

## Copa

# Strong 4Q23 results; 2024 guidance is evidence of high margin sustainability

Reiterate Rating: BUY | PO: 170.00 USD | Price: 100.88 USD

## Cost efficiency and healthy yields led to another strong Q

Copa reported strong results, with EBIT and Adj. net profit beating our estimates by 11% and 15%, respectively. EBIT margin came in at 23.9% vs BofAe 22.3%, mostly due to higher-than-expected yields, at US\$14 cents (-7% YoY, + 3% vs BofAe) – with Copa internalizing part of fuel cost reduction (-13% YoY). Costs came roughly in line with our estimates (+4% YoY; +1% vs BofAe), with sales & marketing as the main highlight (-10% YoY) mainly due to a higher penetration of direct sales. See Exhibit 1 for detailed results.

## Guidance implies a healthy demand environment in 2024...

Although Copa's management highlighted a potential fiercer competition for 2024 in 3Q23 conference-call, 2024 guidance brought a 10% capacity increase and RASM at a healthy US\$12.2 cents level (-3% YoY; +6% vs BofA previous number), CASM ex-fuel of US\$6 cents, and an EBIT margin of 21-23% (vs historical average of 15.8% in 2010-23, and BofA 19% previous assumption). The strong guidance already includes the one-off impacts from the grounding of 21 737 MAX-9 aircraft from 6<sup>th</sup> January to 29<sup>th</sup> January.

## ... evidence of Copa's higher margins sustainability

We think Copa will likely operate at higher margins going forward, as margin gains since pre-Covid have been mostly driven by cost efficiencies rather than strong fares (up only 12% vs 2019, less than inflation). Therefore, we expect not only positive consensus earnings revision, but also a potential stock re-rating closer to historical levels. Copa currently trades at 5.0x 2024 Adj. EV/EBITDA (vs 8x historical level), a -14% discount to US peers vs historical premium of +47% (explained by a higher cash-conversion of Copa's EBITDA). Lastly, Copa's Board approved dividends of US\$6.44/sh for 2024, a 6.4% yield. 2024 P/E is at only 6.4x.

## PO up to US\$170 from US\$150/sh; Reiterate Buy

We have a Buy rating on Copa on attractive valuation. Our PO moved to US\$170 (from US\$150) as we update Copa's model with new capacity, RASM and CASM ex-fuel guidance, but oil price ~5% higher (US\$3/gallon vs US\$2.85). We now see 2024 EBIT margin at 21% from 19%, in the low range of Copa's guidance. See Exhibit 3 .

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	8.79	12.33	15.20	19.03	22.34
GAAP EPS	8.79	12.53	15.20	19.03	22.34
EPS Change (YoY)	706.4%	40.3%	23.3%	25.2%	17.4%
Consensus EPS (Bloomberg)			16.06	18.23	18.64
DPS	0	0	6.08	7.61	8.93
Valuation (Dec)					
P/E	11.5x	8.2x	6.6x	5.3x	4.5x
GAAP P/E	11.5x	8.1x	6.6x	5.3x	4.5x
Dividend Yield	0%	0%	6.0%	7.5%	8.9%
EV / EBITDA*	5.1x	3.4x	3.3x	2.7x	2.4x
Free Cash Flow Yield*	19.4%	13.7%	29.9%	32.4%	41.0%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

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**Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

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Timestamp: 08 February 2024 05:02AM EST

08 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	150.00	170.00
2024E Rev (m)	3,551.2	3,721.8
2025E Rev (m)	3,713.8	3,993.8
2026E Rev (m)	3,857.6	4,184.9
2024E EPS	13.14	15.20
2025E EPS	15.41	19.03
2026E EPS	18.15	22.34
2024E DPS	5.26	6.08

