AGIFORS 2019 – Copa Airlines

Revenue Management Study Group
Panama City, Panama

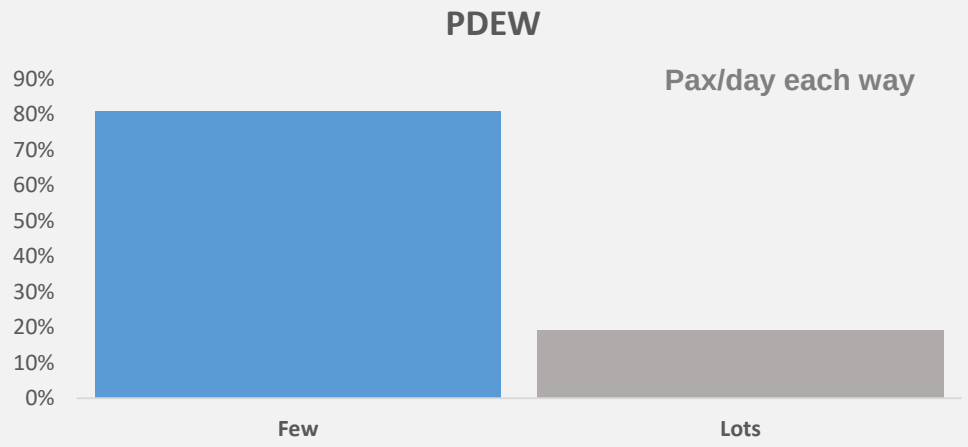
CopaAirlines
STAR ALLIANCE MEMBER

PRM
INTELLIGENCE & SYSTEMS
COPA AIRLINES

Business Model – 4 Fundamental Strengths

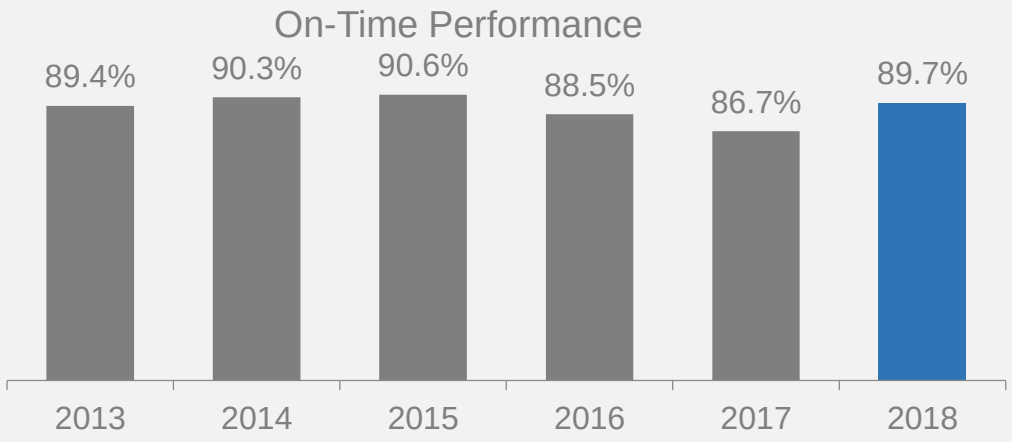
