Y 2021 Earnings Call

Company Participants

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

Other Participants

- Alejandro Zamacona, Analyst
- Dan McKenzie, Analyst
- Jake Gunning, Analyst
- Mike Linenberg, Analyst
- Pablo Monsivais, Analyst
- Rogerio Araujo, Analyst
- Savi Syth, Analyst
- Unidentified Participant

Presentation

Operator

Good day, and welcome to the GOL Airlines Fourth Quarter 2021 Results Conference Call. This morning, the company made its numbers available along with three videos with the results presentation, financial review, and preliminary question and answer. GOL hopes everyone connected has watched them.

After the company's brief remarks, we will initiate the Q& A session when further instructions will be provided. This event is also being broadcast live via webcast and may be accessed through the company website at www.voegol.com.br/ir and MZiQ platform at www.mziq.com. Those following the presentation via the webcast, may post their questions on the platform and their questions will 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 the forward-looking statements are based on the beliefs and assumptions of Company's management and on information currently available to GOL. They involve risks and uncertainties, because they are related 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 the call over to Mr. Paulo Kakinoff, CEO. Please begin, sir.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Good morning, everyone. I would like to start by ratifying our most important results of the quarter, which were made possible by the trust, we received from our customers, employees, suppliers, and investors. We had the best quarter since the outbreak of the pandemic, due to a relentless focus on costs and the creation of a flexible and dynamic operation, reaching 36% adjusted EBITDA margins.

In the month of the December, the volume of domestic travel was 77% of the same month in 2019. And we are projecting be more relevant demand recovery within the first half of 2022. We are already flying to all the main markets in Brazil, including some new ones like Bonito and Pelotas, in addition to the return of international routes, such as Montevi Del, Punta Cana, Cancun, Buenos Aires and Paramaribo.

We are also seeing encouraging signs of improvement in corporate segment. This is a significant development given that business travel represented approximately 50% of the market in 2019.

Gross sales in the fourth quarter 2021 exceeded the fourth quarter 2019 and we re-established our market leading share of service between core Brazilian markets. Our disciplined capacity management has protected liquidity and position GOL for enduring profitability. Those factors and aircraft utilization continue to improve.

Flight frequencies increased by 22% and despite a disciplined approach to capacity management, market share grew in the fourth quarter 2021. We achieved the fourth consecutive quarter of growing yields, now exceeding pre-pandemic levels and we have significant contribution from the Smiles' synergies.

Our balance sheet was preserved and the short-term debt is the lowest in four years. However, liquidity will be further enhanced with the recently finalized investment by American Airlines. We are accelerating transition to Boeing 727 MAX to further drive cost efficiencies, create equity value and reduce carbon emissions.

We expect a reduction of around 8% in our unit cost and the equity created with the fleet transformation and its respective financing plan should be around BRL4 billion at incremental presence value. As a result of this acceleration, we expect better predictability in meeting aircraft returns schedule. We revised the forecast for the costs associated with the return of the NGs and we had to recognize an additional non-recurring provision without cash effect of BRL1.6 billion in the quarter results. This is related to contractual return obligations that we will occur until 2026.

We also expect a gradual reduction in maintenance expenses for the upcoming years. Such savings will increase as a greater number of new 737 MAX aircraft and the fleet intensifies the honeymoon effect.

Smiles continues to show increasing results and we have already observed some of the synergies that the merger provided. In this quarter, we achieved synergies of BRL241 million with tax efficiencies.

Finally, I would like to mention, we got this approval of the acquisitions of MAP. As a result, we started to offer new destinations and routes, departing from Congonhas airport, expanding the number of seats per flight and achieving greater cost efficiency.

With that, I will hand the floor over to Richard Lark, our CFO, who will present some financial highlights. Thanks. Richard?

Richard F. Lark {BIO 3484643 <GO>}

Thanks, Kaki. Our results reflect the social capital we have built up over two decades of collaboration with our customers, employees, suppliers, and investors. I'd like to make a couple of comments on GOL's liquidity and capital structure management. As for our detailed financial analysis for the quarter, it was in the earnings release and the video presentation shared today this morning, and I hope that you've had a chance to access them.

Our available liquidity remains stable at BRL3.7 billion at the end of the fourth quarter of '21, considering BRL1.2 billion of debt refinancing, announced last October. Our short-term debt totaled approximately BRL635 million at the end of 2021, the lowest level in four year. Although we had another challenging year, we fully honored our commitments to the global capital markets and paid BRL525 million in leasing obligations in the fourth quarter of '21.

Our liability management program, which achieved the lowest gross debt among industry peers, is a competitive advantage in the current market environment. The net debt ratio, including aircraft leasing time seven to adjusted last 12 months EBITDA was nine times at December 31, 2021, stable in relation to September 30, 2021. This ratio represents the lowest financial leverage among our peers.

Our initiatives to obtain additional sources of liquidity, ensure the availability of funds for optimizing cost of capital, which will be sufficient for our growth during 2022.

I will now return the floor to Kakinoff.

Paulo Sergio Kakinoff {BIO 5160310 <GO>}

Thanks, Richard. I would like to close by thanking again our employees, the team of Eagles, who are working with extreme professionalism and commitment. All this intimidation puts us in a solid position to expand operations. We reiterate our conviction that GOL will emerge even stronger and more resilient with the normalization of the markets.

