rate long-term debt by \$26.3 million at December 31, 2023.

### ***Foreign Currency***

We have exposure to market risk associated with changes in foreign currency exchange rates because we generate sales, incur expenses, and have debt denominated and paid in foreign currencies, predominantly in Japanese Yen and to a lesser extent, the Australian Dollar.

To manage exchange rate risk, we transact our international sales and expenditures in the same foreign currency, to the extent practical. Additionally, our Yen denominated debt serves as a natural hedge against the volatility of exchange rates against cash inflows. We also have an established foreign currency derivative program, where we periodically enter into foreign currency forward contracts. At December 31, 2023, the Company did not have any open derivative instruments designated for hedge accounting. We estimate that a 10% depreciation or appreciation in the U.S. dollar, relative to the Japanese Yen and Australian Dollar, would result in a change in annual pretax income (loss) of approximately \$37.3 million.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Hawaiian Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hawaiian Holdings, Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedules listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 15, 2024 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Calculation and recognition of air traffic liability breakage***

#### *Description of the Matter*

At December 31, 2023, the Company's Air traffic liability (excluding frequent flyer) was \$423.1 million, for which tickets sold generally expire thirteen months from the date of issuance or the scheduled flight date, according to the Company's policy. As discussed in Notes 1 and 5 to the consolidated financial statements, the Company

records an estimate of breakage revenue in proportion to the pattern of rights exercised by related passengers (e.g., scheduled departure dates) for tickets that will expire unused based on actual historical results and forecasted trends.

Auditing the estimate of breakage revenue was complex and highly judgmental due to significant judgments required in determining the breakage rate to be applied to tickets. The estimate is more complex due to the continually evolving travel market and recent changes to the Company's expiration policies.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's determination of the significant underlying assumptions and data inputs used in the model.

To test the estimated breakage rates, our audit procedures included, among others, evaluating the methodology, significant assumptions, and underlying data utilized by the Company. We evaluated the methodology and significant assumptions applied by management in their calculation of breakage for consistency with prior reporting periods and appropriateness based on the applicable accounting framework. We compared the forecasted usage data to recent actual results and evaluated the sensitivity of the breakage revenue caused by variations in the forecasted data.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 1999.

Honolulu, Hawai'i  
February 15, 2024

**Hawaiian Holdings, Inc.**  
**Consolidated Statements of Operations**  
**For the Years ended December 31, 2023, 2022 and 2021**

	2023	2022	2021
	(in thousands, except per share data)		
<b>Operating Revenue:</b>			
Passenger . . . . .	\$2,460,005	\$2,335,440	\$1,370,902
Other . . . . .	256,279	305,827	225,682
Total . . . . .	2,716,284	2,641,267	1,596,584
<b>Operating Expenses:</b>			
Wages and benefits . . . . .	951,524	833,137	698,101
Aircraft fuel, including taxes and delivery . . . . .	766,133	817,077	363,003
Aircraft rent . . . . .	109,741	103,846	109,476
Maintenance materials and repairs . . . . .	244,296	236,153	170,048
Aircraft and passenger servicing . . . . .	176,698	152,550	105,675
Commissions and other selling . . . . .	117,132	113,843	72,512
Depreciation and amortization . . . . .	133,615	136,169	138,299
Other rentals and landing fees . . . . .	171,371	147,143	116,772
Purchased services . . . . .	144,822	129,350	103,213
Special items . . . . .	10,561	18,803	8,983
Government grant recognition . . . . .	—	—	(320,645)
Other . . . . .	184,066	163,250	113,711
Total . . . . .	3,009,959	2,851,321	1,679,148
<b>Operating Loss</b> . . . . .	(293,675)	(210,054)	(82,564)
<b>Nonoperating Income (Expense):</b>			
Interest expense and amortization of debt discounts and issuance costs . . . . .	(90,540)	(95,815)	(110,431)
Interest and dividend income . . . . .	57,231	32,141	8,603
Capitalized interest . . . . .	8,833	4,244	3,357
Other components of net periodic benefit cost, excluding settlements . . . . .	(6,614)	5,065	3,566
Gains (losses) on fuel derivatives . . . . .	(12,619)	(3,041)	217
Loss on extinguishment of debt . . . . .	—	(8,568)	(38,889)
Gains (losses) on investments, net . . . . .	(602)	(43,082)	1,426
Gains on foreign debt . . . . .	11,500	26,667	27,773
Other, net . . . . .	(1,308)	(1,406)	1,619
Total . . . . .	(34,119)	(83,795)	(102,759)
<b>Loss Before Income Taxes</b> . . . . .	(327,794)	(293,849)	(185,323)
Income tax benefit . . . . .	(67,300)	(53,768)	(40,550)
<b>Net Loss</b> . . . . .	\$ (260,494)	\$ (240,081)	\$ (144,773)
<b>Net Loss Per Common Stock Share:</b>			
Basic . . . . .	\$ (5.05)	\$ (4.67)	\$ (2.85)
Diluted . . . . .	\$ (5.05)	\$ (4.67)	\$ (2.85)
<b>Weighted Average Number of Common Stock Shares Outstanding:</b>			
Basic . . . . .	51,596	51,361	50,769
Diluted . . . . .	51,596	51,361	50,769

See accompanying Notes to Consolidated Financial Statements.

**Hawaiian Holdings, Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**For the Years ended December 31, 2023, 2022 and 2021**

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
<b>Net Loss</b> . . . . .	\$(260,494)	\$(240,081)	\$(144,773)
<b>Other Comprehensive Income (Loss), net:</b>			
Net change related to employee benefit plans, net of tax benefit of \$320 for 2023, net of tax expense of \$5,250 for 2022, and net of tax expense of \$13,107 for 2021 . . . . .	(1,238)	15,586	41,156
Net change in available-for-sale investments, net of tax expense of \$5,678 for 2023, net of tax benefit of \$9,446 for 2022, and net of tax benefit of \$2,784 for 2021 . . . . .	17,252	(28,914)	(8,467)
<b>Total Other Comprehensive Income (Loss)</b> . . . . .	16,014	(13,328)	32,689
<b>Total Comprehensive Loss</b> . . . . .	\$(244,480)	\$(253,409)	\$(112,084)

See accompanying Notes to Consolidated Financial Statements.

**Hawaiian Holdings, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**

	2023	2022
(in thousands, except share data)		
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents . . . . .	\$ 153,273	\$ 229,122
Restricted cash . . . . .	17,250	17,498
Short-term investments . . . . .	755,224	1,147,193
Accounts receivable, net . . . . .	105,858	113,862
Income taxes receivable . . . . .	669	70,204
Spare parts and supplies, net . . . . .	60,115	36,875
Prepaid expenses and other . . . . .	78,551	63,553
Total . . . . .	1,170,940	1,678,307
Property and equipment, net . . . . .	2,013,616	1,874,352
<b>Other Assets:</b>		
Assets held for sale . . . . .	1,135	14,019
Operating lease right-of-use assets . . . . .	413,237	459,128
Long-term prepayments and other . . . . .	121,097	100,317
Intangible assets . . . . .	13,500	13,500
<b>Total Assets</b> . . . . .	<b>\$3,733,525</b>	<b>\$4,139,623</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable . . . . .	\$ 199,223	\$ 196,009
Air traffic liability and current frequent flyer deferred revenue . . . . .	633,345	590,796
Other accrued liabilities . . . . .	175,591	182,036
Current maturities of long-term debt, less discount . . . . .	43,857	47,836
Current maturities of finance lease obligations . . . . .	10,053	25,789
Current maturities of operating leases . . . . .	83,332	77,858
Total . . . . .	1,145,401	1,120,324
<b>Long-Term Debt</b> . . . . .	1,537,152	1,583,889
<b>Other Liabilities and Deferred Credits:</b>		
Noncurrent finance lease obligations . . . . .	60,116	75,221
Noncurrent operating leases . . . . .	303,119	347,726
Accumulated pension and other postretirement benefit obligations . . . . .	140,742	135,775
Other liabilities and deferred credits . . . . .	77,154	94,654
Noncurrent frequent flyer deferred revenue . . . . .	308,502	318,369
Deferred tax liability, net . . . . .	65,914	130,400
Total . . . . .	955,547	1,102,145
<b>Commitments and Contingent Liabilities</b>		
<b>Shareholders' Equity:</b>		
Special preferred stock, \$0.01 par value per share, three shares issued and outstanding at December 31, 2023 and 2022 . . . . .	—	—
Common stock, \$0.01 par value per share, 51,824,362 and 51,450,904 shares issued and outstanding as of December 31, 2023 and 2022, respectively . . . . .	518	514
Capital in excess of par value . . . . .	293,797	287,161
Accumulated income (loss) . . . . .	(119,738)	140,756
Accumulated other comprehensive loss, net . . . . .	(79,152)	(95,166)
Total . . . . .	95,425	333,265
<b>Total Liabilities and Shareholders' Equity</b> . . . . .	<b>\$3,733,525</b>	<b>\$4,139,623</b>

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.

Consolidated Statements of Shareholders' Equity  
For the Years ended December 31, 2023, 2022 and 2021

	Common Stock(*)	Special Preferred Stock(**)	Capital In Excess of Par Value	Accumulated Income	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands)					
<b>Balance at December 31, 2020</b>	<u>\$481</u>	<u>\$ —</u>	<u>\$188,593</u>	<u>\$ 525,610</u>	<u>\$(114,527)</u>	<u>\$ 600,157</u>
Net Loss	—	—	—	(144,773)	—	(144,773)
Other comprehensive income	—	—	—	—	32,689	32,689
Issuance of 228,066 shares of common stock, net of shares withheld for taxes	2	—	(2,022)	—	—	(2,020)
CARES Act warrant issuance, net of tax	—	—	4,419	—	—	4,419
Share-based compensation expense	—	—	8,645	—	—	8,645
Issuance of 2,860,210 shares of common stock related to At-the-market offering	29	—	69,940	—	—	69,969
<b>Balance at December 31, 2021</b>	<u>\$512</u>	<u>\$ —</u>	<u>\$269,575</u>	<u>\$ 380,837</u>	<u>\$ (81,838)</u>	<u>\$ 569,086</u>
Net Loss	—	—	—	(240,081)	—	(240,081)
Other comprehensive loss	—	—	—	—	(13,328)	(13,328)
Issuance of 217,535 shares of common stock, net of shares withheld for taxes	2	—	(1,894)	—	—	(1,892)
Amazon warrant issuance	—	—	11,571	—	—	11,571
Share-based compensation expense	—	—	7,909	—	—	7,909
<b>Balance at December 31, 2022</b>	<u>\$514</u>	<u>\$ —</u>	<u>\$287,161</u>	<u>\$ 140,756</u>	<u>\$ (95,166)</u>	<u>\$ 333,265</u>
Net Loss	—	—	—	(260,494)	—	(260,494)
Other comprehensive income	—	—	—	—	16,014	16,014
Issuance of 373,458 shares of common stock, net of shares withheld for taxes	4	—	(2,698)	—	—	(2,694)
Amazon warrant vesting	—	—	175	—	—	175
Share-based compensation expense	—	—	9,159	—	—	9,159
<b>Balance at December 31, 2023</b>	<u>\$518</u>	<u>\$ —</u>	<u>\$293,797</u>	<u>\$(119,738)</u>	<u>\$ (79,152)</u>	<u>\$ 95,425</u>

(\*) Common Stock — \$0.01 par value; 118,000,000 authorized as of December 31, 2023 and 2022.

(\*\*) Special Preferred Stock — \$0.01 par value; 2,000,000 shares authorized as of December 31, 2023 and 2022.

See accompanying Notes to Consolidated Financial Statements.

**Hawaiian Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years ended December 31, 2023, 2022 and 2021**

	2023	2022	2021
	(in thousands)		
<b>Cash Flows From Operating Activities:</b>			
Net Loss	\$(260,494)	\$(240,081)	\$ (144,773)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	133,615	136,169	138,299
Deferred income taxes, net	(69,843)	(52,202)	(41,624)
Impairment of assets	—	6,303	6,383
Stock compensation	9,159	7,909	8,645
Loss on contract termination	—	12,500	—
Loss on extinguishment of debt	—	8,568	38,889
Amortization of debt discounts and issuance costs	8,799	8,881	9,223
Employer contributions to pension and other postretirement plans	(12,789)	(11,861)	(10,232)
Pension and postretirement benefit cost	16,095	7,846	8,178
Change in unrealized (gain) loss on fuel derivative contracts	1,696	2,638	(383)
Change in unrealized (gain) loss on investments	(11,254)	24,949	—
Foreign currency debt remeasurement gain	(11,670)	(26,196)	(27,593)
Other, net	1,616	(835)	7,275
Changes in operating assets and liabilities:			
Accounts receivable, net	9,273	(20,974)	(25,361)
Income taxes receivable	70,600	997	23,804
Spare parts and supplies, net	(29,043)	(5,824)	(1,562)
Prepaid expenses and other current assets	(329)	(29,300)	(13,140)
Accounts payable	(13,181)	92,812	5,785
Air traffic liability	7,341	(36,886)	146,655
Other accrued liabilities	(7,369)	16,795	24,366
Frequent flyer deferred revenue	25,341	18,410	46,045
Other assets and liabilities, net	(27,559)	21,630	52,459
Net cash provided by (used in) operating activities	(159,996)	(57,752)	251,338
<b>Cash Flows From Investing Activities:</b>			
Additions to property and equipment, including pre-delivery deposits	(290,179)	(47,532)	(39,264)
Proceeds from disposition of equipment	21,094	12,182	755
Purchases of investments	(327,737)	(859,833)	(1,856,035)
Sales of investments	750,076	880,161	958,242
Net cash provided by (used in) investing activities	153,254	(15,022)	(936,302)
<b>Cash Flows From Financing Activities:</b>			
Proceeds from the issuance of common stock	—	—	68,132
Long-term borrowings	—	—	1,251,705
Repayments of long-term debt and finance lease obligations	(66,652)	(184,306)	(611,725)
Debt issuance costs and discounts	(9)	(2,236)	(24,776)
Other	(2,694)	(1,892)	(183)
Net cash provided by (used in) financing activities	(69,355)	(188,434)	683,153
<b>Net decrease in cash and cash equivalents</b>	(76,097)	(261,208)	(1,811)
<b>Cash, cash equivalents, and restricted cash – Beginning of Year</b>	246,620	507,828	509,639
<b>Cash, cash equivalents, and restricted cash – End of Year</b>	<u>\$ 170,523</u>	<u>\$ 246,620</u>	<u>\$ 507,828</u>

See accompanying Notes to Consolidated Financial Statements.

## **Hawaiian Holdings, Inc.**

### **Notes to Consolidated Financial Statements**

#### **1. Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

Hawaiian Holdings, Inc. (Holdings) and its direct wholly-owned subsidiary, Hawaiian Airlines, Inc. (Hawaiian), are incorporated in the State of Delaware. Holdings' primary asset is its sole ownership of all issued and outstanding shares of common stock of Hawaiian. References to the "Company", "we," "us," "our" in these Notes to Consolidated Financial Statements include both Holdings and Hawaiian unless the context requires otherwise.

The consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiaries, including its principal subsidiary, Hawaiian, through which the Company conducts substantially all of its operations. All significant inter-company balances and transactions have been eliminated upon consolidation.

##### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

##### ***Significant Accounting Policies***

##### ***Cash and Cash Equivalents and Short-Term Investments***

Highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents. Investments with maturities greater than three months are classified as short-term investments and stated at fair value. Investments with maturities beyond one year when purchased may be classified as short-term investments if they are expected to be available to support our short-term liquidity needs. Realized gains and losses on sales of investments as well as unrealized gains and losses related to changes in the fair value of equity securities and investment derivative contracts are reflected in Gains (losses) on investments, net within nonoperating income (expense) on the Consolidated statements of operations. Unrealized gains and losses on debt securities are reflected as a component of accumulated other comprehensive income (loss).

The Company reviews debt securities quarterly for credit losses and impairment. If the cost of an investment exceeds its fair value, the Company will evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. This determination requires significant judgment. In making this judgment, the Company employs a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. In addition, the Company considers specific adverse conditions related to the financial health of, and business outlook for, the investee. If the Company has plans to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in Other, net, within non-operating expense on the Consolidated Statements of Operations, and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, the Company may incur future impairments.

##### ***Spare Parts and Supplies***

Spare parts and supplies are valued at average cost, and primarily consist of expendable parts for flight equipment and other supplies. An allowance for obsolescence of expendable parts is provided over the estimated useful lives of the related aircraft and engines for spare parts expected to be on hand at the date the aircraft are retired from service. These allowances are based on management's estimates and are subject to change.



**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

***Property, Equipment and Depreciation***

Property and equipment are stated at cost and depreciated on a straight-line basis to their estimated residual values over the asset's estimated useful life. Depreciation begins when the asset is placed into service. Aircraft and related parts begin depreciating on the aircraft's first revenue flight.

The following table summarizes the Company's property and equipment:

	2023	2022
	(in thousands)	
Flight equipment . . . . .	\$ 2,434,408	\$ 2,492,722
Pre-delivery deposits on flight equipment . . . . .	255,208	83,034
Other property and equipment . . . . .	474,529	433,858
	3,164,145	3,009,614
Less accumulated depreciation and amortization . . . . .	(1,150,529)	(1,135,262)
Total property and equipment, net . . . . .	\$ 2,013,616	\$ 1,874,352

Estimated useful lives and residual values of property and equipment are as follows:

Boeing 717-200 aircraft and engines	17-18 years, 5 – 34% residual value
Airbus A330-200 aircraft and engines	25 years, 10% residual value
Airbus A321neo aircraft and engines	25 years, 10% residual value
Flight and ground equipment under finance lease	Shorter of lease term or useful life
Major rotatable parts	Average lease term or useful life for related aircraft, 10% – 15% residual value
Improvements to leased flight equipment and the cargo maintenance hangar	Shorter of lease term or useful life
Facility leasehold improvements	Shorter of lease term, including assumed lease renewals when renewal is economically compelled at key airports, or useful life
Furniture, fixtures and other equipment	3 – 7 years, no residual value
Capitalized software	3 – 7 years, no residual value

In 2023, the Company changed its accounting estimate for the expected useful life of its Boeing 717-200 aircraft from a range of 15 to 16 years to 17 to 18 years. The change in estimate was applied prospectively effective December 1, 2023 and does not have a material impact on current and/or future reporting periods.

Additions and modifications that significantly enhance the operating performance and/or extend the useful lives of property and equipment are capitalized and depreciated over the lesser of the remaining useful life of the asset or the remaining lease term, as applicable. Expenditures that do not improve or extend asset lives are charged to expense as incurred. Pre-delivery deposits are capitalized when paid.

Aircraft under finance leases are recorded at an amount equal to the present value of minimum lease payments utilizing the Company's incremental borrowing rate at lease inception and amortized on a straight-line basis over the lesser of the remaining useful life of the aircraft or the lease term. The amortization is recorded in depreciation and amortization expense on the Consolidated Statement of Operations. Accumulated amortization of aircraft and other finance leases was \$95.8 million and \$171.3 million as of December 31, 2023 and 2022, respectively.

The Company capitalizes certain costs related to the acquisition and development of computer software and amortizes these costs using the straight-line method over the estimated useful life of the software. The

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

net book value of computer software, which is included in Other property and equipment on the Consolidated Balance Sheets, was \$68.8 million and \$31.6 million at December 31, 2023 and 2022, respectively. The value of construction in progress, primarily consisting of aircraft and software-related projects in 2023 and 2022, which is included in property and equipment on the Consolidated Balance Sheets, was \$74.7 million and \$55.5 million as of December 31, 2023 and 2022, respectively. Amortization expense related to computer software was \$15.3 million, \$12.3 million and \$13.1 million for the years ended December 31, 2023, 2022, and 2021 respectively.

#### *Aircraft Maintenance and Repair Costs*

Maintenance and repair costs for owned and leased flight equipment, including the overhaul of aircraft components, are charged to operating expenses as incurred. Engine overhaul costs covered by power-by-the-hour arrangements are paid and expensed as incurred or expensed on a straight-line basis and are based on the amount of hours flown per contract. Under the terms of these power-by-the-hour agreements, the Company pays a set dollar amount per engine hour flown on a monthly basis and the third-party vendor assumes the obligation to repair the engines at no additional cost, subject to certain specified exclusions. As of December 31, 2023 and 2022, the Company had approximately \$7.9 million and \$0.0 million, respectively, in prepayments to one of its power-by-the-hour vendors.

Additionally, although the Company's aircraft lease agreements specifically provide that it is responsible for maintenance of the leased aircraft, the Company pays maintenance reserves to the aircraft lessors that are applied toward the cost of future maintenance events. These reserves are calculated based on a performance measure, such as flight hours, and are available for reimbursement to the Company upon the completion of the maintenance of the leased aircraft. However, reimbursements are limited to the available reserves associated with the specific maintenance activity for which the Company requests reimbursement.

Under certain aircraft lease agreements, the lessor is entitled to retain excess amounts on deposit at the expiration of the lease, if any; whereas at the expiration of certain other existing aircraft lease agreements any such excess amounts are returned to the Company, provided that it has fulfilled all of its obligations under the lease agreements. The maintenance reserves paid under the lease agreements do not transfer either the obligation to maintain the aircraft or the cost risk associated with the maintenance activities to the aircraft lessor. In addition, the Company maintains the right to select any third-party maintenance provider.

Maintenance reserve payments that are expected to be recovered from lessors are recorded as deposits in the Consolidated Balance Sheets as an asset until it is less than probable that any portion of the deposit is recoverable. In addition, payments of maintenance reserves that are not substantially and contractually related to the maintenance of the leased assets are accounted for as lease payments. In order to properly account for the costs that are related to the maintenance of the leased asset, the Company bifurcates its maintenance reserves between deposits and lease payments. As of December 31, 2023 and 2022, the Company had \$14.0 million and \$18.0 million in maintenance reserve deposits recorded on the Consolidated Balance Sheets. During the years ended December 31, 2023, 2022, and 2021, the Company recorded \$13.7 million, \$9.7 million, and \$10.4 million, respectively, in lease rent expense for reserves that are not substantially and contractually related to maintenance of the leased assets.

#### *Intangible Assets*

The Company has indefinite-lived intangible assets that are not amortized. The Company assesses the carrying value of the indefinite-lived intangible assets on an annual basis and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. As of December 31, 2023, the Company had approximately \$13.5 million in indefinite-lived intangible assets subject to impairment. The Company assesses its indefinite-lived assets under a qualitative approach, analyzing market factors to determine if events and circumstances have affected the fair value of the indefinite-lived intangible assets.

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

#### *Impairment of Long-Lived Assets*

Long-lived assets used in operations, consist principally of property and equipment and have a carrying value of approximately \$2.0 billion at December 31, 2023. Long-lived assets are tested for impairment when events or changes in circumstances indicate, in management's judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. To determine whether impairment exists for aircraft used in operations, assets are grouped at the fleet-type level (the lowest level for which there are identifiable cash flows) and future cash flows are estimated based on projections of capacity, passenger mile yield, fuel costs, labor costs and other relevant factors. If, at any time, management determines the net carrying value of an asset is not recoverable, the amount is reduced to its fair value during the period in which such determination is made. Any changes in the estimated useful lives of these assets will be accounted for prospectively.