Great Geographic Location

Markets that need a hub

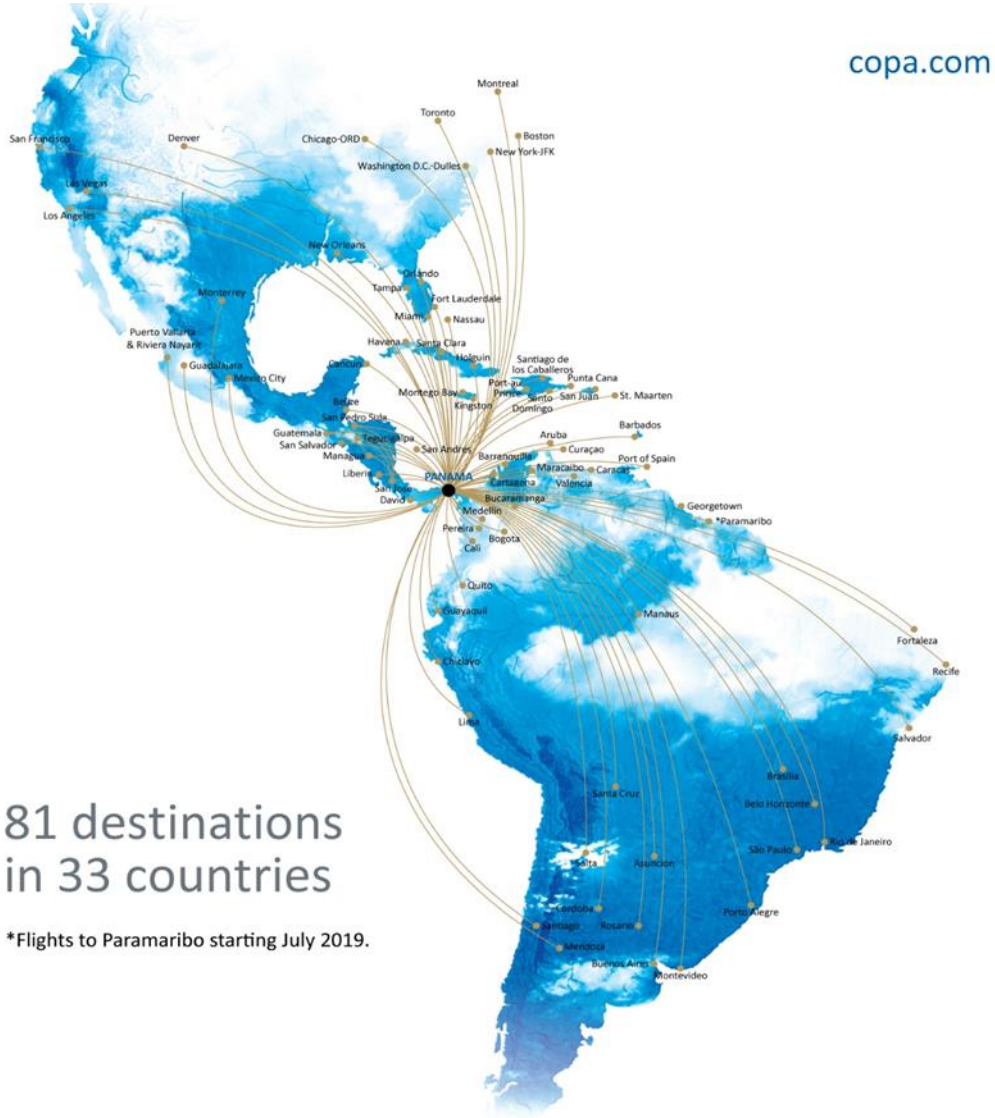


Right Infrastructure

World Class Product



Great Geographic Position



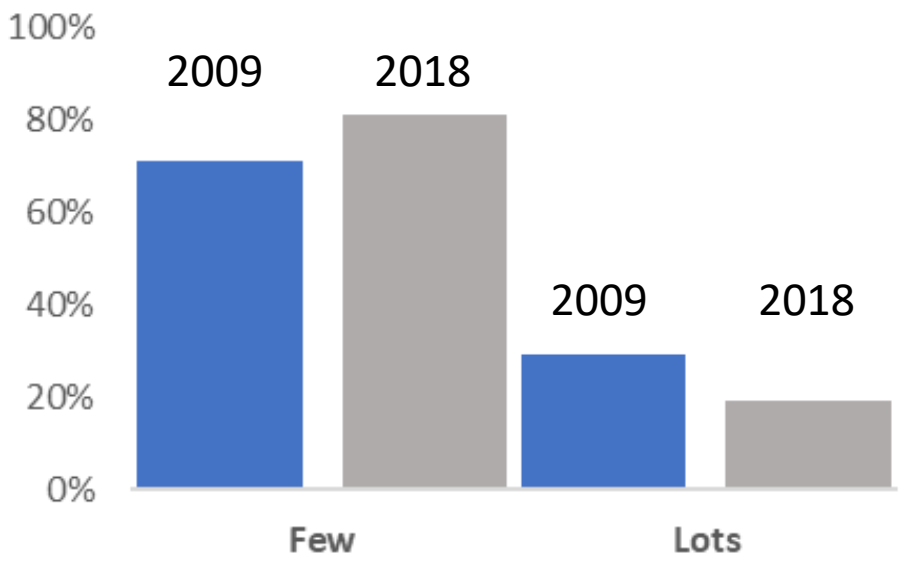
81 destinations
in 33 countries

*Flights to Paramaribo starting July 2019.

