Company Name: AerCap Holdings
Company Ticker: AER US
Date: 2020-02-13
Event Description: Q4 2019 Earnings Call

Market Cap: 8392.10736397
Current PX: 63.7486991882
YTD Change($): 2.27869918823
YTD Change(%): 3.707

Bloomberg Estimates - EPS
Current Quarter: 1.847
Current Year: 7.633
Bloomberg Estimates - Sales
Current Quarter: 1173
Current Year: 4788.667

Q4 2019 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

- Abdul Tambal, Analyst
- Moshe Orenbuch, Analyst
- Catherine O'Brien, Analyst
- Helane Becker, Analyst
- Ross Harvey, Analyst
- Koosh Patel, Analyst
- Vincent Caintic, Analyst

Presentation

Operator

Good day and welcome to the AerCap's Fourth Quarter and Full Year 2019 Financial Results Call. Today's conference is being recorded and a transcript will be available following the call on the company's website. At this time, I 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 full year 2019 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 not 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 February 13, 2020. 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 we'll 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

Thank you, Joe, and thank you for joining us for our fourth quarter 2019 earnings call. I am delighted to report record earnings per share of $8.43. In the fourth quarter, AerCap generated $2.34 of earnings per share, a 44% increase over

Q4 2018, continuing our long track record of consistent earnings growth. During the year, the AerCap team executed 353 aircraft transactions, which included 192 lease agreements, 65 aircraft purchases and the sale of 96 mid-life and older aircraft. This unmatched scale of activity demonstrates the breadth and depth of AerCap's relationships with airlines, manufacturers and investors around the world. We enter 2020 in a position of strength. We have $40 billion of contracted future lease rents. For the next three years, over 97% of our lease rents are already contracted. Our average lease does not expire until the third quarter of 2027. All of this gives us tremendous visibility into our future cash flows.

Moreover today new technology aircraft make up 58% of our fleet, that is the highest percentage of new technology aircraft of any major lessor in the world. AerCap has taken delivery of more new technology aircraft than any other aircraft lessor or airline in the world. As a result, AerCap is helping customers meet their environmental and sustainability objectives. Our new technology fleet today is concentrated on the most in-demand variants the A320neo, the A321neo, the Boeing 787-9 and the A350-900. The average age of our new technology aircraft is approximately two years and we know that these aircraft will form the core of the world's passenger fleet for decades to come. Our current technology fleet is also concentrated on the most liquid aircraft types: the Boeing 737NG, the A320ceo and among the wide bodies, the A330 and 777, which remain the mainstay of global long haul routes. But very importantly the average age of our current technology fleet is 11.3 years with our 777 fleet being over 13 years. You can see this in the slide in the deck. We do not have young current technology aircraft because we had focused all of our new orders for the last decade on new technology aircraft. We know that over the next decade, current technology aircraft will be in demand, but will gradually become less so as a proportion of new technology equipment grows.

Given the average age of our current technology aircraft, AerCap is the best positioned of any major lessor for this trend and we've clearly been positioning the company for the last seven years with this in mind. This is one of the key competitive advantages of our capabilities and scale. AerCap sees trends before anyone else and crucially we act on these trends. During 2019, we continued to actively manage our fleet by purchasing new technology aircraft and selling our mid-life and older assets. In the fourth quarter of 2019 we took delivery of 14 A320neos, two 787-9s, four Embraer E2s and a 350-900. We also sold 28 of our owned aircraft. For the full year, we sold 88 owned aircraft that had an average age of 15 years. We sold these aircraft for an average gain on sale of 10% over our carrying value. This represents a 35% premium to their book equity value. These sales have resulted in a further reduction in the average age of our portfolio to 6.1 years and an increase in our average remaining lease term to 7.5 years, which is one of the longest in the industry. Furthermore, these sales allow us to recycle capital into more accretive opportunities. Turning to the Coronavirus, it is of course affecting our Chinese customers, their staff, families and our own employees in China, and our thoughts are with those who are suffering from the impact of the Coronavirus.

