

ATLAS AIR WORLDWIDE HOLDINGS INC

Form 10-Q

November 06, 2014

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2014**

**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: 001-16545**

**Atlas Air Worldwide Holdings, Inc.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction**

**13-4146982**  
**(IRS Employer**

**of incorporation)**

**Identification No.)**

**2000 Westchester Avenue, Purchase, New York**  
**(Address of principal executive offices)**

**10577**  
**(Zip Code)**

**(914) 701-8000**

**(Registrant's telephone number, including area code)**

**Not Applicable**

**(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 definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 31, 2014, there were 24,805,297 shares of the registrant's Common Stock outstanding.



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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Atlas Air Worldwide Holdings, Inc.****Consolidated Balance Sheets***(in thousands, except share data)**(Unaudited)*

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 262,224	\$ 321,816
Short-term investments	11,931	10,904
Restricted cash	13,563	6,491
Accounts receivable, net of allowance of \$1,748 and \$1,402, respectively	167,845	132,159
Prepaid maintenance	11,389	31,620
Deferred taxes	29,203	54,001
Prepaid expenses and other current assets	26,835	36,962
Total current assets	522,990	593,953
<b>Property and Equipment</b>		
Flight equipment	3,485,877	2,969,379
Ground equipment	50,305	46,951
Less: accumulated depreciation	(328,953)	(256,685)
Purchase deposits for flight equipment	5,947	69,320
Property and equipment, net	3,213,176	2,828,965
<b>Other Assets</b>		
Long-term investments and accrued interest	126,002	130,267
Deposits and other assets	136,438	131,216
Intangible assets, net	69,676	33,858
<b>Total Assets</b>	<b>\$ 4,068,282</b>	<b>\$ 3,718,259</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 39,234	\$ 65,367
Accrued liabilities	229,072	194,292
Current portion of long-term debt	191,487	157,486

Total current liabilities	459,793	417,145
<b>Other Liabilities</b>		
Long-term debt	1,829,148	1,539,139
Deferred taxes	340,444	371,655
Other liabilities	66,822	68,195
Total other liabilities	2,236,414	1,978,989
Commitments and contingencies		
<b>Equity</b>		
Stockholders' Equity		
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 28,556,909 and 28,200,213 shares issued, 24,804,020 and 25,038,629, shares outstanding (net of treasury stock), as of September 30, 2014 and December 31, 2013, respectively	286	282
Additional paid-in-capital	569,230	561,481
Treasury stock, at cost; 3,752,889 and 3,161,584 shares, respectively	(145,305)	(125,826)
Accumulated other comprehensive loss	(9,762)	(10,677)
Retained earnings	957,626	892,513
Total stockholders' equity	1,372,075	1,317,773
Noncontrolling interest		4,352
Total equity	1,372,075	1,322,125
<b>Total Liabilities and Equity</b>	<b>\$ 4,068,282</b>	<b>\$ 3,718,259</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements*

**Table of Contents****Atlas Air Worldwide Holdings, Inc.****Consolidated Statements of Operations***(in thousands, except per share data)**(Unaudited)*

