



# AIR CANADA

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## Air Canada Reports Third Quarter 2021 Results

MONTREAL, Nov. 2, 2021 /CNW Telbec/ - Air Canada today reported third quarter 2021 financial results.

- Operating revenues of \$2.103 billion, representing almost three times the operating revenues of \$757 million in the third quarter of 2020
- Negative EBITDA<sup>(1)</sup> (earnings before interest, taxes, depreciation, and amortization), excluding special items, of \$67 million compared to negative EBITDA (excluding special items) of \$554 million in the same quarter of 2020
- Operating loss of \$364 million, compared to an operating loss of \$785 million in the third quarter of 2020
- Net cash flow<sup>(1)</sup> of \$153 million, approximately \$520 million higher than the midpoint of the net cash burn guidance provided for the quarter
- Record cargo revenues, surpassing the billion-dollar mark year-to-date
- Unrestricted liquidity of about \$14.4 billion at September 30, 2021

"We are encouraged by the favourable revenue and traffic trends in the third quarter, with strong increases in key passenger geographic segments, a record cargo performance and significant improvements in both Air Canada Vacations and Aeroplan. The combination of these factors, along with effective cost controls, resulted in net cash flow of \$153 million for the quarter, materially better than expected and as compared to the third quarter of 2020," said Michael Rousseau, President and Chief Executive Officer of Air Canada.

"Another major accomplishment was the series of financing transactions completed in August, allowing us to lower our cost of borrowing, extend the maturities of our corporate debt, and raise gross proceeds of about \$7.1 billion. As a result, at the end of the third quarter of 2021, Air Canada had about \$9.5 billion in available liquidity on its balance sheet. This strong liquidity position and the confidence it conveys is a core element of our long-term prospects as we rebuild our airline. We also have about \$4.9 billion available under undrawn facilities.

"Since the start of the year we have recalled more than 10,000 employees. We have expanded services to the U.S., and have launched new routes, such as to Cairo. We also announced expansions of our services to India and South America as well as the return next summer of popular seasonal destinations such as Barcelona, Venice, Nice and Reykjavik. To support our network restoration, we have reversed our decision to cancel two Airbus A220 aircraft orders and are now accelerating deliveries of new Boeing 737 MAX aircraft. For our customers, we are pleased to bring back amenities such as onboard meal service and Maple Leaf Lounges.

"I want to express my continuing gratitude to all our employees for their incredible efforts, resilience, and teamwork throughout the challenging past 20 months, most recently as we have worked hard to restart a very complex eco-system with our many partners. I am pleased these efforts were globally recognized when our employees recently won Best Airline Staff in Canada and Best Airline Staff in North America in the prestigious 2021 Skytrax World Airline Awards. Their unstoppable energy, purpose and steadfast optimism have lifted and inspired us all as we navigate towards brighter skies ahead," said Mr. Rousseau.

### **Third Quarter Updates**

#### ***Capacity and Route Network***

Since the onset of the pandemic, Air Canada has actively managed its ASM capacity to account for passenger demand, prevailing market trends, public health guidelines and travel restrictions globally. In the third quarter of 2021, Air Canada increased its ASM capacity by 87 per cent compared to the third quarter of 2020 (a reduction of about 66 per cent when compared to the third quarter of 2019), generally in line with expectations discussed in Air Canada's second quarter news release dated July 23, 2021.

Over the third quarter of 2021, and following the June 15, 2021 announcement of its peak domestic summer schedule serving a total of 50 Canadian destinations from coast to coast, Air Canada announced a series of network developments, including:

- On July 6, 2021, Air Canada unveiled new details for its international flight schedule for the summer of 2021 which included the resumption of 17 routes and 11 destinations across the world from its hubs.
- Following the Government of Canada's announcement to reduce travel restrictions for citizens and permanent residents of

the U.S., on July 19, 2021, Air Canada announced its U.S. transborder summer schedule, including 55 routes and 34 destinations in the U.S., with up to 220 daily flights between the U.S. and Canada.

- On July 29, 2021, Air Canada announced two new winter services departing from Quebec City to Orlando and Fort Lauderdale. Air Canada also announced it would be resuming its international service to Punta Cana and Cancun, from Quebec City, later in the fall.
- On September 7, 2021, Air Canada Rouge resumed service with flights operating between Toronto and Las Vegas, Orlando, and Regina, with other destinations introduced in September, including Cancun and Tampa.
- On September 8, 2021, Air Canada resumed service between Montreal and Toronto Island Airport with five daily return flights.
- On September 27, 2021, Air Canada resumed its non-stop flights to and from Delhi, following the lifting of the Government of Canada restrictions on non-stop flights from India.

