

Daily Boarding

Volaris December traffic figures; BZ
December auto sales

Industry Overview

Volaris December traffic figures

Volaris (VLRS) reported traffic figures for December, with total ASM (Available Seats Mile) down 3% YoY (with domestic ASM down -15% YoY and international up +24% YoY), +50% vs 2019, while RPM (Revenue Passenger Mile) decreased 2% YoY (with domestic RPM down -11% YoY and international up +18% YoY), +45% vs 2019, yielding a load factor of 85%. All in, in 4Q23, ASM fell 1% (in line with BofAe), RPM was flat YoY (+1% vs BofAe) generating a load factor of 88% (+0.5pp vs BofAe) - Exhibit 1 and 2 on page 2. Potential impact: Neutral to Volaris. We see volume growth slowdown as expected due to Pratt & Whitney engine recall. In addition, the switching of capacity from domestic to international routes is linked to Mexico's Category 1 regain of US FAA (Federal Aviation Agency) safety standards in September 2023, which we think will be favorable to consolidated yields as the company shifts capacity from less profitable domestic routes to higher-yield US flights. As a recap, the engine recall is expected to affect 52% of Volaris' fleet in the next 2-3 years, positively impacting company's fares as it shifts capacity to more profitable routes and reduces the number of routes' frequencies. We have a Buy rating (PO: US\$12.5/MXN24.0) on Volaris on an appealing valuation and potential surprisingly decent 2024 results despite the ~30% capacity impact due to the recall.

BZ Autos: New LV sales up 17% YoY; Trucks fell 17% YoY

Fenabreve (Brazilian Vehicles Distribution Federation) reported that the sale of new light vehicles (LV) grew 17% YoY in December, with direct sales being 53%. On trucks, sales fell -17% YoY. All in, in 2023, LV sales increased 11% YoY to 2.2mn units (still -18% vs 2019 levels), with direct sales representing 49% of total sales (vs 50% in 2022). On trucks, sales decreased -16% YoY. For 2024, Fenabreve expects LV sales to increase 12% YoY (vs BofAe at 7%), while truck sales are expected to rise 10% (vs BofAe +3%). Potential impact: We view this as slightly positive to car rentals (Localiza and Movida) and auto parts (Iochpe, Tupy, Randon). For car rentals, we note that the share of direct sales remains at elevated levels (53% in December vs 5-year average at 46%). For auto parts companies, we highlight that truck sales showed some recovery at the margin in 4Q despite still weak numbers. We calculate that Brazil trucks/trailers represented 57% of Randon revenues, 18% of Tupy's and 15% of Iochpe's LTM revenue. We have Buy ratings on Localiza (RENT) and Movida (MOVI), a Neutral rating on Randon (RAPT), and Underperform on Tupy (TUPY) and Iochpe (MYPK).

05 January 2024

Equity
Latin America
Daily Boarding

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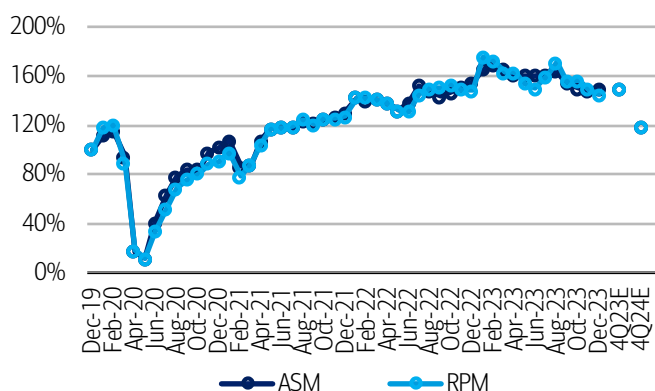
Refer to important disclosures on page 7 to 10. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 05 January 2024 07:57AM EST

Exhibit 1: Volaris traffic figures evolution – vs 2019 levels

Volaris ASM and RPM are up 50% and 45% vs 2019 levels



Source: Volaris, BofA Global Research Estimates

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Exhibit 2: Volaris 4Q23 traffic figures – (AvsE)

Volaris traffic figures came slightly above our numbers

| Volaris | 4Q23A | 4Q23E | Diff (A/E) |
|-------------|-------|-------|------------|
| ASM | 9,401 | 9,373 | 0.3% |
| RPM | 8,288 | 8,214 | 0.9% |
| Load Factor | 88.2% | 87.6% | 0.5 p.p. |

