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AeroCentury Corp. Reports First Quarter 2018 Earnings of \$317,300, or \$0.22 Per Share

BURLINGAME, California, May 15, 2018 -- AeroCentury Corp. (NYSE American: ACY), an independent aircraft leasing company, today reported first quarter earnings of \$0.3 million, or \$0.22 per share, compared to \$6.02 million, or \$4.25 per share for the fourth quarter of 2017 and \$0.6 million, or \$0.41 per share, for the first quarter of 2017.

First quarter 2018 included \$1.1 million of other income resulting from cash received from the previous lessee of three aircraft that were returned to the Company during 2017. Such payments were for unpaid maintenance reserves as well as amounts due pursuant to the unsatisfied return conditions of the applicable leases and were not accrued by the Company at the time of lease termination based on management's evaluation of the creditworthiness of the lessee. Therefore, the Company is accounting for payments as they are received and recorded in other income. Fourth quarter 2017 results included a \$5.4 million tax benefit arising from the revaluation of the Company's deferred tax liability prompted by the passage of the Tax Cuts and Jobs Act of 2017.

"In the first quarter, we continued on our path of modernizing our portfolio. As a result of the sale of two older turboprop aircraft, the average age of aircraft we are holding for lease is currently approximately 11 years," said Michael Magnusson, President.

Mr. Magnusson also commented on the progress on the proposed acquisition by the Company of JetFleet Holding Corp. (JHC), the corporation that has managed the Company's operations and aircraft portfolio since the Company's founding in 1997. "We have already received the permit for the issuance of shares of the Company's stock in the transaction from the California Department of Business Oversight, and the shareholders of JHC have approved the transaction. Our next step will be obtaining the consent of the AeroCentury stockholders at a special meeting to be held in the coming weeks. The Company's stockholder approval is not required under Delaware or California corporate law and will be obtained solely to comply with the NYSE American stock exchange listing regulations for the shares of the Company's stock issued in the Merger. Although the consummation of the Merger of the Company and JHC has taken somewhat more time than we originally anticipated, both parties are fully committed to the transaction, and are both proceeding expeditiously to complete the necessary steps to consummate the acquisition," stated Mr. Magnusson.

First Quarter Highlights

- Sale of two older turboprop aircraft at or near book value
- Operating lease revenue of \$6.5 million
- Operating margin¹ of 6%
- EBITDA² of \$5.7 million
- Book value per share of \$33.66 as of March 31, 2018
- 90% portfolio utilization during the quarter
- \$47 million unused credit facility amount as of March 31, 2018

¹ Operating margin is a non-GAAP measure. Operating margin is calculated by dividing "Income before income taxes" by "Total revenue." See Additional Financial Information at the end of this press release for a reconciliation to its most directly comparable GAAP measure.

² EBITDA is a non-GAAP measure. See Additional Financial Information below for its method of calculation and reconciliation to its most directly comparable GAAP measure at the end of this press release.

First Quarter 2018 Comparative Data (at or for the periods ended March 31, 2018, December 31, 2017, and March 31, 2017):

- Average portfolio utilization was 90% during the first quarter of 2018, 91% in the fourth quarter of 2017 and 96% in the first quarter of 2017 primarily due to asset sales during late 2017 and 2018, as well as the return of several aircraft at lease end in 2017.
- Total revenue and other income decreased 29% to \$7.9 million for the first quarter of 2018, compared to \$11.2 million in the preceding quarter, and decreased 1% from \$8.0 million in the first quarter a year ago.
 - Operating lease revenues decreased 8% to \$6.5 million in the first quarter of 2018 from \$7.0 million in the preceding quarter and decreased 12% from \$7.3 million in the year-ago quarter, reflecting assets sales during 2017.
 - Operating lease revenues accounted for 82% of total revenues in the first quarter of 2018, compared to 63% in the fourth quarter of 2017 and 92% in the year-ago quarter.
 - The Company recorded no maintenance reserve revenue in the first quarters of 2018 and 2017. Such revenue contributed \$2.9 million to fourth quarter 2017 revenues.
 - During the first quarter of 2018, the Company recognized \$8,200 in losses from disposal of assets, compared to gains of \$922,000 in the fourth quarter of 2017 and gains of \$311,000 in the first quarter of 2017.
- Total expenses decreased 26% to \$7.4 million from \$10.0 million in the preceding quarter, primarily due to lower maintenance costs and the fourth quarter provision for impairment. Total expenses increased 7% from \$6.9 million in the year-ago quarter, primarily due to higher interest expense.

AeroCentury's portfolio currently consists of twenty-one aircraft and one engine that are held for lease and nine aircraft that are held under sales-type or direct finance leases. The Company also has two turboprop aircraft that are held for sale, which are being sold in parts.

The Company's portfolio consists of eleven different aircraft types. The current customer base comprises ten customers operating in eight countries.

The following table shows the status of the Company's portfolio of aircraft and engines held for lease as of March 31, 2018, December 31, 2017, and March 31, 2017.

