



April 17, 2017

## RBC Flight Deck

### Canadian Airlines Q1 preview: Earnings again to reinforce positive dynamics

Seeing a positive Q1/17 set-up. Q1/17 is setting up as another strong quarter for the Canadian airlines from an operating and earnings perspective. Traffic growth remains robust and the fare sale activity we saw in the back half of 2016 continues to improve. As such, we see a positive set-up heading into first quarter earnings, with Air Canada our preferred name in the sector owing to the carrier's significant cost transformation and what we see as an inflection in FCF. While we believe WestJet will post solid earnings as well, until we have better visibility as to the direction of management's international expansion plans, we believe an overhang will remain on its shares. We have a full recap in this report with all of our estimate changes. However, we highlight below our key Q1/17 expectations.

- **AC: Maintaining Top Pick and \$18 price target.** For the first quarter, we are looking for traffic growth at 13% Y/Y on capacity growth of 15% Y/Y. The RBC Fare Survey did pick up better than expected pricing (primarily on International routes), and as such we have modified our yield estimate to -4% Y/Y (from -5%). Our Q1/17 EBITDAR increases to \$250MM (from \$179MM) and compares to consensus of \$248MM.
- **WJA: Maintaining Sector Perform and \$23 price target.** WestJet continues to post solid traffic trends and expanding load factors. Our RBC Fare Survey also picked up positive fare growth in the quarter, in line with our yield estimate of +2% for the quarter. As such, our Q1/17 EBITDAR lifts to \$239MM (from \$227MM), versus consensus of \$238MM.
- **CHR: Maintaining Outperform and \$8 price target.** On a quarterly perspective, we do not see much in the way of EBITDAR variability. For the quarter, we are looking for EBITDAR of \$89MM, versus consensus of \$84MM. The focus will clearly be around the company's planned regional aircraft leasing subsidiary, Chorus Aviation Capital, announced in late December, and the \$200MM investment secured from Fairfax Financial Holdings.

Revisions details are on pages 4–6; updated models are on pages 14–16.

**RBCCM acted as a co-lead agent to Chorus Aviation Inc. on a transaction with Fairfax Financial Holdings Limited that was announced on December 19, 2016.**



INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	0.9	2.4	15.2	▲
S&P 500	(1.2)	4.7	13.7	▼
AMEX Airline	3.3	0.7	22.3	▲
AMEX Aerospace	(0.9)	7.3	22.3	▼

COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	8.9	(4.7)	17.8	▲
Jet Fuel	11.9	1.0	32.1	▲
CAD/USD	(1.0)	(1.0)	4.3	▼

AEROSPACE				
Bombardier	11.7	6.0	70.4	▲
Boeing	(1.1)	13.5	36.5	▼
EADS	2.7	14.5	28.3	▲
Embraer	(10.9)	10.2	(12.2)	▼
General Dynamics	(2.2)	8.1	39.7	▼
Textron	(0.3)	(2.2)	27.8	▼
United Technologies	0.1	2.4	8.9	▲

N.A. MAINLINE				
Air Canada	(0.9)	(3.5)	62.1	▼
AMR	1.5	(4.5)	13.8	▲
Delta	(4.4)	(6.9)	(1.8)	▼
United	(2.4)	(3.1)	30.6	▼

N.A. REGIONAL				
Alaska	(7.9)	0.2	12.2	▼
Allegiant	(2.7)	(6.2)	(12.2)	▼
Chorus Aviation	1.5	4.6	21.2	▲
JetBlue	6.2	(5.1)	11.4	▲
SkyWest	(13.5)	(15.1)	61.0	▼
Southwest	0.1	12.2	25.3	▲
WestJet	4.7	0.5	11.2	▲

INTL. AIRLINES				
Lufthansa	9.3	27.8	12.4	▲
Air France/KLM	2.4	45.3	(9.1)	▲
BA/Iberia	(5.6)	21.3	1.9	▼
Cathay Pacific	(6.8)	(24.7)	(16.7)	▼
Air China	15.1	38.8	9.2	▲
China Eastern	0.2	23.1	(4.6)	▲
China Southern	9.0	35.2	3.8	▲
Singapore Airlines	2.7	6.1	(10.0)	▲
Qantas	1.8	18.6	(0.5)	▲

