



# Investor Update

December 8, 2020



Jill Sharland – Chief Financial Officer  
Joanne Carpendale – Treasurer  
Kelly Wheeler – Assistant Treasurer

## *FORWARD LOOKING STATEMENTS*

*This presentation and other information provided contains certain “forward looking statements”. These statements relate to future events or future performance and reflect management’s expectations regarding our growth, results of operations, performance, business prospects and opportunities, and industry performance and trends. They reflect management’s current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the economy, fluctuating financial markets, demographics, tax changes, and the requirements of the Coastal Ferry Services Contract.*

*Forward looking statements included in this document include statements with respect to: economic conditions, financial forecasts, traffic forecasts, short-term and long-range business plans, cash balance forecast, capital expenditure levels, borrowing arrangements, debt service coverage and leverage ratio projections, credit facility expectations, Federal/Provincial Safe Restart Funding, capital investments, new vessel construction program, including Island Class vessels and Salish Class vessel, electrification strategy, terminal redevelopment and information systems investments. In some cases, forward looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including, but not limited to, the risks and uncertainties associated with: vendor non-performance; capital market access; interest rate, foreign currency, fuel price, and traffic volume fluctuations; the implementation of major capital projects; security, safety, and environmental incidents; confidential or sensitive information breaches; changes in laws; vessel repair facility limitations; economic regulatory environment changes; tax changes; and Aboriginal rights and title claims.*

*Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this presentation and other information provided are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this presentation, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.*

## *NON-IFRS MEASURES*

*In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain financial measures that do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental financial measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.*

Company Overview
Fiscal 2020 Business Update
COVID-19 Response and F2021 Year to Date
Traffic & Financial Forecast
12 Year Capital Plan
Credit Ratings, Debt Portfolio and Key Ratios

## Company Overview

# Company Snapshot

- Independent company providing essential ferry services on the coast of British Columbia
  - Established as a Crown corporation in 1976 and converted into an independent company in 2003
  - Subject to the provisions of the Coastal Ferry Act and independently regulated by the BC Ferry Commission
  - Provides vehicle and passenger service on 25 regulated routes pursuant to a long-term services contract with the Province
- One of the largest ferry operators in the world
  - Uses a fleet of 35 vessels and operates 47 terminals under long-term lease
  - Carried 21.7 million passengers and 8.8 million vehicles in the year ended March 31, 2020
  - Over 180,000 sailings per year
- Credit ratings:
  - S&P: AA-, negative outlook
  - DBRS: Rated A (high), negative trend



# Who are we

## President & CEO

### Mark F. Collins

- Joined BC Ferries in 2004
- Former positions: VP Strategic Planning & Community Engagement and VP Engineering



