

Air Transport Services Group, Inc.
Form 10-Q
November 03, 2010
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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 Quarterly Period Ended September 30, 2010

Commission File Number 000-50368

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation

or organization)

26-1631624
(IRS Employer

Identification No.)

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145 Hunter Drive

Wilmington, Ohio 45177

(Address of Principal Executive Office)

(937) 382-5591

(Registrant's telephone number, including area code)

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," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) 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 November 3, 2010, Air Transport Services Group, Inc. had outstanding 63,775,766 shares of common stock, par value \$.01.

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AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES

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FORWARD LOOKING STATEMENTS

Statements contained in this quarterly report on Form 10-Q that are not historical facts are considered forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995). Words such as projects, believes, anticipates, will, estimates, plans, expects, intends and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements are based on expectations, estimates and projections as of the date of this filing, and involve risks and uncertainties that are inherently difficult to predict. Actual results may differ materially from those expressed in the forward-looking statements for any number of reasons, including those described in this report and in our 2009 Annual Report filed on Form 10-K with the Securities and Exchange Commission.

Filings with the Securities and Exchange Commission

The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements and other information regarding Air Transport Services Group, Inc. at www.sec.gov. Additionally, our filings with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, are available free of charge from our website at www.atsginc.com as soon as reasonably practicable after filing with the SEC.

Table of Contents**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements****AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****(In thousands, except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
REVENUES	\$ 167,726	\$ 174,202	\$ 488,781	\$ 572,973
OPERATING EXPENSES				
Salaries, wages and benefits	41,074	74,127	129,830	257,191
Fuel	33,745	27,068	98,203	75,560
Depreciation and amortization	22,758	19,954	65,310	62,354
Maintenance, materials and repairs	22,446	15,217	57,355	48,513
Landing and ramp	5,419	5,828	17,830	22,790
Travel	5,667	5,524	16,383	15,888
Rent	4,881	2,629	12,257	7,025
Insurance	2,130	2,731	7,122	8,306
Other operating expenses	8,378	10,315	26,956	26,967
	146,498	163,393	431,246	524,594
INTEREST EXPENSE	(4,641)	(6,236)	(14,424)	(21,048)
INTEREST INCOME	83	74	241	381
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	16,670	4,647	43,352	27,712
INCOME TAX EXPENSE	(5,282)	(1,792)	(15,299)	(9,822)
EARNINGS FROM CONTINUING OPERATIONS	11,388	2,855	28,053	17,890
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	(230)	882	(58)	5,051
NET EARNINGS	\$ 11,158	\$ 3,737	\$ 27,995	\$ 22,941
EARNINGS PER SHARE - Basic				
Continuing operations	\$ 0.18	\$ 0.05	\$ 0.45	\$ 0.29
Discontinued operations		0.01		0.08
NET EARNINGS PER SHARE	\$ 0.18	\$ 0.06	\$ 0.45	\$ 0.37
EARNINGS (LOSS) PER SHARE - Diluted				
Continuing operations	\$ 0.18	\$ 0.05	\$ 0.44	\$ 0.28

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Discontinued operations	(0.01)	0.01		0.08
NET EARNINGS PER SHARE	\$ 0.17	\$ 0.06	\$ 0.44	\$ 0.36
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	62,811	62,685	62,805	62,670
Diluted	64,202	63,731	64,076	63,181

See notes to unaudited condensed consolidated financial statements.

Table of Contents**AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

	September 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 44,465	\$ 83,229
Accounts receivable, net of allowance of \$1,378 in 2010 and \$1,288 in 2009	37,331	87,708
Inventory	5,769	5,226
Prepaid supplies and other	10,480	7,093
Deferred income taxes	31,597	31,597
Aircraft and engines held for sale		30,634
TOTAL CURRENT ASSETS	129,642	245,487
Property and equipment, net	660,988	636,089
Other assets	28,463	21,307
Intangibles	9,472	10,113
Goodwill	89,777	89,777
TOTAL ASSETS	\$ 918,342	\$ 1,002,773
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 37,329	\$ 38,174
Accrued salaries, wages and benefits	23,651	44,077
Accrued severance and retention	1,039	18,959
Accrued expenses	15,367	16,429
Current portion of debt obligations	36,112	51,737
Unearned revenue	14,335	15,340
TOTAL CURRENT LIABILITIES	127,833	184,716
Long-term debt obligations	277,031	325,690
Post-retirement liabilities	97,292	152,297
Other liabilities	54,863	44,044
Deferred income taxes	64,172	50,044
Commitments and contingencies (Note I)		
STOCKHOLDERS EQUITY:		
Preferred stock, 20,000,000 shares authorized, including 75,000 Series A Junior Participating Preferred Stock		
Common stock, par value \$0.01 per share; 75,000,000 shares authorized; 63,775,766 and 63,416,564 shares issued and outstanding in 2010 and 2009, respectively	638	634
Additional paid-in capital	513,898	502,822
Accumulated deficit	(183,090)	(211,085)
Accumulated other comprehensive loss	(34,295)	(46,389)

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TOTAL STOCKHOLDERS EQUITY	297,151	245,982
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 918,342	\$ 1,002,773

See notes to unaudited condensed consolidated financial statements.

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AIR TRANSPORT SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended September 30,	
	2010	2009
OPERATING ACTIVITIES:		
Net earnings from continuing operations	\$ 28,053	\$ 17,890
Net earnings from discontinued operations	(58)	5,051
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	65,310	62,978
Pension and post-retirement amortization	(1,144)	24,650
Deferred income taxes	14,864	10,418
Amortization of stock-based compensation	1,230	1,013
Amortization of DHL promissory note	(3,100)	
Gains on asset disposition, net of impairments		