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CORPORATE PARTICIPANTS

Aengus Kelly *AerCap Holdings N.V. - CEO and Executive Director*

Brian Canniffe *AerCap Holdings N.V. - Head of IR*

Peter Juhas *AerCap Holdings N.V. - CFO*

CONFERENCE CALL PARTICIPANTS

Arren Saul Cyganovich *D.A. Davidson & Co., Research Division - VP and Research Analyst*

Christopher Whitbread Nolan *FBR Capital Markets & Co., Research Division - Analyst*

James Ulan *Credit Suisse - Analyst*

Jason Michael Arnold *RBC Capital Markets, LLC, Research Division - Director in the Equity Research and Senior Equity Research Analyst*

Nishant Mani *JP Morgan Chase & Co, Research Division - Analyst*

Scott Jean Valentin *Compass Point Research & Trading, LLC, Research Division - MD and Research Analyst*

Steve Stone *Cowen and Company - Analyst*

PRESENTATION

Operator

Good day and welcome to today's AerCap Holdings 2017 First Quarter Results Conference Call. (Operator Instructions) This call is being webcast, and an audio version of the call will be available on the company's website. The call is also being recorded for replay purposes.

I will now hand the conference over to Brian Canniffe, Head of Investor Relations. Please go ahead.

Brian Canniffe *- AerCap Holdings N.V. - Head of IR*

Thank you, operator, and hello, everyone. Welcome to our 2017 First Quarter 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 that 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 May 9, 2017.

A copy of the earnings release and conference call presentation are available on our website at aercap.com. The call is open to the public and is being webcast simultaneously at aercap.com and will be archived for replay.

I will now turn the call over to Aengus Kelly

Aengus Kelly *- AerCap Holdings N.V. - CEO and Executive Director*

Thank you, Brian. Good morning, everybody, and thank you for joining us for our 2017 First Quarter Earnings Call.

I am happy to report another quarter of strong earnings and profitability. During the first quarter we generated $1.48 of earnings per share and net income of $261 million.

The strong performance of the AerCap platform drove a fee utilization rate of 99.7% for the first quarter, reflecting robust demand for aircraft globally. AerCap's global leasing platform continues to capture the growth in demand for air travel.

During the first quarter we executed 105 transactions, equal to more than 1 transaction every day. This included 69 lease agreements, 57 of which were narrow-bodies and 12 were wide-bodies. Our average remaining lease term has now lengthened to 6.5 years. A notable transaction during the quarter was the delivery of the first 2 A350 aircraft to Air Caraibes.

The strong demand for aircraft is also evident in the secondary market and we continued to capitalize on this through the sale of 21 owned aircraft which had an average age of 15 years and resulted in a gain on sale of 11%. As you're aware, the sale of aircraft is a very deliberate strategy by AerCap. Most importantly, it is a critical tool in managing our portfolio and improving the overall quality of our fleet.

But the sales also generate excess capital that we were able to deploy by repurchasing stock at attractive levels, which creates further value for our shareholders. In the past 12 months alone, we have grown book value per share by 17%.

We do recognize that the asset sales program has resulted in a reduction in assets over the past 2 years and has had an impact on our net interest margin. However, as noted, it has improved our portfolio and, via the capital freed up from sales for share repurchases, has resulted in significant EPS and book value per share accretion. We believe this is the right portfolio management strategy to follow in order to maximize shareholder value over the long term.

I expect our assets to begin growing again in the second half of 2017 as our forward order book starts to deliver in earnest. As you are aware, we have over $24 billion worth of aircraft delivering in the next 5 years.

Given AerCap's industry-leading platform, we have excellent visibility over the health of all the main drivers of the industry. The scale of our platform gives AerCap a unique insight into end user sentiment and demand for all aircraft types.

From our perspective, industry fundamentals remain robust. IATA reported strong passenger traffic numbers for the start of 2017, and global airline profitability remains healthy. We continue to see strong domestic demand in domestic China. Latin America is being to turn. And Russia's recovery continues. In an industry as global as ours, there will always be isolated events that will generate headlines. That is to be expected. But through diversification and effective risk management, these events should always be manageable.

