Q4 2024 Earnings Call

Company Participants

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

Other Participants

- Catherine O'Brien, Analyst
- Hillary Cacanando, Analyst
- Jamie Baker, Analyst
- Moshe Orenbuch, Analyst
- Stephen Trent, Analyst
- Terry Ma, Analyst

Operator

Please standby. Good day, and welcome to AerCap's Fourth-Quarter 2024 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

Thank you, operator, and hello, everyone. Welcome to our fourth-quarter 2024 conference call. With me today is our Chief Executive Officer, Aengus Kelly, and our Chief Financial Officer, Peter 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, February 26th, 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

Thank you for joining us for our fourth quarter 2024 earnings call. We are pleased to report another strong year of earnings for AerCap, generating GAAP net income of $2.1 billion and earnings per share of $10.79, adjusted net income of $2.3 billion and adjusted EPS of $12.01.

We expect to see a continuation of the trends that we saw last year in 2025. This includes the supportive supply/demand dynamic, continued accretive capital deployment opportunities and robust demand for our assets, leading to an adjusted 2025 EPS range of $8.50-$9.50, not including the contribution of gains on sale of assets, which historically have been significant.

As we have discussed in prior quarters, the positive environment for aircraft leasing continues, and we are seeing this reflected in the strong operational performance of the business. Last year we generated $5.4 billion of operating cash flow, which of course excludes $651m of gains on sale. We executed 812 transactions across our various businesses, equivalent to more than two per day. This level of activity gives AerCap unrivaled insights into the global aviation market. This, in turn, allows for a better understanding of our customers' needs and how to support their growth.

Looking ahead, we have $45 billion of contracted future lease cash flows in place on our existing fleet, over 40% of which will be received in the next 3 years. This gives us tremendous visibility into our future cash flows, allowing us to allocate capital effectively and thoughtfully, creating continued value for our shareholders.

With this in mind, we are pleased to announce a new $1 billion share repurchase program, our largest single authorization to-date. This takes the total amount of buybacks spent and authorized in the last two years alone to $5 billion, further underlining the significant value we see in AerCap's stock today, and our confidence in the outlook for 2025 and beyond.

Turning to the market, it is clear that the industry continues to plan for a "lower for longer" supply environment, evidenced by continued increases in lease rates, lease extension demand and strong gains on sale. 2024 was the third year in a row of increased extension activity, reflective of this ongoing demand for aircraft. This is also driving strong sales activity, resulting in a $260 million gain on sale in Q4 - our highest in a single quarter, and also a record full year gain on sale of $651 million.

The largest global aircraft leasing conference was hosted in Dublin last month, attracting thousands of stakeholders to the event, and it was clear from the many conversations we had with airlines, aircraft traders and financiers that demand for aviation assets continues to grow.

As you can see from the slide, we are selling a wide mix of assets to a wide mix of buyers, each with a different focus on asset type, age or counterparty.

In the first category, airlines tend to focus on the older part of the curve, typically buying out aircraft at the end of a lease to secure certainty of capacity. Given their knowledge of the aircraft, and its maintenance condition, they are well placed to understand the value of the aircraft. For us to generate strong gains on sale with this buyer base reflects well on two things. Firstly, it shows the benefit of having in-house Engine and Technical teams who control the lifecycle spend and condition of the aircraft, translating into higher residual values. Secondly, it points to the premium our assets command in the market over our carrying values. In light of the continued OEM delays and engine reliability challenges, this is a theme we expect to continue into 2025 and beyond.

Financial investors, on the other hand, tend to buy young-to-mid-life aircraft and engines, ideally with long lease terms remaining, where predictability of income is highly valuable. These buyers were more prevalent before COVID, but we see early signs of strength returning here again based on some of the recent conversations we are having in this space.

The 'Other' category contains aircraft sold for part out, finance leases and sales to other leasing companies, the combination of which run the full gamut of age and aircraft types.

In summary, this shows that AerCap's gains on sale are not limited to a select few assets or credits, but broad-based across our aircraft, engines and helicopter portfolios. Gains on sale have been a feature of our business for almost 20 years as a public company and reflect the deep embedded value created by the AerCap platform.

