Q2 2026 Earnings Call

Company Participants

- Adi Padva, IR
- Aengus Kelly, CEO
- Peter Juhas, CFO

Other Participants

- Arren Cyganovich, Analyst, Truist Securities, Inc.
- Catherine O'Brien, Analyst, Goldman Sachs Group, Inc.
- Cordelia Dang, Analyst, Barclays
- Jamie Baker, Analyst, JP Morgan
- John Godyn, Analyst, Citigroup
- Kristine Liwag, Analyst, Morgan Stanley
- Moshe Orenbuch, Analyst, TD Cowen
- Ron Epstein, Analyst, Bank of America
- Shannon Doherty, Analyst, Deutsche Bank

Presentation

Operator

Good day and welcome to the Q2 2026 Financial Results Call. Today's conference is being recorded, and a transcript will be available following the call on the company's website. At this time, I would like to turn the conference over to Adi Padva, Head of Investor Relations. Please go-ahead.

Adi Padva {BIO 19514211 <GO>}

Thank you, operator, and hello, everyone. Welcome to AerCap's second-quarter 2026 2026 conference call. With me today are our Chief Executive Officer, Aengus Kelly; and Chief Financial Officer, Pete Juhas.

Before we begin today's call, I would like to remind you that some statements that are made during this conference call, which 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 our statements. AerCap undertakes no obligation other than that imposed by law to publicly update or revise any forward-looking statements to 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 July 29, 2026. 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.

We will shortly run to our earnings presentation and allow time at the end for Q&A. As a reminder, I will ask that analysts limit themselves to one question and one follow-up. I will now turn the call over to our CEO, Aengus Kelly.

Aengus Kelly {BIO 2460371 <GO>}

Thank you for joining us for our second-quarter 2026 earnings call. This was another strong quarter for AerCap as reflected in our financial results, disciplined capital deployment and increased full-year guidance.

AerCap's business maintained its momentum in the second-quarter, as highlighted by our transaction activity. The lease extension rate on passenger aircraft was 85%, well above the long-term average. We also completed $1.4 billion of asset sales during the quarter, generating a gain-on-sale margin of 20%. These operational highlights reflect both the resilience of our business model and the continued benefit of the supply-demand imbalance across our industry.

Turning to our financial results. We delivered adjusted earnings per share of $5.14 in the second-quarter, representing an adjusted return-on-equity of 18%. We also generated $1.5 billion of cash flow from operations. This strong cash generation continues to create significant financial flexibility, enabling us to invest in long-term accretive opportunities, while also returning substantial capital to our shareholders. During the quarter, we repurchased more than $690 million of our shares and over $1.4 billion in the first-half of the year. In addition, we recently ordered 15 new Boeing 787 aircraft. This is a key highlight, which we will discuss in more detail later in the call. Reflecting our strong first-half performance and positive outlook for the business, we are raising our full-year earnings guidance to $16.80 per share, not including any additional gains on asset sales.

Our outlook is underpinned by a supportive industry backdrop. Let me spend a few minutes discussing the broader market environment. Recent geopolitical challenges have led to higher input costs for airlines and will no doubt put further pressure on airline margins this year. That said, it is expected that the global airline industry will remain healthy in 2026 in aggregate, supported by good travel demand, strong load factors and disciplined capacity growth. While global traffic growth has moderated year-over-year, trends vary by region. The Middle-East, Asia-Pacific and North-America have experienced some weakness in daily flight activity. But Europe, Africa and Latin-America have continued to see growth. Overall, the trends we are seeing highlight the resilience of travel demand and the industry's ability to adapt to changing market conditions.

For AerCap, this backdrop remains highly supportive. Aircraft and engine availability remain constrained, while airline demand continues to exceed supply. We see this reflected in our leasing activity, lease extensions and asset values. As a result, we remain confident in the long-term outlook for and the aviation industry more broadly. The supply-demand imbalance is particularly pronounced in the widebody markets. Years of production shortages and delivery delays have constrained the availability of new widebody aircraft globally. This is clear from the left-hand side chart on Slide 4.

Over the past five years, airlines have extended the service lives of older widebody aircraft, resulting in over 200 fewer widebody retirements than in the comparable pre-COVID period. As you can see on the right-hand side of this slide. More recently, widebody production rates have begun to recover. And we expect to see an increase in retirement activity among the oldest and least fuel-efficient aircraft. This trend will likely continue as more new technology aircraft enter service. With a large number of aging widebody still in operation, this replacement cycle should support strong demand for widebody leasing for many years to come.