These airlines have been our partners for decades, and they will be our partners for decades to come. We will help them where we can through this very challenging period. In terms of AerCap's exposure to Chinese customers, approximately 2/3 of our revenue comes from the big three state-owned carriers. As with prior epidemics and given the efforts of the Chinese state, we do expect the traffic will return to normal later in the year. On the MAX, we did not take any deliveries in Q4 and we await further information from the FAA and Boeing with regard to the safe reentry of the aircraft into service. Boeing currently estimates that the MAX will return to service in mid 2020. On demand, our utilization rate in the quarter was 99.8% as demand for our aircraft remains high. No doubt the MAX delays and the Coronavirus will impact RPK growth in the short term, but we expect that over time, these issues will be resolved.

At our Capital Markets in Day in November, we mentioned that large sales of stock and stock options on AerCap stock, by two legacy shareholders AIG and Waha, led to elevated volatility in our share price over the past several years. Second of these shareholders, Waha Capital completely exited its position in early December, which removes an overhang on our stock. Going forward, we would hope to see a greater correlation between the consistent performance of our business and the market value of our company. We will of course continue to take advantage of that mismatch if it persists and we announced a further $250 million share repurchase program today. In summary, this was another strong quarter for AerCap with Q4 2019 EPS up 44% over Q4 2018. Our consistent growth in earnings is a result of our platform, our processes, and our relentless focus on execution. We will continue to manage this company to deliver long-term value for our investors as we look to the decade ahead.

With that, I will hand it over to Pete for a detailed review of our results.

Peter Juhas, Chief Financial Officer

Thanks, Gus. Good morning, everyone. AerCap produced a very strong performance in the fourth quarter and a record performance for the full year. As Gus mentioned, in the fourth quarter, we generated earnings per share of $2.34, an increase of 44% over the fourth quarter of 2018. Our net income for the quarter was around $310 million, 33% increase over the fourth quarter of 2018. For the full year, our net income was $1,146 million, an increase of 13% over 2018 and our EPS was a record $8.43, an increase of 23% over the prior year. Our utilization rate was very high at 99.8% for the fourth quarter. We were upgraded to BBB-flat by S&P in October, and we're on positive outlook from Moody's, so we continue to have an upward ratings trajectory. Our credit metrics continue to improve and we ended the year with a debt to equity ratio of 2.6 to 1. We've also reduced our secured debt to total assets to around 22%, which is down from 25% at the beginning of the year and we expect to get down below 20% during the course of this year. Our average lease assets increased by $1.4 billion over the fourth quarter of 2018 as a result of new deliveries. Our book value per share continued to increase at a strong double-digit pace and was up 15% over the past year to $72.08 as of December 31. We've continued with our share repurchase program. In the fourth quarter, we bought 3.4 million shares for just under $200 million. For the full year 2019, we bought 12 million shares for a total of $607 million. And today, we also announced a new $250 million share repurchase program that will run through the end of June. So altogether, it was a very strong quarter that reflects our consistent operating performance, the power of AerCap's platform and our disciplined approach to managing our assets and allocating our capital.

Turning to Slide 7. Our total revenues for the fourth quarter were $1,257 million, an increase from $1,220 million last year. This was primarily driven by higher maintenance revenues as a result of higher-end of lease compensation that we received during the fourth quarter, but we also had higher lease rents and a higher gain on sale of assets in the fourth quarter than in the fourth quarter of 2018. Our other income was higher than normal in the fourth quarter of 2018 because of some inventory sales that we had that quarter.

Turning to Slide 8. For the 4th quarter, our net interest margin was $747 million, which was roughly flat year-over-year. Our average cost of debt for the fourth quarter was around 3.8% before debt issuance costs and fees and other impacts of around 40 basis points, and when you include those costs and fees, it was around 4.2% for the fourth quarter, which is the same as the previous quarter. The slight increase from the fourth quarter of 2018 was driven primarily by the roll off of fair value of debt related to purchase accounting. Going forward, we expect the average cost of debt to trend down somewhat as we continue to replace older more expensive debt with new debt at a lower cost. Our net spread was 7.9% for the fourth quarter and our net spread less depreciation was 3.2% which is the same as in 2018. The average age of our fleet continues to decrease during 2019 to 6.1 years by the end of the year. We achieved this through a combination of purchases of new technology aircraft and sales of older current tech aircraft. The average age of our new-tech aircraft, which represents 58% of our fleet today is 2.3 years, while the average age of our current tech fleet is 11.3 years. Our average remaining lease term has continue to increase and is now 7.5 years, one of the longest in the industry.

