

## Azul Day

### December 7, 2022

#### Operator

Hi everyone. Good morning. Thanks all for coming here and those that are joining virtually. We are very happy and excited. Today our Azul Day, we are hosting our Azul Day here at Congonhas Airport, we will talk more about this today. So thanks everyone. Today presenting, we have John Rodgeron, our CEO, Alex Malfitani, our CFO, and Abhi Shah, our President. Before I turn the presentation over to John, we just want to show you a small video. So, thanks for coming, and welcome to our Azul Day.

#### John Peter Rodgeron – Azul's CEO

Welcome everybody. I'm pretty excited to be here at the Congonhas Airport. Those of you that have followed the Azul story for years, know that it's always been our dream to share our product and really be at this principal airport in São Paulo and what we get to do next year is very exciting. We're going to kind of walk you through that. It's been a couple of years of difficult times for airlines in the world, specifically Azul had its challenges with COVID pandemic, we focused a lot of our effort with investors and stakeholders about, how we manage that crisis, right.

And so we walked you through the management plan more than 12,000 people taking unpaid leave of absences, how we worked with our partners or lessors, how we actively went out and really managed a very difficult time when we had almost a year with no revenue, okay. And we're not going to talk about that today, that's the credibility that we have as a management team and how we manage through that. But what we're going to talk about today is, what we were in 2019 and what we are now in 2022 looking forward to 2023. Okay, we're going to talk through all of the metrics of Azul.

What Azul looked like? What country it looked like? Things that are outside of our control and things that are inside of our control, and kind of what those big differences are, and how we have improved the underlying business substantially since 2019. A lot of you think, oh, Azul has been managing a cash situation. Azul has been managing the COVID pandemic, we have and we've effectively managed that, but we improved the business tremendously in that same period of time, and that's what we want to walk you through today and show it to you.

So, I'm going to start with kind of some of the ugly stuff, okay. And so these are things I don't control, okay. In 2019, the currency was 3.95. This year, it's averaged 5.15, completely out of our control. So, let's just put the elephant in the room and say it is what it is, right? And so how can Azul effectively manage a situation where our currency is devalued 30%. That's what we had to deal with when we have U.S. dollar-based cost like fuel, aircraft rent, maintenance, that's a huge challenge that we have.

Going to the next slide, you see our fuel price doubled, once again, not in our control. So, how do you manage a 30% devaluation in your currency and a doubling of your fuel price, okay? And so now we're going to kind of walk through everything that we've done, but there's also one other big negative thing that I think the sell side likes to focus on, because the sell side doesn't believe enough in our business, okay, which is that corporate demand is also down, all right. And so corporate volume, people are on Zoom, so we can say hi to the sell side analysts that are in the United States today, and some of the buy side that's watching us. And so people are traveling less.

So, we'll give you that assumption for now, right. And we say that the corporate demand is down about 12%. So, we have the bad guy of currency, we have the bad guy on fuel, and we have the

bad guy on less volumes, you would say, jeez, what can they do to overcome these big challenges and how are they better effectively managing their business?

So, what have we done? Well, we've actually increased our volume, so we have 6% more domestic passengers, even though everybody told us that everybody is going to sit at home and watch Zoom calls, right? So, now we actually have more domestic passengers flying in the country. So, we're starting to make up for the high fuel prices, the devalued currency in volume. Going to the next slide, Azul gained market share. Every time there's a crisis, there's an opportunity to improve your business, and that's what we have done. So, we went from roughly 23% market share to a third of the Brazilian market in the last three years.

If you kind of go back to 2018, kind of pre-Avianca's bankruptcy, we were at 18%. So, we've gone from 18% up to 30% in a very short period of time, but now let's talk about revenue.

Our revenue is up 40% from 2019, 40% from 2019, that's with lower corporate volumes as we talked about. So, our business overall is significantly larger than it was in 2019. We're making up for it in volume. Going to the next slide, you'll see, look at what's happened with fares, okay. So, as you go to the next slide here, our fares are up 43%, guess what? When your currency devalues 30%, you need higher fares, and that's simply what we did. We've increased fares 43%, while we've kept stage length flat.

Think about that for a second. Our fares are 43% higher than they were in 2019. Okay. And I think that that's a huge testament to the strength of our business model, our ability to pass on fares, the strength of our network overall that Abhi will walk you through. Where we're the only carrier in a lot of the routes that we fly and there's good demand at the market. So, if you take any investor that bought Azul shares in 2019, nobody thought it was possible to increase revenue as much as we did. You just simply didn't think it was possible. But it was essential to do, because of the new currency environment and the new fuel environment.

And, and as you look at this, it's interesting to see that the market, these are the new market fares. And in the last 30 days alone, heating oil, which is the derivative that closely matches jet oil, jet fuel is down over 20%. It's down over 20%, while we still have these fares, okay. And so that's moving forward the strength of the business. As we go to the next slide here, you can see what we're doing on unit revenue, passenger revenue and overall RASK, up significantly. And Abhi will walk you through how he's been able to do that. So, as I look forward to the next slide here, our average fare is up significantly. Our revenue is up significantly as well. This is on our corporate fares, right. So, even though the volume is lower, the corporate customers are paying significantly more to travel, right. And I think that is the big difference as to kind of where we are today. Now, let's take a look at the leisure segment, because a lot of people said, oh leisure is just the pent-up demand, it's not going to come back. But let's take a quick look at the leisure market. This is the leisure market here. What we've done in average fare, our leisure demand and revenue growth. I am going to pass it over to Abhi to kind of walk you through how he's been able to do that, and why we think this is the new norm in Brazil and we'll be able to maintain these levels going forward.

### **Abhi Manoj Shah – Azul's President**

Thanks John. Hey everyone. Good morning. Great to see all of you in person, especially very happy to see that there're so many Azul crew members here, and all of you online as well. So, as John talked about the secret to revenue performance this year has been average fares. And he's right, if you asked us, you asked the competition six months ago at the start of the year, would it be possible to get fares at these levels and sustained at these levels? Probably none of us would have said it would have been, it actually has happened and it's been sustained.

And one of the questions was, is this pent-up demand, or is this really sustained demand? And the example that we use is the leisure market. The leisure market was one of the first to break

pre-pandemic levels, in terms of revenues and it's actually gotten better and it's sustained. It's been over 14-16 months of strong leisure demand. And that's something that's, answers the question that is this pent-up demand or is this the new level of demand. And I actually think us and the industry have done a really good job of maintaining that discipline and focusing on what's important which is higher unit revenues and higher average fares.

And I think we've gotten used to these results and I think the customers as well have gotten used to this. We're not seeing customer, of course customers would love to pay less if they had the opportunity, but we're not seeing any resistance in terms of the traffic, in terms of the volumes in terms of customer feedback even. And so we really think that as John said, even if you were to come down and it has come down the last couple of weeks at the industry and us for sure, we're going to be maintaining these fares based on strong demand based on seasonality to make sure we can take advantage.

So this really I think is a structural shift in how the industry is behaving, and I think it's a very positive shift in how the industry is behaving. That's on the domestic side. If you look on the international side, something similar has happened also, our international unit revenues are up 70% compared to pre-pandemic and those of you that have flown have seen the average fares on the international markets as well. We've slowly brought back international capacity. We are still not yet at pre-pandemic international capacity, we are domestically, we're about 20% above in domestic capacity versus pre-pandemic. But we're about 10% to 15% below international, and we are ramping up slowly.

So by the end of this year, by the end of first quarter next year, we will get back to 100% of international capacity and that's coming at very, very healthy unit revenues. And that's a very small part of our business, but 15%, but it's coming in at very, very healthy unit revenues and very, very strong average fares. So this is also a very, very good sign as we head into next year where most of our capacity growth is going to be from international, because of the ramp-up effect of this year.

And so we're going to be adding that capacity, bringing back that capacity at very, very healthy unit revenues and in a very, very healthy market. And it's also a market that is constrained by capacity, you know the, our friends in the U.S. have talked about pilots and aircraft and how they're having to manage their networks and that is being translated into international capacity. The U.S. Brazil market is still down in capacity 25% to 30% versus pre-pandemic. The Brazil Europe market is still down in capacity versus pre-pandemic. And so we are slowly bringing that capacity on in a disciplined manner to take advantage of the very strong market dynamics in international.

And we continue to see strong bookings, we talked about in our October traffic release that October was a record unit revenue month. We just finished in November, it is another record unit revenue month, right, not revenue absolute, unit revenue, revenues per ASK, we're setting records every single month. And we continue to see strong bookings volume for the future as well. November was also a record bookings month for the future in terms of our passenger business and all the business units as well which we'll talk about a little bit later. So, as we head into now our peak seasonality, which is November, December, January, Carnival, March, Easter all the way through until April, there's good seasonality ahead of us and a good competitive environment, a good fare environment for us to take advantage.

Our network continues to develop and we're very happy with how the network has developed since the pandemic. So we are, December 16th, we should get to 1,000 peak daily flights. So that's, we are in terms of our reach, our network is broader. We have more destinations, approaching 160 destinations. And we use connectivity very much in our favor, as you can see on this slide. And so, we've developed a network very well since the start of the pandemic. We've added destinations, we've added connectivity we've, and we've done all this within the strength of our network.

If you look at our competitive position, 80% of our routes, we still fly alone, and this is as we've grown. And what's interesting is that since we went public since 2019, as we have grown, we've continued to maintain our leadership position where we fly. So this number of 80% has been very constant over the last several years, as we've added capacity, as we've grown, because we are focusing where we are strong. And what makes us strong is our connectivity. We are the broadest network in Brazil, in terms of destinations, in terms of departures and we use connectivity all over the country.

