

Transat A.T. Inc. Reports Results for the Fourth Quarter of Fiscal 2024

Revenues and Profitability Increase in Fourth Quarter and Promising Start for the *Elevation* Program

Fourth-quarter highlights:

- Revenues of \$788.8 million, up 3.2% from \$764.5 million last year
- Adjusted EBITDA¹ of \$123.3 million, compared to \$89.0 million last year
- Net income of \$41.2 million (\$1.05 per share), compared to \$3.2 million (\$0.08 per share) last year
- Negative free cash flow¹ of \$102.2 million, compared to \$83.8 million last year
- Customer deposits of \$781.2 million, up 3.6% from October 31, 2023
- Financial compensation agreement of \$33.6 million with the equipment manufacturer of GTF² engines to make up for the cost of aircraft grounded in 2023 and 2024
- Sale-leaseback transactions for three Pratt & Whitney GTF² engines valued at \$87.5 million; proceeds will be used to finance operations

Fiscal year highlights:

- Revenues of \$3,283.8 million, up 7.7% from \$3,048.4 million for fiscal 2023
- Adjusted EBITDA¹ of \$193.6 million, compared to \$263.3 million last year
- Net loss of \$114.0 million (\$2.94 per share), compared to \$25.3 million (\$0.66 per share) in 2023
- Negative free cash flow¹ of \$122.1 million, compared to positive cash flow of \$162.4 million during fiscal 2023

MONTREAL, Dec. 12, 2024 /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 ended October 31, 2024.

"Transat closed fiscal 2024 on a positive note with adjusted EBITDA of \$123.3 million in the fourth quarter mainly driven by higher traffic, lower fuel costs, and financial compensation from Pratt & Whitney related to grounded aircraft over the past two years. In addition, our results point to a more disciplined competitive environment as reflected by slightly better yields on a sequential basis. Looking ahead to fiscal 2025, we expect the industry to continue to favour a measured approach while maintaining relatively stable capacity. The decline in inflation and interest rates also suggests an increase in consumers' discretionary spending. This situation should provide a suitable backdrop to deliver further yield improvements. However, we remain in a period of high economic uncertainty, leading us to exercise caution," said Annick Guérard, President and Chief Executive Officer of Transat.

"Our *Elevation* program, a comprehensive optimization plan aimed at maximizing long-term profitable growth, is progressing according to plan. At this stage, the initiatives implemented will contribute \$25 million toward our goal of an annualized adjusted EBITDA improvement of \$100 million. Initial significant impacts on our results are expected beginning in the second half of fiscal 2025," added Ms. Guérard.

"We improved our liquidity position through the sale and leaseback of four GTF² engines from Pratt & Whitney, including three agreements that closed before the end of fiscal 2024. These transactions generated approximately \$118 million in cash to strengthen our balance sheet. Finally,

discussions with stakeholders and the review of all solutions to improve our capital structure continue and remain a priority for the organization," said Jean-François Pruneau, Chief Financial Officer of Transat.

Fourth-quarter results

For the quarter ended October 31, 2024, revenues reached \$788.8 million, up 3.2% from \$764.5 million in the corresponding period last year. The increase in revenues is attributable to a 2.7% increase in traffic expressed in revenue-passenger-miles compared with 2023, as well as the recognition in revenues of a financial compensation of \$33.6 million following an agreement entered into with the original equipment manufacturer of the GTF² engines. The Corporation's capacity was up 4.0% from the corresponding period last year. These factors were partially offset by an 8.5% decrease in airline unit revenues compared with the same period in 2023, though slightly higher compared with the third quarter of 2024.

Adjusted EBITDA¹ stood at \$123.3 million, compared with \$89.0 million a year ago. This increase reflects revenue growth and a 22.2% decrease in fuel prices compared with the corresponding period of 2023, partially offset by higher operating expenses associated with capacity expansion.

