

Copa Holdings Reports Financial Results for the Third Quarter of 2023

November 15, 2023

PANAMA CITY, Nov. 15, 2023 /PRNewswire/ -- Copa Holdings, S.A. (NYSE: CPA), today announced financial results for the third quarter of 2023 (3Q23). 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 third quarter of 2022 (3Q22).

OPERATING AND FINANCIAL HIGHLIGHTS

- Copa Holdings reported a net profit of US\$187.4 million for 3Q23 or US\$4.72 per share. Excluding special items comprised of a net gain of US\$12.2 million related to the settlement of the Company's convertible notes and an unrealized mark-to-market gain of US\$0.8 million related to the value of financial investments, the Company would have reported a net profit of US\$174.4 million or US\$4.39 per share.
- Copa Holdings reported an operating profit of US\$205.0 million and a 23.6% operating margin for the quarter, as compared to an operating profit of US\$143.7 million and an operating margin of 17.8% in 3Q22.
- Passenger traffic, measured in terms of revenue passenger miles (RPMs), increased by 13.3% year over year, while capacity measured in available seat miles (ASMs) increased by 12.1%. As a result, the load factor for the quarter increased by 0.9 percentage points to 87.8%, as compared to 3Q22.
- Total revenues for 3Q23 increased 7.2% to US\$867.7 million driven by higher capacity and load factors, while yields decreased by 5.0% to 13.4 cents. Consequently, revenue per available seat mile (RASM) decreased by 4.3% as compared to 3Q22 to 12.2 cents.
- Operating cost per available seat mile (CASM) decreased 11.2% from 10.5 cents in 3Q22 to 9.3 cents in 3Q23, mainly driven by a decrease of 21.3% in the price of jet fuel per gallon and lower sales and distribution costs. CASM excluding fuel (Ex-fuel CASM) decreased by 2.1% in the quarter to 5.8 cents, when compared to 3Q22.
- The Company ended the quarter with approximately US\$1.2 billion in cash, short-term and long-term investments, which represent 34.0% of the last twelve months' revenues.
- In September, Copa Holdings completed the previously announced redemption of its 4.50% Convertible Senior Notes due 2025. The redemption resulted in a net settlement of US\$350.0 million in cash, plus approximately 3.7 million shares issued to noteholders.
- The Company closed the quarter with total debt, including lease liabilities, of US\$1.7 billion, while our Adjusted Net Debt to EBITDA ratio ended at 0.4 times.
- During the quarter, the Company took delivery of two Boeing 737 MAX 9 aircraft, ending the quarter with a consolidated fleet of 103 aircraft – 67 Boeing 737-800s, 26 Boeing 737 MAX 9s, 9 Boeing 737-700s, and 1 Boeing 737-800 freighter.
- Copa Airlines had an on-time performance for the quarter of 89.4% and a flight completion factor of 99.8%, once again positioning itself among the very best in the industry.

Subsequent Events

- In November, the Company took delivery of two Boeing 737 MAX 9 aircraft and expects to receive one additional aircraft during the remainder of 2023. The Company expects to end the year with 106 aircraft.
- In October, the Company started service to Barquisimeto, Venezuela, bringing the total number of destinations in its network to 81, maintaining its position as the hub with the most non-stop international destinations in Latin America.
- In October, the Company completed its previously disclosed Share Repurchase Program and on November 15, 2023, the board of directors of Copa Holdings approved a new US\$200 million Share Repurchase Program. Purchases will be made subject to market and economic conditions, applicable legal requirements, and other relevant factors.
- Copa Holdings will make its fourth dividend payment of the year of US\$0.82 per share on December 15, 2023, to all Class A and Class B shareholders on record as of November 30, 2023.

Consolidated Financial & Operating Highlights	3Q23	3Q22	Variance vs. 3Q22	2Q23	Variance vs. 2Q23
Revenue Passengers Carried (000s)	3,272	2,755	18.7 %	2,980	9.8 %
Revenue Passengers OnBoard (000s)	4,873	4,190	16.3 %	4,469	9.0 %
RPMs (millions)	6,239	5,508	13.3 %	5,826	7.1 %

