Company Name: AerCap Holdings
Company Ticker: AER US
Date: 2023-05-02
Event Description: Q1 2023 Earnings Call

Market Cap: 13362.611490164727
Current PX: 56.084999084472656
YTD Change($): -1.865
YTD Change(%): -3.218

Bloomberg Estimates - EPS
Current Quarter: 1.934
Current Year: 8.055
Bloomberg Estimates - Sales
Current Quarter: 1779.8890000000001
Current Year: 7196.444

Q1 2023 Earnings Call

Company Participants

- Joseph McGinley, Head of Investor Relations
- Aengus Kelly, Chief Executive Officer & Executive Director
- Peter Juhas, Chief Financial Officer

Other Participants

- Catherine O'Brien, Analyst
- Moshe Orenbuch, Analyst
- Jamie Baker, Analyst
- Helane Becker, Analyst
- Hillary Cacanando, Analyst
- Ronald J. Epstein, Analyst
- Vincent Caintic, Analyst

Presentation

Operator

Good day, and welcome to the AerCap Holdings NV First 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'd like to turn the conference over to Joseph McGinley, Head of Investor Relations. Please go ahead, sir.

Joseph McGinley, Head of Investor Relations

Thank you, operator, and hello, everyone. Welcome to our First 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 May 2, 2023. A copy of our 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 will 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, Chief Executive Officer & Executive Director

Thank you for joining us for our first quarter 2023 earnings call. I am pleased to report another quarter of strong earnings for AerCap, generating adjusted net income of $566 million and adjusted earnings per share of $2.34. This reflects the continued normalization of air travel demand after the events of the past few years, and a return to business as usual for AerCap and our airline customers. I am also pleased to affirm our 2023 adjusted EPS guidance at the higher end of our previously announced range. Cash generation was extremely robust in the quarter, with operating cash flows of $1.4 billion on strong collections, and higher utilization of our assets. As a result of these excellent earnings and cashflows I am pleased to announce a new $500 million share repurchase program.

It is clear that the tone of the airline industry continues to be positive, and unlike prior years, this is now reflected in all major regions of the world. Demand is robust, and many airlines are reporting record performance metrics across bookings, sales, operating cash flow and revenues. From discussions with airlines recently, their main concern is around securing enough capacity to address the growing demand they see coming their way over the next several years. In the U.S. we are seeing announcements from the TSA on record numbers of passengers, as airlines re-open routes and increase frequencies to Asia in particular. European carriers continue to surpass expectations, despite the geopolitical uncertainty and higher rate environment. And in Asia, where the return to pre-pandemic levels of capacity was not possible last year, airlines are quickly accelerating towards and through these levels with the reopening of China. So, from the conversations I have had with our customers since our last earnings call, confidence around future aircraft demand for the coming years continues to rise.

I have spoken many times about the resilience of AerCap's business model, which has been enhanced by the greater scale, diversification and track record we have built up as a company. Of course, there will always be events around the world that create headlines, many of which have no impact on our business. From where we stand today, I am extremely pleased with the consistent levels of outstanding execution and customer focus that sets AerCap apart. This focus on execution was reflected in the significant level of activity in the first quarter, during which AerCap closed 252 transactions, comprising 155 lease agreements, 56 purchases and 41 sales, an unparalleled level of activity in the industry.

On the sales side, we continue to see strong and broad-based demand for our assets, closing $639 million of transactions in the first quarter at an 18% gain on sale margin. This is a facet of our business that has provided consistent returns for our shareholders over many years, so I'd like to spend some time talking you through what we're seeing here today.

At the outset it's important to understand that there are generally only three reasons why we sell aircraft. The first is to reduce exposure to certain aircraft types, the second is to diversify airline credit and the third is where the reinvestment returns from a sale are higher than holding onto the asset. We never sell aircraft just to make a gain, as doing so could erode the long-term quality of the platform. Put simply, the gains look after themselves if you have the patience and knowledge to buy at the right time and the discipline to sell at the right price.

AerCap consistently sells assets at a gain, to a wide range of buyers, including financial investors, airlines, part-out specialists and other leasing companies. In the last 4 years alone, we have sold almost 400 owned aircraft, engines and helicopters, underlining the attractiveness of our fleet through various global shocks and events. Fundamentally, selling an aircraft is the best confirmation a management team can have for how they run the business, as it validates your depreciation policies, acquisition values and fleet strategy. Likewise, third party purchases are the best validation a shareholder can have around the true value of a company's assets.

