WESTPEAK RESEARCH ASSOCIATION

Copa Holdings, S.A. (NYSE: CPA)

Industrials - Transportation

One Way Ticket to Recovery

March 11, 2022

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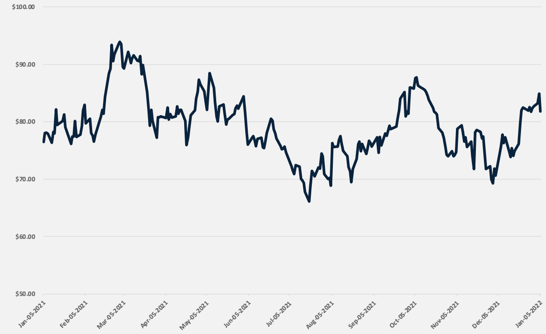
Equity Research	US
Price Target	**US$ 86.4**
Rating	Hold
Share Price (Jan. 3 Close)	US$ 81.43
Total Return	6.1%

Key Statistics	
52 Week H/L	$94.91/$64.66
Market Capitalization	$3.53B
Average Daily Trading Volume	472,209
Net Debt	$1.6B
Enterprise Value	$3.7B
Net Debt/EBITDA	6.2x
Diluted Shares Outstanding	$42.6M
Free Float	74.1%
Dividend Yield	N/A

WestPeak's Forecast

	2021E	2022E	2023E
Revenue	$1.41B	$1.98B	$2.15B
EBITDA	$260M	$397M	$430M
Net Income	$(68)M	$50M	$131M
EPS	$(1.6)	$1.17	$3.06
P/E	(50.9) x	69.4x	26.5x
EV/EBITDA	18.1x	11.9x	11.0x

1-Year Price Performance



Copa Holdings, S.A. (CPA) is a global provider of airline passenger and cargo transportation through its principal subsidiaries, Copa Airlines and Copa Colombia. Headquarted in Panama and Colombia, the company offers affordable flights worldwide, with a major emphasis on service and punctuality.

Thesis

Copa's commitment to a cost-efficient and punctual airline operations has given them the opportunity to steadily recover from the negative impacts of the COVID-19 pandemic. Uniquely positioned in Panama, Copa has been able to effectively establish a connecting bridge between North America and South America, leveraging the country's economic growth and recovery. With a strong commitment to cut prices and lower margins, they have been able to mitigate the impacts of the pandemic and started their economic recovery.

Drivers

Like many other airlines, Copa leverages the geographic advantage of its headquarters and is dependant on discretionary consumer spending. Regional regulations and safety protocols, in response to the COVID-19, have kept customers at home, negatively impacting airlines worldwide. Driven by the economic recovery of countries and a need for leisure travel, Copa has observed a steady recovery from the negative impacts of the pandemic.

Valuation

Copa Holdings, S.A. current share price is $81.43. Based on the perpetuity growth model and the terminal exit multiple from our DCF analysis, alongside a comparables company analysis, we derived a target share price of $86.4. With a weighting of 90% on the DCF valuation and 10% on the comparables analysis, we initiate a HOLD rating on Copa Holdings, S.A with an implied upside of 6.1%.

Business Overview/Fundamentals

Company Overview

Copa Holdings, S.A is Latin American provider of airline passenger and cargo transportation through its principal subsidiaries, Copa Airlines and Copa Colombia. Strategically located in Panama and Colombia, the company offers affordable flights worldwide, with a major emphasis on service and punctuality. From its Panama City hub, Copa operates flights across 56 destinations in 27 countries across the America continent, with 104 daily scheduled flights. There are two main segments of revenue: passenger transportation and cargo services, which account for 95% and 2.6% of the airline's revenue, respectively. The last 2.4% are derived from other activities. They leverage their strategic, geographical position and emphasize cost savings in their operations to maximize revenue and profits. Moreover, Copa also offers their own frequent flyer program, ConnectMiles, to loyal customers worldwide. They are known for their punctuality and completion rates. In Q3 of 2021, the airline recorded an on-time performance of 89.4% and a completion rate of 99.84%. The industry average for the top four competitors' on-time performance was of 84.1% and a completion rate of approximately 98%.

Copa Airlines

A STAR ALLIANCE MEMBER

Source: Company Website

The Hub of the Americas

Uniquely positioned in Panama, Copa has strategically established its *"Hub of the Americas"* in Tocumen International Airport, providing convenient connections across its principal markets in the Americas continent. They act as bridge from South America to North America with minimal disruptions due to stable weather conditions in Panama. Their strategic location also allows them to increase frequencies of flights across the continent, introduce new destination routes, and generate traffic for smaller destinations that do not generate enough demand to justify a point-to-point service. Tocumen's recent airport expansion plan gives them the opportunity to so, leveraging Panama's growing tourism and stable, dollar-based economy.

Cost Structure

Copa's largest cost is their operating expense (OPEX), which makes up approximately 90% of their total costs. The largest components of their OPEX are aircraft fuel, sales and distribution, wages, salaries, and other employees' expenses. Historically, fuel expenses have been Copa's most unpredictable unit cost due to changing regulations and volatile prices. In 2019, Copa's fuel expense was $6.96 million dollars with an average price of $2.16 dollars per gallon of jet fuel, making up 25.7% of the total operating revenue. On the other hand, sales and distribution expenses are costs associated with sales made by travel agencies. These are consistently driven by passenger revenues, indirect channel penetration, and agreed commission rates. During the last few years, Copa has reduced commission expense per available seat mile to increase sales through direct channels. The firm expects passengers to continue purchasing directly from their channels as customers get more familiar with their website and mobile app. Sales and distributions make up approximately 7.8% of the operating revenue.

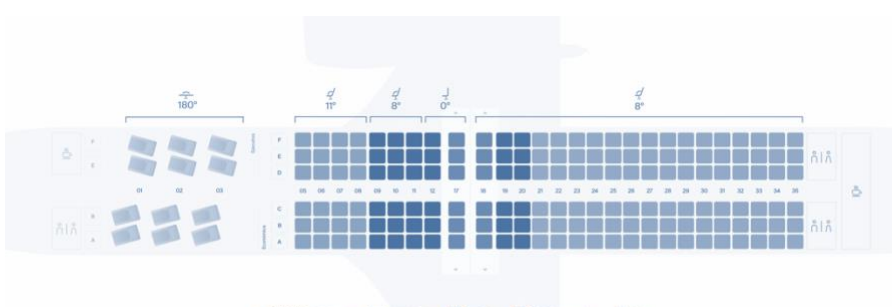
Wages, salaries, and other employees’ expenses have historically increased at the rate of inflation and by the growth of work force, corresponding to changes in cost of living in countries where employees work. In 2019, a total of $450.4 million was paid in salaries and benefits. In 2020, however, these expenses totaled $256.3 million, a 43.1% decrease from the previous fiscal year. This was the result of a reduced payroll, contract suspensions, and workhour reductions due to the COVID-19 pandemic. Other smaller costs in Copa’s operations include maintenance of aircrafts, airport handling charges, passenger servicing, flight operation cost, and administrative expenses. In 2019, Copa’s unit costs, the cost per available seat mile (CASM), was $9.40 dollars, compared to an average of $16.18 dollars for the major players in the industry.

Fleet Of Aircrafts

As of November 2021, Copa operate an operation fleet of 87 aircrafts: 68 Boeing 737-800s, 13 Boeing 737 Max 9s, and 6 Boeing 737-700s. The current Boeing aircrafts are fuel-efficient and allows Copa to maintain low operating costs by having simplified maintenance procedures, standardized training, and large capacity for passengers. Their modern fleet of aircrafts also offers business class services to better accommodate travelers looking for a more comfortable experience, at a premium price. Business class services include upgraded meal plans, special check-in desks, bonus mileage, and VIP lounges. In fact, 16 of Copa’s aircrafts feature full lie-flat seats in business class seats, allowing passengers to get better sleep while travelling. Copa owns 48 of its aircrafts and leases the remaining 49 under a long-term operating lease agreement with an average remaining term of 2.5 years. Aircrafts must be returned at the end of the lease term in agreed-upon condition. During this period, Copa is responsible for maintenance, insurance, and repair.

