Q1 2025 Earnings Call

Company Participants

- Aengus Kelly, Chief Executive Officer & Executive Director
- Joseph McGinley, Head, Investor Relations
- Peter Juhas, Chief Financial Officer

Other Participants

- Catherine O'Brien, Goldman Sachs
- Hillary Cacanando, Deutsche Bank
- Jamie Baker, J.P. Morgan
- Kristine Liwag, Morgan Stanley
- Moshe Orenbuch, TD Cowen
- Ronald J. Epstein, Bank of America
- Stephen Trent, Citi
- Terry Ma, Barclays

Presentation

Operator

Good day everyone, and welcome to the AerCap's Q1 2025 Financial 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 {BIO 17672898 <GO>}

Thank you, operator, and hello everyone. Welcome to our first quarter 2025 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 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 April 30, 2025.

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 will 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 {BIO 2460371 <GO>}

Thank you for joining us for our first quarter 2025 earnings call. We are pleased to report another strong quarter of earnings for AerCap, generating GAAP net income of $643 million and earnings per share of $3.48, adjusted net income of $679 million and adjusted EPS of $3.68. Given these strong results, we have increased our 2025 full-year EPS guidance and announced a new $500 million share repurchase program.

Our airline customers around the world remain focused on locking-in capacity, despite the ongoing uncertainty regarding tariffs and trade. This is evidenced by our 99% utilization rate and 84% extension rate in the period. Today, I'd like to share a number of operational highlights with you from the first quarter that gives you a better sense to the level of activity taking place each day at AerCap.

On the passenger aircraft side, we continue to see strong bids for our assets, with a couple of notable deals on the 787s in particular. There, we are seeing strong demand both for remarketing aircraft, and a broadening of the user base more generally, and I'll give a couple of examples.

In Q1 we managed the successful transition of three mid-life 787s between two customers in Europe on time and on budget, and we were able to increase rents and improve the credit, highlighting the demand for these aircraft. We also executed a 787 sale-leaseback at attractive pricing with a new customer, where the airline was keen to partner with AerCap specifically. Airlines know that when they are partnering with AerCap they have that added oversight and trust, and that brings them validation in the marketplace.

On the narrowbody side, we also agreed the extension of 26x mid-life aircraft with a North American customer, keen to lock in that capacity for a further 6 years. This is a live example of the contrast between the monthly gyrations you may see in any given airlines' scheduled capacity, or indeed their stock price, with the long-term mindset that airline fleet managers are required to adopt.

On the engine side, you'll note that we ordered 268 new LEAP engines in 2024 as part of a deal with our joint venture SES, where we would take 1/3rd of those engines and SES took 2/3rd. We are making good progress on this front, with over 120 of these engines already delivered, 60 more expected this year, and 50+ next year. This highlights the difference between ordering aircraft from the OEMs today, which would be likely to deliver in 2030 and beyond, versus ordering engines. Engines have a much lower lead time, making them an attractive avenue to deploy capital, particularly when you have the infrastructure of AerCap.

I think it's also worth spending some time talking about how we continue to expand our operational capacity on the engine side, in line with our growing fleet. We now operate from 27 partner network MROs around the world, located close to our key customers. This is in line with our expansion in LEAP leasing but also supports other engine types like the GENX, GE90 and CFM56 engines, and is focused on lease returns and portfolio optimization. These centres carry out a range of light MRO tasks like borescope inspections, top case module swaps, QEC installations and preservation services. This really adds to the industrial capability our customers have come to expect from AerCap and provides a significant amount of information on trends, costs and outcomes which can be used across the various business lines.

Turning to Milestone we continue to see opportunities in the helicopter business. As an example, in Q1 we agreed the purchase and leaseback of five new Leonardo AW189 helicopters with a new customer, Equinor Energy, a leading supplier of energy to Europe and largest oil and gas operator on the Norwegian Continental Shelf. This deal, involving a long-term lease of new-technology equipment, to a new customer, is a good example of the industry changing toward a direct model i.e. leasing to the end user. This structure replicates similar deals we completed with Vår Energi, another listed Norwegian oil company, for 2 x AW189 super medium helicopters around the same time.

So, in summary, the AerCap platform is strong and continues to perform well, finding new and complementary ways to support our customers across all our business lines. We expect demand to remain robust for the foreseeable future.

