

SKYWEST INC  
Form 10-Q  
May 07, 2010  
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## **SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549



# Form 10-Q



**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2010**

**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 0-14719





**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 to 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   
(Do not check if a smaller reporting company)

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 May 3, 2010
Common stock, no par value	55,936,136

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SKYWEST, INC.

QUARTERLY REPORT ON FORM 10-Q

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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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ASSETS

	March 31, 2010 (unaudited)	December 31, 2009
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 64,441	\$ 76,414
Marketable securities	654,511	645,301
Restricted cash	10,730	10,730
Income tax receivable	12,531	12,608
Receivables, net	104,756	111,902
Inventories, net	90,469	89,876
Prepaid aircraft rents	282,960	237,350
Deferred tax assets	44,504	45,197
Other current assets	15,885	24,721
<b>Total current assets</b>	<b>1,280,787</b>	<b>1,254,099</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Aircraft and rotatable spares	3,711,730	3,612,658
Deposits on aircraft		4,247
Buildings and ground equipment	241,948	240,438
	3,953,678	3,857,343
Less-accumulated depreciation and amortization	(1,027,293)	(977,637)
<b>Total property and equipment, net</b>	<b>2,926,385</b>	<b>2,879,706</b>
<b>OTHER ASSETS</b>		
Intangible assets, net	23,434	23,997
Other assets	168,403	153,000
<b>Total other assets</b>	<b>191,837</b>	<b>176,997</b>
<b>Total assets</b>	<b>\$ 4,399,009</b>	<b>\$ 4,310,802</b>

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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LIABILITIES AND STOCKHOLDERS EQUITY

	March 31, 2010 (unaudited)	December 31, 2009
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 153,565	\$ 148,571
Accounts payable	175,529	165,825
Accrued salaries, wages and benefits	66,861	67,377
Accrued aircraft rents	8,065	17,661
Taxes other than income taxes	21,015	17,476
Other current liabilities	39,450	32,925
Total current liabilities	464,485	449,835
<b>OTHER LONG-TERM LIABILITIES</b>	<b>39,779</b>	<b>38,540</b>
<b>LONG-TERM DEBT, net of current maturities</b>	<b>1,865,898</b>	<b>1,816,318</b>
<b>DEFERRED INCOME TAXES PAYABLE</b>	<b>546,645</b>	<b>536,540</b>
<b>DEFERRED AIRCRAFT CREDITS</b>	<b>114,996</b>	<b>117,350</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, 5,000,000 shares authorized; none issued		
Common stock, no par value, 120,000,000 shares authorized; 75,034,096 and 74,626,660 shares issued, respectively	581,503	578,153
Retained earnings	1,065,134	1,052,375
Treasury stock, at cost, 19,100,933 and 19,017,645 shares, respectively	(280,793)	(279,619)
Accumulated other comprehensive income	1,362	1,310
Total stockholders equity	1,367,206	1,352,219
Total liabilities and stockholders equity	\$ 4,399,009	\$ 4,310,802

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SKYWEST, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

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

(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES:</b>		
Passenger	\$ 623,112	\$ 664,883
Ground handling and other	9,131	7,759
Total operating revenues	632,243	672,642
<b>OPERATING EXPENSES:</b>		
Aircraft fuel	73,514	140,629
Salaries, wages and benefits	178,563	176,872
Aircraft maintenance, materials and repairs	106,755	92,158
Aircraft rentals	76,459	72,782
Depreciation and amortization	58,146	54,584
Station rentals and landing fees	28,885	32,874
Ground handling services	29,444	25,448
Other, net	38,056	36,471
Total operating expenses	589,822	631,818
<b>OPERATING INCOME</b>	<b>42,421</b>	<b>40,824</b>
<b>OTHER INCOME (EXPENSE):</b>		
Interest income	3,970	2,722
Interest expense	(21,585)	(22,951)
Impairment of marketable securities		(7,115)
Other	(255)	(319)
Total other expense, net	(17,870)	(27,663)
<b>INCOME BEFORE INCOME TAXES</b>	<b>24,551</b>	<b>13,161</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>9,537</b>	<b>3,789</b>
<b>NET INCOME</b>	<b>\$ 15,014</b>	<b>\$ 9,372</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.27</b>	<b>\$ 0.17</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.26</b>	<b>\$ 0.16</b>
<b>Weighted average common shares:</b>		
Basic	55,855	56,546
Diluted	56,864	57,427
<b>Dividends declared per share</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>

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)

	Three Months Ended March 31,	
	2010	2009
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 62,461	\$ 67,344
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(117,311)	(130,781)
Sales of marketable securities	107,910	145,555
Proceeds from the sale of equipment	75	16,142
Payments received on note receivable from United Air Lines	2,001	
Acquisition of property and equipment:		
Aircraft and rotatable spare parts	(106,158)	(40,715)
Buildings and ground equipment	(1,758)	(470)
Increase in other assets	(17,051)	(23,242)
NET CASH USED IN INVESTING ACTIVITIES	(132,292)	(33,511)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	81,698	20,986
Principal payments on long-term debt	(27,124)	(35,482)
Return of deposits on aircraft and rotatable spare parts	4,247	1,078
Net proceeds from issuance of common stock	2,466	5,905
Purchase of treasury stock	(1,174)	(12,602)
Payment of cash dividends	(2,255)	(2,284)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	57,858	(22,399)
Increase (decrease) in cash and cash equivalents	(11,973)	11,434
Cash and cash equivalents at beginning of period	76,414	125,892
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 64,441	\$ 137,326
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest, net of capitalized amounts	\$ 15,558	\$ 17,396
Income taxes	\$ 180	\$ 110

See accompanying notes to condensed consolidated financial statements.



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**SKYWEST, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

Note A Condensed Consolidated Financial Statements

The condensed consolidated financial statements of SkyWest, Inc. ( SkyWest or the Company ) and its wholly-owned subsidiaries, SkyWest Airlines, Inc. ( SkyWest Airlines ) and Atlantic Southeast Airlines, Inc. ( ASA ) included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although SkyWest believes that the following disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the results of operations for the interim periods presented. All adjustments are of a normal recurring nature, unless otherwise disclosed. The Company suggests that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results will differ and may differ materially from those estimates and assumptions.

In preparing the accompanying unaudited condensed consolidated financial statements, the Company has reviewed, as determined necessary by the Company s management, events that have occurred after March 31, 2010, up until the issuance of the condensed consolidated financial statements, which occurred on May 7, 2010.

Note B New Accounting Pronouncements

On September 23, 2009, the Financial Accounting Standards Board ( FASB ) ratified Emerging Issues Task Force Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables* ( EITF 08-1 ). EITF 08-1 updates the current guidance pertaining to multiple-element revenue arrangements included in ASC Subtopic 605-25, which originated primarily from EITF 00-21, also titled *Revenue Arrangements with Multiple Deliverables*. EITF 08-1 will be effective for annual reporting periods beginning January 1, 2011 for calendar-year entities. The Company is currently evaluating the impact of EITF 08-1 on its financial position, results of operations, cash flows, and disclosures.