



April 13, 2026

RBC Elements™: Q1/26 Flight Deck

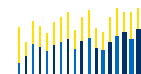
Q1 Airlines & Aerospace Preview

Our view: In this report, we provide updated estimates for AC, CAE, and CHR while adjusting target multiples to reflect the evolving geopolitical landscape. For Q1, our Canadian Airlines Heatmap, powered by RBC Elements, presents strong signals across leading indicators. Travel indexes hit highs signalling robust consumer travel demand, pricing turned positive, and airport throughput reaccelerated—trends we view as likely to support Q1 results. That said, sustained elevated fuel costs remain a key risk, and we lower our 2026 estimates for AC below management's guidance. Additionally, we see geopolitical disruptions in the Middle East impacting near-term demand for CAE's civil training solutions, and we therefore lower our F2026 estimates below management's guidance for Civil. In private aviation, bizjet activity was a bright spot, increasing 4.5% in Q1 y/y, and we see this space as less sensitive to fuel costs given the relative premium to fly private. Chorus remains our top idea, representing a compelling value opportunity with management targeting \$525MM in FCF through 2029 versus a ~\$550MM market cap, offering in our view multiple paths to value creation and shareholder returns.

Q1 estimate revisions

- **AC: Q1E increased; below consensus; PT lowered to \$22 (from \$25); maintain Outperform.** Our Q1 EBITDA moves to \$462MM (from \$442MM) below consensus of \$468MM driven by our price tracker pointing to stronger yields, robust consumer spending trends and solid leading indicators including throughput and search interest. That said, our 2026 EBITDA estimate moves lower to \$3B, below management's guidance of \$3.35B to \$3.75B and consensus of \$3.1B reflecting elevated jet fuel costs (and the expected negative impact to demand as higher costs are passed through), though we see upside should fuel prices normalize on a peace deal. We anticipate the carrier will implement fare increases in Q2 to recover elevated fuel costs through both surcharges and base ticket adjustments. We continue to view 2026 as a transitory year and anticipate a significant FCF inflection in 2028-2029 off normalizing capital expenditures. Our target multiple moves to 3.25x (from 3.5x) reflecting heightened geopolitical and fuel risks resulting in our lower price target of \$22 (from \$25).
- **BBD: Q1E unchanged; below consensus; PT increased to \$298 (from \$287); maintain Outperform.** Our Q1 EBITDA remains unchanged at \$245MM, below consensus of \$252MM. Our 2026 FCF of \$850MM remains unchanged, above the midpoint of management's guidance range of \$600MM - \$1,000MM, reflecting our view order activity remains relatively insulated from issues in the Middle East and supply chain pressures continue to ease in the back half of the year. Our valuation multiple moves to 13.5x (from 13x) on continued defence momentum and solid demand signals resulting in our PT of \$298. We see runway for Bombardier to compound FCF at greater than a low-teen CAGR well into the 2030s - a compelling investment opportunity, in our view, for shares trading at a ~5% FCF yield.
- **CAE: FQ4E lowered; below consensus; PT decreased to \$42 (from \$46); maintain Sector Perform.** We lower our FQ4E EBITDA estimate to \$335MM (from \$348MM), below consensus of \$344MM to reflect delivery headwinds from commercial OEMs and Middle East training disruptions in Civil. We now model FY26E Civil adj. operating income growth of -6.6% (cons. -6%) below guidance of mid-single digit decline. Our target multiple moves to 12x (from 12.5x) on continued headwinds in Civil resulting in our \$42 PT.
- **CHR: Q1E lowered; in line with consensus; PT unchanged at \$35; maintain Outperform.** We lower our Q1 EBITDA to \$46MM (from \$49) in line with consensus of \$45MM, due to the disruptions from the LaGuardia incident. Our 2026E EBITDA moves to \$177MM (from \$180MM), in line with consensus of \$176MM. Our target multiple remains at 6x resulting in our unchanged price target of \$35. We see Chorus as a compelling value opportunity with management targeting \$525MM in FCF 2026 through 2029. We view the current valuation as significantly discounted given the improved financial profile and multiple paths to value creation and shareholder returns.

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Priced as of prior trading day's market close, EST (unless otherwise noted). All values in CAD unless otherwise noted
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- **EIF: Q1E unchanged; in line with consensus; PT unchanged \$133; maintain Outperform.** Our Q1E EBITDA remains unchanged into the quarter at \$161MM, in line with consensus \$158MM. Our unchanged 2026E consolidated EBITDA of \$875MM is a touch above consensus of \$869MM and in line with management's guidance range of \$825-875MM with bias toward mid-to-upper end. We see potential upside to 2026 Manufacturing EBITDA estimates on stronger Canadian PMI readings and upside from defense-aligned capabilities as well as in Aerospace given recent contract wins and the Mach2 acquisition. Our blended target multiple remains unchanged at 10.1x resulting in our \$133 PT.



Summary of ratings and price targets

Company	Ticker	New Rating	Previous Rating	Curr. Market Cap(MM)	Price	New Price Target	Previous Price Target	% Change	Implied All-in Return %
James McGarragle									
Air Canada	AC CN	Outperform	Outperform	CAD 5,572	18.76	22.00	25.00	(12)	17
Bombardier Inc.	BBD/B CN	Outperform	Outperform	CAD 25,983	258.02	298.00	287.00	4	15
CAE Inc.	CAE CN	Sector Perform	Sector Perform	CAD 12,175	38.00	42.00	46.00	(9)	11
Chorus Aviation Inc.	CHR CN	Outperform	Outperform	CAD 543	23.20	35.00	35.00	--	53
Exchange Income Corporation	EIF CN	Outperform	Outperform	CAD 5,471	105.24	133.00	133.00	--	29

Source: Bloomberg and RBC Capital Markets estimates

Exhibit 1 - Canadian Airlines Heatmap powered by RBC Elements™

Airlines Heat Map										
	High/Low	1Q24	2Q24	3Q24	4Q24	Q125	Q225	Q325	Q425	Q126
Macro Indicators Y/Y										
CAD GDP*		2.1%	2.5%	2.4%	2.1%	2.1%	(0.9%)	2.4%	(0.6%)	1.3%
Household Consumption*		3.2%	1.7%	4.4%	4.9%	1.2%	4.7%	(0.8%)	1.7%	1.2%
Services Consumption*		5.5%	3.2%	3.6%	3.4%	0.1%	6.2%	(0.3%)	3.6%	1.3%
Jet Fuel		(17.7%)	7.3%	(23.3%)	(22.7%)	(15.1%)	(18.5%)	(3.7%)	1.7%	19.7%
Returns Q/Q										
Cdn Airlines & Aerospace Index Return		0.4%	8.5%	8.1%	19.6%	(17.0%)	22.9%	20.4%	7.8%	3.6%
Leading Indicators (Powered by RBC Elements)										
Fares/Pricing										
RBC Canadian Airfare Index Y/Y		(2.3%)	0.7%	(4.5%)	3.5%	0.3%	(3.3%)	(2.6%)	(3.0%)	1.1%
Cdn Airfare CPI Y/Y**		(5.7%)	2.2%	(3.9%)	(3.7%)	(7.0%)	(8.4%)	(8.4%)	(5.3%)	(1.3%)
Travel Indexes										
RBC GOAT Index (Cdn) Y/Y		(5.5%)	(4.6%)	(1.4%)	(2.1%)	(7.6%)	(5.5%)	(1.1%)	5.6%	9.8%
Search Interest										
AC Travel Search Interest Y/Y		(7.9%)	(9.0%)	(11.7%)	(10.5%)	(2.2%)	0.5%	7.0%	2.6%	5.7%
Cdn Travel Search Interest Y/Y		0.4%	2.0%	(3.5%)	(6.4%)	(3.0%)	(2.6%)	5.5%	6.2%	9.1%
Cdn Non-Mainline Search Interest Y/Y		10.1%	15.4%	6.0%	2.0%	(2.3%)	(6.5%)	1.8%	7.2%	9.8%
3rd Party Search Interest Y/Y		(3.4%)	(6.3%)	(6.3%)	(7.2%)	(10.8%)	(6.9%)	1.1%	10.1%	17.2%
Corporate Travel Search Interest Y/Y		20.5%	17.1%	3.0%	(27.2%)	(19.9%)	(15.3%)	(0.6%)	14.9%	16.6%
Competition										
% of Cdn Non-Mainline Capacity (ASMs)		17.3%	18.0%	20.1%	16.9%	18.7%	18.0%	20.3%	16.4%	18.3%
Throughput										
CATSA Passenger Throughput Y/Y		8.2%	3.8%	4.2%	6.2%	2.6%	2.8%	2.5%	1.4%	3.3%

* Indicates Estimates

** Data through January

*** Data through February

Source: Company Reports, FactSet, Cirium, RBC Elements, Company Websites, SimilarWeb

Click [here](#) to access the individual company pages.



Canadian Airlines & Aerospace Q1/26 preview

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q1 estimates. Items of focus include:

1. The set-up: share price performance in Q1 and valuation
2. An overview of air traffic trends, pricing, and leading indicators via RBC Elements™
3. Q1 estimates for each company in our coverage

The set-up: Aerospace share price performance during Q1

Share prices were mixed in Q1. Exchange Income rose +27.4%, supported by strong 2026 guidance, recent contract wins including the AC commercial agreement and Mach2 acquisition, and continued optimism regarding defense spending tailwinds aligned with Canada's Defence Industrial Strategy. Bombardier increased +5.4%, benefiting from strong free cash flow expectations, defense orders, and a record \$17.5B backlog, though tempered by near-term supply chain pressures expected to partially recover in H2. Chorus Aviation gained +4.6%, supported by shareholder return initiatives including an increased dividend and NCIB, plus a compelling four-year \$525MM capital allocation plan against a ~\$500MM market cap. Meanwhile, Air Canada declined -6.1% despite stronger Q4 results, as 2026 cost guidance reflected material headwinds from labor resets, aircraft delivery delays, and fuel cost risks—though management emphasized strong international demand and a constructive revenue environment. CAE saw larger declines of -13.2%, underperforming the broader index as Civil segment guidance was lowered to a mid-single-digit percentage decline (from flat) due to aircraft delivery delays and softer pilot training demand, partially offset by strong Defense performance exceeding 20% operating income growth.

Aerospace valuations mixed. Referencing Exhibit 3, the bar chart below shows current valuations (red dot) relative to the 5-year range.

- Bombardier is trading at a significant premium to its 3-year average (12.5x vs. 8.6x NTM EV/EBITDA), reflecting strong free cash flow generation, a record \$17.5B backlog, and in our view the company's ability to compound FCF at a low-teen CAGR through 2030. Exchange Income is also trading well above its historical average (9.2x vs. 7.1x), supported by defense spending tailwinds on potential ISR wins, upside potential from the Canadian North and MACH 2 acquisitions. CAE is trading slightly above its historical range (12.2x vs. 11.6x), benefiting from solid Defense segment momentum with >20% operating income expected as well as reflecting optimism surrounding its turnaround plan.
- Air Canada is trading slightly below its historical average (3.3x vs. 3.5x), reflecting in our view near-term cost pressures from labor resets, aircraft delivery delays, and higher airport infrastructure costs expected in 2026, despite strong international demand. In addition, the shares reflect risk from higher fuel costs and the impact that this could have on demand in the back half of the year. Chorus Aviation is trading at a discount to its historical average (5.0x vs. 5.8x), which we think represents a compelling investment opportunity given the company's four-year \$525MM capital allocation plan and strategic shift to higher-value opportunities in defense, parts, and MRO through Voyageur.

