



# Air Canada – Investor Overview

Second Quarter 2024

August 7, 2024

## Caution Regarding Forward-Looking Information

Air Canada's public communications may include 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 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](http://www.sedarplus.ca) and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2023 MD&A, dated February 16, 2024, and section 14 "Risk Factors" of Air Canada's Q2 2024 MD&A dated August 7, 2024.

Air Canada has and continues to establish targets, make commitments and assess the impact regarding climate change, and related initiatives, plans and proposals that Air Canada and other stakeholders (including government, regulatory and other bodies) are pursuing in relation to climate change and carbon emissions. The achievement of our commitments and targets depends on many factors, including the combined actions of governments, industry, suppliers and other stakeholders and actors, as well as the development and implementation of new technologies. In particular, our 2030 and 2050 carbon emission-related targets are ambitious and heavily dependent on new technologies, renewable energies and the availability of a sufficient supply of sustainable aviation fuels (SAF), which continues to present serious challenges. In addition, Air Canada has incurred, and expects to continue to incur, costs to achieve its goal of net-zero carbon emissions and to comply with environmental sustainability legislation and regulation and other standards and accords. The precise nature of future binding or non-binding legislation, regulation, standards and accords, on which local and international stakeholders are increasingly focusing, cannot be predicted with any degree of certainty, nor can their financial, operational or other impact. There can be no assurance of the extent to which any of our climate goals will be achieved or that any future investments that we make in furtherance of achieving our climate goals will produce the expected results or meet increasing stakeholder environmental, social and governance expectations. Moreover, future events could lead Air Canada to prioritize other nearer-term interests over progressing toward our current climate goals based on business strategy, economic, regulatory and social factors, and potential pressure from investors, activist groups or other stakeholders. If we are unable to meet or properly report on our progress toward achieving our climate change goals and commitments, we could face adverse publicity and reactions from investors, customers, advocacy groups or other stakeholders, which could result in reputational harm or other adverse effects to Air Canada.

The forward-looking statements contained or incorporated by reference in this presentation represent Air Canada's expectations as of the date of this presentation (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.





# Q2 2024

## Highlights of our financial results

See our full financial results at Air Canada's Investor Relations website: [investors.aircanada.com](https://investors.aircanada.com)

### Welcomed passengers

# ~11.6M

+3%

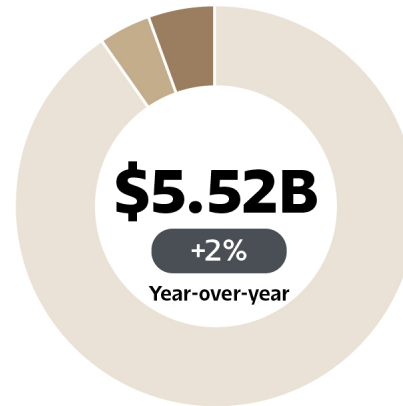
Year-over-year



**+6.5%** Year-over-year

**Capacity - ASM**  
**(Available Seat Miles)**

### Total operating revenues



TRASM (Total Revenue per ASM)	21.1 cents
CASM (Cost per ASM)	19.3 cents
Adjusted CASM*	13.5 cents

