Conference Call Transcript
Azul
3Q24 Results

Operator

Hello, everyone, and welcome all to Azul's 3Q24 earnings call. My name is Zach, and I will be your operator for today.

This event is being recorded and all participants will be in listen-only mode until we conduct a Q&A session following the Company's presentation. If you have a question, click on the Q&A icon at the bottom of your screen and write your name and company. When your name is announced, please turn your microphone on and proceed.

For those who are listening to the conference on the phone, press "nine" to join the queue and "six" to accept the audio when requested.

I would like to turn the presentation over to Thais Haberli, Head of Investor Relations. Thais, please proceed.

Thais Haberli – Head of Investor Relations

Thank you, Zach, and welcome all to Azul's 3Q24 earnings call.

The results that we announced this morning, the audio of this call and the slides that we referenced are available on our IR website. Presented today will be: David Neeleman, Azul's founder and chairman, and John Rodgerson, CEO. Alexandre Malfitani, our CFO, and Abhi Shah, the President of Azul, are also here for the Q&A session.

Before I turn the call over to David, I would like to caution you regarding our forward-looking statements. Any matters discussed today that are not historical facts, particularly comments regarding the Company's future plans, objectives and expected performance constitute forward-looking statements.

These statements are based on a range of assumptions that the Company believes are reasonable but are subject to uncertainties and risks that are discussed in detail in our CVM and SEC filings. Also, during the course of the call, we will discuss non-IFRS performance measures, which should not be considered in isolation.

With that, I would turn the call over to David.

David Neeleman – Azul's Founder and Chairman

Thank you all for joining us for our 3Q24 earnings call. We have a lot to talk about today, but, first, we have our 3Q24 results, which were very positive, with an all-time record, revenues and EBITDA with industry leading margins.

Second, we want to talk about the results of our recent renegotiations with our principal partners, which are going to create a fundamentally stronger result for 2025 and beyond. John will lead you through the details. But, first, let me thank our crew members for once again delivering a solid quarter under very challenging circumstances.

Like many airlines around the world, we continue to face disruptions with our fleet, engine removals and supply chain issues which are leading to short-term changes to our network. Our crew members are doing an amazing job taking care of our customers, and I want to thank them for all their efforts.

On slide three, I want to remind you about the strength of our business and our competitive advantages, which are now greater than ever. Our differentiated network combined with our fleet flexibility allow us to access demand and grow the market in a sustainable and profitable way. As John will show you, our next generation fleet, combined with the efficiency initiatives, give us the lowest unit cost in the region.

Finally, our fast growing high margin business units, logistics, aviation vacations and loyalty are key drivers to the growth and margin expansion. These are all structural features that will continue to boost our profitability into the future.

On slide four, I want to show you a perspective going back to 2019, pre-Covid. We have overcome a large number of challenges, and the key message here is that even with these challenges, Azul has continued to produce earnings growth and margin expansion.

Let us take a look at 3Q24 as an example. In the quarter, our revenue was 69% higher than 3Q19. Our EBITDA was 77% higher and our EBITDA margin was 1.4% points better. All this with a currency that is 40% devalued and fuel prices that are 73% higher. That is how strong and resilient this business is.

This is our ability to grow profitably, to create and expand our competitive advantages. Everything we do is focused on making Azul stronger for the long-term, from our fleet, our network, our business units and our capital structure. I am amazed with what we have accomplished so far and even more excited about the future.

With that, I will pass the word over to John.

John Rogerson – Azul's CEO

Thanks, David. I would also like to thank our crew members for all of their hard work during the quarter. What David said is just incredible. With the efforts of our crew members, Azul's revenue is now 69% larger than 2019.

On slide five, you can see that we set several records this quarter. Our revenue was an all-time record: R$5.1 billion. Our RASK was R$42.87, a record. We generated an all-time record revenue of over R$1 billion of operating income in the quarter, with an all-time record R$1.7 billion of EBITDA.

As David mentioned, our ability to expand margins compared to 2019 in spite of currency and fuel headwinds is a clear demonstration of the strengths and competitive advantages of our business.

On slide six, you can see the recovery incapacity and unit revenue compared to 2Q24, which was impacted by the severe floods in Rio Grande do Sul. As we mentioned on our last call, we are starting to see signs of recovery in bookings and revenue, and now you can see clearly that we are back on a normal revenue trajectory, with RASK up 12.2% over 2Q24.