So, in the North for example, Manaus and Belém, are key focus cities for us, in fact we'll be just starting on December 15th Manaus to Fort Lauderdale and Belém to Fort Lauderdale, with our narrowbody aircraft, right. Providing great connectivity for that part of the region, not have to come down to São Paulo and then go back up again, to the U.S. And great connectivity within the region. Lot of these routes are uncontested routes. We fly them with ATRs, some with Caravan, some with Embraers. Some of these routes in the pandemic was a Caravan, now is an A321, right. Because that's the flexibility we have with our fleet, and that's the connectivity that we drive. So the North is important for us.

Recife. Right. Is our Northeast hub, in the U.S. it's like San Francisco or Los Angeles basically. We connect to all the capitals in the region, great demographics in Recife, corporate, very strong corporate demand. I think the strongest corporate demand in the northeast is in Recife. The strongest demand generation of any city is in Recife, and it's become a technology center, become a manufacturing center. It's a great cargo market, a very dense cargo market. And so Recife has been one of our fastest growing hubs, and continues to do. So we're very, very happy and a lot of connectivity going through the Northeast.

In the Midwest, the agro region, Cuiabá is our focus city and obviously very, very strong with the market there, the demographics in the region. Many uncontested markets here again, using the fleet flexibility that Alex will talk about next, and really using the combination of small aircraft, feeding medium-sized aircraft, feeding larger size aircraft via our focus on cities and hubs. The south of Brazil which is São Paulo, Campinas, southeast, of course is our largest hub. 200 daily departures just from Campinas all of our international except for Recife now, the largest domestic single airline hub in South America. So, driving a lot of connectivity, and also a lot of local demand. When we first started Azul, we were unsure how much demand there was in the region. So, we have the buses from São Paulo coming to Campinas. Today that traffic is less than 5% of our demand that goes in and out of Campinas. Lot of corporate demand or demand generation in the region has grown and we have grown with it. So, we're very, very happy of course with Campinas.

And in the South, Curitiba and Porto Alegre, we use the Caravans, we use the ATRs to feed into our network. Brazil, is mostly a North-South network because of the geography. So a lot of traffic starts in the South, go through the Midwest and goes to the North Northeast. So that's the structure of our domestic network and it works really, really well. Lot of competitive advantages, structural competitive advantages, combining the fleet flexibility with the structure of the network.

And we've done something similar as well on the international side, this is sort of a quiet development, but we are now very relevant with many partners around the world. And so, we have connectivity with United with TAP with Copa and lots of airlines around the world that fly into Brazil, and we give them connectivity in São Paulo. But also as some of those are lines look to the other cities around Brazil. TAP for example in Belo Horizonte, Copa in Belo Horizonte, or Air Europa in Salvador for example, we have the most destinations of any airline and so we provide a lot of value to these are lines as they want to explore not just São Paulo but also other parts of Brazil.

So we are actually a relevant partner for these international airlines flying into Brazil. And we've done something similar for our long haul network. And this is again, has been acquired

development but we've slowly been increasing our capabilities via our distribution, via our site, our app. So that you can actually buy the partners and have really seamless experience Azul to TAP or Azul to United as Azul to JetBlue. And so just in Europe we serve all the capitals, right, via our double daily flights to Lisbon, and our partnership with TAP.

And in the U.S. with United and JetBlue with all the major cities and the Caribbean, Cancun, Punta Cana, New York, Boston, Las Vegas, we have that one stop connectivity with our partners in the U.S. as well. And this is, why is this important, because it adds layers of demand. It adds layers of demand to our international flights to our long-haul flights that we didn't have before. And this is responsible for some of the RASK improvements as well.

So any long-haul airline will tell you that connectivity is important and this has been a really a structural change in how we distribute our partners, how we, so you can go on a Azul's app and you can buy from Curitiba to Boston on the app, exactly the same way that you would buy Curitiba to Salvador. Exactly the same experience and it's really significantly increased how we're able to sell our partner and bring demand to our network, and that's obviously going to be very, very important as we grow our international network next year. With that, I'll hand it over to Alex to talk about the fleet.

### **Alexandre Wagner Malfitani – Azul's CFO**

Hey, everyone. So, Abhi just talked a lot about one of our big sources of competitive advantage, which is the network and how the network is significantly better today than it was in 2019, right. And that in spite of the fact that, for example, corporate hasn't recovered fully and you still have a lot of airlines around the world that haven't come back to the same level of connectivity that they had pre-COVID. We're back and way bigger than we were before. So, the network's a lot stronger and the fleet, which is another source of competitive advantage is better as well.

If you remember what we had discussed when we entered the pandemic, we said, we were going to keep the fleet fairly constant, right, it's going to go up a couple of aircraft here and there, but the main thing that we're doing that we're way ahead of the competition is, we're replacing our old generation aircraft with next-generation aircraft, right.

And now with demand coming back, if you remember, we postponed all the deliveries that we were going to get in 2020 into '23 and '24, and now '23 is here, right. So, we can resume that fleet transformation, so you can see that the fleet is going to stay fairly constant, we are going to increase capacity by the kind of mid-single digits, but most of that capacity growth is international, it's not domestic, it's the strengthened international demand that Abhi talked about, that's coming back.

And so we can utilize our wide-body aircraft for international destinations as we did before and also the upgauging, right. When we go from an old generation E1 to, for example, an A321, we had almost 100 seats, but we don't necessarily add departures, right. And the unit cost on those seats is so low, that we can stimulate demand without having to interfere with the original demand, right. So, this is very healthy, very disciplined growth, enabled by these amazing economics, right.

A lot of you may think, hey every airline is going to go from old generation to next generation, but Azul is different because we're going to go from old generation to next generation, small to big, expensive to cheap, right. This is the unique advantage that Azul has, which drives these economics that when we go from an E1 to an E2, every seat is 26% cheaper to produce. And when we go from an E-1 to an A321neo, 34% reduction. And the airlines that are going to go from old gen to next-gen are going to see 12% reduction, 13%, 14%, nothing like what we're seeing, right.

And we already had best-in-class margins before the pandemic, right. So, this is actually going



to help us expand and go beyond the profitability that we had. The other nice thing is that all of these aircraft, we'll get to utilize them a lot more. The way our network has grown over time, we can deploy these aircraft in longer routes, get higher efficiency from them, and so you're generating also more ASKs, again, without necessarily adding departures, without adding cost, without having to compete for that additional capacity that you're offering.

And we're way ahead of the competition in terms of fleet transformation, we already have 70% of our capacity coming from next-gen, low fuel burn, low carbon emissions aircraft, and we remain committed to being 100% by 2026 and then we'd love to be there tomorrow, right, because those will show you again a little bit of the economics on the fleet transformation. The best thing we can do is go as quickly as possible to next-gen aircraft, but we have to wait for the operating leases on the old aircraft to essentially expire, so that we can replace them with next-gen.

But this is sort of the plan for the next few years, until we get to 100%, right. So getting a little bit into the details of what kind of benefit this brings and why this fleet is so much better today than it was in 2019. We're burning 12% less fuel per ASK than 2019, right. We actually started our fleet transformation in 2016, right. So, if you go all the way back to when we started this fleet transformation the reduction is even higher. But just from 2019 to today it is a 12% fuel consumption reduction, right, which again translates directly into higher profitability, since fuel is by far our largest expense line item.

Then there's the upgauging. Remember everybody is going to a lower fuel burn aircraft but normally they're going to go from a 737 to 737 or A320 or A320 we're going from an E1 to an E2 or an A320 or A321. So we upgauge and we increase the average size of the aircraft per departure which gives you economies of scale. Drives higher productivity, across the board right, it reduces unit costs same thing with international right. We're going from an A330 CEO to A330neos and A350s essentially they burn the same amount of fuel, but they generate a lot more seats and you get a significant economy of scale here.

And this is just summarizing, just using kind of like for like, the Embraer E1 to Embraer E2. One of the things that is part of our story obviously the Embraer is a big part of how we built our network, a big part of our success, but we have very expansive E1s, right. We took the E1s, when we were a brand new airline, a start-up airline, not established, we hadn't established our credit history yet.

The cost of capital at that time was very high, and there was a shortage of E-1s at that time, right. So we pay about, like you see here in terms of rent, we're actually going to see a reduction of 20% in the rent that we pay for an E2 compared to E1. And this is a bigger aircraft which burns less fuel, right. So normally if you go from a small aircraft to a big aircraft or from a high fuel burn to a low fuel burn aircraft you would expect a higher rent. I because some of that benefit that you're getting, you're going to have to give back to the manufacturer. We're actually going to pay less rent per E2 than we pay for an E1.

### **John Peter Rodgerson – Azul's CEO**

Hey, Alex, If I could just add, as because we're so far along in our fleet transformation and our competitors are behind us, the cost of capital in the world has gone up, that's the new norm. And so the fact that we've already locked in these lease deals well in advance, this advantage will carry with us for the next decade as well. Because as somebody replaces the 737 with the 737 MAX, a CEO with a NEO, they're doing that now with the higher capital cost that exist in the world today.

So the fact that we will be 83% of ASKs next-gen in 2023, when our primary competitors are embarking upon that journey right now, it's a competitive advantage that we'll have and hold with us for the next decade.

**Alexandre Wagner Malfitani – Azul's CFO**

Yeah, that is exactly right. I mean for a brief period of time, obviously during the pandemic, aircraft was cheap, right. If you had the ability to take aircraft, you could get it for a very cheap price.

The problem is, if you didn't do it then, and you're going to start your fleet transformation now, like John said, you're going to start paying market, if not above market kind of prices for the aircraft because there's a shortage of aircraft especially on the next gen narrowbodies. And when you're going to finance that aircraft because nobody's going to pay cash for the aircraft. Either if you do it, though the financing lease or operating leases, you're going to be paying the interest rates that we're all seeing in the capital markets today, right.

