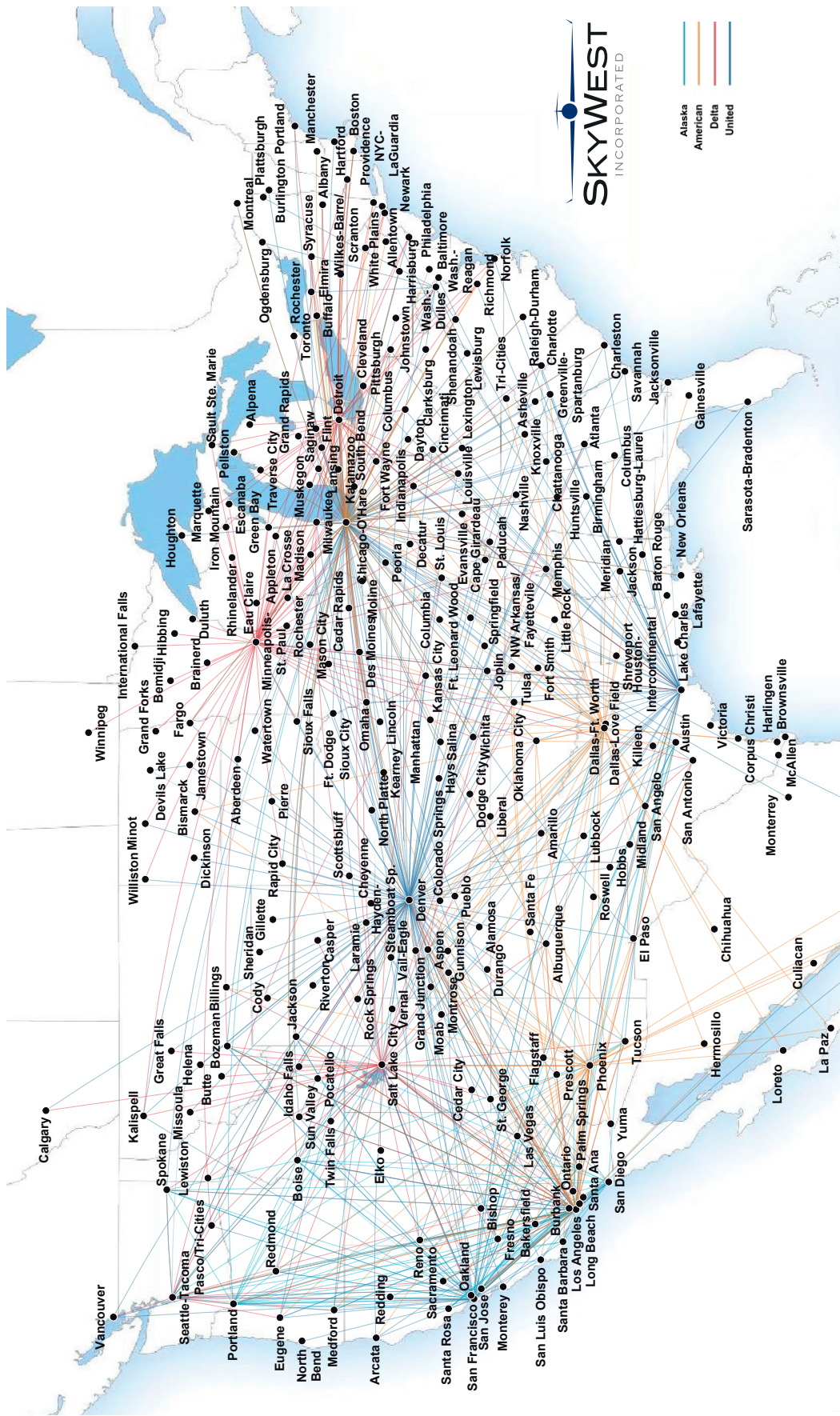




# 2021 ANNUAL REPORT

Notice of 2022 Annual Meeting and Proxy Statement





**UNITED**



**DELTA**



**American Airlines**

**Alaska**  
AIRLINES

To our Shareholders,

SkyWest helped to lead the return to air travel in 2021 while navigating new challenges associated with an uneven and at times volatile recovery: supply chain issues, staffing challenges, and at year-end, a surge in Omicron COVID cases. Despite the obvious headwinds, we continued to produce a solid product and to experience very strong demand for our flying in all fleet types.

We remain focused on our key priorities to ensure we successfully navigate through the current environment:

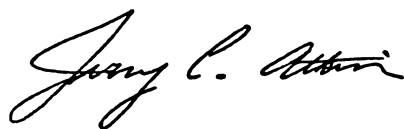
**Partner Airline of Choice.** We continue working with our partners to manage our schedules so that we can reliably deliver strong performance. We continue to invest in our ability to reliably operate our schedules with targeted incentives to rebalance our pilot staffing and ensure we're able to deliver on our commitments for our partners and passengers.

**Employer of Choice.** SkyWest is fortunate to enjoy the ability to attract and retain exceptional professionals across our operation. Throughout 2021 we increased staffing by more than 1,500 employees. Our training classes are full and we're working to ensure every employee who wants it has the opportunity to progress in their career at SkyWest. We maintain a robust hiring pipeline and strategy for all workgroups and consistently have new hire pilot classes filled well in advance. And while our pipeline for new pilots is strong, we expect that captain upgrade timing creates an imbalance and a production constraint for the next year or so.

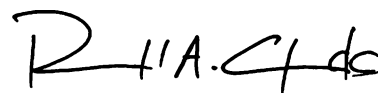
**Investment of Choice.** We anticipate 2022 will be another recovery year and there are still many unknowns with respect to the continually shifting landscape. Our priorities are to continue to invest in our fleet transition for the future and take care of our people, our customers, and all stakeholders. Strong liquidity and a sound balance sheet will allow us to execute against those goals.

While demand is solid, we are facing ongoing challenges as the industry prepares to operate in a post-pandemic environment. With 46 new E175s going into service in 2022, we continue to play the long game. Our re-fleeting that has been in progress for the last several years continues to be a priority as we execute on our long-term strategy. We continue to benefit from embedded flexibility into our model as we focus on rebalancing our pilot staffing and ensuring our resources are properly allocated to deliver a high-quality and reliable product.

We believe our competitive advantage is and will continue to be our ability to provide best in class operations, maintain strong liquidity, and invest for the future. We believe as we remain firm in our execution of these objectives, SkyWest will continue to create value for our employees, our customers, and our investors. We want to thank our team of professionals for their good work in delivering solid performance and adapting to continue to deliver exceptional service to our passengers last year.



Jerry C. Atkin  
Chairman  
SkyWest, Inc.



Russell A. "Chip" Childs  
President and Chief Executive Officer  
SkyWest, Inc.

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

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

For the fiscal year ended December 31, 2021

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. 0-14719

### SKYWEST, INC.

Incorporated under the Laws of Utah

87-0292166  
(IRS Employer ID No.)

444 South River Road  
St. George, Utah 84790  
(435) 634-3000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, No Par Value	SKYW	The Nasdaq Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒  
No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the  
Act. Yes ☐ No ☒

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 every Interactive Data File required to be  
submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a  
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 ☐ 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the  
effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by  
the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the registrant’s common stock held by non-affiliates (based upon the closing sale price of the  
registrant’s common stock on The Nasdaq Global Select Market) on June 30, 2021 was approximately \$2,168,383,269.

As of February 14, 2022, there were 50,519,758 shares of the registrant’s common stock outstanding.

#### Documents Incorporated by Reference

Portions of the registrant’s proxy statement to be used in connection with the registrant’s 2022 Annual Meeting of  
Shareholders are incorporated by reference into Part III of this Report as specified. Such proxy statement will be filed with the  
Securities and Exchange Commission not later than 120 days after the registrant’s fiscal year ended December 31, 2021.

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**SKYWEST, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
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## PART I

*Unless otherwise indicated in this Report, "SkyWest," "we," "us," "our" and similar terms refer to SkyWest, Inc., including SkyWest's wholly-owned subsidiary SkyWest Airlines, Inc. "SkyWest Airlines" refers to our wholly-owned subsidiary SkyWest Airlines, Inc., and "ExpressJet" refers to our former wholly-owned subsidiary ExpressJet Airlines, Inc.*

On January 22, 2019, we completed the sale of ExpressJet. Our financial and operating results for the year ended December 31, 2019 contained in this Report, include the financial results of ExpressJet for the period through January 22, 2019, as the sale of ExpressJet did not qualify for presentation of discontinued operations (see Note 3 in the accompanying financial statements).

### Cautionary Statement Concerning Forward-Looking Statements

Certain of the statements contained in this Report should be considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "hope," "likely," and "continue" and similar terms used in connection with statements regarding our outlook, anticipated operations, the revenue environment, our contractual relationships, and our anticipated financial performance. These statements include, but are not limited to, statements regarding the impact of the COVID-19 pandemic on our business, results of operations and financial condition and the impact of any measures, including travel restrictions, taken to mitigate the effect of the pandemic, our future growth and development plans, including our future financial and operating results, our plans, objectives, expectations and intentions and other statements that are not historical facts. Readers should keep in mind that all forward-looking statements are based on our existing beliefs about present and future events outside of our control and on assumptions that may prove to be incorrect. If one or more risks identified in this Report materializes, or any other underlying assumption proves incorrect, our actual results will vary, and may vary materially, from those anticipated, estimated, projected, or intended for a number of reasons, including but not limited to: the uncertainty of the duration, scope and impact of COVID-19; a further spread or worsening of COVID-19, and other potential future outbreaks of infectious diseases or other health concerns; the consequences of the COVID-19 pandemic to global economic conditions, the travel industry and our major airline partners in general and our financial condition and results of operations in particular; the challenges of competing successfully in a highly competitive and rapidly changing industry; developments associated with fluctuations in the economy and the demand for air travel, including as a result of the COVID-19 pandemic; the financial stability of United Airlines, Inc. ("United"), Delta Air Lines, Inc. ("Delta"), American Airlines, Inc. ("American") and Alaska Airlines, Inc. ("Alaska") (each, a "major airline partner") and any potential impact of their financial condition on our operations; fluctuations in flight schedules, which are determined by the major airline partners for whom SkyWest conducts flight operations; variations in market and economic conditions; significant aircraft lease and debt commitments; realization of manufacturer residual value guarantees on applicable SkyWest aircraft; residual aircraft values and related impairment charges; the impact of global instability; labor relations and costs; potential fluctuations in fuel costs, and potential fuel shortages; the impact of weather-related or other natural disasters on air travel and airline costs; new aircraft deliveries; and the ability to attract and retain qualified pilots, as well as the other factors described below in Item 1A. Risk Factors.

There may be other factors that may affect matters discussed in forward-looking statements set forth in this Report, which factors may also cause actual results to differ materially from those discussed. Additionally, the risks, uncertainties and other factors set forth above or otherwise referred to in the reports that the Company files with the Securities and Exchange Commission may be further amplified by the global impact of the COVID-19 pandemic. We assume no obligation to publicly update any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these statements other than as required by applicable law.

## ITEM 1. BUSINESS

### General

Through SkyWest Airlines, we offer scheduled passenger service to destinations in the United States, Canada, Mexico and the Caribbean. Substantially all of our flights are operated as United Express, Delta Connection, American Eagle or Alaska Airlines flights under code-share arrangements (commercial agreements between airlines that, among other things, allow one airline to use another airline's flight designator codes on its flights) with United, Delta, American



or Alaska, respectively. As of December 31, 2021, we offered approximately 2,080 daily departures, of which approximately 870 were United Express flights, 650 were Delta Connection flights, 410 were American Eagle flights and 150 were Alaska Airlines flights. The number of flights we operated during 2021 was negatively impacted by the COVID-19 pandemic. See the section entitled “Competition and Economic Conditions” below for additional information regarding the COVID-19 impact on our operations.

We generally provide regional flying to our major airline partners under long-term, fixed-fee, code-share agreements. Under these fixed-fee agreements (commonly referred to as “capacity purchase agreements”), our major airline partners generally pay us fixed rates for operating the aircraft primarily based on the number of completed flights, flight time and the number of aircraft under contract. The major airline partners either directly pay for or reimburse us for specified direct operating expenses, including fuel expenses. Our operations are conducted principally at airports that support our major airline partners’ route networks, including Chicago (O’Hare), Dallas, Denver, Detroit, Houston, Los Angeles, Minneapolis, Phoenix, Salt Lake City, San Francisco and Seattle.

SkyWest has been flying since 1972. During our long operating history, we have developed an industry-leading reputation for providing quality regional airline service. As of December 31, 2021, our fleet consisted of aircraft manufactured by Embraer S.A. (“Embraer”) and Bombardier Aerospace (“Bombardier”), including the E175 regional jet aircraft (“E175”), the Canadair CRJ900 regional jet aircraft (“CRJ900”), the Canadair CRJ700 regional jet aircraft (“CRJ700”) and the Canadair CRJ200 regional jet aircraft (“CRJ200”). As of December 31, 2021, we had 629 total aircraft in our fleet, including 509 aircraft in scheduled service or under contract under our code-share agreements, summarized as follows:

	<u>E175</u>	<u>CRJ900</u>	<u>CRJ700</u>	<u>CRJ200</u>	<u>Total</u>
United. . . . .	90	—	19	111	220
Delta. . . . .	71	44	5	29	149
American . . . . .	18 **	—	90	—	108
Alaska. . . . .	32	—	—	—	32
Aircraft in scheduled service or under contract . . . . .	211	44	114	140	509
Leased to third parties. . . . .	—	5	34	—	39
Other*. . . . .	—	—	18	63	81
Total Fleet . . . . .	211	49	166	203	629

\*As of December 31, 2021, other aircraft included: supplemental spare aircraft supporting our code-share agreements which may be used in future code-share or leasing arrangements, aircraft transitioning between code-share agreements with our major airline partners, or aircraft that are scheduled to be disassembled for use as spare parts.

\*\*The Company took delivery of the 18 E175 aircraft under its contract with American as of December 31, 2021. The 18 E175 aircraft are scheduled to begin service in 2022.

Bombardier and Embraer are the primary manufacturers of regional jets operated in the United States and offer many of the amenities of larger commercial jet aircraft, including flight attendant service, a stand-up cabin, overhead and under seat storage, lavatories and in-flight snack and beverage service. The Bombardier CRJ900 and CRJ700 aircraft and the Embraer E175 aircraft we operate are configured with a first-class seating section. The Bombardier CRJ200 aircraft we operate are configured with single-class seating. The speed of Bombardier and Embraer regional jets is comparable to larger aircraft operated by major airlines, and they have a range of approximately 1,600 miles and 2,100 miles, respectively. As of December 31, 2021, our fleet seat configuration by aircraft type is summarized as follows:

<u>Manufacturer</u>	<u>Aircraft Type</u>	<u>Seat Configuration</u>
Embraer . . . . .	E175s	70-76
Bombardier . . . . .	CRJ900s	70-76
Bombardier . . . . .	CRJ700s	65-70
Bombardier . . . . .	CRJ200s	50

We were incorporated in Utah in 1972. Our principal executive offices are located at 444 South River Road, St. George, Utah 84790, and our primary telephone number is (435) 634-3000. We maintain an internet website at [inc.skywest.com](http://inc.skywest.com), which provides links to our annual, quarterly and current reports and any amendments to those reports filed with or furnished to the Securities and Exchange Commission (“SEC”). We use our investor relations website as a

means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Investors should monitor our website, in addition to following our press releases, SEC filings and public conferences calls and webcasts. Information relating to our corporate governance is also included on our investor relations website. The information on our website does not constitute part of this Report. In addition, we provide electronic or paper copies of our SEC filings free of charge upon request.

We conduct our code-share operations with our major airline partners pursuant to the following agreements:

<b>Major airline partner</b>	<b>Agreement</b>
United . . . . .	“United Express Agreements” and “United Express Prorate Agreement”
Delta . . . . .	“Delta Connection Agreement” and “Delta Connection Prorate Agreement”
American . . . . .	“American Agreement”
Alaska . . . . .	“Alaska Agreement”

A summary of the terms for each of our code-share agreements is provided under the heading “Code-Share Agreements” below on page 8.

### **SkyWest Leasing**

SkyWest Leasing is a reportable segment that includes revenue associated with our financing of new aircraft with debt under our capacity purchase agreements, currently consisting of our E175 aircraft, and the depreciation and interest expense of our E175 aircraft. The SkyWest Leasing segment additionally includes the revenue and expense from leasing aircraft and engines to third parties. The SkyWest Leasing segment’s total assets and capital expenditures include the acquired E175 aircraft, and aircraft and engines leased to third parties.

As of December 31, 2021, SkyWest Leasing leased 34 CRJ700 aircraft, five CRJ900 aircraft and regional jet aircraft engines to third parties.

### **ExpressJet**

ExpressJet was a reportable segment prior to our sale of ExpressJet in January 2019. ExpressJet’s operations were conducted principally from airports located in Atlanta, Chicago (O’Hare), Houston, Newark and New York.

### **Competition and Economic Conditions**

The airline industry is highly competitive. SkyWest competes principally with other regional airlines. Our operations extend throughout most major geographic markets in the United States. Our competition includes, therefore, nearly every other domestic regional airline. Our primary competitors include Air Wisconsin Airlines Corporation (“Air Wisconsin”); Endeavor Air, Inc. (“Endeavor”) (owned by Delta); Envoy Air Inc. (“Envoy”); PSA Airlines, Inc. (“PSA”) and Piedmont Airlines (“Piedmont”) (Envoy, PSA and Piedmont are owned by American); Horizon Air Industries, Inc. (“Horizon”) (owned by Alaska Air Group, Inc.); GoJet Airlines, LLC; Mesa Air Group, Inc. (“Mesa”); and Republic Airways Holdings Inc. (“Republic”). Major airlines typically award code-share flying arrangements to regional airlines based primarily upon the following criteria: ability to fly contracted schedules, availability of labor resources, including pilots, low operating cost, financial resources, geographical infrastructure, overall customer service levels relating to on-time arrival and flight completion percentages and the overall image of the regional airline. Additionally, each major airline may be limited in the number and type of regional aircraft it may use in its network due to agreements the major airline has with its own labor groups, commonly referred to in the industry as “scope limitations.” Given our major airline partners’ scope limitations, we currently do not operate a regional aircraft configured with more than 76 seats.

The principal competitive factors for regional airline code-share arrangements include labor resources, code-share agreement terms, reliable flight operations, operating cost structure, ability to finance new aircraft, certification to operate certain aircraft types and geographical infrastructure supporting markets and routes served.

Our operations represent the largest regional airline operations in the United States. However, regional carriers owned by major airlines may have access to greater resources than we do through their parent companies.

Generally, the airline industry is sensitive to changes in general economic conditions. Economic downturns, combined with competitive pressures, have contributed to a number of reorganizations, bankruptcies, liquidations and



business combinations among major and regional carriers. The effect of economic downturns may be somewhat mitigated by our predominantly contract-based flying arrangements. If, however, any of our major airline partners experience a prolonged decline in the number of passengers or are negatively affected by low ticket prices or high fuel prices, they may seek rate reductions in future code-share agreements, or materially reduce scheduled flights in order to reduce their costs. In addition, adverse weather conditions can impact our ability to complete scheduled flights and can have a negative impact on our operations and financial condition. Also, major airline scope limitations may restrict growth opportunities for the regional carriers. Additionally, attrition of our pilots or other workgroups may reduce our flying schedules and have a negative impact on our operations and financial condition.

## Impact of the COVID-19 Pandemic

COVID-19, which was declared a global health pandemic by the World Health Organization in March 2020, had a significant, negative impact on our business, revenue and financial results in 2020 with moderate improvement in 2021. The ongoing spread of the virus and its variants continues to negatively impact our business, and the domestic and international networks of our major airline partners for whom we conduct flight operations and rely on to set our flight schedules. Various factors outside our control may impact the demand for air travel and our flight schedules, such as the distribution and efficacy of vaccines, government-imposed vaccine mandates, new variants of the virus, and continued or new government travel restrictions. Additionally, indirect factors, such as employee attrition, workforce shortages and third-party labor shortages that may result in delays in outsourced maintenance work and availability of aircraft parts, will likely impede the timing of our recovery from the pandemic and impact operations in 2022 and possibly thereafter, even if passenger demand returns to pre-COVID-19 levels.

In response to the COVID-19 pandemic, we have implemented measures to focus on the personal safety of our passengers and employees, while at the same time seeking to mitigate the impact on our financial position and operations. These measures include, but are not limited to, working with our major airline partners to enhance cleaning procedures for our aircraft and our training and other facilities, provide masks for crewmembers and ensuring that all fleet service personnel have the necessary personal protective equipment for disinfecting the aircraft, and encouraging vaccination for our employees through paid-time off incentives and education.

*Capacity and flight schedule impact.* We completed the following number of flights and related block hours in 2019, 2020 and 2021, demonstrating our ongoing flight schedule recovery from the COVID-19 pandemic:

	For the year ended December 31,		
	2021	2020	2019
Departures . . . . .	749,943	585,257	842,098
Block hours . . . . .	1,319,628	973,338	1,464,405

Although the number of flights we completed and related block hours incurred in 2021 was 89.1% and 90.1% of 2019 levels, respectively, future passenger demand in 2022 and beyond is uncertain. Additionally, a significant increase in hiring of our pilots by major airlines, low-cost carrier airlines and air freight companies may negatively impact our attrition rates and our ability to operate flight schedules requested by our major airline partners. We may receive requests by our major airline partners, or we may request our major airline partners to defer deliveries of new or used aircraft that were previously scheduled for delivery in 2022 and 2023.

## Liquidity

At December 31, 2021, we had \$904.0 million in total available liquidity, consisting of \$860.4 million in cash and marketable securities, and \$43.6 million available under SkyWest Airlines' line of credit with a bank. Additionally, we have approximately \$1.5 billion in unpledged aircraft engines and aircraft parts that we temporarily used as collateral in 2020 and 2021.

## Industry Overview

### *Majors, Low-Cost Carriers and Regional Airlines*

The airline industry in the United States has traditionally been comprised of several major airlines, including Alaska, American, Delta and United. The major airlines offer scheduled flights to most major U.S. cities, numerous smaller U.S. cities, and cities throughout the world through a hub-and-spoke network.

Low-cost carriers, such as Southwest Airlines Co. (“Southwest”), JetBlue Airways Corporation (“JetBlue”), Spirit Airlines, Inc. (“Spirit”) and Frontier Group Holdings, Inc. (“Frontier”), generally have lower cost structures than major airlines, which permits them to offer flights to and from many of the same markets as the major airlines, but at lower prices. Low-cost carriers typically operate using a point-to-point network strategy, rather than a hub-and-spoke network.

Regional airlines, including SkyWest, typically operate smaller aircraft on shorter routes than major and low-cost carriers. Several regional airlines, including Endeavor, Envoy, Horizon, Piedmont and PSA, are wholly-owned subsidiaries of major airlines.

Regional airlines generally do not try to establish an independent route system and compete with the major airlines. Rather, regional airlines typically enter into agreements with one or more major airlines, pursuant to which the regional airline agrees to use its smaller, lower-cost aircraft to carry passengers booked and ticketed by the major airline between a hub of the major airline and a smaller outlying city. In exchange for such services, the major airline pays the regional airline either fixed fees to operate the flight, termed “capacity purchase agreement,” “capacity purchase contract,” “contract” or “fixed-fee” flights, or the regional airline receives a percentage of applicable passenger ticket revenues on designated flights operated by the regional airline, termed “prorate” or “revenue-sharing” flights, as described in more detail below.

### **Code-Share Agreements**

Regional airlines generally enter into code-share agreements with major airlines, pursuant to which the regional airline is authorized to use the major airline’s two-letter flight designator codes to identify the regional airline’s flights and fares in the central reservation systems, to paint its aircraft with the colors and/or logos of the major airline and to market and advertise its status as a carrier for the major airline. Code-share agreements also generally obligate the major airline to provide services such as reservations, ticketing, ground support and gate access to the regional airline, and the major airline often coordinates marketing, advertising and other promotional efforts. In exchange, the regional airline provides a designated number of low-capacity (usually between 50 and 76 seats) flights between larger airports served by the major airline and surrounding cities, usually in lower-volume markets. The financial arrangements between the regional airlines and their code-share partners usually involve either capacity purchase arrangements or prorate arrangements as explained below:

- *Capacity Purchase Arrangements.* Under a capacity purchase arrangement (also referred to as a “capacity purchase agreement,” “capacity purchase contract,” “flying contract,” “fixed-fee arrangement,” or a “fixed-fee contract,”), the major airline generally pays the regional airline a fixed-fee for each departure, flight hour (measured from takeoff to landing, excluding taxi time) and block hour (measured from takeoff to landing, including taxi time), and an amount per aircraft in service each month with additional incentives based on completion of flights, on-time performance and other operating metrics. The regional airline typically acquires or finances the aircraft used under the capacity purchase arrangement, which is accounted for as a lease of the aircraft to our major airline partner. In addition, under a capacity purchase arrangement, the major airline bears the risk of fuel price fluctuations and certain other costs. Regional airlines benefit from capacity purchase arrangements because they are protected from some of the elements that typically cause volatility in airline financial performance, including variations in ticket prices, number of passengers onboard each flight and increasing fuel prices. However, regional airlines in capacity purchase arrangements generally do not benefit from positive trends in ticket prices, ancillary revenue, such as baggage and food and beverage fees, the number of passengers enplaned or decreasing fuel prices, because the major airlines retain passenger fare volatility risk and fuel costs associated with the regional airline flight.
- *Prorate Arrangements.* Under a prorate arrangement (also referred to as a “prorate agreement” or “revenue-sharing” arrangement), the major airline and regional airline negotiate a passenger fare proration formula for specifically identified routes, pursuant to which the regional airline receives a percentage of the ticket revenues for those passengers traveling for one portion of their trip on the regional airline and the other portion of their trip on the major airline. On the other hand, the regional airline receives all of the passenger fare when a passenger purchases a ticket on a route solely operated by the regional airline. Substantially all costs associated with the regional airline flight are borne by the regional airline. In a prorate arrangement, the regional airline may realize increased profits as ticket prices and passenger loads increase or fuel prices

decrease and, correspondingly, the regional airline may realize decreased profits as ticket prices and passenger loads decrease or fuel prices increase.

We have code-share agreements with United, Delta, American and Alaska. During the year ended December 31, 2021, approximately 84% of our flying agreements revenue related to capacity purchase agreement flights, where United, Delta, American and Alaska controlled scheduling, ticketing, pricing, and seat inventories. The remainder of our flying agreements revenue during the year ended December 31, 2021, related to prorate flights for United or Delta, where we controlled scheduling, pricing and seat inventories, and shared passenger fares with United or Delta according to prorate formulas. The routes placed under our prorate arrangements typically include flight service between one of our partners' hub cities and a city not served under our capacity purchase arrangements.

Under our capacity purchase arrangements, our major airline partners compensate us for our costs of owning or leasing the aircraft on a monthly basis. The aircraft compensation structure varies by agreement but is intended to cover either our aircraft principal and interest debt service costs, our aircraft depreciation and interest expense or our aircraft lease expense costs while the aircraft is under contract. The number of aircraft under our capacity purchase arrangements and our prorate arrangements as of December 31, 2021 is reflected in the summary below. The following summaries of our code-share agreements with our major airline partners do not purport to be complete and are qualified in their entirety by reference to the applicable agreement.

#### ***United Express Agreements***

<u>Agreement</u>	<u>Aircraft type</u>	<u>Number of Aircraft</u>	<u>Term / Termination Dates</u>
United Express Agreements . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> <li>• CRJ 700</li> <li>• CRJ 200</li> </ul>	90 19 70	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates under the agreement between 2024 and 2029</li> <li>• The average remaining term of the aircraft under contract is 4.2 years</li> </ul>
United Express Prorate Agreement . . . . . (prorate agreement)	<ul style="list-style-type: none"> <li>• CRJ 200</li> </ul>	41	<ul style="list-style-type: none"> <li>• Terminable with 120-day notice</li> </ul>
Total under United Express Agreements . . .		220	

#### ***Delta Connection Agreements***

<u>Agreement</u>	<u>Aircraft type</u>	<u>Number of Aircraft</u>	<u>Term / Termination Dates</u>
Delta Connection Agreement . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> <li>• CRJ 900</li> <li>• CRJ 700</li> </ul>	71 44 5	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates from 2022 to 2031</li> <li>• The average remaining term of the aircraft under contract is 5.5 years</li> </ul>
Delta Connection Prorate Agreement . . . . . (prorate agreement)	<ul style="list-style-type: none"> <li>• CRJ 200</li> </ul>	29	<ul style="list-style-type: none"> <li>• Terminable with 30-day notice</li> </ul>
Total under Delta Connection Agreements . .		149	

#### ***American Capacity Purchase Agreement***

<u>Agreement</u>	<u>Aircraft type</u>	<u>Number of Aircraft</u>	<u>Term / Termination Dates</u>
American Agreement . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> <li>• CRJ 700</li> </ul>	18 90	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates from 2024 to 2032</li> <li>• The average remaining term of the aircraft under contract is 4.8 years</li> </ul>
Total under American Agreements . . . . .		108	

## *Alaska Capacity Purchase Agreement*

<u>Agreement</u>	<u>Aircraft type</u>	<u>Number of Aircraft</u>	<u>Term / Termination Dates</u>
Alaska Agreement. . . . . (capacity purchase agreement)	• E175	32	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates in 2030</li> <li>• The average remaining term of the aircraft under contract is 8.6 years</li> </ul>

In addition to the aircraft operating under the respective arrangements outlined above, SkyWest Airlines has agreed with its major airline partners to place additional aircraft under a capacity purchase arrangement as summarized below. We are coordinating with our major airline partners to optimize the timing of upcoming fleet deliveries and the delivery timing referenced below is subject to change.

- Capacity purchase agreement with American for two new E175 aircraft. Aircraft deliveries are scheduled for early 2022, and the aircraft are expected to be placed into service in 2022. We anticipate financing the aircraft through debt.
- Capacity purchase agreement with Delta for 16 new E175 aircraft. The delivery dates for the 16 new E175 aircraft are currently scheduled for 2022, and the aircraft are expected to be placed into service in 2022. We anticipate financing the aircraft through debt. The 16 E175 aircraft are expected to replace 16 CRJ900 aircraft that are scheduled to be removed from the capacity purchase agreement with Delta. We are evaluating alternative uses for our CRJ900s that will be displaced by the 16 E175 aircraft.
- Capacity purchase agreement with Alaska for eleven new E175 aircraft. The delivery dates for the eleven new E175 aircraft are currently scheduled for 2022 and 2023, and the aircraft are expected to be placed into service in 2022 and 2023.
- Capacity purchase agreement with American for eleven used CRJ700 aircraft. The aircraft are anticipated to be placed into service by the end of 2023. We anticipate using CRJ700s we already possess that are not currently under contract with a major airline partner to fulfill this agreement.
- In January 2022, we extended the term for 19 CRJ700 aircraft under contract with United for three years with new expiration dates scheduled between 2025 and 2026.

## *United Express Agreements*

We and United are parties to two United Express agreements: a United Express agreement to operate certain CRJ200 aircraft and CRJ700 aircraft, and a United Express agreement to operate E175 aircraft (collectively, the "United Express Agreements").

The United Express Agreements have a latest scheduled termination date in 2029. The United Express Agreements are subject to early termination in various circumstances including:

- if we or United fail to fulfill an obligation under the United Express Agreements for a period of 60 days after written notice to cure;
- if our operations fall below certain performance levels for a period of three consecutive months;
- subject to limitations imposed by the U.S. Bankruptcy Code, if either party becomes insolvent, fails to pay its debts when due, takes action leading to its cessation as a going concern, makes an assignment of substantially all of its assets, or ceases or suspends operations; or
- subject to limitations imposed by the U.S. Bankruptcy Code, if bankruptcy proceedings are commenced against either party and certain specified conditions are not satisfied.

## *Delta Connection Agreements*

We and Delta are parties to a Delta Connection Agreement (the "Delta Connection Agreement"), pursuant to which we provide contract flight services for Delta.

The Delta Connection Agreement has a latest scheduled termination date of 2031. The Delta Connection Agreement is subject to early termination in various circumstances, including:

- if we or Delta commit a material breach of the Delta Connection Agreement, subject to 30-day notice and cure rights;
- if we fail to conduct all flight operations and maintain all aircraft under the Delta Connection Agreement in compliance in all material respects with applicable government regulations;
- if we fail to satisfy certain performance and safety requirements; or
- if either party files for bankruptcy, reorganization or similar action (subject to limitations imposed by the U.S. Bankruptcy Code) or makes an assignment for the benefit of creditors.

#### *American Agreement*

We and American are parties to an agreement (the “American Agreement”) for the operation of E175 and CRJ700 aircraft. The American Agreement has a latest scheduled termination date of 2032 and is subject to early termination in various circumstances including:

- if we or American fail to fulfill any obligation under the American Agreement for a period of 30 days after written notice to cure;
- if our operations fall below certain performance levels;
- subject to limitations imposed by the U.S. Bankruptcy Code, if either party makes a general assignment for the benefit of creditors or becomes insolvent; or
- subject to limitations imposed by the U.S. Bankruptcy Code, if bankruptcy proceedings are commenced against either party and certain specified conditions are not satisfied

#### *Alaska Agreement*

We and Alaska are parties to a Capacity Purchase Agreement (the “Alaska Agreement”) for the operation of E175 aircraft. Each aircraft placed under the agreement has a 12-year term and the last aircraft placed into service with Alaska is scheduled to terminate in 2030. The Alaska Agreement is subject to early termination in various circumstances including:

- if we or Alaska fail to fulfill an obligation under the Alaska Capacity Purchase Agreement for a period of 30 days after written notice to cure;
- if our operational performance falls below certain performance levels;
- subject to limitations imposed by the U.S. Bankruptcy Code, if either party makes a general assignment for the benefit of creditors or becomes insolvent; or
- subject to limitations imposed by the U.S. Bankruptcy Code, if bankruptcy proceedings are commenced against either party and certain specified conditions are not satisfied.

### **Training and Aircraft Maintenance**

SkyWest provides substantially all training to our crew members and maintenance personnel at our training facilities. Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at our maintenance facilities. We also use third-party vendors for certain airframe and engine maintenance work.

### **Fuel**

Our capacity purchase agreements with United, Delta, American and Alaska require the respective major airline partner to pay for fuel costs, either directly to the fuel vendor or to reimburse us for the fuel costs we incur under those agreements, thereby reducing our exposure to fuel price fluctuations. Under our prorate agreements with United and Delta, we are responsible for the costs to operate the flights, including fuel costs, and therefore we are exposed to fuel price fluctuations for flights operated under our prorate agreements. During the year ended December 31, 2021, our major airlines partners purchased the majority of the fuel for our aircraft flying under their respective capacity purchase agreements directly from their fuel vendors or reimbursed us for the fuel costs we incurred under the capacity purchase agreements. Historically, we have not experienced sustained material problems with the availability of fuel and believe we will be able to obtain fuel in quantities sufficient to meet our existing and anticipated future requirements at

competitive prices. We typically purchase fuel from third-party suppliers for our prorate agreements. A substantial increase in the price of jet fuel for flights we operate under our prorate agreements, or the lack of adequate fuel supplies in the future, could have a material adverse effect on our business, financial condition, results of operations or liquidity.

## **Human Capital Resources**

### ***Employee Profile***

As of December 31, 2021, we employed 15,205 total employees, consisting of 5,705 pilots, 4,790 flight attendants, 1,784 airport operations personnel, 1,408 maintenance technicians, 821 other maintenance personnel, 168 dispatchers and 529 operational support and administrative personnel. Our total employees at December 31, 2021, included 1,647 part-time employees. All our employees are employed by SkyWest Airlines. Certain SkyWest Airlines employees also provide administrative support to the SkyWest Leasing segment. Approximately 91.1% of these employees were represented by in-house labor associations that have entered into collective bargaining agreements regarding employee compensation and work rules. None of these employees are currently represented by an outside union. Outside union organizing efforts among our employees do occur from time to time and may continue in the future. If unionization efforts are successful, we may be subjected to increased risks of work interruption or stoppage and/or incur additional expenses associated with a change in labor representation of our employees. SkyWest Airlines has never experienced a work stoppage due to a strike or other labor dispute, and we consider our relationships with our employees to be good.

Our relations with labor are governed by the Railway Labor Act (the “RLA”), the federal law governing labor relations between air carriers and their employees. Under the RLA, a collective bargaining agreement between an airline and a labor representative does not expire, but instead becomes amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner prescribed by the RLA and/or described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board to initiate a process including mediation, arbitration, and a potential “cooling off” period that must be followed before either party may engage in “self-help.” “Self-help” includes, among other things, a strike by the representative or the imposition of proposed changes to the collective bargaining agreement by the airline. The U.S. Congress and the President have the authority to prevent “self-help” by enacting legislation that, among other things, imposes a settlement on the parties. SkyWest Airlines respects all employees’ legal rights, including the rights to free association and collective bargaining. This includes the right to decide whether to be represented by a union. Our employees are covered by the RLA. Under the RLA, employees have the right to decide whether they wish to be represented by a union. They also have the right to reject union representation.

### ***Culture***

At SkyWest our people are our most valued assets, and the success of our business is dependent on having an engaged and effective workforce. We respect every individual's quality of life and are committed to promoting dignity and trust in all we do. We strive to be the partner of choice and employer of choice.

### ***Health & Safety***

Safety is the primary focus and foundation of our culture with our first guiding principle being Health and Safety First. We expect our employees to think, plan, communicate and act appropriately to prevent injury, illness or harm to themselves, fellow employees, passengers and aircraft. SkyWest’s Safety Management System (SMS) integrates an intentional safety culture into every work group and every employee process from new hire through retirement, focusing on industry-best practices in safety competencies and behaviors. Training is required for every SkyWest employee, regardless of position.

SkyWest’s SMS is designed to identify, track, and help mitigate potential safety risks before an incident or accident occurs. Employees are encouraged to participate in our voluntary programs to report potential safety concerns or violations to reduce safety risk, including, but not limited to our Aviation Safety Action Program and Safety Concern Report.

- Aviation Safety Action Program is a non-punitive program that allows employees in participating work groups to self-disclose violations of policies and procedures. Each report is reviewed by an Event Review Committee who helps identify any potential trends and whether corrective actions have been put into place to prevent the problem from occurring in the future.
- Safety Concern Reporting is a confidential program that allows all employees to identify potential safety risks within the operation. Each report is reviewed and investigated, as needed, by the Safety Department. Employees may also report safety concerns to their direct manager, the facility manager, a facility safety committee member or confidentially through our safety hotline.

### *Attracting, Developing and Retaining Talent*

*Recruitment Strategies.* We strive to be the employer of choice for aviation professionals pursuing a career in the regional airline industry and we continually update our recruiting strategies to attract quality aviation professionals. We adapt our recruitment efforts based on the supply of eligible aviation professionals and our outlook for anticipated future flight schedules. Our recruiting focus generally targets key aviation technical roles, especially pilots and mechanics. We seek qualified individuals through publishing positions on both internal and external career websites, supporting professional development leads, investment in targeted advertising, social media outreach, employee referrals and relationships with community-based organizations and educational institutions.

*School Partnerships and Development.* We maintain relationships with numerous flight schools and educational institutions across the country that are focused on developing the next generation of aviation professionals. We typically recruit pilots and maintenance technicians that have completed required coursework from an accredited flight or maintenance school, respectively, and have obtained other applicable certifications. We also provide other programs to enhance our recruiting efforts towards individuals who are in process of completing their training, including a Pilot Pathway Program and an Aviation Maintenance Technician (AMT) Pathway Program.

- The SkyWest Pilot Pathway Program provides a direct path for qualified pilots seeking to begin their aviation career in the regional airline industry. Participants benefit from the SkyWest Pilot Pathway Program through accelerated starting seniority at SkyWest, final interview privileges and access to pilot mentors. The Pilot Pathway Program allows students to remain at their campus to complete their flight training until they meet SkyWest's Airline Transport Pilot standards and achieve their required minimum hours of flight time. Each participant may also participate in SkyWest recruiting events and outreach programs on their way to fulfilling commercial pilot jobs.
- The SkyWest AMT Pathway Program provides a career path for maintenance technicians seeking employment with SkyWest. Participants benefit from the SkyWest AMT Pathway Program through accelerated starting seniority at SkyWest, guaranteed final interview and access to mechanic advisors.

*Ongoing Training and Retention.* SkyWest invests in retaining its professionals by providing a range of talent development opportunities, including mandatory compliance training, new hire training and general professional development, as well as engaging in the training of leaders through leadership development courses. Our training programs include full-motion flight simulators for pilots, on-the-job training for technicians, and cabin trainers for flight attendants. We also reinforce our guiding principles, including but not limited to, health and safety, excellent service and quality, and respect and teamwork through our training and development programs, as well as through our employee appreciation and recognition programs.

As the larger airlines recover from the COVID-19 pandemic and look to hire pilots, we anticipate seeing a significant turnover of our pilots, specifically our captains. As we work to train and promote our first officers to captains, we will likely have higher training costs. Additionally, if our captain attrition levels exceed our upgrade replacement levels, we will likely need to reduce future flight schedules with our major airline partners, negatively impacting our revenue.



## *Diversity & Inclusion*

Our approach is to hire the best qualified individuals, regardless of race, religion, gender, national origin, disability, sexual orientation or similar classifications. As of December 31, 2021, approximately 40% and 28% of our workforce were women and people of color, respectively. We believe every employee brings unique education, skills and life experiences to SkyWest that supplement our ability to achieve our commitment to excellence and to our customers and passengers. As part of SkyWest's commitment to diversity, we have:

- Organized an Inclusion Council made up of frontline employees who work directly with the C-Suite to continue enhancing SkyWest's culture of respect and inclusion.
- Developed required training for all employees, which reviews our company policies, provides opportunities to apply policy to real-world examples, and reaffirms our commitment to diversity and inclusion.
- Created ongoing opportunities to highlight employees from different cultures throughout the year on internal and external websites.

## *Total Rewards*

SkyWest Airlines operates in a customer-focused, team-based environment and provides opportunities for dedicated individuals develop their career while receiving competitive compensation, benefits, and rewards. Our employees receive several compensation benefits, including but not limited to:

- Competitive wages and incentives based on our operating performance goals,
- Multiple insurance options including health care, disability coverage, and life insurance coverage,
- Access to a 401(k) plan with matching contributions and an employee stock purchase plan,
- Employee assistance programs that provide confidential counseling or psychiatric care,
- A variety of resources that promote scheduling flexibility with paid time away from work, and
- Space-available travel privilege programs for employees and eligible family members through our major airline partner programs.

## *Employee Reporting*

Our Code of Conduct contains general guidelines for conducting business in an ethical manner. We are committed to a working environment that is safe and supports open and honest communication. We have established a reporting system for any SkyWest employee to report a violation of company policy including harassment, discrimination, drug and alcohol use, questionable financial practice, or a breach involving safety or security. A general grievance may also be filed even if an employee has already utilized their chain of command or chooses to remain anonymous. Reports can be filed using a toll-free ethics and grievance hotline or by using an online reporting system on SkyWest's intranet.

## **Government Regulation**

All interstate air carriers, including SkyWest, are subject to regulation by the U.S. Department of Transportation (the "DOT"), the U.S. Federal Aviation Administration (the "FAA") and other governmental agencies. Regulations promulgated by the DOT primarily relate to economic aspects of air service. The FAA requires operating, airworthiness and other certificates; approval of personnel who may engage in flight, maintenance or operating activities; record-keeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. Generally, governmental agencies enforce their regulations through, among other methods, certifications, which are necessary for the continued operations of SkyWest, and proceedings, which can result in civil or criminal penalties or revocation of operating authority. The FAA can also issue maintenance directives and other mandatory orders relating to, among other things, grounding of aircraft, inspection of aircraft, installation of new safety-related items and the mandatory removal and replacement of aircraft parts.

We believe SkyWest complies, in all material respects, with FAA regulations and holds all operating and airworthiness certificates and licenses which are necessary to conduct our operations. We maintain current certifications and otherwise comply with the laws, rules and regulations to which we are subject. Our flight operations, maintenance programs, recordkeeping and training programs are conducted under FAA approved procedures. All air carriers operating in the United States are required to comply with federal laws and regulations pertaining to noise abatement and

engine emissions. All such air carriers are also subject to certain provisions of the Federal Communications Act of 1934, as amended, because of their extensive use of radio and other communication facilities. SkyWest is also subject to certain federal and state laws relating to protection of the environment, labor relations and equal employment opportunity. We believe SkyWest complies, in all material respects, with these laws and regulations.

## **Environmental Matters**

We are subject to various federal, state, local and foreign laws and regulations relating to environmental protection matters. These laws and regulations govern such matters as environmental reporting, storage and disposal of materials and chemicals and aircraft noise. We are, and expect in the future to be, involved in various environmental matters and conditions at, or related to, our properties. We are not currently subject to any environmental cleanup orders or actions imposed by regulatory authorities. We are not aware of any active material environmental investigations related to our assets or properties.

As the largest regional airline in the United States, we remain committed to lowering our environmental footprint while continuing to offer the best service to our customers and the communities we serve. Our largest source of emissions and environmental impact comes from utilizing jet fuel on flights operated under our code-share agreements with our major airline partners. Under our capacity purchase agreements, our major airline partners purchase the aircraft fuel we consume, select the aircraft type we operate, and set flight schedules, all of which are variables which impact fuel consumption efficiencies. During 2021, we produced approximately 5.7 million metric tons of CO<sub>2</sub>e from fuel burned, using industry emissions factors, on flights we operated under our code-share agreements. We are largely dependent on direction from our major airline partners regarding long-term fuel saving initiatives such as engine innovations reducing fuel consumption, use of sustainable alternative fuels, carbon sequestration programs, air traffic flow routing efficiencies, and similar initiatives. Each of our major airline partners may pursue alternative strategies and goals to reduce carbon emissions on flights we operate under our code-share agreements that may impact the rate at which we are able to reduce our carbon emissions, if at all. We anticipate our major airline partners will take responsibility for carbon emissions incurred on our contract flights. Alternatively, we may purchase carbon offsets as an alternative strategy to reduce our carbon emissions.

Our board of directors has oversight of our environment-related performance. Through software and training, we heavily monitor and manage our fuel trends and fuel consumption which leads to better fuel management and reductions in emissions. When possible, we conserve fuel burned by utilizing single engine taxi procedures, improving the efficiency of aircraft routing, using performance-based navigation procedures to reduce track miles, and using ground power when parked at the gate. Additionally, we collaborate with aircraft and engine manufacturers and our major airline partners regarding innovations and emerging technologies that could improve fuel efficiencies and minimize environmental impact. We participate with our major airline partners in recycling programs, and we have implemented recycling initiatives in our facilities to reduce the amount of paper, plastic and other recyclables going to landfills. We have worked aggressively to reduce our reliance on paper manuals, further eliminating unnecessary waste while increasing efficiencies.

We have entered into a strategic partnership with Eve UAM, LLC (“Eve”), an Embraer company, to develop a network of deployment for Eve’s electric vertical takeoff and landing (“eVTOL”) aircraft. This partnership includes the option for SkyWest to purchase up to 100 eVTOL aircraft. Eve anticipates its four-passenger eVTOL aircraft will be certified and available for service after 2025.