During the year ended December 31, 2023, the Company did not recognize impairment on its long-lived assets. During the years ended December 31, 2022, and 2021, the Company recorded impairment of \$6.3 million and \$6.4 million, respectively, as follows:

- In 2021, the Company announced the termination of its 'Ohana by Hawaiian operations, which operated the ATR-42 and ATR-72 aircraft under a capacity purchase agreement with a third-party carrier. Following the termination of the operations, management committed to a plan of sale and wrote down the related assets by approximately \$6.4 million to fair value, less cost to sell, and reclassified approximately \$23.4 million as assets held for sale on the Consolidated Balance Sheets. Additionally, in the second quarter of 2021, management committed to a plan to sell certain commercial real-estate assets held by one of the Company's subsidiaries. Management fair valued the assets, less the cost to sell, which did not result in a write-down to the asset group, and reclassified approximately \$6.3 million as assets held for sale on the Consolidated Balance Sheets.
- In 2022, the Company recorded impairment of \$6.3 million on its remaining ATR-42 and ATR-72 aircraft, using available market information and taking into consideration recent transactions.

In 2021 and 2022, the Company estimated the fair value of its ATR-42 and ATR-72 fleets using a third-party valuation, available market information, and consideration of recent transaction and estimated the fair value of the assets held in its commercial real-estate subsidiary using a combination of a market and income-based approach, which estimates fair value based upon projections of future revenues, expenses, and cash flows discounted to its present value. The principal assumptions used in the Company's discounted cash flow analysis consisted of (a) the long-term projections of future financial performance and (b) the weighted-average cost of capital of market participants, adjusted for the risk attributable to the Company and the industry in which it operates.

#### *Assets Held for Sale*

Long-lived assets that meet the held for sale criteria are held for sale and reported at the lower of their carrying amount or fair value less cost to sell. Gains and losses realized on transactions are recognized immediately. If the determination is made that the Company no longer expects to sell an asset within the next year, the asset is reclassified out of assets held for sale. See Note 12 of the Notes to the Consolidated Financial Statements for additional discussion.

#### *Revenue Recognition*

The Company records direct passenger ticket sales and tickets sold by other airlines for use on Hawaiian as passenger revenue when the transportation is provided or upon scheduled flights for tickets expected to expire unused. The value of unused passenger tickets is included in current liabilities as Air traffic liability. Passenger revenue associated with unused tickets, which represent unexercised passenger rights, is recognized in proportion to the pattern of rights exercised by related passengers (e.g. scheduled departure dates).

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

Prior to the second quarter of 2020, non-refundable tickets sold and credits issued generally expired 13 months from the date of issuance or flight, as applicable. In April 2020, the Company announced the waiver of certain change fees and extended ticket validity for up to 24 months for (a) tickets issued between March 1, 2020 and December 31, 2020 and (b) tickets issued prior to March 1, 2020 for original travel between March 1, 2020 and February 28, 2021. In December 2021, the Company announced the further extension of ticket validity for eligible tickets impacted by the COVID-19 pandemic, including all Main Cabin and First Class passenger tickets purchased in 2021, to December 31, 2022. The Company records an estimate of breakage revenue on the scheduled flight date for tickets that will expire unused. To calculate the portion to be recognized as revenue in the period, the Company utilizes historical information, available market information, forecasted trends, and the extension of the ticket validity date for those tickets impacted by COVID-19 and applies the estimated spoilage rate to passenger revenues for each specific period. Given the ongoing impacts of the COVID-19 pandemic on actual results, the Company continues to monitor customers' travel behavior and may adjust its estimates in the future. In 2020, the Company amended its policy to eliminate ticket change fees, excluding its Main Cabin Basic products.

Ticket change fees are recorded in Air traffic liability and recognized when the related transportation is provided. During the twelve months ended December 31, 2023, 2022 and 2021, the Company recognized approximately \$4.3 million, \$5.3 million and \$4.8 million, respectively in ticket change fee revenue.

Certain governmental taxes are imposed on the Company's ticket sales through a fee included in ticket prices. The Company collects these fees and remits them to the appropriate government agency. Management has elected (via a practical expedient election) to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer, e.g., sales, use, value added, and certain excise taxes. These fees have been presented on a net basis in the accompanying Consolidated Statements of Operations and recorded as a liability until remitted.

#### ***Frequent Flyer Program***

*HawaiianMiles*, Hawaiian's frequent flyer travel award program, provides a variety of awards to program members based on accumulated mileage. ASC 606 requires the Company to account for miles earned by passengers in the *HawaiianMiles* program through flight activity as a component of the passenger revenue ticket transaction at the estimated selling price of the miles. Ticket consideration received is allocated between the performance obligations, primarily travel and miles earned by passengers. The allocated value of the miles is deferred until the free travel is used by the passenger, at which time it is included in revenue. The value of the ticket used in the determination of the estimated selling price is based on the historical value of equivalent flights to those provided for loyalty awards and the related miles redeemed to obtain that award adjusted for breakage or fulfillment. The equivalent ticket value (ETV) includes a fulfillment discount (breakage) to reflect the value of the award ticket over the number of miles that, based on historical experience, will be needed to obtain the award. The Company's estimate of ETV takes into consideration quantitative and qualitative factors, such as program changes and fares of similar tickets, and consideration of cabin class and geographic region.

The Company also sells mileage credits to companies participating in its frequent flyer program. These contracts generally include multiple performance obligations, including the transportation that will ultimately be provided when the mileage credits are redeemed and marketing and brand related activities. The marketing and brand performance obligations are effectively provided each time a *HawaiianMiles* member uses the co-branded credit card and monthly access to customers lists and marketing is provided, which corresponds to the timing of when the Company issues or is obligated to issue the mileage credits to the *HawaiianMiles* member. Therefore, the Company recognizes revenue for the marketing and brand performance obligation when *HawaiianMiles* members use their co-brand credit card and the resulting mileage credits are issued to them, which best correlates with the Company's performance in satisfying the obligation.

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

In 2018, the Company amended its partnership with Barclaycard US, Hawaiian's co-branded credit card partner. Management determined that the amendment should be accounted for as a termination of the existing contract and the creation of a new contract under ASC 606 and the relative selling price was determined for each performance obligation of the new agreement. The new agreement continues through 2024 and includes improved economics and enhanced product offerings for the Company's co-branded cardholders. The amended agreement did not change, and includes the following performance obligations; (i) transportation that will ultimately be provided when mileage credits are redeemed (transportation), (ii) the Hawaiian Airlines brand and access to its members lists (collectively, brand performance), (iii) marketing, and (iv) airline benefits to cardholders, including discounts and anniversary travel benefits, baggage waivers and inflight purchase credits. The Company determined the relative fair value of each performance obligation by estimating the selling prices of the deliverables by considering discounted cash flows using multiple inputs and assumptions, including: (1) the expected number of miles to be awarded and redeemed; (2) the estimated weighted average equivalent ticket value, adjusted by a fulfillment discount; (3) the estimated total annual cardholder spend; (4) an estimated royalty rate for the Hawaiian portfolio; and (5) the expected use of each of the airline benefits. The overall consideration received is allocated to the performance obligations based on their relative selling prices.

Accounting for frequent flyer revenue involves the use of various techniques to estimate revenue. To determine the total estimated transaction price, the Company forecasts future credit card activity based on historical data. The relative selling price is determined using management's estimated standalone selling price of each performance obligation. The objective of using the estimated selling price based methodology is to determine the price at which the Company would transact a sale if the product or service were sold on a standalone basis. Accordingly, the Company determines its best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, number of miles awarded and number of miles redeemed. The Company estimates the selling price of miles using an ETV adjusted for a fulfillment discount as described above.

In April 2021, the Company announced the elimination of its HawaiianMiles expiration policy, effective immediately. Prior to April 2021, miles expired after 18 months of member account inactivity. The Company reviews its breakage estimates, which impacts ETV and loyalty recognition patterns, annually based upon the latest available information regarding redemption and expiration patterns (e.g., credit card and non-credit card holders). The Company's estimate of the expected expiration of miles requires management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program could affect the estimated value of a mile. Management continues to monitor customers' travel behavior, changes in policies, and other factors, and may adjust its estimates in the future as additional information becomes available.

#### *Accounts Receivable*

Accounts receivable primarily consist of amounts due from credit card companies, non-airline partners, and cargo transportation customers. The Company provides an allowance for uncollectible accounts equal to the estimated losses expected to be incurred based on historical chargebacks, write-offs, bankruptcies and other specific analyses. Bad debt expense was not material in any period presented.

#### *Costs to Obtain or Fulfill a Contract*

In order for the Company to provide transportation to its customers for passenger travel, the Company incurs fulfillment costs (booking fees, credit card fees, and commission/selling costs), which are deferred until the period in which the flight occurs. As of December 31, 2023 and 2022, the Company's asset balance associated with these costs were \$13.3 million and \$13.2 million, respectively. During the twelve months ended December 31, 2023, 2022, and 2021, expenses related to these costs totaled to \$87.5 million, \$83.1 million, and \$45.1 million, respectively. To determine the amount to capitalize and expense at the end of each period, the Company uses historical sales data and estimates the amount associated with unflown tickets.

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

#### ***Pension and Postretirement and Postemployment Benefits***

The Company accounts for its defined benefit pension and other postretirement and postemployment plans in accordance with ASC 715, *Compensation — Retirement Benefits* (ASC 715), which requires companies to measure their plans' assets and obligations to determine the funded status at fiscal year-end, reflect the funded status in the statement of financial position as an asset or liability, and recognize changes in the funded status of the plans in comprehensive income during the year in which the changes occur. Pension and other postretirement and postemployment benefit expenses are recognized on an accrual basis over each employee's service periods. Pension expense is generally independent of funding decisions or requirements.

The Company uses the corridor approach in the valuation of its defined benefit pension and other postretirement and postemployment plans. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and actuarial assumptions. These unrecognized actuarial gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the expected average remaining service period of active plan participants for the open plans and is amortized over the expected average remaining lifetime of inactive participants for plans whose population is "all or almost all" inactive.

#### ***Advertising Costs***

Advertising costs are expensed when incurred. Advertising expense was \$19.4 million, \$22.6 million and \$20.2 million for the years ended December 31, 2023, 2022, and 2021, respectively.

#### ***Capitalized Interest***

Interest is capitalized upon the payment of predelivery deposits for aircraft and engines, and is depreciated over the estimated useful life of the asset from service inception date.

#### ***Share-Based Compensation***

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The fair value of the awards is estimated using the following: (1) option-pricing models for grants of stock options or (2) fair value at the measurement date (usually the grant date) for restricted stock units (RSU) subject to service and / or performance-based vesting. The resulting cost is recognized as compensation expense over the period of time during which an employee is required to provide services to the Company (the service period) in exchange for the award, the service period generally being the vesting period of the award. The Company's policy is to recognize forfeitures as they occur.

#### ***Financial Derivative Instruments***

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global aircraft fuel prices, interest rates and foreign currency exchange rates. Derivative instruments in the Company's fuel and investment portfolios were not designated as hedges under ASC Topic 815, *Derivatives and Hedging (ASC 815)*, for hedge accounting treatment, and as a result, any change in the fair value of these derivative instruments is adjusted through Other Nonoperating Income (Expense) in the Consolidated Statement of Operations in the period of change.

All cash flows associated with purchasing and settling derivatives are classified as Operating cash flows in the Consolidated Statements of Cash Flows.

#### ***Income Taxes***

We account for deferred income taxes under the liability method. We recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax basis of

## **Hawaiian Holdings, Inc.**

### **Notes to Consolidated Financial Statements (continued)**

assets and liabilities, as measured by enacted tax rates. Deferred tax assets and liabilities are net by jurisdiction and are recorded as noncurrent on the consolidated balance sheets.

A valuation allowance is recorded to reduce deferred tax assets when necessary. We periodically assess whether it is more likely than not that we will generate sufficient taxable income to realize our deferred income tax assets. We establish valuation allowances if it is not likely we will realize our deferred income tax assets. In making this determination, we consider available positive and negative evidence and make certain assumptions. We consider, among other things, projected future taxable income, scheduled reversals of deferred tax liabilities, the overall business environment, our historical financial results and tax planning strategies, where applicable. See Note 11 of the Notes to the consolidated financial statements for additional discussion.

The Company has recorded reserves for income taxes and associated interest that may become payable in future years. Although management believes that its positions taken on income tax matters are reasonable, the Company nevertheless has established tax and interest reserves in recognition that various taxing authorities may challenge certain of the positions taken by the Company, potentially resulting in additional liabilities for taxes and interest. The Company's uncertain tax position reserves are reviewed periodically and are adjusted as events occur that affect its estimates, such as the availability of new information, the lapsing of applicable statutes of limitation, the conclusion of tax audits, the measurement of additional estimated liability, the identification of new tax matters, the release of administrative tax guidance affecting its estimates of tax liabilities, or the rendering of relevant court decisions. The Company records penalties and interest relating to uncertain tax positions as part of income tax expense in its Consolidated Statements of Operations.

#### **2. Merger Agreement with Alaska Air Group**

On December 2, 2023, the Company entered into an Agreement with Alaska Air Group, Inc., a Delaware corporation (Alaska), and Marlin Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Alaska (Merger Sub), pursuant to which, subject to satisfaction or waiver of conditions therein, Merger Sub will merge with and into Holdings (the Merger), with Holdings surviving as a wholly owned subsidiary of Alaska.

At the effective time of the Merger (the Effective Time), each share of the Company's common stock, Series B Special Preferred Stock, Series C Special Preferred Stock, and Series D Special Preferred Stock issued and outstanding immediately prior to the Effective Time, subject to certain customary exceptions specified in the Merger Agreement, will be converted into the right to receive \$18.00 per share, payable to the holder in cash, without interest.

Completion of the Merger is subject to customary closing conditions, including approval by the Company's stockholders, performance by the parties in all material respects of all their obligations under the Merger Agreement; the receipt of required regulatory approvals; and the absence of an order or law preventing, materially restraining, or materially impairing the consummation of the Merger.

The Merger Agreement includes customary termination rights in favor of each party. In certain circumstances, the Company may be required to pay Alaska a termination fee of \$39.6 million in connection with the termination of the Merger Agreement.

The Merger is expected to close within 12 to 18 months of the date of the Merger Agreement.

For the year ended December 31, 2023, the Company incurred \$10.6 million of costs related to the Merger Agreement, which was recorded as a Special item in the Consolidated Statements of Operations.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

**3. Accumulated Other Comprehensive Loss**

Reclassifications out of accumulated other comprehensive loss by component is as follows:

Details about accumulated other comprehensive loss components	Year ended December 31,			Affected line items in the statement where net income is presented
	2023	2022	2021	
	(in thousands)			
<b>Amortization of defined benefit pension items</b>				
Actuarial loss . . . . .	\$2,060	\$ 2,063	\$ 4,195	Nonoperating income (expense), other, net
Prior service cost . . . . .	703	438	370	Nonoperating income (expense), other, net
Total before tax . . . . .	2,763	2,501	4,565	
Tax benefit . . . . .	(568)	(640)	(1,103)	
Total, net of tax . . . . .	\$2,195	\$ 1,861	\$ 3,462	
<b>Short-term investments</b>				
Realized gain on sales of investments . . . . .	(840)	(228)	(2,208)	Gains (losses) on investments, net
Realized loss on sales of investments, net . . . . .	4,782	22,222	677	Gains (losses) on investments, net
Total before tax . . . . .	3,942	21,994	(1,531)	
Tax expense . . . . .	(976)	(5,428)	379	
Total, net of tax . . . . .	2,966	16,566	(1,152)	
<b>Total reclassifications for the period . . . . .</b>	<b>\$5,161</b>	<b>\$18,427</b>	<b>\$ 2,310</b>	

A rollforward of the amounts included in accumulated other comprehensive loss, net of taxes, is as follows:

Year ended December 31, 2023	Defined Benefit Pension Items	Short-Term Investments	Total
	(in thousands)		
<b>Beginning balance . . . . .</b>	<b>\$(59,439)</b>	<b>\$(35,727)</b>	<b>\$(95,166)</b>
Other comprehensive income (loss) before reclassifications, net of tax . . . . .	(3,433)	14,286	10,853
Amounts reclassified from accumulated other comprehensive income (loss), net of tax . . . . .	2,195	2,966	5,161
Net current-period other comprehensive income (loss), net of tax . . . . .	(1,238)	17,252	16,014
<b>Ending balance . . . . .</b>	<b>\$(60,677)</b>	<b>\$(18,475)</b>	<b>\$(79,152)</b>
Year ended December 31, 2022	Defined Benefit Pension Items	Short-Term Investments	Total
	(in thousands)		
<b>Beginning balance . . . . .</b>	<b>\$(75,025)</b>	<b>\$ (6,813)</b>	<b>\$(81,838)</b>
Other comprehensive income (loss) before reclassifications, net of tax . . . . .	13,725	(45,480)	(31,755)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax . . . . .	1,861	16,566	18,427
Net current-period other comprehensive income (loss), net of tax . . . . .	15,586	(28,914)	(13,328)
<b>Ending balance . . . . .</b>	<b>\$(59,439)</b>	<b>\$(35,727)</b>	<b>\$(95,166)</b>



## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 4. Earnings (Loss) Per Share

Basic earnings (loss) per share, which excludes dilution, is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The potentially dilutive shares that were excluded from the computation of diluted weighted average common stock shares outstanding because their effect would have been antidilutive was 182,089 and 398,509 for the twelve months ended December 31, 2023 and 2022, respectively. Certain warrant shares held by Amazon have not been included in the computation as their performance condition has not yet been satisfied. As of December 31, 2023 and December 31, 2022, the unvested Amazon warrant shares excluded from antidilutive shares were 8,183,451 for both periods. Refer to Note 15 to the Notes to Consolidated Financial Statements for additional discussion of the Amazon warrant shares.

The following table shows the Company's computation of basic and diluted earnings (loss) per share:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands, except for per share data)		
<b>Numerator:</b>			
Net Loss . . . . .	\$(260,494)	\$(240,081)	\$(144,773)
<b>Denominator:</b>			
Weighted average common shares outstanding – Basic . . . . .	51,596	51,361	50,769
Dilutive effect of share-based awards and warrants . . . . .	—	—	—
Weighted average common shares outstanding – Diluted . . . . .	51,596	51,361	50,769
<b>Net Loss Per Common Stock Share:</b>			
Basic . . . . .	\$ (5.05)	\$ (4.67)	\$ (2.85)
Diluted . . . . .	\$ (5.05)	\$ (4.67)	\$ (2.85)

#### 5. Revenue Recognition

*Passenger & Other revenue* — The Company's contracts with customers have two principal performance obligations, which are the promise to provide transportation to the passenger and the frequent flyer miles earned on the flight. In addition, the Company often charges additional fees for items such as baggage and other miscellaneous ancillary services. Such items are not capable of being distinct from the transportation provided because the customer can only benefit from the services during the flight. The transportation performance obligation, including the redemption of *Hawaiian Miles* awards for flights, is satisfied, and revenue is recognized, as transportation is provided. In some instances, tickets sold by the Company can include a flight segment on another carrier which is referred to as an interline segment. In this situation, the Company acts as an agent for the other carrier and revenue is recognized net of cost in other revenue. Tickets sold by other airlines where the Company provides the transportation are recognized as passenger revenue at the estimated value to be billed to the other airline when travel is provided.

The majority of the Company's revenue is derived from transporting passengers on its aircraft. Holdings' primary operations are that of its wholly-owned subsidiary, Hawaiian. Principally all operations of Hawaiian either originate and/or end in the state of Hawai'i. The management of such operations is based on a system-wide approach due to the interdependence of Hawaiian's route structure in its various markets. As Hawaiian offers only one significant line of business (i.e., air transportation), management has concluded

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

that it has only one segment. The Company's operating revenues by geographic region (as defined by the Department of Transportation, DOT) are summarized below:

	Year Ended December 31,		
	2023	2022	2021
		(in thousands)	
Domestic . . . . .	\$2,101,122	\$2,304,522	\$1,504,151
Pacific . . . . .	615,162	336,745	92,433
Total operating revenue . . . . .	\$2,716,284	\$2,641,267	\$1,596,584

Hawaiian attributes operating revenue by geographic region based on the destination of each flight segment. Hawaiian's tangible assets consist primarily of flight equipment, which are mobile across geographic markets, and, therefore, have not been allocated to specific geographic regions. Domestic revenue includes the Company's North America and Interisland operations. During the years ended December 31, 2023, 2022, and 2021, North America routes accounted for approximately 81%, 82% and 83% of domestic revenue, respectively.

Other operating revenue consists of cargo revenue, ground handling fees, commissions, and fees earned under certain joint marketing agreements with other companies. These amounts are recognized when the service is provided.

Passenger Revenue by Type	Year Ended December 31,		
	2023	2022	2021
		(in thousands)	
Passenger revenue, excluding frequent flyer . . . . .	\$2,276,000	\$2,152,536	\$1,264,059
Frequent flyer revenue, transportation component . . . . .	184,005	182,904	106,843
Passenger Revenue . . . . .	\$2,460,005	\$2,335,440	\$1,370,902
Other revenue (e.g. cargo and other miscellaneous) . . . . .	\$ 129,956	\$ 182,468	\$ 126,349
Frequent flyer revenue, marketing and brand component . . . . .	126,323	123,359	99,333
Other Revenue . . . . .	\$ 256,279	\$ 305,827	\$ 225,682

For the twelve months ended December 31, 2023, 2022, and 2021, the Company's total revenue was \$2.7 billion, \$2.6 billion, and \$1.6 billion, respectively. As of December 31, 2023 and 2022, the Company's Air traffic liability balance as it relates to passenger tickets (excluding frequent flyer) was \$423.1 million and \$414.5 million, respectively, which represents future revenue that is expected to be realized.

During the twelve months ended December 31, 2023, 2022, and 2021, the amount of revenue recognized that was included in Air traffic liability as of the beginning of the respective period was \$354.9 million, \$436.5 million, and \$184.0 million, respectively.

Prior to the second quarter of 2020, non-refundable tickets sold and credits issued generally expired 13 months from the date of issuance or scheduled flight, as applicable. In April 2020, the Company announced the waiver of certain change fees and extended ticket validity for up to 24 months for (a) tickets issued between March 1, 2020 and December 31, 2020 and (b) tickets issued prior to March 1, 2020 for original travel between March 1, 2020 and February 28, 2021. In December 2021, the Company announced the further extension of ticket validity to December 31, 2022, which also included all Main Cabin and First Class passenger tickets purchased in 2021. The Company records an estimate of breakage revenue on the scheduled flight date for tickets that will expire unused. These estimates are based on the evaluation of actual historical results, available market information, forecasted trends and the extension of the expiration date for certain tickets impacted by the COVID-19 pandemic.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

At December 31, 2022, \$151.9 million of passenger tickets expired unused after receiving extended validity dates throughout the past two years. During the years ended December 31, 2022 and 2021, the Company recognized approximately \$100.5 million and \$51.4 million, respectively, in advanced ticket breakage related to these tickets.

