

## Q2 2021 Earnings Call

### Company Participants

- Aengus Kelly, Executive Director, Chief Executive Officer
- Joseph McGinley, Head of Investor Relations
- Peter Juhas, Chief Financial Officer

### Other Participants

- Andrew Lobbenberg, Analyst
- Catherine O'Brien, Analyst
- Helane Becker, Analyst
- Jamie Baker, Analyst
- Mark C. DeVries, Analyst
- Moshe Orenbuch, Analyst
- Ronald J. Epstein, Analyst
- Ross Harvey, Analyst
- Vincent Caintic, Analyst

### Presentation

#### Operator

Good day and welcome to the AerCap Holdings NV Second Quarter 2021 Financial Results. Today's conference is being recorded, and a transcript will be available following the call on the company's website. At this time, I would like to turn the conference over to Joseph McGinley, Head of Investor Relations. Please go ahead, sir.

#### Joseph McGinley

Thank you, operator, and hello everyone. Welcome to our Second Quarter 2021 Conference Call. With me today is our Chief Executive Officer, Aengus Kelly and our Chief Financial Officer, Pete Juhas. Before we begin today's call, I would like to remind you that some statements made during this conference call which are not historical facts may be forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements.

AerCap undertakes no obligation other than that imposed by law to publicly update or revise any forward-looking statements to reflect future events, information, or circumstances that arise after this call. Further information concerning issues that could materially affect performance can be found in AerCap's earnings release dated July 29,

2021. A copy of the earnings release and conference call presentation are available on our website at [aercap.com](http://aercap.com). This call is open to the public and is being webcast simultaneously at [aercap.com](http://aercap.com) and will be archived for replay. We will shortly run through our earnings presentation and we'll allow time at the end for Q&A. As a reminder, I would ask that analysts limit themselves to one question and one follow-up. I will now turn the call over to Aengus Kelly.

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## Aengus Kelly

Good morning everyone and thank you for joining us for our second quarter 2021 earnings call. I am pleased to report a strong quarter of earnings, with \$250m of net income, or \$1.92 of earnings per share. The positive headline for the quarter is that the airline industry is witnessing an unprecedented and rapid recovery in air travel in many of the world's major markets. For AerCap, this has led to increased demand for our aircraft and a significant increase in our cash flows for the period. Looking ahead, we expect further improvement for the remainder of the year. With solid earnings, a strong balance sheet, and an improving leasing environment, we are excited about the opportunities that lie ahead for AerCap. When we look at the global leasing environment, we are becoming increasingly optimistic, with clear signs of a rebound in markets around the world. There may, of course, be some setbacks along the way, but there can be no doubting the huge progress made in the past six months, in particular, to get the world flying again. The global vaccination program is clearly having a positive impact, reducing infection rates and serious illness. This is giving many governments around the world the confidence to relax restrictions on daily life, including air travel. According to the CDC, early evidence in the U.S. suggests that 99.5% of the Covid-related deaths in the last six months were amongst the unvaccinated. This reflects the efficacy of the vaccines, even against the highly contagious Delta variant, in protecting against serious illness caused by Covid-19. On slide 4 you will see the clear link between the growth in air travel and the percentage of people vaccinated. In the U.S., Europe and China, which together made up 67% of the world's commercial flights taken in 2019, there has been a marked improvement. TSA data from the U.S. shows passenger throughput is consistently around 2 million passengers a day, which is approximately 80% of 2019 levels. China is flying over 13,000 domestic flights a day which is more than 105% of the same period in 2019, and in Europe they surpassed 25,000 daily flights in July, which is around 70% of 2019 levels. These numbers show the strength of the rebound as well as the fact there is plenty room for air travel to grow further, which will feed into stronger cash flows for our airlines and for AerCap. The EU Digital COVID Certificate is now accepted by all 27 EU countries, of which 20 have already opened their borders to American citizens for non-essential travel.

