Q2 2020 Earnings Call

Company Participants

- Paulo Sergio Kakinoff, President and Chief Executive Officer
- Richard F. Lark Jr., Executive Vice President, Chief Financial Officer and Investor Relations Officer

Other Participants

- Alexandre Falcao, Analyst
- Duane Pfennigwerth, Analyst
- Gavin McKeown, Analyst
- Michael Linenberg, Analyst
- Stefan Styk, Analyst
- Syth Savanthi, Analyst

Presentation

Operator

Welcome to the GOL Airlines Second Quarter 2020 Results Conference Call. This call is being recorded and all participants will be in a listen-only mode during the company's presentation. After GOL's remarks, there will be a question-and-answer session.

(Operator Instructions)

This event is also being broadcast live via webcast and may be accessed through the GOL website at www.voegol.com.br/ir and the MZiQ platform at www.mziq.com. Those following the presentation, via the webcast may post their questions on the platform and your questions will be either answered by the management during this call or by the GOL Investor Relations team after the conference is finished.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of GOL's management and on information currently available to the company. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur. Investors and analysts should understand that events related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

At this time, I will hand you over to Mr. Paulo Kakinoff. Please begin.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Good morning, ladies and gentlemen, and welcome to GOL Airlines Earnings Call. I'm Paulo Kakinoff, Chief Executive Officer, and I'm joined by Richard Lark, our Chief Financial Officer. Our second quarter results are a reflection of the severe impact that COVID-19 is having on Brazil's economy, the air transportation industry and our company.

Since the beginning of the crisis, we have focused management on the following priorities. Number one, protecting the health and safety of our employees and customers. Number two, preserving the GOL's financial liquidity as we overcome this crisis. And three, advancing to the resumption of capacity in a balanced manner to the level of demand and remaining well positioned to increase the company's share of the domestic market.

We would like to thank our team of [ph]leaders who have provided their unwavering support for GOL and our customers in working on these three priorities even in the face of so much adversity. The details of the several initiatives we have taken can be found on pages 2 and 3 of our earnings release.

To offset steep decline in revenues, we took several measures to decrease costs and preserve liquidity. We reduced our average daily cash expenditures to BRL3 million in second quarter 2020, while taking all the necessary measures to provide our customers a safe and comfortable flight experience.

The company maintained its strong liquidity position, enabled in part by the broad support from many of our stakeholders, ending the quarter with BRL3.3 billion in cash and receivables. GOL's financial resilience in this market affirms that the value of the work we have been doing to strengthen our balance sheet over the last four years.

With that, I'm going to hand you over to Richard, who is going to take us through some additional highlights.

Richard F. Lark Jr. {BIO 427746 <GO>}

Thanks, Kaki. The number of revenue passenger kilometers, RPK, decreased by 90% compared to the second quarter of '19, totaling 773 million RPK. And we saw an increase of 103% in RPK from April to June, intra-quarter.

Available seat kilometers, ASK, grew 104% within the quarter, a decrease of 91% compared to 2019 second quarter. GOL transported a little over 600,000 customers in the quarter, which is a decrease of 92% compared to the second quarter of 2019.

Net revenues were BRL358 million, a decrease of 89% compared to the second quarter of 2019. Monthly revenues began the quarter with BRL104 million in the month of April and reached BRL164 million in the month of June, representing a 57% increase intra-quarter within the second quarter of 2020.

Other revenues, which are primarily cargo and loyalty, totaled BRL115 million, which was a reduction of 37% in relation to the second quarter of 2019.

The revenue per available seat kilometer, RASK, was BRL0.3615, an increase of 31%. The passenger revenue per available seat kilometer, PRASK, was BRL0.2458, a decrease of 6% compared to the second quarter of 2019.

Adjusted EBITDA and adjusted EBIT were BRL99 million and BRL20 million, respectively, and represent a positive contribution as a result of the company's rational and responsible management of capacity relative to market demand.

GOL carried out a balanced management of its working capital, matching operating inflows and outflows in order to maintain cash at relatively constant levels since the beginning of this crisis. We adjusted fixed cost outflows, such as personnel expenses and aircraft leases, to the new level of sales.

Since March, the company has negotiated with primary leasing companies to defer payments and change contracts to power by the hour, reducing payments from current values and incorporating a variable component.

With support from our banks, working capital debt and short-term CapEx financing maturities were rescheduled.

Such initiatives have allowed GOL to maintain liquidity at a level of BRL3.3 billion, with BRL2.8 billion in cash. We are taking every reasonable precaution to preserve our liquidity.

Now, I'd like to return back to Kakinoff.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Thanks, Rich. Since demand bottomed in mid-April at less than 5% of our normal traffic, we have seen a consistent and welcome uptick in passenger volume.

In the quarter, GOL sales grew at an average rate of 18% per week. We are committed to cautiously resuming our capacity to meet the demand and serve our customers. In the second quarter, our load factor was 78%.

GOL will continue to be recognized for having the most adaptable and flexible business model, prioritizing the safety of our customers and employees with the best team and the lowest cost in Brazilian aviation.

We are also proud of our resilience throughout the crisis and are confident that we have optimally positioned the company for the future growth and profitability.

Now, I would like to initiate the Q&A session.

Questions And Answers

Operator

Thank you. The floor is now open for questions.

(Operator Instruction)

Our first question is from Mike Linenberg with Deutsche Bank. Please go ahead.

Q - Michael Linenberg {BIO 1504009 <GO>}

Hey. Good morning, Richard, Kaki. I have a question, I guess, I would like to start on just liquidity and how we think about getting from the end of the June quarter to the September quarter. You did provide total liquidity at September quarter end of BLR2.9 million. It does indicate in the guidance that it is subject to several important initiatives that will be critical to get you to that number.

I guess I would point to the after quarter agreements or announcement to do advanced sale of tickets to Smiles that look like that that raised BRL1.2 billion. So, presumably, that's one of the initiatives that you're referencing. Can you walk us through from end of June to end of September? And just also confirm whether or not that the ticket agreement with Smiles that that is not in your June quarter number. Thanks.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

That's not incremental cash. That's intra-company cash.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

So that doesn't change total liquidity. Those numbers that we're reporting in total liquidity are the consolidated total liquidity numbers...

