

HAWAIIAN HOLDINGS INC
Form 10-Q
October 20, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

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

For the transition period from to

Commission file number 1-31443
HAWAIIAN HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 71-0879698
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

3375 Koapaka Street, Suite G-350
Honolulu, HI 96819
(Address of Principal Executive Offices) (Zip Code)

(808) 835-3700
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 14, 2016, 53,426,475 shares of the registrant's common stock were outstanding.

Hawaiian Holdings, Inc.
Form 10-Q
Quarterly Period ended September 30, 2016

Table of Contents

| | |
|--|-----------|
| <u>Part I. Financial Information</u> | <u>3</u> |
| <u>Item 1. Consolidated Financial Statements of Hawaiian Holdings, Inc. (Unaudited)</u> | <u>3</u> |
| <u>Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015</u> | <u>3</u> |
| <u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015</u> | <u>4</u> |
| <u>Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</u> | <u>5</u> |
| <u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015</u> | <u>6</u> |
| <u>Notes to Consolidated Financial Statements</u> | <u>7</u> |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>28</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u> | <u>37</u> |
| <u>Item 4. Controls and Procedures</u> | <u>39</u> |
| <u>Part II. Other Information</u> | <u>40</u> |
| <u>Item 1. Legal Proceedings</u> | <u>40</u> |
| <u>Item 1A. Risk Factors</u> | <u>40</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>40</u> |
| <u>Item 3. Defaults Upon Senior Securities</u> | <u>40</u> |
| <u>Item 4. Mine Safety Disclosures</u> | <u>40</u> |
| <u>Item 5. Other Information</u> | <u>40</u> |
| <u>Item 6. Exhibits</u> | <u>40</u> |
| <u>Signatures</u> | <u>41</u> |

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Hawaiian Holdings, Inc.

Consolidated Statements of Operations

(in thousands, except per share data)

| | Three Months Ended September 30, 2016 | | Nine Months Ended September 30, 2016 | |
|--|---|-----------|--|-------------|
| | 2015 | 2016 | 2015 | 2016 |
| | (unaudited) | | | |
| Operating Revenue: | | | | |
| Passenger | \$591,496 | \$556,929 | \$1,592,095 | \$1,525,461 |
| Other | 80,341 | 74,809 | 225,512 | 217,852 |
| Total | 671,837 | 631,738 | 1,817,607 | 1,743,313 |
| Operating Expenses: | | | | |
| Wages and benefits | 141,410 | 125,884 | 410,936 | 369,875 |
| Aircraft fuel, including taxes and delivery | 94,818 | 105,483 | 248,516 | 329,329 |
| Maintenance, materials and repairs | 51,812 | 56,196 | 166,901 | 168,512 |
| Aircraft and passenger servicing | 33,971 | 30,284 | 93,245 | 87,948 |
| Aircraft rent | 32,891 | 29,544 | 92,345 | 86,732 |
| Commissions and other selling | 29,480 | 30,305 | 93,936 | 91,217 |
| Other rentals and landing fees | 28,926 | 24,728 | 78,338 | 70,807 |
| Depreciation and amortization | 27,495 | 26,061 | 81,629 | 78,777 |
| Purchased services | 25,614 | 19,458 | 72,889 | 60,540 |
| Other | 31,565 | 29,118 | 94,279 | 82,319 |
| Total | 497,982 | 477,061 | 1,433,014 | 1,426,056 |
| Operating Income | 173,855 | 154,677 | 384,593 | 317,257 |
| Nonoperating Income (Expense): | | | | |
| Interest expense and amortization of debt discounts and issuance costs | (8,539) | (13,506) | (28,453) | (42,742) |
| Gains (losses) on fuel derivatives | (3,601) | (25,009) | 15,421 | (28,670) |
| Interest income | 1,113 | 691 | 3,044 | 2,052 |
| Capitalized interest | 719 | 698 | 1,407 | 2,966 |
| Loss on extinguishment of debt | — | (54) | (9,993) | (7,296) |
| Other, net | 612 | (4,515) | 9,884 | (9,325) |
| Total | (9,696) | (41,695) | (8,690) | (83,015) |
| Income Before Income Taxes | 164,159 | 112,982 | 375,903 | 234,242 |
| Income tax expense | 61,705 | 42,953 | 142,413 | 89,496 |
| Net Income | \$102,454 | \$70,029 | \$233,490 | \$144,746 |
| Net Income Per Share | | | | |
| Basic | \$1.92 | \$1.30 | \$4.37 | \$2.67 |
| Diluted | \$1.91 | \$1.15 | \$4.35 | \$2.32 |

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
 Consolidated Statements of Comprehensive Income
 (in thousands)

| | Three Months Ended September 30, 2016 2015 (unaudited) | |
|---|--|----------|
| Net Income | \$102,454 | \$70,029 |
| Other comprehensive loss, net: | | |
| Net change related to employee benefit plans, net of tax expense of \$714 and \$1,117 for 2016 and 2015, respectively | 1,293 | 1,894 |
| Net change in derivative instruments, net of tax benefit of \$1,141 and \$1,628 for 2016 and 2015, respectively | (1,858) | (2,681) |
| Net change in available-for-sale investments, net of tax benefit of \$150 and tax expense of \$35 for 2016 and 2015, respectively | (246) | 59 |
| Total other comprehensive loss | (811) | (728) |
| Total Comprehensive Income | \$101,643 | \$69,301 |

| | Nine Months Ended September 30, 2016 2015 (unaudited) | |
|---|---|-----------|
| Net Income | \$233,490 | \$144,746 |
| Other comprehensive income (loss), net: | | |
| Net change related to employee benefit plans, net of tax expense of \$2,028 and \$3,163 for 2016 and 2015, respectively | 3,448 | 5,251 |
| Net change in derivative instruments, net of tax benefit of \$10,457 and \$3,014 for 2016 and 2015, respectively | (17,166) | (4,958) |
| Net change in available-for-sale investments, net of tax expense of \$266 and \$145 for 2016 and 2015, respectively | 437 | 239 |
| Total other comprehensive income (loss) | (13,281) | 532 |
| Total Comprehensive Income | \$220,209 | \$145,278 |

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except shares)

| | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| | (unaudited) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$405,713 | \$281,502 |
| Restricted cash | 5,000 | 5,000 |
| Short-term investments | 287,995 | 278,545 |
| Accounts receivable, net | 85,388 | 81,723 |
| Spare parts and supplies, net | 18,238 | 19,164 |
| Prepaid expenses and other | 57,918 | 75,050 |
| Total | 860,252 | 740,984 |
| Property and equipment, less accumulated depreciation and amortization of \$494,121 and \$432,510 as of September 30, 2016 and December 31, 2015, respectively | 1,581,027 | 1,552,742 |
| Other Assets: | | |
| Long-term prepayments and other | 67,468 | 70,873 |
| Intangible assets, less accumulated amortization of \$30,222 and \$28,400 as of September 30, 2016 and December 31, 2015, respectively | 18,726 | 18,660 |
| Goodwill | 106,663 | 106,663 |
| Total Assets | \$2,634,136 | \$2,489,922 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$107,456 | \$101,310 |
| Air traffic liability | 515,388 | 430,766 |
| Other accrued liabilities | 150,848 | 160,258 |
| Current maturities of long-term debt and capital lease obligations | 58,349 | 74,441 |
| Total | 832,041 | 766,775 |
| Long-Term Debt and Capital Lease Obligations | 506,328 | 677,915 |
| Other Liabilities and Deferred Credits: | | |
| Accumulated pension and other postretirement benefit obligations | 363,732 | 372,700 |
| Other liabilities and deferred credits | 100,674 | 89,845 |
| Deferred tax liability, net | 165,677 | 136,625 |
| Total | 630,083 | 599,170 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Special preferred stock, \$0.01 par value per share, three shares issued and outstanding as of September 30, 2016 and December 31, 2015 | — | — |
| Common stock, \$0.01 par value per share, 53,426,475 and 53,401,439 shares outstanding as of September 30, 2016 and December 31, 2015, respectively | 534 | 534 |
| Capital in excess of par value | 123,504 | 124,091 |
| Accumulated income | 654,204 | 420,714 |
| Accumulated other comprehensive loss, net | (112,558) | (99,277) |
| Total | 665,684 | 446,062 |
| Total Liabilities and Shareholders' Equity | \$2,634,136 | \$2,489,922 |

See accompanying Notes to Consolidated Financial Statements.

5

Hawaiian Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

| | Nine Months Ended September 30, | |
|--|---------------------------------|------------|
| | 2016 | 2015 |
| | (unaudited) | |
| Net cash provided by Operating Activities | \$ 417,307 | \$ 389,472 |
| Cash flows from Investing Activities: | | |
| Additions to property and equipment, including pre-delivery payments | (104,250) | (105,329) |
| Proceeds from purchase assignment and leaseback transactions | 31,851 | 86,033 |
| Proceeds from disposition of equipment | — | 3,606 |
| Purchases of investments | (217,964) | (178,177) |
| Sales of investments | 208,075 | 170,904 |
| Net cash used in investing activities | (82,288) | (22,963) |
| Cash flows from Financing Activities: | | |
| Repayments of long-term debt and capital lease obligations | (205,532) | (74,719) |
| Repurchases and redemptions of convertible notes | (1,426) | (171,598) |
| Repurchases of common stock | (13,763) | (37,622) |
| Excess tax benefit from equity awards | 17,615 | — |
| Other | (7,702) | (1,483) |
| | (210,808) | (285,422) |

| | | |
|---|------------|------------|
| Net cash used in financing activities | | |
| Net increase in cash and cash equivalents | 124,211 | 81,087 |
| Cash and cash equivalents - Beginning of Period | 281,502 | 264,087 |
| Cash and cash equivalents - End of Period | \$ 405,713 | \$ 345,174 |

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

1. Business and Basis of Presentation

Hawaiian Holdings, Inc. (the Company or Holdings) is a holding company incorporated in the State of Delaware. The Company's primary asset is its sole ownership of all issued and outstanding shares of common stock of Hawaiian Airlines, Inc. (Hawaiian). The accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements contain all adjustments, including normal recurring adjustments, necessary for the fair presentation of the Company's results of operations and financial position for the periods presented. Due to seasonal fluctuations, among other factors common to the airline industry, the results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and the notes of the Company included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

2. Significant Accounting Policies

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASU 2016-02), requiring a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. ASU 2016-02 requires entities to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited. The Company is currently evaluating the effect that the provisions of ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), requiring an entity to present its debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015. As a result, the Company adopted ASU 2015-03 as of January 1, 2016 and retrospectively applied it to all periods presented in the consolidated balance sheets. The adoption of ASU 2015-03 resulted in a \$19.8 million reclassification of the Company's unamortized debt issuance costs from long-term prepayments and other to long-term debt on the consolidated balance sheet as of December 31, 2015.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and allows for either full retrospective or modified retrospective adoption. Organizations are permitted to adopt the new revenue standard early, but not before December 15, 2016.

The Company is currently evaluating the effect that the provisions of ASU 2014-09 will have on its consolidated financial statements and related disclosures. We have determined that the new standard, once effective, will preclude the Company from accounting for miles earned under its HawaiianMiles customer loyalty program using the

incremental cost method, and will instead require the use of the deferred revenue method. This change could have a significant impact on the Company's financial statements.

