

FINAL TRANSCRIPT

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AER - Q4 2010 AerCap Holdings N.V. Earnings Conference Call

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Mark Streeter

JP Morgan - Analyst

PRESENTATION

Operator

Good day and good afternoon, ladies and gentlemen, and welcome to today's AerCap Holdings 2010 fourth-quarter and full-year results conference call. At this time, all participants are in a listen-only mode. This call is being webcast, and an audio version of the call will be available on the Company's website. The call is also being recorded for replay purposes.

I will now hand the call over to Peter Wortel, Head of Investor Relations.

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

Thank you. Good day everyone. Welcome to the 2010 fourth-quarter and full-year results conference call. With me today are Klaus Heinemann, AerCap's CEO; Keith Helming, AerCap's CFO; and Aengus Kelly, CEO of AerCap Inc.

I would like to mention that after this conference call we will also host a luncheon at the New York Palace in New York.

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 the performance related to forward-looking statements can be found in AerCap's earnings release dated February 24, 2011. A copy of the earnings release and conference call presentation



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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.

I'll now turn the call over to Klaus.

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

Thanks very much, Peter, and good morning everybody and thank you for joining us for AerCap's 2010 fourth-quarter and full-year 2010 earnings call.

In our 2009 full year earnings call, 12 months ago, we told you that 2010 had the potential for significant positive momentum both for AerCap and the aviation industry at large. Well, 12 months later, there have certainly been strong improvements both within the global aviation industry and also for AerCap.

AerCap's total revenue for 2010 increased by 83% year on year to \$1.8 billion as a result of higher basic rents and an increase in sales revenue. Basic lease rents for the full year 2010 reached \$878 million, up 51% compared to the full year 2009, highlighting an improvement in the quality of our earnings mix towards the more predictable contracted lease income.

On December 31, 2010, our lease assets have increased by 54% to \$9.6 billion compared to the end of 2009. The Genesis Transaction accounted for \$1.5 billion of this increase. This all resulted in the net profit after adjustments of \$224 million, a new record in AerCap's history.

Total equity stands, as per December 31, 2010, at \$2.2 billion, and our adjusted debt-to-equity ratio is also at a record low of 2.8 to 1, despite the 54% growth in lease assets. This shows you the conservative structure of the balance sheet that we managed to maintain during the very strong growth period in 2009.

So, all in all, a great year, and our results for 2010 establish in our mind a new global benchmark for what we call the three P's that define a successful aircraft lessor. First of all, the operating platform. AerCap's platform, managing global airline, manufacture and investor relationships is now among the three leading global franchises and the largest independent franchise measured by aircraft asset value. It also represents the franchise on capital management and related creditor-investor relationships that is in our mind second to none in our industry.

Second, the portfolio itself. AerCap's aircraft asset portfolio mostly consists of the youngest, most fuel-efficient aircraft currently in production, a very important factor, especially in the light of the fuel cost increases that we've seen over the last couple of weeks hitting the industry again.

The outstanding success of this portfolio is best highlighted by two numbers. First of all, it's 2010 net spread, i.e. lease revenue after funding cost of \$666 million, 43% increase from 12 months ago, and also importantly, the fact that the current market value of this portfolio exceeds book value as per the last independently commissioned valuation by \$913 millions or \$6.12 per share.

Thirdly, and also importantly, yet sometimes apparently forgotten in our industry, the third P is profitability. I just referred to AerCap's 2010 record profit of \$224 million after adjustments. Our earnings per share of \$1.95 after adjustments highlights our ability to effectively integrate transactions such as Genesis' amalgamation and the Waha transaction which requires significant issuance of additional shares without dilutive effects for our existing shareholders. Even in the year of completion and they set another key benchmark in our industry. To be clear, unless your earnings reach the number that we are showing you for 2010, you are not the benchmark for financial success in our industry.



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With regards to the current marketplace, looking at IATA forecast as well as what we see, we would expect to see global capacity growth at around 6% during 2011, with the fastest growth coming from Asia, with Africa, Latin America, Europe, Australasia and North America following. These growth markets represent a large portion of AerCap's portfolio and client contacts in geographic terms, as many lessors in these territories are either building up a young fleet or are looking to re-fleet with younger, more fuel-efficient aircraft. We anticipate the re-fleeting trend to further accelerate with the most recent developments on fuel cost.

