

Conference Call
2Q21 Earnings Results
August 12, 2021

Operator

Hello, everyone, and welcome to Azul's Second Quarter 2021 Results Conference Call. My name is Simone and I will be your operator for today. This event is being recorded and all participants are in a listen mode until we conduct a question-and-answer session following the Company's presentation. Should any participant need assistance during this call, please press *0 to reach the operator.

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

Thais Haberli

Thank you, Simone. Good morning, and welcome all to Azul's second quarter earnings call. The results that we announced this morning, the audio of this call, and the slides that we reference are available on our IR website. Presenting today will be David Neeleman Azul's Founder and Chairman; and John Rodgerson, CEO. Alex Malfitani, our CFO and Abhi Shah, our Chief Revenue Officer are also here for the Q&A session.

Before I turn the call over to David, I'd like to caution you regarding our forward-looking statement. 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 be not considered in isolation.

With that, I will turn the call over to David. David?

David Neeleman

Thanks, Thais. Hi, everyone, and thank you for joining us for our second quarter 2021 earnings call. First of all, I have to start, as always, by thanking our amazing crewmembers. Our strong culture and the passion of our people. This Company have been essential as we successfully navigated the challenges of the pandemic. Thanks to their efforts, we are in a position to emerge from this crisis stronger.

As you can see on Slide 3, our competitive advantages are stronger than ever. We are already flying to 130 cities and we have many more to open this year. Our team has done an incredible job in rebuilding our network, focused on our strength, which is connectivity.

Our unique fleet flexibility gives us the ability to access demand that no one else can. This has allowed us to recover our capacity to more than 2019 levels, which is incredible, why we are still the only carrier in 80% of the routes we serve. Our business model is unsurpassed in the terms of the network effect. And as demand recovers, we can add destinations to our map. This improves revenue and profitability in the entire network. It's very synergistic.

Our focus on the network in the future leads us to Slide 4, where I am once again excited to talk about the recently announced partnership with Lilium. We know Brazil, we have doubled the aviation market since our founding, and now, with Lilium, we see huge opportunities to create new markets and expand our business. The Lilium Jet is ideally suited for the types of regional and sub-regional flying that Azul created in Brazil.

Also, this innovative partnership helps us to accelerate our ESG commitments by leveraging in an unprecedented way, economic and social developments in Brazil through the 100% electric airplane model.

Speaking of Brazil, I know the external news flow is not always positive. That's why on Slide 5 it is important to share the amazing progress the country has made. At this moment, there are more than 155 million doses have been applied of the vaccine out of a population of 160 million. In total, 600 million doses of the vaccine are available this year. That is three doses for every single Brazilian.

In addition, in the upcoming weeks, all adults in Brazil will have received at least one dose of the vaccine. Thankfully, daily case counts and deaths are coming down rapidly. The economy is reopening safely, restrictions on businesses, restaurants, and other public places have been removed, schools are back in person and our corporate customers are thankfully returning to the office.

Moving to Slide 6, what gives us further confidence is the high -- the intent to vaccinate amongst Brazilians, one of the highest levels in the world. I personally don't know anyone in Brazil who doesn't want to get the vaccine. This intent to vaccinate is so critically important, especially as we see the impact of new variants. The combination of efficient vaccine application, more than sufficient availability together with this intent gives the confidence that the country has the tools to deal with the different variants. Brazil currently has the Pfizer, AstraZeneca, Johnson&Johnson and CoronaVac all approved and are being applied throughout the country. Vaccines are the solution and Brazil now has plenty of them.

Everyone has seen the boom in demand in the US travel, as the economy opened up and we are now seeing the same phenomenon in Brazil. As John will show you, revenue trends are very encouraging. Yes, there is second wave impact to the second quarter, but thanks to the vaccines and our competitive advantage, we are emerging stronger and are excited about the coming months.

With that, I will turn the time over to John.

John Rodgerson

Thank you, David. I also want to thank our crew members for all their hard work during the quarter. Thanks to them, we exited the second quarter stronger.

As you can see on Slide 7, our second quarter results show our business is resilient and we're confident that we have put ourselves in a great position to continue being the best airline in the world. Operating revenues totaled an impressive BRL1.7 billion with RASK and PRASK increasing 9.5% and 4%, respectively, compared to the first quarter of 2021. PRASK also increased 14.6% compared to second quarter 2020, further evidence of a rational capacity recovery and the sustainable competitive advantage of our network to access demand that nobody else can. Azul Cargo had another record quarter. We're really excited about the opportunities ahead for our logistics business. I will share more details in an upcoming slide.

