

AerCap Holdings N.V. Reports Record Financial Results for the Second Quarter 2019

DUBLIN--(BUSINESS WIRE)-- AerCap Holdings N.V. ("AerCap") (NYSE:AER):

- **Net income of \$331.5 million for the second quarter of 2019 and \$565.6 million for the first half of 2019**
- **Record earnings per share of \$2.42 for the second quarter of 2019 and \$4.09 for the first half of 2019**

Highlights

- New technology aircraft now comprise 53% of our owned fleet.
- Order book approximately 90% placed through 2021.
- Over \$40 billion of contracted future lease revenues.
- Approximately 95% of lease rents through 2021 already contracted.
- Average current lease expires in the fourth quarter of 2026.
- 99.4% fleet utilization rate for the second quarter of 2019.
- \$2.7 billion increase in average lease assets year over year.
- 2.0x ratio of liquidity sources to uses for next 12 months.
- 13% increase in book value per share since June 30, 2018.
- Repurchased 3.5 million shares in the second quarter of 2019 for \$169 million and 7.2 million shares year to date through July 24, 2019 for \$337 million.

Aengus Kelly, CEO of AerCap, commented: "I am very pleased to announce record earnings per share of \$2.42 for the second quarter. This outstanding result is the product of our unrivaled platform capabilities and our disciplined approach to capital allocation. Our focus on acquiring only the most in-demand, new technology aircraft types rather than end-of-the-line current technology aircraft and on selling large numbers of older aircraft at a considerable premium has produced an excellent portfolio and enabled us to repurchase over 40% of the outstanding shares at a discount to book value, while reducing our leverage and maintaining the highest liquidity levels in our industry."

Second Quarter 2019 Financial Results

- Lease revenue was \$1,186.2 million, compared with \$1,131.0 million for the same period in 2018, primarily due to the delivery of new technology aircraft from April 2018 through June 2019, resulting in a \$2.7 billion increase in average lease assets.
- Net income was \$331.5 million, compared with \$254.2 million for the same period in 2018. Diluted earnings per share was \$2.42, compared with \$1.70 for the same period in 2018.
- Net income increased 30%, primarily driven by higher lease rents resulting from the increase in average lease assets as well as higher net gain on sale of assets.
- Diluted earnings per share increased 42%, driven by the same factors as net income and the repurchase of 14.6 million shares from April 2018 through June 2019.

Revenue and Net Spread

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% increase/ (decrease)	2019	2018	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Lease revenue:						
Basic lease rents	\$ 1,077.1	\$ 1,023.1	5%	\$ 2,152.4	\$ 2,056.0	5%
Maintenance rents and other receipts	109.1	107.9	1%	195.9	195.3	0%
Lease revenue	1,186.2	1,131.0	5%	2,348.3	2,251.3	4%
Net gain on sale of assets	78.2	51.2	53%	99.7	140.5	(29%)
Other income	17.0	12.4	37%	38.3	22.0	74%
Total Revenues and other income	\$ 1,281.3	\$ 1,194.6	7%	\$ 2,486.3	\$ 2,413.8	3%

Basic lease rents were \$1,077.1 million for the second quarter of 2019, compared with \$1,023.1 million for the same period in 2018. The increase was primarily due to the increase in average lease assets.

Net gain on sale of assets for the second quarter of 2019 was \$78.2 million, relating to 22 aircraft sold for \$502.4 million, compared with \$51.2 million for the same period in 2018, relating to 30 aircraft sold for \$737.7 million. The increase was primarily due to the composition of asset sales.