Turning to capital allocation, we mentioned earlier that we have excellent visibility on future cash flows, which is key to our capital deployment strategy. We will continue to utilize these strong cash flows to return capital to you our shareholders, while also leaning into today's very strong sales environment. In doing this we will continue to sell our lower priority assets for strong gains on sale and reinvest the proceeds into organic growth and share repurchases, resulting in a more efficient, more profitable company.

Over the last two years alone, we have invested over $12 billion into new assets, returned over $4 billion to shareholders, and de-levered. This shareholder friendly approach to capital return has not come at the cost of financial flexibility. In fact, quite the opposite, as our leverage ratio remains well below our stated target of 2.7x to one, and our credit ratings stand at their highest ever level at BBB+. I am sure it's not unique to return significant capital to shareholders, but it is rare that it can be achieved at this scale, while delevering the balance and increasing your investment grade credit ratings.

What should also stand out to investors is the stability and consistency of this approach over many years. On the left-hand side of the slide you'll see our organic investment in the business. This organic growth comes from three sources; i) direct aircraft purchases from the OEMs, made in more favorable environments ii) opportunistic SLBs with new and existing airline customers that needed AerCap's help and iii) our recently announced engine deals.

On shareholder returns, as we mentioned earlier, today's record $1 billion share repurchase authorization takes total announcements to $5 billion in the last two years. In that time, we have deployed $4bn and reduced the share count by 25%, with more to come from this latest authorization. These returns come from a position of strength, built on industry-leading cash flows and profitability, making them both attractive and sustainable.

So, as we look back on 2024, this was another great year for AerCap, with broad based demand for our aircraft. We completed 150 asset purchases, executed just under 500 lease agreements and generated $5.4 billion of operating cash flow. In addition, we repurchased 16.8m shares for $1.5 billion, reduced our leverage to 2.35x and were upgraded to BBB+ by S&P and Moody's.

Looking forward to 2025, our confidence in the company's outlook remains strong, and we look forward to demonstrating this to you in the quarters and years to come.

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

Peter Juhas

Thanks Gus. Good morning, everyone.

Our GAAP net income for the fourth quarter was $671 million dollars, or $3.56 per share. The impact of purchase accounting adjustments was $112 million dollars for the quarter, or $0.60 a share. That included lease premium amortization of $30 million dollars, which reduced basic lease rents, maintenance rights amortization of $22 million dollars, which reduced maintenance revenue, and maintenance rights amortization of $60 million dollars, which increased leasing expenses.

During the fourth quarter we had $168 million dollars of recoveries related to the Ukraine Conflict, or $0.89 a share. This represents settlements with certain of the insurers on our C&P insurance policy. The overall tax effect of the purchase accounting adjustments and the net recoveries related to the Ukraine Conflict was $8 million dollars, or $0.04 a share. So, taking all of that into account, our adjusted net income for the fourth quarter was $624 million dollars, or $3.31 per share.

I'll briefly go through the main drivers that affected our results for the fourth quarter. Basic lease rents were $1,619 million dollars, an increase from $1,605 million dollars in the third quarter. Basic lease rents reflected $30 million dollars of lease premium amortization expense, which reduces basic lease rents. Lease premium assets are amortized over the remaining term of the lease as a reduction to basic lease rents. Maintenance revenues for the fourth quarter were $106 million dollars. That reflects $22 million dollars of maintenance rights assets that were amortized to maintenance revenue during the quarter. In other words, maintenance revenue would have been $22 million dollars higher, or $128 million dollars, without this amortization. Net gain on sale of assets was a record $260 million dollars for the fourth quarter. We sold 40 of our owned assets during the fourth quarter for total sales revenue of $869 million dollars. That resulted in an unlevered gain-on-sale margin of 43% for the quarter, which is equivalent to a multiple of 2.6x book value, and that's one of the highest quarterly margins we've ever had.

