



# FY 2023 Results Presentation



Transportes Aéreos Portugueses, S.A.  
Lisbon, March 27<sup>th</sup>, 2024

# 2023 Review

**TAP** AIRPORTUGAL



# FY23: Strong performance with key achievements

- **Strong financial performance**, with robust revenues, net income and strong operating margins
- **New CLAs signed** to deliver higher operational efficiency and better customer service
- **Investment in Operations with positive results**, with increased punctuality and regularity levels
- **Ongoing fleet modernisation and investment** despite fleet cap
- **Increased satisfaction and recognition** acknowledged by our passengers and external awards



# Solid financial performance

## Revenues

**Q4 2023**

vs. Q4 2022

**EUR 1,050m**

**+1%**

## Recurring EBITDA

Margin

**EUR 119m**

**-52%**

**11%**

## Recurring EBIT

Margin

**EUR -15m**

**-116%**

**-1%**

## Net Income

**EUR -26m**

**-EUR 183m**

**FY 2023**

vs. FY 2022

**EUR 4,215m**

**+21%**

**EUR 872m**

**+15%**

**21%**

**EUR 386m**

**+55%**

**9%**

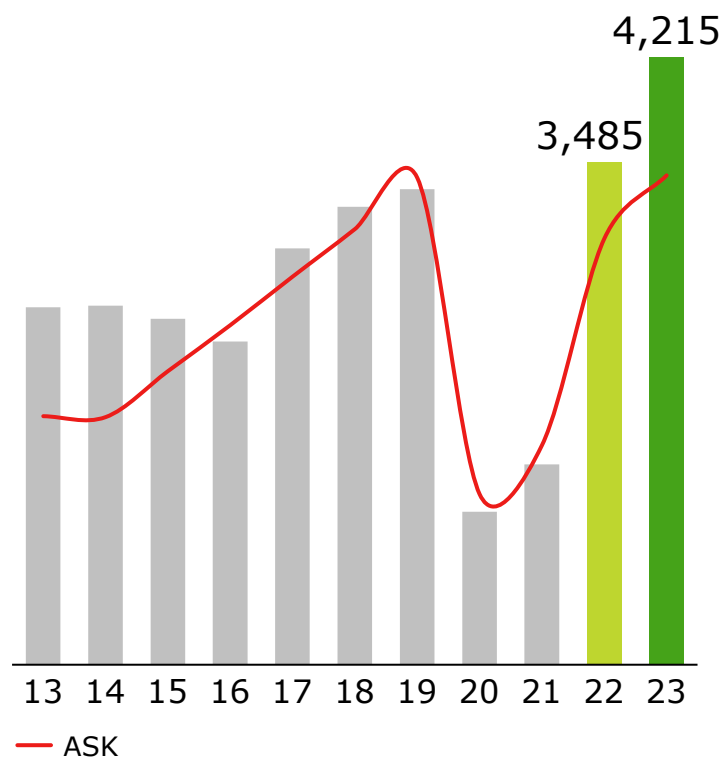
**EUR 177m**

**+EUR 112m**

# Consistent and resilient financial performance

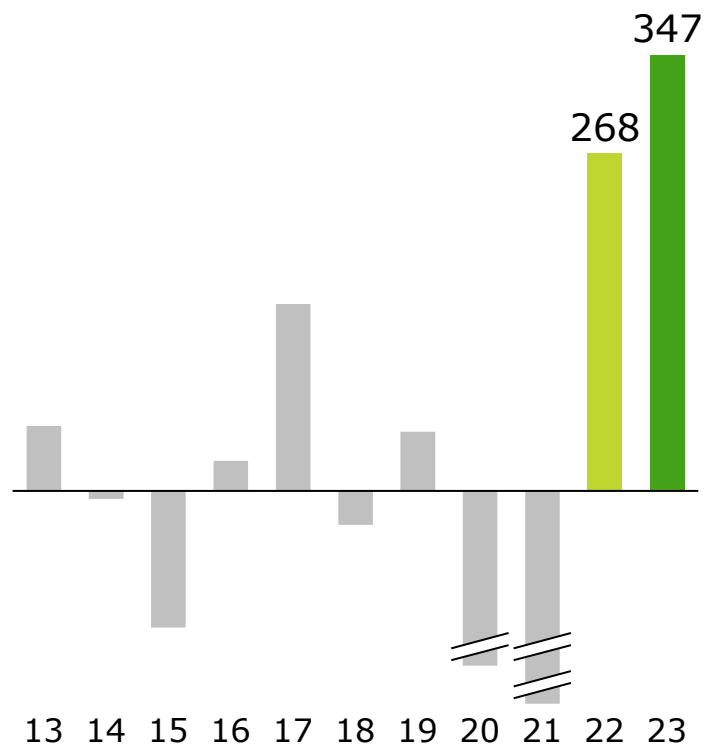
## Revenues

EUR million



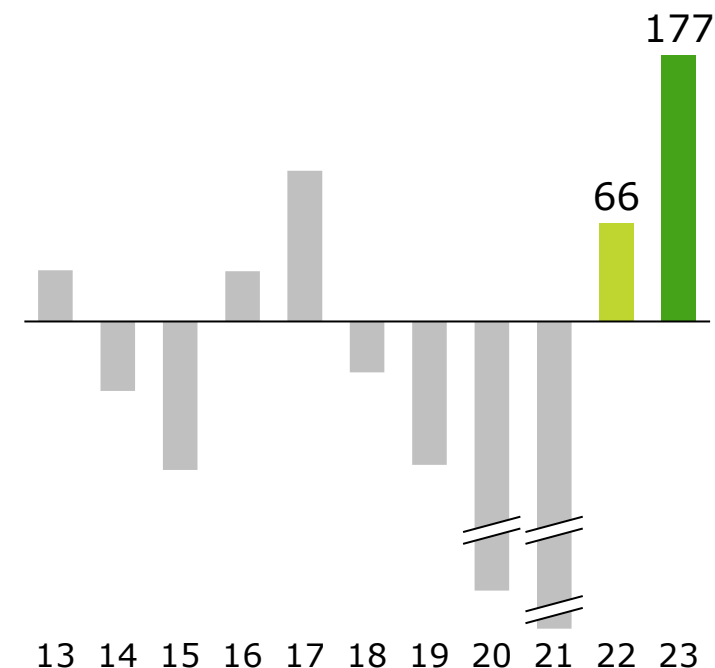
## EBIT (including non-recurring costs)