Before I hand over to Keith, profitable growth is of course very much part of our strategy. And we are keen to stress that our philosophy with regards to further growth is that investments will only be done if deals generate positive long-term returns to shareholders and not for the sake of growth only.

The recent signing of the contract with Boeing for 10 737-800 aircraft to be delivered during 2015 and an option for five more falls into this category and signals our intent to continue to pursue our growth strategy from a variety of sources.

On that note I would like to hand over to Keith, who will take you now through the details of our 2010 financial and operating performance.

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

Thanks, Klaus. Okay, starting on page 5 of the presentation, our total net income in fourth quarter 2010 was \$72.4 million. The adjusted net income which excludes the non-cash charges relating to the mark to market of interest rate caps and share based compensation with \$56.3 million in fourth quarter 2010.

For full year 2010, our total net income was \$207.6 million and adjusted net income was \$223.9 million for the full year.

Total earnings per share were \$0.53 in fourth quarter 2010 including all items. Adjusted earnings per share were \$0.41 during this period. The full year 2010 total earnings per share were \$1.81 and adjusted earnings per share were \$1.95.

The increase in average shares outstanding was due to the completion of both the Genesis and Waha transactions during 2010. Our total shares outstanding is now at \$149.2 million.

The sources of our earnings have changed quite significantly over the past three years. In 2007, our net income was \$210.6. However, a large portion of those earnings, 58%, was driven by gains from the sale of assets. The sales market was very strong at that time, and it was the right environment to sell down older assets which we did in order to optimize our portfolio.

Since that time the majority of our Airbus orders have delivered and are now generating lease revenues. As a result, our core income, which is primarily income from leasing, has more than doubled to \$181.9 million and now represents 81% of our total profit. A much lower amount of our profitability is now generated by the gains from the sale of assets.

Total revenue in fourth quarter 2010 was \$398 million, up from \$288 million in fourth-quarter 2009. Basic rents increased 57% to \$245 million in the same period. For full-year 2010, total revenue was \$1.8 billion, up from a \$1 billion in 2009. This increase was driven by a 51% growth in basic rents to \$878 million plus an increase in sales revenue to \$850 million for the full year 2010.

The increase in basic rents of 57% in the fourth quarter 2010 over fourth quarter 2009 drove the growth of 48% in net spread during the same period. Net spread is the margin that we earn on our leased assets. Net spread was \$187 million in fourth quarter 2010 as compared to \$126 million in the same period of 2009.



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In the full year 2010, the growth on our net spread was 43% over 2009. The net spread was \$666 million for the full year 2010 as compared to \$466 in 2009, an increase of \$200 million. The growth in net spread is comparable to the growth on our average lease assets during the same period. And the margin percent for the full year 2010 was 9.24%.

Total sales revenue in fourth quarter 2010 was \$121 million. Revenues relating to the sale of aircraft was \$75 million, the sale of engines was \$6 million and parts sales was \$41 million.

Total gain from sales in fourth quarter 2010 was approximately \$8 million on the pretax basis as compared to \$46 million in fourth quarter 2009. For full year 2010 total sale revenue was \$850 million. Revenues relating to the sale of aircraft was \$667 million, the sale of engines was \$33 million and part sales was \$150 million.

A high amount of aircraft sales in 2010 was driven by the sale of some older aircrafts, 757s, airline diversification sales like the deal we did with Avalon, plus some of our 2010 forward-order aircrafts were sold at delivery, and these sales were contracted in 2009 as part of our capital planning activity.

The total amount of AerCap leasing expenses and SG&A for fourth quarter 2010 was \$61 million as compared to \$51 million in fourth quarter 2009. The total amount of leasing expenses and SG&A for full year 2010 was \$201 million which was essentially flat with the full year 2009 amount of \$198 million. SG&A costs increased \$4 million for the full year 2010 as compared to 2009, and then that includes the addition of the Genesis portfolio.

Leasing expenses were \$24 million for fourth quarter 2010, up from the \$13 million in fourth quarter 2009. The largest driver of the increase in leasing expenses for the fourth quarter 2010 was an \$8 million increase in cost for lessor maintenance contributions. Full year 2010 leasing expenses were \$68 million, again essentially flat with full year 2009 amounts of \$65 million.

