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NOTES FOR A PRESENTATION BY JEAN-MARC EUSTACHE
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Check against delivery

I'll now briefly comment on our 2014 results, and those for the first quarter of 2015, before explaining the strategic plan for 2015–2017 in detail.

Our Vice-President, Finance will then go over the numbers.

All things considered, 2014 was a reasonably good year—as, I should mention, 2013 had been before it.

So, that's two relatively good years, after the losses of 2011 and 2012.

In 2014, we posted adjusted operating income of $100 million, along with adjusted net income attributable to shareholders of $45 million.

Our priority over these two years has been the return to profitability, not growth. And we've achieved that objective, which outweighed all the others.

Our business model is profitable globally, but there is a stark contrast between summer and winter. We face seasonality issues of a kind that none of our competitors has to deal with, at least not with the same intensity.

In 2013 and 2014 we had a very good performance in the summer on the transatlantic market, but challenging winters on sun destinations.

So when it comes to profitability, there is still work to be done.

That's the reason why we view our first-quarter results, which we announced this morning, as disappointing.

The sharp drop in value of the Canadian dollar, as well as in the price of fuel, had a lot to do with those results, along with overcapacity on Sun routes, and a dip in demand in France.

Denis will provide all the details in his presentation a little later.

The main thrust of the new strategic plan, covering 2015 to 2017, is simple: we want to grow Transat as a travel brand that is well known and recognized by customers, suppliers and at destination, as a partner to be trusted.

We are going to continue producing a significant part of our travel offering ourselves, and continue selling travel products carefully selected from preferred providers. The goal is to make sure we stock the products that consumers are looking for, and to win their trust and loyalty.

International tourism continues to grow: our industry is doing well, overall market conditions are favorable.

But the product mix, globally, will probably evolve, given the economic context… We're facing a slump in Europe, and that's been true for a while… In Canada, the weakened dollar and a less-than-dynamic economy point to a tightening of demand for imported products like international travel… We needed to take this into account and we did.

The plan implies a series of initiatives that we've grouped into four main areas.

1. Cost-reduction and margin-improvement initiatives
2. Improvement of the offering
3. An evolved distribution strategy
4. Market development and continued vertical integration

We’re in an industry that will always remain highly competitive.

So efficiency gains are a must. That’s where some of the profit margin that’s been eluding us will come from. And that’s something we’ve been working on for years, as you know.

On a comparable basis, we’ve reduced costs and improved margins by some $55 million over three fiscal years (2012–2014).

For the three years to come, 2015–2017, we are aiming at cost reductions and margin gains of $100 million.

Our business model in Canada sets us apart from our competitors. For 28 years, we’ve been a leader in the transatlantic leisure travel market, which requires a wide-body fleet. But transatlantic is a mostly summer market, which results in what I would call a compromise and a challenge in the winter season: as our wide-body fleet then weighs heavily in our cost structure.

Hence the strategy of equipping ourselves with a so-called flexible fleet, both for narrow-body and wide-body.

When it comes to our narrow-body strategy, it’s done. We are now flying five planes in summer and 14 in winter.

With the wide-body fleet, there’s still work to be done. Under the plan, we intend to sublease—that is, withdraw from the fleet—at least two more Airbus A330s in winter.

Starting next summer, we’ll be adding 30 seats in Economy class on three of our A330-300s, bringing their total capacity to 375. That aircraft, the 300, is longer than the 200, so the quality of the in-flight experience will be exactly the same as aboard our other A330s.

These planes will be operated on our Paris and London routes, which are year-round and high-volume. We’ll be systematizing these programs with fixed schedules, aligning them whenever possible with TGV connections from Charles-de-Gaulle Airport to Lyon and Lille, for example.

In Canada, we are leveraging our narrow-body fleet to develop the transatlantic market, broadening product supply in some of our source markets. Starting this summer, we’ll be offering our Vancouver, Quebec City and Halifax-area customers select Europe destinations out of Toronto and Montreal, with the domestic portion of the flights operated with our B737s. For our customers, that means new possibilities. For us, it means winning over additional consumers.

In 2016 we’ll do the same for Europe, with air partners there, gaining penetration in new source markets as well as offering new destinations to Canadians.

In 2015, we introduced what we’ve called our eco-fares: for the first time, we offer our customers flying on Air Transat three Economy class fare options: Eco, Eco Extra, and Eco Max. We’re selling flexibility: with the base fare, the ability to make booking changes is very limited. But with a supplemental fee, the options increase.

When it comes to improving the margin, we want to grow the so-called ancillary revenues. These are revenues generated from seat selection, the in-flight duty-free boutique, buy-on-board meal service (on Sun routes), the Option Plus service, cargo, and so on. In short, services that are optional, but generally bring us higher margins. Currently, these revenues represent around $49 million per year. Over the strategic-plan period, we want to increase that to $60 million.

Like our competitors, in 2014 we made changes to the number of flight attendants on our narrow-body crews, as Canadian rules and regulations were brought into line with international standards. Over the term of the plan, we plan to do the same for our wide-body aircraft.

Our success tomorrow depends in large part on technology. These past few years, we've made considerable improvements on this front, implementing a new reservations system, TTS, for our tour operator activities in Canada. And we have other projects ongoing.

- In Canada, we are in the process of installing a system called Datalex, an air travel commercialization platform with features that are essential for effectively generating the growth in ancillary revenues I mentioned earlier.