As of December 31st, we had $466 million dollars' worth of assets held for sale. Other income was $88 million dollars for the quarter, which consisted primarily of interest income. Interest expense was $505 million dollars. Leasing expenses were $214 million dollars for the quarter. This included $60 million dollars of maintenance rights amortization expenses. Income tax expense was $93 million dollars, which represented an effective tax rate of 12.8% for the fourth quarter. For the full year, our effective tax rate was 14.3%, which includes approximately $40 million of valuation allowance releases and tax recoveries during the year. 2024 was the first year we were subject to the global minimum tax under Pillar 2, which increased our tax rate by 1.9% from what it otherwise would have been.

On the next slide, you can see a walk of our full year earnings and EPS. And as you can see, it was a very strong year for AerCap. We had approximately $2.1 billion dollars of GAAP net income for the year, which included $195 million of net recoveries related to the Ukraine Conflict. That resulted in $10.79 of GAAP EPS for the year. After adjusting for the insurance recoveries as well as for purchase accounting items of $475 million, our adjusted net income was approximately $2.3 billion dollars. That equates to adjusted EPS of $12.01 a share, which is a record for AerCap. As a result, for the full year, our GAAP return on equity was 12%, and our adjusted ROE was 14%. Our operating cash flow was a record $5.4 billion dollars for the year. That doesn't include any proceeds from Russian insurance settlements, because those go through investing cash flow, and it also doesn't include any gains on sale, which also go through investing cash flow.

We continue to maintain a strong liquidity position. As of December 31st, our total sources of liquidity were approximately $21 billion dollars. That compares to uses of around $11 billion dollars, resulting in a next-12-months' sources-to-uses coverage ratio of 2.0x. And that reflects excess cash coverage of around $10 billion dollars.

Our leverage ratio at the end of the quarter was 2.35x to 1, which is slightly lower than last quarter. Our operating cash flow was approximately $1.3 billion dollars for the fourth quarter. Our secured debt-to-total-assets ratio was 12% at the end of December, which is the same as last quarter. And our average cost of debt was 4.1%. During the fourth quarter, we bought back 3.1 million shares at an average price of $94.74, for a total of $297 million dollars. We also paid

our third quarterly dividend of $0.25 a share. Our book value per share was $94.57 as of December 31st, which is an increase of 13% over the last 12 months, and that of course does not include the $0.75 a share in dividends that we paid out during the year.

So that covers our 2024 performance. Now, I'll turn to our guidance for 2025. For 2025, we're projecting adjusted EPS of $8.50 to $9.50, not including any gains on sale.

On the next slide, you can see we've provided a walk of our EPS from 2024 actuals to what we expect for 2025 to call out some of the major items. In 2024, we had gains on sale of $651 million dollars, or $2.85 per share after tax. So, excluding gains on sale, our adjusted EPS for 2024 was $9.16. In 2024, we had a high level of other income, which was driven in part by high cash balances as well as some one-time items. So, in 2025, we're expecting other income to be lower by about $0.35 cents a share. As I mentioned, we recognized approximately $40 million of discrete tax benefits in 2024, which reduced our effective tax rate for the year. Without these benefits, our effective tax rate in 2024 would have been around 16%. We aren't projecting any tax benefits in 2025, so that's a headwind of around $0.20 cents a share in 2025 compared to 2024. Those are the major items to call out. The last column includes everything else, including leasing, maintenance, share repurchases, etc. and we expect the net effect of all of these will be about $0.40 cents positive in 2025. So that takes us to an EPS range of $8.50 to $9.50 for 2025, again, not including any gains on sale.

On the next slide, you can see a breakdown of our projected income statement for 2025 showing the major line items. For the full year 2025, we expect to have lease revenue of around $6.6 billion dollars, maintenance revenues of around $700 million dollars, and other income of around $200 million dollars, for total revenue of about $7.5 billion. We've assumed that we'll have cash capex of around $5.6 billion dollars for the year, and asset sales of $2.0 billion dollars. As you know, these figures can vary significantly – capex is largely dependent on OEM deliveries, and sales volume depends on the demand for assets and the time it takes to close those sales.

We're projecting depreciation and amortization of around $2.7 billion dollars, and interest expense of around $2.1 billion dollars. We expect leasing expenses, SG&A and other expenses to total around $1.3 billion dollars for the year.

