

February 14, 2019



# AerCap Holdings N.V. Reports Financial Results for Full Year 2018 and Announces New Share Repurchase Program

DUBLIN--(BUSINESS WIRE)--

AerCap Holdings N.V. ("AerCap") (NYSE: AER):

- **Net income of \$232.6 million for the fourth quarter of 2018 and \$1,015.6 million for the full year 2018**
- **Diluted earnings per share of \$1.62 for the fourth quarter of 2018 and \$6.83 for the full year 2018**

## Highlights

- Record 145 aircraft transactions executed in the fourth quarter of 2018.
- Approximately 95% of lease rents through 2021 already contracted.
- 99.0% fleet utilization rate for the fourth quarter of 2018.
- Record aircraft purchases of \$2.5 billion in the fourth quarter of 2018.
- 6.3 years average age of owned fleet and 7.4 years average remaining lease term.
- \$10.0 billion of available liquidity and adjusted debt/equity ratio of 2.86 to 1.
- 10% increase in book value per share since December 31, 2017.
- Repurchased 4.6 million shares in the fourth quarter of 2018 for \$235 million.
- New \$200 million share repurchase program authorized, which will run through September 30, 2019.

Aengus Kelly, CEO of AerCap, commented: "Q4 was a record quarter for AerCap in terms of transactions demonstrating the unique capabilities of AerCap and the strong demand for our aircraft. The output of these transactions was another robust quarter of profitability with earnings per share of \$1.62. AerCap has now bought, sold or leased over 2,000 aircraft in the last five years and generated over \$5.1 billion of net income. Our unique knowledge of the industry allied to our core principles on how we run AerCap will continue to drive shareholder value in the coming years."

## Full Year 2018 Financial Results

- Net income of \$1,015.6 million, compared with \$1,076.2 million for 2017.
- Diluted earnings per share of \$6.83, compared with \$6.43 for 2017, an increase of 6%,

primarily driven by the repurchase of 37.7 million shares during 2017 and 2018.

#### **Fourth Quarter 2018 Financial Results**

- Net income of \$232.6 million, compared with \$266.3 million for the same period in 2017. Diluted earnings per share of \$1.62, compared with \$1.67 for the same period in 2017.
- The decrease in net income was primarily driven by a lower maintenance contribution as well as mark-to-market losses on interest rate caps that are used for hedging purposes.
- The decrease in diluted earnings per share was driven by the same factors as net income, partially offset by the repurchase of 19.2 million shares from October 2017 through December 2018.

#### **Revenue and Net Spread**

|  | <u>Three months ended December 31,</u> |                  |                                   | <u>Year ended Dec</u>   |                  |
|--|--|------------------|-----------------------------------|-------------------------|------------------|
|  | <u>2018</u>                            | <u>2017</u>      | <u>% increase/<br/>(decrease)</u> | <u>2018</u>             | <u>2017</u>      |
|  | <u>(U.S. Dollars in millions)</u>      |                  |                                   | <u>(U.S. Dollars in</u> |                  |
| Lease revenue:                         |  |                  |                                   |                         |                  |
| Basic lease rents                      | \$1,051.0                              | \$1,035.3        | 2%                                | \$4,145.6               | \$4,194.2        |
| Maintenance rents and other receipts   | 102.3                                  | 162.6            | (37%)                             | 391.5                   | 519.6            |
| Lease revenue                          | 1,153.4                                | 1,197.9          | (4%)                              | 4,537.1                 | 4,713.8          |
| Net gain on sale of assets             | 40.8                                   | 48.5             | (16%)                             | 201.3                   | 229.1            |
| Other income                           | 25.5                                   | 16.6             | 54%                               | 61.6                    | 94.6             |
| <b>Total Revenues and other income</b> | <b>\$1,219.7</b>                       | <b>\$1,263.0</b> | <b>(3%)</b>                       | <b>\$4,800.0</b>        | <b>\$5,037.5</b> |

Basic lease rents were \$1,051.0 million for the fourth quarter of 2018, compared with \$1,035.3 million for the same period in 2017. The increase was primarily due to the delivery of new aircraft from October 2017 through December 2018, resulting in a \$1.6 billion increase in average lease assets.

