

FINAL TRANSCRIPT

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AER - Q3 2011 Aercap Hldg NV Earnings Conference Call

Event Date/Time: Nov. 08. 2011 / 2:30PM GMT



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PRESENTATION

Operator

Ladies and gentlemen, welcome to the Aercap 2011 third quarter results conference call on the 8th of November 2011. Throughout today's presentation all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions)

I'll now hand over the conference call to Mr. Peter Wortel. Please go ahead, sir.

Peter Wortel - *Aercap Holdings NV - Head of IR*

Hi, thank you. Good day everyone. Welcome to the 2011 third quarter results conference call. With me today are Aengus Kelly, Aercap's CEO; and Keith Helming, Aercap's CFO.

In addition to this earnings call, Aercap will host a lunch for analysts and the investors today at the New York Palace. The lunch will not be webcasted, but a copy of the presentation will be available on the website.

Before we begin, I want to remind you that some statements made during this conference call that 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.

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In addition, this conference call contains time-sensitive information that reflects management's best judgment only as of the date of the live call.

Aercap does not undertake any ongoing 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 the performance related to forward-looking statements can be found in Aercap's earnings release dated November 8th, 2011. A copy of the earnings release and conference call presentation are available on the 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.

I'll now turn the call over to Aengus Kelly. Aengus, please go ahead.

Aengus Kelly - *Aercap Holdings NV - CEO*

Thank you, Peter. Good morning to everyone in the US and good afternoon to those of you in the Middle East and Europe. Thank you for joining us today for our third quarter earnings call.

Net income for the third quarter of 2011, excluding non-cash mark-to-market charges and certain one-off other charges, was \$75.6 million or \$0.51 per share. This record operating profit is testament to the success of our leasing strategy, the excellence of our platform, the quality of our aircraft portfolio and the efficiency and robustness of our funding structure.

On an unadjusted basis, however, which takes into consideration the non-cash mark-to-market of interest rate caps, share-based compensation and several one-off charges incurred in Q3, we did report a net loss of \$7 million for the quarter.

Keith will provide more information on this following my introduction.

Since the end of the second quarter, we have executed several important transactions. Firstly, we completed the sale of AeroTurbine to ILFC. We acquired AeroTurbine in 2006 to prune our portfolio of older, out-of-production aircraft.

Now, that we are one of the youngest and most in-demand fleets in the industry, the capital released from the sale of AeroTurbine can be redeployed to generate increased value for our shareholders through other more accretive transactions.

Secondly, the first three 737-800 next generation aircraft have been delivered to American Airlines as part of the purchase-leaseback deal we announced during the second quarter. The total transaction is for 35 of the most in-demand aircraft in the world, the 737-800.

This deal has very attractive terms and as you know aircraft is not required to pay pre-delivery payments for these aircraft.

Very importantly, prior to closing this transaction, we amended and extended our UBS facility, so they could fund up to six of the American Airlines deliveries. And two weeks ago, we announced the second financing transaction covering an additional 12 of the American deliveries.

This transaction once again demonstrates Aercap's unrivaled access to the aircraft financing markets, and we now have all the American Airlines deliveries through March 2013 financed.

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Thirdly, during the third quarter, we expanded our share buyback program to \$100 million and bought back 9.4 million shares at an average price of \$10.64 per share. This transaction is consistent with our objective of maximizing long-term shareholder value.

Now, with regard to the general aviation market, we have not witnessed any unusual levels of restructuring activity in our customer base. However, given the current economic uncertainty, we are extremely vigilant. As we have demonstrated over the past four years, when we do encounter a problem with a customer, AerCap's platform is able to rapidly redeploy aircraft from non-performing airlines in the regions to performing ones.

I should also note with an average age of 5.6 years our portfolio is made up of the youngest and most attractive aircraft available. And more than 75% of our lease revenue is generated outside the euro zone and our exposures to countries like Portugal, Ireland, Greece and Spain is very limited.