Turning to Slide 9. Our net gain on sales was around $49 million for the fourth quarter, an increase from the fourth quarter of 2018. During the quarter, we sold 28 of our owned aircraft, putting 17 narrow bodies and 11 wide bodies with an average age of 15 years for a total of $729 million. Our gain on sale margin was around 7% for the quarter. For the full year, we sold 88 of our owned aircraft, again with an average age of 15 years for a total of just over $2.1 billion and an average gain on sale of around 10%. On the purchasing side, in the fourth quarter, we purchased 21 new technology aircraft for total CapEx of $1.3 billion and for the full year, we took delivery of 65 aircraft for total CapEx of around $4.6 billion.

Now turning to Slide 10. I mentioned that during 2019, we sold our aircraft in average gain on sale of around 10% on an asset basis, which equates to around a 35% premium to book equity. On average, the aircraft that we sold were 15 years old, and these were aircraft that we wanted to exit for portfolio management reasons. At the same time, we were able to buy back our own stock at an average discount to book value of 26% during the year. So we continue to take advantage of this valuation arbitrage to reinvest in our own portfolio of aircraft that was made better as a result of the sales and of course, this has had a positive impact on our EPS and on our book value per share.

Turning to Slide 11. Our SG&A expenses were around $71 million for the fourth quarter, which was about the same as in 2018. For the full year 2019, our SG&A expenses were around $268 million, which is a 12% reduction from 2018. This includes all stock compensation expense, and it's only 5.4% of our total revenues, which illustrates the efficiency of our platform. Our maintenance rights expense was around $25 million for the quarter, down from about $36 million in 2018. This was primarily driven by the lower maintenance rights asset balance as that asset continues to roll off, and it was also affected by the level of maintenance activity during the quarter. Our other leasing expenses were about $62 million for the quarter, a decrease from $90 million in 2018, and this was due to lower expenses related to lease terminations compared to that prior year period. The asset impairments in the fourth quarter all related to these terminations and aircraft sales and were more than offset by maintenance revenue recognized upon termination.

On Slide 12, we continue to maintain a very strong liquidity position, as of December 31, we had available liquidity of $8.2 billion, which includes our cash, our revolvers, our other undrawn facilities and our contracted sales. In October, we amended and extended our main revolving credit facility. We kept the size of that facility at $4 billion and extended the maturity until 2024 with better pricing and improved commercial terms. Our total cash sources of $11.3 billion or 1.5 times our cash needs over the next 12 months, which amounts to excess cash coverage of just under $4 billion.

Turning to the next slide, our shareholders' equity at the end of December was $9,315 million and our book value per share was $72.08 compared to $62.95 at the end of 2018. That's a 15% increase over the past year and over the past five years, we've grown our book value per share by an average of 14% a year. Through our operating performance and our capital allocation strategy, we can continue to generate strong growth in book value per share year after year.

So, in summary, we had another very strong quarter and a record year in 2019 with EPS up 44% for the fourth quarter and 23% for the year, our utilization rate was high, our fleet continues to improve with the addition of new-tech aircraft, we're placed far out into the future, and we continue to sell used aircraft at attractive prices. If we look back to 2015, over the past four years, we've increased our EPS from $5.72 to $8.43, we reduced our leverage from 2.9 to 1 to 2.6 to 1, we've gone from non-investment grade rating to investment grade, we've reduced our average age from 7.7 years to 6.1 years and we've increased the new-tech portion of our fleet from 12% in 2015 to 58% today. Fundamentally what that means is that today we have a much more profitable company with a much better credit profile. We're entering 2020 in a position of strength with over $8 billion of liquidity and the most advanced fleet of new technology aircraft in the industry and we believe this positions us well for the year and for the new decade ahead.

With that, now we will turn it over for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) We will now take our first question from Jamie Baker from J.P. Morgan. Please go ahead.

Abdul Tambal, Analyst

Good morning. This is Abdul Tambal on for Jamie Baker. Just a quick one from me. Could you comment on the level of support the Chinese government can provide for the airlines in the region and have the airlines asked for rent relief at this point?

