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AerCap Holdings N.V. Reports Financial Results for the First Quarter 2020

DUBLIN – May 5, 2020

- **Net income of \$276.8 million for the first quarter of 2020**
- **Diluted earnings per share of \$2.14 for the first quarter of 2020**

Highlights

- Approximately \$11 billion sources of liquidity.
- Over \$28 billion of unencumbered assets.
- Adjusted debt/equity ratio of 2.5 to 1.
- Secured debt-to-total assets ratio of 19.6%.
- 100% of new aircraft deliveries through December 2021 already leased.
- New technology aircraft comprise 59% of fleet.
- Approximately 98% of lease rents through 2022 already contracted.
- Average current lease expires in the third quarter of 2027.
- 99% fleet utilization rate for the first quarter of 2020.
- 27% increase in diluted EPS year over year.
- 14% increase in book value per share since March 31, 2019 to \$73.69.

"The Covid-19 pandemic is creating significant challenges for the global aviation industry and for economies around the world. We would like to express our support for those directly affected by this illness and those whose jobs and businesses have been impacted," said Aengus Kelly, Chief Executive Officer of AerCap. *"AerCap entered this crisis in a position of strength, with a strong balance sheet and liquidity position, an attractive aircraft portfolio and a high-quality customer base including many of the world's leading airlines. Most importantly, we have an unrivaled operating platform with a strong track record of successfully managing through challenging environments. With approximately \$11 billion sources of liquidity, over \$28 billion of unencumbered assets and a record low leverage ratio of 2.5 to 1, we are well-positioned to weather an extended period of turbulence and support the recovery of the airline industry in the future."*

First Quarter 2020 Financial Results

- Net income increased by 18% to \$276.8 million, from \$234.2 million for the same period in 2019. Diluted earnings per share was \$2.14, compared with \$1.68 for the same period in 2019.
- The increase in net income was primarily driven by higher maintenance revenue and higher net gain on sale of assets.
- Diluted earnings per share increased 27%, driven by the same factors as net income and the repurchase of 14.1 million shares from January 2019 through March 2020.

Revenue and Net Spread

	Three months ended March 31,		
	2020	2019	% increase/ (decrease)
	(U.S. Dollars in millions)		
Lease revenue:			
Basic lease rents	\$1,030.8	\$1,075.3	(4%)
Maintenance rents and other receipts	134.3	86.8	55%
Total lease revenue.....	1,165.1	1,162.1	—%
Net gain on sale of assets	58.4	21.5	171%
Other income	14.7	21.4	(31%)
Total Revenues and other income.....	\$1,238.2	\$1,205.0	3%

Basic lease rents were \$1,030.8 million for the first quarter of 2020, compared with \$1,075.3 million for the same period in 2019. The decrease was primarily due to downtime relating to re-leasing activity and the write-off of certain lessee receivables.

Maintenance rents and other receipts were \$134.3 million for the first quarter of 2020, compared with \$86.8 million for the same period in 2019. The increase was primarily due to higher maintenance revenue recognized as a result of lease terminations and higher end of lease compensation recognized during the first quarter of 2020.

Net gain on sale of assets for the first quarter of 2020 was \$58.4 million, relating to 12 aircraft sold for \$265 million, compared with \$21.5 million for the same period in 2019, relating to 19 aircraft sold for \$340 million. The increase was primarily due to the composition of asset sales.

Other income for the first quarter of 2020 was \$14.7 million, compared with \$21.4 million for the same period in 2019. The decrease was primarily due to higher interest income and income from net insurance proceeds in the first quarter of 2019.