We now move on to the question-and-answer session.

Questions And Answers

Operator

(Operator Instructions) And the first question will come from Alejandro Zamacona with Credit Suisse. Please go ahead.

Q - Alejandro Zamacona {BIO 20103878 <GO>}

Hi, thank you for taking my questions. Just a quick question on (technical difficulty). How can we think about the normalized view after the Smiles integration and considering for this quarter, we saw a significant improvement.

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

I'll take that question. Thanks. The -- a couple of things. One, as we highlighted, from the Smiles reincorporation and unified yield management already in the third quarter of last year, we worked on unifying yield management, creating better inventory management in the system there. And roughly by September, we had affected on an apples-to-apples comparison. Around a 15% to 20% increase in yields because of that.

I can't really say what that means on a normalized basis, because there's a lot going on with yields right now in general. And so that is already incorporated that number into our inventory management. Obviously, we're still recovering demand, and we're also now dealing with the oil price increases.

What's going on now in the very short-term environment and I'll take advantage of your question to make a couple of other comments that we've been getting related to yields in general, mean -- where we are kind of right now, which is the down seasonal months of March-April-May in the Brazilian domestic market. We're tracking at about 30% above 2019 in terms of yields in that comparison that many of you like to do, and the yield on what's been sold, we've been able to work hard and adjust ticket prices to deal with the current environment and our sold yields are up about 25% versus two weeks ago.

That correlates to yield today, a run rate yield of about BRL0.45 which probably should normalize in the short term, at about BRL0.50. But, obviously, it's hard to speak to a normalized yield because we have dynamic yield management which is made possible by the market that -- the characteristics of the market that we operate in. And also it's highly influenced by the passage and so you've seen what we've done on capacity.

Also the market, the competitors are also adjusting capacity down to adjust for the oil price situation as well as reduced their capacity by about 15%. And LATAM has reduced about 10%, but those were all the factors that will affect what happens with yields. The issue ends up being the velocity of a variation on costs and gradual adjustments that can be made as opposed to quick adjustments. But going back to your principal question, is about 15% to 20% increase in yields as a result of the Smiles transaction -- reincorporation.

Q - Alejandro Zamacona {BIO 20103878 <GO>}

Okay, thank you. And then my second question, if I may, just in terms of the capacity, we saw the new guidance which is implying a small reduction in terms of capacity, for thing, we look at the seats outlook which you have a meaningful higher decrease expected. So what there we're missing because the [ph]load factories is roughly stable. So I just want to make sure what we are missing there?

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

What would you will be missing, I understand better, what we're doing about fleet transformation, accelerating our transformation from the NG to the MAX which has a larger ASK production per aircraft, and also how we're doing in terms of network and aircraft utilization. And so all of those factors are in the guidance that you're referring to, in particular in the second half.

We're still not back to our high operating efficiency that will only be the case when we're back with the full fleet operating between 11 and 12 hours of aircraft utilization per day. That's what creates the ASK production. And then at the same time, we're accelerating transition from the NG to the MAX, which has a slightly higher ASK production per aircraft.

And so if you want to think about it is that our stores, if you will, our aircraft will be on a same-store sales basis, producing more on a capacity basis and that's seats, right, that seats and so the -- there is a slightly larger seat count in there and then the other factor is aircraft utilization. But if you need more details on that, we can help you with the modeling up offline. Just reach out and contact myself or Mario, ask to the call.

Q - Alejandro Zamacona {BIO 20103878 <GO>}

Okay. Sure. Thank you, Richard.

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

Okay.

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

Hi, I would like to -- I would like to complement by saying that the name of the game, now is capacity management. I mean, you have observed with the longer last year that GOL have led that -- the market in that sense, I mean, towards rationality. Now that's more important than ever, considering the current jet fuel, not the current jet fuel prices, the current oil prices, because in Brazil, there is a kind of delay around 45 days between the international parity and the jet fuel price retail to the airlines.

But we are all envisioning those additional cost pressures, coming from the oil market. And therefore, the industry has demonstrated an even higher level of rationality in comparison to what we have seen so far. So, I believe that we could expect even further reductions in case that the oil prices will be kept at the level that we have forecast to the following 45, 60 days. Okay.

Q - Alejandro Zamacona {BIO 20103878 <GO>}

Okay. Yes. Thank you, Paulo.

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

Thank you.

Operator

The next question will come from Dan McKenzie with Seaport Global. Please go ahead.

Q - Dan McKenzie {BIO 6789743 <GO>}

Well, hey, thanks, Rich. I'm looking at the fourth quarter yields, that was without the contribution of business. So your comment of normalized yields being closer to BRL0.50, does that include a full restoration of business or is that just simply a run rate based on the mix and pricing actions that we've seen year-to-date? I'm thinking the business are back, that's about another BRL2 billion in -- so another BRL2 billion of revenue in the quarter here.

Hello.

Operator

Perhaps our speakers are muted.

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

Sorry. Microphone disconnected. Can you hear me now?

Operator

Oh, there you go. Okay. Yeah, thanks.