Other income for the second quarter of 2019 was \$17.0 million, compared with \$12.4 million for the same period in 2018. The increase was primarily the result of higher interest income recognized during the second quarter of 2019.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% increase/ (decrease)	2019	2018	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Basic lease rents	\$ 1,077.1	\$ 1,023.1	5%	\$ 2,152.4	\$ 2,056.0	5%
Interest expense	332.4	284.9	17%	666.6	559.3	19%
Adjusted for:						
Mark-to-market of interest rate caps	(9.8)	4.5	NA	(25.7)	21.1	NA
Interest expense excluding mark-to-market of interest rate caps	322.6	289.4	11%	640.9	580.4	10%
Net interest margin (*)	\$ 754.5	\$ 733.7	3%	\$ 1,511.5	\$ 1,475.6	2%
Depreciation and amortization, including maintenance rights expense	(435.2)	(452.7)	(4%)	(882.4)	(929.1)	(5%)
Net interest margin less depreciation and amortization (*)	\$ 319.3	\$ 281.1	14%	\$ 629.1	\$ 546.5	15%
Average lease assets (*)	\$ 37,644	\$ 34,897	8%	\$ 37,455	\$ 34,915	7%
Annualized net spread (*)	8.0%	8.4%		8.1%	8.5%	
Net Spread less depreciation and amortization (*)	3.4%	3.2%		3.4%	3.1%	

(*) Refer to "Notes Regarding Financial Information Presented in This Press Release" for details relating to these non-GAAP measures

Interest expense excluding mark-to-market of interest rate caps of \$9.8 million was \$322.6 million for the second quarter of 2019, compared with \$289.4 million for the same period in 2018. Our average cost of debt was 4.3% for the second quarter of 2019, compared with 4.1% for the same period in 2018. Our average cost of debt includes debt issuance costs, upfront fees, undrawn fees, commitment fees and original issuance discount fees of 0.34% for the second quarter of 2019, compared with 0.31% for the same period in 2018.

Selling, General and Administrative Expenses

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% increase/ (decrease)	2019	2018	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Selling, general and administrative expenses	\$ 45.9	\$ 55.0	(17%)	\$ 95.4	\$ 109.1	(13%)
Share-based compensation expenses	18.6	30.3	(39%)	36.0	62.0	(42%)
Total selling, general and administrative expenses	\$ 64.5	\$ 85.3	(24%)	\$ 131.4	\$ 171.1	(23%)

Selling, general and administrative expenses were \$64.5 million for the second quarter of 2019, compared with \$85.3 million for the same period in 2018. The decrease was primarily due to a decrease in compensation-related expenses.

Other Expenses

Leasing expenses were \$65.2 million for the second quarter of 2019, compared with \$103.3 million for the same period in 2018. The decrease was primarily due to a decrease in maintenance rights expense as a result of the lower maintenance rights asset balance as well as a decrease in other leasing expenses recognized as a result of lease terminations. Asset impairment charges were \$17.8 million for the second quarter of 2019, compared to \$14.0 million recorded for the same period in 2018. Asset impairment charges recorded in the second quarter of 2019 related to lease terminations and sales transactions. The maintenance revenue recognized with respect to the impaired aircraft more than offset the asset impairment charges.

Effective Tax Rate

Our effective tax rate for the second quarter of 2019 was 13.0%, the same as for the second quarter of 2018. The effective tax rate for the full year 2018 was 12.5%. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions.

Book Value Per Share

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	(U.S. Dollars in millions, except share and per share data)	
Total AerCap Holdings N.V. shareholders' equity	\$ 9,013.0	\$ 8,669.5
Ordinary shares outstanding	136,602,986	148,432,487
Unvested restricted stock	(2,250,655)	(2,101,497)
Ordinary shares outstanding (excl. unvested restricted stock)	<u>134,352,331</u>	<u>146,330,990</u>
Book value per ordinary share outstanding (excl. unvested restricted stock)	<u>\$ 67.08</u>	<u>\$ 59.25</u>

Book value per share has increased 13% since June 30, 2018.

