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

DUBLIN – July 29, 2020

- **Net income of \$246 million for the second quarter of 2020 and \$523 million for the first half of 2020**
- **Diluted earnings per share of \$1.92 for the second quarter of 2020 and \$4.06 for the first half of 2020**

Highlights

- Approximately \$12 billion sources of liquidity.
- 2.2x next 12 months' sources-to-uses coverage ratio, representing \$6.4 billion of excess coverage.
- \$3 billion of new financing raised in the second quarter of 2020.
- Approximately \$27 billion of unencumbered assets.
- Adjusted debt/equity ratio of 2.5 to 1.
- Secured debt-to-total assets ratio of 23%.
- New technology aircraft comprise 59% of fleet.
- Average current lease expires in the fourth quarter of 2027.

"The Covid-19 pandemic continues to create significant challenges for the global aviation industry and for our airline customers," said Aengus Kelly, Chief Executive Officer of AerCap. "In response, we have maintained a record amount of liquidity and strong access to funding. We currently have \$12 billion sources of liquidity, which is more than double our cash needs over the next 12 months. Since April, we have raised \$3 billion of new funding, and have over \$2 billion of additional funding initiatives in progress. With \$27 billion of unencumbered assets, a record low leverage ratio of 2.5 to 1 and an unrivalled operating platform, we are well-positioned to weather an extended period of turbulence and support the recovery of the airline industry in the future."

Second Quarter 2020 Financial Results

- Net income was \$246 million, compared with \$331 million for the same period in 2019. Diluted earnings per share was \$1.92, compared with \$2.42 for the same period in 2019.
- The decrease in net income was primarily driven by lower basic lease rents and lower net gain on sale of assets.
- Diluted earnings per share was affected by the same factors as net income and by the repurchase of 11 million shares from April 2019 through June 2020.

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Revenue and Net Spread

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% increase/ (decrease)	2020	2019	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Lease revenue:						
Basic lease rents	\$948	\$1,077	(12%)	\$1,979	\$2,152	(8%)
Maintenance rents and other receipts	224	109	106%	359	196	83%
Total lease revenue	1,172	1,186	(1%)	2,337	2,348	—%
Net gain on sale of assets	10	78	(87%)	68	100	(31%)
Other income	15	17	(12%)	30	38	(22%)
Total Revenues and other income	\$1,197	\$1,281	(7%)	\$2,436	\$2,486	(2%)

Basic lease rents were \$948 million for the second quarter of 2020, compared with \$1,077 million for the same period in 2019. The decrease was primarily due to lease restructurings, transitions and the impact of airline bankruptcies.

Maintenance rents and other receipts were \$224 million for the second quarter of 2020, compared with \$109 million for the same period in 2019. The increase was primarily due to higher maintenance revenue recognized as a result of lease terminations during the second quarter of 2020.

Net gain on sale of assets for the second quarter of 2020 was \$10 million, relating to nine aircraft sold for \$188 million, compared with \$78 million for the same period in 2019, relating to 22 aircraft sold for \$502 million. The decrease was primarily due to the lower volume and composition of asset sales.

Other income for the second quarter of 2020 was \$15 million, compared with \$17 million for the same period in 2019.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% increase/ (decrease)	2020	2019	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Basic lease rents	\$948	\$1,077	(12%)	\$1,979	\$2,152	(8%)
Interest expense	312	332	(6%)	630	667	(5%)
Adjusted for:						
Mark-to-market of interest rate caps and swaps	(2)	(10)	(79%)	(15)	(26)	(43%)
Interest expense excluding mark-to-market of interest rate caps and swaps	310	323	(4%)	616	641	(4%)
Net interest margin (*)	\$638	\$755	(15%)	\$1,363	\$1,512	(10%)
Depreciation and amortization, including maintenance rights expense	(424)	(435)	(3%)	(856)	(882)	(3%)
Net interest margin, less depreciation and amortization	215	319	(33%)	508	629	(19%)
Average lease assets (*)	\$37,342	\$37,644	(1%)	\$37,506	\$37,455	—%
Annualized net spread (*)	6.8%	8.0%		7.3%	8.1%	
Annualized net spread less depreciation and amortization (*)	2.3%	3.4%		2.7%	3.4%	

(*) 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 \$2 million was \$310 million for the second quarter of 2020, compared with \$323 million for the same period in 2019. Our average cost of debt was 4.0% for the second quarter of 2020, compared with 4.3% 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 June 30,			Six months ended June 30,		
	2020	2019	% increase/ (decrease)	2020	2019	% increase/ (decrease)
	(U.S. Dollars in millions)			(U.S. Dollars in millions)		
Selling, general and administrative expenses.....	\$38	\$46	(17%)	\$85	\$95	(11%)
Share-based compensation expenses.....	15	19	(21%)	33	36	(10%)
Total selling, general and administrative expenses.....	\$53	\$65	(18%)	\$118	\$131	(11%)

Selling, general and administrative expenses decreased primarily as a result of lower compensation-related expenses.

