Victor Mizusaki
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What If…LATAM and Azul Have More to Share?

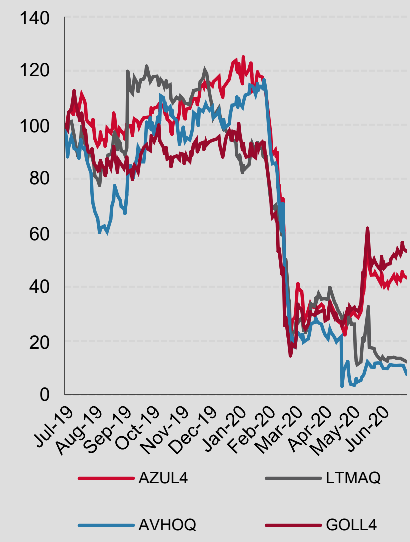
- **In mid-June, LATAM Airlines Group and Azul surprised the market with a domestic codeshare agreement for 50 flights in Brazil.**
- **The two airlines could explore new possibilities in the near future, with: 1) expansion of this domestic codeshare, 2) the introduction of an international codeshare, 3) integration of frequent flyer programs, and 4) M&A.**
- **A full merger between LATAM and Azul seems unlikely, but as part of their turnaround plans, LATAM Airlines Brazil could be sold to Azul.**
- **We keep our preference for GOL and Azul within the LatAm airline sector.**

A merger seems unlikely but... On June 16, LATAM and Azul announced a domestic codeshare agreement. The local press suggested that this initial agreement could develop into a full merger, which in our view is unlikely. First, in the best-case scenario, David Neeleman would share control of this company with the Cueto family (Figure 6). Second, Azul could be dragged into LATAM Airlines Group's Chapter 11 proceedings. Lastly, both Delta and United Airlines would have a seat on LATAM's board of directors, but the US carriers have conflicted interests.

…what if Azul acquires LATAM Airlines Brazil? A full merger seems too complex and would also require a comprehensive controlling shareholders' agreement to accommodate various interests. However, a simple solution could be the sale of LATAM Airlines Brazil to Azul. Since the conclusion of the LAN-TAM merger in 2012, LATAM Airlines Brazil has consistently underperformed the ex-BZ operations. Azul could issue 430mn shares to acquire LATAM Airlines Brazil for ~US$1.9bn. LATAM would guarantee its exposure to BZ with a partnership with Azul, and the company could also sell this stake to raise cash if necessary. In addition, LATAM Brazil could be easily restructured to increase the equity value, as: 1) the aircraft leasing contracts are booked in Chile, providing flexibility to adjust the fleet size and reduce leverage in BZ; and 2) if negotiations with the BZ pilots and crewmembers' union fail, LATAM will reduce its workforce. For Azul, the company would reach a domestic market share of 62% (up from 25%) and increase its presence in restricted airports in Brazil (e.g. Congonhas and Santos Dumont airports).

LATAM and Azul could deleverage faster with an M&A transaction. Historically, LATAM ex-Brazil has reported an EBITDA margin 15pp higher than LATAM Airlines Brazil. We estimate that after the restructuring and the sale of LATAM Brazil to Azul, LATAM ex-Brazil could reduce its financial leverage to 5x net debt/EBITDA 2021 with the full divestment in Azul, vs. 6.9x in our base-case scenario. Azul could also benefit from faster-than-expected EBITDA growth with the consolidation of LATAM Brazil and greater aircraft fleet utilization.

We keep LATAM and Avianca as Underperform. GOL and Azul are our preferred names among LatAm airlines. With the ongoing Chapter 11 proceedings, LATAM's and Avianca's ADS are now trading over-the-counter with the tickers LTMAQ and AVHOQ. As detailed in Figures 10-12, we have updated our models for LATAM, Avianca, and Azul, resulting in respective new YE20 price targets and changes of US$1.10/LTMAQ (+10% vs previous PT), US$0.10/AVHOQ (-80%), and R$23.00/AZUL4 (+21%).