	AIRCRAFT AND ENGINES HELD FOR LEASE		AIRCRAFT AND ENGINES HELD FOR LEASE		AIRCRAFT AND ENGINES HELD FOR LEASE	
	March 31, 2018	% of net book value	December 31, 2017	% of net book value	March 31, 2017	% of net book value
Turboprop aircraft:						
On lease	2	5%	2	4%	9	21%
Off lease	6	11%	8	13%	2	2%
Total turboprop aircraft	8	16%	10	17%	11	23%
Regional jet aircraft:						
On lease	13	83%	13	82%	12	74%
Off lease	-	-%	-	-%	-	-%
Total regional jet aircraft	13	83%	13	82%	12	74%
Engines:						
On lease	1	1%	1	1%	2	-%
Off lease ³	0	-%	0	0%	1	3%
Total engines	1	1%	1	1%	3	3%

About AeroCentury: AeroCentury is an independent global aircraft operating lessor and finance company specializing in leasing regional jet and turboprop aircraft and related engines. The Company's aircraft and engines are leased to regional airlines and commercial users worldwide.

This press release contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements in this press release other than statements that are purely historical are forward-looking statements. Forward-looking statements in this press release include, without limitation, statements regarding (a) the Company's modernizing its portfolio by replacing older aircraft with younger aircraft, and (b) the Company's acquisition of JHC. The Company's beliefs, expectations, forecasts, objectives and strategies for the future are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements, including but not limited to (a) the inability of the Company to dispose of older aircraft on attractive terms, acquire younger aircraft on attractive terms, or the ability of the Company to generate greater revenues from a portfolio of younger aircraft, and (b) the failure of the Company's acquisition of JHC to be consummated, as a result of the failure of conditions precedent or otherwise. The forward-looking statements in this press release and the Company's future results of operations are subject to additional risks and uncertainties set forth under the heading "Factors that May Affect Future Results" in documents filed by the Company with the Securities and Exchange Commission, including the Company's quarterly reports on Form 10-Q and the Company's latest annual report on Form 10-K, and are based on information available to the Company on the date hereof. The Company does not intend, and assumes no obligation, to update any forward-looking statements made in this press release. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this press release.

³ 3/31/18 and 12/31/17 includes one engine that had previously been installed on an aircraft that is now being parted out.

Selected Financial Information

(in thousands, except share and per share data) (Unaudited)

	For the Three Months Ended		
	March 31, <u>2018</u>	December 31, <u>2017</u>	March 31, <u>2017</u>
Operating lease revenue	\$6,463	\$7,007	\$7,317
Finance lease revenue	379	398	325
Loss/gain on disposal of assets	(8)	922	14
Gain on sales-type finance leases	-	-	297
Maintenance reserves revenue ⁴	-	2,851	-
Other income	1,051	2	1
Total revenue and other income	<u>7,885</u>	<u>11,180</u>	<u>7,954</u>
Depreciation	2,942	2,988	2,936
Interest	2,254	2,257	1,610
Management fees	1,447	1,520	1,507
Provision for impairment	-	479	-
Maintenance costs	91	2,094	256
Professional fees and other	680	685	602
Total expenses	<u>7,414</u>	<u>10,023</u>	<u>6,911</u>
Income before income taxes	471	1,157	1,043
Income tax provision/(benefit)	154	(4,861)	401
Net income	<u>\$ 317</u>	<u>\$ 6,018</u>	<u>\$ 642</u>
Earnings per share:			
Basic	\$ 0.22	\$ 4.25	\$0.41
Diluted	\$ 0.22	\$ 4.25	\$0.41
Shares used in per share computations:			
Basic	1,416,699	1,416,699	1,550,032
Diluted	1,416,699	1,416,699	1,550,032
	March 31, <u>2018</u>	December 31, <u>2017</u>	March 31, <u>2017</u>
Total assets	\$226,188	\$236,410	\$222,032
Total liabilities	\$178,504	\$189,043	\$181,423
Shareholders' equity	\$ 47,684	\$ 47,367	\$ 40,609
Book value per share	\$ 33.66	\$ 33.43	\$28.66

⁴ Maintenance reserves revenue is dependent upon the amount of reserves retained upon lease terminations.

Use of Non-GAAP Financial Measures

This press release includes the non-GAAP financial measures of Operating margin, Net margin and EBITDA. The accompanying schedules provide a reconciliation of these non-GAAP financial measures to their most directly comparable financial measure calculated and presented in accordance with GAAP. The Company's non-GAAP financial measures should not be considered as alternatives to GAAP measures such as net income or any other measure of financial performance calculated and presented in accordance with GAAP. The Company's non-GAAP financial measures may not be comparable to similarly-titled measures of other companies because they may not calculate such measures in the same manner as the Company does.

Additional Financial Information (Unaudited)

	For the Three Months Ended		
	March 31, <u>2018</u>	December 31, <u>2017</u>	March 31, <u>2017</u>
Reconciliation of Net income to EBITDA:			
Net income	\$ 317	\$ 6,018	\$ 642
Depreciation	2,942	2,988	2,936
Interest	2,254	2,257	1,610
Taxes	154	(4,861)	401
EBITDA:	5,667	6,402	5,589
Operating margin:			
Income before taxes	471	1,157	1,043
Divided by Total revenue	7,885	11,180	7,954
Operating margin:	6%	10%	13%
Net margin:			
Net income	317	6,018	642
Divided by Total revenue	7,885	11,180	7,954
Net margin:	4%	54%	8%

Transmitted on Globenewswire on May 15, 2018 at 5:30 a.m. PDT.