## **Safety and Security**

We are committed to the safety and security of our passengers and employees. We have taken many steps, both voluntarily and as mandated by governmental authorities, to increase the safety and security of our operations. Some of the safety and security measures we have taken with our major airline partners include: aircraft security and surveillance, aircraft cleaning procedures, positive bag matching procedures, enhanced passenger and baggage screening and search procedures, and securing of cockpit doors. We are committed to complying with future safety and security requirements.

## **Insurance**

We maintain insurance policies we believe are of types customary in the industry and in amounts we believe are adequate to protect against material loss. These policies principally provide coverage for public liability, passenger

liability, baggage and cargo liability, property damage, including coverage for loss or damage to our flight equipment, and workers' compensation insurance.

### **Seasonality**

Our results of operations for any interim period are not necessarily indicative of those for the entire year, in part because the airline industry is subject to seasonal fluctuations and changes in general economic conditions. Our operations are somewhat favorably affected by pleasure travel on our prorate routes, historically contributing to increased travel in the summer months, and are unfavorably affected by decreased business travel during the months from November through January and by inclement weather which can result in cancelled flights, principally during the winter months. Additionally, a significant portion of our capacity purchase arrangements is based on completing flights and we typically have more scheduled flights during the summer months. We generally experience a significantly higher number of weather cancellations during the winter months, which negatively impacts our revenue during such months.

## **ITEM 1A. RISK FACTORS**

*In addition to factors discussed elsewhere in this Report, the following are important risks which could adversely affect our future results. Additional risks and uncertainties not presently known to us or that we currently do not deem material may also impair our business operations. If any of the risks we describe below occur, or if any unforeseen risk develops, our operating results may suffer, our financial condition may deteriorate, the trading price of our common stock may decline and investors could lose all or part of their investment in us.*

### **Risks That May Disrupt Our Operations**

***The demand for air travel has not fully recovered from the COVID-19 pandemic, which has adversely impacted our and our major airline partners' business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our and our major airline partners' business, operating results, financial condition and liquidity.***

In March 2020, the World Health Organization declared COVID-19 a global health pandemic. COVID-19 and its variants has resulted in travel restrictions and business slowdowns or shutdowns in affected areas. As a result, the United States government implemented various domestic and international travel advisories and has also implemented enhanced screenings, mandatory quarantine requirements and other travel restrictions in connection with the COVID-19 pandemic.

The COVID-19 outbreak, along with the measures governments and private organizations worldwide have implemented to contain the spread of this pandemic, has resulted in a severe decline in demand for air travel, which has adversely affected our and our major airline partners' business, operations and financial condition to an unprecedented extent. In response to this material decrease in demand, our major airline partners, upon whom we depend to contract with us and to set our flight schedules, drastically reduced our flights in 2020 compared to 2019. Although our flight schedules significantly increased in 2021 compared to 2020, we have not returned to pre-pandemic flight levels, and we cannot predict whether such levels will return in 2022 and thereafter. We will continue to work with our major airline partners regarding future schedules and make further demand-driven adjustments to our capacity as needed. We may experience significant fluctuations in in our future monthly flight schedules from our major airline partners in response to anticipated demand and the ongoing recovery from the COVID-19 pandemic.

During 2020 and 2021, the COVID-19 pandemic had a negative impact on our revenues. Our total revenue decreased from \$2,972.0 million for the year ended December 31, 2019, to \$2,127.1 million for the year ended December 31, 2020, or 28.4% and to \$2,713.5 million for the year ended December 31, 2021, a decrease of 8.7% compared to the year ended December 31, 2019. Total block hours on flights we operated decreased from 1.46 million for the year ended December 31, 2019, to 0.97 million for the year ended December 31, 2020, or 33.5% and to 1.32 million for the year ended December 31, 2021, a decrease of 9.9% compared to the year ended December 31, 2019. The negative impact to our revenues due to the COVID-19 pandemic and its associated effects on the travel industry may continue into 2022 and potentially thereafter.

During 2020 and 2021, SkyWest Airlines entered into three payroll support program agreements (the “Payroll Support Program Agreements”) with the U.S. Department of the Treasury (“Treasury”) that provided certain payroll support relief payments. During 2020, we received \$345.5 million in the form of a payroll grant that was reflected as a reduction to operating expenses and we received \$105.2 million in the form of a ten-year unsecured loan, which remained outstanding as of December 31, 2021. During 2021, we received \$422.7 million in the form of a payroll grant that was reflected as a reduction to operating expenses and we received \$95.4 million in the form of a ten-year unsecured loan, which remained outstanding as of December 31, 2021. The payroll support programs include certain restrictions, including requirements to maintain certain levels of scheduled service, restrictions on the payment of dividends and the repurchase of our common stock through September 30, 2022, and certain limitations on executive compensation. There is no assurance that we will receive additional payroll support from Treasury.

Additionally, during 2020 SkyWest Airlines entered into a secured loan and guarantee agreement with Treasury (the “Treasury Loan Agreement”), which permitted us to borrow up to \$725 million under a five-year term. Upon execution, we borrowed \$60 million under the Treasury Loan Agreement. The Treasury Loan Agreement includes certain restrictions, including on the payment of dividends, repurchase of our common stock and executive compensation for a twelve-month period following repayment of the loan in full. During 2021, we repaid amounts outstanding under the Treasury Loan and terminated the Treasury Loan Agreement. There is no assurance Treasury will provide similar financing arrangements in the future.

We may also take additional actions to improve our financial position, including measures to improve liquidity, such as drawing down on SkyWest Airlines’ line of credit, the issuance of secured debt securities, and/or the entry into other debt facilities. There can be no assurance as to the timing of any such drawdown or issuance, which may be in the near term, or that any such additional financing will be completed on favorable terms, or at all. Any such actions could be conducted in the near term, may be material in nature and could result in significant additional borrowing. Measures to improve liquidity or other strategic actions that we may take in the future in response to COVID-19 may not be effective in offsetting decreased demand, and we will not be permitted to take certain strategic actions as a result of the Payroll Support Program Agreements, which could result in a material adverse effect on our business, operating results and financial condition.

The full extent of the ongoing impact of COVID-19 on our longer-term operational and financial performance will depend on future developments, many of which are outside of our control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19 and its variants and related travel advisories and restrictions, the impact of COVID-19 on overall long-term demand for air travel, the impact of COVID-19 on our financial health and operations and that of our major airline partners, recovery plans initiated by major airlines and others in the airline industry, the impact of potential vaccine mandates on employee attrition and future governmental actions, all of which are highly uncertain and cannot be predicted. The COVID-19 pandemic has had a material impact, and the continuation of reduced demand could have a material adverse effect, on our business, operating results, financial condition and liquidity.

In addition, a further outbreak of COVID-19 and its variants, an outbreak of another disease or similar public health threat, or fear of such an event, that affects travel demand, travel behavior or travel restrictions could have a material adverse impact on our business, financial condition and operating results and those of our major airline partners. Outbreaks of other diseases could also result in increased government restrictions and regulation, such as those actions described above or otherwise, which could adversely affect our operations.

***We may experience difficulty upgrading and retaining qualified pilots.***

Our operations rely on retaining qualified pilots, including captains and first officers. Our pilots may seek employment at major airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines. In response to the COVID-19 pandemic, several major airlines offered their employees early retirement programs in 2020 and have publicly announced their intention to hire significant levels of pilots in the near term. As a result, we are experiencing elevated levels of pilot attrition, particularly attrition of our captains. As we work to upgrade our first officers to captain, if attrition levels exceed our upgrade and replacement levels, we likely will experience a shortage of captains, due to training time and other factors, resulting in a reduction of our flight schedules with our major airline partners. If we request our major airline partners to reduce our flight schedules due to pilot or other labor shortages, our major airline partners may seek to enforce financial penalties or reduce the compensation otherwise

payable to us under our capacity purchase, which would likely have a negative impact on our revenues and adversely impact our financial condition.

***We may experience difficulty recruiting qualified pilots.***

Our operations rely on recruiting and training qualified pilots. FAA regulations regarding personnel certification and qualifications, and potential future changes in FAA regulations, could limit the number of qualified new entrants that we could hire. In the event we are unable to hire qualified pilots, we may be unable to operate requested flight schedules under our capacity purchase agreements, which could result in a reduction in revenue and operating inefficiencies, such as incremental new-hire training costs, and our business and financial condition could be adversely affected.

***We may experience difficulty recruiting and retaining other operational personnel.***

In addition to pilots, our operations rely on recruiting and retaining other qualified personnel, including, but not limited to, flight attendants, maintenance technicians, dispatch personnel, crew support and other operational personnel. Our operational personnel may seek employment at major airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines. Should the turnover of our employees sharply increase, we may not be able to hire sufficient personnel to replace those leaving. In the event we are unable to hire and retain qualified personnel, including flight attendants and maintenance technicians, we may be unable to operate requested flight schedules under our capacity purchase agreements, which could result in a reduction in revenue and operating inefficiencies, such as incremental new-hire training costs, and our business and financial condition could be adversely affected.

***Various negative economic or industry conditions may result in reductions to our flight schedules, which could materially and adversely affect our operations and financial condition.***

Our operations and financial condition are affected by many changing economic and other conditions beyond our control, including, among others:

- disruptions in the credit markets, which may impact availability of financing;
- actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation, higher interest rates, public health emergencies (including the COVID-19 pandemic and related variants), wars, terrorist attacks or political instability;
- changes in consumer preferences, perceptions, spending patterns or demographic trends;
- changes in the competitive environment due to industry consolidation, new airlines entering the market, our major airline partners operating smaller sized aircraft that may reduce the demand for regional aircraft and other factors;
- actual or potential disruptions to U.S. air traffic control systems;
- interference on aviation equipment from the deployment of 5G wireless telecommunications systems;
- price of jet fuel and oil that may negatively impact the number of flights we are scheduled to operate by our major airline partners under our capacity purchase agreements and may negatively impact the profitability of our prorate agreements;
- outbreaks of diseases and other illnesses that affect travel behavior; and
- weather and natural disasters.

The effect of any, or some combination, of the foregoing economic and industry conditions on our operations or financial condition is virtually impossible to forecast; however, the occurrence of any or all of such conditions in a significant manner could materially and adversely affect our operations and financial condition and could cause our major airline partners to reduce the utilization levels of our aircraft under our code-share agreements.

***Information technology security breaches, hardware or software failures, or other information technology disruptions may negatively impact our operations or reputation.***

The performance and reliability of our technology are critical to our ability to compete effectively. Any internal technological error or failure or large-scale external interruption in the technological infrastructure we depend on, such as U.S. air traffic control systems, power, telecommunications or the internet, may disrupt our internal network. Any individual failure or repeated failure of technology could impact our ability to conduct our business and result in

increased costs. Our technological systems and related data may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues.

In addition, cybersecurity threats pose a potential risk to the security of our information technology systems, networks and services, as well as the confidentiality and integrity of our data. Cybersecurity risks may include security breaches, computer viruses, malicious or destructive code, ransomware and other attacks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving, and may be difficult to anticipate or to detect for long periods of time. We may not be able to prevent all data security breaches or misuse of data. During 2021, we identified malware on our system resulting from a cyberattack. We successfully quarantined the malware without disruption to our operations. However, this quarantine breach required a rebuild of a triple-redundant server. While moving one of our critical systems to a newly rebuilt server, we experienced a server outage that resulted in approximately 1,700 flight cancellations. We estimate the impact of the outage negatively impacted our 2021 financial results by approximately \$18 million (pre-tax). Although we have changed our procedures related to migrating critical systems to new servers, we cannot assure a similar outage will not reoccur. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business and financial condition.

***Interruptions or disruptions in service at one of our hub airports, due to weather, system malfunctions or for any other reason, could have a material adverse impact on our operations.***

We currently operate primarily through hubs supporting our major airline partners' route networks across the United States. Nearly all of our flights either originate from or fly into one of these hubs. Our revenues depend primarily on our completion of flights and secondarily on service factors such as timeliness of departure and arrival. Any interruptions or disruptions could, therefore, severely and adversely affect us. Extreme weather such as hurricanes or tornados can cause flight disruptions, and, during periods of storms or adverse weather, our flights may be canceled or significantly delayed. We operate a significant number of flights to and from airports with particular weather difficulties, including Chicago, Denver, Salt Lake City and San Francisco. A significant interruption or disruption in service at one of our hubs, due to adverse weather, system malfunctions, airport construction, security closures or otherwise, could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe adverse impact on our operations and financial performance.

***The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.***

An accident or incident involving one of our aircraft could result in significant potential claims of injured passengers and others, as well as repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. In the event of an accident, our liability insurance may not be adequate to offset our exposure to potential claims and we may be forced to bear substantial losses from the accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our operational and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that our operations are less safe or reliable than other airlines and could affect our relationships with our major airline partners.

***We may experience disruption in service with key third-party service providers.***

We rely on third party vendors for a variety of services and functions critical to our business, including airframe and engine maintenance, ground handling, fueling, computer reservation system hosting, telecommunication systems and information technology infrastructure and services.

Even though we strive to formalize agreements with these vendors that define expected service levels, our use of outside vendors increases our exposure to several risks. In the event that one or more vendors experiences labor shortages, aircraft part shortages, goes into bankruptcy, ceases operation or fails to perform as promised, replacement services may not be readily available at competitive rates, or at all. If one of our vendors fails to perform adequately, we may experience increased costs, delays, maintenance issues, safety issues or negative public perception of our airline.

Vendor bankruptcies, unionization, regulatory compliance issues or significant changes in the competitive marketplace among suppliers could adversely affect vendor services or force us to renegotiate existing agreements on less favorable terms. These events could result in disruptions in our operations or increases in our cost structure.

***We are subject to significant governmental regulation and potential regulatory changes.***

All interstate air carriers, including SkyWest, are subject to regulation by the DOT, the FAA and other governmental agencies. Regulations promulgated by the DOT primarily relate to economic aspects of air service. The FAA requires operating, air worthiness and other certificates; approval of personnel who may engage in flight, maintenance or operation activities; recordkeeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. A decision by the FAA to ground, or require time-consuming inspections of or maintenance on, all or any of our aircraft for any reason may have a material adverse effect on our operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations. From time to time, various airports throughout the country have considered limiting the use of smaller aircraft, such as our aircraft, at such airports. The imposition of any limits on the use of our aircraft at any airport at which we operate could have a material adverse effect on our operations.

We cannot predict the impact of potential regulatory changes that may affect our business or the airline industry as whole, including the potential impact of tariffs on aircraft deliveries. However, it is possible that these changes could adversely affect our business. Our business may be subject to additional costs or loss of government subsidies as a result of potential regulatory changes, which could have an adverse effect on our operations and financial results.

***Terrorist activities or warnings have dramatically impacted the airline industry and will likely continue to do so.***

The terrorist attacks of September 11, 2001 and their aftermath have negatively impacted the airline industry in general, including our operations. The primary effects experienced by the airline industry include a substantial loss of passenger traffic and revenue. If additional terrorist attacks are launched against the airline industry, there will be lasting consequences of the attacks, which may include loss of life, property damage, increased security and insurance costs, increased concerns about future terrorist attacks, increased government regulation and airport delays due to heightened security. Additional terrorist attacks and the fear of such attacks could negatively impact the airline industry, and result in further decreased passenger traffic and yields, increased flight delays or cancellations associated with new government mandates, as well as increased security, fuel and other costs. We cannot provide any assurance that these events will not harm the airline industry generally or our operations or financial condition in particular.

**Risks Related to Our Code-Share Agreements with Our Major Airline Partners**

***Our business model is dependent on code-share agreements with four major airline partners.***

Our business model depends on major airlines electing to contract with us instead of operating their own regional jets. Some regional airlines are owned by a major airline. We have no guarantee that in the future our major airline partners will choose to enter into contracts with us instead of operating their own regional jets or acquiring a regional airline. Our major airline partners are not prohibited from doing so under our code-share agreements. A decision by any of our major airline partners to phase out code-share relationships and instead acquire and operate their own regional jets or regional airline could have a material adverse effect on our financial results. Additionally, our major airline partners may be limited in the number of regional aircraft they can operate in their network due to aircraft scope limitations they have with their labor groups. Scope limitations could limit our ability to increase the number of aircraft operating under our code-share agreements.

As of December 31, 2021, 369 out of our total 509 aircraft in scheduled service were operating under a capacity purchase arrangement or a prorate agreement with either United or Delta. If our code-share relationship with United or Delta were terminated, we would be significantly impacted and likely would not have an immediate source of revenue or earnings to offset such loss. A termination of either of these relationships would likely have a material adverse effect on our financial condition, operating revenues and net income unless we are able to enter into satisfactory substitute arrangements for the utilization of the affected aircraft by other code-share partners, or, alternatively, obtain the airport



facilities and gates and make the other arrangements necessary to fly as an independent airline. We may not be able to enter into substitute code-share arrangements, and any such arrangements we might secure may not be as favorable to us as our current agreements. Operating an airline independent from major airline partners would be a significant departure from our business plan and would likely require significant time and resources and may not be a viable alternative.

Additionally, each of our agreements with our major airline partners is subject to certain early termination provisions, including uncured material performance breaches. We also currently use the systems, facilities and services of our major airline partners to support a significant portion of our operations, including airport and terminal facilities and operations, information technology support, ticketing and reservations, scheduling, dispatching, fuel purchasing and ground handling services. If our major airline partners cease to maintain any of these systems, close any of these facilities or no longer provide these services to us, due to termination of one of our code-share agreements, a strike or other labor interruption by personnel working for our major airline partners or for any other reason, we may not be able to obtain alternative systems, facilities or services on terms and conditions as favorable as those we currently receive, or at all. Since our revenues and operating profits are dependent on our level of flight operations, we could then be forced to significantly reduce our operations.

***Our major airline partners may experience events that negatively impact their financial strength or operations, which may also negatively impact our operations.***

Our business model relies significantly on our major airline partners, and we may be negatively affected by their financial and operating strength. Events impacting airline travel, including pandemics such as COVID-19, that negatively impact the financial strength of our major airline partners or have a long-term effect on the use of our major airline partners by airline travelers would likely have a material adverse effect on our business, financial condition, and results of operations. If our major airline partners experience adverse effects to their operational or financial condition, they may be unable to make payments due to us under their capacity purchase agreements or may need to reduce utilization of our aircraft. Additionally, if one of our major airline partners undergoes bankruptcy, our agreement with such partner may not be assumed in bankruptcy and could be terminated. This and other events, which are outside of our control, could have a material adverse effect on our business, financial condition, and results of operations.

***Our growth may be limited with our major airline partners' flight systems.***

Additional growth opportunities within our major airline partners' flight systems are limited by various factors, including a limited number of regional aircraft each major airline partner can operate in its regional network due to its own labor agreements or scope limitations. Except as contemplated by our existing code-share agreements, we cannot be sure that our major airline partners will contract with us to fly any additional aircraft. We may not receive additional growth opportunities, or we may agree to modifications to our code-share agreements that reduce certain benefits to us in order to obtain additional aircraft, or for other reasons. Given the competitive nature of the airline industry, we believe limited growth opportunities may result in competitors accepting reduced margins and less favorable contract terms in order to secure new or additional code-share operations. Even if we are offered growth opportunities by our major airline partners, those opportunities may involve economic terms or financing commitments that are unacceptable to us. Additionally, our major airline partners may reduce the number of regional jets in their system by not renewing or extending existing flying arrangements with regional operators. Any one or more of these factors may reduce or eliminate our ability to expand our flight operations with our existing major airline partners.

***There are long-term risks related to supply and demand of regional aircraft associated with our regional airline services strategy.***

Various factors could change our major airline partners' long-term strategy in using regional aircraft to support their network objectives. Such changes could result in a reduction in the number of regional aircraft our major airline partners operate in the future. If our major airline partners' future strategies include a material reduction in regional aircraft generally or for specific aircraft types, such as 50-seat regional aircraft, the resulting decrease in demand in the aircraft we operate could have a material negative impact on our business and financial condition.

Due, in part, to the dynamic nature of the airline industry, major airlines may also make other strategic changes such as changing or consolidating hub locations. If our major airline partners were to make changes such as these in their strategy and operations, our operations and financial results could be adversely impacted.

***Our prorated arrangements with our major airline partners may not return to pre-pandemic revenue levels and are terminable upon notice of 120 days or less.***

Our prorated revenue, which is derived from passenger fares on flights we operate under our prorated arrangements, decreased from \$521.0 million for the year ended December 31, 2019 to \$268.9 million for the year ended December 31, 2020, or 48.4% and to \$409.7 million for the year ended December 31, 2021, or 21.4% when compared to the year ended December 31, 2019. Our prorated revenue and passenger demand was negatively impacted by the COVID-19 pandemic, and there is no assurance our prorated revenue will return to pre-pandemic levels in 2022 or thereafter. We may reduce the volume of flying under our prorated arrangements in the future based on several factors including, but not limited to, passenger demand on prorated routes and labor availability.

Our prorated flying agreements with our major airline partners permit each major airline partner to terminate the agreement in its discretion by giving us notice of 120 days or less. If one of our major airline partners elects to terminate a flying agreement with notice of 120 days or less, our ability to use the aircraft under an alternative agreement with similar economics may be limited, which could negatively impact our financial results. Additionally, even if we could subsequently place the aircraft into service with a different major airline partner, of which there can be no assurance, we likely would incur inefficiencies and incremental costs, such as changing the aircraft livery, during the transition period, which would negatively impact our financial results.

***Disagreements regarding the interpretation of our code-share agreements with our major airline partners could have an adverse effect on our operating results and financial condition.***

Long-term contractual agreements, such as our code-share agreements, are subject to interpretation and disputes may arise under such agreements if the parties to an agreement apply different interpretations to that agreement. Those disputes may divert management time and resources from the core operation of the business, and may result in litigation, arbitration or other forms of dispute resolution.

In recent years we have experienced disagreements with our major airline partners regarding the interpretation of various provisions of our code-share agreements. Some of those disagreements have resulted in litigation, and we may be subject to additional disputes and litigation in the future. To the extent that we experience disagreements regarding the interpretation of our code-share or other agreements, we will likely expend valuable management time and financial resources in our efforts to resolve those disagreements. Those disagreements may result in litigation, arbitration, settlement negotiations or other proceedings. Furthermore, there can be no assurance that any or all of those proceedings, if commenced, would be resolved in our favor. An unfavorable result in any such proceeding could have adverse financial consequences or require us to modify our operations. Such disagreements and their consequences could have an adverse effect on our operating results and financial condition.

***The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential code-share partners.***

The airline industry is highly competitive. We compete with other regional airlines on various factors including, but not limited to, labor resources, including pilots and mechanics; low operating costs; financial resources, including the ability to finance aircraft at competitive terms; geographical infrastructure; and overall customer service levels relating to on-time arrival and flight completion percentages. Our major airline partners rely on us to fly passengers from various locations into their hubs under our code-share agreements at competitive terms. We not only compete with other regional airlines, some of which are owned by or operated as code-share partners of major airlines, but we also indirectly face competition from low-cost carriers, such as Southwest, Allegiant, Spirit, JetBlue and others, who compete with our major airline partners on many routes we operate. Certain of our competitors are larger and have significantly greater financial and other resources than we do. Moreover, federal deregulation of the industry allows competitors to rapidly enter our markets and to quickly discount and restructure fares. The inability to remain competitive on the various factors valued by our major airline partners could adversely affect our operating results and financial condition.

The airline industry has undergone substantial consolidation in recent years, including the mergers between Alaska and Virgin America Inc. in 2016, American and US Airways Group Inc. in 2013, United and Continental Airlines, Inc. in 2010 and Delta and Northwest Airlines, Inc. in 2008. Any additional consolidation or significant alliance activity within the airline industry could limit the number of potential partners with whom we could enter into code-share relationships and could have a material adverse effect on our relationships with our major airline partners.

## **Risks Related to Our Operating Costs and Personnel**

***Increases in labor costs, including pilot costs, flight attendant costs, maintenance costs and overhead costs may result in lower operating margins under our capacity purchase contracts.***

Our business is labor intensive, requiring large numbers of pilots, flight attendants, mechanics and other personnel. Labor costs constitute a significant percentage of our total operating costs. Increases in our labor costs could result in a material reduction in our earnings. For example, during the year ended December 31, 2020 and 2021, our salary, wage and benefit costs constituted approximately 40.9% and 40.5% of our total operating costs, respectively. Currently, we believe our labor costs are competitive relative to other regional airlines. However, we cannot provide assurance that our labor costs going forward will remain competitive because of changes in supply and demand for labor in the regional industry. We compete against other airlines and businesses for labor in many highly skilled positions. If we are unable to hire, train and retain qualified employees at a reasonable cost, sustain employee engagement in our strategic vision, or if we are unsuccessful at implementing succession plans for our key staff, we may be unable to grow or sustain our business. Labor costs to recruit, incentivize and retain skilled employees may significantly increase in the future due to increased competition for the limited number of qualified industry personnel. Attrition rates that exceed our ability to hire and replace applicable workgroups could negatively impact our ability to generate revenue, negatively impact our operating results, increase our training and labor costs and our business prospects could be harmed.

Additionally, under our capacity purchase contracts with United, Delta, American and Alaska, a portion of our compensation is based upon pre-determined rates typically applied to production statistics (such as departures, block hours, flight hours and number of aircraft in service each month). The primary operating costs intended to be compensated by the pre-determined rates include labor costs, including crew training costs, certain aircraft maintenance expenses, and overhead costs. During the year ended December 31, 2021, approximately 91.4% of our code-share operating costs were reimbursable at pre-determined rates and 8.6% of our code-share operating costs were directly reimbursed costs, or often referred to as pass-through costs. Additionally, our aircraft maintenance costs may increase annually as our fleet ages at a higher rate than our pre-determined rates allow. Also, on an individual aircraft basis, various in-depth maintenance procedures are typically scheduled to occur at multi-year intervals, which can result in maintenance expense fluctuations year-to-year. If our operating costs for labor, aircraft maintenance and overhead costs exceed the compensation earned from our pre-determined rates under our capacity purchase arrangements, our financial position and operating results will be negatively affected.

***Increased labor costs, pilot and other labor availability, labor disputes and unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.***

Our business is labor intensive, requiring large numbers of pilots, flight attendants, maintenance technicians and other personnel. Any new collective bargaining agreements entered into by other regional carriers with their work forces may also result in higher industry wages and increased pressure on us to increase the wages and benefits of our employees. Future agreements with represented employees may be on terms that are not as attractive as our current agreements or comparable to agreements entered into by our competitors.

SkyWest's employees are represented by in-house associations; however, organizing efforts to join national unions among those employees occur from time to time. Such efforts will likely continue in the future and may ultimately result in some or all of our employees being represented by one or more national unions. If our employees were to unionize or be deemed to be represented by one or more national unions, negotiations with these unions could divert management attention and disrupt operations, which may result in increased operating expenses and may negatively impact our financial results. Moreover, we cannot predict the outcome of any future negotiations relating to union representation or collective bargaining agreements. Agreements reached in union-involved collective bargaining may increase our operating expenses and negatively impact our financial results.

***We may experience an increase in fuel prices in our prorate operations.***

Dependence on foreign imports of crude oil, limited refining capacity and the possibility of changes in government policy on jet fuel production, transportation and marketing make it difficult to predict the future availability of jet fuel. If there are additional outbreaks of hostilities or other conflicts in oil-producing areas or elsewhere, or a reduction in refining capacity (due to weather events, for example), or governmental limits on the production or sale of jet fuel, there could be a reduction in the supply of jet fuel and significant increases in the cost of jet fuel. Additionally,

our operations may experience disruptions from temporary fuel shortages by our fuel vendors resulting from fuel quality issues, refueling disruption, or other challenges. Major reductions in the availability of jet fuel or significant increases in its cost, or a continuation of high fuel prices for a significant period of time, would have a material adverse impact on us.

Pursuant to our capacity purchase arrangements, our major airline partners have agreed to bear the economic risk of fuel price fluctuations on our contracted flights. However, we bear the economic risk of fuel price fluctuations on our prorate operations. As of December 31, 2021, we operated 41 CRJ200s under a prorate agreement with United and 29 CRJ200s under a prorate agreement with Delta. Our operating and financial results with respect to these prorate arrangements can be negatively affected by the price of jet fuel in the event we are unable to increase our passenger fares. Additionally, in the event of prolonged low fuel prices, our competitors may lower their passenger ticket prices on routes that compete with our prorate markets, which could negatively impact our passenger load factors.

### **Risks Related to Operating and Leasing Regional Jet Aircraft and Engines**

#### ***We are reliant on two aircraft manufacturers and one engine manufacturer.***

We operate aircraft manufactured by Bombardier and Embraer. The issuance of FAA or manufacturer directives restricting or prohibiting the use of any Bombardier or Embraer aircraft types we operate could negatively impact our business and financial results. We are also dependent upon General Electric as the sole manufacturer of engines used on the aircraft we operate. Our operations could be materially and adversely affected by the failure or inability of Bombardier, Embraer or General Electric to provide sufficient parts or related maintenance and support services to us on a timely manner. Additionally, timing and availability of new aircraft deliveries could be delayed beyond our control.

#### ***We have a significant amount of contractual long-term debt obligations.***

As of December 31, 2021, we had a total of approximately \$3.1 billion in total long-term debt obligations. Our long-term debt obligations include \$2.94 billion related to the acquisition of aircraft and \$200.6 million related to borrowings under the Payroll Support Program Agreements with Treasury. Excluding aircraft financed by our major airline partners that we operate for them under contract, we had 43 aircraft under long-term lease agreements as of December 31, 2021, with remaining terms up to nine years. Future minimum lease payments due under all long-term operating leases were approximately \$294.3 million at December 31, 2021. At a 6.0% discount factor, which is the average rate used to approximate the implicit rates within the applicable leases, the present value of these lease obligations was equal to approximately \$237.2 million at December 31, 2021. Our high level of fixed obligations could impact our ability to obtain additional financing to support additional expansion plans or divert cash flows from operations and expansion plans to service the fixed obligations.

Under our capacity purchase agreements, our major airline partners compensate us for our costs of owning or leasing the aircraft on a monthly basis. The aircraft compensation structure varies by agreement but is intended to cover either our aircraft principal and interest debt service costs, our aircraft depreciation and interest expense or our aircraft lease expense costs while the aircraft is under contract. In the event any of our major airline partners defaults under a capacity purchase agreement or we are unable to extend the flying contract terms on aircraft with ongoing financial obligations, our financial position and financial results could be materially adversely affected.

In addition, given the negative effects the COVID-19 pandemic has had and may continue to have on our business, including demand fluctuations, labor shortages or other effects, we may seek material amounts of additional financial liquidity in the short-term, which may include drawing down on SkyWest Airlines' line of credit, the issuance of secured debt securities and/or the entry into other debt facilities, among other items. There can be no assurance as to the timing of any such drawdown or issuance, which may be in the near term, or that any such additional financing will be completed on favorable terms, or at all.

If our liquidity is materially diminished, we might not be able to timely pay our leases and debts or comply with certain covenants under SkyWest Airlines' line of credit or with other material provisions of our contractual obligations.

***Our anticipated aircraft purchases are expected to require a significant increase in our leverage and the related cash requirements.***

As of December 31, 2021, we have firm purchase commitments for 29 E175 aircraft and spare engines totaling \$0.8 billion. Over the next several years, if we continue to add new aircraft to our fleet, we anticipate using significant amounts of capital to acquire these aircraft.

There can be no assurance that our operations will generate sufficient cash flow or liquidity to enable us to obtain the necessary aircraft acquisition financing to replace our current fleet, or to make required debt service payments related to our existing or anticipated future obligations. Even if we meet all required debt, lease and purchase obligations, the size of these long-term obligations could negatively affect our financial condition and results of operations in many ways, including:

- increasing the cost, or limiting the availability of, additional financing for working capital, acquisitions or other purposes;
- limiting the ways in which we can use our cash flow, much of which may have to be used to satisfy debt and lease obligations; and
- adversely affecting our ability to respond to changing business or economic conditions or continue our growth strategy.

If we need additional capital and cannot obtain such capital on acceptable terms, or at all, we may be unable to realize our fleet replacement plans or take advantage of unanticipated opportunities.

***The residual value of our owned aircraft may be less than estimated in our depreciation policies.***

As of December 31, 2021, we had approximately \$5.5 billion of property and equipment and related assets, net of accumulated depreciation. In accounting for these long-lived assets, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, amendments to our capacity purchase agreements that impact the anticipated cash flows for our aircraft, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. In the event the estimated residual value of any of our aircraft types is determined to be lower than the residual value assumptions used in our depreciation policies, the applicable aircraft type in our fleet may be impaired and may result in a material reduction in the book value of applicable aircraft types we operate or we may need to prospectively modify our depreciation policies. In 2021, we recorded a non-cash impairment of \$84.6 million attributable to certain CRJ900 aircraft operating with a major airline partner as a result of contract expirations and the uncertainty about our ability to redeploy the CRJ900 aircraft with another major airline partner. An impairment on any of our aircraft types we operate or an increased level of depreciation expense resulting from a change to our depreciation policy and assumptions could result in a material negative impact to our financial results.

***We lease aircraft and engines to third parties and the lessee may default under the lease terms, which could negatively affect our financial condition, cash flow and results of operations.***

We leased five CRJ900 aircraft, 34 CRJ700 aircraft, and engines used on CRJ aircraft to third parties as of December 31, 2021. In the event a lessee defaults under the terms of the lease agreement, we may incur additional costs, including legal and other expenses necessary to repossess the aircraft or engines, particularly if the lessee is contesting the proceedings or is in bankruptcy. We could also incur substantial maintenance, refurbishment or repair costs if a defaulting lessee fails to pay such costs and where such maintenance, refurbishment or repairs are necessary to put the aircraft or engines in suitable condition for remarketing or sale. We may also incur storage costs associated with any aircraft or engine that we repossess and are unable to place immediately with another lessee. Even if we are able to immediately place a repossessed aircraft or engine into service ourselves, or place the aircraft and engines under another lessee, we may not be able to do so at a similar or favorable lease rate. A lessee default under one of our lease agreements could negatively affect our financial condition, cash flow and results of operations.

***We have entered into a strategic engine leasing joint venture that operates under joint control with a third party that involves significant risk.***

We have entered into a strategic engine joint venture with a third party to lease engines to other parties. This strategic venture involves significant risks, including:

- we may not realize a satisfactory return on our investment;
- the joint venture may divert management's attention from our core business;
- our joint venture partner could have investment goals that are not consistent with our investment objectives, including the timing, terms and strategies for any investments; and
- our joint venture partner might fail to fund their share of required capital contributions or fail to fulfill their other obligations.

Although we currently participate in the management of our engine joint venture, our joint venture agreement requires unanimous approval over all significant actions. In addition, if we were unable to resolve a dispute with our joint venture partner that retains material managerial veto rights, we might reach an impasse that could require us to dissolve the joint venture at a time and in a manner that could negatively affect our financial results.

***We entered into a partnership with a third party to develop demand for electric-powered aircraft that involves significant uncertainty and risk.***

We have entered into a strategic partnership with Eve UAM, LLC ("Eve"), an Embraer company, to develop a network of deployment for Eve's electric vertical takeoff and landing ("eVTOL") aircraft. To support this effort, SkyWest and Eve plan to dedicate a team to focus on vehicle design, vertiport specifications, and the certification roadmap for eVTOL operations. This strategic partnership involves significant risks, including:

- development and certification of the aircraft is uncertain or may take longer than expected;
- future customer demand for eVTOL aircraft is uncertain;
- other parties are developing electric-powered aircraft and the level of competition may increase;
- the extent government regulation of eVTOL aircraft and its related infrastructure is uncertain, and the cost of compliance with any such regulations may be significant;
- we may not realize a satisfactory return on our investment; and
- our partner might fail to fulfill its obligations.

The effect of any, or some combination, of the foregoing risks could affect our partnership with Eve and future benefits may not materialize.

***We are subject to various environmental requirements, including laws and regulations related to climate change and emissions. Compliance with new or existing environmental requirements could materially and adversely affect the Company's business plans, strategies, and results of operations.***

We are subject to federal, state, and local laws and regulations relating to the protection of the environment, including those relating to aircraft and ground-based emissions, discharges into water systems, safe drinking water, and the management of hazardous substances and waste materials. Certain legislative bodies and regulatory authorities are increasingly focused on climate change and have taken actions to implement additional laws, regulations, and programs intended to protect the environment. For example, the federal government, as well as several state and local governments, have implemented legislative and regulatory proposals and voluntary measures intended to reduce greenhouse gas emissions. Compliance with laws, regulations, and other programs intended to reduce emissions or otherwise protect the environment may require us to reduce our emissions, secure carbon offset credits or otherwise pay for emissions, or make capital investments to modify certain aspects of our operations to reduce emissions. Future policy, legal, and regulatory developments relating to the protection of the environment could increase our costs and have a material adverse effect on our operations.

***We support our major airline partners' goals and strategies to reduce carbon emissions on flights we operate under our code-share agreements and, as we work to support each of our major airline partners' goals and strategies, initiatives to reduce emissions may not materialize and could materially and adversely affect the Company's business plans, strategies, and results of operations.***

During 2021, we produced approximately 5.7 million metric tons of CO<sub>2</sub>e from fuel burned, using industry emissions factors, on flights we operated under our code-share agreements. Under our flying contracts, our major airline partners are responsible for fuel procurement and selection of the type of aircraft we operate and have significant control over our flight schedules. Accordingly, we anticipate our major airline partners will take responsibility for carbon emissions incurred on our contract flights. Each of our major airline partners may have different goals, strategies and timelines to reduce carbon emissions on our flights. We are largely dependent on the direction from our major airline partners regarding long-term fuel saving initiatives such as engine innovations reducing fuel consumption, use of sustainable alternative fuels, carbon sequestration programs, air traffic flow routing efficiencies, among other initiatives. Each of our major airline partners may pursue alternative strategies and goals to reduce carbon emissions on flights we operate under our code-share agreements that may impact the rate at which we are able to reduce our carbon emissions, if at all. There is no assurance our major airline partners will take responsibility for carbon emissions incurred under our contract flights and no assurance future long-term fuel saving initiatives will materialize. In the event we pursue purchasing carbon offsets as an alternative strategy to reduce our carbon emissions, the cost could materially and adversely affect our business plans and results of operations.

### **Risks Related to Dividends, Share Repurchases and Our Common Stock**

***We are currently restricted from paying dividends or repurchasing our stock under our agreements with Treasury.***

Historically, we have paid dividends and repurchased shares of our common stock in varying amounts. During 2020 and 2021, we entered into several agreements with Treasury, the Payroll Support Program Agreement and the Treasury Loan Agreement under the CARES Act, the Payroll Support Program Extension Agreement under the 2021 Appropriations Act and the Payroll Support Program 3 Agreement under the American Rescue Plan Act. Under the terms of these agreements, we are restricted from the payment of dividends and the repurchase of our common stock through September 30, 2022.

Following the dividend and share repurchase restriction lapse under our agreements with Treasury, there can be no assurance that we will resume our past practice of paying dividends on our common stock or that we will have the financial resources to pay such dividends. Similarly, there also can be no assurance that we will continue our practice of repurchasing shares of common stock or that we will have the financial resources to repurchase shares of common stock in the future. The future payment of dividends and the number of shares of common stock we may repurchase will depend upon our financial condition and results of operations and other factors deemed relevant by our board of directors.

If we resume paying cash dividends or resume a share repurchase program in the future, such dividends and repurchases could affect our stock price and increase its volatility. The existence of a share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, resuming our share repurchase program and any future dividends may reduce our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions.

***We issued warrants to purchase shares of our common stock to Treasury for relief we received under the CARES Act, the 2021 Appropriations Act, and the American Rescue Plan Act.***

In 2020, we issued warrants to purchase 370,720 shares of our common stock with an exercise price of \$28.38 per share to Treasury as consideration for payroll support payments we received under the CARES Act payroll support program. Also, during 2020 we issued warrants to purchase 211,416 shares of our common stock with an exercise price of \$28.38 per share to Treasury as consideration for borrowing \$60.0 million under the Treasury Loan Agreement. In 2021, we issued warrants to purchase 124,773 shares of our common stock with an exercise price of \$40.41 per share to Treasury as consideration for payroll support payments we received under the 2021 Appropriations Act. Additionally, in 2021 we issued warrants to purchase 78,317 shares of our common stock with an exercise price of \$57.47 per share to Treasury as consideration for payroll support payments we received under the American Rescue Plan Act.



If Treasury exercises its option to purchase shares of our common stock under warrants previously issued to Treasury, such exercise will be dilutive to our shareholders. As of December 31, 2021, Treasury has not exercised any of the warrants issued.

***Provisions of our charter documents and code-share agreements may limit the ability or desire of others to gain control of our company.***

Our ability to issue shares of preferred and common stock without shareholder approval may have the effect of delaying or preventing a change in control and may adversely affect the voting and other rights of the holders of our common stock, even in circumstances where such a change in control would be viewed as desirable by most investors. The provisions of the Utah Control Shares Acquisitions Act may also discourage the acquisition of a significant interest in or control of our company. Additionally, our code-share agreements contain termination and extension trigger provisions related to change in control type transactions that may have the effect of deterring a change in control of our company.

### **General Risk Factors**

***Our business could be harmed if we lose the services of our key personnel.***

Our business depends upon the efforts of our chief executive officer, Russell A. Childs, and our other key management and operating personnel. Under the terms of the Payroll Support Program 3 Agreement, we are subject to certain limitations on executive compensation through April 1, 2023. We may have difficulty replacing management or other key personnel who cease to be employed by us and, therefore, the loss of the services of any of these individuals could harm our business. We do not maintain key-person insurance on any of our executive officers.

***We may be a party to litigation in the normal course of business or otherwise, which could affect our financial condition and results of operations.***

We may become party to or otherwise involved in legal proceedings, claims and government inspections or investigations and other legal matters, arising in the ordinary course of our business or otherwise, including, but not limited to those related to injury or tort, environmental, employment and commercial legal issues. Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Litigation is subject to significant uncertainty and may be expensive, time-consuming, and disruptive to our operations. Although we will vigorously defend ourselves in such legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain. If a legal proceeding is resolved against us, it could result in significant compensatory damages or injunctive relief that could materially adversely affect our financial condition, results of operations and cash flows.

***The adoption of new tax legislation or changes to existing tax laws and regulations could adversely affect our financial condition or results of operations.***

We are subject to tax laws and regulations of the U.S. federal, state and local governments as well as various non-U.S. jurisdictions. Potential changes in existing tax laws, including future regulatory guidance, may impact our effective tax rate and tax payments. There can be no assurance that changes in tax laws or regulations, both within the United States and the other jurisdictions in which we operate, will not materially and adversely affect our effective tax rate, tax payments, financial condition and results of operations. Similarly, changes in tax laws and regulations that impact our major airline partners, customers or the economy generally may also impact our financial condition and results of operations.

In addition, tax laws and regulations are complex and subject to varying interpretations, and any significant failure to comply with applicable tax laws and regulations in all relevant jurisdictions could give rise to substantial penalties and liabilities. Any changes in enacted tax laws, rules or regulatory or judicial interpretations; any adverse outcome in connection with tax audits in any jurisdiction; or any change in the pronouncements relating to accounting for income taxes could materially and adversely impact our effective tax rate, tax payments, financial condition and results of operations.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None

## ITEM 2. PROPERTIES

### Flight Equipment

As of December 31, 2021, our fleet under our code-share agreements consisted of the following types of owned and leased aircraft:

<u>Aircraft Type</u>	<u>Number of Owned Aircraft</u>	<u>Number of Leased Aircraft</u>	<u>Passenger Capacity</u>	<u>Scheduled Flight Range (miles)</u>	<u>Average Cruising Speed (mph)</u>	<u>Average Age (years)</u>
E175s . . . . .	180	31	70-76	2,100	530	4.5
CRJ900s . . . . .	19	25	70-76	1,500	530	11.0
CRJ700s . . . . .	87	27	65-70	1,600	530	16.3
CRJ200s . . . . .	135	5	50	1,500	530	19.5

Several factors may impact our fleet size throughout 2022 and thereafter, including, but not limited to, contract expirations that are not renewed, labor shortages, reductions in our prorate fleet, lease expirations that are not extended and growth opportunities. Below is our 2022 outlook on our fleet by aircraft type. Our actual future fleet size and/or mix of aircraft types will likely vary, and may vary materially, from our current fleet size due to demand uncertainty resulting from COVID-19 and other factors.

- E175s – We anticipate taking delivery of two new E175 aircraft under a capacity purchase agreement with American, 16 new E175 aircraft under a capacity purchase agreement with Delta and eleven new E175 aircraft under a capacity purchase agreement with Alaska. We anticipate financing these aircraft with debt and deliveries are anticipated to begin in 2022 and 2023. We anticipate placing the aircraft into service in 2022 and 2023.
- CRJ900s – We anticipate taking delivery of 16 new E175 aircraft under a capacity purchase agreement with Delta in 2022. The 16 E175 aircraft will replace 16 CRJ900 aircraft that will be removed from the capacity purchase agreement with Delta. We are evaluating alternative uses for our CRJ900s that will be displaced in 2022.
- CRJ700s – We anticipate placing eleven used CRJ700s into service under a capacity purchase agreement with American by the end of 2023. We will use aircraft we own and were not operating under a code-share agreement with any of our major airline partners as of December 31, 2021. In January 2022, we extended the term for 19 CRJ700 aircraft under contract with United for three years with new expiration dates scheduled between 2025 and 2026.
- CRJ200s – As a result of the COVID-19 demand disruption and partial recovery, we reduced the number of CRJ200s operating under code-share agreements from 190 as of December 31, 2019 to 130 as of December 31, 2020 and increased the number of CRJ200s in scheduled service to 140 aircraft as of December 31, 2021. Various factors could result in higher or lower demand for our CRJ200 fleet in 2022 and subsequent periods including, but not limited to, changes in passenger demand on routes typically serviced by CRJ200 aircraft, including our prorate routes, and anticipated costs to maintain our older CRJ200 fleet.

### Ground Facilities

We lease many of the buildings and associated land that we occupy. Most of these leases are for facilities at airports with various government agencies that control the use of the airport. We lease maintenance, training and office facilities in Salt Lake City, Utah, and we lease additional maintenance facilities in Boise, Idaho; Fresno, California; Tucson, Arizona; Chicago, Illinois; Detroit, Michigan; Nashville, Tennessee; South Bend, Indiana; Fort Wayne, Indiana;

and San Luis Obispo, California. We also lease ticket counters, passenger hold rooms, operating areas and other terminal space in many of the airports that we serve.

We own our corporate headquarters facilities located in St. George, Utah and a maintenance accessory shop facility in Salt Lake City, Utah. We also own maintenance facilities on land leases with airport authorities in Milwaukee, Wisconsin; Oklahoma City, Oklahoma; Colorado Springs, Colorado; and Palm Springs, California.

### **ITEM 3. LEGAL PROCEEDINGS**

We are subject to certain legal actions which we consider routine to our business activities. As of December 31, 2021, our management believed, after consultation with legal counsel, that the ultimate outcome of such legal matters was not likely to have a material adverse effect on our financial position, liquidity or results of operations. However, the ultimate resolution of these matters is inherently uncertain.

