

Daily Boarding

Azul December traffic figures;

Industry Overview

Azul: December traffic figures

Azul reported traffic figures for December, with total ASK (Available Seats Kilometer) up 3% YoY, +8% versus 2019, while RPK (Revenue Passenger Kilometer) was up 6% YoY, +4% versus 2019, yielding a load factor of 80%. All in, in 4Q23, ASK increased 7% YoY (-1% vs BofAe), RPK rose 9% YoY (-2% vs BofAe), yielding a load factor of 80% (-1.0p.p. vs our estimates) - See Exhibit 1 and 2. Potential impact: Slightly negative to Azul at first, due to lower-than-expected capacity and load factors in the quarter. Yet, this could be reversed in the case where yields improve in the quarter with the company focusing on profitability. We have a Neutral rating on Azul on fair potential risk-return.

11 January 2024

Equity
Latin America
Daily Boarding

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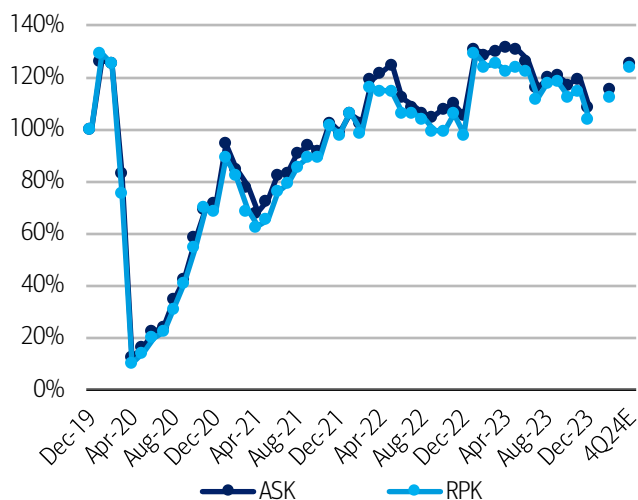
Refer to important disclosures on page 4 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.

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Exhibit 1: Azul traffic figures evolution – vs 2019

Azul's ASK and RPK are up 8% and 4% vs 2019 levels



Source: Azul, BofA Global Research Estimates

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Exhibit 2: Azul 4Q23 traffic figures

4Q traffic figures came slightly below our estimates

Azul	4Q23A	4Q23E	Diff (A/E)
ASK	11,104	11,182	-0.7%
RPK	8,885	9,058	-1.9%
Load Factor	80.0%	81.0%	-1.0 p.p.

Source: Azul, BofA Global Research Estimates

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Exhibit 5: Summary table of our coverage

We rate as Buy: Copa, Volaris; Neutral as Azul; and as Underperform Gol

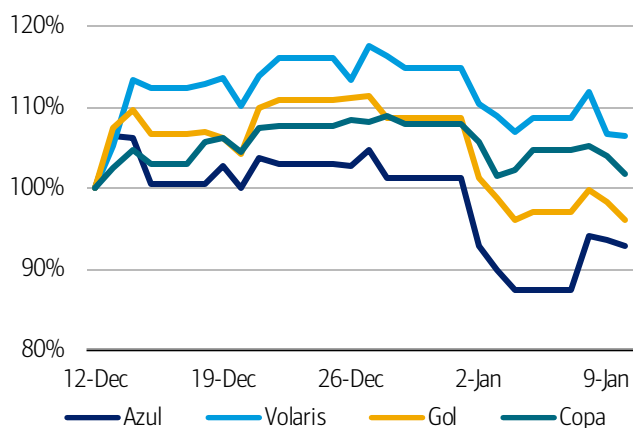
Company	Rating	Q-R-Q rating	Market cap (US\$m)	Average daily traded value (US\$m)	2024 P/E	2025 P/E	2024 EV/EBITDA	2025 EV/EBITDA	2024 Dividend Yield	2025 Dividend Yield
Azul	2 - Neutral	C-2-9	1,046	40.5	10.6x	8.8x	6.8x	6.3x	2.4%	2.9%
Azul (ADS)	2 - Neutral	C-2-9	1,043	12.1	10.6x	8.8x	6.8x	6.3x	2.4%	2.9%
GOL	3 - Underperform	C-3-9	679	16.0	26.4x	9.8x	7.5x	6.4x	0.0%	0.0%
GOL (ADS)	3 - Underperform	C-3-9	664	2.3	26.4x	9.8x	7.5x	6.4x	0.0%	0.0%
Volaris (ADS)	1 - Buy	C-1-9	1,014	4.4	-6.5x	-148.2x	6.5x	6.2x	0.0%	0.0%
Volaris	1 - Buy	C-1-9	1,007	1.9	-6.5x	-148.2x	6.5x	6.2x	0.0%	0.0%
Copa	1 - Buy	C-1-7	4,275	26.2	7.7x	6.6x	5.6x	4.7x	5.3%	6.2%
Airlines			7,014	103.4	7.4x	-12.7x	6.0x	5.2x	3.9%	4.6%