Companies	Rating	Target Price	Upside
Avianca Holdings	Underperform	0.10	-69%
Azul	Outperform	23.00	7%
GOL	Outperform	24.00	16%
LATAM Airlines Grou[p]	Underperform	1.10	-8%

Ticker	Market Cap (US$mn)	Last Price	3M ADTV (US$mn)
AVHOQ	40	US$ 0.32	0.87
AZUL4	1,347	R$ 21.59	10.00
GOLL4	1,369	R$ 20.62	151.70
LTMAQ	728	US$ 1.20	3.61

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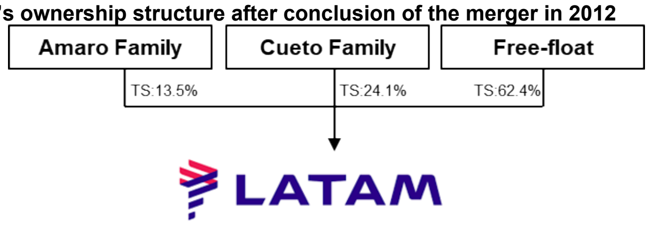
Victor Mizusaki
victor.mizusaki@bradescobbi.com.br
+55 (11) 3847 9291

Gabriel Rezende
gabriel.rezende@bradescobbi.com.br
+55 (11) 3847-9278

10 Years Later…

On August 14, 2010, LAN (Chile) and TAM (Brazil) announced the merger to create LATAM Airlines Group, the largest airline in Latin America and the world's third-largest airline, with a combined market value of ~US$10.6bn. The merger received regulatory approvals and was concluded in 2012. The Cueto and Amaro families started to share control of this new company.

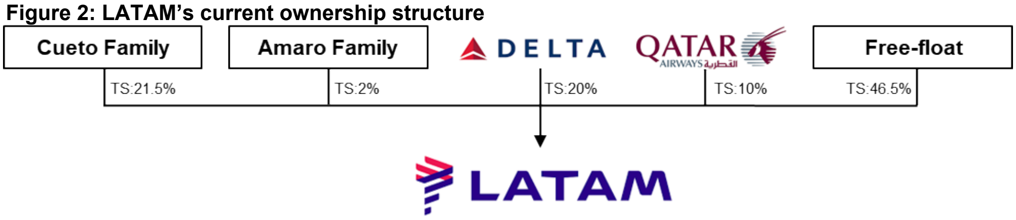
Figure 1: LATAM's ownership structure after conclusion of the merger in 2012



Source: LAN, TAM, LATAM Airlines Group and Bradesco BBI

Fast forward to 2020, the Amaro family has reduced its stake in LATAM Airlines Group to 2%, from 13.5% post-merger, and no family member is on LATAM's board of directors. On the other hand, the Cueto family has remained highly engaged with LATAM, and has slightly reduced its stake to 21.5%, from 24.1%. Nevertheless, as part of the succession plan, in Sept. 2019 LATAM announced Roberto Alvo as the new CEO, with Enrique Cueto remaining as a board member. Meanwhile, Ignacio Cueto has maintained his position as chairman of the board of directors.

Figure 2: LATAM's current ownership structure



Source: LAN, TAM, LATAM Airlines Group and Bradesco BBI

In the meantime, LATAM Airlines Group has announced two strategic partnerships. In July 2016, Qatar Airways acquired 10% of LATAM Airlines Group for US$613mn (US$10.00/LTM), resulting in an implicit market value of US$6.1bn. In Sept. 2019, Delta Airlines surprised the market with the breakup of an 8-year partnership with GOL and the acquisition of 20% of LATAM Airlines Group. In this case, Delta launched a tender offer at US$16.00/LTM, resulting in a cash disbursement of US$1.9bn.

Despite these partnerships, in May 2020, following Avianca Holdings (UP, US$0.10), LATAM Airlines Group filed for Chapter 11 bankruptcy proceedings, which includes the operations in Chile, Peru, Colombia, Ecuador, and the US. Earlier this month, LATAM also announced that LATAM Airlines Brazil was incorporated into the Chapter 11 process in the US court. Lastly, also in July, Delta Airlines wrote off its investment in both the LATAM Airlines Group and Aeromexico, and confirmed that LATAM would need to find other alternatives to emerge from Chapter 11 proceedings.

What is next?

