



# Third Quarter 2022 Results Presentation

Transportes Aéreos Portugueses, S.A.

Lisbon, November 2<sup>nd</sup>, 2022

# Review of the quarter and first nine months

**Christine Ourmières-Widener,**  
Chief Executive Officer

**TAP** AIRPORTUGAL



# Strategic Plan is effective

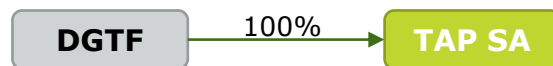
- **TAP is achieving new positive financial records**
- **Positive Net Income** in third quarter showing significant improvement year-to-date
- **Record EBIT** in the first nine months of 2022
- Despite operational disruptions, **full year 2022 financial results expected to be outperforming**
- Major milestones of our strategic plan still ahead of us with the negotiation of **new labor agreements, improvement of operational performance and upgrade of our customer service**
- **Environment remains challenging** with increased risk of recession, inflation, high jet fuel prices and unpredictable currency movements




# A major restructuring in an unprecedented crisis

## New TAP after restructuring

- New Shareholder



- New structure

 Max 99 until 2025

 Less ~2,000

- Capital injections approved by EU Commission

**EUR 3.2bn**

- New Strategic Plan

## Strategic Plan designed by Management and approved by EU Commission

Achieving a sustainable and profitable aviation business by 2025

**CUSTOMER**

**REVENUE**

**COST**

**PEOPLE/  
ENABLERS**

**FOCUS ON AVIATION BUSINESS**

# 2022 set to exceed 2019 in all financial metrics

## Revenues

In % of 2019



## Recurring EBIT

In % of 2019



## Recurring EBIT Margin

Vs.2019



## Net Income

Vs.2019



### 3Q 2022

EUR 1,119m

107%

EUR 153m

118%

13.6%

+1.1 pps.

+EUR 111m

+EUR 110m

### 9M 2022

EUR 2,440m

98%

EUR 154m

312%

6.3%

+4.3 pps.

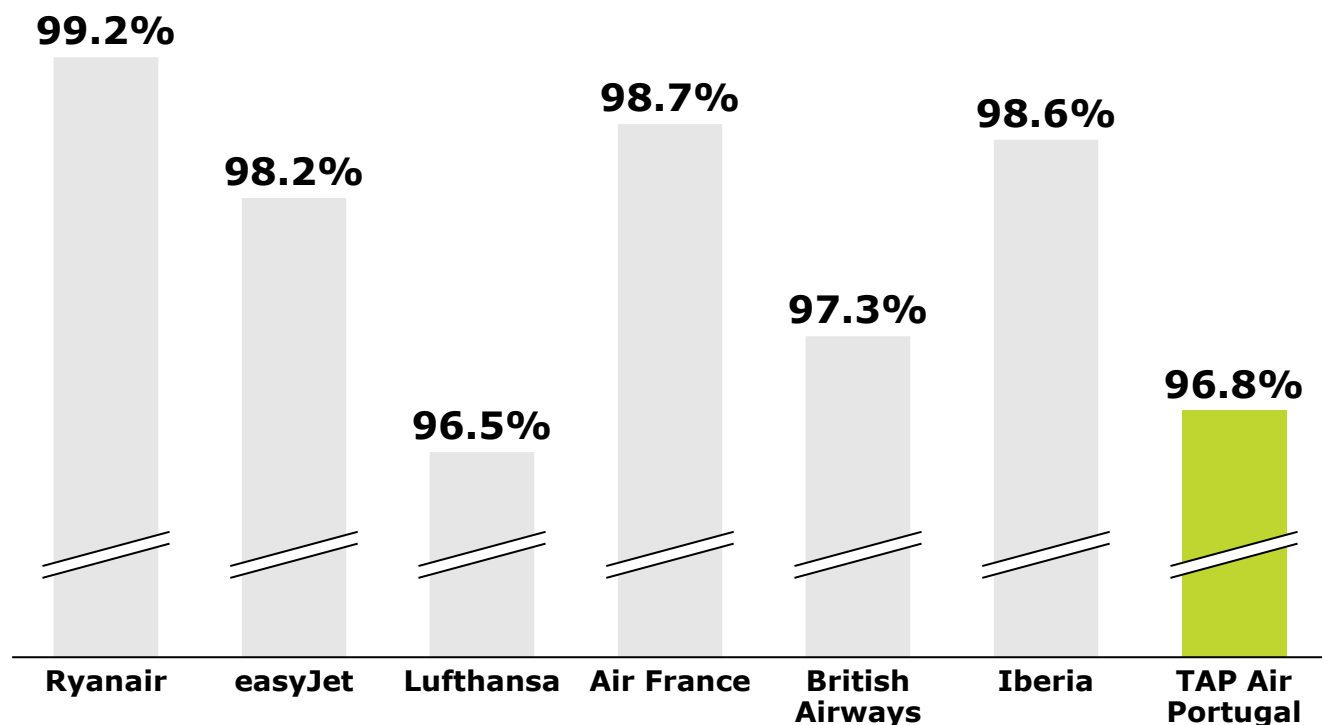
-EUR 91m

+EUR 20m

# 3Q affected by industry wide operating disruptions

## Regularity<sup>1</sup>

1<sup>st</sup> July – 30<sup>th</sup> September



### Comments

Ramp-up of activity has affected operational performances of airlines all summer

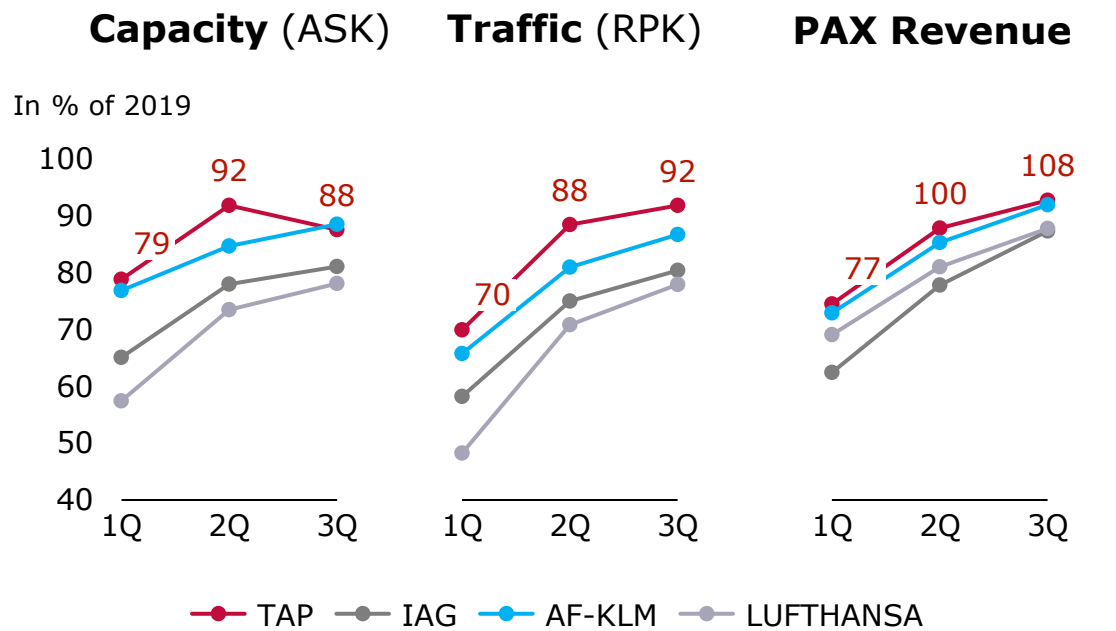
TAP's operational challenges are also affected by software upgrades in NAV's systems (TopSky) that have substantially reduced the activity at the airport over the past weeks with impact on our regularity and punctuality

