

Aircastle LTD
Form 10-Q
May 07, 2014
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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 001-32959

AIRCASTLE LIMITED
(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	98-0444035 (IRS Employer Identification No.)
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c/o Aircastle Advisor LLC 300 First Stamford Place, 5 th Floor, Stamford, CT (Address of principal executive offices)	06902 (Zip Code)
Registrant's telephone number, including area code	(203) 504-1020

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

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As of April 30, 2014, there were 81,004,031 outstanding shares of the registrant's common shares, par value \$0.01 per share.

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PART I. — FINANCIAL INFORMATION

Item 1. Financial Statements

Aircastle Limited and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except share data)

	December 31, 2013	March 31, 2014 (Unaudited)
ASSETS		
Cash and cash equivalents	\$654,613	\$614,096
Accounts receivable	2,825	4,437
Restricted cash and cash equivalents	122,773	102,463
Restricted liquidity facility collateral	107,000	65,000
Flight equipment held for lease, net of accumulated depreciation of \$1,430,325 and \$1,450,597	5,044,410	5,679,723
Net investment in finance leases	145,173	142,400
Unconsolidated equity method investment	21,123	21,440
Other assets	153,976	148,706
Total assets	\$6,251,893	\$6,778,265
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Borrowings from secured financings (including borrowings of ACS Ireland VIEs of \$152,545 and \$93,938, respectively)	\$1,586,835	\$1,641,727
Borrowings from unsecured financings	2,150,527	2,650,498
Accounts payable, accrued expenses and other liabilities	111,661	156,765
Lease rentals received in advance	49,235	51,660
Liquidity facility	107,000	65,000
Security deposits	118,804	117,024
Maintenance payments	442,432	446,742
Fair value of derivative liabilities	39,992	4,765
Total liabilities	4,606,486	5,134,181
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Preference shares, \$.01 par value, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common shares, \$.01 par value, 250,000,000 shares authorized, 80,806,975 shares issued and outstanding at December 31, 2013; and 81,004,031 shares issued and outstanding at March 31, 2014	808	810
Additional paid-in capital	1,562,106	1,561,508
Retained earnings	158,398	147,974
Accumulated other comprehensive loss	(75,905)	(66,208)
Total shareholders' equity	1,645,407	1,644,084
Total liabilities and shareholders' equity	\$6,251,893	\$6,778,265
The accompanying notes are an integral part of these unaudited consolidated financial statements.		

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Aircastle Limited and Subsidiaries
Consolidated Statements of Income
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2013	2014
Revenues:		
Lease rental revenue	\$156,590	\$174,335
Finance lease revenue	3,884	3,987
Amortization of lease premiums, discounts and lease incentives	(7,081) (6,591)
Maintenance revenue (including contra maintenance revenue of \$0 and \$16,382 for the three months ended March 31, 2013 and 2014, respectively)	16,866	3,042
Total lease revenue	170,259	174,773
Other revenue	5,930	1,830
Total revenues	176,189	176,603
Operating expenses:		
Depreciation	69,900	73,927
Interest, net	59,152	64,263
Selling, general and administrative (including non-cash share based payment expense of \$811 and \$990 for the three months ended March 31, 2013 and 2014, respectively)	13,285	13,944
Impairment of Aircraft	6,199	18,263
Maintenance and other costs	3,412	1,863
Total expenses	151,948	172,260
Other income:		
Gain on sale of flight equipment	1,192	1,110
Other	1,215	757
Total other income	2,407	1,867
Income from continuing operations before income taxes	26,648	6,210
Income tax provision	3,584	883
Earnings of unconsolidated equity method investment, net of tax	—	450
Net income	\$23,064	\$5,777
Earnings per common share — Basic:		
Net income per share	\$0.34	\$0.07
Earnings per common share — Diluted:		
Net income per share	\$0.34	\$0.07