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AER - Q3 2015 AerCap Holdings NV Earnings Call

EVENT DATE/TIME: NOVEMBER 10, 2015 / 02:00PM GMT



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PRESENTATION

John Wikoff - AerCap Holdings NV - Head of IR

Welcome to our 2015 third-quarter results conference call. With me today is our Chief Executive Officer, Aengus Kelly, and our Chief Financial Officer, Keith Helming.

Before we begin today's call I would like to remind you that some statements made during this conference call that 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 November 10, 2015. A copy of the earnings release and conference call presentation are available on our website at AerCap.com. This call is open to the public and is being webcast simultaneously at AerCap.com and will be archived for replay.

I will now turn the call over to Aengus Kelly.

Aengus Kelly - AerCap Holdings NV - CEO

Thank you, John. Good morning, everybody, and thank you for joining us for our 2015 third-quarter earnings call. We are delighted to be reporting industry-leading earnings for the third quarter which highlights AerCap's strong growth profile as well as the efficiency and scalability of our platform. We generated adjusted net income of \$328 million for the third quarter and adjusted earnings per share of \$1.66 which equates to an EPS of \$4.82 for the first nine months of 2015. It is also worth noting that reported, i.e., unadjusted net income for the last 12 months was \$1.2 billion.

We ended the third quarter with total assets of \$43 billion and our net spread which is a crucial measure of the Company's operational performance reached \$892 million in the third quarter. This represents a healthy annual net interest margin of 9.8% which was achieved thanks to the attractive financing terms we secured through our scale and the relatively high lease rates achieved by having one of the most attractive portfolios in the industry and dynamic platforms.



As the largest and most active lessor in the world, our daily interaction with the marketplace provides us with a unique perspective of global demand for aircraft.

During the first nine months of the year, AerCap completed 306 aircraft transactions, more than one every 24 hours. This includes the signing of 216 lease agreements, the purchase of 35 aircraft and sales transactions for 55 aircraft. This level of insight into the market gives us a high degree of visibility into end-user sentiment, general market conditions as well as specific values and lease rates.

I would like to comment on the recent market commentary devoted to widebody capacity over the past few weeks. Based on our transaction volumes and AerCap, leases or sales on average two widebody aircraft every week, we are not seeing any unusual softness, neither in terms of demand nor in terms of value for widebody aircraft.

Indeed, as set out on slide five of this presentation, through the nine months to September 30, AerCap had leased or sold 47 used Airbus A330 and Boeing 777 aircraft alone.

On the back of strong growth in long-haul travel, we continue to see good demand for used widebodies of all types including the Airbus A330 and Boeing 777 and in particular the Boeing 767.

Furthermore, one only has to look at the \$600 million transaction we completed in late September for a 10 aircraft portfolio consisting primarily of Boeing 777 and Airbus A330 aircraft to realize that widebody values are not depressed. Transactions such as this will continue to be executed by AerCap at the right terms in order to lower the average age of our portfolio and maintain the most liquid portfolio of in demand aircraft.

This brings me to the tremendous long-term growth potential we see globally and especially in Asia. Despite short- to medium-term macroeconomic shocks as recently experienced in China, our customers in the region and in China specifically continue to refleet with the long-term in mind as the middle class in key Asian markets continues to grow rapidly.

I would like to remind our listeners today that 100 million Asian passengers are flying for the first time in their lives each and every year. With such an opportunity comes the need to finance growth, not just profitably but also responsibly.

Since the announcement of the ILFC acquisition in December 2013, AerCap has raised over \$17 billion which includes the proceeds from our offering of \$1 billion of five-year unsecured notes a couple of weeks ago. The demand for this offering was so large that we were able to upsize the transaction by 2.5 times from its initial launch size of \$400 million.

As of September 30, 2015, AerCap had \$6.4 billion of available liquidity and we maintained a conservative approach towards the management of our balance sheet. We remain highly cash generative and are very close to achieving our debt equity target ratio of 3 to 1. During the third quarter, our debt equity ratio was reduced further and currently stands at 3.1 to 1.

We remain extremely nimble despite our scale and our operational capability is delivering a virtually full fleet utilization rate of 99.7%. Couple this with an average remaining contracted lease term of 5.9 years and an order book for 80% of committed purchases through December 2018 have been placed either under lease contract or letter of intent and you have tremendous earnings visibility.