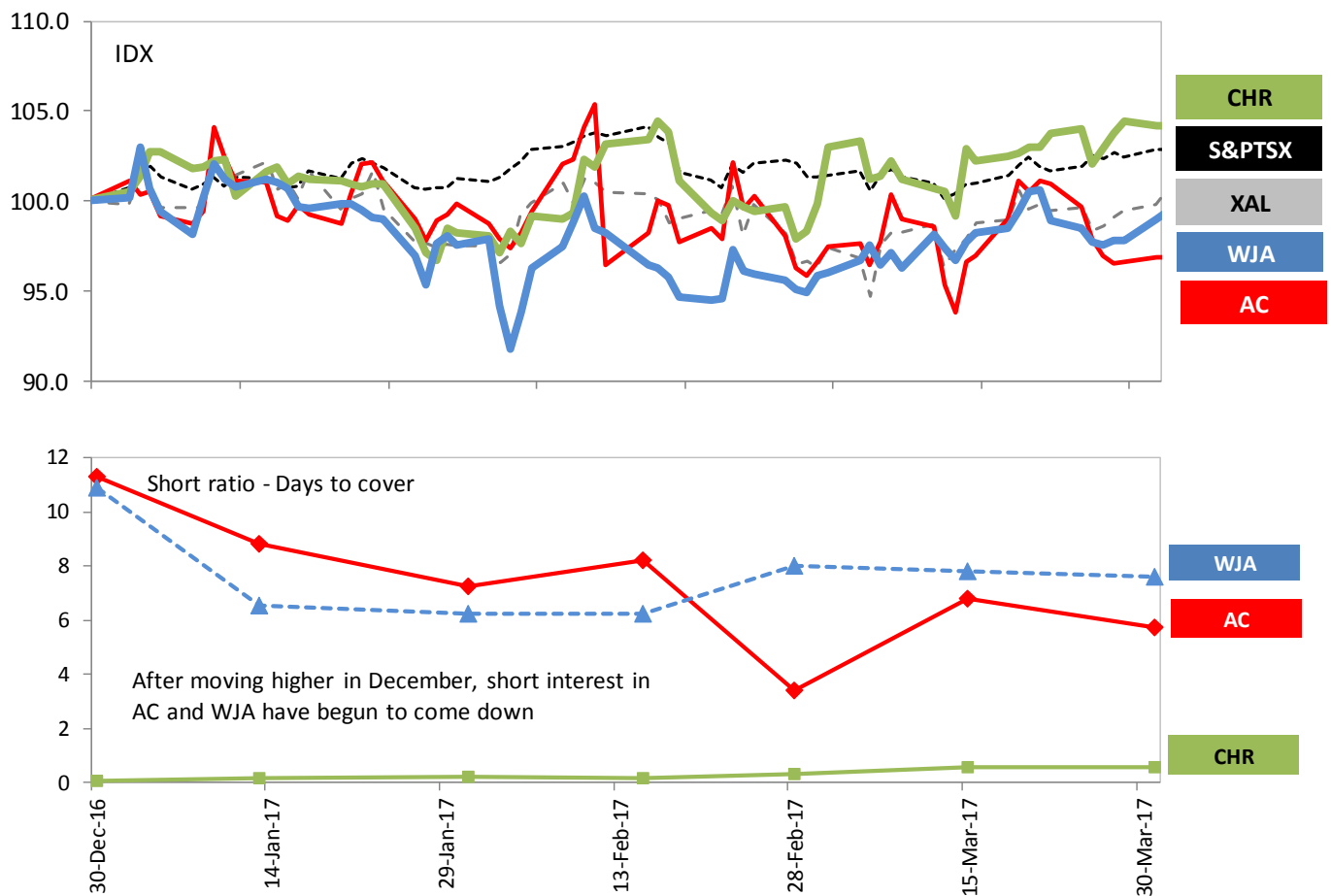
Source: Bloomberg

## Canadian Airlines Q1/17 preview

### Airline returns still lag positive industry dynamics

Q1/17 is setting up as another strong quarter for the Canadian airlines from an operating and earnings perspective. Traffic growth remains robust and the deep fare sale activity we saw in the back half of 2016 continues to improve. The airline sector has been relatively rangebound heading into first quarter earnings despite improvement in the short interest for both Air Canada and WestJet since the beginning of the year. We believe the reduction in short interest is partially due to expectations that the Canadian airlines will once again post strong financial results in the quarter, which have yet to be priced in. As such, we see a positive set-up heading into first quarter earnings, with Air Canada our preferred name in the sector owing to the carriers significant cost transformation and what we see as an inflection in FCF over the next five years.

Exhibit 2: Seeing a good set-up heading into fourth quarter earnings



Source: Bloomberg, RBC Capital Markets

### Fare sale activity slows in the first quarter

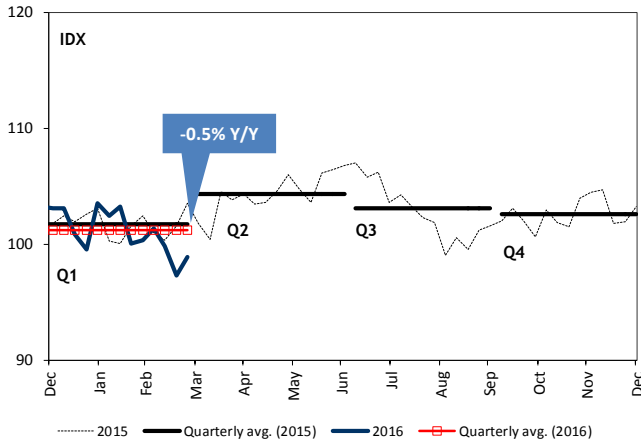
As tracked by the RBC Fare Survey, the Canadian airlines continued to tighten fare sale activity as compared to the back half of 2016. For the quarter, the RBC Fare Survey picked up positive fare growth of +3% Y/Y for WestJet. After adjusting down by 50bp to account for



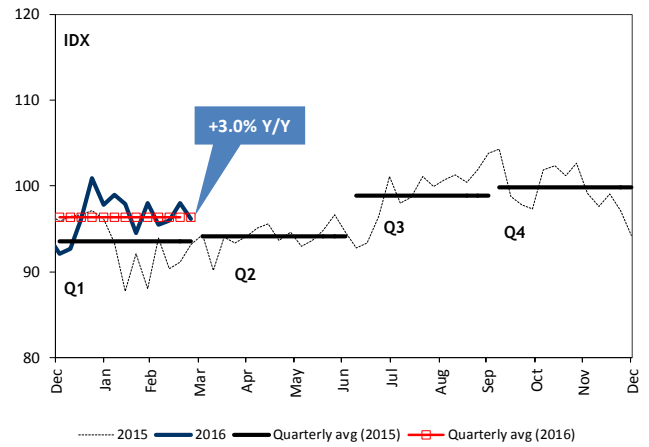
mix, it implies a positive yield of +2.5% Y/Y (in line with our prior estimate). For Air Canada, the RBC Fare Survey picked up fare declines of -0.5% Y/Y. After adjusting down by 350bp for mix, it implies a yield decline of -4% Y/Y (vs. our prior yield estimate at -5%).

Exhibit 3: Fares continue to trend higher after deep discounting early in the first half of 2016

RBC Fare Tracker – Air Canada



RBC Fare Tracker – WestJet



Source: Air Canada, WestJet, RBC Capital Markets estimates



**Air Canada (TSX: AC)**

**Top Pick, Speculative Risk; \$18 Price Target**

**SUMMARY**

Market price:	\$13.13	52-Wk High:	\$12.29
Yield (12-mth):	0.0%	52-Wk Low:	\$6.81
Total est. return:	37%	Mkt Cap (MM):	\$3,663
Shares O/S (MM):	279.0	Net Debt (MM):	\$7,090
Float (MM):	\$3,663	EV (MM):	\$10,753

**STOCK SET-UP**

<i>3-Month Performance (as of April 13th)</i>	
Absolute	-4.6%
vs. S&P/TSX	-561 bps

<i>Short Interest (Days to Cover)</i>	
Current	5.7
3-Month Average	6.7

<i>Analyst Sentiment</i>	
Outperform	75%
Sector Perform	19%
Underperform	6%

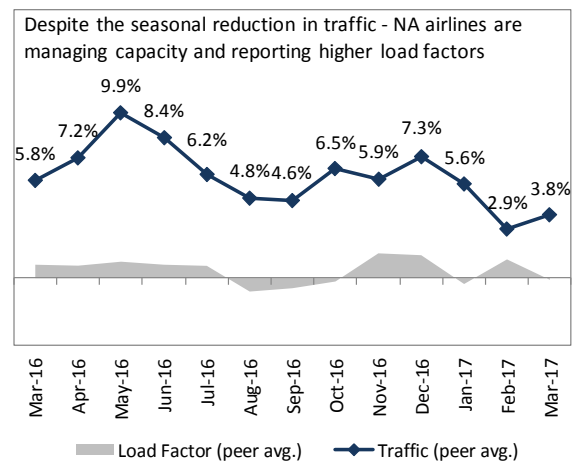
**CONFERENCE CALL DETAILS**

- Friday, May 5 (Time TBD)

**Q1/17 set-up.** We have raised our Q1/17 EBITDAR estimate to \$250MM (from \$179MM) and now sit slightly above consensus at \$248MM. The lift to our estimates comes from better than anticipated jet fuel prices and a positive revision to our yield estimate for the quarter. The RBC Fare Survey picked up improved pricing (primarily on International routes), and as such we have modified our yield estimate to -4% Y/Y (from -5%). Our longer-term estimates remain largely unchanged, updated primarily for the WTI forward curve and FX.

**Maintaining Top Pick, Speculative Risk.** AC today is by far the most interesting investment opportunity in our coverage universe, in our view. Moreover, we see free cash flow set to ramp significantly, once the fleet renewal is complete, and we expect this to be well articulated at the investor day around mid-year. We see free cash expansion leading to debt reduction and increased shareholder returns through buyback and eventual dividend as a key catalyst for the stock.