Excluding tickets with extended validity dates, as discussed above, the Company recognized advanced breakage of \$61.7 million, \$49.8 million, and \$48.3 million, during the years ended December 31, 2023, 2022, 2021, respectively. Despite improvements in the industry and overall travel demand, the unflown rates continue to have higher than normal volatility in comparison to historical trends. The Company will continue to monitor customers' travel behavior and may adjust its estimates in the future.

*Frequent Flyer*

The Company's frequent flyer liability is recorded in Air traffic liability (short-term) and Noncurrent frequent flyer deferred revenue in the Company's Consolidated Balance Sheet based on estimated and expected redemption patterns using historical data and analysis. As of December 31, 2023 and 2022, the balances were as follows:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>	
Air traffic liability (current portion of frequent flyer deferred revenue) . . . . .	\$201,418	\$166,211
Noncurrent frequent flyer deferred revenue . . . . .	308,502	318,369
Total frequent flyer liability . . . . .	<u>\$509,920</u>	<u>\$484,580</u>

The table below presents a roll forward of Frequent flyer deferred revenue for the years ended December 31, 2023 and 2022:

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>	
Total Frequent flyer liability – beginning balance . . . . .	\$ 484,580	\$ 466,171
Miles awarded . . . . .	213,938	205,614
Travel miles redeemed (Passenger Revenue) . . . . .	(184,005)	(182,904)
Non-travel miles redeemed (Other Revenue) . . . . .	(4,593)	(4,301)
Total Frequent flyer liability – ending balance . . . . .	<u>\$ 509,920</u>	<u>\$ 484,580</u>

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

**6. Short-Term Investments**

The following is a summary of short-term investments held as of December 31, 2023 and 2022:

<u>December 31, 2023</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
		(in thousands)		
Debt securities				
Corporate debt securities . . . . .	\$217,777	\$ 440	\$(10,717)	\$207,500
U.S. government and agency securities . . . . .	305,169	168	(4,908)	300,429
Other fixed income securities . . . . .	35,319	42	(6,847)	28,514
Asset-backed securities . . . . .	24,298	69	(1,281)	23,086
Collateralized loan obligations . . . . .	39,628	83	(1,335)	38,376
Bank notes . . . . .	9,118	—	(204)	8,914
Derivatives . . . . .	233	1,026	(745)	514
Equity securities . . . . .	161,677	—	(14,866)	146,811
Other investments measured at net asset value . . . . .	1,000	80	—	1,080
Total short-term investments . . . . .	<u>\$794,219</u>	<u>\$1,908</u>	<u>\$(40,903)</u>	<u>\$755,224</u>
<u>December 31, 2022</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
		(in thousands)		
Debt securities				
Corporate debt securities . . . . .	\$ 340,493	\$ 139	\$(23,009)	\$ 317,623
U.S. government and agency securities . . . . .	467,049	181	(12,341)	454,889
Other fixed income securities . . . . .	110,881	23	(6,499)	104,405
Asset-backed securities . . . . .	30,205	—	(2,039)	28,166
Collateralized loan obligations . . . . .	43,736	130	(3,684)	40,182
Bank notes . . . . .	11,493	3	(192)	11,304
Derivatives . . . . .	43	1,433	(178)	1,298
Equity securities . . . . .	213,569	—	(26,109)	187,460
Other investments measured at net asset value . . . . .	2,087	—	(221)	1,866
Total short-term investments . . . . .	<u>\$1,219,556</u>	<u>\$1,909</u>	<u>\$(74,272)</u>	<u>\$1,147,193</u>

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

The following tables present fair values and gross unrealized losses by security type and length of time that individual securities have been in a continuous unrealized loss position:

<b>December 31, 2023</b>	<b>Less than 12 Months</b>		<b>12 Months or Greater</b>		<b>Total</b>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
	<b>(in thousands)</b>					
<b>Debt securities</b>						
Corporate debt . . . . .	\$ 9,784	\$ (233)	\$154,607	\$(10,484)	\$164,391	\$(10,717)
U.S. government and agency debt . .	82,930	(608)	193,400	(4,300)	276,330	(4,908)
Other fixed income securities . . . . .	1,867	(26)	21,933	(6,821)	23,800	(6,847)
Asset-backed securities . . . . .	2,225	(17)	14,881	(1,264)	17,106	(1,281)
Collateralized loan obligations . . . .	5,032	(63)	29,445	(1,272)	34,477	(1,335)
Bank notes . . . . .	8,396	(164)	519	(40)	8,915	(204)
Other investments measured at net asset value . . . . .	—	—	—	—	—	—
	<u>\$110,234</u>	<u>\$(1,111)</u>	<u>\$414,785</u>	<u>\$(24,181)</u>	<u>\$525,019</u>	<u>\$(25,292)</u>
	<b>(in thousands)</b>					
<b>December 31, 2022</b>	<b>Less than 12 Months</b>		<b>12 Months or Greater</b>		<b>Total</b>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
	<b>(in thousands)</b>					
<b>Debt securities</b>						
Corporate debt . . . . .	\$145,299	\$(10,104)	\$159,216	\$(12,905)	\$304,515	\$(23,009)
U.S. government and agency debt . .	314,790	(8,097)	98,653	(4,244)	413,443	(12,341)
Other fixed income securities . . . . .	17,836	(1,191)	23,316	(5,308)	41,152	(6,499)
Asset-backed securities . . . . .	11,155	(755)	14,435	(1,284)	25,590	(2,039)
Collateralized loan obligations . . . .	28,133	(2,372)	9,491	(1,312)	37,624	(3,684)
Bank notes . . . . .	2,836	(192)	—	—	2,836	(192)
Other investments measured at net asset value . . . . .	865	(221)	—	—	865	(221)
	<u>\$520,914</u>	<u>\$(22,932)</u>	<u>\$305,111</u>	<u>\$(25,053)</u>	<u>\$826,025</u>	<u>\$(47,985)</u>

As of December 31, 2023 and December 31, 2022, the Company's unrealized losses from debt securities were generated from 394 positions out of 502 positions and 496 positions out of 547 positions, respectively.

The Company reviews debt securities quarterly for credit losses and impairment. If the cost of an investment exceeds its fair value, the Company will evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. This determination requires significant judgment. In making this judgment, the Company employs a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. In addition, the Company considers specific adverse conditions related to the financial health of, and business outlook for, the investee. If the Company has plans to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in Other, net, within non-operating expense on the unaudited consolidated statements of operations, and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, the Company may incur future impairments

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

Debt securities in a continuous unrealized loss position for twelve months or greater as of December 31, 2023 and December 31, 2022 were primarily attributable to changes in interest rates, relative to when the investment securities were purchased. The Company does not intend to sell any of these investments and it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis, which may be at maturity. Accordingly, the Company has determined that the unrealized losses on its debt securities as of December 31, 2023 were temporary in nature. The Company has evaluated its debt securities and did not recognize any significant credit losses as of December 31, 2023 and December 31, 2022.

For the twelve months ended December 31, 2023 the unrealized gains on equity securities, recorded in Gains (losses) on investment, net, in Nonoperating income (expense), was \$10.8 million. For the twelve months ended December 31, 2022, the unrealized losses on equity securities, recorded in Gains (losses) on investment, net, in Nonoperating income (expense), was \$26.3 million.

Contractual maturities of short-term investments as of December 31, 2023 are shown below:

	<u>Under 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
	(in thousands)			
Debt securities				
Corporate debt securities . . . . .	\$ 130	\$124,628	\$ 82,742	\$207,500
U.S. government and agency securities . . . . .	6,370	282,077	11,982	300,429
Other fixed income securities . . . . .	419	14,884	13,211	28,514
Asset-backed securities . . . . .	301	9,208	13,577	23,086
Collateralized loan obligations . . . . .	—	—	38,376	38,376
Bank notes . . . . .	—	4,880	4,034	8,914
<b>Total debt securities . . . . .</b>	<u>\$7,220</u>	<u>\$435,677</u>	<u>\$163,922</u>	<u>\$606,819</u>

The Company classifies investments as current assets as these securities are available for use in its current operations.

#### 7. Fair Value Measurements

ASC 820 defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the assets or liabilities; and

Level 3 — Unobservable inputs in which there is little or no market data and that are significant to the fair value of the assets or liabilities.

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents . . . . .	\$ 99,965	\$ 99,279	\$ 686	\$ —
Restricted cash . . . . .	17,250	17,250	—	—
Short-term investments				
Debt securities				
Corporate debt securities . . . . .	207,500	—	202,873	4,627
U.S. government and agency securities . . . . .	300,429	—	300,429	—
Other fixed income securities . . . . .	28,514	—	28,514	—
Asset-backed securities . . . . .	23,086	—	15,172	7,914
Collateralized loan obligations . . . . .	38,376	—	38,123	253
Bank notes . . . . .	8,914	—	2,046	6,868
Derivatives . . . . .	514	—	514	—
Equity securities . . . . .	146,811	146,031	780	—
Other investments measured at net asset value . . . . .	1,080	—	—	—
Total short-term investments . . . . .	<u>755,224</u>	<u>146,031</u>	<u>588,451</u>	<u>19,662</u>
Other Assets				
Assets held for sale . . . . .	1,135	—	—	1,135
Crude oil call options . . . . .	2,069	—	2,069	—
<b>Total assets measured at fair value . . . . .</b>	<b><u>\$875,643</u></b>	<b><u>\$262,560</u></b>	<b><u>\$591,206</u></b>	<b><u>\$20,797</u></b>

	Fair Value Measurements as of December 31, 2022			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents . . . . .	\$ 46,729	\$ 46,535	\$ 194	\$ —
Restricted cash . . . . .	17,498	17,498	—	—
Short-term investments				
Debt securities				
Corporate debt securities . . . . .	317,623	—	309,450	8,173
U.S. government and agency securities . . . . .	454,889	—	454,889	—
Other fixed income securities . . . . .	104,405	—	104,405	—
Asset-backed securities . . . . .	28,166	—	19,133	9,033
Collateralized loan obligations . . . . .	40,182	—	37,624	2,558
Bank notes . . . . .	11,304	—	1,878	9,426
Derivatives . . . . .	1,298	—	1,298	—
Equity securities . . . . .	187,460	186,670	790	—
Other investments measured at net asset value . . . . .	1,866	—	—	—
Total short-term investments . . . . .	<u>1,147,193</u>	<u>186,670</u>	<u>929,467</u>	<u>29,190</u>
Other Assets				
Assets held-for-sale . . . . .	14,019	—	—	14,019
Crude oil put options . . . . .	5,308	—	5,308	—
<b>Total assets measured at fair value . . . . .</b>	<b><u>\$1,230,747</u></b>	<b><u>\$250,703</u></b>	<b><u>\$934,969</u></b>	<b><u>\$43,209</u></b>

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

*Cash equivalents and restricted cash.* The Company's Level 1 cash equivalents consist of money market securities and mutual funds, which are valued based on quoted prices in an active market. The carrying amounts approximate fair value because of the short-term maturity of these assets. Level 2 cash equivalents consist primarily of debt securities with original maturity dates less than 90 days. The fair value of these instruments is based on a market approach using prices generated by market transactions involving similar assets. Restricted cash includes funds held in a controlled account to be used for debt service payments associated with the Company's loyalty and intellectual brand offering. As of December 31, 2023, approximately \$17.3 million was held in the controlled account designated for debt servicing and was classified as restricted cash on the Company's Consolidated Balance Sheets.

*Short-term investments.* The Company's Level 1 short-term investments consist of equity mutual funds, which are valued based on a market approach using prices generated by market transactions involving identical assets. Level 2 short-term investments consist of corporate debt securities, U.S. government and agency securities, other fixed income securities, asset-backed securities, collateralized loan obligations, bank notes, equity securities, and derivative instruments as further discussed in Note 6, which are valued based on a market approach using industry standard valuation techniques that incorporate inputs such as quoted prices for similar assets, interest rates, benchmark curves, credit ratings, and other observable inputs or market data. Certain asset-backed securities, collateralized loan obligations, and private bank notes that are not readily marketable are classified as Level 3 in the fair value hierarchy and valued using certain unobservable inputs including future cash flows and discount rates.

The reconciliation of the Company's short-term investments measured at fair value on a recurring basis using unobservable inputs (Level 3) for the year ended December 31, 2023 and 2022 is as follows:

	<b>Short-term Investment Activity for the Twelve Months Ended December 31, 2023</b>				
	<u>Asset-backed securities</u>	<u>Bank notes</u>	<u>Collateralized loan obligations</u>	<u>Corporate debt securities</u>	<u>Total</u>
	(in thousands)				
Beginning balance as of January 1, 2023 . . . . .	\$ 9,033	\$ 9,426	\$ 2,558	\$ 8,173	\$29,190
Purchases . . . . .	5	735	—	—	740
Proceeds from sale . . . . .	—	(2,061)	(2,175)	—	(4,236)
Redemptions and paydowns . . . . .	(1,180)	(1,131)	—	(3,253)	(5,564)
Amortization and accretion, net . . . . .	58	(77)	—	(5)	(24)
Realized and unrealized gains (losses), net . . .	(2)	(24)	(130)	(288)	(444)
Ending balance as of December 31, 2023 . . . . .	<u>\$ 7,914</u>	<u>\$ 6,868</u>	<u>\$ 253</u>	<u>4,627</u>	<u>\$19,662</u>

	<b>Short-term Investment Activity for the Twelve Months Ended December 31, 2022</b>				
	<u>Asset-backed securities</u>	<u>Bank notes</u>	<u>Collateralized loan obligations</u>	<u>Corporate debt securities</u>	<u>Total</u>
	(in thousands)				
Beginning balance as of January 1, 2022 . . . . .	\$4,003	\$6,753	\$ 3,322	\$ —	\$14,078
Purchases . . . . .	5,449	3,440	2,100	8,593	19,582
Proceeds from sale . . . . .	—	—	(122)	—	(122)
Redemptions and paydowns . . . . .	(143)	(747)	(2,852)	—	(3,742)
Amortization and accretion, net . . . . .	98	9	(10)	47	144
Realized and unrealized gains (losses), net . . . .	(374)	(29)	120	(467)	(750)
Ending balance as of December 31, 2022 . . . . .	<u>\$9,033</u>	<u>\$9,426</u>	<u>\$ 2,558</u>	<u>8,173</u>	<u>\$29,190</u>



## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

*Other investments at net asset value (NAV).* In accordance with relevant accounting standards, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The investments measured using NAV are investments in a partnership for which a secondary market does not exist. Investments in the partnership are carried at estimated net asset value as determined by and reported by the general partners of the partnerships and represent the proportionate share of the estimated fair value of the underlying assets of the limited partnerships. The Company can redeem its shares upon approval by the respective partnerships' managing member.

*Fuel derivative contracts.* The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices. The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. Any changes in fair value of these derivative instruments are adjusted through other nonoperating income (expense) in the period of change. The Company's fuel derivative contracts consist of crude oil call options, which are not traded on a public exchange. The fair value of these instruments is determined based on inputs available or derived from public markets including contractual terms, market prices, yield curves, and measures of volatility, among others.

*Assets held for sale.* The Company's assets held for sale consist of aircraft, engine, rotatable and expendable aircraft parts. These assets are measured at the lower of the carrying amount or fair value less cost to sell and a loss is recognized for any initial adjustment of the assets' carrying amount to fair value less cost to sell. The fair value measurements for the Company's held for sale assets were based on Level 3 inputs, which include information obtained from third-party valuation sources and other market sources, including recent offers from potential buyers. Refer to Note 12 of the Notes to Consolidated Financial Statements for additional discussion.

*Long-term investments.* In the third quarter of 2023, the Company entered into a limited partnership with United Airlines Ventures where the Company committed up to \$10.0 million in investments to the United Airlines Ventures Sustainable Flight Fund ("the Fund"). The Fund is an investment vehicle designed to support start-ups focused on decarbonizing air travel by accelerating the research, production and technologies associated with sustainable aviation fuel. As of December 31, 2023, the Company investment was \$3.6 million representing an approximate 5% equity interest in the Fund, which is recorded in Other Assets in the Consolidated Balance Sheet.

The table below presents the Company's debt measured at fair value:

Fair Value of Debt									
December 31, 2023					December 31, 2022				
Carrying Amount	Fair Value				Carrying Amount	Fair Value			
	Total	Level 1	Level 2	Level 3		Total	Level 1	Level 2	Level 3
(in thousands)									
\$1,581,009	\$1,406,721	\$—	\$—	\$1,406,721	\$1,631,725	\$1,356,561	\$—	\$—	\$1,356,561

The fair value estimates of the Company's debt were based on the discounted amount of future cash flows using the Company's current incremental rate of borrowing for similar obligations.

The carrying amounts of cash, other receivables, and accounts payable approximate fair value due to the short-term nature of these financial instruments.

#### 8. Financial Derivative Instruments

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

***Fuel Risk Management***

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. The Company uses a combination of derivative contracts to hedge its aircraft fuel expense.

The following table reflects the amount of realized and unrealized gains and losses recorded as Nonoperating income (expense) in the Consolidated Statements of Operations.

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Losses realized at settlement . . . . .	\$(10,923)	\$ (401)	\$(165)
Prior period unrealized amounts . . . . .	2,639	—	382
Unrealized gains (losses) that will settle in future periods . . . . .	(4,335)	(2,640)	—
Gains (losses) on fuel derivatives recorded as nonoperating income (expense) . . . . .	<u>\$(12,619)</u>	<u>\$(3,041)</u>	<u>\$ 217</u>

***Investment Portfolio Management***

The Company's investment managers use a combination of derivative instruments (swaps, futures, options and forward contracts) to manage risk associated with its investment portfolio, including the volatility in interest rates and currency exchange rates on foreign denominated debt securities. As of December 31, 2023 and 2022, the Company's derivative positions reflected a net asset position of \$0.5 million and \$1.3 million within the portfolio. During the years ended December 31, 2023 and 2022, the Company recognized net realized and unrealized loss of \$0.9 million and net realized and unrealized gain of \$5.1 million, respectively, through Nonoperating income (expense).

The following table presents the gross fair value of asset and liability derivatives that are designated as hedging instruments under ASC 815 and derivatives that are not designated as hedging instruments under ASC 815, as well as the net derivative positions and location of the asset and liability balances within the Consolidated Balance Sheets.

*Derivative positions as of December 31, 2023*

	Balance Sheet Location	Notional Amount (in thousands)	Final Maturity Date	Gross fair value of assets	Gross fair value of (liabilities)	Net derivative position
				(in thousands)		
<i>Derivatives not designated as hedges</i>						
Fuel derivative contracts . . . . .	Prepaid expenses and other	90,258 gallons	December 2024	\$2,069	\$ —	\$2,069
Foreign currency derivatives . . . . .	Short-term investments	38,385 European Dollars	March 2025	543	(569)	(26)
Interest rate contracts . . . . .	Short-term investments	16,110 US Dollars	May 2028	797	(257)	540

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

*Derivative positions as of December 31, 2022*

	<u>Balance Sheet Location</u>	<u>Notional Amount</u> (in thousands)	<u>Final Maturity Date</u>	<u>Gross fair value of assets</u>	<u>Gross fair value of (liabilities)</u> (in thousands)	<u>Net derivative position</u>
<i>Derivatives not designated as hedges</i>						
Fuel derivative contracts . . . .	Prepaid expenses and other	57,288 gallons	December 2023	\$5,308	\$ —	\$5,308
Foreign currency derivatives . .	Short-term investments	36,426 European Dollars	March 2025	1,254	(46)	1,208
Interest rate contracts . . . . .	Short-term investments	32,891 US Dollars	March 2026	190	(100)	90

***Risk and Collateral***

The financial derivative instruments expose the Company to possible credit loss in the event the counterparties to the agreements fail to meet their obligations. To manage such credit risks, the Company (1) selects its counterparties based on past experience and credit ratings, (2) limits its exposure to any single counterparty, and (3) periodically monitors the market position and credit rating of each counterparty. Credit risk is deemed to have a minimal impact on the fair value of the derivative instruments as cash collateral would be provided to or by the counterparties based on the current market exposure of the derivative.

The Company's agreements with its counterparties also require the posting of cash collateral in the event the aggregate value of the Company's positions exceeds certain exposure thresholds. The aggregate fair value of the Company's derivative instruments that contain credit-risk related contingent features was in a net asset position of \$2.6 million and \$6.6 million as of December 31, 2023 and 2022.

ASC 815 requires a reporting entity to elect a policy of whether to offset rights to reclaim cash collateral or obligations to return cash collateral against derivative assets and liabilities executed with the same counterparty under a master netting agreement, or present such amounts on a gross basis. The Company's accounting policy is to present its derivative assets and liabilities on a net basis, including any collateral posted with the counterparty. The Company had no collateral posted with its counterparties as of December 31, 2023 and 2022, respectively.

The Company is also subject to market risk in the event these financial instruments become less valuable in the market. However, changes in the fair value of the derivative instruments will generally offset the change in the fair value of the hedged item, limiting the Company's overall exposure.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

**9. Debt**

Long-term debt, net of unamortized discounts and issuance costs, is outlined as follows:

	December 31,	
	2023	2022
	(in thousands)	
Class A EETC-13, fixed interest rate of 3.9%, semiannual principal and interest payments, remaining balance due at maturity in January 2026 . . . . .	\$ 162,953	\$ 184,572
Japanese Yen denominated financing, fixed interest rate of 1.05%, quarterly principal and interest payments, remaining balance due at maturity in May 2030 . . . . .	19,050	23,524
Japanese Yen denominated financing, fixed interest rate of 1.01%, semiannual principal and interest payments, remaining balance due at maturity in June 2030 . . . . .	16,394	20,350
Japanese Yen denominated financing, fixed interest rate of 0.65%, quarterly principal and interest payments, remaining balance due at maturity in March 2025 . . . . .	45,107	64,276
Japanese Yen denominated financing, fixed interest rate of 0.76%, semiannual principal and interest payments, remaining balance due at maturity in September 2031 . . . . .	46,225	55,731
CARES Act Payroll Support Program, fixed interest rate of 1.0% for the first through fifth years and variable interest of SOFR plus a margin of 2.0% for the sixth year through maturity, semiannual interest payments, principal balance due at maturity in April 2030 through September 2030 . . . . .	60,278	60,278
Payroll Support Program Extension, fixed interest rate of 1.0% for the first through fifth years and variable interest of SOFR plus a margin of 2.0% for the sixth year through maturity, semiannual interest payments, principal balance due at maturity in March 2031 through April 2031 . . . . .	27,797	27,797
Payroll Support Program 3, fixed interest rate of 1.0% for the first through fifth years and variable interest of SOFR plus a margin of 2.0% for the sixth year through maturity, semiannual interest payments, principal balance due at maturity in June 2031 . . . . .	23,908	23,908
Loyalty Program Financing, fixed interest of 5.75%, quarterly interest payments, principal balance due at maturity in January 2026 . . . . .	1,200,000	1,200,000
Unamortized debt discount and issuance costs . . . . .	(20,703)	(28,711)
Total debt . . . . .	\$1,581,009	\$1,631,725
Less: Current maturities of long-term debt . . . . .	(43,857)	(47,836)
Long-Term Debt, less discount . . . . .	\$1,537,152	\$1,583,889

***Enhanced Equipment Trust Certificates (EETC)***

In 2013, Hawaiian consummated an EETC financing, whereby it created two pass-through trusts, each of which issued pass-through certificates. The proceeds of the issuance of the pass-through certificates were used to purchase equipment notes issued by the Company to fund a portion of the purchase price for six Airbus aircraft, all of which were delivered in 2013 and 2014. The equipment notes are secured by a lien on the aircraft, and the payment obligations of Hawaiian under the equipment notes will be fully and unconditionally guaranteed by the Company. The Company issued the equipment notes to the trusts as aircraft were delivered to Hawaiian. Hawaiian received all proceeds from the pass-through trusts by 2014

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

and recorded the debt obligation upon issuance of the equipment notes rather than upon the initial issuance of the pass-through certificates.

