

SOUTHWEST AIRLINES CO  
Form 10-Q  
May 03, 2017

UNITED STATES  
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 March 31, 2017

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 No. 1-7259

Southwest Airlines Co.

(Exact name of registrant as specified in its charter)

TEXAS 74-1563240  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

P.O. Box 36611  
Dallas, Texas 75235-1611

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (214) 792-4000

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 Web site, 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) 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

Number of shares of Common Stock outstanding as of the close of business on May 1, 2017: 604,662,683

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SOUTHWEST AIRLINES CO.  
FORM 10-Q  
PART I – FINANCIAL INFORMATION

Item 1. Financial Statements  
Southwest Airlines Co.  
Condensed Consolidated Balance Sheet  
(in millions)  
(unaudited)

	March 31, December 31,	
	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,851	\$ 1,680
Short-term investments	1,631	1,625
Accounts and other receivables	585	546
Inventories of parts and supplies, at cost	356	337
Prepaid expenses and other current assets	235	310
Total current assets	4,658	4,498
Property and equipment, at cost:		
Flight equipment	20,348	20,275
Ground property and equipment	3,908	3,779
Deposits on flight equipment purchase contracts	1,208	1,190
Assets constructed for others	1,319	1,220
	26,783	26,464
Less allowance for depreciation and amortization	9,497	9,420
	17,286	17,044
Goodwill	970	970
Other assets	849	774
	\$ 23,763	\$ 23,286
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,214	\$ 1,178
Accrued liabilities	1,947	1,985
Air traffic liability	4,012	3,115
Current maturities of long-term debt	285	566
Total current liabilities	7,458	6,844
Long-term debt less current maturities	2,781	2,821
Deferred income taxes	3,442	3,374
Construction obligation	1,175	1,078
Other noncurrent liabilities	703	728
Stockholders' equity:		
Common stock	808	808
Capital in excess of par value	1,419	1,410
Retained earnings	11,708	11,418
Accumulated other comprehensive loss	(312 )	(323 )

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Treasury stock, at cost	(5,419 )	(4,872 )
Total stockholders' equity	8,204	8,441
	\$23,763	\$ 23,286

See accompanying notes.

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Southwest Airlines Co.  
Condensed Consolidated Statement of Comprehensive Income  
(in millions, except per share amounts)  
(unaudited)

	Three months ended March 31,	
	2017	2016
<b>OPERATING REVENUES:</b>		
Passenger	\$4,424	\$4,398
Freight	42	42
Other	417	386
Total operating revenues	4,883	4,826
<b>OPERATING EXPENSES:</b>		
Salaries, wages, and benefits	1,733	1,539
Fuel and oil	922	852
Maintenance materials and repairs	243	262
Aircraft rentals	54	59
Landing fees and other rentals	313	302
Depreciation and amortization	318	290
Other operating expenses	642	578
Total operating expenses	4,225	3,882
<b>OPERATING INCOME</b>	<b>658</b>	<b>944</b>
<b>OTHER EXPENSES (INCOME):</b>		
Interest expense	29	30
Capitalized interest	(11 )	(11 )
Interest income	(7 )	(5 )
Other (gains) losses, net	94	114
Total other expenses (income)	105	128
<b>INCOME BEFORE INCOME TAXES</b>	<b>553</b>	<b>816</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>202</b>	<b>303</b>
<b>NET INCOME</b>	<b>\$351</b>	<b>\$513</b>
<b>NET INCOME PER SHARE, BASIC</b>	<b>\$0.57</b>	<b>\$0.80</b>
<b>NET INCOME PER SHARE, DILUTED</b>	<b>\$0.57</b>	<b>\$0.79</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$362</b>	<b>\$</b>