Maintenance rents and other receipts were \$102.3 million for the fourth quarter of 2018, compared with \$162.6 million for the same period in 2017. The decrease was primarily the result of lower maintenance revenue recognized as a result of lease terminations.

Net gain on sale of assets for the fourth quarter of 2018 was \$40.8 million, relating to 27 aircraft sold, compared with \$48.5 million for the same period in 2017, also relating to 27 aircraft sold. The decrease was primarily due to the composition of asset sales.

Other income for the fourth quarter of 2018 was \$25.5 million, compared with \$16.6 million for the same period in 2017. The increase was primarily the result of higher inventory sales in the fourth quarter of 2018.

|   | <u>Three months ended Decem</u> |                  |
|---|---------------------------------|------------------|
|   | <u>2018</u>                     | <u>2017</u>      |
|   | <u>(U.S. Dollars in millio</u>  |                  |
|   |                                 | <u>% in</u>      |
|   |                                 | <u>(dec</u>      |
| <b>Basic lease rents</b>  | <b>\$1,051.0</b>                | <b>\$1,035.3</b> |
| Interest expense  | 322.7                           | 271.5            |
| Adjusted for:   |                                 |                  |
| Mark-to-market of interest rate caps                                | (20.8)                          | 3.4              |
| Interest expense excluding mark-to-market of interest rate caps     | 301.9                           | 274.9            |
| <b>Net interest margin, or net spread (*)</b>                       | <b>\$749.1</b>                  | <b>\$760.4</b>   |
| Average lease assets (*)  | \$36,364                        | \$34,748         |
| <b>Annualized net spread (*)</b>                                    | <b>8.2%</b>                     | <b>8.8%</b>      |
| <b>Annualized net spread less depreciation and amortization (*)</b> | <b>3.2%</b>                     | <b>3.0%</b>      |

(\*) Refer to “Notes Regarding Financial Information Presented in This Press Release” for detail

Interest expense excluding mark-to-market of interest rate caps of \$20.8 million was \$301.9 million for the fourth quarter of 2018, compared with \$274.9 million for the same period in 2017. Average cost of debt was 4.1% for the fourth quarter of 2018, compared with 3.9% for the same period in 2017.

Annualized net spread was 8.2% for the fourth quarter of 2018, compared with 8.8% for the same period in 2017. The decrease was primarily due to the lower age of our owned fleet, which increased our average remaining lease term to 7.4 years. Our younger aircraft tend to have longer lease terms and lower yields than older aircraft.

Annualized net spread less depreciation and amortization was 3.2% for the fourth quarter of 2018, compared with 3.0% for the same period in 2017. The increase was primarily due to the lower age of our owned fleet and lower maintenance rights amortization during the fourth quarter of 2018.

### **Selling, General and Administrative Expenses**

|   | <u>Three months ended December 31,</u> |               |                                   |           |
|---|--|---------------|-----------------------------------|-----------|
|   | <u>2018</u>                            | <u>2017</u>   | <u>% increase/<br/>(decrease)</u> |           |
| <u>(U.S. Dollars in millions)</u>                         |  |               |                                   |           |
| Selling, general and administrative expenses              | \$52.7                                 | \$67.4        | (22%)                             | \$        |
| Share-based compensation expenses                         | 18.1                                   | 28.9          | (37%)                             |           |
| <b>Total selling, general and administrative expenses</b> | <b>\$70.8</b>                          | <b>\$96.3</b> | <b>(26%)</b>                      | <b>\$</b> |

Selling, general and administrative expenses decreased by 26% to \$70.8 million for the fourth quarter of 2018, compared with \$96.3 million for the same period in 2017. The decrease was primarily due to a decrease in share-based compensation and other compensation-related expenses.

