

Daily Boarding

Copa January traffic figures

Industry Overview

Copa January traffic figures; ASM down 4% YoY

Copa reported January traffic figures, with total ASM (Available Seats Mile) down 4% YoY (vs BofAe at +5% for 1Q24), -3% versus 2019, while RPM (Revenue Passenger Mile) was down 6% YoY (vs BofAe at +7% for 1Q24), flattish versus 2019, yielding a load factor of 85.3% (vs BofAe at 88.3% for 1Q24) - See Exhibit 1. Potential impact: neutral to Copa. We already included a -6.0pp ASM YoY growth impact due to the one-off impacts from the grounding of 21 737 MAX-9 aircraft from 6th January to 29th January (see Daily Boarding : FAA approved inspection criteria to Boeing 737 Max 9s; GOL considering Chapter 11). As a recap, Copa released a strong guidance for the year, already considering the groundings in January (see [Strong 4Q23 results; 2024 guidance is evidence of high margin sustainability](#)). We have a Buy rating on Copa on a robust operating momentum (which we see as sustainable) and appealing valuation level.

15 February 2024

Equity
Latin America
Daily Boarding

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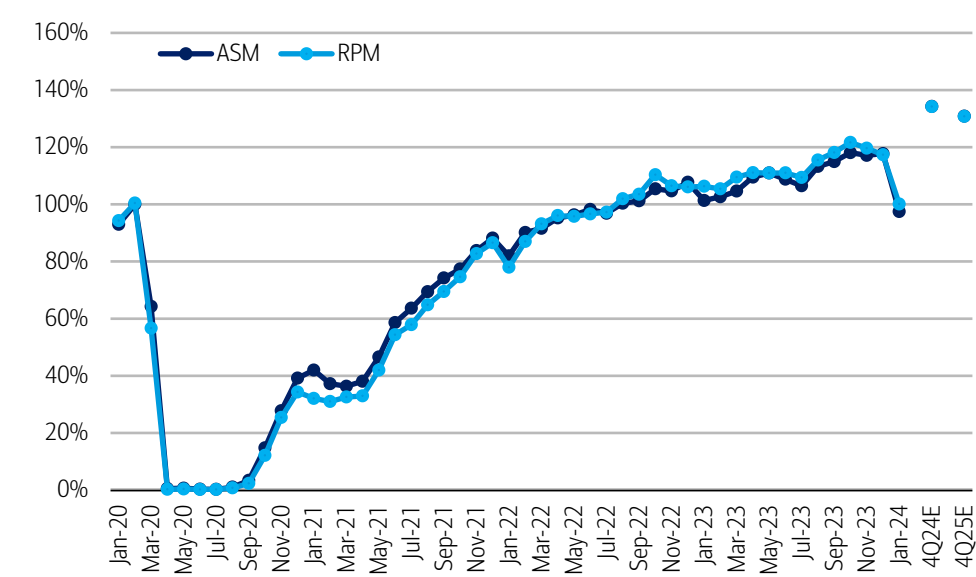
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Timestamp: 15 February 2024 07:04AM EST

Exhibit 1: Copa ASM and RPM evolution - vs 2019 levels
Copa's ASM is down 3% and RPM is flat vs pre covid levels



Source: Copa, BofA Global Research

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Exhibit 2: Summary table of our coverage

We rate as Buy: Copa and Volaris; and Azul as Neutral

Company	Rating	Q-R-Q rating	Market cap (US\$mn)	Average daily traded value (US\$mn)	2024 P/E	2025 P/E	2024 EV/EBITDA	2025 EV/EBITDA	2024 Dividend Yield	2025 Dividend Yield
Azul	2 - Neutral	C-2-9	854	42.2	8.7x	7.3x	6.6x	6.1x	2.9%	3.5%
Azul (ADS)	2 - Neutral	C-2-9	855	12.3	8.7x	7.3x	6.6x	6.1x	2.9%	3.5%
Volaris (ADS)	1 - Buy	C-1-9	874	4.5	-5.6x	-127.7x	6.3x	6.1x	0.0%	0.0%
Volaris	1 - Buy	C-1-9	874	2.1	-5.6x	-127.7x	6.3x	6.1x	0.0%	0.0%
Copa	1 - Buy	C-1-7	4,233	31.1	6.6x	5.3x	5.0x	4.0x	6.1%	7.7%
Airlines			5,962	92.2	5.4x	-10.9x	5.4x	4.5x	5.0%	6.2%

Source: Bloomberg, BofA Global Research estimates. (*) For airlines, we use EV/EBITDAR

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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.



