Q1 2020 Earnings Call

Company Participants

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

Other Participants

- Alex Falcao, Analyst
- Duane Pfennigwerth, Analyst
- Jamie Nicholson, Analyst
- Maggie Cheng, Analyst
- Mike Linenberg, Analyst
- Rogerio Araujo, Analyst
- Savi Syth, Analyst
- Stephen Trent, Analyst

Presentation

Operator

Welcome to the GOL Airlines First 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. At that time, further instructions will be given.

(Operator Instructions)

This event is 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 your questions on the platform and their questions will either be 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 conference call. I'm Paulo Kakinoff, Chief Executive Officer, and I'm joined by Richard Lark, our Chief Financial Officer.

Richard F. Lark {BIO 3484643 <GO>}

Good morning. It's my pleasure to be with you today.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Today 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 about the quarter results, and then we will move to your questions. And all comparisons are with the first quarter 2019.

Despite several operational challenges faced during this quarter, such as the rise of COVID-19 impact on the Company and on the macroeconomic scenario as well as depreciation of the real against the US dollar, GOL reached recurring EBITDA of BRL1.4 billion and recurring operating income of BRL938 million. Our total liquidity remained at BRL4.2 billion, of which BRL3 billion cash and short-term investments, and BRL1.2 billion of receivables, after amortization of BRL1.2 billion of principal interest and lease.

We had BRL1.1 billion of operating cash flow generation, with a 36% margin, an improvement of 28 percentage points quarter-over-quarter. Net loss after minority interest was BRL2.3 billion, primarily due to a BRL2.5 billion negative net impact of exchange rate and monetary variations.

Once again, we reported robust operating indicators, responsible and rational capacity management in relation to passenger demand, allied with efficient yield management, allowed the company to achieve the following indicators: average yield per passenger of BRL0.296, an increase [ph] of 3.6%; on-time departures of 92.6%, an increase of 5.5 percentage points, according to Infraero and data from major airports; average load factor of 79.8%, a reduction 1.7 percentage points; and average aircraft utilization of 12.1 hours per day, a decrease of 5.5%.

We had a scenario of impacted revenues. GOL carried 8.3 million customers in the quarter, with 7.8 million in the domestic market, minus 7.1% and 0.5 million in international market, minus 15.8%. Net Revenue per Available Seat Kilometer, RASK, was BRL0.253, an increase of 2.6%. Net Passenger Revenue per Available Seat Kilometer, PRASK, was BRL0.236, an increase of 1.4%.

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

Richard F. Lark {BIO 3484643 <GO>}

Thanks, Kaki. I would like to comment about our controlled cost environment, GOL has the lower unit costs in Latin America, which enables a better balance of fixed costs during this pandemic period. The Cost per Available Seat Kilometer, CASK, excluding non-recurring expenses, decreased by 13.3% from BRL0.204 in the first quarter of '19 to BRL0.177 in the first quarter of 2020. This was a consequence of the gain from aircraft sale operations, offset by increases in depreciation costs due to the net addition of nine aircraft in the fleet and by the increase in maintenance and repair and materials expenses due to the exchange rate impacts on important parts and labor.

Our margins remain healthy. Due to the strong cost control and efficient capacity management and yield management, the Company achieved operating profits for the 15th consecutive quarter. The recurring EBIT margin was 30%. Recurring operating income EBIT was BRL938 million, which was BRL392 million higher than in the first quarter of '19. Recurring EBITDA margin was 46%. Recurring EBITDA was BRL1.4 billion, which was a BRL488 million increase quarter-over-quarter.

Oil hedging was an exceptional item. Due to the reduction in our capacity, GOL expects to consume a lower volume of fuel liters than expected over the next two quarters. Thus, GOL recorded the expected ineffectiveness of its fuel price hedging for the second quarter of 2020 and the third quarter of 2020 as an exceptional item of BRL292 million in its financial result for the first quarter of 2020.

Lastly, we'd like to share the continued success of our liquidity strengthening. GOL reported operating cash flow generation of approximately BRL1.1 billion in the quarter. Total liquidity was BRL4.2 billion, maintaining the same level registered on December 31, 2019, due to prudent cash flow management and rapid cost containment from the decrease in sales in the second half of March. Also in March, the Company concluded sell and leaseback operations for 11 737 NG aircraft, reducing its net debt by BRL619 million, as a result of a BRL149 million decrease in debt and a BRL449 million increase in cash liquidity. Part of the proceeds was used to fund the early redemption of the senior notes due in 2022 in the amount of BRL427 million at nominal rates of approximately 9%, maintaining our responsible discipline of deleveraging our balance sheet and our commitment to long-term creditors.

In the first quarter of 2020, the Company paid BRL1.2 billion in principal debt and leasing payments. Net debt, excluding perpetual bonds and the convertible, to LTM EBITDA was 2.4 times as of March 31, 2020.

Now I'd like to return to Kakinoff.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Thanks, Rich. We are effectively managing our business through the crisis. While the current financial situation is sound as the scale of its challenge became clear in early March, we initiated a rigorous review of our budget to preserve working capital. We aimed at cost containment across the Company through the elimination of non-essential items. GOL estimates around BRL2.4 billion in cost reductions, CapEx eliminations and payments postponed for 2020, and those are values in reals.

In an environment of economic uncertainty and lower demand, GOL's single fleet and flexible capacity management reduces its exposure and makes it more adaptable to face this crisis than other aligned business models. We see this as a competitive advantage under normal operating circumstances and even more so at a time when the industry is facing strong external pressures. We are focused on caring for our customers and employees, preserving the financial liquidity of the Company and building a plan to, not only to rescale the business over the recovery period, but also to accelerate the progress of our long-term strategy.

Once we are through this crisis, I have no doubt that we will have learned important lessons in how, as a company, we can work more effectively together. Although the immediate future is uncertain, we are equipped to adapt to certain corporate changes. It's important to remember that, like oil prices, this one we will also pass. And at the end of this hard process, we are confident that GOL will be even stronger.

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) Today's first question comes from Mike Linenberg with Deutsche Bank. Please go ahead.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. Hi, I have a few questions here. Good morning, everybody, Rich and Kaki. Rich, you mentioned that in the March quarter that GOL paid BRL1.2 billion of both rental payments or -- rental payments and also principal on debt. How does that change as we get into the second and third quarter? I believe in the release it indicated that you were getting lease deferrals up from upwards of three to six months. So how should we think about what that number looks like in at least the June and September quarter?

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, good morning, Mike. Well, two levels. One, at the leasing level -- at the lease level, it would depend on how many -- what the size of the fleet is going to be in the second half if we adjust, they're not on that, so I don't want to -- can you hear me, okay?

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah, no, I can, I can.

A - Richard F. Lark {BIO 3484643 <GO>}

Okay, because we're doing our social distancing here in the room, and we're all spread out here. So I just want to make sure we're --

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. No, I can hear you well.

A - Richard F. Lark {BIO 3484643 <GO>}

Okay. And so if we -- let me just give an example -- for example, if we were to reduce the size of our fleet to match a lower demand, on the order of 12% -- 20% or so and let the contracts take course, meaning just what we have automatically in terms of the rollover, in terms of the expiration of aircraft on short-term leases and those aircraft go out, that would be a reduction of about BRL3 billion of debt in the second half.