# \$466M

Operating income

-\$336M

Year-over-year

# \$914M

Adjusted EBITDA\*

-\$306M

Year-over-year

# \$1.04

Diluted earnings per share

-\$1.30

Year-over-year

# 98¢

Adjusted diluted earnings per share\*

-0.87¢

Year-over-year

# 1.0x

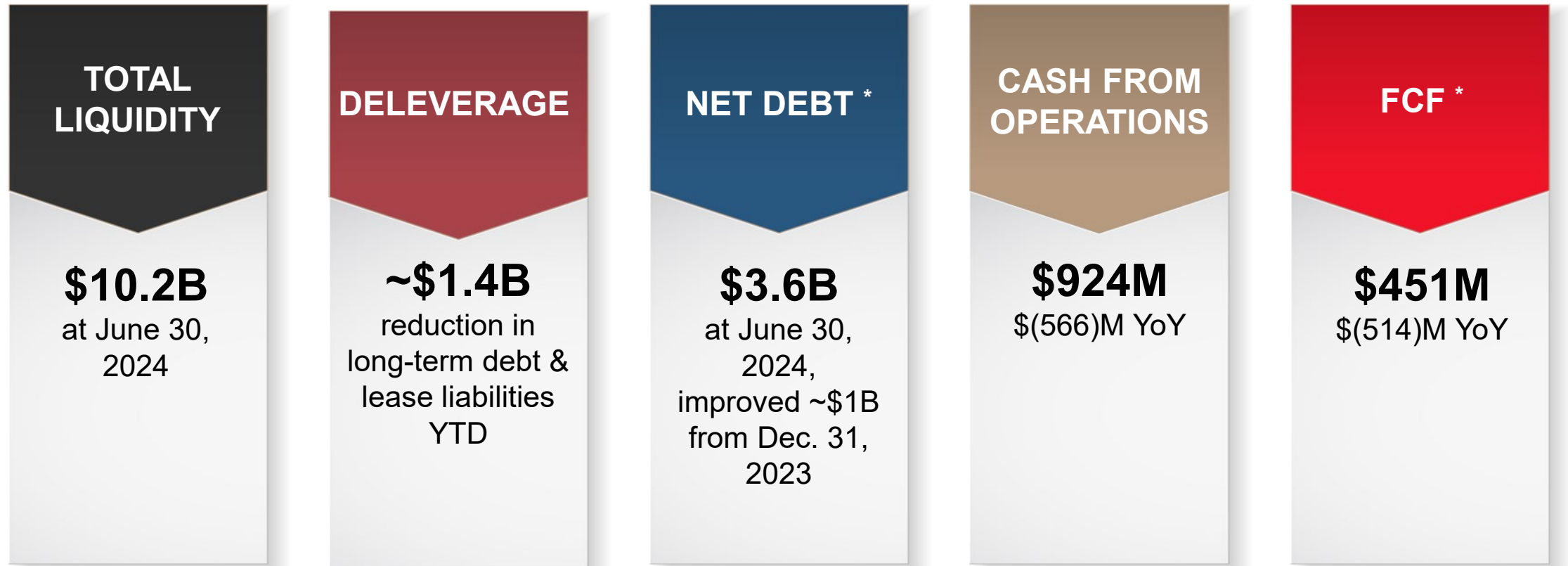
Leverage ratio\* at June 30, 2024

\*Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is a non-GAAP financial measure. Adjusted CASM, adjusted diluted earnings (loss) per share and leverage ratio are non-GAAP financial ratios. These 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. Please refer the Non-GAAP Financial Measures section of this presentation for further information and for a reconciliation to the most comparable GAAP measure.



