1Q 2022 Conference Call Takeaways

April 28, 2022

Link to call: Volaris 1Q 2022 Earnings Conference Call
Link to the Earnings Release: Volaris Announces 1Q22 Results

GUIDANCE

Full year 2022 guidance [1]:

- **Capacity growth** for 2022: Mid-twenties in terms of ASMs over 2021.
- **Revenue** for 2022: $2.8 to $3.0 US billion.
- **EBITDAR margin** for 2022: High twenties.
- **CASM ex-fuel** for 2022: To increase between 1% and 3% compared to 2021.
- **Capex** for 2022: $140 to $145 US million.
- **Fleet:** ~115 by end of 2022.

[1] Volaris is budgeting an exchange rate of 20.5 to 20.8 pesos per dollar and an economic fuel price of $3.1 to 3.4 dollars per gallon.

Second quarter guidance [2]:

- **EBITDAR margin** for 1Q22**:** Low-to-mid-twenties.

[2] Volaris is budgeting an exchange rate of 20.1 to 20.2 pesos per dollar and an economic fuel price of $3.7 to $3.8 dollars per gallon for the quarter.

CEO KEY MESSAGES

"Over the past six quarters, Volaris had a cumulative EBITDAR margin of 33%. And we believe we can deliver a similar cumulative EBITDAR margin in the next six quarters. This statement shows the confidence we have in Volaris' business model and our ability to remain one of the most profitable airlines in the world." said Enrique Beltranena, President & Chief Executive Officer.

- **Ability to adapt to changing demand quickly and to pass through the impact of the recent fuel cost increase.**
  - Volaris' ability to pass through incremental fuel costs begins with the fact that we continue to have the lowest unit cost of any operator publicly trading in the Americas.
  - The first quarter had excellent entry-level base fares and ancillaries from the fourth quarter, which helped the company's performance.
  - For the first quarter the incremental cost of fuel price and volume was 149 million dollars, which Volaris was able to pass through to revenues 95% during the quarter.

- **Plenty of market opportunities both at home and abroad.**
  - Volaris operates in an emerging market with low air travel penetration.
  - Over the last ten years, the company's ASM compound annual growth rate was 13% versus Mexico's average GDP growth of 1%.

- **Flexible growth without sacrificing profitability.**
  - Volaris has managed to grow while generating value for our shareholders and building a market-leading franchise.
  - We believe we can sustain our growth trend with profitability due to:

- Mexico's territorial size and population
- Mexico's population characteristics
- Air travel dynamics

- **Ultra-low CASM and strong balance sheet allow Volaris to absorb volatility better than its competitors.**
  - Volaris' consistent performance demonstrates its resilience and adaptability.
  - Volaris is in a stronger financial position than before the pandemic, with higher cash levels and lower financial debt.
  - Other airlines are now focusing on recovery and repaying the debt taken during the pandemic, Volaris is focused on executing its growth strategy.

COMMERCIAL KEY MESSAGES

SUPPLY & DEMAND

- On the revenue side, Volaris entered the quarter at a higher fare level, having increased fares gradually since December in response to rising fuel prices.
- Demand remained strong throughout the quarter, despite Omicron's effects in late January and February.
- The strength in demand enabled Volaris to push through careful fare increases during the quarter.
- Volaris experienced a strengthening demand curve throughout the fourth quarter.
- Omicron variant had a three-week impact on Volaris sales with a minor effect on the quarter.
- Every new COVID wave has had less and less impact on Volaris' revenues.
- Volaris average fare for the quarter was 46 dollars versus 37 dollars a year ago.
- Volaris' fare increases were implemented selectively and in small amounts, ranging from 1 to 3 dollars per passenger.
- Volaris capacity, ASMs for the quarter increased 1% from the December 2021 quarter.
- Volaris load factor of 83.5% remained at a healthy level, increasing 5.4 percentage points year over year.
- Even though ASM growth was strong at 27%, Volaris was able to stimulate demand and achieved a strong load factor of 86.9% compared to 2019.
- Volaris domestic network, representing 70% of ASMs, grew by 41% year over year.
- International capacity grew by 77% year over year.
- Volaris also grew in Central America, currently the Company has four aircraft in this market
- TRASM in the first quarter increased by 18% versus 2021, to 7.0 cents.
- Load factor remained strong at 83.5%, with both leisure and VFR markets showing a continued strengthening in the quarter. As a reminder, Volaris has very little business traffic.
- Ancillary revenues continue to be a large part of the Company's overall revenue mix. These consist mainly of baggage, seat selection, and bundles like the flexibility combo. 43% of the Company's overall revenues were from ancillaries for the quarter, 35 dollars per passenger.
- Total operating revenue per passenger increased 8% to 81 dollars.

AVENUES OF GROWTH

- Mexico Domestic Market
  - Opportunity to accelerate bus-to-air conversion. Volaris competes only with buses in 46% of its routes.

- US Trans-Border Market
  - Will reaccelerate growth once Mexico regains Cat 1 status, primarily adding frequencies to existing destinations and connecting the dots.
  - Volaris hopes that Mexico will be upgraded by the FAA by the end of the 3rd quarter.

- Central and Northern South America
  - Volaris' 3 airline operating certificates provide us with many strategic options.
  - Replicating proven business model.

FINANCIAL KEY MESSAGES

TRASM

- TRASM of $7.0 cents represented a 18% increase. Average base fare was $46, an increase of 24%. Ancillary revenue per passenger was $35, a 7% decrease. Ancillary revenue represented 43% of total operating revenue, compared to 51% in the same period of 2021. Total operating revenue per passenger increased 8% to $81.

CASM

- Total CASM closed at 7.4 cents for the first quarter, a 13% increase compared to the first quarter of 2021, driven by a higher fuel cost. The average economic fuel cost increased 64% to 3.15 dollars per gallon in the first quarter.

- CASM ex-fuel for the first quarter decreased 8% compared to the same period of 2021, closing at 4.4 cents. The company maintained its disciplined ultra-low-cost structure despite inflationary pressures in Mexico, the US, and Central America and higher redelivery accruals associated with the renewal of our fleet. We have mitigated these pressures by focusing on controllable costs and higher aircraft utilization.

NET LOSS

- Net loss of $49 million. Loss per share $0.04 and loss per ADS of $0.42.

LIQUIDITY AND INDEBTEDNESS

- Leverage of the quarter: 2.3x net debt/LTM EBITDAR ratio compared to 11.2 times in the same period of 2019 and 2.5 times in 4Q 2021.

- Cash generation of $9 million, with a cash, cash equivalents and restricted cash position of $750 million, representing 31% of the last twelve months total operating revenue.

- In the past few months, the Company has obtained financing at attractive conditions for the pre-delivery payments for 18 aircraft to be delivered in 2023 and 2024, in an aggregate amount of 262 million dollars.

FLEET

- Company incorporated 3 A320 NEOs, ending 1Q 2021 with a fleet of 104 aircraft (6 A319s, 81 A320s and 17 A321s) with an average age of 5.6 years. Volaris' fleet had an average of 188 seats per aircraft, 83% of its aircraft are sharklet equipped, and 46% are NEO.

- Volaris expects to end 2022 with approximately 115 aircraft depending on Airbus' delivery schedule compliance.