And so the total debt would go down. Just on the aircraft debt basis, it would go down from the roughly BRL17 billion that we have right now to about to BRL14 billion. But we don't have any specific amortizations, say, at the lease level. What we have is more at the capital structure level, and we have a term loan that matures and term loan beta matures in autos and then of BRL300 million, and then we had a BRL150 million semi-annual amortization in September on a Brazilian real denominated debenture. And so that's kind of one way to answer your question.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. So that's the debt piece. So that's the debt piece. But your lease piece, right should come down, like presumably, you were able to defer 90% of your leases in the second quarter, then that number is going to come down a lot, right?

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, that number is -- it would be about BRL50 million to BRL60 million from a cash flow perspective. From a P&L perspective, that would be equal in accounting. And it wouldn't show up there because you're accounting for these -- all these leases under IFRS 16. But from a cash flow perspective, that will be a reduction of around 70% versus what the run rate was, and that would be a savings of around BRL50 million to BRL60 million.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay, that would be helpful. Okay. Okay. So that's helpful. Another question, you called out BRL1.5 billion of -- excuse me, yeah, BRL1.5 billion of unencumbered assets. What are those now? Where -- are those mostly spare parts, rotables, inventory? Are there any engines in there? And presumably, you're probably not including your slots or even your Smiles stake. Just curious.

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah. Those -- that's correct. Those are a combination of spare parts, rotables, and there are some small amounts of non-credit card receivables like, let's say, cargo and travel agent. We -- that does not include any -- that amount does not include spare engines. Also in Brazil, we don't own slots, we have the right to operate them. And yes, that does not include the Smiles stake.

The large chunk of that is airports and rotables, which has the market value in excess of $325 million. And then there's a small amount of receivables from -- which are non-credit card, which are cargo and travel agents. In addition to that, it's important to mention, in addition to that, we have around BRL1.7 billion of deposits for aircraft leases, maintenance reserve, and legal proceedings, which if we needed to, it's not in the brand, we could use those to generate liquidity by exchanging them for letters of credit.

Those are actually -- in our case, they're actual cash deposits. And those are assets that are in our balance sheet that if we wanted to, we could pay to exchange those for letters of credits or insurance policy, and we could -- that could probably generate upwards of BRL1.5 billion at a maximum. That's not in the plan right now, but that is in that 7 -- over BRL7 billion number that we're giving you includes what is executable on top of our liquid assets, which includes what we can do with unencumbered assets, the financeable portion of those as well as transforming cash deposits into actual cash through the letter of credit and through the -- through insurance mechanisms. And so that's -- the sum of those is what's inside that over BRL7 billion number though.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay, great. And then just my last one. The guide to a 6% EBITDA margin in the June Q, which I think you're probably going to be one of the few airlines in the world that is actually going to have positive EBITDA, but you are talking about a 50% expense decline versus a 70% revenue decline, so the math is the math. But I sort of zoom in on the 80% load factor, and I realize you're not operating a lot, so it's probably easy to fill up the airplanes than maybe what it was two months ago when you had a lot more flights.

That said, how does that 80% square with some of the social distancing mandates that people are talking about? And maybe it just doesn't -- it doesn't matter for you because you are flying from between Sao Paulo and capitals, and you're carrying a lot of must-go travel and a lot of its government officials, and they have to fly. It's the only way to get there. Is that --

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, that's a great question. I thank you for asking because I'm going to break that into two pieces: one is what we're doing on the customer side and the safety side; and then I'm going to let Kaki answer that, and then I'm going to walk you through a little bit on what we're seeing in the super short-term because obviously, we do have a visibility to May, not much more than that. But I'm going to hand over to Kaki to kind of go through what we're doing in the -- in that category in terms of keeping our employees and our customers safe.

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

Hey, Mike.

Q - Mike Linenberg {BIO 1504009 <GO>}

Great. Hi, Kaki.

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

Good morning. Your question gives us the chance to share our actions and thoughts on the safety and security measures. So we have announced yesterday evening that 100% of our customers are now demanded to wear masks, the same applied to our own staff in every single sense. And they have enhanced it so dramatically, the sanitary conditions of our airplanes, in order to make the following demand, and that's the only one we have so far, the people who really need to fly, finding an airplane, 100% sanitized it and safety for their travel.

So we have basically absorbed every single available initiative to make it happen. And it's not only appliable to the aircraft itself, but also at the airport. We have redesigned completing the process. So the two variables here are: we need to support those persons in need for the travel service. I mean, we are talking about the public agents, the docs and everybody who really needs to fly at the moment and offer them the safest possible experience.

So I believe that we are doing so considering that we have -- have been demanded. The load cycles are pretty high, 80%. And we have also monitored, based on our own crew, that the possibility of having an increase in the contaminations curve, which is not happening so far. So at the moment, considering the whole organization, we have only eight active cases in our Company, considering 16,000 people. And we have -- most of our crew members is still being exposed every single day because they are SKUs, and everybody is flying.

So I think that we have been pretty effective in those metrics because we need to serve this kind of service in the size of our country and how important is even to fight against the pandemic to keep those essential service, that essential network operating. So I believe that we are in a good shape, I mean promoting the highest possible level of safety and security to our customers.

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, Mike, that in our calculations, obviously, those are procedures that are already being executed. That's going to add around the whole process, which is including cleaning, and these other components is going to add about 10 minutes to our turnaround time, which (inaudible) a little bit on utilization, but we're also forecasting and keeping the utilization above 11 hours. So I think that's what you're going to see. Obviously, it's on a much more reduced operation.

But we're within that, the second part of the question, what I would say is, well is that, what Kaki was describing sort of the procedures, we're also combining that with -- I mean we'll have our traffic stat out this week for the month of April, but I'll share with you now that one of the things that we've been doing here at this company is trying to put in a lot of effort to make that all of our counterparties, they work with us, have as much information as we have visibility on and to provide to you, probably beyond what we normally would do there.

And so the on the load factor side for April, we're expecting something in the low-80s that'd be closed out probably around 82%. Similar for May, kind of in the low-80s, kind of around 80, 81-ish. And we are -- with that, we're looking at low-11s hours on the aircraft utilization. And so kind of combining that with what Kaki was saying, what we've tried to deal with this essential network is have it operating at the absolute minimum operating cost to serve the maximum demand.

And so as we evolve, we'll adjust that, obviously, and also, we'll adjust on the customer side in terms of the procedures and the direct feedback we get because, as you know, we also manage our Company with -- using NPS, and we have the direct feedback on that as well in terms of how the customers are feeling about it.

So it will be an iterative process as we kind of work along here over the next couple of months in whatever the recovery phase would be. And then on the cost side, because the only impact we see thus far is a little bit on the turnaround time, and this is literally being rolled out as we speak, it's been in the planning and this week, we start rolling out these new procedures. And so it will probably be a month or so before we have a combination of both the feedback on the efficiency side as well as the feedback on the customer side.

Q - Mike Linenberg {BIO 1504009 <GO>}

Great. That was all. Very helpful. Thanks, gentlemen.

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

Thank you.

Operator

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

Q - Savi Syth {BIO 17476219 <GO>}

Hey, good afternoon. Just curious, first question, on the term loan, any thoughts on kind of given your kind of revised outlook that things take longer to recover, wondering what your plans are for the term loan and if that is included in the BRL7 million a day cash burn that you think that you can get to in the second half if there is absolutely no improvement in demand?

