

Aeromexico (Q3 2025 Results)

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Corporate Speakers:

- Lucero Medina; Grupo Aeromexico S.A.B. de C.V.; Head of Investor Relations
- Andres Conesa Labastida; Grupo Aeromexico S.A.B. de C.V.; Chief Executive Officer
- Aaron Murray; Grupo Aeromexico S.A.B. de C.V.; Chief Commercial Officer
- Ricardo Sanchez Baker; Grupo Aeromexico S.A.B. de C.V.; Chief Financial Officer & Executive Vice President

Participants:

- Michael Lindenberg; Deutsche Bank; Research Analyst
- Guilherme Mendes; JP Morgan; Analyst
- Enrique Soto; Itau BBA; Analyst

PRESENTATION

Operator^ Good morning and welcome to Aeromexico's Third Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. There will be a question and answer session at the end with instructions given at that time.

For the webcast participants, you may submit questions at any time during the call using the Ask a Question section on the webcast. As a reminder, today's conference call is being recorded. Now, I would like to turn the call over to Ms. Lucero Medina, Head of Investor Relations. Ms. Medina, you may begin.

Lucero Medina^ Good morning and thank you for joining us. Welcome to Grupo Aeromexico's Third Quarter 2025 Earnings Conference Call. Joining me today to discuss our results are Andres Conesa, Chief Executive Officer, Aaron Murray, Chief Commercial Officer, and Ricardo Sanchez Baker, Chief Financial Officer.

Before we get started, I would like to take this opportunity to remind you that during the course of this call, we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act regarding future events and our company's future performance.

We caution you to consider the risk factors that could cause actual results to differ materially from those in the forward-looking statements on this call. For more information, please see the risk factors described in our published third quarter 2025 earnings release, the final prospectus for our IPO published November 5, 2025, with the SEC, and other documents that we may file with or furnish to the U.S. SEC from time to time.

Any forward-looking statements that we make today are based on assumptions as of today and we undertake no obligation to update these statements as a result of more information of future events. During this call, we will present both IFRS and non-IFRS financial measures. We have included a reconciliation and explanation of adjustments and other considerations of our non-IFRS measures to the most comparable IFRS measures in our third quarter earnings release.

The earnings release is also available on the website. It is now my great pleasure to turn the call over to Andres Conesa.

Andres Conesa Labastida^ Thank you, Lucero, and good day, everyone. We appreciate you joining us. Today marks a milestone moment. It's our first quarterly results call as a public company. I could not be prouder or more energized by what we have accomplished together.

Following the successful pricing of our IPO, the strong demand we saw from investors is a clear testament to how Aeromexico is viewed today as a company defined by trust, disciplined execution, and longstanding commitment to excellence.

I want to extend my sincere gratitude to our entire team for their unwavering dedication and to our shareholders for the confidence they have placed in us. The completion of our dual listing on both the New York Stock Exchange and the Mexican Stock Exchange marks an important milestone in Aeromexico's journey. This achievement elevates our visibility in the global markets and positions us for sustainable long-term growth.

We remain deeply committed to the highest standards of governance, transparency, and accountability, key pillars that are fundamental to who we are as a company and underscore our leadership across Latin America and beyond.

Turning to our third quarter results, Aeromexico once again delivered strong performance, demonstrating the resilience of our business model and the outstanding execution of our team. The third quarter is traditionally our busiest period of the year.

Achieving solid results during this peak season requires precision, coordination, and an unwavering commitment across the organization, and our team delivered. I want to take a moment to recognize the people behind these results, our employees. Their professionalism, their passion, and focus on excellence continue to define who we are and drive our success.

Despite some demand challenges earlier in the quarter, we delivered industry-leading financial results, recording the second-best third quarter in Aeromexico's history. We maintained strong margins, excellent operational reliability, and a solid balance sheet.

Total revenue for the third quarter reached \$1.4 billion with an adjusted EBITDAR margin of 31% and an operating margin of 18%, keeping Aeromexico among the top-

performing airlines globally. These results demonstrate our continued focus on profitability growth, cost discipline, and strategic network management.

On the operational front, the company continues to stand out as one of the most reliable airlines in the world. Through October, we continue to lead in Cirium's global punctuality rankings.

Our service excellence also continues to earn recognition from our passengers and across the industry. For the seventh consecutive year, Aeromexico received a five-star Global Airline APEX Award, a distinction that highlights our world-class customer experience. This consistency reflects our unwavering commitment to safety, service quality, and discipline execution, the foundation of our sustained success.

