

Q1 2026 Earnings Call

Company Participants

- Aengus Kelly, Chief Executive Officer & Executive Director
- Brian Canniffe, Group Treasurer
- Peter Juhas, Chief Financial Officer

Other Participants

- Arren Cyganovich, Truist Securities
- Catherine O'Brien, Goldman Sachs
- Christopher N. Stathoulopoulos, Susquehanna International Group
- Jamie Baker, J.P. Morgan
- Kristine Liwag, Morgan Stanley
- Moshe Orenbuch, TD Cowen
- Ronald J. Epstein, Bank of America
- Shannon Doherty, Deutsche Bank
- Terry Ma, Barclays

Presentation

Operator

Good day, and welcome to AerCap Holdings N.V. Q1 2026 Financial Results Call. Today's conference is being recorded and a transcript will be available following the call on the company's website.

At this time, I would like to turn the conference over to Brian Canniffe, Group Treasurer. Please go ahead sir.

Brian Canniffe {BIO 2559027 <GO>}

Thank you, operator, and hello, everyone. Welcome to our first quarter 2026 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 April 29, 2026. 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 will 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 2026 earnings call. I'll begin today with an overview of performance for the quarter before turning to discuss the market environments in light of current geopolitical events. I'll then touch on our outlook and strategic priorities for the remainder of the year before handing the call over to Pete to review the financials in more detail.

Starting with performance. I am pleased to report that this was another record quarter of earnings for AerCap. The company generated GAAP net income of \$818 million, or \$4.96 per share, and record adjusted net income of \$889 million, or \$5.39 per share. This represents an 18% GAAP return on equity, or 19% adjusted return on equity for the quarter. Despite the macro backdrop, we continue to see robust demand for aviation assets, supported by persistent supply challenges, and sustained consumer demand for air travel.

The first quarter served as a clear reminder and reinforcement of the long-term and durable nature of this business. Our multi-year fleet planning discussions with customers continued during the quarter, resulting in an 87% lease extension rate and the closing of 286 transactions. This included the signing of 202 lease agreements and the sale of 41 owned assets, generating sales revenue of \$1.5 billion. Importantly, 57% of the lease agreements were signed in March, suggesting little change in airline behavior despite the geopolitical uncertainties.

Given our strong results in the first quarter, including the repurchase of \$745 million of our outstanding shares, we are increasing our full-year adjusted EPS guidance to \$14.50 per share, not including any additional gains on sale. I am also pleased to announce today the authorization of a new \$1 billion share repurchase program.

Now turning to the broader market environment. We continue to see strong demand for our assets despite recent geopolitical events. That being said, if jet fuel prices persist at current levels for the next three to six months, it will place pressure on the airline industry. The extent of the impact on individual airlines will vary depending on factors such as region, business model, balance sheet strength, and fuel hedging practices. To-date, the industry has been able to pass on a significant portion of higher fuel bills to consumers.

Looking beyond six months, elevated fuel costs will pressure airline profitability and place greater emphasis on airlines balance sheet resilience and financial flexibility. Over time, this could contribute to an acceleration in the retirement of older technology aircraft. So this is not a dynamic we are seeing play out just yet. As we know, airline fleet planning decisions span multi-year horizons, and carriers typically do not make long-term fleet decisions in response to a few months of market volatility.

In the scenario in which fuel costs remain elevated beyond six months, we would expect to see additional growth opportunities emerge for AerCap. In particular, it is likely that we would see increased sale leaseback opportunities as airlines look to fund growth while preserving cash and prioritizing liquidity. For context, the global order book remains heavily skewed to airlines, with just four airlines having a combined order book larger than that of the entire lessor community.

In both the near and longer-term scenarios, AerCap is well positioned to support our customers while continuing to maintain a disciplined approach to capital deployment, execution, and risk management. Against this backdrop, we enter the second quarter with a below target leverage ratio of 2.1x net debt to equity. \$21 billion of liquidity and more than \$3 billion of excess capital. This positions us well to execute our strategy. Balancing organic growth and share repurchases while maintaining flexibility for future opportunistic investments.

Our continued investment in new technology assets including the 110 aircraft added to our backlog in the first quarter reflects our disciplined approach to capital allocation. We are targeting

assets with strong demand fundamentals and attractive long-term economics consistent with our positive outlook for the aviation sector.