### **ITEM 4. MINE SAFETY DISCLOSURES**

The disclosure required by this item is not applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### **Market Information**

Our common stock is traded on The Nasdaq Global Select Market under the symbol "SKYW." As of February 14, 2022, there were approximately 3,951 stockholders of record of our common stock. Securities held of record do not include shares held in securities position listings. The transfer agent for our common stock is Zions First National Bank, Salt Lake City, Utah.

#### **Dividends**

Pursuant to the terms of our agreements with Treasury, we are restricted from paying dividends through September 30, 2022. As such, no dividends were declared during the 2021 calendar year, and there can be no assurance that we will pay dividends in the future. In February 2020, our Board of Directors declared a regular dividend of \$0.14 per share. No subsequent dividends were declared during the 2020 calendar year.

#### **Issuer Purchases of Equity Securities**

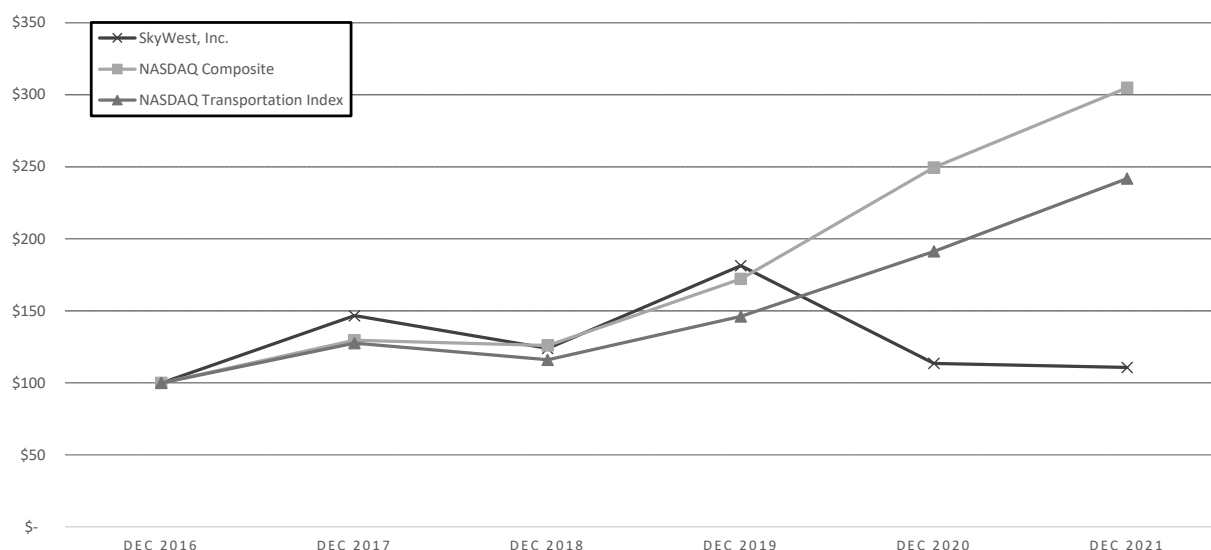
Our Board of Directors has adopted a stock repurchase program which authorizes the Company to repurchase shares of our common stock in the public market or in private transactions, from time to time, at prevailing prices. Our stock repurchase program was authorized in 2019 for the repurchase of up to \$250.0 million of our common stock. Pursuant to the terms of our Payroll Support Program Agreements and Treasury Loan Agreement with Treasury, we are restricted from repurchasing shares of our common stock through September 30, 2022. No shares of common stock were repurchased under our repurchase program during the twelve months ended December 31, 2021.

#### **Stock Performance Graph**

*The following Performance Graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent we specifically incorporate it by reference into such filing.*

The following graph compares the cumulative total shareholder return on our common stock over the five-year period ended December 31, 2021, with the cumulative total return during such period of the Nasdaq Stock Market (U.S. Companies) and the Nasdaq Stock Market Transportation Index. The following graph assumes an initial investment of \$100.00 with dividends reinvested. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance.

## INDEXED RETURNS



### INDEXED RETURNS

Company Name / Index	Base Period	Years Ending				
	2016	2017	2018	2019	2020	2021
SkyWest, Inc. ....	100	146.56	123.84	181.32	113.48	110.64
NASDAQ Composite. ....	100	129.64	125.96	172.17	249.51	304.85
NASDAQ Transportation Index. ....	100	127.55	116.02	146.11	191.19	241.77

#### ITEM 6. [Reserved]

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis presents factors that had a material effect on our results of operations during the years ended December 31, 2021 and 2020. Also discussed is our financial position as of December 31, 2021 and 2020. You should read this discussion in conjunction with our consolidated financial statements, including the notes thereto, appearing elsewhere in this Report or incorporated herein by reference. This discussion and analysis contains forward-looking statements. Please refer to the sections of this Report entitled "Cautionary Statement Concerning Forward-Looking Statements" and "Item 1A. Risk Factors" for discussion of some of the uncertainties, risks and assumptions associated with these statements.

This section of this Annual Report on Form 10-K generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 that are not included in this Annual Report on Form 10-K can be found in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

#### Overview

We have the largest regional airline operation in the United States. As of December 31, 2021, we offered scheduled passenger and air freight service with approximately 2,080 total daily departures to destinations in the United

States, Canada, Mexico and the Caribbean. As of December 31, 2021, we had 629 total aircraft in our fleet, including 509 aircraft in scheduled service or under contract under our code-share agreements, summarized as follows:

	<u>E175</u>	<u>CRJ900</u>	<u>CRJ700</u>	<u>CRJ200</u>	<u>Total</u>
United .....	90	—	19	111	220
Delta .....	71	44	5	29	149
American.....	18 **	—	90	—	108
Alaska .....	32	—	—	—	32
Aircraft in scheduled service or under contract .....	211	44	114	140	509
Leased to third parties .....	—	5	34	—	39
Other* .....	—	—	18	63	81
Total Fleet.....	211	49	166	203	629

\*As of December 31, 2021, other aircraft included: supplemental spare aircraft supporting our code-share agreements which may be used in future code-share or leasing arrangements, aircraft transitioning between code-share agreements with our major airline partners, or aircraft that are scheduled to be disassembled for use as spare parts.

\*\*The Company took delivery of the 18 E175 aircraft under its contract with American as of December 31, 2021. The 18 E175 aircraft are scheduled to begin service in 2022.

Our business model is based on providing scheduled regional airline service under code-share agreements (commercial agreements between airlines that, among other things, allow one airline to use another airline's flight designator codes on its flights) with our major airline partners. Our success is principally centered on our ability to meet the needs of our major airline partners through providing a reliable and safe operation at attractive economics. The COVID-19 pandemic had a significant impact to our operations including a reduction in the number of flights we were scheduled to operate during 2020 and 2021 and changes we made to enhance the safety of our passengers and employees, including aircraft cleaning procedures and use of personal protective equipment.

During the 2021 calendar year, we made several changes to our fleet count under our flying agreements, including the addition of 18 new E175 aircraft, 24 used CRJ700 aircraft, one new and four used CRJ900 aircraft, and 10 used CRJ200 aircraft. Leases on two CRJ200 aircraft with third parties terminated during 2021.

We anticipate our fleet will continue to evolve, as we are scheduled to add two new E175 aircraft with American in 2022, 16 new E175 aircraft with Delta by the first half of 2023, and eleven new E175 aircraft with Alaska by the first half of 2023. The 16 E175 aircraft with Delta will replace 16 older SkyWest-owned or financed CRJ900 aircraft currently operating under contract with Delta. Under the terms of the contract with Delta, Delta has the right to purchase the 16 E175 aircraft at the end of the contract term at a price estimated to be the fair value at the end of the contract. Timing of these anticipated deliveries may be subject to change as we are coordinating with our major airline partners in response to the COVID-19 recovery, labor availability or other factors. Our primary objective in the fleet changes is to improve our profitability by adding new E175 aircraft and used CRJ aircraft to capacity purchase agreements, and potentially removing older aircraft from service that typically require higher maintenance costs.

For the year ended December 31, 2021, approximately 43.2% of our aircraft in scheduled service or under contract were operated for United, approximately 29.3% were operated for Delta, approximately 21.2% were operated for American and approximately 6.3% were operated for Alaska.

Historically, multiple contractual relationships with major airlines have enabled us to reduce our reliance on any single major airline code and to enhance and stabilize operating results through a mix of capacity purchase arrangements and our prorate flying arrangements. For the year ended December 31, 2021, contract flying revenue and prorate revenue represented approximately 84.3% and 15.7%, respectively, of our total flying agreements revenue. On contract routes, the major airline partner controls scheduling, ticketing, pricing and seat inventories and we are compensated by the major airline partner at contracted rates based on completed block hours (measured from takeoff to landing, including taxi time), flight departures, the number of aircraft under contract and other operating measures. On prorate routes, we have more control over scheduling, pricing and seat inventories, we share passenger fares with our major airline partners according to prorate formulas and we are responsible for the operating costs of the prorate flights, including fuel and airport costs.

## Financial Highlights

We had total operating revenues of \$2.7 billion for the year ended December 31, 2021, a 27.6% increase compared to total operating revenues of \$2.1 billion for the year ended December 31, 2020. We had net income of \$111.9 million, or \$2.20 per diluted share, for the year ended December 31, 2021, compared to a net loss of \$8.5 million, or \$0.17 loss per share, for the year ended December 31, 2020. The significant items affecting our revenue and operating expenses during the year ended December 31, 2021, are outlined below:

### *Revenue*

The number of aircraft we have in scheduled service and the number of block hours we generate on our flights are primary drivers to our flying agreements revenue under our capacity purchase arrangements. The number of flights we operate and the corresponding number of passengers we carry are the primary drivers to our revenue under our prorate flying agreements. As a result of higher passenger demand compared to the onset of the COVID-19 pandemic, the number of aircraft we operated increased from 452 as of December 31, 2020, to 509 as of December 31, 2021; the number of block hours increased from 1.0 million in 2020 to 1.3 in 2021, or by 35.6%; and the number of passengers we carried increased from 21.3 million in 2020 to 36.6 million in 2021, or by 72.2%.

As a result of increased flight schedules and additional aircraft operating under our capacity purchase agreements in 2021 compared to 2020, our capacity purchase revenue increased \$413.5 million, or 23.1% in 2021. Additionally, we recognized \$6.8 million of previously deferred revenue and \$8.4 million of unbilled revenue for the year ended December 31, 2021, compared to deferring revenue of \$110.7 million of fixed monthly payments received under our capacity purchase agreements for the year ended December 31, 2020, as further described in the section of this report entitled “Results of Operations.” As a result of increased flight schedules and passengers carried on our prorate routes, our prorate revenue increased \$140.8 million, or 52.4% in 2021, as compared to 2020. Despite the ongoing COVID-19 demand recovery, the negative impact to our revenues due to the COVID-19 pandemic and its associated effects on the travel industry, including potential labor shortages that may negatively impact our future flight schedules, may continue in 2022.

### *Operating Expenses*

Our total operating expenses increased \$419.3 million, or 20.8% for the year ended December 31, 2021, compared to the year ended December 31, 2020. This increase was primarily due to an increase in the number of flights we operated and a non-cash impairment charge of \$84.6 million for the year ended December 31, 2021. Departures increased from 585,257 in 2020 to 749,943 in 2021, or by 28.1%. Additionally, we recorded \$422.7 million in payroll support grants received from Treasury as an offset to our operating expenses for the year ended December 31, 2021, compared to \$345.5 million recorded for the year ended December 31, 2020. Additional details regarding the increase in our operating expenses are described in the section of this Report entitled “Results of Operations.”

### *Fleet Activity*

The following table summarizes our fleet activity for 2021:

<u>Aircraft in Service or Under Contract</u>	<u>December 31, 2020</u>	<u>Additions</u>	<u>Removals</u>	<u>December 31, 2021</u>
E175s .....	193	18	—	211
CRJ900s .....	39	5	—	44
CRJ700s .....	90	25	(1)	114
CRJ200s .....	130	10	—	140
Total .....	452	58	(1)	509

During 2021, we took delivery of 18 new E175 aircraft and one new CRJ900 aircraft and placed the aircraft into service or under contract under capacity purchase agreements. We placed 24 (net) used CRJ700 aircraft, four used CRJ900 aircraft into service under capacity purchase agreements, and ten used CRJ200 aircraft into prorate service.

## Results of Operations

### 2021 Compared to 2020

*Operational Statistics.* The following table sets forth our major operational statistics and the associated percentages of change for the periods identified below. The increase in block hours, departures and passengers carried during the year ended December 31, 2021, compared to the year ended December 31, 2020, was primarily due to demand recovery from reduced flight schedules in response to the COVID-19 pandemic.

	For the year ended December 31,		
	2021	2020	% Change
Block hours by aircraft type: . . . . .			
E175s . . . . .	613,465	435,557	40.8 %
CRJ900s . . . . .	116,576	66,640	74.9 %
CRJ700s . . . . .	289,902	200,860	44.3 %
CRJ200s . . . . .	299,685	270,281	10.9 %
Total block hours. . . . .	1,319,628	973,338	35.6 %
Departures . . . . .	749,943	585,257	28.1 %
Passengers carried . . . . .	36,608,918	21,255,931	72.2 %
Passenger load factor . . . . .	74.6 %	56.4 %	18.2 pts
Average passenger trip length (miles) . . . . .	532	500	6.4 %

### Operating Revenues

The following table summarizes our operating revenue for the periods indicated (dollar amounts in thousands):

	For the year ended December 31,			
	2021	2020	\$ Change	% Change
Flying agreements . . . . .	\$ 2,615,076	\$ 2,060,801	\$ 554,275	26.9 %
Lease, airport services and other . . . . .	98,415	66,305	32,110	48.4 %
Total operating revenues. . . . .	<u>\$ 2,713,491</u>	<u>\$ 2,127,106</u>	<u>\$ 586,385</u>	27.6 %

Flying agreements revenue primarily consists of revenue earned on flights we operate under our capacity purchase agreements and prorate agreements with our major airline partners. Lease, airport services and other revenues consist of revenue earned from leasing aircraft and spare engines to third parties separate from our capacity purchase agreements and providing airport counter, gate and ramp services.

We disaggregate our flying agreements revenue into the following categories (dollar amounts in thousands):

	For the year ended December 31,			
	2021	2020	\$ Change	% Change
Capacity purchase agreements revenue: flight operations . . . . .	\$ 1,146,375	\$ 945,008	\$ 201,367	21.3 %
Capacity purchase agreements revenue: aircraft lease and fixed revenue . . . . .	1,059,017	846,933	212,084	25.0 %
Prorate agreements revenue . . . . .	409,684	268,860	140,824	52.4 %
Flying agreements revenue. . . . .	<u>\$ 2,615,076</u>	<u>\$ 2,060,801</u>	<u>\$ 554,275</u>	26.9 %

The increase in “Capacity purchase agreements revenue: flight operations” of \$201.4 million was primarily due to an increase in scheduled flights we operated under our contracts with our major airline partners as a result of the ongoing COVID-19 demand recovery. Our completed departures increased 28.1% and completed block hours increased 35.6% for the year ended December 31, 2021, compared to year ended December 31, 2020.

The increase in “Capacity purchase agreements revenue: aircraft lease and fixed revenue” of \$212.1 million was primarily due to recognizing previously deferred revenue and unbilled revenue during the year ended December 31, 2021, compared to the year ended December 31, 2020, combined with aircraft lease and fixed rate revenue generated from 18 E175 aircraft added to our fleet since December 31, 2020. Under our capacity purchase agreements, we are paid a fixed amount per month per aircraft over the contract term. We recognize the fixed amount per aircraft as revenue



proportionately to the number of block hours we complete, our performance obligation, for each reporting period. During the year ended December 31, 2021, the increase in our flight schedules resulted in recognizing \$6.8 million of previously deferred revenue and \$8.4 million in unbilled revenue on our capacity purchase agreements. For the year ended December 31, 2020, we deferred recognizing revenue on \$110.7 million of fixed monthly cash payments we received under our capacity purchase agreements. Our deferred revenue and unbilled revenue related to the fixed payments will adjust over the remaining contract term for each capacity purchase agreement based on the number of block hours we complete each reporting period relative to the number of block hours we anticipate completing over the remaining contract term of each capacity purchase agreement. The deferred revenue balance applicable to each contract will be recorded as revenue by the end of each respective contract term. Our total deferred revenue and unbilled revenue balances were \$103.9 million and \$8.4 million as of December 31, 2021, respectively.

The increase in prorate agreements revenue of \$140.8 million was primarily due to the increase in prorate passengers and passenger revenue we received on routes we operated under our prorate agreements during 2021, compared to 2020, due to the ongoing COVID-19 demand recovery.

The increase in lease, airport services and other revenues of \$32.1 million was primarily due an increase in the number of flights operated at locations where we were contracted to provide airport customer service during 2021 compared to 2020 and we leased 34 CRJ700s to a third party for all of 2021, whereas we leased 34 to a third party for only a portion of 2020.

### *Operating Expenses*

Individual expense components attributable to our operations are set forth in the following table (dollar amounts in thousands).

	For the year ended December 31,			
	2021	2020	\$ Change	% Change
Salaries, wages and benefits . . . . .	\$ 986,664	\$ 826,109	\$ 160,555	19.4 %
Aircraft maintenance, materials and repairs . . . . .	817,803	618,989	198,814	32.1 %
Depreciation and amortization . . . . .	440,198	474,959	(34,761)	(7.3)%
Airport-related expenses . . . . .	104,690	93,886	10,804	11.5 %
Aircraft fuel . . . . .	107,057	61,739	45,318	73.4 %
Aircraft rentals . . . . .	63,357	65,316	(1,959)	(3.0)%
Special items . . . . .	84,592	—	84,592	NM
Payroll support grant . . . . .	(422,669)	(345,491)	(77,178)	22.3 %
Other operating expenses . . . . .	255,932	222,797	33,135	14.9 %
Total operating expenses . . . . .	<u>\$ 2,437,624</u>	<u>\$ 2,018,304</u>	<u>\$ 419,320</u>	20.8 %
Interest expense . . . . .	123,122	123,173	(51)	(0.0)%
Total airline expenses . . . . .	<u><u>\$ 2,560,746</u></u>	<u><u>\$ 2,141,477</u></u>	<u><u>\$ 419,269</u></u>	19.6 %

*NM = Not Meaningful*

*Salaries, wages and benefits.* The \$160.6 million, or 19.4%, increase in salaries, wages and benefits was due to the increase in direct labor costs that resulted from a higher number of flights we operated during 2021 in response to demand recovery from the COVID-19 pandemic.

*Aircraft maintenance, materials and repairs.* The \$198.8 million, or 32.1%, increase in aircraft maintenance expense was primarily due to an increase in direct maintenance costs, including the replacement of time-limited engine components, incurred on a portion of SkyWest Airlines' CRJ700 and CRJ200 fleet intended to extend the operational performance and reliability of these older aircraft, including increased engine maintenance expense during 2021 compared to 2020.

*Depreciation and amortization.* The \$34.8 million, or 7.3%, decrease in depreciation and amortization expense was primarily due to certain CRJ200 aircraft that became fully depreciated during 2020. This reduction in depreciation on our CRJ200 fleet was partially offset by an increase in depreciation expense due to the acquisition of 18 new E175 aircraft and spare engines in 2021, as well as the acquisition of eleven used CRJ700 aircraft in 2021.

*Airport-related expenses.* Airport-related expenses include airport-related customer service costs such as outsourced airport gate and ramp agent services, airport security fees, passenger interruption costs, deicing, landing fees and station rents. For clarity, our employee airport customer service labor costs are reflected in salaries, wages and benefits and customer service labor costs we outsource to third parties are included in airport-related expenses. The \$10.8 million, or 11.5%, increase in airport-related expenses was primarily due to an increase in airport service activities in response to an increase in our prorate passengers.

*Aircraft fuel.* The \$45.3 million, or 73.4%, increase in fuel cost was primarily due to an increase in the number of flights we operated under our prorate agreements and corresponding increase in gallons of fuel we purchased, and an increase in our average fuel cost per gallon from \$1.89 in 2020 to \$2.49 in 2021. We purchase and incur expense for all fuel on flights operated under our prorate agreements. All fuel costs incurred under our capacity purchase contracts are either purchased directly by our major airline partner, or if purchased by us, we record the direct reimbursement as a reduction to our fuel expense. The following table summarizes the gallons of fuel we purchased under our prorate agreements, for the periods indicated:

(in thousands)	For the year ended December 31,		
	2021	2020	% Change
Fuel gallons purchased . . . . .	43,059	32,590	32.1 %
Fuel expense. . . . .	\$ 107,057	\$ 61,739	73.4 %

*Aircraft rentals.* The \$2.0 million, or 3.0%, decrease in aircraft rentals was primarily related to a reduction of our fleet size that was financed through leases from third parties as a result of scheduled lease expirations during 2020.

*Special items.* Special items for 2021 consisted of a non-cash impairment charge on SkyWest Airlines' CRJ900 aircraft of \$84.6 million. During 2021, SkyWest reached an agreement with Delta to place 16 new E175 aircraft under contract beginning in 2022. These E175 aircraft will replace 16 older SkyWest-owned or financed CRJ900 aircraft currently operating under contract with Delta. We do not anticipate extending the contract term with Delta on these 16 CRJ900 aircraft. These factors, combined with the market value of SkyWest's CRJ900 fleet, resulted in a non-cash impairment charge of \$84.6 million.

*Payroll support grant.* During 2020 and 2021, we entered into three Payroll Support Program Agreements with U.S. Treasury that provided certain payroll support relief payments that were recognized as a reduction in labor expense over the periods the grants intended to compensate. We recognized \$422.7 million in payroll support grant proceeds we received as a reduction to our operating expenses for the year ended December 31, 2021, a 22.3% increase compared to \$345.5 million in payroll support grant proceeds we received as a reduction to our operating expenses for year ended December 31, 2020.

*Other operating expenses.* Other operating expenses primarily consist of property taxes, hull and liability insurance, simulator costs, crew per diem, crew hotel costs and credit loss reserves. The \$33.1 million, or 14.9%, increase in other operating expenses was primarily related to an increase in other operating costs that correspond to the higher number of flights we operated during 2021 compared to 2020, such as crew per diem, crew hotel costs and simulator costs.

*Interest Expense.* The \$0.1 million, decrease in interest expense was primarily related to \$3.6 million of deferred loan costs expense attributed to the payoff and termination of the secured loan agreement with U.S. Treasury in 2021, offset by a decrease in interest expense due to a lower average effective interest rate in 2021 as compared to 2020. Our average effective interest rate for 2021 and 2020 was 3.8% and 4.0%, respectively.

*Total airline expenses.* Our total airline expenses, comprising of our total operating expenses and interest expense, increased \$419.3 million, or 19.6%, due to an increase in direct operating costs attributed to the higher number of completed flights in 2021 compared to 2020 and due to the non-cash impairment charge of \$84.6 million on SkyWest operated CRJ900 aircraft in 2021, offset by an increase in the payroll support grant benefit we recorded in 2021, compared to the benefit recorded in 2020.

As our interest expense is primarily attributed to debt associated with financing aircraft under our capacity purchase agreements and as revenue earned under our capacity purchase agreements is intended to compensate us for our

aircraft ownership costs, including interest expense, we believe our total airline expense is meaningful expense measure for management discussion and analysis purposes.

*Summary of interest income, other income (expense) and provision for income taxes:*

*Interest income.* Interest income decreased \$4.8 million, or 81.1%, during 2021, compared to 2020. The decrease in interest income was primarily related to a decrease in average interest rates attributed to our marketable securities from 2020 to 2021.

*Other income (expense), net.* Other income (expense), net decreased \$4.4 million, compared to 2020. Other income (expense), net primarily consists of income related to our investment in a joint venture with a third party. In 2021, the joint venture incurred an increase in engine overhaul expenses compared to 2020.

*Summary of provision for income taxes:*

*Provision for income taxes.* For the years ended December 31, 2021, and December 31, 2020, our income tax provision rates were 25.7% and 16.2%, respectively, which include the statutory federal income tax rate of 21% and other reconciling income tax items, including state income taxes and the impact of non-deductible expenses. For the year ended December 31, 2020, the lower effective tax rate was primarily due to pre-tax loss of \$7.3 million and non-deductible expenses which resulted in a \$1.2 million provision for income taxes. Our income tax provision rate may fluctuate each reporting period based on various factors including, but not limited to, the amount of our non-deductible operating expenses, relative to our income before income taxes.

*Net Income.* Primarily due to the factors described above, we generated net income of \$111.9 million, or \$2.20 per diluted share, for the year ended December 31, 2021, compared to a net loss of \$8.5 million, or \$0.17 loss per share, for the year ended December 31, 2020.

***Our Business Segments 2021 compared to 2020:***

For the years ended December 31, 2021 and 2020, our reporting segments included SkyWest Airlines and SkyWest Leasing.

Our chief operating decision maker analyzes the profitability of operating aircraft under our code-share agreements separately from the profitability of our financing new aircraft acquired through debt and cash placed under our capacity purchase agreements, currently consisting of our E175 fleet, and our return on such aircraft financing. More specifically, the SkyWest Leasing segment includes an allocation of revenue from our capacity purchase agreements attributed to our financing of new aircraft through debt and cash covered under such agreements (aircraft lease revenue), and the respective depreciation and interest expense of such financed aircraft. The SkyWest Leasing segment also includes the activity of acquiring and leasing used regional jet aircraft and regional aircraft engines to other entities. The SkyWest Leasing segment's total assets and capital expenditures include new E175 aircraft acquired through the issuance of debt and our aircraft and engines leased to other entities.

The SkyWest Airlines segment includes all other revenue and operating expenses attributed to operating aircraft under our capacity purchase agreements and all revenue and operating expenses attributed to our prorate agreements and airport service agreements.

Corporate overhead expenses, primarily consisting of administrative labor costs, were allocated to the operating expenses of SkyWest Airlines and SkyWest Leasing. Overhead expenses allocated to SkyWest Leasing reflect our estimated labor expense incurred to support SkyWest Leasing activities.

The following table sets forth our segment data for the years ended December 31, 2021 and 2020 (in thousands):

	For the year ended December 31, (dollar amounts in thousands)			
	2021	2020	\$ Change	% Change
Operating Revenues:				
SkyWest Airlines operating revenue .....	\$ 2,192,432	\$ 1,636,762	\$ 555,670	33.9 %
SkyWest Leasing operating revenues .....	521,059	490,344	30,715	6.3 %
Total Operating Revenues .....	\$ 2,713,491	\$ 2,127,106	\$ 586,385	27.6 %
Airline Expenses:				
SkyWest Airlines airline expense .....	\$ 2,190,884	\$ 1,729,189	\$ 461,695	26.7 %
SkyWest Leasing airline expense .....	369,862	412,288	(42,426)	(10.3)%
Total Airline Expenses (1) .....	\$ 2,560,746	\$ 2,141,477	\$ 419,269	19.6 %
Segment profit:				
SkyWest Airlines segment profit (loss) .....	\$ 1,548	\$ (92,427)	\$ 93,975	NM
SkyWest Leasing profit .....	151,197	78,056	73,141	93.7 %
Total Segment Profit .....	\$ 152,745	\$ (14,371)	\$ 167,116	NM
Interest Income .....	1,114	5,879	(4,765)	(81.1)%
Other Income (Expense), net .....	(3,249)	1,165	(4,414)	NM
Consolidated Income Before Taxes .....	\$ 150,610	\$ (7,327)	\$ 157,937	NM

NM = Not Meaningful

(1) Total Airline Expenses includes operating expense and interest expense

*SkyWest Airlines Segment Profit.* SkyWest Airlines segment profit increased \$94.0 million during 2021, compared to 2020.

SkyWest Airlines block hour production increased to 1,319,628, or 35.6%, for 2021 from 973,338 for 2020, primarily due to demand recovery from reduced flight schedules in response to the COVID-19 pandemic. Significant items contributing to the SkyWest Airlines segment profit are set forth below.

SkyWest Airlines operating revenues increased \$555.7 million, or 33.9%, from 2020 to 2021 due to increased flight schedules, increased passenger demand under our prorate agreements, and more flights we handled under our airport service agreements, collectively as a result of the demand recovery from the COVID-19 pandemic. SkyWest Airlines also provided temporary rate reductions for COVID relief to our major airline partners under our capacity purchase agreements during 2021 and 2020 in the same quarters we recognized payroll support grant proceeds from Treasury.

SkyWest Airlines airline expense increased \$461.7 million, or 26.7%, from 2020 to 2021 due to the following primary factors:

- SkyWest Airlines' salaries, wages and benefits expense increased by \$161.2 million, or 19.6%, primarily due to an increase in direct labor costs that resulted from a significantly higher number of flights we operated during 2021.
- SkyWest Airlines' aircraft maintenance, materials and repairs expense increased by \$191.9 million, or 31.7%, primarily due to an increase in direct maintenance costs, including the replacement of time-limited engine components, incurred on a portion of SkyWest Airlines' CRJ700 and CRJ200 fleets intended to extend the operational performance and reliability of these older aircraft, including increased engine maintenance expense during 2021 compared to 2020.
- SkyWest Airlines' depreciation and amortization expense decreased by \$10.9 million, or 4.9%, primarily due to certain CRJ200 aircraft that became fully depreciated during 2020, partially offset by an increase in depreciation expense related to the acquisition of used CRJ700 aircraft in 2021.
- SkyWest Airlines' fuel expense increased \$45.3 million, or 73.4%, due to an increase in the number of flights we operated under our prorate agreements and a corresponding increase in gallons of fuel we purchased and an increase in our average fuel cost per gallon from \$1.89 in 2020 to \$2.49 in 2021.

- SkyWest Airlines recognized \$422.7 million in payroll support grant proceeds as a reduction to our operating expenses in 2021, a 22.3% increase compared to \$345.5 million recognized in 2020.
- SkyWest Airlines recorded a non-cash impairment charge on its CRJ900 aircraft of \$84.6 million in 2021. See the Operating Expenses section of “Results of Operations” for further discussion on the impairment charge recorded in 2021. SkyWest Airlines did not have a comparable charge in 2020.
- SkyWest Airlines’ remaining airline expenses increased \$66.8 million, or 18.4%, primarily related to an increase in other operating costs that correspond to the higher number of flights we operated in 2021 compared to 2020, such as crew per diem, crew hotel costs and simulator costs.

*SkyWest Leasing Segment Profit.* SkyWest Leasing profit increased \$73.1 million, or 93.7%, during 2021, compared to 2020, primarily due to the acquisition of 18 new E175 aircraft added to our fleet in 2021.

## Liquidity and Capital Resources

As of December 31, 2021, we had \$860.4 million in cash and cash equivalents and marketable securities and \$43.6 million available for borrowings under our line of credit. Additionally, we have approximately \$1.5 billion in unpledged aircraft engines and aircraft parts that we temporarily used as collateral in 2020 and 2021. Given our available liquidity as of December 31, 2021 and given the measures we have implemented to reduce the impact of the COVID-19 pandemic on our financial position and operations, we believe the working capital currently available to us will be sufficient to meet our present financial requirements, including planned capital expenditures, scheduled lease payments, and debt service obligations for at least the next 12 months.

Our total of cash and marketable securities increased from \$825.9 million as December 31, 2020, to \$860.4 million as of December 31, 2021, or by \$34.5 million. Our total long-term debt, including current maturities decreased from \$3,203.7 million as of December 31, 2020, to \$3,109.2 million as of December 31, 2021, or by \$94.5 million. Thus, our total long-term debt, net of cash and marketable securities, decreased from \$2,377.8 million as of December 31, 2020, to \$2,248.8 million as of December 31, 2021, or \$129.0 million. At December 31, 2021, our total capital mix was 45.5% equity and 54.5% long-term debt, compared to 43.3% equity and 56.7% long-term debt at December 31, 2020.

As of December 31, 2021 and 2020, we had \$61.4 million and \$61.1 million, respectively, in letters of credit and surety bonds outstanding with various banks and surety institutions. We had no restricted cash as of December 31, 2021 and 2020.

## Sources and Uses of Cash

**Cash Position and Liquidity.** The following table provides a summary of the net cash provided by (used in) our operating, investing and financing activities for the years ended December 31, 2021 and 2020, and our total cash and marketable securities position as of December 31, 2021 and December 31, 2020 (in thousands). See “Liquidity and Capital Resources” in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, for a discussion of our sources and used of cash in 2020 compared to 2019.

	For the year ended December 31,			
	2021	2020	\$ Change	% Change
Net cash provided by operating activities . . . . .	\$ 831,820	\$ 633,563	\$ 198,257	31.3 %
Net cash used in investing activities . . . . .	(698,522)	(683,471)	(15,051)	2.2 %
Net cash provided by (used in) financing activities . . . . .	(90,600)	178,425	(269,025)	(150.8)%
	December 31, 2021	December 31, 2020	\$ Change	% Change
Cash and cash equivalents . . . . .	\$ 258,421	\$ 215,723	\$ 42,698	19.8 %
Marketable securities. . . . .	601,989	610,185	(8,196)	(1.3)%
Total . . . . .	\$ 860,410	\$ 825,908	\$ 34,502	4.2 %

### ***Cash Flows provided by Operating Activities***

Our cash flows provided by operating activities was \$831.8 million in 2021, compared to \$633.6 million in 2020. Our operating cash flows are typically impacted by various factors including our net income, adjusted for non-cash expenses and gains such as depreciation expense, asset impairment charges, stock-based compensation expense, and gains or losses on the disposal of assets; and timing of cash payments and cash receipts attributed to our various current asset and liability accounts, such as accounts receivable, inventory, accounts payable, accrued liabilities, deferred revenue and deferred payroll support grant proceeds.

The increase in our cash flow from operations in 2021 compared to 2020, was primarily due an increase in net income of \$120.4 million, the difference between a net loss of \$8.5 million in 2020 and net income of \$111.9 million in 2021, and a non-cash impairment charge of \$84.6 recorded in 2021. The cash provided by these operating activities were partially offset by a reduction in depreciation expense and deferred revenue, an increase in unbilled revenue, and changes in our current asset and liability accounts, primarily due to the timing of cash payments and cash receipts in 2021 compared to 2020. The operating cash flows for 2021 and 2020 also included the benefit from the payroll support grant of \$422.7 million and \$345.5 million, respectively, partially offset by temporary COVID relief rate reductions provided to our major airline partners in 2021 and 2020.

### ***Cash Flows used in Investing Activities***

Our cash flows used in investing activities was \$698.5 million in 2021, compared to \$683.5 million in 2020. Our investing cash flows are typically impacted by various factors including our capital expenditures, such as the acquisition of aircraft and spare engines; deposit payments and refunds of previously made deposits on new aircraft; purchase and sales of marketable securities; proceeds from the sale of assets; and timing of cash payments and cash receipts attributed to our various long-term asset and long-term liability accounts.

The increase in our cash flow used in investing activities in 2021 compared 2020, was primarily due to an increase in aircraft deposits and acquisition of aircraft, offset by the change in purchases and sales of marketable securities. Cash used for aircraft deposits increased from \$9.6 million in 2020 to \$125.7 million in 2021 because of E175 aircraft purchase commitments. We acquired 18 new E175 aircraft and eleven used CRJ700 aircraft in 2021 resulting in \$537.6 million in cash used for purchases of aircraft and related parts, compared to 2020 when we acquired six new E175 aircraft and 22 used CRJ700 aircraft that resulted in cash used for purchases of aircraft and spare parts of \$425.6 million. Cash provided by sales of marketable securities, net of purchases of marketable securities in 2021 was \$8.2 million, compared to cash used in purchases of marketable securities, net of sales of marketable securities of \$177.2 million in 2020.

The increase in cash flows used in investing activities was also offset by an increase in our long-term assets resulting from timing of payments received from our major airline partners attributed to our long-term receivables and changes to our non-current deferred revenue. In 2020, we amended certain debt agreements on our aircraft which suspended our obligation to make debt service payments for an approximately six-month period during 2020. Concurrently, we suspended required aircraft ownership payments due to us from our major airline partners under our capacity purchase agreements during the same period. We anticipate collecting the payments on these long-term receivables from our major airline partners over the remaining contract terms.

### ***Cash Flows provided by (used in) Financing Activities***

Our cash flows used in financing activities was \$90.6 million in 2021, compared to cash provided by financing activities of \$178.4 million in 2020. Our financing cash flows are typically impacted by various factors including proceeds from issuance of debt, principal payments on debt obligations, repurchases our common stock and payment of cash dividends.

The \$269.0 million increase in cash used by financing activities was primarily due to an increase of \$353.1 million in principal payments on long-term debt related to the additional E175 aircraft acquired subsequent to December 31, 2020, repayment of the \$60 million U.S. Treasury secured loan, and early repayment of \$80.1 million in aircraft debt. The increase was offset by proceeds from the issuance of long-term debt primarily due to the purchase of new E175

aircraft in 2021 and a reduction in 2021 of cash used to purchase treasury stock and payment of dividends by \$20.0 million and \$13.1 million, respectively, due to restrictions under our loan agreements with U.S. Treasury.

## Significant Commitments and Obligations

### General

The following table summarizes our commitments and obligations as noted for each of the next five years and thereafter (in thousands):

	<u>Total</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>
Operating lease payments for aircraft and facility obligations. . . . .	\$ 294,265	\$ 81,911	\$ 75,598	\$ 31,446	\$ 17,481	\$ 15,427	\$ 72,402
Firm aircraft and spare engine commitments . . . . .	791,095	723,076	68,019	—	—	—	—
Interest commitments (1) . . . . .	491,330	113,099	96,987	80,752	65,185	49,391	85,916
Principal maturities on long-term debt. . . . .	<u>3,140,938</u>	<u>395,371</u>	<u>403,091</u>	<u>398,084</u>	<u>413,846</u>	<u>423,227</u>	<u>1,107,319</u>
Total commitments and obligations. . . . .	<u>\$ 4,717,628</u>	<u>\$ 1,313,457</u>	<u>\$ 643,695</u>	<u>\$ 510,282</u>	<u>\$ 496,512</u>	<u>\$ 488,045</u>	<u>\$ 1,265,637</u>

(1) At December 31, 2021, all of our total long-term debt associated with aircraft had fixed interest rates.

### Purchase Commitments and Options

We are coordinating with our major airline partners and aircraft manufacturers on the timing of upcoming fleet deliveries under previously announced deals. The anticipated future aircraft delivery dates are subject to change. As of December 31, 2021, we had a firm purchase commitment for 29 E175 aircraft from Embraer with scheduled delivery dates anticipated through 2023.

At the time of each aircraft acquisition, we evaluate the financing alternatives available to us, and select one or more of these methods to fund the acquisition. In recent years, we have issued long-term debt to finance our new aircraft. At present, we intend to fund our aircraft purchase commitments through cash on hand and debt financing. Based on current market conditions and discussions with prospective leasing organizations and financial institutions, we currently believe that we will be able to obtain financing for our committed acquisitions, as well as additional aircraft. We intend to finance the firm purchase commitment for 29 E175 aircraft with approximately 80-85% debt and the remaining balance with cash.

### Aircraft Lease and Facility Obligations

We also have significant long-term lease obligations, primarily relating to our aircraft fleet. Excluding aircraft financed by our major airline partners that we operate for them under contract, we had 43 aircraft under lease with remaining terms ranging from two years to nine years as of December 31, 2021. Future minimum lease payments due under all long-term operating leases were approximately \$294.3 million at December 31, 2021. Assuming a 6.0% discount rate, which is the average incremental borrowing rate we anticipate we would have incurred on debt obtained over a similar term to acquire these assets, the present value of these lease obligations would have been equal to approximately \$237.2 million at December 31, 2021.

### Long-term Debt Obligations

As of December 31, 2021, we had \$2.94 billion of long-term debt obligations related to the acquisition of aircraft and certain spare engines. The average effective interest rate on those long-term debt obligations was approximately 3.8% at December 31, 2020. We also had \$200.6 million of long-term debt obligations under the Payroll Support Program Agreements.

Under our capacity purchase arrangements, the major airline partners compensate us for our costs of owning or leasing the aircraft on a monthly basis. The aircraft compensation structure varies by agreement but is intended to cover

either our aircraft principal and interest debt service costs, our aircraft depreciation and interest expense or our aircraft lease expense costs while the aircraft is under contract.

#### *Guarantees*

We have guaranteed the obligations of SkyWest Airlines under the Delta Connection Agreement and the United Express Agreement for the E175 aircraft. In addition, we have guaranteed certain other obligations under aircraft financing and leasing agreements.

#### **Critical Accounting Policies and Estimates**

Our significant accounting policies are summarized in Note 1 to our Consolidated Financial Statements included in Item 8 of this Report. Critical accounting policies are those policies that are most important to the preparation of our consolidated financial statements and require management's subjective and complex judgments due to the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies relate to revenue recognition, long-lived assets, and income tax as discussed below. The application of these accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results will likely differ, and could differ materially, from such estimates.

#### *Revenue Recognition*

Flying agreements and airport customer service and other revenues are recognized when service is provided. Under our capacity purchase and prorate flying agreements with our major airline partners, our performance obligation is determined on a per completed flight basis. Under our capacity purchase agreements, the performance obligation of each completed flight is measured using block hours incurred for each completed flight, which factors the duration of each flight. Under our airport customer service agreements, our performance obligation is measured on per departure basis for each flight we provide customer service.

A portion of our compensation under our capacity purchase agreements is designed to reimburse us for the use of the aircraft we provide under such agreements. This compensation is deemed to be lease revenue, because the agreements identify the "right of use" or a specific type and number of aircraft over the agreement term. The amount of compensation deemed to be lease revenue is determined from the agreed upon rates for the use of the aircraft included in each capacity purchase agreement, which we believe approximates fair value for the aircraft leases.

Additionally, under our capacity purchase agreements, we typically receive a fixed monthly payment for each aircraft under contract over the agreement term ("Fixed Monthly Payments"). We recognize revenue attributed to the Fixed Monthly Payments proportionate to the number of block hours complete during each reporting period, relative to the estimated number of block hours we anticipate completing over the remaining contract term. Due to the material decrease in completed block hours in 2020 from historical levels and from anticipated future levels over the remaining contract terms, we determined the amount of Fixed Monthly Payments we received in 2020 was disproportionately high relative to the number of block hours we completed during 2020. In 2020, we generated 973,338 block hours and we deferred recognizing revenue of \$110.7 million in Fixed Monthly Payments we received during the 2020 calendar year. In 2021, we generated 1,319,628 block hours and we recognized \$6.8 million of previously deferred revenue and \$8.4 million of unbilled revenue. The amount of deferred revenue and unbilled revenue from Fixed Monthly Payments we recognize will increase or decrease in future reporting periods depending on the number of block hours we complete during such reporting period and our then-current forecast of block hours we anticipate completing over the remaining contract term based on information available to us as that time. We currently anticipate we will recognize previously deferred revenue in 2022, depending upon future block hour production and flight schedules each reporting period in 2022.

Our revenues could be impacted by several factors, such as our flight schedules, passenger fares we receive under our prorate agreements, terminations, extensions or other amendments to our code-share agreements, our estimates used to determine the amount of revenue we defer under our capacity purchase agreements, and our ability to earn incentive payments contemplated under applicable agreements. In the event contracted rates are not finalized at a quarterly or annual financial statement date, we record that period's revenues based on the lower of the prior period's approved rates or our estimate of rates that will be implemented upon completion of negotiations. Also, in the event we have a reimbursement dispute with a major airline partner at a quarterly or annual financial statement date, we evaluate



the dispute under established revenue recognition criteria and, provided the revenue recognition criteria have been met, we recognize revenue for that period based on our estimate of the resolution of the dispute. Our rates were finalized under our code-share agreements as of December 31, 2021.

#### *Long-Lived Assets*

As of December 31, 2021, we had approximately \$5.5 billion of property and equipment and related assets net of accumulated depreciation. In accounting for these long-lived, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. When considering whether or not impairment of long-lived assets exists, we group similar assets together at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and compare the undiscounted cash flows for each asset group to the net carrying amount of the assets supporting the asset group. Asset groupings are done at the fleet type or contract level.

In 2021, we entered into an agreement with Delta to purchase and operate 16 new E175 aircraft under a multi-year capacity purchase agreement. The 16 new E175 aircraft will replace 16 SkyWest-owned or financed CRJ900 aircraft currently under its Delta contract with expirations ranging from the second half of 2022 to early 2023. As of December 31, 2021, we only operated the CRJ900 aircraft under a flying agreement with our major airline partner Delta. As a result of this fleet transition beginning in 2022 and the uncertainty about our ability to redeploy the CRJ900 aircraft with another major airline partner, we concluded that indicators of impairment existed and therefore, we evaluated our CRJ900 fleet and related CRJ900 assets for impairment. In 2021, the Company recorded a non-cash impairment charge of \$84.6 million to write-down the CRJ900 aircraft operating under the Delta contracts to their estimated fair value. The impairment analysis required us to identify applicable asset groups, perform a recoverability test using undiscounted cash flows and estimate the fair value of the asset group through the use of third-party valuations. Judgment was required to determine the impairment loss. The amounts we ultimately realize from the disposal of our CRJ900 long-lived assets may vary from our 2021 fair value assessment.

Factors that may impact our estimates used for depreciation include anticipated useful lives of each aircraft type and estimated residual values of each aircraft. As we operate all of our aircraft under code-share agreements with our major airline partners, changes in anticipated demand by our major airline partners for regional aircraft may impact our estimated useful lives and residual values for our aircraft, spare engines and other long-lived assets. At December 31, 2021, we had 81 aircraft that were not in scheduled service with our partners, including 63 CRJ200 aircraft and 18 CRJ700 aircraft. The CRJ200 aircraft not in scheduled service are nearly fully depreciated as of December 31, 2021. The remaining aircraft are scheduled to be placed under contract by 2023 or will be used as supplemental spare aircraft.

#### *Income Tax*

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Estimating our tax liabilities involves judgments related to uncertainties in the application of complex tax regulations. We make certain estimates and judgments to determine tax expense for financial statement purposes as we evaluate the effect of tax credits, tax benefits and deductions, some of which result from differences in the timing of recognition of revenue or expense for tax and financial statement purposes. Changes to these estimates may result in significant changes to our tax provision in future periods. Each fiscal quarter we re-evaluate our tax provision and reconsider our estimates and assumptions related to specific tax assets and liabilities, making adjustments as circumstances change.

#### **Recent Accounting Pronouncements**

See Note 1 to the Consolidated Financial Statements included in Item 8 of this Report for a description of recent accounting pronouncements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Aircraft Fuel**

In the past, we have not experienced sustained material difficulties with fuel availability, and we currently expect to be able to obtain fuel at prevailing prices in quantities sufficient to meet our future needs. Pursuant to our contract flying arrangements, United, Delta, American and Alaska have agreed to bear the economic risk of fuel price fluctuations on our contracted flights. We bear the economic risk of fuel price fluctuations on our prorate operations. For each of the years ended December 31, 2021, 2020 and 2019, approximately 16%, 13% and 18% of our total flying agreements revenue was derived from prorate arrangements. For the years ended December 31, 2021, 2020 and 2019, the average price per gallon of aircraft fuel was \$2.49, \$1.89 and \$2.51, respectively. For illustrative purposes only, we have estimated the impact of the market risk of fuel on our prorate operations using a hypothetical increase of 25% in the price per gallon we purchase. Based on this hypothetical assumption, we would have incurred an additional \$26.8 million, \$15.4 million and \$29.8 million in fuel expense for the years ended December 31, 2021, 2020 and 2019, respectively.