A - Richard F. Lark {BIO 3484643 <GO>}

Well, number one, capital structure is not included in that. That is a -- that's at the operating level, and so we're trying to give you guys some visibility on how we -- and that's the outflows, obviously. As you know, we've been managing, for the month of April, based on the numbers we provided previously, managing the overall cash inflows, minus cash outflows near breakeven.

And so those numbers we provided there are cash outflows, what we call cash burn. So those are operational. They do not include capital structure. As I mentioned, we have two structural maturities in the second half: one is the term loan in August; the other is semiannual debenture amortization of our BRL150 million in September.

Our plan right now is to use cash to amortize this, both existing cash as well as future cash. Those are still down the road in terms of the forecast, and so I think we would only adjust that position and that intention probably towards the end of June based on whatever visibility we have on the recovery. And so that's -- the plan is to both amortize both of those.

But as you saw, we were able to reschedule all of the capital structure components that we had coming due in the Q2, let's say, March through the Q2. The debenture amortization -- the same semiannual debenture amortization at the end of March, we rescheduled for and put that into the March 22 amortization. But on that, I mean, we -- there's various alternatives that we can work through on both of those. I think it's a little bit early to change the plan on that, and so that's our plan currently.

But I think we have to see how things go on the revenue side because, obviously, the priority zero is to protect the Company and to protect our liquidity to be able to preserve the Company, GOL Airlines, to be able to provide service and also to be able to finance what we need to do in terms of working capital, in terms of the recovery. But those are our plans right now. I think that's the best answer I can give to that question.

Q - Savi Syth {BIO 17476219 <GO>}

No, that's helpful. And just the cash burn kind of information provided was super helpful, too. Just a clarification on, is that -- it wasn't clear if the BRL9 million a day was for all of 2Q or if it was by end of 2Q? And just what changes to get some like BRL9 million a day to BRL7 million a day as you go into the second half?

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, that is probably going to be pretty close to what the perm will be for all of Q2. That's what we're targeting to be at, let's say, for the month of June, kind of a run rate of June, if you will, but I think we'll be pretty close to that for all of Q2.

And the delta in terms of the small improvement in the second half, there's other things that we've been working on also. We had an effect. As we got into the downsizing and the restructuring, we had to use cash to negotiate and to reorganize our suppliers and credit facilities. And so that cash is already -- by the -- by mid-April, most of that cash is already spent and so that also just reflects the -- a more stable structural situation in terms of the fixed costs and the payables that we had as we had a transition from a company that was operating at an average of a little over BRL1 billion a month of revenues with the associated working capital involved with that and a massive downsizing, a 90% downsizing within a short period of time. So we had some catch-up to do to kind of reorganize the Company into the smaller operation.

And so it's really that effect, and so there's a little bit of a hangover effect with the negotiations we started in mid-March and they really kind of finished in the first 15 days of April. And so when we go towards the end of this quarter and then into the second half, we have a more, let's say, level situation in terms of working capital, more stability, one. And number two, the other effect is the -- and that's on the cash outflow side. The other effect will be -- it's a combination of the variable cost side of the equation that would relate to whatever we're doing on the revenue side.

And so if we do get a ramp up, the variable costs will follow proportionately and won't change that cash burn for the second half. And we've already got the fixed costs more or less where we want them then. So -- but basically, it was just the effect of -- as we kind of got from -- let's say, as we go from Q1 to Q3, we had a transition there in the Q2.

Also into Q2, remember, that's -- it's generally our down quarter where we also take advantage of the down quarter with aircraft overhauls in our maintenance hangar. And we generally have a massive pit stopping exercise in the Q2. And that's also in those Q2 numbers in terms of our hangar full-time is rotating through roughly seven aircraft at a time to catch up on maintenance and get a little bit ahead of the game as we prepare the Company for the second half.

So there's a little bit of that effect in there also in terms of the cash effect in the Q2 versus the Q3. That's how I would -- helpful on that. But it's all operational. It's important. Like when I say operational, it's a combination of operating expenses plus working capital to run the airline. And then also financial expenses, if you will, interest expense related to that also, but not a capital structure for long-term assets, nor does it include anything related to assets sales or anything like that. So anything related to structure, assets, liabilities, not in there. That's more of an operational number.

Q - Savi Syth {BIO 17476219 <GO>}

Got it. And if I -- before I hop off, if I might clarify the -- what's in the restricted cash that kind of jump up this quarter?

A - Richard F. Lark {BIO 3484643 <GO>}

Well, it's a combination of factors. We have -- some of them, we have deposits that are required for operations, legal deposits. And then the majority -- a big chunk of that is our roughly $100 million investment in our hedging positions, which we have hedges that go out into 2022. In our hedge portfolio, the majority of it is these caps and calls, which have premiums that were paid in previous years. But a portion of that, less than 50% are in cost collars.

We have done our positions, the majority of those are done -- were done in Brent, with the Brent put. We don't have any WTI puts. And most of those were immunized in the low-20s, at least the positions for this year were immunized in the low-20s. We came into the situation with around $80 million deposited, and we generally -- we treat those as restricted cash because those are deposited with counterparties.

And as we got into the -- as the bottom fell out on -- with the Saudi Russia oil price war, we probably went up as high as $120 million, $130 million on the deposits, and that's come back down a bit. But a big chunk of that is that.

The reason I emphasize that is, that we're fully deposited with counterparties on the working capital for our hedges. We're also immunized in the low-20s in terms of oil prices, and we don't have any WTI puts. And so we did have -- and we already had, when we came into this, we were already about 80 -- 70% to 80% invested in that. And this Company, we have, over the last couple of years, effectively managed the Company with a $100 million working capital budget to support our hedge positions times the volatility that exists with oil. And as the volatility has been enormous in the short term, we've been up and down around that. That's been a real roller coaster.

But like I said, we're current on our margins. We're immunized in the low-20s. We kept -- as we worked through the last couple of months, we added gamut to the portfolio. In other words, keeping participation of the upside to the extent that recovers. In addition to that, we also have a small amount of cash collateral in credit lines, which are standby letters of credit. And those deposits we have to make in those credit lines increased because of the Brazilian real devaluation. But that's cash, it's going to return.

That -- in that number, there's about BRL150 million of cash collateral for a standby letter of credit. Because of this -- we had that massive devaluation on the Brazilian real. So that's cash that's there to return.

Similar with the deposits for -- to support our hedging positions, those are positions which go out 24 months. And so depending on what your view is on oil, a portion of those deposits -- I mean, for example, I'll just give the simulation, if oil gets back to $45 by the end of this year, 100% of those margin deposits would come back to us over time over the course of the year. And so that's basically what's in that number there. We exclude that and call that restricted cash because we don't have immediate cash access to that.

Q - Savi Syth {BIO 17476219 <GO>}

Thanks. All right. Thank you.

Operator

Our next question today comes from Duane Pfennigwerth with Evercore ISI. Please go ahead.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Thanks. Can you just high level talk about the industry aid that may be on the table in Brazil? It sounds like it's all loans. What are the amounts based on? And what are you thinking about with respect to the cost of funding?

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

Starting from -- or starting by the most meaningful of those supports that are about to come is the so-called BMGS credit line. They are -- the figures are the following BRL3 billion roughly, five years to -- for payment, waiving the first two ones in amortization and the first one in interest rate. And that would be BRL3 billion per airline.