To conclude, we are delighted with our performance thus far in 2015. We continue to see strong market demand driven by passenger growth which continues to grow by over 5.5% per annum. We are operating in an industry with very strong and resilient fundamentals.

We also have an efficient and scalable platform which benefits from the industry's most attractive order book. This is underpinned by the growing demand for operating leases which finances the needs of airlines globally and only a platform the size of AerCap's can provide airlines with the holistic solutions they require for fleet management.

Finally and on a far more somber note, let me say that we are deeply saddened by the horrific and tragic events regarding Metro Jet Flight 9268 in the Sinai Province. As many of you already know, the aircraft was part of our leasing portfolio. On behalf of all of us at AerCap, I would like to extend my sincere condolences to the families, friends and loved ones of all the passengers and crew members who perished on board this aircraft. Our sympathies are also with the staff at Metro Jet who have lost colleagues during a most terrible time.

With that, I will hand the call over to Keith for a detailed review of our financial performance. Keith?



Keith Helming - AerCap Holdings NV - CFO

Thanks, Gus. Good morning, everyone. I will start on page 6 of the presentation.

Our reported net income for third quarter was \$293.9 million and adjusted net income was \$328 million. The adjustments made to derive adjusted net income include the elimination of costs relating to the mark to market of integrated caps swaps, transaction and integration expenses and maintenance rights expense. The most significant adjustment was \$22.5 million for maintenance rights expense. For the first nine months of 2015, adjusted net income was \$993.7 million.

Page 7; reported earnings per share were \$1.49 in third quarter. Adjusted earnings per share were \$1.66 during the same period. The average shares outstanding in the third quarter were \$212 million and for the first nine months of 2015, adjusted earnings per share were \$4.82.

Page 8; as a result of purchased accounting, a portion of the acquired ILFC aircraft value was classified as an intangible asset. The amortization cost for this portion of the aircraft value is recorded as lease expense instead of depreciation expense. Prior to the acquisition, this asset was part of the aircraft book value and subject to normal depreciation.

Now the amortization of the intangible asset is expensed more quickly over the remaining lease term instead of the remaining economic life of the aircraft. This difference in cost has effectively accelerated depreciation and was \$26 million pretax and \$23 million after-tax in the third quarter.

Page 9; total revenue in the third quarter was \$1.323 billion. Maintenance related to revenue was \$81 million, net gain on the sale of assets was \$52 million and other income was \$25 million. Total revenue increased 6% over the same period in 2014.

Page 10; net interest margin or our net spread was \$892 million in the third quarter. The annualized margin as a percent to average lease assets was 9.8% and the average lease assets were \$36.4 billion in the quarter.

Page 11; the impact from asset sales in third quarter with a pretax gain of \$51.6 million. During the third quarter we sold or parted out 13 aircraft from our owned aircraft portfolio. In addition, seven aircraft were purchased during the third quarter.

Page 12; leasing expenses were \$133 million and SG&A was \$91 million in the quarter. Leasing costs include \$94 million relating to the expensing of the maintenance right asset and \$11 million relating to aircraft that terminated early or defaulted.

During third quarter, we incurred \$3 million of transaction related expense and also in third quarter we incurred \$8 million of impairment charges relating to two aircraft. For the same aircraft, we also recognized maintenance revenue of \$18.6 million as a result of the terminations so the net impact was a positive \$10.6 million. The year-to-date tax rate for 2015 is 13.5%.

Page 13; AerCap's unrestricted cash balance at the end of the third quarter was \$1.3 billion and our total cash balance including restricted cash was \$1.7 billion. Operating cash flows were \$796 million in the quarter.

Page 14; our available liquidity sources over the next 12 months is \$9.8 billion and contracted debt maturities and CapEx over the same period is \$7.9 billion. This results in excess liquidity coverage of \$1.9 billion and a ratio of sources to use of 1.2 times. These sources of course do not include additional capital we expect to generate from financing of our new aircraft purchases.

Page 15; at the end of third quarter, our debt to equity ratio was 3.1 to 1, down from 3.5 to 1 at the same period in 2014. The average cost of our debt for the third quarter was 3.6%. At the end of third quarter, the adjusted debt balance was \$27.3 billion and the adjusted equity balance was \$8.9 billion.

Page 17, with regard to the financial outlook for 2015, we have updated our previous guidance for the full-year adjusted net income. The update to the previous guidance includes an increase for the after-tax impact of the gain on sale generated during the third quarter. This outlook does not reflect gains or losses that might occur in the fourth quarter.