At the end of June, our cash position with the highest in our history at BRL5.5 billion, along with our total liquidity of BRL8.2 billion. We are now more than prepared to turn our attention to the future. As you can see on Slide 8, Azul's operating cash flows surpassed operating outflows by over BRL400 million. This shows how we responsibly put capacity in the market to rebuild our network. Our network advantage directly drives these results.

In June, Azul was the first and only airline in Latin America to issue unsecured debt since the start of the COVID pandemic. We have already made significant progress in reducing our COVID debt and have started investing in our future again.

Turning to Slide 9, you could see how the capital markets are open to Azul and that it was prudent to raise debt when we did. Our offer was 7.7 times oversubscribed, enabling us to raise BRL3 billion at 7.375% yield. The debt markets recognize our efforts over the last year to put Azul in a position to exit the crisis on a solid footing. The capital raise, together with the cash inflows from operations will support us to continue preparing Azul for the future. On Slide 10, you could see Azul has no significant debt repayments over the next two years, allowing us to focus on the recovery.

On Slide 11, we are carefully timing our capacity recovery with the advances in vaccinations here in Brazil. As David explained, adding destinations to our network is a key part of our recovery strategy and we will continue to do so strategically and profitably as we have always done.

As demonstrated on Slide 12, our PRASK increased roughly 15% compared to second quarter 2020, clearly demonstrating that our swift network recovery is compatible with our high unit revenues. This sequential increase is our key focus as we continue through the rest of the year.

Slide 13 gives the most confidence yet that this trend will continue. We spotted the vaccine trends early and made deliberate decision to focus on average fare recovery. We adjusted our short-term capacity plan to focus on yielding up and led the industry in fare increases. The

decision is now paying off. Our domestic booked leisure and corporate fares are currently higher than the same period in 2019. This is the first time we can say that in the last 18 months.

This is a significant milestone as we prepare the revenue environment for the seasonally strong second half of this year and the strong rebound in travel post vaccination. This also gives us the ability to recover profitably under essentially any scenario for fuel and FX. I cannot overestimate how important this is.

Moving to the next slide, Azul Cargo had another record quarter in terms of net revenue. Our logistics business grew 137% compared to the second quarter of 2019. Just as impressive as that, Azul Cargo today can deliver to 1,000 cities all over Brazil in under 48 hours. The combination of the largest domestic passenger network together with the most flexible fleet is able to provide unmatched fast and reliable service to more than 4,500 cities in Brazil. We are making the pivot from a cargo company to a logistics company.

On Slide 15, we wanted to update you on our loyalty program. Customer engagement program has continued to be very high with more than 1 million new members added since the start of the pandemic. TudoAzul was strong during the quarter with redemptions and gross billings ex-Azul already higher than 2019 levels. Our recurring revenue program at TudoAzul Club in particular has performed very well. In addition, the best airline cobranded card in the market has been supporting us to drive further customer loyalty with more members joining each quarter.

Now, I'd like to focus on our commitment to make sure we remain the best airline in the world. We led the industry in customer service metrics as measured by consumerdoor.gov disclosed back in July. As you can see on Slide 16, we are now offering the fastest Wi-Fi in the region, already installed on 23 of our aircraft. We have corporate customers sponsoring the product, which allows us to offer it to our customers for free. Even better, the Wi-Fi is being installed at our hangar and Campinas, a clear example of how we're making Azul more efficient. We welcome all of you to fly and try this amazing products.

Moving to Slide 17, I could not be more proud to having to fly the most magical fleet in the world. The magic of the Walt Disney World will soon expand into the Brazilian skies with the arrival of our first themed aircraft to celebrate Walt Disney World's 50th anniversary. In total, four aircraft will be customized to complete this magical fleet. We're excited to have this unique relationship with an amazing brand like Disney.

Moving on to Slide 18, I would like to remind you that in 2020 TripAdvisor rated Azul the best airline in the world. We have internally expanded our missions. Now, we also want to be the best airline for the world. Aviation is a key driver of sustainable development, bringing people, businesses, and communities closer together. Safe, reliable, efficient, and cost-effective air transportation is an important component of a broader mobility strategy to foster development in an emerging market. Azul serves 130 destinations in Brazil and is a sole airline in 80% of our routes, providing an essential air service to these communities.

