

FINAL TRANSCRIPT

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AER - Q1 2011 Aercap Holdings Naamloze Vennootschap Earnings Conference Call

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PRESENTATION

Peter Wortel - *AerCap Holdings N.V. - Head - IR*

Thank you. Good day, everyone. Welcome to the AerCap First Quarter Results Conference Call. With me today, Klaus Heinemann, AerCap CEO, Aengus Kelly, CEO of AerCap, Inc., and Keith Helming, AerCap CFO. I would like to mention that after this conference call, we will host a luncheon at the New York Palace in New York. The presentation there will not be webcasted, but the slides will be made available via the website shortly before the start of the lunch around noon, New York time.

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. 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 performance related to forward-looking statements can be found in AerCap's earnings release dated May 5, 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 Klaus Heinemann.



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Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Thank you very much, Peter, and good morning to everybody and thank you for joining us for AerCap's 2011 first quarter earnings call. I am pleased to report that AerCap is delivering record numbers in all the three Ps that, in our opinion, define the performance of aircraft operating lessors, those three Ps being, first of all, the operating platform, secondly, the portfolio, and thirdly, the profitability.

During the first quarter, AerCap's platform took delivery of nearly \$500 million of brand-new aircraft assets, and total assets reached \$9.8 billion at the end of the first quarter, an increase of 12% over the first quarter of 2010. AerCap's platform is among the three leading global franchises, and the largest independent lessor measured by aircraft asset value on its balance sheet.

Second, the AerCap portfolio mostly consists of the youngest, most fuel-efficient aircraft currently in production, an important factor in today's world of high energy costs. The portfolio delivered \$273 million in total lease revenue during the first quarter, an increase of 56% over the same period last year, and generated a healthy net spread of \$186 million. Thirdly, AerCap's profitability for the quarter reached a new record for AerCap of \$75.3 million adjusted net income, and grew increase of 61% compared to the same period last year. We are highly confident at AerCap that we will continue to deliver on all three performance criteria during 2011.

Total equity now stands at \$2.3 billion at the end of the first quarter, and our adjusted debt-to-equity ratio is at 2.9 to 1, also a new record of low leverage. With a total cash position of \$533 million at the end of March, our liquidity position is strong, and positions us well to quickly exploit market opportunities if and when they arise.

We continue to monitor our watch list clients, i.e., those who have shown certain problems very carefully, and by the way, this list has not increased, in particular, in light of recent world events, particularly in the Middle East and Japan. We are of course keeping a close eye on the effects of record fuel costs that we have seen in the recent month. To date, the effect of these strong headwinds for the industry remain very limited and counterbalanced by continuing strong growth in most emerging markets and solid premium traffic in mature markets.

However, many airlines have clearly taken a more moderate approach to capacity increases as a result of these headwinds. We believe that this recently renewed caution of many airlines is actually good news for AerCap, as it maintains focus on state-of-the-art, fuel-efficient, new or near-new aircraft while tempering the desire of airlines to build capacity too fast and hopefully also the desire of manufacturers to increase production unnecessarily.

To summarize, I would like to say that we have started 2011 on a very strong note, and we are reiterating the full-year 2011 outlook we provided you with at our quarter 4, 2010, earnings call. Total committed purchases for 2011 currently stand at \$800 million, of which nearly \$500 million have already delivered during the first quarter. More will deliver during the second quarter, so most of this program will be finished by the end of June. And we are, of course, always looking for the right opportunities to expand our portfolio and new (inaudible) and beyond this when opportunities arise. On that note, I would like to hand over to Keith, who will take you through all the detail of our financial and operating performance.

Keith Helming - *AerCap Holdings, N.V. - CFO*

Thanks, Klaus. Good morning, everyone. As usual, I'll walk you through the earnings call presentation, which provides the highlights of the first quarter financial performance. Our total net income in first quarter 2011 was \$72.1 million. Adjusted net income, which excludes the non-cash charges relating to the mark-to-market of our interest rate caps and share-based compensation, was \$75.3 million in first quarter 2011, as compared to \$46.7 million in first quarter of 2010.

