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AER - Q1 2012 AerCap Holdings N.V. Earnings Release Conference Call

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OVERVIEW:

AER reported 1Q12 total revenue of $258m, reported net income of $65m or $0.46 per share and adjusted net income of $69.1m or $0.49 per share.

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PRESENTATION

Operator

Ladies and gentlemen, welcome to the AerCap 2012 first quarter results conference call on Tuesday, 8th of May 2012. Throughout today's presentation, all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask questions. (Operator Instructions) I'm going to hand the conference over to Peter Wortel. Please go ahead, sir.

Peter Wortel - *AerCap Holdings NV. - Head IR*

Thank you very much. Good day, everyone. Welcome to our 2012 first quarter results conference call. With me today are Aengus Kelly, AerCap's CEO, and Keith Helming, AerCap's CFO. In today's call, we will discuss the first quarter earnings. In addition to this earnings call, AerCap will host a lunch for analysts and investors today at the New York Palace. The lunch will not be webcasted, but a copy of the presentation will be available on our website.

Before we begin, I want to remind you that some statements made during this conference call that are not historical facts may be forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements. In addition, this conference call contains time-sensitive information that reflects management's best judgment only as of the date of the live call.

AerCap does not undertake any ongoing obligation, other than that imposed by law, to publicly update or revise any forward-looking statements to reflect future events, information, or circumstances that arise after this call. Further information concerning issues that could materially affect performance related to forward-looking statements can be found in AerCap's earnings release dated May 8, 2012. A copy of the earnings release and conference call presentation are available on our website at Aercap.com. This call is open to the public and is being webcast simultaneously at Aercap.com, and will be archived for replay.

I'll now turn the call over to Aengus Kelly.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thank you, Peter. Good morning to everyone in the United States, and good afternoon to those of you in the Middle East and Europe. Thank you for joining us today for our first quarter 2012 earnings call.

The consistency with which AerCap is delivering industry leading results earned us an investment grade corporate credit rating from both Standard & Poor's and Fitch in the first quarter. We are proud to be the very first independent lessor to have ever achieved an investment grade rating. We obtained the investment grade ratings due to the success of our leasing strategy, the excellence of our platform, the quality of our aircraft portfolio and the efficiency and robustness of our funding structures. While AerCap has always had industry leading access to funding, our new credit ratings means that any additional funding capacity we may need to take advantage of market opportunities can be obtained on very favorable terms.

Turning to the results. During the first quarter of 2012, AerCap achieved an adjusted net income of $69 million or $0.49 per share. On a non-adjusted basis including non-cash mark-to-market charges and share based compensation we generated a very healthy net profit of $65 million or $0.46 per share. Total assets were $9.3 billion at March 31, 2012, a year-on-year decrease of 5% following the prudent sale of AeroTurbine and the sale of a 50% interest in a joint venture.

We are committed to purchasing $986 million worth of aircraft in 2012. In the first quarter we completed $258 million worth of these purchases. During the first quarter we also signed new lease agreements for nine aircrafts, four of which were delivered to American airlines as part of our purchase lease-back transaction.

The American deal remains highly attractive to AerCap as it enables us to profitably grow our portfolio with the most in demand aircraft in the world, the 737-800. And importantly, without the obligation to make expensive pre-delivery payments. We plan to take delivery of the remaining aircraft in this transaction on the same terms as those delivered to date. However, each future delivery is subject to our approval. But I also want to note that all aircraft delivered to American since the bankruptcy filing cannot be rejected by American airlines as they are court-approved transaction.

Now turning to the general aviation market. We still see the very resilient trends that have fueled the growth of aviation in the past and are continuing to do so today. These trends are one, growth in emerging markets, two, replacement of older fleets in the United States and Europe and three, the increase in demand for operating leasing.

These resilient trends have resulted in the global aviation market doubling in size every 15 years. We do not see any evidence that this long-term trend is changing. Of course, in the current economic environment we continue to be extremely vigilant. That being said, all aircraft scheduled to come off-lease in 2012 are placed and further more all forward order aircraft are placed through 2016. And we are not seeing any unusual pressure on receivables.

We did repossess four aircrafts from Kingfisher in the first quarter. All of these aircrafts have been placed. And we no longer have any aircraft with Kingfisher. As you may recall two were taken out last year and re-leased to another airline. As always in circumstances like this we made sure that AerCap was the first lessor to go in and get its aircraft out.

However, the most important hedges to any period of volatility are to have a modern technology portfolio, a diversified customer base and a long-term robust capital structure. The AerCap portfolio is made up of the youngest most attractive aircraft which helps us achieve industry-leading utilization rates across a highly diversified client base. More than three-quarters of our lease revenue is generated outside the eurozone. And our exposure to the debt-burdened country that had been in the headlines recently is very limited.

Importantly, our long term robust capital structure is enabling us to take advantage of attractive opportunities in the market. These opportunities are arising due to the difficulties that non-investment grade entities are continuing to have in raising capital. Due to our strong financial position we were able to take advantage at short notice of an opportunity to acquire five A330s in the first quarter. The A330 is the most popular in production wide body in the world.

These A330s we will deliver over the next 36 months starting first quarter next year. The deal is currently under LOI and we expect it to close in the second quarter. The appraised value of these aircraft is over $500 million. This transaction will bring our total contracted future asset acquisitions completed in the last nine months to $1.75 billion by appraised value. This growth is 100% focused on the most in-demand narrow body and wide body in the world, the 737-800 and the A330.

Furthermore, this growth has been achieved without high cost risky pre-delivery payments or placement risks. And like the 2011, share buyback program it's highly accretive to shareholder value. Looking forward, with over $2.3 billion of equity, no large pre-delivery payment obligations and the enhanced funding capabilities that the investment grade ratings from S&P and Fitch bring, we expect to continue on transactions execute -- we expect to continue to execute on transactions such as the A330 deal, the American deal and the 2011 share buyback program that will enhance shareholder value. On that note I will hand you over to Keith to take you through the financials.