Each time Azul connects a new previously isolated destination with other regions of the country, it contributes to the local development, providing employment opportunities and stimulating trade, tourism among many other benefits.

In the second quarter, Azul supported more than 100 different actions, helping millions of people. We distributed more than 80 tons of food, over 500 organs were transported onboard our aircraft saving lives, and we delivered more than 20 million vaccines all throughout Brazil.

Wrapping up on Slide 19, it's important to remind you that Azul is emerging in a stronger position and we remain with our 2022 expectation that EBITDA will surpass our best year of 2019. We have unique and powerful levers to make that happen. We are now one of the only airlines in the world forecasting 2022 EBITDA above 2019. Yes. We will have some bumps in the road ahead as fuel prices and currency remain a challenge, but as we look forward, we will focus again on fleet transformation. It continues to be a strategic target for us to transform our fleet as quickly as possible with discipline and responsibility.

I feel confident that as vaccines continue to progress -- as vaccinations continue to progress, the economy reopens and corporations return to offices, we will see a strong revenue environment during the second half of the year. We've worked hard to put ourselves in a position, so we can take full advantage of it.

With that, David, Alex, Abhi, and I are here to answer any of your questions.

Questions and Answers

Operator

Ladies and gentlemen, thank you. We will now begin the question-and-answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2. For those following the call via webcast, you may post your questions on the platform, and they will be either answered during this call, or by the Azul Investor Relations Team after the conference is finished. Our first question comes from Hillary Cacanando with Deutsche Bank.

Hillary Cacanando

Hi. Thanks. I'm calling in for Mike. So thanks for taking my questions. It's really impressive that by end of the September, 100% of Brazilian adults will have at least one dose of COVID vaccines. So I guess, are you seeing corporations in Brazil mandating their employees to get back to the office this fall? And if so, what is your view of the corporate segment of your business? I mean, do you see you expect the full recovery by maybe early next year? I wanted to get your views on that. Thank you.

John Rodgerson

Yeah. We're seeing our office is now filling up. I think all throughout Sao Paulo the rodízio and -- for traffic in Sao Paulo is back on, restaurants are open, companies are coming back online. I think most companies will be in the office by the end of September and we're hearing that from all of our corporate customers. And so I'll let Abhi talk to how that's trending in terms of revenue demand

Abhi Shah

Yeah. Hi, Hilary. So yeah, we're definitely hearing from our corporate customers that as the second dose comes into play for the month of August and September, that they are coming back to the office, which obviously is a very good sign. So our corporate revenue recovery right now, the latest data, is at 60%, which has been a nice recovery, especially in the last couple of weeks. And this month, especially a lot of people will get second doses. So I think we are already leading -- Brazil as a country is leading many countries in terms of recovery, and Azul is leading that as well because of our diversified network and how we are exposed to different parts of the corporate business around the country, so it's not just finance, it's agro, it's infrastructure, it's energy, pharma, all those kinds of things.

And so we're seeing some segments of corporate already over 100% with for example, construction and engineering is already over 100%, but then we have finance at 36% for example. But where we are exposed to different parts of the country, our recovery is already at 60% and even with that, we're still booking higher fares than 2019. So as that recovery progresses, it's actually going to want to push the fares even higher.

Dan McKenzie

Okay. So in terms of -- so that's great. But I guess in terms of getting back -- in terms of volumes like when do you expect that recovery, I guess, to be relative to 2019?

Abhi Shah

Yeah. So right now, we're at 60%. I'm expecting steady improvement over the next couple of months. We'll have to see where we end up at the year, but I think we are going to be well ahead. I can easily see us being at 75%, 80%, 85% by the end of the year.

John Rodgerson

I think also want to highlight one thing that David had mentioned, there will be 600 million doses for a population of 200 million people. And so yes there are several individuals that got the Pfizer vaccine and others that got the Johnson&Johnson vaccine, AstraZeneca, and the CoronaVac, but Brazil has the ability to mix vaccines, apply booster shots, and so they have the availability to do that where many other countries in the world do not.

Hillary Cacanando

Okay. Got it. And then, as a follow-up, do you think average leisure fares are also going to remain strong into the third quarter, and how far out on the booking corporate customer is booking now?