7

3. Accumulated Other Comprehensive Income (Loss)

Reclassifications out of accumulated other comprehensive income (loss) by component is as follows:

| Details about accumulated other comprehensive loss components | Three months ended September 30, | | Nine months ended September 30, | | Affected line items in the statement where net income is presented |
|---|----------------------------------|-----------|---------------------------------|------------|--|
| | 2016 | 2015 | 2016 | 2015 | |
| | (in thousands) | | | | |
| Derivatives designated as hedging instruments under ASC 815 | | | | | |
| Foreign currency derivative losses (gains) | \$1,842 | \$(5,003) | \$(1,679) | \$(13,415) | Passenger revenue |
| Interest rate derivative losses, net | — | 170 | 944 | 536 | Interest expense |
| Total before tax | 1,842 | (4,833) | (735) | (12,879) | |
| Tax expense (benefit) | (701) | 1,826 | 272 | 4,866 | |
| Total, net of tax | \$1,141 | \$(3,007) | \$(463) | \$(8,013) | |
| Amortization of defined benefit plan items | | | | | |
| Actuarial loss | \$1,950 | \$2,955 | \$5,780 | \$8,315 | Wages and benefits |
| Prior service cost | 57 | 57 | 171 | 171 | Wages and benefits |
| Total before tax | 2,007 | 3,012 | 5,951 | 8,486 | |
| Tax benefit | (714) | (1,118) | (2,207) | (3,194) | |
| Total, net of tax | \$1,293 | \$1,894 | \$3,744 | \$5,292 | |
| Short-term investments | | | | | |
| Realized gain on sales of investments, net | \$(129) | \$(1) | \$(189) | \$(36) | Other nonoperating income |
| Total before tax | (129) | (1) | (189) | (36) | |
| Tax expense | 49 | — | 69 | 7 | |
| Total, net of tax | (80) | \$(1) | \$(120) | \$(29) | |
| Total reclassifications for the period | \$2,354 | \$(1,114) | \$3,161 | \$(2,750) | |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

A rollforward of the amounts included in accumulated other comprehensive income (loss), net of taxes, for the three and nine months ended September 30, 2016 and 2015 is as follows:

| Three months ended September 30, 2016 | Interest Rate Derivatives | Foreign Currency Derivatives | Defined Benefit Plan Items | Short-Term Investments | Total |
|---|---------------------------|------------------------------|----------------------------|------------------------|-------------|
| | (in thousands) | | | | |
| Beginning balance | \$ (10,348) | | \$(101,710) | \$ 311 | \$(111,747) |
| Other comprehensive loss before reclassifications, net of tax | —(2,999) | | — | (166) | (3,165) |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | —1,141 | | 1,293 | (80) | 2,354 |
| Net current-period other comprehensive income (loss) | —(1,858) | | 1,293 | (246) | (811) |
| Ending balance | \$ (12,206) | | \$(100,417) | \$ 65 | \$(112,558) |

| Three months ended September 30, 2015 | Interest Rate Derivatives | Foreign Currency Derivatives | Defined Benefit Plan Items | Short-Term Investments | Total |
|---|---------------------------|------------------------------|----------------------------|------------------------|-------------|
| | (in thousands) | | | | |
| Beginning balance | \$262 | \$ 10,423 | \$(132,163) | \$ (74) | \$(121,552) |
| Other comprehensive income (loss) before reclassifications, net of tax | (641) | 967 | — | 60 | 386 |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | 104 | (3,111) | 1,894 | (1) | (1,114) |
| Net current-period other comprehensive income (loss) | (537) | (2,144) | 1,894 | 59 | (728) |
| Ending balance | \$(275) | \$ 8,279 | \$(130,269) | \$ (15) | \$(122,280) |

| Nine months ended September 30, 2016 | Interest Rate Derivatives | Foreign Currency Derivatives | Defined Benefit Pension Items | Short-Term Investments | Total |
|---|---------------------------|------------------------------|-------------------------------|------------------------|-------------|
| | (in thousands) | | | | |
| Beginning balance | \$81 | \$ 4,879 | \$(103,865) | \$ (372) | \$(99,277) |
| Other comprehensive income (loss) before reclassifications, net of tax | (668) | (16,035) | (296) | 557 | (16,442) |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | 587 | (1,050) | 3,744 | (120) | 3,161 |
| Net current-period other comprehensive income (loss) | (81) | (17,085) | 3,448 | 437 | (13,281) |
| Ending balance | \$— | \$ (12,206) | \$(100,417) | \$ 65 | \$(112,558) |

| Nine months ended September 30, 2015 | Interest Rate Derivatives | Foreign Currency Derivatives | Defined Benefit Pension Items | Short-Term Investments | Total |
|---|---------------------------|------------------------------|-------------------------------|------------------------|-------------|
| | (in thousands) | | | | |
| Beginning balance | \$254 | \$ 12,708 | \$(135,520) | \$ (254) | \$(122,812) |
| Other comprehensive income (loss) before reclassifications, net of tax | (857) | 3,912 | (41) | 268 | 3,282 |
| Amounts reclassified from accumulated other comprehensive income (loss), net of tax | 328 | (8,341) | 5,292 | (29) | (2,750) |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

| | | | | | |
|--|---------|----------|-------------|----------|-------------|
| Net current-period other comprehensive income (loss) | (529) | (4,429) | 5,251 | 239 | 532 |
| Ending balance | \$(275) | \$ 8,279 | \$(130,269) | \$ (15) | \$(122,280) |

9

4. Earnings Per Share

Basic earnings per share, which excludes dilution, is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the three and nine months ended September 30, 2016 and 2015, anti-dilutive shares excluded from the calculation of diluted earnings per share were nil.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|----------|------------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| | (in thousands, except for per share data) | | | |
| Numerator: | | | | |
| Net Income | \$102,454 | \$70,029 | \$233,490 | \$144,746 |
| Denominator: | | | | |
| Weighted average common stock shares outstanding - Basic | 53,427 | 53,731 | 53,488 | 54,266 |
| Assumed exercise of stock options and awards | 161 | 396 | 219 | 458 |
| Assumed conversion of convertible note premium | — | 350 | 8 | 1,618 |
| Assumed conversion of warrants | — | 6,351 | — | 6,139 |
| Weighted average common stock shares outstanding - Diluted | 53,588 | 60,828 | 53,715 | 62,481 |
| Net Income Per Share | | | | |
| Basic | \$1.92 | \$1.30 | \$4.37 | \$2.67 |
| Diluted | \$1.91 | \$1.15 | \$4.35 | \$2.32 |

Stock Repurchase Program

In April 2015, the Company's Board of Directors approved a stock repurchase program under which the Company may repurchase up to \$100 million of its outstanding common stock over a two-year period through the open market, established plans or privately negotiated transactions in accordance with all applicable securities laws, rules and regulations. The stock repurchase program is subject to modification or termination at any time. The Company spent \$3.7 million and \$13.8 million to repurchase approximately 98 thousand shares and 379 thousand shares of the Company's common stock in open market transactions during the three and nine months ended September 30, 2016, respectively. As of September 30, 2016, the Company has \$46.1 million remaining to spend under the stock repurchase program. See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" of this report for additional information on the stock repurchase program.

5. Short-Term Investments

Debt securities that are not classified as cash equivalents are classified as available-for-sale investments and are stated at fair value. Realized gains and losses on sales of investments are reflected in nonoperating income (expense) in the unaudited consolidated statements of operations. Unrealized gains and losses on available-for-sale securities are reflected as a component of accumulated other comprehensive loss.

The following is a summary of short-term investments held as of September 30, 2016 and December 31, 2015:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--------------------|-------------------|------------------------------|-------------------------------|---------------|
| September 30, 2016 | (in thousands) | | | |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

| | | | | | |
|---------------------------------|------------|--------|----------|---|------------|
| Corporate debt | \$ 173,122 | \$ 247 | \$ (93) |) | \$ 173,276 |
| U.S. government and agency debt | 63,996 | 76 | (18) |) | 64,054 |
| Municipal bonds | 21,198 | — | (66) |) | 21,132 |
| Other fixed income securities | 29,534 | 1 | (2) |) | 29,533 |
| Total short-term investments | \$ 287,850 | \$ 324 | \$ (179) |) | \$ 287,995 |

10

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| December 31, 2015 | (in thousands) | | | |
| Corporate debt | \$ 167,066 | \$ 13 | \$ (481) |) \$ 166,598 |
| U.S. government and agency debt | 62,376 | 9 | (123) |) 62,262 |
| Municipal bonds | 22,865 | 3 | (12) |) 22,856 |
| Other fixed income securities | 26,835 | — | (6) |) 26,829 |
| Total short-term investments | \$ 279,142 | \$ 25 | \$ (622) |) \$ 278,545 |

Contractual maturities of short-term investments as of September 30, 2016 are shown below.

| | Under 1 Year | 1 to 5 Years | Total |
|---------------------------------|----------------|--------------|------------|
| | (in thousands) | | |
| Corporate debt | \$ 58,812 | \$ 114,464 | \$ 173,276 |
| U.S. government and agency debt | 35,815 | 28,240 | 64,055 |
| Municipal bonds | 8,859 | 12,273 | 21,132 |
| Other fixed income securities | 28,032 | 1,500 | 29,532 |
| Total short-term investments | \$ 131,518 | \$ 156,477 | \$ 287,995 |

The Company classifies investments as current assets as these securities are available for use in its current operations.

6. Fair Value Measurements

ASC Topic 820, Fair Value Measurement (ASC 820) clarifies that fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs such as 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 for the assets or liabilities; and

Level 3 — Unobservable inputs for which there is little or no market data and that are significant to the fair value of the assets or liabilities.

The tables below present the Company's financial assets and liabilities measured at fair value on a recurring basis:

| | Fair Value Measurements as of | | | |
|--|-------------------------------|---------|-----------|---------|
| | September 30, 2016 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| | (in thousands) | | | |
| Cash equivalents | \$17,296 | \$4,404 | \$12,892 | \$ — |
| Cash equivalents measured at net asset value | 166,780 | — | — | — |
| Restricted cash | 5,000 | 5,000 | — | — |
| Short-term investments | 287,995 | — | 287,995 | — |
| Fuel derivative contracts: | | | | |
| Crude oil call options | 4,072 | — | 4,072 | — |
| Heating oil swaps | 7,321 | — | 7,321 | — |
| Foreign currency derivatives | 88 | — | 88 | — |
| Total assets measured at fair value | \$488,552 | \$9,404 | \$312,368 | \$ — |
| Fuel derivative contracts: | | | | |
| Heating oil swaps | \$712 | \$— | \$712 | \$ — |
| Foreign currency derivatives | 18,757 | — | 18,757 | — |
| Total liabilities measured at fair value | \$19,469 | \$— | \$19,469 | \$ — |

| | Fair Value Measurements as of | | | |
|--|-------------------------------|---------|-----------|---------|
| | December 31, 2015 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| | (in thousands) | | | |
| Cash equivalents | \$5,665 | \$1,648 | \$4,017 | \$ — |
| Cash equivalents measured at net asset value | 61,577 | — | — | — |
| Restricted cash | 5,000 | 5,000 | — | — |
| Short-term investments | 278,545 | — | 278,545 | — |
| Fuel derivative contracts: | | | | |
| Heating oil put options | 1,060 | — | 1,060 | — |
| Foreign currency derivatives | 6,550 | — | 6,550 | — |
| Total assets measured at fair value | \$358,397 | \$6,648 | \$290,172 | \$ — |
| Fuel derivative contracts: | | | | |
| Heating oil swaps | \$40,530 | \$— | \$40,530 | \$ — |
| Foreign currency derivatives | 1,049 | — | 1,049 | — |
| Interest rate derivatives | 312 | — | 312 | — |
| Total liabilities measured at fair value | \$41,891 | \$— | \$41,891 | \$ — |

Cash equivalents. The Company's cash equivalents consist of money market securities, U.S. agency bonds, foreign and domestic corporate bonds, and commercial paper. The instruments classified as Level 2 are valued using quoted prices for similar assets in active markets.