**TRAFFIC DATA**



	RBC CM Q1/17E			RBC CM 2017E			RBC CM 2018E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Traffic: RPMs (% chg)	13.0%	13.0%	0bp	8.9%	8.9%	0bp	5.0%	5.0%	0bp
Capacity: ASMs (% chg)	15.0%	15.0%	0bp	9.6%	9.6%	0bp	6.0%	6.0%	0bp
Load Factor (%pts)	79.7%	79.7%	0bp	82.0%	82.0%	0bp	81.2%	81.2%	0bp
Yield (% chg)	-5.0%	-4.0%	100bp	-2.8%	-2.5%	26bp	1.0%	1.0%	0bp
RASM (% chg)	-6.5%	-5.5%	98bp	-5.1%	-4.8%	22bp	0.0%	0.0%	0bp
Adj. CASM ex fuel+other (% chg)	-4.4%	-3.8%	66bp	-5.7%	-5.6%	17bp	-2.3%	-2.2%	4bp
Avg Jet Fuel Price: (\$/Ltr)	\$0.63	\$0.63	-0.7%	\$0.64	\$0.64	1.0%	\$0.65	\$0.66	1.0%
Revenue	3,494	3,576	2.3%	15,242	15,323	0.5%	16,101	16,185	0.5%
Expenses	3,316	3,326	0.3%	12,707	12,755	0.4%	13,226	13,274	0.4%
<b>EBITDAR</b>	<b>179</b>	<b>250</b>	<b>40.0%</b>	<b>2,535</b>	<b>2,568</b>	<b>1.3%</b>	<b>2,875</b>	<b>2,911</b>	<b>1.3%</b>
<i>Consensus EBITDAR</i>		248			2,496			2,805	

Source: Bloomberg, Thomson ONE, RBC Capital Markets estimates, Company reports

Priced as of market close April 13, 2017



**Chorus Aviation (TSX : CHR)**

**Outperform; \$8.00 Price Target**

**SUMMARY**

Market price:	\$7.44	52-Wk High:	\$7.49
Yield (12-mth):	6.5%	52-Wk Low:	\$4.97
Total est. return:	14%	Mkt Cap (MM)	\$933
Shares O/S (MM)	125.5	Net Debt (MM)	\$885
Float (MM):	\$933	EV (MM):	\$1,819

**STOCK SET-UP**

<b>3-Month Performance (as of April 13th)</b>	
Absolute	4.3%
vs. S&P/TSX	329 bps

<b>Short Interest (Days to Cover)</b>	
Current	0.6
3-Month Average	0.3

<b>Analyst Sentiment</b>	
Outperform	86%
Sector Perform	14%
Underperform	0%

**CONFERENCE CALL DETAILS**

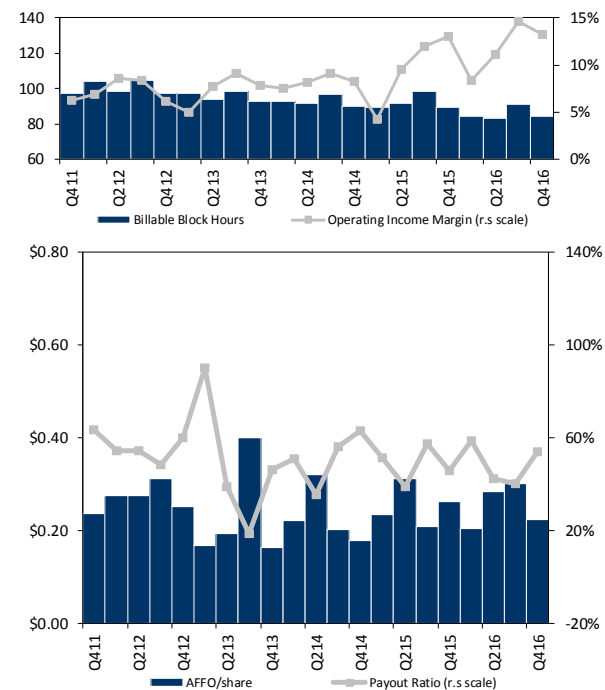
- Friday, May 12 at 11AM ET
- 1-888-231-8191

**Q1/17 set-up:** From a quarterly perspective, we do not see much in the way of EBITDAR variability. For the quarter, we are looking for EBITDAR of \$89MM vs. consensus of \$84MM.

**Focus will be on new leasing subsidiary.** In early December, Chorus Aviation announced that it is set to establish a new regional aircraft-leasing subsidiary, Chorus Aviation Capital, and it entered into an agreement with Fairfax Financial Holdings for an investment of \$200MM in Chorus through a private placement of 200,000 convertible debt units. Chorus took all four tranches of the \$200MM investment in the first quarter of 2017. We expect much of the conference call to be focused around the company's new initiative and the timing of placing the new investment, which we see as providing for another leg of capital appreciation in CHR shares.

**RBCCM acted as a co-lead agent to Chorus Aviation Inc. on a transaction with Fairfax Financial Holdings Limited that was announced on December 19, 2016.**

**OPERATING METRICS**



	Q1/17E	Y/Y	2017E	Y/Y	2018E	Y/Y
<b>Revenue breakdown</b>						
Flight revenue including charter	208	9.8%	785	4.7%	808	2.9%
Leasing under CPA	25	5.9%	98	-0.8%	98	0.1%
Margin compensation	28	0.9%	111	0.4%	111	0.0%
Incentives	4	-29.8%	16	-26.4%	16	0.0%
Pass through revenue	70	2.5%	282	3.8%	270	-4.1%
Other revenue	7	14.0%	30	18.9%	38	26.9%
<b>Total Revenues</b>	<b>342</b>	<b>6.6%</b>	<b>1,321</b>	<b>3.5%</b>	<b>1,341</b>	<b>1.5%</b>
<b>Total Expenses</b>	<b>300</b>	<b>2.0%</b>	<b>1,154</b>	<b>2.6%</b>	<b>1,151</b>	<b>-0.3%</b>
<b>EBITDAR</b>	<b>89</b>	<b>19.1%</b>	<b>356</b>	<b>10.0%</b>	<b>377</b>	<b>5.8%</b>
<i>Consensus EBITDAR</i>	84		356		374	

Source: Bloomberg, Thomson ONE, RBC Capital Markets estimates, Company reports

Priced as of market close April 13, 2017



**WestJet (TSX: WJA)**

**Sector Perform; \$23 Price Target**

**SUMMARY**

Market price:	\$22.92	52-Wk High:	\$24.98
Yield (12-mth):	2.5%	52-Wk Low:	\$19.63
Total est. return:	3%	Mkt Cap (MM):	\$2,686
Shares O/S (MM):	117.2	Net Debt (MM):	\$1,018
Float (MM):	\$2,636	EV (MM):	\$3,705

**STOCK SET-UP**

<b>3-Month Performance (as of April 13th)</b>	
Absolute	-0.3%
vs. S&P/TSX	-133 bps

<b>Short Interest (Days to Cover)</b>	
Current	7.6
3-Month Average	7.1

<b>Analyst Sentiment</b>	
Outperform	12%
Sector Perform	82%
Underperform	6%

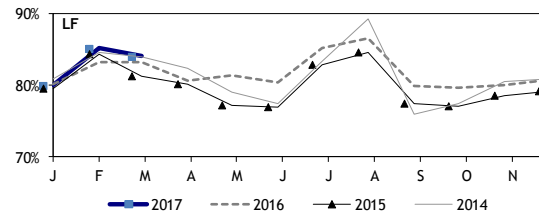
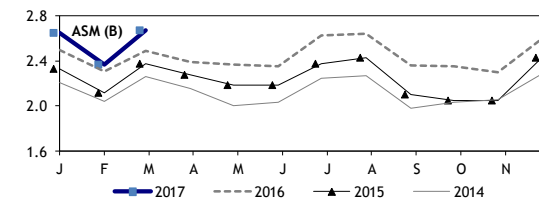
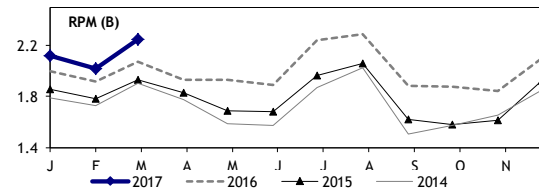
**CONFERENCE CALL DETAILS**

- Tuesday, May 2 (Time TBD)

**Q1/17 set-up.** WestJet continues to post solid traffic trends and our RBC Fare Survey is seeing lower rates of fare discounting in the first quarter. As such, we have raised our Q1/17 EBITDAR to \$239MM (from \$227MM), with consensus currently at \$238MM. We believe consensus seems fair and do not expect much in the way of quarterly volatility at this point. We believe the focus of the call will be centered around management's international expansion plans.