**AIR CANADA**

# Strong and resilient balance sheet

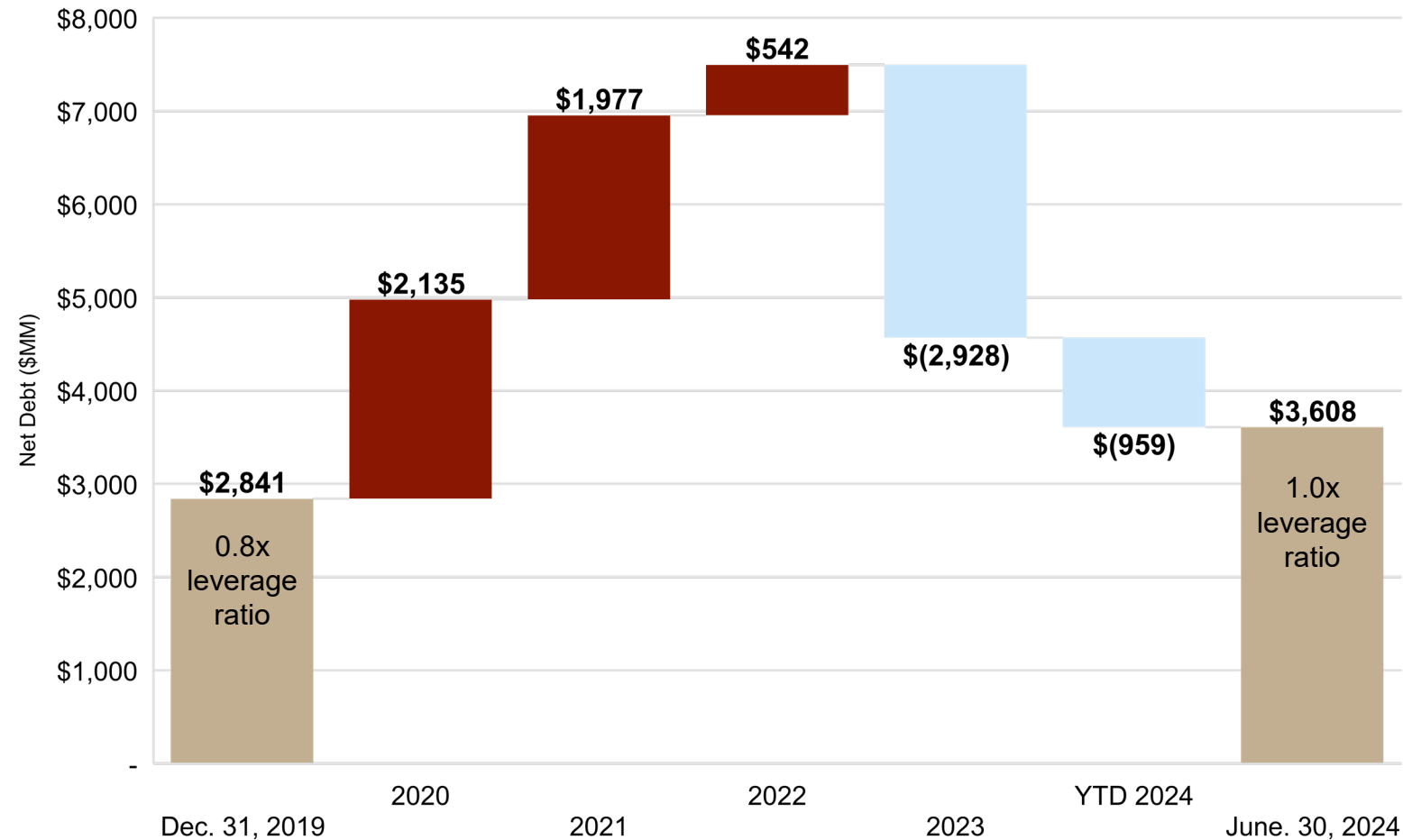


\* Net debt is a capital management measure and a key component of the capital managed by Air Canada and provides management with a measure of its net indebtedness. Free cash flow (FCF) is a non-GAAP financial measure used by Air Canada as an indicator of the financial strength and performance of its business, indicating how much cash it can generate from operations after capital expenditures. These measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Please refer the Non-GAAP Financial Measures section of this presentation for further information and for a reconciliation to the most comparable GAAP measure.



# Focus on deleveraging

Disciplined cash allocation



- Focused on strengthening balance sheet
- Reduced net debt by nearly half since end-2022
- Leverage ratio of 1x as at June 30, 2024



# 2024 guidance\*



## Capacity

Up between 5.5%  
and 6.5% from  
2023



## Adjusted CASM

Up between 2.5%  
and 3.5% from  
2023



## Adjusted EBITDA

Between \$3.1B  
and \$3.4B

\*As communicated in Air Canada's news release dated August 7, 2024. 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.



# Air Canada's corporate strategy framework



## Fund Our Future.

We rise higher by building a more profitable, sustainable business.



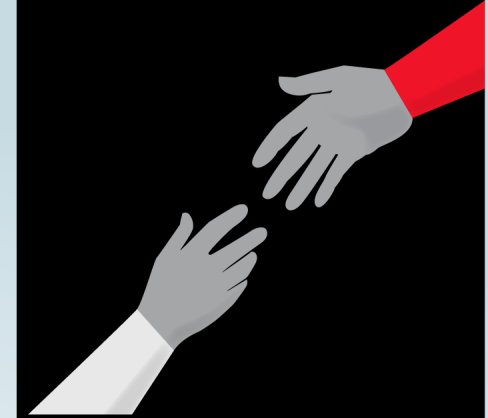
## Reach New Frontiers.

We rise higher by growing our network and driving new revenue.



## Elevate Our Customers.

We rise higher by becoming our customers' favourite choice.



## Lift Each Other Up.

We rise higher by caring for each other while playing an impactful role in society.

