

AerCap Holdings N.V.
Form 20-F
March 08, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018
Commission file number 001-33159

AerCap Holdings N.V.
(Exact name of Registrant as specified in its charter)

The Netherlands
(Jurisdiction of incorporation or organization)

AerCap House
65 St. Stephen's Green

Dublin 2
Ireland

+ 353 1 819 2010

(Address of principal executive offices)

Vincent Drouillard, AerCap House, 65 St. Stephen's Green, Dublin 2, Ireland

Telephone number: +353 1 819 2010, Fax number: +353 1 672 0270

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Ordinary Shares The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or ordinary stock as of the close of the period covered by the annual report.

Ordinary Shares, Euro 0.01 par value 142,674,664

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non accelerated filer (Do not check if a smaller reporting company)
Emerging growth company

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

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U.S. GAAP International Financial Reporting Standards as
issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item
the registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2
of the Exchange Act). Yes No

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TABLE OF DEFINITIONS

ACSAL	Acsal Holdco, LLC
AeroTurbine	AeroTurbine, Inc.
AerCap, we, us or the Company	AerCap Holdings N.V. and its subsidiaries
AerCap Ireland	AerCap Ireland Limited
AerCap Trust	AerCap Global Aviation Trust
AerDragon	AerDragon Aviation Partners Limited and Subsidiaries
AerLift	AerLift Leasing Limited and Subsidiaries
AICDC	AerCap Ireland Capital Designated Activity Company, a designated activity company with limited liability incorporated under the laws of Ireland
AIG	American International Group, Inc.
Airbus	Airbus S.A.S.
AOCI	Accumulated other comprehensive income (loss)
Boeing	The Boeing Company
ECA	Export Credit Agency
ECAPS	Enhanced Capital Advantaged Preferred Securities
Embraer	Embraer S.A.
EOL	End of lease
EPS	Earnings per share
Ex-Im	Export-Import Bank of the United States
FASB	Financial Accounting Standards Board
GECC	General Electric Capital Corporation
ILFC	International Lease Finance Corporation
ILFC Transaction	The purchase by AerCap and AerCap Ireland Limited, a wholly-owned subsidiary of AerCap, of 100% of ILFC's common stock from AIG on May 14, 2014
IRS	Internal Revenue Service
LIBOR	London Interbank Offered Rates
MR	Maintenance reserved
Part-out	Disassembly of an aircraft for the sale of its parts
PB	Primary beneficiary
Peregrine	Peregrine Aviation Company Limited and Subsidiaries
SEC	U.S. Securities and Exchange Commission
SPE	Special purpose entity
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America
VIE	Variable interest entity
Waha	Waha Capital PJSC

SPECIAL NOTE ABOUT FORWARD LOOKING STATEMENTS

This annual report includes “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, principally under the captions “Item 3. Key Information—Risk Factors—Risks related to our business,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” We have based these forward looking statements largely on our current beliefs and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed in this annual report, could cause our actual results to differ substantially from those anticipated in our forward looking statements, including, among other things:

- the availability of capital to us and to our customers and changes in interest rates;

- the ability of our lessees and potential lessees to make operating lease payments to us;

- our ability to successfully negotiate aircraft purchases, sales and leases, to collect outstanding amounts due and to repossess aircraft under defaulted leases, and to control costs and expenses;

- changes in the overall demand for commercial aircraft leasing and aircraft management services;

- the effects of terrorist attacks on the aviation industry and on our operations;

- the economic condition of the global airline and cargo industry and economic and political conditions;

- development of increased government regulation, including regulation of trade and the imposition of import and export controls, tariffs and other trade barriers;

- competitive pressures within the industry;

- the negotiation of aircraft management services contracts;

- regulatory changes affecting commercial aircraft operators, aircraft maintenance, engine standards, accounting standards and taxes; and

- the risks set forth in “Item 3. Key Information—Risk Factors” included in this annual report.

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward looking statements. Forward looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward looking statements speak only as of the date they were made and we undertake no obligation to update publicly or to revise any forward looking statements because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward looking events and circumstances described in this annual report might not occur and are not guarantees of future performance.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected financial data

The following tables present AerCap Holdings N.V.'s selected consolidated financial data for each of the periods indicated, prepared in accordance with U.S. GAAP. This information should be read in conjunction with AerCap Holdings N.V.'s audited Consolidated Financial Statements and related notes and "Item 5. Operating and Financial Review and Prospects." The financial information presented as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 was derived from AerCap Holdings N.V.'s audited Consolidated Financial Statements included in this annual report. The financial information presented as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2015 and 2014 was derived from AerCap Holdings N.V.'s audited Consolidated Financial Statements not included in this annual report.