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### Stock Data

Price	100.88 USD
Price Objective	170.00 USD
Date Established	8-Feb-2024
Investment Opinion	C-1-7
52-Week Range	78.12 USD - 121.20 USD
Mkt Val (mn) / Shares Out (mn)	3,205 USD / 31.8
Free Float	99.8%
Average Daily Value (mn)	32.38 USD
BofA Ticker / Exchange	CPA / NYS
Bloomberg / Reuters	CPA US / CPAN
ROE (2024E)	27.6%
Net Dbt to Eqty (Dec-2023A)	25.8%

#### ESGMeter<sup>TM</sup>

Low

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

### Exhibit 1: Copa's old vs New summary

We are increasing our Copa Po to US\$170

Copa	New	Old	Diff. (%)
Rating	Buy	Buy	-
PO	170	150	13.3%
2024 EBITDAR	1,100	1,004	9.6%
2024 EPS	15.2	13.1	15.7%

Source: BofA Global Research Estimates

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RASM: Revenue per available seat mile

CASM: Cost per available seat mile

# iQprofile<sup>SM</sup> Copa

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	11.7%	17.8%	15.4%	17.1%	17.6%
Return on Equity	25.0%	28.6%	27.6%	29.1%	28.7%
Operating Margin	15.2%	23.5%	21.1%	24.5%	27.1%
Free Cash Flow	621	440	959	1,039	1,315

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.8x	0.8x	1.5x	1.3x	1.4x
Asset Replacement Ratio	0x	0x	0x	0x	0x
Tax Rate	10.3%	15.8%	15.0%	15.0%	15.0%
Net Debt-to-Equity Ratio	34.1%	25.8%	17.9%	8.7%	-0.9%
Interest Cover	5.6x	5.4x	13.1x	16.1x	17.8x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,965	3,461	3,722	3,994	4,185
% Change	96.4%	16.7%	7.5%	7.3%	4.8%
Gross Profit	1,068	1,475	1,510	1,753	1,946
% Change	76.9%	38.1%	2.4%	16.1%	11.0%
EBITDA	718	1,082	1,100	1,342	1,519
% Change	85.8%	50.7%	1.7%	22.0%	13.2%
Net Interest & Other Income	(72)	(193)	(33)	(36)	(29)
<b>Net Income (Adjusted)</b>	<b>348</b>	<b>518</b>	<b>639</b>	<b>800</b>	<b>939</b>
<b>% Change</b>	<b>652.6%</b>	<b>48.9%</b>	<b>23.3%</b>	<b>25.2%</b>	<b>17.3%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	348	518	639	800	939
Depreciation & Amortization	74	74	79	105	104
Change in Working Capital	(33)	(275)	(22)	(5)	27
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	232	122	263	139	245
Capital Expenditure	0	0	0	0	0
<b>Free Cash Flow</b>	<b>621</b>	<b>440</b>	<b>959</b>	<b>1,039</b>	<b>1,315</b>
<b>% Change</b>	<b>47.0%</b>	<b>-29.2%</b>	<b>118.2%</b>	<b>8.3%</b>	<b>26.6%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	(256)	(320)	(376)
Change in Debt	9	21	94	(8)	210

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	935	915	1,107	1,288	1,792
Trade Receivables	138	159	161	161	161
Other Current Assets	155	194	256	250	261
Property, Plant & Equipment	3,118	3,520	3,973	4,276	4,627
Other Non-Current Assets	337	409	409	409	409
<b>Total Assets</b>	<b>4,682</b>	<b>5,197</b>	<b>5,906</b>	<b>6,384</b>	<b>7,250</b>
Short-Term Debt	142	222	222	222	222
Other Current Liabilities	1,099	1,122	1,305	1,298	1,381
Long-Term Debt	1,302	1,240	1,334	1,326	1,536
Other Non-Current Liabilities	647	486	534	548	557
<b>Total Liabilities</b>	<b>3,190</b>	<b>3,071</b>	<b>3,396</b>	<b>3,394</b>	<b>3,697</b>
<b>Total Equity</b>	<b>1,492</b>	<b>2,126</b>	<b>2,510</b>	<b>2,990</b>	<b>3,553</b>
<b>Total Equity &amp; Liabilities</b>	<b>4,682</b>	<b>5,197</b>	<b>5,906</b>	<b>6,384</b>	<b>7,250</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Airlines

## Company Description

Copa is a Panamanian airline company, with over 95% of flights international, connecting North, South America and the Caribbean. It has competitive advantages as 1) non-negligible share of its aircraft fleet of unencumbered assets, supporting a higher cash-conversion of its EBITDAR, 2) is able to connect passengers using Tocumen as a hub-and-spoke airport, and 3) Panama government does not charge income tax on connection flights, reducing taxes and supporting a higher cash-conversion.

