

**Conference Call Transcript
4Q25 Results****Operator:**

Hello everyone and welcome to Azul's fourth quarter Earning conference 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 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 9 to join the Q and 6 to accept the audio when requested.

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

Thais Haberli:

Thank you Zach and welcome all to Azul's fourth quarter earnings call. The results that we announced this morning, the audio of this call and the slides that bill referenced are available on our IR website. Presenting today will be John Rodgerson, CEO and Abhi Shah, the President of Azul. Alexandre Malfitani, our CFO, is also here for the Q&A session.

Before I turn the call over to John, I'd 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 will turn the call over to John.

John Rodgerson:

Thank you Thais. Welcome everyone and thank you for joining us today on our first earnings call following successful completion of our restructuring process.

Before we begin, I would like to take a moment to recognize our more than 14,000 crew members. Their dedication, professionalism and passion were essential for Azul to deliver the strongest quarter in our history while simultaneously completing a highly complex restructuring process. What you will see today is a reflection of their unwavering commitment and for which we are all very grateful.

The fourth quarter was a record setting quarter for Azul. We reached all-time highs in revenue, RASK and EBITDA. These results highlight not only the strength in our demand and our differentiated nature of our business, but also already reflect the significant improvements in our capital structure and cash generation capabilities while we were still in our restructuring process. This shows how Azul's restructuring process was not only delivered in record time but exceeded all of our set targets at the onset of our restructuring.

On slide 3, you can see the summary of our fourth quarter 2025 results. Our revenue was up 5% year over year to a record 5 point billion reais with a strong record RASK of more than 46 cents. A record quarterly EBITDA of 2.1 billion reais with a margin of 36.9% and EBIT of 1.4 billion Reais reflect the strength of our unique business and the competitive advantages of keeping Azul at industry leading levels of profitability.

Moving to slide four, we demonstrate our pricing flexibility supported by our disciplined capacity growth. Our RASK increased 3.5% year over year to an all-time record while growing capacity. This reflects the unique competitive advantages of our network combined with the effectiveness of our commercial strategy.

Another differential of our business is our beyond the metal business units. Compared to fourth quarter of 2019, our high margin business unit's contribution to RASK grew from 15% to a very strong 21% of top line revenue in fourth quarter of 2025. As you can see on slide 5, overall, our RASK grew 40% over the last six years.

Our business units have done an exceptional job expanding beyond the metal, identifying innovative and high margin opportunities beyond the core ticket revenue. Our loyalty business Azul Fidelidade, our cargo business Azul Cargo and our vacations business Azul Viagens continue to grow at double digits providing stable recurring high margin revenue streams. Along with our MRO business and our regional aviation business, these units are essential to the diversification of our revenue base and are a major competitive advantage relative to our peers.

Moving to slide six, you can see our operating efficiency. Our restructuring was truly transformational for our business. Beyond strengthening our balance sheet, we also took the opportunity to reimagine Azul's entire cost structure. This resulted in productivity increasing 5.7% and our cost remained flat and despite a 4.3% inflation and a 1.5% increase in fuel prices, our continued focus on productivity, automation and process improvement allowed us to maintain cost discipline while expanding margins.

And I just want to reiterate. We have the lowest unit cost in the region. Now that we've reviewed our fourth quarter results, let's turn to Chapter 11's restructuring and the pivotal role it played in strengthening our company on a go forward basis.

I'm extremely proud of what we've accomplished. During the restructuring, we emerged with a much stronger balance sheet, significantly reduced leverage and enhanced cash generation, all while continuing to deliver strong operational and financial performance.

Even more remarkable is that together with the support of our main stakeholders including our aircraft lessors, creditors and our two great strategic partners. We were able to implement this comprehensive transformation in less than nine months while maintaining a strong customer value proposition and enhancing our unique competitive advantages.

Turning to Slide 8, you will see the magnitude of this transformation. We reduced our debt, including lease liabilities, by \$2.6 billion. Even more impactful, we achieved more than a 50% reduction in annual interest payments and cut recurring lease payments by roughly 1/3. These improvements brought our net leverage to below 2.5, the lowest leverage in Azul's history. When we embarked upon our restructuring process, our target was 3. As you can see, we far exceeded our original goal.

