



March 12, 2019

RBC Flight Deck

RBC Fare Survey points to strong fare growth in February

Both AC and WJA post solid fare gains Y/Y. Our proprietary Fare Survey tracks price changes on selected routes to gauge the direction and magnitude of fare prices in the month. The data shows that overall fare prices rose solidly to begin the year. At the end of February, AC fares were 4.5% higher than last year, and WJA fares rose 6.0% from last year. We also note both airlines are coming off a strong holiday season where fare prices reached record highs.

Vacation segment leads price gains ahead of Spring Break. Both Air Canada and WestJet posted strong price gains across the vacation segment, likely the result of demand ahead of spring break. Transborder fares were also stronger. Fares within the domestic and international segment (Air Canada) were mostly flat for the month.

Traffic growth picks up in February. For the month of February, WJA reported traffic growth of 5.6% Y/Y (vs. RBC at 5.5%) on capacity growth of 4.9% (vs. RBC at 6.5%). Across the global peer group, traffic rose 4.2% Y/Y, with capacity growth of 4.1% Y/Y. This is the first month of a positive change in load factor since July 2018, mostly due to moderating capacity growth. And given commentary from the Canadian airlines, we expect capacity to remain controlled for the remainder of the year.

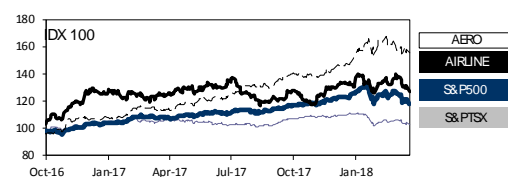
AC Investor Day highlights. We attended the Air Canada Investor Day on February 28, and noted four trends we expect to drive shares going forward: First, AC has extensive opportunities to optimize revenues using technology; second, the revenue growth opportunities are available to them without the need for much additional capital; third, the AC business model is now more sustainable, with lower variability in profitability; and finally, a strong bench among the management team (SVP and VP level) reduces uncertainty around succession planning. For further reading, please see our note [here](#).

In this edition...

- **RBC Fare Tracker (p. 2):** Seeing positive fare growth from AC and WJA so far in 2019.
- **The Load Factor (p. 3):** Traffic remains robust
- **Air Buzz (p. 4) -** Bombardier Headlines



INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	3.6	12.6	3.5	Δ
S&P 500	2.5	10.8	(0.3)	Δ
AMEX Airline	(7.0)	8.2	(18.6)	▼
AMEX Aerospace	0.1	18.3	(4.5)	Δ



COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	7.6	23.2	(1.4)	Δ
Jet Fuel	2.8	15.5	5.6	Δ
CAD/USD	0.8	(1.7)	4.4	Δ

AEROSPACE				
Bombardier	42.8	40.6	(23.9)	Δ
Boeing	(0.6)	24.5	13.3	▼
EADS	10.7	34.5	14.9	Δ
Embraer	1.2	(9.1)	(26.0)	Δ
General Dynamics	(0.8)	7.9	(26.2)	▼
Textron	(1.7)	12.8	(14.1)	▼
United Technologies	2.3	17.9	(6.4)	Δ

N.A. MAINLINE				
Air Canada	5.2	28.4	22.7	Δ
AMR	(12.5)	(0.3)	(42.9)	▼
Delta	0.9	2.3	(9.0)	Δ
United	(8.0)	(2.0)	14.6	▼

N.A. REGIONAL				
Alaska	(16.8)	(9.4)	(14.9)	▼
Allegiant	(6.5)	28.0	(26.4)	▼
Chorus Aviation	4.1	31.4	(9.4)	Δ
JetBlue	(10.1)	2.2	(25.4)	▼
SkyWest	(7.0)	13.5	(12.9)	▼
Southwest	(11.7)	10.8	(13.8)	▼
WestJet	0.4	15.2	(14.7)	Δ

INTL AIRLINES				
Lufthansa	1.3	14.1	(12.8)	Δ
Air France/KLM	3.9	12.8	14.4	Δ
BA/Iberia	(19.0)	(13.0)	(13.8)	▼
Cathay Pacific	0.0	0.0	(6.3)	Δ
Air China	6.2	16.1	(31.7)	Δ
China Eastern	1.7	9.9	(28.1)	Δ
China Southern	12.7	24.7	(41.0)	Δ
Singapore Airlines	0.6	3.1	(13.0)	Δ
Qantas	2.3	(1.9)	(5.0)	Δ

