

Transat A.T. Inc. - Results for fourth quarter of 2021

Encouraging signs since the resumption on July 30

For the fourth quarter:

- **Revenues of \$62.8 million**
- **Adjusted operating loss¹ of \$58.4 million (operating loss of \$118.3 million)**
- **Adjusted net loss¹ of \$118.4 million (net loss attributable to shareholders of \$121.3 million)**

For the year:

- **Revenues of \$124.8 million**
- **Adjusted operating loss¹ of \$213.9 million (operating loss of \$401.2 million)**
- **Adjusted net loss¹ of \$446.4 million (net loss attributable to shareholders of \$389.6 million)**

Financial position and financing:

- **Cash and cash equivalents of \$433.2 million as at October 31**
- **In total, the available financing represents a maximum of \$820.0 million, of which \$650.0 million was drawn down as at October 31, 2021**

MONTRÉAL, Dec. 9, 2021 /CNW Telbec/ - Transat A.T. inc., a holiday travel reference worldwide, particularly as an air carrier under the Air Transat brand, announces its results for the fourth quarter and fiscal year ended October 31, 2021.

"Since we resumed operations on July 30, business has been growing steadily. We met and exceeded our targets for resumption of operations in the last quarter and reduced our use of cash. The winter season that is now beginning will see the continuation of our return to more significant volumes. While we remain cautious given the evolving variants, we remain optimistic that we're on track to returning to normal. Meanwhile, we're continuing our transformation. Following the extensive streamlining of our fleet that has been ongoing for several years, the codeshare agreement announced this quarter is the first step forward in our alliance strategy, with further advances to follow in the coming months," stated Annick Guérard, President and Chief Executive Officer, Transat.

"For the winter, we plan to operate from eight Canadian airports to eight destinations in Europe, 22 in the South and five in the United States, including Miami and Fort Myers, where we'll be flying for the first time. To do that, we will be deploying capacity that will grow from 50% to 75% of pre-pandemic capacity over the winter. We will then build volume further for the summer season, which will include two new routes to Europe and two new destinations in the United States.

"We started 2022 with over 2,000 employees, compared with only 750 at the height of the crisis, and the volume we project will allow us to recall about 1,500 more during the year. It's heartwarming to see our employees gradually taking back up their positions with us. They are the reason that Transat is what it is today, and they are the ones who will build tomorrow's growth and success," Ms. Guérard concluded.

Fourth-quarter highlights

For the fourth quarter, the Corporation generated \$62.8 million in revenues, up \$34.4 million (120.9%) from \$28.4 million for the corresponding period of 2020. This increase results from the partial resumption of operations at a higher level in 2021 compared with 2020. The Corporation continues to closely monitor demand in order to adjust capacity, which remains below 2019 levels since the resumption of airline operations on July 30.

Operations generated an operating loss of \$118.3 million, compared with \$239.3 million in 2020, an improvement of \$121.0 million. In 2021, the operating loss was aggravated by special items of \$20.3 million, including an aircraft impairment charge of \$9.1 million, termination benefits of \$6.7 million and impairment of contract balances of \$4.5 million, comprising mainly prepaid expenses related to commissions paid to travel agents and credit card fees. In 2020, the operating loss was aggravated by special items totalling \$96.7 million and unfavourable settlements of fuel-related derivative contracts. Transat reported an adjusted operating loss¹ of \$58.4 million compared with \$90.7 million in 2020, an improvement of \$32.4 million. This improvement is related to higher load factors across all of our markets based on increased capacity and unfavourable settlements of fuel-related derivative contracts in 2020.

Net loss attributable to shareholders amounted to \$121.3 million or \$3.21 per share (diluted) compared with \$238.1 million or \$6.31 per share (diluted) for the corresponding quarter of last year. In 2020, the net loss attributable to shareholders was aggravated by special items totalling \$96.7 million and unfavourable settlements of fuel-related derivative contracts. Excluding non-operating items, Transat reported an adjusted net loss¹ of \$118.4 million or \$3.14 per share for the fourth quarter of 2021, compared with \$156.4 million or \$4.14 per share in 2020.

Fiscal year highlights

For the fiscal year as a whole, the Corporation recognized revenues of \$124.8 million, a decrease of \$1.2 billion (90.4%) compared with 2020. Since mid-March of 2020, restrictions on international travel and government-imposed quarantine measures have made travel sales very difficult. Due to the global COVID-19 pandemic, the Corporation suspended its airline operations on January 29, 2021 for the second time since March 2020, until their partial resumption on July 30, 2021. For the first half of winter, demand was very weak and the Corporation's capacity represented a fraction of the 2020 level. These factors caused the fall in revenues. Conversely, for the summer season, since the partial resumption of airline operations, demand has been growing steadily and load factors have been higher compared with 2020. However, the Corporation's capacity remained lower than in 2019.