Aengus Kelly, Chief Executive Officer and Executive Director

Sure. The Chinese government has said that they are waiving taxes and other duties associated with --with fares that's public knowledge. I'm sure like they've stated that they've encouraged the financial institution to work with all Chinese companies in the economy to help them through this difficult period. In terms of our own participation in that, our customers, we've been, they've been with us for over 40 years, some of them and of course we're going to try and help them through this period. They've been around for 40 years, I am very confident of them being around for another 40 years.

Abdul Tambal, Analyst

Got it. Thank you. And just a quick follow-up. So what are Moody's and Fitch waiting for to upgrade you, since, haven't you already met their respective hurdles and if so, is it just a matter of time at this point?

Peter Juhas, Chief Financial Officer

Well, look we, we have good dialog with all the rating agencies. We speak to them all frequently. So, as you know, we're on positive outlook from Moody's right now. So, we're hopeful that we'll get an upgrade from them sometime soon. With Fitch, we've also had good discussions and we believe that based on their metrics that we do deserve an upgrade today. We think we meet all of their metrics. So, you'd really have to ask them what they're waiting for, but from our perspective, we'll continue to push for an upgrade because we do think it's warranted.

Aengus Kelly, Chief Executive Officer and Executive Director

And certainly if you look at how we have managed the leverage of the balance sheet over the course of 2019 and into the year-end as well, the discipline around that, we firmly believe that we've met the metrics there for Fitch.

Abdul Tambal, Analyst

Got it. Thank you very much.

Aengus Kelly, Chief Executive Officer and Executive Director

Thank you.

Operator

We will now take our next question from Moshe Orenbuch from Credit Suisse. Please go ahead.

Moshe Orenbuch, Analyst

Great, thanks. Gus, as you think about the opportunity once Boeing does start delivering the MAX's, how do you think about what's best for you and your customers, do you want to be at the front end of that? Can you get better economics by being more flexible? Can you talk a little bit about what you're thinking about in that respect?

Aengus Kelly, Chief Executive Officer and Executive Director

Sure. Well, there are, most of our, I think we had leased over 50% of our order book already. So most of our leases are contracted with customers that are going to deliver after the first couple of years after the aircraft returns to service, that's assuming that all the customers want the airplanes. I imagine that the majority of them will continue to want the aircraft. I believe that it will be a good airplane when it returns to service. And in terms of opportunity, I just don't see the situation where Boeing will have that many whitetails. I mean, the only situation with this whitetails is that the lessor has not leased an airplane and it is being built and that's kind of their own fault really and they're going to have to place that in a hurry, but Boeing won't have whitetails to spare because there are so far behind because of the production halt on the deliveries to customers who needed them to meet our growth targets, particularly if you're an all Boeing customer. If you had expected to receive 20, 30, 40 of these airplanes and you only received half that amount, Boeing would have an obligation to you, I believe, to try and give you any additional slots that became free. So, I don't envisage a huge amount of opportunity at the front end once it comes into service. Now, will there be opportunity further out, perhaps there might be, and, of course, we will always be talking with Boeing about opportunities like that.

Moshe Orenbuch, Analyst

Got it. Peter, I guess since your lease rates are contracted and your depreciation is pretty much set the fact that interest rates have been lower, I mean, should be, you talked about your spread being stable and some, can you kind of frame out what that benefit could be in, in the cost of funds over the course of 2020?

Peter Juhas, Chief Financial Officer

Sure, Moshe. So, look I think that we will continue to have an average interest rate for the year of around 4.2% which is what I had said at the Capital Markets Day. So, I think that's probably still our best estimate. We have about $3 billion of funding to do this year and so that's going to be done at lower rates than that average amount. So, it's going to start bringing it down, but we've got $29 billion of debt in total. So, it takes time for that to roll through, but we should still see some steady decrease in that number over time, but just because the $3 billion is a small percentage of the overall $29 billion, it takes time for that, for you to really see much of an effect.

Aengus Kelly, Chief Executive Officer and Executive Director

I think it's very important Moshe when you look at the net spread, you have to factor in, we could have held on those aircraft that we sold or we could have taken the sales proceeds and bought additional airplanes, that may well have elevated the net spread in the near term but may have been the wrong things to buy in the long term, and so what we did instead of doing that, we bought our own stock and as Pete said, you've seen better earnings per share from 2015 while the company has a much better portfolio with a fully integrated company, lower leverage, higher credit ratings and the earnings are up from $5 and change to $8.43 and a much better company as it were. So, they are all part of how to think about and the net spreads and also it's worth noting once again, of course, that when we give you an interest number, it includes all fees and costs associated with terminations. So, the cash coupon is obviously less than that, less than that.