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

Yes. Sorry, it's. I'll just repeat. There is no such thing is normalized the yields, Dan. The question I got was, what are your normalized yields and I didn't say what the normalized yield was. I said, what's going on in the short term, which is what matters. You're asking about the Q4, but the yields will react to what's going on with industrial capacity as well as what's going on on the cost side.

As Kaki mentioned, there is a high correlation between the Brazilian real and oil prices. There is an offset there. A lot of you guys internationally in the US and the focus only on the oil side of the equation. We also have the currency side of the equation. The correlation hasn't been as strong recently. It's only about 0.5 negative, it's usually closer to 0.9 negative.

But it does. It has offset some of the the quick run-up in oil prices and how as you will put a little bit of a break on the immediate impact. You know, as Kaki was saying, there is roughly a 45-day lag between when the producer of jet fuel passes those cost increases on to us which does give us time to adjust ticket prices. You know, we can have some visibility on that.

But just let me -- because I was answering the question on and I realize that the platform here automatically put me on mute. Just, if you could just go back to the first part of your question there, so I can make sure I answer.

Q - Dan McKenzie {BIO 6789743 <GO>}

Yeah, just the record fourth quarter yields, that was without the contribution of business. And I'm just trying to get a sense of, (multiple speakers) what that -- that addition is going to be in 2022 here, potentially.

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

Yeah, well, it's not finished without the contribution of business. We started in the Brazilian market overall. Right around the end of August last year, we started to get the recovery of the corporate traffic, the large corporate traffic and it's still not fully recovered. There are specific sectors that are not -- the specific sectors that are above 2019 consumption, such as food and beverages and education, and those specific sectors that are below. The main ones that are below today are the blue chips and oil and gas, metals and mining, and financial services.

Some clients, massive global clients that are only 20% recover, now represents upside, especially for GOL because our network is most oriented towards the point to point and the direct flights that they travel. So, yes, that is something that continues to evolve parts of fleet as the travel restrictions that many of these large corporates have imposed on their employees. And yes, that was less present in the Q4. The Q4 yields were more driven by VFR and leisure, probably, kind of like a 60-40 mix of VFR/leisure business.

And we expect that by June, July, we'd be back to the more normalized mix of 70% of our customers traveling on the GOL network for business activity and then the rest being VFR/leisure. So there'll also be, with the capacity restrictions that are required by the increase in the cost of providing the service, there is going to be, to some extent, a crowding out of the lower yielding passenger to the benefit of the higher yielding passengers.

So, that is correct, what you're saying. On a relative basis, if you take Q4 versus Q1 and Q2 and then very much the second half there, in our case, I can speak to that, will definitely have an alteration of the mix in favor of a higher yielding traffic in general, as -- if you will, the pandemic rolls off and at the same time, as we are mentioning, there is capacity reductions happening in the industry, and -- which you guys have all the data on that. And then, there is some fare adjustments that are happening.

So on a floor basis right now, worried about -- an average ticket of over BRL500 which hasn't fully necessarily compensated the full brunt of the oil price increase. Remember the currency, the Brazilian real currency appreciation has helped. But there is room on the demand side, overall, and also because of what you mentioned, the large corporate travel coming back where we can be looking at an average ticket, somewhere between BRL550 and BRL600 in the near term which -- and that will turn correlates to that yield number that I was mentioning of kind of BRL0.45 to BRL0.50, which is not a normalized yield.

It doesn't mean it's not normalized or it is, so just what we would be achieving in the short term through a variety of things, and it's not just increase in ticket prices. It's also eliminating private discounts in certain segments, like, OTAs and significantly reducing promotional tariffs that were used as well to kind of more stimulate activity in the VFR and leisure. So it's a variety of things that we're doing there to compensate for the increase in the unit -- in the fuel component of the unit cost.

Q - Dan McKenzie {BIO 6789743 <GO>}

Okay, thanks for that. Rich, I guess, with respect to the video, thanks for that as well. You guys touched on M&A and highlighted MAP, and outside looking in, it appears that LATAM just simply hasn't been interested in M&A, but I'm wondering if fuel price volatility has had an impact on the urgency of any of your conversations?

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

Hi, Dan. It's Kakinoff here. Just want to another information related to the large corporate before I answer to your question. After the Brazilian Carnival, where we saw for the first time since the pandemic started, the strong catch up on the corporate demand, not yet close to the pre-pandemic levels but accelerating.

This is -- it's coming along side with the protocols relaxation that we have seen coming from the authorities. And I believe that from that moment on, we will have these positive curve affecting in a good way, the yields, mainly towards the second and the first -- third quarter of this year.

Regarding the, let me say, South American environment. I think that this is -- there is no reason to believe that a global trend for the airlines will not happen here. I mean, everybody is looking for additional synergies, co-operations, there might be some M&A opportunities. We have prepared ourselves to play a major role in that trend, if happens. But also in parallel, I believe that there are things to be done between the planes codeshare, we usually get and a full merger.

I mean, the market is plenty of synergies and co-operations being developed and they are now some, I mean, possibilities that we can envision. Nothing concrete, but I believe that the market is moving towards this direction. It might -- before go or other competitors, but I believe that this is a kind of strange which is about to happen worldwide.

Q - Dan McKenzie {BIO 6789743 <GO>}

Okay, thanks for the time, you guys.

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

Thank you.

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

Thanks, Dan

Operator

The next the next question will come from Duane Pfennigwerth with Evercore. Please go ahead.