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

...which includes how we manage group working capital. Our liquidity initiatives, obviously, the main liquidity is sales, which are ramping up and following our network, which is based on digital analytics, which is identifying where demand is. As of last week, we're firmly at a run rate sales booking rate of around BRL10 million a day. And so, you have the network ramp up there, which is obviously the main source of liquidity.

And within the airline operating company, we're matching our cash outflows to those cash inflows. As you saw in the quarter, we were around BRL200 million better than we had previously guided with the cash burn for the quarter, and that relates to the combination of the ramp-up on sales as well as what we've been doing on the working capital side. And so, the airline operations, we had about BRL2.5 million per day average of cash burn for the Q2. We gave you some guidance there on the Q3 in terms of our expected cash burn of around BRL6 million. That is within our matching of inflows and outflows.

And so, the first point is that, from an internal perspective, we're matching the inflows and outflows in the Q3. In terms of capital structure, which is really where you're going with that, we have a variety of initiatives that are in execution. The timing doesn't depend on us. We have alternatives with our banking partners on the liquidity mechanisms, which include also rescheduling of obligations that we have there.

We have received the final -- or I'd say, the approved terms and structure from a potential local Brazilian real debenture issue, which would have support of the BNDES. And then, over the next couple of weeks, the GOL management team is going to be presenting their recommendation to our Board of Directors on how to proceed with that.

And we also have, based on our unencumbered assets, which primarily are aeronautical assets, which also includes some non-credit card receivables, we have some structured secured finance alternatives that are in execution that we can bring forward for execution if we need to.

And then, finally, where we don't have flexibility, obviously, is on our unsecured capital markets bonds in the market. As bondholders on the call would know, the semiannual interest payments were made both on the convert into 25 bonds this month as planned. And so, we don't have any plans to alter anything related to our unsecured bonds in the market.

And then, finally, just to round it out, because this, obviously, relates to the larger questions, our lessors have been very supportive during the crisis. We have an ongoing almost daily dialogue with them to arrange for the return of aircraft and continued deferrals. And we are also converting a large chunk to power by the hour and to pay for the utilization, which is a real win-win for both the leasing companies and us as we navigate through this crisis in keeping our cost advantages.

And so, that is the largest net, if you will, for GOL -- two-thirds of the GOL that is the operating lease fleet that we have. So that -- most of our lessors have been very supportive. We're in the final phase of that. And so, when I mention that the successful maintenance of our liquidity and the expected cash burn, the main variable in there that I'm highlighting is the finalization of our negotiations on our fleet, which is 100% operating lease. We've got around 50% of that, 60 aircraft is concluded.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

And it's a combination of deferrals, haircuts, power by the hour. It's a combination of various factors. But we expect, over the next 30 to 60 days, that we'll finalize that component, which is a very important component.

So, really, what we're saying there in that is that, as you know, we have our deal with labor done. We have all the work we needed to do with our commercial banking and working capital relationships done. And for the most part, with suppliers. And the final piece that we're going to be concluding over the next 30 to 60 days will be the finalization of the changes as it relates to our aircraft portfolio. So, that's really what I'm saying there.

And that is a -- it's an important component. The objective is, we're going to match our capacity to demand on the other side of this. We made some small adjustments to the fleet plan, as you can analyze through, some small calibrations around what we're doing there. But, probably, the most important component, which we still require significant support from our various stakeholders, is with the operating lessors that we're working with.

And so, that's really what I'm highlighting there in that comment on the critical nature of some work in progress relates specifically to what we need to finalize in the short term on aircraft.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay. So, that's helpful. When I read that, I thought that maybe that was more in reference to the BNDES loan, which, it sounds like, that that seems to be a lower hurdle and you're going to get that done. Can you just remind us about the magnitude of that potential transaction both -- I guess, it was that public-private partnership with the BNDES, what's the potential proceeds, kind of rough estimate of what you're anticipating.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

What's in that potential financing is BLR2 billion, so around $400 million, five-year debenture. There still is work that needs to be done from an execution perspective, we have all the due diligence and the structuring work is all done. We now -- and they're approved with that also. And what we need to work on now is the execution of that and how we would fit that into our business plans.

The main use of proceeds for that, obviously, would be either cash cushion/working capital. It's a local financing that started in March. It's the Brazilian government, and so it took a long period of time. But pretty much from the beginning, we said that we thought that it would take until the end of June to finalize the initial phase. And that's pretty much what happened. It went a little bit into July there.

But we still have -- there still is a runway in front of us on that of at least a couple of months. It's not something that's going to be coming into the cash cushion in the next 30 days. I think that's at least 60 days off before we would be in a position to have a funding on that. There is still a lot of work to be done, but I think the -- perhaps, the news is that the terms are finalized and we can, subject to some final points, begin working on an execution.

Q - Michael Linenberg {BIO 1504009 <GO>}

So Rich, though, you said 60 days, that gets me to 09/30. I'm not sure, is it in your BRL2.9 billion or is it...?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

No.

Q - Michael Linenberg {BIO 1504009 <GO>}

Not. Okay. That to me is very important because that's a...

A - Richard F. Lark Jr. {BIO 427746 <GO>}

It's not in our business plan today. It's not in our business plan. So, GOL management over the next two weeks or so are going to be working on potentially incorporating that into our business plan. That is not in your -- that is not in our business plan. And all of what we communicate with the market is a reflection of what's in our business plan. We've been pretty clear about that since the beginning. We've kind of said it's not in our business plan. Analyze the GOL credit, assuming that's not in there. If it does come in there, it would be a nice increase on top of cash cushion and liquidity. Allow us to finance the ramp-up. How we view that from a core finance perspective, that's basically working capital to help us finance the recovery and the ramp-up.