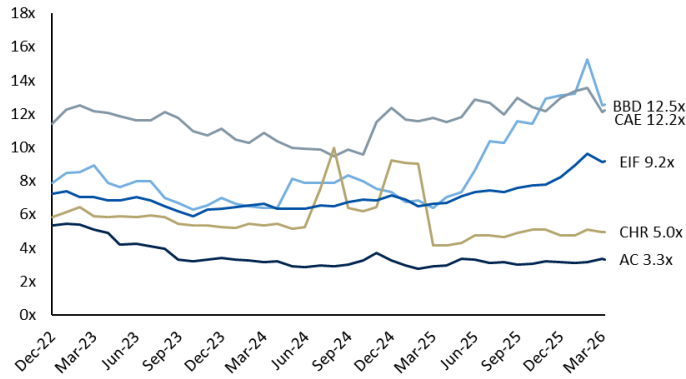
Company	Q1/26 Share Price Performance
EIF	27.4%
BBD	5.4%
CHR	4.6%
S&P/TSX	3.3%
AC	-6.1%
CAE	-13.2%

Source: FactSet

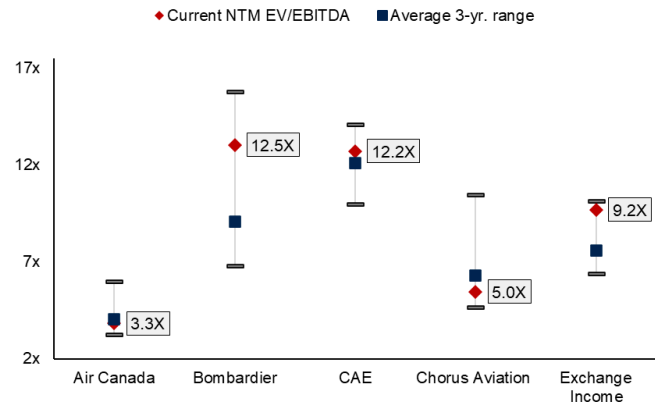


Exhibit 3 - Airlines & Aerospace shares mostly trading toward bottom of relative valuation (on consensus estimates)

Historical EV/EBITDA multiples on consensus NTM estimates



Current valuation vs. 3-year range



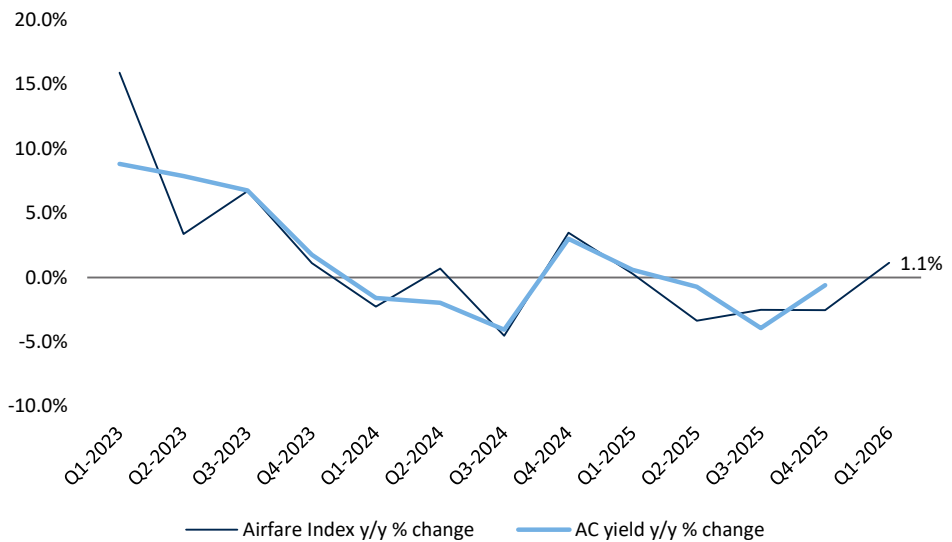
Source: FactSet consensus estimates.

Canadian Airlines & Aerospace Heatmap powered by RBC Elements™

Given the variable demand for commercial and private air travel since the pandemic, we began to track a series of travel indicators across the Airlines & Aerospace sectors quarterly. In collaboration with RBC Elements, our in-house data science team, we analyzed alternative data sets to gain insights into the forward demand and pricing environment. We expand further on certain RBC Elements indicators summarized in the heatmap.

Air Canada's yield environment continues to strengthen, consistent with our expectations. Our proprietary RBC Airfare Index registered a 1.1% increase in Q1, broadly aligned with the 1.9% consensus estimate (Exhibit 4). Meanwhile, Statistics Canada's Airfare CPI showed y/y declines averaging -1.25% through January-February moderating off 2025 lows. These pricing indicators, along with solid consumer spending data and peer commentary, point to upside versus our prior expectations and we therefore took higher our Q1 estimate for AC (see Exhibit 9). We also anticipate the carrier will implement fare increases in Q2 to recover elevated fuel costs through both surcharges and base ticket adjustments; and therefore see risk to demand during the remainder of the year on the back of expected ticket price increases.

Exhibit 4 - RBC Canadian Airfare Index indicates positive yields in Q1

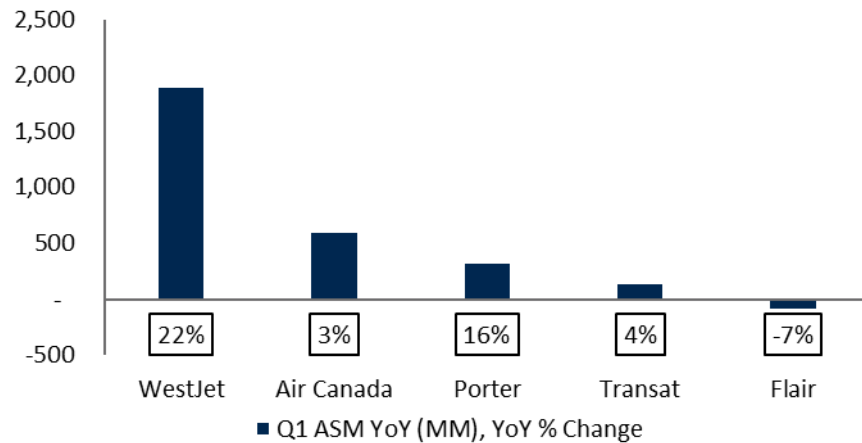


Source: RBC Elements, RBC Capital Markets

Leading indicators for the sector showed improving momentum in Q1. We track travel search interest y/y as measured by website traffic across mainline and non-mainline carriers. Overall, Q1 travel search interest accelerated meaningfully, with Canadian travel search interest rising +9.1% y/y versus +6.2% y/y in Q4. Air Canada search interest increased +5.7% y/y, accelerating from +2.6% in Q4, while non-mainline carriers maintained robust growth of +9.8% y/y. Third-party aggregator search interest strengthened considerably to +17.2% y/y, and corporate travel demand remained resilient at +16.6% y/y growth. Additionally, we reference RBC's proprietary Get Out And Travel (GOAT) Index to gauge broader consumer travel demand. The Canadian GOAT index surged +9.8% y/y in Q1, building on Q4's +5.6% inflection and marking the strongest reading in the dataset—a highly constructive signal for sector fundamentals. Supporting this view, CATSA throughput growth reaccelerated to +3.3% y/y in Q1, reversing the prior quarter's deceleration.

Capacity growth higher in Q1. Canadian Available Seat Miles (ASMs) rose 7.5% y/y in Q1 vs 6.2% in Q4. Air Canada's capacity increased 2.7% y/y in this period, aligning with our expectation of a 2.7% y/y increase (consensus: 3.8%) (Exhibit 5). WestJet led capacity growth on a percentage basis, rising 22% y/y, followed closely by Porter, continuing the trend of capacity build out at peers. Non-mainline carriers saw their share of total market capacity decrease to 18.3%, down ~0.5% vs last year, likely led by capacity declines at Flair.

Exhibit 5 - Industry capacity growth up +7.5% y/y in Q1



Source: Cirium, RBC Capital Markets

Bizjet activity momentum continues in 2026. According to WingX, YTD Q1 global bizjet activity was up +4.5% y/y, marking a meaningful acceleration from the +2.2% pace achieved over the comparable period in 2025. We attribute this unusual strength to a confluence of factors: resilient US economic fundamentals, robust equity markets supporting wealth creation, continued fractional fleet expansion, and critically, displaced commercial passengers seeking alternative travel solutions amid geopolitical disruptions. As of last quarter, used inventory sits at 6.7%, a two-year low and well below the normal range of 11-14%. Taken together, the data points to robust demand trends which we see supporting Bombardier and CAE with respect to its business aviation pilot training.

Exhibit 6 - Global bizjet departures continue to climb

	YOY		
	W13 '26 vs '25	YTD '26 vs '25	YTD '25 vs '24
North America	13.3%	4.9%	2.6%
Europe	10.0%	3.3%	(1.6%)
South America	23.9%	9.1%	4.8%
Asia	7.1%	4.3%	3.1%
Middle East	(40.6%)	(14.0%)	0.7%
Africa	7.1%	0.8%	(2.9%)
Global	11.3%	4.5%	2.2%

Source: WingX



Exhibit 7 - Estimate changes ahead of the quarter

	Q1/26E EBITDA			2026E EBITDA			2027E EBITDA			Target Multiple		Price Target (CAD)		Rating	Implied Return
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	RBC	Old	New		
Air Canada	\$442	\$462	\$468	\$3,440	\$3,031	\$3,148	\$3,697	\$3,805	\$3,859	3.5x	3.3x	\$25	\$22	O	+18%
Bombardier	Unchg.	US\$245	US\$252	Unchg.	US\$1,655	US\$1,664	Unchg.	US\$1,802	US\$1,782	13.0x	13.5x	\$287	\$298	O	+14%
CAE ¹	\$348	\$335	\$344	\$1,191	\$1,177	\$1,183	\$1,227	\$1,192	\$1,201	12.5x	12.0x	\$46	\$42	SP	+10%
Chorus Aviation	\$49	\$46	\$45	\$180	\$177	\$176	Unchg.	\$174	\$175	Unchg.	6.0x	Unchg.	\$35	O	+52%
Exchange Income	Unchg.	\$161	\$158	Unchg.	\$875	\$869	Unchg.	\$941	\$964	Unchg.	10.1x	Unchg.	\$133	O	+30%

¹ CAE estimates are for FQ4/26, F2026, and FY2027 respectively. Source: RBC Capital Markets estimates, FactSet for consensus. Note: Priced as of market close April 10, 2026.

Exhibit 8 - Air Canada estimate revisions detail

(C\$MM's)	Q1/26E			2026E			2027E		
	Old	New	% Δ	Old	Cur	% Δ	Old	Cur	% Δ
Operating Metrics									
Traffic: RPMs (% chg)	2.7%	3.1%	37bp	4.2%	4.7%	53bp	4.0%	4.0%	0bp
Capacity: ASMs (% chg)	2.5%	2.5%	0bp	4.3%	4.3%	0bp	4.0%	4.0%	0bp
Load Factor (%pts)	82.2%	82.5%	30bp	84.5%	84.9%	43bp	84.5%	84.9%	43bp
Yield (% chg)	1.0%	2.0%	100bp	2.2%	4.2%	202bp	1.0%	1.0%	0bp
RASM (% chg)	1.2%	2.5%	137bp	2.1%	4.7%	254bp	1.0%	1.0%	0bp
Adj. CASM ex fuel+other (% chg)	5.2%	5.5%	26bp	3.7%	3.6%	-9bp	1.0%	1.0%	1bp
Avg Jet Fuel Price: (\$/Ltr)	\$0.92	\$0.94	2.2%	\$0.90	\$1.10	22.3%	\$0.90	\$1.00	10.4%
Revenue	\$5,381	\$5,443	1.1%	\$23,717	\$24,236	2.2%	\$24,826	\$25,372	2.2%
Expenses	\$4,940	\$4,981	0.8%	\$20,277	\$21,205	4.6%	\$21,129	\$21,566	2.1%
EBITDA	\$442	\$462	4.5%	\$3,440	\$3,031	-11.9%	\$3,697	\$3,805	2.9%
EBITDA Margin	8.2%	8.5%	28bp	14.5%	12.5%	-200bp	14.9%	15.0%	11bp
EPS ex-one time items (\$)	-\$0.50	-\$0.45	-9.6%	\$1.99	\$0.97	-51.3%	\$2.34	\$2.61	11.2%
Consensus EBITDA	468			3,148			3,859		

Source: Company reports, FactSet, RBC Capital Markets estimates

Exhibit 9 - Bombardier estimate revisions detail

(\$MM's)	Q1/26E			2026E			2027E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total aircraft deliveries	23	23	0.0%	159	159	0.0%	159	159	0.0%
Total Revenues	\$1,568	\$1,568	0.0%	\$10,020	\$10,020	0.0%	\$10,530	\$10,530	0.0%
Total EBIT	\$174	\$174	0.0%	\$1,166	\$1,166	0.0%	\$1,284	\$1,284	0.0%
Margin (%)	11.1%	11.1%	0 bps	11.6%	11.6%	0 bps	12.2%	12.2%	0 bps
Free Cash Flow	-\$93	-\$93	0.0%	\$850	\$850	0.0%	\$1,188	\$1,188	0.0%
EBITDA	\$245	\$245	0.0%	\$1,655	\$1,655	0.0%	\$1,802	\$1,802	0.0%
Margin (%)	15.7%	15.7%	0 bps	16.5%	16.5%	0 bps	17.1%	17.1%	0 bps
Consensus EBITDA	\$252			\$1,664			\$1,782		

