

# Volaris Corporate Presentation

December 2023



**volaris**



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# Significant experience navigating volatility and driving profitable growth throughout the cycle



2006 - 2020

## Setting the stage

- 2006: Volaris starts operations
- 2008: Global Financial Crisis
- 2009: Launching of U.S. routes
- 2010: Mexicana Group ceases operations
- 2010: Indigo Partners' investment
- 2012: Fare unbundling strategy
- 2013: IPO at NYSE and BMV
- 2016: First NEO delivery
- 2019: Inaugural CEBUR issuance

2020 - 2021

## Turning the COVID crisis into an opportunity

- Volaris had the **fastest post-COVID recovery** among all listed carriers worldwide
- **Follow-on equity offering** to accelerate growth
- 2<sup>nd</sup> CEBUR issuance
- Filled the void left by competitors while preserving a **healthy balance sheet**

2022 and beyond

## Volaris today

- Mexican domestic market leader
- Solidified position as one of the largest foreign operators in the U.S.
- AOCs (Airline Operating Certificate) in Costa Rica and El Salvador
- Managing costs and driving operating profitability

# Latin America's largest ULCC



## 33.6 Million

Passengers

In the last 12 months

## 231

Routes

149 domestic and 82 international

## ~600

Daily flights

~460 domestic and 130 international

## 129

Aircraft

59% NEO, average age of 5.7 years

## 141

NEO orderbook with Airbus

115 A321neo and 26 A320neo

Note: Unless otherwise stated, information on this slide is as of November 30<sup>th</sup>, 2023.

## \$3.2B USD

Total operating revenue

In the last 12 months until September 2023

## 71

Airports

43 domestic and 28 international

## 3

Air Operator Certificates

Mexico, Costa Rica and El Salvador

## 13.5

Block hours

Per day of total productive fleet in 3Q'23

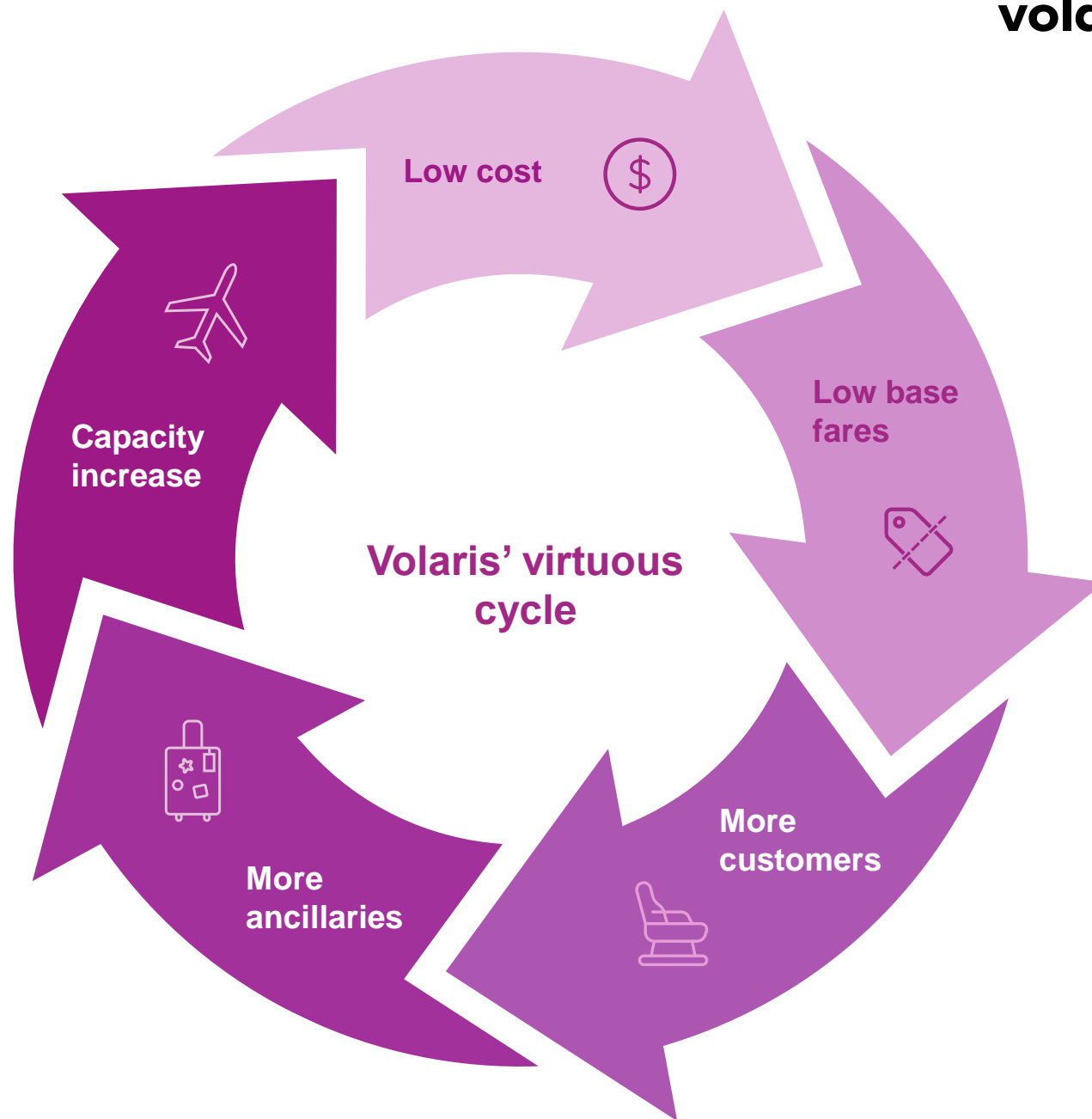
## ~7,500

Full-time employees

59 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>
- Margin 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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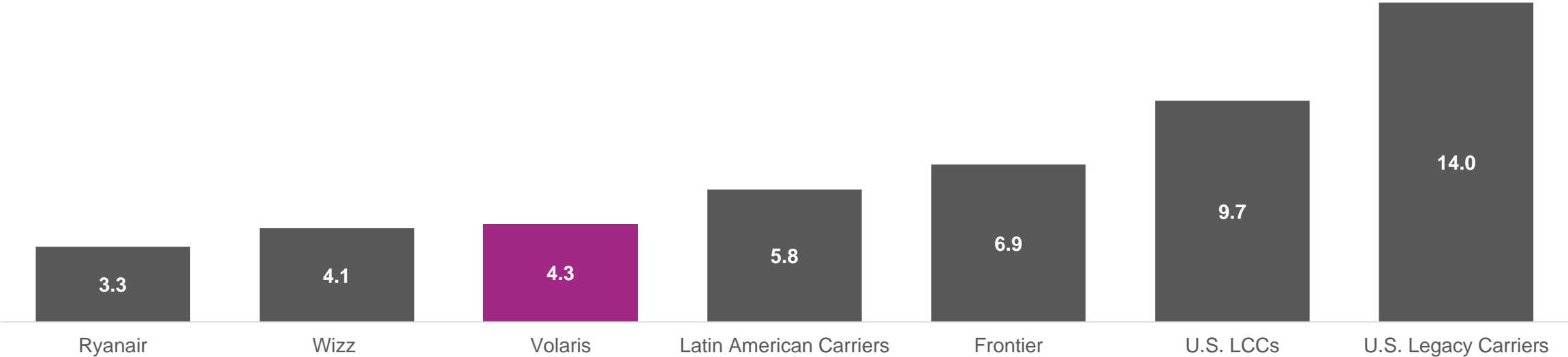
- **Strong and flexible** balance sheet and cash generation
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# One of the lowest-cost operators worldwide