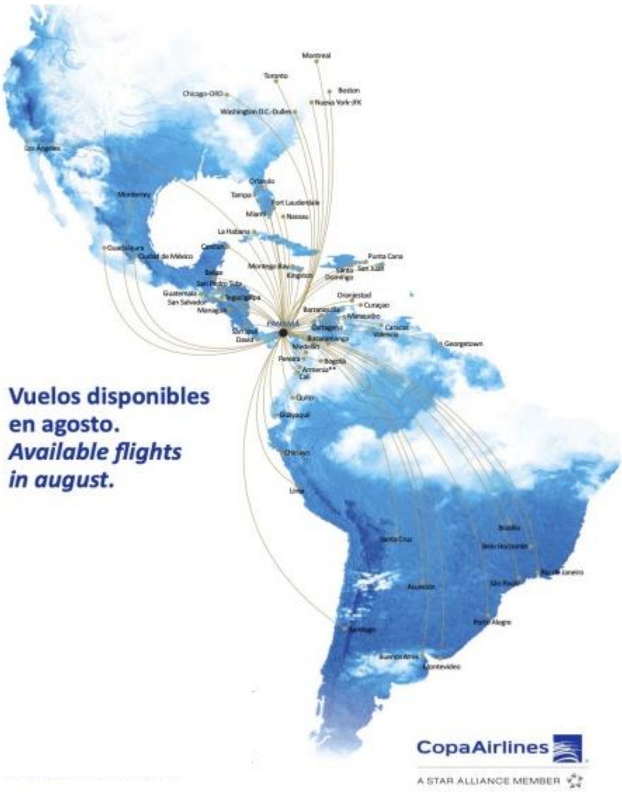
Boeing 737-700

Boeing 737-800



Boeing 737 Max 9

Source: Company Website



Company Strategy

As stated in Copa's 2020 annual report, their goal is "to grow profitably and enhance [their] position as a leader in Latin American aviation by providing a combination of superior customer service, convenient schedules, and competitive fares, while maintaining competitive costs." To achieve this goal, Copa are focusing their strategic efforts on the expansion of their operations, minimizing costs, and creating customer loyalty.

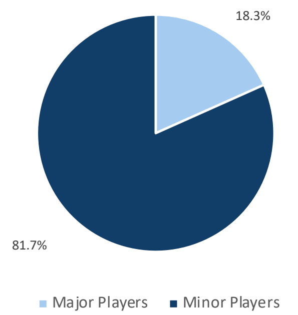
Copa's management team are optimistic about the increasing demand for air travel in Latin America and they intend to meet this demand by increasing the frequency of flights, introducing new destinations, and expanding their total number of aircrafts to leverage their geographic position, in a significant manner. In fact, the Panama City hub allows for one-stop or non-stop connecting flights in over 2,000 cities. Along with their expansion plans, Copa will seek to "reduce our cost per available seat mile without sacrificing services valued by our customers" by taking advantage of new technologies that allow for processes to be automated, reducing distribution costs, and improving efficiency in air travel. Lastly, Copa is keen on increasing customer loyalty in the airline "by providing a combination of superior service and competitive fares." They plan to incentivize their customers to be loyal by consistently providing benefits in their ConectMiles program and continuing their punctual flight schedules.

Industry Analysis

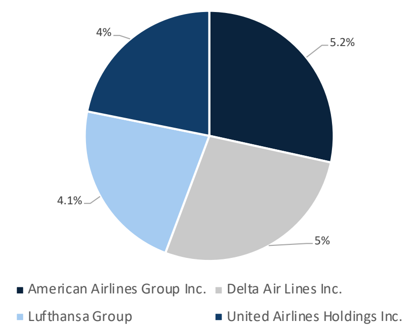
Copa Holdings, S.A. is a Latin American firm that primarily operates in the Global Airlines Industry through its main subsidiaries, Copa Airlines and Copa Colombia. The global airlines' industry includes passenger and cargo transportation, domestically and internationally. It consists of three distinct customer segments: strictly leisure, business travelers, and family visits. With leisure and family visits, passengers prioritize lower fares and quality of service, whereas business passengers place a higher emphasis on flight frequency, on-time performance, breath of network, and service enhancements (i.e., loyalty programs and airport lounges).

This industry has experienced a decline in revenue due to the rise of the COVID-19 pandemic and volatile fuel prices. People were forced to stay at home for their safety and country borders were closed, preventing further spread of the virus. In the long run, however, it is notable that the industry is projected to recover from this decline due to the decreasing travel restrictions and the economic recovery from the pandemic.

Market Share Concentration
As of Aug 2021



Major Players
As of Aug 2021



471.8 Bn	(8.4%)	8.3%	7,409	2.1%
Industry Size	Annual Growth 16-21	Annual Growth 21-26	Businesses	Profit Margin

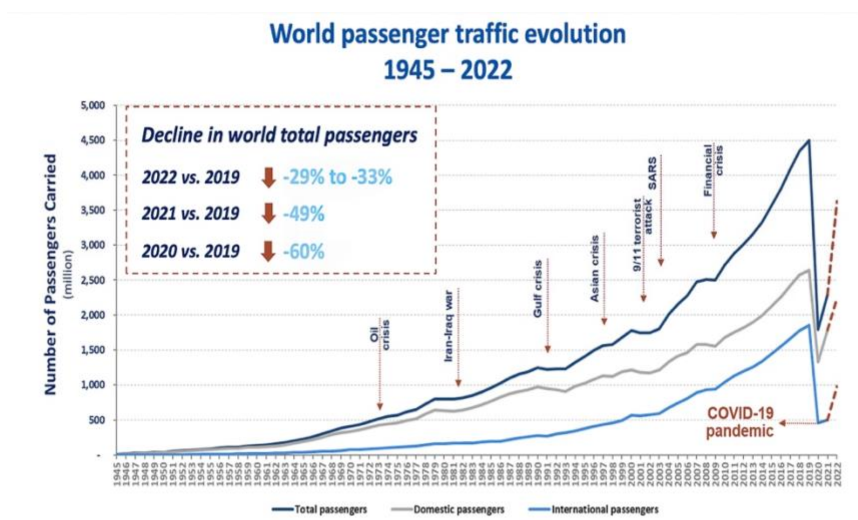
Source: IBISWorld

Passenger Experience

A passenger's flying experience highly depends on the quality of the flight and the services that come with it, which play a large role in customer loyalty and return. There is growing trend in the industry to enhance the passenger experience by incorporating on-board Wi-Fi, lie-flat beds, exclusive lounges, food services, web check-in, and COVID-safe protocols within all their flights. The flying experience is multifaceted, starting from the booking of the flight to the arrival at the airport, and ending with the service in the airplane cabinet. Due to high competition in the industry, there is a growing emphasis of on passenger experience as customers value the breadth of services and the network of destinations.

Impacts of COVID-19

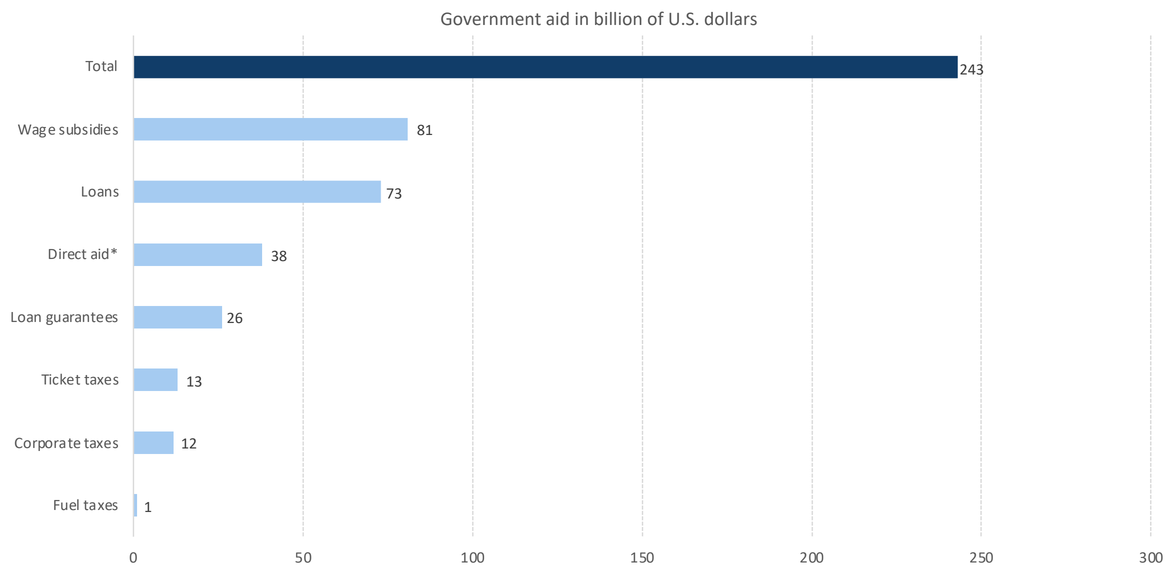
The COVID-19 pandemic has notably affected the global airlines' industry, largely decreasing the demand for travel due to the high risk of contamination associated with crowded spaces like aircrafts. The implementation of government regulations and social distancing guidelines further diminish the demand for air travel in order to reduce the widespread use of the virus and keep citizens safe. According to the International Civil Aviation Organization (ICAO), there was an overall reduction of 50% in seats offered by airlines and an approximate 372 billion dollars in passenger revenue lost in the global airline industry due strict COVID-19 regulations, worldwide.