We also made meaningful progress on our investment plans, on the modernization of our fleet, and on our efforts to elevate the customer experience. We added four Boeing 737 MAX aircraft during the quarter, expanding our operating fleet to 162 aircraft, with an average age of 8.5 years, one of the youngest and most efficient in the region.

We see additional opportunities across our long-haul network, particularly in Europe, as highlighted by our recent announcement of new routes from Mexico City to Barcelona and Monterrey to Paris. Both beginning next summer.

In addition, we inaugurated a state-of-the-art check-in area at Mexico City International Airport, designed for our Premier One and SkyTeam customers. This is the first phase of a broader transformation to upgrade all check-in areas at the airport, further enhancing the travel experience for our passengers.

Looking ahead, our priorities remain clear and consistent to deliver high-quality, sustainable results, to strengthen our competitive position in Mexico and abroad, and to create lasting value for our shareholders, customers, and employees. Our focus remains on operational excellence, discipline, capacity management, and continuing innovation in service, ensuring Aeromexico remains synonymous with reliability and trust wherever we fly.

With that, I will now turn it over to Aaron, who will share more detail on our commercial performance and demand trends. Thank you very much.

Aaron Murray^ Thank you, Andres, and good morning, everyone. Echoing Andres, I want to express my sincere gratitude to the entire Aeromexico team, and I'd also like to thank our incredibly loyal customers. The combination of these two critical groups is the foundation of our success.

For the third quarter of 2025, we delivered solid results, with all regions achieving strong profitability. Passenger revenue was down 4.9% year-over-year, a 1.7-point improvement compared to the second quarter. Passenger unit revenue declined 4.3% year-over-year, but has shown steady sequential improvement throughout 2025.

Within the quarter, July was our most challenging month, but we reached an inflection point in August and achieved nearly flat unit revenue performance for both August and September.

Domestic performance has been impacted this year by currency, economic, and geopolitical headwinds, and has been most pronounced in border cities due to changes in U.S. immigration policy. We acted early, adjusting capacity to align with demand, and as a result, capacity declined 11.3% year-over-year in the third quarter, while domestic passenger unit revenue was flat.

Internationally, results were strong, with profitability across all regions. Our wide-body portfolio continued to perform well, with Europe remaining our most profitable region. The U.S. region faced headwinds in 2025 amid continued geopolitical uncertainty.

We acted decisively by adjusting capacity earlier in the year to better align with shifting demand trends. U.S. capacity increased 15% during the first half of 2025, but was flat for the third quarter. These adjustments, combined with demand recovery, resulted in a six-point passenger unit revenue improvement from the first quarter low, with continued progress expected in the fourth quarter.

Turning to premium. As Mexico's flagship airline, Aeromexico remains focused on serving premium customers with exceptional products and experiences. We continue investing in our lounges, onboard offerings, including Wi-Fi, cabin improvements, and world-class cuisine, and other elements that elevate the customer journey.

In the third quarter, premium unit revenue outperformed main cabin by five points year-over-year. While both cabins deliver strong margins, we continue to see growing demand for premium products and services.

On the loyalty front, we've seen meaningful growth in the percentage of passengers who are members of our Aeromexico Rewards Program. In the third quarter, we reached a record high of 33%, up three points year-over-year and nine points since we reacquired and rebranded the program in 2023. We are still in the early stages of building a program designed to deliver meaningful value to our most important customers, and we expect continued growth in the following years.

Turning to outlook, as we move into the fourth quarter, we continue to see sequential improvement in both passenger revenue and unit revenue performance. We expect our passenger revenue to increase 3% to 5% year-over-year on a modest capacity reduction. Industry capacity trends in the Mexico City metropolitan area are also favorable, with near-flat capacity at Mexico City, Toluca, and Santa Lucia airports, while the rest of the country is up approximately 4%.

These trends give us confidence that the positive revenue momentum will continue through year-end and set a strong foundation for 2026.

In closing, Aeromexico's solid third quarter results demonstrate our ability to execute effectively in a challenging environment, underscoring the strength and resilience of our business. I'll now turn the call over to Ricardo.

