Transcript of Avianca Group International Limited
First Quarter 2025 Performance Call

May 07, 2025

Operator

Good morning, everyone, and welcome to the Avianca Group's Q1 2025 Performance Call. At this time, all participants have been placed on a listen-only mode and the floor will be open for questions following the presentation. [Operator Instructions]. Please note this conference is being recorded.

I will now turn the conference over to your host, Maria Cristina Ricardo, Investor Relations. The floor is yours.

María Cristina Ricardo - Head of Investor Relations, Avianca Group International Limited

Thanks, operator. Good morning and thank you for joining us today. With me today are Adrian Neuhauser, Chief Executive Officer of Abra Group; Manuel Irarrazaval, Chief Financial Officer of Abra Group; Frederico Pedreira, Avianca's Chief Executive Officer; Nicolas Alvear, Avianca's Chief Financial Officer; and Gabriel Oliva, Avianca's Chief Operating Officer.

Financial statements for the period ended March 31, 2025, and the presentation that we will show you today are available at our Investors site. Today's conference call is being broadcast, and the replay will be available at the same site shortly after the end of the call.

Before we proceed, I would like to remind you that during this call, management will make statements or remarks that may be forward-looking statements and may include but are not limited to financial projections or other statements of the company's plans, objectives, expectations or intentions. These matters involve certain risks and uncertainties that could cause actual results to differ materially from those projected or suggested.

Today, we will start our call with an overview of the state of the business and then we will continue with our first quarter 2025 financial performance. As always, our prepared comments will be followed by a question-and-answer session.

With that, let me turn the call over to Adrian.

Adrian Neuhauser - Chief Executive Officer, Abra Group

Thank you, Maria Cristina, and thank you, everyone, again for joining us. Thank you for continuing to spend time on us and following us. So, turning to Slide 3, please. We will summarize quickly the first quarter’s 25’s performance. We're very proud of the quarter we delivered. We're very proud to tell you that we were delivering a record first quarter for us.

In terms of EBITDAR, $330 million over 22% growth year-on-year and a 24% margin, again, the highest both margin and absolute number that Avianca achieved historically. This on the back of the network changes that we've spoken about in the last two calls that we made in the back half of the year, and we'll talk a little bit more about that.

Our PRASK in Q1 '25, which drove these results, was 5.9 cents, that's about 11% dilution year-on-year. Yield was 7.8 cents so a very small drop year-on-year, 4.7 cents on the back of a very large stage length increase. So, what we believe highlights is the pricing discipline we've been able to hold as we've redeployed capacity from domestic to international. And what you'll see is an interesting combination of lower load factors and higher yields than we would originally have expected that lead us to not only drive the results we've driven but believe there's significant incremental room for improvement as those loads continue to grow into the capacity that we've deployed.

Our CASK ex-fuel continued to improve 3.8 cents, that's down 7% year-on-year and that highlights our ongoing commitment to cost discipline. It's interesting in light of the fact and Fred will speak to this in a bit that we've continued to up yield in our network. We've continued to drive more premium traffic, we've been able to do that without driving incremental cost and in fact, continuing to improve the unit cost.

Liquidity stood at about $1.2 billion, 22% of LTM revenue, about $1 million of that was cash and $200 million has been moved into an undrawn revolving credit facility, reducing the negative drag of our cash. Net debt down sequentially from 3.3x to 3.2x EBITDAR and continued to drop as we move forward.

And importantly, we improved our debt maturity profile and carried out a leverage neutral refinancing by issuing about $1 billion of secured notes as well as an exchange offer that allowed us to refinance a tranche of our senior secured notes from the exit as well as our LifeMiles Term Loan B. So, we have no near-term maturities, and our liquidity is pretty well assured.

I spoke a couple of seconds ago about the network. You'll recall that in the middle of last year, as we took on capacity and new aircraft. We redeployed slots that we were using for domestic on the back of the large capacity growth that Bogota had at the end of '23. We were able to redeploy those slots into international that had a couple of healthy results, one is its improved profitability in domestic Colombia. We've taken excess capacity out of that market. But the second is that it allows us to put that capacity into more profitable places.

