

Brazil's Azul Strategizes Financial Recovery Amid Bankruptcy Considerations

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Azul Linhas Aéreas Brasileiras is actively engaging with its primary stakeholders to refine its equity structure and navigate significant financial challenges, amidst reports from Bloomberg suggesting potential Chapter 11 bankruptcy protection considerations in the U.S. The Brazilian airline has encountered numerous operational hurdles in 2024, including the devaluation of the Brazilian real, severe floods in Rio Grande do Sul, and the consequential closure of Porto Alegre International Airport.

The operational challenges were exacerbated by the departure of its A350-900 fleet, prompting temporary reductions in international flight services. In response, Azul has formulated a new strategic plan aimed at enhancing profitability and liquidity, receiving positive feedback and support from stakeholders, though it has deferred the addition of new widebody aircraft to its fleet.

Moreover, Azul is reportedly in discussions about a possible merger with GOL Linhas Aéreas Inteligentes, aiming to demonstrate to creditors that a merged entity could potentially lower debt levels and foster growth. However, there have been no formal agreements with Abra Group, the owner of GOL Linhas Aéreas, Avianca Airlines, and Wamos Air.

In an effort to avoid bankruptcy, Azul is exploring various financial strategies, including potential equity offerings or debt issuance linked to its cargo unit, Azul Cargo. The airline is also leveraging new legislative support from a Brazilian congressional bill that enables airlines to access credit lines backed by the National Civil Aviation Fund, potentially providing Azul with substantial incremental liquidity.

Despite these efforts, Azul reported a net loss of BRL 4.85 billion (approximately USD 864 million) in the first half of 2024. Unlike its local competitors LATAM Airlines Group and GOL Linhas Aéreas, both of which have previously sought bankruptcy protection, Azul remains the only major Brazilian carrier not to have done so this decade. This distinction underscores the critical nature of Azul's current financial strategies as it seeks to stabilize and revitalize its operations amidst ongoing economic pressures.

Sources: AirGuide Business airguide.info, bing.com, Azul, bloomberg.com

