Q1 2021 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

- Dan McKenzie, Analyst
- Guillermo Mendez, Analyst
- Matthew Breckenridge, Analyst
- Mike Linenberg, Analyst
- Savi Syth, Analyst
- Stephen Trent, Analyst
- Victor Mizusaki, Analyst

Presentation

Operator

Welcome to the GOL Airlines First Quarter 2021 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. At that time, further instructions will be given. (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 MZiQ platform at www.mziq.com. Those following the presentation via the webcast may post their questions on the platform and their 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-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 it over to Mr. Paulo Kakinoff. Please go ahead.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Good morning, ladies and gentlemen, and welcome to Gol Linhas Earnings Call. I am Paulo Kakinoff, Chief Executive Officer, and I'm joined by Richard Lark, our Chief Financial Officer. This morning, we released our first quarter figures, also we made available on GOL's Investor Relations website three videos with the results presentation, financial review and preliminary Q&A. We hope everyone has watched them, as we will now only make a few brief considerations and then move to your questions.

The first quarter '21 was marked by three relevant transfer GOL's resumption of growth going forward. The first one is the shareholders' approval of the merger of our operating subsidiaries GLA and Smiles at the March 24th Extraordinary General Meeting. The merger is expected to provide operating and financial synergies in excess of BRL400 million per year mainly through more dynamic management of the inventory of seats, unification of marketing initiatives, optimization of yield management and a greater tax efficiencies. There is high potential to generate value for the integrated entities as well as maximizing the Group's competitive performance. The transaction will be self-financed through Smiles on cash generation and it has significant benefits when considering the potential operational financial and tax synergies that were not available in the configuration as separate companies.

Another important trend was our management of the second wave of the COVID-19 pandemic in Brazil, which reached its peak at the end of March. We maintained the necessary agility to adjust our supply according to fluctuations in demand. Fortunately, we are already seeing a promising decline in the second wave of COVID-19 cases with a corresponding resumption in ticket sales over the last few weeks.

Based on the experience of airlines in the United States and the United Kingdom, countries that are more advanced than Brazil in the rollout of vaccines, we expect the National Program for Immunization to positively impact on the normalization of demand for air travel in Brazil. The third important trend this quarter was the reinforcement of the company's long-term commitment to sustainability. This is a key component in combating the effects of the pandemic and is a strategic driver for perpetuity and growth of the business going forward. GOL remains committed to being a leader in sustainability and is focused on reaching net zero carbon emissions by 2050. Recently, we increased the transparency of GOL's ESG reporting including detailed information using SASB and TCFD metrics as well as projections.

With that, I'm going to hand you over to Richard, who is going to take us through some additional highlights and update on the second quarter 2021.

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

Thanks Kaki. In the first quarter of '21, GOL's Adjusted EBIT totaled BRL208 million, corresponding to a margin of 13.3%, which shows the restoration of the operating margins necessary to support business growth. Adjusted EBITDA reached BRL354 million with a margin of 22.6%, reflecting the company's successful sustainability efforts in balancing supply and demand. As a result of rapid response in adapting our capacity to demand levels, we went from cash consumption during the months of January and February to a breakeven of cash inflows and outflows in March, closing the first quarter of 2021 with BRL1.8 billion in liquidity.

The net debt ratio, excluding the exchangeable notes and perpetual bonds to adjusted LTM EBITDA was 11.4 times on March 31, 2021 representing the lowest leverage among peers. Even in an atypical year, our company stands out among few airlines in the world that has amortized more than BRL4.1 billion of debt since to beginning of 2020, through its disciplined liquidity management and extraction of value from current assets. Our current capacity planning scenario assumes a 39% reduction in the second quarter of 2021, compared to the first quarter of 2021. Operations are currently at between 185 to 200 flights per day, using 47 aircraft, which is four times greater when compared to the essential network of April 2020.

After returning one leased B737-800 aircraft in the first quarter of 2021, GOL plans to return another five aircraft in the second quarter of 2021. From the beginning of this crisis, until the end of April 2021, our company has decreased its fleet by 17 leased Boeing 737 aircraft, as well as reduced our 737 MAX deliveries scheduled for 2021 to 2022 by 33 planes. For the second quarter of 2021, the Company expects to operate, an average of 63 aircraft, while maintaining personnel costs in their reduced position between 40% to 50% of pre-pandemic levels. Having converted a significant portion of GOL's fixed payroll and fleet costs into variable costs, we believe we are well positioned to expand the company's leadership in unit cost. GOL expects to end June 2021 with around BRL4.2 billion in liquidity after the Smiles reincorporation and the full amortization of its main short-term debts.