We hope in the near term that this action by the Europeans will be reciprocated by the US Administration. This would be particularly meaningful for the transatlantic market, which is one of the most important and profitable routes in the world. So, while the pace of vaccination rollout varies by country, it is clear from those countries that have made significant progress, the recovery in air travel follows swiftly thereafter. To that end, AerCap has made a contribution of \$100,000 dollars to support the equitable access and scale up of Covid-19 vaccinations in lower-income countries through the Gavi COVAX Program. Our industry will not be the same until everyone has the opportunity to be vaccinated.

Getting back to AerCap, we are also seeing this recovery expressing itself in our numbers, including higher cash collections, increased leasing activity and fewer requests for assistance from our airline customers.

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While there undoubtedly are parts of the world which continue to face challenges, in the second quarter AerCap saw a 30% reduction in Trade Receivables, a 10% reduction in the deferral balance and our operating cash flow was up as a result. So, as the recovery continues to gather pace, we too should benefit from a further uplift in our collections. On the leasing activity front, we signed lease agreements for 51 aircraft in the quarter, including 13 widebody leases. In addition to this, we also executed agreements with Delta Air Lines for the long-term lease of seven A350 aircraft, which will help support Delta's fleet modernisation and efficiency targets. This was a landmark deal, and we look forward to further enhancing our relationship with Delta. We also monetised a part of our claim from LATAM airlines for \$186 million, and we expect to receive several hundred million dollars more, subject to court confirmation by year end.

Turning to the GECAS transaction, we continue to make progress on the various integration workstreams to ensure we are ready to hit the ground running from Day 1. We have already received approvals in a number of important jurisdictions so far, including the United States and Europe. This is in line with our expectations and we continue to expect a fourth quarter closing. We have followed GECAS closely as our largest peer for many years. When we were completing our due diligence for the transaction, we very much liked what we saw then. Now, as the recovery takes hold much faster than was anticipated in our underwriting case, we are even more enthusiastic about this transaction. I truly believe that our combined company will be able to offer a best-in-class service to our customers and emerge from the pandemic stronger than ever. So, as we look forward, the global vaccine roll-out is proving effective, more and more countries are opening up to air travel, and the demand for aircraft leasing is growing stronger. These factors are all contributing to a stronger financial performance for AerCap. I am so proud of what our people and our company have achieved over the course of the last 18 months. We have successfully navigated our way through the toughest stress test imaginable and have emerged with a strong balance sheet, lower leverage and an exciting transaction that will provide benefits to AerCap for many years to come. We're truly excited about what lies ahead.

With that, I will hand the call over to Pete for a review of our financial performance. Thank you.

### **Peter Juhas**

Thanks Gus. Good morning everyone. Our total revenues for the second quarter were \$1,232 million dollars, compared to \$1,197 million dollars for the second quarter of 2020. Basic lease rents were lower in the second quarter primarily due to airline restructurings and aircraft transitions. This includes the impact of cash accounting, which was \$54 million dollars for the quarter. We saw a significant improvement in our cash flows in the second quarter. Our cash flow from operations was \$771 million, an increase from \$400 million in the first quarter. As of June 30th, our deferral balance was \$463 million, a decrease of 10% from \$514 million as of March 31st. Our accounts receivable balance was \$150 million dollars, a decrease of 30% from \$215 million as of March 31st. Our maintenance rents were \$131 million dollars in the second quarter, which was down from \$224 million dollars in the prior year period. Maintenance rents were particularly high in the second quarter of 2020 due to a higher number of lease terminations.

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During the second quarter we sold 12 of our owned aircraft for a total of \$139 million dollars. The average age of the aircraft we sold was 19 years old, and our net gain on sales for the quarter was \$22 million dollars, an increase from \$10 million dollars in the second quarter of 2020. As I mentioned on our first quarter earnings call, we've agreed to sell our unsecured claims related to LATAM airlines, and we received the first portion of those proceeds in early July and recognized them in the second quarter. Since those proceeds were received after quarter end, they are not included in the \$771 million of operating cash flow for the quarter. We also received some proceeds from other unsecured claims in the second quarter, so in total we recognized \$193 million in other income relating to unsecured claims which was the driver for the increase in other income this quarter. We expect to receive proceeds from our other LATAM claims during the remainder of this year once those claims are approved by the bankruptcy court, and we expect those remaining proceeds to be several hundred million dollars.