On tax, we've assumed an effective tax rate of 16.5%, which, as I mentioned, assumes no specific tax releases as we had in 2024. That also reflects the impact of global minimum tax under Pillar 2, which results in a top-up tax for jurisdictions, like Ireland, where the company is paying an effective tax rate of less than 15%. In 2025, we expect to recognize earnings of around $100 million to $150 million dollars from our equity investments, which is primarily our engine leasing joint venture SES, but also includes some other smaller equity investments.

Altogether, that gives us projected GAAP net income of around $1.3 billion dollars for the year. After purchase accounting adjustments of around $300 million dollars after-tax, we expect to have adjusted net income of around $1.6 billion dollars for the year. That gives us an adjusted EPS range of $8.50 to $9.50 for the year, again not including any gains on sale.

Overall, AerCap continued to perform very strongly during the fourth quarter. As we look out into 2025, we continue to see a strong environment for leasing, which you can see from our utilization rate of 99%. It also continues to be a strong environment for aircraft sales, and you can see that reflected in the record level of our gains on sales in the fourth quarter and for the full year 2024.

We're continuing to generate strong cash flows that in turn result in greater profitability and more financial flexibility, and we're deploying capital towards attractive aircraft and engine

opportunities. We also continue to return capital to shareholders. Over the past two years, we bought back over $4 billion worth of stock, which is almost 30% of our market cap at the beginning of that period.

And today, we've announced a new share repurchase program of $1 billion, which is our largest program ever. We've also announced today an 8% increase to our quarterly dividend, taking it to $0.27 a share. All of these actions reflect our strong confidence in the value of AerCap stock and in the company's outlook for the future.

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

Questions And Answers

Operator

Thank you. We will take our first question from Hillary Cacanando with Deutsche Bank.

Hillary Cacanando

Hi, thanks for taking my questions. So, you talked about different sets of aircraft buyers in the secondary market, which was very interesting. So, I just wanted to get your view on what happens to the sales environment when the OEMs start producing aircraft on time, which I understand is probably a couple of years from now. But is it your view that the sales environment will remain robust – but maybe the mix changes to maybe more financial buyers and part-out buyers buying the aircraft versus the airline buying in the secondary market? Is that the right way to think about it or do you think the sales environment will get weaker if the supply gets back to normal?

Aengus Kelly

Thank you, Hillary. First of all, I believe there'll be a shortage of aircraft for years to come as I have said on several calls and at our Capital Markets Day. So, you're right that eventually, of course, the airframers will start producing more aircraft. I still think that's several years away before they get to their targets. If you go back to our Capital Markets Day where we highlighted the challenges of the aircraft that are being produced today, they do not spend as much time in service as their predecessors because they are more fragile. They spend more time in the shop.

Therefore, I expect to see continued strength out of necessity for used aircraft values well into the future. And from our perspective, what you will see though is that our portfolio is 75% new tech at the moment and I'm sure over the course of the next few years that will get closer and closer to 95%, 98%.

Hillary Cacanando

Yeah, great. Thank you. That's really helpful. And then just a quick question on leasing expense. It seems a little bit elevated in the fourth-quarter. I was wondering if you could just talk about what drove that and if this could be like a new run rate going-forward or no?

Peter Juhas

Sure, Hilary. It was slightly higher in the fourth quarter, maybe $20 million higher or so than other quarters this year. I think it's a reasonable run rate now. As I've said in the past, leasing expenses moves around depending on the timing of events. So, it's hard to read very much into any one quarter, but I think it will probably stay roughly around these levels in 2025.

Hillary Cacanando
Okay. Is it due to aircraft transitioning costs or just some selling them or anything specific that you can about?

Peter Juhas
It's just a combination of all the things that go through really. It's the timing of all these events that happen. So that's why it will bounce around from quarter-to-quarter. But overall, you can think of $150 million a quarter as a reasonable run-rate.

Hillary Cacanando
Got it. Great. Thank you so much. Very helpful.

Aengus Kelly
Sure.

Operator
The next question is from Jamie Baker with J.P. Morgan.