Now, I would like to return to Kakinoff.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Thanks, Rich. Despite the quiet celebration for GOL's anniversary, given the current circumstances, we could not forget to register again our sincere thanks to our customers, partners, shareholders, and in particular to our Team of Eagles, for the Company's remarkable trajectory over these 20 unforgettable years, full of achievements and celebrations. We know that challenges will always exist, but we will continue to provide these essential service to Brazilians with our utmost dedication whether our leisure travel, business, or more recently in the transport of health professionals and distribution of vaccines.

We reiterate our confidence, as we have done over the past 12 months that GOL is emerging stronger and even more resilient as markets normalize. We remain steadily committed to the diligent management of our balance sheet and our operations throughout the recovery. Now, I would like to initiate the Q&A session.

Questions And Answers

Operator

Thank you. The floor is now open for questions (Operator Instructions) And the first question comes from Stephen Trent with Citibank. Please go ahead.

Q - Stephen Trent {BIO 5581382 <GO>}

Good morning, guys. And thanks very much for taking my questions. Just two quick ones from me actually, could you refresh my memory one if GOL is still doing any engine maintenance with Delta TechOps and two any color on external customer flow, maybe for later this year and next year with GOL Aerotech. I know you guys have various codeshares cooking with American Airlines and others. Thank you.

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

Hi, Stephen, Kakinoff here. Good morning. Actually you know Delta TechOps is among our MRO suppliers, so we are still having business with them and we might remain so. I think that is the highest possible diversity of suppliers, the last is the price we can get. So wish to have business and probably we will continue to do it. And regarding Aerotech, I think this pandemic, this is possibly one of the most positive outcomes of this pandemic. I mean the Aerotech structure and our low-cost translated into most attractive MRO services price make us even more attractive to some important airline players. Therefore, we have been already requested by the new customers to send our price proposal and I believe that we're going to have a considerable amount of new clients to our MRO facility.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. That's perfect Kaki. I'll let someone else ask a question. But thank you.

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

Thank you. Yeah. Sorry, just a comment I remember, our GOL Aerotech which already does third-party services is focused on airframes. It doesn't have the capability to do the heavy engine maintenance and so our focus there is airframe maintenance, not the heavy engine overhaul. We can go to the next question.

Q - Stephen Trent {BIO 5581382 <GO>}

Perfect. Thanks, Rich.

Operator

The next question comes from Mike Linenberg with Deutsche Bank. Please go ahead.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. Hey, good morning everyone. Just a couple here. Rich, can you just walk us through to sort of bridge your liquidity at March quarter end BRL1.8 billion, you're going to end at BRL4.2 billion. We saw the announcement yesterday of the rights offering, so presumably that's in there. You talked about this Smiles piece, I'm also focused or trying to get a better feel for how you're thinking about the build in the air traffic liability presumably tickets for travel for July and August showing up by June quarter end, if you could just sort of tease out the different pieces and what's driving what, that be great. Thanks.

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

Yes, sure. Thanks for that question. Foresee the rights offering is not included in those numbers, so I think it's important to get that out.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. That's great.

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

One that is included -- that is included there is the also the credit accretive and the earnings accretive use of proceeds from that, credit accretive related to credit accretive liability management and continued deleveraging. And then also acquisition of aircraft and we wouldn't -- we're not going to add that liquidity and keep expensive liabilities. The -- on the bridge there going from the BRL4 billion -- BRL4.2 billion is basically, because of increase in accounts -- customer accounts receivable and forward bookings. I guess where we are right now is in the trough of the trough, if you will. April for us normally is the lowest seasonal months normally, I don't say it's -- that's the normal trough and there is a trough on top of that because of the second wave and so basically just running, running through that for you quickly, Smiles on a consolidated basis, we paid a dividend out of Smiles have BRL0.5 billion that's -- that went out in April.

If you take that scenario that we've articulated for you with the reincorporation of Smiles, that would be use of around BRL300 million. We can hit that separately, but that would be the the assumption there of BRL300 million in the scenarios that we're looking at there. We can talk about that separately. Then there is the -- let's say, tail of the Delta loan we have around $25 million or so still outstanding on the Delta loan and so that goes out in the quarter and then there is some small effects on working capital. Those are kind of the outflows.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay.