# Fund our future



Maintain prudent **financial management**, **cost control** and a **strong financial position**



Drive competitive advantage and business growth through **innovation** and **execution**

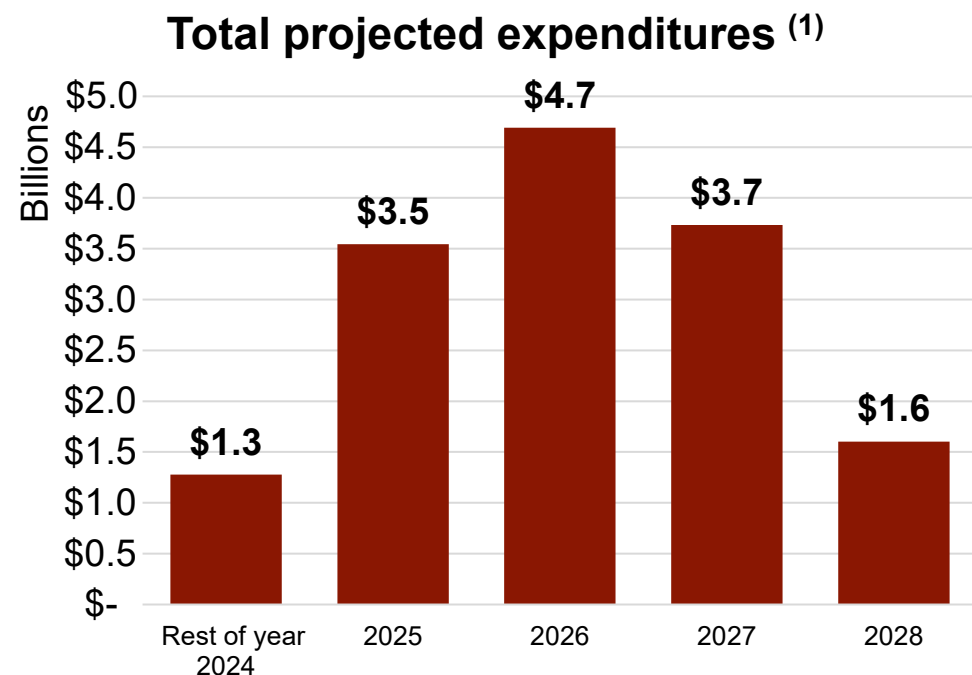


Align **investments** with Air Canada's mission and strategic priorities





# Investing in modern fleet



<sup>(1)</sup> Includes committed expenditures and planned but uncommitted expenditures and capitalized maintenance.

Incoming Aircraft				
	2024	2025	2026-2029	Total
Boeing 787-9	0	1	0	1
Boeing 787-10	0	0	18	18
Boeing 767-300ER	0	2	0	2
Boeing 737 MAX <sup>(2)</sup>	5	7	0	12
Airbus A321XLR	0	3	27	30
Airbus A220	2	9	16	27
<b>Total</b>	<b>7</b>	<b>22</b>	<b>61</b>	<b>90</b>

