

February 14, 2018

# AerCap Holdings N.V. Reports Financial Results for Full Year 2017 and Announces New Share Repurchase Program

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

- **Net income of \$266.3 million for the fourth quarter of 2017 and \$1,076.2 million for the full year 2017**
- **Diluted earnings per share of \$1.67 for the fourth quarter of 2017 and \$6.43 for the full year 2017**

## Highlights

- 402 aircraft transactions executed in 2017, including 119 widebody transactions.
- 99.1% fleet utilization rate for the full year 2017.
- 6.8 years average age of owned fleet.
- 6.9 years average remaining lease term.
- \$5.3 billion of aircraft purchased and \$2.4 billion of aircraft sold in 2017.
- Ordered 30 Boeing 787 aircraft and 50 Airbus A320neo Family aircraft in 2017.
- \$9.6 billion of available liquidity and adjusted debt/equity ratio of 2.8 to 1.
- 16% increase in book value per share since December 31, 2016.
- Repurchased 23.7 million shares in 2017 for \$1.1 billion.
- New \$200 million share repurchase program authorized, which will run through June 30, 2018.

Aengus Kelly, CEO of AerCap, commented: *"I am very pleased to report another strong set of financial results for 2017 which is due to the hard work and relentless focus on execution of our team. During the year, we generated earnings per share of \$6.43 and net income of \$1.1 billion. Our platform also purchased a record \$5.3 billion of new aircraft in 2017, and sold approximately \$2.4 billion of mid-life assets, as part of our transition to new technology aircraft."*

## Full Year 2017 Financial Results

- Net income of \$1,076.2 million, compared with \$1,046.6 million for 2016.
- Diluted earnings per share of \$6.43, compared with \$5.52 for 2016, an increase of

16%, primarily driven by the repurchase of 48.7 million shares during 2016 and 2017.

#### **Fourth Quarter 2017 Financial Results**

- Net income of \$266.3 million, compared with \$364.7 million for the same period in 2016. Diluted earnings per share of \$1.67, compared with \$2.01 for the same period in 2016.
- The decrease in net income was primarily due to the fact that during the fourth quarter of 2016, we recognized income from lease terminations and a gain related to the repayment of a note receivable earlier than expected.
- The decrease in diluted earnings per share was driven by the same factors as net income, partially offset by the repurchase of 29.4 million shares from October 2016 through December 2017.

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

	<b><u>Three months ended December 31,</u></b>			<b><u>Year ended December 31,</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% increase/ (decrease)</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% increase/ (decrease)</u></b>
	<b><u>(U.S. Dollars in millions)</u></b>			<b><u>(U.S. Dollars in millions)</u></b>		
Lease revenue:						
Basic lease rents	\$ 1,035.3	\$ 1,061.8	(2%)	\$ 4,194.2	\$ 4,395.3	(5%)
Maintenance rents and other receipts	162.6	159.1	2%	519.6	472.3	10%
Lease revenue	1,197.9	1,220.9	(2%)	4,713.8	4,867.6	(3%)
Net gain on sale of assets	48.5	58.7	(17%)	229.1	138.5	65%
Other income	16.6	89.0	(81%)	94.6	146.0	(35%)
<b>Total Revenues and other income</b>	<b>\$ 1,263.0</b>	<b>\$ 1,368.6</b>	<b>(8%)</b>	<b>\$ 5,037.5</b>	<b>\$ 5,152.1</b>	<b>(2%)</b>

Basic lease rents were \$1,035.3 million for the fourth quarter of 2017, compared with \$1,061.8 million for the same period in 2016. The decrease was primarily due to the sale of mid-life and older aircraft during 2016 and 2017.

Maintenance rents and other receipts were \$162.6 million for the fourth quarter of 2017, compared with \$159.1 million for the same period in 2016.

Net gain on sale of assets for the fourth quarter of 2017 was \$48.5 million, relating to 27 aircraft sold and two aircraft reclassified to finance leases, compared with \$58.7 million for the same period in 2016, relating to 37 aircraft sold and three aircraft reclassified to

finance leases. The decrease was primarily due to the composition of asset sales.

Other income for the fourth quarter of 2017 was \$16.6 million, compared with \$89.0 million for the same period in 2016. Other income for the fourth quarter of 2016 included income from lease terminations and a gain related to the repayment of a note receivable earlier than expected.

