



Jane Shuck/Airline Business

"He's under pressure from Brazil, but he's finding innovative ways of turning something bad into something good"

Panel judge

While Brazil's carriers struggled under an economic recession and political instability, David Neeleman's Azul was busy attracting investors.

The rapidly growing carrier now boasts China's HNA Group and US legacy carrier United Airlines among its shareholders. The investments have not just been a one-way street. Neeleman, through his partly-owned Atlantic Gateway, has also acquired a stake in TAP Portugal.

The flurry of interest in Azul from foreign carriers is a vote of confidence in the business model of Brazil's third largest carrier, which is barely eight years old.

Since its launch, Azul has carved out a niche for itself by launching service to smaller Brazilian cities that had little or no air service, installing itself as the only carrier on most of the routes.

"He's under pressure from Brazil, but he's finding innovative ways of turning something bad into something good," said a panel judge.

With its domestic fleet of Embraer E-Jets and ATR 72s,

Azul manages to operate these flights in a way that its rivals cannot profitably do with their bigger narrowbodies.

In 2012, Azul reinforced its position in the Brazilian market by acquiring regional carrier Trip. The combined carrier now has the largest domestic network in Brazil.

With that in place, Azul started its first international service more than a year ago with flights to Fort Lauderdale and Orlando, and expanded its overseas network further this year with flights to Lisbon, adding Europe to its route map.

The European service will leverage its partnership with TAP Portugal. Azul is also preparing to work with HNA Group's Hainan Airlines, which Neeleman says plans to launch flights between Beijing and Lisbon.

"They will fly from Beijing to Lisbon, and connect onwards with us," Neeleman tells *Flight Airline Business*. While Hainan has applied for twice-weekly service, Azul is working to convince its Chinese partner to offer daily service to provide for greater feed.

Potential new service by Azul to Buenos Aires is also being considered, as Argentina's aviation market opens up to foreign airlines.

While Brazil's domestic market remains in the doldrums, Neeleman is optimistic about the year ahead. A recent strengthening of the Brazilian real against the US dollar has given him some hope.

"With the valuation of the dollar weakening against the real of late, we are better off," he says. Neeleman says that unit revenues in the first quarter at the carrier have grown by between 12% and

14%, as it slashes capacity by about 10%.

Azul is looking towards the third and fourth quarters, which Neeleman says should be better in terms of the currency exchange rate.

Brazil's carriers have said that the depreciation of the real against the US dollar had hurt demand for travel overseas by Brazilians, and Azul was no exception. However, fares in the US market have since rebounded, says Neeleman.

"It's doing much better," he says.

Despite this, the airline is not convinced to resume efforts to begin New York John F Kennedy flights, which it had planned previously when it first announced international service.

"There are a lot of flights from Brazil to JFK," says Neeleman.

Later this year, Azul will add a new fleet type when it welcomes its first Airbus A320neo in October. The airline will receive six of the type this year, and another six in 2017, says Neeleman.

Azul has 63 A320neo family aircraft on order, Flight Fleets Analyzer shows. In 2017, Azul will also add its first Airbus A350-900s.

Ghim Lay Yeo



Embraer

Azul's fleet includes E-Jets

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