# Results for second quarter 2021

## Resumption of operations planned for July 30 following a quarter without revenues

**The Corporation has now the sufficient funding to implement its recovery plan**

**INVESTOR'S PRESENTATION**
JUNE 2021

# Caution regarding forward-looking statements

This presentation contains certain forward-looking statements with respect to the Corporation, including those regarding its results, its financial position, the impacts of the coronavirus [“COVID-19”] pandemic, its outlook for the future and planned measures, including in particular the gradual resumption of certain flights and actions to improve its cash flow. 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.

As of April 30, 2021, there exists material uncertainty that may cast significant doubt on the Corporation’s ability to continue as a going concern. The Financial position, liquidity and capital resources section of the MD&A and note 2 to the interim condensed consolidated financial statements contain more detail on this issue.

The global air transportation and tourism industry has faced a collapse in traffic and demand. Travel restrictions, uncertainty about when borders will reopen, both in Canada and at certain destinations the Corporation flies to, the imposition of quarantine measures and testing requirements both in Canada and other countries, as well as concerns related to the pandemic and its economic impacts are creating significant demand uncertainty, at least for fiscal 2021. For the first half of winter 2021, the Corporation rolled out a reduced winter program. On January 29, 2021, following the Canadian government’s request to not travel to Mexico and the Caribbean, and the introduction of new quarantine measures and COVID-19 testing requirements, the Corporation announced the complete suspension of all its regular flights and the repatriation of its clients to Canada. The Corporation currently expects to resume its operations on July 30. The Corporation cannot predict all the impacts of COVID-19 on its operations and results, or precisely when the situation will improve. The Corporation has implemented a series of operational, commercial and financial measures, including implementation of new financing and cost reduction measures, aimed at preserving its cash. The Corporation is monitoring the situation daily to adjust these measures as it evolves. However, until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results. While the availability of a vaccine makes it possible to hope for the resumption of operations at a certain level during 2021, the Corporation does not expect such level to reach the pre-pandemic level before 2023.

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, the Corporation’s ability to maintain and grow its reputation and brand, the availability of funding in the future, 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, changes in legislation, unfavorable 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, labor relations, collective bargaining and labor disputes, pension issues, maintaining insurance coverage at favorable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of the MD&A included in our 2020 Annual Report.

This presentation also contains certain forward-looking statements about the Corporation concerning a potential transaction involving the acquisition of all the shares of the Corporation. These statements are based on certain assumptions deemed reasonable by the Corporation, but are subject to certain risks and uncertainties, several of which are outside the control of the Corporation, which may cause actual results to vary materially. In particular, the completion of a transaction will be subject to certain closing conditions that are customary in this type of transaction, including regulatory approvals as well as other customary closing conditions.

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 presentation 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 until the Corporation is able to resume operations at a sufficient level, the situation will affect its operating results and cash position.
- The outlook whereby, subject to going concern uncertainty as discussed in the Basis of Preparation and Going Concern Uncertainty section of the MD&A and note 2 to the consolidated financial statements, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and its borrowing capacity.
- The outlook whereby the Corporation will be able to favorably negotiate concessions and deferrals with its aircraft lessors, owners of premises, suppliers, credit card processors and the extension of the temporary suspension of the application of certain financial ratios granted by the lenders of its revolving credit facility and its subordinated credit facility.

In making these statements, the Corporation has assumed, among other things, that travel and border restrictions imposed by government authorities will be relaxed to allow for a resumption of operations of the type and scale expected, that the standards and measures imposed by government and airport authorities to ensure the health and safety of personnel and travelers will be consistent with those announced or currently anticipated, that travelers will continue to travel despite the new health measures and other constraints imposed as a result of the pandemic, 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. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this presentation.

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 presentation is issued, and represent the Corporation’s expectations as of that date. 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.

# Non-IFRS financial measures

This presentation was prepared using results and financial information determined under IFRS. In addition to IFRS financial measures, management uses non-IFRS measures to assess the Corporation's operational performance. It is likely that the non-IFRS financial measures used by the Corporation will not be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions. The measures used by the Corporation are intended to provide additional information and should not be considered in isolation or as a substitute for IFRS financial performance measures.

Generally, a non-IFRS financial measure is a numerical measure of an entity's historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures are important as they provide users of our consolidated financial statements with a better understanding of the results of our recurring operations and their related trends, while increasing transparency and clarity into our operating results. Management also believes these measures to be useful in assessing the Corporation's capacity to fulfil its financial obligations.

By excluding from our results items that arise mainly from long-term strategic decisions and/or do not, in our opinion, reflect our operating performance for the period, such as the change in fair value of fuel-related derivatives and other derivatives, gain (loss) on business disposals, restructuring charges, asset impairment, depreciation and amortization, foreign exchange gains (losses) and other significant unusual items, and by including premiums for fuel-related derivatives and other derivatives matured during the period, we believe this presentation helps users to better analyze our results, as well as our ability to generate cash flows from operations. Furthermore, the use of non-IFRS measures helps users by enabling better comparability of results from one period to another and better comparability with other businesses in our industry.