As I mentioned, we have a wide range of potential buyers for aircraft, and as the chart on the right-hand side shows, their participation varies over time. In particular, airlines have stepped-up significantly as buyers in the last 18 months or so. We are seeing more frequent requests from airlines to purchase older aircraft and engines, to ensure they have the capacity to meet the long-term demand they see for air travel. This supports our view that airlines simply do not believe the production rates announced by the OEMs and are planning accordingly. Furthermore, I expect that when the ABS market for aircraft re-opens, we will see further demand from financial investors and other aircraft buyers.

So how does this inform our strategy? Of course, every company talks about buying their aircraft well, and many also feel that their book values are undervalued etc. but no one has anywhere near the level of external sales validation that AerCap has demonstrated over the course of the last 17 years having sold over 1,000 assets. Given this dynamic, it is incumbent on us to take advantage of these opportunities. For example, if we can continue to sell our less-desirable aircraft at strong gains on sale, and subsequently use the capital freed up from these sales to repurchase our shares at a discount to fair value, we will continue to create significant value for shareholders.

For example, last year we sold $2.2 billion dollars of assets with an average age of 17 years. Selling those assets freed up a total $755m, comprised of $526m of book equity, and $229m of gain on sale – for a 1.4 times book equity multiple. We then redeployed $500m of that excess capital into share repurchases during March at $56.89 per share, generating ~$88m of additional value. This arises from purchasing $588m of book equity for $500m i.e. at a 15% discount. So, from the starting $526m of book value of equity associated with those assets sold in 2022 we have managed to create $317 million of additional value for our shareholders, a 60% uplift. We expect to generate further shareholder value from today's authorization which will increase these returns.

So, in summary, this was another great quarter for AerCap, with broad based demand for our products generating strong earnings and cash flows throughout the business. We continue to execute numerous transactions every day as our customers position themselves for continued growth in demand. Our confidence in the future remains strong and we look forward to demonstrating this to you in the quarters and years to come. With that, I will hand the call over to Pete for a detailed review of our financial performance and favorable outlook for 2023.

Peter Juhas, Chief Financial Officer

Thanks Gus. Good morning everyone. We had a strong performance for the first quarter. Our adjusted net income was $566 million dollars, or $2.34 per share. The impact of purchase accounting adjustments was $167 million dollars in the quarter. This included lease premium amortization of $43 million dollars, which reduced our basic lease rents, maintenance rights amortization of $45 million dollars that reduced our maintenance revenue, and maintenance rights amortization of $79 million dollars that increased our leasing expenses. In the first quarter, we recognized $14 million dollars of recoveries related to the Ukraine Conflict, primarily consisting of letter of credit proceeds that we received during the quarter. Taking all of that into account, our GAAP net income for the first quarter was $432 million dollars, or $1.79 per share.

I'll talk briefly about the main drivers that affected our results for the first quarter. Basic lease rents were $1,537 million dollars, an increase of $43 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 $43 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 first quarter were $187 million dollars. That reflects $45 million dollars of maintenance rights assets that were amortized to maintenance revenue during the quarter. In other words, maintenance revenue would have been $45 million dollars higher, or $232 million dollars, without this amortization

Net gain on sale of assets was $100 million dollars for the quarter. We sold 35 of our owned assets for total sales proceeds of $639 million dollars. That resulted in a very strong gain-on-sale margin of 18%. As of March 31st, we also had around $600 million dollars of assets held for sale. As I mentioned earlier, net recoveries related to the Ukraine Conflict were $14 million dollars, which primarily represents proceeds from letters of credit that we received during the quarter. We've now received payment of all of the $260 million dollars of letters of credit that were in place at the time of the Ukraine invasion.

Asset impairment was $34 million dollars in the first quarter, primarily due to lease terminations and sales, and was largely offset by maintenance revenue. Interest expense was $436 million dollars, which included $14 million dollars of negative mark-to-market on derivatives. That reflects the unwinding, as expected, of some of the positive movement in derivatives that we had last year.

Our leasing expenses were $226 million dollars for the quarter, including $79 million dollars of maintenance rights amortization expenses. Equity in net earnings of investments under the equity method was $33 million dollars for the quarter, again reflecting strong earnings from Shannon Engine Support, our engine leasing joint venture with Safran.

We continue to maintain a strong liquidity position. As of March 31st, our total sources of liquidity were approximately $18 billion dollars, which resulted in a next 12 months' sources-to-uses coverage ratio of 1.3x. That's above our target of 1.2x coverage and represents excess cash coverage of around $4 billion dollars. Our total operating cash flow was approximately $1.4 billion dollars for the quarter. That was driven by continued strong cash collections with a collection rate of over 100%, as well as above average collections from finance leases during the quarter. We generate a significant amount of excess capital each quarter. As a result, our leverage ratio remained similar to last quarter at 2.56x, and that includes the impact of the $500 million dollar share repurchase from GE in March.