Source: International Civil Aviation Organization

Furthermore, the ICAO observes a large decrease in World passenger traffic that surpasses any previous crisis, which decreases the total number of people in flights. A total decrease of 60% from 2019 to 2020, which negatively influences the airline industry's revenue. A significant consequence of the COVID-19 pandemic. To mitigate the impact of COVID-19, the airline industry received numerous government aid in the form of subsidies, corporate taxes, loans and more. According to Statista, the industry, received an approximate of 243 billion US dollars in government aid to help alleviate the economic scarcity of the industry. However, more than 50 commercial airlines still went bankrupt in the year of 2020, and many are at the brink of bankruptcy.

Types of government aid to airlines due to COVID-19 as of September 2021, by type
(in billion U.S. Dollars)



Source: Statista

The unprecedented spread of COVID-19 has left a significant impact on the airline industry and the economies of many countries, diminishing travel expenditure from frequent customers (a key external driver of this industry). It is unclear how long it will take for these companies to recover from this period of economic scarcity, but early data forecasts a recovery window of 2-3 years if country restrictions are lifted, and vaccination rates increase. However, airlines will now have to consider the added costs of implementing biosafety protocols to minimize the spread of COVID-19 and protects its customers.

Competitive Landscape

Market Concentration is very low. According to IBISWorld, the total market share accounted by the major players is around 18.3% of industry revenue. This means that most of the market share is attributed to a wide number of smaller firms. It is notable that the nature of the airline industry prevents any operator from gaining a large market share or dominating a certain traveling route through anti-monopoly regulations and anti-protectionist policies. Moreover, many airlines establish themselves in their home country, gaining advantage over bigger airlines and preventing the creation of economies of scale. To succeed in the global airlines industry, IBIS world has identified the following success factors, in order of importance:

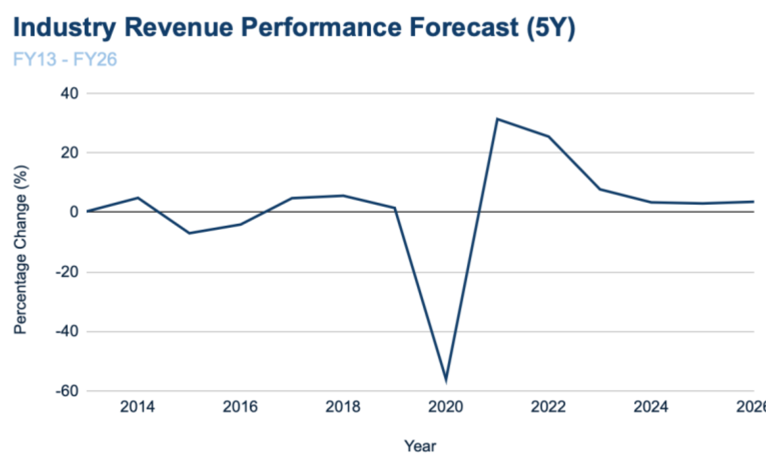
Success Factors	Advantage
1. Prompt delivery to market	Fast and on-time delivery of services creates customer loyalty, increasing brand image.
2. Effective cost controls	Creates a safety net in times of uncertainty and increases earnings.
3. Ability to pass on cost increases	The impact of high operating costs on profits are mitigated by transferring costs to passengers.
4. Well-developed internal processes	Quick and efficient processes allow customers to access services provided in a timely manner.
5. Access to the latest available and most efficient technology and techniques	Improves operational activities and reduces costs.
6. Ability to expand and curtail operations rapidly in line with market demand	Flexibility in operations allows profitability to be maintained through seasonal fluctuations.

Source: IBISWorld

Competition in the airline industry is high as they compete with different firms that provide the same service, in different regions of the world, as well as other modes of transportation (like trains). This saturates the market and creates high competition in the market. According to IBISWorld, the most prominent consumer preferences in this industry are guided by prices, travel time, and destinations served. Moreover, the pandemic has further increased competition and restricted airlines to operate at a smaller capacity, limiting revenue opportunities amongst participants.

Outlook

By 2026, the global airline industry is expected to recover from the impacts of the COVID-19 pandemic due to increasing levels of global income per capita and declining COVID-19 travel restrictions, incentivizing air travel activity. According to IBISWorld, industry revenue is estimated to increase an annualized of 8.3% to $702.4 billion from the current $471.8 billion. However, the industry may be constrained by the rising prices of jet fuels. As prices of crude oil increase, costs in the industry will increase respectively. Thus, technological advancements that result in more fuel-efficient aircrafts are expected to aid said rising cost. However, this will require investment into research and development of these technologies, diminishing overall revenue margins. Nevertheless, the industry revenue is still expected to grow over the next five years.



Source: IBISWorld

Technological Change

The global airline industry is highly influenced by technological advancements in fuel efficiency, e-commerce, and aircraft designs due to its direct impact on airline operations. The development of new fuel-efficient engines has dramatically improved fuel efficiency per available ton-mile, reducing costs and increasing distance traveled by aircrafts. On average, “1% reduction in the average annual fuel burn of a Boeing B737-300 or an Airbus A320 results in 100 tonnes of fuel not burnt, US$50,000 in cost savings to the airlines (Haacker, 2007).” This allows global airlines to save money and reduce C02 emissions exponentially by equipping their aircrafts with technologies, such as winglets, that reduce drag and optimize fuel usage, per mile traveled. Thus, it is in the airlines best interest to invest in fuel-efficient technologies to reduce costs. Furthermore, the introduction of E-commerce has improved the customer experience by facilitating the process of booking, price comparisons, and check-ins. This technology also gives airlines the opportunity to offer personalized dynamic pricing and personalized recommendations, through Big Data Analytics, allowing customers to see better deals. In fact, it is observed, by the Sabre Corporation, that dynamic pricing has the potential to increase up 10% due to the optimization of booking processes and its cost efficiency, over time.

Catalysts

Expansion of Operations

Despite COVID-19, Copa Holdings, S.A. maintained sustainable plans for the expansion of their operations. In their latest quarterly earnings report (Q3, 2021), Copa announced their agreement with Boeing to accelerate the delivery of their 12 new Boeing 737 Max 9s aircrafts, which two of them are set to be delivered in 2022 and the rest in 2023 – 2025. This allows Copa to further expand their fleet and operate in new destinations with increased frequency. As of November 2021, Copa operates a fleet of 87 aircrafts and has 54 destinations in 25 countries, across the globe. Moreover, in June 2021, Copa announced they would increase frequency of flights in and out of the United States, for major cities like Miami, New York, Orlando, Washington, and more. This would accommodate for an increase in demand for flights through the US and leverage the expansion of the Tocumen International Airport, Copa Airlines’ main headquarters.

In April 2019, Tocumen Airport inaugurated their new South Terminal with 20 new gates and 4 direct-access terminals, giving airlines the opportunity to expand operations and increase capacity. Headquarted in Panama, Copa will leverage their geographical advantage and expand their fleet to further increase revenue streams, as they recover the COVID-19 pandemic. This expansion will also increase capacity of operation and expand their established Hub of the Americas.

Easing Regulations

As more countries approach herd immunity, restrictions will begin to decrease, encouraging tourism around the world and removing numerous constraints from Copa’s current operation. This will further increase passenger traffic and incentivize customers to travel, in a safe manner. In fact, Panama has recently eased international entry restrictions for vaccinated travelers and reduced curfew hours, as of September 8, 2021. This is in response to a declining number of COVID-19 infections and hospitalizations. The United States has also started to lift travel restrictions from specific countries, like China, Brazil, and South America, permitting more air travel within the region. This increases demand for Copa’s North American region which makes up for approximately 30% of their revenues. As more countries lift restrictions, air travel during the pandemic will become normalized and passengers will fly more frequently, benefitting Copa’s operation level and long-term profitability. The accumulated effect of diminishing restrictions has the potential to catalyze the stock performance and accelerate their recovery from the COVID-19 pandemic.

