

ATLAS AIR WORLDWIDE HOLDINGS INC

Form 10-Q

May 03, 2012

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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 March 31, 2012

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 of incorporation)

13-4146982
(IRS Employer Identification No.)

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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 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. (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

As of March 31, 2012, there were 26,421,640 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)*

	March 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 166,649	\$ 187,111
Short-term investments	8,236	8,097
Accounts receivable, net of allowance of \$3,146 and \$1,931, respectively	97,869	93,213
Prepaid maintenance	35,681	35,902
Deferred taxes	11,714	10,580
Prepaid expenses and other current assets	72,026	58,934
Total current assets	392,175	393,837
Property and Equipment		
Flight equipment	1,458,590	1,466,384
Ground equipment	35,605	33,788
Less: accumulated depreciation	(145,253)	(159,123)
Purchase deposits for flight equipment	417,970	407,184
Property and equipment, net	1,766,912	1,748,233
Other Assets		
Long-term investments and accrued interest	137,784	135,735
Deposits and other assets	80,646	73,232
Intangible assets, net	38,776	39,961
Total Assets	\$ 2,416,293	\$ 2,390,998
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 27,376	\$ 27,352
Accrued liabilities	160,053	175,298
Current portion of long-term debt	78,342	70,007
Total current liabilities	265,771	272,657
Other Liabilities		
Long-term debt	690,304	680,009
Deferred taxes	186,545	178,069
Other liabilities	119,502	118,888
Total other liabilities	996,351	976,966
Commitments and contingencies		
Equity		
Stockholders' Equity		

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Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 27,647,583 and 27,462,116 shares issued, 26,421,640 and 26,304,764, shares outstanding (net of treasury stock), as of March 31, 2012 and December 31, 2011, respectively	277	275
Additional paid-in-capital	530,889	525,670
Treasury stock, at cost; 1,225,943 and 1,157,352 shares, respectively	(44,687)	(41,499)
Accumulated other comprehensive loss	(15,919)	(15,683)
Retained earnings	681,584	668,749
Total stockholders' equity	1,152,144	1,137,512
Noncontrolling interest	2,027	3,863
Total equity	1,154,171	1,141,375
Total Liabilities and Equity	\$ 2,416,293	\$ 2,390,998

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)*

	For the Three Months Ended	
	March 31, 2012	March 31, 2011
Operating Revenue		
ACMI	\$ 154,703	\$ 146,035
AMC charter	121,294	81,176
Commercial charter	76,947	65,536
Dry leasing	2,945	1,543
Other	3,415	3,316
Total Operating Revenue	\$ 359,304	\$ 297,606
Operating Expenses		
Aircraft fuel	94,763	74,167
Salaries, wages and benefits	70,876	61,764
Maintenance, materials and repairs	52,980	50,069
Aircraft rent	39,418	38,354
Depreciation and amortization	14,303	8,330
Landing fees and other rent	13,055	11,340
Travel	12,620	9,122
Ground handling and airport fees	7,620	5,302
Gain on disposal of aircraft	(196)	(120)
Other	33,286	22,787
Total Operating Expenses	338,725	281,115
Operating Income	20,579	16,491
Non-operating Expenses / (Income)		
Interest income	(4,909)	(5,115)
Interest expense	13,963	10,296
Capitalized interest	(6,352)	(5,417)
Other (income) expense, net	(297)	41
Total Non-operating Expenses (Income)	2,405	(195)
Income before income taxes	18,174	16,686
Income tax expense	7,234	6,224
Net Income	10,940	10,462
Less: Net loss attributable to noncontrolling interests	(1,895)	(54)
Net Income Attributable to Common Stockholders	\$ 12,835	\$ 10,516
Earnings per share:		
Basic	\$ 0.49	\$ 0.40

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Diluted	\$ 0.48	\$ 0.40
Weighted average shares:		
Basic	26,360	26,041
Diluted	26,488	26,289

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	
	March 31, 2012	March 31, 2011
Net Income	\$ 10,940	\$ 10,462
Other comprehensive income (loss):		
Interest rate derivatives:		
Net change in fair value	(713)	
Reclassification into earnings	253	
Income tax benefit	167	
Foreign currency translation:		
Translation adjustment	157	195
Income tax expense	(41)	(39)
Other comprehensive income (loss)	(177)	156
Comprehensive Income	10,763	10,618
Less: Comprehensive income (loss) attributable to noncontrolling interests	(1,836)	26
Comprehensive Income Attributable to Common Stockholders	\$ 12,599	\$ 10,592

