



PortsToronto Annual General Meeting

CEO's Remarks

Geoffrey Wilson

June 14, 2021

Check Against Delivery

Good morning. On behalf of my colleagues, Senior Management and our Board of Directors, I would like to thank you for joining us today for PortsToronto's Annual General Meeting.

I would like to begin today by confirming that this meeting is being broadcast from our head office at 207 Queens Quay West in Toronto, and acknowledging that this office and all of our businesses are located on the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg (ah-nish-naw-bek), the Chippewa, the Haudenosaunee (hoodt-en-oh-show-nee), and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples.

This AGM, like our AGM last year, is being held online in accordance with public health guidance to restrict public gatherings in order to limit potential exposure associated with COVID-19. We believe this is the safest and most efficient way of conducting our AGM until such time that the pandemic is over and we can gather again in person.

Importantly, while the platform has changed from prior years, the content of this year's meeting will remain consistent. In a moment I will invite PortsToronto's new Board Chair, Ms. Amanda Walton, to provide her remarks. I will then provide an overview of our operational performance in 2020 and some of the challenges and achievements that the organization experienced in what was a difficult year for many. Finally, I will invite our Senior Vice President and Chief Financial Officer, Alan Paul, to present topline financial information for 2020.

Following Alan's remarks, we will hold a Question & Answer period. Again this year we did invite participants to submit queries in advance to ensure that there were multiple opportunities to ask questions. I will address the questions that were submitted in advance first, and will then address any other questions that are submitted through the "Q&A function" that is available on this AGM portal. Please be sure to include your name when submitting your question. You can type your questions in and my colleague Deborah Wilson, Vice President of Public Affairs and Communications, will read them out for response. We will try to get all questions answered, but we do have a time limit for this AGM. I will remind you that this is not your only opportunity to ask questions of us. Questions can always be sent to communications@portstoronto.com at any point.

I should also mention that this online AGM will be recorded and made available on our website following today's meeting. I will also draw your attention to the release of our 2020 Annual Report which is now available on our website. The report provides operational highlights of the year as well as containing the Management Discussion and Analysis, and the 2020 audited Financial Statements. The latter two documents were first released on May 4, 2021, to ensure that our community and stakeholders had more than 30 days to review in advance of today's AGM.

With that I would like to invite Ms. Amanda Walton, our newly elected Board Chair, to deliver her remarks.

<Amanda presents her remarks>

Thank you Amanda.

I would now like to review our performance in 2020 which will include information on all of our business units – Billy Bishop Toronto City Airport, the marine Port of Toronto, the Outer Harbour Marina and our fourth business, which we call Property and Other, which is inclusive of our real estate holdings and investments. I will conclude by providing some insight and context into 2021 and the impact that the COVID-19 global pandemic continues to have on our organization.

I will begin with 2020 which, as expected, proved to be a challenging year for the organization due to the impacts of the COVID-19 global pandemic. Although business units such as the marine Port of Toronto and the Outer Harbour Marina recorded strong financial results, Billy Bishop Toronto City Airport experienced a significant and material decline in revenues due to the temporary suspension of commercial air carrier service in March 2020, and the related decrease in passenger travel and associated fees.

Overall, PortsToronto reported operating revenues of \$36.6 million in 2020, a significant drop of \$24.4 million from 2019 revenue of \$61 million. In addition, PortsToronto had a net loss in 2020 of \$12.6 million versus net income of \$3.5 million in 2019, a change of \$16.1 million year-over-year.

However, despite the financial challenges presented and the operational impacts of COVID-19, PortsToronto did make all of its government payments in 2020. PortsToronto paid \$3.2 million in Payments in Lieu of Taxes – or PILTs – to the City of Toronto in 2020, as well as paying \$2.5 million toward realty taxes. The amounts accrued and paid to the federal government and to the City of Toronto together total \$6.7 million for 2020, representing 18.3% of PortsToronto's Operating Revenue in 2020.

I will now go through the performance of each business unit starting with the marine Port of Toronto which experienced a strong year in 2020 and, for the fourth consecutive year, moved more than two million metric tonnes of bulk and general cargo products. The port and its activities reported operating income from all sources of \$4.4 million, up from the year prior that recorded \$3.4 million, which can be attributed to cargo handling, storage and port leases that resulted in an increase in net income.

