

# Volaris Corporate Presentation

April 2023



**volaris**

VLRS  
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NYSE



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# Latin America's largest ULCC

Flying ~100,000 daily passengers across Mexico, the United States, Central and South America

In 2021, Volaris was the largest Latin American airline by total passengers<sup>(1)</sup>

## 32.2 Million

**Passengers**

In the last 12 months

## \$2.8 Billion

**Total operating revenue**

In 2022, USD

## 202

**Routes**

121 domestic and 81 international

## 71

**Airports**

43 domestic and 28 international

## ~600

**Daily flights**

~460 domestic and 130 international

## 3

**Air Operator Certificates**

Mexico, Costa Rica and El Salvador

## 120

**Aircraft**

56% NEO, average age of 5.4 years

## 13.3

**Block hours**

Per day of total productive fleet in 2022

## 144

**NEO orderbook**

117 A321neo and 27 A320neo

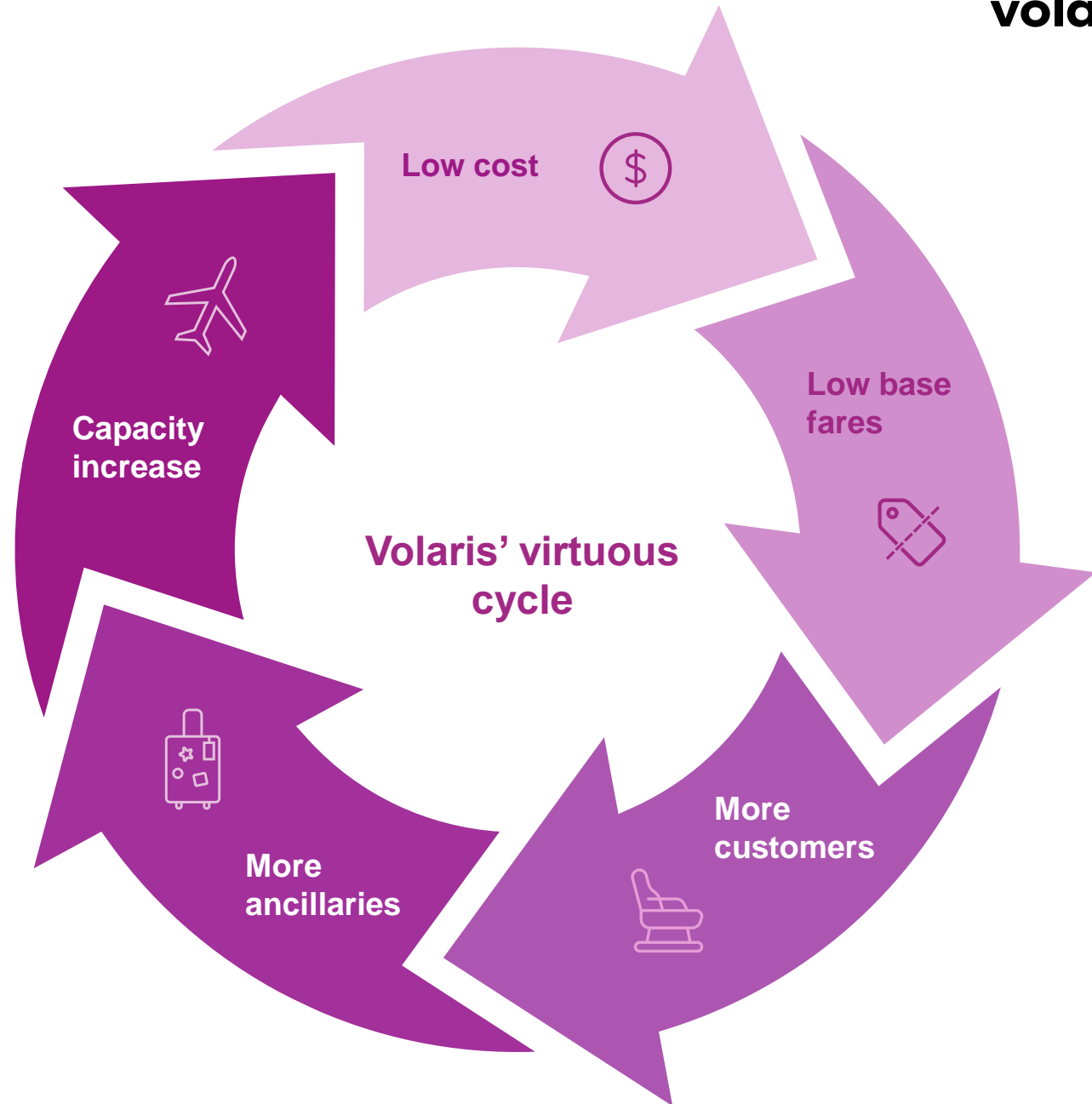
## ~7,500

**Full-time employees**

62 FTEs per aircraft

## Volaris' resilient, ULCC business model for profitable growth

Our strong **business model remains unchanged** since our founding, and we expect it will continue to serve as the basis for growth



# A clear path to long-term, profitable growth

## Low-cost leadership



- One of the **lowest cost operators** in the world
- Fleet plan aims to drive **further efficiencies: low costs going lower**

## Market and profitability leader



- **Largest** airline in Mexico by passengers
- **Industry leading profitability** levels in the Americas<sup>(1)</sup>
- EBITDAR expansion potential

## High growth opportunities



- Well-positioned to **leverage regional shifts in population and transportation** trends
- Likelihood U.S. regulatory decision (CAT1) to give additional upside
- **Diversified** growth avenues available

## Financial strength



- **Strong** and **flexible** balance sheet and cash generation
- **Conservative debt position** and **healthy** financing conditions

# Clear path to long term profitable growth

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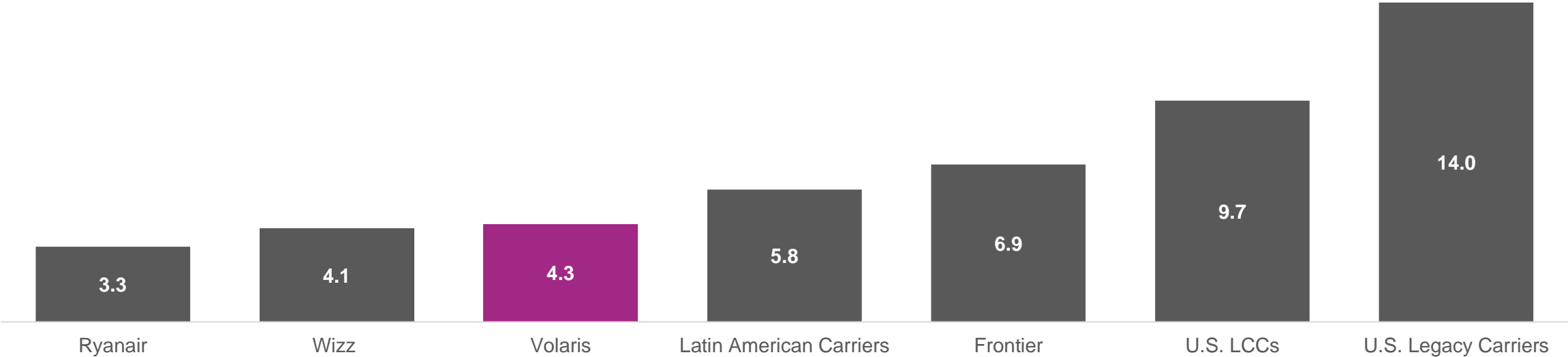
- **Strong and flexible** balance sheet and cash generation
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# One of the lowest-cost operators worldwide



