

Transat A.T. Inc. - Results for the fourth quarter of 2023

Transat Delivers Strong Q4 and Fiscal 2023 Operating Results
Adjusted EBITDA¹ margin above target and solid free cash flow for the year
Fiscal 2024 adjusted EBITDA¹ margin target of 7.5-9% and focus on improving capital structure

For the fourth quarter 2023:

- Revenues of \$764.5 million
- Adjusted EBITDA¹ of \$89.0 million
- Operating income of \$44.7 million
- Net income of \$3.2 million

For the year 2023:

- Revenues of \$3,048.4 million
- Adjusted EBITDA¹ of \$263.3 million
- Operating income of \$89.7 million
- Net loss of \$25.3 million

Cash flow and financial position:

- Cash flow from operating activities of \$321.8 million and free cash flow¹ of \$162.4 million for the year, partially used to reimburse \$53.0 million in long-term debt
- Cash and cash equivalents of \$435.6 million as at October 31, 2023, up from \$322.5 million last year
- Customer deposits for future travel of \$754.2 million, up 25% from October 31, 2022

MONTREAL, Dec. 14, 2023 /CNW/ - Transat A.T. Inc., a leisure travel reference worldwide, operating as an air carrier under the Air Transat brand, announced today its results for the fourth quarter and fiscal year ended October 31, 2023.

"Driven by a strong execution of its strategic plan, Transat has solidified its positioning in the Canadian leisure travel industry. As industry dynamics gathered momentum throughout the year, our team focused on meeting growing demand and improving operating efficiency, allowing us to end fiscal 2023 with financial results that exceeded the upper range of our profitability target. Driven by robust yields, we delivered a strong fourth-quarter performance with revenues of \$764.5 million, 10% above 2019 levels on 7% less capacity and with similar load factors, while adjusted EBITDA¹ reached \$89.0 million, culminating a solid second half. We also generated free cash flow¹ of \$162.4 million in fiscal 2023, enabling us to reduce debt and conclude the year with an improved cash position," said Annick Guérard, President and Chief Executive Officer of Transat.

"Looking ahead to the new fiscal year, Transat will continue executing on its strategic plan. Our recently announced joint venture with Porter Airlines will be a key element in accelerating growth, as we expect this agreement to gradually increase passenger traffic. Meanwhile, a greater frequency on leading routes, the launch of new destinations and ongoing efforts to optimize fleet utilization will raise our capacity by approximately 19% in 2024. Given the current operating environment, we expect our adjusted EBITDA¹ margin to be in the range of 7.5% to 9% in fiscal 2024, which would exceed Transat's historical levels. In addition, we intend to further improve our capital structure through sustained free cash flow generation," added Ms. Guérard.

Fourth-quarter highlights

- For the fourth quarter, the Corporation generated \$764.5 million in revenues, up \$191.3 million from \$573.1 million for the corresponding period of 2022.
- Adjusted EBITDA¹ amounted to \$89.0 million, up \$100.6 million from a loss of \$11.5 million in 2022.
- Transat recorded operating income of \$44.7 million, an improvement of \$93.6 million from a \$48.8 million loss in 2022.
- Net income amounted to \$3.2 million (\$0.08 per share), compared with a net loss of \$126.2 million (\$3.32 per share) for the corresponding quarter of last year.
- Excluding non-operating items, Transat reported an adjusted net income¹ of \$15.7 million (\$0.41 per share) for the fourth quarter of 2023, compared with an adjusted net loss¹ of \$75.9 million (\$2.00 per share) in 2022.

Fiscal year highlights

- For the full year, the Corporation recorded revenues of \$3,048.4 million, up \$1,406.3 million from \$1,642.0 million in 2022.
- Transat reported an adjusted EBITDA¹ of \$263.3 million, an improvement of \$420.0 million compared with a loss of \$156.8 million in 2022.
- The Corporation recorded an operating income of \$89.7 million, an improvement of \$393.2 million compared with a loss of \$303.4 million in 2022.
- The net loss amounted to \$25.3 million (\$0.66 per share), compared with \$445.3 million (\$11.77 per share), for the previous year.
- Excluding non-operating items, Transat reported an adjusted net loss¹ of \$11.5 million (\$0.30 per share) for the year ended October 31, 2023, compared with \$403.7 million (\$10.67 per share) in 2022.

