

Hawaiian Holdings (HA)

\$14.40 (As of 04/30/20)

Price Target (6-12 Months): **\$15.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/09/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

Growth: C

Momentum: F

Summary

Shares of Hawaiian Holdings have shed 48.4% of value since the beginning of February due to the coronavirus-led demand slump. The company's March traffic results bear testimony to this massive fall in demand. With traffic (down 40.9%) declining more than the contraction in capacity (down 11.9%), load factor decreased 28.4 basis points to 58% in March. The airline trimmed systemwide capacity by 95% for April. Due to this coronavirus-related uncertainty, the carrier suspended first-quarter and 2020 guidance. Amid this deep crisis, low fuel prices should help the company partly mitigate the adversities from the drop in demand. Additionally, the airline should be able to recoup a bit of the lost revenues through its focus on cargo services. In this regard, the carrier's expansion of inter-island cargo services is noteworthy.

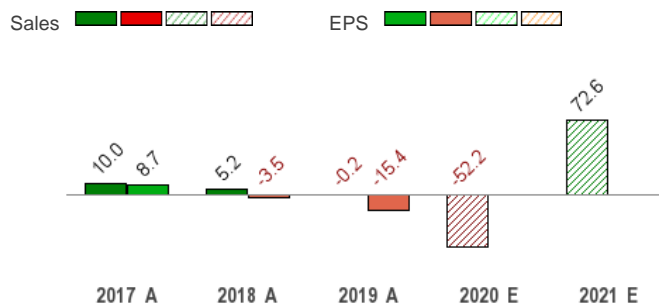
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$31.34 - \$7.55
20 Day Average Volume (sh)	1,547,762
Market Cap	\$661.7 M
YTD Price Change	-50.8%
Beta	2.38
Dividend / Div Yld	\$0.48 / 3.3%
Industry	Transportation - Airline
Zacks Industry Rank	Bottom 37% (159 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	13.8%
Last Sales Surprise	-0.2%
EPS F1 Est- 4 week change	-688.2%
Expected Report Date	05/05/2020
Earnings ESP	15.2%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	571 E	666 E	713 E	669 E	2,339 E
2020	564 E	59 E	278 E	454 E	1,355 E
2019	657 A	712 A	755 A	708 A	2,832 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.01 E	\$0.84 E	\$1.13 E	\$0.41 E	\$1.15 E
2020	-\$1.00 E	-\$4.99 E	-\$2.40 E	-\$0.42 E	-\$7.00 E
2019	\$0.67 A	\$1.23 A	\$1.72 A	\$0.99 A	\$4.60 A

*Quarterly figures may not add up to annual.

P/E TTM	3.1
P/E F1	NA
PEG F1	NA
P/S TTM	0.2

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/30/2020. The reports text is as of 05/01/2020.

Overview

Hawaiian Holdings, Inc., the parent of Hawaiian Airlines, is headquartered in Honolulu County, HI. In fact, it is Hawaii's biggest airline and has been serving the islands for more than 85 years. The carrier focuses in providing scheduled air transportation of passengers and cargo.

The company, founded in 1929, offers non-stop service to Hawaii from 11 gateway cities of the United States. Additionally, the carrier offers approximately 180 daily flights between the Hawaiian Islands apart from providing charter services. It is also expanding on the international front.

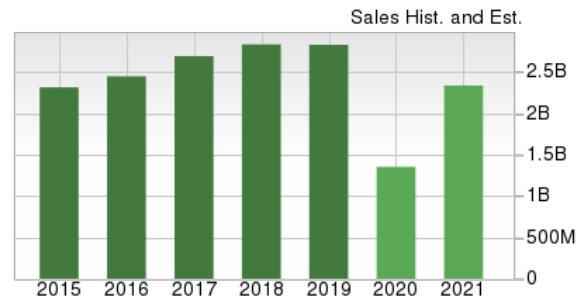
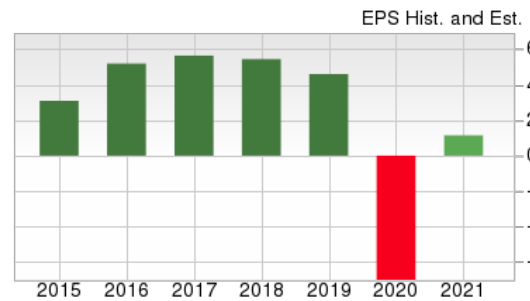
Hawaiian Holdings is aiming to modernize its fleet. At the end of 2019, Hawaiian Holdings' fleet consisted of 20 Boeing 717-200 aircraft for the Neighbor Island routes, 24 Airbus A330-200 aircraft and 17 Airbus A321-200 for the North America and International routes (including charter flights). The carrier owns four ATR42 aircraft for the "Ohana by Hawaiian" Neighbor Island service and three ATR71 aircraft for our Neighbor Island cargo operations. Through its frequent flier program (HawaiianMiles), Hawaiian Holdings offers mileage credits thereby promoting customer loyalty.