With that, I'll now hand the call over to Pete to review the financials and the outlook for 2025.

Peter Juhas {BIO 16582554 <GO>}

Thanks Gus. Good morning, everyone. Our GAAP net income for the first quarter was $643 million dollars, or $3.48 per share. The impact of purchase accounting adjustments was $43 million dollars for the quarter, or $0.23 per share. The net tax effect of these was $6 million dollars, or $0.04 per share. As a result, our adjusted net income for the first quarter was $679 million dollars, or $3.68 per share. There were three main drivers that affected our results for the first quarter.

First, our net maintenance contribution, which is maintenance revenue less leasing expenses, was $82 million dollars this quarter on an adjusted basis. That's higher than the $30-40 million net contribution that we see on average, mainly due to lower leasing expenses this quarter. But as I've mentioned many times in the past, these numbers tend to move around a lot from quarter to quarter based on maintenance activity levels.

Second, net gain on sale of assets was $177 million dollars for the first quarter. We sold 35 of our owned assets during the quarter for total sales revenue of $683 million dollars. That resulted in an unlevered gain-on-sale margin of 35%, which is equivalent to a multiple of 2.3x book value. As of March 31st, we had $525 million dollars' worth of assets held for sale.

Third, our other income was $105 million dollars, which is higher than normal. During the quarter we received shares related to an airline bankruptcy claim and also received some insurance proceeds related to a total loss on an aircraft. The combined impact of both of those on other income was around $30 million dollars.

Our liquidity position continues to be very strong. As of March 31st, our total sources of liquidity were approximately $20 billion dollars. That includes slightly over $1 billion of cash and $11 billion dollars of revolvers and other committed facilities. Our sources-to-uses coverage ratio was 1.8x, which amounts to excess cash coverage of around $9 billion dollars. Our leverage ratio at the end of the quarter was 2.4 to 1, which is similar to last quarter. Our operating cash flow was approximately $1.3 billion dollars. During the quarter we were upgraded to BBB+ by Fitch in March, so we are now rated BBB+ across the board with all three rating agencies. We also completed $1.5 billion dollars of financings during the quarter.

We bought back 5.7 million shares during the first quarter for a total of $558 million dollars. In addition to this, we bought 4.7 million shares in April for $445 million dollars, taking advantage of the recent market volatility. So that takes us to just over $1 billion dollars of share repurchases so far this year. With the $300 million dollars of capacity remaining from our previous authorization, plus the $500 million dollar authorization that we announced today, that gives $800 million of available capacity.

As Gus mentioned, we're raising our full-year 2025 adjusted EPS guidance to a new range of $9.30 to $10.30. That includes approximately $0.80 of gains on sale that we had in the first quarter, but it does not include any gains on sale for the remainder of the year. We've had a strong start to the year in terms of net maintenance contribution and other income. However, we are seeing some delays in our 777-freighter conversion program. We've incorporated all of this into our updated guidance. Taking all of that into account, we expect to be in the top half of that range for the full year. But as you know, there is considerable uncertainty in the overall macroeconomic and market environment.

In closing, AerCap continued to perform very strongly during the first quarter. We continue to be in a position of strength with a strong balance sheet, low leverage and strong liquidity. We've taken advantage of the recent market volatility to buy back over a billion dollars' worth of stock so far this year. And as Gus mentioned, today we've announced a new $500 million dollar share repurchase program to be deployed during the remainder of this year.

And with that, operator, let's go to Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) We'll take your first question from Terry Ma from Barclays. Please go ahead.

Q - Terry Ma {BIO 17247903 <GO>}

Hey, thank you. Good morning. Gus, so you noted the engine and helicopter opportunity in your prepared remarks. Last year, you also kind of highlighted a number of bilateral transactions you executed with customers. I'm just curious, if you kind of expect more of those opportunities to come to the market, just given the tariff uncertainty and how that kind of ranks relative to helicopters and engines.

A - Aengus Kelly {BIO 2460371 <GO>}

Yes. Thanks, Terry. I would expect, given the scale of the company and the reach we have around the world, be it on aircraft, helicopters or engines that we should see one or two more bilateral negotiations. Yes, you're right, I mean, the engine situation is created by the, I suppose, quasi-industrial infrastructure we have in our experience in supporting the engine OEMs. You saw also say, a lease back on a 787 that we did that was on a bilateral basis for an airline. So I do think that the current situation may throw up additional opportunities and we keep working hard for them.