Source: Volaris, BofA Global Research Estimates

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Exhibit 3: Summary table of our coverage

We rate as Buy: Localiza, Movida, Vamos, Rumo, Copa, Volaris, Hidrovias, Mills, and GPS; Neutral as Armac, Randon, Azul and WEG; and as Underperform Ecorodovias, CCR, Iochpe, Tupy, and Gol

| Company | Rating | Q-R-Q rating | Market cap (US\$m) | Average daily traded value (US\$m) | 2024 P/E | 2025 P/E | 2024 EV/EBITDA | 2025 EV/EBITDA | 2024 Dividend Yield | 2025 Dividend Yield |
|-----------------------------|------------------|--------------|--------------------|------------------------------------|----------|----------|----------------|----------------|---------------------|---------------------|
| Localiza | 1 - Buy | C-1-8 | 12,871 | 81.5 | 16.5x | 12.5x | 7.8x | 6.8x | 1.0% | 1.5% |
| Movida | 1 - Buy | C-1-8 | 813 | 9.4 | 11.2x | 6.9x | 5.0x | 4.8x | 0.1% | 2.2% |
| Vamos | 2 - Neutral | C-2-7 | 2,158 | 15.1 | 9.7x | 7.2x | 5.5x | 5.0x | 0.4% | 2.6% |
| Mils | 1 - Buy | C-1-7 | 679 | 2.1 | 9.7x | 8.2x | 4.7x | 4.2x | 2.6% | 3.1% |
| Armac | 2 - Neutral | C-2-7 | 1,084 | 2.0 | 16.8x | 13.0x | 8.0x | 6.8x | 3.0% | 3.8% |
| Rentals | | | 17,606 | 110 | 15.7x | 11.9x | 7.5x | 6.6x | 1.0% | 1.7% |
| Rumo | 1 - Buy | B-1-7 | 8,458 | 62.4 | 21.8x | 17.4x | 7.9x | 6.9x | 1.1% | 1.4% |
| CCR | 3 - Underperform | B-3-8 | 5,650 | 17.8 | 32.4x | 17.8x | 7.1x | 6.2x | 1.5% | 2.8% |
| Ecorodovias | 3 - Underperform | C-3-7 | 1,297 | 6.1 | 8.1x | 7.3x | 5.2x | 4.8x | 3.1% | 3.4% |
| Hidrovias do Brasil | 1 - Buy | C-1-7 | 570 | 7.3 | 14.2x | 8.1x | 6.8x | 5.6x | 0.0% | 1.2% |
| Infrastructure | | | 15,974 | 93.6 | 23.9x | 16.5x | 7.5x | 6.5x | 1.3% | 1.9% |
| Azul | 2 - Neutral | C-2-9 | 981 | 39.8 | 9.9x | 8.3x | 6.5x | 6.2x | 2.5% | 3.1% |
| Azul (ADS) | 2 - Neutral | C-2-9 | 982 | 12.0 | 9.9x | 8.3x | 6.5x | 6.2x | 2.5% | 3.1% |
| GOL | 3 - Underperform | C-3-9 | 676 | 16.4 | 26.4x | 9.8x | 7.5x | 6.4x | 0.0% | 0.0% |
| GOL (ADS) | 3 - Underperform | C-3-9 | 666 | 2.3 | 26.4x | 9.8x | 7.5x | 6.4x | 0.0% | 0.0% |
| Volaris (ADS) | 1 - Buy | C-1-9 | 1,018 | 4.9 | -6.5x | -148.7x | 6.5x | 6.2x | 0.0% | 0.0% |
| Volaris | 1 - Buy | C-1-9 | 1,012 | 2.1 | -6.5x | -148.7x | 6.5x | 6.2x | 0.0% | 0.0% |
| Copa | 1 - Buy | C-1-7 | 4,303 | 26.4 | 7.8x | 6.6x | 5.6x | 4.8x | 5.2% | 6.1% |
| Airlines | | | 6,978 | 103.9 | 7.3x | -13.0x | 6.0x | 5.2x | 3.9% | 4.6% |
| Randon | 2 - Neutral | C-2-7 | 832 | 4.2 | 8.3x | 7.1x | 4.0x | 3.6x | 6.0% | 7.0% |
| Iochpe Maxion | 3 - Underperform | C-3-8 | 383 | 3.4 | 6.6x | 5.2x | 3.4x | 3.0x | 1.2% | 3.8% |
| Tupy | 3 - Underperform | B-3-7 | 781 | 3.1 | 6.3x | 5.5x | 4.1x | 3.7x | 7.9% | 9.1% |
| Autoparts | | | 1,996 | 10.7 | 7.4x | 6.3x | 3.9x | 3.5x | 5.5% | 6.8% |
| Weg | 2 - Neutral | C-2-8 | 31,066 | 50.0 | 29.6x | 27.2x | 20.7x | 18.7x | 1.7% | 1.8% |
| WEG (ADS) | 2 - Neutral | C-2-8 | 31,182 | 0.2 | 29.6x | 27.2x | 20.7x | 18.7x | 1.7% | 1.8% |
| Industrials | | | 31,066 | 50.3 | 29.6x | 27.2x | 20.7x | 18.7x | 1.7% | 1.8% |
| GPS | 1 - Buy | C-1-7 | 2,504 | 6.7 | 17.8x | 13.7x | 9.5x | 7.6x | 2.8% | 3.7% |
| Outsourcing services | | | 2,504 | 6.7 | 17.8x | 13.7x | 9.5x | 7.6x | 2.8% | 3.7% |

