

Q3 2026 Earnings Call

Company Participants

- Adi Padva, Head of Investor Relations
- Aengus Kelly, Chief Executive Officer & Executive Director
- Peter Juhas, Chief Financial Officer

Other Participants

- Arren Cyganovich, Analyst, Truist Securities
- Catherine O'Brien, Analyst, Goldman Sachs
- Christopher N. Stathoulopoulos, Analyst, SIG
- Jamie Baker, Analyst, JPMorgan
- Jason Holcomb, Analyst, Morgan Stanley
- John Godyn, Analyst, Citigroup
- Moshe Orenbuch, Analyst, TD Cowen
- Ronald Epstein, Analyst, BofA Securities
- Shannon Doherty, Analyst, Deutsche Bank
- Terry Ma, Analyst, Barclays
- Unidentified Participant

Presentation

Operator

Good day and welcome to the AerCap Holdings NV Q3 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'd like to turn the conference over to Mr. Adi Padva, Head of Investor Relations. Please go-ahead, sir.

Adi Padva {[BIO 19514211](#) <GO>}

Thank you. Thank you, operator, and welcome to AerCap's third quarter 2026 earnings call. With me today are CEO Aengus Kelly and our CFO, Pete Juhas. Please note that today's call may contain forward-looking statements, which involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements. Further information concerning these issues can be found in AerCap's latest earnings release and our filings with the SEC. A copy of the earnings release and conference call presentations are available on our website at AerCap.com. We undertake no duty to update any forward-looking statements except required by law. I'll now turn the call over to our CEO, Aengus Kelly.

Aengus Kelly {[BIO 19290468](#) <GO>}

Thank you for joining us for our third quarter 2026 earnings call. AerCap delivered another excellent quarter, with record performance across a number of key financial metrics, leading us to raise our full-year 2026 guidance. Our results once again demonstrate the resilience and stability of the global platform we have built over two decades as a public company.

Starting with our financial highlights on slide 3, we delivered record adjusted earnings per share of \$6.56 in the third quarter, translating to a record adjusted return on

equity of 22%. Demand for our assets remains strong and continues to outstrip available supply. While this dynamic is supporting lease rates and asset sale opportunities, AerCap's long-term performance is driven by our ability to actively manage and optimize assets throughout their lifecycle. It is this capability that continues to differentiate our platform and underpins our strong view of the business going forward.

We continued to return significant capital to shareholders in the third quarter, repurchasing \$783 million of shares, and just over \$2.2 billion year-to-date, representing approximately 10% of AerCap's outstanding shares at the beginning of the year. Reflecting our performance and positive outlook, we are raising our full-year 2026 earnings guidance to \$20.70 per share, excluding any additional gains on asset sales in the fourth quarter.

Turning to our core leasing business and current industry dynamics. While our discussions with customers focus on long-term fleet planning decisions – those that determine capacity years into the future – higher jet fuel prices have created uncertainty for some airlines and are impacting their near-term profitability. If jet fuel remains at these elevated levels, we would expect airlines to seek proactive measures to strengthen liquidity and protect their balance sheets. Our platform is uniquely positioned to navigate challenges the airline industry faces, and in many instances this type of backdrop can create opportunities for AerCap, such as through incremental sale-and-leaseback activities.

Today, our orderbook is fully placed through the end of 2027 and 80% placed through the end of 2028, and this is taking into account the 131 new aircraft added to our orderbook this year. Combined with an average remaining lease term of over seven years, this gives us tremendous visibility into our future earnings and underscores the durability of our business model.

Turning to slide 4. Let me begin by saying that we have continued to take advantage of the very strong secondary market to improve the quality of our portfolio. During the third quarter, we sold 70 owned assets for \$1.1 billion of sales proceeds at an unlevered gain-on-sale margin of 45%, and 2.6x book equity. Today, 83% of our aircraft fleet is comprised of new technology or freighter aircraft, a direct result of our continued focus on portfolio optimization for the last 15 years.

Turning to the growth of our orderbook, you have heard me say before that it cannot be a buyer's and seller's market at the same time. Yet despite a highly constrained supply environment, we have significantly expanded our orderbook since 2024 without compromising our return thresholds. Our scale and industry relationships have given us access to opportunities that others simply cannot reach. Today, we have an orderbook of new technology aircraft with delivery positions beginning in 2027 that we believe will create substantial long-term shareholder value.

Continuing with the theme of capital allocation, AerCap has been defined throughout its history by the balanced deployment of capital across growth, shareholder returns, and financial strength. As we show on slide 5, since the closing of the GECAS acquisition at the end of 2021, we have committed more than \$30 billion to new technology assets, repurchased almost 40% of our outstanding shares, and continued to strengthen our balance sheet. Today, AerCap is a high investment grade company with BBB+/Baa1 credit ratings.

Turning to slide 6, our performance since 2022 demonstrates the successful

execution of our strategy. Over that period AerCap has delivered compound annual growth of 23% in adjusted earnings per share and 18% in book value per share. Our superior long-term returns are the result of a platform that combines global scale, unique information advantages, deep customer relationships, and ownership of the most valuable aviation assets.