ASMs (millions)	7,109	6,344	12.1 %	6,767	5.1 %
Load Factor	87.8 %	86.8 %	0.9 p.p.	86.1 %	1.7 p.p.
Yield (US\$ Cents)	13.4	14.1	-5.0 %	13.3	0.6 %
PRASM (US\$ Cents)	11.7	12.2	-4.0 %	11.4	2.5 %
RASM (US\$ Cents)	12.2	12.8	-4.3 %	12.0	2.1 %
CASM (US\$ Cents)	9.3	10.5	-11.2 %	9.1	2.6 %
CASM Excl. Fuel (US\$ Cents)	5.8	5.9	-2.1 %	5.9	-2.4 %
Fuel Gallons Consumed (millions)	83.9	75.7	10.9 %	79.9	5.1 %
Avg. Price Per Fuel Gallon (US\$)	3.00	3.81	-21.3 %	2.65	12.9 %
Average Length of Haul (miles)	1,907	1,999	-4.6 %	1,955	-2.5 %
Average Stage Length (miles)	1,238	1,265	-2.1 %	1,260	-1.7 %
Departures	35,468	31,484	12.7 %	33,385	6.2 %
Block Hours	112,114	102,027	9.9 %	107,055	4.7 %
Average Aircraft Utilization (hours)	11.9	11.7	2.0 %	11.8	1.0 %
Operating Revenues (US\$ millions)	867.7	809.4	7.2 %	809.2	7.2 %
Operating Profit (Loss) (US\$ millions)	205.0	143.7	42.7 %	194.7	5.3 %
Operating Margin	23.6 %	17.8 %	5.9 p.p.	24.1 %	-0.4 p.p.
Net Profit (Loss) (US\$ millions)	187.4	115.9	61.6 %	17.5	970.2 %
Adjusted Net Profit (Loss) (US\$ millions) ⁽¹⁾	174.4	115.1	51.6 %	154.5	12.9 %
Basic EPS (US\$)	4.72	2.93	61.0 %	0.44	962.4 %
Adjusted Basic EPS (US\$) ⁽¹⁾	4.39	2.91	51.0 %	3.92	12.1 %
Shares for calculation of Basic EPS (000s)	39,730	39,589	0.4 %	39,442	0.7 %

(1) Excludes Special Items. This earnings release includes a reconciliation of non-IFRS financial measures to the comparable IFRS measures.

FULL 3Q23 EARNINGS RELEASE AVAILABLE FOR DOWNLOAD AT:

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

3Q23 EARNINGS RESULTS CONFERENCE CALL AND WEBCAST

Date: November 16, 2023
Time: 11:00 AM US ET (11:00 AM Local Time)
Join by phone: <https://register.vevent.com/register/BI71cb8585c38244d6ad583f080f785ae0>
Webcast (listen-only): <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 countries in North, Central, and South America and the Caribbean. For more information visit: www.copaair.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 several 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			Unaudited	
	3Q23	3Q22	% Change	2Q23	% Change
Operating Revenues					
Passenger revenue	833,306	774,230	7.6 %	773,781	7.7 %
Cargo and mail revenue	23,431	26,400	-11.2 %	23,888	-1.9 %
Other operating revenue	10,973	8,815	24.5 %	11,521	-4.8 %

Total Operating Revenue	867,711	809,445	7.2 %	809,190	7.2 %
Operating Expenses					
Fuel	252,077	291,528	-13.5 %	214,121	17.7 %
Wages, salaries, benefits and other employees' expenses	108,416	96,612	12.2 %	105,788	2.5 %
Passenger servicing	23,147	18,881	22.6 %	21,460	7.9 %
Airport facilities and handling charges	58,243	49,783	17.0 %	54,146	7.6 %
Sales and distribution	54,058	60,712	-11.0 %	56,596	-4.5 %
Maintenance, materials and repairs	29,528	23,577	25.2 %	31,430	-6.1 %
Depreciation and amortization	78,359	68,813	13.9 %	74,818	4.7 %
Flight operations	29,476	25,483	15.7 %	25,005	17.9 %
Other operating and administrative expenses	29,394	30,363	-3.2 %	31,158	-5.7 %
Total Operating Expense	662,697	665,752	-0.5 %	614,523	7.8 %
Operating Profit/(Loss)	205,014	143,692	42.7 %	194,667	5.3 %
Non-operating Income (Expense):					
Finance cost	(82,926)	(22,528)	268.1 %	(30,517)	171.7 %
Finance income	15,108	4,546	232.3 %	11,970	26.2 %
Gain (loss) on foreign currency fluctuations	(1,566)	(3,335)	-53.1 %	3,712	-142.2 %
Net change in fair value of derivatives	77,058	1,575	4792.6 %	(137,473)	-156.1 %
Other non-operating income (expense)	1,867	4,230	-55.9 %	925	101.8 %
Total Non-Operating Income/(Expense)	9,540	(15,513)	-161.5 %	(151,382)	-106.3 %
Profit before taxes	214,555	128,179	67.4 %	43,284	395.7 %
Income tax expense	(27,179)	(12,241)	122.0 %	(25,775)	5.4 %
Net Profit/(Loss)	187,375	115,939	61.6 %	17,509	970.2 %

EPS

Basic	4.72	2.93	61.0 %	0.44	962.4 %
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Shares used for calculation:

Basic	39,730,180	39,588,984	0.4 %	39,442,367	0.7 %
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Copa Holdings, S. A. and subsidiaries

Consolidated statement of financial position (US\$ Thousands)

