# AzulDay



September 5, 2023



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# A Little Over Six Years Ago...

### **Azul**Day\*











# A Unique Company



Unrivaled Network



Flexible, Fuel-Efficient Fleet



Superior Customer-Centric Culture



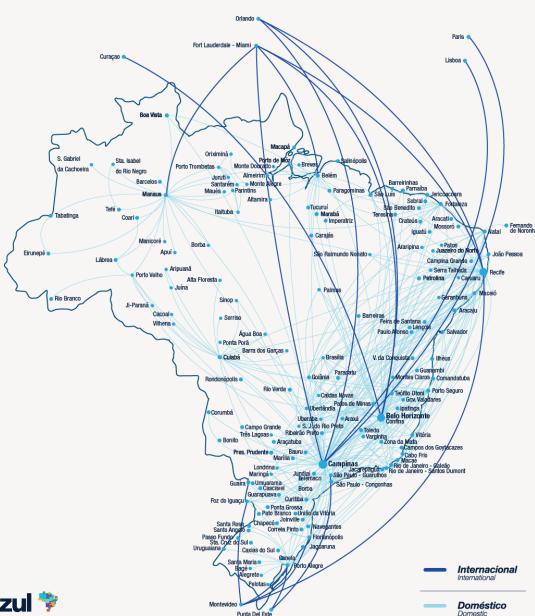
High Growth and Margin Upside



Optimized Capital Structure

### The Broadest Network





155

domestic destinations (3x competition)

Only carrier in

81%

of our routes

Leader in

91%

of our routes

international destinations

1,000 peak daily flights

301

non-stop routes



# Azul Goes Far Beyond Passenger Transportation





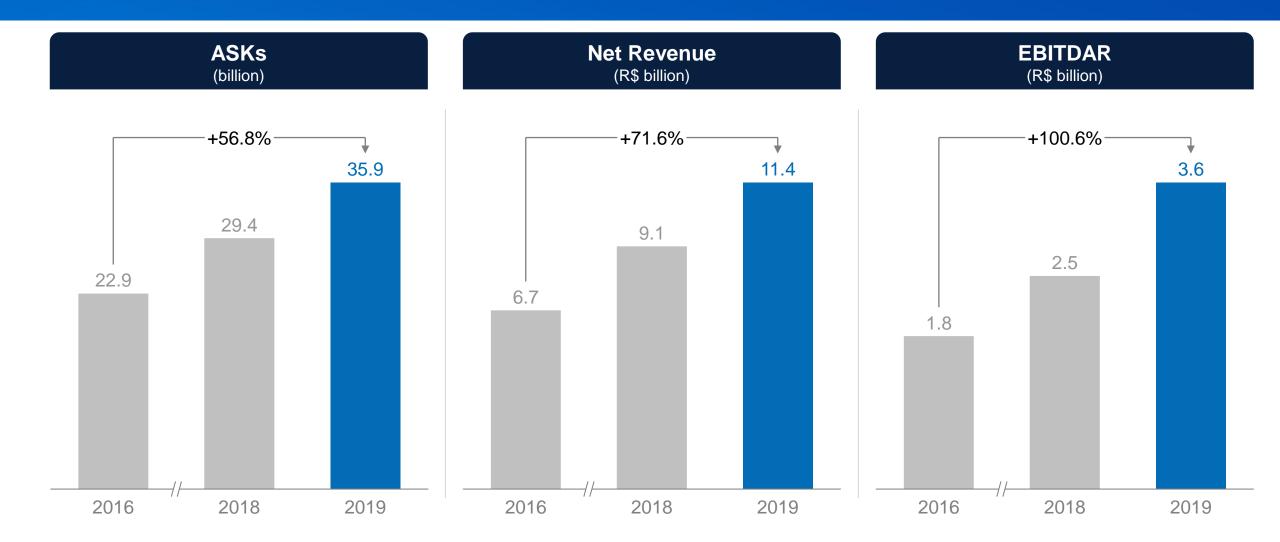
# Azul as a Public Company





# IPO to Pre-Covid: Delivering on Promises







# IPO to Pre-Covid: Delivering on Promises



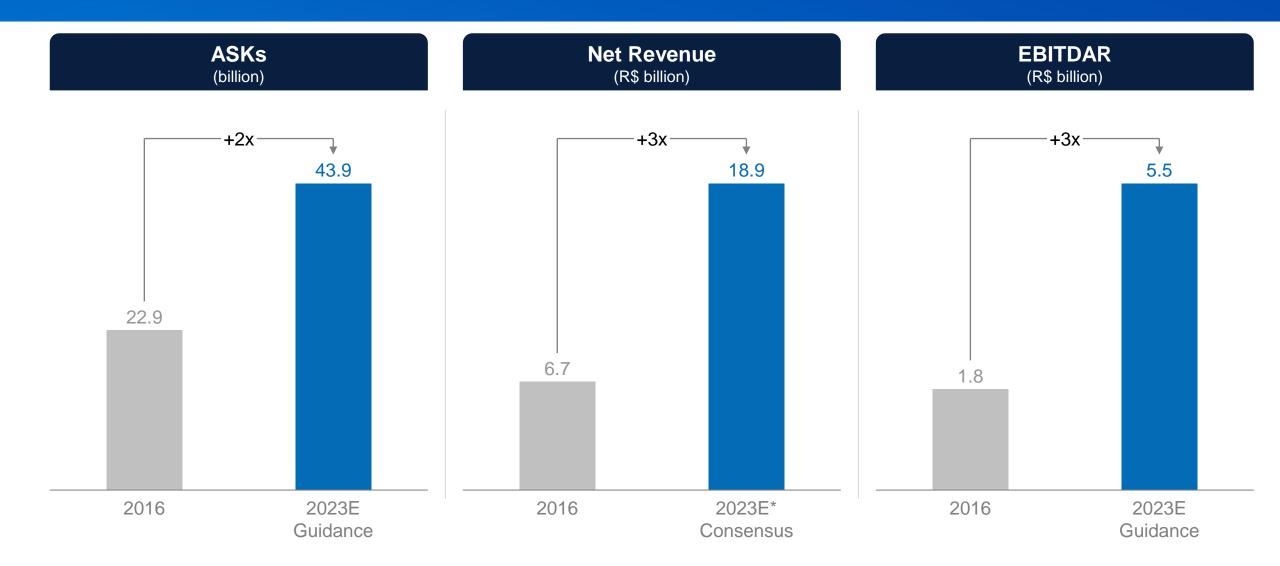


Azul's superior model delivered consistent growth and margin expansion pre-Covid, almost tripling stock price



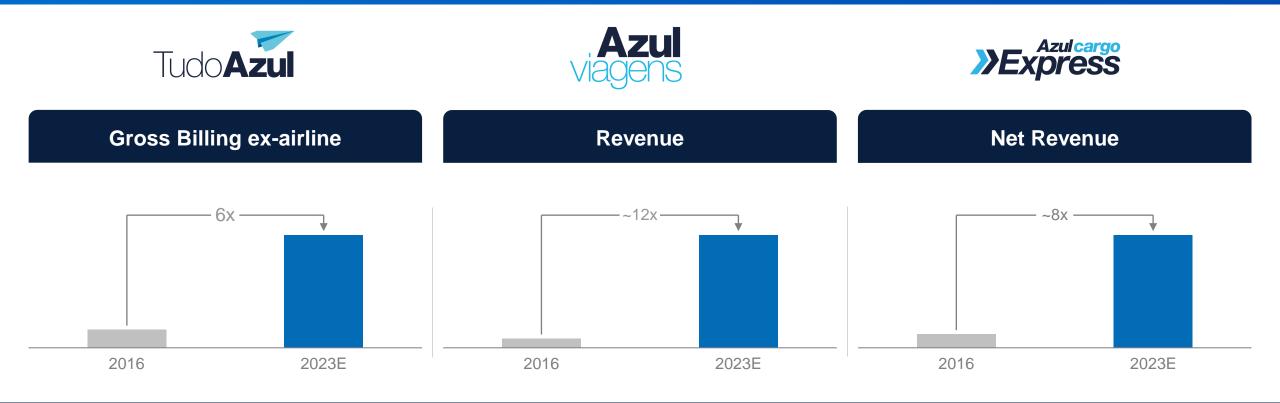
# Better Than Ever: Bigger and More Profitable





# Better Than Ever: High-Performing Business Units





- \$ Fast-growth, high-margin businesses
- Annual revenues above R\$5 billion

Leveraging Azul's unique network and flexible fleet





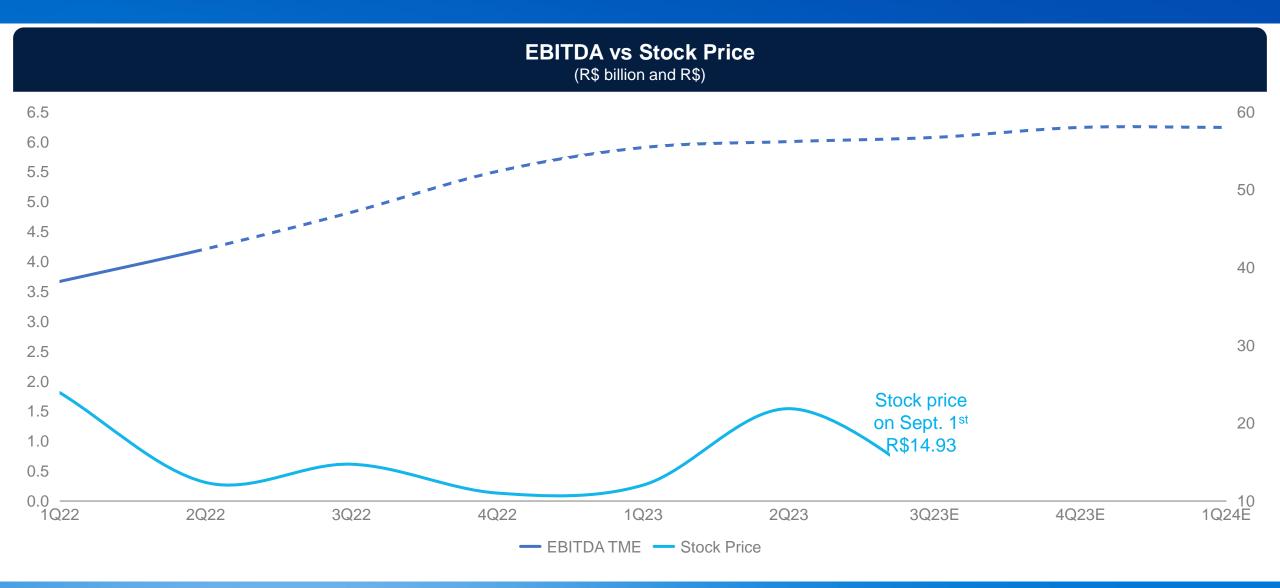
# IPO to Pre-Covid: Share Price Following EBITDA