We launched four new routes, so 169 routes to 82 destinations. We announced six more now for the second quarter. And we've been, as I mentioned, holding yields pretty well in those routes as they ensure and as demand builds up within that capacity.

Our premium cabin performance continues to ramp up and we'll talk about that in a bit, but we're going to show some pretty significant incremental business class expansion in the second half of the year as we continue to see really healthy performance from that product. And all of our business units ultimately delivered outstanding results.

LifeMiles contributed $53 million of cash EBITDA to us, so nearly a 50% increase year-on-year on the back of robust third-party gross billings and strong redemptions in Avianca as we continue to focus the program on really driving loyalty within our network. And cargo revenue was $161 million, so 5% growth year-on-year, and we're seeing improved trends in those markets. While most importantly contributed about $9 million of EBITDA in the first quarter, and you'll continue to see us highlight the performance of that investment as we move forward.

Turning to the next page, please, operator, and just to highlight what we said before. As you'll note, we continue to show on an ASK basis some pretty significant growth in on a comparable quarter basis. So Q1'25 over Q1'24, while certainly slower than Q1'24 over Q1'23, is still showing about 15% growth.

Importantly, that is on the back of pretty much constant passenger departures. And we've talked about this in prior calls, right? But one of the things that's happened is as we shift capacity, and we've been able to do that with increased aircrafts, what you're seeing is a stage length increase and the tail end of the reconfiguration and densification of our wide bodies.

So, if you look at the top, you can see pretty much flat departures over the last year and the growth you have on the bottom of ASKs is really a stage like growth, it's densification and it's a basis issue versus the comparable quarter, right? But you'll continue to see sort of this trend throughout this year. In fact, we're expecting to hold the fleet pretty much constant through the year, and you'll see ASK comparable growth start to slow as we bended the densification and as you sort of see the comparable quarters start catching up to us. So, you'll see that capacity growth slow and we expect that to continue to drive loads into our network and allow the routes to mature.

Turning to the following page, and I've said this a couple of times, but just to highlight it. Again, going from 76 destinations to 82 over the last year, going from 150 routes to 169. And you can see on the right, really, the redeployment of our ASKs out of Colombia and into international, allowing us to improve profitability in Colombia and allowing us to put those slots to better use in places where we see more opportunity, whether it be South America or Europe. We'll continue to see that trend throughout the year.

I'm going to hand it over now to Fred, who's going to speak to business class, which I mentioned, and give you a little more detail. Thank you.

Frederico Pedreira - Chief Executive Officer, Avianca Group International Limited
Thank you, Adrian. And I was starting to give you an update with our business class operation. As you remember about a year ago, we started with 11 new routes and narrow body business class. At the time we decided to make a pilot to test what was the appetite for that product from our passengers. It went really well. So, a couple of months after that,

we started working on Phase 2 that we announced in our last call. And Phase 2 was in December. So, in December, we launched 23 more routes, 34 routes in total for the business class in the narrowbody. And as the ramp up of those routes in business class, again, exceeded expectations, we're very happy to announce that we're adding 50 new routes in business class on the narrowbody to our network in the second half of the year.

With these 50 new routes, we'll basically all the international operation out of Bogota, out of Medellin and out of El Salvador will have a business class service. Now this phased approach has been really important for us, not only because it allows us to test the market and the appetite for that product within our network but also allow us to optimize that business-class operation and to optimize the cost of the operation.

As Adrian mentioned, our gas fuel continues to trend down and that in spite of the fact that we added all those new business cost routes. So again, we're seeing a performance above our expectations and we're very happy to announce that second half of the year we're adding 50 new routes in business class in the narrow body.

If you can move to the next slide. Now talking a little bit about revenues and complementing what Adrian already mentioned. What we've seen in the first quarter was a drop in yields about 4.7% on a stage length that is basically flat minus 0.6%, which shows our discipline in terms of pricing with our capacity growing at 14%. Now the average fare went up to 117% and that was expected with the longer stage lengths.

Now our load factor went down and we had mentioned, I had mentioned it in the last call, we were expecting it because not only we launched 14 new routes in the last quarter of 2024, but we added four more in Q1. So we are seeing these load factors in line with what we're expecting, and we're seeing them ramping up as we are filling the seats in these new routes that we launched in the last couple of months, but also in the extra seats that we have in the 787 after the reconfiguration.

