Company Name: AerCap Holdings
Company Ticker: AER US
Date: 2021-04-28
Event Description: Q1 2021 Earnings Call

Market Cap: 7953.00705149
Current PX: 60.9900016785
YTD Change($): 15.4100016785
YTD Change(%): 33.809

Bloomberg Estimates - EPS
Current Quarter: 1.238
Current Year: 5.179
Bloomberg Estimates - Sales
Current Quarter: 1023
Current Year: 4147.889

Q1 2021 Earnings Call

Company Participants

- Joseph McGinley, Head of Investor Relations
- Aengus Kelly, Chief Executive Officer and Executive Director
- Peter Juhas, Chief Financial Officer

Other Participants

- Jamie Baker
- Ross Harvey
- Moshe Orenbuch
- Helane Becker
- Vincent Caintic
- Koosh Patel
- Catherine O'Brien
- Andrew Lobbenberg

Presentation

Operator

Good day, and welcome to the AerCap Holdings N.V. Q1 2020 Financial Results Conference 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 Joseph McGinley, Head of Investor Relations. Please go ahead, sir.

Joseph McGinley, Head of Investor Relations

Thank you, operator, and hello, everyone. Welcome to our first quarter 2021 conference call. With me today is our Chief Executive Officer, Aengus Kelly; and our Chief Financial Officer, Pete Juhas.

Before we begin today's call, I would like to remind you that some statements 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 such statements. AerCap undertakes no obligation, other than that imposed by law to publicly update or revise any forward-looking statements to reflect 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 April 20, 2021. 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 through our earnings presentation, and will allow time at the end for Q&A. As a reminder, I would ask that analysts limit themselves to one question and one follow-up.

I will now turn the call over to Aengus Kelly.

Aengus Kelly, Chief Executive Officer and Executive Director

Good morning everyone, and thank you for joining us for our first quarter earnings call. I am pleased to report a strong quarter of earnings, with $228m of net income, or $1.76 per share. While there are still many challenges facing the aviation industry, we continue to see an improving environment with significant momentum in air traffic recovery in certain regions of the world, and airlines looking to the future with increased confidence, as evidenced by our strong leasing performance in Q1.

It is a testament to the focus and commitment of the AerCap team that during the first quarter of this year we were able to lease 60 aircraft, including 28 widebodies, a quarterly record for AerCap.

This was accomplished despite the pandemic and the efforts required by our team to complete the GECAS due diligence, negotiate the GECAS transaction and raise $28bn of funding.

So clearly, the first quarter was an exceptional one for AerCap, as we announced the GECAS transaction. We believe that this is the right acquisition, at the right time in the cycle to create value for all our shareholders. As we mentioned in our announcement, we expect the transaction to close in the fourth quarter of 2021. Until then, we will continue to work hard to make sure we are positioned to hit the ground running from the start.

I am pleased to report that we recently closed $28bn of funding commitments with our banking syndicate related to the transaction, consisting of a $19bn bridge loan, $5bn term loan and importantly, we have also secured an additional $4.35bn revolving credit facility which will further enhance the financial strength of the combined company.

As I mentioned before, we firmly believe consumer demand will return quickly once markets reopen. This is of course, tied to the successful rollout of the various vaccination programs, which unfortunately have not been smooth in some parts of the world. That said, we continue to see green shoots of recovery in a number of regions.

The U.S. has seen demand for air travel gain significant momentum in recent weeks, translating into traffic of around 65% of pre-pandemic levels. This recovery is being led by the leisure sector, but with business and international travel to come, that should move even higher over the course of the year as businesses re-open. Many of you will have heard the more positive commentary from the US majors in the past couple of weeks, which echo what we're hearing in other regions too.

We are seeing renewed strength in domestic travel in Asia, where the traffic levels in a number of countries' have surpassed those of 2019, including China (96,000 weekly flights/116% of pre-pandemic levels), Russia (11,300/101%), Vietnam (5,976/125%) and South Korea (3,655/127%). Together these countries account for 115,000 weekly flights. This is equivalent to the U.S. market (116k/week).