## CASM ex-fuel

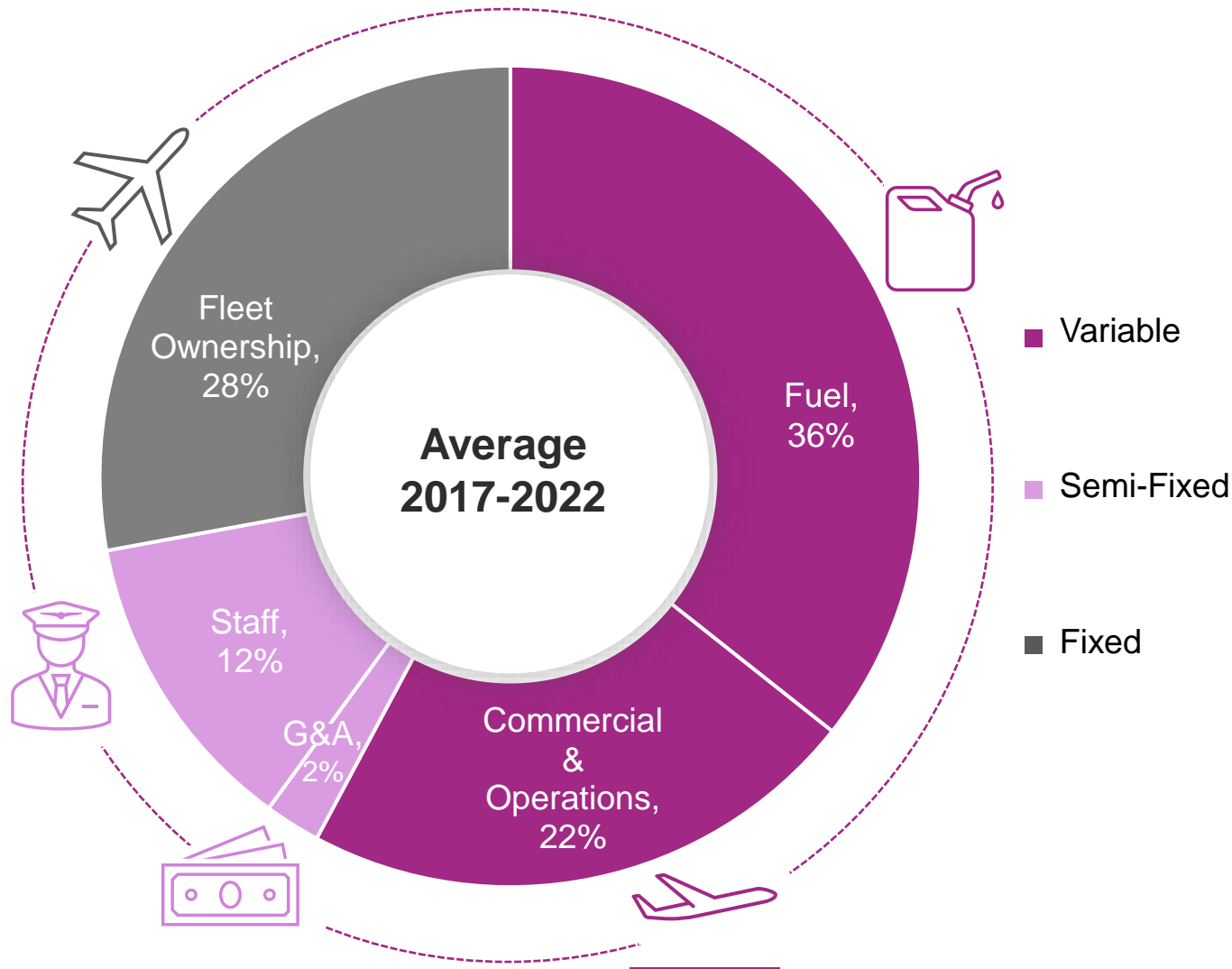
USD cents | FY 2022 CASM ex-fuel | Stage length adjusted @1,000 miles



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**

# Clear path to long term profitable growth

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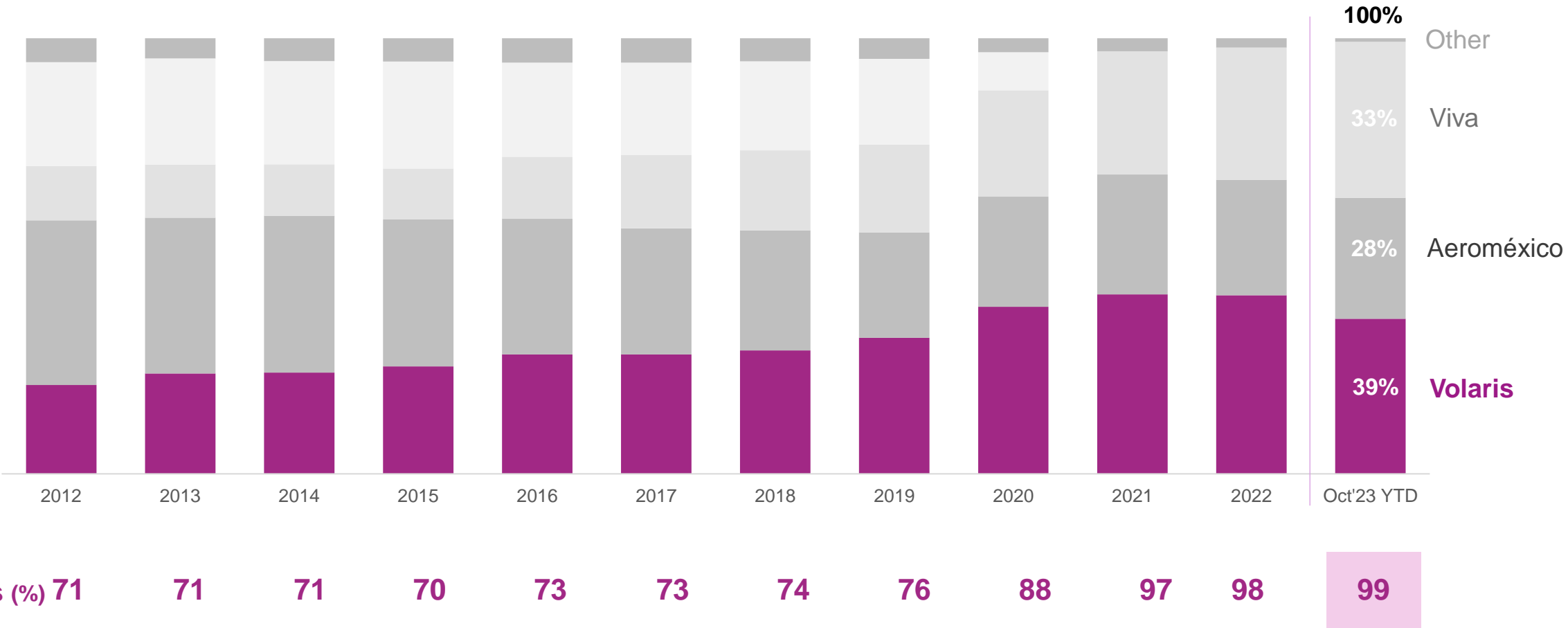