Despite the challenging scenario, in our base-case scenario, LATAM Airlines Group will emerge from Chapter 11. LATAM is focused on: 1) downsizing its fleet of 341 aircraft, 2) reducing its workforce of 42,589 employees, 3) raising US$2.2bn in capital to strengthen its liquidity position, and 4) selling or shutting down unprofitable subsidiaries and routes.

Downsizing aircraft fleet

LATAM Airlines Group has ongoing negotiations with aircraft leasing companies to reduce its fleet size and defer aircraft leasing payments. The return of aircraft will reduce overcapacity and increase pricing power. In addition, when an asset or aircraft is returned to the lessor, LATAM can remove the debt associated with this asset. As of 1Q20, we estimated LATAM's aircraft fleet could be worth ~US$12bn at market prices. To date, LATAM has returned 18 aircraft (4 B787s, 2 A350s, and 12 A320s), which could result in a reduction in financial leverage of US$812mn, or 9% of net debt.

Figure 3: LATAM Airlines Group is reducing its fleet size (as of 1Q20)

Aircraft	#	Avg. Age (Years)	Market value (US$ mn)	Fleet value (US$ mn)
Narrow body				
A319-100	46	12.1	13	588
A320-200	142	10.6	21	2,932
A320-Neo	13	1.3	49	638
A321-200	49	5.6	34	1,671
Subtotal	**250**		**23**	**5,829**
Wide body				
A350-900	13	2.3	138	1,793
B767-300	30	10.4	22	671
B777-300 ER	10	8.7	84	838
B787-8	10	6.1	72	721
B787-9	16	3.5	113	1,812
Subtotal	**79**		**74**	**5,834**
Cargo				
B767-300F	12	16.0	24	292
Subtotal	**12**		**24**	**292**
Total	**341**		**35**	**11,954**

Source: LATAM Airlines Group, AVBuyer, IBA and Bradesco BBI

In addition, in mid-June 2020, LATAM Airlines Group definitively ceased domestic operations in Argentina. The company used to serve 12 domestic destinations and connected Argentina with the US, Brazil, Chile, and Peru. The operation comprised 13 A320s and 2 B767s, and ~1,700 employees. According to our estimates, the return of this fleet could reduce leverage by US$292mn, or 3% of net debt.

In its 1Q20 earnings results, LATAM reported that US$1.9bn in debt had 61 aircraft as collateral. For the US$778mn in enhanced equipment trust certificates (EETC), the company will transfer ownership of 11 A321s, 2 A350s, and 4 B787s to a fiduciary agent to amortize this debt. The company also has a US$603 revolving loan agreement with 26 aircraft as collateral, a US$277mn EXIM aircraft bond with 9 B767s as collateral, and a US$243mn aircraft loan agreement with the pledge of 9 A321s.

Reducing workforce

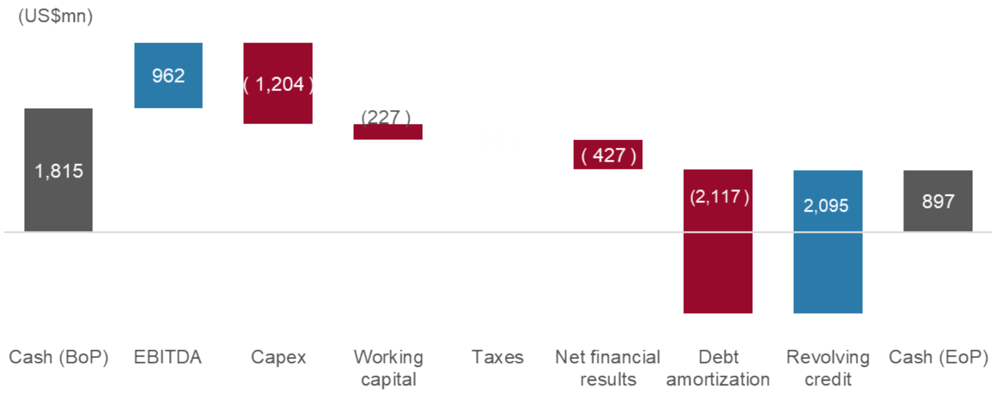
In late June, LATAM Airlines Group announced a new round of layoffs, involving 400 employees, totaling 4,400 job cuts (~10% of the workforce) since the COVID-19 pandemic arrived in mid-March. In Brazil, LATAM Airlines Group is negotiating with the pilots and crewmembers union (SNA) to adjust labor contracts definitively while proposing a 50% reduction in base salary until December 2021. If the union rejects this proposal, LATAM will likely announce up to 2,700 layoffs in Brazil and reduce the remaining 4,965 crewmembers' working hours by 50%.