Cash equivalents measured at net asset value. Cash equivalents measured at net asset value consist of money market securities that are measured at fair value using the net asset value per share practical expedient. In accordance with ASC 820, these instruments are not included in the fair value hierarchy.

Restricted cash. The Company's restricted cash consists of money market securities.

Short-term investments. Short-term investments include U.S. and foreign government notes and bonds, U.S. agency bonds, variable-rate corporate bonds, asset backed securities, foreign and domestic corporate bonds, municipal bonds,

and commercial paper. These instruments are valued using quoted prices for similar assets in active markets or other observable inputs.

Fuel derivative contracts. The Company's fuel derivative contracts consist of heating oil swaps and crude oil call options which are not traded on a public exchange. The fair value of these instruments are determined based on inputs available or derived from public markets including contractual terms, market prices, yield curves, and measures of volatility among others.

Foreign currency derivatives. The Company's foreign currency derivatives consist of Japanese Yen and Australian Dollar forward contracts and are valued based primarily on data available or derived from public markets.

Interest rate derivatives. The Company's interest rate derivatives consist of interest rate swaps and are valued based primarily on data available or derived from public markets.

The table below presents the Company's debt (excluding obligations under capital leases) measured at fair value:

| Fair Value of Debt | | | | | | | | | | | |
|---------------------|-----------|-------------------|---------|---------|-----------|-----------|-----------|---------------------|---------|---------|-----------|
| September 30, 2016 | | December 31, 2015 | | | | | | | | | |
| Carrying Fair Value | | Level 1 | | Level 2 | | Level 3 | | Carrying Fair Value | | Level 3 | |
| Amount | Total | Level 1 | Level 2 | Level 3 | Amount | Total | Level 1 | Level 2 | Level 3 | Amount | Total |
| (in thousands) | | | | | | | | | | | |
| \$487,209 | \$490,382 | \$ | — | — | \$490,382 | \$677,203 | \$665,507 | \$ | — | \$283 | \$665,224 |

The fair value estimates of the Company's debt were based on the discounted amount of future cash flows using the Company's current incremental rate of borrowing for similar instruments.

The carrying amounts of cash, other receivables, and accounts payable approximate fair value due to the short-term nature of these financial instruments.

7. Financial Derivative Instruments

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices and foreign currencies.

Fuel Risk Management

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. During the three and nine months ended September 30, 2016, the Company primarily used heating oil swaps and crude oil call options to hedge its aircraft fuel expense. These derivative instruments were not designated as hedges under ASC Topic 815, Derivatives and Hedging (ASC 815), for hedge accounting treatment. As a result, any changes in fair value of these derivative instruments are adjusted through other nonoperating income (expense) in the period of change.

The following table reflects the amount of realized and unrealized gains and losses recorded as nonoperating income (expense) in the unaudited Consolidated Statements of Operations.

| | Three months ended | | Nine months ended | |
|--|--------------------|---------------|-------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2016 | 2015 | 2016 | 2015 |
| | (in thousands) | | | |
| Fuel derivative contracts | | | | |
| Losses realized at settlement | \$(2,525) | \$(13,777) | \$(30,349) | \$(44,921) |
| Reversal of prior period unrealized amounts | (7,115) | 9,953 | 33,577 | 38,293 |
| Unrealized gains (losses) that will settle in future periods | 6,039 | (21,185) | 12,193 | (22,042) |

| | | | | |
|--|------------|-------------|-----------|-------------|
| Gains (losses) on fuel derivatives recorded as Nonoperating income (expense) | \$ (3,601) | \$ (25,009) | \$ 15,421 | \$ (28,670) |
|--|------------|-------------|-----------|-------------|

Foreign Currency Exchange Rate Risk Management

The Company is subject to foreign currency exchange rate risk due to revenues and expenses denominated in foreign currencies, with the primary exposures being the Japanese Yen and Australian Dollar. To manage exchange rate risk, the Company executes its international revenue and expense transactions in the same foreign currency to the extent practicable.

The Company enters into foreign currency forward contracts to further manage the effects of fluctuating exchange rates. The effective portion of the gain or loss of designated cash flow hedges is reported as a component of accumulated other

comprehensive income (AOCI) and reclassified into earnings in the same period in which the related sales are recognized as passenger revenue. The effective portion of the foreign currency forward contracts represents the change in fair value of the hedge that offsets the change in the fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized as nonoperating income (expense). Foreign currency forward contracts that are not designated as cash flow hedges are recorded at fair value, and any changes in fair value are recognized as other nonoperating income (expense) in the period of change.

The Company believes that its foreign currency forward contracts that are designated as cash flow hedges will continue to be effective in offsetting changes in cash flow attributable to the hedged risk. The Company expects to reclassify a net loss of approximately \$14.0 million into earnings over the next 12 months from AOCI based on the values at September 30, 2016.

The following tables present the gross fair value of asset and liability derivatives that are designated as hedging instruments under ASC 815 and derivatives that are not designated as hedging instruments under ASC 815, as well as the net derivative positions and location of the asset and liability balances within the unaudited Consolidated Balance Sheets.

Derivative position as of September 30, 2016

| | Balance Sheet Location | Notional Amount (in thousands) | Final Maturity Date | Gross fair value of assets (in thousands) | Gross fair value of liabilities (in thousands) | Net derivative position |
|--------------------------------------|--|--|---------------------|--|---|-------------------------|
| Derivatives designated as hedges | | | | | | |
| Foreign currency derivatives | Other accrued liabilities | 15,789,800 Japanese Yen 41,423 Australian Dollars | September 2017 | 60 | (14,548) | (14,488) |
| | Other liabilities and deferred credits | 4,376,750 Japanese Yen 7,552 Australian Dollars | September 2018 | 14 | (3,973) | (3,959) |
| Derivatives not designated as hedges | | | | | | |
| Foreign currency derivatives | Other accrued liabilities | 561,300 Japanese Yen 5,437 Australian Dollars | March 2017 | 14 | (236) | (222) |
| Fuel derivative contracts | Prepaid expenses and other | 36,419 gallons | September 2017 | 11,393 | (712) | 10,681 |

Derivative position as of December 31, 2015

| | Balance Sheet Location | Notional Amount (in thousands) | Final Maturity Date | Gross fair value of (liabilities) assets (in thousands) | Net derivative position |
|--------------------------------------|--|---|---------------------|--|-------------------------|
| Derivatives designated as hedges | | | | | |
| Interest rate derivative | Other accrued liabilities | \$51,000 U.S. dollars | April 2023 | \$ (70) | \$ (70) |
| | Other liabilities and deferred credits (1) | | | (242) | (242) |
| Foreign currency derivatives | Prepaid expenses and other | 7,594,750 Japanese Yen 44,917 Australian Dollars | December 2016 | 6,462 | 5,936 |
| | Other liabilities and deferred credits | 5,437,400 Japanese Yen 8,730 Australian Dollars | December 2017 | 78(493) | (415) |
| Derivatives not designated as hedges | | | | | |
| Foreign currency derivatives | Prepaid expenses and other | 2,762,000 Japanese Yen 3,303 Australian Dollars | August 2016 | 11 | 11 |
| | Other liabilities and deferred credits | 2,845 Australian Dollars | March 2017 | (31) | (31) |
| Fuel derivative contracts | Other accrued liabilities | 84,067 gallons | December 2016 | 1,040 | (39,470) |

(1) Represents the noncurrent portion of the \$51.0 million interest rate derivative with final maturity in April 2023.

The following table reflects the impact of cash flow hedges designated for hedge accounting treatment and their location within the unaudited Consolidated Statements of Comprehensive Income.

| | (Gain) loss recognized in OCI classified from AOCI derivatives (effective portion) | | | (Gain) loss recognized in nonoperating (income) expense (ineffective portion) | | |
|------------------------------|--|---------------------------------------|---------------------------------------|---|---------------------------------------|---------------------------------------|
| | Three months ended September 30, 2016 | Three months ended September 30, 2015 | Three months ended September 30, 2016 | Three months ended September 30, 2016 | Three months ended September 30, 2015 | Three months ended September 30, 2016 |
| Foreign currency derivatives | \$4,841 | \$(1,558) | \$ 1,842 | \$ (5,003) | \$ — | \$ — |
| Interest rate derivatives | — | 840 | — | 170 | — | — |

| | Nine months ended September 30, 2016 | | Nine months ended September 30, 2015 | | (ineffective portion) Nine months ended September 30, 2016 | | 2015 | |
|------------------------------|--------------------------------------|-----------|--------------------------------------|--------------|---|---|------|---|
| Foreign currency derivatives | \$24,996 | \$(6,295) | \$ (1,679 |) \$ (13,415 |) \$ | — | \$ | — |
| Interest rate derivatives | 923 | 778 | 1,383 | 536 | — | — | — | — |

Risk and Collateral

Financial derivative instruments expose the Company to possible credit loss in the event the counterparties fail to meet their obligations. To manage such credit risks, the Company (1) selects its counterparties based on past experience and credit ratings, (2) limits its exposure to any single counterparty, and (3) regularly monitors the market position and credit rating of each counterparty. Credit risk is deemed to have a minimal impact on the fair value of the derivative instruments as cash collateral would be provided by the counterparties based on the current market exposure of the derivative.

ASC 815 requires a reporting entity to elect a policy of whether to offset rights to reclaim cash collateral or obligations to return cash collateral against derivative assets and liabilities executed with the same counterparty under a master netting agreement, or present such amounts on a gross basis. The Company's accounting policy is to present its derivative assets and liabilities on a net basis, including any collateral posted with the counterparty. The Company had no collateral posted with counterparties as of September 30, 2016 and December 31, 2015.

The Company is also subject to market risk in the event these financial instruments become less valuable in the market. However, changes in the fair value of the derivative instruments will generally offset the change in the fair value of the hedged item, limiting the Company's overall exposure.

8. Debt

As of September 30, 2016, the expected maturities of long-term debt for the remainder of 2016 and the next four years, and thereafter, were as follows (in thousands):

| | |
|--------------------------|-----------|
| Remaining months in 2016 | \$5,336 |
| 2017 | 48,801 |
| 2018 | 48,244 |
| 2019 | 72,927 |
| 2020 | 21,413 |
| Thereafter | 290,488 |
| | \$487,209 |

Debt Extinguishment

The Company extinguished \$140.5 million of its existing debt under a secured financial agreement for the nine months ended September 30, 2016, which was originally scheduled to mature in 2023. This debt extinguishment resulted in a loss of \$10.0 million for the nine months ended September 30, 2016, which was reflected in nonoperating income (expense) in the unaudited Consolidated Statement of Operations.

9. Leases

The Company leases aircraft, engines, and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, maintenance facilities, and general offices. Certain leases include escalation clauses and renewal options. When lease renewals are considered to be reasonably assured, the rental payments that will be due during the renewal periods are included in the determination of rent expense over the life of the lease.