Source: Bloomberg, BofA Global Research estimates. (*) For airlines, we use EV/EBITDAR

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Links to recently published reports

WEG: [Launching WEG's one-stop-shop monthly product](#)

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Azul: [Reiterate Neutral after including 3Q23 and marking-to-market FX and oil](#)

Ecorodovias: [Downgrading to Underperform after +115% YTD performance](#)

Amrac: [Downgrading to Neutral on recent outperformance; \(R\\$20 PO\)](#)

Investor survey: [Investors Survey: what are current expectations?](#)

Hidrovias do Brasil: [Incorporating adverse navigation conditions; Kept at Buy](#)

Rumo: [Crop deterioration added to our numbers; Reiterating Buy](#)

Car rentals: Car Rentals - Can worse car depreciation be structural in Brazil? Localiza and Movida kept at Buy

Vamos: [Reiterate Neutral on slower growth pace, asset repossess, weak dealership results](#)

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Localiza: [3Q23 results slightly negative on car rental and Seminovos margins](#)

Hidrovias do Brasil: [Strong 3Q23 Results; Negative quarter ahead on worse navigation conditions](#)

Tupy: [Small miss on 3Q23 results](#)

Mills: [Strong 3Q23 results on higher utilization and pricing, slightly above expectations](#)

Rumo: [Strong 3Q23 results; the best is yet to come](#)

Ecorodovias: [3Q23: Traffic expansion, higher fares and controlled costs yield a strong result](#)

GPS: [3Q23: weaker-than-expected results on lower inorganic revenues](#)

Randon: [Slight miss in 3Q23: Partial margin normalization weigh on results](#)

lochpe-Maxion: [Negative 3Q23 results; Profitability recovery delayed](#)

Amrac: [3Q23: Improving fleet utilization supports strong results](#)

Movida: [Weak 3Q23 on maintenance costs and Seminovos; Positive outcome on US bond](#)

GOL: [Strong 3Q23 results, in line with operating preview](#)

Vamos: [Disappointing 3Q23 results](#)

CCR: [3Q23: Strong results on cost control and partial delivery of "hidden values"](#)

Vamos: [Petropolis contract approved; PO down on higher cost of equity](#)

WEG: [Incorporating 3Q23 & slower revenue growth; Maintain Neutral](#)

Volaris: [Upside risks for 2024 incorporated; Reiterate Buy](#)

WEG: [3Q23 below expectations on top line growth deceleration](#)

Volaris: [In line 3Q23 results; Upside risks for 2024 despite P&W engine recall](#)



LatAm rentals: [Incorporating better 2023 results and CoE expansion](#)

Brazil Auto Parts: [Brazil's weak truck sales likely to continue weighing on results](#)

Toll roads: [New hidden values to CCR; Ecorodovias and CCR ratings unchanged](#)

Hidrovias do Brasil: [Reiterating Buy on North Corridor yield expansion](#)

WEG: [Feedback from the road](#)