EUR million



## Net Income

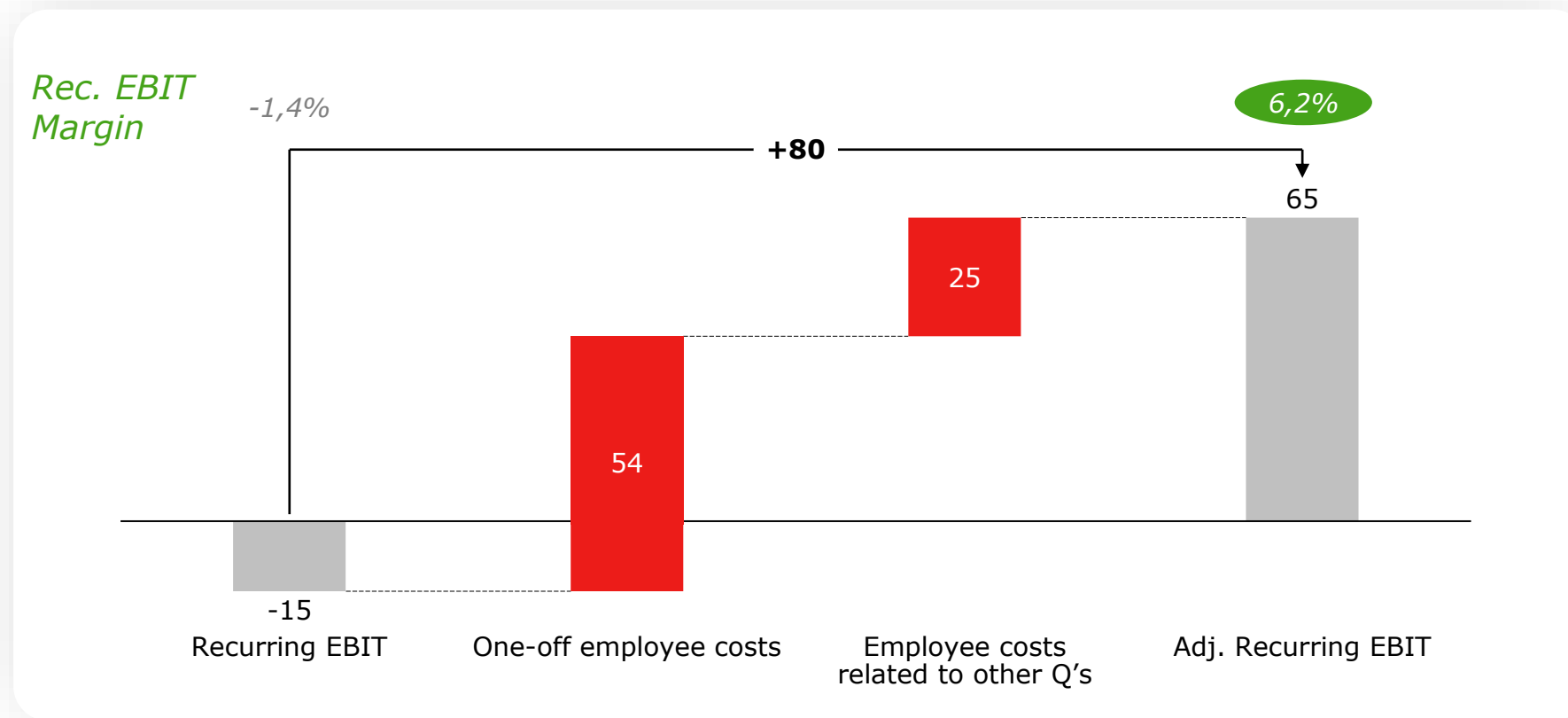
EUR million



# Q4 impacted by employee one off costs and cost recognition following the CLAs approval in this quarter

## Q4 Adjusted recurring EBIT

EUR million



### Comments

- CLAs approval occurred in Q4 (except for Pilots, in force since Q3)
- TAP recorded FY23 CLA respective costs in this quarter, as well as the reinstatement of the salary reductions
- Q4 operating results significantly impacted by these costs recognition



# New Collective Labour Agreements signed



**Enhanced productivity and flexibility**, for pilots, cabin crew and maintenance workers



**Improved engagement**, with better *Great Place to Work* results



**Ensured social peace**, enabling focus on operational efficiency



**Reduced operational disruptions**



***Higher operational efficiency and best-in-class customer service***



# Strong performance in core markets in FY23

## North America

|                        |                  |
|------------------------|------------------|
| ASKs<br>% vs.FY22      | <b>+14%</b>      |
| Yield<br>% vs.FY22     | <b>+18%</b>      |
| Load factor<br>FY23    | <b>82%</b>       |
| Load factor<br>vs.FY22 | <b>+0.9 p.p.</b> |

## Europe

|                        |                  |
|------------------------|------------------|
| ASKs<br>% vs.FY22      | <b>+13%</b>      |
| Yield<br>% vs.FY22     | <b>+8%</b>       |
| Load factor<br>FY23    | <b>79%</b>       |
| Load factor<br>vs.FY22 | <b>+1.3 p.p.</b> |

## South America

|                        |                  |
|------------------------|------------------|
| ASKs<br>% vs.FY22      | <b>+20%</b>      |
| Yield<br>% vs.FY22     | <b>+8%</b>       |
| Load factor<br>FY23    | <b>85%</b>       |
| Load factor<br>vs.FY22 | <b>+0.5 p.p.</b> |

## Africa & Middle East

|                        |                  |
|------------------------|------------------|
| ASKs<br>% vs.FY22      | <b>+11%</b>      |
| Yield<br>% vs.FY22     | <b>+4%</b>       |
| Load factor<br>FY23    | <b>70%</b>       |
| Load factor<br>vs.FY22 | <b>-1.4 p.p.</b> |

Flown allocatable passenger revenues (fare, fuel surcharge and flight related ancillaries)



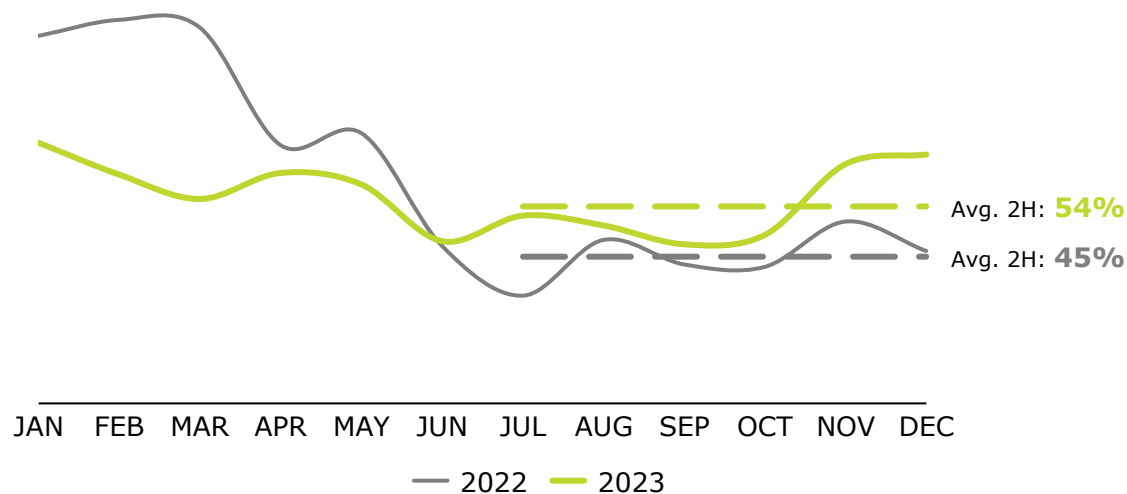
# Focus and investment in our operations with positive outcomes