We secured 1.375 billion in senior notes, an issuance that was more than seven times subscribed, and \$950 million in equity investments. And I want to remind everybody that our existing creditors upsized their equity commitment right before our exit based on all that we did to restructure the airline.

On slide 9, you can clearly see how our capital structure has been transformed when compared to 4Q 2024 loans and financing were reduced by more than 40% while lease liabilities decreased by over 46% and net leverage went from 4.9 in 4Q24 to less than 2 and a half upon emergence in February 2026. This represents a fundamental risk of our business. It reduces volatility, strengthens our cash generation and gives Azul the financial and fleet flexibility to plan for the future with confidence. It also ensures we can respond effectively to any scenario ahead, including potential macroeconomic challenges.

On slide 10, we show the recurring savings generated by our restructuring. Lease payments in 2026 will be 30% lower and interest payments will be more than 50% lower compared to pre restructuring estimations. Combined, this represents 2.2 billion reais in recurring annual savings. These improvements substantially strengthen our cash flow profile and support long-term deliveries. We continue to maintain a disciplined approach to liquidity management, ensuring our cash position remains robust and we're well aligned with the needs of our business.

Throughout the restructuring and into 2026, we strengthened our balance sheet, reduced financial obligations and improved our cash generation, giving us a robust liquidity position. Today, Azul is supported by a more efficient capital structure, predictable cash flows and a clear focus on cash generation. This strong foundation allows us to navigate market volatility as Abhi will now explain in more detail.

Abhi Shah:

Thank you, John. I too would like to thank our crew members for all their hard work in 2025. This simply would not be possible without them.

As we talk about fuel first, it would be good to Level set How Fuel Prices Work in Brazil as you can see on slide 11, in Brazil, Jet fuel price adjustments occur with an average lag of about 45 days. This means that increases in heating oil prices take roughly a month and a half to be fully reflected in the fuel we are purchasing. As a result, the impact of rising prices is more gradual, giving the industry a little time to plan ahead in terms of all the recovery strategies.

On Slide 12, let's turn to the topic of fuel and how we believe Azul is positioned for this moment. Obviously, we all recognize the run up in prices over the last few weeks. Fuel costs account for about 35% of our total cash expenses. With that context in mind, let me walk you through eight reasons why we believe Azul is uniquely prepared to navigate this moment.

First, our philosophy for growth. You have seen from our Chapter 11 business plan how we strategically designed the new Azul for lower growth, for example just 1% in 2026. This was done to prepare for exactly moments like this. High growth requires cash, training, hiring, pre delivery payments, IFE seats, spare engines, opening new routes. These are all cash outflows that you do not want in a high fuel environment. In addition, lower growth significantly accelerates the cost recapture process as we are not desperate to fill seats but are only focused on the highest quality revenue. Lower growth at a time like this is a strategic advantage.

Second, the restructuring of our widebody fleet. We've removed our most expensive aircraft and have temporarily reduced international capacity over the next six months, reducing our exposure to the peak in fuel prices. Most importantly, these higher cost aircraft are being replaced with others that have lower ownership and engine maintenance costs. Substantially lower ownership and engine cost, further strengthening efficiency and giving us flexibility in our long-haul business.

Third is our Network, more than 80% of our routes have nonstop competition, giving Azul a uniquely strong position in the market with minimal overlap, we benefit from stronger pricing options and significantly less competitive fare pressure. Our network was built to be different serving markets, others don't. This allows us once again to accelerate revenue recapture.

Fourth is the location of our hubs we have an 80% departure share in our three main hubs, Campinas, Recife and Belo Horizonte. These cities and the surrounding areas have strong demographics with the highest percentage of corporate demand for their region. As fares come up, this is the type of demand we will lean into. Our hubs have the ability to generate high yield demand and that's an advantage.

Fifth, we benefit from our strategic engine maintenance agreements across the fleet. We know how engine costs have impacted Airlines around the world. The worst thing you can do right now is to fly in a high fuel environment, not generate as much cash as you thought, and then have massive maintenance costs down the road. Our engine

maintenance agreements give us future visibility, allowing us to plan and fly exactly what we want to.

6th is us beyond the metal businesses. Our loyalty program and premium co-branded. Credit cards attract high-price customers. We believe we have the highest penetration of premium customers in our co-branded credit card.

