Y 2018 Earnings Call Portuguese

Company Participants

- Abhi Manoj Shah, Chief Revenue Officer
- Alexandre Wagner Malfitani, Chief Financial Officer and Investor Relations Officer
- Andrea Bottcher, Investor Relations Manager
- David Gary
- David Neeleman, Founder and Chairman
- John Peter Rodgerson, Chief Executive Officer

Other Participants

- Analyst
- Andressa Varotto
- Dan McKenzie
- Michael J Linenberg

Presentation

Operator

Hello, everyone, and Welcome to Azul's Fourth Quarter 2018 Results Conference Call. My name is Paula and I will be your operator for today. This event is being recorded and all participants will be in a listen-only-mode until we will conduct a question-and-answer session, following by the company's presentation (Operator Instructions).

I would like to turn the presentation over to Andrea Bottcher, Investor Relations Manager. Please proceed.

Andrea Bottcher {BIO 20316630 <GO>}

Thank you, Paula, and welcome all to Azul's fourth quarter earnings call. The result will be announced this morning. The audio of this call and the slides that we'll reference are available on our IR website. Presenting today will be David Neeleman, Azul's Founder and Chairman; and John Rodgerson, our CEO; Alex Malfitani, our CFO; and Abhi Shah, our Chief Revenue Officer, are also here for the Q&A session. Before I turn the call over to David, I'd like to caution you regarding our forward-looking statements.

Any matters discussed today that are not historical facts, particularly comments regarding the company's future plan, objective and expected performance constitute forward-looking statements. This statements are based on a range of assumptions that the company believes are reasonable, but a subject to uncertainties and risks that are discussed in detail in our CVM and SEC filings.

Also during the course of the call, we'll discuss non-IFRS performance measures, which should not be considered in isolation and are discussed in detail in our earnings (inaudible). With that I'll turn the over to David. David?

David Neeleman {BIO 687871 <GO>}

Thanks, Andrea. Thanks everybody for joining us. December 2018 marked our tenth anniversary. If you going in Slide 3 in the presentation, it is truly amazing when you look at those two right networks where we've been able to accomplish in the last 10 years. When we founded (inaudible) back in 2008, we had a clear mission to offer our crew members the best jobs of their lives because we knew our customers would have the best flight experience of their lives, if we take care of our people. After 10 years, we can clearly see the passion in our crew members. They love their jobs and our customers love flying us. We couldn't have an better ambassadors for brand. Because of this fantastic team we were able to build an unbelievable network serving more than 100 cities with a fleet of 125 aircraft.

We have built a solid foundation going forward, every next generation aircraft we add will strengthen our network even more while reducing our costs.

We are now starting to read the benefits of our network we have built.

Another huge benefit of having great culture and brand when difficulties come like spikes in fuel prices and weakening currency, we have the ability to recapture revenue to offset a significant portion of these costs. And that's exactly what append in 2018.

Even though fuel was up 30% and the dollar appreciated against real 17%, we delivered a record adjusted net income of 704 million in 2018. We also generated 266 million in free cash flow and ended the year with total liquidity position of BRL4 billion, reflecting our commitment to sustainable growth and building a long-term -- and building long-term value in the company.

You can see some of our amazing crew members on slide 4. Because of them we continue to rank as the most on-time airline in Brazil in 2018 and we're also recognized as the most on-time LCC in the world. That's a fantastic achievement considering the size of our network and the diversity of our fleet. The performance of the A320neo [ph] in our network have surpassed all of our expectations. These aircraft are flying an average of 14 hours a day, including connectivity across our airline just as we said it was. At the end of the year, we had 20, A320neos representing 30% our ASKs which have a 29% lower unit cost in our current E1s, every single one of these next generation aircrafts are desperately needed and will continue to be so for many years to come.

During the second half of the year, we also start receiving the Embraer E2, now talked about that in past calls and I'm very excited about it. Now, that aircraft has a CASK that is

26% lower than our current E1s and has an impressive trip cost advantage of 20% to even our using great (inaudible) that we're flying today. With both these next generation aircraft we are creating a competitive sustainable advantage that will continue to drive margins higher.

In summary, we ended our first decade confident that we will continue to offer the best job in the lives of crew members which translates to the best flying experience for our customers which we believe will continue to drive positive return to our shareholders.

With that I will pass it over to John to give you more details on the fourth quarter results.

