

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 December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>% increase/ (decrease)</u>	<u>2018</u>	<u>2017</u>	<u>% increase/ (decrease)</u>
	<u>(U.S. Dollars in millions)</u>			<u>(U.S. Dollars in millions)</u>		
Lease revenue:						
Basic lease rents	\$1,051.0	\$1,035.3	2%	\$4,145.6	\$4,194.2	(1%)
Maintenance rents and other receipts	102.3	162.6	(37%)	391.5	519.6	(25%)
Lease revenue	1,153.4	1,197.9	(4%)	4,537.1	4,713.8	(4%)
Net gain on sale of assets	40.8	48.5	(16%)	201.3	229.1	(12%)
Other income	25.5	16.6	54%	61.6	94.6	(35%)
Total Revenues and other income	\$1,219.7	\$1,263.0	(3%)	\$4,800.0	\$5,037.5	(5%)

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.

	Three months ended December 31,			Year ended December 31,		
	2018	2017	% increase/ (decrease)	2018	2017	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Basic lease rents	\$1,051.0	\$1,035.3	2%	\$4,145.6	\$4,194.2	(1%)
Interest expense	322.7	271.5	19%	1,174.1	1,112.4	6%
Adjusted for:						
Mark-to-market of interest rate caps	(20.8)	3.4	NA	5.2	(14.2)	NA
Interest expense excluding mark-to-market of interest rate caps	301.9	274.9	10%	1,179.3	1,098.2	7%
Net interest margin, or net spread (*)	\$749.1	\$760.4	(1%)	\$2,966.3	\$3,096.0	(4%)
Average lease assets (*)	\$36,364	\$34,748	5%	\$35,369	\$34,228	3%
Annualized net spread (*)	8.2%	8.8%		8.4%	9.0%	
Annualized net spread less depreciation and amortization (*)	3.2%	3.0%		3.2%	3.0%	

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

Interest expense excluding mark-to-market of interest rate caps of \$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

	Three months ended			Year ended December 31,		
	December 31,			%		
	2018	2017	% increase/ (decrease)	2018	2017	increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Selling, general and administrative expenses	\$52.7	\$67.4	(22%)	\$210.0	\$240.6	(13%)
Share-based compensation expenses	18.1	28.9	(37%)	95.2	107.7	(12%)
Total selling, general and administrative expenses	\$70.8	\$96.3	(26%)	\$305.2	\$348.3	(12%)

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

December 31,	December 31,
2018	2017
(U.S. Dollars in millions,	

	except share and per share data)	
Total AerCap Holdings N.V. shareholders' equity	\$8,828.0	\$8,579.7
Ordinary shares outstanding	142,674,664	152,992,101
Unvested restricted stock	(2,429,442)	(3,007,752)
Ordinary shares outstanding (excl. unvested restricted stock)	140,245,222	149,984,349
Book value per ordinary share outstanding (excl. unvested restricted stock)	\$62.95	\$57.20

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

Financial Position

	December 31, 2018	December 31, 2017	% increase/ (decrease) over December 31, 2017
(U.S. Dollars in millions, except debt/equity ratio)			
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.

	December 31, 2018	December 31, 2017
	(U.S. Dollars in millions, except debt/equity ratio)	
Debt	\$29,508	\$28,421
Adjusted for:		
Cash and cash equivalents	(1,204)	(1,660)
50% credit for long-term subordinated debt	(750)	(750)

Adjusted debt	<u><u>\$27,554</u></u>	<u><u>\$26,011</u></u>
Equity	\$8,881	\$8,639
Adjusted for:		
50% credit for long-term subordinated debt	750	750
Adjusted equity	<u><u>\$9,631</u></u>	<u><u>\$9,389</u></u>
Adjusted debt/equity ratio	<u><u>2.86 to 1</u></u>	<u><u>2.77 to 1</u></u>

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 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 (jmccginley@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 and follow us on Twitter [www.twitter.com/aercapnv](https://twitter.com/aercapnv).

