

# First Quarter 2014 Earnings Call »

May 6, 2014



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# First Quarter Highlights

- Adjusted net income was \$79.9 million for the first quarter of 2014.
- Adjusted earnings per share were \$0.70 for the first quarter of 2014, an increase of 17% over the first quarter of 2013.
- **Key Highlights:**
  - The debt to equity ratio was 2.5 to 1 at March 31, 2014, compared with 2.6 to 1 for the same period in 2013.
  - As previously disclosed, we signed financing transactions for \$2.82 billion, primarily relating to an agreement to replace ILFC's \$2.3 billion unsecured revolving credit facility with a new \$2.75 billion four-year unsecured revolving credit facility, to become effective upon the closing of the ILFC transaction.
  - Our fleet utilization rate was 98.9% for the first quarter of 2014. The average age of the owned fleet as of March 31, 2014 was 5.6 years and the average remaining contracted lease term was 6.6 years.
  - During the first quarter 2014, we purchased three aircraft with a total value of \$0.2 billion and the future aircraft purchases were \$3.3 billion as of March 31, 2014, relating to 41 aircraft, including five purchase rights. The 36 aircraft that are fully committed are all placed on long term leases with an average term of 11.9 years.
  - As previously disclosed, 29 aircraft transactions were executed during the first quarter of 2014.
  - Subsequent to the first quarter of 2014, on April 22, 2014, we completed the sale of 100% of the class A common shares in Genesis Funding Limited, an aircraft securitisation vehicle with a portfolio of thirty-seven aircraft with an average age of thirteen years valued at approximately \$750 million.

# Net Income



(\$ Millions)

1Q 2014

1Q 2013

**Reported Net Income**

**54.7**

**67.5**

**Adjusted\* for:**

mark-to-market on interest rate caps

**4.3**

**(1.3)**

cost of share-based compensation

**2.1**

**1.8**

ILFC transaction expenses

**18.8**

**=**

**Adjusted Net Income\*\***

**79.9**

**68.0**

\* The adjustments are reduced for the tax impact as well as the amount relating to JV partners' share where applicable (which was deducted from net income through non-controlling interest).

\*\* First quarter 2014 adjusted net income increased 18% over the same period in 2013 driven primarily by income generated from purchases in 2013 (including the 2013 purchase and leaseback with LATAM).

# Basic Earnings Per Share



	<u>1Q 2014</u>	<u>1Q 2013</u>
<b>Earnings Per Share</b>	<b>\$0.48</b>	<b>\$0.59</b>
<b>Adjusted for:</b> mark-to-market on interest rate caps, share based compensation and ILFC transaction expenses		
	<u><b>\$0.22</b></u>	<u><b>\$0.01</b></u>
<b>Adjusted Earnings Per Share*</b>	<b>\$0.70</b>	<b>\$0.60</b>
<b>Average Shares Outstanding (Million)</b>	<b>113.6</b>	<b>113.4</b>

\* First quarter adjusted earnings per share increased 17% over the same period in 2013 primarily driven by higher income generated from purchases in 2013 (including the 2013 purchase and leaseback with LATAM).



# Revenue



<b>(\$ Millions)</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>
<b>Basic Lease Rents*</b>	<b>234.9</b>	<b>212.9</b>
<b>Maintenance Rents and Other Receipts</b>	<b>14.2</b>	<b>13.9</b>
<b>Net Gain on Sale of Assets</b>	<b>9.8</b>	<b>11.0</b>
<b>Management Fees and Interest Revenue</b>	<b>5.8</b>	<b>7.1</b>
<b>Other Revenue</b>	<b><u>0.1</u></b>	<b><u>0.9</u></b>
<b>Total Revenue</b>	<b>264.8</b>	<b>245.8</b>

\* First quarter 2014 basic lease rents increased by 10% over the same period in 2013 primarily driven by higher rental generated from purchases (including the 2013 purchase and leaseback with LATAM).

# Net Interest Margin (Net Spread)



<b>(\$ Millions)</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>
<b>Net Interest Margin (Net Spread)*</b>	<b>176.8</b>	<b>152.9</b>
<b>Average Lease Assets</b>	<b>8,129</b>	<b>7,379</b>
<b>Annualized Margin %</b>	<b>8.7%</b>	<b>8.3%</b>

\* *Net Interest Margin (Net Spread) is basic lease rents less interest expense, excluding non-cash charges relating to the mark-to-market of interest rate caps.*

# Sales of Aircraft



## AerCap continues to optimize its portfolio through the sale of aircraft:

In 1Q 2014: we sold one aircraft (a new Airbus A330-300 ) from our owned portfolio and three aircraft from our managed portfolio (one Boeing 737-400, one Boeing 737-300 and one Boeing 767-300ER).