So this could mean represent an increase of 25% on the monthly lease of a 737 MAX or an A320neo, right, compared to what we'd locked in. For example, because we'd locked the majority of our next-gen aircraft when capital was a lot more affordable. And then obviously fleet transformation is a big part and the fuel burn reduction from the fleet transformation is a big part of increasing our efficiencies, reducing our unit cost, while we have to look at the whole organization, right. Fuels are biggest line item, it was about 35% of our operating expenses pre-pandemic. It's over 50% now, because of the higher cost of fuel. So, everything, we can do, to reduce fuel burn represents a big, big cost savings, right. So we're looking at everywhere in the organization to fly more efficiently, right. We're getting rid of paper on the aircraft, we still, we're carrying in some of our aircraft, a lot of paper manuals that we got rid of those. We're using last generation software to optimize our flying, there's a lot, we can fly a lot better, there's an example here that through the use of software and coordinating with air traffic control.

The old way that we used to fly from Florianópolis to Campinas, and the new way, right. We used to actually have to go essentially to São Paulo first, right. So we kind of deviate from the straight line, and then cut over and go to Campinas, right. By coordinating with air traffic control we're eliminating that type of inefficiency. We're still not flying as the crow flies, but we're getting closer and closer, and we're working a lot to do that.

With fuel at R\$ 6 BRL a liter, we cannot use the APU, right. The auxiliary power unit that you have in the back of the aircraft to maintain the aircraft cool, to provide power, there's a lot cheaper ways to do that with ground power, right. And so, we are deploying ground powered units or combos throughout our network to avoid the use of the APU. The APU is also, also has a very high maintenance cost, which is paid in dollars, right. So, if you can avoid that maintenance events with APU, again with the reality 5.30 BRL, it's a big cost savings. So there's a lot of initiatives that we're pursuing to reduce burn, all of them together can add to about BRL250 million in annual cost reduction, and a huge reduction also in carbon emissions obviously.

So this is also something where we're better today, than we were pre-pandemic. Another thing we didn't have during the pandemic, before the pandemic is our hangar, right. We kind of initiated construction at the end of '18, and now we have the largest hangar in Latin America, which was an asset that's continuously providing benefits and cost savings to us, right. First, we're insourcing, essentially everything but engine maintenance, we can do inside of our hangar. So, we avoid ferrying that aircraft to somewhere around the world, right, for that aircraft to be maintained. We're also paying the labor of that hangar in reais, right. When we sent that aircraft to the U.S. to do maintenance in the past, we had to pay for that labor in dollars, right. So, huge, huge cost reduction. Also it's great for parking, it's very expensive to park an aircraft at an airport, and this is free parking space because we essentially have all the space in the hangar and also around the hanger, which is a big cost savings for us as well.

So, all of this together, we spent about BRL150 million to build this hangar. So, in last in two years, we already got a pay back on it. This is all about critical mass, right. If you're big enough,

if you have enough volume, it makes sense to have a hanger and we've gotten to a size where it makes a lot of sense for us to have a hanger like this, and we get very high productivity out of it.

### **John Peter Rodgerson – Azul's CEO**

Thanks, Alex. I think I've been quoted as saying, and I really believe this, Azul is not an airline, okay. And I know that maybe strange, we are not an airline, we're a company of people, we're a giant family that takes care of one another. And I think the passion of our people drives unbelievable great results. And I'm going to walk you through what some of those are.

There's a saying that many of you have heard, that culture eats strategy for breakfast, and Azul's culture is very strong, and we're going to kind of walk you through that. And so if you take a look at this, once again, comparing where we were in 2019 to where we are in 2022, look at our NPS score, customer satisfaction, it's up significantly, up seven points in NPS from 2019.

This is during a pandemic, people, this is during the time when we asked people to take an unpaid leave of absence, this is during a time when people feared for their jobs, and look at what we've been able to do. If you take a look at [consumidor.gov](http://consumidor.gov), [reclameaqui](http://reclameaqui) and I encourage each of you to go on their sites and just search how is Azul compared to the competition. You'll see our customer complaints are half our next closest competitor, half our next closest competitor, right. And at [reclameaqui](http://reclameaqui), we consistently win their awards, but let's kind of walk through some of the statistics, okay?

Azul and the Azul brand, this is our NPS stacked up against some of the best brands worldwide. You can see Costco, Samsung, Apple, and look at where Azul stands up. That's why I'm so excited about Congonhas. When somebody has the opportunity to fly our brand with our Wi-Fi, with our amazing people onboard the aircraft, why would anybody want to fly anybody else, right. It's just an unbelievably great experience to be with our people, and that's what's so exciting as we move forward.

### **Alexandre Wagner Malfitani – Azul's CFO**

And just to note because the bar is a little small, you may not notice, the average airline in the world has an NPS of in the 20s, right. So, an NPS in the 60s for an airline is really remarkable. And we grew it from 57, which again, was already a very high bar.

### **John Peter Rodgerson – Azul's CEO**

And Abhi always talks about this, people pay more to fly Azul because we treat them better, right. It's an experience to fly Azul. It's not just flying from Rio to São Paulo, it's an experience. Many of you are watching the games, right, you can watch the games on our aircraft, right. And it's just an unbelievable great experience to be with our people.

Our on time performance, okay Abhi showed you how we've increased our daily flights from about 900 to 1,000, we've spread the network to 168 cities and at the same time we improved on time performance. That's a pretty amazing feat overall if you think about it. And how do we compare worldwide, let's do that because forget locally how do we compare worldwide, in March we're the most on time airline in the world, we did it again in July, we did it again in August and every other month with the exception of January, we were top five in the world and on-time performance.

And when you think about bringing the Azul product to the Congonhas Airport which is primarily a corporate airport, right having a great on-time performance is essential. It's essential for Brazil, now I've talked a lot about the civil lawsuits that exists in Brazil, right. And I kind of made a joke that every flight that we lose a bag, it has a wedding dress in it, right. And so because the world's



Brazil has 3% of the world's flights but 85% of the lawsuits right. And so running in on time airline makes you a more cost-efficient airline, right and so it's essential that we do that.

We consistently win kind of the top awards in the industry, interesting fact that Abhi likes to remind everybody the last time TripAdvisor gave an award for the best airline in the world it was Azul, it was based on 2019, they stopped giving it because I think we just keep winning it, right. And so they haven't given one since they gave it to us and so we are an unbelievable great airline, but we're an unbelievable great airline because of our people.

And I want to show you the performance of our people and then I want to show you a little bit about our people. Our airports are 18% more efficient. Remember we're 18% more efficient and we increased our on-time percentages by five points okay. Take a look at our call center our call center is 17% more efficient. Our cargo department that they are 55% more efficient as they've more than doubled and are on way to triple the cargo revenue and look at the efficiency that they're driving. But take a look at this, this is really important every year in the month of October, we do a crewmember satisfaction survey, okay. And so, this is 82% of our people participated in the survey to give us feedback, to tell us how we're doing and take a look at what's happened to favorability inside the airline. So compared to 2019 we're 86% versus 76%. That's why we have a more efficient airline, that's why we're pushing our people to deliver 1,000 flights a day, while we're flying to 168 destinations. Because it's a people business and the people matter and our greatest asset is not the E2, it's not the 321. It's our people and our people make a difference. And our people showed you, how we're going to respond to the challenges that we have.

And I tell you any challenge that comes this way, we managed an airline a full year without revenue because of our great people and our people matter. And so if you have the ability to bet on somebody bet on great people and our people are the best in the business by far and they stood up, it was interesting I was in New York and I was talking to, I'm not going to name the fun, but she said Oh back in 2020, it was April, May of 2020, when we started to organize, because we were sure you were going to miss your coupon payment. And I said, don't you remember, we had 12,000 people raise their hand to say, we're going to save this Airline. That's culture, and culture is really, really important, and we invested it.

And our people are not only doing great things inside of Azul, they are doing great things outside of Azul. We have more than 4,000 people that are volunteers. I was in my office last night and somebody came in and they showed me what they did in Aracaju. They took, in organization that had abused children to come to the airport, all the airport did it without the knowledge of me, without the knowledge of Alex, Abhi our President. Nobody knew the airport in Aracaju said we're going to go take care of these young kids, took him to the airport, opened their eyes that they can dream to be flight attendants, mechanics, pilots. People matter and we have the greatest people in the world.

And I think that, I wake up every day, I'm passionate about this country. I'm passionate about our people, because we're changing Brazil. We're changing Brazil every single day, and I think as you look at Azul, that matters. And every time I go to Brasilia, I tell them, I've got 4,000 people that are doing good in the world. And so, anytime you guys have a problem, we had in Santa Catarina, we had this big mudslide that happened just week or two ago, right. Azul's there, Azul's there to help. Because every Brazilian needs to do their part, and I'm very passionate about what Azul has done. And we have a lot of fun doing it too.

This is our Halloween that happened. This is our entire executive team here that got together and so, we decided, hey we're going to celebrate Halloween, it's an American holiday. Let's have some fun with it. And we did, and you could see our people step up, and they love to come to work. That's why our turnover is at record lows, and our ability to continue growing this business is really crucial to us.

And, I Just want to, kind of, highlight something here before I turn it over to Abhi, to kind of walk

through our business units. Culture matters, if can, if you get anything out of today, culture and people matter. And we have a university that many of you have visited and we do more than 50,000 trainings at our University a year. And that's where our people get together. They see crew members from other airports, and it's one of the greatest places for our culture is our University. And we're the only ones in Latin America that has their own University. And that's key to, kind of, who we are.

Being a people business, we need to continue to invest in our people. And I want to kind of give you a statistic. We had 1,500 Azul employees were promoted in calendar year 2022. 1,500. What does that mean? That means that somebody starts out as a call center agent, they start out as an airport agent, they're dreaming of being a flight attendant, they're dreaming of being a pilot, they're dreaming of being a supervisor.

So when you go to the airport, the person that's checking you in at the counter, they're not just an airport agent. They have a career inside of Azul, they have the opportunity to grow. And that's why our airports are 20% more efficient, because we only promote the best. And they go to work every day thinking about their career inside of Azul. And I have a dream as a CEO of this company, that I only want to promote from within, and I told them, I'm not leaving Azul until every single promotion happens internally, every single promotion happens internally, because we have the great ability to continue to grow our people.

