AIR CANADA

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Air Canada Holds Investor Day

- *Air Canada provides full year 2022 outlook*
- *Air Canada announces key targets for 2022-2024*
- *Aeroplan membership growth*

MONTREAL, March 30, 2022 /CNW Telbec/ - Air Canada today announced its 2022 full-year outlook and 2022-2024 key targets in conjunction with its 2022 Investor Day being held today from 9:00 a.m. to 1:00 p.m. ET. The event will be webcast live for media and interested parties. The live webcast and the replay of the event will be available at https://www.aircanada.com/ca/en/aco/home/about/media/speeches-presentations.html

"With the pandemic receding and travel returning, Air Canada has put in place a strategy to return to profitability and increase long-term shareholder value. Our expectations for the long-term success of our airline give us confidence to set out key targets that will serve to drive continuous improvement within the company and provide transparency for investors to track our progress," said Michael Rousseau, President and Chief Executive Officer of Air Canada. "Central to our efforts will be our continuing emphasis on controlling costs while also making strategic investments, including those to advance ESG commitments, promote network growth, elevate the customer experience and heighten employee engagement. Through our focus on these priorities, propelled by our people and award-winning culture, we aim to command a highly competitive position emerging from the pandemic as a Canadian global champion."

Investor Day Agenda

At Air Canada's 2022 Investor Day, Mr. Rousseau will provide an update on the airline's strategy. In addition, members of the Air Canada executive team will detail recent and upcoming initiatives, as follows:

- **Overview of the Commercial Strategy - Our Flight Path**
  Lucie Guillemette - Executive Vice-President and Chief Commercial Officer
- **Reaching New Frontiers**
  Mark Galardo - Senior Vice President, Network Planning and Revenue Management
- **Elevating Customer Loyalty with Aeroplan**
  Mark Nasr - Senior Vice President, Products, Marketing and eCommerce
- **The Accelerated Growth of Air Canada Cargo**
  Jason Berry - Vice President, Cargo
- **Raising the Customer Experience and Operational Excellence**
  Craig Landry - Executive Vice President and Chief Operations Officer
- **Leveraging AI and Driving Business Transformation**
  Mel Crocker - Vice President and Chief Information Officer
- **The Long-Term Growth Trajectory**
  Amos Kazzaz - Executive Vice-President and Chief Financial Officer
- **Our ESG Value Proposition**
  Fireside chat with Arielle Meloul-Wechsler - Executive Vice President, Chief Human Resources Officer and Public Affairs, and Marc Barbeau - Executive Vice President and Chief Legal Officer

2022 Full Year Outlook

In addition to its key targets for 2022-2024 described further below, Air Canada is providing the following 2022 full-year outlook:

- Air Canada plans to increase its full year 2022 ASM capacity by about 150 per cent from 2021 ASM levels (or about 75 per cent of 2019 ASM levels). Air Canada will continue to adjust capacity and take other measures as required, including so as to account for passenger demand, public health guidelines, and travel restrictions globally, as well as other factors, such as inflation and other cost pressures.

- For 2022, Air Canada expects adjusted cost per available seat mile (CASM)* to increase about 13 to 15 per cent when compared to 2019.
- For 2022, Air Canada expects an annual EBITDA margin* of about 8 to 11 per cent.

*EBITDA margin and adjusted CASM are each non-GAAP financial measures or non-GAAP ratios. 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. Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of Air Canada's non-GAAP financial measures and non-GAAP ratios and for a reconciliation to the most comparable GAAP financial measure.

The 2022 full-year 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".