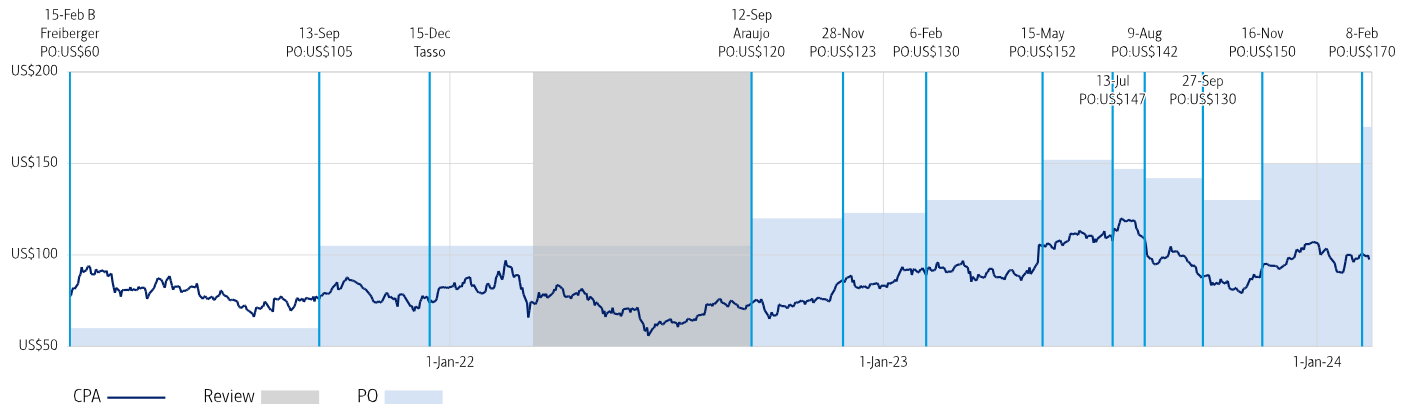
Latin America - Capital Goods & Transportation Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Copa	CPA	CPA US	Rogério Araujo
	GPS Participacoes e Empreendimentos S.A.	XKTRF	GGPS3 BZ	Rogério Araujo
	Hidrovias do Brasil	XDXXF	HBSA3 BZ	Rogério Araujo
	Localiza	LZRFF	RENT3 BZ	Rogério Araujo
	Mills	MLSTF	MILS3 BZ	Rogério Araujo
	Movida	XMBDF	MOV13 BZ	Rogério Araujo
	Rumo	RUMOF	RAIL3 BZ	Rogério Araujo
	Volaris	VLRS	VLRS US	Rogério Araujo
	Volaris	CTTRF	VOLARA MM	Rogério Araujo
NEUTRAL				
	Armac	XCVZF	ARML3 BZ	Rogério Araujo
	Azul	XAZUF	AZUL4 BZ	Rogério Araujo
	Azul	AZUL	AZUL US	Rogério Araujo
	Randon	RPRTF	RAPT4 BZ	Rogério Araujo
	Vamos	XPLPF	VAMO3 BZ	Rogério Araujo
	WEG	WGSEF	WEGE3 BZ	Rogério Araujo
	WEG	WEGZY	WEGZY US	Rogério Araujo
UNDERPERFORM				
	CCR	CDCRF	CCRO3 BZ	Rogério Araujo
	Ecorodovias	XVEDF	ECOR3 BZ	Rogério Araujo
	Iochpe-Maxion	IOCJF	MYPK3 BZ	Rogério Araujo
	Tupy	TPYSF	TUPY3 BZ	Rogério Araujo

Disclosures

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Copa (CPA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	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%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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