Reducing number of ATRs to improve performance

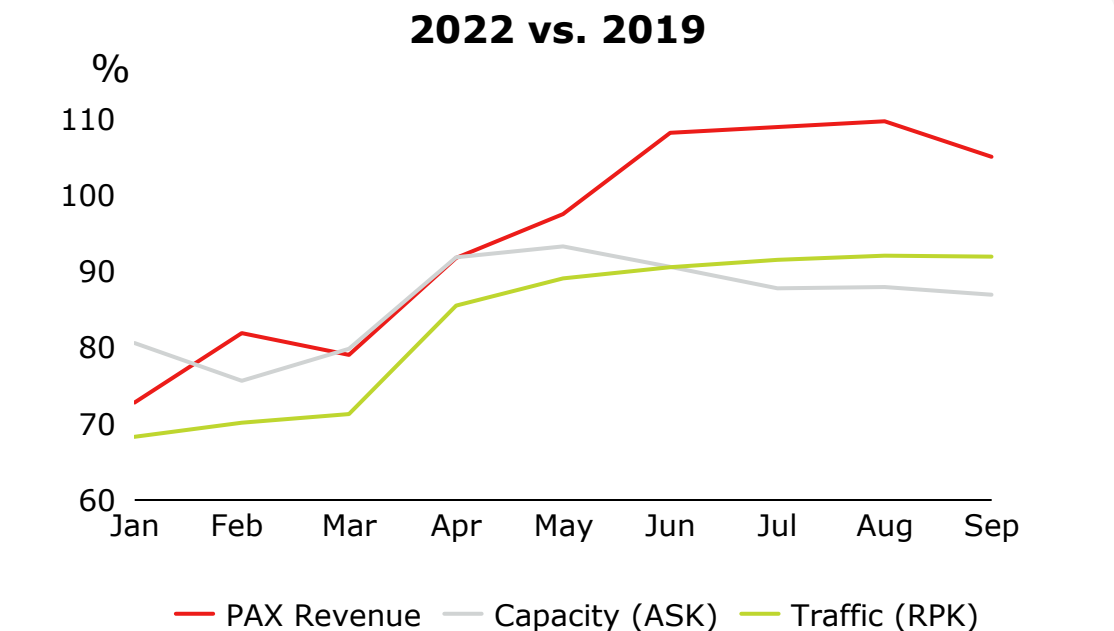
1. Comp. Factor (Dep)  
Source: Cirium Analytics

# TAP recovering faster than most peers with strong revenue in 3Q

## Stronger recovery on key metrics



## Passenger revenues maintaining high level in 3Q



# 3Q and 9M 2022 results

**Gonçalo Pires,**  
Chief Financial Officer

**TAP** AIRPORTUGAL

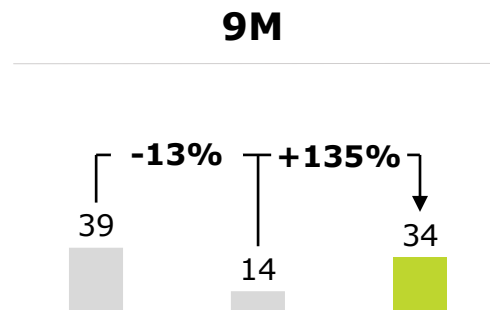
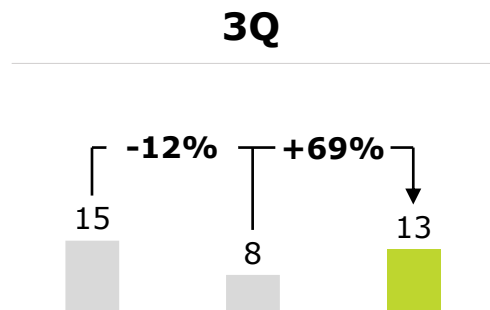




# Volume metrics recovering but still below pre-crisis levels

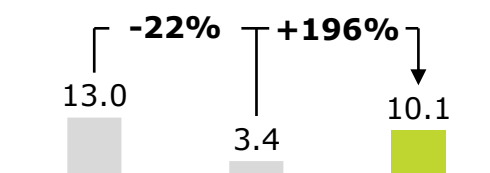
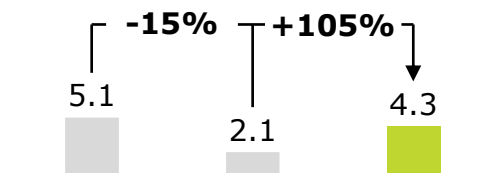
## ASKs

Billions



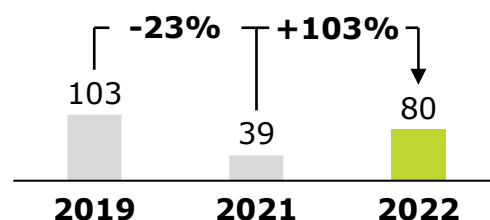
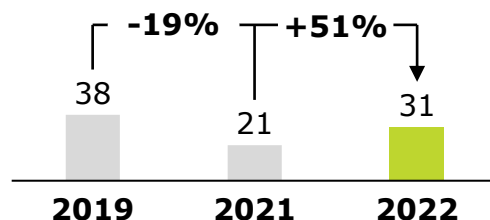
## Passengers

Millions



## Departures

Thousands



## Comments

Volume metrics impacted by smaller fleet. ASKs reaching 88% of 2019 levels in 3Q

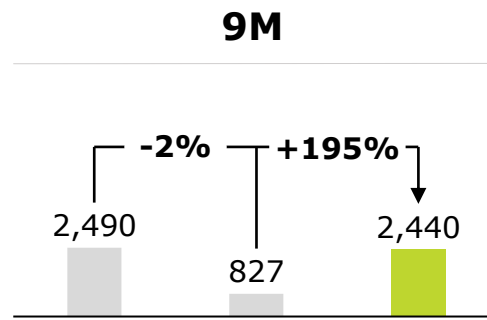
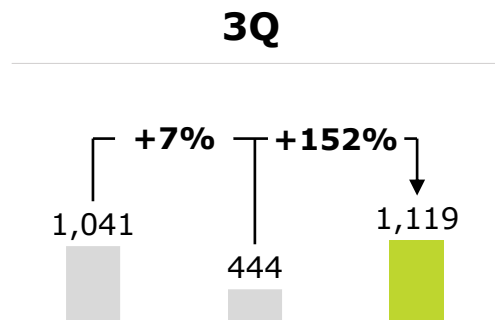
Number of passengers doubled versus 2021, reaching 85% of 2019 levels in 3Q

81% of 2019 departures achieved in 3Q

# Revenues surpassing pre-crisis level in 3Q

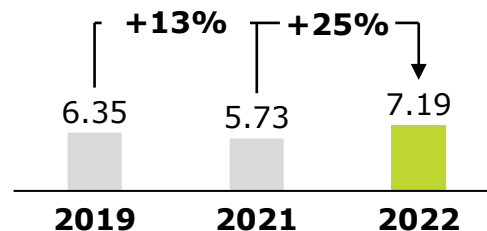
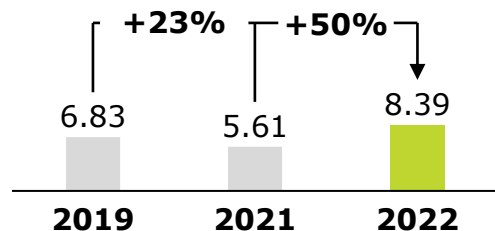
## Total operating revenue

