



# AIR CANADA

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## Air Canada Announces Offering of Shares

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MONTREAL, December 15, 2020 – Air Canada (TSX:AC) (the “Company”) today announced that it has commenced an overnight marketed public offering of Class A Variable Voting Shares and/or Class B Voting Shares of the Company (“Shares”) for gross proceeds of approximately C\$850 million (the “Offering”).

The Company intends to grant the underwriters an option to purchase up to an additional 15% of the Shares in the Offering, exercisable in whole or in part at any time until 30 days after closing of the Offering.

The Offering will be priced in the context of the market with the price and other final terms to be determined at the time of entering into an underwriting agreement for the Offering.

Completion of the Offering will be subject to various conditions, including the approval of the Toronto Stock Exchange.

The Company intends to use the net proceeds from the Offering to supplement the Company's working capital and other general corporate purposes. The net proceeds from the Offering will serve to increase Air Canada's cash position, thereby allowing for additional flexibility both from an operational standpoint and in the implementation of its planned mitigation and recovery measures in response to the COVID-19 pandemic.

TD Securities Inc., J.P. Morgan Securities Canada Inc., Citigroup Global Markets Canada Inc. and Morgan Stanley Canada Limited are acting as joint active book-running managers for the Offering.

The Shares will be offered by way of a short-form prospectus in all provinces and territories of Canada and may also be offered in the United States to qualified institutional buyers pursuant to Rule 144A of the U.S. Securities Act of 1933 (the “Securities Act”).

This press release does not constitute an offer to sell or a solicitation of an offer to buy the Shares or any other securities and shall not constitute an offer, solicitation or sale in the United States or in any other jurisdiction in which such an offer, solicitation or sale would be unlawful prior to the registration and qualification under the securities laws of such state or jurisdiction.

A preliminary short-form prospectus containing important information relating to the Shares has been filed with securities regulatory authorities in each of the provinces and territories of Canada. The preliminary short-form prospectus is subject to completion or amendment. Copies of the preliminary short-form prospectus may be obtained from TD Securities Inc., TD Tower, 9th Floor, 66 Wellington Street West, Toronto, Ontario, M5K 1A2 (e-mail: [sdconfirms@td.com](mailto:sdconfirms@td.com)) or J.P. Morgan Securities Canada Inc., Suite 4500, TD Bank Tower, 66 Wellington Street West, Toronto, ON M5K 1E7 or by telephone: Canada Sales 416-981-9233. A copy of the preliminary short-form prospectus can also be obtained under Air Canada's corporate profile on SEDAR at [www.sedar.com](http://www.sedar.com). There will not be any sale or any acceptance of an offer to buy the Shares until a receipt for the final short-form prospectus has been issued.

Class B Voting Shares of Air Canada may only be owned and controlled by Canadians. Any Class B Voting Share owned or controlled by a person who is not a Canadian is automatically converted to a Class A Variable Voting Share. Class A Variable Voting Shares may only be owned or controlled by persons who are not Canadians. Therefore, any Class A Variable Voting Share owned and controlled by a person who is a Canadian is automatically converted to a Class B Voting Share. Purchasers of the Shares who are Canadians will receive Class B Voting Shares. Purchasers of the Shares who are not Canadians will receive Class A Variable Voting Shares. The term “Canadian” is defined under subsection 55(1) of the *Canada Transportation Act* (Canada), as amended, as “(a) a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada), (b) a government in Canada or an agent or mandatary of such a government or (c) a corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and (ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person”.

**Update of Net Cash Burn Outlook**

Air Canada projects net cash burn of between C\$14 million and C\$16 million per day, on average, in the fourth quarter of 2020, higher than the C\$12 million to C\$14 million daily average net cash burn projected in Air Canada's third quarter 2020 news release. This amount does not include the cash proceeds from aircraft financing activities conducted during the quarter. The increase in projected net cash burn results equally from both lower than expected travel bookings in the first quarter of 2021 and timing of cash receipts from various sources now expected to be received in the first half of 2021. Air Canada's projection for fourth quarter 2020 net cash burn includes C\$4 million per day in capital expenditures and C\$5 million per day in lease and debt service costs. Net cash burn after including the proceeds of aircraft financing consummated in the fourth quarter of 2020 (related to the delivery of five Airbus A220) is expected to be between C\$12 million and C\$14 million per day, on average.

Net cash burn is a non-GAAP financial measure commonly used in the airline industry and is used by Air Canada as a measure of cash used to maintain operations, support capital expenditures, and settle normal debt repayments, all before the net impact of new financing proceeds. Net cash burn is defined as net cash flows from operating, financing, and investing activities, and excludes proceeds from new financings, and lump sum debt maturities made where the Company has refinanced or replaced the amount. Net cash burn also excludes movements between cash and short and long-term investments. Net cash burn is not a recognized measure for financial statement presentation under GAAP, does not have a standardized meaning, 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 review the section entitled "Non-GAAP Financial Measures" in Air Canada's Third Quarter 2020 MD&A for a further discussion of this measure, and to review the section entitled "Consolidated Cash Flow Movements" in Air Canada's Third Quarter 2020 MD&A for a reconciliation of this measure to Canadian GAAP.

### **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, the Company's expectations with respect to the form and terms of the Offering and the expected use of proceeds therefrom. 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. Notably, Air Canada's expectations with respect to net cash burn are subject to a number of assumptions, including current assumptions regarding its ability to implement its cost reduction programs and , rates of ticket refunds, other changes impacting working capital, including the level of advance ticket sales. Forward-looking statements cannot be relied upon due to, among 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 those discussed below.*

*Air Canada, along with the rest of the global airline industry, is facing a severe and abrupt drop in traffic*

*and a corresponding decline in revenue as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world, and particularly in Canada. The impact of the COVID-19 pandemic began to be felt in traffic and sales figures commencing in early March 2020. These impacts include drastic declines in earnings and cash from operations. There is very limited visibility on travel demand given changing government restrictions in place around the world and the severity of the restrictions in Canada; these restrictions and concerns about travel due to the COVID-19 pandemic as well as passenger concerns and expectations about the need for certain precautions, such as physical distancing, are severely inhibiting demand. The COVID-19 pandemic is also having significant economic impacts, including on business and consumer spending, which may in turn significantly impact demand for travel. Air Canada cannot predict the full impact or the timing for when conditions may improve. 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, government actions, and passenger reaction, as well as timing of a recovery in international and business travel which are important segments of Air Canada's market, none of which can be predicted with any degree of certainty.*

*Other factors which may cause results to differ materially from results indicated in forward-looking statements include those factors identified in Air Canada's public disclosure file available at [www.sedar.com](http://www.sedar.com) and, in particular, those identified in section 14 "Risk Factors" of Air Canada's Third Quarter 2020 MD&A and section 20 "Risk Factors" of Air Canada's 2019 MD&A. Readers cannot be assured that the Offering described above will be completed on the terms described above, or at all. The forward-looking statements contained 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. Canada's flag carrier is among the 20 largest airlines in the world and in 2019 served over 51 million customers. Air Canada is 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 according to independent U.K. research firm Skytrax, which also named Air Canada the 2019 Best Airline in North America.

SOURCE Air Canada

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