John Peter Rodgerson {BIO 17734009 <GO>}

Thanks David. As David look back on what we built over the last 10 years I want to say we're just getting started and the best is still ahead of us. I also want to thank our crew members for all their hard work during the past quarter.

As you look at slide 5, the core airline drove strong results in a tough macroeconomic environment. Even with 37% spike in fuel and 17% depreciation of the real we reached an EBIT margin of 11.4% for the quarter and a 31% EBITDAR margin. While recording net income of 138 million. The reduction in net income year-over-year was driven by one-time gain we had in the fourth quarter 2017 related to the TAP bond that expired, totaling a 154 million.

We grew capacity by 14% in the fourth quarter, while also expanding our top-line by 14%. Our RASK adjusted for stage-length increased 2.7%. It's even more impressive that our stage-length adjusted RASK for the whole year increased 7.6% with a 16% increase in capacity. CASK ex-fuel decreased 8.1% as we continue to add more fuel-efficient aircraft to our fleet.

We ended the year with 20 A320neo, representing 30% of our fourth quarter capacity and expect to end 2019 with an industry-leading 50% of our capacity coming from next-generation aircraft.

As you can see on slide 6, fuel and currency had a negative impact of approximately 270 million in our fourth quarter operating results, which represents 12 margin points. Thanks to our margin expansion strategy, our ability to recapture revenue and reduce costs, we recorded operating margin of 11.4%, recovering 10 of the 12 margin points during a very challenging macro-environment.

Moving on to slide 7, our loyalty program TudoAzul maintained a strong growth pace during the quarter, reaching 11 million members. Gross billings Ex-Azul went up 29% year-over-year. We now have gross billing share of 18% up from 16% just one year ago and still well below our fair share of this market. We will continue to focus and grow this business.

On the right side of the slide, you can see that our Cargo business continues to perform extremely well. Revenue increased 57% year-over-year, benefiting from the expansion of our network and fleet. We have a diversified customer base, including the main retailers, manufacturers and online companies in Brazil, who value our reliable and far-reaching logistics solution.

Looking at the balance sheet on slide 8, I'm proud to report that we ended the quarter with a strong liquidity position, representing 44% of our last 12-months revenue, while also reducing our total debt to R3.4 billion.

On slide 9, we give you a look at the impact of IFRS 16 on our 2018 results . The new standard becomes effective January 2019 and consists of recognizing all aircraft on balance sheet, similar to how finance leases were created before. In addition, under this new rule, some maintenance expenses for leased aircraft will also be capitalized. As a result our EBIT margin in 2018 would have been 15.1%, 6 percentage points higher than the 8.8 margin point reported under IAS 17. Under IFRS 16 our EBIT margin is the best in the region, our leverage would have been three, a reduction of 1.2.

Going to slide 10, and looking at our 2019 guidance, we expect to grow our total ASK between 18% and 20% in 2019, with most of this growth coming in the domestic market. As we've been telling you our domestic capacity growth will be low risk and focused on strengthening our network driven by replacing smaller aircraft with larger aircraft on routes we already serve.

As a result of the acceleration of our fleet transformation plan that we announced earlier this year, we will end the year with approximately 50% of our ASKs coming from next-generation aircraft. On the cost side, we expect CASK to go down (inaudible) 3% in 2019.

As you know we have a multi-year margin expansion strategy and we expect to grow our EBIT margin every year over the next three years. Consistent with this strategy, our EBIT guidance for 2019 will be 18% to 20% compared to a margin of 15.1% in 2018. This estimate does not take into consideration any impact related to aircraft sales transactions or the potential acquisition of selected assets from Avianca Brasil.

Moving on to the last slide. With the monitoring Avianca Brasil Judicial recovery process very closely and have identified an opportunity to further strengthen our network and accelerate our fleet transformation plan. Earlier this week, we announced that we signed a non-binding agreement with Avianca Brasil to acquire certain asset for $105 million. These assets consist of Avianca Brasil operating certificate 70 slot pairs and approximately 30 Airbus A320s. It's important to highlight that these assets will be transferred to a new entity a NewCo, which will be free and clear of all debt and liability as provided by the Brazilian bankruptcy law.

Also the operating lease contracts of the new aircraft that will fly at the new company will be all renegotiated to market rates. The offer is subject to a number of conditions including the (inaudible) diligence process, regulatory and credit approval final approval from the bankruptcy judge. We believe this process could take approximately three months.

In summary, we're confident about the future of the Brazilian aviation market and our ability to continue expanding margins, all while creating the best experience for our crew members and customers.