Turning now to expenses. Our total expenses were \$943 million dollars for the quarter, a slight increase from \$927 million for the second quarter of 2020. Our depreciation and amortization expenses were \$392 million dollars, a decrease from \$412 million last year, primarily due to a decrease in average lease assets. Asset impairments were \$57 million dollars in the second quarter, a decrease from \$73 million last year. The asset impairments this quarter related to lease terminations and asset sales and were more than offset by maintenance releases for those aircraft. Our interest expense was \$293 million dollars in the quarter, down from \$312 million last year and that decrease was primarily due to a lower debt balance this quarter.

Our maintenance rights expense was only \$2 million in the quarter, down from \$12 million last year, primarily due to lower maintenance activity and the decrease in the balance of the maintenance rights asset. Other leasing expenses were \$57 million dollars for the second quarter, a decrease from \$66 million in 2020. That was mainly due to lower credit provisions and lower lessor contributions, or top-up expenses, during the quarter. SG&A expenses were \$73 million dollars, an increase from \$53 million last year. The increase was primarily due to the timing of compensation-related expenses. We also recognized expenses related to the GECAS transaction of \$69 million dollars, which was mainly the bridge financing fees.

So, putting all of that together, in the second quarter, AerCap generated net income of \$250 million dollars, or \$1.92 per share. As I mentioned that includes costs related to the GECAS transaction of \$69 million dollars pre-tax, or \$60 million dollars after-tax. Excluding those costs, net income for the second quarter was \$310 million dollars, or \$2.39 per share.

We continue to maintain a very strong liquidity position. As of June 30th, our total sources of liquidity were \$9.7 billion dollars, resulting in a next 12 months' sources-to-uses ratio of 1.7x. That remains well above our current target of 1.5x. Our excess coverage continued to remain high, at \$4.2 billion dollars. Our balance sheet continues to be strong with a leverage ratio that is currently 2.4 to 1, that represents a record low for AerCap and it's well below our target ratio of 2.7 to 1. Our secured debt percentage continues to remain low, at 24% of total assets. And we currently have over \$26 billion dollars' worth of unencumbered assets. Our average cost of debt excluding debt issuance costs, continued to remain low, at 3.8% for the second quarter.

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So, in summary in this quarter, our results continue to improve. Our leasing activity has picked up, our operating cash flow is up, and our deferrals and accounts receivable balances are down. And as we look at where we stand overall, it is useful to compare what has happened to our balance sheet versus the balance sheets of the airlines. To get through the pandemic, airlines had to raise significant amounts of debt, and in many cases, they needed to raise equity as well. In order to raise those funds, they encumbered almost every asset available on their balance sheets. And they raised debt at high costs. Most of their ratings were downgraded. In contrast, AerCap's balance sheet has remained strong throughout the pandemic. Our leverage ratio was 2.6 to 1 in December 2019; it is 2.4 to 1 today. Our secured debt to total assets is virtually the same as it was prior to Covid. Our liquidity is higher, and we still have over \$26 billion dollars' worth of unencumbered assets. That is why we believe that the strong position that we had coming into Covid, as well as the decisive actions we have taken since the beginning of the pandemic, leave us well-positioned to take advantage of the air travel recovery that is currently gathering speed. And with that, operator, you can open up the call for Q&A.

## Questions And Answers

### Operator

Thank you. (Operator Instructions) We will take our first question from Helane Becker of Cowen. Please go ahead, your line is open.

### Q - Helane Becker

Thanks very much. Hi, everybody, I hope everybody is doing well. So, so I don't know who will answer this question, maybe you, Aengus could answer it. I'm trying to get a sense if you think the Chinese airlines are, I don't know if stockpiling is the right word, but if they're acquiring a lot of leased aircraft to cover their domestic demand because they don't plan on having MAXs flying anytime soon?