**Maintaining Sector Perform.** We expect WJA to report solid financial metrics, as the company is benefiting from strong traffic trends. We are concerned that the carrier's international expansion will come with higher costs and lower yields. Additionally, with material exposure to softness in western Canada and potential unionization of the company's pilots, we continue to see better valuation upside in AC and CHR shares.

**TRAFFIC DATA**











	RBC CM Q1/17			RBC CM 2017E			RBC CM 2018E		
	Old	New	Var	Old	New	Var	Old	New	Var
Traffic: RPMs (% chg)	5.5%	6.8%	125bp	4.0%	4.3%	31bp	4.5%	4.5%	0bp
Capacity: ASMs (% chg)	6.0%	5.5%	-45bp	4.5%	4.4%	-11bp	4.5%	4.5%	0bp
Load Factor (%pts)	-0.4%	0.9%	132bp	-0.4%	-0.1%	33bp	0.0%	0.0%	0bp
Yield (% chg)	2.5%	2.5%	0bp	2.5%	2.5%	0bp	2.0%	2.0%	0bp
RASM (% chg)	2.0%	3.7%	164bp	2.0%	2.4%	41bp	2.0%	2.0%	0bp
Adj. CASM ex fuel+other items (% chg)	1.8%	1.5%	-39bp	3.0%	2.3%	-65bp	0.7%	1.4%	73bp
Avg Jet Fuel Price (\$C/Ltr)	0.59	0.59	0.0%	0.63	0.63	0.1%	0.63	0.62	-2.5%
Revenue	1,115	1,128	1.2%	4,395	4,408	0.3%	4,685	4,699	0.3%
Expenses	888	889	0.0%	3,501	3,500	0.0%	3,705	3,685	-0.5%
<b>EBITDAR</b>	<b>227</b>	<b>239</b>	<b>5.6%</b>	<b>894</b>	<b>908</b>	<b>1.6%</b>	<b>980</b>	<b>1,013</b>	<b>3.4%</b>
Consensus EBITDAR		238			945			1,046	

Source: Bloomberg, Thomson ONE, RBC Capital Markets estimates, Company reports

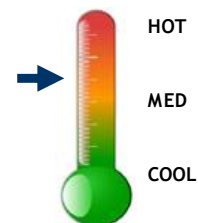
Priced as of market close April 13, 2017

## The Bombardier New Order Map

CUSTOMER	TYPE	SIZE / VALUE	TIMING / COMMENTS	HEAT
Multiple airlines	Commercial: CSeries	Potentially 50+ (~\$3.4B)	With eight airlines with Cseries' order commitments (at 200+ aircraft), BBD could announce several conversions to firm orders.	
Chinese Airlines	Commercial: CSeries	+20 potential order size (+\$1.4B)	BBD flew in the CS300 to Air Show China in October 2016, which generated good interest. With two conditional orders, which include CDB Leasing (five CS100s and ten CS300s) and Zhejiang Loong Airlines (LOI signed for 20 CS100s), we continue to look for these orders to convert, and potentially new ones in the region.	
Latin American Airlines	Commercial: CSeries	Uncertain	Bombardier is set to take the CSeries on a Latin American tour later this year. The plane is set to stop in every country from Mexico to Argentina according to Bombardier executives.	
JetBlue	Commercial: CSeries	Uncertain	Following the Delta win, JetBlue has resumed talks with Bombardier. The CSeries may substitute E-190s for short-haul, high-frequency routes out of Boston.	
AtlasJet	Commercial: CSeries	LOI signed for 10 CS300 + 5 options	The LOI was signed November 2011. We expect this order to firm once in-flight data is compiled.	
SpiceJet	Regional: Q400	Up to 50	The carrier is looking to buy 50 additional regional jets and is in talks with Bombardier, ATR, and Embraer about placing a large aircraft.	
CityJet	Commercial: CSeries	Uncertain	CityJet chose to take 15 Superjets over 12-year leases. A CSeries order is still possible, but timing has likely been pushed out.	
Delta Air Lines	Regional: CRJ900	Potentially 50+ (~\$2.3B)	Recent Union negotiations failed to secure scope-clause changes for 100-seat jets to be flown by regional airliners. Next opportunity will be in 2018.	

### OVERALL HEAT GAUGE

We are maintaining the heat at more elevated levels. With the CSeries now on revenue-generating flights, and as performance and dispatch reliability numbers come in, we believe there will be renewed interest in the CSeries. Bombardier management showed renewed vigor on the potential sales ramp following the Air Canada and Delta orders, highlighting interest from Chinese airlines, lessors, and low-cost carriers.



We outline order campaigns in which we believe Bombardier Aerospace (BA) is participating. The bigger the heat, the bigger the potential impact on the BBD shares, in our view.



## Air Buzz

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

### Bombardier

#### Narrow-bodies

- **Irkut not irked by latest development; confirms wings will need to be reinforced.** According to Flight Global, Russian airframer Irkut confirmed it would need to strengthen the wing of the MC-21-300 twinjet after it failed a destructive test before reaching ultimate load. During ultimate-load testing, the wing is required to withstand stress forces 50% greater than the limit load—the maximum it could expect to encounter in operational service. But Irkut admits that destruction of the wing occurred under a load “a very few percent” below the threshold required. Irkut rolled out the Pratt & Whitney PW1400G-powered MC-21 at a ceremony in June last year. No date has yet been fixed for its maiden flight. It is designed to replace older types such as the Tupolev Tu-154 and Tu-204 and be capable of transporting 163-211 passengers over a range of up to 6,000km. (Source: Flight Global, April 7, 2017)
- **50 years young; Boeing’s 737 aircraft keeps going strong.** Celebrating Boeing’s 50<sup>th</sup> year of delivering the 737 family of aircraft, Flight Global takes an in-depth look at the storied aircraft. Legendary chief engineer for the 747 program, Joe Sutter, came up with the idea of placing the engines under the wings on the 737, rather than on the aft fuselage like the 727 model. That took away all of the extra weight for the structure at the back of the plane and enabled Boeing to widen the fuselage so it could go three-three [abreast] instead of the three-two, which it would have been. More than 13,800 deliveries later, it’s clear that the design worked. However, that success masks the irony of the 737’s status within Boeing. About once every decade since it came into existence, Boeing executives seriously thought about abandoning the 737. However, with the revamped 737 just recently launched, we could see the 737 in production for another two decades. (Source: Bombardier, December 22, 2016)

#### Regional jets

- **Easy-E2 development means early first flight.** Embraer was able to perform the inaugural flight of their next generation E195-E2 ahead of schedule. The flight took place in late March and well ahead of the originally scheduled timing for H2/17. Embraer will use two aircraft for the E195-E2 certification campaign. The first prototype will be used for aerodynamic and performance testing. The second prototype, which will also make its inaugural flight by the end of this year, will be used for the validation of maintenance tasks and of the interior. The E195-E2 entry-into-service (EIS) is set for H1/19, with Azul Brazilian Airlines. (Source: Embraer, March 30, 2017)

#### Business jets

- **Going global quicker.** Bombardier has flown the Global 7000 prototype at speeds up to Mach 0.995 five months after launching the flight test program. In becoming the largest business jet to come within five-thousandths of a Mach number below supersonic speed, the achievement shows the Global 7000 flight envelope is expanding. The Global 7000 is designed to fly distances up to 7,400nm, fitting between the range of the Gulfstream G650 and G650ER. By contrast, the Global 7000 is longer than either Gulfstream model, accommodating a fourth cabin zone. (Source: Bombardier, December 22, 2016)