# Today: Share Price Decoupling from EBITDA

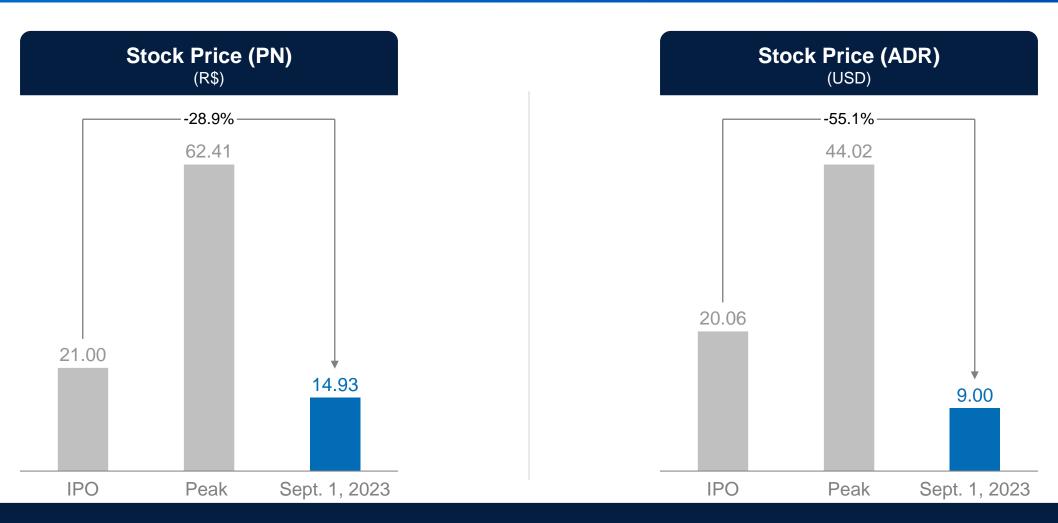






# Stock Price Not Yet Recovered



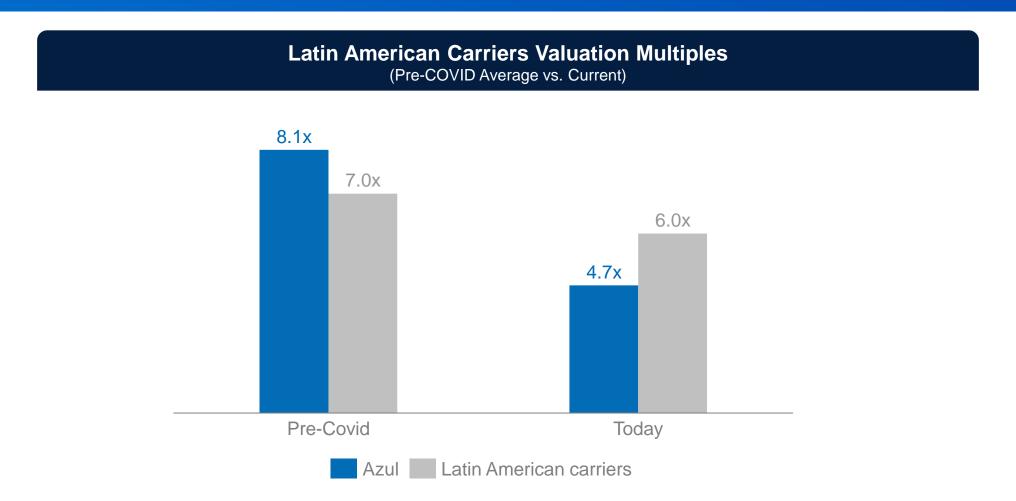


Resuming Azul's consistent stock expansion since launch, interrupted by Covid



# Historical Enterprise Value / EBITDA Trading Levels





Azul's valuation multiple above 8x pre-Covid, higher than other Latin America carriers Significant upside going forward due to EBITDA growth and net debt reduction





# **The Brazil Opportunity**





# Brazilian Aviation Market Growth Opportunity





# Brazil

Average 0.5 trips per person per year

5,500 municipalities



160

served by air

18%

airline travel

<del>}</del>

82%

roadway travel

215 million people



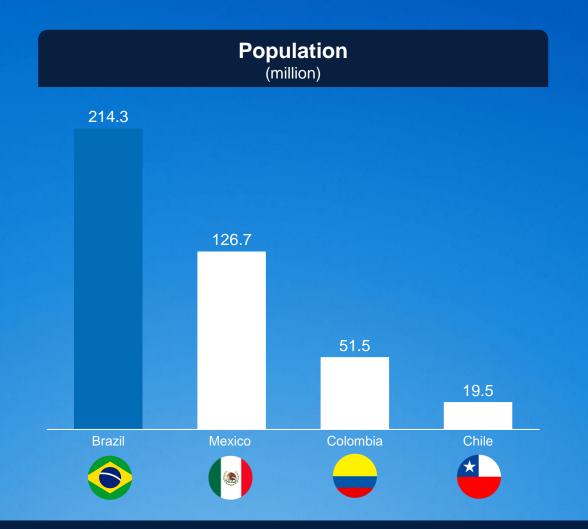
<20
million unique
passengers per year

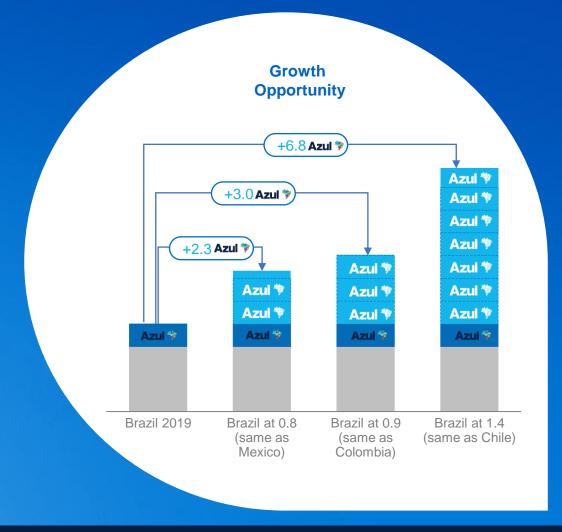
Aviation in Brazil still presents enormous opportunity
One of world's largest markets still with tremendous growth potential



# **Brazilian Aviation Market Growth Opportunity**







To reach Mexico's flights per capita ratio, Brazil would need to add capacity equivalent to 2.3x Azul; for Chile, 6.8x





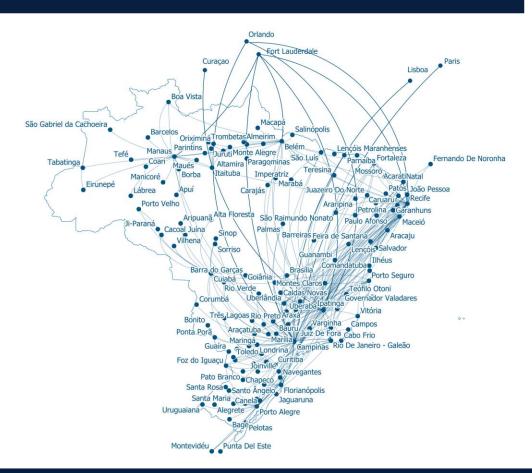
# **Uniquely Diversified Network**

## **Azul**Day<sup>†</sup>





#### **Azul serves all of Brazil**



Azul is uniquely positioned in Brazil, with distributed presence throughout the country



# Market and Route Leadership



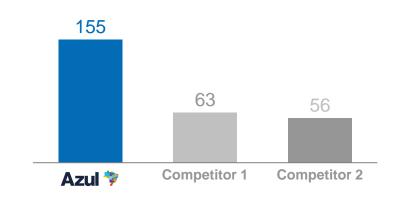


#### **Azul Leadership Share**

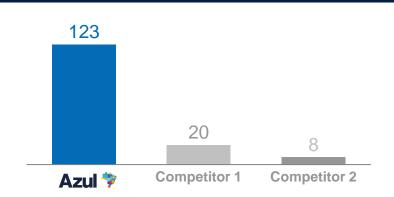
% of routes	90%
% ASKs	86%
% Revenues	86%