Those are the financial highlights for third quarter. I would like to now open the call to Q&A. Operator, can we have our first question?

QUESTION AND ANSWER



Operator

(Operator Instructions). Mark Streeter, JPMorgan.

Mark Streeter - JPMorgan - Analyst

Good morning, everyone. Thanks for taking my question. I want to dig in a little bit more on your comments about no unusual activity in widebody aircraft. Because what we have seen is the appraisers certainly seem to be adjusting their values down. On October 12, Ascend for example took values down 13% on nine- and 10-year-old 777 200ER.

So getting to back to Delta's comments and Richard Anderson and so forth, it seems like if you talk to the appraisers or we listen to Delta that there is weakness in specific older widebodies in certain situations that maybe you are immune to but I am just wondering if you can add some more color to what we are seeing from the appraisers?

Aengus Kelly - AerCap Holdings NV - CEO

Mark, we can only speak to what AerCap observes in the market and we are the biggest participant in the widebody market in the world. What we observed is that we were able to place two airplanes every single week. We would not be able to do that if there was unusual levels of softness in that market. It just wouldn't exist. So that is really how we see it and you see the sale of airplanes that we just completed, no one in the world obviously has sold this many widebodies. Appraisers don't deal in actual transaction data. We do.

You are right of course that there is weakness in various aircraft types. That is always the case and if we go back a few years, it was the 747 and the A340 with high fuel that put these airplanes under significant pressure. With low fuel that has change a little bit of course but they are still aircraft that are going out of service.

Specifically on certain aircraft of course, you can pick an airplane that is coming out of a bankrupt airlines such as Malaysian and that the aircraft has run out engines and a run out air frame and you can look at that as saying well, that is a distressed value and it certainly is. We also part out airplanes as you know, Mark, and in those instances however to have an aircraft that could return to service, you would have to invest \$30 million to \$40 million to put that airplane back into service.

So they are outliers in that regard of those aircraft types they are Rolls-Royce powered airplane. We do have four of them on lease at the moment but they represent significantly less than 1% of our total portfolio of assets.

Mark Streeter - JPMorgan - Analyst

Great. Would it be fair to say though that maybe part of the disconnect or the confusion is that has some of the appraised values and the appraisers, have they been just lagging the developments in the marketplace or how do you feel about when you look at blue book values for airplanes and some people like to go back and do NEVs on your portfolio and so forth and you have a very low basis on a lot of your aircraft that you bought out of ILFC and so forth.

But how in general do you look at just the appraised values that are out there versus the way you value aircraft or does it not matter to you?

Aengus Kelly - AerCap Holdings NV - CEO

Of course it matters. Certainly the appraised values are most definitely a very good signpost as to where aircraft values are. You have to recall of course aircraft appraised values exclude the value of any lease. It is the bare metal. So that makes a big difference. If you are looking at an aircraft without a lease or with a lease, there is a tremendous difference in value. Again, we would point to the carrying value of AerCap's fleet is what we are most familiar with and if you look at the trading activity of our fleet, we have sold over 400 airplanes and we have on average booked a gain on every one of them. So we are very comfortable with our own carrying values, Mark.

Mark Streeter - JPMorgan - Analyst

Okay, great. Thanks very much.



Aengus Kelly - AerCap Holdings NV - CEO

You're welcome.

Operator

Helane Becker, Cowen and Company.

Helane Becker - Cowen and Company - Analyst

Thanks very much, operator. Thank you very much for the time. I just have a couple of questions with respect to the aircraft that you have. Where do you stand with aircraft still in Russia as an example and are you seeing any more I guess -- I don't know the right word to use but negative issues coming out of that market?

Aengus Kelly - AerCap Holdings NV - CEO

Helane, as you know, we took a lot of aircraft out of Russia last winter. Of course it was a significant investor concern of what would happen in that jurisdiction, would we be able to do that. We knew of course from experience there has never been a jurisdiction in the world ever where we could not take an airplane out of. And in Russia that proved to be the case again of course last year.

Now most recently, Transaero has been the airline that is in the news which is -- was I should say -- the second largest carrier in Russia, a big airline with 100 airplanes mainly focused on 747s, 777s and 767s so big units with a bunch of 73s.

Now AerCap, we repossessed all 10 of the aircraft we had in Transaero four weeks ago. We had them out in 72 hours and every one of those airplanes has now been placed or sold.

