

Aircastle LTD
Form 10-Q
May 03, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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)

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Bermuda (State or other jurisdiction of incorporation or organization)	98-0444035 (IRS Employer Identification No.)
c/o Aircastle Advisor LLC	
300 First Stamford Place, 5th 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 checked="" 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

As of April 30, 2012, there were 72,245,218 outstanding shares of the registrant's common shares, par value \$0.01 per share.

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Aircastle Limited and Subsidiaries

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Aircastle Limited and Subsidiaries****Consolidated Balance Sheets****(Dollars in thousands, except share data)**

	December 31, 2011	March 31, 2012 (Unaudited)
ASSETS		
Cash and cash equivalents	\$ 295,522	\$ 256,670
Accounts receivable	3,646	3,584
Restricted cash and cash equivalents	247,452	185,306
Restricted liquidity facility collateral	110,000	107,300
Flight equipment held for lease, net of accumulated depreciation of \$981,932 and \$1,034,764	4,387,986	4,386,010
Aircraft purchase deposits and progress payments	89,806	78,102
Other assets	90,047	129,566
Total assets	\$ 5,224,459	\$ 5,146,538
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Borrowings from secured and unsecured financings (including borrowings of ACS Ireland VIEs of \$295,952 and \$291,042, respectively)	\$ 2,986,516	\$ 2,923,230
Accounts payable, accrued expenses and other liabilities	105,432	86,996
Lease rentals received in advance	46,105	45,565
Liquidity facility	110,000	107,300
Security deposits	83,037	80,421
Maintenance payments	347,122	332,959
Fair value of derivative liabilities	141,639	123,461
Total liabilities	3,819,851	3,699,932
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, 72,258,472 shares issued and outstanding at December 31, 2011; and 72,272,366 shares issued and outstanding at March 31, 2012	723	723
Additional paid-in capital	1,400,090	1,399,797
Retained earnings	191,476	213,213
Accumulated other comprehensive loss	(187,681)	(167,127)
Total shareholders' equity	1,404,608	1,446,606
Total liabilities and shareholders' equity	\$ 5,224,459	\$ 5,146,538

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2011	2012
Revenues:		
Lease rental revenue	\$ 141,116	\$ 152,242
Amortization of lease premiums, discounts and lease incentives	(3,102)	(1,598)
Maintenance revenue	16,844	12,647
Total lease rentals	154,858	163,291
Other revenue	3,056	1,624
Total revenues	157,914	164,915
Expenses:		
Depreciation	59,591	64,514
Interest, net	45,619	48,981
Selling, general and administrative (including non-cash share based payment expense of \$1,895, and \$1,176, respectively)	12,531	13,198
Maintenance and other costs	3,530	2,774
Total expenses	121,271	129,467
Other income (expense):		
Gain on sale of flight equipment	9,662	196
Other	(359)	(113)
Total other income (expense)	9,303	83
Income from continuing operations before income taxes	45,946	35,531
Income tax provision	3,269	2,929
Net income	\$ 42,677	\$ 32,602
Earnings per common share Basic:		
Net income per share	\$ 0.54	\$ 0.45
Earnings per common share Diluted:		
Net income per share	\$ 0.54	\$ 0.45
Dividends declared per share	\$ 0.10	\$ 0.15

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The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Aircastle Limited and Subsidiaries
Consolidated Statements of Comprehensive Income

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2011	2012
Net income	\$ 42,677	\$ 32,602
Other comprehensive income, net of tax:		
Net change in fair value of derivatives, net of tax expense of \$400 and \$289, respectively	23,468	16,483
Net derivative loss reclassified into earnings	2,835	4,071
Other comprehensive income	26,303	20,554
Total comprehensive income	\$ 68,980	\$ 53,156

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Aircastle Limited and Subsidiaries****Consolidated Statements of Cash Flows****(Dollars in thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2011	2012
Cash flows from operating activities:		
Net income	\$ 42,677	\$ 32,602
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	59,591	64,514
Amortization of deferred financing costs	3,528	2,716
Amortization of net lease discounts and lease incentives	3,102	1,598
Deferred income taxes	1,853	1,377
Non-cash share based payment expense	1,895	1,176
Cash flow hedges reclassified into earnings	2,835	4,071
Ineffective portion of cash flow hedges	(475)	(1,519)
Security deposits and maintenance payments included in earnings	(18,534)	(12,722)
Gain on sale of flight equipment	(9,662)	(196)
Other	(57)	57
Changes in certain assets and liabilities:		
Accounts receivable	1,288	(3,396)
Restricted cash and cash equivalents related to operating activities	(1,006)	700
Other assets	(731)	(1,886)
Accounts payable, accrued expenses and other liabilities	(17,416)	(15,338)
Lease rentals received in advance	(5,381)	(788)
Net cash provided by operating activities	63,507	72,966
Cash flows from investing activities:		
Acquisition and improvement of flight equipment and lease incentives	(110,410)	(48,449)
Proceeds from sale of flight equipment	75,200	2,500
Restricted cash and cash equivalents related to sale of flight equipment		35,762
Purchase of debt investment		(43,626)
Aircraft purchase deposits and progress payments	(36,630)	(16,518)
Other		(40)
Net cash used in investing activities	(71,840)	(70,371)
Cash flows from financing activities:		
Repurchase of shares	(16,367)	(1,469)
Proceeds from term debt financings	157,161	
Securitization and term debt financing repayments	(116,340)	(63,257)
Deferred financing costs	(7,346)	(271)
Restricted secured liquidity facility collateral	4,000	2,700
Secured liquidity facility collateral	(4,000)	(2,700)
Restricted cash and cash equivalents related to security deposits and maintenance payments	697	25,684