

For Immediate Release  
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February 21, 2020

## BC FERRIES RELEASES THIRD QUARTER RESULTS

VICTORIA –BC Ferries released its third quarter results today for the fiscal year ending March 31, 2020.

In the three months ended December 31, 2019, BC Ferries delivered over 44,000 sailings across the system. The company carried 4.8 million passengers and 2.0 million vehicles, an increase of 0.7 per cent and 1.6 per cent respectively, compared to the same quarter in the prior year. Year-to-date, the company has carried 18.3 million passengers and 7.3 million vehicles, an increase of 0.2 per cent and 1.3 per cent respectively, compared to the same period in the prior year.

The company reported a net loss of \$8.3 million for the three months ended December 31, 2019, as compared to a net loss of \$3.7 million reported in the same quarter last year. Year-to-date, since April 1, 2019, net earnings were \$98.9 million, \$5.6 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 traffic is lower and routine vessel maintenance is scheduled.

Total revenue for the three-month period ended December 31, 2019 increased by \$3.2 million to \$210.9 million as compared to the same quarter last year. Total revenue for the nine months ended December 31, 2019 increased by \$33.4 million to \$786.7 million as compared to the same period last year. The increase in revenue is mainly a result of increased vehicle traffic, retail revenue and the provincial contribution for its portion of the fare initiatives.

Operating expenses increased by \$7.4 million to \$205.7 million as compared to the same quarter last year. For the nine months ended December 31, 2019, operating expenses increased by \$27.4 million from \$619.4 million to \$646.8 million as compared to the same period the year prior. The increase in operating expenses is mainly due to higher labour costs and staffing level changes. These result partly from additional round trips from the service level adjustments as agreed to with the Province, the expanded service of the Central Coast seasonal route and increased service on the major routes to accommodate higher traffic volumes and improve the customer experience.

“Last fall, the British Columbia Ferries Commissioner authorized an average rate increase of 2.3 per cent annually that goes into effect April 1, 2020 to March 31, 2024,” said Mark Collins, BC Ferries’ President & CEO. “We believe that this regulatory decision, being lower than we expected, may make it more challenging to achieve our corporate objectives, which include replacing our aging fleet, upgrading technology, providing operational resiliency and delivering improved customer service.”

Capital expenditures, net of funding from the New Building Canada Fund and FortisBC, in the three and nine months periods ended December 31, 2019 totalled \$92.0 million and

\$147.7 million, respectively. Significant investments include the new Island Class vessels, the Skeena Queen and Spirit Class mid-life upgrades, and upgrading technology.

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 in this release include statements with respect to: net earnings, fares, the number of sailings, traffic levels, vessel maintenance, Island Class vessels, Spirit Class and Skeena Queen mid-life upgrades, technology investments, and the impact of regulatory decisions. 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.

February 21, 2020

**SIGNIFICANT EVENTS THIRD QUARTER FISCAL 2020**

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

**Vessels**

- On October 25, 2019, contracts became effective with Damen Shipyard Group of the 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 that arrived in Canada on January 18, 2020 and are expected to enter service in fiscal 2021. The Island Class vessels will be outfitted with hybrid diesel-electric 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.
- On December 20, 2019, a contract became effective with Remontowa Shipbuilding S.A. of Gdansk, Poland to build a new Salish Class vessel. The new vessel will be identical to the three existing Salish Class vessels which are dual-fuel capable, designed to run primarily on LNG with marine diesel fuel as a backup. This fourth Salish Class vessel will replace the 55-year old Mayne Queen and is expected to enter service in fiscal 2023.

**Regulatory**

- On October 18, 2019, the British Columbia Ferries 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 December 24, 2019, the Commissioner issued Order 16-02B, approving a supplemental application to amend the previously approved amount for the Fare Flexibility and Digital Experience Initiative. The initial Order 16-02 granted on September 21, 2016 is available on the Commissioner's website at [www.bcferrycommission.com](http://www.bcferrycommission.com).