Markets That Need a Hub

- Network focused on underserved, thin markets
  - Opened 5 new destinations in 2018
  - 1 new destination announced for 2019
- 20+ potential underserved new destinations that could complement our network
- Most Latin American International O&D's cannot sustain point-to-point service
- Copa's Extensive network is in many cases the most convenient option
  - High market share in lots of our markets
  - More than half of our passengers come from these markets

Markets by PDEW

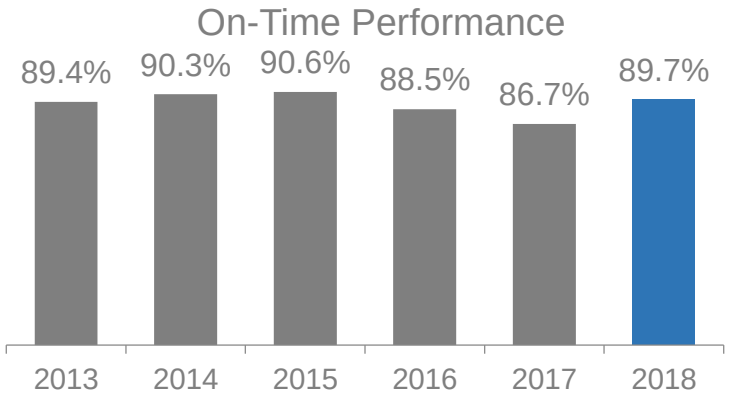


Right Infrastructure – Hub of the Americas

- 2 sea-level runways
- More jetbridges than competing hubs
- Copa represents a high percentage of Tocumen Airport daily operations
- South Terminal expansion accommodates long-term growth needs
  - Currently > 92% complete
  - Completion expected in 2H19
- Duty free stores are attractive for passengers and an important generator of revenues for the airport

World Class Product

- World Class Service
  - Skytrax World Airline Awards 2018 winner:
    - Best Airline in region
    - Best Staff in region
- Leading on-time performance
  - FlightStats Award for "Most on-time Airline in Latin America", 6th consecutive year
  - OAG award for most on-time airline in the world (#1)
- Low average fleet age
- Premium configuration for longer flights
- Star Alliance – Premier Global Alliance
- Copa Club – VIP Lounges

