

November 2, 2017



# AerCap Holdings N.V. Reports Financial Results for the Third Quarter 2017 and Announces New Share Repurchase Program

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

- ***Net income of \$265.8 million for the third quarter of 2017 and \$809.9 million for the nine months ended September 30, 2017***
- ***Diluted earnings per share of \$1.62 for the third quarter of 2017 and \$4.77 for the nine months ended September 30, 2017***

## **Highlights**

- 89 aircraft transactions executed in the third quarter of 2017, including 36 widebody transactions.
- 99.3% fleet utilization rate for the third quarter of 2017.
- 7.1 years average age of owned fleet and 6.6 years average remaining lease term.
- 100% of new aircraft deliveries through 2018 and 91% through 2019 leased.
- \$8.9 billion of available liquidity.
- Adjusted debt/equity ratio of 2.7 to 1.
- \$55.06 book value per share, an increase of 17% since September 30, 2016.
- Repurchased 5.4 million shares in the third quarter of 2017 for \$266 million and 19.2 million shares year to date through October 27, 2017 for \$888 million.
- New \$200 million share repurchase program authorized, which will run through March 31, 2018.

Aengus Kelly, CEO of AerCap, commented: *"We are very pleased to report another quarter of consistent earnings. During the third quarter of 2017 we generated \$1.62 earnings per share and net income of \$265.8 million. The scale of the AerCap platform is evidenced by the 89 aircraft transactions executed this quarter. Our continued focus and disciplined approach to portfolio management was evidenced by the sale of 27 owned aircraft. AerCap's success is underpinned by our highly consistent and disciplined approach to portfolio and liquidity management."*

## **Third Quarter 2017 Financial Results**

- Net income of \$265.8 million, compared with \$225.6 million for the same period in 2016. Diluted earnings per share of \$1.62, compared with \$1.22 for the same period in 2016.
- Net income increased 18%, primarily driven by an increase in net gain on sale of assets. Furthermore, during the third quarter of 2016, we recognized charges related to the downsizing of AeroTurbine. These charges were partially offset by income related to insurance proceeds.
- Diluted earnings per share increased 33%, driven by the same factors as net income as well as the repurchase of 30.4 million shares from July 2016 through September 2017.

### Revenue and Net Spread

	<u>Three months ended September 30,</u>			<u>Nine months ended</u>	
	<u>2017</u>	<u>2016</u>	<u>% increase/ (decrease)</u>	<u>2017</u>	<u>2016</u>
	<u>(U.S. Dollars in millions)</u>			<u>(U.S. Dollars in millions)</u>	
Lease revenue:					
Basic lease rents	\$1,038.4	\$1,088.0	(5%)	\$3,159.0	\$3,330.0
Maintenance rents and other receipts	163.0	91.9	77%	357.0	310.0
Lease revenue	1,201.4	1,179.9	2%	3,516.0	3,640.0
Net gain on sale of assets	63.7	22.4	184%	180.6	70.0
Other income	8.8	23.8	(63%)	78.0	50.0
<b>Total revenues and other income</b>	<b>\$1,273.9</b>	<b>\$1,226.1</b>	<b>4%</b>	<b>\$3,774.6</b>	<b>\$3,780.0</b>

Basic lease rents were \$1,038.4 million for the third quarter of 2017, compared with \$1,088.0 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. Our average lease assets for the third quarter of 2017 were \$34.0 billion, compared with \$34.6 billion for the same period in 2016.

Maintenance rents and other receipts were \$163.0 million for the third quarter of 2017, compared with \$91.9 million for the same period in 2016. The increase was primarily the result of lease terminations during the third quarter of 2017.

Net gain on sale of assets for the third quarter of 2017 was \$63.7 million, relating to 27 aircraft sold and eight aircraft reclassified to finance leases, compared with \$22.4 million for the same period in 2016, relating to 36 aircraft sold and four aircraft reclassified to finance leases. The increase was primarily due to the timing and composition of asset sales.

Other income for the third quarter of 2017 was \$8.8 million, compared with \$23.8 million for the same period in 2016. Other income for the third quarter of 2016 included insurance proceeds, partially offset by charges related to the downsizing of AeroTurbine.

	<b>Three months ended September 30,</b>			<b>Nine months</b>	
	<b>2017</b>	<b>2016</b>	<b>% increase/ (decrease)</b>	<b>2017</b>	<b>2016</b>
	<b>(U.S. Dollars in millions)</b>			<b>(U.S. Dollars in millions)</b>	
<b>Basic lease rents</b>	<b>\$1,038.4</b>	<b>\$1,088.0</b>	<b>(5%)</b>	<b>\$3,159.0</b>	<b>\$3,211.0</b>
Interest expense	280.2	273.9	2%	840.9	811.0
Adjusted for:					
Mark-to-market of interest rate caps and swaps	(2.0)	(1.6)	25%	(17.6)	(14.0)
Adjusted interest expense	278.2	272.3	2%	823.3	797.0
<b>Net interest margin, or net spread (*)</b>	<b>\$760.2</b>	<b>\$815.7</b>	<b>(7%)</b>	<b>\$2,335.7</b>	<b>\$2,414.0</b>
Average lease assets	\$34,035	\$34,577	(2%)	\$34,055	\$34,577
<b>Annualized net spread (*)</b>	<b>8.9%</b>	<b>9.4%</b>		<b>9.1%</b>	<b>9.4%</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 \$278.2 million for the third quarter of 2017, compared with \$272.3 million for the same period in 2016.