## Investment Rationale

We see Copa's 4Q22-4Q23 results as evidence that it will likely be an even more profitable company vs pre-Covid levels. This is also supported by some of the other airlines in Latin America posting pressured margins despite record yields (requiring higher fares to recover profitability). We have a Buy rating on an attractive valuation level, with the stock trading at 5.0x Adjusted EV/EBITDA, significantly below the 8x historical average.

## Stock Data

Average Daily Volume 332,898

## Quarterly Earnings Estimates

	2023	2024
Q1	3.07A	3.13E
Q2	0.44A	3.26E
Q3	4.45A	4.50E
Q4	4.56A	4.32E

**Exhibit 2: Copa's 4Q23 earnings summary – (US\$m)**

Copa's Adj. net income came 15% above our numbers, mainly due to higher-than-expected yields and cost efficiency.

Operating Figures	4Q23	4Q23E	AvsE	4Q22	YoY	4Q23 consensus	vs market consensus	3Q23	QoQ
<b>RPM Total (mn)</b>	<b>6,263</b>	<b>6,223</b>	<b>0.6%</b>	<b>5,639</b>	<b>11.1%</b>			<b>6,239</b>	<b>0.4%</b>
<b>ASM Total (mn)</b>	<b>7,228</b>	<b>7,171</b>	<b>0.8%</b>	<b>6,509</b>	<b>11.0%</b>			<b>7,109</b>	<b>1.7%</b>
Load factor	86.6%	86.8%	-0.1pp	86.6%	0.0pp			87.8%	-1.1pp
# of aircraft	105	106	-0.9%	97	8.2%			102	2.9%
<b>Yield (US\$ Cents)</b>	<b>14.0</b>	<b>13.6</b>	<b>3.0%</b>	<b>15.1</b>	<b>-7.1%</b>			<b>13.4</b>	<b>5.1%</b>
<b>PRASM (US\$ Cents)</b>	<b>12.2</b>	<b>11.8</b>	<b>2.8%</b>	<b>13.1</b>	<b>-7.1%</b>			<b>11.7</b>	<b>3.8%</b>
<b>RASM (US\$ Cents)</b>	<b>12.7</b>	<b>12.4</b>	<b>2.6%</b>	<b>13.7</b>	<b>-7.3%</b>			<b>12.2</b>	<b>3.9%</b>
<b>CASM (US\$ Cents)</b>	<b>9.7</b>	<b>9.6</b>	<b>0.5%</b>	<b>10.3</b>	<b>-6.3%</b>			<b>9.3</b>	<b>3.6%</b>
<b>CASM Ex-Fuel (US\$ Cents)</b>	<b>6.0</b>	<b>6.0</b>	<b>-0.3%</b>	<b>6.1</b>	<b>-1.6%</b>			<b>5.8</b>	<b>3.9%</b>
<b>Jet fuel price (US\$/gallon)</b>	<b>3.09</b>	<b>3.01</b>	<b>2.4%</b>	<b>3.53</b>	<b>-12.5%</b>			<b>3.00</b>	<b>2.7%</b>
Main Financials	4Q23	4Q23E	AvsE	4Q22	YoY	4Q23 consensus	vs market consensus	3Q23	QoQ