I will say this, there is a very big difference between the AerCap platform and many others. While we were repossessing aircraft, another lessor was actually putting in brand-new airplanes. So there is a difference. It comes from having obviously the global reach, the scale and so much market intelligence as to what is happening with various airlines around the world that differentiates AerCap from others.

But in general as we see weakness in Russia, we act quickly. We do believe that the fact that so much capacity has left the market will enable yields to stabilize to more normal levels and we hope that as we go forward over the next year or so that we will see a more balanced market in Russia.

Helane Becker - Cowen and Company - Analyst

And then are there markets that we should thinking about that are problematic this winter?

Aengus Kelly - AerCap Holdings NV - CEO

There is always somewhere in the world that is under pressure. So at the moment we mentioned Russia of course which is of course not growing. Brazil is not growing tremendously either. However on the flipside of that, India which was a very tough market for quite a number of years, has shown significant growth and we are looking at putting additional aircraft into India for the first time in quite some time. The success of the Indian market is evidenced of course by the tremendously successful IPO of IndiGo, the low-cost carrier in India.

Mexico also we see doing a bit better. But overall to answer your question to be clear, the markets where there is lower growth is of course in Russia where there is distress and in Brazil as well.

Helane Becker - Cowen and Company - Analyst



Okay. And then just as we think about 2016 now with aircraft sales and rebalancing the fleet or adjusting the fleet, how should we think about that because I don't think you will be able to keep selling 300 or 400 aircraft a year or maybe you can. And I just kind of wonder how we should think about those aircraft sales going forward? Maybe as a percent of revenue, they are up quite a lot as you readjust the portfolio, but how should we really think about what happens next year?

Aengus Kelly - AerCap Holdings NV - CEO

Maybe it was my earlier comment, we have sold 400 aircraft over the last several years and what we sold this year to date is 55 airplanes. I expect that will probably be over 60 by the time we get to the end of the year. We do believe that as we gave guidance originally to the Street of asset sales of \$1 billion we'd certainly do at least that. Last year we did close to \$2 billion, this year we will probably be somewhere between \$1.5 billion and close to \$2 billion. Next year we will see what happens. There is robust demand out there, there are plenty of people who want to buy aircraft.

Helene Becker - Cowen and Company - Analyst

Okay, so we should just think about \$1 billion a year?

Aengus Kelly - AerCap Holdings NV - CEO

Well, the last two years we significantly exceeded that, I would say that is the minimum. Of course when we sell airplanes we need to get paid for it. We're not in the business of giving away \$10 bills for \$9. So if we get paid, we will certainly sell more, if we don't, we will hold onto them. We have the biggest platform in the world to manage them.

Helene Becker - Cowen and Company - Analyst

Okay, thank you.

Operator

Gary Liebowitz, Wells Fargo.

Gary Liebowitz - Wells Fargo Securities - Analyst

Thank you, operator. Good morning, gentlemen. Gus, I was wondering if you could give us an update on your deployment plans for excess capital given where asset prices are and where your stock price is, which way are you leaning? Is it even close? And also given where your net leverage ended the quarter, should we think of a new share buyback authorization as imminent?

Aengus Kelly - AerCap Holdings NV - CEO

Gary, allocation of capital is always at the forefront of the minds of management and the Board. As we allocate our shareholders money we must make sure that we achieve the optimal return. Now of course there are various outlets for that money, paying down debt, acquiring airplanes, acquiring other companies and of course, distributing capital to our shareholders. We have done all four in the past.

As we look at the situation today, we do believe there is a compelling bid for assets from the market, aircraft assets and we believe that our share price is trading at attractive levels.

This is something that we will look carefully at over the coming months with the Board. We have made it clear that before we start distributing additional capital that we need to get the debt equity ratio down to the target levels of that 3 to 1 area. This is something that we are close to and we expect to get to in the first quarter. And at that point then we will be in a position to determine what amount of capital is available for distribution or other investments. Keith, would you like to add anything?

Keith Helming - AerCap Holdings NV - CFO



I think those are the main points. We will be generating excess capital beginning in the first quarter so we will obviously be considering what to do with that capital very, very quickly.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, thanks. Just one follow-up on the 777 not to nitpick but you still have two that need to be placed for next year. Given the reconfiguration schedule, how soon do you need to have those placed before you might be looking at a 777 or two that are grounded?