2022-2024 Long-Term Targets

Air Canada is targeting:

- an annual EBITDA* margin (earnings before interest, taxes, depreciation, and amortization, as a percentage of operating revenue) of about 19 per cent for full year 2024,
- an annual return on invested capital (ROIC)* of about 15 per cent by year-end 2024,
- a net debt to trailing 12-month EBITDA (leverage ratio)* approaching 1.0 by year-end 2024,
- cumulative free cash flow* generation of about$3.5 billion for the 2022-2024 period,
- 2024 full year ASM capacity of about 95 per cent of 2019 ASM levels,
- 2024 adjusted cost per available seat mile (CASM)* increase of about 2 to 4 per cent when compared to 2019, and
- 40 per cent growth in the Aeroplan membership base by the end of 2024, when compared to February 2019 levels.

*EBITDA margin, ROIC, leverage ratio, free cash flow and adjusted CASM are each non-GAAP financial measures or non-GAAP ratios. 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. Refer to the "Non-GAAP Financial Measures" section of this news release for descriptions of Air Canada's non-GAAP financial measures and non-GAAP ratios and for a reconciliation to the most comparable GAAP financial measure.

The 2022-2024 long-term targets provided in this news release do not constitute guidance or outlook, but rather are provided for the purpose of assisting the reader in measuring progress toward Air Canada's objectives. The reader is cautioned that using this information for other purposes may be inappropriate. Air Canada may review and revise these targets as economic, geopolitical, market and regulatory environments change. These targets are used as goals as Air Canada executes on its strategic priorities, and they assume a normal business environment. Air Canada's ability to achieve these targets is dependent on its success in achieving initiatives and business objectives that are described in the Investor Day presentation and on certain major assumptions, including those discussed below, and are subject to a number of risks and uncertainties. Please see the section below entitled "Caution Regarding Forward-Looking Information".

Major Assumptions

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

As part of its assumptions, during the 2022 to 2024 period, Air Canada assumes moderate Canadian GDP growth. Air Canada also assumes that the Canadian dollar will trade, on average, at C$1.27 per U.S. dollar in 2022, and at C$1.30 per U.S. dollar in 2023-2024, and that the price of jet fuel will average C$1.10 per litre in 2022, while it expects to be able to manage 2023-2024 jet fuel price volatility within a reasonable range above the prices that existed prior to the impact of the Ukraine-Russia conflict.

Non-GAAP Financial Measures

Below is a description of certain non-GAAP financial measures and ratios used by Air Canada 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.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) is commonly used in the airline industry and is used by Air Canada as a means to view operating results before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets. Air Canada excludes special items from EBITDA as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

EBITDA Margin

EBITDA margin (EBITDA as a percentage of operating revenue) is commonly used in the airline industry and is used by Air Canada as a means to measure the operating margin before interest, taxes, depreciation and amortization as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

EBITDA is reconciled to GAAP operating income (loss) as follows:

(Canadian dollars in millions, except where indicated)	**2019**	**2020**	**2021**
GAAP operating income (loss)	**$ 1,650**	**$ (3,776)**	**$ (3,049)**
Add back:			
Depreciation and amortization	1,986	1,849	1,616
EBITDA (including special items)	**$ 3,636**	**$ (1,927)**	**$ (1,433)**
Remove:			
Special Items	-	(116)	(31)
EBITDA (excluding special items)	**$ 3,636**	**$ (2,043)**	**$ (1,464)**
Total operating revenues	**$ 19,131**	**$ 5,833**	**$ 6,400**
Operating margin (%)	**8.6%**	**(64.7)%**	**(47.6)%**
EBITDA margin (%)	**19.0%**	**(35.0)%**	**(22.9)%**

Free Cash Flow

Air Canada uses free cash flow as an indicator of the financial strength and performance of its business, indicating the amount of cash Air Canada can 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 and leaseback transactions. The one-time proceeds related to the acquisition of Aeroplan in 2019 were also excluded from Air Canada's calculation of free cash flow.