Source: Bloomberg



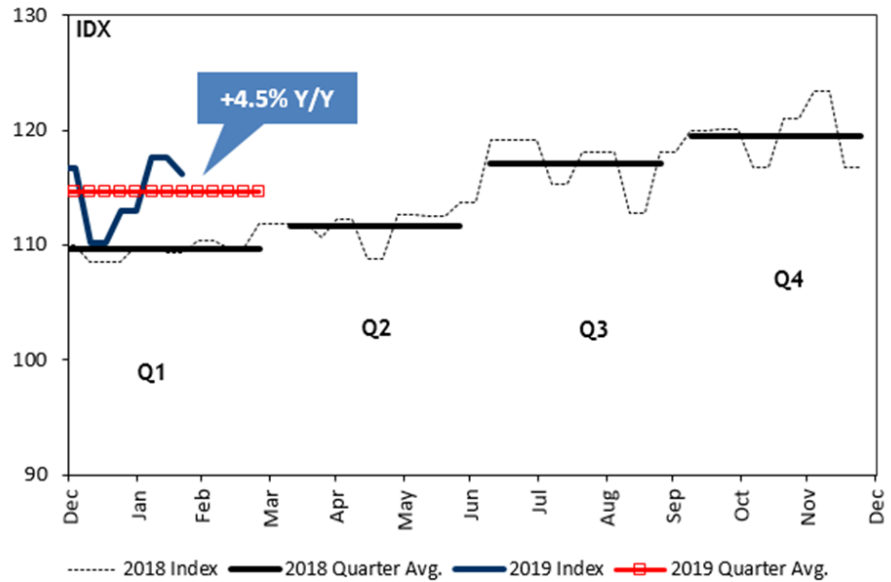
RBC Fare Survey

We present below the results of our RBC Fare Tracker. This proprietary algorithm provides investors a unique snapshot of Air Canada and WestJet’s ticket pricing strategies...and a window into yield growth trends *before* they are announced.

Air Canada

According to the RBC Fare tracker, Air Canada fares are up 4.5% QTD from Q1 last year, which was itself a strong quarter.

Looking at segments, there was strong growth in Vacation fares ahead of the spring break period. Both the Transborder and domestic segments recorded higher fares, while the international segment was mostly flat during the month.

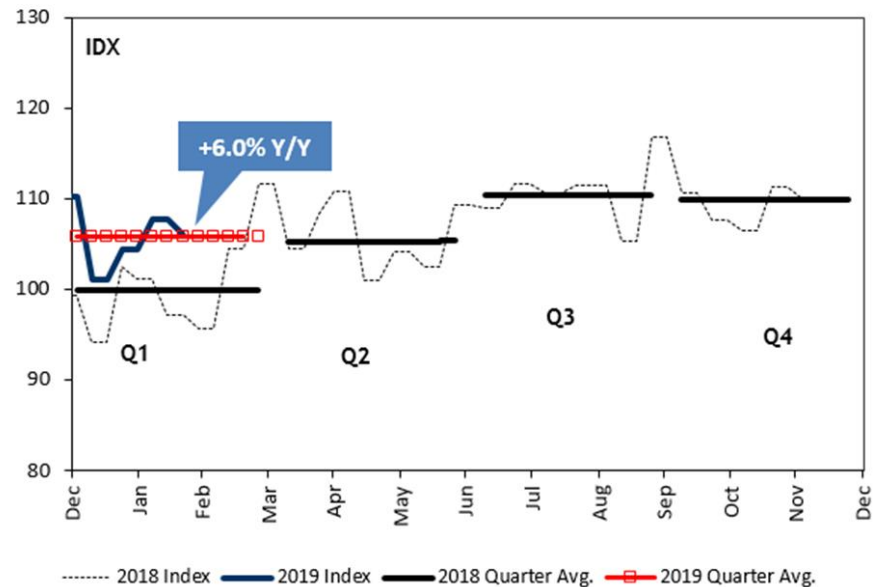


Sources: RBC Capital Markets estimates, Company websites

WestJet

According to the RBC fare tracker, fares at WestJet are trending up 6.0% Y/Y on a QTD basis.

The positive fare growth resulted from both the Vacation and Transborder segments, with slight weakness in the domestic segment. The period ahead of spring break likely boosted demand for vacation packages.



Sources: RBC Capital Markets estimates, Company websites

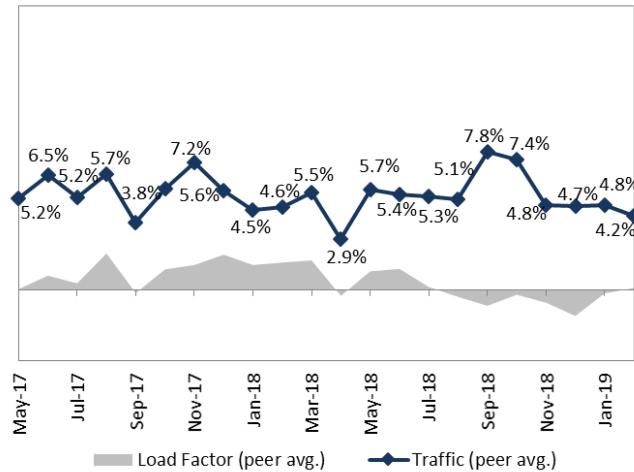


The Load Factor

Industry trends

On average, the peer group reported 4.2% traffic growth in February. This was slightly above the average capacity growth of 4.1%, leading to an increase in the load factor by 0.1%.

