

Hawaiian Holdings (HA)

\$13.05 (As of 08/18/20)

Price Target (6-12 Months): **\$14.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/09/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: A

Growth: D

Momentum: C

Summary

Shares of Hawaiian Holdings have shed more than 53% of value since the beginning of February due to the unprecedented air-travel demand crisis in the wake of the coronavirus. Due to soft demand for air travel, Hawaiian Holdings' second-quarter performance was hurt due to declining passenger revenues, as tourism to Hawaii was non-existent. Moreover, due to this coronavirus-related uncertainty, the carrier did not provide any detailed guidance for third-quarter 2020. Amid this crisis, low economic fuel cost (down 15% per gallon in first-half 2020) should help the company partly mitigate the adversities stemming from the shrinkage in demand for air travel. Also, the focus on cargo services is encouraging. To this end, the carrier extended its inter-island cargo services to facilitate movement of certain essentials including food and medicine.

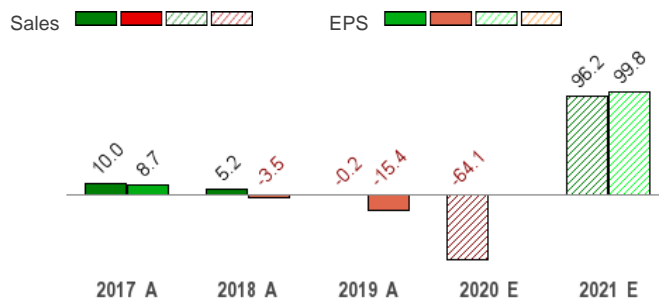
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$31.34 - \$7.55
20 Day Average Volume (sh)	1,057,014
Market Cap	\$600.3 M
YTD Price Change	-55.5%
Beta	2.25
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Transportation - Airline
Zacks Industry Rank	Bottom 5% (240 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.4%
Last Sales Surprise	-1.6%
EPS F1 Est- 4 week change	-29.5%
Expected Report Date	10/27/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	384 E	472 E	559 E	589 E	1,997 E
2020	559 A	60 A	129 E	271 E	1,018 E
2019	657 A	712 A	755 A	708 A	2,832 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.60 E	\$0.00 E	\$0.52 E	\$0.35 E	-\$0.02 E
2020	-\$0.74 A	-\$3.81 A	-\$3.35 E	-\$1.81 E	-\$9.86 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	NA
P/E F1	NA
PEG F1	NA
P/S TTM	0.3

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/18/2020. The reports text is as of 08/19/2020.

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.

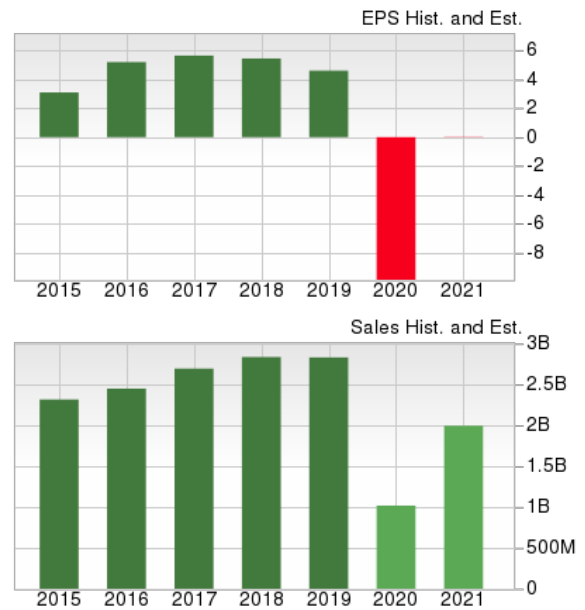
Hawaiian Holdings is aiming to modernize its fleet. At the end of 2019, Hawaiian Holdings' fleet consisted of 20 Boeing 717-200 aircraft for the Neighbor Island routes, 24 Airbus A330-200 aircraft and 17 Airbus A321-200 for the North America and International routes (including charter flights). The carrier 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:

- ▲ To combat the current air-travel demand woes, the carrier undertook several cost-cutting measures to support the bottom line and preserve cash as well. For instance, it halted hiring (except for critical and essential posts) and deferred non-critical capital expenses. The carrier also suspended dividend payments and share buybacks. Moreover, to improve its liquidity position, the carrier raised \$114 million through the sale and leaseback of two Airbus A321neo jets. Moreover, it signed a letter of intent for federal loans. Notably, it is eligible to receive up to \$364 million loan under the CARES Act. It has time until Mar 2021 to decide on the amount to borrow.
- ▲ 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. With majority of the fleet grounded, fuel expenses (economic) declined 53.7% in first-half 2020. 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.