In conclusion, excluding one-off non-cash items, AerCap has delivered another quarter of industry-leading profitability and we are delivering on a series of transactions that will generate significant long-term value for our shareholders.

With that, I will hand you over to Keith to take you through the financials.

Keith Helming - AerCap Holdings NV - CFO

Thanks, Gus. Good morning, everyone. I'll take you through our earnings call presentation for the third quarter now, and I will start on Page 4.

As mentioned, our reported results in the third-quarter 2011 was a loss of \$7.1 million. However, the adjusted net income was \$75.6 million as compared to \$61.1 million in the same period of 2010.

Adjusted net income excludes the non-cash charges relating to the mark-to-market of our interest rate caps and share based compensations and also in this quarter, excludes certain one-time charges incurred in connection with the AeroTurbine sale which closed on October 7th and is reflected as a discontinued operation.

For the first nine months of 2011, adjusted net income was \$223.3 million as compared to \$167.4 million in the first nine months of 2010, an increase of 33%.

Reported earnings per share was a loss of \$0.05 in third-quarter 2011 including all items. Adjusted earnings per share was \$0.51 during the same period. For the first nine months of 2011 adjusted earnings per share was \$1.50. The average shares outstanding during third-quarter 2011 was 148.6 million.

After completion of our share repurchase program during third-quarter 2011, the number of shares outstanding is 139.8 million.

On page 6, total revenue in third-quarter 2011 was \$338 million. Revenue excluding sales revenue was \$272 million in third-quarter 2011, an increase of 12% over the same period in 2010. Sales revenue in the third quarter was down year over year and is more reflective now of the amount expected in coming quarters.

I should point out here that although the AeroTurbine sale did not incur until November -- excuse me, until October 7th, AeroTurbine is no longer included in the Specific line items in our income statement except for the line labeled as discontinued operations.

On the balance sheet, AeroTurbine is reflected in two line items, Disposal Group Assets and Disposal Group Liabilities.



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Net spreads, the margin earned on leased assets, was \$182 million in the third-quarter 2011 as compared to \$164 million in the same period of 2010. The annualized margin as a percent to average lease assets was 9.2%.

Page 8, total sales revenue in the third-quarter 2011 was \$66 million. All of these revenues relate to the sale of aircraft. So a gain from sales in third-quarter 2011 was \$4 million on a pre-tax basis. The sales revenue and resulting gain was generated from the sale of six older aircraft which included three A320s, one A330, one 737-300 and one 757.

Page 9, the total amount of AerCap leasing expenses and SG&A for the third-quarter 2011 was \$49 million, as compared to \$29 million in the third-quarter 2010. The increase in SG&A in the third-quarter 2011 was driven primarily by the mark-to-market on certain derivatives.

Page 10, leasing expenses were approximately \$24 million for third-quarter 2011, which was essentially flat with third-quarter 2010. \$5.9 million of the cost in third-quarter 2011 relates to airline defaults or repossessions, which occurred in either 2010 or 2011.

Page 11, SG&A expenses were \$32 million in third-quarter 2011. Normal SG&A cost were essentially flat on year over year. The increase in SG&A in third-quarter 2011 compared to same period in 2010 was primarily the result of mark-to-market of foreign currency hedges, foreign currency cash balances and other derivatives.

There is a positive mark-to-market of \$8.5 million in third-quarter 2010 from these items which is a credit to SG&A and in third-quarter 2011 there was a charge of \$11.4 million for the same item.

Our blended tax rate for the first nine months of 2011 was a charge of 6.6%. We also expect that full year tax rate also to be 6.6%.

Page 13, AerCap's total assets at the end of the third-quarter 2011 are \$9.6 billion. The number of aircrafts in our portfolio is 359. This includes the owned aircraft, the managed aircraft and the aircraft on order under contract or subject to LOI. And the number of aircrafts includes the recently announced purchase-leaseback transaction with American Airlines.