Fiscal year results

For the year ended October 31, 2024, revenues reached \$3,283.8 million, up 7.7% from \$3,048.4 million for the previous fiscal year. Capacity offered across the entire network increased by 10.1% compared with 2023, while traffic was 7.6% higher than in 2023. In addition to the factors described for the quarter, the change in revenues was affected by economic uncertainty, overcapacity across the industry, the Pratt & Whitney GTF² engines issues affecting revenue management, as well as strike threats during the winter season.

For fiscal 2024, adjusted EBITDA¹ stood at \$193.6 million, compared with \$263.3 million for fiscal 2023. The decline was mainly attributable to operating expenses related to capacity expansion, expenses incurred due to issues with the GTF² engines, partially offset by revenue growth.

Cash flow and financial position

Cash flow used in operating activities amounted to \$108.1 million during the fourth quarter of fiscal 2024, compared with \$56.4 million for the same quarter last year, mainly due to unfavourable changes in working capital balances. After accounting for investing activities and repayment of lease liabilities, negative free cash flow¹ reached \$102.2 million during the quarter, compared with negative cash flow of \$83.8 million for the corresponding period last year.

For fiscal 2024, cash flows generated from operating activities amounted to \$94.7 million, compared with \$321.8 million for fiscal 2023. The decrease is mainly attributable to unfavourable changes in working capital balances and a decrease in operating income. Negative free cash flow¹ reached \$122.1 million in fiscal 2024, compared with positive free cash flow¹ of \$162.4 million in 2023.

As at October 31, 2024, cash and cash equivalents amounted to \$260.3 million, compared to \$435.6 million as at October 31, 2023. Cash and cash equivalents in trust or otherwise reserved mainly resulting from travel package bookings increased year-over-year, reaching \$453.8 million as at October 31, 2024, compared with \$421.0 million as at October 31, 2023.

During the fiscal year ended October 31, 2024, the Corporation repaid its subordinated credit facility for its operations. The repayment totalled \$46.0 million. The Corporation also reduced its LEEFF secured facility by repaying an amount of \$11.0 million. Reflecting these repayments and the change in cash, long-term debt and deferred government grant, net of cash, amounted to \$542.7 million as at October 31, 2024, up from \$380.1 million as at October 31, 2023.

² Geared turbofan ("GTF").

Key indicators

To date, airline unit revenues, expressed in revenue per passenger mile (or "yield"), are 1.0% higher than in the corresponding period last year, while load factors for the first quarter are 1.1 percentage points higher than on the same date in fiscal 2024.

For fiscal year 2025, the Corporation expects to increase available capacity by 2%, measured in available seat-miles, compared to 2024.

Conference call

The fourth quarter 2024 conference call will take place on Thursday, December 12, 10:00 a.m. To join the conference call without operator assistance, you may register by entering 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: 514 400-3794

North America (toll-free): 1 800 990-4777

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 19, 2024, by dialing 1 888 660-6345 (toll-free in North America), access code 73494 followed by the pound key (#). The webcast will remain available for 90 days following the call.

First-quarter 2025 results will be announced on March 13, 2025.

(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, reversal of impairment of the investment in a joint venture, 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 on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, restructuring and transaction costs, write-off of assets, reversal of impairment of the investment in a joint venture, 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 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 on disposal of investment, gain (loss) on asset disposals, gain on sale and leaseback of assets, restructuring and transaction costs, write-off of assets, reversal of impairment of the investment in a joint venture, 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.

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.

Total debt: Long-term debt plus lease liabilities, deferred government grant and liability related to warrants, net of deferred financing costs related to the unsecured debt - LEEFF. Management uses total debt to assess the Corporation's debt level, future cash needs and financial leverage ratio. Management believes this measure is useful in assessing the Corporation's capacity to meet its current and future financial obligations.

Total net debt: Total debt (described above) less cash and cash equivalents. Total net debt is used to assess the cash position relative to the Corporation's debt level. Management believes this measure is useful in assessing the Corporation's capacity to meet its current and future financial obligations.