Focusing on the liability side of our business, we continue to be very active in the financing markets during the first quarter. Alongside receiving our IG upgrade from Moody's, we executed $7.2 billion of financing transactions. We continue to maintain $9.5 billion of available liquidity, and we closed the quarter with an adjusted debt/equity ratio of 2.7:1.

In the current environment we believe that effectively purchasing our own fleet through share repurchases generates greater value than purchasing aircraft in the open market. Over the last 2 years we have bought back more than 50 million shares, equivalent to 23% of the outstanding share count. To this end, we are announcing a new share repurchase program of $300 million effective through September 30.

To close, I would like to reiterate that AerCap is entering the second quarter of 2017 in a strong position. We have significant earnings visibility, as 95% of all lease rental revenue through 2019 is now contracted. This visibility, along with our disciplined approach to capital allocation, will continue to drive value for AerCap's shareholders.

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

Peter Juhas - *AerCap Holdings N.V. - CFO*

Thanks, Gus. Good morning, everyone. I'll start on Slide 5 of the presentation.

Our reported net income for the first quarter was $261.2 million, an increase of 17% over the first quarter of 2016. The increase was driven primarily by higher gain on sale of assets and lower maintenance rights expense, as well as lower losses from our AeroTurbine subsidiary as we approach the final stages of our wind-down of AeroTurbine. This was partially offset by lower income as a result of our sales of mid-life and older aircraft, which reduced our average lease assets by around $1.4 billion year-over-year.

Turning to Slide 6, our diluted earnings per share for the first quarter was $1.48, an increase of 31% over the first quarter of 2016. Earnings per share was impacted by the same factors driving net income, as well as by the repurchase of 31.6 million shares during 2016 and the first quarter of 2017. You can see the impact of these share repurchases coming through in that, while our net income was up 17% year-over-year, our EPS was up 31%. On this slide we've also provided the after-tax earnings per share impact for the same components as we did for net income.

On Slide 7, our total shareholders' equity as of March 31 was $8,520,000,000 and our book value per share at the end of the first quarter was $51.20. We've grown book value per share, as Gus mentioned, by 17% over the past year through a combination of earnings as well as share repurchases, and by 33% over the past 2 years. Through last Friday, we've repurchased around 50 million shares, or over 23% of our total shares outstanding, for over $2 billion.

On Slide 8, our total revenue for the first quarter was $1,236,800,000. The substantial amount of asset sales that we've completed over the past year reduced our average lease assets by about $1.4 billion period-over-period. This led to lower basic lease rents, which were $1,067,000,000 in the first quarter of 2017, down from $1,139,000,000 in the prior year period.

Our maintenance revenues for the quarter were $89.9 million, a decrease from $150.4 million in 2016. As you may recall, we had a relatively high number of lease terminations and amendments in the first quarter of 2016, and that resulted in higher maintenance revenues during that quarter.

Our net gain on sales was $47.3 million for the first quarter compared to $19 million a year ago, as we continued to sell mid-life and older aircraft at attractive prices. The sales margin was higher in the first quarter and around 11%, which indicates the strong demand that we continue to see from investors for older used aircraft.

Our other income was $32.5 million for the quarter. The increase in other income over the prior year period was primarily driven by contractual payments resulting from a lease termination.

Turning to Slide 9, our net interest margin was $787.9 million for the quarter compared to $865.7 million in the prior year period. Again, the decrease was due to the reduction in our average lease assets from $35.5 billion to $34.1 billion, due to asset sales.

Our annualized net spread for the first quarter was 9.2% compared to 9.8% in the first quarter of 2016. As we discussed last quarter, the 2 main drivers of this are a reduction in the average age of our fleet and an increase in our average cost of debt. This is consistent with the guidance we gave at our Investor Day in November, where we mentioned that our net spread for 2017 would be lower because of these two factors.

Our average cost of debt increased from 3.7% in the first quarter of 2016 to 4% this past quarter, primarily due to the issuance of new longer-term bonds that replaced shorter-term ILFC notes which had a lower interest expense due to purchase accounting.

The average age of our fleet decreased from 7.7 years to 7.3 years as a result of the asset sales and the delivery of new aircraft. The new aircraft generally have lower yields than older aircraft.