In October 2021, Air Canada announced additional updates to its schedule. These announcements include:

- Two new seasonal routes connecting Quebec City with Vancouver and with Calgary. These routes are scheduled to begin in May 2022.
- Increase in service to several key South American destinations. Year-round service to São Paulo, Brazil from Montreal will resume on December 8, 2021. Direct service from Montreal to Bogota, Colombia is set to start on December 2, 2021, while flights from Toronto to Bogota will increase to four per week as of November 7, 2021. Service between Toronto and Santiago, Chile is scheduled to resume in January 2022. Air Canada will serve Buenos Aires, Argentina, with flights offered from both Toronto and Montreal via São Paulo.
- New seasonal service between Toronto and Santo Domingo in the Dominican Republic is scheduled to begin on December 16, 2021.
- Planned summer schedule for Europe, Africa, the Middle East and India. In addition to its established year-round services, Air Canada announced its return to key summer seasonal destinations such as Barcelona, Venice, Nice, Manchester, Edinburgh, and Reykjavik.
- Expansion of services to India with increased frequency to Delhi from Toronto, since October 15, 2021, and a new year-round service to Delhi from Montreal that started on October 31, 2021.
- New daily service between Toronto Island and Ottawa which started on October 31, 2021.

### ***Financing and Liquidity***

In the third quarter of 2021, Air Canada completed a series of financing transactions generating gross proceeds of about \$7.1 billion. These financing transactions provide substantial liquidity to Air Canada and extend debt maturities out until near the end of the decade. Additional information relating to these transactions is available in Section 4 entitled "Overview" of Air Canada's Third Quarter 2021 Management's Discussion and Analysis of Results of Operations and Financial Condition.

### ***Fleet***

In the third quarter of 2021, Air Canada elected to proceed with the purchase of an additional two Airbus A220-300 aircraft for delivery in 2024. These two aircraft are part of the 12 Airbus A220-300 aircraft that Air Canada had previously determined it would not be purchasing under an amendment to the purchase agreement concluded with Airbus Canada Limited Partnership in November 2020. Subsequently, in October 2021, Air Canada reached an agreement with Boeing to accelerate the delivery of four Boeing 737 MAX aircraft into the fourth quarter of 2021, for a total of seven deliveries in 2021. The remaining nine Boeing 737 MAX aircraft are now expected to be delivered by the end of the second quarter of 2022, reaching a total of forty Boeing 737 MAX aircraft in the narrow-body fleet.

### **Third Quarter Financial Summary**

Air Canada recorded a net loss of \$640 million or \$1.79 per diluted share in the third quarter of 2021 compared to a net loss of \$685 million or \$2.31 per diluted share in the third quarter of 2020. The net loss in the third quarter of 2021 included a foreign exchange loss of \$136 million, as compared to a foreign exchange gain of \$88 million recorded during the third quarter of 2020.

When compared to the third quarter of 2020, EBITDA improved \$487 million to negative EBITDA, excluding special items, of \$67 million in the third quarter of 2021. The last two months of the third quarter of 2021 each generated positive EBITDA.

In the third quarter of 2021, net cash generation of \$153 million was better than management's expectation of a net cash burn of between \$280-to-\$460 million, discussed in Air Canada's July 23, 2021 news release. Over the third quarter, Air Canada saw the benefit of strong advance ticket sales and a significant increase in passengers carried versus both the second quarter of 2021 and the third quarter of 2020. This, along with its strong liquidity position, gives Air Canada added confidence that it is

well-positioned to emerge from the pandemic, and to continue building back its network and investing in the future.

As at September 30, 2021, Air Canada's unrestricted liquidity was approximately \$14.4 billion consisting of roughly \$9.5 billion in cash, cash equivalents, short- and long-term investments and about \$4.9 billion available in undrawn funds from credit facilities.

## **Outlook**

Air Canada plans to increase its fourth quarter 2021 ASM capacity by about 135 per cent from the same quarter in 2020. When compared to the same period in 2019, fourth quarter ASM capacity is expected to decrease by about 47 per cent.

In light of the transition towards a post-pandemic environment and consistent with industry practice, Air Canada will not be providing net cash burn guidance going forward.

Air Canada will continue to adjust capacity and take other measures as required, including so as to account for passenger demand, public health guidelines, and travel restrictions globally, as well as other factors, such as inflation and other cost pressures.

### **(1) Non-GAAP Measures**

Below is a description of certain non-GAAP financial measures used by Air Canada to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled "Non-GAAP Financial Measures" in Air Canada's Third Quarter 2021 MD&A for a further discussion of such non-GAAP measures and a reconciliation of such measures to Canadian GAAP.