Moshe Orenbuch, Analyst

All right, thanks. I certainly understand the impact on the net spread of buybacks. Thanks.

Operator

We will now move to our next question from Catherine O'Brien from Goldman Sachs. Please go ahead.

Catherine O'Brien, Analyst

Good morning everyone and thanks for the time. So from data that we have, 2019 looks like it actually had the highest number of aircraft coming back into the market from airline defaults we've seen in quite some time, but we didn't see any impact on AerCap's portfolio lease yield, so just two questions around this. First, is that more a function of your risk department doing a good job avoiding the majority of situations or is it really overall supply being tight due to the MAX grounding and other OEM delays? And then second question on this is, have all these planes already been absorbed broadly by the market or are there still some aircraft out there that needs to be placed that could impact supply and demand this year? Thanks.

Aengus Kelly, Chief Executive Officer and Executive Director

First of all, I would say that the capability of AerCap's platform is unrivaled and that's proven time and time again, but what is also true is that no doubt airline defaults make headlines, but they don't necessarily make big charges on highly diversified extraordinarily capable aircraft leasing platforms. And so if you go back over the last 15 years, going through the worst downturn we've seen ever in aviation following the financial crisis, fuel being at $146 a barrel, the Eurozone crisis, the list goes on. Our credit costs have average just over 1% of lease revenue, that hasn't historically been the primary driver of return in AerCap's business. So, I think it's very, if you've got to really separate the world's leading platform and AerCap from anyone else when you think about capabilities to deal with defaults and again in 2019 as you've seen in previous years, we tend to outperform any issues like that.

Catherine O'Brien, Analyst

Okay, understood. And then we've been talking about, about the competitive backdrop in pricing and the sale leaseback market improving for the last couple of quarters now, can you give us any color on how far we are off the bottom of that market? And if you're getting any closer to where AerCap would consider participating? Thanks.

Aengus Kelly, Chief Executive Officer and Executive Director

Catherine, we did actually come close there. In January, we did come close to a saleleaseback on some A350-900s. We didn't quite get there in the end, but, so there was certainly much closer than we had been, so that is a positive and we'll see how this year unfolds. Having said that, of course, we had pretty much everyone involved in the aircraft financing business in Dublin. That is about several thousand people here for the air finance conference two weeks ago and there you could see that there was still of course extremely buoyant and stable demand for investments in aircraft.

Catherine O'Brien, Analyst

Great, thank you for the time.

Operator

We will now take our next question from Helane Becker from Cowen, please go ahead.

Helane Becker, Analyst

Thanks very much, operator. Hi everybody and thank you very much for the time. So, two I think relatively easy questions, one is, do you still, I think at Investor Day, Pete, you talked about $1 billion in aircraft sales, is that still your target?

Peter Juhas, Chief Financial Officer

Yes, Helane, that's still our best guess for the year. I mean, I would say if conditions continue, as Gus mentioned at the Air Finance Conference a few weeks ago here, there was a huge interest, continued to be a huge interest in used, mid-life and older aircraft. So, the demand continues to be there. The ABS market continues to be very strong. So from a financing side, buyers can get financing, attractive financing for these portfolios. So, I think that if that continues throughout the year, then could it be more than $1 billion, it could, but at this point, we're only in mid-February, so I would say $1 billion is still probably our best guess for the year.

Helane Becker, Analyst

Okay and then my other question really has to do with the delays. So, you're more an Airbus then a Boeing focused firm although obviously you do have the MAX on order and the 787s and so on, but two questions with regarding to that. With all the delays from the OEMs, is the core EPS target that you talked about at Investor Day still intact? A and, B, the airlines get to go back to Boeing and ask for compensation, do you guys get to do the same thing?

Peter Juhas, Chief Financial Officer

Well, why don't I take the first part of that, just on the EPS target. Yes, so, our guidance is unchanged, we still think it will be between $7 and $7.40 for the year, excluding any gain on sale.