Page 14, for the full-year 2011 we expect \$934 million in purchases of Aviation assets, which consists of 14 aircraft. For full-year 2012, we expect a similar amount, of \$932 million. Again this consists of 16 aircraft. Both of these amounts include the recently announced transactions with American Airlines.

Page 15, the utilization rates remained at 98.4% for the first nine months of 2011, and the yield generated by aircraft lease portfolio was 13.2%.

The average term of new leases for new aircraft entered into during the first nine months of 2011, inclusive of letters of intent, was 147 months. The average term entered into in the first nine months 2011 for new leases on our existing portfolio was 77 months.

Page 16, AerCap's unrestricted cash balance at the end of the third-quarter 2011 was \$274 million, and our total cash balance including restricted cash was \$535 million. These balances increased to \$427 million of unrestricted cash and \$638 million of total cash after taking into consideration the cash generated from the sale of AeroTurbine.

In addition, operating cash flows were \$202 million for the third-quarter 2011.

Page 17, at the end of third-quarter 2011, AerCap's debt balance was \$6.2 billion and our debt-to-equity ratio was 2.8 to 1. Our book equity is approximately \$2.2 billion or \$15.61 per share. The average cost of our debt in the third quarter was 3.6% or 3.2% excluding the amortization of [upfront] fees.

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Page 18, AerCap initiated the share repurchase program, which allowed us to acquire up to \$100 million of shares in 2011. During third quarter, 5.8 million shares have been bought for a total consideration of \$60.6 million on an average price of \$10.47 per share.

As of November 2nd, 2011, we have purchased 9.4 million shares at an average price of \$10.64, which completes the \$100 million share repurchase program for 2011.

Page 19, the EPS impact for the first nine months of 2011 from the sale of aircraft and other one-offs was approximately \$0.07. For fourth-quarter 2011, the EPS impact from the sale of aircraft and other one-offs is expected to be approximately just \$0.01.

And page 20, with regard to our full-year 2011 financial outlook, committed purchases of assets would be approximately \$1 billion including the American Airlines aircraft. 2011 basic lease rents is expected to increase 10% to 15% over 2010. The maintenance contribution to income is expected to increase \$20 million in 2011 compared to 2010.

And the average cost of debt in 2011 is expected to be approximately 3.5% to 4% and the blended tax rate as mentioned will to be approximately 6.6% and in 2011 ROE is also expected to be comparable to 2010 based on adjusted net income.

And so those are the financial details and highlights for third quarter. And I'll turn back over to Gus.

Aengus Kelly - AerCap Holdings NV - CEO

Thanks, Keith. Before opening up to the Q&A session, I would just like to summarize the key commercial transactions that AerCap has executed over the last six months.

First, we amended and extended our \$775 million facility with UBS as of 2016. As I mentioned earlier, this facility provides funding for up to six of the American Airlines aircraft, and importantly does not contain any map or market disruption clauses.

Second, we bought out the Genesis servicing contract from GECAS for \$24 million pre-tax, thereby saving \$6 million in annual servicing fees and gaining control of the Genesis portfolio.

Third, we acquired 35 of the most in-demand aircraft in the world, the 737-800, through a sale leaseback agreement with American Airlines. This transaction provides AerCap with stable and profitable growth through 2014.

Four, we acquired 9.4 million shares at an average price of \$10.64 under our share repurchase program. This will provide approximately \$0.10 of annual EPS accretion.

Fifth, we sold AeroTurbine for \$228 million, which represents an EBITDA multiple of 11 to 12 times. This transaction frees up capital for alternative investments, reduces our exposure by \$560 million to older out-of-production equipment and improves our liquidity position.

And sixth, just two weeks ago we closed a \$400 million facility to fund 12 American Airlines aircraft with five key banks. This transaction once again demonstrates AerCap's unrivalled access to the aircraft financing market.

With that, I will open the call to Q&A. Operator?



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QUESTIONS AND ANSWERS

Operator

(Operator instructions) Gary Liebowitz, Wells Fargo Securities.