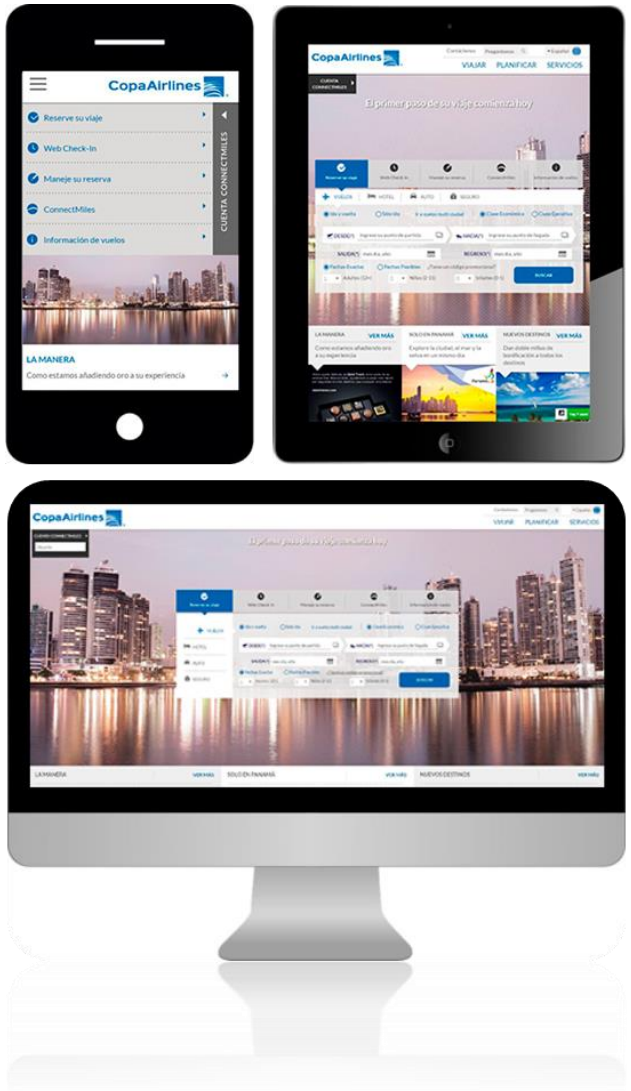


Loyalty Program

- Connect Miles was launched in July of 2015
- Member enrollment has surpassed our expectations
- Co-branded credit cards with key bank partners in Panama, Ecuador, the Dominican Republic and Central America

Important Technological Solutions

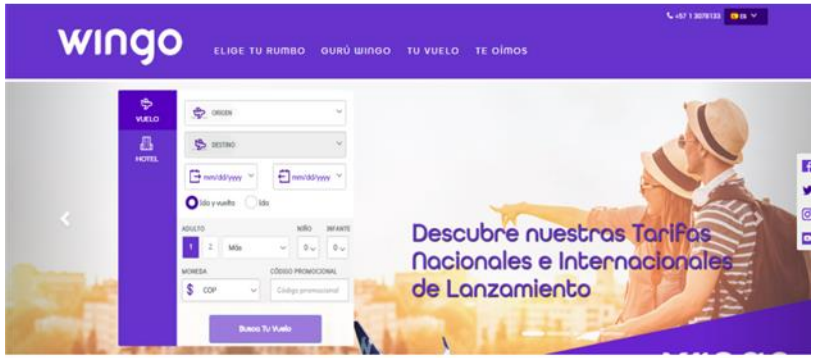
- Migrated to a unified MRO solution which efficiently manages the maintenance program for the entire fleet
- Mobile workforce – 100% implementation of iPads for pilots. Currently working on mobility tools for airport and baggage agents, crew and mechanics
- Following major renewal of our website and mobile app, next focus area is self-service check-in in web, mobile and kiosks
- Passenger service system enhancements and other implementations are focused on improving service and giving us all kinds of capabilities