Cash flow and financial position

Driven by improved profitability and better working capital management, cash flow from operating activities amounted to \$321.8 million in fiscal 2023, compared with negative \$177.9 million last year. After accounting for investing activities and repayment of lease liabilities, free cash flow¹ reached \$162.4 million in fiscal 2023, versus negative \$320.0 million a year earlier. Free cash flow¹ includes proceeds from the land sale in Mexico received in the fourth quarter and applied to reduce debt by \$53.0 million.

As at October 31, 2023, cash and cash equivalents amounted to \$435.6 million, an increase of \$113.1 million from \$322.5 million at the same date in 2022. Cash and cash equivalents in trust or otherwise reserved mainly resulting from travel package sales also improved year-over-year reaching \$421.0 million as at October 31, 2023, compared with \$344.3 million at the same date in 2022.

Reflecting healthy demand and selling prices in recent periods, customer deposits for future travel stood at \$754.2 million as at October 31, 2023, up 25% from October 31, 2022.

Outlook

To date, load factors for the winter season are 1.3 percentage points lower than in fiscal 2023, while airline unit revenues, expressed in yield, remain 2.4% higher. Current demand and pricing conditions should allow the Corporation to cope with a cost environment that remains volatile and subject to inflationary pressures.

Considering the current operating environment, the Corporation is setting a fiscal 2024 adjusted EBITDA¹ margin target range of 7.5% to 9%, which would exceed Transat's historical levels. For

fiscal 2024, the Corporation intends to increase available capacity by 19% through recent and planned aircraft additions, as well as further improvements in fleet utilization. This capacity will mainly be deployed to expand frequency and annualize best performing routes and to service recently announced new destinations.

In making these forward-looking statements, the Corporation is making the following assumptions for the fiscal year: weak GDP growth in Canada, an exchange rate of C\$1.33 to US\$1 and an average price per gallon of jet fuel of C\$4.00. It also assumes that we reach a satisfactory resolution to renew the collective bargaining agreement with flight attendants and that the Pratt & Whitney engine issue follows the planned schedule, which currently involves three grounded aircraft, and should increase to five or six aircraft by the end of the fiscal year.

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	
	2023	2022	2023	2022
Revenues	764,467	573,139	3,048,352	1,642,038

Operating income (loss)	44,721	(48,848)	89,733	(303,420)
Restructuring costs	276	847	3,626	847
Depreciation and amortization	48,732	42,068	186,355	154,212
Premiums related to derivatives that matured during the period	(4,722)	(5,612)	(16,450)	(8,391)
Adjusted operating income (loss)¹	89,007	(11,545)	263,264	(156,752)

Net income (loss)	3,195	(126,231)	(25,292)	(445,324)
Asset impairment	—	783	4,592	783
Restructuring costs	276	847	3,626	847
Change in fair value of derivatives	(7,268)	1,057	4,434	9,685
Revaluation of liability related to warrants	(35,421)	(8,292)	(3,544)	(21,989)
Foreign exchange loss	59,392	64,435	23,378	92,150
Write-off of deferred financing costs	12,743	—	12,743	—
Loss on business disposal	341	—	341	—
Foreign exchange gain on business disposal	(7,275)	—	(7,275)	—
Loss (gain) on asset disposals	—	71	(2,511)	(3,934)
Gain on long-term debt modification	(5,585)	—	(5,585)	(22,191)
Premiums related to derivatives that matured during the period	(4,722)	(5,612)	(16,450)	(8,391)
Tax recovery on ABCP losses	—	(2,988)	—	(5,347)
Adjusted net income (loss)¹	15,676	(75,930)	(11,543)	(403,711)