### **Interest Rates**

As of December 31, 2021, our long-term debt had fixed interest rates. We currently intend to finance the acquisition of aircraft through manufacturer financing or long-term borrowings. Changes in interest rates may impact the actual cost to us to acquire future aircraft. To the extent we place new aircraft in service under our capacity purchase agreements with United, Delta, American, Alaska or other carriers, our capacity purchase agreements currently provide that reimbursement rates will be adjusted to reflect the interest rates effective at the closing of the respective aircraft financing. A hypothetical 10 basis point change in market interest rates would not have a material effect on our financial results.

### **Inflation Risk**

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and operating results.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information set forth below should be read together with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” appearing elsewhere herein.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of SkyWest, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SkyWest, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and the financial statement schedule listed in the Index at Item 15(a)2 (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Valuation of fixed overhead deferred revenue*

##### *Description of the Matter*

At December 31, 2021, the Company's deferred revenue balance totaled \$103.9 million, of which \$24.5 million was presented as a component of other current liabilities and \$79.4 million was included in other long-term liabilities on the balance sheet. As discussed in Note 1 to the consolidated financial statements, under the Company's capacity purchase agreements, the Company is paid a fixed amount per aircraft each month over the contract term. The Company recognizes revenue related to the fixed amount per aircraft per month based upon completed block hours proportionate to total forecasted block hours over the contract term. To perform the

allocation over the contract, the Company estimates revenue per block hour using historical data and forecasted flight activity and utilizing trends within the industry.

Auditing the forecasted block hours over the term of the contract, which is the primary input used in the deferred revenue calculation, required extensive audit effort due to the estimation uncertainty of the forecasted block hours over the contract term resulting from the COVID-19 pandemic.

*How We  
Addressed the  
Matter in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over recognition and deferral of revenue related to block hours flown. This included controls over the forecasting process used to develop the estimated future block hours used in the calculation. We also tested controls over management's review of the data used in the deferred revenue calculation.

To test the Company's estimated deferred revenue liability, we performed audit procedures that included, among others, assessing the methodology and assumptions used by the Company in the deferred revenue calculation, including testing of the forecasted block hours and validating completeness and accuracy of the underlying data used by the Company. Specifically, we compared management's forecasted block hours to historical flight activity, existing flight schedules with partner airlines, and industry trends and publications. We evaluated management's ability to accurately forecast flight activity by performing hindsight analyses comparing actual historical results to past forecasts, including forecasts developed during the COVID-19 pandemic. We also performed sensitivity analyses to understand the impact of fluctuations in forecasted block hours to the deferred revenue liability.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

Salt Lake City, Utah  
February 17, 2022

**SKYWEST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

**ASSETS**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$ 258,421	\$ 215,723
Marketable securities .....	601,989	610,185
Receivables, net .....	65,348	34,462
Inventories, net .....	104,093	91,196
Other current assets .....	38,742	31,236
Total current assets .....	<u>1,068,593</u>	<u>982,802</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Aircraft and rotatable spares .....	7,848,100	7,527,555
Deposits on aircraft .....	124,964	31,625
Buildings and ground equipment .....	256,595	258,863
Total property and equipment, gross .....	<u>8,229,659</u>	<u>7,818,043</u>
Less-accumulated depreciation and amortization .....	<u>(2,731,060)</u>	<u>(2,455,995)</u>
Total property and equipment, net .....	<u>5,498,599</u>	<u>5,362,048</u>
<b>OTHER ASSETS:</b>		
Operating lease right-of-use assets .....	238,516	282,362
Long-term receivables and other assets .....	320,239	260,410
Total other assets .....	<u>558,755</u>	<u>542,772</u>
Total assets .....	<u>\$ 7,125,947</u>	<u>\$ 6,887,622</u>

See accompanying notes to consolidated financial statements.

**SKYWEST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**

(Dollars in thousands)

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	December 31, 2021	December 31, 2020
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt . . . . .	\$ 391,798	\$ 402,158
Accounts payable . . . . .	496,333	278,677
Accrued salaries, wages and benefits . . . . .	150,583	125,944
Current maturities of operating lease liabilities . . . . .	78,886	82,641
Taxes other than income taxes . . . . .	28,869	26,183
Other current liabilities . . . . .	48,152	26,119
Total current liabilities . . . . .	<u>1,194,621</u>	<u>941,722</u>
 LONG-TERM DEBT, net of current maturities . . . . .	 <u>2,717,420</u>	 <u>2,801,538</u>
 DEFERRED INCOME TAXES PAYABLE . . . . .	 <u>663,236</u>	 <u>625,931</u>
 NONCURRENT OPERATING LEASE LIABILITIES . . . . .	 <u>158,274</u>	 <u>205,845</u>
 OTHER LONG-TERM LIABILITIES . . . . .	 <u>124,882</u>	 <u>173,041</u>
 COMMITMENTS AND CONTINGENCIES (Note 6)		
 <b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, 5,000,000 shares authorized; none issued . . . . .	—	—
Common stock, no par value, 120,000,000 shares authorized; 82,335,970 and 82,094,985 shares issued as of December 31, 2021, and December 31, 2020, respectively . . . . .	722,310	704,675
Retained earnings . . . . .	2,163,916	2,052,006
Treasury stock, at cost, 31,956,047 and 31,913,635 shares as of December 31, 2021, and December 31, 2020, respectively . . . . .	<u>(618,712)</u>	<u>(617,136)</u>
Total stockholders' equity . . . . .	<u>2,267,514</u>	<u>2,139,545</u>
Total liabilities and stockholders' equity . . . . .	<u>\$ 7,125,947</u>	<u>\$ 6,887,622</u>

See accompanying notes to consolidated financial statements.

**SKYWEST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands, except per share amounts)

	Year Ended December 31,		
	2021	2020	2019
OPERATING REVENUES:			
Flying agreements .....	\$ 2,615,076	\$ 2,060,801	\$ 2,889,265
Lease, airport services and other .....	98,415	66,305	82,698
Total operating revenues .....	<u>2,713,491</u>	<u>2,127,106</u>	<u>2,971,963</u>
OPERATING EXPENSES:			
Salaries, wages and benefits .....	986,664	826,109	1,001,746
Aircraft maintenance, materials and repairs .....	817,803	618,989	514,313
Depreciation and amortization .....	440,198	474,959	368,098
Airport-related expenses .....	104,690	93,886	118,837
Aircraft fuel .....	107,057	61,739	119,115
Aircraft rentals .....	63,357	65,316	71,998
Special items .....	84,592	—	21,869
Payroll support grant .....	(422,669)	(345,491)	—
Other operating expenses .....	255,932	222,797	243,729
Total operating expenses .....	<u>2,437,624</u>	<u>2,018,304</u>	<u>2,459,705</u>
OPERATING INCOME .....	<u>275,867</u>	<u>108,802</u>	<u>512,258</u>
OTHER INCOME (EXPENSE):			
Interest income .....	1,114	5,879	14,131
Interest expense .....	(123,122)	(123,173)	(127,755)
Other income (expense), net .....	(3,249)	1,165	47,671
Total other expense, net .....	<u>(125,257)</u>	<u>(116,129)</u>	<u>(65,953)</u>
INCOME (LOSS) BEFORE INCOME TAXES .....	150,610	(7,327)	446,305
PROVISION FOR INCOME TAXES .....	38,700	1,188	106,206
NET INCOME (LOSS) .....	<u>\$ 111,910</u>	<u>\$ (8,515)</u>	<u>\$ 340,099</u>
 BASIC EARNINGS (LOSS) PER SHARE .....	 \$ 2.22	 \$ (0.17)	 \$ 6.68
DILUTED EARNINGS (LOSS) PER SHARE .....	\$ 2.20	\$ (0.17)	\$ 6.62
Weighted average common shares:			
Basic .....	50,348	50,195	50,932
Diluted .....	50,753	50,195	51,375
 COMPREHENSIVE INCOME (LOSS):			
Net income (loss) .....	\$ 111,910	\$ (8,515)	\$ 340,099
Net unrealized appreciation on marketable securities, net of taxes ..	—	—	32
TOTAL COMPREHENSIVE INCOME (LOSS) .....	<u>\$ 111,910</u>	<u>\$ (8,515)</u>	<u>\$ 340,131</u>

See accompanying notes to consolidated financial statements.

**SKYWEST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	<b>Common Stock</b>		<b>Retained Earnings</b>	<b>Treasury Stock</b>		<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>		<b>Shares</b>	<b>Amount</b>		
Balance at December 31, 2018. . . . .	81,239	\$ 690,910	\$ 1,776,585	(29,851)	\$ (503,182)	\$ (32)	\$ 1,964,281
Change in accounting principle and other (see Note 7). . . . .	—	—	(13,141)	—	—	—	(13,141)
Balance at December 31, 2018, as adjusted. . . . .	81,239	\$ 690,910	\$ 1,763,444	(29,851)	\$ (503,182)	\$ (32)	\$ 1,951,140
Net income . . . . .	—	—	340,099	—	—	—	340,099
Net unrealized appreciation on marketable securities, net of tax of \$10 . . . . .	—	—	—	—	—	32	32
Exercise of common stock options and vested employee stock awards . . . .	707	3,106	—	—	—	—	3,106
Employee income tax paid on vested equity awards. . . . .	—	—	—	(173)	(9,313)	—	(9,313)
Sale of common stock under employee stock purchase plan . . . . .	65	3,165	—	—	—	—	3,165
Stock based compensation expense . . .	—	5,770	—	—	—	—	5,770
Common stock purchased and cancelled. . . . .	(268)	(16,145)	—	—	—	—	(16,145)
Treasury stock purchases. . . . .	—	—	—	(1,396)	(78,476)	—	(78,476)
Cash dividends declared (\$0.48 per share) . . . . .	—	—	(24,364)	—	—	—	(24,364)
Balance at December 31, 2019. . . . .	81,743	\$ 686,806	\$ 2,079,179	(31,420)	\$ (590,971)	\$ —	\$ 2,175,014
Change in accounting principle and other (see Note 1). . . . .	—	—	(11,639)	—	—	—	(11,639)
Balance at December 31, 2019, as adjusted. . . . .	81,743	\$ 686,806	\$ 2,067,540	(31,420)	\$ (590,971)	\$ —	\$ 2,163,375
Net income (loss) . . . . .	—	—	(8,515)	—	—	—	(8,515)
Exercise of common stock options and vested employee stock awards . .	287	38	—	—	—	—	38
Employee income tax paid on vested equity awards. . . . .	—	—	—	(108)	(6,165)	—	(6,165)
Sale of common stock under employee stock purchase plan . . . .	65	2,781	—	—	—	—	2,781
Stock based compensation expense . . .	—	6,802	—	—	—	—	6,802
Treasury stock purchases. . . . .	—	—	—	(386)	(20,000)	—	(20,000)
Cash dividends declared (\$0.14 per share) . . . . .	—	—	(7,019)	—	—	—	(7,019)
Warrants issued to U.S. Treasury . . . .	—	8,248	—	—	—	—	8,248
Balance at December 31, 2020. . . . .	82,095	\$ 704,675	\$ 2,052,006	(31,914)	\$ (617,136)	\$ —	\$ 2,139,545
Net income . . . . .	—	—	111,910	—	—	—	111,910
Exercise of common stock options and vested employee stock awards . .	177	606	—	—	—	—	606
Employee income tax paid on vested equity awards. . . . .	—	—	—	(42)	(1,576)	—	(1,576)
Sale of common stock under employee stock purchase plan . . . .	64	2,540	—	—	—	—	2,540
Stock based compensation expense . . .	—	8,685	—	—	—	—	8,685
Warrants issued to U.S. Treasury . . . .	—	5,804	—	—	—	—	5,804
Balance at December 31, 2021. . . . .	<u>82,336</u>	<u>\$ 722,310</u>	<u>\$ 2,163,916</u>	<u>(31,956)</u>	<u>\$ (618,712)</u>	<u>\$ —</u>	<u>\$ 2,267,514</u>

See accompanying notes to consolidated financial statements.



**SKYWEST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss) . . . . .	\$ 111,910	\$ (8,515)	\$ 340,099
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization . . . . .	440,198	474,959	368,098
Stock based compensation expense . . . . .	8,685	6,802	10,274
Write-off of maintenance assets . . . . .	—	3,255	—
Increase (decrease) in credit loss reserves . . . . .	(4,249)	17,087	—
Loss (gain) on disposal of fixed assets . . . . .	(4,586)	445	—
Net increase in deferred income taxes . . . . .	37,305	6,100	109,654
Gain on sale of ExpressJet subsidiary . . . . .	—	—	(46,525)
Special items . . . . .	84,592	—	21,869
Changes in operating assets and liabilities:			
Decrease (increase) in receivables . . . . .	(30,093)	26,831	(40,700)
Decrease (increase) in income tax receivable . . . . .	(5,570)	7,225	14,795
Decrease (increase) in inventories . . . . .	(12,897)	19,307	(4,303)
Decrease (increase) in other current assets . . . . .	(1,936)	8,233	2,707
Decrease in operating lease right-of-use assets . . . . .	43,846	53,647	—
Decrease in operating lease liabilities . . . . .	(51,326)	(65,557)	(895)
Increase (decrease) in deferred revenue . . . . .	(6,832)	110,728	—
Increase in unbilled revenue . . . . .	(8,404)	—	—
Increase (decrease) in accounts payable and other current liabilities . . . . .	231,177	(26,984)	(54,043)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES . . . . .</b>	<b>831,820</b>	<b>633,563</b>	<b>721,030</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of marketable securities . . . . .	(1,517,861)	(1,347,775)	(1,938,750)
Sales of marketable securities . . . . .	1,526,057	1,170,556	1,866,761
Net cash received from sale of ExpressJet subsidiary . . . . .	—	—	53,200
Acquisition of property and equipment:			
Aircraft and rotatable spare parts . . . . .	(537,574)	(425,618)	(581,329)
Buildings and ground equipment . . . . .	(18,127)	(12,678)	(80,586)
Proceeds from the sale of property and equipment . . . . .	7,117	3,239	26,008
Deposits on aircraft . . . . .	(125,701)	(9,625)	(52,817)
Aircraft deposits applied towards acquired aircraft . . . . .	32,962	27,858	46,346
Decrease (increase) in other assets . . . . .	(65,395)	(89,428)	4,133
<b>NET CASH USED IN INVESTING ACTIVITIES . . . . .</b>	<b>(698,522)</b>	<b>(683,471)</b>	<b>(657,034)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of long-term debt . . . . .	450,032	406,364	200,040
Principal payments on long-term debt . . . . .	(540,537)	(187,404)	(382,442)
Net proceeds from issuance of common stock . . . . .	3,146	2,819	6,271
Purchase of treasury stock . . . . .	—	(20,000)	(78,476)
Purchase of common stock . . . . .	—	—	(16,145)
Employee income tax paid on vested equity awards . . . . .	(1,576)	(6,165)	(9,313)
Payment of debt issuance cost . . . . .	(1,665)	(4,130)	(1,642)
Payment of cash dividends . . . . .	—	(13,059)	(23,467)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES . . . . .</b>	<b>(90,600)</b>	<b>178,425</b>	<b>(305,174)</b>
Increase (decrease) in cash and cash equivalents . . . . .	42,698	128,517	(241,178)
Cash and cash equivalents at beginning of period . . . . .	215,723	87,206	328,384
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD . . . . .</b>	<b>\$ 258,421</b>	<b>\$ 215,723</b>	<b>\$ 87,206</b>

See accompanying notes to consolidated financial statements.

**SKYWEST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
(In thousands)

	Year Ended December 31,		
	2021	2020	2019
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: . . . .			
Non-cash investing and financing activities:			
Acquisition of property and equipment . . . . .	\$ 11,336	\$ 22,187	\$ 16,514
Debt assumed on aircraft acquired under operating leases . . . . .	\$ —	\$ —	\$ 14,475
Engines contributed to joint venture . . . . .	\$ —	\$ —	\$ 22,313
Non-cash assets used to acquire aircraft under operating leases . . . . .	\$ —	\$ —	\$ 153,566
Lease liability arising from the recognition of right-of-use asset . . . . .	\$ —	\$ —	\$ 456,472
Warrants issued to U.S. Treasury . . . . .	\$ 5,804	\$ 8,248	\$ —
Cash paid during the period for:			
Interest, net of capitalized amounts . . . . .	\$ 124,918	\$ 125,440	\$ 131,733
Income taxes . . . . .	\$ 6,589	\$ 1,780	\$ 2,490
SUPPLEMENTAL DISCLOSURE OF SALE OF SUBSIDIARY:			
Decrease in carrying amount of assets . . . . .	\$ —	\$ —	\$ (101,448)
Decrease in carrying amount of liabilities . . . . .	—	—	68,341
Cash received from buyers . . . . .	—	—	79,632
Gain on sale of subsidiary . . . . .	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46,525</u>

See accompanying notes to consolidated financial statements.

**SKYWEST, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**(1) Nature of Operations and Summary of Significant Accounting Policies**

SkyWest, Inc. (the “Company”), through its subsidiary, SkyWest Airlines, Inc. (“SkyWest Airlines”) operates the largest regional airline in the United States. On January 22, 2019, the Company completed the sale of its former wholly owned subsidiary, ExpressJet Airlines, Inc. (“ExpressJet”). As of December 31, 2021, SkyWest Airlines offered scheduled passenger service under code-share agreements with United Airlines, Inc. (“United”), Delta Air Lines, Inc. (“Delta”), American Airlines, Inc. (“American”) and Alaska Airlines, Inc. (“Alaska”) with approximately 2,080 total daily departures to destinations in the United States, Canada, Mexico and the Caribbean. Additionally, the Company provides airport customer service and ground handling services for other airlines throughout its system. As of December 31, 2021, the Company had 629 total aircraft in its fleet, including 509 aircraft in scheduled service or under contract under its code-share agreements, summarized as follows:

	<b>E175</b>	<b>CRJ900</b>	<b>CRJ700</b>	<b>CRJ200</b>	<b>Total</b>
United .....	90	—	19	111	220
Delta .....	71	44	5	29	149
American .....	18 **	—	90	—	108
Alaska .....	32	—	—	—	32
Aircraft in scheduled service or under contract .....	211	44	114	140	509
Leased to third parties .....	—	5	34	—	39
Other* .....	—	—	18	63	81
Total Fleet .....	211	49	166	203	629

\*As of December 31, 2021, other aircraft included: supplemental spare aircraft supporting our code-share agreements which may be used in future code-share or leasing arrangements, aircraft transitioning between code-share agreements with our major airline partners, or aircraft that are scheduled to be disassembled for use as spare parts.

\*\*The Company took delivery of the 18 E175 aircraft under its contract with American as of December 31, 2021. The 18 E175 aircraft are scheduled to begin service in 2022.

For the year ended December 31, 2021, approximately 43.2% of the Company’s aircraft in scheduled service was operated for United, approximately 29.3% was operated for Delta, approximately 21.2% was operated for American and approximately 6.3% was operated for Alaska.

SkyWest Airlines has been a code-share partner with Delta since 1987, United since 1997, Alaska since 2011 and American since 2012. As of December 31, 2021, SkyWest Airlines operated as a Delta Connection carrier primarily in Salt Lake City, Detroit and Minneapolis, a United Express carrier primarily in Los Angeles, San Francisco, Denver, Houston, Chicago and the Pacific Northwest, an American carrier primarily in Chicago, Dallas, Los Angeles and Phoenix and an Alaska carrier primarily in the Pacific Northwest.

SkyWest Airlines operates the following aircraft manufactured by Bombardier Aerospace (“Bombardier”): CRJ900s, CRJ700s and CRJ200s, and E175s manufactured by Embraer S.A. (“Embraer”). The CRJ700, CRJ900 and E175 aircraft have a dual-class seat configuration typically configured with 65 to 76 seats. The CRJ200 is a single-class 50-seat aircraft.

***Basis of Presentation***

The Company’s consolidated financial statements include the accounts of the Company and the SkyWest Airlines, ExpressJet (for the periods owned by the Company) and SkyWest Leasing segments, with all inter-company transactions and balances having been eliminated.

In preparing the accompanying consolidated financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after December 31, 2021, through the filing date of the Company's annual report with the U.S. Securities and Exchange Commission.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company had no restricted cash as of December 31, 2021 and 2020.

### ***Marketable Securities***

The Company's investments in debt securities are classified as available-for-sale and are reported at fair market value with the net unrealized appreciation reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. At the time of sale, any realized appreciation or depreciation, calculated by the specific identification method, is recognized in other income and expense. At December 31, 2021 and 2020, the fair market value of the available-for-sale securities was the amortized cost. The Company's position in marketable securities as of December 31, 2021 and 2020 was as follows (in thousands):

<b>At December 31, 2021</b>	<b>Amortized Cost</b>	<b>Gross unrealized holding gains</b>	<b>Gross unrealized holding losses</b>	<b>Fair market value</b>
Total cash and cash equivalents . . . . .	\$ 258,421	\$ —	\$ —	\$ 258,421
Marketable securities:				
Bond and bond funds . . . . .	\$ 54,673	\$ —	\$ —	\$ 54,673
Commercial Paper . . . . .	547,316	—	—	547,316
Total marketable securities. . . . .	\$ 601,989	\$ —	\$ —	\$ 601,989
Total assets measured at fair value. . . . .	\$ 860,410	\$ —	\$ —	\$ 860,410

<b>At December 31, 2020</b>	<b>Amortized Cost</b>	<b>Gross unrealized holding gains</b>	<b>Gross unrealized holding losses</b>	<b>Fair market value</b>
Total cash and cash equivalents . . . . .	\$ 215,723	\$ —	\$ —	\$ 215,723
Marketable securities:				
Bond and bond funds . . . . .	\$ 117,928	\$ —	\$ —	\$ 117,928
Commercial Paper . . . . .	492,257	—	—	492,257
Total marketable securities. . . . .	\$ 610,185	\$ —	\$ —	\$ 610,185
Total assets measured at fair value. . . . .	\$ 825,908	\$ —	\$ —	\$ 825,908

As of December 31, 2021 and 2020, the Company had classified \$602.0 million and \$610.2 million of marketable securities, respectively, as short-term since it had the ability to redeem the securities within one year.

### ***Inventories***

Inventories include expendable parts, fuel and supplies and are valued at cost (FIFO basis) less an allowance for obsolescence based on historical results, excess parts and management's expectations of future operations. Expendable inventory parts are charged to expense as used. An obsolescence allowance for flight equipment expendable parts is accrued based on estimated lives of the corresponding fleet types and salvage values. The inventory allowance as of December 31, 2021 and 2020, was \$23.0 million and \$19.7 million, respectively.

## ***Property and Equipment***

Property and equipment are stated at cost and depreciated over their useful lives to their estimated residual values using the straight-line method as follows:

<b>Assets</b>	<b>Depreciable Life</b>	<b>Current Residual Value</b>
Aircraft, rotatable spares, and spare engines . . . . .	up to 22 years	up to 20 %
Ground equipment . . . . .	up to 10 years	0 %
Office equipment . . . . .	up to 7 years	0 %
Leasehold improvements . . . . .	Shorter of 15 years or lease term	0 %
Buildings . . . . .	20 - 39.5 years	0 %

## ***Impairment of Long-Lived Assets***

As of December 31, 2021, the Company had approximately \$5.5 billion of property and equipment and related assets. In accounting for these long-lived and intangible assets, the Company makes estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. On a periodic basis, the Company evaluates whether impairment indicators are present. When considering whether or not impairment of long-lived assets exists, the Company groups similar assets together at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and compare the undiscounted cash flows for each asset group to the net carrying amount of the assets supporting the asset group. Asset groupings are done at the aircraft type level.

In 2021, the Company entered into an agreement with Delta to purchase and operate 16 new E175 aircraft under a multi-year capacity purchase agreement. The 16 new E175 aircraft will replace 16 SkyWest-owned or financed CRJ900 aircraft currently under its Delta contract with expirations ranging from the second half of 2022 to early 2023. As of December 31, 2021, the Company only operated the CRJ900 aircraft under a flying agreement with its major airline partner Delta. As a result of this fleet transition beginning in 2022 and the uncertainty about the Company's ability to redeploy the CRJ900 aircraft with another major airline partner, the Company concluded that indicators of impairment existed and therefore, evaluated its CRJ900 fleet and related CRJ900 assets for impairment. In 2021, the Company recorded a non-cash impairment charge of \$84.6 million to write-down the CRJ900 aircraft operating under the Delta contracts to their estimated fair value. The impairment analysis required the Company to identify applicable asset groups, perform a recoverability test using undiscounted cash flows and estimate the fair value of the asset group through the use of third-party valuations. The amounts we ultimately realize from the disposal of our CRJ900 long-lived assets may vary from our 2021 fair value assessment. See Note 9, Special Items, for the impairment charges recorded during the year ended December 31, 2021, related to the CRJ900 long-lived assets.

The Company did not recognize any impairment charges of long-lived assets during the years ended December 31, 2020 and 2019.

## ***Capitalized Interest***

Interest is capitalized on aircraft purchase deposits as a portion of the cost of the asset and is depreciated over the estimated useful life of the asset. During the years ended December 31, 2021, 2020 and 2019, the Company capitalized interest costs of approximately \$1.9 million, \$1.7 million, and \$1.6 million, respectively.

## ***Maintenance***

The Company operates under a U.S. Federal Aviation Administration approved continuous inspection and maintenance program. The Company uses the direct expense method of accounting for its regional jet engine overhauls. The Company has engine services agreements with third-party vendors to provide long-term engine services covering the scheduled and unscheduled repairs for most of its aircraft. Under the terms of the agreements, the Company pays a fixed dollar amount per engine hour flown on a monthly basis and the third-party vendors will assume the responsibility to

repair the engines at no additional cost to the Company, subject to certain specified exclusions. Maintenance costs under these contracts are recognized when the engine hour is flown pursuant to the terms of each contract.

The costs of maintenance for airframe and avionics components, landing gear and other recurring maintenance are expensed as incurred. In 2020, the Company wrote-off \$3.7 million of long-lived maintenance assets at maintenance locations the Company vacated during the year. There was not a similar expense in 2021 and 2019.

### ***Flying Agreements and Airport Customer Service and Other Revenues***

The Company recognizes flying agreements revenue and lease, airport services and other revenues when the service is provided under the applicable agreement. Under the Company's fixed-fee arrangements (referred to as "capacity purchase agreements") with United Airlines, Inc. ("United"), Delta Air Lines, Inc. ("Delta"), American Airlines, Inc. ("American") and Alaska Airlines, Inc. ("Alaska") (each, a "major airline partner"), the major airline partner generally pays the Company a fixed-fee for each departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time) incurred, and an amount per aircraft in service each month with additional incentives based on flight completion and on-time performance. The major airline partner also directly pays for or reimburses the Company for certain direct expenses incurred under the capacity purchase agreement, such as fuel, airport landing fees and airport rents. Under the capacity purchase agreements, the Company's performance obligation is met when each flight is completed, measured in completed block hours, and is reflected in flying agreements revenue. The transaction price for the capacity purchase agreements is determined from the fixed-fee consideration, incentive consideration and directly reimbursed expenses earned as flights are completed over the agreement term. For the years ended December 31, 2021 and 2020, capacity purchase arrangements represented approximately 84.3% and 87.0% of the Company's flying agreements revenue, respectively.

Under the Company's prorate arrangements (referred to as a "prorate" or "revenue-sharing" agreement), the major airline partner and the Company negotiate a passenger fare proration formula, pursuant to which the Company receives a percentage of the ticket revenues for those passengers traveling for one portion of their trip on a Company airline and the other portion of their trip on the major airline partner. Under the Company's prorate flying agreements, the performance obligation is met and revenue is recognized when each flight is completed based upon the portion of the prorate passenger fare the Company anticipates that it will receive for each completed flight. The transaction price for the prorate agreements is determined from the proration formula derived from each passenger ticket amount on each completed flight over the agreement term. For the years ended December 31, 2021 and 2020, prorate flying arrangements represented approximately 15.7% and 13.0% of the Company's flying agreements revenue, respectively.

The following table represents the Company's flying agreements revenue by type for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	For the year ended December 31,		
	2021	2020	2019
Capacity purchase agreements revenue: flight operations . . . . .	\$ 1,146,375	\$ 945,008	\$ 1,538,062
Capacity purchase agreements revenue: aircraft lease and fixed revenue . .	1,059,017	846,933	830,247
Prorate agreements revenue . . . . .	409,684	268,860	520,956
Flying agreements revenue . . . . .	<u>\$ 2,615,076</u>	<u>\$ 2,060,801</u>	<u>\$ 2,889,265</u>

A portion of the Company's compensation under its capacity purchase agreements is designed to reimburse the Company for certain aircraft ownership costs. The consideration for aircraft ownership costs varies by agreement but is intended to cover either the Company's aircraft principal and interest debt service costs, its aircraft depreciation and interest expense or its aircraft lease expense costs while the aircraft is under contract. The consideration received for the use of the aircraft under the Company's capacity purchase agreements is reflected as lease revenue, inasmuch as the agreements identify the "right of use" of a specific type and number of aircraft over a stated period of time. The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as flying agreements revenue on the Company's consolidated statements of comprehensive income. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statement of comprehensive income since the use of the aircraft is not a separate activity of the total service provided.

Under the Company's capacity purchase agreements, the Company is paid a fixed amount per month per aircraft over the contract term. The Company recognizes revenue attributed to the fixed monthly payments proportionate

to the number of block hours complete during each reporting period, relative to the estimated number of block hours we anticipate completing over the remaining contract term. Due to the lower number of block hours completed during the COVID-19 pandemic compared to historical levels, the amount of cash collected for the fixed amount per aircraft exceeded the revenue recognized based on block hours completed. Accordingly, the Company deferred recognizing revenue on fixed monthly cash payments the Company received under its capacity purchase agreements beginning in 2020. In 2021, the Company recognized \$6.8 million of previously deferred revenue and \$8.4 million of unbilled revenue due to an increase in flight schedules compared to deferring revenue of \$110.7 million in 2020. The Company's deferred revenue balance as of December 31, 2021, was \$103.9 million, including \$24.5 million in other current liabilities and \$79.4 million in other long-term liabilities. The Company's unbilled revenue balance as of December 31, 2021, of \$8.4 million was included in other long-term assets. At December 31, 2020, the Company's deferred revenue balance of \$110.7 million was included in other long-term liabilities. The Company's deferred revenue and unbilled revenue balance will be recognized based on the number of block hours completed during each period relative to the estimated number of block hours the Company anticipates completing over the remaining contract term.

The Company's capacity purchase and prorate agreements include weekly provisional cash payments from the respective major airline partner based on a projected level of flying each month. The Company and each major airline partner subsequently reconcile these payments to the actual completed flight activity on a monthly or quarterly basis.

In the event a flying agreement includes a mid-term rate reset to adjust rates prospectively and the contractual rates under the Company's flying agreements have not been finalized at quarterly or annual financial statement dates, the Company applies the variable constraint guidance under Topic 606, where the Company records revenue to the extent it believes that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In several of the Company's agreements, the Company is eligible to receive incentive compensation upon the achievement of certain performance criteria. The incentives are defined in the agreements and are measured and determined on a monthly, quarterly or semi-annual basis. At the end of each period during the term of an agreement, the Company calculates the incentives achieved during that period and recognizes revenue attributable to that agreement accordingly, subject to the variable constraint guidance under Topic 606.

The following summarizes the significant provisions of each code-share agreement the Company has with each major airline partner through SkyWest Airlines:

#### ***United Express Agreements***

<b>Agreement</b>	<b>Aircraft type</b>	<b>Number of Aircraft</b>	<b>Term / Termination Dates</b>
United Express Agreements . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> <li>• CRJ 700</li> <li>• CRJ 200</li> </ul>	<div>90</div> <div>19</div> <div>70</div>	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates under the agreement between 2024 and 2029</li> <li>• The average remaining term of the aircraft under contract is 4.2 years</li> </ul>
United Express Prorate Agreement . . . . . (prorate agreement)	<ul style="list-style-type: none"> <li>• CRJ 200</li> </ul>	<div>41</div>	<ul style="list-style-type: none"> <li>• Terminable with 120-day notice</li> </ul>
Total under United Express Agreements . . .		220	

#### ***Delta Connection Agreements***

<b>Agreement</b>	<b>Aircraft type</b>	<b>Number of Aircraft</b>	<b>Term / Termination Dates</b>
Delta Connection Agreement . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> <li>• CRJ 900</li> <li>• CRJ 700</li> </ul>	<div>71</div> <div>44</div> <div>5</div>	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates from 2022 to 2031</li> <li>• The average remaining term of the aircraft under contract is 5.5 years</li> </ul>
Delta Connection Prorate Agreement . . . . . (prorate agreement)	<ul style="list-style-type: none"> <li>• CRJ 200</li> </ul>	<div>29</div>	<ul style="list-style-type: none"> <li>• Terminable with 30-day notice</li> </ul>
Total under Delta Connection Agreements . .		149	

### ***American Capacity Purchase Agreement***

<u>Agreement</u>	<u>Aircraft type</u>	<u>Number of Aircraft</u>	<u>Term / Termination Dates</u>
American Agreement . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> <li>• CRJ 700</li> </ul>	18 90	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates from 2024 to 2032</li> <li>• The average remaining term of the aircraft under contract is 4.8 years</li> </ul>
Total under American Agreements . . . . .		108	

### ***Alaska Capacity Purchase Agreement***

<u>Agreement</u>	<u>Aircraft type</u>	<u>Number of Aircraft</u>	<u>Term / Termination Dates</u>
Alaska Agreement . . . . . (capacity purchase agreement)	<ul style="list-style-type: none"> <li>• E175</li> </ul>	32	<ul style="list-style-type: none"> <li>• Individual aircraft have scheduled removal dates in 2030</li> <li>• The average remaining term of the aircraft under contract is 8.6 years</li> </ul>

In addition to the contractual arrangements described above, as of December 31, 2021, SkyWest Airlines has a capacity purchase agreement with American to place two E175 aircraft into service. The delivery dates for the two new E175 aircraft are currently scheduled for 2022 and the aircraft are expected to be placed into service in 2022. SkyWest Airlines also has a capacity purchase agreement with American for eleven used CRJ700 aircraft. The aircraft are anticipated to be placed into service by the end of 2023. We anticipate using CRJ700s we already possess that are not currently under contract with a major airline partner to fulfill this agreement.

SkyWest Airlines has a capacity purchase agreement with Alaska to place eleven E175 aircraft into service. The delivery dates for the eleven new E175 aircraft are currently scheduled for 2022 and the first half of 2023, and the aircraft are expected to be placed into service in 2022 and 2023.

In 2021, SkyWest Airlines reached an agreement with Delta to place 16 E175 aircraft into service under a capacity purchase agreement. The delivery dates for the 16 new E175 aircraft are currently scheduled for 2022, and the aircraft are expected to be placed into service in 2022 and early 2023. Under the terms of the agreement with Delta, Delta has the right to purchase the 16 E175 aircraft at the end of the contract term at a price estimated to be the fair value at the end of the contract. These 16 new E175 aircraft are expected to replace 16 CRJ900 aircraft the Company is operating under a capacity purchase agreement with Delta (see Note 9 “Special Items – Impairment Charge,” for further discussion of the Company’s CRJ900 aircraft).

Final delivery and in-service dates for aircraft to be placed under contract may be adjusted based on various factors.

When an aircraft is scheduled to be removed from a capacity purchase arrangement, the Company may, as practical under the circumstances, negotiate an extension with the respective major airline partner, negotiate the placement of the aircraft with another major airline partner, return the aircraft to the lessor if the aircraft is leased and the lease is expiring, place owned aircraft for sale, or pursue other uses for the aircraft. Other uses for the aircraft may include placing the aircraft in a prorate agreement, leasing the aircraft to a third party or parting out the aircraft to use the engines and parts as spare inventory or to lease the engines to a third party.

Lease, airport services and other revenues primarily consists of revenue generated from aircraft and spare engines leased to third parties and airport customer services, such as gate and ramp agent services at applicable airports where the Company has agreements with third parties. The following table represents the Company’s lease, airport services and other revenues for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Operating lease revenue relating to lease payments . . . . .	\$ 46,532	\$ 34,791	\$ 27,552
Operating lease revenue relating to variable lease payments . . . . .	19,998	5,710	9,608
Airport customer service and other revenue . . . . .	31,885	25,804	45,538
Lease, airport services and other . . . . .	<u>\$ 98,415</u>	<u>\$ 66,305</u>	<u>\$ 82,698</u>



The following table summarizes future minimum rental income under operating leases primarily related to leased aircraft and engines that had remaining non-cancelable lease terms as of December 31, 2021 (in thousands):

2022 .....	\$ 45,777
2023 .....	45,008
2024 .....	42,593
2025 .....	39,145
2026 .....	34,516
Thereafter .....	<u>120,636</u>
	<u>\$ 327,675</u>

Of the Company's \$5.5 billion of property and equipment, net as of December 31, 2021, \$252.6 million of regional jet aircraft and spare engines were leased to third parties under operating leases. The Company mitigates the residual asset risks of these assets by leasing aircraft and engine types that can be operated by the Company in the event of a default. A portion of the Company's leases to third parties contain variable payments from lessees based on departures where the Company pays for maintenance. Additionally, the operating leases typically have specified lease return condition requirements paid by the lessee to the Company and the Company typically maintains inspection rights under the leases.

The transaction price for airport customer service agreements is determined from an agreed-upon rate by location applied to the applicable number of flights handled by the Company over the agreement term.

The Company's operating revenues could be impacted by several factors, including changes to the Company's code-share agreements with its major airline partners, changes in flight schedules, contract modifications resulting from contract renegotiations, the Company's ability to earn incentive payments contemplated under the Company's code-share agreements and settlement of reimbursement disputes with the Company's major airline partners.

Other ancillary revenues commonly associated with airlines, such as baggage fee revenue, ticket change fee revenue and the marketing component of the sale of mileage credits, are retained by the Company's major airline partners on flights that the Company operates under its code-share agreements.

As of December 31, 2021, the Company had \$65.3 million in accounts receivable of which \$50.8 million related to flying agreements. As of December 31, 2020, the Company had \$34.5 million in accounts receivable of which \$27.5 million related to flying agreements.

### ***Allowance for Credit Losses***

The Company adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments" ("Topic 326") on January 1, 2020. At adoption, the Company's primary financial assets included trade receivables from its flying agreements, a note receivable from the sale of the Company's subsidiary, ExpressJet Airlines, Inc., in 2019, and receivables from aircraft manufacturers and other third parties in the airline industry. The Company recorded a credit loss of \$11.6 million net of income tax in conjunction with the adoption of Topic 326. The Company recorded this credit loss as a January 1, 2020, beginning balance sheet entry to retained earnings (net of income tax).

The Company monitors publicly available credit ratings for entities for which the Company has a significant receivable balance. As of December 31, 2021, the Company had gross receivables of \$86.2 million in current assets and gross receivables of \$230.7 million in other long-term assets. The Company has established credit loss reserves based on publicly available historic default rates issued by a third party for companies with similar credit ratings, factoring in the term of the respective accounts receivable or note receivable. During the year ended December 31, 2021, there were no significant changes in the outstanding accounts receivable or notes receivable or the credit ratings of the entities.

The following table summarizes the changes in allowance for credit losses:

	<b>Allowance for Credit Losses</b>
Balance at January 1, 2020 . . . . .	\$ 15,388
Adjustments to credit loss reserves . . . . .	30,837
Write-offs charged against allowance	—
Balance at December 31, 2020 . . . . .	\$ 46,225
Adjustments to credit loss reserves . . . . .	(4,249)
Write-offs charged against allowance	—
Balance at December 31, 2021 . . . . .	<u>\$ 41,976</u>

### ***Income Taxes***

The Company recognizes a net liability or asset for the deferred tax consequences of all temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that are expected to result in taxable or deductible amounts in future years when the reported amounts of the assets and liabilities are recovered or settled.

### ***Net Income (Loss) Per Common Share***

Basic net income (loss) per common share (“Basic EPS”) excludes dilution and is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income per common share (“Diluted EPS”) reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income (loss) per common share. For the year ended December 31, 2021, 140,000 performance shares (at target performance) were excluded from the computation of Diluted EPS since the Company had not achieved the minimum target thresholds as of December 31, 2021. Additionally, for the year ended December 31, 2021, warrants to purchase 78,000 shares of common stock at \$57.47 per share were excluded from the computation of Diluted EPS since the warrants' exercise price was greater than the average market price of the common shares. For the year ended December 31, 2020, 1,074,375 shares reserved for the issuance of employee equity awards and warrants to acquire the Company's common stock were excluded in the computation of Diluted EPS since the Company reported a net loss for the year ended December 31, 2020. For the year ended December 31, 2019, 150,000 performance share units (at target performance) were excluded in the computation of Diluted EPS since the Company had not achieved the minimum target thresholds as of December 31, 2019. The calculation of the weighted average number of common shares outstanding for Basic EPS and Diluted EPS are as follows for the years ended December 31, 2021, 2020, and 2019 (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Numerator:</b>			
Net income (loss) . . . . .	\$ 111,910	\$ (8,515)	\$ 340,099
<b>Denominator:</b>			
Basic earnings per share weighted average shares . . . . .	50,348	50,195	50,932
Dilution due to stock options and restricted stock units . . . . .	405	—	443
Diluted earnings per share weighted average shares . . . . .	<u>50,753</u>	<u>50,195</u>	<u>51,375</u>
Basic earnings (loss) per share . . . . .	\$ 2.22	\$ (0.17)	\$ 6.68
Diluted earnings (loss) per share . . . . .	\$ 2.20	\$ (0.17)	\$ 6.62

### ***Comprehensive Income (Loss)***

Comprehensive income (loss) includes charges and credits to stockholders' equity that are not the result of transactions with the Company's shareholders, including changes in unrealized appreciation on marketable debt securities.

## ***Fair Value of Financial Instruments***

The carrying amounts reported in the consolidated balance sheets for receivables and accounts payable approximate fair values because of the immediate or short-term maturity of these financial instruments. Marketable securities are reported at fair value based on market quoted prices in the consolidated balance sheets. If quoted prices in active markets are no longer available, the Company has estimated the fair values of these securities utilizing a discounted cash flow analysis. These analyses consider, among other items, the collateralization underlying the security investments, the creditworthiness of the counterparty, the timing of expected future cash flows, and the expectation of the next time the security is expected to have a successful auction. The fair value of the Company's long-term debt is estimated based on current rates offered to the Company for similar debt and was approximately \$3,132.1 million as of December 31, 2021, as compared to the carrying amount of \$3,140.9 million as of December 31, 2021. The Company's fair value of long-term debt as of December 31, 2020 was \$3,244.0 million as compared to the carrying amount of \$3,236.0 million as of December 31, 2020.

## ***Segment Reporting***

Generally accepted accounting principles require disclosures related to components of a company for which separate financial information is available to, and regularly evaluated by, the Company's chief operating decision maker when deciding how to allocate resources and in assessing performance. The Company's three operating segments (prior to the sale of ExpressJet in January 2019) consist of the operations conducted by SkyWest Airlines, ExpressJet (for the periods owned by the Company) and SkyWest Leasing. Following the sale of ExpressJet, the Company has two reportable segments: SkyWest Airlines and SkyWest Leasing. Information pertaining to the Company's reportable segments is presented in Note 3, *Segment Reporting*.

## ***Recent Accounting Pronouncements***

In November 2021, the FASB issued ASU No.2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* (ASU No. 2021-10"), which increases the transparency of government assistance received by business entities, including disclosure of the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. ASU No. 2021-10 is effective for annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the impact that adopting ASU No. 2021-10 but does not currently expect a material impact on the Company's consolidated financial statements.

## **(2) Impact of the COVID-19 Pandemic**

COVID-19, which was declared a global health pandemic by the World Health Organization in March 2020, had a significant, negative impact on the Company's business and financial results in 2020 with moderate improvement in 2021. The ongoing spread of the virus and its variants continues to negatively impact our business, and the domestic and international networks of our major airline partners for whom we conduct flight operations and rely on to set our flight schedules. Various factors outside our control may impact the demand for air travel and our flight schedules, such as the distribution and efficacy of vaccines, government-imposed vaccine mandates, new variants of the virus, and continued or new government travel restrictions. Additionally, indirect factors may impede the timing of our recovery from the virus even if passenger demand returns to pre-COVID-19 levels, such as employee attrition and workforce shortages and third-party labor shortages that may result in delays in outsourced maintenance work and availability of aircraft parts.

*Liquidity.* At December 31, 2021, the Company had \$904.0 million in total available liquidity, consisting of \$860.4 million in cash and marketable securities, and \$43.6 million available under SkyWest Airlines' line of credit with a bank. Additionally, we have approximately \$1.5 billion in unpledged aircraft engines and aircraft parts that we temporarily used as collateral in 2020 and 2021. At December 31, 2021, the Company's current portion of long-term debt was \$391.8 million, compared to \$402.2 million at December 31, 2020.

*Payroll Support Programs.* In 2020 and 2021, the Company entered into three Payroll Support Program Agreements with Treasury that provided certain payroll support relief payments, including the Payroll Support Program ("PSP1") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Payroll Support Program Extension Agreement ("PSP2") under the Consolidated Appropriations Act, 2021 ("2021 Appropriations Act")

and Payroll Support Program 3 Agreement (“PSP3”) under the American Rescue Plan Act of 2021 (“American Rescue Plan Act”). The relief payments were conditioned on the Company’s agreement to, among other things, refrain from conducting involuntary employee layoffs or furloughs through September 30, 2021. Other conditions include restrictions on share repurchases and dividends through September 30, 2022, continuing essential air service as directed by the U.S. Department of Transportation and certain limitations on executive compensation. The payments received under the payroll support programs included an amount in the form of a payroll grant and an amount in the form of an unsecured 10-year loan. In return, the Company issued Treasury warrants to purchase shares of the Company’s common stock. The Company recorded the payroll grant proceeds as an offset to operating expenses in the period the funds were intended to compensate. The PSP1 grant was recognized during 2020 and grants received from PSP2 and PSP3 were recognized during 2021.

In 2020, in connection with the CARES Act, the Company entered into the Treasury Loan Agreement with Treasury (“Secured Loan”) and borrowed \$60 million under the agreement and in conjunction therewith, issued warrants to purchase shares of the Company’s common stock. During 2021, the Company repaid all amounts outstanding under the secured loan with Treasury, and in connection with such repayment, terminated the Secured Loan.

The following table summarizes the amounts received and warrants issued under the payroll support programs and secured loan facility (in thousands except warrant amounts):

	<b>Total</b>	<b>Grant</b>	<b>Loan</b>	<b>Number of Warrants</b>
PSP1 .....	\$ 450,701	\$ 345,491	\$ 105,210	370,720
Secured Loan .....	60,000	—	60,000	211,416
PSP2 .....	268,070	217,649	50,421	124,773
PSP3 .....	250,029	205,020	45,009	78,317
Total .....	<u>\$ 1,028,800</u>	<u>\$ 768,160</u>	<u>\$ 260,640</u>	<u>785,226</u>

See Note 4, "Long-Term Debt," for further discussion on the loans with Treasury and Note 10 “Capital Transactions” for further discussion on the warrants issued to acquire the Company’s shares issued to Treasury.