In addition, we just launched two new elite tiers, Azul 1 and Unique, to provide dedicated and personalized services to our highest yielding customers. These customers generate higher yields, more recurring revenue and give us a greater share of wallet, creating a powerful comparative advantage that strengthens our brand and our financial performance.

Seventh is our lower future aircraft commitments. During chapter 11, we significantly derisked the business by reducing future aircraft obligations. This means steady and consistent recurring aircraft rent and debt. For the rest of 2026, we expect to receive only four E2s which are already financed. In addition, this lower order book gives us the flexibility to take advantage of any market opportunities as they come along, exactly as we did with the widebody fleet.

Finally, 8th is our strengthened and delivered balance sheet. As John mentioned, we now have significantly lower leverage, lease liabilities and interest expense with fewer obligations and lower cost of capital. Azul has never been better prepared for a moment like this.

Now on slide 13, let me walk you through the recent actions we've taken in response to the rise in fuel prices. First is our capacity as I mentioned, we already have a conservative capacity posture for the second quarter. When we expect fuel prices to be at their peak by avoiding unnecessary growth during a period of cost pressure, we can focus on flying the most profitable network, optimizing yields and making tactical adjustments much more quickly. This disciplined approach not only protects our earnings in the short term, but also positions us to ramp up capacity once fuel prices stabilize.

Finally, on slide 14, we're also taking several other proactive measures to mitigate the impact of higher oil prices. Starting with strategic pricing across our network. Supported by resilient corporate demand and our unique network position, we have been able to raise booked average fares by more than 20% over the previous three weeks. This is a very strong start to the revenue recapture process.

To further accelerate, we are looking at additional selective capacity cuts for the second quarter. It does not make sense to fly flights that do not cover the cost of fuel, and doing these further capacity cuts gives us the ability to be even more selective on demand. As the situation develops, we can adapt to these cuts for the rest of the year.

Third, we're laser focused on operating costs as well as CAPEX and other investments. We will not waiver on our commitment to our customers, but we will do so in the most efficient way possible.

Finally, our institutional relations team is working on a series of initiatives aimed at reducing cost, improving efficiency and strengthening competitiveness for Brazilian aviation overall. Together, these actions help ensure a zoo. Can protect margins and navigate the current fuel environment from a position of strength.

With that, I'll now hand it back to John.

John Rodgerson:

Thank you, Abhi. In Summary on slide 15, Azul enters 2026 fully restructured. We have transformed our capital structure and business. We have a rational and disciplined capacity strategy that is especially important in today's oil environment.

Strong business units with premium customer engagement and a uniquely dominant network with minimal overlap and strong pricing flexibility. All of these elements position Azul to deliver sustainable profitability, long term value creation and continue its deleveraging process. I want to once again thank our crew members, our partners, our investors and customers, and for their support and trust in Azul. With that, Alex, Abhi and I are available to take any of your questions.

Operator:

Ladies and gentlemen, thank you. We will now begin the Q&A session. Remember that if you have a question, click on the Q&A icon at the bottom of the screen and write your name and company. When your name is announced, please activate your microphone and proceed. For those who are listening to the conference on the phone, press 9 to join the queue and 6 to accept the audio when requested.

Let's go to the first question. First question will come from Savi Syth. Raymond James. Savi. We're going to open your microphone so that you can make a question. Please proceed.

Savi Syth- Raymond James:

Thank you. Good morning, everyone.

I was wondering if maybe you could. It was really helpful to hear about the kind of. The kind of fuel considerations and where you stand today. I was curious maybe Abhi like how kind of fuel has passed through historically transpired and you know, if there's any kind of notable difference today than those kinds of past experiences.

Abhi Shah:

Yeah. Thanks, Savi. The most recent comparison is the Ukraine war, 2022 and the industry and US acted very quickly. We were able to recapture. Actually, over time we

recaptured more than 100% of it right our margins today are higher, but certainly within a 3 to 6-to-9-month period we are looking to recapture 60 to 80% of that. And we did that in 2022. And in fact, if I look at our ramps in 2022, you know, the war started in February. Already by 3Q and 4Q we were up 12% in unit revenues, flown unit revenues compared to what we had projected. We do have a good history in our industry at Azul, especially of recapturing and as John mentioned, over a long period of time we've actually been more than able to keep up.