	<u>Three months ended December 31,</u>			<u>Year ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>
	<u>(U.S. Dollars in millions)</u>			<u>(U.S. Dollars in millions)</u>		
<b>Basic lease rents</b>	<b>\$ 1,035.3</b>	<b>\$ 1,061.8</b>	<b>(2%)</b>	<b>\$ 4,194.2</b>	<b>\$ 4,395.3</b>	<b>(5%)</b>
Interest expense	271.5	252.7	7%	1,112.4	1,091.9	2%
Adjusted for:						
Mark-to-market of interest rate caps and swaps	3.4	18.6	(82%)	(14.2)	(1.6)	788%
Adjusted interest expense	274.9	271.3	1%	1,098.2	1,090.3	1%
<b>Net interest margin, or net spread (*)</b>	<b>\$ 760.4</b>	<b>\$ 790.5</b>	<b>(4%)</b>	<b>\$ 3,096.0</b>	<b>\$ 3,305.0</b>	<b>(6%)</b>
Average lease assets	\$ 34,748	\$ 34,192	2%	\$ 34,228	\$ 34,857	(2%)
<b>Annualized net spread (*)</b>	<b>8.8%</b>	<b>9.3%</b>		<b>9.0%</b>	<b>9.5%</b>	

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

As shown in the table above, adjusted interest expense was \$274.9 million for the fourth quarter of 2017, compared with \$271.3 million for the same period in 2016.

Annualized net spread was 8.8% for the fourth quarter of 2017, compared with 9.3% for the same period in 2016. The decrease was primarily the result of the lower age of our owned fleet which is driven by aircraft sales and purchases from October 2016 to December 2017.

### Selling, General and Administrative Expenses

Three months ended December 31, Year ended December 31,

	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Selling, general and administrative expenses	\$ 67.4	\$ 70.3	(4%)	\$ 240.6	\$ 248.2	(3%)
Share-based compensation expenses	<u>28.9</u>	<u>26.5</u>	<u>9%</u>	<u>107.7</u>	<u>102.8</u>	<u>5%</u>
<b>Total selling, general and administrative expenses</b>	<b><u>\$ 96.3</u></b>	<b><u>\$ 96.8</u></b>	<b><u>(1%)</u></b>	<b><u>\$ 348.3</u></b>	<b><u>\$ 351.0</u></b>	<b><u>(1%)</u></b>

### Other Expenses

Asset impairment charges were \$10.4 million for the fourth quarter of 2017, compared with \$11.4 million recorded for the same period in 2016. Asset impairment recorded in the fourth quarter of 2017 primarily related to lease terminations and was more than offset by maintenance revenue recognized as a result of these lease terminations. Leasing expenses were \$141.2 million for the fourth quarter of 2017, compared with \$143.3 million for the same period in 2016.

### Effective Tax Rate

Our effective tax rate for the full year 2017 was 13.3%, compared with the effective tax rate of 14.5% for the full year 2016. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions. The effective tax rate in 2017 reflects our re-assessment of our deferred tax assets and liabilities, including as a result of recent U.S. tax reform legislation. The effective tax rate in 2016 included a valuation allowance related to the AeroTurbine losses.

### Book Value Per Share

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(U.S. Dollars in millions, except share and per share data)	
<b>Total AerCap Holdings N.V. shareholders' equity</b>	<b>\$ 8,579.7</b>	<b>\$ 8,524.4</b>
Ordinary shares outstanding	152,992,101	176,247,154
Unvested restricted stock	<u>(3,007,752)</u>	<u>(3,426,810)</u>
<b>Ordinary shares outstanding (excl. unvested</b>		

restricted stock)	<u>149,984,349</u>	<u>172,820,344</u>
<b>Book value per ordinary share outstanding (excl. unvested restricted stock)</b>	<u>\$ 57.20</u>	<u>\$ 49.33</u>

Book value per share has increased 16% since December 31, 2016.

### Financial Position

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>% increase/ (decrease) over December 31, 2016</u>
<b>(U.S. Dollars in millions, except debt/equity ratio)</b>			
Total cash (incl. restricted)	\$ 2,024.1	\$ 2,364.6	(14%)
Total assets	42,040.1	41,620.5	1%
Debt	28,420.7	27,717.0	3%
Total liabilities	33,401.3	33,038.2	1%
Total AerCap Holdings N.V. shareholders' equity	8,579.7	8,524.4	1%
Total equity	8,638.8	8,582.3	1%
Adjusted debt (*)	26,011.1	24,931.6	4%
Adjusted equity (*)	9,388.8	9,332.3	1%
Adjusted debt/equity ratio (*)	2.8 to 1	2.7 to 1	4%

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

As of December 31, 2017, AerCap's portfolio consisted of 1,531 aircraft that were owned, on order or managed. The average age of our owned fleet as of December 31, 2017 was 6.8 years and the average remaining contracted lease term was 6.9 years.

