



# AIR CANADA

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## **Air Canada Announces Improvements to Capacity Purchase Agreement with Jazz Aviation LP (a subsidiary of Chorus Aviation Inc.) and Equity Investment of \$97.26 million in Chorus**

- Amendments to existing Capacity Purchase Agreement (CPA) with Jazz will extend duration of the CPA by ten years from January 1, 2026 to December 31, 2035; Amendments are subject to ratification of a tentative collective agreement between Jazz and ALPA on behalf of its pilots.
- Amendments will simplify and modernize Jazz's fleet and provide additional regional fleet flexibility for Air Canada; Projected annual CPA savings of \$50 million in each of 2019 and 2020 from both fixed fee and performance incentive reductions.
- Upon Amendments becoming effective, Air Canada will make an equity investment of \$97.26 million in Chorus and Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer of Air Canada, will be appointed to Chorus' Board of Directors.

MONTREAL, Jan. 14, 2019 /CNW Telbec/ - Air Canada today announced an agreement to amend and extend the Capacity Purchase Agreement (CPA) with Jazz Aviation LP, a wholly-owned subsidiary of Chorus Aviation Inc., under which Jazz currently operates certain regional Air Canada Express flights. The amendments should provide long term stability for Chorus, reaffirming Jazz as Air Canada's most significant Express carrier well into the future, as well as enabling growth on Chorus' leasing business through Air Canada's equity investment and the predictability of Jazz's cashflow from CPA operations until 2035. The amendments will bolster the strength and competitiveness of the Air Canada Express brand and its coast-to-coast regional network, and provide significant CPA savings for Air Canada, while optimizing network and fleet flexibility when compared to the current agreement.

"We are very pleased to have arrived at this win-win agreement with Jazz and Chorus, which will give us long-term stability, more competitive cost certainty and the flexibility to modernize the regional fleet for the benefit of our customers. The Amendments will allow us to provide regional services more cost effectively so that we can compete more efficiently, deploying the aircraft best suited for a given regional market and also generate additional traffic to feed our international network," said Calin Rovinescu, President and Chief Executive of Air Canada. "As further demonstration of Air Canada's commitment to a successful, long-term partnership, upon the CPA Amendments becoming effective, we will make an equity investment of \$97.26 million in Chorus. In addition to aligning our mutual interests, we believe it represents excellent value for Air Canada shareholders."

"We have jointly seized this unique opportunity to strengthen our long-term partnership for the next 17 years," stated Joe Randell, President and Chief Executive Officer, Chorus. "We look forward to welcoming Mike Rousseau to our board of directors as his expertise will be truly valuable as we continue to execute on the growth and diversification strategy for Chorus."

### **Highlights of the CPA Amendments:**

- Extension of the CPA term by ten years from January 1, 2026 to December 31, 2035;
- Simplification and modernization of the Jazz fleet with growth through more, larger gauge aircraft. The Amendments will include various minimum levels of covered aircraft at different points in time providing Air Canada the flexibility to optimize its fleet within its network strategy;
- Continuance of a fixed fee structure, including new terms mitigating risk and market-oriented compensation to make the CPA more competitive given new competitors entering the market;
- Projected annual savings to Air Canada of approximately \$50 million in each of 2019 and 2020, and cumulative savings of approximately \$53 million between 2021 and 2025, both as compared to the 2015 CPA framework (from both fixed fee and performance incentive reductions); Beyond 2025 - a market competitive fixed fee for the extension period. This supports Air Canada's Cost Transformation Programs;
- Continuation of a highly successful pilot mobility agreement that provides Air Canada Express pilots with access to pilot careers at Air Canada on a planned basis;
- Air Canada will consolidate more of its overall regional capacity into Jazz's footprint, thereby lowering Air Canada's overall regional costs in the future;
- The Amendments will be effective retroactively as at January 1, 2019, subject to a number of conditions, including

completion of Air Canada's equity investment in Chorus and ratification of a new tentative collective agreement between Jazz and the Air Line Pilots Association, International (ALPA), the union representing Jazz pilots.

### Highlights of the Equity Investment:

- Air Canada has agreed to subscribe for 15,561,600 Class B Voting Shares in the capital of Chorus, representing approximately 9.99% of the issued and outstanding Class A Variable Voting Shares and Class B Voting Shares of Chorus on a combined basis. This represents an investment of ~\$97,260,000 by Air Canada;
- The Chorus shares will be issued to Air Canada at a price of \$6.25, representing a 5% premium to the five-day volume weighted average price of the shares as of the close of trading on Thursday, January 10, 2019;
- Air Canada and Chorus will enter into an investor rights agreement under which, among other things, Air Canada will hold the investment shares, for a period of at least 60 months and will participate in Chorus' dividend reinvestment plan and agree to customary standstill provisions, subject to certain limited exceptions;
- On closing of the equity investment, Deputy Chief Executive Officer and Chief Financial Officer of Air Canada Michael Rousseau, will be appointed to the board of directors of Chorus.

Air Canada does not intend to provide further comment pending the ratification process in respect of the tentative agreement between Jazz and ALPA; a news release updating the market will be issued when all the closing conditions to the completion of the foregoing transactions are met.

### Caution Regarding Forward-Looking Information

This news release contains forward-looking statements within the meaning of applicable securities laws, including but not limited to, the timing of the coming into force of the CPA Amendments and the completion of the Equity Investment, the proposed appointment of Mr. Michael Rousseau to the board of directors of Chorus and the entering into of the Investor Rights Agreement. Forward-looking statements, by their nature, are based on assumptions 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. The coming into force of the CPA Amendments and the completion of the Equity Investment are subject to a number of conditions and there are no assurances that they will be completed as described in this news release or at all, or that they will deliver any projected benefits. Any forward-looking statements contained in this news release represent expectations as of the date of this news release and are subject to change after such date. However, except as required under applicable securities regulations, any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, is disclaimed.

### About Air Canada

Air Canada is Canada's largest domestic and international airline serving more than 210 airports on six continents. Canada's flag carrier is among the 20 largest airlines in the world and in 2018 served more than 52 million customers. Air Canada provides scheduled passenger service directly to 63 airports in Canada, 56 in the United States and 98 in Europe, the Middle East, Africa, Asia, Australia, the Caribbean, Mexico, Central America and South America. Air Canada is a founding member of Star Alliance, the world's most comprehensive air transportation network serving 1,317 airports in 193 countries. Air Canada is the only international network carrier in North America to receive a Four-Star ranking according to independent U.K. research firm Skytrax, which also named Air Canada the 2018 Best Airline in North America. For more information, please visit: [aircanada.com/media](http://aircanada.com/media), follow @AirCanada on Twitter and join Air Canada on Facebook.

### SOURCE Air Canada

For further information: Isabelle Arthur (Montréal), [Isabelle.arthur@aircanada.ca](mailto:Isabelle.arthur@aircanada.ca), 514 422-5788; Peter Fitzpatrick, (Toronto), [peter.fitzpatrick@aircanada.ca](mailto:peter.fitzpatrick@aircanada.ca), 416 263-5576; Angela Mah (Vancouver), [angela.mah@aircanada.ca](mailto:angela.mah@aircanada.ca), 604 270-5741

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