

VOLAR (BUY, PT2020 \$20.00)

Flash: August traffic confirms a faster than expected recovery

Volaris announced a 35.1% y/y decrease in total passenger traffic in August (+21.6% vs. July), transporting a total of 1.2 million, where the largest fall continues in the international part with a 50.2% reduction, while in the national part it was 31.4%. On the other hand, in terms of capacity, there was a solid month-to-month progress, driven by the segment that visits friends and relatives (VFR), as well as a broad target market for bus conversion, with this, the airline leads the recovery within the aviation industry in Mexico. Thus, capacity measured in terms of Available Seats Miles (ASMs) registered a 21.4% y/y reduction, although it had a significant recovery of 21.8% m/m, while demand measured in Revenue Passenger Mile (RPMs) posted a 31.6% y/y drop (+20.8% vs. July). As a result, the load factor was 72.6% -a decrease of 10.8pp, explained by a significant increase in the US capacity.

The company reiterated that by September it plans to operate approximately 75% of its capacity on its previously published schedule, in response to increased demand for air transport services.

Positive Implication: The August passenger report confirms that demand for Volaris continues to accelerate. We believe that this will persist due to the solid performance of the VFR segment mainly, while the international part will be still lagged behind. In addition, the timely response in terms of adjustment to the airline's capacity and its low-cost business model that allows it to offer low fares has placed Volaris as the main beneficiary of leveraging the sector's recovery and reaffirming its position as a market leader. In any case, it is necessary to monitor the evolution of the health contingency. On the other hand, we will be attentive to more details that could be given related to its capital structure strengthening that will be proposed in the next Extraordinary Assembly to be held on September 18, 2020. Therefore, we do not rule out volatility in the stock price.

September 4, 2020

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Document for distribution among public

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History of PT and Ratings

Stock	Date	Rating	PT
VOLAR	08/25/2020	Buy	\$20.00
VOLAR	10/25/2019	Buy	\$26.90
VOLAR	07/26/2019	Buy	\$22.80

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