## Experienced Management Team

**Jill Sharland,**  
Chief Financial  
Officer

**Joanne  
Carpendale,**  
Treasurer

**Corrine  
Storey,**  
Vice President &  
Chief Operating  
Officer

**Jason  
Barabash,**  
Vice President,  
General Counsel  
& Corporate  
Secretary

**Brian Anderson,**  
Vice President,  
Strategy &  
Community  
Engagement

**Erwin  
Martinez,**  
Vice President &  
Chief  
Information  
Officer

**Janet Carson,**  
Vice President,  
Marketing &  
Customer  
Experience

**Captain D.W.  
James  
Marshall,**  
Vice President,  
Business  
Development &  
Innovation

**John D'Agnolo,**  
Vice President,  
People

# Where we operate

*Connecting people and communities*

## Our Vision

Trusted, valued

## Our Mission

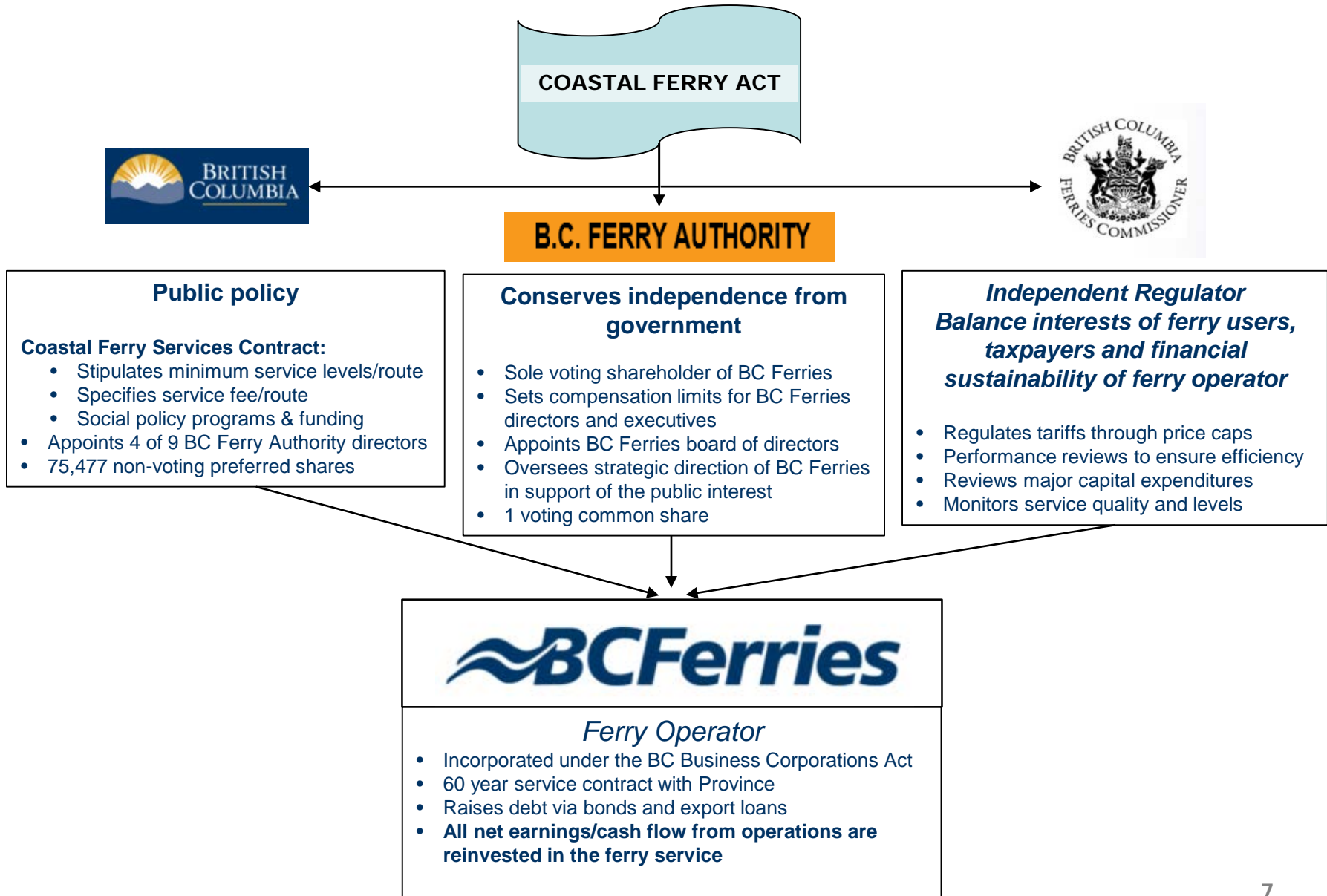
We connect communities and customers to people and places important in their lives



South Coast



# Governance Structure





# Fiscal 2020 Business Update

# F2020 Significant Events

- April 2019: Spirit of Vancouver Island returned to service after mid-life upgrade, including upgrades to passenger amenities and conversion to LNG propulsion, enabling another 25 years service
- May: Northern Sea Wolf entered service in the mid-coast and direct service between Port Hardy and Bella Coola
- October: completed \$250 million private placement of 30-year senior secured bonds, with an interest rate of 2.794%
- October: contracts with Damen Shipyard Group (Netherlands) for four new Island Class vessels for service in F2023
- December: contract with Remontowa Shipbuilding (Poland) for a fourth Salish Class LNG vessel for service in F2023
- January 2020: first two new Island Class vessels arrived in Canada, for service in F2021
- March 2: Jill Sharland assumes role of CFO
- March 11: The World Health Organization declares COVID-19 a global pandemic
- March 25: Announced as of April 1, a fuel rebate of 1.5% on all routes as a result of lower fuel prices