With respect to our 100 aircraft order in March, our infrastructure, industrial capability and scale enabled us to execute this very complex transaction with speed while supporting key business partners in the process. By leveraging our leadership in the engine leasing space, we were able to agree attractive terms including a delivery stream that starts in 2028. This order not only underscores our unique market positioning but it enhances the quality of our portfolio, aligns with our constructive outlook on the sector and ultimately supports long-term value creation.

In closing, this was another strong quarter for AerCap reflecting the durability of our business model, the quality of our asset portfolio, and the disciplined execution of our strategy. Despite a mixed operating environment for our customers, underlying demand for aviation assets remains strong. We enter this period from a position of strength supported by robust earnings, low leverage, high liquidity. We remain focused on prudent capital allocation supporting our customers where appropriate and investing in assets that we believe will continue delivering attractive long-term value for our shareholders.

With that, I'll now hand the call over to Pete. To review the financials in more detail.

Peter Juhas {[BIO 16582554](#) <GO>}

Thanks, Gus. Good morning, everyone. Our GAAP net income for the first quarter was \$818 million or \$4.96 per share. The impact of purchase accounting adjustments was \$84 million for the quarter or \$0.51 per share. That includes lease premium amortization of \$26 million, maintenance rights amortization \$37 million related to maintenance revenue and maintenance rights amortization of \$21 million related to leasing expenses. The net tax effect of these purchase accounting adjustments was \$13 million or \$0.08 per share. As a result, our adjusted net income for the first quarter was a record \$889 million or \$5.39 per share. And that represents an adjusted ROE of 19.4% also a record.

I'll briefly go through the main drivers that affected our results. Basic lease rents were \$1,682 million, slightly lower compared to last quarter and that's primarily due to aircraft sales, as well as downtime on aircraft that we took back from Spirit Airlines. Maintenance revenues remained elevated this quarter at \$190 million. Our net maintenance contribution, which is maintenance revenue, less leasing expenses after taking into account purchase accounting adjustments was \$138 million this quarter. That's higher than usual due to the timing of maintenance revenue, transition expenses and claims. We expect net maintenance contribution to remain elevated through the first half of this year before trending back towards more normal levels in the second half.

Net gain on sale of assets was \$291 million for the quarter. The sales environment continued to be strong, and we sold 41 of our owned assets for total sales revenue of \$1.5 billion. That resulted in an unlevered gain on sale margin of 24% for the quarter, which is equivalent to a multiple of 1.9x book value. As of March 31, we had \$899 million worth of assets held for sale.

Interest expense was \$467 million for the first quarter. Leasing expenses were \$110 million, which is a significant decrease from the fourth quarter when we recognized the majority of the restructuring costs related to the Spirit Airlines bankruptcy. Our income tax expense for the first quarter was \$139 million, reflecting an effective tax rate of 15.5%.

Turning to liquidity, our liquidity position continues to be very strong. As of March 31, our total sources of liquidity were approximately \$21 billion. That includes just under \$1.5 billion of cash and

\$10 billion of revolvers and other committed facilities, as well as estimated sales and operating cash flow. Our sources-to-uses coverage ratio was 2x, which reflects excess cash coverage of around \$10 billion. Our leverage ratio at the end of the quarter was 2.1x to 1x, the same as last quarter, and our operating cash flow was \$1.4 billion for the quarter.

Our secured debt-to-total assets ratio was ratio was 9%, which is an all-time low and a decrease from 10% last quarter. Our average cost of debt was 4.1%, the same as last quarter. And in terms of share repurchases, during the first quarter, we bought back 5.4 million shares for a total of \$745 million. And today, we've announced a new \$1 billion share repurchase program.

Given the strong performance in the first quarter, we're raising our full-year 2026 adjusted EPS guidance to approximately \$14.50. We're increasing our estimate of EPS excluding gains on sale to approximately \$13, which is the top-end of our previous range. We're also including the \$1.50 of gains on sale from the first quarter. However, we have not included any gains on sale for the remainder of the year.

