

Transat A.T. Inc. - Results for fourth quarter of 2022

Transat ends fiscal 2022 with an encouraging outlook

For fiscal 2023, Transat is targeting an adjusted operating income margin of 4% to 6%

For the fourth quarter:

- Revenues of \$573.1 million
- Adjusted operating loss¹ of \$11.5 million (operating loss of \$48.8 million)
- Adjusted net loss¹ of \$75.9 million (net loss of \$126.2 million)

For the year:

- Revenues of \$1,642.0 million
- Adjusted operating loss¹ of \$156.8 million (operating loss of \$303.4 million)
- Adjusted net loss¹ of \$403.7 million (net loss attributable to shareholders of \$445.3 million)

Financial position:

- Unrestricted liquidity¹ of \$422.5 million as at October 31
- Customer deposits of \$602.5 million, up 7% from pre-pandemic levels

MONTREAL, Dec. 15, 2022 /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 ended October 31, 2022.

"The recovery in travel, already very real in the third quarter, accelerated in the fourth. This shows that people still want to travel and travel spending is a priority for them, even amid an economic slowdown and rising inflation. During the past quarter, Transat responded to the demand and deployed a program based on its traditional strengths of combining European and sun destinations, which were very popular and allowed us to continuously improve our load factors.

Several indicators show that we're also well set for the winter season. The pace of reservations is currently equivalent to that of 2019. Strong demand is driving up prices, which is helping us to deal with higher costs. As a result, Transat ended fiscal 2022 with solid momentum and a significant decrease in its adjusted operating loss. If the trend continues, the outlook for 2023 is encouraging," stated Annick Guérard, President and Chief Executive Officer of Transat.

The Corporation also continued to implement its strategic plan during the quarter. In October 2022, it launched a new codeshare partnership with Porter Airlines for flights available since November 2022. This agreement, which is part of Air Transat's network development strategy, is in addition to the one entered into with WestJet and the 10 active virtual interlining partnerships, bringing the total number of destinations now available via the Corporation's bookings to more than 300.

Transat placed a new order at the end of November for two more A321LRs, as part of its ongoing fleet renewal. This order, plus that for four A321XLRs announced in the third quarter, demonstrates the Corporation's confidence in the future and will bring to 23 the number of next-generation aircraft received or ordered. These new aircraft offer advantageous performance with reduced fuel consumption and greater range.

Lastly, as activity intensifies, the Corporation is pleased to have entered into a new five-year collective agreement last month with aircraft maintenance personnel, in addition to the agreement

ratified with pilots in the second quarter.

Fourth-quarter highlights

- The Corporation generated \$573.1 million in revenues, up \$510.4 million from \$62.8 million for the corresponding period of 2021. Capacity offered was 91% of that deployed in 2019 across all programs. Demand recovery combined with higher fuel prices, contributed to the increase in average selling prices compared with 2019.
- Operations resulted in an operating loss of \$48.8 million, an improvement of \$69.5 million compared with the \$118.3 million loss in 2021. The improvement was restrained by a significant increase in fuel prices as well as the deterioration of the value of the dollar against its U.S. counterpart, as fuel prices were up by 61% (or \$72.6 million) and the dollar weakened by 6% against the U.S. currency during the quarter, compared with 2021.
- The adjusted operating loss¹ amounted to \$11.5 million, an improvement of \$46.8 million, compared with \$58.4 million in 2021.
- The net loss attributable to shareholders amounted to \$126.2 million, or \$3.32 per share (diluted), compared with \$123.1 million, or \$3.21 per share (diluted), for the corresponding quarter of last year.
- Excluding non-operating items, Transat reported an adjusted net loss¹ of \$75.9 million, or \$2.00 per share, for the fourth quarter of 2022, compared with \$118.4 million, or \$3.14 per share, in 2021.

Fiscal year highlights

- The Corporation posted revenues of \$1,642.0 million for the year, an increase of \$1,517.2 million, compared with 2021. Revenue growth in winter 2022 was dampened by the sharp decline in demand and massive booking cancellations following the emergence of the COVID-19 Omicron variant during the first quarter and the new restrictive measures put in place by the federal government on December 15, 2021. For the 2022 summer season, the Corporation also deployed a reduced program although much more similar to pre-pandemic levels, at 87% of the capacity deployed in 2019.
- The Corporation recorded an operating loss of \$303.4 million, an improvement of \$97.8 million compared with \$401.2 million in 2021.
- Transat reported an adjusted operating loss¹ of \$156.8 million, an improvement of \$57.1 million compared with \$213.9 million in 2021.
- The net loss amounted to \$445.3 million, or \$11.77 per share (diluted), compared with \$389.6 million, or \$10.32 per share (diluted), for the previous year.
- Excluding non-operating items, Transat reported an adjusted net loss¹ of \$403.7 million, or \$10.67 per share, for the year ended October 31, 2022, compared with \$446.4 million, or \$11.83 per share, in 2021.