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

And then, there is cash generation at the -- cash generation at our Smiles subsidiary of around BRL300 million to BRL400 million then let's say capital raising that we expect to be doing in the Q2 related to a recap on our 2026 year notes and then there is receivables growth in there of BRL200 million to BRL300 million. So that's basically the bridge to the 4.2. If you were to include that BRL0.5 billion of the capital increase that BRL4.2 billion would be around BRL4.7 billion.

Now in addition to that, let me just going to throw in there that is -- that does not include that number, which is cash receivables and deposits, which we have access to. That does not include our unencumbered assets, which are not -- where we have leverage capacity in our existing secured financing for our spare parts and IP. Then there is the IP of Smiles and then there is also please in accounts receivable, which we can also factor so represents effective leverage and if you were to take that BRL4.2 billion and add the financial portion of our unencumbered assets, spare parts, GOL IT, Smiles IT, and increase in receivables that number would go to about BRL7.7 billion of total potential liquidity sources including the unencumbered assets, which is around a BRL2.1 billion increase over where we were at the end of the Q1, because if you take the -- if you take the BRL4 billion in total liquidity at the end of the Q1 and you add just to spare parts and GOL IT, because we did have access to the Smiles IT and there was no increase in receivables that number.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah.

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

In terms of the total financeable is about BRL5.6 billion, it's about BRL5.6 billion at the end of Q1 goes to about BRL7.7 billion at the end of Q2 and part of that is also related to where we are in the, recovery of the second wave. We -- if you look in the rearview mirror, we have less 15 days of January through February and you can see some of the data in the presentation we provided to you guys -- that's in the rearview mirror now. We're now -- we've been now in the last two or three weeks and we'll probably maybe Kaki comment on this, a big portion of that is related to the increase in sales that we're experiencing now, as we--

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

Yeah. Good morning, Mike. Actually, we have the supply to keep our pretty -- I'll say conservative approach towards the pandemic development. I mean that's the winning strategy that have made us go through this crossing protecting our company and making ourselves able to alongside risk every I'd say closer to protect the company's -- the company's future. So that's why we have shared with you pretty conservative guidance, since this pandemic started. But it's also important to highlight that already for three weeks, we have noted quite considerable booking curve decrease in the rate of 10% -- 10% growth per week and it shows that we might immolate the same demand recovery that we have seen in the United States for the domestic market. We have quite comparable characteristics, I mean we can't resize the robust domestic market and believe that once, I mean, second or third quarter last year and the fourth quarter, we had recovered -- we have resumed the pre-COVID-19 demand in a very sustainable way.

And then this second wave, but the biggest difference now is the vaccination, I mean, having the vaccine available, you possibly know that we have spend a considerable amount of our time in supporting the Central Government to acquire additional shots, I mean to buy more vaccines and the government was been successful so far, considering that we have already contracted 532 million shots for this year, which is enough to immunize 117% of the Brazilian population considering that everyone would take the vaccine and now also this immunization, the national immunization curve is ramping up.

So I think that we have considerable chances to emulate the same recovery -- we have seen in the United States. And actually, this is what we are seeing at the moment, considering the forward booking curve.

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

And just to add just real quick, I know you didn't -- Sorry, Michael -- has been a lot of year because part of the walk through in liquidity relief like this because again we're is -- kind of sounds like we need to you somewhere about BRL0.5 billion of accounts receivable that we lost because of the pandemic, it's kind of where we're right now, we start to get the recovery on that now, those numbers that we gave on the roughly BRL1 billion of revenues for the Q2 do not consider what Kaki was just talking about.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah.

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

We were seeing higher growth in that obviously we need to get a couple more weeks into it before we -- before we're going to adjust at all our operating liability planning, but the -- what's in those numbers for the Q2 considers may up slightly over where we are in April, but at this point it's looking like it's going to be, it's going to be hard, sorry, back to you.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. No, that's -- look, that's what Kaki said about vaccinations clearly reassuring. And I know Brazil has actually a strong history in that area with respect to like Zika and malaria, so the rollout. I think we'll go well. Just one, Rich back to just quickly on two items that you mentioned, you talked about Q2 recap on bonds. I just -- what were the notes, what was the series, did you say 2016 I think.

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

No, no, no. As you know, in December, we created this secure financing program we deposited around $900 million of collateral in there and we did an initial $200 million capital raise there.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. So, it's an add on.