Source: Company reports, FactSet, RBC Capital Markets estimates



Exhibit 10 - CAE estimate revisions detail

ESTIMATE SUMMARY (C\$ millions)	FQ4/26E			F2026E			F2027E			F2028E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Revenue	1,298	1,266	(2.5%)	4,886	4,853	(0.7%)	4,810	4,810	0.0%	5,134	5,134	0.0%
Civil Revenue	764	731	(4.3%)	2,759	2,726	(1.2%)	2,624	2,624	0.0%	2,900	2,900	0.0%
Defence & Security Revenue	535	535	0.0%	2,127	2,127	0.0%	2,186	2,186	0.0%	2,234	2,234	0.0%
Adj. EBITDA	348	335	(3.8%)	1,191	1,177	(1.1%)	1,227	1,192	(2.8%)	1,346	1,300	(3.4%)
Civil Adj. EBITDA	281	269	(4.4%)	901	889	(1.4%)	916	885	(3.3%)	1,010	969	(4.1%)
Defence & Security Adj. EBITDA	67	66	(1.5%)	289	288	(0.3%)	311	307	(1.3%)	336	331	(1.3%)
Adjusted Operating Income	233	225	(3.5%)	732	724	(1.1%)	748	748	0.0%	848	848	0.0%
Adj. Operating Income Margin %	18.0%	17.8%	-19bps	15.0%	14.9%	-7bps	15.6%	15.6%	0bps	16.5%	16.5%	0bps
Civil Adj. EBIT	193	185	(4.3%)	551	543	(1.5%)	549	549	0.0%	629	629	0.0%
Defence & Security Adj. EBIT	40	40	0.0%	181	181	0.0%	199	199	0.0%	219	219	0.0%
Adj. EPS (F.D)	\$0.41	\$0.39	(4.7%)	\$1.19	\$1.17	(1.6%)	\$1.22	\$1.22	0.0%	\$1.48	\$1.48	0.0%
Consensus EBITDA	344			1,183			1,201			1,306		

Source: Company reports, FactSet, RBC Capital Markets estimates

Exhibit 11 - Chorus estimate revisions detail

(C\$MM's)	Q1/26E			2026E			2027E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total Revenues	\$339	\$330	-2.5%	\$1,312	\$1,303	-0.6%	\$1,339	\$1,330	-0.6%
Total Expenses	\$315	\$309	-1.9%	\$1,231	\$1,225	-0.5%	\$1,253	\$1,245	-0.7%
Operating Income	\$24	\$21	-10.7%	\$81	\$79	-3.1%	\$86	\$86	0.0%
Depreciation and Amortization	\$25	\$25	0.0%	\$99	\$99	0.0%	\$88	\$88	0.0%
Adj. EBITDA	\$49	\$46	-5.2%	\$180	\$177	-1.4%	\$174	\$174	0.0%
Adj. EBITDA Margin	14.3%	13.9%	-2.8%	13.7%	13.6%	-0.8%	13.0%	13.0%	0.6%
Adj. EPS	\$0.59	\$0.51	-14.0%	\$2.10	\$1.98	-5.3%	\$2.39	\$2.39	-0.2%
Consensus EBITDA	\$45			\$176			\$175		

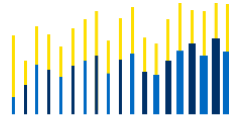
Source: Company reports, FactSet, RBC Capital Markets estimates



Exhibit 12 - Exchange Income estimate revisions detail

(C\$MM's)	Q1/26E			2026E			2027E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total revenue	776	776	0.0%	3,642	3,642	0.0%	3,824	3,824	0.0%
Total Aviation Revenues	476	476	0.0%	2,450	2,450	0.0%	2,573	2,573	0.0%
Total Manufacturing Revenues	301	301	0.0%	1,192	1,192	0.0%	1,252	1,252	0.0%
Adj. EBITDA	161	161	0.0%	875	875	0.0%	941	941	0.0%
Total Aviation EBITDA	130	130	0.0%	738	738	0.0%	788	788	0.0%
Total Manufacturing EBITDA	44	44	0.0%	199	199	0.0%	218	218	0.0%
Adj. net income (diluted)	14	14	0.0%	226	226	0.0%	288	288	0.0%
Adj. EPS (Diluted)	\$0.31	\$0.31	0.0%	\$4.00	\$4.00	0.0%	\$4.98	\$4.98	0.0%
Consensus EBITDA		158			869			964	

Source: Company reports, FactSet, RBC Capital Markets estimates



RBC Elements™

Driving insights through data

Description

RBC Elements™ is a primary research and data science team embedded within RBC's Global Research division. The main focus of RBC Elements™ is to use scientific methods, algorithms and systems to analyze vast amounts of structured and unstructured data, to obtain insights that are inputs into RBC's Fundamental Global Research teams.

Objective

The team is involved in creating various machine learning and predictive modeling tools and processes, helping RBC Research discover the information hidden in big data, and allowing the Research division to make smarter decisions and deliver differentiated products to our clients. RBC Elements™ strives to augment the already available industry data with different alternative data sources, and enhance data collection procedures to include information that is relevant.

Methods

The team is implementing different machine learning and data mining algorithms using state-of-the-art methods. Examples include:

- Machine learning techniques and algorithms, such as k-NN, Naive Bayes, SVM, Decision Forests, Clustering, Artificial Neural Networks, and Natural Language Processing to find patterns in the past, and to predict the future.
- Feature selection techniques to find what matters most in the data.
- Statistical modeling and analysis, and statistical tests such as distributions, and regression/GLM.
- Developing hypotheses and making inferences using large amounts of data.

Appendix 1 – Airline comparables

	Ticker	Rating ¹	Target Price	Share Price	Mkt Cap (\$MM)	EV (\$MM)	Yield (%)	EV/EBITDA			P/E			FCF yield			
								'25	'26E	'27E	'25	'26E	'27E	'25	'26E	'27E	
Air Canada	AC-CA	C\$	OP	\$22.00	\$18.76	\$5,572	\$11,007	0.0%	3.5x	3.6x	2.9x	15.4x	19.3x	7.2x	3.8%	-11.0%	-10.2%
Chorus Aviation	CHR-CA	C\$	OP	\$35.00	\$23.20	\$543	\$925	1.5%	4.5x	5.2x	5.3x	10.2x	11.7x	9.7x	22.3%	6.4%	6.5%
Mainline²																	
Delta Air Lines	DAL-US	US\$		\$67.82	\$44,557	\$60,386	1.1%	7.3x	7.5x	5.9x	11.7x	12.4x	8.5x	8.9%	5.7%	9.8%	
United Airlines	UAL-US	US\$		\$96.40	\$31,179	\$49,975	0.0%	6.2x	6.5x	5.0x	9.1x	9.9x	6.6x	9.1%	4.9%	8.5%	
American Airlines	AAL-US	US\$		\$11.32	\$7,475	\$36,874	0.0%	10.1x	11.4x	6.7x	31.4x	-32.3x	5.0x	-2.8%	2.9%	6.5%	
SouthWest	LUV-US	US\$		\$39.56	\$19,437	\$22,187	1.8%	10.6x	6.4x	4.8x	42.5x	13.7x	8.6x	-3.8%	5.7%	7.5%	
Peer Average							0.7%	8.5x	8.0x	5.6x	23.7x	0.9x	7.2x	2.8%	4.8%	8.1%	
Regional & Other²																	
SkyWest Inc.	SKYW-US	US\$		\$94.31	\$3,789	\$5,556	0.0%	5.7x	5.3x	5.1x	9.1x	8.4x	7.8x	nm	nm	nm	
Exchange Income Corp.	EIF-CA	C\$		\$105.24	\$5,928	\$8,215	2.6%	10.9x	9.5x	8.5x	28.1x	25.8x	21.2x	2.4%	4.6%	5.7%	
Alaska Airlines	ALK-US	US\$		\$39.50	\$4,528	\$9,270	0.0%	6.5x	8.2x	4.1x	16.2x	66.4x	5.6x	-7.2%	-4.3%	10.1%	
Peer Average							0.9%	7.7x	7.7x	5.9x	17.8x	33.5x	11.5x	-2.4%	0.2%	7.9%	

1. Investment ratings: Outperform (OP), Sector Perform (SP), Underperform (U)

2. FactSet consensus estimates

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced as of close on April 10, 2026

Appendix 2 – Aerospace comparables

Company Name	Currency	Share Price	Mkt. Cap (MM's)	Net Debt to EBITDA	EV/EBITDA			EBITDA margin			FCF Yield		
					2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Bombardier	C\$	258.02	25,461	1.9x	14.7x	13.8x	12.7x	16.3%	16.5%	17.1%	4.2%	4.4%	6.2%
Bizjet OEMS													
Embraer	US\$	68.82	12,435	0.1x	14.5x	11.8x	10.2x	11.4%	12.5%	13.0%	0.1%	0.5%	3.9%
General Dynamics	US\$	335.15	90,621	1.2x	15.5x	14.7x	13.5x	12.0%	12.2%	12.6%	4.3%	4.8%	5.6%
Textron	US\$	91.39	15,911	1.3x	10.3x	9.8x	9.1x	11.9%	12.0%	12.4%	5.8%	4.5%	8.8%
Average					13.4x	12.1x	10.9x	11.8%	12.2%	12.7%	3.4%	3.3%	6.1%
Aerospace and Defense													
Boeing	US\$	217.63	171,023	4.3x	31.7x	40.1x	21.3x	7.0%	5.1%	8.3%	-1.1%	1.0%	5.5%
Airbus	EUR	169.50	133,435	-0.3x	13.0x	12.1x	10.5x	13.7%	13.5%	13.9%	2.9%	3.0%	6.1%
General Electric	US\$	308.35	323,401	0.9x	32.4x	28.9x	25.5x	24.2%	23.9%	24.5%	2.3%	2.6%	3.2%
Honeywell	US\$	235.06	149,424	2.5x	18.8x	17.2x	15.9x	24.4%	25.3%	25.8%	3.5%	3.4%	4.6%
RTX	US\$	201.56	270,552	2.4x	22.1x	19.8x	18.1x	15.5%	16.4%	16.7%	2.9%	3.1%	4.0%
Lockheed Martin	US\$	613.72	141,205	2.0x	16.9x	14.1x	13.5x	12.6%	14.3%	14.2%	4.8%	4.7%	4.8%
Average					22.5x	22.0x	17.5x	16.2%	16.4%	17.2%	2.5%	3.0%	4.7%

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Priced as of market close on April 10, 2026.

Appendix 3 – CAE comparables

	Ticker	Rating ¹	Target Price	Share Price	Mkt Cap (\$MM)	EV (\$MM)	Yield (%)	EV/EBITDA		P/E		FCF yield	
								'F26E	'F27E	'F26E	'F27E	'F26E	'F27E
CAE	CAE-CA	SP	\$42.00	\$38.16	\$12,254	\$15,490	0.0%	13.2x	13.0x	32.7x	31.3x	4.0%	3.1%
								'25E	'26E	'25E	'26E	'25E	'26E
Defense^{2,3}													
General Dynamics Corporation	GD-US			\$336.89	\$91,092	\$98,548	1.8%	15.6x	14.8x	21.8x	20.6x	4.8%	5.2%
Lockheed Martin Corporation	LMT-US			\$620.89	\$142,854	\$161,504	2.2%	17.1x	14.2x	28.9x	20.7x	4.6%	4.5%
Northrop Grumman Corporation	NOC-US			\$679.82	\$96,481	\$109,962	1.3%	18.4x	17.5x	25.8x	24.3x	3.4%	3.6%
Raytheon Company	RTX-US			\$202.19	\$271,398	\$303,919	1.3%	22.2x	19.8x	32.1x	29.5x	3.1%	3.6%
L3Harris Technologies Inc	LHX-US			\$356.80	\$66,641	\$76,820	1.4%	20.0x	17.9x	33.3x	30.8x	4.5%	4.7%
CACI International Inc Class A	CACI-US			\$547.27	\$12,087	\$15,051	0.0%	15.6x	13.3x	20.7x	19.1x	5.9%	6.3%
Curtiss-Wright Corporation	CW-US			\$723.05	\$26,658	\$27,455	0.1%	35.6x	32.8x	54.7x	48.1x	2.2%	2.3%
Huntington Ingalls Industries, Inc.	HII-US			\$399.30	\$15,723	\$17,930	1.4%	18.2x	17.3x	25.9x	23.0x	3.6%	4.3%
Teledyne Technologies Incorporated	TDY-US			\$649.40	\$30,079	\$32,368	0.0%	21.6x	20.3x	29.5x	27.3x	3.9%	4.2%
Peer Average - Defense							1.1%	20.5x	18.7x	30.3x	27.0x	4.0%	4.3%
Aerospace^{2,3}													
Boeing Company	BA-US			\$217.13	\$170,630	\$197,595	0.0%	31.6x	40.0x	182.5x	463.0x	1.1%	3.9%
Honeywell International Inc.	HON-US			\$234.47	\$149,047	\$171,680	2.0%	18.8x	17.1x	24.0x	22.3x	3.4%	4.1%
Embraer S.A.	EMBJ-US			\$68.07	\$12,300	\$12,386	0.6%	14.3x	11.7x	35.4x	23.8x	0.6%	2.6%
Hexcel Corporation	HXL-US			\$83.94	\$6,368	\$7,316	0.9%	21.7x	18.5x	47.7x	37.7x	3.0%	4.0%
Peer Average - Aerospace							0.9%	21.6x	21.8x	72.4x	136.7x	2.0%	3.6%

1. Investment ratings: Outperform (OP), Sector Perform (SP), Underperform (U)

2. FactSet consensus estimates

3. USD

Source: Company reports, FactSet, and RBC Capital Markets estimates for CAE. Priced as of market close on April 10, 2026.