On Slide 10, for the quarter we had a net gain on sale of $47.3 million, up from $19 million the prior year. We continue to actively sell older aircraft to improve the quality of our fleet. During the first quarter we sold 21 aircraft that were 15 years old on average. We also placed 3 737NGs on long-term leases, which led us to reclassify these aircraft from operating to finance leases.

On the purchase side, we took delivery of 11 new aircraft during the first quarter, including 7 A320neos, 2 A350-900s, and 2 Boeing 787-9s. As Gus mentioned, our CapEx for the year is back-end loaded, with about 2/3 of our deliveries coming in Q3 and Q4.

Turning to Slide 11, our leasing expenses were $122.4 million for the first quarter, down from $167.4 million in 2016. The decrease was primarily due to lower maintenance rights expense as a result of fewer maintenance events during the quarter.

Our SG&A expenses were $83.5 million, down from $87 million in the first quarter of 2016. The decrease in SG&A expenses was primarily due to the downsizing of AeroTurbine.

We had no aircraft asset impairments in the first quarter. As you may recall, the asset impairments of $44.6 million in the first quarter of 2016 were more than offset by the release of over $62 million of maintenance reserves.

And, finally, we had transaction restructuring expenses of $9.9 million during the quarter. These all related to the AeroTurbine downsizing. During the first quarter we amended the lease of AeroTurbine's facility in Miami, and we had some lease termination fees associated with that amendment. We also repaid AeroTurbine's revolving credit facility during the first quarter, and we have now consigned all of AeroTurbine's remaining parts inventory to a third party to be sold down over time.

Slide 12, we continue to maintain a very strong liquidity position. As of March 31 we had available liquidity of $9.5 billion. Together with our estimated operating cash flows, that gives us 1.6x coverage of our next 12 months' cash needs, or excess cash coverage of $5 billion.

In the first quarter we completed $7.2 billion worth of financing transactions. These included the amendment, extension and upsizing of our revolving credit facility from $3 billion to $3.75 billion, the amendment and extension of around $2.4 billion of term loan facilities, the $600 million public fund offering we did in the first quarter and around $450 million of other unsecured deals.

As you can see from this activity, the financing market for AerCap remains very strong. And we appreciate all the support we continue to have from our banks and our debt investors.

So to wrap up, for AerCap this was another quarter of strong operating and financial performance for our business. We continue to execute on our placements of aircraft and completed 105 aircraft transactions, more than 1 a day. We continued to sell older aircraft to improve our portfolio, and the bid for those assets remained strong, as you can from the healthy margin at which we sold them. And we used the excess capital we generated to buy back 9.5 million shares so far this year, for a total of $427 million.

At the same time, we continued to maintain a strong balance sheet and liquidity position, as well as strong access to funding as we approach a period of higher deliveries in the latter half of this year. And of course, with the Moody's upgrade during the first quarter, we are now the only independent aircraft leasing company to be rated investment grade by all 3 major rating agencies.

And with that, we'll turn it over for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question today from Jason Arnold from RBC Capital Markets.

Jason Michael Arnold - *RBC Capital Markets, LLC, Research Division - Director in the Equity Research and Senior Equity Research Analyst*

I guess just two quick questions. One was on the robust gain on sale margin here this quarter. I was just wondering if you could talk a bit more on detail on that and maybe specifically any types in particular that you're seeing higher demand on.

Peter Juhas - *AerCap Holdings N.V. - CFO*

It was really across the board, Jason. I mean, if you look at -- we tried to lay out there on the slides, but if you look at the average age of the aircraft that we sold it was 15 years in this quarter, and going back to the first quarter of 2016, it was 14 years. So it's really very similar. We're just seeing a lot of demand for these used aircraft.