# Financial Update

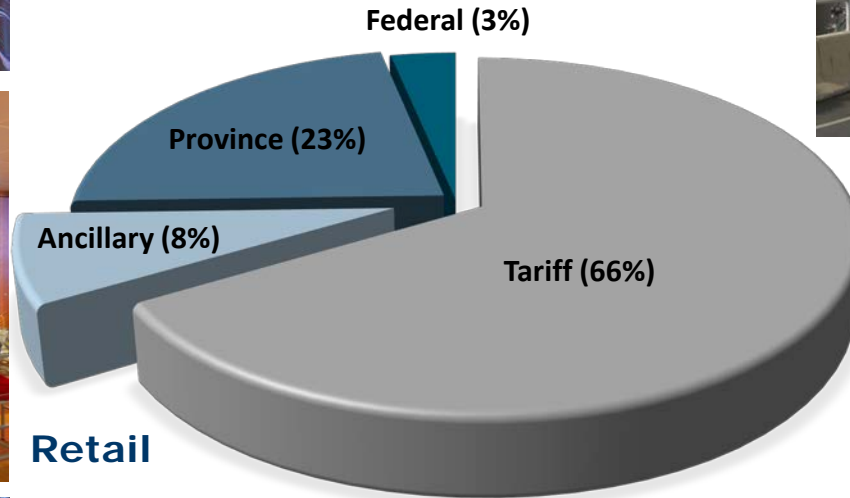
## Revenue



Fiscal 2020: \$941.4 million

Food & Beverage

Commercial



Retail

Vehicles & Passengers

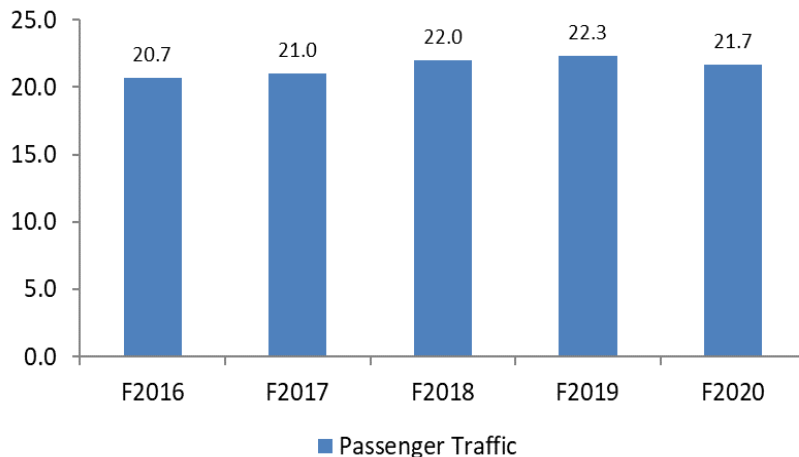
BC Ferries Vacations



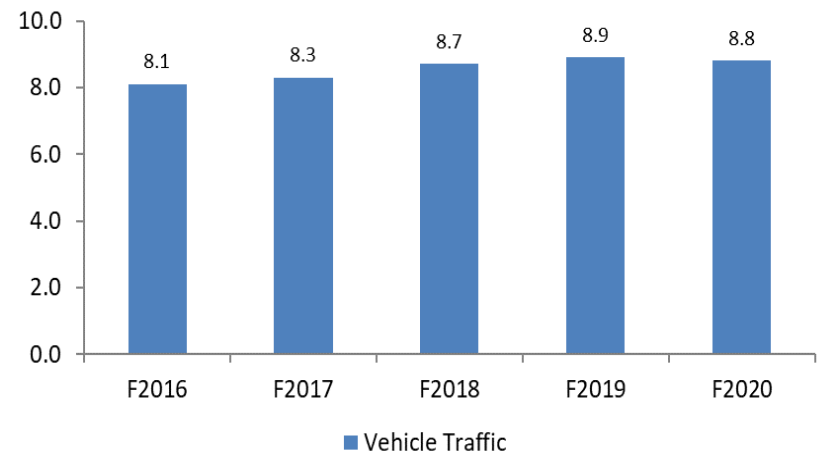
# Traffic

- Over past 5 years traffic benefited from the strong provincial economy, weaker Canadian dollar, tourism and fare initiatives
- COVID Impact F2020 vs F2019:
  - First 50 weeks: +1.3% vehicles, +0.1% passengers
  - Final two weeks: -55% vehicles, -69% passengers
  - Year over Year: -1.0% vehicles, -2.7% passengers

### Passenger Traffic (in millions)



### Vehicle Traffic (in millions)



## Passenger traffic

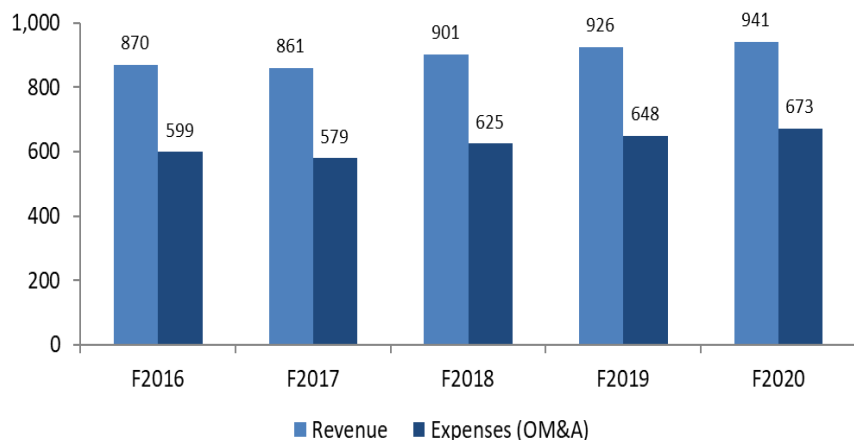
- Increased 4.8% since F2016
- CAGR of 1.2% since F2016