## CAE

### Civil

- **Cargo traffic rose by 3.8% in FTK in 2016, encouraging compared to 2.3% rise in 2015:** Recent data from IATA notes an encouraging 3.8% increase in freight tonne kilometres (FTK), compared to a 2.3% increase in 2015 and the past decade's average annual growth of 2.6%. The strength coincided with an increase in the shipment of silicon materials for high-value consumer electronics. The overall increase in air cargo traffic can be accredited to the development of express/e-commerce operators, notably Amazon (with the launch of Amazon Prime Air), FedEx, DHL, and Chinese and European carriers. Air cargo market is forecasted to grow ~3.5% in 2017, a conservative estimate to reflect concerns around relatively flat global trade figures. (FlightGlobal, April 6, 2017)
- **FAA certifies first-ever TRU Boeing 737 MAX full-flight simulator:** FAA has certified the first-ever Boeing 737 MAX full-flight simulator (FSS), made by TRU Simulation & Training. The FSS was certified to FAA Level C standard, at which pilots can begin training; FAA is waiting for final aircraft data to become available to issue level D standard certification. As part of a 10-year exclusive agreement between Boeing and TRU (signed in 2014), TRU has delivered the first of several Boeing 737 FFSs to Boeing's Miami training center, with training expected to begin this year. This announcement follows Boeing's order for two 737-9 FFS devices from TRU placed in April 2016, expected to be ready for training in 2019–20. (AviationPros, April 6, 2017)

### Military

- **US Air Force chief of staff noted the material pilot shortage in committee meeting:** At the House Armed Services subcommittee hosted in Washington, D.C. on March 29, the deputy chief of staff of the U.S. Air Force addressed the pilot shortage in service. At the end of fiscal year 2016, the total force, including those on active duty, reserve, and guard, was short 1,555 pilots across all mission areas. Part of the effort to increase retention is raising the aviation bonus to \$35,000 a year, which represents the first increase in 18 years. The Air Force is also exploring other options, including discussions with commercial airlines to allow commercial aviators to fly part time. In FQ3/17, CAE reported ~36% of revenues in the military segment and ~47% of revenues in North America. (US Today, CAE, March 29, 2017)



## The Landing Strip

### RBC Capital Markets Canadian Automotive, Industrials, and Transportation Conference

**When:** May 16–18

**Where:** Toronto

**What:** Held over three days in Toronto with 30 participating companies, this conference offers investors a comprehensive cross section of Canada’s leading players in three sectors: Automotive, Transportation, and Industrial Services. Click [HERE](#) for tentative agenda.

**The Buzz:** Through interactive “fireside chat” discussions with RBC’s analysts, the sessions promise to zero in on the key opportunities and challenges faced by each of the participating companies. With each day focused on a specific sector, investors have the flexibility to gain exposure across the group or customize their participation to focus on key areas of interest. [Click HERE to confirm your attendance.](#)



## Valuation and risks to rating and price target

### Air Canada

On a 4.2x EV/EBITDAR applied to our 2018 estimates, we derive our price target of \$18.00. Our 4.2x EBITDAR multiple remains in line with the peer legacy group average and at the lower end of the historical multiple range, taking into account Air Canada's high balance sheet leverage. Our base case reflects the following assumptions: (1) modest yield declines due to changing business mix related to AC's strategic transformation; (2) fleet expansion and strong demand to drive traffic growth; and (3) jet fuel prices to remain relatively rangebound at current levels. Our price target supports our Top Pick rating. Due to high debt leverage and operating in a cyclical sector, we believe a Speculative Risk qualifier is warranted.

Risks to our rating and price target include very high operating leverage given a fixed cost structure, above-average sensitivity to the economy, exposure to volatile fuel prices, and the risk of terrorism and epidemics. This is a very competitive industry in which WestJet is capturing domestic market share. Air Canada is only partially hedged to changes in jet fuel prices.

### Chorus Aviation

Our \$8.00 price target on CHR shares is derived from a EV/EBITDAR multiple approach, supported by our discounted cash flow valuation analysis. We are applying a 6.5x multiple to our 2018E EBITDAR at \$377MM, which is a 60bp premium to the regional jet peers owing to the anticipated growth and diversification into regional aircraft leasing. This generates our \$8.00 price target, representing an implied all-in upside of 15% and the basis of our Outperform rating.

Chorus Aviation's revenues and operating earnings are highly dependent on the CPA with Air Canada. The CPA agreement provides for a fixed fee per aircraft and other services rendered. Significant changes in the average daily utilization of aircraft by Air Canada covered by the CPA could impact the revenues and earnings generated under the CPA. Increases in Controllable Costs above the level estimated would reduce the margins earned on Scheduled Flights Revenue.

### WestJet

Our \$23 price target is based on an EV/EBITDAR approach whereby we assign a 5x multiple to our 2018 estimate. Our target multiple is a slight relative discount to recent LCC peer multiples, reflective of the execution risk and costs associated with the company's international and regional growth strategy. Our price target supports our Sector Perform rating.

Risks to our price target and rating include the price of jet fuel, which is tied to oil prices, the strength of the domestic economy, the competitive environment, and the ability to maintain a growth company valuation. Airline stocks in general are volatile and can significantly underperform or outperform the broader market on sentiment.



Appendix 1: Airline Comparables

	Symbol	13-Apr-17 Price	EV/EBITDAR				EV/Sales				EBITDAR Margin				2018E FCF yield	Net Debt to EBITDAR	
			2015	2016	2017E	2018E	2015	2016	2017E	2018E	2015	2016	2017E	2018E			
<b>Discount Airlines</b>																	
WestJet	WJA-CA	C\$	\$22.92	4.9x	5.1x	5.4x	4.9x	1.2x	1.2x	1.1x	1.1x	25%	24%	21%	22%	4.5%	1.8x
Southwest	LUV-US	US\$	\$54.31	6.6x	6.4x	6.4x	5.7x	1.8x	1.7x	1.7x	1.6x	27%	27%	26%	28%	7.4%	0.4x
JetBlue	JBLU-US	US\$	\$20.73	5.2x	4.6x	5.2x	4.9x	1.5x	1.4x	1.3x	1.2x	28%	31%	25%	24%	9.0%	1.3x
<b>Discount Average</b>				<b>5.6x</b>	<b>5.5x</b>	<b>5.8x</b>	<b>5.2x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>1.3x</b>	<b>27%</b>	<b>27%</b>	<b>24%</b>	<b>24%</b>	<b>7.0%</b>	<b>0.9x</b>
<b>Mainline Airlines</b>																	
Air Canada	AC-CA	C\$	\$13.13	4.3x	4.0x	4.3x	3.8x	0.8x	0.7x	0.7x	0.7x	18%	19%	17%	18%	13.0%	2.5x
Delta Air Lines	DAL-US	US\$	\$44.03	4.7x	4.6x	4.8x	4.5x	1.0x	1.0x	1.0x	1.0x	21%	22%	21%	21%	13.7%	0.9x
United Continental	UAL-US	US\$	\$69.07	4.3x	4.1x	4.7x	4.5x	0.9x	0.9x	0.9x	0.9x	21%	23%	19%	19%	8.9%	1.6x
American Airlines	AAL-US	US\$	\$43.35	4.8x	4.6x	5.4x	5.2x	1.1x	1.1x	1.0x	1.0x	22%	23%	19%	19%	9.0%	2.6x
<b>Mainline Average</b>				<b>4.5x</b>	<b>4.3x</b>	<b>4.8x</b>	<b>4.5x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>21%</b>	<b>22%</b>	<b>19%</b>	<b>20%</b>	<b>11.2%</b>	<b>1.7x</b>
<b>Regional Airlines</b>																	
Chorus Aviation	CHR-CA	C\$	\$7.44	7.6x	7.3x	6.7x	6.3x	1.5x	1.9x	1.8x	1.8x	20%	25%	27%	28%	12.2%	4.0x
SkyWest Inc.	SKYW-US	US\$	\$33.05	5.4x	5.5x	5.0x	5.7x	1.9x	1.9x	1.9x	1.9x	36%	35%	38%	33%	19.1%	4.1x
<b>Regional Average</b>				<b>6.5x</b>	<b>6.4x</b>	<b>5.9x</b>	<b>6.0x</b>	<b>1.7x</b>	<b>1.9x</b>	<b>1.9x</b>	<b>1.8x</b>	<b>28%</b>	<b>30%</b>	<b>32%</b>	<b>31%</b>	<b>15.6%</b>	<b>4.1x</b>
<b>Airline Average</b>				<b>5.3x</b>	<b>5.1x</b>	<b>5.3x</b>	<b>5.1x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>24%</b>	<b>25%</b>	<b>24%</b>	<b>24%</b>	<b>10.8%</b>	<b>2.1x</b>