Gary Liebowitz - Wells Fargo Securities - Analyst

Hi Gus, we've heard from one of the lessors that there has been a real split in the narrow body market in terms of demand and recoveries in the 737 versus the A320. And your portfolio is very A319 and A320 heavy. I was just wondering -- I mean how challenging has it been to re-lease some of these planes? And are the haircuts in the lease rates that you're seeing perhaps greater than you would have anticipated six to nine months ago?

Aengus Kelly - AerCap Holdings NV - CEO

Yes, there is a certain split Gary, but of course you have to be careful about it. There is no doubt that 737-800 is the most popular aircraft in the world today, and is probably backed pre-downturn level because of the shortage of buying the assets.

The next most in-demand aircraft is the A320 with CFM powered engines and that aircraft is also extremely robust and we don't have any difficulty replacing it. However, I just want to caveat that on the A320 family there were two types of aircraft, there is pre-95, the old engine technology and post-95, the new engine technology. A lot of the difficulty in the A320 market relates to the older out-of-production aircraft where there are significant issues regarding placement of these assets, but as you know our portfolio of A320 is very young and is not exposed to that. Furthermore we don't have many assets rolling over at the moment either.

On the A319 and the 737-700, there has been a downturn in the level of demand for those assets. However, that can change also. Going out of the last downturn in '03, it was the 319 and 700 that were the most in-demand aircraft because Airlines wanted to maintain frequency so they downsized the assets.

At the moment, as I've said, there is a weaker demand for the 319 and the 700. However, it is not preventing us from placing any assets. We have one A319 to place at the moment, which we've already signed an LOI from. So it's not having any meaningful impact on the overall results of AerCap at the moment.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, thanks. And on the 737-800, maybe it's a little bit early, but can you talk about demand for some of those 2015 new delivery slots?

Aengus Kelly - AerCap Holdings NV - CEO

Yes, we can actually. We just have 10 foreign aircraft in 2015. We've already placed 3 of them and there are number of parties looking at the remaining 7 at the moment, which really is testament to the strength of the market for that airplane type.

Gary Liebowitz - Wells Fargo Securities - Analyst

okay. And then just one quick one for Keith, I will get back in the queue. For 2012, should we assume that your cost of debt remains at around this level or as you lay around the additional debts with some of these new asset acquisitions that that might tick up a little bit?

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Keith Helming - AerCap Holdings NV - CFO

Yes, as you know, it ticked up a little bit versus 2010 and 2009. So I think the current level of 3.5% to 4% is the reasonable number to use.

Gary Liebowitz - Wells Fargo Securities - Analyst

Thank you.

Operator

Michael Linenberg, Deutsche Bank.

Richa Talwar - Deutsche Bank - Analyst

Hi everyone this is actually Richa Talwar filling in for Mike. I have just a few questions. First one that you are probably getting a lot lately in light of (inaudible) and the impact in European banks. I just wanted some color on how you are finding the financing market. I know it says you're secured financing for all your aircraft funding requirements through 2012. But we just wanted to know if you've noticed any change in the environment and the ability to secure financing maybe beyond that?

Aengus Kelly - AerCap Holdings NV - CEO

Sure, thanks for the question. In terms of our access to financing, I think really deeds speak louder than words and look at what we did two weeks ago when we closed the American Airlines transactions for \$400 million. That was primarily backed by European banks. There is money still available in European banks, but they go to who they perceive to be the top quality lessors.

So there is a flight to quality as to quote the bank's term actually. So AerCap has been able to raise money despite the price that's ongoing. But we are very conscious of it also and we continue to diversify our source of funding around the globe. Over the course of the last 12 months, we've raised over \$1 billion in Singapore, Taiwan and Japan, and we also continue to look at other markets to raise capital and recently we also raised money in Australia. So that's always been one of the core strengths of AerCap is our ability to diversify our funding sources.