So, what we've been doing -- we did in the second quarter, which was preserving liquidity, it was to be able to have the working capital to finance the ramp-up. And so far, I would say the ramp-up has been a little bit slower than expected, which is a good thing from a financial perspective, from a working capital perspective. That's the main reason why our cash burn in the Q2 was better than expected. But we need to preserve that liquidity to finance the ramp-up because, as an airline and as a Brazilian airline, we have to invest a significant amount of capital into revenues.

Generally, for us, it's between one to two months of revenues that have to be invested in working capital just to fly, just to transport passengers. So, it's a massive working capital investment. And so, what we've been doing is preserving that working capital.

And what we think is in the second -- in the third quarter here where the second quarter was about gaining time until the recovery started again -- the recovery started in very last week of May when we started ramping up the network. So, June was kind of our return-to-service month where we started ramping up in the network. And as I said, as of last week, we're about BRL10 million a day of sales.

And so, Q3 is for us, at GOL, it's where these paths are going to cross in terms of the ramp-up in our working capital, such that, in the Q4, at a rate somewhere between 60%

and 80% of last year, so call it, 70% on average in the Q4 will be, if you will, the new normal of our supply/demand scenario.

And so, the Q3 for us is a bridge on rematching of the assets and liabilities, rematching of the inflows and outflows operationally and financially to get to this new normal in the Q4. That's how we're managing here at GOL. Obviously, it's domestic. It's Brazil domestic. And that's the information set that we're managing here. That's the demand set that we're managing here.

But on your specific question, in addition to that -- as I said, in addition to that, what you mentioned in terms of the debenture supported by the BNDES and in addition to what we're doing with our leases, we are also in the final phases of structures that can work with our unencumbered assets.

In that mix, we have between BRL0.5 billion and BRL1 billion of additional funding that can come in based on unencumbered assets. Those are structures that we have available, which also could potentially be executed over the next 60 to 90 days if we need to do those.

Obviously, one of the problems is that the market right now is not -- especially, for us, as a Brazilian airline, it's not really there, the private market, the capital market. It's not even a question of cost. We don't look at that now from a cost perspective. We look at it from an access and from a capital and from a derisking perspective. And it's been a pretty bumpy, lumpy road where Brazil, there's a certain aversion -- to Brazil, a certain aversion to airlines and then we're kind of in a cross-set of that bucket.

We do think that we enter this crisis with a much better financial position and a more simple balance sheet, which was the byproduct of the business model and the work we've been doing over the last couple of years.

All these alternatives, in terms of our own balance sheet, we had available prior to coming into this. But many require incremental support from GOL stakeholders. It kind of seems to us that the ideal timing in the short-term is going to be more September than August. But, obviously, August is still in front of us. It's still a possibility to potentially do some of these incremental financings and refinancings because some of this relates to -- some of the liquidity source that we count on is not necessarily new capital, but it's refinancing of existing capital, lengthening out the capital structure, which is important for us.

But I would say, at this point, as we look at new external funds coming in, we don't see a high viability for the month of August, but September -- where we sit right now -- is looking a little bit better.

Q - Michael Linenberg {BIO 1504009 <GO>}

Okay. Okay. That's extremely helpful. Thanks for all your commentary.

Operator

The next question is from Savi Syth with Raymond James. Please go ahead. Savi, your line is open. Is it properly muted on your end?

Q - Syth Savanthi

Thank you. Hey, good afternoon, everyone. I really appreciate the level of transparency and detail you're providing with the investor updates and just in kind of your planning scenario. Regarding the adjusted EBIT, I'm wondering -- am I correct -- basically, what that number is telling us is kind of the level of earnings the flights that are being operated are generating. And as we think of -- as you add capacity back, is that something we can assume, as the capacity kind of comes back, that's the level of earnings that we can probably model in the ramp-up?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Sorry, I was going to say, the first answer is yes. The second answer is no. What we did on that was just we just excluded all of the grounded costs from that calculation. But in the Q2, we have a lot of seasonality in Brazil. So, the Q2, for us, is already a very low profitability. And so, that does not reflect what could be assumed for whatever you're saying, kind of like post-pandemic profitability.

I think what you could assume for post-pandemic profitability is where we were seasonally, if you look at the quarters of last year. Our objectives that we're working on here at GOL is to -- in Q4 of this year, get back to our unit cost competitivity and back to the financial equilibrium of the airline operating company at some point in the Q4.

And we are assuming a yield similar to last year. And so, that's kind of a long way of saying is that it probably won't be necessarily for the entire Q4, but on a run rate basis in Q4, our objective would be to get back to the same overall profitability that, for example, you were looking at in GOL last year.

Why do I say that? Because from a policy perspective, that level of profitability is what we sought and what we achieved and what we're going to maintain, those levels of EBITDA margin and that level of leverage to get to that EBITDA margin in the high 20s, low 30s. We were at around a 30% EBITDA margin on average through the quarters and then a leverage below 3 times. Those are policy objectives for us.

And what we're going to be doing is getting back to that on the cost side because that's the business model. And then, the leverage side on a run rate basis is going to be higher than that in the Q4. But, eventually, it would come back down as, by the middle of next year, we get to more normalized run rate levels.

But on the first part of your question, what we did there is we excluded -- as if we were a 30 aircraft airline, without the other 90 aircraft on the ground, that would have been our profitability. But it's a management calculation. It wasn't meant to be a predictor of the future. We did run the business at as high an operational efficiency as we could.

Obviously, that wasn't the objective, but we kept our capacity matched with demand. Load factors in there, 80. That was all done to minimize the cash outflow. There was no other objective other than that. And so, that's just what kind of popped out. But we just provided that just to give you an idea of how we're managing the business.

And two things will happen. One is that, obviously, we're going to be losing -- eliminating from the fleet, aircraft this year. It's down to around 102 aircraft -- in operating aircraft by the end of the year. And then, we have the flexibility also to take out additional aircraft next year and 2022, if we need to. And then we also have the MAX return to service. So, we have a lot of flexibility to match capacity with demand.

On the downside, if you will, we have a natural hedge. If the recovery is slower than expected, we have a natural hedge to adjust capacity. And in our business, capacity is cost and cash flow. And so, reducing the aircraft means that we'll be able to keep our unit cost in line.

