Q2 2023 Earnings Call

Company Participants

- Aengus Kelly, Chief Executive Officer
- Joseph McGinley, Head of Investor Relations
- Pete Juhas, Chief Financial Officer

Other Participants

- Catherine O'Brien, Analyst
- Chris Stathoulopoulos, Analyst
- Helane Becker, Analyst
- Hillary Cacanando, Analyst
- Jamie Baker, Analyst
- Stephen Trent, Analyst

Presentation

Operator

Good day, everyone and welcome to the AerCap Holdings N. V. Second Quarter 2023 Finaicial Results. 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

Thank you, operator, and hello, everyone, welcome to our second quarter 2023 conference call. With me today is our Chief Executive Officer, Aengus Kelly; and our Chief Financial Officer, Pete Juhas.

Before we begin today's call, I would like to remind you that some statements made during this conference call, which are not historical facts may be forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements. AerCap undertakes no obligation other than that imposed by law to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after this call. Further information concerning issues that could materially affect performance can be found in AerCap's earnings release dated June 30, 2023.

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

Thank you, Joe. Thank you for joining us for our second quarter 2023 earnings call. I am pleased to report another quarter of strong earnings for AerCap, generating adjusted net income of $596 million and adjusted earnings per share of $2.56. This reflects widespread demand for our assets, strong cash collections and our constant focus on execution. As a result, I am pleased to update our earnings guidance for the year to a new, higher range of $8.50-$9.00, including gains on sale of approximately $1.00 in the first half of the year.

Given the strength of the business and consistent cash generation, I am also pleased to announce another $500 million share repurchase program. This takes total authorizations so far this year to $1.5 billion, over 10% of our market cap at the beginning of the year. This commitment indicates our confidence in both the outlook for the business and the value we see in our company today.

As I mentioned, demand for aviation assets has been very consistent, reflected in significant levels of activity in Q2. Over the last three months our platform executed 215 transactions across aircraft, engines and helicopters. This comprised of 124 lease agreements, 32 purchases and 59 sales. Of note in the period was the continued strong demand for current technology aircraft where we signed a large number of lease extensions, as airlines scramble to keep whatever capacity they can find in the air. Likewise, all the aircraft sold in the period were current technology units, with around 40% of these sales going to airlines. I believe the shortage of aircraft in the system has also helped airline profitability as it enforces capacity discipline across the sector, allowing yields to rise. Our customers are, in general, in good health at the moment with widespread optimism across the board.

On the engine side, demand for spare engines remains high in the face of higher airline utilization, new technology durability challenges and parts-supply constraints at the MROs. We are helping our customers through these challenges by providing financing and spare engine support through our AerCap Engines franchise and Shannon Engine Services joint venture. The engine team continue to invest in the most fuel-efficient engines, as well as recycling older technology engines into the spare parts market, with healthy sales activity too.

Switching to the industry overall, I think it would be helpful to elaborate on how robust the demand environment is in comparison to the supply available in the market today. For this, I think it’s useful to provide some historical context, so I am going to refer back to 2018 when demand was fairly robust in all regions of the world and the OEMs were delivering aircraft close to their schedules.

Widespread disruption began in 2019, when supply was severely impacted by the grounding of the 737 MAX, even as flights grew by about 2%. The following year both demand and supply fell sharply as COVID-19 spread around the world. Then, we saw the consistent recovery in demand, taking us to June 2023 – where we're recovered to approximately 90% of 2018's levels. OEM deliveries also recovered in this time, but only to around 73% of 2018 levels. As you can see from the chart, they have continually lagged demand in the period, leading to today's widespread aircraft shortages.

This is particularly important when we think about the persistence of the situation today, and why we believe this supply demand imbalance will last for many years. The engine bottlenecks in the OEMs and MROs will not be resolved for a number of years, as fixes have yet to be agreed for the issues facing the newer technology narrowbodies, and even then will take many years to roll out across the fleet. I also don't believe a scenario in which passenger yields soften due to a mild European or US recession would derail this dynamic, as the positive momentum from Asia emerging out of COVID restrictions is only just getting underway.