Consolidated Balance Sheet Data

	As of December 31,				
	2018	2017	2016	2015	2014
	(U.S. Dollars in thousands)				
Assets					
Cash and cash equivalents	\$1,204,018	\$1,659,669	\$2,035,447	\$2,403,098	\$1,490,369
Restricted cash	211,017	364,456	329,180	419,447	717,388
Flight equipment held for operating leases, net	35,052,335	32,396,827	31,501,973	32,219,494	31,984,668
Maintenance rights and lease premium, net	1,113,190	1,501,858	2,167,925	3,139,045	3,906,026
Prepayments on flight equipment	3,024,520	2,930,303	3,265,979	3,300,426	3,486,514
Other assets	2,603,835	3,187,031	2,319,949	2,267,989	2,134,928
Total Assets	\$43,208,915	\$42,040,144	\$41,620,453	\$43,749,499	\$43,719,893
Liabilities and Equity					
Debt	\$29,507,587	\$28,420,739	\$27,716,999	\$29,641,863	\$30,254,905
Other liabilities	4,820,714	4,980,591	5,321,190	5,681,827	5,522,440
Total Liabilities	34,328,301	33,401,330	33,038,189	35,323,690	35,777,345
Total AerCap Holdings N.V. shareholders' equity	8,828,048	8,579,710	8,524,447	8,348,963	7,863,777
Non-controlling interest	52,566	59,104	57,817	76,846	78,771
Total Equity	8,880,614	8,638,814	8,582,264	8,425,809	7,942,548
Total Liabilities and Equity	\$43,208,915	\$42,040,144	\$41,620,453	\$43,749,499	\$43,719,893

Consolidated Income Statement Data

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(U.S. Dollars in thousands, except share and per share data)				
Revenues and other income					
Lease revenue:					
Basic lease rents	\$4,145,552	\$4,194,224	\$4,395,318	\$4,635,776	\$3,282,787
Maintenance rents and other receipts	391,541	519,578	472,305	355,775	166,784
Net gain on sale of assets	201,323	229,093	138,522	183,328	37,497
Other income	61,564	94,598	145,986	112,676	104,491
Total Revenues and other income	4,799,980	5,037,493	5,152,131	5,287,555	3,591,559
Expenses					
Depreciation and amortization	1,679,074	1,727,296	1,791,336	1,843,003	1,282,228
Asset impairment	44,186	61,286	81,607	16,335	21,828
Interest expense	1,174,074	1,112,391	1,091,861	1,099,884	780,349
Leasing expenses	446,487	537,752	582,530	522,413	141,572
Restructuring related expenses	—	14,605	53,389	58,913	(a) 148,792 (b)
Selling, general and administrative expenses	305,226	348,291	351,012	381,308	299,892
Total Expenses	3,649,047	3,801,621	3,951,735	3,921,856	2,674,661
Income before income taxes and income of investments accounted for under the equity method	1,150,933	1,235,872	1,200,396	1,365,699	916,898
Provision for income taxes	(144,079)	(164,718)	(173,496)	(189,805)	(137,373)
Equity in net earnings of investments accounted for under the equity method	10,643	9,199	12,616	1,278	28,973
Net income	\$1,017,497	\$1,080,353	\$1,039,516	\$1,177,172	\$808,498
Net (income) loss attributable to non-controlling interest	(1,865)	(4,202)	7,114	1,558	1,949
Net income attributable to AerCap Holdings N.V.	\$1,015,632	\$1,076,151	\$1,046,630	\$1,178,730	\$810,447
Basic earnings per share	\$7.00	\$6.68	\$5.64	\$5.78	\$4.61
Diluted earnings per share	\$6.83	\$6.43	\$5.52	\$5.72	\$4.54

(a) Includes \$9.6 million of expenses related to the ILFC Transaction.

(b) Expenses related to the ILFC Transaction.

RISK FACTORS

Risks related to our business

We require significant capital to fund our business.

