

SKYWEST INC
Form 10-Q
November 03, 2017
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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 September 30, 2017

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.

444 South River Road
Incorporated under the laws of Utah
87-0292166
(I.R.S. Employer ID No.)

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St. George, Utah 84790

(435) 634-3000

(Address of principal executive offices and telephone number)

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 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 (§232.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See 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

(Do not check if a 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 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.

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Class	Outstanding at October 31, 2017
Common stock, no par value	51,842,527

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SKYWEST, INC.

QUARTERLY REPORT ON FORM 10-Q

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Exhibit 32.1 Certification of Chief Executive Officer
Exhibit 32.2 Certification of Chief Financial Officer

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

ASSETS

	September 30, 2017 (unaudited)	December 31, 2016
CURRENT ASSETS:		
Cash and cash equivalents	\$ 98,085	\$ 146,766
Marketable securities	569,080	409,898
Restricted cash	8,278	8,243
Receivables, net	40,337	46,916
Inventories, net	121,235	118,509
Prepaid aircraft rents	126,693	162,360
Other current assets	30,424	25,100
Total current assets	994,132	917,792
PROPERTY AND EQUIPMENT:		
Aircraft and rotatable spares	5,252,416	4,839,501
Deposits on aircraft	49,000	38,800
Buildings and ground equipment	246,055	261,704
	5,547,471	5,140,005
Less-accumulated depreciation and amortization	(1,405,207)	(1,318,308)
Total property and equipment, net	4,142,264	3,821,697
OTHER ASSETS:		
Intangible assets, net	6,121	8,249
Long-term prepaid assets	204,457	218,505
Other assets	42,472	41,723
Total other assets	253,050	268,477
Total assets	\$ 5,389,446	\$ 5,007,966

See accompanying notes to condensed consolidated financial statements.

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SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2017 (unaudited)	December 31, 2016
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 303,423	\$ 305,460
Accounts payable	276,307	241,215
Accrued salaries, wages and benefits	149,881	139,885
Taxes other than income taxes	23,883	15,618
Other current liabilities	45,640	45,087
Total current liabilities	799,134	747,265
OTHER LONG TERM LIABILITIES	46,574	50,844
LONG TERM DEBT, net of current maturities	2,380,792	2,240,051
DEFERRED INCOME TAXES PAYABLE	640,685	565,404
DEFERRED AIRCRAFT CREDITS	46,546	53,459
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY:		
Preferred stock, 5,000,000 shares authorized; none issued	—	—
Common stock, no par value, 120,000,000 shares authorized; 80,266,365 and 79,781,305 shares issued, respectively	668,970	657,353
Retained earnings	1,231,169	1,103,751
Treasury stock, at cost, 28,423,779 and 28,015,386 shares, respectively	(424,420)	(410,090)
Accumulated other comprehensive loss	(4)	(71)
Total stockholders' equity	1,475,715	1,350,943
Total liabilities and stockholders' equity	\$ 5,389,446	\$ 5,007,966

See accompanying notes to condensed consolidated financial statements.

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SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
OPERATING REVENUES:				
Passenger	\$ 812,295	\$ 781,475	\$ 2,349,047	\$ 2,310,678
Ground handling and other	19,641	18,301	58,063	52,512
Total operating revenues	831,936	799,776	2,407,110	2,363,190
OPERATING EXPENSES:				
Salaries, wages and benefits	303,997	305,958	899,966	915,743
Aircraft maintenance, materials and repairs	148,787	143,573	433,467	424,722
Depreciation and amortization	74,095	71,743	215,415	209,431
Aircraft rentals	54,976	65,766	168,098	205,458
Aircraft fuel	42,071	33,189	113,564	90,827
Ground handling services	16,693	16,498	52,130	54,225
Other operating expenses	78,948	77,215	229,211	231,004
Total operating expenses	719,567	713,942	2,111,851	2,131,410
OPERATING INCOME	112,369	85,834	295,259	231,780
OTHER INCOME (EXPENSE):				
Interest income and other	1,408	591	3,398	1,506
Interest expense	(27,101)	(19,865)	(78,713)	(55,876)
Total other expense, net	(25,693)	(19,274)	(75,315)	(54,370)
INCOME BEFORE INCOME TAXES	86,676	66,560	219,944	177,410
PROVISION FOR INCOME TAXES	32,960	25,238	80,966	68,751
NET INCOME	\$ 53,716	\$ 41,322	\$ 138,978	\$ 108,659
BASIC EARNINGS PER SHARE				
	\$ 1.04	\$ 0.80	\$ 2.68	\$ 2.11
DILUTED EARNINGS PER SHARE				
	\$ 1.01	\$ 0.79	\$ 2.62	\$ 2.08
Weighted average common shares:				
Basic	51,833	51,627	51,801	51,421
Diluted	53,080	52,471	53,087	52,224
COMPREHENSIVE INCOME:				
Net income	\$ 53,716	\$ 41,322	\$ 138,978	\$ 108,659
Net unrealized appreciation (depreciation) on marketable securities, net of taxes	11	(11)	67	217
TOTAL COMPREHENSIVE INCOME	\$ 53,727	\$ 41,311	\$ 139,045	\$ 108,876

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,	
	2017	2016
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 532,289	\$ 399,318
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(1,002,624)	(2,160,567)
Sales of marketable securities	843,509	1,941,209
Proceeds from the sale of aircraft, property and equipment	51,079	1,848
Acquisition of property and equipment:		
Aircraft and rotatable spare parts	(563,524)	(619,805)
Deposits on aircraft	(46,733)	—
Buildings and ground equipment	(8,275)	(11,256)
Aircraft deposits applied towards acquired aircraft	36,533	—
Increase in other assets	(5,019)	(2,156)
NET CASH USED IN INVESTING ACTIVITIES	(695,054)	(850,727)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	384,825	497,510
Principal payments on long-term debt	(245,745)	(198,394)
Net proceeds from issuance of common stock	3,447	10,214
Purchase of treasury stock and cash tax withholding on shares issued	(14,330)	—
Increase in debt issuance cost	(3,245)	(4,520)
Payment of cash dividends	(10,868)	(6,669)
NET CASH PROVIDED BY FINANCING ACTIVITIES	114,084	298,141
Decrease in cash and cash equivalents	(48,681)	(153,268)
Cash and cash equivalents at beginning of period	146,766	203,035
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 98,085	\$ 49,767
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of capitalized amounts	\$ 77,915	\$ 54,314
Income taxes	\$ 2,354	\$ 944

See accompanying notes to condensed consolidated financial statements.

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SKYWEST, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note