Remember that when airlines consider fleet planning, they do so in years and decades, not weeks and months. As such, short-term disruptions don't really impact demand. They too know that these supply issues are going to persist, so they will continue to look to secure aircraft to meet their growth plans.

The chart on the right-hand side shows just how acute the change in supply has become with the normalization of storage rates of new technology aircraft. This occurred as a result of the global reactivation of aircraft. Storage rates today would be even lower if it wasn't for the reliability issues around the new engine technology, so taking that into account we are close to zero today for what I would term "discretionary storage". With this avenue closed, and demand continuing apace, the leasing channel is the airlines' best source of near-term lift.

On the sales side, we continue to see strong and broad-based demand for our assets, closing $818 million of transactions in the quarter. This resulted in our highest ever quarterly gain on sale of $166 million, which represented a 25% margin. Encouragingly, this was not confined to aircraft assets, we also saw strong gains on our engine and helicopter sales, with record volumes in each category to boot. This further confirms the benefits of the asset diversification we now enjoy.

The operating performance of the core businesses, allied to our aircraft trading activity generates significant amounts of capital but this is only one half of the equation. The other half is that we must also allocate capital effectively. In that vein, we have continued to take advantage of the dislocation between private market professional aircraft purchasers and the value implied in our fleet by the public markets.

The book equity from the assets we sold in 2Q was ~$176 million. We generated $166 million in gains on sale by selling the aircraft above book value. In addition, we generated a further $65 million in equity from repurchasing approximately $300 million of shares at an 18% discount to AerCap's book value. This meant we more than doubled our equity value by selling aircraft above book value and buying shares below book value, all while improving the overall quality of the portfolio.

So, in summary, this was another great quarter for AerCap, with broad-based demand for our assets and focused execution generating strong earnings and cash flows throughout the business. We continue to complete numerous transactions every day as our customers position themselves for continued growth in demand.

Our confidence in the future remains strong and we look forward to demonstrating this to you in the quarters and years to come.

With that, I will hand the call over to Pete for a detailed review of our financial performance and favorable outlook for 2023.

Pete Juhas

Thanks Gus. Good morning everyone. We had a strong performance for the second quarter. Our adjusted net income was $596 million dollars, or $2.56 per share. The impact of purchase accounting adjustments was $132 million dollars for the quarter. This included lease premium amortization of $41 million dollars, which reduced our basic lease rents, maintenance rights amortization of $29 million dollars that reduced our maintenance revenue, and maintenance rights amortization of $62 million dollars that increased our leasing expenses. In the second quarter, we recognized $14 million dollars of recoveries related to the Ukraine Conflict, primarily consisting of proceeds from engines that we recovered that were outside Russia at the time of the invasion of Ukraine that we sold during the quarter. Taking all of that into account, our GAAP net income for the second quarter was $493 million dollars, or $2.12 per share.

I'll talk briefly about the main drivers that affected our results for the second quarter. Basic lease rents were $1,561 million dollars, an increase of $25 million dollars from last quarter. This reflected strong cash collections, and we also continued to benefit from power-by-the-hour rents from our lessees that are on PBH arrangements in their leases. As I mentioned, our basic lease rents reflected $41 million dollars of lease premium amortization, which reduces our basic lease rents. As I've mentioned before, lease premium assets are amortized over the remaining term of the lease as a reduction to basic lease rents.

