

SKYWEST INC
Form 10-Q
May 07, 2009
[Table of Contents](#)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x

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

For the quarterly period ended March 31, 2009

OR

o

**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.)

444 South River Road

St. George, Utah 84790

(435) 634-3000

Edgar Filing: SKYWEST INC - Form 10-Q

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 4, 2009
Common stock, no par value	55,639,394

Table of Contents

SKYWEST, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION:</u>		3
	<u>Item 1.</u>	<u>Financial Statements</u>	3
		<u>Consolidated Balance Sheets as of March 31, 2009 (unaudited) and December 31, 2008</u>	3
		<u>Consolidated Statements of Income (unaudited) for the three months ended March 31, 2009 and 2008</u>	5
		<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2009 and 2008</u>	6
		<u>Notes to Condensed Consolidated Financial Statements</u>	7
	<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
	<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
	<u>Item 4.</u>	<u>Controls and Procedures</u>	22
<u>PART II</u>	<u>OTHER INFORMATION:</u>		24
	<u>Item 1.</u>	<u>Legal Proceedings</u>	24
	<u>Item 1A.</u>	<u>Risk Factors</u>	24
	<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
	<u>Item 6.</u>	<u>Exhibits</u>	26
		<u>Signature</u>	27
Exhibit 31.1	Certification of Chief Executive Officer		
Exhibit 31.2	Certification of Chief Financial Officer		
Exhibit 32.1	Certification of Chief Executive Officer		
Exhibit 32.2	Certification of Chief Financial Officer		

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

Edgar Filing: SKYWEST INC - Form 10-Q

ASSETS

	March 31, 2009 (unaudited)	December 31, 2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 137,326	\$ 125,892
Marketable securities	548,650	568,567
Restricted cash	10,729	10,728
Income tax receivable	14,470	14,868
Receivables, net	59,514	55,458
Inventories, net	104,713	104,383
Prepaid aircraft rents	269,385	226,474
Deferred tax assets	52,710	76,093
Other current assets	37,103	38,205
Total current assets	1,234,600	1,220,668
PROPERTY AND EQUIPMENT:		
Aircraft and rotatable spares	3,274,746	3,273,705
Deposits on aircraft	19,312	20,390
Buildings and ground equipment	240,043	239,573
	3,534,101	3,533,668
Less-accumulated depreciation and amortization	(854,195)	(824,293)
Total property and equipment, net	2,679,906	2,709,375
OTHER ASSETS		
Intangible assets, net	25,684	26,247
Other assets	82,178	58,001
Total other assets	107,862	84,248
Total assets	\$ 4,022,368	\$ 4,014,291

See accompanying notes to condensed consolidated financial statements.

Table of Contents

SKYWEST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

Edgar Filing: SKYWEST INC - Form 10-Q

LIABILITIES AND STOCKHOLDERS EQUITY

	March 31, 2009 (unaudited)	December 31, 2008
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 130,688	\$ 129,783
Accounts payable	142,169	110,902
Accrued salaries, wages and benefits	61,939	66,553
Accrued aircraft rents	19,280	25,676
Taxes other than income taxes	18,856	16,651
Other current liabilities	43,625	37,039
Total current liabilities	416,557	386,604
OTHER LONG-TERM LIABILITIES		
	41,489	41,525
LONG-TERM DEBT, net of current maturities		
	1,666,304	1,681,705
DEFERRED INCOME TAXES PAYABLE		
	490,075	507,113
DEFERRED AIRCRAFT CREDITS		
	125,433	121,823
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Preferred stock, 5,000,000 shares authorized; none issued		
Common stock, no par value, 120,000,000 shares authorized; 74,099,951 and 73,520,292 shares issued, respectively	570,851	562,395
Retained earnings	984,832	977,736

(d) o Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a-8).

- (e) o An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f) o An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g) o A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
- (h) o A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) o A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) o Group, in accordance with §240.13d-1(b)(1)(ii)(J).

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

Gates Capital Management, Inc.
Gates Capital Partners, L.P.
ECF Value Fund, L.P.
ECF Value Fund II, L.P.
ECF Value Fund International, Ltd.
Jeffrey L. Gates

- (a) Amount beneficially owned:
 1,666,460 shares of Common Stock
- (b) Percent of class:
 Approximately 5.8% as of the date of this filing (based on 28,694,000 shares of Common Stock issued and outstanding as of October 31, 2007)
- (c) Number of shares as to which the person has:
 - (i) Sole power to vote or to direct the vote
0
 - (ii) Shared power to vote or to direct the vote
1,666,460 shares of Common Stock
 - (iii) Sole power to dispose or to direct the disposition of
0
 - (iv) Shared power to dispose or to direct the disposition of
1,666,460 shares of Common Stock

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following o.

Item 6. Ownership of More than Five Percent on Behalf of Another Person

NA

Item 7. **Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person**

NA

Item 8. **Identification and Classification of Members of the Group**

NA

Item 9. **Notice of Dissolution of Group**

NA

Item 10. **Certification**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2008

GATES CAPITAL MANAGEMENT, INC.

By: /s/ Jeffrey L. Gates
Jeffrey L. Gates, President

GATES CAPITAL PARTNERS, L.P.

By: Gates Capital Management, Inc.
Its Investment Adviser

By: /s/ Jeffrey L. Gates
Jeffrey L. Gates, President

ECF VALUE FUND, L.P.

By: Gates Capital Partners, L.P.
Its General Partner

By: Gates Capital Management, Inc.
Its Investment Adviser

By: /s/ Jeffrey L. Gates
Jeffrey L. Gates, President

ECF VALUE FUND II, L.P.

By: Gates Capital Partners, L.P.
Its General Partner

By: Gates Capital Management, Inc.
Its Investment Adviser

By: /s/ Jeffrey L. Gates
Jeffrey L. Gates, President

ECF VALUE FUND INTERNATIONAL, LTD.

By: Gates Capital Management, Inc.
Its Investment Adviser

By: /s/ Jeffrey L. Gates
Jeffrey L. Gates, President

JEFFREY L. GATES

By: /s/ Jeffrey L. Gates
Jeffrey L. Gates