Jamie Baker
Hello, everybody. So Mark and I have a question on lease extensions. I think it was Slide five in the deck. So of the aircraft that are not being extended, how many are actually transitioning? So, they're at an airline, they are not being parted out, they're not being extended basically kind of the old-fashioned model of dialing around, hey, do you want do you want a plane? And the reason we ask is that the net margin did tick down slightly year-on-year. We're curious if transitioning aircraft might have been a contributing factor.

Aengus Kelly
A couple of things. There are very few aircraft that transition. And at the moment, I can think of maybe a handful throughout the year. There's a few more. We try and pull them out because we can know we can get higher rates elsewhere. As it relates to net spread though, Jamie, the key there is we do not manage the business to net spread. We manage it to EPS and ROE. And that ROE number was 14% after tax this year, which is industry leading by a country mile.

Now I mentioned why we don't manage to net spread. Of course, if all the proceeds I'd taken -- if I had never sold those older assets, I'd have higher net spread. I'd have a higher risk business, and I'd have lower earnings per share. If I did sell those assets and just paid down debt, I'd have higher net spread and lower EPS. So, every dollar this company generates, we allocate it in the way that drives ROE for the shareholders, and EPS. That’s the only line in the P&L that matters to me or the balance sheet. I don't care about growth, I don't care about anything except making money for the shareholders at the bottom line. And that's the only line that really matters to us.

Jamie Baker
Understood, and thank you for that. And then second on Russia, you know, given what you've written down and what you've now received, where does that bring us in terms of the percentage of the recovery? Actually, let me put it more precisely, sorry. Of the amount you've recovered, what percent is that of the original book value, not necessarily what you wrote down, but the original book value that you estimate has now been recovered? Thanks in advance, and I'll see you on the 12th, guys. Thanks.

Peter Juhas

So the write-down, Jamie, was about $2.7 billion pre-tax. And that was net of some offsets that we had because we released maintenance. So, call that $3.2 billion that we had of book-value there. We recovered $1.3 billion in 2023 roughly, and another $200 million in 2024. So that gives you an idea of where we stand relative to that initial book-value.

Jamie Baker

That's perfect. Thanks. Thanks for doing the math for us. Appreciate it. Take care.

Aengus Kelly

Sure.

Operator

The next question is from Stephen Trent with Citi.

Stephen Trent

Thank you and thank you for taking my question. Can you guys hear me?

Aengus Kelly

Sure.

Stephen Trent

Great. Sorry, I was having some trouble with my phone. Thank you very much for taking my question. Just some quick ones from me. The first is when we think about that very attractive BBB credit rating, do you see any benefit from maybe pushing that rating higher in terms of thinking about net spreads?

Peter Juhas

Well, Stephen, as you know, we're BBB-plus with two of the rating agencies, and on positive outlook with Fitch. We'd hope to see that converted to BBB-plus with Fitch as well, which would be helpful. And look, I think that this has been a good trajectory for us over the last few years. And a recognition of the resilience of the business and the strong performance and the outperformance in terms of cash flows and all of that.

So could it go higher? It could go higher, but we'll have to see where that goes. Our spreads at the moment are at historically tight levels. They're around 80 basis points on the five-year. So that's very good. How much benefit would we get from getting up to A-minus, it’s hard to say, but certainly, we'd welcome higher ratings. That would be a positive.

Stephen Trent

Okay. Very helpful. And just an industry question for you. And I know this doesn't exactly pertain to you guys, but looking at the uncertainty in the US today with respect to potential tariffs, are you seeing anything in the market that might suggest sort of US based airlines are pulling back a little bit on sale leaseback transactions just given the having to potentially pay a tariff on whatever they purchase even if they sell it back to a lesser? Would just love your view on that. Thank you.

Aengus Kelly

Thanks, Stephen. No, we haven't observed any change in behavior from any airline as yet in the US or any part of the world. I think things are far too uncertain to commit to a course of action for anyone at this point in time.

Stephen Trent

Makes sense. Thank you very much, Aengus.

Aengus Kelly

Pleasure.

Terry Ma

The next question is from Terry Ma with Barclays.

