

WILLIS LEASE FINANCE CORP

Form 10-Q

May 09, 2011

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the Quarterly Period Ended March 31, 2011

OR

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

Commission File Number: 001-15369

**WILLIS LEASE FINANCE CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**68-0070656**  
(IRS Employer  
Identification No.)

**773 San Marin Drive,**

**Suite 2215, Novato, CA**  
(Address of principal executive offices)

**94998**  
(Zip Code)

**Registrant's telephone number, including area code (415) 408-4700**

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  (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<b>Title of Each Class</b>	<b>Outstanding at May 6, 2011</b>
Common Stock, \$0.01 par value per share	8,921,656

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**WILLIS LEASE FINANCE CORPORATION**

**AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements (Unaudited)  
WILLIS LEASE FINANCE CORPORATION****AND SUBSIDIARIES****Consolidated Balance Sheets****(In thousands, except share data, unaudited)**

	March 31, 2011	December 31, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,754	\$ 2,225
Restricted cash	95,493	77,013
Equipment held for operating lease, less accumulated depreciation of \$202,657 and \$192,377 at March 31, 2011 and December 31, 2010, respectively	998,940	998,001
Equipment held for sale	6,917	7,418
Operating lease related receivable, net of allowances of \$389 and \$423 at March 31, 2011 and December 31, 2010, respectively	6,259	8,872
Notes receivable	693	747
Investments	9,687	9,381
Property, equipment & furnishings, less accumulated depreciation of \$4,169 and \$3,984 at March 31, 2011 and December 31, 2010, respectively	6,955	6,971
Equipment purchase deposits	1,969	2,769
Other assets, net	15,088	12,565
<b>Total assets</b>	<b>\$ 1,144,755</b>	<b>\$ 1,125,962</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 16,524	\$ 18,099
Liabilities under derivative instruments	11,685	14,274
Deferred income taxes	79,651	75,645
Notes payable, net of discount of \$2,478 and \$2,617 at March 31, 2011 and December 31, 2010, respectively	746,786	731,632
Maintenance reserves	51,736	50,442
Security deposits	5,817	5,726
Unearned lease revenue	3,816	3,174
<b>Total liabilities</b>	<b>916,015</b>	<b>898,992</b>
<b>Shareholders equity:</b>		
Preferred stock (\$0.01 par value, 5,000,000 shares authorized; 3,475,000 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively)	31,915	31,915
Common stock (\$0.01 par value, 20,000,000 shares authorized; 8,817,311 and 9,181,365 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively)	88	92
Paid-in capital in excess of par	55,683	60,108
Retained earnings	149,605	145,324
Accumulated other comprehensive loss, net of income tax benefit of \$4,979 and \$6,085 at March 31, 2011 and December 31, 2010, respectively	(8,551)	(10,469)

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Total shareholders' equity	228,740	226,970
Total liabilities and shareholders' equity	\$ 1,144,755	\$ 1,125,962

See accompanying notes to the unaudited consolidated financial statements.

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**WILLIS LEASE FINANCE CORPORATION**  
**AND SUBSIDIARIES**

**Consolidated Statements of Income**

(In thousands, except share data, unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>REVENUE</b>		
Lease rent revenue	\$ 27,306	\$ 26,052
Maintenance reserve revenue	8,226	6,764
Gain on sale of leased equipment	5,060	2,220
Other income	220	663
<b>Total revenue</b>	<b>40,812</b>	<b>35,699</b>
<b>EXPENSES</b>		
Depreciation expense	13,189	11,743
General and administrative	8,211	7,302
Technical expense	2,307	1,637
Net finance costs:		
Interest expense	9,244	10,497
Interest income	(43)	(28)
<b>Total net finance costs</b>	<b>9,201</b>	<b>10,469</b>
<b>Total expenses</b>	<b>32,908</b>	<b>31,151</b>
Earnings from operations	7,904	4,548
Earnings from joint venture	306	262
Income before income taxes	8,210	4,810
Income tax expense	(3,147)	(1,760)
Net income	\$ 5,063	\$ 3,050
Preferred stock dividends paid and declared-Series A	782	782
Net income attributable to common shareholders	\$ 4,281	\$ 2,268
Basic earnings per common share:	\$ 0.50	\$ 0.26
Diluted earnings per common share:	\$ 0.47	\$ 0.24
Average common shares outstanding	8,552	8,660
Diluted average common shares outstanding	9,048	9,303
See accompanying notes to the unaudited consolidated financial statements.		



**Table of Contents****WILLIS LEASE FINANCE CORPORATION****AND SUBSIDIARIES****Consolidated Statements of Shareholders Equity and Comprehensive Income****Three Months Ended March 31, 2011 and 2010****(In thousands, unaudited)**

	Preferred Stock	Issued and Outstanding Shares of Common Stock	Common Stock	Paid-in Capital in Excess of par	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total Shareholders Equity
Balances at December 31, 2009	\$ 31,915	9,182	\$ 92	\$ 60,671	\$ (8,287)	\$ 136,402	\$ 220,793
Net income						3,050	3,050
Unrealized loss from derivative instruments, net of tax benefit of \$898					(1,556)		(1,556)
Total comprehensive income							1,494
Preferred stock dividends paid						(782)	(782)
Shares repurchased		(3)		(35)			(35)
Shares issued under stock compensation plans		56		104			104
Stock-based compensation expense				575			575
Excess tax cost from stock-based compensation				(78)			(78)
Balances at March 31, 2010	\$ 31,915	9,235	\$ 92	\$ 61,237	\$ (9,843)	\$ 138,670	\$ 222,071
Balances at December 31, 2010	\$ 31,915	9,181	\$ 92	\$ 60,108	\$ (10,469)	\$ 145,324	\$ 226,970
Net income						5,063	5,063
Unrealized gain from derivative instruments, net of tax expense of \$1,107					1,918		1,918
Total comprehensive income							6,981
Preferred stock dividends paid							