I am also happy to report that the Porto Alegre Airport, which was closed since the first week of May, was partially reopened on October 21st. This is a very positive sign, as these customers can now access the full potential of Azul's network.

Just to be clear, our 3Q24 had no contribution from Porto Alegre, as the main airport remained closed until October.

Looking ahead to our peak summer season, we see a positive combination of overall demand and industry discipline, which gives us confidence and continued strong revenue performance going forward.

On slide seven, you can see the early results of our Elevate program, which was described in some detail last quarter. Elevate is a new way of thinking for the entire organization in terms of processes, in terms of priorities and in technology, and this new thinking is already giving us some early results. Let me give you a few examples.

If you look back to our 2Q24 results, you will see that we have almost 15,800 full time crew members. This quarter, we have 15,500, and that is with a 10% increase in capacity quarter over quarter. As a result, the airline now is 11% more efficient compared to just last quarter.

In addition to staffing, we are laser focused on a wide range of initiatives, from purchasing to logistics to fuel, all of which will drive cask improvement going forward. We already have the lowest cost in the region, even with a more diverse fleet and lower average seat count, and this will only get better over the next few years.

Turning to slide eight, we highlight our performance over the previous quarters. Even with the headwinds in fuel and currency, we expanded both operating and EBITDA margins compared to last year. This clearly shows that over the medium and long term, our business model is 100% able to recapture and recover the negative effects of macro changes.

The competitive advantages inherent in our business model allow us to be a resilient, robust airline over time and over varying macroeconomic conditions.

On slide nine, we show our cash evolution in the quarter. We generated R$1.7 billion in EBITDA and we amortized more than R$100 million of debt in the quarter, which led us to a flat liquidity position at the end of the 3Q24.

Keep in mind we paid around R$600 million of interest expense this quarter. This is going to be very important as we talk about the outcome of our transaction we announced with our bondholders, as we will significantly decrease our interest expense and therefore improve cash generation going forward.

On slide 10, I want to show you that we are firmly back on our earnings growth trajectory. 2024 will be our biggest year ever in terms of revenue, EBIT and EBITDA. As we look across the board at our passengers, logistics vacations and loyalty businesses, we can confidently say that the demand for Azul's products and services has never been higher. Our outlook for 2025 with a projected record EBITDA of R$7.4 billion is even brighter.

As we said in the beginning of the call, we wanted to first talk about the strong 3Q24. Now, we want to talk about the results of our negotiations with our partners.

Setting the stage on slide 11, it is important to remind everyone of the challenges we faced in 2024, starting with the devaluation of the currency. Now at R$5.8 to the dollar, an 18% devaluation since the beginning of the year and almost 50% weaker since 2019.

We had the devastating floods in the south of Brazil, which impacted 10% of our domestic revenue in one of the highest margin markets.

As David mentioned, we continue to face challenges with OEMs. When including the impact of delivery delays, early engine removals, delays in spare parts and logistics, the effect on our network and cash generation is significant, over R$1 billion this year alone.

Finally, as we have discussed before, as the currency devalued, the local capital markets froze, further restricting our ability to raise local capital.

As you can see on slide 12, in response to these challenges, we strengthened the partnerships with our major stakeholders. First, we reached an agreement with our Lessor and OEM partners on the equity structure, the results of which we announced on October 7th and which eliminated the obligation at a significantly lower dilution than projected, and there was no cash outflow.

Second, we strengthened our partnership with existing bondholders, raising new capital, creating a significantly improved cash flow and reduced leverage for our airline. The initial results were announced on October 28th and I will talk more about that shortly.

Finally, the Brazilian government also contributed, signing a bill into law that allows FNAC, the National Civil Aviation Fund, to fund loans to Brazilian Airlines. These developments, together with increasing strength of our business, provide a solid footing for Azul to continue to grow into the future.

Turning to slide 13, I want to get into the details of the transaction that we announced over the past several weeks, and most importantly, how positive this is for Azul and our partners.

This process consists of several steps. The first step was the agreement with our lessors on the equity instrument, which addressed pandemic-era lease deferrals and reductions. As we have already announced, we have agreed to settle R$3.1 billion in obligations with our lessors and OEMs for 100 million preferred shares of Azul.

This is a strong vote of confidence from the leasing community in the future of Azul and their desire to increase their commitment to us. In fact, as they have done in the past, this year's lessors continued to deliver aircraft to us. 4A330s, 2Q321s, 4E2s, even while we were in active negotiations. Clearly, they have a strong belief in the future of Azul.

