

ATLAS AIR WORLDWIDE HOLDINGS INC

Form 10-Q

November 01, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 September 30, 2010

OR

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

For the transition period from _____ to _____

001-16545

(Commission File Number)

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.)

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 September 30, 2010, there were 25,887,367 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)*

	September 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 545,288	\$ 613,740
Short-term investments	24,689	22,598
Accounts receivable, net of allowance of \$1,781 and \$2,412, respectively	65,282	58,530
Prepaid maintenance	30,660	30,848
Deferred taxes	3,059	6,689
Prepaid expenses and other current assets	24,277	24,608
Total current assets	693,255	757,013
Property and Equipment		
Flight equipment	692,905	677,006
Ground equipment	28,619	26,107
Less: accumulated depreciation	(130,455)	(110,001)
Purchase deposits for flight equipment	331,572	296,658
Property and equipment, net	922,641	889,770
Other Assets		
Long-term investments	124,507	18,980
Deposits and other assets	39,839	38,460
Lease contracts and intangible assets, net	34,680	36,650
Total Assets	\$ 1,814,922	\$ 1,740,873
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 22,480	\$ 20,810
Accrued liabilities	136,839	107,907
Current portion of long-term debt	90,200	38,830
Total current liabilities	249,519	167,547
Other Liabilities		
Long-term debt	347,642	526,680
Deferred taxes	88,942	74,501
Other liabilities	129,608	83,388
Total Other Liabilities	566,192	684,569
Commitments and contingencies (Note 6)		
Equity		

Stockholders' Equity

Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued

Common stock, \$0.01 par value; 50,000,000 shares authorized; 26,904,907 and 26,593,450 shares issued, 25,887,367 and 25,700,765, shares outstanding (net of treasury stock), at September 30, 2010 and December 31, 2009, respectively

	269		266
Additional paid-in-capital	496,759		481,074
Treasury stock, at cost; 1,017,540 and 892,685 shares, respectively	(32,171)		(26,394)
Accumulated other comprehensive income	522		471
Retained earnings	531,106		430,856
Total stockholders' equity	996,485		886,273
Noncontrolling interest	2,726		2,484
Total equity	\$ 999,211	\$	888,757
Total Liabilities and Equity	\$ 1,814,922	\$	1,740,873

See accompanying Notes to Unaudited Consolidated Financial Statements

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Atlas Air Worldwide Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September	September 30,	September	September 30,
	30, 2010	2009	30, 2010	2009
Operating Revenue				
ACMI	\$ 144,685	\$ 121,473	\$ 383,917	\$ 358,943
AMC charter	72,506	78,613	303,314	237,224
Commercial charter	104,044	52,286	275,525	112,901
Dry leasing	2,157	335	5,384	12,146
Other	3,275	2,771	9,940	18,772
Total Operating Revenue	\$ 326,667	\$ 255,478	\$ 978,080	\$ 739,986
Operating Expenses				
Aircraft fuel	74,221	47,486	222,336	128,922
Salaries, wages and benefits	56,244	52,271	177,677	157,288
Maintenance, materials and repairs	44,747	37,533	115,967	108,356
Aircraft rent	38,764	38,058	115,097	113,152
Landing fees and other rent	11,487	10,434	35,974	28,226
Depreciation and amortization	8,403	9,039	26,049	24,555
Travel	8,941	5,970	24,354	17,998
Ground handling and airport fees	6,423	4,941	17,645	10,710
Gain on disposal of aircraft	(161)		(3,541)	(957)
Other	22,702	21,118	80,177	53,898
Total Operating Expenses	271,771	226,850	811,735	642,148
Operating Income	54,896	28,628	166,345	97,838
Non-operating Expenses / (Income)				
Interest income	(5,490)	(346)	(14,620)	(1,816)
Interest expense	10,176	11,063	30,396	34,074
Capitalized interest	(4,401)	(3,069)	(11,007)	(9,189)
Gain on early extinguishment of debt				(2,713)
Gain on consolidation of subsidiary				(113)
Other (income) expense, net	(614)	(699)	(9,236)	(380)
Total Non-operating Expenses / (Income)	(329)	6,949	(4,467)	19,863
Income before income taxes	55,225	21,679	170,812	77,975
Income tax expense	21,186	7,606	70,386	29,954
Net Income	34,039	14,073	100,426	48,021
Less: Net income / (loss) attributable to noncontrolling interests	235	(649)	176	(1,416)

Net Income Attributable to Common Stockholders	\$ 33,804	\$ 14,722	\$ 100,250	\$ 49,437
Earnings per share:				
Basic	\$ 1.31	\$ 0.70	\$ 3.90	\$ 2.37
Diluted	\$ 1.29	\$ 0.70	\$ 3.85	\$ 2.35
Weighted average shares:				
Basic	25,855	20,924	25,736	20,903
Diluted	26,143	21,131	26,038	21,026