Against this backdrop, our order for 15 Boeing 787 aircraft reflects our conviction in the long-term fundamentals of the widebody market. We believe the 787 is one of the most attractive widebody assets, combining favorable economics with a broad global customer-base and strong secondary market liquidity. Importantly, delivery positions for new 787 aircraft remain extremely limited. AerCap's longstanding relationship with Boeing, combined with our scale and ability to execute quickly gives us a competitive advantage in securing scarce delivery positions. Our 787s will start delivering in 2030 and run-through 2033, at economics that support our long-term return objectives. Today, we not only have the largest 787 fleet, but also the largest 787 orderbook of any lessor, and therefore, we are uniquely positioned to meet growing airline demand for next-generation widebody aircraft. This strategic investment allows us to capitalize on a prolonged fleet renewal cycle while providing our customers with access to one of the most efficient and sought-after aircraft types in the market.

Turning to Slide 5. This investment is also a good example of the capital allocation framework that guides every decision we make. We continue to deploy capital with discipline and flexibility, directing it toward opportunities that we believe offer the most attractive long-term risk-adjusted returns, while maintaining capacity to return capital to shareholders. So far this year, we have added 131 aircraft to our order book, we returned more than $1.5 billion to our shareholders through share repurchases and dividends and still have approximately $3.5 billion of excess capital available to deploy.

In closing, AerCap delivered another strong quarter. Our global platform, consistent execution, disciplined capital allocation and active portfolio management continue to position us to capitalize on opportunities across the markets.

And with that, I'll now hand the call over to Pete to review our financials.

Peter Juhas {BIO 16582554 <GO>}

Thanks, Gus. Good morning, everyone. We delivered another strong quarter and I'll start reviewing our financial results on Slide 6.

Our GAAP net income for the second-quarter was $726 million or $4.59 per share. The impact of purchase accounting adjustments was $129 million for the quarter or $0.82 per share. That included lease premium amortization of $26 million, maintenance rights amortization of $36 million related to maintenance revenue, and maintenance rights amortization of $67 million related to leasing expenses.

During the second-quarter, we had $28 million of recoveries related to the Ukraine conflict or $0.18 per share. The net tax effect of all these items was $15 million or $0.10 per share. As a result, our adjusted net income for the second quarter was $811 million or $5.14 per share. That represents an adjusted ROE of 18% for the second quarter.

Turning to Slide 7, I'll briefly go through the main drivers that affected our results. Basic lease rents were $1,677 million. Maintenance revenues remained elevated this quarter at $177 million. Our net maintenance contribution, which is maintenance revenue, less leasing expenses, after taking into account purchase accounting adjustments, was $131 million this quarter. That's higher-than-usual due to the timing of maintenance revenue, transition expenses and claims. As I mentioned last quarter, net maintenance contribution has been higher than normal for the first half of this year, but we expect it to return to more normal levels in the second half of the year. Net gain on-sale of assets was $223 million for the second-quarter. The sales environment continued to be strong and we sold 38 of our owned assets for total sales revenue of $1.4 billion. That resulted in an unlevered gain on-sale margin of 20% for the quarter, which is equivalent to a multiple of 1.7 times book value on an equity basis. As of June 30, we had just over $400 million worth of assets held-for-sale. Interest expense was $468 million for the second-quarter and income tax expense was $123 million, reflecting an effective tax-rate of 15.5%.

Turning to Slide 8, our liquidity position continues to be very strong. As of June 30, our total sources of liquidity were approximately $22 billion. That includes just under $1.7 billion of cash, $10 billion of revolvers and $3 billion of other committed facilities, as well as estimated sales and operating cashflow. Our sources to uses coverage ratio was 1.9 times, which reflects excess cash coverage of around $10 billion. Our leverage ratio at the end of June was 2.05 to 1, which is about the same as last quarter. Our operating cashflow was $1.5 billion for the quarter and our secured debt-to-total assets ratio was 9%, which is in line with the record-low level reported last quarter. Our average cost of debt was 4.2%. During the second-quarter, we bought back 4.9 million shares for a total of $691 million. Together with our repurchases in the first-quarter, we repurchased over 6% of our shares outstanding at the beginning of this year. Since 2023, we've bought back 93 million shares or almost 40% of our outstanding shares for a total of $8 billion.

Turning to Slide 9, on our last earnings call-in February, we projected adjusted earnings per share of $14.50, which included $1.50 of gains-on-sale from the first-quarter. As Gus mentioned, today, we're raising our full-year 2026 adjusted EPS guidance to approximately $16.80. We're increasing our estimate of EPS excluding gains on-sale to approximately $14, and we're also including the $2.80 of gains-on-sale from the first-half of the year. However, we have not included any gains on-sale for the second-half of the year. In the first-half, the drivers of the outperformance relative to guidance were gains on asset sales of $514 million, higher net maintenance contribution and other income. We've completed $2.8 billion of asset sales in the first-six months of this year and as a result, we currently expect asset sales for the full-year 2026 to be in the range of $4 billion to $5 billion.