In 2021, operations generated an adjusted operating loss of \$401.2 million compared with \$426.0 million in 2020, an improvement of \$24.7 million. Transat reported an adjusted operating loss¹ of \$213.9 million compared with \$122.2 million in 2020, a deterioration of \$91.7 million.

Net loss attributable to shareholders amounted to \$389.6 million or \$10.32 per share (diluted) compared with \$496.5 million or \$13.15 per share (diluted) for the previous year. Excluding non-operating items, Transat reported an adjusted net loss¹ of \$446.4 million or \$11.83 per share for the year ended October 31, 2021, compared with \$355.3 million or \$9.41 per share in 2020.

Financial position

As at October 31, 2021, cash and cash equivalents amounted to \$433.2 million, compared with \$426.4 million on the same date in 2020.

In total, the available financing represents a maximum of \$820.0 million, of which \$650.0 million was drawn down as at October 31, 2021. Of the drawn down amount, a total of \$310.0 million was used to repay travellers who were scheduled to leave after February 1, 2020, for which a travel credit had

been issued due to COVID-19 and who had requested to be reimbursed.

Deposits from customers for future travel amounted to \$292.2 million, compared with \$608.9 million as at October 31, 2020, a decrease of \$316.7 million. This change was due to refunds of travel credits made during the summer of 2021.

On April 29, 2021, the Corporation entered into an agreement with the Government of Canada that allows it to borrow, among others, an amount of \$310.0 million to issue refunds to eligible travellers. Customers had until August 26, 2021 to submit their refund requests. The Corporation received requests for about \$460.0 million and made refunds for approximately 99% of amounts claimed as of late November 2021.

The working-capital ratio was 1.14, compared with 0.84 as at October 31, 2020. The improvement in working capital resulted mainly from the travel credits refunded during the year and financed partly by the drawdowns on credit facilities.

Off-balance-sheet arrangements, excluding contracts with service providers, stood at \$549.8 million as at October 31, 2021. This amount mainly consists in commitments to take delivery of the seven A321neoLRs undelivered as at that date.

Outlook

Across all of our markets, average capacity for winter 2022 is 60% of 2019 capacity, increasing from 50% to 75% over the course of the season. On the sun destinations program, the Corporation's main program for winter season, Transat's capacity in 2022 represents 55% of 2019 capacity. On the transatlantic program, where it is the low season, Transat's capacity represents 65% of 2019 capacity. In addition, the Corporation is increasing its presence in the cross-border market with capacity growth of 45% compared to 2019 winter season capacity.

The Corporation continues to apply a series of operational, commercial and financial measures, including cost reduction, aimed at preserving its cash. The Corporation continues to monitor the situation daily to adjust these measures as it evolves.

Despite recent uncertainty related to the emergence of a new variant, the current situation shows encouraging signs such as the level of bookings observed and the increase in the vaccination rate. However, it remains impossible for the moment to predict the impact of the COVID-19 pandemic on future bookings, and on financial results. Consequently, for now the Corporation is not providing an outlook for winter 2022.

Changes to the Board of Directors

Messrs. Jean-Yves Leblanc and Louis-Marie Beaulieu informed the Corporation that they will cease to act as directors effective December 31, 2021. At the meeting of December 8, 2021, in order to fill these vacancies, the Board appointed Mr. Daniel Desjardins and Ms. Julie Tremblay to the Board, effective January 1, 2022. Further, Mr. Desjardins was also appointed to the Audit Committee and Ms. Tremblay was appointed to the Human Resources and Compensation Committee effective January 1, 2022.

Due to Mr. Leblanc's departure, at its meeting of December 8, 2021, the Board of Directors appointed Ms. Lucie Chabot as Chair of the Audit Committee effective January 1, 2022.

Daniel Desjardins, Ad.E, is an independent director. Mr. Desjardins is an accomplished business lawyer and executive with extensive experience in business law, compliance and risk management, as well as decades of experience in financing and complex mergers and acquisitions. For more than 20 years, until December 2019, Mr. Desjardins was Senior Vice-President, General Counsel and Corporate Secretary at Bombardier Inc. From 2018 to January 2021, he served as Chair of the

Board of Directors of Bombardier Transportation. Mr. Desjardins has been Chair of the Board of the Legal Leaders for Diversity Trust since 2014 and is Chair of the Board of Directors of the Pointe-à-Callière museum. Mr. Desjardins has received numerous professional recognitions and has twice been named one of Canada's 25 most influential lawyers. In 2017, the Barreau du Québec awarded him the Advocatus Emeritus distinction in recognition of his exceptional professional career. Mr. Desjardins holds a law degree from the Université de Montréal and a Master of Laws degree from McGill University.