But let me talk a little bit about what's happening right now because the first thing is the industry has shown good urgency and I think it's the sign of a healthy industry. We've had 4 to 5 fare increases in the last three weeks that I've held and as I said, we've been able to increase booked average fares more than 20%. Obviously remember, these are booked fares, but the customer and demand is reacting to that. Not very surprising what's happening. You have closer corporate demand being very resilient, and you have further out leisure demand taking a little bit of a wait and see approach. Which again is not surprising. If you have time to plan your trip, then you will wait a little bit to see what happens.

This is where our network is so much better positioned with all of the different industrial segments that we serve. Whether it's energy, whether it's mining, whether it's infra, it's the Midwest of Brazil with Agro, the interior of the country, the north of Brazil, they are just a lot more resilient right now in terms of demand at these fairs than what we are seeing frankly in some large leisure markets like Salvador and things like that. I think our network is uniquely positioned for being able to fully recapture. But it's already been a very, very good start with more than 20% increase in booked fares.

John Rodgerson:

If I could just add one other strategic advantage that Azul has is the percentage of our asks that are being flown on next gen fleet. And the E2s we have a significant size of our fleet is E2s, A320neos. We have no A320ceos in our fleet today. And we have the most fuel-efficient aircraft. And we also have fleet flexibility. As price prices go up and demand gets impacted, we can swap out a 320 for an E2 on a route, swap out an ATR for an E jet on a route. So that fleet flexibility that we have and especially considering we're really in a no growth mode right now.

Savi Syth- Raymond James:

That's really helpful context. Thank you. And maybe just a follow up on the no growth environment. I'm surprised that your kind of Cutting more capacity into your Q&A. I was kind of curious what the plan was in terms of capacity for the first half and where some of these cuts are coming.

Abhi Shah:

Yeah. Our business plan was already kind of 1% growth for 2026. We were going to be slightly negative for the first half of the year and slightly positive mostly as engines were

coming back and aircraft were coming back into service and also, some of the E2 deliveries.

Look, we're going to be taking a look at capacity cuts for two reasons. One, every route P&L in the world has marginal routes. And at the bottom of the list, when fuel goes up 30, 40, 50%, those routes don't make sense. It just doesn't make sense to fly some of those marginal routes in the short term.

And the second is, it just gives us an ability to accelerate the revenue recapture because otherwise, what's going to happen, airlines are going to get desperate. They're going to have unsold seats, and either they'll fly empty airplanes or more likely, they'll roll back the fare increases, which defeats the purpose in the first place. We just want to be very, very proactive, and we just want to make sure that we accelerate the revenue recapture for our network as much as possible. We don't want to be naive in thinking that customers, even if they wait a little bit, still will affect some demand in the short term. We're just going to make sure. We're being proactive and we're being prepared.

Alex Malfitani:

And, Savi, you've got to think about another competitive advantage that we have, which is the network. We can reduce capacity and save on all the variable cost of flying, plus potentially expensive engine maintenance, and not lose a lot of the revenue. I think about an exclusive market that we fly five times a day.

Reducing it to four times a day, you'll probably keep a good portion of that revenue. Or, you know, if you're, you know, bypassing a hub right now, but you. You also have an exclusive OND that nobody else flies. You can serve that OND through the hub. There are some unique aspects to Azul and to our network exclusivity. I don't think anybody in the world has the network exclusivity that we have. And then, you know, nobody in the world has the flexibility that we have to adjust to an environment like this.

Savi Syth- Raymond James:

Good point. Thank you.

Operator:

Thank you. The next question comes from Guilherme Mendes, from JP Morgan Guilherme. We will open your audio so that you may ask your question. Please Proceed.

Guilherme Mendes – JP Morgan:

Yeah. Thank you. Good morning, John, Alex, Abhi, Thais, thanks for taking my question first. A follow up on Savi's questions is think about the magnitude that you need to increase fares to potentially fully offset the IU impact. I was just wondering how far you should be from your original business plan, assuming that you might take six to nine months for that adjustment to be made.

And the second question, it's on the let's call it the next Steps post chapter 11, including the additional equity dilutions and the timing for the ADR re listing. Thank you.

