AIRFINANCE GLOBAL

Azul expands EBITDA

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Azul Linhas Aereas reported a record EBITDA of BRL1.7 billion ($294 million) for the third quarter of 2024, increasing 6% year-on-year with a margin of 32.2%.

The company generated BRL5.1 billion revenue, up 4.3% driven by a "healthy" demand environment and "robust" ancillary performance, according to the Brazilian carrier.

Meanwhile, costs increased 3.8% to BRL4.1 billion with CASK in the flat compared to the same period of 2023 at BRL34.28 cents.

"This is an impressive achievement given the 13.6% average depreciation of the Brazilian real against the US dollar and 4.2% inflation over the last 12 months," chief executive officer John Rodgerson stated.

Net income was BRL360 million, reversing a BRL1.3 billion loss in the corresponding period of 2023.

Net financial expenses were BRL1.2 billion in the quarter, with BRL635.9 million in leases recognised as interest expense and BRL377.5 million in interest on loans and financing.

The company held pro-forma debt of BRL25 billion at the end of September, including BRL14.6 billion of lessor obligations.

Azul's average debt maturity excluding lease liabilities and convertible debentures was 3.9 years, with an average interest rate of 11.1%. Average interest rate on local and US dollar-denominated obligations were equivalent to CDI + 4% and 10.6%, respectively.

Pro-forma leverage, measured on trailing 12 months EBITDA after accounting for its recent lessor debt negotiations, was 3.4x at the end of the quarter, down from 4.8x before lessor and bondholder negotiations.

It ended the quarter with total liquidity of BRL6.3 billion including short and long-term investments, accounts receivable, security deposits and maintenance.

Immediate liquidity was BRL2.5 billion representing 13.1% of last 12 months revenues, after paying down over BRL1.4 billion in debt amortisation and leases.

Azul has BRL526 million of loans and financial debt amortisations in the final quarter of 2024 and roughly BRL1 billion per year in 2025 and 2026. This steps up to BRL5.3 billion in 2028.

In late October, Azul came to an agreement with bondholders to secure up to $500 million in additional funding, including a structured financing plan with initial funding of $150 million provided at the end of October with a 90-day maturity and an additional $250 million of subsequent funding expected before year-end.

The agreements enhance cash flow by over $150 million over the next 18 months by reducing obligations to certain lessors and manufacturers and also contemplates the potential equitisation of up to $800 million of its existing 2029 and 2030 notes, contingent upon achieving cash flow improvements.