Q - Terry Ma {BIO 17247903 <GO>}

Got it. That's helpful. And then maybe just on the buyback, you guys kind of leaned into it, reauthorized another amount, but you didn't actually kind of increase your EPS guidance for the year ex-gain on sale. Is that just completely offset by the freighter conversion delays you kind of called out? And any way to kind of quantify that? Thank you.

A - Peter Juhas {BIO 16582554 <GO>}

Sure, Terry, I can go through that. So basically, we increased the full year guidance by $0.80, which was the amount of gains on sale in the first quarter. We did have a strong quarter that was driven primarily by two things. One was the higher net maintenance contribution; the other was higher other income. And the higher maintenance was a result of lower leasing expenses in the quarter, mainly lower transition costs, lower top-up expenses, lower lessor contributions, all of those things. Some of that's due to timing, but we're generally seeing lower transition costs because of the high number of airline extensions that we're having.

In other income, we had a couple of one-time items, recoveries from airline bankruptcy from a few years ago, and insurance proceeds on a total loss aircraft. So those were the things that made the first quarter higher than expected. As we look out for the full year, I do think that we're going to be in the top half of that range. Yes, the freighters, we'll see some of those moving out of this year. But ultimately, I think these other positives are more than offset that factor. But we didn't narrow the range, really, because there is more uncertainty out there. But as it stands today we're pretty comfortable we'd be in the top half.

Q - Terry Ma {BIO 17247903 <GO>}

Got it. Thank you.

A - Peter Juhas {BIO 16582554 <GO>}

Sure.

Operator

We'll hear next from Moshe Orenbuch from TD Cowen.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Great. Gus, maybe to come back to the two areas that you cited the engines and helicopters. Can you kind of tell us how much, given how much excess capital you've got, how much do you think you can deploy in those businesses over the next year or two?

A - Aengus Kelly {BIO 2460371 <GO>}

Well. First of all, we don't mind where we deploy the capital, the critical element is – is this going to be accretive to our shareholders? We've never been here to grow for the sake of growth. But if attractive opportunities come up, we have ample amounts of capital. And certainly, with the headroom that we have, we could easily deploy just in this year alone an additional say $4 billion if we desired, and that's only in this year.

So, if we're to look at a multi-year capacity to absorb additional assets, you're into double-digit billions. So that isn't in any way going to limit us. Our limiting factor as it comes to growth is profitability. We are here to make money on a risk adjusted basis. To drive ROE that's the key, that's why we're here. If there are transactions that will enhance the ROE on a risk adjusted basis for the business, there's no limit to what we can do, I feel, in terms of size.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Got you. Okay. Pete, you alluded to the answer to this about the leasing expenses kind of in the last answer set talking about the fact that some of it was a result of more renewals as opposed to switching airlines. I'm hoping you could kind of just flesh that out a little bit. Like are there any other things that have caused these particular renewals to be low leasing costs? Because it seems like that process of having a high level of renewals is likely to continue certainly through this year and maybe even into next. So, could you just talk about that and what that might mean for leasing expenses as we go through 25?

A - Peter Juhas {BIO 16582554 <GO>}

Sure, Moshe. So as a general matter, when you're extending with an existing lessee, the transition costs are going to be lower, because you don't have to do anything to move it, right? The aircraft stays where it is. And so generally speaking, that's going to lower leasing expenses. So that was part of it this quarter.

And then the rest of it, I'd really say was due to timing. We did see lower activity on the maintenance side as well. That's one of the reasons why you also saw maintenance rights amortization, for example, was much lower this quarter, lower than normal. So I think it reverts back to kind of regular levels. As a general matter if you think of net maintenance contribution, I'd say $30 million to $40 million a quarter is probably a good guide.

Q - Moshe Orenbuch {BIO 1497419 <GO>}

Got you. Thanks very much.

Operator

We'll move next to Jamie Baker from J.P. Morgan.