Our secured debt-to-total-assets ratio was approximately 14% at the end of March, the same as last quarter. And our average cost of debt was 3.3%, also the same as last quarter. After the upgrades from Moody's and Fitch during the first quarter, we now have BBB flat ratings from all three major rating agencies.

We executed $6.7 billion dollars of financing, which included the extension and upsize of just under $5 billion dollars of revolving credit facilities, the extension of around $700 million dollars of bank term loans, and around $1.1 billion of new financing from some of our banking partners. This activity, along with our strong performance in the quarter, results in our funding requirement for the remainder of the year dropping from $6-7 billion dollars to around $4 or 5 billion dollars, most of which will likely come from the unsecured bond markets.

So overall, this was another strong quarter for AerCap. Once again, we had a high level of transaction activity, our financial performance was strong, we were upgraded by Moody's and Fitch, and we repurchased $500 million dollars' worth of stock at a 15% discount to book, in connection with the first stage of GE's selldown. As Gus mentioned, we've also announced a new $500 million dollar share repurchase program through the end of September. As we look out for the remainder of the year, we're affirming our guidance for full year 2023 and we expect to be at the higher end of our guidance range.

And with that, operator, we can now open up the call for Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) And our first question will come from Catherine O'Brien with Goldman Sachs.

Catherine O'Brien, Analyst

Hi, good morning, everyone. Thanks so much for the time. So maybe just talking about the sales a little bit more, you noted the strong sales margin in the quarter was primarily driven by asset composition. Is that a comment on the aircraft types or age, or is that a comment on proportion of legacy GECAS versus legacy AerCap assets? And based on what you have in the pipeline so far towards the tune of -- excuse me, $2.5 billion target, I believe you said $600 million currently held for sale. Can you help us think through how that asset mix compares to what we sold in the first quarter? Thanks.

Aengus Kelly, Chief Executive Officer & Executive Director

Catherine, the asset mix is always a combination of if you want to legacy AerCap or legacy GECAS. Both portfolios were carefully constructed of buying when no one else was buying and selling when many are buying. And that's what you see today, and you've seen over the last 15 years from us. So, the sales market is strong, and I think it's worth just commenting, though, on a few points about that. Sales is one aspect of the business, but the key is the operating cash flows. And we have a strong market now, and we are converting that strong market now into strong earnings, strong cash flows, and capital deployment.

Just to quote a couple of numbers, Catherine, for you, in the last 12 months, AerCap has generated $2.2 billion of after-tax adjusted net income and $1.7 billion of book net income. The leverage now -- and sales are part of this, Catherine. Leverage is now down to 2.56 times. And since the GECAS acquisition, if you look at the December 31 balance sheet, we had $48.4 billion of net debt. Today, we have $45.2 billion. So, we've delevered by $3.3 billion. We've given $500 million back to the shareholders, that's $3.8 billion; and authorized another $500 million. That's $4.3 billion of capital in 15 months that we've returned or committed to return to our capital providers.

That is a function, of course, of the strong market we see for asset sales, for demand for all our product types. It could be aircraft, it could be engines, helicopters, freighters. And we are now converting all that opportunity, all those assets into hard cash, profits, being redeployed for the shareholders. And as we look out for the next several years into the future, with the supply/demand imbalance in the industry, we will continue to see, we believe, strong earnings and cash flows coming out of AerCap.

Catherine O'Brien, Analyst

Thanks so much for that, Gus. And yeah, I mean, definitely a strong track record of M&A by this team, including in a different supply/demand backdrop back in 2014. So, fully appreciate that.

Maybe just one on the engine leasing business. We continue to hear from airlines that new-tech engines are coming off wing faster than expected and that's driving increased demand for spare engines. Can you just give us some sense of the inbound interest on your spare engines and what lease rates look like versus, I don't know, maybe 18 months ago? Thanks so much for the time.

Aengus Kelly, Chief Executive Officer & Executive Director

Like other asset classes, lease rates are up for the engines and, in some cases, significantly up; 30% plus increases on certain engine types. And it's not just limited to new aircraft engine types. What we're seeing is in the MRO shops. There is a lack of supply of certain critical parts for different engine types, which is leading to long lead times, which is pushing up demand for spare engines across the board. And from what we see, they -- over the next several years, we don't see that changing.