<b>Net Revenues</b>	<b>917</b>	<b>887</b>	<b>3.4%</b>	<b>891</b>	<b>3.0%</b>	<b>888</b>	<b>3.2%</b>	<b>868</b>	<b>5.7%</b>
Passenger	879	849	3.6%	852	3.2%			833	5.5%
Cargo & Other	38	38	-1.6%	38	-1.9%			34	9.2%
<b>Operating Expenses</b>	<b>(698)</b>	<b>(689)</b>	<b>1.3%</b>	<b>(671)</b>	<b>4.0%</b>			<b>(663)</b>	<b>5.3%</b>
Salaries	(120)	(115)	4.2%	(105)	13.9%			(108)	10.4%
Aircraft Fuel	(264)	(257)	2.6%	(274)	-3.6%			(252)	4.8%
Landing Fees	(59)	(57)	4.3%	(50)	18.7%			(58)	1.3%
Passenger costs	(24)	(24)	2.5%	(20)	23.7%			(23)	4.3%
Services provided	(28)	(29)	-4.4%	(26)	9.0%			(29)	-5.1%
Sales and marketing	(55)	(58)	-4.4%	(61)	-10.4%			(54)	1.9%
Maintenance, materials and repairs	(31)	(30)	2.8%	(29)	8.3%			(30)	5.9%
Depreciation and amortization	(80)	(77)	3.6%	(70)	13.6%			(78)	1.9%
Other	(37)	(43)	-13.4%	(36)	1.0%			(29)	25.5%
<b>EBIT</b>	<b>219</b>	<b>197</b>	<b>10.9%</b>	<b>220</b>	<b>-0.4%</b>	<b>199</b>	<b>9.8%</b>	<b>205</b>	<b>6.8%</b>
EBIT Margin	23.9%	22.3%	1.6pp	24.7%	-0.8pp	22.5%	1.4pp	23.6%	0.2pp
<b>EBIT ex-IFRS 16</b>	<b>216</b>	<b>195</b>	<b>10.4%</b>	<b>217</b>	<b>-0.5%</b>			<b>202</b>	<b>6.9%</b>
EBIT Margin ex-IFRS 16	23.5%	22.0%	1.5pp	24.3%	-0.8pp			23.3%	0.3pp
<b>EBITDAR</b>	<b>299</b>	<b>274</b>	<b>8.9%</b>	<b>290</b>	<b>3.0%</b>	<b>285</b>	<b>4.7%</b>	<b>283</b>	<b>5.4%</b>
EBITDAR Margin	32.6%	30.9%	1.6pp	32.6%	0.0pp	32.1%	0.4pp	32.7%	-0.1pp
<b>Net income</b>	<b>192</b>	<b>163</b>	<b>17.4%</b>	<b>88</b>	<b>117.2%</b>	<b>165</b>	<b>16.0%</b>	<b>187</b>	<b>2.4%</b>
Net Margin	20.9%	18.4%	2.5pp	9.9%	11.0pp	18.6%	2.3pp	21.6%	-0.7pp
<b>Adjusted net income</b>	<b>188</b>	<b>163</b>	<b>15.3%</b>	<b>168</b>	<b>12.3%</b>	<b>165</b>	<b>13.9%</b>	<b>174</b>	<b>8.0%</b>
Net Margin (adjusted)	20.5%	18.4%	2.1pp	18.8%	1.7pp	18.6%	194.0pp	20.1%	0.4pp

Source: Copa, BofA Global Research estimates

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**Exhibit 3: Copa's New vs Old estimates– (US\$m)**

We are increasing our 2024 yield estimates by 6%. We expect EBIT margins at 21% (from 19% previously)

