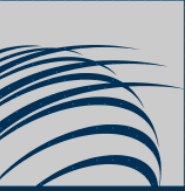




BARNNA
Business School

Copa Airlines



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



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



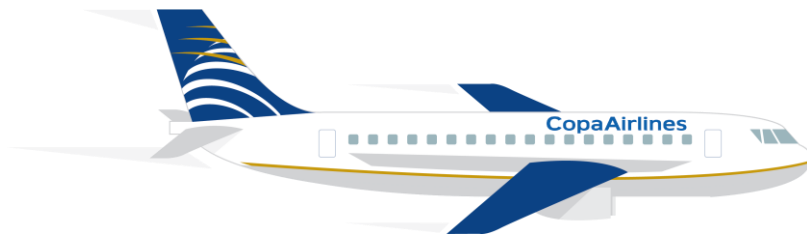
LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE



➤ 65% OF COPA'S PASSENGERS ARE FROM UNDERSERVED MARKETS THAT NEED A HUB



LEGACY NETWORK AIRLINES

Source: Company Data



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

RISKS



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



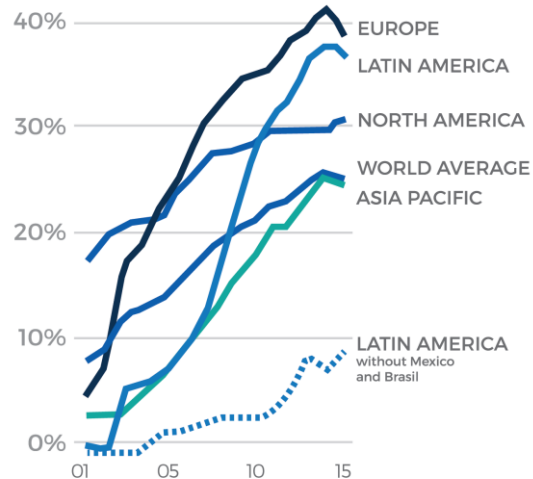
LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE

wingo

Low Cost Carriers Market Share (%)



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



LOW COST CARRIERS



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

RISKS



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE



Geographic Location



Service Oriented strategy



At least 50% Market Share

In 45% of CPAs markets.



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



STRONG PERFORMANCE



POSITIVE VALUATION



RISKS



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



LEADING OPERATING METRICS

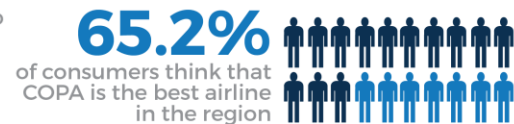


CONSISTENT FINANCIAL PERFORMANCE

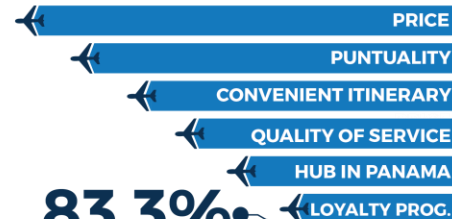
Latin America's Most On Time Carrier
(FlightStats)



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



According to consumers COPA's most important benefits are:



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 (3%)



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

PORTER'S ANALYSIS

Pricing strategies and wars
Mature stage

RIVALRY WITHIN
THE INDUSTRY

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

BARGAINING POWER
OF SUPPLIERS

Airplane manufacturers
Covenants

THREAT OF NEW
ENTRANTS

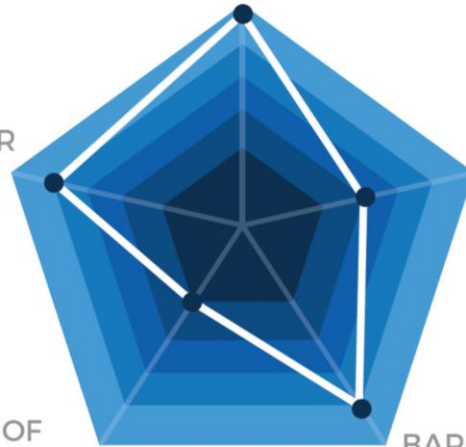
Legend:
0 No threat
1 Very Low
2 Low
3 Moderate
4 High
5 Very High