See the Non-IFRS financial measures slide in Appendix for more information

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# 1 Key Highlights

# Key highlights of the quarter

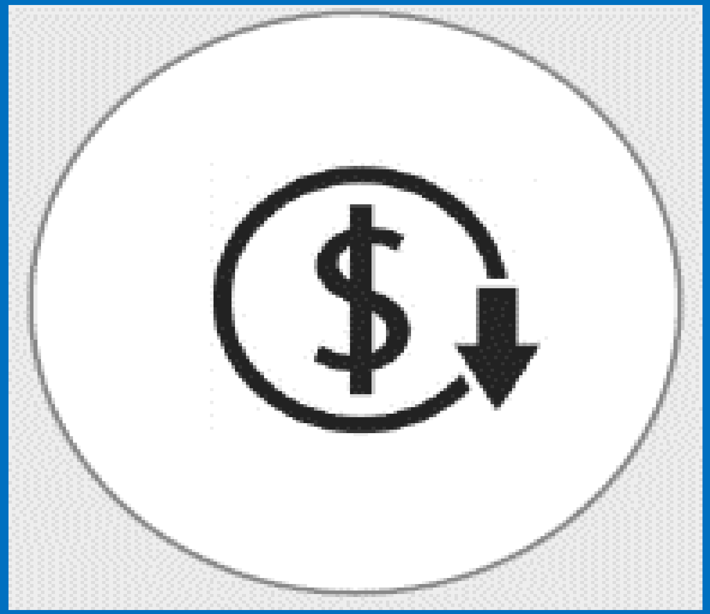
- **On April 2nd, Transat and Air Canada announced the termination of the Arrangement Agreement by mutual consent**
  - The parties had reached this agreement after having been advised by the European Commission that it would not approve the transaction.
  - In connection with the termination of the Arrangement Agreement, Air Canada paid a $12.5 million termination payment to Transat and to waived its entitlement to a $10 million termination fee in the event of an acquisition of Transat by a third party in the twelve months following termination of the Arrangement Agreement.
- **On April 7, Mr. Pierre Karl Péladeau's delivered to the Corporation a non-binding proposal contemplating a transaction pursuant to which his management company, Gestion MTRHP Inc., would acquire all of shares of Transat A.T. Inc. at $5.00 per share, payable in cash**
  - Discussions with Mr. Pierre Karl Péladeau are continuing and there is no certainty that a transaction will result from them
- **On April 29, Transat announced the securing of $700 million in funding from the Government of Canada (more details are shown on p.9)**
- **On May 20, Transat's Board of Directors approved the discontinuation of the hotel division's operations**
  - Due to the decline in liquidity as a result of the COVID-19 pandemic and in line with the objectives of the new strategic plan
- **On May 26, Transat announced the appointment of Annick Guérard as President and Chief Executive Officer**
  - Mrs. Guérard had been Transat's Chief Operating Officer since November 2017 and, in that capacity, has spearheaded the aforementioned strategic plan
  - Furthermore, Mrs. Guérard has joined the Board of Director which is now chaired by Mr. Raymond Bachand, the Lead Director of the Corporation
- **On June 1, Transat announced the acquisition of the remaining 30% minority interest in the incoming tour operator (TraficTours and its subsidiaries)**
  - The minority shareholder had the option to require Transat to purchase its minority interest since 2019 at price based on a pre-determined formula
  - Following a mutual agreement between the two parties, the purchase price was set a $24.5 million which is lower than the book value of $34.9 million as at April 30, 2021. This cash outflow was included in our funding package from the Government of Canada (LEEFF)
- **On June 10, Transat announced the resumption of its flights and tour operator activities on July 30 subject to travel restrictions applicable as of that date**
  - Operate a condensed flight schedule for the period from July 30 to October 31, 2021
    - Plan to add additional frequencies and destinations to the flight schedule for the following months based on border openings and deconfinement measures
  - The Corporation expects to incur certain costs specific to the relaunch plan such as salary and training costs related to pilot recall