Source: Bloomberg, BofA Global Research estimates. (*) For airlines, we use EV/EBITDAR

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Exhibit 10: Airlines companies' price evolution

Airlines stock performances worsened recently



Source: BofA Global Research, Bloomberg

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Stocks mentioned

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AZUL	AZUL US	Azul	US\$ 8.98	C-2-9
XAZUF	AZUL4 BZ	Azul	BRL 14.69	C-2-9

Source: BofA Global Research

Price objective basis & risk**Azul (XAZUF / AZUL)**

We derive our R\$20.0 (US\$12.5) price objective from a 2024 Adjusted EV/EBITDAR target of 7.0x (in line with historical levels pre-COVID 19). In order to have consistency among the sector and historical valuation levels, we do two valuation adjustments on Azul that we judge as fair: 1) we assume 7x RENT as a proxy for operating leases NPV (economic value of aircraft), and 2) we adjust EBITDA for capitalized maintenance costs (about -R\$350m/year)

Downside risks are 1) increases in oil price, 2) weakening of economic growth and air demand, 3) BRL depreciation, expanding its debt and costs in USD, also reducing the willingness of Brazilians to fly to the US, 4) stronger-than-expected competition and potential oversupply, 5) other pandemic crisis, closing countries' borders for international passengers, or reducing the willingness of people from traveling, 6) solvency risks due to current high-leverage, especially on a scenario of high BRL and oil volatility, or depressed demand.

Upside risks are 1) further increase of fares and yields, supporting cash flow generation and faster recovery than expected, 2) decrease in oil prices and 3) BRL appreciation, 4) improving macroeconomic scenarios supporting demand.