In 1Q 2013: we sold three aircraft from our owned portfolio (one new A330, one B737-800 and one MD-11 aircraft).

<b>(\$ Millions)</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>
<b>Pre-tax Gain from Aircraft Sales</b>	<b>9.8</b>	<b>11.0</b>
<b>Gain from Aircraft Sales - adjusted for tax impact</b>	<b>8.6</b>	<b>9.6</b>

**Including the sale of Genesis Funding Limited, subsequent to the first quarter of 2014, we have sold over 300 aircraft since 2006 with an average age of approximately 13 years**



# Other Expenses and Taxes



<b>(\$ Millions)</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>
<b>Leasing Expenses</b>	<b>12.8</b>	<b>14.9</b>
<b>SG&amp;A</b>	<b>23.1</b>	<b>20.2</b>
<b>Impairment</b>	<b>-</b>	<b>2.7</b>
<b>Transaction Expenses*</b>	<b>21.5</b>	<b>-</b>

	<b><u>1Q 2014</u></b>	<b><u>FY 2013</u></b>
<b>Blended Tax Rate**</b>	<b>8.5%</b>	<b>8.4%</b>

\* *Transaction expenses relate to the costs incurred relating to the ILFC transaction.*

\*\* *The blended effective tax rate in any year is impacted by the source and amount of earnings among AerCap's different tax jurisdictions.*

# Cash



<b>(\$ Millions)</b>	<b><u>Q1 2014</u></b>	<b><u>Q1 2013</u></b>
<b>Cash and Cash Equivalents at Quarter-end*</b> (Excl. Restricted Cash)	<b>320.1</b>	<b>375.4</b>
<b>Total Cash Balance at Quarter-end</b> (Incl. Restricted Cash)	<b>587.1</b>	<b>665.3</b>
<b>Operating Cash Flow for the quarter</b>	<b>158.8</b>	<b>154.0</b>

*\* Undrawn working capital facilities of \$245 million were also available at March 31, 2014.*

# Debt and Equity



<b>(\$ Millions)</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>
<b>Total Debt at Quarter-End</b>	<b>6,204</b>	<b>5,794</b>
<b>Average Cost of Debt</b> (including ~0.4% relating to amortization of debt issuance costs)*	<b>3.9%</b>	<b>4.0%</b>
<b>Equity</b>	<b>2,486</b>	<b>2,194</b>
<b>Debt / Equity Ratio</b>	<b>2.5 to 1</b>	<b>2.6 to 1</b>

**Although our total assets increased by \$0.8 billion (~10%) year on year, the D/E ratio decreased, demonstrating the profitability of our aircraft portfolio**

\* Interest expense divided by average debt balance, excluding mark-to-market on interest rate caps and other charges not reflective of on-going interest costs.

# Supplemental Information



# Portfolio Development



	<u>1Q 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
<b>Total Assets (\$ billion)</b>	<b>9.5</b>	<b>9.5</b>	<b>8.6</b>
<b>Average Age of Owned Aircraft (Years)</b>	<b>5.6</b>	<b>5.4</b>	<b>5.1</b>
<b>No. Owned Aircraft Sold</b>	<b>1</b>	<b>14</b>	<b>59</b>
<b>Book Value of Owned Aircraft Sold (\$ billion)</b>	<b>0.1</b>	<b>0.6</b>	<b>1.4</b>
<b>Completed Purchases (\$ billion)</b>	<b>0.2</b>	<b>1.8</b>	<b>1.1</b>
<b>Purchases Outstanding* (\$ billion)</b>	<b>3.3</b>	<b>3.5</b>	<b>1.6</b>

\* Purchases outstanding at March 31, 2014, relate to 41 aircraft including five Boeing 737-800 purchase rights and one A330 aircraft that is contracted for sale upon delivery.