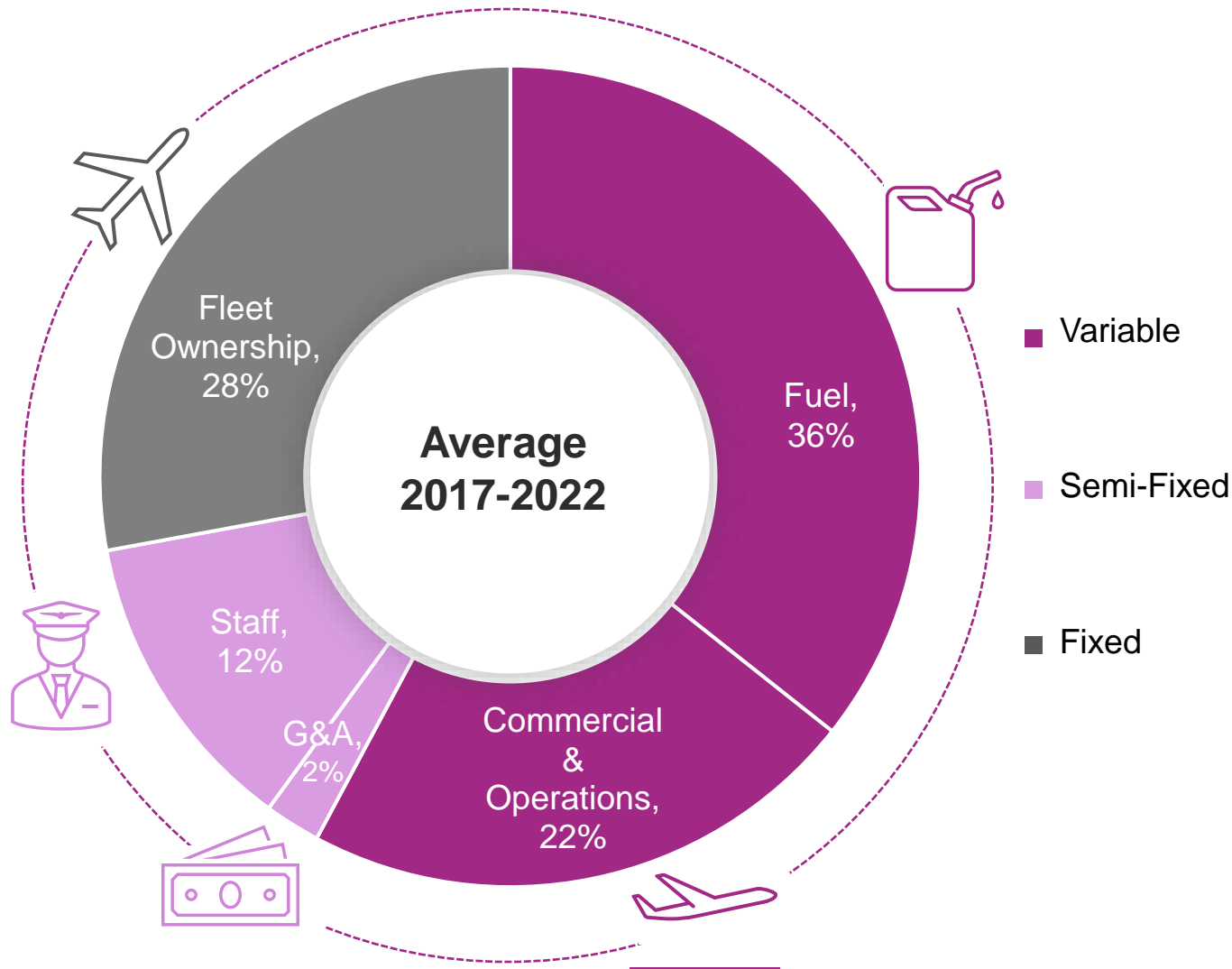
## CASM ex-fuel

USD cents | FY 2022 CASM ex-fuel | Stage length adjusted @1,000 miles



Disciplined approach to containing controllable costs has enabled Volaris to maintain competitive advantage against peers

# Flexibility on costs across business provides a competitive advantage



- **60%+ of Volaris' costs have been variable** over the past 5 years on average
- Volaris' **relatively high proportion of variable and semi-fixed costs** provides a competitive advantage, **allowing flexibility to adjust capacity in a downturn**
- Roughly 2/3 of Volaris' Staff and G&A expenses are variable
- Variable portion of the compensation of the company is aligned with shareholders' interests, as it **incentivizes productivity**



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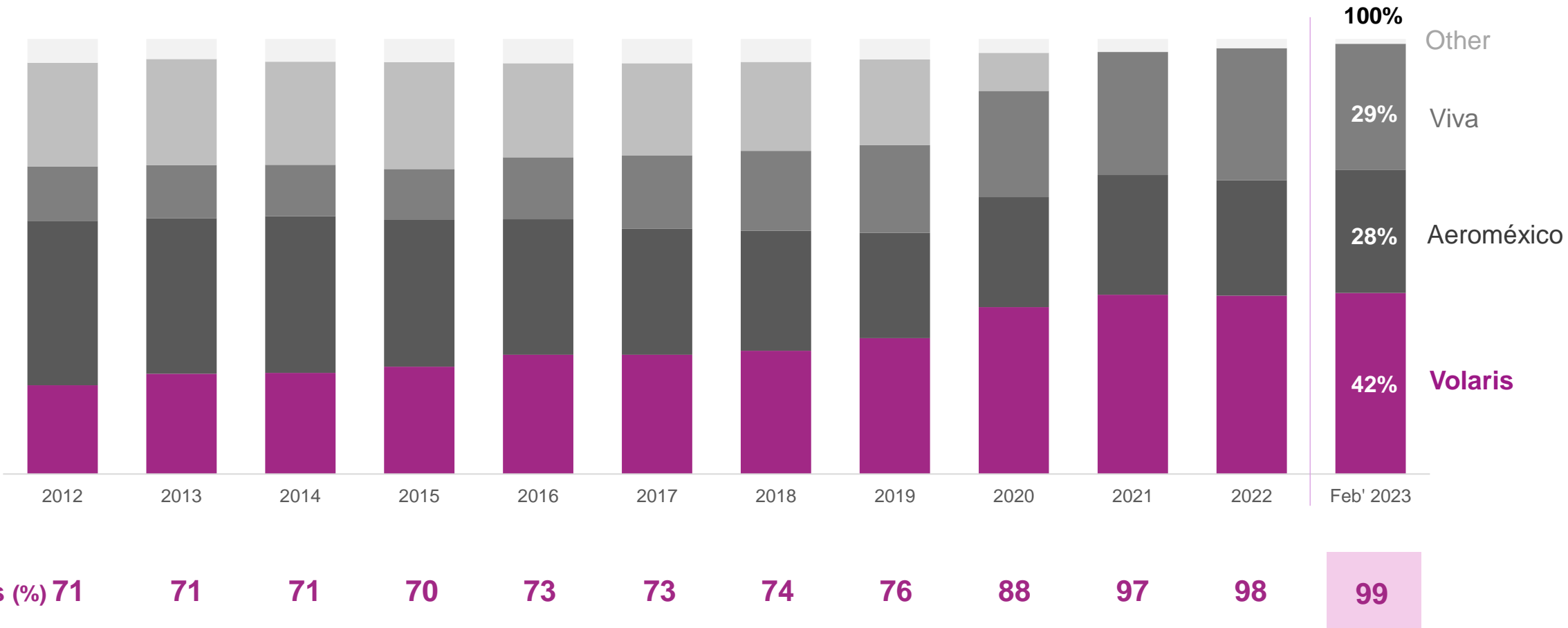


- **Strong and flexible** balance sheet and cash generation
- **Conservative debt position** and **healthy** financing conditions

# Volaris is the leader among the 3 carriers that control 99% of the domestic passenger airlines market



Domestic market share  
% of total passengers



Source: AFAC – SICT.  
Note: As of February 2023.