Other Expenses

Leasing expenses were \$78 million for the second quarter of 2020, compared with \$65 million for the same period in 2019. The increase was primarily driven by an increase in our provision for expected credit losses, 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 \$73 million for the second quarter of 2020, compared to \$18 million recorded for the same period in 2019. Asset impairment charges recorded in the second quarter of 2020 primarily related to lease terminations and were largely offset by maintenance revenue.

Effective Tax Rate

Our effective tax rate for the second quarter of 2020 was 13.5%, compared to 13.0% for the second 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

	June 30, 2020	June 30, 2019
	(U.S. Dollars in millions, except share and per share data)	
Total AerCap Holdings N.V. shareholders' equity.....	\$9,634	\$9,013
Ordinary shares outstanding.....	129,672,783	136,602,986
Unvested restricted stock.....	(2,087,383)	(2,250,655)
Ordinary shares outstanding (excl. unvested restricted stock).....	127,585,400	134,352,331
Book value per ordinary share outstanding (excl. unvested restricted stock).....	\$75.51	\$67.08

Book value per share has increased 13% since June 30, 2019.

Financial Position

	June 30, 2020	December 31, 2019	% increase/ (decrease) over December 31, 2019
(U.S. Dollars in millions)			
Total cash, cash equivalents and restricted cash	\$2,643	\$1,300	103%
Total lease assets (*)	37,090	37,930	(2%)
Total assets	45,194	43,749	3%
Debt	30,684	29,486	4%
Total liabilities	35,491	34,367	3%
Total AerCap Holdings N.V. shareholders' equity	9,634	9,315	3%
Total equity	9,703	9,382	3%

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

Boeing 737 MAX

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 June 30, 2020, we had five Boeing 737 MAX aircraft delivered and on lease. It is uncertain 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 by our lessees, and additional leases may be cancelled in the future. In cases where lessees have the right to cancel Boeing 737 MAX leases, 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.

In July 2020, we reached agreement with Boeing to restructure our order book for Boeing 737 MAX aircraft, including the cancellation of 15 of our Boeing 737 MAX aircraft on order. Following this cancellation, we have 80 Boeing 737 MAX aircraft on order.

Aircraft Portfolio

As of June 30, 2020, AerCap's portfolio consisted of 1,357 aircraft that were owned, on order or managed, as adjusted to reflect our cancellation of 15 Boeing 737 MAX aircraft orders in in July 2020. The average age of our owned fleet as of June 30, 2020 was 6.4 years (2.7 years for new technology aircraft, 11.7 years for current technology aircraft) and the average remaining contracted lease term was 7.3 years.

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.

	June 30, 2020	December 31, 2019
	(U.S. Dollars in millions, except debt/equity ratio)	
Debt	\$30,684	\$29,486
Adjusted for:		
Cash and cash equivalents.....	(2,383)	(1,121)
50% credit for long-term subordinated debt.....	(1,125)	(1,125)
Adjusted debt	\$27,176	\$27,240
Equity	\$9,703	\$9,382
Adjusted for:		
50% credit for long-term subordinated debt.....	1,125	1,125
Adjusted equity	\$10,828	\$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, Wednesday, July 29, 2020, at 8:30 am Eastern Time. The call can be accessed live via webcast, by visiting AerCap's website <https://investors.aercap.com>, or by dialing (U.S./Canada) +1 323 794 2410 or (International) +353 1 246 5652 and referencing passcode 487665 at least 5 minutes before the 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 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, including the impacts of, and associated responses to, the Covid-19 pandemic, 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>June 30, 2020</u>	<u>December 31, 2019</u>
Assets		
Cash and cash equivalents	\$2,382,655	\$1,121,396
Restricted cash	260,466	178,951
Trade receivables	200,819	47,935
Flight equipment held for operating leases, net	35,356,328	35,870,781
Maintenance rights and lease premium, net	738,227	809,615
Flight equipment held for sale	145,805	336,592
Net investment in finance and sales-type leases	943,013	1,011,549
Prepayments on flight equipment	3,370,096	2,954,478
Other intangibles, net	293,316	307,394
Deferred income tax assets	106,970	95,077
Other assets	1,396,079	1,015,476
Total Assets	<u>\$45,193,774</u>	<u>\$43,749,244</u>
Liabilities and Equity		
Accounts payable, accrued expenses and other liabilities	\$1,235,733	\$1,032,623
Accrued maintenance liability	1,930,874	2,190,159
Lessee deposit liability	649,947	747,790
Debt	30,683,892	29,486,131
Deferred income tax liabilities	990,265	910,336
Total liabilities	<u>35,490,711</u>	<u>34,367,039</u>
Ordinary share capital €0.01 par value, 350,000,000 ordinary shares authorized as of June 30, 2020 and December 31, 2019; 138,847,345 and 141,847,345 ordinary shares issued and 129,672,783 and 131,583,489 ordinary shares outstanding (including 2,087,383 and 2,354,318 unvested restricted stock) as of June 30, 2020 and December 31, 2019, respectively	1,721	1,754
Additional paid-in capital	2,076,149	2,209,462
Treasury shares, at cost (9,174,562 and 10,263,856 ordinary shares as of June 30, 2020 and December 31, 2019, respectively)	(496,217)	(537,341)
Accumulated other comprehensive loss	(180,146)	(93,587)
Accumulated retained earnings	8,232,470	7,734,609
Total AerCap Holdings N.V. shareholders' equity	<u>9,633,977</u>	<u>9,314,897</u>
Non-controlling interest	69,086	67,308
Total Equity	<u>9,703,063</u>	<u>9,382,205</u>
Total Liabilities and Equity	<u>\$45,193,774</u>	<u>\$43,749,244</u>