Maintenance revenues for the second quarter were $156 million dollars. That reflects $29 million dollars of maintenance rights assets that were amortized to maintenance revenue during the quarter. In other words, maintenance revenue would have been $29 million dollars higher, or $185 million dollars, without this amortization. Net gain on sale of assets was a record $166 million dollars for the quarter. We sold 52 of our owned assets for total sales revenue of $818 million dollars. That resulted in a gain-on-sale margin of 25%. As of June 30th, we also had $809 million dollars' worth of assets held for sale. So we're on track for our sales target of $2.5 billion dollars for the full year. As I mentioned earlier, net recoveries related to the Ukraine Conflict were $14 million dollars, which primarily represents recoveries related to a small number of engines.

Asset impairment was only $2 million dollars for the second quarter. Interest expense was $427 million dollars, which included a $3 million dollar benefit from mark-to-market gains on derivatives. Our leasing expenses were $229 million dollars for the quarter, including $62 million dollars of maintenance rights amortization expenses. Equity in net earnings of investments under the equity method was $34 million dollars for the quarter, again reflecting strong earnings from Shannon Engine Support, our engine leasing joint venture with Safran. SES increased its fleet by 42 engines during the second quarter in order to build spare engine capacity for CFM, and had an owned and managed fleet of just under 500 engines as of June 30th.

We continue to maintain a strong liquidity position. As of June 30th, our total sources of liquidity were approximately $19 billion dollars, which resulted in a next 12 months' sources-to-uses coverage ratio of 1.4x. That's above our target of 1.2x coverage and represents excess cash coverage of around $5 billion dollars. Our total operating cash flow was approximately $1.2 billion dollars for the quarter. That was driven by continued strong cash collections during the quarter. Our leverage ratio actually decreased from 2.56x to 2.51x this quarter, even after $1.4 billion dollars of capex and almost $300 million dollars of share repurchases during the quarter. So that really shows the large amount of capital AerCap naturally generates each quarter.

Our secured debt-to-total-assets ratio was approximately 14% at the end of June, which is the same as last quarter. Our average cost of debt was 3.4%, a slight increase from 3.3% last quarter. And during the quarter we completed our most recent bond offering of $1.0 billion dollars. Our book value per share was $71.46 as of June 30th, which represents an increase of 14% over our book value per share of $62.43 as of June 30th, 2022. During the second quarter we repurchased approximately 5.1 million shares at an average price of $58.54, for a total of $296 million dollars. So far in the third quarter, we've bought around 950,000 additional shares for a total of $61 million dollars. So we currently have $143 million dollars remaining in this program. As Gus mentioned, today we've announced a new $500 million dollar share repurchase authorization that will run through the end of this year.

As a result of the strong performance for the first half of the year and our outlook for the remainder of the year, we are raising our earnings per share guidance for the full year. On the last earnings call I said that we expected to be at the upper end of our range of $7.00 to $7.50 for the full year, excluding any gains on sale. We are now increasing our range to $7.50 to $8.00 before any gains on sale. The outperformance is mainly driven by higher lease revenue, both from strong cash collections as well as higher utilization of assets that are on power-by-the-hour rents. Most of those power-by-the-hour arrangements will end later this year, but for now they're contributing additional revenue for us. We have also seen a strong performance from the engine leasing business, including SES, which has also been a driver of the outperformance relative to our original guidance. During the first half of this year, we've had gains on sale of $265 million dollars, or $0.98 a share on an after-tax basis. So that's about a dollar a share.

When you add that dollar to the new range of $7.50 to $8.00, you get a total EPS estimate of $8.50 to $9.00 for the full year. And that does not include any gains for the second half of this year.So overall, this was another strong quarter for AerCap. Our financial performance was very positive, mainly driven by higher revenues.

We continued to see a very strong market for sales and produced our highest gain on sale ever. We have $19 billion dollars of liquidity and our leverage ratio is 2.51x, which is further below our target and which gives us a significant amount of excess capital. Against this strong backdrop and a supply / demand environment that we expect to continue to be positive for some time, we've raised our earnings guidance for the full year. And today we've announced a new $500 million dollar share repurchase program, bringing our total authorizations for the year to $1.5 billion dollars.