With that, David, Alex, and myself and Abhi will (inaudible) to answer your questions.

Questions And Answers

Operator

(Question And Answer)

Sorry. Ladies and gentlemen, thank you. We will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Savi Syth, Raymond James.

Q - Analyst

Good afternoon. This is Matt on for Savi actually. My first one John, in regard to Avianca Brasil, if it is successful, can you talk a little bit about on how long you think the transitioning period will last? What the non-recurring integration costs might be? And in terms of how much inventory is already sold? How much of that do you really need to honor if you goes (inaudible)?

A - John Peter Rodgerson {BIO 17734009 <GO>}

Yeah, Matt, so I think the process should run pretty quickly as there's a creditors meeting later this month and the bankruptcy judge is aware of the situation. I think we can't really take behind the scenes of what's happening today, but we believe there's a tremendous amount of upside in how this network could plug into our network. And so as we look forward, we think we can do it relatively quickly. They're coming with an operating certificate, with pilots that are already flying flight attendants that are already certified on the aircraft and so at this time we really are not giving an estimate but we don't believe it is a significant acquisition or a big integration because when it comes into a NewCo a lot of the typical headaches that you get with a normal acquisition you don't have to experience. And so again we're excited about it. I think either way there's going to be less capacity in the market because of this. We're looking at acquiring an airline that's got roughly 30 aircraft in their fleet and they had up to 55 aircraft just last year. And so I think overall is very positive for their customers for the crew members certainly for Azul. I think overall for the industry as well because there's going to be some capacity rationalization that happens as a result of this.

Q - Analyst

Perfect. Thanks for your color there. And then also seeing in terms of capacity in the US., Brazil market. It's seems like schedule they're showing a fair amount of cuts going into 2Q and that's before any of all the max noise. So you think cuts excluding what's going on the max is sufficient given the current supply demand?

A - Abhi Manoj Shah {BIO 18968426 <GO>}

Hey, Matt its Abhi is here. Yes, your right, we are seeing capacity cuts, mostly May on words, pretty much everybody is participating by including the Azul. So I think as has been the sentimental other calls from our colleagues in the region, that's a pretty tough comps first two quarters but that 3Q and 4Q, we expect to see an improving in international market, driven by stability in the currency as well as these capacity cuts. So you know, the booking curves are longer so we'll going to see when we get there but I'm definitely very encouraged by the capacity cuts. I'm seeing right now, US., Brazil non-stop capacity down about 20%, May year-over-year from all the players involved that's very encouraging. And it's everybody's participating, which is good as well including Brazil. So I'm encouraged by what I'm seeing, I'm encouraged by stability the international bookings going forward. So, respecting positive rather than introduction second half of the year.

Q - Analyst

That's great. Thank you very much.

Operator

The next question comes from Mike Linenberg, Deutsche Bank.

Q - Michael J Linenberg {BIO 1504009 <GO>}

Hey, good morning, everybody. Abhi, I just want to go back to (inaudible) you made about the (inaudible) inflection second half of 2019. Will you specifically referencing international markets or you referencing Azul as a whole? And could you actually give us some additional color on what you're currently seeing, since we're in kind of a lines share of the March quarter? Given us sense of maybe what you're seeing and how things are looking into Easter week into the second quarter?

A - Abhi Manoj Shah {BIO 18968426 <GO>}

Hey Mike, yeah, I was specifically international only, just looking at the international curve demand and capacity cuts and also you got to remember the concept pretty tough. First quarter last year dollar was 325. Fourth quarter 2017 dollar was 325 and now it's 380. So we have some tough comps, industry had tough comps really and those will start to turn the second half of the year together with the capacity cut. So for international I'm expecting positive RASM inflection 3Q and 4Q

First Azul overall, I think the RASM for the year, if you look at our margin guidance of 15.1 last year 2018, going to '18 to '20, three points of that is coming from CASK after two points of that is going to come from RASK So that's what you can expect for the whole year. In terms of breakdown by quarter, I think the largest year-over-year RASK quarters would be 2Q and 3Q primarily because of the truckers' strike in May last year as well as the world cup and so I think that's going to be the most positive, and I think that the quarters are going to be pretty steady as well. So, I think you'll see first quarter similar in terms of RASM increase and then strong 2Q, higher 2Q, higher 3Q and our 4Q also in the 0 to 2 range, again higher cost -- and remember, we're going to pass the 18% to 20%, so to be able to with larger aircraft so to be able to continue to increase RASM like we did last year to do it again this year with 18% to 20% are really shows strength of the market and the strength of our network.