Appendix 4 – EIF comparables

	Symbol	Symbol	Price	Shares	Mkt Cap (\$MM)	EBITDA (\$MM)			EBITDA Margin (%)			EV/EBITDA			Net Debt/ EBITDA	Div. Yield
						2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E		
Exchange Income Corp.	EIF-CA	EIF-CA	C\$ \$105.24	52	5,471	754	875	941	23.0%	24.0%	24.6%	10.5x	9.1x	8.4x	3.4x	2.5%
Aviation																
AerCap Holdings	AER	AER-US	US\$ \$145.53	167	24,286	7,602	7,084	7,152	89.3%	86.0%	85.4%	8.7x	9.4x	9.3x	6.1x	0.7%
Bombardier Inc.	BBD.B	BBD.B	C\$ \$258.02	99	25,542	2,120	2,302	2,465	16.3%	16.5%	16.9%	14.3x	13.1x	12.3x	2.4x	N/A
CAE Inc.	CAE-TSE	ALK-US	US\$ \$38.00	114.6	4,356	1,422	1,125	2,267	10.0%	7.1%	13.7%	6.4x	8.1x	4.0x	3.3x	N/A
Cargojet Inc.	CJT-TSE	CJT-TSE	C\$ \$81.31	15	1,227	326	327	343	32.9%	32.3%	32.6%	6.8x	6.8x	6.5x	3.0x	1.7%
Chorus Aviation Inc.	CHR-CA	CHR-CA	C\$ \$23.20	23.4	543	207	176	175	15.7%	13.7%	13.5%	3.8x	4.5x	4.5x	1.2x	1.3%
SkyWest Inc.	SKYW	SKYW-US	US\$ \$94.31	40	3,789	982	1,040	1,093	24.2%	24.2%	24.5%	5.7x	5.3x	5.1x	2.0x	N/A
Airlines/Aerospace Average									37.1%	35.5%	37.1%	9.0x	9.3x	8.0x	3.7x	1.2%
Manufacturing																
JELD-WEN Holding, Inc.	JELD	JELD-USA	US\$ \$1.05	86	91	120	117	158	3.7%	3.9%	5.1%	16.1x	16.5x	12.2x	6.7x	N/A
Owens Corning	OC	OC-USA	C\$ \$114.28	80	9,186	2,268	1,934	2,117	22.4%	20.0%	21.1%	6.4x	7.5x	6.9x	2.0x	2.8%
Russel Metals	RUS-CA	RUS-CA	C\$ \$50.60	55	2,786	338	396	398	7.3%	7.2%	7.3%	9.3x	8.0x	7.9x	1.2x	3.4%
Secure Energy Services Inc.	SES-CA	SES-ca	C\$ \$21.36	217	4,631	501	538	568	34.0%	35.2%	35.3%	10.9x	10.2x	9.6x	1.7x	1.9%
Stella-Jones Inc.	SJ-CA	SJ-CA	C\$ \$85.89	54.6	4,690	661	662	693	18.9%	17.9%	18.1%	9.5x	9.5x	9.1x	2.5x	1.6%
Manufacturing Average									17.3%	16.8%	17.4%	10.5x	10.3x	9.1x	2.8x	2.4%
Financial/Holding Companies																
Alaris Royalty	AD.UT-CA	AD.UT-CA	C\$ \$22.15	45	1,004	225	194	214	120.0%	92.3%	93.6%	5.6x	6.5x	5.9x	1.5x	6.7%
Diversified Royalty Corp.	DIV-CA	DIV-CA	C\$ \$4.36	168	731	72	80	85	94.3%	94.0%	93.4%	13.7x	12.4x	11.6x	3.8x	6.4%
Financial/Holding Company Average									107.2%	93.1%	93.5%	9.7x	9.4x	8.8x	2.6x	6.5%

Source: Company reports, FactSet, and RBC Capital Markets estimates for EIF. Priced as of market close on April 10, 2026.



Company Profiles



Air Canada

James McGarragle (Analyst)

Outperform

TSX: AC CN; CAD 18.76

Price Target CAD 22.00 ↓ 25.00

Key Statistics

Shares O/S (MM):	297.0	Market Cap (MM):	5,572
Dividend:	0.00	Yield:	0.0%
Float (MM):	375.3	Avg. Daily Volume:	5,952,734

RBC Estimates

FY Dec	2024A	2025A	2026E	2027E
Revenue	22,255.0	22,372.0	24,236.0	25,371.6
Prev.			23,716.7	24,826.2
EBITDA	3,586.0	3,124.0	3,031.2	3,805.5
Prev.			3,439.8	3,697.0
Revenue	Q1	Q2	Q3	Q4
2025	5,196.0A	5,632.0A	5,774.0A	5,770.0A
2026	5,442.5E	6,048.6E	6,575.2E	6,169.6E
Prev.	5,381.4E	5,840.8E	6,498.1E	5,996.4E
2027	5,690.0E	6,334.8E	6,890.1E	6,456.6E
Prev.	5,625.8E	6,116.6E	6,809.2E	6,274.7E
EBITDA				
2025	387.0A	909.0A	961.0A	867.0A
2026	461.6E	657.5E	1,042.2E	870.0E
Prev.	441.5E	883.7E	1,218.0E	896.6E
2027	511.7E	1,042.6E	1,161.8E	1,089.4E
Prev.	573.3E	989.2E	1,157.0E	977.5E

All values in CAD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

Applying a 3.25x EV/EBITDA multiple to our 2027 estimates, we derive our price target of \$22. Our target multiple is a premium to AC's historical average multiple. Our base case reflects the following assumptions: (1) AC effectively profitably reallocates capacity from transborder markets; (2) AC executes on its cost management plan; and (3) macro backdrop remains stable. Our price target supports our Outperform rating.

Investment summary

Our positive view on AC shares is driven by three points:

- 1. Multi-year structural cost improvements expected beyond 2026.** Air Canada is taking proactive steps to manage costs in a challenging operating environment. Management expects structural cost improvements to extend beyond 2026, driven by benefits from network expansion, operating efficiencies from a modernized fleet, and productivity gains as the airline scales operations. For 2026, the company projects \$150 million in savings from strategic procurement initiatives and ongoing workforce productivity improvements accompanying growth. We believe these measures will reduce unit cost pressures through both near-term savings and long-term structural improvements as the airline navigates a transitional period of fleet renewal and capacity growth.
- 2. Profitable capacity reallocation remains a key strength.** Entering 2025, the primary concern for Air Canada was weakening transborder demand and whether the airline could effectively redeploy capacity. However, management reported resilient demand, particularly on international long-haul routes, which has offset transborder market weakness. Booking trends remain stable overall, and Air Canada has demonstrated its ability to profitably shift capacity to stronger demand markets, leveraging its diversified network as a competitive advantage.
- 3. Out-year FCF inflection is compelling.** We estimate FCF yields of ~30% and ~50% for 2028 and 2029, respectively. While these estimates require significant discounting given the uncertainties over the next 3-4 years, recent results increase our confidence in the management team's ability to navigate challenges. As a result, we now apply a less steep discount to the out-year FCF projections and see upside potential to Air Canada's valuation multiple based on the latest performance.

Risks to rating and price target

Risks to our price target and rating include:

- Delayed recovery for air travel.
- Collective agreements.
- Regulation risk.
- Supply chain risk.
- Increasing competition.

AC Model Summary

C\$MM	2025	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	Q1/28E	Q2/28E	Q3/28E	Q4/28E	2028E	2029E
Traffic / RPM (MMs)	89,021	20,508	23,649	26,354	22,698	93,210	21,329	24,595	27,408	23,606	96,939	22,395	25,825	28,779	24,786	101,786	104,839
% change	0.4%	3.1%	3.7%	7.7%	3.7%	4.7%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%
Capacity / ASM (MMs)	105,174	24,846	27,800	30,403	26,695	109,744	25,840	28,912	31,619	27,763	114,134	27,132	30,358	33,200	29,151	119,840	123,436
% change	0.8%	2.5%	3.5%	7.5%	3.5%	4.3%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%
Load Factor (%)	84.6%	82.5%	85.1%	86.7%	85.0%	84.9%	82.5%	85.1%	86.7%	85.0%	84.9%	82.5%	85.1%	86.7%	85.0%	84.9%	84.9%
change (% pts)	-0.3%	0.5%	0.2%	0.2%	0.2%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (\$)	0.220	0.222	0.230	0.229	0.237	0.230	0.225	0.232	0.231	0.239	0.232	0.229	0.237	0.236	0.244	0.237	0.241
% change	-1.2%	2.0%	4.0%	7.0%	4.0%	4.2%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RASM (Rev per unit of capacity, cents)	18.6	18.4	19.6	19.8	20.2	19.5	18.5	19.7	20.0	20.4	19.7	18.9	20.1	20.4	20.8	20.1	20.5
CASM (Costs per unit of capacity, cents)	20.2	22.2	21.4	20.0	22.0	21.3	22.2	20.3	20.0	21.5	20.9	22.1	20.0	19.7	21.2	20.7	20.6
Fuel Cost/ASM (cents)	4.5	4.6	5.8	5.3	5.2	5.2	4.7	4.7	4.7	4.6	4.7	4.6	4.6	4.5	4.5	4.6	4.5
CASM (excl. fuel, ground packages & freighter) (cents)	14.7	16.1	15.0	14.3	15.9	15.3	16.0	15.0	14.9	15.9	15.4	15.9	14.9	14.8	15.7	15.3	15.3
Total Revenues	22,372	5,443	6,049	6,575	6,170	24,236	5,690	6,335	6,890	6,457	25,372	6,048	6,753	7,351	6,874	27,026	28,304
% change	0.5%	4.7%	7.4%	13.9%	6.9%	8.3%	4.5%	4.7%	4.8%	4.7%	4.7%	6.3%	6.6%	6.7%	6.5%	6.5%	4.7%
Wages, salaries and benefits	5005	1281	1335	1259	1318	5193	1281	1389	1490	1371	5530	1332	1445	1550	1426	5753	5985
% Sales	22.4%	23.5%	22.1%	19.2%	21.4%	21.4%	22.5%	21.9%	21.6%	21.2%	21.8%	22.0%	21.4%	21.1%	20.7%	21.3%	21.1%
Aircraft Fuel - total	4731	1135	1614	1624	1381	5754	1226	1358	1474	1285	5342	1246	1388	1509	1319	5462	5513
% Sales	21.1%	20.9%	26.7%	24.7%	22.4%	23.7%	21.5%	21.4%	21.4%	19.9%	21.1%	20.6%	20.6%	20.5%	19.2%	20.2%	19.5%
Sales and distribution costs	1075	272	285	295	270	1121	282	296	306	281	1166	297	311	322	295	1224	1261
% Sales	4.8%	5.0%	4.7%	4.5%	4.4%	4.6%	5.0%	4.7%	4.4%	4.4%	4.6%	4.9%	4.6%	4.4%	4.3%	4.5%	4.5%
Ground package costs	872	382	162	111	247	903	398	169	115	257	939	417	177	121	270	986	1016
% Sales	3.9%	7.0%	2.7%	1.7%	4.0%	3.7%	7.0%	2.7%	1.7%	4.0%	3.7%	6.9%	2.6%	1.6%	3.9%	3.6%	3.6%
Catering and onboard services	673	140	179	191	191	702	146	186	199	199	730	153	196	209	209	767	790
% Sales	3.0%	2.6%	3.0%	2.9%	3.1%	2.9%	2.6%	2.9%	2.9%	3.1%	2.9%	2.5%	2.9%	2.8%	3.0%	2.8%	2.8%
Aircraft maintenance	1343	341	353	357	349	1400	355	367	371	363	1456	373	385	390	381	1529	1575
% Sales	6.0%	6.3%	5.8%	5.4%	5.7%	5.8%	6.2%	5.8%	5.4%	5.6%	5.7%	6.2%	5.7%	5.3%	5.5%	5.7%	5.6%
Airport and navigation fees	1587	366	421	465	404	1656	381	438	484	420	1723	400	460	508	441	1809	1863
% Sales	7.1%	6.7%	7.0%	7.1%	6.5%	6.8%	6.7%	6.9%	7.0%	6.5%	6.8%	6.6%	6.8%	6.9%	6.4%	6.7%	6.6%
Communications and information technology	692	197	156	169	199	721	205	163	176	207	749	215	171	184	217	787	810
% Sales	3.1%	3.6%	2.6%	2.6%	3.2%	3.0%	3.6%	2.6%	2.5%	3.2%	3.0%	3.6%	2.5%	2.5%	3.2%	2.9%	2.9%
Other	2601	636	650	816	719	2821	665	680	856	752	2953	707	725	913	801	3145	3294
% Sales	11.6%	11.7%	10.7%	12.4%	11.6%	11.6%	11.7%	10.7%	12.4%	11.6%	11.6%	11.7%	10.7%	12.4%	11.6%	11.6%	11.6%
Capacity purchase fees	863	230	235	246	222	934	241	246	258	233	978	256	263	275	248	1041	1091
% Sales	3.9%	4.2%	3.9%	3.7%	3.6%	3.9%	4.2%	3.9%	3.7%	3.6%	3.9%	4.2%	3.9%	3.7%	3.6%	3.9%	3.9%
Total Operating Costs	19,442	4,981	5,391	5,533	5,300	21,205	5,178	5,292	5,728	5,367	21,566	5,395	5,521	5,981	5,607	22,503	23,197
EBITDA	3,124	462	658	1,042	870	3,031	512	1,043	1,162	1,089	3,805	653	1,232	1,370	1,267	4,523	5,107
% of sales	14.0%	8.5%	10.9%	15.8%	14.1%	12.5%	9.0%	16.5%	16.9%	16.9%	15.0%	10.8%	18.2%	18.6%	18.4%	16.7%	18.0%
Depreciation, amortization and impairment (Mainline)	2,012	540	547	555	562	2,204	569	576	582	589	2,316	595	562	568	573	2,297	2,220
EBIT (Excluding Special Charges)	918	(78)	110	487	308	827	(57)	467	579	501	1,490	58	671	803	694	2,225	2,886
% of sales	4.1%	-1.4%	1.8%	7.4%	5.0%	3.4%	-1.0%	7.4%	8.4%	7.8%	5.9%	1.0%	9.9%	10.9%	10.1%	8.2%	10.2%
Net Income	471	(132)	2	257	137	265	(128)	243	306	263	685	(45)	389	476	409	1,229	1,743
EPS (F.D) (\$) (Exc. Special charges)	\$ 3.55	\$ (0.45)	\$ 0.01	\$ 0.92	\$ 0.50	\$ 0.97	\$ (0.47)	\$ 0.91	\$ 1.15	\$ 1.00	\$ 2.61	\$ (0.17)	\$ 1.51	\$ 1.86	\$ 1.62	\$ 4.86	\$ 7.18
Free cash flow (inc. lease repayment)	\$ 221	\$ 63	\$ (139)	\$ (266)	\$ (531)	\$ (564)	\$ (529)	\$ 8	\$ 104	\$ 50	\$ (504)	\$ 668	\$ 228	\$ 358	\$ 268	\$ 1,300	\$ 2,085
Free cash flow / share (inc. lease repayment)	\$ 0.72	n.a.	n.a.	n.a.	n.a.	\$ (2.07)	\$ -	\$ -	\$ -	\$ -	\$ (1.92)	\$ -	\$ -	\$ -	\$ -	\$ 5.14	\$ 8.59
Net debt	6,051	5,955	6,063	6,301	6,806	6,497	6,917	6,802	6,591	6,436	6,573	5,794	5,456	4,989	4,613	4,834	2,298
Net debt/LTM EBITDA	1.9x	1.9x	2.1x	2.1x	2.2x	2.1x	2.2x	2.0x	1.8x	1.7x	1.7x	1.5x	1.3x	1.1x	1.0x	1.1x	0.5x
ROIC	5%	n.a.	n.a.	n.a.	n.a.	4%	n.a.	n.a.	n.a.	n.a.	7%	n.a.	n.a.	n.a.	n.a.	9%	11%