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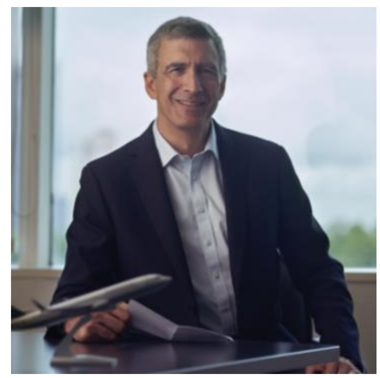
Management Team

Alberto Stanley Motta – Chairman

Alberto Stanley Motta has been the chairman of Copa Holdings since it was established in 1998. During his time at Copa, Mr. Motta led a major development in Copa Airlines' network throughout Latin America, providing opportunities for economic growth in regions like Panama and Colombia. He was awarded "The Americas Society Gold Medal" award in recognition of his work with Copa Holdings and its significant impact on the socioeconomic development of the Americas region. Mr. Motta also serves as the director of Motta Internacional, Banco General, and ASSA Compañia de Seguros. He graduated from Tulane University in 1967 with a Bachelor of Business Administration.

Pedro Heilbron – Chief Executive Officer and Director



Pedro Heilbron has been Copa's Chief Executive Officer since 1988. Under his leadership, Copa Holding's was able create a network of over 70 destinations across the globe, a fleet of more than 100 aircrafts, and millions of dollars in net profit. They have also established themselves as one of the three large air groups in Latin America. With a strong emphasis in cost efficiency and adaptability, Mr. Heilbron has maintained his position at Copa for over 30 years and was awarded "the Bravo Award" as CEO of the year by Lating Trade Magazine. He graduated from Holy Cross University in 1979 with a Bachelor of Economics.

José Antonio Montero – Chief Financial Officer

José Montero began his career in Copa Holdings, S.A. in 1993 as Manager of Flight Operations and worked in numerous leadership positions in the company, like Director of Planning and Director of System Operations Center, before becoming Copa's Chief Financial Officer in 2013. With the help of Mr. Montero, Copa was able to efficiently allocate their capital and establish *"the Hub of the Americas"* as the most efficient travel route to travel around Latin America by offering an extensive array of affordable and punctual flights. Mr. Montero also hopes to further develop the "aviation industry's contribution to the socio-economic development" of Latin America. He graduated from Embry-Riddle Aeronautical Univeristy with a Bachelors in Aeronautical Studies and received a Master of Business Administration from Cornell University.

Compensation Structure

Despite the effects of the COVID-19, Copa issued a total $8.5 milllion dollars in compensation, $3.2 million in cash compensation to executives and $5.3 million in the form of non-vested stocks and options awards. As part of the "Stock Incentive Plan," Copa offers restricted stock awards to their senior management and certain executive officers. These stock options are vested over 3 or 5 years, in yearly installments of equal to one third of the awarded stock. This means that upper management's interest is aligned with the shareholder's interest. Nevertheless, Copa Holdings, S.A. does not outline a detailed compensation plan for their top executives, in their annual report.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

Copa Holdings, S.A. has 42.6 million shares outstanding of common stock with little to no insider trading. Its shareholder base is concentrated, with 10 holders occupying around 75% of the shares outstanding. The stock is mainly held by institutions who own 100% of the free float. It is notable that Corporación de Inversiones Aereas, S.A., a Panamanian corporation that specializes in the Scheduled Air Transportation Industry, owns over 25% of the free float and Baillie Gifford, an investment management firm, owns over 10% of it. We view this as positive sign, as large amounts of the CPA stock are held by numerous institutions that believe in the recovery of Copa, in the airline industry.

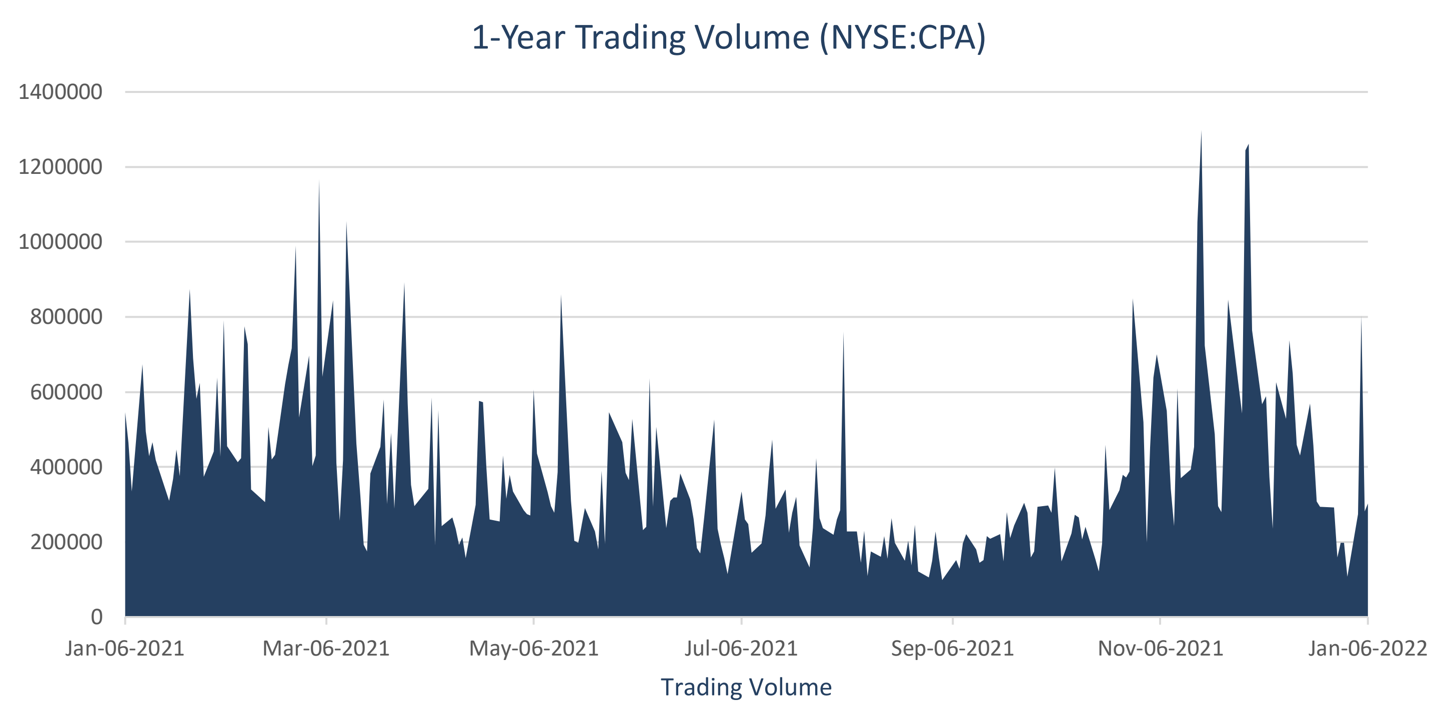
Top Institutional Shareholders

Shareholder	Shares Held	Shares Outstanding	Last Filing Date
(Name)	(mm)	(%)	(Date)
Corporación de Inversiones Aereas, S.A.	10.94	25.65	Dec-31-2020
Baillie Gifford & Co.	4.66	10.93	Sep-30-2021
Sprucegrove Investment Management Ltd	3.92	9.20	Sep-30-2021
FMR LLC	3.11	7.28	Sep-30-2021
BlackRock, Inc.	2.46	5.78	Sep-30-2021
Capital Research and Management Company	2.35	5.52	Sep-30-2021
Fidelity International Ltd	1.43	3.34	Sep-30-2021
Harding Loevner LP	1.32	3.09	Dec-31-2020
Marshall Wace LLP	0.99	2.34	Sep-30-2021
Morgan Stanley Investment Management Inc.	0.99	2.33	Sep-30-2021
Institutional Ownership	**32.18**	**75.46**	

Source: CapIQ

Liquidity

Copa Holdings, S.A. has an average trading volume of 383,225 with an average price of $79.24. This implies that the amount of money exchanged trading the CPA stock was around $30.4 million, in comparison to its market capitalization of $3.53 billion. Furthermore, a liquidity spike can be observed in the months of November and December, where Copa's third quarter results are released (Nov.17) and where the holiday season starts. This demonstrates a medium level of liquidity. However, the top 10 institutional holders own around 75% of the shares which could potentially lead to risks involving a large sell.