Q - Jamie Baker {BIO 3406456 <GO>}

Oh, hey, and good afternoon. This is actually the first AerCap call I've ever done from Europe, and like I totally get the timing now. We get the timing now, I love it. So, Gus, on tariffs, look, it's a zero-sum game, okay? Somebody ends up paying, and it might not be our cap, and Mark and I get that. Maybe it's the airlines, maybe the OEMs ultimately accept lower margins, but at the end of the day, higher costs it means less growth. So maybe it does drive the business to midlife or less expensive aircraft at the margin. I mean, I've seen that suggested by some appraisers. Any thoughts on that?

A - Aengus Kelly {BIO 2460371 <GO>}

I think you're right in what you say, Jamie, that ultimately someone has to bear an additional cost on the system. Now, who that will be and the allocation of that between the ultimate consumer, the OEMs, the airlines, ourselves, we'll have to wait and see. And certainly, from AerCap's perspective, as it relates to our current contracts with the OEMs, we have fixed caps of escalation in place. So on these contracts, it won't affect us.

That being said though, what do we know at the moment? Well, we know there are tariffs on aircraft going into the United States, we know there are tariffs on aircraft going into China. So they're known. They're not having a significant impact as yet, but it's very early in the game.

Ultimately, if the Europeans retaliate and match the U.S. tariffs and then run a more global basis, we will see, as you say, used aircraft values increase. We will see in China, I would imagine, that the pressure valve they can use is to take the age limitation of leased aircraft up. Over half the fleet in China is leased. They have an age limitation of 20 years. If you were to remove that limitation in China and certain other countries in emerging markets and Asia, what you would find then is that demand for new aircraft would be dampened, because that is a lot of aircraft that would not leave the market and would stay in service.

However, all that being said, Jamie, I think my hope and I think everyone's hope in the industry is that we have had a tariff-free industry between Europe and the U.S. and several other countries under the 1979 agreement. And if we could bring more countries into that, such as China and India that would be an even bigger win for U.S. industry. And we all hope something like that can be achieved.

Q - Jamie Baker {BIO 3406456 <GO>}

Yes. Well. And I guess that it's sort of my follow-up, Gus, because maybe the end game is that aircraft are simply too important to the global economy to be subject to tariffs. Do you know of any examples, where the headlines scream tariffs, but the reality is that aircraft and parts are carved out? I mean, I'm just wondering, if there's any precedent for such an outcome. That's all. Thanks in advance. Take care.

A - Aengus Kelly {BIO 2460371 <GO>}

Certainly. Well. I think look, there are discussions ongoing, we understand in China between the airlines and the regulators, and hopefully this will lead to aviation aerospace being exempted. But I think, Jamie, what would be a tremendous achievement for the administration is if they could significantly enhance the 1979 agreement.

So that it doesn't just incorporate 34-odd countries, mainly North America and Europe, but also bring in heavyweights such as China and India, where there are small tariffs in China at the moment, 5%, before there were always small tariffs before the recent ones of 5% in a narrow-body, 1% in a wide-body.

I think that would be a tremendous win for the administration because the U.S. has a massive trade surplus in aerospace with the rest of the world. It's high-tech engineering, manufacturing, great paying jobs. And I think to expand the potential for that would be a tremendous achievement by the administration, if it could be done to bring in those other countries into that zero-tariff agreement.

Q - Jamie Baker {BIO 3406456 <GO>}

That's great, Gus. Thanks so much for your thoughts.

Operator

We'll hear next from Hillary Cacanando from Deutsche Bank.

Q - Hillary Cacanando {BIO 18940405 <GO>}

Hi. Thank you so much. I think in the last couple of weeks, we've seen airlines in the U.S. pulling their guidance, cutting capacity given the uncertainty in the market and the softness that they're seeing in domestic bookings. I know you said that demand remains strong, but I was wondering, if you could kind of talk about what are some of the metrics or indicators that would get you kind of more concerned about demand trends going forward.

A - Aengus Kelly {BIO 2460371 <GO>}

So, Hillary, you're right. I mean, first of all, it's a global market. The U.S. Is only 22% of it, give or take. So you got to put that in context. And other parts of the world, there has been a significant tailwind against falling yields. And that is weakness in the fuel price and weakness in the dollar. They rarely go in the same direction. We generally see crude and dollar go in the opposite direction. So that has been a tailwind that has insulated non-U.S. dollar denominated economies, which is the vast majority of the world, from slowdowns in yields.