Ricardo Sanchez Baker^ Thank you, Aaron, and good morning, everyone. I would like to join Andres and Aaron in expressing my sincere gratitude to the entire Aeromexico team for their exceptional dedication. Their efforts have enabled us to achieve another significant milestone for the company, the successful completion of our IPO and dual listing on the New York Stock Exchange and the Mexican Stock Exchange.

The team's commitment to excellence continues to drive our progress, and the strong third quarter results further affirm that we are advancing in the right direction. Our third quarter results were in line with the upper range of the flash numbers presented in the IPO prospectus. Total revenue exceeded \$1.4 billion and remained stable compared to the same period in 2024 once extraordinary non-recurrent items are excluded.

Total revenue per ASM increased by 0.6% year-over-year, excluding extraordinary non-recurrent items recorded in the third quarter of 2024. These extraordinary non-recurrent items include, one, estimated breakouts from unused tickets resulting from changes to ticket usage rules implemented as a response to the uncertainty associated to the COVID crisis, and two, compensation from Boeing for financial damages associated with the Boeing 737 MAX.

On the cost side, total operating expenses increased 2.5% year over year, mainly reflecting higher depreciation amortization from fleet additions.

The full effect of labor cost increases following the 2024 collective bargaining agreement renegotiations and higher airport and passenger service costs resulting from expanded international operations. Unit cost excluding fuel increased by 6%, primarily due to the ownership expenses associated with new aircraft deliveries, changes in the labor cost, the appreciation of the Mexican peso, and general inflationary factors.

Fuel performance continues to improve. Fuel consumption per ASM, a measure of efficiency, decreased 1% year-over-year, while the average fuel price per liter declined 3.7%. Aeromexico is now among the world's largest operators of the 737 aircraft type.

Adjusted EBITDAR totaled \$442 million, reflecting a margin of 31%. This marks the company's second highest third quarter adjusted EBITDAR and adjusted EBITDAR margin on record. Excluding extraordinary non-recurrent items recorded in the third quarter of 2024, adjusted EBITDAR for the third quarter of this year increased by 1.4% with respect to the same period in 2024.

Operating income reached \$253 million with an 18% margin, also the second best third quarter performance on record.

Net income was \$97 million in the third quarter, representing a 7% net margin. Net finance costs amounted to \$132 million, primarily as a result of foreign exchange movements. A foreign exchange gain of \$14.4 million in the third quarter became an \$11.3 million loss this quarter, resulting in a \$25.7 million increase in costs year-over-year.

Other factors affecting finance costs for the third quarter of 2025 include lease interest from fleet expansion, increased finance charges related to our senior secured notes issued last year, as well as lower interest income after the capital reduction distributed to shareholders in December in 2023.

At the end of the quarter, Aeromexico remained in a robust financial position. The company reported \$934 million in cash on hand, complemented by a \$200 million on drawn revolving credit facility, resulting in total liquidity of \$1.1 billion, which accounts for 21% of revenue over the past 12 months. We believe that this strong liquidity enables considerable flexibility to the company.

In the first nine months of the year, we generated \$568 million in net operating cash flow and reduced financial debt by \$93 million, including a \$48 million reduction in the third quarter.

Our leverage ratio, measured as adjusted net debt to adjusted EBITDAR, was 1.9 times, reflecting continued leveraging and robust cash generation.

Turning to our outlook with current trends, we project a strong fourth quarter. Total revenue, excluding extraordinary nonrecurrent items recorded in the fourth quarter of 2024, is expected to grow between 1% to 3% year-over-year, with adjusted EBITDAR margin expected to range between 27.5% and 29%, and operating income margin expected to range between 14% and 15.5%.

We anticipate capacity for the December quarter will be down between 3% to 1.5% year-over-year. These figures imply for the full year an increase in total capacity of up to 0.5% and adjusted EBITDAR margin within the range of 29% to 30% and operating income margin between 15% and 16%. Our capital allocation priorities remain unchanged.

We intend to reinvest in segments that offer strong returns, consistently work to reduce our debt, and maintain targeted investments designed to provide an exceptional customer experience. We will continue to evaluate other ways to deliver value to our shareholders as well. Looking ahead to 2026 and beyond, our strategy remains centered on driving profitable and sustainable growth.

We continue to focus on protecting margins, optimizing our cost structure, and maintaining strong financial flexibility, ensuring Aeromexico is well positioned to capture opportunities and deliver long-term value.

Before concluding, I am pleased to share that we have launched our new investor relations website at ir.aeromexico.com, where you can access the latest company information, financial data, and materials from this call. Thank you very much for joining the call, and we will now proceed to the Q&A section.

