

Copa Holdings Reports Financial Results for the Second Quarter of 2020

August 5, 2020

PANAMA CITY, Aug. 5, 2020 /PRNewswire/ -- Copa Holdings, S.A. (NYSE: CPA), today announced financial results for the second quarter of 2020 (2Q20). The terms "Copa Holdings" and "the Company" refer to the consolidated entity. The following financial information, unless otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS). See the accompanying reconciliation of non-IFRS financial information to IFRS financial information included in the financial tables section of this earnings release. Unless otherwise stated, all comparisons with prior periods refer to the second quarter of 2019 (2Q19).

Due to air travel restrictions implemented in response to the Covid-19 outbreak, the Company did not provide scheduled commercial service during the second quarter, and only operated a small number of charter and humanitarian flights, representing less than 1% of the Company's capacity in 2Q19. Therefore, this earnings release will focus on the financial results and metrics that are relevant in these circumstances and will omit certain financial ratios, unit metrics and operational indicators that are usually provided, since these are either not measurable or applicable on such a limited operational base.

OPERATING AND FINANCIAL HIGHLIGHTS

- Copa Holdings reported a net loss of US\$386.0 million or (US\$9.08) per share. Excluding special items, the Company would have reported a net loss of US\$114.6 million, or (US\$2.70) per share.
- Special items for the quarter include a US\$186.8 million non-cash impairment charge on the B737-700 fleet as a result of the Company's announcement to sell those aircraft, a US\$50.0 million loss expected on assets held for sale (Embraer aircraft, spare engines, spare parts and a simulator), a US\$22.2 million unrealized loss on the mark-to-market of the convertible notes, and a US\$12.3 million reversal for unredeemed tickets revenue provisions recorded in the first quarter, given the uncertainty of future passenger behavior due to the Covid-19 situation.
- Copa Holdings reported an operating loss of US\$357.9 million. Excluding special items, the Company would have reported an operating loss of US\$108.7 million.
- Cash burn, defined as the cash disbursements less proceeds excluding extraordinary financing activities, averaged US\$77 million per month during the quarter.
- In April, the Company raised US\$343 million in cash through a senior convertible note offering. Cash, short-term and long-term investments totaled US\$1.14 billion at the end of the quarter.
- The Company entered into new committed, unsecured credit facilities of an additional US\$150 million (currently undrawn) and closed the quarter with US\$1.29 billion of available liquidity.
- The Company repaid US\$95 million in short-term lines of credit, closing the quarter with a total debt of US\$1.3 billion.
- Copa Holdings ended the quarter with a consolidated fleet of 102 aircraft – 6 Boeing 737MAX9s, 68 Boeing 737-800s, 14 Boeing 737-700s, and 14 Embraer-190s.

Subsequent Events

- During the month of July, the Company closed a secured revolving credit facility for an initial aggregate amount of US\$105 million. Including this facility, the Company now has US\$255 million in unutilized committed credit facilities.
- On July 17th, due to the Covid-19 pandemic, the Panamanian government announced the extension of air travel restrictions until August 21st, 2020. The company has now scheduled the restart of its regular commercial flights for September 4th, 2020.
- On July 31st, the Company signed a US\$79.1 million contract for the sale of its remaining 14 EMB-190s, 6 spare engines and spare parts, and expects to deliver these assets over the next 12 months.

Consolidated Financial & Operating Highlights	2Q20	2Q19	Variance vs. 2Q19	1Q20	Variance vs. 1Q20
Revenue Passengers Carried (000s)	9	2,550	-99.6%	2,118	-99.6%
RPMs (millions)	15	5,249	-99.7%	4,473	-99.7%
ASMs (millions)	31	6,166	-99.5%	5,491	-99.4%
Departures	225	32,676	-99.3%	28,286	-99.2%
Block Hours	820	106,425	-99.2%	93,568	-99.1%
Operating Revenues (US\$ millions)	14.5	645.1	-97.7%	595.5	-97.6%
Operating Profit (Loss) (US\$ millions)	-357.9	82.6	n/m	98.7	n/m
Adjusted Operating Profit (Loss) (US\$ millions) ⁽¹⁾	-108.7	82.6	n/m	98.7	n/m

Net Profit (Loss) (US\$ millions)	-386.0	50.9	n/m	74.3	n/m
Adjusted Net Profit (Loss) (US\$ millions) ⁽¹⁾	-114.6	50.9	n/m	74.3	n/m
Basic EPS (US\$)	-9.08	1.20	n/m	1.75	n/m
Adjusted Basic EPS (US\$) ⁽¹⁾	-2.70	1.20	n/m	1.75	n/m
Shares for calculation of Basic EPS (000s)	42,512	42,478	0.1%	42,501	0.0%

⁽¹⁾ Excludes Special Items. This earnings release includes a reconciliation of non-IFRS

financial measures to the comparable IFRS measures.