Q - Michael J Linenberg {BIO 1504009 <GO>}

Okay. Then my second question, which is the 18% to 20% that presumably is dual metal [ph] as a plan stands today. But now, we're going to assume some assumptions of Avianca Brazil assets due to the two parts to that. One, how does that change the potential growth trajectory? And I know probably (inaudible). The second piece of that, is that how has been Avianca Brasil, and I realized you may not have the best information for the concerns with me that you still have a lot of assets and assume some additional routes that have seen a significant fall off of bookings. And so in order to get the passenger levels back to where they were before Avianca Brazilian bankruptcy, you have to engage in some figurative there activity. So, I realize it's kind of a multi-part question, however you can answer that, that's good.

A - Abhi Manoj Shah {BIO 18968426 <GO>}

I'll give it a crack, and I'll let John and David jump if they want. But in terms of the capacity growth, it already includes some of the A320neos that Avianca voluntarily exited as part of the transformation plan. So, some of these aircrafts are already contemplated in this 18% to 20%. So, there's a couple -- if there's no single digits worth of aircraft has already in there, and part of what we announced in the earnings [ph] federation up months ago. In terms of their booking, -- again, I don't know their bookings are, I don't have the ability to know what their bookings are.

So, it's sort of hard to answer that. I do think just looking from a commercial perspective, that the Azul announcement will allow the market to have confidence in Avianca and confidence that they will continue to serve in the many of the routes. And I think that should help in bolstering Avianca's booking. But, I don't have access to the numbers. I cannot have access to the numbers. So, I can't really ask that in detail but I do think the market overall, thanks to our announcement and this partnership is sensing support and confidence in Avianca and that will, and should help their bookings.

A - David Neeleman {BIO 687871 <GO>}

Well, I think I mentioned earlier that they have a lot more route than what we are anticipating putting into the NewCo So, obviously, we had a pretty year indication of which routes they were doing better on, and which ones were doing worse on. And so overall as we said earlier, there's going to be a cut in the capacity in the market, no matter how you shake it. So, there will be less seats flying even with our growth than it was last year. So, that should help make the transition.

Q - Michael J Linenberg {BIO 1504009 <GO>}

Okay. Thank you. Thanks David. Thanks Abhi.

Operator

The next question comes from Andressa Varotto, UBS

Q - Andressa Varotto {BIO 20092249 <GO>}

Hi. Thank you for giving this opportunity. I have two questions. First on jet fuel. We saw as jet fuel price extended 7% quarter-over-quarter, while oil Brent price decrease around 10%. Is it related to the (inaudible) oil price to Azul and should we expect the revert in the next quarter? Thanks.

A - John Peter Rodgerson {BIO 17734009 <GO>}

I'll let Alex walk through the details but, you have to remember that Brent and WTI fall a lot quicker than we see the benefit, because there's a lag in Brazil. It's about a 45 day lag why don't [ph] you walk through this. How it works Alex?

A - Alexandre Wagner Malfitani {BIO 2519089 <GO>}

Yes. So, as John mentioned there is a 45-day lag and that works obviously on the way down and on the way up as well. So, whatever you see on the screen and in general on average it takes 45 days for it to start reflecting the fuel prices, that we actually pay into our planes. WTI and Brent first are -- they have a bigger crack spread to jet fuel. So, we also tend to look more at heating oil because, it has a stronger correlation with jet, which is what we actually buying at.

On December 31, these prices were about 20% lower actually than what they are today. But, there was lot of change in prices within Q4. It was a volatile year overall in 2018, but Q4 was also volatile. So, December 31, was 20% lower than where we are today, so you can kind of do the math and see how that will reflect into our prices. We're hedged to the tune of about 30% of our next 12 months and our average price -- we are a little bit in the volume, even though we were out of money in December. Today, we're slightly in the money, so our average price a little bit better than where you see the market today. So, I think with that info you could probably kind of figure out where our prices are going to be.

Q - Andressa Varotto {BIO 20092249 <GO>}

Okay. Thanks. And secondly the reduction in maintenance expenses in the quarter compared to the historical level, and is it something that you continue going forward and if yes, is it included in fixed margin guidance, and how much would it represent? Thanks.