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

Questions And Answers

Operator

Thank you. (Operator Instructions) We do have your first caller in the queue, we'll hear from Helane Becker from TD Cowen. Please go ahead.

Q - Helane Becker

Thanks very much, operator. Hi, team. I just have a question about the assets that were lost in Russia. Just can you say whether -- where we stand with respect to the lawsuit and insurance recoveries?

A - Pete Juhas

Sure, Helane. So look, as we've said on prior calls, we're continuing to pursue claims against our own insurers as well as the Russian airlines insurers and reinsurers. And as part of those efforts, we continue to have discussions with the Russian insurers regarding a potential insurance settlement regarding some of our aircraft that were lost in Russia. But given the sensitive nature of those discussions and the uncertainty regarding any potential recovery, we're not going to comment further on any of that.

Q - Helane Becker

Okay, that's fair. Thank you very much. And then just on the demand outlook, I hear what you're saying about the demand picture and I don't disagree with anything that you said this morning, Aengus. But my question is, why do my investors do not believe what you're saying? I say a lot of the same things you're saying about demand and infrastructure issues and so on, but the push-back I get is that maybe I'm not that smart and that somehow the demand is going to fall dramatically and cause another decline in asset values for aircraft. So how would you respond to those questions?

A - Aengus Kelly

Well, I think. Helane, we see, firstly, as I said, no sign of demand abating. And some of the commentary that has come out of one or two of the US carriers in the last week or two about a decline in yields, that's off exceptionally high levels. They do not impact the demand for aircraft. Aircraft demand is decided by an airline over a decade-long period. What happens in one quarter or two quarter to yields is absolutely irrelevant to that decision-making timeframe. And what we can see is that every 15 years, the number of people traveling doubles, that's always been the case. We can see the first thing people do post-COVID, spend on travel. And now even if we do see a mild recession in the US or Europe, what we have is the growth coming out of Asia too.

So I don't see it -- and we've been telling the market we have long before anyone else saw because of the visibility we have into the market dynamics that the supply issues would last years, and we were saying that a couple of years ago and we continue to see that trend. And what's blatantly obvious is the results of the business. Just look at the values that we're selling aircraft for. This is a global market. It's not affected by what one airline says in any one market. So we just don't see that at the moment. And if you look at the values we're selling airplanes for, the lease rates, et cetera, and it's very important, Helane, the track record of AerCap over 20 odd years has been and we've gone through so many different issues over that timeframe and the company has always made money.

Q - Helane Becker

That's very helpful. Thank you very much. Thank you.

Operator

We'll hear next from Catherine O'Brien from Goldman Sachs.

Q - Catherine O'Brien

Good morning, everyone. Thanks so much for the time and congrats on the quarter. A question on your sales this quarter, which were very strong, once again. We only have six clean data points of post-merger sales, which now could include a significant portion of engines, like this quarter, with the combination of demand from the production line and continuing on wing issues driving spare demand at least feels like, from the outside that engine demand might even be a little bit tighter than aircraft demand, which is obviously also very tight. Can you just help us think about in rough numbers, the breakout in proceeds this quarter tied to aircraft and engines? And then how to compare the sales margin between aircraft and engines just because it feels like this is obviously a significant part of the business now will be great just to think about those dynamics a little bit more? And then -- sorry for a very long-winded question, but any quick comment on the recent GTF headlines? I know your pool of engines are mostly GE and Safran. Thanks so much.

A - Pete Juhas

Thanks, Catie. So I'll take the first part. In terms of the sales this quarter, it was around between 35% and 40% engines in total. And on the margin side, I'd say, I mean, we are seeing strong margins pretty much across the board for everything that we're selling, as I mentioned, it was -- we've got a fair number of older engines and older aircraft in there and we're seeing strong demand for them all given the environment we're currently in. So that's really what drove it on the sales side.

Maybe I'll turn to Gus for the GTF.