In Europe, the environment remains relatively weak as the slow start to the vaccine rollout, coupled with a fourth wave in certain countries has led to further travel restrictions and related quarantines. Only Greece and Turkey continue to fly at levels in excess of 50% of 2019. However, positive developments on vaccine availability in the coming weeks and the agreement of the European Union to put in place a Green travel certificate in time for this summer will spur improvement in the European market.

Switching back to AerCap, we continue to see greater levels of demand and activity from our customers. As I mentioned we signed 60 aircraft lease agreements in the quarter with airlines from 15 different countries, the highest in 18 months, and this compares to 97 lease agreements for all of 2020. In fact, 28 of the 60 lease transactions in Q1 were for widebody aircraft, a record number of quarterly widebody leases, this level of activity reflects a clear pick-up in demand and confidence.

I believe there are two key themes emerging from our conversations with customers. The first is that their confidence in the return of travel demand is strong and growing, and most see it simply asa matter of timing. The second is that lessors will continue to be the partner of choice for aircraft financing.

So on the first point, there is an abundance of evidence to show that once restrictions are eased, consumers react accordingly. The vaccine roll-out is driving consumer confidence in the US, China and the UK, where consumers are enjoying additional freedoms. This consumer confidence will inevitably spread to other regions as further progress is made around the vaccine rollout, giving governments the ability to row back on restrictions, and airlines the confidence to add greater levels of capacity. Over 1 billion vaccine doses have already been administered, with the latest weekly figures running at over 100m doses per week and rising, equivalent to a billion doses every 7 to 8 weeks. The acceleration of this rollout provides clear hope that an end will soon be in sight.

The second theme we are seeing is how aircraft leasing is growing in market share and we believe that aircraft leasing will grow to over 50% of all aircraft financing. Airlines see the clear benefits of leasing which frees up capital, allows a faster transition into new technology and eliminates residual value risk. This demand for aircraft leasing will inevitably help with future aircraft placements, though we have no availability from our order book until 2023.

So as we look forward, with the vaccine roll out gathering pace, the health of our airline customers improving and the demand for travel continuing to be strong we have significant reason to be optimistic about the future. No doubt, we are in unprecedented times, but you can see from the actions AerCap has taken to date, and the actions we will continue to take, that we are focused on delivering on behalf of our shareholders.

With that, I will hand the call over to Pete for a detailed review of our financial performance.

Peter Juhas, Chief Financial Officer

Thanks Gus. Good morning everyone. Our total revenues for the first quarter were $1,095 million dollars, compared to $1,238 million dollars for the first quarter of 2020.

Basic lease rents were lower in the first quarter primarily as a result of airline restructurings and aircraft transitions. This includes the impact of cash accounting, which was $100 million dollars for the quarter. Our cash collection rate was around 80% for the first quarter. Our deferral balance modestly increased by 5% to $514 million dollars as of March 31st.

The first quarter tends to be seasonally slower for airlines because it’s the winter season in the northern hemisphere, and obviously this year we had the additional impact of ongoing Covid-related travel restrictions in many countries. We expect these metrics to improve over the course of the year as the vaccine roll-out continues and as passenger traffic recovers.

We’re currently seeing progress on a number of major airline restructurings. As these restructurings are completed, we expect to see these airlines come off of cash accounting during the course of the year. LATAM is one of the airlines that’s making progress on its restructuring and emergence from bankruptcy. We recently agreed to sell some of our unsecured claims in the LATAM bankruptcy and the proceeds of that sale will ultimately be determined by the bankruptcy court in the LATAM case.

Turning back to the P&L, our maintenance rents were $183 million dollars in the first quarter, which was an increase from $134 million dollars in 2020. The increase was primarily due to higher maintenance revenue as a result of lease terminations.

In terms of aircraft sales, during the first quarter we sold 9 of our owned aircraft for a total of $184 million dollars. The average age of the aircraft we sold was 18 years old, and our net gain on sales for the quarter was $5 million dollars, demonstrating our sound carrying values.

