

BCP Research: GOL (GOLLBZ -/CCC-/CCC-)- Repayment of Term Loan B- Maintain Positive on Gol 24s

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Summary: Brazilian airline, Gol issued a press release announcing the repayment of Term Loan B (“TLB”), the Delta guaranteed maturity that came due yesterday. Based off the description of liquidity after the repayment, we infer roughly US\$225 mm came from a combination of cash, short term investments and accounts receivable. The balance of US\$75 mm appears to come from changes in less liquid items such as unencumbered assets and maintenance deposits. Recall Gol and Delta had a longstanding maintenance agreement which we understand was being terminated as part of Delta’s move to align with LATAM Airlines. Regardless of the sources of repayment, we view the announcement as a welcome development, albeit not in line with our base case assumption of a partial pay down and extension. Nonetheless, Gol has demonstrated a strong willingness to pay while addressing a key point of investor concern over recent weeks. Ideally, this will clear the pathway to pursuing additional financing alternatives that might further bolster the liquidity position. We reiterate our Positive rating on Gol 24s as part of our High Octane Priority List.

			Amt Out (US\$ MM)	M/SP/F	Mid Price	Mid YTM
GOLLBZ	7.00%	1/31/2025	650	-/ CCC-/ CCC-	58.0	22.50%
GOLLBZ	8.75%	Perp	154	Caa2/ -/ CCC-	51.5	16.99%

		Amt Out (US\$ MM)	Mid Price	Mid YTW	Implied Vol	Cheapness (par)	Delta (par)	Conv. Price	GOL US Price	Recommendation	
GOLLBZ	3.75%	7/16/2024	425	58.0	19.79%	27.94%	9.06%	64.50%	20.25	\$6.95	Positive (HO)

* Source: Equity information sourced from Bloomberg. Convertible pricing as of September 1st 2020.

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"Market Perform" – The bond's total return is expected to be in line with the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's total return relative to the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

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"Market Overweight" – The spread of the bond to its similarly duration sovereign controller bond is expected to decrease over the next 3 – 6 months.

"Market Weight" – The spread of the bond to its similarly duration sovereign controller bond is expected to remain unchanged over the next 3 – 6 months.

"Market Underweight" – The spread of the bond to its similarly duration sovereign controller bond is expected to increase over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's spread to its similarly duration sovereign controller bond over the next 3 – 6 months.

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"Speculative Buy" – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the upside

"Positive" – Bonds that in our view have an equity investment risk profile and we think risk/return is skewed to the upside

"Neutral" – Bonds that in our view have an equity investment risk profile and we think risk/return is balanced

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