JPMorgan

2019 Aviation, Transportation and Industrials Conference



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New York
March 5, 2019

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Significant Progress

- ✓ Sustainably profitable over long term
- ✓ Delivered on commitments
- ✓ Much lower risk profile
- ✓ ROIC well in excess of WACC



Opportunities Ahead

New reservation system





Loyalty



A220

Improved Key Financial Targets



1. Targets factor in the expected impact of the new accounting standard change IFRS 16
2. Based on the consolidated results of Air Canada, including the Aeroplan loyalty business starting from the acquisition date of January 10, 2019.

Improved Key Financial Targets *(cont'd)*

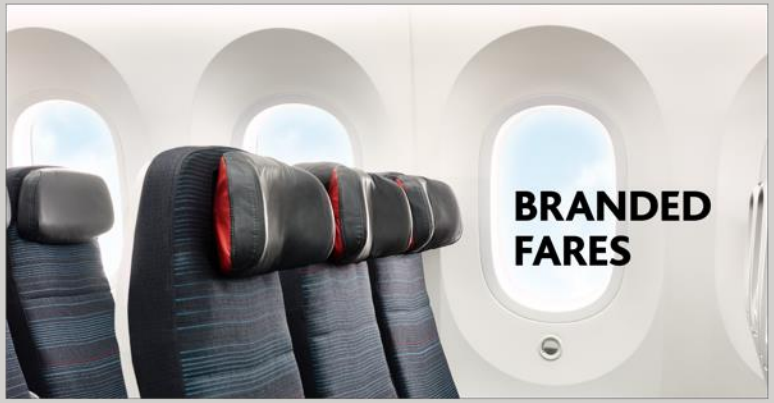
	Over the period 2019-2021
✓ **Annual EBITDA margin**	19% – 22%
✓ **Annual return on invested capital**	16% – 20%
✓ **Cumulative free cash flow**	$4.0B – $4.5B
✓ **Leverage ratio**	No more than 1.2 by end of 2019

Based on assumptions outlined in Air Canada's February 28, 2019 news release

Project Strong EBITDA Margins

Unique Competitive Advantages

AIR CANADA | aeroplan

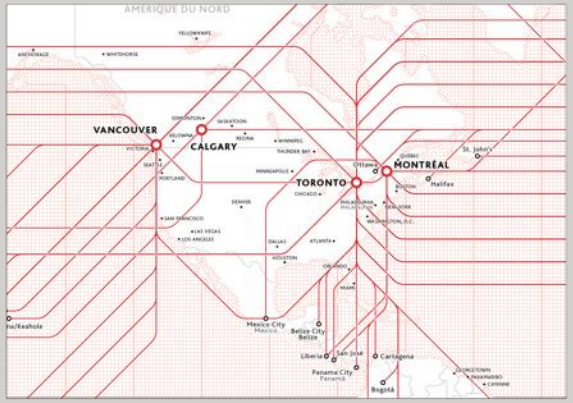












Project Strong EBITDA Margins *(cont'd)*

- ✓ Investments in technology – new reservation system
  - **Annual incremental benefits of $100M**
- ✓ Cost Transformation Program
  - **Savings of $250M by end of 2019**
- ✓ Replacement of less-efficient narrow-body aircraft
- ✓ Incremental benefits from extended capacity purchase agreement with Jazz
- ✓ Acquisition of Aeroplan loyalty business and launch of new program



Cost Reduction Remains a Priority

Air Canada Rouge

- Adjusted CASM is 29% lower than mainline

Cost Transformation Program

- Renegotiation of agreements

Fleet



29% CASM advantage over the Boeing 767



11% CASM advantage over the Mainline Airbus A320



12% CASM advantage over the Embraer E190

- Complete restructuring of regional fleet

Increased Competitiveness in Regional Sector

Jazz CPA extended by 10 years

(January 1, 2026 to December 31, 2035)

- Provides significant network benefits
- Bolsters strength of Air Canada Express brand
- Improves coast-to-coast regional network
- Air Canada Rouge backfilling certain routes



Amended CPA with Jazz –
Estimated NPV of $275M (2019-2025 period)

$50M
2019

$50M
2020

$53M
2021-2025

Competitive rates
2026-2035

$97M equity investment — excellent value for shareholders



Loyalty



- Aeroplan loyalty business
- Launch of new loyalty program in summer 2020

Loyalty *(cont'd)*



Incremental benefits incorporated into three-year targets

- NPV in excess of $2.5B
- Materially contributes to free cash flow
- Improves seasonality
- Reduces risk profile from introduction of new program