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# Mexico's air travel market is in its early stages of growth



Large bus switching potential



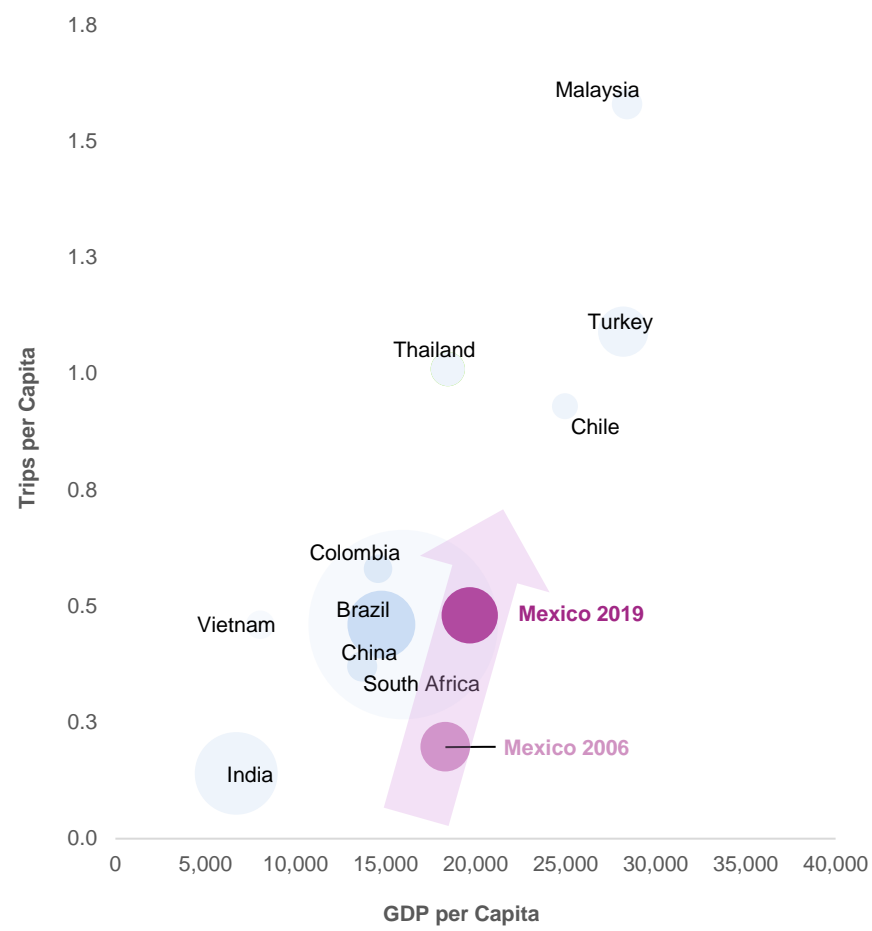
Strong and resilient VFR market



Ideally suited geography for aviation

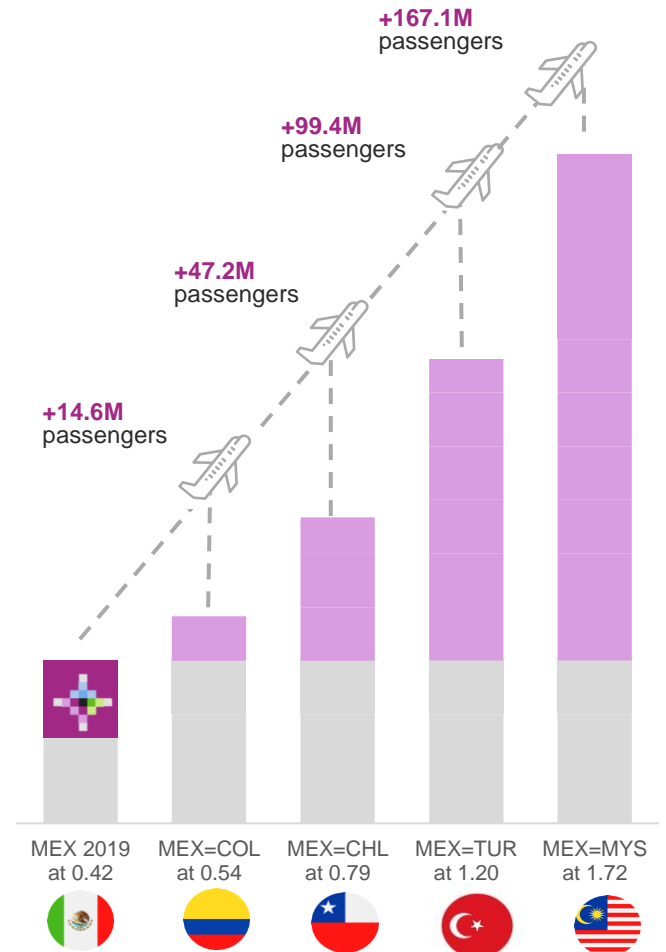
Growing trips per capita toward levels in comparable markets presents significant capacity opportunity

Air travel penetration | 2019<sup>(1)</sup>



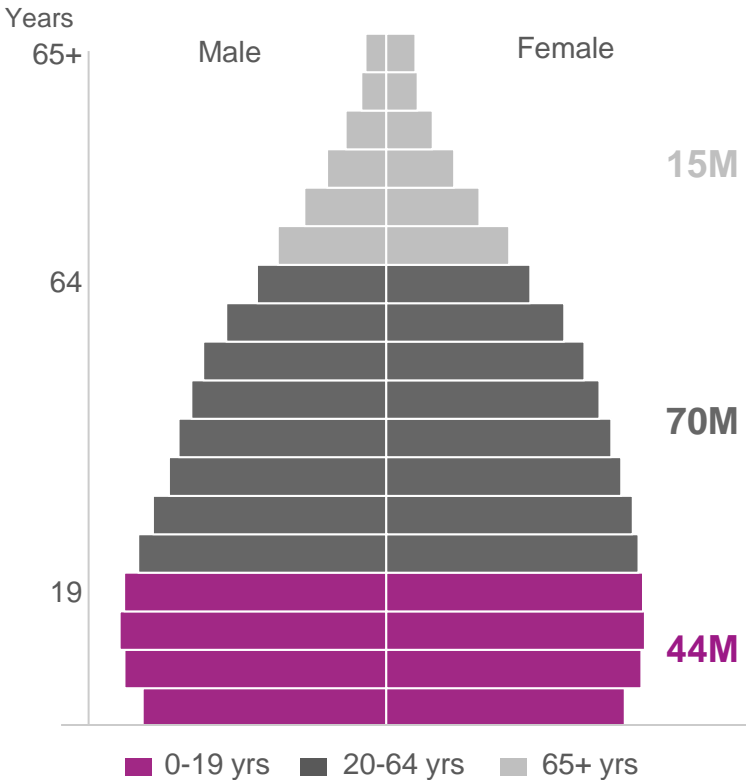
Source: Airbus, World Bank, and Oxford Economics as of 2019.  
Note: Bubbles denote Nominal GDP in USD as of 2019.