Financial Position

	<u>June 30,</u>	<u>December 31,</u>	<u>% increase/ (decrease) over</u>
	<u>2019</u>	<u>2018</u>	<u>December 31,</u>
	<u>2018</u>		
	(U.S. Dollars in millions, except debt/equity ratio)		
Total cash, cash equivalents and restricted cash	\$ 970.3	\$ 1,415.0	(31%)
Total lease assets (*)	37,620.7	37,244.6	1%
Total assets	43,067.9	43,208.9	(0%)
Debt	29,019.7	29,507.6	(2%)
Total liabilities	33,989.7	34,328.3	(1%)
Total AerCap Holdings N.V. shareholders' equity	9,013.0	8,828.0	2%
Total equity	9,078.2	8,880.6	2%

(*) Refer to "Notes Regarding Financial Information Presented in This Press Release" for details relating to these non-GAAP measures

As of June 30, 2019, AerCap's portfolio consisted of 1,373 aircraft that were owned, on order or managed. The average age of our owned fleet as of June 30, 2019 was 6.2 years (2.0 years for new technology aircraft, 10.9 years for current technology aircraft) and the average remaining contracted lease term was 7.4 years.

Boeing 737 MAX Delays

On March 13, 2019, the Federal Aviation Administration issued an order to suspend operations of all Boeing 737 MAX aircraft in the U.S. and by U.S. aircraft operators following two recent fatal accidents involving Boeing 737 MAX aircraft. Non-U.S. civil aviation authorities have also issued directives to similar effect. Boeing has suspended deliveries of the Boeing 737 MAX until clearance is granted by the appropriate regulatory authorities. Prior to the grounding, we had delivered five Boeing 737 MAX aircraft that are currently on lease to an airline customer, and we currently have 95 Boeing 737 MAX aircraft on order. It is uncertain when and under what conditions the Boeing 737 MAX will return to service and when Boeing will resume making deliveries of these aircraft. As a result, we have incurred delays and expect to incur future delays on our scheduled Boeing 737 MAX deliveries.

Notes Regarding Financial Information Presented in This Press Release

The financial information presented in this press release is not audited.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The following are definitions of non-GAAP measures used in this press release. We believe these measures may further assist investors in their understanding of our operational performance.

Adjusted debt/equity ratio

This measure is the ratio obtained by dividing adjusted debt by adjusted equity.

- Adjusted debt means consolidated total debt less cash and cash equivalents, and less a 50% equity credit with respect to certain long-term subordinated debt.
- Adjusted equity means total equity, plus the 50% equity credit relating to the long-term subordinated debt.

Adjusted debt and adjusted equity are adjusted by the 50% equity credit to reflect the equity nature of those financing arrangements and to provide information that is consistent with definitions under certain of our debt covenants. We believe this measure may further assist investors in their understanding of our capital structure and leverage.

June 30, 2019
(U.S. Dollars in millions,
except debt/equity ratio)

Debt **\$ 29,020**

Adjusted for:

Cash and cash equivalents (783)

50% credit for long-term subordinated debt (750)

Adjusted debt **\$ 27,487**

Equity **\$ 9,078**

Adjusted for:

50% credit for long-term subordinated debt 750

Adjusted equity **\$ 9,828**

Adjusted debt/equity ratio **2.8 to 1**

Net interest margin, annualized net spread and annualized net spread less depreciation and amortization

Net interest margin is calculated as the difference between basic lease rents and interest expense, excluding the impact of the mark-to-market of interest rate caps. Annualized net spread is net interest margin expressed as a percentage of average lease assets. Annualized net spread less depreciation and amortization is net interest margin less depreciation and amortization, including maintenance rights expense, expressed as a percentage of average lease assets. We believe these measures may further assist investors in their understanding of the changes and trends related to the earnings of our leasing activities. These measures reflect the impact from changes in the number of aircraft leased, lease rates and utilization rates, as well as the impact from changes in the amount of debt and interest rates.

Lease assets

Lease assets include flight equipment held for operating leases, flight equipment held for sale, net investment in finance and sales-type leases and maintenance rights assets.

Conference Call

In connection with the earnings release, management will host an earnings conference call today, Tuesday, July 30, 2019, at 8:30 am Eastern Daylight Time. The call can be accessed live by dialing (U.S./Canada) +1 929 477 0448 or (International) +353 1 246 5638 and referencing code 7778627 at least 5 minutes before start time, or by visiting AerCap's website at www.aercap.com under "Investors."