Source: Company reports, RBC Capital Markets estimates



Bombardier Inc.

James McGarragle (Analyst)

Outperform

TSX: BBD/B CN; CAD 258.02

Price Target CAD 298.00 ↑ 287.00

Key Statistics

Shares O/S (MM):	100.7	Market Cap (MM):	25,983
Dividend:	0.00	Yield:	0.0%
Float (MM):	2,227.5	Avg. Daily Volume:	529,745
Strategic Ownership: Bombardier/Beaudoin families Equity (11%); Voting (52%)			

RBC Estimates

FY Dec	2024A	2025A	2026E	2027E
Revenue	8.7	9.6	10.0	10.5
EBITDA, Adj	1,360.0	1,559.0	1,655.2	1,802.1
EPS, Ops Diluted	5.16	7.72	8.99	10.49
EPS, Ops Diluted	Q1	Q2	Q3	Q4
2025	0.61A	1.11A	1.21A	4.80A
2026	1.03E	1.50E	1.96E	4.50E
2027	1.30E	1.83E	2.26E	5.11E

All market data in CAD; all financial data in USD; dividends paid in CAD.
Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

We apply a target multiple of 13.5x to our 2027 EBITDA estimate of \$1.8B to derive our \$298 price target. Our target multiple is in line with peers reflecting solid execution, improving FCF and incremental growth opportunities in the defense market. Our price target supports our Outperform rating.

Investment summary

Our Outperform rating reflects the following key 3 points:

- 1. Solid near-term demand backdrop expected in our view to support 2026 targets.** We are modeling robust FCF generation of ~\$850MM for 2026. Despite transitory supply chain pressures expected to moderate in H2/26, we see FCF supported by expanding operating margins, lower debt service costs, and improved working capital efficiency. The \$600MM-\$1,000MM FCF guidance embeds a 1.0x book-to-bill, which appears conservative against the backdrop of solid order activity and demand visibility.
- 2. Defense, CPO, and Services set the stage out to 2030.** While we see a near-term inflection in FCF as key to our investment thesis, we also believe the market is not appreciating Defense, CPO, and Services opportunities longer-term. We note that the company has guided to \$1B opportunities in both Defense and CPO, which we believe sets the stage for GDP-plus revenue growth out to 2030. We also see further opportunity to grow Services on the back of an increasing fleet size and expanded network. Key is that we estimate each of Defense, CPO, and Services have EBITDA margins of >20% providing a platform for significant operating leverage longer-term.
- 3. While Bombardier shares have rerated, we see further upside potential.** The operational improvements and deleveraging efforts since 2021, combined with the upside levers outlined above, has closed the deep discount to peers. That said, we believe the stock has additional runway, supported by strong execution, continued debt reduction, and FCF growth.

Risks to rating and price target

- Execution on operational and financial targets.
- Slowdown in the bizjet market.
- Environmental concerns.
- New aircraft investments.

Bombardier Model Summary

Summary Income Statement														
(in US \$MM's)	2025	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E	2029E	2030E
Aerospace Key Drivers														
Business Jet Deliveries	157	23	36	36	64	159	23	36	35	65	159	160	160	160
<i>Delivery Growth</i>	7.5%	0.0%	0.0%	5.9%	0.0%	1.3%	0.0%	0.0%	-2.8%	1.6%	0.0%	0.6%	0.0%	0.0%
Revenue														
Manufacturing	7,222	1,013	1,519	1,917	2,992	7,441	1,040	1,558	1,897	3,135	7,630	7,825	7,871	7,917
Services	2,305	549	655	655	699	2,559	610	727	727	776	2,840	3,152	3,499	3,884
Total Revenues	9,551	1,568	2,179	2,577	3,696	10,020	1,664.7	2,300.3	2,639.1	3,925.7	10,530	11,177	11,770	12,301
<i>Revenue Growth</i>	10.2%	3.0%	7.4%	11.7%	0.1%	4.9%	6.2%	5.6%	2.4%	6.2%	5.1%	6.1%	5.3%	4.5%
Total EBITDA	1,559	245	330	396	684	1,655	293.8	357.9	402.5	747.9	1,802	1,943	2,085	2,224
<i>EBITDA Margin %</i>	16.3%	15.7%	15.1%	15.4%	18.5%	16.5%	17.6%	15.6%	15.3%	19.1%	17.1%	17.4%	17.7%	18.1%
Total EBIT	1,095	174	220	266	505	1,166	194	245	287	557	1,284	1,403	1,524	1,640
<i>EBIT Margin %</i>	11.5%	11.1%	10.1%	10.3%	13.7%	11.6%	11.7%	10.6%	10.9%	14.2%	12.2%	12.6%	12.9%	13.3%
Adj. Net Income (Loss) to Common	776	104	151	197	453	905	131	184	228	514	1,056	1,208	1,350	1,489
Adj. EPS	\$ 7.72	\$ 1.03	\$ 1.50	\$ 1.96	\$ 4.50	\$ 8.99	\$ 1.30	\$ 1.83	\$ 2.26	\$ 5.11	\$ 10.49	\$ 11.99	\$ 13.41	\$ 14.79
Free Cash Flow	\$ 1,072	\$ (93)	\$ (8)	\$ 309	\$ 641	\$ 850	\$ 187	\$ 229	\$ 260	\$ 512	\$ 1,188	\$ 1,260	\$ 1,424	\$ 1,586
Net debt	2,979	3,079	3,094	2,791	2,157	2,157	1,977	1,755	1,502	998	998	67	(992)	(2,177)
Net debt / LTM EBITDA	1.9x	2.0x	1.9x	1.7x	1.3x	1.3x	1.2x	1.0x	0.9x	0.6x	0.6x	0.0x	-0.5x	-1.0x

Source: Company reports, RBC Capital Markets estimates



CAE Inc.

James McGarragle (Analyst)

Sector Perform

TSX: CAE CN; CAD 38.00; NYSE: CAE

Price Target CAD 42.00 ↓ 46.00

Key Statistics

Shares O/S (MM):	320.4	Market Cap (MM):	12,175
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,614,424

RBC Estimates

FY Mar	2024A	2025A	2026E	2027E
Revenue	4,282.8	4,707.9	4,853.1	4,809.6
Prev.			4,885.7	
EPS, Adj Diluted	0.87	1.21	1.17	1.22
Prev.			1.19	
P/AEPS	43.7x	31.5x	32.6x	31.1x
EBITDA	918.4	1,146.7	1,177.2	1,192.1
Prev.			1,190.5	1,226.7
	Q1	Q2	Q3	Q4
Revenue				
2025	1,072.5A	1,136.6A	1,223.4A	1,275.4A
2026	1,098.6A	1,236.6A	1,252.1A	1,265.8E
Prev.				1,298.4E
2027	1,194.9E	1,158.0E	1,197.3E	1,259.5E
EPS, Adj Diluted				
2025	0.21A	0.24A	0.29A	0.47A
2026	0.21A	0.23A	0.34A	0.39E
Prev.				0.41E
2027	0.27E	0.23E	0.30E	0.42E

All values in CAD unless otherwise noted.
Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

We value CAE shares on a sum-of-the-parts basis using a blended EV/EBITDA multiple of 12x on our FY28 EBITDA estimate of \$1,300MM. Our 12.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 10x is derived using a discount to peers due to lower margins and past operating issues. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals, however see lack of meaningful near term catalysts. Based on relative implied returns to our \$42 price target, we rate the shares as Sector Perform.

Investment summary

Our Sector Perform rating on CAE shares is based on the following key points:

- **Shares trade at a premium.** CAE shares appear the most expensive in our coverage group, trading at 30x F27 consensus EPS, above A&D peers at ~27x. For F27, we model FCF/share of \$1.20, resulting in a 3.1% FCF yield. While CAE's premium valuation is justified by strong defense demand tailwinds and an expected 14% EPS CAGR (FY26-28), near-term catalysts appear limited in our view especially given a weaker demand environment in Civil.
- **Near term headwinds.** Aircraft OEM supply constraints remain a challenge, impacting airline pilot hiring and associated training activities. Additionally, macroeconomic pressures could hinder growth. That said, we see potential upside to our forecasts if pilot training recovers sooner than anticipated and/or defense margins exceed guidance expectations.
- **Meaningful secular tailwinds.** We believe CAE's Civil segment is well positioned to benefit from long-term secular tailwinds. Our view is that the Civil segment will grow at a pace that meaningfully exceeds the overall economy at an organic growth rate that we peg at a mid- to high-single-digit range out to 2030. Key drivers of this growth are: i) a near-to medium-term recovery in passenger travel; ii) favourable pilot demographics; and iii) specific to the Defense segment, increased spending by NATO members.