### **Azul**Day

#### **Domestic Destinations Served**



#### Cities Where #1\*

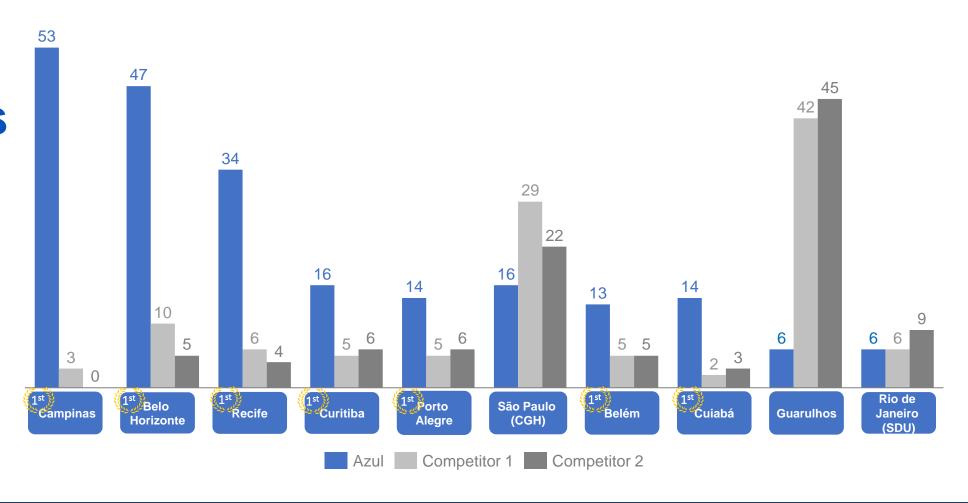




# Leader in 7 Out of Company's Top 10 Airports



# Nonstop Destinations by Airport (August 2023)



Higher frequency attracts business travelers, who favor convenience

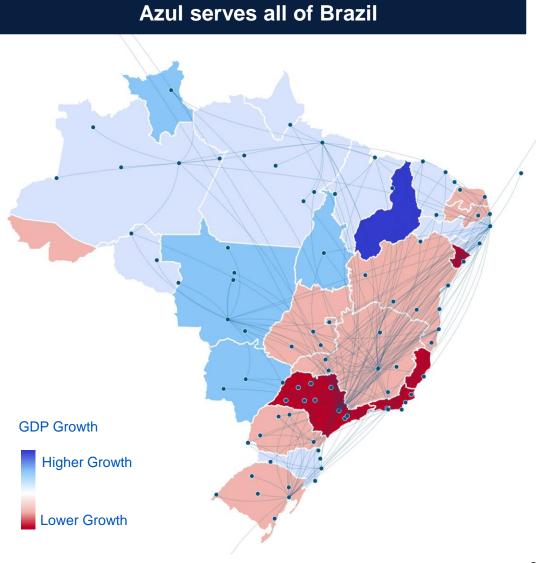


# Market and Route Leadership



# Azul's diversified network is much more exposed to fast-growing regions in Brazil





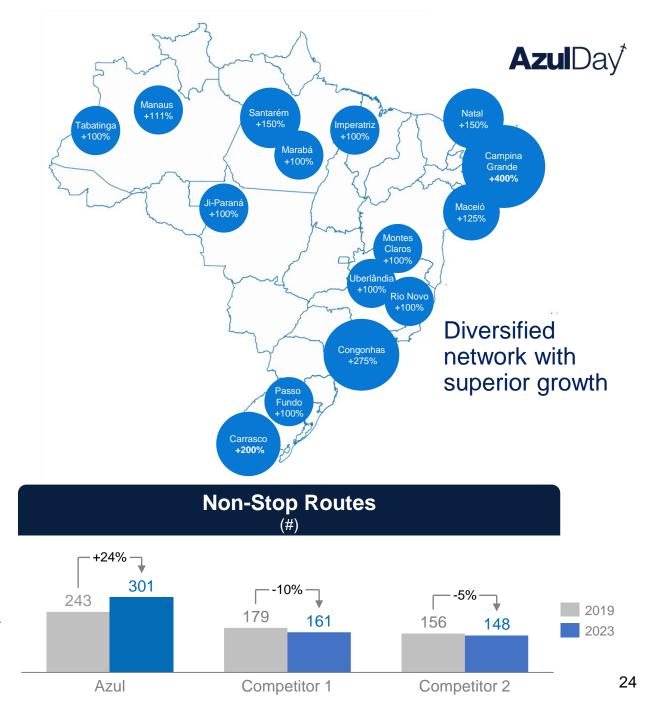
## Sustainable Growth

2023 compared to 2019:

+48 destinations

+58 new routes

Expanding network while competitors reduced





High Connectivity in All Hubs:

Campinas

**Azul**Day\*

177

Average daily departures

64

Non-stop destinations



Connecting passengers





Competitor 1



Competitor 2

High Connectivity in All Hubs:

Recife

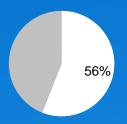
Azul 💖

93

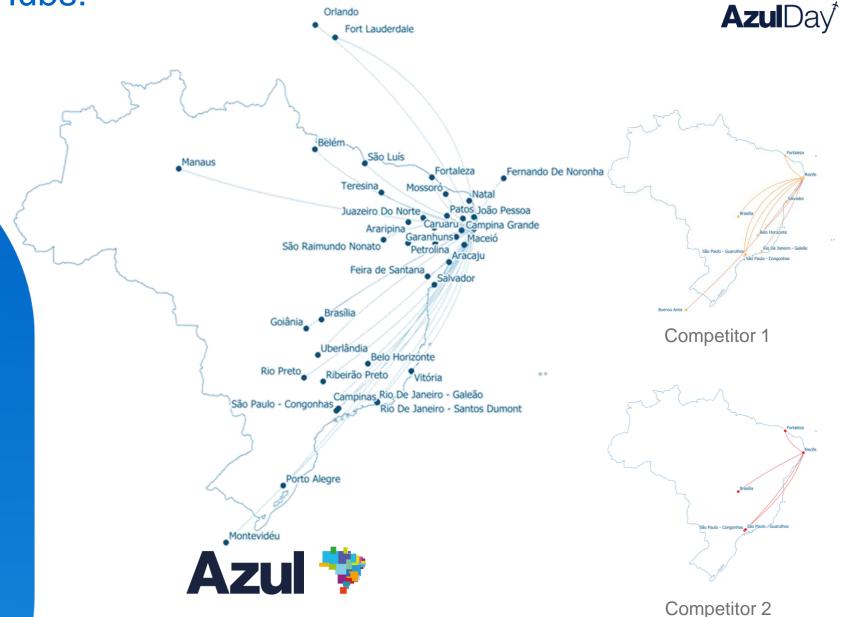
Average daily departures

38

Non-stop destinations



Connecting passengers



High Connectivity in All Hubs:

**Belo Horizonte** 

**Azul**Day\*

108

Average daily departures

54

Non-stop destinations



Connecting passengers

Azul 😤

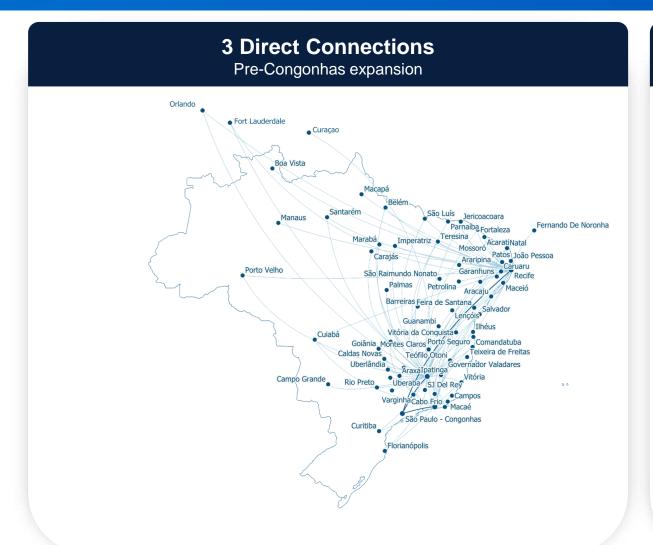


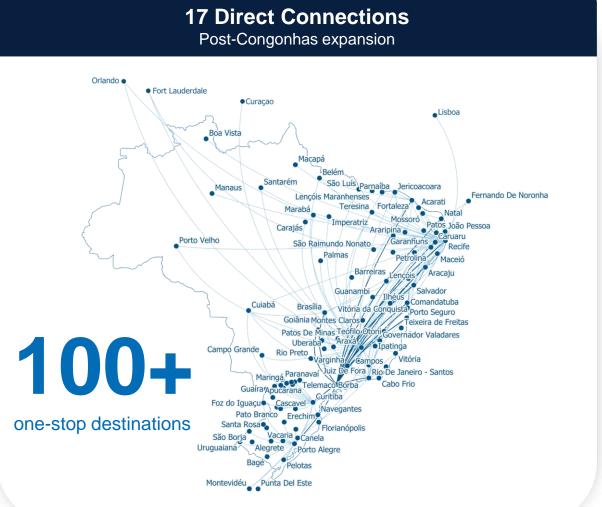


Competitor 1

# Better Than Ever: Connectivity in Congonhas







# E2: Opportunities Unlocked by Better Economics



E2 economics unlock 80+ potential routes currently unserved

E2 vs E1 Fuel burn

-18%

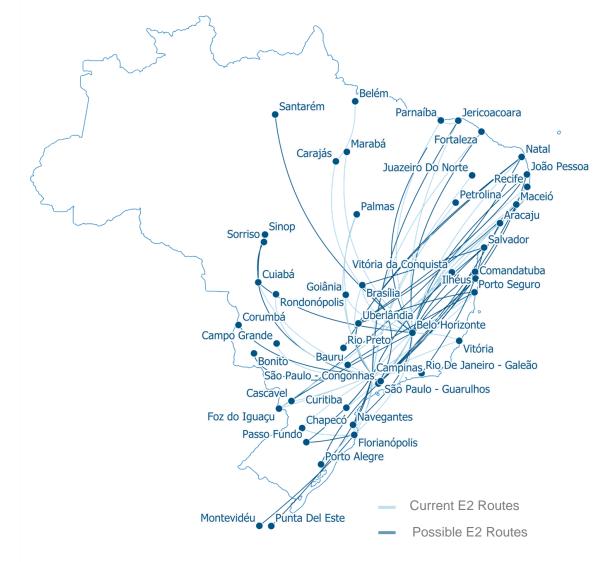
**Utilization** 

+18%

Range

+32%

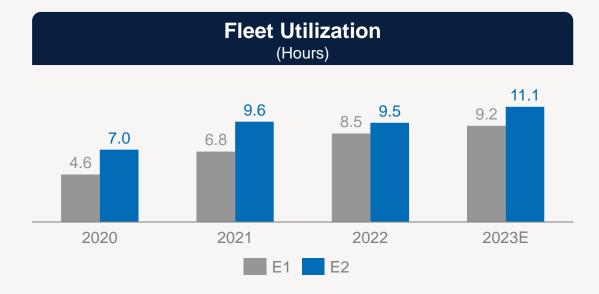
# **Azul**Day\*





# Aircraft Utilization

# **Azul**Day<sup>†</sup>





E2 economics enable markets with longer stage length, increasing utilization







# Growing network

Connecting Brazil even further to more than 200 destinations







# Connecting Brazil and the US

38

US destinations

8

Direct routes connecting USA and Brazil

0

Airport-to-airport competition

#### **Departures**

Belo Horizonte → Fort Lauderdale

Belo Horizonte → Orlando

Manaus → Orlando

Recife → Fort Lauderdale

Recife -> Orlando

Campinas → Fort Lauderdale

Campinas → Orlando

Belém → Fort Lauderdale



Azul 😤

Azul 💝

Azul 🚏

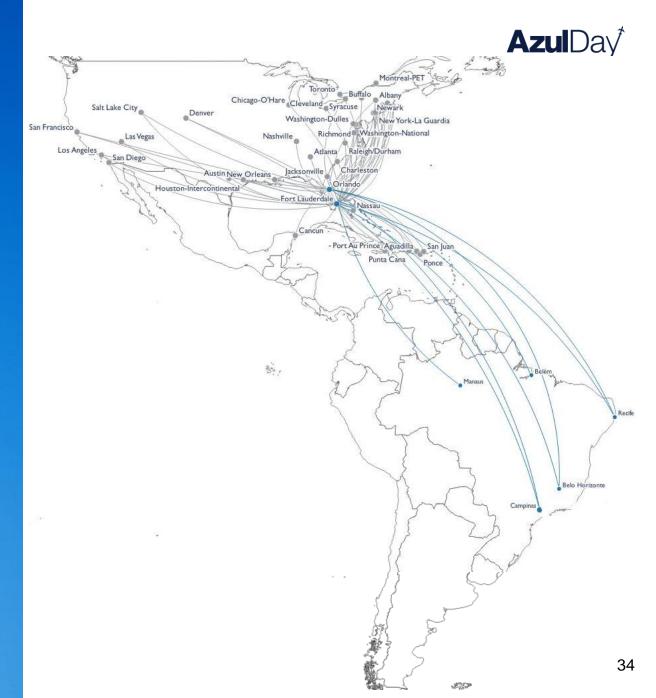
Azul 🚏

Azul 🧚

Azul 💝

Azul 🚏

Azul 🧚





# Connecting Brazil and Europe

**22 2** 

Europe destinations

**Direct routes** connecting **Europe and Brazil** 

Airport-to-airport competition

#### **Departures**

Campinas → Lisbon

Campinas → Paris



Azul 💝

Azul 💝





# **Azul**Day

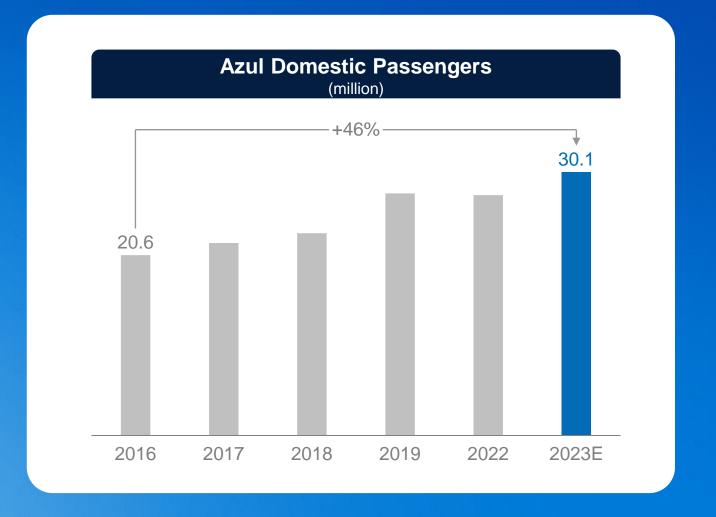
# Remarkable Demand and Revenue Growth



#### Better Than Ever: Higher Demand in Azul's Network

**Azul**Day

Azul: fastest demand recovery in the region, one of the fastest in the world

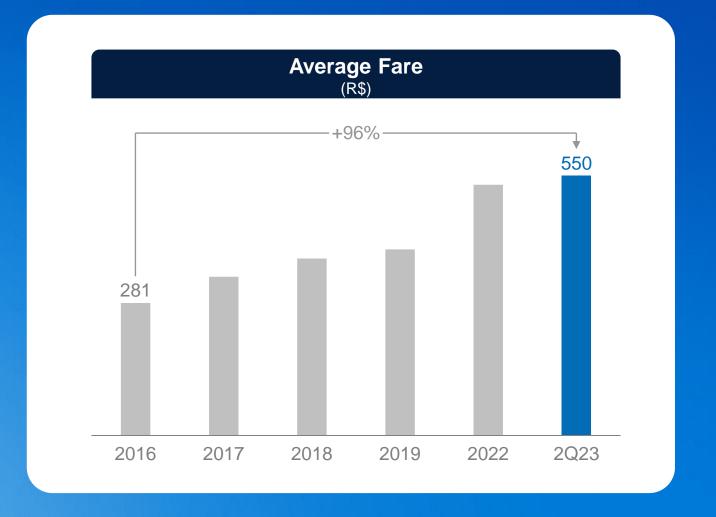




#### Better Than Ever: Higher Fares

**Azul**Day

Azul charges the highest average fare to fly the shortest stage with the most efficient aircraft

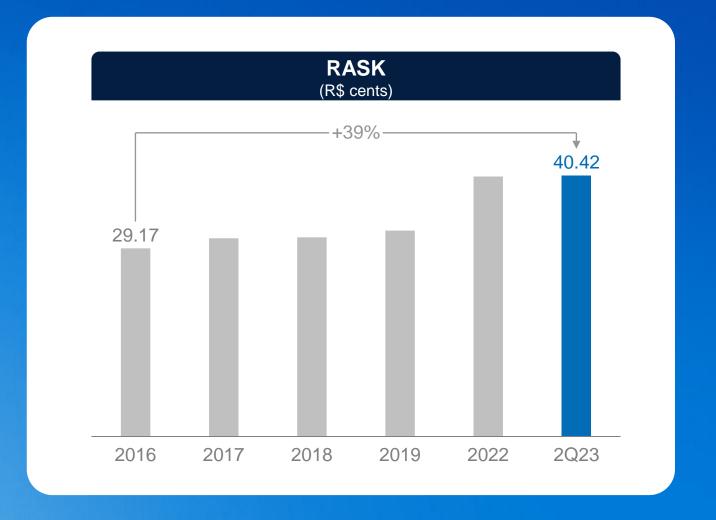




#### Better Than Ever: Record Unit Revenues

**Azul**Day

Strong unit revenue performance, clearly demonstrating capacity discipline

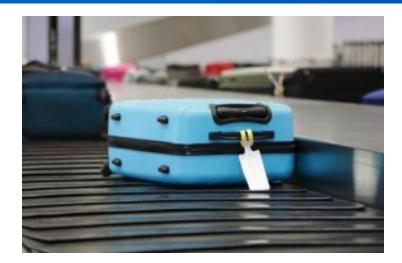




#### Better Than Ever: Ancillary Revenues







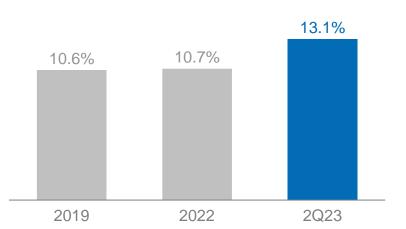


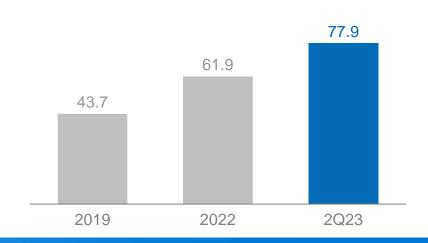














# **Corporate Traffic** Recovery in August 2023

Above 2019 Leisure Corporate Fare Traffic

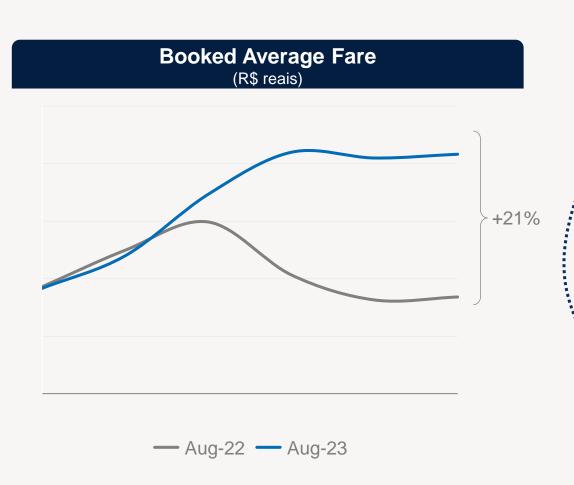
August 2023





## Better Than Ever: Recent Booking Trends





# Highest Average Fare in our History

August 2023



#### **Azul**Day<sup>†</sup>

# **Brazil's Most Efficient** and Flexible Fleet





#### Benefits from Diversified Fleet



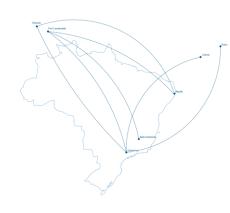
#### **Targeted Routes by Fleet Type**











#### Caravan Cessna 9 seats Utilization: ~6h

Cuiabá – Água Boa Porto Alegre – Bagé Fortaleza – Petrolina

#### **ATR**

68 – 72 seats Utilization: ~9h

Campinas – São José do Rio Preto Belo Horizonte – Aracaju Recife – Fortaleza

#### E-Jets

118 – 136 seats Utilization: ~11h

São Paulo – Curitiba Porto Alegre – Punta del Este Rio de Janeiro – Porto Seguro

#### Narrowbody

162 – 214 seats Utilization: ~15h

Belém – Fort. Lauderdale Campinas – Vitória Belo Horizonte – Curaçao

#### Widebody

240 – 334 seats Utilization: ~13h

Recife – Fort. Lauderdale Campinas – Lisbon Campinas – Orlando

Azul flies the right aircraft in the right markets, creating sustainable competitive advantages



## **Projected Fleet Transformation Progress**





### Opportunities Unlocked by E2s





**EMBRAER** 

+15%

More seats vs. E1

-18%

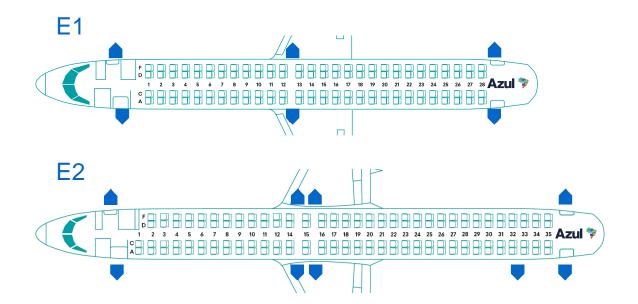
Fuel Burn vs. F1

-14%

Cost per trip vs. E1

-26%

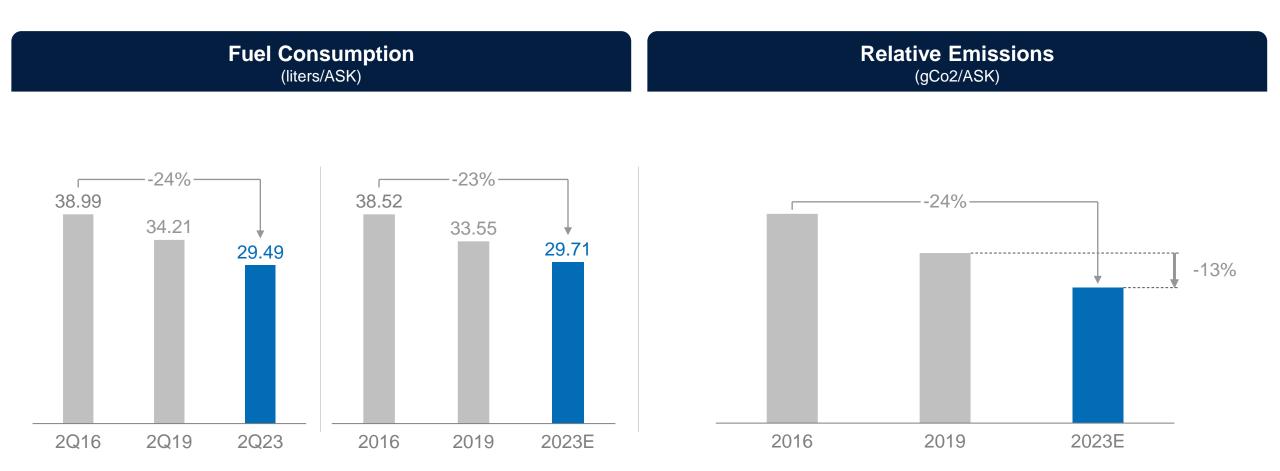
Cost per seat vs. E1





#### Better Than Ever: Reduction in Fuel Burn and Emissions





Reducing fuel burn and carbon emissions, with more savings to come Carbon relative emissions reduced over 24% since 2016 and down 13% compared to 2019