Domestic air trips per capita | 2019

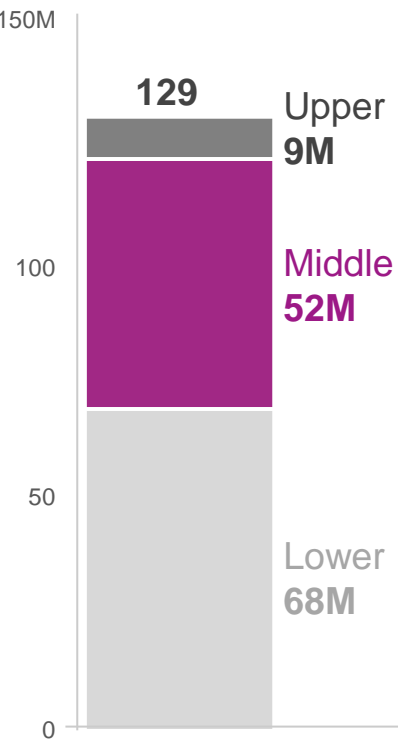


# Mexico's demographics are favorable

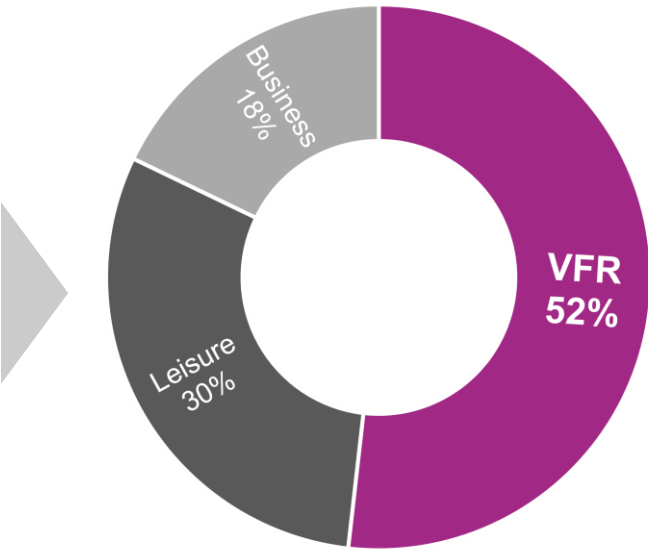
Large and growing “traveling class”  
Mexican demographic composition by age | 2022



Healthy middle class  
Population, Millions | 2022



Large VFR segment  
2022 | Network breakdown by ASM



129 Million

population

10<sup>th</sup>

largest in the world

55 Million

of the current population is under 25

Mexico's working population is expected to be

90+ Million

by 2050

**Significant opportunities exist to drive growth through bus-to-air conversion**

**46%**

of routes compete only against buses



**3 Billion**

Bus passengers in Mexico annually, of which 795 million<sup>(1)</sup> represent most attractive segment for bus-to-air conversion



**10%**

If Volaris were to convert 10% of the luxury bus passenger segment, the size of the Mexican aviation market would double



**31 Million**

Converting 1% of bus passengers to air travel would yield 31 million additional air passengers



**No passenger rail system**

The lack of passenger rail service makes long-distance domestic travel difficult and time-consuming Mountainous terrain make road trips treacherous

# Volaris operates the most diversified network in Mexico



More  
Diversified  
Network

Volaris has significantly less route overlap than competitors

34%

with Viva (vs. 50% Viva's point of view)

25%

with Aeromexico (vs. 55% Aeromexico's point of view)



Competitive  
Advantages

Volaris' network provides competitive advantages

48%

Volaris holds leadership position at 27 of 56 domestic stations, including most important stations

Volaris is the leader at more than half of the airports we serve

Seats | 2023

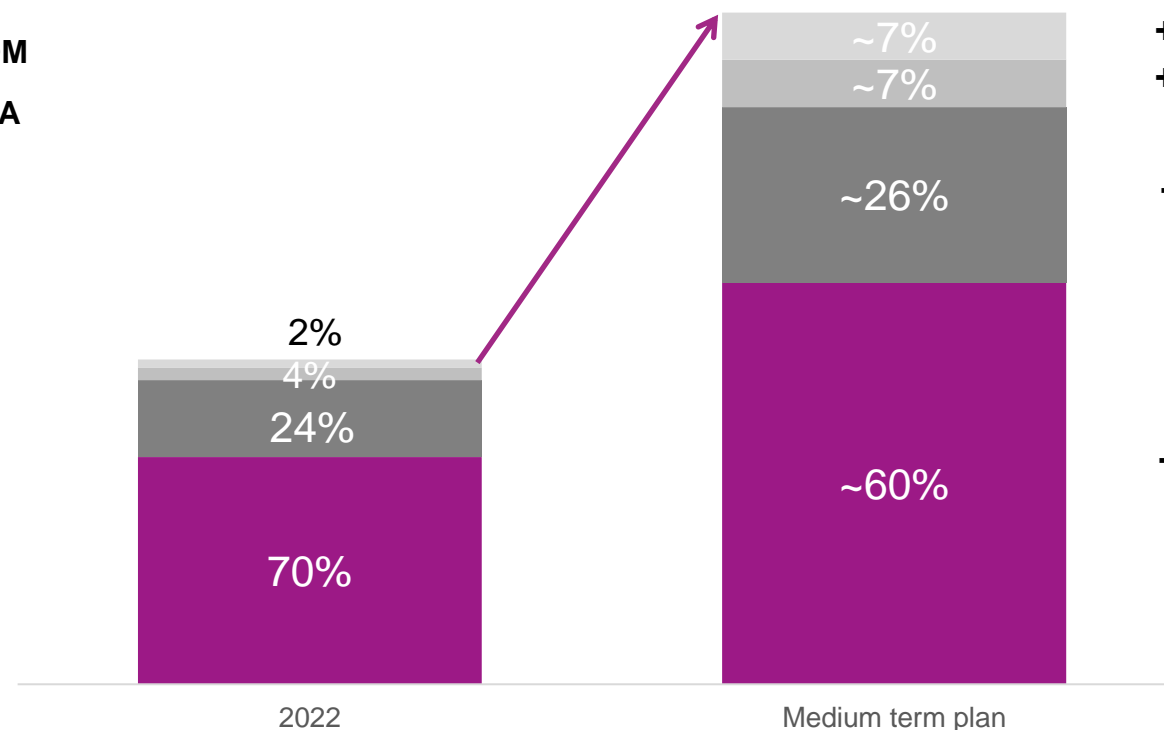


Volaris is well positioned to benefit from bus conversion given market strength

Volaris has strong potential for expansion in all key markets in the medium-term

## Volaris' network growth

- MX-DOM
- MX-USA
- CAM
- Other



Medium-term plan growth:

+470-490%

+270-300%

+110-130%

+70-80%

Total aircraft

117

175 – 200

Total routes

196

490 – 550

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# Robust ancillary roadmap: line of sight to achieve 50% of total operating revenues

## \$ Optimize pricing

- Define pricing of key air trip related ancillaries based on customer's willingness to pay
- Achieve full potential personalization

