

## Gol Linhas Aereas Inteligentes S.A.

## Terminating coverage of GOL

Termination of Coverage: UNDERPERFORM | PO: 6.20 BRL | Price: 6.65 BRL

## Terminating coverage following Chapter 11 process start

We are terminating coverage of GOL after the company announced it is voluntarily filing for U.S. Chapter 11 bankruptcy protection. GOL stated that it will use the Chapter 11 process to carry a financial restructuring and improve its capital structure to guarantee long-term operating sustainability. We terminate coverage as the stock is no longer trading on fundamentals, given that value creation for shareholders depends on Chapter 11 outcome and is highly uncertain. Our final investment opinion reflects our analysis as of the date of this research report and investors should no longer rely upon our previously published reports, recommendation, price objective or estimates on GOL.

## US\$950mn DIP financing commitment secured

GOL secured a US\$950mn debtor-in-possession (DIP) financing commitment from members of the Ad Hoc Group of Abra Bondholders as well as certain other Abra Bondholders. The DIP financing is subject to court approval and should provide GOL with liquidity to continue operating amid Chapter 11 process.

## Adjusted net debt expanded considerably since covid

We note that GOL's adjusted net debt (considering 7x lease payments as proxy for leases' NPV) expanded from R\$16.8bn in 2019 to R\$31.2bn in 3Q23 because of BRL depreciation impact on debt & leases, higher oil prices and cash burn in the period. As of 3Q23 GOL had a R\$905mn cash position (5.9% of revenues). We calculate it has a R\$4.7bn liquidity (considering cash, receivables, and deposits), while it currently has R\$0.5bn debt maturing in 4Q23 and R\$3.8bn in 2024.

Estimates(Dec) (BRL)	2021A	2022A	2023E	2024E	2025E
EPS	(19.30)	(3.41)	(0.14)	1.03	2.76
EPS Change (YoY)	-1.7%	82.3%	95.9%	NM	168.0%
Consensus EPS (Bloomberg)			(0.24)	1.11	2.42
DPS	0	0	0	0	0
ADR EPS (US\$)	(6.87)	(1.27)	(0.05)	0.40	1.08
ADR DPS (US\$)	0	0	0	0	0
<b>Valuation (Dec)</b>					
P/E	NM	NM	NM	6.5x	2.4x
EV / EBITDA*	NM	16.4x	6.1x	5.0x	4.2x
Free Cash Flow Yield*	-15.3%	-70.3%	-35.9%	72.9%	87.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

25 January 2024

## Equity

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## Stock Data

Price (Common / ADR)	6.65 BRL / 2.63 USD
Price Objective	6.20 BRL / 2.50 USD
Date Established	3-Jan-2024 / 3-Jan-2024
Investment Opinion	C-3-9 / C-3-9
52-Week Range	5.03 BRL - 13.53 BRL
Market Value (mn)	2,241 BRL
Free Float	53.6%
Average Daily Value	11.29 USD
Shares Outstanding (mn)	336.9 / 175.5
BofA Ticker / Exchange	XGOLF / SAO
BofA Ticker / Exchange	GOL / NYS
Bloomberg / Reuters	GOLL4 BZ / GOLL4.SA
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA

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**Refer to important disclosures on page 5 to 8. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.**

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Timestamp: 25 January 2024 04:56PM EST

# iQprofile<sup>SM</sup> Gol Linhas Aereas Inteligentes S.A.

## iQmethod<sup>SM</sup> – Bus Performance\*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-81.9%	12.2%	30.9%	36.7%	39.7%
Return on Equity	NM	NM	NM	NM	NM
Operating Margin	-53.4%	3.7%	16.4%	20.0%	20.6%
Free Cash Flow	(343)	(1,575)	(804)	1,634	1,968

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	3.8x	1.7x
Asset Replacement Ratio	0x	0x	0x	0x	0x
Tax Rate	2.6%	NM	3,022.4%	33.2%	24.5%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	-2.1x	0.2x	1.0x	1.3x	1.5x

## Income Statement Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Sales	7,433	15,199	18,673	19,459	23,383
% Change	16.7%	104.5%	22.9%	4.2%	20.2%
Gross Profit	(1,353)	3,587	6,181	7,078	8,512
% Change	NM	NM	72.3%	14.5%	20.3%
EBITDA	(4,474)	1,746	4,703	5,697	6,786
% Change	NM	NM	169.3%	21.1%	19.1%
Net Interest & Other Income	(3,542)	(2,075)	(3,062)	(3,240)	(3,294)
<b>Net Income (Adjusted)</b>	<b>(7,647)</b>	<b>(1,424)</b>	<b>(59)</b>	<b>431</b>	<b>1,154</b>
<b>% Change</b>	<b>-13.2%</b>	<b>81.4%</b>	<b>95.9%</b>	<b>NM</b>	<b>168.0%</b>