Richa Talwar - Deutsche Bank - Analyst

Okay, great. Okay, my second question is on production rates. We noticed that many OEMs have mentioned that they want to continue to increase production rates, yet recently we also heard that the supply chain was having trouble securing financing for further growth. So we wanted to get your take on that situation as it seems that like on one end of the spectrum manufactures are betting on robust global economic growth while suppliers or creditors to the supply chain may have a different view. So if you could just share your thoughts on that situation?

Aengus Kelly - AerCap Holdings NV - CEO

Sure, I think to be fair the suppliers that are facing some difficulty are probably the smaller ones. It's not the Honeywells and the Goodrichs of the world. And so I would imagine that the OEMs told them to fix that issue. However, I think the bigger issue when it comes to supply is look at what is actually delivered, not what the OEMs announced will be delivered in three year's time.

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I mean, just look at Boeing's actual deliveries for last month, they only delivered 24,737-800s. For them to get to 40, that's over a 50% increase in production. Now that's what they are saying they will do in 2014, 2015 and beyond. I have my doubts as to whether or not they will actually reach those levels and I think, if you look at the previous announcements of manufacturers, you will also find that the actual delivery differ from what they said they would be.

Richa Talwar - Deutsche Bank - Analyst

Okay, great, thank you.

Operator

Gary Chase, Barclays Capital.

Gary Chase - Barclays Capital - Analyst

I wondered if I could just ask a couple here. One, in the presentation and I apologize I did miss a few of the prepared remarks, but one of the things you noted was lease terms extending on some of the -- on used aircraft. I'm wondering if there is -- if that's just sort of the nature of the specific aircraft that happened to come off lease or if that's -- if we should read that as there is an element of strength in that used market and you are able to monetize it partially through longer-term leases?

Aengus Kelly - AerCap Holdings NV - CEO

On the used aircraft, Gary, what you normally see is a level around five years, say 60 to 65 months. Now what did happen in 2011 is there would be three aircrafts that would be with a Kuwaiti carrier in the first quarter of the year, Wataniya airlines, and during the Arab spring, we repossessed these airplanes within seven days and had them back on lease within four weeks time. And because they were relatively new aircrafts, they went out actually on 10-year leases, all three of them. So that's why you see an increase above the 60 or 65 months average up to about 77 months.

Gary Chase - Barclays Capital - Analyst

So really it was sort of a mix-related type of issue, it's not a change necessarily in the market.

Aengus Kelly - AerCap Holdings NV - CEO

It's not that.

Gary Chase - Barclays Capital - Analyst

I guess just thinking as well strategically, we have seen US airlines with a downward bias on capacity for a while, we are seemingly are starting to see it out of developed Europe.

They are some questions about China demand, not in aviation necessarily, but in a broader context now. Just wondering what your thought process is on how some of these things might affect your ability to place aircraft when you look out beyond the next few years where you've got that visibility?

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Aengus Kelly - *AerCap Holdings NV - CEO*

Well, Gary, so far we have managed to keep airplanes flying at over 98% even through the last downturn, when there was a much deeper fall in demand than anything we are anticipating at the moment. So I would be very confident of our ability to move the aircraft. Of course there will be periods of over-supply and under-supply where perhaps lease rates will be lower than you would like. But so long as that's matched by low yield curve, the net spread tend to be relatively robust.

I think from AerCap's standpoint, however, the fact that we do not have a very large unplaced order book is the most important fact. And because of the strength of our balance sheet with our low debt-to-equity ratio of 2.8 times, the fact that we resisted from placing orders in 2010 and 2011 and sure that we are in a position now as we go into 2012 and beyond if there is weakness in the market that the Company is very well positioned to take advantage of it.

Gary Chase - *Barclays Capital - Analyst*

Okay. And then, just last -- one last quick one, Gus. When you were talking about the 319, you said that may come back. I was wondering it just feels like it's a tougher climate for that. We are seeing consolidation more broadly, fuel higher, the trend towards larger aircraft goes beyond the 319 and 320 and so I'm just curious if there is something you are seeing in the market that suggests that might be turning or if you are just trying to stress that these situations are very fluid.