- **Strong** and **flexible** balance sheet and cash generation
- **Conservative debt position** and **healthy** financing conditions

# 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 October 2023.

# Clear path to long term profitable growth

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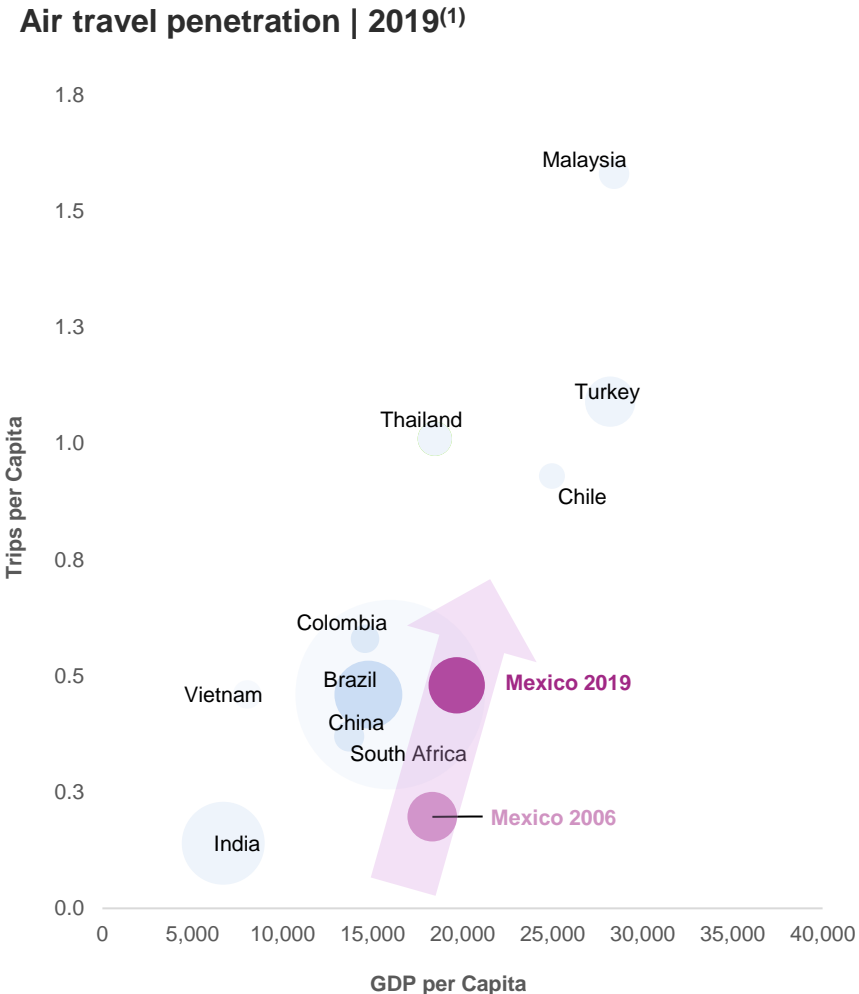


- **Strong and flexible** balance sheet and cash generation
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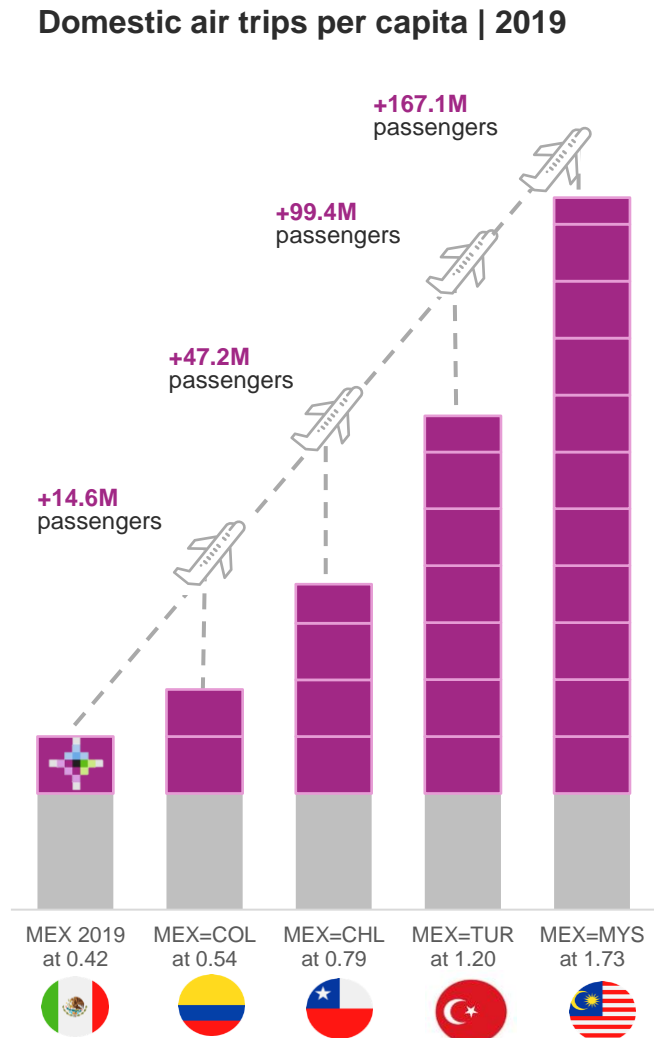
# Mexico's air travel market is in its early stages of growth

-  Large bus switching potential
-  Strong and resilient VFR market
-  Ideally suited geography for aviation
-  No rail passenger system