## 💡 Launch new products & services

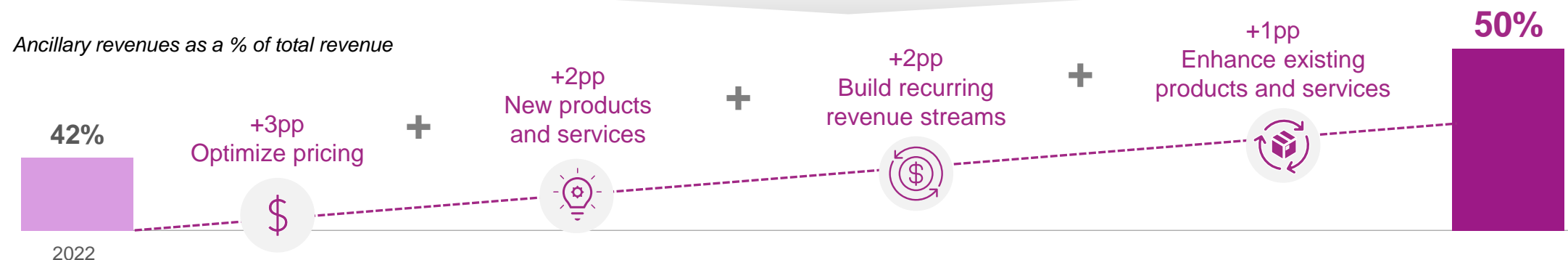
- Start wireless inflight offering
- Launch affinity program with large Latin American retailer (Oxxo)
- Offer new insurance products around flexibility and health
- Launch new refund products

## 🔄 Build recurring revenue streams

- Grow V.Pass subscription (markets, types and flavors)
- Build V.Club membership base to 30-40% of passengers
- Maximize co-branded credit card revenues through scaling and launching new regions

## 📦 Enhance existing products & services

- Enforce baggage charges at airport
- Improve conversion seats selection and upsell premium seats at checking and in cabin
- Drive commission revenues from YaVas vacation packages offering



**First checked bag is included in fare on domestic flights per Mexican law**

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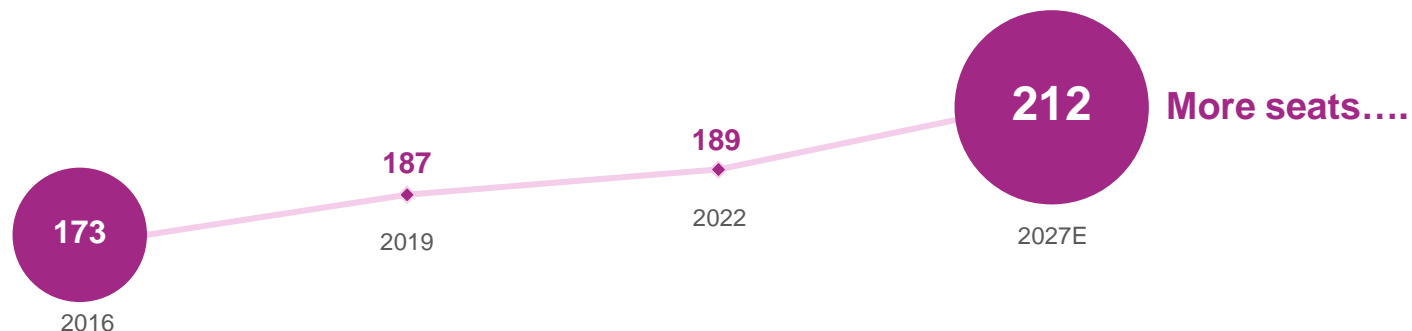
# Fleet plan positions Volaris to further increase its cost advantage

High percentage of NEO aircraft is a natural hedge against higher fuel prices

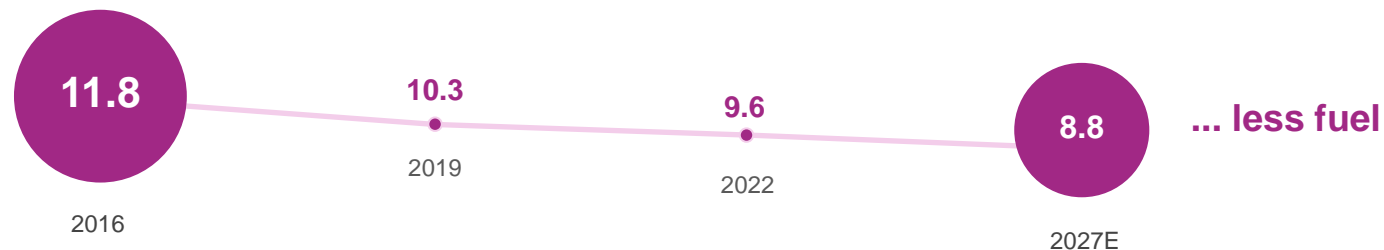
P&W GTF engines with fuel consumption reduction ~15% per available seat mile



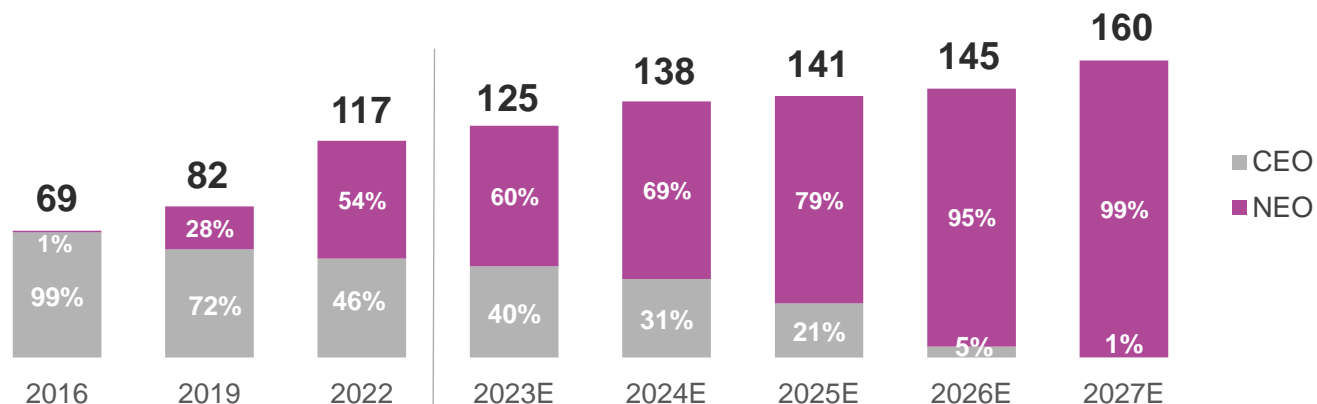
Seats per departure



Gallons/ASM (000)