In closing, this business is not simply about buying, leasing and selling aircraft. It is about actively managing aviation assets throughout their lifecycle, allocating capital where we see the most attractive returns, and using our market leadership and expertise to create value at every stage of ownership. This is what makes AerCap's earnings power durable and continues to drive long-term value creation for our shareholders.

I will now hand the call over to Pete to review the financials in more detail.

Peter Juhas {[BIO 16582554](#) <GO>}

Thanks Gus. Good morning, everyone. AerCap delivered another record quarter, and I'll start by reviewing our financial results on slide 7. Our GAAP net income for the third quarter was \$949 million dollars, or \$6.17 per share. The impact of purchase accounting adjustments was \$71 million dollars for the quarter, or \$0.46 per share. That included lease premium amortization of \$23 million dollars, maintenance rights amortization of \$35 million dollars related to maintenance revenue, and maintenance rights amortization of \$14 million dollars related to leasing expenses. The net tax effect of these items was \$11 million dollars, or \$0.07 per share. As a result, our adjusted net income for the third quarter was a record \$1,009 million dollars, or \$6.56 per share. That also represents a record adjusted ROE of 22% for the quarter.

Turning to slide 8, I'll briefly go through the main drivers that affected our results. Basic lease rents were \$1,698 million dollars, reflecting continued growth in our fleet and a strong leasing environment. Maintenance revenues remained elevated during the third quarter at \$267 million dollars before purchase accounting adjustments. Our net maintenance contribution, which is maintenance revenue less leasing expenses after taking purchase accounting adjustments into account, was \$184 million dollars for the quarter. As we have noted previously, maintenance contribution is event-driven and can vary significantly from quarter to quarter. Our net maintenance contribution has been particularly strong in 2026, which is based on a number of factors, including the timing of end-of-lease compensation, maintenance reserve releases, buyouts and transition activity.

Net gain on sale of assets was \$353 million dollars for the third quarter. The sales environment remains very strong and we sold 70 of our owned assets for total sales revenue of \$1.1 billion dollars, with an unlevered gain-on-sale margin of approximately 45%. Other income was \$97 million dollars, primarily consisting of interest income and management fee income. In the third quarter, we also recognized 27 million of other income related to sales of equity investments. Interest expense was \$475 million dollars for the third quarter. Leasing expenses were \$131 million, including \$14 million of maintenance rights amortization. Income from equity method investments was \$73 million in the third quarter, which was higher than normal due to income from our joint venture SES. Income tax expense was \$123 million dollars, reflecting an effective tax rate of 12.3%. This was lower than usual due to some discrete tax items. Excluding these items, we would expect our effective tax rate for the full year to be approximately 15%.

Turning to slide 9, our liquidity position continues to be very strong. As of September 30, our total sources of liquidity were approximately \$22 billion dollars. This includes approximately \$2.5 billion of cash, \$10 billion of revolvers and \$3 billion of other committed facilities, as well as estimated asset sales and operating cash flow. Our sources-to-uses coverage ratio was 1.8 times, which reflects excess cash coverage of around \$10 billion dollars. Our adjusted leverage ratio at the end of September remained similar to last quarter at 2.0x net debt to equity. Our operating cash flow was \$1.8 billion dollars for the quarter. Our secured debt-to-total-assets ratio decreased to a record low of 8%, down from 9% last quarter. Our average cost of debt was 4.2%, the same as last quarter.

During the third quarter, we bought back 5.3 million shares for a total of approximately \$783 million dollars. We also announced a new \$1 billion dollar share repurchase program in September. As Gus mentioned, for the first nine months of 2026, we returned more than \$2.2 billion to shareholders through share repurchases, representing approximately 10% of the shares outstanding at the beginning of the year. In addition, we made our 10th consecutive quarterly dividend payment. We have increased our dividend each year and have paid over \$500 million in dividends since the introduction of our dividend in 2024.

Turning to slide 10. Following our continued strong performance during the third quarter, we're raising our full-year 2026 adjusted EPS guidance and we now expect adjusted EPS of approximately \$20.70 for the full year. This reflects approximately \$16.00 of adjusted EPS excluding gains on sale, which is a \$2.00 increase from our previous guidance of approximately \$14.00. It also includes \$4.70 of gains on sale recognized during the first nine months of the year. It is before any additional gains on sale for the fourth quarter. The principal drivers of the outperformance relative to our previous guidance were strong gains on asset sales, higher net maintenance contribution and higher other income. We generated approximately \$866 million dollars of gains on sale during the first nine months of 2026, including a record \$353 million in the third quarter.

Last quarter, I said we expected asset sales for the full year in the range of \$4 to \$5 billion dollars. However, based on our performance to date and the continued strength of the sales market, we currently expect full-year 2026 asset sales to come in over \$5 billion dollars. Our net maintenance contribution was \$453 million dollars has been particularly strong for the first nine months of this year. We would expect it to return to a more normal level of around \$50 million dollars per quarter in 2027. And other income was also higher than normal, at \$266 million dollars for the first nine months of the year.

In closing, AerCap continued its strong performance with another record quarter. We generated record adjusted EPS of \$6.56, record adjusted ROE of 22% and record gain on sale for a single quarter of \$353 million dollars. Today, we're raising our full-year adjusted EPS guidance to approximately \$20.70, before including any additional fourth-quarter gains on sale. This positive outlook and strong performance to date reflects the strength of our platform, the quality of our portfolio and our disciplined approach to capital allocation. And with that, operator, we can open up the call for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) And we'll go first to Jamie Baker with JPMorgan.