Analyst Certification

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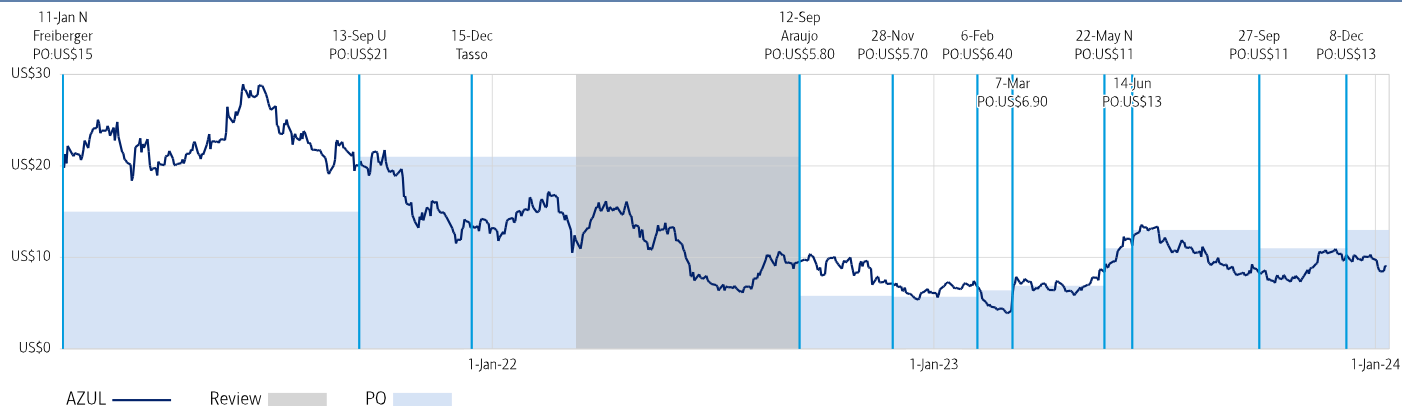
Latin America - Capital Goods & Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Copa	CPA	CPA US	Rogério Araujo
	GPS Participacoes e Empreendimentos S.A.	XKTRF	GGPS3 BZ	Rogério Araujo
	Hidrovias do Brasil	XDXXF	HBSA3 BZ	Rogério Araujo
	Localiza	LZRFF	RENT3 BZ	Rogério Araujo
	Mills	MLSTF	MILS3 BZ	Rogério Araujo
	Movida	XMBDF	MOVI3 BZ	Rogério Araujo
	Rumo	RUMOF	RAIL3 BZ	Rogério Araujo
	Volaris	VLRS	VLRS US	Rogério Araujo
	Volaris	CTTRF	VOLARA MM	Rogério Araujo
NEUTRAL				
	Armac	XCVZF	ARML3 BZ	Rogério Araujo
	Azul	XAZUF	AZUL4 BZ	Rogério Araujo
	Azul	AZUL	AZUL US	Rogério Araujo
	Randon	RPRTF	RAPT4 BZ	Rogério Araujo
	Vamos	XPLPF	VAMO3 BZ	Rogério Araujo
	WEG	WGSEF	WEGE3 BZ	Rogério Araujo
	WEG	WEGZY	WEGZY US	Rogério Araujo
UNDERPERFORM				
	CCR	CDCRF	CCRO3 BZ	Rogério Araujo
	Ecorodovias	XVEDF	ECOR3 BZ	Rogério Araujo
	Gol Linhas Aereas Inteligentes S.A.	GOL	GOL US	Rogério Araujo
	Gol Linhas Aereas Inteligentes S.A.	XGOLF	GOLL4 BZ	Rogério Araujo
	lochpe-Maxion	IOQF	MYPK3 BZ	Rogério Araujo
	Tupy	TPYSF	TUPY3 BZ	Rogério Araujo

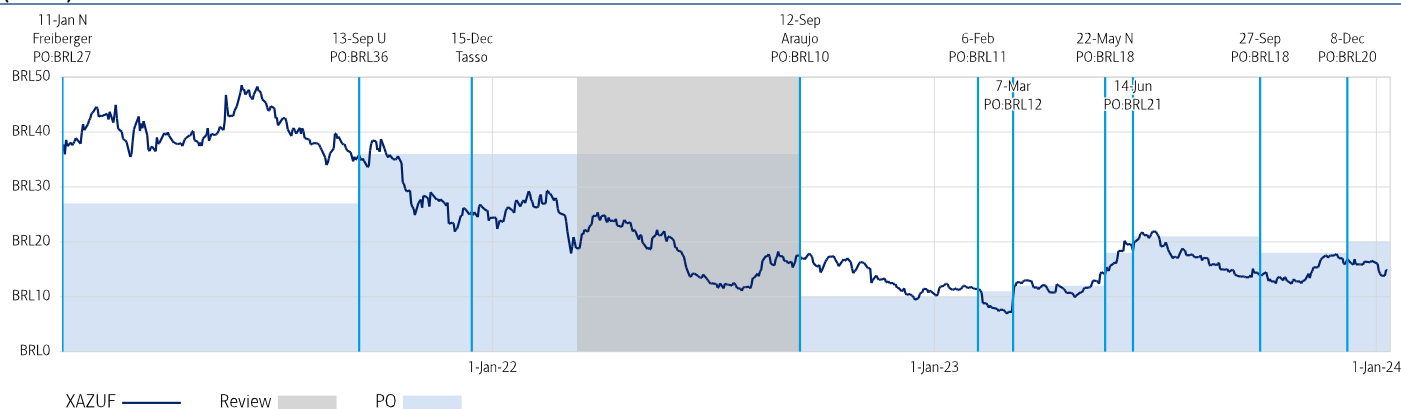
Disclosures

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Azul (AZUL) Price Chart



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Azul (XAZUF) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	50.38%	Buy	44	65.67%
Hold	31	23.31%	Hold	13	41.94%
Sell	35	26.32%	Sell	17	48.57%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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