Contractual fleet plan



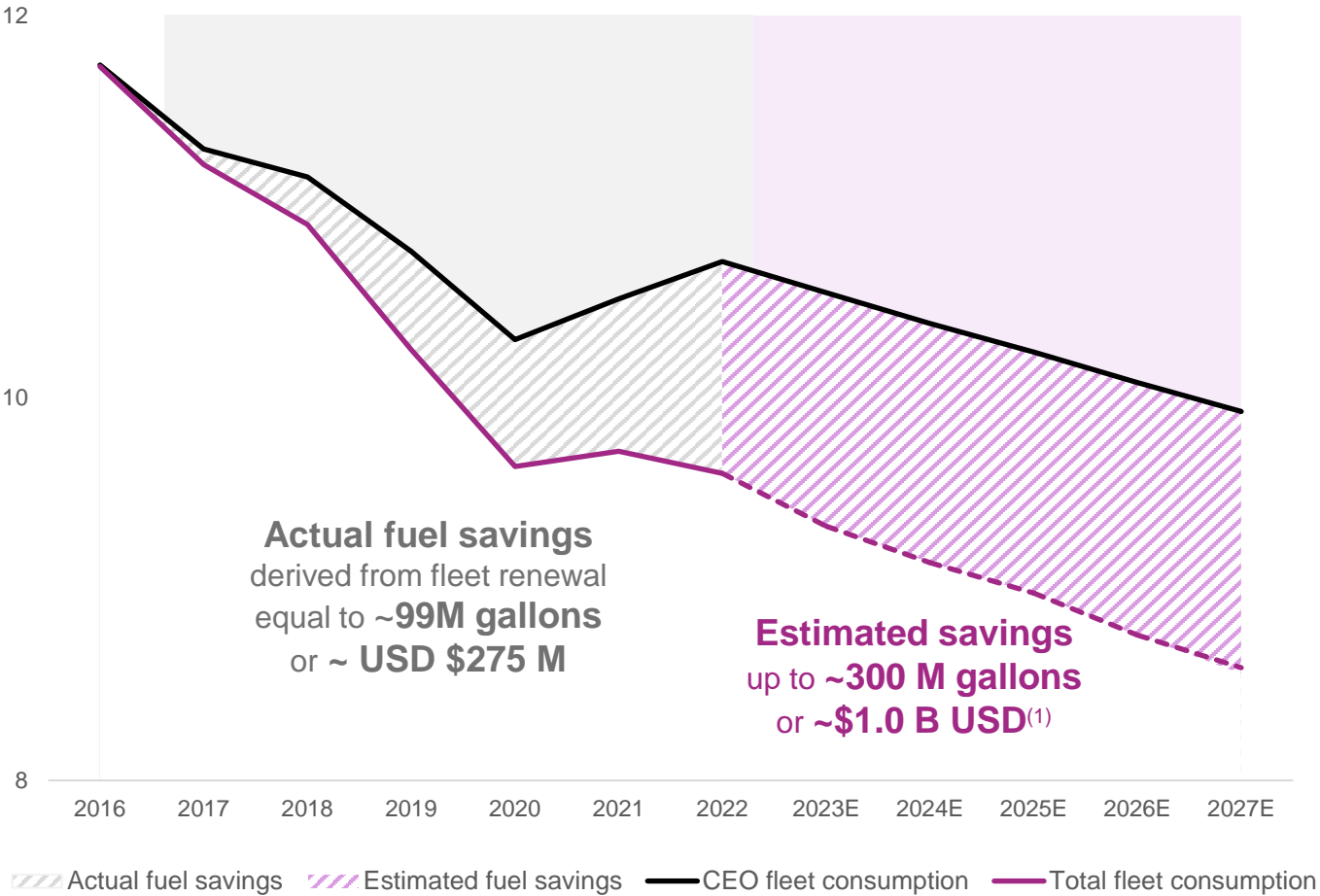
Note: Average configuration of existing A321neo fleet at 234 seats, with new deliveries at 239 seats.

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# Fleet renewal is proving to be an effective fuel price hedge

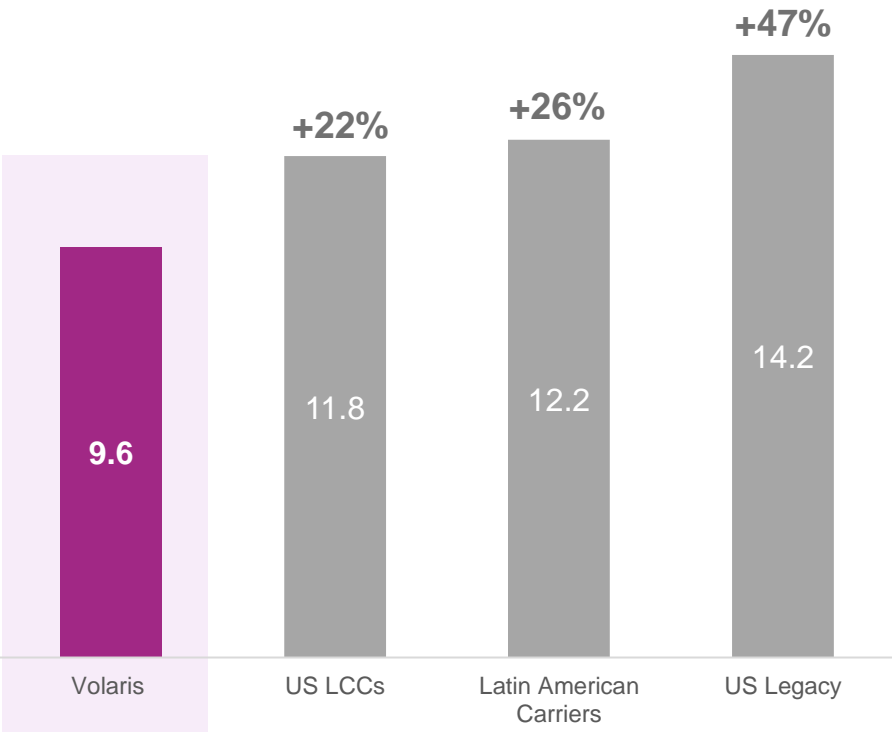
## NEO fleet investment already generating significant cost savings

Gallons/ASM (000)



## More fuel efficient than peers

Gallons/ASM (000) | FY 2022



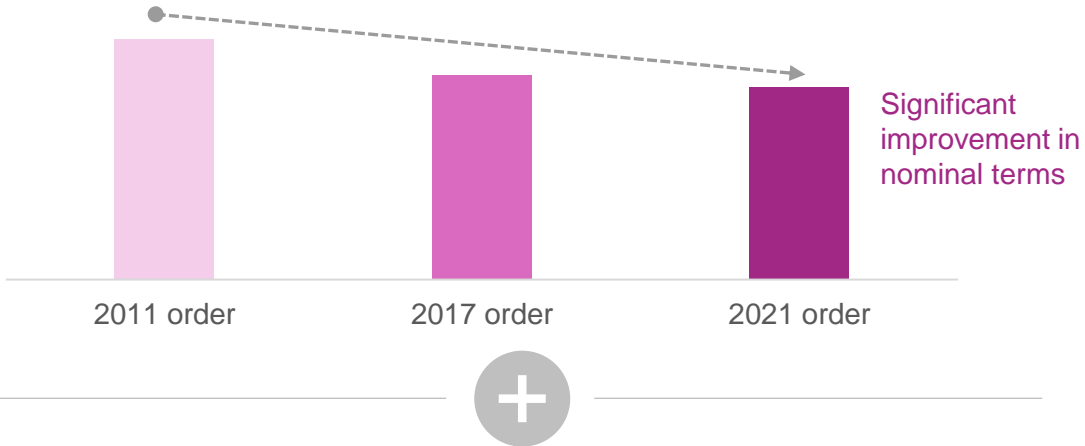
Note: (1) Assumes an economic fuel price of 3.50. (2) Presenting average gallon/ASMs (000's) "US LCCs": Southwest, Allegiant, JetBlue, Spirit, and Frontier; "Latin American Carriers": Copa, Azul and Gol.; "US Legacy Carriers": Delta, American Airlines, Alaska and United Airlines  
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# Reduced cost of ownership to trickle down to CASM

NEO orders		Indigo's group order	Volaris' portion of group order	Volaris' outstanding backlog
2011 order	Stand-alone	N/A	30	Last delivery in 2022
2017 order	Indigo	430	80	80 First delivery in 2023
2021 order	Indigo	382 <sup>(1)</sup>	64 <sup>(1)</sup>	64