As I said before, these engines are master pieces of engineering capability to reduce the fuel burn. The challenge is that in certain operating environments, they just don't last as long-armed wing as was originally envisaged and the predecessor engines had lasted on wing. Again, those issues -- that technology will mature and over time, we will see improvements in the performance of these engines. But to improve the performance of an engine, to change parts out, blades, et cetera, by the time you get through with that process, you are into multi-year. So this isn't something that will go away in the next 12 months or 24 months. We're going to see increased demand for spare engines for quite some time to come. And AerCap, as you know, is the biggest in the world by a long way in this business.

Catherine O'Brien, Analyst

Well, super helpful. Thank you so much, Gus.

Operator

And our next question will come from Moshe Orenbuch with Credit Suisse.

Moshe Orenbuch, Analyst

Gus, it sounded from your discussion and the description of the value that's created by aircraft sales, and you could probably add to that, that in this current environment, you have a couple of other benefits, including marginally needing -- reducing the need for marginal funding, as well as reducing the GE overhang. Could you talk a little bit about whether you've taken any thoughts, and given your comments also about the ABS market potentially coming back and providing other buyers, as to whether you're thinking about kind of a larger-scale sale to kind of capitalize on more of those opportunities?

Aengus Kelly, Chief Executive Officer & Executive Director

Well, I think, Moshe -- and that's why we put up the chart there. If you look at the slide, where -- on Slide 6, I believe it is, we show the sales activity by quarter. You can see there, of course, when there were huge dips of asset sales, AerCap was the biggest buyer of airplanes in the world, but no one else was buying. And now, we're the biggest seller, obviously, of aircraft in the world, but that's natural, given our size. What I would point to you is the trend there. You see how much we sold in Q4 2022 and, again, what we've done in this quarter. We have a good bit in the pipeline. We expect to do $2.5 billion. If the market is there for more, I'm sure we'll execute on it. And you see again the capacity of this platform. Selling assets isn't easy and you have to have a platform that's capable of doing it. And you can just see, in the quarter alone, we sold over 40 assets in just one quarter. So that's the type of volume that this platform can deal with.

So, certainly, if the market's there, we'll do it. We think there's a tremendous investment opportunity for us in buying back our own stock. I think when you look at that example I gave, and this is real life. This isn't a fictional example of what might happen in the future. We're converting the opportunities today for our shareholders. I mean, you looked at that example. We started out at $526 million of book equity on that slide. Joe, if you want to pull it up?

By the end of the year, we'd added $317 million on to that. So we turned $1.00 of book equity into a $1.60 of it. And that was through the capability of the platform, recycling the capital. You can't just look at a balance sheet no matter how pristine it is and be a lazy balance sheet. It's got to sweat, it's got to work, and that means the platform underneath it has to work to make that happen. And you see all of that happening in the transactions that this business can do in a quarter and how that manifests itself then in the release of capital, the sensible deployment of that for the benefit of our shareholders.

And this isn't anything new. We did this before with the exact same playbook 10 years ago; de-levered the business and then, once we got through that, between 2016 and 2019, AerCap bought back 43% of the business. So it's not something we haven't done before, and we're working hard for you here.

Moshe Orenbuch, Analyst

Got it. Thanks. And Pete, just as a quick follow-up, I mean, I think that the spread -- your net spread after depreciation was actually up 10 basis points. I think you had said that that should be stable throughout 2023. Any other thoughts? I think that's been an area -- I think that should give people some comfort, but it's been an area of some concern for investors.

Peter Juhas, Chief Financial Officer

Yeah. Thanks, Moshe. So, you're right. That was up and our lease yield was up somewhat in the quarter as well. So, I do think, overall, the net spread this year should be roughly flat to what it was last year, as I had mentioned before. But we had some -- a little bit more positive results for the first quarter than we had expected.

I think it's worth noting also just -- when we think about net spread, obviously, that is a function also of the aircraft that we sell. So some of the aircraft that we're selling are older aircraft. A lot of them average age 17 years-old. Some of them have higher yields, but also have higher risks associated with them and so, we're getting out of those aircraft. That's going to have a dampening effect on our net spread and so, the guidance I gave basically factored that into account in terms of the aircraft that we're going to sell. The $2.5 billion that we are going to sell this year, that's predominantly going to be those older aircraft.

So, that has an effect, but ultimately, we're not managing to a net spread. We're managing our EPS. We want to grow our EPS, we want to grow our book value per share.

Aengus Kelly, Chief Executive Officer & Executive Director

And Moshe, that's so important. When people ask about net spread, that's one line item in the P&L. The most important line item is how much money are you making and what is the risk profile of the business. So, well, as Pete said, we sell those assets average age of 17 years. They will be higher yielding. So, if you sell them, you're going to bring down your net spread. But what do we with that? We went out and we bought back the stock, driving EPS higher, creating shareholder value. That's the key number to look at. And in the meantime, you have a better quality portfolio at the far side, because we sold off some of those assets. So, when anyone looks at net spread, you've got to look at the use of proceeds from sales.