As of September 30, 2016, the scheduled future minimum rental payments under operating leases with non-cancellable basic terms of more than one year were as follows:

| | Aircraft | Other |
|-------------------|----------------|----------|
| | (in thousands) | |
| Remaining in 2016 | \$30,344 | \$1,308 |
| 2017 | 117,226 | 4,856 |
| 2018 | 114,477 | 4,787 |
| 2019 | 114,332 | 4,494 |
| 2020 | 94,177 | 4,319 |
| Thereafter | 280,320 | 27,949 |
| | \$750,876 | \$47,713 |

10. Employee Benefit Plans

The components of net periodic benefit cost for the Company's defined benefit and other postretirement plans included the following:

16

| Components of Net Period Benefit Cost | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------------------|----------------------------------|----------|---------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| | (in thousands) | | | |
| Service cost | \$3,438 | \$4,006 | \$10,864 | \$12,456 |
| Interest cost | 7,518 | 7,454 | 22,682 | 22,232 |
| Expected return on plan assets | (4,472) | (4,702) | (13,416) | (14,134) |
| Recognized net actuarial loss | 2,008 | 3,012 | 5,952 | 8,486 |
| Net periodic benefit cost | \$8,492 | \$9,770 | \$26,082 | \$29,040 |

The Company contributed \$15.6 million and \$26.9 million to its defined benefit and other postretirement plans during the three and nine months ended September 30, 2016, respectively, including \$21.2 million above the minimum funding requirements. The Company contributed \$3.2 million and \$16.7 million to its defined benefit and other postretirement plans during the three and nine months ended September 30, 2015, respectively.

11. Commitments and Contingent Liabilities

Commitments

As of September 30, 2016, the Company had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

| Aircraft Type | Firm Orders | Purchase Rights | Expected Delivery Dates |
|--------------------------------|-------------|-----------------|-------------------------|
| A321neo aircraft | 16 | 9 | Between 2017 and 2020 |
| A330-800neo aircraft | 6 | 6 | Between 2019 and 2021 |
| Pratt & Whitney spare engines: | | | |
| A321neo spare engines | 2 | 2 | Between 2017 and 2018 |
| Rolls-Royce spare engines: | | | |
| A330-800neo spare engines | 2 | 2 | Between 2019 and 2026 |

The Company has operating commitments with a third-party to provide aircraft maintenance services which require fixed payments as well as variable payments based on flight hours for its Airbus fleet through 2027. The Company also has operating commitments with third-party service providers for IT, accounting services, and a capacity purchase agreement through 2024.

Committed capital and operating expenditures include escalation amounts based on estimates. The gross committed expenditures and committed financings for those deliveries as of September 30, 2016 are detailed below:

| | Capital | Operating | Total Committed Expenditures |
|-------------------|----------------|-----------|------------------------------|
| | (in thousands) | | |
| Remaining in 2016 | \$44,490 | \$20,421 | \$ 64,911 |
| 2017 | 232,744 | 77,009 | 309,753 |
| 2018 | 396,342 | 64,529 | 460,871 |
| 2019 | 481,376 | 57,025 | 538,401 |
| 2020 | 232,736 | 57,122 | 289,858 |
| Thereafter | 214,789 | 287,500 | 502,289 |
| | \$1,602,477 | \$563,606 | \$ 2,166,083 |

Litigation and Contingencies

The Company is subject to legal proceedings arising in the normal course of its operations. Management does not anticipate that the disposition of any currently pending proceeding will have a material effect on the Company's operations, business or financial condition.

General Guarantees and Indemnifications

In the normal course of business, the Company enters into numerous aircraft financing and real estate leasing arrangements that have various guarantees included in the contract. It is common in such lease transactions for the lessee to agree to indemnify the lessor and other related third-parties for tort liabilities that arise out of or relate to the lessee's use of the leased aircraft or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, the lessee typically indemnifies such parties for any environmental liability that arises out of or relates to its use of the real estate leased premises. The Company believes that it is insured (subject to deductibles) for most tort liabilities and related indemnities described above with respect to the aircraft and real estate that it leases. The Company cannot estimate the potential amount of future payments, if any, under the foregoing indemnities and agreements.

Credit Card Holdback

Under the Company's bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. These holdbacks, which are included in restricted cash in the Company's unaudited Consolidated Balance Sheets, totaled \$5.0 million at September 30, 2016 and December 31, 2015.

In the event of a material adverse change in the Company's business, the holdback could increase to an amount up to 100% of the applicable credit card air traffic liability, which would also cause an increase in the level of restricted cash. If the Company is unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material adverse impact on the Company.

12. Supplemental Cash Flow Information

Non-cash investing and financing activities for the nine months ended September 30, 2016 and 2015 were as follows:

Nine months
ended
September 30,
2016 2015
(in thousands)

Investing and Financing Activities Not Affecting Cash:

| | | |
|---|---------|---------|
| Property and equipment acquired through a capital lease | \$6,092 | \$2,791 |
|---|---------|---------|

13. Condensed Consolidating Financial Information

The following condensed consolidating financial information is presented in accordance with Regulation S-X paragraph 210.3-10 because, in connection with the issuance by two pass-through trusts formed by Hawaiian (which is also referred to in this Note 13 as Subsidiary Issuer / Guarantor) of pass-through certificates, the Company (which is also referred to in this Note 13 as Parent Issuer / Guarantor) is fully and unconditionally guaranteeing the payment obligations of Hawaiian, which is a 100% owned subsidiary of the Company, under equipment notes issued by Hawaiian to purchase new aircraft.

Condensed consolidating financial statements are presented in the following tables:

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

Three months ended September 30, 2016

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------------------------|-------------------------------------|-------------------------------|--------------|--------------|
| | (in thousands) | | | | |
| Operating Revenue | \$— | \$670,115 | \$ 1,800 | \$(78) |) \$ 671,837 |
| Operating Expenses: | | | | | |
| Aircraft fuel, including taxes and delivery | — | 94,818 | — | — | 94,818 |
| Wages and benefits | — | 141,410 | — | — | 141,410 |
| Aircraft rent | — | 32,891 | — | — | 32,891 |
| Maintenance materials and repairs | — | 51,354 | 458 | — | 51,812 |
| Aircraft and passenger servicing | — | 33,971 | — | — | 33,971 |
| Commissions and other selling | — | 29,494 | 15 | (29) |) 29,480 |
| Depreciation and amortization | — | 26,496 | 999 | — | 27,495 |
| Other rentals and landing fees | — | 28,926 | — | — | 28,926 |
| Purchased services | 34 | 25,404 | 191 | (15) |) 25,614 |
| Other | 1,348 | 29,807 | 444 | (34) |) 31,565 |
| Total | 1,382 | 494,571 | 2,107 | (78) |) 497,982 |
| Operating Income (Loss) | (1,382) |) 175,544 | (307) |) — | 173,855 |
| Nonoperating Income (Expense): | | | | | |
| Undistributed net income of subsidiaries | 103,211 | — | — | (103,211) |) — |
| Interest expense and amortization of debt discounts and issuance costs | — | (8,539) |) — | — | (8,539) |
| Interest income | 71 | 1,042 | — | — | 1,113 |
| Capitalized interest | — | 719 | — | — | 719 |
| Losses on fuel derivatives | — | (3,601) |) — | — | (3,601) |
| Loss on extinguishment of debt | — | — | — | — | — |
| Other, net | — | 612 | — | — | 612 |
| Total | 103,282 | (9,767) |) — | (103,211) |) (9,696) |
| Income (Loss) Before Income Taxes | 101,900 | 165,777 | (307) | (103,211) |) 164,159 |
| Income tax expense (benefit) | (554) |) 62,259 | — | — | 61,705 |
| Net Income (Loss) | \$102,454 | \$103,518 | \$ (307) | \$(103,211) |) \$ 102,454 |
| Comprehensive Income (Loss) | \$101,643 | \$102,707 | \$ (307) | \$(102,400) |) \$ 101,643 |

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

Three months ended September 30, 2015

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non-Guarantor Subsidiaries | Eliminations | Consolidated | |
|---|------------------------------|-------------------------------------|-------------------------------|--------------|--------------|---|
| | (in thousands) | | | | | |
| Operating Revenue | \$— | \$630,657 | \$ 1,162 | \$ (81 |) \$ 631,738 | |
| Operating Expenses: | | | | | | |
| Aircraft fuel, including taxes and delivery | — | 105,483 | — | — | 105,483 | |
| Wages and benefits | — | 125,884 | — | — | 125,884 | |
| Aircraft rent | — | 29,544 | — | — | 29,544 | |
| Maintenance materials and repairs | — | 56,021 | 175 | — | 56,196 | |
| Aircraft and passenger servicing | — | 30,284 | — | — | 30,284 | |
| Commissions and other selling | 1 | 30,314 | 15 | (25 |) 30,305 | |
| Depreciation and amortization | — | 25,307 | 754 | — | 26,061 | |
| Other rentals and landing fees | — | 24,728 | — | — | 24,728 | |
| Purchased services | 32 | 19,417 | 25 | (16 |) 19,458 | |
| Other | 1,478 | 27,457 | 223 | (40 |) 29,118 | |
| Total | 1,511 | 474,439 | 1,192 | (81 |) 477,061 | |
| Operating Income (Loss) | (1,511 |) 156,218 | (30 |) — | 154,677 | |
| Nonoperating Income (Expense): | | | | | | |
| Undistributed net income of subsidiaries | 71,067 | — | — | (71,067 |) — | |
| Interest expense and amortization of debt discounts and issuance costs | (100 |) (13,406 |) — | — | (13,506 |) |
| Interest income | 53 | 638 | — | — | 691 | |
| Capitalized interest | — | 698 | — | — | 698 | |
| Losses on fuel derivatives | — | (25,009 |) — | — | (25,009 |) |
| Loss on extinguishment of debt | (54 |) — | — | — | (54 |) |
| Other, net | — | (4,515 |) — | — | (4,515 |) |
| Total | 70,966 | (41,594 |) — | (71,067 |) (41,695 |) |
| Income (Loss) Before Income Taxes | 69,455 | 114,624 | (30 |) (71,067 |) 112,982 | |
| Income tax expense (benefit) | (574 |) 43,527 | — | — | 42,953 | |
| Net Income (Loss) | \$70,029 | \$71,097 | \$ (30 |) \$ (71,067 |) \$ 70,029 | |
| Comprehensive Income (Loss) | \$69,301 | \$70,369 | \$ (30 |) \$ (70,339 |) \$ 69,301 | |

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
 Nine months ended September 30, 2016

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------------------------|-------------------------------------|-------------------------------|--------------|----------------|
| | (in thousands) | | | | |
| Operating Revenue | \$— | \$ 1,813,410 | \$ 4,478 | \$(281) |) \$ 1,817,607 |
| Operating Expenses: | | | | | |
| Aircraft fuel, including taxes and delivery | — | 248,516 | — | | 248,516 |
| Wages and benefits | — | 410,936 | — | | 410,936 |
| Aircraft rent | — | 92,345 | — | | 92,345 |
| Maintenance materials and repairs | — | 164,395 | 2,506 | | 166,901 |
| Aircraft and passenger servicing | — | 93,245 | — | | 93,245 |
| Commissions and other selling | 1 | 93,983 | 52 | (100) |) 93,936 |
| Depreciation and amortization | — | 79,136 | 2,493 | | 81,629 |
| Other rentals and landing fees | — | 78,338 | — | | 78,338 |
| Purchased services | 121 | 72,363 | 450 | (45) |) 72,889 |
| Other | 4,135 | 89,381 | 899 | (136) |) 94,279 |
| Total | 4,257 | 1,422,638 | 6,400 | (281) |) 1,433,014 |
| Operating Income (Loss) | (4,257) |) 390,772 | (1,922) |) — | 384,593 |
| Nonoperating Income (Expense): | | | | | |
| Undistributed net income of subsidiaries | 235,353 | — | — | (235,353) |) — |
| Interest expense and amortization of debt discounts and issuance costs | 117 | (28,570) |) — | | (28,453) |
| Interest income | 195 | 2,849 | — | | 3,044 |
| Capitalized interest | — | 1,407 | — | | 1,407 |
| Gains on fuel derivatives | — | 15,421 | — | | 15,421 |
| Loss on extinguishment of debt | — | (9,993) |) — | | (9,993) |
| Other, net | — | 9,884 | — | | 9,884 |
| Total | 235,665 | (9,002) |) — | (235,353) |) (8,690) |
| Income (Loss) Before Income Taxes | 231,408 | 381,770 | (1,922) | (235,353) |) 375,903 |
| Income tax expense (benefit) | (2,082) |) 144,495 | — | — | 142,413 |
| Net Income (Loss) | \$ 233,490 | \$ 237,275 | \$ (1,922) | \$(235,353) |) \$ 233,490 |
| Comprehensive Income (Loss) | \$ 220,209 | \$ 223,994 | \$ (1,922) | \$(222,072) |) \$ 220,209 |