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

That's going to be like -- that's going to be our -- and that matures in mid 2026 and so that is a -- yeah, that's our secret weapon, that's our secret weapon to go back to whatever we need to put in some additional liquidity for again for credit accretive or earnings accretive use of proceeds, it's not going to be used for operations, but we have that. The reason I'm saying that Michael is that we specifically avoided doing schizophrenic capital raising during the last 12 months. I think the announcement last night on the equity investment by the controlling shareholder is an example of that.

It's the right time for that to be coming in right now and also with this program that we set up, we have significant borrowing capacity, we have $200 million of additional borrowing capacity on that, that trades in the market. It's there, it's perfected and that's our proprietary goal and so--

Q - Mike Linenberg {BIO 1504009 <GO>}

And Rich, you said BRL400 million--

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

That's how we're managing our business --

Q - Mike Linenberg {BIO 1504009 <GO>}

You said BRL400 million --

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

We have around additional borrowing capacity there -- yeah, we have an -- we have a bad connection, I apologize.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. Every time you say the number you cut out. You cut out every time you say the number. What is the additional borrowing capacity is it BRL400 million.

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

With collateral, we have been there minus -- and we have BRL300 million to BRL400 million of additional financing capacity in the secured program.

Q - Mike Linenberg {BIO 1504009 <GO>}

Great. All right. Well, listen, this is great, it's reassuring that it's -- that the rights offering is not in the liquidity numbers. So we know there's upside there. Thanks for the extensive answers -- answer to my questions, gentlemen. Appreciate it.

Operator

The next question comes from Dan McKenzie with Seaport Global Securities. Please go ahead.

Q - Dan McKenzie {BIO 6343435 <GO>}

Hey, good morning guys, congrats on all the initiatives here this morning of the transactions. A couple of questions, one, I wondering if you just add some more color around the Smiles transaction. So the BRL400 million synergies highlight in the release, what are the timing at least synergies, are they immediate, do they ramp up say over several quarters and then how do they break down revenues versus costs. And then just finally on this, I wondering if you can just share -- what the final mix of equity versus cash that was opted by the Smiles shareholders?

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

Yeah, sure, Dan. I actually start with the second thing the next week is the end of the withdrawal rights period then there is, by the end of May, there is the choice period where minorities will pick between two options, one option is 80% cash, 20% stock and then the other option is vice versa 80% stock, 20% cash and that decision will be made by roughly the end of May. And then the -- then there is the operational component phase with the present stock exchange and the actual closing and liquidation would be on June 23rd. So there is almost two months ahead on that, now we also where we kind of put in the presentation, I realize many of you guys might have not had time to look at that yet, but if you look at Pages 22 to 25 of the videos that are on the GOL website, we gave you guys a lot of granularity on that. But I'll summarize it for you now. You know, structurally there are many funds that when you give an option of stock, they're obligated fiduciary wise to take the maximum stock component, and so based on what we know from our process with the minorities during the take in process, structural as well as what's been indicated to us, you know we -- we know that around 70% are going to be taking the more stock option. And so in that scenario, you know with 70% taking the more stock option, that would be BRL537 million, required for the cash component and then the dilution of what would be 7.8%. Now if the base takes the maximum more stock option, you know 100% taking the more stock options, that would then require BRL301 million of cash usage and with 9.9% dilution. Where the GOL price is trading today, it's pretty much trading at the let's say rational, financial breakeven, where economically rational decisions would result in taking 100% of minority shareholders taking the more stock option.

But obviously, there is still, you know six or seven weeks between now and the liquidation. So there is an option component in there given the volatility of the GOL stock. But if the GOL stock stays where it is or increases above where it is today, it's likely that we would see a 100% taking the more stock option, and that's why -- that's why I said in the previous answer, that you know we're assuming that there's going to be on a consolidated basis of BRL300 million cash outflow to the to Smiles minorities and then implicit GOL local PN stock price used in that for the dilution calculation is BRL27, so that would be 9.9% dilution at the -- at the BRL27.

But if you go to Page 24 of the presentation, we put our you've got scenarios that go between 70% more stock and 30% more cash and 100% more stock, 0% more cash and you can kind of see how that would play out there, so that number is right there and the estimated end of Q2 cash balances, Smiles is around BRL600 million. So in all of those scenarios, the cash balance at Smiles is the liquidity, if you will, at Smiles is more than enough to cover the cash component and that's why we kind of use that phrase, it's kind of self financing and on the synergies. Yes, I mean the estimated NPV of the -- of the synergies is BRL2.8 billion most of that's going to be realized over a five-year period. The synergies, start to be realized, once we get the the transaction done so, if you will in July of this year, the -- there's a variety of components there. There is a yield management component and better optimization of yields, there is a better cash management component in terms of not having cash traps earning CD rates on cash, we can allocate that more effectively across the Group and higher opportunity cost situations and then there is the tax efficiency component, which is really two-fold, one is a reduction in the taxes on revenues on the Smiles' revenue stream, there is a significant reduction there and the better utilization of the GOL NOLs.

