

THE
INVESTMENT CASE

EQUITY RESEARCH PREVIEW

Volaris

Controladora Vuela Compañía de Aviación, S.A.B. de C.V.

A levered, unhedged option on fuel and a merger

Industrials · Ultra-Low-Cost Carrier · NYSE: VLRS / BMV: VOLAR A

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VOLAR

Full Legal Disclaimer, Disclosures & Methodology

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02 Company Overview & Business Description

The Ultra-Low-Cost Model

Volaris is Mexico's largest ultra-low-cost carrier, twenty years removed from its first commercial flight in March 2006, built on a simple mechanic: unbundle the ticket to a seat-only minimum, then sell everything else back as ancillary revenue that carried 55.5% of total operating revenue in the second quarter of 2026, at USD 59 per passenger. The average base fare that same quarter was USD 47, itself an ultra-low anchor price that the ancillary engine is layered on top of, not a substitute for it.

Ancillary is close to half the P&L, not a side business. At the full-year level, ancillary services were 57.1% of FY2025 revenue, and a single sub-line the company calls "other passenger revenue," bag fees, seat selection, itinerary changes, and the Premium and v.club upsells, was alone 52% of FY2025 revenue. The model depends on volume and repeat purchase, not on a high average fare, which is precisely why Volaris prices to stimulate demand rather than to protect yield.

Two demand pools do most of the stimulating. Across the border, the US network concentrates on cities with large Mexican and Hispanic communities, serving Visiting-Friends-and-Relatives traffic that tracks family ties and remittance flows more than business cycles. Inside Mexico, more than 37% of Volaris's routes compete only against ground transportation, not against other airlines; the company targets routes it defines as underserved, primarily served by bus, or dominated by higher-cost carriers on journeys of five hours or more by

COMPANY SNAPSHOT

155

AIRCRAFT, 68% NEO

106 NEO / 49 CEO; 3 AOCs

244

ROUTES / 75 AIRPORTS

152 domestic, 92 international

55.5%

ANCILLARY SHARE OF REVENUE

USD 59/pax, 2Q26; base fare USD

47

8.04¢

FY2025 FULL CASM

vs 11.12¢ LatAm peers, 16.77¢ US

peers

road, and prices base fares below the cost of the bus ticket on that route. That bus-competing segment, more than any single fare promotion, is the structural addressable market this report's demand section returns to.

The unbundled model is underwritten by a real cost advantage, not just a pricing strategy. Full-fleet CASM, cost per available seat mile including fuel, was 8.04 cents in FY2025, against 11.12 cents at other Latin American public peers and 16.77 cents at Volaris's US target-market competitors, among the lowest of any listed airline globally.

Controladora Vuela Compañía de Aviación, S.A.B. de C.V. is the listed holding company; its Mexican operating subsidiary, Concesionaria Vuela Compañía de Aviación, holds the Air Operator Certificate under which flying began in March 2006, complemented by two smaller AOCs, Vuela Aviación in Costa Rica since December 2016 and Vuela El Salvador since September 2021, three certificates in total. Shares trade on the Bolsa Mexicana de Valores as BMV:VOLAR A and, through a Bank of New York Mellon Level III ADR program at a ratio of one ADS to ten Series A shares, on the New York Stock Exchange as NYSE:VLRS. Shares outstanding total 1,148,552,900, net of treasury; at the September 8, 2026 close of USD 6.79 per ADS (MXN 11.58 per share on the BMV), the ADS-equivalent market capitalization is approximately USD 780.2mm (a vendor-computed gross figure of approximately USD 790.9mm also circulates and is shown only as a cross-check throughout this report).