Total earnings per share were \$0.48 in the first quarter of 2011, including all items. The adjusted earnings per share was \$0.50 during the same period. The increase in average shares outstanding to 149 million was due to the completion of both the Genesis and Waha transactions during 2010.

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Our revenue in first quarter 2011 was \$362 million. Basic rents increased 49% to \$247 million during the same period. Maintenance revenues were up significantly over prior quarters, which was driven by the repossession of three aircraft, where we held approximately \$10 million of reserves.

The increase in basic rents of 49% in first quarter of 2011, over first quarter 2010, drove the growth of 40% in net spread during the same period. As you know, net spread is the margin earned on our leased assets. Net spread was \$186 million in the first quarter of 2011, as compared to \$133 million in the same period of 2010.

Whole sale revenue in first quarter 2011 was \$81 million. Revenue relating to the sale of aircraft was \$29 million, the sale of engines was \$7 million, and part sales were at \$45 million. The total gain from sales in the first quarter of 2011 was \$11 million on a pre-tax basis, as compared to \$26 million in the first quarter of 2010.

The total amount of AerCap's leasing expenses plus SG&A for the first quarter of 2011 was \$46 million, as compared to \$44 million in the prior year. Leasing expenses were up by \$4 million in the first quarter of 2011, as compared to the same period in 2010, and SG&A costs were essentially flat.

Leasing expenses were \$14 million for first quarter of 2011, up from \$10 million in the first quarter of 2010. The largest driver of the increase in leasing expenses was \$4.7 million of expenses, which relates to airline defaults or repossessions, which occur either in 2010 or 2011.

In first quarter 2011 we incurred a positive \$9 million pre-tax impact relating to airline defaults and repossessions, driven primarily by the maintenance reserve mentioned earlier, plus additional income from prepaid rentals on the same aircraft. For the full year 2011, the impact from airline defaults and repossessions is expected to be a negative \$1 million, which includes additional costs we expect to incur in the last three quarters of 2011 relating to these defaults.

We incurred \$7.7 million of impairments during the first quarter of 2011. These charges related primarily to three older A320s with an average age of approximately 20 years. These impairments were driven by a weaker leasing market for the older aircraft. As you can see, only 6% of our total book value relates to aircraft aged 15 years or older, so our exposure on older aircraft is very limited. In addition, many of these aircraft are already on accelerated depreciation schedules.

Our blended tax rate for first quarter 2011 was a charge of 8%, and the tax rate for the aircraft assets was a charge of 8.6%. The tax rate on the engines and parts assets was a credit of 37.6%, and our full-year estimated tax rate is, again, 8%.

AerCap's total assets as of first quarter 2011 have grown 12% since the first quarter of 2010. Total assets on the balance sheet are \$9.8 billion. The number of aircraft in our portfolio is 350, including the owned aircraft, the managed aircraft, and the aircraft on order, under contract, or subject to LOI, and the number of engines owned or under contract was 95 at the end of the first quarter.

We completed \$468 million of purchases of aviation assets during the first quarter of 2011, including the purchase of seven aircraft. For the full year of 2011, we have \$814 million of committed purchases, including 12 aircraft. The utilization rate was 99.3% for the first quarter, and the yield generated by our aircraft lease portfolio was at 13.4%. The average term of new leases for new aircraft entered into during the first quarter, inclusive of letters of intent, was 144 months, and the average term entered into during first quarter of 2011 for new leases on existing portfolio was 58 months.

AerCap's unrestricted cash balance at the end of first quarter was \$322 million, and our total cash balance, including restricted cash, was \$533 million. Operating cash flows were \$85 million for the first quarter of 2011. At the end of the first quarter 2011, AerCap's debt balance was \$6.7 billion, and our debt-to-equity ratio was 2.9 to 1. Our book equity amount is approximately \$2.3 billion, and the average cost of debt for first quarter of 2011 was 3.6%.