Financial position

As at October 31, 2022, cash and cash equivalents amounted to \$322.5 million, compared with \$433.2 million on the same date in 2021. This available cash corresponds to a seasonal low. Cash and cash equivalents in trust or otherwise reserved resulting from travel package sales increased to \$344.3 million as at October 31, 2022, compared with \$139.6 million as at October 31, 2021.

Customer deposits for future travel stood at \$602.5 million, up 7% from pre-pandemic levels (as at October 31, 2019), reflecting the recovery in demand and higher average selling prices.

In total, available financing amounted to a maximum of \$963.3 million, of which \$863.2 million was drawn down (\$650.0 million as at October 31, 2021), for unrestricted liquidity¹ of \$422.5 million.

As announced last quarter, the Corporation selected Nuvei as its new credit card processor and this

partnership is now operational. The Corporation expects working capital improvements through faster cash collection. Also, since the end of the quarter, the Corporation collected \$75.0 million of its accounts receivable as at October 31, 2022, from its credit card processor ecosystem.

Outlook

For 2023 as a whole, the Corporation expects to deploy capacity equivalent to 90% of the 2019 level. This level is consistent with International Air Transport Association (IATA) projections for the Corporation's main markets.

To date, for winter 2023, load factors are comparable to 2019 levels and are already over 55% across the network. Airline unit revenues, expressed in revenue per passenger-mile (or yield), are approximately 15% higher than in winter 2019. The combination of demand and higher prices will allow the Corporation to deal with higher costs.

For 2023 as a whole, the Corporation expects an adjusted operating income¹ margin of approximately 4% to 6%. In making forward-looking statements, the Corporation has relied on a number of assumptions, including moderate growth in Canada's GDP taking into account the risk of a short recession, an exchange rate of C\$1.34 to US\$1 and an average price per gallon of aviation fuel of C\$4.50.

Additional Information

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

Highlights and non-IFRS financial measures

(In thousands of Canadian dollars)	Fourth quarter		Year	
	2022	2021	2022	2021
Revenues	573,139	62,781	1,642,038	124,818
Operating loss	(48,848)	(118,326)	(303,420)	(401,222)
Special items	1,630	20,316	1,630	27,572
Depreciation and amortization	41,285	39,648	153,429	159,765
Premiums related to derivatives that matured during the period	(5,612)	—	(8,391)	—
Adjusted operating loss¹	(11,545)	(58,362)	(156,752)	(213,885)
Loss before income tax expense	(129,962)	(121,765)	(449,473)	(389,415)
Special items	1,630	20,316	1,630	27,572
Change in fair value of derivatives	1,057	1,842	9,685	(8,849)
Revaluation of liability related to warrants	(8,292)	(15,126)	(21,989)	(4,934)
Gain on long-term debt modification	—	—	(22,191)	—
Loss (gain) on asset disposals	71	2,463	(3,934)	(17,347)
Foreign exchange loss (gain)	64,435	(6,556)	92,150	(53,260)
Premiums related to derivatives that matured during the period	(5,612)	—	(8,391)	—
Adjusted pre-tax loss¹	(76,673)	(118,826)	(402,513)	(446,233)
Net loss attributable to shareholders	(126,231)	(121,339)	(445,324)	(389,559)
Special items	1,630	20,316	1,630	27,572
Change in fair value of derivatives	1,057	1,842	9,685	(8,849)
Revaluation of liability related to warrants	(8,292)	(15,126)	(21,989)	(4,934)
Gain on long-term debt modification	—	—	(22,191)	—
Loss (gain) on asset disposals	71	2,463	(3,934)	(17,347)
Foreign exchange loss (gain)	64,435	(6,556)	92,150	(53,260)
Premiums related to derivatives that matured during the period	(5,612)	—	(8,391)	—
Tax recovery on ABCP losses	(2,988)	—	(5,347)	—
Adjusted net loss¹	(75,930)	(118,400)	(403,711)	(446,377)
Diluted loss per share	(3.32)	(3.21)	(11.77)	(10.32)
Special items	0.04	0.54	0.04	0.73
Change in fair value of derivatives	0.03	0.05	0.25	(0.23)
Revaluation of liability related to warrants	(0.22)	(0.40)	(0.58)	(0.13)
Gain on long-term debt modification	—	—	(0.58)	—
Loss (gain) on asset disposals	—	0.07	(0.10)	(0.46)
Foreign exchange loss (gain)	1.70	(0.17)	2.43	(1.41)
Premiums related to derivatives that matured during the period	(0.15)	—	(0.22)	—
Tax recovery on ABCP losses	(0.08)	—	(0.14)	—
Adjusted net loss per share¹	(2.00)	(3.14)	(10.67)	(11.83)