Risks to rating and price target

- Supply chain risk
- Delayed recovery for air travel
- Reduction in defense spending
- Regulation risk
- R&D and technology risk
- US foreign ownership
- Acquisition risk

CAE Model Summary

CAE (C\$MM unless otherwise indicated)	F2024	F2025	FQ1/26	FQ2/26	FQ3/26	FQ4/26E	F2026E	FQ1/27E	FQ2/27E	FQ3/27E	FQ4/27E	F2027E	FQ1/28E	FQ2/28E	FQ3/28E	FQ4/28E	F2028E
SEGMENTED RESULTS																	
CIVIL AVIATION																	
Revenue	2,435.8	2,709.3	607.7	670.0	717.2	731.2	2,726.1	654.5	610.8	649.3	709.3	2,624.0	701.2	674.6	736.5	787.3	2,899.6
Adjusted Operating Income	548.9	581.5	107.6	108.7	141.8	185.0	543.1	122.4	105.2	134.9	186.6	549.1	136.4	121.2	158.5	213.0	629.2
Adjusted Operating Margin	22.5%	21.5%	17.7%	16.2%	19.8%	25.3%	19.9%	18.7%	17.2%	20.8%	26.3%	20.9%	19.5%	18.0%	21.5%	27.1%	21.7%
DEFENSE & SECURITY																	
Revenue	1,847.0	1,998.6	490.9	566.6	534.9	534.6	2,127.0	540.4	547.1	548.0	550.2	2,185.6	554.5	559.9	559.5	560.6	2,234.5
Adjusted Operating Income	0.8	150.5	40.2	46.6	54.0	40.1	180.9	49.2	49.8	49.9	50.1	198.9	54.3	54.9	54.8	54.9	219.0
Adjusted Operating Margin	0.0%	7.5%	8.2%	8.2%	10.1%	7.5%	8.5%	9.1%	9.1%	9.1%	9.1%	9.1%	9.8%	9.8%	9.8%	9.8%	9.8%
CONSOLIDATED RESULTS																	
Revenue	4,282.8	4,707.9	1,098.6	1,236.6	1,252.1	1,265.8	4,853.1	1,194.9	1,158.0	1,197.3	1,259.5	4,809.6	1,255.7	1,234.5	1,296.0	1,347.9	5,134.1
y/y growth (%)	1.9%	9.9%	2.4%	8.8%	2.3%	-0.8%	3.1%	8.8%	-6.4%	-4.4%	-0.5%	-0.9%	5.1%	6.6%	8.2%	7.0%	6.7%
Expenses																	
COGS	3,128.3	3,407.8	790.3	917.3	889.9	879.7	3,477.2	830.4	804.8	832.1	875.4	3,342.7	872.7	857.9	900.7	936.8	3,568.2
R&D	149.8	123.2	36.7	37.0	26.0	21.2	120.9	39.9	34.6	24.9	21.1	120.6	41.9	36.9	26.9	22.6	128.4
SG&A	535.0	565.4	159.4	148.3	161.7	162.9	632.3	173.4	138.9	154.6	162.1	628.9	182.2	148.0	167.4	173.4	671.0
Other Gains/Losses	27.9	(13.3)	-	(5.4)	4.0	4.0	2.6	4.0	4.0	4.0	4.0	16.0	4.0	4.0	4.0	4.0	16.0
After Tax share in profit of equity accounted in	(72.2)	(88.3)	(21.6)	(15.9)	(25.3)	(25.3)	(88.1)	(25.3)	(25.3)	(25.3)	(25.3)	(101.2)	(25.3)	(25.3)	(25.3)	(25.3)	(101.2)
Restructuring Cost/Other	699.4	(16.1)	-	-	-	(1.8)	(1.8)	0.8	46.0	22.3	(14.4)	54.7	(10.6)	36.7	9.0	(31.5)	3.5
Adj. Operating Income	549.7	732.0	147.8	155.3	195.8	225.1	724.0	171.6	155.0	184.7	236.6	748.0	190.8	176.1	213.3	267.9	848.1
Adjusted Operating Margin	12.8%	15.5%	13.5%	12.6%	15.6%	17.8%	14.9%	14.4%	13.4%	15.4%	18.8%	15.6%	15.2%	14.3%	16.5%	19.9%	16.5%
y/y growth (%)	0.3%	33.2%	10.1%	4.2%	3.1%	-13.0%	-1.1%	16.1%	-0.2%	-5.6%	5.1%	3.3%	11.2%	13.6%	15.5%	13.2%	13.4%
Depreciation & Amortization	368.7	414.7	113.7	114.0	115.5	110.0	453.2	111.0	111.0	111.0	111.0	444.2	113.0	113.0	113.0	113.0	451.8
Adj. EBITDA	918.4	1,146.7	261.5	269.3	311.3	335.1	1,177.2	282.6	266.0	295.8	347.7	1,192.1	303.7	289.1	326.3	380.9	1,300.0
Adjusted EBITDA Margin	21.4%	24.4%	23.8%	21.8%	24.9%	26.5%	24.3%	23.7%	23.0%	24.7%	27.6%	24.8%	24.2%	23.4%	25.2%	28.3%	25.3%
y/y growth (%)	3.2%	24.9%	12.7%	8.1%	5.1%	-9.3%	2.7%	8.1%	-1.2%	-5.0%	3.8%	1.3%	7.5%	8.7%	10.3%	9.6%	9.0%
Adj. Operating EPS	\$0.87	\$1.21	\$0.21	\$0.23	\$0.34	\$0.39	\$1.17	\$0.27	\$0.23	\$0.30	\$0.42	\$1.22	\$0.32	\$0.29	\$0.37	\$0.50	\$1.48
y/y growth (%)	-1.1%	39.1%	-1.0%	-3.6%	17.6%	-16.5%	-3.1%	28.0%	0.5%	-11.0%	8.1%	4.6%	18.7%	23.8%	24.1%	18.6%	21.0%
Free Cash Flow (RBC def'n)	(1.9)	377.0	n.a.	n.a.	n.a.	n.a.	487.0	n.a.	n.a.	n.a.	n.a.	386.8	n.a.	n.a.	n.a.	n.a.	477.1
Net Debt to EBITDA	3.2x	2.8x	2.8x	2.7x	2.3x	2.2x	2.2x	2.1x	2.0x	1.9x	1.8x	1.8x	1.7x	1.6x	1.4x	1.2x	1.2x

Source: Company reports, RBC Capital Markets estimates

CHR Model Summary

C\$MM	2025	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E	2029E
Income Statement													
Revenue	1,316.5	330.5	318.8	328.9	325.1	1,303.3	342.6	330.7	330.5	326.6	1,330.5	1,340.9	1,351.9
% change	-6.3%	-5.1%	-1.8%	1.7%	1.5%	-1.0%	3.7%	3.7%	0.5%	0.5%	2.1%	0.8%	0.8%
Total Operating Expenses	1,217	309	301	309	306	1,225	319	309	308	309	1,245	1,263	1,282
Operating Income	100	21	18	20	19	79	24	22	22	18	86	78	70
Adjusted EBITDA	206.9	46.0	44.0	45.8	41.3	177.3	45.2	44.0	44.4	39.9	173.5	165.5	157.4
% of sales	15.7%	13.9%	13.8%	13.9%	12.7%	13.6%	13.2%	13.3%	13.4%	12.2%	13.0%	12.3%	11.6%
Adj. Net Income to Common shareholders	58.6	13.2	11.5	13.3	12.5	50.6	16.1	14.9	15.3	12.0	58.2	53.7	49.0
Adj. EPS (F.D) (\$)	\$2.27	\$0.51	\$0.45	\$0.53	\$0.50	\$1.98	\$0.65	\$0.61	\$0.63	\$0.50	\$2.39	\$2.30	\$2.20
FCF (RBC definition)	59.8	10.5	9.5	11.3	6.8	38.0	10.2	9.6	10.0	6.8	36.7	51.2	68.4
Net debt	343	295	230	261	246	246	228	212	194	180	180	119	62
Net debt/LTM EBITDA	1.7x	1.5x	1.2x	1.4x	1.4x	1.4x	1.3x	1.2x	1.1x	1.0x	1.0x	0.7x	0.4x

Source: Company reports, RBC Capital Markets estimates



Exchange Income Corporation

James McGarragle (Analyst)

Outperform

TSX: EIF CN; CAD 105.24

Price Target CAD 133.00

Key Statistics

Shares O/S (MM):	52.0	Market Cap (MM):	5,471
Dividend:	2.72	Yield:	2.6%
		Avg. Daily Volume:	309,455

RBC Estimates

FY Dec	2024A	2025A	2026E	2027E
Revenue	2,659.9	3,277.5	3,642.1	3,824.2
EBITDA, Adj	628.1	754.4	875.0	941.0
Free Cash Flow	199.3	239.1	308.6	358.8
FCF Yield	3.6%	4.4%	5.6%	6.6%

Revenue	Q1	Q2	Q3	Q4
2025	668.3A	719.9A	959.7A	929.5A
2026	776.3E	836.4E	1,030.9E	998.5E
2027	815.1E	878.2E	1,082.4E	1,048.4E
EBITDA, Adj				
2025	130.1A	177.2A	230.6A	216.4A
2026	161.1E	218.4E	255.0E	240.6E
2027	174.0E	234.4E	273.9E	258.7E

Note: Free Cash Flow shown above uses the company's FCF less maintenance capex definition.
All values in CAD unless otherwise noted.
Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

In valuing EIF, we apply a blended 10.1x EV/EBITDA multiple (11x for Aviation & Aerospace and 7x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$941MM 2027E EBITDA, reflecting a valuation blend of ~78% Aviation & Aerospace and ~22% Manufacturing. We apply our target multiples to our 2027E EBITDA for each segment, generating our \$133 price target, which supports our Outperform rating.

Investment summary

Exchange Income Corporation is a diversified, acquisition-oriented holding company with subsidiaries spanning aviation, aerospace, and manufacturing. We believe the shares represent an attractive opportunity to own a company balancing growth and income at an appealing relative valuation. Our positive view stems from:

ISR and sovereign defence opportunities represent material upside. Management is pursuing Australian and Canadian maritime surveillance contracts, along with medevac and charter operations, with Canadian North's northern infrastructure and workforce positioning EIF uniquely for these opportunities. While excluded from base guidance, successful ISR wins could drive incremental EBITDA growth and represent a structurally growing revenue stream aligned with geopolitical defence priorities.

Matting and Windows to drive growth within Manufacturing. Window Solutions faces near-term headwinds from project gaps and tariff impacts, but we see structural tailwinds from longer-term affordable housing demand across North America. Once these cyclical pressures normalize, the business should demonstrate meaningful operating leverage given its fixed cost base. Northern Mat and Spartan operate at maximum capacity with robust composite matting and access solutions demand, with Cdn operations and infrastructure investments emerging as major growth drivers. The company is leveraging collective expertise across subsidiaries to expand defence exposure through government procurement processes, creating upside.

Recent contract wins set the stage for solid 2-year EBITDA CAGR. Recent contract wins, including AC commercial contract as well as the acquisition of Canadian North, set the stage in our view for a double-digit EBITDA CAGR for 2025 to 2027.

Risks to rating and price target

- **Access to external capital.** If the capital markets' desire for income-producing investments were to significantly decrease, EIF could have difficulty executing its strategy.
- **Acquisition integration and related risks.** EIF has a solid record of identifying and making accretive acquisitions, but its ability to successfully grow or diversify through additional acquisitions is dependent on a number of factors.
- **Contract risk.** EIF is party to a number of significant contracts with key customers. The loss of any one of these significant contracts could have a negative impact on the company's operations and cash flow.
- **Competition.** New or increased competition could have a significant impact on the business, operations, and financial condition of EIF's segments.