Q - Jamie Baker {BIO 3406456 <GO>}

Thanks, everybody. So, Gus, one lessor that was here in New York last week for airline economics mentioned that certain appraisers believe certain midlife values and lease rates have peaked a little bit more on narrowbodies and widebodies. And I don't know, it sounds plausible, you know, given what's happening with fuel and Spirit shutdown and capacity cuts and all that. But the lessor in question Middle East-based by the way, I specifically said they're not seeing that and the appraisers are wrong. We're not uniquely concerned, but I don't know, directionally, Mark and I wanted to ask which side you come down on in this regard?

A - Aengus Kelly {BIO 19290468 <GO>}

Yeah. Thanks, Jamie. Well, I can only talk to AerCap, and you can see in the quarter what we did, selling a wide array of assets of 70 aircraft and generating 2.6 times book equity in our gain on-sale. Now that's a combination of having the right assets. We've been looking at this portfolio for 15 years, always every day, where do we want the portfolio to be in 10 years, not tomorrow, not the day after, not yesterday. And, looking at the trends where the industry is going, that shapes our portfolio for the future. And we're highly confident that the assets we have are very well-positioned for the future and that's evidenced by the results that you see this quarter and in fact, pretty much every quarter for a long, long time.

Q - Jamie Baker {BIO 3406456 <GO>}

Excellent. Thanks for that. And then for Pete, if we could just quickly revisit financial policy, obviously, the model is working, leverage is nicely below 2.7 times target. But any updated thoughts since, well, basically since we spoke 90 days ago in terms of tightening this maybe the 2.5 times and making a stronger argument for low A ratings? I mean with base rates obviously up and spread dispersion increasing, it just seems to Mark and me that the benefit of borrowing costs within A-rating would be, I don't know, increasingly advantageous. Thanks in advance.

A - Peter Juhas {BIO 16582554 <GO>}

Sure. Thanks, Jamie. Yes, look, we would welcome an upgrade. And I think the performance of the company in many ways, you can see how strongly we've performed over many years would certainly merit an upgrade. That being said, we haven't changed any of our policies. Our stated target of leverage is 2.7 times. But as you noted, we've been running well below that for a while. The main driver of that really has been just the extremely strong earnings that we've produced quarter-after-quarter over the last year, and even before that, but particularly this year. And even though we have been buying back a lot of stock, 10% of the stock so far year-to-date, nonetheless, just given how much capital we've been generating, the leverage ratio has continued to stay where it has been at around 2 times. I do think that will increase going-forward. I mean that is our plan. But obviously, given the strong results, that is depressing that leverage ratio.

Q - Jamie Baker {BIO 3406456 <GO>}

That's great. Thanks.

Operator

We'll go next to Moshe Orenbuch with TD Cowen.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Great. Thanks. And Gus and Pete, as you look at the combination of the order book, which really does start picking up in Q4, the Spirit and Frontier, and the other kind of opportunities that might arise, how do you think about capex over the coming year or two? And how does that – or does that – translate into growth in dollars of basic lease rents?

A - Peter Juhas {BIO 16582554 <GO>}

Sure, sure. So, Moshe, I mean, if we look at CapEx for fourth quarter, cash CapEx should be around \$1.5 billion for the rest of this year. So in 2026 around \$6 billion; 2027, maybe \$5.5 billion or so. And we could add to that. Obviously, I mean, you've seen, particularly on the engine side, those tend to be shorter in and so I wouldn't be surprised if you saw some additions to that from there. And then if there are other things that we can do in terms of sale-leasebacks, maybe that adds to that. Obviously, on the other side, you can see some delays as well as you're well aware. But roughly those are the numbers that we're looking at over the next couple of years.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Great.

A - Aengus Kelly {BIO 19290468 <GO>}

And Moshe, I would add there, if you just step back and look at the company today, we're generating record ROEs and we are generating record cashflow, but the balance sheet is a fortress balance sheet. It's never been stronger. Two-to-one debt to equity, high investment-grade company, BBB+/Baa1, returning massive amounts to shareholders. But frankly still we have the ability tomorrow if we wished to deploy \$14 billion approximately of capital if we wanted to. We have \$3.7 billion of available excess equity, you lever that up to \$14 billion. It's a very enviable position for the company to be in and it hasn't come at the sacrifice of any shareholder returns at all.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Right, clearly, clearly. And the other follow-up question that I wanted to ask also kind of dovetails into that because you've been selling a higher percentage of the fleet, I guess, at higher gains and you mentioned that probably going to stay high in Q4. But as you look at the fleet and how are thinking about that optimization, is there a way to think about what percentage of the fleet you enter 2027 that could be subject to that? Is there just any way that we could sort of think about how to think about the percentage of the fleet that's up for sale in the future?

A - Aengus Kelly {BIO 19290468 <GO>}

Moshe, hand over to Pete in a second. But first of all, the reason we sell assets is always with the long-term strategy of where do we want the portfolio to be in 10, 15 years' time. It's because of that long-dated thinking 15 years ago that the portfolio is where it is today. 83% focused on new tech assets or freight, and freight is the strongest part of the market of all and one that we expect to grow.

