

SKYWEST INC
Form 10-Q/A
February 07, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

Amendment No. 1

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

For the quarterly period ended June 30, 2002

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.)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common stock, no par value

Outstanding at February 4, 2003
57,645,478

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to Quarterly Report on Form 10-Q/A is to restate the Company's condensed consolidated financial statements for the three and six months ended June 30, 2002 and to modify the related disclosures.

The restatements of the Company's condensed consolidated financial statements for the three and six months ended June 30, 2002 disclosed in this Amendment No.1 to Quarterly Report on Form 10-Q/A are described in Note J to condensed consolidated financial statements, included herein within Item 1 of Part I, and under the heading, Management's Discussion and Analysis of Financial Condition and Results of Operations Restatement of Financial Statements, included herein within Item 2 of Part I.

This Amendment No. 1 to Quarterly Report on Form 10-Q/A amends and restates the Company's original Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002 to reflect the effects of the restatement of the Company's consolidated financial statements as of and for the three and six months ended June 30, 2002 and related disclosures.

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

SKYWEST, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

ASSETS

	June 30, 2002	December 31, 2001
	(Restated See Note J)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,078	\$ 42,692
Marketable securities	287,642	268,022
Receivables, net	35,557	20,112
Inventories	23,912	23,283
Prepaid aircraft rents	27,342	14,468
Other current assets	9,282	17,979
	<u>459,813</u>	<u>386,556</u>
PROPERTY AND EQUIPMENT:		
Aircraft and rotatable spares	440,505	397,269
Deposits on aircraft	111,351	115,892
Buildings and ground equipment	73,898	84,231
	<u>625,754</u>	<u>597,392</u>
Less-accumulated depreciation and amortization	(180,537)	(155,686)
	<u>445,217</u>	<u>441,706</u>
MAINTENANCE CONTRACT ASSET	<u>11,727</u>	
OTHER ASSETS	<u>3,510</u>	<u>3,304</u>
Total assets	<u>\$ 920,267</u>	<u>\$ 831,566</u>

See notes to condensed consolidated financial statements.

SKYWEST, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(Dollars in Thousands)
(Unaudited)

LIABILITIES AND STOCKHOLDERS EQUITY

	June 30, 2002	December 31, 2001
	(Restated See Note J)	
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 13,188	\$ 12,151
Accounts payable	26,889	36,278
Accrued salaries, wages and benefits	22,351	20,932
Accrued aircraft rents	25,678	19,960
Engine overhaul accrual		14,081
Income taxes payable	2,018	
Taxes other than income taxes	8,647	3,845
Other current liabilities	8,717	8,491
	<u>107,488</u>	<u>115,738</u>
LONG-TERM DEBT, net of current maturities	131,241	113,688
DEFERRED INCOME TAXES PAYABLE	55,029	41,173
DEFERRED AIRCRAFT CREDITS	17,769	15,127
MAINTENANCE CONTRACT LIABILITY	11,727	
STOCKHOLDERS EQUITY:		
Common stock	317,306	309,691
Retained earnings	301,897	258,024
Treasury stock	(20,285)	(20,285)
Accumulated other comprehensive loss	(1,905)	(1,590)
	<u>597,013</u>	<u>545,840</u>
Total liabilities and stockholders equity	<u>\$920,267</u>	<u>\$831,566</u>

See notes to condensed consolidated financial statements.

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SKYWEST, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Dollars and Shares in Thousands, Except Per Share Amounts)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(Restated- See Note J)		(Restated- See Note J)	
OPERATING REVENUES:				
Passenger	\$ 187,835	\$ 148,279	\$ 361,050	\$ 278,103
Freight and other	1,398	1,385	2,529	2,755
	<u>189,233</u>	<u>149,664</u>	<u>363,579</u>	<u>280,858</u>
OPERATING EXPENSES:				
Flying operations	78,521	58,067	154,822	114,133
Customer service	31,086	21,941	61,627	43,058
Maintenance	16,506	18,633	36,212	37,370
Depreciation and amortization	14,328	10,370	26,751	20,098
General and administrative	11,621	8,713	21,259	16,920
Promotion and sales	4,449	6,954	7,730	13,061
	<u>156,511</u>	<u>124,678</u>	<u>308,401</u>	<u>244,640</u>
OPERATING INCOME	<u>32,722</u>	<u>24,986</u>	<u>55,178</u>	<u>36,218</u>
OTHER INCOME (EXPENSE):				
Interest expense	(35)		(87)	
Interest income	3,235	3,989	6,496	9,467
	<u>3,200</u>	<u>3,989</u>	<u>6,409</u>	<u>9,467</u>
INCOME BEFORE INCOME TAXES	<u>35,922</u>	<u>28,975</u>	<u>61,587</u>	<u>45,685</u>
PROVISION FOR INCOME TAXES	<u>14,010</u>	<u>11,302</u>	<u>24,019</u>	<u>17,819</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>21,912</u>	<u>17,673</u>	<u>37,568</u>	<u>27,866</u>
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAXES OF \$5,492			8,589	
NET INCOME	<u>\$ 21,912</u>	<u>\$ 17,673</u>	<u>\$ 46,157</u>	<u>\$ 27,866</u>
BASIC EARNINGS PER SHARE:				
Income before cumulative effect of change in accounting principle	\$ 0.38	\$ 0.32	\$ 0.66	\$ 0.50
Cumulative effect of change in accounting principle, net of tax			0.15	
Basic earnings per share	\$ 0.38	\$ 0.32	\$ 0.81	\$ 0.50