WEG: [Incorporating Regal's acquisition; Reiterate Neutral Rating](#)

GPS: [Strong, undervalued M&A potential; Reinstating coverage at Buy](#)

LatAm Rentals: [Catching the yellow line: Initiating coverage of Armac and Mills at Buy](#)

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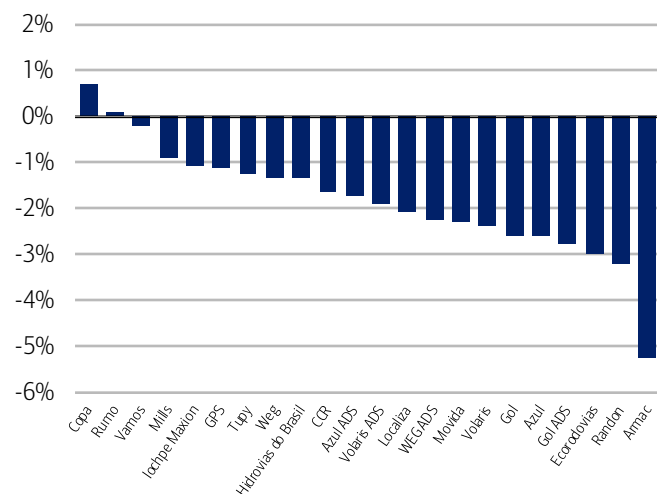
WEG: [It's electrifying: grid investment is actually accelerating](#)

Hidrovias do Brasil: [Navigating towards prosperity after an adverse period; Reinstating at Buy](#)

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Exhibit 4: Daily variation of stock prices (%)

Only Copa and Rumo delivered positive performances yesterday

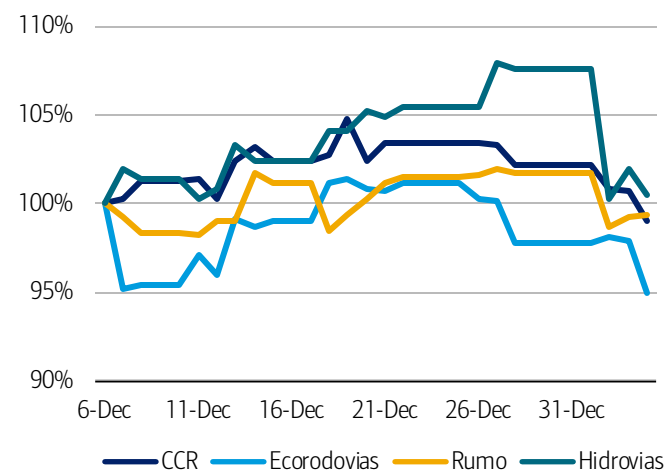


Source: BofA Global Research, Bloomberg

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Exhibit 6: Infrastructure companies' price evolution

Hidroviás do Brasil is outperforming other infrastructure companies

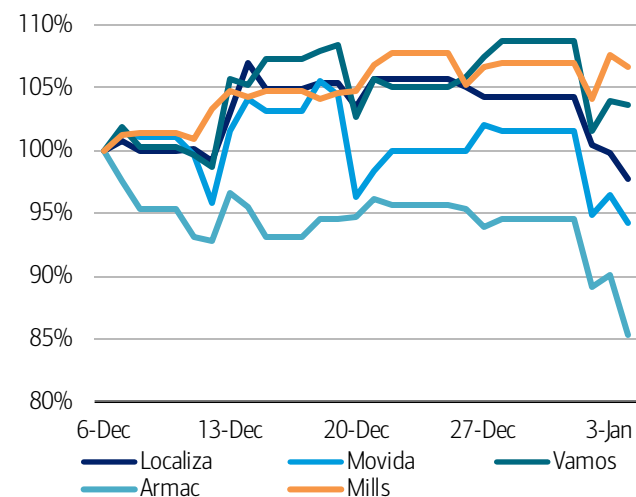


Source: BofA Global Research, Bloomberg

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Exhibit 5: Rentals companies' price evolution (%)