But turning to your point in the U.S., yes, we do see weakness in the economy cabin in the U.S. and you're seeing airlines adjust capacity. But that's adjusting capacity for a three month, six month, or nine month period. When we're looking at fleet decisions with airlines, we're looking at 15–20-year decisions. And as I just referenced in my prepared comments earlier in the quarter, we extended 26 mid-life aircraft in the U.S. and these aircraft are over 15 years of age. So they're looking at long-term extension six years, because they need to know they have the capacity for the longer term.

You can't turn on a dime, when it comes to planning your aircraft fleet. Airlines are often buffeted by short term gyrations in the global economy, but longer term, they have to know what seats they need and build to that. So because of that, we're not seeing any reduction in demand at the moment.

Q - Hillary Cacanando {BIO 18940405 <GO>}

Got it. Great. Thank you. That's really helpful. And then one of the questions, I've been getting from investors is regarding your portfolio right now, I think it's about 75% new tech at the moment. And I guess over the course of the next few years, I would assume the proportion of the new tech will get bigger. So I've been getting questions from investors you've been doing so like your gain on sales number has been great, because you've been able to sell this older portfolio, because of your barbell strategy, fleet strategy.

And I think the question is, what happens when you increase the number of new tech in your portfolio? Don't you stop with the barbell? Does that strategy go away? How do you think about the, I guess, your portfolio going forward?

A - Aengus Kelly {BIO 2460371 <GO>}

Well, Hillary, that's the thing about the barbell, you're always looking way into the future. When we get to the end of this decade, when we'll be out of the older tech, we'll have 787s that are 18 years old, we'll have NEOs that will be 15 years old. So, they will then be our midlife aircraft. Where I've always said you don't want to be is at the end of this decade with 15-year-old 777-300E or 737s, A320s or 330s.

You want them gone, and you want them to have had the foresight to position the business for future demand way into the future. You can't be looking short-term in this industry, just like indeed, we referenced about the airlines. We can never get caught up in the short-term gyrations of 10 year old A320s and start buying those in, because demand will fall off for one of that age.

So I think when we look in the several years' time, a significant portion of our portfolio will be in that 15-year range, but it will be the newer generation of technology. And that's been how we've shown that barbell approach or the sunset-sunrise approach to how the portfolio has been developed since 2012.

Q - Hillary Cacanando {BIO 18940405 <GO>}

That's very clear. Okay. So it's not that, so by barbell, you're not meaning like you're going to sell an aircraft, because it turns it turns like 10 years old or something. I see what you mean. You're looking at the new tech.

A - Aengus Kelly {BIO 2460371 <GO>}

No. It's got to be far more nuanced and thoughtful than that.

Q - Hillary Cacanando {BIO 18940405 <GO>}

Yes. Perfect. Perfectly clear. Thank you so much. Very helpful.

Operator

We'll move next to Catherine O'Brien from Goldman Sachs.

Q - Catherine O'Brien

Good morning everyone. Thanks for the time. You already touched on what you're seeing from the airlines in the prepared remarks. And just now with Hillary, and it sounds like airlines even in North America are still business as usual on looking to secure capacity from your fleet and order book. But we've had quite a few U.S. airlines talk about retiring more aircraft than planned a couple months ago. Totally understand, they're a fraction of the global industry. Based on this quarter's gain, doesn't seem like it so far, but are you seeing any impacted demand for your own fleet from buyers? Can you just remind us who the complexion of the buyers of your aircraft sold has been of late? Thanks.

A - Aengus Kelly {BIO 2460371 <GO>}

I think, look, it's very important to realize the U.S. is 22%, 23% of the global market, that's it. It's important, but it's not the driving force. And so while we will, you'll say rightly that some U.S. carriers are going to retire some aircraft, I think it's important. What aircraft are they retiring? Are they CRJs? I know in one airline, it's Percy E1s, I don't care. It could be very old 757s, they're not relevant. These are 25 year plus aircraft.

We are not seeing current we're not seeing 18, 19-year-old aircraft being retired and quite, quite the opposite. You just I just announced there that we extend the 26 aircraft in the U.S. market and they were close to that 18, 19-year-old. So people can say these things were retiring aircraft, true. But it could be aircraft that were on the way out anyway, inevitably. So I wouldn't read too much into that.

