

Allegiant Travel CO
Form 10-Q
August 03, 2018

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2018

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 001-33166

Allegiant Travel Company

(Exact Name of Registrant as Specified in Its Charter)

Nevada

20-4745737

(State or Other Jurisdiction of Incorporation or Organization) (IRS Employer Identification No.)

1201 North Town Center Drive

Las Vegas, Nevada

89144

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (702) 851-7300

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 website, 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, 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

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.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock outstanding as of the close of business on August 1, 2018 was 16,163,533.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2018 (unaudited)	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	\$28,981	\$59,449
Restricted cash	13,253	11,190
Short-term investments	343,180	352,681
Accounts receivable	24,184	71,057
Expendable parts, supplies and fuel, net	20,419	17,647
Prepaid expenses	34,447	23,931
Other current assets	829	5,320
TOTAL CURRENT ASSETS	465,293	541,275
Property and equipment, net	1,746,707	1,512,415
Long-term investments	56,358	78,570
Deferred major maintenance, net	36,957	31,326
Deposits and other assets	20,190	16,571
TOTAL ASSETS:	\$2,325,505	\$2,180,157
CURRENT LIABILITIES		
Accounts payable	\$27,473	\$20,108
Accrued liabilities	124,326	105,127
Air traffic liability	236,932	204,299
Current maturities of long-term debt and capital lease obligations, net of related costs	144,392	214,761
TOTAL CURRENT LIABILITIES	533,123	544,295
Long-term debt and capital lease obligations, net of current maturities and related costs	992,322	950,131
Deferred income taxes	144,254	119,013
Other noncurrent liabilities	11,138	13,407
TOTAL LIABILITIES:	1,680,837	1,626,846
SHAREHOLDERS' EQUITY		
Common stock, par value \$.001	23	23
Treasury stock	(607,025)	(605,655)
Additional paid in capital	263,034	253,840
Accumulated other comprehensive loss, net	(2,473)	(2,840)
Retained earnings	991,109	907,943
TOTAL EQUITY:	644,668	553,311
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:	\$2,325,505	\$2,180,157

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
OPERATING REVENUE:				
Passenger revenue	\$405,572	\$367,250	\$802,343	\$715,086
Third party products	17,799	14,304	28,124	27,046
Fixed fee contract revenue	7,653	11,029	18,209	22,289
Other revenue	5,756	9,261	13,548	17,434
Total operating revenue	436,780	401,844	862,224	781,855
OPERATING EXPENSES:				
Aircraft fuel	122,454	85,387	228,481	170,049
Salary and benefits	101,645	92,221	214,608	188,519
Station operations	41,553	38,998	79,137	70,830
Maintenance and repairs	24,611	28,645	43,881	58,740
Depreciation and amortization	29,833	30,129	57,983	60,678
Sales and marketing	18,348	13,492	37,426	26,822
Aircraft lease rentals	75	2,400	96	2,564
Other	24,039	24,777	46,422	44,129
Total operating expenses	362,558	316,049	708,034	622,331
OPERATING INCOME	74,222	85,795	154,190	159,524
OTHER (INCOME) EXPENSE:				
Interest expense	13,156	8,889	25,880	17,291
Interest income	(1,927)	(1,475)	(3,834)	(2,739)
Other, net	(50)	(493)	(290)	(854)
Total other expense	11,179	6,921	21,756	13,698
INCOME BEFORE INCOME TAXES	63,043	78,874	132,434	145,826
PROVISION FOR INCOME TAXES	13,027	29,836	27,225	54,437
NET INCOME	\$50,016	\$49,038	\$105,209	\$91,389
Earnings per share to common shareholders:				
Basic	\$3.10	\$2.98	\$6.53	\$5.52
Diluted	\$3.10	\$2.97	\$6.52	\$5.51
Shares used for computation:				
Basic	15,939	16,198	15,898	16,290
Diluted	15,945	16,220	15,914	16,317
Cash dividends declared per share:	\$0.70	\$0.70	\$1.40	\$1.40

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in thousands)
 (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$50,016	\$49,038	\$105,209	\$91,389
Other comprehensive income (loss):				
Change in available for sale securities, net of tax	113	(2)	(843)	222
Foreign currency translation adjustments	113	(215)	214	(298)
Change in derivatives, net of tax	1,260	(581)	996	(1,085)
Total other comprehensive income (loss)	1,486	(798)	367	(1,161)
TOTAL COMPREHENSIVE INCOME	\$51,502	\$48,240	\$105,576	\$90,228

The accompanying notes are an integral part of these consolidated financial statements.

ALLEGIANT TRAVEL COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2018	2017
OPERATING ACTIVITIES:		
Net income	\$ 105,209	\$ 91,389
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,983	60,678
(Gain) loss on aircraft and other equipment disposals	(1,491)	4,901
Provision for obsolescence of expendable parts, supplies and fuel	493	1,753
Amortization of deferred financing costs	744	775
Share-based compensation expense	6,106	7,249
Deferred income taxes	25,241	52,153
Changes in certain assets and liabilities:		
Decrease in accounts receivable	46,873	16,572
Increase in prepaid expenses	(10,516)	(9,476)
Increase in accounts payable	7,631	2,263
Increase in accrued liabilities	20,859	10,382
Increase in air traffic liability	32,633	42,394
Change in deferred major maintenance	(7,841)	(14,331)
Other, net	(689)	(3,782)
Net cash provided by operating activities	283,235	262,920
INVESTING ACTIVITIES:		
Purchase of investment securities	(168,923)	(242,895)
Proceeds from maturities of investment securities	199,294	154,334
Aircraft pre-delivery deposits	—	(63,468)
Purchase of property and equipment, including capitalized interest	(187,456)	(118,846)
Other investing activities	(1,468)	1,352
Net cash used in investing activities	(158,553)	(269,523)
FINANCING ACTIVITIES:		
Cash dividends paid to shareholders	(22,605)	(23,204)
Proceeds from the issuance of debt	10,797	134,540
Repurchase of common stock	(2,994)	(84,940)
Principal payments on debt and capital lease obligations	(142,399)	(64,876)
Other financing activities	4,114	188
Net cash used in financing activities	(153,087)	(38,292)
Net change in cash, cash equivalents, and restricted cash	(28,405)	(44,895)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	70,639	76,358
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 42,234	\$ 31,463

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:
CASH PAYMENTS FOR: