Q3 2023 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
- Helane Becker, Analyst
- Hillary Cacanando, Analyst
- Jamie Baker, Analyst
- Jordan Lyonnais, Analyst
- Stephen Trent, Analyst
- Vincent Caintic, Analyst

Presentation

Operator

Good day, and welcome to the AerCap Holdings N.V. Third Quarter 2023 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.

Joseph McGinley

Thank you, operator, and hello, everyone. Welcome to our Third Quarter 2023 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 October 27, 2023. 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 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 third quarter 2023 earnings call. I am pleased to report another quarter of strong earnings for AerCap, where the underlying business continues to perform very well, generating adjusted EPS of $2.81, our highest quarterly EPS result since the closing of the GECAS acquisition. As a result of this strong performance and an improved outlook for Q4, I am delighted to announce that we are once again increasing our earnings guidance for the year.

On a GAAP basis, we generated net income of $1.1 billion in Q3, and earnings per share of $4.86. This includes $646m of proceeds from the settlement of certain insurance claims related to aircraft formerly on lease to the Aeroflot group, which was the result of tremendous efforts made by many teams in AerCap over the course of the last eighteen months.

I am also pleased to announce another $500 million share repurchase program. This takes total authorizations this year to $2.65 billion, which is equivalent to 18.5% of our market cap at the beginning of the year. This has allowed us to mitigate the impact of the overhang from GE's sales and reduce their stake from 45% at the beginning of the year to approximately 14% today. It should be clear from our actions that we see significant value in our stock today and that these repurchases create long-term value for our shareholders.

Aviation assets continue to be in high demand, once again reflected in strong levels of activity in Q3. Over the last three months our platform executed 219 transactions across aircraft, engines and helicopters, comprised of 134 lease agreements, 33 purchases and 52 sales.

Demand from our lessees is robust, with customers increasingly motivated to lock in lift for the years ahead. Of the used aircraft lease agreements signed in the quarter, nearly 80% of them were extensions, which is one of the highest extension rates we've ever seen, remarkably this was even higher on the widebody side, hitting over 90%. This reflects the ongoing shortage of aircraft, which I'll go into in more detail later on.

For similar reasons, we also continue to see strong demand for our assets in the sales channel, with many bidders competing for our portfolios. This was reflected in both healthy quarterly sales volumes of $682 million, as well as gains on sales, with unlevered margins of 24%. As I've referenced in prior quarters this is equivalent to the near doubling of the equity held against those assets on a levered basis, compared to where our equity is trading in the public market at just over 80% of book.

So, in essence during the last quarter we sold aircraft at almost 200% of their book equity value to expert aircraft buyers and repurchased our book equity at 80% of book value in the public equity market. These gains speak to the deep embedded value in our portfolio, and the strength of our book values.

Switching to the supply side, you can see from the chart on the left, the OEMs are significantly behind the target deliveries set in 2018. We have spoken many times about how today's supply/demand dynamics resulting from the MAX grounding, Covid-19 and more recently production challenges, have led to supplier capacity constraints and in-service reliability. I think it's worth scaling the impact of these supply chain disruptions by taking the most recent Pratt & Whitney announcements as one example.

In August, Pratt & Whitney issued a special instruction to operators of GTF powered A320 aircraft, requiring engine removals for accelerated inspections due to a production quality escape. This, they expect, will lead to an average of 350 aircraft on the ground from 2024 through 2026, peaking at 600-650 aircraft in the first half of next year. As shop visit turnaround times remain more elevated than usual, at around 250-300 days, this will cause significant disruption to both existing Pratt & Whitney operators as well as delaying slot availability for other programs.

Putting that peak of 650 aircraft into context, in the first nine months of the year Airbus delivered 488 commercial aircraft in total, which if that rate continues would be equal to 650 units. So, as a result of these Pratt & Whitney issues, the market will be light on a net-basis of hundreds of aircraft, further tightening demand. The Pratt & Whitney team is working around the clock to address these issues and we are confident they will execute on this, but it will certainly take time. Other manufacturers are also working through their own unique challenges.