EIF Model Summary

(CAD \$000's unless otherwise indicated)	2024	Q1/25	Q2/25	Q3/25	Q4/25	2025	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E
Segmented revenues																
Aviation revenues	1,644,277	381,957	454,990	680,477	624,778	2,142,202	475,638	558,199	737,667	678,514	2,450,019	499,420	586,109	774,550	712,440	2,572,519
Manufacturing revenues	1,015,618	286,319	264,938	279,267	304,769	1,135,293	300,635	278,185	293,230	320,007	1,192,058	315,667	292,094	307,892	336,008	1,251,661
Segmented EBITDA																
Aviation EBITDA	524,078	101,847	147,635	201,710	178,630	629,822	130,156	185,032	223,826	198,743	737,757	139,161	197,214	238,890	212,243	787,508
EBITDA Margin	31.9%	26.7%	32.4%	29.6%	28.6%	29.4%	27.4%	33.1%	30.3%	29.3%	30.1%	27.9%	33.6%	30.8%	29.8%	30.6%
Manufacturing EBITDA	152,664	40,560	43,990	44,950	54,483	183,983	44,091	47,580	48,664	58,807	199,142	48,663	52,150	53,406	64,268	218,487
EBITDA Margin	15.0%	14.2%	16.6%	16.1%	17.9%	16.2%	14.7%	17.1%	16.6%	18.4%	16.7%	15.4%	17.9%	17.3%	19.1%	17.5%
Revenues, Net	2,659,895	668,276	719,928	959,744	929,547	3,277,495	776,273	836,384	1,030,897	998,522	3,642,076	815,087	878,203	1,082,442	1,048,448	3,824,180
Revenue growth (Y/Y)	6.5%	117.7%	9.0%	35.2%	35.2%	23.2%	16.2%	16.2%	7.4%	7.4%	11.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Aviation expenses	941,229	231,210	261,055	411,443	380,630	1,284,338	276,386	298,534	411,072	383,817	1,369,809	288,207	311,116	428,528	400,158	1,428,009
Aviation expenses (% of sales)	35.4%	34.6%	36.3%	42.9%	40.9%	39.2%	35.6%	35.7%	39.9%	38.4%	37.6%	35.4%	35.4%	39.6%	38.2%	37.3%
Manufacturing expenses	750,511	206,990	186,788	195,938	206,374	796,090	218,062	196,014	207,882	222,020	843,978	226,953	203,952	216,313	230,979	878,197
Manufacturing expenses (% of sales)	79.7%	89.5%	71.6%	47.6%	54.2%	62.0%	78.9%	65.7%	50.6%	57.8%	61.6%	78.7%	65.6%	50.5%	57.7%	61.5%
Gross profit	968,155	230,076	272,085	352,363	342,543	1,197,067	281,825	341,836	411,943	392,685	1,428,289	299,927	363,135	437,601	417,311	1,517,973
Gross margin	36.4%	34.4%	37.8%	36.7%	36.9%	36.5%	36.3%	40.9%	40.0%	39.3%	39.2%	36.8%	41.3%	40.4%	39.8%	39.7%
EBITDA	616,260	127,462	174,506	228,250	214,451	744,669	161,051	218,394	254,964	240,576	874,984	173,968	234,435	273,895	258,687	940,984
EBITDA Margin (%)	23.2%	19.1%	24.2%	23.8%	23.1%	22.7%	20.7%	26.1%	24.7%	24.1%	24.0%	21.3%	26.7%	25.3%	24.7%	24.6%
EBITDA growth (Y/Y)	12.3%	16.1%	12.0%	19.3%	34.6%	20.8%	26.4%	25.1%	11.7%	12.2%	17.5%	8.0%	7.3%	7.4%	7.5%	7.5%
Adj. EBITDA	628,064	130,136	177,236	230,569	216,431	754,372	161,051	218,394	254,964	240,576	874,984	173,968	234,435	273,895	258,687	940,984
Adj. EBITDA Margin (%)	23.6%	19.5%	24.6%	24.0%	23.3%	23.0%	20.7%	26.1%	24.7%	24.1%	24.0%	21.3%	26.7%	25.3%	24.7%	24.6%
Adj. EBITDA growth (Y/Y)	13.1%	17.2%	12.9%	19.5%	29.6%	20.1%	23.8%	23.2%	10.6%	11.2%	16.0%	8.0%	7.3%	7.4%	7.5%	7.5%
EBIT	305,845	44,142	86,780	124,817	104,013	359,752	46,800	104,143	140,714	126,325	417,982	63,921	124,388	163,848	148,640	500,797
Depreciation and Amort.	310,415	83,320	87,726	103,433	110,438	384,917	114,250	114,250	114,250	114,250	457,002	110,047	110,047	110,047	110,047	440,187
Interest Expense	137,861	32,699	32,136	33,745	33,002	131,582	32,103	32,146	32,175	31,485	127,910	31,514	31,557	31,586	30,896	125,553
Taxes	46,749	4,236	14,634	22,335	19,445	60,650	3,968	19,439	29,305	25,607	78,320	8,750	25,064	35,711	31,791	101,316
Adj. net income	147,348	14,295	47,156	75,674	58,424	195,549	14,229	56,058	82,733	72,733	225,753	27,157	71,266	100,051	89,453	287,928
Weighted average shares outstanding (diluted)	52,839	51,623	57,079	57,237	61,000	56,959	61,100	61,200	61,300	61,400	61,250	61,500	61,600	61,700	61,800	61,650
Adj. EPS (FD)	2.99	0.28	0.88	1.36	1.04	3.61	0.31	0.99	1.43	1.26	4.00	0.52	1.23	1.70	1.52	4.98
Cash flow from operations (CFO)	357,008	89,383	92,747	185,418	280,396	647,944	126,979	169,808	195,484	185,484	677,755	135,704	180,813	208,598	198,000	723,115
Changes in working capital	-81,787	115	-39,688	2,538	102,594	65,559	0	0	0	0	0	0	0	0	0	0
FCF from operations (company definition)	409,155	81,484	123,424	171,441	164,931	541,280	112,372	155,201	180,877	170,877	619,327	121,097	166,206	193,991	183,393	664,687
Maintenance capital expenditures	209,889	55,984	65,937	83,278	96,935	302,134	71,417	76,947	82,472	79,882	310,718	65,207	70,256	86,595	83,876	305,934
Growth capital expenditures	220,301	56,118	4,543	127,752	134,017	322,430	17,500	17,500	17,500	17,500	70,000	10,000	0	0	0	10,000
FCF from operations less maintenance capex (company definition)	199,266	25,500	57,487	88,163	67,996	239,146	40,955	78,254	98,405	90,995	308,609	55,890	95,950	107,396	99,517	358,753
FCF growth (Y/Y)	-1.3%	12.9%	9.9%	8.6%	57.6%	20.0%	60.6%	36.1%	11.6%	33.8%	29.0%	36.5%	22.6%	9.1%	9.4%	16.2%
FCF / share	4.19	0.50	1.12	1.70	1.24	4.58	0.74	1.41	1.77	1.63	5.56	1.00	1.71	1.90	1.76	6.37
Adj. EBITDA conversion	31.7%	19.6%	32.4%	38.2%	31.4%	31.7%	25.4%	35.8%	38.6%	37.8%	35.3%	32.1%	40.9%	39.2%	38.5%	38.1%
Dividend payout ratio (FCF less maintenance capex)	63.2%	131.6%	59.0%	39.4%	55.4%	58.5%	91.7%	48.1%	38.4%	41.7%	48.9%	71.5%	41.8%	37.5%	40.6%	44.8%
Dividend payout ratio (FCF less total capex)	-172.0%	-147.7%	152.4%	-135.5%	76.2%	598.2%	98.6%	50.0%	39.6%	43.1%	50.8%	66.1%	36.3%	33.0%	35.4%	39.5%
Net debt	2,260,612	2,228,817	2,233,501	2,423,848	2,287,078	2,287,078	2,288,552	2,253,863	2,198,159	2,150,001	2,150,001	2,131,488	2,064,058	1,984,325	1,912,613	1,912,613
Net debt/LTM EBITDA	3.6x	3.4x	3.3x	3.4x	3.0x	3.0x	2.9x	2.7x	2.6x	2.5x	2.5x	2.4x	2.3x	2.2x	2.0x	2.0x
Net debt/LTM EBITDA (covenant metric, excl. converts)	2.8x	2.8x	2.7x	2.9x	2.7x	2.7x	2.6x	2.4x	2.3x	2.2x	2.2x	2.2x	2.1x	2.0x	1.9x	1.9x

Source: Company reports, RBC Capital Markets estimates



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RBC Capital Markets has provided Exchange Income Corporation with non-securities services in the past 12 months.

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A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Exchange Income Corporation in the past 12 months.

RBC Dominion Securities Inc. makes a market in the securities of Exchange Income Corporation.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Exchange Income Corporation during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Exchange Income Corporation.

RBC Dominion Securities Inc. makes a market in the securities of Chorus Aviation Inc..

RBC Capital Markets has provided Chorus Aviation Inc. with non-securities services in the past 12 months.

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RBC Capital Markets has provided CAE Inc. with non-securities services in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from CAE Inc. in the past 12 months.

RBC Dominion Securities Inc. makes a market in the securities of CAE Inc..

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for CAE Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from CAE Inc. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to CAE Inc..

RBC Capital Markets has provided CAE Inc. with non-investment banking securities-related services in the past 12 months.

RBC Capital Markets, LLC makes a market in the securities of CAE Inc..

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from CAE Inc. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-investment banking securities-related services to CAE Inc..

A member company of RBC Capital Markets or one of its affiliates expects to receive or intends to seek compensation for investment banking services from CAE Inc. in the next three months.

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The class A shares of Bombardier Inc. are multiple voting shares.

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A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Bombardier Inc. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Bombardier Inc..

A member company of RBC Capital Markets or one of its affiliates expects to receive or intends to seek compensation for investment banking services from Bombardier Inc. in the next three months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Bombardier Inc. in the past 12 months.

RBC Dominion Securities Inc. makes a market in the securities of Bombardier Inc..

RBC Capital Markets has provided Bombardier Inc. with non-securities services in the past 12 months.

Diane Fontaine, Vice President and Portfolio Manager at RBC Dominion Securities Inc., is a member of the Board of Directors of Bombardier Inc.

RBC Capital Markets is currently providing Bombardier Inc. with investment banking services.

