

AIR LEASE CORP
Form 10-Q
November 05, 2015
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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 September 30, 2015

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)

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Delaware 27-1840403
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

2000 Avenue of the Stars, Suite 1000N
Los Angeles, California 90067
(Address of principal executive offices) (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 November 5, 2015, there were 101,581,669 shares of Air Lease Corporation's Class A common stock outstanding.

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Air Lease Corporation and Subsidiaries

Form 10-Q

For the Quarterly Period Ended September 30, 2015

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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, 2014 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.

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PART I—FINANCIAL INFORMATION

ITEM 1.FINANCIAL STATEMENTS

Air Lease Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value amounts)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	\$ 119,722	\$ 282,819
Restricted cash	10,700	7,469
Flight equipment subject to operating leases	11,533,922	9,832,421
Less accumulated depreciation	(1,114,720)	(878,617)
	10,419,202	8,953,804
Deposits on flight equipment purchases	1,084,075	1,144,603
Other assets	277,995	302,485
Total assets	\$ 11,911,694	\$ 10,691,180
Liabilities and Shareholders' Equity		
Accrued interest and other payables	\$ 168,558	\$ 190,952
Debt financing, net of discounts and issuance costs	7,498,240	6,630,758
Security deposits and maintenance reserves on flight equipment leases	802,226	698,172
Rentals received in advance	84,630	75,877
Deferred tax liability	418,592	323,359
Total liabilities	\$ 8,972,246	\$ 7,919,118
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 102,580,955 and 102,392,208 shares at September 30, 2015 and December 31, 2014, 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	2,222,682	2,215,479
Retained earnings	715,756	555,573
Total shareholders' equity	\$ 2,939,448	\$ 2,772,062
Total liabilities and shareholders' equity	\$ 11,911,694	\$ 10,691,180

(See Notes to Consolidated Financial Statements)

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share amounts)

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
	(unaudited)			
Revenues				
Rental of flight equipment	\$ 304,264	\$ 252,519	\$ 860,281	\$ 725,448
Aircraft sales, trading and other	8,862	9,420	35,862	39,101
Total revenues	313,126	261,939	896,143	764,549
Expenses				
Interest	60,103	48,582	173,654	140,275
Amortization of debt discounts and issuance costs	7,419	7,423	22,782	20,902
Interest expense	67,522	56,005	196,436	161,177
Depreciation of flight equipment	102,046	86,119	291,460	245,736
Settlement	—	—	72,000	—
Selling, general and administrative	19,323	19,656	56,150	58,748
Stock-based compensation	4,648	3,882	12,372	12,222
Total expenses	193,539	165,662	628,418	477,883
Income before taxes	119,587	96,277	267,725	286,666
Income tax expense	(42,545)	(33,844)	(95,233)	(100,799)
Net income	\$ 77,042	\$ 62,433	\$ 172,492	\$ 185,867
Net income per share of Class A and Class B common stock:				
Basic	\$ 0.75	\$ 0.61	\$ 1.68	\$ 1.82
Diluted	\$ 0.71	\$ 0.58	\$ 1.60	\$ 1.73
Weighted-average shares outstanding				
Basic	102,580,955	102,383,319	102,536,326	102,060,364
Diluted	110,623,960	110,457,170	110,635,282	109,997,159

(See Notes to Consolidated Financial Statements)

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Air Lease Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)