QUESTIONS AND ANSWERS

Operator^ Thank you so much. (Operator Instructions) Please stand by while we compile the Q&A roster. Our first question is from Michael Linenberg with Deutsche Bank. Please proceed.

Michael Linenberg^ Oh, hey. Good morning. Congratulations on a successful IPO.

Two questions here. As we look at the guidance, implied in that is that RASM should be positive, very high probability that it will be positive. I know you mentioned that in August and September it had inflected positive. Which geographies, regions, or segments are leading? Which ones are lagging in the fourth quarter?

Aaron Murray^ Yes, this is Aaron in commercial.

Michael Linenberg^ Oh, hey, Aaron (inaudible).

Aaron Murray^ Hey, Michael. How are you? To answer your question about unit revenue being positive, yeah, we expect on the domestic and international front to have positive unit revenue to go along with the revenue guidance.

In terms of things that are standing out on the positive side, and we're about 70% to 80% booked for the quarter, right? So we have pretty good confidence in how things are going to come in. But we're seeing strength really across the board. I think things worth calling out.

Domestically, as we said, we saw a sequential improvement, but we expect, kind of quarter-over-quarter domestic to probably have the biggest unit revenue year-over-year, quarter-over-quarter improvement. Within uniquely within domestic, we're having a strong fourth quarter in our beach, [Playa's] portfolio. We did take some capacity cuts and planned on a little smaller portfolio this year just based on last year's performance.

But weather's really been cooperating, and that's kind of standing out in the domestic portfolio. It's about 8% of our ASKs for Aeromexico. And then I'd say the other one worth calling out in the fourth quarter is just the trajectory and improvement the U.S. is on. We're seeing quite a bit of sequential improvements fourth quarter over kind of first three quarters of the year. So those would be the two that are really standing out to me as strong performers in particular given where the year started.

Michael Linenberg^ Great. Thanks. Thanks for that, Aaron. And then you mentioned U.S. I guess this is a question for Andres. Your president, I believe last week, indicated

that she was confident or felt confident that the U.S. and Mexico could get to some sort of a resolution in the coming weeks over the bilateral. Do you share that confidence? Or where do things stand? Your thoughts? Thanks for taking my questions.

Andres Conesa Labastida^ Thank you, Michael. Thank you for the congrats. And, yeah, we have been in very close contact with our government.

And what we know is that they have been in contact with the U.S. government both, as she mentioned, with the State Department and with the DOT. So, again, we're hopeful that this issue will be behind everyone soon. But we don't have additional information beyond that.

But, again, supporting them in everything they need. And hopefully, they solve this, mainly this cargo-related matter that has been the main point of discussion between the two countries.

Michael Linenberg^ Great. Thanks, Andres.

Operator^ Thank you so much. Our next question comes from the line of Guilherme Mendes with JPMorgan. Please proceed.

Guilherme Mendes^ Hey, everybody. Andres, Aaron, Ricardo, Lucero, thanks for taking my questions and congrats on the IPO. Aaron, following up on your comment, I believe you said that you do expect capacity to grow by 3% to 5% into next year.

So, just correct me if I'm wrong. But I wanted to explore what is the bull and bear case here. So, given the fact that you guys have some idleness on the fleet, what could be the bull case into next year?

So, assuming that cross-border improves more than expected and also domestic performance better, what could be the bull case in terms of capacity addition into next year? And the second one is to Ricardo, maybe, on the liquidity side. You mentioned about capital allocation on target investments, reduced leverage, but also considering other opportunities.

By other opportunities, you mean capital distribution. Maybe you have restrictions on dividends, but maybe capital reduction. So, how should we think about that side of capital allocation to shareholders in the midterm? Thank you, guys.

Aaron Murray^ Yeah, so just in terms of, like, carrying forward the trends into next year, we're not providing, like, specific guidance right now into 2026. But what I can tell you is we had a number of aircraft delivered in 2025. And so we have opportunity to grow.

In the first quarter, we expect modest kind of flattish growth. But what we're really thinking about next year is in summer IATA season. So, I'd say, we definitely have, with

the aircraft that have delivered the opportunity to grow, and I would expect that kind of inflection point to be in the summer IATA schedule.

