



Canada Jetlines Ltd. Fourth Quarter and Full-Year 2023 Results Conference Call Transcript

Date: Thursday, March 28, 2024

Time: 4:00 PM ET

Speakers: **Susan Xu**
Investor Relations

Eddy Doyle
Chief Executive Officer

Percy Gyara
Chief Financial Officer

Operator:

Welcome to the Canada Jetlines Fourth Quarter and Year-End 2023 Results Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, then zero.

I would now like to turn the conference over to Susan Xu, Investor Relations. Please go ahead.

Susan Xu:

Thank you, Operator, and good afternoon, everyone. Welcome, and thank you for joining Canada Jetlines Q4 and Full Year 2023 Results Conference Call.

Speaking on our call today is Canada Jetlines' Chief Executive Officer, Eddy Doyle, and Chief Financial Officer, Percy Gyara.

Our Q4 and year-end 2023 results were disseminated this afternoon and are available on SEDAR+ as well as on our website at www.jetlines.com.

Before we get started, I wish to remind everyone that some statements made on today's call are forward-looking in nature and therefore are subject to certain risks and uncertainties, which are all outlined in detail in our regulatory filings available on SEDAR+. On this call, we will refer to the Company as Canada Jetlines or Jetlines.

I will now turn it over to Eddy to share the Company's Q4 update. Percy will then provide a financial update. Over to you, Eddy.

Eddy Doyle:

Thank you, Susan. Good afternoon, everyone, and thank you for joining us this afternoon.

On the agenda today, we'll be discussing our Q4 and full year 2023 highlights, our financial results, some of the 2024 outlook in our fleet plan. As mentioned before, we will also have a Q&A session at the end of the presentation.

Some of the accomplishments in 2023. In early 2023, we launched a new international nonstop service up service from Toronto Pearson to destinations such as Cancun, Montego Bay, Las Vegas, and Orlando which we started in the fall of 2023. This opened additional revenue streams for us of course.

In addition to our scheduled service just mentioned, throughout the year, we secured several significant charter contracts for cruise companies, the Department of National Defense, private companies, as well as three CFL teams. We also operated under a wet lease contract for other operators. These contracts have not only boosted our revenue, but also strengthened our reputation as a reliable and efficient air travel provider.

In August, we took delivery of our third Airbus 320, which entered service shortly after in mid-August. The private placement announced last quarter in Q4, in partnership with Jetstream Aviation, Inc., aimed to raise a total of \$13.5 million. We successfully closed the first and second tranche in Q4 2023 and the third and final tranche in January 2024.

As a result, Jetstream now holds approximately 50% of the issued and outstanding shares of the Company. We use the proceeds from the financing for working capital and to fuel the expansion of our fleet, and we will be operating six aircrafts by the end of June 2024 with over 200 employees.

Additionally, we will further enhance our Tour Operator division, which provides all-inclusive vacation packages and cruises.

In the full year 2023, we achieved total operating revenue of \$37.2 million compared to \$3.2 million in the prior year. This is our first full year of operation, as Canada Jetlines only commenced operation and started to earn operating income in the third quarter of 2022.

Most of our revenues in 2023 were generated by our charter and ACMI operation, and I will interchange the term ACMI and wet lease, they both mean the same, accounting for \$26.7 million in 2023 compared to \$2.4 million in 2022.

We increased EBITDA in 2023 by 57% compared to the fiscal year of 2022.

In Q4, we flew 1,729 block hours, which represented an increase of 324% over the 534 hours flown in Q4 2022.

With that, I'll turn it over to Percy to talk about our financial results for Q4 and for the full year of 2023.

Percy Gyara:

Thank you, Eddy, and good afternoon, everyone.

As Eddy mentioned, we have achieved over 1,000% increase in revenue. Full year 2023, we have \$37.2 million versus a \$3.2 million last year. Same goes for contribution, which is basically a gross margin, revenue less the variable cost, and we have achieved over 3,300% there, with a total of \$14.5 million in contribution compared to \$0.4 million last year. This is, again, one full year of operation—the first full year of operation that we had, and 2022, we had started operating in end of September 2022.

In terms of operating income, net income and EBITDA, we see improvement in all those numbers compared to 2022. The largest improvement being in EBITDA, where we have \$11 million loss last year, which is \$4.7 million this year. This is as a result of fully applying a lot more utilization of the aircrafts and across and better revenue in terms of certain revenue mixes.

Quickly talking about the revenue streams that we have, we do have our own schedule flying to some destinations, revenue from our two operator divisions itself, packages, hotels, flights, cruise, car rental, ground tour packages, insurance, and more, our ACMI or wet lease as Eddy explained earlier, and also charter flights for companies, private companies, governments, cruise lines, sports teams, etc.

This shows us that we have utilized our different revenue streams to maximize revenue from each source. There is a seasonality that's at play here. There will be a higher charter and ACMI in the summer months versus the winter months. But overall, we have achieved an increased revenue. Just to mention, we have a charter and ACMI that has done \$26.7 million this year as compared to \$2.4 million last year.

In terms of the flight hours, we have shown strong growth in aircraft utilization as well. We have done 1,729 hours versus the 534 in the last quarter of last year.

With this, I'll turn it over back to Eddy for our 2024 outlook.