This is the first month of a positive change in load factor since July 2018. Capacity growth seems to be moderating, while traffic remains fairly steady in the 4-5% growth range.

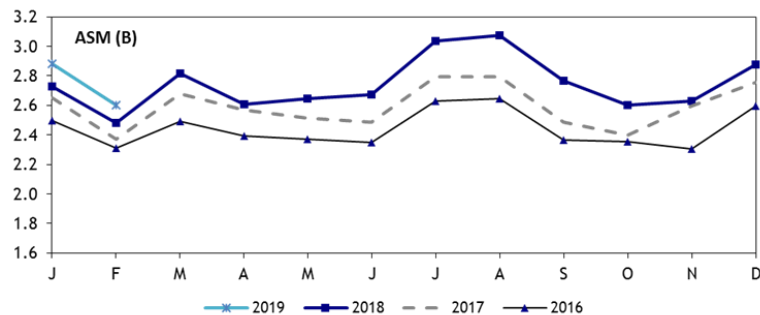
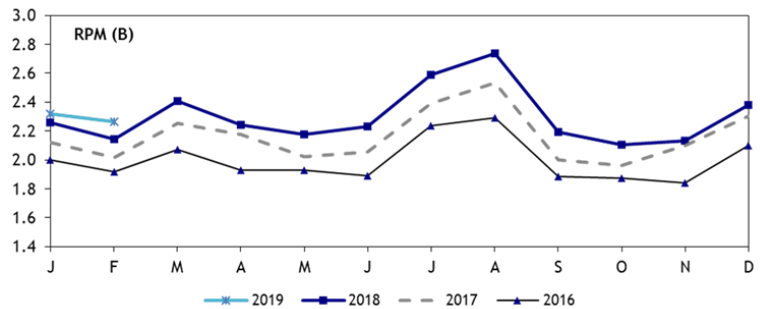


Sources: RBC Capital Markets estimates, Company websites

WestJet

WestJet reported solid traffic growth in February, up +5.6% Y/Y, in line with our estimate of +5.5%. This came on capacity growth of +4.9% Y/Y, lower compared to our +6.5% estimate. This led to a system load factor of 87.0% (+0.6 points Y/Y) for the company.

The data shows a solid uptick in traffic for February, which is encouraging following the last few months of traffic coming in below expectations. Improving traffic is also essential if WJA is to achieve the +2-4% RASM guidance for 2019. Further, we see evidence that management continues to manage capacity closely in line with traffic, which helped them achieve a record load factor of 87% during the month.



	February			YTD		
	2019	2018	Δ	2019	2018	Δ
RPMs (B)	2.263	2.142	+5.6%	4.583	4.401	+4.1%
ASMs (B)	2.602	2.480	+4.9%	5.485	5.213	+5.2%
Load Factor	87.0%	86.4%	0.6 pts	83.6%	84.4%	-0.8 pts

Metrics

Traffic: Revenue Passenger Miles = RPMs (billions)
 Capacity: Available Seat Miles = ASMs (billions)
 Utilization: Load Factor = RPMs / ASMs

Sources: RBC Capital Markets estimates, Company websites



Air Buzz

As part of RBC Flight Deck, we highlight news with implications relevant to the Canadian aerospace industry, in particular as related to Bombardier.

Bombardier

Narrow-bodies

- **Airbus ends February with orders for Bombardier-made plane, 103 cancellations.** Two months into 2019, Airbus SE has logged cancellations for 103 jetliners and garnered a grand total of four new sales – and the sales were for the A220 plane manufactured in Canada by Bombardier. The deal for the A220s -- formerly the Bombardier C Series -- with Pacific Ocean carrier Air Vanuatu represented Airbus's only new business in February and broke an order drought in January. Cancellations last month included 42 A350 wide-bodies jettisoned by unprofitable Persian Gulf carrier Etihad Airways and 25 single-aisle A320neos that had been ordered by Germania, which has filed for bankruptcy. (BNN Bloomberg, March 7, 2019)

Regional Jets

- **United adds first class to new Bombardier CRJ 550 regional jets.** United Airlines wants its regional flyers to get that first class feeling, so the carrier's new Bombardier CRJ 550 jets will feature an oversized first class cabin with United's fanciest domestic seats. The Bombardier CRJ 550 will slot into the regional United Express fleet and debut in mid-2019 on selected routes from Chicago, followed by Newark. United plans to be flying 25 of the nimble single-aisle jets by year's end, with all 50 aircraft in the skies by the middle of 2020 – replacing an older all-economy regional fleet, which also lacks at-seat power and WiFi. The airline believes the CRJ 550s will help attract business travellers flying from smaller cities to its Chicago and Newark hubs, or connecting onwards to international flights. (Australian Business Traveller, February 14, 2019)