The HawaiianMiles frequent flyer program was initiated in 1983 to encourage and develop customer loyalty. HawaiianMiles allows passengers flying on Hawaiian and its partner flights to earn mileage credits. The members can also earn mileage credits for patronage with Hawaiian's program partners like credit card issuers, hotels and car rental firms.

Hawaiian Holdings is the 10th largest domestic airline in the United States based on revenue passenger miles (RPMs). The finding is based on the latest data reported by the Research and Innovative Technology Administration Bureau of Transportation Services. Apart from frequent flier partnerships, the carrier also has codeshare and other agreements with other carriers. Such customer-friendly arrangements boost the top line of Hawaiian Holdings.

Bulk of the top line at Hawaiian Holdings is generated through passenger revenues. In 2019 passenger revenues accounted for 91.7% of the company's top line of \$2.6 billion. The company, which flew 11.8 million passengers in 2019, flat year over year, witnessed a 0.2% dip in passenger revenues.

The carrier's fiscal year coincides with the calendar year.



Reasons To Buy:

- ▲ Although share buybacks have been suspended temporarily to address the coronavirus-induced demand woes, Hawaiian Holdings' efforts to reward its shareholders through buybacks are otherwise impressive. In Dec 2018, the company announced a share repurchase program worth \$100 million through Dec 31, 2020. Moreover, during 2019, Hawaiian Holdings returned \$91.6 million to its shareholders through \$68.8 million in buybacks and \$22.8 million in dividends.
- ▲ We are impressed by the carrier's efforts to modernize its fleet. To this end, it is remodeling its A330 fleet by adding lie flat premium seats. The carrier is constantly adding new planes and removing outdated ones from its fleet. As part of its fleet modernization exercise, the company took delivery of six A321neos in 2019. Evidently, the number of such jets in its fleet increased to 17. Efforts to expand internationally also raise optimism. The airline is currently seeking antitrust immunity for its partnership with Japan Airlines. Upon being granted the antitrust immunity, the carrier expects to implement the joint venture at the end of 2020.
- ▲ Amid dwindling air-travel demand due to coronavirus, low fuel prices should help the carrier partly offset the adversities as fuel expenses comprise a major chunk of airline expenditures. Additionally, the airline's focus on cargo services should help to recoup a bit of the lost revenues from the demand slump. To this end, the carrier extended its inter-island cargo services to facilitate movement of certain essentials including food and medicine. Moreover, Hawaiian Holdings' cost-controlling efforts are encouraging. Notably, in 2019, it achieved benefits worth \$26 million from structural cost savings.

Low fuel prices and focus on cargo services should help Hawaiian Holdings partly counter the adversities.

Reasons To Sell:

- ▼ Similar to other airlines, Hawaiian Holdings is taking a significant hit from the coronavirus pandemic. The demand scenario, which started softening in late January, began to worsen in mid-March. The company's March traffic results bear testimony to this massive slump in demand. With traffic (down 40.9%) declining more than the contraction in capacity (down 11.9%), load factor (percentage of seats filled by passengers) decreased 28.4 basis points to 58%. The company's first quarter results are expected to reflect this adversity. Detailed results will be available on May 5. The carrier does not expect demand to return to pre-crisis levels any time soon. With waning demand, Hawaiian Holdings reduced its systemwide capacity by 95% for April. Due to uncertainty surrounding the ongoing health crisis, the carrier suspended its first-quarter and 2020 guidance.
- ▼ Southwest Airlines started operations to Hawaii from Mar 17, 2019. Following Southwest Airlines' entry, competition has intensified at Hawaiian Holdings' primary market — Hawaii. Loss of market share has naturally hurt the Hawaiian Holdings stock as the carrier's growth depends to a large extent on the demand for air travel to Hawaii. Consequently, passenger revenues slipped 0.2% in 2019, mainly due to pricing pressures following Southwest Airlines' entry in Hawaii.
- ▼ Hawaiian Holdings' trailing 12-month return on equity (ROE) undercuts its growth potential. The company's ROE of 21.2% compared unfavorably with the industry's average of 26.1%. This implies the company is less efficient in utilizing shareholder's funds.