	Three months ended March 31,		
	2020	2019	% increase/ (decrease)
	(U.S. Dollars in millions)		
Basic lease rents	\$1,030.8	\$1,075.3	(4%)
Interest expense	318.6	334.2	(5%)
Adjusted for:			
Mark-to-market of interest rate caps and swaps.....	(12.5)	(15.9)	(21%)
Interest expense excluding mark-to-market of interest rate caps and swaps	306.1	318.3	(4%)
Net interest margin (*)	\$724.7	\$757.0	(4)%
Depreciation and amortization, including maintenance rights expense	(432.0)	(447.2)	(3)%
Net interest margin, less depreciation and amortization	\$292.7	\$309.8	(6)%
Average lease assets (*).....	\$37,671	\$37,266	1%
Annualized net spread (*)	7.7%	8.1%	
Annualized net spread less depreciation and amortization (*).....	3.1%	3.3%	

(*) Refer to "Notes Regarding Financial Information Presented in This Press Release" for details relating to these non-GAAP measures

Interest expense excluding mark-to-market of interest rate caps and swaps of \$12.5 million was \$306.1 million for the first quarter of 2020, compared with \$318.3 million for the same period in 2019. Our average cost of debt was 4.1% for the first quarter of 2020, compared with 4.2% for the same period in 2019. Our average cost of debt includes debt issuance costs, upfront fees and other impacts of approximately 0.3% to 0.4%.

Selling, General and Administrative Expenses

	Three months ended March 31,		
	2020	2019	% increase/ (decrease)
	(U.S. Dollars in millions)		
Selling, general and administrative expenses	\$46.8	\$49.5	(5%)
Share-based compensation expenses	17.8	17.4	2%
Total selling, general and administrative expenses	\$64.6	\$66.9	(3%)

Other Expenses

Leasing expenses were \$103.3 million for the first quarter of 2020, compared with \$91.7 million for the same period in 2019. The increase was primarily due to an increase in leasing expenses as a result of higher lessor maintenance contributions, partially offset by a decrease in maintenance rights expense as a result of lower maintenance activity during the period and the lower maintenance rights asset balance. Asset impairment charges were \$13.9 million for the first quarter of 2020, compared to \$5.0 million recorded for the same period in 2019. Asset impairment charges recorded in the first quarter of 2020 related to sales transactions and lease terminations and were more than offset by maintenance revenue.

Effective Tax Rate

Our effective tax rate for the first quarter of 2020 was 13.5%, compared to 13.0% for the first quarter of 2019. The effective tax rate for the full year 2019 was 12.5%. The effective tax rate is impacted by the source and amount of earnings among our different tax jurisdictions.

Book Value Per Share

	March 31, 2020	March 31, 2019
	(U.S. Dollars in millions, except share and per share data)	
Total AerCap Holdings N.V. shareholders' equity	\$9,382.9	\$8,906.2
Ordinary shares outstanding	129,637,008	139,597,805
Unvested restricted stock	(2,300,595)	(2,418,788)
Ordinary shares outstanding (excl. unvested restricted stock)	127,336,413	137,179,017
Book value per ordinary share outstanding (excl. unvested restricted stock)	\$73.69	\$64.92

Book value per share has increased 14% since March 31, 2019.

Financial Position

	March 31, 2020	December 31, 2019	% increase/ (decrease) over December 31, 2019
	(U.S. Dollars in millions, except debt/equity ratio)		
Total cash, cash equivalents and restricted cash	\$4,882.5	\$1,300.3	275%
Total lease assets (*)	37,658.6	37,930.4	(1%)
Total assets	47,144.8	43,749.2	8%
Debt	32,760.8	29,486.1	11%
Total liabilities	37,692.8	34,367.0	10%
Total AerCap Holdings N.V. shareholders' equity	9,382.9	9,314.9	1%
Total equity	9,452.0	9,382.2	1%

(*) Refer to "Notes Regarding Financial Information Presented in This Press Release" for details relating to these non-GAAP measures

In March 2020, we borrowed \$4.0 billion under a senior unsecured revolving credit facility. This resulted in an increase in total cash, cash equivalents and restricted cash, debt and total liabilities during the first quarter of 2020. In April 2020, we repaid \$3.0 billion of the outstanding amount.