Moshe Orenbuch, Analyst

Got it. Thanks very much.

Peter Juhas, Chief Financial Officer

Sure.

Operator

And our next question will come from Jamie Baker with J.P. Morgan.

Jamie Baker, Analyst

Hey, good afternoon, Gus. Could you speak about aircraft placements in '23 and '24, how much you're booked? And I guess, related to this, I mean, are you managing placements differently now with the wind behind your back? I mean, are you incentivized to hold aircraft back and shorten the lead time, for example? Ordinarily, investors like to see a really high two-year placement figure. I'd argue, at least in the current environment, lower might be better.

Aengus Kelly, Chief Executive Officer & Executive Director

Well, I think, Jamie, one of the great advantages we have here -- and seeing what was happening, particularly in the engine business for the last couple of years, we knew what was coming down the track and we've been saying it for some time.

We could see two aspects to it. One, we could see it with the engine business ourselves exactly what was happening every day. We can see every week what's happening to the global engine portfolio, when it's coming off wing, what's happening with MRO turn times, because if turn times lengthen, there's less airplanes available. If you know turn times are going to be longer for years into the future, you know there is going to be scarcity. Then as the biggest trader of airplanes in the world, we could see that the airlines wanted to buy more and more used aircraft. So, we could see that trend coming about a year and a half ago, Jamie. We were managing it that way. So we've just done a chunky number of placements actually in the middle of them for 2024 actually right now.

Jamie Baker, Analyst

Okay, that's helpful. And somewhat related to that, yesterday Air Lease disclosed that, I think, 90%, give or take, of their customers are exercising extension rights, which obviously makes sense given the health of the airline economy, and pace of deliveries. You've got a somewhat older fleet. I assume that first-gen lease extensions are more aggressive than second-gen lease extensions. Is that a fair comment?

Aengus Kelly, Chief Executive Officer & Executive Director

It -- well, it isn't really, because you've always got to think about -- I've said this before a few times, Jamie. A young fleet or an old fleet, the key is the barbell approach. If you haven't asked us, and we've had this portfolio strategy for 15 odd years and you've seen it in prior presentations that sunset strategy. A young fleet of 737s, 777s is not a good thing to have, because you won't get 20 more years out of them. But having 16, 17 year-old variants is absolutely fine, because the airlines need them now and are buying. So what we're seeing is we're extending about 60%, but vitally, what's happening is the airlines are our biggest buyer of older airplanes, freeing up the capital to reinvest in the business.

Jamie Baker, Analyst

I -- that's helpful, and I get the strategy. But are you seeing a difference on lease extensions by aircraft age or is -- basically, the vast majority of your customers requesting lease extensions for all of the obvious good reasons?

Aengus Kelly, Chief Executive Officer & Executive Director

I'm sorry, Jamie. I should have been clearer. The older ones are being bought.

Jamie Baker, Analyst

Okay, makes sense.

Aengus Kelly, Chief Executive Officer & Executive Director

That's the key --

Jamie Baker, Analyst

Perfect.

Aengus Kelly, Chief Executive Officer & Executive Director

-- because the airlines don't believe what the OEMs are telling them.

Jamie Baker, Analyst

Yeah.

Aengus Kelly, Chief Executive Officer & Executive Director

And so, it seems -- and so, that's where the portfolio strategy over many years is bearing fruit. At the younger aircraft types, yeah, you'll extend them. But certainly, the older stuff, it's a combination of extensions, there's some new leases, but the real interesting trend and we show that there on the broad buyer-based slide is the amount of purchases airlines are making.

Jamie Baker, Analyst

Got it. Thank you for the color, Gus. I appreciate it. Take care.

Aengus Kelly, Chief Executive Officer & Executive Director

No problem.

Operator

And our next question will come from Helane Becker with TD Cowen.

Helane Becker, Analyst

Thanks very much, operator. Hi, everybody. I just have maybe one question. A couple of weeks ago, I saw a note that Chubb denied one of your claims for the Russian aircraft. And I'm just kind of wondering, was that expected? And how are you thinking about getting these claims resolved in terms of, I don't know, maybe length of time? How should we think about that?

Aengus Kelly, Chief Executive Officer & Executive Director

Of course, Helane. Chubb being one of the insurers, they'll have their own view of our claims. We have our own view, of course, which we believe is right. The one development that's occurred since we last spoke is that the trial date has been set for October of 2024. So that will be when we'll see the validity of all the claims.

