

Copa Holdings, S.A.
Form 20-F
April 30, 2015
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As filed with the Securities and Exchange Commission on April 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number: 001-32696

COPA HOLDINGS, S.A.

(Exact name of Registrant as Specified in Its Charter)

Not Applicable

(Translation of Registrant's Name Into English)

Republic of Panama

(Jurisdiction of Incorporation or Organization)

Avenida Principal y Avenida de la Rotonda, Costa del Este

Complejo Business Park, Torre Norte

Parque Lefevre, Panama City

Panama

(Address of Principal Executive Offices)

Rafael Arias

Complejo Business Park, Torre Norte

Parque Lefevre, Panama City, Panama

+507 304 2431 (Telephone)

+507 304 2535 (Facsimile)

(Registrant's Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of Each Class:	Name of Each Exchange On Which Registered
Class A Common Stock, without par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: At December 31, 2014, there were outstanding 43,988,423 shares of common stock, without par value, of which 33,050,298 were Class A shares and 10,938,125 were Class B shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and non-accelerated filer" in Rule 12b-2 of Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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INTRODUCTION

In this annual report on Form 20-F, unless the context otherwise requires, references to *Copa Airlines* are to *Compañía Panameña de Aviación, S.A.*, the unconsolidated operating entity, *Copa Colombia* refers to *AeroRepública, S.A.*, the unconsolidated operating entity, and references to *Copa*, *Copa Holdings*, *we*, *us* or the *Company* are to *Copa Holdings, S.A.* and its consolidated subsidiaries. References to *Class A shares* refer to *Class A shares of Copa Holdings, S.A.*

This annual report contains terms relating to operating performance that are commonly used within the airline industry and are defined as follows:

Aircraft utilization represents the average number of block hours operated per day per aircraft for the total aircraft fleet.

Available seat miles or *ASMs* represents the aircraft seating capacity multiplied by the number of miles the seats are flown.

Average stage length represents the average number of miles flown per flight.

Block hours refers to the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.

Break-even load factor represents the load factor that would have resulted in total revenues being equal to total expenses.

Load factor represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger miles by available seat miles).

Operating expense per available seat mile represents operating expenses divided by available seat miles.

Operating revenue per available seat mile represents operating revenues divided by available seat miles.

Passenger revenue per available seat mile represents passenger revenue divided by available seat miles.

Revenue passenger miles represents the number of miles flown by revenue passengers.

Revenue passengers represents the total number of paying passengers (including all passengers redeeming frequent flyer miles and other travel awards) flown on all flight segments (with each connecting segment being considered a separate flight segment).

Yield represent the average amount one passenger pays to fly one mile.

Market Data

This annual report contains certain statistical data regarding our airline routes and our competitive position and market share in, and the market size of, the Latin American airline industry. This information has been derived from a variety of sources, including the International Air Transport Association, the U.S. Federal Aviation Administration, the International Monetary Fund and other third-party sources, governmental agencies or industry or general publications. Information for which no source is cited has been prepared by us on the basis of our knowledge of Latin American airline markets and other information available to us. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily

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comparable. In addition, sources other than us use methodologies that are not identical to ours and may produce results that differ from our own estimates. Although we have not independently verified the information concerning our competitive position, market share, market size, market growth or other similar data provided by third-party sources or by industry or general publications, we believe these sources and publications are generally accurate and reliable.

Presentation of Financial and Statistical Data

Included elsewhere in this annual report are our audited consolidated statement of financial position as of December 31, 2014 and 2013, and the related audited consolidated statements of income, changes in shareholders equity and cash flows for the years ended December 31, 2014, 2013 and 2012.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Unless otherwise indicated, all references in the annual report to \$ or dollars refer to U.S. dollars.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Special Note About Forward-Looking Statements

This annual report includes forward-looking statements, principally under the captions Risk Factors, Business Overview and Operating and Financial Review and Prospects. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

general economic, political and business conditions in Panama and Latin America and particularly in the geographic markets we serve;

our management's expectations and estimates concerning our future financial performance and financing plans and programs;

our level of debt and other fixed obligations;

demand for passenger and cargo air service in the markets in which we operate;

competition;

our capital expenditure plans;

changes in the regulatory environment in which we operate;

changes in labor costs, maintenance costs, fuel costs and insurance premiums;

changes in market prices, customer demand and preferences and competitive conditions;

cyclical and seasonal fluctuations in our operating results;

defects or mechanical problems with our aircraft;

our ability to successfully implement our growth strategy;

our ability to obtain financing on commercially reasonable terms; and

the risk factors discussed under **Risk Factors** beginning on page 4.

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The words believe, may, will, aim, estimate, continue, anticipate, intend, expect and similar words identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after the date of this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance. Considering these limitations, you should not place undue reliance on forward-looking statements contained in this annual report.

PART I**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**A. Selected Financial Data**

The following table presents summary consolidated financial and operating data for each of the periods indicated. Our consolidated financial statements are prepared in accordance with IFRS, as issued by the IASB and are stated in U.S. dollars. You should read this information in conjunction with our consolidated financial statements included in this annual report and the information under Item 5. Operating and Financial Review and Prospects appearing elsewhere in this annual report.