EUR Millions



## RASK

EUR cents



## Comments

Revenues grew significantly and were 7% above pre-crisis level in 3Q, despite - 12% ASK vs. 2019

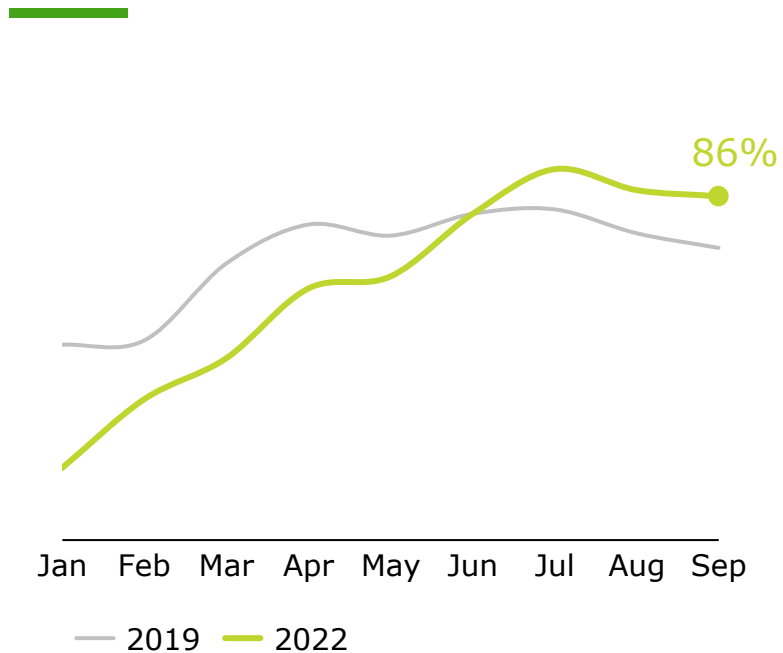
Passenger business represents about 90% of total revenues

Unit revenues clearly above 2019 level (+23% in 3Q) driven by higher fares and strongly improved load factors

# Steadily growing load factors and higher yields drive revenue

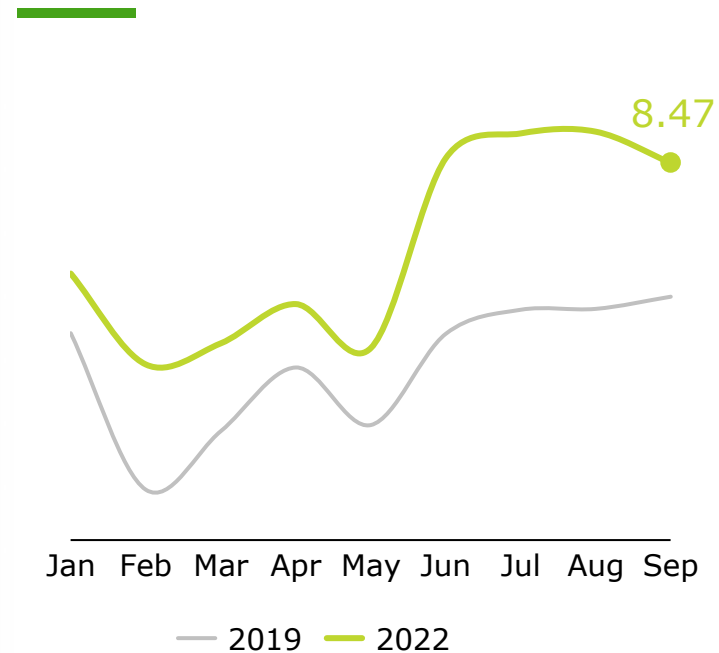
## Load factors

In %



## Yields

In EUR cents



## Comments

Load factors steadily improving until July and stabilizing well above pre-crisis level in 3Q

Yields on average about 14% above 2019 levels, 17% in 3Q only

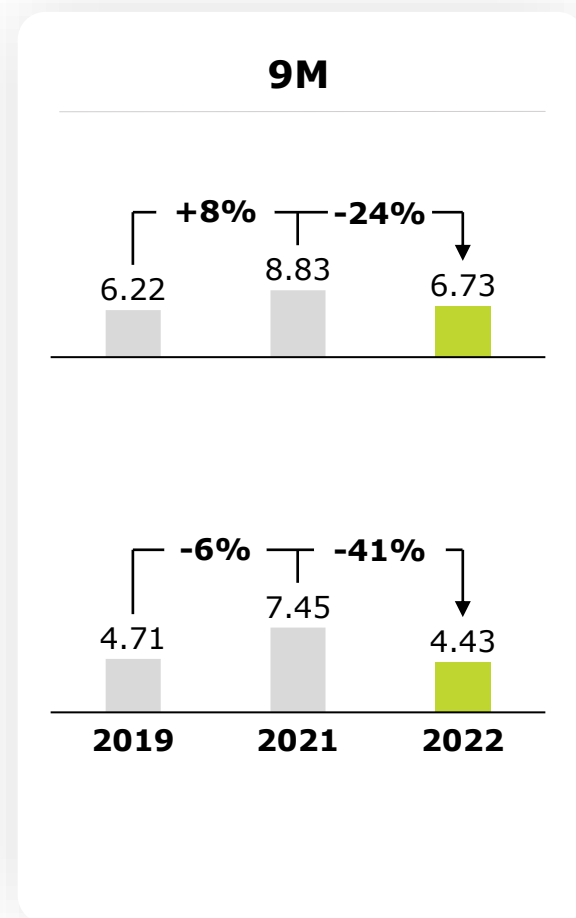
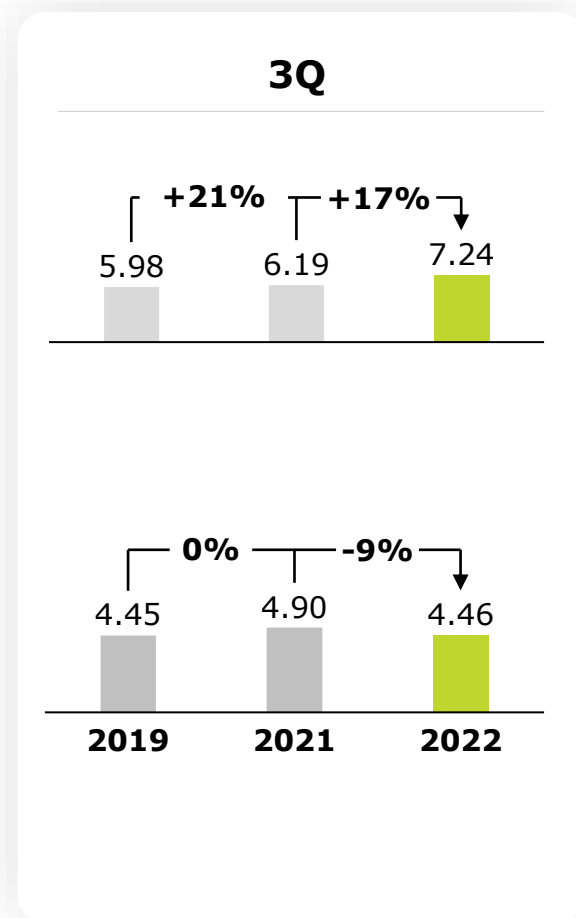
# Good unit cost performance despite lower capacity

## Recurring CASK

EUR cents

## Recurring CASK ex-fuel

EUR cents



## Comments

Year-on-year CASK development impacted by lower ASK recovery in 3Q than in previous quarters and further increased fuel prices