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada, Chorus Aviation, and WestJet. Priced at the close on April 13, 2017



Appendix 2: Aerospace Comparables

Company	Exch: Ticker	13-Apr Price	CY EPS <sup>(1)</sup>				CY PER				CY EV/EBITDA <sup>(1)</sup>				Mkt Cap B	
			2015	2016E	2017E	2018E	2015	2016E	2017E	2018E	2015	2016E	2017E	2018E		
<b>Aerospace</b>																
Boeing**	NYSE:BA	US\$	\$175.62	\$7.72	\$7.24	\$9.28	\$10.12	23.1x	24.7x	19.2x	17.6x	11.6x	14.2x	9.8x	9.3x	\$106.8
Embraer*	NYSE: ERJ	US\$	\$20.01	\$1.48	\$1.58	\$1.45	\$1.53	16.1x	15.1x	16.5x	15.6x	7.1x	6.4x	6.4x	6.1x	\$3.7
General Dynamics**	NYSE: GD	US\$	\$186.73	\$9.08	\$8.64	\$9.74	\$10.54	21.0x	22.0x	19.5x	18.1x	12.7x	14.1x	12.6x	11.8x	\$56.6
Textron	NYSE: TXT	US\$	\$46.54	\$2.50	\$2.62	\$2.62	\$3.01	19.0x	18.1x	18.1x	15.8x	9.8x	9.8x	9.5x	8.6x	\$12.6
<b>Average</b>								<b>19.8x</b>	<b>20.0x</b>	<b>18.4x</b>	<b>16.8x</b>	<b>10.3x</b>	<b>11.1x</b>	<b>9.6x</b>	<b>9.0x</b>	
<b>Transportation &amp; Conglomerates</b>																
Siemens	XE: SIE	EUR	126.55	6.17	6.93	8.08	8.57	20.5x	18.3x	15.7x	14.8x	14.1x	12.5x	10.9x	10.3x	\$107.6
General Electric	NYSE: GE	US\$	\$29.56	\$1.31	\$1.49	\$1.63	\$1.90	22.6x	19.8x	18.1x	15.5x	17.4x	19.1x	16.7x	15.4x	\$257.4
United Technologies	NYSE: UTX	US\$	\$112.09	\$6.30	\$6.61	\$6.55	\$7.03	17.8x	17.0x	17.1x	16.0x	9.6x	10.0x	10.1x	9.6x	\$89.9
<b>Average</b>								<b>20.3x</b>	<b>18.4x</b>	<b>17.0x</b>	<b>15.4x</b>	<b>13.7x</b>	<b>13.9x</b>	<b>12.6x</b>	<b>11.7x</b>	
Aerospace Multiples								19.8x	20.0x	18.4x	16.8x	10.3x	11.1x	9.6x	9.0x	
Transportation Multiples (ex. GE, UTX)								20.5x	18.3x	15.7x	14.8x	14.1x	12.5x	10.9x	10.3x	
<b>Average</b>								<b>20.2x</b>	<b>19.1x</b>	<b>17.0x</b>	<b>15.8x</b>	<b>12.2x</b>	<b>11.8x</b>	<b>10.3x</b>	<b>9.6x</b>	
<b>Bombardier</b>	<b>TSX: BBD.B</b>	<b>C\$</b>	<b>\$2.27</b>	<b>\$0.16</b>	<b>-\$0.15</b>	<b>\$0.00</b>	<b>\$0.08</b>	<b>10.6x</b>	<b>nmf</b>	<b>nmf</b>	<b>21.8x</b>	<b>10.1x</b>	<b>12.6x</b>	<b>10.2x</b>	<b>7.5x</b>	<b>\$5.1</b>

\* Covered by RBC Dominion Securities, Industrials analyst Derek Spronck

\*\* Covered by RBC Capital Markets, LLC Aerospace and Defense analyst Matthew McConnell

(1) Peer group consensus EPS and EBITDA estimates sourced from FactSet

Sources: Company reports, FactSet, and RBC Capital Markets estimates. Priced at the close on April 13, 2017



AIR CANADA (TSX: AC/B, TSX: AC/A)