John Rodgerson:

Let me start out and then I'll kick it over to Avi. I just want to be clear. We are on plan as of right now, right? This is an impact that starts in the second quarter, really impacts us from a cash perspective in May and beyond.

And we've had the ability over the last three weeks to get fares to levels not fully recapturing 100%, but it's more a second quarter and beyond kind of story. We exited in February. Great timing of when we exited and we are on plan with everything that we said that we would do to the market. I'll let ABHI kind of talk to the go forward and then I'll address the relisting. Thank you.

Abhi Shah:

Guilherme. Obviously, it depends what your assumption is on how much fuel. As you know, it's moving around a lot. But our working assumption right now is that we're going to need at least about a 8% unit revenue improvement. And I think we can get there between third quarter and fourth quarter. That's our timing right now that we're working with. We think the more than 20% fare increase right now, booked average fares, is a very, very good start. And I think we have the means to get there given our network, given our capacity position and given all the different tools we have to accelerate the revenue recapture. You can use about an 8% number by 3Q or 4Q.

John Rodgerson:

As for the relisting, you know, we should be listed again towards the end of April, around the April 20th time frame. And that's the target. The reverse split has already taken place and so has been approved. And about that same time we'll be listed in the United States. As for the dilution. It's just we've disclosed everything and it's just when the when American Airlines gets approval via Kaji that those warrants would be exercised.

Guilherme Mendes – JP Morgan:

Very clear. Thank you, guys.

Operator:

Thank you. The next question will now come from Matheus Santana, sell side analyst from Bradesco BBI. Matheus, we will open your audio for you to ask your question. Please proceed.

Matheus Santana - Bradesco BBI:

Hi, good morning and thanks for taking my question here. Basically, I want to talk about a bit the market rationality. Lakhta is the one that is showing the highest capacity growth in Brazil. And has the route overlap changed a bit? Are they competing more routes with you guys? And how do you see the three big airlines in Brazil positioning itself in relation

to capacity growth in the next quarters? That's my question. Thank you.

Abhi Shah:

Yeah, Matheus. The good news is that all of this data is public, right? You can run capacity worldwide actually, and it's all public data. The graph that we showed in the presentation is the current view for second quarter domestic capacity Azul is down 1%, gold is currently up about 18% and Latam is in the high single digits, low double digits. That is the current capacity picture as it is filed in the system today. Obviously we don't know what they will do, but as we said, we are going to be very proactive and we're going to make sure that, as Alex mentioned, within our network, we're going to take all of the actions needed to accelerate and maximize the revenue recapture.

Overall, in terms of how each airline is positioned, I think the market is very disciplined in the different geographies that everybody is playing at. We have, our network is very different, has always been very different focus in Campinas Confines, Recife Gold is really making their home in Rio, right? They have a very large percentage of their capacity growth in Rio and Latam is absolutely dominant in São Paulo with their international network. I think the airlines are well disciplined. I think everybody is focused on where they are strong. I think there is good, fair urgency, as I mentioned. I think these are all the signs of a healthy industry.

However, we want to make sure that we're proactive and we want to make sure that in our network we're doing everything we can to maximize the revenue recapture. And frankly, I think every airline around the world should be doing that. I think that there are going to be some customers when you have fares come up that are going to wait, some customers that don't fly. And I think it makes sense worldwide actually for airlines to review capacity.

John Rodgerson:

Look, all airlines around the world are being impacted by fuel. Nobody escapes it, right? And when you have that many more seats to fill, it's that much harder to get the revenue recap. That's just fact. Right? You know, and I think, you know, you can reference what United has done. One of the strongest airlines in the world, you know, our partner, we're very proud to be their partner. And look, what they're doing. They're reducing capacity across the board even with the strength of their balance sheet. And so that's what rational people do in an environment like this and long-term winners do.

Matheus Santana- Bradesco BBI:

So it's clear here. Thank you.

Operator:

Remind you that if you have a question, click on the Q&A icon at the bottom of your screen and write your name and company.

This concludes our Q&A session for this call. We will now turn the call over to Mr. John Rogerson so that we can go to the final closing.

John Rodgerson:

Great. I'd like to thank everybody for participating, thank their team for preparing all the, all this stuff. And we'll be on the road in the next couple of weeks as we prepare for our relisting in the United States. And we look forward to meeting all of you. Thank you.

Operator:

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