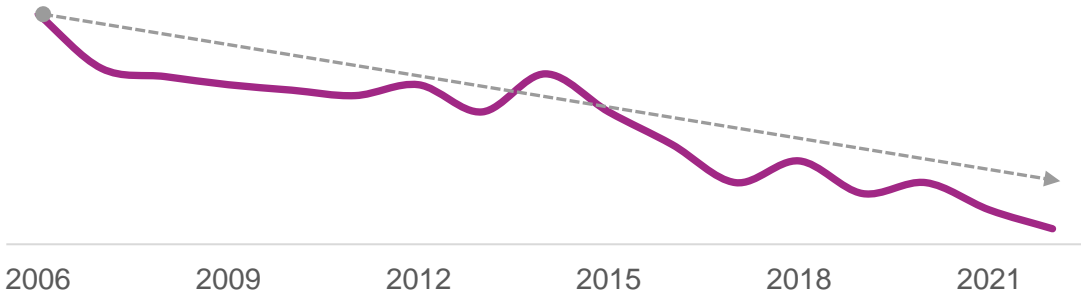
## Favorable aircraft pricing with Airbus negotiated, benefitting from Indigo Partners' economies of scale

Net fly-away prices per aircraft (USD nominal) Index 2011=100%



## Increasingly competitive lease rate factors to widen Volaris' fleet ownership cost advantage in the future

Lease rate factor (%) Index 2006=100%



Note: (1) Includes exercised options.  
For non-IFRS measures please see appendix.

# Volaris' Airbus orderbook supports flexible and conservative fleet growth

## Orderbook with Airbus

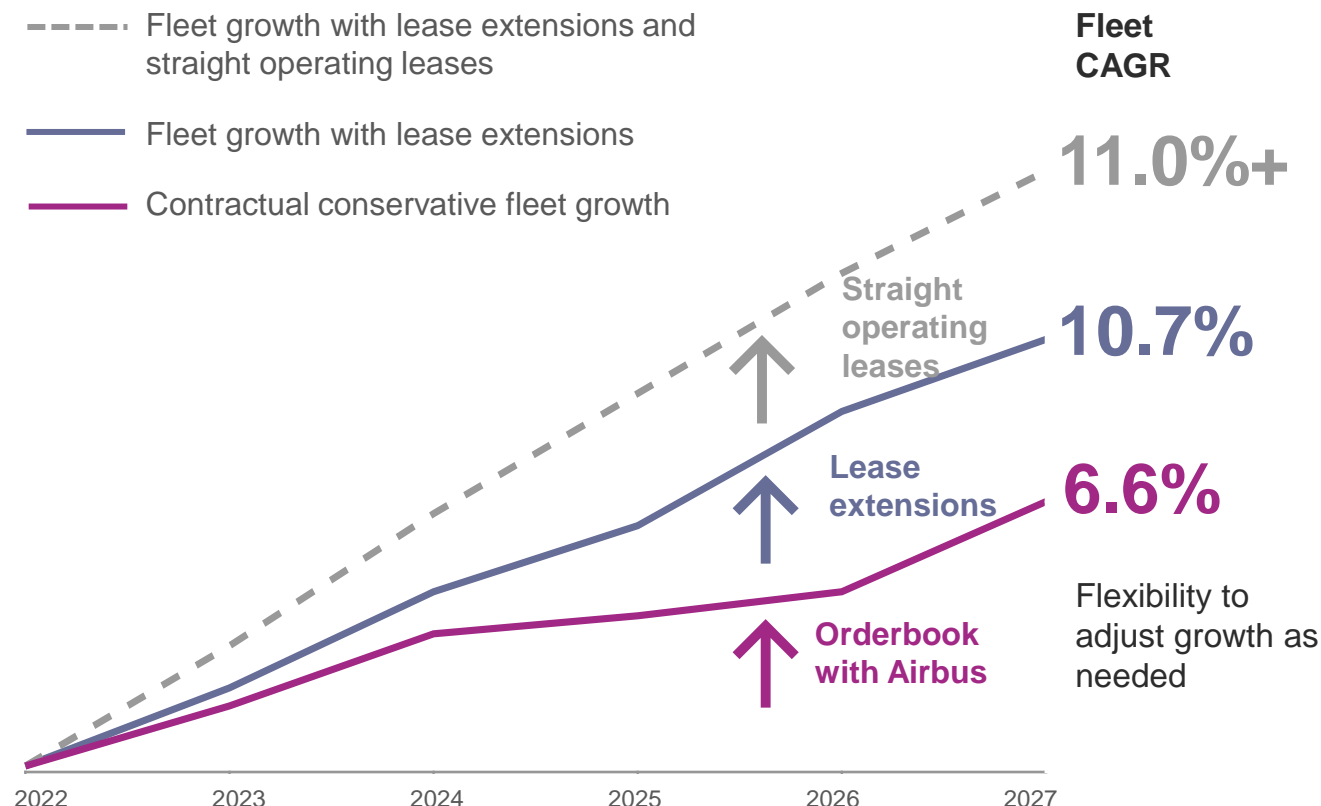
- Three purchase orders placed with Airbus, totaling 174 aircraft
- 144 on backlog for delivery in the upcoming years – **half for renewal, half deployed for fleet growth**

## Lease extensions

- Volaris aims to keep its fleet as young as possible
- Lease extensions for certain aircraft to address growth requirements
- Seek lowest redelivery cost possible when necessary to return an aircraft to lessor

## Straight operating leases

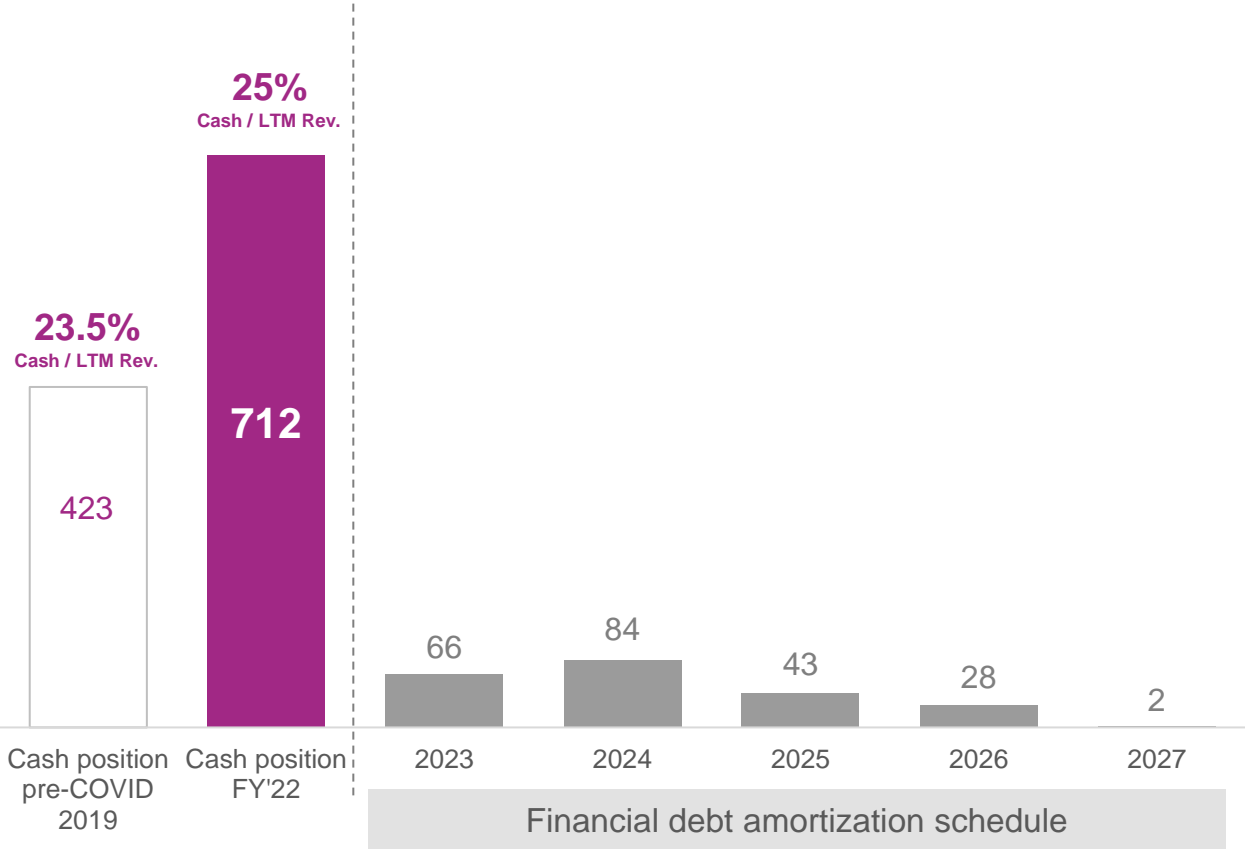
- Secured additional aircraft from lessors who have placed their own orders with Airbus
- Leases depend on the current market conditions and aircraft availability