**General**

- On October 15, 2019, BC Ferries completed a private placement of \$250 million of 30-year senior secured bonds. 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.

- On December 17, 2019, BC Ferries eliminated fuel surcharges as a result of declining fuel prices. Surcharges of 1.5 per cent on average, on all routes with the exception of the Northern Routes, had been in place since June 1, 2019.
- On February 19, 2020, BC Ferries was named one of B.C.’s Top Employers for the fourth consecutive year. The award recognizes companies that offer exceptional workplaces for their employees by providing forward-thinking and progressive programs. BC Ferries works to create a positive environment for its employees who are focused on delivering great service to customers every day.

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# BRITISH COLUMBIA FERRY SERVICES INC.

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

	December 31, 2019	March 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	227,409	59,888
Restricted short-term investments	33,588	31,651
Other short-term investments	120,632	74,648
Trade and other receivables	25,743	23,246
Prepaid expenses	12,687	8,306
Inventories	31,766	30,870
Derivative assets	2,514	8,145
	<b>454,339</b>	<b>236,754</b>
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Property, plant and equipment	1,831,438	1,820,232
Intangible assets	101,097	101,029
Derivative assets	955	-
	<b>1,958,005</b>	<b>1,945,776</b>
<b>Total assets</b>	<b>2,412,344</b>	<b>2,182,530</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	37,405	80,173
Interest payable on long-term debt	17,610	18,429
Contract liabilities	21,361	28,709
Current portion of long-term debt	25,374	57,183
Current portion of accrued employee future benefits	2,000	2,000
Current portion of lease liabilities	2,406	2,184
Provisions	67,637	62,778
Derivative liabilities	1	-
	<b>173,794</b>	<b>251,456</b>
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,913	20,583
Long-term debt	1,434,547	1,222,860
Lease liabilities	39,317	39,797
Other liabilities	11,209	9,516
Derivative liabilities	145	-
	<b>1,506,131</b>	<b>1,292,756</b>
<b>Total liabilities</b>	<b>1,679,925</b>	<b>1,544,212</b>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	623,867	525,006
<b>Total equity before reserves</b>	<b>724,345</b>	<b>625,484</b>
Reserves	8,074	12,834
<b>Total equity including reserves</b>	<b>732,419</b>	<b>638,318</b>
<b>Total liabilities and equity</b>	<b>2,412,344</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 December 31		Nine months ended December 31	
	2019	2018	2019	2018
<b>Revenue</b>				
Vehicle and passenger fares	134,699	134,020	513,691	505,634
Net retail	14,583	14,200	55,249	52,820
Fuel surcharges (rebates)	1,620	-	5,440	(4,584)
Other income	2,754	2,297	9,323	8,537
Revenue from customers	153,656	150,517	583,703	562,407
Ferry service fees	49,457	49,554	179,445	167,934
Federal-Provincial Subsidy Agreement	7,835	7,626	23,505	22,878
<b>Total revenue</b>	<b>210,948</b>	<b>207,697</b>	<b>786,653</b>	<b>753,219</b>
<b>Expenses</b>				
Operations	128,339	122,759	421,258	401,294
Maintenance	22,166	22,355	61,918	60,289
Administration	9,312	9,654	27,279	29,348
Depreciation and amortization	45,913	43,568	136,375	128,514
<b>Total operating expenses</b>	<b>205,730</b>	<b>198,336</b>	<b>646,830</b>	<b>619,445</b>
<b>Operating profit</b>	<b>5,218</b>	<b>9,361</b>	<b>139,823</b>	<b>133,774</b>
<b>Net finance and other expenses</b>				
Finance expenses	16,056	14,713	46,377	44,953
Finance income	(2,520)	(1,701)	(5,201)	(4,568)
Net finance expense	13,536	13,012	41,176	40,385
(Gain) loss on disposal and revaluation of property, plant and equipment and intangible assets	(8)	30	(214)	173
<b>Net finance and other expenses</b>	<b>13,528</b>	<b>13,042</b>	<b>40,962</b>	<b>40,558</b>
<b>NET (LOSS) EARNINGS</b>	<b>(8,310)</b>	<b>(3,681)</b>	<b>98,861</b>	<b>93,216</b>
<b>Other comprehensive income (loss)</b>				
Items that are or may be reclassified subsequently to net earnings	4,645	(10,962)	755	(1,638)
Items that will not be reclassified to net earnings	-	-	(126)	-
<b>Total other comprehensive income (loss)</b>	<b>4,645</b>	<b>(10,962)</b>	<b>629</b>	<b>(1,638)</b>
<b>Total comprehensive (loss) income</b>	<b>(3,665)</b>	<b>(14,643)</b>	<b>99,490</b>	<b>91,578</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Nine months ended December 31	
	2019	2018
<b>Operating activities</b>		
Net earnings	98,861	93,216
Items not affecting cash:		
Net finance expense	41,176	40,385
Depreciation and amortization	136,375	128,514
(Gain) loss on disposal and revaluation of property, plant and equipment and intangible assets	(214)	173
Other non-cash changes to property, plant and equipment	(686)	199
Changes in:		
Accrued employee future benefits	204	(1,782)
Derivative assets and liabilities recognized in net earnings	2	59
Provisions	4,859	3,351
Accrued financing costs	89	(47)
Total non-cash items	181,805	170,852
Movements in operating working capital:		
Trade and other receivables	(2,497)	(1,033)
Prepaid expenses	(4,381)	(2,831)
Inventories	(896)	1,163
Accounts payable and accrued liabilities	(42,768)	(4,314)
Contract liabilities	(7,348)	(4,143)
Change in non-cash working capital	(57,890)	(11,158)
Change attributable to capital asset acquisitions	32,324	3,704
Change in non-cash operating working capital	(25,566)	(7,454)
Cash generated from operating activities	255,100	256,614
Interest received	5,272	4,333
Interest paid	(50,468)	(51,110)
<b>Cash generated by operating activities</b>	<b>209,904</b>	<b>209,837</b>



# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Nine months ended December 31	
	2019	2018
<b>Financing activities</b>		
Repayment of long-term debt	(69,212)	(24,211)
Repayment of lease liabilities	(1,650)	(1,623)
Proceeds from the issue of bonds	250,000	-
Transactions costs related to bonds	(1,587)	-
<b>Cash from (used in) financing activities</b>	<b>177,551</b>	<b>(25,834)</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	309	46
Purchase of property, plant and equipment and intangible assets	(172,322)	(168,516)
Changes in debt service reserve	(1,937)	435
Net (purchase of) proceeds from short-term investments	(45,984)	23,761
<b>Cash used in investing activities</b>	<b>(219,934)</b>	<b>(144,274)</b>
Net increase in cash and cash equivalents	167,521	39,729
Cash and cash equivalents, beginning of period	59,888	69,913
<b>Cash and cash equivalents, end of period</b>	<b>227,409</b>	<b>109,642</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	-	-	93,216	93,216	-	93,216
Other comprehensive loss	-	-	-	-	(1,638)	(1,638)
Realized hedge gains recognized in fuel swaps	-	-	-	-	(9,736)	(9,736)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	186	186
<b>Balance as at December 31, 2018</b>	<b>75,478</b>	<b>25,000</b>	<b>572,071</b>	<b>672,549</b>	<b>(2,214)</b>	<b>670,335</b>
<b>Balance as at April 1, 2019</b>	<b>75,478</b>	<b>25,000</b>	<b>525,006</b>	<b>625,484</b>	<b>12,834</b>	<b>638,318</b>
Net earnings	-	-	98,861	98,861	-	98,861
Other comprehensive income	-	-	-	-	629	629
Realized hedge gains recognized in fuel swaps	-	-	-	-	(5,575)	(5,575)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	186	186
<b>Balance as at December 31, 2019</b>	<b>75,478</b>	<b>25,000</b>	<b>623,867</b>	<b>724,345</b>	<b>8,074</b>	<b>732,419</b>