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The EPS impact in first quarter 2011 from the sale of aircraft and other one-offs was approximately \$0.01. For second quarter 2011, the EPS impact from the sale of impact and other one-offs is expected to be approximately \$0.08. The EPS impact resulting from the net amount of maintenance revenues and leasing expenses was a positive \$0.02 on average in the quarters of 2010. This same amount was a positive \$0.07 in the first quarter of 2011. The increase was driven by the maintenance reserves held on the aircraft that were repossessed during the quarter.

For the last three quarters of 2011, the net impact of maintenance revenues and leasing expenses is expected to be a negative \$0.03. Maintenance rent for the last three quarters of 2011 is expected to be comparable to the average quarter in 2010, but the leasing expenses are expected to be slightly higher as a result of a large amount of scheduled lessor maintenance contributions.

With regard to our full-year 2011 financial outlook, committed purchases of assets is currently approximately \$800 million, basic rent is expected to increase 15% over 2010, the maintenance contribution to income is expected to decrease by about \$20 million in 2011, as compared to 2010, primarily as a result of these scheduled maintenance events, and the average cost of debt in 2011 is expected to be approximately 3.5% to 4%. The tax rate, as mentioned, approximately 8%, and the ROE will be comparable to 2010 as well. So those are the details for the first quarter of 2011, and I'll turn it back over to Klaus.

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Thank you very much, Keith, and before I hand the call back to the operator for our Q&A session, I would like to close our introductory remarks by thanking you for your support and for your interest in AerCap over the last few years. It has been a real pleasure for myself and my team to work with you, in particular during the years 2009 and 2010, which were probably the most difficult years encountered in the aviation industry since I joined this industry more than 30 years ago.

As you know, this is my final set of results as AerCap's CEO before I hand over the reins at our annual AGM on the 18th of May to Aengus Kelly. Gus and myself have worked very closely together ever since I joined AerCap. Gus has, actually, more years under the belt in AerCap than I have, so, in particular over the last few months, obviously, since Gus has returned from Miami to Amsterdam, we've worked very closely together to have a very smooth transition.

And I can assure you that myself and the board is very confident that Gus will lead AerCap in the same style and hopefully with even further increasing success as we have been able to do since the IPO in 2006. So once again, thank you to all of you for your fairness, your openness, and your interest in AerCap, and I hope that you will give the same to Gus and the team in future. With that, I hand it to the operator for the Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (Operator Instructions). We take our first question today from Andrew Light of Citi. Your line is now open.

Andrew Light - *Citigroup - Analyst*

Good morning.

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Morning Andrew.

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Andrew Light - Citigroup - Analyst

A question on impairment. \$7.7 million on three planes in the quarter, and would it be too pessimistic to kind of extrapolate that to the other 48 -- or the total 48 planes? And secondly, why take the impairment now? Are they planes that are being disposed? Or were they defaulted on?

Keith Helming - AerCap Holdings, N.V. - CFO

First of all, the question on the extrapolation. Yes, that would be very pessimistic. Yes, of course we may still have some impairments on the 48 aircraft, but most of those aircraft, if not all of the aircraft, are now on accelerated depreciation schedules, so as a result of that, there's a lot less risk, if you will, of impairments, effectively.

The three impairments that we incurred in the first quarter, again, we reassessed where the market rates were. We reassessed some of these aircraft in terms of whether or not they could be re-leased again after the current lease, and we modified some assumptions, and these three aircraft were impaired. But, again, you can see the amount relative to our total portfolio.

And, again, if you look at the amount of impairments that we've had over the last few years, it's obviously very minimal. You always will have a handful of impairments. Even with accelerated depreciation schedules and book values that are significantly below that of current market values. But, again, there's not that much risk in terms of the remaining 48.

