

November 8, 2016

Copa Holdings Reports Financial Results for the Third Quarter of 2016

Excluding special items, adjusted net income came in at \$55.3 million, or adjusted EPS of \$1.30 per share

PANAMA CITY, Nov. 8, 2016 /PRNewswire/ -- Copa Holdings, S.A. (NYSE: CPA), today announced financial results for the third quarter of 2016 (3Q16). The terms "Copa Holdings" or "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 financial tables section of this earnings release. Unless otherwise stated, all comparisons with prior periods refer to the third quarter of 2015 (3Q15).

OPERATING AND FINANCIAL HIGHLIGHTS

- ┆ Copa Holdings reported net income of US\$74.0 million for 3Q16, or diluted earnings per share (EPS) of US\$1.75.
- ┆ Excluding special items, Copa Holdings would have reported an adjusted net income of \$55.3 million, or \$1.30 per share, a 47.8% increase from adjusted net income of US\$37.4 million and US\$0.85 per share for 3Q15.
- ┆ Operating income for 3Q16 came in at US\$77.2 million, a 52.7% increase from operating income of US\$50.6 million in 3Q15. Operating margin for the period came in at 13.6% or 4.3 percentage points higher than 3Q15, as a result of stronger unit revenues and lower unit costs.
- ┆ Operating results for the quarter were affected by realized fuel hedge losses of US\$22.2 million, compared to US\$24.1 million in 3Q15. Excluding these realized fuel hedge losses, operating margin for the quarter would have been 17.5% for 3Q16, and 13.6% for 3Q15.
- ┆ Total revenues increased 4.0% year over year to US\$569 million, as higher load factors offset a 7.6% reduction in yield per passenger mile. As a result, operating revenue per available seat mile (RASM) increased 1.8% to 10.3 cents when compared to 3Q2015.
- ┆ For 3Q16, passenger traffic (RPMs) grew 12.7% year over year on a 2.0% capacity expansion. As a result, consolidated load factor came in at 84.2%, or 8.0 percentage points above 3Q15.
- ┆ Operating cost per available seat mile (CASM) declined 2.9% year over year to 8.9 cents. CASM, excluding fuel, decreased 0.9% year over year to 6.4 cents.
- ┆ Cash, short term and long term investments ended 3Q16 at US\$773.4 million, representing 36% of the last twelve months' revenues.
- ┆ During the quarter, Copa Airlines returned two leased EMB-190s. Copa Holdings ended the quarter with a consolidated fleet of 99 aircraft.
- ┆ For 3Q16, Copa Holdings reported consolidated on-time performance of 90.1% and a flight-completion factor of 99.8%, maintaining its position among the best in the industry.

SUBSEQUENT EVENTS

- ┆ On Oct 20, 2016 Copa Holdings launched Wingo, a low cost/low price product offering designed for passengers looking for a simple, no-frills travel option within Central, South America and the Caribbean. Wingo will begin operations on December 1, 2016. For more information, please visit www.wingo.com
- ┆ Copa Holdings will pay its fourth quarter dividend of US\$0.51 per share on December 15, 2016, on all outstanding Class A and Class B shares, to stockholders of record as of November 30, 2016.

Consolidated Financial & Operating Highlights	3Q16	3Q15	% Change	2Q16	% Change
Revenue Passengers Carried ('000)	2,231	1,987	12.3%	2,020	10.5%
RPMs (mm)	4,637	4,116	12.7%	4,178	11.0%
ASMs (mm)	5,506	5,397	2.0%	5,335	3.2%
Load Factor	84.2%	76.3%	8.0 p.p.	78.3%	5.9 p.p.
Yield	11.8	12.7	-7.6%	11.3	3.8%
PRASM (US\$ Cents)	9.9	9.7	2.1%	8.9	11.7%
RASM (US\$ Cents)	10.3	10.1	1.8%	9.3	11.4%
CASM (US\$ Cents)	8.9	9.2	-2.9%	8.6	3.5%