In closing, AerCap has continued its strong performance this quarter. We generated adjusted EPS of $5.14 and adjusted ROE of 18%. So far this year, we've returned over $1.5 billion to shareholders and we've made significant additions to our forward orders with Airbus and Boeing as we continue to grow our fleet with new technology fuel-efficient aircraft. And today, we've once again raised our EPS guidance. All of this indicates our confidence in the value of AerCap today and into the future. And with that operator, we can open up the call for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions). We will take our first question from Jamie Baker with JPMorgan.

Q - Jamie Baker {BIO 3406456 <GO>}

Oh, good afternoon, everybody. So Gus, question on the 85% extension rate. So, what takes place with the other 15%? Is that mostly made up of, I don't know, end of lease sales? Is it part-outs, is it customer purchases? I'm just wondering, we all know how strong the environment is, but when a lease does not get extended in this market, just kind of wondering what the outcome is. How common is it that you take the asset back, paint it and release it? That's sort of thing. Just concentrating on the 15%.

A - Aengus Kelly {BIO 2460371 <GO>}

Yeah, you're right, Jamie, it is generally quite rare that the aircraft would come back and be released. The odd time it will, but for the most part, they end-up getting parted out.

Q - Jamie Baker {BIO 3406456 <GO>}

Okay.

A - Peter Juhas {BIO 16582554 <GO>}

Just to be clear on that percentage, Jamie, so the way we calculate that is that's 85% so of everything that is either going out on lease again to a new customer or being extended, that's the denominator. So, 85% extended, 15% released and we've excluded aircraft that are being sold.

Q - Jamie Baker {BIO 3406456 <GO>}

Okay. All right. I appreciate the clarification. I didn't realize that. And then on the follow-up, just the leverage of 2 times or 2.05, clearly lots of firepower at BBB+ to do, I guess, kind of whatever you want here. But Mark and I were wondering, have you thought about lowering the target a touch shooting for upgrades into the low A range or in this environment, does that even make sense in terms of the marginal savings, maybe you're just better-off buying more stock or maybe another platform? Any thoughts on that?

A - Aengus Kelly {BIO 2460371 <GO>}

Well, look, certainly, Jamie, with the history of the business over the last 20 years generating the returns we have where we are the best part of 1,000 [bps] over treasuries every year-after tax GAAP ROE with the tremendous operating cash flows, we certainly feel that a move into the A category is deserved and warranted.

Q - Jamie Baker {BIO 3406456 <GO>}

Okay, that's perfect. And just back to my first question quickly. Anything in those numbers, the 85% and the 15% as it relates to engine cores going into data centers?

A - Aengus Kelly {BIO 2460371 <GO>}

Look, of course, well, we will sell assets into those who want to put them into data centers. But as it relates to data centers, Jamie, what I would say is, we have done extensive work evaluating the aeroderivative opportunity. And we began serious discussions in this area at the start of the year with commercial aerospace OEMs, multiple supply-chain participants and some of the largest owners and operators of OEM produced turbines. Now the work we've done includes assessing channel partners, understanding the engine-to-power-generation conversion processes, quantifying the associated upfront costs, evaluating lifecycle maintenance requirements, reliability, and analyzing the addressable market opportunity for this form of power. Now we held

numerous diligence sessions and site visits, we were able to observe the operation and maintenance of these turbines firsthand - the aeroderivative turbines - and that gave us tremendous insight into how this market has evolved and strengthened in recent years. It's clear that there is strong demand for gas-powered turbines today. Every aspect of this opportunity, from conversion and installation to operation and long-term maintenance requires specialized expertise and substantial operational experience.

From AerCap's perspective, pursuing this opportunity would require strong strategic partners and access to the full suite of capabilities needed to convert, install, operate and maintain these assets on a long-term basis. The risks we're assessing include operational performance, future costs and alternative power supply solutions.

While the technology to convert aerospace engines into gas-powered turbines is already established, there is a perception in the market that converted units may in the long-term be less-efficient than the OEM produced aero derivatives. Whether this proves to be the case over the long-term remains to be seen. It was also evident in our research that both data center operators and hyperscalers would strongly prefer to be connected to the grid over-time. If and when that becomes possible remains a key uncertainty. Should grid capacity expand materially or alternative technologies improve, demand for aeroderivatives could be adversely effective. Taking all this into account, any opportunity in this area must be evaluated against the industry-leading returns that AerCap generates in our core business. While we continue to see encouraging signs in the aeroderivative market, we will remain prudent and will only pursue opportunities where we believe we have the right partners, sufficient operational capabilities and a clear path to generating shareholder value over the long-term. And we'll continue to update you as our assessment evolves.