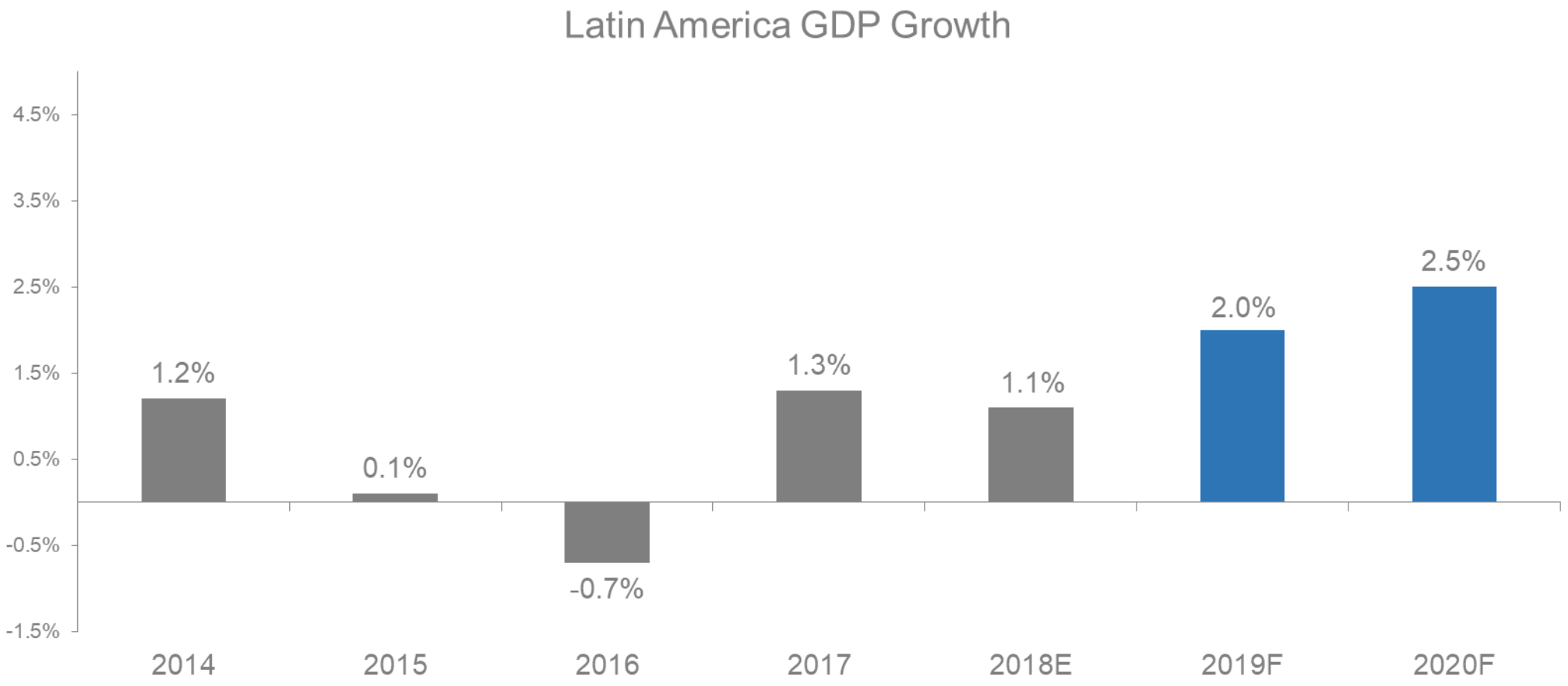
Our Colombia Operation

wingo

- Densified B737-700 with 142 seats
- Replaces existing domestic-Colombia and Bogota to non-PTY routes
- Operating under the Ultra Low Cost Model
- Wingo started flying on Dec 1st, 2016.