Declining Level of Capital Expenditures

Narrow-body fleet replacement program –
Average mainline fleet age 8.5 years at end of 2021

$600M - $800M annually in non-aircraft expenditures
focused on investments in technology

Level of projected capital expenditures to decline
by $1.4B by end of 2021, when compared to 2019

By middle of next decade, **certain Rouge aircraft will need to be replaced due to their age**

IFRS 16 adds $200M to projected CAPEX due to higher capitalized maintenance (offset is reduced maintenance expense) (versus 2018 MD&A)

Capital Allocation Strategy



CUMULATIVE FREE CASH FLOW* OF $4.0B TO $4.5B OVER NEXT THREE YEARS

- Continue to aggressively manage debt levels
- Purchasing majority of 2019 aircraft deliveries with excess cash
- Share buyback program

* Excludes the net proceeds on the closing of the Aeroplan transaction

Leverage Ratio of No More than 1.2 Supports Investment Grade Credit Rating



SINCE 2012, AIR CANADA'S CREDIT RATING IMPROVED

S&P	4 notch improvement to BB with positive outlook
Moody's	5 notch improvement to Ba2 Stable

More Aggressive Buyback Program an Opportunity



PURCHASED, FOR CANCELLATION,
23.4M SHARES OR **8%**
OF OUTSTANDING SHARES
(SINCE MAY 2015)

- Will continue to utilize Normal Course Issuer Bid
- Expect to be more aggressive when opportunities present themselves

Much Stronger Balance Sheet

- ✓ **Lowered leverage ratio to 2.1 from 3.1** since end of 2012
- ✓ **Reduced average cost of debt to 4.4%**
- ✓ **Average cost of capital of 7.2%,** 540 basis points lower than ROIC of 12.6%
- ✓ **Freed up collateral by purchasing new aircraft**
- ✓ **US$2.6B unencumbered assets –** will increase in 2019
- ✓ **Record unrestricted liquidity of $5.725B –** will increase post-Aeroplan acquisition
- ✓ **Excess cash of $2.0B**



Financial Risks are Very Well Managed



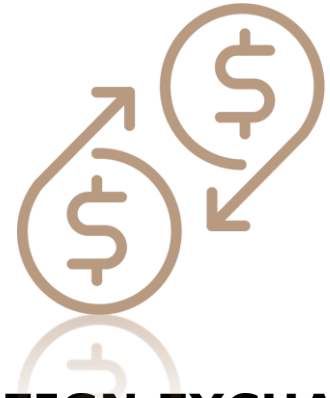
PENSION

- $2.4B* solvency surplus
- 81% of liabilities matched with fixed income products
- No past service or current service payments required



FUEL RISK MANAGEMENT

- Flexible program
- Currently unhedged
- Derivative contracts
- Assessing IMO 2020 market impact



FOREIGN EXCHANGE RISK MANAGEMENT

- U.S cash reserves
- Derivative contracts
- 75% coverage for 18 months

*Based on preliminary estimates as of January 1, 2019

Much More Resilient to Economic Downturns

- ✓ Higher margins
- ✓ Lower cost structure
- ✓ Record liquidity levels
- ✓ Lower leverage ratio
- ✓ Unencumbered asset pool
- ✓ Diversified network – less dependent on domestic
- ✓ Flexible and more efficient fleet
- ✓ Ability to defer new aircraft future deliveries
- ✓ Lease mix allows Air Canada to permanently reduce capacity if required



Much More Resilient to Economic Downturns *(cont'd)*

Unencumbered aircraft

- Air Canada and Air Canada Rouge



	Currently	By end of 2021
	55 (23%)	**100** (40%)

Currently 55% of combined Mainline and Rouge is leased – Ratio will decrease as Air Canada purchases more aircraft with cash

Summary

- ✓ Record results
- ✓ Improved key financial targets
- ✓ New Jazz agreement – net present value of $275M
- ✓ Loyalty program – net present value in excess of $2.5B
- ✓ Lower risk profile – record liquidity levels, large unencumbered asset pool and pension solvency surplus
- ✓ Adjusted CASM performance in line with U.S. network carriers
- ✓ Lower leverage ratio supports Investment Grade credit rating
- ✓ A more aggressive share buyback program an opportunity
- ✓ More resilient to economic downturns than ever before

Thank you



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