THREAT OF
SUBSTITUTES

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

BARGAINING POWER
OF CUSTOMERS

Individual flyers- Agencies-OTA's
Increasing popularity of OTA's and apps
Decision: quality, price, convenience





STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



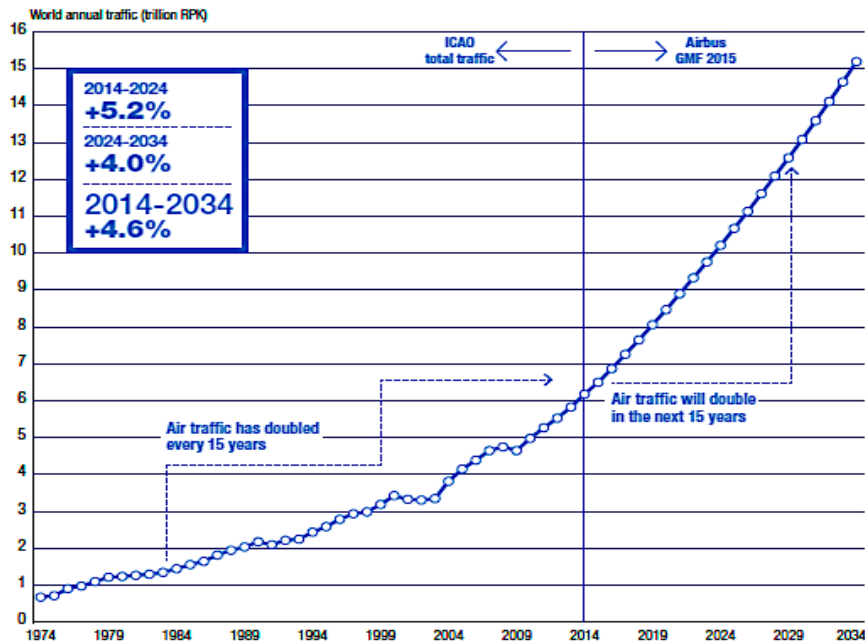
LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE

2X AIR TRAFFIC WILL DOUBLE IN THE NEXT 15 YEARS

Sources: ICAO, Airbus GMF 2015



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



STRONG PERFORMANCE



POSITIVE VALUATION



RISKS



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE



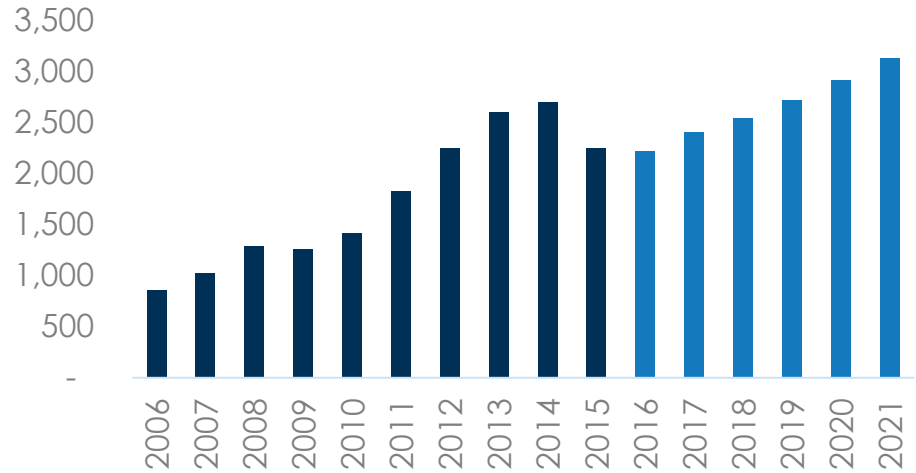
North America: 25%
GDP Growth 17: 2.2%

Latin America: 75%
GDP Growth 17: 1.6%

GDP UP TO 2021:

+2%

CPA'S REVENUE (US\$MM)