Q - Jake Gunning {BIO 22377428 <GO>}

Hi, this is Jake Gunning, on for Duane. Thank you for taking my question.

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

Sorry, (multiple speakers)

Q - Jake Gunning {BIO 22377428 <GO>}

Jake Gunning, Duane's associate.

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

Oh, Hi, Jake.

Q - Jake Gunning {BIO 22377428 <GO>}

Hi. So historically Brazil has seen high inflationary periods where fares have typically risen with inflation. you also seem to be seeing now, related to your comments on yield. Do you think this relationship is specific to Brazil or South America, or would you expect recent inflation in the US to result in a similar increase in ticket prices?

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

Which relationship?

Q - Jake Gunning {BIO 22377428 <GO>}

The relationship between inflation and ticket prices, the broader market inflation?

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

Yeah. Well, yeah, the U.S. market is very different. Right. You have much more VFR/leisure market and it's much more price sensitive. The market in Brazil is much more price in elastic. Inflation, our main fixed costs are aircraft and labor. So the aircraft, the most -- more impacted by what's going on for the global supply and demand of aircraft and exchange rates.

And then the fixed cost of labor is what we have there in the contracts. And so we don't -- and we have an annual cost of living adjustment on labor, which is already negotiated in December. And so inflation does not really impact our fixed cost structure like you might see in the US.

On the variable cost, it would vary. But our main variable cost is the fuel component that we've talked about. And so the issue with inflation is more, as it -- as this impacts from the overall Brazilian economy, not necessarily GOL directly and so it would be, how the impact in the overall Brazilian economy, but as Brazil is a raw materials driven economy, the main effect that is impacting the overall Brazilian economy is what's going on with commodities prices, oil, iron ore, things like that and so the current environment is bullish for the Brazilian economy.

The issue then becomes is inflation at a point where the government -- in Brazil. I mean, this is very Brazil specific, is interest rate increases and the impacts of that can have on consumption, as well as on us, in particular. And so the impact of inflation ends up being more muted on demand. Based on what I just told you, you can see that it's related to the factors that you mentioned, it's a positive on demand, it's pretty much neutral on cost for us.

And then you can have the impacts on the balance sheet. We don't have a very high component of variable rate real denominated facilities. So it has a more muted impact on us in terms of how we manage our balance sheet. And I guess the only final comment I would make in Brazil is that, that the price sensitive customers are more insensitive to their ability to purchase retail goods and air travel on installment payments. And so we have that tool as well to manage that.

Before we go to the next question, operator. I just wanted to address in the queue is not -- I've seen the people in the queue, and I understand the pressure on the sell-side analysts to rapid-fire out reports, sometimes without consulting with us and our buy side asks us to spend time to make sure that correcting misinformation that is put out by some sell-side analysts. So this is an important point because it's a big mistake by the J.P. Morgan analyst.

I'll just mention it because many of you probably have not yet had time to look at it and it's complicated because it relates to how we manage the fleet and its accounting. And we explained it in our release and as you have the time to go through, you understand it.

But in our 2021 results in the fourth quarter, we increased the provisions for the return of aircraft for early redeliveries, if you will, based on the specific contractual lease return conditions that was provisioned in the 2021 Results. It does not impact 2022 results and it reflects the estimated costs, expenses of those aircraft returns through 2026 over the next couple of years. And the trigger on that was in the fourth quarter. Management made the decision to accelerate the transition from the NG to the MAX. And so, those are future expenses to return NG aircraft over the next four to five years. (Technical Difficulty)

Okay. Operator, still, I'm not sure because my computer screen keeps looking out there. They are not what Fernando Abdalla from J.P. Morgan said, a cost this year to put idle aircraft back into operations. That is incorrect and that needs to be said here because that is very misleading. That's not what we disclose and that's not what the purpose of those provisions are. But those provisions already made in 2021. They do not affect -- they won't impact 2022 or in a year going forward.

And then there was another component in the exact same research support. That said, we had BRL2.7 million, is the short-term debt, that is not correct. We have around BRL600 million in the short-term debt and that's a significant material difference. And so the caveat emptor on that.

So, operator, we can go to the next person in the queue, please. And after next person into the queue, what I'd like to do is, give some space for some of the questions that we received on the webcast platform as some folks are communicating us that way in this new hybrid environment.

Operator

Yes, sir. Our next question will come from Savi Syth with Raymond James. Please go ahead.

Q - Savi Syth {BIO 17476219 <GO>}

Hey, good morning, or good afternoon, actually. If I might follow-up on Dan's question on the business demand recovery. Could you, I was wondering if you could provide a little bit more color on, like, maybe versus 2019 where it is today, like, either in terms of volume or revenue? And generally, what are you kind of assuming in the 2022 guide?

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

Hi. Savi. It's Kakinoff, here. We're (technical difficulty) and 70% than we had in 2019. I mean, the percentage of corporate customers flying to be and what we are forecasting, considering the current sales, forward bookings, is that the number might achieve 80% to 85% in the -- along the second quarter. That's our forecast at the moment, 85% in comparison to what we got in 2019.

Q - Savi Syth {BIO 17476219 <GO>}

That's helpful. And Kaki, sorry, I missed the part, are you saying it's 65% to 70% currently?