And the due date announced by the Brazilian BMDS to have those lines being structured would be May 15. So that's the major expectations. Some other initiatives were already implemented last month. So I can't mention -- there's lots flexibilization that allow us to not return the fares to the customers or to -- specific to returns that up to 12 months in case that the customer would cancel his or her ticket previously bought and some other airport fees and navigation fees, those who are listed, either listed or deferred to be paid after 90 days. So this is -- these are the highlights of the government support given so far.

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, Duane, the -- specifically on the loan package, we in Brazil, we don't have anything close to what we're seeing in France or the US with the different tiers of grants for payroll and loans and then potentially, equity. I mean the instrument that's being discussed is a kind of a debt with warrants structure. And like I said, we, and we price these things a lot of time, and so like based on current market environment, the pricing of that would be about a 13% cost to capital. Within that, it would be an interest rate and, as Kaki was saying, in the low kind of sort of 5% range. And then there's a warranties that would come in there.

We've been approaching that very supportive. We've been supporting what the government is doing in that respect. The government has also -- the BNDES is also, as this now has involved the private sector banks in that potentially. It appears to be what they're looking for is a -- so I think what you're seeing in the US, on the industry side, not on the financial side, but kind of a public-private partnership between the BNDES and the commercial banks, such that it would be also have a participation from the private credit markets, not just the government.

And that's what they're working on at this point. And we -- as you know, we view that as something that we would like to take advantage of as a facility that we can use, if we need it, and also kind of help us to the extent that the recovery is -- or let's say, the shutdown has extended, something that we could use down the road a bit. We don't have the specific terms on that yet. It's still in a process of discussions and due diligence, also between the BNDES and the private sector banks.

We do expect in the short-term to have the details on that. So from a cost to capital perspective, it is efficient. We obviously -- our Company, we here have a controlling shareholder that has 60% of the business. It's one of Brazil's largest transportation groups well capitalized. And so obviously, us, we, at this company are very sensitive to dilution by definition. And so obviously, we'll look at that very carefully from a dilution perspective. But what I would say from an overall cost of capital perspective, from an executive perspective, it's -- would be a reasonable cost of capital to the extent that it was needed. And as Kaki said, the whole package that they're looking at for this -- for the airline sector is around BRL10 billion. We'll be up to BRL10 billion and then roughly BRL3 billion plus or minus for the three large companies and then BRL1 billion for other parts of the -- other participants in the sector.

But we really don't have any more details at this point, and we're also not going to get in front of the BNDES on providing details that they have not provided thoughts. And so I think we need to wait a couple of weeks on that.

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Got it. Got it. Thank you. And then just for my follow-up, to the extent that you can talk about it, obviously, some moving parts with Boeing, you deferred some aircraft typically there's a cost associated with that. My guess is in this situation, there's not. You've got some cash in the door here. So can you just talk high level, what did you give, what did you get with respective to any Boeing settlement?

A - Richard F. Lark {BIO 3484643 <GO>}

Well, first, we have -- obviously, as you know, we have a confidentiality agreement with Boeing. And so we're really limited on what we can say. We provided as much information as we could, both in the release as well as in the footnotes of the financial statements. But that was something that we had negotiated for many months prior to this crisis.

And so I think coincidentally, that deal was closed during a couple of weeks before the crisis. And as you saw, it's a combination of factors in there. The one that has the biggest value is the reorganization of the firm commitments. We reduced them at the firm commitments substantially, as you saw in the footnote. And we also have the flexibility to do other adjustments in firm commitments as well as conversion rights for other versions of aircraft that could come in the future.

So that was a big component. And I would say the other component as well was a compensation for damages that we suffered because of the delayed -- the non-deliveries. It's been over a year now. And as you saw, like last year, we had significant additional expenses that we had to incur because of that. And so effectively, we're being compensated with that in a variety of formats and then a portion is cash. A portion is cash and a portion of that cash already came in literally in the first week of April. That amount that we disclosed there, around roughly $100 million came in, in the first week of April. And then there's other cash compensation that also will be received as part of that agreement.

And we try to also quantify that in that roughly $2 billion net present value that obviously, it's spread out over a very long period of time. But that effectively -- one way you could look at that effectively, if you take where we would be going forward from now, you could look at that as a reduction in debt effectively over a period of time. And so the equity value, that's real equity value for us, and that's the NPV of that over time. But obviously, it's complex. Each -- I think each airline has their own complexities and also within that, it was reorganization of PDPs and things like that. And so it's a combination of factors.

And so you saw the cash that came in, the BRL447 million of cash that came in, which is very handy, came in, in the first week of April. And then there's the BRL1.9 billion of present value that would come in also over a long -- over a period of time over several years based on what we do with our activities on the MAX.

We are committed to the MAX as the spinal cord of our fleet plan. But I think we'll have to see, once we get on the other side of this crisis, what specifically we're going to be doing in terms of accelerating or not, our conversion of our fleet from NGs to MAXs. One way you might look at this is that companies like GOL are going to be very eager to take advantage of any excess produced capacity to even accelerate the conversion of our fleet to the MAX even faster than maybe what we've previously discussed.

But that's not something we're going to really, let's say, talk much about now. We have to get through this. We do have flexibility to downsize if we need just through letting the contracts expire on temporary aircraft that we took in last year because of the MAX delays. But I think once we get on the other side of this and we get a new vision of what the forward demand is looking like and what excess capacity of MAXs there is out there, it's going to be a great opportunity for companies like GOL to even accelerate our shift to the MAX. But the first step is going to be matching our capacity plan --

Q - Duane Pfennigwerth {BIO 7329167 <GO>}

Thanks, Rich. Just real quick, last follow-up. I think it's said in the release, you're looking for BRL560 million of CapEx for the remainder of this year. Early view on 2021? And thanks for taking the questions.

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah. I mean we have -- that's the number that we would have. That's mainly engine overhauls. That does not include any aircraft acquisition or PDPs. Assuming a normalization, that number would be similar, roughly in the BRL600 million range for next year. And then add it on top of that would be whatever we're doing with aircraft acquisition, meaning PDPs. So it could be potentially another BRL100 million on top of that for PDPs.

All of that CapEx, in our case, is 100% financeable. Most of the engine overhauls, we finance with very low-cost facilities with banks, and a big portion of it is done with the US Exim Bank guarantee, which is still there for us, which allows us to finance that pretty much at 100% LTV in mid-single-digit interest rates and even more so on the PDP side.

So none of that really is cash outflow. It is -- we'll continue to finance that and roll over the existing facilities we have. So even though that's a CapEx number of roughly BRL600 million for the rest of this year and at least BRL600 million for next year, that's not going to be a cash outflow.

Operator

Our next question comes from Stephen Trent at Citi. Please go ahead.

Q - Stephen Trent {BIO 5581382 <GO>}

Thank you very much for the time, gentlemen. Can you hear me okay?

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah, sure.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, great. Just two for me. The first, I was wondering if you have any kind of broad view. Approximately what percentage of your domestic passenger flow are government officials on more or less on a normal cycle basis?