US$2.2bn in fresh money to provide financial relief

As part of the restructuring plan, LATAM Airlines Group is seeking to raise US$2.2bn in debtor-in-possession (DIP) financing. Qatar Airways is committed with US$600mn, and the Cueto and Amaro families will lend another US$300mn. Bethia Group, which owns 4.2% of LATAM Airlines Group, has decided to fully divest from the airline, although the group is studying the possibility of participating in the DIP financing. The positive surprise is Oaktree Capital, with US$1.3bn a commitment. The company can also upsize the DIP financing by US$250mn, which would strengthen its cash liquidity.

According to our estimates, the combination of the US$2.2bn in DIP financing, the returning of aircraft coupled with the cost reduction, and the shutdown of unprofitable operations and routes like in the case of LATAM Airlines Argentina, seem to be enough for LATAM to sustain its operations as it waits for air travel demand to recover.

Figure 4: LATAM can refinance the short-term debt with the DIP financing of US$2.2bn



Source: LATAM Airlines Group and Bradesco BBI

Selling or terminating unprofitable operations

LATAM Airlines Group had a complex operation with domestic operations in six different countries with regional regulation, and competing with 16 airlines plus foreign carriers in international long-haul flights.

Figure 5: Simplifying the operation to make it profitable

	Brazil	Peru	Chile	Colombia	Argentina	Ecuador
Destinations	45	20	17	14	13	6
Passengers transported (mn)	31.4	8.6	8.5	5.9	2.5	1.2
Market share	38%	63%	57%	25%	16%	32%
Competitors	GOL and Azul	Sky Airlines, Viva and Star	Sky Airlines and JetSmart	Avianca, Viva, EasyFly, Satena and Wingo	Aerolíneas Argentinas, Flybond, JetSmart, Norwegian and Andes	Tame and Avianca

Source: LATAM Airlines Group and Bradesco BBI

In our view, the decision to discontinue the domestic operation in Argentina is the first attempt to simplify the operation and cut losses. Over the last three years, LATAM Airlines Argentina booked net losses of US$41.6mn in 2017, US$132.5mn in 2018, and US$133.4mn in 2019.

Brazil could be next in the line. In June 2020, LATAM and Azul surprised the market with the announcement of a new codeshare agreement valid for 50 domestic flights in Brazil, and the partial integration of their frequent flyer programs.

This partnership has raised questions about whether LATAM Airlines Group could pursue a merger with Azul. In our view, the most likely scenario is the sale of LATAM Airlines Brazil to Azul.

Why not a merger?

In our view, the main issues that are hard to overcome to make a merger viable are: 1) David Neeleman would share control of the new company; 2) LATAM Airlines Group filed for Chapter 11, which could be prohibitive for Azul, as the company could be dragged into this process; and 3) Delta and United Airlines would have seats on the board of directors, which we think should be an issue for anti-trust authorities.

According to our estimates, David Neeleman would own an economic interest of 2.1% of LATAM-Azul and the Cueto family would remain the largest shareholder, with 6.5% of total shares. If LATAM's shareholders receive ON shares, Neeleman would own a stake of 5.1%, down from 67%, and the Cueto family would hold 19.8% of the voting shares. In both scenarios, Neeleman would share control at the best scenario.