Ms. Julie Tremblay served as President and CEO of TVA Group and CEO of Quebecor Media Group and as a member of the TVA Group Board of Directors from July 2014 until her retirement in October 2017. Between 1989 and 2014, she held various senior positions within Quebecor Inc., notably as Vice President, Human Resources of Quebecor Inc. and Quebecor Media Inc. for more than eight years, as well as Chief Operating Officer and then President and Chief Executive Officer of Sun Media Corporation. Prior to joining Quebecor Inc., Ms. Tremblay practiced labour law and employment law with a prominent Montreal law firm. She has also been a director of Fondation Montreal, the Society for the Celebrations of Montréal's 375th Anniversary and the Chamber of Commerce of Metropolitan Montréal. Ms. Tremblay holds a Bachelor's degree in Political Science from McGill University and a Bachelor's degree in Civil Law from Université de Sherbrooke.

Additional Information

The results were affected by non-operating items, as summarized in the following table:

Highlights and impacts of non-operating items on results (In thousands of C\$)

	Fourth quarter		Year	
	2021	2020	2021	2020
Revenues	62,781	28,426	124,818	1,302,069

Operating loss	(118,326)	(239,332)	(401,222)	(425,962)
Special items	20,316	96,721	27,572	99,675
Depreciation and amortization	39,648	51,876	159,765	204,112
Adjusted operating loss¹	(58,362)	(90,735)	(213,885)	(122,175)

Loss before income tax expense	(121,765)	(241,307)	(389,415)	(488,973)
Special items	20,316	96,721	27,572	99,675
Fuel-related and other derivatives	1,842	(18,454)	(8,849)	13,715
Revaluation of liability related to warrants	(15,126)	—	(4,934)	—
Loss (gain) on asset disposals	2,463	11,101	(17,347)	11,271
Foreign exchange loss (gain)	(6,556)	(3,846)	(53,260)	3,601
Adjusted pre-tax loss¹	(118,826)	(155,785)	(446,233)	(360,711)

Net loss attributable to shareholders	(121,339)	(238,077)	(389,559)	(496,545)
Special items	20,316	96,721	27,572	98,556
Fuel-related and other derivatives	1,842	(18,454)	(8,849)	10,825
Revaluation of liability related to warrants	(15,126)	—	(4,934)	—
Loss (gain) on asset disposals	2,463	11,101	(17,347)	11,271
Foreign exchange loss (gain)	(6,556)	(3,846)	(53,260)	2,666
Reduction in the carrying amount of deferred tax assets	—	(3,837)	—	17,892
Adjusted net loss¹	(118,400)	(156,392)	(446,377)	(355,335)

Diluted loss per share	(3.21)	(6.31)	(10.32)	(13.15)
Special items	0.54	2.56	0.73	2.61
Fuel-related and other derivatives	0.05	(0.49)	(0.23)	0.29
Revaluation of liability related to warrants	(0.40)	—	(0.13)	—
Loss (gain) on asset disposals	0.07	0.29	(0.46)	0.30
Foreign exchange loss (gain)	(0.17)	(0.10)	(1.41)	0.07
Reduction in the carrying amount of deferred tax assets	—	(0.10)	—	0.47
Adjusted net loss per share¹	(3.14)	(4.14)	(11.83)	(9.41)

About Transat

Founded in Montreal 35 years ago, Transat has grown to become a holiday travel reference worldwide, particularly as an air carrier under the Air Transat brand. Voted World's Best Leisure

Airline by passengers at the Skytrax World Airline Awards, it flies to international and Canadian destinations, striving to serve its customers with enthusiasm and friendliness at every stage of their trip or stay, and emphasizing safety throughout. Transat has been Travelife-certified since 2018, renewing its fleet with the greenest aircraft in their category as part of a commitment to a healthier environment, knowing that this is essential to the integrity of its operations and the magnificent destinations it serves. (TSX: TRZ).

(1) *Non-IFRS financial measures*

Transat prepares its financial statements in accordance with International Financial Reporting Standards ["IFRS"]. We will occasionally refer to non-IFRS financial measures in the press release. These non-IFRS financial measures do not have any meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. They are intended to provide additional information and should not be considered as a substitute for measures of performance prepared in accordance with IFRS. All dollar figures are in Canadian dollars unless otherwise indicated.

The following are non-IFRS financial measures used by management as indicators to evaluate ongoing and recurring operational performance.

Adjusted operating income (loss): Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives matured during the period. The Corporation uses this measure to assess the operational performance of its activities before the aforementioned items to ensure better comparability of financial results.

Adjusted pre-tax income (loss): Income (loss) before income tax expense before change in fair value of fuel-related derivatives and other derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, lump-sum payments related to collective agreements, asset impairment, foreign exchange gain (loss) and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results.