Other income was $19 million dollars for the first quarter, and the increase over the first quarter of last year was mainly due to higher interest income.

Turning now to expenses. Total expenses were $827 million dollars for the first quarter, a decrease from $916 million for the first quarter of 2020. Our depreciation and amortization expense was $397 million dollars in the first quarter, a decrease from $416 million last year, primarily due to a decrease in average lease assets.

Interest expense was $281 million dollars in the quarter, down from $319 million last year. That was due to a lower average cost of debt and lower debt balance as well as lower mark-to-market expenses this year.We had asset impairments of $16 million dollars in the first quarter, which related to lease terminations and asset sales and were fully offset by corresponding maintenance revenue.

Other leasing costs were $40 million dollars for the first quarter, a decrease from $87 million in 2020. That was mainly due to lower lessor contributions, or top-up expenses, during the quarter. Our SG&A expenses were $57 million dollars for the quarter, compared to $65 million for the first quarter of 2020, a decrease of about 11%.

Putting all of that together, in the first quarter, AerCap generated net income of $228 million dollars, or $1.76 cents a share. That includes costs related to the GECAS transaction of $25 million dollars pre-tax, or $22 million dollars after-tax. Excluding those costs, net income for the first quarter was $250 million dollars, or $1.93 per share.

We continue to maintain a strong liquidity position. As of March 31st, our total sources of liquidity were $8.6 billion dollars, resulting in a next 12 months' sources-to-uses ratio of 1.7x. That remains well above our current target of 1.5x. Our excess cash coverage also remained high, at $3.7 billion dollars.

We continue to maintain a very strong balance sheet. Our leverage ratio is currently 2.5 to 1, which is below our target ratio of 2.7 to 1, and below where we began 2020. Our secured debt percentage continues to remain low, at 24% of total assets. And we currently have around $26 billion dollars' worth of unencumbered assets. Our average all-in cost of debt excluding debt issuance costs and other fees was 3.7% for the first quarter. In January, we raised $1 billion dollars of 5-year senior unsecured bonds with a coupon of 1.75%, the lowest coupon in the company's history.

As Gus mentioned, we also completed the syndication process for the bridge financing for the GECAS transaction. The $19 billion bridge facility and the $5 billion term loan facility that were originally provided by Citibank and Goldman Sachs were syndicated to a total of 20 banks and we saw extremely strong demand from banks to participate.

At the same time, we also entered into a new, four-year revolving credit facility for $4.35 billion dollars, which will be available upon closing of the GECAS transaction. We had strong interest in that facility as well, with a total of 26 banks participating. And I'd like to thank our banking group for all of their strong support throughout this transaction.

So overall, on the operating side we had a positive quarter with net income of $250 million dollars excluding transaction expenses and EPS of $1.93.

As the vaccine roll-out progresses, we're seeing more airlines looking to the future and putting fleet plans in place for the recovery of air traffic, and you can see that reflected in the 60 leases we signed up this quarter.

Of course, the biggest news of the quarter was the GECAS transaction, which we believe will be a significant positive for our shareholders, and with the syndication of the bridge financing and the submission of the first regulatory approvals, we're making progress towards the closing of that transaction.

And with that, operator, you can open up the call for Q&A.

Questions and Answers

Operator

(Question and Answer)

Operator

(Operator Instructions) We will begin with Jamie Baker with JP Morgan.

Jamie Baker

Hey. Good afternoon, everybody. So, a couple of questions from Mark and me. The final slide, operating cash flow estimate for the next 12 months $2.4 billion. That's the same number that it was last quarter. So, obviously, a positive that you affirm the guide, but some might push back on the fact that you didn't increase it with one more quarter rolling forward. So, how does this guide tie into current collections and lease rate trends? What can we read from the $2.4 billion?

Peter Juhas, Chief Financial Officer

Well, Jamie, we've really assumed a gradual recovery here in terms of air traffic. And so, as we forecast operating cash flow for the future, we've assumed that our aircraft gradually increase their flying during the course of the next 12 months, but we haven't built in a rapid recovery there. So, look, I think it could be higher than that. It's maybe a conservative projection in that respect, but I think it's a reasonable one for us.