Hey, thank you. Good afternoon. So first, I just wanted to confirm the core EPS guide contemplates the use of the $1 billion buyback and nothing incremental above that. And then just more broadly, you're well below your leverage target with the potential to go even lower with additional Ukraine recoveries. Can you maybe just talk about how you think about moving back to a more optimal leverage level and over what time period?

Peter Juhas

Sure. Thanks, Terry. On your first question, yes, what that guide is based on is the utilization of our remaining amount under the existing authorization, which is $164 million today and the new program of $1 billion, nothing beyond that. And then, in terms of where we are, our leverage ratio now is 2.35x to 1, which is relatively low and as you said, below target. As the year progresses, as you've seen, we've deployed lots of capital. We've deployed lots of capital, both in terms of returning capital to shareholders.

I referenced in my prepared remarks, over the last two years, we've bought back almost 30% of the market cap. It's hard to find any other company that has done that. But by the same token, we're also looking at opportunities to grow and we've seen good attractive opportunities to do that over the past year, which is where we deployed capital. We'll just have to wait and see how that happens. But we are deploying it in significant ways. It's just this business generates a huge amount of capital, a huge amount of cash flows, as you've seen.

Terry Ma

Got it. And then I may have missed it, but can you maybe just unpack the gain on sale margin of 43% this quarter a bit? And as we kind of look-forward to this year, any color you can provide on how we should think about the margin as we kind of factor in the demand you're seeing from the different types of buyers you mentioned and also just the mix of assets you have earmarked for sale? Thank you.

Peter Juhas

We've seen a strong margin pretty much across the board, and across all asset types that we've been selling including aircraft and engines. It hasn't really been driven by any one area in particular. As we look out, I don't think the mix is going to change significantly in 2025. Look, obviously, the gains on sale were very high this year, 43% in the fourth-quarter, 27% for the full-year. That's much higher-than-normal. I do think that we will probably be above the long-term averages, but how far above it's hard to say.

Operator

The next question is from Moshe Orenbuch with TD Cowen. Please go ahead.

Moshe Orenbuch

Great. Thanks. Pete, it feels like your guidance is pretty conservative and obviously being conservative is better than not and it's always been your kind of approach. But could you maybe just unpack the $6.6 billion that you've got for 2025 and lease rents, right? I mean, if you look at the fourth-quarter and just kind of simply multiply that by four, you're at $6.5 billion. And given the commentary from the last couple of questions and during the call about opportunities out there, whether it's for lease -- lease renewals at the same or higher levels, as well as kind of potential sale leasebacks and other things. Can you just talk a little bit about what's inherent in that $6.6 billion?

Peter Juhas

Sure, Moshe. So, really what we're expecting is kind of a steady progression of that a gradual increase quarter quarter-by-quarter of the of the basic lease rents. And that's really due to us putting leases in place at higher rates now given the good environment, but it takes a while for that to roll through the portfolio. I would expect the steady progression to continue throughout next year and beyond really.

Moshe Orenbuch

Great. And one of the things that I think Gus alluded to it that the planes are spending less time in service and that's kind of been a benefit for your engine leasing business. It's not something that you've talked about much and kind of looking at the joint-venture income, I mean, I think you've only got $100 million in 2025. Just talk a little bit about the engine leasing business and your outlook for it in '25?

Peter Juhas

Sure. Maybe I can comment on that line item, the guidance and then Gus can talk about it generally. So, Moshe, in 2024 the net income from equity-method investments was $159 million and our guidance was $100 million to $150 million. So, it is close to that level for 2024. The one thing that's worth noting here is that as we've done some of these new engine deals and SES has done these new engine deals, we've changed the terms of them so that rather than receiving monthly maintenance from CFM, we are receiving full-life engines at the end of that lease. So, they are shopping the engines and returning them to us in full life condition.

We think that's a better economic result, frankly. But what it means is you're not recognizing that maintenance revenue during the course of the lease. You've got a better engine at the end-of-the lease, but lower monthly maintenance revenue, basically. And that's what explains that line item.

Aengus Kelly

As you rightly point out on the engine business, these are very desirable assets and it is a unique position that we occupy in the industry.