### (3) Segment Reporting

Generally accepted accounting principles require disclosures related to components of a company for which separate financial information is available to, and regularly evaluated by, the Company’s chief operating decision maker when deciding how to allocate resources and in assessing performance.

Prior to the Company’s sale of ExpressJet on January 22, 2019, the Company’s three reporting segments consisted of the operations of SkyWest Airlines, ExpressJet and SkyWest Leasing activities. The segment information presented for ExpressJet reflects the period of time prior to the sale, when ExpressJet was operating as a subsidiary of the Company. The Company concluded that the sale of ExpressJet did not meet the criteria for a discontinued operation. Following the sale of ExpressJet, the Company has two reportable segments: SkyWest Airlines and SkyWest Leasing.

The Company’s chief operating decision maker analyzes the profitability of operating new aircraft financed through the issuance of debt, including the Company’s E175 fleet, separately from the profitability of the Company’s capital deployed for ownership and financing of such aircraft. The SkyWest Airlines segment includes revenue earned under the applicable capacity purchase contracts attributed to operating such aircraft and the respective operating costs. The SkyWest Leasing segment includes applicable revenue earned under the applicable capacity purchase contracts attributed to the ownership of new aircraft acquired through the issuance of debt and the respective depreciation and interest expense of such aircraft. The SkyWest Leasing segment also includes the activity of leasing regional jet aircraft and spare engines to third parties. The SkyWest Leasing segment’s total assets and capital expenditures include new aircraft acquired through the issuance of debt and assets leased to third parties.

The following represents the Company's segment data for the years ended December 31, 2021, 2020, and 2019 (in thousands).

Year ended December 31, 2021			
	SkyWest Airlines	SkyWest Leasing	Consolidated
Operating revenues (1) . . . . .	\$ 2,192,432	\$ 521,059	\$ 2,713,491
Operating expense . . . . .	2,177,524	260,100	2,437,624
Depreciation and amortization expense . . . . .	210,281	229,917	440,198
Special items . . . . .	84,592	—	84,592
Interest expense . . . . .	13,360	109,762	123,122
Segment profit (2) . . . . .	1,548	151,197	152,745
Total assets . . . . .	2,957,745	4,168,202	7,125,947
Capital expenditures (including non-cash) . . . . .	128,712	438,325	567,037

Year ended December 31, 2020			
	SkyWest Airlines	SkyWest Leasing	Consolidated
Operating revenues (1) . . . . .	\$ 1,636,762	\$ 490,344	\$ 2,127,106
Operating expense . . . . .	1,716,808	301,496	2,018,304
Depreciation and amortization expense . . . . .	221,216	253,743	474,959
Interest expense . . . . .	12,381	110,792	123,173
Segment profit (loss) (2) . . . . .	(92,427)	78,056	(14,371)
Total assets . . . . .	2,804,259	4,083,363	6,887,622
Capital expenditures (including non-cash) . . . . .	124,825	335,658	460,483

Year ended December 31, 2019				
	SkyWest Airlines	ExpressJet	SkyWest Leasing	Consolidated
Operating revenues (1) . . . . .	\$ 2,478,681	\$ 24,050	\$ 469,232	\$ 2,971,963
Operating expense . . . . .	2,214,632	28,690	216,383	2,459,705
Depreciation and amortization expense . . . . .	168,246	971	198,881	368,098
Special items . . . . .	18,508	3,361	—	21,869
Interest expense . . . . .	13,525	—	114,230	127,755
Segment profit (loss) (2) . . . . .	250,524	(4,640)	138,619	384,503
Total assets . . . . .	2,728,964	—	3,928,165	6,657,129
Capital expenditures (including non-cash) . . . . .	270,191	—	576,279	846,470

- (1) Prorate revenue and airport customer service revenue are primarily reflected in the SkyWest Airlines segment.  
(2) Segment profit (loss) is equal to operating income less interest expense.

#### (4) Long-term Debt

Long-term debt consisted of the following as of December 31, 2021 and 2020 (in thousands):

	December 31, 2021	December 31, 2020
Notes payable to banks, due in quarterly installments, plus interest at 2.33% to 5.08% through 2033, secured by aircraft . . . . .	\$ 2,535,827	\$ 2,618,777
Notes payable to banks, due in monthly or semi-annual installments, plus interest at 2.68% to 5.03% through 2031, secured by aircraft. . . . .	404,471	424,407
Notes payable to US Government, interest due quarterly at 1.00% through 2025 and based on SOFR plus spread from 2025 through 2031, unsecured . . . . .	200,640	105,210
Notes payable to US Government, interest due quarterly based on LIBOR plus interest spread currently at 3.22% through 2025, secured by parts and engines . . . . .	—	60,000
Notes payable to bank, due in monthly installments interest based on LIBOR plus interest spread at 2.65% through 2021 . . . . .	—	13,795
Notes payable to banks, due in semi-annual installments plus interest at 6.24% to 6.51% through 2021, secured by aircraft . . . . .	—	7,608
Notes payable to a financing company, due in semi-annual installments, with a fixed interest rate of 3.25% through 2021, secured by aircraft . . . . .	—	6,205
Long-term debt . . . . .	\$ 3,140,938	\$ 3,236,002
Current portion of long-term debt . . . . .	(395,371)	(406,005)
Less long-term portion of unamortized debt issue cost, net . . . . .	(28,147)	(28,459)
Long-term debt, net of current maturities and debt issue costs . . . . .	<u>\$ 2,717,420</u>	<u>\$ 2,801,538</u>
Current portion of long-term debt . . . . .	395,371	406,005
Less current portion of unamortized debt issue cost, net . . . . .	(3,573)	(3,847)
Current portion of long-term debt, net of debt issue costs . . . . .	<u>\$ 391,798</u>	<u>\$ 402,158</u>

During 2021, the Company took delivery of 18 new E175 aircraft that the Company financed through \$354.6 million of long-term debt. The debt associated with the 18 E175 aircraft has a 5-year to 12-year term range, is due in monthly or quarterly installments with fixed annual interest rates of 2.7% to 3.1% and is secured by the E175 aircraft.

During 2021, in connection with the payroll support programs, the Company issued to Treasury promissory notes for an aggregate principal amount of \$95.4 million and issued warrants to purchase up to 203,090 shares of the Company's common stock. The Company has recorded the value of the promissory note and warrants on a relative fair value basis as \$95.4 million of long-term debt and \$5.8 million in common stock, respectively. The warrants have a five-year term from the date of issuance and 124,773 of the warrants have an exercise price of \$40.41 per share and 78,317 of the warrants have an exercise price of \$57.47 per share.

In 2020, in connection with the CARES Act, the Company entered into the Secured Loan with Treasury and borrowed \$60 million under the agreement. During 2021, the Company repaid all amounts outstanding under the Secured Loan with Treasury, and in connection with such repayment, terminated the Secured Loan agreement. The total repayment amount was \$61.2 million, which included all outstanding principal and accrued interest under the Secured Loan. As a result of the repayment, the collateral securing the obligations of SkyWest Airlines under the Secured Loan agreement, consisting of aircraft engines and aircraft parts, was released.

Additionally, in 2021, the Company repaid \$80.1 million of debt related to aircraft early.

As of December 31, 2021 and 2020, the Company had \$2.94 billion and \$3.07 billion, respectively, of long-term debt obligations primarily related to the acquisition of aircraft and certain spare engines. The average effective interest rate on the debt related to those long-term debt obligations at December 31, 2021 and 2020, was approximately 3.8% and 4.0%, respectively.

The aggregate amounts of principal maturities of long-term debt as of December 31, 2021 were as follows (in thousands):

2022.....	\$ 395,371
2023.....	403,091
2024.....	398,084
2025.....	413,846
2026.....	423,227
Thereafter .....	<u>1,107,319</u>
	<u>\$ 3,140,938</u>

As of December 31, 2021 and 2020, SkyWest Airlines had a \$75 million line of credit. The line of credit includes minimum liquidity and profitability covenants and is secured by certain assets. As of December 31, 2021 and 2020, SkyWest Airlines had no amount outstanding under the line of credit facility. However, at December 31, 2021 and 2020, the Company had \$31.4 million and \$35.5 million, respectively, in letters of credit issued under the facility which reduced the amount available under the facility to \$43.6 million and \$39.5 million, respectively. During the year ended December 31, 2021, the Company extended the expiration date of the line of credit to March 31, 2022. The facility has a variable interest rate of LIBOR plus 2.5% at December 31, 2021.

As of December 31, 2021 and 2020, the Company had \$61.4 million and \$61.1 million, respectively, in letters of credit and surety bonds outstanding with various banks and surety institutions.

## (5) Income Taxes

The provision for income taxes includes the following components (in thousands):

	Year ended December 31,		
	2021	2020	2019
Current tax provision (benefit):			
Federal.....	\$ —	\$ (4,397)	\$ (4,395)
State.....	846	(875)	891
	<u>846</u>	<u>(5,272)</u>	<u>(3,504)</u>
Deferred tax provision (benefit):			
Federal.....	32,510	6,659	95,655
State.....	5,344	(199)	14,055
	<u>37,854</u>	<u>6,460</u>	<u>109,710</u>
Provision for income taxes .....	<u>\$ 38,700</u>	<u>\$ 1,188</u>	<u>\$ 106,206</u>

The following is a reconciliation between a federal income tax rate of 21% and the effective tax rate which is derived by dividing the provision for income taxes by the income (loss) before the provision for income taxes (in thousands):

	Year ended December 31,		
	2021	2020	2019
Computed provision (benefit) for income taxes at the statutory rate.....	\$ 31,628	\$ (1,539)	\$ 93,724
Increase (decrease) in income taxes resulting from:			
State income tax provision, net of federal income tax benefit .....	6,247	173	15,645
Non-deductible expenses.....	1,007	2,539	3,934
Valuation allowance changes affecting the provision for income taxes .....	—	(892)	(517)
Excess tax benefits from share-based compensation.....	(92)	(1,434)	(3,525)
Other, net .....	(90)	2,341	(3,055)
Provision for income taxes .....	<u>\$ 38,700</u>	<u>\$ 1,188</u>	<u>\$ 106,206</u>

For the year ended December 31, 2020, the Company released \$0.9 million of valuation allowance against certain deferred tax assets primarily associated with state net operating losses with a limited carry forward period. For the year ended December 31, 2019, the Company released \$0.5 million of valuation allowance against certain deferred tax assets primarily associated with ExpressJet state net operating losses. The decrease in the valuation allowance for 2020 was primarily based on changes in the Company's income tax projections which reduced the amount of deferred tax assets that are anticipated to expire before the deferred tax assets may be utilized.

The Company recorded a \$0.1 million, \$1.4 million and \$3.5 million benefit from share-based compensation in 2021, 2020, and 2019, respectively, relating to ASU 2016-09 which, requires excess tax benefits and deficiencies to be recognized in the income tax provision during the period stock options are exercised and when stock awards vest.

The significant components of the Company's net deferred tax assets and liabilities as of December 31, 2021 and 2020, are as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Deferred tax assets:		
Accrued benefits . . . . .	\$ 21,401	\$ 19,668
Net operating loss carryforward. . . . .	175,659	229,815
Aircraft credits . . . . .	22,265	10,767
Deferred revenue. . . . .	25,405	27,076
Operating lease liabilities . . . . .	57,991	70,541
Accrued reserves and other . . . . .	31,431	34,816
Total deferred tax assets . . . . .	<u>334,152</u>	<u>392,683</u>
Valuation allowance . . . . .	<u>—</u>	<u>—</u>
Deferred tax liabilities:		
Accelerated depreciation . . . . .	(940,867)	(950,071)
Operating lease right-of-use assets . . . . .	(56,521)	(68,543)
Total deferred tax liabilities . . . . .	<u>(997,388)</u>	<u>(1,018,614)</u>
Net deferred tax liability . . . . .	<u>\$ (663,236)</u>	<u>\$ (625,931)</u>

The Company's deferred tax liabilities were primarily generated through accelerated depreciation, combined with shorter depreciable tax lives, allowed under the IRS tax code for purchased aircraft and support equipment compared to the Company's depreciation policy under GAAP for such assets using the straight-line method (see note 1 Nature of Operations and Summary of Significant Accounting Policies).

At December 31, 2021 and 2020, the Company had federal net operating losses of approximately \$745.8 million and \$987.0 million and state net operating losses of approximately \$554.7 million and \$653.1 million, respectively. The estimated effective tax rate applicable to the federal and state net operating losses at December 31, 2021, was 21.0% and 3.45%, respectively. The Company anticipates that the federal and state net operating losses will start to expire in 2036 and 2022, respectively. The Company has no ongoing federal or state examinations. Federal tax years 2018, 2019 and 2020 are open to examination.

Under ASC Topic 740, the accounting guidance related to uncertainty in tax positions requires that the impact of a tax position be recognized in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the year ended December 31, 2021, 2020, and 2019 is as follows (in thousands):



	Year ended December 31,		
	2021	2020	2019
Unrecognized tax benefits at the beginning of year . . . . .	\$ 14,980	\$ 14,620	\$ 14,553
Gross increases - current year tax positions . . . . .	—	—	—
Gross increases - prior year tax positions . . . . .	549	360	67
Gross decreases - prior year tax positions . . . . .	—	—	—
Unrecognized tax benefits at end of year . . . . .	<u>\$ 15,529</u>	<u>\$ 14,980</u>	<u>\$ 14,620</u>
Interest and penalties in year-end balance . . . . .	<u>\$ 976</u>	<u>\$ 427</u>	<u>\$ 67</u>

For the years ending December 31, 2021, 2020, and 2019, the Company recorded \$549,000, \$360,000, and \$67,000, respectively, of interest expense related to uncertain tax positions not offset by the Company's tax attributes.

## **(6) Commitments and Contingencies**

### ***Self-Insurance***

The Company self-insures a portion of its potential losses from claims related to workers' compensation, environmental issues, property damage, medical insurance for employees and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using standard industry practices and the Company's actual experience. The Company uses judgment and estimates in determining the ultimate aggregate liabilities for claims incurred in its workers' compensation liability. The Company also used assumptions in determining the workers compensation liability such as an estimation of loss payment and loss reporting development patterns. At December 31, 2021 and 2020, the Company's accrued workers' compensation liability totaled \$17.5 million and \$20.7 million, respectively, of which \$7.1 million and \$8.6 million, respectively, was short-term and included in other current liabilities. Actual results could differ from these estimates.

### ***Legal Matters***

The Company is subject to certain legal actions which it considers routine to its business activities. As of December 31, 2021, management believed, after consultation with legal counsel, that the ultimate outcome of such legal matters was not likely to have a material adverse effect on the Company's financial position, liquidity or results of operations.

### ***Concentration Risk and Significant Customers***

The Company requires no collateral from its major airline partners or customers, but monitors the financial condition of its major airline partners. Under the majority of the Company's code-share agreements, the Company receives weekly payments from its major code-share partners that approximate a significant percentage of the compensation earned for such period. Additionally, the Company provides certain customer service functions at multiple airports for various airlines and the Company maintains a credit loss reserve based upon expected collectability of all accounts receivable. For the years ended December 31, 2021, 2020, and 2019, the Company's contractual relationships with Delta and United combined accounted for approximately 73.5%, 76.4% and 77.6%, respectively of the Company's total revenues.

### ***Employees Under Collective Bargaining Agreements***

As of December 31, 2021, the Company had approximately 15,205 employees. Although no SkyWest Airlines employees are represented by a national union, certain SkyWest Airline employees are covered under a stable and binding collective bargaining agreement that is administered by employee representatives.

### ***Aircraft Purchase Commitments***

As of December 31, 2021, the Company had a purchase commitment to purchase 29 new E175 aircraft in 2022 and 2023.

## (7) Leases

Effective January 1, 2019, the Company adopted Topic 842. The Company leases property and equipment under operating leases. For leases with durations longer than 12 months, the Company recorded the related operating lease right-of-use asset and operating lease liability at the present value of lease payments over the term. The Company used its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

### *Aircraft*

As of December 31, 2021, excluding aircraft financed by our major airline partners that we operate for them under contract, the Company had 43 aircraft under long-term lease agreements with remaining terms ranging from two years to nine years.

With the adoption of Topic 842, the Company evaluated whether leased aircraft asset groups within the Company's fleet were impaired. Under the transition guidance for Topic 842, a company is permitted to recognize a previously unrecognized impairment related to a right-of-use asset in the period prior to the adoption date of Topic 842 if the event giving rise to the impairment occurred before the adoption date. In 2016, the Company recorded an impairment on certain of its long-lived assets, which included the Company's CRJ200 aircraft. In 2016, the market lease rate was less than the contractual lease rate on the Company's CRJ200 leased aircraft. The Company recorded an impairment of \$13.1 million (net of tax) as an adjustment to the Company's January 1, 2019 retained earnings related to the previously unrecognized impairment of these leased CRJ200s.

### *Airport facilities*

The Company has operating leases for facility space including airport terminals, office space, cargo warehouses and maintenance facilities. The Company generally leases this space from government agencies that control the use of the various airports. The remaining lease terms for facility space vary from one month to 35 years. The Company's operating leases with lease rates that are variable based on airport operating costs, use of the facilities or other variable factors are excluded from the Company's right-of-use assets and operating lease liabilities in accordance with accounting guidance.

### *Leases*

As of December 31, 2021, the Company's right-of-use assets were \$238.5 million, the Company's current maturities of operating lease liabilities were \$78.9 million, and the Company's noncurrent lease liabilities were \$158.3 million. During 2021, the Company paid \$84.7 million in operating leases reflected as a reduction from operating cash flows.

The table below presents lease related terms and discount rates as of December 31, 2021.

	<u>As of December 31, 2021</u>
Weighted-average remaining lease term for operating leases . . . . .	6.3 years
Weighted-average discount rate for operating leases . . . . .	6.0%

The Company's lease costs for 2021 and 2020 included the following components (in thousands):

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating lease cost . . . . .	\$ 89,891	\$ 94,915
Variable and short-term lease cost . . . . .	4,468	4,619
Sublease income . . . . .	(6,552)	(6,304)
Total lease cost . . . . .	<u>\$ 87,807</u>	<u>\$ 93,230</u>

As of December 31, 2021, the Company leased aircraft, airport facilities, office space, and other property and equipment under non-cancelable operating leases, which are generally on a long-term, triple-net lease basis pursuant to which the Company pays taxes, maintenance, insurance and certain other operating expenses applicable to the leased property. The Company expects that, in the normal course of business, such operating leases that expire will be renewed or replaced by other leases, or the property may be purchased rather than leased. The following table summarizes future minimum rental payments primarily related to leased aircraft required under operating leases that had initial or remaining non-cancelable lease terms as of December 31, 2021 (in thousands):

2022 .....	\$ 81,911
2023 .....	75,598
2024 .....	31,446
2025 .....	17,481
2026 .....	15,427
Thereafter .....	<u>72,402</u>
	<u>\$ 294,265</u>

Total rental expense for non-cancelable aircraft operating leases was approximately \$63.4 million, \$65.3 million and \$72.0 million for the years ended December 31, 2021, 2020, and 2019, respectively. The minimum rental expense for airport station rents was approximately \$17.2 million, \$20.1 million and \$23.1 million for the years ended December 31, 2021, 2020, and 2019, respectively.

#### (8) Fair Value Measurements

The Company holds certain assets that are required to be measured at fair value in accordance with GAAP. The Company determined fair value of these assets based on the following three levels of inputs:

*Level 1*—Quoted prices in active markets for identical assets or liabilities.

*Level 2*—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Some of the Company's marketable securities primarily utilize broker quotes in a non-active market for valuation of these securities.

*Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, therefore requiring an entity to develop its own assumptions.

As of December 31, 2021, the Company held certain assets that are required to be measured at fair value on a recurring basis. Assets measured at fair value on a recurring basis are summarized below (in thousands):

Fair Value Measurements as of December 31, 2021				
	Total	Level 1	Level 2	Level 3
Marketable Securities				
Bonds and bond funds .....	\$ 54,673	\$ —	\$ 54,673	\$ —
Commercial paper .....	<u>547,316</u>	<u>—</u>	<u>547,316</u>	<u>—</u>
	\$ 601,989	\$ —	\$ 601,989	\$ —
Cash and Cash Equivalents .....	<u>258,421</u>	<u>258,421</u>	<u>—</u>	<u>—</u>
Total Assets Measured at Fair Value .....	<u>\$ 860,410</u>	<u>\$ 258,421</u>	<u>\$ 601,989</u>	<u>\$ —</u>

Fair Value Measurements as of December 31, 2020				
	Total	Level 1	Level 2	Level 3
Marketable Securities				
Bonds and bond funds . . . . .	\$ 117,928	\$ —	\$ 117,928	\$ —
Commercial paper . . . . .	492,257	—	492,257	—
	<u>\$ 610,185</u>	<u>\$ —</u>	<u>\$ 610,185</u>	<u>\$ —</u>
Cash and Cash Equivalents . . . . .	215,723	215,723	—	—
Total Assets Measured at Fair Value . . . . .	<u>\$ 825,908</u>	<u>\$ 215,723</u>	<u>\$ 610,185</u>	<u>\$ —</u>

The Company's "Marketable Securities" classified as Level 2 primarily utilize broker quotes in a non-active market for valuation of these securities.

The Company did not make any significant transfers of securities between Level 1, Level 2 and Level 3 during the year ended December 31, 2021. The Company's policy regarding the recording of transfers between levels is to record any such transfers at the end of the reporting period.

## (9) Special Items

During 2021, the Company entered into an agreement with Delta to purchase and operate 16 new E175 aircraft under a multi-year capacity purchase agreement. The 16 new E175 aircraft will replace 16 SkyWest-owned or financed CRJ900 aircraft currently under its Delta contract with expirations ranging from the second half of 2022 to early 2023. In 2021, SkyWest Airlines only operated the CRJ900 aircraft under a flying agreement with its major airline partner Delta. As a result of this fleet transition beginning in 2022 and the uncertainty about the Company's ability to redeploy the CRJ900 aircraft with another major airline partner, the Company concluded that indicators of impairment existed and therefore, evaluated its CRJ900 fleet and related CRJ900 assets for impairment. Pursuant to ASC 360-10, "Impairment and Disposal of Long-Lived Assets," the Company determined that the asset group for the CRJ900 aircraft existed at the major airline partner level. A recoverability test was performed utilizing estimated undiscounted future cash flows for the CRJ900 aircraft pursuant to applicable agreements with Delta and forecasted cash flow including the estimated value the Company would realize upon disposal of aircraft. This was compared to the carrying value of the related assets resulting in a cash flow deficiency indicating that an impairment existed. The impairment analysis required the Company to perform an assessment of the fair value of its long-lived assets related to the CRJ900 aircraft within the asset groups utilized in the recoverability test. The Company engaged a third party to assist in determining the fair value of these aircraft. These values were estimated based on listed market values or recent third-party market transactions for similar assets, adjusted by the related maintenance status of the fleet. All fair values are considered to be Level 3 within the fair value hierarchy. The amounts the Company may ultimately realize from the disposal of its CRJ900 long-lived assets may vary from the fair value assessments. During 2021, the Company recorded a non-cash impairment charge of \$84.6 million to write-down the CRJ900 aircraft operating under the Delta contracts to their estimated fair value. This special item impairment charge is reflected in the SkyWest Airlines operating expenses under Note 3, "Segment Reporting."

The following table summarizes the components of the Company's special items, for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	Year ended December 31,		
	2021	2020	2019
Special items:			
CRJ900 Impairment Charge <sup>1</sup> . . . . .	\$ 84,592	\$ —	\$ —
Parts Credit <sup>2</sup> . . . . .	—	—	18,508
Employee severance <sup>3</sup> . . . . .	—	—	3,361
Total special items . . . . .	<u>\$ 84,592</u>	<u>\$ —</u>	<u>\$ 21,869</u>

(1) Consists of the impairment charges to write-down CRJ900 aircraft in 2021 to their estimated fair value as discussed above.

(2) The Company terminated an agreement with an aircraft manufacturer that obligated the Company to future aircraft lease return conditions on aircraft the Company leased. In conjunction with the terminated agreement, the aircraft manufacturer released the Company from the future aircraft lease return obligations and the Company agreed to

terminate aircraft part credits previously issued by the manufacturer to the Company. As a result of the terminated agreement, the Company recorded a non-cash expense of \$18.5 million (pre-tax) during 2019 to write-off the terminated aircraft part credits, which was reflected as a special items operating expense in the consolidated statement of comprehensive income. These special items are reflected in the SkyWest Airlines operating expenses under Note 3, "Segment Reporting."

- (3) During 2019, the Company incurred \$3.4 million of employee severance related costs associated with the sale of ExpressJet that are also reflected in special items. These special items are reflected in the ExpressJet operating expenses under Note 3, "Segment Reporting."

## **(10) Capital Transactions**

### ***Preferred Stock***

The Company is authorized to issue 5,000,000 shares of preferred stock in one or more series without shareholder approval. No shares of preferred stock are presently outstanding. The Company's Board of Directors is authorized, without any further action by the shareholders of the Company, to (i) divide the preferred stock into series; (ii) designate each such series; (iii) fix and determine dividend rights; (iv) determine the price, terms and conditions on which shares of preferred stock may be redeemed; (v) determine the amount payable to holders of preferred stock in the event of voluntary or involuntary liquidation; (vi) determine any sinking fund provisions; and (vii) establish any conversion privileges.

### ***Stock Compensation***

On May 7, 2019, the Company's shareholders approved the adoption of the SkyWest, Inc. 2019 Long-Term Incentive Plan, which provides for the issuance of up to 4,500,000 shares of common stock to the Company's directors, employees, consultants and advisors (the "2019 Incentive Plan"). The 2019 Incentive Plan provides for awards in the form of options to acquire shares of common stock, stock appreciation rights, restricted stock grants, restricted stock units and performance awards. The 2019 Incentive Plan is administered by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). As of December 31, 2021, the 2019 Incentive Plan had 3.8 million shares remaining available for future issuance.

#### ***Stock Options***

The fair value of stock options awarded under the Company's stock option plans has been estimated as of the grant date using the Black-Scholes option pricing model. The Company uses historical data to estimate option exercises and employee termination in the option pricing model. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. The expected volatilities are based on the historical volatility of the Company's traded stock and other factors. During the years ended December 31, 2021, 2020, and 2019, the Company did not grant any options to purchase shares of common stock to its employees.

Options are exercisable for a period as defined by the Compensation Committee on the date granted; however, no stock option will be exercisable before six months have elapsed from the date of grant and no stock option shall be exercisable after seven years from the date of grant. The following table summarizes the stock option activity for all of the Company's plans for the years ended December 31, 2021, 2020, and 2019.

	2021				2020		2019	
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year .....	57,653	\$ 14.74	2.1 years	\$ 1,474.5	60,231	\$ 14.74	300,580	\$ 13.70
Granted .....	—	—			—	—	—	—
Exercised .....	(41,020)	14.78			(2,578)	14.78	(232,514)	13.36
Cancelled .....	—	—			—	—	(7,835)	15.86
Outstanding at end of year ..	<u>16,633</u>	14.62	1.0 year	\$ 410.4	<u>57,653</u>	14.74	<u>60,231</u>	14.74
Exercisable at December 31, 2021 .....	16,633	14.62	1.0 year	\$ 410.4				
Exercisable at December 31, 2020 .....	57,653	14.74	2.1 years	\$ 1,474.5				

The total intrinsic value of options to acquire shares of the Company's common stock that were exercised during the years ended December 31, 2021, 2020 and 2019 was \$1.8 million, \$0.1 million and \$10.5 million, respectively. All of the Company's stock options were vested as of December 31, 2021.

The following table summarizes information about the Company's stock options outstanding at December 31, 2021:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$13.00 to \$13.99	2,034	0.1 years	\$ 13.51	2,034	\$ 13.51
\$14.00 to \$15.00	14,599	1.1 years	14.78	14,599	14.78
\$13.00 to \$15.00	16,633	1.0 years	\$ 14.62	16,633	\$ 14.62

#### *Restricted Stock Units ("RSUs")*

During the year ended December 31, 2021, the Company granted 44,770 restricted stock units to certain of the Company's employees under the 2019 Incentive Plan. The restricted stock units granted during the year ended December 31, 2021, have a three-year cliff-vesting period, during which the recipient must remain employed with the Company or its subsidiaries. The weighted average fair value of the restricted stock units at the date of grants made during the year ended December 31, 2021, was \$44.87 per share.

The following table summarizes the activity of restricted stock units granted to certain Company employees for the years ended December 31, 2021, 2020, and 2019:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Non-vested RSUs outstanding at December 31, 2018 ..	575,781	\$ 27.71
Granted.....	104,120	48.65
Vested .....	(251,853)	14.79
Cancelled.....	(143,362)	30.85
Non-vested RSUs outstanding at December 31, 2019 ..	284,686	\$ 45.21
Granted.....	82,505	61.45
Vested .....	(103,231)	35.81
Cancelled.....	(25,983)	52.31
Non-vested RSUs outstanding at December 31, 2020 ..	237,977	\$ 54.15
Granted.....	44,770	44.87
Vested .....	(69,184)	53.41
Cancelled.....	(13,390)	52.28
Non-vested RSUs outstanding at December 31, 2021 ..	200,173	\$ 52.45

#### *Performance Stock Units (“PSUs”)*

During the year ended December 31, 2021, the Compensation Committee granted performance share units, which are performance-based restricted stock units, to certain Company employees. The PSUs have a three-year vesting period, during which the recipient must remain employed with the Company. The number of performance shares awardable from the 2021 grants can range from 0% to 250% of the original amount granted depending on the Company’s performance over two one-year measurement periods against the pre-established targets. The Company’s compensation expense for performance share units is based upon the projected number of performance share units estimated to be awarded at the conclusion of the performance period. During 2021, the Compensation Committee awarded 80% of the shares related to the performance share grant in 2018 based on the Company’s performance for the three years ended December 31, 2020, measured against the pre-established targets for the same period. This resulted in the forfeiture of 11,392 PSUs in 2021 from target related to the 2018 PSU grant. The Compensation Committee will determine the achievement of performance results and corresponding vesting of performance shares for each year’s grant in 2019, 2020 and 2021 following the conclusion of the respective performance period. At the end of each performance period, the number of shares awarded can range from 0% to 250% of the original granted amount for performance share units granted in 2021 and 0% to 200% for performance share units granted in 2020 and 2019.

The following table summarizes the activity of performance share units granted at target as of December 31, 2021:

	Number of PSUs	Weighted-Average Grant-Date Fair Value
Non-vested PSUs outstanding at December 31, 2018 ..	370,917	\$ 30.84
Granted. ....	87,864	48.81
Additional PSUs awarded from the 2016 grant .....	67,853	14.80
Vested .....	(203,582)	14.80
Cancelled .....	(89,481)	34.70
Non-vested PSUs outstanding at December 31, 2019 ..	233,571	\$ 45.44
Granted. ....	69,132	61.45
Additional PSUs awarded from the 2017 grant .....	83,042	35.81
Vested .....	(166,084)	35.81
Cancelled .....	(23,052)	53.66
Non-vested PSUs outstanding at December 31, 2020 ..	196,609	\$ 54.17
Granted. ....	157,210	44.87
PSUs forfeited from the 2018 grant .....	(11,392)	53.41
Vested .....	(45,644)	53.41
Cancelled .....	(3,991)	53.30
Non-vested PSUs outstanding at December 31, 2021 ..	292,792	\$ 49.39

During the years ended December 31, 2021, 2020, and 2019, the Company granted fully-vested shares of common stock to the Company's directors in the amounts of 21,175, 14,643 and 18,576 shares, respectively, with a weighted average grant-date fair value of \$44.87, \$61.45, and \$48.45 respectively.

During the year ended December 31, 2021, 2020 and 2019, the Company recorded equity-based compensation expense of \$8.7 million, \$6.8 million and \$10.3 million, respectively. Additionally, in 2019, the Company incurred \$7.9 million of employee severance related costs associated with the sale of ExpressJet, partially offset by a forfeiture credit of \$4.5 million, primarily resulting from stock-based compensation awards that terminated upon the sale of ExpressJet during 2019.

As of December 31, 2021, the Company had \$16.5 million of total unrecognized compensation cost related to non-vested restricted stock grants and non-vested performance stock units. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. The Company expects to recognize this cost over a weighted average period of 1.9 years.

### ***Taxes***

The Company's treatment of stock option grants of non-qualified options, restricted stock units and performance shares results in the creation of a deferred tax asset, which is a temporary difference, until the time that the option is exercised or the restrictions lapse.

### ***Warrants***

During the year ended December 31, 2021, the Company issued to Treasury warrants to purchase 203,090 shares of the Company's common stock as part of the PSP Extension Agreement and the PSP 3 Agreement. The warrants have a five-year term from the date of issuance, and 124,773 of the warrants have an exercise price of \$40.41 per share and 78,317 of the warrants have an exercise price of \$57.47 per share. The weighted average fair value of these warrants was estimated at \$32.52 and \$22.31 per share for the 124,773 and 78,317 warrants, respectively, using the Black-Scholes option pricing model.

During the year ended December 31, 2020, the Company issued to Treasury warrants to purchase 370,720 shares of the Company's common stock as part of the CARES Act payroll support. The warrants were issued with an exercise price of \$28.38 per share for a five-year term from the date of issuance. The fair value of the warrants issued to



Treasury was estimated as of the grant date using the Black-Scholes option pricing model. The Company estimated a weighted average fair value of the warrants issued to Treasury at \$13.57 per share.

Additionally, in 2020, the Company issued to Treasury warrants to purchase 211,416 shares of the Company's common stock in conjunction with the Company's \$60 million borrowing under the CARES Act Secured Loan facility. The warrants were issued with an exercise price of \$28.38 per share for a five-year term from the date of issuance. The weighted average fair value of these warrants was estimated at \$15.22 per share using the Black-Scholes option pricing model.

## **(11) Retirement Plans and Employee Stock Purchase Plans**

### ***SkyWest Retirement Plan***

The Company sponsors the SkyWest, Inc. Employees' Retirement Plan (the "SkyWest Plan"). Employees who are at least 18 years of age are eligible for participation in the SkyWest Plan. Employees may elect to make contributions to the SkyWest Plan. Generally, the Company matches 100% of such contributions up to levels ranging from 2% to 12% of compensation, based on position and years of service. Additionally, a discretionary contribution may be made by the Company. The Company's combined contributions to the SkyWest Plan were \$42.1 million, \$31.9 million and \$40.7 million for the years ended December 31, 2021, 2020 and 2019, respectively.

### ***Employee Stock Purchase Plans***

In May 2009, the Company's Board of Directors approved the SkyWest, Inc. 2009 Employee Stock Purchase Plan (the "2009 Stock Purchase Plan"). All employees who have completed 90 days of employment with the Company or one of its subsidiaries are eligible to participate in the 2009 Stock Purchase Plan, except employees who own five percent or more of the Company's common stock. The 2009 Stock Purchase Plan enables employees to purchase shares of the Company's common stock at a five percent discount, through payroll deductions. Employees can contribute up to 15% of their base pay, not to exceed \$25,000 each calendar year, for the purchase of shares. Shares are purchased semi-annually at a five percent discount based on the end of the period price. Employees can terminate their participation in the 2009 Stock Purchase Plan at any time upon written notice.

The following table summarizes purchases made under the 2009 Employee Stock Purchase Plans during the years ended December 31, 2021, 2020 and 2019:

	Year ended December 31,		
	2021	2020	2019
Number of shares purchased . . . . .	63,962	65,512	65,148
Average price of shares purchased. . . . .	\$ 39.70	\$ 42.45	\$ 48.58

The 2009 Stock Purchase Plan is a non-compensatory plan under the accounting guidance. Therefore, no compensation expense was recorded for the years ended December 31, 2021, 2020 and 2019.

## **(12) Stock Repurchase**

The Company's Board of Directors has adopted a stock repurchase program which authorizes the Company to repurchase shares of the Company's common stock in the public market or in private transactions, from time to time, at prevailing prices. The Company's stock repurchase program authorizes the repurchase of up to \$250.0 million of the Company's common stock commencing on February 5, 2019, of which \$139.6 million remained available at December 31, 2021.

During the years ended December 31, 2020 and 2019, the Company purchased as treasury shares or purchased and cancelled 0.4 million and 1.7 million shares of common stock for approximately \$20.0 million and \$94.6 million, respectively at a weighted average price per share of \$51.87 and \$56.86, respectively. The company did not repurchase any shares of its common stock during 2021. Under the terms of the PSP 3 Agreement, the Company is restricted from repurchasing shares of its common stock through September 30, 2022.

Additionally, during the year ended December 31, 2021, 2020 and 2019, the Company paid \$1.6 million, \$6.2 million and \$9.3 million, respectively, for a net settlement of the income tax obligation on employee equity awards that vested during the applicable periods.

### **(13) Related-Party Transactions**

During the year ended December 31, 2021, the Company purchased \$501,722 of spare aircraft parts from an entity affiliated with a director of the Company.

### **(14) Gain on Sale of ExpressJet**

On January 22, 2019, the Company completed the sale of its former wholly owned subsidiary ExpressJet. The Company recorded a gain of \$46.5 million (pre-tax) from the sale of ExpressJet. The closing of the transaction was completed in two parts, through an asset sale and stock sale, as further described below.

#### *Asset Sale*

On January 11, 2019, pursuant to the terms and conditions of the Asset Purchase Agreement, dated as of December 17, 2018, by and among the Company, ExpressJet and United, United acquired certain specified assets and liabilities of ExpressJet, including, among other things, aircraft engines, auxiliary power units, rotatable spare parts, ground support equipment and flight training equipment for \$60.8 million in cash, subject to certain purchase price adjustments (the “Asset Sale”). Certain assets and liabilities of ExpressJet were expressly excluded from the Asset Sale.

#### *Stock Sale*

Additionally, on January 22, 2019, pursuant to the terms and conditions of the Stock Purchase Agreement, dated as of December 17, 2018, by and among the Company and ManaAir, LLC, a company in which United owns a minority interest (the “Buyer”), the Buyer acquired all of the outstanding shares of capital stock of ExpressJet from the Company for \$18.8 million in cash, subject to certain purchase price adjustments (the “Stock Sale,”). To facilitate payment of the purchase price for the Stock Sale, at the closing of the Stock Sale, the Company loaned \$26 million to Kair Enterprises, Inc. (the “Borrower”), the majority owner of the Buyer. Such loan accrues interest at the rate of 6.85% per annum, matures on the last business day of the last month immediately preceding the two-year anniversary of the closing of the Stock Sale and is secured by, among other things, the Borrower’s ownership interests in the Buyer. The Company evaluated the collectability of this loan balance as of December 31, 2021 under Topic 326. See Note 1 - *Flying Agreements and Airport Customer Services and Other Revenues and Allowance for Credit Losses* for additional information.

### **(15) Investment in Other Companies**

During 2019, the Company created a joint venture with Regional One, Inc. (“Regional One”) by investing \$22.3 million for a 75% ownership interest in Aero Engines, LLC. (“Aero Engines”). The Company invested an additional \$1.0 million into Aero Engines in 2020. The primary purpose of Aero Engines is to lease engines to third parties. Aero Engines requires unanimous approval from the Company and Regional One for its engine purchases, dispositions, lease agreements with third parties and all other material transactions. The Company determined Aero Engines is a variable interest entity as the Company has a 75% ownership interest in Aero Engines and all material decisions require unanimous approval from the Company and Regional One, resulting in disproportionate ownership rights relative to voting rights. As unanimous approval is required for all Aero Engines’ material activities. Aero Engines has no primary beneficiary. The Company accounts for its investment in Aero Engines under the equity method. The Company’s exposure in its investment in Aero Engines primarily consists of the Company’s portion of income or loss from Aero Engines’ engine lease agreements with third parties and the Company’s ownership percentage in Aero Engines’ engines book value. The Company purchased 15 spare engines and sold the 15 spare engines to Aero Engines at net book value. Aero Engines had no debt outstanding as of December 31, 2021. As of December 31, 2021, the Company’s investment balance in Aero Engines was \$20.2 million. The Company’s investment in Aero Engines has been recorded in “Other Assets” on the Company’s consolidated balance sheet. The Company’s portion of the loss generated by Aero Engines for the year ended December 31, 2021, was \$5.3 million, which is recorded in “Other Income (Expense)” on the Company’s consolidated statements of comprehensive income. Aero Engines’ net loss was primarily due to engine overhaul costs that were expensed during the year ended December 31, 2021.

In 2021, the Company entered into a strategic partnership with Eve UAM, LLC (“Eve”), to develop a network of deployment for Eve’s electric vertical takeoff and landing (“eVTOL”) aircraft. The Company signed a non-binding letter

of intent to purchase 100 eVTOL aircraft. As part of the partnership, the Company anticipates it will acquire an equity interest in Eve in 2022, upon completion of certain events by Eve. As of December 31, 2021, no monetary transactions have occurred.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported accurately and within the time periods specified in the SEC rules and forms. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2021, those controls and procedures were effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control**

During the most recently completed fiscal quarter, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021, using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021, has been audited by Ernst & Young LLP ("Ernst & Young"), the independent registered public accounting firm who also has audited our Consolidated Financial Statements included in this Report. Ernst & Young's report on our internal control over financial reporting appears on the following page.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of SkyWest, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited SkyWest, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, SkyWest, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of SkyWest, Inc. and subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a)2 and our report dated February 17, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Salt Lake City, Utah  
February 17, 2022

## ITEM 9B. OTHER INFORMATION

None.

## ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

## PART III

Items 10, 11, 12, 13 and 14 in Part III of this Report are incorporated herein by reference to our definitive proxy statement for our 2022 Annual Meeting of Shareholders scheduled for May 3, 2022. We intend to file our definitive proxy statement with the SEC not later than 120 days after December 31, 2021, pursuant to Regulation 14A of the Exchange Act.

### Headings in Proxy Statement

<b>ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</b>	“Election of Directors,” “Executive Officers,” “Corporate Governance,” “Meetings and Committees of the Board” and “Delinquent Section 16(a) Reports”
<b>ITEM 11. EXECUTIVE COMPENSATION</b>	“Corporate Governance,” “Meetings and Committees of the Board,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Executive Compensation,” “Director Compensation” and “Director Summary Compensation Table”
<b>ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</b>	“Security Ownership of Certain Beneficial Owners” and “Securities Authorized for Issuance Under Equity Compensation Plans”
<b>ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</b>	“Certain Relationships and Related Transactions”
<b>ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</b>	“Fees Paid to Independent Registered Public Accounting Firm”

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

### (a) Documents Filed:

1. Financial Statements: Report of Independent Registered Public Accounting Firm (PCAOB ID: 42), Consolidated Balance Sheets as of December 31, 2021 and 2020, Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019, Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019, Consolidated Statements of Stockholders' Equity for the years ended December 31, 2021, 2020, 2019, and 2018 and Notes to Consolidated Financial Statements.
2. Financial Statement Schedule. The following consolidated financial statement schedule of our company is included in this Item 15.
  - Schedule II—Valuation and qualifying accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

(b) Exhibits

Number	Exhibit	Incorporated by Reference
3.1	Restated Articles of Incorporation	(1)
3.2	Amended and Restated Bylaws	(11)
4.1	Specimen of Common Stock Certificate	(2)
4.2	Warrant Agreement, dated as of April 23, 2020, by and between SkyWest, Inc. and the United States Department of the Treasury	(20)
4.3	Form of Warrant (incorporated by reference to Annex B of Exhibit 4.2)	(20)
4.4	Warrant Agreement, dated as of September 29, 2020, by and between SkyWest, Inc. and the United States Department of the Treasury	(21)
4.5	Form of Warrant (incorporated by reference to Annex B of Exhibit 4.4)	(21)
4.6	Warrant Agreement, dated as of January 15, 2021, by and between SkyWest, Inc. and the United States Department of the Treasury	(23)
4.7	Form of Warrant (incorporated by reference to Annex B of Exhibit 4.6)	(23)
4.8	Warrant Agreement, dated as of April 23, 2021, by and between SkyWest, Inc. and the United States Department of the Treasury	(24)
4.9	Form of Warrant (incorporated by reference to Annex B of Exhibit 4.8)	(24)
4.10	Description of Registered Securities	(22)
10.1	Amended and Restated Delta Connection Agreement, dated as of September 8, 2005, between SkyWest Airlines, Inc. and Delta Air Lines, Inc.	(3)
10.2	United Express Agreement dated July 31, 2003, between United Air Lines, Inc., and SkyWest Airlines, Inc.	(4)
10.3	Lease Agreement dated December 1, 1989 between Salt Lake City Corporation and SkyWest Airlines, Inc.	(5)
10.4	Master Purchase Agreement dated November 7, 2000 between Bombardier, Inc. and SkyWest Airlines, Inc.	(6)
10.5	Supplement to Master Purchase Agreement dated November 7, 2000 between Bombardier, Inc. and SkyWest Airlines, Inc.	(4)
+10.6	SkyWest, Inc. 2002 Deferred Compensation Plan, as amended and restated, effective January 1, 2008	(5)
+10.7	First Amendment to the Amended and Restated SkyWest, Inc. 2002 Deferred Compensation Plan	(5)
+10.8	SkyWest, Inc. 2009 Employee Stock Purchase Plan	(5)
+10.9	SkyWest, Inc. 2010 Long-Term Incentive Plan	(6)
+10.10	Form of Restricted Stock Unit Award Agreement	(15)
+10.11	Form of Performance Share Award Agreement	(15)
10.12	Capacity Purchase Agreement, dated November 12, 2010, by and among ExpressJet Airlines, Inc. and Continental Airlines, Inc.	(9)
10.13	Aircraft Purchase Agreement, dated December 7, 2012, between Mitsubishi Aircraft Corporation and SkyWest, Inc.	(10)
10.14	Letter Agreement dated December 7, 2012, between Mitsubishi Aircraft Corporation and SkyWest, Inc.	(10)
10.15	Purchase Agreement COM0028-13, between Embraer S.A. and SkyWest Inc. dated February 15, 2013	(12)
*10.16	Amended and Restated Capacity Purchase Agreement, dated as of November 7, 2014, by and between ExpressJet Airlines, Inc. and United Airlines	(13)

Number	Exhibit	Incorporated by Reference
+10.17	SkyWest, Inc. 2019 Long-Term Incentive Plan	(18)
10.18	Severance and Release Agreement, dated as of February 12, 2019, by and between the Registrant and Terry M. Vais	(19)
10.19	Form of Indemnification Agreement	(23)
10.20	Payroll Support Program Agreement, dated of April 23, 2020, by and between SkyWest Airlines, Inc. and the United States Department of the Treasury	(20)
10.21	Promissory Note, dated as of April 23, 2020, issued by SkyWest Airlines, Inc. to the United States Department of the Treasury and guaranteed by SkyWest, Inc.	(20)
**10.22	Restatement Agreement to the Loan and Guarantee Agreement, dated of October 28, 2020, by and among SkyWest Airlines, Inc., the United States Department of the Treasury and the Bank of New York Mellon	(21)
10.23	Amendment to Loan and Guarantee Agreement, dated as of January 15, 2021, by and among SkyWest Airlines, Inc., the United States Department of the Treasury and the Bank of New York Mellon.	(23)
10.24	Payroll Support Program Extension Agreement, dated as of January 15, 2021, by and between SkyWest Airlines, Inc. and the United States Department of the Treasury	(23)
10.25	Promissory Note, dated as of January 15, 2021, issued by SkyWest Airlines, Inc. to the United States Department of the Treasury and guaranteed by SkyWest, Inc.	(23)
10.26	Payroll Support Program 3 Agreement, dated as of April 23, 2021, by and between SkyWest Airlines, Inc. and the United States Department of the Treasury	(24)
10.27	Promissory Note, dated as of April 23, 2021, issued by SkyWest Airlines, Inc. to the United States Department of the Treasury and guaranteed by SkyWest, Inc.	(24)
21.1	Subsidiaries of the Registrant	(23)
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Certification of Chief Executive Officer	Filed herewith
31.2	Certification of Chief Financial Officer	Filed herewith
32.1	Certification of Chief Executive Officer	Filed herewith
32.2	Certification of Chief Financial Officer	Filed herewith
101	The following financial statements from the SkyWest Inc. Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

\* Certain portions of this exhibit have been omitted pursuant to Rule 24b-2 and are subject to a confidential treatment request.