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

That's -- Him Stephen, it's Kakinoff. Actually, that figure, just an estimate. It's really low. I believe between 5% to 10% of government officials at the moment, we have more -- I mean how --

A - Richard F. Lark {BIO 3484643 <GO>}

It's (inaudible) because, obviously, there's been a collapse in demand. And so they're much a larger portion. But normally, if you were to look at our top three clients, within our top three clients, is usually the government like in the largest sets, all of the ministries and government employees --

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

Politicians and --

A - Richard F. Lark {BIO 3484643 <GO>}

Along with Petrobras and Vale, end up kind of being the largest consumers of corporate air travel in Brazil. But neither one of those is -- it's kind of in the 1% range, 1% to 2% max overall. It's up a little bit more now just because the government is obviously -- is working more probably on a relative basis than your average company in Brazil, which have implemented policies of travel restrictions and things like that, but roughly in that range.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, very helpful. And just one quick follow-up. When I think about your engine maintenance, I know in the past, you had done roughly half of that perhaps through Delta TechOps, and I know that you guys now have GOL Aerotech, which is even going to do some third-party work. Could you just maybe give us a view going forward, to what extent GOL Aerotech is going to be the main source of your engine maintenance?

A - Richard F. Lark {BIO 3484643 <GO>}

No, we don't have any plans to have engine maintenance today inside of GOL Aerotech. That's a very engine -- engine as a business, engine maintenance is a significant capital investment where we would have to have a different business plan on -- a different revenue plan to source those. And so that's not in the plan currently, so we'll continue to use third parties for our engine overhauls, which is good because there's also third parties in Brazil. GE as well as -- we have DTO in the US and then Air France-KLM in Europe, and we've worked with others as well.

It's a very specific niche business, which requires a very large capital investment and therefore, you have to have a need to have a global sourcing of clients. You can't -- it wouldn't make sense to do it. For us today, given our size, it would not make sense for us to have that investment for our size business, whereas when you get these mega global airlines, at some point, it makes sense for them to do it. We're far away from that.

Aerotech, for us, both for GOL as well as for third parties, is focused on airframe maintenance and painting. And we do have a small engine shop there, or we do a little bit of engine work, but nothing of the sophistication that you have at the large engine overhaul providers. It's a really specific business where you really have to have some significant scale to justify the capital investment.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. Very, very helpful. Thanks much guys out. I will leave it there.

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

Thank you.

Operator

(Operator Instructions) Our next question comes from Mike Linenberg with Deutsche Bank. Please go ahead.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. Hey, Just two quick follow-ups, Kaki. I may have misheard you. When you were describing the BNDES, the five-year loan, did you say that you would not have to pay interest and it would not amortize? I don't know if you said two months or two years.

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

Two years. Actually, three years. Richard can describe that.

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah. On the amortization, it would be years three, four and five. I think we don't have a specific asset on that. It would have -- you'd have to pay interest, but the amortizations would be -- okay, I'm sorry. First, you have no interest in the amortizations in year three, four and five. So it would be kind of an average life of sort of four years, if you will.

Q - Mike Linenberg {BIO 1504009 <GO>}

Okay. Okay. And then, Rich, just one other question. You talked about the Boeing agreement, and you said you listed a whole slew of elements that were tied to it as well as a, I guess, a reorganization of the PDPs. I'm just curious, when I look at -- in your non-current assets at your deposits, they're up 23%. I'm not sure, maybe the PDPs aren't even in that, although I think that they would be in that.

So why is that up so much? And how does that reconcile with your view about sort of reorganizing the PDPs? Is there something in there that I'm just not -- I must be missing?

A - Richard F. Lark {BIO 3484643 <GO>}

Are you specifically referring to pre-delivery deposits or deposits in general?

Q - Mike Linenberg {BIO 1504009 <GO>}

Pre-delivery deposits and both deposits, I guess, because -- are they both included in that line item? Or is that something else?

A - Richard F. Lark {BIO 3484643 <GO>}

Well, there's also an exchange rate effect in there. So if you look at something that might have happened at the end of Q1, we had a -- from Q -- from December to March, we had like a 30% devaluation of Brazilian real.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah. So it's down. It's actually -- I guess, if I were to adjust apples-to-apples, the number is actually down. Okay, so that answers my question. That's all FX.

A - Richard F. Lark {BIO 3484643 <GO>}

Okay.

Q - Mike Linenberg {BIO 1504009 <GO>}

Great. Thank you.

A - Richard F. Lark {BIO 3484643 <GO>}

When in doubt FX [ph].

Operator

And our next question today comes from Jamie Nicholson with Credit Suisse. Please go ahead.

Q - Jamie Nicholson {BIO 1540918 <GO>}

Hi. Thanks so much for the call. I just have a couple of follow-ups on your liquidity. You mentioned you received like $100 million of cash in the first week or so of April, but that also you used cash for some of the renegotiations of the payment deferral. So I'm wondering if you could give us a cash balance as of April 30. That's my first question.

And then secondly, you mentioned that if oil goes back to $45, 100% of the cash margin deposits would be accessible. So I'm just wondering, if Brent stays at $30, how much of that oil hedging margin goes to that hedge and is not accessible? Thanks.

A - Richard F. Lark {BIO 3484643 <GO>}

Yes. Okay. Yes. Thanks for the question. And just on the second question, if oil stays where it is, we would have, over the next eight quarters, an expense of roughly $100 million that would roll through the income statement. That cash is already deposited in those margins, and all of our calls and caps are out of the money.

And so if oil would stay where it is, we would just, on a quarterly basis, be recognizing the losses that are already deposited in margin. That is a little more front-end loaded, meaning most of that, probably about 70% -- 60% to 70% of that will be recognized inside of 2020, but there's no cash outflow because all that cash is already deposited.

And like I was saying, we immunized in the low-20s. And now if -- and then at the other end, what I would say is like if oil went up to $45 by the end of the year, based on the structure of our positions, we'd get back about half of that cash into our cash, so roughly $50 million would come back to us, and then we'd still have the 2021 positions.

But now on the first part of your question, and we also kind of gave some information on where we expect to finish the second -- finish the second quarter. There's really no changes in the liquidity. Obviously, we're managing inside of that. The receivables are running down a bit. We still have a -- we have a total liquidity of around BRL4 billion, of which the total cash component right now is BRL3.3 billion. And within that, available cash is BRL2 billion. And so if you take a snapshot of yesterday, that's what it is. BRL4 billion of total liquidity, of which BRL3.3 billion is the cash component, of which liquid available could write a check is BRL2 billion. We're managing within that.

What I mentioned that we use a little bit of cash is that in exchange for longer payment terms, if you have more runway, we invested some cash upfront in terms of -- each negotiation is different, but in terms of reorganizing that. And we expect to more or less be at that level by the end of this quarter also. And obviously, within that number for April is the compensation we received off of our agreement from Boeing.

Q - Jamie Nicholson {BIO 1540918 <GO>}

Okay. Thanks. And then just one other follow-up on the trade receivables. I know the government has given an extension on that. But how much of the receivables is in your like cash versus like held at credit cards, if that make sense --

A - Richard F. Lark {BIO 3484643 <GO>}

What you mean is in the accounts receivable, I thought you said government receivable. Okay.

Q - Jamie Nicholson {BIO 1540918 <GO>}

Yeah. No, accounts receivable.

A - Richard F. Lark {BIO 3484643 <GO>}

The accounts receivable, about 70% to 80% credit card and then the remainder are a combination of travel agents and cargo agents where we have a specific relationship with them as they might be just dealing directly with their clients on a cash basis, but around 70% is credit cards.

In Brazil, we don't have credit risk on credit cards. And we also don't have the withholding risk for a couple of reasons. One is that we -- the government changed the rules regarding reimbursements. In the context of this crisis, where -- normally, you can get a cash refund or change your ticket.