# 2

# Sustainability of the Corporation

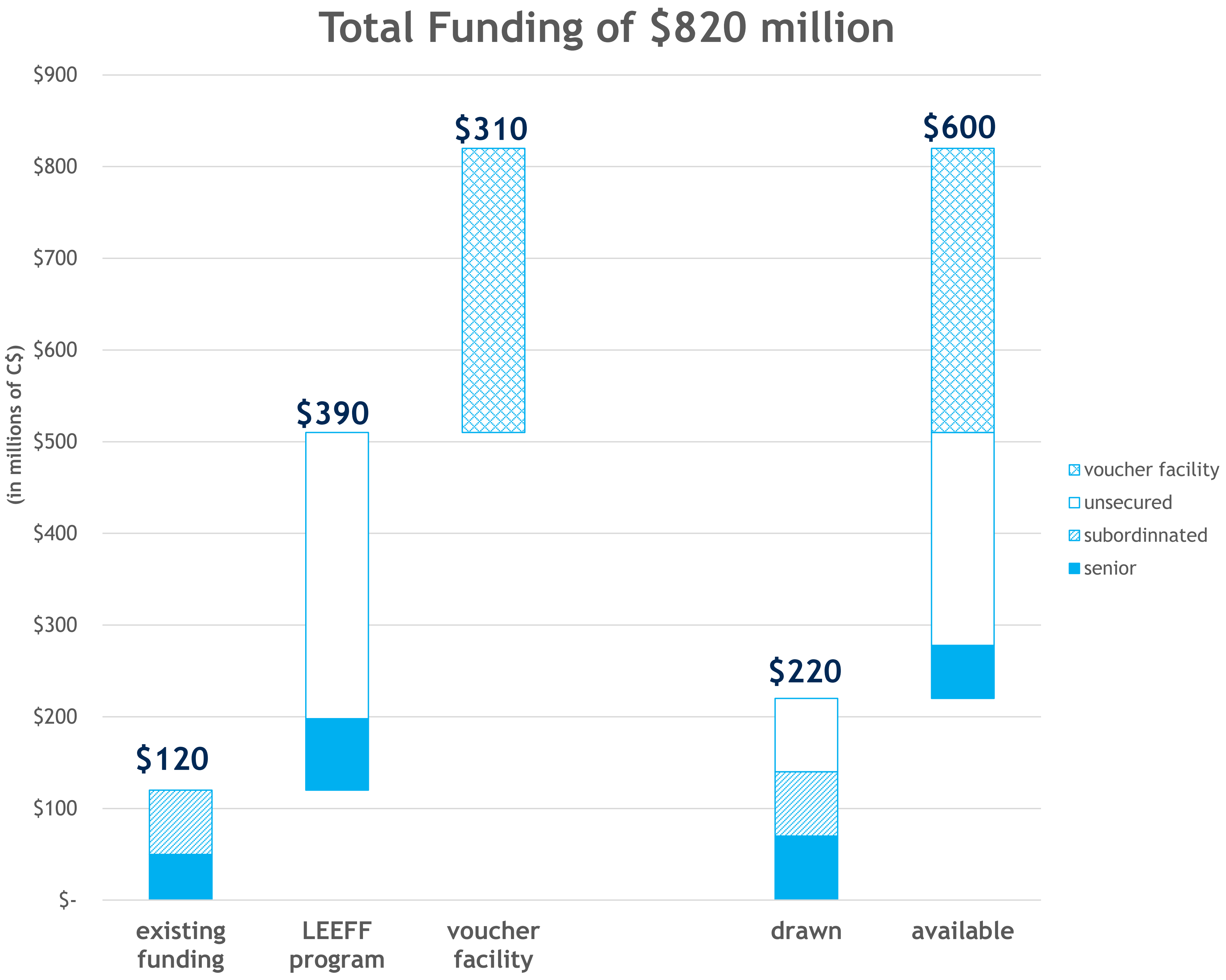
# Cost reduction measures taken to preserve liquidity

**INITIATIVES RELATED**
**TO OPERATIONS, FLEET AND WORKFORCE**



- The Corporation secured $700 million of additional funding from the Government of Canada
  - Total available funding of $820 million which $220 million is drawn as at April 30
- The Corporation accelerated the expected retirement of its Boeing 737 fleet and some of its Airbus A330s to expedite the **transformation of its fleet** and make it more uniform and more adapted to the post-COVID-19 market *(see new fleet on p. 12)*
  - During the first quarter of 2021, two Airbus A330 and one Boeing 737-800 have been returned early to lessors
- The Corporation **continuously adjusts its flight schedule** in light of the evolution of the pandemic (border restrictions and requirements in Canada and elsewhere)
  - Before the suspension of our operations on January 29, Transat offered a reduced program of international flights departing from Montreal, Toronto and Quebec City
- The Corporation is still negotiating with its **suppliers including aircraft and real estate lessors**, to benefit from cost reductions and changes in payment terms and continues to put in place measures to reduce its **investment expenditures** where possible without jeopardizing its future development
- The Corporation continues to make use of the **Canada Emergency Wage Subsidy** program (“CEWS”) for its Canadian workforce
  - Enabled it to finance part of the salaries of its staff still at work and;
  - Offered its employees that were temporarily laid off the possibility of receiving part of their salary equivalent to the amount of the grant received, with no work required

# Existing and additional funding




**On April 29, Transat announced the securing of $700 million in funding from the Government of Canada:**

- An amount of $390 million, representing the liquidity needed to support Transat until its business has recovered to a level where it can generate cash once again, broken down as follows:
  - An amount of $78 million in the form of a non-revolving and secured credit facility bearing interest at CDOR (Canadian Dollar Offered Rate) plus 4.5% and maturing in 2 years; the facility is secured by a first-ranking charge on the assets of Transat A.T. Inc.
  - A $312 million non-revolving and unsecured credit facility with a 5-year maturity, loaned at a rate of 5% in the first year, increasing to 8% in the second year, and by 2% per annum thereafter, with the possibility of capitalization of interest in the first two years, yet backed by the issuance of 13 million warrants at a strike price of $4.50 maturing in 10 years[1].
  - The warrants are to vest in proportion to the drawings that will be made, and 50% would be forfeited if the loan were to be repaid in full in the first year (refer to the press release of April 29 for more details)
- An amount of $310 million consisting of an unsecured credit facility to provide reimbursement to travelers who were scheduled to flight on or after February 1, 2020, for whom a travel credit was issued as a result of COVID-19. This amount is repayable over a 7-year term and is loaned at the current 7-year Canada Bond rate of 1.22%.
- In connection with the establishment of these credit facilities, Transat has made certain commitments, including restrictions on dividends, stock repurchases and executive compensation and maintaining active employment at the level of April 28, 2021.