### A - Aengus Kelly

Well, Helane, the first thing about the Chinese market you can see on the slide is the rapid rebound we've seen there. And you can see that, of the three major markets in the world, it's the one that has surpassed 2019 traffic levels. So, all of our customers in China are doing well, and I would say about the Chinese carriers, they are not stockpiling airplanes, they're taking all the airplanes they can to satisfy the demand that they see in front of them there. And the Chinese carriers don't have huge order books of aircraft. They have not ordered Boeing airplanes in several years. And indeed, the last time they placed -- they ordered Airbus aircraft has been a couple of years ago.

So what that actually means, Helane, is that they will need to take airplanes from the leasing market as we go forward. That can be used airplanes. We have just signed deals for the first used aircraft to go into China, which is an innovative thing for for anyone to have done and as a leader, and that's what we do, we will be the first to do these things. And then on the forward order aircraft, we are continuing -- we are seeing now demand from the Chinese customers for aircraft off the order book and we expect that to continue as their market continues to grow.

### **Q - Helane Becker**

Got you. And those, are those wide bodies or narrow bodies that you're signing or both?

### **A - Aengus Kelly**

At the moment, it's predominantly new technology narrow bodies. AerCap's widebody new technology assets, our first one is not available until 2024.

### **Q - Helane Becker**

Okay. Okay. Yeah, I think we have. That's awesome. Thank you. And then actually, thank you for that answer. And then my other question is on eVTOLs. How are you thinking about those assets, especially in light of the GECAS acquisition where you're going to get a bunch of helicopters, which are sort of VTOLs, but not necessarily new technology eVTOLs. Is this a business that you would be thinking about getting involved in?

### **A - Aengus Kelly**

At the moment, Helane, our focus is on the GECAS transaction. As I said in my comments, when we looked at the analysis we did of that of GECAS in December 2020 - January 2021. We were in a very different environment. The vaccines hadn't even started to be rolled out really anywhere in the world. And our expectation of a recovery on a global basis was very different to what has transpired, if we look at the level of vaccine deployment in the advanced economies of the world and the resulting increase in air travel. We liked the transaction a lot then, and we like it a lot more now, to be honest, and your reference to the helicopters, it will be a long, long, long time before any eVTOLs go out and do search and rescue for humans. At best at the moment, you know it's coffees that are being delivered on local drones and prescriptions.

### **Q - Helane Becker**

That's okay. That's really really fair enough. Thank you very much for your help and your answers. Have a nice day.

### **A - Aengus Kelly**

Pleasure.

### **Operator**

Thank you. We will take our next question from Jamie Baker of JP Morgan. Please go ahead.

### **Q - Jamie Baker**

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Hey, good afternoon everybody. So given the progress that you're making on the regulatory front, Mark and I are sitting here wondering what the remaining gaiting items might be before you are comfortable pulling trigger on the debt raise in order to stay on track for a fourth quarter closing, any thoughts on that?

### **A - Aengus Kelly**

Jamie, I think we're looking at a 4th quarter close still. We've made tremendous progress in this quarter. We had the shareholder vote from AerCap. We had the DoJ approval. We've had the European Union approval, and we're on track and we're monitoring all the time as to whether or not it's appropriate to look at the debt financing, but you want to get through the regulatory all the regulatory approvals first.

### **Q - Jamie Baker**

Okay. That helps. And then, just given the recovery that we've seen in the ABS market in the improved I guess viscosity for lack of a better term, in the aircraft market, has your base case thinking about the pace of asset sales post closing, has that changed at all? Earlier this week, Avolon stated that they were of the the mindset that many values have bottomed and just looking for some color on that if you would agree.

### **A - Aengus Kelly**

I certainly would Jamie. I think in our underwriting case again, as if I go back to when we were agreeing the economics of the transaction around Christmas of last year, and we had a very different outlook of the pace of recovery. As you see, there was no vaccine deployed at that point in time. And our view on asset sales was that it would be a longer road before we would be able to sell significant amounts of assets and the market will recover. Clearly, that is not the case. The market is recovering, we see the bid coming in for assets and so I would be confident that we will continue to de-lever the balance sheet, ahead of our original base case as well.

