

SKYWEST INC
Form 10-Q
August 05, 2015
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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 June 30, 2015

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.

Incorporated under the laws of Utah

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

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444 South River Road

St. George, Utah 84790

(435) 634-3000

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
(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 July 31, 2015
Common stock, no par value	50,602,727

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SKYWEST, INC.

QUARTERLY REPORT ON FORM 10-Q

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(Dollars in Thousands)

ASSETS

	June 30, 2015 (unaudited)	December 31, 2014
CURRENT ASSETS:		
Cash and cash equivalents	\$ 171,165	\$ 132,275
Marketable securities	322,050	415,273
Restricted cash	11,584	11,582
Income tax receivable	1,378	2,779
Receivables, net	71,827	83,099
Inventories, net	139,671	137,452
Prepaid aircraft rents	437,193	397,850
Deferred tax assets	151,377	94,385
Other current assets	24,840	16,308
Total current assets	1,331,085	1,291,003
PROPERTY AND EQUIPMENT:		
Aircraft and rotatable spares	5,060,487	4,608,663
Deposits on aircraft	37,700	40,000
Buildings and ground equipment	282,606	274,900
	5,380,793	4,923,563
Less-accumulated depreciation and amortization	(1,975,389)	(1,902,375)
Total property and equipment, net	3,405,404	3,021,188
OTHER ASSETS		
Intangible assets, net	11,623	12,748
Other assets	90,442	84,989
Total other assets	102,065	97,737
Total assets	\$ 4,838,554	\$ 4,409,928

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SKYWEST, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Dollars in Thousands)

LIABILITIES AND STOCKHOLDERS EQUITY

	June 30, 2015 (unaudited)	December 31, 2014
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 263,725	\$ 211,821
Accounts payable	278,019	270,097
Accrued salaries, wages and benefits	138,302	138,902
Accrued aircraft rents	3,530	3,303
Taxes other than income taxes	20,598	17,457
Other current liabilities	40,544	42,775
Total current liabilities	744,718	684,355
OTHER LONG-TERM LIABILITIES	48,603	49,625
LONG-TERM DEBT, net of current maturities	1,800,452	1,533,990
DEFERRED INCOME TAXES PAYABLE	754,195	669,385
DEFERRED AIRCRAFT CREDITS	67,373	72,227
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Preferred stock, 5,000,000 shares authorized; none issued		
Common stock, no par value, 120,000,000 shares authorized; 78,496,807 and 77,951,411 shares issued, respectively	631,078	626,521
Retained earnings	1,202,437	1,165,478
Treasury stock, at cost, 28,015,386 and 26,765,386 shares, respectively	(410,090)	(391,364)
Accumulated other comprehensive (loss)	(212)	(289)
Total stockholders equity	1,423,213	1,400,346
Total liabilities and stockholders equity	\$ 4,838,554	\$ 4,409,928

See accompanying notes to condensed consolidated financial statements.

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SKYWEST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
OPERATING REVENUES:				
Passenger	\$ 773,107	\$ 800,548	\$ 1,515,605	\$ 1,556,187
Ground handling and other	15,310	16,026	33,210	32,773
Total operating revenues	788,417	816,574	1,548,815	1,588,960
OPERATING EXPENSES:				
Salaries, wages and benefits	298,573	310,844	601,418	628,486
Aircraft maintenance, materials and repairs	156,319	171,722	314,576	349,984
Aircraft rentals	68,442	79,449	138,854	159,783
Depreciation and amortization	64,659	64,252	130,350	126,567
Aircraft fuel	31,192	58,018	58,492	105,243
Ground handling services	20,117	32,314	44,089	69,332
Special charges		4,713		4,713
Other operating expenses	79,183	82,018	157,028	159,382
Total operating expenses	718,485	803,330	1,444,807	1,603,490
OPERATING INCOME (LOSS)	69,932	13,244	104,008	(14,530)
OTHER INCOME (EXPENSE):				
Interest income	697	511	1,336	1,060
Interest expense	(18,081)	(16,138)	(36,546)	(31,814)
Other, net		(2,618)		(2,891)
Total other expense, net	(17,384)	(18,245)	(35,210)	(33,645)
INCOME (LOSS) BEFORE INCOME TAXES	52,548	(5,001)	68,798	(48,175)
PROVISION (BENEFIT) FOR INCOME TAXES	21,073	9,736	27,703	(10,551)
NET INCOME (LOSS)	\$ 31,475	\$ (14,737)	\$ 41,095	\$ (37,624)
BASIC EARNINGS (LOSS) PER SHARE				
	\$ 0.61	\$ (0.29)	\$ 0.80	\$ (0.73)
DILUTED EARNINGS (LOSS) PER SHARE				
	\$ 0.61	\$ (0.29)	\$ 0.79	\$ (0.73)
Weighted average common shares:				
Basic	51,357	51,183	51,407	51,310
Diluted	51,971	51,183	52,182	51,310
Dividends declared per share	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.08
COMPREHENSIVE INCOME (LOSS):				
Net income (Loss)	\$ 31,475	\$ (14,737)	\$ 41,095	\$ (37,624)
Net unrealized appreciation (depreciation) on marketable securities, net of taxes	(223)	42	78	65
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 31,252	\$ (14,695)	\$ 41,173	\$ (37,559)

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)

	Six Months Ended June 30	
	2015	2014
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 168,807	\$ 32,489
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(337,375)	(112,664)
Sales of marketable securities	430,688	215,005
Proceeds from the sale of equipment	5,719	3
Acquisition of property and equipment:		
Aircraft and rotatable spare parts	(503,317)	(297,758)
Buildings and ground equipment	(16,842)	(11,644)
Return of deposits on aircraft	2,300	
Increase in other assets	(8,325)	(13,563)
NET CASH USED IN INVESTING ACTIVITIES	(427,152)	(220,621)