### Share Repurchase Program

Our Board of Directors approved a new share repurchase program authorizing total repurchases of up to \$200 million of AerCap ordinary shares through June 30, 2018. 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, 2017</b>	<b>December 31, 2016</b>
	<b>(U.S. Dollars in millions, except debt/equity ratio)</b>	
<b>Debt</b>	<b>\$ 28,421</b>	<b>\$ 27,717</b>
Adjusted for:		
Cash and cash equivalents	(1,660)	(2,035)
50% credit for long-term subordinated debt	(750)	(750)
<b>Adjusted debt</b>	<b>\$ 26,011</b>	<b>\$ 24,932</b>
<b>Equity</b>	<b>\$ 8,639</b>	<b>\$ 8,582</b>
Adjusted for:		
50% credit for long-term subordinated debt	750	750
<b>Adjusted equity</b>	<b>\$ 9,389</b>	<b>\$ 9,332</b>

## Adjusted debt/equity ratio

2.8 to 1

2.7 to 1

### *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 and swaps. Annualized net spread is net spread for the applicable period, scaled to a one year period. 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.

### **Conference Call**

In connection with the earnings release, management will host an earnings conference call today, Wednesday, February 14, 2018, at 8:30 am Eastern Daylight Time. The call can be accessed live by dialing (U.S./Canada) +1 323 794 2423 or (International) +353 1 246 5621 and referencing code 4730385 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 details and to register for this event please email: [aercap@instinctif.com](mailto:aercap@instinctif.com).

For further information, contact Joseph McGinley: +353 1 418 0428 ([jmccginley@aercap.com](mailto:jmccginley@aercap.com)) or Mark Walter (Instinctif Partners): +44 20 7457 2020 ([aercap@instinctif.com](mailto:aercap@instinctif.com)).

### **About AerCap**

AerCap is the global leader in aircraft leasing with, as of December 31, 2017, 1,531 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, Fort Lauderdale, 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/aercapnv](http://www.twitter.com/aercapnv).

## **AerCap Holdings N.V.**

### **Unaudited Consolidated Balance Sheets**

(U.S. Dollars in thousands)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,659,669	\$ 2,035,447
Restricted cash	364,456	329,180
Trade receivables	73,877	64,923
Flight equipment held for operating leases, net	32,396,827	31,501,973
Maintenance rights intangible and lease premium, net	1,501,858	2,167,925
Flight equipment held for sale	630,789	107,392
Net investment in finance and sales-type leases	995,689	755,882
Prepayments on flight equipment	2,930,303	3,265,979
Other intangibles, net	355,512	397,101
Deferred income tax assets	151,234	215,445
Other assets	979,930	779,206
<b>Total Assets</b>	<b><u>\$ 42,040,144</u></b>	<b><u>\$ 41,620,453</u></b>

### **Liabilities and Equity**

Accounts payable, accrued expenses and other liabilities	\$ 1,017,374	\$ 1,132,536
--	--------------	--------------

Accrued maintenance liability	2,461,799	2,750,576
Lessee deposit liability	827,470	859,099
Debt	28,420,739	27,716,999
Deferred income tax liabilities	673,948	578,979
Total liabilities	<u>33,401,330</u>	<u>33,038,189</u>

Ordinary share capital €0.01 par value,  
350,000,000 ordinary shares authorized as of  
December 31, 2017 and December 31, 2016;

167,847,345 and 187,847,345 ordinary  
shares issued and 152,992,101 and  
176,247,154 ordinary shares outstanding  
(including 3,007,752 and 3,426,810 unvested  
restricted stock) as of December 31, 2017  
and December 31, 2016, respectively

	2,058	2,282
Additional paid-in capital	3,714,563	4,505,019
Treasury shares, at cost (14,855,244 and 11,600,191 ordinary shares as of December 31, 2017 and December 31, 2016, respectively)	(731,442)	(490,092)
Accumulated other comprehensive income (loss)	14,274	(1,769)
Accumulated retained earnings	<u>5,580,257</u>	<u>4,509,007</u>
Total AerCap Holdings N.V. shareholders' equity	8,579,710	8,524,447
Non-controlling interest	<u>59,104</u>	<u>57,817</u>
Total Equity	8,638,814	8,582,264
<b>Total Liabilities and Equity</b>	<b><u><u>\$ 42,040,144</u></u></b>	<b><u><u>\$ 41,620,453</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 ended December 31, Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>

#### Revenues and other income

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Lease revenue	\$ 1,197,837	\$ 1,220,872	\$ 4,713,802	\$ 4,867,623
Net gain on sale of assets	48,525	58,681	229,093	138,522