And when you have a flight attendant that worked at the airport, she's going to be a better flight attendant. We have a pilot that was at our call center or worked in our safety team, he's going to be a better pilot. We have a maintenance technician that came from engineering, they're going to be a better maintenance technician.

And so the people is our focus and that's what got us through the toughest times, and that's why when people say, Jeez, the challenges of currency and fuel, when you have a pilot group that's engaged and loves the company, they're going to help you save fuel.

When you have an airport team that loves the company and is thinking about their future and they want to see new aircrafts coming, they're going to help turn aircraft a lot faster, they're going to help give great customer service.

With that, I'll pass it over to Abhi.

### **Abhi Manoj Shah – Azul's President**

Thanks, John. Getting back a little bit to numbers, talking about the business units, but before, I want to correct one thing that John said, no one will check in at the airport, okay? Do yourself please on the app. It's much better and it makes us more efficient.

But talking about ancillaries, this has been a really positive point. This year we've grown ancillary revenue significantly on a per passenger basis. I just remind everybody, our product is completely unbundled, right, so, we charge for seat assignments, we charge for baggage, we charge if you want to, obviously, change your flight, cancel your flight, all that kind of stuff. And so that's allowed us over time to really unbundle our product more, add more services, and increase significantly our ancillaries revenue per passenger as well. So, it's grown 40% since the pandemic and we see more growth next year as well.

Cargo, so we have a couple of our cargo team here, Isabela the Director of Cargo is here. And it's just been a really, really great story talking about Azul Cargo. We've talked about it a lot in the past, but the growth continues from 2019 to this year and next year as well. And what we are bringing to the cargo market is less cargo, more logistics, right. We just announced Amazon a couple of weeks ago, and what we are doing for Amazon is logistics, it's door-to-door logistics.

We are one of the few, if not the only, air logistics operator that will go to the house or the apartment of the seller, take the package all the way through our cargo terminal on our airplanes and deliver it via our last-mile partners to the buyers home, right. That entire chain is what we provide via, obviously, our schedule network and our network of partners all around the country.

So, we are the largest air logistics provider in Brazil. We have about a 33%, 35% market share, and the way we do it is a combination of our schedule network, a 168 destinations, 900 to 1,000 departures a day, and using a schedule network, using the belly capacity, which remember is very, very profitable.

The aircraft is going anyway, the fuel is going anyway, the crew is going anyway, and to the marginal cost of putting a 2 kilo package in the belly is very, very low. And so you can really take advantage of that scale and provide quick delivery times. 66% of our deliveries are within two days or less. We deliver to 2,000 cities within 48 hours. And so that's why someone like Amazon came to us and said, I need you in these cities, where I cannot deliver packages so fast. And we know the quicker you deliver packages, the more people buy and that's just a virtuous cycle.

We have a partnership with 300 partners all around Brazil, serving 4,500 zip codes around the country, and they helped us with bringing demand and they help us with first mile and they helped us with last mile of delivering. So we have a range of products between industrial, supporting auto manufacturers, pharma as well as e-commerce with that the largest e-commerce players all over Brazil.

So we have a mix of products from our express services to our standard services, but really what people are looking for is fast deliveries and that's what we are providing. We are the end-to-end solution and the middle of that is the schedule network.

So we have grown in terms of market share, again it's not a target of ours, but it's just been a consequence of the unique product that we deliver. And most of the growth this is where we're really excited is that most of the growth is coming from customers previously used road, right, they previously use road and now they're using air, and that market is still very, very large.

The air logistics market in Brazil is probably BRL5 billion and we have about 33% of it. But the road market that could go to air is BRL45 billion it's 15 times, it's much, much larger, right. And so that's what we're very, very excited about. And that's what we are seeing more than half of our revenue growth is not coming from our competitors, our market share is not because we've stolen customers from our competitor, because they can steal them back that's easy, that's not sustainable, but it's coming from customers who previously never used air logistics.

Customers that were shipping via road 7 days 10 days to Salvador to Fortaleza to Belem and now we get it there in two days. Much more reliable world-class reliability that John talked about, right, maintaining all the top safety security standards and all those kinds of things. So this is what we're really excited about and this is why we believe that the logistics market will continue to grow, and we can capture a large part of that growth.

The other business unit that we have talking a lot about lately is Azul Viagens. Chris is here, Daniel as well they run Azul Viagens for us, and it's just been an absolute blowout year for a Azul Viagens. What happened for Azul Cargo last year has happened for Azul Viagen this year in terms of the growth in the vacations space, in the leisure space.

We are the second largest vacations provider in Brazil now behind CVC, CVC is a lot larger than us, but there was this huge vacuum and we've been able to take a lot of that space. We are the largest vacations provider and several of the key cities in Brazil like Porto Seguro for example, and we're just seeing a lot of opportunity. And again a combination of our regular schedule network, and most interestingly and this is where I think we bring something very, very different to the table, our dedicated network that we do primarily on weekends.

Weekends as you know have less corporate demand, have less corporate traffic, so you have aircraft sitting on the ground. And so if you put them together with a vacation network like this, you're able to provide high utilization for the airline, and a unique service, a unique product for the customer. So just this summer season alone we'll have 2,000 dedicated flights, just for our vacations business.

80% of these routes, they never had service ever, and we're able to bring that on weekends. So, someone in Uberaba, someone in Rio Preto, who otherwise have to connect in São Paulo, they can now go non-stop. And what's going to happen? They're going to go more often. And it's not like we're selling these cheap, right. In fact, our average fare on these flights on weekends is higher than the average fare on the other flights, the regular flights on weekends.

And so, again as we have done so much in our past, we use the network, we use service and we use convenience to really grow the network. And so we're very, very excited and we have a business plan going forward. We're looking at other channels in the vacations phase that we think we can significantly grow this revenue. And so we're very, very excited about what's happening in the vacations business and putting that together, driving incremental traffic, incremental revenue and incremental earnings through Azul overall.

And finally Tudo Azul and this links very, very well into Congonhas, which we'll get to in a second, but it's also having an extremely strong year. Gross billings are up, almost 80%. Record customer engagement. Our customer activity is higher than ever, and they're actually paying more. I'll show you that in a second.

But we've expanded our portfolio. We've expanded our partners, and we've grown our membership. So we're now up to 15 million members, and they're actually paying more, right. And so I don't know if any of you have tried to redeem, a ticket in points. But it's expensive, right. But we are seeing record customer engagement. Our average redemptions for domestic is up 76%.

Our average redemption for international is up huge, and people are really, really using the points plus money option as well. And so 30% of all of our loyalty redemptions include the points plus money, which is a nice way to make loyalty accessible.

If you don't have enough points, then you use a little bit of money to make that little bit more accessible. And here's the national, right, it's double, so we're over, over 100,000 points per person, per each direction on one of our International, on average, one of our international redemptions to the U.S. or Europe. And we're seeing very, very strong customer engagement.

Our bank transfers are very, very strong and our B2C program, which is our Club and the Credit Card. The credit card has been a really standout success over the last 18 months. And what's really, really cool about our credit card is that 35% of our Itau card emissions are our platinum or infinity, right, which is the high-end of the range.

And so as you think about now credit and customer credit, we are actually insulated a little bit from that, because these customers are not nearly as impacted. And so even though you might see a tightening of personal credit in Brazil, what we are seeing actually is the spend on our credit cards is increasing. The spend on our credit cards is increasing and of all the spend that customers are doing in total on the credit card and on the travel sector, 75% is on Azul.

And so, if you ask our partner Itaú, the customer loyalty within our credit card it's one of the highest if not the highest. So very, very loyal customers when they spend their credit cards on travel, they do it on Azul and a great demographics in terms of customers. So they continue to spend, they continued to travel. And so we're actually seeing are gross billings from the credit card business increase every month even though we are seeing a slight tightening of the credit

sector over all. So very, very strong demographics.

We have a great set of partners that were adding all the time from the banks to retail and also international partners. So again this is a quiet development but we have a very, very unique product when it comes to loyalty redemptions not just for Azul but for international travel. And so you can travel within Europe if you want from Lisbon to Paris you can buy a ticket using points, you can travel within South America like Buenos Aires if you can travel even though Azul doesn't even fly there, but you can do it via our partners on the loyalty side. So, we're actually building out a really great portfolio of partners and different ways for our customers to use their points.

Little bit of São Paulo and Congonhas and this is what gets us excited and why John is so excited about Congonhas is that Azul is still small in São Paulo, right. Everything that we have achieved we've done it primarily outside São Paulo. And that's been great because it's all been unexplored. Campinas had 10 total departures before we started. Now we alone have 200, right.

Places like Cuiaba, places like Belo Horizonte, like Recife, all unexplored to the extent that we have done it. But we still remained relatively small in São Paulo. Our present in Congonhas until the end of March small, in Guarulhos as well, and again that's been part of our network strategy.

As a result, only 10% of our loyalty members come in São Paulo, right, which again is not surprising given our network. But as we look ahead, as we look ahead into what we are now going to be able to offer towards the end of March of next year, we're already selling tickets for 84 slots, right, so you can go online you can buy it. But by the end of March customers will now be able to experience the Azul product, the Azul network and that's going to drive significant, we believe customer engagement and loyalty program in terms of members, in terms of credit cards, in terms of the club. And so this is a huge opportunity we have.

Our network in Congonhas going to be six non-stop cities, the six largest markets. But even more exciting is great connectivity all over the country. Reaching 90 cities via connections, 38 of them that have no service today to Congonhas, right. So, we are bringing a new aspect as well, a new connectivity.

Here is what you can see in terms of our the network when it's going to be. So, we're very, very excited. The tickets are on sale now, we start flying at the end of March, and we're really, really excited to show the São Paulo customer, get them into the universe, get them into our universe, and then they will get access and get exposure to all of the other different products that we have to sell. So, huge upside for us going forward looking ahead to 2023.

