



AIR CANADA

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Air Canada and Transat A.T. Inc. Conclude Definitive Arrangement Agreement for Combination of the Two Companies

Transat Board of Directors unanimously approves arrangement and recommends shareholder approval

- Combination of Skytrax Best Airline in North America and Skytrax Best Leisure Airline in the world to create Montreal-based global leader in leisure, tourism and travel distribution, offering Canadians choices to more destinations and promoting two-way tourism.
- Air Transat and Transat brands to be maintained to complement the Air Canada, Air Canada Rouge and Air Canada Vacations brands.
- Transat head office and key functions to be preserved in Montreal; made-in-Quebec combination to provide compelling platform for future growth and employment.
- Purchase of outstanding Transat shares at \$13 per share subject to regulatory and shareholder approvals. Purchase price represents premium of 156% over 30-day volume weighted average price (VWAP) of Transat shares and 143% over 90-day VWAP¹ prior to Transat's announcement of a potential sale process on April 30.

MONTREAL, June 27, 2019 /CNW/ - Air Canada and Transat A.T. Inc. announced today that they have concluded a definitive Arrangement Agreement that provides for Air Canada's acquisition of all issued and outstanding shares of Transat and its combination with Air Canada. Under the terms of the binding agreement, unanimously approved by the Board of Directors of Transat, Air Canada will acquire all outstanding shares of Transat for \$13 per share. The value of the all-cash transaction is approximately \$520 million.

"We are delighted to have reached this definitive agreement to combine Transat with Air Canada to achieve the best possible outcome for all stakeholders. For shareholders of Transat and Air Canada, this combination delivers excellent value, while also providing increased job security for both companies' employees through greater growth prospects.



Air Canada intends to preserve the Transat and Air Transat brands and maintain the Transat head office and its key functions in Montreal. Both companies have demonstrated excellence as evidenced by the 2019 Skytrax Awards. Travelers will benefit from the merged companies' enhanced capabilities in the highly competitive, global leisure travel market and from access to new destinations, more connecting traffic and increased frequencies. The Quebec economy will derive maximum advantage of having a Montreal-based, growth-oriented global champion in aviation, the world's most international business," said Calin Rovinescu, President and Chief Executive Officer at Air Canada.

"We are very pleased to join forces with such a successful player in our industry. The combination with Air Canada will give Transat new perspectives of growth, with the support of a strong network offering many options for connecting traffic. This fully-funded cash transaction is the ideal platform for Transat's presence and jobs in Montreal, and therefore represents the best option for all our stakeholders: employees, suppliers, partners and shareholders," said Jean-Marc Eustache, President and Chief Executive Officer of Transat. "For our clients, it will offer even more choices and possibilities. For now, they can continue booking their flights and packages with complete confidence, as all bookings will be honoured before and after the closing of the transaction."

The transaction remains subject to regulatory and shareholder approvals and other closing conditions usual in this type of transaction. If such approvals are obtained and conditions are met, the transaction is expected to be completed in early 2020.

Unanimous approval of the Transat Board of Directors

Following an approach from Air Canada in the Fall of 2018, Transat and Air Canada commenced discussions in late 2018 to explore a possible combination. Transat formed a Special Committee of independent directors to evaluate the proposal with the assistance of financial and legal advisors, consider, and if deemed advisable, undertake a process for the formal review of strategic alternatives, consider any alternative proposal, and make recommendations to the Board of Directors in the best interests of the Corporation and all its stakeholders. The Special Committee of the Board of Directors of Transat and its Board of Directors have since then met multiple times in connection with all expressions of interest received by Transat, including Air Canada's proposal.

On April 30, 2019, the Corporation announced having received expressions of interest and being in preliminary discussions with more than one party concerning a potential transaction involving the acquisition of the Corporation.

On May 15, 2019, Air Canada and Transat entered into a Letter of Intent with an exclusivity period to complete due diligence and to finalize definitive documentation reflecting the agreed terms. After that date, other parties continued to express unsolicited, non-binding interest in Transat.

On June 26, 2019, after an extensive review, the Special Committee of Transat's Board of Directors concluded unanimously that combining with Air Canada and entering into the Arrangement Agreement are in the best interests of Transat and its stakeholders, including its employees, clients, shareholders, partners and suppliers, and has provided its unanimous recommendation to the Transat Board of Directors to that effect.

On June 27, 2019, the Transat Board of Directors, having among other considerations, received and considered the recommendation of the Special Committee, unanimously determined that the transaction is in the best interests of Transat and its stakeholders, approved the Arrangement Agreement and recommended that Transat shareholders vote in favour of the transaction. In addition, each of the directors and executive officers of Transat has entered into a voting support agreement pursuant to which each of them has committed to vote in favour of the transaction.