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

	December 31, 2018	December 31, 2017
Assets		
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
Total Assets	<u>\$43,208,915</u>	<u>\$42,040,144</u>

Liabilities and Equity

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	<u>34,328,301</u>	<u>33,401,330</u>

Ordinary share capital €0.01 par value, 350,000,000 ordinary shares authorized as of December 31, 2018 and December 31, 2017;

151,847,345 and 167,847,345 ordinary shares issued and 142,674,664 and 152,992,101 ordinary shares outstanding (including 2,429,442 and 3,007,752 unvested restricted stock) as of December 31, 2018 and December 31, 2017, 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 ordinary shares as of December 31, 2018 and December 31, 2017, 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>

Total Liabilities and Equity

\$43,208,915 **\$42,040,144**

**AerCap Holdings
N.V.
Unaudited**

Consolidated Income Statements

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

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Revenues and other income				
Lease revenue	\$1,153,358	\$1,197,837	\$4,537,093	\$4,713,802
Net gain on sale of assets	40,806	48,525	201,323	229,093
Other income	25,521	16,647	61,564	94,598
Total Revenues and other income	1,219,685	1,263,009	4,799,980	5,037,493
Expenses				
Depreciation and amortization	425,905	425,423	1,679,074	1,727,296
Asset impairment	15,257	10,383	44,186	61,286
Interest expense	322,678	271,500	1,174,074	1,112,391
Leasing expenses	125,896	141,164	446,487	537,752
Restructuring related expenses	—	—	—	14,605
Selling, general and administrative expenses	70,771	96,256	305,226	348,291
Total Expenses	960,507	944,726	3,649,047	3,801,621
Income before income taxes and income of investments accounted for under the equity method	259,178	318,283	1,150,933	1,235,872
Provision for income taxes	(28,147)	(50,019)	(144,079)	(164,718)
Equity in net earnings of investments accounted for under				

the equity method	2,123	1,880	10,643	9,199
Net income	\$233,154	\$270,144	\$1,017,497	\$1,080,353
Net income attributable to non-controlling interest	(512)	(3,893)	(1,865)	(4,202)
Net income attributable to AerCap Holdings N.V.	\$232,642	\$266,251	\$1,015,632	\$1,076,151
Basic earnings per share	\$1.63	\$1.74	\$7.00	\$6.68
Diluted earnings per share	\$1.62	\$1.67	\$6.83	\$6.43
Weighted average shares outstanding - basic	142,557,379	153,018,890	145,162,220	161,059,552
Weighted average shares outstanding - diluted	144,033,735	159,609,223	148,706,266	167,287,508

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

	Year ended December 31,	
	2018	2017
Net income	\$1,017,497	\$1,080,353
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,679,074	1,727,296
Asset impairment	44,186	61,286
Amortization of debt issuance costs and debt discount	64,185	65,420
Amortization of lease premium	12,314	13,632
Amortization of fair value adjustment on debt	(142,596)	(194,728)
Accretion of fair value adjustment on deposits and maintenance liabilities	21,606	31,360
Maintenance rights write-off	287,119	539,772

Maintenance liability release to income	(228,081)	(302,408)
Net gain on sale of assets	(201,323)	(229,093)
Deferred income taxes	147,588	157,021
Restructuring related expenses	—	5,097
Other	134,022	120,489
Changes in operating assets and liabilities:		
Trade receivables	19,839	(10,567)
Other assets	9,800	55,309
Accounts payable, accrued expenses and other liabilities	(24,858)	19,978
Net cash provided by operating activities	2,840,372	3,140,217
Purchase of flight equipment	(4,036,194)	(3,956,671)
Proceeds from sale or disposal of assets	1,822,601	1,779,321
Prepayments on flight equipment	(1,912,215)	(1,268,585)
Collections of finance and sales-type leases	94,703	91,918
Other	(21,505)	(38,102)
Net cash used in investing activities	(4,052,610)	(3,392,119)
Issuance of debt	5,589,825	5,596,402
Repayment of debt	(4,360,520)	(4,695,453)
Debt issuance costs paid	(57,831)	(81,396)
Maintenance payments received	743,256	756,314
Maintenance payments returned	(459,326)	(523,403)
Security deposits received	208,259	187,378
Security deposits returned	(220,452)	(188,362)
Dividend paid to non-controlling interest holders	(8,403)	(266)
Repurchase of shares and tax withholdings on share-based compensation	(834,398)	(1,138,782)
Net cash provided by (used in) financing activities	600,410	(87,568)
Net decrease in cash, cash equivalents and restricted cash	(611,828)	(339,470)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,738	(1,032)
Cash, cash equivalents and restricted cash at beginning of period	2,024,125	2,364,627
Cash, cash equivalents and restricted cash at end of period	\$1,415,035	\$2,024,125

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