Jamie Baker

Okay. The second question, what sort of regulatory, I guess, goalpost or mile markers are you looking for, whatever you need to be clear and comfortable issuing GECAS, deal-related debt? And have you hedged any of the financing costs. Spreads have obviously rallied as of late. So, just curious why you're not locking in the funding sooner rather than later?

Peter Juhas, Chief Financial Officer

Yes. So, Jamie, we've got a number of milestones there. We've got our AGM coming up. As you know, we've got -- we're putting in our regulatory approvals. We should have about half of them submitted by the end of May. And so, those are key things that we're progressing in. And as part of those, you're in dialogue with some of those regulators before you submit them. So, on the hedging side, we're monitoring the market and we will look to put things in place at the appropriate time.

Jamie Baker

Okay. Thank you very much.

Peter Juhas, Chief Financial Officer

Sure.

Operator

We'll now move to a question from Ross Harvey with Davy. Go ahead please.

Ross Harvey

Hi. Good afternoon, Gus and Pete. I'm just wondering in advance of the GECAS deal completion. Can you comment onyour priorities for the AerCap business itself, particularly in regards to leverage levels as the objective simply to reduce as much as possible. And on sale leasebacks, are you looking to get meaningfully involved?

Aengus Kelly, Chief Executive Officer and Executive Director

Well, Ross, I think first and foremost, the priority of the business on an operational -- from an operational standpoint hasn't changed for one minute over the course of the last six months, and the focus is on getting our airplanes leased and getting paid. And I think you saw clear evidence of that in the first quarter by the quantum of aircraft that we were able to sign leases for, at 60 aircraft. So, that will remain front and center of the business every single day. And when we get to closing, of course, we are working closely with GE to be able to hit the ground running. In reference to sale leasebacks, I think that'd be at the margin, Ross, to be quite honest.

Ross Harvey

Understood. Thanks Gus. Second one as a follow-up. I'm just wondering you highlighted $150 million of SG&A synergies in the recent 6-K. I'm just wondering can you talk us through that number and whether we should consider benefits in other cost lines. Thanks.

Peter Juhas, Chief Financial Officer

Well, Ross, you'll see other benefits in terms of depreciation and things like that coming through. I think you'll also see some interest benefits relative to where GECAS is today when we put the financing in place. So, you will see it in other lines as well, and that's going to be on the depreciation side, we expect that to be several $100-million relative to where they are today.

Ross Harvey

Great. Thank you very much.

Peter Juhas, Chief Financial Officer

Sure.

Operator

Now, moving to our next question and that will come from Moshe Orenbuch with Credit Suisse.

Moshe Orenbuch

Great. Thanks. You had mentioned that the -- that you're fully leased through 2022. But, I guess, is there some possibility that you'll have once the deal closes that there'll be kind of aircraft that are available because of the GE business that would allow you to create some transactions or activity?

Aengus Kelly, Chief Executive Officer and Executive Director

Sure. I mean, when we say we're fully leased that’s the AerCap order book, we don't have anything available until 2023. What -- with the state of the -- where GECAS stands on its order book, that's managed separately within the parametersof the sale agreement, purchase agreement. And we'll see then, Moshe, when we get to the post-closing, how many airplanes they have left and in what timeframe and how that positions them to take advantage of trends in the market.

Moshe Orenbuch

Got it. Thank you. And you mentioned the LATAM bankruptcy situation. Pete, could you talk about how that's accounted for? Where those assets are? How they're marked? And what that might mean when there's a resolution?

Peter Juhas, Chief Financial Officer

Well, we don't have anything on our balance sheet for that, Moshe. So, we haven't accrued anything. Ultimately, I would expect that to come in as other income. But as I said, ultimately, it will be decided by the bankruptcy court. I think, in terms of amount, it could be several $100 million. But we'll really have to wait and see how that all plays out.

Moshe Orenbuch

So, you're saying it would be all revenues essentially?