During fourth quarter 2010 we incurred a negative \$10 million impact relating to airline defaults. This is in the form of lower basic lease rents and higher leasing expenses. For the full year 2010, the impact from airline defaults was a negative \$9 million which includes the partially offsetting benefit from maintenance rents. For the full year 2009, this amount was a negative \$25 million.

We incurred an \$8.9 million charge relating to impairments in fourth quarter 2010. The most significant portion of the impairments was the result of an early termination. As part of the early termination, it was agreed that AerCap would keep the maintenance reserve held as collateral on the aircraft. This amount was recorded as revenue upon lease termination in fourth quarter 2010, more than offsetting the impairment charge. Similarly, for the full year 2010 we had impairment charges of \$14.4 million which were more than offset by maintenance-related revenue.

Our blended tax rate for full year 2010 was a charge of 8.6%. The tax rate for our aircraft assets was a charge of 8.9%, and the tax rate on our engine and parts assets was a credit of 34.2%.

AerCap total assets have grown 42% in 2010. Total assets on the balance sheet are \$9.6 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 96 at the end of 2010.

We completed \$2.6 billion of purchases of aviation assets for the full year 2010, including the purchase of the 55 aircraft. For full year 2011 we have \$760 million of committed purchases of aviation assets including 10 aircraft.

The utilization rate was maintained at 98.3% for the full year 2010. The yield generated by our aircraft lease portfolio was 13.3% for the full year 2010. The decrease versus full year 2009 is primarily the result of the Genesis transaction plus the delivery of new aircraft which initially have a lower yield.



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The average term of new leases for new aircraft entered into during full year 2010 inclusive of letters of intent was 138 months. The average term entered into during full year 2010 for new leases on our existing portfolio was 62 months.

AerCap's unrestricted cash balance at yearend 2010 was \$405 million. Our total cash balance including restricted cash was \$627 million at the end of the year. Operating cash flows for the full year 2010 were \$615 million.

At year end 2010 AerCap's debt balance was \$6.6 billion and our debt-to-equity ratio was 3.0 to 1. Our book equity amount is now over \$2.2 million. The average cost for debt in full year 2010 was 3.4%.

EPS impact in 2010 from the sale of aircraft was approximately \$0.21. There are currently no contracted or executive LOIs for aircraft for 2011 as of now. Additionally, with regard to our 2011 financial outlook, committed purchases of aviation assets for the full year 2011 is currently at \$760 million.

2011 basic rents is expected to increase 15% over 2010. The maintenance contribution to income is expected to decrease \$20 million to \$30 million in 2011 as compared to 2010, primarily as a result of a higher number of scheduled maintenance events.

Maintenance contribution is defined as maintenance revenue less leasing expenses. The average cost of debt in 2011 is expected to be approximately 3.5% to 4%. And in 2011 the blended tax rate is expected to be in line with 2010. And the 2011 ROE is also expected to be comparable to 2010.

Okay, those are the details in the financials for the fourth quarter and 2010. And I'll pass it back over to Klaus.

Klaus Heinemann - AerCap Holdings N.V. - CEO

Thank you very much Keith, and with that we are opening up to the q-and-a.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Helane Becker, Dahlman Rose.

Helane Becker - Dahlman Rose - Analyst

Can you say how much exposure do you have to airline companies in the Middle East or North Africa? Number one. And number two, can you say who the early termination was from?

Klaus Heinemann - AerCap Holdings N.V. - CEO

The answer to that is less than 5% of our portfolio --

Helane Becker - Dahlman Rose - Analyst

I'm sorry, how much percent?



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

Less than 5% of our total portfolio.

Helane Becker - *Dahlman Rose - Analyst*

Okay. And --

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

And the early termination of a single aircraft relates to an operator based in Egypt, and we are in the process, within the next 24 hours, to complete the recovery of that aircraft, which by the way, once recovered will immediately be placed into new lease service. So there is a single aircraft.

Helane Becker - *Dahlman Rose - Analyst*

Okay, how long will -- do you know how long it will be between getting it ready again to go out to another (multiple speakers)?

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

The normal time, i.e. anywhere between four and eight weeks before it goes back into revenue earning service.

Helane Becker - *Dahlman Rose - Analyst*

Okay, great. Okay, thanks very much. Those were all my questions, talk to you later.

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

(Multiple speakers) -- impact on the revenue line.

Helane Becker - *Dahlman Rose - Analyst*

okay, thank you.

Operator

Scott Valentin, FBR.