## OTP - D15<sup>1</sup>

2023 vs 2022

**+ 4 p.p.**

2H'23 vs 2H'22

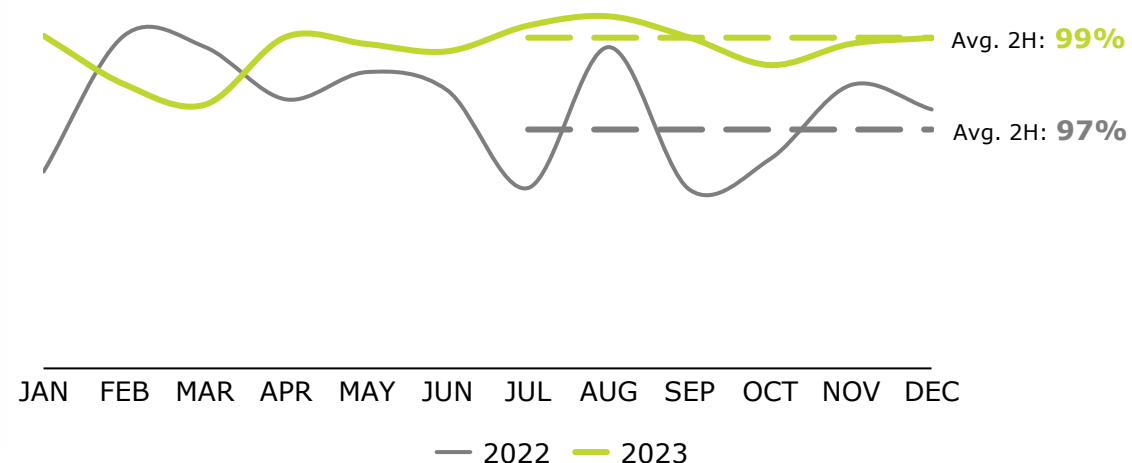


## Regularity<sup>1,2</sup>

2023 vs 2022

**+ 2 p.p.**

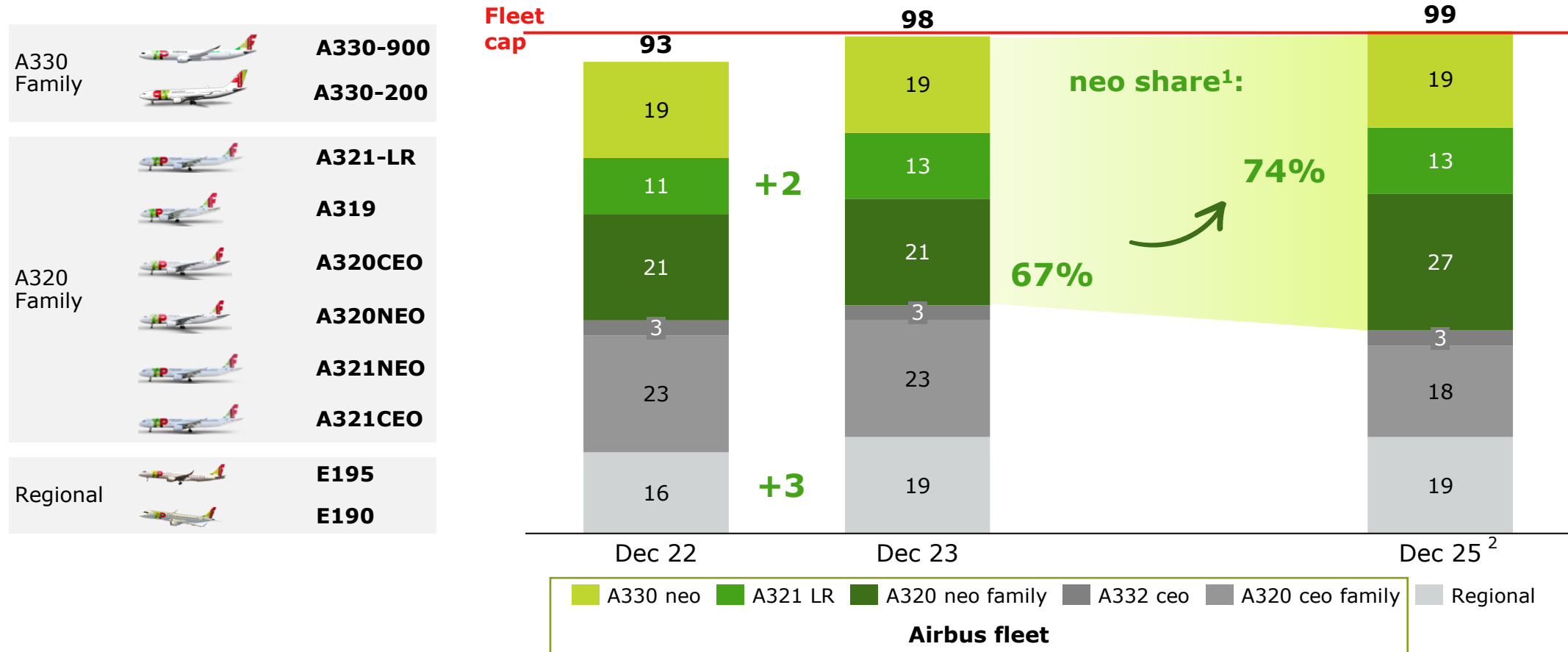
2H'23 vs 2H'22



1. Including only regular flights (excludes cargo only & charters)

2. Operational window cancellations

# Continuous investment in a fleet designed to be more efficient



1. Share of neo aircraft of Airbus fleet | 2. Breakdown may change as it is dependent on external factors and suppliers

# TAP distinguished as a world leading airline and acknowledged by its customers



**2023 Europe's and World's Leading Airline to South America**

**2023 Europe's and World's Leading Airline to Africa**

**3<sup>rd</sup> Best European Airline, 2023**

**13<sup>th</sup> Best World Airline, 2023**

**3<sup>rd</sup> Safest European Airline, 2024**

**17<sup>th</sup> Safest World Airline, 2024**



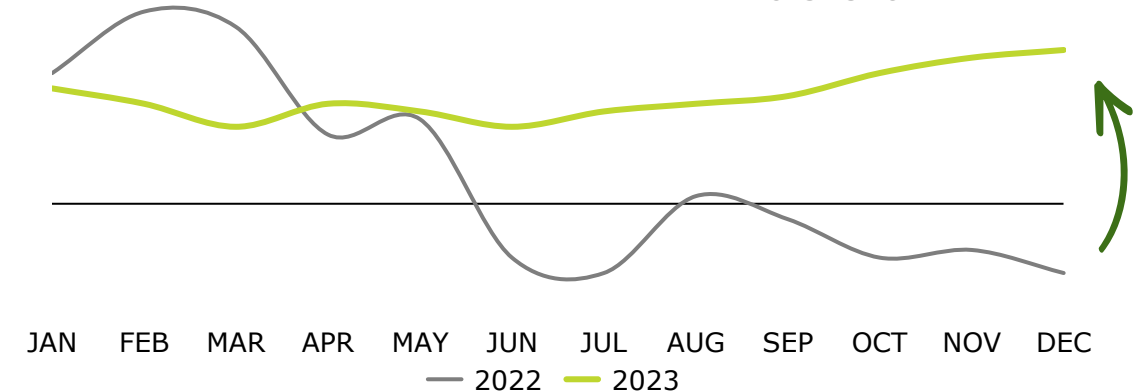
**2024 Four Star Global Airline**

## NPS

2023 vs 2022

**+ 11 p.p.**

2023 vs 2022



- NPS inverted the descending trend that was taking place in 2022.
- In December 2023, NPS finally reached a higher value than pre-pandemic.

# Customer at the core centre of TAP



- ✓ Customer-centric approach with **dedicated Board member** – CCO
- ✓ **Increased experience**, with new business class menus with Local Star Chefs, free messaging, new amenity kits and a new Lisbon non-Schengen lounge
- ✓ **Improved customer service**, with stabilized partnership for Contact Centre and claims
- ✓ **Rewarding Loyalty**, with a new Miles & Go co-branded American Express credit card and new top-tier level *Navigator*
- ✓ **New Brand positioning**, embodied by its slogan "Embrace the World"