There were 174 ship that visited the port in 2020, bringing sugar, salt, cement, aggregate and steel directly to the heart of the city. General cargo into the port totaled 67,882 metric tonnes which consisted of steel imports, containers, and project cargo. Eleven ships brought in steel imports from around the world, including rail, rebar, steel plate and coils.

For the first time in many years, short-sea shipping returned to the port and resulted in the movement of 375 containers transported by ship from the Port of Montreal to the Port of Toronto.

The Port of Toronto had a unique and exciting delivery in 2020 as it welcomed the first of several bridge spans from Nova Scotia via tug and barge for Waterfront Toronto's Villiers Island project. The second span left Nova Scotia in early May and arrived in the Port of Toronto on May 12 of this year.

However, while cargo shipments continued unabated during 2020, passenger cruise ships were impacted by pandemic-related travel restrictions, resulting in a temporary suspension of cruise ship activity in Canada for 2020 and 2021. For context, in 2019 we welcomed 36 ships to port, carrying approximately 12,000 passengers, who supported local tourism by visiting the city's restaurants and attractions. We look forward to a return of tourism and seeing these ships and passengers return to Toronto in 2022.

Other businesses operating on PortsToronto's properties also had strong years, including Cinespace which operates a film and television production studio out of Marine Terminal 51. The company completed an impressive reconstruction of the terminal a few years back and has since attracted production companies such as Netflix, which have availed themselves of these industry-leading studios, bringing jobs and opportunity to the city. Some of the productions that have filmed in the port-based studio in the last 18 months include the series "The Queen's Gambit" and "Jupiter's Legacy"; and the soon-to-be-released "Nightmare Alley" starring Bradley Cooper and Kate Blanchett.

Importantly, this year the *Netflix Hub*, which was announced in 2019 and which Marine Terminal 51 comprises the largest portion of, will achieve its intended goal of hosting a massive Netflix Original project: Specifically, Oscar-winner Guillermo Del Toro's upcoming horror anthology "10 after Midnight."

The introduction of Cinespace has been a real success story. PortsToronto effectively re-configured its operations and land use to accommodate this additional business, which is good for the city and economy. Importantly, these non-maritime business activities have neither affected nor displaced our core industrial port operations and cruise ship activities on PortsToronto's property. As such, in early 2020 PortsToronto issued a Request for Expressions of Interest on two additional adjacent property segments, leading to the receipt of some exciting proposals. The outcome of this final step will be announced in the coming weeks.

Although by no means the largest in Canada, the Port of Toronto plays an important role in the national transportation chain and in supporting the largest economy in Canada. Not to mention the role it plays in our daily lives providing the sugar for our coffee, the salt for our roads, and the raw materials for our booming construction industry, facilitating trade and tourism for the city. During the past year as the pandemic affected supply chains and distribution around the world, we were fortunate to have the port serve as a regular and reliable gateway to receive the food and materials that Toronto and region required to keep the local economy moving.

It's also important to keep in mind that the port has an important role to play in environmental sustainability, given that the cargo delivered to the Port of Toronto last year took the equivalent of approximately 54,000, 40-tonne trucks off Toronto's already congested roads and highways. Further, ship transport is significantly more fuel efficient than trucks, using one-eighth as much fuel to carry the same amount of cargo.

<Pause>

Transitioning from large ships to personal vessels, the financial performance of the Outer Harbour Marina remained consistent with prior years during 2020, given the demand for winter storage in the 2020-2021 winter season, and summer berthing renewals remained strong. The occupancy rate for summer berthing increased to just above 88 per cent in 2020 and remained at 100% for winter outdoor and indoor storage. The Outer Harbour Marina's operating income increased to \$2.4 million on revenues of \$4.8 million.

Boating in 2020 proved to be an activity that could be enjoyed even with pandemic restrictions. Our team at the OHM worked to ensure the safety of our clients and staff, and protocols were put in place so that people could get out and enjoy their boats and escape some of the everyday stresses brought about by the pandemic. We are looking forward to another season of being able to provide a respite for our clients while following all of the public health protocols.