Jason Michael Arnold - *RBC Capital Markets, LLC, Research Division - Director in the Equity Research and Senior Equity Research Analyst*

Okay, great. Thanks. And then the other question I had was maybe you'd just update us on your view on the wide-body market. We've heard recently some stories from I believe it was Malaysia and then a few other airlines using, or at least contemplating use, of wide-bodies on high-traffic routes that are typically maybe more narrow-body in focus. So maybe just some thoughts on that avenue there as well.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

Sure. We are seeing an up-gauging of aircraft. It's a theme that has been going through the industry for quite a few years now. There are a number of routes, particularly in slot-constrained airports like Jakarta, where there is -- and I should say Kuala Lumpur as well -- where there is definitely traffic being spilled that can be picked up if there are bigger aircraft on the route. Now of course the risk of putting a bigger aircraft on the route is, are you sure the traffic will be there long enough to justify it. And it seems, based on what we've observed as we work with airlines that there are a number of hubs in the world that are significantly congested on both sides that justify moving from, in Malaysia's case, 737 to a larger gauge airplane. That is something we are observing. I think that the wide-body market overall -- a good wide-body will move. And it's worth noting that this -- we moved 300 (inaudible) at least 300 wide-bodies in the last 2.5 years. And, indeed, we have leased 112 A350s and 787s as well.

Operator

We will now take our next question from Jamie Baker from JPMorgan.

Nishant Mani - *JP Morgan Chase & Co, Research Division - Analyst*

This is actually Nish Mani on for Jamie. Can you guys remind us of your exposure to Alitalia and how you guys think about managing counterparty risk kind of more broadly speaking?

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

Sure. We have less than 1% of lease revenue coming from Alitalia. We manage counterparty risk very carefully. As I mentioned in my prepared comments, there are always events that occur. Last year it was focused more in Turkey and then before that in Russia and Brazil, so this is nothing unusual. And if you look at our credit costs over the last 10 years, you can see that they have averaged less than 1% of lease revenue per annum. So we are working with Alitalia now and we will see how that evolves over the coming weeks and months.

Nishant Mani - *JP Morgan Chase & Co, Research Division - Analyst*

Okay, great. And then just switching gears for one second, taking a step back and looking at your overall fleet strategy, I mean, you guys sold a pretty healthy amount of aircraft in the first quarter and it sounds like it's a portfolio optimization exercise as you take advantage of the market and the demand for these mid-life assets. But as your actual order book for new deliveries accelerates in 2018 and 2019, can you help us think about how you want to manage the broader portfolio? Are you solving for an average age, for example, and taking advantage of this period? Or are you kind of content with being in that kind of 7-year bracket, so to speak? Thank you so much.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

We're quite content with where the average age is. We generally feel that at the higher end of the range you don't want to be much more than 8 years of age on average. And at the lower end you don't want to be too much less than low 5s. I think in that area you provide the right risk and reward return for our shareholders. So that's where we target, and that's where we are at the moment. As the new fleet delivers on the order book, just by virtue of the value of the new aircraft delivering, you'll continue to see a decline in the average life of the fleet. In terms of asset sales, there are certain assets of course that we do want to dispose of. And if we feel that we have received the right bid, then we'll continue to sell those assets. But it's a combination of looking at the returns from holding the asset versus are we getting the right price to sell it.

Operator

Our next question comes from Moshe Orenbuch from Credit Suisse.

James Ulan - *Credit Suisse - Analyst*

This is actually James Ulan on for Moshe. We see that your coverage ratio is going up I guess from kind of 1.3 to 1.2 to 1.6. And I was wondering if you guys can expand on your philosophy on how to prepare the company for a downturn, especially on the liability side to protect against risk, and how to potentially prepare the company to go on the offensive in a downturn scenario.

Peter Juhas - *AerCap Holdings N.V. - CFO*

Sure. Thanks, James. So the most important thing, obviously we want to maintain a high level of financial flexibility. And that's why we carry the liquidity balances that we have today. So when we look at it we say, we've got $9.5 billion of liquidity. If you look at that, plus the operating cash flows that we expect -- and how does that compare to our needs over that period? But it's also equally important to make sure that the facilities that we have have the right -- are structured appropriately, so they don't have any max or anything like that in them that would not be of use when -- if a downturn comes. So we're very cognizant of that. You're right that we've been carrying higher levels of liquidity recently. That's really just a function -- I'd say some of it is a timing function. So it will move around. We still target 1.2x. I'd say we tend -- as you've seen, we tend to be somewhat above that. But longer term I expect that that ratio will come down really because the level of CapEx that we have ramps up in the second half of this year. And so you'll -- that ratio itself will come down, but in terms of an absolute amount of liquidity that we're holding, that will still remain high.