Aengus Kelly, Chief Executive Officer and Executive Director

Helane, of course, if you look the sharper split is pretty much down the middle. We're actually 50% Boeing as I just touted it up there on the appendix slide of all our airplanes, but, and of course you can go back to Boeing, and of course we have losses associated from the MAX and we will ensure that the shareholders of AerCap do not bear those losses; and that we will receive adequate compensation from Boeing in connection with those costs that we are suffering. And what format that takes. I don't mind what currency it is as long as I can cash that currency in.

Helane Becker, Analyst

All right, exactly. That makes sense. Okay, well, thanks guys, I appreciate the help.

Aengus Kelly, Chief Executive Officer and Executive Director

Sure.

Operator

We will now take our next question from Ross Harvey from Davy. Please go ahead.

Ross Harvey, Analyst

Good afternoon guys. Three questions from me please. The first one is partly related to a question earlier. but, having set a very strong base on the core EPS from 2019, I'm just wondering what specific factors within the cost lines we should expect to see move such that the figure, the figure would come in broadly flat year-on-year in 2020? Secondly, in relation to marketing, it's obviously you've got 97% of the leased rents through end-2022 contracted and this was the case at the CMD. It sort of implies that you've got a conservative time horizon on a lot of your forward placements - clear benefits for revenue visibility- but in light of the recent OEM delays, would you be minded to adjust that at all in the future? And finally on the exercising of the A320neo family aircraft options, can you shed any light on what particular variants you're attracted to within that and the reasons behind it?

Peter Juhas, Chief Financial Officer

Sure, Ross, let me, I'll take the first one. So and if you look at, if you look at our 2019 performance excluding gains on sales that we take that out, that's about, about $7.20, which puts us roughly in the range for 2020, in the middle of that range that I gave before of $7 to $7.40. And when we look at what's going to happen with the overall balance sheet during the course of the year given these delays, we expect that it will be roughly flat, so there aren't really any big movements on the cost side. SG&A, I think we talked about before, but I think that will continue to run at, maybe $65 million to $70 million a quarter. The depreciation rate that will be, as I said at the Capital Markets Day, I still expect that it will be around 4.6%, 4.7% for the year and average interest rate, as I said before, to Moshe, around 4.2%. So I don't think, you're not going to see any major changes in any of those items during the course of the year. The big thing that can swing obviously is leasing expenses and maintenance revenues, right. Those are the two things that can swing a lot and some of that is timing, but other parts, it's permanent benefits that you have got. So that's what I would say for the year.

Aengus Kelly, Chief Executive Officer and Executive Director

And Ross on our leasing strategy of placing airplanes far out, that's a function of our capability as an aircraft lessor to be able to do that. So, we will continue to do that to place well into the future. In terms of the option, it was focused on the A320 and A321 variants.

Ross Harvey, Analyst

Okay, great, thank you very much.

Aengus Kelly, Chief Executive Officer and Executive Director

You're welcome..

Operator

We will now take our next question from Michael Linenberg from Deutsche Bank. Please go ahead.

Koosh Patel, Analyst

Hey guys, this is Koosh Patel. Just a quick question here. So, one of your largest competitors recently announced that they are committing $6 billion to proactively work with their customers as they deal with the Coronavirus. Are you in a position where you may consider stepping up to do something similar or what are your thoughts on that?

Aengus Kelly, Chief Executive Officer and Executive Director

I think at the moment our customers are suffering and their families are suffering and, we want to try and support them in any way we can and whatever we can do to help them, we will be able to do. We carry $10 billion of liquidity on hand at any given time, no one carries more liquidity in the world than AerCap. So, I'm sure we can more than outmatch anyone, but at this point in time, the focus of the company is helping the partners that have been loyal to this company for 40 years.

Koosh Patel, Analyst

Great. And then just one on the modeling side as well, on the $7 to $7.40 core GAAP EPS you guys talked about at the, at the Investor Day, what's driving the contraction in lease yields in 2020 that you guys guided as well?

Peter Juhas, Chief Financial Officer

Well, that trend has been going on. As you look at over the years, it's really a function of some continued drop in the average age of the fleet. So, it's going down, the average age will go down to about six years by the end of 2020. So, that's the biggest contributor to that, and part of that is, it's obviously the new deliveries that we're taking that when they come on, right, they are at a lower yield and that grows over time. But it's also due to the fact that, as Gus mentioned before, the aircraft that we sold, so we're selling mid-life, some higher yielding aircraft, but we're reinvesting those proceeds in buying back our stock, so that's why you see that effect on the lease yields.