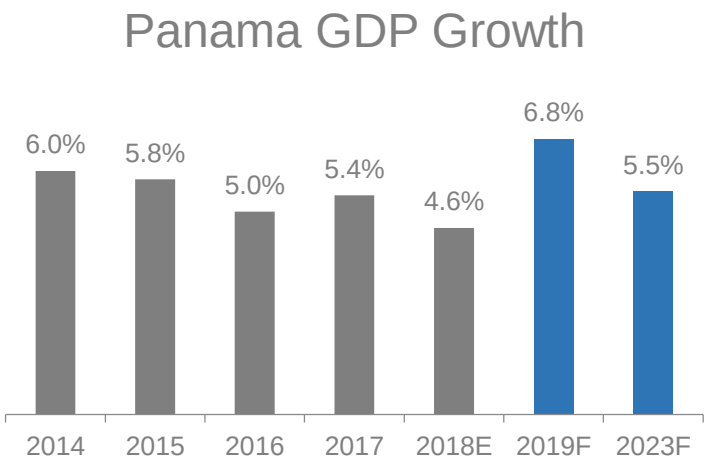


Weakness in Brazil and Argentina affecting recovery…

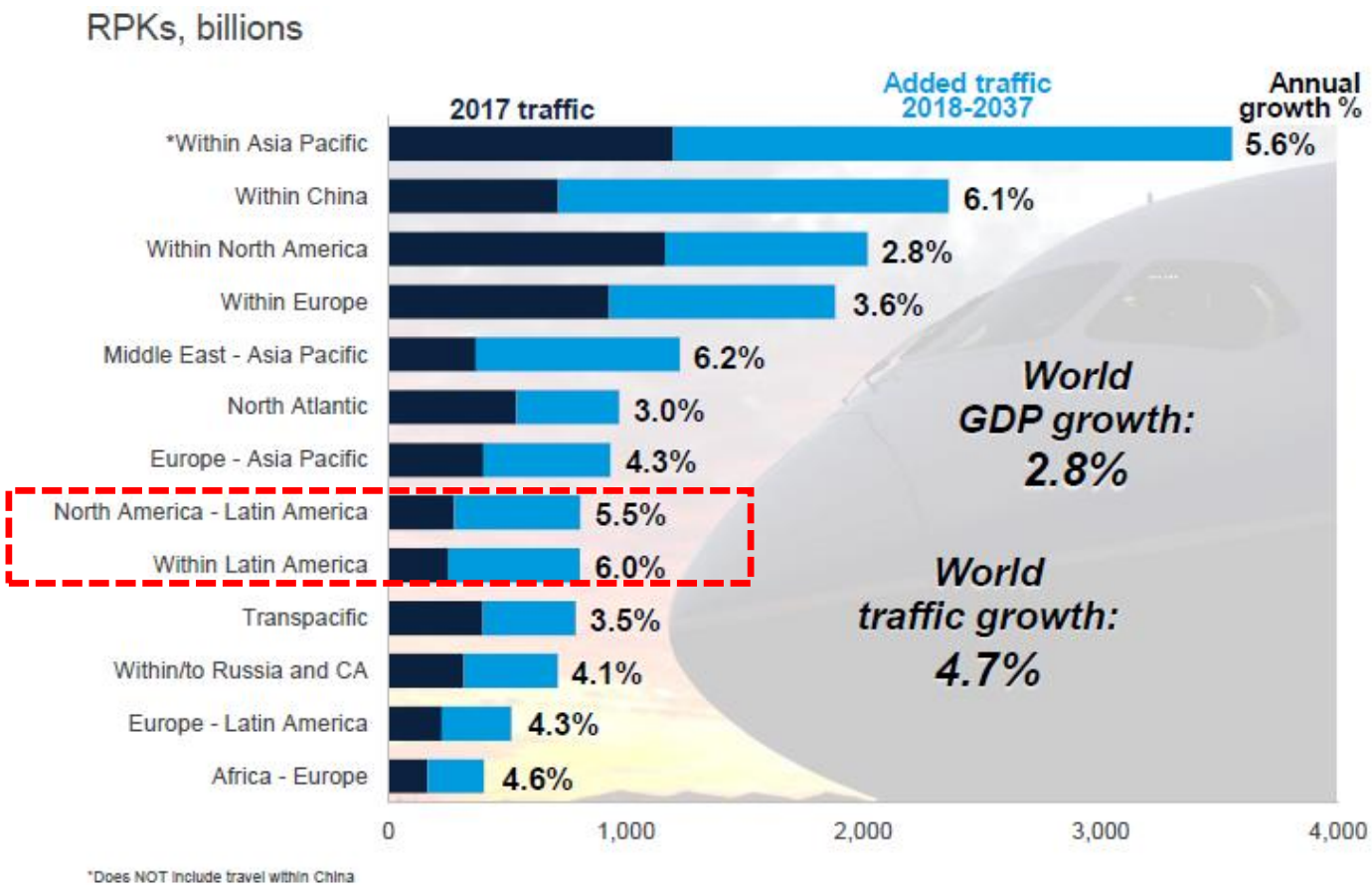


Panama: One of the fastest Growing Economies

- Regional business and logistics hub
  - Largest container port in Latin America
- Strong public and private sector investment
  - Panama Canal Expansion (completed 2016)
  - Metro Transportation System (2nd line under construction)
  - 3rd Bridge over the Canal on the Pacific
  - New Convention Center
  - New Cruise Ship Terminal
- Investment grade credit rating
- Growing as regional headquarters base for multinational companies



Latin America: Expected to continue growing…



- Air Traffic in Latin America has historically expanded 2-3x GDP Growth
- Traffic within Latin America expected to grow ~6% per year for the next 20 years[1]

Order Book Supports Growth Strategy

- Aircraft orders to fund future growth
  - 65 737- MAX
- Deliveries started in 2018