See accompanying Notes to Unaudited Consolidated Financial Statements

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

	For the Three Months Ended	
	March 31, 2012	March 31, 2011
Operating Activities:		
Net Income Attributable to Common Stockholders	\$ 12,835	\$ 10,516
Net loss attributable to noncontrolling interests	(1,895)	(54)
Net Income	10,940	10,462
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	16,405	10,182
Accretion of debt securities discount	(2,167)	(2,048)
Provision for allowance for doubtful accounts	709	25
Gain on disposal of aircraft	(196)	(120)
Deferred taxes	6,580	2,685
Stock-based compensation expense	4,604	3,748
Changes in:		
Accounts receivable	(4,855)	5
Prepaid expenses and other current assets	3,497	(9,176)
Deposits and other assets	(2,251)	(4,758)
Accounts payable and accrued liabilities	(15,178)	3,123
Net cash provided by operating activities	18,088	14,128
Investing Activities:		
Capital expenditures	(10,726)	(4,238)
Purchase deposits and delivery payments for flight equipment	(42,936)	(7,293)
Investment in debt securities	(1,179)	
Proceeds from short-term investments	2,660	1,163
Proceeds from disposal of aircraft	415	165
Net cash used for investing activities	(51,766)	(10,203)
Financing Activities:		
Proceeds from debt issuance	35,695	
Proceeds from stock option exercises		3,255
Purchase of treasury stock	(3,188)	(9,062)
Excess tax benefit from stock-based compensation expense	617	2,801
Payment of debt issuance costs	(1,596)	
Payments of debt	(18,312)	(12,997)
Net cash provided by (used for) financing activities	13,216	(16,003)
Net decrease in cash and cash equivalents	(20,462)	(12,078)
Cash and cash equivalents at the beginning of period	187,111	588,852
Cash and cash equivalents at the end of period	\$ 166,649	\$ 576,774

See accompanying Notes to Unaudited Consolidated Financial Statements

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

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2010	\$ 270	\$ (32,248)	\$ 505,297	\$ 458	\$ 572,666	\$ 1,046,443	\$ 3,647	\$ 1,050,090
Net Income					10,516	10,516	(54)	10,462
Other comprehensive income (loss)				76		76	80	156
Comprehensive Income (Loss)						10,592	26	10,618
Stock option and restricted stock compensation			3,748			3,748		3,748
Purchase of 134,682 shares of treasury stock		(9,062)				(9,062)		(9,062)
Exercise of 79,709 employee stock options			3,255			3,255		3,255
Issuance of 359,301 shares of restricted stock	4		(4)					
Tax benefit on restricted stock and stock options			2,801			2,801		2,801
Balance at March 31, 2011	\$ 274	\$ (41,310)	\$ 515,097	\$ 534	\$ 583,182	\$ 1,057,777	\$ 3,673	\$ 1,061,450
	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2011	\$ 275	\$ (41,499)	\$ 525,670	\$ (15,683)	\$ 668,749	\$ 1,137,512	\$ 3,863	\$ 1,141,375
Net Income					12,835	12,835	(1,895)	10,940
Other comprehensive income (loss)				(236)		(236)	59	(177)
Comprehensive Income (Loss)						12,599	(1,836)	10,763
Stock option and restricted stock compensation			4,604			4,604		4,604
Purchase of 68,591 shares of treasury stock		(3,188)				(3,188)		(3,188)
Issuance of 185,467 shares of restricted stock	2		(2)					
Tax benefit on restricted stock and stock options			617			617		617
Balance at March 31, 2012	\$ 277	\$ (44,687)	\$ 530,889	\$ (15,919)	\$ 681,584	\$ 1,152,144	\$ 2,027	\$ 1,154,171

See accompanying Notes to Unaudited Consolidated Financial Statements

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Atlas Air Worldwide Holdings, Inc.

Notes to Unaudited Consolidated Financial Statements

March 31, 2012

1. Basis of Presentation

Our consolidated financial statements include the accounts of the holding company, Atlas Air Worldwide Holdings, Inc. (AAWW) and its consolidated subsidiaries. AAWW is the parent company of its principal operating subsidiary, Atlas Air, Inc. (Atlas), and of Polar Air Cargo LLC (Old Polar). AAWW is also the parent company of several subsidiaries related to our dry leasing services (collectively referred to as Titan). In addition, we are the primary beneficiary of Global Supply Systems Limited (GSS), a consolidated subsidiary. AAWW has a 51% equity interest and 75% voting interest in Polar Air Cargo Worldwide, Inc. (Polar). We record our share of Polar s results under the equity method of accounting.

The terms we, us, our, and the Company mean AAWW and all entities included in its consolidated financial statements.