Aengus Kelly, Chief Executive Officer and Executive Director

It is very important , though, what you're seeing is that we've been able to hold the yield, less depreciation and interest constant while using the proceeds to significantly boost earnings per share by taking advantage of the arbitrage of selling our assets at 135% of book equity and buying back the same equity at 74%, so long as that arbitrage exists, that's something we're certainly going to continue to do and it's really the geography of the P&L that's been moved but underneath of that really substantive point is that the quality of the company has improved and the earnings have improved also.

Koosh Patel, Analyst

Got it. Thanks guys.

Peter Juhas, Chief Financial Officer

Sure.

Operator

We will now take our next question from Vincent Caintic from Stephens, Inc. Please go ahead.

Vincent Caintic, Analyst

Thanks. Thanks for taking my questions. So back on the, the effects of the Coronavirus and this is kind of going to be a, maybe a broader question, but sort of, I still expect this to be a short-term phenomenon, but what sort of things, I guess, should we be paying attention to in terms of maybe risks and opportunities? So to the extent that maybe it's just as others, are there opportunities for you to step in and other financings and if that kind of if you do and give us a history lesson in past epidemics what has happened and have you, what's the challenges have you seen and sort of maybe even what opportunities have you seen as other liquidity providers have had issues with this? Thanks.

Aengus Kelly, Chief Executive Officer and Executive Director

Look, I think, thousands of people have died. I am not sure I necessarily want to talk about opportunities that arise from something like that. And what I can tell you is that in the past what we have done is we've worked with our customers, we know that China is the future, those customers that we have will be with us for a long, long time to come. They are going through an extraordinarily difficult time right now but they will come through it. And what I expect to see is what we've seen in the past when our customers get into some difficulty, if that we will see, we will probably defer some rents given that their revenue line has obviously fallen significantly and we will probably defer our rents for a month or two, to help them out on a case-by-case basis, but that will be the focus of our efforts as how can we help our customers through this period rather than profit from it.

Vincent Caintic, Analyst

Okay, understood, thank you. (Technical Difficulty) Second question, if you were, understand this hopefully is a short-term phenomenon, if you were to defer rents, does it actually show up on your lease revenue in the near-term or do you continue to accrue that and then eventually collect it on the (inaudible)? Thank you.

Aengus Kelly, Chief Executive Officer and Executive Director

Yes, what you will normally do is that, if you do for defer rents and that will be case by case basis and that will just be a receivable that will be repaid over time and that's typically that's always been the case. I mean at the, at the year-end, our total receivables for the entire company was $47 million and that was for the entire business and in the past when our partners have had issued for whatever reason, we have worked with them and it gets repaid pretty promptly.

Vincent Caintic, Analyst

Okay, great, thanks so much.

Operator

Okay. (Operator Instructions) We will now take a follow-up question from Catherine O'Brien from Goldman Sachs. Please go ahead.

Catherine O'Brien, Analyst

Thanks for the follow-up. Just one quick modeling one. So, at the Investor Day, I think you guided to $4.2 billion in expected CapEx this year, I was just wondering is that number still intact and if so, how much of that is driven by MAX deliveries? Thank you.

Peter Juhas, Chief Financial Officer

Sure, Catherine. So we, if you look at the appendix slides, you'll see that we moved out our estimates of MAX Deliveries for the year. So, now we're only assuming four aircraft delivering, and so that really takes our CapEx for the year down to about $3.3 billion is our estimate for the year.

Again look, obviously there's a lot of uncertainty around those MAX deliveries both this year and next year. So, we'll have to see how that plays out, but that's our best guess at the moment.

Catherine O'Brien, Analyst

Okay, got it. Apologies, I haven't got to the appendix yet. Thank you.

Peter Juhas, Chief Financial Officer

Sure.

Operator

As there are no further questions, I would now like to hand the call back to our speakers for any additional or closing remarks.

Aengus Kelly, Chief Executive Officer and Executive Director

Thank you very much all for joining us for the full year 2019 results. In closing, we had another strong quarter of earnings with EPS up 44% and this has been achieved due to the strong leasing capabilities of AerCap, disciplined approach to portfolio management and proactive risk management. We look forward to speaking to you all in three months' time. Goodbye.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation, you may now disconnect.