James Ulan - *Credit Suisse - Analyst*

Okay. That's helpful. And can you kind of talk about the competitive environment for executing more larger sale-leaseback transactions? Some of your competitors on their recent conference calls announced bigger transactions. And we were just wondering kind of how today's environment compares to the past, and whether we might see something incremental in addition to your order book.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

Look, as we've said before, our objective is to spend our shareholders' money to achieve the maximum return for an appropriate level of risk. Over the course of the last several years, the growth of the company has been fueled by M&A, and from that M&A an attractive order book that came with us. But we then used a lot of our surplus capital to delever the business. Over the course of the last 18 months we've been in the position to allocate capital as we see fit, be it for OEM orders, be it for sale-leasebacks, share buybacks or M&A activity. As we evaluate sale-leasebacks every week, we bid on sale-leasebacks every single week. We evaluate that versus the attractiveness of buying our own aircraft via the share buybacks. And at the moment we have yet to have seen a transaction that is superior in a risk-and-reward balance than buying our own aircraft. So long as that remains the case, we'll continue likely to buy our own stock. However, that can change very quickly, too. And when it does change, we will be there and we will do it in large size, as we have in the past.

Operator

Our next question comes from Michael Linenberg from Deutsche Bank.

Unidentified Analyst

This is actually Matt on for Mike. So American has recently deferred A350s. And it has been reported in the press that Delta would like to defer up to 10 A350s. And United has indicated that the A350 may not be right for its fleet. Does this response of the big three have any impact on the A350's desirability and residual values?

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

Don't think so. I can't say as to exactly why they're deferring the aircraft. I understand from some of the commentary it may be due to the alleviation of working capital. What you did see with the A350 was the largest airline in Asia just ordered 20 of them last week. And there's another few unidentified orders that were announced also. The A350-900 and the Boeing 787-9 are the wide-bodied airplanes of the future. And they're both, we believe, excellent airplanes and will form the backbone likely of our wide-bodied fleet as we go forward.

Unidentified Analyst

Thank you. And can you just discuss any potential delivery delays due to aircraft manufacturer supplier bottlenecks? Thank you.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

Sure. I mean, we had addressed this at our Investor Day in November of last year, when we had given some guidance on what we had thought would occur with delays, as we are working continuously with all the manufacturers as the biggest owner of commercial airplanes in the world. And the information we gave at that point in time is still accurate. And they are the delays that we've observed. And if that changes we'll make you aware if there's any material change to those delays. But what we envisaged last year is so far -- I stress that so far -- that what has occurred.

Operator

Our next question comes from Helane Becker from Cowen and Company.

Steve Stone - *Cowen and Company - Analyst*

It's actually Steve on for Helane. Just going off of that, it looks like you guys pulled forward some orders into 2017. And I believe also in the A320s a couple of your customers have actually had to put those aircraft on the sideline. Are you guys getting penalized for those aircraft? Thanks.

Peter Juhas - *AerCap Holdings N.V. - CFO*

Sure. Let me answer the first part of your question. So on the A320neos, you're right. We moved 8 -- in our schedule on Page 18 we moved 8 of those we had originally expected to be delivered in 2018 back to 2017. And basically that's because of the discussions that we've had with Airbus on those. In general, we've assumed about a 3- to 4-month average delay on the Pratt & Whitney A320neos, and about a 1-month delay or so on the CFM 320neos.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

We should note, of course, those airplanes are just pulled forward primarily from the Q1 into Q4, so it won't have any big impact on the guidance that we had given to you, in any event. And then on your question about airplanes that are out of service at the moment, they are ongoing discussions that we're having with the airlines and the OEMs and can't comment on those.

Steve Stone - *Cowen and Company - Analyst*

Okay. And then, one of your other customers actually -- or not -- sorry, one of your other competitors, started to use their management capabilities to manage aircraft that typically don't -- wouldn't fit in to their fleet. Have you guys thought of using your management capabilities a little more fully, maybe managing some younger aircraft maybe below that 5 years you were talking about, managing some older aircraft, 15 years or older, that wouldn't typically fit into the AerCap fleet, but you could maybe monetize the aircraft cycle a little more?