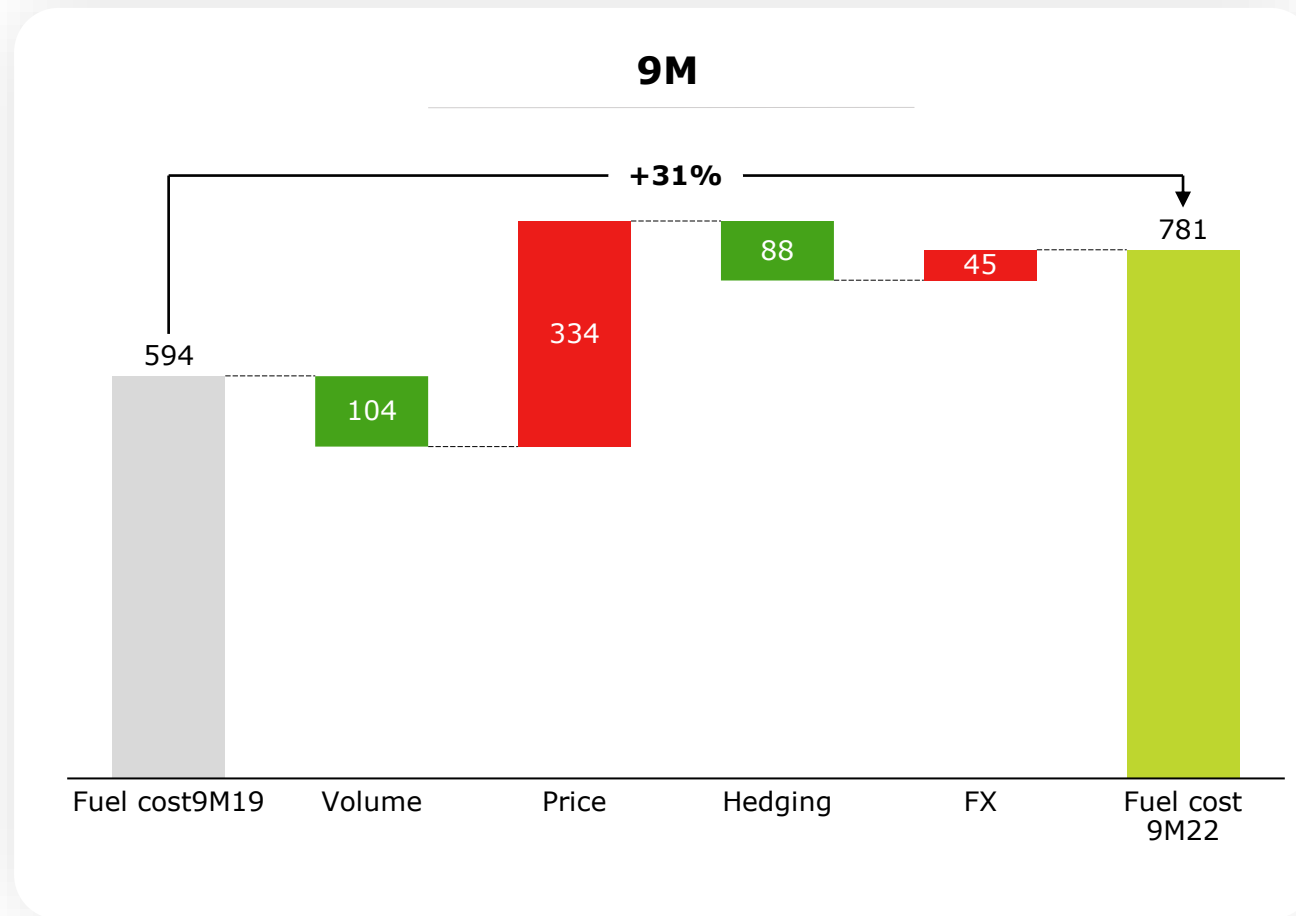
CASK ex-fuel on same level as 2019, despite lower ASK and higher inflation

1. Recurring EBITDA = Operating Result + Depreciation, Amortization and impairment losses + Restructuring + Other Non-Recurring items
2. Recurring EBIT = Operating Result + Restructuring + Other Non-Recurring items.

# Steep fuel price increases slightly offset by hedging result

## Fuel cost<sup>1</sup>

EUR million



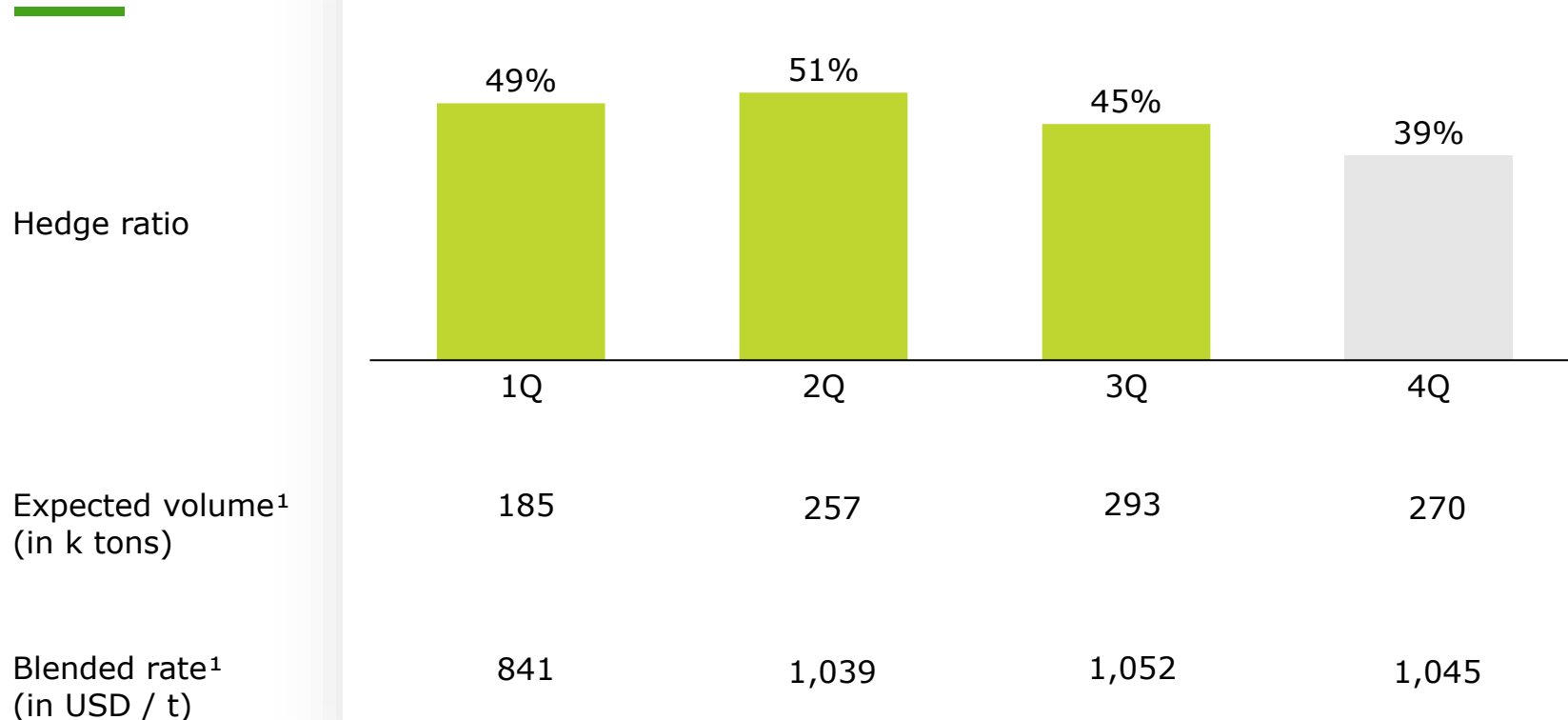
## Comments

Higher fuel costs essentially reflect the drastically increased Jet-fuel prices and USD appreciation, overcompensating effects from lower activity and hedging