Aengus Kelly - *AerCap Holdings NV - CEO*

They are fluid, Gary, but I mean I will say that the 319 market and the 737-700 markets, they go to the smaller shelves, are under more pressure. That's a fact.

Now -- but I want to caveat that remark by saying that if demand for aircraft does fluctuate overtime between big shelves and small shelves, so we do see an oversupply in that area. Now there is a lack of demand, but that doesn't mean we can't place airplanes either, Gary. These airplanes can be placed and they will replace airplanes by 737-300s where they are still far more efficient than those. And as we look forward in the aviation market, I would love to predict that the particular demand for an aircraft size is permanently reduced.

Gary Chase - *Barclays Capital - Analyst*

: Okay, thanks Gus.

Aengus Kelly - *AerCap Holdings NV - CEO*

Thanks, Gary.

Operator

Andrew Light, Citigroup.

Andrew Light - *Citigroup - Analyst*

For a fact, I think you said you had capital commitment of \$932 million or something next year. Is that fully financed as a result of that \$400 million deal or do you still have some outstanding financing to do next year?

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Keith Helming - *Aercap Holdings NV - CFO*

Essentially, it's all financed. I mean, it includes the American Airlines aircraft that Gus had mentioned previously. It has a few aircraft that come from our previous airbus order that will be through bank channels or through the ECS. So effectively all the financing is completed for the next year.

Andrew Light - *Citigroup - Analyst*

Okay. And of the -- on AeroTurbine I think in the prior year adjusted figures you had a contribution of \$800,000. Would that be a kind of rough run rate for the contribution of AeroTurbine in the historic numbers on a quarterly basis?

Keith Helming - *Aercap Holdings NV - CFO*

Well, going forward obviously AeroTurbine is going to be outside of our numbers. But -- yes, I mean that effectively was the income contribution. I mean, we did buy back some assets from AeroTurbine, in particular a note that we had effectively financed out of their facility down there. But that note was generating some reasonable income for AeroTurbine as well. We bought that back and that will be included in our Aercap result, if you will.

Andrew Light - *Citigroup - Analyst*

Okay.

Keith Helming - *Aercap Holdings NV - CFO*

But, you won't see really any more operations from the AeroTurbine business.

Andrew Light - *Citigroup - Analyst*

Sure. Did any planes go with AeroTurbine or was it just inventory?

Keith Helming - *Aercap Holdings NV - CFO*

Yes, there was 10 older aircraft that we had sold down from Aercap that they were, in fact, to be going to part out for us. And obviously they had a handful of their own aircraft. So there was a number of aircraft that went with that sale.

Andrew Light - *Citigroup - Analyst*

Okay.

Aengus Kelly - *Aercap Holdings NV - CEO*

Yes, on that on the older technology we sold \$560 million of the oldest technology equipment to be had on the books, Andrew. It was a combination of the inventory number, the engine portfolio which was focused on older technology aircraft and also the 10 aircraft portfolio. As Keith mentioned, the note that we took back in our equity interest effectively in a portfolio of 737-800 aircraft on lease to two week in the UK, which we brought back at that part of the core portfolio of Aercap.

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Andrew Light - Citigroup - Analyst

So you are now 100% of owners of those aircraft?

Aengus Kelly - AerCap Holdings NV - CEO

Well, the way it was, that joint venture we have with the [EDB Bank]. So we held 50% and EDB held 50%, but our 50% would held to AeroTurbine. So when we executed the sale of AeroTurbine, we took back that note, that equity investment if you will (technical difficulty) aircraft. So that's what we brought back and we left behind all the older technology equipment.

Andrew Light - Citigroup - Analyst

Okay, got it, got it. Thanks very much.

Operator

Helene Becker, Dahlman Rose.

Helene Becker - Dahlman Rose - Analyst

Just two questions. One, do you feel your fallout in terms of what you want do for growth, is your growth sort of set for the next three to five years or do you still have the ability to grow more if opportunities presented itself?

