José Juan

María

William

Valentina
BUY RECOMMENDATION

26.06% UPSIDE

$115.41
TARGET PRICE

$91.55
CLOSING PRICE
January 4th, 2017

STRONG COMPETITIVE POSITIONING
FAVORABLE DYNAMICS
LEADING OPERATING METRICS
CONSISTENT FINANCIAL PERFORMANCE
65% of Copa’s passengers are from underserved markets that need a hub.
LOW COST CARRIERS

STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

LEADING OPERATING METRICS

CONSISTENT FINANCIAL PERFORMANCE

Strong competitive positioning

Favorable dynamics

Leading operating metrics

Consistent financial performance

LOW COST CARRIERS

wingo

Low Cost Carriers Market Share (%)

Source: Transportation Infrastructure and Logistics (ALG), and CAPA, OAG, ELFAA data
Geographic Location

Service Oriented strategy

At least 50% Market Share
In 45% of CPAs markets.
Latin America's Most On Time Carrier (FlightStats)

**Favorable Dynamics**

The most important factors consumers take into consideration when purchasing a ticket are:

- **Price**
- **Convenient Itinerary**
- **Quality of Service**
- **Carrier Punctuality**
- **No Layovers**
- **Loyalty Program**

- **65.2%** of consumers think that COPA is the best airline in the region
- **66.7%** of consumers will choose COPA to travel within the region

According to consumers, COPA's most important benefits are:

- **Price**
- **Punctuality**
- **Convenient Itinerary**
- **Quality of Service**
- **Hub in Panama**
- **Loyalty Program**

- **36.4%** would travel in COPA for business trips
- **63.6%** would travel on COPA for leisure trips
- **83.3%** of respondents have traveled in COPA before

Sample of survey: 385 respondents

- Age range: 20-60
- Average income: >70K a year
- Geographic Location: Central America and the Caribbean (59%), United States (18%), Venezuela (10.6%), Panama (7.6%), Colombia (2%). Other (5%)
PORTER’S ANALYSIS

Large amount of capital needed to operate
Licensed routes
Access to slots at airports

RIVALRY WITHIN
THE INDUSTRY

THREAT OF
NEW ENTRANTS

BARGAINING POWER
OF SUPPLIERS

Airplane manufacturers
Covenants

Pricing strategies and wars
Mature stage

BARGAINING POWER
OF CUSTOMERS

Fast and reliable
Level of convenience and efficiency
Customer’s cost of time

Legend:
0 No threat
1 Very Low
2 Low
3 Moderate
4 High
5 Very High

Individual flyers- Agencies-OTA’s
Increasing popularity of OTA’s and apps
Decision: quality, price, convenience
Air traffic will double in the next 15 years. Sources: ICAO, Airbus GMF 2015
North America: 25%
GDP Growth 17: 2.2%

Latin America: 75%
GDP Growth 17: 1.6%

GDP UP TO 2021:
+2%

Source: Company Data & Team Estimates

CPA’s Revenue (US$MM)
HIGHEST LOAD FACTOR

3Q 16: 84%

2006: 73.1%
2007: 74.0%
2008: 75.9%
2009: 74.6%
2010: 76.9%
2011: 75.4%
2012: 76.7%
2013: 76.7%
2014: 75.2%
2015: 80.4%
2016: 79.2%
2017: 79.2%
2018: 80.4%

Source: Company Data & Team Estimates
Ex-Fuel Cost per ASM Trend

2008 - 0.0746
2010 - 0.0722
2012 - 0.0704
2014 - 0.0690

Lower Maintenance Costs
Lower Sale Cost & Commissions
Passenger Servicing Cost x ASM
Consistent Financial Performance
Favorable Dynamics
Leading Operating Metrics
Strong Competitive Positioning
Strong Performance
Positive Valuation
Risks
Consistent Financial Performance
Modern Fleet
Lower Sale Cost & Commissions
Passenger Servicing Cost x ASM
Strong Competitive Positioning
Favorable Dynamics
Strong Performance
Positive Valuation
Risks
STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

