

VIRGIN AMERICA REPORTS THIRD QUARTER 2015 EARNINGS

News / Finance



Virgin America (NASDAQ: VA) today **reports** its financial results for the third quarter of 2015. Key highlights from the third quarter include:

Third quarter 2015 net income was \$73.0 million excluding special items¹, an increase of \$31.3 million from the third quarter of 2014. Operating income and operating margin excluding special items were \$75.0 million and 18.2 percent, respectively.

On a GAAP basis, net income was \$71.9 million. Operating income and operating margin on a GAAP basis were \$73.9 million and 18.0 percent, respectively.

Fully diluted earnings per share excluding special items was \$1.64. On a GAAP basis, fully diluted earnings per share was \$1.61.

“Virgin America continued its strong financial performance in the third quarter with record earnings and margins,” said David Cush, Virgin America’s President and Chief Executive Officer. “We believe we are well-positioned to grow the airline while maintaining our low cost model, driving year-over-year industry unit revenue outperformance and improving ancillary revenue. We’re also investing in our product so that we can continue improving what is already the best, most consistent guest experience in the industry.”

Third Quarter 2015 Financial Highlights

Operating Revenue: Total operating revenue was \$410.9 million, an increase of 1.3 percent over third quarter of 2014.

Revenue per Available Seat Mile (RASM): Passenger revenue per available seat mile (PRASM) decreased 2.7 percent compared to the third quarter 2014, to 11.05 cents. Year-over-year PRASM decline was driven by a 1.0 point decrease in load factor and a 1.8 percent decrease in yield. Total RASM decreased 1.6 percent year-over-year.

Cost per Available Seat Mile (CASM): Total CASM excluding special items decreased 7.7 percent compared to the third quarter of 2014, to 10.13 cents. Decreases in fuel costs contributed to the decline in CASM, partially offset by increases in salaries, wages and benefits, landing fees and other rent and aircraft maintenance. Salaries, wages and benefits costs included a \$7.1 million accrual for teammate profit sharing and related payroll taxes. CASM excluding special items, fuel costs and profit sharing for the quarter increased 11.0 percent year-over-year, to 7.34 cents.

Fuel Expense: Virgin America realized an average economic fuel cost per gallon including taxes and the impact of hedges of \$1.92, which was 38.7 percent lower year-over-year. This amount includes certain fuel expense adjustments described as special items below.

Special Items: Special items in the third quarter of 2015 relate to \$1.1 million net mark-to-market adjustments for fuel hedges that did not qualify for hedge accounting treatment and which mature subsequent to September 30, 2015, offset by the effect of fuel hedges that settled during the quarter for which prior unrealized mark-to-market adjustments are now realized.

Operating Income: Third quarter 2015 operating income excluding special items was \$75.0 million, an increase of \$22.6 million as compared to the third quarter of 2014. The Company's operating margin excluding special items of 18.2 percent improved by 5.3 points year-over-year.

Net Income: Net income excluding special items for the third quarter increased by \$31.3 million year-over-year to \$73.0 million.

Fully Diluted EPS: Fully diluted earnings per share excluding special items was \$1.64 for the third quarter of 2015. Third quarter 2015 fully diluted earnings per share was \$1.61 on a GAAP basis.

Capacity: Available seat miles (ASMs) for the third quarter of 2015 increased 3.0 percent year-over-year compared with the third quarter of 2014. Virgin America ended the quarter with 55 Airbus A320-family aircraft, compared to 53 aircraft at the end of the third quarter of 2014. The Company took delivery of two of five Airbus A320 aircraft during the quarter scheduled to be delivered in 2015. Subsequent to the end of the quarter, the Company took delivery of the third of five Airbus A320 aircraft scheduled to be delivered in 2015.

Liquidity: Unrestricted cash was \$511.7 million as of September 30, 2015. Virgin America benefited from strong operating cash flow performance to fund the unfinanced portion of aircraft deliveries during the quarter and generate a net increase of \$11.3 million in unrestricted cash during the quarter.

1 Please see "GAAP to Non-GAAP Reconciliations" for reconciliations of non-GAAP financial measures used in this release and the reasons management uses these measures.

2016 Aircraft Financing

In October, Virgin America entered into agreements to finance approximately 80 percent of the purchase price of its five 2016 Airbus A320 aircraft deliveries. The weighted average interest rate on these financing commitments, if fixed at current underlying interest rates, would be under 5.0 percent.

Recent Operational Highlights

Virgin America announced new nonstop service between Dallas Love Field (DAL) and Las Vegas

McCarran International Airport (LAS). Starting December 1, 2015, Virgin America will operate two daily roundtrip flights between Love Field and Las Vegas and will be the only carrier to offer three classes of premium service on the route. Virgin America also announced that it will end its scheduled service between DAL and Austin- Bergstrom International Airport (AUS), effective November 30, 2015.

Following the announcement of a new partnership with ViaSat Inc. to bring significantly faster WiFi connectivity to the airline's 10 new A320 aircraft deliveries, Virgin America announced new inflight streaming deals with Netflix, Spotify and The New York Times.

For the eighth consecutive year, Virgin America was named 'Best U.S. Airline' in the prestigious annual Condé Nast Traveler's Readers' Choice Awards. Virgin America was also named the "Best U.S. Airline for Business Travel" and recognized for having the "Best Customer Service" and "Best Economy and Premium Economy In-Flight experience" in Fortune's survey for the second consecutive year.

The airline launched a 'Work Hard, Hawaii Hard' digital promotion to promote its upcoming nonstop services from San Francisco to Honolulu, Oahu and Kahului, Maui to Bay Area travelers in partnership with Airbnb. It was one of the most popular digital promotions for the airline to date, with 65,000 entries received in just a few weeks.

Fourth Quarter 2015 Outlook

The Company's expectations for the fourth quarter of 2015 are based on currently available information. These expectations are forward-looking, and actual results could differ materially depending on market conditions and the factors set forth under "Forward-Looking Statements" below. You should not place undue reliance upon these expectations.

Virgin America is scheduled to take delivery of three A320 aircraft during the fourth quarter of 2015, of which it expects to place two into operational service prior to year-end. The Company expects capacity, as measured by available seat miles, to increase by approximately 9.5 percent to 10.5 percent for the fourth quarter of 2015 as compared to the fourth quarter of 2014. Based on current revenue trends, the Company expects PRASM to decrease between 3.0 percent and 5.0 percent versus the fourth quarter of 2014. The Company expects CASM excluding special items, fuel and profit sharing to increase between 2.0 percent and 3.0 percent versus the fourth quarter of 2014. CASM excluding special items, fuel and profit sharing is increasing in the fourth quarter due primarily to Virgin America's previously announced pay and benefit initiatives that were implemented earlier in the year, partially offset by underlying unit cost improvement as the company resumes capacity growth.

Based on Virgin America's hedge portfolio and current market prices for aviation fuel products, the Company expects Virgin America's economic fuel cost per gallon inclusive of related taxes and hedge costs to average between \$1.75 and \$1.85 for the fourth quarter of 2015. This number may change depending on fluctuations in market prices for jet fuel during the quarter.

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