Abhi Shah

So actually average leisure fares and corporate are both up. Leisure fares are more up as leisure has led the recovery in Brazil like elsewhere in the world. Leisure fares are actually up over 20% compared to 2019, while corporate fares are up around 10% compared to 2019. So leisure is leading, but again, as corporate comes back further, they tend to book closer in and they tend to fly more local, as we call it, or more non-stop which also pushes the fare higher.

The booking curve is moving out slowly, which is good because it shows more confidence that the customer has. And as the corporate traveler comes in, that will rebalance and come little bit closer in. So, you're going to have two movements. One is increased confidence, customers feeling better about planning ahead, spring and summer. But as the corporate comes back, the curve will move in as well. So I would say, on average, it's still further out compared to where it was in 2019, and as the corporate comes back, it will start to shift in again.

Hillary Cacanando

Got it. Great. Thank you so much.

John Rodgerson

Thank you.

Operator

Our next question comes from Savi Syth with Raymond James.

Savi Syth

Hey. Good afternoon. Just on the recovery as you're outlining and thinking about 2022, I am just curious what you're assuming in terms of capacity both at Azul and the industry, and generally, demand expectations and maybe some of the macro expectations? I realize this is just kind of a high-level plan but wondering what's underscoring that 2022 EBITDA outlook.

Abhi Shah

Yeah. Hey, Savi. In terms of capacity, the fleet is going to be largely unchanged and so it's going to be increasing utilization. And a lot of it also is just coming full-year of this ramp-up in capacity this year, right. So we had these sort of reductions in the second quarter because of second wave. Now, we're in the process of recovering it. We have -- as John talked about average fares, we've actually held -- we actually could fly more if we want to today, but we've

actually held the recovery at about 110% for the next few months, so we can give average fares a time to catch-up coinciding with the vaccines. And it's actually worked out better than I could have expected in terms of the average fares that we're seeing and that gives us a lot of confidence going forward.

So it's just going to be our current fleet and the capacity that we have in November December, just coming year around. So that's going to be -- that's where the growth comes from. There is no other incremental growth. So you can think of it as our fleet that we have today sort of normal utilizations just coming for a full year as opposed to having a ramp-up period.

Savi Syth

That's helpful. Abhi. And then, on the industry side, you've seen one of your competitors do an aircraft order and accelerating their fleet transformation and another competitor is still working through bankruptcy. Just curious what you think the industry capacity would look like in 2022?

Abhi Shah

Yeah. I mean they're obviously listening. So I don't want to tell them what to do, but what I will say is, I think that I've been very encouraged with how the industry has recovered average fares. At least, we've been very, very aggressive. And again, like I said, we could fly more if we wanted to today and we're not doing it and we're giving the market and we're giving demand time to catch up with average fares and unit revenue, right.

And we made that decision in July. In late June, as we saw the vaccination numbers pick up, we said, look, we need higher average fares and we want to prepare ourselves for the returning demand. And so that's the decision that we made and it's working out really well for us. And the industry has followed, and I think that I hope that they're seeing something similar to what we are seeing because I think it's good for everybody.

So I think, overall, it is going to be disciplined. I think that they also want to have a good year like everybody else. I don't see anybody attacking anybody or things like that. I think within their plans, they're going to want to be disciplined, and as are we. So our focus now is sequential revenue improvement. We're already seeing a nice recovery in August, in September, and I think the decision that we made to really force the average fares has worked out well for us and I think for everybody overall.

John Rodgerson

And Savi, I just want to add where Abhi has put this capacity has been in Campinas and in (Foreign Language) and in Confins. So we're actually significantly down in places like (Foreign Language) and then what you've also seen us do is we've added more cities to the map. So you actually have us accessing pockets of demand that weren't even online pre-pandemic. And so, the network is a little different than it was because there's more cities being served and much more focused on our hubs, where we have strength.

Savi Syth

That's all helpful. Thank you.

Operator

Our next question comes from Dan McKenzie with Seaport Global.

Dan McKenzie

Hi. Thanks, guys. Yeah. A couple of questions here. I guess, first off, one housecleaning. ASKs today are a very different story than departures. So I am seeing departures down versus ASKs -- relative to ASKs and are the current trends a reasonable proxy for 2022, or can you perhaps just flush out that part of the story, that up gauging story next year?