At the end, what we saw was a price drop of 11% or minus 7.2% when we consider a stage length adjusted. If we can move to the next slide and to talk about CASK, no one is better than Nico. So, Nico, go ahead and talk to us about our CASK for the first quarter of the year.

Nicolas Alvear - Chief Financial Officer, Avianca Group International Limited
Thank you, Fred. Good morning, everyone. I'm on Page 8 of the presentation. Our unit costs ex-fuel were 7% lower year-over-year, decreasing to $0.038 per ASK for the quarter. The decrease was 2.9% when adjusting for higher stage length year-over-year. This improvement in CASK-ex denotes our unwavering commitment to remain cost competitive, even as we continue to roll out our business-class product and improve our customer experience.

Fuel CASK for the quarter decreased 17.3% year-over-year, driven by lower jet fuel prices and more efficient gallon consumption per ASK. You can see in the upper middle chart of the page that gallons per ASK decreased by 7% versus last year, continuing the good trend we've been seeing over the past few quarters. Overall, total unit cost per ASK decreased 10.5% year-over-year or 6.6% when considering higher stage length. Over back to you, Fred, to talk about operational performance.

Frederico Pedreira - Chief Executive Officer, Avianca Group International Limited
Thank you, Nico. In terms of our operation, we continue to deliver a solid operational performance. You might recall that we mentioned that we had some challenges, especially in the operation in Bogota in the last quarter for a mix of weather and air traffic control limitations. We've seen a positive trend in the first quarter. We're now at 82% on time performance in the first quarter and that trend continues. I'm not saying that Bogota won't remain a challenging airport to operate with the increase of operations per hour.

We know that, we've been preparing and adjusting our operation to this new scenario with more operations per hour. But what we've actually seen is an improvement from the Q4 to Q1 with this 82% on time performance in 91.1% completion and we see that positive trend on OTP going up in the second quarter. In terms of mishandled baggage, we continue with world class indicator of 1.8 per 1,000 passengers. Talking now about our cargo, our cargo team delivered a really good performance on the first quarter. We've seen a growth of 4% in our ATK's and 5.3% in revenue.

And now that the refleeting process is over with a fleet of A330 freighters, the fact that the refleeting process was over has allowed us to not only improve the overall performance of our fleet, but also to improve its reliability and lower the cost per ATK. So, we're very happy with the performance of the cargo business and very happy with what our cargo team has achieved now with our full fleet of A330 freighters.

To talk about LifeMiles, there's nobody better than Nico with all his LifeMiles experience. So, Nico, please go ahead and talk and tell us how was LifeMiles for the first quarter.

Nicolas Alvear - Chief Financial Officer, Avianca Group International Limited
Sure. Thank you, Fred. I'm on Page 11 of the presentation. And you'll know that LifeMiles delivered a very strong performance in the quarter with third-party gross billings growing 22.7% year-over-year and cash EBITDA for the quarter reaching $53 million growing 46.4% versus last year. Importantly, redemptions in our own network represented 75% of total miles redeemed in the quarter, which is about 16 percentage points higher versus last year.

These results demonstrate high engagement from our members with the program as they continue to accrue miles through their co-brands and other products and redeem them primarily in Avianca at a compelling perceived value. Moving on to Page 12, we wanted to tell you about several initiatives we've implemented to make LifeMiles even more attractive to our members and crucially to strengthen brand loyalty and customer stickiness for Avianca.

Firstly, our program members can earn miles across all fare types, including our basic fare. We're also making our Elite program and concierge club more attractive, improving benefits such as seat upgrades and lounge entries and assistance to our high value customers. On March 22, we launched our VIP lounge in Miami International Airport, enhancing travel experience in a market where we operate 76 weekly frequencies to eight destinations.

And finally, as a testament to member engagement, LifeMiles won recently its 15th Freddie award, being the only Latin American program to have won this prestigious accolade since 2012.

Let's go to Page 13 to discuss our financial performance. You can see that we generated $330 million of EBITDAR in the quarter, up 21.7% year-over-year at a margin of 24%, which is 260 basis points higher than our margin last year. This translated into EBIT of $148 million at a margin of 10.7% and a net loss for the quarter of $22 million. I wanted to highlight a few points to better understand our performance compared to the first quarter of last year.