	2024 New	2024 Old	dif. (%)	2025 New	2025 Old	dif. (%)	2026 New	2026 Old	dif. (%)
<b>Operating Figures</b>									
<b>RPM Total (mn)</b>	<b>26,317</b>	<b>26,330</b>	<b>0.0%</b>	<b>27,748</b>	<b>27,002</b>	<b>2.8%</b>	<b>28,507</b>	<b>27,478</b>	<b>3.7%</b>
<b>ASM Total (mn)</b>	<b>30,593</b>	<b>31,027</b>	<b>-1.4%</b>	<b>32,226</b>	<b>31,829</b>	<b>1.2%</b>	<b>33,116</b>	<b>32,385</b>	<b>2.3%</b>
Load factor	86.0%	84.9%	1.4%	86.1%	84.8%	1.5%	86.1%	84.8%	1.5%
# of aircraft	119	119	0.0%	115	115	0.0%	119	119	0.0%
<b>Yield (US\$ Cents)</b>	<b>13.5</b>	<b>12.9</b>	<b>5.0%</b>	<b>13.8</b>	<b>13.1</b>	<b>4.9%</b>	<b>14.0</b>	<b>13.4</b>	<b>5.0%</b>
<b>PRASM (US\$ Cents)</b>	<b>11.6</b>	<b>10.9</b>	<b>6.4%</b>	<b>11.9</b>	<b>11.1</b>	<b>6.5%</b>	<b>12.1</b>	<b>11.4</b>	<b>6.5%</b>
<b>RASM (US\$ Cents)</b>	<b>12.2</b>	<b>11.4</b>	<b>6.3%</b>	<b>12.4</b>	<b>11.7</b>	<b>6.2%</b>	<b>12.6</b>	<b>11.9</b>	<b>6.1%</b>
<b>CASM (US\$ Cents)</b>	<b>9.6</b>	<b>9.2</b>	<b>3.8%</b>	<b>9.4</b>	<b>9.2</b>	<b>2.3%</b>	<b>9.2</b>	<b>9.0</b>	<b>2.0%</b>
<b>CASM Ex-Fuel (US\$ Cents)</b>	<b>6.0</b>	<b>5.9</b>	<b>3.1%</b>	<b>6.1</b>	<b>6.0</b>	<b>1.1%</b>	<b>6.1</b>	<b>6.1</b>	<b>0.6%</b>
<b>Main Financials</b>									
<b>Net Revenues</b>	<b>3,722</b>	<b>3,551</b>	<b>4.8%</b>	<b>3,994</b>	<b>3,714</b>	<b>7.5%</b>	<b>4,185</b>	<b>3,858</b>	<b>8.5%</b>
Passenger	3,562	3,394	4.9%	3,822	3,544	7.8%	4,005	3,677	8.9%
Cargo & Other	160	157	2.0%	172	170	1.1%	180	180	0.0%
<b>Operating Expenses</b>	<b>(2,937)</b>	<b>(2,869)</b>	<b>2.4%</b>	<b>(3,017)</b>	<b>(2,913)</b>	<b>3.5%</b>	<b>(3,051)</b>	<b>(2,927)</b>	<b>4.3%</b>
Salaries	(511)	(499)	2.4%	(532)	(519)	2.6%	(548)	(534)	2.7%
Aircraft Fuel	(1,089)	(1,050)	3.6%	(1,062)	(1,004)	5.7%	(1,026)	(958)	7.1%
Airport facilities and handling charges	(252)	(251)	0.3%	(268)	(261)	2.8%	(276)	(269)	2.8%
Passenger servicing	(103)	(102)	1.2%	(110)	(106)	4.1%	(116)	(110)	5.1%
Flight operations	(123)	(117)	4.8%	(132)	(123)	7.5%	(138)	(127)	8.5%
Sales and distribution	(231)	(231)	0.0%	(248)	(241)	2.6%	(259)	(251)	3.5%
Maintenance, materials and repairs	(135)	(134)	0.6%	(135)	(134)	0.8%	(135)	(134)	0.9%
Depreciation and amortization	(315)	(322)	-2.0%	(365)	(373)	-2.1%	(385)	(390)	-1.3%
Other	(179)	(163)	9.6%	(164)	(152)	7.5%	(167)	(154)	8.5%
<b>EBIT</b>	<b>785</b>	<b>683</b>	<b>15.0%</b>	<b>977</b>	<b>800</b>	<b>22.1%</b>	<b>1,134</b>	<b>931</b>	<b>21.8%</b>
EBIT Margin	21.1%	19.2%	1.9pp	24.5%	21.5%	2.9pp	27.1%	24.1%	3.0pp
<b>EBIT ex-IFRS 16</b>	<b>747</b>	<b>642</b>	<b>16.3%</b>	<b>954</b>	<b>781</b>	<b>22.2%</b>	<b>1,114</b>	<b>914</b>	<b>21.8%</b>
EBIT Margin ex-IFRS 16	20.1%	18.1%	2.0pp	23.9%	21.0%	2.9pp	26.6%	23.7%	2.9pp
<b>EBITDAR</b>	<b>1,100</b>	<b>1,004</b>	<b>9.6%</b>	<b>1,342</b>	<b>1,173</b>	<b>14.4%</b>	<b>1,519</b>	<b>1,321</b>	<b>15.0%</b>
EBITDAR Margin	29.6%	28.3%	1.3pp	33.6%	31.6%	2.0pp	36.3%	34.2%	2.0pp
<b>Net Income (loss)</b>	<b>639</b>	<b>553</b>	<b>15.6%</b>	<b>800</b>	<b>649</b>	<b>23.3%</b>	<b>939</b>	<b>764</b>	<b>22.9%</b>
Net Margin	17.2%	15.6%	1.6pp	20.0%	17.5%	2.6pp	22.4%	19.8%	2.6pp