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

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AerCap Holdings N.V. Unaudited Consolidated Income Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenues and other income				
Lease revenue:				
Basic lease rents	\$948,126	\$1,077,068	\$1,978,920	\$2,152,350
Maintenance rents and other receipts	224,224	109,095	358,509	195,906
Total lease revenue	1,172,350	1,186,163	2,337,429	2,348,256
Net gain on sale of assets	10,002	78,157	68,368	99,698
Other income	14,927	16,956	29,659	38,349
Total Revenues and other income	1,197,279	1,281,276	2,435,456	2,486,303
Expenses				
Depreciation and amortization	411,818	419,093	827,616	844,942
Asset impairment	73,421	17,819	87,368	22,850
Interest expense	311,758	332,441	630,375	666,620
Leasing expenses	77,574	65,244	180,871	156,965
Selling, general and administrative expenses	52,913	64,543	117,497	131,416
Total Expenses	927,484	899,140	1,843,727	1,822,793
Unrealized gain on investment at fair value	13,942	—	13,942	—
Income before income taxes and income of investments accounted for under the equity method	283,737	382,136	605,671	663,510
Provision for income taxes	(38,305)	(49,677)	(81,766)	(86,256)
Equity in net earnings of investments accounted for under the equity method	2,173	1,935	3,504	4,037
Net income	\$247,605	\$334,394	\$527,409	\$581,291
Net income attributable to non-controlling interest	(1,544)	(2,934)	(4,524)	(15,645)
Net income attributable to AerCap Holdings N.V.	\$246,061	\$331,460	\$522,885	\$565,646
Basic earnings per share	\$1.93	\$2.44	\$4.09	\$4.13
Diluted earnings per share	\$1.92	\$2.42	\$4.06	\$4.09
Weighted average shares outstanding - basic	127,425,886	135,917,192	127,862,816	137,029,147
Weighted average shares outstanding - diluted	128,131,663	137,072,268	128,938,138	138,396,628

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	Six months ended June 30,	
	2020	2019
AerCap Holdings N.V.		
Unaudited Consolidated Statements of Cash Flows		
(U.S. Dollars in thousands)		
Net income	\$527,409	\$581,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	827,616	844,942
Asset impairment	87,368	22,850
Amortization of debt issuance costs, debt discount, debt premium and lease premium	31,242	42,783
Amortization of fair value adjustment on debt	(32,740)	(45,961)
Maintenance rights write-off	65,265	144,267
Maintenance liability release to income	(228,640)	(89,985)
Net gain on sale of assets	(68,368)	(99,698)
Deferred income taxes	84,658	88,055
Collections of finance and sales-type leases	26,991	45,448
Unrealized gains on investment at fair value	(13,942)	—
Other	133,876	92,232
Changes in operating assets and liabilities:		
Trade receivables	(157,410)	(21,075)
Other assets	(349,746)	(47,755)
Accounts payable, accrued expenses and other liabilities	3,229	(37,150)
Net cash provided by operating activities	936,808	1,520,244
Purchase of flight equipment	(159,930)	(1,483,186)
Proceeds from sale or disposal of assets	322,241	733,157
Prepayments on flight equipment	(723,729)	(579,217)
Other	—	(11)
Net cash used in investing activities	(561,418)	(1,329,257)
Issuance of debt	6,890,002	4,157,089
Repayment of debt	(5,652,418)	(4,618,972)
Debt issuance costs paid, net of debt premium received	(27,157)	(8,422)
Maintenance payments received	194,779	358,694
Maintenance payments returned	(208,630)	(206,456)
Security deposits received	43,791	147,200
Security deposits returned	(150,767)	(141,364)
Dividend paid to non-controlling interest holders and others	(2,746)	(3,045)
Repurchase of shares and tax withholdings on share-based compensation	(118,836)	(320,058)
Net cash provided by (used in) financing activities	968,018	(635,334)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,343,408	(444,347)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(634)	(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	\$2,643,121	\$970,285