Step two is the agreement with the existing bondholders for new funding via a super priority note. We initially announced this agreement on October 28th, whereby Azul bondholders have agreed to inject up to $500 million in fresh capital into the Company. Funding is coming in steps with $150 million already received, $250 million to come upon the completion of documentation, and a final $100 million based on a collaborative initiative to generate cash flow savings of $100 million per year, which I will talk about next.

And finally, step three, as we discussed our plans with our bondholders, they challenged us to look at a much larger opportunity here to fundamentally strengthen Azul's balance sheet and increase cash generation.

They committed to increase the new money to $500 million and equitized $800 million in secured loans. This would in turn create $100 million in annual cash flow savings from reduced interest expense. The condition to unlock this, which will fundamentally improve Azul's financial strength, is to realize another $100 million in cash flow improvements per year, from 2025, 2026 and 2027. We therefore embarked upon a joint effort with the bondholders to identify these improvements and meet this condition.

I realize this is a lot of information and we will show you what this means for our financials next, but let me summarize: we structured a comprehensive transaction together with our partners to eliminate over $1.5 billion of debt from our balance sheet, and this process improves our annual cash flow by another $200 million. Put this all together with our projected EBITDA growth for 2025 and you can see how this plan is so transformative for our business.

Slide 14 is what I am really excited to show you. This is the result that gets us so optimistic about our future. I know it took a lot of slides to get here, but it is really important to set the stage and describe the various steps for us to be able to get this result. Let us highlight the important numbers on the table above.

First, the Lessor Equity. You can see in the adjustments column that this value is being eliminated. The R$2.3 billion from our balance sheet, which is the present value of R$3.1 billion in obligations I talked about earlier.

Second is the Total Debt. This is a very significant reduction of R$2.2 billion in the equitization of the $800 million. Secondly, notes together with the new capital of $500 million coming in.

Third, we have another R$800 million in additional concessions from Lessors and OEMs related to the 2030 notes. Putting it all together, you can see the result: a net R$5.4 billion reduction in debt and a 1.4 turn improvement in leverage from 4.8 today, if adding the Lessors and OEMs equity instrument to a proforma 3.4, when considering the last 12 months EBITDA of R$5.6 billion. As I stated earlier, we are gonna do R$6 billion this year and R$7.4 billion next year.

Now you can clearly see why this is such an important opportunity and why we had to take advantage of it. Resetting Azul's balance sheet to 3.4 from 4.8 today is extremely powerful. This resets our credit rating and puts us in a completely different category of airlines globally. Azul is already one of the highest margin airlines in the world, but we had a challenged balance sheet. With this transaction, we are now placing Azul back on the list of the strongest, most resilient profitable airlines in the world.

Slide 15 demonstrates a significant leverage reduction from this transaction, but it is important to also highlight the component parts of this leverage. Since we are an airline that primarily leases our aircraft, our main asset, by which we generate our revenue in EBITDA, the majority of our leverage is related to our aircraft leases. After this transaction, our leverage from loans and financing will only be 1.4 times.

On slide 16, we highlight the benefit from the agreement with our partners leading to a significant reduction in gross debt to equitization envisioned by this transaction. The gross debt and leverage reduction, together with the cash flow savings and EBITDA generation, puts us in a very competent position from which to service this debt. This truly makes Azul a robust resilient airline for the future.

A key element of this plan is to improve cash generation via a reduction in interest expense. If you recall back on slide nine, I asked you to remember the R$600 million we paid in interest expense in 3Q24 alone and how this is such a large drag on cash generation. Now, thanks to this plan, we are able to reduce our interest expense by nearly R$1 billion per year, as you can see on slide 17.

This reduction translates directly to cash generation, which then leads to a consistent virtuous cycle for liquidity and deleveraging. This is a structural improvement that fundamentally strengthens us for the years to come.

On slide 18, we present our 2025 EBITDA and cash flow guidance. Thanks to our strong EBITDA generation of R$7.4 billion combined with a significantly reduced interest expense, our guidance is for free cash flow to firm of R$1 billion for the year. And now we will become an airline that will consistently generate cash. And this is including all of the challenges from higher fuel, which is 70% higher in the currency, which is almost 50% higher than it was in 2019.

This is a result of all the work I just described, the lessor instrument converting to a little shares, the improvements in operating cash flow, the EBITDA generation, the reduction in interest expense and the reduction in leverage. All of this combines to produce positive free cash flow to firm in 2025 and beyond, truly making Azul a much stronger company.