Source: CapIQ

Environmental, Social, and Governance

The global airline industry contributes a large amount of carbon emissions due to its dependence on fossil fuels to operate flights across the world. In fact, "Carbon emissions from the airline industry grew by 75 per cent from 1990 to 2012" and are expected to continue growing, if left unchecked (David Suzuki Foundation, n.d). As the airline industry continues to recover from the pandemic, the number of flights is increasing and consumers have become more aware of their carbon footprint, favoring airlines who actively seek to reduce and mitigate emissions through carbon-neutral initiatives. Moreover, the current increase in job resignations has placed a higher emphasis on employee satisfaction and professional development. To fully evaluate these factors, the internal governance of Copa must be evaluated and addressed due to the changes in consumer preferences and the increased importance of brand image.

Environmental

To address these concerns, Copa has initiated the "Greener COPA" campaign, focusing on three major areas to reduce carbon emissions: fuel efficiency, waste management, and solar energy transition. Copa continues to improve their aircrafts by installing new technologies and adjusting their flight logistics to maximize efficiency. The introduction of winglets and Split Scimitar Winglets on aircrafts reduces drag while flying, decreasing fuel burn and increasing efficiency (NASA, 2010). In Latin American aviation, Copa were pioneers in operating Boeing 737-700s and 800s with winglets, setting an example within the market. It is estimated that the addition of these technologies produce savings of 6.4% in fuel consumption per route (COPA, 2019). Furthermore, Copa has implemented a single engine taxiing procedure (SET), enforcing aircrafts to maintain only one engine running (out of 2 or 4) while waiting or "taxiing" in the runway. On average, the SET procedure reduces fuel burn by 37% (Clewlow, 2021).

Social

Copa recognizes education to be a key factor in social and professional development in communities. In fact, Copa has founded both the Aeronautical Technician Training Program (ATA) and the Despega Foundation to foster meaningful impact in the Panamanian community through education and service. The ATA program focuses on educating a total of 16 students every year about aeronautics, providing valuable information and experience inside the firm. In fact, many students are hired at the firm after graduation. Moreover, the ATA program "makes technical studies in aeronautics more accessible for young people who cannot afford certifications in private institutions (COPA, 2019)," which allows the firm to better prepare the future generation of aeronautical technicians.

On the other hand, the Despega Foundation "is responsible for executing Copa's volunteering, social development, environment, and donation programs (COPA, 2019)." This allows them to create meaningful impact on hard-to-reach areas through donations, school collaborations, and education seminars. Notably, the Despega Foundation also hosts their annual "viaje inolvidable" program, where they provide various children with an exclusive opportunity to fly across Panama as reward to their efforts and commitments in school. This gives them a platform to dream and fly as high as they can in their future professional career (COPA, 2019). A 26-year-old tradition at the firm. These initiatives allow Copa to create a positive community with their workers and its future stakeholders, creating a constructive brand image.

Governance

Copa's corporate governance structure consists of four main committees: audit, appointments, renumeration, and independent directors. These internal, regulating bodies are tasked with examining the firm, monitoring projects, and ensuring long-term growth. The audit committee consists of Roberto Artavia, José Castañeda, Josh Connor, all non-executive members and independent directors. They are responsible for reviewing the integrity of all financial reports and risk management systems, in compliance with all the regulations of the New York Stock Exchange and domestic regulations. The audit committee provides an external, independent view on the firm and recommends improvements, accordingly, preventing any internal bias. In the same way, the committee of independent directors advises the Board of Directors on company-specific issues. The committee consists of the same members from the audit committee which allows for an in-depth discussion of the company's strategy and goals.

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The appointment and corporate governance committee is responsible for the selection of new directors and supervising the Board of Directors, whereas the renumeration committee focuses on the selection, the evaluation of all management positions, and the compensation of workers. These two committees consist of non-executive members, who recruit the best candidates for Copa. However, within this governance structure there is a clear lack of gender diversity within the Board of Directors and its respective committees, limiting the scope of perspectives within the governance structure of Copa.

Valuation

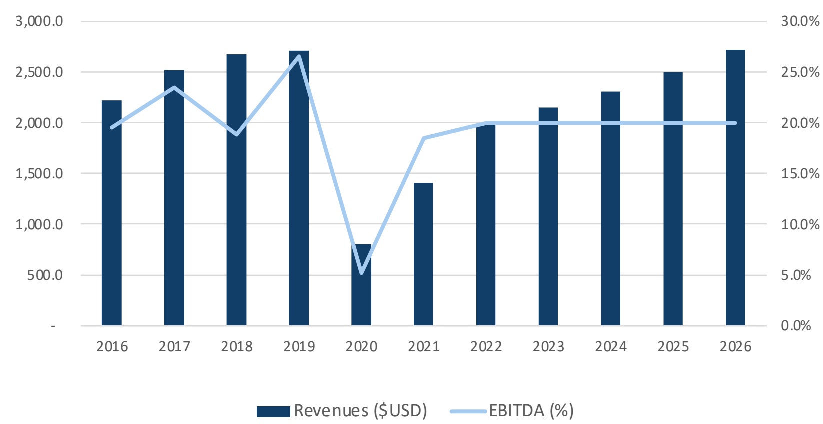
Discounted Cash Flow Assumptions

Revenues

Despite the uncertainty brought by the COVID-19 pandemic, we expect Copa and the airline industry, as a whole, to recover and adapt to the COVID-19 pandemic in the following 2-3 years due to the increased vaccination rates and decreased restrictions. Therefore, Copa's revenue was projected to increase steadily over the following years and, eventually, recovering from the negative effects of the pandemic.

Historic and Forecasted Revenue and EBITDA margin

FY16 - FY26



Source: Company Filings

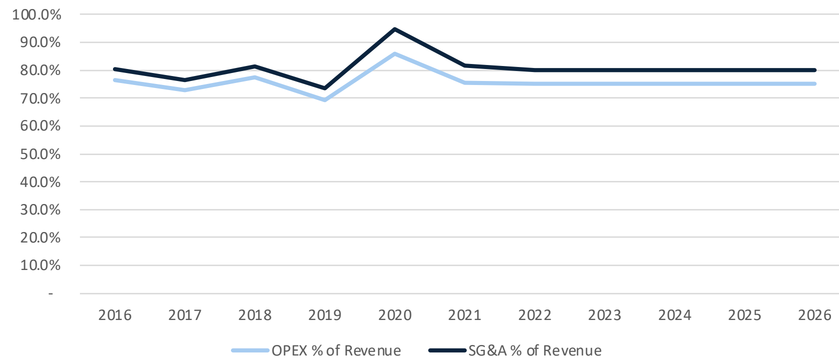
From 2019 to 2020, the firm's revenue experienced a sharp decline of 70.4%, losing approximately $1.9 billion dollars in revenue due to the negative impacts of the pandemic. Due to these macroeconomic factors, Copa, who previously earned a total revenue of $2.7 billion dollars in FY19, earned $801 million dollars in total revenues and negative net profit in 2020. The COVID-19 pandemic notably impacted airlines worldwide as they had to limit aircraft capacity to 50%, implement numerous biosafety protocols, and shutdown their operations for a total of 3 months, in the same fiscal year. This limited their revenue streams exponentially and increased costs, leading negative net profit. Therefore, we can observe a clear causational relationship between COVID-19 and Copa's revenues. As the pandemic conditions improve and countries ease regulations, it is expected that the company's revenue stream recovers from the fiscal year of 2020. Moreover, we project a revenue increase of 75.7% and a total revenue of $1.4 billion dollars in the FY21. After the FY21, we also project that Copa Holdings, S.A. will steadily recover from the negative effects of COVID-19 and regain a similar or larger revenue output, with a stable EBITDA margin of 20%, over the next 5 years.

Costs

As an airline company, Copa's main variable cost is derived from its operational expenditures (OPEX) and selling, general and administrative expenses (SG&A). These include fuel costs, wages, salaries, maintenance, airport facilities, flight operations, and passenger servicing. Historically, Copa's OPEX has ranged from 69% -78% of their total revenue since 2016, while SG&A has ranged from 3.8% - 5% of their total revenues. In the fiscal year of 2020, however, there was a sudden increase in costs as a result of the COVID-19 pandemic and a significant decrease in revenues, causing the OPEX and SG&A to peak at 85.8% and 9%, respectively. This is linked to the large increase of regulations and new biosafety protocols that limit capacity and extend operation costs. Nevertheless, we project a slow decrease back to their average range in the following fiscal year of 2021 as COVID-19 procedures are executed more efficiently and revenues recover, in a steady manner.

Historic and Forecasted OPEX and SG&A as % of Revenue

FY16 - FY26



Source: Company Filings

Effective Tax Rate

Due to the COVID-19, Copa received government aid from the Panamanian government and had no effective tax rate for the fiscal year of 2020. The annual reports indicate no future reinstitution of tax rate for the time being, which is reflected in our financial model. Nevertheless, we observed Copa's historic effective tax rate to be around 15.8%.