Source: Copa, BofA Global Research estimates

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**Exhibit 5: Copa's 2024 EV/EBITDAR multiple**

We have a US\$170 PO for Copa

<b>EV / EBITDA Target</b>	<b>2024</b>
<b>EBITDAR</b>	<b>1,100</b>
<b>Target Adj EV/EBITDAR Multiple</b>	<b>8.0x</b>
<b>Target Adjusted EV</b>	<b>8,802</b>
<b>Adjusted Net debt</b>	<b>1,272</b>
<b>Cash</b>	<b>(1,107)</b>
<b>Gross debt</b>	<b>1,463</b>
<b>Financial leases</b>	<b>94</b>
<b>Lease expenses' NPV</b>	<b>822</b>
<b>Lease payments to debt multiple</b>	<b>7.0x</b>
<b>Annual lease payment (2023)</b>	<b>117</b>
Lease liability	339
Lease liability/lease payment multiple	2.9x
NPV vs lease liability	2.4x
<b>Target Equity value YE24 (US\$'000)</b>	<b>7,530</b>
<b>Target Equity value N12M (US\$'000)</b>	<b>7,129</b>
<b>COE</b>	<b>11.6%</b>
Number of shares	42.0
<b>Price objective local share - USD</b>	<b>170.0</b>
Upside/(downside)	69%

Source: Copa, BofA Global Research estimates

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## Price objective basis & risk

### Copa (CPA)

We derive our US\$170 price objective from a 2024 Adjusted EV/EBITDAR target of 8.0x (in line with historical levels pre-COVID 19). In order to have consistency among the sector and historical valuation levels, we do one valuation adjustment for Copa that we judge as fair: 1) we assume 7x RENT as a proxy for operating leases' NPV, as we calculate this reflects the economic value of leased aircraft better than lease liability (especially for Copa, who has lease contracts much shorter than other airlines in the region).

Downside risks to our price objective are: 1) increases in oil price, 2) weakening of economic growth and air demand, 3) FX depreciation in Latin American countries, which could reduce the willingness of local population to fly to the US (traffic is more outbound than inbound in the region), 4) stronger-than-expected competition and potential oversupply, 5) other pandemic crisis, closing countries' borders for international passengers, or reducing the willingness of people from traveling, 6) potential changes in Panama's regulation, opening up foreigner airlines to connect passengers in Tocumen airport.