Aengus Kelly - AerCap Holdings NV - CEO

Thanks Helene, on the growth as you can see we are doing around \$1 billion next year. But in total over the course of the period 2015, we are just doing the \$3 billion, which is just slightly north of our depreciation bill.

And with the debt-to-equity ratio up 2.8 times, this Company is well positioned now to take advantage of growth opportunities that may come in the course of 2012. As you know Helene, you did not see us buying the Red Hawk market of 2010 and 2011 at the air show in Farnborough and the air show in Paris when there was a queue of people outside the tent. You will see us outside that tent when there is nobody there.

Helene Becker - Dahlman Rose - Analyst

So would you buy in Dubai? No, I was just joking?

Aengus Kelly - AerCap Holdings NV - CEO

The point you Helene is this Company is well positioned to take advantage of stress in the market. You won't see us buying the top of the market.

Helene Becker - Dahlman Rose - Analyst

Okay. And then just one follow up. Do you have available or is there on the website the delivery schedule by quarter for the next five quarters including this one?



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Aengus Kelly - *Aercap Holdings NV - CEO*

I mean you can see the total dollar figure for this year and next year I mean it -- if that should give you an idea. But I don't think it's particularly weighted towards one quarter or the other.

Helene Becker - *Dahlman Rose - Analyst*

Okay. So we should think about it as coming in kind of evenly?

Aengus Kelly - *Aercap Holdings NV - CEO*

I think that's probably the best, yes the best.

Helene Becker - *Dahlman Rose - Analyst*

Okay. All right. Thank you very much. Those were my questions.

Operator

Scott Valentin, FBR.

Scott Valentin - *FBR - Analyst*

Just with regard to the buyback, you guys obviously took advantage of an attractive stock price and purchased shares at a nice level. When is the next time you possibly could address the buyback or maybe even a dividend and maybe address the whole return of capital you mentioned, leverage ratio being at an attractive to [20] times and opportunities to buy assets versus return capital, maybe how you go through that whole process?

Aengus Kelly - *Aercap Holdings NV - CEO*

Thanks Scott. On the return of capital, the Board is continually looking at alternative uses of the capital. And if an asset acquisition opportunity is not more accretive to our shareholders than returning capital through share buybacks as what we have done today, then that is what we will do. We've stressed many times, we are not here to be big, we are here for long-term shareholder value.

And if that means that we will return capital to the shareholders, we'll certainly continue to do that, but it's continually being evaluated by the Board.

Scott Valentin - *FBR - Analyst*

Okay. With regard to the buyback, are there any covenants in place that will prevent a buyback from being announced this year?



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Keith Helming - *AerCap Holdings NV - CFO*

There is a couple of loan facilities that limit the amount of share repurchases, but previously when we wanted to go from 50 to 100, we have those modified quite easily. So if we would like to buy additional shares, we think we can get that modified once again.

Scott Valentin - *FBR - Analyst*

Okay. And just with regard -- you mentioned earlier there are some -- we are seeing some uncertainty in the global economy and some weakness in some of the carriers. Has your watchlist changed at all, has it increased in terms of the number of maybe aircraft or airlines that are on watchlist?

Aengus Kelly - *AerCap Holdings NV - CEO*

Yes, it hasn't as yet. Now, we monitor it very carefully, there is no doubt. Obviously with the current economic uncertainty, we have to be very vigilant with our customers. So we are very carefully watching it. We have not seen any increase in the level of activity today. However, it's something we monitor on a daily basis.

Scott Valentin - *FBR - Analyst*

Okay. Thanks very much.

Aengus Kelly - *AerCap Holdings NV - CEO*

Thanks.

Operator

(Operator Instructions). Arren Cyganovich, Evercore.

Arren Cyganovich - *Evercore - Analyst*

If you could talk a little bit about your lease maturities coming up in 2012 maybe, I don't know if you mentioned this in your prepared remarks and the percentage of those that you already have signed on lease.