Scott Valentin - *FBR - Analyst*

With regard to the potential sales of aircraft, your guidance is zero for '11 because as currently said there's no letters of intent right now, but I assume there will some -- I mean, do you initiate some activity in 2011, you just don't have much yet?

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Klaus Heinemann - AerCap Holdings N.V. - CEO

First of all, we have finished really our disposal program of aircraft that we wanted to take out of the portfolio for reasons of risk concentration or for reasons of age and type. So those transactions are now really finished at this stage. That doesn't mean that we will not pursue one or the other opportunity, but only if those opportunities and the balance of giving up future revenue as against the capital gain made on disposal are in the right direction.

So, obviously, this number is unlikely to remain at zero for 2011, but opportunities -- and some of them are in discussion at this moment -- will only be taken up if they are meaningful for us from a disposal gain perspective.

Scott Valentin - FBR - Analyst

Okay, fair enough. And on the -- this aircraft that will be placed into service over the course of '11, is it fairly even over the course of '11, or is there any one quarter where you get more aircraft coming on than others?

Klaus Heinemann - AerCap Holdings N.V. - CEO

No, the deliveries in 2011 are all in the first two quarters. So the delivery of new aircraft from Airbus will finalize by the end of the second quarter. So it's all front-loaded into the first two quarters. Like last year really.

Scott Valentin - FBR - Analyst

Okay. And one final question. I know since the early days the price of oil spiking up, no one knows how long it will last, if it's for a long duration. But, Klaus, what do you anticipate in terms of pressure points, is it -- pressure is building, but is there a level you see for cause of extreme distress in industry?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Yes, as I've said on a number of occasions before, at an oil price level between \$75 and \$100 we believe it is beneficial to our operations because it simply accelerates the retirement of older inefficient aircraft. Above \$100 it starts to impact the P&L of airlines, and possibly also the overall GDP growth which then indirectly impacts airline growth. So we're obviously at this borderline at this moment.

And we will have to observe where oil prices go once the immediate crisis is over. But it does have the potential, if it stays significantly above \$100 for prolonged period of time to curtail the current growth assumption that the industry is making for 2011. Interesting enough, what it will not do, it will not curtail the replacement activity, it will accelerate that even further.

Scott Valentin - FBR - Analyst

Okay. Thanks very much.

Klaus Heinemann - AerCap Holdings N.V. - CEO

And that's (multiple speakers) significant topic for the US market here.



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Operator

Gary Liebowitz, Wells Fargo Securities.

Gary Liebowitz - Wells Fargo Securities - Analyst

A question for Klaus, and maybe Gus would like to chime in, and (inaudible) your latest thoughts on cash deployments. It seems like beyond the first half of 2011 the portfolio might actually start to decline. And we know there's a lot of competition out there for the types of aircraft that you are targeting and maybe at these price levels you are not able to generate the returns that you want?

Are you willing to be in a situation for a year or two where you're not adding much to the portfolio and so just building up your war chest for the next inevitable downturn?

Klaus Heinemann - AerCap Holdings N.V. - CEO

First of all, for 2011, as Keith has just outlined, we have already nearly \$800 million of CapEx committed. There are few other smaller transactions under discussion, so I would be very surprised if this number would not be a billion at least for the total of 2011. And as you know, we only need around \$500 million to stand still. So there is still contracted growth for 2011 in our business model. And that is basically already done, that is the fact.

Where we go from there on is indeed an interesting question. And we are sitting in an extremely comfortable position of having a very large amount of liquidity and a very large amount of equity with us. And this is the flipside of the coin of the fuel costs starting to impair one or the other business model, be that on the airline side or be that on the lessor side that we believe that these situations would spell opportunities for us if they occur. And we'd like to keep our powder dry for those.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, and my other question --

Unidentified Company Representative

(Multiple speakers).

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, my other question for Klaus, maybe Keith, you have some A320s that are delivering this year, and I think for accounting purposes at least, it'd function as a 25-year life. I mean, how confident are you that this plane would still be in service in 2036, given that the NEO is just a couple of years away, and presumably an all new narrow body from both Boeing and Airbus, in about 10 -- within about 10 years or so. I mean, is that 25-year assumption perhaps a little too optimistic now?