Other income	16,647	89,004	94,598	145,986
<b>Total Revenues and other income</b>	<b>1,263,009</b>	<b>1,368,557</b>	<b>5,037,493</b>	<b>5,152,131</b>
<b>Expenses</b>				
Depreciation and amortization	425,423	433,533	1,727,296	1,791,336
Asset impairment	10,383	11,428	61,286	81,607
Interest expense	271,500	252,679	1,112,391	1,091,861
Leasing expenses	141,164	143,306	537,752	582,530
Restructuring related expenses	-	8,272	14,605	53,389
Selling, general and administrative expenses	96,256	96,768	348,291	351,012
<b>Total Expenses</b>	<b>944,726</b>	<b>945,986</b>	<b>3,801,621</b>	<b>3,951,735</b>
<b>Income before income taxes and income of investments accounted for under the equity method</b>	<b>318,283</b>	<b>422,571</b>	<b>1,235,872</b>	<b>1,200,396</b>
Provision for income taxes	(50,019)	(60,712)	(164,718)	(173,496)
Equity in net earnings of investments accounted for under the equity method	1,880	3,556	9,199	12,616
<b>Net income</b>	<b>\$ 270,144</b>	<b>\$ 365,415</b>	<b>\$ 1,080,353</b>	<b>\$ 1,039,516</b>
Net (income) loss attributable to non-controlling interest	(3,893)	(765)	(4,202)	7,114
<b>Net income attributable to AerCap Holdings N.V</b>	<b>\$ 266,251</b>	<b>\$ 364,650</b>	<b>\$ 1,076,151</b>	<b>\$ 1,046,630</b>
Basic earnings per share	\$ 1.74	\$ 2.07	\$ 6.68	\$ 5.64
Diluted earnings per share	\$ 1.67	\$ 2.01	\$ 6.43	\$ 5.52

Weighted average shares outstanding - basic	153,018,890	175,871,138	161,059,552	185,514,370
Weighted average shares outstanding - diluted	159,609,223	181,223,598	167,287,508	189,682,036

## AerCap Holdings N.V.

### Unaudited Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

	<b>Year ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net income	\$ 1,080,353	\$ 1,039,516
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	1,727,296	1,791,336
Asset impairment	61,286	81,607
Amortization of debt issuance costs and debt discount	65,420	55,768
Amortization of lease premium intangibles	13,632	19,836
Amortization of fair value adjustment on debt	(194,728)	(335,998)
Accretion of fair value adjustment on deposits and maintenance liabilities	31,360	55,210
Maintenance rights write off	539,772	652,111
Maintenance liability release to income	(302,408)	(421,332)
Net gain on sale of assets	(229,093)	(138,522)
Deferred income taxes	157,021	161,340
Restructuring related expenses	5,097	33,588
Other	120,489	121,700
<b>Changes in operating assets and liabilities:</b>		
Trade receivables	(10,567)	40,065
Other assets	55,309	257,190
Accounts payable, accrued expenses and other liabilities	19,978	(32,183)
<b>Net cash provided by operating activities</b>	<b>3,140,217</b>	<b>3,381,232</b>
Purchase of flight equipment	(3,956,671)	(2,892,731)
Proceeds from sale or disposal of assets	1,779,321	2,366,242
Prepayments on flight equipment	(1,268,585)	(947,419)
Collections of finance and sales-type leases	91,918	74,207

Movement in restricted cash	(35,276)	90,267
Other	(38,102)	(21,678)
<b>Net cash used in investing activities</b>	<b>(3,427,395)</b>	<b>(1,331,112)</b>
Issuance of debt	5,596,402	3,642,166
Repayment of debt	(4,695,453)	(5,213,724)
Debt issuance costs paid	(81,396)	(34,687)
Maintenance payments received	756,314	794,711
Maintenance payments returned	(523,403)	(505,407)
Security deposits received	187,378	201,970
Security deposits returned	(188,362)	(270,575)
Dividend paid to non-controlling interest holders	(266)	(10,501)
Repurchase of shares and tax withholdings on share-based compensation	(1,138,782)	(1,021,119)
<b>Net cash used in financing activities</b>	<b>(87,568)</b>	<b>(2,417,166)</b>
Net decrease in cash and cash equivalents	(374,746)	(367,046)
Effect of exchange rate changes on cash and cash equivalents	(1,032)	(605)
Cash and cash equivalents at beginning of period	2,035,447	2,403,098
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,659,669</b>	<b>\$ 2,035,447</b>

View source version on businesswire.com:

<http://www.businesswire.com/news/home/20180214005665/en/>

AerCap Holdings N.V.

**For Investors:**

Joseph McGinley, +353 1 418 0428

Head of Investor Relations

[jmcginley@aercap.com](mailto:jmcginley@aercap.com)

or

**For Media:**

Gillian Culhane, +353 1 636 0945

Vice President Corporate Communications

[gculhane@aercap.com](mailto:gculhane@aercap.com)

Source: AerCap Holdings N.V.