In August 2020, the Company completed a \$262.0 million offering of Class A and B pass-through certificates, Series 2020-1 utilizing a pass through trust (the 2020-1 EETC). The terms of the loans had a final maturity date of September 2027 and September 2025, at fixed installment coupon rates of 7.375% and 11.250%, respectively. The 2020-1 EETC was secured by two A330-200 aircraft and six A321-200neo aircraft.

The Company evaluated whether the pass-through trusts formed are variable interest entities (VIEs) required to be consolidated by the Company under applicable accounting guidance, and determined that the pass-through trusts are VIEs. The Company determined that it does not have a variable interest in the pass-through trusts. Neither the Company nor Hawaiian invested in or obtained a financial interest in the pass-through trusts. Rather, Hawaiian has an obligation to make interest and principal payments on the equipment notes held by the pass-through trusts, which are fully and unconditionally guaranteed by the Company. Neither the Company nor Hawaiian intends to have any voting or non-voting equity interest in the pass-through trusts or to absorb variability from the pass-through trusts. Based on this analysis, the Company determined that it is not required to consolidate the pass-through trusts.

In October 2021, the Company repurchased approximately \$160.9 million of its outstanding 7.375% Series 2020-1A Pass Through Certificates due 2027 and 11.250% Series 2020-1B Pass Through Certificates due 2025. The Company paid a premium on the repurchase, which resulted in the recognition of a loss on the extinguishment of debt of \$34.9 million reflected as nonoperating income (expense) in the Consolidated Statement of Operations.

In January 2022, the Company made the final scheduled principal payment of \$45.1 million for its Class B EETC-13 debt obligation.

In June 2022, the Company repurchased the remaining \$62.4 million of outstanding Series 2020-1A and Series 2020-1B Equipment Notes. The repurchase resulted in the recognition of a loss on extinguishment of debt of \$8.6 million during the year ended December 31, 2022, which is reflected in the nonoperating income (expense), Loss on extinguishment of debt line item on the Consolidated Statements of Operations.

#### ***Foreign Denominated Financing***

In 2018, the Company entered into two Japanese Yen denominated financings with a total value of approximately \$86.5 million (¥9.6 billion), collateralized by the aircraft financed with a net book value of \$106.1 million. Each financing is for a term of 12 years with quarterly or semiannual principal and interest payments, respectively, at fixed installment coupon rates of 1.01% and 1.05%, respectively.

In 2019, the Company entered into two Japanese Yen denominated agreements totaling \$227.9 million (¥24.7 billion), which were collateralized through a combination of two A321neo and four A330-200 aircraft with a net book value of approximately \$382.7 million. The terms of the loans are 12 years and 5.5 years, at fixed installment coupon rates of 0.76% and 0.65%, respectively.

At each balance sheet date, the Company remeasures the outstanding principal balance at the spot rate for the respective period and records any gain or loss at the current rate within the other nonoperating income (expense) line item in the Consolidated Statements of Operations. During 2023 and 2022, the Company recorded foreign currency unrealized gains of \$11.7 million and \$26.2 million, respectively.

#### ***Revolving Credit Facility***

In March 2020, the Company drew down \$235 million in revolving loans pursuant to its Amended and Restated Credit and Guaranty Agreement (the Credit Agreement) dated December 11, 2018. In February 2021, the Company repaid the \$235 million outstanding amount drawn on its revolving credit facility.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

In August 2022, the Company entered into an Amended and Restated Credit and Guarantee Agreement (the Revolving Credit Facility). The Revolving Credit Facility has an aggregate principal amount not to exceed \$235 million and matures in December 2025. The Company may, from time to time, grant liens on certain eligible account receivables, aircraft, spare engines, ground support equipment and route authorities, as well as cash and certain cash equivalents, in order to secure its outstanding obligations under the Revolving Credit Facility. Indebtedness under the Revolving Credit Facility will bear interest, at a per annum rate based on, at the Company's option: (1) a variable rate equal to the Secured overnight financing rate plus a margin of 3.0%; or (2) Alternate base rate (as defined in the Revolving Credit Facility) plus a margin of 2.0%. The Revolving Credit Facility requires that the Company maintain \$300 million in liquidity, as defined under the Credit Agreement. In the event that the requirement is not met, or other customary conditions are not satisfied, the due date of the revolving loans may be accelerated. As of December 31, 2023, the Company has \$235 million undrawn and available under its revolving credit facility.

***Payroll Support Program Loans***

The Company participated in the initial Payroll Support Program (PSP), the PSP Extension, and the PSP3. During the twelve months ended December 31, 2021, the Company received \$372.4 million in payroll support payments. The support payments included total grants of \$320.6 million that were recognized as a contra-expense in the Consolidated Statements of Operations. A summary of the amounts received and warrants issued as of December 31, 2023 under these programs is set forth in the following table:

**Summary of payroll support program activity**

(in millions, except percentages)	Total Amount	Grant	Loan	Number of warrants	Percentage of outstanding shares at December 31, 2023
Payroll Support Program . . . . .	\$300.9	\$240.6	\$ 60.3	0.5	1.0%
Payroll Support Program Extension . . . . .	192.7	164.9	27.8	0.2	0.3%
Payroll Support Program 3 . . . . .	179.7	155.8	23.9	0.1	0.2%
Total . . . . .	<u>\$673.3</u>	<u>\$561.3</u>	<u>\$112.0</u>	<u>0.8</u>	<u>1.5%</u>

*Payroll Support Program.* In April 2020, the Company entered into a Payroll Support Program agreement (the PSP Agreement) with the U.S. Department of Treasury (the Treasury) under the CARES Act. Pursuant to the PSP Agreement, the Treasury provided the Company with financial assistance, paid in installments, totaling approximately \$300.9 million. The Company issued a promissory note to the Treasury (the PSP Note) for approximately \$60.3 million and agreed to issue to the Treasury a total of 509,964 warrants to purchase shares of the Company's common stock at an exercise price of \$11.82 per share (the PSP Warrants) pursuant to the PSP Agreement. The PSP Warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, expire five years from the date of issuance, and contain registration rights and customary anti-dilution provisions. The Company recorded the value of the PSP Note and the PSP Warrants on a relative fair value basis as \$53.6 million in noncurrent debt and \$6.7 million in additional paid in capital, respectively.

*Payroll Support Program Extension.* In January 2021, the Company entered into a PSP extension agreement (the PSP Extension Agreement) and contemporaneously entered into a warrant agreement (the Warrant Extension Agreement) with the Treasury and issued a promissory note to the Treasury (the PSP Extension Note). During the twelve months ended December 31, 2021, the Company received a total of \$192.7 million in financial assistance, to be used exclusively for continuing to pay employee salaries, wages and benefits, including the payment of lost wages, salaries and benefits to certain returning employees as defined in the PSP Extension Agreement. These support payments consisted of \$164.9 million in a grant and \$27.8 million in an unsecured 10-year low interest loan, and as compensation to the U.S. government, and pursuant to the Warrant Extension Agreement, the Company issued warrants to the Treasury to purchase up to a total of

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

156,340 shares of its common stock at an exercise price of \$17.78 per share (the PSP Extension Warrants). The PSP Extension Warrants are non-voting, freely transferable, may be settled as net shares or in cash at the Company's option, expire five years from the date of issuance, and contain registration rights and customary anti-dilution provisions. The Company recorded the value of the PSP Extension Note and the PSP Extension Warrants on a relative fair value basis as \$23.8 million in noncurrent debt and \$4.0 million in additional paid in capital, respectively.

*Payroll Support Program 3.* In April 2021, the Company entered into a Payroll Support Program 3 Agreement with the Treasury (PSP3 Agreement), a promissory note (the PSP3 Note), and a Warrant Agreement (the PSP3 Warrant Agreement). The PSP3 Agreement extends (i) the prohibition on conducting involuntary employee layoffs or furloughs through September 2021 or the date on which assistance provided under the agreement is exhausted, whichever is later, (ii) the prohibitions on share repurchases and dividends through September 2022, and (iii) the limitations on executive compensation through April 1, 2023.

During the twelve months ended December 31, 2021, the Company received \$179.7 million in payroll support payments under the PSP3 Agreement, consisting of \$155.8 million in a grant and \$23.9 million in an unsecured 10-year low interest loan. As compensation to the U.S. government, and pursuant to the PSP3 Warrant Agreement, the Company issued warrants to the Treasury to purchase up to a total of 87,670 shares of its common stock at an exercise of \$27.27 per share (the PSP3 Warrants). The terms of the PSP3 Note and PSP3 Warrants are consistent with those of the original PSP and the first PSP Extension. The Company recorded the value of the PSP3 Note and the PSP3 Warrants on a relative fair value basis as \$22.1 million in noncurrent debt and \$1.8 million in additional paid in capital, respectively.

#### *Economic Relief Program*

In 2020, the Company entered into and subsequently amended and restated its Loan Agreement with the Treasury (Amended and Restated Loan Agreement), which increased the maximum facility available to be borrowed by the Company to \$622.0 million. As of September 30, 2020, the Company borrowed \$45.0 million under the ERP and may, at its option, borrow additional amounts in up to two subsequent borrowings until March 26, 2021. The Company recorded the value of the loan and the ERP Warrants on a relative fair value basis as \$41.9 million in noncurrent debt and \$3.1 million in additional paid in capital, respectively.

On February 4, 2021, the Company repaid in full the \$45.0 million loan under the ERP, and in connection with this repayment, terminated the Amended and Restated Loan Agreement. The debt extinguishment resulted in the recognition of a loss of \$4.0 million during the twelve months ended December 31, 2021, which is reflected in nonoperating income (expense) in the Consolidated Statement of Operations. The warrants issued under the ERP Warrant Agreement remain outstanding pursuant to its terms.

#### *Loyalty Program and Intellectual Property Financing*

In February 2021, the Company completed the private offering (the Notes Offering) by Hawaiian Brand Intellectual Property, Ltd., an indirect wholly owned subsidiary of Hawaiian (the Brand Issuer), and HawaiianMiles Loyalty, Ltd., an indirect wholly owned subsidiary of Hawaiian (the Loyalty Issuer and, together with the Brand Issuer, the Issuers) of an aggregate of \$1.2 billion principal amount of their 5.750% senior secured notes due 2026 (the Notes). The Notes require interest only payments, payable quarterly in arrears on July 20, October 20, January 20 and April 20 of each year, which began on July 20, 2021.

The Notes are fully and unconditionally guaranteed, jointly and severally, by (i) Hawaiian Finance 1 Ltd., a direct wholly owned subsidiary of Hawaiian (HoldCo 1), (ii) Hawaiian Finance 2 Ltd., a direct subsidiary of HoldCo 1 and indirect wholly owned subsidiary of Hawaiian (HoldCo 2 and, together with HoldCo 1, the Cayman Guarantors), (iii) Hawaiian and (iv) Holdings (Holdings, together with Hawaiian, the Parent Guarantors and the Parent Guarantors, together with the Cayman Guarantors, the Guarantors). The Notes were issued pursuant to the Indenture, among the Issuers, the Guarantors and Wilmington Trust, National Association, as trustee, collateral custodian.

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

In connection with the issuance of the Notes, Hawaiian contributed to the Brand Issuer, which is a newly-formed subsidiary structured to be bankruptcy remote, all worldwide rights, owned or purported to be owned, or later developed or acquired and owned or purported to be owned, by Hawaiian or any of its subsidiaries, in and to all intellectual property, including all trademarks, service marks, brand names, designs, and logos that include the word “Hawaiian” or any successor brand and the “hawaiianairlines.com” domain name and similar domain names or any successor domain names (the Brand IP). The Brand Issuer indirectly granted Hawaiian an exclusive, worldwide, perpetual and royalty-bearing sublicense to use the Brand IP. Further, Hawaiian contributed to the Loyalty Issuer its rights to certain other collateral owned by Hawaiian, including, to the extent permitted by such agreements or otherwise by operation of law, any of Hawaiian’s rights under the HawaiianMiles Agreements and the IP Agreements (each as defined in the Indenture), together with HawaiianMiles program (HawaiianMiles) customer data and certain other intellectual property owned or purported to be owned, or later developed or acquired and owned or purported to be owned, by Hawaiian or any of its subsidiaries (including the Issuers) and required or necessary to operate HawaiianMiles (the Loyalty Program IP) (all such collateral being, the Loyalty Program Collateral). The Loyalty Issuer indirectly granted Hawaiian an exclusive, worldwide, perpetual and royalty-free sub-license to use the Loyalty Program IP.

As of December 31, 2023, approximately \$17.3 million in cash was held in the Interest Reserve Account designated for debt servicing, and is classified as restricted cash on the Company’s Consolidated Balance Sheets.

#### *Schedule of Debt Maturities*

As of December 31, 2023, the scheduled maturities of debt, excluding debt issuance costs, are as follows (in thousands):

2024	\$ 45,028
2025	57,557
2026	1,338,674
2027	11,215
2028	11,290
Thereafter	137,948
	<u>\$1,601,712</u>

#### *Covenants*

The Company’s debt agreements contain various affirmative, negative and financial covenants as discussed above within this Note. We were in compliance with the covenants in these debt agreements as of December 31, 2023.

#### **10. Leases**

The Company leases aircraft, engines, airport terminal facilities, maintenance hangars, commercial real estate, and other property and equipment, among other items. The Company combines lease and non-lease components in calculating the Right-of-Use (ROU) asset and lease liabilities for the aforementioned asset groups. Certain leases include escalation clauses, renewal options, and/or termination options. When lease renewals or termination options are considered to be reasonably certain, such periods are included in the lease term and fixed payments are included in the calculation of the lease liability and ROU asset.

The Company’s leases do not provide a readily determinable implicit rate; therefore, the Company utilizes an incremental borrowing rate to discount lease payments based on information available at lease commencement. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates.



## **Hawaiian Holdings, Inc.**

### **Notes to Consolidated Financial Statements (continued)**

#### ***Aircraft, Engines, and Aircraft Equipment***

As of December 31, 2023, the Company leased 21 of its 62 aircraft. Of the 21 lease contracts, 4 aircraft lease contracts were accounted for as finance leases, with the remaining 17 lease contracts accounted for as operating leases. These aircraft leases have remaining lease terms ranging from 1 year to 9 years. The Company also has 2 engines under operating lease with remaining lease terms of 2 years and 3 years, respectively. The Company has a flight simulator under a finance lease with a remaining lease term of approximately 2 years.

#### ***Airport Terminal Facilities***

The Company's facility leases are primarily for terminal space at airports that it serves, most notably, its operations in the state of Hawai'i. These leases are classified as operating leases and reflect the Company's use of airport terminals, office space, cargo and maintenance facilities. The Company leases space from government agencies that control the use of the airport. The remaining lease terms vary from 1 month to 26 years. At the majority of U.S. airports, the lease rates depend on airport operating costs or the use of the facilities and are reset at least annually. Because of the variable nature of the rates, these leases are not recorded on the Company's balance sheet as a ROU asset and lease liability.

#### ***Other Commercial Real Estate***

The Company leases non-airport facility office space supporting its operations, including its headquarters in Honolulu, Hawai'i. These leases are classified as operating and have remaining lease terms ranging between 1 to 8 years.

#### ***Maintenance Hangar***

The Company leases a cargo and maintenance hangar at the Daniel K. Inouye International Airport. The lease is accounted for as an operating lease and has a remaining lease term of 28 years as of December 31, 2023.

#### ***Other Property and Equipment***

The Company leases certain IT assets (including data center access, equipment, etc.) and various other non-aircraft equipment. The remaining lease terms range from 1 to 3 years. Certain lease IT assets are embedded within service agreements. The combined lease and non-lease components of those agreements are included in the ROU asset and lease liability.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

**Lease Position as of December 31, 2023**

The table below presents the lease-related assets and liabilities recorded on the Consolidated Balance Sheet.

	Classification on the Balance Sheet	As of December 31,	
		2023	2022
(in thousands)			
<b>Assets:</b>			
Operating lease assets . . . . .	Operating lease right-of use assets	\$413,237	\$459,128
Finance lease assets . . . . .	Property and equipment, net	65,844	90,847
Total lease assets . . . . .		<u>\$479,081</u>	<u>\$549,975</u>
<b>Liabilities:</b>			
<b>Current</b>			
Operating . . . . .	Current maturities of operating leases	\$ 83,332	\$ 77,858
Finance . . . . .	Current maturities of finance lease obligations	10,053	25,789
<b>Noncurrent</b>			
Operating . . . . .	Noncurrent operating leases	303,119	347,726
Finance . . . . .	Finance lease obligations	60,116	75,221
Total lease liabilities . . . . .		<u>\$456,620</u>	<u>\$526,594</u>
<b>Weighted-average remaining lease term</b>			
Operating leases . . . . .		10.2 years	10.4 years
Finance leases . . . . .		7.5 years	6.9 years
<b>Weighted-average discount rate</b>			
Operating leases <sup>(1)</sup> . . . . .		6.30%	5.72%
Finance leases . . . . .		4.10%	4.30%

(1) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

**Lease Costs**

During the twelve months ended December 31, 2023 and 2022, the total lease costs for finance and operating leases were as follows:

	Year ended December 31,		
	2023	2022	2021
(in thousands)			
<b>Finance lease cost:</b>			
Amortization of right-of-use assets . . . . .	\$ 18,513	\$ 23,265	\$ 23,339
Interest of lease liabilities . . . . .	3,664	4,963	6,022
Operating lease cost <sup>(1)</sup> . . . . .	107,257	105,445	110,864
Short-term lease cost <sup>(1)</sup> . . . . .	2,812	2,650	2,909
Variable lease cost <sup>(1)</sup> . . . . .	171,043	142,894	112,475
Total lease cost . . . . .	<u>\$303,289</u>	<u>\$279,217</u>	<u>\$255,609</u>

(1) Expenses are classified within aircraft rent and other rentals and landing fees in the Consolidated Statements of Operations.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

During the twelve months ended December 31, 2023, the cash paid for amounts included in the measurement of lease liabilities were as follows:

	Year ended December 31,		
	2023	2022	2021
	(in thousands)		
Operating cash flows for operating leases . . . . .	102,667	105,021	110,286
Operating cash flows for finance leases . . . . .	3,663	4,948	5,997
Financing cash flows for finance lease . . . . .	19,140	24,137	23,040

**Undiscounted Cash Flows**

As of December 31, 2023, the scheduled future minimum rental payments under finance leases and operating leases with non-cancellable basic terms of more than one year are as follows:

	Finance Leases		Operating Leases	
	Aircraft	Other	Aircraft	Other
	(in thousands)			
2024 . . . . .	\$11,564	\$ 1,173	\$ 90,232	\$ 14,508
2025 . . . . .	11,941	974	71,472	13,291
2026 . . . . .	11,047	236	57,604	11,369
2027 . . . . .	11,047	236	34,772	7,227
2028 . . . . .	11,047	236	22,298	7,446
Thereafter . . . . .	16,354	5,933	37,934	146,722
Total minimum lease payments . . . . .	<u>\$73,000</u>	<u>\$ 8,788</u>	<u>\$314,312</u>	<u>\$200,563</u>
Less: amounts representing interest . . . . .	<u>(8,818)</u>	<u>(2,801)</u>	<u>(47,419)</u>	<u>(81,005)</u>
Present value of future minimum lease payments . . . . .	<u>\$64,182</u>	<u>\$ 5,987</u>	<u>\$266,893</u>	<u>\$119,558</u>
Less: current maturities of lease obligations . . . . .	<u>(9,100)</u>	<u>(953)</u>	<u>(75,060)</u>	<u>(8,272)</u>
Long-term lease obligations . . . . .	<u>\$55,082</u>	<u>\$ 5,034</u>	<u>\$191,833</u>	<u>\$111,286</u>

**11. Income Taxes**

The significant components of income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Current			
Federal . . . . .	\$ 3,301	\$ (1,073)	\$ 1,522
State . . . . .	(758)	(493)	(448)
	<u>\$ 2,543</u>	<u>\$ (1,566)</u>	<u>\$ 1,074</u>
Deferred			
Federal . . . . .	\$(66,905)	\$(49,646)	\$(39,589)
State . . . . .	(2,938)	(2,556)	(2,035)
	<u>\$(69,843)</u>	<u>\$(52,202)</u>	<u>\$(41,624)</u>
Income tax benefit . . . . .	<u>\$ (67,300)</u>	<u>\$ (53,768)</u>	<u>\$ (40,550)</u>

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

The income tax benefit differed from amounts computed at the statutory federal income tax rate as follows:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Income tax benefit computed at the statutory federal rate . . . . .	\$(68,836)	\$(61,709)	\$(38,918)
Increase (decrease) resulting from:			
State income taxes, net of federal tax effect . . . . .	(12,915)	(11,186)	(6,203)
Nondeductible meals . . . . .	812	597	466
Change in valuation allowance . . . . .	9,413	17,805	4,445
Stock compensation . . . . .	865	920	436
Other . . . . .	3,361	(195)	(776)
Income tax benefit . . . . .	\$(67,300)	\$(53,768)	\$(40,550)

The components of the Company's deferred tax assets and liabilities were as follows:

	December 31,	
	2023	2022
	(in thousands)	
Deferred tax assets:		
Accumulated pension and other postretirement benefits . . . . .	\$ 36,435	\$ 35,384
Operating leases liabilities . . . . .	94,901	104,938
Finance leases . . . . .	895	2,616
Air traffic liability and frequent flyer liability . . . . .	94,389	84,723
Partnership deferred revenue . . . . .	3,228	4,377
Federal and state net operating loss carryforwards . . . . .	138,813	86,452
Accrued compensation . . . . .	15,937	16,720
Other accrued assets . . . . .	10,094	16,803
Capital losses . . . . .	8,731	10,271
Deferred interest under IRC Section 163(j) . . . . .	37,717	34,132
Other assets . . . . .	34,633	23,612
Total gross deferred tax assets . . . . .	475,773	420,028
Less: Valuation allowance . . . . .	(41,280)	(31,867)
Net deferred tax assets . . . . .	\$ 434,493	\$ 388,161
Deferred tax liabilities:		
Intangible assets . . . . .	\$ (3,192)	\$ (3,205)
Property and equipment, principally accelerated depreciation . . . . .	(368,600)	(377,943)
Finance leases . . . . .	(2,031)	(787)
Operating lease right-of-use assets . . . . .	(104,389)	(115,765)
Other liabilities . . . . .	(22,195)	(20,861)
Total deferred tax liabilities . . . . .	(500,407)	(518,561)
Net deferred tax liability . . . . .	\$ (65,914)	\$(130,400)

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

As of December 31, 2023, the Company had federal and state NOL carryforwards of \$435.0 million and \$902.0 million, respectively. The Company's federal NOLs have an indefinite carryover period and state net operating losses will begin to expire in 2024 if not utilized. Utilization of the Company's NOL carryforwards may be subject to annual limitations due to the ownership change limitations provided by Section 382 of the Internal Revenue Code and similar state provisions. The Company's NOL carryforwards could expire before utilization if subject to annual limitations. As of December 31, 2023, the Company had gross realized capital loss carryforwards of \$21.4 million, which expire beginning in 2027 if not utilized.