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



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



# Mexico's demographics are favorable

129 Million

population

10<sup>th</sup>

largest in the world

55 Million

of the current population is under 25

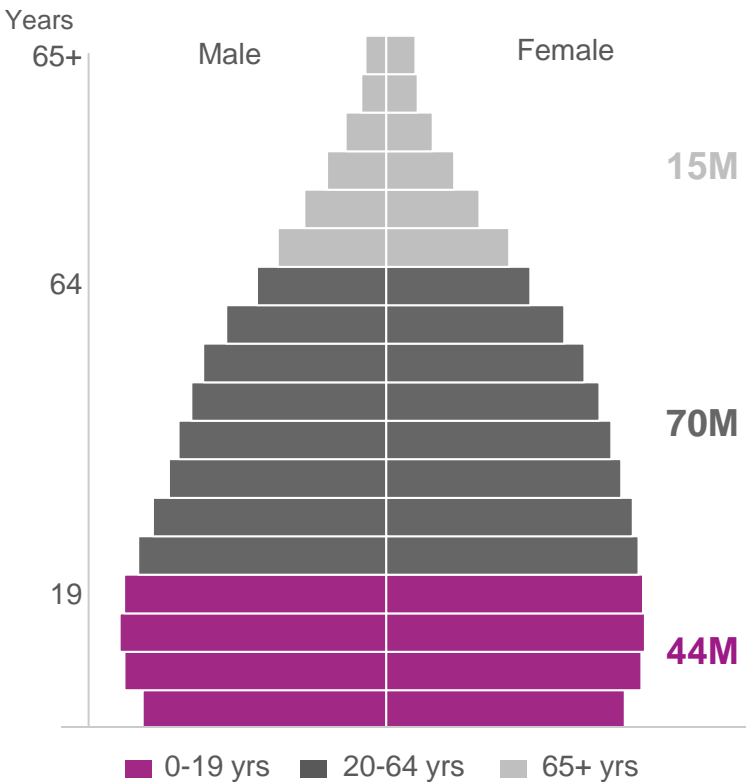
Mexico's working population is expected to be

90+ Million

by 2050

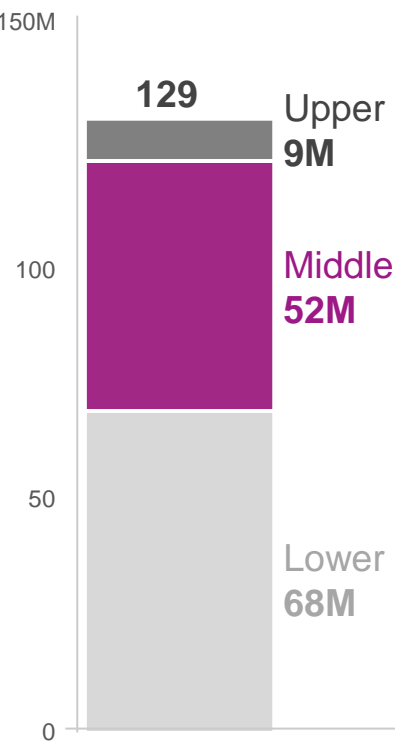
## Large and growing “traveling class”

Mexican demographic composition by age | 2022



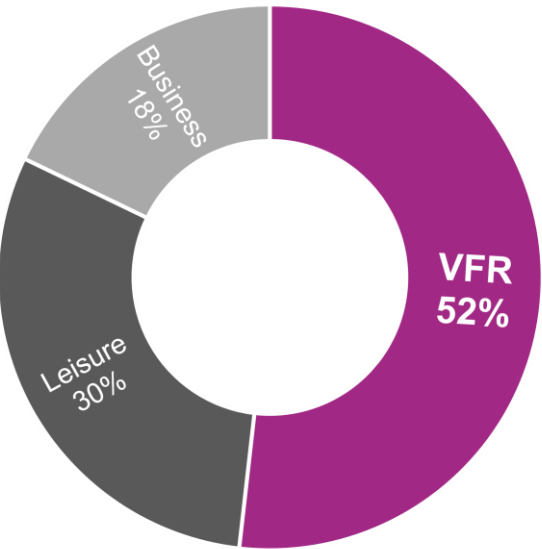
## Healthy middle class

Population, Millions | 2022



## Large VFR segment

2022 | Network breakdown by ASM



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



**47%**  
of routes compete only against buses<sup>(2)</sup>



**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

**54%**

with Viva (vs. 76% Viva's point of view)

**32%**

with Aeromexico (vs. 67% Aeromexico's point of view)



## Competitive Advantages

Volaris' network provides competitive advantages

**53%**

Volaris holds leadership position at 29 of 55 domestic stations, including most important stations

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

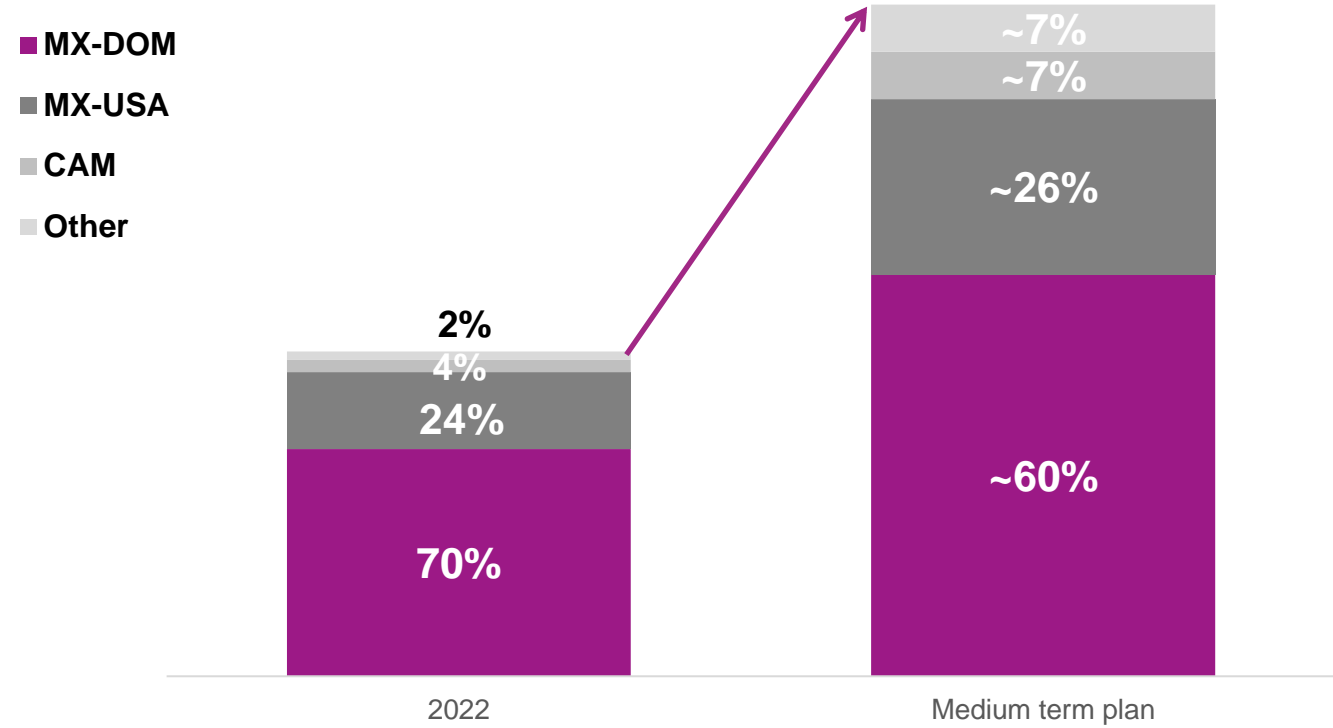
Seats / 2023



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



Total aircraft	117	175 – 200
Total routes	196	490 – 550

This is a goal / target and is forward-looking, subject to significant, business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and is based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. Nothing in this presentation should be regarded as a representation by any person that these goals and targets will be achieved and the Company undertakes no duty to update its goals.