But I would say sales have been elevated in the last year or two, driven in some part by our focus on reducing our Chinese exposure, which has fallen very significantly over the course of the last four years. And I'd expect as we go into '27, '28 that those sales of Chinese assets will slow down as our exposure has reduced materially there. Pete, anything you want to add?

A - Peter Juhas {BIO 16582554 <GO>}

Yeah. I mean, I mentioned Moshe in my prepared remarks, that we expect to have sales of over \$5 billion this year. So that is an extraordinary number. More typically, we would generally guide to \$2.5 billion to \$3 billion of sales. So I would expect at this point, it probably normalizes to something like that, but it really depends. And obviously it could be higher. The market has been extremely strong and we have been selling into that.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Great, thanks very much.

A - Peter Juhas {BIO 16582554 <GO>}

Sure.

Operator

We'll go next to Shannon Doherty with Deutsche Bank.

Q - Shannon Doherty {BIO 22063427 <GO>}

Okay. Yeah, thanks for taking my question. Gus, it's hard to imagine that lease rates go up much more from here if the high fuel price environment lasts through next year. Which assets are being most impacted today? Or is it possible that the supply environment remains so constrained that lease rates can move higher?

A - Aengus Kelly {BIO 19290468 <GO>}

I'd say Shannon, where lease rates go is more a function of interest rates. So, lease rates go up if interest rates go up, I can tell you that now any aircraft in our order book that's leased to deliver in the next two years, if interest rates go up, it goes up with them. That happens. It's in the contracts.

Now in the spot market, if you are in assets heavily focused on older tech assets, you know, that may be a more challenging market in the near term. But, where AerCap is focused in the freight business, in the new tech, in particularly our engine business and we don't see that type of pressure.

There'll be, you know, the odd asset here and there if we have to take them back. But that's the general cut and thrust of the business. I wouldn't say that for AerCap's asset base, as we look out over the next few years, I would see any significant movement in lease rates other than that, that's driven by interest rates apart from the odd one here and there.

Q - Shannon Doherty {[BIO 22063427](#) <GO>}

Thanks. And as my follow-up, one engine Lessor recently noted that spare engine values could begin to come down just given the large number of young narrowbodies being torn down for engines and spare parts and that hitting the market. I mean, we're at something like over 100 narrowbodies that have been parted out. It's pretty amazing. Do you agree with this view?

A - Aengus Kelly {[BIO 19290468](#) <GO>}

Look, we are by far and away the biggest engine lessor in the world, and we have a lot more visibility than anyone else. And I think we are going to see sustained engine demand for a long, long time to come. The key to the valuation or the demand for engines will be, can the time on wing of new technology assets improve dramatically in harsh environments?

And I think that is a long road for the engine OEMs. I don't see that happening. There'll be gradual improvements, but I don't really see that happening. Harsh environments currently years ago were a minority of the global economy. But as emerging markets have boomed, what we have seen is that a much greater portion of the global economy is focused in those countries that have harsher climates, and I really don't see demand for new tech engines tapering off. Then again, if you're in certain engine types that are old technology that have had a boost recently, then perhaps the statement you're saying could be true, all right, but that's not where AerCap is focused. We've always looked to the long term in the future.

Q - Shannon Doherty {[BIO 22063427](#) <GO>}

Thanks, Gus.

Operator

We'll go next to Ron Epstein with Bank of America.

Q - Ronald Epstein {[BIO 4430430](#) <GO>}

Hey, good morning, guys. Good morning, Gus and team. Maybe just two quick ones. As a follow-up to the previous question. Gus, what's your expectation just for aircraft retirements as we go into next year and the following year? There's some debate in the market if we're going to see some like tidal wave of retirements or not? And then how would that impact you guys?

A - Aengus Kelly {[BIO 19290468](#) <GO>}

I doubt we'll see a tidal wave, particularly in widebodies. The widebody market is extraordinarily strong. We're seeing customers overhaul A380 interiors. That says everything Ron, right there. We're at the most fuel-inefficient aircraft ever built and it is being overhauled with \$25 million interior cabin spends. So that is all I can say about the widebody market. I don't think I can say anything else about how strong it is.

On the narrowbodies, I think it's fair to say, all right, will we see large retirements and tidal waves? Probably not. We will see some for sure if oil stays high. But again, Ron, as it pertains to AerCap, as I mentioned, 83% of our book is new tech and it is freight business and our exposure to the other assets is mainly focused on the high-demand looks like the 737s, A320s, A330s. So, from our perspective, I don't see it having an impact on us. But like everything in, you may have had guys who are out there buying different asset types, different asset quality, different maintenance standards. The key really is when you're transitioning, if an asset comes back to you, if you bought an asset off someone and the asset comes back and the maintenance return condition, if you don't have the expertise to manage maintenance return, to manage the paperwork, to manage the transition from one jurisdiction to another, which is very difficult thing to do, then I suspect that's where some guys could get caught out because very, very few people have the infrastructure to rapidly and efficiently move aging assets around the world. We do, of course, and we do it more than anyone.