Abhi Shah

Yeah. Dan, I mean what's happening is exactly what we wanted to happen, the airline is becoming more efficient, you have less departure-related costs and you're generating more ASKs. It's a combination of aircraft size. We have 92s. We didn't have those before. We have A321s. We didn't have those before. And average stage length as well. So you will see -- if you noticed our stage length overall, is actually up even though we don't have 4,000-mile trips to the US and to Europe, right, like we used to. So our domestic stage length is actually up quite significantly, and even then, we're recovering unit RASKs, unit revenues. So I think that speaks further strength of what we're seeing on the domestic side. But yes, it is a proxy of what you will see in 2022, departures are down and more ASK generation.

Dan McKenzie

I see. Okay. The cash position today, how are you thinking about that use going forward? And I guess what can you share about your conversations with LATAM at this point? And if you get to a position where the two airlines can reach an agreement, is the cash that you have today sufficient to execute on a potential merger or how are you thinking about kind of the capital profile today relative to growth plans, relative to potential consolidation?

John Rodgerson

Hey, Dan. I'll let Alex talk about our current cash and then I'll answer the consolidation question.

Alex Malfitani

Yeah. So, hey, Dan. On current cash, it's consistent with what we've been saying. We were proud of the support that we got from our partners to get through the tough times that we had last year. And we committed to paying everybody back over time and that's what

we're going to do, right. We have, multiple years to pay everyone. This year, it's mainly a year where we're paying back suppliers. Next year, we'll start paying back the banks. The principal on the debt that was going to mature in 2020 and 2021, we renegotiated to start paying in 2022. And then, in 2023 we will start paying back the lessors. And we have multiple years to pay all of them back, but we can pay for that credit, for that support, a lot of it, with our own internal cash flow generation, but we will need to roll some of that forward, right.

We're not going to just pay 100% of our debt down all the time. We're going to look at our cost of capital, we're going to look at the instruments that we have, and we're going to strategically decide which debt we should pay down, which debt we should roll forward, which new sources of capital we can access, right. But we are still targeting to be above BRL3 billion at the end of the year like we guided a quarter or two ago. So some of the cash position that we have is intentional, right. We raised that capital so that we can use it to pay for deleveraging and to pay -- to invest in the future so that we have the fleet ready to fly 100% of its capacity whenever we decide to do so.

John Rodgerson

Yeah. Dan, we're not going to talk to specific about our negotiation strategy, but I will say that we believe strongly that consolidation is healthy, whether it's commercial or full integration and consolidation in the market. LATAM has their own process going on where they do have an exclusivity period as we speak, but I am very confident that it's in the best interest of all of their stakeholders and especially their creditors, because the synergies of domestic consolidation in Brazil are very large and that will benefit everybody. It will benefit pilots, it benefits suppliers, it benefits airports, it benefits the entire industry including OEMs. And so, yeah, we haven't given up on it. We're still looking at it. We're excited about the opportunities that exist. And we think there is a very favorable regulatory environment to do so.

Alex Malfitani

Yeah. And as John said, there are so much synergies, so much market value creation in any kind of transaction, be it commercial or strategic, that it's easily financeable, right. So the cash if it's required for any one of these transactions to materialize, will not be a problem.

John Rodgerson

We've had several inbound calls from some of the largest funds in the world wanting to finance the transaction. So we'll kind of update the market at the appropriate time but there's nothing to update at this time.

Dan McKenzie

Understood. Thanks for the time you guys.

John Rodgerson

Thank you, Dan.

Operator

Ladies and gentlemen, as a reminder, if you would like to pose a question, please press the star (*) key followed by the one (1) key on your touch-tone phone now. Our next question comes from Savi with Raymond James.

Savi Syth

Hey. Thanks for the follow-up here. Just a little bit more on the fleets angle that you mentioned before. Is the kind of net flat fleet just net of deliveries and retirements, and therefore, we will see more kind of up gauging into next year? And tied to that I was curious, given the kind of improvement in utilization and the cost restructuring that you've done so far, is it fair to assume that you can kind of get to non-fuel unit costs in 2022 that are better than 2019/

John Rodgeron

Savi, I'll let Alex address the unit cost, but that's why we're still here, right. I mean a lot of you would say, what the heck are you still doing in Brazil, you have been here 13 years. I'm here because we have 60,70 E2s coming on that burn 20% less fuel than the E1s, and they have 18 more seats. Every time we take an A320neo, it's got 56 incremental seats and burns as much fuels our E1s do. And so as you kind of fast forward, what would Azul look like, what we've seen with having nine of the E2s flying around and having 43 of the A320neos, it's very promising. So certainly unit costs improve, certainly, we can actually increase our ASK production with lower level of departures and the airline is a much more efficient organization because of the refueling that's taken place. And so we are several years in front of our competition on that front. And I think that that's what gets us so excited about this business.