The webcast replay will be archived in the "Investors" section of the Company's website for one year.

For further information, contact Joseph McGinley: +353 1 418 0428 (mccginley@aercap.com).

About AerCap

AerCap is the global leader in aircraft leasing with 1,373 aircraft owned, managed or on order and \$43.1 billion of total assets as of June 30, 2019. AerCap has one of the most attractive order books in the industry. AerCap serves approximately 200 customers in approximately 80 countries with comprehensive fleet solutions. AerCap is listed on the New York Stock Exchange (AER) and has its headquarters in Dublin with offices in Shannon, Los Angeles, Singapore, Amsterdam, Shanghai, Abu Dhabi, Seattle and Toulouse.

Forward-Looking Statements

This press release contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are "forward-looking statements". In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "might," "should," "expect," "plan," "intend," "estimate," "anticipate," "believe," "predict," "potential" or "continue" or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this press release are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, and may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, we cannot assure you that the forward-looking statements included in this press release will prove to be accurate or correct. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this press release might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Except as required by applicable law, we do not undertake any obligation to, and will not, update any forward-looking statements, whether as a result of new information, future events or otherwise.

For more information regarding AerCap and to be added to our email distribution list, please visit www.aercap.com and follow us on Twitter www.twitter.com/aercapnv.

AerCap Holdings N.V.
Unaudited Consolidated Balance Sheets
(U.S. Dollars in thousands)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Cash and cash equivalents	\$ 782,884	\$ 1,204,018
Restricted cash	187,401	211,017
Trade receivables	60,302	40,379
Flight equipment held for operating leases, net	35,255,248	35,052,335
Maintenance rights and lease premium, net	958,207	1,113,190
Flight equipment held for sale	507,949	184,129
Net investment in finance and sales-type leases	1,002,452	1,003,286
Prepayments on flight equipment	2,961,367	3,024,520
Other intangibles, net	317,982	328,570
Deferred income tax assets	150,951	138,281
Other assets	883,181	909,190
Total Assets	<u>\$ 43,067,924</u>	<u>\$ 43,208,915</u>
 Liabilities and Equity		
Accounts payable, accrued expenses and other liabilities	\$ 1,060,845	\$ 1,009,945
Accrued maintenance liability	2,242,753	2,237,494
Lessee deposit liability	774,312	768,677
Debt	29,019,666	29,507,587
Deferred income tax liabilities	892,173	804,598
Total liabilities	<u>33,989,749</u>	<u>34,328,301</u>
 Ordinary share capital €0.01 par value, 350,000,000 ordinary shares authorized as of June 30, 2019 and December 31, 2018; 146,847,345 and 151,847,345 ordinary shares issued and 136,602,986 and 142,674,664 ordinary shares outstanding (including 2,250,655 and 2,429,442 unvested restricted stock) as of June 30, 2019 and December 31, 2018, respectively		
Additional paid-in capital	1,810	1,866
Treasury shares, at cost (10,244,359 and 9,172,681 ordinary shares as of June 30, 2019 and December 31, 2018, respectively)	2,444,458	2,712,417
Accumulated other comprehensive income	(494,545)	(476,085)
Accumulated retained earnings	(95,900)	(1,824)
Total AerCap Holdings N.V. shareholders' equity	<u>7,157,186</u>	<u>6,591,674</u>
Non-controlling interest	9,013,009	8,828,048
Total Equity	<u>65,166</u>	<u>52,566</u>
	<u>9,078,175</u>	<u>8,880,614</u>
Total Liabilities and Equity	<u>\$ 43,067,924</u>	<u>\$ 43,208,915</u>