## Vehicle traffic

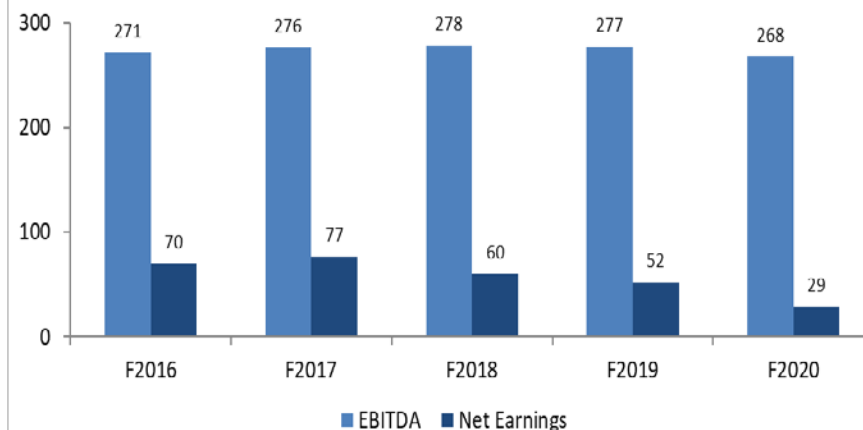
- Increased 8.6% since F2016
- CAGR of 2.1% since F2016

# Financial Performance

## Historical Revenue & Expenses (\$ millions)



## Historical EBITDA & Net Earnings (\$ millions)



### Revenues

- Since 2016, revenue has grown at a CAGR of +1.98%
- Fiscal 2020 vs Fiscal 2019: +1.7%, mainly due to fuel surcharge, increased contribution from Province towards fare initiatives and ferry transportation fees
- Major routes account for 84% of customer revenues and 65% of total revenues

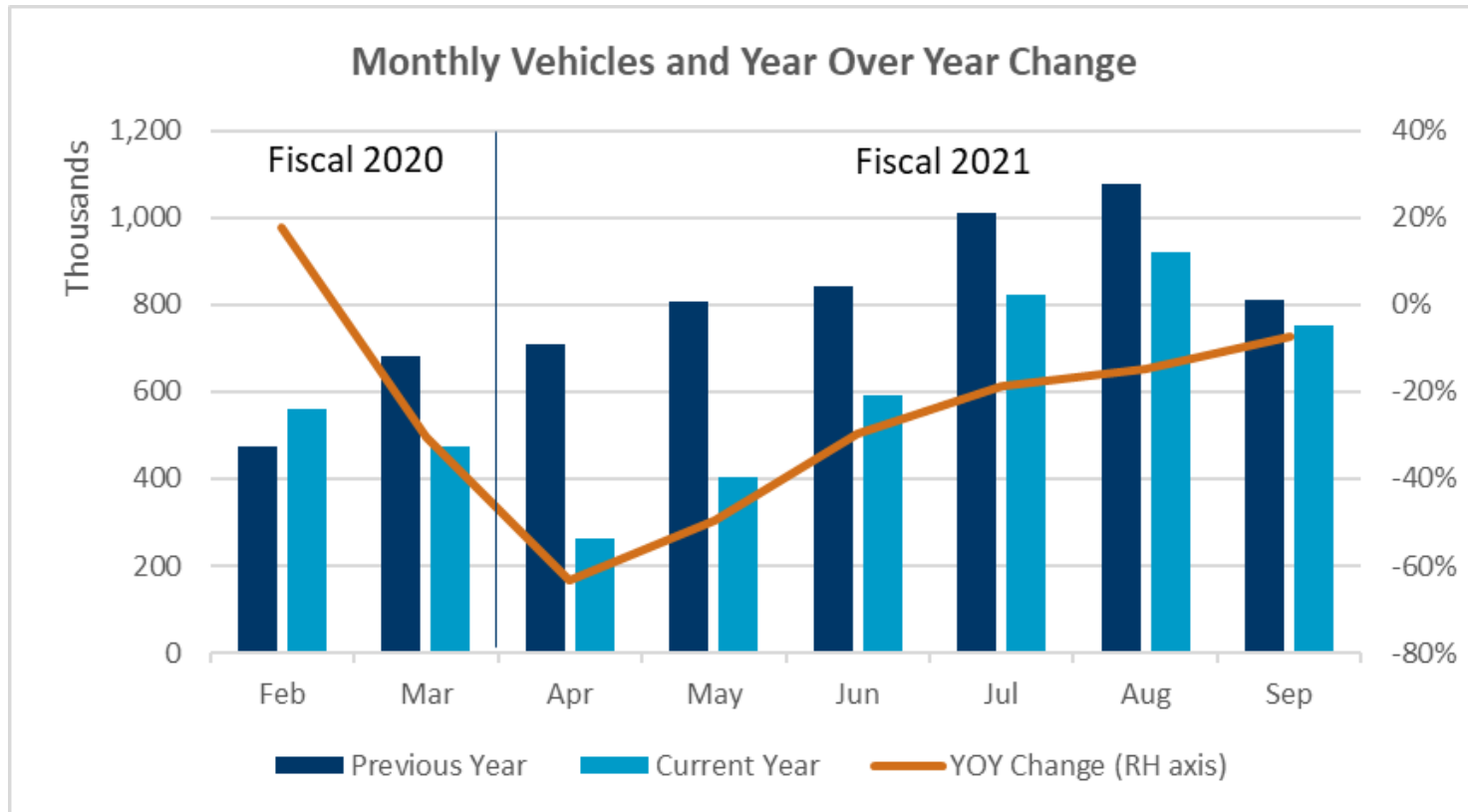
### Expenses

- OM&A expenses have grown at a CAGR of 2.95%, mainly due to more sailings and higher operational costs related to increased traffic
- Fiscal 2020 vs Fiscal 2019: +4.3%, due to additional round trips driving higher wages and fuel expenses, and higher depreciation
- Partially offset by service reductions implemented in late March