Weighted Average Cost of Capital (WACC)

We calculated a WACC of 13% for Copa Holdings, S.A. using data provided by Bloomberg. Our cost of equity was calculated to be 17.8%, derived from a risk-free rate of 1.5%, an expected market return of 10%, and a beta of 1.92. The cost of debt, on the other hand, was calculated to be 1.9% with no effective tax rate due to government aid, a pre-tax cost of debt of 1.4%, and an adjustment factor of 1.38. Therefore, leading up to a WACC of 13%.

Dividend Policy

Due to the challenges presented by the COVID-19 pandemic, Copa's board members have decided to suspend dividend payments on April 26, 2020, in order "to fund future growth and meet future liquidity needs." At the present moment, Copa has not announced any plans to restore the payments of dividends. As stated in their 2020 annual report, "the Board of Directors may change the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends." The last dividend payment issued was valued at $80 cents per share.

Perpetuity Growth Rate

The perpetuity growth rate used for the DCF valuation is 3% to account for rising inflation rates.

Comparables Company Analysis

For the comparables company analysis, a set of 4 airlines with similar market capitalization and business structures. They all operate in the global airlines industry, but they specialize in different regions of the world and were affected by the COVID-19 pandemic differently. The market capitalization ranged from $2 billion - $3.5 billion dollars.

1. Frontier Airlines Holding, Inc (NASDAQ: ULCC)

Headquarted in Denver, Colorado, Frontier Airlines Holding, Inc offers low-fare air transportation across 110 airports in the United States and 31 international destinations. Frontier Airlines operates a fleet of 104 Airbus single-aisle aircrafts with a *market capitalization of $2.9 billion dollars*.

2. Spirit Airlines Inc. (NYSE: SAVE)

Formerly known as Clippert Trucking Company, Spirit Airlines provides passenger transportation to a total of 78 destinations in 16 countries, across the globe. Spirit Airlines is known mainly through its online website, spirit.com, where passengers can book flights in fast and efficient manner. They have a *market capitalization of $2.4 billion dollars*, operate 157 Airbus single-aisle aircrafts, and are headquarted in Miramar, Florida.

3. Allegiant Travel Company (NASDAQ: ALGT)

Allegiant Travel Company is an American airline that offers low-cost and nonstop flights to underserved and leisure destination across the United States. With a *market capitalization of $3.2 billion dollars*, Allegiant operates a fleet of 97 Airbus A320 series aircraft. It is headquarted in Las Vegas, Nevada and they offer many hotel services with their airline tickets to attract more customers.

4. SkyWest, Inc. (NASDAQ: SKYW)

SkyWest, Inc is a regional airline in the United States, offering approximately 1,700 daily flights all throughout North America. In terms of fleet size, number of passengers, and destinations offered, SkyWest is considered one of the largest regional airlines in the US. They operate a fleet of more than 600 aircrafts and have a *market capitalization of $2 billlion dollars.*

Source: CapIQ

Weighted Price Target

Our target price for Copa Holdings, S.A. is $86.42 derived from our perpetuity growth rate method and EV/EBITDA exit multiple from our DCF valuation and the P/E and EV/EBITDA from the comparables company analysis. Due to the volatility of COVID-19's impact on the different airline companies, we placed a higher weighting on the DCF valuation. It is evident that airlines were impacted differently by COVID-19, in accordance with their geographical position. For example, Spirit Airlines has an expected EV/EBITDA multiple of 62.0x, for the fiscal year of 2021, while SkyWest has a projected multiple of

5.7x. Moreover, Frontier is expected to have a P/E multiple of (9.3) x, while Allegiant has a projected multiple of 95.3x. From the comparables analysis, we can observe that every company was affected differently by the pandemic. Therefore, we work under the assumption that the comparables company analysis is unreliable due to the uncertainty of the industry and we place more weighting on the DCF valuation.

We decided to place a 90% weighting on the DCF valuation, distributing 45% to both the perpetuity growth method and the exit multiple method. The comparables company analysis, therefore, receives the remaining 10% of the weighting, with both the P/E and EV/EITDA multiples receiving 5% each. This reflects the company's strong reliance on its intrinsic value and indicates its steady recovery through the pandemic, in the following fiscal years. With the uncertain macroeconomic factors and regulations, we believe the DCF valuation is more reliable and appropriate to depicts the true value of the company. Therefore, we decided to weigh 90% on the DCF and 10% on the comparables analysis.

Recommendation

Hold

We believe that the company is currently well positioned to steadily recover from the negative effects of the COVID-19 pandemic. This is attributed to their unique geographical position in the Americas continent and their consistent efforts to cut operational costs. With its establishment in the Latin-American market, we believe Copa has potential for growth in the future once this pandemic is mitigated. However, the market is not undervaluing Copa Holdings, S.A. at the present moment. Based on our Discounted Cash Flow model and Comparables Company Analysis, we derived a share price of $86.4. We initiate a **Hold** rating on the Copa Holdings, S.A. with an upside of 6.1% and a potential for growth once the company fully recovers from the impacts of COVID-19.

The current, external factors prevent Copa's price to be higher due their perpetual effect on their operations. The uncertainty of the pandemic and the market is too volatile to predict any future changes. If the pandemic is mitigated completely and herd immunity is achieved, there is an opportunity for the stock price to increase and become a buy rating. However, if the pandemic is exacerbated with a new variant, Copa's stock price will deteriorate and become a sell rating. Copa is very well-positioned to recover from the pandemic and increase profitability levels in the following years, but their operations is highly dependent on international regulations and travel restrictions. The everchanging policies around the COVID-19 are still very uncertain. Therefore, the best, available approach is to initiate a HOLD rating and observe the development of the COVID-19 pandemic.

Risks

Prolonged Effects of COVID-19

The current trend for the global airline industry indicates a rapid increase in revenues for businesses as a response to the economic recovery associated with the pandemic. As restrictions ease and countries open their borders, citizens want to travel and visit peers. In the short term, this creates an influx of clients using Copa's services. However, there are several factors that hinder this positive influx and limit its ability to continue in the long run. For example, the costs of COVID test range from 100 to 200 dollars per test, adding an extra cost to any travel plan. This discourages the customer's future travel plans and budget, increasing costs associated with travel. Moreover, the capacity limitation on aircrafts reduces the number of passengers an aircraft can hold to mitigate risks of COVID-19 exposure but increases costs due to possible demand of flight destinations. It also incentivizes Copa to increase the number of flights to certain destinations to cope with the high demand of flights which further increases the carbon emissions. Ultimately, this may lead to liquidity problems in the business.

Extensive Regulations

Copa's global operation is subject to numerous aviation authorities and domestic regulations due to their consistent movement of passengers and cargo, around the world. Their current financial and operational condition is threatened by new regulations and fare restrictions. With subsidiaries in Panama and Colombia, Copa adheres to authorizations issued by the Panamanian Civil Aviation Authority (AAC) and the Colombian Civil Aviation Administration (UAEAC), for their headquarter operations. They also comply to global authorities like the International Civil Aviation Organization (ICAO), a United Nations agency specialized in global aviation. The ICAO ensures that local aviation operations conform global practices and standards by establishing policies and regulations worldwide. It is impossible for Copa to predict or control these policies. Therefore, their inconsistency in global policies pose a risk to the firm as their operations are highly subjective to their mandates.

Furthermore, any plans for expansion and implementation of new strategies are dependent on air traffic regulations and new policies. For example, the U.S. Federal Aviation Administration's (FAA) prohibition of the operation of the Boeing 737 Max Series in FY2019 impacts Copa's expansion plan in United States, preventing the operation of a bigger fleet. This also increases cost for compliance of current and future regulations, reducing available capital. The failure to abide by the local and international policies could tarnish Copa's global operation and brand.

Limited Suppliers

One of Copa's business strategies is to save costs by operating simple aircrafts. However, they have a limited number of suppliers to the deliver necessary aircrafts and engines. Their current fleet of operations is powered by four main suppliers: Boeing, Embraer, CFM International, and General Electric. Boeing provides aircrafts like the 737 MAX 8 and 737-700/800 New Generation, while the rest of the supplier deliver the necessary engines to fly them. This limited number creates small flexibility to pivot and react to unprecedented disruptions in the supply chain, incurring costs of transition and replacement of materials. Copa also depends on a small number of local suppliers to obtain fuel. These suppliers may not be able to keep up with the firm's high demand, negatively impacting Copa's capacity to operate.