Q - Ronald Epstein {[BIO 4430430](#) <GO>}

Got you. Got you. And then maybe a question for Pete. Can you -- why is the maintenance revenues less? Leasing impairments going to be around \$50 million annualized? You guys have usually been pretty ahead of this. I'm just trying to understand, is this a conservative view or how you're thinking about that?

A - Peter Juhas {[BIO 16582554](#) <GO>}

Well, Ron, that's normally what we would expect over the long term to be around that number of \$50 million. And if I look back at, say, 2025, we were around \$200 million for the full year in 2024, we are in \$160 million. So it's in that ballpark. This year, it's been much higher and really that's driven by three key factors.

The first is we've had a significant number of large end-of-lease payments on older assets this quarter, but also throughout this year. So that's contributed. Second, we've had higher buyout income. So, these are maintenance buyouts that we do on leases, mostly for older aircraft. And third, we've had some lease terminations that result in an upfront release of maintenance reserves.

And so it always depends upon the transactions that you have coming through each quarter. That's why it tends to bounce around. But all of those things have been quite strong this year. But over time, we expect those to normalize and get back down to that around \$50 million net technical number per quarter.

Q - Ronald Epstein {[BIO 4430430](#) <GO>}

Got you. Cool. Thank you.

A - Peter Juhas {[BIO 16582554](#) <GO>}

Sure.

Operator

We'll take our next question from John Godyn with Citigroup.

Q - John Godyn {BIO 17516662 <GO>}

Thanks for the question. Gus, I obviously, financial distress is a topic again with fuel prices where they are and the prospect of escalation, I guess, in the Middle East post-the US midterms. Can you just do a bit of around-the-world update on what you're seeing in different regions and just give us a general temperature check on financial stress as you see it if fuel stays here?

A - Aengus Kelly {BIO 19290468 <GO>}

Sure. And of course, everyone says the solution to high oil is high oil. And ultimately that will be true. But you are right. Of course, there are airlines in different parts of the world that do face challenges. And I would say it's not so much by geography. A lot of it is to do with the product offering that they have. For the most part, those airlines that are catering solely to an economy class low-fare model, without the ability to offer a product that has some pricing inelasticity or demand in elasticity, those guys are struggling a bit. So I'd say – and particularly where they have to fly long-haul – because it's not so bad if you're a Ryanair bouncing around Europe where your average stage-length is two hours. You're not really killing yourself with fuel with a low-fare model, if you're very low-cost base. But if you're flying five hours, fuel is a much more important part of your network. So I would say the guys that we would be more concerned about is the longer-haul, 3.5 to 5-hour stage lens, low-cost model, that's just under a bit of pressure because their customer base can only pay so much.

But most of the airlines around the world are able to pass on, to varying degrees a reasonable proportion of the increase in fuel costs. And if we look back through our history over the last 20-plus years as a public company. Our bad debt costs or credit costs have averaged less than 1% a year. So AerCap is uniquely positioned to move assets around the world because of the infrastructure if we have it to use different methods to monetize the assets, do we sell them, do we put them into the engine business, do we put them into our part health business, etc. And again, with the scale that we have around the world, it enables us to do things that simply others can't. And you know, no one is wishing for the continuation of the war, of course or high fuel prices and stress with our customers. But in the past, that has sometimes presented opportunities for us, which we have been able to take advantage of.

Q - John Godyn {BIO 17516662 <GO>}

So that's a great overview. And just changing gears, could I revisit aero derivatives and just get your latest thinking there? All the demands on power from AI, all those forecasts just keep going higher there and it seems like we're at a point where the rubber meets the road on that. So I'm curious where you guys stand.

A - Aengus Kelly {[BIO 19290468](#) <GO>}

Sure. I did reference that in the last call and it's something we have looked at very closely for 10 months. And there's a number of factors involved, as I referenced before, the longevity of demand, which is vital because it's a very expensive thing to do, the hurdle rate that engine in AerCap, the alternative use of that engine in AerCap, has to get to is very high, so you can see from our results – the consistency of our results – and then finding the right partners to do it. We have had significant discussions. Now, look, all that being said, of course, we're selling engines to people who are going into the aeroderivative business. And I would say this, of course, if you have power now, as I referenced on the prior call, if there is a significant premium, a very significant premium available to you right now if you have power now. Whether that premium will be there in six, eight, 10 years' time when it's what you need, given the investments you make, is less clear.

Q - John Godyn {[BIO 17516662](#) <GO>}

Okay. Thank you.

Operator

We'll go next to Catherine O'Brien with Goldman Sachs.

Q - Catherine O'Brien

Hey, good morning, team. Thanks for the time. Maybe one more on the asset sales. Would it be fair to say that the elevated sales of the last two years were really driven more by portfolio management versus, I've heard this from a few people, trying to cash in on gain-on-sale margin driven by some view of the cycle?

And I guess, any thoughts on how we should think about the level of asset sales going forward on a high level, over the next couple of years? Is there maybe a good rule of thumb in terms of the percentage of the fleet tied to average age or something? Or it's really just entirely situational based on the information you have each year?

A - Aengus Kelly {[BIO 19290468](#) <GO>}

Well, Catherine, it's never entirely situational, it's very thoughtful and strategic over the last 15 years. And I think you may have seen what we call our sunshine charts, which show how we shaped the portfolio over the last 15 years and the assets we sold and the consistency with the type of assets we've sold.

