

## The Lifecycle of an Aircraft

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.

In today's video we'll talk about the life cycle of an aircraft, starting with the decisions around which aircraft to buy, discussions with the OEMs, leasing decisions, and end-of-life considerations for the asset, and at what point these decisions and discussions tend to take place.

### *Stage 1: Portfolio strategy*

Selecting the right aircraft is critical. For AerCap, this means buying exclusively in-demand new technology assets which have the widest possible distribution capacity, with large operator bases and a depth of orderbook. Today, this includes the Airbus A320neo family and A350 as well as Boeing's 737MAXs and 787s. These aircraft make up over 75% of our fleet by value today and ensure that we have multiple options for placement activity.

### *Stage 2: Purchasing the aircraft*

When it comes to purchasing the aircraft, negotiations between the OEM and lessor can begin 3-5 years out from the expected delivery date. Key considerations in these negotiations will include pricing, aircraft specification, flexibility, delivery schedules, payment terms and so on. It is important to be disciplined in these negotiations, and as a result these large orders don't occur very often. In fact, the last time AerCap placed a large order with the airframe manufacturers was March 2020 when we orders 50 Airbus A320neo family aircraft.

### *Stage 3: Leasing the aircraft*

Once an order is placed with the OEM, a lessor will begin engaging with suitable operators by evaluating local market demand, assessing credit profiles, and looking for the highest credit-adjusted leases. Once lease terms have been agreed, usually 12-36months in advance, the first lease almost always be for 12 years. They are also typically fixed for the duration of that lease, so this provides excellent visibility of cash flows.

### *Stage 4: Mid-life decisions for the aircraft*

At the 9-to-12-year mark, lessor decision making turns to extending, re-leasing, or selling the aircraft. A relative value assessment will often dictate the best course of action for the aircraft at this stage. Key considerations will include age, condition, leasing demand, and the general market environment. As a general rule, AerCap prefers to sell aircraft after a lease has been agreed, rather than selling an aircraft "Naked", or without a lease, as financial buyers, in particular, value the long-contracted cash flows.

*Stage 5: End of life*

This process will be repeated several times through the course of the aircraft's 25-year useful life. Towards the late-life of their, say from year 20 onwards, the lessor will look at various end-of-life options for the aircraft. This can include selling the aircraft whole to a willing buyer, selling the engines, parting it out, or converting it for cargo use. Converting to cargo typically extends the aircraft's life out to 35-40 years so it can be a useful option.

So that's the typical lifecycle of the aircraft, I hope you found this video useful, and I look forward to adding more content in the year ahead.