

For Immediate Release  
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November 22, 2019

## **BC FERRIES RELEASES SECOND QUARTER RESULTS**

VICTORIA –BC Ferries released its second quarter results today for the three months ended September 30, 2019.

During the quarter, BC Ferries provided over 48,000 sailings, carrying 7.7 million passengers and 2.9 million vehicles. Passenger traffic decreased by 1.5 per cent, while vehicle traffic increased by 0.1 per cent compared to the same quarter in the prior year. Year-to-date, BC Ferries has carried 13.5 million passengers and 5.3 million vehicles, an increase of 0.1 per cent and 1.2 per cent, respectively, compared to the same period in the prior year.

The company's net earnings for the second quarter of fiscal 2020 were \$95.0 million, compared to net earnings of \$90.9 million for the same quarter of the previous year. Year-to-date, since April 1, 2019, net earnings were \$107.2 million, \$10.3 million higher than in the same period in the prior year. Due to the seasonality of ferry travel, net earnings in the first and second quarters are typically reduced by net losses in the last two quarters of the fiscal year when routine vessel maintenance is scheduled and traffic declines.

“All net earnings are reinvested back into the coastal ferry system, which is critical to ensure we continue to operate a resilient and affordable service,” said Mark Collins, BC Ferries’ President & CEO. “It appears that the traffic growth has reached its peak and, coupled with the recent price cap ruling, this makes prioritizing capital expenditures even more important. We engage with the communities we serve to prioritize our capital investments and levels of service. We are focused on a safe, reliable and sustainable system to serve our customers over the long term.”

All net earnings are used to the benefit of ferry users including:

- Investing in infrastructure such as new vessels and terminals
- Improving the service, including increasing the number of sailings provided on a number of routes
- Offering discounts, reducing and freezing fares to provide more affordable travel
- Minimizing borrowing to lower the interest paid on debt
- Strengthening the ability to weather challenging economic conditions including weak traffic years

“Our 12-Year Capital Plan anticipates investing \$3.9 billion to ensure system capacity, operational efficiency, resiliency and flexibility – all essential for efficient and sustainable operations,” said Collins. “Our Clean Futures Plan outlines our strategy to reduce greenhouse gas

emissions by replacing carbon intensive fossil fuels with clean energy. Ferry users expect us to both reinvest in the future and protect the pristine environment in which we operate.”

Capital expenditures in the three and six months ended September 30, 2019 totalled \$29.9 million and \$55.8 million respectively. Significant investments include the new Island Class vessels, Spirit Class mid-life upgrades, customer experience program, Texada Island wingwall replacement and various other projects.

BC Ferries’ full financial statements, including notes and Management’s Discussion and Analysis, are filed on SEDAR and will be available at [www.sedar.com](http://www.sedar.com).

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BC Ferries is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 22.3 million passengers and 8.9 million vehicles during the fiscal year ended March 31, 2019. BC Ferries provides frequent year-round ferry transportation services to the west coast of Canada on 25 routes, currently supported by 35 vessels and 47 terminals, and also manages other remote routes through contracts with independent operators.

## **FORWARD LOOKING STATEMENTS**

This release 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 local economy, fluctuating financial markets, demographics, tax changes, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this release include statements with respect to: net earnings, fares, the 12-Year Capital Plan, the Clean Futures Plan to reduce greenhouse gas, the number of sailings, Island Class vessels, Spirit Class mid-life upgrade, the customer experience program, the Texada Island wingwall replacement, and other investment projects, and our borrowing expectations. 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 release 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 release, 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.

November 22, 2019

**SIGNIFICANT EVENTS SECOND QUARTER FISCAL 2020**

Significant events during or subsequent to the Second Quarter of Fiscal 2020 include the following:

**General**

- The *Coastal Ferry Act* allows BC Ferries to submit additional information for the BC Ferries Commissioner's consideration in setting price caps generally, and in the final price cap determination, specifically. On September 5, 2019, BC Ferries filed supplemental information to the Commissioner regarding capital expenditures and financial resilience that the company believes are required to meet the long-term needs of ferry users, communities and the public.
- On September 30, 2019, the BC Ferries Commissioner issued a ruling that established final price cap increases of 2.3 per cent for each of the four years of performance term five, being the four year period commencing on April 1, 2020 and ending on March 31, 2024.
- Also on September 30, 2019, the Commissioner released a performance review of the efficiency of BC Ferries prepared by PwC. The report concludes that BC Ferries is exhibiting good cost control and should continue the current efforts to manage costs and increase efficiencies. The foregoing three documents are available on the Commissioner's website at: [www.bcferrycommission.ca](http://www.bcferrycommission.ca).
- On October 15, 2019, BC Ferries completed a private placement of \$250 million of 30-year senior secured bonds with accredited investors. These bonds bear interest at a rate of 2.794 per cent per annum, payable semi-annually. The net proceeds of this new issue will be used, together with additional cash on hand, to provide for capital expenditures, general corporate purposes and to fund the series reserve account. These bonds were rated "A (high)" by DBRS and "AA-" by Standard & Poor's ("S&P").
- At the start of fiscal 2019 (April 1, 2018), BC Ferries, with partial funding from the Province, reduced fares on the minor and northern routes by 15 per cent. Fares on the three Metro Vancouver – Vancouver Island routes were held constant. These initiatives are in place through March 31, 2020.

**Vessels**

- On October 18, 2019, the Commissioner issued Order 19-02B, approving a supplementary application to amend the approved major capital expenditure amount for the construction

and introduction of one new Salish Class vessel and four new Island Class vessels. The initial Order 19-02 granted on January 7, 2019, and Order 19-02B are available on the Commissioner's website at [www.bcferrycommission.com](http://www.bcferrycommission.com).

- On October 25, 2019, contracts became effective with Damen Shipyard Group of Netherlands for the construction of four new Island Class vessels expected to enter service during fiscal 2023. These four vessels are in addition to the two Island Class vessels which are expected to enter service in fiscal 2021. The Island Class vessels will be outfitted with battery electric-hybrid propulsion and will each have a capacity of up to 450 passengers and approximately 47 vehicles. The total project budget for the four additional vessels, including financing and project management costs, is approximately \$200 million.

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# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Financial Position (unaudited)  
(Expressed in thousands of Canadian dollars)

	September 30, 2019	March 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	134,897	59,888
Restricted short-term investments	31,341	31,651
Other short-term investments	76,617	74,648
Trade and other receivables	29,415	23,246
Prepaid expenses	14,027	8,306
Inventories	31,258	30,870
Derivative assets	1,317	8,145
	318,872	236,754
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Property, plant and equipment	1,785,321	1,820,232
Intangible assets	101,152	101,029
Derivative assets	5	-
	1,910,993	1,945,776
<b>Total assets</b>	<b>2,229,865</b>	<b>2,182,530</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	45,414	80,173
Interest payable on long-term debt	18,456	18,429
Contract liabilities	21,872	28,709
Current portion of long-term debt	74,104	57,183
Current portion of accrued employee future benefits	2,000	2,000
Current portion of lease liabilities	2,297	2,184
Provisions	66,145	62,778
Derivative liabilities	433	-
	230,721	251,456
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,681	20,583
Long-term debt	1,188,748	1,222,860
Lease liabilities	39,983	39,797
Other liabilities	11,493	9,516
Derivative liabilities	977	-
	1,261,882	1,292,756
<b>Total liabilities</b>	<b>1,492,603</b>	<b>1,544,212</b>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	632,177	525,006
<b>Total equity before reserves</b>	<b>732,655</b>	<b>625,484</b>
-Reserves	4,607	12,834
<b>Total equity including reserves</b>	<b>737,262</b>	<b>638,318</b>
<b>Total liabilities and equity</b>	<b>2,229,865</b>	<b>2,182,530</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income (unaudited)  
(Expressed in thousands of Canadian dollars)