We provide outsourced aircraft and aviation operating services throughout the world, serving Africa, Asia, Australia, Europe, the Middle East, North America and South America through: (i) contractual service arrangements, including contracts through which we provide aircraft to customers and value-added services, including crew, maintenance and insurance (ACMI), as well as contracts through which we provide crew, maintenance and insurance, with the customer providing the aircraft (CMI); (ii) military charter services (AMC Charter); (iii) seasonal, commercial and ad-hoc charter services (Commercial Charter); and (iv) dry leasing or sub-leasing of aircraft and engines (Dry Leasing or Dry Lease).

The accompanying unaudited consolidated financial statements and related notes (the Financial Statements) have been prepared in accordance with the U.S. Securities and Exchange Commission (the SEC) requirements for quarterly reports on Form 10-Q, and consequently, exclude certain disclosures normally included in audited consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany accounts and transactions have been eliminated. The Financial Statements should be read in conjunction with the audited consolidated financial statements and the notes included in the AAWW Annual Report on Form 10-K for the year ended December 31, 2011, which included additional disclosures and a summary of our significant accounting policies. In our opinion, the Financial Statements contain all adjustments, consisting of normal recurring items, necessary to fairly state the financial position of AAWW and its consolidated subsidiaries as of March 31, 2012, the results of operations for the three months ended March 31, 2012 and 2011, comprehensive income for the three months ended March 31, 2012 and 2011, cash flows for the three months ended March 31, 2012 and 2011, and shareholders equity as of and for the three months ended March 31, 2012 and 2011.

For interim accounting purposes, we recognize income taxes using an estimated annual effective tax rate.

Our quarterly results are subject to seasonal and other fluctuations, and the operating results for any quarter are therefore not necessarily indicative of results that may be otherwise expected for the entire year.

Except for per share data, all dollar amounts are in thousands unless otherwise noted.

Certain reclassifications have been made to the prior periods unaudited consolidated financial statement amounts and related note disclosures to conform to the current period s presentation.

2. Recently Adopted Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board amended its guidance on the presentation of comprehensive income to increase the prominence of items reported in other comprehensive income. The new guidance requires that all components of comprehensive income in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance was effective as of the beginning of 2012 and its adoption did not have any impact on our financial condition, results of operations or cash flows.

3. DHL Investment and Polar

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Polar provides air cargo capacity to its customers, including DHL Network Operations (USA), Inc. (DHL), through a blocked-space agreement that began on October 27, 2008.

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Polar currently operates six 747-400 freighter aircraft that are subleased from us. An additional two aircraft are operated by Atlas to support the Polar network and DHL through an alliance agreement whereby Atlas provides ACMI services to Polar. We also provide incremental charter capacity to Polar on an as-needed basis. Atlas and Polar have entered into various agreements under which we provide Polar with crew, maintenance and insurance for the subleased aircraft. Collectively, these service agreements and the subleases are referred to as Express Network ACMI. We provide Polar with certain management and administrative services under a shared services agreement. In addition, Polar and Atlas provide each other with sales and ground support services under a general sales and services agreement. The following table summarizes our transactions with Polar:

	For the Three Months Ended	
	March 31, 2012	March 31, 2011
Revenue and Expenses:		
ACMI revenue from Polar	\$ 60,694	\$ 46,377
Other revenue from Polar	\$ 2,837	\$ 2,837
Ground handling and airport fees paid to Polar	\$ 998	\$ 247
Accounts receivable/payable as of:	March 31, 2012	December 31, 2011
Receivables from Polar	\$ 4,031	\$ 2,944
Payables to Polar	\$ 201	\$ 121
Aggregate Carrying Value of Polar Investment as of:	March 31, 2012	December 31, 2011
	\$ 4,870	\$ 4,870

4. Concentration of Credit Risk and Significant Customers

We are exposed to concentration of customer credit risk. The following table summarizes our significant exposure to Polar and the U.S. Military Air Mobility Command (AMC). We have not experienced credit issues with either of these customers. No other customer accounted for 10.0% or more of our Total Operating Revenue.

	For the Three Months Ended	
	March 31, 2012	March 31, 2011
Revenue as a % of Total Operating Revenue:		
AMC	33.8%	27.3%
Polar	17.7%	16.5%

	For the Three Months Ended	
	March 31, 2012	March 31, 2011
Revenue as a % of Total ACMI Revenue:		
Polar	39.2%	31.8%

Accounts receivable as a % of Total Accounts

	March 31, 2012	December 31, 2011
	receivable, net of allowance, as of:	
AMC		