

Frontier Airlines Holdings, Inc.
Form 10-Q
November 14, 2008

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

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

Commission file number: 000-51890

FRONTIER AIRLINES HOLDINGS, INC.
(DEBTOR AND DEBTOR-IN-POSSESSION as of April 10, 2008)
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporated or organization)

20-4191157
(I.R.S. Employer Identification No.)

7001 Tower Road, Denver, CO
(Address of principal executive offices)

80249
(Zip Code)

Registrant'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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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 Company's Common Stock outstanding as of November 14, 2008 was 36,945,744.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements (unaudited)**

**FRONTIER AIRLINES HOLDINGS, INC. AND
SUBSIDIARIES**
(Debtor and Debtor-in-Possession as of April 10, 2008)
Consolidated Balance Sheets (Unaudited)
(In thousands, except share data)

	September 30, 2008	March 31, 2008
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 72,671	\$ 120,837
Investment securities	3,740	8,501
Restricted cash and investments	131,037	74,119
Receivables, net of allowance for doubtful accounts of \$1,020 and \$400 at September 30, 2008 and March 31, 2008, respectively	40,534	57,687
Prepaid expenses and other assets	23,775	26,428
Inventories, net of allowance of \$565 and \$490 at September 30, 2008 and March 31, 2008, respectively	19,501	17,451
Assets held for sale	814	1,263
Total current assets	292,072	306,286
Property and equipment, net (note 7)	721,169	870,444
Security and other deposits	34,927	25,123
Aircraft pre-delivery payments	3,497	12,738
Restricted cash and investments	2,987	2,845
Deferred loan fees and other assets	6,879	32,535
Total assets	\$ 1,061,531	\$ 1,249,971
<u>Liabilities and Stockholders' Equity</u>		
Liabilities not subject to compromise:		
Current liabilities:		
Accounts payable	\$ 34,544	\$ 79,732
Air traffic liability	187,781	226,017
Other accrued expenses (note 9)	83,225	84,058
Current portion of long-term debt (note 10)	—	38,232
Pre-delivery payment financing (note 9)	—	3,139
Debtor-in-Possession loan (note 16)	30,000	—
Deferred revenue and other liabilities (note 8)	20,984	18,189
Total current liabilities not subject to compromise	356,534	449,367
Long-term debt related to aircraft notes (note 10)	—	532,086
Convertible notes (note 10)	—	92,000
Other long-term debt - post petition	2,000	—
Deferred revenue and other liabilities (note 8)	22,091	24,399
Total liabilities not subject to compromise	380,625	1,097,852
Liabilities subject to compromise (note 5)	615,642	-
Total liabilities	\$ 996,267	\$ 1,097,852
Stockholders' equity:		

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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 shares; 36,945,744 and 36,945,744 shares issued and outstanding at September 30, 2008 and March 31, 2008, respectively	37	37
Additional paid—in capital	196,415	195,874
Unearned ESOP shares (note 11)	(205)	(616)
Accumulated other comprehensive loss, net of tax (note 11)	—	(299)
Retained deficit	(130,983)	(42,877)
Total stockholders' equity	65,264	152,119
Total Liabilities and Stockholders' Equity	\$ 1,061,531	\$ 1,249,971

See accompanying notes to consolidated financial statements.

**FRONTIER AIRLINES HOLDINGS, INC. AND
SUBSIDIARIES**
(Debtor and Debtor-in-Possession as of April 10, 2008)
Consolidated Statements of Operations (Unaudited)
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenues:				
Passenger	\$ 351,017	\$ 360,296	\$ 700,108	\$ 692,798
Cargo	1,809	1,653	3,508	3,163
Other	11,168	11,017	20,866	21,775
Total revenues	363,994	372,966	724,482	717,736
Operating expenses:				
Flight operations	41,584	45,932	88,049	92,256
Aircraft fuel	179,441	107,372	353,830	212,084
Aircraft lease	29,608	28,247	59,132	56,577
Aircraft and traffic servicing	45,054	42,164	91,476	86,802
Maintenance	25,726	27,373	55,462	52,171
Promotion and sales	22,884	36,081	55,773	70,378
General and administrative	14,722	14,695	27,554	30,027
Operating expenses - regional partners	—	36,666	26,650	71,023
Employee separation and other charges (reversals)	(108)	—	466	—
Loss (gains) on sales of assets, net	161	26	(8,672)	4
Depreciation	10,754	11,863	22,082	22,264
Total operating expenses	369,826	350,419	771,802	693,586
Business interruption insurance proceeds	—	300	—	300
Operating income (loss)	(5,832)	22,847	(47,320)	24,450
Nonoperating income (expense):				
Interest income	1,363	3,649	2,653	7,196
Interest expense	(7,589)	(9,170)	(14,883)	(17,637)
Loss from early extinguishment of debt	(323)	—	(562)	-
Other, net	(73)	(9)	(1,343)	(175)
Total nonoperating expense, net	(6,622)	(5,530)	(14,135)	(10,616)

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Income (loss) before reorganization items and income tax	(12,454)	17,317	(61,455)	13,834
Reorganization expenses (note 4)	16,558	—	25,296	-
Income (loss) before income tax expense	(29,012)	17,317	(86,751)	13,834
Income tax expense	1,355	—	1,355	-
Net income (loss)	\$ (30,367)	\$ 17,317	\$ (88,106)	\$ 13,834
Earnings per share (note 10):				
Basic	\$ (0.82)	\$ 0.47	\$ (2.38)	\$ 0.38
Diluted	\$ (0.82)	\$ 0.39	\$ (2.38)	\$ 0.33
Weighted average shares of common stock outstanding				
Basic	36,946	36,642	36,946	36,638
Diluted	36,946	45,654	36,946	45,676

See accompanying notes to consolidated financial statements.