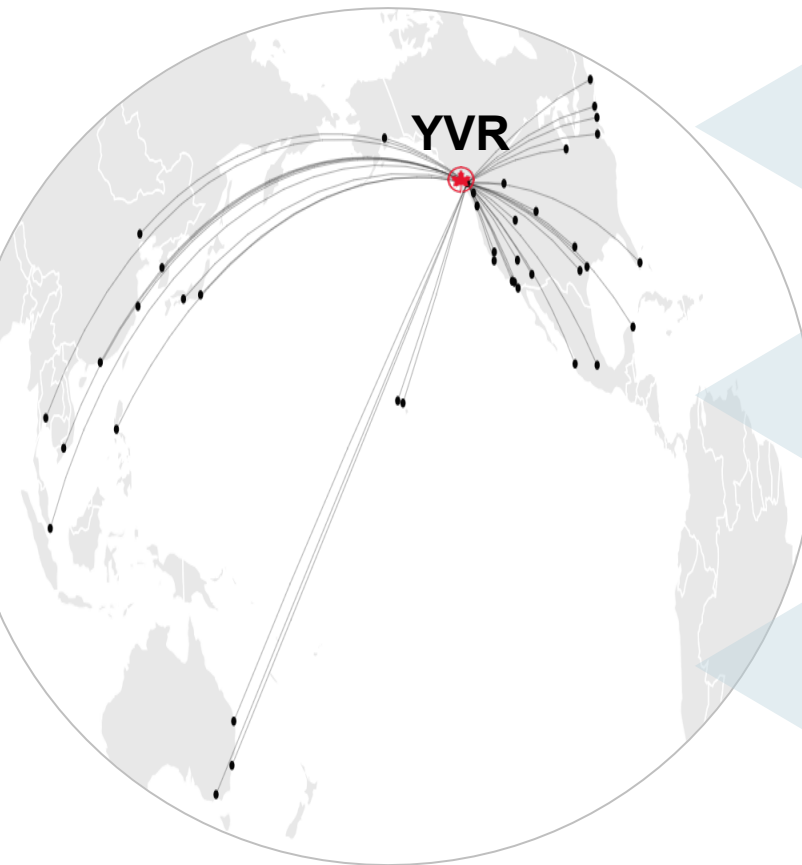
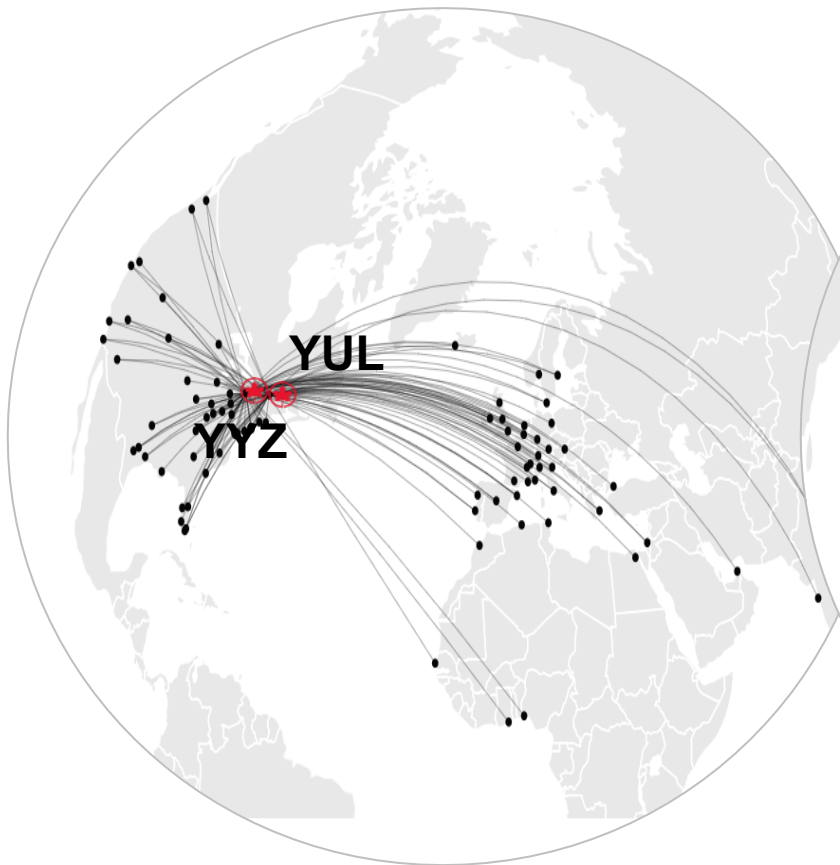
- Expecting 90 aircraft in next 5 years
- Strategic investments in more efficient wide- and narrow-body aircraft

<sup>(2)</sup> In June 2024, Air Canada entered into lease agreements for eight additional Boeing 737 MAX 8 aircraft, of which one was delivered in June 2024. Five of these aircraft are scheduled for delivery later in 2024 and the last two are scheduled for delivery in 2025. All eight aircraft are scheduled to enter service in 2025, after having completed reconfiguration and other modification requirements.