[1]The number of shares issuable upon exercise of the warrants may not exceed 25% of the current number of issued and outstanding shares, nor may it result in the holder owning 20% or more of the outstanding shares upon exercise of the warrants. In the event of an exercise of warrants that surpasses these thresholds, the excess will be payable in cash on the basis of the difference between the market price of Transat's shares and the exercise price.

# 3 Financial Results and Position

# Most recent financial results

| (in millions of C$, except per share amounts) | Quarter ended April 30 | | | Six-month period ended April 30 | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| **Revenues** | **7.6** | **571.3** | **(563.7)** | **49.5** | **1,264.1** | **(1,214.6)** |
| Adjusted EBITDAR (1) | (51.0) | 36.3 | (87.3) | (104.6) | 72.7 | (177.3) |
| Adjusted EBITDA (1) | (51.0) | 21.1 | (72.1) | (104.6) | 48.5 | (153.1) |
| Adjusted EBT (1) | (103.2) | (38.8) | (64.4) | (212.0) | (64.3) | (147.6) |
| **Adjusted net income (loss) (1)** | **(103.3)** | **(38.8)** | **(64.5)** | **(212.3)** | **(59.1)** | **(153.2)** |
| *Per share* | *($2.74)* | *($1.03)* | *($1.71)* | *($5.63)* | *($1.57)* | *($4.06)* |
| **Net income (loss) attributable to shareholders** | **(69.6)** | **(179.5)** | **109.5** | **(130.1)** | **(213.4)** | **83.3** |
| ***Cash flow supplementary information's*** | | | | | | |
| Cash flow from operating activities | (100.6) | 49.6 | (151.0) | (206.9) | 222.8 | (429.7) |
| Cash flow from investing activities | (5.1) | (33.2) | 28.1 | (7.0) | (66.3) | 59.3 |
| **Free cash flow (1)** | **(122.2)** | **1.5** | **(123.7)** | **(245.6)** | **117.6** | **(363.1)** |

(1) Refer to Non-IFRS Financial Measures in the Appendix

## Highlights of the Second Quarter

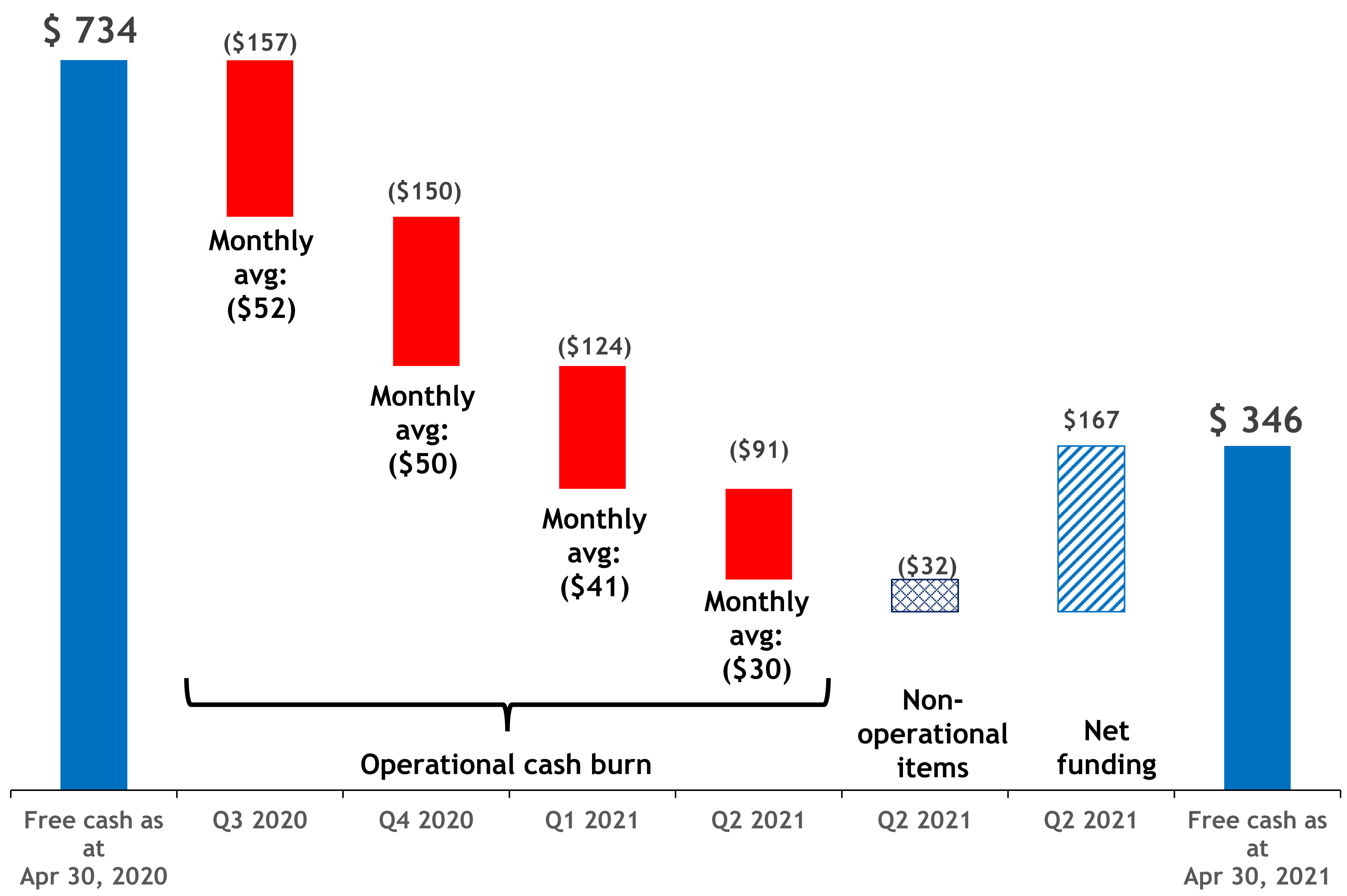
- International flights restrictions, quarantine measures and border closure limited our recovery
- Shutdown of the operations for the second time since March 2020 following the federal government's announcement on Jan 29
  - Before the suspension of our operations on Jan 29, the Corporation offered a reduced program of international flights
- As a result, significant decrease of our revenues by (99%) compared to 2020 and adjusted EBITDA decreased by -$72 million
  - Despite few cost reduction measures implemented, the collapse of revenues is more pronounced than the decrease of operating expenses (fixed costs not resized to the level of the demand)