CASM Excl. Fuel (US\$ Cents)	6.4	6.4	-0.9%	6.3	1.7%
Breakeven Load Factor	70.2%	75.1%	-4.9 p.p.	66.7%	3.5 p.p.
Adjusted Breakeven Load Factor ⁽¹⁾	73.7%	69.4%	4.3 p.p.	73.7%	0.0 p.p.
Fuel Gallons Consumed (Millions)	71.2	69.2	3.0%	69.4	2.7%
Avg. Price Per Fuel Gallon (US\$ Dollars)	1.97	2.16	-8.6%	1.81	9.1%
Average Length of Haul (Miles)	2,079	2,071	0.4%	2,068	0.5%
Average Stage Length (Miles)	1,237	1,233	0.3%	1,194	3.6%
Departures	30,737	30,619	0.4%	30,313	1.4%
Block Hours	97,077	97,053	0.0%	95,171	2.0%
Average Aircraft Utilization (Hours)	10.5	10.8	-2.3%	10.4	0.9%
Operating Revenues (US\$ mm)	569.0	547.2	4.0%	494.4	15.1%
Operating Income (US\$ mm)	77.2	50.6	52.7%	34.2	125.8%
Operating Margin	13.6%	9.2%	4.3 p.p.	6.9%	6.7 p.p.
Net Income (US\$ mm)	74.0	6.2	n/m	54.5	35.7%
Adjusted Net Income (US\$ mm) ⁽¹⁾	55.3	37.4	47.8%	21.5	157.2%
EPS - Basic and Diluted (US\$)	1.75	0.14	n/m	1.29	34.9%
Adjusted EPS - Basic and Diluted (US\$) ⁽¹⁾	1.30	0.85	53.6%	0.51	155.7%
# of Shares - Basic and Diluted ('000)	42,372	44,030	-3.8%	42,117	0.6%

⁽¹⁾ Adjusted Breakeven Load Factor, Adjusted Net Income and Adjusted EPS for 3Q16, 3Q15, and 2Q16 exclude non-cash charges/gains associated with the mark-to-market of fuel hedges and charges/gains related to the Venezuelan currency.

Note: Attached to this press release is a reconciliation of non-IFRS financial measures to the comparable IFRS measures.

FULL 3Q16 EARNINGS RELEASE AVAILABLE FOR DOWNLOAD AT: <http://investor.shareholder.com/copa/results.cfm>

3Q16 EARNINGS RESULTS CONFERENCE CALL AND WEBCAST

Date: Nov 9, 2016
Time: 11:00 AM US ET (11:00 AM Local Time)
Conference telephone number: 877-293-5456 (US Domestic Callers)
707-287-9357 (International Callers)
Webcast: <http://investor.shareholder.com/copa/events.cfm>
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 74 destinations in 31 countries in North, Central and South America and the Caribbean with one of the youngest and most modern fleets in the industry, consisting of 99 aircraft: 78 Boeing 737NG aircraft and 21 EMBRAER-190s. 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 3Q16	Unaudited 3Q15	% Change	Unaudited 2Q16	% Change
Operating Revenues					
Passenger Revenue	545,066	523,531	4.1%	472,931	15.3%
Cargo, mail and other	23,959	23,716	1.0%	21,518	11.3%