### **Alexandre Wagner Malfitani – Azul's CFO**

Thanks Abhi. So, what does this all mean, right. Obviously, if everything is doing great and everything's better than 2019, we need to be more profitable than we were in 2019, and we will be, right. Spite of all the challenges that John mentioned, fuel price doubling, the real devaluing lower corporate demand, we're confident that we will deliver an EBITDA higher than BRL5 billion in 2023.

Our record EBITDA up to this point has been BRL3.6 billion in 2019, but obviously with everything that's helping, if we're better on every single metric, that means that we absolutely need to be more profitable, and we're going to tell you a little bit of why we're confident that, that number is achievable, right.

You know us, we like to under promise and over deliver. So, the level of confidence on this BRL5 billion is high. And why are we going to get there? I mean, 2022, we thought that we were going to get higher than BRL3.6 billion originally, because of everything that's going well and that's been better than 2019, right. But mainly because of omicron and fuel, we're not going to get there, but if we just essentially annualize the conditions that we're seeing today, right, we take



the fuel price, like John mentioned, it dropped almost 20% just in the last week, you look at the forward curve that we have next year, we're confident that fuel's going to be lower.

We're increasing fares, fares already higher. We have Congonhas, which we didn't have in 2019, didn't have in 2022, not to the extent that we will have in 2023. The continued growth in our business units and the efficiency, we are confident that we can bring the 2022 EBITDA that we're going to deliver this year to above 5 in 2023, right.

So, going up kind of quickly kind of hide in by it, right. This is the fuel curve for 2022, right. So as you see, we went from about BRL4 per liter in the beginning of the year to over BRL6, right. But as the fuel curve is today, we expect the average fuel price that we pay in 2023 to be about 10% lower than the average that we pay in 2022. There's going to be a little bit of a timing issue here on the quarters, right. As you can see, we're going to have a tough comp here in the first quarter, right. But for the full year by using this to forecast our budget for next year, we're confident on a huge reduction in fuel expense.

### **John Peter Rodgerson – Azul's CEO**

Hey, Alex, if I could just add, we're forecasting fuel next year to be between BRL6 billion and BRL7 billion, a 10% move is BRL600 million to BRL700 million of EBITDA, that drops directly to the bottom line, okay. Just in the last month alone, it was BRL1.4 billion from where it was. Because fuel's down 20% from where it was at the beginning of November, right. So, we're heavily levered here and this is a significant move that I think the market has not picked up on is just the impact of our fuel expense going into 2023 relative to where it was this year.

### **Alexandre Wagner Malfitani – Azul's CFO**

And look at where we were in 2019, right. If we're confident that we're going to get hundreds of millions of reais, by just going from this line to this line, but compared to actually what we've done to offset this level of swing here in fuel price, right. This again shows the strength of the business, right. And when you look at average fares, are you be thinking of the reason why you're going to get to BRL5 billions, because you're projecting some crazy high average fare for 2023.

Again, we like to be conservative. Essentially all we're doing is, we're not going to have Omicron, right. So the favorite fare increase in Q1 from '22 to '23 is going to be huge, because Q1 '22 was horrible. It's not that we were expecting fares to increase another 20%. We're only expecting about a 4% increase from Q4, and the exit rate is what's important, right.

What we're seeing today in Q4 '22, we're actually expecting a decrease into Q1 of '23, that's our assumption, right. That's the conservative assumption that we have in our model, and makes us feel confident that this is highly achievable, right. Because again, all we're doing is saying, we're going to have a normal year without Omicron, right. We're essentially annualizing the conditions that we're seeing today.

A lot of people ask, what's Congonhas EBITDA, right. How much is that going to add, right. We don't give kind of separate guidance market by market, but you can just do some mental accounting. We're going to go, Congonhas is going to represent about 10% of our departures, right. And it used to be about half of that, right. So you're essentially adding about 5% capacity.

I mean, if Congonhas has had average profitability throughout our whole network, you would be an incremental BRL250 million of EBITDA, right, that's just some rough math. If you assume that the average profitability in Congonhas is the same as a whole network. And obviously, the average profitability here is much higher, right. And so, we're talking again about hundreds of millions of real's in incremental EBITDA by expanding capacity in Congonhas.

Business units, right, they've grown a lot. We've grown a lot in all of our business units, but there

you haven't exhausted their growth potential, right. We believe Tudo Azul can grow another 22%. These business units should all grow more than Azul, right. Because they all have their separate reason to grow more than Azul. Tudo Azul, because we're way below our fair share. We didn't have Congonhas, right.

We know that as we increase our presence in Congonhas Tudo Azul will benefit significantly, same thing with Cargo. Abhi mentioned, the total surface cargo market in Brazil is almost BRL300 billion a year, right. You take out everything that doesn't fly like, soy and iron ore and coffee, everything that short distance where the, we are flying is not competitive.

You go from BRL300 billion to BRL45 billion. And we think that's a very conservative assumption. And we are only BRL1.0 billion, BRL1.5 billion today, so we can easily double, triple that business. And so we're assuming also higher growth in Azul Cargo than Azul overall. And same thing with Azul Viagens, right. There's a lot of untapped potential here. A lot of new ways of doing business, new markets, new routes that haven't been served before like Abhi mention, and we're going to do everything more efficiently as well, right.

We're have more productive at airports, we're more productive at the call center, we're more productive throughout the entire organization, which helps us to reduce costs. And then the fleet transformation that we mentioned also helps us reduce unit cost, because some E1s will be going away and will be replaced by E2s. And A320neos in 2023.

So by adding these blocks we're very confident that the BRL5 billion is achieved. Obviously there's always what's outside of our control, right. Things that were outside of our control prevented us from delivering EBITDA than we would have liked in '22. But as far as we can see we are work going into a very favorable environment in 2023.

### **John Peter Rodgerson – Azul's CEO**

Hey Alex, if I could just kind of talk about 2022 quickly. We had a BRL2 billion move in fuel prices basically overnight as the war in Ukraine came and pushed up the crack spread. And so what happens when that is that you need to get fares up and you need to get fuel efficiency up as well, and it took Abhi a quarter to get there, right. And so, as you take a look at our exit rate, we did about 1 billion EBITDA in the fourth quarter, right.

So our exit rate is BRL4 billion, okay. You take the fuel off 10%, you put Congonhas in there, you grow the other businesses, you can see just how levered this is to go for that 5 plus going forward, right. And that's assuming we get no help in the currency, we get no more help on the fuel curve, and it's just because our exit rate this year is so strong for all of the things we did to improve the business overall.

### **Alexandre Wagner Malfitani – Azul's CFO**

Right. And what does that mean to the valuation of the company, right, which is when we're talking about here on Investor Day, right. We still have a very depressed multiple from what we had in 2019, right. So this is very, sort of, unlike and very desynchronized from everything that's happening in the business itself. And why do we think that happens, right, what is the market not seeing, what is it not understanding, why are we seeing these valuation that are so depressed given that were very confident who can deliver a BRL5 billion plus EBITDA next year?

I think a lot of it is cash, right. So let's talk about cash and how we're have been addressing the cash problem and how we're going to address it in 2023, right. Where does the cash problem come from? It essentially comes from the fact that obviously we were hit by the pandemic, right. This upper line was what we thought were going to have in terms of revenue between '19 and '23, and the lower line is what we actually had.

When you do the math this is essentially a BRL20 billion hit to cash, right. How did other airlines and every airline went through this around the world, how did they address it? The majority of them addressed it through government helped, right. Every American carrier, every European carrier do we compete with receive billions of dollars in loans and grants, which we didn't have access to, right.

A lot of airlines in Latin America resorted to Chapter 11. Right, and applied a huge haircut to their credits right to the money that they owed, and forced people to become shareholders and that's how they address that gap. We didn't pursue those routes, right. We didn't think those not obviously we wanted government support we didn't get it. We didn't think Chapter 11 was a solution, was necessary. So how did we address it? Right. We've been addressing it by expanding margins and rolling forward the money that we owe, right.

The good news is that, that cash gap, right. And with the cash gap we calculated as EBITDA minus all of the cash outflows that we have. Rent, CAPEX, interest, debt amortization and deferral repayments, right. So assuming no financing, this is the cash gap that we had every year since the pandemic. BRL7.0 billion in 2020, BRL5.0 billion, BRL4.0 billion this year.

The good news is, this is our lowest cash gap since the beginning of the pandemic. And then in 2024, we expect no cash gap, right. We expect to be break-even or positive cash flow. So this is the last BRL3 billion of the BRL20 billion, that we need to manage through.

We've already addressed 85% of the problem, right. We can see the finish line. And we addressed a BRL7 billion cash gap when my EBITDA was 0. We address this year, right, you can say oh that was pandemic, everybody was helping everybody in the pandemic. This year we addressed a BRL4.5 billion cash gap with an EBITDA of over BRL3.0 billion. So we need to address a lower gap with much higher EBITDA, much higher revenues.

So why is everybody, where, why is it, why is in our evaluation reflecting it, right. Again this is the total cash impact, this is what we've addressed, this is the remaining cash gap for 2023, right. So we've been de-leveraging, we've been managing through the process without doing a new capital increase.

We went from a leverage about 3, 3 point something, prior to the pandemic. It shut up to double digits, because the EBITDA got really depressed. We promised, we would end 2022 with a leverage starting with a 5. We already delivered that at the end of Q3, and we're going to still be below 5, below 6, starting with a 5 at the end of Q4.

### **John Peter Rodgeron – Azul's CEO**

We did that without reaching our BRL4.0 billion of EBITDA, right. I think that's also important, it kind of shows you that what we gave you as a more conservative approach at the start of the year, to ensure that we hit the leverage number that we committed to.