Peter Juhas, Chief Financial Officer

Yes. But again, that's subject to -- it's hard to predict the timing of that and the ultimate amount. I'm just giving you an idea of what it could be.

Moshe Orenbuch

Right. But anything would be more than zero, right?

Peter Juhas, Chief Financial Officer

Yes, that's true.

Moshe Orenbuch

Very good. Thanks very much.

Peter Juhas, Chief Financial Officer

Sure.

Operator

We'll now hear from Helane Becker with Cowen. Go ahead.

Helane Becker

Thanks very much, operator. Hi, everybody. Thanks for the time. Did you say how your deferral requests are trending? I think you talked about the cash collections being 80%, but have airlines now stopped asking for further deferrals and are just paying you back?

Aengus Kelly, Chief Executive Officer and Executive Director

It's a mix there, Helane. As we look around the world at the moment, as you heard the news from the US carriers during the week, things are going well there. China, things are going well in other parts. But just remember the first quarter. Obviously, we had recent events in Brazil and we had a slowdown in Europe post-Christmas in January, February, which -- and a lot of European countries are still under lockdown. So, in that environment, we have to give a little bit more grant to some of the carriers. But in return for that then, we'll always try and keep these deals NPV-neutral.So, we may have got extensions to our leases as part of those discussions as well.

Helane Becker

Okay. So then, would that be included in the portion maybe of customers that you've restructured leases for? Like, is there some percentage that you might have had to restructure leases at either lower rates or extensions or would you do extensions in that case if you are restructuring a lease?

Aengus Kelly, Chief Executive Officer and Executive Director

Of course. I mean, you're not talking about big numbers here. I mean, as we said, the total number of the increase in the deferrals is $20--

Peter Juhas, Chief Financial Officer

$24 million

Aengus Kelly, Chief Executive Officer and Executive Director

$24 million, Helane. It's not a big number in totality.

Helane Becker

Great. Got you. Okay. All right. And then, will you be filing documents publicly on the GECAS, the approvals that you're asking for the regulatory forms? Will they be filed, so we'll be able to see what's happening there?

Peter Juhas, Chief Financial Officer

I think that depends on the jurisdiction, Helane. There are about 20 approvals at the moment that we're expecting to file. So I think, it depends on each individual jurisdiction whether that's publicly available or not.

Helane Becker

Okay.

Aengus Kelly, Chief Executive Officer and Executive Director

And in what language it is filed into, Helane. There won't be English.

Helane Becker

Yeah. I'll need to get Google Translator out. All right. Thank you. Have a nice rest of year.

Aengus Kelly, Chief Executive Officer and Executive Director

Helane, there's chance to push up when you're Kazakh.

Helane Becker

True. Thanks.

Aengus Kelly, Chief Executive Officer and Executive Director

Sure.

Operator

And now, we'll take a question from Vincent Caintic with Stephens.

Vincent Caintic

Hey. Thanks. And first question on the lease rates going forward. So it's nice to see that the net spread expanded 30 basis points quarter-to-quarter. I was curious with your strong 60 orders you have or 60 placements you have. How are the lease rates looking on new deliveries? And then, when I think about the rent deferrals you have and the repayments of those deferrals, how does that affect your yield? Since I think we're all -- we're in cash accounting here, as those airlines pay back theirs rents, do we just expect the net spread to climb over the next coming quarters? Thank you.

Aengus Kelly, Chief Executive Officer and Executive Director

Let me answer the first part about the lease rates. So Vincent, look, as you as you noted, we moved 60 airplanes, a huge number given the pandemic and the background we are facing and the other demands on the organization. In terms of the lease rates, of course, look, it's evident that there is demand out there. When an airline takes an aircraft, no matter what they pay for us, there are still a lot of costs associated with it. They're committing to crew costs, labor costs, and maintenance costs. All those costs are part of taking an airplane. So, the fact that they're willing to take them means there is confidence out there in the future.

