

ATLAS AIR WORLDWIDE HOLDINGS INC
Form 10-Q
August 02, 2018

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 June 30, 2018

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.)
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 (§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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 27, 2018, there were 25,575,041 shares of the registrant's Common Stock outstanding.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Atlas Air Worldwide Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share data)

(Unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$216,762	\$ 280,809
Short-term investments	17,518	13,604
Restricted cash	11,167	11,055
Accounts receivable, net of allowance of \$2,609 and \$1,494, respectively	221,392	194,478
Prepaid maintenance	28,016	13,346
Prepaid expenses and other current assets	70,336	74,294
Total current assets	565,191	587,586
Property and Equipment		
Flight equipment	4,812,047	4,447,097
Ground equipment	75,362	70,951
Less: accumulated depreciation	(775,605)	(701,249)
Flight equipment modifications in progress	289,751	186,302
Property and equipment, net	4,401,555	4,003,101
Other Assets		
Long-term investments and accrued interest	6,570	15,371
Deferred costs and other assets	272,977	242,919
Intangible assets, net and goodwill	102,050	106,485
Total Assets	\$5,348,343	\$ 4,955,462
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$84,353	\$ 65,740
Accrued liabilities	457,395	454,843
Current portion of long-term debt and capital lease	245,322	218,013
Total current liabilities	787,070	738,596
Other Liabilities		
Long-term debt and capital lease	2,256,166	2,008,986
Deferred taxes	229,263	214,694
Financial instruments and other liabilities	299,771	203,330
Total other liabilities	2,785,200	2,427,010
Commitments and contingencies		

Equity

Stockholders' Equity

Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued	-	-
Common stock, \$0.01 par value; 100,000,000 shares authorized; 30,560,237 and 30,104,648 shares issued, 25,575,041 and 25,292,454 shares outstanding (net of treasury stock), as of June 30, 2018 and December 31, 2017, respectively	306	301
Additional paid-in-capital	726,357	715,735
Treasury stock, at cost; 4,985,196 and 4,812,194 shares, respectively	(204,051)	(193,732)
Accumulated other comprehensive loss	(4,390)	(3,993)
Retained earnings	1,257,851	1,271,545
Total equity	1,776,073	1,789,856
Total Liabilities and Equity	\$5,348,343	\$ 4,955,462

See accompanying Notes to Unaudited Consolidated Financial Statements

Atlas Air Worldwide Holdings, Inc.

Consolidated Statements of Operations

(in thousands, except per share data)

(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Operating Revenue	\$666,145	\$517,366	\$1,256,159	\$992,761
Operating Expenses				
Salaries, wages and benefits	129,176	111,488	254,258	215,575
Aircraft fuel	129,706	83,486	226,009	165,918
Maintenance, materials and repairs	88,236	64,769	173,115	137,585
Depreciation and amortization	50,834	40,986	100,464	78,880
Travel	42,358	34,891	82,205	67,249
Aircraft rent	40,281	33,792	79,805	69,865
Navigation fees, landing fees and other rent	37,698	25,255	73,295	43,790
Passenger and ground handling services	30,202	23,573	58,264	48,696
Gain on disposal of aircraft	-	(93)	-	(147)
Special charge	9,374	-	9,374	-
Transaction-related expenses	240	1,396	510	2,312
Other	47,094	39,345	97,345	80,523
Total Operating Expenses	605,199	458,888	1,154,644	910,246
Operating Income	60,946	58,478	101,515	82,515
Non-operating Expenses (Income)				
Interest income	(1,388)	(1,342)	(3,112)	(2,598)
Interest expense	29,182	24,670	56,524	46,194
Capitalized interest	(1,465)	(1,931)	(3,215)	(3,711)
Unrealized loss (gain) on financial instruments	50,031	(13,763)	57,771	(8,550)
Other expense (income)	(7,277)	1,061	(11,752)	809
Total Non-operating Expenses (Income)	69,083	8,695	96,216	32,144
Income (loss) from continuing operations before income taxes	(8,137)	49,783	5,299	50,371
Income tax expense	12,986	10,739	16,794	11,292
Income (loss) from continuing operations, net of taxes	(21,123)	39,044	(11,495)	39,079
Loss from discontinued operations, net of taxes	(27)	(105)	(43)	(891)