## Free Cash Flow Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(7,359)	(1,562)	(59)	429	1,156
Depreciation & Amortization	673	1,086	901	703	728
Change in Working Capital	1,490	750	(107)	(302)	(401)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	4,852	(1,849)	(1,538)	804	484
Capital Expenditure	0	0	0	0	0
<b>Free Cash Flow</b>	<b>-343</b>	<b>-1,575</b>	<b>-804</b>	<b>1,634</b>	<b>1,968</b>
<b>% Change</b>	<b>NM</b>	<b>-358.7%</b>	<b>49.0%</b>	<b>NM</b>	<b>20.4%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	360	2,812	4,491	2,525	197

## Balance Sheet Data (Dec)

(BRL Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	526	573	1,270	3,527	4,026
Trade Receivables	851	1,268	1,459	1,611	1,827
Other Current Assets	1,312	1,152	1,356	1,251	1,406
Property, Plant & Equipment	7,675	9,589	9,789	10,785	11,553
Other Non-Current Assets	4,039	4,388	4,396	4,515	4,869
<b>Total Assets</b>	<b>14,402</b>	<b>16,970</b>	<b>18,271</b>	<b>21,689</b>	<b>23,682</b>
Short-Term Debt	635	1,127	1,209	1,379	1,394
Other Current Liabilities	10,447	12,735	12,589	13,233	13,776
Long-Term Debt	11,265	10,858	13,304	15,172	15,340
Other Non-Current Liabilities	13,109	13,610	13,132	13,440	13,550
<b>Total Liabilities</b>	<b>35,456</b>	<b>38,329</b>	<b>40,234</b>	<b>43,224</b>	<b>44,060</b>
<b>Total Equity</b>	<b>(21,054)</b>	<b>(21,359)</b>	<b>(21,964)</b>	<b>(21,535)</b>	<b>(20,378)</b>
<b>Total Equity &amp; Liabilities</b>	<b>14,402</b>	<b>16,970</b>	<b>18,271</b>	<b>21,689</b>	<b>23,682</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Airlines

## Company Description

GOL is a Brazilian self-denominated low-cost carrier, well positioned in the most relevant routes in Brazil. The most relevant airport is Congonhas, with it owning 40% of the slots. Moreover, GOL's point-to-point business model allows it to have a unique fleet, composed of Boeing-737, leading to lower CASK than peers. The company has been upgauging its aircraft fleet, with 24.5% of seats composed of Boeing 737 MAX aircraft, supporting a further CASK reduction. GOL is controlled by MOBI FIA.

## Investment Rationale

We have an Underperform rating on GOL. Although the company's profitability appears to be recovering, we expect it to be a long and bumpy journey, with the main risks being oversupply (as capacity is added to the market) and further BRL depreciation. We also believe that GOL is a high-risk high-return case, and that fair equity value could expand significantly on a macro tailwind (mainly on BRL and oil).

## Stock Data

Average Daily Volume	8,358,200
Shares / ADR	1.92

## Quarterly Earnings Estimates

	2022	2023
Q1	6.58A	1.48A
Q2	-6.83A	1.33A
Q3	-3.71A	-3.11A
Q4	0.55A	0.16E

## Price objective basis & risk

### Gol Linhas Aereas Inteligentes S.A. (XGOLF / GOL)

We derive our R\$6.2 / US\$2.5 PO from a 2024E Adjusted EV/EBITDAR target of 7.0x (in line with historical levels pre-Covid 19). To have consistency among the sector and historical valuation levels, we do three valuation adjustments on GOL: 1) we assume 7x RENT as a proxy for operating leases' NPV, as we calculate this reflects the economic value of leased aircraft better than lease liability, 2) we adjust EBITDA for capitalized maintenance costs, as it started to capitalize significantly more maintenance costs than most of airlines worldwide, and 3) we adjust EBITDA for GOL's R\$1.7bn provision in 4Q21 related to the aircraft return costs, gradually having a cash impact in 2020-26, in our view (-R\$330/year).

Downside risks to our PO are 1) increase in oil price 2) weakening of economic growth and air demand, 3) FX 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

We, Rogerio Araujo and Gabriel Frazao, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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### Latin America - Capital Goods & Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Copa	CPA	CPA US	Rogerio Araujo
	GPS Participacoes e Empreendimentos S.A.	XKTRF	GGPS3 BZ	Rogerio Araujo
	Hidrovias do Brasil	XDXXF	HBSA3 BZ	Rogerio Araujo
	Localiza	LZRFF	RENT3 BZ	Rogerio Araujo
	Mills	MLSTF	MILS3 BZ	Rogerio Araujo
	Movida	XMBDF	MOVI3 BZ	Rogerio Araujo
	Rumo	RUMOF	RAIL3 BZ	Rogerio Araujo
	Volaris	VLRS	VLRS US	Rogerio Araujo
	Volaris	CTTRF	VOLARA MM	Rogerio Araujo
<b>NEUTRAL</b>				
	Armac	XCVZF	ARML3 BZ	Rogerio Araujo
	Azul	XAZUF	AZUL4 BZ	Rogerio Araujo
	Azul	AZUL	AZUL US	Rogerio Araujo