Total Operating Revenue	569,025	547,247	4.0%	494,449	15.1%
Operating Expenses					
Aircraft fuel	140,366	149,197	-5.9%	125,260	12.1%
Salaries and benefits	73,194	71,902	1.8%	69,065	6.0%
Passenger servicing	65,612	65,175	0.7%	63,560	3.2%
Commissions	20,862	22,632	-7.8%	20,642	1.1%
Reservations and sales	23,970	19,636	22.1%	23,881	0.4%
Maintenance, material and repairs	32,410	25,946	24.9%	26,190	23.7%
Depreciation	35,525	35,485	0.1%	34,815	2.0%
Flight operations	32,893	30,928	6.4%	30,540	7.7%
Aircraft rentals	30,282	30,409	-0.4%	30,833	-1.8%
Landing fees and other rentals	13,828	14,585	-5.2%	14,046	-1.6%
Other	22,893	30,796	-25.7%	21,434	6.8%
Total Operating Expense	491,835	496,691	-1.0%	460,266	6.9%
Operating Income	77,191	50,556	52.7%	34,183	125.8%
Non-operating Income (Expense):					
Interest expense	(9,683)	(8,271)	17.1%	(9,147)	5.9%
Interest income	3,506	5,728	-38.8%	3,238	8.3%
Other, net	15,658	(37,600)	n/m	32,025	-51.1%
Total Non-Operating Income/(Expense)	9,481	(40,143)	n/m	26,117	-63.7%
Income before Income Taxes	86,672	10,413	732.4%	60,299	43.7%
Provision for Income Taxes	12,654	4,200	201.3%	5,772	119.2%
Net Income	74,018	6,213	1091.3%	54,527	35.7%

EPS - Basic and Diluted	1.75	0.14	1137.9%	1.29	34.9%
Shares - Basic and Diluted	42,371,617	44,030,111	-3.8%	42,117,261	0.6%

Copa Holdings, S. A.
Balance Sheet - IFRS
(US\$ Thousands)

	September 30 2016 (Unaudited)	December 31 2015 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 221,803	\$ 204,715
Restricted cash and cash equivalents	10,128	64,228
Short-term investments	540,502	416,005
Total cash, cash equivalents and short-term investments	772,433	684,948
Accounts receivable, net of allowance for doubtful accounts	110,278	105,135
Accounts receivable from related parties	297	642
Expendable parts and supplies, net of allowance for obsolescence	70,379	62,247
Prepaid expenses	62,299	48,667
Other current assets	15,726	5,946
Total Current Assets	1,031,412	907,585
Long-term investments	954	861
Property and Equipment:		
Owned property and equipment:		
Flight equipment	3,102,322	3,030,361
Other equipment	125,802	121,205
	3,228,124	3,151,565
Less: Accumulated depreciation	(830,920)	(743,982)
	2,397,204	2,407,583

Purchase deposits for flight equipment	233,749	243,070
Total Property and Equipment	2,630,953	2,650,653
Other Assets:		
Long term account receivable	605	-
Net pension asset	9,067	6,050
Goodwill	20,380	20,380
Intangible asset	53,125	49,046
Deferred tax Assets	14,595	12,708
Other assets	51,252	68,193
Total Other Assets	149,024	156,377
Total Assets	\$ 3,812,343	\$ 3,715,476

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:

Current maturities of long-term debt	\$ 214,014	\$ 245,514
Accounts payable	100,396	94,741
Accounts payable to related parties	7,196	5,605
Air traffic liability	392,937	352,110
Frequent flyer deferred revenue	31,151	18,884
Taxes and interest payable	85,211	67,242
Accrued expenses payable	72,561	82,948
Other current liabilities	31,784	118,623
Total Current Liabilities	935,250	985,667

Non-Current Liabilities:

Long-term debt	999,537	1,055,183
Other long-term liabilities	64,660	54,339
Deferred tax liabilities	40,774	32,865
Total Non-Current Liabilities	1,104,971	1,142,387

Total Liabilities

2,040,221 **2,128,054**

Shareholders' Equity:

Class A - 33,731,823 issued and 31,111,310 outstanding	20,988	20,924
Class B - 10,938,125 shares issued and outstanding	7,466	7,466
Additional paid in capital	62,699	57,455
Treasury Stock	(136,388)	(136,388)
Retained earnings	1,818,133	1,638,733
Accumulated other comprehensive income (loss)	(776)	(768)
Total Shareholders' Equity	1,772,122	1,587,422
Total Liabilities and Shareholders' Equity	\$ 3,812,343	\$ 3,715,476