### **Alexandre Wagner Malfitani – Azul's CFO**

And if you do the math with a BRL5.0 billion EBITDA, we can definitely hit the guidance of lower than 5, starting with a 4 next year. So we are organically de-leveraging. We should also translate into a higher ability to finance ourselves, right.

And so why again why is maybe the market is worried, because, I think maybe the market assumes that we have no access to the capital markets, which may be a fair assumption, right. The markets are very volatile. The bond that we issued at 7.5% yield is trading at high-teens, right. And obviously that's not a cost of capital that we are willing to pay, but we don't need to use the capital markets to address our cash need.

We already had a BRL4.5 billion problem in 2022 without access to the capital markets. And we managed through that gap, right. How did we do it, we did it through new aligns with local banks, right, we did it by rolling over that debt that was maturing. If you have a good business, the bank doesn't want you to pay down your debt, right.

If the bank knows that you're able to pay your bank, they actually want that debt to live on forever. Because they want to earn that interest, right. And so we were able to roll over our debt, we're able to do some supplier financing. All of those options that we used in 2022 are still available to us in 2023.

All of the banks, all of the local banks that we have, have much lower exposure to Azul than they did, even prior to when we went public, right. And we're very solid business, so they can earn a nice return without running risk, and then we have a lot of other options as well.

Out of that BRL3 billion cash gap, almost BRL2.5 billion is maintenance Capex, right. All of our Capex is maintenance Capex. So, we don't have any Capex coming from new aircraft, because those aircraft are already financed. So, if you BRL2.5 billion of maintenance Capex. We believe we can easily get BRL1 billion of financing for that Capex, right. It's a very small portion of the total Capex that we are spending.

We've done negotiations with lessors before, but it was under sort of a much more dire situation. Now, we can do negotiations with list source from much more commercial standpoint. We can offer them things that are attracted to them and get an exchange deferrals, which are attractive to us. And we have a lot of unencumbered assets that we can also leverage, right. But let's talk about lessors and the unencumbered assets.

### **John Peter Rodgerson – Azul's CEO**

Hey, Alex, if you allow me because I was in New York and talking to a lot of fixed income investors, and they asked the question often, but the aircraft market is hot. And so, if the operating lessors were concerned about Azul risk, the first thing they would do is not add to Azul risk, right. That's the number one thing you do.

Our top lessors have delivered new aircraft to us in the last 60 days. You can kind of see that they've increased their exposure in Azul because they believe in the business model. We've got great partners because of how we managed through the pandemic in a huge contrast to how others managed through the pandemic. They saw we didn't get government aid. They saw that we chose not to file for Chapter 11. And so when they're delivering a barren new A320neo to us in the month of December, they're taking more exposure.

Equity investors could buy and sell our stock on a daily basis. Fixed income people could buy and sell our debt on a daily basis. A sell side analysts can upgrade or downgrade us on a daily basis. When someone takes an aircraft and put it inside of Azul, they're taking a 10 to 12 year risk on our business. And they've been fantastic partners of our. They believe in our business model. They see all the work that we've done. And so, we have unbelievably great partner.

So what is the conversation with our leasing partners today? We had an agreement that was, in 2022, we would pay flat rent, okay. And then as we get it, that would be the year that we got our nose above water, okay? And in 2023, we would start paying some of the back rent that they helped us with during the pandemic. The lessors nor us knew that the Omnicron wouldn't back 2022, nobody knew that there would be a war in Ukraine. And so that year that we were supposed to be get our nose above the water, was impacted by that BRL2 billion increase in fuel prices.

So what most likely happens is, we continue to pay full rent store lessors and we probably just push off some of those deferrals into the future as we continue to grow our EBITDA above BRL5

billion because they've been great partners and they've been with us through the darkest of times, and now the sun is starting to shine and they're with us as we move forward. What's really important to understand that they are long-term stakeholders and partners in our business.

**Alexandre Wagner Malfitani – Azul's CFO**

Think about it, these lessors that gave us aircraft in 2022, these aircraft are going to stay at Azul until 2034, right. That's the big commitment, that's a big sign of confidence that they're doing. And if you take our seven lessors, they represent 75% of our fleet, right. So that's one of the reasons why we were confident that we didn't need to have a rupture, right, because you just have to sit down and negotiate with seven, eight, 10 good partners that have a big level of confidence in Azul, so much that they have been increasing that exposure to us, right. Because and that's obvious, right.

They know the business is solid. They know the business is solid, but we have a liquidity issue which is only 15% of the total liquidity issue that we've addressed. They can look at the last three years and see how we've managed through that cash gap and be comfortable that we have the ability to manage through the last remaining portion of that cash gap. And we have a lot of unencumbered assets, right, and we've talked about the business units, which are all an encumbered. We have our TAP Bond. Since the pandemic, the only assets that we encumbered were a little bit of our spare parts and our hanger in Viracopos, and our IP, which is securing the convertible debenture that we issued in October 2020, right. Everything else is unencumbered.

And everything else has actually increased in value since 2019, right, because if Tudo Azul grew since 2019, that means it's got more revenue, it's got more EBITDA and it's got a higher valuation that it had in 2019. Same thing with Azul Cargo, same thing with Viagens, even our TAP Bond, which is priced in euros, the hit that we had on the devaluation of the real, increases the value of the TAP Bond in reais. So every unsecured asset that we have is more valuable today than it was in 2019, which gives us again that ability to finance our self.

So overall, you can see that we're better on every dimension that's under our control, right. We talked about traffic. We talked about fares. So total revenue is higher. We talked about cost, right. We're burning less fuel. We have a more productive airline than we were. All of our business units are knocking it out of the park, growing expanding margins. We're adding Congonhas, which we didn't have. And so, it's just every level that you can see, we're doing better today than we were in 2019.

**John Peter Rodgerson – Azul's CEO**

Yes. Thanks, Alex. I think I often get the question, why are you still here? And we've been at this for 14 plus years. It's the passion of our lives what we're doing here. And if you were to tell me in 2019, forget the pandemic, that you'd more than double in Congonhas that Abhi would increase fare 45% that our business units would essentially all triple compared to where they were in 2019. Our airports would be 20% more efficient. Our call center 15% more efficient. I mean why wouldn't you want to be here, right.

And so, challenges, every business has challenges, right, but look at how we've gone through these challenges. And so, we like this little bit of this before and after. And so, this is our before, and you're kind of stuck with the same people after, right. And so, we've all aged a bit. We're all here because we all believe in the business. This is our business and we're going to continue to fight through the challenges, right.

And so Alex says that, wow, we've been hit with a lot of hard things, right. Fuel, devaluation of the currency, all those things, but stop for a second. What we wanted to spend more time with you today was, look at everything that has improved, everything that is in the control of our management team and our more than 13,500 people, we have improved overall. I just want to



kind of remind everybody of kind of what we've done. Leader in customer satisfaction, most on time airline in the world, the business unit is growing. Now we're going forward into a year, where we have tailwinds of lower fuel prices, a significant increase in our presence in the Congonhas Airport.

All of these things will not only lead us to the BRL5 billion of EBITDA, that we're going to get to in 2023, but as you project forward, 2023, I don't even have a full year of Congonhas. I don't even have a full year of growing my other business units. I'm taking aircraft E2s throughout 2023. So as I look forward, what is this business like as we move into 2024, 2025. Let's not forget in 2019, our EBITDA margins were 31%. BRL5 billion of EBITDA next year is about 25%. So we're not content with where we are in 2023.

We believe, as we've improved every single measure in the business and the fares are taking care of the fuel and the fares are taking care of the currency going forward, then why shouldn't we be marching towards 30% plus EBITDA margins again, even with the more challenging macro scenarios? Folks, we run an unbelievably great business, and this great business is not only good for you as investors, but it's also good for Brazil.

These are a lot of things that we do to kind of help support Brazil overall. We talked a lot about the 4,500 crew members that are volunteers, the more than 13,000 direct jobs that we provide. Think of Embraer without Azul, right. The importance of Embraer in this country without Azul. Think about the north of this country. Think about the Amazon region without Azul, as we launched five new cities yesterday alone. Azul is doing fantastic things.

And so, we appreciate you coming here and we're going to spend the next half an hour with you answering any questions that you may have.

## **Questions And Answers**

### **Josh Milberg – Morgan Stanley**

Hey, John, Josh Milberg for Morgan Stanley. Thank you very much for the event. My first question was just related to the indication your indication that you would get to cash breakeven in 2024. And I was just wondering, if you could sort of share some of the key assumptions behind that expectation in terms of EBITDA, in terms of what payments to lessors, in terms of interest costs Capex?

### **Alexandre Wagner Malfitani – Azul's CFO**

So let's talk about the outflows first. The outflows stays fairly equal, right. And I say fairly equal to 2022 as well. Because let's start with rent, right. Our normal rent is sort of between rent and aircraft finance leases about BRL3.5 billion. There's about BRL600 million of deferred rents that we start paying 2023. But we already paid about BRL600 million of deferred rent in 2022 related to the second wave negotiation, right. We did a first wave negotiation, which we start paying in '23, but we did a second wave negotiation, which we started paying in 2022. So rent is not going to go up, '22, '23, '24, essentially the same. Capex, like I said, in a kind of BRL2 billion to BRL2.5 billion, same number in '22, '23, '24. Interest is essentially the same, right. Most of our interest is.

### **John Peter Rodgerson – Azul's CEO**

Hey, Josh, let me just add one thing there, before Alex get there. We were we just finished our budget. We have a board meeting tomorrow, and that's why we're confident about the BRL5 billion and obviously going forward, as you go into 2023, but one thing was really interesting that Alex talked about is our Capex, we saw that 70% of our maintenance cost is on our old-gen aircraft, right. And so, even though it's only producing about 20% of our ASKs in 2023, that starts

to drop off very quickly as those aircraft go away.