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

Sure. I mean, obviously we've managed hundreds of airplanes over the years. And if you look at the ABS market as an instrument that's often used for that reason, we invented the ABS market 20 years ago and did the largest transaction ever done and it's still since. And have issued more ABS deals than anyone in the world for all different reasons and variations. The reasons for ABS are excellent. They can generate a significant amount of leverage at a competitive price if you don't have access to competitively priced unsecured aircraft. They can very importantly alleviate balance sheet pressures. That was something -- why we had primarily done it in the past. And the other big user of ABS has been GECAS. They've primarily used it for gain on sale, to be fair. You would never really use it for management revenue streams, because over time -- it's a big commitment over a long-term period, the costs associated with adequately servicing those vehicles. And while those fees are attractive at the front end, what actually happens over time is you have to produce an excellent standard of reporting and service to those vehicles and rightly so. And that doesn't come cost-free.

Operator

Our next question comes from Christopher Nolan from FBR.

Christopher Whitbread Nolan - *FBR Capital Markets & Co., Research Division - Analyst*

Pete, can you give us an update on your 2017 CapEx estimate?

Peter Juhas - *AerCap Holdings N.V. - CFO*

Sure. So, Chris, I'd say for the full year 2017 it's about $6.5 billion. And we did about $900 million in the first quarter. So that's $5.7 billion remaining, roughly.

Christopher Whitbread Nolan - *FBR Capital Markets & Co., Research Division - Analyst*

Great. And then sort of a housekeeping question; what's the book value of the aircraft sold in the first quarter?

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Peter Juhas - *AerCap Holdings N.V. - CFO*

The book val- -- I don't think we've disclosed the actual book value of the aircraft sold. It was roughly -- if you look at the cash flow statement you'll see it was around $400 million of -- that's in the cash flow statement. There was another $30 million or so of maintenance related to that. So altogether I'd say the cost of goods sold would be around $450 million altogether.

Operator

(Operator Instructions) We will take our next question from Arren Cyganovich from D. A. Davidson.

Arren Saul Cyganovich - *D.A. Davidson & Co., Research Division - VP and Research Analyst*

Could you talk a little bit about the competitive environment? We now have another fairly large player, with Avolon acquiring a lot of assets. What are you seeing from competition? Is it relatively rational? And has it impacted much in terms of your placements?

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

I think it is, yes. Consolidation is a relatively positive thing for the industry, we believe. And I think it was good that an experienced player acquired a large leasing company such as CIT and in capable hands. And we have seen no evidence of any irrational activity. And we think the consolidation is a positive. And we'll just have to see if there's further consolidation at the lower levels of the business as well.

Arren Saul Cyganovich - *D.A. Davidson & Co., Research Division - VP and Research Analyst*

Great. Thanks. And in terms of the CapEx numbers, Peter, that you just laid out, the $5.7 billion, what's the cadence of those deliveries throughout the next 3 quarters?

Peter Juhas - *AerCap Holdings N.V. - CFO*

It's pretty back-end loaded, so about 2/3 of it is in the third and fourth quarter of the year. It keeps ramping up each quarter, basically.

Arren Saul Cyganovich - *D.A. Davidson & Co., Research Division - VP and Research Analyst*

And these delays for the neos, is that included in those assumptions? Or is there a risk that some of that would be pushed over to '18?

Peter Juhas - *AerCap Holdings N.V. - CFO*

Well, that's included in those numbers. And this is based on our latest discussions with Airbus. So obviously there's always a risk that some of them won't deliver on time, but this is our best estimate right now. I mean, just to be clear, if you look at what we said at Investor Day, we were assuming further delays then and now we're assuming a little bit less than that. So it does factor into our forecast.

Arren Saul Cyganovich - *D.A. Davidson & Co., Research Division - VP and Research Analyst*

Okay. In terms of the 95% placement through 2019, is that only on the new order deliveries? Or is that also re-leasing stuff that's coming off your books?