Explanation of RBC Capital Markets Equity rating system



An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

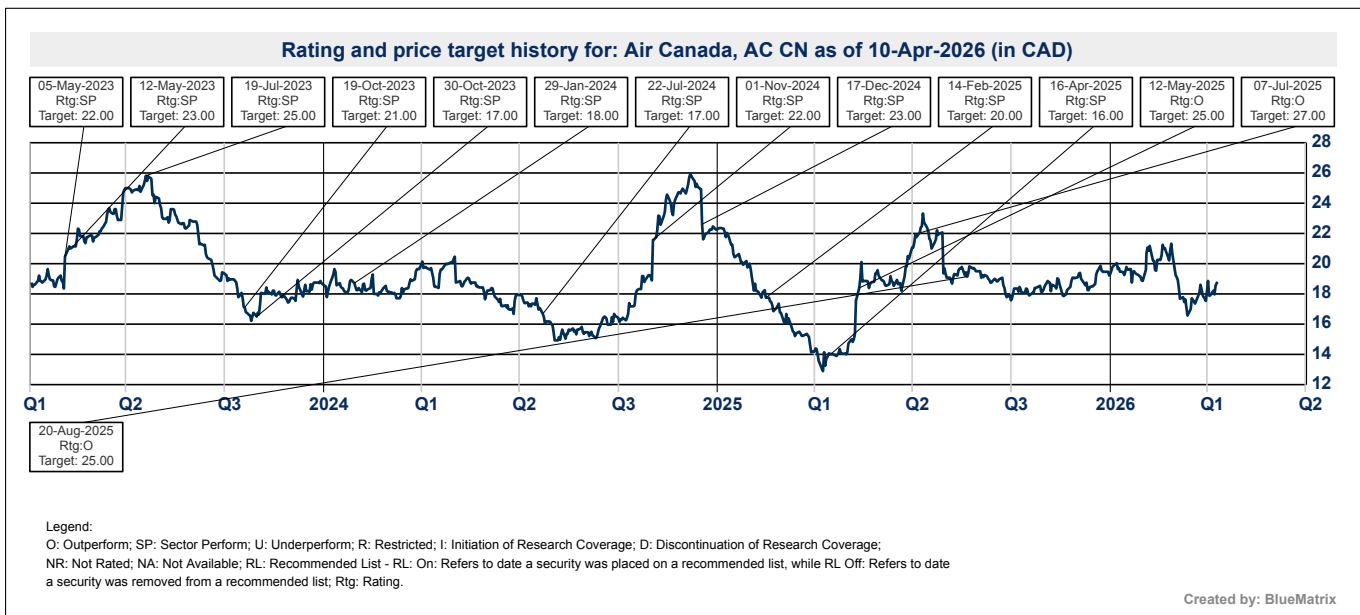
Risk Rating

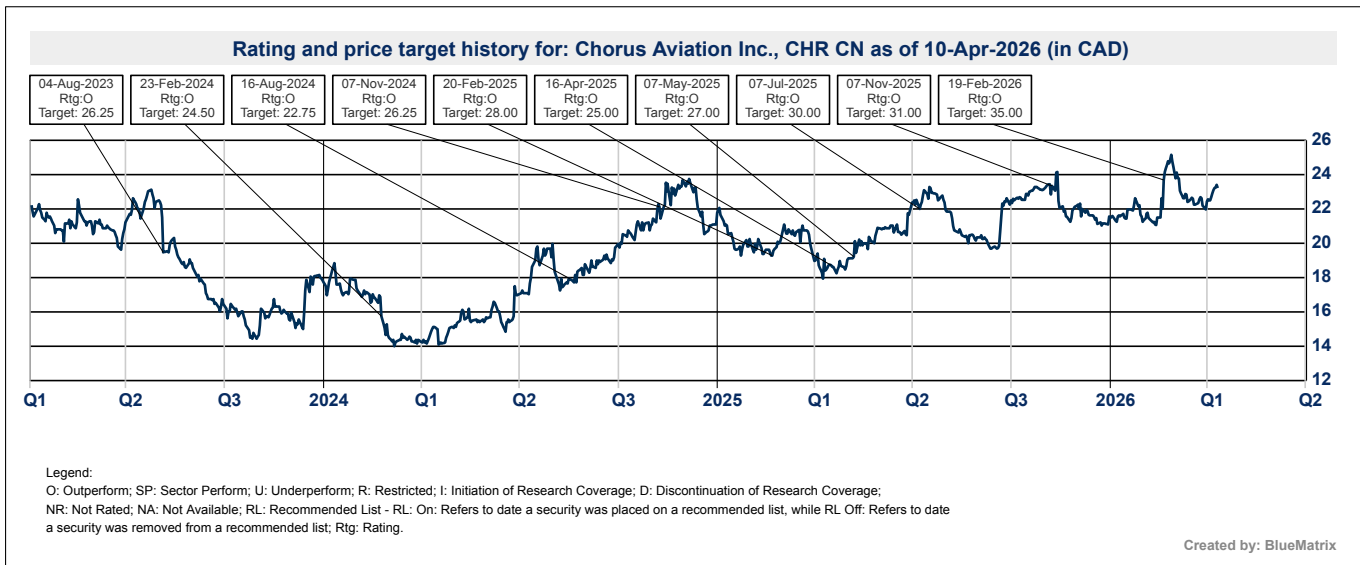
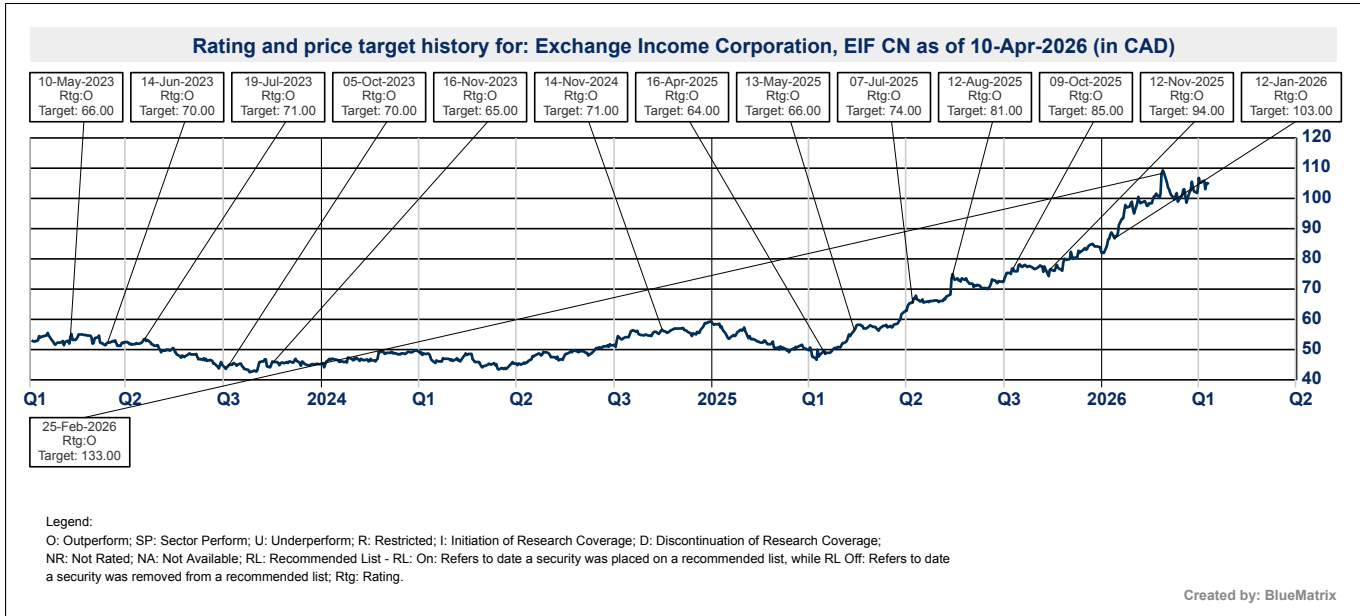
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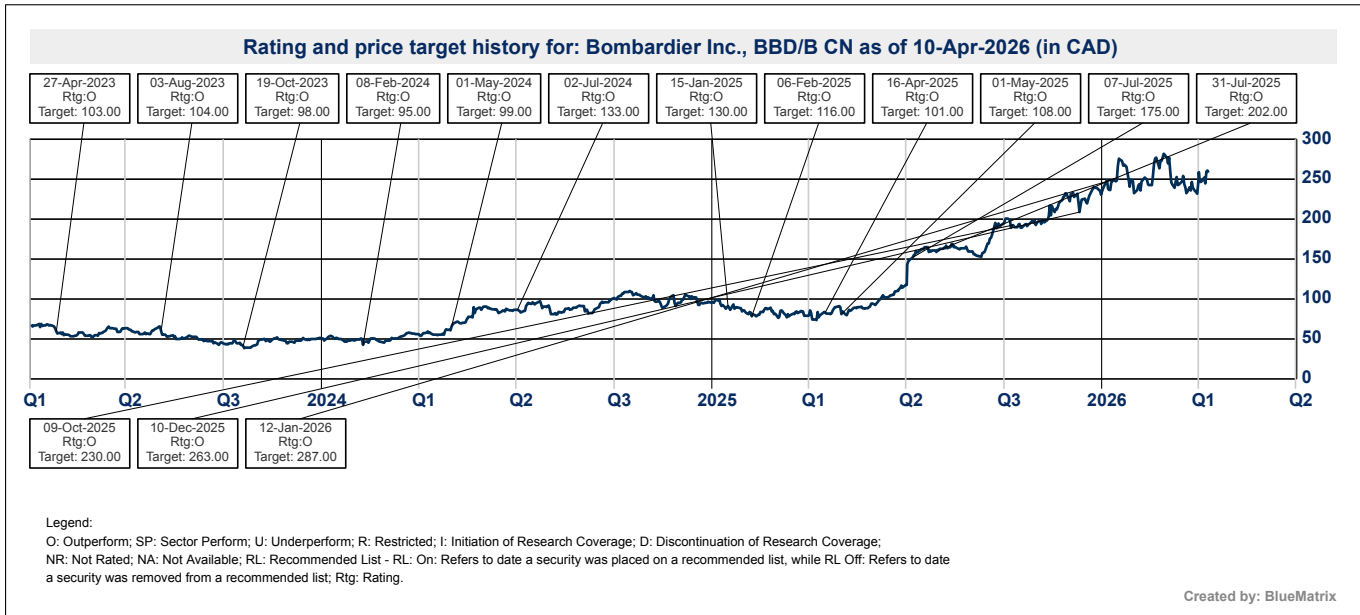
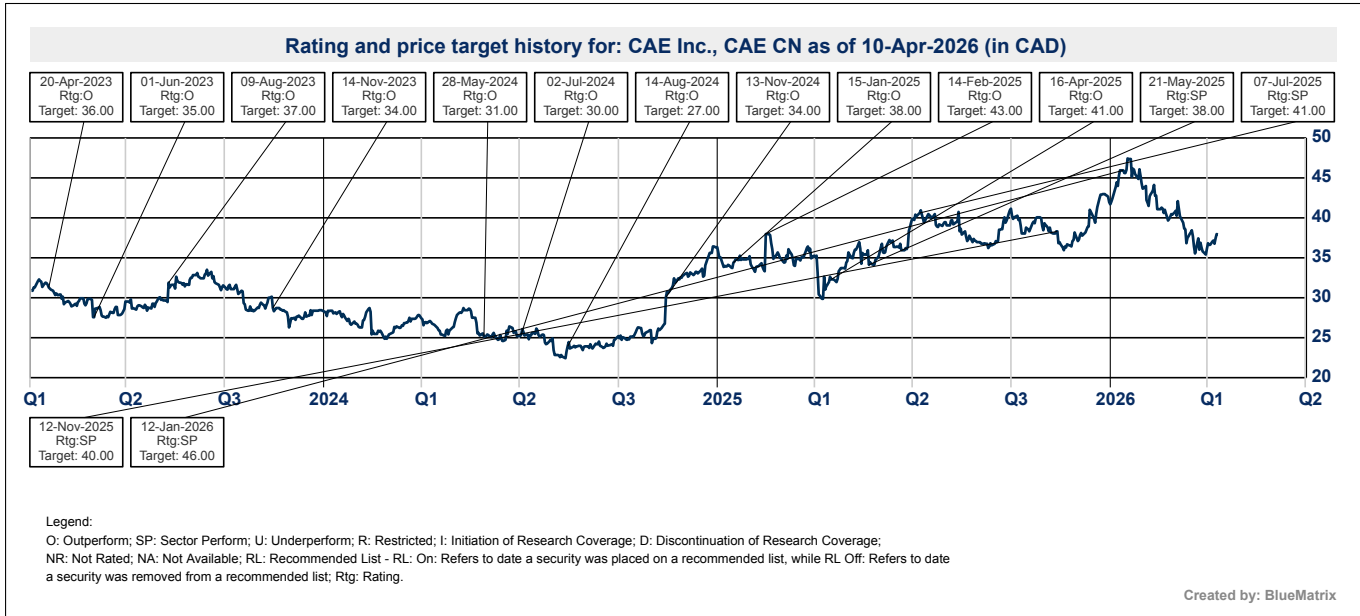
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Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 31-Mar-2026				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	899	57.52	286	31.81
HOLD [Sector Perform]	612	39.16	153	25.00
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Air Canada

Valuation

Applying a 3.25x EV/EBITDA multiple to our 2027 estimates, we derive our price target of \$22. Our target multiple is a premium to AC's historical average multiple. Our base case reflects the following assumptions: (1) AC effectively profitably reallocates capacity from transborder markets; (2) AC executes on its cost management plan; and (3) macro backdrop remains stable. Our price target supports our Outperform rating.

Risks to rating and price target

Risks to our price target and rating include:

- Delayed recovery for air travel.
- Collective agreements.
- Regulation risk.
- Supply chain risk.
- Increasing competition.

Bombardier Inc.

Valuation

We apply a target multiple of 13.5x to our 2027 EBITDA estimate of \$1.8B to derive our \$298 price target. Our target multiple is in line with peers reflecting solid execution, improving FCF and incremental growth opportunities in the defense market. Our price target supports our Outperform rating.

Risks to rating and price target

- Execution on operational and financial targets.
- Slowdown in the bizjet market.
- Environmental concerns.
- New aircraft investments.

CAE Inc.

Valuation

We value CAE shares on a sum-of-the-parts basis using a blended EV/EBITDA multiple of 12x on our FY28 EBITDA estimate of \$1,300MM. Our 12.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 10x is derived using a discount to peers due to lower margins and past operating issues. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals, however see lack of meaningful near term catalysts. Based on relative implied returns to our \$42 price target, we rate the shares as Sector Perform.

Risks to rating and price target

- Supply chain risk
- Delayed recovery for air travel
- Reduction in defense spending
- Regulation risk
- R&D and technology risk
- US foreign ownership
- Acquisition risk

Chorus Aviation Inc.

Valuation

We value Chorus based on our 2029 EBITDA estimate which reflects anticipated deleveraging, FCF generation and continued growth in Voyageur. Our target multiple of 6x is in line with airline peers and when applied to our 2029 EBITDA estimate, discounted back 2 years at 8%, results in a price target of \$35, which supports our Outperform rating.

Risks to rating and price target

Slowdown in travel demand. A slowdown in passenger demand for air travel could affect airlines' performance and financial

condition, including Air Canada and Chorus' lessees.

Contract risk. Most of Chorus' revenues are derived from the CPA and AC, and loss of contracts could negatively impact the company's operations and cash flow.

Exchange Income Corporation

Valuation

In valuing EIF, we apply a blended 10.1x EV/EBITDA multiple (11x for Aviation & Aerospace and 7x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$941MM 2027E EBITDA, reflecting a valuation blend of ~78% Aviation & Aerospace and ~22% Manufacturing. We apply our target multiples to our 2027E EBITDA for each segment, generating our \$133 price target, which supports our Outperform rating.

Risks to rating and price target

- **Access to external capital.** If the capital markets' desire for income-producing investments were to significantly decrease, EIF could have difficulty executing its strategy.
- **Acquisition integration and related risks.** EIF has a solid record of identifying and making accretive acquisitions, but its ability to successfully grow or diversify through additional acquisitions is dependent on a number of factors.
- **Contract risk.** EIF is party to a number of significant contracts with key customers. The loss of any one of these significant contracts could have a negative impact on the company's operations and cash flow.
- **Competition.** New or increased competition could have a significant impact on the business, operations, and financial condition of EIF's segments.

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