Helane Becker, Analyst

Okay. So that's like a long time away, right? That's like a year and a half away.

Aengus Kelly, Chief Executive Officer & Executive Director

Correct.

Helane Becker, Analyst

Okay, okay. Thank you. And then just one follow-on question, I think. Just in terms of the GE block. Do they tell you in advance when they're thinking about selling so that you can be ready with enough share repurchase authorization?

Peter Juhas, Chief Financial Officer

Well, they have to notify us, Helane, beforehand when they plan to go to market to do a marketed offering. So yes, we do -- they do tell us in advance. And look, obviously, we've got a good dialogue with GE and I think we've made it clear that we find buying shares back at these prices attractive, which is why we did this authorization. And so, we did that concurrently with their last sell-down and we'd look to buy shares again, either with them or -- from them or in the open market.

Helane Becker, Analyst

Great. Okay, thank you. Thanks for the time.

Aengus Kelly, Chief Executive Officer & Executive Director

Sure.

Operator

Thank you. And our next question comes from Hillary Cacanando with Deutsche Bank.

Hillary Cacanando, Analyst

Thanks for taking my questions. So you mentioned three reasons why you would sell an aircraft, one, to reduce exposure to an aircraft type, to diversify airline credit and where the investment retrenched from a sale would be higher than holding on to the asset. I was wondering if -- which of the three reasons have been more relevant in recent quarters. For example, I would think that airline credit is better now versus during the pandemic. So, that maybe less of an issue. Just kind of wanted to get your high-level view on what's more important now --

Aengus Kelly, Chief Executive Officer & Executive Director

Sure. I think that is the third reason in these instances. As I mentioned just a few minutes ago, a lot of the aircraft we're selling right now are to airlines. And that's a function of the fact that the airlines are short capacity. They believe they're going to be short capacity for several years to come; or else, they just extend the airplane for six months or 12 months. They wouldn't buy it. So the main driver of that behavior for us, of course, is that we believe getting the money and selling an older airplane and then converting that into stock buybacks, which we think is a tremendous opportunity. It's the third reason predominantly at the moment.

Hillary Cacanando, Analyst

Got it. Okay. Thank you. That's very helpful. And then I wanted to find out, with the China reopening earlier this year, if you've seen any direct or any immediate impact on your business from the China reopening? And if you could kind of just talk about whether that's a region where you plan to grow more in the future, or is it something that you might want to reduce your exposure in the future in order to kind of minimize any geopolitical risks?

Aengus Kelly, Chief Executive Officer & Executive Director

Sure. Well, first off, of course, look, China opening up is a huge driver of global aviation and the last big leg to kind of drop, if you will. And so, that's happening now. Of course, in 2022, Southeast Asia and Asia as a whole was lagging behind the US and Europe. Now, it's catching up and we're getting towards the 2019 traffic levels. Like, a lot of that has been dragged by China. The biggest outbound tourist market in Asia is China. China -- Thailand is actually the biggest tourist market there for Chinese tourists. So, we're seeing that market recover, which helps all of Southeast Asia. And so, that's a big positive.

As regards to growing our exposure there, what you're seeing over time is our exposure to China will decrease. That's for a myriad of reasons, but it has been happening for some time as the Chinese lessors themselves, they have more of a focus, and have always had so over the last six years, on the domestic market. And so, we see plenty of very good opportunities outside of China as well, candidly.

Hillary Cacanando, Analyst

Great. Thank you. That's very helpful. Thank you very much.

Operator

Thank you. (Operator Instructions) The next question will come from Ron Epstein with Bank of America.

Ronald J. Epstein, Analyst

Hey. Yeah, good morning, good afternoon. Maybe just a couple of quick questions. But what are you seeing in your insurance rate?

Aengus Kelly, Chief Executive Officer & Executive Director

Sorry, Ron, could you repeat that?

Ronald J. Epstein, Analyst

Yeah. Sorry. Can you hear me better now? Sorry. What are you seeing in your insurance rates that you guys have to cover? Have they gone up?

Peter Juhas, Chief Financial Officer

Well, our insurance -- yeah, I mean, look, our insurance rates went up, Ron, as they did for the industry generally, so not surprising. And we've reflected that in our guidance and we wouldn't expect further increases in years ahead, but obviously, there was a big change over the past year.

Ronald J. Epstein, Analyst

But I mean, I guess, the point I'm getting at is, if your rates went up -- I mean, if you think about it this way, if you get a ding in your car and you go to the insurance company, they raise your rates. So aren't the insurance companies kind of admitting that they owe you guys something, I don't know? Just that's what it seems like.