Business Jets

- **Bombardier Global 7500 Sets Bizjet Range Record.** Bombardier's new Global 7500 this week achieved what the manufacturer is billing as the world's longest flight by a purpose-built business jet. The aircraft logged 8,152 nm after taking off from Singapore at 7:12am local time on March 4 and landing in Tucson, Arizona, at 8:19am – setting a speed record for this sector in the process. The aircraft landed with 4,300 pounds of fuel, falling well within NBAA requirements with nearly 90 additional minutes of flight time possible. The Global 7500 entered service on December 20, 2018. Designed for long intercontinental flights, it boasts the industry's largest business jet cabin and a maximum speed of Mach 0.925. This week's flight exceeded the aircraft's advertised range of 7,700 nm. (Aviation International News, March 4, 2019)
- **Bombardier insists it will still build Global 8000 business jets.** Bombardier has reiterated its commitment to the stalled Global 8000 business jet and continues to re-evaluate the aircraft's potential performance, but will not commit to any timeline for development. Although the airframer has insisted for several years that the Global 8000 will still be brought to market, there have been no signs of progress for some time. Steven McCullough, vice-president of engineering and product development, insists that activity on the Global 8000 is picking up, and acknowledges that Bombardier has moved away from its original plan of building a "shortened [Global] 7000 with a little bit more range", thanks to the performance increase and rebranding of its sister aircraft. (Flight Global, February 8, 2019)



Appendix 1: Comparables

Symbol	11-Mar-19		EV/EBITDAR				EV/Sales				EBITDAR Margin				Net Debt to EBITDAR	EV (MM)	
	Price		2017	2018E	2019E	2020E	2017	2018E	2019E	2020E	2017	2018E	2019E	2020E			
Discount Airlines																	
WestJet	WJA-CA	C\$	\$20.70	4.1x	5.6x	4.6x	4.3x	0.9x	0.9x	0.8x	0.7x	22%	15%	17%	17%	1.9x	4,075
Southwest	LUV-US	US\$	\$51.40	6.1x	6.5x	5.7x	5.5x	1.4x	1.3x	1.2x	1.2x	23%	21%	22%	21%	0.2x	29,268
JetBlue	JBLU-US	US\$	\$16.46	4.5x	5.3x	4.6x	4.1x	1.0x	0.9x	0.8x	0.8x	22%	17%	18%	19%	1.3x	6,974
Discount Average				4.9x	5.8x	5.0x	4.6x	1.1x	1.0x	1.0x	0.9x	22%	18%	19%	19%	0.7x	
Mainline Airlines																	
Air Canada	AC-CA	C\$	\$33.31	5.1x	5.2x	4.0x	3.6x	0.9x	0.8x	0.8x	0.7x	18%	16%	19%	20%	1.6x	14,878
Delta Air Lines	DAL-US	US\$	\$51.04	6.1x	6.4x	5.7x	5.6x	1.3x	1.2x	1.1x	1.1x	21%	18%	20%	19%	1.9x	52,167
United Continental	UAL-US	US\$	\$81.98	5.7x	5.5x	4.9x	4.7x	0.9x	0.9x	0.8x	0.8x	17%	16%	17%	16%	1.9x	35,675
American Airlines	AAL-US	US\$	\$32.05	5.4x	6.5x	5.6x	5.6x	1.0x	1.0x	0.9x	0.9x	19%	15%	16%	16%	3.7x	42,328
Mainline Average				5.6x	5.9x	5.0x	4.9x	1.0x	1.0x	0.9x	0.9x	18%	16%	18%	18%	2.5x	
Regional Airlines																	
Chorus Aviation	CHR-CA	C\$	\$7.40	9.5x	8.2x	7.1x	6.3x	2.4x	2.3x	2.1x	1.9x	25%	28%	29%	30%	4.4x	3,061
SkyWest Inc.	SKYW-US	US\$	\$50.40	5.9x	7.1x	7.1x	7.1x	1.9x	1.9x	2.2x	2.2x	33%	27%	31%	31%	4.1x	6,158
Regional Average				7.7x	7.6x	7.1x	6.7x	2.2x	2.1x	2.1x	2.0x	29%	27%	30%	30%	4.2x	
Airline Average				5.8x	6.3x	5.5x	5.2x	1.3x	1.2x	1.2x	1.1x	22%	19%	21%	21%	2.3x	

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada, Chorus Aviation, and WestJet. Priced at 3:15pm on March 11, 2019