Aengus Kelly - AerCap Holdings NV - CEO

We would expect to get those placed, Gary. Look, we delivered a 777 200 last month to a customer. We delivered one the previous month to another customer, we will be delivering another one next month. We would expect -- we are obviously in discussions with a number of carriers at the moment. We would expect the normal -- whenever we transition an airplane you always have a period of downtime be it a couple of months as you transition the airplanes. We wouldn't see anything unusual here. That is our expectation at the moment as we see things.

Gary Liebowitz - Wells Fargo Securities - Analyst

Thank you very much.

Operator

Christopher Nolan, FBR.

Christopher Nolan - FBR - Analyst

Hi. In your guidance for depreciation expenses for 2015 of \$2.1 billion, should we expect a bump up in depreciation expenses in the fourth quarter?

Keith Helming - AerCap Holdings NV - CFO

No, it is running at the same rate quarter in, quarter out. So \$2.1 billion is the economic depreciation after the adjustment from maintenance right expense. So perhaps as the assets increase obviously the depreciation will increase as well.

Christopher Nolan - FBR - Analyst

Great. Are you guys still guiding for or expecting 13% ROE in 2016?

Keith Helming - AerCap Holdings NV - CFO

We are going to provide more guidance on 2016 when we release our earnings in February so we will provide more on that later.

Christopher Nolan - FBR - Analyst

And strategically are you looking at -- as we move into 2016, 2017, you have given very good guidance in terms of growing the fleet and so forth. I am thinking about fee income opportunities. Is that an area of focus of management right now?

Aengus Kelly - AerCap Holdings NV - CEO



Sure. We have quite a number of aircraft under fee management arrangements, over 100 airplanes and we have been doing it for a long time. However, the platform is very valuable. If you look at the margins we generate, renting out the platform is generally not an optimal use of something of this value. We would prefer to use the skill set in house to manage our own assets. We do of course provide fee management services of course to quite a number of different institutions, well over 100 airplanes in there. But if I look overall it is not a great use of the platform in terms of profit generation. It is a very good use when you need to alleviate CapEx and that is generally why people do it in the past.

Christopher Nolan - FBR - Analyst

So you're not evaluating off-balance-sheet structures which structures sort of like a private equity type of arrangement?

Aengus Kelly - AerCap Holdings NV - CEO

We do plenty of them. We have them with the Chinese government. We have them with German banks. We have them with hedge funds, we have them with private equity shops and we have started doing it 14 years ago and at one point we were over 300 airplanes on a managed basis.

So it is something we do look at but at the moment the platform is extremely valuable and I want to focus on maximizing the return for our shareholders by using it on our own fleet.

Christopher Nolan - FBR - Analyst

Great. Thank you for taking my questions.

Aengus Kelly - AerCap Holdings NV - CEO

No problem.

Operator

Nathan Hong, Morgan Stanley.

Nathan Hong - Morgan Stanley - Analyst

Thanks for taking the question. I just want to ask you very quickly on the impairment charges of about \$8 million. I know it is not much but wondering if you could provide some color as to which aircraft were impaired?

Keith Helming - AerCap Holdings NV - CFO

Again as we indicated, it related to two aircraft that terminated and again we had excess maintenance reserve on those aircraft. So there was \$18.6 million of maintenance revenue recorded at the same time. So obviously there was a charge in the impairment line but it was more than offset by the revenue on the maintenance side so a net impact of just over \$10 million for the quarter.

Nathan Hong - Morgan Stanley - Analyst

Any specific as to which aircraft type?

Aengus Kelly - AerCap Holdings NV - CEO



Yes, one of them was a A320 100 which was the less popular there because there was only a few of them made of the A320 family and the other aircraft, Keith, was 747.

Nathan Hong - Morgan Stanley - Analyst

Okay, that is helpful. I just want to get your opinion on CIT. Obviously they might be in the market sometime in terms of selling their portfolio. I'm just kind of curious how you guys think about what the read across the industry when a portfolio that size gets put up into the market. Do asset prices generally go up or down, just wondering if I can get your thoughts here?

Aengus Kelly - AerCap Holdings NV - CEO

Very hard to say. Clearly when whole portfolios have traded and be it from public to private or private to private, we have seen a significant premium over where the public stocks are trading. So what will happen with CIT we don't know. We do feel however that the more participants that are listed the better it will be as we do believe that what we saw in the debt markets where initially the debt market was similar to the equity market, that it charged very wide spreads but as more and more volume came into the debt market then spreads aligned with comparable credits and other industries and that was due to the volume that came into the market.

So we would be very supportive of any additional public equity companies particularly a reasonable sized one like CIT.