Finally, turning to slide 19, to conclude my comments, we are incredibly excited about our future. As I showed you before, Azul is already one of the most profitable airlines in the world, and now, with this work and our capital structure, we are making ourselves one of the most resilient as well.

In addition to these incredible results, the best is still to come. We still have significant fleet transformation ahead of us with more E2s to be delivered in 2025. Our business units continue to be high growth, high margin businesses. Our Elevate way of thinking is already producing unit cost reduction with more opportunities in front of us. Combining all of this with our exclusive network and a unique fleet flexibility lead us to be incredibly excited and optimistic about the future.

With that David, Alex, Abhi and I are available to take your questions.

Questions and Answers

Operator

Ladies and gentlemen, thank you. We will now begin the Q&A session. Remembering that if you have a question, click on the Q&A icon at the bottom of your screen and write your name and company. When your name is announced, please activate your microphone and proceed. (Operator Instructions).

Let's go on now to the first question. It will come from André Ferreira, sell-side analyst from Bradesco BBI. André, we will open your microphone so that you can ask your question. Please, proceed.

André Ferreira – Bradesco BBI

Good morning. Thank you for taking my question and congratulations on the results. I want to ask about two points.

First, if you could update us on the expected deliveries for the wide bodies by the year end and for 2025, if there are any delays. Same for the A2s, how many are left this year and for the next year? You already commented a bit on the delays, but when should those aircraft come in?

The second point is about the 2025 guidance. I just wanted to know how much capacity growth is assumed in those numbers. Thank you.

Abhi Shah – Azul's President

Hey, André, I can answer that. On the wide bodies, we got four wide bodies this year, so we are in good shape for now. The next set of wide bodies is our next Neos, the next order of the Neos, the 8030 Neos, which is scheduled for 4Q25, probably late next year. So, this year, we had four wide bodies already delivered in service.

On the E2s, we have 10 deliveries this year. A little bit of delay, I would say maybe 30, 45 days delayed, but still ok. And then, for next year, we are assuming between 12 and 15 E2s. Maybe some of them slip into January 26 in that range of E2s.

Our growth, as you probably know, is going to be very much focused on the E2s, which is an up-gauging strategy from the E1s. Significantly lower trip costs, significantly lower fuel burn for 18 extra seats. We are very excited about that aircraft. So, 10 E2s this year and maybe 12 to 15 next year.

In terms of capacity growth, we are looking at roughly about 10% next year capacity growth. It is going to be lower than that on the domestic side and it is going to be higher than that on the international side, because of the four white bodies we received this year halfway through the year. They will come full circle next year. I would say high single digits domestic and then the rest of it will be mostly the growth on the international side.

Michael Linenberg – Deutsche Bank

Good morning. I have two questions.

First, when we look at the R$807 million of debt that is going to be equitized, it looks like three different phases there, and then it looks like the three phases represent 47.5% of the principal and then there is another 52.5% that I think is tied to a note that becomes an exchangeable.

Can you give us a sense? Because I think it indicated in the release that there were term sheets on the Investor Relations site and I did not see them yet, but give us a sense of maybe the underlying shares tied to that 807 million.

John Rogerson – Azul's CEO

Mike about what the transaction does. Most likely this will all close by the first quarter, we are hoping in the January time frame, that is what we are looking at right now. We are actively working with these partners. Obviously, there is dilution here, but this is a significantly stronger Company going forward. And so, it is going to be based on what the share price is at the time, so we feel very good about it.

In addition to taking the debt off the balance sheet, this is now a Company that will cash flow on a go forward basis, right? We are going to be measuring free cash flow every year going forward and not just valuing Azul based on EBITDA.

We will walk through the details, but you are right, it happens in a couple of different phases. An initial part happens right away at 10% that turns to equity, then the second chunk and then the rest of it is a convert that will, hopefully, get converted through maybe by the end of 202, is what our expectation is based on the value of Azul at that time.

Michael Linenberg – Deutsche Bank

I should be clear that it is a real deleveraging moment and I should offer congratulations on the amount of heavy lifting that you guys accomplished. So I wanna make that on the record.

Just one quick follow-up on the wide bodies to Abhi. As I recall last quarter, I thought we were going to see some wide bodies come later this year and some got pushed into the early part of 2025 and now it seems like you are not gonna be getting anything until late in 2025. Has there been a change or a shifting in the order book? Thanks for taking my questions.