As of December 31, 2023, the Company had research and development tax credit and Work Opportunity tax credit carryforwards totaling \$3.4 million, which may be used to offset future tax liabilities, and which will begin to expire in 2042.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversal of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible. The Company assesses the realizability of its deferred tax assets and records a valuation allowance when it is more likely than not, that a portion, or all, of the deferred tax assets will not be realized.

The tax benefit of the state NOL carryforwards as of December 31, 2023 was \$47.4 million, of which \$32.5 million has a valuation allowance. The tax benefit of the state NOL carryforwards as of December 31, 2022 was \$37.0 million, of which \$21.6 million has a valuation allowance. The tax benefit of the capital loss carryforwards as of December 31, 2023 was \$8.7 million, of which \$5.2 million relates to net realized capital losses that will expire beginning in 2027 if not utilized and \$3.5 million relates to net unrealized capital losses. The tax benefit of the capital loss carryforwards as of December 31, 2022 was \$10.3 million, of which \$4.1 million relates to net realized capital losses and \$6.2 million relates to net unrealized capital losses. A full valuation allowance has been recorded against this amount as of December 31, 2023 and 2022.

In accordance with ASC 740, the Company reviews its uncertain tax positions on an ongoing basis. The Company may be required to adjust its liability as these matters are finalized, which could increase or decrease its income tax expense and effective income tax rates or result in an adjustment to the valuation allowance. The Company records the uncertain tax position liability in Other accrued liabilities (current) and Other liabilities and deferred credits (non-current) in the Consolidated Balance Sheet, based on the period in which the Company expects the unrecognized tax benefits will be resolved.

The table below reconciles beginning and ending amounts of unrecognized tax benefits related to uncertain tax positions:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	(in thousands)		
Balance at January 1 . . . . .	\$3,745	\$3,771	\$3,449
Increases related to prior year tax positions . . . . .	1,710	(81)	11
Increases related to current year tax positions . . . . .	625	568	672
Settlements with taxing authority . . . . .	—	—	—
Effect of the expiration of statutes of limitation . . . . .	(805)	(513)	(361)
Balance at December 31 . . . . .	<u>\$5,275</u>	<u>\$3,745</u>	<u>\$3,771</u>

The Company's policy is to recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. In 2023, 2022, and 2021, the Company recognized expense (benefit) of \$0.2 million, \$0.0 million, and \$0.0 million, respectively, for interest and penalties on uncertain tax positions. As of December 31, 2023 and 2022, the Company accrued approximately \$0.3 million and \$0.1 million, respectively, for the payment of interest and penalties related to uncertain tax positions.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company's federal income tax returns for tax years 2018 and beyond, and state income tax returns for tax years 2017 and beyond remain subject to examination by the Internal Revenue Service and state taxing authorities.

**12. Assets Held-For-Sale**

In 2021, the Company reclassified approximately \$29.5 million in long-lived assets as held for sale as follows:

- The Company announced the termination of its 'Ohana by Hawaiian operations, which utilizes its ATR-42 and ATR-72 fleet, and was operated under a capacity purchase agreement (CPA) with a third-party carrier. Following the termination of the operations, management committed to a plan of sale and wrote-down the related assets by approximately \$6.4 million to fair value, less cost to sell, and classified approximately \$23.4 million as assets held for sale on the Consolidated Balance Sheets.
- The Company committed to a plan to sell certain commercial real-estate assets held by one of the Company's subsidiaries. Management fair valued the assets, less the cost to sell, which did not result in a write-down to the asset group, and reclassified approximately \$6.3 million as assets held for sale on the Consolidated Balance Sheets.

As of December 31, 2023 and 2022, assets held for sale were \$1.1 million and \$14.0 million, respectively. A roll-forward of the Assets held-for-sale activity for the twelve months ended December 31, 2023 and 2022 is as follows:

	Assets Held-For-Sale Activity for the twelve months ended December 31, 2023		
	ATR Aircraft	Commercial Real Estate	Total
		(in thousands)	
Beginning balance as of December 31, 2022	\$ 7,728	\$ 6,291	\$ 14,019
Additions	—	—	—
Proceeds from sale <sup>(a)</sup>	(5,777)	(16,470)	(22,247)
Realized gains	147	10,179	10,326
Realized losses	(963)	—	(963)
Ending balance as of December 31, 2023	<u>\$ 1,135</u>	<u>\$ —</u>	<u>\$ 1,135</u>
	Assets Held-For-Sale Activity for the twelve months ended December 31, 2022		
	ATR Aircraft	Commercial Real Estate	Total
		(in thousands)	
Beginning balance as of December 31, 2021	\$ 23,158	\$6,291	\$ 29,449
Additions	—	—	—
Proceeds from sale	(12,580)	—	(12,580)
Impairment charge	(6,303)	—	(6,303)
Realized gains	3,460	—	3,460
Realized losses	(7)	—	(7)
Ending balance as of December 31, 2022	<u>\$ 7,728</u>	<u>\$6,291</u>	<u>\$ 14,019</u>

(a) Proceeds from sale includes \$1.3 million in tax receivable and withheld at sale for commercial real estate transactions and refundable upon filing of the Company's 2023 returns.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

During the second quarter of 2022, the Company sold three ATR-72 aircraft and recognized a \$2.6 million gain on the transactions, which was recorded in Other operating expense in the consolidated statements of operations. During the third quarter of 2022, the Company estimated the fair value of its remaining ATR-42 and ATR-73 aircraft, using available market information and in consideration of recent transactions, which resulted in the recognition of a \$6.3 million impairment charge, which was recorded as a Special item in the Consolidated Statements of Operations. In addition, during the second half of 2022, the Company sold rotables and expendable aircraft parts related to the ATR-42 and ATR-72 aircraft fleet and recognized a \$0.9 million gain, which was recorded in Other operating expense in the consolidated statements of operations.

During the second quarter of 2023, the Company sold one ATR-42 aircraft and recognized a \$0.4 million loss, which was recorded in Other operating expense in the consolidated statements of operations. During the fourth quarter of 2023, the Company recorded a \$0.5 million loss related to broker fee adjustments, which was recorded in Other operating expense in the consolidated statements operations.

In February 2023, the Company entered into a sale agreement for the sale of its commercial real estate and recognized a gain on sale of \$10.2 million, which was recorded in Other operating expense in the consolidated statements of operations. The sale closed in March 2023.

In October 2023, the Company completed the sale of its last ATR 72-200 aircraft, which did not result in a gain or loss on the transaction. As of December 31, 2023, the Assets held-for-sale balance was \$1.1 million comprised of ATR spare parts and supplies, which are expected to be sold in the first half of 2024.

**13. Special Items**

Special items in the Consolidated Statements of Operations consisted of the following:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
<b>Operating special items:</b>			
Merger Agreement related fees <sup>(1)</sup> . . . . .	\$10,561	\$ —	\$ —
Contract termination fee <sup>(2)</sup> . . . . .	—	12,500	—
Assets held-for-sale impairment <sup>(3)</sup> . . . . .	—	6,303	—
Ohana by Hawaiian termination <sup>(4)</sup> . . . . .	—	—	8,983
Total Operating special items . . . . .	\$10,561	\$18,803	\$8,983

- (1) During the twelve months ended December 31, 2023, the Company incurred \$10.6 million of legal, advisory and other fees related to the Merger Agreement with Alaska Air Group. Refer to Note 2 to the Notes to Consolidated Financial Statements for additional discussion.
- (2) In December 2022, the Company entered into a Memorandum of Understanding (MOU) with its third-party service provider to early terminate its Amended and Restated Complete Fleet Services (CFS) Agreement (Amended CFS). The Amended CFS was originally scheduled to run through December 2027, and will now terminate in April 2023. In connection with the MOU, the Company agreed to pay a total of \$12.5 million in termination fees, which was recognized at execution as a Special item in the Consolidated Statements of Operations.
- (3) As discussed in Note 12, during the year ended December 31, 2022, the Company recognized impairment of \$6.3 million related to its assets held-for-sale.
- (4) In the second quarter of 2021, the Company announced the termination of its ‘Ohana by Hawaiian operations. The Company wrote-down the asset group to fair value, less cost to sell by approximately

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

\$6.4 million. Additionally, the Company recorded a one-time charge of approximately \$2.6 million for the early termination of its CPA.

**14. Employee Benefit Plans**

***Defined Benefit Plans***

Hawaiian sponsors a defined benefit pension plan covering the ALPA and prior to August 2017, sponsored the defined benefit pension plans for the International Association of Machinists and Aerospace Workers (AFL-CIO) (IAM) and other personnel (salaried, Transport Workers Union, Network Engineering Group). The plans for the IAM and other employees were frozen in September 1993. Effective January 1, 2008, benefit accruals for pilots under age 50 as of July 1, 2005 were frozen (with the exception of certain pilots who were both age 50 and older and participants of the plan on July 1, 2005) and Hawaiian began making contributions to an alternate defined contribution retirement program for its pilots. All of the pilots' accrued benefits under their defined benefit plan at the date of the freeze were preserved. In addition, Hawaiian sponsors four unfunded defined benefit postretirement medical and life insurance plans and a separate plan to administer the pilots' disability benefits.

In 2016, the Hawaiian Airlines, Inc. Pension Plan for Salaried Employees (Salaried Plan) was consolidated into the Hawaiian Airlines, Inc. Pension Plan for Employees Represented by the International Association of Machinists (IAM), which established a merged plan (the Merged Plan). At that time, the net liabilities of the Salaried Plan were transferred to the Merged Plan. In 2017, the Company completed the termination of the plan by transferring the assets and liabilities to a third-party insurance company. The Company no longer has any expected contributions to the Merged Plan due to the final settlement.

In February 2023, the Pilots ratified a new four-year CBA, which included enhancements to the Company's postretirement and disability plans. The impact of this amendment is reflected in the table below.

The following tables summarize changes to projected benefit obligations, plan assets, funded status and applicable amounts included in the Consolidated Balance Sheets:

	2023		2022	
	Pension	Other	Pension	Other
	(in thousands)			
<b><i>Change in projected benefit obligations</i></b>				
Benefit obligations, beginning of year . . . . .	\$(337,545)	\$(132,705)	\$(452,625)	\$(165,729)
Service cost . . . . .	—	(7,001)	—	(9,568)
Interest cost . . . . .	(18,095)	(7,875)	(13,101)	(5,220)
Actuarial gains (losses) . . . . .	(10,438)	(10,337)	102,544	42,834
Benefits paid . . . . .	26,500	7,783	25,637	6,728
Plan amendments . . . . .	—	(3,711)	—	(1,750)
Benefit obligation at end of year <sup>(a)</sup> . . . . .	<u>\$(339,578)</u>	<u>\$(153,846)</u>	<u>\$(337,545)</u>	<u>\$(132,705)</u>
<b><i>Change in plan assets</i></b>				
Fair value of assets, beginning of year . . . . .	\$ 286,852	\$ 39,894	\$ 405,366	\$ 44,632
Actual return on plan assets . . . . .	36,971	5,314	(93,701)	(6,879)
Employer contribution . . . . .	—	4,767	—	4,045
Benefits paid . . . . .	(25,703)	(3,040)	(24,813)	(1,904)
Fair value of assets at end of year . . . . .	<u>\$ 298,120</u>	<u>\$ 46,935</u>	<u>\$ 286,852</u>	<u>\$ 39,894</u>
Unfunded status at December 31 . . . . .	<u>\$ (41,458)</u>	<u>\$(106,911)</u>	<u>\$ (50,693)</u>	<u>\$ (92,811)</u>



**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

	2023		2022	
	Pension	Other	Pension	Other
	(in thousands)			
<i>Amounts recognized in the statement of financial position consist of:</i>				
Current benefit liability . . . . .	\$ (770)	\$ (6,858)	\$ (789)	\$ (6,941)
Noncurrent benefit liability . . . . .	<u>(40,688)</u>	<u>(100,053)</u>	<u>(49,904)</u>	<u>(85,870)</u>
	<u>\$ (41,458)</u>	<u>\$ (106,911)</u>	<u>\$ (50,693)</u>	<u>\$ (92,811)</u>
<i>Amounts recognized in accumulated other comprehensive loss</i>				
Unamortized actuarial loss (gain) . . . . .	\$ 95,856	\$ (39,904)	\$ 106,906	\$ (49,505)
Prior service cost (credit) . . . . .	<u>—</u>	<u>8,010</u>	<u>—</u>	<u>5,002</u>
	<u>\$ 95,856</u>	<u>\$ (31,894)</u>	<u>\$ 106,906</u>	<u>\$ (44,503)</u>

(a) The accumulated pension benefit obligation as of December 31, 2023 and 2022 was \$339.6 million and \$337.5 million, respectively.

The following table sets forth the net periodic benefit cost:

	2023		2022		2021	
	Pension	Other	Pension	Other	Pension	Other
	(in thousands)					
<i>Components of Net Periodic Benefit Cost</i>						
Service cost . . . . .	\$ —	\$ 7,001	\$ —	\$ 9,568	\$ —	\$ 11,744
Other cost:						
Interest cost . . . . .	18,095	7,875	13,101	5,220	12,216	4,769
Expected return on plan assets . . . . .	(19,457)	(2,662)	(23,809)	(2,077)	(23,327)	(1,785)
Recognized net actuarial loss (gain) . . . . .	3,975	(1,915)	2,596	(533)	4,407	(212)
Prior service cost . . . . .	<u>—</u>	<u>703</u>	<u>—</u>	<u>438</u>	<u>—</u>	<u>370</u>
Net periodic benefit cost . . . . .	<u>\$ 2,613</u>	<u>\$ 11,002</u>	<u>\$ (8,112)</u>	<u>\$ 12,616</u>	<u>\$ (6,704)</u>	<u>\$ 14,886</u>
<i>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Loss</i>						
Current year actuarial (gain) loss . . . . .	\$ (7,076)	\$ 7,686	\$ 14,966	\$(35,051)	\$(32,709)	\$(16,989)
Current year prior service cost . . . . .	—	3,711	—	1,750	—	—
Amortization of actuarial gain (loss) . . . . .	(3,975)	1,915	(2,596)	533	(4,407)	212
Amortization of prior service cost . . . . .	<u>—</u>	<u>(703)</u>	<u>—</u>	<u>(438)</u>	<u>—</u>	<u>(370)</u>
Total recognized in other comprehensive loss . .	<u>\$ (11,051)</u>	<u>\$ 12,609</u>	<u>\$ 12,370</u>	<u>\$ (33,206)</u>	<u>\$ (37,116)</u>	<u>\$ (17,147)</u>
Total recognized in net periodic benefit cost and other comprehensive loss . . . . .	<u>\$ (8,438)</u>	<u>\$ 23,611</u>	<u>\$ 4,258</u>	<u>\$ (20,590)</u>	<u>\$ (43,820)</u>	<u>\$ (2,261)</u>

Service costs are recorded within Wages and benefits in the Consolidated Statements of Operations. Total other components of the net periodic benefit cost are recorded within the Nonoperating income (expense), other line item in the Consolidated Statements of Operations. During the twelve months ended December 31, 2023 and 2022, the Company was not required to and did not make cash contributions to its defined benefit plan. The Company contributed \$4.8 million and \$4.0 million to its disability plan during the twelve months ended December 31, 2023 and 2022, respectively.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

The weighted average actuarial assumptions used to determine the net periodic benefit expense and the projected benefit obligation were as follows:

	Pension		Postretirement		Disability	
	2023	2022	2023	2022	2023	2022
Discount rate to determine net periodic benefit expense . . . . .	5.58%	2.98%	5.57%	3.02%	5.15%	3.03%
Discount rate to determine projected benefit obligation . . . . .	5.21%	5.58%	5.21%	5.57%	5.15%	5.52%
Expected return on plan assets . . . . .	7.10%**	6.06%	N/A	N/A	6.15%**	4.35%
Rate of compensation increase . . . . .	Various*	Various*	N/A	N/A	Various*	Various*
Health care trend rate to determine net periodic benefit expense . . . . .	N/A	N/A	6.75%	6.25%	N/A	N/A
Ultimate trend rate . . . . .	N/A	N/A	4.75%	4.75%	N/A	N/A
Years to reach ultimate trend rate . . . . .	N/A	N/A	7	5	N/A	N/A
Health care trend rate to determine projected benefit obligation . . . . .	N/A	N/A	6.50%	6.75%	N/A	N/A
Ultimate trend rate . . . . .	N/A	N/A	4.75%	4.75%	N/A	N/A
Years to reach ultimate trend rate . . . . .	N/A	N/A	7	8	N/A	N/A

\* Differs for each pilot based on current fleet and seat position on the aircraft and seniority service. Negotiated salary increases and expected changes in fleet and seat positions on the aircraft are included in the assumed rate of compensation increase, which ranged from 2.50% to 8.75% and 2.00% to 7.25% in 2023 and 2022, respectively).

\*\* Expected return on plan assets used to determine the net periodic benefit expense for 2024 is 7.1% for Pension and 6.9% for Disability.

Estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2024 are as follows:

	Pension	Other
	(in thousands)	
Actuarial (gain) loss . . . . .	\$3,490	\$(2,328)
Amortization of prior service cost . . . . .	—	691
To be recognized in net periodic benefit cost from accumulated other comprehensive (gain) loss . . . . .	\$3,490	\$(1,637)

***Plan Assets***

The Company develops the expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plan's assets, including the trustee's review of asset class return expectations by several consultants and economists, as well as long-term inflation assumptions. The Company's expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on the goal of earning the highest rate of return while maintaining risk at acceptable levels. The Retirement Plan for Pilots of Hawaiian Airlines, Inc. and the Pilot's Voluntary Employee Beneficiary Association Disability and Survivor's Benefit Plan (VEBA) strive to have assets sufficiently diversified so that adverse or unexpected results from any one security class will not have an unduly detrimental impact on the entire portfolio. Prior to termination, the Merged Plan targeted to have its assets align with the potential liability as of the expected settlement date. The actual allocation of the Company's pension and disability plan assets and the target allocation of assets by category at December 31, 2023 are as follows:

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

	Asset Allocation for Pilots pension and VEBA Plans	
	2023	Target
Equity securities . . . . .	54%	60%
Fixed income securities . . . . .	42%	35%
Real estate investment trusts . . . . .	4%	5%
	100%	100%

The table below presents the fair value of the Company’s pension plan and other postretirement plan investments:

	Fair Value Measurements as of December 31,	
	2023	2022
	(in thousands)	
<i>Pension Plan Assets:</i>		
Equity index funds . . . . .	\$161,080	\$158,580
Fixed income funds . . . . .	120,296	113,029
Real estate investment fund . . . . .	13,613	12,844
Insurance company pooled separate account . . . . .	3,131	2,399
Total . . . . .	\$298,120	\$286,852
<i>Postretirement Assets:</i>		
Cash and cash equivalents . . . . .	\$ 211	\$ —
Common collective trust fund . . . . .	46,719	39,716
Money market fund . . . . .	5	178
	\$ 46,935	\$ 39,894

The fair value of each of the investments in the table above has been estimated using the net asset value per share, and in accordance with subtopic ASC 820-10, *Fair Value Measurement and Disclosures*, is not required to be presented in the fair value hierarchy.

*Equity index funds.* The investment objective of these funds is to obtain a reasonable rate of return while investing principally or entirely in foreign or domestic equity securities. There are currently no redemption restrictions on these investments.

*Fixed income funds.* The investment objective of these funds is to obtain a reasonable rate of return while principally investing in foreign and domestic bonds, mortgage-backed securities, and asset-backed securities. There are currently no redemption restrictions on these investments.

*Real estate investment fund.* The investment objective of this fund is to obtain a reasonable rate of return while principally investing in real estate investment trusts. There are currently no redemption restrictions on these investments.

*Insurance Company Pooled Separate Account.* The investment objective of the Insurance Company Pooled Separate Account is to invest in short-term cash equivalent securities to provide a high current income consistent with the preservation of principal and liquidity.

*Common collective trust (CCT).* The postretirement plan’s CCT investment consists of a balanced profile fund and a conservative profile fund. These funds primarily invest in mutual funds and exchange-traded funds. The balanced profile fund is designed for participating trusts that seek substantial capital growth, place

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

modest emphasis on short-term stability, have long-term investment objectives, and accept short-term volatility in the value of the fund's portfolio. The conservative profile fund is designed for participating trusts that place modest emphasis on capital growth, place moderate emphasis on short-term stability, have intermediate-to-long-term investment objectives, and accept moderate short-term volatility in the value of the fund's portfolio. There are currently no redemption restrictions on these investments.

Based on current legislation and assumptions, the Company does not expect to have a minimum contribution requirement for 2024 as sufficient funding balance exists to cover all funding requirements in 2023. The Company projects that Hawaiian's pension plans and other postretirement benefit plans will make the following benefit payments, which reflect expected future service, during the years ending December 31:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
	(in thousands)	
2024 . . . . .	\$ 27,014	\$ 10,079
2025 . . . . .	27,139	10,181
2026 . . . . .	27,245	10,511
2027 . . . . .	27,280	10,847
2028 . . . . .	27,224	11,155
2028 – 2032 . . . . .	<u>130,052</u>	<u>63,776</u>
	<u>\$265,954</u>	<u>\$116,549</u>

#### ***Defined Contribution Plans***

The Company also sponsors separate defined contribution plans for its pilots, flight attendants and ground personnel, and salaried personnel. Contributions to the Company's defined contribution plans were \$71.7 million, \$57.0 million and \$47.3 million for the years ended December 31, 2023, 2022 and 2021, respectively.