1. Fuel cost including cost for CO2 emission certificates. In the bridges, these are included in the volume effect.

# TAP currently expects close to EUR 1bn fuel cost for FY 2022

## Fuel Hedging



## Comments

TAP pursues a flexible hedging strategy based on a combination of statistical market model and fundamental analysis

Aiming to hedge between 40% and 50% of next quarter's estimated fuel consumption

c. 46% of expected full year jet fuel consumption hedged

20% of expected volume for 1Q 23, hedged, 9% for 2Q 23

1. As of October 27, 2022.

# Record operating profit

## Recurring EBITDA<sup>1</sup>

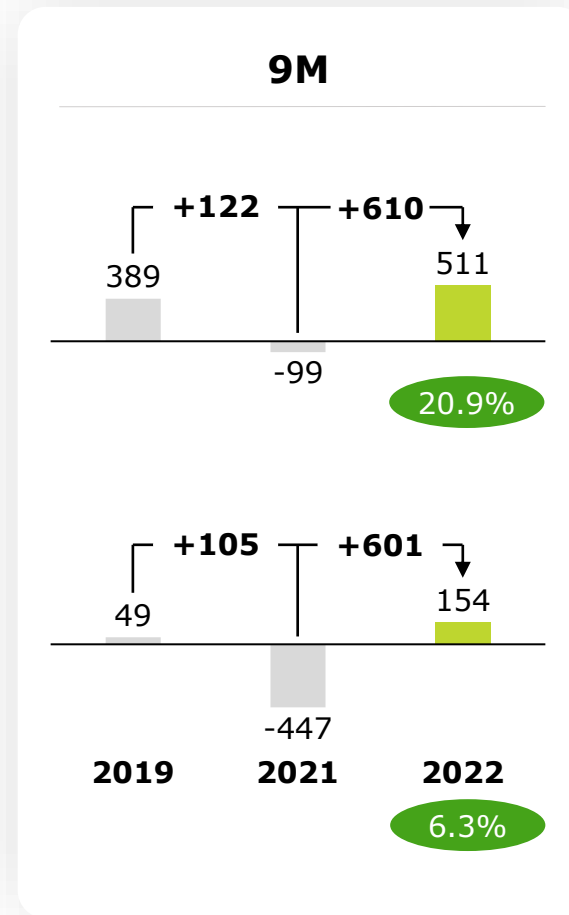
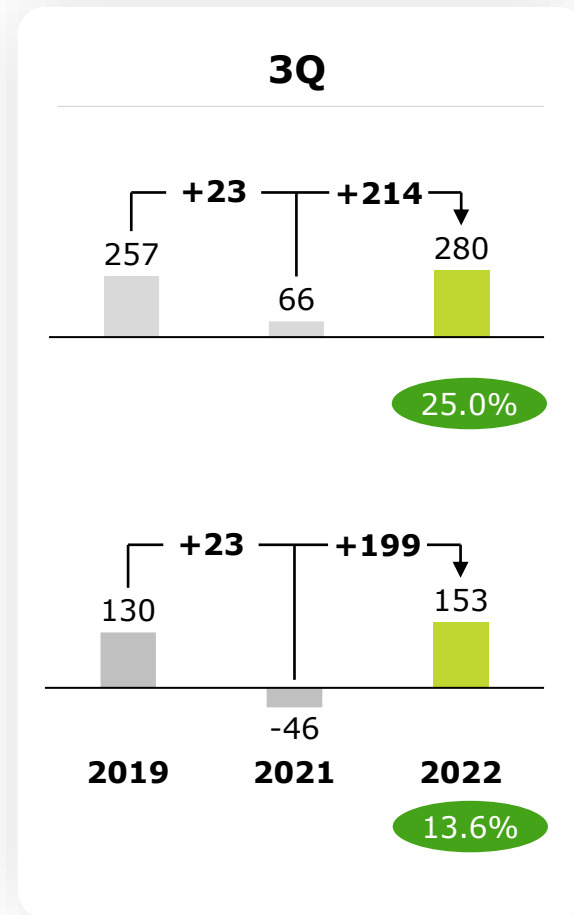
EUR million

### Margin

## Recurring Operating Result<sup>2</sup> (EBIT)

EUR million

### Margin



## Comments

Operating profit significantly higher than pre-crisis, despite higher fuel costs

Recurring EBIT in 9M 22 already ~3x FY 19 amount

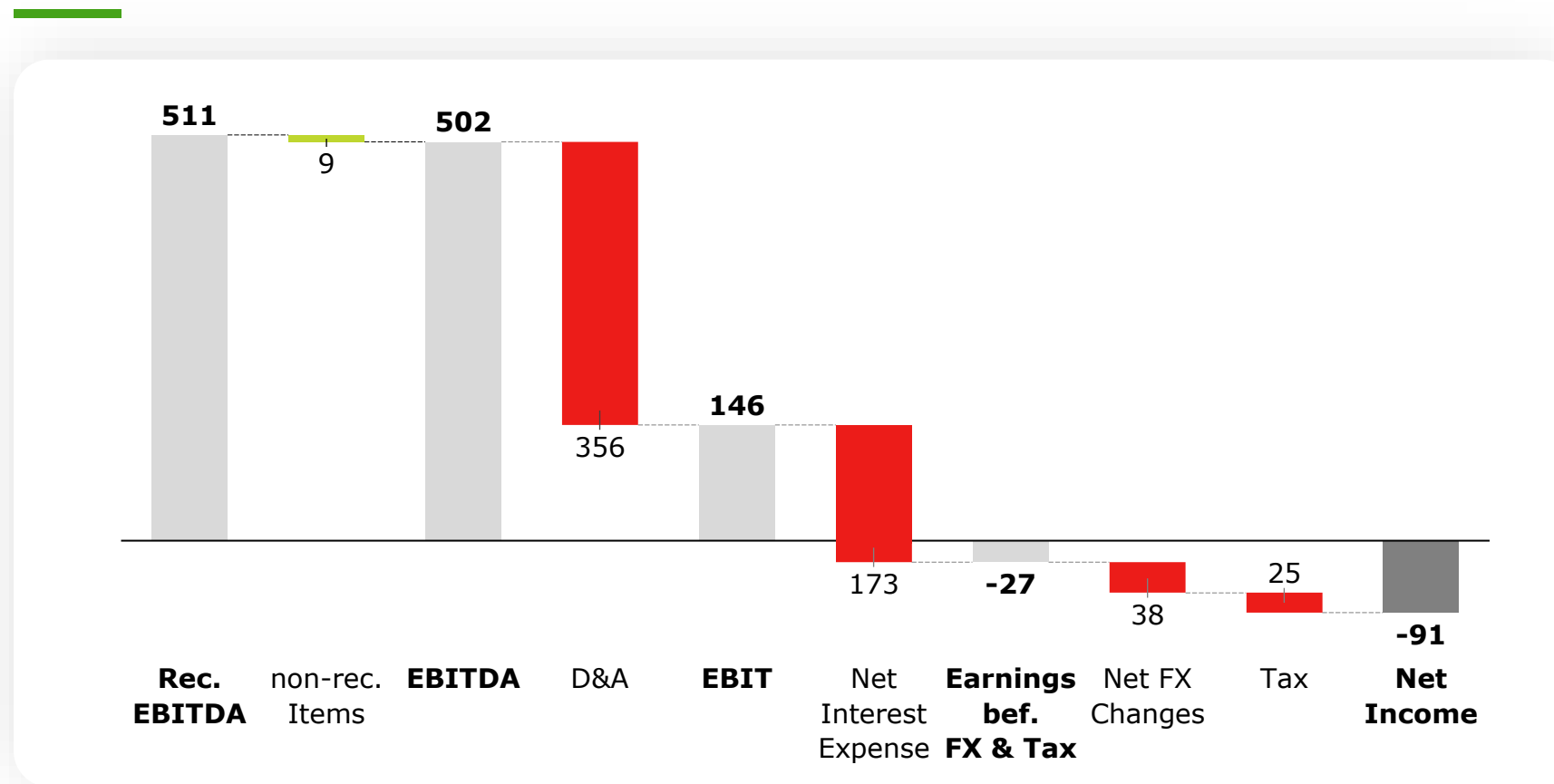
1. Recurring EBITDA = Operating Result + Depreciation, Amortization and impairment losses + Restructuring + Other Non-Recurring items