# Q4 and FY 2023 Results

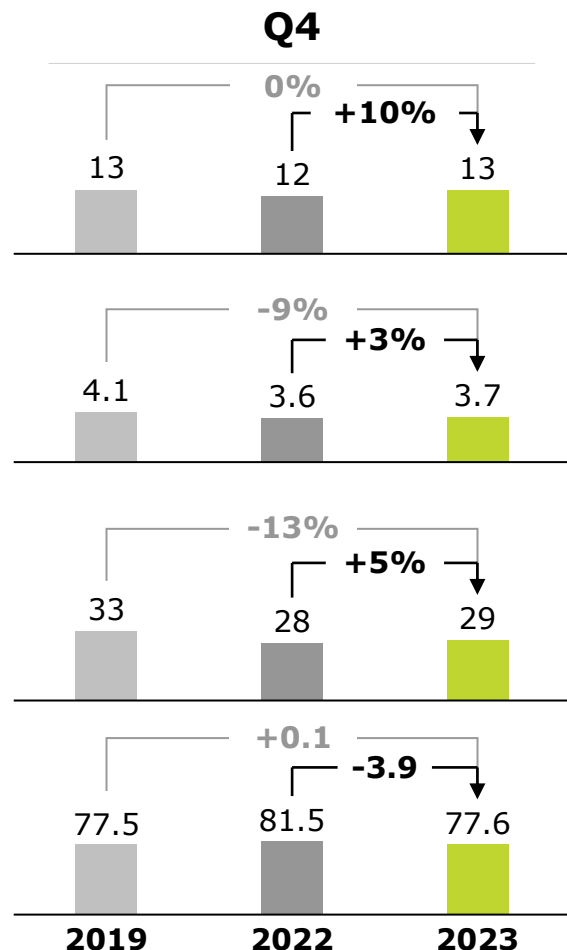
**TAP** AIRPORTUGAL



# Capacity and load factor above pre-crisis levels

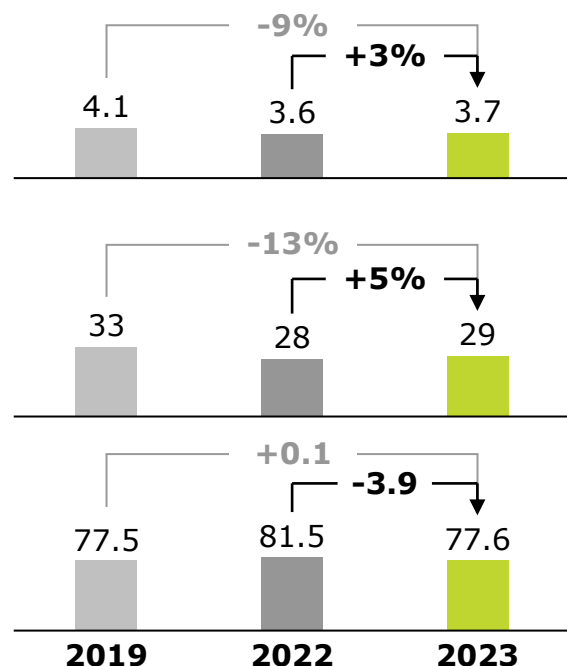
## ASKs

Billions



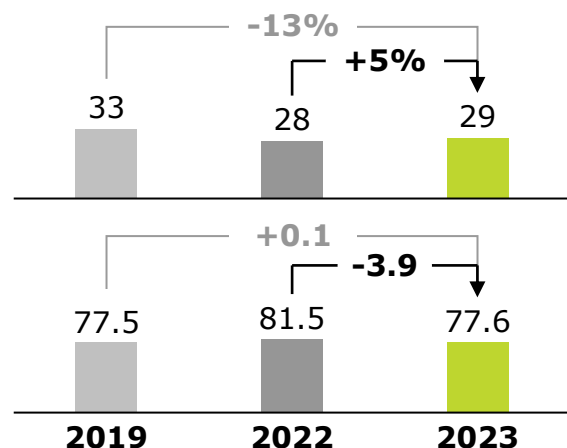
## Passengers

Millions



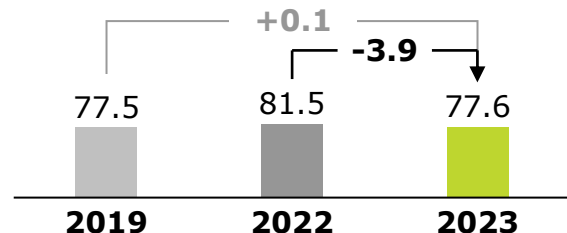
## Departures

Thousands



## Load factor

%



## Comments

ASKs above 2019 levels, reaching 100% and 101% in Q4 and FY, despite smaller operating fleet

Number of passengers increasing vs 2022 and recovering vs 2019, reaching 91% and 93% in Q4 and FY

Increase in departures vs 2022, but still below pre-crisis levels, with 87% and 88% of 2019 values in Q4 and FY

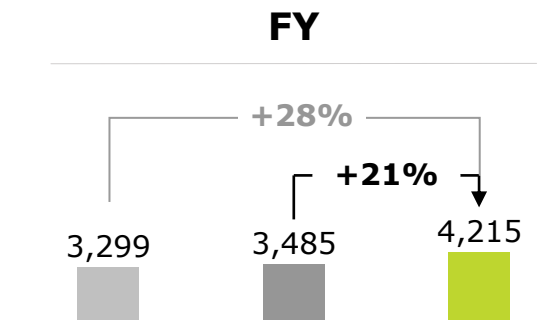
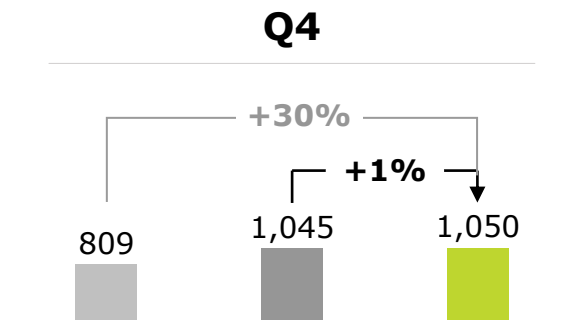
Higher and more stable load factors in FY23 when compared to FY22 and FY19



# Strong revenues based on robust unit revenues

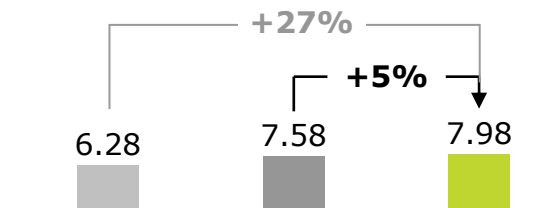
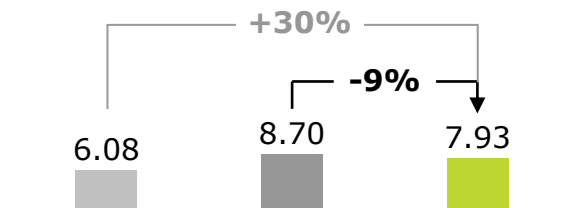
## Total operating revenue

EUR Millions



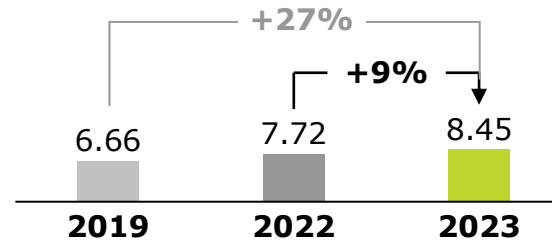
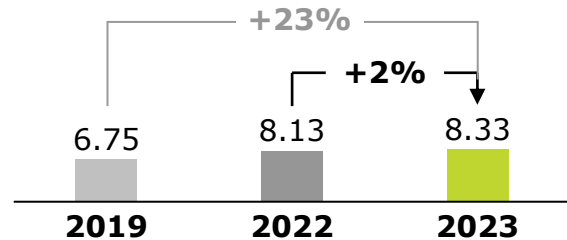
## RASK