LEADING OPERATING METRICS

CONSISTENT FINANCIAL PERFORMANCE

+15 years EXPERIENCE

Michael New
VP of Safety

Catalina Bretón
WINGO General Manager

Pedro Heilbron
CEO

Daniel Gunn
COO

Jose Montero
CFO

STRONG PERFORMANCE

FAVORABLE DYNAMICS

POSITIVE VALUATION

RISKS
SOUND CASH GENERATION

5yrs. Average EBITDAR Margin

- COPA 23%
- SKYWEST 22%
- WESTJET 21%
- JETBLUE 19%
- AVIANCA 18%
- HAWAIIAN 17%
- LATAM 17%
- INDUSTRY AVERAGE 16%
- GOL 13%

Source: Bloomberg

Free Cash Flow to Equity

- Operating Cash Flow
- CAPEX Cash Flow
- Net Borrowing
- Free Cash Flow to Equity

Source: Team Estimates

2018: Operating Cash Flow = 470,590, CAPEX Cash Flow = 18,412, Net Borrowing = 175,416, Free Cash Flow to Equity = 313,586
2019: Operating Cash Flow = 496,668, CAPEX Cash Flow = 33,730, Net Borrowing = 209,752, Free Cash Flow to Equity = 320,646
2021: Operating Cash Flow = 567,051, CAPEX Cash Flow = 38,027, Net Borrowing = 226,412, Free Cash Flow to Equity = 38,027

Source: Team Estimates

STRONG COMPETITIVE POSITIONING
FAVORABLE DYNAMICS
STRONG PERFORMANCE
POSITIVE VALUATION
RISKS
DEBT COMPOSITION
Including Operating Leases

Operating Leases, 30.3%

Financial Debt, 69.7%

Source: Companies Data & Team Estimates

ADJUSTED NET DEBT/EBITDAR

COPA 2.8X
LATAM 5.9X
AVIANCA 6.2X

STRONG COMPETITIVE POSITIONING
FAVORABLE DYNAMICS
STRONG PERFORMANCE
POSITIVE VALUATION
RISKS
BUY

26.06% UPSIDE

$115.41

TARGET PRICE

MULTIPLE ANALYSIS EV/EBITDAR

70%

+

DISCOUNTED CASH FLOW FCFE

30% =

$115.41

TARGET PRICE
FREE CASH FLOW TO EQUITY

PRICE: $109.66

DISCOUNTED CASH FLOW FCFE

Cost of equity

<table>
<thead>
<tr>
<th>Cost of equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Free-Rate</td>
<td>2.44%</td>
</tr>
<tr>
<td>Beta</td>
<td>1.48</td>
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<tr>
<td>Market Risk Premium</td>
<td>5.69%</td>
</tr>
<tr>
<td>CAPM</td>
<td>10.86%</td>
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<tr>
<td>Country Risk Premium</td>
<td>2.81%</td>
</tr>
<tr>
<td>Adjusted CAPM</td>
<td>13.68%</td>
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</tbody>
</table>

Sources: Team Analysis

Country | Revenue Comp. Weight | Country Risk Premium | Weighted Risk Premium
--------|----------------------|----------------------|----------------------
Panama   | 17%                  | 1.92%                | 0.32%                |
USA      | 25%                  | 0.00%                | 0.00%                |
Brazil   | 13%                  | 3.95%                | 0.51%                |
Colombia | 8%                   | 2.51%                | 0.19%                |
Other LATAM | 38%                  | 4.73%                | 1.79%                |

Weighted Ave. Country Risk Premium 2.81%
Sources: Damodaran, EMBI and Team Analysis

TERMINAL GROWTH RATE

Jan 4th 10y US bond 2.44%

STRONG COMPETITIVE POSITIONING
FAVORABLE DYNAMICS
STRONG PERFORMANCE
POSITIVE VALUATION
RISKS
**MULTIPLE ANALYSIS**

**EV/EBITDAR**

CPA Mix on **ROI** (12.31%) & **Growth** (14.30%) explains historical premium behavior on multiple.