**Alexandre Wagner Malfitani – Azul's CFO**

And so, interest stayed fairly flat also because most of our interest is the fixed coupon on our two unsecured bonds. We don't have a lot of we have no kind of Fed fund related or index financing, very little CDI index financing. And the CDI today is already, I think, pretty much where the market expects it to be. That amortization is actually go down a little bit. We have some debt that matures the hedge lost that we had from oil in the beginning of the pandemic will end will mature 100% by the end of '23. So '24, debt maturity is actually come down a little bit.

The big, big improvement that you see from '23 to '24 is again on EBITDA, right. And so, some of it is less debt amortization, less supplier financing, right. Because we're paying down every year, the cash gap that we have, is not a cash gap from the operation, the operation, very early in the pandemic became cash positive, right. So, the cash has been going to pay for rent, to pay for debt, to pay for deferrals. So we've been deleveraging throughout the time. So the cash flow breakeven essentially comes from higher EBITDA, lower debt amortizations and lower supplier deferrals. And obviously, that doesn't include the unsecured bonds, right. That assumes that the unsecured bonds get addressed.

**John Peter Rodgerson – Azul's CEO**

And Josh, we're growing with nextgen aircraft throughout 2023, that we'll have the full year of 2024 with those nextgen aircraft, producing more revenue as we exit more of the old generation aircraft. And every new E2 is higher gauged, which produces more revenue overall.

**Josh Milberg – Morgan Stanley**

Okay. Very much appreciated all that color. And if I may, a second question was more on the competitive operational side. You guys had very much have that consistent message of the market being quite disciplined, and certainly all the players have a kind of keen interest and it's staying as such. But could you talk a little bit about what you're seeing with LATAM's emergence from Chapter 11, a little bit maybe touching on that airline's cost competitiveness with the fleet cost reductions that they achieved during the pandemic you see any risk to that, sort of remaining in place in 2023?

**John Peter Rodgerson – Azul's CEO**

Let me talk to the cost structure in their process, and then I'll have Abhi kind of talk to the network side. That wasn't a labor deal that was done during their bankruptcy, right. Their fleet, they have one Neo flying in Brazil today. They need to kind of put 100 Neos into the market, right. And so, the cost of capital those NEOs going forward. And so, Josh, you look at their CASK, compare their CASK our CASK. I challenge you to do that, right. And then you take a look at, that's are all in CASK flying ATRs e-jets and A320s, right.

And so, I think we're very well-positioned overall. Their exit financing came out of very high cost of capital, right, and 13% that they're paying on that. Now, I think they're going to run a good business overall. And I think their shareholders want to run a business for profit, and I think that's really essential as we go forward. But as I look at it, they didn't come out with a lower cost of capital than they went in. They're about as levered as they went in. And so I think as I look at GOL, LATAM, Azul, everybody needs to make money, right. It's not like, oh, I went through bankruptcy, so now I can go waste of a bunch of money going forward.

Everybody needs to make money. And the higher cost of capital going forward and the less amount of nextgen aircraft in the fleet means who needs higher fares? Azul or somebody that has fewer nextgen aircraft, right. And I think there's been a very good discipline market that Abhi

will walk you through. But I think we feel very good about our competitiveness because, as I showed you without bankruptcy, I'm 20% more efficient at my airports, 17 more efficient than across the entire kind of spectrum.

And I think that bankruptcy was a tool that used, but they still need to reflect themselves and that didn't happen yet. And I think that that's going to kind of add to their cost structure going forward.

**Abhi Manoj Shah – Azul's President**

Yes, Josh. I mean, I'm a big believer in the discipline continuing, as John said, I agree. I don't think any airline has the luxury of messing around, right, nor the motivation right. I mean, we've got to record high average fares why would you want to go backwards? The customers paying. And I also see on the network side airlines focusing where they are strong. And I see saw GOL focusing in Congonhas and Guarulhos and Brasilia and Salvador and I see LATAM focusing in São Paulo, Brasilia and where they are strong and not that much interaction or overlap.

And so, what we are able to see? In fact, we just saw some capacity from LATAM for April. And they're focusing again where they are strong. And that's all we've done, right. I mean our departures in Guarulhos went from 15 to 18, right, because we decided that in the pandemic and post-pandemic, we're going to focus in our network and we're going to do our part to keep that discipline which is also where gets the best results. So I think that even if you look at fuel prices coming down, fares lately, I think the industry has taken fare increases at the right time frequently and at the right times in response to the cost pressures. So I continue to believe that that discipline is going to be good.

**Josh Milberg – Morgan Stanley**

Thanks very much.

**Lucas Marquiori – BTG Pactual**

Thanks. Hey, guys. Good morning. It's Lucas Marquiori from the BTG Pactual. Two questions on my side regarding the road map towards the BRL5 billion EBITDA for next year. First regarding the corporate traffic or at least traffic mixed next year. How much of these increasing traffic relies on catching up on corporate traveling and international travel, so we can kind of understand what's the challenge behind for you guys to go after these traffic increase?

And secondly, John, regarding this 84 slots in Congonhas, how much of this has already secured by the airport privatization? Or how much of this is still reliable on maybe government negotiations because we know we have a new team in town, right. So how much of these is still kind of a on the decks to be negotiated, right. So those two questions.

**Abhi Manoj Shah – Azul's President**

Yes, thanks. So on corporate demand, we're right now at about 85% volume, 85%, 88% volume. Average fares are 40%, 50% higher, so about 125%, 130% revenue. We actually don't need much more than that, but these numbers. In fact, the unit revenue that we have for next year is basically 3Q and 4Q of this year, just the whole year. And the reason that 1Q, the jump is so big, because our 1Q got destroyed this year because of Omicron, right, where we had to cancel a third of our network basically.

And so, what we're assuming is, we are adding capacity, domestically about mid to high single digits of capacity, and we want to keep our unit revenues flat to what we have today. So anything additional that comes in terms of corporate recovery will actually be a bonus. And Congonhas I can answer that as well. We have the 84 slots. They are ours historical rights. We are selling them. It's done.

**John Peter Rodgerson – Azul's CEO**

I'll just add on Congonhas. They decided to revisit the rule under the Temer government. It wasn't even a Bolsonaro government when they kind of set the slots aside and they did a public hearing on it. And this is the new rule, not only for Congonhas, but for all airports in Brazil. And I think that that's something that's great overall. And whether the governments, the Bolsonaro government or PT government, look at what Azul does for the country, right. That connected connectivity of 90 cities that we serve that nobody else is serving, right, that's crucial to any government that's in power. And I think it's been unjust for a long time, right.

We have 1/3 of the Brazilian market, but 4% of Congonhas, right. That's there's so many cities as you look in Paraná, Rio Grande do Sul, that didn't have connectivity to the Congonhas airport, simply because the Azul didn't fly there, right. And so I think giving that, there's so many people in the entire country that benefit from Azul having more slots in the airport, especially the people in Brasilia because we're going to have seven flight today to Brasilia. And they're going to be able to have Wi-Fi for free, and they're also going to be able to watch, if they want to watch Jovem pan, they could do that, If they want to watch CNN, they could do that. If they to watch Globo they can do that, they can watch whatever they want. And so, we because we'll have that onboard our aircraft.

**Bruno Amorim - Goldman Sachs**

Thank you. Bruno Amorim from Goldman Sachs. Good morning. So it seems that as you mentioned, that the industry is moving the right direction, right. Everybody is raising prices higher costs and so on. So it seems to be a matter of time for margins to go back to pre-pandemic levels. However, during the pandemic, the industry including Azul, you guys have been burning cash which means that the balance sheets will be heavier on the debt side post-pandemic. So how do you intend to address that?

Should we assume you guys will run with higher leverage post-pandemic? Is it something you're concerned about? Your thoughts would be highly appreciated. Thank you.

**Alexandre Wagner Malfitani – Azul's CFO**

I think as you saw, I mean, our leverage will be maybe kind of 0.6, 0.7 higher than we were pre-pandemic in the end of 2024, right. So we call that a tie, right. But you add another year and then we're back to the leverage that we had pre-pandemic. I mean, it wasn't a really big problem of debt because we didn't get any debt from the government. We've been getting support mainly from our lessors and suppliers, and we've been paying back our lessors and suppliers.

The operation generates a lot of cash. So when you compare the leverage, right, where does it come from. 2019 into 2024, the net debt is not that different. Sure, it went up a little bit, but I mean, compared to what happened in the pandemic, it's not that big of a problem. And then the EBITDA will compensate and we'll get back that. That's assuming no follow-on, but obviously, we'll always try to get the most efficiently priced capital that's available to us. And if that most efficiently priced capital is an unsecured bond, we'll do that. If it's a secured bond, we'll do that, if it's a convert, if it's a follow-on, whatever it is.

Right now, when we say we have no access to the capital markets is that we think that the cost of capital that we see on the screen makes no sense, right. We're a much better airline today than we were when we issued the 2026 bond in June of last year. Has the cost of capital gone up? Sure, right. But even if you adjust for that, our bond that we issued at 7.5% should be trading below 10%, right. And like I said, it's in the high-teens. So we think that the market is nervous maybe because it doesn't know where interest rates in the US are going to end up. Is there going to be a recession in the US? How are we going to address the BRL3 billion? All that's going to

get solved, right.

We will address the BRL3 billion. At some point, we will know where interest rates in the US are going to level off. And so I think at that time, the capital markets may be pricing the Azul risk in a way that it's more, I think, consistent with our view, and at that time, I think it makes sense for us to consider. So we're not assuming that we're going to be more highly levered, we will temporarily as we have been for the last three years, but we won't be permanently.

**Bruno Amorim - Goldman Sachs**

Thank you.

**John Peter Rodgers - Azul's CEO**

You know, Bruno, I think one thing that I would highlight is that all airlines in the world are more levered today than they were pre-pandemic, even the ones that were bailed out by their respective governments. So we take a look at all the US carriers are more levered today than they were. And so we're in that. And so I think as valuations have to kind of take that into consideration and kind of moving forward and looking at what people are going to deliver in terms of EBITDA in '23, '24 and '25 and I think we've got the best story out there, right.