EUR cents



## Yield

EUR Cents



## Comments

Robust revenue growth in FY23 up 21% vs FY22

Passenger business represents 91% of total revenues

FY23 unit revenues driven by higher fares and improved load factors

RASK Q4 decrease driven by lower load factor



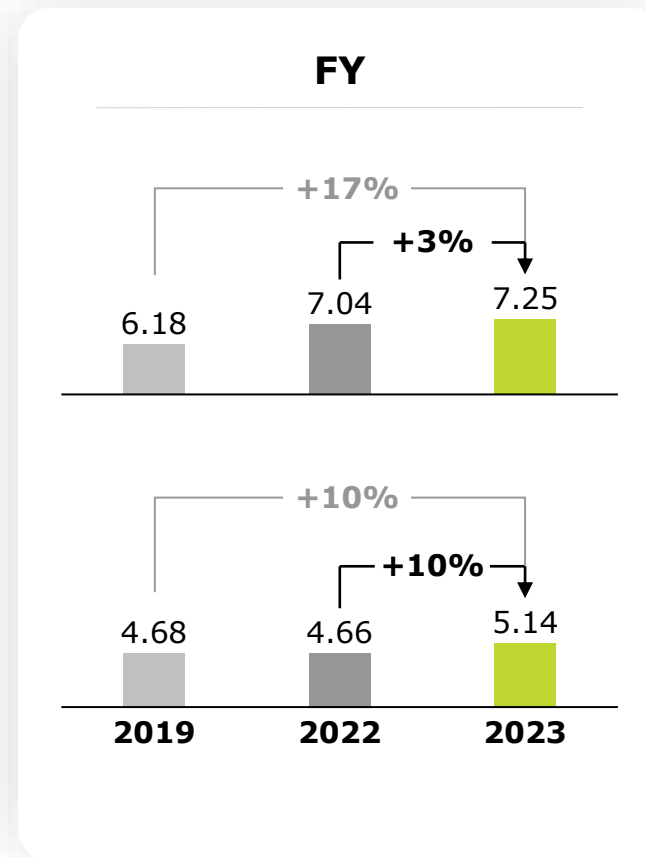
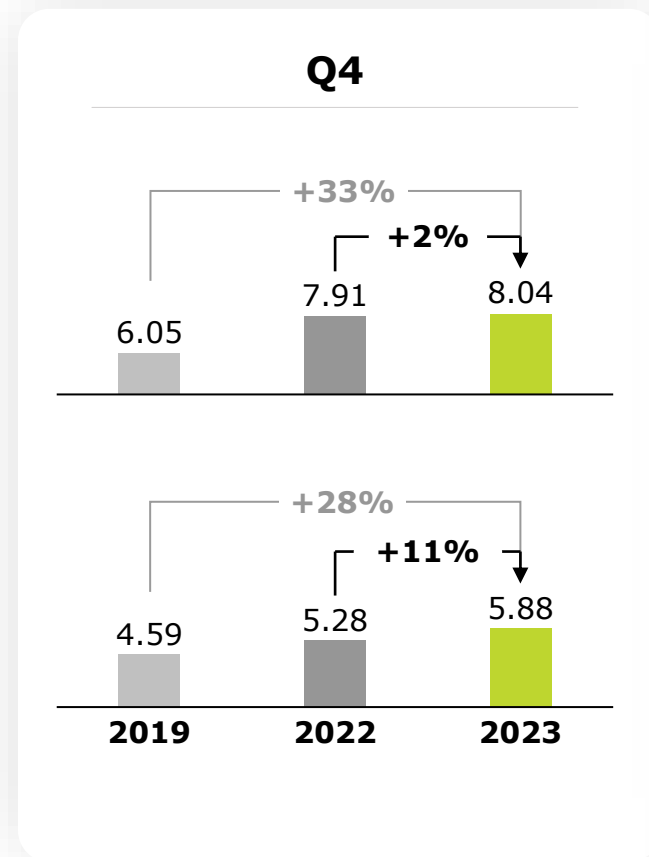
# Labour and operational performance reestablishment leading to higher unit costs

## Recurring CASK

EUR cents

## Recurring CASK ex-fuel

EUR cents



## Comments

CASK increase over 2022 impacted by employee costs, supply costs, and backlog of operational/IROPS challenges, partially offset by fuel costs

4Q CASK ex-fuel impacted by employee one-offs and previous Q's costs

FY CASK ex-fuel increase due to new collective labour agreements and higher operational/IROPS costs

# FY23 robust operating results

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

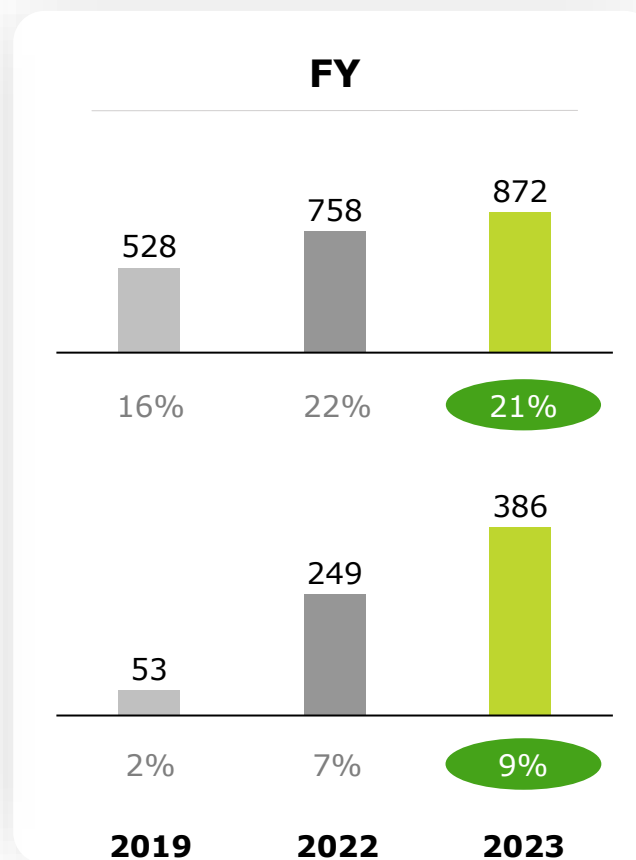
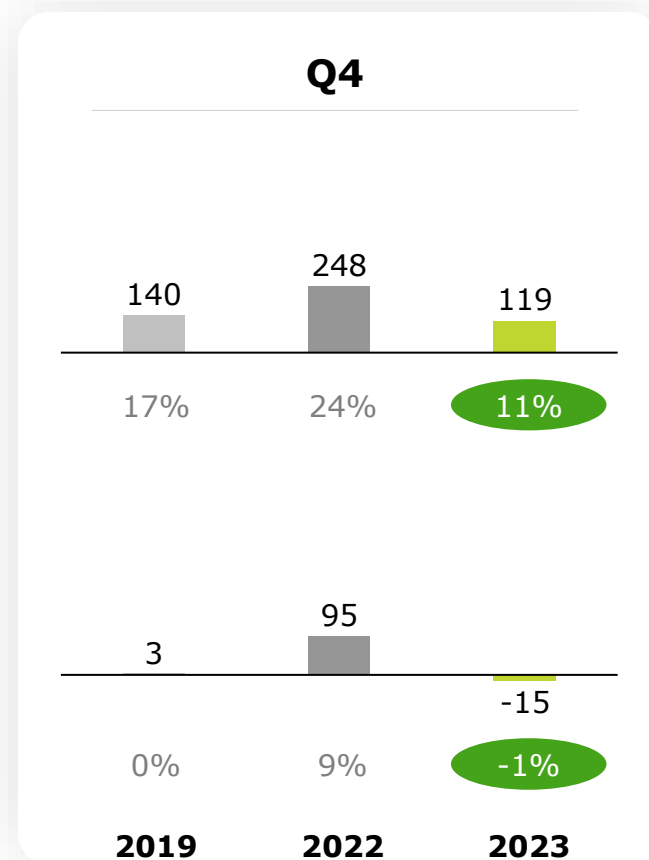
EUR million

Margin

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

EUR million

Margin



## Comments

Q4 operating results impacted by one-off costs

Resilient FY23 operating results with improved operating profits coupled with strong margins