From an AerCap perspective, we continue to run the business for the long term. Today, that is best served by recycling capital from assets into equity. Given the robust demand for our assets, we are able to generate significant amounts of excess capital from operations every quarter, supplemented by sales at significant gains.

On the deployment side, we are taking advantage of the GE overhang as well as general weakness in the stock market to repurchase large blocks of stock at a significant discount to book value. In fact, we have already bought back more stock in 2023 than we did in any other year, both in terms of number of shares and percentage of shares outstanding which underlines our confidence in the value on offer today.

To put numbers on it, those 35.7 million shares were repurchased at an average price of $58.03, a discount of 26% to today's book value. The positive impact of these repurchases, as well as the strong underlying performance of the operational business, has led to annualized BVPS growth of 18% over the last six quarters. As many of you will know, our sole focus is on creating long term value for AerCap's shareholders, so whether it's buying aircraft from the manufacturers, completing sale and leaseback deals with airlines, retiring debt or repurchasing shares, we will continue to focus our efforts on whatever generates the highest risk adjusted returns. With book value at $78.28 at the end of Q3, the clear winner today is share repurchases given these significant discounts.

So, in summary, we had another very strong quarter. The utilization of our assets continues to improve, our fleet continues to grow with the addition of new technology aircraft, our orderbook is well placed into 2025 and we continue to sell used assets at attractive prices. We ended the quarter with strong balance sheet as evidenced by our low debt equity ratio and high levels of liquidity, and through our capital allocation strategy we continue to return capital to shareholders and to generate strong double-digit growth in our book value per share. With that, I'll hand the call over to Pete for a review of the financials.

Peter Juhas

Thanks Gus. Good morning, everyone. AerCap had a record performance for the third quarter. Our GAAP net income was $1.1 billion dollars, or $4.86 per share. This included a recovery of $646 million dollars related to our Russian aircraft, which is included in net recoveries related to the Ukraine Conflict. The impact of purchase accounting adjustments was $113 million dollars for the quarter. This included lease premium amortization of $41 million dollars, which reduced our basic lease rents, maintenance rights amortization of $23 million dollars that reduced our maintenance revenue, and maintenance rights amortization of $49 million dollars that increased our leasing expenses. The tax effect of the insurance settlement proceeds, and the purchase accounting items was $67 million dollars. Taking all of that into account, our adjusted net income for the third quarter was $639 million dollars, or $2.81 per share.

I'll talk briefly about the main drivers that affected our results for the third quarter. Basic lease rents were $1,575 million dollars, an increase of $13 million dollars from last quarter. This reflected strong cash collections, and we also continued to benefit from power-by-the-hour rents from our lessees that are on PBH arrangements in their leases. As I mentioned, our basic lease rents reflected $41 million dollars of lease premium amortization. Lease premium assets are amortized over the remaining term of the lease as a reduction to basic lease rents.Maintenance revenues for the third quarter were $126 million dollars. That reflects $23 million dollars of maintenance rights assets that were amortized to maintenance revenue during the quarter. In other words, maintenance revenue would have been $23 million dollars higher, or $149 million dollars, without this amortization.

Net gain on sale of assets was $130 million dollars. We sold 45 of our owned assets during the third quarter for total sales revenue of $682 million dollars. That resulted in a gain-on-sale margin of 24% for the third quarter. We also had $421 million dollars' worth of assets held for sale at the end of the quarter. Through the first nine months of this year, we sold over $2.1 billion dollars' worth of assets, and for the full year, we expect sales to be between $2.5 billion and $3.0 billion dollars. As I mentioned earlier, net recoveries related to the Ukraine Conflict were $646 million dollars, which represents recoveries of insurance claims on our Russian aircraft on lease to the Aeroflot Group. Interest expense was $447 million dollars, which included $7 million of mark-to-market losses on derivatives. Our leasing expenses were $166 million dollars for the quarter, including $49 million dollars of maintenance rights amortization expenses. And in the third quarter, we also had a one-time tax benefit of $44 million dollars.