<table>
<thead>
<tr>
<th>TICKER</th>
<th>PEER NAME</th>
<th>PRICE (JAN 4TH)</th>
<th>ROI (5Y)</th>
<th>GROWTH (5Y)</th>
<th>MKT CAP (US$ BN)</th>
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<tbody>
<tr>
<td>AVH</td>
<td>Avianca Holdings</td>
<td>10.05</td>
<td>5.47%</td>
<td>12.83%</td>
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<tr>
<td>LFL</td>
<td>Latam Airlines</td>
<td>8.42</td>
<td>3.63%</td>
<td>22.17%</td>
<td>5.6</td>
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<tr>
<td>ADR</td>
<td>Gol Linhas Aereas Intelligents</td>
<td>16.40</td>
<td>-9.44%</td>
<td>8.57%</td>
<td>0.59</td>
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<tr>
<td>JBLUE</td>
<td>JetBlue Airways Group SA</td>
<td>22.65</td>
<td>6.19%</td>
<td>11.84%</td>
<td>6.73</td>
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<td>HA</td>
<td>Hawaiian Holdings</td>
<td>57.85</td>
<td>13.36%</td>
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<tr>
<td>SKYW</td>
<td>SkyWest Inc</td>
<td>37.45</td>
<td>2.72%</td>
<td>3.2%</td>
<td>1.87</td>
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<tr>
<td>WJA</td>
<td>WestJet Airlines Lt</td>
<td>23.73</td>
<td>9.43%</td>
<td>10.08%</td>
<td>2.70</td>
</tr>
</tbody>
</table>

**PRICE: $117.87**

- **STRONG COMPETITIVE POSITIONING**
- **FAVORABLE DYNAMICS**
- **STRONG PERFORMANCE**
- **POSITIVE VALUATION**
- **RISKS**
MONTE CARLO SIMULATION

Target Price: 115.41

68.5% probability of a BUY

- STRONG COMPETITIVE POSITIONING
- FAVORABLE DYNAMICS
- STRONG PERFORMANCE
- POSITIVE VALUATION
- RISKS

MONTE CARLO

YIELD
GDP
JET FUEL
INTEREST RATES
UTILIZATION HOURS
BLOCK HOURS BY ASM
RISK
Proactive in moving capacity to potential markets

Deterioration of GDP Growth

Lower Margins

GDP Growth of Latin America

Uncertainty about Reforms in USA

Revenue by Countries & Regions

North America: 25%
Panama: 16%
Brazil: 13%
Central America and Caribbean: 13%
Colombia: 13%
Other South American Countries: 23%
Venezuela: 8%

Proactive in moving capacity to potential markets

Yield

Demand

Strong Competitive Positioning

 Favorable Dynamics

Strong Performance

Positive Valuation

Risks
Deterioration of GDP Growth

Lower Margins

Jet Fuel

Labor Cost

Operating Expenses

CPA hedges 30% of Fuel Consumption

Lower Jet fuel x ASM


Oil Price Yearly Average


POSITIVE VALUATION STRONG PERFORMANCE

FAVORABLE DYNAMICS STRONG COMPETITIVE POSITIONING

RISKS
**Deterioration of GDP Growth**

**Lower Margins**

**Jet Fuel**

**Labor Cost**

**Operating Expenses**

**5y Ave Labor Cost per ASM (cents)**

- Copa: 0.93
- Gol: 1.37
- Avianca: 1.43
- Latam: 1.86
- Industry: 1.88
- WestJet: 2.31
- Hawaiian: 2.69
- JetBlue: 2.73

**Lower Labor Cost per ASM**

**Strong Competitive Positioning**

**Favorable Dynamics**

**Strong Performance**

**Positive Valuation**

**Risks**
Yield is the most sensitive variable after Jet Fuel Cost. Yield is highly sensitive to GDP Growth.
BUY RECOMMENDATION

26.06% UPSIDE
Total 12M Return with dividends: 29.22%

$115.41 TARGET PRICE
$91.55 CLOSING PRICE
January 4th 2017

STRONG COMPETITIVE POSITIONING
FAVORABLE DYNAMICS
LEADING OPERATING METRICS
CONSISTENT FINANCIAL PERFORMANCE