Free cash flow reconciles to GAAP net cash flows from (used in) operating activities as follows:

(Canadian dollars in millions)	**2019**	**2020**	**2021**
Net cash flows from (used in) operating activities	**$ 5,712**	**$ (2,353)**	**$ (1,563)**
Additions to property, equipment, and intangible assets, net of proceeds from sale and leaseback transactions	(2,025)	(717)	(1,062)
One-time proceeds related to the acquisition of Aeroplan	(1,612)	-	-
Free cash flow	**$ 2,075**	**$ (3,070)**	**$ (2,625)**

Adjusted CASM

Air Canada uses adjusted CASM 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, freighter costs, and special items as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

In calculating adjusted CASM, 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 also incurs expenses related to the operation of freighter aircraft which some airlines, without comparable cargo businesses, may not incur. Air Canada introduced one Boeing 767 dedicated freighter to its fleet inDecember 2021 and expects to have a fleet of eight Boeing 767 dedicated freighters in the next 12-18 months. Prior to 2021, Air Canada did not incur any costs related to the operation of dedicated freighter aircraft. 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.

Excluding aircraft fuel expense, the cost of ground packages at Air Canada Vacations, dedicated freighter expenses and special items from operating expenses generally allows for a more meaningful analysis of Air Canada's operating expense performance and a more meaningful comparison to that of other airlines.

Adjusted CASM is reconciled to GAAP operating expense as follows:

(Canadian dollars in millions, except where indicated)	**2019**	**2020**	**2021**
GAAP operating expense	**$ 17,481**	**$ 9,609**	**$ 9,449**
Adjusted for:			
Aircraft fuel	(4,347)	(1,322)	(1,576)
Ground package costs	(627)	(250)	(120)
Special items	-	116	31
Freighter costs	-	-	(1)
Operating expense, adjusted for the above-noted items	**$ 12,507**	**8,153**	**7,783**
ASMs (millions)	**112,814**	**37,703**	**33,384**
Adjusted CASM (cents)	**¢ 11.09**	**¢ 21.62**	**¢ 23.31**

Net Debt to Trailing 12-Month EBITDA (Leverage Ratio)

Net debt to trailing 12-month EBITDA ratio (also referred to as "leverage ratio") 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 previously, 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 across periods or to other airlines less meaningful.

(Canadian dollars in millions, except where indicated)	**2019**	**2020**	**2021**
EBITDA (excluding special items)	**$ 3,636**	**$ (2,043)**	**$ (1,464)**
Total long-term debt and lease liabilities	8,024	11,201	15,511
Current portion of long-term debt and lease liabilities	1,218	1,788	1,012
Total long-term debt and lease liabilities (including current portion)	**$ 9,242**	**$ 12,989**	**$ 16,523**
Remove:			
Cash, cash equivalents and short and long-term investments	6,401	8,013	9,403
Net debt	**$ 2,841**	**$ 4,976**	**$ 7,120**
Leverage ratio	**0.8x**	**(2.4)x**	**(4.9)x**

Return on Invested Capital

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 as the ratio between adjusted pre-tax income (loss), excluding interest expense, and invested capital. Invested capital includes average year-over-year long-term debt and lease obligations, average year-over-year shareholders' equity, and the embedded derivative on Air Canada's convertible notes. In 2020, Air Canada issued convertible unsecured notes. Air Canada has the option to deliver cash or a combination of cash and shares on the conversion date in lieu of shares, giving rise to an embedded derivative that is included as part of the definition of capital. Air Canada calculates invested capital on a book value-based method when calculating ROIC. Due to the low book value of equity given the impact of the COVID-19 pandemic, excess cash is no longer removed from the calculation of invested capital.

Adjusted Pre-tax Income (Loss)

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 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 disposal of assets, gains or losses on debt settlements and modifications, and special items as these items may distort the analysis of certain business trends and render comparative analysis across periods or to other airlines less meaningful.