### Other Expenses

Leasing expenses were \$125.9 million for the fourth quarter of 2018, compared with \$141.2 million for the same period in 2017. The decrease was primarily due to a decrease in maintenance rights expense as a result of the lower maintenance rights asset balance, partially offset by an increase in other leasing expenses as a result of lease terminations. Asset impairment charges were \$15.3 million for the fourth quarter of 2018, compared to \$10.4 million recorded for the same period in 2017. Asset impairment recorded in the fourth quarter of 2018 related to lease terminations and sales transactions and was more than offset by maintenance revenue.

### Effective Tax Rate

Our effective tax rate for the full year 2018 was 12.5%, compared to 13.3% for the full year 2017. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions.

### Book Value Per Share

|  | <u>December<br/>2018</u>       |
|--|--------------------------------|
|  | <u>(U.S. D<br/>except shar</u> |
| <b>Total AerCap Holdings N.V. shareholders' equity</b>                             | <b>\$8,82</b>                  |
| Ordinary shares outstanding  | 142,674,                       |
| Unvested restricted stock  | (2,429,                        |
| <b>Ordinary shares outstanding (excl. unvested restricted stock)</b>               | <b>140,245,</b>                |
| <b>Book value per ordinary share outstanding (excl. unvested restricted stock)</b> | <b>\$62</b>                    |

Book value per share has increased 10% since December 31, 2017.

## **Financial Position**

|   | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>% increase/<br/>(decrease) over<br/>December 31,<br/>2017</b> |
|---|------------------------------|------------------------------|--|
| <b>(U.S. Dollars in millions, except debt/equity ratio)</b> |                              |                              |  |
| Total cash, cash equivalents and restricted cash            | \$1,415.0                    | \$2,024.1                    | (30%)  |
| Total lease assets (*)                                      | 37,244.6                     | 35,404.4                     | 5%   |
| Total assets  | 43,208.9                     | 42,040.1                     | 3%   |
| Debt  | 29,507.6                     | 28,420.7                     | 4%   |
| Total liabilities   | 34,328.3                     | 33,401.3                     | 3%   |
| Total AerCap Holdings N.V. shareholders' equity             | 8,828.0                      | 8,579.7                      | 3%   |
| Total equity  | 8,880.6                      | 8,638.8                      | 3%   |
| Adjusted debt (*)   | 27,553.6                     | 26,011.1                     | 6%   |
| Adjusted equity (*)   | 9,630.6                      | 9,388.8                      | 3%   |
| Adjusted debt/equity ratio (*)                              | 2.86 to 1                    | 2.77 to 1                    | 3%   |

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

As of December 31, 2018, AerCap's portfolio consisted of 1,421 aircraft that were owned, on order or managed. The average age of our owned fleet as of December 31, 2018 was 6.3 years and the average remaining contracted lease term was 7.4 years.

## **Share Repurchase Program**

On February 13, 2019, our Board of Directors approved a new share repurchase program authorizing total repurchases of up to \$200 million of AerCap ordinary shares through September 30, 2019. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable U.S. federal securities laws. The timing of repurchases and the exact number of common shares to be purchased will be determined by the Company's management, in its discretion, and will depend upon market conditions and other factors. The program will be funded using the Company's cash on hand and cash generated from operations. The program may be suspended or discontinued at any time.

## **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 is a definition 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.

|   | <b>December 31,<br/>2018</b>                                    | <b>December 31,<br/>2017</b> |
|---|---|------------------------------|
|   | <b>(U.S. Dollars in millions,<br/>except debt/equity ratio)</b> |                              |
| <b>Debt</b>                                   | <b>\$29,508</b>   | <b>\$28,421</b>              |
| Adjusted for:                                 |   |                              |
| Cash and cash equivalents                     | (1,204)   | (1,660)                      |
| 50% credit for long-term subordinated<br>debt | (750)   | (750)                        |
| <b>Adjusted debt</b>                          | <b>\$27,554</b>   | <b>\$26,011</b>              |
| <br>  |   |                              |
| <b>Equity</b>                                 | <b>\$8,881</b>  | <b>\$8,639</b>               |
| Adjusted for:                                 |   |                              |
| 50% credit for long-term subordinated<br>debt | 750   | 750                          |
| <b>Adjusted equity</b>                        | <b>\$9,631</b>  | <b>\$9,389</b>               |
| <br>  |   |                              |
| <b>Adjusted debt/equity ratio</b>             | <b>2.86 to 1</b>  | <b>2.77 to 1</b>             |