We continue to maintain a strong liquidity position. As of September 30th, our total sources of liquidity were approximately $20 billion dollars, which resulted in a next 12 months' sources-to-uses coverage ratio of 1.7x. That's well above our target of 1.2x coverage and represents excess cash coverage of around $8 billion dollars. Our leverage ratio at the end of the quarter was 2.51x, the same as last quarter, even after $1.6 billion dollars of cash capex and almost $1.2 billion dollars of share repurchases during the quarter.

So that really shows the significant amount of capital that AerCap generates on a consistent basis. Our total operating cash flow was approximately $1.3 billion dollars for the quarter, which was driven by continued strong cash collections. Our secured debt-to-total-assets ratio was around 13% at the end of September, down slightly from 14% last quarter. Our average cost of debt was 3.5%, a slight increase from 3.4% last quarter. Our book value per share was $78.28 as of September 30th, which represents an increase of 21% over our book value per share of $64.59 as of September 30th, 2022.

During the third quarter, we repurchased approximately 20 million shares at an average price of $58.25, for a total of $1.2 billion dollars. During the first nine months of this year, we've repurchased around 34 million shares for just under $2 billion dollars. As Gus mentioned, today we've announced a new $500 million dollar share repurchase program that will run through March 2024.

As a result of the strong performance for the first three quarters, we're raising our earnings guidance for the full year. The outperformance has mainly been driven by higher lease revenue, both from strong cash collections as well as higher utilization of assets that are on power-by-the-hour rents. Most of those power-by-the-hour arrangements will end later this year, but for now they're contributing additional revenue for us. For example, this quarter, we had around $50 million of revenue from PBH leases. The significant amount of share repurchases that we've done this year are also a driver of higher EPS, because we've reduced our share count by 34 million shares during the course of this year.

In terms of updated guidance, on the last earnings call we said that we expected to be in a range of $8.50 to $9.00 of EPS for the full year, which included $0.98 of gains on sale for the first half of the year but excluded any gains for the second half of the year. We now expect to be at the top end of that range, so around $8.00 of EPS before gains on sale, and for the first nine months we've had gains of $1.47. So that takes us to our updated guidance of around $9.50 of EPS for the full year, before any fourth quarter gains on sale. In September, GE completed another secondary offering of AerCap stock. And following these two successful offerings, GE has now reduced its stake in AerCap from just over 45% at the beginning of the year to 14.5% at the end of September. In addition to the shares that GE sold to the public, concurrent with these offerings, AerCap has repurchased approximately 28 million shares from GE for a total of around $1.6 billion dollars.

So overall, this was a record quarter for AerCap in terms of GAAP earnings as well as adjusted EPS. Our financial performance was very strong, mainly driven by higher revenues. We recovered $646 million dollars from our Russian insurance claim, and we were the first aircraft lessor to do so. And of course, we still have an outstanding insurance claim that we'll continue to pursue vigorously. Following this strong performance for the first three quarters, and with a positive supply / demand environment continuing, we've once again raised our earnings guidance for the full year.

So far this year we've bought back over 14% of the stock and today we've announced a new $500 million dollar share repurchase program, bringing our total share repurchase programs for the year to $2.65 billion dollars. And with that, operator, we can now open up the call for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from the line of Jamie Baker; with J.P. Morgan.

Q - Jamie Baker

Hey, good afternoon, gentlemen. So cost of debt is up about 30 basis points year on year, but you still managed an increase in net spread this quarter. And of course, that's what the market wants to see. But I've got to assume that deferrals catching up contributed to that somewhat. We also know, of course, that lease rates are increasing, but with a lag. I guess the question comes down to how do these two issues intersect. You know, deferrals fading at some point, lease rates continuing to firm. I mean, is that the way we should be thinking about it? And can you hazard a guess as to where net spreads might settle out next year?

A - Peter Juhas

Sure, Jamie. So you know in terms of the deferrals, we had some repayments of past amounts, really some kind of catch-ups on cash accounting lessees that impacted it a little bit this year. We also benefit, as I mentioned, in terms of the PBH rents, right? Now, that was a benefit in 2022 as well, to be fair, right? But that is something that has helped us there. But you know what we are seeing and I'll turn over to Gus for this, but we are seeing significant increases in lease rates, that's been a feature really throughout you know last year and this year. And I think, if anything, that's really been accelerating pretty much across the board. But, Gus, do you want to comment on that?