A - Alexandre Wagner Malfitani {BIO 2519089 <GO>}

Yeah, so first on Q4 specifically a couple of factors. As we've been talking about we've been investing in spare parts inventory, we've been investing in in-sourcing, some of our maintenance activities this all makes sense, because we're now bigger, we get do, we have critical match. Where it doesn't make sense for us to do that also we have a lower cost of capital. Also, in the old accounting policy IAS 17, we would expand some maintenance on leased aircraft as occurred, right, so when we have the maintenance event that's why we would recognize the maintenance expense and that creates some lumpiness for between quarters, right. There are quarters with more maintenance expense, there are quarters with less maintenance expense. Q4 obviously was a quarter with less maintenance expense, particularly on edges, right.

Going forward, IFRS 16 really changes a lot of this because some of the maintenance expense on leased aircraft that we were recognizing as OpEx will become CapEx, right. So, our maintenance expense overall next year will be lower than this year, and even if you take into account the fact that we're growing you would have -- it would be normal for it to be higher and would be nominally lower, than what it was in 2018 mainly because of IFRS 16 and that's embedded in our CASK guidance of minus one to minus three.

Q - Andressa Varotto {BIO 20092249 <GO>}

Very helpful. Thanks very much.

Operator

Our next question comes from Dan McKenzie, Buckingham Research.

Q - Dan McKenzie {BIO 15071178 <GO>}

Good morning, guys. Thanks for time here. I guess first question. I wonder if you help us understand how the debt picture changes for Azul. Obviously there's a scenario where it's successful acquiring Avianca's assets. So, how much debt does Avianca Brasil have today? And how much of that would follow under a deal closing?

A - David Gary {BIO 15238583 <GO>}

Yes, so Dan, as we explain we're actually acquiring what's called a UPI in Brazil our new company and so all that would go in there, it's just the operating leases that will need to be renegotiated. And so there's actually no debt associated with the acquisition.

Q - Dan McKenzie {BIO 15071178 <GO>}

I'll take this. Thanks for clarifying. Thank you. And I guess, if you think about deal economics, how does it change CapEx for Avianca probably for this year or next year, and if you think about Avianca's working capital needs, does it require more cash on top of what you're proposing at this point?

A - David Gary {BIO 15238583 <GO>}

I actually think it gives us a lot of flexibility. What we see with the Avianca Brasil acquisition, assuming it takes place and we look forward to doing that is those 30 aircrafts, the majority of those aircraft are going to come in on shorter-term leases, which will actually be replaced with our neos that will be coming over the next couple of years. So, it's a way to kind of accelerate a couple of years our growth, but then we can kind of measure growth going forward, we extend these leases or actually just returned the leased aircraft and bring in our neos. And so I think it's a way to reduce the risk going forward as we already did.

Pilots and flight attendants and maintenance technicians already ready to go, they are already trained on the specific aircraft that we're growing over the next couple of years. And so that's the way we look at it and so think of its kind of pull forward our growth a couple of years. But then what happens with the neos that come in, most likely to see us come out as a result.

Q - Dan McKenzie {BIO 15071178 <GO>}

Understood. And then if I could just squeeze maybe one or two more in here quick ones. I guess, first off, if you can just help us understand kind of a two big risks that acquiring another airline is simply is IT and labor. And I'm just wondering if you can just sort of comment around IT compatibility -- lack of IT compatibility. How you're thinking about that labor?

And then just secondly, foreign exchange in a stubborn head winds here. And so for those investors that don't know Brazil well, how are you handicapped being a potential for economic and fiscal reform later this year? 99% probability, the big stuff gets passed, that maybe 50%. Big picture, how are the initiatives that are critical to Brazil's economic growth being proceed by politicians.

A - Alexandre Wagner Malfitani {BIO 2519089 <GO>}

Hey, Dan I'll talk about the IT stuff real quick. So, we obviously have some good experience with this, with the Trip merger. Trip at the time had the stable reservations system and we are of course have never there. But, we were able to transition that pretty quick. I think, we had the code share and the flight in one system within 6 months. So, certainly not we've done it before, Avianca has the Amadeus reservation system which was also has as part of our code share and alliances platform. So, we feel confident regarding the IT. Require some work, but nothing we haven't done before or don't know how to do.

A - John Peter Rodgerson {BIO 17734009 <GO>}

They are from a cultural impact of taking on crewmembers from another airline. Azul is 12,000 strong today and Avianca significantly smaller than we are. We by far away have the best product and experience in Brazil, but I would tell you that Avianca Brazil is a close second. I think they are fantastic crewmembers and I think they are fantastic (inaudible) a great operation. I think that Azul coming in is probably very welcome. There's been a lot of uncertainty at that airline over the last 6 months at least and maybe longer.