Andres Conesa Labastida^ Just to complement what Aaron just mentioned, yes, we have stressed one important factor for margin expansions going forward is this operational leverage. As Ricardo explained in his remarks in the third Q, we have an increase in cost per available seat miles associated with additional aircraft that we receive. That growing 0.5% this year we have more aircraft than we need. So, that will give us a big positive momentum going into 2026. Ricardo?

Ricardo Sanchez Baker^ Thank you, Andres. Thank you. Regarding liquidity, yeah, I mean, as we have mentioned, we have been producing very strong free cash flow, and we expect that this will continue.

And this cash flow has been enough for us to leverage, also to fund our CapEx program, which includes maintenance CapEx and investment in product, as Andres mentioned. And we have free cash flow left that we could use for additional opportunities. This could be, let's say, opportunistic purchase of aircraft that are already operating with us.

If we find opportunities, sometimes [lessons] are we need to sell the aircraft at [active] prices, and then we can save substantial money on the delivery cost. That could be one opportunity.

But we think that going forward, we will be in a position to evaluate other alternatives to distribute resources to shareholders. We are not at that stage right now, but that's something that we expect to happen in the future.

Guilherme Mendes^ Very clear. Thank you both, and congrats again.

Operator^ Thank you so much. Our next question comes from Enrique Soto with Itau BBA. Please proceed.

Enrique Soto^ Thank you so much for taking my call, and congratulations for the IPO. My question goes particularly with the 2024 normalized results. If you can provide us a little bit more details of that.

Ricardo Sanchez Baker ^ Yes, thank you. Thank you, Enrique. Thank you for your call. Yeah, I mean, 2024 was really an exceptional year. We produced record results. But also in 2024, we booked a couple of non-recurrent items that are particular.

Usually every year we have non-recurrent items, some positive, some negative, they tend to cancel out. But in 2024, we have two particular situations. One is associated to point compensation that we received after 737 MAX 9 grounding, so that's part of it.

But the most relevant component is associated to unused tickets or expired tickets. What do we mean by that? Usually when we sell a ticket, it has a validity of 12 months.

But what happened is that during the COVID crisis, just before the COVID started and after COVID started, there was a lot of uncertainty in the market. Some markets were closed. Passengers were nervous about traveling.

So we extended this flexibility, and instead of expiring the ticket after 12 months, we extended the validity of this ticket until basically 2024, when we had the last extension. So at that point, tickets that were unused were canceled and we booked the revenue, even though these tickets were sold earlier than that, close to the COVID crisis. So that's a very particular non-recurrent item that we think is important to adjust, particularly when we make comparisons versus last year.

So last year, for example, the total amount of these two non-recurrent items was around \$166 million. And of these, between 85% to 90%, it's attributable to this unused ticket IPAC.

Enrique Soto^ Well, perfect. Thank you so much, Ricardo, for the latest [information].

Operator^ Thank you. I do not see any further questions on the telephones. Back to management.

Andres Conesa Labastida^ Yeah. We see online one question regarding to the recent DOT restrictions announced around three weeks ago. Again, that's related to the answer I made before.

Again, we are waiting and confident that both governments will reach an understanding soon. But in the meantime, we grew, as Aaron explained, to the U.S. Basically, in the last two years, everything, after being in Category 2, as you know, which Mexico was upgraded a couple of years ago when we were lifted to Category 1, we deployed all the different flights that we wanted. So we are where we want to be today.

We don't have anything planned for the near future. So really this restriction in AICM doesn't affect us in the short and medium term. And again, we're confident that it will be solved soon.

And we did have to cancel from Santa Lucia a couple of flights, one to Houston, the other one to McAllen. So those flights are not operating today, and we're waiting again for that order to be, once an agreement is reached, to be back. And we'll keep you posted on that.

The only other route that was affected, we were planning to start San Juan from AICM, from our home in Mexico City. We didn't start that. But again, Aaron explained, only in the first half of 2025, [aerospace] to the U.S. grew 15%. And we have several additional markets. So, again, we are fine and looking forward that, again, this issue between the two governments is resolved soon.

Operator^ I'm still not showing any further questions in the queue.

Andres Conesa Labastida^ Well, thank you very much for attending this call. And we look forward to seeing our end of the year 4Q, with the 4Q results. Thank you for your confidence, and rest assured that we will continue to deliver on this very strong performance. Thank you very much.

Operator^ And with that, ladies and gentlemen, we conclude our conference for today. Thank you for your participation. You may now disconnect.