But, Savi, the overall objective, it's all about the unit cost. In the revenue bucket, in the short term, it's much more leisure and VFR, but given the capacity that's coming out of the market, we do expect, at a minimum, yield and PRASM stability at least through the end of this year and then the beginning of next year.

Q - Syth Savanthi

And tied to that and your response to Mike, if business demand doesn't kind of come back in a meaningful way, what would that kind of 55% of 2019 -- I think 30% 2019 and 3Q and 65% of 2019 and 4Q, what would that have to look like if you don't get the business again that comes back in a meaningful way?

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Savi, it's Kakinoff here. Actually, it's pretty hard to answer to this, considering that the situation is still pretty fluid. We cannot have a sharp focus when the business travelers really resume their cheat code travel pattern that they had before. And what we have also demonstrated so far is more like the current level of yields, considering that most of the demand is composed by the VFRs. So, as long as we have only -- basically only the VFR segment getting on board, combined with those who need to travel at the moment, the health agencies, the infrastructure workers, this kind of stuff, I believe that the yields and revenues really stay at the current levels, those ones we have demonstrated in the second quarter.

Therefore, I believe this calculation is pretty much useful to you guys because you can have a better flavor on what's the market about at the moment. But, personally, I believe that the business travelers will come back in a stronger way from September on. This is really, really hard to tell at the moment. We cannot have an accurate target.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

If you want to think about it in terms of our business, in our business, normally, about 70% of our traffic would be travel for business purposes. And within that bucket, 25% to 30-or-so-percent is corporate or think about it as large corporate, the large Brazilian companies transporting their employees around Brazil. That's not there right now, that component. And so, when that component comes back, that's a 25% to 35% bucket of sales and revenues is not there right now. And that is what is not going to come back in until there's a more solid reengagement of economic activity. In the VFR, obviously, there's a lot of autonomous independent SMEs, small company business traffic that's not subject to corporate travel budgets.

As Kaki was saying, the expectation of that is the September, October coming in, and that's consistent with some of that guidance we've given on our network. Right now, we only have pretty good visibility through August and September what we have in our network. And we're selling well. We're doing very high load factors, which is an indication of how good we're doing in terms of predicting where the demand is.

But the August capacity being at 30% of 2019 and the September being at 35%, we've got a pretty good handle on that, and that's it, because that's coming out of the data analytics. As far as the Q4, that is going to depend on corporate travel coming back for us here in domestic Brazil. The intentions of the government are aligned with that.

Here in Brazil, normally, July is the winter vacation month -- school vacation for a month. And we have schools functioning in August normally. Here in the Southern Hemisphere, it's just -- that will be kind of like your -- July is like your December, January winter break and then August will be kind of like February. We're not going to have that this year, but schools are expected to reengage in September with all the related issues related to that.

And we do see from our relationships with our corporate clients an expectation of starting to authorize for employee travel starting in September, but it seems more heavily weighted to October, with our big corporate clients. Like, our big corporate clients are the Petrobrases and the Vales and the banks and the construction companies and the energy companies and the real estate companies of Brazil, which right now are not spending on sending their employees around Brazil.

So, we think our network plan that we've articulated here for GOL to you guys, we have a pretty good visibility on that through September, which reflects the more weight on the VFR, but we don't have the visibility on the Q4. And it's very easy for us to ramp up quickly within a very short period of time. Generally, the booking curve in Brazil is normally sold on a 60 to 90-day basis. Right now for us, it's being sold around on a 20-day basis. It's a very short-term decision as the ramp-up is happening gradually. But I would say that we're going to be more or less where we are right now in terms of the signs and the leading indicators probably until the end of August when we would have visibility on what the government is going to do on back-to-school and then the corporates and others.

We are having this gradually reopening, even though some of the quarantines have been extended on a fortnight basis in the short term to gain additional time. But we are, here in Brazil, especially in the economic engines of Brazil, a little bit of a disconnect probably with what you're reading in the media from what I see when I look at the foreign media on where we live and work and are -- there's a little bit of a disconnect. We do have -- we have bars, gyms and restaurants functioning. They're functioning with limited hours, but there's been a continual gradual reopening since the end of June on a very controlled basis.

You are seeing spikes in terms of cases identified here and there, and I won't comment on the media's selection of that, but we are much more active today than we were last week and the previous week, et cetera. But I do think it's going to be now because we're not going to have any significant catalysts during the month of August.

We're more or less going to stay more or less in this area, and that's why if you saw we made some adjustments on our network plan. We're expecting RASKs from July to August to be up just around 10% and then in September be up around 15% over September, whereas we had this big ramp-up of over 100% from June to July.

And so that we don't expect any big movements in August and September. But if what has been articulated by the governments happens over the next 60 days, that could reflect into the large corporates coming back, which would be a big ramp-up starting in October and then through the end of the year.

And just a final part. Normally for us in Brazil is that -- economically or seasonally, the next year kind of starts around September. And then, we have a big rush of economic activity from September all the way until December. And then that meshes in with -- in January which is a huge summer travel vacation time for us here in the airline business in Brazil, and that generally goes all the way into whenever Carnival is, which is usually February.

And so, seasonality-wise, the worst part of our year is behind us. And so, now we normally would be ramping up for the push to the end of the year, which is our biggest overall piece of time. And that seems like it will kind of mesh in with what's going on with the gradual -- the continual gradual easing of restrictions on mobility and things like that, just kind of gradually for the year.

And then, going back to what I was saying before, on the financial side, that's a good thing because the more kind of measured and gradual the ramp-up is, the better for our working capital. If we have a quick ramp up, we'll put a lot of strains on our working capital and we probably would need some external financing to try to help manage through that.

So, that's kind of the line that we're walking.

Q - Syth Savanthi

That makes sense. All right. Thank you, both.

Operator

The next question is from Stefan Styk with Bank of America. Please go ahead.