FY Dec 31	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E	2019E	2020E
Traffic / RPM (MMs)	67,545	16,092	18,418	24,328	17,643	76,481	18,184	20,628	25,788	18,702	83,301	87,466	89,216	91,000
% change	9.6%	7.7%	9.3%	18.9%	15.3%	13.2%	13.0%	12.0%	6.0%	6.0%	8.9%	5.0%	2.0%	2.0%
Capacity / ASM (MMs)	80,871	19,833	22,344	28,458	22,091	92,726	22,808	25,249	30,165	23,416	101,639	107,737	110,969	114,298
% change	9.4%	8.2%	11.0%	20.9%	17.1%	14.7%	15.0%	13.0%	6.0%	6.0%	9.6%	6.0%	3.0%	3.0%
Load Factor (%)	83.5%	81.1%	82.4%	85.5%	79.9%	82.5%	79.7%	81.7%	85.5%	79.9%	82.0%	81.2%	80.4%	79.6%
change (% pts)	0.1%	-0.3%	-1.2%	-1.5%	-1.2%	-1.0%	-1.4%	-0.7%	0.0%	0.0%	-0.5%	-0.8%	-0.8%	-0.8%
Yield (\$)	0.181	0.174	0.167	0.166	0.169	0.169	0.167	0.162	0.163	0.167	0.165	0.167	0.169	0.172
% change	-4.6%	-5.0%	-6.8%	-7.0%	-7.1%	-6.4%	-4.0%	-3.0%	-2.0%	-1.0%	-2.5%	1.0%	1.5%	1.5%
RASM (Rev per unit of capacity, cents)	15.4	14.1	13.8	14.1	13.5	14.2	13.3	13.3	13.9	13.4	13.5	13.5	13.6	13.6
CASM (excl. fuel) (cents)	11.8	13.5	11.5	9.7	11.9	11.5	12.9	10.6	9.2	11.2	10.8	10.6	10.6	10.6
<b>Total Revenues</b>	<b>13,868</b>	<b>3,343</b>	<b>3,458</b>	<b>4,451</b>	<b>3,425</b>	<b>14,677</b>	<b>3,576</b>	<b>3,671</b>	<b>4,550</b>	<b>3,527</b>	<b>15,323</b>	<b>16,185</b>	<b>16,731</b>	<b>17,296</b>
Wages, salaries and benefits	2324	608	611	658	633	2510	658	661	671	646	2635	2769	2909	3041
% Sales	16.8%	18.2%	17.7%	14.8%	18.5%	17.1%	18.4%	18.0%	14.8%	18.3%	17.2%	17.1%	17.4%	17.6%
Aircraft Fuel - total	2823	510	604	804	688	2606	740	801	962	768	3271	3492	3539	3623
% Sales	20.4%	15.3%	17.5%	18.1%	20.1%	17.8%	20.7%	21.8%	21.1%	21.8%	21.3%	21.6%	21.2%	20.9%
Sales and distribution costs	608	182	170	179	172	703	205	187	175	171	738	750	772	795
% Sales	4.4%	5.4%	4.9%	4.0%	5.0%	4.8%	5.7%	5.1%	3.8%	4.8%	4.8%	4.6%	4.6%	4.6%
Food, beverages, supplies	314	77	86	104	82	349	89	95	101	80	364	354	364	375
% Sales	2.3%	2.3%	2.5%	2.3%	2.4%	2.4%	2.5%	2.6%	2.2%	2.3%	2.4%	2.2%	2.2%	2.2%
Aircraft maintenance	773	217	239	227	197	880	267	250	250	213	980	1009	1040	1071
% Sales	5.6%	6.5%	6.9%	5.1%	5.8%	6.0%	7.5%	6.8%	5.5%	6.0%	6.4%	6.2%	6.2%	6.2%
Airport and navigation fees	802	198	211	247	203	859	228	231	247	203	909	964	993	1022
% Sales	5.8%	5.9%	6.1%	5.5%	5.9%	5.9%	6.4%	6.3%	5.4%	5.8%	5.9%	6.0%	5.9%	5.9%
Communications and information techn	211	67	59	56	60	242	78	64	50	57	249	231	227	222
% Sales	1.5%	2.0%	1.7%	1.3%	1.8%	1.6%	2.2%	1.7%	1.1%	1.6%	1.6%	1.4%	1.4%	1.3%
Other	3056	793	788	856	834	3271	824	767	792	723	3106	3187	3295	3281
% Sales	22.0%	23.7%	22.8%	19.2%	24.4%	22.3%	23.0%	20.9%	17.4%	20.5%	20.3%	19.7%	19.7%	19.0%
Regional airline expense (ex fuel and DA	1890	493	487	529	518	2027	520	510	496	494	2020	2060	2129	2076
% Sales	13.6%	14.7%	14.1%	11.9%	15.1%	13.8%	14.5%	13.9%	10.9%	14.0%	13.2%	12.7%	12.7%	12.0%
<b>Total Operating Costs</b>	<b>10,911</b>	<b>2,652</b>	<b>2,768</b>	<b>3,131</b>	<b>2,869</b>	<b>11,420</b>	<b>3,088</b>	<b>3,056</b>	<b>3,248</b>	<b>2,860</b>	<b>12,251</b>	<b>12,756</b>	<b>13,138</b>	<b>13,431</b>
<b>EBITDAR</b>	<b>2,542</b>	<b>460</b>	<b>605</b>	<b>1,248</b>	<b>455</b>	<b>2,768</b>	<b>250</b>	<b>528</b>	<b>1,228</b>	<b>563</b>	<b>2,568</b>	<b>2,911</b>	<b>3,059</b>	<b>3,315</b>
% of sales	18.3%	13.8%	17.5%	28.0%	13.3%	18.9%	7.0%	14.4%	27.0%	16.0%	16.8%	18.0%	18.3%	19.2%
<b>EPS (F.D) (\$) (Exc. Special charges)</b>	<b>\$ 4.18</b>	<b>\$ 0.30</b>	<b>\$ 0.72</b>	<b>\$ 2.93</b>	<b>\$ 0.14</b>	<b>\$ 4.11</b>	<b>\$ (0.65)</b>	<b>\$ 0.45</b>	<b>\$ 2.67</b>	<b>\$ 0.24</b>	<b>\$ 2.71</b>	<b>\$ 3.54</b>	<b>\$ 3.92</b>	<b>\$ 4.63</b>

Source: RBC CM estimates, Company reports



Chorus Aviation (TSX: CHR.B)

FY Dec 31	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	Q1/18E	Q2/18E	Q3/18E	Q4/18E	2018E
Billable Block Hours ('000s)	368,237	84,517	82,964	91,067	84,362	342,910	88,743	87,112	95,620	88,580	360,056	89,630	87,983	96,577	89,466	363,656
% change	-0.7%	-5.1%	-9.4%	-7.3%	-5.6%	-6.9%	5.0%	5.0%	5.0%	5.0%	5.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Available Seat Miles ('000s)	5,451	1,182	1,264	1,395	1,233	5,073	1,241	1,327	1,464	1,294	5,327	1,253	1,341	1,479	1,307	5,380
change (% pts)	-1.0%	-5.1%	-9.4%	-7.3%	-5.6%	-6.9%	5.0%	5.0%	5.0%	5.0%	5.0%	1.0%	1.0%	1.0%	1.0%	1.0%
CASM (cents)	25.6	24.9	21.8	20.3	22.2	22.2	24.2	21.4	20.1	21.3	21.7	24.6	20.9	19.6	20.9	21.4
% change	-7.8%	-13.8%	-16.0%	-16.1%	-6.9%	-13.3%	-2.8%	-2.1%	-0.7%	-3.8%	-2.3%	1.9%	-2.4%	-2.5%	-2.3%	-1.3%
<b>Chorus Aviation Income Statement (\$MM)</b>																
Revenue	1,545	321	310	331	315	1,277	342	326	335	319	1,321	356	328	337	320	1,341
% change	-7.3%	-14.5%	-22.5%	-19.7%	-11.8%	-17.3%	6.6%	5.1%	1.2%	1.1%	3.5%	4.2%	0.5%	0.5%	0.5%	1.5%
Salaries, wages and benefits	436	116	107	104	107	433	106	99	96	100	400	120	100	97	101	419
% Sales	28%	36%	34%	31%	34%	34%	31%	30%	29%	31%	30%	34%	31%	29%	32%	31%
Aircraft fuel	229	1	1	1	1	3	0	0	0	0	0	0	0	0	1	1
% Sales	15%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Depreciation and amortization	60	19	20	21	22	81	22	22	22	22	89	21	22	22	22	87
% Sales	4%	6%	6%	6%	7%	6%	6%	7%	7%	7%	7%	6%	7%	6%	7%	6%
Food and beverage	12	3	3	4	4	13	3	3	4	4	14	3	3	4	4	15
% Sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Aircraft maintenance	197	47	43	47	31	168	50	46	50	33	179	52	47	51	34	185
% Sales	13%	15%	14%	14%	10%	13%	15%	14%	15%	10%	14%	15%	14%	15%	11%	14%
Airport and navigation fees	174	39	39	43	39	161	41	41	45	41	169	42	42	46	42	172
% Sales	11%	12%	13%	13%	12%	13%	12%	13%	14%	13%	13%	12%	13%	14%	13%	13%
Aircraft rent	103	24	22	23	23	91	25	25	25	25	100	25	25	25	25	100
% Sales	7%	7%	7%	7%	7%	7%	7%	8%	7%	8%	8%	7%	8%	7%	8%	7%
Terminal handling	57	12	8	9	11	39	13	9	10	12	44	13	9	11	12	45
% Sales	4%	4%	3%	3%	3%	3%	4%	3%	3%	4%	3%	4%	3%	3%	4%	3%
Other	127	34	33	32	38	136	39	38	42	39	158	31	31	34	31	127
% Sales	8%	10%	11%	10%	12%	11%	11%	12%	13%	12%	12%	9%	9%	10%	10%	9%
<b>Total Operating Expenses</b>	<b>1,395</b>	<b>294</b>	<b>276</b>	<b>283</b>	<b>273</b>	<b>1,125</b>	<b>300</b>	<b>284</b>	<b>295</b>	<b>276</b>	<b>1,154</b>	<b>308</b>	<b>280</b>	<b>290</b>	<b>273</b>	<b>1,151</b>
<b>Operating Income</b>	<b>149</b>	<b>27</b>	<b>34</b>	<b>49</b>	<b>42</b>	<b>151</b>	<b>42</b>	<b>42</b>	<b>40</b>	<b>42</b>	<b>167</b>	<b>48</b>	<b>48</b>	<b>47</b>	<b>48</b>	<b>190</b>
<b>EBITDAR</b>	<b>313</b>	<b>75</b>	<b>76</b>	<b>92</b>	<b>86</b>	<b>324</b>	<b>89</b>	<b>90</b>	<b>88</b>	<b>90</b>	<b>356</b>	<b>94</b>	<b>95</b>	<b>94</b>	<b>95</b>	<b>377</b>
% of sales	20.2%	23.3%	24.6%	27.9%	27.3%	25.4%	26.0%	27.5%	26.2%	28.2%	27.0%	26.4%	28.9%	27.8%	29.6%	28.1%
<b>Net Income</b>	<b>108</b>	<b>20</b>	<b>22</b>	<b>29</b>	<b>31</b>	<b>102</b>	<b>28</b>	<b>29</b>	<b>27</b>	<b>29</b>	<b>113</b>	<b>33</b>	<b>33</b>	<b>32</b>	<b>33</b>	<b>132</b>
<b>EPS (F.D) (\$) (Excluding Special charges)</b>	<b>\$ 0.89</b>	<b>\$ 0.16</b>	<b>\$ 0.17</b>	<b>\$ 0.23</b>	<b>\$ 0.25</b>	<b>\$ 0.81</b>	<b>\$ 0.23</b>	<b>\$ 0.23</b>	<b>\$ 0.22</b>	<b>\$ 0.23</b>	<b>\$ 0.90</b>	<b>\$ 0.26</b>	<b>\$ 0.27</b>	<b>\$ 0.26</b>	<b>\$ 0.26</b>	<b>\$ 1.05</b>
<b>CFPS (F.D) (\$) (Excluding Special charges)</b>	<b>\$ 1.50</b>	<b>\$ 0.33</b>	<b>\$ 0.37</b>	<b>\$ 0.47</b>	<b>\$ 0.52</b>	<b>\$ 1.69</b>	<b>\$ 0.43</b>	<b>\$ 0.43</b>	<b>\$ 0.42</b>	<b>\$ 0.44</b>	<b>\$ 1.72</b>	<b>\$ 0.47</b>	<b>\$ 0.47</b>	<b>\$ 0.46</b>	<b>\$ 0.47</b>	<b>\$ 1.87</b>