#### **Azul**Day\*

#### Campinas Hangar



**380,000** square meters

Up to

8 A320s | 2 A330s

simultaneously

# Insourcing

C-checks, wheels and brakes

33+

Heavy checks performed in 2023

R\$360+ million

in savings since 2020

## Higher Productivity



+104%

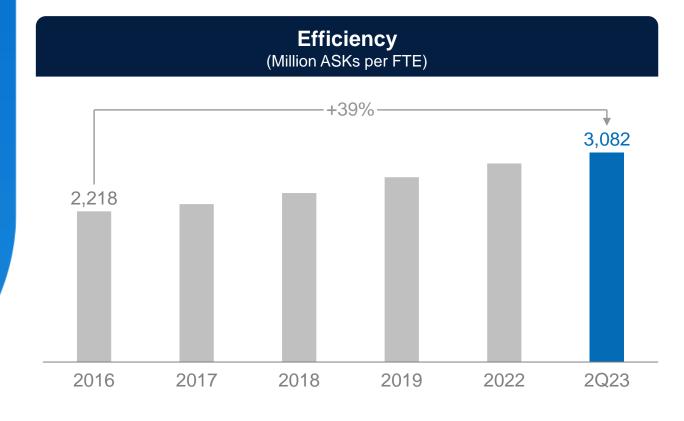
ASK per Call Center FTEs in 1H23 vs 1H16

+64%

ASK per Airport FTEs in 1H23 vs 1H16

+39%

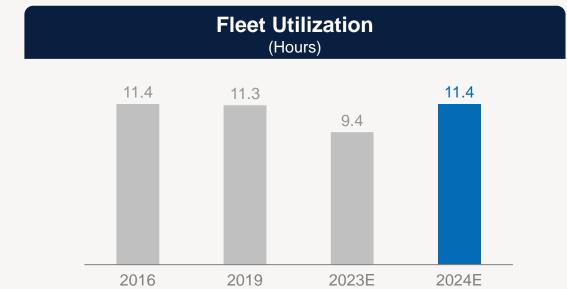
ASK per Crewmembers in 1H23 vs 1H16

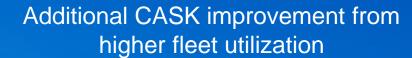




#### Aircraft Utilization





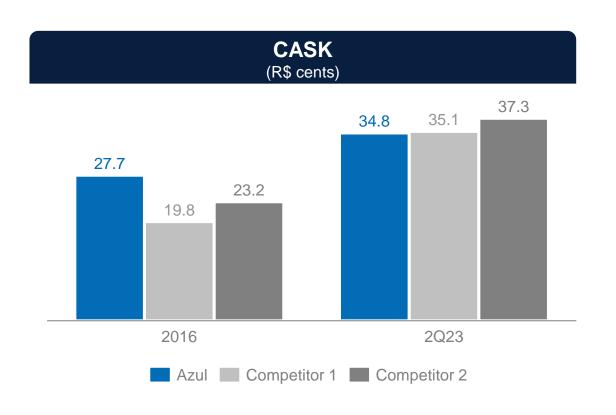






#### Better Than Ever: Lower Unit Costs





# The Lowest CASK in the Region with the highest NPS









Azul CASK below competition, even with diversified fleet and lower average aircraft size Additional upside from ongoing fleet transformation







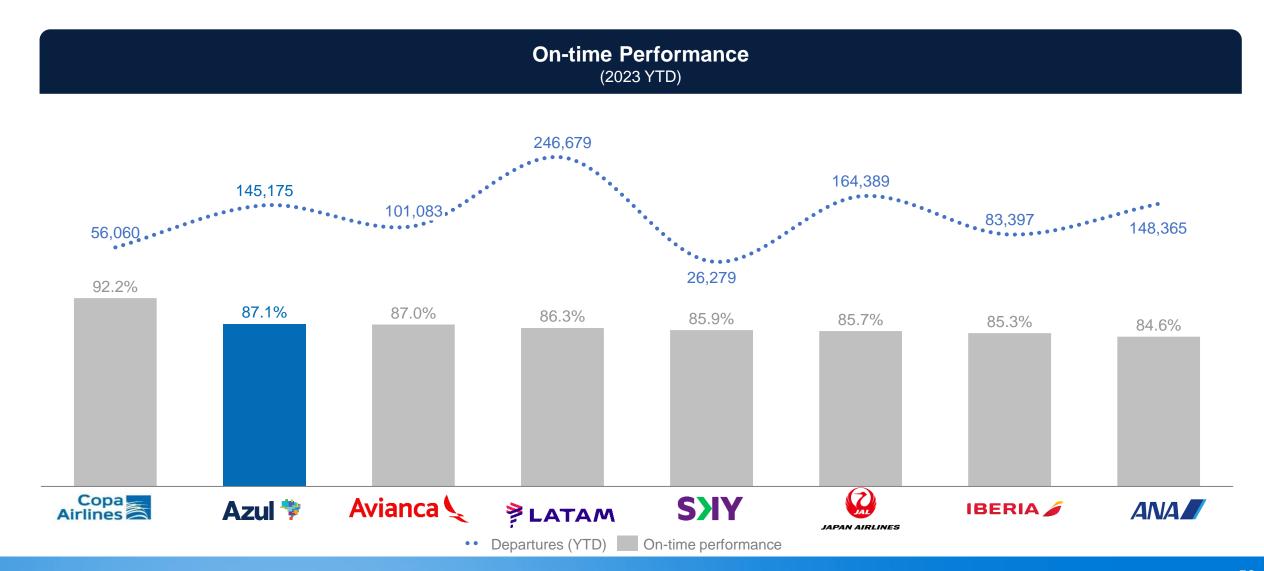
# Most On-Time Airline in the World in 2022

88.4% average on-time performance



#### Maintaining Position Among World's Most On-Time Airlines

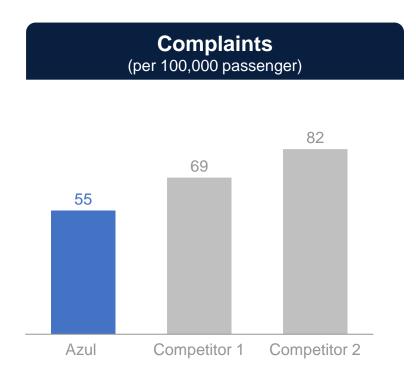


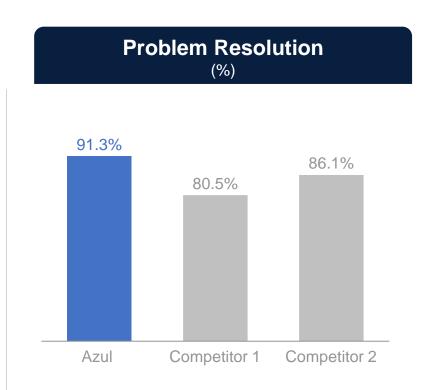




#### **Superior Customer Service**









Azul has the lowest complaints and the highest problem resolution and customer satisfaction among airlines in Brazil





### Noteworthy Partnerships: Disney







# WALT DISNEP World.





Joining Soon the Most Magical Fleet in the World: Goofy



## Noteworthy Partnerships: Amazon









#### **Azul**Day

# Strengths that Make TudoAzul Unique



16+ million members



133k new members per month



70+ accrual and redemption partners





13.4 billion points issued per month



10.2 billion points redeemed per month



Fastest-growing loyalty program in Brazil





# TudoAzul Better Than Ever **Azul**Day **TudoAzul Members** (million) 15 2016 2017 2018 2019 2020 2021 2022 2023E **Gross Billings Ex-Airline** 2016 2019 2023E **Azul**

## TudoAzul Better Than Ever: Congonhas Effect

**Azul**Day<sup>†</sup>

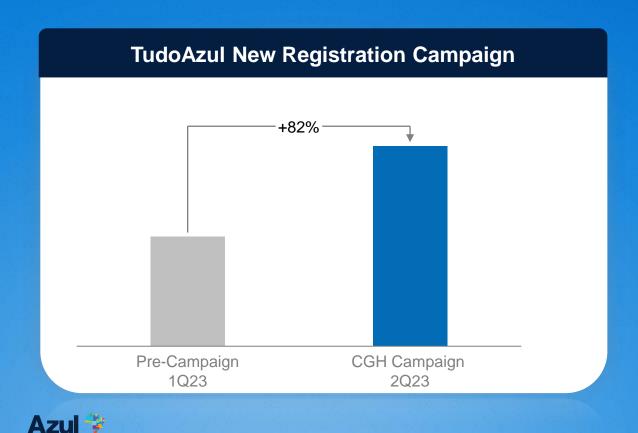
+40%

new passengers from/to CGH

82%

increase in TudoAzul enrollments with new registration campaign

2,600+
status match requests during
Congonhas campaign period





#### Azul+Itaú Cobranded Card





Best credit card according to specialized travel websites:



Passageiro de Primeira



Melhores Destinos



Pontos Para Voar



~50% high value cardholders



+70%

in high value cardholders (Infinite and Platinum)



+80%

in average monthly spending



#### TudoAzul Diversified Sources of Revenue



#### **Selected Accrual Partners**

















以OMAD

#### **Selected Accrual and Redemption Partners**

































#### **TudoAzul International Partners**







#### TudoAzul Better than Ever: Robust Growth Roadmap



#### **TudoAzul Value Drivers** Diversified redemption **Optimize** channels pricing New strategic partners Member growth **Network** expansion 2022 Gross Billing 2027E Gross Billing

High growth potential in TudoAzul by leveraging Azul's network expansion, continuing to increase membership, offer new partnerships and redemptions opportunities, and better manager price of points