Alex Malfitani

Yeah. Again, for next year the fleet is going to stay essentially flat if we choose to do so, but we have the optionality to advance aircraft deliveries forward, right. And so we will make that decision at the appropriate time. I think worst case, we'll stay flat to slightly down as leases reach their expiration date, but we have the ability to advance delivery of next-generation aircraft if we choose to do so.

On the unit cost side, I think everybody knows that the unit cost is going to come down dramatically from where they are today, right. First, there is operational leverage. We can generate a lot more ASKs essentially with the structure that we already have in place. A lot of the fixed costs that are already in our P&L, they will not go up as we bring the network and the capacity back, right. So that operational leverage is going to reduce CASK significantly.

And then, we also committed to you, right, and we reaffirm that commitment that we will be a more efficient airline post-COVID than we were. We already are. Just to give you an idea, at the airport level, we already process 50% more customers per airport crew member today compared to 2019. And we're pushing that number up, right. We have an internal goal to push it even further up and so we will be even more efficient. Some of it is up gauging, but a lot of it is technology, a lot of it is processes and in every area of the Company, we're committing to be a more efficient airline. So the bottom line is that when you get to 2022, if you control for fuel and FX because everybody I think has a different assumption for where fuel and FX will

be, but if you control for fuel and FX, our unit cost will be down from 2019 somewhere in the mid-single digits, right.

Then have to layer on your assumption for fuel and FX. If that assumption for fuel and FX pushes costs up, then the fact that we today have fares above 2019 levels should give everybody confidence that we will be able to recapture and pass-through cost increases to fares wherever they end up, right, because everybody in the industry is facing FX and fuel pressures. And so the capacity discipline and the rationality will allow us to continue pushing fares up if they're required. But in terms of unit costs, yeah, you can count on us being certainly a more efficient airline post-COVID as we committed to you.

John Rodgerson

One of the things too on the fleet, one of the big things was what are you going to do with the E1s. And so, Abhi has already found homes for six E1s flying cargo and by the end of the year, we will have as many as eight flying dedicated cargo aircraft on the E1s. And as you know, as those get to end of lease, our ability to renegotiate at a much lower average lease rate increases significantly. So we've even found a home and now, there is starting to be good tension inside the airline as to kind of what happens with those assets and so we feel very good about our fleet position right now.

Savi Syth

That's helpful. And just I realize this is several years out and which feels like a lifetime right now, but with the Lilium Jet, how do they fit within the network? Is it serving areas that you serve today or is it kind of making it easier for people to get to Azul flights or how do those aircraft fit within the network?

John Rodgerson

Hey, Savi. So we've made a notional network for the Lilium Jet and think about it as if it's not really the airport run, it's more large Metroplexes like Sao Paulo. You're connecting different suburbs, you're connecting something that will take a 2.5-hour driver or a two hour drive, is now of a 20-minute flight, right. So it's not really an Uber Black type service. It's something that's about 100 kilometers between suburbs, between downtown and beach destinations, between residential areas and -- so connecting different points within a large Metroplex that normally because of traffic and because of distance would take you over two hours, now takes you about 20 minutes. So it is much more aligned with intercity, intersuburban travel, rather than urban mobility, which is your classic 10-mile trip.

John Rodgerson

But Savi, I want to remind you, we fly caravans today right, and we fly to destinations like Angra and Buzios and (inaudible) and we get great average fares on those and they are 19 aircraft right. And so the Lilium Jet is 16 aircraft with much lower costs and so when we looked at it, it was a no-brainer for us.

Savi Syth

Got it. All right. Thanks very much.

John Rodgerson

Thank you.

Operator

Our next question comes from Dan McKenzie with Seaport Global.

Dan McKenzie

Well, hey, where is everybody today. Thanks for the time again here. Alex, on Slide 10, I see the maturity profile, but just sort of following up on my prior question, what could leverage ultimately look like end of next year and say three years down the road, and what leverage profile do you really want to see for Azul longer term?