# 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
- Affinity program with Oxxo - the largest retailer in Mexico
- Offer new insurance products around flexibility and health
- Launch new refund products

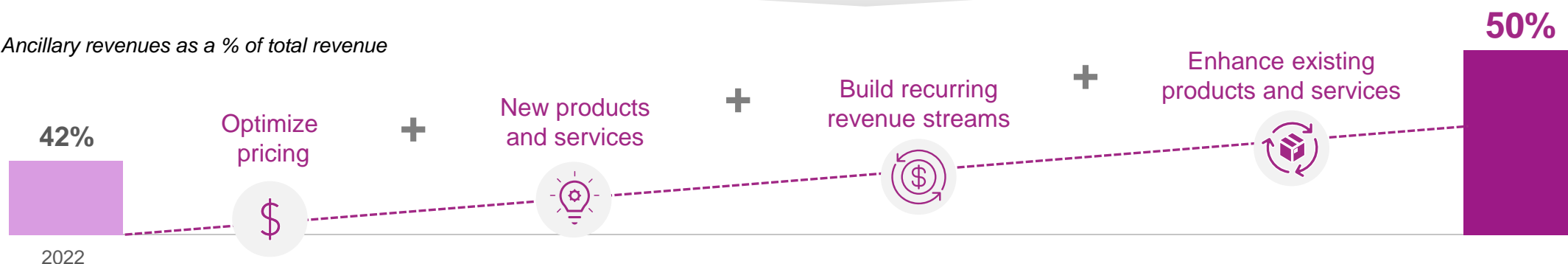
## 🔄 Build recurring revenue streams

- 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
- Annual Pass "All-You-Can-Fly"

## 📦 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

Ancillary revenues as a % of total revenue



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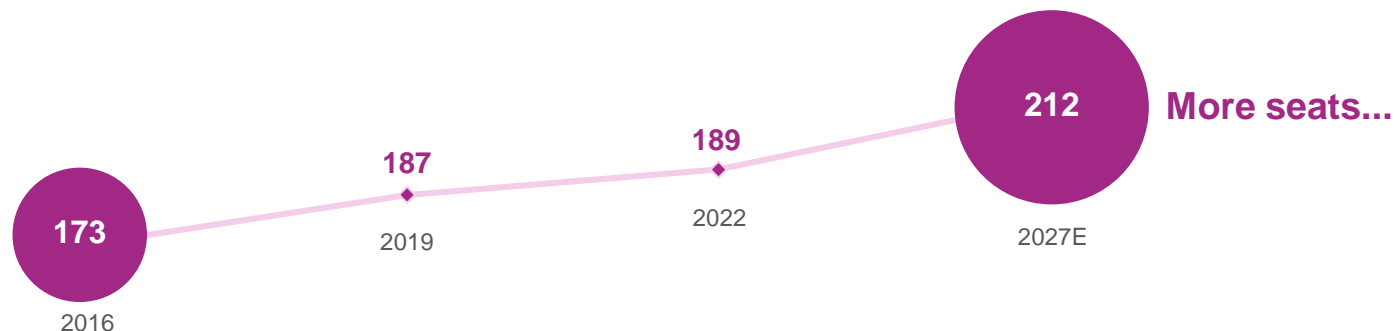
# Fleet plan positions Volaris to further increase its cost advantage

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

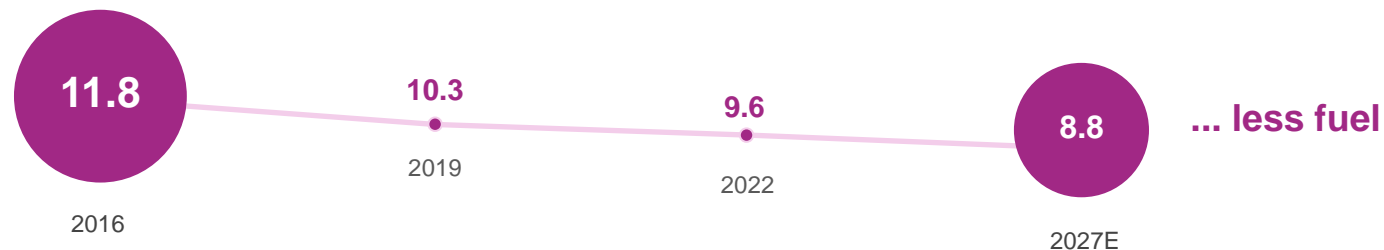
P&W GTF engines with fuel consumption reduction ~15% per available seat mile



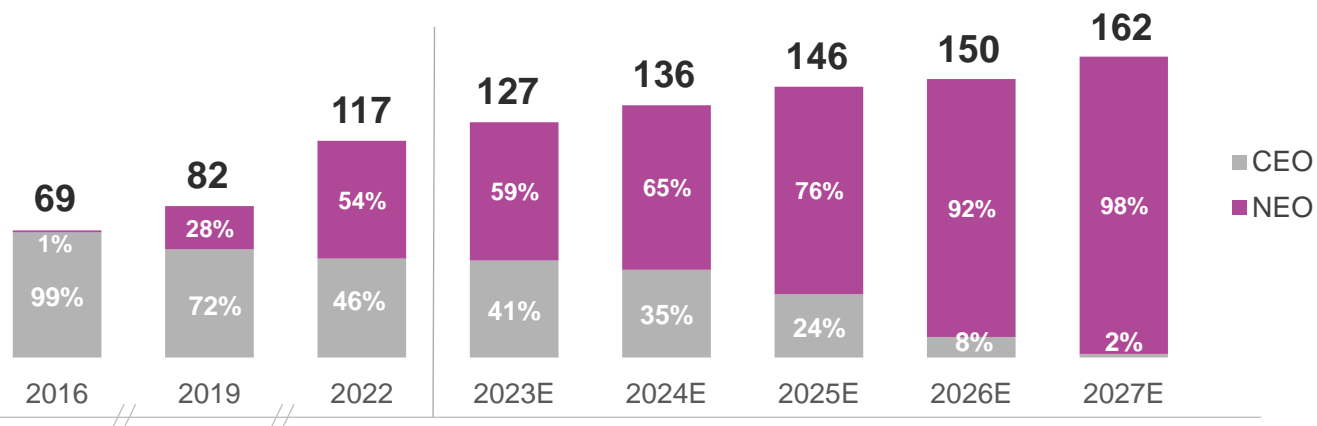
Seats per departure



Gallons/ASM (000)