### **Q - Jamie Baker**

Okay, that's helpful, Gus. Thank you very much everybody.

### **A - Aengus Kelly**

Pleasure.

### **Operator**

Thank you. (Operator Instructions). Our next question will come from Ross Harvey from Davy. Please go ahead.

### **Q - Ross Harvey**

Hi Gus. Hi, Pete. I just wanted to ask about the unsecured claims and firstly Gus, did I hear you correctly around the hundreds of millions of potential further benefits to come later this year, you might clarify this. Also, can you just cover whether there are other customers that

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perhaps underperformed during COVID with whom you expect to submit claims and haven't got around to just yet, what type of, what type of figures might come out of that particular channel in the future?

### **A - Aengus Kelly**

Well, to answer your question. First of all, we have received \$186 million in cash from the LATAM claim that was received on July 3. So, as Pete noted that is not included in that improved operating cash flow number of our \$700 million plus for Q2. The remainder of the claim it's agreed with the counterparty what they will pay and we would expect that subject to court approval, we would expect to receive several hundred million during the course of this year. Other claims beyond that are not at that level of materiality, Ross. The LATAM claim given our exposure to it and the size we had meant that it was an outsized claim and the recovery of the airline itself and its operating performance have driven that.

### **Q - Ross Harvey**

That is good. Thanks, Gus. Secondly, I'm just looking at the order book, and it looks as though it increased by about 10 aircrafts. If I just look at the Q1 order book, take out the purchases during Q2. Is there anything behind that, am I doing the math wrong or was sale leaseback maybe in there?

### **A - Aengus Kelly**

There was a sale leaseback in there that we transacted on some the MAX airplanes, which we're very happy about. We started taking delivery of MAXs during the quarter. It's received an extremely positive response from the customer base and we're quite confident about the MAX going forward. So that's where the increase in those units came from.

### **Q - Ross Harvey**

Great Thanks. I think, you answered my two questions. Thank you.

### **Operator**

We will take our next question from Katie O'Brien from Goldman Sachs. Please go ahead, your line is open.

### **Q - Catherine O'Brien**

Hey, good morning everyone and thanks so much for the time. So we, you just coming back to the cash from ops so significantly better than last quarter and I think, the highest it has been since the start of the pandemic, do you expect this to trend higher going forward, just given the positive trends you're seeing on collections and deferral requests or are there any other puts and takes we should think about? Thanks.

### **A - Peter Juhas**

Well, Katie, so it was, for sure it was a significant improvement from the first quarter. We're seeing cash collections run into a very high rate. There are over 100% and for the second quarter. So that was a big positive. And as the recovery continues, we expect to see that trend continue. So, I do expect the, both the collection rates and the overall amount of cash, to come up going forward. So yes, I mean I think that I think what we're going to see is over the course of the year as we deliver the new the aircraft that we have transitioned are currently in transition, we will start to see revenues pick up and we'll start to see cash collections increasing as the year progresses.

### **Q - Catherine O'Brien**

That's great. And then with credit markets pretty open for aviation paper, Jamie noted earlier ABS market back open. It sounds like bank debt is making a come back. Have you seen a resurgence in some of the tourist capital that seem to be declining pre-pandemic or or kind of status quo just love to get some high level thoughts. Thanks.

### **A - Aengus Kelly**

I certainly think there's more educated tourists in town now to keep using my term from the past. I think that those people who knew what they were doing pre-pandemic have understood the resilience of the value of an aircraft asset and on a relative risk reward basis to what else available in the world today. See that it is a good store of value and does provide a fair risk return profile for an investor, and I think those that have the capacity to manage assets or have a manager of those assets that is a Tier 1 player in the industry can harvest that return and so I would say, Katie, like a lot of things in life, there was some exuberance pre-pandemic in the last, in the probably 18-24 months prior to that, but I think those that invested in a platform or a manager, are sophisticated and are back and we think it will be a robust sales market for AerCap as we get into 2022.

