



ANNUAL MEETING OF SHAREHOLDERS

APRIL 29, 2021

**NOTES FOR A PRESENTATION BY DENIS PÉTRIN
VICE-PRESIDENT, FINANCE AND ADMINISTRATION,
AND CHIEF FINANCIAL OFFICER**

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2021 ANNUAL MEETING OF SHAREHOLDERS

PRESENTATION BY DENIS PÉTRIN

**Vice-President, Finance and Administration and Chief Financial Officer
Transat A.T. Inc.**

(Check against delivery)

Thank you, Jean-Marc.

We reported our 2020 results last December and will report the second-quarter results this June. My comments this morning will concern the financing announced.

Since the very beginning of the crisis, we have taken strong measures to preserve our cash flows.

We have benefited from the confidence of our business partners and the long-standing relationships we have developed with them.

During the period when we were subject to the Arrangement Agreement with Air Canada, we put in place a temporary financing facility to see us through to the foreseeable conclusion of the transaction. We also allowed time for long-term financing to be put in place in the event that the transaction did not close.

We are pleased to announce today that we have access to a total of \$820 million in financing, the details of which you can see in the news release we issued this morning.

First, the new financing of \$700 million, fully repayable, from the Government of Canada's Large Employer Emergency Financing Facility (LEEFF):

It consists of a first credit facility of a maximum of \$310 million:

- Unsecured, to enable us to reimburse our customers whose travel had to be cancelled because of the pandemic, under conditions that are workable for the company. A separate news release was issued this morning to clarify the terms and conditions.
- This amount is repayable over a seven-year term and is being loaned at the seven-year Canada bond rate, currently 1.2%.

The second credit facility, also under the LEEFF program, is for an amount of \$390 million:

- In 2 tranches:
 - o A first, secured, for \$78 million (representing 20% of the facility) and bearing interest at the Canadian Dollar Offered Rate (CDOR), plus 4.5%, resulting in a current rate of 5.1%;
 - These are the same terms and conditions as those agreed to for the \$50 million revolving credit facility with our bankers.
 - o The second tranche, unsecured, is an amount of \$312 million (representing the remaining 80%) with a 5-year maturity and loaned at a rate of 5% in the first year, increasing to 8% in the second, plus 2% per annum thereafter, with the possibility of interest capitalization in the first 2 years. This \$390 million facility allows drawdowns over a period of 18 months.
 - o We have issued a total of 13 million of warrants to purchase an equivalent number of Transat shares at an exercise price of \$4.50 per share, representing the weighted average price of the last 5 days;
 - The warrants will vest in proportion to drawdowns on the unsecured facility, according to a formula detailed in our news release.
 - The life of the warrants is 10 years.
 - Conversion into shares will not exceed 19.9% of the shares outstanding after issue, with the excess, if any, payable in cash on redemption.
 - If the entire \$390 million facility is redeemed in the first year, 50% of the vested warrants will be cancelled.

In addition to the facilities made available to us by the Canadian government, we have also extended the maturity of our existing \$120 million in financing to April 2023, i.e.:

- The revolving credit of \$50 million with BNC and Scotia.
- As well as the subordinated credit facility put in place last fall for the portion drawn to date; this represents about \$70 million with BNC and EDC.
- The bank ratios will also be suspended for an 18-month period, enough time to gain more visibility.
- I therefore want to thank them for their continued support.

This funding from the Government of Canada comes with some conditions, understandable in the circumstances. As long as the \$390 million facility is in place:

- We will not be able to pay dividends or make share repurchases.
- Compensation for senior executives may not exceed that paid in 2019, with a limit of \$1 million.
- The minimum number of active employees must be maintained at today's level.
- And as I mentioned, we are committed to reimbursing customers whose travel was cancelled due to the pandemic, and who apply for it. As required by the program, we are inviting our customers to submit their applications starting today.

Overall:

- Given the severity of the crisis, we needed access to cash to ensure the company's continuity.
- The maturity dates of the various financing facilities will allow us to have more visibility and to draw down the required amounts.
- The overall cost is a maximum of 6%, meaning that if we use the entire available credit for the maximum of its duration, plus the subscription warrants.
- As Jean-Marc said earlier, we now have the necessary cash to look ahead with confidence and to be able to focus our efforts on the recovery and on our strategic plan for the coming years, in order to rebuild a strong and profitable company for a long time to come.
- So today is probably the best day for Transat since the start of the pandemic, marking the beginning of the rebuilding process. We are now looking forward to the vaccination and health situation allowing travel restrictions to be lifted so that we can start welcoming our customers, who we know are eager to travel again.