- We're also working on implementing a platform that will enable us to build a distribution site that will be more responsive to our customers' needs, with an expanded offering.

- In France, we are in the process of migrating part of our operations to TravelBox, which is a software package especially well-suited to our market and our requirements, especially for tours and FIT travel.

- In the U.K., over the past year we successfully migrated to a new reservations platform, @comres.

- Each of these new tools gives us the capacity to reduce time-to-market for new products, reinforce our agility, better control our distribution channels, facilitate cross-selling, and introduce new functionalities. Our product offerings will be more dynamic, more tangible.

How do we offer our customers more while simultaneously capitalizing on our strengths, so as to generate attractive margins and nurture loyalty?

One of Transat's consistent great strengths is our ability to deliver a diverse supply of direct transatlantic flights, and develop new destinations, whether it's Venice, Barcelona, Bordeaux or Prague… and, next summer, Budapest. We intend to continue innovating in these areas, introducing at least one new destination in each year of the plan.

The Sun market outbound from Canada is a battleground. The key challenge lies in ensuring product differentiation and winning consumer loyalty. How we go about structuring and adapting our offering is crucial: we must continue our strong focus on properly choosing our hotels, negotiating exclusive properties, and structuring our collections to match customer expectations.

These steps will be all the more crucial if the Canadian economy enters a slowdown and the dollar weakens further. In addition, we're currently seeing a resurgence in popularity of Caribbean destinations among American travellers, which means we'll need to be very careful in calibrating supply, in case of a slowdown in the growth of the Canadian demand.

Tighter market conditions will favour players like us, which are comfortable juggling with dual inventory management—airplane seats as well as hotel rooms—and which can make significant commitments with hoteliers.

We now have three main collections: Luxury, Distinction and Sun Savvy. This last collection was launched in time for the current 2015 winter season, with 23 hotels. It's our mid-range collection, featuring 3- to 4-star properties.

These collections form the core of our Sun destinations strategy. Currently, they've been adopted by around 36 percent of our passengers, a proportion that we want to grow by 50 percent by 2017.

In France, we are working from a position of strength. Indeed, all things being equal, our performance in this market was excellent in 2014. Our Lookéa resort clubs are very popular, and their customers are very loyal.

Capitalizing on our strengths in France means gaining momentum with the Lookéa clubs, among other products. And with TravelBox, which is in its running-in period, we are going to see increased business from the tour and FIT segments.

As you know, we operate the largest travel agency network in Canada, with approximately 530 points of sale. The majority are franchisees.

In 2014, we began implementing a program to achieve dynamic management of that network. Simply put, we plan to increase its efficiency by acting on several levels: improving profitability, relocating certain agencies, rethinking work organization, and improving key processes. In short, a wide-ranging effort, across Canada, designed to grow agency sales of our products and make the network even more profitable.

As I alluded to briefly last year, we've implemented the Transat Travel brand in our agencies, and the outcomes have been excellent on all levels. We're going to gradually bring our Canadian distribution lines under a more integrated umbrella. Our owned agencies will all migrate under the new brand before 2017, and we also intend to roll out this concept in the franchisee network.

But that's not all—far from it. For years we've been telling you about multichannel distribution. We need to truly merge our agencies, our call centres and our websites into one integrated ecosystem. And we need to ensure our sites seamlessly adapt to mobile platforms—that's clearly another must. In 2014, 40% of our sales were said to be controlled sales, that is made in our agencies or on our websites.

We also want to extend to the Web something we're already doing in our agencies, and that's selling trips that we haven't necessarily packaged ourselves. We don't want to lose sales on the grounds that we don't package any trips to the destination that a customer is looking for. This will be done under the Transat Travel brand, in synergy with the brick-and-mortar network, and is obviously destined to become a key channel for implementation of our overall strategy.

We are already applying this model in France, under the Look Voyages brand.

We also intend to be opportunistic in penetrating new markets.

That means opening up new source markets. And now that we are profitable, we are again in a position to make strategic acquisitions, in markets that offer synergies with ours—if the conditions are favourable, of course. By synergies we mean, for example, markets that would allow us to make better use of our wide-body aircraft in winter, or markets that would strengthen our position on certain destinations.

We have incoming tour operators in Canada, Mexico, Dominican Republic and Greece, marketing their services worldwide. We plan to leverage these brands to broaden our international footprint—and also (again, if the context is favourable) access new markets as an incoming tour operator.

Transat owns a 35 percent stake in a very profitable hotel chain, Ocean. We currently have 2,200 rooms under management in Mexico, the Dominican Republic and Cuba, 1,600 of which are in hotels that we own. We have several development projects on the table, with an eye to controlling up to 5,000 rooms by the end of the strategic plan period.

In conclusion, we have worked a great deal these past few years on our weaknesses, and our new plan is focused on development and growth.

This is a fresh start.

Both management and employees are mobilized, and I seize this opportunity to thank them… In our industry, machines are important, for sure, but people are simply crucial.

We had a task before us: to return to profitability. We've accomplished that. Now we must show the same determination in tackling the objectives of this new plan.

I understand perfectly well that the quarterly results announced this morning lend an unusual tinge, just as we are kicking off the new strategic plan. But there are 11 quarters left in that plan. And while I am not looking for excuses, today's results are largely due to external factors.

Transat is generating cash, and has a healthy balance sheet. We have the means to achieve the plan objectives, and we are ready for action.

I now turn the floor over to Denis Pétrin, our Vice-President, Finance, who will go into more detail about our results.

Thank you.