Q - Stefan Styk {BIO 21493652 <GO>}

Hi. Thanks for having the call. I wanted to follow-up a bit on the last question just on the adjusted EBITDA figure. What exactly is within the non-recurring expenses for the grounded fleet? And as we look towards the rest of the year, third quarter, fourth quarter, would those expenses essentially be proportional to the expenses for the grounded fleet in the second quarter?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

The second part of your question, yes, Stefan. I think we'll probably -- we'll break that out for the third quarter also. And then, in the fourth quarter, we won't anymore because, part of what we're doing is, we're ridding ourselves of the excess capacity of the aircraft. And that is going to -- that's ramping -- that will match at the end of the year. And so, in the Q3 also, there'll be some transitions on that. But it's basically all the -- it's the fixed cost, depreciation and other things.

If you look in the release, we kind of broke out the components that are in there. And if you needed to -- if you needed that information, we could provide that offline. I don't want to use up the time on the call here today for this, but I don't think it's going to be that useful to predict anything. I think the way that -- the best way that is constructed is just whatever the operational fleet is going to be and then the unit cost related to that. I can provide you that data offline if you have the intellectual curiosity to look at it.

But it's basically all the -- let me call it, the ocio, the expenses that aren't necessarily to run the operations. It basically relates to all the aircraft. We had roughly 87% of aircraft grounded in the Q2. And so, there's a chunk of costs just related to that, which aren't focused on the operation.

Do you have any other questions?

Q - Stefan Styk {BIO 21493652 <GO>}

Yeah. My next question is just on CapEx guidance. What are you cutting back on in the third quarter to get down to BRL130 million?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Well, basically, it's a combination of postponements, deferrals. We also -- as you saw, we slowed down a little bit the aircraft redeliveries to save on cash. But our main CapEx item is engine overhauls, which we do have the ability to kind of program those and ship those around. Eventually, there's a catch-up on that, but we can match those better with overall operations. There's some technology CapEx that we have suspended as well, but the main part is on the engine overhauls.

And then, finally, as you saw, because of our deal with Boeing, we eliminated all of the PDPs. And so, part of that also relates to the PDPs based on our negotiation with Boeing.

Q - Stefan Styk {BIO 21493652 <GO>}

Okay, great. Thank you.

Operator

The next question is from Gavin McKeown with Amundi. Please go ahead.

Q - Gavin McKeown {BIO 16048042 <GO>}

Hi, guys. Hope you can hear me okay.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Yes. Hi, Gavin.

Q - Gavin McKeown {BIO 16048042 <GO>}

Hi, Richard. Hi, Paul. Can I just ask two quick questions, if you don't mind? I'm curious if you could talk a little bit about your expected impact. You kind of referred to this already, but just curious to ask it again, if you don't mind, directly. The number of cases in Brazil continue to ramp at a pretty strong rate, pretty scary rate, I'm sure, for everyone living there, based there. Just wondering how you think about that impacting demand.

And then, I did just want to follow-up. Obviously, you referred to an assumption to pay the Delta term loan. Is that 100% going to be the case at this stage?

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Hi, Gavin. Maybe to understand your question. Your first part of your question was the number of coronavirus cases...

Q - Gavin McKeown {BIO 16048042 <GO>}

Impacting demand recovery.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Impacting demand, yeah, for air travel.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

That's somehow interesting because it's not the fear of flying that is preventing people to take the planes. Actually, we saw the demand jumping from less than 5,000 customers per day to the current 30,000 level at the same time that the COVID-19 was negatively evolving. The number of cases was growing up, at the same time the demand was resuming, that it was recovering. So, this is not that people -- it's not a case that people is preventing or flying because their fear of getting in contract or get contaminated. It's more the economy being paralyzed due to the hotels, those who are closed, the companies that are keeping their employees working at home. So, the expectation is much more related or the demand is pretty attached to the government's decisions related to how fast they will relax the social distancing measures. That's... Yeah. And part of it too is, what they're doing is managing that -- managing the increase, the rate of increase in mobility and restrictions to keep the capacity utilization of the health care system below 100%. And so, a lot of it is just being very practically driven by that. And so, the demand -- I'm going back to what I was saying previously, right now, we don't have the corporate demand that we would normally have, which is not in the short term because we're just dealing with the demand that's there today, which is more VFR. But those decisions also are related to just what's going on in the economy and a little bit back into the corporate policies on when they can start authorizing their employees to travel again and do business and do maintenance and mix sales and take blueprints around and do meetings. The majority of business activities in Brazil cannot be done through the connections of the laptop, on the Zoom connection. It's got to be done physically. And then that down at the chain as well. One of the things that we've thought about is kind of leading indicator is the bars and restaurants and shopping and schools functioning as providing the basis to allow kind of the overall corporate business to function. And we don't have that right now. It's in the gradual ramp-up, but it's very much been driven by the health side of the equation as it relates to the health system, not based on any fear of flying. And if you look at how we've been managing, we've been doing 80% load factors with 80% of our sales in a 20-day booking curve. It's a very short-term demand, short-term decision, which is, as the economy is gradually ramping up, we're adding in the frequencies, we're selling them quickly and having very high load factors. So, there's still a huge potential for us to stimulate the long advanced period of purchase because, right now, it's all very short term. And we're not cannibalizing future inventory. We're just keeping our activity very, very short. And right now, there's a relationship of kind of like 11 to 1 between leisure travel and corporate. It's like massively inverted. So, once that comes back, we can lengthen out our booking curve. And when I say that -- why am I saying that? It's the transportation component, which is revenues, but the sales component is the booking curve. While we have up to years of inventory in the system, we're selling 20 days' inventory. And so, it's a very short-term component. And once that happens, in addition to the ramp-up on the actual passenger transportation, which you'll see based on the mobility, the longer-term planning nature, especially for the corporates, will kick in. And that would be a large increase in sales once that happens. Going back to what I was saying before, more gradual that happens, the better from a working capital perspective. But that is probably -- like I was saying before, I think the next step-up on that will probably be nearer to the end of August or September if we have kids back in school again and have kind of firmly settled into this, call it, 30% to 40% of 2019 is the platform, and then we can build on top of that. And if corporates come back September, October, that most likely is not just going to be for travel in September, October. It's going to be coupled with a lengthening of the advanced purchases, which normally would be pretty solid out as far as 180 days. And so, going back to what I was saying before, then we'll be selling kind of out to February. We'll be selling out to Carnival next year into our booking curve, which is receivables and then through factoring cash and things like that. And then, that's what I was saying, like, in the fourth quarter is when those things probably start to match for us. The ramp-up in the booking curve and the right-sizing of the fleet to something on the order of 100 to 105 operating aircraft. And so, again, that's how we're managing the business right now, but this third quarter is still a transition quarter between the Q2 and the Q4. So, all I'm giving you is just a potential scenario. As Kakinoff was saying, this is our scenario for September and beyond. It's not the budget. Right now, we're -- we went from kind of managing the business on a daily basis into Q2. Now, our revenues, we're managing on a weekly basis. And everything else, we're managing for the third quarter through the end of the third quarter. But I do expect by -- in September, we'll be able to go back to a somewhat more normal booking curve with somewhat more normal, let's say, plan, if you will, as it relates to the reestablishment of corporate travel in Brazil. Anyway.