Now, as part of that transaction, there is a variable element to most of these new leases at the beginning for the first 12 months or so where their rental will move around based on utilization. And then following that period, it's going to a fixed-rate lease and that varies from and that varies from aircraft to aircraft. But it's over the first 12 months or so where there's variability on the lease rates to facilitate the airlines restarting traffic. Pete, you want to comment onthe deferrals?

Peter Juhas, Chief Financial Officer

Yeah. So, Vincent, on the second one, so the repayment of the deferrals themselves won't affect the net spread. Because if you think about it in the deferral cases, we have recognized -- we're accruing the revenue in those cases and we're building up a deferral balance. So, obviously, as those deferrals get repaid, that's a positive for cash flow, but it doesn't have an impact on revenue and, therefore, on net spread.

What will have an impact on revenue and on net spread is when you have airlines coming off of cash accounting and actually flying these planes because that's obviously impacting revenue today, I mentioned it is about $100 million, right, so that's going to be the biggest driver, the return of flight for most of those, because obviously those have mostly been airlines that are in bankruptcy or other restructuring, right? And so, as they emerge from those, you'll start to see those revenues come in, because they've basically been almost no revenues now.

Vincent Caintic

Okay. That's very helpful. Yeah, I was mixing up the deferrals and the cash accounting. So, I appreciate that and looks good for net spreads. So, second question. So, I had a chance to go through your shareholders' circular and appreciate all the detail there. I just wanted to talk about any incremental thoughts. And particularly, one of the frequent investor questions I get is on the prior revenue guide of at least $7 billion. Because it seems like if we add AerCap and GECAS together, that revenue should be at least $8 billion and even it seems like net spreads are doing better. I just wanted to get your thoughts on whether one-plus-one equals two under combined revenue side or is there something else we need to consider? Thank you.

Peter Juhas, Chief Financial Officer

Yeah. I mean, it's not as simple as that unfortunately, because you have a number of purchase accounting impacts that you're going to have and also the accounting is just different the way that GECAS and AerCap do it, right? It's not apples to apples and everything. And so, I think that's really why we got into what we did and thinking about it. So, you can't just sum up the two and then -- and say, okay that's what it's going to be.

Vincent Caintic

Okay. Got you. I'll follow-up offline. But thanks so much.

Peter Juhas, Chief Financial Officer

Sure. Okay. No problem.

Operator

Next question will come from Koosh Patel with Deutsche Bank.

Koosh Patel

Hey. Good morning, guys. When we think about the cash accounting balance, what is the view internally on this? Do you guys think that the 100 million is representative of a peak number here? And just following on to that, how do you think about reintegrating this figure into the revenues? What do we think is the possible upside here? Do you think maybe over time we get maybe 60 to -- $60 million of that back? And if you could provide any time horizon that you guys kind of have in mind, that'll be great too.

Peter Juhas, Chief Financial Officer

Sure. So, I think that the cash will -- we will continue to see impact of cash accounting, I would say throughout this year. But we're going to -- it's going to abate over time basically. So, I think that $100 million is a reasonable guide for thinking about over the next couple quarters. But, as I said, as the airlines come out and as they -- as those bankruptcies or restructuring are completed, then we're going to see that -- those come back. So, it’s going to happen over time.

But, in terms of how much of that recovers, yeah, look, I think that you could see, $60 million on that $100 million. You probably see like $60 million recovered. As I said, it's not going to be an all-at-once thing, but it's going to come back $60 million to $70 million, something like that I would guess.

Koosh Patel

Okay. Great. And then the second question I had -- sorry, were you still talking? The second question I had was, recently, we sawAeromexico announced they struck some agreements to restructure some of the 787 leases they have. And just want tosee if you could update us as to whether any of the aircraft AerCap -- aircraft that AerCap owns and has on lease to Aeromexico are included in this or just in general status update on the aircraft you guys have in place with Aeromexicoand do you intend for them to stay with Aeromexico long-term or are you in the process remarketing these?

Aengus Kelly, Chief Executive Officer and Executive Director

We expect the Aeromexico aircraft to stay there. And the Aeromexico procedures now are in front of the court for approval in assumption of the revised transaction.