EBITDA (earnings before interest, taxes, depreciation, and amortization) is commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation, and amortization. These costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. Air Canada excludes special items from EBITDA as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Refer to the "Non-GAAP Financial Measures" section in Air Canada's Third Quarter 2021 MD&A for a discussion of special items relating to the third quarter of 2021.

Net cash burn is commonly used in the airline industry and is used by Air Canada as a measure of cash used to maintain operations, support capital expenditures, and settle normal debt repayments, all before the net impact of new financing proceeds. Net cash burn is defined as net cash flows from operating, financing for aircraft deliveries, and investing activities. Excluded are proceeds from non-aircraft financings, lump sum debt maturities made where Air Canada has refinanced or replaced the amount, and proceeds from sale and leaseback transactions. Net cash burn also excludes movements between cash and short- and long-term investments, and refunds for non-refundable fares being processed for flights impacted by the COVID-19 pandemic. Such refunds are eligible for draws under the Government of Canada \$1.404 billion refunds credit facility and, therefore, are generally cash neutral to Air Canada's liquidity position (up to the \$1.404 billion limit of the facility) and improve net working capital.

Air Canada's Third Quarter 2021 Consolidated Financial Statements and Notes and its Third Quarter 2021 Management's Discussion and Analysis of Results of Operations and Financial Condition are available on Air Canada's website at [aircanada.com](http://aircanada.com) and will be filed on SEDAR at [www.sedar.com](http://www.sedar.com).

For further information on Air Canada's public disclosure file, including Air Canada's Annual Information Form dated March 11, 2021, consult SEDAR at [www.sedar.com](http://www.sedar.com).

### **Third Quarter Analyst Conference Call**

Air Canada will host its quarterly analysts' call today, Tuesday, November 2, 2021 at 08:00 a.m. ET. Michael Rousseau, President and Chief Executive Officer, Amos Kazzaz, Executive Vice President and Chief Financial Officer, Lucie Guillemette, Executive Vice President and Chief Commercial Officer, and Craig Landry, Executive Vice President and Chief Operations Officer, will be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Kazzaz and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada bonds.

Media and the public may access this call on a listen-in basis. Details are as follows:

Live audio webcast: <https://bell.media-server.com/mmc/p/ja4va5uj>

416-406-0743 or 1-800-898-3989 (toll free), passcode

By telephone: 2109523#.

Please allow 10 minutes to be connected to the conference call.

#### **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

*This news release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as "preliminary", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.*

*Forward-looking statements, by their nature, are based on assumptions including those described in this news release and the documents incorporated by reference herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.*

*Air Canada, along with the global airline industry, continues to face significant decrease in traffic, as compared to the year 2019, and a corresponding decline in revenue and cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world. While it is improving, there is limited visibility on travel demand given changing government restrictions in place around the world and the severity of the restrictions which have only recently begun to ease in Canada. Air Canada cannot predict the full impact or the timing for when conditions may improve. AirCanada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions, and passenger reaction, the complexities of restarting an industry whose many stakeholders must act in coordination with each other as well as timing and extent of a recovery in international and business travel which are important segments of Air Canada's markets, none of which can be predicted with certainty.*

*Other factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, competition, energy prices, Air Canada's dependence on technology, cybersecurity risks, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), other epidemic diseases, terrorist acts, war, Air Canada's dependence on key suppliers, casualty losses, changes in laws, regulatory developments or proceedings, Air Canada's ability to successfully operate its new loyalty program, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), interruptions of service, Air Canada's dependence on regional and other carriers, Air Canada's ability to preserve and grow its brand, employee and labour relations and costs, Air Canada's dependence on Star Alliance® and joint ventures, limitations due to restrictive covenants, pending and future litigation and actions by third parties, currency exchange, risks generally relating to the grounding of aircraft fleet types, pension plans, Air Canada's ability to attract and retain required personnel, insurance issues and costs, as well as the factors identified in Air Canada's public disclosure file available at [www.sedar.com](http://www.sedar.com) and, in particular, those identified in section 17 "Risk Factors" in Air Canada's 2020 MD&A and in section 14 "Risk Factors" of Air Canada's Third Quarter 2021 MD&A. The forward-looking statements contained or incorporated by reference in this news release represent Air Canada's expectations as of the date of this news release (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.*

