

Volaris Aviation [VLRS] Price on 13 November 2015 \$17.07

Controladora Vuela Compania de Aviacion SAB de CV (Volaris Aviation) is a Mexico-based company principally engaged in the airline passenger transportation industry. The Company is a low-cost carrier airline offers direct, point-to-point flights.

Company Facts: www.volaris.com

Ticker	Market Cap	Sector	Exchange	Currency	Indicies
VLRS	£1.30 Bn	Airlines	NYSE	US dollar	NYSE

Key Features

- The Company serves through secondary, lower cost airports and provides a single class of service. The Company utilizes such aircraft as the Airbus A319 and A320 families.
- Volaris had been struggling since it went public in 2013. but the company's fortunes have turned around in 2015 as it has been reporting stellar passenger growth.
- Volaris had transported 9.8 million customers in 2014, a 10% increase year over year
- Volaris also has a healthy balance sheet unlike many airline companies.
- Volaris has returned to profitability as the company's operating margin for Q1 2015 jumped from -18% in FY2014 to over 9% in FY2015.
- The company's ended the last quarter with over \$205 million as compared to the total debt of roughly \$90 million
- Since beginning operations in March 2006, Volaris has increased its routes from five to more than 140 and its fleet from four to 53 aircraft. Volaris offers more than 240 daily flight segments on routes that connect 39 cities in Mexico, 21 cities in the United States and 2 Central America with the youngest aircraft fleet in Mexico.
- Volaris targets passengers who are visiting friends and relatives, cost-conscious business people and leisure travelers in Mexico and to select destinations in the United States.
- Volaris has received the ESR Award for Social Corporate Responsibility for six consecutive years.
- The drop in oil prices has had a huge positive impact on the company's earnings while the company's increasing focus on the U.S. market also proved to be beneficial. Low oil prices, increasing ticket fare and strong summer traffic will continue to assist airline stocks.
- Goldman Sacs has suggested that the oil price could fall to \$20 a barrall further helping reducing cost margins for airline stocks [goldman-sachs \\$20 oil price](#)
- Volaris had earlier struggled due to overcapacity in the Mexican air travel market
- Volaris have outperformed the airline industry this year and its cost reducing initiatives will boost the company's margins going forward.
- Year on year share performance increase 63.6% (15 Sept 2014 \$9.01 4 August 2015 \$14.74)

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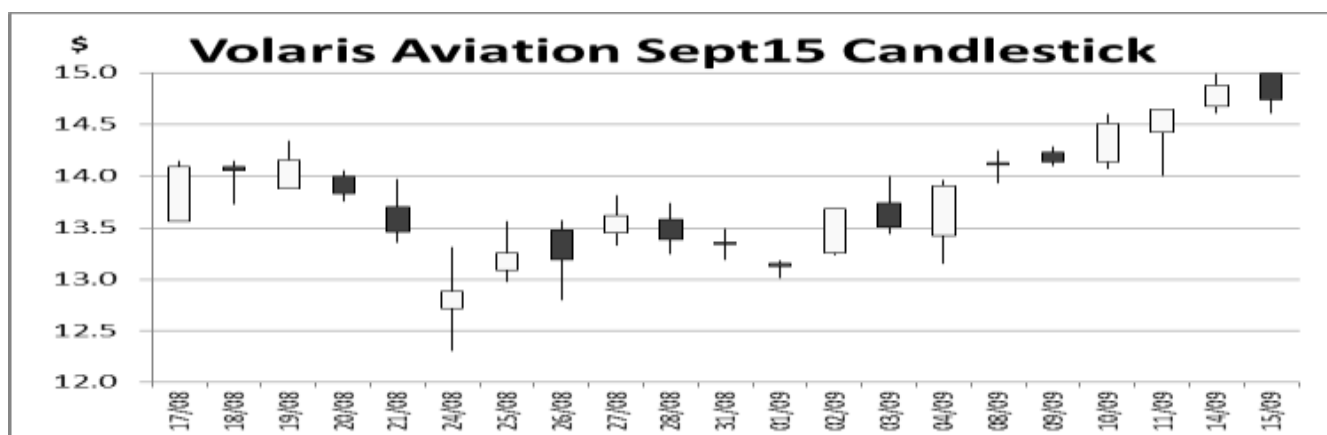
- [Volaris reports strong second quarter growth in 2015](#)
- https://www.youtube.com/watch?v=KOTHIBPa4f8&feature=player_embedded
- During August 2015 Volaris increased total capacity, as measured in Available Seat Miles (ASMs), by 24.1% year over year, Volaris transported a total 1.2 million

Financial Performance

- [Volaris reports strong second quarter growth in 2015](#)
- [2014 Annual Report](#)
- [Analyst Estimates](#)

2014 Annual -Report	2013	2014	change
31 Dec	Peso 000	Peso 000	%
Total Assets	8378	9905	18.2
Equity	3962	4470	12.8
Long Term Debt	4415	5435	23.1
Operating Income	13.0	14.0	7.69
Operating Expenses	12.7	13.8	8.66
Cash year End	2451	2265	(7.5)
EPS(ps)	0.31	0.59	90.3

TECHNICAL ANALYSIS – Technical Diagnosis – Moving averages give a good indication of the vitality of the share in the long run. The incline in Volaris 200 day moving average is testimony to the rising trend in this share. Airline stocks have been an excellent trading hedge against falling oil prices. Volaris found support at \$7 a share in autumn 2014. The share has been on a significant incline since October 2014. Suggestions from Goldman Sachs of continued falling oil prices [[goldman-sachs \\$20 oil price](#)] and resistance to oil exporters cutting supply would be beneficial for oil related industries that relies on oil in their cost base. Since the 24th August there have been bullish candlestick signals with a hanging man on the 11th September. Normally indicative of a reversal sign, this was not to be the case. The share has touched a tweezer top at the all important psychological \$15 resistance level. Further increases above \$15 could see upside potential being explored in territory not seen since January 2014. Volaris has seen strong second quarter growth in 2015 and seems to be securing a niche in the quality no frills sector as the leader in Mexico's airline industry. I bought 420 shares at \$14.70 [£9.69] on 14 September in support of conviction that the share has upside potential as a good defensive strategy against continued falling oil prices. **Please note this analysis is not advice but interpretation of potential market moves.** Past performance is no guide to the future. First Share Reviewed on 15 September 2015 at \$14.74 Current Price 13 November 2015 \$17.07 (Close)



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