

SKYWEST INC
Form 10-Q
November 06, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

OR

0 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ **to** _____

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SKYWEST, INC.

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Incorporated under the laws of Utah

87-0292166
(I.R.S. Employer ID No.)

444 South River Road

St. George, Utah 84790

(435) 634-3000

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Indicate by a 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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 3, 2009
Common stock, no par value	55,605,328

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SKYWEST, INC.

QUARTERLY REPORT ON FORM 10-Q

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Exhibit 32.1	Certification of Chief Executive Officer		
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

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	September 30, 2009 (unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 108,199	\$ 125,892
Marketable securities	695,937	568,567
Restricted cash	10,729	10,728
Income tax receivable	11,549	14,868
Receivables, net	67,069	55,458
Inventories, net	102,950	104,383
Prepaid aircraft rents	225,829	226,474
Deferred tax assets	51,176	76,093
Other current assets	34,369	38,205
Total current assets	1,307,807	1,220,668
PROPERTY AND EQUIPMENT:		
Aircraft and rotatable spares	3,418,678	3,273,705
Deposits on aircraft	12,642	20,390
Buildings and ground equipment	241,016	239,573
	3,672,336	3,533,668
Less-accumulated depreciation and amortization	(935,273)	(824,293)
Total property and equipment, net	2,737,063	2,709,375
OTHER ASSETS		
Intangible assets, net	24,559	26,247
Other assets	78,836	58,001
Total other assets	103,395	84,248
Total assets	\$ 4,148,265	\$ 4,014,291

See accompanying notes to condensed consolidated financial statements.

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SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

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	September 30, 2009 (unaudited)	December 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 138,727	\$ 129,783
Accounts payable	149,789	110,902
Accrued salaries, wages and benefits	67,666	66,553
Accrued aircraft rents	12,200	25,676
Taxes other than income taxes	24,347	16,651
Other current liabilities	38,394	37,039
Total current liabilities	431,123	386,604
OTHER LONG-TERM LIABILITIES	39,561	41,525
LONG-TERM DEBT, net of current maturities	1,706,556	1,681,705
DEFERRED INCOME TAXES PAYABLE	518,756	507,113
DEFERRED AIRCRAFT CREDITS	119,574	121,823
COMMITMENTS AND CONTINGENCIES (Note I)		
STOCKHOLDERS' EQUITY:		
Preferred stock, 5,000,000 shares authorized; none issued		
Common stock, no par value, 120,000,000 shares authorized; 74,621,715 and 73,520,292 shares issued, respectively	576,308	562,395
Retained earnings	1,035,128	977,736
Treasury stock, at cost, 19,017,645 and 17,150,580 shares, respectively	(279,619)	(261,174)
Accumulated other comprehensive income (loss)	878	(3,436)
Total stockholders' equity	1,332,695	1,275,521
Total liabilities and stockholders' equity	\$ 4,148,265	\$ 4,014,291

See accompanying notes to condensed consolidated financial statements.

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(Dollars and Shares in Thousands, Except per Share Amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
OPERATING REVENUES:				
Passenger	\$ 629,955	\$ 926,193	\$ 1,985,978	\$ 2,728,922
Ground handling and other	7,793	7,919	23,235	24,032
Total operating revenues	637,748	934,112	2,009,213	2,752,954
OPERATING EXPENSES:				
Aircraft fuel	61,842	363,735	331,513	1,022,590
Salaries, wages and benefits	175,552	182,103	526,286	548,675
Aircraft maintenance, materials and repairs	119,055	99,294	327,604	280,662
Aircraft rentals	76,189	74,318	224,929	221,638
Depreciation and amortization	55,461	55,141	164,722	164,687
Station rentals and landing fees	27,500	33,923	90,352	102,149
Ground handling services	23,538	25,107	72,109	83,994
Other airline expense	35,358	40,232	107,852	127,126
Total operating expenses	574,495	873,853	1,845,367	2,551,521
OPERATING INCOME	63,253	60,259	163,846	201,433
OTHER INCOME (EXPENSE):				
Interest income	1,841	4,627	7,287	16,398
Interest expense	(21,149)	(23,872)	(65,216)	(80,389)
Impairment on marketable securities			(7,115)	
Other	1,582		1,378	6,308
	(17,726)	(19,245)	(63,666)	(57,683)
INCOME BEFORE INCOME TAXES	45,527	41,014	100,180	143,750
PROVISION FOR INCOME TAXES	16,961	14,858	36,022	52,019
NET INCOME	\$ 28,566	\$ 26,156	\$ 64,158	\$ 91,731
BASIC EARNINGS PER SHARE	\$ 0.51	\$ 0.46	\$ 1.15	\$ 1.58
DILUTED EARNINGS PER SHARE	\$ 0.50	\$ 0.45	\$ 1.13	\$ 1.55
Weighted average common shares:				
Basic	55,605	57,027	55,936	58,139
Diluted	56,652	57,682	56,879	59,014
Dividends declared per share	\$ 0.04	\$ 0.03	\$ 0.12	\$ 0.09

See accompanying notes to condensed consolidated financial statements.

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SKYWEST, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In Thousands)

	Nine Months Ended September 30	
	2009	2008
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 308,981	\$ 348,829
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(684,040)	(1,023,604)
Sales of marketable securities	552,046	976,340
Proceeds from the sale of equipment	18,534	2,549
Acquisition of property and equipment:		
Aircraft and rotatable spare parts	(212,274)	(86,650)
Buildings and ground equipment	(2,712)	(39,394)
Increase in other assets	(22,224)	(2,978)
NET CASH USED IN INVESTING ACTIVITIES	(350,670)	(173,737)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	139,580	17,680
Principal payments on long-term debt	(105,785)	(82,221)
Tax (deficiency) benefit from exercise of common stock options	(1,023)	161
Return of deposits on aircraft and rotatable spare parts	7,748	226