Annualized net spread was 8.9% for the third quarter of 2017, compared with 9.4% for the same period in 2016. The decrease was primarily the result of the lower age of our owned fleet and the higher average cost of debt. Our average cost of debt increased primarily due to the issuance of new longer-term bonds to replace shorter-term ILFC notes, which had lower reported interest expense as a result of ILFC acquisition purchase accounting.

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

	<b>Three months ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>% increase/ (decrease)</b>
	<b>(U.S. Dollars in millions)</b>		
Selling, general and administrative expenses	\$58.3	\$55.2	6%
Share-based compensation expenses	25.6	25.6	0%
<b>Total selling, general and administrative expenses</b>	<b>\$83.9</b>	<b>\$80.8</b>	<b>4%</b>

## Other Expenses

Asset impairment charges were \$45.6 million for the third quarter of 2017, compared with \$15.1 million recorded for the same period in 2016. Asset impairment recorded in the third 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 \$137.8 million for the third quarter of 2017, compared with \$128.7 million for the same period in 2016. The increase in leasing expenses was primarily related to higher maintenance rights expense associated with maintenance activity during the third quarter of 2017. Restructuring related expenses were nil for the third quarter of 2017, compared with \$29.0 million for the same period in 2016. Restructuring related expenses in the third quarter 2016 related to the downsizing of AeroTurbine.

## Effective Tax Rate

Our effective tax rate for the full year 2017 is expected to be 12.5%, compared with the effective tax rate of 14.5% for the full year 2016. It is impacted by the source and amount of earnings among our different tax jurisdictions. The higher effective tax rate in 2016 included a valuation allowance related to the AeroTurbine losses.

Our effective tax rate was 11.5% for the third quarter of 2017, compared to 16.5% for the same period in 2016. Our effective tax rate in any quarter can be impacted by revisions to the estimated full year rate.

## Book Value Per Share

	<b>September 2017</b>
	<b>(U.S. Dollar)</b>
<b>Total AerCap Holdings N.V. shareholders' equity</b>	<b>\$8</b>
Ordinary shares outstanding	158,0
Unvested restricted stock	(2,8)
<b>Ordinary shares outstanding (excl. unvested restricted stock)</b>	<b>155,2</b>
<b>Book value per ordinary share outstanding (excl. unvested restricted stock)</b>	<b>;</b>

Book value per share has increased 17% since September 30, 2016.

## Financial Position

	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>% increase/ (decrease) over December 31, 2016</b>
<b>(U.S. Dollars in millions, except debt/equity ratio)</b>			
Total cash (incl. restricted)	\$1,786.2	\$2,364.6	(24%)
Total assets	41,006.7	41,620.5	(1%)
Debt	27,287.6	27,717.0	(2%)
Total liabilities	32,404.1	33,038.2	(2%)
Total AerCap Holdings N.V. shareholders' equity	8,546.5	8,524.4	0%
Total equity	8,602.6	8,582.3	0%
Adjusted debt (*)	25,083.4	24,931.6	1%
Adjusted equity (*)	9,352.6	9,332.3	0%
Adjusted debt/equity ratio (*)	2.7 to 1	2.7 to 1	0%

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

As of September 30, 2017, AerCap's portfolio consisted of 1,506 aircraft that were owned, on order or managed (including aircraft owned by AerDragon, a non-consolidated joint venture). The average age of our owned fleet as of September 30, 2017 was 7.1 years and the average remaining contracted lease term was 6.6 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 March 31, 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.

In July 2017, our Board of Directors approved a share repurchase program authorizing total repurchases of up to \$250 million of AerCap ordinary shares through December 31, 2017. In October 2017, this share repurchase program was extended to run through March 31, 2018.