Klaus Heinemann - AerCap Holdings N.V. - CEO

Well, if it's 20 or 25 years, time will tell. I don't think anybody has the answer to that. Please bear in mind, a core component -- if this makes financial sense or not, and if reduced lifetime would indeed spell financial exposure -- is the entry price into the asset. And we believe that when it comes to the entry price of the asset, i.e. the price at which we enter it into our books, we are pretty much at the low end of the entire industry.

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And that is where your biggest protection is, and from that perspective if you are actually looking at having to revise in 10-12 years the residual position and therefore the depreciation schedule for the aircraft or not, is of significant smaller impact than it would be if you start this game at a significantly higher entry price as some of our competitors do. That's the first and important point.

Now, the second point is, yes, there will be some form of impact from new generation aircraft, obviously. But this impact, in our judgment, is not significant enough to derail the fact that the traditional A320 still is a very, very efficient aircraft in the overall context of all aircraft operated among the fleets.

On the new engine options, I remain, as you know, cautious. Historically re-engining aircraft, be that the DC-10, being re-engined and being named the MD-11, or be that the MD-80 being re-engined and renamed the MD-90, while these situations looked good on paper, it turned out to be not so good when it came to residual value performance.

So I'm still skeptic with respect to the actual success of the re-engining effort that is currently going on. And we are observing with interest what Boeing is doing, which I believe, quite frankly, is the more interesting approach to resolve the issue of producing state-of-art fuel efficiency in the long term.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, and just one more. You said that you shouldn't assume for now the aircraft sales this year, but I thought you were planning to market the narrow bodies that you required to stake in through the Waha deal. Have you started to market those? And how is that going?

Klaus Heinemann - AerCap Holdings N.V. - CEO

As I just said, Gary, don't assume that there will be zero sales this year. We are indeed starting to market some positions in the market, and I would expect that already in the first half of this year there will be some significant sales revenue and gains.

Gary Liebowitz - Wells Fargo Securities - Analyst

Thank you very much.

Operator

Mark Streeter, JP Morgan.

Mark Streeter - JP Morgan - Analyst

I'm just wondering if you can talk a little bit about, given the changes in export credit rules and the like and your reduction in leverage, have you thought at all about how you are going to run the balance sheet going forward? Couple of your peers have obviously tapped the unsecured debt markets. You've traditionally borrowed more on the secured side. So I'm just wondering, given the evolution of the Company and the markets what your current thoughts are on this.

Klaus Heinemann - AerCap Holdings N.V. - CEO

Maybe I'll turn this to Keith and Gus, because that will be more relating to what they plan to do in the coming years. So maybe Gus you might want to give some of your thoughts on the --.

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Aengus Kelly - *AerCap Holdings N.V. - COO*

Yes, first of all on the new rules regarding the export credit, from our standpoint the fact that it's going to become more expensive to borrow for airlines around the world is actually good news, because then the cost of capital of AerCap which is significantly cheaper than most of the airlines will be brought to bear and should make our proposition more attractive for the airlines.

In relation to going for unsecured debt, that's something that we'll have to consider very carefully. In the past we've told you that unsecured debt is something we've shied away from because it doesn't tend to give you the same long-term form of debt that we get in secured debt of 10 to 12 years. It tends to be a good bit shorter. And you've always heard us say it's on the liability side of the balance sheet that this business is won and lost. And if you expose the Company to bullet maturities, that really is the biggest risk that you can put into the Company.

That being said, of course if there are terms and conditions, if it was very long-term unsecured debt we would look very carefully at that. But as of now we don't believe that we could get somewhere in the tenor that we would want in order to execute a non-secure transaction.

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

And in addition to that, when we look forward at our debt balances in many of our structures there is very accelerated debt pay-down. So we actually see a number of different opportunities where we can refinance on the secured basis, and that's still going to be our original source of new capital. But as Gus pointed out, I mean, we'll obviously continue to look at -- the unsecured market if it does provide us with some additional opportunities. But again, like he said, we will continue to try to use the secure financing market as our main source.

Mark Streeter - *JP Morgan - Analyst*

And just as a follow-up, on the secured side are you looking at some public market secured opportunities? Again, some of your peers have pursued those. And I'm just wondering how you view secured debt in the bank market versus the public market versus ECAs, et cetera, at this point in time and through 2011?