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## Highlights

The financial and operating highlights for Air Canada for the periods indicated are as follows:

| (Canadian dollars in millions, except per share data or where indicated)            | Third Quarter |             |                        | First Nine Months |             |                 |
|---|---------------|-------------|------------------------|-------------------|-------------|-----------------|
|   | 2021          | 2020        | \$ Change              | 2021              | 2020        | \$ Change       |
| <b>Financial Performance Metrics</b>  |               |             |                        |                   |             |                 |
| Operating revenues  | 2,103         | 757         | 1,346                  | 3,669             | 5,006       | (1,337)         |
| Operating loss  | (364)         | (785)       | 421                    | (2,546)           | (2,773)     | 227             |
| Loss before income taxes  | (679)         | (821)       | 142                    | (3,364)           | (3,578)     | 214             |
| Net loss  | (640)         | (685)       | 45                     | (3,109)           | (3,486)     | 377             |
| Adjusted pre-tax loss <sup>(1)</sup>  | (649)         | (1,141)     | 492                    | (3,194)           | (3,099)     | (95)            |
| EBITDA (excluding special items) <sup>(1)</sup>                                     | (67)          | (554)       | 487                    | (1,486)           | (1,315)     | (171)           |
| Unrestricted liquidity <sup>(2)</sup>   | 14,412        | 8,189       | 6,223                  | 14,412            | 8,189       | 6,223           |
| Diluted loss per share  | (1.79)        | (2.31)      | 0.52                   | (8.97)            | (12.58)     | 3.61            |
| <b>Operating Statistics <sup>(3)</sup></b>  | <b>2021</b>   | <b>2020</b> | <b>% Change</b>        | <b>2021</b>       | <b>2020</b> | <b>% Change</b> |
| Revenue passenger miles ("RPMs") (millions)   | 7,915         | 2,517       | 214.5                  | 11,433            | 20,807      | (45.1)          |
| Available seat miles ("ASMs") (millions)  | 11,116        | 5,949       | 86.8                   | 19,327            | 31,703      | (39.0)          |
| Passenger load factor %   | 71.2%         | 42.3%       | 28.9 pp <sup>(6)</sup> | 59.2%             | 65.6%       | (6.5 pp)        |
| Passenger revenue per RPM ("Yield") (cents)   | 20.7          | 20.2        | 2.5                    | 21.5              | 18.8        | 14.4            |
| Passenger revenue per ASM ("PRASM") (cents)   | 14.7          | 8.5         | 72.6                   | 12.7              | 12.3        | 3.1             |
| Operating revenue per ASM (cents)   | 18.9          | 12.7        | 49.0                   | 19.0              | 15.8        | 20.2            |
| Operating expense per ASM ("CASM") (cents)  | 22.2          | 25.9        | (14.4)                 | 32.2              | 24.5        | 31.0            |
| Adjusted CASM (cents) <sup>(1)</sup>  | 18.7          | 26.1        | (28.6)                 | 28.1              | 20.1        | 40.0            |
| Average number of full-time-equivalent ("FTE") employees (thousands) <sup>(4)</sup> | 21.3          | 17.2        | 23.5                   | 18.0              | 22.2        | (19.0)          |
| Fuel cost per litre (cents)   | 72.9          | 52.5        | 38.9                   | 69.2              | 63.7        | 8.6             |
| Fuel litres (thousands)   | 648,515       | 332,658     | 94.9                   | 1,316,563         | 1,781,560   | (26.1)          |
| Revenue passengers carried (thousands) <sup>(5)</sup>                               | 5,067         | 1,728       | 193.2                  | 7,356             | 12,135      | (39.4)          |

(1) Adjusted pre-tax income (loss), EBITDA (excluding special items) (earnings before interest, taxes, depreciation, and amortization), and adjusted CASM are each non-GAAP financial measures. Refer to section 15 "Non-GAAP Financial Measures" of Air Canada's Third Quarter MD&A for descriptions of Air Canada's non-GAAP financial measures.

(2) Unrestricted liquidity refers to the sum of cash, cash equivalents and short and long-term investments, and the amount of available credit under Air Canada's revolving and other credit facilities. At September 30, 2021, unrestricted liquidity amounted to \$14,412 million consisted of \$9,473 million in cash and cash equivalents, short-term and long-term investments, and \$4,939 million available under undrawn credit facilities. At September 30, 2020, unrestricted liquidity of \$8,189 million consisted of cash, cash equivalents and short-term investments of \$7,775 million, and long-term investments of \$414 million.

(3) Except for the reference to average number of FTE employees, operating statistics in this table include third party carriers operating under capacity purchase agreements with Air Canada.

(4) Reflects FTE employees at Air Canada and its subsidiaries. Excludes FTE employees at third party carriers operating under capacity purchase agreements with Air Canada.

(5) Revenue passengers are counted on a flight number basis (rather than by journey/itinerary or by leg) which is consistent with the IATA definition of revenue passengers carried.

(6) pp" denotes percentage points and refers to a measure of the arithmetic difference between two percentages.

SOURCE Air Canada

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