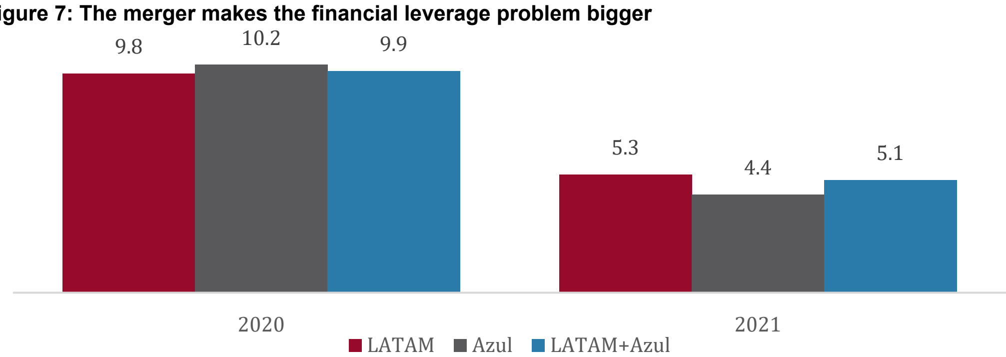
Figure 6: David Neeleman would own 4% of voting shares in the new company

	ON		PN		Economic interest	
	# shares	%	# shares	%	# shares	%
David Neeleman	622.4	5.1%	2.1	0.6%	10.4	2.1%
TRIP	306.6	2.5%	18.2	5.5%	22.3	4.5%
United Airlines	-	-	27.0	8.2%	27.0	5.5%
Cueto	2,410.5	19.8%	-	-	32.1	6.5%
Amaro	222.4	1.8%	-	-	3.0	0.6%
Delta	2,246.0	18.5%	-	-	29.9	6.1%
Qatar Airways	1,123.0	9.2%	-	-	15.0	3.0%
Free-float	5,228.0	43.0%	282.4	85.6%	352.1	71.6%
Total	12,158.8	100.0%	329.7	100.0%	491.8	100.0%

Source: LATAM Airlines Group, Azul and Bradesco BBI

In addition, in our view, this solution does not resolve the problem of financial leverage, as the two airlines combined would reach a net debt of ~US$13bn in Dec. 2020, with net debt/EBITDA of 10x for 2020 and 5x for 2021.

Figure 7: The merger makes the financial leverage problem bigger

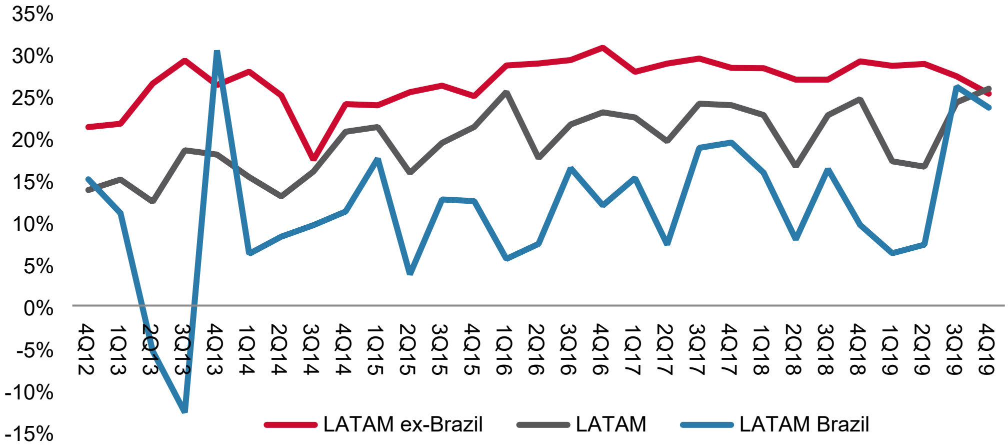


Source: LATAM Airlines Group, Azul and Bradesco BBI

Why would LATAM sell the Brazilian subsidiary?

As detailed in Figure 8, since the conclusion of the LAN-TAM merger, the Brazilian subsidiary has consistently underperformed the operations ex-BZ. This weak operational performance is attributed to: 1) tough competition with GOL and Azul; 2) post-merger integration difficulties; and 3) the decision to downgrade the domestic operation to low-cost and then a few years later, shift the focus back to business travelers.

Figure 8: Brazilian operations' EBITDA has consistently underperformed ex-BZ activities



Source: LATAM Airlines Group, ANAC and Bradesco BBI

Despite this disappointing performance, Brazil has strategic value for LATAM Airlines Group. To keep a local presence but not carry this burden, LATAM Airlines Brazil could be sold to Azul. Azul could issue new shares to LATAM Airlines Group and the two companies could strengthen their codeshare agreement and integrate the frequent flyer programs.