Nathan Hong - Morgan Stanley - Analyst

That is helpful. Thanks for the time.

Operator

Michael Linenberg, Deutsche Bank.

Michael Linenberg - Deutsche Bank - Analyst

Good morning, everybody. I guess two questions here, Gus. I just want to go back to the comment that you made about the Transaero aircraft. I think you said that what was it that 10 you took out and since then they've been placed or sold. I think you took them out maybe four weeks ago so would that show up in the third quarter or is that going to show up in the fourth quarter?

Keith Helming - AerCap Holdings NV - CFO

Most of it has been recorded in the fourth quarter.

Michael Linenberg - Deutsche Bank - Analyst

The current quarter. Then with respect to the re-leasing of those airplanes, can you talk about maybe the terms that you were able to achieve versus maybe the terms that those aircraft were originally under, similar terms, better, worse? Any color would be great.

Aengus Kelly - AerCap Holdings NV - CEO

I would say so if we look at what we moved out of there we had four 767s, they are on long dated leases with a strong credit. The 737s went on very long leases with an exceptionally strong credit and then we had a 737 500 which we just sold. So overall, a lot much longer terms. Terms of revenue not much of an impact but this is what we do, Mike. That is the difference of having a platform like AerCap where we can take 10 airplanes out in 72 hours while we observe someone else sticking a new airplane in there at the same time.



Michael Linenberg - Deutsche Bank - Analyst

That is good to hear. Gus, just on my last question, I recently had a conversation with an airline management team and they were talking about the fact that fuel prices have come down a bit. And they said look, Boeing and Airbus, they're going to have to start accounting for that in the pricing of new airplanes. And I said all right, well, how should we think about it? And they said look, if you look at a new airplane versus an older aircraft like a CEO versus a NEO, The NEO probably gives us \$800,000 of savings a year or at least that is what it was when oil was over \$100 a barrel.

That has now been cut in half and so the savings are more like \$400,000 a year for the differential and we (inaudible) And then they went on to say that over time that they should probably see that in the lease rate as well. And I was just curious about whether or not is that accurate, is that how it plays out and if it does, does it ultimately find its way into the lease rate the lag? Can you talk about that.

Aengus Kelly - AerCap Holdings NV - CEO

Sure. We are placing NEO 787s 350s all the time. We observe still very good re-lease rates for the NEOs. As I said before, when the airlines are looking out 12, 14 years which is what they do when they take new aircraft, where fuel is today is not something they look at. The events of July 2008 are indelibly marked on their minds where when fuel went to 1.48 -- and airlines can't hedge themselves of course no bank will write a derivative for the long-term for an airline to hedge fuel. The only way to do it ultimately is have the most fuel efficient assets out there.

So we don't see a deterioration in demand for the NEOs. Now it is true of course that fuel is a lot less so the benefit of the NEO is not \$800,000, it was about -- the benefit is closer to \$1 million a year. Of course it is arbitrary on what point of fuel you use but at around the \$100 level, it was north of \$1 million a year to the airlines is what it was worth.

In any event, we do see continued strong demand for the NEOs, the lease rates that we are putting them out at we don't see much change. It is more influenced by interest rates to be fair than where oil has been on the NEOs at this point. They bounce around depending if you have very strong credit of course or weak credit or what have you but fundamentally it is more interest rate at the moment that have impacted us.

Michael Linenberg - Deutsche Bank - Analyst

Thank you.

Operator

Andrew Light, Citigroup.

Andrew Light - Citigroup - Analyst

Good morning. Sorry to go back to the Transaero issue. I know you placed your aircraft so there are another 96 that Transaero have, plus I think around 40-odd new aircraft on order. Are you comfortable that the market can absorb that without any kind of temporary dislocations to values or lease rates?

Aengus Kelly - AerCap Holdings NV - CEO

What will happen with many of those aircraft we suspect, Andrew, is that they will not fly again. Many of them are not owned by leasing companies. They are owned by financial institutions and it will be a challenge to move for those airplanes, for those owners of those aircraft types. We would be surprised if too much of that came back into the market. We would assume that the capacity that comes back into the market of those large widebody airplanes will be only those ones assumed by Aeroflot and we would be surprised -- we have never seen a financial institution in the past actually lease a widebody airplanes successfully. Or I should say an old widebody airplane successfully which is what these airplanes are, they are quite old.