Each of National Bank Financial and BMO Capital Markets has provided the Transat Board of Directors with an opinion to the effect that, as of the date thereof, the consideration to be received by holders of Transat shares with respect to the transaction was fair, from a financial point of view, to such holders, in each case subject to the respective limitations, qualifications, assumptions and other matters set forth in such opinions.

The terms of the Arrangement Agreement provide for a break fee of \$15 million payable by Transat in case of termination of the agreement in certain circumstances, including upon acceptance of a Superior Proposal that is not matched by Air Canada. Under the Arrangement Agreement, a Superior Proposal is defined, in part, as an unsolicited bona fide written acquisition proposal, that is made at a firm price per share equal to or exceeding \$14 in cash, that has fully committed financing from a financial institution or similar organization (or is made by a person with adequate cash on hand), and that the Board of Directors of Transat determines in its good faith judgment, after receiving legal and financial advice, would result in a transaction that would be in the best interests of Transat and its stakeholders and be more favourable, from a financial point of view, to Transat shareholders. The terms and conditions for the making of a Superior Proposal and its complete definition are contained in the Arrangement Agreement.

The Arrangement Agreement also provides for the payment by Air Canada of a reverse break fee of a maximum of \$40 million in the event that the agreement is terminated because regulatory or governmental approvals are not obtained, subject to certain conditions.

Further details regarding the terms of the transaction are set out in the Arrangement Agreement. The acquisition will proceed by way of a court-approved plan of arrangement pursuant to the Canada Business Corporations Act. Additional information regarding the terms of the Arrangement Agreement and the background of the transaction will be provided in the information circular for the special meeting of Transat shareholders. Copies of both the Arrangement Agreement and the information circular will be made available on SEDAR at www.sedar.com.

Air Canada has retained Morgan Stanley as its financial advisor and Stikeman Elliott LLP as its legal advisor. Transat has retained National Bank Financial as financial advisor and Fasken as legal advisor. BMO Capital Markets and Norton Rose Fulbright are acting respectively as financial and legal advisors to the Special Committee of Transat's Board of Directors.

Air Canada Head Office in Montreal.

Headquartered in Montreal since 1949, Air Canada maintains one of the largest global head offices in Quebec and has been named one of Montreal's top employers in each of the last six years. AirCanada employs 36,000 employees globally, with approximately 10,000 in the province of Quebec where it has created over 2,600 new jobs over the last five years. AirCanada's President and Chief Executive Officer and other Executive Committee members are all based at the Montreal Headquarters.

Air Canada serves 11 airports across Quebec. Montreal-Trudeau Airport is a strategic hub for Air Canada connecting its Quebec and Atlantic Canada domestic network, with its U.S. trans-border, Caribbean, European, North African, Asian and South American flights. To the U.S. alone, Air Canada connects Montreal-Trudeau to some 24 cities.

Since 2012, Air Canada has launched 35 new routes from Montreal-Trudeau to global markets including Shanghai, Beijing, Tokyo, Tel Aviv, Lima, Sao Paulo, and Casablanca. This growth has allowed Montreal to rank amongst the top 50 most internationally connected cities in the world and to become one of the largest North American hubs.

Air Canada served more than 10 million passengers in Montreal in 2018.

Caution Regarding Forward-Looking Information

This news release includes forward-looking statements within the meaning of applicable securities laws. 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 acquisition of Transat A.T. Inc. is subject to Transat A.T. Inc. shareholder approval, court approval, regulatory approvals, and certain customary conditions and there are no assurances that the acquisition will be completed as described in this news release or at all. 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 nearly 220 airports on six continents. Canada's flag carrier is among the 20 largest airlines in the world and in 2018 served nearly 51 million customers. Air Canada provides scheduled passenger service directly to 62 airports in Canada, 54 in the United States and 100 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 2019 Best Airline in North America. For more information, please visit: aircanada.com/media, follow @AirCanada on Twitter and join Air Canada on Facebook.

About Transat AT Inc.

Transat A.T. Inc. is a leading integrated international tourism company specializing in holiday travel. It offers vacation packages, hotel stays and air travel under the Transat and Air Transat brands to some 60 destinations in more than 25 countries in the Americas and Europe. Transat is firmly committed to sustainable tourism development, as reflected in its multiple corporate responsibility initiatives over the past 12 years, and was awarded Travelife certification in 2018. Based in Montreal, the company has 5,000 employees. (TSX: TRZ).

¹ In both cases preceding April 30, 2019, the date of Transat's public announcement regarding expressions of interest from potential purchasers.

SOURCE Air Canada

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