One is that last year, we had two events that gave us material one-time benefits that we are not seeing this quarter. The first event was the conversion of operating leases to finance leases on seven narrow body aircraft and two freighters, which gave us a one-time accounting benefit of $15 million to depreciation and $13 million to interest. These one-offs correspond to the write off of the provision for return conditions that exists in operating, but not in finance lease agreements.

The second event was a revaluation of our administrative building in Bogota, which gave us a onetime benefit of $8 million to depreciation. Therefore, without these one-timers, EBIT this quarter would have been 35% up year over year. The other one-timer to mention is that as a result of the refinancing of our debt that Adrian mentioned earlier, we had a one-time negative impact of $17 million to interest expense due to the written-off capitalized financing fees and call premiums we paid during the quarter. Therefore, from a net income perspective, excluding one-off, we were up $17 million year-over-year.

Let's go to Page 14 to talk about quarterly cash flow. You can see that we ended the quarter with a cash balance of $990 million, which is $97 million lower than the balance at the beginning of the quarter. The main reason for the decrease in cash was a seasonal change in working capital. Recall that we generated very strong sales at the end of the fourth quarter last year, which means we collected airport fees and VAT that we paid to authorities in this first quarter. Also, there are expenses that we recorded in December 2024 that were paid at the beginning of this year. And recall that we had anticipated this effect to you in the prior quarterly call.

A couple of additional things to bear in mind. First, as a result of the debt refinancing exercise we did this quarter, we paid $32 million in accelerated accrued interest that would have otherwise been paid in the second quarter. Second, in January, we drew down on the first tranche of the Wamos debt facility, which gave us net proceeds of $21 million. Third, during the quarter, and this is very important, we amortized $80 million of lease liability and $10 million of corporate debt. Taking into account our $200 million undrawn committed revolver, our total liquidity at the end of the quarter reached $1.19 billion equivalent to 22% of last 12-month revenues.

Let's go to Page 15. You can see that we finished the quarter with a net leverage of 3.2x EBITDAR, decreasing sequentially from 3.3x last quarter. Last 12 months EBITDAR increased sequentially. And our net debt, as you can see on the left hand side of the page, up ticked versus the fourth quarter last year, primarily because of the decrease in our cash balance and the fact that as a result of the refinancing exercise, we issued $1 billion of new bonds and prepaid $949 million of debt, including $584 million of the tranche A-2 of the 2028 bonds and $365 million of the LifeMiles Term Loan. So, there was a slight increase in our corporate debt.

With that, I'll turn it over to Adrian to deliver the key takeaways for the quarter before moving on to Q&A. Over to you, Adrian.

Adrian Neuhauser - Chief Executive Officer, Abra Group
Great. Thank you, Nico. And let's turn to Slide 16, please. So again, things we'd like to highlight and just a brief summary. One, record financial results over 22% up on a comparable basis in EBITDAR, $330 million and 24% margin. Net leverage continuing to fall and strong liquidity is still on the balance sheet.

We continue to optimize our network, and we believe you'll continue to see the benefits of that over the coming quarters. We continue to be focused on driving up premium revenue and while holding down our costs. So, we're not just deploying incremental business class, as Fred said. We're driving brand loyalty. We're using LifeMiles and more and more to drive stickiness within the network, as well as to provide incremental profitability. And all of our business units are contributing solidly to the company and we're very happy with all of them.

So that summarizes the quarter for us. We're very happy to deliver it to you and happy to open it up for questions now.

Operator
Thank you very much. We'll now be conducting our question-and-answer session. [Operator Instructions]. Thank you. Your first question is coming from Michael Linenberg of Deutsche Bank. Michael, your line is live.

Q: Hey, good morning, everyone. Two questions. One, just on the interest expense going forward. I know this quarter was $175 million and I know as you mentioned, your overall debt didn't go up that much. But I believe in there you called out the $17 million in one-time costs related to refinancing transactions. I think there was some other stuff that was accelerated. What is a good number for interest expense on a gross basis going forward? Because that $175 million obviously is overstated. What would that number be? Rough range.