### **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.

### **Adjusted Debt/Equity Ratio**

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
	<b>(U.S. Dollars in millions, except debt/equity ratio)</b>	
<b>Debt</b>	<b>\$27,288</b>	<b>\$27,717</b>
Adjusted for:		
Cash and cash equivalents	(1,454)	(2,035)
50% credit for long-term subordinated debt	(750)	(750)
<b>Adjusted debt</b>	<b>\$25,084</b>	<b>\$24,932</b>
<b>Equity</b>	<b>\$8,603</b>	<b>\$8,582</b>
Adjusted for:		
50% credit for long-term subordinated debt	750	750
<b>Adjusted equity</b>	<b>\$9,353</b>	<b>\$9,332</b>
<b>Adjusted debt/equity ratio</b>	<b>2.7 to 1</b>	<b>2.7 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 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, Thursday, November 2, 2017, at 8:30 am Eastern Daylight Time. The call can be accessed live by dialing (U.S./Canada) +1 323 794 2130 or (International) +353 1 246 5621 and referencing code 8149387 at least 5 minutes before start time, or by visiting AerCap's website at [www.aercap.com](http://www.aercap.com) under "Investor Relations."

The webcast replay will be archived in the "Investor Relations" 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 Brian Canniffe: +353 1 418 0461 ([bcanniffe@aercap.com](mailto:bcanniffe@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 September 30, 2017, 1,506 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 Amsterdam, Los Angeles, Shannon, Fort Lauderdale, Singapore, 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>September</u>
<b>Assets</b>	
Cash and cash equivalents	\$1,4
Restricted cash	3
Trade receivables	
Flight equipment held for operating leases, net	31,5
Maintenance rights intangible and lease premium, net	1,0
Flight equipment held for sale	2
Net investment in finance and sales-type leases	9
Prepayments on flight equipment	3,3
Other intangibles, net	3
Deferred income tax assets	2
Other assets	7
<b>Total Assets</b>	<b><u><u>\$41,0</u></u></b>

<b>Liabilities and Equity</b>	
Accounts payable, accrued expenses and other liabilities	\$1,0
Accrued maintenance liability	2,5
Lessee deposit liability	8
Debt	27,2
Deferred income tax liabilities	6
<b>Total liabilities</b>	<b><u>32,4</u></b>

Ordinary share capital €0.01 par value, 350,000,000 ordinary shares  
authorized as of September 30, 2017 and December 31, 2016; 172,847,345  
and

187,847,345 ordinary shares issued and 158,015,881 and 176,247,154 ordinary shares outstanding (including 2,805,996 and 3,426,810 unvested restricted stock) as of September 30, 2017 and December 31, 2016, respectively	
Additional paid-in capital	3,9
Treasury shares, at cost (14,831,464 and 11,600,191 ordinary shares as of September 30, 2017 and December 31, 2016, respectively)	(6
Accumulated other comprehensive loss	
Accumulated retained earnings	5,3
Total AerCap Holdings N.V. shareholders' equity	8,5
Non-controlling interest	
Total Equity	8,6
<b>Total Liabilities and Equity</b>	<b><u><u>\$41,0</u></u></b>

**AerCap Holdings N.V.**

**Unaudited Consolidated Income Statements**

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

**Revenues and other income**

Lease revenue

Net gain on sale of assets

Other income

**Total Revenues and other income**

**Expenses**

Depreciation and amortization

Asset impairment

Interest expense

Leasing expenses

Restructuring related expenses

Selling, general and administrative expenses

**Total Expenses**

**Income before income taxes and income of investments accounted for under the equity**

Provision for income taxes

Equity in net earnings of investments accounted for under the equity method

**Net income**

Net (income) loss attributable to non-controlling interest

**Net income attributable to AerCap Holdings N.V.**

Basic earnings per share

Diluted earnings per share

Weighted average shares outstanding - basic

Weighted average shares outstanding - diluted

**AerCap Holdings N.V.**

## Unaudited Consolidated Statements of Cash Flows

(U.S. Dollars in thousands)

Nine

Net income

### **Adjustments to reconcile net income to net cash provided by operating activities:**

Depreciation and amortization

Asset impairment

Amortization of debt issuance costs and debt discount

Amortization of lease premium intangibles

Amortization of fair value adjustment on debt

Accretion of fair value adjustment on deposits and maintenance liabilities

Maintenance rights write off

Maintenance liability release to income

Net gain on sale of assets

Deferred income taxes

Restructuring related expenses

Other

### **Changes in operating assets and liabilities:**

Trade receivables

Other assets

Accounts payable, accrued expenses and other liabilities

### **Net cash provided by operating activities**

Purchase of flight equipment

Proceeds from sale or disposal of assets

Prepayments on flight equipment

Collections of finance and sales-type leases

Movement in restricted cash

Other

### **Net cash used in investing activities**

Issuance of debt

Repayment of debt

Debt issuance costs paid

Maintenance payments received

Maintenance payments returned

Security deposits received

Security deposits returned

Dividend paid to non-controlling interest holders

Repurchase of shares and tax withholdings on share-based compensation

### **Net cash used in financing activities**

Net decrease in cash and cash equivalents  
Effect of exchange rate changes on cash and cash equivalents  
Cash and cash equivalents at beginning of period  
**Cash and cash equivalents at end of period**

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\_\_\_\_\_  
\$

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AerCap Holdings N.V.

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