So, gain on-sale is never the driver. I mean, gain on-sale will be, as I say, fool's gold. If I'm selling assets to maximize gain on sale and I sell my best assets to do it, the portfolio that we have on average, is weakening all the time. It's getting worse. And then I'm compounding that error by going out and buying shares in us. So that is a very poor use of shareholder money, very poor stewardship of the platform. Our view has always been very consistent. This is where the portfolio is driving towards and these are the assets we're selling. And it's not being sold for gain on sale because that will take care of itself. If you manage the asset well, you've managed the maintenance Condition of the assets throughout its life, you will get the best price in the market whenever you go to sell it.

And now sales have been elevated over the last couple of years, of course, because there has been a reduction in the China exposure and they have been on a value basis, absolute value basis, bigger assets because they've been newer assets, whereas assets we've sold outside of China have tended to be lower-value.

Pete, anything you want to add?

A - Peter Juhas {[BIO 16582554](#) <GO>}

I guess I would just add, in terms of the margins, as I mentioned last quarter, I mean, they do move around every quarter, just depending on the assets that happen to be sold in a particular quarter. This quarter, we saw it quite high at 45%. Last quarter it was 20%, the previous quarter it was 24%. So that is going to bounce around. I think it's hard to discern a trend based on any single quarter. But this quarter, it was really driven by very strong gains on-sale in engines and midlife and older assets. But across-the-board, we saw strong gains on-sale for everything that we sold.

Q - Catherine O'Brien

That's great. Really helpful reminder of the long-term focus here on asset sales. Maybe just one more for you guys. When fuel first began its run, you shared you thought airlines would wait before making any major fleet plan changes, which as far as I can tell from my admittedly US-centric point of view, has proven right.

There does seem to be a shift to management teams thinking by higher for longer prices. Have you observed any pivots on fleet planning, maybe in terms of lower extension rate at or airlines? I think we've already touched a little bit on the retirement topic, but conversely, like trying to find a way to take more fuel-efficient new aircraft, understandably, the market is tight, just would be interesting to hear some of the puts and takes like if you're starting to see movement on longer-term decisions? Thanks.

A - Aengus Kelly {[BIO 19290468](#) <GO>}

Look, well, certainly as it relates to the bulk of our business, so if we look at the new tech assets, no one is changing their fleet plans and what they're thinking of doing in '28, '29, etc. Those discussions are still very robust. The freight business is very robust. The engine business is very robust. But look, if we do continue to see elevated fuel prices from here, I would expect to see reduced flying of the less fuel-efficient assets, particularly if they're going to have to fly on longer routes. So, that I think, you would see.

Now, that doesn't mean an airline can hand back any asset to you. But, from our perspective, that's a very small proportion of our portfolio. They're all leased-out pretty much to the end of their lives anyway. So, for the impact on AerCap, I don't think it will have a huge effect really to be honest, as I referenced earlier. But, as we go through the next 12 months, if we do stay at these high fuel prices, I think we'll see reduced flying of that asset type. But I want to be very careful to say that isn't really a huge impact for us because they're a) very low-dollar-value assets they're generally out on lease, or we'll consume through our engine business or our parts business if we have to.

Q - Catherine O'Brien

That's great. Very clear. Thanks for the time.

Operator

We'll take our next question from Terry Ma with Barclays.

Q - Terry Ma {BIO 17247903 <GO>}

Hey, thank you. Good morning. Maybe just a follow-up on the leverage question. We all know what the target leverage level is, but if the business continues to outperform your expectations, is there a practical floor you don't want to operate below with respect to leverage and if those larger capital deployment opportunities remain limited, how should we think about just the buyback?

A - Peter Juhas {BIO 16582554 <GO>}

Well, you can see, Terry, maybe I'll start and then Gus can chime in. Look, we have been doing a lot of buybacks. Our expectation is that we wouldn't fall lower, below our current leverage ratio, but it's all about looking at the various opportunities that are out there. And so, we've been buying back stock, but we have also been buying assets. And as you saw from Gus' presentation, those are significant numbers that we've added to the order book. Those will come through. They're not immediate, but they do come through over time, and we'll look to continue to do those. But maybe Gus, I'll turn it over to you for any comments.

A - Aengus Kelly {BIO 19290468 <GO>}

No, I think, look, we've always been very active in the market when there is opportunity. And the good news is that the company has never had a stronger balance sheet in its history. And as I said, we have a vast amount of capital available to us today and whether we deploy that in buybacks, assets or asset purchases, et cetera, and we'll always do what we believe is in the best long-term interest of the shareholders.

Q - Terry Ma {BIO 17247903 <GO>}

Got it. That's helpful. And Pete, maybe just update us on the net spread outlook. I think you have a large slug of debt due end of this month. When you kind of factor in the assets coming back on to lease and just everything else, like what's the outlook over the next few quarters?

A - Peter Juhas {BIO 16582554 <GO>}

Sure. So, the net spread this quarter for the third quarter was 8.1% and it's really stayed between 8% and 8.1% over the last several quarters. I'd expect it to stay about that level for the next couple of quarters. Over time, we should see some modest increase in that as we get the Spirit aircraft continue to come back on lease, you get some of the benefits of the COVID-era leases rolling off, as we've talked about before. But as you mentioned, we also have higher interest expense, which is built into that number that I gave you. So, you've got those two competing factors. I think the net effect of that will be some gradual upward movement in the net spread. But over the next couple of quarters, I expect it to remain pretty much where it has been.