A - Aengus Kelly

For sure, Pete. Yeah. Lease rates have gone up across our asset classes, be it aircraft,; engines, helicopters, all are up significantly this year. But I think, Jamie, what's really; important to note about net spread is it can't be looked at in isolation because as we sell; older assets -- and bear in mind, of course, an asset has the same rental in the first month; as it does on the 120th month. But, of course, the cost associated with that asset is a lot; lower in terms of its interest expense. So you have a much wider net spread on older; assets.

So as we sell those older assets, we take that money, we sell it at a big gain, and then we; buy back our stock at a discount. So the thing to really look at, you have to look at it in; combination is the net spread and the earnings per share, because I'm taking earnings; away from the revenue line, but I'm maximizing their value by putting it through the EPS; line whilst improving the portfolio because as we're selling our older assets at book gains,; buying our stock, we have sold off assets that are older than the ones that are left in the; book.

Q - Jamie Baker

Okay, that all makes sense. That's helpful. And then second, you know, Mark Streeter and I were talking to one of your competitors, I guess last week. They mentioned that they're seeing four out of five expiring leases being you know under discussion for extension. Are you seeing that same trend or are more customers simply buying the aircraft from you? Also, what's the incremental IRR when a lease is extended at its original terms? I mean, I'm sure it varies widely, but could you quantify what that typically does for returns?

A - Aengus Kelly

Well, what I can say, Jamie, is as I said in the comments, is that 80% on average of our assets are extending. When it comes to wide bodies, that number is 90%. As it pertains to how extensions work and the benefits that will very much depend on the terms of those extensions. It's very hard to say whether how much of an incremental improvement it is to extend or to re-lease the asset.

But what we will do at the moment, of course, is look, you always make the best economic decision and at the moment that's definitely in our favor. And I would also say that the airlines know that -- look, the fundamental -- step back from all this, Jamie. Everybody knows that the OEMs are not going to make the number of airplanes they're saying. That's just not going to happen. And every airline worth their salt in the world knows that, and they've known it for years. So what are they doing? They're saying, okay, I don't believe what these guys are telling me. I need to have the lift, I can't take the risk, I don't have it. So we've seen massive purchases of aircraft from us as we're the biggest seller of used aircraft in the world. We've seen massive numbers of extensions, that's what the airlines see, that's the reality and it ain't going to change for years to come, in my opinion.

Q - Jamie Baker

Okay, very helpful. Pete and Gus, thank you.

A - Peter Juhas

Sure.

Operator

We'll go next to Stephen Trent with Citigroup.

Q - Stephen Trent

Yes, good morning. Can you guys hear me okay?

A - Aengus Kelly

Yeah.

A - Peter Juhas

Yeah.

Q - Stephen Trent

Oh, great. Thank you very much and I apologize. Having some trouble with my phone today. Thank you and good afternoon, rather, and appreciate you taking my question. I was just curious. You know I'm deeply intrigued how you guys have been repurchasing shares. We've seen GECAS stake you know down to 14% or 14.5% or what have you. When we think about medium term sort of your high level ideas on capital structure efficiency and capital deployment, you know, where do you guys think your target capital structure is ideally? You know and when you think about all that cash you're generating, you know any sort of high level view on you know dividends and what have you. Just wanted to get your take. Thank you.

A - Peter Juhas

Sure. Stephen, thank you for your question. Look, in terms of capital structure, I mean, you can see where we're running today net debt to equity of just over 2.5 times, that's below our target of 2.7 times. And I think that we'll continue to run kind of in that range, you know, I mean, we're ultimately going to manage to a 2.7 times target. Sometimes it could be lower, sometimes it could be a little higher than that, but that's really where we plan to orient it.

And look, obviously, you know, in terms of the share repurchases, we just see a tremendous opportunity there given where the stock has been. And, obviously, there has been the ability you know with the excess capital that we've generated to help accelerate and facilitate GE sell down. And it's -- I mean, when you step back at it, look, I mean, going down from 45% to 14% and being in shot of getting out entirely, that's a pretty significant amount of shares to be sold during the course of the year. And so I think that it has certainly been helpful for us to be able to participate in that.