Eddy Doyle:

Thank you, Percy.

As we enter 2024, we're excited to execute our growth strategy which includes expanding our fleet to seven aircrafts by the end of 2024. We presently operate four aircrafts with two more being delivered in the next two months. As I mentioned before, we'll be at six by the end of June. Looking at the longer term, we're projecting an expansion to 15 aircrafts by the end of 2026.

Earlier this month, we announced a strategic agreement with Corendon Airlines in the Netherlands, which will help us maximize our fleet utilization during the summer season by providing Corendon Airlines with two aircrafts and crews, which will be based in Rotterdam and Maastricht, respectively. The operation is set to begin with one aircraft in late April 2024 for a period of six months, and the second aircraft in late June until the end of October also. Both aircrafts will be operating for Corendon until the end of October.

This week, we announced a second wet lease contract, this time flying for Air Arabia Maroc, where we will provide two aircrafts and crews to operate flights between Morocco and Western Europe, starting in mid-June, lasting until mid-September. The aircrafts will then return to—all four aircrafts will then return to Canada in the fall, and we'll be flying to a key leisure destination on our scheduled services.

We are pleased with the high fleet utilization and revenue these wet lease contract will provide in the upcoming months, and about the growth opportunities ahead here in the next few months.

Our strategic initiative, including fleet inspection and the forging of key partnership, are positioning us well for sustainable growth and success.

Our Tour Operator, as I'll talk a little bit about that, was launched in December 2023, Canada Jetlines Vacation, which provides Canadians with an option to buy all-inclusive packages to the Caribbean, as well as other destinations, offering a combination of flights, plus hotel or cruise, car rental, insurance, and ground tour packages.

Jetlines Vacation will not only support the Company's airline operation, but also establish a network of resellers and all the partnerships to expand our offering and reach new customer, thereby strengthening our position in leisure travel market and aligning with its commitment to providing Canadians with exceptional vacation options.

This completes our prepared remarks. I'll turn it over to questions and answers. Thank you.

Operator:

Certainly. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause a moment for the callers to join the queue.

Susan Xu:

Thank you, Operator.

While we're waiting to see if any callers join the queue, we have a few questions that the IR team has received through email. If that's all right, I can queue that up at the moment.

Eddy Doyle:

Yes, absolutely. Go ahead.

Susan Xu:

Great. The first question we received was, can you explain why a large portion of your fleet will be flying out of Europe this summer?

Eddy Doyle:

Yes, absolutely. This is part of our strategy, as we mentioned our three different revenue sources. When you look at the strategy of our airline is to fly Canadian to leisure destinations, sun destinations. Of course, the demand for that, while still present during the summer month, is not as high as in our nice Canadian winter months.

However, Europe always has a need for aircrafts and crews in the summer months that they look for an operator that can provide them with support. This provides great yield, plus, we are sending four

aircrafts to Europe. Yes, it is a significant portion of our fleet. But the advantage of that is we get paid hourly, and we're guaranteed a revenue and profit because we're not responsible to sell the aircraft, the seats on the airplane. We just provide the aircraft, the crew, the maintenance, and of course the insurance for aircrafts, and in this case, Corendon or Air Arabia is responsible for all other costs.

Susan Xu:

Great. Thanks, Eddy.

The second question we have is, what is your plan for your Tour Operator?

Eddy Doyle:

Thank you. The Tour Operator is an important part of our strategy given our business model of flying Canadian to leisure destinations. We want to grow this Tour Operator to really become the core of our business, where we don't sell just a flight, but the entire vacation package. People don't go on vacation just to get on an airplane. The goal is really to go and spend a week in places like Cancun, Montego Bay on a cruise. Being able to provide that, not for us an opportunity for vertical integration, but additional revenue sources. The Tour Operator is really core to our business strategy.

Susan Xu:

Great. Thank you.

At this point, Operator, are there any questions that have come in on the line?

Operator:

Yes. The next question comes from Assif Satter with—a shareholder. Please go ahead.

Assif Satter:

Hi, congratulations on great performance and growth. I'm one of your shareholder from Middle East. I would like to know that is there any plan in the future to list the Company's stocks in the U.S. or some more liquid stock exchange?

Eddy Doyle:

You want to answer that, Percy?

Percy Gyara:

Sure.

Eddy Doyle:

Or you want me to take it? Either way.

Percy Gyara:

I can answer. Thanks. Well, first of all, thanks for being the shareholder. To answer your question, currently, we are exploring other markets, but nothing has been finalized yet. Give us some time and we will definitely be looking at more liquid markets, most probably the U.S. markets.

Assif Satter:

Any time frame in mind?

Percy Gyara:

I would say six to eight months.

Assif Satter:

Okay. Thank you.

Eddy Doyle:

Yes, just to be clear, we haven't come to a final decision. We're exploring the benefits and the cost of it.

Assif Satter:

Yes, got it.

Operator:

Since there are no more questions, this concludes the question-and-answer session. I would like to turn the conference back over to Susan Chu for any closing remarks. Please go ahead.

Susan Xu:

Great. Thank you so much. This concludes the question-and-answer session and today's conference call. Thank you so much for joining and participating, and you may disconnect from your lines. Have a great day.