Operator

We'll go next to Jason Holcomb with Morgan Stanley.

Q - Jason Holcomb {BIO 22770921 <GO>}

Hey, guys. So, Gus, last quarter you described the A321 Neo as the prime aircraft in the narrow-body market? And you mentioned MAX 10 certification would be important for improving the competitive position of the MAX 8. So now that the MAX 10 has been certified, how do you think about the competitive dynamics between Airbus and Boeing?

And could this materially improve leasing demand and residual values across the broader MAX family or is Airbus' advantage a little bit more structural? Thanks.

A - Aengus Kelly {BIO 19290468 <GO>}

I mean, the big challenge now for the MAX 10 is getting them into service. So, certification is great and we're thrilled that the team at Boeing got that over the line along with the FAA. As the biggest owner of aircraft in the world, we really want to see a strong Boeing. We want to see Boeing competitive with Airbus and this is a key to it.

The next step though, to actually realize that competitiveness, is to start delivering the aircraft and in some scale. And so that is the challenge, of course. And obviously we're aware of what Boeing announced yesterday on their call regarding the ramp-up – that is the key. Can the Max 10 gets into service in large-scale in the next four or five years? That's the key to be competitive with the 321.

Q - Jason Holcomb {BIO 22770921 <GO>}

Thanks, Gus. And maybe just a quick follow-up for Pete. So I think, Pete, coming into 2026, I think the outlook had expected leasing expenses and SG&A to be around like \$1.2 billion. I think through 3/4 where those expenses are now around like \$770 million. Is there anything abnormal we should be thinking about in 4Q?

And if not, can you provide some context as to what drove the lower-than-expected expenses throughout the year?

A - Peter Juhas {BIO 16582554 <GO>}

Sure. So on the leasing expenses side, that's been the main driver of it. And that's really because we've seen some maintenance events being pushed out into 2027. So that's really what will drive leasing expenses. So this quarter, it was about \$110 million, but the last couple of quarters, it's been low and that \$110 million is relatively low compared to the maintenance revenue that we had. Normally, those move somewhat in tandem, right? So, I'd say that's been the main driver in pushing those expenses out. And that's one of the reasons why on the maintenance side, I mentioned that I thought we would get back to the net contribution of \$50 million a quarter next year.

Q - Jason Holcomb {BIO 22770921 <GO>}

Got it. Thank you.

A - Peter Juhas {BIO 16582554 <GO>}

Sure.

Operator

We'll go next to Chris Stathoulopoulos with SIG.

Q - Christopher N. Stathoulopoulos {BIO 20308003 <GO>}

Good morning, everyone. So, one question, in a higher-for-longer fuel scenario, could you give a little bit more context, you mentioned around the SLB opportunities here and you spoke to earlier around perhaps lower-cost carriers. I think with what you said around a three to five-hour trip perhaps being under a little bit more pressure, a little bit more context there?

But then also if we could revisit the idea of this barbell approach you have to the portfolio and how that looks within a higher freight fuel scenario as it relates to the older and current technology? Thank you.

A - Aengus Kelly {BIO 19290468 <GO>}

Sure. Well, I should have said, of course, there's nothing wrong with low-cost. It's low-fare is the challenge. If your costs are low enough, you can have low fares. The challenge is many airlines unfortunately don't have the low-cost, but they have the low-fare and that problem becomes accentuated as you fly longer distances because fuel just makes up a greater component of the cost base and you're not getting the incremental revenue to justify the additional flight time.

As it relates to the barbell approach and those of you who have seen it and I'm sure it's available on our website in the presentations over 15 years, how we've looked at the portfolio of aircraft has said because of what we see, so much information we get every day about engine flight cycles through our spare engine business, the biggest in the world, how long engines spend in the shop, what they're being used for, what airplanes are being used for what routes they're being used on. All that information is used and has been used consistently to say, look, we wanted to make sure in 2011 that when we buy new assets, we want to buy new technology, or we want to buy old variants of existing technology. And we were consistent with that and sell any newer, older tech assets, so end-up run assets, you had to avoid at all costs.

So, if you were buying A320s, 737s, A330s in 2016, were you really ever going to get 24 years of life out of them? Unlikely. And that proves to be the case. But they looked attractive way back in 2016 when there wasn't much available and there never is that much available. It's one thing to think about, if you're in the right asset in aviation, you never really get any sustained period of oversupply, maybe a quarter here, quarter there, but that's what I've said many times, but you've got to be in the right assets and understand how demand for assets evolves.

And so, from our perspective, that barbell is we want to make sure we're owning older assets, which we do as I said, a minority of our small minority of our portfolio is in 737s,

A320s, but the average age of those assets is towards the very end of their useful life. We have them out on leased to, pretty much, I'd say, in most cases, the end of that useful life and our carrying values are very low and we can monetize those assets through our engine business and through our parts business. So as I look at our own portfolio, I don't see that as a threat because of the very long-term planning and understanding of demands from the customer base and how we've executed on that over a very long period of time.