As it relates to asset sales, our initial guidance for asset sales this year was between \$2 billion and \$3 billion. Given the large sales volume in the first quarter and the significant held for sale balance at the end of March, at this point, we expect that sales will be over \$3 billion for the full-year 2026. And I expect those sales to be weighted towards the first half of this year.

In closing, despite recent geopolitical events and ongoing macroeconomic challenges, AerCap has continued to perform very strongly. During the first quarter, we generated record adjusted EPS of \$5.39 and record adjusted ROE of over 19%. The addition of 110 Airbus A320neo aircraft to our order book this quarter at attractive terms and a delivery stream starting in 2028 illustrates AerCap's ability to use the power of our platform, including our leadership in engine leasing, to invest in the growth of our business. Our recent Airbus order, together with the new share repurchase program we announced today, as well as our increase in full-year guidance, all indicate our confidence in the value of AerCap today and into the future.

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

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) We'll go first to Ron Epstein with Bank of America.

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

Yes. Hey. Good morning, guys, and thanks. Gus, thanks for the commentary around the current environment out there. When you think about, I don't know, potentially the duration of what's going on in the Middle East. When would you expect it or not to start impacting residual values of older planes? When you guys think about that, how should we think about that?

A - Aengus Kelly {BIO 2460371 <GO>}

Thanks, Ron. Well, it's important to look at what's actually happening on the ground in terms of flights. So the average daily number of flights in April of 2025 was 102,833. In April 2026, the average number of flights is 122 -- 102,131. So Ron, I give that number because the amount of daily flights, the reduction year-on-year for the same period is 0.068 of 1%. So so far, we have seen a de minimis impact. It's not to say we won't see more of an impact over the rest of the

year if fuel remains elevated. But to-date, the number of flights that were down is a de minimis amount.

Now, it takes airlines years to adjust a fleet plan. And any aircraft we have on lease are on lease for a long period of time. So I would say to be quite a significant period of time before we were to see older technology aircraft being replaced or exiting a fleet. An airline cannot just exit the aircraft type as pertains to AerCap at any rate. And we have the greatest concentration of new technology aircraft in the world of any major airline or leasing company at over 80%. So it'll take some time, Ron.

Q - Ronald J. Epstein [{BIO 4430430 <GO>}](#)

Got it. Got it. And then maybe one follow on. Just kind of thinking out loud here, if I were an airline and I wanted to protect my balance sheet, but I still wanted to bring on new airplanes, why wouldn't I just go to you? And I mean, I'm not trying to throw you a softball here, but it would seem like in the current environment, that leasing an airplane might be a more attractive option for an airline that might not have wanted to do that before. So -- and maybe in sort of a weird way, could this be a stimulus for you guys? Or am I just thinking about that wrong?

A - Aengus Kelly [{BIO 2460371 <GO>}](#)

No, it's certainly, I mean, look, there's no doubt that if higher fuel prices continue, you will see reduced financial flexibility that the airlines have. And bear in mind, as I said in my prepared comments, the OEMs are over indexed to airlines, the weaker credits of their customer base. And four airlines alone make up more than the entire order book of the leasing industry. So I would imagine that if this were to continue, there will be opportunity in sale leasebacks as you referenced there Ron.

Q - Ronald J. Epstein [{BIO 4430430 <GO>}](#)

Okay. Great. Thank you very much.

Operator

Our next question comes from Jamie Baker with J.P. Morgan.

Q - Jamie Baker [{BIO 3406456 <GO>}](#)

Yes. Thanks for the time. So Gus, kind of building on that, specific to used aircraft sales that transactions that you're already working on in the pipeline. Since the start of the war, have any aircraft sales fallen through or settled at lower than hoped for economics, given that presumably some portion of your customer base is happy to take a pause on growth? And of course fuel efficiency has probably never been more important than today.

A - Aengus Kelly [{BIO 2460371 <GO>}](#)

Well, fuel efficiency is definitely important. You're absolutely right, Jamie. But why I highlight in my prepared comments that 57% of our transactions closed in March when the war had started. We have not seen anyone pull out of a sale yet or try to renegotiate one. While you're right, fuel is important, there still is a tremendous demand for CFM products in particular because of the scarcity of those engines in the market. So as of yet, we haven't seen anybody pull back. And I ask that question every day here of the trading team, and there's no sign of it.