Appendix 2: AC Model

FY Dec 31	2017A	Q1/18	Q2/18	Q3/18	Q4/18	2018	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	2020E
Traffic / RPM (MMs)	85,137	20,440	22,654	28,465	20,793	92,352	21,462	23,787	29,888	21,833	96,970	99,394
<i>% change</i>	11.3%	11.4%	8.2%	7.5%	7.2%	8.5%	5.0%	5.0%	5.0%	5.0%	5.0%	2.5%
Capacity / ASM (MMs)	103,492	24,862	27,269	33,137	25,594	110,862	26,105	28,632	34,794	26,874	116,405	119,897
<i>% change</i>	11.6%	8.6%	7.5%	6.7%	5.8%	7.1%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%
Load Factor (%)	82.3%	82.2%	83.1%	85.9%	81.2%	83.3%	82.2%	83.1%	85.9%	81.2%	83.3%	82.9%
<i>change (% pts)</i>	-0.2%	2.1%	0.5%	0.6%	1.1%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%
Yield (\$)	0.170	0.171	0.173	0.177	0.177	0.175	0.178	0.180	0.184	0.185	0.181	0.187
<i>% change</i>	0.8%	0.4%	2.0%	3.4%	3.8%	2.4%	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%
RASM (Rev per unit of capacity, cents)	14.1	14.0	14.4	15.1	14.8	14.6	14.6	15.0	15.8	15.0	15.1	15.5
CASM (excl. fuel) (cents)	11.1	12.7	11.0	9.7	11.9	11.2	12.7	11.1	9.9	11.5	11.2	11.3
Total Revenues	16,252	4,071	4,333	5,415	4,246	18,065	4,407	4,714	5,896	4,493	19,510	20,530
Wages, salaries and benefits	2671	700	711	743	719	2873	735	747	728	755	2966	3116
<i>% Sales</i>	16.4%	17.2%	16.4%	13.7%	16.9%	15.9%	16.7%	15.8%	12.4%	16.8%	15.2%	15.2%
Aircraft Fuel - total	3339	939	1099	1371	1091	4500	1066	1164	1417	1112	4760	4878
<i>% Sales</i>	20.5%	23.1%	25.4%	25.3%	25.7%	24.9%	24.2%	24.7%	24.0%	24.8%	24.4%	23.8%
Sales and distribution costs	770	189	199	237	182	807	198	209	249	191	847	873
<i>% Sales</i>	4.7%	4.6%	4.6%	4.4%	4.3%	4.5%	4.5%	4.4%	4.2%	4.3%	4.3%	4.3%
Food, beverages, supplies	383	96	108	125	104	433	101	113	131	109	455	468
<i>% Sales</i>	2.4%	2.4%	2.5%	2.3%	2.4%	2.4%	2.3%	2.4%	2.2%	2.4%	2.3%	2.3%
Aircraft maintenance	938	256	220	277	250	1003	256	220	277	230	983	1032
<i>% Sales</i>	5.8%	6.3%	5.1%	5.1%	5.9%	5.6%	5.8%	4.7%	4.7%	5.1%	5.0%	5.0%
Airport and navigation fees	905	221	237	281	225	964	227	243	289	231	990	1020
<i>% Sales</i>	5.6%	5.4%	5.5%	5.2%	5.3%	5.3%	5.2%	5.2%	4.9%	5.1%	5.1%	5.0%
Communications and information tech	254	79	67	79	69	294	83	70	83	72	309	306
<i>% Sales</i>	1.6%	1.9%	1.5%	1.5%	1.6%	1.6%	1.9%	1.5%	1.4%	1.6%	1.6%	1.5%
Other	3526	918	932	951	937	3738	970	966	1014	926	3876	4078
<i>% Sales</i>	21.7%	22.5%	21.5%	17.6%	22.1%	20.7%	22.0%	20.5%	17.2%	20.6%	19.9%	19.9%
Regional airline expense (ex fuel and O	2137	542	588	548	554	2232	582	622	601	575	2380	2505
<i>% Sales</i>	13.1%	13.3%	13.6%	10.1%	13.0%	12.4%	13.2%	13.2%	10.2%	12.8%	12.2%	12.2%
Total Operating Costs	12,786	3,398	3,573	4,064	3,577	14,612	3,636	3,734	4,188	3,627	15,185	15,771
EBITDAR	2,928	397	646	1,265	543	2,851	487	863	1,619	736	3,704	4,120
<i>% of sales</i>	18.0%	9.8%	14.9%	23.4%	12.8%	15.8%	11.0%	18.3%	27.5%	16.4%	19.0%	20.1%
EPS (F.D) (\$) (Exc. Special charges)	\$ 4.05	\$ (0.19)	\$ 0.41	\$ 2.03	\$ 0.20	\$ 2.46	\$ (0.06)	\$ 0.85	\$ 2.54	\$ 0.70	\$ 4.03	\$ 4.97