Q - Jamie Baker {BIO 3406456 <GO>}

I should have made that my first question. Thank you so much, Gus. That's very helpful. Appreciate it.

A - Aengus Kelly {BIO 2460371 <GO>}

No problem, Jamie.

Operator

We will take our next question from Catherine O'Brien with Goldman Sachs. Please go-ahead.

Q - Catherine O'Brien

Hey, good morning, gentlemen. Thanks for the time. Maybe just a bit of a follow-up on the leverage question. Jamie was going down that path. Leverage remains well below target and has been for several years. And as I know the team won't deploy capital to growth just for growth's sake. What does it take to see leverage get back closer to target? Do you need OEM deliveries to start to pick-up because you guys have been quite active on finding incremental opportunities to deploy capital like in the Frontier and Airbus deal last quarter, but leverage continues to decline. Should we expect to see a potential step-up in capital deployment to shareholders? I guess I'm mainly just trying to get a sense of how much of a priority making the balance sheet more efficient is because it feels like something in the mid twos would still give you dry powder for a larger opportunistic deal came up, but maybe you disagree there. Anyway, it's a bit of a long-winded question. Just trying to figure out the urgency or lack thereof to take leverage back up and what the potential pass get there could be.

A - Peter Juhas {BIO 16582554 <GO>}

Sure, Catie. Thanks. Look, so the main reason why leverage has remained so low has really been just the performance of the business and how much cash and capital we've been generating. And as you can see, it's been very strong. And so despite the fact that we bought back 6% of the shares in the first-half of this year and all of the commitments we've made in terms of new orders and that type of thing, nonetheless, the leverage ratio has remained the same.

And so, I think that's really what has been the driver of it. We are committing capital. Now you're right, we have a lot of dry powder available, which is good. We will continue to deploy that. We've got amounts remaining in our existing share repurchase program. We obviously see that as attractive. And so I think you can expect that to continue but also looking for other opportunities too. And there may be larger opportunities. I mean, some of these things that we've done, the delivery slots are relatively close-in, but it didn't result in a lot of capital deployment today. But that will be in future years, right? So, that's one of the things that we've been doing. I think over-time, obviously, we'd expect it to get back to those mid-2s levels, but it will take some time to get there, I think.

Q - Catherine O'Brien

Okay. High-class problem. Maybe just one more. The aircraft returned from Spirit. I think they originally expected to return to service towards year-end. Is that still on-track? And when will the incremental 10 aircraft return to May return to service? And how should we think about these aircraft plus the returning freighter conversions impacting that spread over the next couple of quarters? Thanks for all-the-time guys.

A - Peter Juhas {BIO 16582554 <GO>}

Yeah, so that's still our expectation that we'll see some returning in the fourth-quarter. And on the other 10 aircraft, those should go out later this year as well. So that should be a positive for lease yields, positive for net spread and some of those freighters coming in as well. I mean just to look at net spread and lease yields. So obviously, year-over-year lease yield is up about 30 basis-points, net spread is up about 50 basis-points, and net spread has been flat for the last few quarters, as you've seen. And that's despite all those Spirit aircraft the downtime associated with those. So we should see it coming up somewhat over the next couple of quarters and that's going to depend obviously on those redeliveries of those aircraft. But overall, the trend should be upward for lease yield and slightly up for net spread as well.

Q - Catherine O'Brien

Thank you so much, Pete.

A - Peter Juhas {BIO 16582554 <GO>}

Sure.

Operator

We will take our next question from Ron Epstein with Bank of America.

Q - Ron Epstein {BIO 15893287 <GO>}

Hey, good morning, guys. Maybe just following-up on the question that was just asked. How far through are we now, I'm assuming pretty far of the, I guess, the less favorable leases that were signed kind of COVID and a little bit post-COVID? And is a lot of that kind of work-through already?

A - Peter Juhas {BIO 16582554 <GO>}

Yeah. So more than half, Ron. We're more than halfway through that. It is a long roll-off period for those because some of those were quite long leases. I mean, essentially, essentially, we replaced the existing lease terms when we restructured those for the most part. And so that is a pretty long roll-off. I think I mentioned last year that it was about six more years that would take to roll-off. So maybe over the next five years, you'll see that. So, it's kind of a long-term positive trend that you see and that should be coming in. That's one of the things that's contributing to that growth in the portfolio yield and the improvement in net spread.