Koosh Patel

Okay. Thanks a lot, guys. Appreciate the time.

Operator

(Operator Instructions) We will move to a question from Catherine O'Brien with Goldman Sachs.

Catherine O'Brien

Good morning, everyone. Thanks for the time. I actually have a one more on cash accounting. This is the first time we've actually seen that cash accounting impact decline since the start of the pandemic, at least versus what I've tracked. Andthat's despite the HNA bankruptcy earlier this year. So, I was just wondering what's driving that? Are some of the aircraft back on new contracts or is any of that driven by aircraft on the ground but no longer officially under lease. Just wondering what is driving the sequential decline. Thanks.

Peter Juhas, Chief Financial Officer

Sure, Catie. So, HNA, actually, we had put them on cash accounting in the fourth quarter. So, they were already on it. But we've had a couple of airlines come off it. I mean, part of the impact that you saw in some of the quarters last year was due to Norwegian, for example, and we've placed all of our Norwegian planes now with other carriers. So, you are seeing what we've been doing. Obviously, in many of these cases, the majority of the planes will stay with those carriers as Gus mentioned with Aeromexico, for example. But in other ones, we have moved those planes elsewhere. And so, you're going to see a less of an impact, right, because they're just you're moving the planes out of where they were.

So I think, that's the main driver. Because if I look at last, I think, fourth quarter, we said it was $117 million. So, yes, it's down somewhat this quarter. It's hard to know exactly -- as I was saying in the previous answer, exactly how that's going to play out over the next few quarters, but I do expect that to come down over the course of the year.

Catherine O'Brien

Maybe one quick follow-up to that, Pete. So should we -- like would a good exercise for us to be to track the progress ofthese bankruptcy proceedings and that will give us probably a good sense of when we should expect to see the remainder of that $100 million come down if you're expecting the majority of those aircraft to stay with their current lessees. Is that the right way to think about it?

Peter Juhas, Chief Financial Officer

Well, I think for -- certainly for the major ones, I mean some of these are not bankruptcies, they're just where we've assessed the airline as not probable of collection and some of those are quite small. And frankly I don't think it would be worth following those situations. But for the major ones, yes, I mean, it will be -- once the restructuring is agreed and you have agreed leases on those planes and that bankruptcy court or equivalent in some countries has certified that, yes, then you should see them coming back, right? So, that's -- that will be the trigger in most of those cases.

Aengus Kelly, Chief Executive Officer and Executive Director

I think, Katie, it's fair to say, underpinning that and the exit from bankruptcy will be driven by the vaccination profile. You know that airlines will exit from those structures when they're confident that the vaccine is moving along well in all of those countries.

Catherine O'Brien

That totally makes sense. And then just for my second question. Just on this higher level of placement activities on the quarter, can you give us a sense of how far out those placements are delivering? And then a little bit of a follow-up to an earlier question, but how should we think about lease rate factors on deliveries that you are contracting a couple of years out in the future versus perhaps lease rate factors of what you're seeing now in terms of used aircraft that you're putting on to a second lease and just how those compare versus pre-COVID? I realize that was a little bit of a multi-part one, but thanks for the color.

Aengus Kelly, Chief Executive Officer and Executive Director

Sure. Well, if I start with airplanes that have come back to us over the course of the last 12 months, they just have to be moved now and all those are -- it's about half of the 60 were airplanes that either come back or are coming back in the very near future and those aircraft need to be placed in this environment. And in that example as I said, there -- it's positive thatthe airlines want to see -- want to take additional metal, which is great. But by the same token, given the pandemic is still with us and the vaccine rollout is still progressing, there's a variable element to the lease rental, which we based on utilization for the first 12 months. And then after that, it will flip into a fixed rate rental, which will be down a bit from where it was pre-pandemic, that's obvious. As to the airplanes that are coming off our order book in a couple years time, that's a totally different market. That's one where you don't have to do any business and you'll wait and you'll see how it goes.

Catherine O'Brien

Thanks. Thanks so much for the time.

Peter Juhas, Chief Financial Officer

Sure.

