

FRONTIER AIRLINES INC /CO/  
Form 10-Q  
November 08, 2004

**FORM 10-Q**

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
For the quarterly period ended September 30, 2004.

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

Commission file number: 1-12805

**FRONTIER AIRLINES, INC.**

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporated or organization)

84-1256945

(I.R.S. Employer Identification No.)

7001 Tower Road, Denver, CO

(Address of principal executive offices)

80249

(Zip Code)

Issuer's telephone number including area code: (720) 374-4200

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

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to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the Company's common stock outstanding as of October 29, 2004 was 35,612,942.

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## FINANCIAL INFORMATION

## FRONTIER AIRLINES, INC.

## Balance Sheets

(Unaudited)

	September 30, 2004	March 31, 2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 160,053,113	\$ 188,608,729
Short-term investments		2,000,000
Restricted investments	32,694,165	24,732,024
Receivables, net of allowance for doubtful accounts of \$359,000 and \$225,000 at September 30, 2004 and March 31, 2004, respectively	33,865,613	26,308,352
Income tax receivable	155,250	262,091
Security and other deposits	1,831,250	215,000
Prepaid expenses and other assets	18,932,493	13,093,499
Inventories, net of allowance of \$4,154,000 and \$2,991,000 at September 30, 2004 and March 31, 2004, respectively	7,998,996	6,126,573
Assets held for sale	1,862,305	
Deferred tax assets	7,625,886	8,386,390
	<hr/>	<hr/>
Total current assets	265,019,071	269,732,658
Property and equipment, net	466,542,043	440,470,566
Security and other deposits	18,148,128	16,261,690
Aircraft pre-delivery payments	14,351,540	28,329,370
Restricted investments	11,621,329	9,971,212
Deferred loan expenses and other assets	8,439,596	4,940,102
	<hr/>	<hr/>
	\$ 784,121,707	\$ 769,705,598
	<hr/>	<hr/>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 31,971,910	\$ 31,167,168
Air traffic liability	93,959,514	83,339,560
Other accrued expenses	48,491,832	44,660,868
Current portion of long-term debt	17,724,598	17,386,538
Deferred revenue and other current liabilities	5,553,706	5,105,136
	<hr/>	<hr/>
Total current liabilities	197,701,560	181,659,270
Long-term debt	292,048,540	280,000,752
Deferred tax liability	26,943,208	32,225,150
Deferred revenue and other liabilities	16,344,818	17,878,800
	<hr/>	<hr/>
Total liabilities	533,038,126	511,763,972
	<hr/>	<hr/>
Stockholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued		
Common stock, no par value, stated value of \$.001 per share, authorized 100,000,000; 35,609,942 and 35,597,442 issued and outstanding at September 30, 2004 and March 31, 2004, respectively	35,610	35,597
Additional paid-in capital	185,171,920	185,078,386
Unearned ESOP shares	(727,545)	(2,182,634)
Other comprehensive income (loss)	111,222	(137,785)

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	<u>September 30, 2004</u>	<u>March 31, 2004</u>
Retained earnings	66,492,374	75,148,062
	<u>251,083,581</u>	<u>257,941,626</u>
	<u>\$784,121,707</u>	<u>\$769,705,598</u>

See accompanying notes to financial statements.

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**FRONTIER AIRLINES, INC.**  
**Statements of Operations**  
**(Unaudited)**

	Three Months Ended		Six Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Revenues:				
Passenger	\$ 188,173,402	\$ 159,946,008	\$ 357,610,883	\$ 298,955,554
Passenger-regional partner	21,909,768		41,036,213	
Cargo	1,246,009	2,369,222	2,673,504	4,058,247
Other	3,105,595	3,305,382	5,537,244	4,972,761
Total revenues	<u>214,434,774</u>	<u>165,620,612</u>	<u>406,857,844</u>	<u>307,986,562</u>
Operating expenses:				
Flight operations	31,772,649	24,347,276	63,561,813	49,320,594
Aircraft fuel expense	44,715,069	25,900,551	84,718,251	48,501,320
Aircraft lease expense	22,307,400	17,920,718	41,198,226	35,112,721
Aircraft and traffic servicing	31,229,011	26,077,456	62,921,215	50,074,966
Maintenance	19,261,318	17,120,004	38,155,915	34,997,976
Promotion and sales	19,250,304	16,269,951	39,088,980	30,989,948
General and administrative	12,033,531	9,784,376	22,327,775	18,720,012
Operating expenses-regional partner	23,568,339		44,861,774	
Aircraft lease and facility exit costs		4,659,058		5,345,353
Losses on sales of assets, net	74,404	1,883,466	604,231	1,902,055
Impairment and other related charges	4,213,565		4,601,200	
Depreciation and amortization	6,606,142	5,870,300	13,224,581	11,057,498
Total operating expenses	<u>215,031,732</u>	<u>149,833,156</u>	<u>415,263,961</u>	<u>286,022,443</u>
Operating income (loss)	<u>(596,958)</u>	<u>15,787,456</u>	<u>(8,406,117)</u>	<u>21,964,119</u>
Nonoperating income (expense):				
Interest income	785,699	524,468	1,356,269	937,831
Interest expense	(3,112,843)	(4,034,387)	(6,020,859)	(7,868,780)
Early Extinguishment of debt		(8,742,489)		(8,742,489)
Emergency Wartime Supplemental Appropriations Act compensation				15,024,188
Other, net	(103,353)	(30,470)	(168,717)	(187,974)
Total nonoperating income (expense), net	<u>(2,430,497)</u>	<u>(12,282,878)</u>	<u>(4,833,307)</u>	<u>(837,224)</u>
Income (loss) before income tax (benefit) expense	<u>(3,027,455)</u>	<u>3,504,578</u>	<u>(13,239,424)</u>	<u>21,126,895</u>
Income tax (benefit) expense	<u>(945,485)</u>	<u>1,506,855</u>	<u>(4,583,736)</u>	<u>8,195,482</u>

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	Three Months Ended		Six Months Ended	
Net income (loss)	\$ (2,081,970)	\$ 1,997,723	\$ (8,655,688)	\$ 12,931,413
Earnings (loss) per share:				
Basic	\$ (0.06)	\$ 0.07	\$ (0.24)	\$ 0.43
Diluted	\$ (0.06)	\$ 0.06	\$ (0.24)	\$ 0.40
Weighted average shares of common stock outstanding				
Basic	35,609,942	30,440,589	35,606,702	30,133,571
Diluted	35,609,942	33,620,352	35,606,702	32,514,599

See accompanying notes to financial statements.

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**FRONTIER AIRLINES, INC.**

**Statements of Stockholders' Equity and Other Comprehensive Income (Loss)**

**For the Year Ended March 31, 2004 and the Six Months Ended September 30, 2004**

	Common Stock		Additional paid-in capital	Unearned ESOP shares	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Shares (000s)	Stated value					
<b>Balances, March 31, 2003</b>	29,674	\$ 29,674	\$ 96,424,525	\$	\$	\$ 62,512,927	\$ 158,967,126