FULL 2Q20 EARNINGS RELEASE AVAILABLE FOR DOWNLOAD AT:

<https://copa.gcs-web.com/financial-information/quarterly-results>

2Q20 EARNINGS RESULTS CONFERENCE CALL AND WEBCAST

Date: Aug 6, 2020
Time: 11:00 AM US ET (10:00 AM Local Time)
Conference telephone number: 877-293-5456 (US Domestic Callers)
707-287-9357 (International Callers)
Webcast: <https://copa.gcs-web.com/events-and-presentations>
Speakers: Pedro Heilbron, Chief Executive Officer
José Montero, Chief Financial Officer

About Copa Holdings

Copa Holdings is a leading Latin American provider of passenger and cargo services. The Company, through its operating subsidiaries, provides service to 80 destinations in 33 countries in North, Central and South America and the Caribbean. For more information visit: www.copa.com.

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This release includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement. The risks and uncertainties relating to the forward-looking statements in this release are among those disclosed in Copa Holdings' filed disclosure documents and are, therefore, subject to change without prior notice.

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Copa Holdings, S.A.

Income Statement - IFRS

(US\$ Thousands)

	Unaudited	Audited	%	Unaudited	%
	2Q20	2Q19	Change	1Q20	Change
Operating Revenues					
Passenger revenue	10,790	620,538	-98.3%	574,650	-98.1%
Cargo and mail revenue	145	16,464	-99.1%	13,017	-98.9%
Other operating revenue	3,597	8,100	-55.6%	7,785	-53.8%
Total Operating Revenue	14,532	645,102	-97.7%	595,453	-97.6%
Operating Expenses					
Fuel	137	177,169	-99.9%	136,954	-99.9%
Wages, salaries, benefits and other employees' expenses	38,198	108,342	-64.7%	110,289	-65.4%
Passenger servicing	402	25,530	-98.4%	21,890	-98.2%
Airport facilities and handling charges	505	44,698	-98.9%	40,365	-98.7%
Sales and distribution	3,754	51,289	-92.7%	42,011	-91.1%
Maintenance, materials and repairs	7,505	31,235	-76.0%	27,144	-72.4%
Depreciation and amortization	305,185	70,549	332.6%	66,375	359.8%
Flight operations	(82)	25,450	n/m	23,731	n/m
Other operating and administrative expenses	16,803	28,240	-40.5%	28,008	-40.0%
Total Operating Expense	372,408	562,502	-33.8%	496,766	-25.0%
Operating Profit (Loss)	(357,875)	82,601	n/m	98,687	n/m
Non-operating Income (Expense):					
Finance cost	(27,056)	(13,573)	99.3%	(11,085)	144.1%
Finance income	5,677	6,041	-6.0%	6,320	-10.2%
Net change in fair value of derivatives	(22,198)	-	n/m	-	n/m

Gain (loss) on foreign currency fluctuations	500	(2,213)	n/m	(10,950)	n/m
Other non-operating income (expense)	447	(2,115)	n/m	(11)	n/m
Total Non-Operating Income/(Expense)	(42,628)	(11,859)	259.5%	(15,726)	171.1%
Profit (Loss) before taxes	(400,504)	70,742	n/m	82,961	n/m
Income tax expense	(14,486)	19,876	n/m	8,687	n/m
Net Profit (Loss)	(386,018)	50,866	n/m	74,273	n/m

EPS

Basic	-9.08	1.20	n/m	1.75	n/m
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Shares used for calculation:

Basic	42,511,806	42,478,415	42,501,338
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Copa Holdings, S. A. and subsidiaries Consolidated statement of financial position (US\$ Thousands)

	June 2020	December 2019
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	307,297	158,733
Short-term investments	740,887	692,403
Total cash, cash equivalents and short-term investments	1,048,184	851,136
Accounts receivable, net	28,843	129,634
Accounts receivable from related parties	1,302	147
Expendable parts and supplies, net	76,577	69,100
Prepaid expenses	32,326	49,034
Prepaid income tax	2,387	1,181
Other current assets	10,927	14,206
	152,364	263,301
Assets held for sale	144,836	120,006
TOTAL CURRENT ASSETS	1,345,384	1,234,442
Long-term investments	94,540	134,347
Long-term accounts receivable	1,038	2,139
Long-term prepaid expenses	16,277	17,743
Property and equipment, net	2,227,313	2,532,402
Right of use assets	257,512	290,843
Intangible, net	104,485	108,116
Net pension asset	3,188	249
Deferred tax assets	21,461	19,216
Other Non-Current Assets	15,002	17,881
TOTAL NON-CURRENT ASSETS	2,740,816	3,122,935
TOTAL ASSETS	4,086,199	4,357,377
Loans and borrowings	177,004	122,581
Current portion of lease liability	95,087	97,732
Accounts payable	45,335	119,332
Accounts payable to related parties	1,070	14,086
Air traffic liability	409,843	497,374
Frequent flyer deferred revenue	85,923	80,325
Taxes Payable	1,476	46,267
Employee benefits obligations	11,015	55,373
Income tax payable	3,159	9,683
Other Current Liabilities	174	83
TOTAL CURRENT LIABILITIES	830,087	1,042,836
Loans and borrowings	1,148,253	938,182
Lease Liability	175,403	206,832
Derivative financial instruments	98,427	-
Other long - term liabilities	214,746	191,221
Deferred tax Liabilities	27,520	43,397