# Reach new frontiers

Air Canada is uniquely positioned for growth with its three geographically strategic hubs



**Growing local population with high travel propensity**




**Multicultural country and immigration**



**6<sup>th</sup> freedom traffic**



# Best commercial foundations in our history

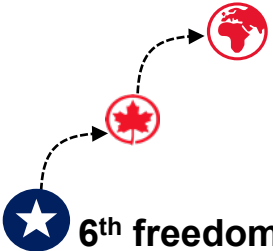


**YVR** **YYZ** **YUL**

**Canadian global hubs**



**Strong global network**



**6<sup>th</sup> freedom traffic**



**Leisure efficient tool**



**AC Cargo**



**AIR CANADA VACATIONS**

**In-house margin expansion**



**ECX**

**Service excellence**



**Modern and efficient fleet**



**Strong partnerships**



**AC Express**



**Superior revenue management practices**



**AEROPLAN**

**Best-in-class loyalty program**



**Transformed channels and digital**



**World's Most Family Friendly Airline**

**Competitive passenger product**



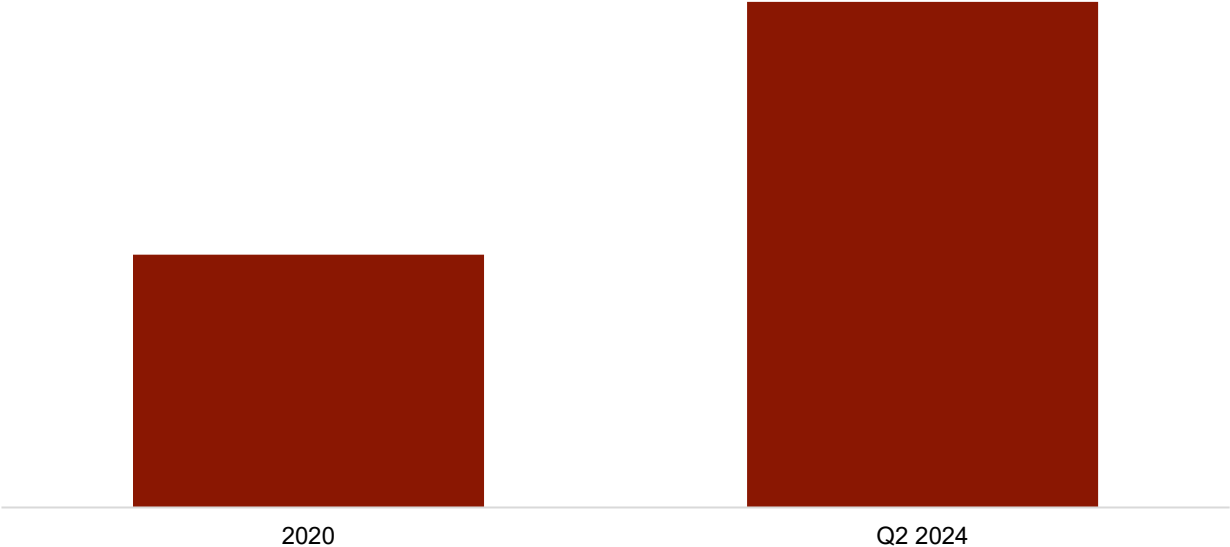
**Sustainability focus**



# Aeroplan – Canada’s premier travel loyalty program

8 million+ Aeroplan active members — more than double since 2020

Active Members



- Marked 40<sup>th</sup> anniversary in 2024
- Partnership portfolio with leading Canadian and global brands



- Recognized with several prestigious awards





# Elevate our customers

## Improve every aspect of the customer experience

- Supported by technology
- Employee culture
- Process change
- Training
- Approach to leadership



# Key industry awards

## 2024 Skytrax World Airline Awards

- ✓ World's Best Business Class Airline Lounge Catering (Toronto Air Canada Signature Suite)
- ✓ Best Cabin Crew in Canada
- ✓ Most Family Friendly Airline in North America
- ✓ Best Premium Economy Class Onboard Catering in North America
- ✓ Cleanest Airline in North America