So the comments I made are more in reference to the number of seats leaving the market, the types of airplanes they had were quite old aircraft with a very old average age.



Andrew Light - Citigroup - Analyst

They did have outstanding new aircraft orders I understand like the A321?

Aengus Kelly - AerCap Holdings NV - CEO

Yes, this goes back to Boeing and Airbus, Boeing and Airbus have no idea how their skyline will evolve over the long run. When they take in order in, they do not know for sure whether that airline will be there or not in the long run to take the airplane. They know that on average 85% of them will show up, they just don't know what 15% won't.

So I think this type of weakness in the skyline is built into Boeing and Airbus. It may not have been targeted specifically at Transaero but they always overbook and that goes back to why we shouldn't get too excited about orders or announcements of future production from the OEMs. It is about deliveries is what really counts and as they themselves will tell you, 15% of what they take in as orders won't be built.

Andrew Light - Citigroup - Analyst

Okay. Just a final question, do you have any specific significant exposure to Malaysian Airlines given what happened to Aircastle?

Aengus Kelly - AerCap Holdings NV - CEO

We don't. We did have a 39% stake in one 777. We took that airplane out some time ago and there was no real impact, just the impact in the financial statements there. You didn't see anything there material and that airplane is actually now in our Goodyear facility.

Andrew Light - Citigroup - Analyst

Okay, thank you very much.

Operator

Arren Cyganovich, D.A. Davidson.

Arren Cyganovich - D.A. Davidson & Co. - Analyst

Thanks. The basic lease revenues for the quarter are a little bit higher than we were anticipating. Is there anything unusual in that number driving it higher or is it just your run rate base revenue?

Keith Helming - AerCap Holdings NV - CFO

The annual yield for the quarter was pretty comparable to what you saw the last two quarters. It was just under 12.76% was the annual yield and that was the same as it was in Q2 as well and I think in Q1 as well so nothing unusual there.

Arren Cyganovich - D.A. Davidson & Co. - Analyst

Okay, great. Are you able to provide a breakdown of the commitments that you have for the 45 aircraft delivering in 2016 and the 73 and 2017? The dollar value?

Keith Helming - AerCap Holdings NV - CFO



Yes, I mean for 2016 there was eight aircraft in the first quarter, 11 in the second and 13 in each of the third and fourth quarters. I don't have 2017 in front of me.

Arren Cyganovich - D.A. Davidson & Co. - Analyst

Do you have the dollar value?

Keith Helming - AerCap Holdings NV - CFO

No, I don't, not with me.

Arren Cyganovich - D.A. Davidson & Co. - Analyst

Okay. Thank you.

Operator

Kristine Liwag, Merrill Lynch.

Kristine Liwag - BofA Merrill Lynch - Analyst

Good morning, everyone. Gus, going back to the widebody aircraft, you have discussed the market qualitatively but I was wondering if I could get some numbers in order to quantify the strength of the market you are seeing? So for the aircraft that you are leasing this year, can you discuss what kind of lease rate factors for widebodies, how they trended this year versus last year? And for the airplanes that you are placing in 2016, how do those compare?

Aengus Kelly - AerCap Holdings NV - CEO

There hasn't been much of a change is the short answer year on year. On the widebody side, you see movement around each one, the 767 has picked up an awful lot. 330-300 has been very robust, 330-200 we keep moving them more or less the same. 777 200s small fall off. If it is Rolls-Royce powered which we don't have any that we are trying to lease then I would imagine there would be more of a fall off in those assets because of proliferation of them coming from the Transaero and Malaysian Air bankruptcies.

Kristine Liwag - BofA Merrill Lynch - Analyst

Great. Some airlines in Latin America particularly Brazil with significant cost basis in US dollars, they are seeing a lot of financial pressure. Can you discuss how much negotiating room troubled airlines have with the rights of renegotiating a lower lease? And then also if you start seeing restructuring of a fleet, what are the things that you could do in advance so that you are not left with the bankruptcy proceedings?

Aengus Kelly - AerCap Holdings NV - CEO

Well, we just gave you a case study in Transaero. We were gone before anything happened with 10 airplanes and that is something you have always seen from us, Kristine, be it with Kingfisher, Mexicana, or any of the other cases in between. It is what we do.