As of March 31, 2020, AerCap’s portfolio consisted of 1,372 aircraft that were owned, on order or managed. The average age of our owned fleet as of March 31, 2020 was 6.2 years (2.5 years for new technology aircraft, 11.5 years for current technology aircraft) and the average remaining contracted lease term was 7.5 years.

Boeing 737 MAX Delays

Following the fatal accidents of two Boeing 737 MAX aircraft, the worldwide fleet of these aircraft was grounded by aviation authorities in March 2019 and production was temporarily suspended by Boeing in January 2020, resulting in ongoing delays in the delivery of our aircraft on order from Boeing. As of March 31, 2020, we had 95 Boeing 737 MAX aircraft on order with Boeing and five already delivered and on lease. Boeing currently expects that the necessary regulatory approvals will be obtained in time to support resumption of the Boeing 737 MAX deliveries during the third quarter of 2020. It is uncertain, however, when and under what conditions our Boeing 737 MAX aircraft will return to service and when Boeing will resume making deliveries of our Boeing 737 MAX aircraft on order. As a result, we expect to incur future delays on our scheduled Boeing 737 MAX deliveries, and any such future delays are likely to have an impact on our financial results. Certain of our Boeing 737 MAX leases have now been cancelled, and we expect additional leases to be cancelled in the future. In cases where leases have been cancelled, we have the right to cancel our corresponding orders for delivery of those aircraft; nevertheless, these lease cancellations may have an adverse effect on our future cash flows and results of operations, which could be material.

2020 Earnings Guidance

We provided guidance with respect to our projected 2020 financial results at our Capital Markets Day investor presentation on November 11, 2019 and during our fourth quarter earnings call on February 13, 2020. Since then, the Covid-19 outbreak has been declared a pandemic by the World Health Organization and the outbreak of Covid-19 and responsive government actions have caused significant economic disruption, a dramatic reduction in commercial airline traffic and a high volume of flight cancellations, resulting in a broad adverse impact on air travel and the aviation industry. Given the rapidly evolving situation, we are unable at this time to estimate the impact of the Covid-19 outbreak on our future financial results, and therefore we are withdrawing our 2020 guidance.

Notes Regarding Financial Information Presented in This Press Release

The financial information presented in this press release is not audited.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The following are definitions of non-GAAP measures used in this press release. We believe these measures may further assist investors in their understanding of our operational performance.

Adjusted debt/equity ratio

This measure is the ratio obtained by dividing adjusted debt by adjusted equity.

- Adjusted debt means consolidated total debt less cash and cash equivalents, and less a 50% equity credit with respect to certain long-term subordinated debt.
- Adjusted equity means total equity, plus the 50% equity credit relating to the long-term subordinated debt.

Adjusted debt and adjusted equity are adjusted by the 50% equity credit to reflect the equity nature of those financing arrangements and to provide information that is consistent with definitions under certain of our debt covenants. We believe this measure may further assist investors in their understanding of our capital structure and leverage.

	March 31, 2020	December 31, 2019
	(U.S. Dollars in millions, except debt/equity ratio)	
Debt	\$32,761	\$29,486
Adjusted for:		
Cash and cash equivalents	(4,694)	(1,121)
50% credit for long-term subordinated debt	(1,125)	(1,125)
Adjusted debt	\$26,942	\$27,240
 Equity	 \$9,452	 \$9,382
Adjusted for:		
50% credit for long-term subordinated debt	1,125	1,125
Adjusted equity	\$10,577	\$10,507
 Adjusted debt/equity ratio	 2.5 to 1	 2.6 to 1

Net interest margin, annualized net spread, annualized net spread less depreciation and amortization, and average cost of debt

Net interest margin is calculated as the difference between basic lease rents and interest expense, excluding the impact of the mark-to-market of interest rate caps and swaps. Annualized net spread is net interest margin expressed as a percentage of average lease assets. Annualized net spread less depreciation and amortization is net interest margin less depreciation and amortization, including maintenance rights expense, expressed as a percentage of average lease assets. Average cost of debt is calculated as interest expense, excluding mark-to-market on interest rate caps and swaps, divided by average debt balance. We believe these measures may further assist investors in their understanding of the changes and trends related to the earnings of our leasing activities. These measures reflect the impact from changes in the number of aircraft leased, lease rates and utilization rates, as well as the impact from changes in the amount of debt and interest rates.