As of December 31, 2018, we had 363 new aircraft on order, which will require substantial aircraft purchase contract payments. In order to meet these commitments and to maintain an adequate level of unrestricted cash, we will need to raise additional funds by accessing committed debt facilities, securing additional financing from banks or through capital markets transactions, or possibly by selling aircraft. Our typical sources of funding may not be sufficient to meet our liquidity needs, in which case we may be required to raise capital from new sources, including by issuing new types of debt, equity or hybrid securities. The issuance of additional equity may be dilutive to existing shareholders or otherwise may be on terms not favorable to us or existing shareholders.

If we are unable to meet our aircraft purchase commitments as they come due, we will be subject to several risks, including:

- forfeiting deposits and progress payments to manufacturers and having to pay certain significant costs related to these commitments such as actual damages and legal, accounting and financial advisory expenses;
- defaulting on our lease commitments, which could result in monetary damages and strained relationships with lessees;
- failing to realize the benefits of purchasing and leasing such aircraft; and
- risking harm to our business reputation, which would make it more difficult to purchase and lease aircraft in the future on agreeable terms, if at all.

Any of these events could materially and adversely affect our financial results.

To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available.

Our ability to make payments on, or repay or refinance, our debt, will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our debt will depend on our maintaining specified financial ratios and satisfying financial condition tests and other covenants in the agreements governing our debt. Our business may not generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to pay our debt and to satisfy our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to seek alternatives, such as to reduce or delay investments and aircraft purchases, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and might require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our debt instruments may restrict us from adopting some of these alternatives. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations or to meet our aircraft purchase commitments as they come due.

Despite our substantial indebtedness, we might incur significantly more debt.

Despite our current indebtedness levels, we may increase our levels of debt in the future to finance our operations, including to purchase aircraft or to meet our contractual obligations, or for any other purpose. The agreements relating to our debt, including our indentures, term loan facilities, ECA guaranteed financings, revolving credit facilities, securitizations, and other financings do not prohibit us from incurring additional debt. As of December 31, 2018, we had approximately \$8.1 billion of undrawn lines of credit available under our revolving credit and term loan facilities, subject to certain conditions, including compliance with certain financial covenants. If we increase our total indebtedness, our debt service obligations will increase, and we will become more exposed to the risks arising from our substantial level of indebtedness.

Our level of indebtedness, which requires significant debt service payments, could adversely impact our operating flexibility and financial results.

The principal amount of our outstanding indebtedness, which excludes fair value adjustments of \$175.1 million and debt issuance costs and debt discounts of \$160.6 million, was approximately \$29.5 billion as of December 31, 2018 (approximately 68% of our total assets as of December 31, 2018), and our interest payments, net of amounts capitalized, were \$1.2 billion for the year ended December 31, 2018. Due to the capital-intensive nature of our business, we expect that we will incur additional indebtedness in the future and continue to maintain significant levels of indebtedness.

Our level of indebtedness:

requires a substantial portion of our cash flows from operations to be dedicated to interest and principal payments and therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;

restricts the ability of some of our subsidiaries and joint ventures to make distributions to us;

may impair our ability to obtain additional financing on favorable terms or at all in the future;

may limit our flexibility in planning for, or reacting to, changes in our business and industry; and

may make us more vulnerable to downturns in our business, our industry or the economy in general.

An increase in our cost of borrowing or changes in interest rates may adversely affect our net income.

We use a mix of fixed rate and floating rate debt to finance our business. Any increase in our cost of borrowing directly impacts our net income. Our cost of borrowing is affected primarily by the market's assessment of our credit risk and fluctuations in interest rates and general market conditions. Interest rates that we obtain on our debt financings can fluctuate based on, among other things, changes in views of our credit risk, fluctuations in U.S.

Treasury rates and LIBOR rates, as applicable, changes in credit spreads and swap spreads, and the duration of the debt being issued. Increased interest rates prevailing in the market at the time of our incurrence of new debt will also increase our interest expense. If interest rates increase, we will be obligated to make higher interest payments to the lenders of our floating rate debt to the extent that it is not hedged. Please refer to "Item 11—Quantitative and Qualitative Disclosures About Market Risk—Interest rate risk" for further details on our interest rate risk. In addition, we are exposed to the credit risk that the counterparties to our derivative contracts will default on their obligations.