#### **15. Amazon Agreement**

##### ***Air Transportation Services Agreement (ATSA)***

On October 20, 2022, Hawaiian and Amazon.com Services LLC (Customer), a wholly owned subsidiary of Amazon.com, Inc. (Amazon), entered into an ATSA under which the Company will provide certain air cargo transportation services to the Customer for an initial term of eight years. Thereafter, the Customer may elect to extend the ATSA for two years and, at the end of such period, the parties may mutually agree to extend the term for three additional years.

The ATSA provides for the Company to initially operate ten A330-300F aircraft for air cargo transportation services, with the Customer having the right to enter into work orders for additional aircraft. The Company will supply flight crews, fuel, perform maintenance and certain administrative functions, and procure aircraft insurance. The Customer will pay the Company a fixed monthly fee per aircraft, a per flight hour fee, and a per flight cycle fee for each flight cycle operated. The Customer will also reimburse the Company for certain operating expenses, including fuel, certain maintenance, and insurance premiums. Operations under the ATSA commenced in October 2023 with the service of one aircraft and is anticipated to expand to six aircraft by the end of 2024.

##### ***Warrant Agreement***

The Company and Amazon also entered into a Transaction Agreement, under which, the Company agreed to issue to Amazon.com NV Investment Holdings LLC, a wholly owned subsidiary of Amazon, a warrant

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

(the Warrant) to acquire up to 9,442,443 shares (the Warrant Shares), of the Company's common stock, par value \$0.01 per share, valued at approximately \$82.5 million, which will be recognized as a reduction of revenue over the vesting period. At execution, 1,258,992 Warrant Shares, valued at \$11.6 million, vested upon warrant issuance. The remaining Warrant Shares will vest in increments of 40,017 Warrant Shares for each milestone of \$9.0 million in qualifying payments to be made by Amazon or its affiliates either under the ATSA or generally with respect to air cargo or air charter services (the Performance Condition), excluding commercial passenger service, up to \$1.8 billion in the aggregate. Subject to certain conditions, including vesting, the Warrant may be exercised, in whole or in part and for cash or on a net exercise basis, at any time before October 20, 2031. The exercise price with respect to the first 6,294,962 Warrant Shares that vest will be \$14.71 per share (the First Tranche). The exercise price with respect to the remaining 3,147,481 Warrant Shares (Second Tranche) will be determined based on the 30-day volume-weighted average price of the Company's common stock as of the earlier of (i) October 20, 2025, or (ii) the date that the entire First Tranche is vested. The exercise prices and the Warrant Shares issuable are subject to customary antidilution adjustments.

The Warrant was valued in two tranches, both utilizing a Monte Carlo Simulation Model. The First Tranche, which met the grant date criteria under ASC 718 at execution of the ATSA, has a set exercise price and grant date fair value of approximately \$57.9 million, or \$9.19 per Warrant Share. The Warrant is classified as an equity award, subject to the Performance Condition referenced above which impacts the timing of the vesting of the Warrant Shares. For the Second Tranche, which will not have an established exercise price until a future date, as noted above, was valued at approximately \$29.0 million, or \$9.22 per Warrant Share as of December 31, 2023. As the grant date has not yet been established, the Company will estimate the value of these Warrant Shares on a quarterly basis; however, the Company also considered that until the Warrant Shares vest, there is no financial impact related to the Second Tranche for unvested shares under ASC 718. At its grant date, the Company will value these Warrant Shares, which will be classified as equity awards, subject to the Performance Condition.

The First Tranche of Warrant Shares was valued, at contract execution, using the Monte Carlo Simulation model, based on the following assumptions; (i) exercise price of \$14.71, (ii) risk-free interest rate of 4.28%, (iii) dividend yield of 0.00%, (iv) expected life of 9.0 years, and (v) volatility of 54.0%. The Company valued the Second Tranche using a Monte Carlo Simulation model, using the above referenced assumptions, as well as an estimate for the weighted average price of Holding's common stock over the 30 trading days immediately preceding the earlier of (i) the 3-year anniversary of executing the Warrant Agreement or (ii) full vesting of the First Tranche.

As discussed above, 1,258,992 Warrant Shares (included in First Tranche), with a value of \$11.6 million, vested at execution of the ATSA, and was recorded in Other assets in the Consolidated Balance Sheet. The \$11.6 million will be recognized as contra-revenue pro rata with estimated revenue earned over the term of the ATSA. For the remaining Warrant Shares, the value of Warrant Shares, at grant date, will be recognized as a reduction of the transaction price of the Company's flight services performance obligation over the term of the ATSA as revenue is earned with an offsetting entry to Capital in excess of par. During the years ended December 31, 2023, 2022 and 2021, we recognized contra-revenue of \$0.2 million, \$0.0 million, and \$0.0 million related to the vesting of Warrant Shares. As of December 31, 2023 and 2022, the Company had approximately \$11.6 million and \$11.6 million recorded in Other assets.

#### 16. Capital Stock and Share-based Compensation

##### *Common Stock*

The Company has one class of common stock issued and outstanding. Each share of common stock is entitled to one vote per share.

##### *Special Preferred Stock*

The IAM, AFA, and ALPA each hold one share of Special Preferred Stock, which entitles each union to nominate one director to the Company's Board of Directors. In addition, each series of the Special Preferred

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

Stock, unless otherwise specified: (i) ranks senior to the Company's common stock and ranks *pari passu* with each other series of Special Preferred Stock with respect to liquidation, dissolution and winding up of the Company and will be entitled to receive \$0.01 per share before any payments are made, or assets distributed to holders of any stock ranking junior to the Special Preferred Stock; (ii) has no dividend rights unless a dividend is declared and paid on the Company's common stock, in which case the Special Preferred Stock would be entitled to receive a dividend in an amount per share equal to two times the dividend per share paid on the common stock; (iii) is entitled to one vote per share of such series and votes with the common stock as a single class on all matters submitted to holders of the Company's common stock; and (iv) automatically converts into the Company's common stock on a 1:1 basis, at such time as such shares are transferred or such holders are no longer entitled to nominate a representative to the Company's Board of Directors pursuant to their respective collective bargaining agreements.

#### *Dividends*

Pursuant to the Company's receipt of financial assistance under the federal government's Payroll Support Programs, the Company was restricted from making dividend payments until September 30, 2022. The Company did not make any dividend payments during the twelve months ended December 31, 2023, 2022, and 2021.

#### *At-the-Market Offering Program*

On December 1, 2020, the Company entered into the Equity Distribution Agreement with the Managers relating to the issuance and sale from time to time by the Company through the Managers, of up to 5,000,000 shares of the Company's common stock, par value \$0.01 per share. Sales of the shares, if any, under the Equity Distribution Agreement may be made in any transactions that are deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Under the terms of the Equity Distribution Agreement, the Company will set the parameters for the sale of the shares, including the number of the shares to be issued, the time period during which sales are requested to be made, limitation on the number of the shares that may be sold in any one trading day and any minimum price below which sales may not be made. During the twelve months ended December 31, 2021, the Company sold 2.9 million shares pursuant to the Equity Distribution Agreement at an average price of \$24.47 per share, with net proceeds totaling approximately \$68.1 million. On March 5, 2021, the Company completed the sale of the 5.0 million shares authorized under the Equity Distribution Agreement at an average price of \$22.46 per share, with total net proceeds of approximately \$109.3 million.

#### *Share-Based Compensation*

Total share-based compensation expense recognized by the Company under ASC 718 was \$9.2 million, \$7.9 million and \$8.6 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, \$8.9 million of share-based compensation expense related to unvested RSU (inclusive of \$0.5 million for RSU granted to non-employee directors) attributable to future performance and has not yet been recognized. The related expense will be recognized over a weighted average period of approximately 1.7 years.

#### *Performance and Market-Based RSU*

During 2023, the Company granted performance-based RSUs covering 586,136 shares of common stock (the Target Award) with a maximum payout of 1,172,272 shares of common stock (the Maximum Award) to employees pursuant to the Company's 2015 Stock Incentive Plan. These awards vest over a three-year period. The 2023 performance-based RSU include a performance and a market condition. These awards were valued using a binomial-lattice model (i.e. Monte Carlo simulation model). The Monte Carlo Simulation model required key assumptions: including the (a) expected volatility of the Company's common stock, (b) expected life of the RSU, (c) risk-free interest rate, and (d) dividend yield. The Company valued the 2023 awards at \$5.7 million, which will be recognized as stock-based compensation expense over the vesting

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

period. The effect of market conditions is considered in determining the grant date fair value, which is not subsequently revised based on actual performance.

During 2022, the Company granted two types of performance-based RSUs covering 143,849 shares of common stock (the Target Award) with a maximum payout of 254,530 shares of common stock (the Maximum Award) to employees pursuant to the Company's 2015 Stock Incentive Plan. These awards vest over a three year period and were valued as follows:

- Awards with a market condition were valued using a binomial-lattice model (i.e. Monte Carlo simulation model). The Monte Carlo Simulation model required key assumptions: including the (a) expected volatility of the Company's common stock, (b) expected life of the RSU, (c) risk-free interest rate, and (d) dividend yield. The effect of market conditions is considered in determining the grant date fair value, which is not subsequently revised based on actual performance.
- Awards with a performance condition were valued using grant date fair values equal to the Company's share price on the measurement date.

The Company valued the 2022 awards at \$2.7 million, which will be recognized as stock-based compensation expense over the vesting period.

During 2021, the Company granted performance-based RSUs covering 141,473 shares of common stock (the Target Award) with a maximum payout of 212,210 shares of common stock (the Maximum Award) to employees pursuant to the Company's 2015 Stock Incentive Plan. These awards vest over a three-year period. The 2021 performance-based RSU include a market condition and were valued using a binomial-lattice model (i.e. Monte Carlo simulation model). The Monte Carlo Simulation model required key assumptions: including the (a) expected volatility of the Company's common stock, (b) expected life of the RSU, (c) risk-free interest rate, and (d) dividend yield. The Company valued the 2021 awards at \$3.0 million, which will be recognized as stock-based compensation expense over the vesting period. The effect of market conditions is considered in determining the grant date fair value, which is not subsequently revised based on actual performance.

The following table summarizes information about performance-based stock awards:

	<u>Number of units</u>	<u>Weighted average grant date fair value</u>
Non-vested at January 1, 2021 . . . . .	441,953	\$30.98
Granted . . . . .	141,473	21.52
Vested . . . . .	(67,695)	37.20
Forfeited . . . . .	(70,108)	39.09
Non-vested at December 31, 2021 . . . . .	<u>445,623</u>	<u>\$25.76</u>
Granted . . . . .	143,849	18.51
Vested . . . . .	(101,125)	23.82
Forfeited . . . . .	(73,318)	31.03
Non-vested at December 31, 2022 . . . . .	<u>415,029</u>	<u>\$22.78</u>
Granted . . . . .	586,136	9.64
Vested . . . . .	—	—
Forfeited <sup>(a)</sup> . . . . .	(143,215)	28.05
Non-vested at December 31, 2023 . . . . .	<u><u>857,950</u></u>	<u><u>\$12.93</u></u>

(a) Includes restricted shares granted in 2020 in which the performance metric was not met and the shares did not vest.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

The fair value of performance-based RSUs vested in the years ended December 31, 2023, 2022 and 2021 was \$0.0 million, \$2.4 million and \$1.9 million, respectively.

*Service-Based RSU*

During 2023, the Company awarded 895,758 service-based RSUs to employees and non-employee directors, pursuant to the Company's 2015 Stock Incentive Plan. These stock awards vest over one, two, or three year periods and have a grant date fair value equal to the Company's share price on the measurement date.

The following table summarizes information about outstanding service-based RSUs:

	<b>Number of units</b>	<b>Weighted average grant date fair value</b>
Non-vested at January 1, 2021 . . . . .	447,831	\$23.09
Granted . . . . .	270,282	21.65
Vested . . . . .	(248,432)	21.75
Forfeited . . . . .	(12,313)	20.12
Non-vested at December 31, 2021 . . . . .	457,368	\$23.09
Granted . . . . .	274,832	18.15
Vested . . . . .	(251,024)	24.03
Forfeited . . . . .	(11,002)	22.12
Non-vested at December 31, 2022 . . . . .	470,174	\$19.74
Granted . . . . .	895,758	8.71
Vested . . . . .	(557,728)	15.88
Forfeited . . . . .	(51,197)	11.42
Non-vested at December 31, 2023 . . . . .	757,007	\$10.05

The fair value of service-based RSUs vested in 2023, 2022, and 2021 was \$8.9 million, \$6.0 million and \$5.4 million, respectively.

**17. Commitments and Contingent Liabilities**

*Commitments*

The Company has commitments with third-party service providers for reservations, IT, and accounting services through 2033. Committed capital and other expenditures include escalation and variable amounts based on estimated forecasts.



## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

The gross committed expenditures for upcoming aircraft deliveries and other commitments for the next five years and thereafter are detailed below:

	<u>Aircraft and aircraft related</u>	<u>Other</u>	<u>Total Committed Expenditures</u>
		(in thousands)	
2024	\$ 475,663	\$ 27,939	\$ 503,602
2025	630,189	16,739	646,928
2026	425,730	10,346	436,076
2027	252,871	7,749	260,620
2028	—	2,774	2,774
Thereafter	—	58,149	58,149
	<u>\$1,784,453</u>	<u>\$123,696</u>	<u>\$1,908,149</u>

As of December 31, 2023, the Company had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

<u>Aircraft Type</u>	<u>Firm Orders</u>	<u>Purchase Rights</u>	<u>Expected Delivery Dates</u>
A321neo aircraft	—	9	N/A
Boeing 787-9 aircraft	12	8	Between 2024 and 2027
General Electric GENx spare engines:			
B787-9 spare engines	3	1	Between 2023 and 2027

#### *Boeing 787-9 Purchase Agreement*

In July 2018, the Company entered into a purchase agreement for the purchase of 10 Boeing 787-9 “Dreamliner” aircraft with purchase rights for an additional 10 aircraft. In October 2018, the Company entered into a definitive agreement for the selection of GENx engines to power its Boeing 787-9 fleet. The agreement provides for the purchase of 20 GENx engines, the right to purchase an additional 20 GENx engines and the purchase of up to four spare engines.

In December 2022, the Company entered into a supplemental agreement to its B787-9 purchase agreement, pursuant to which (a) the Company agreed with Boeing to defer the delivery of the B787-9 aircraft, which will now be delivered between the fourth quarter of 2023 and 2027, and (b) agreed to exercise purchase options for an additional two B787-9 aircraft. The committed expenditures under the amended purchase agreement is reflected in the table above.

In February 2024, the Company took delivery of its first Boeing 787-9 aircraft under a purchase assignment and leaseback transaction. The aircraft is anticipated to be placed into revenue service in April 2024.

In order to complete the purchase of these aircraft and fund related costs, the Company may need to secure acceptable financing. The Company has backstop financing available from aircraft and engine manufacturers, subject to certain customary conditions. Financing may be necessary to satisfy the Company’s capital commitments for firm order aircraft and other related capital expenditures. The Company can provide no assurance that any financing not already in place for aircraft and spare engine deliveries will be available to us on acceptable terms when necessary or at all.

#### *Litigation and Contingencies*

The Company is subject to legal proceedings arising in the normal course of its operations. Management does not anticipate that the disposition of any currently pending proceeding will have a material effect on the Company’s operations, business or financial condition.

## **Hawaiian Holdings, Inc.**

### **Notes to Consolidated Financial Statements (continued)**

#### ***General Guarantees and Indemnifications***

In the normal course of business, the Company enters into numerous aircraft financing and real estate leasing arrangements that have various guarantees included in such contracts. It is common in such lease transactions for the lessee to agree to indemnify the lessor and other related third-parties for tort liabilities that arise out of, or relate to, the lessee's use of the leased aircraft or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by such parties' gross negligence or willful misconduct. Additionally, the lessee typically indemnifies such parties for any environmental liability that arises out of or relates to the lessee's use of the real estate leased premises. The Company believes that it is insured (subject to deductibles) for most of the tort liabilities and related indemnities described above with respect to the aircraft and real estate that it leases. The Company cannot reasonably estimate the potential amount of future payments, if any, under the foregoing indemnities and agreements.

#### ***Credit Card Holdback***

Under the Company's bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. As of December 31, 2023 and 2022, there were no holdbacks held with the Company's credit card processors.

In the event of a material adverse change in the Company's business, the credit card processor could increase holdbacks to up to 100% of the amount of outstanding credit card tickets that are unflown (e.g., Air traffic liability, excluding frequent flyer deferred revenue), which would result in a restriction of cash. If the Company were unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material impact on the Company's operations, business or financial condition.

#### ***Labor Negotiations***

As of December 31, 2023, approximately 80.8% of employees were represented by unions.

In February 2022, the Company's International Association of Machinists and Aerospace Workers (IAM-M) and International Association of Machinists and Aerospace Workers — Clerical Division (IAM-C) employees ratified a new collective bargaining agreement (CBA), which included scheduled pay rate increases, a signing bonus valued at approximately \$2.1 million, improved health benefits and cost sharing, as well as the establishment of Health Retirement Accounts (HRAs) for retirees. During the second quarter, the Company recorded approximately \$2.6 million in one-time CBA related expenses associated with a voluntary separation program and establishment of the HRA plan.

In April 2022, flight dispatch personnel represented by the Transport Workers Union (TWU), ratified a new CBA. The terms of the new CBA were consistent with those of the IAM discussed above; however, the impact of the TWU CBA was not material to the Company's financial statements.

Additionally, the CBA for employees represented by the Air Line Pilots Association (ALPA), which represents 15.5% of employees, became amendable on July 1, 2022. In February 2023, the Company and employees represented by ALPA voted to ratify a new four year CBA, which includes, amongst other things, a signing bonus, pay scale increases across all fleet types, improved health benefits and cost sharing, and enhancements to the Company's postretirement and disability plans.

## Hawaiian Holdings, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 18. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information and non-cash investing and financing activities were as follows:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Cash payments for interest (net of amounts capitalized) . . . . .	\$ 73,074	\$85,370	\$ 91,927
Cash payments (refunds) for income taxes . . . . .	(69,487)	1,233	(23,123)
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through a finance lease . . . . .	—	—	8,121
Right-of-use assets acquired under operating leases . . . . .	37,139	2,625	—

#### 19. Condensed Consolidating Financial Information

The following condensed consolidating financial information is presented in accordance with Regulation S-X paragraph 210.3-10 because, in connection with the issuance by two pass-through trusts formed by Hawaiian (which is also referred to in this Note 19 as Subsidiary Issuer / Guarantor) of pass-through certificates, as discussed in Note 9, the Company (which is also referred to in this Note 19 as Parent Issuer / Guarantor), is fully and unconditionally guaranteeing the payment obligations of Hawaiian, which is a 100% owned subsidiary of Holdings, under equipment notes to be issued by Hawaiian to purchase new aircraft.

**Hawaiian Holdings, Inc.**

**Notes to Consolidated Financial Statements (continued)**

Condensed consolidating financial statements are presented in the following tables:

**Condensed Consolidating Statements of Operations and Comprehensive Loss  
Year Ended December 31, 2023**

	<u>Parent Issuer / Guarantor</u>	<u>Subsidiary Issuer / Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(in thousands)				
<b>Operating Revenue</b> . . . . .	\$ —	\$2,715,781	\$ 56,179	\$ (55,676)	\$2,716,284
<b>Operating Expenses:</b>					
Aircraft fuel, including taxes and delivery . . .	—	766,133	—	—	766,133
Wages and benefits . . . . .	—	951,524	—	—	951,524
Aircraft rent . . . . .	—	109,741	—	—	109,741
Maintenance materials and repairs . . . . .	—	244,358	(62)	—	244,296
Aircraft and passenger servicing . . . . .	—	176,698	—	—	176,698
Commissions and other selling . . . . .	47	116,891	557	(363)	117,132
Depreciation and amortization . . . . .	—	133,615	—	—	133,615
Other rentals and landing fees . . . . .	—	171,390	—	(19)	171,371
Purchased services . . . . .	200	143,999	886	(263)	144,822
Special items . . . . .	—	10,561	—	—	10,561
Other . . . . .	7,411	238,189	(6,503)	(55,031)	184,066
Total . . . . .	<u>7,658</u>	<u>3,063,099</u>	<u>(5,122)</u>	<u>(55,676)</u>	<u>3,009,959</u>
<b>Operating Income (Loss)</b> . . . . .	<u>(7,658)</u>	<u>(347,318)</u>	<u>61,301</u>	<u>—</u>	<u>(293,675)</u>
<b>Nonoperating Income (Expense):</b>					
Undistributed net loss of subsidiaries . . . . .	(253,566)	(17,199)	—	270,765	—
Interest expense and amortization of debt discounts and issuance costs . . . . .	—	(19,573)	(73,967)	3,000	(90,540)
Interest income . . . . .	734	54,583	4,914	(3,000)	57,231
Capitalized interest . . . . .	—	8,833	—	—	8,833
Other components of net periodic benefit cost . . . . .	—	(6,614)	—	—	(6,614)
Losses on fuel derivatives . . . . .	—	(12,619)	—	—	(12,619)
Losses on investments, net . . . . .	—	(602)	—	—	(602)
Gains on foreign debt . . . . .	—	11,500	—	—	11,500
Other, net . . . . .	—	(1,308)	—	—	(1,308)
Total . . . . .	<u>(252,832)</u>	<u>17,001</u>	<u>(69,053)</u>	<u>270,765</u>	<u>(34,119)</u>
<b>Loss Before Income Taxes</b> . . . . .	<u>(260,490)</u>	<u>(330,317)</u>	<u>(7,752)</u>	<u>270,765</u>	<u>(327,794)</u>
Income tax benefit . . . . .	—	(67,300)	—	—	(67,300)
<b>Net Loss</b> . . . . .	<u><u>\$ (260,490)</u></u>	<u><u>\$ (263,017)</u></u>	<u><u>\$ (7,752)</u></u>	<u><u>\$ 270,765</u></u>	<u><u>\$ (260,494)</u></u>
<b>Comprehensive Loss</b> . . . . .	<u><u>\$ (244,480)</u></u>	<u><u>\$ (247,003)</u></u>	<u><u>\$ (7,752)</u></u>	<u><u>\$ 254,755</u></u>	<u><u>\$ (244,480)</u></u>

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Operations and Comprehensive Loss  
Year Ended December 31, 2022