But those start this year, and then it was approximately this potentially around BRL400 million of synergies, I'm sorry, of incremental additional cash flow if you will. That can already be realized in the second half of this year. So I think for all intensive purposes that is -- that's a done deal. And so that will start to get incorporated into the cash flow management of the group, how much we can realize on the tax synergies part of it is going to be related to the utilization of the NOLs at a Group basis and how profitable the overall entities are, but you can use approximately BRL400 million of incremental cash generation in the second half of this year.

Q - Dan McKenzie {BIO 6343435 <GO>}

Well, thanks for taking the time to walk through the presentation, it's very helpful. Second question here. I'm looking at the BRL129 million in the natural amortization of debt from aircraft leases in the quarter. And if I just do some simple math on, you know what that could mean say over the coming three years. You know, it looks like GOL could potentially pay down BRL7.5 billion to BRL8 billion of some of debt. And so that's just setting aside debt maturities. Just looking at deleveraging that comes from the natural amortization of aircraft leases. And I guess I'm just wondering if you can triangulate that math with how you're thinking about the balance sheet, you know and how you want to manage the balance sheet in a normalized demand environment.

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

Yes. That's -- that's hard of a lot of what we've been doing. I mean during this pandemic, you know which has had different management focused on much more on cash utilization, than margin maximization. But we cannot to guiding directors that we used to guarantee that we have a unit cost equal to or lower than when we came into the pandemic. And the other was to match -- keep matching assets and liabilities, which will ultimately mean that on a run rate basis in the fourth quarter of this year, you know we will have a leverage on a run rate basis equal to or lower than when we came into the pandemic, that for us from a policy perspective is we generally target in terms of what makes sense for us, meaning how the margins go through the cycle from peak to trough.

We work with an average leverage of 3 times of net debt to EBITDA, and that's where we'll be on the other side of this normalized, and excluding grounded aircraft and excluding the LTM effects of the pandemic. We could start to see on a run rate basis those statistics again, on a run rate normalized basis, Q4 of this year. You know but just a couple of other points there, because this is important and I think we're not necessarily getting a lot of credit for this given how people have looked at it. We you know since some -- since the beginning of this year till now we've amortized over BRL4 billion of debt, a portion of that has been returned to investors, some has been reduction in other types of that and so we've continued to do de-levering during this crisis. So the problem is not really the numerator, it's clearly the denominator. Right. The denominator, meaning the LTM EBITDA is kind of collapsed. So we that it's hard -- that's why that number has gone up, it is 11 times using the LTM statistics. Now pre-pandemic, we had -- we were kind of steering at around 2.5 times leverage for the end of 2020, again pre-pandemic at the beginning of last year. But -- and that for us means that we're managing the leverage from peak to trough -- we want to kind of be between a two and a five times from peak to trough in terms of the economic cycle. Obviously, barring pandemics which aren't part of the normal economic cycle. Now, your question on the leases, they've -- you're correct, they've increased BRL1.5 billion, a part of this is because of the way the IFRS 16 calculations work, they've increased BRL1.5 billion during the pandemic from a portion of our negotiations that related to deferrals and we repaid starting in 2022 at a rate of 20% to 30% per year. And so that BRL1.5 billion that our company achieved in terms of deferrals will be gradually reduced over a two-year to three-year period. There is another component to be careful of -- in for those who are looking -- the FX, the Brazilian Real devalued 30% and that, had also increased our gross lease set by another BRL1.5 billion, so it's a different BRL1.5 billion.

