

Air Canada Provides Second Quarter 2024 Preliminary Results and Updates Full Year 2024 Guidance

MONTREAL, July 22, 2024 /CNW/ - Air Canada today provided preliminary results for the second quarter of 2024 and updated its 2024 financial and capacity guidance.

Q2 2024 preliminary results

- Operating revenues of about \$5.5 billion, on 6.5% increased operated capacity year-over-year, as compared to about \$5.4 billion in Q2 2023
- Operating income of \$466 million, with an operating margin of 8.4%, as compared to \$802 million in Q2 2023
- Adjusted EBITDA* of \$914 million, as compared to about \$1.2 billion in Q2 2023

All 2024 second quarter figures reported in this news release are preliminary estimates. Air Canada's interim unaudited condensed consolidated financial statements for the second quarter of 2024 are not yet complete and results for second quarter 2024 may vary from these preliminary estimates upon completion of closing procedures and finalization of the interim unaudited condensed consolidated financial statements.

2024 outlook

Air Canada is now updating its full year 2024 guidance as follows:

Metric	Prior FY 2024 Guidance	Updated FY 2024 Guidance
ASM capacity	6 to 8% increase versus 2023	5.5 to 6.5% increase versus 2023
Adjusted CASM*	2.5 to 4.5% increase versus 2023	2.5 to 3.5% increase versus 2023
Adjusted EBITDA*	\$3.7 to \$4.2 billion	\$3.1 to \$3.4 billion

*Adjusted CASM, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) and adjusted EBITDA margin are referred to in this news release. Such measures are non-GAAP financial measures, or non-GAAP ratios, 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.

The updated 2024 adjusted EBITDA guidance range is largely driven by the lower yield environment, lower-than-expected load factors for the second half of the year and competitive pressures in international markets. It also reflects our assumptions including those relating to the price of jet fuel and a weakened Canadian dollar against the US dollar.

The updated 2024 capacity guidance range accounts for sustained supply chain pressures, evolving market conditions and ongoing geopolitical issues. The updated 2024 adjusted CASM range includes the impact of the revised ASM capacity guidance range. Air Canada is effectively managing costs through productivity, cost reductions and other cost discipline initiatives.

Air Canada continues to see a healthy demand environment. The second quarter operating revenues would represent a record for a second quarter, with load factors remaining above historical averages.

Air Canada will provide additional details when it releases its second quarter 2024 results on

Wednesday, August 7, 2024.

Major assumptions

Air Canada made assumptions in providing its guidance — including moderate Canadian GDP growth for 2024. As part of its assumptions, Air Canada now assumes that the Canadian dollar will trade, on average, at C\$1.36 per U.S. dollar for the full year 2024 and continues to assume that the price of jet fuel will average C\$1.03 per litre for the full year 2024.

The preliminary estimates and outlook provided in this news release constitute forward-looking statements within the meaning of applicable securities laws, are based on a number of assumptions and are subject to a number of risks and uncertainties, including those outlined in this release. Please see section below entitled "Caution Regarding Forward-Looking Information".

Second quarter 2024 results

Air Canada will be releasing its second quarter 2024 results on Wednesday, August 7, 2024. Following this, Michael Rousseau, Air Canada President and Chief Executive Officer, John Di Bert, Executive Vice President and Chief Financial Officer, and Mark Galardo, Executive Vice President, Revenue and Network Planning, will present the results and be available for analysts' questions. Immediately following the analysts' Q&A session, Mr. Di Bert and Pierre Houle, Vice President and Treasurer, will be available to answer questions from term loan B lenders and holders of Air Canada bonds.

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

Date: Wednesday, August 7, 2024
Time: 08:00 a.m ET
Webcast: <https://edge.media-server.com/mmc/p/gkyhttrt>
(Note: This is a listen-in audio webcast.)
By telephone: 647-932-3411 or 1-800-715-9871 (toll-free), Conference ID **6478306**
Please allow 10 minutes to be connected to the conference call.
Replay: An online replay will be available shortly after the conclusion of the call at <https://investors.aircanada.com/events>

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.

Air Canada excludes the effect of impairment of assets, if any, when calculating adjusted CASM, adjusted EBITDA and adjusted EBITDA margin. Air Canada did not record charges for impairment of assets in the first six months of 2024 or in 2023.

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 and freighter costs as these items may distort the analysis of certain business trends and render comparative analysis across periods less meaningful and their exclusion 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. 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 EBITDA

Adjusted 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.

Adjusted EBITDA margin (adjusted EBITDA as a percentage of operating revenues) is commonly used in the airline industry and is used by Air Canada as a means to measure the operating margin 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.

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

(Canadian dollars in millions, except where indicated)	Second Quarter		
	2024 (preliminary)	2023	Change
Operating income – GAAP	\$ 466	\$ 802	\$ (336)
Add back:			
Depreciation and amortization	448	418	30
Adjusted EBITDA	\$ 914	\$ 1,220	\$ (306)
Operating revenues	\$ 5,519	\$ 5,427	\$ 92
Operating margin (%)	8.4	14.8	(6.4) pp
Adjusted EBITDA margin (%)	16.6	22.5	(5.9) pp

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 in this news release and below.

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic conditions as well as geopolitical conditions such as the military conflicts in the Middle East and 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, Air Canada's dependence on technology, cybersecurity risks, 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), employee and labour relations and costs, 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, Air Canada's dependence on regional and other carriers, Air Canada's ability to attract and retain required personnel, epidemic diseases, changes in laws, regulatory developments or proceedings, 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.sedarplus.ca and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2023 MD&A and in section 14 "Risk Factors" of Air Canada's First Quarter 2024 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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