

# Air Canada Provides Third Quarter 2025 Estimated Results and Updated Full Year 2025 Guidance

MONTRÉAL, Sept. 24, 2025 /CNW/ - Air Canada today provided certain estimated results for the third quarter of 2025 and updated full year 2025 guidance, which was suspended in August 2025. Air Canada also provided an estimate of the financial impact of the labour disruption in August by the Canadian Union of Public Employees (CUPE), the union representing cabin crew.



Air Canada logo (CNW Group/Air Canada)

## **Q3 2025 Estimated Results**

Air Canada anticipates, for the quarter ending September 30, 2025:

- Operated capacity to decline by approximately 2% from the same period in 2024 as a result of the cancellation of more than 3,200 flights;
- Operating income between \$250 million and \$300 million, which includes approximately \$175 million from one-time non-cash pension plan amendments and other labour related charges and adjusted EBITDA\* between \$950 million and \$1 billion. Air Canada's operating income totalled \$1.040 billion and adjusted EBITDA \$1.523 billion for the third quarter of 2024.

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

## **Labour Disruption Impacts**

During the collective bargaining period with CUPE, Air Canada developed comprehensive plans to ensure the safe and orderly wind down and restart of its operations in the event of a labour disruption. When CUPE gave notice of its intent to strike, Air Canada acted on these contingency plans and ultimately cancelled over 3,200 flights in August 2025.

*Financial impact.* The financial impact of the labour disruption, which included an unlawful strike, is estimated to be \$375 million in operating income and adjusted EBITDA\*. This amount is derived from the combination of three components. First, the revenue impact is estimated to be \$430 million, mainly due to refunds issued to customers, customer compensation and lower than expected travel bookings in August and early September. Second, \$145 million in costs are estimated to have been

avoided due to less flying activity, largely attributable to lower fuel expenses. Third, the cost avoidance was partially offset by an estimated \$90 million of incremental costs associated with reimbursements to customers for out-of-pocket expenses and labour-related operating costs.

*Affected customers.* Air Canada deeply regrets the impact of the disruption on its customers and remains committed to resolving every claim submitted by affected customers quickly and accurately, having done so for more than 60,000 claims to date. Air Canada continues to update its progress and to provide information on its goodwill policies at the dashboard available at [www.aircanada.com/action](http://www.aircanada.com/action).

*Arbitration with CUPE.* Air Canada and CUPE are proceeding to arbitration to finalize the wage portion of the four-year tentative agreement. No labour disruption can be initiated by either party during the arbitration process or the term of the new agreement.

## **Updated Full Year 2025 Outlook**

Air Canada is restoring and updating its full year 2025 financial and capacity guidance to reflect the financial and operational impact of the CUPE labour disruption and its expectations for the remainder of 2025, as follows:

Metric	Updated 2025 Guidance	Prior 2025 Guidance (Suspended on August 18, 2025)
Adjusted EBITDA*	\$2.9 billion to \$3.1 billion	\$3.2 billion to \$3.6 billion
ASM capacity	0.5% to 1.5% increase versus 2024	1% to 3% increase versus 2024
Adjusted CASM*	14.60 ¢ to 14.70 ¢	14.25 ¢ to 14.50 ¢
Free cash flow*	-\$50 million to \$150 million	Break even +/- \$200 million

*\*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*

Air Canada made assumptions in providing its guidance—including a marginal Canadian GDP growth for 2025. Air Canada now assumes that the Canadian dollar will trade, on average, at C\$1.39 per U.S. dollar for the full year 2025 and that the price of jet fuel will average C\$0.92 per litre for the full year 2025.

Air Canada's estimates for the third quarter of 2025 and the guidance for the full year 2025 constitute forward-looking information within the meaning of applicable securities laws and are subject to important risks and uncertainties. Please see the discussion below under Caution Regarding Forward-looking Information.

All figures and information indicated herein with respect to the third quarter ending September 30, 2025 reflect estimates with respect to such results based on currently available information, and have not been reviewed by the auditors. Air Canada's actual results for the third quarter 2025 may vary from these estimates as the interim period is not yet complete and remains subject to completion of closing procedures, final adjustments, management's review of results and completion of the interim unaudited consolidated financial statements. Other developments may arise between now and the time the financial results are finalized, and results could be materially different than the estimates set forth herein. These estimates will be supplemented by the third quarter 2025 consolidated financial information which will be released in accordance with applicable requirements.

## **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. The non-GAAP financial measures or ratios described in this section typically have exclusions or adjustments that include one or more of the following characteristics, such as being highly variable, difficult to project, unusual in nature, significant to the results of a particular period or not indicative of past or future operating results. These items are excluded because the company believes these 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 may allow for a more meaningful comparison to other airlines.

Air Canada excludes the effect of impairment of assets, if any, when calculating adjusted CASM and adjusted EBITDA, as it may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

A charge of \$34 million was recorded in the third quarter of 2024 in other operating expenses related to estimated costs associated with contractual lease obligations. Air Canada excluded this expense in computing adjusted CASM and adjusted EBITDA.

