

AIR LEASE CORP
Form 10-Q
May 08, 2014
[Table of Contents](#)

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 March 31, 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 001-35121

AIR LEASE CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: AIR LEASE CORP - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1840403
(I.R.S. Employer
Identification No.)

2000 Avenue of the Stars, Suite 1000N
Los Angeles, California
(Address of principal executive offices)

90067
(Zip Code)

Registrant's telephone number, including area code: **(310) 553-0555**

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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

At May 7, 2014, there were 101,916,736 shares of Air Lease Corporation's Class A Common Stock outstanding.

Table of Contents

Air Lease Corporation and Subsidiaries

Form 10-Q

For the Quarterly Period Ended March 31, 2014

TABLE OF CONTENTS

	Page
<u>Note About Forward-Looking Statements</u>	3
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1</u>	
<u>Financial Statements</u>	
<u>Consolidated Balance Sheets March 31, 2014 and December 31, 2013 (unaudited)</u>	4
<u>Consolidated Statements of Income Three months Ended March 31, 2014 and 2013 (unaudited)</u>	5
<u>Consolidated Statement of Shareholders' Equity Three months Ended March 31, 2014 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows Three months Ended March 31, 2014 and 2013 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (unaudited)</u>	8
<u>Item 2</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
<u>Item 4</u>	
<u>Controls and Procedures</u>	21
<u>PART II OTHER INFORMATION</u>	
<u>Item 1</u>	
<u>Legal Proceedings</u>	22
<u>Item 1A</u>	
<u>Risk Factors</u>	22
<u>Item 2</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 3</u>	
<u>Defaults Upon Senior Securities</u>	22
<u>Item 4</u>	
<u>Mine Safety Disclosures</u>	22
<u>Item 5</u>	
<u>Other Information</u>	22
<u>Item 6</u>	
<u>Exhibits</u>	23
<u>Signatures</u>	24
<u>Index of Exhibits</u>	25

Table of Contents

NOTE ABOUT FORWARD-LOOKING STATEMENTS

Statements in this quarterly report on Form 10-Q that are not historical facts may constitute forward-looking statements, including any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance. These statements are often, but not always, made through the use of words or phrases such as anticipate, believes, can, could, may, predicts, should, will, estimate, plans, projects, continuing, ongoing, expects, intends and similar words or phrases. These statements are and involve estimates, known and unknown risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed in such statements, including as a result of the following factors, among others:

- our inability to make acquisitions of, or lease, aircraft on favorable terms;
- our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of sufficient aircraft as currently contemplated or to fund the operations and growth of our business;
- our inability to obtain refinancing prior to the time our debt matures;
- impaired financial condition and liquidity of our lessees;
- deterioration of economic conditions in the commercial aviation industry generally;
- increased maintenance, operating or other expenses or changes in the timing thereof;
- changes in the regulatory environment;
- potential natural disasters and terrorist attacks and the amount of our insurance coverage, if any, relating thereto; and
- the factors discussed under Part I Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2013 and other SEC filings.

Edgar Filing: AIR LEASE CORP - Form 10-Q

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations. You are therefore cautioned not to place undue reliance on such statements. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Air Lease Corporation and Subsidiaries****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and par value amounts)**

	March 31, 2014	December 31, 2013
	(unaudited)	
Assets		
Cash and cash equivalents	\$ 256,078	\$ 270,173
Restricted cash	76,741	87,308
Flight equipment subject to operating leases	8,439,676	8,234,315
Less accumulated depreciation	(693,075)	(621,180)
	7,746,601	7,613,135
Deposits on flight equipment purchases	1,180,171	1,075,023
Deferred debt issue costs less accumulated amortization of \$56,265 and \$51,578 as of March 31, 2014 and December 31, 2013, respectively	90,162	90,249
Other assets	203,552	196,716
Total assets	\$ 9,553,305	\$ 9,332,604
Liabilities and Shareholders Equity		
Accrued interest and other payables	\$ 146,177	\$ 131,223
Debt financing	5,943,096	5,853,317
Security deposits and maintenance reserves on flight equipment leases	593,329	569,847
Rentals received in advance	60,620	61,520
Deferred tax liability	226,575	193,263
Total liabilities	\$ 6,969,797	\$ 6,809,170
Shareholders Equity		
Preferred Stock, \$0.01 par value; 50,000,000 shares authorized; no shares issued or outstanding		
Class A Common Stock, \$0.01 par value; authorized 500,000,000 shares; issued and outstanding 101,916,736 and 101,822,676 shares at March 31, 2014 and December 31, 2013, respectively	1,009	1,009
Class B Non-Voting Common Stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued or outstanding at March 31, 2014 and December 31, 2013		
Paid-in capital	2,211,302	2,209,566
Retained earnings	371,197	312,859
Total shareholders equity	\$ 2,583,508	\$ 2,523,434
Total liabilities and shareholders equity	\$ 9,553,305	\$ 9,332,604

(See Notes to Consolidated Financial Statements)

Table of Contents

Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share amounts)

	2014	Three Months Ended March 31, (unaudited)	2013
Revenues			
Rental of flight equipment	\$	230,391	\$ 190,103
Aircraft sales, trading and other		15,894	1,894
Total revenues		246,285	191,997
Expenses			
Interest		44,358	40,230
Amortization of discounts and deferred debt issue costs		6,490	5,210
Interest expense		50,848	45,440
Depreciation of flight equipment		78,142	63,863
Selling, general and administrative		19,186	14,247
Stock-based compensation		3,400	6,775
Total expenses		151,576	130,325
Income before taxes		94,709	61,672
Income tax expense		(33,312)	(21,676)
Net income	\$	61,397	\$ 39,996
Net income per share of Class A and Class B Common Stock:			
Basic	\$	0.60	