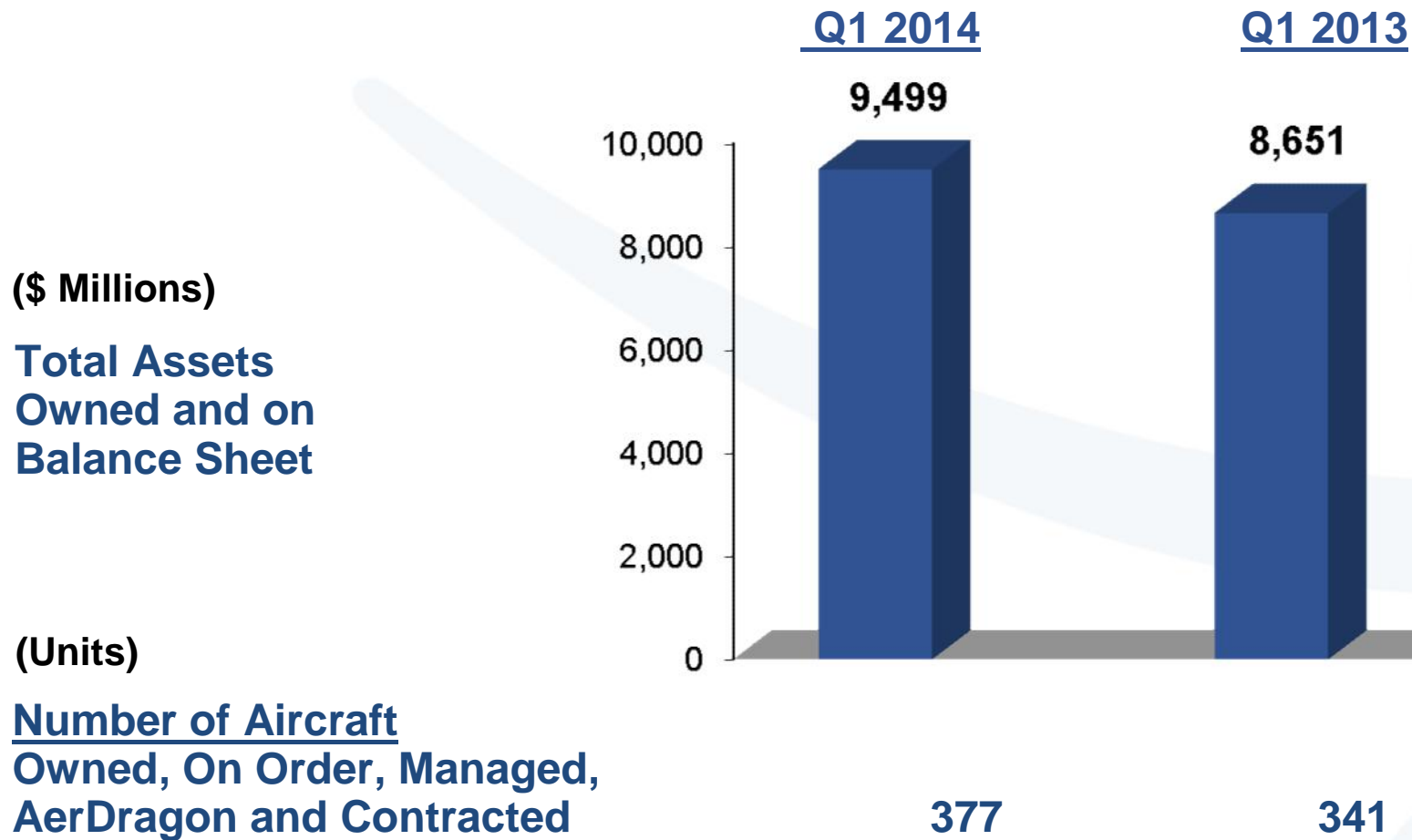
# Aircraft Transactions First Quarter 2014



- 15 lease agreements executed
- Seven aircraft delivered to lessees
- Three aircraft purchased
- One aircraft sold from our owned portfolio and three from our managed portfolio



# Total Assets and Number of Aircraft



# High Quality and Well-Diversified Portfolio



## Aircraft Portfolio as of March 31, 2014

	Number of Owned Aircraft	% Net Book Value	Number of Managed & AerDragon Aircraft	Aircraft on Order*	Aircraft under Sale / Purchase Contract	Total Aircraft
Airbus A300 Freighter	0	0.0%	1	0	0	1
Airbus A319	24	7.3%	6	0	0	30
Airbus A320	92	32.4%	28	0	0	120
Airbus A320 NEO	0	0.0%	0	5	0	5
Airbus A321	8	3.3%	14	0	0	22
Airbus A330	33	27.6%	4	2	-1	38
Airbus A350	0	0.0%	0	9	0	9
Boeing 737 (Classics)	1	0.1%	8	0	0	9
Boeing 737 (NG)	69	26.4%	32	18	0	119
Boeing 747 Freighter	2	0.5%	0	0	0	2
Boeing 757	0	0.0%	2	0	0	2
Boeing 767	3	1.3%	2	0	0	5
Boeing 777	0	0.0%	2	0	0	2
Boeing 787	0	0.0%	0	7	0	7
CRJ-900	4	0.8%	0	0	0	4
ERJ170-100	2	0.3%	0	0	0	2
	<b>238</b>	<b>100.0%</b>	<b>99</b>	<b>41</b>	<b>-1</b>	<b>377</b>