Peter Juhas, Chief Financial Officer

That would be a logical -- yeah, that would be a logical conclusion, I think. But as we heard earlier from reference to Chubb, look, obviously, they haven't been taking that approach. And look, obviously, we think our claims are valid and we are vigorously pursuing them. But the insurance market is what it is. And so, rates have gone up and, look, hopefully, we would hope that those would come down over time as more participants come in the market, because we think it is attractive for them.

Ronald J. Epstein, Analyst

Yeah. I mean, no, it seems fair. If they don't want to pay you, why are they going to charge you more? Anyway, and then --

Peter Juhas, Chief Financial Officer

Couldn't agree more.

Ronald J. Epstein, Analyst

Maybe -- yeah. And then on the OE deliveries, I mean, how far behind are they? And I mean, I guess -- and the current environment is good for you guys that they can't get stuff out the door, because it's -- I'm helping your whole book in the sales thing. But I mean, what's your sense on when the OEs will actually sort of be back to some predictable track of delivery? I mean, I know it's a little different for Boeing and Airbus and even across product lines, but I mean, what's your sense there?

Aengus Kelly, Chief Executive Officer & Executive Director

It's very hard to say, Ron. It's not just about Boeing and Airbus and GE and Safran. There's a lot of participants in the chain that have differing motivations. You could be a supplier that makes more money out of MRO than OE activity. If that is the case, you're going to prioritize MRO parts over OE parts. That can have an impact.

What we also see is that there are many smaller participants in the chain. Those participants have lost highly skilled staff over the last several years that can't be easily replaced and they've become financially levered and more concerned about the veracity of the major OEM telling them, we're going to raise output by 30 units a month in the next 36 months and you better ramp up for us. And these companies are thinking, wow, if I do that, can I make it? What if it goes wrong? I'm out of business. I don't have the capacity to do that. I can't take that risk.

So, there's lots of discussions ongoing. And of course, you hear about the big ones between the major engine and airframer OEMs. But there's a lot of other discussions that go on further down the chain, where you have concerns around the ability to ramp up production if you're a small guy, and do you want to do it, can you take the risk, because Airbus and Boeing aren't going to forward buy out of you or guarantee those levels. So, there's a lot more nuance behind this than what you just see when you look at the big guys. But certainly, of course, look, the engine leasing business, the sales of aircraft to the airlines, they are good indicators of what the real participants in the industry think.

Ronald J. Epstein, Analyst

Yeah. That makes a ton of sense. And then maybe just one last one. The helicopter leasing business. I mean, do you -- you've done it now for a little while. Do you like it? Do you think it's core? Do you think it's not?

Aengus Kelly, Chief Executive Officer & Executive Director

The helicopter business has done pretty well for us. We -- we've seen a rebound, of course, in oil and gas and mind you, we've significantly reduced our exposure to oil and gas where -- versus where it was four or five years ago, and there is life now returning to the helicopter trading market and you'll see that we are selling helicopters every quarter and I expect that to continue. But the business has done very well for us since we bought it.

Ronald J. Epstein, Analyst

Thank you. Yeah.

Operator

And our next question will come from Catherine O'Brien with Goldman Sachs.

Catherine O'Brien, Analyst

Good morning. Thanks so much for the extra time. I appreciate it. Actually, just a follow-up to Ron's question. I think contractual delivery schedules for the lessors and airlines that cover, when we look at 10-Ks, et cetera, they weren't really fully reset to reflect lower production rates over the last couple of years. So, while there are likely continue to be delays versus contractual schedules at pre-pandemic, like, can you just talk about how deliveries are tracking versus anticipated shorter-term production rates? I know you just spoke about some of these smaller suppliers perhaps facing incremental issues versus a couple of months ago. I'm just really trying to get a sense of if we're moving in the right direction on deliveries, fully appreciating there's still a lot less aircraft then there is demand for.

Aengus Kelly, Chief Executive Officer & Executive Director

Catherine, the issues I spoke about have been ongoing for the last two years, not the last few months. But I would say that, overall, delivery profiles are still dynamic. And I think you'll see that each year with Boeing and Airbus and the engine guys, as they look at what they can and can't produce in -- on different, could be widebodies or narrowbodies, et cetera. So, I think it's very hard to opine on that. I think it's safe to say that we've seen consistent delays over the course of the last several years, and I'd say it's a reasonably safe bet that that will continue.

Peter Juhas, Chief Financial Officer

Hey, Catherine, just when you look at our 20-F, so when we have our contractual obligations, what we've included there is our expectation about what those will be. So it's not necessarily the contractual amount. It's our best estimate of what it will actually be. And so, if we look at the full year or this year, we still think we're going to be around $6.7 billion to $6.8 billion of CapEx. So it's not far off from our original estimate.