Contractual fleet plan



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

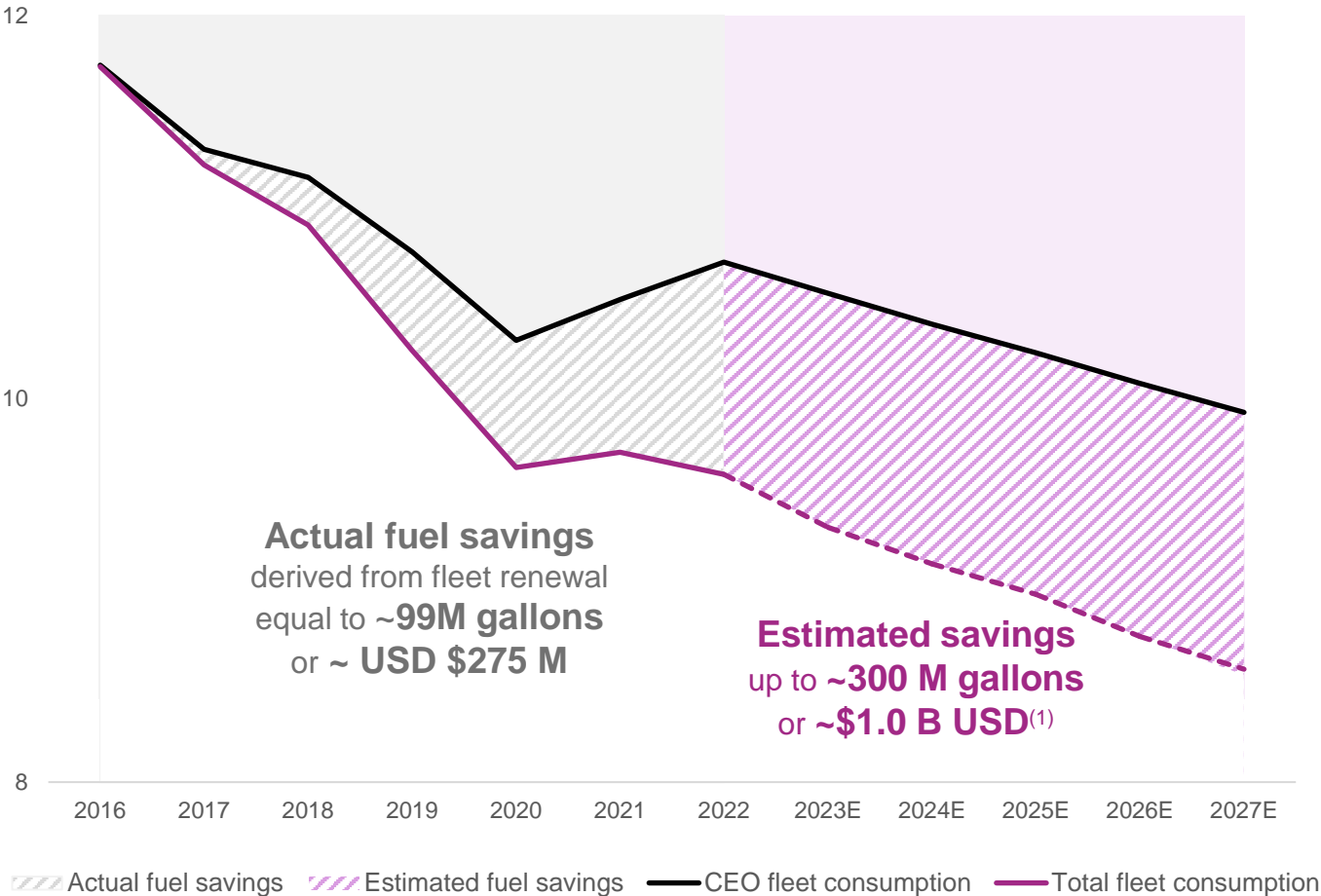
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# Fleet renewal is proving to be an effective fuel price hedge



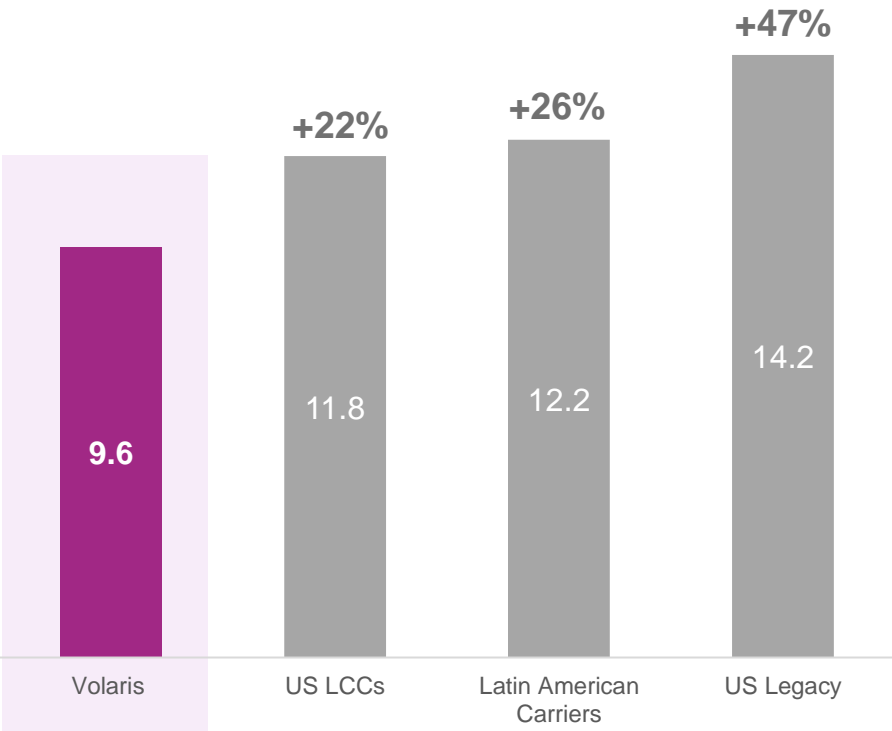
## NEO fleet investment already generating significant cost savings

Gallons/ASM (000)