Q - Jamie Baker [{BIO 3406456 <GO>}](#)

Excellent. And then specific to the Middle Eastern airlines, at what duration of elevated fuel do we need to start questioning whether twin oil demand specifically will continue to exceed supply? I know you spoke to what the world might look like after six months, sort of in general, but my question is more specific to the Middle East and the demand for widebodies. Thanks in advance.

A - Aengus Kelly {[BIO 2460371](#) <GO>}

It's a fair point, Jamie. And when I referenced the daily number of reduction in flights, of course, they're heavily concentrated in the Middle East on widebodies. Now, there are winners in this too. I'll give you an example. We had two A350s coming back from a customer in China. Those aircraft -- I was with the CEO of a major European carrier at the end of March when the war was in full swing.

And he just said to me, just tell the team, call them, tell them we're taking them. No debate. We want them as fast as possible. I give that as an anecdote because there are winners here too. For the last 15 years, major European and other Asian carriers have obviously had a very difficult time with the Gulf carriers. Now is their chance. Those carriers that can fly around the Gulf and connect Europe to the Far East, they are doing well now. They are all looking for lift.

We thought we had another package of widebodies that we could take out of a customer three weeks ago. Within a week, we had quite a number of bids lined up, the customer actually then decided to hold on to the wide-body aircraft. So there's no doubt, though, that over a period of time for the Middle Eastern carriers, and I would never -- but I would never write off the Middle Eastern carriers. They will be back, of course. I think it would have to take a very significant period of time before the airlines that are owned by the state of Qatar, Abu Dhabi, and Kuwait, and Dubai would let orders go. I do think, to be fair, though, what you might see is a greater reliance on the leasing industry to finance those aircraft if and when they come, but I would not see them being canceled.

Q - Jamie Baker {[BIO 3406456](#) <GO>}

Excellent color. Thank you, Gus.

Operator

We'll go next to Moshe Orenbuch with TD Cowen.

Q - Moshe Orenbuch {[BIO 1497419](#) <GO>}

Great. Thanks. I was just wondering if you could kind of talk a little bit, given that your capital levels have been stable despite all of the buyback, how do you think about deployment of that and what opportunities are out there? I mean in the deck, you mentioned kind of \$5 billion of expected CapEx, but are there ways to kind of enhance that, and how else should we think about that in the balance of '26?

A - Aengus Kelly {[BIO 2460371](#) <GO>}

Well, as you've seen, year-after-year after-year, we find a crease of opportunities that are adequate (inaudible) to shareholder value, and I would back AerCap to do the same again this year. As you've seen, due to the unique capabilities the business has, we were able to solve the issues for our business partners in CFM and for an airline partner in Frontier, be able to take aircraft and engines out of Frontier, put them into our engine leasing pool, and as part of that, because we did that, that freed up capacity in the Airbus production line, and we were able to

exercise options and get slots that no one else in the world could get access to, as I referenced, that they start in 2028.

I would imagine that as the year goes on, we will find other opportunities, either because of the unique capabilities I just outlined, or due to, if we do see more pressure on airline balance sheets, I think we'll see some opportunities. But every year-after-year, we've managed to find asset growth opportunities. And then, of course, look, we also believe that the cheapest aircraft in the world, as I've said before, are available on the New York Stock Exchange under the ticker Alpha ERCO Romeo, and we are leaning into that as well, and certainly at any time of weakness in the stock price, we will lean into that.

Q - Moshe Orenbuch [{BIO 1497419 <GO>}](#)

Great. And just as a quick follow-up, I apologize, I've been bouncing between calls this morning. Did you give any update on kind of the maintenance and return to service on the Spirit airplane -- aircraft?

A - Aengus Kelly [{BIO 2460371 <GO>}](#)

We didn't specifically give any update on that. I mean, as I mentioned before, we're looking at kind of latter part of this year where the first of those may come back into service. So they're going into the shop as planned. And then we'll look to see some revenue coming off those late this year.

Q - Moshe Orenbuch [{BIO 1497419 <GO>}](#)

Great. Thanks very much.

A - Aengus Kelly [{BIO 2460371 <GO>}](#)

Sure.

Operator

We'll go next to Catherine O'Brien with Goldman Sachs.