## Highlights of the last six months

- For the first half of Winter 2021, the Corporation rolled out a reduced winter program for the reasons mentioned previously
  - Thus, resulting in a 96% reduction in revenues compared to the previous Winter and adjusted EBITDA decreased by -$153 million
- The net loss attributable to shareholders amounted to -$130 million vs. -$213 million in 2020
  - In 2021, foreign exchange gain of $63 million related to revaluation of lease liabilities (1.23 vs. 1.33 as at Oct 31, 2020), gain on asset disposals of $19 million (early termination of leases) and gain related to change in fair value of derivatives of $9 million
  - In 2020, a loss related to change in fair value of derivatives of -$100 million following the collapse of fuel price, foreign exchange loss of -$36 million and -$17 million of charge to reduce the carrying value of deferred tax assets.

# Current financial position

## Cash Burn Evolution




| | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 |
|---|---|---|---|---|---|
| Current ratio (1) | 0.85 | 0.77 | 0.84 | 0.93 | 0.99 |
| Customers deposit coverage ratio (2) | 106% | 96% | 111% | 134% | 168% |

(1) Current ratio = current assets / current liabilities
(2) Customer deposits coverage ratio = Total ST cash / Customer deposits and deferred revenue

## Q2 2021 - Cash burn Highlights

- **Operational cash burn of an avg. -$30M/month:**
  - Fixed costs (Salaries net of wage subsidy, reduction of lease liabilities and G&A expenses)
  - Payment of outstanding payables and minimal capital expenditures
- **Non-operational items of an avg. -$10M/month:**
  - Working capital items (customer refunds and payment of 2019 vacation bank)
  - Termination fee related to the transaction with Air Canada net of professional fees occurred
- **Net funding of an avg. +$55M/month:**
  - Drawn $170 million on the credit facilities during the quarter
  - Net of cash interest and fees related to the extension and implementation of financing facility