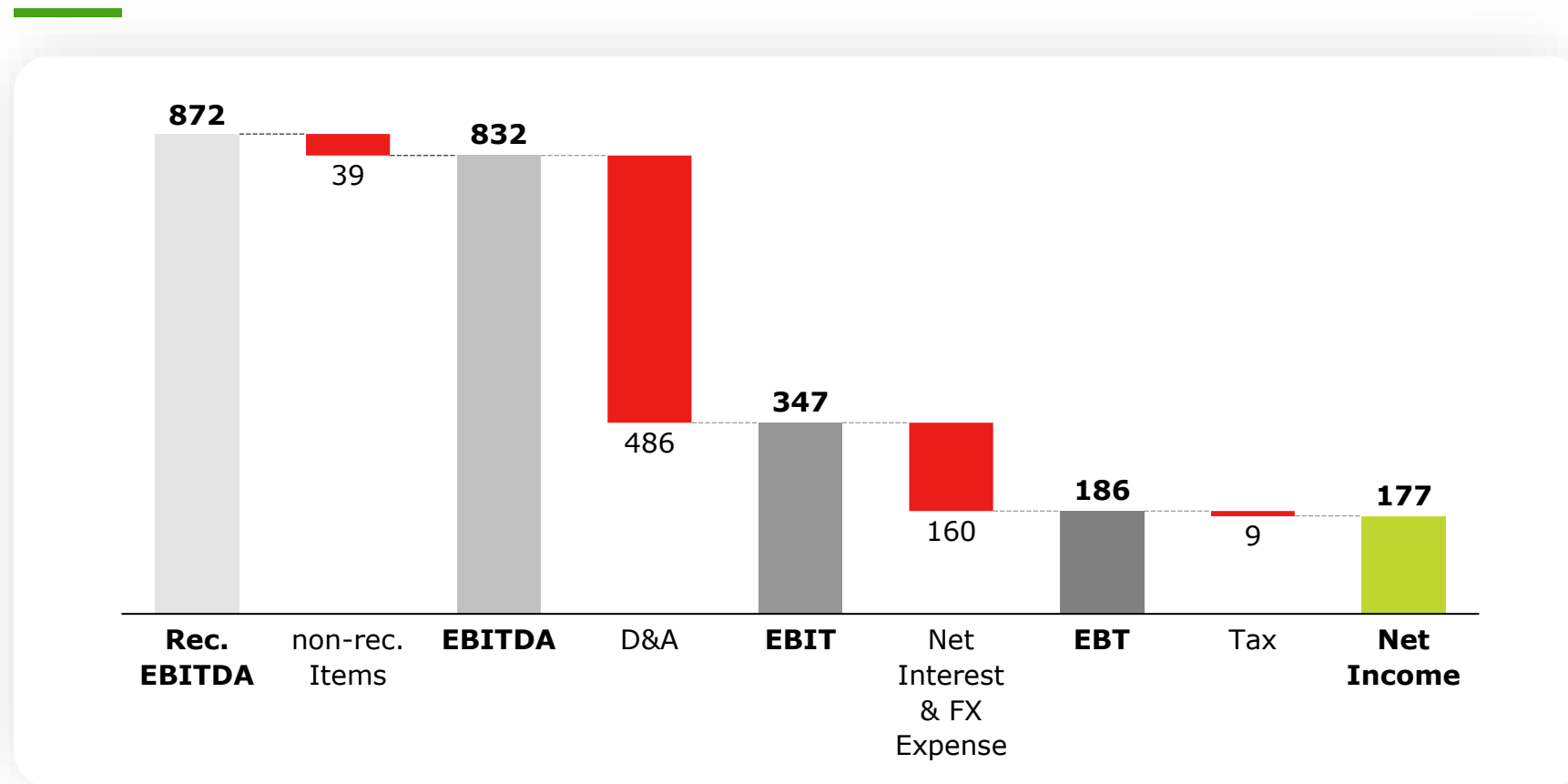
1. Recurring EBITDA = Operating Result + Depreciation, Amortization and impairment losses + Restructuring + Other Non-Recurring items

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

# Net income of 177M€

## FY 2023 Net Income bridge

EUR million



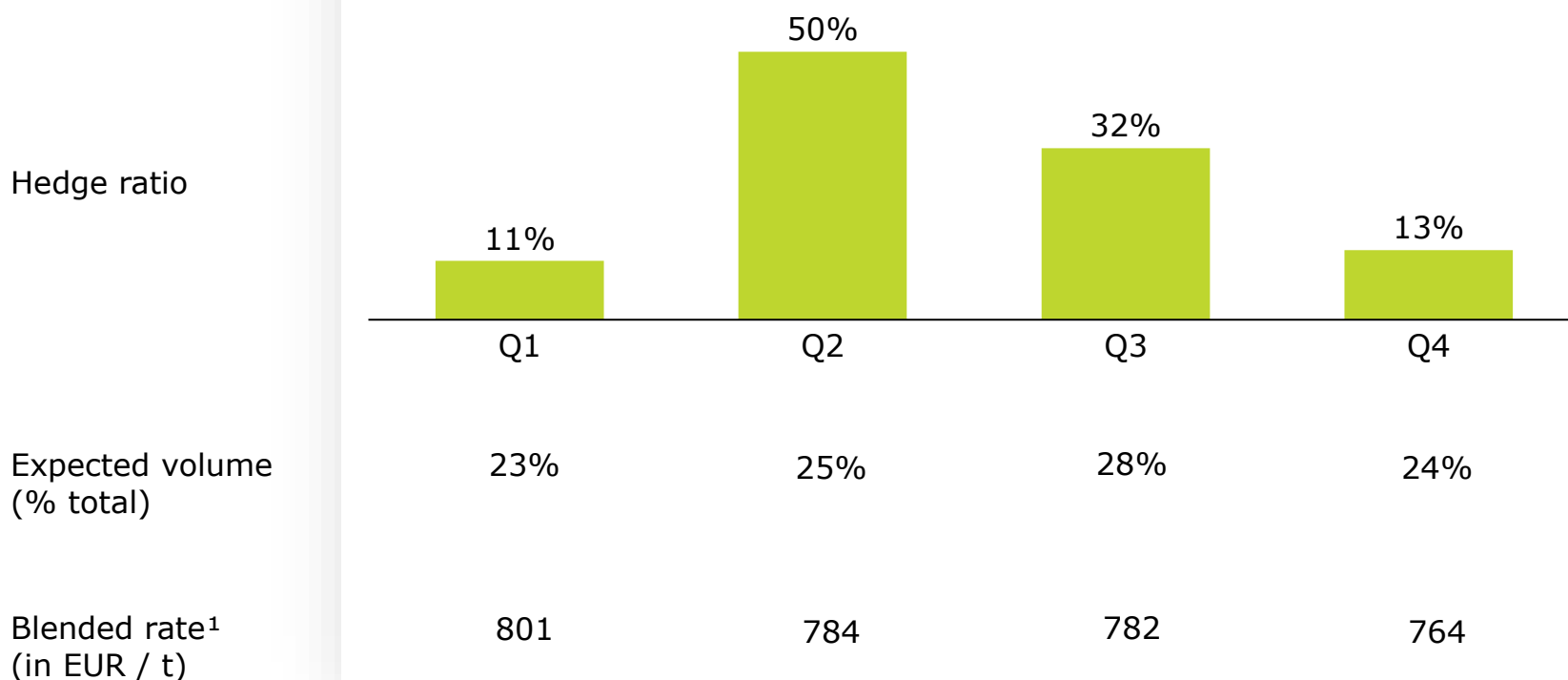
### Comments

Solid net income achieved due to strong commercial performance despite cost increase

Positive effect from currency movements due to hedging strategy in the context of financial risk management

# FY 2024 expected fuel costs at EUR 1bn

## Fuel Hedging



## Comments

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

Current hedge ratio for the full year is around 27%

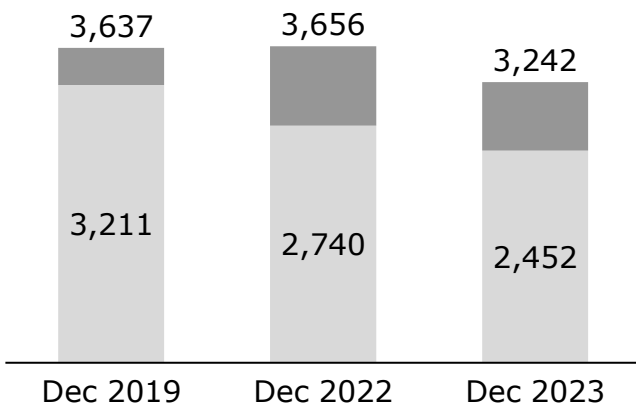
1. Based on forward jet fuel prices and forward FX rates as of March 26, 2024.