## COVID-19 Response and F2021 Year to Date

# Impact on Traffic of COVID-19



# COVID-19 Response

- Early March 2020: Emergency Operations Centre (EOC) assembled and activated to support increasing requirements resulting from COVID-19
- Post March 11: activated pandemic response plan (four phases progressively implemented)
- April 1: Coastal Ferry Services Contract (CFSC) amended for a 60-day period to reflect temporary reduced service levels in response to the COVID-19 pandemic
  - Ferry transportation fees maintained
- June 2: temporary service level adjustments extended to September 7
- April 22: added extra cargo sailings between Vancouver and Victoria weekdays to ensure continued safe transport of essential goods
- June: added back 300 sailings on major routes to meet demand
- Late June/Early July: re-introduced limited food services on select routes and reopened additional terminal and onboard amenities across the fleet
- Network capacity reduced by approximately 24% in Q1 and 8.3% in Q2 compared to the same periods in F2020

# Debt Covenants

## Obtained Waivers on DSCR Covenant for F2021

- Credit Facility: modified calculation of DSCR by replacing EBITDAR of first three quarters of F2021 with average EBITDAR from previous three fiscal years
- KfW loans: compliance requirement waived for F2021
- Liquidity Requirement: minimum \$50 million unrestricted cash (cash, short term investments, and undrawn credit facility)
- Bonds: no maintenance covenants; no requirement for waiver

## Credit Facility

- 5-year \$155 million credit facility
- Agreement extended to April 2025; F2021: will seek further one-year extension to maintain five-year facility

# Federal / Provincial Safe Restart Funding Agreement

## **BC Ferries will receive one-time funding of \$308 million**

- \$280 million to cover expected F2021 and F2022 operational losses caused by the COVID-19 pandemic
- \$24 million to limit average annual fare increases to 2.3% through F2024, in line with price caps established prior to the onset of the pandemic
- \$4 million to help ensure continuation of discretionary sailings on the minor and northern routes over the next three years
- Where appropriate BC Ferries will aim to provide ridership capacity at 20% above anticipated demand on all routes (other than northern routes) to minimize sailing waits during peak times



Six Months Ended September 30 Financial Results (\$millions)	2020	2019	Variance
Revenues	385.0	575.7	(190.7)
Operating Expenses	(290.4)	(350.6)	60.2
<b>EBITDA</b>	<b>94.6</b>	<b>225.1</b>	<b>(130.5)</b>
Amortization	(88.5)	(90.5)	2.0
Financing Costs	(28.3)	(27.6)	(0.7)
(Gain) / Loss & Other	(2.0)	0.2	(2.2)
<b>Net Earnings</b>	<b>\$(24.2)</b>	<b>\$ 107.2</b>	<b>\$(131.4)</b>

<b>Cash and Equivalents</b>	<b>\$ 162.6</b>	<b>\$ 134.9</b>
<b>Total Assets</b>	<b>\$ 2,289.4</b>	<b>\$ 2,229.9</b>
<b>Long Term Debt</b>	<b>\$ 1,505.6</b>	<b>\$ 1,261.9</b>
<b>Equity</b>	<b>\$ 624.1</b>	<b>\$ 732.7</b>

# New Website and Revenue Management

[Service notices](#) [Schedules](#) [Current conditions](#) [Book now](#) [Login](#)



[Routes & fares](#) [Book sailings](#) [Travel & boarding](#) [On the ferry](#) [Deals & offers](#) [Vacations](#)

**Travel Advisory:**  
COVID-19 Update - Important information - Last updated November 23, 2020

[View](#) ×

## Travel safe this fall

[Learn more >](#)

[Find sailings](#)

[Vacations](#)

[Current conditions](#)

**Select date & route** ⓘ

\* Some routes are not bookable online.

