Air Canada Increases Key Financial Targets for 2019-2021

- Annual EBITDA margin of 19 to 22 percent
- Annual ROIC of 16 to 20 percent
- Cumulative free cash flow of $4.0 billion to $4.5 billion
- Leverage ratio of no more than 1.2 by the end of 2019

MONTRÉAL, Feb. 28, 2019 /CNW Telbec/ - Air Canada is updating its key financial targets in conjunction with its 2019 Investor Day to be held today in Toronto from 09:00 to 12:30 ET.

From 2019 until 2021, Air Canada is targeting an annual EBITDA(1) margin (earnings before interest, taxes, depreciation, amortization and impairment, as a percentage of operating revenue) of 19-to-22 percent and an annual return on invested capital (ROIC)(1) of 16-to-20 percent. Air Canada is also projecting cumulative free cash flow(1) of $4.0-to-$4.5 billion over the same period, including projected free cash flow of between $400 million and $600 million in 2019, and a leverage ratio(1) of no more than 1.2 (measured by net debt over EBITDA) by the end of 2019.

"Since Air Canada held its first Investor Day in 2013, we have repeatedly met or exceeded virtually all of our key financial targets, demonstrating management's ability to consistently deliver on our commitments and successfully execute on our business plans. Moreover, we keep setting ambitious targets for Air Canada to drive continuous improvement and further increase shareholder value. Our share price has appreciated over 1,300 percent over the last five years and over 4,000 percent since April 1, 2009 when we embarked on our transformation strategy to position Air Canada for long-term, sustainable profitability. In addition, we are now on course for our objective of achieving an investment grade credit rating," said Calin Rovinescu, President and Chief Executive of Air Canada.

At Air Canada's 2019 Investor Day, Mr. Rovinescu will provide an update on the airline's strategy and Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer, will discuss the updated financial targets. In addition, select members of the Air Canada executive team will detail recent and upcoming initiatives, as follows:

- Arielle Meloul-Wechsler, Senior Vice President, People, Culture and Communications, will discuss Air Canada's competitive culture.
- Craig Landry, Executive Vice President, Operations, will detail the airline's operational priorities and cost transformation initiatives identified in the operations.
- Lucie Guillemette, Executive Vice President and Chief Commercial Officer, will explore Air Canada's revenue-generating initiatives and how the airline will continue to win in the marketplace.
- Mark Galardo, Vice President, Network Planning, will discuss the evolution of the network and fleet and outline the growth opportunities ahead.
- Catherine Dyer, Senior Vice President and Chief Information Officer, will provide insight into the benefits of the new reservation platform and other technology investments.
- Mark Nasr, Vice President, Loyalty and eCommerce, will discuss Air Canada's loyalty and digital strategy and related analytics opportunities.

All financial target information provided is based on the accounting standards applicable to Air Canada as at January 1, 2019, including the impact of IFRS 16 Leases. In addition, the financial targets include the impact of Aeroplan since its acquisition date of January 10, 2019. The cumulative free cash flow target excludes the net proceeds on the closing of the Aeroplan transaction.

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

Attendance at Air Canada's 2019 Investor Day is by invitation only. A link to the live audio webcast of the event and accompanying presentation slides will be available on Air Canada's website at aircanada.com prior to the event.

Major Assumptions

Assumptions were made by Air Canada in preparing and making forward-looking statements.

As part of its assumptions, during the 2019-to-2021 period, Air Canada assumes relatively modest Canadian GDP growth. Air Canada also assumes that the Canadian dollar will trade, on average, at C$1.32 per U.S. dollar in 2019, C$1.29 per U.S. dollar in 2020 and C$1.28 per U.S. dollar in 2021 and that the price of jet fuel will average 82 CAD cents per litre in 2019, 84 CAD cents per litre in 2020 and 85 CAD cents per litre in 2021.