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

Reasons To Sell:

- ▼ Alike other airlines, Hawaiian Holdings has been taking a significant hit from the coronavirus pandemic. The demand scenario, which started deteriorating in late January, began to worsen in mid-March. Due to declining passenger revenues (down 57.5% in first-half 2020), the carrier reported wider-than-expected loss in each of the two quarters of 2020. With waning demand, the company has been operating a very limited schedule since spring. Hawaiian Holdings expects its August capacity to plunge 85% from the year-ago period's tally. Due to market instability emanating from the ongoing health emergency, the carrier did not issue a detailed financial outlook for the third quarter.
- ▼ 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.
- ▼ As of June 30, 2020, Hawaiian Holdings' unrestricted cash, cash equivalents and short-term investments totaled \$761 million. Outstanding debt and finance lease obligations stood much higher at \$1,006 million.

The air-travel demand weakness due to coronavirus is hurt the carrier's second-quarter performance.

Last Earnings Report

Wider-Than-Expected Loss in Q2

Hawaiian Holdings' second-quarter 2020 loss (excluding \$1.48 from non-recurring items) of \$3.81 per share was wider than the Zacks Consensus Estimate of a loss of \$3.72. Moreover, quarterly revenues of \$60 million declined 91.6% year over year and missed the Zacks Consensus Estimate of \$61 million.

Thanks to COVID-19 pandemic induced massive drop in travel demand, passenger revenues (contributing 49.6% of the top line) declined 95.4% year over year. Notably, Hawaii enforced a 14-day self-quarantine on passengers flying in for most of the second quarter. Consequently, tourism was virtually non-existent in the April-June period.

Airline traffic, measured in revenue passenger miles, fell 97.9% year over year to 95.1 million in the quarter under review. Capacity (measured in available seat miles) contracted 92.1% to 409.5 million. Load factor (percentage of seats filled by passengers) deteriorated 6390 basis points to 23.2% in the reported quarter as capacity contraction outweighed traffic plunge.

Operating revenue per available seat mile (RASM: a key measure of unit revenues) in the quarter rose 6.1% year over year. Average fuel cost per gallon (economic) dropped 41.1% to \$1.26 in the second quarter, while non-fuel unit costs rose more than 100%.

Liquidity

As of June 30, 2020, Hawaiian Holdings' unrestricted cash, cash equivalents and short-term investments totaled \$761 million. Outstanding debt and finance lease obligations were \$1,006 million.

Outlook

Due to COVID-19 pandemic uncertainties, Hawaiian Holdings is unable to provide its detailed guidance for third-quarter 2020.

However, ASM for July 2020 is expected to be approximately 86% below its year-ago period's capacity. The company expects August 2020 capacity to plunge 85% compared with the year-ago period's tally. Operating expenses are expected to decline at a slower pace than capacity.

Quarter Ending 06/2020

Report Date	Jul 28, 2020
Sales Surprise	-1.60%
EPS Surprise	-2.42%
Quarterly EPS	-3.81
Annual EPS (TTM)	-1.84

Recent News

Travel Update — Jul 1, 2020

Hawaiian Airlines announced that it will resume a reduced flight schedule between Hawaii and most of its U.S. mainland gateway cities from Aug 1.

Increased Services — Jun 9, 2020

With the U.S. economy re-opening, the carrier has increased its neighbor island services from Jun 16 since Hawaii has lifted the 14-day quarantine requirement. Hawaiian Airlines will offer up to six daily non-stop flights between Honolulu and Lihue, Kona and Hilo, and up to nine daily non-stop flights between Honolulu and Kahului.

Valuation

Hawaiian Holdings shares have been down 55.5% and 48.7% year to date and over the past year, respectively. Stocks in the Zacks sub-industry have shed 46.3% of value both for so far this year and 40.6% in a year's time each. Stocks in the Zacks Transportation sector have declined 1.5% but increased 6.3% year to date and in the past year, respectively.

The S&P 500 index is up 4.9% in the year-to-date period and 16.7% in the past year.

The stock is currently trading at 0.37X forward 12-month price-to-sales, which compares to 0.67X for the Zacks sub-industry, 1.36X for the Zacks sector and 3.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.26X and as low as 0.14X, with a 5-year median of 0.68X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$14 price target reflects 0.39X of forward 12-month sales.