Keith Helming - *AerCap Holdings, NV. - CFO*

Thanks, Gus. Good morning, everyone. I will take you through the first quarter 2012 presentation. I'll start on page 4.

Our reported net income for first quarter 2012 was $55 million. Additionally, our adjusted net income was $69.1 million. Both reported an adjusted net income or down slightly from the same period in 2011. This decrease is a result of timing of revenues and expenses relating to defaults and restructurings.

In the first quarter of 2011, we incurred some defaults where we held large reserve balances and even now is recorded as income at the time of leases were terminated. Any cause which related to these defaults were incurred in subsequent quarters. In first quarter 2012, we incurred cost relating to default which happened in late 2011 as well as 2012. Excluding the timing related items, first quarter 2012 net income was $75.8 million which is up 12% over the comparable amount in first quarter 2011.

Page 5. Reported earnings per share was $0.46 in first quarter 2012 and adjusted earnings per share was $0.49 during the same period. The average shares outstanding now is at $139.9 million. On page 6, revenue, total revenue in first quarter 2012 was $258 million. This is down from $264 million in the first quarter 2011. The decrease was driven by small reductions in both basic lease rents and maintenance rents. On page 7, net interest margin or net spread was $174 million in the first quarter 2012. The annualized margin as a percent to average lease assets was 8.85%.

On page 8, the impact from sales for first quarter 2012 was a slight loss of $200,000. We sold two aircraft in the first quarter, a new A330 and one older 757. We incurred a gain on the sale of A330 which is offset by slight loss on the 757 sale. Page 9, lease and expense were $18.5 million for the first quarter 2012. Leasing cost relating to default and restructuring increased to $13 million in the first quarter 2012 up from $4.7 million in the first quarter 2011. This increase was driven by defaults and restructuring which occurred in late 2011 and in 2012.

On page 10, SG&A expenses were $16 million in first quarter 2012, down slightly from the same period in 2011. Included in SG&A amount is a $5 million credit in first quarter 2012, which relates to the gain on the sale of an (inaudible) swap.

Page 11. The financial impact from defaults and restructurings in first quarter 2012 was a pretax loss of $7.7 million. This loss is driven by cost relating to the defaults and restructurings which occurred in late in 2011 and 2012. In first quarter 2011, we incurred a pretax gain of $9 million driven by the defaults on aircrafts again where we have large maintenance reserves which were recorded as income when the leases were terminated. This reflects the timing differences I mentioned earlier.

On page 12, for full year 2012 we expect the similar situation from the impact of defaults and restructurings. In 2011, the financial impact from defaults and restructurings were the pretax gain of $24 million driven by $64 million the maintenance reserves held every quarter as the revenue when the leases were terminated. This amount was partially are set by some costs which were incurred in 2011 relating to these defaults.

However, more cost relating to these defaults which occurred in late 2011 will be incurred in 2012. For full year 2012, we expect a $21 million loss relating to the defaults and restructurings which have already occurred. Page 13, our blended tax rate for the first quarter 2012 was a charge of 8.7%. The blended tax rate for full year 2012 is expected to be similar.

Page 14. AerCap's total assets as of first quarter 2012 are $9.3 billion; a decrease in assets from 2011 was driven by the sale of our AeroTurbine business and the sale of a 50% interest in a joint venture. The number of aircrafts in our portfolio is now 350.

Page 15. For the first quarter 2012, we completed $258 million of purchases which consists of five aircrafts. For full year of 2012 we expect $985 million of purchases consisting of 17 aircrafts and these amount include the aircraft relating to the purchase/leaseback transaction with American Airlines.

Page 16. The utilization rate remains at 98.2% for the first quarter 2012 and then yield generated by aircraft lease portfolio was 12.8%. The average term of new leases for new aircraft entered into during the first quarter of 2012, inclusive of LOIs, was 134 months. The average term entered into during the first quarter of 2012 for new leases on existing portfolio was 69 months.

Page 17. AerCap's unrestricted cash balance at the end of first quarter 2012 was $425 million, and our total cash balance, including restricted cash, was $728 million. Operating cash flows were $166 million for the first quarter 2012.

Page 18. At the end of first quarter 2012, AerCap's debt balance was $6.2 billion, and our debt to equity ratio decreased further to 2.6 to 1. Our book equity is $2.3 billion and the average cost of debt for first quarter 2012 was 3.9%.

Page 19. The EPS impact for first quarter 2012 from the sale of aircraft and other one-offs was effectively zero. Per sales already identified we expect earnings per share impact for full year 2012 to be $0.01.

Page 20. The net maintenance contribution for full year 2011 was a positive $41 million pretax. Net maintenance is defined as the amount of maintenance rents recorded as revenue, less leasing expenses. As mentioned previously, when a default or a restructuring occurs, the maintenance rents we hold as security is recorded as revenue, and the expenses relating to the defaults and restructuring is incurred in subsequent periods.

The net maintenance contribution in 2012 is expected to be a negative $20 million, as many of the expenses from 2011 defaults and restructurings will be incurred in 2012. Variance per share impact from net maintenance will decrease from a positive $0.24 in 2011 to a negative $0.12 in 2012.

Page 21. With regard to our full year 2012 financial outlook, committed purchases will be approximately $1 billion, including 11 aircrafts relating to the purchase/leaseback transaction by the American Airlines. 2012 basic rent is expected to increase 2% to 5% over 2011. The maintenance contribution income is expected to decrease approximately $60 million in 2012 as compared to 2011 as shown on previous slide. The financial impact from committed sales in 2012 is expected to be minimal.

The average cost of debt in 2012 is expected to be approximately 4%. And the 2012 blended tax rate is expected to be approximately 8.7%. And lastly the 2012 ROI is expected to be approximately 10%.

So, those were the first quarter 2012 financial highlights, and I'll turn back over to Aengus before Q&A.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thanks Keith. So in conclusion our disciplined growth strategy and robust capital structure continue to produce industry leading profits and best in class credit profile.

I'll now hand the call back over to the operator for the Q&A session.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Helane Becker, Dahlman Rose.