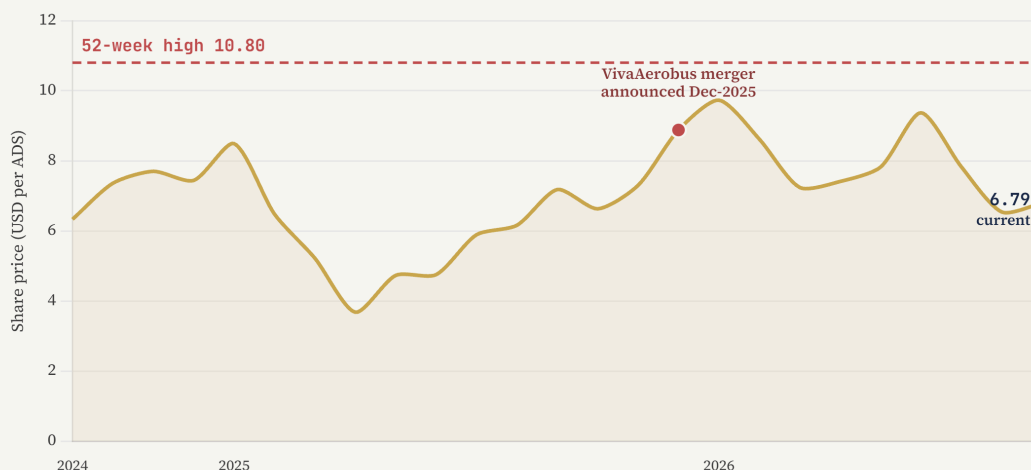
Volaris has no controlling shareholder. Indigo Partners LLC, the aviation-focused investment firm, anchors the register: Indigo-affiliated funds, disclosed under former board member William A. Franke's beneficial-ownership filing, held 18.2% as of December 2025, the largest single position on the cap table, with the balance in public float. Non-independent Chairman Brian Hanna Franke, an Indigo principal, has chaired Volaris since 2020; a second Indigo principal, Andrew Sammons Broderick, stepped down from the board in June 2026. Indigo's wider portfolio includes fellow ultra-low-cost carriers Frontier Airlines and Wizz Air Holdings, both of which recur later in this report's competitive-landscape and merger discussion.

MARKET | SHARE PRICE

Volaris (VLRS) Has De-Rated ~37% From Its 52-Week High

VLRS monthly closing price (USD per ADS), Sep-2024–Sep-2026

— VLRS monthly close (USD/ADS) - - 52-week intraday high 10.80 ● Merger announced Dec-2025 ● Current 6.79



VLRS ADS closing price, trailing two years. The spot USD 6.79 close sits roughly 37% below the 52-week high of USD 10.80. Source: StockAnalysis, trailing 52 weeks to 2026-09-08; The Investment Case.

Volaris's near-term earnings recovery is a fleet-availability story, not a demand story. A genuine self-help mechanic is under way in which the aircraft actually flying every day grows even as the total fleet under lease contract shrinks, and it depends entirely on Pratt & Whitney resolving the geared-turbofan issue that has grounded part of the NEO fleet since 2023.

Fleet Composition and the GTF Concentration

The fleet totaled 155 Airbus A320-family aircraft at 2Q26, unchanged since the 4Q25 close, split 106 NEO (66 A320neo, 40 A321neo) and 49 CEO (39 A320ceo, 10 A321ceo); the NEO share has climbed from 60% at FY2024 to 68% at 2Q26, and average fleet age is 6.8 years, well below the 8.6-year average for other Mexican carriers. That NEO percentage is the company's entire exposure to the P&W issue, not just a fleet-mix statistic. Every one of the 106 NEO aircraft is powered by Pratt & Whitney's PW1100G-JM geared-turbofan family, PW1127G-JM on the A320neo and PW1133G-JM on the A321neo, the engine program that has required accelerated preventive inspections and extended removals across the Airbus NEO installed base industry-wide since the third quarter of 2023.

Type	CEO	NEO	Total
A320 family	39	66	105
A321 family	10	40	50
Total (68% NEO)	49	106	155

Source: Volaris 2Q26 earnings release, fleet table; Corporate Factsheet. 100% Airbus A320 family; every NEO airframe is P&W GTF-powered.