A - Aengus Kelly

Yes, as it relates to the GTF, this will be another issue that will impact the supply of aircraft and spare engines into the markets for, I suspect, years to come. We fully believe that Pratt will solve this issue and that their fix will start getting rolled out before the end of this year. But with that quantum of engines coming out of the system, that is a lot of lift that won't be in the system next year and possibly stretching into 2025, if I was to hazard a guess at how long it will really take to fix this issue. So again, that all points to a market where we will have increased demand for older aircraft. Airlines know this and we've been saying this to you guys for some time as well. We've been highlighting that the airlines have been our biggest buyer of used aircraft for quite some time. And as I said in my prepared comments, that happened again in Q2 where 40% of our sales were to airlines and these are older aircraft that we're selling to them, 18, 19 year old airplanes.

Q - Catherine O'Brien

Makes sense. A good time to be in the engine leasing business, I guess. And maybe just a last quick one for Pete. Does your new 2023 EPS outlook assume that the better-than-expected cash collection, power-by-the-hour and SES performance that you've observed in the first half and driven by the expected results carried through in the second half? Or is there potentially upside if those strong trends continue? Thanks so much for the time.

A - Pete Juhas

Yes. I mean, it basically assumes the environment that we're currently seeing. So, I would expect all of those trends on all those fronts to continue as they are. It doesn't really build in like a lot of increase from there, but basically a continuation of those trends.

Q - Catherine O'Brien

Great. Thanks so much for the time.

A - Aengus Kelly

Sure.

Operator

We'll hear next from Jamie Baker from JP Morgan.

Q - Jamie Baker

Hey, good afternoon, Gus. Thanks for the GTF color. That was one of the issues that Mark and I wanted to explore. But just to follow-up on that, can you confirm that the entirety of leases have hell or high-water clauses meaning that the onus of all this and time off-wing falls on the airlines and Pratt to reconcile?

A - Aengus Kelly

Yes, correct, Jamie, it does.

Q - Jamie Baker

Perfect.

A - Aengus Kelly

And generally that's done through -- there'll be a flight hour agreement generally between the airline and the engine OEM and that's where the support or penalties or whatever you want to call it, will be assessed.

Q - Jamie Baker

Perfect. And second, so I understand everything you were saying about global demand. Corporate is -- or appears to be largely stalled at the moment. It's really leisure that's exploding. Last week, Southwest announced that they're going to try to re-optimize their network in response to this new normal. United is leaning very heavily into international wide-bodies. As you talk to network of planners across your customer base, what does this all mean? I mean, what are the implications for global fleets and by extension AerCap as a result of this new normal?

A - Aengus Kelly

Well, I think it's important -- you do hear the Southwest commentary -- the Alaska commentary last week. But that's a very US-centric focus, of course, predominantly domestic operators in the United States. And what we're looking at is a global picture and what's happening in all regions of the world. So the US certainly, it was the first big region to really move out of COVID at pace, then Europe came, now we're seeing Southeast Asia and China. And what we're seeing against all this in the background, Jamie, is continued supply constraints. So if you look then, say, at Air France and IAG last week, two massive international carriers, both of them were very bullish on the international market and some of it's driven by corporate, but as you rightly point out, a lot of it is leisure travelers who have the money to spend on business class fares. So as AerCap, as the largest marginal supplier of aircraft, engines, and for that matter, helicopters to the world, it does bode well for the future.

Q - Jamie Baker

Sure. Okay, thank you very much. Appreciate it, everybody.

Operator

Stephen Trent from Citi, your line is open.

Q - Stephen Trent

Good afternoon, everybody, and thanks very much for taking my questions. Just two quick ones from me. First, you guys, I think, have been very effective on the M&A side over the years onboarding aircraft from GECAS, ILFC, et cetera. Do you think over the next several years you may have other M&A opportunities or perhaps you're too big and it's going to raise too many eyebrows from antitrust authorities?