## More fuel efficient than peers

Gallons/ASM (000) | FY 2022



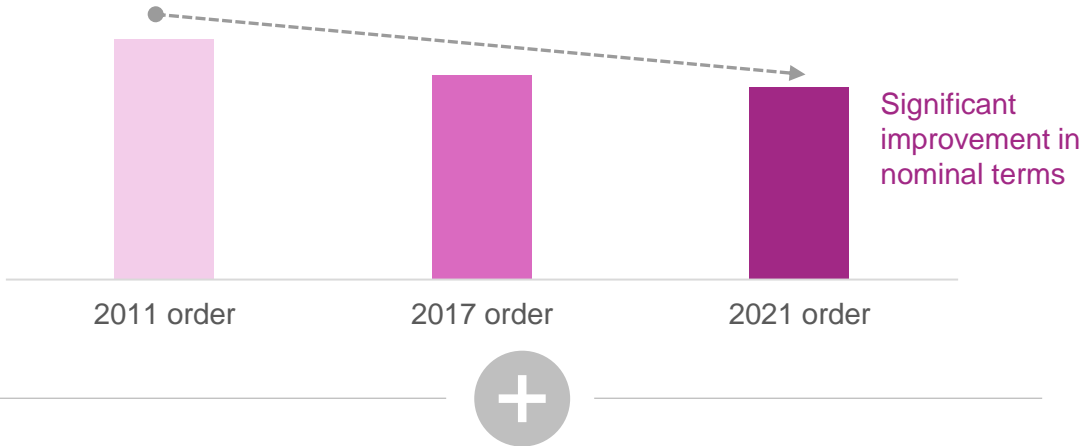
Note: (1) Assumes an economic fuel price of 3.50. (2) Presenting average gallon/ASMs (000's) "US LCCs": Southwest, Allegiant, JetBlue, Spirit, and Frontier; "Latin American Carriers": Copa, Azul and Gol.; "US Legacy Carriers": Delta, American Airlines, Alaska and United Airlines  
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# 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	79 First delivery in 2023
2021 order	Indigo	382 <sup>(1)</sup>	64 <sup>(1)</sup>	62 First delivery In 2023

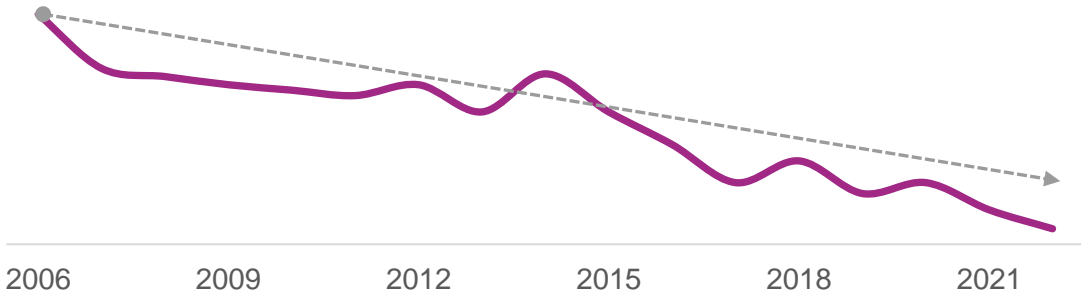
## Favorable aircraft pricing with Airbus negotiated, benefitting from Indigo Partners' economies of scale

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

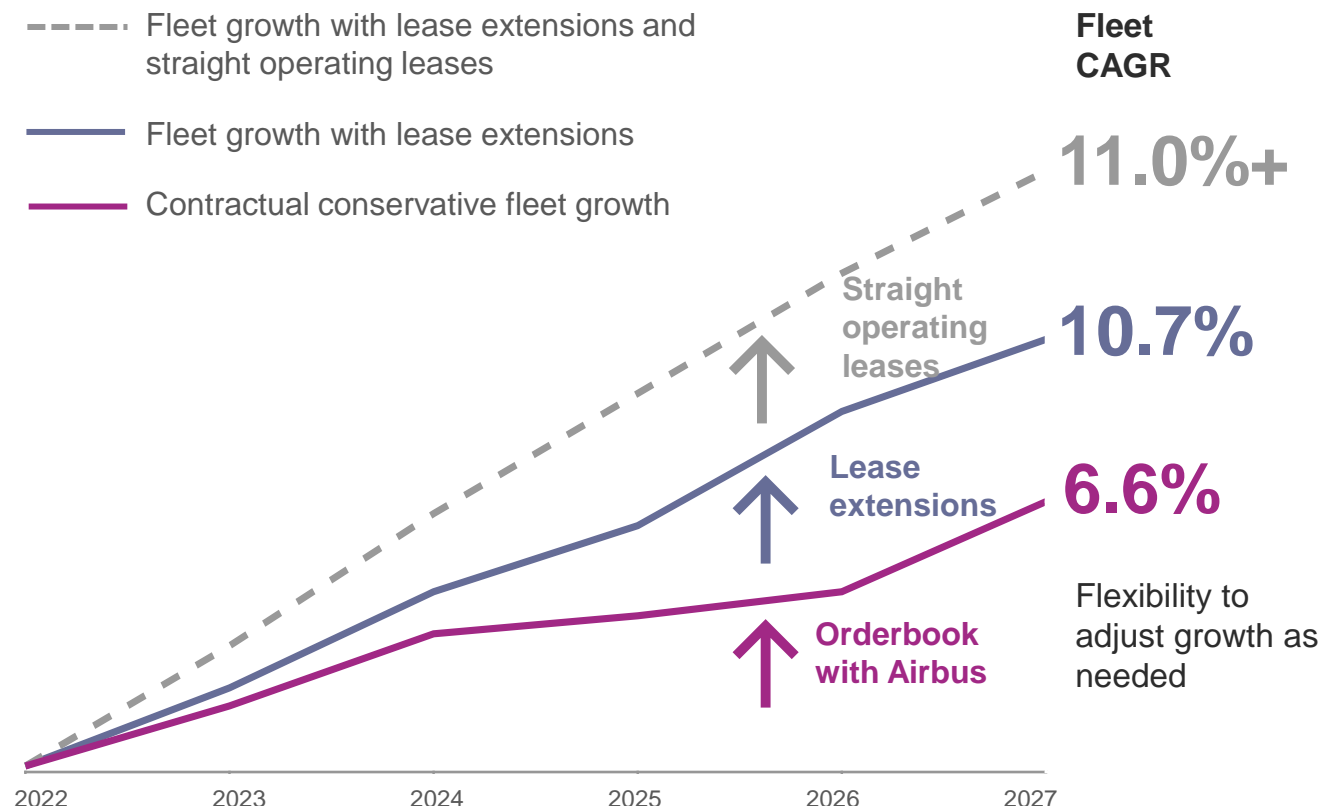
- Three purchase orders placed with Airbus, totaling 174 aircraft
- 141 on backlog for delivery in the upcoming years – **half for renewal, half deployed for fleet growth**