Now when airlines do face distress the point is that it is the speed of your response to the problem, not the ultimate magnitude of your response that will determine success or failure. And that means that you have to have information at hand, you need to be working with the airline well in advance and you have to make a decision do I think this airline has a viable business model? Has it just got too much capacity on its hands? Has it fallen for the sirens tune from Boeing or Airbus and taking too many aircraft? And all they need to do is go back there and have a discussion with Boeing Airbus and defer it. It would be at a significant cost to them albeit but if that is the case we think the business model is viable but they just got over their skis on orders and the market is ultimately there, then we will tend to support the airline. If



we feel that the business model is not viable as we have done in the past, we will just take the airplanes out and move along. Because there is no contractual (technical difficulty) (multiple speakers)

Kristine Liwag - BofA Merrill Lynch - Analyst

Thank you.

Operator

Vincent Caintic, Macquarie.

Vincent Caintic - Macquarie Capital Markets - Analyst

Thank you. I just wanted to put a finer point on that widebody slide which I think is pretty powerful and also just differentiate your platform versus the other guys out there.

So you sold two 777 200s and two 300s. If I put it together, those 777s had near-term expirations of 2018 and I think that is on another slide. I am just wondering if you could highlight how you are able to get significant gains on sale of that aircraft? I think some people were worried that the \$8 million impairment was on the 777s but since that is not the case, how you are able to sustain those gains versus other guys? And you highlighted Malaysian Aircastle as an example but what differentiates your platform versus maybe other guys?

Aengus Kelly - AerCap Holdings NV - CEO

I don't know, I didn't mention Aircastle and I don't know the circumstances around that only what we are doing ourselves. I mean it is a very powerful platform, the AerCap one. There isn't a more powerful one in the world to move airplanes around. Of course that differentiates you significantly because you are generally there with the airlines as they look to re-fleet and the different options that are available to them in terms of selling aircraft at gains. Of course a lot of that comes from your carrying value of the assets.

The \$8 million you refer to there of course that was more than offset by the maintenance accounting. So I think the way it is presented of course it should really be netted off because that is the essence of what we do. We could reinvest the maintenance into the assets and then put the airplane back out on lease. We don't think that is the economically right thing to do for certain owner assets but overall there is a very clear focus on risk management in the business and trying to alleviate risk at all opportunities.

Vincent Caintic - Macquarie Capital Markets - Analyst

Got it. Thank you.

Operator

(Operator Instructions). Christopher Nolan, FBR

Christopher Nolan - FBR - Analyst

Gus, can you give a little detail in terms of how you guys decide whether or not to reinvest or release a plane or do a part out given that older planes are having extended life just because of lower fuel prices, I imagine the case of parting out may be improving. Do you have sort of a IRR threshold that you sort of look at?

Aengus Kelly - AerCap Holdings NV - CEO



Each plane is different so we look at it more on a net present value basis adjusted for risk. So any airplane can get re-leased and we can re-lease any the airplane. The question is how much will it cost us to reconfigure the airplane to what the customer wants, how long is the lease term and how strong is the credit quality of the airline? Frankly, do you want to spend \$20 million on an aircraft that is going to go to a startup carrier, you are better off just saying look, I'm not going to bother putting the \$20 million into the airplane, I will just take the airplane back, part it out and move on with life and get on with it.

The narrowbodies is much more straightforward because on the narrowbody side, they're buses really, you don't have to put that much into them to put them back out. It is more about the engines, whether the engines of older airplanes require full overhauls. If they don't, then it is pretty straightforward, you always release the airplane.

So each one is looked at individually to see what is the optimal outcome. And as I say, you look at the reconfiguration costs, the status of the engines and the credit quality of the counterparty that will get the asset.

Christopher Nolan - FBR - Analyst

So looking ahead you really can't predict whether or not Aero Turbine will see a significant growth or not?

Aengus Kelly - AerCap Holdings NV - CEO

I mean certainly Aero Turbine is growing at a significant clip at the moment mainly as we give an airplanes we decided that we don't want to re-lease that we wish to part out and you see that in the investor day where we gave quite some detail on the number of airplanes we have put down there. But it is a case-by-case decision on what to do with these aircraft.

Christopher Nolan - FBR - Analyst

Okay, thank you.

Operator

(Operator Instructions). If there are no further questions in the queue, that will conclude today's Q&A session. I would now like to turn the call back to Mr. Wikoff for any additional or closing remarks.

John Wikoff - AerCap Holdings NV - Head of IR

Thank you, operator, and thank you all for joining us for the third quarter. We will talk to you again hopefully later today at the New York Palace for the investor luncheon or failing that we will talk to you in February for the full-year results. Thank you all.

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