<Pause>

Our fourth business unit, Property and Other, includes the rental of various properties along the waterfront as well as Marine Terminal 51 and the Cruise Ship Terminal in the port. Property and Other, including investments, reported operating income of \$4.4 million, which was down marginally from \$4.6 million the year prior. Investment income includes income earned on PortsToronto's cash reserves, which dropped in 2020 versus 2019, due to lower interest rates and a decrease in the principal invested.

<Pause>

Turning now to Billy Bishop Toronto City Airport, 2020 proved particularly challenging for this business unit given the nature of its operations and the unprecedented impacts of the COVID-19 global pandemic on the travel and aviation sector.

In March 2020, Porter Airlines and Air Canada announced the temporary suspension of commercial service to/from Billy Bishop Airport. The passenger terminal was closed and concessions ceased operation. In the months since, Ornge medevac service has been the only continuous service operating from the airport, in addition to a handful of Fixed-Base-Operator and General Aviation flights. In the wake of this temporary suspension, PortsToronto immediately contained costs, cancelled all non-essential capital projects, reduced our staff complement, cancelled the 2020 bonus program, reduced Board fees, and deferred expenses in an effort to conserve cash and prepare for the unknown economic storm ahead.

Given the temporary suspension of commercial service, Billy Bishop Airport welcomed just 389,000 business and leisure travelers in 2020, which was down significantly from 2.8 million in 2019, and generated revenue of \$18.2 million, down from \$41.7 million the year prior. Operating income for Billy Bishop Airport was \$3 million in 2020, down significantly from \$22 million recorded in 2019.

Current guidance issued by the airlines indicates a summer 2021 restart which is predicated on the reduction of travel restrictions and increase in passenger demand as vaccinations increase and the pandemic begins to subside. PortsToronto is prepared to welcome back travellers and in August 2020 rolled out our *Safe Travels Program* at Billy Bishop Airport to ensure that the

airport is ready to offer a confident and safe travel experience to passengers through the use of sanitization, physical distancing, personal protective equipment, and public health protocols. By now we are accustomed to what we must all do to keep ourselves and others safe, and it is these measures that form the backbone of our program.

We have spent the past year making difficult decisions and are now looking forward to welcoming back our staff members and passengers, and returning the organization to a position of strong financial performance, so that we can continue to provide essential transportation and infrastructure and support overall economic recovery.

Part of our forward planning is the release of a Request for Interest – or RFI – that was issued in March 30 of this year. This RFI is part of a preliminary and exploratory step that is intended to inform a comprehensive study of possible options available to PortsToronto to support the airport as a critical transportation asset.

The process initiated by the RFI endeavours to identify a strong and sophisticated infrastructure partner and investor that would be interested in operating the airport under lease. It is being undertaken in an effort to reduce PortsToronto's overall debt position, restore and enhance liquidity; enable ongoing and future infrastructure investment; and ensure the airport's long-term viability.

Importantly, PortsToronto will remain the signatory to the Tripartite Agreement, with the City of Toronto and the federal government, with all its current rights and obligations, and as such will retain oversight of the airport and maintain control over such areas as slots, safety and environmental sustainability.

The last year has had a profound impact on many businesses and has necessitated innovative approaches to overcome the challenges at present and in future. We believe that undertaking a process now that provides options for PortsToronto to secure a financial partner will enable the airport to come out of the COVID-19 crisis stronger, and make important investments for the future.

We have engaged a Fairness Advisor to oversee this RFI and ensure equitable and transparent disclosure of information. I am sure that there will be a few questions asked of me at the end of this meeting regarding the RFI. I will do my best to answer the questions, but I am constrained in what I can disclose for two reasons:

First, I may not know the answer given that we are still in the very early stages of this process and there is much that we still need to learn and gather. PortsToronto has not yet had the opportunity to review the submissions in detail, nor have we made a decision on next steps. As such, I may not yet know the answer to your question.

Second, given that this is still an active process, I cannot disclose information that might be deemed selective disclosure or could be seen as benefitting one respondent over another.