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>Operating Revenue</b> . . . . .	\$ —	\$2,637,422	\$ 45,924	\$ (42,079)	\$2,641,267
<b>Operating Expenses:</b>					
Aircraft fuel, including taxes and delivery . . .	—	817,077	—	—	817,077
Wages and benefits . . . . .	—	833,137	—	—	833,137
Aircraft rent . . . . .	—	103,846	—	—	103,846
Maintenance materials and repairs . . . . .	—	235,749	404	—	236,153
Aircraft and passenger servicing . . . . .	—	152,550	—	—	152,550
Commissions and other selling . . . . .	18	113,469	852	(496)	113,843
Depreciation and amortization . . . . .	—	136,169	—	—	136,169
Other rentals and landing fees . . . . .	—	147,259	—	(116)	147,143
Purchased services . . . . .	224	127,873	1,517	(264)	129,350
Special items . . . . .	—	12,500	6,303	—	18,803
Other . . . . .	6,821	198,610	(978)	(41,203)	163,250
Total . . . . .	<u>7,063</u>	<u>2,878,239</u>	<u>8,098</u>	<u>(42,079)</u>	<u>2,851,321</u>
<b>Operating Income (Loss)</b> . . . . .	<u>(7,063)</u>	<u>(240,817)</u>	<u>37,826</u>	<u>—</u>	<u>(210,054)</u>
<b>Nonoperating Income (Expense):</b>					
Undistributed net loss of subsidiaries . . . . .	(233,288)	(31,357)	—	264,645	—
Interest expense and amortization of debt discounts and issuance costs . . . . .	—	(24,924)	(73,891)	3,000	(95,815)
Interest income . . . . .	320	31,219	3,602	(3,000)	32,141
Capitalized interest . . . . .	—	4,244	—	—	4,244
Other components of net periodic benefit cost . . . . .	—	5,065	—	—	5,065
Losses on fuel derivatives . . . . .	—	(3,041)	—	—	(3,041)
Loss on extinguishment of debt . . . . .	—	(8,568)	—	—	(8,568)
Losses on investments, net . . . . .	—	(43,082)	—	—	(43,082)
Gains on foreign debt . . . . .	—	26,667	—	—	26,667
Other, net . . . . .	(50)	(1,356)	—	—	(1,406)
Total . . . . .	<u>(233,018)</u>	<u>(45,133)</u>	<u>(70,289)</u>	<u>264,645</u>	<u>(83,795)</u>
<b>Loss Before Income Taxes</b> . . . . .	<u>(240,081)</u>	<u>(285,950)</u>	<u>(32,463)</u>	<u>264,645</u>	<u>(293,849)</u>
Income tax benefit . . . . .	—	(53,768)	—	—	(53,768)
<b>Net Loss</b> . . . . .	<u><u>\$(240,081)</u></u>	<u><u>\$ (232,182)</u></u>	<u><u>\$(32,463)</u></u>	<u><u>\$264,645</u></u>	<u><u>\$ (240,081)</u></u>
<b>Comprehensive Loss</b> . . . . .	<u><u>\$(253,409)</u></u>	<u><u>\$ (245,510)</u></u>	<u><u>\$(32,463)</u></u>	<u><u>\$277,973</u></u>	<u><u>\$ (253,409)</u></u>

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Operations and Comprehensive Loss  
Year Ended December 31, 2021

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>Operating Revenue</b> . . . . .	\$ —	\$1,593,058	\$ 34,850	\$ (31,324)	\$1,596,584
<b>Operating Expenses:</b>					
Aircraft fuel, including taxes and delivery . .	—	363,003	—	—	363,003
Wages and benefits . . . . .	—	698,101	—	—	698,101
Aircraft rent . . . . .	—	109,476	—	—	109,476
Maintenance materials and repairs . . . . .	—	169,977	71	—	170,048
Aircraft and passenger servicing . . . . .	—	105,675	—	—	105,675
Commissions and other selling . . . . .	8	71,171	1,533	(200)	72,512
Depreciation and amortization . . . . .	—	136,752	1,547	—	138,299
Other rentals and landing fees . . . . .	—	116,893	—	(121)	116,772
Purchased services . . . . .	2,033	103,749	2,053	(4,622)	103,213
Special items . . . . .	—	4,648	4,335	—	8,983
Government grant recognition . . . . .	—	(320,645)	—	—	(320,645)
Other . . . . .	6,289	131,842	1,961	(26,381)	113,711
Total . . . . .	<u>8,330</u>	<u>1,690,642</u>	<u>11,500</u>	<u>(31,324)</u>	<u>1,679,148</u>
<b>Operating Income (Loss)</b> . . . . .	<u>(8,330)</u>	<u>(97,584)</u>	<u>23,350</u>	<u>—</u>	<u>(82,564)</u>
<b>Nonoperating Income (Expense):</b>					
Undistributed net loss of subsidiaries . . . .	(136,478)	(39,344)	—	175,822	—
Interest expense and amortization of debt discounts and issuance costs . . . . .	—	(46,329)	(66,815)	2,713	(110,431)
Interest income . . . . .	35	8,555	2,726	(2,713)	8,603
Capitalized interest . . . . .	—	3,357	—	—	3,357
Other components of net periodic benefit cost . . . . .	—	3,566	—	—	3,566
Gains on fuel derivatives . . . . .	—	217	—	—	217
Loss on extinguishment of debt . . . . .	—	(38,889)	—	—	(38,889)
Gains on investments, net . . . . .	—	1,426	—	—	1,426
Gains on foreign debt . . . . .	—	27,773	—	—	27,773
Other, net . . . . .	—	1,619	—	—	1,619
Total . . . . .	<u>(136,443)</u>	<u>(78,049)</u>	<u>(64,089)</u>	<u>175,822</u>	<u>(102,759)</u>
<b>Loss Before Income Taxes</b> . . . . .	<u>(144,773)</u>	<u>(175,633)</u>	<u>(40,739)</u>	<u>175,822</u>	<u>(185,323)</u>
Income tax benefit . . . . .	—	(40,550)	—	—	(40,550)
<b>Net Loss</b> . . . . .	<u>\$(144,773)</u>	<u>\$ (135,083)</u>	<u>\$(40,739)</u>	<u>\$175,822</u>	<u>\$ (144,773)</u>
<b>Comprehensive Loss</b> . . . . .	<u>\$(112,084)</u>	<u>\$ (102,394)</u>	<u>\$(40,739)</u>	<u>\$143,133</u>	<u>\$ (112,084)</u>

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Balance Sheets  
December 31, 2023

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents . . . . .	\$ 8,707	\$ 113,026	\$ 31,540	\$ —	\$ 153,273
Restricted cash . . . . .	—	—	17,250	—	17,250
Short-term investments . . . . .	—	755,224	—	—	755,224
Accounts receivable, net . . . . .	1,269	101,655	26,261	(23,327)	105,858
Income taxes receivable . . . . .	—	669	—	—	669
Spare parts and supplies, net . . . . .	—	60,115	—	—	60,115
Prepaid expenses and other . . . . .	—	78,551	—	—	78,551
Total . . . . .	<u>9,976</u>	<u>1,109,240</u>	<u>75,051</u>	<u>(23,327)</u>	<u>1,170,940</u>
Property and equipment at cost . . . . .	—	3,164,145	—	—	3,164,145
Less accumulated depreciation and amortization . . . . .	—	(1,150,529)	—	—	(1,150,529)
Property and equipment, net . . . . .	—	<u>2,013,616</u>	—	—	<u>2,013,616</u>
Assets held for sale . . . . .	—	262	873	—	1,135
Operating lease right-of-use assets . . . . .	—	413,237	—	—	413,237
Long-term prepayments and other . . . . .	—	121,097	1,200,000	(1,200,000)	121,097
Intangible assets . . . . .	—	—	13,500	—	13,500
Intercompany receivable . . . . .	(577,961)	(57,591)	—	635,552	—
Investment in consolidated subsidiaries . . . . .	807,451	(17,309)	502	(790,644)	—
<b>TOTAL ASSETS</b> . . . . .	<u>\$ 239,466</u>	<u>\$ 3,582,552</u>	<u>\$1,289,926</u>	<u>\$(1,378,419)</u>	<u>\$ 3,733,525</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable . . . . .	\$ 784	\$ 212,464	\$ 590	\$ (14,615)	\$ 199,223
Air traffic liability and current frequent flyer deferred revenue . . . . .	—	623,324	10,021	—	633,345
Other accrued liabilities . . . . .	—	170,651	13,652	(8,712)	175,591
Current maturities of long-term debt, less discount . . . . .	—	43,857	—	—	43,857
Current maturities of finance lease obligations . . . . .	—	10,053	—	—	10,053
Current maturities of operating leases . . . . .	—	83,332	—	—	83,332
Total . . . . .	<u>784</u>	<u>1,143,681</u>	<u>24,263</u>	<u>(23,327)</u>	<u>1,145,401</u>
Long-term debt . . . . .	—	1,547,626	1,189,526	(1,200,000)	1,537,152
Intercompany payable . . . . .	143,257	(573,873)	121,673	308,943	—
<b>Other liabilities and deferred credits:</b>					
Noncurrent finance lease obligations . . . . .	—	60,116	—	—	60,116
Noncurrent operating leases . . . . .	—	303,119	—	—	303,119
Accumulated pension and other postretirement benefit obligations . . . . .	—	140,742	—	—	140,742
Other liabilities and deferred credits . . . . .	—	77,154	—	—	77,154
Noncurrent frequent flyer deferred revenue . . . . .	—	308,502	—	—	308,502
Deferred tax liabilities, net . . . . .	—	65,914	—	—	65,914
Total . . . . .	<u>—</u>	<u>955,547</u>	<u>—</u>	<u>—</u>	<u>955,547</u>
Shareholders' equity . . . . .	<u>95,425</u>	<u>509,571</u>	<u>(45,536)</u>	<u>(464,035)</u>	<u>95,425</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> . . . . .	<u>\$ 239,466</u>	<u>\$ 3,582,552</u>	<u>\$1,289,926</u>	<u>\$(1,378,419)</u>	<u>\$ 3,733,525</u>

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Balance Sheets  
December 31, 2022

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents . . . . .	\$ 28,620	\$ 151,357	\$ 49,145	\$ —	\$ 229,122
Restricted cash . . . . .	—	—	17,498	—	17,498
Short-term investments . . . . .	—	1,147,193	—	—	1,147,193
Accounts receivable, net . . . . .	—	106,321	25,785	(18,244)	113,862
Income taxes receivable . . . . .	—	70,204	—	—	70,204
Spare parts and supplies, net . . . . .	—	36,875	—	—	36,875
Prepaid expenses and other . . . . .	—	63,524	29	—	63,553
Total . . . . .	<u>28,620</u>	<u>1,575,474</u>	<u>92,457</u>	<u>(18,244)</u>	<u>1,678,307</u>
Property and equipment at cost . . . . .	—	3,009,614	—	—	3,009,614
Less accumulated depreciation and amortization . . . . .	—	(1,135,262)	—	—	(1,135,262)
Property and equipment, net . . . . .	—	<u>1,874,352</u>	—	—	<u>1,874,352</u>
Assets held for sale . . . . .	—	293	13,726	—	14,019
Operating lease right-of-use assets . . . . .	—	459,128	—	—	459,128
Long-term prepayments and other . . . . .	—	99,801	1,200,516	(1,200,000)	100,317
Intangible assets . . . . .	—	—	13,500	—	13,500
Intercompany receivable . . . . .	—	609,207	—	(609,207)	—
Investment in consolidated subsidiaries . . . . .	767,831	(57,699)	502	(710,634)	—
<b>TOTAL ASSETS</b> . . . . .	<u>\$796,451</u>	<u>\$ 4,560,556</u>	<u>\$1,320,701</u>	<u>\$(2,538,085)</u>	<u>\$ 4,139,623</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable . . . . .	\$ 630	\$ 207,294	\$ 617	\$ (12,532)	\$ 196,009
Air traffic liability and current frequent flyer deferred revenue . . . . .	—	579,872	10,924	—	590,796
Other accrued liabilities . . . . .	—	172,190	15,558	(5,712)	182,036
Current maturities of long-term debt, less discount . . . . .	—	47,836	—	—	47,836
Current maturities of finance lease obligations . . . . .	—	25,789	—	—	25,789
Current maturities of operating leases . . . . .	—	77,858	—	—	77,858
Total . . . . .	630	1,110,839	27,099	(18,244)	1,120,324
Long-term debt . . . . .	—	1,599,330	1,184,559	(1,200,000)	1,583,889
Intercompany payable . . . . .	462,556	—	146,651	(609,207)	—
<b>Other liabilities and deferred credits:</b>					
Noncurrent finance lease obligations . . . . .	—	75,221	—	—	75,221
Noncurrent operating leases . . . . .	—	347,726	—	—	347,726
Accumulated pension and other postretirement benefit obligations . . . . .	—	135,775	—	—	135,775
Other liabilities and deferred credits . . . . .	—	94,481	173	—	94,654
Noncurrent frequent flyer deferred revenue . . . . .	—	318,369	—	—	318,369
Deferred tax liabilities, net . . . . .	—	130,400	—	—	130,400
Total . . . . .	—	1,101,972	173	—	1,102,145
Shareholders' equity . . . . .	<u>333,265</u>	<u>748,415</u>	<u>(37,781)</u>	<u>(710,634)</u>	<u>333,265</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> . . . . .	<u>\$796,451</u>	<u>\$ 4,560,556</u>	<u>\$1,320,701</u>	<u>\$(2,538,085)</u>	<u>\$ 4,139,623</u>



Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows  
Year Ended December 31, 2023

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>Net Cash Used In Operating Activities:</b> . . . .	\$ (5,594)	\$(139,285)	\$(15,117)	\$ —	\$(159,996)
<b>Cash Flows From Investing Activities:</b>					
Net payments to affiliates . . . . .	—	38,030	(8,418)	(29,612)	—
Additions to property and equipment, including pre-delivery deposits . . . . .	—	(290,179)	—	—	(290,179)
Proceeds from disposition of property and equipment . . . . .	15,293	119	5,682	—	21,094
Purchases of investments . . . . .	—	(327,737)	—	—	(327,737)
Sales of investments . . . . .	—	750,076	—	—	750,076
Net cash provided by (used in) investing activities . . . . .	<u>15,293</u>	<u>170,309</u>	<u>(2,736)</u>	<u>(29,612)</u>	<u>153,254</u>
<b>Cash Flows From Financing Activities:</b>					
Repayments of long-term debt and finance lease obligations . . . . .	—	(66,652)	—	—	(66,652)
Debt issuance costs . . . . .	—	(9)	—	—	(9)
Net payments from affiliates . . . . .	(29,612)	—	—	29,612	—
Other . . . . .	—	(2,694)	—	—	(2,694)
Net cash provided by (used in) financing activities . . . . .	<u>(29,612)</u>	<u>(69,355)</u>	<u>—</u>	<u>29,612</u>	<u>(69,355)</u>
<b>Net decrease in cash and cash equivalents</b> . . .	(19,913)	(38,331)	(17,853)	—	(76,097)
<b>Cash and cash equivalents – Beginning of Period</b> . . . . .	28,620	151,357	66,643	—	246,620
<b>Cash and cash equivalents – End of Period</b> . .	<u>\$ 8,707</u>	<u>\$ 113,026</u>	<u>\$ 48,790</u>	<u>\$ —</u>	<u>\$ 170,523</u>

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows  
Year Ended December 31, 2022

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>Net Cash Used In Operating Activities:</b> . . . .	\$ (5,401)	\$ (20,253)	\$(32,098)	\$ —	\$ (57,752)
<b>Cash Flows From Investing Activities:</b>					
Net payments to affiliates . . . . .	—	(47,553)	34,335	13,218	—
Additions to property and equipment, including pre-delivery deposits . . . . .	—	(47,532)	—	—	(47,532)
Proceeds from disposition of property and equipment . . . . .	—	186	11,996	—	12,182
Purchases of investments . . . . .	—	(859,833)	—	—	(859,833)
Sales of investments . . . . .	—	880,161	—	—	880,161
Net cash provided by (used in) investing activities . . . . .	—	(74,571)	46,331	13,218	(15,022)
<b>Cash Flows From Financing Activities:</b>					
Repayments of long-term debt and finance lease obligations . . . . .	—	(184,306)	—	—	(184,306)
Debt issuance costs . . . . .	—	(2,236)	—	—	(2,236)
Net payments from affiliates . . . . .	13,218	—	—	(13,218)	—
Other . . . . .	—	(1,892)	—	—	(1,892)
Net cash provided by (used in) financing activities . . . . .	13,218	(188,434)	—	(13,218)	(188,434)
<b>Net increase (decrease) in cash and cash equivalents</b> . . . . .	7,817	(283,258)	14,233	—	(261,208)
<b>Cash, cash equivalents, and restricted cash – Beginning of Period</b> . . . . .	20,803	434,615	52,410	—	507,828
<b>Cash and cash equivalents – End of Period</b> . .	<u>\$28,620</u>	<u>\$ 151,357</u>	<u>\$ 66,643</u>	<u>\$ —</u>	<u>\$ 246,620</u>

Hawaiian Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows  
Year Ended December 31, 2021

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
<b>Net Cash Provided By (Used In) Operating Activities:</b>	\$ (7,489)	\$ 277,635	\$ (18,808)	\$ —	\$ 251,338
<b>Cash Flows From Investing Activities:</b>					
Net payments to affiliates	2,725	1,179,100	(1,110,610)	(71,215)	—
Additions to property and equipment, including pre-delivery deposits	—	(38,812)	(452)	—	(39,264)
Net proceeds from disposition of equipment	—	228	527	—	755
Purchases of investments	—	(1,856,035)	—	—	(1,856,035)
Sales of investments	—	958,242	—	—	958,242
Net cash provided by (used in) investing activities	<u>2,725</u>	<u>242,723</u>	<u>(1,110,535)</u>	<u>(71,215)</u>	<u>(936,302)</u>
<b>Cash Flows From Financing Activities:</b>					
Proceeds from the issuance of common stock	68,132	—	—	—	68,132
Long-term borrowings	—	51,705	1,200,000	—	1,251,705
Repayments of long-term debt and finance lease obligations	—	(611,725)	—	—	(611,725)
Debt issuance costs	—	(112)	(24,664)	—	(24,776)
Net payments from affiliates	(68,490)	—	(2,725)	71,215	—
Other	1,837	(2,020)	—	—	(183)
Net cash provided by (used in) financing activities	<u>1,479</u>	<u>(562,152)</u>	<u>1,172,611</u>	<u>71,215</u>	<u>683,153</u>
<b>Net increase in cash and cash equivalents</b>	<u>(3,285)</u>	<u>(41,794)</u>	<u>43,268</u>	<u>—</u>	<u>(1,811)</u>
<b>Cash, cash equivalents, and restricted cash – Beginning of Period</b>	<u>24,088</u>	<u>476,409</u>	<u>9,142</u>	<u>—</u>	<u>509,639</u>
<b>Cash, cash equivalents, and restricted cash – End of Period</b>	<u>\$ 20,803</u>	<u>\$ 434,615</u>	<u>\$ 52,410</u>	<u>\$ —</u>	<u>\$ 507,828</u>

**Income Taxes**

The income tax expense (benefit) is presented as if each entity that is part of the consolidated group files a separate return.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Management's Evaluation of Disclosure Controls and Procedures**

Our management, including our principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of December 31, 2023, and provide reasonable assurance that the information required to be disclosed by the Company in reports it files under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023 was conducted. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework* (2013 framework). Based on their assessment, we concluded that, as of December 31, 2023, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also has audited our Consolidated Financial Statements included in this Annual Report on Form 10-K. Ernst & Young's report on our internal control over financial reporting appears below.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and

instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Hawaiian Holdings, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited Hawaiian Holdings, Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Hawaiian Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedules listed in the Index at Item 15(a) and our report dated February 15, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP

Honolulu, Hawai'i  
February 15, 2024

**ITEM 9B. OTHER INFORMATION.**

*Securities Trading Plans of Directors and Executive Officers*

During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information required by this item is incorporated herein by reference from our definitive proxy statement relating to our 2024 Annual Meeting of Stockholders.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) *Financial Statements and Financial Statement Schedules:*

- (1) Financial Statements of Hawaiian Holdings, Inc.
  - i. Report of Ernst & Young LLP, Independent Registered Public Accounting Firm.
  - ii. Consolidated Statements of Operations for the Years ended December 31, 2023, 2022 and 2021.
  - iii. Consolidated Statements of Comprehensive Income, December 31, 2023, 2022 and 2021.
  - iv. Consolidated Balance Sheets, December 31, 2023 and 2022.
  - v. Consolidated Statements of Shareholders' Equity, Years ended December 31, 2023, 2022 and 2021.
  - vi. Consolidated Statements of Cash Flows for the Years ended December 31, 2023, 2022 and 2021.
  - vii. Notes to Consolidated Financial Statements.
- (2) Schedule of Valuation and Qualifying Accounts of Hawaiian Holdings, Inc.

The information required by Schedule I, "Condensed Financial Information of Registrant" has been provided in Note 18 to the Consolidated Financial Statements. All other schedules have been omitted because they are not required.