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	_____	_____	_____	_____
DILUTED EARNINGS PER SHARE:				
Income before cumulative effect of change in accounting principle	\$ 0.38	\$ 0.31	\$ 0.65	\$ 0.49
Cumulative effect of change in accounting principle, net of tax			0.15	
Diluted earnings per share	\$ 0.38	\$ 0.31	\$ 0.80	\$ 0.49
WEIGHTED AVERAGE COMMON SHARES:				
Basic	57,117	56,133	57,028	56,082
Diluted	57,574	57,415	57,552	57,169

See notes to condensed consolidated financial statements.

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SKYWEST, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Dollars in Thousands)
 (Unaudited)

	Six Months Ended June 30,	
	2002	2001
	(Restated See Note J)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 46,157	\$ 27,866
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,751	20,098
Maintenance expense related to disposition of rotatable spares	585	514
Increase in deferred income taxes	13,856	5,702
Tax benefit from exercise of common stock options	1,607	4,910
Deferred aircraft credits	2,642	
Changes in operating assets and liabilities:		
(Increase) decrease in receivables, net	(15,445)	6,997
Increase in inventories	(629)	(1,925)
Increase in prepaid aircraft rents and other current assets	(4,177)	(9,062)
(Decrease) increase in accounts payable	(9,389)	4,790
(Decrease) increase in engine overhaul accrual	(14,081)	5,574
Increase in other current liabilities	14,174	1,844
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,051	67,308
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and maturities of marketable securities, net	(19,935)	(22,021)
Acquisition of property and equipment:		
Aircraft and rotatable spares	(45,577)	(28,033)
Deposits on aircraft		(25,505)
Buildings and ground equipment	(8,452)	(20,517)
Proceeds from sales of property and equipment	18,785	
Return of deposits on aircraft and rotatable spares	4,541	7,658
Increase in other assets	(350)	(36)
NET CASH USED IN INVESTING ACTIVITIES	(50,988)	(88,454)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	6,008	955
Proceeds from issuance of long-term debt	24,806	
Principal payments on long-term debt	(6,216)	(5,033)
Payment of cash dividends	(2,275)	(2,238)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	22,323	(6,316)
Increase (decrease) in cash and cash equivalents	33,386	(27,462)
Cash and cash equivalents at beginning of period	42,692	66,190
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 76,078	\$ 38,728

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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:		
Interest	\$ 3,469	\$ 1,705
Income taxes	\$ 2,368	\$ 3,159

See notes to condensed consolidated financial statements.

SKYWEST, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note A Condensed Consolidated Financial Statements

The condensed consolidated financial statements 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 the Company 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, except that subsequent to June 30, 2002, the Company identified certain restatement adjustments to previously reported amounts. As discussed further in Notes E and J, the adjustments primarily relate to the Company's maintenance activities and related costs and accounting for CRJ engine modifications, aircraft purchase incentives, early EMB lease terminations and contract revenue recognition. 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 Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2001. The results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

Note B Use of Estimates

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 could differ from those estimates.

Note C Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note D Marketable Securities

The Company's investments in marketable debt and equity securities are deemed by management to be available for sale and are reported at fair market value with the net unrealized appreciation or depreciation reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. At the time of sale, any realized appreciation or depreciation, calculated by the specific identification method, will be recognized as a component of operating results. The Company's position in marketable securities as of June 30, 2002 and December 31, 2001 was as follows (in thousands):

Investment Types	June 30, 2002		December 31, 2001	
	Cost	Market Value	Cost	Market Value