Q - Christopher N. Stathoulopoulos {[BIO 20308003](#) <GO>}

Okay. Thank you.

Operator

We'll go next to Arren Cyganovich with Truist Securities.

Q - Arren Cyganovich {[BIO 6532878](#) <GO>}

Thanks. I wanted to talk a little bit about the opportunity from potential sale-leasebacks that you referenced with rising or elevated oil prices, given your kind of long history and your unique kind of global view of airline health. How long would it take to get to that point where you think that opportunity would be, know, start to really present itself to you?

A - Aengus Kelly {[BIO 19290468](#) <GO>}

I mean, it is something of course that we're always looking at how we can work with our customers, and if there are things we can do to help them to solidify their balance sheet and their liquidity. Those discussions are ongoing all the time. Of course, I suspect that in the new year, there may be a little bit more intensity around them, but you know, we will make sure that we're very focused on all of our customer base, those that needs help and how we can do it. But I would say as we look through the next few quarters, I know we'll be in discussions as to whether or not they meet the return conditions and thresholds for our shareholders is another matter. But if they do, of course, we'll be very aggressive.

Q - Arren Cyganovich {[BIO 6532878](#) <GO>}

Okay. And then a quick one. Could you just remind me what the interest-rate benchmarks that your lease rates are kind of attached to in your contracts for your forward leases?

A - Peter Juhas {[BIO 16582554](#) <GO>}

For the most part, it's the seven-year SOFR the most part. Sometimes it will be a treasury rate, but for the most part, it's seven-year SOFR because that matches the average duration of our lease book and the average duration of our debt. And that's the key, of course, as to how AerCap has historically managed its business on the liability side is to run a hedged book.

Q - Arren Cyganovich {[BIO 6532878](#) <GO>}

Great. All right. Thank you.

Operator

We'll take our next question from Doug with Deutsche Bank.

Q - Douglas Runte {BIO 2008111 <GO>}

Yes, thanks very much. Gus, you highlighted the strength of the widebody market and a great anecdote about the 380. It looks like that tightness is going to continue into the next decade. And yet if you look at Lessor's share of the widebody passenger backlog. It's at a record low, sub-3 %; 80% of it is one operator for one aircraft type. I'm wondering what's going on there? Your own order was quite small for the top-off for the 787-9? Is it just sale-leasebacks or the more appropriate way of adding widebodies? Or should we see someone make a bigger dive into spec orders for widebody passengers?

A - Aengus Kelly {BIO 19290468 <GO>}

Well, you know, Doug, look, I'll be honest. I wish I bought a lot more widebodies a couple of years ago. To be fair to Christian Scherer, who ran Airbus four years ago, he said to me, you should buy more. We didn't. So, mea culpa. But what I would say on the widebodies is, of course, we would do more. We did the recent top-up, as you noted on the 787s, we could have done more, there was more to be done, but there was a point because of escalation and the conditions where it didn't work for us. There were certain things we were able to bring to Boeing to get the portion of the deal to economics that worked for us and our shareholders. But if it doesn't, I can buy back all the widebodies in the world down at the New York Stock Exchange under the ticker Alpha Echo Romeo. And, so, there's no shortage of our ability to buy widebodies.

Q - Douglas Runte {BIO 2008111 <GO>}

Great. And then a quick follow-up. You touched on escalators. We've seen lessors in general creeping further towards the horizon on when they're taking Skyline deliveries. I guess in a world where escalator caps are not as easily available as they might have been five or six years ago, how far-out is too far to place a speculative order for a narrowbody or a widebody airplane?

A - Aengus Kelly {BIO 19290468 <GO>}

Well, Doug, as you can see from my answer to the last question, there was a limit where I was willing to go based on what was available on escalation caps. So, you know, I mean, it all depends on what type of escalation protection you're getting. If you don't really have a true cap, then I think going out into the 2030s, 2033, 2034, 2035, it would be a challenge, I think. But in the recent orders we've put on, for example, I think we did 130 this year. We did 50-odd last year of aircraft. And I'm pretty sure that 90% of those aircraft will deliver before - I saw a competitor announced a deal last week for a similar number - I think they start delivering when ours finish. And that's a function of the capability of AerCap. As I referenced in my prepared comments, we're able to reach things others just simply can't. And through the combination of our presence with the airlines, our speed and - vitally then - our ability to help OEM production through our engine business.

Q - Douglas Runte {BIO 2008111 <GO>}

Great. Thanks very much for the answers.

Operator

At this time, there are no further questions. I will now turn the call back to Mr. Aengus Kelly for any additional or closing remarks.

A - Aengus Kelly {BIO 19290468 <GO>}

Thank you, operator, and thank you all for joining the call.

This was another record quarter for AerCap. We raised guidance and it reflects really the power of the platform. This business is not just about buying, leasing and selling aircraft. It's about actively managing every aspect of the asset throughout its life-cycle.

And then when you generate capital, you have to allocate it correctly. There's no point being able to generate it if you can't allocate it. And that's always at the forefront of our mind. And the combination of those factors is what drives the earnings power and the durability of our earnings for a very long period of time.

So, thank you all very much for joining us, and we'll talk to you in three months' time. Thank you, operator.

Operator

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

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2026, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.