2. Recurring EBIT = Operating Result + Restructuring + Other Non-Recurring items.

# Net income still negative but significantly improved

## 9M 2022 Net Income bridge

EUR million



**Comments**

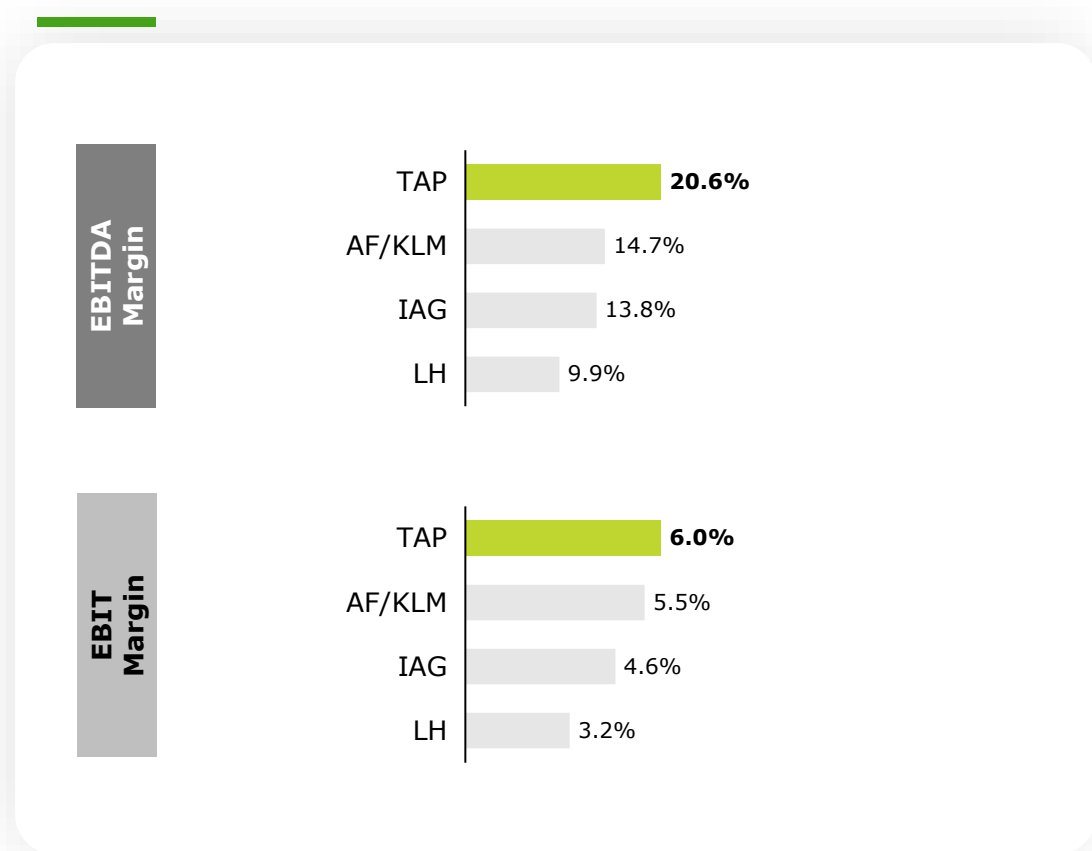
Interest expenses slightly lower than previous year due to the equity conversion of the 1.2bn state loan

Lower impact from currency movements due to hedging strategy in the context of financial risk management



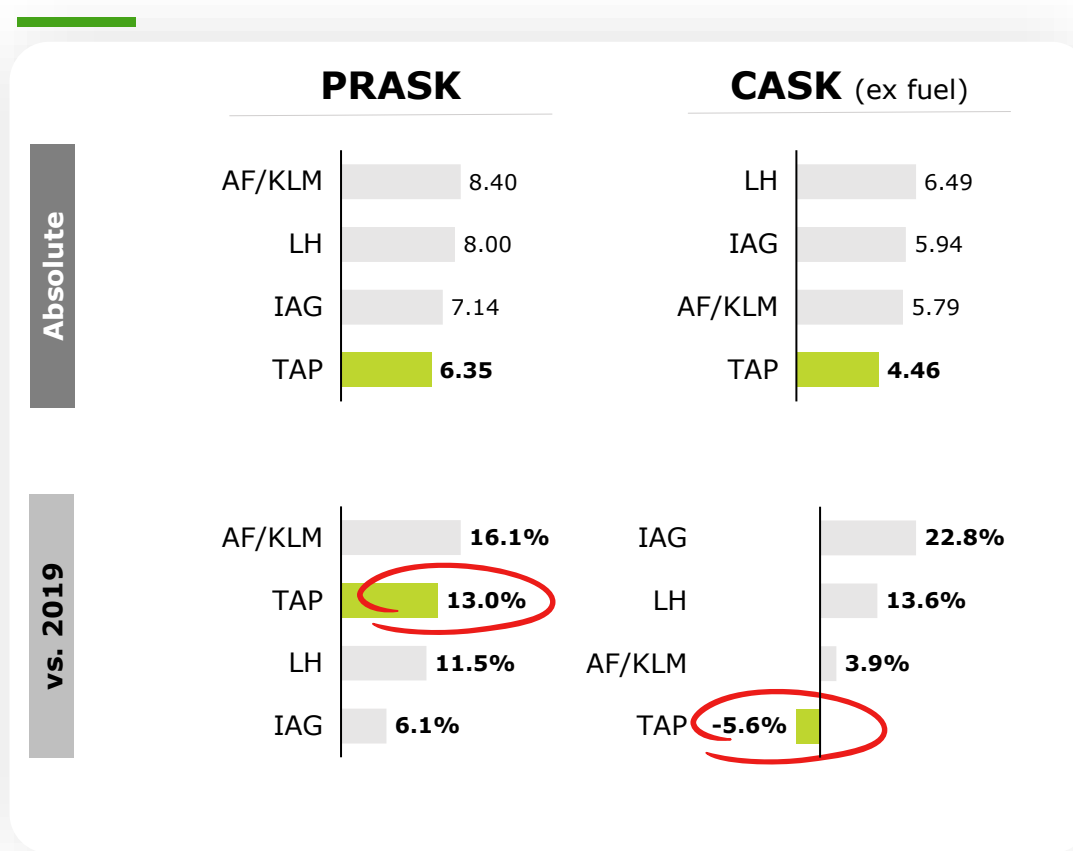
# TAP operating results in 9M 22 compare well with its key peers