# Ongoing debt reduction and deleveraging with external recognition

## Financial Debt Position

EUR million

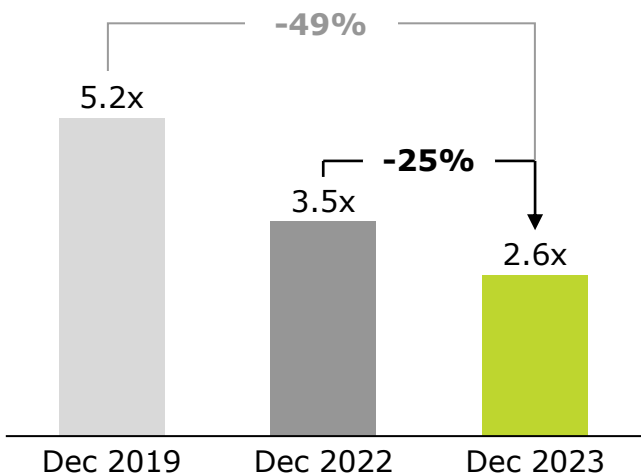
■ Total Gross Debt ■ Total Net Debt



- Decrease in gross debt mainly related to Bond payment of EUR 200m in June
- 68% of debt is fixed rate

## Leverage

Net Debt / EBITDA<sup>1</sup>



- Positive combination of net debt reduction aligned with improved profitability
- Clear deleveraging plan in place

## Credit Rating

**S&P Global**  
Ratings

**MOODY'S**  
INVESTORS SERVICE

|                           | 2023                          | 2019 |
|---------------------------|-------------------------------|------|
| S&P Global Ratings        | <b>BB-</b><br>Stable outlook  | BB-  |
| MOODY'S INVESTORS SERVICE | <b>B1</b><br>Positive outlook | B2   |

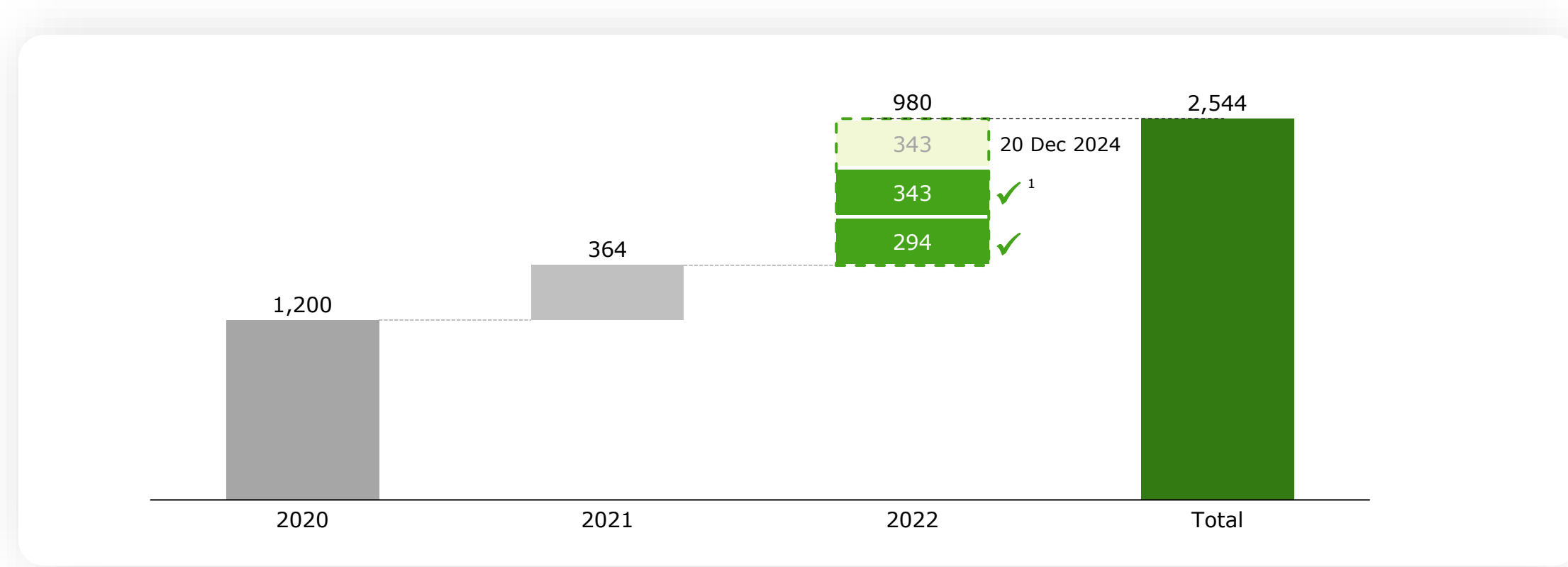
- Upgraded by both credit rating agencies in November 2023
- Credit rating restored, with Moody's rating above 2019 levels

1. Net Debt / EBITDA = Net financial debt + Lease liabilities without purchase option - Brazil flown receivables & other cash equivalents / Recurring EBITDA trailing 12 months

# Most recent capital tranche executed in January 2024

## Restructuring Aid

EUR million

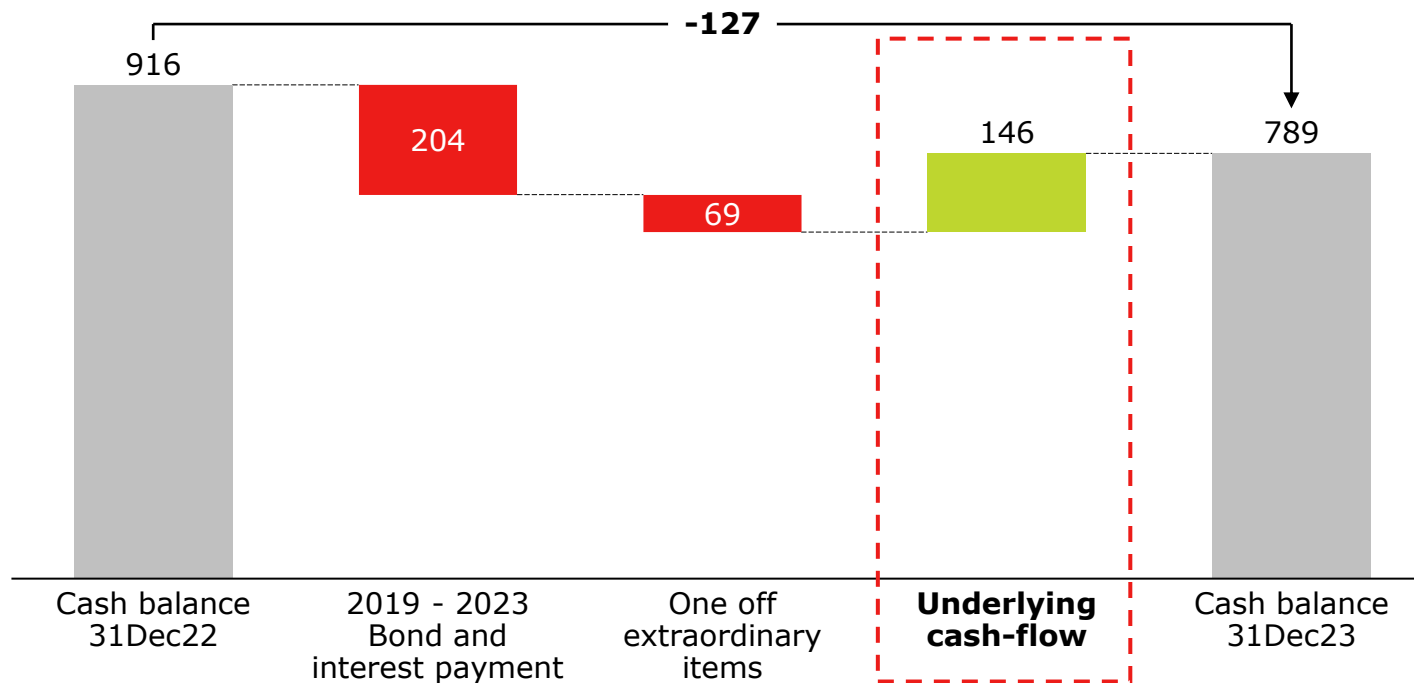


1. Second capital tranche executed on January 4<sup>th</sup>, 2024

# Strong cash flow generation

## Liquidity

Cash & Equivalents, EUR million



### Comments

Robust underlying cash flow due to sound financial and commercial performance, despite the repayment of the 2019-2023 bond and significant one-off extraordinary items, mainly related to employee costs