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

That's all revenue from new aircraft and from the rollover of the existing fleet.

Arren Saul Cyganovich - *D.A. Davidson & Co., Research Division - VP and Research Analyst*

Okay. And just lastly, the other income line was somewhat elevated this quarter. Was there anything in particular that was nonrecurring or a one-time add in there?

Peter Juhas - *AerCap Holdings N.V. - CFO*

It was really due to -- primarily due to a termination payment that we received related to a termination last year.

Operator

(Operator Instructions) We'll now take our next question from Scott Valentin from Compass Point.

Scott Jean Valentin - *Compass Point Research & Trading, LLC, Research Division - MD and Research Analyst*

Just quickly on the net spread, it's running -- I think it was 9.2% for the quarter. And I think the guidance for the year from the Investor Day was 8.9%. Just wondering if you expect kind of if it's going to trend down over the course of the year. Or do you think with the change in rates maybe [reverse] we were back in November, the [forward] curve, you think the margin can remain higher than initial guidance?

Peter Juhas - *AerCap Holdings N.V. - CFO*

Yes. Thanks, Scott. I would stick with the guidance that we've got right now. I think 8.9% is probably a good number. I mean, one thing you have to keep in mind is that we're leasing these aircraft well in advance. And so it's hard for any movement to have an impact really on the 2017 numbers. It has to -- it would impact -- the rise in rates could impact further out, but it would be hard to see much of an impact I would say on 2017. Could be 9%, 8.9% to 9%, but somewhere in that ballpark.

Scott Jean Valentin - *Compass Point Research & Trading, LLC, Research Division - MD and Research Analyst*

Okay, thanks. And then just in terms of kind of the relationship between the fleet size and sales and buyback, to the extent that you guys sell more aircraft over the -- roughly $1 billion I think was the guidance I think at the Investor Day. If you go above that, would we expect to see that more in the buyback? I think you guys had guided to about $900 million, or roughly $1 billion, on return of capital. If gain on sales is higher, do you expect to kind of reinvest that into repurchasing shares?

Peter Juhas - *AerCap Holdings N.V. - CFO*

Yes, so at Investor Day we -- I had said $900 million roughly of excess capital for the year, which as you've seen, we've been using that excess capital to buy back stock. But we always evaluate it at the time. I'd say -- that was based on $1 billion of sales for the year. As Gus mentioned, we're likely to see more than $1 billion for the year at this point. So I think if conditions were to continue the way they are now, we would likely use that to buy back stock. So, yes, both the larger size of buybacks as well as gains on sale contribute to excess capital that we can deploy.

Scott Jean Valentin - *Compass Point Research & Trading, LLC, Research Division - MD and Research Analyst*

Great. And just one final question. I think, Gus, you just said that 95% number includes all re-leasing and new deliveries. How much is left to re-lease in '17 and '18 in terms of -- I don't know if it's percentage of the fleet or how you want to describe it, but just give how much is left in '17 and '18 to re-lease.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

No, there's not a huge amount left in terms of percentage of the aircraft. There's virtually nothing left in '17. There's less than a handful of new aircraft and then a number of lower-value narrow-bodies as well and 1 or 2 wide-bodies in 2018. But as a percentage of the overall revenue base of the business, they are not a huge number.

Operator

Our next question comes from Jason Arnold from RBC Capital Markets.

Jason Michael Arnold - *RBC Capital Markets, LLC, Research Division - Director in the Equity Research and Senior Equity Research Analyst*

One other quick follow-up for Gus. Just curious if you could comment on the MAX 10 and your thoughts around that particular potential product.

Aengus Kelly - *AerCap Holdings N.V. - CEO and Executive Director*

I mean, we will -- we continue to look at the aircraft. And we think it's certainly an improvement on the MAX 9. But we'll just continue to evaluate it.

Operator

Thank you. That will conclude today's question-and-answer session. I would like to turn the conference back over to Mr. Canniffe for any additional or closing remarks.

Brian Canniffe - *AerCap Holdings N.V. - Head of IR*

Thank you, operator. Thank you, everybody, for listening in today. That's the end of the call. Thank you.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation. You may now disconnect.