# Strengths that Make Azul **Vacations Unique**









Strong investment in Brazil's interior



Complete product portfolio



Exclusive and tailor-made products



**Partnerships** with travel agencies all over Brazil





#### Azul Vacations: Better Than Ever

#1
to Northeast leisure

destinations

100+

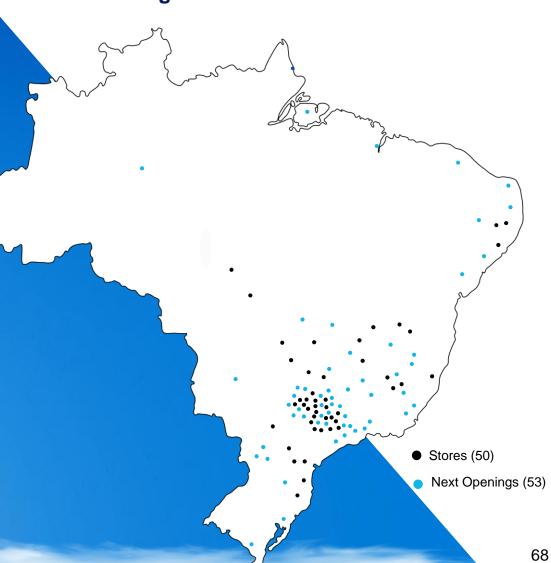
stores

2<sup>nd</sup>

largest vacation business in Brazil



**Doubling number of stores in 2023** 





#### Azul Vacations: Exclusive Network



**Dedicated Azul Vacations Flights** 

114
Routes

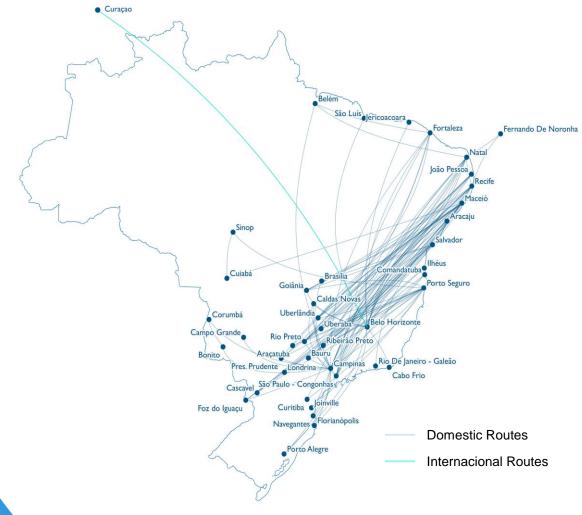
43
destinations







#### **Dedicated Azul Vacations Routes**

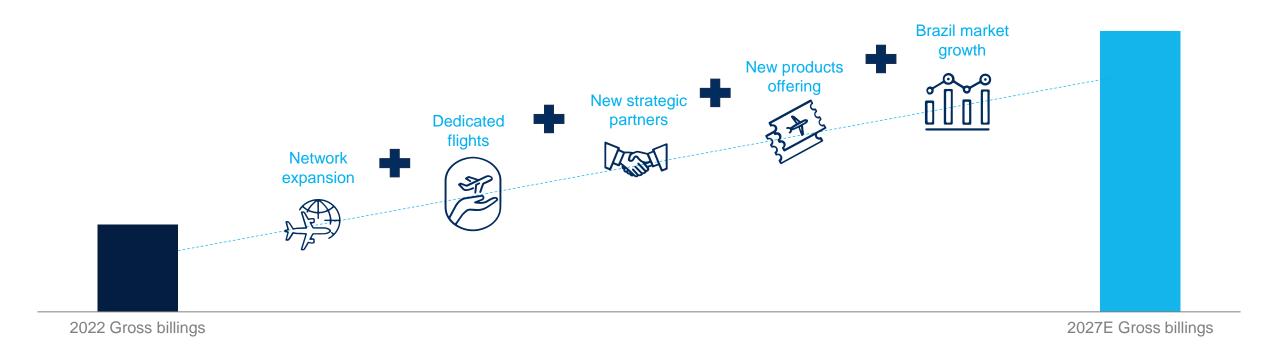




#### Azul Vacations: Growth Value Drivers



#### **Azul Vacations Value Drivers**



Azul's vacation business to benefit from network expansion, additional dedicated flights, new international markets, expanding product portfolio and overall market potential in Brazil





## Azul Cargo: Better Than Ever



#1
air logistics in Brazil

300+

stores

5,000+

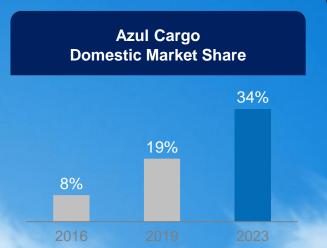
cities door to door; delivery within 48h to 2,300+ cities

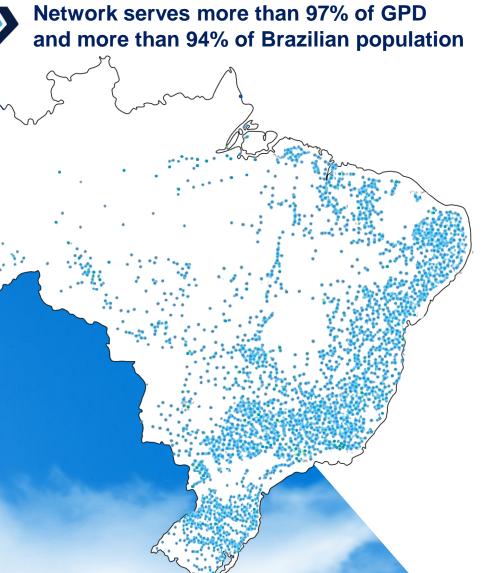
Net Revenue

-8x

-8x

2016 2019 2023E







#### Azul Cargo: Flexible Fleet

#### **Azul**Day\*

**Dedicated Freighters** 



B-737

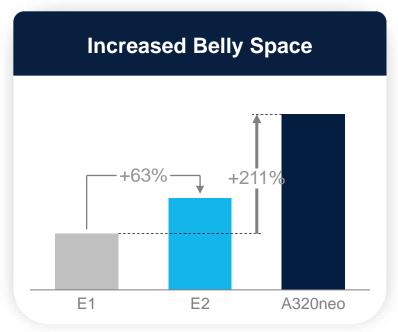


E-195 E1



Cessna Caravan





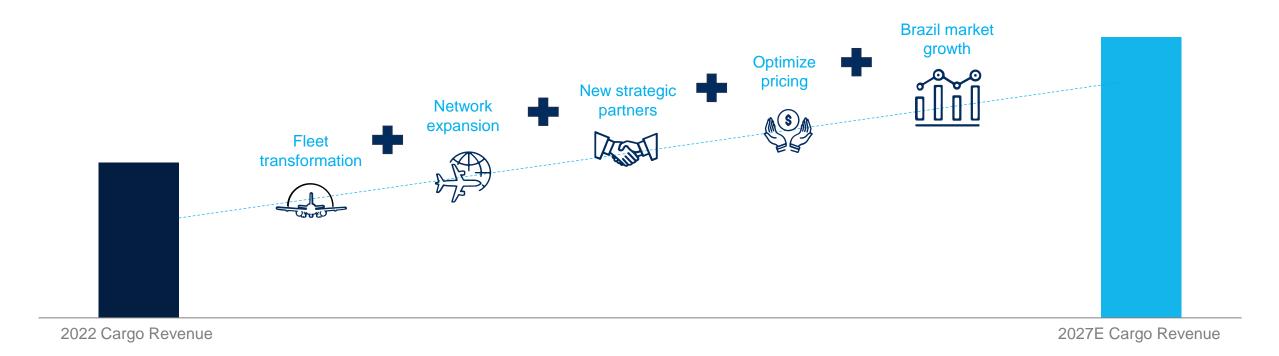




#### Azul Cargo: Multi-Year Growth Story



#### **Azul Cargo Value Drivers**



High growth in recent years demonstrates success of Azul Cargo strategy Remaining potential through Azul's fleet transformation, continued expansion, and cargo-specific opportunities





#### **Azul Conecta**



**79** destinations

24

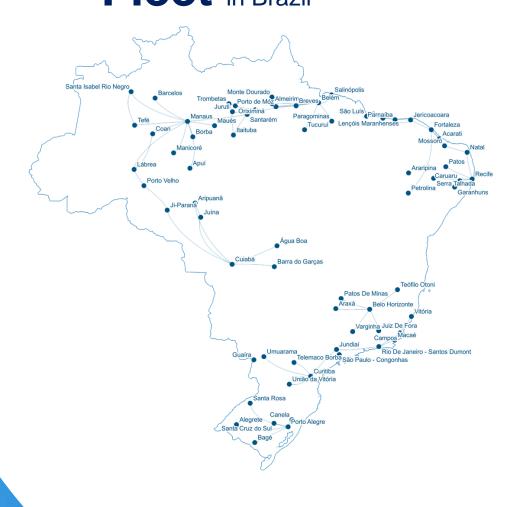
aircraft

#### R\$100+ million

in synergies 2023



## The largest Caravan Fleet in Brazil



















Azul TecOps

zulTec







#### **Customers**



















#### Among Most Profitable Airlines in the Americas



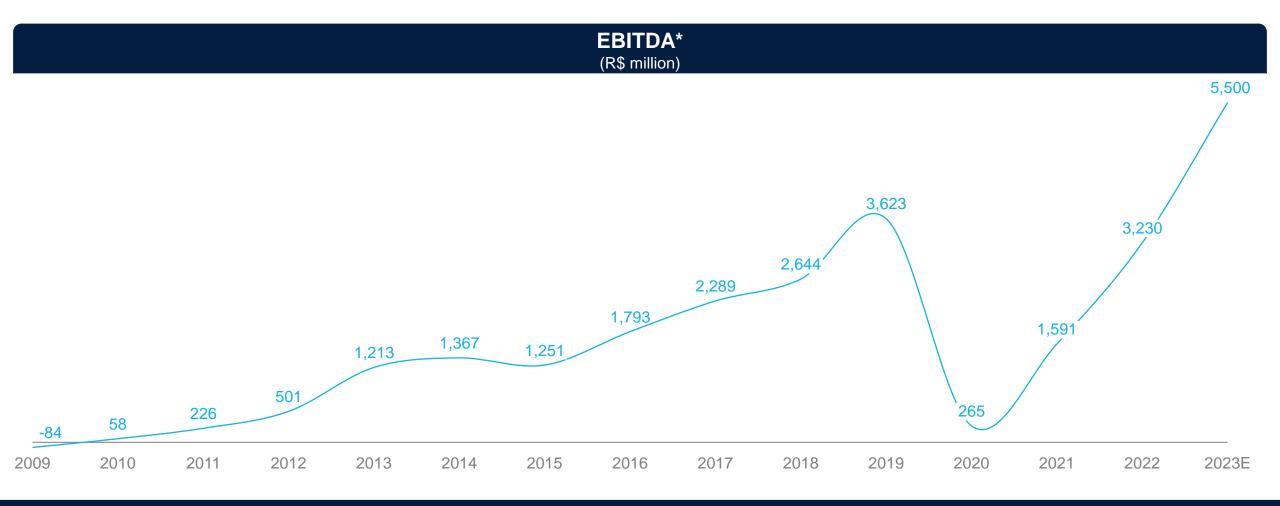


Unique business model and competitive advantages leading to superior operating results Further margin expansion opportunities going forward