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

Yeah. currently, because in each differentiate what we are getting on board today at the moment. And what we are selling as forward bookings. Okay. So that's the difference. If you would take a snapshot, what's the percentage of corporate customers getting on board today in comparison to the pre-pandemic levels, that would be 65% to 70%, seven zero. And the forward bookings are telling us that during the second quarter, we might achieve 80% to 85%.

Q - Savi Syth {BIO 17476219 <GO>}

And along those lines, are you. I mean, I don't know if you have great visibility, but are you hearing from corporate clients that there is going to be any -- is there, kind of, an assumption that we get back to 2019 levels and beyond just because there'll be growth beyond that as GDP grows? Or is there any kind of reason to think that there is some kind of permanent impairment in the demand levels there?

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

Savi. There is an additional element now which is somehow disguising the real reasons behind the capacity and this additional demand are those business travels, not performed during the pandemic, and now they are somehow unleashed. I mean, we are combining the natural demand with those travels postponed during the pandemic period. Therefore, it's really hard to precise where exactly is the demand today, but it's catching up pretty fast. And I believe this phenomenon will last over the 2022 year.

Q - Savi Syth {BIO 17476219 <GO>}

No, that's a good point. Thank you. And then if I might, just a quick clarification question on the 2022 EBITDA guide. I think, it says excludes fleet transformation maintenance cost, is that related to the NG return costs? And I was wondering what the cash outlay might be in 2022 as we kind of forecast the cash component?

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

Yeah, all those are fully provisioned. So there is no expense impact going forward relates -- related to. As how does it work with companies, you're supposed to have constantly provisions your full cost to return your fleet based on the contract clauses. And so you have to have that constantly updated.

And the other point, you're saying is, it won't be -- in 2022 to what we're doing, is matching the returns with the intake of the MAX's and what we're doing there is, as you saw we did with the transaction we announced that BRL600 million financial transaction we announced in January. They are at specific conditions which allows us to almost fully finance the lease return conditions related to be NGs when we tie in those operations. So this year in 2022, there won't be any significant cash outlay related to the re-deliveries on a net basis.

But on a gross basis, each redelivery can cost between BRL5 million and BRL7 million mainly related to the engine overhaul expenses that are required to affect those returns. I remember, specifically in the case of GOL, we've been hit negatively over the last four years, because what was going on at the MAX and two years of MAX grounding two years of pandemic. And our average fleet age is up to about 11 years, which is not our plan. And so you'll see in this acceleration as getting back to our sweet spot of seven years or lower. And so all of those components I mentioned, are tied up in abnormally high engine costs because we've been keeping these older NGs operating for a longer periods of time. And also, conserving cash and all the issues related to what's been going on to pandemic.

And so this year for us is a catch up on that and we're going to reset the down on that by the end of this year, when -- we'll be finishing this year with above 40 MAXs in the fleet, but it's important to mention on a net basis, the MAX is coming in are linked not just on a replacement basis, but also on a generation of financing basis to help us return the NGs.

And how do we do that, we'll able to borrow against the equity value that we create when we buy a MAX. And so all of that data that I just gave you, can help you figure out which are -- what we this year looking for them.

Q - Savi Syth {BIO 17476219 <GO>}

That's helpful. Thank you.

Operator

Mr. Lark, would you like to take the webcast questions now.

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

Yeah, good question. Yeah, I'll just -- there are so many. I don't know which one I have to take. I was just -- maybe this is one that probably some folks are going to ask, and I think it's a person who's far down in the queue anyway, so I'll kill two birds with one stone. Can you give additional color on hedges you currently paid? How are you thinking about your hedging -- hedging your fuel need in the current environment?

Yeah, we're about -- we've got a couple of things. The short answer is, we've got, you know, got around 10% hedged for this year and next year, around BRL70. But that's not significant enough given what's going on with all right now.

At this company, GOL, we generally have a program that works on a 24 months forward basis, where generally, as you know that, for those who have been following us, will be around 50% hedged, 12 months forward and then once 13, 24, would be around 20% hedged. Given that we were 24 months in the pandemic environment, we are -- and given what's been going on with oil prices, and given that our main focus has been cash and liquidity conservation, we have not hit many of our triggers that would have caused us to be hedged 50% for the next 12 months.

Now a couple of comments on that. One is that, literally almost 24 months ago, we had zero or negative oil prices. And for those of you that follow us know that we were always fully mark-to-market and fully deposited with counterparties. We're the only company among our peers that did so. Everyone else defaulted.

And we rolled out the zero oil price scenario. And then the situation in the Q2 of 2020, we had about BRL1.5 billion of assets in our hedging program. And then when oil went back into the mid 60s around September, we started monetizing our hedge position and we extracted from our hedge positions, end of 2020 and then at the beginning of 2021 about BRL1 billion of cash. And that's just as an example, is one of the points when we say we how we've been managing our liquidity using noncash current assets.

But having said that, the pandemic lasting around 24 months, we ran down all of those cash gains on the existing hedges, they were used to pay for pandemic needs. But we still kept in the market which triggers, and that's why I say, we're just -- these positions we have roughly 10% this year, next year, in the low 70s, we're put on prior to the run-up, which started in November of last year. number one.