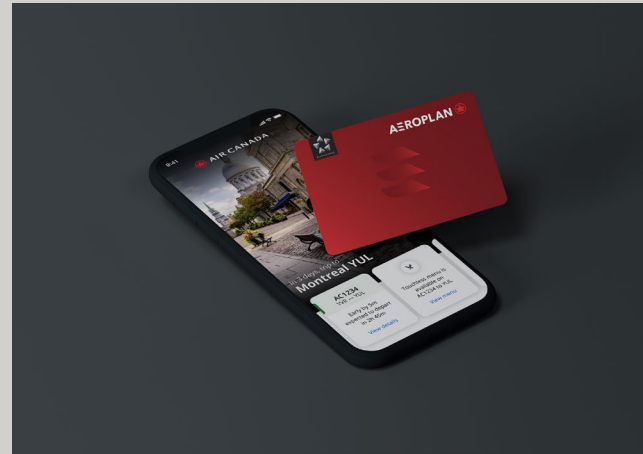
## 2024 TravelPulse Canada Readers' Choice Awards

- ✓ Best Digital Brochure (Air Canada Vacations)
- ✓ Tour Operator of the Year (Air Canada Vacations)
- ✓ Airline of the Year

## Global Traveler's Magazine 12th Annual Leisure Lifestyle Awards

- ✓ Best Airline for Onboard Entertainment
- ✓ Best Premium-Economy Class
- ✓ Outstanding Environmental Initiatives

Point.Me named Aeroplan as one of the five best rewards programs on the planet.



# Lift each other up – Foster a collaborative a workplace

## Extensive employee support systems

- ✓ Free access to personalized mental health care plans
- ✓ Voluntary DEI Champions program that equips participants with resources to support diversity, equity and inclusion initiatives in the workplace.

## Excellence Awards

- ✓ Peer-nominated awards program recognizes employees who consistently demonstrate behaviours that distinguish them as role models for their teammates.
- ✓ This year's Excellence Awards 34<sup>th</sup> edition boasted 65 recipients.



# Corporate sustainability at Air Canada

## Key Q2 ESG updates

- ✓ Launch of the Air Canada Foundations' [2023 Impact Report](#)
- ✓ Publication of our [2023 Modern Slavery, Forced Labour and Human Trafficking Report](#)
- ✓ Release of our first [accessibility progress report](#), building on our 2023-26 Accessibility Plan
- ✓ Illegal wildlife trade [awareness campaign](#) in partnership with the Jane Goodall Institute of Canada
- ✓ Launch of AviACTION, our new employee volunteering and community engagement program



## Corporate sustainability reports

Air Canada's sustainability reports and additional documentation can be accessed at [aircanada.com/citizensoftheworld](https://aircanada.com/citizensoftheworld).





# Strong value creation

Long-term strategy supported by:

- ✓ Building a modern, efficient, mission-ready fleet as the foundation of our long-term network strategy
- ✓ Investing in our people, premium products and customer excellence
- ✓ Maintaining a strong balance sheet and a responsible risk profile
- ✓ Focusing on shareholder value creation by returning to margin expansion and by generating reliable and consistent free cash flow

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**Air Canada is an exceptional Canadian brand with a strong culture and great assets**





Thank you



# Appendix

# Glossary

**Aeroplan** – Refers to Aeroplan Inc. or the Aeroplan program.

**Available seat miles or ASMs** – Refers to a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the miles flown.

**Average stage length** – Refers to the average mile per departure seat and is calculated by dividing total ASMs by total seats dispatched.

**CASM** – Refers to operating expense per ASM.

**Passenger load factor** – Refers to a measure of passenger capacity utilization derived by expressing Revenue Passenger Miles as a percentage of ASMs.

**Passenger revenue per available seat mile or PRASM** – Refers to average passenger revenue per ASM.

**Revenue passenger carried** – Refers to the International Air Transport Association's definition of passenger carried whereby passengers are counted on a flight number basis rather than by journey/itinerary or by leg.

**Revenue passenger miles or RPMs** – Refers to a measure of passenger traffic calculated by multiplying the total number of revenue passengers carried by the miles they are carried.

**Seats dispatched** – Refers to the number of seats on non-stop flights. A non-stop flight refers to a single takeoff and landing.

**Yield** – Refers to average passenger revenue per RPM.



# 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, adjusted EBITDA margin, adjusted pre-tax income (loss) and adjusted net income (loss) as it may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful. Air Canada did not record charges for impairment of assets in the first six months of 2024 or in 2023.



# Non-GAAP Financial Measures (Cont'd)

## Adjusted Cost per Available Seat Mile

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. Air Canada had six Boeing 767 dedicated freighter aircraft in service as at June 30, 2024 and six as at June 30, 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.