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>
<b>Operating Revenue</b>				
ACMI	\$ 184,068	\$ 189,583	\$ 568,929	\$ 552,710
AMC charter	109,780	95,668	263,935	287,840
Commercial charter	143,075	104,605	391,527	313,488
Dry leasing	25,411	11,874	75,611	21,844
Other	3,467	3,660	10,331	10,417
<b>Total Operating Revenue</b>	<b>465,801</b>	<b>405,390</b>	<b>1,310,333</b>	<b>1,186,299</b>
<b>Operating Expenses</b>				
Aircraft fuel	115,690	93,434	301,276	289,535
Salaries, wages and benefits	78,834	74,167	229,637	219,216
Maintenance, materials and repairs	35,084	31,306	144,516	133,152
Aircraft rent	34,183	40,405	104,419	118,753
Navigation fees, landing fees and other rent	35,336	24,481	93,368	58,851
Depreciation and amortization	29,865	23,661	88,401	61,840
Passenger and ground handling services	24,876	18,037	66,106	52,109
Travel	21,642	14,535	57,698	43,485
Loss on disposal of aircraft		501	14,679	79
Special charge	90		9,567	
Other	29,212	27,157	84,890	80,515
<b>Total Operating Expenses</b>	<b>404,812</b>	<b>347,684</b>	<b>1,194,557</b>	<b>1,057,535</b>
<b>Operating Income</b>	<b>60,989</b>	<b>57,706</b>	<b>115,776</b>	<b>128,764</b>
<b>Non-operating Expenses (Income)</b>				
Interest income	(4,588)	(4,849)	(14,034)	(15,003)
Interest expense	25,960	22,594	78,777	61,711
Capitalized interest	(44)	(291)	(423)	(1,985)
Loss on early extinguishment of debt		4,524		5,518
Other expense (income), net	767	(241)	831	1,415
	<b>22,095</b>	<b>21,737</b>	<b>65,151</b>	<b>51,656</b>

Total Non-operating Expenses  
(Income)

Income before income taxes	38,894	35,969	50,625	77,108
Income tax expense (benefit)	11,318	11,247	(9,958)	11,320
<b>Net Income</b>	<b>27,576</b>	<b>24,722</b>	<b>60,583</b>	<b>65,788</b>
Less: Net income (loss) attributable to noncontrolling interest		981	(4,530)	1,909
<b>Net Income Attributable to Common Stockholders</b>	<b>\$ 27,576</b>	<b>\$ 23,741</b>	<b>\$ 65,113</b>	<b>\$ 63,879</b>
<b>Earnings per share:</b>				
Basic	\$ 1.10	\$ 0.94	\$ 2.59	\$ 2.48
Diluted	\$ 1.10	\$ 0.94	\$ 2.59	\$ 2.48
<b>Weighted average shares:</b>				
Basic	24,983	25,124	25,106	25,710
Diluted	25,064	25,212	25,164	25,784

*See accompanying Notes to Unaudited Consolidated Financial Statements*



**Table of Contents****Atlas Air Worldwide Holdings, Inc.****Consolidated Statements of Comprehensive Income***(in thousands)**(Unaudited)*

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>Net Income</b>	\$ 27,576	\$ 24,722	\$ 60,583	\$ 65,788
<b>Other comprehensive income (loss):</b>				
Interest rate derivatives:				
Net change in fair value			(251)	
Reclassification into earnings	677	764	2,049	2,301
Income tax expense	(259)	(277)	(764)	(835)
Foreign currency translation:				
Translation adjustment	(290)	356	59	14
<b>Other comprehensive income</b>	<b>128</b>	<b>843</b>	<b>1,093</b>	<b>1,480</b>
<b>Comprehensive Income</b>	<b>27,704</b>	<b>25,565</b>	<b>61,676</b>	<b>67,268</b>
Less: Comprehensive income (loss) attributable to noncontrolling interests		1,163	(4,352)	1,916
<b>Comprehensive Income Attributable to Common Stockholders</b>	<b>\$ 27,704</b>	<b>\$ 24,402</b>	<b>\$ 66,028</b>	<b>\$ 65,352</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements*

**Table of Contents****Atlas Air Worldwide Holdings, Inc.****Consolidated Statements of Cash Flows***(in thousands)**(Unaudited)*

	<b>For the Nine Months Ended</b>	
	<b>September 30, 2014</b>	<b>September 30, 2013</b>
<b>Operating Activities:</b>		
Net Income Attributable to Common Stockholders	\$ 65,113	\$ 63,879
Net income (loss) attributable to noncontrolling interests	(4,530)	1,909
Net Income	60,583	65,788
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	101,493	73,324
Accretion of debt securities discount		