Source: Company Data & Team Estimates

STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

RISKS



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



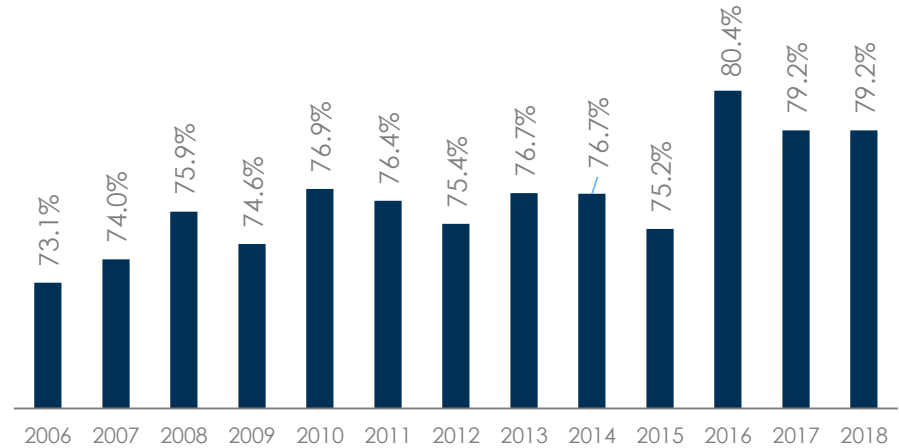
LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE



HIGHEST LOAD FACTOR ➔ **3Q 16: 84%**



Source: Company Data & Team Estimates



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

RISKS



STRONG COMPETITIVE POSITIONING



FAVORABLE DYNAMICS



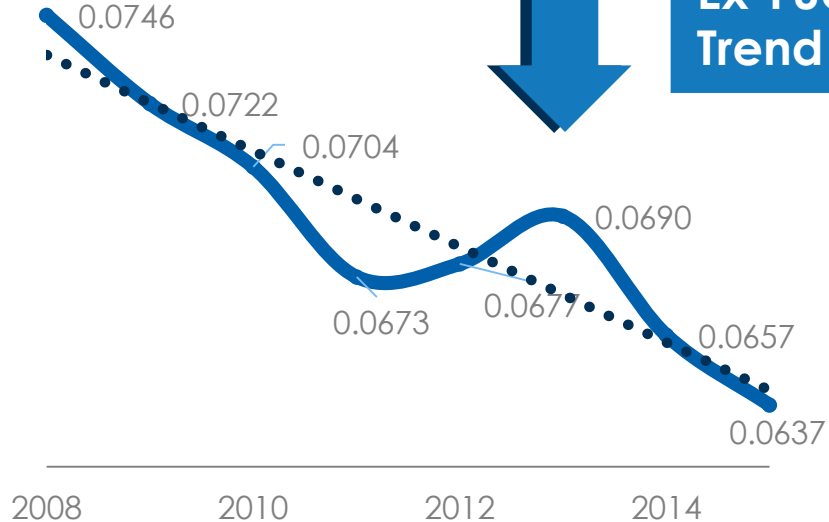
LEADING OPERATING METRICS



CONSISTENT FINANCIAL PERFORMANCE

0.07¢

Ex-Fuel Cost per ASM Trend



0.06¢

LOWER MAINTENANCE COSTS

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**

STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

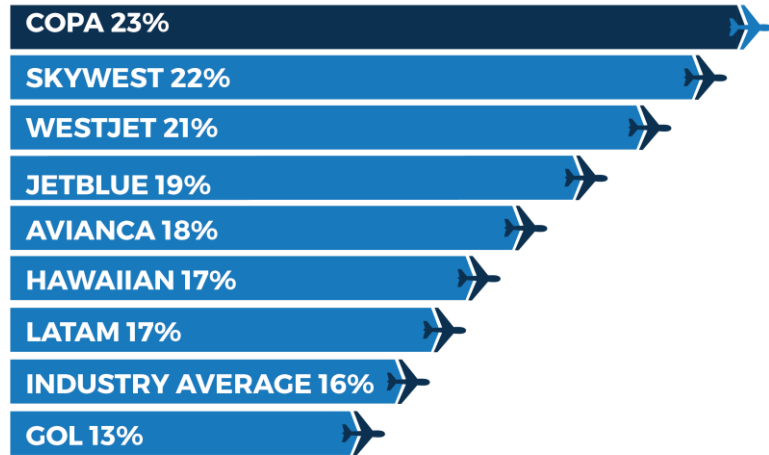
RISKS



OTHER FINANCIALS

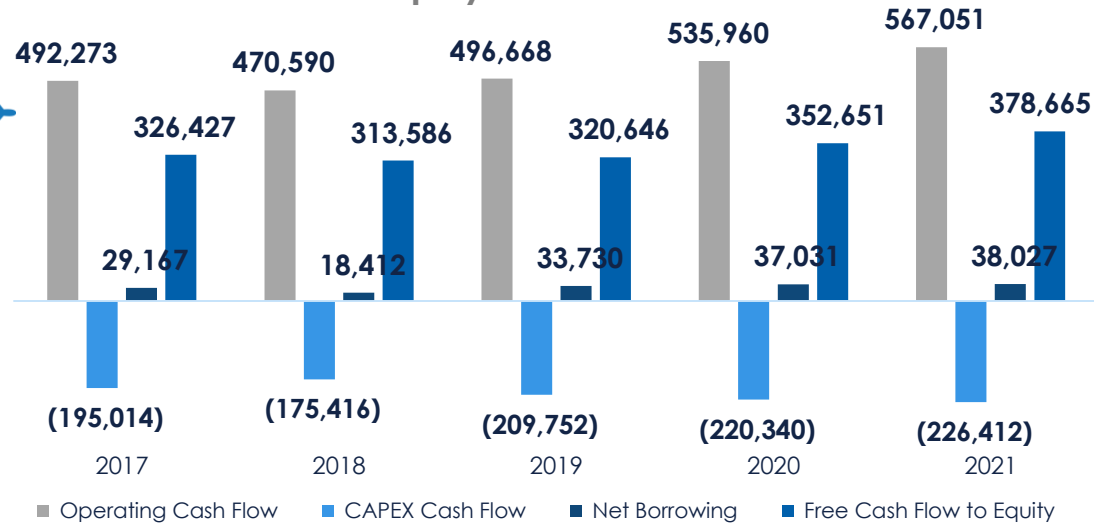
SOUND CASH GENERATION

5yrs. Average EBITDAR Margin



Source: Bloomberg

Free Cash Flow to Equity



Source: Team Estimates

STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

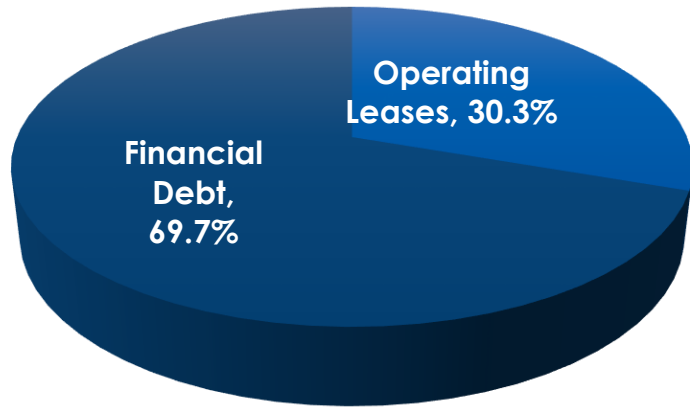
RISKS



OTHER
FINANCIALS

DEBT COMPOSITION

Including Operating Leases



Source: Companies Data & Team Estimates

STRONG COMPETITIVE
POSITIONING