\*\* Pursuant to Item 601(a)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, certain exhibits and schedules to this agreement have been omitted. Such exhibits and schedules are described in the referenced agreement. The Company hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all of such omitted exhibits or schedules.

+ Management compensatory plan or arrangement.

(1) Incorporated by reference to the exhibits to a Registration Statement on Form S-3 (File No. 333-129831) filed on November 18, 2005

(2) Incorporated by reference to a Registration Statement on Form S-3 (File No. 333-42508) filed on July 28, 2000

- (3) Incorporated by reference to Registrant's Current Report on Form 8-K filed on September 13, 2005, as amended by Amendment No. 2 on Form 8-K/A filed on February 21, 2006
- (4) Incorporated by reference to exhibits to Registrant's Quarterly Report on Form 10-Q filed on November 14, 2003
- (5) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed for the quarter ended December 31, 1986
- (6) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on February 13, 2001
- (7) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 23, 2009
- (8) Incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement on Schedule 14A (File No. 000-14719) filed on March 12, 2010
- (9) Incorporated by reference to the exhibits to Registrant's Current Report on Form 8-K filed on November 18, 2010
- (10) Incorporated by reference to the exhibits to Registrant's Current Report on Form 8-K filed on December 13, 2012, as amended by Amendment No. 1 to Current Report on Form 8-K/A filed on June 25, 2013
- (11) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 24, 2012
- (12) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on August 7, 2013, as amended by Amendment No. 1 to Quarterly Report on Form 10-Q/A filed on November 4, 2013
- (13) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 14, 2014
- (14) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 18, 2015
- (15) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 27, 2017
- (16) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 26, 2018
- (17) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 21, 2019
- (18) Incorporated by reference to Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A filed on March 22, 2019
- (19) Incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed on February 15, 2019
- (20) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on August 7, 2020
- (21) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on November 5, 2020
- (22) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 18, 2020



- (23) Incorporated by reference to the exhibits to Registrant's Annual Report on Form 10-K filed on February 22, 2021
- (24) Incorporated by reference to the exhibits to Registrant's Quarterly Report on Form 10-Q filed on May 6, 2021

# **ITEM 16. FORM 10-K SUMMARY**

None.

## **SKYWEST, INC. AND SUBSIDIARIES** **SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS** **For the Years Ended December 31, 2021, 2020 and 2019** **(Dollars in thousands)**

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Year Ended December 31, 2021				
Allowance for inventory obsolescence . . . . .	\$ 19,676	3,280	—	\$ 22,956
Allowance for credit losses . . . . .	46,225	—	(4,249)	41,976
	<u>\$ 65,901</u>	<u>3,280</u>	<u>(4,249)</u>	<u>\$ 64,932</u>
Year Ended December 31, 2020				
Allowance for inventory obsolescence . . . . .	\$ 15,890	3,786	—	\$ 19,676
Allowance for doubtful accounts receivable . . . . .	18	—	(18)	—
Allowance for credit losses (adoption of Topic 326). . . . .	15,388	30,837	—	46,225
	<u>\$ 31,296</u>	<u>34,623</u>	<u>(18)</u>	<u>\$ 65,901</u>
Year Ended December 31, 2019				
Allowance for inventory obsolescence . . . . .	\$ 22,141	—	(6,251)	\$ 15,890
Allowance for doubtful accounts receivable . . . . .	158	—	(140)	18
	<u>\$ 22,299</u>	<u>—</u>	<u>(6,391)</u>	<u>\$ 15,908</u>

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K for the year ended December 31, 2021, to be signed on its behalf by the undersigned, thereunto duly authorized, on February 17, 2022.

SKYWEST, INC.

By:                     /s/ ROBERT J. SIMMONS                    

Robert J. Simmons  
*Chief Financial Officer*

## ADDITIONAL SIGNATURES

Pursuant to the requirement of the Securities Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons in the capacities and on the dates indicated.

<u>Name</u>	<u>Capacities</u>	<u>Date</u>
<u>/s/ JERRY C. ATKIN</u> Jerry C. Atkin	Chairman of the Board	February 17, 2022
<u>/s/ RUSSELL A. CHILDS</u> Russell A. Childs	Chief Executive Officer and President (Principal Executive Officer) and Director	February 17, 2022
<u>/s/ ROBERT J. SIMMONS</u> Robert J. Simmons	Chief Financial Officer (Principal Financial Officer)	February 17, 2022
<u>/s/ ERIC J. WOODWARD</u> Eric J. Woodward	Chief Accounting Officer (Principal Accounting Officer)	February 17, 2022
<u>/s/ STEVEN F. UDVAR-HAZY</u> Steven F. Udvar-Hazy	Lead Director	February 17, 2022
<u>/s/ W. STEVE ALBRECHT</u> Steve Albrecht	Director	February 17, 2022
<u>/s/ SMITA CONJEEVARAM</u> Smita Conjeevaram	Director	February 17, 2022
<u>/s/ MEREDITH S. MADDEN</u> Meredith S. Madden	Director	February 17, 2022
<u>/s/ RONALD J. MITTELSTAEDT</u> Ronald J. Mittelstaedt	Director	February 17, 2022
<u>/s/ ANDREW C. ROBERTS</u> Andrew C. Roberts	Director	February 17, 2022
<u>/s/ KEITH E. SMITH</u> Keith E. Smith	Director	February 17, 2022
<u>/s/ JAMES L. WELCH</u> James L. Welch	Director	February 17, 2022

**SkyWest, Inc.**  
**444 South River Road • St. George, UT 84790**

March 24, 2022

Dear Shareholder:

You are invited to attend the virtual Annual Meeting of Shareholders of SkyWest, Inc. scheduled to be held at 9:00 a.m., Mountain Daylight Time on Tuesday, May 3, 2022. Shareholders can access, participate in, and vote at the virtual Annual Meeting at [www.virtualshareholdermeeting.com/SKYW2022](http://www.virtualshareholdermeeting.com/SKYW2022) by using the 16-digit control number included on the proxy card and the instructions accompanying the proxy materials.

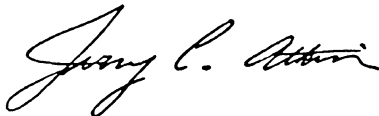
The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the items to be considered and acted upon by shareholders.

Your vote is very important. Whether you plan to attend the virtual Annual Meeting or not, we urge you to vote your shares as soon as possible. This will ensure representation of your shares at the Annual Meeting if you are unable to virtually attend.

We are pleased to make these proxy materials available over the Internet, which we believe increases the efficiency and reduces the expense of our annual meeting process. As a result, we are mailing to shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of paper copies of these proxy materials and our 2021 Annual Report. The Notice contains instructions on how to access those documents over the Internet or request that a full set of printed materials be sent to you. The Notice also gives instructions on how to vote your shares.

We look forward to your attendance at the virtual Annual Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry C. Atkin". The signature is fluid and cursive, with the first name "Jerry" being the most prominent.

Jerry C. Atkin  
*Board Chair*

**SkyWest, Inc.**  
444 South River Road • St. George, UT 84790

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS  
OF SKYWEST, INC.**

**Date:** Tuesday, May 3, 2022  
**Time:** 9:00 a.m., Mountain Daylight Time (MDT)  
**Place:** [www.virtualshareholdermeeting.com/SKYW2022](http://www.virtualshareholdermeeting.com/SKYW2022)

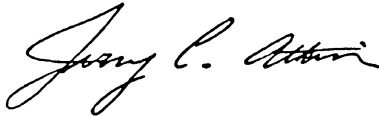
**Purposes:**

1. To elect eight directors of SkyWest, Inc. (the “*Company*”), to serve until the next Annual Meeting of the Company’s shareholders and until their successors are duly elected and qualified;
2. To conduct a vote, on an advisory basis, on the compensation of the Company’s named executive officers;
3. To ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2022; and
4. To transact such other business that may properly come before the Annual Meeting and any adjournment thereof.

**Who Can Vote:** Shareholders at the close of business on March 3, 2022.

**How You Can Vote:** Shareholders may vote during the Annual Meeting, or in advance over the Internet, by telephone, or by mail.

By authorization of the Board of Directors,



Jerry C. Atkin  
*Board Chair*

March 24, 2022

**Proxy Statement for the  
Annual Meeting of Shareholders of  
SKYWEST, INC.**

**To Be Held on Tuesday, May 3, 2022**

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**PROXY STATEMENT  
FOR THE  
ANNUAL MEETING OF SHAREHOLDERS  
OF**

**SKYWEST, INC.**

**TUESDAY, MAY 3, 2022**

**OVERVIEW**

***Solicitation***

This Proxy Statement, the accompanying Notice of Annual Meeting, proxy card and the Annual Report to Shareholders of SkyWest, Inc. (the “Company” or “SkyWest”) are being mailed on or about March 24, 2022. The Board of Directors of the Company (the “Board”) is soliciting your proxy to vote your shares at the Annual Meeting of the Company’s Shareholders to be held on May 3, 2022 at 9:00 a.m., Mountain Daylight Time (the “Meeting”). The Meeting will be held virtually at [www.virtualshareholdermeeting.com/SKYW2022](http://www.virtualshareholdermeeting.com/SKYW2022). The Board is soliciting your proxy in an effort to give all shareholders of record the opportunity to vote on matters that will be presented at the Meeting. This Proxy Statement provides information to assist you in voting your shares.

**What is a proxy?**

A proxy is your legal designation of another person to vote on your behalf. You are giving the individuals appointed by the Board as proxies (Jerry C. Atkin, Russell A. Childs and Robert J. Simmons) the authority to vote your shares in the manner you indicate.

**Why did I receive more than one notice?**

You may receive multiple notices if you hold your shares in different ways (e.g., joint tenancy, trusts, or custodial accounts) or in multiple accounts. If your shares are held by a broker (i.e., in “street name”), you will receive your notice or other voting information from your broker. In any case, you should vote for each notice you receive.

***Voting Information***

**Who is qualified to vote?**

You are qualified to receive notice of and to vote at the Meeting if you owned shares of common stock of SkyWest (the “Common Stock”) at the close of business on the record date of Thursday, March 3, 2022.

**How many shares of Common Stock may vote at the Meeting?**

As of March 3, 2022, there were 50,521,792 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented at the Meeting.

### **What is the difference between a “shareholder of record” and a “street name” holder?**

If your shares are registered directly in your name with Zions First National Bank, the Company’s transfer agent, you are a “shareholder of record.” If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a “street name” holder.

### **How can I vote at the Meeting?**

You may vote during the Meeting by virtually attending the Meeting via the Internet at [www.virtualshareholdermeeting.com/SKYW2022](http://www.virtualshareholdermeeting.com/SKYW2022) and following the instructions there. You may also vote in advance over the Internet, or by telephone, or you may request a complete set of traditional proxy materials and vote your proxy by mail. To vote your proxy in advance of the Meeting using the Internet or telephone, see the instructions on the proxy form and have the proxy form available when you access the Internet website or place your telephone call. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card.

### **How do I attend the virtual Meeting?**

Shareholders of record as of March 3, 2022 will be able to attend and participate in the virtual Meeting by accessing [www.virtualshareholdermeeting.com/SKYW2022](http://www.virtualshareholdermeeting.com/SKYW2022) and following the instructions there. To join the Meeting, you will need to have your 16-digit control number which is included on your notice or your proxy card (if you received a printed copy of the proxy materials).

Even if you plan to attend the Meeting, we recommend that you also vote by proxy as described herein so that your vote will be counted if you subsequently decide not to attend the Meeting.

*Access to the Audio Webcast of the Meeting.* The live audio webcast of the Meeting will begin promptly at 9:00 a.m., Mountain Daylight Time on May 3, 2022. We encourage shareholders to access the meeting website prior to the start time. Online access to the audio webcast will open approximately 15 minutes prior to the start of the virtual Meeting to allow time for you to log in and test the computer audio system.

*Log in Procedures.* To attend the virtual Meeting, visit [www.virtualshareholdermeeting.com/SKYW2022](http://www.virtualshareholdermeeting.com/SKYW2022) to log in. Shareholders will need their unique 16-digit control number which appears on your notice (printed in the box and marked by the arrow) and the instructions that accompanied the proxy materials. In the event that you do not have a control number, please contact your broker, bank, or other agent as soon as possible and no later than April 20, 2022, so that you can be provided with a control number and gain access to the Meeting.

*Technical Assistance.* Beginning 15 minutes prior to the start of and during the virtual Meeting, we will have technicians ready to assist shareholders with any technical difficulties they may have accessing or hearing the Meeting. If you encounter any difficulties accessing the virtual Meeting during the check-in or meeting time, please call the technical support number available on the shareholder login site.

*Submitting Questions.* If you wish to submit questions for the Annual Meeting, you may do so beginning at 9:00 a.m. Mountain Daylight Time on April 4, 2022, until 11:59 p.m. Mountain Daylight Time on April 29, 2022, by logging into [www.proxyvote.com](http://www.proxyvote.com) and entering your control number included on your proxy materials. Once past the login screen, click on “Question for Management,” type in your question and click “Submit.”

Questions pertinent to meeting matters will be answered during the question and answer period immediately following the formal business portion of the Annual Meeting. In order to give as many shareholders as possible the opportunity to ask questions, each shareholder will be limited to one question. Questions regarding personal matters, such as employment or service-related issues, or other matters not deemed pertinent to meeting matters or otherwise suitable for discussion at the meeting (in the discretion of the presiding officer at the meeting) will not be answered. Any



questions suitable for discussion at the meeting that cannot be answered during the Annual Meeting due to time constraints will be addressed after the meeting in the Investor Relations section of our website, *inc.skywest.com*. The questions and answers will be available as soon as practical after the Annual Meeting and will remain available until two weeks after posting.

### **What are the Board's recommendations on how I should vote my shares?**

The Board recommends that you vote your shares as follows:

Proposal 1—**FOR** the election of all eight nominees for director.

Proposal 2—**FOR** the non-binding resolution to approve the compensation of the Company's named executive officers.

Proposal 3—**FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2022.

### **What are my choices when voting?**

Proposal 1—You may cast your vote in favor of up to eight individual director-nominees. You may vote for less than eight director-nominees if you choose. You may also abstain from voting.

Proposals 2 and 3—You may cast your vote in favor of, or against, each proposal. You may also abstain from voting.

### **How will my shares be voted if I do not specify how they should be voted?**

If you execute the enclosed proxy card without indicating how you want your shares to be voted, the proxies appointed by the Board will vote as recommended by the Board and described previously in this section.

Similarly, shares represented by proxies that reflect a "broker non-vote" will be counted for purposes of determining whether a quorum exists. A broker non-vote occurs when a broker, bank or other financial institution holding shares in street name for a beneficial owner has not received instructions from the beneficial owner and does not have discretionary authority to vote the shares for a particular proposal. Under the rules of various national and regional securities exchanges, the organization that holds your shares in street name has discretionary authority to vote only on routine matters and cannot vote on non-routine matters. The only proposal at the meeting that is considered a routine matter under applicable rules is the proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2022. Therefore, unless you provide voting instructions to the broker, bank or other financial institution holding shares on your behalf, they will not have discretionary authority to vote your shares on any of the other proposals described in this proxy statement. Please vote your proxy or provide voting instructions to the broker, bank or other financial institution holding your shares so your vote on the other proposals will be counted.

**What is the quorum requirement for the Meeting?**

Under Utah law and the Company's Amended and Restated Bylaws, the holders of a majority of the votes entitled to be cast on the matter constitutes a quorum. Therefore, the holders of a majority of the Common Stock issued and outstanding and entitled to vote at the Meeting, present in person or represented by proxy, constitute a quorum for the transaction of business at the Meeting. If you submit a properly executed proxy via the Internet or by telephone or mail, regardless of whether you abstain from voting on one or more matters, your shares will be counted as present at the Meeting for the purpose of determining a quorum. Broker non-votes will also be counted as present for the purpose of determining the presence of a quorum at the Meeting. The inspectors of election will determine whether a quorum is present and will tabulate the votes cast at the Meeting.

**What vote will be required to approve each proposal?**

Proposal 1 provides that, assuming a quorum is present at the Meeting, the eight director-nominees who receive a majority of the votes cast with respect to his or her election will be elected as directors of the Company. This means that the number of shares voted "for" the election of a director must exceed the number of shares voted "against" the election of that director.

Proposals 2 and 3 will be approved if, assuming a quorum is present at the Meeting, the number of votes cast, in person or by proxy, in favor of a particular proposal exceeds the number of votes cast in opposition to the proposal. Proposal 2 is an advisory vote only, and has no binding effect on the Board or the Company.

**How will abstentions and broker non-votes be treated?**

Abstentions and broker non-votes will be deemed as "present" at the Meeting and will be counted for quorum purposes only. Abstentions and broker non-votes, if any, will not count as a vote cast as to any director-nominee's election and thus will have no effect in determining whether a director nominee has received a majority of the votes cast. For purposes of the votes on Proposals No. 2 and No. 3, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the votes on such proposals.

**Can I change my vote?**

You may revoke your proxy before the time of voting at the Meeting in any of the following ways:

- by mailing a revised proxy card to the Chief Financial Officer of the Company;
- by changing your vote on the Internet website;
- by using the telephone voting procedures; or
- by attending the Meeting virtually and voting during the Meeting.

**Who will count the votes?**

Representatives from Zions First National Bank, the Company's transfer agent, or other individuals designated by the Board, will count the votes and serve as inspectors of election. The inspectors of election will be present at the Meeting.

**Will there be a list of shareholders entitled to vote at the Meeting?**

Yes, the Company will make a shareholders' list as of the close of business on March 3, 2022 available for inspection upon request at the Company's principal office at 444 South River Road, St. George, Utah 84790, beginning March 28, 2022 (two business days after the date of this Proxy Statement) continuing through the Meeting and any meeting adjournments thereof. Such list will also be available during the Meeting on the online portal.

**Who will pay the cost of this proxy solicitation?**

The Company will pay the costs of soliciting proxies. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of the Common Stock.

**Is this Proxy Statement the only way proxies are being solicited for use at the Meeting?**

Yes. The Company does not intend to employ any other methods of solicitation.

**How are proxy materials being delivered?**

The Company is pleased to take advantage of Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, the Company is mailing to most of its shareholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of this Proxy Statement and the Company's 2021 Annual Report to Shareholders. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of the Company's proxy materials, including this Proxy Statement, the 2021 Annual Report to Shareholders and a form of proxy card or voting instruction card. All shareholders who do not receive a Notice will receive a paper copy of the proxy materials by mail. The Company believes this process will allow it to provide its shareholders with the information they need in a more efficient manner, while reducing the environmental impact and lowering the costs of printing and distributing these proxy materials.

## **PROPOSAL 1 ELECTION OF DIRECTORS**

The Board currently consists of ten directors. All directors serve a one-year term and are subject to re-election each year. The terms of all of the Company's current directors expire at the Meeting. W. Steve Albrecht and Steven F. Udvar-Hazy are not standing for re-election at the Meeting. As a result, at the Meeting, the Company proposes to elect eight of the ten current directors, other than Mr. Albrecht and Mr. Udvar-Hazy, to hold office until the 2023 Annual Meeting of Shareholders and until their successors have been elected and have qualified. The eight nominees for election at the Meeting are listed below.

- Jerry C. Atkin, Chair
- Russell A. Childs
- Smita Conjeevaram
- Meredith S. Madden
- Ronald J. Mittelstaedt
- Andrew C. Roberts
- Keith E. Smith
- James L. Welch

### **The Board Recommends That Shareholders Vote *FOR* All Eight Director Nominees.**

All of the nominees are currently serving as a director of the Company and have consented to be named as a nominee. Shareholders voting in person or by proxy at the virtual Meeting may only vote for eight nominees. If, prior to the Meeting, any of the nominees becomes unable to serve as a director, the Board may designate a substitute nominee. In that event, the persons named as proxies intend to vote for the substitute nominee designated by the Board.

The Board and the Nominating and Corporate Governance Committee believe that each of the following nominees possesses the experience and qualifications that directors of the Company should possess, as described in detail below, and that the experience and qualifications of each nominee complements the experience and qualifications of the other nominees. The experience and qualifications of each nominee, including information regarding the specific experience, qualifications, attributes and skills that led the Board and its Nominating and Corporate Governance Committee to conclude that he or she should serve as a director of the Company at the present time, in light of the Company's business and structure, are set forth on the following pages.

## **Jerry C. Atkin**

**Age:** 73      **Director Since:** 1974      **Committees:** None

**Principal Occupation:** Board Chair

**Experience:** Mr. Atkin joined the Company in July 1974 as the Company's Director of Finance. In 1975, he assumed the office of President and Chief Executive Officer ("CEO") and was elected Board Chair in 1991. Mr. Atkin served as President of the Company until 2011 and as CEO until December 31, 2015.

The Board nominated Mr. Atkin to serve as a director, in part, because of his deep knowledge and understanding of the Company, the regional airline industry as well as having served as the Company's CEO for more than 40 years. Mr. Atkin performs an extremely valuable role as the Board Chair, providing critical leadership and direction to the Board's activities and deliberations. The Board also believes his values and integrity are tremendous assets to the Company and its shareholders.

**Other Directorships:** Mr. Atkin served as a director of Zions Bancorporation, a regional bank holding company based in Salt Lake City, Utah ("Zions") from 1993 to July 2020.

## **Russell A. Childs**

**Age:** 54      **Director Since:** 2016      **Committees:** None

**Principal Occupation:** CEO and President of the Company and its operating subsidiary, SkyWest Airlines, Inc. ("SkyWest Airlines")

**Experience:** Mr. Childs was named CEO of the Company effective January 1, 2016, and has served as President of the Company since 2014. He is responsible for the holding company's operating entities and all commercial activities. He joined the Company in 2001 and became Vice President – Controller later that year. He served as the President and Chief Operating Officer of SkyWest Airlines from 2007 to 2014. Mr. Childs earned his bachelor's degree in Economics and master's degree in Accounting from Brigham Young University. Prior to joining the Company, Mr. Childs was a certified public accountant employed by a public accounting firm.

The Board nominated Mr. Childs, in part, because it recognizes Mr. Childs' critical role in delivering value to all Company stakeholders, as well as noting the importance of the Company's CEO serving on the Board, as he is the one closest to the Company's day-to-day operations and is able to communicate the Board's expectations, advice and encouragement to the Company's approximately 15,000 employees.

**Other Directorships:** Mr. Childs currently serves on the Salt Lake City Branch of the Federal Reserve Bank of San Francisco and is the Chair of the NextGen Advisory Committee of the Federal Aviation Administration (FAA).

## **Smita Conjeevaram**

**Age:** 61      **Director Since:** 2021      **Committees:** Member of the Audit Committee

**Principal Occupation:** Retired CFO of the Fortress Investment Group's Credit Hedge Funds

**Experience:** Ms. Conjeevaram holds over 25 years in finance and nearly a decade of experience at two of the Big 4 worldwide accounting firms, including PricewaterhouseCoopers LLP. In her most recent operational role, Ms. Conjeevaram served as Deputy CFO of Fortress Investment Group's Credit Funds and CFO of the Fortress Investment Group's Credit Hedge Funds.

The Board nominated Ms. Conjeevaram, in part, because of her refined global business and financial expertise, as well as her experience in growth management.

**Other Directorships:** Ms. Conjeevaram currently serves as a director and audit committee member of SS&C Technologies (SSNC), Inc. and McGrath Rentcorp (MGRC), and as a director of WisdomTree Investments, Inc (WETF).

## **Meredith S. Madden**

**Age:** 48      **Director Since:** 2015      **Committees:** Member of the Compensation Committee; Member of the Safety & Compliance Committee

**Principal Occupation:** Chief Executive Officer

**Experience:** Ms. Madden was appointed CEO of NORDAM in 2011. Headquartered in Tulsa, Oklahoma, NORDAM is one of the world's premier family-owned aerospace providers of composite structures and engineered solutions, employing 2,500 stakeholders across multiple facilities in North America, Europe and Asia Pacific. Ms. Madden joined NORDAM in 1999, and progressed through a series of roles in operations, sales, and strategic market planning; vice president of Global Sales and Marketing; vice president of the Repair Group; chief operating officer, overseeing all repair and manufacturing operations in the United States, Europe and Asia; and president of NORDAM. Prior to her NORDAM career, she was a senior consultant on mergers and acquisitions, corporate recovery services and financial advisory in global finance. Ms. Madden holds an MBA from the University of Chicago, and a Bachelor of Science in business administration and finance from the University of Notre Dame.

The Board nominated Ms. Madden, in part, because of her expertise and strategic insights related to aircraft maintenance vendor planning. Additionally, Ms. Madden has extensive expertise working with international maintenance service providers.

## Ronald J. Mittelstaedt

**Age:** 58      **Director Since:** 2013

**Committees:** Member of the Compensation Committee; Member of the Nominating & Corporate Governance Committee; Member of the Safety & Compliance Committee

**Principal Occupation:** Board Executive Chair of Waste Connections, Inc. (“Waste Connections”)

**Experience:** Mr. Mittelstaedt has served as the Executive Chair of Waste Connections, a company he founded in 1998, since July 2019, and he previously served as its Chair and CEO from 1997 to July 2019. Under Mr. Mittelstaedt’s leadership, Waste Connections has become the second largest company in the North American solid waste and recycling industry, employing more than 21,000 people nationwide, and is traded on the New York Stock Exchange and Toronto Stock Exchange. Mr. Mittelstaedt also serves as an independent director and Chair of the Audit Committee for Pride Industries, Inc. Pride industries is the largest employer of individuals with developmental disabilities in the U.S. with over 5,000 employees. Mr. Mittelstaedt serves as an independent director for Teichert, Inc. Teichert, Inc. is one of the largest privately held infrastructure general contractors in California. Mr. Mittelstaedt also established the RDM Positive Impact Foundation in 2004 to improve the lives of underprivileged and at-risk children. Prior to his career in waste management, he spent three years in the air freight industry. Mr. Mittelstaedt holds a bachelor’s degree in Business Economics from the University of California – Santa Barbara.

The Board nominated Mr. Mittelstaedt, in part, because of his expertise in making large capital equipment decisions, extensive experience working with diverse employee and other groups in various geographic regions and a history of developing an organizational culture of strong work ethics. Mr. Mittelstaedt also contributes to the Board his insight as an experienced CEO of a publicly traded company, which the Board has found valuable in its deliberations.

**Other Directorships:** Mr. Mittelstaedt currently serves as the Board Chair for Waste Connections.

## Andrew C. Roberts

**Age:** 61      **Director Since:** 2015

**Committees:** Chair of the Safety & Compliance Committee; Member of the Audit Committee

**Principal Occupation:** Chair, STS Aviation Group, LLC

**Experience:** : Since January 2019, Mr. Roberts has served as the Chair of STS Aviation Group LLC, a diversified aviation product and services provider, and holds a board position at Continental Aerospace Technologies., a subsidiary and the principal operating entity of Continental Aerospace Technologies Holding Ltd. (0232.HK) since November 2015, a manufacturer of propulsion units for General Aviation.

Mr. Roberts was the Executive Chair of Ryan Herco Flow Solutions, a national distributor of high purity fluid conveyance and control products, from 2015 to 2018. Additionally, he served as CEO, President and Board Member at Align Aerospace, a global distributor of products to the aerospace and aviation industries, from January 2014 to September 2015; and CEO & President of Permaswage Holding SA, a designer and manufacturer of aircraft fluid fitting products, from 2009 to 2014. He has experience in the management and operation of major and regional airlines, including Northwest Airlines from 1997 to 2008, where he served in multiple executive positions. From 2000 until 2008 he served as Chair of Aeroexchange Ltd. Mr. Roberts holds a bachelor of science degree (with Honors) in Engineering from the University of Birmingham and a post graduate diploma in Engineering from Coventry University.

The Board nominated Mr. Roberts, in part, due to his extensive background in the aviation maintenance and overhaul industry, as well as his commercial airline executive leadership. Mr. Roberts' education and professional training in the fields of engineering and aerospace manufacturing have allowed him to make valuable contributions to the Board in assessing the Company's technical operations.

**Other Directorships:** Mr. Roberts has served on the board of Dart Aerospace, a manufacturer of helicopter accessories

and other aviation products, since March 2019 and joined the board of Alliance Ground International (AGI), an air cargo and ramp handling service provider, in 2021.

### **Keith E. Smith**

**Age:** 61      **Director Since:** 2013      **Committees:** Chair of the Compensation Committee; Member of the Audit Committee

**Principal Occupation:** President and CEO of Boyd Gaming Corporation (“Boyd Gaming”)

**Experience:** Mr. Smith is President, CEO and a director of Boyd Gaming, one of the nation’s leading casino entertainment companies, with 29 operations in 10 states and more than 25,000 employees. Mr. Smith is an industry veteran with more than 33 years of gaming experience. He joined Boyd Gaming in 1990 and held various executive positions before being promoted to Chief Operating Officer in 2001. In 2005, Mr. Smith was named President and elected as a director of Boyd Gaming and in 2008 he assumed the role of CEO. The common stock of Boyd Gaming is traded on the New York Stock Exchange.

Mr. Smith holds a bachelor’s degree in Accounting from Arizona State University. He served as Chair of the Los Angeles Branch of the Federal Reserve Bank of San Francisco from 2012 to 2014. He served as Chair of the American Gaming Association and the Nevada Resort Association. He served as Vice Chair of the Las Vegas Convention and Visitors Authority from 2005 to 2011.

The Board nominated Mr. Smith, in part, due to his diverse experience in investing in, financing, and managing capital assets and real properties in various geographic regions. Mr. Smith also has extensive experience in leading and directing a large group of diverse employees. Mr. Smith’s accounting training and experience and his service as Chair of the Los Angeles Branch of the Federal Reserve Bank of San Francisco also enable him to provide valuable service as the Chair of the Compensation Committee and to the Audit Committee.

**Other Directorships:** Mr. Smith currently serves as a director of Boyd Gaming.

### **James L. Welch**

**Age:** 67      **Director Since:** 2007      **Committees:** Member of the Audit Committee; Member of the Nominating & Corporate Governance Committee; Member of the Safety & Compliance Committee

**Principal Occupation:** Retired CEO of YRC Worldwide Inc. (“YRC Worldwide”)

**Experience:** From July 2011 until his retirement in July 2018, Mr. Welch served as the CEO of YRC Worldwide, a provider of global, national and regional ground transportation services. From 2008 to July 2011, Mr. Welch served as the President and CEO of Dynamex, Inc., a provider of same-day transportation and logistics services in the United States and Canada. During 2007 and 2008, he served as Interim CEO of JHT Holdings, a holding company of multiple enterprises engaged in automotive transport and management services. From 2000 to 2007, Mr. Welch served as the President and CEO of Yellow Transportation, an international transportation services provider.

The Board nominated Mr. Welch, in part, due to his over 37 years of senior executive experience in the transportation sector, including extensive experience working with organized labor groups and labor unions. His insights have been particularly valuable to the Board as the Company has addressed labor and related issues arising in the operation of SkyWest Airlines. Mr. Welch also contributes to the Board valuable practical experience in the operation of a large enterprise, as well as the perspective of a successful entrepreneur.

**Other Directorships:** Mr. Welch currently also serves on the Boards of Schneider National and Stericycle.



## EXECUTIVE OFFICERS

In addition to Russell A. Childs, the CEO and President of the Company, whose biographical information is set forth above, the following individuals served as executive officers of the Company or its operating subsidiaries during 2021.

### **Robert J. Simmons**

**Age:** 59                    **Title:** Chief Financial Officer

Mr. Simmons is the Chief Financial Officer of the Company and its operating subsidiary, SkyWest Airlines. He is responsible for the areas of information technology, human resources, finance, accounting, treasury and investor relations for the Company and its subsidiaries.

From 2009 until his appointment as SkyWest's Chief Financial Officer in March 2015, Mr. Simmons served as a Partner with Bendigo Partners, LLC. ("Bendigo Partners"), a privately held firm focused on technology-based financial services as private equity investors and operational consultants. In his role with Bendigo Partners, he was responsible for portfolio management. He previously served as Chief Financial Officer as well as Corporate Treasurer for E\*TRADE Financial Corporation. He has more than 30 years of finance and treasury experience in various leadership positions at companies including Oracle, Iomega, and Bank of America.

Mr. Simmons holds a master's degree in business administration, with an emphasis in finance from the Kellogg Graduate School of Management at Northwestern University, and graduated magna cum laude with a bachelor's degree in international business from Brigham Young University.

### **Wade J. Steel**

**Age:** 46                    **Title:** Chief Commercial Officer

Mr. Steel is the Chief Commercial Officer of the Company and its operating subsidiary, SkyWest Airlines. He is responsible for the Company's contractual relationships with American Airlines, Inc. ("American"), Delta Air Lines, Inc. ("Delta"), United Airlines, Inc. ("United") and Alaska Airlines, Inc. ("Alaska"), development of new business opportunities with network airlines, fleet management and maintenance. He also plays a vital role in the strategic planning and development opportunities of the Company.

Mr. Steel was initially employed with the Company in March 2007 as Director of Financial Planning and Analysis and was appointed to serve as Vice President – Controller for SkyWest Airlines in 2011. From May 2014 until his appointment as Chief Commercial Officer of the Company in March 2015, he served as the Executive Vice President and acting Chief Financial Officer of the Company, with responsibility for the areas of finance, treasury, investor relations and information technology for the Company and its subsidiaries. Prior to joining the Company, Mr. Steel was employed by a public accounting firm.

Mr. Steel holds bachelor's and master's degrees in accounting from Brigham Young University and is a member of the American Institute of Certified Public Accountants. He sits on the board of Southern Airways Corporation and Saint George Regional Hospital.

### **Eric J. Woodward**

**Age:** 50                    **Title:** Chief Accounting Officer

Mr. Woodward is the Chief Accounting Officer of the Company and its operating subsidiary, SkyWest Airlines. He is responsible for the oversight of the Company's financial accounting practices, internal controls and reporting to the Securities and Exchange Commission.

Mr. Woodward was employed in various other capacities with the Company from April 2004 until April 2007 and served as the Company's Vice President – Controller from April 2007 until May 2011, when he was appointed to serve as Chief Accounting Officer of the Company. He is a certified public accountant and was employed by a public accounting firm prior to joining the Company.

Mr. Woodward holds a bachelor's and master's degree in accounting from the University of Utah, and is a member of the American Institute of Certified Public Accountants and Utah Association of Certified Public Accountants.

**Greg S. Wooley**

**Age:** 56                    **Title:** Executive Vice President Operations

Mr. Wooley is the Executive Vice President Operations of SkyWest Airlines. He is responsible for oversight of all aspects of SkyWest Airlines' operations, including safety, quality, flight operations and customer service. He also oversees SkyWest Airline's operational relationships with American, Delta, United and Alaska.

Mr. Wooley was initially employed with the Company in September 2019 as Vice President – Airport Operations until his appointment to serve as Executive Vice President Operations of SkyWest Airlines in October 2020. Prior to joining SkyWest Airlines, Mr. Wooley held various leadership positions at ExpressJet Airlines, including Vice President – Flight Operations since 2016. He has more than 25 years of aviation experience in leadership positions in airport services, in-flight and maintenance training and standards, as well as, overseeing flight operations and regulatory compliance. His years of experience make him uniquely suited for this role and have provided him with immense knowledge of the day-to-day operations of an airline.

Mr. Wooley holds a degree in aviation management.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines and periodically reviews and ratifies those guidelines, including most recently on February 8, 2022. The Corporate Governance Guidelines can be accessed at the Company's website, *inc.skywest.com*. Please note, however, that the information contained on the website is not incorporated by reference in, or considered part of, this proxy statement.

The Corporate Governance Guidelines supplement the Company's Amended and Restated Bylaws and the charters of the Board's committees. Excerpts from the principal sections of the Company's Corporate Governance Guidelines are noted below.

#### *Director Independence*

At a minimum, the Board will have a majority of directors who meet the criteria for independence as required by The Nasdaq Global Select Market.

#### *Director Qualifications*

##### *Criteria for Membership*

The Company's Nominating and Corporate Governance Committee is responsible for annually reviewing with the Board the desired skills and characteristics of directors, as well as the composition of the Board as a whole.

### *Terms and Limitations*

All directors currently stand for election each year. The Board does not believe it should establish a limit on the number of times that a director may stand for election.

### *Retirement*

Directors are required to submit their resignation from the Board when their term expires upon reaching the age of 75 years old. The Board will accept the resignation unless the Nominating and Corporate Governance Committee recommends otherwise, considering industry expertise and a continuation of value the Board anticipates such Director will provide to the Company. Directors generally will not be nominated for election following their 75<sup>th</sup> birthday.

### *Ownership of Company Stock*

Directors are required to own shares of Common Stock having a value equal to at least five times the cash component of their annual base compensation.

### *Director Responsibilities*

#### *General Responsibilities*

The basic responsibility of directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders.

#### *Oversight of Management*

The Board is responsible for encouraging the Company's management to effectively implement policies and strategies developed by the Board, and to provide dynamic leadership of the Company.

### *Board Meetings and Materials*

#### *Frequency of Meetings*

The Board has four regularly scheduled in person or virtual meetings per year. As determined necessary by the Board and in order to address the Company's needs, special meetings of the Board, including telephonic meetings, are convened from time to time.

#### *Meeting Responsibilities*

Absent extraordinary circumstances, directors of the Company should attend all Board meetings, meetings of the committee(s) on which they serve and shareholder meetings. The Board Chair is responsible for establishing the agenda for each Board meeting. Each director is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting.

### *Executive Sessions of Independent Directors*

The Company's independent directors meet in executive session regularly, generally quarterly. The independent directors may either choose one director annually to serve as the Lead Independent Director and to preside at all executive sessions or establish a procedure by which a Lead Independent Director will be selected. The independent directors of the Company chose Mr. Udvar-Hazy to serve as the Lead Independent Director, and the independent directors of the Company chose Mr. James L. Welch to succeed him as Lead Independent Director following the Meeting, as Mr. Udvar-Hazy is not standing for re-election at the Meeting.

### *Director Compensation*

The form and amount of director compensation is determined by the Board based on general principles established on the Nominating and Corporate Governance Committee's recommendation. These principles are in accordance with the policies and principles set forth in the Nominating and Corporate Governance Committee's charter and are intended to be consistent with rules established by The Nasdaq Global Select Market, including those relating to director independence and to compensation of Audit Committee members.

### *CEO Evaluation and Management Succession*

The Nominating and Corporate Governance Committee conducts an annual review to assess the performance of the Company's CEO. The Nominating and Corporate Governance Committee communicates the results of its review to the other directors in a meeting that is not attended by the CEO. The directors of the Company, excluding the CEO, review the Nominating and Corporate Governance Committee's report to assess the CEO's leadership in the long and short-term, as well as the Company's long-term succession plans.

### *Annual Evaluations*

The Board conducts an annual evaluation to determine if the Board and its committees are functioning effectively. The Nominating and Corporate Governance Committee solicits comments from all of the Company's directors and reports annually to the Board with an assessment of the Board's performance. Each of the Board's standing committees conducts an annual evaluation to assess the performance of the applicable committee.

### *Review and Access to Guidelines*

The Nominating and Corporate Governance Committee reviews the Company's Corporate Governance Guidelines at least annually, then, as it deems appropriate, recommends amendments to the Board.

### **Board Tenure and Experience**

The Board recognizes that its current members have served on the Board for various tenures, with the shortest tenure being one year and other directors having served for more than 10 years. Our Board believes that the Board represents a balance of industry, technical and financial experiences, which provide effective guidance and oversight to management. Our governance policies reflect our belief that directors should not be subject to term limits. While term limits could facilitate fresh viewpoints and ideas, we believe they are offset by the disadvantage of causing the loss of directors who over a period of time have developed insight into our strategies, operations, and risks and continue to provide valuable contributions to board deliberations. In particular, the Board believes that Mr. Atkins, who has been a director for more than 35 years, will continue to provide significant value and leadership to the Board and to the Company through his in-depth knowledge and experience in the airline industry.

Accordingly, while director tenure is taken into consideration when making nomination decisions, the Board believes that imposing mandatory limits on director tenure would unnecessarily deprive it of the valuable contributions of its most experienced members. Nonetheless, the Board strives to add new directors to infuse new ideas and fresh perspectives in the boardroom. In the past ten years, six new directors have joined the Board, with the latest, Ms. Conjeevaram, joining the Board in 2021.

## Board Diversity

The Board considers board diversity broadly, not merely with regard to race, gender, or national origin, but also with regard to general background, geographical location, differences of viewpoint, experience, education, skills and other qualities or attributes that contribute to Board diversity. The Board believes that ethnic, gender and cultural diversity among its members provides value and is important. In considering a potential new candidate, the Board considers whether the candidate would increase the Board's ethnic, gender or cultural diversity. The consideration of diversity permeates all discussions of the Nominating and Corporate Governance Committee. Additionally, on an annual basis, as part of the Board's self-evaluation process, the Board assesses whether the mix and diversity of board members is appropriate.

The following Board Diversity Matrix presents our Board diversity statistics in accordance with Nasdaq Rule 5606, as self-disclosed by our directors.

<b>Board Diversity Matrix (As of March 24, 2022)</b>		
Total Number of Directors Standing for Election	8	
	Female	Male
<b>Part I: Gender Identity</b>		
Directors	2	6
<b>Part II: Demographic Background</b>		
Asian	1	0
White	1	6

## Board Leadership Structure and Director Independence

Although the Board does not have a formal policy as to whether the roles of Board Chair and CEO should be combined or separated, from 1991 until January 2016, Jerry C. Atkin served as both Board Chair and CEO of the Company. In January 2016, the Board appointed Russell A. Childs to serve as the CEO of the Company, which resulted in the separation of the roles of Board Chair and CEO. Currently, Mr. Atkin serves as Board Chair and Mr. Childs serves as the CEO. The Board believes that such separation allows Mr. Childs to focus his time and energy on managing the Company's business on a day-to-day basis, while also leveraging Mr. Atkin's background with the Company, perspective and vast experience in the aviation industry as he devotes his time and attention to matters of Board oversight. Accordingly, the Board has determined that the Company's Board leadership structure is the most appropriate at this time, given the specific characteristics and circumstances of the Company, and the unique skills and experience of each of Mr. Atkin and Mr. Childs.

The Company is committed to independent Board oversight. Pursuant to the Company's Corporate Governance Guidelines, all of the Company's directors (other than Messrs. Atkin and Childs) meet the standards of independence applicable to the Company. The Board has designated Steven F. Udvar-Hazy as Lead Independent Director, and the independent directors of the Company chose James L. Welch to succeed him as Lead Independent Director following the Meeting, as Mr. Udvar-Hazy is not standing for re-election in 2022. The Lead Independent Director is empowered to prepare agendas for and conduct meetings of the non-management directors, communicate with the Board Chair, disseminate information to the Board, and raise issues with management on behalf of the independent directors when appropriate. The Board's independent oversight function is enhanced by the fact that the Audit, Compensation,

Nominating and Corporate Governance and Safety and Compliance Committees are comprised entirely of independent directors.

In evaluating the independence of Ms. Madden, the Board considered the matters that refer to Ms. Madden set forth under “Certain Relationships and Related Person Transactions” below and determined, in accordance with criteria established by The Nasdaq Stock Market, Ms. Madden is an independent director of the Board.

The Board believes no single leadership model is right for all companies at all times. The Board recognizes that, depending on the circumstances, other leadership models may be appropriate. The independent directors and the Nominating and Corporate Governance Committee regularly review the Company’s leadership structure and, depending on the Company’s needs and the available resources, the Board may modify the Company’s existing leadership structure.

### **Communications with the Board**

Shareholders and other interested parties may communicate with one or more directors or the non-management directors as a group in writing by regular mail. The following address may be used by those who wish to send such communications by regular mail:

**Board of Directors or Name of Individual Director(s)**  
c/o Chief Financial Officer  
SkyWest, Inc.  
444 South River Road  
St. George, UT 84790

### **Code of Ethics**

The Company has adopted a Code of Ethics for Directors and Senior Executive Officers (the “*Code of Ethics*”), which is available on the Company’s website, [inc.skywest.com](http://inc.skywest.com). The Code of Ethics includes the following principles related to the Company’s directors and executive officers:

- Act ethically with honesty and integrity;
- Promote full, fair, accurate, timely and understandable disclosure in reports and documents filed with the Securities and Exchange Commission and other public communications;
- Comply in all material respects with laws, rules and regulations of governments and their agencies;
- Comply in all material respects with the listing standards of the stock exchange where the shares of Common Stock are traded;
- Respect the confidentiality of information acquired in the course of performing work for the Company, except when authorized or otherwise legally obligated to disclose the information;
- Do not use confidential information of the Company for personal advantage or for the benefit of acquaintances, friends or relatives; and
- In order to avoid the appearance that any Company employee is trading on inside information, not engage in speculative trading such as short sales or trade in puts, calls, or other options on the Company’s or its

affiliates' stock, and not purchase or use, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of the Company's securities.

A copy of the Code of Ethics is posted to the Company's website at *inc.skywest.com*. Copies of the Code of Ethics will be provided to any shareholder upon written request to Robert J. Simmons, Chief Financial Officer of the Company, 444 South River Road, St. George, Utah 84790, Telephone: (435) 634-3200. The Company will promptly disclose any waivers of, or amendments to, certain provisions of the Code of Ethics on its website.

### **Policies Against Hedging and Pledging of Company Stock**

Pursuant to the Company's Code of Ethics, in order to avoid the appearance that any Company employee is trading on inside information, Company officers and directors are prohibited from engaging in speculative trading such as short sales or trading in puts, calls, or other options on our stock or the stock of our affiliates, and are likewise prohibited from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of our securities.

In addition, the Company's insider trading policy expressly prohibits all directors, officers and employees from purchasing or using, directly or indirectly, financial instruments that are designed to hedge or offset any decrease in the market value of the Company's securities. Pledging the Company's securities as collateral to secure loans is also prohibited.

### **Risk Oversight**

The Board and its committees are involved in overseeing risk associated with the Company and its operations. The Board and the Audit Committee monitor the Company's credit risk, liquidity risk, regulatory risk, operational risk and enterprise risk by regular reviews with management and internal and external auditors and other advisors. In its periodic meetings with the internal auditors and the Company's independent accountants, the Audit Committee discusses the scope and plan for the internal audit and includes management in its review of accounting and financial controls, assessment of business risks, legal and ethical compliance programs and related-party transactions. The Board and the Nominating and Corporate Governance Committee monitor the Company's governance and succession risk by regular review with management and outside advisors. The Board and the Compensation Committee monitor CEO succession and the Company's compensation policies and related risks by regular reviews with management and the Compensation Committee's outside advisors. The Board and the Safety and Compliance Committee monitor management's administration of airline flight operations safety and compliance with safety regulations. The Board also oversees the Company's risk management strategy related to environmental and social issues, including with respect to matters such as climate change.