A - Aengus Kelly

To your point about the cash flow generation, it's well made. We have managed to buy back already ~14.5%, the new authorization will take it to close to 20%, which would put us in the 99th percentile of the S&P for buybacks. But we did it without borrowing money. We de-levered while we did it. That is the key point. Again, if you put everything to the side and say, how is this business doing? We bought back almost -- or buying back 20% of the business and de-levered while we were doing it.

Q - Stephen Trent

Fantastic color. Really appreciate that gentlemen. And thank you for the time.

A - Peter Juhas

Sure.

A - Aengus Kelly

Sure.

Operator

We'll take our next question from Helane Becker with TD Cowen.

Q - Helane Becker

Thanks very much, Operator. Hi, gentlemen, and thank you very much for the time. You mentioned during your prepared remarks, I think, Gus, that you were seeing demand for even wide bodies accelerating. When you think about re-leasing those aircraft or you know extending the leases on those aircraft or taking them back, how long are people wanting these aircraft for? Is it -- and even on the narrow bodies, is it just to cover the -- what they think the gap will be for like a year or two, or is it more like six to seven years?

A - Aengus Kelly

You're in the latter, Helane. It varies from asset to asset. But generally speaking, most of these extensions are very long-term. There'll be three to eight years in some cases on the wide bodies, they could be even longer on the extensions. Some discussions at the moment are double-digit years on the wide bodies.

Q - Helane Becker

Okay, that's really helpful. Thank you. And then just for my follow up question. Like, I understand the whole share repurchase idea and it makes perfect sense. But could you take the company private and borrow at the same cost that you borrow as a public company? And does it make any sense to go down that path?

A - Aengus Kelly

Well, I think, look, over time, as we generate the type of capital and cash flow that we're generating, we're going to keep buying back more and more of the company if the opportunity continues to present itself. And if you look at our past behavior, Helane, that's what we did. To do a levered buyout now, I think that would be challenging on our balance sheet. But if you just simply look at the quantum of capital that this business is generating every year, and for that matter has generated for 15 years over some period of time, we will get there or thereabouts, I suspect.

Q - Helane Becker

Okay, all right. Well, that's really helpful. Thank you. Have a great day.

A - Aengus Kelly

Thank you.

Operator

Our next question comes from the line of Catherine O'Brien with Goldman Sachs.

Q - Catherine O'Brien

Hey, team, thanks for the time. Gus, maybe coming back to a comment you made earlier about, you know, I think any airline team worth their salt knows that the OEMs will probably deliver less than what they're telling them. We've actually had a couple of US Airline management teams talk about needing to be more proactive and managing their positions in the skyline you know further into the future than they have historically, just given how long those lead times are and the persistent delays. You know AerCap, of course, has a very large order book, you know starts to peter out in 2027, you know, although, of course, maybe that's a moving target. You know how do you think about future orders if airlines start to try to get in line earlier than usual? I know it's only a comment from a couple of airlines now, but does that impact your thinking at all?

A - Aengus Kelly

Not really, no. I mean, the only thing that we think about is how to create value for our shareholders. As I said at one of a conference recently, my shareholders pay my wages. The shareholders of Boeing and Airbus definitely do not. And so we are more than happy to order aircraft when we believe that the price is right for the risk we're taking. There are plenty of ways to grow in this business, it can be sale-leasebacks. It can be orders from the manufacturers. It can be M&A, it can be repurchases of shares, return of capital to our shareholders. But one thing we will never do is grow for the sake of growth.

As I said many times, there's always a bunch of clowns hanging around the tents in Farnborough and La Bourget waiting to order aircraft when everyone else is there. That's not the time to be ordering airplanes. The last time we ordered a significant number of airplanes was in March of 2020 when we ordered NEOs. That is when you buy. That's also in the same environment when you bought GECAS. So great discipline is required, and that discipline is dealing with the manufacturers, but just overall in the capital structure, realizing why you're here. You're here for your shareholders and no one else.