If you want a cash refund, we normally would charge you -- we refund you 95% of the amount, and that's based -- the 5% is basically to pay for our costs. That rule has changed in the context of the crisis, such that if you want to get a cash reimbursement, you have the legal right to that but 12 months from now. And so we didn't get a run on the bank from that sense.

But also, we had -- even before the rule has changed, we had very, very low refunds requests. Most people were requesting to exchange their -- the date of travel. Part of it is the habit, and I think part of it is the repressed demand. And part of it is also is that you have a 5% cost of getting -- and if you're going to travel anyway, you're much more rational to exchange it for a credit as opposed to get your money back.

Now we use -- we continue to use -- we have access to all those receivables that we had. And obviously, the balance that we came into the situation with is running down. There's a small receivable balance that is being created because we are selling, albeit at a number that's the 10% of normal, but we continue to use factoring of those receivables, which we do through banks, and we basically have access to those receivables.

The reason why I say that, in Brazil, we have a structural difference with some of the markets where the average default purchase -- credit card purchase in Brazil is done on three monthly installments without interest. And so you run a receivable balance, but the bank has the credit risk of those receivables. And either the bank passes those installments through to us every 30 days with no interest charge. But if you want to have access to that sooner, they -- we have an interest charge in there, and we'd factor those receivables.

And so the receivables mechanism in Brazil, which is by far the large chunk of sales, continues -- for companies like us, I guess I can always speak in our case, you may be seeing different things in other companies, but we've had no barriers or restrictions in the normal flow of receivables, and that also being combined with a very low amount of refunds. I think the highest refund I saw on that week when the panic was starting, I think the highest refund day was maybe 6% of the total amount. And that was even before the rules got changed where if you want a cash refund, you can have access to it a year from now.

Q - Jamie Nicholson {BIO 1540918 <GO>}

Okay. Thanks. That's helpful clarification. And then just one final question, if I may. Do you have any access to credit lines other than what you talked about with the BNDES?

A - Richard F. Lark {BIO 3484643 <GO>}

Sure. I mean we don't have any undrawn credit lines if that's what your question is. Is that your question?

Q - Jamie Nicholson {BIO 1540918 <GO>}

Yeah, yeah.

A - Richard F. Lark {BIO 3484643 <GO>}

We don't have any -- it doesn't -- and it doesn't really work that way in Brazil. Meaning I'd say -- is that generally, banks like in Brazil, we don't have a standby line of credit facility like you see with other airlines you look at. And I'm always very envious of airlines like Southwest that keep that standby letter of credit, standby credit line because generally, in Brazil, Brazilian banks have to provision a standby facility, so they prefer that we borrow against it.

And so what we do is we work to occupy our credit that we have with banks in a more positive way. For example, we have about BRL4 billion of credit if you take all of our counterparties and sum it all up. Everything that goes from, let's say, just normal working capital stuff, including credit with counterparties for whatever activity, including hedging, including security deposits, what we do with leasing companies and then all the way into kind of the more medium-term area, which would be, say, engine overhauls and things like that.

The other component that we have is the exchange rate effect because a portion of what we're using these credit lines for is US dollar denominated spending. So we did see around a BRL200 million FX impact -- I'm sorry, BRL200 million impact in -- it's almost going on with the exchange rate. And so we got that with the banks.

In other words, the banks followed -- gave us additional credit, which wasn't an additional cash necessarily to us kind of like free cash, but when we went and reorganized all of these working capital lines, we were able to get additional credit effectively because of this devaluation of the Brazilian real because as I was saying before, we had -- from December to March, we had about a 30% devaluation in the Brazilian real. And so we were able to capture that.

So effectively, we ended up getting about another -- I said reals -- another $200 million effectively of credit to deal with the exchange of our agent when we went to roll over these facilities. And all of these facilities, as I mentioned, we have roughly BRL4 billion of credit lines with a large amount of counterparties. It's very spread out, 20 different counterparties and in all of our different activities to support the business.

All of those have been rolled over to a minimum, July. And because some of those, by definition, are just short-term facilities where you couldn't roll them much longer anyway. So that gave us significant credit relief, if you will, through the end of July, and we're fairly comfortable with that.

In terms of what's in the system, we didn't lose any credit, and we were able to absorb the impact of the weakened Brazilian real on that. But no, we do not have any undrawn, let's say, working capital credit lines that are there for us to draw on.

The way we are dealing with that from our plan is the two things I mentioned in the previous question: one, if we needed to, transforming this roughly over BRL1.5 billion of deposits, exchanging them for letters of credit or insurance mechanisms or other things to free up that cash, which will come back to us, and then also roughly another BRL1.5 million of unencumbered assets that we could raise financing on through structured transactions.

So those two categories there, for us, are at least BRL2 billion of potential additional cash credit to the extent that we wanted to work and unbundle that. That is -- those are not -- those do not have high execution risk if we wanted to do that, they just have costs, unless, of course, we would get a much worsening of the credit markets.

Like I said, we were able to -- in the worst part of the storm, we were able to batten down the hatches and retain all of our credit. And so to the extent that the credit markets are still there and could potentially improve once we get a visibility on the reopening of the economy, we don't think we're going to see any negative effects on that portion of our business. The large amount of working capital that we have to support our business.

Q - Jamie Nicholson {BIO 1540918 <GO>}

Okay. Thanks. Thanks for all that color, I appreciate the call. Thank you.

A - Richard F. Lark {BIO 3484643 <GO>}

Thank you.

Operator

Our next question today comes from Rogerio Araujo of UBS. Please go ahead.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Yeah. Hi, Richard, hi, Kaki, thanks for the call. A couple of follow-ups here. First one --

A - Richard F. Lark {BIO 3484643 <GO>}

Rogerio Araujo --

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

Araujo, it's challenging. What kind of an English person --

Q - Rogerio Araujo {BIO 17308156 <GO>}

Yeah. No more than Rogerio. But -- so a couple of questions here. One is on the -- on your -- on the sales that -- on the ticket sales that you're making right now. If you look at your bookings, in which months people are starting to buy tickets, if they are already doing that? And so I would like to have a sense on when PRASK is likely going to start to recover, if there is any sign on the bookings at this point in time.

And also, on the PRASK recovery, when you say that the burn cash should be something around BRL7 million a day by second half and -- which would make our current cash position less by year-end. So do you expect any PRASK recovery during this period in those calculations? That's my first question. Thank you.

A - Richard F. Lark {BIO 3484643 <GO>}

Yes. Well, that's the billion real question you just asked.

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

If you calculate -- on our math, we know that our revenue, on a monthly basis, is around BRL1.1 billion, BRL1.2 billion. That's definitely the BRL1 billion question. Rogerio, there's not any good news. So I started by -- pretty bad. It's really hard to predict and to be precise in saying, okay, the month -- in the month X or Y, we're going to see the demand recovery, but at the moment, being very transparent.

We are noticing a meaningful growth in relative terms in comparison to last week regarding the demand for the following four weeks. But the current demand is so depressing that any -- even if you find 15%, 18% growth in comparison to last week, we are talking about BRL500,000, BRL600,000. That's really not going to move the needle. So it's too early to say and that's the bad news.

The good news is, if you check our commercial approach, we are not burning first in order to build cash at the moment at a very low level of RASK. We are not promoting dramatically the future. We are basically selling our essential network as we are keeping the healthy fares that we usually sell for the demands after or beyond July.