Klaus Heinemann - AerCap Holdings, N.V. - CEO

Andrew, the board and the audit committee, together with the management, very carefully always reviews the acceleration necessary on the depreciation schedules for all the aircraft. So, say for minor numbers like this in the context of the total portfolio, we do believe that the accelerated depreciation does indeed match the value to kind.

There's a much broader test, and at lunchtime, Keith and Gus will focus on that. As you know, we're the only ones who give you on a semi-annual basis the current market value of the portfolio versus net book value. I can tell you already now that this gap, the positive gap, is increasing. In other words, the net book value in relation to current market value is falling, which gives you the comfort you need that the overall depreciation rate and depreciation policy of AerCap is very conservative.

And I would suggest that that is what you should monitor in order to put it onto the portfolio context to see if that gap is widening or if it's getting narrower. Because that is really the best way that also the board uses to determine, you know, if there is a potential for a depreciation policy that is not aggressive enough. But we will go through those numbers at the lunchtime investor meeting in more detail, and for those of you who don't attend, you can see it then on the website, but it will show you that this positive delta between net book value and current market value is very nicely expanding.

Andrew Light - Citigroup - Analyst

Can I ask a follow-up question? On page 19 of the presentation, the Other One-Offs, what are other one-offs? They're not sales --

Keith Helming - AerCap Holdings, N.V. - CFO

This is just primarily recoveries from prior defaults.

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Andrew Light - Citigroup - Analyst

Okay. Because I -- committed aircraft sales, EPS impact zero, and yet there's \$11 million pre-tax. Just try to understand the difference there.

Keith Helming - AerCap Holdings, N.V. - CFO

Sorry, Andrew, I didn't quite hear the question. You're breaking up.

Andrew Light - Citigroup - Analyst

Sorry. On the -- in the income statement, the disposal gains, pre-tax, came to about \$11 million.

Keith Helming - AerCap Holdings, N.V. - CFO

Yes.

Andrew Light - Citigroup - Analyst

And yet, on this slide 19, Committed Aircraft Sales, 1Q '11, there's zero impact on an EPS --

Keith Helming - AerCap Holdings, N.V. - CFO

Yes, the most significant portion of that \$11 million came from the parts sales, as well as the engine sales. So the aircraft sales was very limited -- the gain.

Andrew Light - Citigroup - Analyst

So this is air and turbine.

Keith Helming - AerCap Holdings, N.V. - CFO

Air and turbine, yes.

Andrew Light - Citigroup - Analyst

Alright, gentlemen, perfect. Great. Unfortunately, I won't be at the lunch. I'm in London today. But Klaus, it was great working with you, and all the best.

Klaus Heinemann - AerCap Holdings, N.V. - CEO

Thank you very much, Andrew.

Operator

We take our next question today from Gary Liebowitz of Wells Fargo Securities. Your line is now open.

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Gary Liebowitz - Wells Fargo Securities - Analyst

Thank you. Good morning, gentlemen. A question for Gus. You know, Klaus mentioned that the 2011 acquisitions are very first-half loaded and is there not much currently firm in the second half? What are the chances that the portfolio actually starts to shrink under your watch by mid-year?

Keith Helming - AerCap Holdings, N.V. - CFO

Well, Gary, as Klaus. You know, the Company's well-positioned now with over \$0.5 billion of liquidity, and we are working diligently to source opportunities for the growth side of the business. And I would be confident that over the course of the next 12 to 18 months we will find those. And furthermore, though, you must remember that there is also built-in growth into the portfolio in 2013, which will prevent any decline in the total volume of assets.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay. Also, (inaudible) for anyone, I saw one of your competitors is pursuing the airline that defaulted during the quarter for unpaid lease obligations. Is it fair to assume that you're pursuing a similar course?

Aengus Kelly - AerCap, Inc. - CEO

Gary, we don't comment on ongoing legal issues with airlines that have defaulted with.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay. And just one before I get back in the queue. The margin on the asset sales is probably the best we've seen in about a year, and you said it was all from the parts side. Is that a sustainable-type margin, or was there a particularly good mix of sales in the first quarter, and we should be assuming a lower margin going forward?