Copa Holdings, S. A. and subsidiaries

Consolidated Statement of Cash Flows

For the nine months ended September 30,
(In US\$ thousands)

	2016 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Cash flow from operating activities	384,822	236,743	148,334
Cash flow (used in) from investing activities	(170,057)	(39,658)	8,672
Cash flow used in financing activities	(197,677)	(282,982)	(109,378)
Net increase (decrease) in cash and cash equivalents	17,088	(85,897)	47,628
Cash and cash equivalents at January 1	204,715	207,437	139,110
Cash and cash equivalents at September 30	\$ 221,803	\$ 121,540	\$ 186,738
Short-term investments *	540,502	484,242	698,945
Long-term investments **	954	428,259	240,097
Restricted cash and cash equivalents ***	10,128	48,702	-
Total cash and cash equivalents and investments at September 30	\$ 773,387	\$ 1,082,743	\$ 1,125,780

* Short-term investments include \$265 million of cash in Venezuela at September 2014.

** Long-term investments include \$427 million and \$239 million at September 2015 and 2014 of cash in Venezuela, respectively

*** Restricted cash correspond to a margin calls to secure derivative financial instruments transactions.

NON-IFRS FINANCIAL MEASURE RECONCILIATION

This press release includes the following non IFRS financial measures: Adjusted Breakeven Load Factor, CASM Excluding Fuel, Adjusted Net Income and Adjusted EPS. 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 income and net income. The following is a reconciliation of these non-IFRS financial measures to the comparable IFRS measures:

Reconciliation of Net Income Excluding Special Items	3Q16	3Q15	2Q16
Net income as Reported	\$74,018	\$6,213	\$54,527
Special Items (adjustments):			
Unrealized gain (loss) on fuel hedging instruments	19,225	(26,800)	40,644
(Loss) gain due to devaluation of Venezuelan Bolivar	(484)	(2,100)	(7,607)
Unrealized gain (loss) on Shares Repurchased	0	(2,296)	0
Adjusted Net Income	<u>\$55,278</u>	<u>\$37,408</u>	<u>\$21,490</u>
Shares used for Computation (in thousands)			
Basic and Diluted	<u>42,372</u>	<u>44,030</u>	<u>42,117</u>
Adjusted earnings per share - Basic and Diluted	<u>1.30</u>	<u>0.85</u>	<u>0.51</u>
Reconciliation of Operating Costs per ASM Excluding Fuel and Special Items	3Q16	3Q15	2Q16
Operating Costs per ASM as Reported	8.9	9.2	8.6
Aircraft fuel per ASM	(2.5)	(2.8)	(2.3)
Operating Costs per ASM excluding fuel	<u>6.4</u>	<u>6.4</u>	<u>6.3</u>
Reconciliation of Breakeven Load Factor Excluding Special Items	3Q16	3Q15	2Q16
Total Operating Expenses, Non-Operating Results and Provision for Income Taxes	<u>495,007</u>	<u>541,034</u>	<u>439,922</u>
Breakeven Load Factor	<u>70.2%</u>	<u>75.1%</u>	<u>66.7%</u>
Special Items (adjustments):			
Unrealized gain (loss) on fuel hedging instruments	19,225	(26,800)	40,644
(Loss) gain due to devaluation of Venezuelan Bolivar	(484)	(2,100)	(7,607)
Unrealized (gain) loss on Shares Repurchased	0	(2,296)	0
Total Operating Expenses, Non-Operating Results and Provision for Income Taxes excluding special items	<u>\$513,748</u>	<u>\$509,838</u>	<u>\$472,959</u>
Adjusted Breakeven Load Factor (Excluding Special items)	<u>73.7%</u>	<u>69.4%</u>	<u>73.7%</u>

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/copa-holdings-reports-financial-results-for-the-third-quarter-of-2016-300359228.html>

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