## Cash burn for coming months:

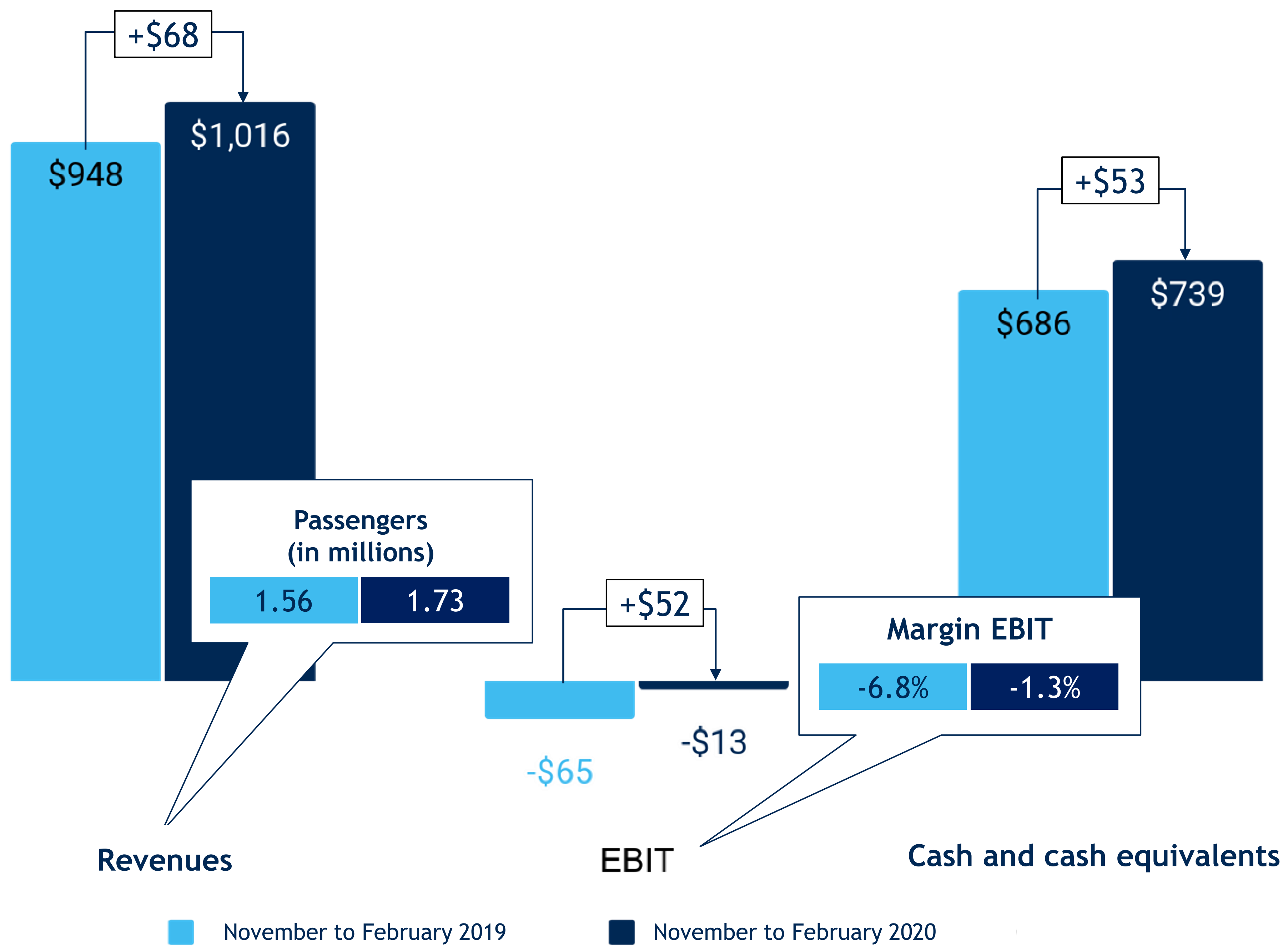
- **Customer refunds:**
  - As stated on April 29th, Transat is please to have secured reserved funding to reimburse all eligible clients.
  - The Corporation had received requests for about 64% of the amount of credits issued and made refunds for more than 70% of amounts claimed, at the end of May 2021. Customers have until August 26, 2021 to submit their refund requests
  - Thus, the Corporation expects to draw all the $310M voucher facility at its disposal by the end of fiscal year 2021. This will greatly enhance both the **current ratio** and the **customer deposit ratio.**
- **Similar cash burn in May but from June, cash burn is expected to be slightly higher on a monthly basis due to the restart of the operations**

# 4

# Strategic Plan

# Pre-COVID financial overview

**Comparative results 2019 and 2020** (in millions $CAD)




## Observations

### Strategic improvements implemented :

- **Seasonal fleet reduction** (13 aircraft in 2020 vs 22 in 2019)
- **12% increase aircraft utilization** (vs 2019)

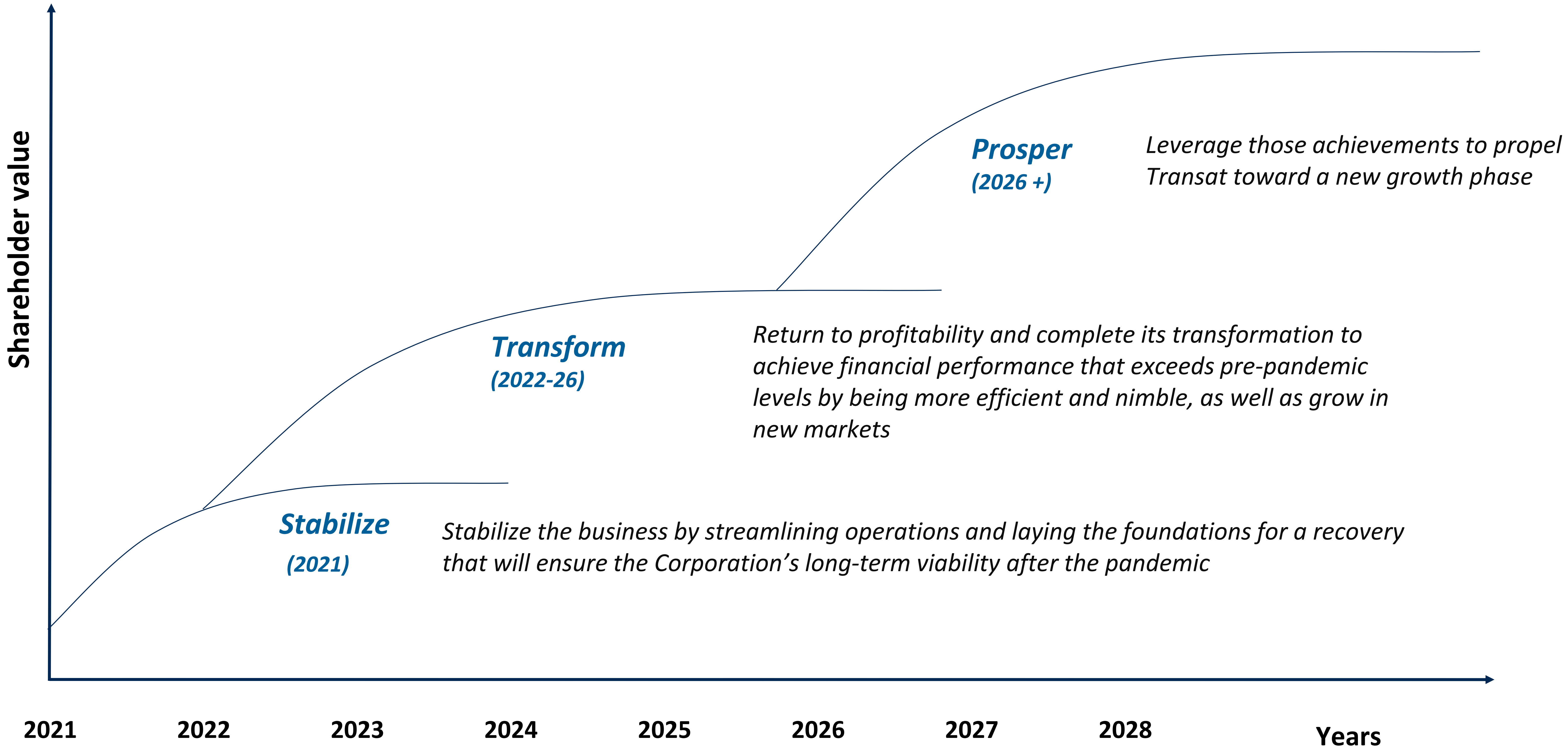
### Resulted in an important operational efficiency gain :