Aengus Kelly - AerCap, Inc. - CEO

I think, Gary, it's important to look at the components of the aircraft sales. You know, as we always say, our strategy is to keep this portfolio young and dominated by modern technology assets. If you look at the four airplanes that we actually sold during the quarter, the average age of those four aircraft is almost 20 years of age, and we still managed to get out with a small but albeit a profitable -- a profit on the sale of those airplanes. The air turbine margins -- and they're about par for the course for air turbine.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay. Thank you very much.

Operator

Our next question today will come from Scott Valentin from FBR Capital Markets. Your line is now open.

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Scott Valentin - *FBR Capital Markets - Analyst*

Good morning, gentlemen, and thanks for taking my question. Just a question on capital management. Klaus, you mentioned that you have a fairly large difference between market value and book value in the aircraft. Is there any thought to maybe montaging some of that market value and redeploying the proceed into maybe a stock repurchase? I know there's some limitations with covenants. I think you're limited to \$25 million a year in stock repurchases and \$50 million in aggregate. But is there any way to maybe get around those covenants or pay bondholders to have some flexibility in those covenants?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

We're always looking at the optimal mix between additional CapEx and share buybacks. I'm confident, you know, if the share price would be low enough from our perspective to justify extended volume share buybacks, that we would get the necessary covenant changes to do that. But at this moment, we are hovering just slightly above that particular target number where buybacks would be more advantageous.

But having said that, we will continue to use that differential to look at trading opportunities as they arise from time to time, if for no other reason, to make sure that the data points that are used by the appraisers for the current market valuation are based in reality.

Scott Valentin - *FBR Capital Markets - Analyst*

Thank you. And then, as a follow-up, you mentioned sourcing additional aircraft over the course of the year. Is there any mention -- obviously, narrow-body and well regeneration, young aircraft is a focus? But wide-body versus narrow-body, any preference there? Still narrow-body? Just from the call we've heard from some peers has been that the wide-body market is in a lot of demand for wide-body aircraft right now. And I didn't know if maybe that would impact your strategy -- narrow-body versus wide-body?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Well, you have to distinguish two things. First of all, the global airline demand for wide-bodies, especially from Asia, is clearly there. But you also have to look what is very important for operating lessors, which is the width of the operator base. And there, the narrow-bodies still beat the wide-bodies hands-down, in particular the very large-capacity wide-bodies. And that is an important issue for operating lessors, because the broader the user base, the higher liquidity for follow-on leases that you can avail yourself of.

Having said that, we are very happy with the performance of our A330 portfolio. We are looking from time to time at opportunities in the small- to mid-size wide-body market. And I would not exclude that at all. But we would continue to be unlikely to be seen in the very large-capacity wide-body market to play a significant role. Because we just believe that the user base there is so much smaller that, you know, as long as we have ample business opportunities in our core segment, we don't need to stray into it.

Scott Valentin - *FBR Capital Markets - Analyst*

Okay. Thanks very much.

Operator

Our next question today comes from Helene Becker of Dahlman Rose. Your line is now open.

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Helene Becker - *Dahlman Rose - Senior VP*

Thanks very much, operator. Can you hear me?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

You're audible.

Helene Becker - *Dahlman Rose - Senior VP*

Am I coming in okay? Loud and clear? Okay, now I just had a couple of questions with respect to the \$814 million of aircraft deliveries, or on set deliveries. Can you say how much of that is aircraft versus engines?

Keith Helming - *AerCap Holdings, N.V. - CFO*

Yes, the full 18, I think, relates to basically aircraft. Almost all of it relates to aircraft.

Helene Becker - *Dahlman Rose - Senior VP*

Okay. And is there a delivery schedule for those aircraft somewhere in either a filing or something you're going to put out, like today in the lunch or something like that? Or do you have a delivery schedule?