Nicolas Alvear - Chief Financial Officer, Avianca Group International Limited
Hey, thank you for the question. So, without considering that one-timer, I think the net interest expense going forward should be closer to $140 million to $150 million per year. But you have to consider that an important part of that interest expense comes from the lease liability. Obviously, if you only take into consideration corporate debt, then it should be closer to about, it should be much lower than that. And I'm talking about interest expense for the quarter.

Q: Perfect. That's super helpful. And then just my second question, this is more sort of big picture, what you're seeing from a demand perspective? I mean, I think everybody's looking at the potential impact of tariffs and whether or not things are slowing down. I know over the past year, year and a half, it seemed like that you uniquely were impacted by an oversupply domestic market. We heard from one of your competitors that maybe Domestic Colombia is really now starting to stabilize. It does look like that on the pricing side that we saw in this quarter, you had really good top-line performance. What are you seeing within your core markets and at least as we look into the June quarter, and maybe even an early read on beyond June quarter? Thanks for taking my questions.

Frederico Pedreira - Chief Executive Officer, Avianca Group International Limited
Thank you, Michael, for the question. Fred here. I'll split the question into regions as you might imagine. So, we've seen, as you mentioned, the capacity that we took out of Colombia and the price discipline in the market paid off. So clearly, Colombia that was, we were very clear about it. It was a drag last year, it's in a much better situation. We're seeing other markets that are also in line or a little bit better than we expected. South America is one of them. Europe is also behaving well.

Now when you look up to the North, there's actually two pictures there. One is, we still see strong demand and strong booking curves to North America as a whole and part of that coming from Colombia and Ecuador, but also from the Deep South. So, all the capacity that we have to and new capacity in some cases to Argentina, to Brazil and to Chile have been feeding our hub and taking passengers to the United States and to the Caribe. And actually, those bookings are what we are seeing up to date are pretty solid.

We have seen a drop in Mexico. Mexico, it's a very different situation, much more softer demand than it was last year that was performing much better. And also, in Central America to North America, we've seen a softness in bookings for the third quarter. There's still a healthy demand, but not as strong as we were expecting for Q3. But overall, that is the picture and bottom line, yes, the markets that we've seen with the most significant drop was Mexico, a little bit of softness in Central America to North America, but that has been compensated by strong demand from South America, from Colombia to North America to Europe and Caribe.

Q: Very helpful, Fred. Thank you.

Operator
Thank you very much. Your next question is coming from Lewis Corson of Millennium. Lewis, your line is live.

Q: Hey, guys. Congrats on a great quarter, number one. Two questions, the first being, what are you guys seeing in forward booking curves? The thesis in Latin America is that trends have been stronger than in the U.S. Just wondering if that's the right way to think about things.

Frederico Pedreira - Chief Executive Officer, Avianca Group International Limited
Well, it's what I mentioned to Michael. If I looked at the booking curves today, and everything we sold for second quarter that is pretty much sold and even for third quarter, I don't see any radical changes except the ones that I mentioned. So, in particular, Mexico, which is clear and a little bit of Central America to North America in third quarter. Otherwise, we continue to see a robust demand, both in our case, Domestic Colombia, it's a very different situation from last year. So, it is a big weight in the overall mix and we're seeing both better pricing, but also much better demand than we saw a year ago in Domestic Colombia. Not just only Domestic Colombia, but let me rephrase it, in point-of-sale Colombia. So, talking about point-of-sale Colombia, stronger than last year.

And when we look south and if you look at our numbers, we deployed a lot of capacity to South America, double-digit growth. We are seeing additional slides to Buenos Aires behaving very well. We just launched Cordova, a new destination and that will start in June and we're seeing very strong bookings. Our operation to Brazil continues to have a lot of demand in both to Colombia and connecting to U.S. And the same thing for Chile.

So, for right now, what I can tell you is, yes, we are seeing a different situation from what we're hearing from other airlines in North America. But the reality is that the booking curve right now, it continues to be strong in all those markets that I listed, including Europe and we haven't seen a big change to tell you the truth.