Helane Becker - *Dahlman Rose - Analyst*

So my one question has to do with other aircrafts that might be at risk. But do you have any other exposure to any other airline companies that look like they are having operational or financial difficulties?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thanks, Helane. It's Gus here. At the moment, as I said, we've placed all our aircrafts for 2012. We're not seeing any unusual activity on the receivable side and what you're seeing again here when we show you the impact of the various defaults we had last year is that the collateral that we had in place through security deposits in maintenance reserves all set the cost of transitioning those airplanes. And as an example, of the Kingfisher aircraft as I said, everything is placed and gone.

Helane Becker - *Dahlman Rose - Analyst*

Okay. Alright, that's really it. I think all my other questions are pretty self-explanatory or you answered in the presentation. Thank you.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thank you.

Operator

John Godyn, Morgan Stanley.

John Godyn - *Morgan Stanley - Analyst*

First, I just wanted to ask a little bit about the slide on the financial outlook. If I just kind of compared what you guys offered last quarter it looks like that you sort of firmed up the tax rates and the debt issuances. I am sorry and the interest expenses well and they both went up a little bit but you maintain your ROE guidance for 2012 at 10%. Is there something off setting that or am I reading too much in the back that you guys kind of firmed up the interest expense and tax rate guidance?

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes, I mean the numbers that we're showing now which are more specific are pretty close actually to the estimates that we had last time around. We're but just being a little bit more specific here as we're further busy to the year. So the range that we showed previously the numbers were on a little bit on the higher side, so we're just giving you the specific numbers now. So the ROE should be around the 10% level we discussed last time.

John Godyn - *Morgan Stanley - Analyst*

Okay, that's helpful. And I'm hoping that you guys could speak to just your general outlook on these rates across the aircraft types here. We've heard from some of the other lessors that of course there has been some softness but just recently it's time for stabilization and possible optimism as we look in to the back half of the year. Do you generally agree with that? If you can just sort of give us some color it will be helpful?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Yes, we certainly do. I mean if you look at the most popular narrow body in the world, the 800 that has been extremely firm. The most popular wide body in the world, the 330, we keep getting requests for 330-300's in particular from carriers in Asia where these aircrafts, these small wide bodies are actually turning in to narrow bodies in terms of their user base. And on the 320 side as well for new 320s we don't see any difficulty moving them. And I guess the best evidence I can give you is that all of our aircrafts in 2012 are placed. The aircraft we had to take back from Kingfisher, A320's, moved very quickly. We had them placed within weeks.

So I think that's the strongest indication I can give you. Now of course if you go to the older stuff you know stuff like 767 or 747's which we don't really have then it's going to be a little bit different. But for the most popular airplanes in the world, the 737 family, the 330's and the 320's things are looking pretty good.

John Godyn - *Morgan Stanley - Analyst*

Okay great. And if I could just ask one more on buybacks. If you could just help us, you think -- about how you think about buybacks here versus additional aircrafts acquisitions. And just for context, does the fact that you recently got a credit rating create a period of time where a new buyback is unlikely or constrain you in any way on that front? Thanks.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

No, certainly the credit rating has no impact on our ability to do buy-backs. The advantage of the credit rating is that AerCap would be the first lessor to do a real unsecured deal. As you are aware, many of the unsecured deals that have been out to date aren't unsecured at all. The key covenant is that you have unencumbered assets before you can actually draw down the money so they're just secured funding through the backdoor is the exact same thing.

The unsecured funding that we can raise with the investment grade rating is quite the opposite effect. It enables us to do more or less whatever we want with the funds. We do not have to have any unencumbered assets. So that's a key, key difference in how the debt works.

Now, as we think about share buybacks, as we said to you before, we are very disciplined about it. We have very strict underwriting standards when it comes to acquiring aircraft. And those aircraft that we acquire have to be accretive to shareholder value. The key benchmark you look at is what the alternative use of funds is, which is to buyback the shares.

And that's why if you look at the last nine months what have we done? We had -- did a share buyback program for $100 million. We did the American Airlines transaction for the most attractive aircraft in the world. We've just signed an LOI for the 330s. We sold AeroTurbine. What you didn't see us do is buy a lot of airplanes off competitors, queue up for orders and at the air shows and commit to very expensive PDPs. The way we deploy the capital of the shareholders is with at all time long term shareholder value in mind.

John Godyn - *Morgan Stanley - Analyst*

Okay. Thanks a lot, guys.

Operator

Arren Cyganovich, Evercore.

Arren Cyganovich - *Evercore - Analyst*

If you talk a little about the investment grade rating you received and how you view that in helping your mix of funding going forward. Should we expect a flood of unsecured debt or do you have any kind of target for the mix of funding with that rating?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Let me just say the first comment, and then hand it over to Keith. The key is, as I don't believe that anybody has done an unsecured deal yet. That's the key point. People call them unsecured, but as I mentioned, if you raise $500 million of what's called senior unsecured, you actually have to have probably $700 million or $800 million of unencumbered assets before you can draw the funds down. So it's just money to acquire the airplanes in secured funding.

What we are looking at is something entirely different where this isn't secured funding at all. This isn't senior debt as it were in aircraft transaction. This is something that is more akin to quasi equity. And so that's the big differentiating factor. And that would drive how we would use it. Keith, do you want to add to that?

Keith Helming - *AerCap Holdings, NV. - CFO*

Sure, sure. I mean, the fact that we have an investor grade rating there is not really going to change our fundamental approach to financing the Company. Secured debt has always been the source of financing for us and as you can see the cost of funding including the cost of hedging debt against rising interest rates has been relatively low. So that's still going to be the foundation for financing.

But now with the investment grade rating, we have access to the unsecured market. And again as Gus mentioned, we have access to what we believe is true unsecured. To a certain degree, there is a certain amount that we can issue without having any real restrictions on having unencumbered assets or having any real restrictions on buying back shares or other sort of unique payments. So that's likely a source of some additional capital for us. So again, now with the fact that we have a very strong cash balance and now the access to yet another capital avenue, if you will, we are in a even stronger capital position than ever before.