Mills is outperforming other rentals companies

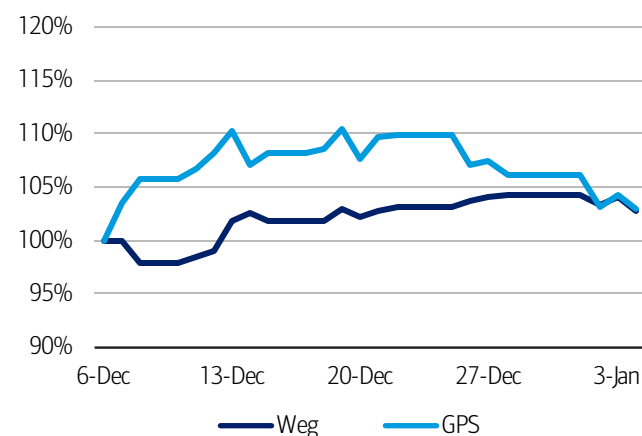


Source: BofA Global Research, Bloomberg

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Exhibit 7: Industrials' share price evolution (%)

GPS and WEG stocks delivered positive performances in the last month

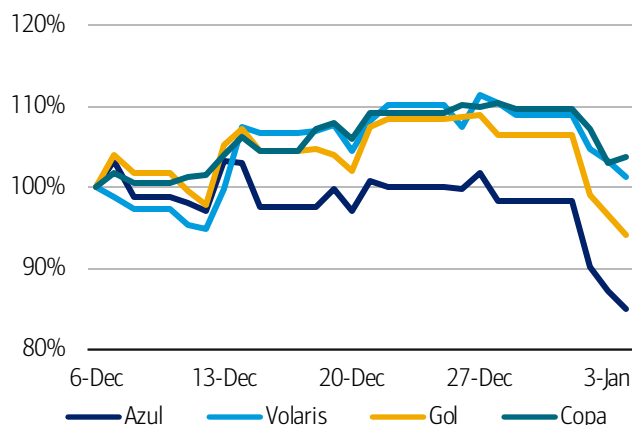


Source: BofA Global Research, Bloomberg

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Exhibit 8: Airlines companies' price evolution

Airlines stock performances worsened recently

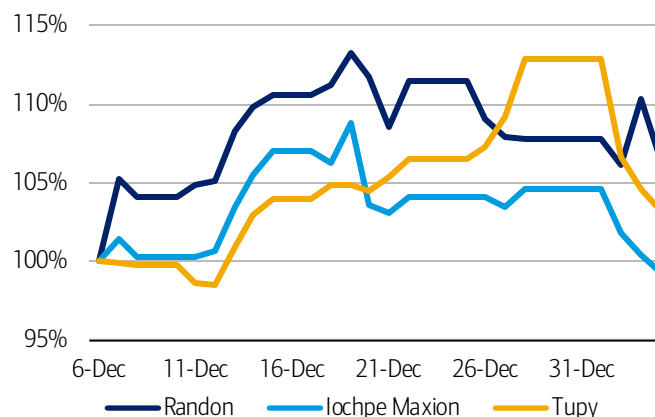


Source: BofA Global Research, Bloomberg

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Exhibit 9: Auto parts' companies' price evolution

Random is outperforming other auto parts companies



Source: BofA Global Research, Bloomberg

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Price objective basis & risk**Volaris (VLRS; US\$8.73; C-1-9 / CTTRF; MXN14.8; C-1-9)**

We derive our US\$12.5 (MXN24.0) price objective from a 2025 Adjusted EV/EBITDAR target of 7.0x (slightly below historical levels pre-Covid 19). In order to have consistency among the sector and historical valuation levels, we do one valuation adjustment for Volaris that we judge as fair: 1) we assume 7x RENT as a proxy for operating leases' NPV, as we calculate this reflects the economic value of leased aircraft better than lease liability (100% of Volaris' fleet has been done through operating leases).

Downside risks to our price objective are: 1) increases in oil price, 2) weakening of economic growth and air demand, 3) MXN depreciation, which could reduce the willingness of Mexicans to fly to the US, and also expand Volaris' costs in USD (mainly aircraft rent, fuel and aircraft maintenance), 4) stronger-than-expected competition and potential oversupply, 5) other pandemic crisis, closing countries' borders for international passengers, or reducing the willingness of people from traveling, 6) slower-than-expected or higher-than-expected impacts from aircraft engine recalls.

