



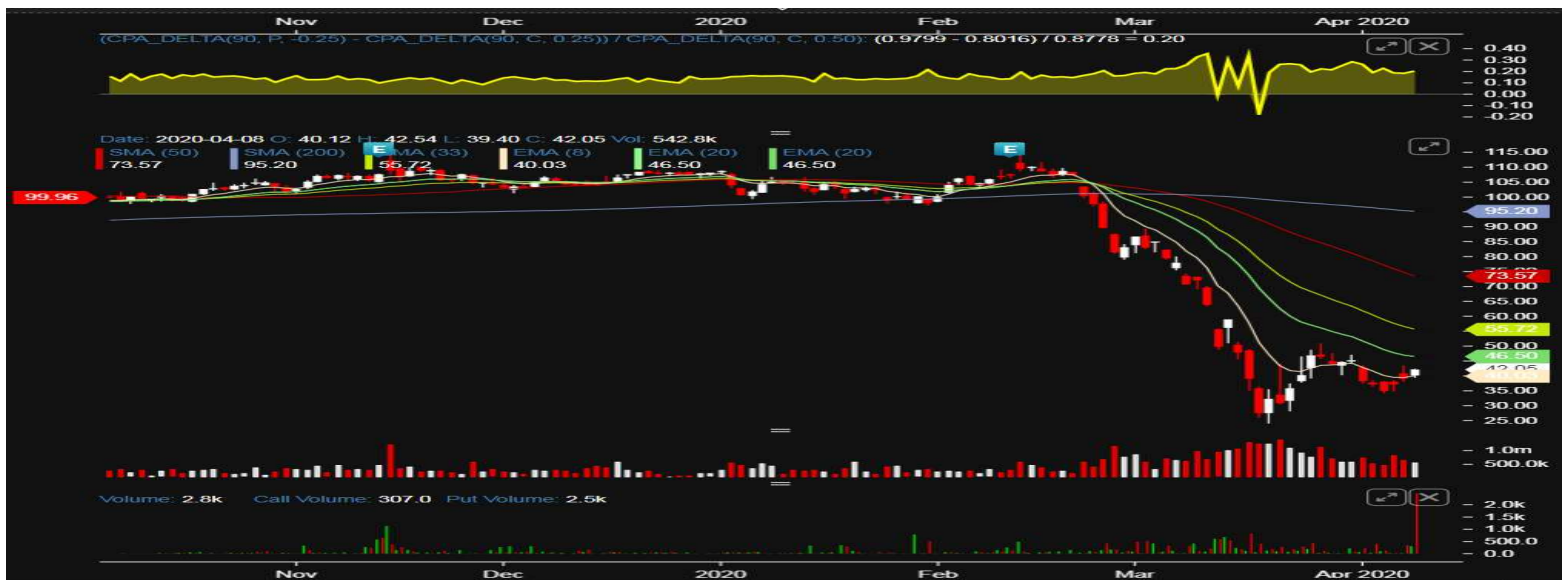
Copa Holding Put Sales See Low in Place

Ticker/Price: CPA (\$42)

Analysis:

Copa Holding (CPA) unusual trading on 4/8 as 2000 of the August \$40 puts were sold to open for \$7, a name with very little current open interest. Copa shares recently touched levels last seen in 2009 and shares basing in a wide \$34/\$48 range the last few weeks with room back to \$70 out of that range. The \$1.9B airliner services North, Central and South America as well as the Caribbean and operates 105 aircraft. CPA shares are trading 7.2X trailing earnings, 0.7X Sales, 2.2X Cash and has a 7.6% dividend yield. The company decided to suspend all operations from March 22nd until April 31st. Copa has a Debt/EBITDA ratio of 2.1X, a Current Ratio at 1.19X and OCF Ratio of 0.71X. Its network focused on underserved thin markets and has been evaluation 20 new destinations with 81% of its markets served having less than 20 passengers per day. Copa also has best-in-class operations on performance metrics and an average fleet age of 9 years. Air traffic in Latin America has historically expanded 2-3X GDP growth. In Q3 2019 CPA hit operating margins of 18.8%, best since 2014. It has \$885M in cash and equivalents and operates one of the lowest leveraged balance sheets in the industry with 100% of debt asset based. Analysts have an average target of \$102 and short interest fairly low at 3% of its float. Deutsche Bank upgraded shares to Buy this morning with a \$55 target seeing a very attractive entry as one of the world's best managed airlines, top balance sheet and ample liquidity as well as its strong strategic position that is the envy of the industry. It also notes as Panama's largest private employer, there is potential for government support. Citi cut its target to \$53 from \$130 earlier this week noting it needs \$350M in debt financing through the middle of 2021 to bridge the operating environment, but sees Copa well positioned over the next twelve months. Ray-Jay upgraded to Strong Buy on 3-23 with a \$65 target, down from \$130, seeing domestic/short-haul recovering faster and potential for Copa to gain market share in Latin America given its financial position of strength. Hedge Fund ownership fell 3% in Q4 filings.

Hawk Vision:



Hawk's Perspective: CPA looks like a real gem in a tough airline space and the kind of name that likely rewards a patient holder over the next 3-5 years.

Confidence Ranking: \$\$