A - Aengus Kelly

Look, I mean it's impossible to comment on that. We always want to be very active in the market when others are not and I think if you looked at that slide where you show -- where we showed how we buy assets, we tend to buy when others aren't. You tend not to see us at the tent in Farnborough when there's a line outside it, where many of my peers are lined up with tickets to get in. So, no, I think as we go forward, wherever we see value, that's when we will be the most aggressive. And clearly, today, we firmly believe the cheapest aircraft in the world are the AerCap shares. And as we pointed out, we are selling assets to professional aircraft traders at significant gains and then buying back the shares in our own business from what the public equity market values our aircraft at a significant discount, and as long as that trade continues, will keep hitting it.

Q - Stephen Trent

Very, very clear and super helpful. And just one very quick follow-up to Catherine's question. I think, I heard you say that commercial airlines have been acquiring around 40% of your used aircraft. Could you give me a sense as to what that number approximately was pre-pandemic? Thank you.

A - Aengus Kelly

Yes, I mean, historically, it would have been less than 20% and it's got up as high as 50%. And in fact, in the last quarter Q1 results, we showed the history of that actually and we can send that on to you after the call. So it's a persistent trend of airlines buying the older aircraft.

Q - Stephen Trent

That's very helpful.

A - Aengus Kelly

Yes, no problem.

Q - Stephen Trent

Awesome. Thank you.

Operator

We'll move next to Hillary Cacanando from Deutsche Bank.

Q - Hillary Cacanando

Hi, thank you for taking my questions. So, you've done a great job reducing your leverage ratio. I just wanted to see how you're thinking about your leverage position versus the buyback just given your low leverage ratio, it looks like you could even lever up even more. So is there any change in your thinking around the 2.7 target or is that still kind of what you're thinking, I guess, longer-term in terms of leverage?

A - Pete Juhas

Yes. Thanks, Hillary. So as we said, so we're at 2.51 times now, so that's below our target and we are doing this new authorization. I mean, when you think about it, so, in March, we did the first authorization, we bought back 9 million shares from GE for $500 million. In May, we did the second program. We've used about $350 million of that so far, right? So we've got around $150 million left in that authorization. And as we've talked about and as Gus talked about, we still see significant value in our stock. So we're not waiting around for GE to come to market to use that. And when you think of all three programs together, that's $1.5 billion, that's more than 10% of our market cap at the beginning of the year. So it's a lot, but we're going to continue to deploy a lot of capital for buybacks. And, I think the fact that we're below our targets, just shows that there is more capacity to come.

Q - Hillary Cacanando

Okay, got it. Thank you. And then just in terms of the composition of your engine portfolio, just wanted to find that is it mostly new technology engines, like the LEAP and the GTF or is it kind of evenly distributed between the new tech and prior generation engines like the CFM56? And in terms of like what you're selling, what the most in-demand engines are? Is it the GTF or the LEAP or is it kind of evenly allocated?

A - Aengus Kelly

Well, if I start with, the portfolio is heavily weighted towards CFM and the LEAP engine, almost exclusively it's GEnx, GE90, LEAP-1A, LEAP-1B pretty much and exclusively in that category. So that's a positive. And our NEO order book is 70% -- is almost 70% which is probably the highest in the industry of any lessor, weighted to CFM. And 75% of our engines are new technology engines.

Q - Hillary Cacanando

Okay. Is that where you're seeing the most demand, I guess?

A - Aengus Kelly

We're seeing demand across the board, it doesn't matter because with the level of aircraft utilization, the lack of supply, the demand for new and used engines is extremely strong.

Q - Hillary Cacanando

Thanks. Got it. Great. Thank you so much, and we look forward to seeing you at our conference in September. Thank you, guys.

A - Aengus Kelly

You bet.

Operator

We'll move next to Chris Stathoulopoulos from Susquehanna International Group. Please go-ahead.