Analyst Certification

We, Rogerio Araujo and Gabriel Frazao, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

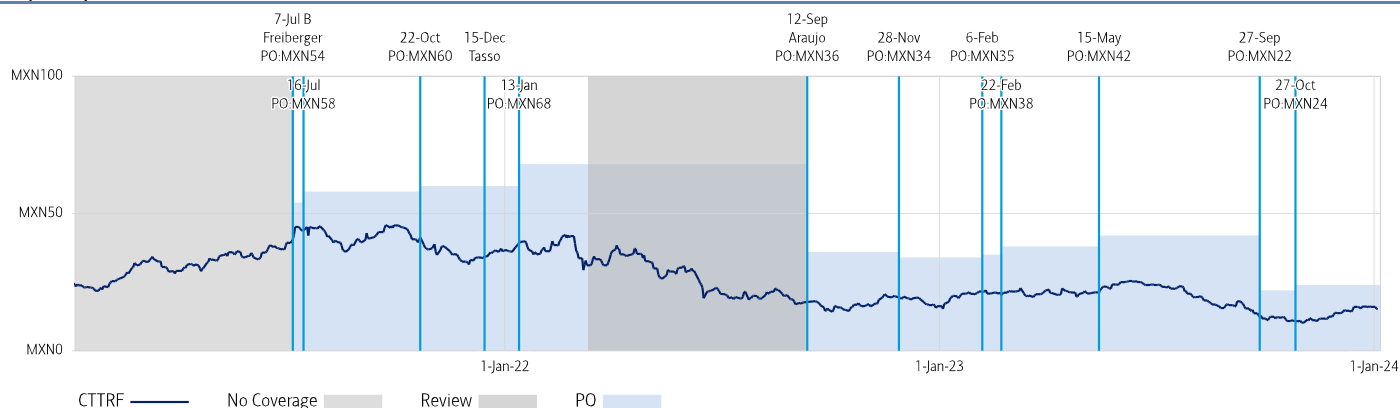
Latin America - Capital Goods & Transportation Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|--|-------------|------------------|----------------|
| BUY | | | | |
| | Copa | CPA | CPA US | Rogério Araujo |
| | GPS Participacoes e Empreendimentos S.A. | XKTRF | GGPS3 BZ | Rogério Araujo |
| | Hidroviás do Brasil | XDXXF | HBSA3 BZ | Rogério Araujo |
| | Localiza | LZRFF | RENT3 BZ | Rogério Araujo |
| | Mills | MLSTF | MILS3 BZ | Rogério Araujo |
| | Movida | XMBDF | MOVI3 BZ | Rogério Araujo |
| | Rumo | RUMOF | RAIL3 BZ | Rogério Araujo |
| | Volaris | VLRS | VLRS US | Rogério Araujo |
| | Volaris | CTTRF | VOLARA MM | Rogério Araujo |
| NEUTRAL | | | | |
| | Armac | XCVZF | ARML3 BZ | Rogério Araujo |
| | Azul | XAZUF | AZUL4 BZ | Rogério Araujo |
| | Azul | AZUL | AZUL US | Rogério Araujo |
| | Randon | RPRTF | RAPT4 BZ | Rogério Araujo |
| | Vamos | XPLPF | VAMO3 BZ | Rogério Araujo |
| | WEG | WGSEF | WEGE3 BZ | Rogério Araujo |
| | WEG | WEGZY | WEGZY US | Rogério Araujo |
| UNDERPERFORM | | | | |
| | CCR | CDCRF | CCRO3 BZ | Rogério Araujo |
| | Ecorodovias | XVEDF | ECOR3 BZ | Rogério Araujo |
| | Gol Linhas Aereas Inteligentes S.A. | GOL | GOL US | Rogério Araujo |
| | Gol Linhas Aereas Inteligentes S.A. | XGOLF | GOLL4 BZ | Rogério Araujo |
| | lochpe-Maxion | IOQF | MYPK3 BZ | Rogério Araujo |
| | Tupy | TPYSF | TUPY3 BZ | Rogério Araujo |

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Volaris (CTTRF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Volaris (VLRS) Price Chart



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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 45 | 50.56% | Buy | 25 | 55.56% |
| Hold | 26 | 29.21% | Hold | 13 | 50.00% |
| Sell | 18 | 20.22% | Sell | 7 | 38.89% |

Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 67 | 50.38% | Buy | 44 | 65.67% |
| Hold | 31 | 23.31% | Hold | 13 | 41.94% |
| Sell | 35 | 26.32% | Sell | 17 | 48.57% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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