

AIR LEASE CORP  
Form 10-Q  
May 05, 2016  
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, 2016

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 4, 2016, there were 102,829,369 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, 2016

TABLE OF CONTENTS

<u>Note About Forward-Looking Statements</u>	Page 3
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1 Financial Statements</u>	4
<u>Consolidated Balance Sheets—March 31, 2016 and December 31, 2015 (unaudited)</u>	4
<u>Consolidated Statements of Income—Three Months Ended March 31, 2016 and 2015 (unaudited)</u>	5
<u>Consolidated Statement of Shareholders' Equity—Three Months Ended March 31, 2016 (unaudited)</u>	6
<u>Consolidated Statements of Cash Flows—Three Months Ended March 31, 2016 and 2015 (unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (unaudited)</u>	8
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4 Controls and Procedures</u>	24
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	25
<u>Item 1A Risk Factors</u>	25
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 3 Defaults Upon Senior Securities</u>	25
<u>Item 4 Mine Safety Disclosures</u>	25
<u>Item 5 Other Information</u>	25
<u>Item 6 Exhibits</u>	26
<u>Signatures</u>	27
<u>Index of Exhibits</u>	28

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,” “potential,” “should,” “will,” “estimate,” “projects,” “continuing,” “ongoing,” “expects,” “intends” and similar words or phrases. These statements are only predictions 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 sell 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, 2015 and other SEC filings.

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, 2016 (unaudited)	December 31, 2015
Assets		
Cash and cash equivalents	\$ 162,814	\$ 156,675
Restricted cash	16,490	16,528
Flight equipment subject to operating leases	12,550,836	12,026,798
Less accumulated depreciation	(1,311,215)	(1,213,323)
	11,239,621	10,813,475
Deposits on flight equipment purchases	1,079,690	1,071,035
Other assets	284,795	297,385
Total assets	\$ 12,783,410	\$ 12,355,098
Liabilities and Shareholders' Equity		
Accrued interest and other payables	\$ 192,389	\$ 215,983
Debt financing, net of discounts and issuance costs	8,017,501	7,712,421
Security deposits and maintenance reserves on flight equipment leases	865,206	853,330
Rentals received in advance	90,281	91,485
Deferred tax liability	513,630	461,967
Total liabilities	\$ 9,679,007	\$ 9,335,186
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 102,829,369 and 102,582,669 shares at March 31, 2016 and December 31, 2015, respectively	1,010	1,010
Class B Non-Voting common stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued or outstanding	—	—
Paid-in capital	2,224,151	2,227,376
Retained earnings	879,242	791,526
Total shareholders' equity	\$ 3,104,403	\$ 3,019,912
Total liabilities and shareholders' equity	\$ 12,783,410	\$ 12,355,098

(See Notes to Consolidated Financial Statements)

4

---



Table of Contents

Air Lease Corporation and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share amounts)

	Three Months Ended	
	March 31,	2015
	2016	(unaudited)
Revenues		
Rental of flight equipment	\$ 317,198	\$ 269,256
Aircraft sales, trading and other	26,130	9,059
Total revenues	343,328	278,315
Expenses		
Interest	60,960	55,403
Amortization of debt discounts and issuance costs	7,161	7,682
Interest expense	68,121	63,085
Depreciation of flight equipment	108,575	91,012
Settlement	—	72,000
Selling, general and administrative	19,402	19,098
Stock-based compensation	3,239	3,146
Total expenses	199,337	248,341
Income before taxes	143,991	29,974
Income tax expense	(51,133)	(10,642)
Net income	\$ 92,858	\$ 19,332
Net income per share of Class A and Class B common stock:		
Basic	\$ 0.90	\$ 0.19
Diluted	\$ 0.85	\$ 0.19
Weighted-average shares outstanding		
Basic	102,679,411	102,455,040
Diluted	110,563,526	110,558,709

(See Notes to Consolidated Financial Statements)

Table of Contents

Air Lease Corporation and Subsidiaries

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)

(unaudited)	Preferred Stock		Class A Common Stock		Class B Non-Voting Common Stock	Paid-in Capital	Retained Earnings	Total	
	Shares	Amount	Shares	Amount	Shares				
Balance at December 31, 2015	—	\$ —	102,582,669	\$ 1,010	—	\$ —	\$ 2,227,376	\$ 791,526	\$ 3,019,912
Issuance of common stock upon vesting of restricted stock units	—	—	437,651	—	—	—	24	—	24
Stock-based compensation expense	—	—	—	—	—	—	3,239	—	3,239
Cash dividends (declared \$0.05 per share)	—	—	—	—	—	—	—	(5,142)	(5,142)
Tax withholding related to vesting of restricted stock units	—	—	(190,951)	—	—	—	(6,488)	—	(6,488)
Net income	—	—	—	—	—	—	—	92,858	92,858
Balance at March 31, 2016	—	\$ —	102,829,369	\$ 1,010	—	\$ —	\$ 2,224,151	\$ 879,242	\$ 3,104,403

(See Notes to Consolidated Financial Statements)

Table of Contents

Air Lease Corporation and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended	
	March 31, 2016 (unaudited)	2015
Operating Activities		
Net income	\$ 92,858	\$ 19,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of flight equipment	108,575	91,012
Settlement	—	72,000
Stock-based compensation	3,239	3,146
Deferred taxes	51,133	10,642
Amortization of debt discounts and issuance costs	7,161	7,682
Gain on aircraft sales, trading and other activity	(20,979)	(8,030)
Changes in operating assets and liabilities:		
Other assets	9,446	20,005
Accrued interest and other payables	(22,483)	(7,476)
Rentals received in advance	(1,204)	1,188
Net cash provided by operating activities	227,746	209,501
Investing Activities		
Acquisition of flight equipment under operating lease	(458,435)	(488,175)
Payments for deposits on flight equipment purchases	(200,908)	(162,660)
Proceeds from aircraft sales, trading and other activity	191,824	102,423
Acquisition of furnishings, equipment and other assets	(52,845)	(65,174)
Net cash used in investing activities	(520,364)	(613,586)
Financing Activities		
Cash dividends paid	(5,129)	(4,094)
Tax withholdings on stock-based compensation	(5,877)	(5,302)
Net change in unsecured revolving facilities	879,000	(231,000)
Proceeds from debt financings	100,000	692,134
Payments in reduction of debt financings	(680,885)	(144,034)
Net change in restricted cash		