Adjusted net income (loss): Net income (loss) attributable to shareholders before net income (loss) from discontinued operations, change in fair value of fuel-related derivatives and other derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, lump-sum payments related to collective agreements, asset impairment, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives that matured during the period, net of related taxes. The Corporation uses this measure to assess the financial performance of its activities before the aforementioned items to ensure better comparability of financial results. Adjusted net income (loss) is also used in calculating the variable compensation of employees and senior executives.

Conference call

Fourth-quarter 2021 conference call: Thursday, December 9, 10:00 a.m. Dial 1 800 926-9795 ou 1 212 231-2919. Name of conference: Transat. Webcast: follow this [link](#). The archived call will be available at 416 626-4100 or 1 800 558-5253, access code 21990574, until January 8, 2022.

The first quarter results will be announced on March 10, 2022.

Caution regarding forward-looking statements

This press release contains certain forward-looking statements with respect to the Corporation, including those regarding its results, its financial position, the impacts of the coronavirus ["COVID-19"] pandemic, its outlook for the future and planned measures, including in particular the gradual resumption of certain flights and actions to improve its cash flows. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "would," the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements.

We draw your attention to the MD&A's section 7, Financial position, liquidity and capital resources and note 2 to the consolidated financial statements which describe an environment, events and conditions, specifically in the context of a pandemic, which indicate the existence of material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

The global air transportation and tourism industry has faced a collapse in traffic and demand. Travel restrictions, uncertainty about when borders will reopen fully, both in Canada and at certain destinations the Corporation flies to, the imposition of quarantine measures and vaccination and testing requirements both in Canada and other countries, as well as concerns related to the pandemic and its economic impacts are creating some demand uncertainty, at least for fiscal 2022. For the first half of winter 2021, the Corporation rolled out a reduced winter program. On January 29, 2021, following the Canadian government's request to not travel to Mexico and the Caribbean, and the introduction of new quarantine measures and COVID-19 testing requirements, the Corporation announced the complete suspension of all its regular flights and the repatriation of its clients to Canada. Starting July 30, 2021, the Corporation partially resumed its operations and gradually rolled out a reduced summer program. The Corporation cannot predict all the impacts of COVID-19 on its operations and results, the pace at which the situation will improve or precisely when conditions will become normal again. The Corporation has implemented a series of operational, commercial and financial measures, including new financing and cost reduction measures, aimed at preserving its cash. The Corporation is monitoring the situation daily to adjust these measures as it evolves. However, until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results. While progress on vaccination and the lifting of certain restrictions have made it possible to resume operations at a certain level during 2021, the Corporation does not expect such level to reach the pre-pandemic level before 2023.

The forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, real or perceived terrorism, outbreaks of epidemics or disease, consumer preferences and consumer habits, consumers' perceptions of the safety of destination services and aviation safety, demographic trends, disruptions to the air traffic control system, the cost of protective, safety and environmental measures, competition, the Corporation's ability to maintain and grow its reputation and brand, the availability of funding in the future, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, changes in legislation, unfavourable regulatory developments or procedures, pending litigation and third party

lawsuits, the ability to reduce operating costs, the Corporation's ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of this press release.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The forward-looking statements in this press release are based on a number of assumptions relating to economic and market conditions as well as the Corporation's operations, financial position and transactions. Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results.*
- The outlook whereby, subject to going concern uncertainty as discussed in the Basis of preparation and going concern uncertainty section of the MD&A and note 2 to the interim condensed consolidated financial statements, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and its borrowing capacity.*
- The outlook whereby, subject to going concern uncertainty as discussed in Section 7. Financial position, liquidity and capital resources of the MD&A and note 2 to the consolidated financial statements, we believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.*

In making these statements, the Corporation has assumed, among other things, that travel and border restrictions imposed by government authorities will be relaxed to allow for a resumption of operations of the type and scale expected, that the standards and measures imposed by government and airport authorities to ensure the health and safety of personnel and travellers will be consistent with those announced or currently anticipated, that travellers will continue to travel despite the new health measures and other constraints imposed as a result of the pandemic, that credit facilities and other terms of credit extended by its business partners will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this press release.

The Corporation considers that the assumptions on which these forward-looking statements are based are reasonable.

These statements reflect current expectations regarding future events and operating performance, speak only as of the date this press release is issued, and represent the Corporation's expectations as of that date. For additional information with respect to these and other factors, see MD&A for the year ended October 31, 2021 filed with the Canadian securities commissions and available on SEDAR at www.sedar.com. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

SOURCE Transat A.T. Inc.

%SEDAR: 00002758E

For further information: Media: Christophe Hennebelle, Vice-President, Human Resources and Corporate Affairs, 514-987-1660, ext. 4584, Financial analysts: Patrick Bui, Chief Financial Officer, 514 987-1660

CO: Transat A.T. Inc.

CNW 07:00e 09-DEC-21