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FRONTIER AIRLINES INC /CO/
Form 10-Q
February 09, 2005

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 December 31, 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 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 January 28, 2005 was 35,648,942.

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PART I. FINANCIAL INFORMATION

FRONTIER AIRLINES, INC.

Balance Sheets

(Unaudited)

	December 31, 2004	March 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 148,989,204	\$ 188,608,729
Short-term investments		2,000,000
Restricted investments	29,028,912	24,732,024
Receivables, net of allowance for doubtful accounts of \$523,000 and \$225,000 at December 31, 2004 and March 31, 2004, respectively	24,830,794	26,308,352
Income tax receivable	88,370	262,091
Security and other deposits	1,900,250	215,000
Prepaid expenses and other assets	18,842,843	13,093,499
Inventories, net of allowance of \$4,055,000 and \$2,991,000 at December 31, 2004 and March 31, 2004, respectively	7,476,240	6,126,573
Assets held for sale	1,502,027	
Deferred tax assets	6,782,322	8,386,390
Total current assets	239,440,962	269,732,658
Property and equipment, net of accumulated depreciation of \$69,288,000 and \$55,316,000 at December 31, 2004 and March 31, 2004, respectively	457,887,400	440,470,566
Security and other deposits	18,086,317	16,261,690
Aircraft pre-delivery payments	17,926,620	28,329,370
Restricted investments	11,546,307	9,971,212
Deferred loan expenses and other assets, net	5,133,324	4,940,102
	<u>\$ 750,020,930</u>	<u>\$ 769,705,598</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 24,427,939	\$ 31,167,168
Air traffic liability	86,980,503	83,339,560
Other accrued expenses	48,717,064	44,660,868
Current portion of long-term debt	17,981,370	17,386,538
Deferred revenue and other current liabilities	5,427,661	5,105,136
Total current liabilities	183,534,537	181,659,270
Long-term debt	287,152,505	280,000,752
Deferred tax liabilities	20,209,340	32,225,150
Deferred revenue and other liabilities	18,251,594	17,878,800
Total liabilities	<u>509,147,976</u>	<u>511,763,972</u>
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; 35,648,942 and 35,597,442 issued and outstanding at December 31, 2004 and March 31, 2004, respectively	35,649	35,597
Additional paid-in capital	185,179,583	185,078,386
Unearned ESOP shares		(2,182,634)
Other comprehensive income (loss)	223,392	(137,785)
Retained earnings	55,434,330	75,148,062

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December 31, 2004	March 31, 2004
<u>240,872,954</u>	<u>257,941,626</u>
<u>\$ 750,020,930</u>	<u>\$ 769,705,598</u>

See accompanying to financial statements.

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FRONTIER AIRLINES, INC.
Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Revenues:				
Passenger	\$ 182,360,545	\$ 159,174,576	\$ 539,971,428	\$ 458,130,130
Passenger- regional partner	21,582,231		62,618,444	
Cargo	1,188,514	2,036,132	3,862,018	6,094,379
Other	3,106,181	2,349,767	8,643,425	7,322,528
Total revenues	208,237,471	163,560,475	615,095,315	471,547,037
Operating expenses:				
Flight operations	32,545,417	26,097,278	96,107,230	75,417,872
Aircraft fuel expense	53,806,536	27,486,807	138,524,787	75,988,127
Aircraft lease expense	22,779,484	17,246,551	63,977,710	52,359,272
Aircraft and traffic servicing	32,287,621	29,626,177	95,208,836	79,701,143
Maintenance	19,425,591	17,324,224	57,581,506	52,322,200
Promotion and sales	18,738,362	17,322,739	57,827,342	48,312,687
General and administrative	12,827,674	9,560,740	35,155,449	28,280,752
Operating expenses - regional partner	24,012,344		68,874,118	
Aircraft lease and facility exit costs		26,446		5,371,799
(Gains) losses on sales of assets, net	(119,565)	34,648	484,666	1,936,703
Impairment and other related charges	658,424		5,259,624	
Depreciation and amortization	6,559,021	6,295,489	19,783,602	17,352,987
Total operating expenses	223,520,909	151,021,099	638,784,870	437,043,542
Operating income (loss)	(15,283,438)	12,539,376	(23,689,555)	34,503,495
Nonoperating income (expense):				
Interest income	1,049,917	590,206	2,406,186	1,528,037
Interest expense	(3,384,302)	(3,195,924)	(9,405,161)	(11,064,704)
Loss on early extinguishment of debt		(1,073,028)		(9,815,517)
Emergency Wartime Supplemental Appropriations Act compensation				15,024,188
Other, net	341,287	(90,530)	172,570	(278,504)
Total nonoperating income (expense), net	(1,993,098)	(3,769,276)	(6,826,405)	(4,606,500)
Income (loss) before income tax (benefit) expense	(17,276,536)	8,770,100	(30,515,960)	29,896,995
Income tax (benefit) expense	(6,218,492)	3,314,236	(10,802,228)	11,509,718
Net income (loss)	\$ (11,058,044)	\$ 5,455,864	\$ (19,713,732)	\$ 18,387,277
Earnings (loss) per share:				
Basic	\$ (0.31)	\$ 0.15	\$ (0.55)	\$ 0.58

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	Three Months Ended		Nine Months Ended	
Diluted	\$ (0.31)	\$ 0.14	\$ (0.55)	\$ 0.53
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares of common stock outstanding				
Basic	35,623,855	35,203,458	35,612,440	31,829,010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted	35,623,855	38,509,350	35,612,440	34,554,105
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to financial statements.

FRONTIER AIRLINES, INC.**Statements of Stockholders' Equity and Other Comprehensive Income (Loss)****For the Year Ended March 31, 2004 and the Nine Months Ended December 31, 2004****(Unaudited)**

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Unearned comprehensive ESOP shares</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Retained earnings</u>	<u>Total stockholders equity</u>
	<u>Shares (000s)</u>	<u>Stated value</u>					
Balances, March 31, 2003	29,674	\$ 29,674	\$ 96,424,525	\$	\$	\$ 62,512,927	\$ 158,967,126
Net income						12,635,135	12,635,135
Other comprehensive loss - unrealized loss on derivative instruments, net of tax					(137,785)		(137,785)
Total comprehensive income							12,497,350
Sale of common stock, net of offering costs of \$257,000	5,050	5,050	81,072,096				81,077,146
Exercise of common stock options	227	227	1,000,487				1,000,714
Tax benefit from exercises of common stock options							