We chose to run this process through MERX as that is a platform that ensures that everyone is getting the same information at the same time. The AGM is not the appropriate setting to offer information that is not already widely known or has been disclosed to all respondents equally on MERX.

As such, you are welcome to ask questions of me, but I may not be able to provide you with much detail either because I don't yet know the answer or I must ensure that I operate within the parameters that the Fairness Advisor has laid out.

<Pause>

With that I will make a few last remarks in terms of 2020 and the initiatives and projects that we are undertaking in 2021 to ensure that we maintain progress in the areas that are important to us. Areas such as sustainability. That's why despite the economic impacts to our business as a result of COVID-19, we have continued our key environmental initiatives to the best of our ability.

The first such initiative is the conversion of the Marilyn Bell passenger and vehicle ferry at Billy Bishop Airport to electric power.

Our vision for Billy Bishop Airport is for it to be the global leader for how a modern airport operates in an urban environment. The last part of this vision is perhaps the most important as it relates to the unique opportunities and challenges that are before this airport due to its location within Toronto.

As such, our mission at Billy Bishop Airport is to invest in the areas that are meaningful to our passengers, community and stakeholders. With a focus on safety, sustainability and innovation, Billy Bishop Airport is committed to continuous improvement in safety, noise mitigation, environmental protection and air quality improvements, passenger service and convenience, community initiatives and engagement, and technology development to make what is already great even better.

Noise mitigation is a key priority for us, as are efforts such as investing heavily in ground engine run-up noise dampening infrastructure like the Ground Run-up Enclosure, installing new muffling equipment on our ferry, promoting walking and bicycle access to the airport, and realizing the potential of infrastructure investments such as the pedestrian tunnel.

With the Ground Run-up Enclosure in place, post-maintenance engine tests are no longer a key source of noise complaints at the airport. Now the ferry is at the top of the list for ground noise. As such, we announced that we would be undertaking a conversion to make the ferry almost silent. In 2018 we converted the ferry to bio-diesel which had a positive environmental impact in terms of air quality, but had no impact on noise. By taking the conversion to the next step and retrofitting the ferry to electric energy we will eliminate both noise and pollution emissions from the ferry.

The cost of the ferry – like so many costs associated with infrastructure and upgrades at the airport – will be paid for out of the passenger-paid Airport Improvement Fee, and not by

taxpayers. We had hoped to have the conversion complete in 2020 but disruptions in the supply chain and worksite closures early in the pandemic delayed our progress. However, we are now back on track and excited to have the conversion completed and the electric ferry in service by the end of this year.

Another project we have continued to invest in is the Seabin program to address plastic pollution in our water. The Seabins can collect litter ranging from larger plastics to microplastics, as small as 2 millimetres, as well as hydrocarbons such as fuel and oil. They are incredibly effective, with the capacity to collect upward of 4 kilograms of debris in one day, and filtering as much as 1.4 metric tons of trash per year.

In 2019, after a very successful pilot program at the OHM, PortsToronto launched two new Seabins in the northeast corner of the York Street Slip, the first such installation in a North American harbour. In 2020, we maintained these Seabins and continued to work with our partners at the University of Toronto on an educational component to the program.

In 2021, I am pleased to confirm that we will be expanding the Seabin program. In addition to the four Seabins we already have in place, we will be installing two Seabins on the Toronto Islands, at the Wards and Hanlan's point ferry terminals, on behalf of TRCA and the City of Toronto. Further, thanks to a generous partnership with the Waterfront Business Improvement Area (Waterfront BIA), six new Seabins will be installed along the waterfront. The locations have long-been areas of concern for floating litter and were identified during a Visual Audit undertaken by the UofT Trash Team researchers in 2020.

Both the Marilyn Bell ferry conversion and the Seabins feature prominently in the PortsToronto Sustainability Report which was released on May 11 of this year. Each year we publish two Sustainability Reports – one for Billy Bishop Airport exclusively, and one for all PortsToronto businesses, including Billy Bishop Airport.