Q - Catherine O'Brien

Hey. Good morning, everyone. Thanks for the time. Gus, a follow-up on your answer to Moshe on AerCap's track record of sourcing unique growth opportunities over the last couple of years. Could you just -- I mean, I know you're not going to give us exact numbers, but could you provide some color on how the acquisition costs or projected returns on these transactions compare to what you would have seen by placing a direct OEM order or acquiring assets via Selly SPAC RFP?

A - Aengus Kelly [{BIO 2460371 <GO>}](#)

Well, of course, look, we don't mind how we spend our money so long as we make money. And we make money, we make it at a level that's comparable to the alternatives we have in the business. For example, buying back stock, et cetera. But look, what I would say, Catherine, is that you have to work hard. I mean, I can be lazy and just roll up to an OEM at the airshows and place an order that starts delivering in 2032 and finishes in 2038 and get crushed on escalation and take massive placement risk for an environment I've no idea about.

But leaving that alternative aside for aircraft, which we won't do, we work very hard. And the infrastructure and scale that we have has enabled us to continually generate opportunities. And

you've seen not just that, you've seen the results of those opportunities in the P&L and today and in previous quarters, and you'll see it in quarters to come.

Q - Catherine O'Brien

That's great. And then I know last quarter you said you were investigating aeroderivative for data center power generation. If you've gotten any updated thoughts, that'd be great to hear, too. But we're really wondering if you're already seeing elevated demand for your aircraft or engines from those already pursuing converting engines for this use.

A - Aengus Kelly {[BIO 2460371](#) <GO>}

Now, the discussions have continued, and those discussions are with data center builders. And there's two components, the guys who built data centers, the actual shed itself, as they say. And then there's the interior, the complex engineering behind the interior build of the generator. We've spoken to the OEMs and we've spoken to others who will be involved in the converting of an engine into a mobile gas powered unit.

Now, we've also spoken to end users and in the end users, there's different stripes. There's guys who are property developers that build data centers and then try and lease out the space. And then, of course, there's a much stronger credit quality, which would be very large corporate entities such as hyperscalers and others. What is clear is that there is significant demand significant demand today and probably in the near-term. At the moment, it's less clear. Where the demand is in the long-term, it may well be very strong. The sales cycle appears to be long as well. That being said, it's something we are continuing to investigate and also to get a full handle on the cost and the R&D, that's going on with people -- with two companies who could actually convert the engines for us, but we have to get firm costs and an idea of true long-term demand.

So -- and then the final point, of course, if there are other entities out there, and there are two that are looking to buy commercial aerospace engines and put them into aeroderivatives. If that does become a significant market, then, of course, we will participate indirectly in that way. But as yet, we don't see that.

Q - Catherine O'Brien

Okay. Thank you so much for all the color.

Operator

We'll go next to Terry Ma with Barclays.

Q - Terry Ma {[BIO 17247903](#) <GO>}

Hey. Thank you. Good morning. Maybe just starting with this CFM engine deal. Can you maybe just talk about the lease rates or the returns on those engines compared to what they were kind of generating when they were on the original aircraft.

A - Peter Juhas {[BIO 16582554](#) <GO>}

Sure, Terry that the lease rates on those are basically the same. We're basically getting the same math as we were on the aircraft as a whole.

Q - Terry Ma {[BIO 17247903](#) <GO>}

Great. Okay. And then, if we were to think about the net spread margin going forward, and just kind of like the moving pieces, doesn't sound like there's much downtime on the engines. But then you have Spirit aircraft coming online and you do have a large bond maturing, like, what's the kind of trajectory or cadence of the net spread margin.

A - Peter Juhas {[BIO 16582554 <GO>](#)}

Sure. So, as I mentioned, a couple of quarters ago, we expected to have the net spread be pretty consistent over the next few quarters. So, is 8% this quarter same as third quarter same as fourth quarter. I think that will probably continue for another couple of quarters and then later in the year, we should see some expansion. As I mentioned, some of that is going to be driven by some of those assets that are currently on the ground coming back online. We'll have some more freighters delivering late in the year. So that's part of it as well. So I'd look for some uplift in the second half of the year.