One-way  Return

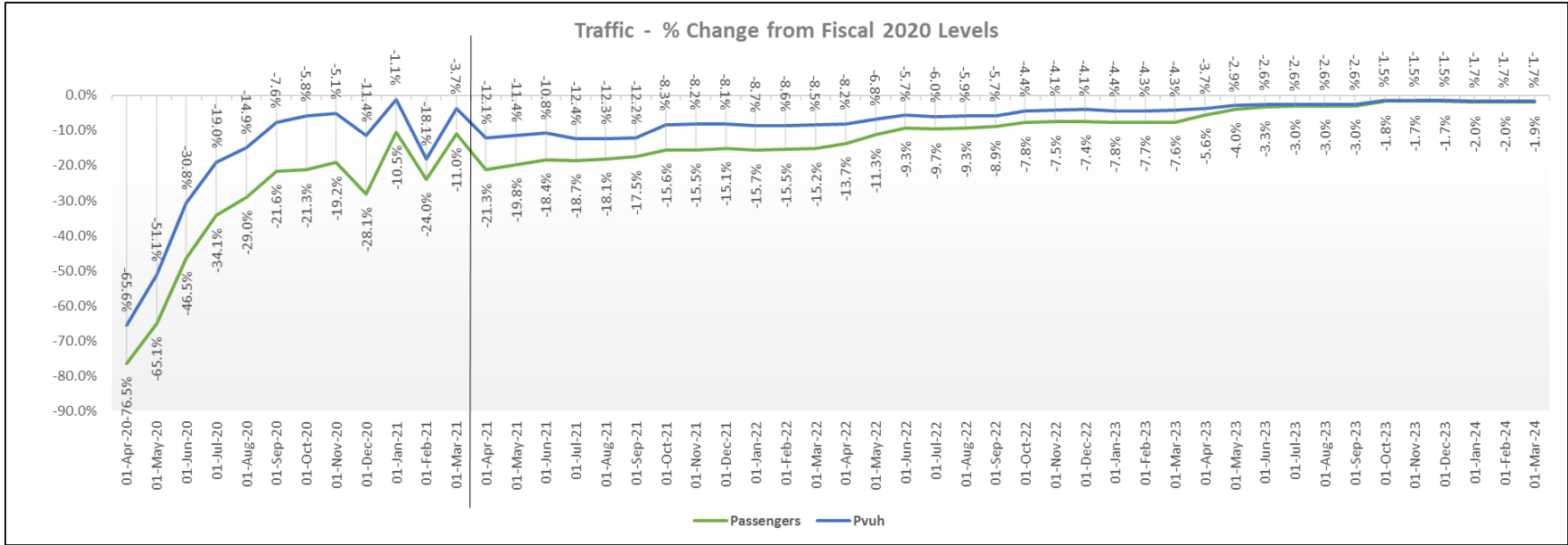
### New and updated systems to support new functionality:

- New e-commerce engine and platform for flexible fares and prepaid bookings
- Upgrades to eBooking system and improved integration with CRM
- Clear booking information online and increased self-service to reduce call volumes
- Upgraded Traffic Management System

## Traffic & Financial Forecast

# Performance Term 5 Traffic Forecast

(Compared to Fiscal 2020)



- Forecasting a gradual recovery in 2021 and 2022, with traffic reaching near F2020 levels by January 2024

# Two Year Forecast

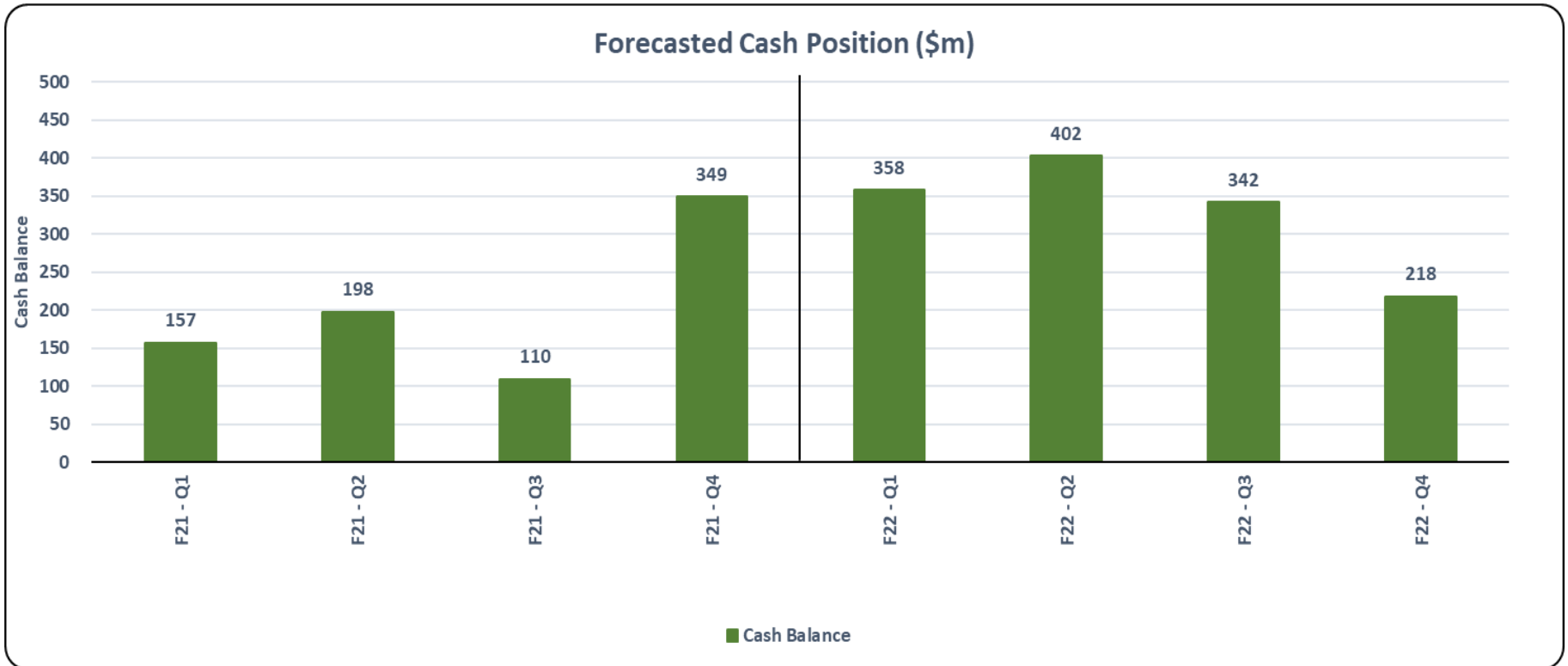
F2021 Q2 Forecast	2021	2022
Revenue	915	961
Operating Expenses	646	709
<b>EBITDA</b>	<b>269</b>	<b>253</b>
Net Financing	58	57
Amortization	180	174
Loss (Gain) on Disposal	1.9	0.5
<b>Net (Loss) Earnings</b>	<b>\$ 29</b>	<b>\$ 22</b>
<b>Leverage Ratio</b>	<b>70.7%</b>	<b>69.8%</b>
<b>DSCR</b>	<b>3.01x</b>	<b>3.24x</b>
Equity Position	677	699
LT Debt Position	1,478	1,464