See accompanying Notes to Unaudited Consolidated Financial Statements

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

	For the Nine Months Ended	
	September 30, 2010	September 30, 2009
Cash Flows from Operating Activities:		
Net Income Attributable to Common Stockholders	\$ 100,250	\$ 49,437
Net income / (loss) attributable to noncontrolling interests	176	(1,416)
Net Income	100,426	48,021
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	26,049	24,555
Amortization of debt discount	4,011	4,744
Amortization of operating lease discount	1,750	1,754
Amortization of debt issuance costs	219	220
Accretion of debt securities discount	(5,979)	
Provision for allowance for doubtful accounts	75	215
Gain on short-term investments		(283)
Gain on early extinguishment of debt		(2,713)
Gain on consolidation of subsidiary		(113)
Gain on disposal of aircraft	(3,541)	(957)
Deferred taxes	18,071	30,548
Stock-based compensation expense	10,489	7,348
Changes in Operating Assets and Liabilities		
Accounts receivable	(5,539)	4,768
Prepays and other current assets	(6,576)	12,846
Deposits and other assets	(2,200)	(2,337)
Accounts payable and accrued liabilities	76,838	(2,979)
Net cash provided by operating activities	214,093	125,637
Cash Flows from Investing Activities:		
Capital expenditures	(59,590)	(27,083)
Consolidation of subsidiary		11,612
Redesignation between short-term investments and cash		6,513
Investment in debt securities	(100,090)	
Proceeds from short-term investments	4,374	
Proceeds from sale of aircraft	5,018	3,525
Net cash used for investing activities	(150,288)	(5,433)
Cash Flows from Financing Activities:		
Proceeds from stock option exercises	3,522	178
Proceeds from Harbinger stock sale		208
Purchase of treasury stock	(5,777)	(342)
Excess tax benefit (expense) from share-based compensation expense	1,677	(896)
Proceeds from loan	20,637	

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Payment of debt issuance costs		(4)
Payments on debt	(152,316)	(36,589)
Net cash used for financing activities	(132,257)	(37,445)
Net increase (decrease) in cash and cash equivalents	(68,452)	82,759
Cash and cash equivalents at the beginning of period	613,740	397,385
Cash and cash equivalents at the end of period	\$ 545,288	\$ 480,144

See accompanying Notes to Unaudited Consolidated Financial Statements

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

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2008	\$ 219	\$ (26,009)	\$ 355,185	\$ (736)	\$ 353,080	\$ 681,739	\$	\$ 681,739
Net Income Attributable to Common Stockholders					49,437	49,437	(1,416)	48,021
Other comprehensive income				1,229		1,229	140	1,369
Comprehensive income						50,666		49,390
Consolidation of subsidiary							3,953	3,953
Stock option and restricted stock compensation			7,348			7,348		7,348
Purchase of 20,313 shares of treasury stock		(342)				(342)		(342)
Exercise of 10,398 employee stock options			178			178		178
Issuance of 51,028 shares of restricted stock	1		(1)					
Reversal of prior year deferred tax			1,607			1,607		1,607
Tax expense on restricted stock and stock options			(896)			(896)		(896)
Proceeds from Harbinger stock sale			208			208		208
Balance at September 30, 2009	\$ 220	\$ (26,351)	\$ 363,629	\$ 493	\$ 402,517	\$ 740,508	\$ 2,677	\$ 743,185

	Common Stock	Treasury Stock	Accumulated Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2009	\$ 266	\$ (26,394)	\$ 481,074	\$ 471	\$ 430,856	\$ 886,273	\$ 2,484	\$ 888,757
Net Income Attributable to Common Stockholders					100,250	100,250	176	100,426
Other comprehensive loss				51		51	66	117
Comprehensive income						100,301		100,543
Stock option and restricted stock compensation			10,489			10,489		10,489
Purchase of 124,855 shares of treasury stock		(5,777)				(5,777)		(5,777)
Exercise of 111,320 employee stock options			3,522			3,522		3,522
Issuance of 200,137 shares of restricted stock	3		(3)					
Tax benefit on restricted stock and stock options			1,677			1,677		1,677
Balance at September 30, 2010	\$ 269	\$ (32,171)	\$ 496,759	\$ 522	\$ 531,106	\$ 996,485	\$ 2,726	\$ 999,211

See accompanying Notes to Unaudited Consolidated Financial Statements

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Atlas Air Worldwide Holdings, Inc.
Notes to Unaudited Consolidated Financial Statements
September 30, 2010

1. Basis of Presentation

Atlas Air Worldwide Holdings, Inc. (AAWW) is a holding company with a wholly-owned principal operating subsidiary, Atlas Air, Inc. (Atlas). AAWW also has wholly-owned subsidiaries to dry lease aircraft and engines (collectively referred to as Titan). AAWW has a 51% equity interest and 75% voting interest in Polar Air Cargo Worldwide, Inc. (Polar). In addition, Atlas dry leases aircraft to Global Supply Systems Limited (GSS), of which AAWW has a 49% ownership interest. GSS became a consolidated subsidiary on April 8, 2009. Previously, GSS was accounted for under the equity method. AAWW, Atlas, Titan and GSS are referred to collectively as the Company .

The Company provides air cargo and outsourced aircraft operating solutions throughout the world, serving Asia, the Middle East, Australia, Europe, South America, Africa and North America through: (i) contractual lease arrangements, including contracts through which the Company provides aircraft to customers and value-added services, including crew, maintenance and insurance (ACMI) as well as contracts through which the Company provides 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 (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). The Financial Statements include the accounts of AAWW and its consolidated subsidiaries. All significant inter-company accounts and transactions have been eliminated. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The Financial Statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2009, included in the AAWW Annual Report on Form 10-K, which included additional disclosures and a summary of the Company s significant accounting policies. In the opinion of management, 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 September 30, 2010, the results of operations for the three and nine months ended September 30, 2010 and 2009, cash flows for the nine months ended September 30, 2010 and 2009 and shareholders equity as of and for the nine months ended September 30, 2010 and 2009.

The Company s quarterly results are subject to seasonal and other fluctuations, and the operating results for any quarter are there