### **Q - Catherine O'Brien**

That's great. I can maybe just sneak one more quick modeling one cash accounting impact with \$54 million this quarter, down from \$100 million in the first quarter and what point, Pete, do you think that's going to flip to a net positive to revenue as that as you get some of that out of a more back. Thanks.

### **A - Peter Juhas**

Yeah. So, so the cash accounting impact was down in the quarter, and we're going to see cash accounting continue as I've mentioned before, during the course of this year. I do expect it to come down. This quarter is a little further down just due to some one-time items, then we, then, so it would have normally been a little higher than that \$54 million, but the trend will continue. And then what happens when the aircraft, we are placing these aircrafts in many cases with new airlines and so there is some transition period for those aircrafts, and so once, as I was saying, once those aircrafts get to those new lessees, when they're delivered, then you, then you have the revenue pickup, you start to earn revenue on them again. And so that's why I say we'll see a couple of quarters where revenues are lower as we saw this quarter, but as the year progresses, that will continue. And that's really how that cash accounting, that will flip in in terms of increased revenues.

## Q - Catherine O'Brien

Okay. Thank you.

## Operator

We will take our next question from Mark DeVries of Barclays. Please go ahead.

## Q - Mark C. DeVries

Yeah, I (inaudible) think there are some significant proceeds got for you're delevering should plan in front of the splits as deal, should we assume that you're not going to have to issue this much does the plan (inaudible)

## A - Joseph McGinley

Operator for operator you might just go to the next question. We will give Mark an opportunity towards the end. Just, it seems like his line is a bit muffled at the moment. So we might just move on to the next question then we will put Mark back in the queue again.

## Operator

We will take our next question from Moshe Orenbuch of Credit Suisse. Please go ahead.

## Q - Moshe Orenbuch

Great, thanks. Given that you've had greater aircraft sales than other lessors are reporting, could you talk about the environment as you see it in the expectations that you had with respect to the GECAS deal back in March and where they stand today and sort of how you think about, how you think about the outlook for that?

## A - Aengus Kelly

Sure, Moshe. As we look forward, as I said, we think that those participants who are in the market and now and have been in the market prior to the pandemic understand how resilient an aircraft asset is, the right aircraft asset well managed and we'd be quite confident that as the recovery continues to gather pace that there will be a strong bid for aircraft assets as we come out the far side of the GECAS transaction.

## Q - Moshe Orenbuch

Good. That's, it's good to hear. Also, I guess a little bit confusing, your cash flow is obviously significantly improved, when you talked about some opportunities and other cash that's going to be collected. I mean, I assume, obviously cash is cash. But when you think about you know in the quarter, you talked about expectation of \$2.6 billion. I think it's a couple of hundred million dollars higher than it was in the first quarter, but at the same time you had just mentioned or Peter just mentioned that you're expecting some significant collections in Q3 from already received collections in Q3 from LATAM. So I guess is, we're looking at your cash flow. Can you talk a little bit about how, how those recoveries will impact that over the next couple of quarters?

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## **A - Peter Juhas**

Sure. Moshe. So I would view the 2.6, I'd say in general we tend to be pretty conservative about these numbers as you've probably seen. So what that incorporates is that includes that the \$186 million that I mentioned that came in on July 3rd, right. So that's in that 2.6. But beyond that, we haven't included anything else for any other LATAM recoveries or any other airline recoveries for that matter, frankly. So I, I would be, I'd be very surprised if we didn't come in above that number, but we've put it out there. As I said, we've historically been conservative in projecting this. I mean, we're doing this in order to look at our liquidity and make sure we have enough to cover the debt maturities that are coming up and the CapEx that come up. So that's not something that we want to mess around with and that's how we look at it.

## **Q - Moshe Orenbuch**

Got it. Thanks so much.

## **Operator**

We will take our next question from Vincent Caintic of Stephens. Please go ahead.

## **Q - Vincent Caintic**

Thank you for taking my questions. First question on portfolio lease rate expectations. I was just wondering if you could talk about sort of, if you could help us, how should we expect the portfolio rate going forward, I know you improved activity, your cash collections are coming down, so that's great and you've got some new leases. And then I think you also had restructuring of some leases where maybe there is some variable aspect to it, but maybe if you could help us understand and how to forecast the portfolio lease rate going forward. Thank you.