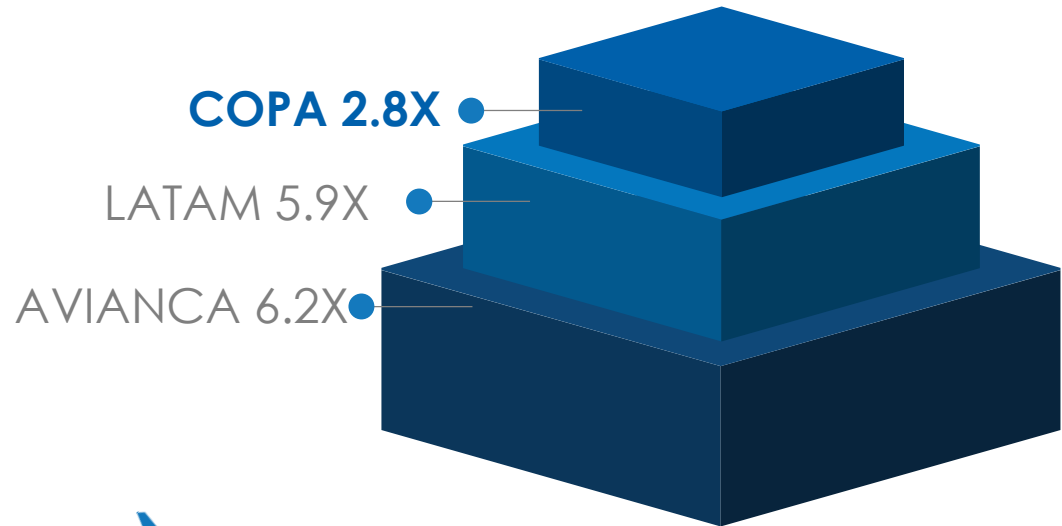
FAVORABLE DYNAMICS

STRONG
PERFORMANCE

POSITIVE
VALUATION

RISKS

ADJUSTED NET DEBT/EBITDAR



MULTIPLE ANALYSIS
EV/EBITDAR

DISCOUNTED CASH
FLOW FCFE

TARGET
PRICE



70%



30%



\$115.41

Copa Airlines



\$115.41

TARGET PRICE

BUY

26.06%
UPSIDE



DISCOUNTED CASH
FLOW FCFE



FREE CASH FLOW TO EQUITY

PRICE: \$109.66

Cost of equity

Risk Free-Rate	2.44%
Beta	1.48
Market Risk Premium	5.69%
CAPM	10.86%
Country Risk Premium	2.81%
Adjusted CAPM	13.68%

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



PRICE: \$117.87

TICKER	PEER NAME	PRICE(JAN4TH)	ROI (5Y)	GROWTH(5Y)	MKT CAP (US\$ BN)
AVH	Avianca Holdings	10.05	5.47%	12.83%	1.16
LFL	Latam Airlines	8.42	3.63%	22.17%	5.6
ADR	Gol Linhas Aereas Intelligents	16.40	-9.44%	8.57%	0.59
JBLUE	JetBlue Airways Group SA	22.65	6.19%	11.84%	6.73
HA	Hawaiian Holdings	57.85	13.36%	12.16%	3.1
SKYW	SkyWest Inc	37.45	2.72%	3.2%	1.87
WJA	WestJet Airlines Lt	23.73	9.43%	10.08%	2.70