### **Whistleblower Hotline**

The Company has established a whistleblower hotline that enables employees, customers, suppliers and shareholders of the Company and its subsidiaries, as well as other interested parties, to submit confidential and anonymous reports of suspected or actual violations of the Code of Ethics.

### **Environmental, Social, Governance (ESG) Approach**

#### *ESG Governance and Oversight*

The full SkyWest Board maintains responsibility for the oversight of climate risk and strategy. The Board reviews and evaluates the executive management team's climate risk assessment and strategy at least annually, and

developing environmental, social and governance matters quarterly. In addition, the Safety & Compliance committee maintains oversight over applicable climate-related operational risk and receives safety briefings semi-annually. Board direction and feedback is used by executive management in evaluating risk and establishing strategies.

For more information about our efforts in these areas, please refer to our 2022 Environmental, Social, and Governance Report, which we intend to publish and make available on the Investor Relations section of our website during the first half of 2022.

### *Environmental Strategy*

As the largest regional airline in the United States, we are committed to operating in an environmentally responsible manner; complying with all environmental laws and regulations; using natural resources efficiently; preventing pollution, where possible, and if not possible, then establishing mitigation programs to minimize environmental impact; engaging with external stakeholders to discuss commercially viable solutions to reduce emissions; and collaborating with our major airline partners in their decarbonization goals. In 2021, we implemented the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD) frameworks and reporting standards in order to enhance our climate risk evaluation, assessment, and disclosures. During 2021, we partnered with a team developing electric vertical aircraft technology with the objective to provide an environmentally friendly urban transportation solution. We also continued to invest in our fleet, by adding new, larger regional jets that have a more efficient carbon footprint per Available Seat Mile (ASM) than our older 50-seat jet fleet.

### *Social Strategy*

We are a dedicated people-first organization, providing various avenues to enhance the quality of life for our customers, employees, and communities. We know that if we take good care of our employees, they will take good care of our customers, which will result in value returned to our shareholders. SkyWest employs a workforce with a wide array of backgrounds, work styles, and talents. Recognizing, appreciating, and incorporating these unique qualities and contributions is critical to our success. Operating this way stimulates creative solutions and innovation, helps us attract top talent, and supports our mission to be the employer, investor, and partner of choice. SkyWest has always taken steps to support diverse workgroups irrespective of race, religion, gender, national origin, disability, sexual orientation, or similar classifications, and believes that all people, regardless of their background, should have an opportunity to achieve their dreams. SkyWest benefits in many ways from our commitment to diversity and inclusion, including attracting top talent, encouraging creativity, and providing exceptional service for our passengers. We seek to reflect diversity and inclusion in our culture, practices, and relationships inside and outside the company. We continue building on those foundations through a number of efforts across every spectrum of the employee experience, including hiring, training, employee recognition, and career growth and development.

## **MEETINGS AND COMMITTEES OF THE BOARD**

### **The Board**

Each director is expected to devote sufficient time, energy and attention to ensure diligent performance of his or her duties and to attend all Board, committee and shareholders' meetings. The Board met four times during 2021. All directors attended at least 75% of the aggregate number of meetings of the Board and of the committees on which he or she served during the year ended December 31, 2021, as well as the Company's Annual Meeting of Shareholders held on May 4, 2021.



## Committees of the Board

The Board has four standing committees to facilitate and assist the Board in the execution of its responsibilities: (1) Audit, (2) Compensation, (3) Nominating and Corporate Governance and (4) Safety and Compliance. The Board may, from time to time, establish or maintain additional committees as the Board deems necessary or appropriate. All the standing committees are comprised solely of non-employee, independent directors under the rules of the Securities and Exchange Commission and The Nasdaq Global Select Market listing standards. Each committee acts under a written charter setting forth its responsibilities and duties. Charters for each committee are available on the Company's website, *inc.skywest.com*, and are also available in print, free of charge, upon request. Requests for a printed copy of any committee charter should be submitted to Eric J. Woodward, Chief Accounting Officer of the Company, at 444 South River Road, St. George, Utah 84790.

The table below shows current membership for each of the standing Board committees, with each member having served on their respective Board committees throughout 2021:

<u>Audit</u>	<u>Compensation</u>	<u>Nominating &amp; Corporate Governance</u>	<u>Safety and Compliance</u>
W. Steve Albrecht* (1)	Keith E. Smith*	Steven F. Udvar-Hazy* (2)	Andrew C. Roberts*
Smita Conjeevaram	Meredith S. Madden	W. Steve Albrecht (1)	Meredith S. Madden
Andrew C. Roberts	Ronald J. Mittelstaedt	Ronald J. Mittelstaedt	Ronald J. Mittelstaedt
Keith E. Smith	Steven F. Udvar-Hazy (2)	James L. Welch	James L. Welch
James L. Welch			

\* Committee Chair in 2021

- (1) Mr. Albrecht is not standing for re-election at the Meeting and therefore will no longer serve as a member of any of the committees following the Meeting.
- (2) Mr. Udvar-Hazy is not standing for re-election at the Meeting and therefore will no longer serve as a member of any of the committees following the Meeting.

As Mr. Albrecht and Mr. Udvar-Hazy are not standing for re-election at the Meeting, the table below shows the proposed membership for each of the standing Board committees following the Meeting:

<u>Audit</u>	<u>Compensation</u>	<u>Nominating &amp; Corporate Governance</u>	<u>Safety and Compliance</u>
Keith E. Smith*	Ronald J. Mittelstaedt*	James L. Welch*	Andrew C. Roberts*
Smita Conjeevaram	Smita Conjeevaram	Smita Conjeevaram	Meredith S. Madden
Andrew C. Roberts	Meredith S. Madden	Ronald J. Mittelstaedt	Ronald J. Mittelstaedt
Meredith S. Madden	Andrew Roberts	Keith E. Smith	James L. Welch
James L. Welch	Keith E. Smith		

\* Proposed Committee Chair

### *Audit Committee*

The Audit Committee has five members and met seven times during the year ended December 31, 2021. The Board has determined that Mr. W. Steve Albrecht, Chair of the Audit Committee, and Mr. Keith E. Smith, who will succeed Mr. Albrecht as Chair of the Audit Committee following the Meeting, are "audit committee financial experts" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Audit Committee's responsibilities, which are discussed in further detail in its charter, include the responsibility to:

- Establish and implement policies and procedures for review and approval of the appointment, compensation and termination of the independent registered public accounting firm;
- Review and discuss with management and the independent registered public accounting firm the audited financial statements of the Company and the Company's financial disclosure practices;
- Pre-approve all audit and permissible non-audit fees;
- Provide oversight of the Company's internal auditors;
- Hold meetings and executive sessions periodically with the Company's independent registered public accounting firm, the Company's internal auditors and management to review and monitor the adequacy and effectiveness of the Company's financial reporting, internal controls and risk assessment and compliance with Company policies;
- Review the Company's consolidated financial statements and related disclosures;
- Review with management and the Company's independent registered public accounting firm and approve disclosure controls and procedures and accounting principles and practices; and
- Perform other functions or duties deemed appropriate by the Board.

Additional information regarding the Audit Committee's processes and procedures is addressed below under the heading "Report of the Audit Committee."

#### *Compensation Committee*

The Compensation Committee currently has four members, and following the Meeting will have five members, and met three times during the year ended December 31, 2021. The Compensation Committee's responsibilities, which are discussed in detail in its charter, include the responsibility to:

- In consultation with the Company's senior management, establish the Company's general compensation philosophy and oversee the development and implementation of the Company's compensation programs;
- Recommend to the Board the base salary, incentive compensation and any other compensation for the Company's CEO and review and approve the CEO's recommendations for the compensation of all other officers of the Company;
- Administer the Company's incentive and stock-based compensation plans, and discharge the duties imposed on the Compensation Committee by the terms of those plans;
- Review and approve any severance or termination payments proposed to be made to any current or former officer of the Company;

- Prepare and issue the report of the Compensation Committee required by the rules of the Securities and Exchange Commission; and
- Perform other functions or duties deemed appropriate by the Board.

Additional information regarding the Compensation Committee's processes and procedures for consideration of executive compensation are addressed below under the Heading "Compensation Discussion and Analysis." The report of the Compensation Committee is set forth on page 37 of this Proxy Statement.

#### *Compensation Committee Interlocks and Insider Participation*

Keith E. Smith, Meredith S. Madden, Ronald J. Mittelstaedt, Steven F. Udvar-Hazy and, prior to his departure from the Board at the 2021 annual meeting, Henry J. Eyring, served as members of the Compensation Committee during the year ended December 31, 2021. None of the individuals who served on the Compensation Committee during the year ended December 31, 2021 was an officer or employee of the Company in 2021 or any time prior thereto. None of the members of the Compensation Committee during the year ended December 31, 2021 had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K promulgated under the Exchange Act, except the Company's routine purchases of spare aircraft parts from NORDAM, an entity affiliated with Ms. Madden, set forth under "Certain Relationships and Related Person Transactions" below. None of the executive officers of the Company served as a member of the Compensation Committee or of any similar committee of any other company whose executive officer(s) served as a director of the Company.

#### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee has four members and met two times during the year ended December 31, 2021. The Nominating and Corporate Governance Committee's responsibilities, which are discussed in detail in its charter, include the responsibility to:

- Develop qualifications and criteria for selecting and evaluating directors and nominees;
- Consider and propose director nominees;
- Make recommendations to the Board regarding Board compensation;
- Make recommendations to the Board regarding Board committee memberships;
- Develop and recommend to the Board corporate governance guidelines;
- Facilitate an annual assessment of the performance of the Board and each of its standing committees;
- Consider the independence of each director and nominee for director; and
- Perform other functions or duties deemed appropriate by the Board.

#### *Nomination Process*

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted shareholder recommendations for candidates to serve as directors of the Company on the same basis as

recommendations received from any other source. In evaluating those recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria described below. Any shareholder wishing to recommend a candidate for consideration by the Nominating and Corporate Governance Committee should submit a recommendation in writing indicating the candidate's qualifications and other relevant biographical information and provide confirmation of the candidate's consent to serve as a director. This information should be addressed to Jerry C. Atkin, Board Chair of the Company, 444 South River Road, St. George, Utah 84790.

As contemplated by the Company's Corporate Governance Guidelines, the Nominating and Corporate Governance Committee reviews the appropriate skills and characteristics required of directors in the context of the current composition of the Board at least annually. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating and Corporate Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of the Board may vary in light of its composition and the Nominating and Corporate Governance Committee's perceptions about future issues and needs. Among the factors the Nominating and Corporate Governance Committee considers, which are outlined in the Corporate Governance Guidelines, are independence, diversity, age, skills, integrity and moral responsibility, policy-making experience, ability to work constructively with the Company's management and directors, capacity to evaluate strategy and reach sound conclusions, availability of time and awareness of the social, political and economic environment.

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating director nominees. The Nominating and Corporate Governance Committee assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through various means, including current directors, professional search firms, shareholder recommendations or other referrals. Candidates are evaluated at meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. All director-nominee recommendations which are properly submitted to the Nominating and Corporate Governance Committee are aggregated and considered by the Nominating and Corporate Governance Committee at a meeting prior to the issuance of the proxy statement for the next annual meeting of shareholders. Any materials provided by a shareholder in connection with the recommendation of a director candidate are forwarded to the Nominating and Corporate Governance Committee, which considers the recommended candidate in light of the director qualifications discussed above. The Nominating and Corporate Governance Committee also reviews materials provided by professional search firms, if applicable, or other parties in connection with a candidate who is not proposed by a shareholder. In evaluating such recommendations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board. The Nominating and Corporate Governance Committee has, on occasion, engaged professional search firms to assist in identifying qualified candidates for Board service. When such firms have been engaged, the Nominating and Corporate Governance Committee has utilized their services principally for the purpose of identifying and screening potential candidates and conducting background research; however, the members of the Nominating and Corporate Governance Committee, as well as other directors of the Company, have conducted interviews with prospective candidates and have performed other functions in completing the nomination process.

### *Safety and Compliance Committee*

The Safety and Compliance Committee has four members and met twice during the year ended December 31, 2021. The responsibilities of the Safety and Compliance Committee, which are discussed in detail in its charter, include the responsibility to:

- Review and make recommendations to the Board addressing airline flight operations, safety and compliance with safety regulations;
- Periodically review with the Company's management, and such advisors as the Safety and Compliance Committee deems appropriate, aspects of flight operations, safety and compliance with safety regulations; and
- Monitor and provide input with respect to management's efforts to create and maintain a safety culture within the Company's operations.

## COMPENSATION DISCUSSION AND ANALYSIS

The following compensation discussion and analysis provides information regarding the Company's executive compensation objectives, principles, practices and decisions as they relate to the following named executive officers of the Company (the "*Named Executives*") for 2021:

- Russell A. Childs, CEO and President of the Company and its operating subsidiary, SkyWest Airlines (the "*Chief Executive*");
- Robert J. Simmons, Chief Financial Officer of the Company and its operating subsidiary, SkyWest Airlines;
- Wade J. Steel, Chief Commercial Officer of the Company and its operating subsidiary, SkyWest Airlines;
- Eric J. Woodward, Chief Accounting Officer of the Company and its operating subsidiary, SkyWest Airlines; and
- Greg S. Wooley, Executive Vice President Operations of SkyWest Airlines.

This compensation discussion and analysis provides narrative perspective to the tables and disclosure in the tables following this section.

### Current Year Accomplishments

COVID-19, declared a global health pandemic by the World Health Organization in March 2020, significantly impacted the airline industry and the Company in 2020. In 2021, SkyWest and its major airline partners experienced an increase in demand for air travel as a result of the ongoing demand recovery from COVID-19. The Company's flight schedules and block hour production improved in 2021, including a block hour increase of 36% from 2020. The Company's total revenue increased \$586 million, or 28% over the same comparable periods. The increase in revenue from the ongoing COVID-19 demand recovery was the primary factor in the Company's income before income taxes of \$150.6 million in 2021 compared to the loss before income taxes of \$7 million in 2020 under generally accepted accounting principles in the United States ("GAAP").

In 2021 and 2020, the Company increased its liquidity by entering into three payroll support program agreements (the "Payroll Support Program Agreements") with the U.S. Department of the Treasury ("Treasury") that provided \$518 million in payroll relief payments during 2021 and \$451 million in 2020. As partial consideration for receiving relief under the Payroll Support Program Agreements, the Company agreed to limit total compensation on its Named Executives and certain other officers (see "Limitations on Compensation" below).

The Company made great strides in 2021 to position itself for the COVID-19 demand recovery under the leadership of Mr. Childs. The Company's cash and marketable securities balance increased from \$826 million at the end of 2020 to \$860 million at the end of 2021. The Company's total debt balance decreased from \$3.2 billion at the end of 2020 to \$3.1 billion at the end of 2021. The Company also executed several fleet initiatives in 2021 to position the Company for long-term profitability, including:

- Took delivery of 18 Embraer E175 aircraft under a long-term capacity purchase agreement with American Airlines ("American"). SkyWest financed these aircraft through long-term debt.

- Took delivery of one new Bombardier CRJ900 aircraft under a long-term capacity purchase agreement with Delta Air Lines (“Delta”). Delta financed the aircraft.
- Placed 25 used CRJ700 aircraft into service with American in 2021.
- Scheduled to take delivery of 29 new Embraer E175 aircraft in 2022 and 2023 under long-term capacity purchase agreements with American, Delta, and Alaska Airlines (“Alaska”). The aircraft are scheduled for service in 2022 and 2023. The Company anticipates financing the aircraft through long-term debt.

Although COVID-19 transition challenges are expected to continue into 2022, including staffing challenges during the demand recovery, the Board believes these accomplishments will position the Company well for improved financial performance in future years.

### **Compensation Objectives and Principles**

The overall objective of the Company’s executive compensation programs is to create long-term value for the Company’s shareholders by attracting and retaining talented executives that effectively manage the Company in a manner that is consistent with the long-term interest of shareholders.

Accordingly, the executive compensation program incorporates the following principles:

- The overall compensation package should encourage long-term focus and shareholder value creation;
- A significant amount of total compensation should be incentive based, and should correlate rewards with the Company’s financial performance, as well as the achievement of operational objectives;
- Compensation should be competitive with other airlines in order to attract and retain talented executives;
- Compensation should be based upon individual responsibility, leadership ability and experience; and
- Compensation should not encourage the taking of undue risk that could cause material harm to the Company.

All of the Named Executives’ total annual target compensation for 2021 was set below the median for total annual target compensation based on the most recent peer group analysis available to our Compensation Committee at the time of setting 2021 compensation, as further described below.

### **The Compensation Setting Process**

*Role of the Compensation Committee.* The Compensation Committee has responsibility for establishing and monitoring the executive compensation programs and for making decisions regarding executive compensation. The Chief Executive regularly attends the Compensation Committee meetings, and the Compensation Committee also meets regularly in executive sessions. The Chief Executive is not present for deliberations by the Compensation Committee regarding his compensation. The Compensation Committee recommends the Chief Executive’s compensation to the Board, which then reviews and approves the Committee’s recommendation, unless the Committee is required to approve such compensation under applicable law. The Compensation Committee also considers the recommendations of the Chief Executive with respect to compensation of the other Named Executives, and after reviewing such recommendations, determines their compensation. The Compensation Committee also monitors, administers and approves awards under the various incentive compensation plans for all levels within the Company, including awards

under the Company's annual cash incentive plan and 2019 Long-Term Incentive Plan (the "2019 Plan"). As permitted by the 2019 Plan, the Compensation Committee has delegated its authority to the Chief Executive to approve interim awards under the 2019 Plan to non-executives on a limited basis between meetings of the Compensation Committee.

*Role of Consultants.* During 2020 and 2021, the Company and the Compensation Committee received advice from Frederic W. Cook & Co., Inc. ("F.W. Cook") with respect to executive compensation practices within the airline and related transportation and logistics industries using data from the peer group listed below. The Company and the Compensation Committee retained F.W. Cook to advise on the amounts and forms of compensation awarded to Named Executives in 2020 and 2021. After conducting an evaluation using the factors established by the Securities and Exchange Commission and The Nasdaq Global Select Market, the Compensation Committee determined that F.W. Cook is independent and that there is no conflict of interest resulting from the engagement of F.W. Cook during 2021. The Compensation Committee has sole authority to hire and fire external compensation consultants.

*Industry Compensation Data.* The Compensation Committee evaluates data regarding the executive compensation programs of other air carriers, as well as other transportation and logistics companies, in order to determine the competitiveness of the Company's executive compensation programs. The Compensation Committee performed such a review in November 2019, which included a review of the executive compensation levels and practices at peer companies where SkyWest approximates the median in enterprise value and market capitalization. A peer review has not been conducted since November 2019 due to limitations on compensation imposed under the Company's Payroll Support Program Agreements with U.S. Treasury that began in March 2020 (see "Limitations on Compensation" below). The peer group used in the last review included Allegiant Travel Company, ArcBest Corporation, Atlas Air Worldwide Holdings, Inc., Echo Global Logistics, Inc., Hawaiian Holdings, Inc., Hub Group, Inc., Kansas City Southern, Kirby Corporation, Knight-Swift Transportation Holdings, Inc., Matson, Inc., Old Dominion Freight Line, Inc., Spirit Airlines, Inc. and Werner Enterprises, Inc.

*Compensation Determination.* The Compensation Committee relies on its judgment in making compensation decisions in addition to reviewing relevant information and results. When setting total compensation for each of the Named Executives, the Compensation Committee reviews tally sheets which show the Named Executive's current compensation, including base pay, annual cash incentive objectives, long-term, equity-based compensation objectives, and deferred compensation retirement funding. The executive compensation procedures and the Compensation Committee assessment process take into account these tally sheets as well as the industry compensation data described above, company performance, the results of the most recent say-on-pay vote, performance expected in the current and upcoming years, and such other factors as the Compensation Committee determines are appropriate. The Compensation Committee has the sole discretion to award compensation and make adjustments to awards based on its review of relevant information and other unusual or non-recurring items.

The Company does not target specific pay levels and uses the peer company market data for context. The Company's directors rely upon their judgment in making compensation decisions, after reviewing the factors described above. Competitive compensation paid by other companies is one of the many factors that the Company considers in assessing the reasonableness of compensation and the Company does not attempt to maintain a certain target percentile within a peer group.

The Company strives to achieve an appropriate mix between long-term equity incentive awards and cash payments in order to meet its objectives. The Company's mix of compensation elements is designed to reward recent results, align compensation with shareholder interests and fairly compensate executives through a combination of cash and equity incentive awards.

*Compensation Committee Consideration of Shareholder Advisory Vote.* At the Company's Annual Meeting of Shareholders held in May 2021, the Company submitted the compensation of its named executive officers to the



Company's shareholders in a non-binding vote. The Company's executive compensation program received the support of more than 98% of votes cast. The Compensation Committee considered the results of the 2021 vote and views the outcome as evidence of positive shareholder support of its executive compensation decisions and policies.

The Compensation Committee continued to refine the Company's executive compensation program during 2021 in an effort to better align the compensation of the Named Executives with the executive compensation programs at other regional carriers and major airlines and also to recognize the effects of the COVID-19 pandemic. The Compensation Committee will continue to review comparable company information and future shareholder voting results, including the voting results with respect to "Proposal 2—Advisory Vote on Named Executive Compensation" described in this Proxy Statement, and determine whether to make any changes to the Company's executive compensation program in light of such data and voting results.

### **Limitations on Compensation**

During 2020 and 2021, the Company entered into the Payroll Support Program Agreements with U.S. Treasury that provided certain payroll support relief payments. Under the terms of the Payroll Support Program Agreements, the total compensation of SkyWest's corporate officers whose total compensation exceeded \$425,000 in calendar year 2019 is limited during any 12 consecutive month period beginning March 24, 2020 through April 1, 2023 to the total compensation such officer received in 2019, as defined under the Payroll Support Program Agreements. Additionally, for any corporate officer whose total compensation exceeded \$3.0 million in calendar 2019, the total compensation in excess of \$3.0 million in 2019 is further limited by 50% of such excess for such applicable officer.

### **Elements of Compensation**

The Company's executive compensation objectives and principles are implemented through the use of the following principal elements of compensation, each discussed more fully below:

- Salary
- Annual Cash Incentive
- Long-Term Incentive Awards
- Retirement and Other Benefits

The compensation components for each Named Executive for 2021 are more fully described in the following paragraphs.

**Salary.** Salary is provided with the objective of paying for the underlying role and responsibility associated with the Named Executive's position, which the Compensation Committee believes allows the Company to attract and retain qualified executives. The Named Executives' salaries are set at levels that the Compensation Committee believes are generally competitive with the compensation paid to officers in similar positions at other airlines. Salary adjustments are considered annually and influenced by growth of the Company's operations, individual performance, changes in responsibility, changes in cost of living, and other factors. The Named Executives total compensation was also impacted by compensation restrictions agreed to by the Company under the Payroll Support Program Agreements. Messrs. Childs, Simmons, Steel, and Woodward's base salaries for 2021 were the same as their respective salaries in 2019. Mr. Wooley was provided a \$29,071 increase to his base salary for 2021 over his respective 2020 base salary, as a result of his promotion during the 2020 calendar year. The salaries of the Named Executives are set forth in the Summary

Compensation Table immediately following this section. The salaries of all Named Executives in 2021 were below the median salary level of similar positions from the 2019 peer group review.

**Annual Cash Incentive.** In an effort to encourage achievement of the Company's objectives, an annual performance-based cash incentive plan is maintained for the Named Executives. The combination of salary and annual cash incentives is intended to result in a cash compensation package for each Named Executive that, when performance objectives are met, falls within competitive market standards as determined by the Compensation Committee based on its 2019 review of the peer group company data, as well as its understanding of other regional and major air carrier executive compensation programs. The 2021 total cash opportunity of the Named Executives, consisting of salary plus target cash incentive, was below the median for all Named Executives from the 2019 peer group review.

The purpose of the annual cash incentive program is to reward the Named Executives with an annual cash incentive in an amount that correlates (i) in part, to one or more financial objectives achieved for the year; and (ii) in part, to the achievement of one or more specific operational objectives during the year. The 2021 annual target incentive opportunity was 110% of salary for Mr. Childs, 80% of salary for Messrs. Simmons, Steel, and Wooley, and 60% of salary for Mr. Woodward, and their potential annual incentive was allocated by the Compensation Committee for the Named Executives between the applicable financial and operational objectives. The differing percentages for the Named Executives are due to differing entity level responsibilities.

*2021 Corporate Performance Objectives.* For 2021 annual incentive purposes, the Compensation Committee determined that pre-tax earnings would be the financial objective and that controllable completion and controllable on time departures would be the operational objectives. These are viewed as value drivers for shareholders that are also in the control of the executive team through their financial and operating decisions and leadership. In the case of Messrs. Childs, Simmons, Steel and Woodward, the applicable pre-tax earnings objective and controllable completion objective were based on the pre-tax earnings and controllable completion of the entire Company. This is because they are corporate level executives with Company-wide responsibility and accountability. Mr. Wooley's pre-tax earnings objective, controllable completion objective and controllable on time departure objective were set solely based on the SkyWest Airlines operating segment, since this is his area of responsibility and accountability.

- *2021 Financial Objective.* In setting the 2021 pre-tax earnings objective, the Compensation Committee considered both the planned 2021 budget, as well as the level of pre-tax earnings that would reflect strong performance and generate shareholder value. The pre-tax earnings objective was set to encourage continued focus on profitability and to facilitate the exchange of best practices between the Company's operating subsidiaries.
- *2021 Operational Objective.* A portion of the Named Executives' annual cash incentives is based on achievement of operating objectives established at the start of the year. The Compensation Committee believes the use of operating objectives allows for consideration of operating execution and achievements that may not be reflected by corporate financial performance. For 2021, the Compensation Committee determined that the operational objectives would be tied to both controllable completion and controllable on time departures. Controllable completion is the percentage of completed scheduled flights over which SkyWest Airlines had control, excluding cancelled flights due to uncontrollable factors such as weather. Controllable on time departures is the percentage of flights departing the gate at or before scheduled departure time over which SkyWest Airlines had control, excluding delayed flights due to uncontrollable factors such as weather.

The Compensation Committee established threshold, target and maximum objectives for each of the financial and operational objectives. At threshold performance achievement, the Named Executives were able to earn 50% of their

target annual incentive, while the maximum performance allowed by the Named Executives to earn 200% of their target annual incentive.

At year-end, the Compensation Committee reviewed the actual pre-tax earnings and operating performance for the year and determined the extent to which the applicable objectives were met. The actual amount of the cash incentive payment for each Named Executive is determined by the Compensation Committee based on the Company's and/or SkyWest Airlines' achievement of the foregoing objectives and the actual cash incentives paid for 2021 were based on the pre-established 2021 cash incentive formula.

The table below includes the "threshold," "target" and "maximum" objectives assigned by the Compensation Committee for the corporate performance measures for 2021 and the 2021 performance relative to those objectives for the Named Executives (dollars in millions).

	2021 Annual Cash Incentive Objectives				Achieved	Interpolated Payout	Weight	Weighted Payout
	Threshold	Target	Maximum					
<b><u>SkyWest, Inc.</u></b>								
Pre-tax Earnings (Loss) (\$ millions). . . . .	\$ 6	\$ 36	\$ 66	\$ 150.6	200.0 %	70.0 %	140.0 %	
Operating Objective – Controllable completion . . . . .	99.6 %	99.8 %	99.9 %	99.91 %	200.0 %	20.0 %	40.0 %	
Operating Objective – Controllable on-time departures. . . . .	82.0 %	85.0 %	88.0 %	83.20 %	70.00 %	10.0 %	7.0 %	
Total Annual Cash Incentive Results (% of Target)							187.0 %	
<b><u>SkyWest Airlines</u></b>								
Pre-tax Earnings (Loss) (\$ millions). . . . .	\$ (121)	\$ (91)	\$ (61)	\$ 4.3	200.0 %	70.0 %	140.0 %	
Operating Objective – Controllable completion . . . . .	99.6 %	99.8 %	99.9 %	99.91 %	200.0 %	20.0 %	40.0 %	
Operating Objective – Controllable on-time departures. . . . .	82.0 %	85.0 %	88.0 %	83.20 %	70.0 %	10.0 %	7.0 %	
Total Annual Cash Incentive Results (% of Target)							187.0 %	

The Company achieved GAAP pre-tax earnings of \$150.6 million in 2021. For purposes of the 2021 annual incentive plan payouts, the Company's GAAP results for 2021 included \$84.6 million of a non-cash impairment charge that was not included in the target setting process. Although an adjustment to the GAAP pre-tax earnings for the impairment charge would have resulted in higher pre-tax income for SkyWest, Inc. and for SkyWest Airlines in 2021, such adjustment would not have changed the annual cash incentives results and was not reflected as an adjustment to the results in the table above for annual incentive plan purposes.

If the Company's pre-tax earnings or operating objective achieved results were between two achievement levels, "threshold," "target" and "maximum", the earned achievement was determined by linear interpolation between the applicable achievement levels.

The corresponding annual cash incentive payments earned for each Named Executive based on performance during the year ended December 31, 2021, are set forth below.

	Target Annual Cash Incentive (% of Salary)	Target Annual Cash Incentive (\$)	Total Annual Cash Incentive Results (% of Target)	Total Annual Cash Incentive (Based on Results) (\$)	Total Annual Cash Incentive Results (after Reduction Due to Payroll Support Agreement Limitations) (\$)
Russell A. Childs. . . .	110.0 %	\$ 550,000	187.0 %	\$ 1,028,500	\$ 285,000
Robert J. Simmons . .	80.0 %	\$ 276,000	187.0 %	\$ 516,120	\$ 320,000
Wade J. Steel. . . . .	80.0 %	\$ 268,000	187.0 %	\$ 501,160	\$ 312,000
Eric J. Woodward . . .	60.0 %	\$ 126,600	187.0 %	\$ 236,742	\$ 126,600
Greg S. Wooley. . . . .	80.0 %	\$ 168,000	187.0 %	\$ 314,160	\$ 195,000

*Amount of 2021 Performance-Based Annual Cash Incentive.* The total annual performance-based cash incentive amounts earned by the Named Executives for 2021 are included in the amounts shown in the Summary Compensation Table below under the caption heading “Non-Equity Incentive Plan Compensation.” Due to the executive compensation limitations under the Company’s Payroll Support Program Agreements, the total annual cash incentives paid to each named executive officer were reduced to the following levels: \$285,000 for Mr. Childs, \$320,000 for Mr. Simmons, \$312,000 for Mr. Steel, \$126,600 for Mr. Woodward and \$195,000 for Mr. Wooley.

**Long-Term Incentive Awards.** The Company generally grants long-term incentive awards, in the form of restricted stock units and performance shares, to the Named Executives annually. No restricted stock units were granted to the Named Executives during 2021. Long-term incentive awards are made to encourage the Named Executives to continue their engagement with the Company throughout the vesting periods of the awards and to align management and shareholder interests. In making awards to the Named Executives, the grant size and the appropriate mix of equity-based awards are considered. The Compensation Committee generally grants long-term incentive awards at its first meeting of each year. Long-term incentive awards generally vest only if the Named Executive remains employed by the Company for three years from the date of grant. The three-year cliff-vesting schedule is to assist with retaining Named Executives and to encourage the Named Executives to focus on the Company’s long-term performance. Equity incentive awards granted during 2021 accelerate vesting under certain circumstances, as described in the section Potential Payments upon Termination or Change in Control.

*Amount and allocation of grant—*For 2021, the total annual targeted long-term incentive grant value was \$2,300,000 for Mr. Childs, \$800,000 for Mr. Simmons, \$800,000 for Mr. Steel, \$275,000 for Mr. Woodward, and \$473,000 for Mr. Wooley. The Compensation Committee established these annual targeted amounts to provide a competitive target total compensation when combined with the salary and target bonus that was above the 25<sup>th</sup> percentile but below the median based on the peer data available to the Compensation Committee at that time. The equity award is to ensure that a material portion of each Named Executive’s compensation was based on continuing long-term service and correlated to the creation of shareholder value. Each Named Executive’s 2021 long-term incentive award was in the form of performance shares. The target value of 2021 equity compensation was generally below the median of the 2019 peer data reviewed by the Compensation Committee for all Named Executive Officer positions.

Performance share grants in 2021 were made pursuant to the Company’s 2019 Plan, as shown in greater detail below and in the table labeled “Grants of Plan Based Awards.”

The following table summarizes the number and nature of long-term incentive awards granted to the Named Executives by the Company in 2021.

	Performance Vesting Awards “Target” Performance Shares (1)
Russell A. Childs . . . . .	51,259
Robert J. Simmons . . . . .	17,829
Wade J. Steel . . . . .	17,829
Eric J. Woodward . . . . .	6,129
Greg S. Wooley . . . . .	10,542

(1) Number of performance shares if 100% of target is achieved, although the threshold earnout is 50% of target and the maximum earnout is 250% of target.

### *Performance Shares*

*Performance Share Awards Granted in 2021.* Each Named Executive’s 2021 annual long-term incentive compensation was granted in the form of performance shares payable in Common Stock under the 2019 Plan. The purpose of the performance share awards is to reward achievement of the Company’s annual financial plan, which the Company believes will also support shareholder value achievement. Under each Named Executive’s 2021 performance shares award, a number of performance shares will vest on December 31, 2023 (subject to the Named Executive’s continued employment through such date), based on the achievement of certain corporate performance objectives.

Under the 2021 awards, the Company’s performance against established performance metrics will be measured against objectives established for each of 2021 and 2022, with the resulting number of “earned” shares eligible to vest on December 31, 2023, subject to continued employment through that date (the “2021 PSU Awards”). The 2021 award performance metrics are based on earnings before interest, taxes, depreciation and amortization (“EBITDA”) per share, return on invested capital, and average controllable completion for each of the performance years. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For purposes of the 2021 performance awards, return on invested capital for any calendar year is defined as the Company’s adjusted operating income for such year divided by the Company’s average invested capital for such calendar year.

The Compensation Committee’s philosophy for setting performance share targets is to set target awards that reflect the budget (the budget expectation is for a growth rate that is above the median), and maximum targets that will be difficult for the Named Executives to achieve on a consistent basis. For the 2021 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 50% to each year, and then for each year’s performance, 40% to the EBITDA per share objective, 40% to the average return on invested capital objective and 20% to the average controllable completion in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 250% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s).

The corporate objectives for the 2021 PSU Awards for each Named Executive were based on Company-wide performance, with no individual component or subsidiary-level objectives, in order to encourage teamwork and a collective focus on the creation of long-term value for the Company's shareholders. In determining the degree to which the corporate objectives have been attained, the Company's performance will be adjusted for unusual or non-recurring items.

Actual results for the 2021 PSU Awards will be measured over each one-year period for 2021 and 2022. Based on the Company's 2021 performance measured against the metrics for 2021, the Company achieved maximum performance and 250% of the 50% of such awards corresponding to 2021 performance, or 125% of the total target PSUs subject to such awards, will pay out upon vesting.

*Performance Share Awards Granted in 2019.* For purposes of the performance share awards granted in 2019, which were eligible to vest based on corporate performance during the three-year performance period ending December 31, 2021 (the "2019 PSU Awards"), the Compensation Committee set three-year performance share objectives, based on cumulative three-year EBITDA per share, three-year average return on capital objectives and three-year average controllable completion. Under each Named Executive's performance share award, the performance shares are eligible to vest (and be settled in shares of Common Stock) upon completion of a three-year performance period (subject to the Named Executive's continued employment through the last day of the performance period), based on the level of EBITDA per share, adjusted return on invested capital and controllable completion actually attained in aggregate over the 2019 to 2021 calendar years.

For the 2019 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 40% to the cumulative three-year EBITDA per share objective, 40% to the three-year average return on invested capital objective and 20% to the three-year average controllable completion in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s).

In February 2022, the Compensation Committee determined the Company's achievement relative to the objectives previously established for the 2019 PSU Awards as follows (see Appendix A to this proxy statement on page 59 for a reconciliation of certain 2021, 2020, and 2019 non-GAAP financial measures used to calculate the achievement levels described below for the most directly comparable financial measures prepared in accordance with GAAP):

	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>Achieved Performance</u>
EBITDA per Share (1) . . . . .	\$ 50.90	\$ 53.23	\$ 55.56	\$ 46.88
Average Return on Invested Capital (2) . . . .	16.3 %	16.9 %	17.5 %	14.2 %
Controllable Completion. . . . .	99.6 %	99.8 %	99.9 %	99.9 %

- (1) EBITDA per share for the three-year period ending December 31, 2021 was adjusted in 2019 for special items primarily associated with the gain on sale of ExpressJet and the write-off of non-cash aircraft manufacturer part credits to settle future aircraft lease return obligations, adjusted in 2020 for the deferred revenue on fixed cash payments received under capacity purchase agreements, and adjusted in 2021 for the non-cash impairment charge and deferred revenue on fixed cash payments received under capacity purchase agreements.

- (2) Represents the average return on invested capital for 2019, 2020 and 2021 using adjusted operating income in 2019 for special items related to the gain on sale of ExpressJet and the write-off of aircraft manufacturer part credits, adjusted operating income in 2020 for the deferred revenue on fixed cash payments received under capacity purchase agreements, and adjusted operating income in 2021 for the non-cash impairment charge and deferred revenue on fixed cash payments received under capacity purchase agreements. For purposes of the 2019 PSU Awards, return on invested capital for any calendar year was defined as the Company's adjusted operating income for such year divided by the Company's average invested capital for such calendar year.

As a result of the foregoing, in February 2022, the Named Executives vested in 40% of the target number of performance shares relative to the 2019 PSU Awards as follows: Mr. Childs, 10,898 shares; Mr. Simmons, 3,840 shares; Mr. Steel, 3,840 shares; and Mr. Woodward, 1,229 shares. Mr. Wooley's 1,632 shares will vest in September 2022.

*Long-Term Incentive Awards for 2022.* For 2022, the Compensation Committee again determined to grant all of the long-term incentive awards to the Named Executives in the form of performance shares. The long-term incentive performance metrics applicable to the performance shares granted in 2022 did not significantly change from the performance metrics used for purposes of the 2021 long-term incentive awards, however the measurement period was changed from two one-year measurement periods to three one-year measurement periods. Under the 2022 awards, the Company's performance against these performance metrics will be measured against objectives established for each 2022, 2023, and 2024, with the resulting number of "earned" shares eligible to vest on December 31, 2024, subject to continued employment through that date. The 2022 long-term incentive awards will be eligible for accelerated vesting on terms substantially similar to the 2021 PSU Awards, as described above. The Compensation Committee implemented these changes to better align the long-term incentive awards granted to the Named Executives with the creation of long-term shareholder value.

#### **No Employment and Severance Agreements**

The Named Executives do not have employment, severance or change-in-control agreements, although the vesting of long-term equity incentive awards may accelerate under certain circumstances, as described below under "Elements of Compensation – Long-Term Incentive Awards." The Named Executives serve at the will of the Board, which enables the Board to terminate the employment of any Named Executive with discretion as to the terms of any severance. This is consistent with the Company's performance-based employment and compensation philosophy.

*Acceleration of Long-Term Incentive Awards.* With respect to long-term incentive awards granted to the Named Executives, such awards will vest on an accelerated basis under certain circumstances.

Specifically, restricted stock unit awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, or (ii) in the event of the Named Executive's death.

Performance share awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's death prior to a change in control, as to the "target" number of performance shares subject to the award on the date of death and as to any incremental performance shares above "target" based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the performance period (or, if earlier, a change in control of the Company), (ii) in the event of the Named Executive's death following a change in control, any "vesting eligible shares" (as described below) will vest upon the date of death, (iii) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case prior to a change in control, the Named Executive will remain eligible to vest in such number of performance shares as ultimately vest based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the applicable performance period (or, if earlier, a change in control of the Company), which vesting will be

prorated for the portion of the three-year period covered by such awards that has elapsed prior to the date of termination, or (iv) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case following a change in control, any vesting eligible shares will vest upon the date of such termination. For purposes of the performance shares, in the event of a change in control of the Company, the performance shares will be converted into a number of "vesting eligible shares" that will vest at the end of the three-year period covered by such awards based on the greater of (i) the "target" number of performance shares subject to the award, or (ii) the number of performance shares that would vest if performance had been measured against the corporate performance objectives as of the date of the change in control.

## **Retirement and Other Benefits**

The Company and SkyWest Airlines sponsor a 401(k) retirement plan for their eligible employees, including the Named Executives. The 401(k) retirement plan is a broad based, tax-qualified retirement plan under which eligible employees, including the Named Executives, may make annual pre-tax salary reduction contributions subject to the various limits imposed under the Internal Revenue Code of 1986, as amended (the "*Code*"). The sponsoring employer makes matching contributions under the plan on behalf of eligible participants; however, the right of Named Executives and other officers to such matching contributions is limited. The Compensation Committee believes that maintaining the 401(k) retirement plan and providing a means to save for retirement is an essential part of a competitive compensation package necessary to attract and retain talented executives.

The Company also maintains the SkyWest, Inc. 2002 Deferred Compensation Plan, a non-qualified deferred compensation plan for the benefit of officers and other highly compensated employees (the "*Deferred Compensation Plan*"). All of the Named Executives participate in the Deferred Compensation Plan. Under the Deferred Compensation Plan, the employer credits each Named Executive's account with a discretionary employer contribution equal to 15% of salary and annual cash incentive. These amounts are included in the Summary Compensation Table under the column "All Other Compensation". Additional information on the Deferred Compensation Plan is found in the section "Non-Qualified Deferred Compensation for 2021" below. The purpose of the Deferred Compensation Plan is to attract and retain executive talent by assisting with building retirement assets over the course of their career with the Company.

The Deferred Compensation Plan also permits eligible executives, including the Named Executives, to elect in advance of each calendar year to defer up to 100% of their cash salary and annual cash incentive compensation for the year. Only Mr. Simmons elected to defer any portion of his salary or annual cash incentive for 2021.

The Company and its subsidiaries do not maintain any defined benefit pension plans for the Named Executives.

## **Other Benefits**

In addition to the benefits described above, the Company provides certain other benefits to the Named Executives that the Compensation Committee believes are generally consistent with the benefits provided to senior executives of other airlines. The Compensation Committee believes that those benefits, which are detailed in the footnotes to the Summary Compensation Table applicable to the heading "All Other Compensation" below, are reasonable, competitive and consistent with overall executive compensation objectives. Those benefits consist primarily of employer-paid premiums on health, dental and eye insurance, a personal automobile allowance, and use of Company-owned recreational equipment.

The Company and its subsidiaries also maintain a non-discriminatory, broad based program under which all full-time employees and their dependents, including the Named Executives and their dependents, may fly without charge on a space available basis on regularly scheduled flights of aircraft operated by the Company's operating airline subsidiary.



The Company has not agreed to provide its Named Executives with any gross-up or reimbursement for taxes.

### **Share Ownership Guidelines**

The Company maintains ownership guidelines for the Named Executives to encourage the alignment of their interests with the long-term interests of the Company's shareholders. Each Named Executive is required to maintain a minimum ownership interest in the Company. The guideline ownership level is a number of shares of Common Stock having a value equal to a multiple of the annual base salary for each Named Executive. The Chief Executive's guideline ownership level is five times salary while the remaining Named Executives' guideline ownership level is three times salary.

The guidelines also include an expectation that the Named Executives will hold 50% of their net after-tax profit shares after vesting or option exercise if the applicable guideline ownership level has not yet been met. The Named Executives are limited in their ability to sell shares under long term incentive awards until their applicable guideline ownership level is reached. Each Named Executive met the ownership guidelines at December 31, 2021, except for Mr. Wooley who joined SkyWest Airlines in 2019 and is making progress toward meeting the ownership guidelines. The holdings of the Named Executives are summarized in the table entitled "Security Ownership of Certain Beneficial Owners" below.

### **Deductibility of Executive Compensation**

Section 162(m) of the Code imposes a \$1 million annual limit on the amount that a publicly traded company may deduct for compensation paid to the company's principal executive officer during a tax year or to any of the company's three other most highly compensated executive officers who are still employed at the end of the tax year (other than the Company's principal financial officer). Prior to 2018, the limit did not apply to compensation that met the requirements of Section 162(m) of the Code for "qualified performance-based compensation" (i.e., compensation paid only if the executive meets pre-established, objective goals based upon performance criteria approved by the Company's shareholders). The Tax Cuts and Jobs Act of 2017 eliminated the "qualified performance-based compensation" exception to Section 162(m) of the Code and expanded the limitation on deductibility to generally include all named executive officers. The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code, and has reserved, and continues to reserve, the right to approve compensation that may not be deductible under Code Section 162(m) in order to ensure competitive levels of total compensation for the Company's executive officers.

### **Effect of Compensation on Risk**

The Compensation Committee believes the Company's compensation policies and practices are designed to create appropriate and meaningful incentives for the Company's employees without encouraging excessive or inappropriate risk taking. Among other factors, the Compensation Committee considered the following:

- The Company's compensation policies and practices are designed to include a significant level of long-term compensation, which discourages short-term risk taking;
- The base salaries and target cash incentive opportunities the Company provides to its employees are generally consistent with salaries paid for comparable positions in the Company's industry, and provide the Company's employees with steady income while reducing the incentive for employees to take risks in pursuit of short-term benefits;

- The Company's cash incentive and performance equity incentive compensation is capped at levels established by the Compensation Committee, consistent with peer data, and at which the Compensation Committee believes reduces the incentive for excessive risk-taking;
- The Company has established internal controls and adopted codes of ethics and business conduct, which are designed to reinforce the balanced compensation objectives established by the Compensation Committee; and
- The Company has adopted equity ownership guidelines for its executive officers, which the Compensation Committee believes discourages excessive risk-taking.
- There is a policy against hedging stock and against pledging stock or using it as collateral.

Based on the review outlined above, the Company has concluded that the risks arising from its compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the foregoing compensation discussion and analysis and discussed with the Company's management the information set forth herein. Based on such review and discussions with management, the Compensation Committee recommended to the Board that the foregoing compensation discussion and analysis be included in this proxy statement.