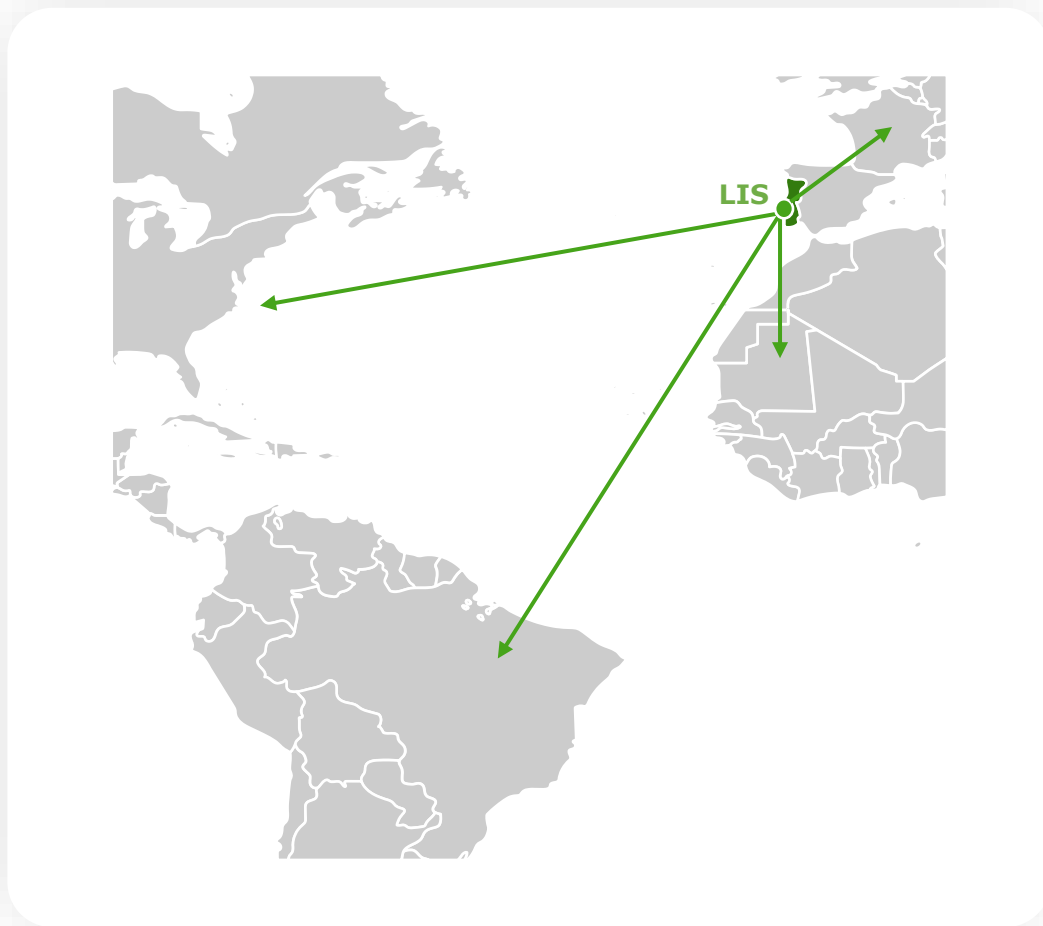


# Outlook

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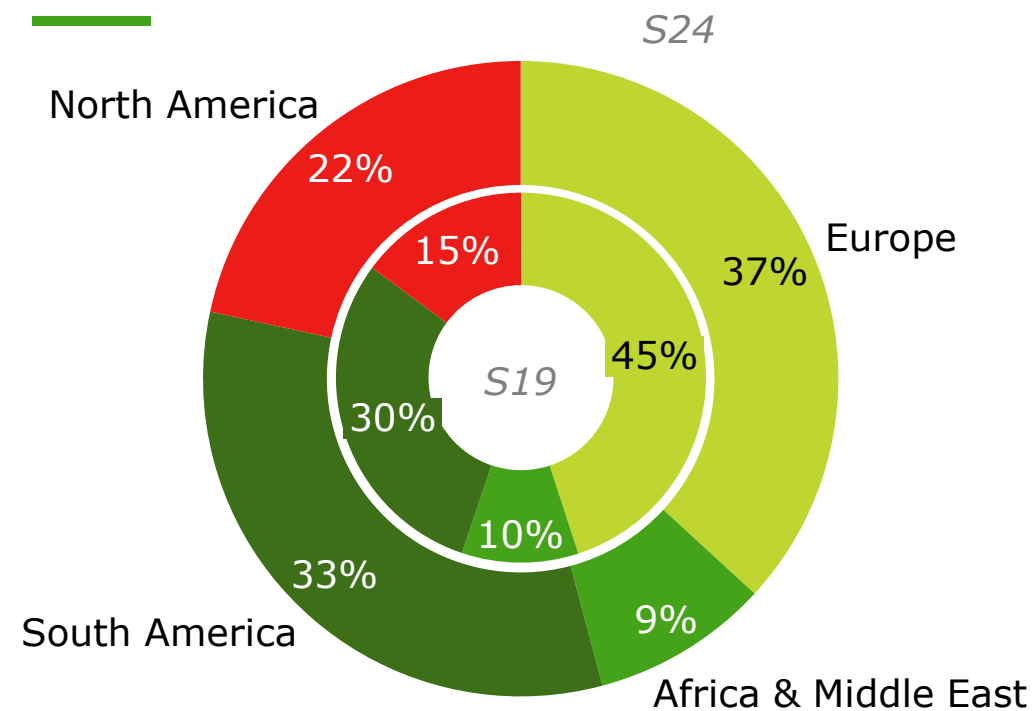


# Leveraging our location and focusing on our core markets



## Summer capacity 2024 vs 2019

ASK %



# ESG leaders: building on our sustainability commitment

*Remarkable achievement, but our commitment to sustainability continues*



## ESG Risk Rating

# 24.4

TAP Air Portugal received an ESG Risk Rating of 24.4 assessed by Morningstar Sustainalytics.

| Negligible | Low     | Medium  | High    | Severe |
|------------|---------|---------|---------|--------|
| 0 - 10     | 10 - 20 | 20 - 30 | 30 - 40 | 40+    |

✓ **Better score than 92% of the airlines** in this index on a global scale

✓ **2<sup>nd</sup> in Europe**

✓ **6<sup>th</sup> in the World**

Rated



MORNINGSTAR | SUSTAINALYTICS



**Environmental certification** | IEnvA (IATA Environmental Assessment)



**Carbon Offset** | New cargo, corporate and travel management companies' solutions in line with B2C tool launched in 2023



**Sustainable Cabin** | Initiatives to optimize loading plans, maximize the reuse of reusable items and recycle waste on board



**Suppliers' ESG certification** | Start a suppliers' ESG evaluation process to assess our 3<sup>rd</sup> party commitments



**Compliance** | Incorporate the requirements of the new Corporate Sustainability Reporting Directive (CSRD)

# In FY24 we will continue executing our strategic roadmap in order to..

- **Improving our operations** with a focus on regularity and connectivity
- **Investing in our people and our customers** for increased satisfaction and engagement
- Strengthen our **focus on our key markets and strategy**
- **Capitalizing on our strong results and managing cost pressures** to ensure consistency and profitability as we advance
- Improving our **cash-flow generation** and continue our **deleverage path**

... transform TAP into a sustainably profitable airline



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