**To offset impact of significant traffic declines due to COVID-19, forecast assumes:**

- \$308M funding from Safe Restart Program
- Traffic back to F2020 levels by F2024
- Significant cost reductions and capex deferral



# Two Year Cash Forecast

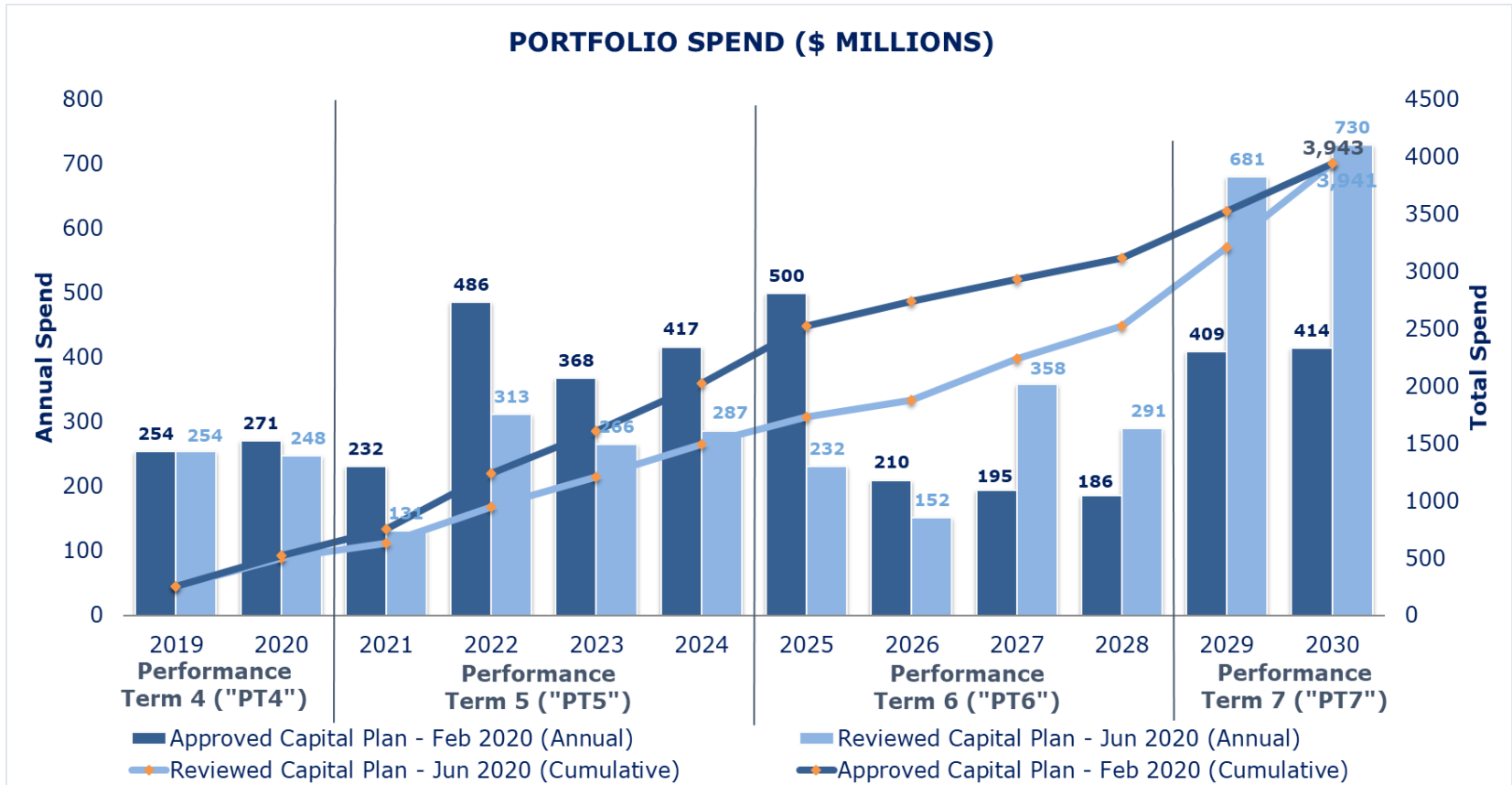


- Includes \$308 million Federal Safe Restart funding received March 2021
- No anticipated draw on the credit facility or incremental borrowings through fiscal 2022

# 12 Year Capital Plan

# Capital Investment Activity

## \$3.9 billion 12 year Plan



Fiscal 2019 and 2020: actual capital spend.  
 Forecast excludes external funding

## Credit Ratings, Debt Portfolio and Key Ratios

# Credit Ratings, Debt Portfolio and Key Ratios

**S&P: AA- DBRS: A (high)**

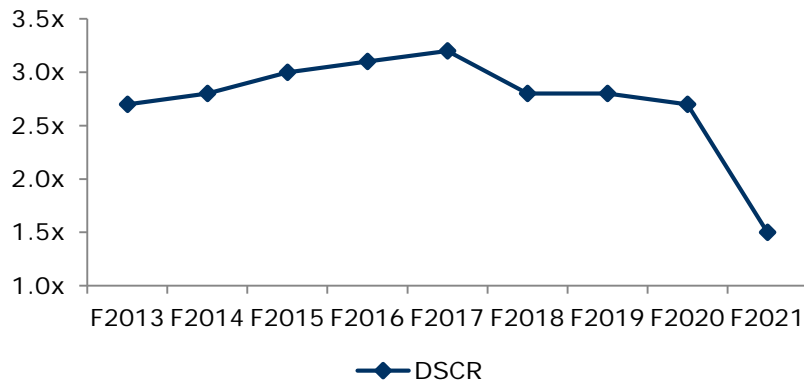
## Bonds Outstanding

(C\$MM)		(%)
250	October 13, 2034	6.250%
250	March 20, 2037	5.021%
200	January 11, 2038	5.581%
200	October 23, 2043	4.702%
200	April 28, 2044	4.289%
250	October 15, 2049	2.794%