Return on invested capital is reconciled to GAAP income (loss) before income taxes as follows:

(Canadian dollars in millions, except where indicated)	**2019**	**2020**	**2021**
Income (loss) before income taxes	**$ 1,775**	**$ (4,853)**	**$ (3,981)**
Adjusted for:			
Special items	-	(116)	(31)
(Gain) loss foreign exchange	(499)	293	52
Net financing expense relating to employee benefits	39	27	8
(Gain) loss on financial instruments recorded at fair value	(23)	242	55
(Gain) loss on debt settlements and modifications	(6)	-	129
Gain on sale and leaseback of assets	-	(18)	-
Gain on disposal of assets	(13)	-	-
Adjusted pre-tax income (loss)	**$ 1,273**	**$ (4,425)**	**$ (3,768)**
Adjusted for:			
Interest expense	515	656	749
Adjusted pre-tax income (loss) before interest	**$ 1,788**	**$ (3,769)**	**$ (3,019)**
Average long-term debt and lease liabilities (including current portion)	9,582	11,116	14,756
Embedded derivative on convertible notes	-	534	579
Average shareholder equity	3,839	3,058	862
Invested capital	**$ 13,421**	**$ 14,708**	**$ 16,197**
Return on invested capital	**13.3%**	**(25.6)%**	**(18.6)%**

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 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 in this news release and the documents incorporated by reference herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Air Canada, along with the rest of the global airline industry, continued to face significantly lower traffic, as compared to the year 2019, and a corresponding decline in revenue and cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world, including in Canada. While there are signs of improvement and travel restrictions have been easing, Air Canada cannot predict the full impact or the timing for when conditions will return to pre-pandemic levels. The COVID-19 pandemic has also had and may continue to have significant economic impacts, including on business and consumer spending and behaviour, which may in turn significantly impact demand for travel. The return of business travel to pre-pandemic levels may be challenged by the evolving nature of business models and remote-work practices in light of the impacts of the COVID-19 pandemic, including the growth and continued use of videoconferencing and other remote-work technologies as well as tendencies towards less environmentally impactful business and consumer behaviour. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus including its variants, effective testing, vaccinations and treatments for the virus, government actions including health measures and other restrictions, and passenger reaction, the complexities of restarting an industry whose many stakeholders must act in coordination with each other as well as timing and extent of recovery in international and business travel which are important segments of Air Canada's market, none of which can be predicted with certainty.

Other factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions such as the military conflict between Ukraine and Russia, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, competition, Air Canada's dependence on technology, cybersecurity risks, energy prices, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), other epidemic diseases, terrorist acts, war, Air Canada's dependence on key suppliers, Air Canada's ability to successfully operate its loyalty program, interruptions of service, Air Canada's ability to attract and retain required personnel, the availability of Air Canada's workforce, casualty losses, changes in laws, regulatory developments or proceedings, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), Air Canada's dependence on regional and other carriers, Air Canada's ability to preserve and grow its brand, employee and labour relations and costs, Air Canada's dependence on Star Alliance® and joint ventures, pending and future litigation and actions by third parties, currency exchange, limitations due to restrictive covenants, insurance issues and costs, pension plans, 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" in Air Canada's 2021 MD&A. 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.*

About Air Canada

Air Canada is Canada's largest domestic and international airline, the country's flag carrier and a founding member of Star Alliance, the world's most comprehensive air transportation network. Air Canada is the only international network carrier in North America to receive a Four-Star ranking from the independent U.K. research firm Skytrax, which in 2021 also named Air Canada as having the Best Airline Staff in North America, Best Airline Staff in Canada, Best Business Class Lounge in North America, as well as an Excellence award for its handling of COVID-19. Also in 2021, Air Canada was named Global Traveler's Best Airline in North America for the third straight year. In January 2021, Air Canada received APEX's Diamond Status Certification for the Air Canada CleanCare+ biosafety program for managing COVID-19, the only airline in Canada to attain the highest APEX ranking. Air Canada has also committed to a net zero emissions goal from all global operations by 2050. For more information, please visit: aircanada.com/media, follow Air Canada on Twitter and LinkedIn, and join Air Canada on Facebook.

Internet: aircanada.com/media

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