Abhi Shah – Azul's President

Mike, we actually got wide bodies from the secondary market. So we received two Neos from the used market. We received two Ceos from the used market as well. X Condor. Those are currently flying, all those four. We were looking at two other Neos as well that were used to enter maybe 1Q25 or 2Q25, but we think we are better off not taking those right now and going directly to our order with Airbus, which is going to be in the December time frame of next year.

John Rogerson – Azul's CEO

And Mike, there are just challenges in the engines worldwide right now and that is not exclusive to narrow bodies, it is also a challenge we are seeing on the wide bodies as well. That is why it was important for us to kind of lock down these used aircraft this year, but then we will be taking aircraft in our spec on a go forward basis.

Savanthi Syth – Raymond James

Good afternoon, everyone. Can I clarify on the 2025 guide, if that reflects the completion of everything that you are working on today and the current kind of FX environment, which is become a little bit more challenging?

And along those lines, Abhi, if you could talk about the demand environment today and what you are seeing on the pricing front, both kind of the leisure and corporate side of things.

Alex Malfitani – Azul's CFO

Hey, Sav. On the 2025 guidance: for example, EBITDA essentially does not depend on the transaction. It is a firm R$7.4 in our estimation, as we usually do. The big unknowns here are FX and oil.

For oil, we always use the Bloomberg forward curve. We essentially look at heating oil, which tracks very nicely the jet fuel, but it is a much more liquid derivative. So we like using HOA instead of jet fuel, and we essentially just use the forward curve to project next year.

On FX, we normally use the focus survey with some adjustments when you have strong movements, because there is a little bit of a lag for the focus survey to kind of reflect current market conditions.

So right now, for example, when the spot price is much higher than what the forward guard, what the focus survey is projecting, we also adjust the focus survey a little bit up, so we are a little bit higher than what the focus survey has for 2025 FX. But normally we use Bloomberg and the Central Bank focus survey to project oil and FX.

Now, when we are talking about leverage and interest expense and cash generation, yes, the projections assume that we complete stage three and we are confident that we will be successful.

John Rogerson – Azul's CEO

And I just want to highlight that before I pass it to Abhi. Sav, our partners are excited about this. When we go to our lessors and our OEMs, they say: "Wait a second, I can be inside of the deleverage of Azul?" And all we have to do is everybody contributes a little bit helps cash flow generation over the next couple of years. And it is across all of our partners.

Our lessors, our OEMs, all of our suppliers, and we sat there and said: "Hey, we have the opportunity to take leverage down by 1.5 turns overnight, right?" That is a powerful thing. And people have been with us along this journey for many years and everybody is really excited about that.

So I think the $100 million a year in 2025, 2026 and 2027, we are very confident that will happen. And I think we are going to announce the market that we completed prior to year end.

Abhi Shah – Azul's President

Hi, Sav. On the demand side, we are not assuming anything too different from what we are seeing right now. If you just look at the second half this year and you take that as an exit rate, that already puts us at the 7.2 EBITDA number. 3.6 is the second half exit rate.

So, the international network is just what we are flying right now, but, instead of flying basically four or five months this year, we are going to fly 12 months next year. That is not going to be anything too different.

On the domestic side, it is going to be E2s taking up E1 markets, within our own network. Therefore, we are not really asking for anything too different.

I am overall pretty happy with the way demand is looking. We have seen good recovery. August September, October, November, each month being ahead of the month before.

And, actually, if you remember at 1Q24, which we are now looking at the booking curves for next year, we actually flew some pretty low load factors. We flew 73 in February, low seventies in March as well. So we are actually quite ahead of our booking curves right now, when we look at 1Q24 on a good fair basis.

I think the industry overall has done a good job of keeping pace with the way dollars are moving, with the way fuel is moving. Trying to make sure that the fares are keeping pace. I think the industry has shown good discipline.

Finally, our business units. If you notice 3Q24, just 76% of our unit revenue came from the passenger business. Our vacations business unit revenue was up 30%. Our loyalty business unit revenue was up 30%. Our charters business unit revenue was up, like, 90%. So, we made a strategic decision to diversify our revenue base and that is really going to give us a lot of benefits as we go forward here and these businesses keep growing and they keep diversifying. I am pretty confident overall about how next year is looking right now.