Q - Terry Ma {[BIO 17247903 <GO>](#)}

Got it. That's helpful. And then if we are to look at ROE, you guys kind of generated impressive 19% adjusted ROE this quarter. At a time, when the business is well under your leverage ratio is there kind of look a way to think about normalized ROE through the cycle once you kind of normalize that leverage.

A - Peter Juhas {[BIO 16582554 <GO>](#)}

Yes. Well, if we look at the long-term, like, say, from 2007 to now, on average, we've generated ROEs of about 950 basis points above the five-year treasury. So that's how we've looked at it over the long-term.

If you look at the last few years, so each year we've been between 14% and 15% roughly for the last few years. And this quarter obviously was quite high with the 19.5%. That was driven by somewhat by the higher maintenance contribution, by the higher gains on sale and those type of things. But nonetheless, we would expect to continue running at very high levels. Now, as you note correctly, we're at low leverage now. I think over time we're going to normalize that. It's going to go back to (Technical Difficulty) 2.5x, something like that. And that should be a positive for ROE, right, as we deploy more of that capital.

A - Aengus Kelly {[BIO 2460371 <GO>](#)}

I think, Terry, the key point for me, as I've always said to you, is that this business generates extremely stable returns and does through thick and thin. As Pete said, we're going back 18 years in those numbers. And these are GAAP numbers. They're not adjusted. In the short-term, sure, you can adjust numbers, but in the long run, it has to be GAAP. And the GAAP ROE of this business, as Pete said, is 9.5% above the five-year treasury for that period, for 19 odd years. There's very few, if any, companies in our industry, be it industrial or otherwise, that could match those ROEs. And when we look forward, as I said, I've always said that the business through thick and thin should be in and around 8% to 10% above the risk-free rate, the five-year treasury.

Q - Terry Ma {[BIO 17247903 <GO>](#)}

Great. Super helpful. Thank you.

A - Aengus Kelly {[BIO 2460371 <GO>](#)}

Sure.

Operator

We'll take our next question from Kristine Liwag with Morgan Stanley.

Q - Kristine Liwag {BIO 21935865 <GO>}

Hey. Good morning, everyone, or I guess good afternoon for you guys. The Airbus A320neo Family orders that you were able to get, I was surprised that they were available slots in 2028. I was wondering if you could talk more about the terms and how this opportunity came about. I thought that the aircraft was more sold out beyond 2028. And then also that (inaudible) you mentioned in your prepared remarks that it was in fairly attractive terms. Any details that you could provide would be appreciated.

A - Aengus Kelly {BIO 2460371 <GO>}

Sure, Kristine, and you are right. I think if you walked up to Toulouse for the airshow and asked for an order, they'd probably start in 2033, 2032. Now, why was AerCap different and why is it consistently different? Well, it's to do with what we can do for key suppliers and key business partners. In this instance, because we're the largest engine leasing business in the world, we knew there was a shortage of engines in the global business. Globally for all air, it's a shortage of CFM leap engines. We knew that a key business partner of ours, Frontier, would like to reduce capacity.

We had the infrastructure -- and it was very important to be able to move rapidly. Given enough time others might be able to do it over a couple of years, we were able to get the engines out of Frontier within a matter of months, start re- -- within a matter of weeks, start re-delivering those engines, getting them into our lease pool and getting them out there to support the in-service fleet of Airbus neo equipment. This meant that there was less pressure on the production line to divert engines to the spare engine pool and more slots would be available then to produce new aircraft.

So we're helping the airframer, the engine OEM, and our airline customer. No other leasing company in the world can do that. That enabled those slots to free up and we had options that we could exercise with Airbus and we exercised them. And that's why our 100 plus aircraft, the vast majority of them will have delivered by the time I'd say any other leasing company could begin an order stream.

Q - Kristine Liwag {BIO 21935865 <GO>}

Great. Super helpful context. And Gus, maybe this is more of an opportunistic question, but with the breadth of your portfolio, the quality of your balance sheet, it seems like you're really poised to take advantage financially of some of these incrementally distressed situations. So if oil prices were to extend beyond the six months in an elevated way can you talk about if you do start seeing distressed airlines there, is there a way for you to size incremental opportunities or things that you could do to increase your return? Because you seem to be in a position to do that. You've consistently done it and any sort of color you could provide there and how you're poised for that, again, would be appreciated.