As part of LATAM's liability management strategy, the aircraft leasing contracts are domiciled in Chile, which makes it easier to adjust the balance sheet of LATAM Airlines Brazil. If we assume a fleet size reduction and a successful layoff program, LATAM could unlock US$1.9bn with the Brazilian subsidiary. On the other hand, Azul would need to issue 430mn shares at R$23.00/AZUL4 to absorb LATAM Airlines Brazil. David Neeleman would continue to control Azul with 67% of voting shares, and an economic interest of 1.4% (down from 3%).

Figure 9: LATAM Airlines Group could hold ~56% of Azul

	ON		PN		Economic interest	
	# shares	%	# shares	%	# shares	%
David Neeleman	622.4	67.0%	2.1	0.3%	10.4	1.4%
TRIP	306.6	33.0%	18.2	2.5%	22.3	3.0%
United Airlines	-	-	27.0	3.6%	27.0	3.6%
LATAM	-	-	414.0	55.7%	414.0	54.8%
Free-float	-	-	282.4	38.0%	282.4	37.3%
Total	929.0	100.0%	743.7	100.0%	756.1	100.0%

Source: LATAM Airlines Group, Azul and Bradesco BBI

Below, we show the pro-forma financial statements for the two merger scenarios: 1) LATAM Brazil and Azul and 2) LATAM Airlines Group and Azul.

Figure 10: Pro-forma financial statements

2019	UNIT	LATAM Brazil	Azul	LATAM BZ + Azul
Net revenues	R$ mn	20,363	11,442	31,805
EBITDA	R$ mn	3,529	3,623	7,152
EBIT	R$ mn	1,372	2,031	3,403
EBITDA margin	%	17.3%	31.7%	22.5%
EBIT margin	%	6.7%	17.8%	10.7%
Net debt	R$ mn	10,441	13,399	23,841
Net debt/EBITDA	times	3.0	3.7	3.3

2019	UNIT	LATAM	Azul	LATAM + Azul
Net revenues	US$mn	10,431	2,901	13,332
EBITDA	US$mn	2,212	918	3,130
EBIT	US$mn	742	515	1,257
EBITDA margin	%	21.2%	31.7%	23.5%
EBIT margin	%	7.1%	17.8%	9.4%
Net debt	US$mn	8,844	3,324	12,168
Net debt/EBITDA	times	4.0	3.6	3.9

2020E	UNIT	LATAM Brazil	Azul	LATAM BZ + Azul
Net revenues	R$ mn	12,993	6,088	19,081
EBITDA	R$ mn	1,754	1,467	3,221
EBIT	R$ mn	-1,229	-313	-1,542
EBITDA margin	%	13.5%	24.1%	16.9%
EBIT margin	%	-9.5%	-5.1%	-8.1%
Net debt	R$ mn	10,441	16,882	27,324
Net debt/EBITDA	times	6.0	11.5	8.5

2020E	UNIT	LATAM	Azul	LATAM + Azul
Net revenues	US$mn	5,705	1,343	7,048
EBITDA	US$mn	962	324	1,286
EBIT	US$mn	-578	-69	-647
EBITDA margin	%	16.9%	24.1%	18.2%
EBIT margin	%	-10.1%	-5.1%	-9.2%
Net debt	US$mn	9,451	3,310	12,761
Net debt/EBITDA	times	9.8	10.2	9.9

2021E	UNIT	LATAM Brazil	Azul	LATAM BZ + Azul
Net revenues	R$ mn	16,159	7,619	23,778
EBITDA	R$ mn	3,429	3,003	6,431
EBIT	R$ mn	360	1,030	1,391
EBITDA margin	%	21.2%	39.4%	27.0%
EBIT margin	%	2.2%	13.5%	5.8%
Net debt	R$ mn	10,441	13,605	24,047
Net debt/EBITDA	times	3.0	4.5	3.7

2021E	UNIT	LATAM	Azul	LATAM + Azul
Net revenues	US$mn	6,702	1,587	8,290
EBITDA	US$mn	1,723	626	2,348
EBIT	US$mn	155	215	370
EBITDA margin	%	25.7%	39.4%	28.3%
EBIT margin	%	2.3%	13.5%	4.5%
Net debt	US$mn	9,124	2,750	11,874
Net debt/EBITDA	times	5.3	4.4	5.1