Lease assets

Lease assets include flight equipment held for operating leases, flight equipment held for sale, net investment in finance and sales-type leases and maintenance rights assets.

Conference Call

In connection with the earnings release, management will host an earnings conference call today, Tuesday, May 5, 2020, at 8:30 am Eastern Daylight Time. The call can be accessed live via webcast, by visiting AerCap's website <https://investors.aercap.com/results-and-events/financial-results>, or by dialing (U.S./Canada) toll-free at 877-704-4237 or (International) + 1-201-493-6718 at least 5 minutes before start time.

The webcast replay will be archived in the "Investors" section of the Company's website for one year.

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About AerCap

AerCap is the global leader in aircraft leasing with 1,372 aircraft owned, managed or on order and \$47.1 billion of total assets as of March 31, 2020. AerCap has one of the most attractive order books in the industry. AerCap serves approximately 200 customers in approximately 80 countries with comprehensive fleet solutions. AerCap is listed on the New York Stock Exchange (AER) and has its headquarters in Dublin with offices in Shannon, Los Angeles, Singapore, Amsterdam, Shanghai, Abu Dhabi, Seattle and Toulouse.

Forward-Looking Statements

This press release contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are "forward-looking statements". In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "might," "should," "expect," "plan," "intend," "estimate," "anticipate," "believe," "predict," "potential" or "continue" or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this press release are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, and may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, we cannot assure you that the forward-looking statements included in this press release will prove to be accurate or correct. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this press release might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Except as required by applicable law, we do not undertake any obligation to, and will not, update any forward-looking statements, whether as a result of new information, future events or otherwise.

For more information regarding AerCap and to be added to our email distribution list, please visit www.aercap.com and follow us on Twitter www.twitter.com/aercapnv.

AerCap Holdings N.V.
Unaudited Consolidated Balance Sheets

(U.S. Dollars in thousands)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Assets		
Cash and cash equivalents	\$4,693,872	\$1,121,396
Restricted cash	188,671	178,951
Trade receivables	94,558	47,935
Flight equipment held for operating leases, net	35,670,631	35,870,781
Maintenance rights and lease premium, net	774,039	809,615
Flight equipment held for sale	331,387	336,592
Net investment in finance and sales-type leases	978,783	1,011,549
Prepayments on flight equipment	3,108,703	2,954,478
Other intangibles, net	302,100	307,394
Deferred income tax assets	106,267	95,077
Other assets	895,817	1,015,476
Total Assets	<u>\$47,144,828</u>	<u>\$43,749,244</u>
Liabilities and Equity		
Accounts payable, accrued expenses and other liabilities	\$1,108,037	\$1,032,623
Accrued maintenance liability	2,149,884	2,190,159
Lessee deposit liability	723,949	747,790
Debt	32,760,773	29,486,131
Deferred income tax liabilities	950,199	910,336
Total liabilities	<u>37,692,842</u>	<u>34,367,039</u>
Ordinary share capital €0.01 par value, 350,000,000 ordinary shares authorized as of March 31, 2020 and December 31, 2019; 138,847,345 and 141,847,345 ordinary shares issued and 129,637,008 and 131,583,489 ordinary shares outstanding (including 2,300,595 and 2,354,318 unvested restricted stock) as of March 31, 2020 and December 31, 2019, respectively .	1,721	1,754
Additional paid-in capital	2,067,647	2,209,462
Treasury shares, at cost (9,210,337 and 10,263,856 ordinary shares as of March 31, 2020 and December 31, 2019, respectively)	(498,003)	(537,341)
Accumulated other comprehensive loss	(174,581)	(93,587)
Accumulated retained earnings	7,986,142	7,734,609
Total AerCap Holdings N.V. shareholders' equity	<u>9,382,926</u>	<u>9,314,897</u>
Non-controlling interest	69,060	67,308
Total Equity	<u>9,451,986</u>	<u>9,382,205</u>
Total Liabilities and Equity	<u>\$47,144,828</u>	<u>\$43,749,244</u>

AerCap Holdings N.V.