# Operational and financial efficiency has enabled a robust capital profile

## Attractive financial debt maturity profile

Millions / USD <sup>(1)(2)</sup>



91%

of Volaris' total debt is composed of lease liabilities (USD \$2.7B), with no exposure to increasing rates<sup>(2)</sup>

7.2%







dollar equivalent cost of Volaris' financial debt in 4Q22<sup>(3)</sup>

500M+

pre-delivery payments (PDPs) line secured for next three years

Note: (1) Converted using Dec 30th, 2022, FX of USD = 19.3615 MXN (2) VOLARCB19 & VOLARCB21L floating rate have a 10% cap on TIIE (3) The cost of debt is computed using the equivalent USD denominated fix rate swap for each financing facility.

# 2023 Guidance

		FY 2023
	ASM growth	~10% <sup>1</sup>
	Total Operating Revenues	USD \$3.2 to \$3.4B
	CASM ex fuel	USD \$4.6 to \$4.8¢
	EBITDAR margin	29% to 31%
	CAPEX	~USD \$300M <sup>2</sup>
	Net Debt/ EBITDAR	≤ 2.5x

Note: (1) Already considering expected aircraft manufacturer delays and engine availability. (2) Net of financed predelivery payments.  
This guidance assumes a **FX USD/MXN** between **Ps.19.25 to Ps.19.75** and an **average U.S. Gulf Coast jet fuel price** between **\$3.00 to \$3.10** per gallon.  
This outlook assumes no significant unexpected disruptions related to COVID-19, regulatory, macroeconomic and/or geopolitical events with impact on Volaris' business.



Assuming Volaris' contractual fleet, we are committed to doubling

Revenue,

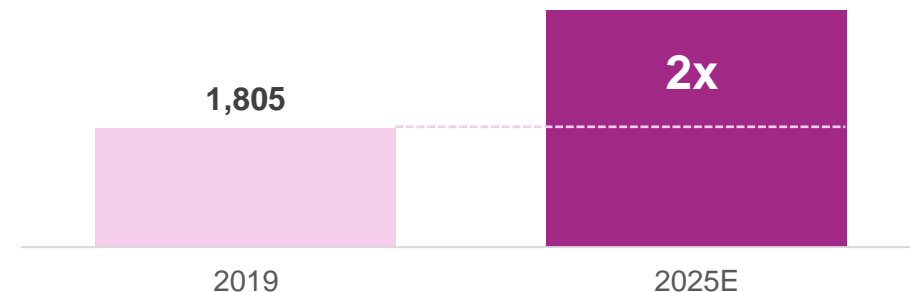
EBITDAR, and

FCF generation

by **2025** versus pre-pandemic levels (2019)

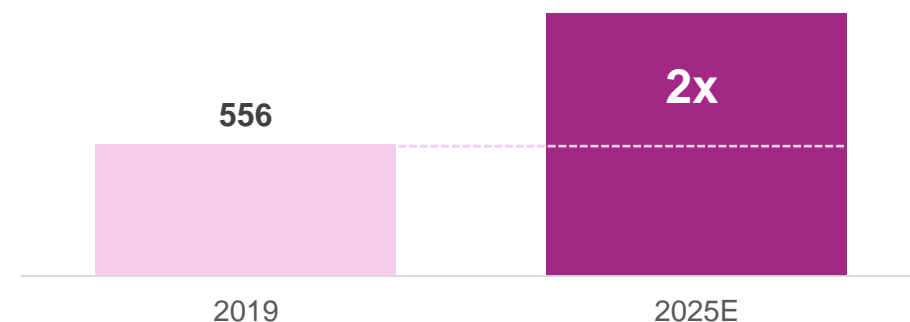
## Revenue

USD Million



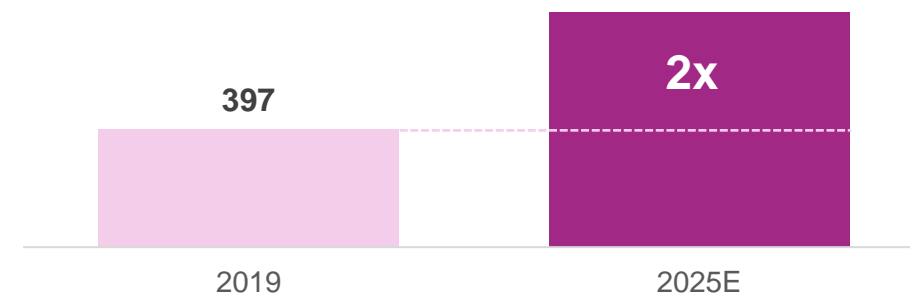
## EBITDAR

USD Million



## Free Cash Flow

USD Million



Note: Free cash flow calculated as EBITDAR minus CAPEX.

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## Environmental

- Reduction of **CO2 emissions** by **35.4% gco2/RPK** by 2030 vs. 2015 by interim targets
- **Young and fuel-efficient fleet**
  - Among youngest fleet in North America (5.4 yrs.)
  - 100% NEOs engines by 2028 (fuel-efficient)
  - Enhanced route planning
  - Reduction in on-board weight and airplanes with a higher seat configuration
- Commitment to IATA's **"Fly Net Zero"** pledge



## Social

- Driver of **mobility** across all **socioeconomic classes** with ULCC model, bolstering **economic growth** in our markets
- **Diverse and engaged** work environment underpinned by **equality**
  - (Adherence to IATA's 25by2025 initiative)
- Prioritization of **aviation security** and **operational safety**
  - No aviation accidents and breaches of our customers' data



## Corporate Governance

- **Sustainability and business strategy alignment** with Board and leadership team oversight and pay alignment
  - **No controlling group**
  - **64%** of Board is **independent**
  - Strong and diverse governance top-down
- Strong **ethics and compliance practices** and commitment to transparency
  - **Rigorous reporting:** GRI, SASB, TCFD

**CAPA**  
**WORLD AVIATION**  
Summit & Awards 2022

CAPA Latin America  
Environmental  
Sustainability Airline of  
the Year Award for 2022

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

2<sup>nd</sup> year  
Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



2<sup>nd</sup> year  
Member of  
**S&P/BMV Total  
Mexico ESG Index**

# Growth strategy is enhanced by meaningful ESG objectives



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