Alex Malfitani

Sure. Yeah. So we were in the high 3s prior to the pandemic. One thing you need to adjust for part of that number was because we have a young fleet, and now with IFRS 16, a young fleet generates more debt on the balance sheet than an airline with an older fleet, right. So you have to adjust for that, but even without adjusting, you're kind of saying high 3s was kind of where we started the pandemic. We were shooting to get to the low 3s and that's what we're going to do, right.

As you project out our financials, you should see that we're going to get to a 5 handle fairly soon, essentially next year. And that quickly converges to 4, and then, it quickly convergence to 3. So we have a couple -- two, three years until we get to that target, but it's something that's very manageable, right, especially because we don't have a lot of debt maturities in the short term as you pointed out. So that's where we're going to focus on. Until we get to something that starts with a 3, we're going to keep all of our cash, we're going to reinvest it into business, we're going to use it to delever.

Once we get to 3s years, maybe we can start having the conversations that a lot of investors were pushing us on before the pandemic. A lot of investors were saying, hey, you got so much cash, when are you going to start paying dividends or buying back shares. Until we get to those leverage levels that I talked about, we're going to keep all of that cash, and then we'll see.

Dan McKenzie

Very good. Okay. And then, I guess just the second question here on the cargo part of the operation, I am just wondering if you can just help elaborate a little bit more on where you are today, where you want it to be end of next year, and how we should think about that growth trajectory as we head into next year and also head into kind of over your threeyear plan?

Abhi Shah

Yeah. Hey, Dan. So the logistics business is going to double from 2019 to 2021. We are well on track to do that. And I think we talked about this a lot in the last earnings call is, we're really seeing great strength in customers migrating from road to air, and so that's driving. We aren't really stealing share from our competitors. We're helping grow the market, and so I think that's sustainable growth going forward. I mean, next year, there's going to be strong growth as well. We have the E1s that John talked about, which would significantly help and we're looking at our dedicated freighter fleet as well. So we should have I don't know, 20%, 25%, 30% growth again next year as this momentum continues into next year.

John Rodgerson

Just to put that in perspective, Dan, we did BRL500 million of revenue from cargo in 2019. That's BRL1 billion this year. Abhi says another 25%, 30%. So let's just say it's BRL1.3 billion, that's BRL800 million more top revenue that we get out of cargo than we had in 2019, right. So that's the investment we made in the business over the last two years, that's clearly helping us get to a more profitable 2022 than we had in 2019. The investment is the dedication that we made as a team and it's paying off now. And certainly, the growth doesn't stop in 2022. The growth will continue into 2023 and in 2024 as we further invest in our logistics business.

Dan McKenzie

Yeah. Very good. And then, Abhi, while I have you, if I can just sneak one final one in here. This idea of a vaccine passport, is that a conversation that Brazil is beginning to have with Europe and other countries? And if you could just talk a little bit about how you see the international side of the business potentially waking up here?

Abhi Shah

Yeah. I mean it's still a little bit slow, Dan. I mean we know about the four task forces in the US with the UK, US, Europe, Canada, and Mexico. I think that the pressure is high to open those borders. And I think Brazil is on that list as well, especially with the numbers coming down here significantly in terms of hospitalizations, in terms of cases, in terms of deaths. So I do think that -- some countries like Spain, like France have started to open up with the vaccine requirement. We know about Greece. We know about places like that. Even the UK now with the US travelers. So I think, momentum is building.

Do I think it's weeks away? Probably not, but I think momentum is building. And I think that it's important for sort of these rules to be aligned as much as possible so that customers aren't dealing with different regulations for different countries. So I think momentum is building and I think it's going to continue to build towards the end of the year. We will take it as it comes for international. We're not going to force anything. There is significant pent-up demand, there is no doubt about it, but when those regulations open up and they kind of make sense, we will add back the service. So I would say, momentum is building, but I would say still probably maybe one or two months away not one or two weeks away.

Dan McKenzie

Thanks for the time again you guys.

John Rodgeron

Thanks, Dan.

Operator

Ladies and gentlemen, this concludes today's question-and answer session. I would like to invite John to proceed with his closing statements. Please go ahead, sir.

John Rodgeron

Well, I thank everybody for their time, and especially thank the Azul team for all the work that they have put in. And we look forward to talking to all of you. Feel free to reach out to myself, Abhi, Alex, or Thais, and have a great day everybody.