Fleet

Aircraft Type		2018
	Capacity: 94 pax Range: 2,200nm Type: EMB-190	19
	Capacity: 124 pax Range: 3,000nm Type: 737-700	14
	Capacity: 160 pax Range: 3,000nm Type: 737-800	68
	Capacity: 166 pax Range: 3,390nm Type: MAX-8/9	5
		106

Network Evolution

Non Daily		Daily	2x day	3x day	4x day	+5x day
BARBADOS	NASSAU	BELO HORIZONTE	ARUBA	ASUNCION	CALI	GUAYAQUIL (5x)
BELIZE	NEW ORLEANS	CURAÇAO	BARRANQUILLA	BUENOS AIRES	GUATEMALA	MÉXICO (5x)
BUCARAMANGA	**PARAMARIBO**	GUADALAJARA	BOSTON	CARACAS	LOS ANGELES	ORLANDO (5x)
CHICLAYO	PORT AU PRINCE	LAS VEGAS	BRASILIA	CARTAGENA	NEW YORK	PUNTA CANA (5x)
DENVER	**PUERTO VALLARTA**	MARACAIBO	CORDOBA	CHICAGO	QUITO	SANTO DOMINGO (5x)
FORTALEZA	RECIFE	MENDOZA	DAVID	MANAGUA		BOGOTA (7x)
FORT LAUDERDALE	**SALTA**	MONTEGO BAY	MONTEVIDEO	SAN FRANCISCO		CANCUN (7x)
GEORGETOWN	**SALVADOR**	ROSARIO	PEREIRA	WASHINGTON D.C.		HAVANA (7x)
HOLGUIN	SANTA CLARA	TAMPA	PORTO ALEGRE			LIMA (6x)
KINGSTON	SANTIAGO DE LOS CABALLEROS	SAN ANDRES	PORT OF SPAIN			MEDELLIN (6x)
LIBERIA	ST. MARTEEN	SAN PEDRO SULA	RIO DE JANEIRO			MIAMI (6x)
MANAOS	TORONTO	TEGUCIGALPA	SAN JUAN			SAN JOSÉ (9x)
MONTERREY		VALENCIA	SAN SALVADOR			SANTIAGO (5x)
MONTREAL			SANTA CRUZ			SAO PAULO (6x)

New Destinations 2018
New Destinations 2019
* Includes non-daily flight
Fall 2019 schedule

Summary – A Solid Business Model

- Excellent hub to connect in Latin America
  - Infrastructure
  - More non-stop International destinations
- Very complete network
  - 81 destinations in 33 countries
- Challenging economic conditions
  - Weakness in regional currencies
  - Expected Panama GDP growth ~ 6.8%
- Capacity growth for 2019
- Investment in technology
- Investment in science and data driven initiatives

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Challenges in PRM

- Forecasting
  - We do OD forecasting. Very diverse sets of markets from business to leisure, from short booking curves to long booking curves.
  - Willingness to pay is crucial.
  - We want to build our own forecast engine but we struggle to measure forecast accuracy
- Very young PRM team + high turnover
  - We have very smart people in the PRM team but they are young and inexperienced
- OD system + Demanding market dynamics
  - Benefit of an OD system is huge for us. Market dynamics make the usage and management of it even more complex than normal
- Lots of manual processes

Aggressive Plan to Increase PRASM + Tackle the Challenges

2017

- Finish building and leverage new PRM DWH
- Build Intelligent decision support tools
- **Start building our own forecast engine**
- Automate manual processes

++ YOY PRASM

2018

- Deliver forecast engine V1
- Work with RMS vendor to implement in some markets
- Alerting exception mgmt. tools and processes
- Design of ML projects

+YOY PRASM

2019

- Deliver forecasting engine V2
- Implement new fare to class alignment methodology
- Implement machine learning projects

+++YOY PRASM

2020

- Deliver forecasting engine V3
- Dynamic pricing/Classless RM
- RM and Pricing advanced workflow decision support tools

-+YOY PRASM

Automation, Decision Support and OR Team

Thanks