Q - Catherine O'Brien

That's great. Sure, there's shareholders on the line who appreciate that one. So thanks, Gus. Maybe just one on the guidance for Pete, and I don't want to sound too greedy, because you guys beat my numbers on both core and gains -- or not core, but ex-gains and with gains. But you know on my math year to date, adjusted EPS ex-gains is about $6.20. You know so your $8 guidance implies a small step down in 4Q EPS ex-gains versus 3Q. Is there something on timing of leasing expenses or something we should be aware of? Or power-by-the-hour rolling off? Or perhaps there's just some you know element of conservatism on timing of deliveries versus sales, given everything going on the supply chain. Thanks so much for the time.

A - Peter Juhas

Sure. So power-by-the-hour, I think, will be about the same in the fourth quarter, maybe slightly down. But we did have a benefit, Catie, this quarter -- a $44 million benefit on the tax line, and that was basically the release of a deferred tax liability that had been -- we had set up a while ago and realized we should be releasing. So you know that's about $0.20 give or take, this quarter, which helped the earnings. But really, the answer is no. I mean, there's no change in the environment and nothing noteworthy about the fourth quarter as we see it. You know I think, could we do better than $8? Hopefully, we will do better. And you've seen -- you know that's the way it's turned out during the course of the year, whether on the core -- whether on the -- you know excluding gains or with gains as well. So, yeah, I'm hopeful that we can.

Q - Catherine O'Brien

Great. That's what I was hoping you'd say. Thanks so much for the time.

A - Peter Juhas

Sure.

Operator

We'll go next to Hillary Cacanando with Deutsche Bank.

Q - Hillary Cacanando

Hi. Thanks for taking my question. Just on the GTF issue, I know the -- you know the maintenance is the airline's responsibility, but I've had some investors ask if there you know could be a scenario where an airline that has an affected aircraft on lease expiring next year you know decide to return the aircraft back to the lessor before inspection. Could that actually happen? And if so, would the burden of GTF inspection actually fall on the lessor?

A - Aengus Kelly

No. The -- on the unlikely event that an airplane must have been handed back, which is highly unlikely. But in the unlikely event it was, under the lease, the airline is obligated, certainly in our leases, to return the engine in the condition it received it, which would be full life condition. They either have to do that as a full repair or give us the cash in kind so we will not be out of pocket. That burden then will ultimately fall upon Raytheon and Pratt & Whitney.

Q - Hillary Cacanando

Got it. Okay. So even if they do return it to you, they have to return it in a good condition. The burden would be still on them.

A - Aengus Kelly

Correct.

Q - Hillary Cacanando

Okay. Got it. And then next year, I know you have you know some maturities coming up early next year. I was wondering if you kind of go over your capital markets you know strategy for next year.

A - Peter Juhas

Sure. So you know if you look at this year, I mean, we've come both to the capital markets for funding, but also done a number of other financings outside the capital markets. So unsecured bank loans, secured bank loans, a small amount of ECA financing, et cetera. And we'll look to do the same thing next year. And I'd say that probably means three to four trips to the market or markets, you know, and we will try to vary that. But that's kind of how we're looking at it. And I think you know when you look at it in total, the total amount of financing that we'll do next year is pretty much the same as what we've done over the last 12 months.

Q - Hillary Cacanando

Got it. Great. Thank you very much.

A - Peter Juhas

Sure.

Operator

We'll take our next question from Vincent Caintic with Stephens.

Q - Vincent Caintic

Hey, thanks for taking my questions. I wanted to talk about the lease extensions and economics. So very interesting to hear about the 80% to 90% of the activities, lease extensions. Just wondering, the lease extension versus say, a new aircraft delivery, is the economics similar to that? Or you may be able to get you know higher lease rates, or just maybe if you can compare and contrast the two. Thank you.

A - Aengus Kelly

Well, I mean, they all vary, of course. And I'm not trying to be evasive. A new aircraft lease on day one, of course, that's when you have your smallest margin because the capital cost, the debt attributed to it at a very high level. I would say at the moment, though, for aircraft, new aircraft that we're leasing, or aircraft that we're extending, both of them are seeing the same type of upward rental pressure.