## **A - Peter Juhas**

Sure. So just, just to clarify, there are cash collections have been going up, not down, but in terms of the portfolio lease rate, Vincent, it's really driven by the same things that I was talking about before. So I mean it's predominantly, it's those basic lease rents that are coming through and as those aircraft that are currently transitioning go back on lease or as the aircraft that are currently in cash accounting they start to return to regular service, regular accrual accounting that's when you will see those numbers picking up. So it's really that's what will drive it more so than the cash collections number. And I do expect that that will go up, as I said, during the course of the year.

## **Q - Vincent Caintic**

Right. And I apologize for that. And so those aircraft returning I guess back to service or back on lease, is there sort of like a timeframe or where we can see like a chunk of these aircraft coming back and generating rents?

## **A - Peter Juhas**

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Yeah, really, over the next, over the next couple of quarters. That's what I would really look at it, I mean that's from the bulk of it will happen, it's spread out. But, but most of it over the next six to seven months or so.

### **Q - Vincent Caintic**

Great, thank you. And the second question. So, and this is on capital management, particularly share buybacks. So I know we have the pending GE acquisition but your leverage is the lowest it has been 2.4 times, you've got good gains on sale of aircraft, you've got these unsecured claims that are in the hundreds of millions and cash collections are improving and more cash flow is coming in. So, and then finally, your book value is 75 while the stocks trading at 52. So just wondering what your thoughts are there. Are you going to maybe continue to pause until the GE acquisition is complete or maybe any thoughts of taking advantage of the lower share price. Thank you.

### **A - Aengus Kelly**

Today, the focus is all about getting the GECAS acquisition done. we want to get the business back on the upward rating trajectory. As you may recall, just prior to the pandemic, we are on the verge of upgrade from Moody's at the time, and we held on to the investment grade rating throughout the pandemic and we want to put ourselves back there where we move the rating an upward trajectory that will be job number one and from that point forward, then you've always seen us as very prudent managers and stewards of the capital and we will, we will take the right decisions as we get to the far side.

### **Q - Vincent Caintic**

Understood. Thank you very much.

### **Operator**

(Operation Instructions). We will take our next question from Ron Epstein from Bank of America. Please go ahead.

### **Q - Ronald J. Epstein**

Yeah. Yes, good morning, good afternoon. What impact are you seeing from 787. It's our understanding that you may not see any or many aircraft delivered until very late in the year maybe early next year. How are your customers are reacting to it and and from your point of view, do you have walkway rights, can you renegotiate price? It's just that program seems to be the some is the gift that keeps on giving.

### **A - Aengus Kelly**

Well, Ron, the 787 has been the most popular widebody ever introduced and so we have tremendous confidence in the aircraft. As you know, though, the delivery process of Boeing is, it's not going well at the moment and as they announced yesterday, they only expect to deliver, I think it was less than half of the inventory they currently have. At the moment, from our perspective, we don't have any 787s to place until 2024. We do have

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aircraft delivering of course that are, that are leased and are being built and we're working with our customer and with Boeing for the right outcome.

I do think that in general on the wide-body market, what we'd like to see of course is a return to normal traffic on the North Atlantic route because that's the biggest widebody market in the world and there would be a help for the 787 no doubt, as we saw the Europeans have opened up to non-essential travel to the Americans and we would be hopeful that in the near term, the US administration with reciprocate that, it will have a huge benefit to American industry to do it and it will improve the demand for the aircraft as well and at the moment in fairness, as you saw on our chart, the European Union as a whole has the same level of vaccination as the United States. But the North Atlantic market is based on Western Europe and in most of those countries, the vaccination rate is substantially and materially ahead of what's in the United States. So, I do think that in relation to your 787 program, we can get those markets up and running, I think it will be a big boost for the US aerospace industry as a whole.

### **Q - Ronald J. Epstein**

And then, when are you expecting to take delivery of the 787 now? Do you have any idea?