Keith Helming - *AerCap Holdings, N.V. - CFO*

In the earnings presentation, on page 15, it shows how much we purchased in the first quarter, and then the remaining amount is going to be purchased primarily in second quarter and early third quarter.

Helene Becker - *Dahlman Rose - Senior VP*

Wait, no, I see that part, but do you have, like, what exactly is coming in and where they're going? You know, how many aircraft are coming in the second and third and so on quarters? And then where those aircraft are going? Is that the five -- is that it, these five aircraft?

Keith Helming - *AerCap Holdings, N.V. - CFO*

Yes, four of the aircraft will be coming in in second quarter, and then the remaining one will be in third quarter. And all the aircraft are on leases. So yes, we do know where they're going.

Helene Becker - *Dahlman Rose - Senior VP*

Okay. Okay, great. But will you share that with us? Or no? Sorry. Is that something you can share?

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Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Well, there's no reason why not. These are all long-term leases, and the next aircraft to be delivered goes to Hainan next week in China, next week, then we have two deliveries to Virgin Atlantic, and then we have one more delivery to Sichuan Airlines in China.

Helene Becker - *Dahlman Rose - Senior VP*

Okay. Thank you so much. I really appreciate that. And Klaus, so good luck to you. It's been a pleasure to work with you, and congratulations and so on like that.

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Thank you very much.

Helene Becker - *Dahlman Rose - Senior VP*

Thank you. Thanks. Those were my questions.

Operator

(Operator Instructions). Our next question today comes from Gary Chase of Barclays Capital. Your line is now open.

Gary Chase - *Barclays Capital - Analyst*

Everybody.

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Hey Gary.

Gary Chase - *Barclays Capital - Analyst*

I wanted to ask a few questions on lease rates, and then maybe get Klaus to clarify a comment that he made earlier. First, could you just kind of give us a sense of where mid-range, say, you know, five-ish-, ten-ish-year-old narrow-bodies, sort of how lease rates are looking there, and how that's trending?

Aengus Kelly - *AerCap, Inc. - CEO*

Sure. Gary, again, you know, as we've said in the past, it does vary by aircraft type. And if we look at the aircraft types that we're focused on, the airplane that has shown the strongest rebound is the 737-800. And that's followed then by the A320 with CFM-powered engines. And they are the two narrow-body aircraft that have shown a real strong rebound.

And what I would say, rather than quote, absolute lease rates. The net margin, after interest expense, on those asset types is now comparable to where it was prior to the downturn. Now, when you look at the smaller-capacity narrow-bodies, the recovery has not been quite as strong. That's on the 737-700 and on the A319.

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Then, when you look at the wide-body market, we see very strong demand for the A330. The A330 has been a very significant beneficiary of the delays associated with the 787 and the demise of the 767. So that asset in the wide-body space is the clear leader at the moment. So those three types have really come back on a net-margin basis to where we were prior to the downturn. The other assets still have a ways to go.

And, of course, the other point, then, Gary, which is always a very difficult one to factor into a lease rate, is the maintenance condition of a mid-life airplane. You know, the difference between an engine or two engines that are fully out of a shop on a narrow-body and those that are about to go into a shop could be a cumulative amount of \$8 million. So when you quote lease rates, you have to be very careful about the status of the airplane that you're quoting the lease rate on. But there are the general views.

Gary Chase - *Barclays Capital - Analyst*

And, Gus, for the Dash-700s and the 319s, those are trending positive. You're just saying they haven't been as strong? Or are they not --

Aengus Kelly - *AerCap, Inc. - CEO*

That's correct, Gary. They're trending positive. They just haven't been as strong as the 800 and the 320.

Gary Chase - *Barclays Capital - Analyst*

Okay. And I guess, would it be possible, Klaus, to maybe get you to clarify, or somebody else -- you were talking earlier about sort of the priorities for deployment of cash. And maybe I didn't quite catch the full explanation, but I thought you said something like we're sort of right near the point where the discount we see in where the equity trades versus the value of this asset is sort of right on top of the kinds of opportunities we can see in the marketplace.