- **9% increase in seats offered** notwithstanding a decrease in the number of aircraft (48 aircraft vs 55 in winter 2019)
- **7% decrease in unit costs** (CASM) vs 2019

$CAD millions unless otherwise indicated

Note 1 : Excludes non-recurring expenses
Note 2: Excludes impact of MTM on derivative producs

# Growing in three steps



# Implementing changes and building on our strengths

**1**

*Flattened organzational structures* *(automation and digitization of business processes)*

*Renegociation of certain number of commitments* *(aircraft, real estate footprint, …)*

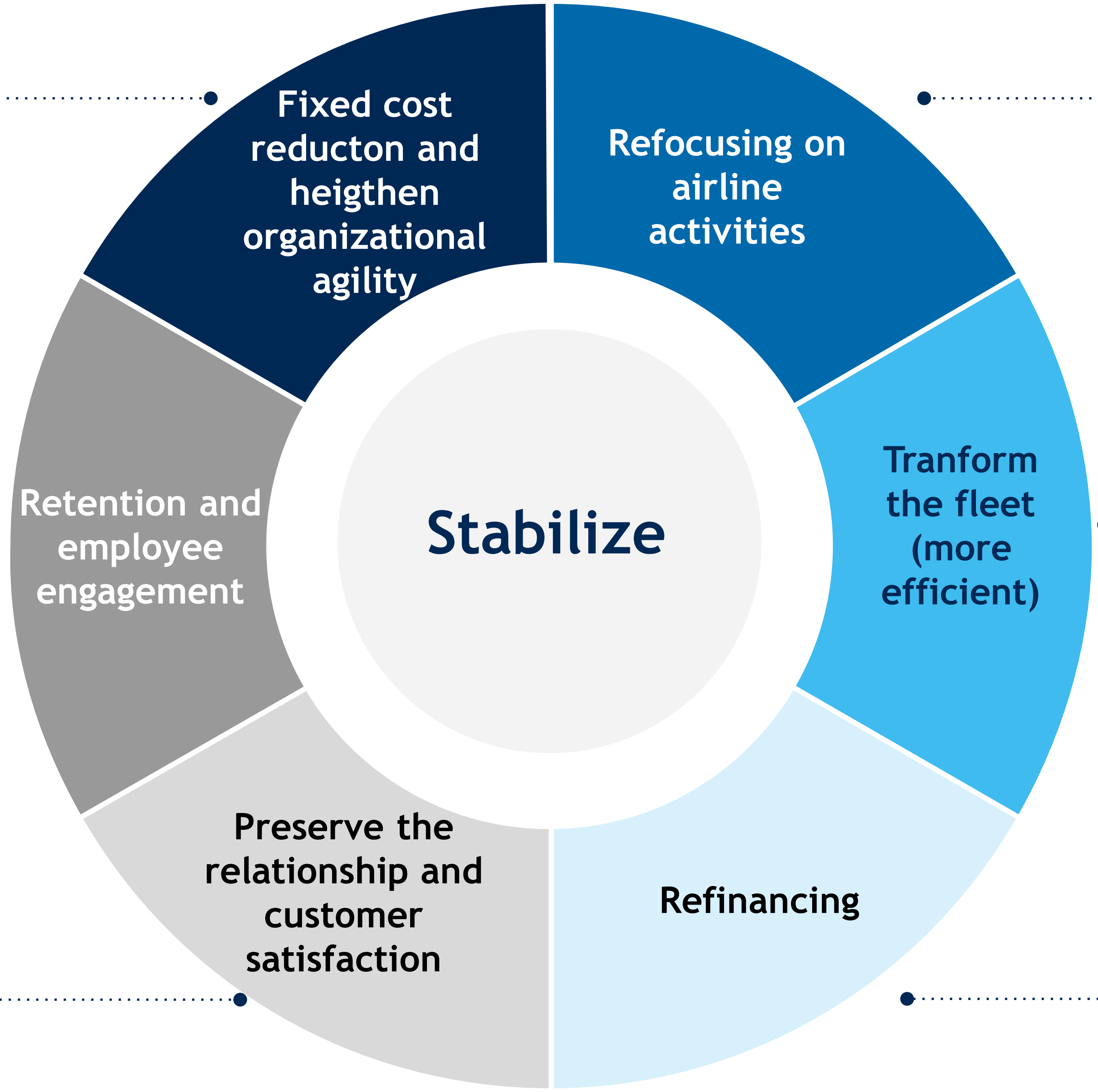
*Refocusing on principal activities* *(discontinued hotel operations)*