Q - Ron Epstein {BIO 15893287 <GO>}

Yeah. I was going to say, the portfolio should just get a natural lift-off of that over the next several years.

A - Peter Juhas {BIO 16582554 <GO>}

Exactly.

Q - Ron Epstein {BIO 15893287 <GO>}

And then a quick question for Gus. Back to the last question that Jamie asked on the aero derivatives stuff. And what would be the right partner? What kind of expertise, what are you looking for to feel comfortable that, you'd think okay, this is something we might want to invest in.?

A - Aengus Kelly {BIO 2460371 <GO>}

You've got to remember, Ron, it's a very significant investment in every engine. So you need a long-term demand, and you need the right partner. Now our focus is on ensuring we approach this, as I said, with the right strategic partner, one that can bring the operational expertise and the capabilities needed to drive long-term value from the opportunity. We have had constructive discussions with a number of potential partners, but have not yet identified one with the long-term conviction regarding the longevity and durability of the opportunity.

Q - Ron Epstein {BIO 15893287 <GO>}

Got it. And then maybe just one last one if I can. For the engine leasing business itself and supporting those engines. Are you guys have any problem getting parts and the supply-chain, what you need to keep on those engines flying?

A - Aengus Kelly {BIO 2460371 <GO>}

Sorry, could you just repeat the last bit, Ron, you just broke up. Have we had any problems with?

Q - Ron Epstein {BIO 15893287 <GO>}

Yeah, sorry about that. Any problems with the supply-chain, getting the components you need to support the engines, particularly the CFM56s that you have on those?

A - Aengus Kelly {BIO 2460371 <GO>}

Well, Ron, as you know, one of our businesses supports the CFM product globally. And at any given time, we're probably moving 50 engines around the world at any given day for GE and CFM. And we have been able to do that. It takes a lot of planning. We have a number of facilities around the world where we know which parts of an engine will be scarce years in advance from our knowledge, and we tend to have pre-bought a lot of the bendable parts that airlines tend to - I won't say use the word pilfer - but when you're in that business moving engines quickly from A to B to C to D to E to F, you need to really understand what happens to certain consumables on the engines, on the top cases, et cetera and to plan for that years in advance and we have various facilities around the world where stockpiles of those critical parts. And we have our own infrastructure that can move these assets around faster and a greater scale than anyone else in the world.

Q - Ron Epstein {BIO 15893287 <GO>}

Got it. Got it. Cool. All right. Thank you guys. Yeah. Thanks.

Operator

We will take our next question from John Godyn with Citigroup.

Q - John Godyn {BIO 17516662 <GO>}

Hey guys. Thanks for taking my question. Gus, you spent a bit of time talking about the supply-demand and widebodies, there's a wide gap there. I was hoping that you could talk a bit more about what's going on in narrowbodies where delivery rates have tracked back up? And in particular, kind of retirement rates and anything of note on modern versus older engine types.

A - Aengus Kelly {BIO 2460371 <GO>}

Look, we still see very strong demand. I mean, I suppose to be fair, the prime aircraft of all is the A321neo. If you have A321neos, I mean you're going to place that no problem.

And they'd be fairly scarce and that's the clear market-leader and that's where it's so vital for Boeing to get the MAX 10 certified. And then it will help once Boeing do that, it will actually help the MAX 8. The MAX 8 is a very good airplane. Airlines that operate the MAX 8 and the A320neo would argue that the MAX 8 may be even a slightly superior aircraft, but commonality and operating leverage, having a one-family type of aircraft, is vital. And so that's what's held back, I would say, the placement activity on the MAX 8 versus the A320neo family, but I think that will reverse when the MAX 10 gets certified and starts delivering. So we certainly see a very strong demand out there still for the narrowbody new tech Aircraft.

And then on the older tech aircraft, you can see as well that particularly as what a lot of our sales are focused on, there's tremendous demand. A lot of that is supported of course, by the demand for engine overhauls, the cost of an engine overhaul shop visit is relatively high. So, people will be inclined just to buy engines off us to avoid shop visits and then we might give the airframe to our own parts business in Memphis Air Materials where we will tear down the airframe ourselves and after having sold the engines.

Q - John Godyn {BIO 17516662 <GO>}

Great. And if I could just ask about your take on next-gen narrowbody. Obviously, it was in the headlines quite a bit last week on the back of Farnborough. And I'm just curious what you think the customer reception would be for a new narrowbody.

