

AerCap (NYSE: AER)

Sector: Aerospace/Industrials



Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	Dividend Yield	Beta
\$57.41	\$49.61	\$50.90	\$36.38	7.92	\$8.2	0.00%	1.81

Business Description

AerCap is the global leader in aircraft leasing. Their business model involves buying, selling, and leasing hundreds of aircraft to earn a consistent spread on their portfolio. As of June 30, 2017 AerCap owned, managed, or had on order 1,539 aircraft in its portfolio. With one of the most attractive order books in the business AerCap has one of the most comprehensive portfolios on the market. AerCap's headquarters is in Dublin and has full service offices in Amsterdam, Los Angeles, Shannon, Fort Lauderdale, Singapore, Shanghai, Abu Dhabi, Seattle and Toulouse. AerCap has over 200 active customer in 80 countries including American Airlines, British Airways, Air France and many more.

Industry Trends

Air traffic growth over the last ten years has been growing on average by 5.5% seasonally adjusted. Even with major macroeconomic events and acts of terror the aerospace market has remained extremely resilient. Over the past 20 years the world aircraft fleet has doubled while the operating lease fleet size has quadrupled. More and more airlines see the lease market as a faster, cheaper, and more efficient means for fleet growth. Additionally, the growing middle class (2.8BB to 4.8BB in the next 20 years) and continued growth in globalization are strong trends for continued growth within the industry.

Investment Thesis

AerCap is the global leader in aircraft leasing and is positioned well within the growing aerospace leasing industry and sector. With one of the most attractive order books in the industry, approximately 200 customers in 80 countries, and a strong portfolio management team AerCap is positioned for continued growth and success in the long run.

Valuation Assumptions

WACC: 5.80%
 Terminal FCF Growth Rate: 3.5%
 Upside: 16%
 Sources: Bloomberg, Investor Presentations

Key Financials

Current stock price: \$49.61
 Intrinsic Value: \$57.41

5-Year Stock Performance



Competitive Analysis

AerCap's main competitors include Air Lease Corporation, Aircraftle Limited, and Fly Leasing. All three of these firms compete directly with AerCap, but are significantly smaller in size. AerCap has the largest scale and reach in the leasing business and has asserted themselves as the market leader.

Competitive Advantages

AerCap's three main competitive advantage are their broad market penetration, strong relationships with OEM's, and skilled management team. AerCap has a global reach with over 200 customers across 80 countries. Being the largest aircraft leasing company gives them strong bargaining power with the OEM's. Lastly, AerCap's management team leverages their strong sector knowledge to make hundreds of intelligent buy/sell decisions.

Risks

The two major risks AerCap faces are aircraft over supply and rising interest rates. Aircraft oversupply could reduce aircraft prices diminishing the value of AerCap's fleet. Additionally, because AerCap's business is so reliant on debt rising interest rate may result in significantly higher interest rate expenses.

Corporate Social Responsibility

AerCap governance disclosure score: 42.86 (Average: 48.21)
 ESG Disclosure Score: 10.53 (Average 11.16)
 Scores in line with industry average. Benefit environment by updating portfolio of aircraft that are more fuel efficient.
 Review activities on conduct based on ethics, labor environment, and transparency.

Report Prepared By:

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