

Daily Boarding

Volaris 4Q23 conference call highlights

Industry Overview

Volaris conference call highlights

After reporting mixed 4Q23 results (see: [Volaris: Mixed 4Q23 results: strong 2024 guidance reiterated](#)), Volaris hosted its conference call with investors. Highlights were:

- 1) the company expects engine inspections to last until 2026 due to delays in engine materials' availability;
- 2) Volaris reverted aircraft redelivery provisions to account for lease extensions, which explains the "lease expenses" line coming positive this quarter;
- 3) The increase in the "other expenses" line is related to higher costs from international flights, which should be recurring as long as the international flights' mix is higher;
- 4) Management sees Volaris normalized EBITDAR margins at mid to low 30s, and will work to achieve it going forward – prioritizing profitability over capacity;
- 5) Volaris expects international ASM (Available Seat Mile) to represent ~45% of total ASMs, from 30% historically as the company may shift capacity to international routes to avoid domestic market oversupply.

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Exhibit 1: Summary table of our coverage

We rate Copa and Volaris as Buy and Azul as Neutral

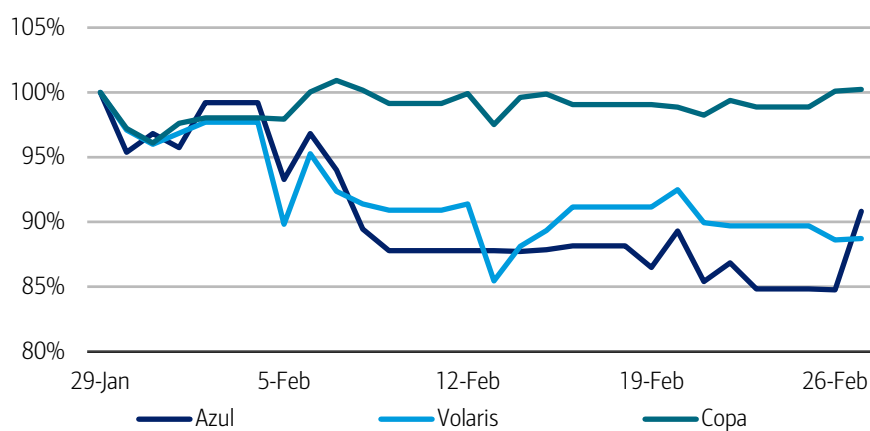
Company	Rating	Q-R-Q rating	Market cap (US\$m)	Average daily traded value (US\$m)	2024 P/E	2025 P/E	2024 EV/EBITDA	2025 EV/EBITDA	2024 Dividend Yield	2025 Dividend Yield
Azul	2 - Neutral	C-2-9	886	39.3	9.0x	7.6x	6.6x	6.1x	2.8%	3.4%
Azul (ADS)	2 - Neutral	C-2-9	885	10.8	9.0x	7.6x	6.6x	6.1x	2.8%	3.4%
Volaris (ADS)	1 - Buy	C-1-9	896	4.4	-5.4x	-124.7x	6.3x	6.1x	0.0%	0.0%
Volaris	1 - Buy	C-1-9	901	2.3	-5.4x	-124.7x	6.3x	6.1x	0.0%	0.0%
Copa	1 - Buy	C-1-7	4,279	29.7	6.7x	5.3x	5.0x	4.1x	6.1%	7.6%
Airlines			6,061	86.4	5.5x	-10.8x	5.4x	4.6x	4.9%	6.1%

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

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Exhibit 2: Airlines companies' price evolution

Copa is outperforming Azul and Volaris



Source: BofA Global Research, Bloomberg

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} 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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