* LATAM Brazil's financial leverage is adjusted by intercompany loans, suppliers and deferred revenues.
Source: LATAM Airlines Group, Azul and Bradesco BBI

Valuation

LATAM Airlines Group (Underperform, US$1.10 up from US$1.00/LTMAQ)

We keep our Underperform rating on LATAM with a new YE20 price target of US$1.10. Our price target is derived from a target EV/EBITDA for 2021 of 5.9x. In our view, the secured DIP financing of US$2.2bn with Oaktree Capital (US$1.3bn), Qatar Airways, and the Cueto and Amaro families, would be enough to help the company to overcome the COVID-19 crisis and emerge from Chapter 11. We also made minor adjustments to our net revenue estimates, while lower fuel prices represented the main positive effect on our EBITDA expectations for 2020.

Figure 11: LATAM Airlines Group – New vs Old Estimates

	UNIT	2020					2021				
		New	Old	Chg (%)	Street	vs Street	New	Old	Chg (%)	Street	vs Street
Net revenues	US$ mn	5,705	5,755	-0.9%	5,273	8.2%	6,702	6,804	-1.5%	7,239	-7.4%
EBITDA	US$ mn	962	854	12.7%	683	40.9%	1,723	1,682	2.4%	1,747	-1.4%
Net earnings	US$ mn	-2,830	-2,902	-2.5%	-2,364	19.7%	-233	-261	-10.9%	-289	-19.5%
EBITDA margin	%	16.9	14.8	2.0 pp	12.9	3.9 pp	25.7	24.7	1.0 pp	24.1	1.6 pp

Source: LATAM Airlines Group, Bloomberg and Bradesco BBI

Azul (Outperform, R$23.00 up from R$19.00/AZUL4)

We are updating our valuation model for Azul and raising our YE20 target price to R$23.00, from R$19.00. As detailed in Figure 12, we cut our net revenue and EBITDA estimates for both 2020 and 2021, which reflects our expectations for a more gradual recovery, especially on international routes. On the bright side, given recent news that Azul could soon conclude its debt restructuring, we lowered our net debt/EBITDA estimate to 4.5x for 2021, from 5.6x, which is the main factor justifying the 21% higher target price.

Figure 12: Azul – New vs Old Estimates

	UNIT	2020 New	2020 Old	2020 Chg (%)	2020 Street	2020 vs Street	2021 New	2021 Old	2021 Chg (%)	2021 Street	2021 vs Street
Net revenues	R$ mn	6,088	6,921	-12.0%	7,874	-22.7%	7,619	8,560	-11.0%	9,641	-21.0%
EBITDA	R$ mn	1,467	1,679	-12.6%	2,046	-28.3%	3,003	3,480	-13.7%	3,682	-18.5%
Net earnings	R$ mn	-4,307	-7,875	nm	-5,170	nm	1,215	66	nm	-213	nm
EBIT margin	%	24.1	24.3	-0.2 pp	26.0	-1.9 pp	39.4	40.7	-1.2 pp	38.2	1.2 pp

Source: Azul, Bloomberg and Bradesco BBI

Avianca (Underperform; US$0.10, down from US$0.50/AVHOQ)

We are updating our valuation model for Avianca Holdings and reducing our YE20 price target to US$0.10, from US$0.50/AVHOQ. In 1Q20, Avianca reported a high financial leverage of 10.1x net debt/EBITDA LTM and filed for Chapter 11. We have updated our figures and lowered our 2020 and 2021 EBITDA estimates by 33% and 24%, respectively. This reflects: 1) a more gradual recovery of demand following COVID-19, especially on international routes, delaying a rebound on margins; and 2) an overall smaller company as a consequence of the restructuring process.