Source: RBC CM estimates, Company reports



Appendix 3: WJA Model

FY Dec. 31 (\$MM's)	2017	Q1/18	Q2/18	Q3/18E	Q4/18E	2018E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	Q1/20E	Q2/20E	Q3/20E	Q4/20E	2020E
Traffic (RPMs in MM)	25,904	6,810	6,645	7,517	6,615	27,586	7,198	7,078	8,080	7,079	29,434	7,665	7,538	8,605	7,539	31,348
% change	8.1%	6.5%	6.1%	8.6%	4.5%	6.5%	5.7%	6.5%	7.5%	7.0%	6.7%	6.5%	6.5%	6.5%	6.5%	6.5%
Capacity (ASMs in MM)	30,998	8,029	7,922	8,880	8,109	32,940	8,547	8,477	9,546	8,717	35,286	9,145	9,070	10,214	9,327	37,756
% change	5.8%	4.3%	4.7%	10.0%	5.9%	6.3%	6.4%	7.0%	7.5%	7.5%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%
Load Factor in (%)	83.6%	84.8%	83.9%	84.6%	81.6%	83.7%	84.2%	83.5%	84.6%	81.2%	83.4%	83.8%	83.1%	84.2%	80.8%	83.0%
change (%pts)	1.8%	1.8%	1.1%	-1.1%	-1.1%	0.2%	-0.6%	-0.4%	0.0%	-0.4%	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Yield (cents per RPM)	17.40	17.50	16.36	16.78	18.04	17.16	17.83	16.69	17.12	18.40	17.50	18.10	16.94	17.37	18.68	17.76
% change	1.1%	0.3%	-3.2%	-4.4%	2.2%	-1.4%	1.9%	2.0%	2.0%	2.0%	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%
RASM (Revenue per unit of capacity, cents)	14.5	14.8	13.7	14.2	14.7	14.4	15.0	13.9	14.5	14.9	14.6	15.2	14.1	14.6	15.1	14.7
CASM (excl. fuel) (cents)	10.1	10.6	10.3	9.5	10.3	10.2	10.8	10.3	9.7	10.5	10.3	11.0	10.5	9.9	10.4	10.4
Total Revenues	4,506.7	1,191.7	1,087.6	1,260.9	1,193.3	4,733.5	1,283.5	1,181.4	1,382.9	1,302.6	5,150.4	1,387.5	1,277.1	1,494.9	1,408.1	5,567.5
% change	9.3%	6.9%	2.8%	3.8%	6.6%	5.0%	7.7%	8.6%	9.7%	9.2%	8.8%	8.1%	8.1%	8.1%	8.1%	8.1%
Airport Operations	609.3	172.9	261.8	139.8	168.1	642.6	184.1	166.5	144.5	180.7	675.8	197.0	178.2	154.7	193.3	723.1
% change	5%	2%	5%	10%	6%	5%	6%	3%	3%	7%	5%	7%	7%	7%	7%	7%
Aircraft Fuel	950.0	281.2	302.3	343.3	304.9	1231.6	299.7	298.8	332.1	308.6	1239.2	329.1	322.2	354.0	327.2	1332.5
% change	24%	19%	34%	44%	21%	30%	7%	-1%	-3%	1%	1%	10%	8%	7%	6%	8%
Maintenance	242.6	63.4	59.4	72.3	61.7	256.7	67.5	61.1	74.7	66.3	269.6	72.3	65.4	80.0	70.9	288.5
% change	5%	2%	5%	10%	6%	6%	6%	3%	3%	8%	5%	7%	7%	7%	7%	7%
Sales & Distribution	463.9	117.1	114.8	139.8	119.3	491.0	124.7	118.2	144.5	128.2	515.6	133.4	126.4	154.7	137.2	551.7
% change	5%	2%	5%	10%	6%	6%	6%	3%	3%	8%	5%	7%	7%	7%	7%	7%
Marketing, General & Administrative	254.9	65.8	62.6	76.3	65.1	269.8	70.1	64.5	78.8	69.9	283.3	75.0	69.0	84.4	74.8	303.1
% change	5%	2%	5%	10%	6%	6%	6%	3%	3%	8%	5%	7%	7%	7%	7%	7%
Customer Service (Reservations)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Flight Operations	595.1	154.0	146.1	177.9	151.8	629.8	163.9	150.4	184.0	163.2	661.4	175.4	160.9	196.8	174.6	707.7
% change	5%	2%	5%	10%	6%	6%	6%	3%	3%	8%	5%	7%	7%	7%	7%	7%
In-Flight	243.2	63.6	59.5	72.4	61.8	257.3	67.7	61.2	74.9	66.4	270.3	72.4	65.5	80.1	71.1	289.2
% change	5%	2%	5%	10%	6%	6%	6%	3%	3%	8%	5%	7%	7%	7%	7%	7%
Employee Profit Sharing	46.8	6.4	-3.3	8.3	4.5	15.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDAR (after profit sharing)	1,001.7	200.9	117.9	215.4	190.5	724.8	216.9	154.1	281.5	232.3	884.8	219.1	157.8	302.0	276.3	955.1
% of sales	22.2%	16.9%	10.8%	17.1%	16.0%	15.3%	16.9%	13.0%	20.4%	17.8%	17.2%	15.8%	12.4%	20.2%	19.6%	17.2%
EPS F.D.	2.37	0.32	(0.18)	0.40	0.26	0.80	0.34	(0.01)	0.69	0.40	1.42	0.28	(0.04)	0.75	0.61	1.60