	As at October 31, 2022	As at October 31, 2021
Cash and cash equivalents	322,535	433,195
Undrawn funds from credit facilities	100,000	170,000
Unrestricted liquidity¹	422,535	603,195

About Transat

Founded in Montreal 35 years ago, Transat has achieved worldwide recognition as a provider of holiday travel particularly as an airline under the Air Transat brand. Voted World's Best Leisure Airline in North America by passengers at the 2022 Skytrax World Airline Awards, it flies to international, U.S. and Canadian destinations. By renewing its fleet with the most energy-efficient aircraft in their category, it is committed to a healthier environment, knowing that this is essential to its operations and the destinations it serves. Transat has been Travelife-certified since 2018. (TSX: TRZ) www.transat.com

(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 news 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 and other significant unusual items, and including premiums related to derivatives that 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 derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, asset impairment, foreign exchange gain (loss) and other significant unusual items, and including premiums related to 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 derivatives, revaluation of liability related to warrants, gain (loss) on long-term debt modification, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, asset impairment, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums related to 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.

Adjusted net income (loss) per share: Adjusted net income (loss) divided by the adjusted weighted average number of outstanding shares used in computing diluted earnings (loss) per share.

Unrestricted liquidity: The sum of cash and cash equivalents and available undrawn funds from credit facilities. The Corporation uses this measure to assess the total potential cash available in the short term.

Conference call

Fourth-quarter 2022 conference call: Thursday, December 15, 10:00 a.m. Dial 1 800 926-9795 or 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 22015317, until January 14, 2023.

The first-quarter results will be announced on March 9, 2023.

Caution regarding forward-looking statements

This news 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.

As a result of the COVID-19 pandemic, the global air transportation and tourism industry has faced a collapse in traffic and demand. Despite the easing of health measures and travel restrictions initially put in place, travel restrictions and vaccination requirements introduced by numerous countries as well as concerns related to the pandemic and its economic impacts, combined with the uncertainty of a possible economic downturn, ongoing inflation in many countries, including Canada, and the military conflict between Russia and Ukraine are creating significant demand uncertainty, and the effects will still be partially present in fiscal 2023. For the 2022 winter season, the Corporation rolled out a reduced winter program that had to be adjusted following the emergence of the Omicron variant and new restrictive measures implemented by Canada and other countries. For the 2022 summer season, the Corporation also deployed a further reduced program although much more similar to pre-pandemic levels. While the situation considerably improved since the second quarter of 2022, the Corporation cannot yet predict with certainty 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. Since the beginning of the pandemic, the Corporation 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. Although the lifting of most restrictions has allowed a significant resumption of operations during 2022, the Corporation does not expect to reach the pre-pandemic level before 2024.

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 the MD&A.

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 news 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 Section Basis of Preparation and Going Concern of the MD&A and Note 2 to the Consolidated Financial Statements, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.*
- The outlook whereby, for 2023 as a whole, the Corporation expects to deploy capacity equivalent to 90% of the 2019 level.*
- The outlook whereby, the combination of demand and higher prices will allow the Corporation to deal with higher costs.*
- The outlook whereby, for 2023 as a whole, the Corporation expects an adjusted operating income¹ margin of approximately 4% to 6%.*

In making these statements, the Corporation assumes, among other things, that no travel or border restrictions will be imposed by government authorities, that the standards and measures for the health and safety of personnel and travellers imposed by government and airport authorities will be consistent with those currently in effect, that travellers will continue to travel despite the health measures and other constraints imposed as a result of the pandemic, that workers will continue to be available to the Corporation, its suppliers and the companies providing passenger services at the airports, 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 news release is issued, and represent the Corporation's expectations as of that date. For additional information with respect to these and other factors, see the MD&A for the year ended October 31, 2022 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.

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