Having said that, the industry right now is relatively unhedged or not hedged at all. And so then that puts the pressure echoing Kaki's comments on the capacity side is a way to manage the cash flow situation. And then the final point I would make is that, we've been doing this for almost 20 years, I mean, this is the exact time when you should not be doing hedging. There is around, is probably, the uncertainty that's present in the market now, dictates that and it's affected the entire curve and there is a 30% premium across the entire curve, at least in the time horizon that we would look at, which would go out 24 months. And so, while we do have triggers, they are significantly below where the market is right now. And so don't expect to see anything from us on that.

And so, that's a long answer to that question, but there was a couple of other questions related to what we're doing on. Because all the state is in our financial statements as well, but just to make it easier to get to.

Operator, can go to the next person in the queue.

Operator

The next question will come from Pablo Monsivais with Barclays. Please go ahead.

Q - Pablo Monsivais {BIO 17389900 <GO>}

Hi, good morning, and thanks for taking my question. I have just a simple one, looking at the jet fuel price, that is increasing, but the FX is moving in the right direction. What are your plans to deploy more capacity for international markets, particularly to the US? Thank you.

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

So to the US, we are about to resume our operations in May. We have been pretty cautious in deploying additional capacity for that specific route. As you probably know, that is a unique offer to -- reduce it by go to fly directly from Brasilia to Florida and that make us capable of operating such a route at a profitable level.

Regarding the CapEx overall, we have good indicators that the industry is behaving accordingly the strategy that I mentioned in beginning of this presentation. And it was highlighted by Richard in his last answer. We do see a higher level of rationality, and that in combination with the current indicators, we have foreseeing the forward bookings such as, those factor in March, April and May, pretty much in line with 2019, basically talking about the leisure travelers, we have exactly the same level of pre-pandemic demands, but those tickets have been sold as a much higher yield level, precisely 30% above 2019.

I mean, this is clearly the outcome of a disciplined capacity deployed by the industry, and I think that, it has been -- that phenomenon has been strong enough to cope with the additional operating costs, imposed by the jet -- higher jet fuel prices. The market has absorbed those additional yields and it wouldn't be possible to make so, if not through a higher disciplined industry as we have seen so far.

Q - Pablo Monsivais {BIO 17389900 <GO>}

Very clear. Thank you very much.

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

Thank you.

Operator

The next question will come from [ph]Solentia Meroco with MetLife. Please go ahead.

Q - Unidentified Participant

Hi, Richard. Thanks for taking my question. (Multiple speakers) You have already answered that. But if...

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

Okay.

Q - Unidentified Participant

Regarding the fuel pricing policy. But I think that as you mentioned that a couple of need to go.

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

Okay.

Q - Unidentified Participant

Thank you.

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

Operator, we'll go with one another question in the queue and then I'll come back to your question on the -- from the platform.

Operator

Yes, sir. The next question will come from Rogerio Araujo with UBS. Please go ahead.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Yeah. Hi, Richard. Hi Kakinoff. Thanks for the opportunity. I had one single question regarding the end of the your aircraft fleet. So there was a slight reduction in this guidance. I would like to assume first, the costs to return those aircraft were included in the provision already?

And second, could we see incremental capacity reduction beyond this level, during the year? And can this create extra costs that we're still not provisioned? That's it. Thank you very much.

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

It's a good question. The -- and it was also some misinformation out there in one of the other reports. I think it was the Morgan Stanley report, not sure. We haven't really changed the fleet guidance for this year. We finished -- we've just -- we've made some adjustments on, if you will, -- let me kind of what's there, I mean, we finished 2021 with 135 total aircraft in the fleet. And you see in the guidance is between 130 and 140. So it's roughly the same fleet size.

And then within that, we're working on accelerating the fleet transition and we have three levels, I believe, can match MAX in, with NG out, we can have MAX, we can have NGs going out faster than MAX is coming in, or going out slower. And so we can adjust our capacity pretty well to match demand.

So the first driver for us is really what's going with matching our network with demand of the aircraft we need to do it. And then the other level we have in there is the level of efficiency. And as it is expensive to return aircraft than be short aircraft, if demand picks up, the way we can regulate that is just by having a slightly lower operating efficiency through lower aircraft utilization.

So those factors, when you see that level of operating the aircraft go up or down with the total fleet size remain the same, it's really related to how efficient we're going to be. And as I've said before, we want to get back to roughly 12 hours a day of utilization. Our goal is one of the few airlines on the planet that can achieve that, and that's going to our sweet spot in terms of cost competitiveness our competitors can't match that. And we'll need to get back to that.

Having said that, as always -- I think, as well, the majority of the return costs are financeable to some extent that it's tied into MAX's coming in which has also been very tight. And so what you're seeing there in the guidance, and just there on capacity, it's a combination of those factors, number one, lower level -- a potential lower level operating aircraft while keeping the size of the fleet. Number two, a -- adjustments on utilization, and number three, how we're calibrating the MAX is coming in and the NG is going out, and how that can be more or less capacity depending and how we do that.

I mean Kaki, also wants to complement that.

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

This is basically the same comment that we have raised before. I think that you have already answered it completely.

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

Okay. Just, I think we might have run out the queue, but maybe, I don't have the updated queue, but I'll just go to one other additional question on the -- from the webcast is basically, what's the timing for us to close our exclusive codeshare with American Airlines?