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Geographical Constraints

Copa Holdings, S.A. along with its subsidiaries, Copa Airlines and Copa Colombia, are highly dependent on the economic and political condition of their respective regions to operate. “The Hub of the Americas” is located in Panama and Copa Airlines operates all of its flights through it. The pandemic heavily hindered the growth of both Panama and Colombia, who were expected to grow their GDP by 4% each by 2020. However, they both decreased their GDP by around 9%. This negatively impacts Copa Holdings, S.A. as it their financial success is significantly influenced to their geographical position and to the economic stability of their headquarters. Copa’s increased dependence on a country’s financial and political stability is a risk in these times of uncertainty.

Exposure to Jet Fuel Prices

Fuel is a very large variable costs for airlines worldwide. Its price and availability are very volatile and dependant on factors that the airline cannot control. They are subject to the political, environmental, and economical state of the world. Due to COVID-19, fuel prices have been very unstable and inconsistent. In the fiscal year of 2019 and 2018, fuel represented 29.5% and 30.4% of Copa’s operating expenses, respectively. This is a large percentage of their operating costs and its instability poses a risk to the company and its future revenue due to its effect on flight prices and flight availability. According to Air Transport Association, jet fuel costs rose approximately 118.7% in 2021. As stated in their 2019 annual report, Copa is unsure that an increase in fare prices would mitigate the increase of fuel price and they have no feasible way to mitigate this risk. Copa’s average price per gallon of jet fuel was $2.16 U.S. dollars with a total of 321.4 million gallons consumed.

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Appendix 1: Summary Page

	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Income Statement															
Revenue	2,219.2	2,521.8	2,677.6	2,707.4	801.0	185.7	304.3	445.0	472.1	1,407.1	1,983.6	2,150.7	2,303.7	2,495.9	2,722.0
EBITDA	432.9	591.4	503.1	717.6	41.5	(17.6)	68.3	114.7	94.4	259.8	396.7	430.1	460.7	499.2	544.4
Net Income	323.4	364.0	88.1	247.0	(607.1)	(110.7)	28.1	8.2	6.2	(68.2)	50.0	130.5	177.7	229.5	285.2
Earnings Per Share	$ 7.63	$ 8.58	$ 2.07	$ 5.81	$ (14.28)	$ (2.60)	$ 0.66	$ 0.19	$ 0.15	$ (1.60)	$ 1.17	$ 3.06	$ 4.17	$ 5.38	$ 6.69
Cash Flow Statement															
Acquisitions	(655.9)	(982.7)	(861.0)	(798.9)	(965.1)	-	-	-	(692.0)	(692.0)	(666.9)	(627.8)	(568.1)	(514.2)	(465.3)
Divestitures	523.4	595.9	928.2	681.5	871.3	-	-	-	622.8	622.8	600.2	565.0	511.3	462.7	418.8
Dividend Payment	(86.1)	(106.8)	(147.6)	(110.4)	(34.0)	-	-	-	-	-	-	-	-	-	-
Dividend Per Share	$ 2.04	$ 2.52	$ 3.48	$ 2.60	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividend Payout to Earnings	26.6%	29.3%	167.6%	44.7%	-5.6%	-	-	-	-	-	-	-	-	-	-
Dividend Payout to Core FCF	17.5%	16.9%	26.9%	14.7%	38.7%	-	-	-	-	-	-	-	-	-	-
Dividend Yield	3.2%	2.4%	3.5%	2.9%	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet															
Current Assets	1,069.4	1,198.5	1,064.1	1,234.4	1,219.4	1,400.7	1,440.3	1,430.6	1,627.0	1,627.0	2,035.1	2,445.9	2,922.6	3,462.1	4,068.1
Non-Current Assets	2,776.7	2,846.5	3,023.2	3,122.9	2,634.0	2,667.2	2,681.7	2,745.4	2,742.5	2,742.5	2,531.3	2,332.5	2,152.6	1,989.8	1,842.5
Assets	3,846.1	4,045.0	4,087.3	4,357.4	3,853.4	4,067.9	4,122.1	4,176.0	4,369.5	4,369.5	4,566.4	4,778.4	5,075.2	5,451.9	5,910.6
Current Liabilities	898.4	1,057.5	1,047.2	997.6	813.4	936.0	1,015.9	1,043.9	1,216.1	1,216.1	1,298.1	1,342.6	1,416.4	1,509.2	1,618.3
Non-Current Liabilities	1,105.4	1,092.3	1,199.4	1,424.8	1,756.4	1,957.7	1,902.0	1,917.8	1,917.8	1,917.8	1,917.8	1,917.8	1,917.8	1,917.8	1,917.8
Liabilities	2,003.8	2,149.8	2,246.6	2,422.5	2,569.8	2,893.7	2,917.9	2,961.8	3,133.9	3,133.9	3,216.0	3,260.4	3,334.2	3,427.0	3,536.1
Shareholders' Equity	1,842.3	1,895.1	1,840.7	1,934.9	1,283.6	1,174.2	1,204.2	1,214.2	1,235.6	1,235.6	1,350.4	1,518.0	1,741.0	2,025.0	2,374.5
Cash	331.7	238.8	156.2	158.7	119.1	193.8	256.8	290.2	486.9	486.9	882.7	1,288.9	1,758.0	2,287.9	2,882.5
Debt	1,184.1	1,174.6	1,287.2	1,262.3	1,310.8	1,592.8	1,549.0	1,530.4	1,530.4	1,530.4	1,530.4	1,530.4	1,530.4	1,530.4	1,530.4
Net Debt	852.4	935.8	1,131.1	1,103.5	1,191.7	1,399.0	1,292.2	1,240.1	1,043.4	1,043.4	647.7	241.5	(227.6)	(757.5)	(1,352.2)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	2.7 x	2.0 x	2.6 x	1.8 x	31.6 x	n/a	22.7 x	13.3 x	16.2 x	5.9 x	3.9 x	3.6 x	3.3 x	3.1 x	2.8 x
Operating Metrics															
Return on Equity (ROE)	17.6%	19.2%	4.8%	12.8%	-47.3%					-5.5%	3.7%	8.6%	10.2%	11.3%	12.0%
Return on Assets (ROA)	8.4%	9.0%	2.2%	5.7%	-15.8%					-1.6%	1.1%	2.7%	3.5%	4.2%	4.8%
Return on Invested Capital (ROIC)	10.7%	15.3%	7.5%	11.2%	-22.1%					-2.5%	1.7%	4.3%	5.4%	6.5%	7.3%
Valuation Metrics															
Stock Price (High)	$ 87.26	$ 128.67	$ 132.52	$ 108.93	$ 108.94	$ 93.92	$ 88.47	$ 85.94	$ 81.43	$ 93.92	$ 81.43	$ 81.43	$ 81.43	$ 81.43	$ 81.43
Stock Price (Low)	$ 39.80	$ 83.76	$ 65.80	$ 70.57	$ 27.65	$ 72.82	$ 75.39	$ 66.10	$ 81.43	$ 66.10	$ 81.43	$ 81.43	$ 81.43	$ 81.43	$ 81.43
Stock Price (Average)	$ 63.53	$ 106.22	$ 99.16	$ 89.75	$ 68.30	$ 83.37	$ 81.93	$ 76.02	$ 81.43	$ 80.01	$ 81.43	$ 81.43	$ 81.43	$ 81.43	$ 81.43
Diluted Shares Outstanding (Average)	42.4	42.4	42.5	42.5	42.5	42.6	42.7	42.6	42.6	42.6	42.6	42.6	42.6	42.6	42.6
Market Capitalization (Average)	2,691.3	4,505.5	4,211.2	3,812.9	2,903.3	3,549.1	3,494.4	3,242.2	3,472.9	3,410.8	3,472.9	3,472.9	3,472.9	3,472.9	3,472.9
Enterprise Value (Average)	3,543.8	5,441.3	5,342.3	4,916.4	4,095.0	4,948.2	4,786.6	4,482.3	4,516.4	4,454.3	4,120.6	3,714.4	3,245.3	2,715.4	2,120.8
P/E	8.3 x	12.4 x	47.8 x	15.4 x	n/a	n/a	124.5 x	393.4 x	556.4 x	n/a	69.4 x	26.6 x	19.5 x	15.1 x	12.2 x
EV/EBITDA	8.2 x	9.2 x	10.6 x	6.9 x	98.7 x	n/a	70.1 x	39.1 x	47.8 x	17.1 x	10.4 x	8.6 x	7.0 x	5.4 x	3.9 x
FCF Yield to Market Capitalization	20.7%	15.7%	9.7%	20.3%	1.2%	0.5%	5.4%	11.6%	7.7%	12.7%	13.4%	13.5%	15.2%	16.8%	18.5%
FCF Yield to Enterprise Value	15.7%	13.0%	7.7%	15.7%	0.9%	0.3%	4.0%	8.4%	5.9%	9.7%	11.3%	12.7%	16.2%	21.4%	30.3%
Free Cash Flow															
EBIT	265.0	424.0	145.0	346.2	(460.9)	(77.1)	8.7	59.0	22.3	13.0	118.8	168.6	224.0	285.0	350.5
Tax Expense	(38.3)	(49.3)	(34.5)	(46.4)	23.7	(0.2)	0.1	1.5	-	-	-	-	-	-	-
D&A	167.9	167.3	358.1	371.4	502.4	59.5	59.5	55.7	72.1	246.8	277.9	261.6	236.7	214.2	193.9
Changes in NWC	162.6	165.9	(59.4)	102.4	(29.2)	35.2	121.0	260.1	172.5	172.5	69.7	39.8	66.2	83.1	97.8
Unlevered Free Cash Flow	557.2	707.9	409.2	773.5	36.0	17.3	189.4	376.3	266.9	432.2	466.5	470.0	526.9	582.3	642.2