### **A - Aengus Kelly**

Well, it will be customer by customer and you're working with Boeing and the customer on a case-by-case basis, and we can't go into go into for confidentiality reasons, the specifics of that.

### **Q - Ronald J. Epstein**

Got it, got it. And then maybe just following up on one of Helane's questions, what are you guys thinking broadly about urban air mobility, eVTOL. Is there a business there for a lessor, can those aircraft to be leased even, I mean how would one even think about residual values. I know this is a giant question, but maybe just a snippet. Is there anything interesting to do there for a lessor?

### **A - Aengus Kelly**

Look, I do think in time there is a market there and the big question is, you hit the nail on the head there, Ron, it's the applicability. A lessor wants an asset that can be transitioned to most customers around the globe. If an asset is uniquely configured for a specific mission, to reconfigure a low value asset and move us to another part of the globe, maybe from Canada to Jakarta, that's what you need to be able to do for a lessor's product to work, but I do think that the electric-powered vehicles are coming, I think that's a given. The timeframe and to what the missions will be and as to whether or not they can be commercially sized to aircraft that can carry humans, that's another matter altogether.

### **Q - Ronald J. Epstein**

Got it. All right. Cool. Thank you.

### **Operator**

Our next question will come from Andrew Lobbenberg of HSBC. Please go ahead.

### **Q - Andrew Lobbenberg**

Hi, there. I'm really intrigued to ask you about the sort of compare and contrast between your efforts to re-market the 787s to Norse Atlantic and the 350s going to Delta and I know you obviously constrained in what you can say about the individual client contracts, but the contrast in the nature of the companies is quite dramatic. How do you think it will work, but they are two very high value transactions for you, aren't they? So I'm just interested to understand the relative attractions and the relative economics of how those moves work for you, obviously accepting you'll be completely constrained. And then my other question after that would be just to see, I mean I sense the biggest area of pain within the industry in our Southeast Asia. And I don't think you've got too much exposure to it, but how daunting is the developments in the aviation industry in Southeast Asia and the restructurings, which may be less orderly perhaps than ones in Latin America that you've had exposure to.

### **A - Aengus Kelly**

So let me start with the last question, Andrew. AerCap's exposure to Southeast Asia is 5% of our book that is it, we haven't been a big player there we didn't really get involved in the airlines that we're placing massive speculative orders and building the business on sale leasebacks and as you know, we didn't do a sale leaseback prior to the pandemic. I think it was 2013. So we weren't really, and that's where a lot of the sale leaseback market was. Now as related to the two widebody placements that you're referring to, as I said in the earlier question, the key for a lessor in the portfolio is assets that have global applicability and global demand and that's where you need to have the best in class assets and the 787 is without doubt, the best in class small or mid-sized wide-body out there and the A350-900 is the most popular of the larger wide-body aircraft. So we were going to get demand for them. A key variable in these transitions is transition expense. When we look at Norse Atlantic, yes, it's not Delta Airlines, but by the same token one it raised significant capital, two it is in a much slimmed down business model than what Norwegian was doing on the North Atlantic and very importantly for us, there was little to no transition cost involved in that transaction and of course look Delta speaks for itself. We are very happy to get those aircraft away. It also shows the advantages of scale in that scenario where you have a large package of airplanes that can help an airline actually materially impact our fleet rather than ones and twos.

### **Q - Andrew Lobbenberg**

Yeah, fair enough. All right Thanks.

### **A - Aengus Kelly**

Thank you.

### **Operator**

This will conclude today's question and answer session. I would like to hand the conference back to Mr. Aengus Kelly for any additional closing remarks.

## A - Aengus Kelly

Thank you, operator. Thank you all for joining us today for the earnings call. We look forward to seeing you all in person in the near future, and certainly I assume quite a number of you will be at the Deutsche Bank Conference in September, which I'll be at in-person as well and I think the sooner we can all see each other in person, the better. So thank you very much indeed.

FINAL

## Operator

This will conclude today's conference call. Thank you all for your participation, you may now disconnect.

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