Each report provides an overview of our efforts and reports on areas such as Greenhouse-Gas Emissions (GHG), energy usage, and waste management. We also showcase initiatives we are undertaking to reduce our carbon footprint such as building habitat for fish, migratory birds and other wildlife on the Leslie Street Spit, deploying hybrid vehicles for our service fleet, and purchasing 100 per cent of our power needs from renewable sources such as wind and hydro through Bullfrog Power. PortsToronto is one of only a few organizations in Canada to use renewable energy for its entire operations, and the only airport and port authority in Canada to do so.

We are very proud of our sustainability program and all of the work we do with the environment and in support of community initiatives which represented more than \$12 million in community and environmental spending over the last decade. We have had to limit and reduce our community investments in 2020 and 2021 due to the economic impact that the pandemic has had on our organization, but we look forward to returning to pre-pandemic spending levels as soon as we are able.

<Pause>

Without a doubt the year 2020 was among the most difficult in this organization's history. PortsToronto entered 2020 in a strong financial position due to a solid balance sheet, growing passenger numbers at the airport, and expectations of another record year at the Port. However, the pandemic confirmed in March 2020 has had a significant impact on our business, particularly as relates to Billy Bishop Airport.

As borders open, restrictions are reduced, and the pent-up demand for travel grows, we are confident that business will recover. Indications are that the aviation industry may take up to three years to return to 2019-levels, but that regional travel will be the first segment to see growth. Regional travel is our focus at Billy Bishop Airport so we have reason to be optimistic.

PortsToronto is committed to getting the airport back to business and providing a safe and healthy passenger experience that will support the economic recovery of Toronto and the national aviation system. Our team will have to lean-in to the challenges ahead, but I am confident that we can all do what needs to be done. Our other businesses remain strong and will continue to service Toronto to aid in the economic recovery ahead.

I would now like to invite Alan Paul, Senior Vice President and Chief Financial Officer of PortsToronto, to present our 2020 financial results.

<Alan presents financials>

Thank you Alan. In closing, I would like to take this opportunity to recognize and thank several groups that have supported our organization in 2020. First, I would like to thank our stakeholders and community partners whose co-operation and feedback are always valued.

I would like to thank our government partners, including members of City of Toronto Staff, the City Waterfront Secretariat, Waterfront Toronto, TRCA, and Transport Canada for their support. I would also like to especially thank the Mississaugas of the Credit First Nations for another year of collaboration and partnership on a variety of initiatives.

I would like to thank the PortsToronto Board, who are engaged and supportive in all matters of our organization and provide counsel and direction that have steered us through 2020 and helped us navigate the challenges of the past year. In particular, I would like to thank our outgoing Chair, Robert Poirier for his unyielding commitment to our organization and outstanding expertise, dedication and support. And I would like to welcome our incoming Chair, Amanda Walton, who has taken on the new role with equal flourish and enthusiasm.

Finally, and most importantly, I would like to thank the staff and management team at PortsToronto. I've said it before and I'll say it again – this has been a tough year. However, our incredibly dedicated team of people whose commitment, expertise, integrity, and professionalism kept the organization on strong footing. We have had to make many difficult decisions over the past year – including reducing our staff complement – and we have all faced disappointment and adversity this year. Thank you for hanging in there and standing shoulder to shoulder as we look to calmer seas and brighter skies ahead, and the recovery and rebuilding of our business.

A lot changed for us in 2020. But what will not change is our commitment to conducting ourselves in the year ahead with transparency and in the spirit of collaboration and communication. We are, as ever, committed to doing what we can to support the economic recovery of Toronto and working with our government partners wherever needed to support plans and initiatives to get Canada on its feet again.

With that we will move into our Question Period. As I mentioned at the outset, we did receive a few questions in advance which I will answer first. I will then turn to any questions that come in through the question function available on this portal.

I'll ask my colleague, Deborah Wilson, Vice President of Public Affairs & Communications, to read the questions.

<Q&A Period>

<Line will stay active to allow for closing remarks>

If there are no more questions I will extend my appreciation to those who participated in today's Annual General Meeting.

After this meeting you can always submit questions through our communications@portstoronto.com mailbox. Our website is updated daily with news and information, and our social media platforms are very active in providing news and updates to our community.

Thank you again for joining us today. Please stay safe and enjoy the rest of your day.