A - Peter Juhas {BIO 16582554 <GO>}

And Catherine, in terms of the split of sales this past quarter, so it's about a quarter to airlines, about a third to other lessors and about a third to investors. And then the remaining 5% or so is to part out end of life sales.

Q - Catherine O'Brien

Great. Thank you so much. Gus, I thought your long-term take on what would happen, if tariffs on aviation stayed in place on CNBC is very interesting. Just in terms of airlines need to adjust orders to avoid tariffs over the longer term. In the shorter term, how does this impact lessors? My understanding is sounds like you're not on the hook for any tariffs.

If airlines are typically the importers of record even in an operating lease situation. But over the next couple of years, if the airlines in the U.S. need more Boeing lifts shorter term or vice-versa for a European airline? Could the lessors step in and help with that not to discount the disruption at a cost that would mean for the impacted airlines, but just thinking through some of the puts and takes.

A - Aengus Kelly {BIO 2460371 <GO>}

Sure. Well, there are three sources of aircraft in the world for an airline. There's Boeing, Airbus, and the leasing market slash the used aircraft market. So if we do have, as I said on the CNBC interview, tit for tat and the Europeans raise tariffs, the Chinese raise tariffs, the U.S. continues with the tariffs, we will ultimately see, absent Boeing and GE and Honeywell moving production offshore to Europe and to China, we're going to see a retrenchment of Boeing sales to focus on the U.S. And we're going to see Airbus then take most of the rest of the world. So that's one outcome.

But then the other scenario is that if you eliminate, and in my discussions with governmental officials, what I have said is if you do put in tariffs, okay, suboptimal, but make sure that you don't tariff the used aircraft market. So that the consumer, say, be it in the U.S. or in Europe or in China for that matter, does not get punished, that the bill for the consumer is minimized.

If you were to tariff, for example, used Airbus and new Airbus in the U.S. that means that there's a smaller supply of aircraft available to U.S. carriers, which will mean less seats. Now if you let used aircraft in, you're not helping or hurting Airbus in any way, shape or form. Airbus have manufactured those aircraft, they're gone. The same is true on the other side.

In this worst-case scenario, the Europeans should allow European carriers to access used Boeing airplanes because they're not in any way helping or hurting Boeing by taking used aircraft. But if they don't take the used aircraft, they're hurting their own consumers more. The Joe public in the street is going to pay more for tickets, if governments restrict the supply of aircraft to just new from one manufacturer.

So, I would hope that that is the way it will play out, which I guess if you go to, there's a lot of negatives in that whole scenario. Of course, we hope that never happens, but at least there should be good demand for our metal.

Q - Catherine O'Brien

That's very clear.

Operator

We'll move next to Kristine Liwag from Morgan Stanley.

Q - Kristine Liwag {BIO 21935865 <GO>}

Hey, good afternoon, everyone. Afternoon for you guys. So maybe two questions. I mean, Gus on this tariff discussion, look it seems like the rhetoric around it is more negative. But the way I see it is that historically Boeing was kind of the tip of the trade spear for the U.S. And if these countries want to actually look at the deficit, maybe buying more aircraft would be an easy way to do that. I mean, aerospace defense is a as a net exporting industry for the U.S.

So I was wondering in that context, if countries want to buy more aircraft, what's your role in that? And because ultimately, it's got to be the country who's importing it. Would they increase lease from you, because it's still manufactured in the U.S.? Would that solve some of that trade deficit issue? Would you be able to step in or do you anticipate higher demand for sale leasebacks, if that were to materialize?

A - Aengus Kelly {BIO 2460371 <GO>}

Well. I think it's more of the former rather than the latter, because Boeing doesn't have many slots this side of 2030. So I think the leasing industry, and certainly AerCap would want to step in and assist in any way we could the administration achieve its targets. And work with Boeing to make sure that to the extent aircraft off our skyline would help resolve trade issues, we would definitely step in to make that happen one way or the other.

Bloomberg

And I would imagine the other leasing companies will be similarly supportive. And because of course, airlines can order aircraft for post 2030 delivery that's a long way off though. Yes, I think the U.S. and want to see something quicker than that, and that's where the lessors could be very helpful.