And so, I think that that's something that will willing to manage. And as David talked a lot on the call today about it's got to be the best job of your life. And I think, that's what we have for the majority of our crewmembers. And we intend to extend new members of the family that would come in over the next couple of months. I mean with the Trip acquisition, you walk through our company today and that's what's been 5 years, it's indistinguishable. You don't know who is Azul and who is Trip, because we've been able to assimilate them into our culture and it's been amazing to watch. So, we don't think that could be any different with the crewmembers that come Avianca to who is trying to compete.

And Dan back to your other question on reform. Something is going to get passed. I think is it going to be a 100% of what everybody wants, probably not, but something's going to get passed, it's all anybody's talking about at the government level. And I think that the government has hyper focused on it. And I think that we're looking forward to the reforms that take place and I think you're seeing the military and everybody's kind of on board and saying, that this needs to happen. I think the states are behind it, I think most of the political parties are behind it again. I don't want to handicap it, because we have to run our business. And anytime you have a business plan that depends on the government, it's not a good business plan. So, what I would tell you is we're going to continue to expand margins in light of what happens from a macro perspective, but I couldn't be more optimistic about the changes that are happening in Brazil. We've gone through a couple rough years in Brazil. And so, at least the government focused on the right things right now. And that gets us excited.

Q - Dan McKenzie {BIO 15071178 <GO>}

Thanks for the answer guys.

Operator

The next question comes from Savi Syth, Raymond James.

Q - Analyst

Hey, it's Matt again. Thanks for having me back on here. Just a quick one. You guys gave really good color on the RASM trend throughout 2019. I was wondering if you do have with some of the overall cost trends thinking about that through the year?

A - David Neeleman {BIO 687871 <GO>}

Yeah, sure Matt. So as you saw, we gave guidance on continuing our CASK reduction in 2019. It should go down between 1 to 3 percentage points. It obviously that's mainly from our fleet transformation, right. As you know -- as we've mentioned many times the CASK in the new aircraft goes down between 26% and 29%, compared to our current aircraft, right. It's important to know that a couple of specific things about 2019.

First, with IFRS 16, rent and some maintenance which are dollar-denominated, they are capitalized and depreciated, right. So that should reduce volatility to FX So, as you model you'll see less sensitivity, obviously in the short term and that gets added to the balance sheet and depreciated over time. Also this year, we have the payroll tax that had gone away, it's coming back and it's coming back since January 1 and so that adds additional cost to our salaries line, so you'll see that starting Q1 deadlines going to be bigger, but that's included in our 1 to 3 cap guidance, right. We're going to look for other opportunities to beyond the fleet transformation to continue running a more efficient airline and reducing cost and finding any kind of opportunity we have to take costs out of the company.

Q - Analyst

Great. Thanks, David.

A - David Neeleman {BIO 687871 <GO>}

Sure.

Operator

Our next question comes from Lucas Laghi, Citibank.

Good morning, guys. Thanks for taking my question. My question is regarding to the next step of the joint venture with Correios and the CASK approval, when we could see any impact after this JV in these numbers? Thank you.

A - David Neeleman {BIO 687871 <GO>}

Yeah, so we've received CASK approval, there's another step with government approval. I think it's kind of slowed it down a bit as we've had 3 different presidents at the Correios in the last 12 months. So, anytime government changes, there's new leadership in that area and so for now we're focused on Azul Cargo growing that business as quickly as we can, still very optimistic about the opportunity, but unfortunately we can't give you much more updated this time, because we're now kind of working with the new leadership team, and what the new joint venture would look like jointly with them. And so, it's mainly need to take some time to get up to speed as well. But, that's the latest we have.

Operator

Alright. Thank you, guys.

(Operator Instructions).

A - John Peter Rodgerson {BIO 17734009 <GO>}

Okay. I guess that's it for the questions. Again thank you everybody for joining us and we look forward to talk to each one of you. If have any questions, our team is available, we're always open and but we really are excited about our business. And we're excited about the direction going forward. And we'll see you next quarter. And we expect that hopefully things will continue to improve and we will do our part. So, thank you very much everybody.

Operator

Ladies and gentlemen, that does conclude Azul audio conference for today. Thank you very much for your participation. And have a good day.