Diluted earnings (loss) per share	0.08	(3.32)	(0.66)	(11.77)
Asset impairment	—	0.02	0.12	0.02
Restructuring costs	0.01	0.02	0.09	0.02
Change in fair value of derivatives	(0.19)	0.03	0.12	0.26
Revaluation of liability related to warrants	(0.92)	(0.22)	(0.09)	(0.58)
Foreign exchange loss	1.55	1.70	0.62	2.43
Write-off of deferred financing costs	0.33	—	0.33	—
Loss on business disposal	0.01	—	0.01	—
Foreign exchange gain on business disposal	(0.19)	—	(0.19)	—
Loss (gain) on asset disposals	—	—	(0.07)	(0.10)
Gain on long-term debt modification	(0.15)	—	(0.15)	(0.59)
Premiums related to derivatives that matured during the period	(0.12)	(0.15)	(0.43)	(0.22)
Tax recovery on ABCP losses	—	(0.08)	—	(0.14)
Adjusted net earnings (loss) per share¹	0.41	(2.00)	(0.30)	(10.67)

	As at October 31, 2023	As at October 31, 2022
Cash and cash equivalents	435,647	322,535
Undrawn funds from credit facilities	—	100,000
Unrestricted liquidity¹	435,647	422,535

(In thousands of Canadian dollars)	Fourth quarter			Year		
	2023	2022	Difference	2023	2022	Difference
	\$	\$	\$	\$	\$	\$
Cash flows related to operating activities	(56,363)	(60,061)	3,698	321,750	(177,854)	499,604

Cash flows related to investing activities	13,961	(8,782)	22,743	(7,935)	(33,783)	25,848
Repayment of lease liabilities	(41,442)	(24,736)	(16,706)	(151,389)	(108,336)	(43,053)
Free cash flow¹	(83,844)	(93,579)	9,735	162,426	(319,973)	482,399

About Transat

Founded in Montreal 36 years ago, Transat has achieved worldwide recognition as a provider of leisure travel particularly as an airline under the Air Transat brand. Voted World's Best Leisure Airline by passengers at the 2023 Skytrax World Airline Awards, it flies to international 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) or adjusted EBITDA: Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring and transaction costs 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) or adjusted EBT: Income (loss) before income tax expense before 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 and transaction costs, write-off of assets, 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) 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 and transaction costs, write-off of assets, 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 earnings (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.

Free cash flow: Cash flows related to operating activities less cash flows related to investing activities and repayment of lease liabilities. The Corporation uses this measure to assess the cash that's available to be distributed in a discretionary way such as repayment of long-term debt or deferred government grant or distribution of dividend to shareholders.

Conference call

Fourth-quarter 2023 conference call: Thursday, December 14, 10:00 a.m. To join the conference call without operator assistance, you may register and enter your phone number [here](#) to receive an instant automated call back.

You can also dial direct to be entered into the call by an operator:

Montreal: 514-225-7344

North America (toll-free): 1-888-390-0620

Name of conference: Transat

The conference will also be accessible live via webcast: [click here to register](#).

An audio replay will be available until December 21, 2023, by dialing 1 888 390-0541 (toll-free in North America), access code 223355 followed by the pound key (#). The webcast will remain available for three months following the call.

First-quarter 2024 results will be announced on March 14, 2024.

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 and its outlook for the future. 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.

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 and the lingering effects of the COVID-19 pandemic, 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 adequately mitigate the Pratt & Whitney engine issues, 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, cybersecurity risks, 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 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, 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, the current demand and pricing conditions should allow the Corporation to cope with a cost environment that remains volatile and subject to inflationary pressures.*
- The outlook whereby, the Corporation is setting a fiscal 2024 adjusted EBITDA¹ margin target range of 7.5% to 9%.*
- The outlook whereby, for fiscal 2024, the Corporation intends to increase available capacity by 19% through recent and planned aircraft additions, as well as further improvements in fleet utilization.*

In making these statements, the Corporation assumes, among other things, 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 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 and that fuel prices, exchange rates, selling prices, and hotel and other costs remain stable. 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, 2023 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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