The table below shows summary valuation data for HA

Valuation Multiples - HA					
		Stock	Sub-Industry	Sector	S&P 500
P/S F 12M	Current	0.37	0.67	1.36	3.71
	5-Year High	1.26	0.94	1.41	3.71
	5-Year Low	0.14	0.37	0.84	2.53
	5-Year Median	0.68	0.74	1.2	3.05
EV/EBITDA TTM	Current	17.49	15.23	10.29	12.78
	5-Year High	18.56	15.7	11.07	12.85
	5-Year Low	2.03	3.22	5.4	8.25
	5-Year Median	3.83	5.63	7.23	10.91

As of 08/18/2020

Industry Analysis Zacks Industry Rank: Bottom 5% (240 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Allegiant Travel Company (ALGT)	Neutral	3
Alaska Air Group, Inc. (ALK)	Neutral	4
Gol Linhas Aereas Inteligentes S.A. (GOL)	Neutral	5
JetBlue Airways Corporation (JBLU)	Neutral	4
Southwest Airlines Co. (LUV)	Neutral	3
Ryanair Holdings PLC (RYAAY)	Neutral	3
Spirit Airlines, Inc. (SAVE)	Neutral	4
SkyWest, Inc. (SKYW)	Underperform	4

Industry Comparison Industry: Transportation - Airline				Industry Peers		
	HA	X Industry	S&P 500	ALK	JBLU	LUV
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	4	3
VGM Score	B	-	-	B	C	C
Market Cap	600.26 M	2.03 B	23.71 B	4.47 B	3.01 B	20.15 B
# of Analysts	4	5	14	6	7	12
Dividend Yield	0.00%	0.00%	1.63%	0.00%	0.00%	0.00%
Value Score	A	-	-	A	B	B
Cash/Price	1.22	0.61	0.07	0.60	0.93	0.70
EV/EBITDA	2.24	3.70	13.45	3.03	3.12	3.83
PEG Ratio	NA	0.41	3.01	NA	NA	NA
Price/Book (P/B)	0.73	0.74	3.18	1.15	0.74	1.85
Price/Cash Flow (P/CF)	1.59	2.43	12.70	3.65	2.92	5.02
P/E (F1)	NA	36.54	21.98	NA	NA	NA
Price/Sales (P/S)	0.29	0.45	2.46	0.67	0.51	1.21
Earnings Yield	-75.56%	-26.62%	4.33%	-22.74%	-51.04%	-18.59%
Debt/Equity	1.54	0.98	0.76	0.76	1.01	0.98
Cash Flow (\$/share)	8.18	4.09	6.94	9.91	3.79	6.80
Growth Score	D	-	-	C	D	C
Hist. EPS Growth (3-5 yrs)	5.61%	2.82%	10.44%	-7.47%	-6.90%	3.78%
Proj. EPS Growth (F1/F0)	-314.40%	-263.95%	-5.97%	-228.14%	-396.77%	-248.75%
Curr. Cash Flow Growth	-9.18%	11.77%	5.22%	28.26%	14.33%	-3.22%
Hist. Cash Flow Growth (3-5 yrs)	13.32%	8.55%	8.52%	7.14%	14.43%	8.55%
Current Ratio	0.93	0.80	1.33	0.79	0.95	1.70
Debt/Capital	60.58%	52.86%	44.50%	43.10%	50.20%	49.42%
Net Margin	-5.83%	-4.05%	10.13%	0.85%	-4.05%	0.99%
Return on Equity	-8.35%	-4.11%	14.59%	-0.83%	-7.24%	-4.11%
Sales/Assets	0.51	0.50	0.51	0.50	0.48	0.58
Proj. Sales Growth (F1/F0)	-64.04%	-46.66%	-1.54%	-54.69%	-59.74%	-57.15%
Momentum Score	C	-	-	B	F	F
Daily Price Chg	-0.46%	-0.33%	-0.41%	-0.19%	-0.72%	1.04%
1 Week Price Chg	2.74%	4.56%	1.09%	2.92%	6.69%	4.87%
4 Week Price Chg	-4.04%	0.81%	3.41%	-0.03%	4.54%	1.61%
12 Week Price Chg	-13.86%	2.03%	9.80%	3.31%	4.59%	5.04%
52 Week Price Chg	-48.66%	-44.24%	3.43%	-39.79%	-38.44%	-31.71%
20 Day Average Volume	1,057,014	162,391	1,894,669	2,331,177	10,677,676	12,510,806
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%
(F1) EPS Est 4 week change	-29.47%	-21.38%	1.86%	-45.31%	-47.11%	-42.85%
(F1) EPS Est 12 week change	-32.38%	-44.74%	2.86%	-52.25%	-70.78%	-45.68%
(Q1) EPS Est Mthly Chg	-70.36%	-85.50%	0.80%	-138.66%	-85.50%	-96.00%

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	A
Growth Score	D
Momentum Score	C
VGM Score	B

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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