

Air Canada Updates 2023 Guidance

MONTREAL, May 4, 2023 /CNW/ - Air Canada today updates its 2023 financial and capacity guidance.



Air Canada Logo (CNW Group/Air Canada)

Air Canada is updating its guidance for 2023. The revised guidance for adjusted EBITDA* reflects expected earnings resulting from an improvement in traffic and yield from a stronger-than-anticipated demand environment and lower-than expected fuel price. The revised guidance for adjusted CASM* reflects adjustments to various expense items including those resulting from the higher-than-expected traffic. Air Canada's 2023 capacity guidance remains substantially unchanged.

Air Canada is also modifying the baseline comparison for its 2023 adjusted CASM guidance, comparing it to a 2022 instead of a 2019 baseline. Given the new cost environment, prior comparisons to the 2019 baseline are no longer as meaningful, and comparisons to 2022 are more appropriate.

Air Canada is providing the following updates to its 2023 guidance.

Metric	Full Year 2023 Guidance	
	Prior Guidance (Provided on February 17, 2023)	Updated Guidance (Provided on May 4, 2023)
ASM capacity	About 24 per cent increase versus 2022 (~90 per cent of 2019 levels)	About 23 per cent increase versus 2022 (~90 per cent of 2019 levels)
Adjusted CASM*	About 13 to 15 per cent above 2019 levels	About 0.5 to 2.5 per cent below 2022 levels
Adjusted EBITDA*	About \$2.5 - \$3.0 billion	About \$3.5 - \$4.0 billion

Air Canada is not updating its 2024 targets at this time and will continue evaluating them as it progresses towards its plans and executes on its strategic priorities.

*Adjusted CASM and adjusted EBITDA referred to in this news release, are non-GAAP financial measures. 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. Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of these measures, and for a reconciliation of Air Canada non-GAAP measures used in this news release to the most comparable GAAP financial measure.

Major Assumptions

Assumptions were made by Air Canada in preparing its updated guidance. As part of its assumptions, Air Canada assumes moderate Canadian GDP growth for 2023. Air Canada also assumes that the Canadian dollar will trade, on average, at C\$1.34 per U.S. dollar for the full year 2023 and that the price of jet fuel will average C\$1.09 per litre for the full year 2023.

Non-GAAP Financial Measures

Below is a description of certain non-GAAP financial measures and ratios 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.

Adjusted CASM

Air Canada uses adjusted CASM to assess the operating and cost performance of its ongoing airline business without the effects of aircraft fuel expense, the cost of ground packages at Air Canada Vacations, impairment of assets, and freighter costs as these items may distort the analysis of certain business trends and render comparative analysis across periods less meaningful and generally allows for a more meaningful analysis of Air Canada's operating expense performance and a more meaningful comparison to that of other airlines.

In calculating adjusted CASM, aircraft fuel expense is excluded from operating expense results as it fluctuates widely depending on many factors, including international market conditions, geopolitical events, jet fuel refining costs and Canada/U.S. currency exchange rates. Air Canada also incurs expenses related to ground packages at Air Canada Vacations which some airlines, without comparable tour operator businesses, may not incur. In addition, these costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison across periods when such costs may vary.

Air Canada also incurs expenses related to the operation of freighter aircraft which some airlines, without comparable cargo businesses, may not incur. Air Canada had six dedicated freighter aircraft in its fleet as at March 31, 2023. Prior to 2021, Air Canada did not incur any costs related to the operation of dedicated freighter aircraft. These costs do not generate ASMs and therefore excluding these costs from operating expense results provides for a more meaningful comparison of the passenger airline business across periods.

Adjusted CASM is reconciled to GAAP operating expense as follows:

(Canadian dollars in millions, except where indicated)	Full Year
	2022
Operating expense – GAAP	\$ 16,743
Adjusted for:	
Aircraft fuel	(5,276)
Ground package costs	(474)
Impairment of assets	(4)
Freighter costs (excluding fuel)	(86)
Operating expense, adjusted for the above-noted items	\$ 10,903
ASMs (millions)	82,558
Adjusted CASM (cents)	¢ 13.21

EBITDA and Adjusted EBITDA

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 as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. In calculating adjusted EBITDA, Air Canada excludes impairment of assets as this may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

EBITDA and adjusted EBITDA are reconciled to GAAP operating income (loss) as follows:

(Canadian dollars in millions, except where indicated)	Full Year
	2022
Operating loss – GAAP	\$ (187)
Add back:	
Depreciation and amortization	1,640
EBITDA	\$ 1,453
Impairment of assets	4
Adjusted EBITDA	\$ 1,457

For further information on Air Canada's public disclosure file, including Air Canada's 2022 Annual Information Form dated March 29, 2023, consult Air Canada's website at aircanada.com/investors or SEDAR at www.sedar.com.

First quarter of 2023 financial results

Air Canada will be releasing its first quarter 2023 results on Friday, May 12, 2023. Following this, Michael Rousseau, Air Canada President and Chief Executive Officer, Amos Kazzaz, Executive Vice President and Chief Financial Officer, Mark Galardo, Executive Vice President, Revenue and Network Planning, will hold a its conference call to present the results and be available for analysts' questions.

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

Date: Friday, May 12, 2023

Time: 08:00 a.m. ET

By telephone: 416-340-2217 or 1-800-898-3989 (toll-free), passcode 9229567#

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

Webcast: <https://bell.media-server.com/rmrc/p/nvdcrt9nf>

Note: This is a listen-in audio webcast.

Replay: An online replay will be available shortly after the conclusion of the call at <https://investors.aircanada.com/events>

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 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.

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions such as the military conflict between Russia and Ukraine, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, competition, the remaining effects from the COVID-19 pandemic, 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), energy prices, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, interruptions of service, climate change and environmental factors (including weather systems and other natural phenomena and factors

arising from anthropogenic sources), Air Canada's dependence on key suppliers (including government agencies and other stakeholders supporting airport and airline operations), Air Canada's dependence on regional and other carriers, Air Canada's ability to attract and retain required personnel, the availability and onboarding of Air Canada's workforce, other epidemic diseases, changes in laws, regulatory developments or proceedings, employee and labour relations and costs, terrorist acts, war, Air Canada's ability to successfully operate its loyalty program, casualty losses, Air Canada's dependence on Star Alliance® and joint ventures, Air Canada's ability to preserve and grow its brand, pending and future litigation and actions by third parties, currency exchange fluctuations, limitations due to restrictive covenants, insurance issues and costs, and pension plan obligations, as well as the factors identified in Air Canada's public disclosure file available at www.sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2022 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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For further information: Investor Relations: (514) 422-7849,
investors.investisseurs@aircanada.ca; Internet: investors.aircanada.com

CO: Air Canada

CNW 17:15e 04-MAY-23