Air Canada recorded a one-time pension past service cost of \$490 million in the fourth quarter of 2024 as a result of certain pension plan amendments made in conjunction with the ratified 2024 collective agreement with its pilots. Air Canada excluded this charge in computing adjusted CASM and adjusted EBITDA.

In the third quarter of 2025 Air Canada expects to record a one-time pension past service cost and other labour related charges of approximately \$175 million, including from the pension plan amendments made in conjunction with the tentative agreement reached with CUPE. Air Canada has excluded this charge in computing its estimated third quarter 2025 adjusted EBITDA and its guidance for the full year 2025 in respect of adjusted CASM and adjusted EBITDA.

## **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, freighter costs and other items discussed above. 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 may allow for 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 Boeing 767 dedicated freighter aircraft in service as at December 31, 2024, and seven as at December 31, 2023. 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.

The following tables provide the adjusted CASM reconciliation to GAAP operating expense for the periods indicated.

Full Year
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(Canadian dollars in millions, except where indicated)

	2024	2023
<b>Operating expense – GAAP</b>	<b>\$ 20,992</b>	<b>\$ 19,554</b>
<b>Adjusted for:</b>		
Aircraft fuel	(5,118)	(5,318)
Ground package costs	(782)	(720)
Freighter costs (excluding fuel)	(163)	(157)
Provision for contractual lease obligations	(34)	-
Pension plan amendments	(490)	-
<b>Operating expense, adjusted for the above-noted items</b>	<b>14,405</b>	<b>13,359</b>
<b>ASMs (millions)</b>	<b>104,381</b>	<b>99,012</b>
<b>Adjusted CASM (cents)</b>	<b>¢ 13.80</b>	<b>¢ 13.49</b>

## Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and impairment) is commonly used in the airline industry and are used by Air Canada as a means to view operating results before interest, taxes, depreciation, amortization and impairment and other items discussed above. These items can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

Adjusted EBITDA is reconciled to GAAP operating income (loss) as follows:

(Canadian dollars in millions)

	Third Quarter		Full Year	
	2025 (Estimated)	2024	2024	2023
<b>Operating income – GAAP</b>	<b>\$ 250-300</b>	<b>\$ 1,040</b>	<b>\$ 1,263</b>	<b>\$ 2,279</b>
<b>Add back:</b>				
Depreciation and amortization	525	449	1,799	1,703
<b>EBITDA</b>	<b>\$ 775-825</b>	<b>\$ 1,489</b>	<b>\$ 3,062</b>	<b>\$ 3,982</b>
<b>Add back:</b>				
Provision for contractual lease obligations	-	34	34	-
Pension plan amendments and other labour related charges	175	-	490	-
<b>Adjusted EBITDA</b>	<b>\$ 950-1,000</b>	<b>1,523</b>	<b>3,586</b>	<b>3,982</b>

## Free Cash Flow

Air Canada uses free cash flow as an indicator of the financial strength and performance of its business, indicating the amount of cash Air Canada can generate from operations and after capital expenditures. Free cash flow is calculated as net cash flows from operating activities minus additions to property, equipment, and intangible assets, and is net of proceeds from sale and leaseback transactions.

The table below reconciles free cash flow to net cash flows from (used in) operating activities for the periods indicated.

(Canadian dollars in millions)

	Full Year	
	2024	2023
<b>Net cash flows from operating activities</b>	<b>\$ 3,930</b>	<b>\$ 4,320</b>
Additions to property, equipment, and intangible assets	(2,636)	(1,564)
<b>Free cash flow <sup>(1)</sup></b>	<b>\$ 1,294</b>	<b>\$ 2,756</b>

The tables below present comparative figures for the 12-month periods ending December 31, 2024 and 2023, in reference to Air Canada's full-year 2025 guidance.

(Canadian dollars in millions, except where indicated)

	2024 Results	2023 Results
<b>ASM Capacity</b>	104.381 billion	99.012 billion
<b>Adjusted CASM (cents)</b>	13.80¢	13.49¢
<b>Operating expenses</b>	\$20.992 billion	\$19.554 billion
<b>Adjusted EBITDA</b>	\$3.586 billion	\$3.982 billion
<b>Operating income</b>	\$1.263 billion	\$2.279 billion
<b>Free cash flow</b>	\$1.294 billion	\$2.756 billion
<b>Net cash flows from operating activities</b>	\$3.930 billion	\$4.320 billion

## **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, which are amplified in the current environment. 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 conditions, statements or actions by governments and uncertainty relating to the imposition of (or threats to impose) tariffs on Canadian exports or imports and their resulting impacts on the Canadian, North American and global economies and travel demand, 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, disruptions and other work stoppages and the financial and operational impacts thereof, 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](http://www.sedarplus.ca) and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2024 MD&A and in section 14 "Risk Factors" of Air Canada's Second Quarter 2025 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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CNW 17:30e 24-SEP-25