I wouldn't say you differentiate much between the two. We held back quite a number of aircraft to lease, and you saw that we did some large transactions were announced recently on new technology assets and similar on the extensions across the board, you will see the same levels as I said.

Q - Vincent Caintic

Okay, great, that's helpful. Thank you. And then just second quick question on the guidance. So for the $9.50, doesn't include any implied fourth quarter gains. But if you could talk about the pipeline, I think I heard $2.5 billion to $3 billion of sales, so that number came up. And is the recent trend of over 20% gain on sale margin, does that continue to be achievable going forward? Thank you.

A - Peter Juhas

Sure. So, first, in terms of the volume, we have about $420 million of assets held for sale at the end of September. And so, as I said, you know, I think it will be somewhere between $2.5 billion to $3 billion for the full year, you know, depending on when some of those close. In terms of the gain on sale margins, you know, if you look back at the kind of long history of the company, every year, basically we have generated gains of -- typically those have been in the range of 8% to 10% if you look back over the last 15 years. Obviously, this year they've been running at higher levels. And I think that's a function -- it's a function of three things really, Vincent. It's a function of the environment where we see the strong demand that Gus has mentioned, you know, across the board, whether that's for leasing or for sales. But it's also a function of the assets that we're selling and the buyers.

And I think in terms of the assets that we are selling, you know, this quarter, they tended to be a little bit older, you know on average, about 17 years old. So that can push up the margin in some cases. But, you know, overall I'd say we would expect to continue to run at kind of levels that are above historical ones.

A - Aengus Kelly

And Vincent, just as Pete said there, historically for the last 15 years we're running at circa 10% gain on sale margin, but that gain on sale on an equity basis -- on a levered equity basis is about 133% of our book equity.

Q - Vincent Caintic

Great. Good point. Great. Thanks very much.

A - Peter Juhas

Sure.

Operator

We'll take our next question from Jordan Lyonnais with Bank of America.

Q - Jordan Lyonnais

Hey, good afternoon. I just had a quick question on the lease extensions. Are you guys seeing any differences in the 80% affecting the age of the fleet that could be released? And then also, two, on those older ones, is there still a strong market for selling them?

A - Aengus Kelly

Yeah. I mean, look, it's across the board. You know, you're not really extending younger aircraft, to be honest, I mean, the youngest aircraft that will come off lease would be 12 years old. So the majority of what we're extending is into the teens in terms of age. So it's pretty much across the board. And as you've seen, we sold a lot of assets during the quarter, predominantly older aircraft, as has been the case for the last 15 years, most of what we sell is older than the average age of the book. And I don't see that changing much as we go forward.

You know as I've referenced in prior quarters and to my earlier comments on this call, the airlines know there's going to be delays for years and years into the future. That's why the extensions are so long-dated in nature, and also why so many of our sales of aircraft over the last 12 months have been to airlines. And the average age of those aircraft getting sold to the airlines is over 15 years of age. So they know that this isn't just a one or two-year problem. As I said before, if it was that, they would just be asking me and paying up for short term extensions. But they know that's not the case.

Q - Jordan Lyonnais

Got it. Thank you so much.

A - Aengus Kelly

You're very welcome.

Operator

This does conclude the question and answer session. I will now turn the call-back over to Gus.

A - Aengus Kelly

Thank you, operator, and thank you all for joining the call. This was our record quarter in our history for earnings. During the year, we've had a record level of buybacks. With the new authorization, we'll have bought back almost 20% of the business. As I mentioned, we've been in the 99th percentile on the S&P 500 for buybacks, and vitally, we did that without borrowing money. In fact, AerCap de-levered while it did it and also grew its balance sheet. The large overhang that we faced at the beginning of the year from GE with a 46% stake is now down at 14%. And so as we look forward with the challenges facing the supply chain in the industry and our own position as being the largest marginal supplier of aircraft and engines in the world, we feel very positive about the outlook for the company in the long term.

Thank you very much, operator. And thank you for joining us.

Operator

This does conclude today's presentation. You may now disconnect.