The Compensation Committee

Keith E. Smith, Chair  
Meredith S. Madden  
Ronald J. Mittelstaedt  
Steven F. Udvar-Hazy

*The information contained in this Compensation Committee Report shall not be deemed to be "soliciting material," to be "filed" with the Securities and Exchange Commission or be subject to Regulation 14A or Regulation 14C or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing of SkyWest, Inc., except to the extent that SkyWest, Inc. specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.*

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The table below summarizes the total compensation paid to or earned by each of the Named Executives for the years indicated.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards		Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	All Other Compensation (\$)	Total (\$)
				Restricted Stock Units \$(2)	Performance Shares \$(2)				
Russell A. Childs . . . . . CEO & President	2021	\$500,000	\$ —	\$ —	\$ 2,300,000	\$ —	\$ 285,000	\$ 173,862 (4)	\$3,258,862
	2020	\$419,667	\$ —	\$ 920,000	\$ 1,380,000	\$ —	\$ 413,200	\$ 220,492	\$3,353,359
	2019	\$500,000	\$ —	\$ 880,000	\$ 1,320,000	\$ —	\$ 660,000	\$ 251,011	\$3,611,011
Robert J. Simmons . . . . . Chief Financial Officer	2021	\$345,000	\$ —	\$ —	\$ 800,000	\$ —	\$ 320,000	\$ 133,362 (5)	\$1,598,362
	2020	\$311,823	\$ —	\$ 320,000	\$ 480,000	\$ —	\$ 272,400	\$ 138,182	\$1,522,405
	2019	\$345,000	\$ —	\$ 310,000	\$ 465,000	\$ —	\$ 331,200	\$ 158,784	\$1,609,984
Wade J. Steel . . . . . Chief Commercial Officer	2021	\$335,000	\$ —	\$ —	\$ 800,000	\$ —	\$ 312,000	\$ 123,922 (6)	\$1,570,922
	2020	\$309,323	\$ —	\$ 320,000	\$ 480,000	\$ —	\$ 272,400	\$ 141,708	\$1,523,431
	2019	\$335,000	\$ —	\$ 310,000	\$ 465,000	\$ —	\$ 321,600	\$ 151,108	\$1,582,708
Eric J. Woodward . . . . . Chief Accounting Officer	2021	\$211,000	\$ —	\$ —	\$ 275,000	\$ —	\$ 126,600	\$ 69,701 (7)	\$ 682,301
	2020	\$206,031	\$ —	\$ 116,000	\$ 174,000	\$ —	\$ 115,000	\$ 71,631	\$ 682,662
	2019	\$211,000	\$ —	\$ 99,200	\$ 148,800	\$ —	\$ 151,920	\$ 84,317	\$ 695,237
Greg S. Wooley . . . . . Executive Vice President Operations	2021	\$210,000	\$ —	\$ —	\$ 473,000	\$ —	\$ 195,000	\$ 68,398 (8)	\$ 946,398
	2020	\$180,929	\$ —	\$ 88,000	\$ 132,000	\$ —	\$ 116,425	\$ 50,552	\$ 567,906

- (1) No discretionary annual performance bonuses were awarded to the Named Executives in 2019, 2020 or 2021.
- (2) These columns show the grant date fair value of stock awards granted during the applicable fiscal year as computed under ASC Topic 718 (excluding estimates for forfeitures in case of awards with service-based vesting). With respect to the performance share awards, the grant date fair value is reported based on the probable outcome of the performance conditions as of the grant date. The maximum potential value of the performance share awards, assuming the highest level of performance achievement, is as follows: Mr. Childs, \$2,640,000 (2019), \$2,760,000 (2020), \$5,750,000 (2021); Mr. Simmons, \$930,000 (2019), \$960,000 (2020), \$2,000,000 (2021); Mr. Steel, \$930,000 (2019), \$960,000 (2020), \$2,000,000 (2021); Mr. Woodward, \$297,600 (2019), \$348,000 (2020), \$687,500 (2021); and Mr. Wooley, \$264,000 (2020), \$1,182,500 (2021). These amounts do not reflect the extent to which the Named Executive realized or will realize an actual financial benefit from the awards. Assumptions and methodologies used in the calculation of these amounts are included in footnotes to the Company's audited financial statements for the year ended December 31, 2021, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.
- (3) The amounts in this column reflect the annual performance cash incentive amounts earned in the year indicated based on performance in that year and paid in the subsequent year. As described in the section entitled "Compensation Discussion and Analysis" above, annual performance cash incentives payable to the Named Executives are calculated based upon the financial and operational performance of the Company or its subsidiaries. The threshold, target and maximum amount of each Executive's annual performance cash incentive opportunity for 2021 is reported in the "Grants of Plan-Based Awards for 2021" table below.

- (4) All other compensation for Mr. Childs for 2021 included \$138,548 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2021. The remaining other compensation relates to employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.
- (5) All other compensation for Mr. Simmons for 2021 included \$95,007 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2021. The remaining other compensation relates to employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.
- (6) All other compensation for Mr. Steel for 2021 included \$92,654 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2021. The remaining other compensation relates to employer-paid health insurance premiums, a personal vehicle lease, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.
- (7) All other compensation for Mr. Woodward for 2021 included \$50,468 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2021. The remaining other compensation relates to employer-paid health insurance premiums, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.
- (8) All other compensation for Mr. Wooley for 2021 included \$50,508 of employer credits under the SkyWest Deferred Compensation Plan attributable to compensation earned for 2021. The remaining other compensation relates to employer-paid health insurance premiums, personal use of the Company's recreational equipment, and discretionary matching contributions under the SkyWest 401(k) Plan.

#### Grants of Plan-Based Awards For 2021

The following table provides information about non-equity based and equity-based plan awards granted to the Named Executives for the year ended December 31, 2021:

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards Number of Units (#)	All Other Stock Awards Number of Options (#)	Exercise Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
		Threshold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)	Threshold (#)	Target (#)	Maximum (#)				
Russell A. Childs . . . . .	11-Feb-2021(2)	\$ 275,000	\$550,000	\$1,100,000	25,630	51,259	128,148				\$2,300,000
Robert J. Simmons . . . . .	11-Feb-2021(2)	\$ 138,000	\$276,000	\$ 552,000	8,915	17,829	44,573				\$ 800,000
Wade J. Steel . . . . .	11-Feb-2021(2)	\$ 134,000	\$268,000	\$ 536,000	8,915	17,829	44,573				\$ 800,000
Eric J. Woodward . . . . .	11-Feb-2021(2)	\$ 63,300	\$126,600	\$ 253,200	3,065	6,129	15,323				\$ 275,000
Greg S. Wooley . . . . .	11-Feb-2021(2)	\$ 84,000	\$168,000	\$ 336,000	5,271	10,542	26,355				\$ 473,000

- (1) The amounts in these columns reflect the threshold, target and maximum amount of each Named Executive's annual cash incentive opportunity for 2021. As described in the section entitled "Compensation Discussion and Analysis" above, annual cash incentives payable to the Named Executives are calculated based upon the financial and operational performance of the Company or its subsidiaries.

- (2) Represents the 2021 PSU Awards which will be eligible to vest based on corporate performance during two one-year measurement periods, with the resulting number of “earned” shares eligible to vest on December 31, 2023, subject to continued employment through that date. The Compensation Committee determined that the corporate objectives for purposes of such awards would be EBITDA per share, return on invested capital and controllable completion measured over two one-year periods. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2021 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the actual results varied from the target levels of performance. The performance shares are allocated 50% to each performance measurement year, and then for each year’s performance, 40% to the EBITDA per share objective, 40% to the average return on invested capital objective and 20% to the average controllable completion in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 250% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s).
- (3) This column shows the grant date fair value of the stock awards granted as computed under ASC Topic 718 (excluding estimates for forfeitures in case of awards with service-based vesting). With respect to the performance share awards, the grant date fair value is reported based on the probable outcome of the performance conditions as of the grant date. These amounts do not reflect the extent to which the Named Executive realized or will realize an actual financial benefit from the awards. Assumptions and methodologies used in the calculation of these amounts are included in footnotes to the Company’s audited financial statements for the year ended December 31, 2021 which are included in the Company’s Annual Report on Form 10 K filed with the Securities and Exchange Commission.

## Outstanding Equity Awards at Year-End

The following table provides information on the holdings of stock options and other stock awards (restricted stock units and performance shares) by the Named Executives as of December 31, 2021.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date (1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights That Have Not Vested (\$)(3)
Russell A. Childs . . .					18,163 (2)	\$ 713,806		
					10,898 (3)	\$ 428,291		
					14,972 (4)	\$ 588,400	22,457 (5)	\$ 882,560
							51,259 (6)	\$ 2,014,479
Robert J. Simmons . .	7,783		\$ 14.78	10-Feb-23				
					6,398 (2)	\$ 251,441		
					3,840 (3)	\$ 150,912		
					5,207 (4)	\$ 204,635	7,811 (5)	\$ 306,972
							17,829 (6)	\$ 700,680
Wade J. Steel . . . . .					6,398 (2)	\$ 251,441		
					3,840 (3)	\$ 150,912		
					5,207 (4)	\$ 204,635	7,811 (5)	\$ 306,972
							17,829 (6)	\$ 700,680
Eric J. Woodward . . .	2,968		\$ 14.78	10-Feb-23				
					2,047 (2)	\$ 80,447		
					1,229 (3)	\$ 48,300		
					1,888 (4)	\$ 74,198	2,832 (5)	\$ 111,298
							6,129 (6)	\$ 240,870
Greg S. Wooley . . . .					2,720 (7)	\$ 106,896		
					1,632 (3)	\$ 64,138		
					1,432 (4)	\$ 56,278	2,148 (5)	\$ 84,416
							10,542 (6)	\$ 414,301

(1) All stock option awards have a term of seven years from the date of grant.

(2) Restricted stock unit awards vested on February 5, 2022.

(3) Represents the 2019 PSU Awards which were eligible to vest based on corporate performance during the three-year performance period ending December 31, 2021. The Compensation Committee determined that the corporate objectives for purposes of such awards would be EBITDA per share, return on invested capital and controllable completion actually attained over the three-year performance period. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2019 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares were allocated 40% to the cumulative three-year EBITDA per share, 40% to the three-year adjusted average return on invested capital and 20% the three-year average controllable completion in determining the actual awarded performance shares payable in our common stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee was eligible to be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s). The actual number of shares of our common stock issued to our

Named Executives following the conclusion of a performance period was based on our performance relative to the corporate performance objectives for that performance period. In February 2022, the Compensation Committee determined that the Company had achieved a 40% performance level for these awards, and such awards vested at 40% of target levels on February 5, 2022. In addition, these awards are reported in the “Number of Shares or Units of Stock” column because, as of December 31, 2021, the applicable performance objectives had been met and the vesting of the awards was subject only to the Compensation Committee’s certification of such results.

- (4) Restricted stock unit awards scheduled to vest on February 4, 2023.
- (5) Represents the 2020 PSU Awards which will be eligible to vest based on corporate performance during the three-year performance period ending December 31, 2022. The Compensation Committee determined that the corporate objectives for purposes of such awards would be EBITDA per share, return on invested capital and controllable completion actually attained over the three-year performance period. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2020 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 40% to the cumulative three-year EBITDA per share, 40% to the three-year adjusted average return on invested capital and 20% the three-year average controllable completion in determining the actual awarded performance shares payable in our common stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s). The Company has reported the number and market value of the performance shares subject to the awards based on “target” performance.
- (6) Represents the 2021 PSU Awards which will be eligible to vest based on corporate performance during two one-year measurement periods, with the resulting number of “earned” shares eligible to vest on December 31, 2023, subject to continued employment through that date. The Compensation Committee determined that the corporate objectives for purposes of such awards would be EBITDA per share, return on invested capital and controllable completion measured over two one-year performance periods. Until the vesting date, the shares underlying the performance shares are not issued and outstanding. Accordingly, the Named Executive is not entitled to vote or receive dividends on the shares underlying his performance shares unless and until those performance shares vest. For the 2021 PSU Awards, the Compensation Committee established threshold, target and maximum performance levels for each of the three corporate performance objectives, with the actual number of performance shares that will vest to be adjusted in proportion to the extent to which the combined actual results varied from the target levels of performance. The performance shares are allocated 50% to each performance measurement year, and then for each years’ performance, 40% to the EBITDA per share objective, 40% to the average return on invested capital objective and 20% to the average controllable completion in determining the actual awarded performance shares payable in Common Stock. Specifically, a number of performance shares attributable to each objective according to the weightings assigned by the Compensation Committee will be earned ranging from 50% (for threshold performance) to 100% (for target performance) to 250% (for maximum performance), with performance in between such levels determined by linear interpolation. If performance is below the threshold level for one or more of the objectives, no performance shares will be earned with respect to such objective(s). The Company has reported the number and market value of the performance shares subject to the awards based on “target” performance.
- (7) Restricted stock unit awards scheduled to vest on September 1, 2022.



(8) Based on market closing price per share of our common stock of \$39.30 on December 31, 2021, the last trading day of 2021.

### Option Exercises and Stock Vested

Stock options exercised, restricted stock units and performance shares that vested for the Named Executives during the year ended December 31, 2021 are outlined below.

Name	Options Awards		Stock Awards (1)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Russell A. Childs . . . . .	41,020	\$ 1,781,335	28,015	\$ 1,205,766
Robert J. Simmons . . . . .	—	\$ —	11,948	\$ 514,242
Wade J. Steel . . . . .	—	\$ —	11,124	\$ 478,777
Eric J. Woodward . . . . .	—	\$ —	3,989	\$ 171,687
Greg S. Wooley . . . . .	—	\$ —	—	\$ —

(1) Includes both restricted stock units and performance shares that vested during the year ended December 31, 2021.

### Non-Qualified Deferred Compensation for 2021

Pursuant to the SkyWest Deferred Compensation Plan, covered Named Executives may elect prior to the beginning of each calendar year to defer the receipt of base salary and annual performance cash incentives earned for the ensuing calendar year. Amounts deferred are credited to an unfunded liability account maintained by the Company on behalf of the applicable Named Executive, which account is deemed invested in and earns a rate of return based upon certain notational, self-directed investment options offered under the applicable plan.

Each Named Executive's account under the SkyWest Deferred Compensation Plan is also credited with a discretionary employer contribution monthly, whether or not the Named Executive contributes. For 2021 that discretionary employer contribution was 15% of the Named Executive's salary and annual cash incentive. Participant account balances under the SkyWest Deferred Compensation Plan are fully vested and will be paid by the Company to each Named Executive upon retirement or separation from employment, or on other specified dates, in a lump sum form or in installments according to a schedule elected in advance by the Named Executive.

The following table provides information regarding the SkyWest Deferred Compensation Plan for the year ended December 31, 2021:

Name	Executive Contributions in Last Year \$(1)	Registrant Contributions in Last Year \$(2)	Aggregate Earnings in Last Year \$(3)	Aggregate Withdrawals/ Distributions in Last Year (\$)	Aggregate Balance at Last Year End \$(4)
Russell A. Childs . . . . .	\$ —	\$ 138,548	\$ 231,348	\$ —	\$ 3,007,347
Robert J. Simmons . . . . .	\$ 63,338	\$ 95,007	\$ 129,279	\$ —	\$ 1,080,486
Wade J. Steel . . . . .	\$ —	\$ 92,654	\$ 60,902	\$ —	\$ 1,382,135
Eric J. Woodward . . . . .	\$ —	\$ 50,468	\$ 107,116	\$ —	\$ 1,095,364
Greg S. Wooley . . . . .	\$ —	\$ 50,508	\$ —	\$ —	\$ 91,342

- (1) The amount in this column represents deferral of base salary for 2021 and annual performance cash incentives earned for the ensuing calendar year, which deferred amounts are reported in the Summary Compensation Table above.
- (2) The amounts in this column reflect the amounts of employer contributions credited under the applicable deferred compensation plan for 2021 at the rate of 15% of each Executive's 2021 base salary and annual cash incentive which was paid in 2021. The amounts reported in this column are also included in the amounts reported in the "Other Compensation" column of the Summary Compensation Table appearing above.
- (3) The amounts in this column reflect the notational earnings during 2021 credited to each Executive's account under the SkyWest Deferred Compensation Plan. These amounts are not reported in the Summary Compensation Table because they are based on market rates determined by reference to mutual funds that are available to participants in the SkyWest 401(k) Plan or otherwise broadly available.
- (4) All Named Executive and Company contributions in prior years to the SkyWest Deferred Compensation Plan have been reported in the Summary Compensation Tables in the company's previously filed proxy statements, to the extent that an executive was a named executive officer in that fiscal year. These amounts are as follows: Mr. Childs, \$138,548 (2021), \$166,451 (2020), and \$218,047 (2019); Mr. Simmons, \$158,335 (2021), \$115,839 (2020), and \$152,036 (2019); Mr. Steel, \$92,654 (2021), \$98,123 (2020), and \$122,455 (2019); Mr. Woodward, \$50,468 (2021), \$47,237 (2020) and \$67,664 (2019); and Mr. Wooley, \$50,508 (2021) and \$32,383 (2020).

At the election of the executive, deferred amounts are invested in a selection of third-party investment funds and each executive receives the rates of return under those funds on such deferred amounts.

#### **Potential Payments upon Termination or Change in Control**

The information below describes and quantifies certain payments or benefits that would be payable under the existing plans and programs of the Company and its subsidiaries if a Named Executive's employment had terminated on December 31, 2021, or the Company had undergone a change in control on December 31, 2021. These benefits are in addition to benefits generally available to all salaried employees of the Company in connection with a termination of employment, such as distributions from the 401(k) plan and accrued vacation pay. Except as noted below, the Named Executives do not have any other severance benefits, severance agreements or change in control agreements.

*Accelerated Vesting of Long-Term Incentive Awards.* With respect to long-term incentive awards granted to the Named Executives, such awards will vest on an accelerated basis under certain circumstances, but there is no single trigger accelerated vesting of such awards upon a change in control. Specifically, restricted stock unit awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, or (ii) in the event of the Named Executive's death. Performance share awards granted to the Named Executives will vest on an accelerated basis (i) in the event of the Named Executive's death prior to a change in control, as to the "target" number of performance shares subject to the award on the date of death and as to any incremental performance shares above "target" based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the performance period (or, if earlier, a change in control of the Company), (ii) in the event of the Named Executive's death following a change in control, any "vesting eligible shares" (as described below) will vest upon the date of death, (iii) in the event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case prior to a change in control, the Named Executive will remain eligible to vest in such number of performance shares as ultimately vest based on the Company's actual performance relative to the corporate performance objectives under such award at the end of the performance period (or, if earlier, a change in control of the Company), which vesting will be prorated for the portion of the three-year period covering such awards that has elapsed prior to the date of termination, or (iv) in the

event of the Named Executive's involuntary termination without cause or resignation for good reason, in each case following a change in control, any vesting eligible shares will vest upon the date of such termination. For purposes of the performance shares, in the event of a change in control of the Company, the performance shares will be converted into a number of "vesting eligible shares" that will vest at the end of the performance period based on the greater of (i) the "target" number of performance shares subject to the award, or (ii) the number of performance shares that would vest if performance had been measured against the corporate performance objectives as of the date of the change in control.

The following table shows for each Named Executive the intrinsic value of his unvested restricted stock units and performance shares, as of December 31, 2021, the vesting or settlement of which would have been accelerated had a change in control of the Company occurred on that date and/or a termination under one of the circumstances identified below had occurred on that date, calculated in the case of restricted stock units and performance shares, by multiplying the number of underlying shares by the closing price of the Common Stock on December 31, 2021, the last trading day of 2021 (\$39.30 per share).

Name	Change in Control	Involuntary Termination Following a Change in Control or Death	Involuntary Termination Prior to a Change in Control
<b>Russell A. Childs</b>			
RSU Acceleration . . . . .	\$ —	\$ 1,302,206	\$ 1,302,206
PSU Acceleration (1). . .	\$ 428,291	\$ 3,325,330	\$ 1,688,158
<b>Robert J. Simmons</b>			
RSU Acceleration . . . . .	\$ —	\$ 456,077	\$ 456,077
PSU Acceleration (1). . .	\$ 150,881	\$ 1,158,533	\$ 589,089
<b>Wade J. Steel</b>			
RSU Acceleration . . . . .	\$ —	\$ 456,077	\$ 456,077
PSU Acceleration (1). . .	\$ 150,881	\$ 1,158,533	\$ 589,089
<b>Eric J. Woodward</b>			
RSU Acceleration . . . . .	\$ —	\$ 154,646	\$ 154,646
PSU Acceleration (1). . .	\$ 48,276	\$ 400,443	\$ 202,764
<b>Greg S. Wooley</b>			
RSU Acceleration . . . . .	\$ —	\$ 163,174	\$ 163,174
PSU Acceleration (1). . .	\$ —	\$ 562,855	\$ 258,515

- 1) Reflects the value of the performance shares granted in 2020 and 2021 at "target" performance levels. The value under the "Change in Control" column includes only the 2019 performance shares, which are reflected at 40% of target performance levels based on the performance relative to the performance objectives for the performance period that ended on December 31, 2021 under such awards, since, as of December 31, 2021, the applicable performance objectives had been met and the vesting of the awards was subject only to the Compensation Committee's certification of such results (but the settlement of such awards would have been accelerated to the date of the change in control occurring on December 31, 2021). While these 2019 performance shares were no longer subject to performance or service conditions at December 31, 2021, they are included in this table as the settlement of such performance shares would have accelerated (as compared to the regular settlement date in February 2022 upon Compensation Committee certification of final performance results) upon the occurrence of a change in control. The value of these 2019 performance shares are reflected in the other two columns, but no acceleration of the settlement of such awards would occur under a termination under those circumstances (and such awards would vest in February 2022 upon Compensation Committee certification of final performance results), other than in the case of death, in which case the "target" awards would have been subject to immediate settlement.

*Deferred Compensation.* If the employment of a Named Executive were terminated on December 31, 2021, the Named Executive would have become entitled to receive the balance in his account under the applicable deferred

compensation plan. Distribution would be made in the form of a lump sum or in installments, and in accordance with the distributions schedule elected by the Named Executive under the applicable plan. The 2021 year-end account balances under those plans are shown in the applicable Non-Qualified Deferred Compensation Tables included herein. A Named Executive's account balance would continue to be credited with notational investment earnings or losses through the date of actual distribution.

## **Pay Ratio Disclosure**

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the relationship of the annual total compensation of our employees and the annual total compensation of Russell A. Childs, our CEO. The pay ratio included in this information is a reasonable estimate calculated in a manner that is intended to be consistent with Item 402(u) of Regulation S-K.

For 2021, our last completed fiscal year:

- the median of the annual total compensation of all employees of the Company (other than the CEO) was \$42,138; and
- the annual total compensation of the CEO, as reported in the Summary Compensation Table included elsewhere in this Proxy Statement, was \$3,258,862.

Based on this information, for 2021, the ratio of the median of the total compensation of all employees of the Company to the annual total compensation of Mr. Childs, the CEO, was 77 to 1.

*Determining the Median Employee.* The Company determined that, as of December 31, 2021, the employee population consisted of approximately 15,000 individuals. The employee workforce consists of full and part time employees. For purposes of measuring the compensation of the employees, the Company selected total annual cash compensation for 2021 as the most appropriate measure of compensation, which was consistently applied to all the employees included in the calculation. With respect to the total annual compensation of the "median employee," the Company identified and calculated the elements of such employee's compensation for 2021 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in the annual total compensation reflected above.

## **DIRECTOR COMPENSATION**

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve as directors. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company, as well as the skill level required by the Company of its directors.

### **Cash Compensation Paid to Directors**

For the year ended December 31, 2021, all directors who were not employees of the Company received an annual cash retainer of \$100,000. The Chair of the Audit Committee was paid an annual fee of \$20,000, the Chair of the Compensation Committee was paid an annual fee of \$15,000, the Chair of Nominating and Corporate Governance Committee was paid an annual fee of \$10,000, the Chair of the Safety and Compliance Committee was paid an annual fee of \$10,000 and the Lead Independent Director was paid an annual fee of \$20,000. The members of the Audit Committee were paid an annual fee of \$4,000. The Board Chair was paid an annual fee of \$100,000. Russell A. Childs, who is a director and an employee of the Company, received no compensation for his service on the Board.

### **Stock Awards**

Each non-employee director receives a stock award annually, the value of which is determined annually by the Board. On February 11, 2021, each of the non-employee directors received an award of 2,229 vested shares of Common Stock, representing approximately \$100,000 of value based on the stock price as of the date of such awards, with the exception of Mr. Eyring who did not stand for re-election at the 2021 annual meeting. Mr. Eyring received an award of 1,114 vested shares, representing approximately \$50,000 of value based on the stock price as of the date of his award. The Company did not grant stock options to its non-employee directors in 2021.

### **Share Ownership Guidelines**

The Company maintains ownership guidelines for the directors to encourage the alignment of their interests with the long-term interests of the Company's shareholders. Each director is required to maintain a minimum ownership interest in the Company. The guideline ownership level is a number of shares of Common Stock having a value equal to at least five times the cash component of the annual base compensation for each director. Each director met the ownership guidelines at December 31, 2021, with the exception of Ms. Conjeevaram, who was appointed as a director on January 11, 2021. The holdings of the directors are summarized in the table entitled "Security Ownership of Certain Beneficial Owners" below.

## DIRECTOR COMPENSATION TABLE

The table below summarizes the compensation paid by the Company to its non-employee directors for the year ended December 31, 2021.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards \$(2)	Option Awards (\$)	Change in Pension Value and Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Jerry C. Atkin . . . . .	\$ 200,000	\$ 100,000	—	—	—	\$ 300,000
Steven F. Udvar-Hazy . . .	\$ 130,000	\$ 100,000	—	—	—	\$ 230,000
W. Steve Albrecht . . . . .	\$ 120,000	\$ 100,000	—	—	—	\$ 220,000
Henry J. Eyring (3) . . . . .	\$ 52,000	\$ 50,000	—	—	—	\$ 102,000
Smita Conjeevaram . . . . .	\$ 102,000	\$ 100,000	—	—	—	\$ 202,000
Meredith S. Madden . . . .	\$ 100,000	\$ 100,000	—	—	—	\$ 200,000
Ronald J. Mittelstaedt . .	\$ 100,000	\$ 100,000	—	—	—	\$ 200,000
Andrew C. Roberts . . . . .	\$ 114,000	\$ 100,000	—	—	—	\$ 214,000
Keith E. Smith . . . . .	\$ 119,000	\$ 100,000	—	—	—	\$ 219,000
James L. Welch . . . . .	\$ 104,000	\$ 100,000	—	—	—	\$ 204,000

- (1) Russell A. Childs, the CEO, President and a director of the Company, is not included in the foregoing table as he was an employee of the Company during 2021 and received no financial remuneration for his service as a director.
- (2) Represents the aggregate grant date fair market values of awards as computed under ASC Topic 718. Assumptions and methodologies used in the calculation of these amounts are included in footnotes to the Company's audited financial statements for the year ended December 31, 2021, which are included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. All such shares of our common stock are fully vested and none of our non-employee directors holds, or as of December 31, 2021 held any unvested shares or other equity awards.
- (3) Mr. Eyring, who did not stand for election at the 2021 Annual Meeting, served as a director for half of 2021, and his compensation was adjusted accordingly.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Transactions with Related Parties**

#### *Purchases from NORDAM*

During the year ended December 31, 2021, the Company purchased \$501,722 of spare aircraft parts from NORDAM, an entity affiliated with Meredith S. Madden, a director of the Company. The Company's purchases from NORDAM are through arms-length transactions on terms generally available to other NORDAM customers.

#### *Anticipated consulting agreement with Steven Udvar-Hazy*

Following the expiration of Steven Udvar-Hazy's term as a director, the Company anticipates entering into a consulting agreement with Mr. Udvar-Hazy, who is not standing for re-election at the Annual Meeting. Mr. Udvar-Hazy is extremely knowledgeable of the Company's operations and opportunities, having served as a director of the Company for more than 35 years. Mr. Udvar-Hazy is recognized as one of the leading experts in the aviation industry, and, in his role on the Board, he contributed wisdom and insight he accumulated through a lengthy, distinguished career in aviation, aircraft leasing and finance. The Company has benefitted greatly from his position in the aviation industry, including introductions to his vast industry contacts and networking opportunities. Under the proposed arrangement, the Company anticipates Mr. Udvar-Hazy may attend future board meetings and provide advisory services to the Board at a negotiated fee, and the agreement may be terminable by either party.

### **Review and Approval of Transactions with Related Parties**

The Company believes that transactions between the Company and its directors and executive officers, or between the Company and persons related to directors and executive officers of the Company, present a heightened risk of creating or appearing to create a conflict of interest. Accordingly, the Company has adopted a policy regarding related-party transactions that has been approved by the Board and incorporated into the Charter of the Audit Committee. The policy provides that the Audit Committee will review all transactions between the Company and related persons (as defined in Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission) for potential conflicts of interest. Under the Company's policy, all transactions between the Company and related persons are required to be submitted to the Audit Committee for approval prior to the Company's entry or participation in such transactions.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

### Security Ownership of Directors and Executive Officers

The following table sets forth the beneficial ownership of the Common Stock as of March 3, 2022, for each director and nominee for director, each Named Executive, and by all directors (including nominees) and executive officers of the Company as a group.

Name	Common Stock	Options Exercisable (1)	Total	Beneficial Ownership (2)
Russell A. Childs .....	143,510	—	143,510	(3)
Robert J. Simmons .....	57,076	7,783	64,859	(3)
Wade J. Steel .....	34,079	—	34,079	(3)
Eric J. Woodward .....	22,535	2,968	25,503	(3)
Greg S. Wooley .....	3,087	—	3,087	(3)
W. Steve Albrecht .....	63,905	—	63,905	(3)
Jerry C. Atkin .....	482,087	—	482,087	(3)
Smita Conjeevaram .....	5,282	—	5,282	(3)
Meredith S. Madden .....	20,838	—	20,838	(3)
Ronald J. Mittelstaedt .....	28,289	—	28,289	(3)
Andrew C. Roberts .....	20,838	—	20,838	(3)
Keith E. Smith .....	28,289	—	28,289	(3)
Steven F. Udvar-Hazy .....	56,163	—	56,163	(3)
James L. Welch .....	48,073	—	48,073	(3)
All officers and directors as a group (14 persons) ..	1,014,051	10,751	1,024,802	2.0 %

(1) Represents shares that the beneficial owner has the right to acquire within 60 days of March 3, 2022 pursuant to the exercise of such stock options.

(2) Based on 50,521,792 shares outstanding as of March 3, 2022.

(3) Less than one percent of the total shares outstanding as of March 3, 2022.



## Security Ownership of Other Beneficial Owners

As of March 3, 2022, the Company's records and other information available from outside sources indicated that the following shareholders were beneficial owners of more than five percent of the outstanding shares of Common Stock. The information following is as reported in filings with the Securities and Exchange Commission. The Company is not aware of any other beneficial owner of more than five percent of the Common Stock.

Name	Amount of Beneficial Ownership Common Stock	
	Shares	Percent of Class
BlackRock, Inc. .... 55 East 52 <sup>nd</sup> Street New York, NY 10055	7,987,322 (1)	15.81 %
The Vanguard Group ..... 100 Vanguard Blvd Malvern, PA 19355	5,724,478 (2)	11.33 %
Dimensional Fund Advisors LP ..... 6300 Bee Cave Road, Building One Austin, TX 78746	3,311,728 (3)	6.56 %
AllianceBernstein L.P. .... 1345 Avenue of the Americas New York, NY 10105	3,420,591 (4)	6.77 %

(1) Based on a Schedule 13G/A filed on January 27, 2022 by BlackRock, Inc., which stated therein that it has sole voting power over 7,864,396 shares and sole dispositive power over 7,987,322 shares.

(2) Based on a Schedule 13G/A filed on February 10, 2022 by The Vanguard Group, Inc., which stated therein that it has shared voting power over 54,706 shares, sole dispositive power over 5,651,424 shares and shared dispositive power over 73,054 shares.

(3) Based on a Schedule 13G/A filed on February 8, 2022 by Dimensional Fund Advisors LP, which stated therein that it has sole voting power over 3,248,266 shares and sole dispositive power over 3,311,728 shares.

(4) Based on a Schedule 13G/A filed on February 14, 2022 by AllianceBernstein L.P., which stated therein that it has sole voting power over 2,914,790 shares and sole dispositive power over 3,420,591 shares.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information regarding the Company's equity compensation plans as of December 31, 2021.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in the First Column)</b>
<i>Equity compensation plans approved by security holders (1) . . . . .</i>	509,598	\$ 14.62 (2)	4,292,607 (3)

- (1) Consists of the Company's SkyWest Inc. 2010 Long-Term Incentive Plan, 2019 Long-Term Incentive Plan and the Employee Stock Purchase Plan. Performance awards are included at "target" levels. No additional awards may be granted under the SkyWest, Inc. 2010 Long-Term Incentive Plan.
- (2) Represents the weighted average exercise price of the outstanding stock options. As of December 31, 2021, there were 16,633 outstanding stock options.
- (3) Includes 511,166 shares remaining available for future issuance under the Employee Stock Purchase Plan, of which 39,847 were eligible to be purchased during the purchase period in effect on December 31, 2021.

## **PROPOSAL 2**

### **ADVISORY VOTE ON NAMED EXECUTIVE COMPENSATION**

#### **Background**

Section 14A of the Exchange Act, which was enacted pursuant to the Dodd Frank Wall Street Reform and Consumer Protection Act, requires that the Company provide its shareholders with the opportunity to vote on an advisory (non-binding) resolution to approve the compensation of the Named Executives (referred to as a “Say-on-Pay” proposal) as disclosed in this Proxy Statement.

Accordingly, the following resolution will be submitted to the Company’s shareholders for approval at the Meeting:

“RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the Named Executives, as disclosed in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2021 Executive Compensation table and the other related tables and disclosure.”

As described in detail under the heading “Compensation Discussion and Analysis,” the Board believes the Company’s compensation of the Named Executives achieves the primary goals of (i) attracting and retaining experienced, well-qualified executives capable of implementing the Company’s strategic and operational objectives, (ii) aligning management compensation with the creation of shareholder value on an annual and long term basis, and (iii) linking a substantial portion of the Named Executives’ compensation with long term Company performance and the achievement of pre-determined goals, while at the same time avoiding the encouragement of unnecessary or excessive risk taking. The Board encourages you to review in detail the Compensation Discussion and Analysis beginning on page 24 of this Proxy Statement and the executive compensation tables beginning on page 38 of this Proxy Statement. In light of the information set forth in such sections of this Proxy Statement, the Board believes the compensation of the Named Executives for the fiscal year ended December 31, 2021 was fair and reasonable and that the Company’s compensation programs and practices are in the best interests of the Company and its shareholders.

The vote on this Say on Pay resolution is not intended to address any specific element of compensation; rather, the vote relates to all aspects of the compensation of the Named Executives, as described in this Proxy Statement. While this vote is only advisory in nature, which means that the vote is not binding on the Company, the Board and the Compensation Committee (which is composed solely of independent directors), value the opinion of the Company’s shareholders and will consider the outcome of the vote when addressing future compensation arrangements.

#### **Voting**

Approval of the resolution above (on a non-binding, advisory basis) requires that the number of votes cast at the Meeting, in person or by proxy, in favor of the resolution exceeds the number of votes cast in opposition to the resolution.

**The Board and the Compensation Committee Recommend that Shareholders Vote *FOR* Approval of the Compensation of the Named Executives, as disclosed in this Proxy Statement.**

**PROPOSAL 3**  
**RATIFICATION OF APPOINTMENT OF**  
**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Following an evaluation by the Audit Committee and by the Company's management of the performance of Ernst & Young LLP during the prior fiscal year, the Audit Committee has recommended and approved the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm to examine the consolidated financial statements of the Company for the year ending December 31, 2022. The Company is seeking shareholder ratification of such action.

Shareholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm is not required by our Amended and Restated Bylaws or otherwise. However, the Board is submitting the selection of Ernst & Young LLP to shareholders for ratification as a matter of good corporate practice. If the shareholders do not ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain Ernst & Young LLP. Even if the selection is ratified, the Audit Committee and the Board in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company.

It is expected that representatives of Ernst & Young LLP will attend the Meeting, will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions.

**The Board and the Audit Committee Recommend that Shareholders Vote *FOR* the Ratification of Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for the year ending December 31, 2022.**

## FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table represents aggregate fees billed to us for services related to the years ended December 31, 2021 and 2020, by Ernst & Young LLP (“EY”):

	Year Ended December 31,	
	2021	2020
Audit Fees (1).....	\$ 1,070,453	\$ 1,038,347
Audit-Related Fees ....	—	—
Tax Fees .....	—	—
All Other Fees .....	—	—
<b>Total</b> .....	<u>\$ 1,070,453</u>	<u>\$ 1,038,347</u>

- (1) Audit Fees consist of fees and related expenses for the annual audit of the Company’s financial statements, including the integrated audit of internal control over financial reporting and the quarterly reviews of the Company’s financial statements included in its Quarterly Reports on Form 10-Q.

### Pre-Approval Policies and Procedures

The Audit Committee charter provides that the Audit Committee shall pre-approve all external audit services, internal control-related services and permissible non-audit services (including the fees and terms thereof), subject to certain specified exceptions. The Audit Committee has also adopted a policy regarding the retention of the independent registered public accounting firm that requires pre-approval of all of its services by the Audit Committee or the Chair of the Audit Committee. When services are pre-approved by the Chair of the Audit Committee, notice of such approval is given to the other members of the Audit Committee and presented to the full Audit Committee for ratification at its next scheduled meeting. The Audit Committee considers whether the provision of each non-audit service is compatible with maintaining the independence of the auditors. All of the services listed above were pre-approved by the Audit Committee in accordance with this policy.

## REPORT OF THE AUDIT COMMITTEE

Management of the Company has primary responsibility for the Company's financial statements and internal control over the Company's financial reporting. EY, the Company's independent registered public accounting firm, has responsibility for the integrated audit of the Company's financial statements and internal control over financial reporting. It is the responsibility of the Audit Committee to oversee financial and control matters, among other responsibilities fulfilled by the Audit Committee under its charter. The Audit Committee meets regularly with representatives of EY and Protiviti, Inc. ("*Protiviti*"), the Company's principal internal auditor, without the presence of management, to ensure candid and constructive discussions about the Company's compliance with accounting standards and best practices among public companies comparable in size and scope to the Company.

At its meetings during the year ended December 31, 2021, the Audit Committee reviewed and discussed the following topics, among other matters: financial performance; financial reporting practices; quarterly and annual reports, including Management's Discussion and Analysis of Financial Condition and Results of Operations; cybersecurity matters and risks and information technology controls; enterprise risk management and risk assessment; legal and regulatory issues; accounting and financial management issues; critical accounting policies and critical audit matters; accounting standards; airline industry matters; and a summary of calls received on the Company's anonymous whistleblower hotline. The Audit Committee held separate executive sessions regularly with representatives of EY, Protiviti and the Company's legal counsel, during which the following topics, among other matters, were discussed: financial management, accounting, internal controls, finance and accounting staffing, legal matters and compliance issues. The Audit Committee also regularly reviewed with its outside advisors material developments in the law and accounting literature that could be pertinent to the Company's financial reporting practices.

In addition, the Audit Committee reviewed management's report on internal control over financial reporting, required under Section 404 of the Sarbanes Oxley Act of 2002 and related rules. As part of this review, the Audit Committee reviewed the bases for management's conclusions in that report, and also reviewed the report of the independent registered public accounting firm on internal control over financial reporting. Throughout the year ended December 31, 2021, the Audit Committee reviewed management's plan for documenting and testing controls, the results of their documentation and testing, any deficiencies discovered and the resulting remediation of any such deficiencies.

In connection with the financial statements for the year ended December 31, 2021, the Audit Committee has:

- (1) reviewed and discussed the audited financial statements with management;
- (2) discussed with EY, the Company's independent registered public accounting firm, the matters required to be discussed by applicable standards of the Public Company Accounting Oversight Board ("*PCAOB*") and the Securities and Exchange Commission; and
- (3) received the written disclosures and letter from EY regarding the auditors' independence required by applicable requirements of the PCAOB regarding EY's communications with the Audit Committee concerning independence, and has discussed with EY its independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board at the February 8, 2022 meeting of the Board that the Company's audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission. The Board approved this inclusion.

## **The Audit Committee**

W. Steve Albrecht, Chair

Andrew C. Roberts

Keith E. Smith

James L. Welch

*The information contained in this Audit Committee Report shall not be deemed to be “soliciting material,” to be “filed” with the Securities and Exchange Commission or be subject to Regulation 14A or Regulation 14C or to the liabilities of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing of SkyWest, Inc., except to the extent that SkyWest, Inc. specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.*

## **SHAREHOLDER PROPOSALS FOR THE 2023 ANNUAL MEETING OF SHAREHOLDERS**

If any shareholder intends to present a proposal to be considered for inclusion in the Company's proxy materials in connection with the Company's 2023 Annual Meeting of Shareholders, the proposal must be in proper form (per Securities and Exchange Commission Regulation 14A, Rule 14a-8—Shareholder Proposals) and received by the Chief Financial Officer of the Company on or before November 24, 2022. Shareholder proposals to be presented at the 2023 Annual Meeting of Shareholders which are not to be included in the Company's proxy materials must be received by the Company no earlier than February 2, 2023, and no later than February 22, 2023, in accordance with the procedures set forth in the Company's Amended and Restated Bylaws. In addition to satisfying the foregoing requirements under the Company's Amended and Restated Bylaws, to comply with the universal proxy rules (once they become effective), shareholders who intend to solicit proxies in support of director nominees other than the Company's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than March 4, 2023.

## **DELIVERY OF DOCUMENTS TO SHAREHOLDERS SHARING AN ADDRESS**

In instances in which multiple holders of the Common Stock share a common address and are the beneficial owners, but not the record holders, of those shares of Common Stock, the holders' banks, brokers or other nominees may only deliver one copy of this Proxy Statement and the Company's 2021 Annual Report to Shareholders, unless the applicable bank, broker or nominee has received contrary instructions from one or more of the shareholders. The Company will deliver promptly, upon written request, a separate copy of this Proxy Statement and the Company's 2021 Annual Report to Shareholders to any shareholder at a shared address to which a single copy of the documents was delivered. A shareholder who wishes to receive a separate copy of this Proxy Statement and the Company's 2021 Annual Report to Shareholders should submit a request in writing to Robert J. Simmons, Chief Financial Officer of the Company, 444 South River Road, St. George, Utah 84790, Telephone: (435) 634-3200. Beneficial owners sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all shareholders at the shared address in the future.

## **OTHER BUSINESS**

The Company's management does not know of any other matter to be presented for action at the Meeting. However, if any other matters should be properly presented at the Meeting, it is the intention of the persons named in the accompanying proxy to vote said proxy in accordance with their best judgment.

Robert J. Simmons

*Chief Financial Officer*

St. George, Utah

March 24, 2022



**APPENDIX A  
TO  
PROXY STATEMENT**

**Reconciliation of non-GAAP financial measures**

The non-GAAP information presented in this proxy statement should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP. The non-GAAP information may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management uses such non-GAAP information for financial and operational decision-making purposes and as a means to evaluate period-over-period comparisons and in forecasting the Company's business going forward. Management believes that the presentation of such non-GAAP information, when considered in conjunction with the most directly comparable GAAP information, provides additional useful comparative information for investors in their assessment of the underlying performance of the Company's business without regard to these items.

**Reconciliation to Adjusted Net Income and Diluted Earnings per Share (unaudited)**

(Dollars in thousands, except per diluted share)

	For the year ended December 31, 2021			
	Pre-tax income (loss)	Income tax benefit (expense)	Net income (loss)	Net income (loss) per diluted share
GAAP income (loss) . . . . .	\$ 150,610	\$ (38,700)	\$ 111,910	\$ 2.20
2021 adjustments (1) . . . . .	69,366	(16,960)	52,406	
Adjusted income . . . . .	\$ 219,976	\$ (55,660)	\$ 164,316	\$ 3.24

	For the year ended December 31, 2020			
	Pre-tax income (loss)	Income tax benefit (expense)	Net income	Net income per diluted share
GAAP income . . . . .	\$ (7,327)	\$ (1,188)	\$ (8,515)	\$ (0.17)
2020 adjustments (2) . . . . .	110,728	(27,073)	83,655	
Adjusted income . . . . .	\$ 103,401	\$ (28,261)	\$ 75,140	\$ 1.50

	For the year ended December 31, 2019			
	Pre-tax income (loss)	Income tax benefit (expense)	Net income	Net income per diluted share
GAAP income . . . . .	\$ 446,305	\$ (106,206)	\$ 340,099	\$ 6.62
2019 adjustments (3) . . . . .	21,869	(5,008)	16,861	
Adjusted income . . . . .	\$ 468,174	\$ (111,214)	\$ 356,960	\$ 6.95

These adjustments allow investors to better understand and analyze our recurring core performance in the periods presented.

- (1) Adjusted for the non-cash impairment charge of \$84.6 million (pre-tax) on SkyWest Airlines operated CRJ900 aircraft and for the recognition of previously deferred revenue of \$15.2 million (pre-tax) on fixed cash payments in 2021. These items were not contemplated during the goal setting process for the purpose of the 2019 PSU awards.

- (2) Adjusted for the deferred revenue on fixed cash payments received in 2020 under capacity purchase agreements that was not contemplated during the goal setting process for incentive purposes.
- (3) Excludes the special item operating expenses of \$21.9 million (pre-tax), primarily consisting of a non-cash write-off of aircraft manufacturer part credits that SkyWest forfeited to settle future lease return obligations. This adjustment was recorded in the first quarter of 2019 and was not contemplated during the goal setting process for incentive purposes.

## OFFICERS AND DIRECTORS SKYWEST, INC.

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### SKYWEST, INC

**Russell A. Childs**  
Chief Executive Officer & President  
Member of the Board since 2016

**Robert J. Simmons**  
Chief Financial Officer

**Wade J. Steel**  
Chief Commercial Officer

**Eric J. Woodward**  
Chief Accounting Officer

**Justin L. Esplin**  
Vice President, Information  
Technology

### SKYWEST AIRLINES, INC

**Greg S. Wooley**  
Executive Vice President, Operations

**Bill C. Dykes**  
Senior Vice President, Maintenance

**Tracy T. Gallo**  
Senior Vice President, Flight  
Operations

**Sonya P. Wolford**  
Senior Vice President, InFlight  
Services

**Bradley W. Blake**  
Vice President, Operations Control  
Center

**Lori A. Hunt**  
Vice President, Airport Operations

### BOARD OF DIRECTORS

**Jerry C. Atkin**  
Chairman of the Board  
Elected Chairman 1991  
Member of the Board since 1974

**Steven F. Udvar-Hazy**  
Board Lead Director  
Chairman, Nominating & Corporate  
Governance Committee  
Member, Compensation Committee  
Member of the Board since 1986

**W. Steve Albrecht**  
Chairman, Audit Committee  
Member, Nominating & Corporate  
Governance Committee  
Member of the Board since 2012  
(also served from 2003-2009)

**Smita Conjeevaram**  
Member, Audit Committee  
Member of the Board since 2021

**Meredith S. Madden**  
Member, Compensation Committee  
Member, Safety & Compliance  
Committee  
Member of the Board since 2015

**Ronald J. Mittelstaedt**  
Member, Compensation Committee  
Member, Nominating & Corporate  
Governance  
Member, Safety & Compliance  
Committee  
Member of the Board since 2013

**Andrew C. Roberts**  
Chairman, Safety & Compliance  
Committee  
Member, Audit Committee  
Member of the Board since 2015

**Keith E. Smith**  
Chairman, Compensation Committee  
Member, Audit Committee  
Member of the Board since 2013

**James L. Welch**  
Member, Audit Committee  
Member, Nominating & Corporate  
Governance Committee  
Member, Safety & Compliance  
Committee  
Member of the Board since 2007

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## CORPORATE INFORMATION

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NASDAQ Stock Symbol: SKYW

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Salt Lake City, Utah 84101

Registrar and Transfer Agent  
Zions First National Bank  
Stock Transfer Department  
PO Box 9088  
Salt Lake City, Utah 84130



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