Unaudited Consolidated Income Statements

(U.S. Dollars in thousands, except share and per share data)

	Three months ended March 31,	
	2020	2019
Revenues and other income		
Lease revenue:		
Basic lease rents	\$1,030,794	\$1,075,282
Maintenance rents and other receipts	134,285	86,811
Total lease revenue	1,165,079	1,162,093
Net gain on sale of assets	58,366	21,541
Other income	14,732	21,393
Total Revenues and other income	1,238,177	1,205,027
Expenses		
Depreciation and amortization	415,798	425,849
Asset impairment	13,947	5,031
Interest expense	318,617	334,179
Leasing expenses	103,297	91,721
Selling, general and administrative expenses	64,584	66,873
Total Expenses	916,243	923,653
Income before income taxes and income of investments accounted for under the equity method	321,934	281,374
Provision for income taxes	(43,461)	(36,579)
Equity in net earnings of investments accounted for under the equity method	1,331	2,102
Net income	\$279,804	\$246,897
Net income attributable to non-controlling interest	(2,980)	(12,711)
Net income attributable to AerCap Holdings N.V.	\$276,824	\$234,186
Basic earnings per share	\$2.16	\$1.70
Diluted earnings per share	\$2.14	\$1.68
Weighted average shares outstanding - basic	128,299,745	138,153,456
Weighted average shares outstanding - diluted	129,340,501	139,618,644

	Three months ended March 31,	
	2020	2019
Net income	\$279,804	\$246,897
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	415,798	425,849
Asset impairment	13,947	5,031
Amortization of debt issuance costs, debt discount, debt premium and lease premium	16,298	19,033
Amortization of fair value adjustment on debt	(16,267)	(27,060)
Maintenance rights write-off	33,393	52,357
Maintenance liability release to income	(63,422)	(46,285)
Net gain on sale of assets	(58,366)	(21,541)
Deferred income taxes	44,616	37,769
Collections of finance and sales-type leases	19,115	19,890
Other	75,395	56,079
Changes in operating assets and liabilities:		
Trade receivables	(49,342)	(55,039)
Other assets	(96,013)	(10,172)
Accounts payable, accrued expenses and other liabilities	13,962	42,892
Net cash provided by operating activities	628,918	745,700
Purchase of flight equipment	(61,326)	(815,274)
Proceeds from sale or disposal of assets	176,961	312,431
Prepayments on flight equipment	(350,836)	(280,335)
Other	—	(11)
Net cash used in investing activities	(235,201)	(783,189)
Issuance of debt	4,200,000	1,816,306
Repayment of debt	(918,422)	(537,246)
Debt issuance costs paid, net of debt premium received	(1,739)	(13,863)
Maintenance payments received	144,876	174,390
Maintenance payments returned	(95,189)	(108,437)
Security deposits received	28,392	86,860
Security deposits returned	(48,608)	(78,270)
Dividend paid to non-controlling interest holders and others	(1,228)	(1,674)
Repurchase of shares and tax withholdings on share-based compensation	(118,571)	(140,978)
Net cash provided by financing activities	3,189,511	1,197,088
Net increase in cash, cash equivalents and restricted cash	3,583,228	1,159,599
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,032)	(403)
Cash, cash equivalents and restricted cash at beginning of period	1,300,347	1,415,035
Cash, cash equivalents and restricted cash at end of period	\$4,882,543	\$2,574,231