Operator

And now, we will hear from Andrew Lobbenberg with HSBC.

Andrew Lobbenberg

Hi, there. I'm just quite curious to build on the previous question, because Gus was speaking about the aircraft that are being placed in the current market that are on power by the hour and then are going onto a fixed rate, but at a discount. I don't know what you can say. But, I mean the aircraft that are transitioning from Norwegian to Norse, I mean, Nors Atlantic are going around, telling everyone, they're paying precisely half what Norwegian are paying. I don't know what commentary you can offer to it. But I'd be interested to see what you can say around that.

And then, just the other bunch of aircraft that I'm curious about is the 350s. I think you had at LATAM, which -- they looked to be keeping, but now they are not. I'm bit surprised given what lovely shiny planes, they don't want them. But how is that impacting your economics? Or what they hold onto them and then returning them and how it will ready to remarket?

Aengus Kelly, Chief Executive Officer and Executive Director

Sure. Yeah. Look, on the North Atlantic rates, I can't comment on what they were, what North Atlantic is saying about their perception of what Norwegian used to pay, I just don't know. But again, on that rental, it will step up over time and then it'll be a reasonable deal for us. But very importantly from our standpoint to get a very attractive aspect of Norse transaction was one by getting a lot of cash, and that cash is coming. And two, we don't have transition costs associated with reconfiguring a wide-body airplane for a new customer.

In relation to the A350s, yes, you're correct, LATAM handing them back and, yes, they'll be leased at a lower rate in today's market, but they will get at leased. These are attractive airplanes. And we've quite a number of discussions ongoing around them. But of course, as you heard earlier from Pete, our claim against the LATAM estate will be based on any last that we suffer from the reduced rental that LATAM would have paid us versus what we will get in the market for those aircraft. So, that should -- the idea of that is to offset the losses we would incur.

Andrew Lobbenberg

Certainly. Thanks. But is it fair to say that 350s will be easier to remarket than the 787s, because it's a tighter market or is that naive?

Aengus Kelly, Chief Executive Officer and Executive Director

No, I wouldn’t say that I think the 787 is an aircraft that has -- it's a smaller airplane and so it has a very large user baseand it's been an excellent aircraft into service, but the A350 is slightly larger airplane, but we'll deal with it.

Andrew Lobbenberg

Okay. Fine. Thank you.

Operator

And ladies and gentlemen, this will conclude your question-and-answer session. I will turn the call back over to Aengus Kelly for any additional or closing remarks.

Aengus Kelly, Chief Executive Officer and Executive Director

Well, thank you all very much for joining us on this call. We look forward to seeing many of you, well, I suppose, virtually by proxy at our AGM that's coming up shortly. But I would like to hand you back to Joe. As you may have seen on Monday, we published our annual report on environmental, social and governance aspects or ESG report. Joe, do you want to say a few words?

Joseph McGinley, Head of Investor Relations

Sure. Thanks, Gus. So, just for those of you who are new to the AerCap story, ESG is something that our board and senior management has been hugely involved in for a long period of time and whilst it's always is formed a part of the strategyof the company. We've made concerted efforts in recent years to increase our transparency and reporting in the area. So, with that in mind, we published our comprehensive 2021 ESG report earlier in the week.

I'd like to just highlight a couple of key initiatives from that report. The first is that we doubled the level of carbon offsetting of our own operations and business travel to 40% in 2020, and we aim to take the higher in the coming years. And to do this, we partnered with First Climate to invest in solar cell modules that provide clean electricity in China as well as a biodiversity project in Brazil, which helps prevent deforestation as well as providing sustainable income for local families.

And the second is that we increased our target for the most fuel-efficient new technology aircraft in our fleet to 75% by the end of 2024 and that includes the impact of the GECAS transaction. And we see that as the best way for us to make an impact on the industry. So, you'll find more of that report on our website and feel free to reach out to me directly after the call if you have any further follow-ups.

So with that, operator, you can now close the call.

Operator

Thank you. Ladies and gentlemen, this will conclude your conference for today. Thank you for your participation and you may now disconnect.