Therefore, I believe that whenever we are going to see the pandemic somehow controlled, not exactly -- or not necessarily solved, but controlled, I mean, after the peak period or having the health system being proved to -- or capable of taking care of the coronavirus cases, I believe that the future or the sales we resume, and that has a very -- in a positive way, a very dramatic effect in our cash position because you imagine that we have 11 months sales in advance, so the inventory for the next 11 months is always available.

At the moment, we have only 10% of those seats being demanded. And whenever you bring back to the market a minimum level of confidence, then you're going to see exactly the opposite effect that we are leaving today. So much earlier than we're going to incur in the cost to operate those travels or those flights, we will have the cash being boosted by this sales recovery.

So therefore, if you ask me, I believe that we're going to still face at least more -- 30 days, maybe 60 at the current levels. But then by foreseeing a more controlled pandemic scenario, the sales will recover pretty fast. And everything that I said, is related to the domestic market, which stands for 90% of our revenues. International is not only a big question mark, but personally, I don't believe it's going to recover anytime sooner than the fourth quarter, maybe only first quarter next year. (Multiple Speakers)

A - Richard F. Lark {BIO 3484643 <GO>}

Rogerio, like what we're seeing like right now, right now, like where we sit, I mean assuming no more additional restrictions on travel or moving the opposite direction on lockdowns or shutdowns, I mean, we're seeing, for example, maybe just like our booking rate, our sales rate right now is, for the month of May, is like BRL5 million to BRL6 million a day. So I think that's probably a useful number for you to get your head around that -- where we sit right now.

And so you do the math on that, you can -- we would have higher revenues than that in the month of May just because we have other bookings of people that would be traveling. But the run rate on, if you will, cash generation, of cash coming in, that you could compare to those burn rate numbers that we provided -- today, it's around BRL5 million to BRL6 million, what we're expecting right now, assuming no additional restrictions. And so that's the equation that we're working with. I mean we're working to try to achieve a cash breakeven, a combination of cash inflows and outflows.

Now in addition to that, that sales rate, we do have receivables. And so we are complementing that run rate on sales, which is new receivable by using, if you will, existing receivables as they come in, but obviously, they're winding down. And so as we said a couple of weeks ago, we're pretty much managing the Company at a cash breakeven from an operational perspective, not including any capital structure issues. And that's why I was thinking in the previous question that we're more or less maintaining the same level of liquidity that we have had -- we had at the end of the first quarter.

And your second question, I'm sorry, it was on unit operating costs?

Q - Rogerio Araujo {BIO 17308156 <GO>}

No, actually, that was my only question. I have a second one actually, which is related to debt amortization. So any news -- I think there is a large debt to expire in August. So any news on that and what you're expecting in terms of debt amortization in the second half of the year?

A - Richard F. Lark {BIO 3484643 <GO>}

Well, maybe I didn't hear the previous question. I could also direct you to that. But no, I mean, there's -- the plan is to conduct our amortizations when due. We have an amortization of BRL300 million in August, and we have another amortization on a Brazilian real debenture in September of BRL156 million. We -- I mean the plan today is to amortize those when due.

Obviously, you've seen what we've been able to do with the capital structure during this crisis. The end of March, semi-annual amortization of BRL150 million, we reorganized into -- we put it into the March 2022 amortization. And what I said in the previous answer is that to the extent the plan would change on that, that would be something for us to look at towards the end of June, which is not the plan right now because our number one priority as management of the airline is always to protect the Company first.

And so I think we'll have to see where we are in June vis-a-vis liquidity, the forward booking curve as well as overall conditions in the credit markets and the capital markets as it relates to any changes on those plans, okay? So that's basically the plan. And those are the only two capital structure components that we have in our cash flows over the next 12 months, then we have another maturity of BRL150 million on the debenture in March of 2020 -- next year, 2021.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Very clear. Thanks so much. Have a have a great week. Thanks.

A - Richard F. Lark {BIO 3484643 <GO>}

Thank you.

Operator

And our next question comes from Alex Falcao with HSBC. Please go ahead.

Q - Alex Falcao

Hi, good morning, or afternoon, guys. Quick question on my end. Is there -- and you talk -- I know there's not a lot of details there, but if you comment on the help from BNDES, there's a warrant component there. Is there any threshold of dilution that would make you not go for this sort of help that you can share with us? Thank you.

A - Richard F. Lark {BIO 3484643 <GO>}

Well, I mean, number one, we don't have the specifics on that and so we're just talking in general terms. But I mean what do you mean? Like in same dilution? Or what do you mean more specific? What do you mean any level? What do you mean by that?

Q - Alex Falcao

No. Well, what's the -- are the controlling shareholders going to go -- not to go below threshold or losing control or whatnot? I'm just wondering if there's any -- because I'm wondering that probably the same deal that's going to offer -- that's going to be offered to you is going to be offered to the other companies, specifically Azul. Azul being a corporation, I'm guessing that there would be a difference in terms of -- you guys do have a controlling shareholder. What is the threshold that those controlling shareholders will be willing to be diluted? That's my --

A - Richard F. Lark {BIO 3484643 <GO>}

Oh, I see what your question is. Yeah, you're right. Azul really doesn't have any shareholders with skin in the game. I mean, I think you're right there. I think in our case, it's a little bit different. Maybe for you and people that don't know as much of our structure, I mean, we have a controlling shareholder, a group that has 100% of the voting stock, right? And the shares that are traded in the market are not voting stock, it is non-voting stock. And so we have a dual share class. And if you were to roll that on a consolidated basis, the controlling shareholder has a little over 60% of the total economics.

So there's substantial amount of economics on our side of the equation. So if you're saying from -- in respect of losing control, no, there's no scenario that I could (inaudible) see where our controlling shareholder that's got 100% of the voting stock would be diluted below 49%. I just don't see how that could happen.

But now on the economic side of the equation -- and so the voting is not an issue with this company. I think in the other company you're mentioning, there is a very complex architecture where with a really tiny piece of the economics, there's one individual that's keeping control of the Company. I think -- was that less than 5% of the economics over there and is controlling 60% of the votes. But again, the market approved that, and so that's the structure that they got approved with their shareholders, so I assume it works with them.

In our particular case, we have a very different situation, right? I think our shareholder, our controlling shareholder is one of the largest transportation conglomerates in Brazil, enormous in terms of operations, obviously, and the airline is the most important investment and focus for them. If you look historically, they have invested over BRL250 million in the business. Originally, it's start-up, and then they put in BRL100 million in March of 2009. If you remember that, the echo of the 2008 crisis, the Company needed some primary equity capital in the Company in March of '09, and the same thing happened again in October '15, about BRL100 million of primary equity capital that went into the business then.

And so they have significant skin in the game, obviously, but we don't have any indications of interest from them on providing any primary capital to support this Company at this time. I think you'd have to have some visibility on the recovery and what the other options are as well. I mean we've worked at this Company so that the company would not have to call capital from the controlling shareholder because he has met significant capital calls twice in the past, and we'll continue to do so as management.

Obviously, as management, we have to protect the interest of the Company, and we're always going to work in that regard and then obviously, our Board will decide. But I think historically, if you look at historically, the owners of our business have always been very responsible and flexible when it comes to doing what's best for the Company, and their decisions have always been made within the best interest of the Company.

We don't do related party transactions. It's very separate how we manage the business. But you're right, the best anti-dilution protection for our minority shareholders is the presence of the Cosentino [ph] Group in terms of how they also would look at dilution.