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

STRONG COMPETITIVE
POSITIONING

FAVORABLE DYNAMICS

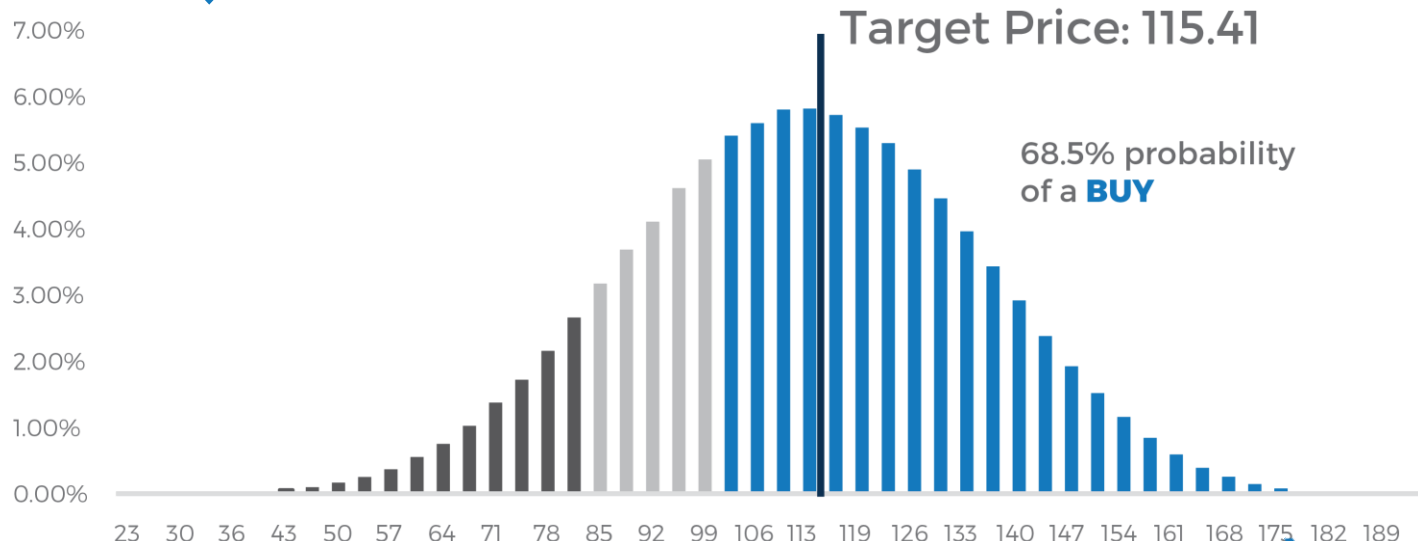
STRONG
PERFORMANCE

POSITIVE
VALUATION

RISKS



MONTE CARLO SIMULATION



- YIELD
- GDP
- JET FUEL
- INTEREST RATES
- UTILIZATION HOURS
- BLOCK HOURS BY ASM

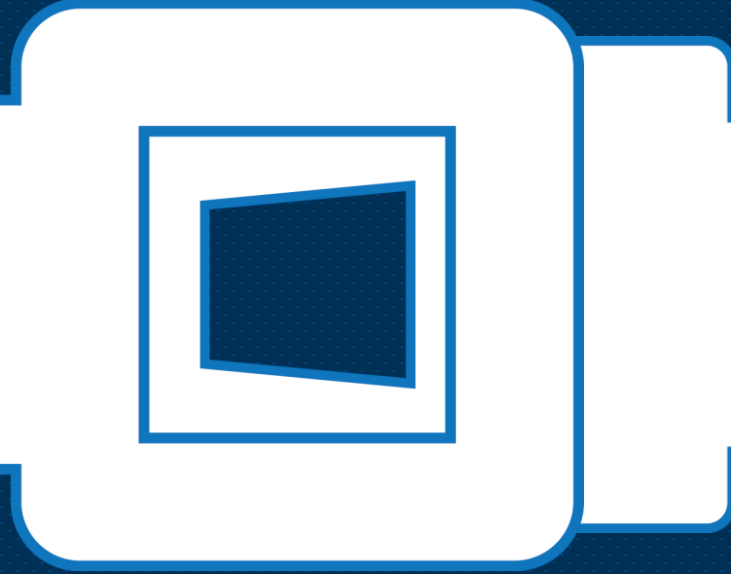
STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