I think there's very few that are going to be able to uptick their EBITDA as much as Azul will, and that's assuming currency stays where it is, fuel stays where it is, right. And so, we have a lot of things in our favor going forward.

**Bruno Amorim - Goldman Sachs**

Thank you.

**Victor Mizusaki - Bradesco BBI**

Hi. Victor from Bradesco BBI. I have two questions here. Alex, the first one is related to Congonhas. So you mentioned that EBITDA to Congonhas could be, let's say, a minimum of BRL250 million. But if you think about corporate travelers and lower CASK because of the news, can we assume that actually the EBITDA to Congonhas can be materially higher? And the second one is related to United and JetBlue. Is any kind of negotiation for one of these companies to inject money at Azul because if you think about their network in the US, apparently United is in advantage if we compare with JetBlue?

**Alexandre Wagner Malfitani - Azul's CFO**

So Congonhas, I mean nobody gives out sort of airport profitability or route profitability. That's a kind of very strategic information. But I just wanted to kind of do the exercise of the incremental value of Congonhas could be. And I think the answer is yes, right, I mean conservatively speaking, assuming averaged margins, you get to at least 250, but it's got to be a lot more than that because certainly the margins in Congonhas are not average, right. That's why we've been fighting 14 years to increase our presence here.

**John Peter Rodgers - Azul's CEO**

And Victor, there's a halo effect about Congonhas, right. And so when someone starts to fly us to Brasilia, they're now going to think about flying us to Fort Lauderdale to Orlando, to Lisbon, experience our entire network. They're going to get our credit card. They're going to enter into Tudo Azul. So there's the overall effect of being relevant in Congonhas is really important. And so obviously, we're giving a more conservative approach to it. And you have to also remember, we only have nine months in 2023 with Congonhas, and every day we'll grow with that presence



going forward.

**Abhi Manoj Shah – Azul's President**

Yes. Regarding the partners, right now, we're as I showed you both on the airline surrender loyalty side, we are all the time more relevant to airline strap flying to Brazil and us flying abroad. And so, we're actually enjoying that flexibility right now being able to deepen our partnership with JetBlue, growing with United. And so, we're talking to everybody and we're keeping our options open at this time. But right now, and in fact, I think we will announce a new codeshare today, I think. And we're actually excited about adding to that portfolio, making Azul more relevant.

I think that we used to be sort of forgotten GOL and Latam first then GOL did a great job of capturing that demand and being ahead of us. But I think slowly, we've been able to capture some of that demand and we are now more and more important. So right now, we're enjoying having the flexibility. We're talking to everybody, and we'll see what the best options are.

**John Peter Rodgersen – Azul's CEO**

Victor, don't forget capital, whether it comes from anybody, has strings attached to it, right. And so, I think whether you get capital from United, American, they have their conditions. And if you get capital from the fixed income world, they have their conditions as well. And so what Abhi was saying is kind of being free and being able to connect our network. You could see what he's been able to do, he's essentially doubled the fares internationally going into Florida, that's powerful, right, because of the connectivity that he has. And that's probably worth a lot more to us than a one-off transaction.

**Alexandre Wagner Malfitani – Azul's CFO**

And if you saw, when we listed sort of the many avenues that are available to us to finance our cash gap in 2023, we didn't include money from any kind of commercial negotiation there, right. If it makes sense, if we can get to an agreement, there's upside there, but we're not assuming that, that is necessary first to address the cash to go.

**Alberto Valerio - UBS**

Hi. Alberto Valerio from UBS. Thank you, Abhi, John and Alex, for the presentation. My question is about the capacity. You mentioned that your old generation aircraft is running at 10 hours block. So imagine that we have some either capacity, not just in Azul, but also in the system. What should we expect off a capacity at addition for next year?

**Abhi Manoj Shah – Azul's President**

Yes, thanks. So overall, next year will be in the low-double-digits, but low, right, so lowteens, if you will overall. Domestically, we will be in the mid-to-high-single-digits. And so, we can have more international growth next year than domestic growth. And the reason is that our domestic network came first in the recovery, so the base is already higher. Our international recovery is coming just right now. And so end of this year, we're adding some more capacity. We're starting Recife to Fort Lauderdale early next year.

So it's more just that coming year round. You're right, there is opportunity on utilization and but utilization has to be managed also with fuel price, right. So as the fuel price goes up, the way you manage capacity is by utilization, right. Every airplane is flying at 8:00 AM on Monday morning, utilization comes on weekends, utilization comes at night, utilization comes by stretching out the day, where then the variable cost of fuel has more of an impact. And so, there is some as fuel is coming down, there is utilization opportunity, yes. But the bulk of our growth next year is going to be international, just a recovery of international.

So I would say double-digits, low-double-digits, low-teens double-digits overall growth, mid-to-high-single-digits domestic growth.

**John Peter Rodgerson – Azul's CEO**

Hey, Abhi, if I can just add. The departures are like 3%, 4%, right. It's the up gauging that exists by taking the E2s over the E1s, retiring E1s and take an A320neos and A321s, up gauging, even of our international traffic overall, right, so the 330neos, 350s. Those are all have their more densified aircraft, which have a lower seats economics. And so, when you think about when we're kind of doing our budgeting and our planning with our airports team, for our airports team, we're only growing 3%, 4%, right. In terms of departures, obviously they have to then drive efficiency from there, but so those overall ASK numbers that will help Abhi bring more revenue because there's more seats to sell, does not necessarily more departures.

**Alberto Valerio - UBS**

Thank you.

**Juan Lorenzo – Jefferies**

Good morning. Thank you for the great presentation. Juan Lorenzo from Jefferies. I have a question regarding one of the your ancillary business opportunities, specifically the Tudo Azul program. One of the numbers I thought was actually interesting was 1.3 million loyalty members in São Paulo, considering the population of this country and 15 million. So there's significant hidden value clearly there. You described a little bit more how you acquired loyalty members and also whether you have a target number both in São Paulo and for the overall country to that program.

**Abhi Manoj Shah – Azul's President**

Yes, thanks. I mean, we have and internally we call this the universe Azul, right. So we can capture members via the network. John talked about some be flying Congonhas to Brasília and for their holidays they go Lisbon or they go to Orlando, right. That happen a lot. It happens very, very frequently. We just didn't have the domestic network in São Paulo to attract that customer for that to be the entry way into sort of the all the Azul products, the credit card, right The credit card numbers, I showed you, they've grown significantly and they've grown very well at the high-end of the range, which meets perfectly well with the demographics in SP1 and downtown São Paulo.

We also have a club, right, which is actually grown really, really well. It's grown through the pandemic which is a monthly recurring revenue product, where customers pay from BRL50 to BRL300, BRL400, BRL500, to get benefits, to get miles, to get points, early access to discounts. And so, those are the main ways to do it is use our network or to use our products. And once these customers fly us, once they have access to our network, that's going to be the gateway for them to enter into our universe.

**John Peter Rodgerson – Azul's CEO**

I also want to highlight, we've seen various statistics that loyalty members more than 50% of loyalty members are real São Paulo based, right. And so, we wanted to show that less than 10% of ours are São Paulo based. So that shows the opportunity that we have to grow overall. I mean the people in São Paulo understand miles. They understand it. They it's part of their ecosystem, right. And so now they're going to have a better product to fly, more options more cities they could serve. And so that the fact that it's less than 10% from us a huge opportunity going forward.

And so, our Tudo Azul team has forecasted next year to be a blowout year for them as we bring more people into our ecosystem.

**Juan Lorenzo – Jefferies**

Great. Thank you.

**Thais Haberli – Azul's Investor Relations Head**

Anybody else? No. We have a bunch of questions online, but I think that we answered all of them. I don't know to take a look, Alex, but I think we answered all of them.

**Alexandre Wagner Malfitani – Azul's CFO**

If anybody else in the room has another question feel free, I will check here. One question here for example, is what is the appropriate level of liquidity for Azul, I think part of it depends on the cost of capital, right. We can comfortably operate with levels of liquidity much lower than what we have today. I mean BRL2 billion to BRL3 billion is more than what we had in 2019, right. So something in that neighborhood kind all we all sleep soundly at night. And obviously, more liquidity is always better, but if you have too much liquidity at a moment when capital is high, that can be a waste. But we're going to be monitoring the capital markets constantly ending 2022 with as much cash as we had in 2019 or even more is comfortable. I think we covered it all here.

**Thais Haberli – Azul's Investor Relations Head**

Yes. Give us a final remarks.

**John Peter Rodgerson – Azul's CEO**

I just I want to thank everybody for coming here to the Congonhas Airport. I do want to encourage you all to get our credit card, even those of you that work for different banks because flying Azul is going to pretty amazing going forward. And you have a fully committed team here. I talk a lot about people. These are founders of this airline. Abhi is our President. He started this airline with me, so did Alex, and we have a whole team of people that get up every day and are passionate about what we've built.

And so, we're excited to show you the before and after because it wasn't just managing a pandemic, it's managing a better airline, right, rebuilding it to be a more efficient airline, better customer service, more on time, more profitable going forward. This airline has highly leveraged folks on fuel and currency. We understand that, but we don't control fueling currency. But what we can do is have the most fuel efficient fleet in the world with the best people managing it. And we're going to continue to grow our business going forward. We're going to continue to delever, one of the fastest deleveraging stories that you'll find out there because of the EBITDA production that we have.

And so, feel free to those of you that are here, reach out to Alex, Abhi, myself, Thais, and we have a broader management team here at Azul as well. So if anybody has specific questions about our cargo business, our Head of Cargo is here, Tudo Azul is here, right, our Director of Operations is here. So we have a lot of our management team is here as well. Those of you that are online, you know how to get a hold of us and so, but I want to thank everybody for their time today, and look forward to delivering our results in 2023 and sharing those with you.

Thank you, everybody.