- 70.6% narrow body – “Work Horses” of the industry
- High share of liquid / remarketed aircraft
- Average age of owned aircraft fleet is 5.6 years
- Average remaining lease term 6.6 years

\* Includes five Boeing 737-800 purchase rights and one A330 aircraft that is contracted for sale upon delivery.

# Aircraft Portfolio Valuation

## As of March 31, 2014



	<u>Carrying Value or Price Paid</u>	<u>Valuation</u>	<u>Difference</u>
	\$ Billion	\$ Billion	%
<b>Valuation Based on Average of three Appraisers</b>	10.1	11.2	11%
<b>Valuation Based on NPV of Contracted Rent plus Residual Value Using Average of three Appraisers</b>	10.1	11.4	13%

**Notes:**

- Based on data from Ascend, BK and AISI as of March 31, 2014
- Includes AerCap's currently owned aircraft plus forward orders (discounted to present)
- Excludes JV partner's share
- Includes less than 1% of out of production aircraft

# Committed Aircraft Purchases



	<u>Actual</u> <u>Q1 2014</u>	<u>Remaining</u> <u>2014</u>	<u>Total</u> <u>Remaining</u> <u>as of March</u> <u>31, 2014*</u>
<b>Aircraft Purchases (\$ Millions)</b>	<b>165</b>	<b>534</b>	<b>3,325</b>
<b>Number of Aircraft Purchases (Units)</b>	<b>3</b>	<b>7</b>	<b>41</b>

\* Consists of \$0.8 billion in 2015, \$1.0 billion in 2016, and \$1.0 billion between 2017 and 2018. Includes five Boeing 737-800 purchase rights and one A330 aircraft that is contracted for sale upon delivery.

# Portfolio Management Metrics for Owned Aircraft



<u>Lease Portfolio</u>	<u>Q1 2014</u>	<u>Q1 2013</u>
<b>Utilization Rate*</b>	<b>98.9%</b>	<b>99.6%</b>
<b>Portfolio Yield**</b>	<b>12.3%</b>	<b>12.3%</b>
<b>Average Lease Term (Previous 12 Months)</b>		
• <b>New Leases for New Aircraft (Months)</b>	<b>163***</b>	<b>150</b>
• <b>Leases for Used Aircraft (Months)</b>	<b>60****</b>	<b>56</b>

\* Utilization rate weighted by book value of flight equipment divided by total days in the period.

\*\* Lease revenue divided by average book value of flight equipment.

\*\*\* Reflects lease agreements for 18 new aircraft signed in the previous 12 months.

\*\*\*\* Reflects lease agreements for 61 used aircraft signed in the previous 12 months.

# Leasing Expenses



<b>(\$ Millions)</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>
<b>Default and Restructuring Related*</b>	<b>2.2</b>	<b>1.6</b>
<b>Normal Transition Costs</b>	<b>3.4</b>	<b>6.4</b>
<b>Lessor Maintenance Contributions</b>	<b>6.1</b>	<b>6.3</b>
<b>Other Leasing Costs</b>	<b><u>1.0</u></b>	<b><u>0.6</u></b>
<b>Leasing Expenses</b>	<b>12.8</b>	<b>14.9</b>

*\*Default costs incurred in the first quarter 2014 related to three aircraft, two of which defaulted in 2013. Default costs incurred in the first quarter 2013 related to two aircraft, which defaulted in 2012.*



(\$ Millions)	<u>1Q 2014</u>	<u>1Q 2013</u>
<b>Mark-to-market of foreign currency hedges, foreign currency cash balances and other derivatives</b>	<b>0.3</b>	<b>0.6</b>
<b>Share-based compensation expenses</b>	<b>2.4</b>	<b>2.1</b>
<b>Other selling, general and administrative expenses</b>	<b><u>20.4</u></b>	<b><u>17.5</u></b>
<b>Selling, General and Administrative Expenses</b>	<b>23.1</b>	<b>20.2</b>