Arren Cyganovich - *Evercore - Analyst*

Thanks, it's helpful. And in terms of share repurchases maybe not having any restrictions from the debt side, but I guess from the capital coming to your hands through American and also the new A330 figure is going to be (technical difficulty) investing in 2013. Maybe if you touch on the timing of when you expect those. And did those new capital have any impediment to doing any new share repurchases in your view of it in the near term?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

The short answer to that is they do not impair our ability to do share repurchases. You will continue to see from us a disciplined approach to deploying capital. We have the resources to do another share buyback program or to acquire more aircraft and the Board is continually looking at both alternatives.

Arren Cyganovich - *Evercore - Analyst*

Thanks, gentlemen.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thank you.

Operator

Isaac Husseini, Barclays Capital.

Isaac Husseini - *Barclays Capital - Analyst*

Just a quick question on the aircraft acquisition guidance of $1 billion for 2012. It looks like you have been historically a bit conservative in 2010 and 2011 on that guidance. And I just wanted to -- I'm just wondering basically if you could give us any commentary on listing in the markets right now just to have us understand whether there is any upside to that numbers, to that $1 billion guidance?

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes. Just in terms of the approach to the way we provide guidance to that number really is just representing effectively what's been committed up to this point. So as Gus mentioned, we have added to those numbers obviously in the past and we will continue to look for opportunistic purchases that hopefully can increase that number. But again, what you are seeing there is really just the committed position as of right now.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

And on the purchasing side, as I said to you, if you look back to the last almost 18-24 months, the two transactions we did of any size, or the American deal and this LOI for the 330s, that shows you the discipline that we have in the business. We don't chase the market. You don't see us buying airplanes off competitors giving them big gains. You don't see us in the weekly bake-offs for the sale lease back or queuing up at the air shows.

So you can -- everything we do on the aircraft acquisition side will be accretive to the shareholders. And what we are seeing in the market at the moment is that a lot of the new money that came in has been spent, non-investment grade entities, particularly airlines, are still having issues raising capital. So it is providing opportunities.

But those opportunities must meet our underwriting standards. It's got to be the right airplanes. It's got to be at the right price, and ideally what we don't want to have is get involved in very expensive and risky pre-delivery payments associated with that.

Isaac Husseini - *Barclays Capital - Analyst*

Okay, understood. And then understanding the obviously you're very optimistic about your acquisitions and you are not interested in participating in "bidding wars," what -- are you seeing any change in the interest level of the airlines as it relates to sell lease back (inaudible) from six months ago or three months ago?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

The airlines will always need the sale lease back market. 40% of the world's fleet is financed by the lessors. So that hasn't changed. And I would say what we are seeing now, and given the scale of AerCap being the third largest lessor in the world, the global reach of the Company and also the general economic environment is airlines that traditionally would not have considered the sale and lease back market are looking at it much more closely than they have done for a long time.

Isaac Husseini - *Barclays Capital - Analyst*

Okay. And I guess the last quick question on the average time of the lease is it looks like it's trending down a bit both on the new aircraft and the used aircraft. Could you explain this, is there anything going on there?

Keith Helming - *AerCap Holdings, NV. - CFO*

No, there is nothing really. That's just within the 90-day period the leases that get booked. So there isn't really anything one way or the other.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

No real trend there, no.

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes.

Isaac Husseini - *Barclays Capital - Analyst*

Okay, thank you so much.

Keith Helming - *AerCap Holdings, NV. - CFO*

Very welcome.

Operator

Michael Linenberg, Deutsche Bank.

Michael Linenberg - *Deutsche Bank - Analyst*

Hi, Gus, I guess I want to get back to you on the Kingfisher planes. I mean you'd indicate you moved them pretty quickly and my sense is that you probably were out there talking to potential lessees probably six to nine months in advance given the situation pretty well publicizing Kingfisher.

When we think about the economic terms that you are receiving now versus what you were receiving when the aircrafts were at Kingfisher, how should we think about it? You know, how has the terms maybe changed? Are they similar, are they graded somewhat or is it -- whatever you can tell us on that would be great.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Sure. As you rightly say, Michael, we weren't waiting for the situation to improve with Kingfisher. We were just acting at what the reality was. We took the first two aircraft out last year, had to move very quickly and we took the other four out again. We do think we were by some distance the only lessor to get serviceable aircraft out quickly.

And in terms of the lease rates what have we seen. There was on average about two years left on the Kingfisher leases. And so the new aircraft, as you can see from the report there, went out at around five-, six-year leases. So what you saw was that for the remaining 24-month period, yes, there was a lower lease rental. But there on the back end, Michael, there wasn't much of a difference than what we would have assumed on a re-lease event anyway.

So yes, it took a little bit -- you took a hair cut obviously for the 24 months. But that's not having a material impact at all on the earnings of AerCap. And that's what people always said about by default splash, when you look back historically at -- (technical difficulty) -- impact given that the security deposits, the reserves, the way in which we deal with defaults, you have not seen any material impact from default on our statements.

Michael Linenberg - *Deutsche Bank - Analyst*

Okay, good. And then were the four aircrafts, were they moved to one new carrier or was it four new carriers? I'm just getting a sense by their additional diversification or if you're able to move in one big group.

Unidentified Company Representative

No, the six, Michael, went to three different carriers, two last and the four this year into three different carriers.

Michael Linenberg - *Deutsche Bank - Analyst*

Okay, good. And then just my last question on what you are seeing in the capital market. You talked about the possibility of eventually doing to their deal, the secured debt deal, we saw United Confidential come to market recently. US Airways did a deal that was pretty well subscribed including a C tranche. Do you feel better about where capital markets are today or may be three months ago, six months ago, and I realize this is in the context of Europe going into a recession. Can you just give us your latest thoughts on how the market debt currently looks?

Keith Helming - *AerCap Holdings, NV. - CFO*

For us, Michael, I think the markets although some of the costs have gone up recently, I mean, the markets are I think broader for us and there is more diversified sources of funding. We obviously did the bank deal on the American Airlines transaction back in late 2011. We did that very quickly even though they went into bankruptcy and that was the market that we are very familiar with and we were still able to execute it even with the changing situation in American.