Source: Company Reports; RBC Capital Markets Estimates



Appendix 4: CHR Model

FY Dec 31	2017A	Q1/18	Q2/18	Q3/18	Q4/18	2018	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	Q1/20E	Q2/20E	Q3/20E	Q4/20E	2020E
Billable Block Hours ('000s)	359,337	88,153	90,639	96,879	89,980	365,651	88,772	91,275	97,559	90,611	368,217	89,394	91,916	98,243	91,247	370,801
% change	4.8%	4.3%	2.1%	0.2%	0.7%	1.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Chorus Aviation Income Statement (\$MM)																
Revenue	1,355	348	378	367	359	1,451	359	371	366	358	1,454	385	401	391	382	1,559
% change	6.1%	8.4%	13.5%	6.4%	0.6%	7.1%	3.2%	-1.9%	-0.1%	-0.1%	0.2%	7.4%	8.1%	6.7%	6.7%	7.2%
Salaries, wages and benefits	445	117	109	113	103	443	116	107	111	105	439	119	109	114	107	448
% Sales	33%	34%	29%	31%	29%	31%	32%	29%	30%	29%	30%	31%	27%	29%	28%	29%
Depreciation and amortization	103	30	30	30	31	121	27	28	30	31	116	35	35	35	36	141
% Sales	8%	9%	8%	8%	9%	8%	8%	8%	8%	9%	8%	9%	9%	9%	9%	9%
Aircraft maintenance	193	54	75	56	56	241	54	73	53	57	237	60	81	59	63	263
% Sales	14%	15%	20%	15%	16%	17%	15%	20%	15%	16%	16%	16%	20%	15%	17%	17%
Airport and navigation fees	167	40	43	45	43	170	40	43	46	40	169	41	44	47	41	172
% Sales	12%	11%	11%	12%	12%	12%	11%	12%	12%	11%	12%	11%	11%	12%	11%	11%
Aircraft rent	99	24	24	25	25	98	21	21	21	21	84	23	23	23	23	92
% Sales	7%	7%	6%	7%	7%	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Terminal handling	28	6	5	5	5	22	6	5	5	5	22	6	5	5	5	22
% Sales	2%	2%	1%	1%	1%	1%	2%	1%	1%	2%	2%	2%	1%	1%	1%	1%
Other	142	32	38	37	33	140	34	40	37	34	145	35	40	38	35	148
% Sales	10%	9%	10%	10%	9%	10%	9%	11%	10%	10%	10%	9%	10%	10%	9%	9%
Total Operating Expenses	1,183	303	324	311	297	1,235	299	317	303	293	1,213	318	337	321	309	1,286
Operating Income	172	45	54	56	62	217	60	54	63	66	242	67	64	70	73	274
EBITDAR	374	99	108	111	118	435	108	103	113	117	442	125	122	128	132	507
% of sales	27.6%	28.4%	28.6%	30.2%	32.8%	30.0%	30.1%	27.8%	31.0%	32.8%	30.4%	32.4%	30.4%	32.9%	34.5%	32.5%
EBITDA	275	75	84	86	93	337	87	82	92	96	358	102	99	105	109	415
% of sales	61.8%	63.5%	76.9%	76.0%	89.7%	76.1%	74.6%	76.9%	83.0%	92.3%	81.5%	85.7%	90.6%	92.6%	102.1%	92.6%
Net Income	180	-9	10	37	2	40	7	6	8	8	28	8	8	9	9	33
EPS (F.D) (\$) (Excluding Special charges)	\$1.32	\$0.04	\$0.12	\$0.31	\$0.01	\$0.48	\$0.05	\$0.04	\$0.05	\$0.05	\$0.20	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24
CFPS (F.D) (\$) (Excluding Special charges)	\$1.87	\$0.43	\$0.52	\$0.50	\$0.55	\$2.03	\$0.25	\$0.25	\$0.27	\$0.28	\$1.04	\$0.31	\$0.30	\$0.32	\$0.32	\$1.25

Source: Company reports, RBC Capital Markets estimates



Companies mentioned

Air Canada (TSX: AC CN; C\$33.36; Outperform)

WestJet Airlines Ltd. (TSX: WJA CN; C\$20.58; Sector Perform)