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
 Nine months ended September 30, 2015

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------------------------|-------------------------------------|-------------------------------|--------------|--------------|
| | (in thousands) | | | | |
| Operating Revenue | \$— | \$1,740,118 | \$ 3,503 | \$(308) | \$1,743,313 |
| Operating Expenses: | | | | | |
| Aircraft fuel, including taxes and delivery | — | 329,329 | — | — | 329,329 |
| Wages and benefits | — | 369,875 | — | — | 369,875 |
| Aircraft rent | — | 86,732 | — | — | 86,732 |
| Maintenance materials and repairs | — | 167,489 | 1,023 | — | 168,512 |
| Aircraft and passenger servicing | — | 87,948 | — | — | 87,948 |
| Commissions and other selling | 5 | 91,260 | 46 | (94) | 91,217 |
| Depreciation and amortization | — | 76,529 | 2,248 | — | 78,777 |
| Other rentals and landing fees | — | 70,807 | — | — | 70,807 |
| Purchased services | 920 | 59,599 | 68 | (47) | 60,540 |
| Other | 3,827 | 78,018 | 641 | (167) | 82,319 |
| Total | 4,752 | 1,417,586 | 4,026 | (308) | 1,426,056 |
| Operating Income (Loss) | (4,752) | 322,532 | (523) | — | 317,257 |
| Nonoperating Income (Expense): | | | | | |
| Undistributed net income of subsidiaries | 153,389 | — | — | (153,389) | — |
| Interest expense and amortization of debt discounts and issuance costs | (1,692) | (41,050) | — | — | (42,742) |
| Interest income | 162 | 1,890 | — | — | 2,052 |
| Capitalized interest | — | 2,966 | — | — | 2,966 |
| Losses on fuel derivatives | — | (28,670) | — | — | (28,670) |
| Loss on extinguishment of debt | (7,296) | — | — | — | (7,296) |
| Other, net | — | (9,325) | — | — | (9,325) |
| Total | 144,563 | (74,189) | — | (153,389) | (83,015) |
| Income (Loss) Before Income Taxes | 139,811 | 248,343 | (523) | (153,389) | 234,242 |
| Income tax expense (benefit) | (4,935) | 94,431 | — | — | 89,496 |
| Net Income (Loss) | \$144,746 | \$153,912 | \$ (523) | \$(153,389) | \$144,746 |
| Comprehensive Income (Loss) | \$145,278 | \$154,444 | \$ (523) | \$(153,921) | \$145,278 |

Condensed Consolidating Balance Sheets
September 30, 2016

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------------------------|-------------------------------------|-------------------------------|----------------------|--------------------|
| | (in thousands) | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$67,381 | \$330,326 | \$ 8,006 | \$— | \$405,713 |
| Restricted cash | — | 5,000 | — | — | 5,000 |
| Short-term investments | — | 287,995 | — | — | 287,995 |
| Accounts receivable, net | 61 | 84,980 | 528 | (181) | 85,388 |
| Spare parts and supplies, net | — | 18,238 | — | — | 18,238 |
| Prepaid expenses and other | 84 | 57,688 | 146 | — | 57,918 |
| Total | 67,526 | 784,227 | 8,680 | (181) | 860,252 |
| Property and equipment at cost | — | 2,006,345 | 68,803 | — | 2,075,148 |
| Less accumulated depreciation and amortization | — | (486,588) | (7,533) | — | (494,121) |
| Property and equipment, net | — | 1,519,757 | 61,270 | — | 1,581,027 |
| Long-term prepayments and other | — | 67,468 | — | — | 67,468 |
| Deferred tax assets, net | 28,141 | — | — | (28,141) | — |
| Goodwill and other intangible assets, net | — | 123,655 | 1,734 | — | 125,389 |
| Intercompany receivable | — | 277,511 | — | (277,511) | — |
| Investment in consolidated subsidiaries | 840,109 | — | — | (840,109) | — |
| TOTAL ASSETS | \$935,776 | \$2,772,618 | \$ 71,684 | \$(1,145,942) | \$2,634,136 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$476 | \$106,520 | \$ 641 | \$(181) | \$107,456 |
| Air traffic liability | — | 512,271 | 3,117 | — | 515,388 |
| Other accrued liabilities | 2,974 | 147,598 | 276 | — | 150,848 |
| Current maturities of long-term debt, less discount, and capital lease obligations | — | 58,349 | — | — | 58,349 |
| Total | 3,450 | 824,738 | 4,034 | (181) | 832,041 |
| Long-term debt and capital lease obligations | — | 506,328 | — | — | 506,328 |
| Intercompany payable | 266,478 | — | 11,033 | (277,511) | — |
| Other liabilities and deferred credits: | | | | | 0 |
| Accumulated pension and other postretirement benefit obligations | — | 363,732 | — | — | 363,732 |
| Other liabilities and deferred credits | 164 | 99,680 | 830 | — | 100,674 |
| Deferred tax liabilities, net | — | 193,818 | — | (28,141) | 165,677 |
| Total | 164 | 657,230 | 830 | (28,141) | 630,083 |
| Shareholders' equity | 665,684 | 784,322 | 55,787 | (840,109) | 665,684 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$935,776 | \$2,772,618 | \$ 71,684 | \$(1,145,942) | \$2,634,136 |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

Condensed Consolidating Balance Sheets
December 31, 2015

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------------------------|-------------------------------------|-------------------------------|---------------------|--------------------|
| | (in thousands) | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$69,420 | \$203,406 | \$ 8,676 | \$— | \$281,502 |
| Restricted cash | — | 5,000 | — | — | 5,000 |
| Short-term investments | — | 278,545 | — | — | 278,545 |
| Accounts receivable, net | 61 | 81,248 | 625 | (211) | 81,723 |
| Spare parts and supplies, net | — | 19,164 | — | — | 19,164 |
| Prepaid expenses and other | 7 | 74,948 | 95 | — | 75,050 |
| Total | 69,488 | 662,311 | 9,396 | (211) | 740,984 |
| Property and equipment at cost | — | 1,927,126 | 58,126 | — | 1,985,252 |
| Less accumulated depreciation and amortization | — | (427,315) | (5,195) | — | (432,510) |
| Property and equipment, net | — | 1,499,811 | 52,931 | — | 1,552,742 |
| Long-term prepayments and other | — | 70,373 | 500 | — | 70,873 |
| Deferred tax assets, net | 26,059 | — | — | (26,059) | — |
| Goodwill and other intangible assets, net | — | 125,323 | — | — | 125,323 |
| Intercompany receivable | — | 242,248 | — | (242,248) | — |
| Investment in consolidated subsidiaries | 596,570 | — | — | (596,570) | — |
| TOTAL ASSETS | \$692,117 | \$2,600,066 | \$ 62,827 | \$(865,088) | \$2,489,922 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$755 | \$100,007 | \$ 759 | \$(211) | \$101,310 |
| Air traffic liability | — | 427,302 | 3,464 | — | 430,766 |
| Other accrued liabilities | 530 | 159,583 | 145 | — | 160,258 |
| Current maturities of long-term debt, less discount, and capital lease obligations | 288 | 74,153 | — | — | 74,441 |
| Total | 1,573 | 761,045 | 4,368 | (211) | 766,775 |
| Long-term debt and capital lease obligations | — | 677,915 | — | — | 677,915 |
| Intercompany payable | 242,248 | — | — | (242,248) | — |
| Other liabilities and deferred credits: | | | | | 0 |
| Accumulated pension and other postretirement benefit obligations | — | 372,700 | — | — | 372,700 |
| Other liabilities and deferred credits | 2,234 | 86,861 | 750 | — | 89,845 |
| Deferred tax liabilities, net | — | 162,684 | — | (26,059) | 136,625 |
| Total | 2,234 | 622,245 | 750 | (26,059) | 599,170 |
| Shareholders' equity | 446,062 | 538,861 | 57,709 | (596,570) | 446,062 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$692,117 | \$2,600,066 | \$ 62,827 | \$(865,088) | \$2,489,922 |

Condensed Consolidating Statements of Cash Flows
 Nine months ended September 30, 2016

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non- Guarantor Subsidiaries | Elimination | Consolidated |
|--|------------------------------|-------------------------------------|-----------------------------------|-------------|--------------|
| | (in thousands) | | | | |
| Net Cash Provided By (Used In) Operating Activities | \$(4,036) | \$420,981 | \$ 362 | | \$ 417,307 |
| Cash Flows From Investing Activities: | | | | | |
| Net payments to affiliates | — | (27,796) | — | 27,796 | — |
| Additions to property and equipment, including pre-delivery deposits | — | (92,185) | (12,065) | | (104,250) |
| Proceeds from purchase assignment and leaseback transaction | | 31,851 | | | 31,851 |
| Proceeds from disposition of property and equipment | — | — | — | | — |
| Purchases of investments | — | (217,964) | | | (217,964) |
| Sales of investments | — | 208,075 | | | 208,075 |
| Net cash used in investing activities | — | (98,019) | (12,065) | 27,796 | (82,288) |
| Cash Flows From Financing Activities: | | | | | |
| Repayments of long-term debt and capital lease obligations | — | (205,532) | | | (205,532) |
| Repurchases and redemptions of convertible notes | (1,426) | — | — | — | (1,426) |
| Net payments from affiliates | 16,763 | | 11,033 | (27,796) | — |
| Repurchases of common stock | (13,763) | — | — | — | (13,763) |
| Excess tax benefit from equity awards | — | 17,615 | — | — | 17,615 |
| Other | 423 | (8,125) | — | | (7,702) |
| Net cash provided by (used in) financing activities | 1,997 | (196,042) | 11,033 | (27,796) | (210,808) |
| Net increase (decrease) in cash and cash equivalents | (2,039) | 126,920 | (670) | — | 124,211 |
| Cash and cash equivalents - Beginning of Period | 69,420 | 203,406 | 8,676 | — | 281,502 |
| Cash and cash equivalents - End of Period | \$67,381 | \$330,326 | \$ 8,006 | \$ — | \$ 405,713 |