Valuation Summary

Current Price	**$ 81.43**
Target Price	86.5
Total Return	6.2%
Recommendation	**BUY**

DCF Valuation	
Perpetuity Growth Implied Price	$101.67
Exit Multiple Implied Price	$ 86.89
Comps Valuation	
Comps - EV/EBITDA Implied Price	$ 68.49
Comps - P/E Implied Price	$ (37.07)

Appendix 2: Discount Cash Flow

(Figures in mm USD)	Dec-16 FY2016	Dec-17 FY2017	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Dec-21 FY2021	Mar-22 Q1-2022	Jun-22 Q2-2022	Sep-22 Q3-2022	Dec-22 Q4-2022	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026
Free Cash Flow															
EBIT	265.0	424.0	145.0	346.2	(460.9)	13.0	20.3	32.9	29.7	35.9	118.8	168.6	224.0	285.0	350.5
Less: Tax expense	(38.3)	(49.3)	(34.5)	(46.4)	23.7	-	-	-	-	-	-	-	-	-	-
Add: Depreciation and amortization	167.9	167.3	358.1	371.4	502.4	246.8	72.0	70.3	68.6	67.0	277.9	261.6	236.7	214.2	193.9
Less: Change in net working capital	162.6	165.9	(59.4)	102.4	(29.2)	172.5	(17.8)	89.9	(40.1)	37.8	69.7	39.8	66.2	83.1	97.8
Unlevered Free Cash Flow	**557.2**	**707.9**	**409.2**	**773.5**	**36.0**	**432.2**	**74.4**	**193.1**	**58.2**	**140.7**	**466.5**	**470.0**	**526.9**	**582.3**	**642.2**
Discount factor						0.25	0.50	0.75	1.00	1.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow						**258.9**	**70.0**	**176.2**	**51.5**	**120.8**	**418.6**	**357.2**	**354.6**	**346.9**	**338.7**

WACC Calculations

Cost of Equity	
Risk-free rate	1.5%
Expected market return	10.0%
Market Risk Premium	**8.5%**
Beta	1.92
Cost of Equity	**17.8%**

Cost of Debt	
Pre-tax cost of debt	1.4%
Debt Adjustment Factor	1.38
Effective tax rate	-
Cost of Debt	**1.9%**

WACC	
Market value of equity	3,472.9
Market value of debt	1,530.4
Total Capitalization	**5,003.3**
Cost of equity	17.8%
Cost of debt	1.9%
WACC	**13.0%**
rate of return to bring to npv	

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity Growth Rate	**3.0%**
PV sum of unlevered FCF	2,074.9
Terminal value	3,501.3
Enterprise Value	**5,576.1**
Add: Cash	290.2
Less: Debt	1,530.4
Less: Other EV adjustments	
Equity Value	**4,336.0**
Shares outstanding	42.6
Implied Share Price	**$ 101.67**
Current Price	$ 81.43
Implied Price	**$ 101.67**
Total Return	**24.9%**

Exit Multiple Method	
Terminal EV/EBITDA Multiple	
PV sum of unlevered FCF	
Terminal value	
Enterprise Value	
Add: Cash	
Less: Debt	
Less: Other EV adjustments	
Equity Value	
Shares outstanding	
Implied Share Price	
Current Price	
Implied Price	
Total Return	

	WACC				
	13.80%	**13.30%**	**12.80%**	**12.30%**	**11.80%**
2.00%	$ 84.64	$ 89.74	$ 95.33	$ 101.46	$ 108.23
2.50%	$ 81.64	$ 86.42	$ 91.63	$ 97.33	$ 103.58
3.00%	$ 81.64	$ 86.42	$ 91.63	$ 97.33	$ 103.58
3.50%	$ 84.64	$ 89.74	$ 95.33	$ 101.46	$ 108.23
4.00%	$ 91.46	$ 97.35	$ 103.85	$ 111.06	$ 119.10

	WACC				
	13.80%	**13.30%**	**12.80%**	**12.30%**	**11.80%**
8.0 x	$ 70.41	$ 72.19	$ 74.02	$ 75.90	$ 77.82
9.0 x	$ 76.89	$ 78.82	$ 80.81	$ 82.84	$ 84.93
10.0 x	$ 83.36	$ 85.45	$ 87.59	$ 89.78	$ 92.04
11.0 x	$ 89.84	$ 92.07	$ 94.37	$ 96.73	$ 99.15
12.0 x	$ 96.31	$ 98.70	$ 101.15	$ 103.67	$ 106.25

Appendix 3: Comparable Companies Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple 2020A EBITDA	2021E EBITDA	2022E EBITDA	2020A EV/EBITDA	2021E EV/EBITDA	2022E EV/EBITDA	P/E Multiple 2020A Diluted EPS	2021E Diluted EPS	2022E Diluted EPS	2020A P/E	2021E P/E	2022E P/E
Frontier Airlines Holding, Inc.	(NASDAQ: ULCC)	2,963.5	5,029.3	(573.0)	(328.6)	667.8	n/a	n/a	7.5 x	$ (1.13)	$ (1.48)	$ 0.62	(12.1 x)	(9.3 x)	22.1 x
Spirit Airlines Incorporated	(NYSE: SAVE)	2,467.2	5,785.5	(628.8)	93.3	740.0	n/a	62.0 x	7.8 x	$ (5.06)	$ (4.22)	$ 0.33	(4.5 x)	(5.4 x)	69.0 x
Allegiant Travel Company	(NASDAQ: ALGT)	3,291.9	3,923.1	0.2	335.8	571.2	19615.7 x	11.7 x	6.9 x	$ (11.53)	$ 1.94	$ 12.25	(16.0 x)	95.3 x	15.1 x
SkyWest, Inc.	(NASDAQ: SKYW)	2,052.3	4,354.4	238.3	768.4	902.5	18.3 x	5.7 x	4.8 x	$ (0.17)	$ 3.38	$ 3.20	(239.5 x)	12.0 x	12.7 x
Comp 5	(XCH: TCK)	-	-												
Comp 6	(XCH: TCK)	-	-												
Comp 7	(XCH: TCK)	-	-												
Comp 8	(XCH: TCK)	-	-												
Comp 9	(XCH: TCK)	-	-												
Comp 10	(XCH: TCK)	-	-												
Copa Holdings, S.A	**(NYSE: CPA)**	**3,472.9**	**4,713.1**	**41.5**	**259.8**	**396.7**	**113.6 x**	**18.1 x**	**11.9 x**	**(14.3)**	**$ (1.60)**	**$ 1.17**	**(5.7 x)**	**(50.9 x)**	**69.4 x**
Median								**8.7 x**	**7.2 x**					**3.3 x**	**18.6 x**
Mean								**16.0 x**	**6.8 x**					**23.2 x**	**29.7 x**
High								**62.0 x**	**7.8 x**					**95.3 x**	**69.0 x**
Low								**(15.3 x)**	**4.8 x**					**(9.3 x)**	**12.7 x**

	EV/EBITDA Implied Price		P/E Implied Price	
Median	$ 23.76	$ 37.89	-$ 5.32	$ 21.83
Mean	**$ 68.49**	**$ 33.81**	**-$ 37.07**	**$ 34.87**
High	$ 348.73	$ 43.64	-$ 152.46	$ 80.89
Low	-$ 122.29	$ 15.80	$ 14.83	$ 14.92

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