ASSETS	September 2023	December 2022
	(Unaudited)	(Audited)
Cash and cash equivalents	236,878	122,424
Short-term investments	754,799	812,323
Total cash, cash equivalents and short-term investments	991,677	934,747
Accounts receivable, net	169,386	135,415
Accounts receivable from related parties	2,416	2,168
Expendable parts and supplies, net	108,546	93,332
Prepaid expenses	44,189	52,322
Prepaid income tax	139	798
Other current assets	25,671	17,043
	350,347	301,078
TOTAL CURRENT ASSETS	1,342,024	1,235,825
Long-term investments	177,835	202,056
Long-term prepaid expenses	9,475	7,770
Property and equipment, net	3,069,652	2,883,524
Right of use assets	291,446	234,380
Intangible, net	85,711	78,555
Net defined benefit assets	2,303	504

Deferred tax assets	27,473	30,743
Other Non-Current Assets	17,435	17,005
TOTAL NON-CURRENT ASSETS	3,681,330	3,454,537
TOTAL ASSETS	5,023,354	4,690,362

LIABILITIES

Loans and borrowings	260,164	142,484
Current portion of lease liability	69,001	80,084
Accounts payable	179,052	166,660
Accounts payable to related parties	1,574	1,004
Air traffic liability	658,246	651,805
Frequent flyer deferred revenue	121,732	111,526
Taxes Payable	39,939	43,878
Employee benefits obligations	48,809	44,913
Income tax payable	19,046	6,276
Other Current Liabilities	1,236	1,175
TOTAL CURRENT LIABILITIES	1,398,799	1,249,805
Loans and borrowings long-term	1,110,284	1,301,819
Lease Liability	224,140	158,289
Derivative financial instruments	-	251,150
Deferred tax Liabilities	44,343	16,571
Other long - term liabilities	238,623	220,618
TOTAL NON-CURRENT LIABILITIES	1,617,390	1,948,447
TOTAL LIABILITIES	3,016,189	3,198,252

EQUITY

Class A - 34,075,308 issued and 31,146,012 outstanding	21,367	21,327
Class B - 10,938,125	7,466	7,466
Additional Paid-In Capital	209,836	103,465
Treasury Stock	(199,379)	(344,541)
Retained Earnings	1,652,915	1,367,784
Net profit	326,405	348,054
Other comprehensive loss	(11,445)	(11,445)
TOTAL EQUITY	2,007,165	1,492,110
TOTAL EQUITY LIABILITIES	5,023,354	4,690,362

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

	2023 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Cash flow from operating activities	764,586	543,471	263,252
Cash flow used in investing activities	(274,166)	(387,334)	(140,844)
Cash flow from (used in) from financing activities	(375,966)	(168,474)	48,758
Net increase (decrease) in cash and cash equivalents	114,454	(12,337)	171,166
Cash and cash equivalents at January 1	122,424	211,081	119,065
Cash and cash equivalents at September 30	\$ 236,878	\$ 198,744	\$ 290,231
Short-term investments	754,799	752,812	901,645
Long-term investments	177,835	168,114	96,956
Total cash and cash equivalents and investments at September 30	\$ 1,169,512	\$ 1,119,670	\$ 1,288,832

Copa Holdings, S.A.

NON-IFRS FINANCIAL MEASURE RECONCILIATION

This press release includes the following non-IFRS financial measures: Adjusted Net Profit, Adjusted Basic EPS, and Operating CASM Excluding Fuel. 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 Net Profit	3Q23	3Q22	2Q23
Net Profit as Reported	\$ 187,375	\$ 115,939	\$ 17,509
Add: Interest expense related to the settlement of the convertible notes	\$ 64,894	\$ -	\$ -
Add: Net change in fair value of derivatives	\$ (77,058)	\$ (1,575)	\$ 137,473
Add: Net change in fair value of financial investments	\$ (810)	\$ 699	\$ (512)
Adjusted Net Profit	\$ 174,400	\$ 115,062	\$ 154,469

Reconciliation of Adjusted Basic EPS	3Q23	3Q22	2Q23
Adjusted Net Profit	\$ 174,400	\$ 115,062	\$ 154,469
Shares used for calculation of Basic EPS	39,730	39,589	39,442
Adjusted Basic Earnings per share (Adjusted Basic EPS)	\$ 4.39	\$ 2.91	\$ 3.92

Reconciliation of Operating Costs per ASM Excluding Fuel (CASM Excl. Fuel)	3Q23	3Q22	2Q23
Operating Costs per ASM as Reported (in US\$ Cents)	9.3	10.5	9.1
Aircraft Fuel Cost per ASM (in US\$ Cents)	3.5	4.6	3.2
Operating Costs per ASM excluding fuel (in US\$ Cents)	5.8	5.9	5.9

 View original content: <https://www.prnewswire.com/news-releases/copa-holdings-reports-financial-results-for-the-third-quarter-of-2023-301989655.html>

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