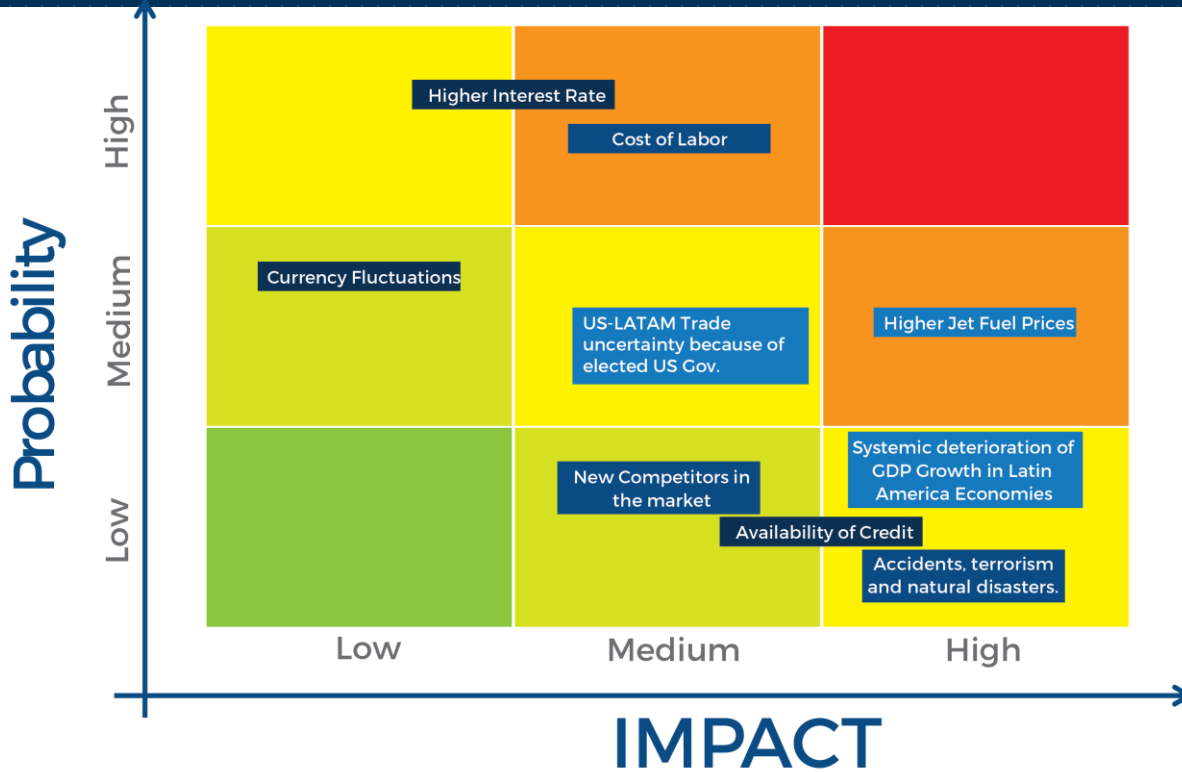
POSITIVE VALUATION

RISKS



RISK

Risk Matrix



Market Risk

Operational and Business risk

Financial Risk



Deterioration of GDP Growth



Lower Margins



GDP Growth of Latin America



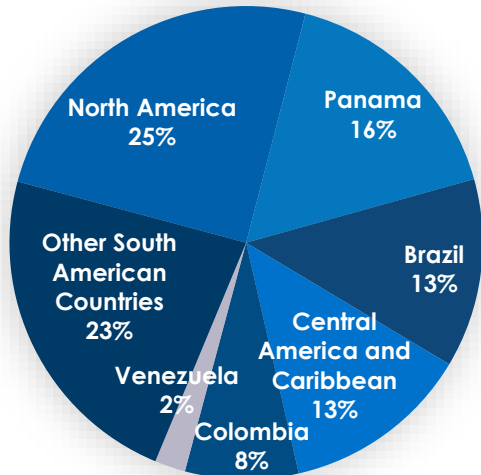
Uncertainty about Reforms in USA



Yield

Demand

Revenue by Countries & Regions



Proactive in moving capacity to potential markets



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

RISKS



Deterioration of GDP Growth



Lower Margins



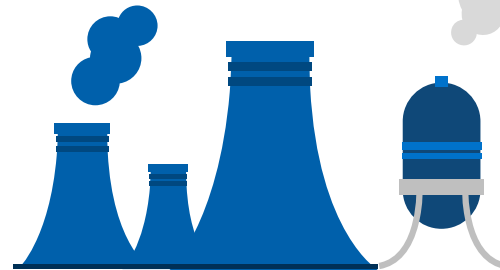
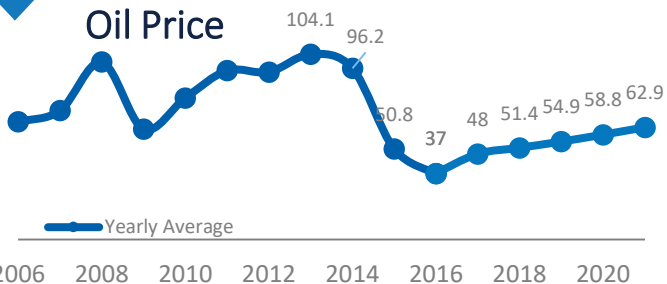
Jet Fuel