## 9M 22 financial benchmark<sup>1</sup>



1. Margins refer to Group margins for AF/KLM, IAG and LH. For better comparability TAP's EBIT definition was applied to peers

## 9M 22 Unit revenues / cost benchmark<sup>2</sup>

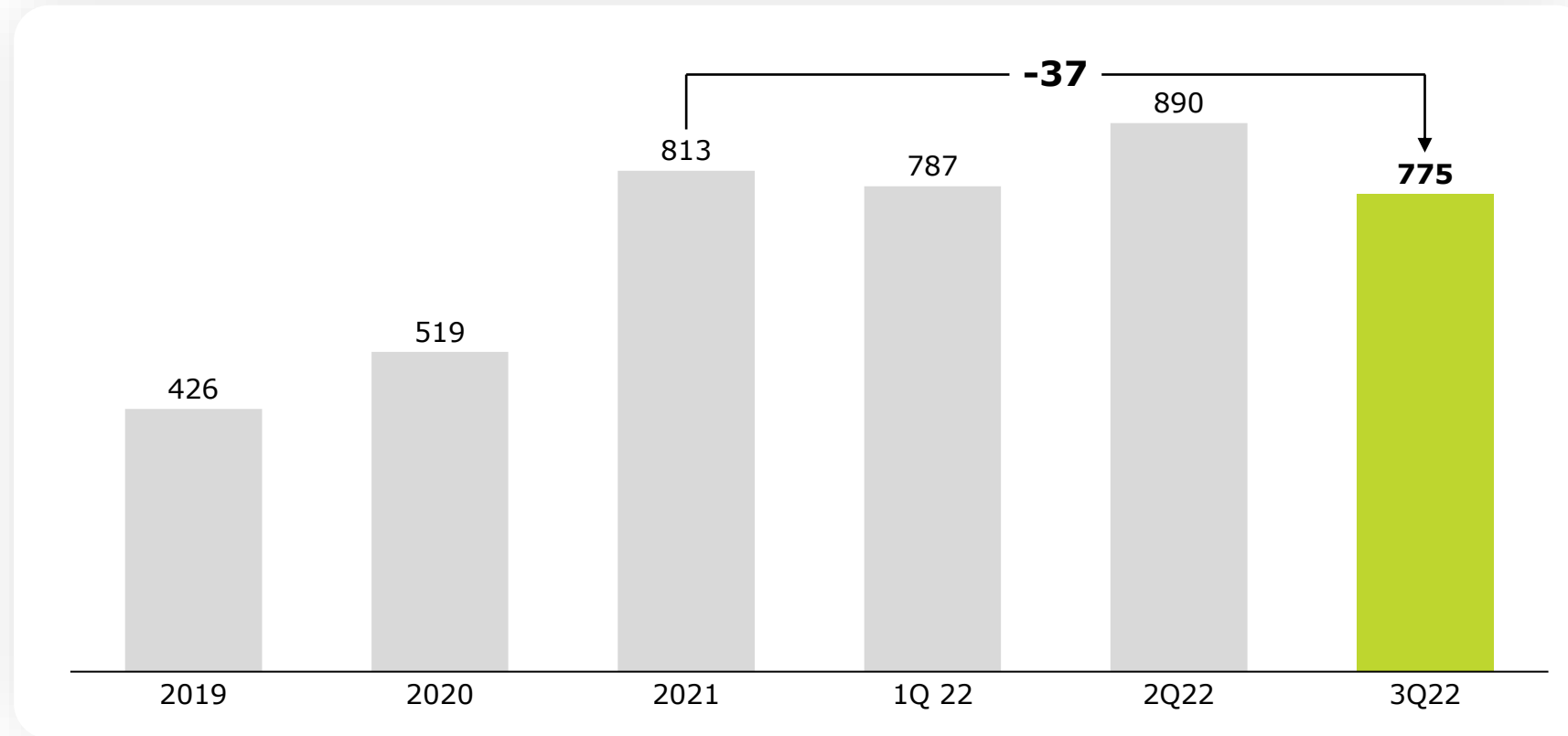


2. Air France / KLM, IAG and Lufthansa: Only Passenger Airlines; TAP PRASK and CASK definition applied to peers

# Still solid liquidity after peak season

## Liquidity<sup>1</sup>

Cash & Equivalents, EUR million



### Comments

Solid liquidity level in 3Q 2022

Reduction from first half following seasonally typical cash flow pattern in the peak season

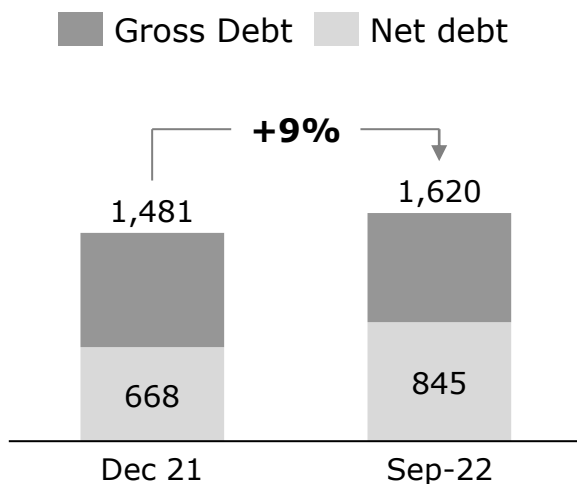
Almost cash neutral year-to-date

1. Any discrepancy between change in liquidity and cash flow due to currency effects

# Increased debt, last shareholder cash injection still outstanding

## Financial debt position

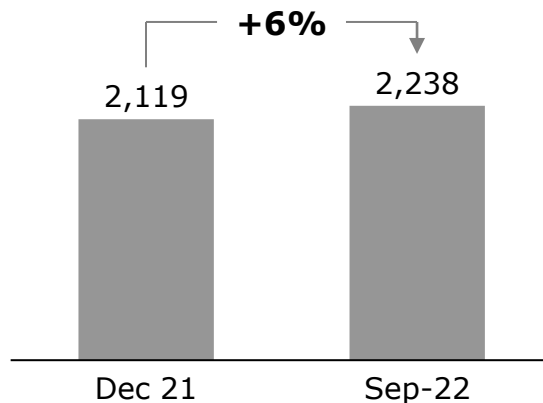
EUR million



Increase in gross debt on the back of new aircraft leases. 81% of debt is fixed rate