The summary consolidated financial information as of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012 has been derived from our audited consolidated financial statements included elsewhere in this annual report. The summary consolidated financial information as of December 31, 2012, 2011 and 2010, and for the years ended December 31, 2011 and 2010, has been derived from our consolidated financial statements for these periods.

Year Ended December 31, (in thousands of dollars,

except share and per share data and operating data)

	2014	2013	2012	2011	2010
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INCOME STATEMENT DATA

Operating revenue:

Passenger revenue	2,619,856	2,519,650	2,163,136	1,747,102	1,338,581
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Cargo, mail and other	85,212	88,682	86,252	83,819	76,225
Total operating revenues	2,705,068	2,608,332	2,249,388	1,830,921	1,414,806
Operating expenses:					
Aircraft fuel	820,694	783,092	725,763	547,221	354,427
Salaries and benefits	299,182	276,156	247,405	213,094	178,845
Passenger servicing	268,762	250,604	217,137	160,725	133,718
Commissions	99,115	103,685	89,378	72,947	57,677
Reservations and sales	93,766	99,822	84,992	70,363	58,813
Maintenance, materials and repairs	101,421	92,993	92,166	70,969	62,229
Depreciation, amortization and impairment	115,147	137,412	89,217	75,458	62,962
Flight operations	132,156	121,903	104,993	83,782	70,648
Aircraft rentals	112,082	90,233	72,468	51,259	46,334
Landing fees and other rentals	53,746	50,288	46,233	41,881	40,320
Other	87,910	84,590	77,101	58,237	59,185
Total operating expenses	2,183,981	2,090,778	1,846,853	1,445,936	1,125,158
Operating income	521,087	517,554	402,535	384,985	289,648
Non-operating income (expense):					
Interest expense	(29,529)	(30,180)	(32,795)	(32,680)	(29,981)
Interest income	18,066	12,636	11,689	6,774	4,759
Other, net ⁽¹⁾	(111,316)	(11,440)	(15,086)	(13,068)	(4,403)
Total non-operating income (expense), net	(122,779)	(28,984)	(36,192)	(38,974)	(29,625)
Income before income taxes	398,308	488,570	366,343	346,011	260,023
Provision for income taxes	36,639	61,099	39,867	35,586	18,966
Net income	361,669	427,471	326,476	310,425	241,057

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Total cash, cash equivalents and short-term investments	766,603	1,131,689	651,103	506,146	402,603
Accounts receivable, net	122,150	135,056	136,336	143,001	89,387
Total current assets	1,011,449	1,401,153	917,490	754,242	594,383
Purchase deposits for flight equipment	321,175	327,545	245,544	242,287	205,972
Total property and equipment	2,505,336	2,348,514	2,284,631	2,000,191	1,772,528
Total assets	4,090,874	3,952,764	3,479,500	3,065,796	2,555,997
Long-term debt	928,964	913,507	1,069,836	936,657	888,681
Total shareholders equity	2,075,108	1,901,906	1,536,544	1,389,531	1,144,656
Capital stock	81,811	77,123	70,717	63,528	55,867

CASH FLOWS DATA

Net cash provided by operating activities	383,561	830,265	538,026	498,289	292,801
Net cash (used in) provided by investing activities	(152,853)	(565,720)	(654,605)	468,250	445,432
Net cash (used in) provided by financing activities	(142,420)	(201,268)	(54,299)	5,775	95,520

OTHER FINANCIAL DATA

EBITDA ⁽²⁾	524,918	643,526	476,666	447,375	348,207
Aircraft rentals	112,082	90,233	72,468	51,259	46,334
Operating margin ⁽³⁾	19.3%	19.8%	17.9%	21.0%	20.5%
Weighted average shares used in computing net income per share (basic)	44,381,265	44,388,098	44,400,224	44,493,779	43,995,671
Weighted average shares used in computing net income per share (diluted)	44,393,055	44,403,352	44,413,343	44,493,779	43,995,671
Net income per share (basic)	8.15	9.63	7.35	6.98	5.48
	8.15	9.63	7.35	6.98	5.48

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Net income per share
(diluted)

Dividends per share paid	\$	3.84	\$	1.46	\$	2.10	\$	1.64	\$	1.09
Dividends per share paid in advance ⁽⁴⁾					\$	2.25				
Total number of shares at end of period		43,988,423		44,098,620		44,036,470		43,895,888		43,597,682

OPERATING DATA

Revenue passengers carried ⁽⁵⁾		11,681		11,345		10,214		8,723		7,998
Revenue passenger miles ⁽⁶⁾		15,913		14,533		12,499		10,198		8,416
Available seat miles ⁽⁷⁾		20,757		18,950		16,567		13,352		10,950
Load factor ⁽⁸⁾		76.7%		76.7%		75.4%		76.4%		76.9%
Break-even load factor ⁽⁹⁾		63.5%		61.1%		61.7%		60.1%		61.9%
Total block hours ⁽¹⁰⁾		376,903		348,882		313,321		255,638		221,298
Average daily aircraft utilization ⁽¹¹⁾		11.0		11.1		10.9		10.5		10.2
Average passenger fare		224.3		222.1		211.8		200.3		167.4
Yield ⁽¹²⁾		16.46		17.34		17.31				