Q - Kristine Liwag {BIO 21935865 <GO>}

Great. Thank you for the color there. And on your commentary on the Shannon engine support business really caught my attention. Can you first discuss exactly what is it you're doing? What are you responsible for versus Safran and your 27 MRO partners? This engine module approach, especially in the CFM56 has been pretty attractive for some players with pretty fat margins. Can you discuss the economics of this JV and how large this could be for you?

A - Aengus Kelly {BIO 2460371 <GO>}

Well. I mean, the way it works is we are just part of the after sales service that's provided by the OEM. So if an airline signs up for say a CFM product, it'll be our obligation, when the engine comes off wing to have the spare engine on-site, on-time, on-spec for the airline that has the off engine to go to the shop for repair.

So we'd have to get it there, we'd have to take it back off the airline. We'd have to make sure whatever maintenance is done is done quickly is done to specification that it's ready to go out again to the next customer. So it's part of providing the after sales service to the OEM customer.

And that involves, I think last year, we did over 1,200 engine movements, I believe, which is quite a lot. That's three plus every single calendar day that we're moving engines around the world to support the after sales program, and that's why you need such a big global network. And you have to have engines stationed in different pools around the pools around the world in order to facilitate that. You have to have very significant in-house logistics expertise.

Can you imagine moving a $20 million asset 1,200x in a given year, 4x a day, 3x, 4x a day? That takes a tremendous amount of infrastructure, knowledge, and systems to do that. So that's the primary thing we do as it relates to your talk about engine repairs, module repairs. Look, I think any well-run business will be doing that anyway.

Q - Kristine Liwag {BIO 21935865 <GO>}

Great. Thank you.

Operator

Moving next to Stephen Trent from Citi.

Q - Stephen Trent {BIO 5581382 <GO>}

Yes. Good afternoon everybody, and thanks for taking my question. Actually, as a follow-up to my counterpart from Morgan Stanley about the Shannon engine, JV. What do you guys also think about your CapEx kind of going forward? Should we expect a shift in the blend of purchases of helicopters and engines relative to plane purchases, or do you think we'd see sort of a similar mix to what has been in recent quarters? Thank you.

A - Aengus Kelly {BIO 2460371 <GO>}

Helicopters will always be on a dollar basis, a very small proportion of what's going on. But I think aircraft will far dominate any CapEx program going forward. We have had a surge in engine

CapEx that's driven by the fact that the 737 MAX and the 8320 NEO are hitting higher levels of production, thereby requiring higher level of sparing.

I don't think that’s the run rate, I would say for a level of engine CapEx that we have had. But we will all have a level of engine CapEx. You can generally think about spare engines as somewhere around, if there are, say, 4,000 MAX aircraft in the world, that's 8,000 engines, there will generally be a spares requirement for 15% of that, so that's 1,200 LEAP-1Bs.

If there's 8,000 NEO, say, two to one, that's 2,400 would be needed in the world, a total of 3,600 that would build up over the course of the next five, six years. A portion of those will be held by the airlines. We'll be, by far the biggest proportion of that globally. Obviously, we already are. Even if we didn't buy any more, we'd still be the biggest player for the next 10 years.

Q - Stephen Trent {BIO 5581382 <GO>}

That's super helpful, Aengus. I appreciate it. And just a quick follow-up. I think, I heard you guys mention basically, I believe, an 84% renewal rate on aircraft leases. Could you refresh my memory first, if I heard it correctly? Could you give a high-level view on how that's evolved over the last couple of quarters, as couple of quarters? Has it sort of gone up or is it about the same? Thank you.

A - Peter Juhas {BIO 16582554 <GO>}

Historically, going back over a long time, it would have been 50% odd. But over the last few years, it's trended around 90% odd. Now, this this quarter was a little bit lower than 90%, but still extraordinarily high by historical standards. And that's because as I called out, we moved certain aircraft during the quarter, we decided not to extend.

We moved those 787s from one customer to another, and because of that, we were able to increase the credit and increase the lease rentals also. So, you don't always extend, because you need to make sure you get paid. Certainly, as we referenced at the start of this call, extending reduces leasing expense, so that's an incentive for us to extend.