That is imminent. It's in the -- and I trust approval process which is expected to occur in the short term. After which we would effect the the BRL1 billion capital increase and then, on top of that, do a preemptive rights offering. And that's actually imminent. It's just in the final days or weeks of the bureaucracy with the antitrust report.

So with that said, the message I'm getting here is some -- so operator, you can do the last call, to see if anyone else wants to come in the queue.

Operator

Yes, sir. (Operator Instructions) The next question will come from Mike Linenberg with Deutsche Bank. Please go ahead.

Q - Mike Linenberg {BIO 1504009 <GO>}

Oh. Hey, guys. Thanks for squeezing me in and I'm just going to ask one quick one here. Rich, on the forecast for 2022 now, the revised revenue forecast -- the BRL13.7 billion versus BRL14 billion, we're down only -- we're only down a few percent, and yet it looks like, when I think about your capacity say, five points but I think more importantly the seats are down 15%. So there is obviously an elasticity here and you mentioned it earlier that historically demand in Brazil tends to be a lot less elastic than what we see in the US.

And I'm curious sort of what you've baked in with respect to your ability to recapture the higher fuel and it may be that we have to go back to like 2011, and look at the Arab Spring when energy prices are up 40%, sort of wind back the clock a decade, how GOL is able to manage through that period? And maybe you were able to offset 100% of the rise in fuel, but with a lag. So anything that give kind of color on that, maybe past experience would be great. Thanks.

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

Okay. I was just joking, like, thanks for leaving out for the last question of the call.

Q - Mike Linenberg {BIO 1504009 <GO>}

Sure one, Rich.

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

Last but not least. The -- that is the question of every thing. The -- just contextualize, there -- and maybe I'll start off and Kaki can complement. A couple of factors.

The part of it will depend on how long we stay at this altitude, because as you know, it could be over in two weeks, right, could be over in two weeks, could be over in two years, right. So part of is that, and nobody knows, right. And I'll come back to that.

Number two is that, very different. We're coming out of 24 months of the pandemic and then there is that level. And so the main driver for us, for GOL, again -- remember GOL, it's not -- and so -- you have to -- if you want to compare GOL to 2011, you have to compare networks, you have to compare fleet...

Q - Mike Linenberg {BIO 1504009 <GO>}

Fair enough.

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

I don't know if it's relevant. But because we did some major reformulations of the GOL network post 2015, 2016 recession, when GOL emerged as the number one market share, number one business airline and once everything normalizes, GOL go back to that. And it's kind of the network today, which is based much more on four or five central hubs around Brazil, a higher -- much higher percentage and point to point flights, and a much higher shuttle business. And so it's a much more business-weighted network and revenue base. It's a much more higher yielding base than we had back in 2011. Number one.

Then coming out of the pandemic, we're still waiting for the final -- the major large corporates to come back, [ph]Petrobras, Bali, Perdesco, which -- the blue chips coming back with consumption and so they're most likely coming back dovetailing with this current scenario.

So both of those are factors that give us substantial leverage with respect to yields. And I would argue might that the yield numbers that I mentioned to you, I don't know, I don't keep the database in my head. And I might be wrong but you might have to go all way back like 2006 to see those levels of yields if.

Q - Mike Linenberg {BIO 1504009 <GO>}

No, I -- yeah, no, I -- that's the first thing I said when you heard BRL0.45 to BRL0.50 yield that was like, wow, I haven't -- I don't think I've ever seen that before. So.

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

You know, we had that in -- I say, and -- obviously, it was a different environment quite as well. But -- and so, just kind of wrapping all that together, the key measure to have that happen is just overall capacity and we tend to -- GOL tends to outperform in these very high fuel price scenarios, because of the cost advantage.

Obviously, where oil is right now, it could have the potential for demand destruction, but not yet. We haven't reached that limit yet. And as Kaki was mentioning as well, remember that we have the lag between an oil price increase, and when it hits our cost structure, which is around 45 days, and then it's also a partial offset with the currency, which is bad.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah.

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

Appreciating, so this roughly, call it, 30% increase in oil prices has been offset by at least a 10% increase. I appreciate the Brazilian real which kind of nullifies about half of the impact on oil prices on jet fuel. So it's not like -- all the numbers that you guys are taking this, impacting US airlines divided by two, that's the impact that's hitting us.

And then going back to the question, we're just being prudent on capacity. I mean, we -- during this entire pandemic, we've then the airline that's most kept capacity at the low end of the range, given that the slot -- the slot requirements are suspended. And as you know, they've been suspended again for the next season, all the way until September.

Q - Mike Linenberg {BIO 1504009 <GO>}

Yeah.

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

So, there is no reason to focus on market share. That's -- there is no reason.

Q - Mike Linenberg {BIO 1504009 <GO>}

That's why I called out the seats. The seat number is a sizable decline. People will fixate on ASKs but your at 15% on the seats is a lot. So I mean, you guys are definitely making a move on capacity, sending a message at least to the market that you're going to do what it takes.

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

Look, that's just -- that we see it and we have the ability to go up, if we need to. But I would say, what we see on the competitive side is rationality. I mean, we didn't need to cut because of Omicron, because we already playing it at the low end and LATAM is -- have to cut, they have cut. And so part of it will depend on that.