## Analyst Certification

We, Rogerio Araujo and Gabriel Frazao, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### Latin America - Capital Goods & Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Copa	CPA	CPA US	Rogerio Araujo
	GPS Participacoes e Empreendimentos S.A.	XKTRF	GGPS3 BZ	Rogerio Araujo
	Hidrovias do Brasil	XDXXF	HBSA3 BZ	Rogerio Araujo
	Localiza	LZRFF	RENT3 BZ	Rogerio Araujo
	Mills	MLSTF	MILS3 BZ	Rogerio Araujo
	Movida	XMBDF	MOVI3 BZ	Rogerio Araujo
	Rumo	RUMOF	RAIL3 BZ	Rogerio Araujo
	Volaris	VLRS	VLRS US	Rogerio Araujo
	Volaris	CTTRF	VOLARA MM	Rogerio Araujo
<b>NEUTRAL</b>				
	Armac	XCVZF	ARML3 BZ	Rogerio Araujo
	Azul	XAZUF	AZUL4 BZ	Rogerio Araujo
	Azul	AZUL	AZUL US	Rogerio Araujo
	Randon	RPRTF	RAPT4 BZ	Rogerio Araujo
	Vamos	XPLPF	VAMO3 BZ	Rogerio Araujo
	WEG	WEGZY	WEGZY US	Rogerio Araujo
	WEG	WGSEF	WEGE3 BZ	Rogerio Araujo
<b>UNDERPERFORM</b>				
	CCR	CDCRF	CCRO3 BZ	Rogerio Araujo
	Ecorodovias	XVEDF	ECOR3 BZ	Rogerio Araujo
	lochpe-Maxion	IOCJF	MYPK3 BZ	Rogerio Araujo
	Tupy	TPYSF	TUPY3 BZ	Rogerio Araujo



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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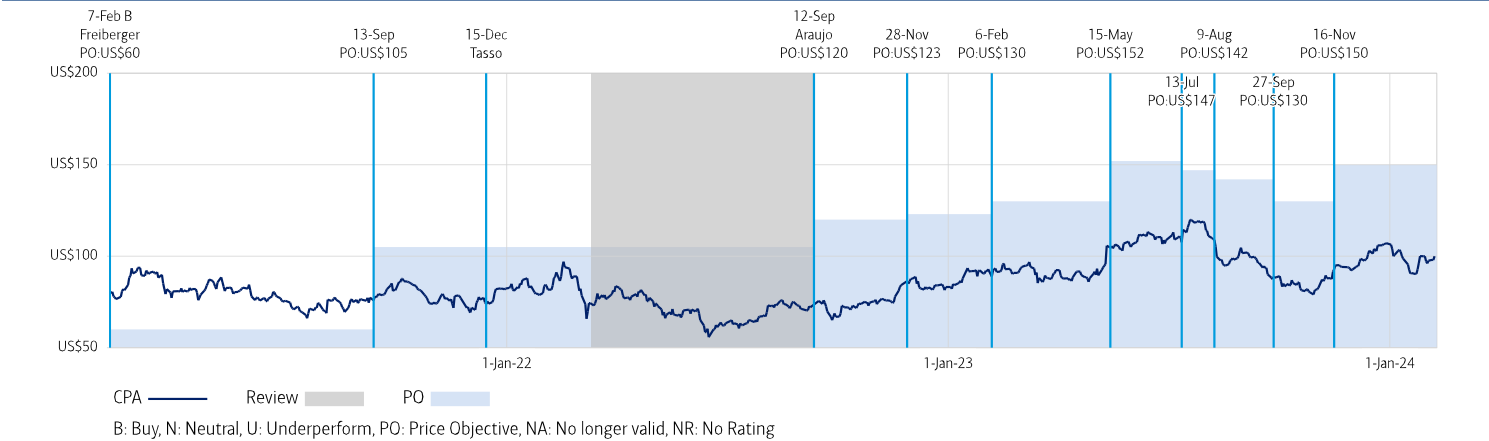
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Copa (CPA) Price Chart



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Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	67	50.38%	Buy	44	65.67%
Hold	31	23.31%	Hold	13	41.94%
Sell	35	26.32%	Sell	17	48.57%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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