## Latin America - Capital Goods &amp; Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Randon	RPRTF	RAPT4 BZ	Rogério Araujo
	Vamos	XLPLF	VAMO3 BZ	Rogério Araujo
	WEG	WGSEF	WEGE3 BZ	Rogério Araujo
	WEG	WEGZY	WEGZY US	Rogério Araujo
<b>UNDERPERFORM</b>				
	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	IOCF	MYPK3 BZ	Rogério Araujo
	Tupy	TPYSF	TUPY3 BZ	Rogério Araujo

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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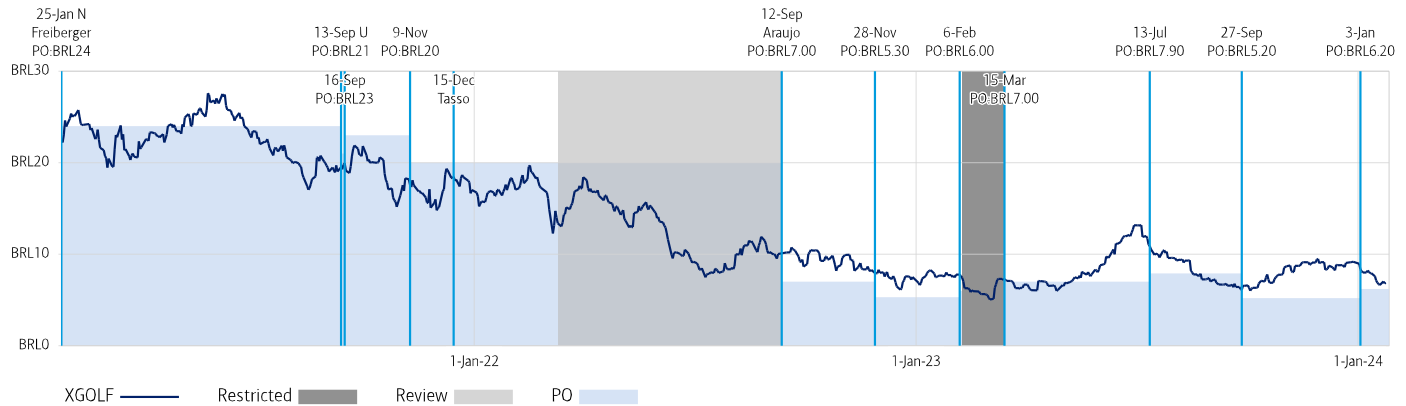
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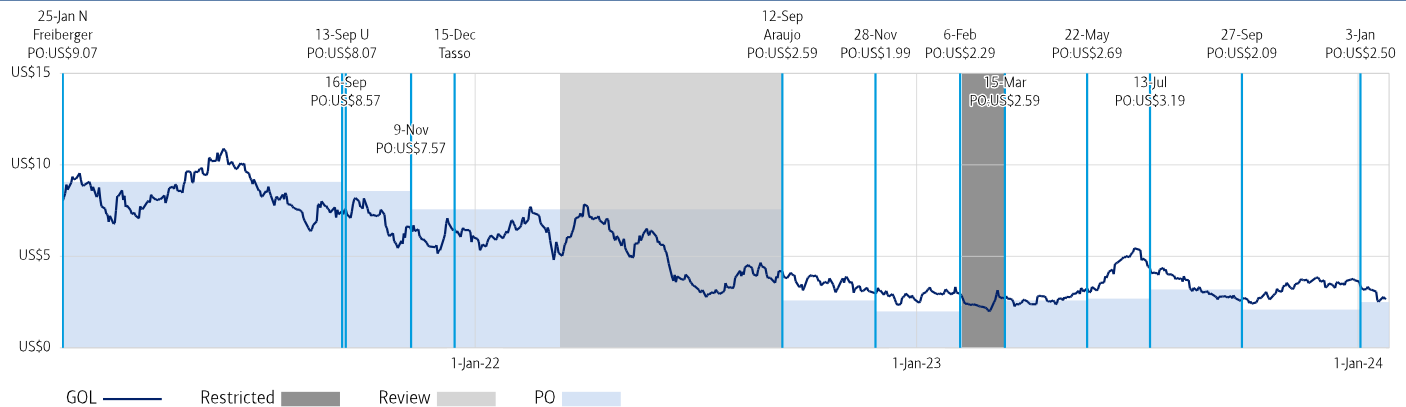
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### Gol Linhas S.A. (XGOLF) Price Chart



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.

### Gol Linhas S.A. (GOL) Price Chart



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: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
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<sup>R2</sup>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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