Condensed Consolidating Statements of Cash Flows
 Nine months ended September 30, 2015

| | Parent Issuer / Guarantor | Subsidiary Issuer / Guarantor | Non- Guarantor Subsidiaries | Elimination | Consolidated |
|--|------------------------------|-------------------------------------|-----------------------------------|-------------|--------------|
| | (in thousands) | | | | |
| Net Cash Provided By (Used In) Operating Activities | \$(3,461) | \$391,577 | \$ 1,356 | \$ — | \$ 389,472 |
| Cash Flows From Investing Activities: | | | | | |
| Net payments to affiliates | (25,000) | (223,411) | — | 248,411 | — |
| Additions to property and equipment, including pre-delivery deposits | — | (81,888) | (23,441) | — | (105,329) |
| Proceeds from purchase assignment and leaseback transaction | — | 86,033 | — | — | 86,033 |
| Net proceeds from disposition of property and equipment | — | 3,551 | 55 | — | 3,606 |
| Purchases of investments | — | (178,177) | — | — | (178,177) |
| Sales of investments | — | 170,904 | — | — | 170,904 |
| Net cash used in investing activities | (25,000) | (222,988) | (23,386) | 248,411 | (22,963) |
| Cash Flows From Financing Activities: | | | | | |
| Repayments of long-term debt and capital lease obligations | — | (74,719) | — | — | (74,719) |
| Repurchase of convertible notes | (171,598) | — | — | — | (171,598) |
| Net payments from affiliates | 223,411 | — | 25,000 | (248,411) | — |
| Repurchases of Common Stock | (37,622) | — | — | — | (37,622) |
| Other | 687 | (2,170) | — | — | (1,483) |
| Net cash provided by (used in) financing activities | 14,878 | (76,889) | 25,000 | (248,411) | (285,422) |
| Net increase (decrease) in cash and cash equivalents | (13,583) | 91,700 | 2,970 | — | 81,087 |
| Cash and cash equivalents - Beginning of Period | 79,532 | 179,676 | 4,879 | — | 264,087 |
| Cash and cash equivalents - End of Period | \$65,949 | \$271,376 | \$ 7,849 | \$ — | \$ 345,174 |

Certain Restrictions on Subsidiary Distributions, Dividends and Repurchases

The Company and Hawaiian are party to a Credit and Guaranty Agreement (Credit Agreement), dated as of November 7, 2014, that provides for a Revolving Credit Facility. See further discussion of the Revolving Credit Facility at Note 8 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Pursuant to the terms of the Credit Agreement, neither Hawaiian nor any other subsidiary of the Company will directly or indirectly declare or pay any dividend, or purchase, redeem or otherwise acquire or retire for value any equity interests of the Company unless certain conditions are met.

Income Taxes

The income tax expense (benefit) is presented as if each entity that is part of the consolidated group files a separate return.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to certain current and future events and financial performance. Such forward-looking statements include, without limitation, statements regarding: our expectations regarding our financial performance, available seat miles, operating revenue per available seat mile and operating cost per available seat mile for the fourth quarter of 2016; our expected fleet as of September 30, 2017; estimates of annual fuel expenses and measure of the effects of fuel prices on our business; our hedging program; the availability of financing; changes in our fleet plan and related cash outlays; expected delivery of new aircraft; the effects of any litigation on our operations or business; and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Words such as "expects," "anticipates," "projects," "intends," "plans," "believes," "estimates," "could," "may," variations of such words, and similar expressions are also intended to identify such forward-looking statements. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and assumptions relating to our operations and business environment, all of which may cause our actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.

The risks, uncertainties, and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements also include the risks, uncertainties, and assumptions discussed from time to time in our public filings and public announcements, including, but not limited to, our risk factors set out in the "Risk Factors" sections of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. All forward-looking statements included in this Report are based on information available to us as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this quarterly report. The following discussion and analysis should be read in conjunction with our unaudited Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Our Business

We are engaged in the scheduled air transportation of passengers and cargo amongst the Hawaiian Islands (the "Neighbor Island" routes), between the Hawaiian Islands and certain cities in the U.S. mainland (the "North America" routes and collectively with the Neighbor Island routes, referred to as our "Domestic" routes), and between the Hawaiian Islands and the South Pacific, Australia, and Asia (the "International" routes), collectively referred to as our "Scheduled Operations." In addition, we operate various charter flights. We are the largest airline headquartered in the State of Hawai'i and the ninth largest domestic airline in the United States based on revenue passenger miles reported by the Research and Innovative Technology Administration Bureau of Transportation Statistics for the month of June 2016, the latest available data.

As of September 30, 2016, Hawaiian had 6,074 active employees.

General information about us is available at <https://www.hawaiianairlines.com>. Information contained on our website is not incorporated by reference into, or otherwise to be regarded as part of, this Quarterly Report on Form 10-Q unless expressly noted. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to the Securities and Exchange Commission.

Financial Highlights

GAAP net income in the third quarter of \$102.5 million or \$1.91 per diluted share.

Adjusted net income in the third quarter of \$103.1 million or \$1.92 per diluted share.

Unrestricted cash and cash equivalents and short-term investments of \$694 million.

See “Results of Operations” below for further discussion of changes in revenue and operating expense. See “Non-GAAP Financial Measures” below for our reconciliation of non-GAAP measures.

Outlook

We expect our financial performance to improve in the fourth quarter compared to the same prior year period due to improved revenue performance offset by higher costs as we no longer expect to receive savings from lower fuel cost prices compared to the same prior year period. We expect available seat miles during the quarter ending December 31, 2016 to increase by 3% to 5% from the same prior year period, while we expect operating revenue per available seat mile to increase by 0.5% to up 3.5% from the same prior year period. We expect operating cost per available seat mile, excluding fuel, for the quarter ending December 31, 2016 to increase by 2.8% to 6.4% from the same prior year period, due to the labor agreements executed earlier in the year and an increase in purchased services.

Fleet Summary

The table below summarizes our total fleet as of September 30, 2015 and 2016, and expected fleet as of September 30, 2017 (based on existing agreements):

| Aircraft Type | September 30, 2015 | | | September 30, 2016 | | | September 30, 2017 | | |
|-------------------|--------------------|-----------|-------|--------------------|-----------|-------|--------------------|-----------|-------|
| | Leased (2) | Owned (1) | Total | Leased (2) | Owned (1) | Total | Leased (2) | Owned (1) | Total |
| A330-200 | 9 | 12 | 21 | 11 | 12 | 23 | 11 | 12 | 23 |
| 767-300 | 5 | 4 | 9 | 4 | 4 | 8 | 4 | 4 | 8 |
| 717-200 | 3 | 15 | 18 | 3 | 15 | 18 | 5 | 15 | 20 |
| ATR turboprop (1) | — | 6 | 6 | — | 6 | 6 | — | 6 | 6 |
| A321-200 | — | — | — | — | — | — | — | 3 | 3 |
| Total | 17 | 37 | 54 | 18 | 37 | 55 | 20 | 40 | 60 |

(1) The ATR turboprop aircraft are owned by Airline Contract Maintenance & Equipment, Inc., a wholly-owned subsidiary of the Company.

(2) Leased aircraft include aircraft under both capital and operating leases.

Results of Operations

For the three months ended September 30, 2016, we generated net income of \$102.5 million, or \$1.91 per diluted share, compared to net income of \$70.0 million, or \$1.15 per diluted share, for the same period in 2015. For the nine months ended September 30, 2016, we generated net income of \$233.5 million, or \$4.35 per diluted share, compared to net income of \$144.7 million, or \$2.32 per diluted share, for the same period in 2015.

Selected Consolidated Statistical Data (unaudited)

| | Three months ended | | Nine months ended | |
|---|---|--------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| | (in thousands, except as otherwise indicated) | | | |
| Scheduled Operations (a) : | | | | |
| Revenue passengers flown | 2,916 | 2,830 | 8,317 | 8,010 |
| Revenue passenger miles (RPM) | 4,166,487 | 3,882,903 | 11,554,522 | 10,816,530 |
| Available seat miles (ASM) | 4,887,608 | 4,660,211 | 13,805,563 | 13,326,602 |
| Passenger revenue per RPM (Yield) | 14.20 ¢ | 14.34 ¢ | 13.78 ¢ | 14.10 ¢ |
| Passenger load factor (RPM/ASM) | 85.2 % | 83.3 % | 83.7 % | 81.2 % |
| Passenger revenue per ASM (PRASM) | 12.10 ¢ | 11.95 ¢ | 11.53 ¢ | 11.45 ¢ |
| Total Operations (a) : | | | | |
| Revenue passengers flown | 2,918 | 2,833 | 8,321 | 8,014 |
| RPM | 4,170,671 | 3,884,851 | 11,559,795 | 10,822,970 |
| ASM | 4,894,768 | 4,663,198 | 13,813,955 | 13,334,528 |
| Operating revenue per ASM (RASM) | 13.73 ¢ | 13.55 ¢ | 13.16 ¢ | 13.07 ¢ |
| Operating cost per ASM (CASM) | 10.17 ¢ | 10.23 ¢ | 10.37 ¢ | 10.69 ¢ |
| CASM excluding aircraft fuel (b) | 8.23 ¢ | 7.97 ¢ | 8.57 ¢ | 8.22 ¢ |
| Aircraft fuel expense per ASM (c) | 1.94 ¢ | 2.26 ¢ | 1.80 ¢ | 2.47 ¢ |
| Revenue block hours operated | 47,534 | 45,404 | 134,627 | 131,057 |
| Gallons of aircraft fuel consumed | 64,918 | 61,179 | 182,471 | 176,175 |
| Average cost per gallon of aircraft fuel (actual) (c) | \$ 1.46 | \$ 1.72 | \$ 1.36 | \$ 1.87 |

(a) Includes the operations of our contract carrier under a capacity purchase agreement.

(b) Represents adjusted unit costs, a non-GAAP measure. We believe this is a useful measure because it better reflects our controllable costs. See "Non-GAAP Financial Measures" below for a reconciliation of non-GAAP measures.

(c) Includes applicable taxes and fees.

Operating Revenue

During the three and nine months ended September 30, 2016, operating revenue increased by \$40.1 million or 6.3% and \$74.3 million or 4.3%, respectively, as compared to the prior year periods, driven by increased passenger revenue.

Passenger revenue

For the three and nine months ended September 30, 2016, passenger revenue increased \$34.6 million, or 6.2%, and \$66.6 million, or 4.4%, respectively, as compared to the prior year periods. Details of these changes are described in the table below:

| Three months ended | | | | Nine months ended | | | |
|---|---------------|---------------|--|--|---------------|---------------|--|
| September 30, 2016 as compared to three months ended September 30, 2015 | | | | September 30, 2016 as compared to nine months ended September 30, 2015 | | | |
| Change in scheduled passenger revenue | | | | Change in scheduled passenger revenue | | | |
| Change in yield | Change in RPM | Change in ASM | | Change in yield | Change in RPM | Change in ASM | |
| | | | | | | | |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

| | (in millions) | | | | (in millions) | | | | |
|-----------------|------------------|--------|-------|-------|------------------|--------|-------|-------|--|
| Domestic | \$19.8 | (0.8)% | 5.5 % | 2.3 % | \$70.3 | (1.2)% | 7.2 % | 3.8 % | |
| International | 14.8 | 0.1 | 12.0 | 11.0 | (3.6) | (6.5) | 5.9 | 3.0 | |
| Total scheduled | \$34.6 | (1.0)% | 7.3 % | 4.9 % | \$66.7 | (2.3)% | 6.8 % | 3.6 % | |

30

Domestic

For the three and nine months ended September 30, 2016, revenue on our domestic routes increased by \$19.8 million and \$70.3 million, respectively, as compared to the prior year periods. The increase was due to a combination of capacity increases and improved passenger load factors.

International

For the three months ended September 30, 2016, revenue on our international routes increased by \$14.8 million, as compared to the prior year period primarily due to expanded service to Tokyo's Narita International Airport which commenced in July 2016. For the nine months ended September 30, 2016, revenue on our international routes decreased by \$3.6 million, as compared to the prior year period due to the strength of the US dollar and lower fuel surcharges, which resulted in decreased average fares as compared to the prior periods.

Other operating revenue

For the three and nine months ended September 30, 2016, other operating revenue increased by \$5.5 million, or 7.4%, and \$7.7 million, or 3.5% as compared to the prior year periods. The increase was primarily due to an increase in sales of frequent flyer miles under our co-branded credit card agreement, as compared to the prior year periods.