Again, with the credit rating incept, we just received, we are going to be able to access yet another pool of capital that we did not have before and the other transactions like for Singapore and the like, those deals we have a continuous flow of available capital for those types of transaction. So and we could also do a securitization, I think, if we needed to do at this moment, but at this moment the pricing still isn't at the level that we would like to see. So we don't want to increase the level of cost on a significant portion of our planes. But we are going to continue to look at that particular market as well. So, again we don't feel limited at all by the amount of capital that we can access at this point.

Michael Linenberg - *Deutsche Bank - Analyst*

Okay, Keith, that's good to hear about the securitization, and I think that's a pretty good deal. Very good, thank you.

Operator

Scott Valentin, FBR Capital Markets.

Scott Valentin - *FBR Capital Markets - Analyst*

Just quickly on the delivery schedule from (inaudible) year with 12 aircrafts that (inaudible) [$57] million, what is the base over the course -- is that pretty evenly spread out over the course of the year?

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes, it is spread pretty evenly. I think there might be one or two aircraft difference between each quarter, but nothing significant.

Scott Valentin - *FBR Capital Markets - Analyst*

Okay. And then for 2013 in addition to the $500 million of the A330, what is the current total asset purchase volume for 2013?

Keith Helming - *AerCap Holdings, NV. - CFO*

I think it's a $1.2 billion I think with the LOI aircraft.

Scott Valentin - *FBR Capital Markets - Analyst*

With the $500 million, okay. Thank you very much.

Operator

Andrew Light, Citigroup.

Andrew Light - *Citigroup - Analyst*

It sounds that you had a 98% utilization in the first quarter and it seem like you think it will go to 100% by the end of the year. I was just wondering what you would expect it to be in the second quarter roughly?

Keith Helming - *AerCap Holdings, NV. - CFO*

On the utilization rate, Andrew, you will always have airplanes transitioning. So you will never have a 100% utilization. You will always have aircraft move from A to B, so that it will never-- I mean, maximum utilization is probably 98%, with one of our size you are always going to have aircrafts moving from A to B.

Andrew Light - *Citigroup - Analyst*

So it would probably be roughly the same then through the quarters and --.

Keith Helming - *AerCap Holdings, NV. - CFO*

It always hovers between 98% and 99%.

Andrew Light - *Citigroup - Analyst*

Okay. And just on your acquisition strategy, you have completed ruled out purchase of direct purchase of new aircraft from the OEMs because (inaudible) your history was really just about placing large orders, 70-80 at a time, have you already kind of given up on that market completely?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

No, certainly not Andrew. But I think you need to go back to why and when we ordered. If you go back to the big order we did in 2005, the last time we actually bought new A320s, it was placed at midnight, December 31, 2005. We were still in the downturn and it was the swing order for the year for the two OEMs. When you go to the A330 order, it was placed also when the 380 issues were at -- airbus at the biggest 380 issues of all, they needed some news.

Now what you didn't see us do was at the record order at Farnborough in 2010 and Le Bourget in 2011 where there was record order. It's like anything. Andrew, look, if there are many people outside that are trying buying a condo. It's not a great time to buy. That's just common sense.

So, yes, you will see us go back to the OEMs and there will be plenty of opportunity. But at the moment what we are seeing, good opportunity in the sale lease back market like we did with American, like we did with the 330 deal, I mean, just order 737-800s from Boeing, you are going to have north of $20 million per airplane in pre-delivery payment, that's a very large drag on shareholder equity and it's also a difficult form of funding to obtain.

Now with our credit strength we are able to do it being investment grade. But you need to think very carefully about it, you need to make sure the risks and rewards are in balance when you do that. And also for us, Andrew, you saw us do the buyback program last year as well. So these are things we consider when we deploy capital. And we continually talk to the OEMs and if there was nobody in the tent at Farnborough Airshow, this year, next year you will probably see it there.

Andrew Light - *Citigroup - Analyst*

Okay, understood. Thanks very much.

Operator

Mark Streeter, JP Morgan.

Mark Streeter - *JP Morgan - Analyst*

Gus, I just want to follow-up on your response to some of the earlier questions regarding the credit ratings and so forth. You mentioned that your unsecured funding and sort of quasi equity, you don't want to get tied up in the unencumbered asset test of some of your peers and so forth. But I am just wondering if how for the full year embracing being an investment grade company and what this means for the Company going forward in your funding mix because you have brought your leverage down from the 2.9 to the 2.6 year-over-year and most companies, once again, in investment grade rating they really shift over time to more unsecured funding and so forth to really maximize the availability of those ratings and it sounds like unsecured debt might just play sort of a niche wall in the capital structure and you are going to continue to rely primarily on secured funding. I just want to make sure I have that right.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Well, there is just a mix of things, Mark. The key thing with us is that we have never had a large parent. So we have always had to make sure that we are aware of all sources of funding that are available. On the secured market, there are many different sources. There is the banking market in Europe, there is the banking market in Asia, there is the securitization market.

And now when we look to the unsecured market, we would of course do a senior unsecured deal with the unencumbered asset test if the cost of those transactions were lower than what we could do elsewhere. The fact is, they are not. So we can still raise secured funding elsewhere.

Now, where the investment grade is of real benefit from an equity perspective standpoint we can raise the true unsecured money. Look, if you look at the precedent transaction that have gone out for most of the competitors, if they raise $500 million and they are paying whatever it is, 5%, 6%, 7%, 8%, that's their senior debt cost, that's what it is because they can't draw down the funds without buying an airplane.

What we are saying to you is that this money can be used to fund the equity tranche of those asset purchases or we'll be able to use it for other purposes, well, be that looking at your buyback programs, et cetera. So that's the key difference and that's why it is such a valuable source of capital. So yes, it will never be out of a $6 billion balance of debt that we have. Anytime soon, I don't see it being north of a billion dollars. But what is very valuable is the type of capital and the flexibility that it brings.