#### Sustainable and Strong Business Model





2023 EBITDA consensus already at R\$5.3 billion Further opportunities to increase profitability



#### **US Carriers Relief Programs**





#### US\$54 billion

in US government financial aid specifically for airlines

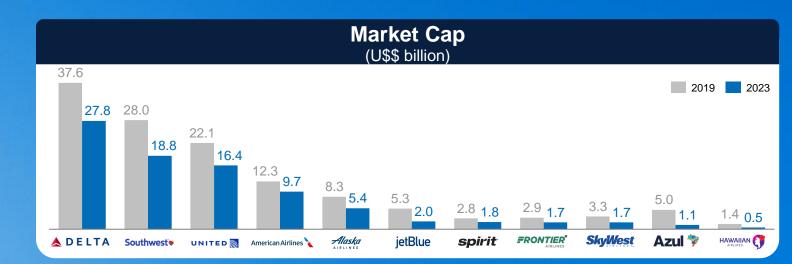


#### No financial aid

throughout pandemic

Considering average subsidy to US carriers, Azul would have received around US\$2 billion

# Companies Receiving Government Subsidies American Airlines DELTA UNITED Southwest Airlines jetBlue Hawaiian Spirit Frontier Skyllest.





Source: Bloomberg

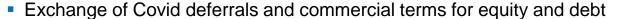
\*Frontier: Comparison between 2021 and 2023

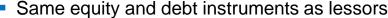
#### Conclusion of Comprehensive Capital Optimization Plan





- Exchange of Covid deferrals and above-market rates for equity and debt
- Equity instrument designed to minimize dilution (~17%) and eliminate overhang
- Debt to be issued as tradeable unsecured 2030 notes with 7.5% coupon





- Same equity and debt instruments as lessors
- Amicable, par-for-par exchange
- Over R\$4 billion in 2024 and 2026 notes exchanged for secured second-lien 2029 and 2030 notes
- Convertible debentures extended to 2028
- Over R\$3.8 billion raised in secured first-lien notes maturing in 2028
- Offer 3x covered
- Collateral package allows additional raise of over R\$5 billion









Plan designed as amicable exchange of value, preserving equity and debtholders, minimizing restructuring costs and maximizing speed of execution



#### Significant Improvement in Lease Liability





Lessors exchanged Covid-19 deferrals and rent gap for 2030 notes (40%) and equity in reset balance sheet (60%) Lessors receiving 100% of prior committed values and benefiting from reduced credit risk

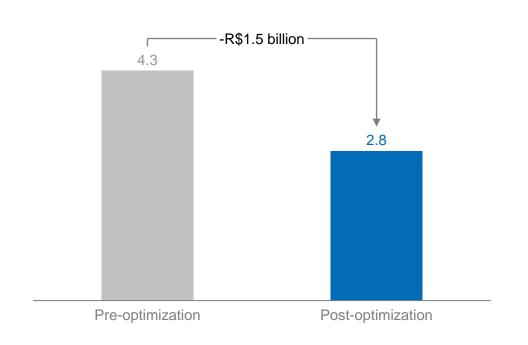


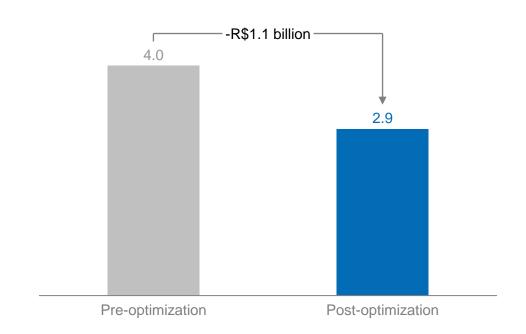
#### Significant Improvement in Lease Payment



**2023E Lease Payments Including New Deliveries**(R\$ billion)

#### **2024E Lease Payments Including New Deliveries**(R\$ billion)





Plan delivered permanent reduction in lease payments going forward with recurrent annual rent below R\$3 billion

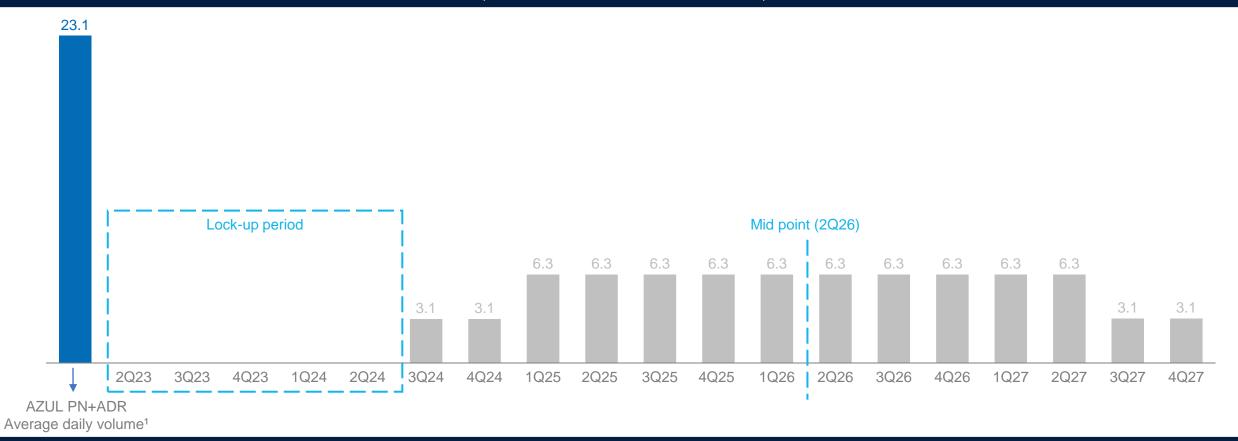


#### Equity Instrument Lock-up and Vesting Periods





(Estimated shares to be issued – million)

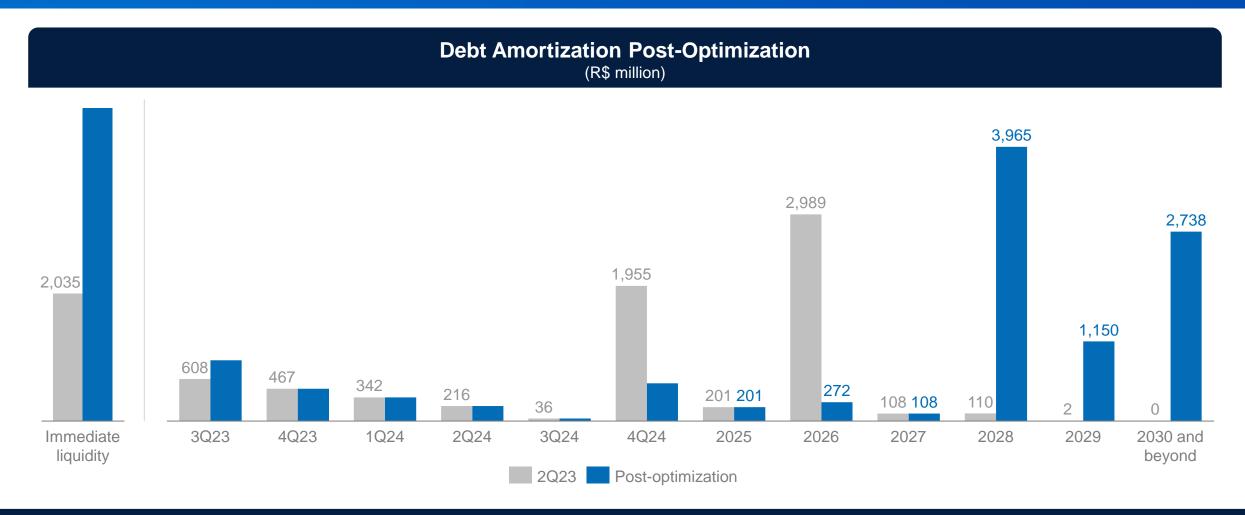


Equity instrument convertible into preferred shares valued at R\$36.00 per share Designed to minimize dilution and selling pressure, while providing full recovery to partners



#### Significantly Improved Debt Profile



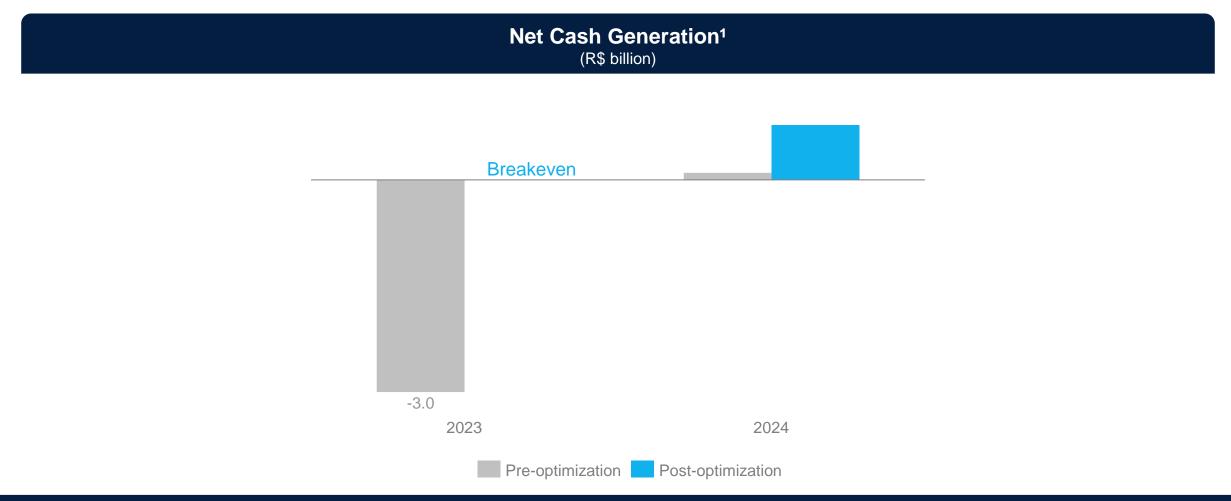


Attractive financial debt maturity profile, with no significant debt maturities until end of 2028 Corporate rating upgraded to B- (3-Notch upgrade from Fitch and S&P)