With tumbling air-travel demand due to coronavirus, the carrier slashed systemwide capacity by 95% for April.

Last Earnings Report

Earnings Beat at Hawaiian Holdings in Q4

Hawaiian Holdings' fourth-quarter 2019 earnings (excluding 8 cents from non-recurring items) of 99 cents per share outpaced the Zacks Consensus Estimate of 87 cents. However, the bottom line dipped 1% year over year. Although quarterly revenues of \$708.1 million missed the Zacks Consensus Estimate of \$709.3 million it inched up 1.5% year over year.

Passenger revenues accounting for bulk (91.6%) of the top line increased 1.6% year over year. Airline traffic, measured in revenue passenger miles, climbed 5.6% year over year to 4.53 billion in the quarter under review. Capacity or available seat miles (ASMs) expanded 3.7% to 5.26 billion. Load factor (percentage of seats filled by passengers) improved 150 basis points to 86.1% in the reported quarter as traffic growth outpaced capacity expansion.

Meanwhile, operating revenue per available seat mile (RASM: a key measure of unit revenues) in the quarter slid 2.1% year over year. Average fuel cost per gallon decreased 6.8% to \$2.05 in the fourth quarter while non-fuel unit costs inched up 0.8%.

During 2019, Hawaiian Holdings returned \$91.6 million to shareholders through \$68.8 million in buybacks and \$22.8 million in dividends.

Liquidity

As of Dec 31, 2019, the company's unrestricted cash, cash equivalents and short-term investments totaled \$619 million while outstanding debt and finance lease obligations were \$764 million.

Q1 Outlook

Capacity (or ASMs) is anticipated to increase 7.5-10.5% year over year. RASM is expected to decline 4.5-7.5% in the current quarter. Adjusted Cost per ASM (CASM) excluding fuel is estimated to slip 1.5-4.5%. Additionally, economic fuel cost per gallon is estimated at \$1.97.

2020 Outlook

For the current year, ASMs are projected to expand 5.5-8.5%. Adjusted CASM excluding fuel is predicted to either decline up to 2.5% or increase up to 0.5%. Economic fuel cost per gallon is expected to be \$1.85. For full-year effective tax rate is forecast in the range of 26-28%.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	-0.17%
EPS Surprise	13.79%
Quarterly EPS	0.99
Annual EPS (TTM)	4.61

Recent News

March Traffic – Apr 9, 2020

Traffic (measured in Revenue Passenger Miles or RPMs) plunged 40.9% in March with acceleration in government travel restrictions due to the coronavirus pandemic. Available Seat Miles (ASMs) also declined 11.9%. With traffic declining more than the contraction in capacity, load factor (percentage of seats filled by passengers) decreased 28.4 basis points (bps) to 58%.

Additionally, earlier in the month, Hawaiian Airlines' flight attendants represented by the Association of Flight Attendants-CWA ratified a collective bargaining agreement. The deal includes a ratification payment to be cleared over the course of a year, increased medical cost sharing, better pays and a one-time medical savings contribution to eligible flight attendants upon retirement. The contract will become amenable on Apr 3, 2025. The company is likely to record a charge of around \$24 million in the first quarter due to ratification-related bonus and other benefits.

Valuation

Hawaiian Holdings shares are down 50.8% and 46.7% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry and the Zacks Transportation sector are down 51.9% and 22.9% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are down 50.9% and 22.3% respectively.

The S&P 500 index is down 8.8% in the year-to-date period but up 0.4% in the past year.

The stock is currently trading at 3.12X trailing 12-month price-to-earnings, which compares to 4.81X for the Zacks sub-industry, 12.09X for the Zacks sector and 18.43X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.11X and as low as 1.87X, with a 5-year median of 7.16X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$15 price target reflects 3.2X of trailing 12-month earnings.