Operating Expense

Operating expenses were \$498.0 million and \$1,433.0 million for the three and nine months ended September 30, 2016, respectively, and \$477.1 million and \$1,426.1 million for the three and nine months ended September 30, 2015, respectively. Increases (decreases) in operating expenses for the three and nine months ended September 30, 2016 as compared to the prior year periods are detailed below:

| | Increase / (decrease) for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 | | | Increase / (decrease) for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 | | |
|---|--|---------|--|--|---------|--|
| | \$ | % | | \$ | % | |
| | (in thousands) | | | (in thousands) | | |
| Operating expenses | | | | | | |
| Wages and benefits | \$15,526 | 12.3 % | | \$41,061 | 11.1 % | |
| Aircraft fuel, including taxes and delivery | \$(10,665) | (10.1)% | | \$(80,813) | (24.5)% | |
| Maintenance, materials and repairs | (4,384) | (7.8) | | (1,611) | (1.0) | |
| Aircraft and passenger servicing | 3,687 | 12.2 | | 5,297 | 6.0 | |
| Aircraft rent | 3,347 | 11.3 | | 5,613 | 6.5 | |
| Commissions and other selling | (825) | (2.7) | | 2,719 | 3.0 | |
| Other rentals and landing fees | 4,198 | 17.0 | | 7,531 | 10.6 | |
| Depreciation and amortization | 1,434 | 5.5 | | 2,852 | 3.6 | |
| Purchased services | 6,156 | 31.6 | | 12,349 | 20.4 | |
| Other | 2,447 | 8.4 | | 11,960 | 14.5 | |
| Total | \$20,921 | 4.4 % | | \$6,958 | 0.5 % | |

Aircraft fuel

Aircraft fuel expense decreased during the three and nine months ended September 30, 2016, as compared to the prior year periods, primarily due to the decrease in the average fuel price per gallon partially offset by an increase in consumption as illustrated in the following table:

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|-----------|-------------|---|-----------|-------------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| | (in thousands, except per-gallon amounts) | | | (in thousands, except per-gallon amounts) | | |
| Aircraft fuel expense, including taxes and delivery | \$94,818 | \$105,483 | (10.1)% | \$248,516 | \$329,329 | (24.5)% |
| Fuel gallons consumed | 64,918 | 61,179 | 6.1 % | 182,471 | 176,175 | 3.6 % |
| Average fuel price per gallon, including taxes and delivery | \$1.46 | \$1.72 | (15.1)% | \$1.36 | \$1.87 | (27.3)% |

We believe economic fuel expense is the best measure of the effect of fuel prices on our business as it most closely approximates the net cash outflow associated with the purchase of fuel for our operations in a period and is consistent with how management manages our business and assesses our operating performance. We define economic fuel expense as raw fuel expense plus (gains)/losses realized through actual cash payments to/(receipts from) hedge counterparties for fuel derivatives settled in the period inclusive of costs related to hedging premiums. Economic fuel expense is calculated as follows:

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|---|-----------|-------------|---|-----------|-------------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| | (in thousands, except per-gallon amounts) | | | (in thousands, except per-gallon amounts) | | |
| Aircraft fuel expense, including taxes and delivery | \$94,818 | \$105,483 | (10.1)% | \$248,516 | \$329,329 | (24.5)% |
| Realized losses on settlement of fuel derivative contracts | 2,525 | 13,777 | (81.7)% | 30,349 | 44,921 | (32.4)% |
| Economic fuel expense | \$97,343 | \$119,260 | (18.4)% | \$278,865 | \$374,250 | (25.5)% |
| Fuel gallons consumed | 64,918 | 61,179 | 6.1 % | 182,471 | 176,175 | 3.6 % |
| Economic fuel costs per gallon | \$1.50 | \$1.95 | (23.1)% | \$1.53 | \$2.12 | (27.8)% |

See Item 3, "Quantitative and Qualitative Disclosures About Market Risk" for additional discussion of our aircraft fuel costs and related hedging program.

Wages and benefits

Wages and benefits expense increased by \$15.5 million, or 12.3%, and \$41.1 million, or 11.1%, for the three and nine months ended September 30, 2016, respectively, as compared to the prior year periods. The increase is due to a 2.2% and 10.9% increase in the number of employees, labor agreements executed earlier in the year, and increased profit-sharing expense resulting from our improved financial performance as compared to the prior year periods.

Other rentals and landing fees

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

Other rentals and landing fees increased by \$4.2 million, or 17.0%, and \$7.5 million, or 10.6%, for the three and nine months ended September 30, 2016, respectively, as compared to prior year periods. The increase is due to an increase in station rent and landing fees.

Purchased services

Purchased services increased by \$6.2 million, or 31.6%, and \$12.3 million, or 20.4%, for the three and nine months ended September 30, 2016, respectively, as compared to prior year periods. The increase is primarily due to an increase in outsourced, web, and internet services..

Other operating expense

Other expenses increased by \$2.4 million, or 8.4%, and \$12.0 million, or 14.5%, for the three and nine months ended September 30, 2016, respectively, as compared to prior year periods. The increase is primarily due to an increase in maintenance and in-flight expenses.

Nonoperating Income (Expense)

Net nonoperating expense decreased by \$32.0 million, or 76.7%, for the three months ended September 30, 2016, as compared to the prior year period. The increase was primarily due to an increase of fuel derivative gains of \$21.4 million, and a \$5.0 million decrease in interest expense and amortization of debt discounts and issuance costs due to the early retirement of debt.

Net nonoperating expense decreased by \$74.3 million, or 89.5%, for the nine months ended September 30, 2016, as compared to the prior year period, primarily due to a \$44.1 million gain from fuel derivatives and a \$14.3 million decrease in interest expense and amortization of debt discounts and issuance costs due to the early retirement of debt.

Income Taxes

We had effective tax rates of 37.6% and 38.0% for the three months ended September 30, 2016 and 2015, respectively. We had effective tax rates of 37.9% and 38.2% for the nine months ended September 30, 2016 and 2015, respectively. We consider a variety of factors in determining our effective tax rate, including our forecasted full-year pretax results, the U.S. federal statutory rate, expected nondeductible expenses, and estimated state taxes.

Liquidity and Capital Resources

Our liquidity is dependent on the cash we generate from operating activities and our debt financing arrangements. As of September 30, 2016, we had \$405.7 million in cash and cash equivalents and \$288.0 million in short-term investments, an increase of \$133.7 million from December 31, 2015.

We have been able to generate sufficient funds from our operations to meet our working capital requirements and typically finance our aircraft through secured debt and lease financings. At September 30, 2016, we had approximately \$564.7 million of debt and capital lease obligations, including approximately \$58.3 million classified as a current liability in the unaudited Consolidated Balance Sheets.

We also have access to a secured revolving credit and letter of credit facility in an amount of up to \$175 million, maturing in November 2017. As of September 30, 2016, we had no outstanding borrowings under the revolving credit facility.

Cash Flows

Net cash provided by operating activities was \$417.3 million and \$389.5 million for the nine months ended September 30, 2016 and 2015, respectively. The increase was primarily due to our improved financial performance.

Net cash used in investing activities was \$82.3 million for the nine months ended September 30, 2016 due to purchases of property and equipment, pre-delivery deposits we made for future aircraft deliveries, offset by proceeds from purchase assignment and leaseback transactions.

Net cash used in financing activities was \$210.8 million for the nine months ended September 30, 2016 primarily due to the repayment of long-term debt and capital lease obligations.

Capital Commitments

As of September 30, 2016, we had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

| Aircraft Type | Firm Orders | Purchase Rights | Expected Delivery Dates |
|--------------------------------|----------------|--------------------|-------------------------|
| A321neo aircraft | 16 | 9 | Between 2017 and 2020 |
| A330-800neo aircraft | 6 | 6 | Between 2019 and 2021 |
| Pratt & Whitney spare engines: | | | |
| A321neo spare engines | 2 | 2 | Between 2017 and 2018 |
| Rolls-Royce spare engines: | | | |
| A330-800neo spare engines | 2 | 2 | Between 2019 and 2026 |

Committed expenditures for these aircraft, engines and related flight equipment approximates \$44 million for the remainder of 2016, \$233 million in 2017, \$396 million in 2018, \$481 million in 2019, \$233 million in 2020 and \$215 million thereafter.

In order to complete the purchase of these aircraft and fund related costs, we may need to secure acceptable financing. We have backstop financing available from aircraft and engine manufacturers, subject to certain customary conditions. We are also currently exploring various financing alternatives, and while we believe that such financing will be available to us, there can be no assurance that financing will be available when required, or on acceptable terms, or at all. The inability to secure such financing could have an impact on our ability to fulfill our existing purchase commitments and a material adverse effect on our operations.

Stock Repurchase Program

In April 2015, our Board of Directors approved a stock repurchase program under which we may purchase up to \$100 million of our outstanding common stock over a two-year period ending in April 2017 through the open market, established plans or privately negotiated transactions in accordance with applicable securities laws, rules and regulations. The stock repurchase program is subject to modification or termination at any time. We spent \$3.7 million and \$13.8 million to repurchase approximately 98 thousand shares and 379 thousand shares of our common stock in open market transactions during the three and nine months ended September 30, 2016, respectively. As of September 30, 2016, we had \$46.1 million remaining to spend under the stock repurchase program. See Part II, Item 2, “Unregistered Sales of Equity Securities and Use of Proceeds” of this report for additional information on the stock repurchase program.

Credit Card Holdbacks

Under our bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. These holdbacks, which are included in restricted cash in our unaudited Consolidated Balance Sheets set forth in the unaudited Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q, totaled \$5.0 million as of September 30, 2016 and December 31, 2015.

In the event of a material adverse change in the business, the holdback could increase to an amount up to 100% of the applicable credit card air traffic liability, which would also result in an increase in the required level of restricted cash. If we are unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material adverse impact on our operations.

Pension and Postemployment Benefit Plan Funding

We contributed \$15.6 million and \$26.9 million to our defined benefit and other postretirement plans during the three and nine months ended September 30, 2016, including \$21.2 million above the minimum funding requirements. Future funding requirements for our defined benefit plans are dependent upon many factors such as interest rates, funded status, applicable regulatory requirements and the level and timing of asset returns.

Contractual Obligations

Our estimated contractual obligations as of September 30, 2016 are summarized in the following table:

| Contractual Obligations | Total | Remaining in 2016 | 2017 - 2018 | 2019 - 2020 | 2021 and thereafter |
|-------------------------|----------------|-------------------|-------------|-------------|---------------------|
| | (in thousands) | | | | |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

| | | | | | |
|---|-------------|------------|-------------|-------------|-------------|
| Debt and capital lease obligations (1) | \$715,724 | \$ 12,138 | \$176,079 | \$ 152,381 | \$375,126 |
| Operating leases—aircraft and related equipment (2) | 750,876 | 30,344 | 231,703 | 208,509 | 280,320 |
| Operating leases—non-aircraft | 47,713 | 1,308 | 9,643 | 8,813 | 27,949 |
| Purchase commitments - Capital (3) | 1,602,477 | 44,490 | 629,087 | 714,112 | 214,788 |
| Purchase commitments - Operating (4) | 563,606 | 20,421 | 141,538 | 114,147 | 287,500 |
| Projected employee benefit contributions (5) | 38,100 | — | 38,100 | — | — |
| Total contractual obligations | \$3,718,496 | \$ 108,701 | \$1,226,150 | \$1,197,962 | \$1,185,683 |

34

Amounts represent contractual amounts due, including interest. Amounts reflect capital lease obligations for one (1) Airbus A330-200 aircraft, two Boeing 717 aircraft, one A330 flight simulator, and aircraft and IT related equipment.