Keith Helming - *AerCap Holdings, NV. - CFO*

I'll just add that the investment grade rating does help us on secured side as well because half of our secured financing is recourse debt if you will. So having an investment grade company standing behind the secured financing certainly is a benefit to lenders.

Mark Streeter - *JP Morgan - Analyst*

And then just a follow-up to that, I'm wondering, in order to get S&P and Fitch to the BBB minus ratings, given what you are saying and so forth and using unsecured funding as sort of mezzanine or quasi equity, use your words, et cetera, what did you have to promise them in terms of how you are going to run the company going forward?

You have brought leverage down, you have improved the credit metrics. Do you feel like you are a little bit more range bound now on the leeway you have with them in order to maintain this BBB minus? I'm sure you don't want to lose it now that you have it. So I am just wondering how much flexibility you have with your credit metrics?

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes, we don't feel constrained at all effectively getting the investment grade rating. We showed them our plans, or plans that were put together prior to having a deal with the rating agencies on this matter. The reality is even though we have secured debt, these structures, these facilities pay down very, very quickly. So our capital structure has become more conservative over the last couple of years and is predicted to become even more conservative in the coming year. So I think with that sort of capital outlook, if you will, the grading agencies are comfortable with what they were seeing.

Mark Streeter - *JP Morgan - Analyst*

So you actually think your leverage will be heading lower than 2.6 times?

Keith Helming - *AerCap Holdings, NV. - CFO*

It's trending that way, yes, again because the secured financing is paying off so much. But you know, if we do unsecured, that will bring it up again. You know, we would prefer not to see a drop much below the 2.5 to 1 level if you will because otherwise we come to a little bit of an inefficient capital structure for the equity side. So 2.5 to 1 fits good for both debt as well as equity.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

On the upside, there is plenty of room to increase that mark as well without having any issue on the raising. And as Keith said, we have to be fair to the equity providers as well, that we can't let it really go below two-and-a-half times.

Mark Streeter - *JP Morgan - Analyst*

Sure, that makes sense. I appreciate the color. Thank you.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Very welcome.

Operator

Glenn Engel, Bank of America.

Glenn Engel - *Bank of America - Analyst*

A couple of questions on the debt. One, when do the interest rate caps that have been benefiting you start to run out and the second one is when you want to raise unsecured debts, do you raise it when the market is cheap even though you don't have assets out there to purchase and then you have a carry cost or do you wait until you are closer to finding some assets to purchase before you raise the unsecured debt?

Keith Helming - *AerCap Holdings, NV. - CFO*

In terms of the caps, a large portion of the caps run out over the course of the next three years, although in some of our portfolios we are still putting caps in place to go out for years beyond that as well. But the largest portion of the caps such as the balance will run up in the next three years. And we've been putting on fixed rate financing primarily in lieu of caps in this current interest rate environment.

Glenn Engel - *Bank of America - Analyst*

Where does that rate to when you caps run out?

Keith Helming - *AerCap Holdings, NV. - CFO*

What is the --

Glenn Engel - *Bank of America - Analyst*

If your caps run out today, what would be the rates be, go from 4 to what?

Keith Helming - *AerCap Holdings, NV. - CFO*

The caps are currently roughly at 3% rate.

Glenn Engel - *Bank of America - Analyst*

Okay.

Keith Helming - *AerCap Holdings, NV. - CFO*

And, I think, your second question was relating to the timing of any potential unsecured deal, is that --?

Glenn Engel - *Bank of America - Analyst*

Yes.

Keith Helming - *AerCap Holdings, NV. - CFO*

Again we will take advantage of the current strong markets as soon as possible. So again we are just looking to deploy the capital as quickly as possible as well.

Glenn Engel - *Bank of America - Analyst*

So there might be some carry cost for a little while, but you are presuming not too long.

Keith Helming - *AerCap Holdings, NV. - CFO*

It could. But we are looking to put the money to use as quick as possible. So it won't be a significant carry cost if they are really.

Glenn Engel - *Bank of America - Analyst*

And finally just the accounting issue. The SG&A that was down because of the credits that comes back up in June quarter as those foreign exchange derivative credits.

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes, I think when you adjust the SG&A for the mark-to-market stuff, that falls through there, you'll see that our quarterly trend analysis about the $20 to $21 million dollar per quarter.

Glenn Engel - *Bank of America - Analyst*

Thank you very much.

Operator

Rich Fitzgerald, Jefferies Investment Advisors.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Just a few quick questions here. The first is with regard to the guidance around maintenance. For the default and restructuring related maintenance runs, the full year is $9 million and that is down pretty sharply from last year as well as 2010. Forget if you've already explained this, but why is the fall off there so sharp?

Keith Helming - *AerCap Holdings, NV. - CFO*

Again with the way the accounting works on the default is when you are holding the collateral, the security deposits and the maintenance reserves, the moment a (inaudible) gets terminated, we are required to record that as revenue. So you get the big income hit or benefit at the moment that the default happens and then the cost to move the aircraft to another lessee and to put the equity back in the order that needs to happen later.

So there is a timing issue relating to the revenue and the reconciliation of the expenses. So in 2011, you will see that we actually had a big positive benefit from an income point of view from defaults. I mean, we had $64 million of maintenance revenue and about $40 million of cost. So there is a net-net benefit of $24 million.

And now in 2012, a lot of the cost that relate to the default to happen in later 2011 will be occurring in 2012. So that's why we have a big negative number. But when you look at the two years together, a $24 million positive in 2011 and negative $22 million in 2012, it's a net positive. So the reason we are putting these charts in here is just to make sure that it is clear that because of this particular accounting that you are going to have to take that into consideration when you look at the future profitability of 2012.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Okay, okay, I got it. So right way to look at it is kind of a smooth rolling basis over several quarters?

Keith Helming - *AerCap Holdings, NV. - CFO*

Yes, you should not get alarmed by the impact in 2012 because you got to look at that in connection with 2011.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Yes, now I got it. That makes sense. And the second question was with respect to the updated cost of debt guidance, it went from a range of 3.5% to 4% to just 4%. What was the driver of that?