Now, we feel that 1.5 -- Real devaluation and then that was offset and that will be offset by a BRL1.5 billion debt repayment. And so if you assume it that FX variation comes back and you combine that with the BRL1.5 billion specifically on leases that debt repayment, starting in 2022, 2023, 2024 that -- just that component on the leases is a RBL3 billion deleveraging in the next three years, which I think what you've been -- you might be getting at. But on the lease side, there is BRL3 billion, on the other components we -- big components, I mean the Smiles complex represented for us about $600 million of debt, if you take the Term Loan B, which became the Delta loan and then the minority interest and that's gone at the end of the second quarter, thoroughly gone. Then the only other potential target of our liability management is the Brazilian Real debenture that we have outstanding today, which is about BRL600 million, which is a very unproportional unfavorable collateral mechanism today, because it has the fiduciary assignment of our accounts receivables there. So that will also be disappearing, but once we've taken care of that, there's really no other liabilities that we would on a normalized basis change the structural liabilities that are part of our business that are always going to be on the right side of the balance sheet. Be they the capital markets instrument, which is our secured debt, our unsecured debt and our unsecured convert, or the working capital facilities, we have which are related to financing working capital, and maintenance and things like that. So all those liabilities will stay. We've been rolling those over during the pandemic, but they belong in the capital structure with few exceptions, what has happened again in the global pandemic. We haven't had a liability problem. We've had a asset problems, where we had, you know a significant portion of our current assets wiped out by the pandemic, which is around BRL1 billion and so like as Kaki was saying is that as we get the recovery on the revenues, we get back around eventually probably by the third quarter on a normalized basis around BRL0.5 billion of corporate sales per month, that will translate into an additional receivable of somewhere between, accounts receivable on our balance sheet of between BRL0.5 billion and BRL1 billion.

And so once we have the normalized accounts receivable, normalized current assets, and we go back to having a securities, receivable securities payables, that's when our balance sheet will look normalized, but there's not a whole lot, we need to do on the non -- I'm sorry, on the non-current portion of the assets and liabilities. There are some final pieces there is related to the Smiles complex, as I mentioned you know the Term Loan B, which was paid BRL300 million in August of last year, and then we had a $250 million loan from -- that is pretty much paid off, where we are right now. So when you look at it -- if you look at it from a big picture basis, you know the -- we will continue to de-lever, those de-lever and I should also say in the Q1 number is, once you guys unpack it, you will see that we also de-levered in Q1. You know if you look at -- if you back out the exchange rate effects and look at the Delta loan and the cash effects, you know backing these things out, that's the long answer, but the short answer would be our objective is to return to a 3 times net leverage, which we believe is sufficient to get our credit rating to a double B and we already have that latent in what we're doing here right now, you can't see it because of the pandemic effects and also some of the exchange rate effects. But we already have that kind of locked and loaded, if you will in terms of the work we've done on both the working capital structure as well as the long-term capital structure. Unfortunately, you probably only be able to see once the EBITDA starts to normalize, which is you know will be more of a Q3 and Q4 events. Apologize for the long answer, but I know you're focused on the lease component, but I think I was clear there with the lease component. The negotiations we did focused on NPV positive mark to markets focused on converting what we needed into the power by the hour, so that we could keep aircraft on the ground, without having to return them until the recovery happens and then deferrals, but deferrals that will match perfectly, not just with the ramp up, but in terms of getting back to the 3 times leverage on the capital structure.

Q - Dan McKenzie {BIO 6343435 <GO>}

That's terrific. Thanks for the comprehensive answer, Richard.

Operator

The next question comes from Matthew Breckenridge with DSC Meridian. Please go ahead.

Q - Matthew Breckenridge {BIO 4045796 <GO>}

Hi guys, all my questions have been answered. Thanks.

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

Okay, Matt. Thanks.

Operator

The next question comes from Savi Syth with Raymond James. Please go ahead.

Q - Savi Syth {BIO 17476219 <GO>}

Hey, good afternoon. Could you share how many MAX aircraft you expect in 2021 and what you're thinking might be in 2022 and 2023 at least kind of a high and low estimate, and around that are you still thinking maybe roughly $2 million per aircraft in kind of fairly leaseback in from a cash contribution standpoint?

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

Hi, Savi. Actually, expecting to get between H2 brand more aircraft this -- and we are at this moment discussing with Brian, how much -- how many and how fast we could speed this, fit the new process up, I believe that it is going to have interesting news to be shared with you, pretty soon. But you know and everybody knows that we are willing to speed this process up as much as we can and I think that the negotiations are progressing quite well. And now, I think that it's really hard to tell how much we could get in -- through sales leaseback, because the market is -- the market prices are pretty volatile, see a clear appetite from the lesser side to support this kind of transaction. So I think there wouldn't be any kind of bottleneck coming from the lesser side to -- in enabling us to achieve this faster states revenue program we implemented.