Aengus Kelly - *AerCap Holdings N.V. - COO*

Well, we've -- and the key on the financing side of the business is to make sure that you are active in all of the markets when they are appropriate. At the moment the secured financing market is still very attractive for us. We have managed to tap sources around the globe, in China, Singapore, Taipei. We also used the ECAs in the past. We have been the biggest user of the public markets in terms of aircraft securitizations. And I would expect that once that market opens on terms and conditions that are acceptable to AerCap, we will look to execute there as well going forward.

But we certainly are in no position where we are forced into refinancing into the public markets. We will wait until it is appropriate for us as our capital structure gives us the ability to be patient and wait for the right moment.

Mark Streeter - *JP Morgan - Analyst*

Okay, just a last question from me. I just want to make sure I'm clear on your comments during your prepared remarks. You say you're underleveraged right now given the reduction in leverage? I just want to make sure we have a sense for your leverage tolerance.

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

Well, if I may come in here Mark, I would call us extremely conservatively leveraged at this moment. And where the ideal leverage is obviously also depends a little bit on where the cost of liability instrument rests. But at this moment we are very, very comfortable in the position where we are below our target leverage. And by the way that is -- that margin is increasing because it allows us a multitude of refinancing options later this year, early next year, if and when we should need the cash for investment opportunities.

Mark Streeter - *JP Morgan - Analyst*

Great, thanks. And Klaus, good luck to you, appreciate it.

Operator

Scott Valentin, FBR.

Scott Valentin - *FBR - Analyst*

On the release of the Egyptian airline aircraft, can you talk about maybe expectations regarding the lease factor, where it will be about -- about even about flat.

Aengus Kelly - *AerCap Holdings N.V. - COO*

It will be very similar. There will not be a material difference between the existing lease within these airplanes and the new lease rate.

Scott Valentin - *FBR - Analyst*

Okay.

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

Yes. And bear in mind, if you have a default like this you take typically, confiscate the security deposits and the maintenance reserves on this aircraft. So we have quite a significant collateral cushion that materializes at this moment as we terminate the lease.

Scott Valentin - *FBR - Analyst*

Okay, and just as you mentioned earlier, the 10 aircraft are scheduled for -- to be added to the portfolio but there is room for additional growth. Klaus, in the past you've mentioned a lot of capital flowing into the new aircraft segment of the market. Your expectation, and I think you've outlined a period where you see newly formed companies being eager to grow the portfolio meet there, and they forecast expectations for investment, but then seeing a low, or maybe pricing gets more rational again. Is that still consistent with your thought process?

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Klaus Heinemann - AerCap Holdings N.V. - CEO

Yes, it is, indeed. And obviously we're coming closer to step number two, where not only do they have to show that they can buy assets and establish a balance sheet and revenue. The second part, and this is why I said in my prepared remarks there are three P's to it, and the third one is profitability, and the second one, that's the interesting one to watch.

To what extent they manage to actually become profitable in what they are doing and to what extent the profit that they generate reaches the benchmark that we're setting, because I think that will determine during the year the longer term accessibility of equity to those players. If they do not manage to show that they can create the same sort of profitability that we're showing to the market, I think they might start to see a situation where equity sources might move into a different direction because while they give them the benefit of the doubt during the startup period, as you know, that benefit will come under question after a period of time.

Scott Valentin - FBR - Analyst

Okay, thanks very much.

Operator

Gary Liebowitz, Wells Fargo Securities.

Gary Liebowitz - Wells Fargo Securities - Analyst

Keith, on page 13, where you lay out the leasing expenses and you note an \$8 million increase in lessor maintenance contributions, is there a one-time unique item that's still in the quarter or how should we think of that number going forward?

Keith Helming - AerCap Holdings N.V. - CFO

No, that consisted of a number of different events across a number of different aircraft. So it just happened to be a very heavy quarter. In some of the previous quarters they were very light relative to this particular cost. So if you look at the full of 2010, I think if you look at that average and the run rate there it's a good proxy for 2011.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, also I just wanted to confirm that today you haven't repurchased any shares.

Keith Helming - AerCap Holdings N.V. - CFO

No.

Klaus Heinemann - AerCap Holdings N.V. - CEO

No, we have not.

Gary Liebowitz - Wells Fargo Securities - Analyst

Okay, thank you.

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Operator

(Operator Instructions)

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

Okay, operator, it looks like that's it. Have you got any more?

Operator

That's correct. We have no further questions. Thank you.

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

Well, thank you very much then, and for attending. And for those of you who join us for our investor lunch later on here we are looking forward to see you then. Thank you very much.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.

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