Keith Helming - *AerCap Holdings, NV. - CFO*

As I mentioned earlier, we had a range of 3.5% to 4%. It was on a higher end of that range when we have issue that range. So now we're being just a little more specific. So the results for the first quarter was 3.9%. So we're just trying to provide a little bit more clarity to the guidance.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

One thing about the debt, that's the all-in cost of debt.

Keith Helming - *AerCap Holdings, NV. - CFO*

That's the all-in cost of debt.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Yes, including fees and hedges and stuff.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Fees, hedges, et cetera, everything in there.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Yes, okay. And then last question, different angle on the potential buyback issue. You guys talk about how the Board and management continually considers a buyback as one use of capital versus investing in the business and other uses of the capital and so forth. I guess, my question is if this year's ROE is expected to be about 10%, is it fair for us to infer that management thinks buying back the stock here would have a sub 10% return however that return happens to be calculated?

Keith Helming - *AerCap Holdings, NV. - CFO*

No, I think, what we look at is, we say, look, the 10% is an average of all the different transactions that are on the book obviously going back to when the Company was started. So it is the marginal benefit what we look at. So we say when we did the 330 deal or did the American deal and indeed when we did do the share buyback program last year, that's what we look at. We look at the current best use of the proceeds, not the historical return on the book.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Okay, that's fair. What would you say then is the incremental return on equity or return on investment right now in today's market environment? Presumably, it is higher than 10%.

Keith Helming - *AerCap Holdings, NV. - CFO*

Of course, it is, yes, I mean the target is in the mid teens.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

So is it fair then to say that so long as the Company is not buying back the stock that the anticipated return on stock buybacks will be sub 15%?

Keith Helming - *AerCap Holdings, NV. - CFO*

No, we didn't say that. We said there's a range in there and it is dependent on a lot of different things. And also as you say if you see on the asset acquisition side, we've been extremely disciplined. So any assets we buy have to be in the safe code above the buyback we generate as well.

Rich Fitzgerald - *Jefferies Investment Advisors - Analyst*

Okay, thanks a lot, guys, nice quarter.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

You're welcome, thank you.

Operator

Joe Gill, Bloxham.

Joe Gill - *Bloxham - Analyst*

I have just two questions roughly in relation to narrow body and wide body. And on the narrow body first, could you just comment a little bit on used A320, A319 markets in terms of lease rates and demand and what your perspective on that weak market is regarding the risk with contamination on the 737 or indeed does the A320 family offer any interesting time for investing at this point?

And second question is in relation to wide bodies, and just on A330, and while it is quite clear that the short term demand is very strong, what do you consider are the risk factors around A320 asset values over the medium to long term from 787 as it gains critical mass and becomes more commercial and head to heads competes with A330? Thank you.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Sure, on the 320, I mean, the best example that I can give you is that we have no aircrafts unplaced. Everything that we have coming back in 2012 is moved. We only had a couple of A319, they moved as well. So the demand is out there. The big leasing companies are able to move them, at least the one that we took back in a very short notice from a defaulting airline and had to move within a matter of weeks.

Now any weakness you referred to will be much more accentuated and much older variants where you're looking at older engine technology than the IAE V2500 A5 or the CFM 56-5E powered A320. So as I said, we don't have any of these aircrafts placed. The new A320 market, look the A320 is the most popular airplane in the world in terms of user base. It has the biggest user base in the world. It is not going anywhere. And if you can buy them at the right price, you buy them all day long because these things are going to be around for a very, very long time to come just like 737 Classic is. 737 Classics, we are still moving those on the managed portfolio where we have them without any difficulty.

Now turning to the 330 market and the 787, what you have to precede is that the long term value of an aircraft is determined by its user base. The bigger the user base, the more durable the residual value is going to be. The biggest wide body user base in the world is with the 330s. It has been the only small wide body in the world effectively for the last 12-plus years.

If the 787 had come out much sooner, it certainly would've stopped the growth of that user base. But the A330 has the bigger user base out there of in-production airplanes. And it's a bit like the 76. If you brought the 76, you would've done very well if you held it for a long time because it had no competition. It build up a huge user base and the 330 has taken over from that. Now in the long run, the 78 will take over. But it's a long, long way off. And further more the 78 is an expensive machine. It is substantially more expensive than an A330.

And so, yes, those customers who got in at the start are probably getting a very good deal because of the penalty, the frozen installation et cetera. But the marginal cost of the 78 it's a bit different. And so I think for that reason, you will see the 330 has a very long life ahead of it.

Keith Helming - *AerCap Holdings, NV. - CFO*

And also today it moves on to 350 as well. You saw the headcounts, but -- and so the 350 program has its own issues to deal with too.

Joe Gill - *Bloxham - Analyst*

Okay, thanks very much for that.

Operator

(Operator Instructions). John Godyn, Morgan Stanley.

John Godyn - *Morgan Stanley - Analyst*

I just wanted to ask a couple of follow up here. First of all, I know you guys don't have a history of dividends. But if you could just update us on your thought process there just to make sure that nothing has changed or if it does, does that (inaudible).

Keith Helming - *AerCap Holdings, NV. - CFO*

I mean as I said, John, look the Board continually evaluates how we deploy the capital, be it returning it to the shareholders or be it to reinvesting it. And dividends is one of the things that are talked about every quarter as our buybacks as -- and acquiring aircraft. So it's something that's given close consideration continually. There's no plan to pay a dividend at the moment.

John Godyn - *Morgan Stanley - Analyst*

Okay, that's helpful. And I know you are going to tell us when or if you are going to do a buyback around the corner here, but I just wanted to follow up on some of the commentaries that came after my question. There was this idea that, I think, you guys said that you were seeing mid to high teen ROE in that marketplace on aircraft and somebody was comparing it sort of 10% hurdle.