Additional Information

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

Highlights and non-IFRS financial measures

	Fourth quarter		Fiscal year	
	2024	2023	2024	2023
(in thousands of Canadian dollars, except per share amounts)	\$	\$	\$	\$

Operating income (loss)	64,700	44,721	(12,727)	89,733
Depreciation and amortization	61,546	48,732	221,870	186,355
Reversal of impairment of the investment in a joint venture	—	—	(3,112)	—
Restructuring costs	689	276	3,166	3,626
Premiums related to derivatives that matured during the period	(3,649)	(4,722)	(15,574)	(16,450)
Adjusted operating income¹ or adjusted EBITDA¹	123,286	89,007	193,623	263,264

Net income (loss)	41,227	3,195	(114,030)	(25,292)
Asset impairment	—	—	—	4,592
Reversal of impairment of the investment in a joint venture	—	—	(3,112)	—
Restructuring costs	689	276	3,166	3,626
Gain on asset disposals	(18,711)	341	(24,887)	(2,170)
Change in fair value of derivatives	(632)	(7,268)	23,691	4,434
Revaluation of liability related to warrants	(5,027)	(35,421)	(12,297)	(3,544)
Foreign exchange loss	12,530	59,392	5,778	23,378
Foreign exchange gain on business disposal	—	(7,275)	—	(7,275)

Write-off of deferred financing costs	—	12,743	—	12,743
Gain on long-term debt modification	—	(5,585)	—	(5,585)
Premiums related to derivatives that matured during the period	(3,649)	(4,722)	(15,574)	(16,450)
Adjusted net income (loss)¹	26,427	15,676	(137,265)	(11,543)

Adjusted net income (loss) ¹	26,427	15,676	(137,265)	(11,543)
Adjusted weighted average number of outstanding shares used in computing diluted earnings per share	39,156	38,459	38,839	38,278
Adjusted net earnings (loss) per share¹	0.67	0.41	(3.53)	(0.30)

Cash flows related to operating activities	(108,108)	(56,363)	94,673	321,750
Cash flows related to investing activities	57,874	13,961	(31,451)	(7,935)
Repayment of lease liabilities	(51,982)	(41,442)	(185,280)	(151,389)
Free cash flow¹	(102,216)	(83,844)	(122,058)	162,426

	As at October 31, 2024	As at October 31, 2023
(in thousands of dollars)	\$	\$
Long-term debt	682,295	669,145
Deferred government grant	120,784	146,634
Liability related to warrants	8,519	20,816
Lease liabilities	1,465,722	1,221,451
Total debt¹	2,277,320	2,058,046
Total debt	2,277,320	2,058,046
Cash and cash equivalents	(260,336)	(435,647)
Total net debt¹	2,016,984	1,622,399

About Transat

Founded in Montreal 37 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 2024 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. (TSX: TRZ) www.transat.com

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, 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, maintain and grow its reputation and brand, the availability of funding in the future, the Corporation's ability to repay its debt, the Corporation's ability to

adequately mitigate the Pratt & Whitney GTF engine issues, 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, 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 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 Corporation expects the industry to continue to favour a measured approach while maintaining relatively stable capacity.*
- The outlook whereby the initiatives implemented since the start of the Elevation program should begin to generate significant benefits for the Corporation's results from the second half of fiscal 2025.*
- The outlook whereby for fiscal year 2025, the Corporation expects to increase available capacity by 2%, measured in available seat-miles, compared to 2024.*

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, the Corporation will be able to adequately mitigate the Pratt & Whitney GTF engine issues and that the initiatives identified to improve adjusted operating income (adjusted EBITDA) can be implemented as planned, and will result in cost reductions and revenue increases of the order anticipated by mid-2026. 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 quarter ended October 31, 2024 filed with the Canadian securities commissions and available

on SEDAR at www.sedarplus.ca. 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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