*Net interest margin, or net spread, and annualized net spread*

Net interest margin, or net spread, is 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, Thursday, February 14, 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](http://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 ([jmcginley@aercap.com](mailto:jmcginley@aercap.com)).

### **About AerCap**

AerCap is the global leader in aircraft leasing with, as of December 31, 2018, 1,421 owned, managed or on order aircraft in its portfolio. 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](http://www.aercap.com) and follow us on Twitter [www.twitter.com/aercapny](https://www.twitter.com/aercapny).

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

|  | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|------------------------------|------------------------------|
| <b>Assets</b>  |                              |                              |
| Cash and cash equivalents                                | \$1,204,018                  | \$1,659,669                  |
| Restricted cash  | 211,017                      | 364,456                      |
| Trade receivables  | 40,379                       | 73,877                       |
| Flight equipment held for operating leases, net          | 35,052,335                   | 32,396,827                   |
| Maintenance rights and lease premium, net                | 1,113,190                    | 1,501,858                    |
| Flight equipment held for sale                           | 184,129                      | 630,789                      |
| Net investment in finance and sales-type leases          | 1,003,286                    | 995,689                      |
| Prepayments on flight equipment                          | 3,024,520                    | 2,930,303                    |
| Other intangibles, net                                   | 328,570                      | 355,512                      |
| Deferred income tax assets                               | 138,281                      | 151,234                      |
| Other assets   | 909,190                      | 979,930                      |
| <b>Total Assets</b>                                      | <b>\$43,208,915</b>          | <b>\$42,040,144</b>          |
| <b>Liabilities and Equity</b>                            |                              |                              |
| Accounts payable, accrued expenses and other liabilities | \$1,009,945                  | \$1,017,374                  |
| Accrued maintenance liability                            | 2,237,494                    | 2,461,799                    |
| Lessee deposit liability                                 | 768,677                      | 827,470                      |
| Debt   | 29,507,587                   | 28,420,739                   |
| Deferred income tax liabilities                          | 804,598                      | 673,948                      |
| Total liabilities  | 34,328,301                   | 33,401,330                   |

|   |                                   |                                   |
|---|-----------------------------------|-----------------------------------|
| Ordinary share capital €0.01 par value, 350,000,000<br>ordinary shares authorized as of December 31, 2018 and<br>December 31, 2017;<br>151,847,345 and 167,847,345 ordinary shares issued and<br>142,674,664 and 152,992,101 ordinary shares outstanding<br>(including 2,429,442 and 3,007,752 unvested restricted<br>stock) as of December 31, 2018 and December 31, 2017,<br>respectively | 1,866                             | 2,058                             |
| Additional paid-in capital  | 2,712,417                         | 3,714,563                         |
| Treasury shares, at cost (9,172,681 and 14,855,244<br>ordinary shares<br>as of December 31, 2018 and December 31, 2017,<br>respectively)  | (476,085)                         | (731,442)                         |
| Accumulated other comprehensive (loss) income   | (1,824)                           | 14,274                            |
| Accumulated retained earnings   | 6,591,674                         | 5,580,257                         |
| Total AerCap Holdings N.V. shareholders' equity   | <u>8,828,048</u>                  | <u>8,579,710</u>                  |
| Non-controlling interest  | 52,566                            | 59,104                            |
| Total Equity  | <u>8,880,614</u>                  | <u>8,638,814</u>                  |
| <b>Total Liabilities and Equity</b>   | <b><u><u>\$43,208,915</u></u></b> | <b><u><u>\$42,040,144</u></u></b> |

