Southwest Airlines LUVs to Fly

**Introduction to Southwest Airlines**

Southwest Airlines, the darling of the south, has captured hearts and customers over the years with its fun, friendly and high quality air travel experience. Air Southwest Co. was incorporated in March 1967 by NAMES. However not everyone had an affinity with the new startup company. Competitors did their best to keep them out of the business by filing frivolous lawsuits in an effort to slow them down. Southwest eventually prevailed and is now a common household name for air travel ([Southwest](http://www.swamedia.com/channels/By-Date/pages/history-by-date)).

In the early 1970s Southwest started a small triangle of service from Dallas to Houston to San Antonio. They declared a net loss of $3,753,000 in 1971 their first full year of flights. 1973 was their first year to return a profit at a whopping $175,000 and 23 days later they carried their one-millionth customer. By the end of 1974 net income was $2.1 million. And in October 1975 Southwest Airlines common stock was listed for trading on the America Stock Exchange under the ticker symbol LUV. E.F. Hutton was the principal underwriter ([Southwest](http://www.swamedia.com/channels/By-Date/pages/history-by-date)).

**Southwest Stock Data**

Shares Outstanding 678.74M

% Held by Insiders 0.13%

% Held by Institutions 82.60%

**Financial Ratios**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **LIQUIDITY RATIOS (Section 3.2)** | | |  |  |  | **Company** | **Industry** |
|  |  |  | **2014** | **2013** | **2013** | Investing.com | Investing.com |
| ***Liquidity ratios*** | |  |  |  |  |  |  |
| **Current Ratio** | |  | **0.79** | **0.91** | **0.96** | 0.72 | 1.02 |
| **Quick Ratio** | |  | **0.70** | **0.81** | **0.87** | 0.66 | 0.96 |
|  |  |  |  |  |  |  |  |
| **ASSET MANAGEMENT RATIOS (Section 3.3)** | | | |  |  | **Company** | **Industry** |
|  |  |  | **2014** | **2013** | **2012** | Investing.com | Investing.com |
| ***Asset Management ratios*** | | |  |  |  |  |  |
| **Inventory Turnover** | |  | **28.57** | **28.57** | |  | | --- | | **30.52** | | 16.56 | 182.73 |
| **Days Sales Outstanding** | |  | **8.64** | **7.09** | **6.97** |  |  |
| **Fixed Asset Turnover** | |  | **1.32** | **1.34** | **1.29** |  |  |
| **Total Asset Turnover** | |  | **0.91** | **0.92** | **0.87** |  |  |
|  |  |  |  |  |  |  |  |
| **DEBT MANAGEMENT RATIOS (Section 3.4)** | | | |  |  | **Company** | **Industry** |
|  |  |  | **2014** | **2013** | **2012** | Investing.com | Investing.com |
| ***Debt Management ratios*** | |  |  |  |  |  |  |
| **Debt Ratio** | |  | **16.84%** | **16.96%** | **20.76%** |  |  |
| **Debt-to-Equity Ratio** | |  | **0.44** | **0.45** | **0.55** | 0.40 | 2.03 |
| **Market Debt Ratio** | |  | **9.95%** | **18.49%** | **32.00%** |  |  |
| **Times Interest Earned** | |  | **11.94** | **4.94** | **3.81** |  |  |
| **EBITDA Coverage Ratio** | |  | **40.72** | **29.28** | **18.80** |  |  |
|  |  |  |  |  |  |  |  |
| **PROFITABILITY RATIOS (Section 3.5)** | | |  |  |  | **Company** | **Industry** |
|  |  |  | **2014** | **2013** | **2012** | Investing.com | Investing.com |
| ***Profitability ratios*** | |  |  |  |  |  |  |
| **Profit Margin** | |  | **4.26%** | **2.46%** | **1.14%** | 6.11% | 4.27% |
| **Basic Earning Power** | |  | **6.61%** | **3.35%** | **3.84%** |  |  |
| **Return on Assets** | |  | **3.90%** | **2.26%** | **0.99%** | 5.77% | 4.37% |
| **Return on Equity** | |  | **10.28%** | **6.02%** | **2.59%** | 16.10% | 12.07% |
|  |  |  |  |  |  |  |  |
| **MARKET VALUE RATIOS (Section 3.6)** | | | |  |  | **Company** | **Industry** |
|  |  |  | **2014** | **2013** | **2012** | Investing.com | Investing.com |
| ***Market Value ratios*** | |  |  |  |  |  |  |
| **Price-to Earnings Ratio** | |  | **39.10** | **33.02** | **44.79** | 27.83 | 34.59 |
| **Price-to-Cash Flow Ratio** | | | **7.69** | **3.99** | **2.74** | 33.25 | 31.26 |
| **Price-to-EBITDA** | |  | **6.77** | **3.77** | **2.33** |  |  |
| **Market-to-Book Ratio** | |  | **4.02** | **1.99** | **1.16** | 4.59 | 96.29 |

**Analysis of Data**

What can be concluded from the ratios?

Does the data show any warning signs?

Does anything stand out in the data?