Moshe Orenbuch

Thanks very much.

Aengus Kelly

Sure.

Operator

The next -- the next question is from Catherine O'Brien with Goldman Sachs.

Catherine O'Brien

Hey, good morning, everyone. Thanks for the time. So, I know we'll get -- these figures are going to change once we get your 20F later this morning as you have renegotiated some of these already. But as of the 2023 20f, I think you had 131 aircraft between 2025 and 2026 with leases expiring, that's about 13% of your year end 2024 passenger fleet. Can you just help us think through what percentage of these are COVID air leases and what the upside to lease rates could be for these aircraft, the COVID ones as they move to new leases at today's rates? Thanks.

Aengus Kelly

We don't have specific numbers, but if you just think generally about our fleet, the average lease term is six to seven years so that's what you have capable of repricing in any given year. And so that's how I would think about it. If you were to look at all the leases to reprice, that's the term. It will happen over a seven-year period.

Peter Juhas

And Catie, maybe it's helpful if you look at the COVID-era leases, just generally, we expect those to run-off pretty much about one-sixth a year from now going out until, say, 2031 or 2032. It takes a while for that to come through, but it will be a tailwind for us going forward.

Catherine O'Brien

Okay, great. And then maybe just another one on the engines. You announced another $2 billion in engine commitments today. Can you walk us through what is driving the incremental investment in engines? Of course, the gap of supply-and-demand that market is well-documented. So, is it that the economics are better on engines and aircraft? Or is it just like the backlog for aircraft is too long and today's pricing on buying new engines make more sense than aircraft from a return on capital standpoint? Just any thoughts on the comparison of the economics between engine and aircraft and why the incremental dollars are going to engines today would be very helpful. Thank you.

Aengus Kelly

Sure. Well, I think, you've got to look at our position in the engine business as a partner to the OEMs – providing part of the aftersales product that the engine OEM gives to its customers. So, in many respects, the engine leasing businesses that we have, one is SES, one is an in-house logistics business where you are moving vast numbers of engines every week around the world at the instruction of the OEM.

So, it's a different type of business to leasing, it's a different payment structure and it is a position where we have a unique infrastructure that's been built up over 30 years, to have the infrastructure around the world to be able to rapidly move engines. If we get a call on Friday and we're told by the OEM, you need to take one engine back from New York, another one has to get to Tokyo, one more has to get to Saigon, take one back from Delhi. That's that what that business does.

So, it's a significantly different business from a straightforward financing business. And so our ability there is unique and we add value to the OEMs' after sale service. And when you get the opportunity to grow that, that's where we want to grow.

Catherine O'Brien

Okay. And if I could sneak one more quick follow-up to an earlier question and a modeling one. You know, Pete, am I right to assume that the $850 EPS does not include any buybacks? Just maybe this math is too simple, but dividing $1.6 billion in net income by $850 gets you to your 4Q share count. So any help there? And then just on the repurchase authorization more generally, it's your largest ever announced. Should we think of that as a comment on buyback pacing or what else drove the larger announcement? Thanks so much for all-the-time.

Peter Juhas

Sure. Well, I would just think of it as kind of at the midpoint of that range, that's assuming that we're fully deploying the full authorization. One-way to think about the low-end is we're not deploying it fully or we just have more other contingencies in there. It's just a range built around that midpoint is probably the best way to think about it from a modeling standpoint.

And then in terms of the pace of buybacks, as I kind of referenced before, we're only assuming that for now, but if we can outperform these projections, if we get more excess capital coming in, then we'll have to figure out what to do with that. And certainly, return of capital to shareholders has been one of the key ways we've done that. So, I think it's reasonable to assume that we would continue. But obviously, we look at all opportunities that are available.

Catherine O'Brien

Thanks so much.

Aengus Kelly

Sure.

Operator

There are no further questions at this time. Mr. Kelly, at this time, I will turn the conference back to you for any additional or closing remarks.

Aengus Kelly

Thank you, operator, and thank you everyone for joining us for our full-year earnings call and we look forward to talking to you in the coming months. Thanks very much.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.

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