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

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

|   | <u>Three months e</u><br><u>2018</u> |
|---|--------------------------------------|
| <b>Revenues and other income</b>  |                                      |
| Lease revenue   | \$1,153,358                          |
| Net gain on sale of assets  | 40,806                               |
| Other income  | 25,521                               |
| <b>Total Revenues and other income</b>  | <u><b>1,219,685</b></u>              |
| <b>Expenses</b>   |                                      |
| Depreciation and amortization   | 425,905                              |
| Asset impairment  | 15,257                               |
| Interest expense  | 322,678                              |
| Leasing expenses  | 125,896                              |
| Restructuring related expenses  | —                                    |
| Selling, general and administrative expenses  | 70,771                               |
| <b>Total Expenses</b>   | <u><b>960,507</b></u>                |
| <b>Income before income taxes and income of investments accounted for under the equity method</b> | <b>259,178</b>                       |
| Provision for income taxes  | (28,147)                             |
| Equity in net earnings of investments accounted for under the equity method                       | 2,123                                |
| <b>Net income</b>   | <u><b>\$233,154</b></u>              |
| Net income attributable to non-controlling interest   | (512)                                |
| <b>Net income attributable to AerCap Holdings N.V.</b>  | <u><u><b>\$232,642</b></u></u>       |
| Basic earnings per share  | \$1.63                               |
| Diluted earnings per share  | \$1.62                               |
| Weighted average shares outstanding - basic   | 142,557,379                          |
| Weighted average shares outstanding - diluted   | 144,033,735                          |

**AerCap Holdings N.V.**

## Unaudited Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

|  | <u>Year</u>  |
|--|--------------|
|  | <u>2</u>     |
| Net income   | \$1,0        |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |              |
| Depreciation and amortization  | 1,6          |
| Asset impairment   |              |
| Amortization of debt issuance costs and debt discount                                    |              |
| Amortization of lease premium  |              |
| Amortization of fair value adjustment on debt  | (1)          |
| Accretion of fair value adjustment on deposits and maintenance liabilities               |              |
| Maintenance rights write-off   | 2            |
| Maintenance liability release to income  | (2)          |
| Net gain on sale of assets   | (2)          |
| Deferred income taxes  | 1            |
| Restructuring related expenses   |              |
| Other  | 1            |
| <b>Changes in operating assets and liabilities:</b>                                      |              |
| Trade receivables  |              |
| Other assets   |              |
| Accounts payable, accrued expenses and other liabilities                                 | (            |
| <b>Net cash provided by operating activities</b>   | <u>2,8</u>   |
| Purchase of flight equipment   | (4,0)        |
| Proceeds from sale or disposal of assets   | 1,8          |
| Prepayments on flight equipment  | (1,9)        |
| Collections of finance and sales-type leases   |              |
| Other  | (            |
| <b>Net cash used in investing activities</b>   | <u>(4,0)</u> |
| Issuance of debt   | 5,5          |
| Repayment of debt  | (4,3)        |
| Debt issuance costs paid   | (            |
| Maintenance payments received  | 7            |
| Maintenance payments returned  | (4)          |
| Security deposits received   | 2            |
| Security deposits returned   | (2)          |
| Dividend paid to non-controlling interest holders  |              |
| Repurchase of shares and tax withholdings on share-based compensation                    | (8)          |
| <b>Net cash provided by (used in) financing activities</b>                               | <u>6</u>     |

|   |                            |
|---|----------------------------|
| Net decrease in cash, cash equivalents and restricted cash                    | (6                         |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash |                            |
| Cash, cash equivalents and restricted cash at beginning of period             | <u>2,0</u>                 |
| <b>Cash, cash equivalents and restricted cash at end of period</b>            | <b><u><u>\$1,4</u></u></b> |

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