And -- so, the short answer to your question, I'll kick it over to Kakinoff, is yes, meaning, I think we do have -- we will have increasing pricing power, especially as the large parts of the profits come back. Also because of our network and we spent a lot of money in November, December, January, reactivating the traditional GOL network based on our four or five strategic hubs around Brazil, and the point to point flights and the shuttle markets. Those all are reactivated.

They're now operating at peak volumes and we still do have inefficiency in aircraft on the ground that we will have -- when normalized demand comes up, but Kaki, I'll let you finish this question, and this will be the last question we do on the call, operator.

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

Yeah. Richard, actually just would like to add one comment to the already very comprehensive answer provided by you is that, in comparison to 2011, our revenue management SKUs and tools are much better, much more enhanced it. I would say.

Therefore, we can now not only, I believe, leave you with the right message, as you said, Mike, regarding capacity discipline. But also, how much you have been able to correctly price our fares and through those, the [ph]hands of juice, compensate in many (technical difficulty) through yields improvement. That would be my additional comment.

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

Yeah, That's good question, Mike, and I appreciate this. We've -- it's something we take for granted, because we have this investment on pre-pandemic. We made a big investment in big data, digital analytics and it may be lost on most people. But for those who are following us closely, even though we didn't have -- we don't have a crystal ball or magic wands, GOL has been the first company to identify the shifts in demand. And we've always been about two to four weeks ahead of the competition in either bringing capacity down or bringing capacity up.

It might not sound like a lot, but at the margin, it's allowed us to conserve cash. In our work at this company, which is on behalf of all stakeholders and all shareholders, and in particular are very large controlling shareholder, we just haven't had the leeway to take a month of figure to stuff out. And so the digital analytics that we have in revenue (technical difficulty).

I would argue that we are the most agile within that quadrant of stability. So that's a good question, but it just kind of highlights the issues that you're talking about Mike, will lead to our business model and our operating model. And so, we're managing on that strengths. Obviously, we're an airline in the pandemic. And now with oil prices, so we can mitigate that.

But it does give us -- and I don't think we get a lot of -- we don't get credit for -- from the majority that might just 1% with generic airline. But like Kaki said the the agility we have on the technology side, and the system side, and yield management, gives us a bit of an advantage on that to kind of -- now, we've been using that during the pandemic to conserve cash. But it will also allow us to take advantage of upticks that you are hinting to.

We tend to view this more as upside at this point and that's why we're -- you see that gap between total fleet and operating fleet, which is a -- which costs. But at the same time, we're trying to get back to be a seven-year old company with the MAX and so there's a lot going on.

The only final thing I would say on that is that, this year, even though we've gone back, I think we're probably the most courageous out there. We've gone back and put '22 guidance back on which is a big commitment. But people need to take it in the following manner. It's -- there's really three phases; Q1 is the end of the pandemic, Q2 is just transition. And then, the second half of this year really be the first block of time that permits true comparison versus whatever was going on in any pre-pandemic period, which I think probably most people going to compare to the second half of 2019. I think the characteristics of the second half of this year will be in a lot of ways, similar to characteristics of the second half of 2019.

But it's really difficult to talk about 2022 is kind of one body of work. Because it's really got three entirely different environments in there and we'll try, but hopefully we get a little bit of credit for having the guts to put '22 guidance back on.

Q - Mike Linenberg {BIO 1504009 <GO>}

Well, we appreciate it. And it speaks to your discipline. It speaks to your, seriously, it speaks, when you read it, you see the discipline especially like you said between the operating fleet and total fleet. So Rich, thanks. Kaki, thanks.

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

We'll finish. I'll turn it back over to operator, but I just want to say, this is, you know, obviously, this is -- this call for us, we have our Portuguese call that starts in about 20 minutes and we need to switch over to that. But Kaki will give us closing remarks after me. But I just wanted to thank everybody. So we're basically putting the -- as you can tell, we're putting the pandemic management behind us, which is mainly been focused on two directors. One, making sure that we emerge from the pandemic, which will be the second half of this year with the unit cost equal to or lower than our unit cost when we came in. And we've already done all of the structural things we need to do to make that happen. That's locked in.

And the other directive we had was to make sure that cash inflows and cash outflows matched, if you will, assets and liabilities. And we did that. And everybody who is paying attention to what we did we were doing, solely we did that, but it could not have been done with the support of everybody in our value chain and including everybody here on the call here.

I mean, we've learned a lot from what both the sell side and the buy side are focused on. We've been able to raise over $1 billion during this pandemic from the buy side and I think it was because of our relationship. And it was one of the things that I don't know if people picked up on it, but we put it in our release and in our videos, we recognize that this was possible because of the social capital the GOL has built up over two decades.

And so it's really important to us as a management team, the relationship we have with everybody in the ecosystem. I just wanted to recognize that as we pivot back to hopefully what will be margin management as opposed to cash flow management. But with that, Kaki, I'll shift it over to you to do the true closing remarks.

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

Just to say thank you very much. I think that we have all of your questions properly answered, but if not, please do not hesitate to reach our team. We are all available to you. Thank you all very much. Have a nice day.

Operator

This concludes the GOL Airlines conference call for today. Thank you very much for your participation, and have a great day.