TOTAL NON-CURRENT LIABILITIES **1,664,350 1,379,633**

TOTAL LIABILITIES **2,494,436 2,422,469**

EQUITY

Issued Capital

Class A -33,859,791 issued and 31,405,999 outstanding	21,188	21,142
Class B common stock - 10,938,125	7,466	7,466
Additional Paid-In Capital	88,683	86,135
Treasury Stock	(136,388)	(136,388)
Retained Earnings	1,931,191	1,718,179
Net (loss) profit	(311,744)	247,002
Other comprehensive loss	(8,632)	(8,628)

TOTAL EQUITY **1,591,763 1,934,908**

TOTAL EQUITY LIABILITIES **4,086,199 4,357,377**

Copa Holdings, S. A. and subsidiaries
Consolidated Statement of Cash Flows
For the six months ended June 30,
(In US\$ thousands)

	2020	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow (used in) from operating activities	(56,632)	331,143	267,114
Cash flow used in investing activities	(48,009)	(8,691)	(105,907)
Cash flow from (used in) financing activities	253,205	(252,469)	(228,840)
Net increase (decrease) in cash and cash equivalents	148,564	69,982	(67,633)
Cash and cash equivalents at January 1	158,733	156,158	238,792
Cash and cash equivalents at June 30	\$ 307,297\$	226,140\$	171,159
Short-term investments	740,887	523,134	604,869
Long-term investments	94,540	144,072	171,356
Total cash and cash equivalents and investments at June 30	\$ 1,142,724\$	893,346\$	947,384

Copa Holdings, S.A.

NON-IFRS FINANCIAL MEASURE RECONCILIATION

This press release includes the following non IFRS financial measures: Adjusted Operating Profit, Adjusted Net Profit, Adjusted Basic EPS and Monthly Cash Burn. This supplemental information is presented because we believe it is a useful indicator of our operating performance and is useful in comparing our performance with other companies in the airline industry. These measures should not be considered in isolation, and should be considered together with comparable IFRS measures, in particular operating profit and net profit. The following is a reconciliation of these non-IFRS financial measures to the comparable IFRS measures:

Reconciliation of Adjusted Operating Profit and Adjusted Net Profit

	2Q20	2Q19	1Q20
Operating Profit as Reported	\$ (357,875)\$	82,601\$	98,687
Add: Unredeemed Ticket Revenue provision reversal	\$ 12,341		
Add: Fleet Impairment loss	\$ 186,807		
Add: Expected Loss on Embraer assets held for sale	\$ 50,048		
Adjusted Operating Profit	\$ (108,679)\$	82,601\$	98,687
Net profit as Reported	\$ (386,018)\$	50,866\$	74,273
Add: Unredeemed Ticket Revenue provision reversal	\$ 12,341		
Add: Fleet Impairment loss	\$ 186,807		
Add: Expected Loss on Embraer assets held for sale	\$ 50,048		
Add: Net change in fair value of derivatives	\$ 22,198		
Adjusted Net Profit	\$ (114,624)\$	50,866\$	74,273

Reconciliation of Adjusted Basic EPS

Adjusted Net Profit	\$ (114,624)\$	50,866\$	74,273
Shares used for calculation of Basic EPS	42,512	42,478	42,501
Adjusted Basic Earnings per share (Adjusted Basic EPS)	\$ (2.70)\$	1.20\$	1.75

Reconciliation of Monthly Cash Burn for 2Q20

Cash balance as reported on 1Q20	1,127
Cash balance as reported on 2Q20	1,143
Net cashflows in 2Q	16
Substract: Proceeds from Convertible Notes Offering	343
Add: Repayment of short term credit lines	95
Cash Burn for 2Q20 excluding extraordinary financing activities	(232)
Monthly Cash Burn for 2Q20 excluding extraordinary financing activities	(77)

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 View original content: <http://www.prnewswire.com/news-releases/copa-holdings-reports-financial-results-for-the-second-quarter-of-2020-301107106.html>

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