A - Aengus Kelly {BIO 2460371 <GO>}

Well, I don't think anyone is bringing one out today. I think were it to come today, the customer reception will be very cool. I think over time as the existing technology improves, matures and starts to deliver the on-wing time that was originally envisaged - and that goes for all, be it Airbus, Boeing, Pratt, CFM, et cetera - I think, and I do believe that will happen over the course of the next four, five-odd years. And at that point in time, I think it may be more sensible then for the launch of a new narrow narrowbody, but I can't see any significant numbers being delivered before the back-end of the next decade. So, launch is one thing. Delivery of significant numbers of aircraft is what's relevant to us. And I just don't see that happening before the end-of-the next decade. So we're a long, long way off there.

Q - John Godyn {BIO 17516662 <GO>}

Thank you for the thoughts.

Operator

We will take our next question from Shannon Doherty with Deutsche Bank.

Q - Shannon Doherty {BIO 22063427 <GO>}

Thanks for taking my question and congrats on the great results., this is your first wide-body order in many years and you've previously expressed some hesitancy in placing direct OEM orders. So why now? Do you think that widebody supply will get worse before moving into the next decade? And if I may, if you were any other customer volumes, when would your 15 widebody start delivering?

A - Aengus Kelly {BIO 2460371 <GO>}

Well, I can only talk about when AerCap's start delivering. Like we know, the slots are very, very rare. And I think it was a combination, as I said in my prepared comments, of the long-standing relationship with Boeing, being the biggest owner of 787s in the world and being able to place close-in slots quickly. And certainly, if you're Boeing, you do not want to be dealing with someone who doesn't have a huge knowledge and capability in moving wide-bodies.

Narrowbodies are easier to move, but widebodies are far more challenging. And so, you really want to have confidence if you've got near-term slots available that the entity that you're dealing with can definitely move them and move them very efficiently. So, I think that's our track-record there. It was very important as part of the deal, our ability to move quickly, et cetera. I can't speak for when Boeing would offer wide-body thoughts to anyone else, but I would imagine they'd be materially later.

And now my hesitancy in dealing with the OEMs directly, I don't have any hesitancy and never have a deal with them. I just don't like rolling up at the Farnborough, Le Bourget tent and waiting in line for them taking an order. So, you want to make sure you do it on your terms when the terms are right. And when that happens, of course, we'll do as many as we think are economically viable for our shareholders.

Q - Shannon Doherty {BIO 22063427 <GO>}

Great. Thanks. And separately, how big are your Leap in CFM56 portfolios today at SES? How many engines are off-lease? And can you give us any color on lease rates that you're seeing for the two types? Thanks for the question.

A - Aengus Kelly {BIO 2460371 <GO>}

Could you just repeat that -- sorry, could you just repeat that question?

Q - Shannon Doherty {BIO 22063427 <GO>}

Oh yeah. How big are your leap and CFM56 portfolios today at SES and how many engines are off-lease? If you have any color on lease rates too, that'd be great.

A - Aengus Kelly {BIO 2460371 <GO>}

De-minimis numbers, de-minimis numbers. I mean, there's a shortage of CFM56 and LEAP engines globally around the world. So, anything that's on-the-ground is either there's a home for it in the next couple of weeks or it's in transition. I wouldn't think there'd be, as I said, de-minimis amounts

Operator

We will take our next question from Moshe Orenbuch with TD Cowen. Please go-ahead.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Great. Thanks. I guess Pete, when you talked about the full-year kind of gain on-sale, you mentioned $4 billion to $5 billion. I think you did nearly $3 billion in the first-half. Can you talk a little bit about kind of what's left to do in the second-half and what the demand from -- from the buyer community looks like?

A - Peter Juhas {BIO 16582554 <GO>}

Sure. So, the demand continues to be very strong. We have about $400 million of held-for-sale assets at the moment, but we have a number of other sales that are in the pipeline. And so, while the first-half of the year was high, right, I don't expect us to replicate that first-half of the year, I still think in the $4 billion to $5 billion range, I mean that would be a record number for us for the full-year. So, we do feel pretty confident that we'll be in that range. And that's indicative of the demand that we see globally that is holding up very well and you're seeing that pretty much across-the-board and at high margins as you have seen.

So I think that's really just, you know the first-half of the year was extremely high. Second-half of the year, I think will still be high, but not as high.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Got it. I think one of the one of the other kind of aspects of that high-level of sales is that it kind of reduces your existing fleet. And this quarter, you actually had on a period-end basis growth in the net fleet for the first time in a few quarters. Can you talk a little bit about the outlook for the second-half there given what you've got in orders and maybe discuss how kind of the Spirit aircraft fit into that? I guess they're technically in the fleet, but we'll start to start to generate revenue. So can you talk about the outlook for growth in the fleet in second-half and into '27?