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

And we also have financing mechanisms available to us this year as well, which we combine optimistically with the aircraft are available in the market, including outside of our existing order, what we though -- the approach we have taken is that we want to have additional cash reserves on our balance sheet, before we go out and lock in any finance leases, but we have very attractive long-term financing available for 85% or so of the acquisition price of the aircraft. We just have to come up with the other 50% of our own equity contribution, obviously we can lever that as well. That's something that will definitely be present in the second half of this year as we get on the other side of the intense focus on thoroughly in operations. But with us, in particular, we want to -- as Kaki said we want to accelerate our transformation from the NG to the MAX as soon as possible.

Q - Savi Syth {BIO 17476219 <GO>}

That'll make sense and we'll stay keen there. Can I quickly follow up on the -- as you bring back aircraft into the system, should we expect any kind of maintenance catch up that is related to that and how much of that might be incremental cash versus being able to use up maintenance reserves that you have already?

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

No, it's not -- in our case, it's not required for increasing operations, we have the regular outflow on engine overhauls that we need to do anyway. And then we have the -- so none of that is going to be incremental what can be incremental to us is if we accelerate the transition from NG's to the MAX, because as it relates to the aircraft delivery process, then we have extra costs and cash outflows, as it relates to you know the redelivery process. Now, we can use some of our non-cash current assets of deposits and reserves and other things to cost out those returns. But that's -- that for us is sort of a high-class problem because if we're accelerating the transition from the NGs to the MAX is because we locked in some attractive acquisitions of aircraft. And then we can generally work out the details with the counterpart on that being the leasing company or what not in terms of how we pay, if you will or finance the aircraft redelivery costs. But what we've been guiding on the CapEx per quarter is more or less, you know what we need to kind of be spending here in terms of engine overhauls and so on.

Q - Savi Syth {BIO 17476219 <GO>}

Thanks, sir. All right. I appreciate it. Thank you.

Operator

(Operator Instructions) The next question comes from Victor Mizusaki with Bradesco BBI. Please go ahead.

Q - Victor Mizusaki {BIO 4087162 <GO>}

All right. Thank you. I have two questions here. The first one, Richard, you mentioned about the secured bond program. And I mean basically saying that maybe the company can issue new bonds in the second quarter, but why don't we take a look on your press release, I mean, I see some targets for ESG, so my question is if is there any plan to maybe issue sustainability linked bonds in the near term? And the second question is related to the actual rate, I mean you mentioned that for -- I mean the guidance for the second quarter, you are not just on the capital increase. So I'd like to understand if is there anything pending our flight you decided to not include the BRL500 million.

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

Yes, I'm sorry, Victor, it was breaking up. Can you repeat the second question?

Q - Victor Mizusaki {BIO 4087162 <GO>}

Yes. I mean the guidance for the second quarter, I mean the liquidity position. I was going to -- you mention in the conference call that you are not including the actual rate of BRL500 million, that should be conclude next week. So I'd like to understand if is there any reason why did you decide not incorporated this in your guidance?

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

Okay. Number one, that's not correct. You have a forced situation there, many -- there is a couple of sell-side guys this morning that made a lot of mistakes, but I think we're going to push those out quickly. The page that you referred to is the filings with the SEC. Because what we do is we offer -- in Brazil, preemptive rights are mandatory like in the US, they are voluntary, but we do is we always make our preemptive rights process available to all of our ADR shareholders including retail investors, so we gave our preemptive rights became available to everybody.

And so, what you referred to there may severance is not when the capital increase closes, it specifically refers to when -- those documents are filed with the US authorities, there's that component as well. And so there is a delay there. The capital increase process would be finalized by the end of -- by the end of May and also what I was trying to say in the previous answer maybe add here is that those resources will be used for specific credit accretive and earnings accretive opportunities, most likely in the second quarter. And so it's not necessarily going to change our overall liquidity position. There is an asset coming in and then it will be a liability going out, if you will, or cash going out and in the case we use those funds for aircraft acquisition. Deposits where we made for example, some of the -- the activities with aircraft acquisition for example, if we got out and spot buy an aircraft today, those aircraft already produced on the ground.

So you either have to make the deposit for the pre-delivery or just pay your equity component. It's not the normal cycle for us, which would be a 12 to 24-month process of gradually making the pre-delivery deposits. So the main reason is not in there is that the use of proceeds for equity. Here, we always match our assets and liabilities, long-term equity capital has to generate returns appropriate equity capital so that and is going to be used for highly credit accretive liability management and highly earnings accretive asset acquisition. So that's the main reason on that.