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Net Income (Loss)	\$ (21,150)	\$ 38,939	\$ (11,538)	\$ 38,188
Earnings (loss) per share from continuing operations:				
Basic	\$ (0.83)	\$ 1.55	\$ (0.45)	\$ 1.55
Diluted	\$ (0.83)	\$ 0.92	\$ (0.45)	\$ 1.13
Loss per share from discontinued operations:				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.04)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)
Earnings (loss) per share:				
Basic	\$ (0.83)	\$ 1.54	\$ (0.45)	\$ 1.51
Diluted	\$ (0.83)	\$ 0.92	\$ (0.45)	\$ 1.09
Weighted average shares:				
Basic	25,565	25,257	25,501	25,210
Diluted	25,565	26,791	25,501	26,823

See accompanying Notes to Unaudited Consolidated Financial Statements

Atlas Air Worldwide Holdings, Inc.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net Income (Loss)	\$(21,150)	\$38,939	\$(11,538)	\$38,188
Other comprehensive income:				
Net change in fair value				
Reclassification to interest expense	365	402	750	820
Income tax expense	(120)	(156)	(177)	(318)
Other comprehensive income	245	246	573	502
Comprehensive Income (Loss)	\$(20,905)	\$39,185	\$(10,965)	\$38,690

See accompanying Notes to Unaudited Consolidated Financial Statements

Atlas Air Worldwide Holdings, Inc.

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Operating Activities:		
Income (loss) from continuing operations, net of taxes	\$(11,495)	\$39,079
Less: Loss from discontinued operations, net of taxes	(43)	(891)
Net Income (Loss)	(11,538)	38,188
Adjustments to reconcile Net Income (Loss) to net cash provided by operating activities:		
Depreciation and amortization	121,606	90,842
Accretion of debt securities discount	(512)	(604)
Provision for allowance for doubtful accounts	1,179	134
Special charge, net of cash payments	9,374	-
Unrealized loss (gain) on financial instruments	57,771	(8,550)
Gain on disposal of aircraft	-	(147)
Deferred taxes	16,561	11,000
Stock-based compensation	10,627	10,579
Changes in:		
Accounts receivable	(27,699)	(5,204)
Prepaid expenses, current assets and other assets	(10,815)	(36,067)
Accounts payable and accrued liabilities	9,357	12,636
Net cash provided by operating activities	175,911	112,807
Investing Activities:		
Capital expenditures	(54,791)	(45,237)
Payments for flight equipment and modifications	(448,388)	(226,812)
Proceeds from investments	5,399	1,941
Proceeds from disposal of aircraft	-	147
Net cash used for investing activities	(497,780)	(269,961)
Financing Activities:		
Proceeds from debt issuance	305,059	435,325
Payment of debt issuance costs	(4,781)	(10,323)
Payments of debt	(115,194)	(93,401)
Proceeds from revolving credit facility	135,000	150,000
Payment of revolving credit facility	(60,000)	(150,000)
Customer maintenance reserves and deposits received	8,169	18,062
Customer maintenance reserves paid	-	(6,384)
Proceeds from sale of convertible note warrants	-	38,148

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Payments for convertible note hedges	-	(70,140)
Purchase of treasury stock	(10,319)	(9,636)
Net cash provided by financing activities	257,934	301,651
Net increase (decrease) in cash, cash equivalents and restricted cash	(63,935)	144,497
Cash, cash equivalents and restricted cash at the beginning of period	291,864	138,250
Cash, cash equivalents and restricted cash at the end of period	\$227,929	\$282,747