(2) Amounts reflect leases for ten Airbus A330-200 aircraft, four Boeing 767 aircraft, one Boeing 717 aircraft, and three turboprop aircraft.

(3) Amounts include our commitments for aircraft and aircraft related equipment.

Amounts include commitments for services provided by third-parties for aircraft maintenance for our Airbus fleet, accounting, IT and a capacity purchase agreement. Total contractual obligations do not include long-term contracts (4) where the commitment is variable in nature (with no minimum guarantee), such as aircraft maintenance deposits due under operating leases and fees due under certain other agreements such as aircraft maintenance power-by-the-hour, computer reservation systems and credit card processing agreements, or when the agreements contain short-term cancellation provisions.

Amount includes our estimated minimum contributions to our pension plans (based on actuarially determined estimates) and our pilots' disability plan. Amounts are subject to change based on numerous factors, including (5) interest rate levels, the amount and timing of asset returns and the impact of future legislation. We are currently unable to estimate the projected contributions beyond 2018.

Non-GAAP Financial Measures

We believe the disclosure of non-GAAP financial measures is useful information to readers of our financial statements because:

• We believe it is the basis by which we are evaluated by industry analysts and investors;

• These measures are often used in management and board of directors decision making analysis;

- It improves a reader's ability to compare our results to those of other airlines; and

• It is consistent with how we present information in our quarterly earnings press releases.

See table below for reconciliation between GAAP consolidated net income to adjusted consolidated net income, including per share amounts (in thousands unless otherwise indicated). The adjustments are described below:

Changes in fair value of derivative contracts are based on market prices for open contracts as of the end of the reporting period. This line item includes the unrealized amounts of derivatives (not designated as hedges) that will settle in future periods and the reversal of prior period unrealized amounts. Excluding the impact of these derivative adjustments allows investors to better analyze our operational performance and compare our results to other airlines in the periods presented below.

Loss on extinguishment of debt is excluded to allow investors to better analyze our core operational performance and more readily compare our results to other airlines in the periods presented below.

| Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|---------|---------------------------------|---------|
| 2016 | 2015 | 2016 | 2015 |
| Total | Diluted | Total | Diluted |
| | Per | | Per |
| | | | |

Edgar Filing: HAWAIIAN HOLDINGS INC - Form 10-Q

| | | Share | | Share | | Share | | Share |
|---|-----------|----------|----------|----------|-----------|---------|-----------|---------|
| GAAP net income | \$102,454 | \$1.91 | \$70,029 | \$1.15 | \$233,490 | \$4.35 | \$144,746 | \$2.32 |
| Changes in fair value of derivative contracts | 1,076 | 0.02 | 13,500 | 0.22 | (45,770) | (0.85) | (13,984) | (0.22) |
| Loss on extinguishment of debt | — | — | 54 | — | 9,993 | 0.19 | 7,296 | 0.11 |
| Tax effect of adjustments | (409) | \$(0.01) | (5,150) | \$(0.08) | 13,595 | \$0.25 | 2,581 | \$0.04 |
| Adjusted net income | \$103,121 | \$1.92 | \$78,433 | \$1.29 | \$211,308 | \$3.94 | \$140,639 | \$2.25 |

35

Operating Costs per Available Seat Mile (CASM)

We have listed separately in the table below our fuel costs per ASM and our non-GAAP unit costs, excluding fuel. These amounts are included in CASM, but for internal purposes we consistently use unit cost metrics that exclude fuel and non-recurring items (if applicable) to measure and monitor our costs.

CASM and CASM - excluding aircraft fuel, are summarized in the table below:

| | Three months ended | | Nine months ended | |
|---|---|------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| | (in thousands, except as otherwise indicated) | | | |
| GAAP operating expenses | \$497,982 | \$477,061 | \$1,433,014 | \$1,426,056 |
| Less: aircraft fuel, including taxes and delivery | (94,818) | (105,483) | (248,516) | (329,329) |
| Adjusted operating expenses - excluding aircraft fuel | \$403,164 | \$371,578 | \$1,184,498 | \$1,096,727 |
| Available Seat Miles | 4,894,768 | 4,663,198 | 13,813,955 | 13,334,528 |
| CASM - GAAP | 10.17 ¢ | 10.23 ¢ | 10.37 ¢ | 10.69 ¢ |
| Less: aircraft fuel | (1.94) | (2.26) | (1.80) | (2.47) |
| CASM - excluding aircraft fuel | 8.23 ¢ | 7.97 ¢ | 8.57 ¢ | 8.22 ¢ |

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon financial statements that have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities as of the date of the financial statements. Actual results may differ from these estimates under different assumptions and/or conditions.

Critical accounting policies and estimates are defined as those accounting policies and accounting estimates that are reflective of significant judgments and uncertainties that potentially result in materially different results under different assumptions and conditions. For a detailed discussion of the application of our critical accounting policies, see "Critical Accounting Policies" and Note 1, "Summary of Significant Accounting Policies," to our Consolidated Financial Statements for the year ended December 31, 2015 included in our Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are subject to certain market risks, including commodity price risk (i.e. aircraft fuel prices), interest rate risk and foreign currency risk. We have market-sensitive instruments in the form of financial derivatives used to offset Hawaiian's exposure to aircraft fuel price increases and financial hedge instruments used to hedge Hawaiian's exposure to foreign currency exchange risk. The adverse effects of potential changes in these market risks are discussed below.

The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions we might undertake to mitigate our exposure to such changes. Actual results may differ.

Aircraft Fuel Costs

Aircraft fuel costs constitute a significant portion of our operating expense. Fuel costs represented 19% and 17% of our operating expenses for the three and nine months ended September 30, 2016, respectively, and 22% and 23% for the three and nine months ended September 30, 2015. Approximately 71% of our fuel was based on Singapore jet fuel prices and 29% was based on U.S. West Coast jet fuel prices. Based on the amount of fuel expected to be consumed for the remainder of 2016, for every one cent increase in the cost of a gallon of jet fuel, our fuel expense would increase by approximately \$0.6 million, excluding the impact of our fuel hedge program.

We periodically enter into derivative financial instruments to manage our exposure to changes in the price of jet fuel. During the three and nine months ended September 30, 2016, our fuel hedge program primarily consisted of heating oil swaps and crude oil call options. Swaps provide for a settlement in our favor in the event the prices exceed a predetermined contractual level and are unfavorable in the event prices fall below a predetermined contractual level. With call options, we are hedged against spikes in crude oil prices, and during a period of decline in crude oil prices we only forfeit cash previously paid for hedge premiums.

As of September 30, 2016, we hedged approximately 50% of our projected fuel requirements for the remainder of 2016 with heating oil swaps and crude oil call options. As of September 30, 2016, the fair value of these fuel derivative agreements reflected a net asset of \$10.7 million recorded in prepaid expenses and other assets in the unaudited Consolidated Balance Sheets.

We expect to continue our program of offsetting some of our exposure to future changes in the price of jet fuel with a combination of fixed forward pricing contracts, swaps, calls, collars and other option-based structures.

We do not hold or issue derivative financial instruments for trading purposes.

Interest Rates

Changes in market interest rates have a direct and corresponding effect on our pre-tax earnings and cash flows associated with interest-bearing cash accounts. Based on the balances of our cash and cash equivalents and restricted cash as of September 30, 2016, a change in interest rates is unlikely to have a material impact on our results of operations.

At September 30, 2016, we had \$579.0 million of fixed-rate debt including capital lease obligations, facility agreements for aircraft purchases, and the outstanding equipment notes related to our 2013 EETC financing. Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 10% decrease in interest rates, and amounted to approximately \$9.7 million as of September 30, 2016.

Foreign Currency

We generate revenues and incur expenses in foreign currencies. Changes in foreign currency exchange rates impact our results of operations through changes in the dollar value of foreign currency-denominated operating revenues and expenses. Our most significant foreign currency exposures are the Japanese Yen and Australian Dollar. Based on expected remaining 2016 revenues and expenses denominated in Japanese Yen and Australian Dollars, a 10% strengthening in value of the U.S. dollar, relative to the Japanese Yen and Australian Dollar, would result in a decrease in operating income of approximately \$3.0 million and \$4.3 million, respectively, which excludes the offset of the hedges discussed below. This potential impact to the results of our operation is driven by the inherent nature of our international operations, which requires us to accept a large volume of sales transactions denominated in foreign currencies while few expense transactions are settled in foreign currencies. This disparity is the primary factor in our exposure to foreign currencies.

As of September 30, 2016, the fair value of our foreign currency forwards reflected a net liability of \$14.7 million and \$4.0 million recorded in other accrued liabilities and other liabilities and deferred credits, respectively, in the unaudited Consolidated Balance Sheets.

38

ITEM 4.

CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), performed an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), which have been designed to permit us to effectively identify and timely disclose important information. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of September 30, 2016 to provide reasonable assurance that the information required to be disclosed by the Company in reports it files under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2016 which materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any litigation that is expected to have a significant effect on our operations or business.

ITEM 1A. RISK FACTORS.

See Part I, Item 1A., “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for a detailed discussion of the risk factors affecting our business, results of operations and financial condition. The disclosure below includes updates to certain risk factor disclosures included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which are in addition to, and not in lieu of, those contained therein.

We are dependent on satisfactory labor relations.

Labor costs are a significant component of airline expenses and can substantially impact an airline's results of operations. A significant portion of our workforce is represented by labor unions. We may make strategic and operational decisions that require the consent of one or more of these labor unions, and these labor unions could demand additional wages, benefits or other consideration in return for their consent.

In addition, we have entered into collective bargaining agreements with our pilots, mechanical group employees, clerical group employees, flight attendants and dispatchers. We cannot ensure that future agreements with our employees' labor unions will be on terms in line with our expectations or comparable to agreements entered into by our competitors, and any future agreements may increase our labor costs or otherwise adversely affect our business. We are currently in labor negotiations with our pilots union, the Air Line Pilots Association (ALPA). If we are unable to reach an agreement with any unionized work group, including ALPA, we may be subject to future work interruptions and/or stoppages, which may hamper or halt operations. In addition, the threat of future work interruptions and/or stoppages may cause a decline in our passenger traffic, negatively impacting our results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table displays information with respect to our repurchases of shares of our common stock during the three months ended September 30, 2016:

| Period | Total number of shares purchased (i) | Average price paid per share (ii) | Total number of shares purchased as part of publicly announced plans or programs (i) | Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (i) |
|--|--------------------------------------|-----------------------------------|--|--|
| July 1, 2016 - July 31, 2016 | 97,848 | \$ 37.69 | 97,848 | |
| August 1, 2016 - August 31, 2016 | — | — | — | |
| September 1, 2016 - September 30, 2016 | — | — | — | |

| | | | |
|-------|--------|--------|---------|
| Total | 97,848 | 97,848 | \$ 46.0 |
|-------|--------|--------|---------|

In April 2015, we announced that our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100 million of our outstanding common stock over a two-year period ending in April 2017 (i) through the open market, established plans or privately negotiated transactions in accordance with applicable securities laws, rules and regulations. The stock repurchase program is subject to modification or termination at any time.

(ii) Weighted average price paid per share is calculated on a settlement basis and excludes commission.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No. Description

| | |
|---------|--|
| 12 | Computation of ratio of earnings to fixed charges for the nine months ended September 30, 2016 and years ended December 31, 2015, 2014, 2013, 2012 and 2011. |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer. |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Valuation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HAWAIIAN HOLDINGS, INC.

Date: October 20,
2016

By: /s/ Shannon L. Okinaka

Shannon L. Okinaka

Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)