Catherine O'Brien, Analyst

That's super helpful. And maybe, Peter, if I could sneak one more in for you. On the guidance throughout today pointing to the higher end of your prior EPS and sales range, what -- is that just a reflection of how you did in the first quarter, or is that also some increased confidence as you go throughout the year? Thanks so much.

Peter Juhas, Chief Financial Officer

It's both. It's both the first quarter and the rest of the year. I mean, if we look at the environment, generally, we're seeing utilization higher, we're seeing cash receipts higher. That was over 100% again in the fourth -- in the first quarter. So, that's been quite positive and just the environment looks good generally, and really, it's being driven on the revenue line more than anything else. I mean, I'd say, just looking at the guidance that we gave last quarter, I think, really, it's where -- on revenue, where we would outperform.

Catherine O'Brien, Analyst

Thank you so much. I appreciate the extra questions.

Peter Juhas, Chief Financial Officer

Sure.

Operator

And we have a question from Vincent Caintic with Stephens.

Vincent Caintic, Analyst

Good morning. Thanks for taking my questions. Just first question on the barbell strategy and the barbell mix. Just wonder if you can disclose how much of your portfolio is kind of on each end of that barbell and perhaps how much of that portfolio you'd be interested in selling or repositioning as you improve the quality of the overall book? Thank you.

Aengus Kelly, Chief Executive Officer & Executive Director

Sure, yeah. Vincent, if you look at the appendix there that we have on the slide deck, we'll show the portfolio. But as I mentioned before, the two biggest owners of airplanes in the world and the two biggest players in the industry and traders of aircraft were AerCap and GECAS, and we had the same portfolio strategy for the last 15, 16 years. That's what made it so attractive to us. Don't fall for the fool's gold of young airplanes being a good indicator of a portfolio. Young airplanes can be brilliant if they're the ones that are going to last for 20, 25 years. But having a portfolio of young 777s or 737s or A330s, it will show a nice average age, but you're going to lose your shirt on them. You need to understand all that. And if you look at us today -- and GECAS were the same. They said, if you're going to buy assets, buy new tech, don't buy end-of-line assets. You're going to have old tech, make sure they're old.

And so, if you look at us today, we're just under 70% in new technology and the balance then is -- 30% is the current tech. But that's -- I don't have the average age off the top of my head here. But you'll see I can -- pretty sure that's well into the high-teens, which is exactly where you want it to be, because we expect to see very strong demand for 737s, 330s, 777s, et cetera for the next seven or eight odd years, which is exactly where you want to be. You don't want to be holding these things today if they're only seven years old. That's the fool's gold and that's where you, as investors, need to look through and understand the portfolio strategy of companies.

Vincent Caintic, Analyst

Okay, perfect. Thank you, Gus. And Pete, just wondering if you could update us on the funding markets. When you're thinking about the $4 billion to $5 billion remaining maturities this year and the unsecured markets, how does that look? And then what do you think we need to see in terms of the ABS markets for them to fully ramp back? Thank you.

Peter Juhas, Chief Financial Officer

Sure. Thanks, Vincent. So we did a fair amount of funding in the first quarter, all of that away from the bond market. And as I said, just given the funding that we've done and their performance to date and our outlook, we're looking at around $4 billion to $5 billion for the remainder of the year. Most of that is going to be bonds and we would expect to do that kind of periodically throughout the year. But we're still going to go to other markets as well. But I expect most of that will be in the bond market. And look, we've seen the issuance recently from some of -- from some of the other aircraft lessors. So, the market's obviously open and we would expect to do that funding.

And I guess -- I'm sorry. On the ABS market, the ABS market is not really a -- I mean, for many years, that hasn't been part of our direct funding strategy. That's not to say we wouldn't look at it in the future, but it's not saying something that we've really done. It's really been more relevant for the buyers of portfolios of aircraft that we've been selling. And so, I think that if that market or when that market comes back, that should be a further benefit in terms of aircraft sales, because you will start to see more portfolio buyers coming forward at that point.

Vincent Caintic, Analyst

Okay, great. Thank you.

Peter Juhas, Chief Financial Officer

Sure.

Operator

Thank you. And that does conclude the question-and-answer session. I'll now turn the conference back over to you for any additional or closing remarks.

Aengus Kelly, Chief Executive Officer & Executive Director

Thanks, operator, and thank you all for joining us today, and we look forward to talking to you in three months' time.

Operator

Well, thank you. And that does conclude today's conference. We do thank you for your participation. Have an excellent day.