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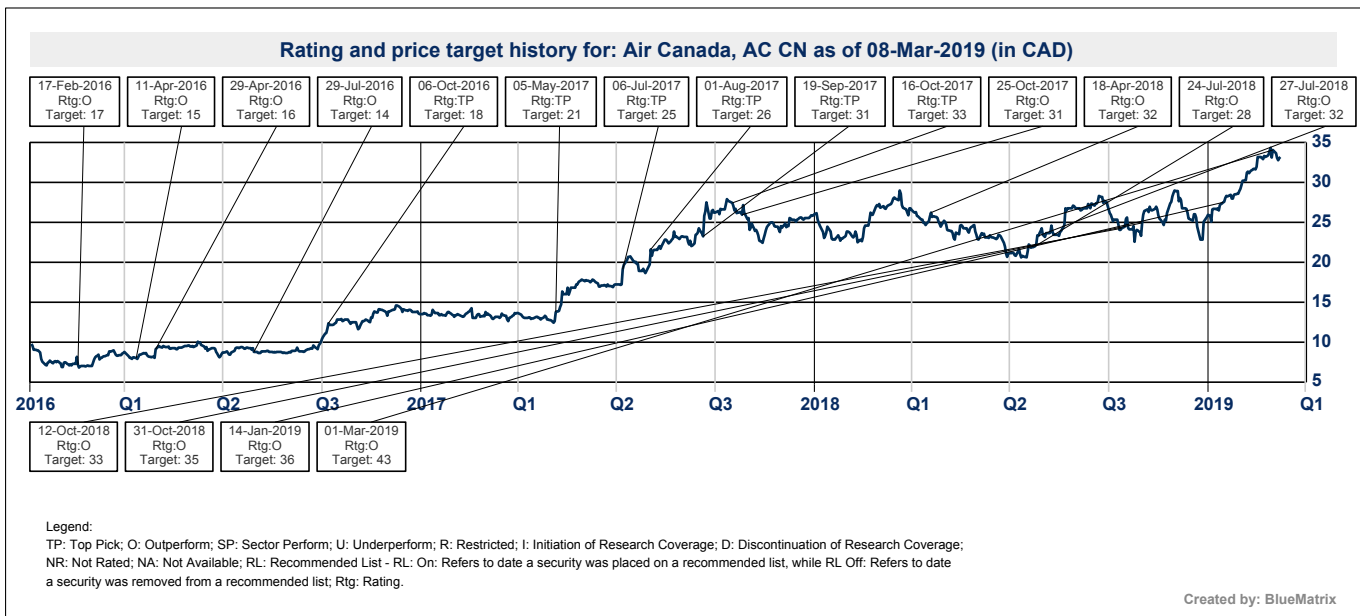
Risk Rating

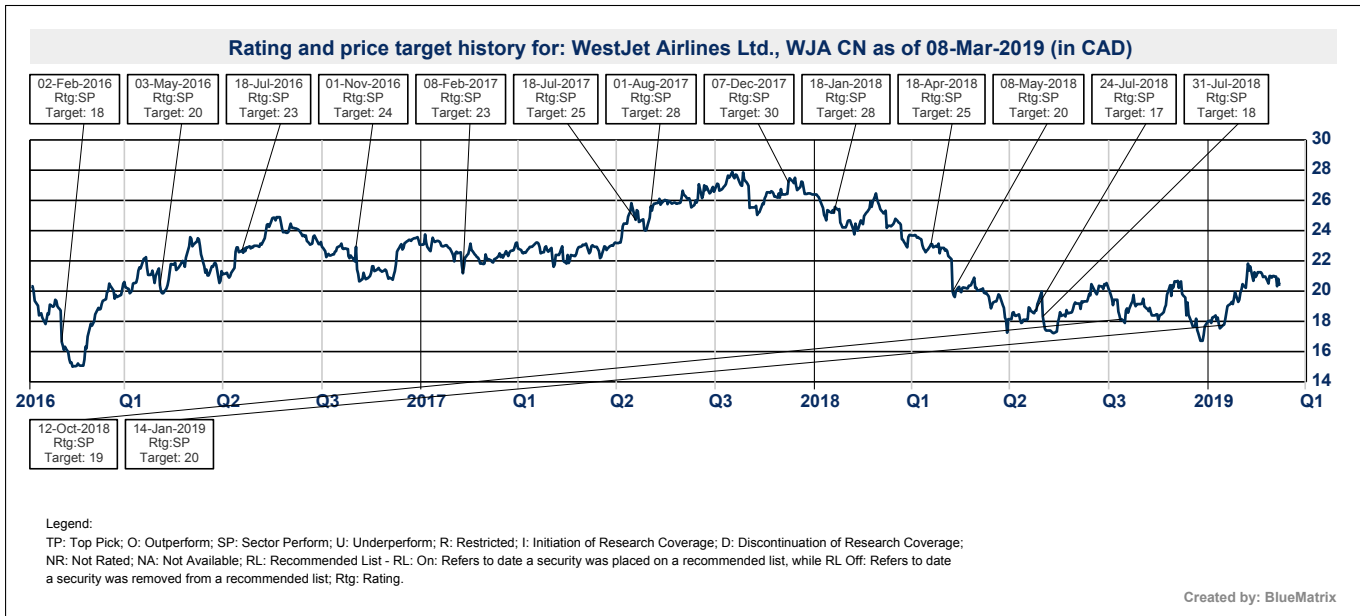
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Air Canada

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Risks to rating and price target

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WestJet Airlines Ltd.

Valuation

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Risks to rating and price target

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