The table below shows summary valuation data for HA

Valuation Multiples - HA					
		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	3.12	4.81	12.09	18.43
	5-Year High	15.11	13.2	19.58	22.17
	5-Year Low	1.87	4.81	11.63	15.91
	5-Year Median	7.16	10.78	15.53	18.95
EV/EBITDA TTM	Current	2.56	3.79	6.47	10.66
	5-Year High	5.36	7.03	11.16	12.87
	5-Year Low	2.03	3.4	5.61	8.27
	5-Year Median	3.83	5.97	7.37	10.78
P/S F 12M	Current	0.39	0.53	1.05	3.28
	5-Year High	1.26	0.98	1.42	3.44
	5-Year Low	0.14	0.39	0.85	2.54
	5-Year Median	0.68	0.77	1.2	3.01

As of 04/30/2020

Industry Analysis Zacks Industry Rank: Bottom 37% (159 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Allegiant Travel Company (ALGT)	Neutral	3
Alaska Air Group, Inc. (ALK)	Neutral	3
Gol Linhas Aereas Inteligentes S.A. (GOL)	Neutral	3
JetBlue Airways Corporation (JBLU)	Neutral	3
Spirit Airlines, Inc. (SAVE)	Neutral	3
Southwest Airlines Co. (LUV)	Underperform	3
Ryanair Holdings PLC (RYAAY)	Underperform	5
SkyWest, Inc. (SKYW)	Underperform	5

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	HA	X Industry	S&P 500	ALK	JBLU	LUV
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	C	B	C
Market Cap	661.66 M	2.29 B	20.61 B	3.99 B	2.63 B	15.90 B
# of Analysts	4	4	14	6	6	7
Dividend Yield	3.33%	0.00%	2.11%	0.00%	0.00%	2.30%
Value Score	C	-	-	C	C	B
Cash/Price	1.18	0.62	0.06	0.44	0.62	0.27
EV/EBITDA	2.23	3.41	11.87	3.41	2.93	3.48
PEG Ratio	NA	2.26	2.47	NA	NA	NA
Price/Book (P/B)	0.62	0.72	2.67	0.92	0.59	1.64
Price/Cash Flow (P/CF)	1.76	2.28	10.66	3.28	2.57	4.59
P/E (F1)	NA	22.18	19.01	NA	NA	NA
Price/Sales (P/S)	0.23	0.31	2.10	0.45	0.32	0.74
Earnings Yield	-48.61%	-22.81%	5.05%	-14.39%	-23.51%	-11.42%
Debt/Equity	0.98	0.68	0.72	0.62	0.56	0.30
Cash Flow (\$/share)	8.18	4.14	7.01	9.91	3.79	6.80
Growth Score	C	-	-	B	A	D
Hist. EPS Growth (3-5 yrs)	17.35%	4.00%	10.88%	-3.84%	0.16%	7.94%
Proj. EPS Growth (F1/F0)	-252.07%	-208.40%	-7.32%	-172.95%	-220.26%	-183.51%
Curr. Cash Flow Growth	-9.18%	12.49%	5.92%	28.26%	14.33%	-3.22%
Hist. Cash Flow Growth (3-5 yrs)	13.32%	9.63%	8.55%	7.14%	14.43%	8.55%
Current Ratio	0.81	0.68	1.23	0.64	0.67	0.67
Debt/Capital	49.54%	47.44%	43.84%	38.43%	35.83%	23.31%
Net Margin	7.91%	5.39%	11.08%	8.76%	7.03%	8.46%
Return on Equity	21.20%	14.25%	16.44%	19.58%	12.06%	18.52%
Sales/Assets	0.72	0.64	0.54	0.68	0.71	0.82
Proj. Sales Growth (F1/F0)	-52.15%	-32.32%	-1.42%	-39.13%	-39.13%	-41.48%
Momentum Score	F	-	-	F	F	D
Daily Price Chg	-7.99%	-2.43%	-2.39%	-4.35%	-3.85%	0.90%
1 Week Price Chg	-0.61%	-4.56%	-1.74%	-6.41%	-11.47%	-5.96%
4 Week Price Chg	50.78%	18.46%	17.07%	31.87%	27.65%	-0.79%
12 Week Price Chg	-49.97%	-45.86%	-18.53%	-49.20%	-51.49%	-45.86%
52 Week Price Chg	-46.67%	-47.72%	-9.82%	-47.83%	-47.72%	-41.45%
20 Day Average Volume	1,547,762	183,932	2,641,413	2,924,785	14,536,226	21,723,844
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-31.93%	-32.34%	-73.51%
(F1) EPS Est 4 week change	-688.17%	-236.62%	-6.62%	-710.87%	-5,373.08%	-236.62%
(F1) EPS Est 12 week change	-280.38%	-178.31%	-13.28%	-166.00%	-193.42%	-178.31%
(Q1) EPS Est Mthly Chg	-650.83%	-399.63%	-11.97%	-520.26%	-500.00%	-555.68%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	C
Momentum Score	F
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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