A - Peter Juhas {BIO 16582554 <GO>}

Sure. Yeah, Moshe. I mean, they will -- so the Spirit aircraft are in the fleet. They're still flight equipment that I would expect the fleet to grow slightly during the latter half of the year. I mean, obviously, these high sales volumes are impacting that as well. So I think we'll see it maybe go up a little bit, but not a huge increase this year.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

All right. Thanks very much.

Operator

We will take our next question from Kristine Liwag with Morgan Stanley. Please go-ahead.

Q - Kristine Liwag {BIO 21936865 <GO>}

Hi, this good morning. This is Gabby on for Christine. Thanks for taking the question. So going back to Shannon's question here a little. I mean, in March, you placed your largest-ever direct Airbus order for 100 A320 aircraft. And then in July, you added 15 Boeing 787s. That's a pretty meaningful acceleration in-direct OEM commitments after several years of pretty selective ordering. Is there anything that's changed in your assessment of OEM pricing and delivery economics? And are we entering a period where lessors can once again negotiate attractive terms on new aircraft? Or do you still view the market as one where Boeing and Airbus retain most of the bargaining power.

A - Aengus Kelly {BIO 2460371 <GO>}

Well, I think if we look at the recent Airbus orders, we've clocked up almost 200 aircraft with Airbus in the last two years. They are orderbooks, to all intents and purposes, that we've taken over from airlines. So that made it far more attractive. And of course, the contracting party ultimately is Airbus, but the entity that had the order book were entities that we helped, be it Spirit, be it Frontier. And in return for that assistance, we were able to step into those delivery slots, which otherwise would not be available. And as you saw those delivery slots begin, I think as early as late '27, '28, '29, '30, '31, '32 as opposed if we've gone to Airbus and Boeing on the narrowbodies and order large numbers of aircraft, your order stream would probably start towards the end of that order stream. And that has tremendous impact on economics because if you think of your paying escalation every year, say escalation is 4% and you can take delivery of your equipment and you order at the same time, give or take, but you can get delivery four years earlier than a competitor, then your purchase price is probably 16%, 17% less at the end of the day. And that's an enormous advantage. And that the ability to execute transactions like that comes back to AerCap's unique capabilities, scale and the ability to interact on these opportunities, but it's unique capabilities to take engines out, to move them into our leasing pools that enable us to take AOG aircraft out of customers like Frontier and create revenue right away.

In the case of Spirit, our confidence we've been able to release the aircraft and to work with the airline, et-cetera. These are things to move very quickly and gave us the advantages that we have there in getting those order books, we just would not be available in any circumstance and if you were to go to Airbus or Boeing directly.

Q - Kristine Liwag {BIO 21935865 <GO>}

Great. Thanks so much.

Operator

We will take our next question from Cordelia Dang with Barclays. Please go-ahead.

Q - Cordelia Dang

Hi, this is Cordelia on for Terry Ma with Barclays. Thanks for taking my question. So just talking about gain on-sale margins for a second, they continue to remain attractive in the current environment at 20%. I guess, what's the durability of these elevated, call-it high-teens to low-20s gain on-sale margins.

A - Aengus Kelly {BIO 2460371 <GO>}

Look, what I would say when it comes to selling aircraft, Cordelia, the gain-on-sale is never a driver. The decision to sell the assets is what do we think the value of the asset is on our books and what do we think we can get for it, whether that generates a 5% gain, 10% gain or 50% gain, I don't care. What I care about is after the sale of that asset, is the company a better company? Did I sell an asset that was better than our average asset? Our average asset has 200 seats, it's probably seven years-old and it's probably on lease for seven years. After I sell this asset, did that average asset improved or disimproved? That's the key question because that's what protects long-term shareholder value. And then once we decide to sell, of course, we use the huge network we have to maximize the gain on-sale. And that's where you see there that we've always printed strong gain on-sales for 20 years, year in, year out. But Pete, maybe you want to comment on how they fascinate quarter-in, quarter-out?

A - Peter Juhas {BIO 16582554 <GO>}

Sure, sure. So, Cordelia, I think it's worth looking quarterly, you see a fair amount of variation in these margins. So just to give you an example, last year, first-quarter was 35%, second-quarter, 18%, third-quarter 28%, and fourth quarter 24%. And then first-quarter this year is 24% and now it's 20%.