The following table summarizes Air Canada's major annual assumptions:

Major Annual Assumptions	2019	2020	2021
GDP Canada	Relatively Modest Growth		
Canadian dollar per U.S. dollar	1.32	1.29	1.28
Jet fuel price – CAD cents per litre	82	84	85

(1) Non-GAAP Measures

Below is a description of certain non-GAAP measures used by Air Canada in an effort 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. Readers are advised to refer to Air Canada's Management's Discussion and Analysis reports for the relevant periods for reconciliation of non-GAAP measures to comparable Canadian GAAP measures.

- Adjusted pre-tax income (loss) is used by Air Canada to assess the overall pre-tax financial performance of its business without the effects of foreign exchange gains or losses, net financing income (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, Aeroplan intangible asset amortization, and special items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. Air Canada uses adjusted pre-tax income (loss) before interest expense to determine return on invested capital.
- Adjusted net income (loss) is used by Air Canada to assess the performance of its business without the after-tax effects of foreign exchange, net financing income (expense) relating to employee benefits, gains or losses on financial instruments recorded at fair value, gain or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets, Aeroplan intangible asset amortization, and special items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.
- EBITDA (earnings before interest, taxes, depreciation, amortization and impairment) is

commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation, amortization and impairment as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. EBITDA excludes special items as such items would distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.
- Adjusted CASM is used by Air Canada 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, the operating costs of Aeroplan, and special items as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful. 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 began consolidating Aeroplan's results on the January 10, 2019 acquisition date. Given that the Aeroplan loyalty business was not consolidated in Air Canada's financial results in 2018, for comparative purposes, Air Canada's adjusted CASM guidance for 2019 excludes any impact of Aeroplan.
- Leverage ratio refers to the ratio of net debt to trailing 12-month EBITDA and 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 EBITDA (excluding special items). As mentioned above, Air Canada excludes special items from EBITDA results (which are used to determine leverage ratio) as these items may distort the analysis of certain business trends and render comparative analysis to other airlines less meaningful.
- Free cash flow is commonly used in the airline industry and is used by Air Canada as an indicator of the financial strength and performance of its business, indicating the amount of cash Air Canada is able to 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-leaseback transactions.
- Air Canada uses return on invested capital ("ROIC") as a means to assess the efficiency with which it allocates its capital to generate returns, ROIC is calculated by dividing adjusted pre-tax income before interest by invested capital. ROIC is based on adjusted pre-tax income (loss), excluding interest expense. Invested capital includes average year-over-year long-term debt, average year-over-year lease obligations and average year-over-year shareholders' equity, net of excess cash not required to run its core business operations. Air Canada calculates invested capital based on a book value-based method of calculating ROIC, as described above. Refer to the definition of adjusted pre-tax income (loss) for a discussion as to why Air Canada uses adjusted pre-tax income (loss) to assess the overall pre-tax financial performance of its business.

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 preliminary results, 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, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, our ability to successfully achieve or sustain positive net profitability or to realize our initiatives and objectives, industry, market, credit, economic and geopolitical conditions, energy prices, currency exchange, competition, our dependence on technology, cybersecurity risks, our ability to successfully implement appropriate strategic initiatives or reduce operating costs, our ability to successfully integrate and operate the Aeroplan loyalty business following its acquisition from Aimia Inc. and to successfully launch our new loyalty program, our ability to preserve and grow our brand, airport user and related fees, high levels of fixed costs, our dependence on key suppliers including regional carriers, employee and labour relations and costs, our dependence on Star Alliance and joint ventures, interruptions of service, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), our ability to pay our indebtedness and maintain liquidity, pension issues, limitations due to restrictive covenants, pending and future litigation and actions by third parties, our ability to attract and retain required personnel, war, terrorist acts, casualty losses, changes in laws, regulatory developments or proceedings, epidemic diseases, insurance issues and costs, as well as the factors identified in Air Canada's public disclosure file available at www.sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2018 MD&A dated February 15, 2019. 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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For further information: Investor Relations, (514) 422-7353; Internet, aircanada.com

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