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

Alex, I just would like to add that independently of the terms, we should not take for granted that the Company will utilize that credit line. I mean this is -- even being very attractive, we would only take it in case it's going to be perceived as either needed or attractive enough in order to replace other sources. We have been -- we have given emphasis to our own capabilities to deal with the current situation.

But nobody knows. I have -- resuming my prior answer, nobody knows how long this crisis is going to last. I mean how warm and large this desert crossing is. So that might be very, very helpful to have this new credit line available. But it's nothing that we have treated like a binary solution, okay? By having the credit line available is not necessarily you're going to take it or in the total amount. It's pretty much related to the conditions that will show up.

A - Richard F. Lark {BIO 3484643 <GO>}

But I think from an equity perspective, I think we have complete alignment. If you're speaking on behalf of public market shareholders and minority shareholders, I think from an equity perspective, we have complete alignment in terms of how we would look at dilution. I think also from a credit perspective as well, I think, obviously, it's separate.

But as Kaki was saying, we've been very supportive of the structures that have been proposed by the government and the BNDES because our objective would be to work with our own two feet, our own operations and our own private accesses to capital as hard as we can. But if that's not there, it will be very valuable to have a support mechanism to help us if the private market mechanisms such as the commercial banks and the capital markets are not there for us because we think we can always get good deals and negotiate good deals with those counterparties. We have good relationships. But if that's not there, then it will be extremely valuable.

And of course, as I said, for our controlling shareholder, this is the most important business for them. And so of course, he's going to look at it from the perspective of protecting the Company if push comes to shove and we got to that situation. But that's what you have with our Company.

I'm speaking -- I think we have an advantage or perhaps a different situation where we have a owner, and I've been -- because I've been working with airlines in my career for over 20 years. I've been working with GOL for 18 years. And in my experience with airlines, especially from the perspective of finance and the markets, there's a very high correlation between long-term success and a strong owner of that business. So I think if you look out at the history of airlines, you would see that.

And that is -- so we do have that at this airline here. This is not a passage for our controlling shareholder. This is not a private equity investment. This is not a temporary situation. It's a long-term permanent situation. So of course, all that's going to go onto their decision on how they -- because you asked me a question about the controlling shareholder, and we don't represent the controlling shareholder, we represent the Company.

I'm just telling you, like from my experience, they have -- like I said, 3 times they put equity, primary equity capital in this business, and the primary equity capital came in when the company needed it most, March of '09, October '15. Can't predict the future nor do we have any indication. I think this situation is a little bit different. In the past, some of the problems were related to dislocations in the market or overcapacity, which is not what we have right now. We have just a pure lack of demand.

So I think until we would get a visibility on what the new size of demand is going to be, and therefore, the new size of the Company because we're going to match -- us as managers of the Company, we're going to match the size of our Company to whatever the demand is, where Brazil domestic market, one aircraft type, all that. And so we have some advantages that Kaki, myself and our colleagues here have in matching our operations to what the new demand is going to be.

But I think once we get on the other side of that, when that is, then I think it might be -- those kind of things could be on the table as in the past once we have a visibility to the revenue here -- with the revenue side. So that's what I would say to that.

They're telling me we only have another couple of minutes on the call here. So I think we're going to -- we have another couple of people in the queue, so I think we'll go to the next question.

Operator

Absolutely. Today's final question is from Maggie Cheng with Indosuez Wealth Management. Please go ahead.

Q - Maggie Cheng {BIO 15396634 <GO>}

Hi, Thank you for taking my questions. Yeah, you look at your financial statements for the debt amortization schedule. Why is like a of $711 [ph] million in the second quarter? And my second question is like, do you hedge the assets for the $300 million and subsequent interest payment of all your outstanding US dollars debt?

A - Richard F. Lark {BIO 3484643 <GO>}

Okay. I think we have a bad connection on this, Maggie, but I got the second question. No, we don't do -- well, like I said, we don't do balance sheet hedges because of the cash flows from the US dollar assets without the aircraft, we match those with the long-term liabilities. We do do a sort of a small amount of short-term hedging in currency sometimes to cover short-term payments or we will hedge an amortization from time to time.

But most of the currency hedges that we've put on in the recent periods have come off very quickly because we also set exit triggers. So we have realized some profits on that. But no, currently, we do not have any exchange rate hedges against future dollar liabilities. And I apologize, I didn't get your first question.

Q - Maggie Cheng {BIO 15396634 <GO>}

Yeah. The first question is like when I look at your financial statements, there's a batch up on the financial debt amortization schedule. I mean besides the BRL150 million you have mentioned in real and the $300 million, in the second quarter, there's also a BRL711 [ph] million debt to be paid?

A - Richard F. Lark {BIO 3484643 <GO>}

We're really sorry because I think we're just -- there's some really bad connection there. Maybe probably one more time, please. What's your question?

Q - Maggie Cheng {BIO 15396634 <GO>}

No, no, just -- yeah, yeah, because it's about the liquidity. If you focus about BRL2 billion available, it's really cash. And then when I look at your best amortization schedule in the financial statement, it seems to me that there's a BRL711 [ph] million to repay in the second quarter. Then in the third quarter, there will be a $300 million plus BRL150 million. I mean from -- it is quite tight if I took BRL2 billion cash as available liquidity to repay debt.

A - Richard F. Lark {BIO 3484643 <GO>}

Yeah. But again, the -- I think I understood what your question is. I mean the priority of the Company today is managing the working capital. We're not going to use -- the BRL4 billion of liquidity we have, we're not going to use to pay off all debt and call it a day. That's not going to happen, obviously.

And so in addition to that, as I was describing, when I was describing that BRL7 billion of liquidity, that's probably the number you should look at. In other words, imagine this scenario, we were winding down operations in the next 12 months and going to hibernate the Company and not do anything and go on vacation. We would have work to basically drain out BRL7 billion of liquidity, you put it on the table now and then consume all that and then we would just amortize those liabilities with that excess liquidity.

And so the right way you should look at the -- what you're saying on available cash, that's for working capital, and that's for managing the airline part of the business, okay? Then other amounts that we have in unencumbered assets and the other mechanisms that I mentioned, they would have to be executed.

What I -- the way you should think about that is those will be for capital structure, okay? Kind of separate the two things because basically, what we have in the cash today, the cash liquidity, both available and in receivables and other things, that's to manage the working capital of the business, right? Working capital of the airline, operating company.

And then the other elements, if you want to think about it this way, this is also how we think about it. The other elements that we have to do, be it raising money off of unencumbered assets or be it unlocking cash deposits that we have, that cash could be available for capital structure issues. So that's how I would suggest you think about that and separate the two issues because we don't mix the two things here. Working capital is working capital. Capital structure is capital structure. One is in the treasury department. The other is in the corporate finance department. And those are separated and are not mixed.

But Maggie, feel free -- I mean we can also -- maybe you can shoot me an e-mail and we could set up a time to go through that just given the time -- because what we have to do now is we have to jump on our Portuguese -- our Brazil -- our local call, if you will, and they're -- so we spent a good hour here on the call so we're going to have to cut it off now. But if anybody else has any other questions, please shoot us an e-mail.

And so with that, I'm going to hand it off to Kaki to close out the call.

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

I just would like to thank you all for the attention. Hopefully, this session was helpful to you all. We are here available. Thank you very much. Have a nice week.

Operator

Thank you. This concludes today's conference call. You may now disconnect your lines, and have a wonderful day.