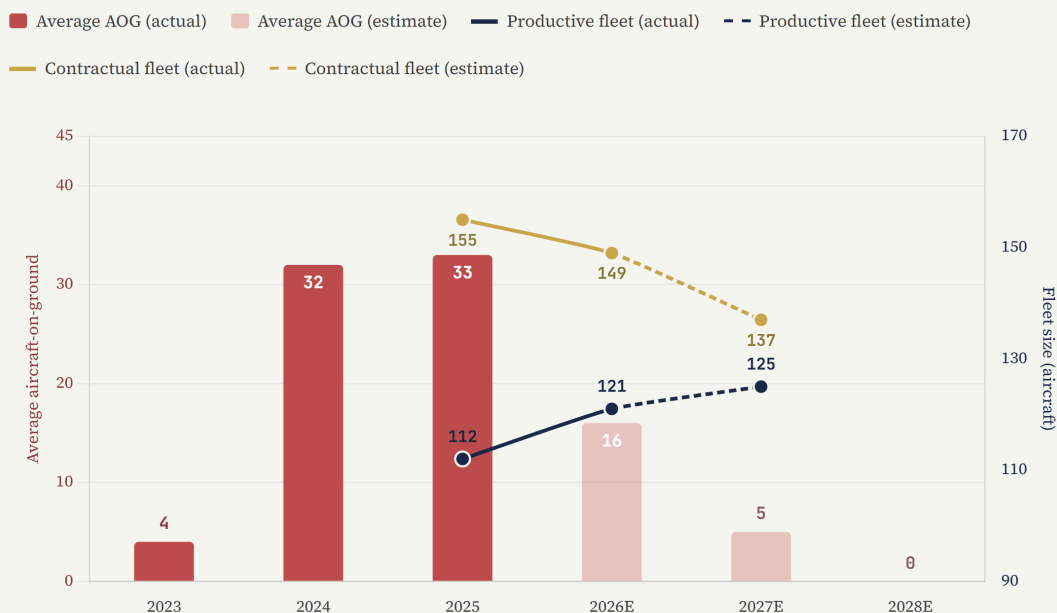
The AOG Trajectory and the Self-Help Mechanic

Point-in-time aircraft-on-ground counts fell from 41 in January 2026 to 24 at the end of 2Q26; management has guided to a low-to-mid-20s level through the second half of 2026 and to full normalization by year-end 2027. Management has tied its 2026 capacity guidance directly to that path, describing the outlook as underpinned by “a meaningful reduction in engine-related aircraft on ground.” Because groundings are recovering faster than the fleet is being re-contracted, the aircraft that actually earns revenue is rising even as the total contractual fleet shrinks: the average available, productive fleet stepped from 112 aircraft in 2025 to a guided 121 in 2026 and 125 in 2027, while the contractual fleet under lease steps down from 155 at 2Q26 to roughly 149 by year-end 2026 and roughly 137 by year-end 2027. Management itself frames the shrinking contractual side of that scissor as “a structural value-creation lever,” not a retreat.

OPERATIONS | FLEET & GTF RECOVERY

The Self-Help Recovery: Aircraft Return as the Leased Fleet Shrinks

Average aircraft-on-ground (bars, left) vs productive and contractual fleet (lines, right), 2023–2028E



Aircraft-on-ground count and the productive-fleet build, 2023 through the 2027 guide. Source: Volaris investor decks (4Q25-2Q26); Corporate Factsheet; The Investment Case.

What the Recovery Is Worth: Lease Economics

A smaller contractual fleet run at higher utilization is worth real money. Volaris guides to roughly USD 50mm per year of incremental lease savings and a roughly USD 360mm reduction in the total lease liability by year-end 2027 versus the 2Q26 balance, both embedded in the margin-recovery path rather than a separate credit to the equity story. Growth capacity, meanwhile, is added without a matching cash outlay: effectively all Airbus-purchased aircraft are executed through sale-leaseback, with roughly USD 332mm of sale-leaseback proceeds committed for 2026 alone, so the fleet plan is capital-light by design, not only in the recovery years. The order book stood at 118 aircraft as of year-end 2025, stepping to 114 by 2Q26 as four deliveries arrived in the first half, with the delivery schedule now running through 2032 (12 in 2026, none in 2027, then 16, 22, 30, 28 and 10 in the years to 2032).