A - Aengus Kelly {BIO 2460371 <GO>}

Yes. Thank you, Kristine. We are, of course, at the lowest leverage we've been at with a very large balance sheet with \$21 billion of liquidity. That all being said, I certainly don't wish for the current situation to drag on any longer than is -- then is humanly possible. We certainly would not

like to see a drag on for the rest of the year. And hopefully it won't. No doubt if that was the case, there would be pressure on some airlines. But would that just be a few airlines in difficulty? Probably. And would we be able to cope with that? Yes.

But to the other side, I suspect there would be opportunity because, as I mentioned earlier on, the OEM order books are heavily overweight the airline industry. For airlines alone have a greater order book than the entire leasing industry. So to me, the OEM order book is over indexed to the weaker credit of the airline industry and averaged into the stronger credit of the lessor. So I would imagine if we do continue to see these levels of elevated fuel prices, that there may well be opportunities.

Q - Kristine Liwag [{BIO 21935865 <GO>}](#)

Great. Thank you.

Operator

Our next question comes from Arren Cyganovich with Truist Securities.

Q - Arren Cyganovich [{BIO 6532878 <GO>}](#)

Thanks. This balance of a net negative for airlines of higher oil prices potentially for an extended period of time, being a net positive for you, I totally understand it, but it also seems a little, I don't know, backwards. Maybe talk a little bit about how lease rates would trend in those kind of scenarios. I'm assuming the gain on sales would probably come down quite a bit. What are some of the negative impacts that you would see that would balance out some of those positives?

A - Aengus Kelly [{BIO 2460371 <GO>}](#)

Yes. You're right. And that's why I certainly wouldn't want this to -- I want this current fuel issue to resolve itself as fast as possible. And you're right. In an example where there is significant stress on airlines over a period of time, of course, what you're going to see is reduced level of flying, but that will primarily affect older technology assets of which, as I mentioned earlier on, AerCap has less than 20% in our portfolio, and most of them are on lease to fairly strong credit. So they could get retired over time, but you're right that it would be more if we were selling those assets, of course, the gain on sale will be lower and there may well be a limited bid for it in time.

That being said, those things can't happen overnight. As it relates to leasing rates, yes, of course, if there is a reduction, a significant reduction in flying, there'll be some impact on lease rates. But I want to go back to what we said about the ROE of this business. We're going back to 2007 and the stability of the returns of this business have been proven through thick and thin. And I would also say that we have found those opportunities that are accretive in the long-term as well when we do have periods of difficulty.

Q - Arren Cyganovich [{BIO 6532878 <GO>}](#)

Thank you. Appreciate it.

Operator

We'll go next to Shannon Doherty with Deutsche Bank.

Q - Shannon Doherty [{BIO 22063427 <GO>}](#)

Hi. Thanks for taking my question. First and foremost, have any of your airline customers reached out seeking concessions of any form given the cost pressure from higher fuel?

A - Aengus Kelly {[BIO 2460371](#) <GO>}

As yet, we haven't agreed to anything material with the airlines. I'm sure that if this continues over the course of the next six months, we'll have guys coming in and asking us for some assistance. But to me, I would think that would be very much in a case-by-case basis as we have in the past. But I want to go back to what I said at the start of the prepared comments to give you an overview of the entire industry. At the moment, level number of flights is down less than 1%. That could creep up. Of course, I'm not saying it wouldn't. There will be pressure on airline balance sheets over a period of time.

But right now, fuel represents generally 30% of an airline's cost base. Airlines, for the most part, are able to pass on a significant percentage of that. Between 40% and 50% of it, a lot of them are being able to pass on in terms of cost -- in terms of fare increases. And then, of course, there's other steps airlines will take, which will be to reduce flying, voluntary leave for staff, for pilots, for flight crew, et cetera. And so, they will be able to mitigate a fair amount of this themselves. It will have a significant impact on airline profitability, but from our standpoint, very key again, why are we so stable? Our profits are the same, whether or not an airline makes \$1 billion or breakeven. And that's a very different analysis, of course, for the airline. But I would think, like everything we see with this industry, this too will pass.