In terms of your question on the -- let's say a green bond or something like that. We don't have any plans to do that right now, we don't have anything under study. I think it's something we may study in the future. But you know in my -- we haven't spent a lot of time looking at that because we've been looking at other types of financing for this company for this airlines. I think if we could generate a benefit out of that, we would do that but I think for the most part and I'm speaking a little bit out of ignorance is that, versus what we're doing already, I mean we're already doing -- GOL has been doing ESG related metrics and management for 20 years. This is not anything new for us -- what we're doing is providing a lot of -- more disclosures on it, mainly because investors are requesting us to put more information out there and many, we also have good conversations with buy side folks that are raising funds to focus on companies with good ESG initiatives. So we kind of feel like we can access those pools of capital without necessarily slapping an ESG name on something, we're already doing. When I said part of it -- I was speaking out of ignorance, because I have not -- generally we spent a lot of time studying, and preparing these things before we go out and do it, I have seen companies go out and do these things where they're committing to certain things, but as you can see we've already committed to the things we're doing internally, anyway because we think it makes sense, including being net carbon neutral by 2050 and a whole bunch a variety of other types of initiatives, but potentially I -- but we don't see like any change in our capital access because of what we're doing, I think, it tends to be a little bit the opposite, it's for companies that don't have the proper metrics and goals, you know one of the more important things is actually have specific goals that you're working towards, you will lose investors in your existing securities.

Now, we have many investors that we engage with on ESG metrics, that are in our current securities and if we you know -- if we didn't provide the disclosures that we provide, they wouldn't be able to invest in our current securities or they'd have to disinvest. And but I don't know, I think in our particular case, we have -- you know, let's say more limited tools or I say more limited opportunities. The tools we have today developed are pretty much the tools that we need, you know we have equity, which provides the base in finances long-term investments.

We have our unsecured bonds. We've had an unsecured bond and a perp, which kind of occupy a level in the capital structure right above that, you know important parcel with that is our unsecured converts structure, which fits in there nicely and allows us to monetize the volatility of our stock and attract a certain type of investor and the recently, we put on top of that in terms of the capital markets to secure financing program. Right now we feel like we kind of have all the right tools to properly finance our assets in all types of cycles. Now whether an ESG bond or a green bond would fit in there would depend on the use of proceeds sector. I mean we'd have to have a -- what would be the use of proceeds for that and that's something that we have to study, because I mean all of our long-term, all of our capital markets raising are always use of proceeds driven. In terms of where the proceeds are going to be allocated, to create value and so we'd have to see that. But perhaps there could be something more of a working capital nature, because a lot, obviously a lot of what we're doing in ESG is much less related to long-term capital and is much related to operations, right. It's how we operate our aircraft, how we manage the company and so, perhaps we would look at something from a working capital perspective, but everything we do here has to go through the prism of proper matching of assets and liabilities and any time we've that is when we get on the wrong side of the -- the balance sheet gets flipped in the wrong direction.

And so, as I was saying I think in the answer I gave to Dan, we think that's -- we've got the proper capital structure policy today. But it's something we could study. But I don't see anything happening in that category this year.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay. Thank you.

Operator

The next question comes from Guillermo Mendez with JPMorgan. Please go ahead.

Q - Guillermo Mendez

Hey guys, good morning everyone and thanks for taking my question. Actually, it's a quick follow-up on the Smiles and the capital increase, just wanted to better understand the timetable for the transactions, you mentioned that both transactions should be concluded by the end of May. Just wanted to double check if the capital increase would happen after the full incorporation of Smiles. And if not is the capital increase may impact the exchange ratio between Smiles and GOL shares. Thank you.

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

The answer is no across the board, I mean I'll just repeat the previous answer. The Smiles -- the liquidation of the Smiles transaction would be June 23rd, the withdrawal right period ends next week. The choice in terms of cash and stock is the end of May. The transaction will be finalized by the end of June. And no, the capital increase does not impact anything related to the Smiles taken, if anything it impacts it in a positive way, because investors that are making -- or made or making the decision if they want cash or could become a GOL shareholder are effectively getting that for free. It wasn't something that was involved in their decision at the shareholders meeting, a little over a month ago. But no, it doesn't affect any of that calculations there. The only thing that effects those calculations was the dividend payment made by Smiles couple of weeks ago, where the ex-dividend price gets adjusted down by about BRL4, as we've explained.

Q - Guillermo Mendez

Got it. Thanks, Richard.

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

Okay with that, let's flip it back to the operator in the spirit of time and you can close out the call. We have no more questions in the queue.

Operator

Yes, we have no more questions in the queue. Do you want to give any closing remarks? This concludes the GOL Airlines conference call for today. Thank you very much for your participation and have a nice day.