But there has to be a trade-off there where we still get a fair rental. And on some 787s, we decided to pull them out and go elsewhere. And that was the right thing to do. But yes, if I look at the extension trends, it was 60% in '21, 65% in '22, 75% in '23, and 80% in '24. And it got up as high as 90% in some of the recent quarters. But so that's the situation. Evidence of demand.

Q - Stephen Trent {BIO 5581382 <GO>}

Oh, very helpful. Thanks very much.

A - Peter Juhas {BIO 16582554 <GO>}

You're welcome.

Operator

We'll hear next from Ronald J. Epstein from Bank of America.

Q - Ronald J. Epstein {BIO 4430430 <GO>}

Hey, good morning, Gus. Hey, Gus, you spoke a little bit to this. What are you seeing in wide-body demand? I mean, when we look at it, the fleet, the fleet seems like it's aging. Are we moving up to a period where we really could see a surge in demand for wide bodies?

A - Aengus Kelly {BIO 2460371 <GO>}

We've been seeing very strong demand for wide-bodies for quite some time, Ron. We were the first to see it and we were calling it out several years ago, because we're the biggest owner of wide-bodies in the world. And we could see that demand was coming, and it's unabated. As I just referenced, we pulled three 787-900s out of a customer recently and moved them to another customer, better credit and materially higher lease rentals. And if there were more wide-bodies in the world, which there aren't, you could shift them tomorrow morning. There's very strong demand for 787-9s, A350-900s.

Q - Ronald J. Epstein {BIO 4430430 <GO>}

Got it. And what's your expectation for 777-9, the Xs, when they start coming out?

A - Aengus Kelly {BIO 2460371 <GO>}

I think it'll be a very large aircraft. I believe it'll be a very capable aircraft, very fuel efficient aircraft. And once it's in service, we'll see what happens. You would imagine that as it's the largest aircraft out there, that part of the market, it should dominate.

Q - Ronald J. Epstein {BIO 4430430 <GO>}

Got it. And then kind of back to your commentary on the WTO agreement. Is the industry actively lobbying right now? I mean the automotive industry got really loud and vocal and lobbied pretty hard. Do you see that at all in the aerospace industry? I mean is broadly anybody lobbying on the hill to try to move things in a direction that would get us back to at least where we were and maybe even a better place?

A - Aengus Kelly {BIO 2460371 <GO>}

I believe so, Ron. I believe so. I mean, this is in large scale manufacturing. This is where the U.S. leads the world by a country mile. This is an industry the U.S. should protect and try and grow. And I said in my comments earlier, Ron, what would be an amazing win for the administration to accomplish is to bring more countries into that zero for zero tariff agreement. And that would really be quite the win, I would say, for U.S. Aerospace, U.S. manufacturing, and the U.S. worker.

Q - Ronald J. Epstein {BIO 4430430 <GO>}

Yes. No, I agree completely. I just wonder, if anybody's actually pursuing that right now.

A - Aengus Kelly {BIO 2460371 <GO>}

I believe they are.

Q - Ronald J. Epstein {BIO 4430430 <GO>}

And maybe there's a broad question, big question. Ultimately, does the 737 need to be replaced? Yes, I've had some debates with some investors saying no, no, it doesn't.

A - Aengus Kelly {BIO 2460371 <GO>}

No, no, it does not. But no, I mean, what's the point? The MAX 8 is a good airplane. You need to get the MAX 10, the MAX 7 into service, so that it's a more, it's a better competitor for the 320 family. But I mean, I just think if you were to go to any buyer of the boardroom of an airline or a lessor today, if you're a Boeing or Airbus and say, I've got a new airplane for you, I'd say make sure the door doesn't hit you on the way out.

You've got to get the existing aircraft you are building more reliable, more durable in service, that's all I care about. The ones you've built do not have the same reliability and durability as your previous generation. Please don't come in here and tell me you're going to have another swing. I want the stuff you've built to work better that's what I want.

Q - Ronald J. Epstein {BIO 4430430 <GO>}

Got it. All right. Cool. Thank you very much.

A - Aengus Kelly {BIO 2460371 <GO>}

Thanks, Ron.

Operator

And at this time, there are no 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 {BIO 2460371 <GO>}

Thank you, operator, and thank you everyone for joining us for our first quarter earnings call. We look forward to speaking to you in three months' time.

Operator

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