Adrian Neuhauser - Chief Executive Officer, Abra Group
Yes. And let me compliment that. Look, we have the same questions you have. We look at it daily because obviously it's a concern. We're just not seeing it. And it doesn't mean, that we don't think about it, that we're not worried about it, that we're saying good about it. But again, it's so far, it's not there. What we are seeing and if you actually look through and Nico implied it in the working capital discussions, but he didn't quite fit, we are seeing a shorter booking curve than we saw a year ago. But that really hasn't been a last three- or four-months scenario, and that's been over the last six or eight months. But ultimately, like the planes are filling up, the revenue is solid and things are behaving as expected. So hopefully that sticks around.

Q: Great to hear. Thanks for that. And the second question is, do you guys think about using cash to buy back bonds at a discount just given where the bonds are trading and how much cash you have on the balance sheet?

Nicolas Alvear - Chief Financial Officer, Avianca Group International Limited
Thank you, Lewis. So, what I can tell you about that is that we are always opportunistic about taking corporate finance initiatives that are value creating. But at this particular point, we think it's better to prioritize having a strong liquidity position. And as we've mentioned in the past, we strive to keep liquidity at levels between 20% and 25% of last 12-month revenues. And that's where we are and that's where we feel comfortable right now.

Q: And I guess the last question is with respect to the 28s. Are you still thinking about potentially addressing those at year end when the call price steps down?

Nicolas Alvear - Chief Financial Officer, Avianca Group International Limited
We are not in a rush to be honest. As Adrian mentioned, we don't have any near-term maturities coming up. So, we don't need to do it, but we'll keep monitoring the market. And if the NPV makes sense, we'll be opportunistic, but we don't have to.

Manuel Irarrazaval - Chief Financial Officer, Abra Group
It's a financial decision at the end of the day. If rates make, if it makes sense from our point of view of rates and from an economic point of view, we will do it. As Nico was saying, our first priority today is to make sure that our balance sheet is very strong, and that was what we have accomplished up to now. And we'll keep it that way for the near future.

Q: Thanks.

Operator
Thank you very much. Your next question is coming from Chris Reddy of BNP Paribas. Chris, your line is live.

Q: Hey, good morning, everybody. Thanks for the time. Really great quarter you had here. One question about the Bogota market. Now that you've been optimized that after the government open up all those slots and you are redeploying slots, is that process complete? And if not, what more needs to be done? And then with regard to the redeployment to the higher profitability, longer stage lengths, routes out of that market, how long will those take to mature? And what are the sort of load factors you're looking for there?

Adrian Neuhauser - Chief Executive Officer, Abra Group
I'll take the first one. I'll let Fred and I'll complement him on the second one. Look, the big shift is done. I mean, I'll remind everyone the story because I think it's important. In late '23, two things happened. Not just an increase of about 10% in declared Bogota capacity, which we took our fair share of, but also the redistribution of the old Viva and Ultra slots which we also took our fair share of.

So, we didn't have additional fleet. So, we had to grow departures by about 25% very quickly, out of both and that basically meant burdening stage lengths. So, we put that in

Colombia and you guys all saw that. Mike referred to it as the market was oversupplied and then the market has gotten better. I think that's very kind of him. I think we oversupplied the market and now we have made it better. It was a sort of conscious decision because we don't think there's any more real room for additional slots in Bogota.

We think this sort of was the last relevant, we actually think it's overallocated. So, we don't think any relevant capacity is coming in Bogota anytime soon, and we thought it was important to preserve our market share there. So, we did that. We've now largely completed the shift out that sort of neutralizes that. We need more planes for that. We took those through the back half of last year and you've seen the large sort of change happen.

It doesn't mean, just so we're clear, it doesn't mean that tactically over time, you won't see more of it happen as we find more profitable spokes. We may adjust things here and there, but you shouldn't be seeing a huge shift in out of Colombia, out of domestic Colombia in the coming years. Fred, do you want to take the one on sort of maturity and freight?

Frederico Pedreira - Chief Executive Officer, Avianca Group International Limited
It's exactly that. I was just going to give an example with as Adrian said, the big part is done. Now as we'll see more opportunities in adding new spokes to our hub or adding frequencies, of course, that will take it. I'll give you a couple of examples. So, we just started Tampa and we're going to start Cordova in June. For us, we needed to do in order to do that implies moving operation out of the domestic to international, but we also need to have the right fleet in order to fly longer stage lengths.