Adjusted CASM is reconciled to GAAP operating expense as follows:

(in millions, except where indicated)	Second Quarter 2024		Second Quarter 2023		Change
<b>Operating expense – GAAP</b>	\$	5,053	\$	4,625	\$ 428
Adjusted for:					
Aircraft fuel		(1,333)		(1,187)	(146)
Ground package costs		(137)		(126)	(11)
Freighter costs (excluding fuel)		(38)		(39)	1
<b>Operating expense, adjusted for the above-noted items</b>	\$	<b>3,545</b>	\$	<b>3,273</b>	\$ 272
<b>ASMs (millions)</b>		<b>26,203</b>		<b>24,606</b>	<b>6.5%</b>
<b>Adjusted CASM (cents)</b>	¢	<b>13.53</b>	¢	<b>13.30</b>	¢ 0.23



# Non-GAAP Financial Measures (Cont'd)

## Adjusted EBITDA and Adjusted EBITDA Margin

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:

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



# Non-GAAP Financial Measures (Cont'd)

## Adjusted Net Income (loss) and Adjusted Earnings (Loss) per Share – Diluted

Air Canada uses adjusted net income (loss) and adjusted earnings (loss) per share – diluted as a means to assess the overall financial performance of its business without the after-tax effects of foreign exchange gains or losses, net financing expense relating to employee benefits, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.

Adjusted net income (loss) and adjusted earnings (loss) per share are reconciled to GAAP net income as follows:

(in millions, except where indicated)	Second Quarter 2024		Second Quarter 2023		Change
<b>Net income – GAAP</b>	\$	410	\$	838	\$ (428)
Adjusted for:					
Foreign exchange (gain) loss		2		(251)	253
Net interest relating to employee benefits		(6)		(6)	-
(Gain) loss on financial instruments recorded at fair value		(29)		115	(144)
Loss on debt settlement		-		2	(2)
Income tax, including for the above reconciling items <sup>(1)</sup>		(8)		(34)	26
<b>Adjusted net income</b>	\$	369	\$	664	\$ (295)
Weighted average number of outstanding shares used in computing diluted income per share (in millions)		376		358	18
<b>Adjusted earnings per share – diluted</b>	\$	0.98	\$	1.85	\$ (0.87)





# Non-GAAP Financial Measures (Cont'd)

## 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.

(in millions)	Second Quarter 2024	Second Quarter 2023	\$ Change
<b>Net cash flows from operating activities</b>	\$ 924	\$ 1,490	\$ (566)
Additions to property, equipment, and intangible assets	(473)	(525)	52
<b>Free cash flow</b>	\$ 451	\$ 965	\$ (514)



# Non-GAAP Financial Measures (Cont'd)

## Net Debt

Net debt is a capital management measure and a key component of the capital managed by Air Canada and provides management with a measure of its net indebtedness.

## Net Debt to Trailing 12-Month Adjusted EBITDA (Leverage Ratio)

Net debt to trailing 12-month adjusted EBITDA ratio (also referred to as “leverage ratio”) is commonly used in the airline industry and is used by Air Canada as a means to measure financial leverage. Leverage ratio is calculated by dividing net debt by trailing 12-month adjusted EBITDA.

The table below reconciles leverage ratio to Air Canada’s debt net balances as at the dates indicated.

(in millions, except where indicated)	June 30, 2024	December 31, 2023	Change
Total long-term debt and lease liabilities	\$ 10,858	\$ 12,996	\$ (2,138)
Current portion of long-term debt and lease liabilities	1,619	866	753
<b>Total long-term debt and lease liabilities (including current portion)</b>	<b>12,477</b>	<b>13,862</b>	<b>(1,385)</b>
Less cash, cash equivalents and short- and long-term investments	(8,869)	(9,295)	426
<b>Net debt</b>	<b>\$ 3,608</b>	<b>\$ 4,567</b>	<b>\$ (959)</b>
<b>Adjusted EBITDA (trailing 12 months)</b>	<b>\$ 3,718</b>	<b>3,982</b>	<b>(264)</b>
<b>Net debt to adjusted EBITDA ratio</b>	<b>1.0</b>	<b>1.1</b>	<b>(0.1)</b>