Labor Cost



Operating Expenses

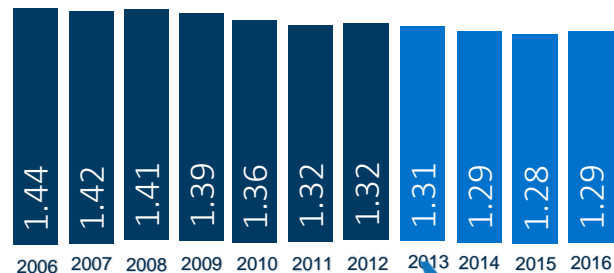


CPA hedges

30%

Of Fuel Consumption

Lower Jet fuel x ASM



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

POSITIVE VALUATION

RISKS





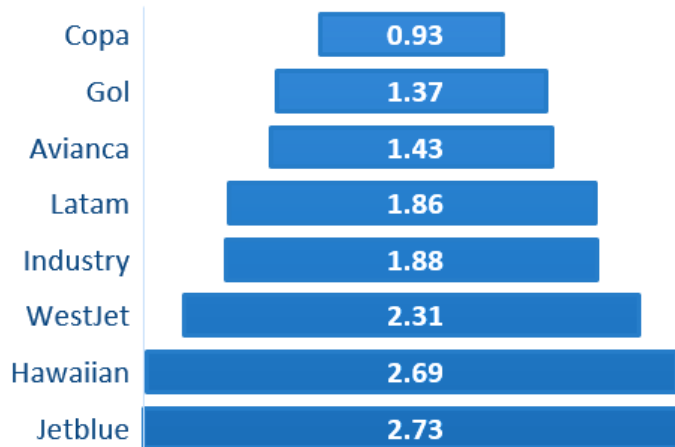
Deterioration of GDP Growth



Lower Margins

5y Ave Labor Cost per ASM (cents)

■ 5 years average



Lower Labor Cost per ASM



Jet Fuel



Labor Cost



Operating Expenses



STRONG COMPETITIVE POSITIONING

FAVORABLE DYNAMICS

STRONG PERFORMANCE

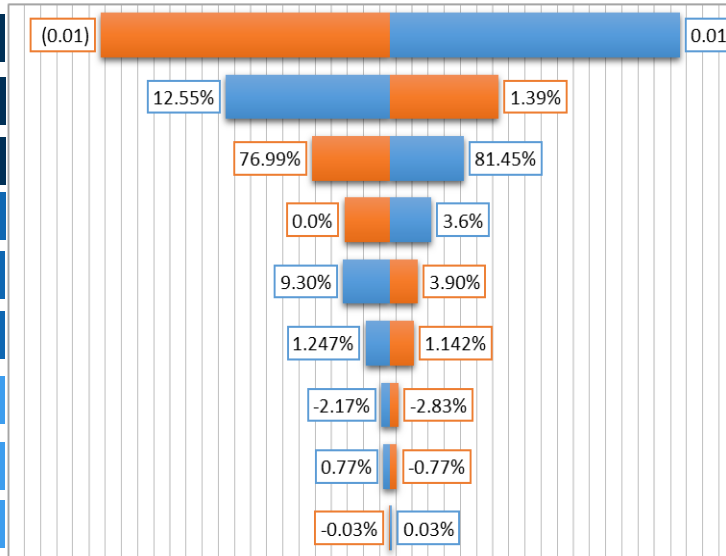
POSITIVE VALUATION

RISKS

Sensitivity Analysis

TORNADO ANALYSIS

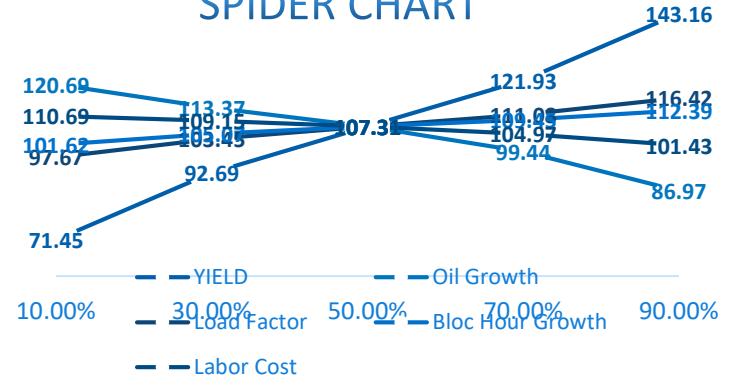
60 70 80 90 100 110 120 130 140



■ Upside ■ Downside

Yield is the most sensitive variable after Jet Fuel Cost. Yield is highly sensitive to GDP Growth.

SPIDER CHART





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