

ERA GROUP INC.
Form 10-Q
August 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014 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 1-35701

Era Group Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

72-1455213
(IRS Employer
Identification No.)

818 Town & Country Blvd., Suite 200
Houston, Texas
(Address of Principal Executive Offices)
281-606-4900

77024
(Zip Code)

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(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

The total number of shares of common stock, par value \$0.01 per share, outstanding as of July 31, 2014 was 20,343,277. The Registrant has no other class of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ERA GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$14,940	\$31,335
Receivables:		
Trade, net of allowance for doubtful accounts of \$3,104 and \$3,101 in 2014 and 2013, respectively	52,582	38,137
Other, net of allowance for doubtful accounts of \$437 in 2014 and 2013	2,078	4,374
Inventories, net	26,863	26,853
Deferred income taxes	1,991	2,347
Prepaid expenses and other	2,991	2,167
Escrow deposits	—	—
Total current assets	101,445	105,213
Property and equipment	1,116,678	1,066,958
Accumulated depreciation	(284,547)	(263,306)
Net property and equipment	832,131	803,652
Equity investments and advances	36,053	34,986
Goodwill	352	352
Other assets	15,868	14,380
Total assets	\$985,849	\$958,583
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$23,129	\$13,293
Accrued wages and benefits	9,791	8,792
Accrued interest	950	772
Current portion of long-term debt	2,787	2,787
Derivatives	569	621
Accrued income taxes	236	613
Other current liabilities	4,258	3,267
Total current liabilities	41,720	30,145
Long-term debt	278,023	279,391
Deferred income taxes	214,117	209,574
Other liabilities	3,120	3,412
Total liabilities	536,980	522,522
Equity:		
Era Group Inc. stockholders' equity:		
Common stock, \$0.01 par value, 60,000,000 shares authorized; 20,343,277 outstanding in 2014 and 20,189,895 outstanding in 2013, exclusive of treasury shares	204	202
Additional paid-in capital	425,010	421,310
Retained earnings	24,346	14,680
Treasury shares, at cost, 18,409 and 4,350 shares in 2014 and 2013, respectively	(547)	(113)

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Accumulated other comprehensive income, net of tax	146	176	
	449,159	436,255	
Noncontrolling interest in subsidiary	(290) (194)
Total equity	448,869	436,061	
Total liabilities and stockholders' equity	\$985,849	\$958,583	

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

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ERA GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except share and per share amounts)

	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
Operating revenues	\$86,580	\$74,237	\$166,023	\$141,964
Costs and expenses:				
Operating	54,679	46,945	104,319	90,061
Administrative and general	10,065	9,545	21,399	18,679
Depreciation	11,425	11,431	22,712	23,092
	76,169	67,921	148,430	131,832
Gains on asset dispositions, net	3,139	4,476	6,030	15,277
Operating income	13,550	10,792	23,623	25,409
Other income (expense):				
Interest income	143	150	288	297
Interest expense	(3,840)	) (4,613	) (7,593	) (9,345
SEACOR management fees	—	—	—	(168)
Derivative gains (losses), net	(11)	) 21	(41)	) 18
Note receivable impairment	(2,457)	) —	(2,457)) —
Foreign currency gains (losses), net	21	315	(36)	) 56
Other, net	13	9	13	12
	(6,131)	) (4,118	) (9,826	) (9,130
Income before income tax expense and equity earnings (losses)	7,419	6,674	13,797	16,279
Income tax expense	2,759	2,398	5,262	5,976
Income before equity earnings (losses)	4,660	4,276	8,535	10,303
Equity earnings (losses), net of tax	536	674	1,035	1,236
Net income	5,196	4,950	9,570	11,539
Net loss attributable to noncontrolling interest in subsidiary	25	105	96	210
Net income attributable to Era Group Inc.	5,221	5,055	9,666	11,749
Accretion of redemption value on Series A preferred stock	—	—	—	721
Net income attributable to common shares	\$5,221	\$5,055	\$9,666	\$11,028
Earnings per common share:				
Basic	\$0.26	\$0.25	\$0.48	\$0.53
Diluted	\$0.26	\$0.25	\$0.48	\$0.53
Weighted average common shares outstanding:				
Basic	20,342,413	20,140,105	20,277,665	20,793,529
Diluted	20,397,913	20,140,105	20,329,250	20,793,529

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

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ERA GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
Net income	\$5,196	\$4,950	\$9,570	\$11,539	
Other comprehensive income:					
Foreign currency translation adjustments	(52) 64	(54) (98)
Income tax benefit (expense)	23	(23) 24	34	
	(29) 41	(30) (64)
Comprehensive income	5,167	4,991	9,540	11,475	
Comprehensive loss attributable to noncontrolling interest in subsidiary	25	105	96	210	
Comprehensive income attributable to Era Group Inc.	\$5,192	\$5,096	\$9,636	\$11,685	

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

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ERA GROUP INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited, in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income	Non- controlling Interest In Subsidiary	Total Equity
December 31, 2013	\$202	\$421,310	\$14,680	\$(113)	\$176	\$(194	