Q - Shannon Doherty {[BIO 22063427](#) <GO>}

Great. Thank you. Maybe for my second, Gus, can you break down any changes in demand that you're seeing for new versus old technology aircraft? And what is the historical lag in change in demand to the impact on market value and lease rates?

A - Aengus Kelly {[BIO 2460371](#) <GO>}

As you added far too early to say an impact on market value and lease rates. Every transaction that we have had in the hopper, airlines are still pushing forward. There's one transaction where there's a change in management of the airline, and that's being put on pause. That was a handshake that happened, but that wasn't to do with the fuel crisis, I would say. So overall, as yet, we haven't seen it, but there's no doubt that I think if this were to last through the end of the year, the six months I referenced, and maybe a little bit before that, that you would see a reduction in the bid potentially for older technology assets.

But that's not a part of the market that we're particularly exposed to. Many of you over the different investor presentations we've shown would have seen how we look at our sunset approach to the portfolio to get out of those older tech assets. And as I said, those older tech assets that we have, most of them are on long-term leases as well, so they couldn't be returned anytime soon. But you're right, I suppose, in terms of if you're looking at gains on sale for those assets, that may well be a bit different, but it's not a huge part of our portfolio.

Operator

We'll go next to Chris Stathoulopoulos with SIG.

Q - Christopher N. Stathoulopoulos {[BIO 20308003](#) <GO>}

Good afternoon. Thanks for taking my question. So I have one question. Gus, I'm going to frame it. You want to hear your thoughts on how you're thinking about, I guess, risk management here in

a scenario where the business as a whole managing the portfolio, et cetera. But in a scenario where fuel is higher for longer, perhaps we see as some of the airlines are pointing to demand elasticity or destruction and then some inflationary pressures on the consumer and consumer staples. I thought it was interesting how you mentioned around older technology retiring in a higher for longer fuel scenario.

So maybe you could talk about that within what is unique to AerCap this barbell approach. But then holistically, portfolio risk, asset values, and lease rates. I think it's important here as we consider potential outcomes if fuel is three, six months or 12 months higher. And this does then start to metastasize, if you will, into the broader economy. What is AerCap's approach to managing the portfolio with this older and new? And how are you thinking around things like asset values and lease rates? Thank you.

A - Aengus Kelly {[BIO 2460371](#) <GO>}

Sure. Well, like any challenge, you don't think about it when the challenge arrives. You have to be thinking about it for 10 years before. And you rightly reference our barbell approach to the portfolio. And those of you who have seen those slides, and we show them time and again, is that from 2012 onwards, we took the view that we want to invest in new technology assets or older versions of older technology if there was something of great value, but generally get only by new tech assets. And that meant avoiding orders for 737s, A320s, A330s, and 777s, because ultimately those aircraft will be replaced by the newer technology.

And if you were to buy a 25-year asset in 2014 or 2015, it needs to be in service until 2039 or 2040. And so our view was, let's just make sure we're out of those assets. And particularly, we never, ever buy any young variants of those assets. And that's what we've been saying for many years on these calls, that the key is to always own assets that the remaining economic life can be consumed. So I have no concern about owning a 777 today that's 20 years of age. For sure, they'll be in demand for the next five years.

I certainly wouldn't want to own one that's 10 or 11 years old, because I doubt it'll be in demand for 15 years of age. But it was tempting 10 years ago to buy those assets, and many did. So from AerCap's perspective, as I've said, the way to look at our company and a portfolio risk is to say, well, show us the percentage that is old and new tech. So we're 81% new, 19% previous to older tech. And then look at the age of that older tech. And with us, you'll see it's very old. And it's -- for the most part, nearly all on lease. So I'm not concerned about our carrying values in that regard for either old or new tech.

Q - Christopher N. Stathoulopoulos {[BIO 20308003](#) <GO>}

Okay. Thank you.

A - Aengus Kelly {[BIO 2460371](#) <GO>}

You're welcome.

Operator

There are no other questions at this time.

A - Aengus Kelly {[BIO 2460371](#) <GO>}

Well, thank you very much, everybody, and we look forward to speaking to you in three months time, if not before.

Operator

This does conclude today's call. Thank you for your presentation. You may now disconnect.

A - Aengus Kelly {BIO 2460371 <GO>}

Thank you operator.

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