Q - Gavin McKeown {BIO 16048042 <GO>}

Thanks. I did have one follow-up question. Okay. But just on the Delta term loan part?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Yes.

Q - Gavin McKeown {BIO 16048042 <GO>}

The assumption is that back -- I know your assumption is that gets paid, but there is, presuming, no prospect at this stage...

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Yeah. We're focused on preserving liquidity because everything I was describing -- one option we have is to make a full amortization. One option we have is to make a full amortization of this loan next month. Another option is to amend and extend for which we would need to support Delta. Those are basically our options.

Q - Gavin McKeown {BIO 16048042 <GO>}

But given now, at this stage, Rich, for -- correct me if I'm wrong, maybe two weeks to go until that amortization is required currently. Is that really a viable prospect to amend and extend at this point?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Yeah. So, that is another option, which is viable, yes. But for that, we would need the support of Delta.

Q - Gavin McKeown {BIO 16048042 <GO>}

Okay. But given that -- sorry to push you on it, given as we're two weeks out, do you think that that support is potentially there?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Yeah, that's a viable option to amend and extend. And for that, we would need the support of Delta.

Q - Gavin McKeown {BIO 16048042 <GO>}

Okay. Okay. Sorry, I'm pushing. Hopefully, you understand where I'm coming from. Can I just follow-up then? I think it was on Mike's original question, which there was some really helpful color there. But if I could just ask the question slightly differently. So, on your measure of liquidity, which probably includes restricted cash, et cetera, but you go from

BRL3.3 billion at the end of the second quarter to BRL2.9 billion under the guidance, if I understand correctly. And then, if I multiply out the daily cash burn guidance which, obviously, again, assumes the term loan is paid down, there's about a BRL700 million gap. So, I've got BRL3.3 billion less the cash burn rate of BRL1.1 billion through the quarter using your daily cash burn rate, that gets me to BRL2.2 million and you're guiding for BRL2.9 million at the end of the third quarter. I'm just wondering if you can help us understand where that BRL700 million inflow comes from.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Yeah. That comes from a combination of -- there's a little chart we put into the presentation. Maybe you saw it, but that comes from a combination of refinancings and new financings, which we can execute easily within that amount to match that because, our objective, we have to match it in time. We don't have to match it all today, and so matching in time. And through a combination of refinancings.

And then, the other component -- and so, that's -- as you think about it from a capital structure perspective. But then, in addition to that, it relates to what I was mentioning in the first point and the previous points, which is basically not cash from revenues, cash from sales, which for us are receivables. And so, normally, we'd be at a steady state on average of something around BRL1.2 billion of sales per month, which would come into our receivables. And then, as we need to, we have financing mechanisms such as factoring to bring that into cash to do it.

So, as we shift where we are now to lengthening out the booking curve as it relates to increasing capacity and operations, we'll go up to about -- it will be another incremental of about BRL700 million of receivables in time. And in the very short term, probably an increase of around BRL200 million. Just related to the short-term -- during the Q3, from Q2 to Q3 increase in operations.

What we don't have right now is the visibility on the Q4. But that Q4 could then potentially be a substantial ramp-up in the receivables because that booking curve -- lengthening out the booking curve, which would normally be -- we would be doing, especially with corporates out -- it would be about 180 days. Right now, it's 20 days.

So, as that lengthens out, as the ramp-up phases in and as we keep the VFR leisure and add in the corporate, that significant ramp-up on the sales side can potentially happen in September. So, we don't have that right now. That's probably not in August. That also -- that would potentially -- that would be another BRL700 million in the way that it sounds like you're looking at it there.

We went down. If you look at it, it is the reestablishment of the normality. For example, if you look at the main variation in our liquidity from Q1 to Q2, it was a reduction of around BRL700 million of receivables. We're basically going to be rebuilding that back into our working capital during the third quarter on a slower basis.

As I said, we're at now around BRL10 million of revenues. We're already looking at a BRL12 million number here in the next couple of weeks. So, it's really on a week-by-week basis that we're managing the revenue component and rebuilding that receivable in a very short-term booking curve, which is 20 days, which is totally abnormal. 80% of sales are in that 20-day booking curve. And so, as that lengthens out for us from a working capital management perspective.

So, it's really kind of two things. We have around BRL700 million of -- in terms of obligations and unencumbered assets and other things that we have at our disposal, if we want to use them, BRL700 million of additional financing that we can pull into the system if we need it. And then, another BRL700 million, a different BRL700 million, on the receivables side.

As I was saying before, all of these will come in over the next 60 to 90 days. Those are tools at our disposal. It's just that we depend on other counterparties, clients and leasing companies and banks and markets to be able to do those. But those are reflected in the -- can't remember the page of the slides, but I think it's page 25 of the presentation we've put up on the website this morning. It basically shows how that liquidity is going to be reconstructed in the third quarter.

Q - Stefan Styk {BIO 21493652 <GO>}

Okay, that's it. Thanks so much.