Figure 13: New vs Old Estimates for Avianca

	UNIT	2020 New	2020 Old	2020 Chg (%)	2020 Street	2020 vs Street	2021 New	2021 Old	2021 Chg (%)	2021 Street	2021 vs Street
Net revenues	US$ mn	1,780	2,215	-19.6%	2,134	-16.6%	2,441	2,965	-17.7%	3,082	-20.8%
EBITDA	US$ mn	223	333	-33.1%	259	-13.8%	613	807	-24.0%	887	-30.9%
Net earnings	US$ mn	-66	-220	nm	-480	nm	1,249	126	nm	-59	nm
EBITDA margin	%	12.5	15.0	-2.5 pp	12.1	0.4 pp	25.1	27.2	-2.1 pp	28.8	-3.7 pp

Source: Avianca, Bloomberg and Bradesco BBI

Figure 14: Global Airlines – Comps Table

	Market Cap (USD mn)	Rating	Target Price	Stock Price	Upside (%)	EV/EBITDA		P/E	
						2020	2021	2020	2021
Azul	1,352	Outperform	23.00	21.6	7%	16.8x	7.3x	na	5.9x
GOL	1,374	Outperform	24.00	20.6	16%	6.1x	5.2x	na	24.2x
COPA Holdings	1,982	Neutral	48.00	46.6	3%	48.7x	6.2x	na	18.4x
Volaris	494	Neutral	3.50	4.9	-28%	9.9x	6.6x	na	na
Aeromexico	123	Underperform	4.00	4.4	-10%	10.2x	4.2x	na	na
Avianca Holdings	40	Underperform	0.10	0.3	-69%	21.4x	5.2x	na	na
LATAM Airlines Group	728	Underperform	1.10	1.2	-8%	10.6x	5.7x	na	na
LatAm Weighted average						**29.3x**	**6.1x**	**0.0x**	**8.9x**
Low-cost-carriers									
Azul	1,352	Outperform	23.00	21.6	7%	16.8x	7.3x	nm	5.9x
GOL	1,374	Outperform	24.00	20.6	16%	6.1x	5.2x	nm	24.2x
Volaris	494	Neutral	3.50	4.9	-28%	9.9x	6.6x	nm	na
JetBlue	2,840	-	-	10.5	-	5.8x	4.5x	20.9x	7.2x
Southwest	19,438	-	-	33.0	-	7.4x	4.7x	21.9x	10.0x
Spirit Airlines	1,433	-	-	16.7	-	7.1x	6.2x	10.1x	6.3x
Allegiant	1,791	-	-	110.3	-	4.8x	4.1x	13.7x	10.8x
Ryanair	13,811	-	-	11.1	-	6.9x	5.8x	12.5x	9.5x
Easyjet	3,698	-	-	639.4	-	3.2x	3.0x	7.5x	6.6x
LCC's Weighted average						**7.0x**	**5.0x**	**15.7x**	**9.5x**
Full service airlines									
COPA Holdings	1,982	Neutral	48.00	46.6	3%	48.7x	6.2x	nm	18.4x
Avianca Holdings	40	Underperform	0.10	0.3	-69%	21.4x	5.2x	nm	0.0x
Aeromexico	123	Underperform	4.00	4.4	-10%	10.2x	4.2x	nm	na
LATAM Airlines Group	728	Underperform	1.00	1.2	-17%	12.0x	5.9x	nm	na
American Airlines	5,828	-	-	11.5	-	13.1x	7.2x	nm	5.0x
United Continental	9,390	-	-	32.3	-	9.1x	5.2x	71.2x	6.9x
Delta Airlines	16,725	-	-	26.2	-	2.8x	2.7x	3.6x	3.5x
IAG	4,797	-	-	211.0	-	5.3x	3.6x	9.7x	2.7x
Air France KLM	2,028	-	-	4.1	-	5.4x	3.8x	na	5.9x
Lufthansa	5,866	-	-	8.6	-	5.0x	3.2x	na	6.7x
Air China	13,073	-	-	7.2	-	6.2x	5.8x	16.0x	15.0x
Cathay Pacific	4,891	-	-	5.9	-	6.2x	3.6x	26.5x	12.6x
Japan Airlines	6,023	-	-	1,916.0	-	1.4x	1.4x	6.0x	5.7x
ANA	7,792	-	-	2,398.0	-	4.4x	3.9x	9.0x	7.8x
FSC's Weighted average						**6.8x**	**4.1x**	**15.4x**	**7.6x**

Source: Bloomberg and Bradesco BBI

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