A Separate Airworthiness Directive, Not the GTF Issue

In November 2025, EASA and Airbus issued an Airworthiness Directive covering a flight-control software issue across roughly 6,000 A320-family aircraft industry-wide, in some cases requiring a hardware check. Volaris completed the full scope with zero cancellations and only minor delays, and the company states no material financial impact is expected. This is an airframe-level Airbus directive, unrelated to the Pratt & Whitney GTF engine program that drives the multi-year recovery thesis above, and the two should not be conflated.

07 Catalysts

The report tracks three dated, confirm-or-disconfirm catalysts over the next six to eighteen months: fuel-price normalization, the Pratt & Whitney GTF aircraft-on-ground glidepath, and the antitrust decision on the VivaAerobus merger. One section is reproduced in full below; the remaining two are developed with the same discipline in the full report.

GTF AOG Glidepath | Confirms the FY2027E EBITDA Anchor

The ask here is narrower: does the aircraft-on-ground count (24 at 2Q26, guided to approximately 25 through 2H26 and year-end 2026, normalized by year-end 2027) keep tracking management's own schedule, since that path is already the assumption embedded in the FY2027E EBITDA anchor, not an incremental catalyst on top of it.

Bull if it holds: the fleet-shrink and lease-savings tailwind, approximately USD 50mm per year, lands on schedule, supporting the FY2027E EBITDA that anchors our base case.

Bear if it slips: a Pratt & Whitney schedule extension pushes the margin recovery, and with it the FY2027E EBITDA anchor, further out, a named kill criterion for the thesis.

The full report develops the rest of the chapter with the same discipline:

- 1** Fuel-Price Normalization, the quarter-by-quarter swing factor, with the fuel-and-multiple sensitivity grid that frames the whole thesis
- 2** The VivaAerobus Merger and the CNA Decision, the antitrust timeline and how a clearance or a block moves the bull and bear scenarios

Each is anchored to the company's filings, the quarterly results and earnings call, and the merger transaction documents.

This is a preview of our full Volaris deep dive.

The complete 77-page report includes:

Executive Summary: Investment thesis, bull and bear case, key risks, the financial snapshot and three dated catalysts, framed as a levered option on fuel and a merger

Company Overview: The ultra-low-cost model, fleet and network, revenue composition, ownership and Indigo-Partners governance, management and strategic milestones

The VivaAerobus Merger: Transaction structure and the combined entity, the six-approval regulatory path led by the CNA and Hart-Scott-Rodino, synergy assumptions, combined-company governance and antitrust risk

Industry and Market: The Mexican aviation market and ULCC positioning, the Pratt & Whitney GTF industry-wide grounding, the competitive landscape and peers, demand drivers, and the AICM, AIFA and FAA-Category-1 regulatory framework

Financial Performance: Revenue, unit economics (TRASM and CASM), profitability by quarter, peer profitability comparison, the balance sheet and IFRS-16 lease leverage, cash flow and liquidity, and the key metrics from FY2022 through FY2031E

Valuation: EV/EBITDA and EV/EBITDAR on Volaris's own-history multiple anchor, a discounted-cash-flow cross-check on a USD cost of capital, the fuel-price sensitivity grid, relative valuation versus the ULCC peer set, and a full reconciliation to Street consensus

Catalysts: Three dated confirm-or-disconfirm catalysts and the monthly-traffic watch (you have read one section; the fuel and merger catalysts remain)

Risk Analysis: The probability-and-severity matrix, unhedged fuel, antitrust and merger risk, GTF normalization slippage, thin and eroding book equity with refinancing risk, and Mexican demand and FX

Conclusion and Appendix: The thesis stated plainly, what would change our view and what comes next, plus the full financials, the DCF and multiple assumptions, the event calendar, methodology and data sources

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