Operator

The next question is from Duane Pfennigwerth with Evercore ISI. Please go ahead.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Hey, thanks. I wanted to ask you about your adjusted numbers in terms of how we should interpret them. Your revenue was down, call it, 90% in 2Q, and you're saying you generated positive EBIT and positive EBITDA. It's hard to understand how your cost base could be that variable. So, like, what are you trying to say with these adjusted numbers? How should investors interpret them?

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Well, as I was saying before, Duane, that's at your disposal if you want to use that. You could also use the full cost of a 130-aircraft company with a 25-aircraft company on revenues. It's total useless, right? And so, what we did is we backed out all of the costs related to those aircraft that are on the ground. A big chunk of that is obviously depreciation. It goes in the calculation on the unit cost, which is not a cash outflow.

But we also have majority of our costs -- well, let me go back. Normally, we have about -- GOL business model always had a very high operating leverage, which is, say, kind of like 35% fixed plus and the remaining variable, very levered to fuel and very levered to variable cost. That's been even more intensified going forward.

So, you asked me -- like, think about it going forward, we transformed a major portion of our fixed cost into variable costs, which I'd say is fixed cost, labor and aircraft. And so, there is going to be a pretty good matching with our costs with revenues going forward, at least for the next 12 to 18 months, both with labor and aircraft. Now the component that you can't transform into a variable cost so easily is depreciation. But in the Q2 there, the major item is depreciation.

What I can do, though, is I can provide offline as opposed to kind of going through the -- as opposed to going through kind of the math here. You're asking me what you guys should do with that. I would say a couple of components. One is that -- what we worked on here is to match our inflows with outflows. And the big challenge on that is what us and our competitors are all doing on the fixed cost side of the equation, which is labor and aircraft.

With the aircraft, with the IFRS 16, you have the depreciation, so you have to deal with that. I guess, you guys also need to look at what LATAM and Azul are doing, and how that's going to translate into the actual profitability for each operational aircraft, which will be my final point.

I guess, what you could do with that would be just to look at it on an operational aircraft basis and determine -- with those numbers we provided, you can see what our profitability is for the aircraft they were actually operating. So, as we phase back in, like -- Q4, I would say probably by mid-Q4, we should be back to the new normal on the fleet side. And that's where we're going to get to on the operating profit. But as I was saying to Savi, Q2 is a down quarter for us normally. And so, you can't extrapolate too much for that, for say, like a Q4 based on the Q2.

But we have a much -- I would say, also, we have a much lower fixed cost component of our cost structure than our competitors do. And so, through the ramp-up, we're going to be generating more results. Yeah.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Okay. And then, just maybe another follow-up on one of Savi's questions, but maybe some feet-on-the-street perspective on consumer behavior changes in Brazil as it relates to the virus. The more that people take it seriously, wear masks, social distance, the more we can be optimistic that the spread will be contained and some normalcy will return. So, Rich or anybody else, just wondering if you could give us some feet-on-the-street perspective on if people are taking the virus more seriously in Brazil now versus a month or two ago. And thanks for taking the questions.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Hi, Duane. Yes. That's my personal assessment. I believe that. Mainly the kind of customer which is used to take a plane, we are transporting every year something around 30 million different natural persons. There are 100 million tickets sold, but if we consider those that are flying 15, 20 times in a year, we are talking about total market around 30 million people. And this is basically the A and B social classes in Brazil.

So, I believe that they are much more aware of the benefits of following the recommended procedures. And we had no problem at all to have the passengers obeying 100% with our request, such as wearing masks every time, we have suspended the onboard service, and we are delivering the snacks only when the customers are leaving the plane and this kind of thing. And we had no problem at all to implement those measures.

And simultaneously, month to month, we see that customers are now getting more comfortable in booking a flight and taking the plane. So, I believe there are a clear correlation between that behavior and the demand increase.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

What I'd also say is that, like feet on the ground, Brazil immediately in March -- this economic segment that Kaki was talking about, A and B, took it very seriously from day one. March 9, we had a ghost town here in Sao Paulo. I think there was a part that maybe -- it's not that we didn't take it seriously, is that they couldn't in the C and D segments of the population, which you really don't have in the US. They never quarantined and shut down. You could go -- in the month of April, you could -- talk about like feet on the street -- during the quarantine, my regimen was take a taxi to go on the morning (inaudible) and walk or run home at night, which you normally couldn't do on the streets of Sao Paulo.

I was in the month of March -- you would cross the 23rd of May Street here, which is an 8-lane highway, which you would be squashed to a pulp if you tried to cross it normally, you could just walk right across it. And this is in the month of -- already in the month of March. But on my morning taxi drive, I would go into the back of the taxi with all the plastic protection and masks and everything and the guy would just tell stories about in the morning, he was out in the poor areas of Sao Paulo where bars and restaurants and everybody are doing stuff. So, there's like two different realities. And I think part of what you're seeing and the reflection in the numbers coming out is those two realities. I would say that the A, B component of Brazil did a really, like, exemplary job of quarantining March, April, May, and even so today.

I think culturally, in Brazil, there's a much more, let's say, how would I describe it, following what authority has requested you to do, much different than US, which some people kind of took this flag of -- in defiance of what somebody else was telling them to do. So, we really didn't have that.

And this relates to what Kaki was saying, which is the main consumer that we have has already kind of gone through that. And what we also saw in terms of street -- boots on the ground in June, we saw, I would say, in the A and B segments, which is generally the urbanized central pieces, the economically viable pieces, we already saw in the month of June temporary clinics starting -- testing clinics starting to slow down because they were set up in March and April to do testing -- March, April and May to do testing. Already in June, they were going down in volumes in the A and B areas. And also, use of hospital beds in the A and B areas, which is not the case in the C and D areas, which the thing has been working through there since, I don't know, June or so, right?