Q - Chris Stathoulopoulos

On to Jamie's question, we're going to try to ask this in a different way. So, Aengus, you talk about demand being strong across the board, I understand that and about the global supply shortage here. In the US, there is this -- there is this view out there that we could be moving towards oversupply condition just by looking at seats, but also order books through some of these more US-focused carriers Alaska, Southwest and Frontier. I don't want to debate that part. But if -- I would love to hear your view on where do you think we are in terms of supply-demand balance? And how do you see that progressing through mid-decade for markets like the Trans-Atlantic, Intra-Europe Transpacific, and Intra-Asia-Pacific? Thank you.

A - Aengus Kelly

Start with the most lucrative market of all, the North Atlantic. The widebody demand was the one that really got hit the hardest and the supply got hit the hardest in COVID, lots of aircraft were scrapped and big aircraft like a 380 getting scrapped is like three 767s, it's a lot. Then we had a lot of airplanes put into freight. We had zero production out of Boeing on the 787s. Airbus dramatically cut production too. And they can't ramp that up that fast. So on the transatlantic market, I'd expect that to stay very strong, no doubt, you could have a downturn in the US or Europe. But even when we've seen those in the past, like -- I mean, deep stuff like post 9/11, financial crisis, it always comes back pretty strong. We don't see anything like that out there. The interesting market that would give a further catalyst to the overall industry. It's a more geopolitical issue what happened with the Transpacific markets. That market has been growing significantly. There were very high fares and demand out of China to the United States. At the moment, that's obviously on its knees, that market. But even with that, there's still a sharp shortage of the widebody aircraft.

Intra-Europe is very strong too. We saw the European market come back -- start to come back over 2, 2.5 years ago on the narrow-body side. So we see that as very strong. In the European markets, we have so much competition. There are so many airlines in the European market, which obviously hurts the profitability of airlines. But that doesn't matter to me. I don't care if an airline makes $10 billion or nothing, they still pay the bills. I don't get any more for it. So, as long as there is plenty of airlines out there, which they will be, I feel pretty confident about it now for years into the future. It's just such a difficult thing to do to manufacture aircraft, to repair aircraft. It's one of the hardest things humans do and you put 300 people in the air at 46,000 feet, and you're doing it 12 hours a day on the same machine for years and years, that's a very hard engineering challenge. So I'm not surprised that the challenges they're facing right now, they'll get through with the manufacturers. But it's certainly going to persist for some years to come.

Q - Chris Stathoulopoulos

Okay. And --

A - Aengus Kelly

I should answer you about the US guys. The US guys have been the biggest buyers of aircraft, older aircraft from us, because they don't believe the delivery schedules of Boeing and Airbus for the most part, and so. So I think those concerns about overcapacity, that's based on scheduled delivery dates. If I was a betting man, I wouldn't bet too much on those aircraft arriving on schedule.

Q - Chris Stathoulopoulos

Okay. So as we think about these four areas here, it sounds like for AerCap, and by extension and however, we want to weight the read-through here for the carriers, Transpacific here is the biggest opportunity as we think about the next few years or into mid-decade, is that fair?

A - Aengus Kelly

I think, the Transpacific is the one that could really be another further catalyst, if it comes back. As we said, we're talking -- you said into the mid-decade, and hopefully, we'll see some improvement there in geopolitical -- in the geopolitical issues by that and that will be one where you get another catalyst.

Q - Chris Stathoulopoulos

Okay, thank you.

A - Aengus Kelly

You're welcome.

Operator

At this time, there are no additional callers in the queue. I'd like to turn the conference back over to Aengus Kelly for any additional or closing comments.

A - Aengus Kelly

Thank you all for joining us for the call. Much appreciate it. And we look forward to talking to you in three months' time or us seeing before them. Thank you.

Operator

That does conclude today's teleconference. We thank you all for your participation. You may now disconnect.