## 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

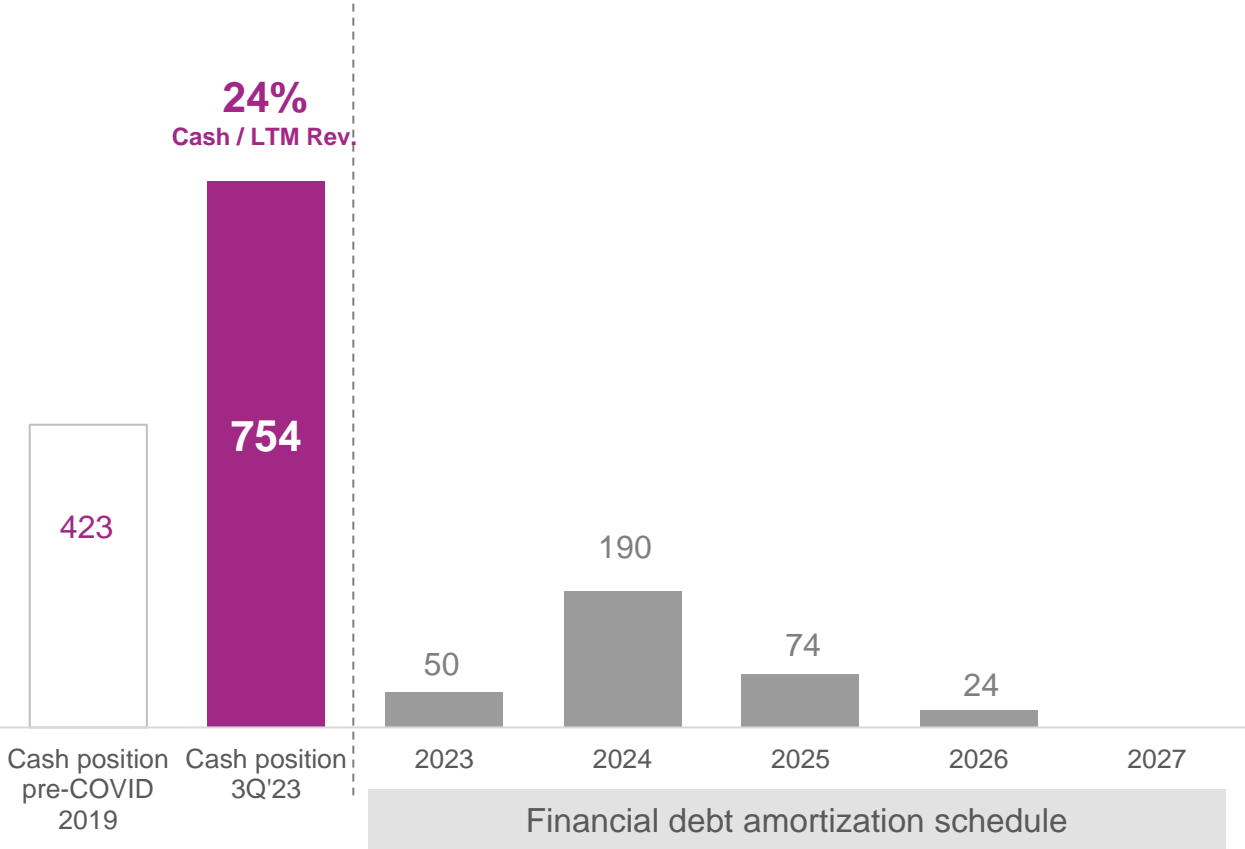
- Secured additional aircraft from lessors who have placed their own orders with Airbus
- Leases depend on the current market conditions and aircraft availability



# Operational and financial efficiency has enabled a robust capital profile

## Attractive financial debt maturity profile

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



93%

of Volaris' total debt is composed of lease liabilities (USD \$2.8B), with no exposure to increasing rates<sup>(2)</sup>

7.5%







dollar equivalent cost of Volaris' financial debt in 2Q23<sup>(3)</sup>

500M+

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

Note: (1) Converted using June 30, 2023, FX of USD = 17,1072 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 \$3.2B
	CASM ex fuel	~USD \$4.8¢
	EBITDAR margin	~26%
	CAPEX	~USD \$300M <sup>2</sup>
	Net Debt/ EBITDAR	~3.5x

Note: (1) Subject to GTF engine inspections. (2) Net of financed predelivery payments.

This guidance assumes a **FX USD/MXN** between **Ps.17.75 to Ps.18.25** and an **average U.S. Gulf Coast jet fuel price** between **\$2.55 to \$2.65** 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,

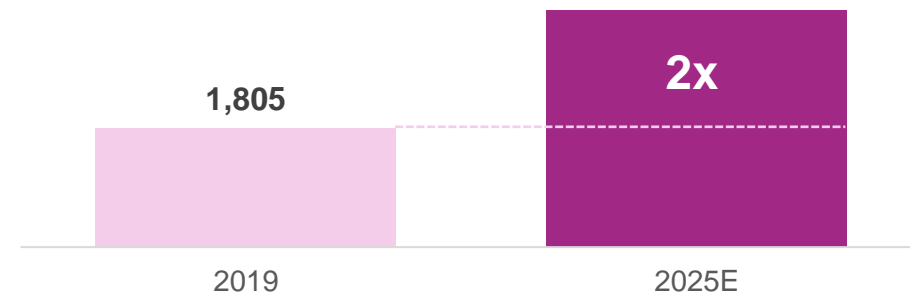
EBITDAR, and

FCF generation

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

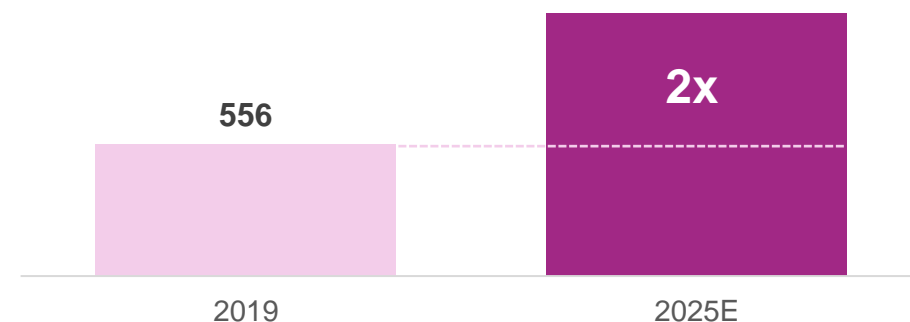
## Revenue

USD Million



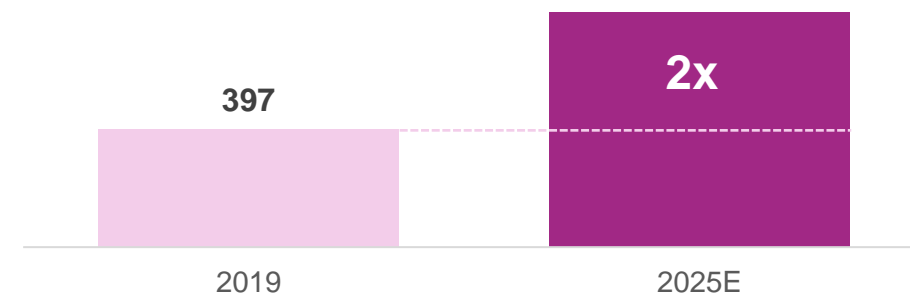
## EBITDAR

USD Million



## Free Cash Flow

USD Million



Note: Free cash flow calculated as EBITDAR minus CAPEX.

For non-IFRS measures please see appendix.

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LISTED  
**NYSE**



**VOLAR**

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