Am I right in thinking that the way that you would think about a buyback is you would compare it to the fact that your stock is trading at a significant discount to book. So actually the yield on a buyback is probably in the mid to high teens right now because of a discount? Is that the right way to think about it, and in that case it's a little bit more comparable.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

They are very comparable at the moment. But you have seen us, John, we have been disciplined about buying assets. We don't buy them unless there are increases to the shareholders. And the test there is what do we get by using capital to buyback shares. And so the 10% book, the reference in the earlier question, the 10% was just to the current ROE on the total book. But as we look to redeploy capital, we look at the benefit of investing it today on aircraft today or the buyback.

Keith Helming - *AerCap Holdings, NV. - CFO*

And we look at the increase in benefit on an earnings per share basis on both investments in aircraft and investments in buyback shares.

John Godyn - *Morgan Stanley - Analyst*

Okay, thanks. And just last question here. You guys did a 12.8% of lease rate factors this quarter. Just kind of synthesizing everything we are hearing about the market stabilizing and potentially improving later in the year across a lot of aircraft type, is it fair to say that's higher or will that be sort of flat last year? How do we just think about that?

Keith Helming - *AerCap Holdings, NV. - CFO*

I think it is a relatively stable amount of course for the rest of the year. I mean, again when you look at not just the top line yield but also the net interest margin, over the last couple of years we've been at 900 basis points of margin and first quarter was 8.85%. And I think you should expect to see that something comparable for the rest of this year.

John Godyn - *Morgan Stanley - Analyst*

Okay, that's really helpful. Thanks for the follow up, guys.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

You're welcome.

Operator

Jamie Baker, JPMorgan.

Jamie Baker - *JPMorgan - Analyst*

I had a quick question regarding -- I know you guys spoke pretty extensively in the beginning of the conversation about the relative track list that you are seeing right now in terms of sale leaseback purchases. And I was wondering, given the pullback in export credit, have you guys noticed or seen any more extensive conversations with airlines now that maybe they are a little bit more worried about your funding there or is that not yet visible?

Aengus Kelly - *AerCap Holdings, NV. - CEO*

I think on the export credit I mean the full impact of it has yet to be felt. But you must bear in mind that even the higher fees will probably be financed by banks as well because they are covered by sovereign guarantees and the issue on the export credit is just more about the capacity, how much more will they do.

And certainly though airlines are concerned about that and they are looking to diversify the funding and sources away from the ECAs and the ECAs are pushing let's to do that. One of the ECAs, I mean both collectively Exim and the ECAs in Europe, they are pushing airlines back saying don't keep coming to us. Go out there. And we know those transactions out there from the big leasing companies. But I think with the comment I made earlier on is the key one which is that because of the general economic environment the price of fuel, you are seeing airlines that typically would not look at the sale leaseback market looking very hard at it right now.

Jamie Baker - *JPMorgan - Analyst*

And just one other question regarding your kind of, I'd say, geographical placement or profile where you guys are seeing the most attractive opportunities? I know that earlier you made a point about how three-quarters of your revenue is generated outside the EU. So obviously, the EU

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has run into a lot of difficulties right now. There's credit worthiness issues there. But we're also seeing obviously to the extent Kingfisher and some of those airlines in Asia struggling to some extent as well.

So is there any particular region of the world where you are finding the appropriate mix, I would say, of revenue opportunities as well as the credit worthiness, those customers, or are you focused on Asia still, or is there any mix of change there?

Keith Helming - *AerCap Holdings, NV. - CFO*

There isn't really. I mean the opportunity is still pretty diverse. I mean we are looking at opportunities be it in the American hemisphere, North and South, and in Asia as well. And, of course, you would as well as in Europe. Sometimes you do your best deals when someone needs you when you understand the transaction. Take our example of the American Airlines.

You have got to understand the whole transaction and how you balance the risks and awards, that's the key. If you got the right airplane, always you start with the right airplane. Don't buy the lessee name. Buy the right airplane at the right price and make sure that you understand the risks and mitigate them correctly. That's the key to successful investing.

Don't lose your discipline. You know what airplanes you want to buy and just stick with those underwriting parameters. Don't chase market share. And this market will come to you because we do have a non-investment grade customer base. It's never going to change. The business is deeply capital intensive. So they will always need you. So be patient, and as you see the patience is paid off with the American deal and the deal that we have under letter of intent on the 330.

Jamie Baker - *JPMorgan - Analyst*

All right, that's very helpful. Thank you, guys.

Operator

Thank you. We don't have any further questions at this time. Please continue with any further points you wish to raise.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thank you, operator. I believe we've one more question.

Operator

Gary Liebowitz, Wells Fargo.

Gary Liebowitz - *Wells Fargo - Analyst*

The incremental 737 that you are buying from American, are those being funded on a fixed rate basis or on a floating rate basis.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

It's about half and half, Gary.

Gary Liebowitz - *Wells Fargo - Analyst*

About half and half, okay. And the other question I have was following upon the earlier interest rate question or cost of debt, it was up about 30 basis points year-over-year. But I think wide board has basically been flat lined. Is this just a function of the mix of debt that's outstanding? In other words, you are paying down the low rate securitization debt pretty quickly or should we continue to see this trending up a little bit each quarter?

Keith Helming - *AerCap Holdings, NV. - CFO*

Again if it's really a question of the mix. Your point is right. I mean the very inexpensive securitization debt is continuing to pay down very quickly. And we are putting on more fixed rate financing as a new business effectively.

So that's what it has brought it up to the high 3% level, if you will. And it was slow as 2.7%-2.8% a couple of years back. So it's really been a mix change there. But as we indicated in the guidance, you should see a stabilizing at the 4% level.

Gary Liebowitz - *Wells Fargo - Analyst*

Thank you.

Operator

Thanks. We have no further questions at this time. Please continue with any further points you wish to raise.

Aengus Kelly - *AerCap Holdings, NV. - CEO*

Thank you, Operator. And thank you all for taking the time and to dial into the call. And we look forward speaking to you for the second quarter results.

Keith Helming - *AerCap Holdings, NV. - CFO*

Thanks.

Operator

Thank you, ladies and gentlemen. That concludes today's AerCap 2012 first quarter results conference call. Thank you for your participation. You may now disconnect.