Aengus Kelly - *AerCap Holdings NV - CEO*

Yes, thanks Arren. I mean most of the airplanes are placed already. There is a couple of aircraft in the first quarter of 2012 that we're yet to find a home for. But we are in discussion with a number of carriers. As we look out to 2012, we don't see any huge difficulties from the schedule of their roll-off of the portfolio. And all of our aircraft are placed from the remittance of our forward order.

As I said, the key here is that we don't have a very big [on place] to forward order that we have to move.



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Arren Cyganovich - *Evercore - Analyst*

Okay, that's helpful. And then, in terms of the re-leased rates, are they coming in kind of within your expectations or recent performance?

Aengus Kelly - *Aercap Holdings NV - CEO*

Yes, it's a mix. On the 737-800 for example, we are seeing a lot of strength. On the new A320s with CFM engines, we are not seeing any difficulties. On the A319s we have a couple of them coming up next year, two of them and there you are seeing probably about a 5%, 6%, 8% fall in the lease rates. But that's not something that's material to the overall results of the Company.

Arren Cyganovich - *Evercore - Analyst*

Okay. And then, lastly I believe there was some sort of facility that you are providing for AeroTurbine I guess prior to closing. Are you still providing that facility or has that been taken out of your hands?

Keith Helming - *Aercap Holdings NV - CFO*

We provided a guarantee on the existing credit facility until December 14th. So at December 14th, a new credit facility will be put in place or the -- and the existing one will effectively be paid out. So our guarantee only runs through that period of time.

Arren Cyganovich - *Evercore - Analyst*

Okay. Thank you.

Operator

Gary Liebowitz, Wells Fargo Securities.

Gary Liebowitz - *Wells Fargo Securities - Analyst*

Can you just comment on the impairment charge that you booked in the quarter? Was it limited to a particular aircraft type?

Keith Helming - *Aercap Holdings NV - CFO*

Yes, about \$1 million of it was related to older aircraft and then older A320 and then the remaining amount was related to an engine where we actually got some revenue as well, maintenance revenues as well. So very limited amount.

Gary Liebowitz - *Wells Fargo Securities - Analyst*

Right. And you continue to depreciate the older out-of-production planes on an accelerated basis?

Keith Helming - *Aercap Holdings NV - CFO*

Yes, as we've mentioned in the past, once we hit the 15-year mark, we reevaluate each individual aircraft to look and see what's going to happen with that aircraft (inaudible) and we tailor a specialized depreciation schedule for each of those aircraft.



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Gary Liebowitz - Wells Fargo Securities - Analyst

Okay. And just one last one, you've got a handful of engines left and there are still a number of planes from the Waha deal. Are you actively marketing those assets, you expect to sell them next year?

Aengus Kelly - Aercap Holdings NV - CEO

On the engines, Gary, we will probably get out of the engines over the course of next 12 to 24 months. But they are a pretty small number, it's only a handful of engines. And on the aircraft that we acquired with the Waha deal, we are a 40% owner of that portfolio and if opportunities present itself, we will sell out of those airplanes. I mean it worth knowing that we are very -- we have always been very active when it comes to aircraft sales. Over the course of the last 72 months Aercap has disposed of 150 aircraft. So on average we sell about two aircraft a month. So that strategy won't change to make sure that we keep pruning the portfolio, keep it optimized and as you know, we've consistently generated profits of the disposals of our aircraft also.

Gary Liebowitz - Wells Fargo Securities - Analyst

Thanks a lot.

Aengus Kelly - Aercap Holdings NV - CEO

Thank you.

Operator

There appears to be no further questions. Please continue with any other points you wish to rise.

Peter Wortel - Aercap Holdings NV - Head of IR

Thank you, Operator. Well, thank you for tuning in for the third quarter. And hopefully, we will see many of you today at the Palace at afternoon for lunch. And we look forward to talking to you again for the fourth quarter results. Thank you, Operator.

Aengus Kelly - Aercap Holdings NV - CEO

Thanks everyone.

Operator

Ladies and gentlemen this concludes the Aercap 2011 third quarter results. You may now disconnect.

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