- (b) *Exhibits:* The documents listed in the Exhibit Index of the Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

#### Exhibit Index

- 2.1 Agreement and Plan of Merger, dated as of December 2, 2023, among Alaska Air Group, Inc., Marlin Acquisition Corp. and Hawaiian Holdings, Inc. (filed as Exhibit 2.1 to the Form 8-K, File No. 001-31443, filed by Hawaiian Holdings, Inc. on December 4, 2023).\*
- 3.1 Amended and Restated Certificate of Incorporation of Hawaiian Holdings, Inc. (filed as Exhibit 3.1 to the Form S-1, File No. 333-129503, filed by Hawaiian Holdings, Inc. on November 7, 2005).\*
- 3.2 Amended and Restated By-Laws of Hawaiian Holdings, Inc. (filed as Exhibit 3.1 to the Form 8-K, File No. 001-31443, filed by Hawaiian Holdings, Inc. on August 5, 2022).\*
- 4.1 Description of Securities (filed as Exhibit 4.1 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 15, 2023 and incorporated herein by reference).\*
- 4.2 Warrant Agreement, dated as of April 22, 2020, by and between Hawaiian Holdings, Inc. and the United States Department of the Treasury (filed as Exhibit 4.1 to the Form 10-Q filed by Hawaiian Holdings, Inc. on May 7, 2020).\*
- 4.3 Form of Warrant to Purchase Common Stock (included in Exhibit 4.2 as Annex B).
- 4.4 Promissory Note, dated as of April 22, 2020, issued by Hawaiian Airlines, Inc. to the United States Department of the Treasury, with Hawaiian Holdings, Inc. as guarantor (filed as Exhibit 4.3 to the Form 10-Q filed by Hawaiian Holdings, Inc. on May 7, 2020).\*
- 4.5 Warrant Agreement, dated as of September 25, 2020, between Hawaiian Holdings, Inc. and The United States Department of the Treasury (filed as Exhibit 4.9 to Form 10-Q filed October 28, 2020 and incorporated herein by reference).\*



- 4.6 Form of Warrant (included in Exhibit 4.5 as Annex B thereto).
- 4.7 Warrant Agreement, dated as of January 15, 2021, between Hawaiian Holdings, Inc. and the United States Department of the Treasury (filed as Exhibit 4.15 to Form 10-K filed February 12, 2021 and incorporated herein by reference).\*
- 4.8 Form of Warrant (included in Exhibit 4.7 as Annex B thereto).
- 4.9 Promissory Note, dated as of January 15, 2021, issued by Hawaiian Airlines, Inc. to the United States Department of the Treasury, with Hawaiian Holdings, Inc. as guarantor (filed as Exhibit 4.17 to Form 10-K filed February 12, 2021 and incorporated herein by reference).\*
- 4.10 Indenture, dated as of February 4, 2021, by and among Hawaiian Brand Intellectual Property, Ltd., HawaiianMiles Loyalty, Ltd., the guarantors named therein and Wilmington Trust, National Association, as trustee, collateral agent and collateral custodian, governing the 5.750% Senior Secured Notes due 2026 (filed as Exhibit 4.1 to Form 8-K filed February 4, 2021 and incorporated herein by reference).\*
- 4.11 Form of 5.750% Senior Secured Notes due 2026 (included in Exhibit 4.10 as Exhibit A thereto).
- 4.12 Warrant Agreement, dated as of April 23, 2021, between Hawaiian Holdings, Inc. and The United States Department of the Treasury (filed as Exhibit 4.1 to Form 10-Q filed July 29, 2021 and incorporated herein by reference).\*
- 4.13 Form of Warrant (included in Exhibit 4.12 as Annex B thereto).
- 4.14 Promissory Note, dated as of April 23, 2021, issued by Hawaiian Airlines, Inc. to the United States Department of the Treasury, with Hawaiian Holdings, Inc. as guarantor (filed as Exhibit 4.3 to Form 10-Q filed July 29, 2021 and incorporated herein by reference).\*
- 4.15 Warrant to Purchase Common Stock, issued on October 20, 2022, by and between Hawaiian Holdings, Inc. and Amazon.com NV Investment Holdings LLC (filed as Exhibit 4.1 to the Form S-3 filed by Hawaiian Holdings, Inc. on November 18, 2022)\*‡
- 10.1 Form of Hawaiian Holdings, Inc. Stock Option Agreement for certain employees and executive officers (filed as Exhibit 10.14 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 26, 2009).\*±
- 10.2 Hawaiian Holdings, Inc. 2016 Management Incentive Plan (filed as Exhibit 10.9 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 16, 2017).\*±
- 10.3 Hawaiian Holdings, Inc. Outside Director Compensation Policy (filed as Exhibit 10.10 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 16, 2017).\*±
- 10.4 Hawaiian Holdings, Inc. 2015 Stock Incentive Plan (filed as Exhibit 10.1 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 12, 2015).\*±
- 10.5 Form of Hawaiian Holdings, Inc. Restricted Stock Unit Agreement (filed as Exhibit 10.2 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 28, 2015).\*±
- 10.6 Form of Hawaiian Holdings, Inc. Performance Restricted Stock Unit Agreement (filed as Exhibit 10.3 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 28, 2015).\*±
- 10.7 Form of Hawaiian Holdings, Inc. Stock Option Agreement (filed as Exhibit 10.4 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 28, 2015).\*±
- 10.8 Hawaiian Holdings, Inc. Form of Indemnification Agreement (incorporated by reference from Exhibit 10.1 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 23, 2023).\*
- 10.9 Form of Change in Control and Severance Agreement for executive officers (filed as Exhibit 10.21 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 16, 2017).\*±
- 10.10 Airbus A320 Family Purchase Agreement, dated as of March 18, 2013, between Airbus S.A.S. and Hawaiian Airlines, Inc. (filed as Exhibit 10.1 to Form 10-Q/A filed by Hawaiian Holdings, Inc. on October 17, 2013 in redacted form since confidential treatment has been granted for certain provisions thereof pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended).\*‡

- 10.10.1 Amendment #1 to Airbus A320 Family Purchase Agreement, dated as of March 18, 2013, between Airbus S.A.S. and Hawaiian Airlines, Inc. (filed as Exhibit 10.62.1 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 9, 2015).\*
- 10.10.2 Amendment #2 to Airbus A320 Family Purchase Agreement, dated as of March 18, 2013, between Airbus S.A.S. and Hawaiian Airlines, Inc. (filed as Exhibit 10.62.2 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 9, 2015 in redacted form since confidential treatment has been granted for certain provisions thereof pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended).\*‡
- 10.11 Pass Through Trust Agreement, dated May 29, 2013, between Hawaiian Airlines, Inc. and Wilmington Trust, National Association, as trustee (filed as Exhibit 4.1 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.12 Trust Supplement No. 2013-1A-O, dated as of May 29, 2013, between Wilmington Trust, National Association, as Trustee, and Hawaiian Airlines, Inc. to Pass Through Trust Agreement, dated as of May 29, 2013 (filed as Exhibit 4.2 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.13 Trust Supplement No. 2013-1A-S, dated as of May 29, 2013, between Wilmington Trust, National Association, as Trustee, and Hawaiian Airlines, Inc. to Pass Through Trust Agreement, dated as of May 29, 2013 (filed as Exhibit 4.3 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.14 Trust Supplement No. 2013-1B-O, dated as of May 29, 2013, between Wilmington Trust, National Association, as Trustee, and Hawaiian Airlines, Inc. to Pass Through Trust Agreement, dated as of May 29, 2013 (filed as Exhibit 4.4 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.15 Trust Supplement No. 2013-1B-S, dated as of May 29, 2013, between Wilmington Trust, National Association, as Trustee, and Hawaiian Airlines, Inc. to Pass Through Trust Agreement, dated as of May 29, 2013 (filed as Exhibit 4.5 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.16 Revolving Credit Agreement (2013-1A), dated as of May 29, 2013, between Wilmington Trust, National Association, as subordination agent, as agent and trustee, and as borrower, and Natixis S.A., acting via its New York Branch, as liquidity provider (filed as Exhibit 4.6 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.17 Revolving Credit Agreement (2013-1B), dated as of May 29, 2013, between Wilmington Trust, National Association, as subordination agent, as agent and trustee, and as borrower, and Natixis S.A., acting via its New York Branch, as liquidity provider (filed as Exhibit 4.7 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.18 Intercreditor Agreement, dated as of May 29, 2013, among Wilmington Trust, National Association, as trustee, Natixis S.A., acting via its New York Branch, as liquidity provider, and Wilmington Trust, National Association, as subordination agent and trustee (filed as Exhibit 4.8 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.19 Deposit Agreement (Class A), dated as of May 29, 2013, between Wells Fargo Bank Northwest, National Association, as escrow agent, and Natixis S.A., acting via its New York Branch, as depositary (filed as Exhibit 4.9 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.20 Deposit Agreement (Class B), dated as of May 29, 2013, between Wells Fargo Bank Northwest, National Association, as escrow agent, and Natixis S.A., acting via its New York Branch, as depositary (filed as Exhibit 4.10 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*

- 10.21 Escrow and Paying Agent Agreement (Class A), dated as of May 29, 2013, among Wells Fargo Bank Northwest, National Association, as escrow agent, Citigroup Global Markets Inc., Goldman, Sachs & Co. and Morgan Stanley & Co. LLC, for themselves and on behalf of the several Underwriters of the Certificates, Wilmington Trust, National Association, as trustee, and Wilmington Trust, National Association, as paying agent (filed as Exhibit 4.11 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.22 Escrow and Paying Agent Agreement (Class B), dated as of May 29, 2013, among Wells Fargo Bank Northwest, National Association, as escrow agent, Citigroup Global Markets Inc., Goldman, Sachs & Co. and Morgan Stanley & Co. LLC, for themselves and on behalf of the several Underwriters of the Certificates, Wilmington Trust, National Association, as trustee, and Wilmington Trust, National Association, as paying agent (filed as Exhibit 4.12 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.23 Note Purchase Agreement, dated as of May 29, 2013, among Hawaiian Airlines, Inc., Wilmington Trust, National Association, as trustee, Wilmington Trust, National Association, as subordination agent, Wells Fargo Bank Northwest, National Association, as escrow agent, and Wilmington Trust, National Association, as paying agent (filed as the Exhibit 4.13 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.24 Form of Participation Agreement (Participation Agreement between Hawaiian Airlines, Inc. and Wilmington Trust, National Association, as mortgagee, subordination agent and trustee) (Exhibit B to Note Purchase Agreement) (filed as Exhibit 4.14 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.25 Form of Indenture (Trust Indenture and Mortgage between Hawaiian Airlines, Inc. and Wilmington Trust, National Association, as mortgagee and securities intermediary) (Exhibit C to Note Purchase Agreement) (filed Exhibit 4.15 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.26 Form of Hawaiian Airlines Pass Through Certificate, Series 2013-1A-O (filed as Exhibit 4.16 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.27 Form of Hawaiian Airlines Pass Through Certificate, Series 2013-1B-O (filed as Exhibit 4.17 to the Form 8-K filed by Hawaiian Holdings, Inc. on May 31, 2013).\*
- 10.28 Lease Agreement, dated as of November 15, 2016 between Hawaiian Airlines, Inc. and the Department of Transportation of the State of Hawai'i (filed as Exhibit 10.45 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 16, 2017).\*
- 10.29 Aircraft General Terms Agreement Number AGTA-HWI, dated as of July 18, 2018 between The Boeing Company and Hawaiian Airlines, Inc. (filed as Exhibit 10.1 to the Form 10-Q filed by Hawaiian Holdings, Inc. on October 24, 2018 in redacted form since confidential treatment has been granted for certain provisions thereof pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended).\*‡
- 10.30 Purchase Agreement No. PA-04749, dated as of July 18, 2018, between the Boeing Company and Hawaiian Airlines, Inc. (filed as Exhibit 10.2 to the Form 10-Q filed by Hawaiian Holdings, Inc. on October 24, 2018 in redacted for since confidential treatment has been granted for certain provisions thereof pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended).\*‡
- 10.31 Supplemental Agreement to that certain Purchase Agreement No. PA-04749, dated as of July 18, 2018, between the Boeing Company and Hawaiian Airlines, Inc., dated as of December 30, 2022, between Hawaiian Airlines, Inc. and the Boeing Company (filed as Exhibit 10.31 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 15, 2023 and incorporated herein by reference).\*‡
- 10.32 General Terms Agreement No. 1-1026296, dated as of October 1, 2018, among General Electric Company, GE Engine Services Distribution, LLC and Hawaiian Airlines, Inc. (filed as Exhibit 10.36 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 13, 2019).\*‡

- 10.33 Letter Agreement No. 1 to General Terms Agreement No. 1-1026296, dated as of October 1, 2018, among General Electric Company, GE Engine Services Distribution, LLC and Hawaiian Airlines, Inc. (filed as Exhibit 10.37 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 13, 2019).\*‡
- 10.34 Flight Hour Agreement, dated as of October 1, 2018, between GE Engine Services, LLC and Hawaiian Airlines, Inc. (filed as Exhibit 10.38 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 13, 2019).\*‡
- 10.35 Amended and Restated Credit and Guaranty Agreement, dated as of December 11, 2018, among Hawaiian Airlines, Inc., Hawaiian Holdings, Inc., certain other subsidiaries of Hawaiian Holdings, Inc., the lenders party thereto and Citibank, N.A. (filed as Exhibit 10.39 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 13, 2019), Inc., certain other subsidiaries of Hawaiian Holdings, Inc., the lenders party thereto and Citibank, N.A. (filed as Exhibit 10.39 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 13, 2019).\*
- 10.36 Amended and Restated Credit and Guaranty Agreement, dated as of August 17, 2022, among Hawaiian Airlines, Inc., Hawaiian Holdings, Inc., certain other subsidiaries of Hawaiian Holdings, Inc., the lenders party thereto and Citibank, N.A. (filed as Exhibit 10.1 to the Form 10-Q filed by Hawaiian Holdings, Inc. on October 31, 2022).\*
- 10.37 Payroll Support Program Agreement, dated as of April 22, 2020, by and between Hawaiian Airlines, Inc. and the United States Department of the Treasury (filed as Exhibit 10.1 to the Form 10-Q filed by Hawaiian Holdings, Inc. on May 7, 2020).\*
- 10.38 Loan and Guarantee Agreement, dated as of September 25, 2020, among Hawaiian Airlines, Inc., as borrower, Hawaiian Holdings, Inc., the guarantors party thereto from time to time, The United States Department of the Treasury, and The Bank of New York Mellon, as administrative agent and collateral agent (filed as Exhibit 10.1 to the Form 10-Q filed by Hawaiian Holdings, Inc. on October 28, 2020).\*
- 10.39 Amended and Restated Loan and Guarantee Agreement, dated as of October 23, 2020, among Hawaiian Airlines, Inc., as borrower, Hawaiian Holdings, Inc., the guarantors party thereto from time to time, The United States Department of the Treasury, and The Bank of New York Mellon, as administrative agent and collateral agent (filed as Exhibit 10.2 to the Form 10-Q filed by Hawaiian Holdings, Inc. on October 28, 2020).\*
- 10.40 Amendment to Loan and Guarantee Agreement, dated as of January 15, 2021, among Hawaiian Airlines, Inc., as borrower, Hawaiian Holdings, Inc., the guarantors party thereto from time to time, the United States Department of the Treasury, and The Bank of New York Mellon, as administrative agent and collateral agent (filed as Exhibit 10.39 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 12, 2021).\*
- 10.41 Payroll Support Program Extension Agreement, dated as of January 15, 2021, by and between Hawaiian Airlines, Inc. and the United States Department of the Treasury (filed as Exhibit 10.40 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 12, 2021).\*
- 10.42 Payroll Support Program 3 Agreement, dated as of April 23, 2021, by and between Hawaiian Airlines, Inc. and the United States Department of the Treasury (filed as Exhibit 10.1 to the Form 10-Q filed by Hawaiian Holdings, Inc. on July 29, 2021).\*
- 10.43 Transaction Agreement, dated as of October 20, 2022, by and between Hawaiian Holdings, Inc. and Amazon.com, Inc. (filed as Exhibit 10.1 to the Form S-3 filed by Hawaiian Holdings, Inc. on November 18, 2022)\*‡
- 10.44 Air Transportation Services Agreement, dated as of October 20, 2022, by and between Hawaiian Airlines, Inc. and Amazon.com Services LLC (filed as Exhibit 10.44 to the Form 10-K filed by Hawaiian Holdings, Inc. on February 15, 2023 and incorporated herein by reference).\*‡
- 21.1 List of Subsidiaries of Hawaiian Holdings, Inc.
- 23.1 Consent of Ernst & Young LLP.
- 24.1 Power of Attorney
- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer.

- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 97.1 Hawaiian Holdings, Inc. Compensation Recovery Policy
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Valuation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data Files (formatted as inline XBRL and contained in Exhibit 101)

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+ These exhibits relate to management contracts or compensatory plans or arrangements.

\* Previously filed; incorporated herein by reference.

‡ Confidential treatment has been requested for a portion of this exhibit.

Schedule II — Hawaiian Holdings, Inc.

**Valuation and Qualifying Accounts**  
**Years Ended December 31, 2023, 2022 and 2021**

COLUMN A	COLUMN B	COLUMN C ADDITIONS		COLUMN D		COLUMN E
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions		Balance at End of Year
			(in thousands)			
<b>Allowance for Doubtful Accounts</b>						
2023 .....	\$ 739	890	—	(859)	(a)	\$ 770
2022 .....	\$ 844	1,407	—	(1,512)	(a)	\$ 739
2021 .....	\$ 2,096	317	—	(1,569)	(a)	\$ 844
<b>Allowance for Obsolescence of Flight Equipment Expendable Parts and Supplies</b>						
2023 .....	\$21,139	5,132	(b)	(2,187)	(c)	\$24,084
2022 .....	\$18,733	3,312	(b)	(906)	(c)	\$21,139
2021 .....	\$17,977	3,213	(b)	(2,457)	(c)	\$18,733
<b>Valuation Allowance on Deferred Tax Assets</b>						
2023 .....	\$31,867	9,413	—	—		\$41,280
2022 .....	\$14,062	17,805	—	—		\$31,867
2021 .....	\$ 9,617	4,445	—	—		\$14,062

(a) Doubtful accounts written off, net of recoveries.

(b) Obsolescence reserve for Hawaiian flight equipment expendable parts and supplies.

(c) Spare parts and supplies written off against the allowance for obsolescence.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 15, 2024

HAWAIIAN HOLDINGS, INC.

By /s/ SHANNON L. OKINAKA

Shannon L. Okinaka

*Executive Vice President, Chief Financial Officer  
and Treasurer (Principal Financial and  
Accounting Officer)*

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Peter R. Ingram and Shannon L. Okinaka, and each of them acting individually, as his or her true and lawful attorneys-in-fact and agents with full power of each to act alone, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or her or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 15, 2024.

Signature	Title
<u>/s/ PETER R. INGRAM</u> Peter R. Ingram	President and Chief Executive Officer, and Director (Principal Executive Officer)
<u>/s/ SHANNON L. OKINAKA</u> Shannon L. Okinaka	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
<u>/s/ LAWRENCE S. HERSHFIELD</u> Lawrence S. Hershfield	Chair of the Board of Directors
<u>/s/ WENDY A. BECK</u> Wendy A. Beck	Director
<u>/s/ EARL E. FRY</u> Earl E. Fry	Director
<u>/s/ C. JAYNE HRDLICKA</u> C. Jayne Hrdlicka	Director

Signature	Title
<u>/s/ MICHAEL E. MCNAMARA</u> Michael E. McNamara	Director
<u>/s/ CRYSTAL K. ROSE</u> Crystal K. Rose	Director
<u>/s/ MARK D. SCHNEIDER</u> Mark D. Schneider	Director
<u>/s/ DANIEL W. AKINS</u> Daniel W. Akins	Director
<u>/s/ CRAIG E. VOSBURG</u> Craig E. Vosburg	Director
<u>/s/ DUANE E. WOERTH</u> Duane E. Woerth	Director
<u>/s/ RICHARD N. ZWERN</u> Richard N. Zwern	Director



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## Board of Directors

### **Lawrence S. Hershfield**

**Chairman of the Board**  
Hawaiian Holdings, Inc. and  
Hawaiian Airlines, Inc.

### **Chief Executive Officer**

Ranch Capital, LLC

### **Peter R. Ingram**

#### **President and Chief Executive Officer**

Hawaiian Holdings, Inc. and  
Hawaiian Airlines, Inc.

### **Wendy A. Beck**

#### **Former Executive Vice President and Chief Financial Officer**

Norwegian Cruise Line Holdings Ltd.

### **Earl E. Fry**

#### **Former Chief Financial Officer and Executive Vice President**

**Operations Strategy**  
Informatica Corp.

### **C. Jayne Hrdlicka**

#### **Chief Executive Officer**

Virgin Australia

### **Michael E. McNamara**

#### **Former Chief Information Officer**

Target

### **Crystal K. Rose**

#### **Partner**

Lung Rose Voss and Wagnild

### **Mark D. Schneider**

#### **Adjunct Professor of Law**

New York University Law School

### **Craig E. Vosburg**

#### **Chief Product Officer**

Mastercard

### **Duane E. Woerth**

#### **Former U.S. Ambassador**

International Civil Aviation Organization

### **Richard N. Zwern**

#### **Former Worldwide Director- Executive Development**

WPP Group Corporate

### **Daniel W. Akins**

#### **Founding Partner**

Flightpath Economics, LLC

## Corporate Officers

### **Peter R. Ingram**

#### **President and Chief Executive Officer**

Hawaiian Holdings, Inc. and  
Hawaiian Airlines, Inc.

### **Aaron J. Alter**

#### **Executive Vice President**

#### **Chief Legal Officer and Corporate Secretary**

Hawaiian Holdings, Inc. and  
Hawaiian Airlines, Inc.

### **Avi A. Mannis**

#### **Executive Vice President**

#### **Chief Marketing Officer**

Hawaiian Airlines, Inc.

### **Shannon L. Okinaka**

#### **Executive Vice President**

#### **Chief Financial Officer and Treasurer**

Hawaiian Holdings, Inc.

### **Executive Vice President**

#### **Chief Financial Officer**

Hawaiian Airlines, Inc.

### **Brent A. Overbeek**

#### **Executive Vice President**

#### **Chief Revenue Officer**

Hawaiian Airlines, Inc.

### **Jonathan D. Snook**

#### **Executive Vice President**

#### **Chief Operating Officer**

Hawaiian Airlines, Inc.

### **John E. Jacobi III**

#### **Senior Vice President**

#### **Chief Information Officer**

Hawaiian Airlines, Inc.

### **Robin H. Kobayashi**

#### **Senior Vice President**

#### **Human Resources**

Hawaiian Airlines, Inc.

### **James W. Landers**

#### **Senior Vice President**

#### **Technical Operations**

Hawaiian Airlines, Inc.

### **Lokesh Amaranayaka**

#### **Vice President**

#### **Airport Operations**

Hawaiian Airlines, Inc.

### **Justin J. Doane**

#### **Vice President**

#### **Labor and People Relations**

Hawaiian Airlines, Inc.

### **K. Sayle Hirashima**

#### **Vice President**

#### **Controller**

Hawaiian Airlines, Inc.

### **Robert H. Johnson, Jr.**

#### **Vice President**

#### **Flight Operations**

Hawaiian Airlines, Inc.

### **David M. LeNoir, Jr.**

#### **Vice President**

#### **Financial Planning and Analysis**

Hawaiian Airlines, Inc.

### **John F. Schaefer, Jr.**

#### **Vice President**

#### **Treasurer**

Hawaiian Airlines, Inc.

### **Robert N. Sorensen**

#### **Vice President**

#### **Marketing and E-Commerce**

Hawaiian Airlines, Inc.

### **Robin A. Sparling**

#### **Vice President**

#### **Inflight Services**

Hawaiian Airlines, Inc.

### **Beau A. H. Tatsumura**

#### **Vice President**

#### **Maintenance and Engineering**

Hawaiian Airlines, Inc.

### **Thomas Zheng**

#### **Vice President**

#### **Technical Operations Business Planning and Services**

Hawaiian Airlines, Inc.

## Corporate Information

### **Headquarters**

#### **Hawaiian Airlines, Inc.**

3375 Koapaka Street, Suite G350

Honolulu, Hawai'i 96819

Telephone: (808) 835.3700

Facsimile: (808) 835.3690

### **Mailing Address**

P. O. Box 30008

Honolulu, Hawai'i 96820

### **Internet Address**

HawaiianAirlines.com

### **Investor Relations**

Investor.Relations@HawaiianAir.com

### **Stock Transfer Agent and Registrar**

Equiniti Trust Company, LLC

48 Wall Street, Floor 23

New York, NY 10005

Telephone: (800) 937.5449

Email: HelpAST@equiniti.com

### **Stock Exchange Listing**

Symbol – HA

NASDAQ Stock Market, LLC

New York, New York

### **Independent Auditors**

Ernst & Young, LLP

Honolulu, Hawai'i

### **Corporate Counsel**

Wilson Sonsini Goodrich & Rosati, P.C.

Palo Alto, California

## Annual Meeting

The 2024 Annual Meeting of Stockholders of Hawaiian Holdings, Inc. will be held on Wednesday, May 15, 2024, at 9:00 a.m. Hawai'i Standard Time as a virtual meeting via live webcast.

## 95 years of commitment to Hawai'i

To commemorate the 95th anniversary of Hawaiian Airlines, we commissioned the creation of a logo design that draws inspiration from the 'Iwa bird logo we used from 1952 to 1966. We honor the past as we look to the future.

**HAWAIIAN**  
AIRLINES®