The part that's in the spiking of the cases which is not really maybe what you guys see on the medal count that's showing up on the right side of the screen on MSNBC every day. I don't know.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Duane, it's really important to highlight that the -- the C and D social classes, they always got the willingness to follow the authorities, but some of them, they simply couldn't. They were requested to by their employers to work or they were living in highly concentrated areas, a very high population density and this kind of stuff. The general mood would be to obey and follow the rules, but a considerable portion, maybe most of the C and D social classes members, they were simply not allowed to follow it. They couldn't.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Very high per capita per square feet in their homes where they can't be sitting in their library on their couch with all their kids. It's a very different reality. And it's a big chunk of the population, right? There's 20 million to 40 million people in those conditions where -- and that's in the numbers. It's a little bit the reality of Brazil. But I'm sensitive to that. I understand you're saying is like we're seeing -- there's a weird mismatch. When I look at what's going on in the international media and what we're actually seeing on the -- you said, boots on the ground here.

But just reflecting what Kaki was saying also is that, I would add to that the traveling public in Brazil overall, this 30-or-so million of frequent travelers in Brazil, it's a much more sophisticated, I would say, client base than probably your average US traveler because it's smaller. It's also relatively higher income proportionally. And so, it has, I think, a different relationship with the air travel. It's more influenced by the necessity and the convenience than other factors, such as fear or things like that.

But just going back, in the traveling public today, which is more of a VFR, what we don't have yet is the corporate piece. And that corporate piece is definitely influenced by some of these other components that you're talking about, mobility and also the perception of it being safe. We don't expect any pushback from that. As the economy opens, we don't expect any pushback on the emotional side about air travel not being safe.

But part of that just reflects a very different economic reality. And these things cross as well, just in terms of the -- cross what, I mean, the segments of the society cross where -- the segments of the population have different necessities. It's very easy for the A and B classes to spend a couple of months in quarantine. Almost an impossibility for the C and D classes to have -- to be able to -- so I've done that. It's a very low part of the population. If they don't work, they don't eat. And so, it's a very different reality that is reflected in the statistics that you're seeing.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Okay, all right. Thanks for the thoughts. Good luck.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Thank you.

Operator

The next question is from Alex Falcao with HSBC. Please go ahead.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Thanks for your question. How much of market share gains do you guys put into this prediction of the 70% capacity getting back in the fourth quarter? We saw reports on LATAM saying that they would probably not reach an agreement and going to have to fire people and take away capacity. Is that playing into your expectations, meaning that, if it's not, do you think that it could be even better than you guys expect?

And second, how closely you're going to monitor the routes in Brazil? And if they're not performing, you're going to close them down.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Hi. Actually, we have achieved a current market share at the level of 40% for the year. So, this is between 2 to 3 percentage points above what we usually have. This is something, I believe, that we could keep. So, this is entirely based on our own performance and we are not assuming any specific movement from our competitors. So, this is how much we believe we can keep in our share.

And then, we have closely monitored every single route. From at the moment or up to now, we have no intention to either cancel or give up on any of the routes we have reignited since the major reduction that we had implemented in April. So, the new -- or the routes we have resumed since then are so far sustainable and we believe that, by the end of the year, we might be operating something around 80% of the MAX routes that we were operating pre-COVID.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

The current run rates aren't necessarily a good predictor of the future because of the real distortion you have in the mix of traveling clients. But if you take the mix we have today, on a run rate basis, we're at about 50% of the corporate -- the business market that's traveling, we have about a 50% share. We know that from the data that we look at. But that's obviously with a significantly reduced market and somewhat inverted where the large portion of large corporates are not traveling. And so, I don't think that's a -- I think market share statistics are pretty useless.

But that derives from the network. GOL has a network that -- it's been built over 20 years, but it is the most present in the main business markets with -- our capacity is put where the main business market -- business travelers want to travel, and therefore, it's the most linked into GDP. And we also have the highest -- with us and LATAM, it's about a 90% overlap with LATAM's route network. And similar to what we saw in the Avianca Brasil situation at the end of 2018, beginning of '19, that company had around a 90% overlap with GOL. And so, with what LATAM is doing, there's probably a big chunk of passengers that normally would have been traveling on LATAM's network that are traveling on the GOL network because it goes where they want to go.

I don't know if -- did I answer your question?

Q - Alexandre Falcao {BIO 5515455 <GO>}

Definitely, it does. It does. Thanks for that. And if you can -- and I'm not sure you can disclose that -- how much of that is (inaudible) specifically, meaning how much does the Sao Paulo-Rio route has to work for your predictions to work? So, I'm not sure if you can disclose that, but it would be interesting to see how relevant it is.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

I'm not sure that I understood correctly your question, but I believe that the flights between Sao Paulo and Rio de Janeiro would be sustainable in almost every way. This is because we can reallocate these lots to operating other routes in case that we should reduce the number of frequencies between Rio and Sao Paulo. So, it could be 10, 20, 25 each way route per day without any problem. That wouldn't be a minimal level, if I understood correctly.

A - Richard F. Lark Jr. {BIO 427746 <GO>}

Normally, we don't have -- a high portion of our passenger traffic is connecting traffic all around Brazil. It's even higher now. If you go pre-pandemic, maybe that was like 25%, 30%. Now, it's above 30 -- 30%, 35% connecting traffic. Very optimized. And that's a function of demand. But, normally, if you just want to isolate Rio-Sao Paulo shuttle, like 10% or so revenues, and so it's a portion of the overall mix. The GOL network is pretty diversified. And so, it's not -- in terms of domestic Brazil, it's the economic footprint of Brazil and we can adjust around in the ramp-up here. So, that's not really a point there.

We're going to have to jump -- I'll speak in front of the operator, but we have to jump on in 5 minutes to our Portuguese language conference call. And so, we're going to need to cut off now. There's another couple of people in the queue on questions. We're not going to be able to go to those now. But if you guys could just -- just shoot us an e-mail or we can talk later.

And so, with that, we're going to wrap up. We have to wrap up the English language call here.

A - Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Thanks, Rich. Ladies and gentlemen, I hope you found our presentation very helpful. And if not, just give us a call, okay? We are fully available to you. Thank you very much. Have a nice day.

Operator

This concludes the GOL Airlines conference call for today. Thank you very much for your participation and have a nice day. You may now disconnect.