So, you can expect punctual and I say natural evolving network towards new opportunities when we believe they are profitable. Tampa and Cordova are very good examples, but not in that big one-time move over six months that you've seen last year. So, our hub will continue to evolve, but a much lower base.

Adrian Neuhauser - Chief Executive Officer, Abra Group
And then Chris, if you want to talk about load factors, right, our network is currently running in the mid to high 70s, that's obviously not where we think it should be, right? That's obviously not where we think it should be. So, where we like it is in the kind of 83% to 85% range. But if you think about us doing nothing other than just sort of waiting for growth to catch up to us and if you go back to kind of what I told you, which is we're really not growing departures. So, we're just sort of sitting there and waiting for growth to catch up.

We think Latin America demand grows sort of in the mid-single digits. So, you're really talking something between, call it eight to 16 months for that to fill up. We are obviously taking initiatives in terms of our commercial strategy, etcetera, that we believe accelerate that. What we don't want to do is cannibalize ourselves by dropping fares. So, we're going to do that very tactically and in a very measured way. And then ultimately, if we're driving the levels of profitability that we're driving with those load factors, we would like to sell the extra seats. They obviously are money that drops to the bottom line, but we will do that in a measured way to ensure that we're protecting margin.

Q: Great. Thank you very much for your time. Appreciate it.

Operator
Thank you very much. [Operator Instructions]. Our next question is coming from Michael Kaufman of Redwood Capital. Michael, your line is live.

Q: Great, thank you very much for the time of the presentation and congrats on another great quarter. I just wanted to follow-up on Chris' last question. In terms of like the routes maturing and seeing increasing load factors, so thank you for saying eight to 16 months. Do you think we start seeing the benefit of that in the back half of this year?

Adrian Neuhauser - Chief Executive Officer, Abra Group
We absolutely, absent the question that was asked to us of, are we ultimately going to be impacted by kind of what's going on in the world. We would say the answer is yes. And that was certainly the plan and that's certainly what we envision today. But again, we do look at booking curves every day and we're waiting not for the other shoe to drop, for a shoe to drop. We haven't seen it maybe again, as Fred said, a little bit in Central America. And Mexico that has a different dynamic, but we haven't seen it. So, if that continues, then the answer is yes. But everybody is careful. That's why we've got people pulling guidance and doing this. So, I'm not ready to commit to it, but I think so. Is that a fair answer?

Q: I think so. Thank you, Adrian. I appreciate it.

Operator
Okay. Thanks. Thank you very much. Well, that appears to be the end of our question-and-answer session. I'll now hand back over to Adrian for closing remarks.

Adrian Neuhauser - Chief Executive Officer, Abra Group
Great. Thank you, operator. Once again, just closing on this. I know there's a lot of you on the call that have been following us and trusting us with your time, with your investments for years. So, we're proud to continue delivering. We really appreciate the time, the effort and the confidence that you put into this. So, thanks again, and we'll see you again in a few months to talk about the second quarter.

Operator
Thank you very much. Well, that concludes today's conference call. You may disconnect your phone lines at this time and have a wonderful day. We thank you for your participation.

About Avianca:
Avianca, part of Abra Group, encompasses Avianca — a Star Alliance member — LifeMiles, Avianca Cargo, and Wamos Air. In passenger transportation, Avianca, with over 105 years of operation since its founding in 1919, is the leading airline in Colombia, Ecuador, and Central America. It operates one of the largest air networks in Latin America, offering 165 routes, more than 700 daily flights, and a fleet of 149 Airbus A320 and Boeing 787 Dreamliner aircraft, connecting over 81 destinations across 28 countries in the Americas and Europe. In 2024, Avianca transported nearly 38 million customers and operated more than 258,000 flights. Its loyalty program, LifeMiles, is one of the largest in Latin America, with over 14 million members and more than 350 partner merchants. In cargo transportation, Avianca Cargo is the leading operator in various markets across the Americas, connecting over 60 destinations through its 190 weekly cargo flights, passenger flight network, and interline agreements. Additionally, Wamos Air, a world leader in air charter and wet lease services based in Spain, strengthens the Group's global reach by providing flexible, high-quality aviation solutions. For more information, visit www.avianca.com