Savanthi Syth – Raymond James

That is all very helpful. I appreciate it. And I recognize those two questions, but if I might clarify: Alex, about the agreements you are working with the suppliers and your partners, is that all related to financing and nothing that flows through the EBITDA?

Alex Malfitani – Azul's CFO

Do you mean the target for R$100 million of cash flow improvements?

Savanthi Syth – Raymond James

Exactly.

Alex Malfitani – Azul's CFO

There is both. There are things that will help the PNL and there are things that shift or postpone payments, but it is essentially a R$100 million cash flow target.

Ian Snyder – JP Morgan

I have one question only, the rest of them were already answered. I am hoping you can quantify what percent of the cash impacts from the FX devaluation was offset by the higher fares in this quarter and what we should expect from fares and in 4Q24.

Abhi Shah – Azul's President

Hey. We are expecting a steady improvement, 3Q24 over 4Q24. The fourth quarter seasonality is better than the third quarter's, as we are heading into our peak summer. We have been able to recover the effect of FX and fuel 100% over the long term. It takes a little bit longer from quarter to quarter, maybe we are 60% or 80% right now, we can check the number, but we feel pretty good about the trends going forward with fares and booking trend, and you can already see the 12% improvement in flow and RASK from 2Q24 to 3Q24.

It will continue this season, the normal seasonality curve that we have been seeing over the last several years.

John Rogerson – Azul's CEO

But I think there are other two points that I just want to highlight. First of all, 4Q24 now has Porto

Alegre in it, which we did not have in 3Q24, and that is very important to us. The second point is: the industry needs higher fares. It is a fact. When you have a 20% devaluation of your currency, the industry as a whole needs higher fares. The industry as a whole is dealing with the OEM challenges.

So, how do you combat the macro situation that we are in? You need to dilute your fixed cost with more capacity and you need higher fares. And I think everybody is in that same boat. If you look at everybody in the industry, they are fighting over engines and deliveries. I think the industry is very disciplined right now, which is a positive thing.

Rogério Araújo – Bank of America

Hi, guys. Thank you for the opportunity. I have one question on two cost lines that caught our attention.

The first one is on salaries. There was a drop of the year you mentioned in the release that you just visited 1.5% of the employees despite continuing to expand operations. So the question is if this is sustainable, if you are going to hire new employees again, what to expect for this line in the upcoming quarters?

And the second one is on the other expenses line, which came slightly up below R$400 million, it was a 26% drop of the year and it actually came back to pre-COVID levels. It is about 7.5% of revenue and it was almost 10% in the previous year. So, should we expect this to go back to pre-COVID levels already in the upcoming quarters? Can we see that as sustainable? Thank you.

John Rogerson – Azul's CEO

Sure. On salaries, we need to be more productive, and the fleet transformation enables us to be more productive. There was growth that we had prepared for and did not come because of Porto Alegre and OEM issues, so we fully expect to be more productive than we are today going forward.

If you look at our R$7.4 billion EBITDA for 2025, I think it includes essentially the productivity levels that we are seeing today with a little bit more improvement from Elevate and fleet transformation. We just need to be constantly more efficient throughout the whole organization. And beyond the fleet transformation, there are many ways to do it: through processes, through automation, by just being better every day.

And the idea of having a program and a packaging of the Elevate plan behind it is to rally 15,500 crew members to all push in the same direction and be every day more and more productive. So, we believe that the current productivity that we have is sustainable and we can actually improve upon that.

On the other expense, that is a catch all line, which has a number of items. We periodically look at it to see if it makes sense for us to break it up, but I think the biggest item within this expense is IT, with roughly like R$40 million or R$50 million, so it is a big bucket of other expenses. And some of them are dollar denominated, some of them are not, some are fixed, some are variable, so it is a bit more difficult to forecast.

But I think the R$7.4 billion EBITDA has a quarterly rate that is higher than the number you are seeing there, a little bit because of exchange and a little bit because of growth.

Operator

This ends our Q&A session for today. I will now turn to John for final remarks.

John Rogerson – Azul's CEO

Thanks everybody for joining us today. We are very excited about where we are. You are looking at a deleverage Azul going forward, a Company that will start to generate cash in 2025 and beyond.

We will be on the road speaking to many of you. We are going to have Azul Day, in the first week of December, I think, so we will have the opportunity to spend time with each of you and go through all of the positive aspects that we have been able to put together.

Feel free to reach out to any of us if you have any questions.

Operator

Thank you. This concludes Azul's audio conference call for today. Thank you very much for your participation and have a good day.