

## Aircraft Leasing 101

Hello and welcome to our investor education section. The idea of these videos is to explain topical issues that arise from time to time in no more than a couple of minutes.

Today's topic is aircraft leasing 101.

Aircraft leasing is a sector that has been around since the 1970s and has grown in importance and scale ever since. In fact, Aircraft lessors today own over 50% of the world's aircraft and that number is expected to grow over the coming decades.



Airlines use aircraft leasing as a source of financing and also to enable access to new technology aircraft earlier than they would do from going directly to the manufacturers.

For instance, Airbus and Boeing are sold out for narrowbody aircraft until around 2030, whereas the aircraft leasing companies can contract their orderbooks 2 to 3 years out. This earlier access allows airlines to benefit from multiple years of fuel burn savings and also significantly reduces their capital expenditures needs.

In terms of financing, not all airlines around the world operate in regions with strong capital markets, so the leasing product is particularly important in countries with high passenger growth but without the required financial infrastructure to support it.

AerCap operates in 80 countries around the world, providing much needed capacity to over 300 airlines.

**So, what does a typical lease look like?**

For new aircraft a typical lease length pattern would be an initial twelve-year lease, followed by two six-year leases or extensions, taking you out to the aircraft's 25-year useful life. At the end of Q1-2024 AerCap's average remaining lease length was over 7 years, providing good visibility into the future.

**NEW AIRCRAFT TYPICAL LEASE LENGTH PATTERN**

AERCAP



Our leases are almost exclusively fixed rate in nature.

For forward orders, there can be some variability in lease rates between signing the lease contract and delivering the aircraft, to hedge for changes in interest rates and inflation, as these contracts can be signed many years in advance.

Once the aircraft delivers, however, it is fixed for the entirety of the lease.

In order to match our assets and liabilities we fund these aircraft at a group level, again with predominantly fixed rate debt. This debt is either contracted at fixed rates or can be floating rate debt that is hedged with interest rate caps and swaps. Our average remaining debt tenor is approximately 6 years, which is one of the longest in the industry, and provides a good balance to our portfolio.

So, combining long-term fixed-rate leases, with long-term diversified, fixed-rate financing, aligns our capital structure and allows AerCap to generate consistent returns year after year.