	Three months ended September 30		Six months ended September 30	
	2019	2018	2019	2018
<b>Revenue</b>				
Vehicle and passenger fares	216,516	213,187	378,992	371,614
Net retail	23,869	23,061	40,666	38,620
Fuel surcharges (rebates)	2,981	(67)	3,820	(4,585)
Other income	3,532	3,433	6,569	6,240
Revenue from customers	246,898	239,614	430,047	411,889
Ferry service fees	74,579	68,581	129,988	118,380
Federal-Provincial Subsidy Agreement	7,835	7,626	15,670	15,252
<b>Total revenue</b>	<b>329,312</b>	<b>315,821</b>	<b>575,705</b>	<b>545,521</b>
<b>Expenses</b>				
Operations	152,231	142,664	292,919	278,535
Maintenance	13,440	15,713	39,752	37,934
Administration	9,271	9,955	17,967	19,694
Depreciation and amortization	45,740	42,921	90,462	84,946
<b>Total operating expenses</b>	<b>220,682</b>	<b>211,253</b>	<b>441,100</b>	<b>421,109</b>
<b>Operating profit</b>	<b>108,630</b>	<b>104,568</b>	<b>134,605</b>	<b>124,412</b>
<b>Net finance and other expenses</b>				
Finance expenses	15,330	15,268	30,321	30,240
Finance income	(1,508)	(1,610)	(2,681)	(2,867)
Net finance expense	13,822	13,658	27,640	27,373
(Gain) loss on disposal and revaluation of property, plant and equipment and intangible assets	(194)	54	(206)	143
<b>Net finance and other expenses</b>	<b>13,628</b>	<b>13,712</b>	<b>27,434</b>	<b>27,516</b>
<b>NET EARNINGS</b>	<b>95,002</b>	<b>90,856</b>	<b>107,171</b>	<b>96,896</b>
<b>Other comprehensive (loss) income</b>				
Items that are or may be reclassified subsequently to net earnings	(3,832)	1,445	(3,890)	9,324
Items not to be reclassified to net earnings	(126)	-	(126)	-
<b>Total other comprehensive (loss) income</b>	<b>(3,958)</b>	<b>1,445</b>	<b>(4,016)</b>	<b>9,324</b>
<b>Total comprehensive income</b>	<b>91,044</b>	<b>92,301</b>	<b>103,155</b>	<b>106,220</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)  
(Expressed in thousands of Canadian dollars)

	Six months ended September 30	
	2019	2018
<b>Cash flows from operating activities</b>		
Net earnings	107,171	96,896
Items not affecting cash		
Net finance expense	27,640	27,373
Depreciation and amortization	90,462	84,946
Other non-cash changes to property, plant and equipment	(1,152)	(24)
Changes in:		
Accrued employee future benefits	(28)	(507)
Derivative assets and liabilities recognized in net earnings	8	71
Provisions	3,367	2,343
Accrued financing costs	(434)	(276)
Total non-cash items	119,863	113,926
Movements in operating working capital		
Trade and other receivables	(6,169)	(16,757)
Prepaid expenses	(5,721)	(4,247)
Inventories	(388)	(544)
Accounts payable and accrued liabilities	(34,759)	(1,856)
Contract liabilities	(6,837)	(1,593)
Change in non-cash working capital	(53,874)	(24,997)
Change attributable to capital asset acquisitions	23,550	18,456
Change in non-cash operating working capital	(30,324)	(6,541)
Cash generated from operating activities	196,710	204,281
Interest received	3,276	3,149
Interest paid	(32,211)	(32,891)
Net cash generated by operating activities	167,775	174,539



# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)  
(Expressed in thousands of Canadian dollars)

	Six months ended September 30	
	2019	2018
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(17,641)	(17,641)
Repayment of lease liabilities	(1,093)	(1,064)
Net cash used in financing activities	(18,734)	(18,705)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	295	41
Purchase of property, plant and equipment and intangible assets	(72,668)	(139,309)
Changes in debt service reserve	310	310
Net (purchase of) proceeds from short-term investments	(1,969)	1,626
Net cash used in investing activities	(74,032)	(137,332)
Net increase in cash and cash equivalents	75,009	18,502
Cash and cash equivalents, beginning of period	59,888	69,913
<b>Cash and cash equivalents, end of period</b>	<b>134,897</b>	<b>88,415</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Changes in Equity (unaudited)  
(Expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Total equity before reserves	Reserves	Total equity including reserves
Balance as at April 1, 2018	75,478	25,000	478,855	579,333	8,974	588,307
Net earnings	-	-	96,896	96,896	-	96,896
Other comprehensive income	-	-	-	-	9,324	9,324
Realized hedge gains recognized in fuel swaps	-	-	-	-	(7,517)	(7,517)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
<b>Balance as at September 30, 2018</b>	<b>75,478</b>	<b>25,000</b>	<b>575,751</b>	<b>676,229</b>	<b>10,905</b>	<b>687,134</b>
Balance as at April 1, 2019	75,478	25,000	525,006	625,484	12,834	638,318
Net earnings	-	-	107,171	107,171	-	107,171
Other comprehensive loss	-	-	-	-	(4,016)	(4,016)
Realized hedge gains recognized in fuel swaps	-	-	-	-	(4,335)	(4,335)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
<b>Balance as at September 30, 2019</b>	<b>75,478</b>	<b>25,000</b>	<b>632,177</b>	<b>732,655</b>	<b>4,607</b>	<b>737,262</b>