## Operating leases

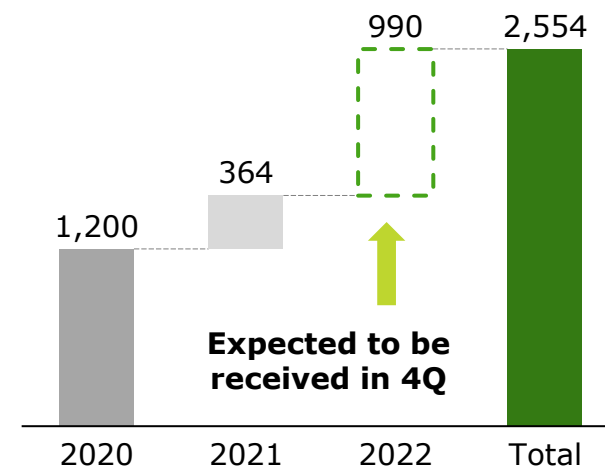
EUR million



Lease liabilities w/o purchase options

## Restructuring Aid

EUR million



Amount already included in State budget for 2022

# Outlook and next steps

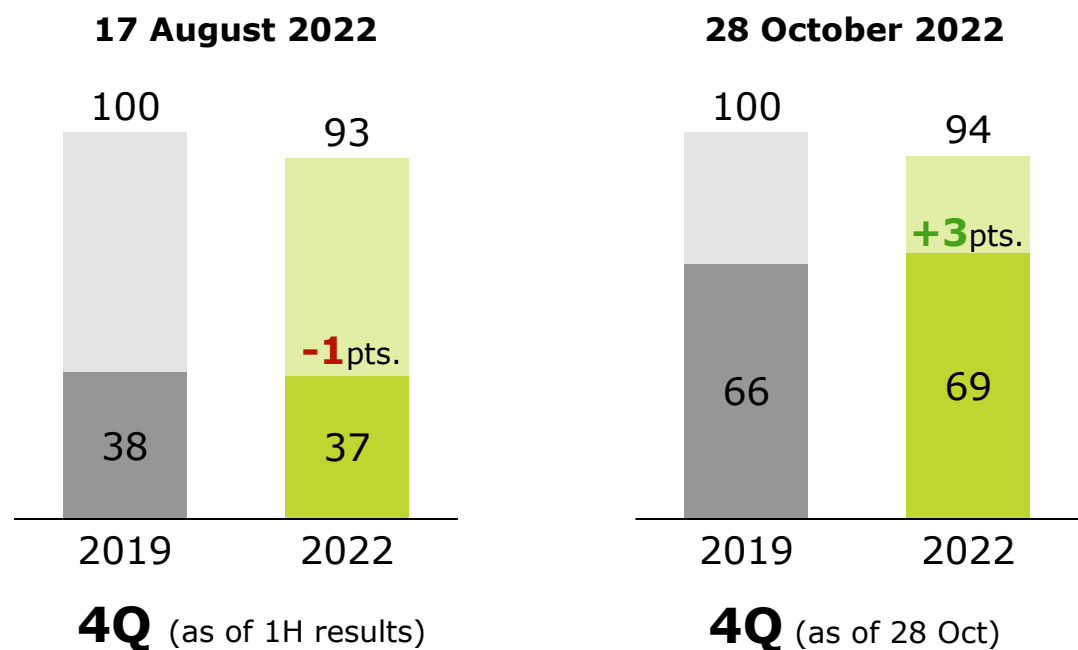
**Christine Ourmières-Widener,**  
Chief Executive Officer

**TAP** AIRPORTUGAL



# Strong end of the year expected but 2023 with challenges

## Outlook for the end of the year has improved since 1H results



■ 2019 Capacity in ASK base 100%  
■ Forward booking load factor 2019

■ 2022 Capacity in ASK vs. 2019  
■ Forward booking load factor 2022

## TAP will be facing further challenges in 2023

- Safeguarding revenues in **recessionary environment**
- Cost reduction amid **inflation**
- Improving customer satisfaction despite a **capacity constrained infrastructure**
- Negotiating **new labor agreements**

# Progressing in the implementation of the strategic plan

## Strategic initiatives for the second half of 2022

- **Negotiate all new CLAs**
- Launch **employee engagement survey** in 3Q
- Implement newly developed **leadership training programs**
- Select **new partner for Groundforce** by 4Q
- Implement new and **improved onboard service** and open new lounges
- **Adjust branded fares** for short and medium haul
- Relaunch **new Stopover program** with more benefits for our pax
- Implement **quick wins for flytap and app** to improve customer experience
- Intensify focus on **sustainability**
- **Reviewing all governance processes** to improve transparency
- Continue constant **optimization of Network**

# Customer experience still with room for improvement

## Improvements achieved in Q3

- ✓ **Call center response up to 80% in Aug & Sep** with reduced waiting times
- ✓ **Fixed errors** and quick wins implemented on **flytap.com**
- ✓ **New lounges opened**
- ✓ **New branded fares** deployed for Europe and North Africa

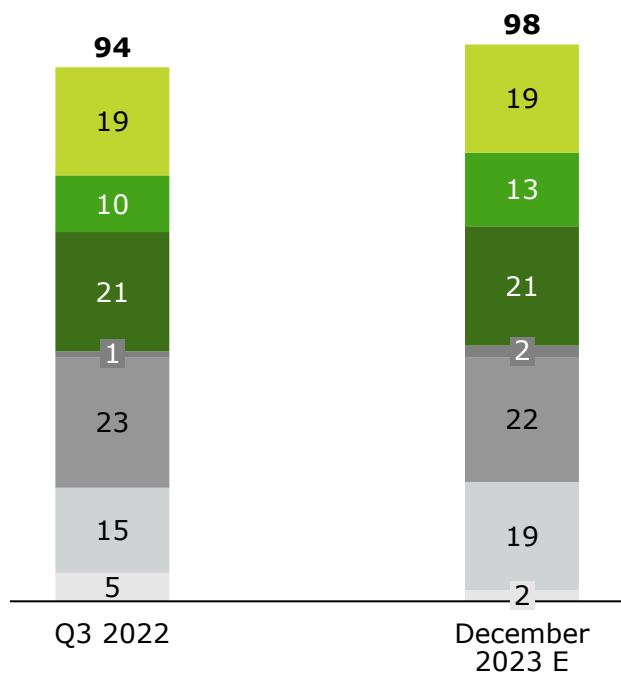


## But still room for improvement Plan for 4Q:

- Develop tools and process to support **Disruptions Management**
- Selection of a best-in-class **Call Center partner** to improve service and procedures
- Selection of a best-in-class **partner for revamping flytap.com and the App**
- Strengthen **TAP brand image**
- Engage/Training **front line staff**
- Improvements **LIS lounge**

# Fleet strategy for 2023 to achieve improved operational reliability and better customer experience

## Passenger aircraft fleet



■ A330 neo   
 ■ A320 neo family   
 ■ A320 ceo family   
 ■ ATR  
■ A321 LR   
 ■ A332 ceo   
 ■ Embraer

### Δ

A330 Family **+1**  **A330-900**  
 **A330-200**

**+3**  **A321-LR**  
 **A319**

A320 Family **-1**  **A320CEO**  
 **A320NEO**  
 **A321NEO**  
 **A321CEO**

eJets **+4**  **E195**  
 **E190**

ATR **-3**  **ATR**

## Comments

TAP will substantially reduce the number of ATRs that had a challenging performance and increase the number of eJets to fly shorter routes

The up-gauging will improve financial performance, operational reliability and customer experience

Additionally TAP launched an RFP for the remaining ATR operation and a new partner was selected



# New CLA's are a critical step to TAP's future

## Background

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**"Complex and outdated labor agreements"**

## Current situation

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**"Emergency Agreements enabled TAP survival but not sustainable"**

## Guiding Principles

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**"A fairer, more productive and more rewarding labor framework for the future"**

*New CLA to promote growth and development by unlocking productivity*

# Conclusion

- **TAP is achieving new positive financial records**
- **Positive Net Income** in third quarter showing significant improvement year-to-date
- **Record EBIT** in the first nine months of 2022
- Despite operational disruptions, **full year 2022 financial results expected to be outperforming**
- Major milestones of our strategic plan still ahead of us with the negotiation of **new labor agreements, improvement of operational performance and upgrade of our customer service**
- **Environment remains challenging** with increased risk of recession, inflation, high jet fuel prices and unpredictable currency movements
- **TAP thanks to all stakeholders**, including unions and employees, for its contribution for the ramp-up of the company and still counts on them to continue this road of recovery



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# Q&A

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**Thank You**

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