**6**

*Maintain the engagement and employee satisfaction during the recovery period*

**5**

*Communicate proactively by leveraging our leisure travel brand reputation and customer trust during the recovery period* *(Offer a health and safety travel experience)*




**2**

*Redefined the network through:*

- *Implementation of strategic alliances;*
- *Heightened offer from Eastern Canada (more precisely in Montreal) and;*
- *Heightened offer during the low season to better support fixed costs*

**3**

*Simplification and rejuvenation of the fleet* *(moving from 4 incompatible aircraft models to 2 complementary models (pilots and training)*

*Integration of A321neoLR* *(higher performing aircraft which is fully adapted to our two core markets and help to increase the aircraft utilization)*

*Improve revenue management practices to optimize RASM*

**4**

*Optimization of our capital structure for the sustainability of the Corporation and to support our strategic plan*

# Appendix

# Resizing of the fleet

| | Type of aircraft | Capacity (seats) | PRE-COVID Summer 2019 | PRE-COVID Winter 2020 | CURRENT Winter 2021 | CURRENT Summer 2021 | OBJECTIVES DUE TO COVID-19 |
|---|---|---|---|---|---|---|---|
| LONG-HAUL | A330-200/300 | 332-375 seats | 20 | 20 | 15 | 15 | 2 aircraft matured at the end of the year and 3 early terminations signed at the end of summer; On-going efforts to reduce this number further |
| LONG-HAUL | A310 | 250 seats | 6 | 3 | - | - | Permanent withdrawn from the fleet (aircraft owned) |
| LONG-HAUL | A321neoLR | 199 eats | 2 | 3 | 7 | 7 | 10 outstanding aircraft to be delivered until 2023 |
| LONG-HAUL | **Subtotal** | | **28** | **26** | **22** | **22** | |
| MEDIUM-HAUL | B737 (permanent) | 189 seats | 5 | 5 | 1 | 1 | 4 early terminations and on-going negotiations to terminate the last one |
| MEDIUM-HAUL | B737 (seasonal) | 136-189 seats | 2 | 5 | - | - | No short-term contract planned |
| MEDIUM-HAUL | A321neo/ceo (permanent) | 190 seats | 4 | 4 | 4 | 4 | |
| MEDIUM-HAUL | A321neo/ceo (seasonal) | 190 seats | 0 | 8 | 3 | - | No short-term contract planned (matured in April and May 2021) |
| MEDIUM-HAUL | **Subtotal** | | **11** | **22** | **8** | **5** | |
| | **TOTAL FLEET** | | **39** | **48** | **32** | **27** | |

**Overview of the fleet that the Corporation has but not in operation as following the federal government's announcement, the Corporation has temporarily suspended all its scheduled flights and launched an operation to repatriate its customers in January 29**

# Non-IFRS financial measures

The non-IFRS measures used by the Corporation are as follows:

- **Adjusted EBITDAR:** Operating income (loss) before aircraft rent, before depreciation, amortization and asset impairment expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives 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 EBITDA (adjusted operating income (loss)):** Operating income (loss) before depreciation, amortization and asset impairment expense, restructuring charge, lump-sum payments related to collective agreements and other significant unusual items, and including premiums for fuel-related derivatives and other derivatives 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 EBT (adjusted pre-tax income (loss)):** Income (loss) before income tax expense before change in fair value of fuel-related derivatives and other derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, lump-sum payments related to collective agreements, asset impairment, foreign exchange gain (loss) and other significant unusual items, and including premiums for fuel-related derivatives and other 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) attributable to shareholders before net income (loss) from discontinued operations, change in fair value of fuel-related derivatives and other derivatives, revaluation of liability related to warrants, gain (loss) on business disposals, gain (loss) on asset disposals, restructuring charge, lump-sum payments related to collective agreements, asset impairment, foreign exchange gain (loss), reduction in the carrying amount of deferred tax assets and other significant unusual items, and including premiums for fuel-related derivatives and other 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 income (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 flow from operating activities minus Cash flow from investing activities and Repayment of lease liabilities

**Note:** The reconciliations between IFRS financial measures and non-IFRS financial measures are available in our Second Quarter Report 2021 and Annual Report 2020 by clicking on the following links : Second Quarter Report 2021 and Annual Report 2020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INVESTORS AND FINANCIAL PARTNERS