#### **Cash Flow Optimization**



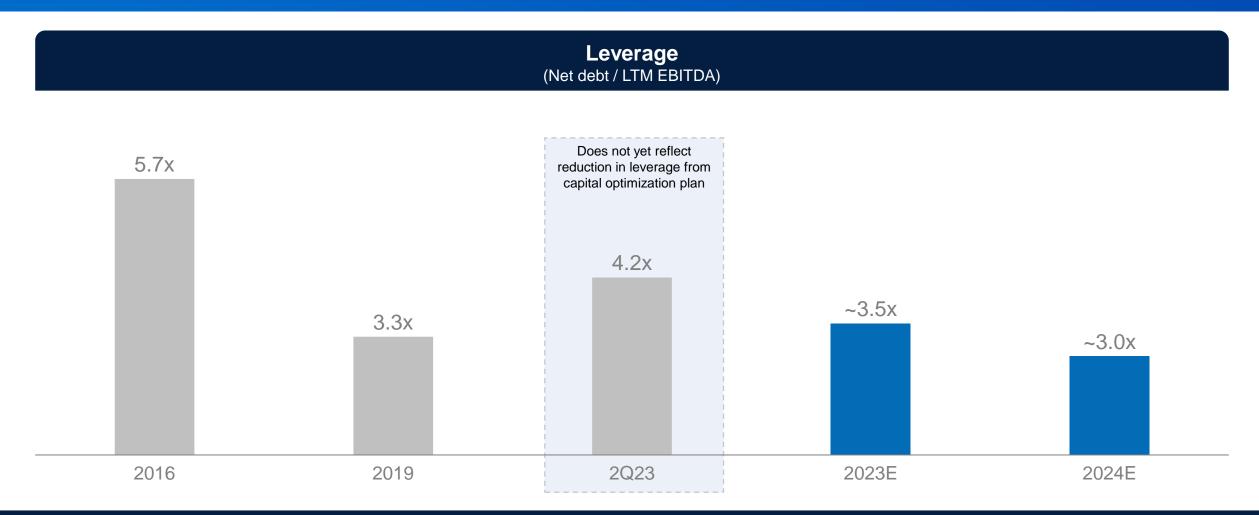


Significant reduction in annual aircraft rent and capex going forward 2023 breakeven free cash flow post-ptimization, and positive going forward



#### **Enhancing Liquidity**





Strong operational performance and successful completion of capital optimization plan with limited near-term liabilities and enhanced liquidity position



#### Further Equity Upside Even at Reduced Multiple



Valuation	Considering Convertible Instruments as Equity	Considering Convertible Instruments as Debt
Net debt (R\$ million)	~17,700	~20,600
Equity value (R\$ million)	17,820	12,600
2023 Expected EBITDA (R\$ million)	5,500	5,500
Outstanding shares (million)	495	350
Equity instrument price	R\$36.00	R\$36.00
Corresponding multiple	6.46x	6.04x

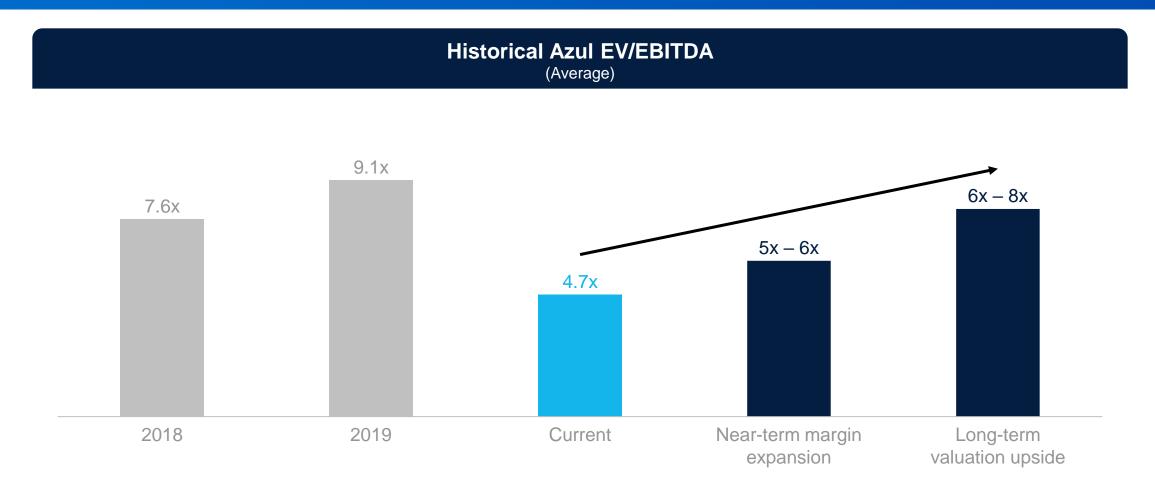
Stock price as of Sept. 1st at R\$14.93, multiple around 4.7x

Significant upside even at reduced multiple



### Operational Performance and Strong Balance Sheet are Key to Support a Premium Valuation



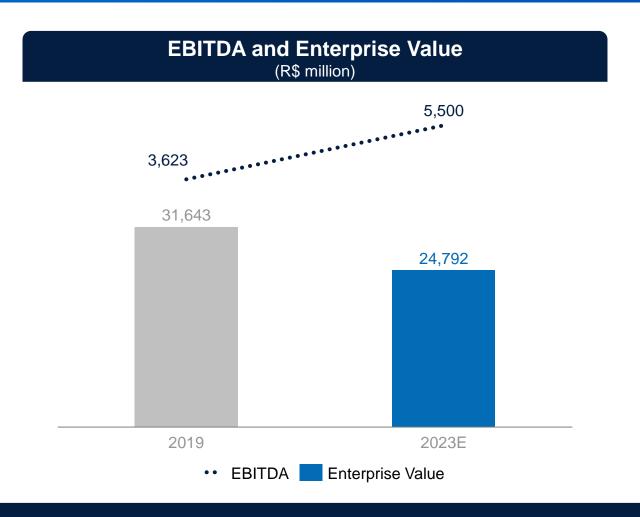


Further multiple expansion will result from improved performance and sustained profitable growth



#### Undervaluation Demonstrated by a Lower EV/EBITDA Ratio



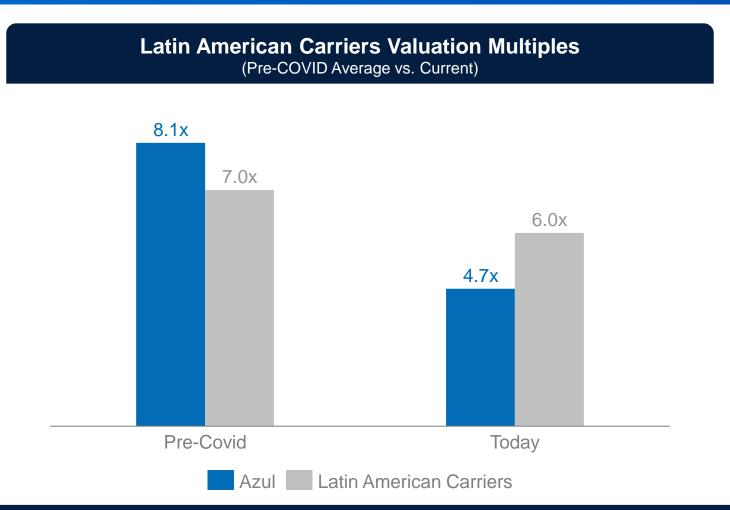


Lower EV/EBITDA ratio suggests potential undervaluation



#### Historical Enterprise Value / EBITDA Trading Levels





Azul's valuation multiple above 8x pre-Covid, higher than other Latin America carriers Significant upside going forward due to EBITDA growth and net debt reduction







#### **INVESTOR RELATIONS**

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#### Commitment to Sustainable Growth and Building Long-Term Value





80%+

ASK coming from next-gen, low-emission fleet



160+

destinations served, offering economic development all over Brazil



14,000+

direct jobs, plus over 55,000 indirect and 100,000 induced jobs



5,000+

volunteers participating in over 100 actions benefitting more than 7,000 people



**Achievements, Commitments and Ratings** 

ISEB3

**ICO2**B3















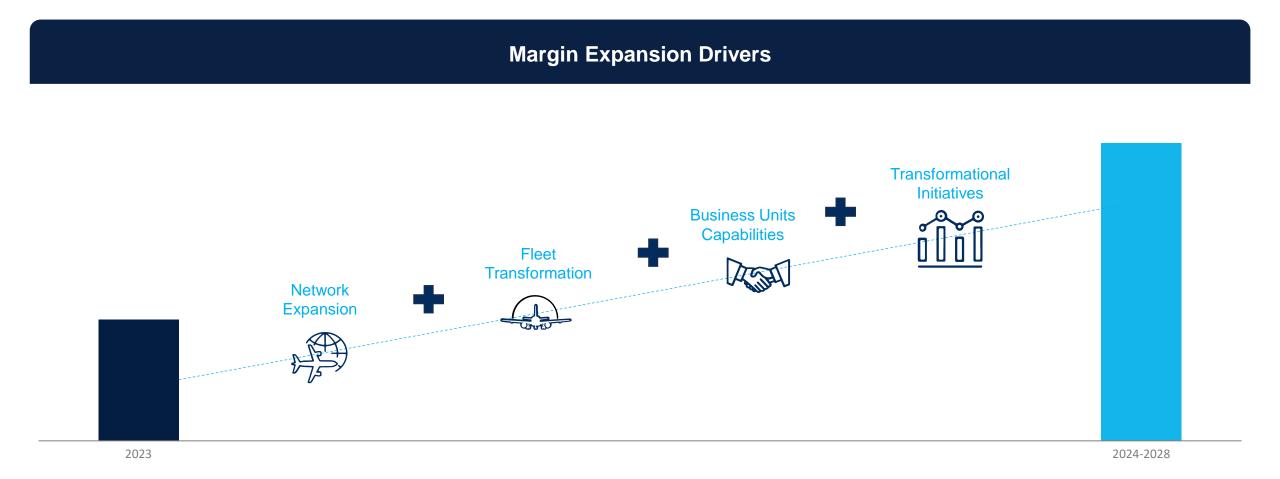






#### Further Opportunities do Expand Margins





Pursuing opportunities already identified with additional destinations, next-generation aircraft, further growth in business units and transformational initiatives