A, I just want to make sure I heard that right, and B, I wanted to see if I could get you to comment, because what you've expressed in the past is a pretty significant disconnect, at least between where we're trading today and what you think the value of assets is. Can you really do that well in the secondary market?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Sorry, what do you mean by, can you do that well in the secondary market? I don't --

Gary Chase - *Barclays Capital - Analyst*

Well, in other words, I think you've expressed a book value that approaches, you know, a full value that approaches something like \$20 a share, if I'm not mistaken. You're looking at 13.5. That's a pretty big disconnect between, you know, where the stock trades, at least on my screen, and what you think the value of the assets is. Can you create that kind of spread as you buy assets in the marketplace, or is there some other reason that -- you know, it's maybe the spirit of the Waha agreement that you wouldn't want to use cash for that. You'd want to deploy it in new assets.

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Well, as always, and as we've extensively discussed at previous investor lunches, you know, if this would simply be deployment for CapEx tomorrow morning versus the share price tomorrow morning, it's a very easy task. Because it's simply a mathematical

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exercise. And I'm not obviously giving you the exact number, because -- for obvious reasons. But it would be a very simple exercise. But that's not what we are confronted with.

We are making CapEx decisions for 2012, 2013. So we will have to make assumptions as to where we anticipate the share price to be at that point in time. And we have to take benchmark situations. We have to look, for example, now that we have a large -- new, large cap lessor in the market, at the discount of current market value of their portfolio versus where they're trading, right? So we have to make certain assumptions when we make CapEx assumptions where we believe the share price is likely to be in a normal situation. And that is a more difficult call for the board to make. You know, if it were to be CapEx tomorrow morning versus buying back shares, life would be nice and easy. But that's not the real world.

Gary Chase - *Barclays Capital - Analyst*

Okay, and you think -- and so the thought process is that you think there's enough potential appreciation where it's a tough call right now. Is that --?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

I think -- it can just be a matter of time before the fact that we're trading not only at a ridiculous discount to the mere current market value of the portfolio, but that we're trading at a ridiculously low PE multiple, that that will rectify itself, yes. Because if you look at our PE multiple, right, and com -- we will give you at lunchtime a presentation that will show you benchmark right across the publicly quoted and non-publicly quoted leasing companies. And we will show you something else here which really shows that, while we are the top performer on our criteria that is not reflected in the share price. And we happen to believe that that will correct over time.

Gary Chase - *Barclays Capital - Analyst*

Okay. Thanks for the thoughts, guys.

Operator

(Operator Instructions). Our next question today will come from Scott Valentin of FBR Capital Markets. Your line is now open.

Scott Valentin - *FBR Capital Markets - Analyst*

Thanks for the follow-up question. Just, you mentioned adding additional aircraft above the current delivery forecast, and I'm just wondering, all the new capital coming into the segment, is it that much more difficult now to source aircraft? Is that a challenge more so than it has been in the past?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

It is a task where you need to have a very deep global platform and very good relationships with the manufacturers and with the airlines in order to source the right opportunities at the right moment. But that is what we have, and that is what we believe distinguishes us from most others. So yes, we do believe that we have an opportunity to source these opportunities as they come along.

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Scott Valentin - *FBR Capital Markets - Analyst*

In terms of the mix, it would be delivery slots, do you think, versus lease-back transactions? Or how do you see the mix falling out?

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

I wouldn't comment on that, but what I can assure you, it will all be new or very near new.

Scott Valentin - *FBR Capital Markets - Analyst*

Okay. Alright, thanks very much.

Operator

We have no further questions at this time. Thank you.

Klaus Heinemann - *AerCap Holdings, N.V. - CEO*

Alright, great. Well, thank you very much, then, again, and next time around, Gus will lead the charge with the able support of Keith. Thanks very much again.

Keith Helming - *AerCap Holdings, N.V. - CFO*

Thanks, everyone.

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