So they move around a lot. There's not really a discernible trend there. I mean, I can't discern it anyway, in terms of how that works. It just depends on what happens to close in that quarter and the volumes that you have. I think there are a number of factors that are contributing to these high margins, which we would expect to continue. One has been the strong environment that we've talked about a lot. Another is higher maintenance costs, right, which translate into if you have life left on an engine, it costs more to replace that, that contributes to higher values for these. You've had inflation over the last several years and which doesn't show any signs of decreasing. These are hard assets and so inflation tends to push those residual values and sale prices up. So all of those things together, I think are contributing to it and we would expect that to continue for a while.

Q - Cordelia Dang

Super helpful. Thank you. And then just a follow-up to the engine derivatives. I'm trying to think about if you can help me dimensionalize potentially the return profile you have to see with the aero derivative opportunity relative to your existing engine business?

A - Aengus Kelly {BIO 2460371 <GO>}

Well, we know what our existing business does and it's very strong returns. And as we said, there's a significant investment in the aeroderivatives that requires a very long-term durable demand to be there and have the right partners to make sure that the product delivers the efficiency that the ultimate customer expects and above all else, reliability. In the data center business, one thing that's become clear to us is if there is any concern about reliability, no one will take your product. It has to be 100% reliable because when these things fire up, if they don't fire up, the data is lost. There's no longer a data center then.

Q - Cordelia Dang

Got it. Thank you.

Operator

We will take our next question from Arren Cyganovich with Truist Securities. Please go-ahead.

Q - Arren Cyganovich {BIO 6532878 <GO>}

Thanks. Just following-up on prior questions around increasing leverage. I think Peter mentioned that there's opportunity sometimes to put big chunky pieces to work. I'm just wondering what you're seeing on that front? Are you seeing portfolios? I mean, consolidation is kind of largely, at least from the larger players, seemingly played out. Do you see other consolidation opportunities out there as well.

A - Aengus Kelly {BIO 2460371 <GO>}

Well, I mean, first of all, I think the leverage is a function, as Pete mentioned, of the strong results of the business over a very long period of time, just this quarter gone with $1.5 billion of operating cash-flow and of course, operating cashflow excludes any gain on-sales. And the business, I think for the last 12 months period is about close to $6-odd billion of operating cashflow, which is a tremendous amount. It speaks to the underlying core leasing business that we have of engines, aircraft, helicopters. And so, long may that last, and as it pertains to opportunities, certainly in regard to M& A, as you know in the past, we will always be looking at all opportunities in the sector, but it has to be something that is accretive to our shareholders. And you can see from our beliefs and our activity over the course of the last four or five years and recently in the last 6 months that we believe the cheapest aircraft are still available, as I said before, everyday New York Stock Exchange under the ticker AER and that's where we buy very significant amounts of aircraft. I mean, as Pete said, we returned $1.4 billion to shareholders. That's the same as going out and buying about $5.5 billion of aircraft in a sale-and-leaseback transaction at economics we couldn't match. So, that's why we continue to do that in large-scale. But of course, we have to be cognizant too that we do have a large orderbook that will deliver and so some of that capital over time will be needed too. But of course, we will generate capital. But we want to make sure that AerCap is always able, ready to go, whenever a significant opportunity presents itself.

Q - Arren Cyganovich {BIO 6532878 <GO>}

Thanks, Gus. My follow-up question would be on the conversations you're having with airlines, you mentioned some input costs, obviously, with oil rising and putting some pressure on margins, but everybody seems to be doing, I guess, fairly well. Has that changed any of your conversations with airlines in terms of maybe opportunities for more sale-leasebacks, et-cetera?

A - Aengus Kelly {BIO 2460371 <GO>}

Not as yet, but there's no doubt, of course, look at these oil prices and if they're to last, of course, some airlines will feel that, and we'll definitely see impaired profitability. But on an overall basis globally, and at the moment, we don't see any material impact as yes. Of course, that could change. But at the moment, we don't.

And I would say, of course, over the last 20 years as a public company, every quarter, we reported credit costs and they've never been a material driver of the performance of. That's down to the ability of the company to move assets rapidly around the world from underperforming to performing airlines and regions. But I would say that at the moment, as we look out towards the rest of the year and the airline industry is still, on a global basis, healthy.

Operator

Thank you. There are no further questions at this time. I will turn the conference back to Aengus Kelly for any additional or closing remarks.

A - Aengus Kelly {BIO 2460371 <GO>}

Thank you, operator, and thank you all for joining us. Look, AerCap has still significant financial flexibility. We have a strong pipeline of opportunities and a business that continues to perform exceptionally well. I want to thank you for your continued interest and support, and we look forward to speaking with you again in the next quarter. Thank you. Thank you.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.