AerCap Holdings N.V.**Unaudited Consolidated Income Statements**

(U.S. Dollars in thousands, except share and per share data)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenues and other income				
Lease revenue:				
Basic rents	\$ 1,077,068	\$ 1,023,121	\$ 2,152,350	\$ 2,055,996
Maintenance rents and other receipts	109,095	107,860	195,906	195,279
Net gain on sale of assets	78,157	51,225	99,698	140,525
Other income	16,956	12,446	38,349	21,978
Total Revenues and other income	1,281,276	1,194,652	2,486,303	2,413,778
Expenses				
Depreciation and amortization	419,093	417,734	844,942	840,447
Asset impairment	17,819	13,978	22,850	16,086
Interest expense	332,441	284,865	666,620	559,314
Leasing expenses	65,244	103,309	156,965	235,777
Selling, general and administrative expenses	64,543	85,272	131,416	171,054
Total Expenses	899,140	905,158	1,822,793	1,822,678
Income before income taxes and income of investments accounted for under the equity method	382,136	289,494	663,510	591,100
Provision for income taxes	(49,677)	(37,615)	(86,256)	(76,843)
Equity in net earnings of investments accounted for under the equity method	1,935	2,468	4,037	5,809
Net income	\$ 334,394	\$ 254,347	\$ 581,291	\$ 520,066
Net income attributable to non-controlling interest	(2,934)	(107)	(15,645)	(427)
Net income attributable to AerCap Holdings N.V.	\$ 331,460	\$ 254,240	\$ 565,646	\$ 519,639
Basic earnings per share	\$ 2.44	\$ 1.75	\$ 4.13	\$ 3.55
Diluted earnings per share	\$ 2.42	\$ 1.70	\$ 4.09	\$ 3.42
Weighted average shares outstanding - basic	135,917,192	145,272,520	137,029,147	146,228,245
Weighted average shares outstanding - diluted	137,072,268	149,474,890	138,396,628	151,858,686

AerCap Holdings N.V.
Unaudited Consolidated Statements of Cash Flows
(U.S. Dollars in thousands)

	Six months ended June 30,	
	2019	2018
Net income	\$ 581,291	\$ 520,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	844,942	840,447
Asset impairment	22,850	16,086
Amortization of debt issuance costs, debt discount, debt premium and lease premium	42,783	41,845
Amortization of fair value adjustment on debt	(45,961)	(80,221)
Accretion of fair value adjustment on deposits and maintenance liabilities	7,449	9,933
Maintenance rights write-off	144,267	160,233
Maintenance liability release to income	(89,985)	(113,184)
Net gain on sale of assets	(99,698)	(140,525)
Deferred income taxes	88,055	77,074
Collections of finance and sales-type leases	45,448	-
Other	84,783	48,319
Changes in operating assets and liabilities:		
Trade receivables	(21,075)	(29,266)
Other assets	(47,755)	24,142
Accounts payable, accrued expenses and other liabilities	(37,150)	(29,731)
Net cash provided by operating activities	1,520,244	1,345,218
Purchase of flight equipment	(1,483,186)	(1,594,556)
Proceeds from sale or disposal of assets	733,157	1,195,770
Prepayments on flight equipment	(579,217)	(868,265)
Collections of finance and sales-type leases	-	46,211
Other	(11)	(20,935)
Net cash used in investing activities	(1,329,257)	(1,241,775)
Issuance of debt	4,157,089	2,443,006
Repayment of debt	(4,618,972)	(2,242,343)
Debt issuance costs paid, net of debt premium received	(8,422)	(40,457)
Maintenance payments received	358,694	362,801
Maintenance payments returned	(206,456)	(276,144)
Security deposits received	147,200	85,808
Security deposits returned	(141,364)	(92,999)
Dividend paid to non-controlling interest holders	(3,045)	(2,700)
Repurchase of shares and tax withholdings on share-based compensation	(320,058)	(508,680)
Net cash used in financing activities	(635,334)	(271,708)
Net decrease in cash, cash equivalents and restricted cash	(444,347)	(168,265)
Effect of exchange rate changes	(403)	2,613
Cash, cash equivalents and restricted cash at beginning of period	1,415,035	2,024,125
Cash, cash equivalents and restricted cash at end of period	\$ 970,285	\$ 1,858,473

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