## Bank Debt

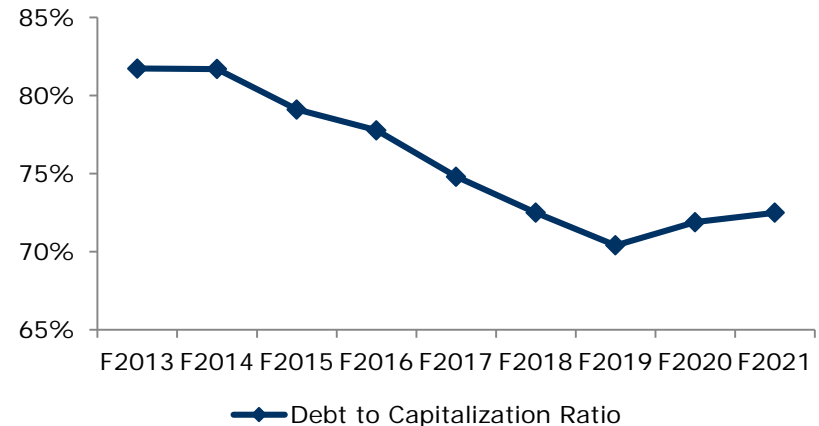
	(C\$MM)
Credit Facility Limit	155
Drawn balance of \$0 as of November 30, 2020	
KfW Loans Outstanding	99
12-year amortizing loans. One loan matures in 2021.	

## Historical Debt Service Coverage Ratio



12 months ending September 30, 2020: **1.46X**

## Debt To Capitalization Ratio



September 30, 2020: **72.5%**



# Credit Highlights

## S&P Global Ratings Research Update (November 2020):

*“We consider BCFS' management and governance extremely strong, helping it consistently meet its operational and financial goals. The management team has reacted quickly to mitigate the impact of falling traffic volumes as a result of the pandemic through operating and capital spending adjustments.”*

## Robust financial performance and strong credit profile:

- Experienced and Proven Management Team
- Proven Regulatory and Business Model
- Solid Traffic Base
- Respected Employer with Extended Labour Stability

# Questions?

