Canadian Airline Industry Update

Deborah T. Meehan
President & CEO, InterVISTAS Group

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Canadian Traffic Reached a Record in 2012

International Traffic Leading Growth

Enplaned/Deplaned Passengers by Sector
2000 vs. 2011

Source: 1990-2012: Air Carrier Traffic at Canadian Airports. Statistics Canada
Canada is Growing Faster than the US

Indexed Passenger Volume Benchmark

Notes: Small airports defined as those Canadian airports not in the top 12 of Canadian air passenger traffic.
Sources: Canada Traffic: 2004-2011 Air Carrier Traffic at Canadian Airports. Statistics Canada; 2012 estimate taken from InterVISTAS Aviation Intelligence Report
Within Canada Smaller Communities are Growing at a Faster Rate

Indexed Passenger Volume Benchmark

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Sun Flying Dominates Growth

Seat Capacity Growth 2012-2013 by Region

In 2013, seat capacity increased by 1%.

- Domestic: -857 seats
- Caribbean: 1,065 seats
- Transborder: 340 seats
- Asia: 229 seats
- Central America: 122 seats
- Africa: 92 seats
- Europe: 55 seats
- Australasia: 27 seats
- Middle East: 12 seats
- Other North America: 6 seats
- South America: 6 seats

Source: Innovata Schedules via Diio.
Financial Performance of Canadian Airlines
Canada’s Airlines Making Financial Gains

Canadian Airlines Operating Profit/Loss

Notes: 2013 YTD financials include the first two quarters of 2013.
Source: Air Canada and WestJet annual and quarterly reports.

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Airline Update
Air Canada - Rouge
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Air Canada has started a new low cost carrier

+ Rouge utilizes Boeing 767s (Euro/Asia/LA) & Airbus 319/320 aircraft.

+ Could replace mainline flying on some low-yield markets (e.g. YVR-PEK) and initiate service on new routes considered too thin or low-yield for mainline service (e.g. YYZ-NCE).

+ Many legacy carriers (including AC with Tango and Zip) tried to operate an ‘airline within an airline’.

+ Most failed: they reduce operational flexibility, & many costs cannot be shed, resulting in higher unit costs for the parent.

+ Successful example: Qantas/JetStar.
Air Canada Rouge

Air Canada Rouge Fleet

WestJet

WJ launched Encore operating 78 seat aircraft

+ Domestic growth by adding markets not large enough to support B737s.
+ Build connecting networks at key airports.
+ Regional feed is a prerequisite if WestJet intends to add widebody aircraft to enable future long-haul service.
+ Regional feed also assists in alliance strategy, enhancing beyond-the-gateway competition in Canada.
WestJet Encore

- New markets
- Connect the dots
- Optimize Frequency
- Ideal for routes up to 600 miles
- East expansion likely in 2014/2015

WestJet Encore Fleet

Porter recently announced conditional purchase of up to 30 Bombardier CSeries jets

- Regional Q400 operator based in Toronto Island Airport (YTZ)
- CSeries operation at YTZ faces challenges
- Requires amendment to the tripartite agreement
- Runway extension required
- Addition terminal capacity required
Air Transat

Air Transat grows in the leisure segment

+ Air Transat is a Montreal-based carrier catering mainly to leisure travelers

+ Air Transat offers service primarily between Canada and destinations in Europe, as well as the Caribbean, Mexico and the Mediterranean

+ Fleet renewal program in place as it orders own 737’s and cancels lease programs

Air Transat Passenger Traffic

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<thead>
<tr>
<th>Year</th>
<th>Traffic</th>
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<tbody>
<tr>
<td>2007</td>
<td>2,000,000</td>
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<tr>
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<tr>
<td>2009</td>
<td>3,000,000</td>
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<tr>
<td>2010</td>
<td>3,500,000</td>
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<tr>
<td>2011</td>
<td>4,000,000</td>
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</tbody>
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Summary

1. Aviation in Canada is Strong and Growing
2. Traffic is at Record Levels
3. The Carriers Are in Good Financial Condition
4. New Concepts are Being Tested That Lower Fares both Domestically and Internationally
5. The Outlook for Canada’s Aviation Remains Bright
Thank You!

deborah.meehan@intervistas.com
paul.ouimet@intervistas.com

www.intervistas.com