Source: Company reports, RBC Capital Markets estimates



WESTJET (TSX: WJA)

FY Dec. 31 (\$MM's)	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	Q1/18E	Q2/18E	Q3/18E	Q4/18E	2018E
Traffic (RPMs in MM)	21,527	5,988	5,749	6,414	5,816	23,967	6,393	5,951	6,638	6,020	25,002	6,681	6,219	6,937	6,290	26,127
% change	3.4%	7.6%	10.6%	13.6%	13.7%	11.3%	6.8%	3.5%	3.5%	3.5%	4.3%	4.5%	4.5%	4.5%	4.5%	4.5%
Capacity (ASMs in MM)	26,902	7,294	7,116	7,636	7,253	29,299	7,699	7,400	7,941	7,544	30,584	8,045	7,733	8,299	7,884	31,960
% change	5.2%	7.0%	6.9%	10.6%	11.2%	8.9%	5.5%	4.0%	4.0%	4.0%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%
Load Factor in (%)	80.0%	82.1%	80.8%	84.0%	80.2%	81.8%	83.0%	80.4%	83.6%	79.8%	81.7%	83.0%	80.4%	83.6%	79.8%	81.7%
change (%pts)	-1.4%	0.5%	2.7%	2.2%	1.8%	1.8%	0.9%	-0.4%	-0.4%	-0.4%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (cents per RPM)	18.72	17.22	16.51	17.53	17.50	17.20	17.65	16.92	17.97	17.94	17.63	18.00	17.26	18.33	18.30	17.98
% change	-2.0%	-11.6%	-8.9%	-5.3%	-6.7%	-8.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%
RASM (Revenue per unit of capacity, cents)	15.0	14.1	13.3	14.7	14.0	14.1	14.7	13.6	15.0	14.3	14.4	14.9	13.9	15.3	14.6	14.7
CASM (excl. fuel) (cents)	9.8	10.2	9.9	9.8	10.0	10.0	10.3	10.1	10.3	10.3	10.2	10.7	10.3	10.5	10.2	10.4
<b>Total Revenues</b>	<b>4,029.3</b>	<b>1,031.4</b>	<b>949.3</b>	<b>1,124.3</b>	<b>1,017.8</b>	<b>4,122.9</b>	<b>1,128.4</b>	<b>1,007.1</b>	<b>1,192.8</b>	<b>1,079.8</b>	<b>4,408.1</b>	<b>1,202.8</b>	<b>1,073.5</b>	<b>1,271.4</b>	<b>1,150.9</b>	<b>4,698.6</b>
% change	1.3%	-4.8%	0.8%	7.6%	6.2%	2.3%	9.4%	6.1%	6.1%	6.1%	6.9%	6.6%	6.6%	6.6%	6.6%	6.6%
Airport Operations	557.3	160.1	145.3	120.2	156.3	581.9	165.8	145.4	120.2	156.4	587.8	173.3	151.9	125.7	163.4	614.2
% change	9%	16%	9%	-15%	8%	4%	4%	0%	0%	0%	1%	4%	4%	4%	4%	4%
Aircraft Fuel	814.5	166.4	182.6	206.4	210.5	765.9	232.7	213.9	231.8	220.8	899.2	235.3	224.7	240.3	227.4	927.7
% change	-26%	-21%	-15%	0%	16%	-6%	40%	17%	12%	5%	17%	1%	5%	4%	3%	3%
Maintenance	229.1	58.7	53.3	62.1	57.3	231.5	60.8	53.3	62.2	57.4	233.7	63.6	55.7	65.0	59.9	244.2
% change	18%	9%	-4%	0%	0%	1%	4%	0%	0%	0%	1%	4%	4%	4%	5%	4%
Sales & Distribution	381.2	108.4	103.1	120.2	110.9	442.7	112.3	103.2	120.2	111.0	446.7	117.4	107.8	125.7	116.0	466.8
% change	1%	10%	16%	22%	16%	16%	4%	0%	0%	0%	1%	4%	4%	4%	5%	4%
Marketing, General & Administrative	232.6	60.9	56.3	65.6	60.5	243.2	63.1	56.3	65.6	60.5	245.5	66.0	58.8	68.5	63.2	256.5
% change	3%	5%	-4%	12%	5%	5%	4%	0%	0%	0%	1%	4%	4%	4%	5%	4%
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	497.2	142.5	131.3	153.0	141.2	567.9	147.6	131.3	153.0	141.2	573.2	154.3	137.2	159.9	147.6	599.0
% change	9%	14%	9%	21%	13%	14%	4%	0%	0%	0%	1%	4%	4%	5%	5%	5%
In-Flight	207.6	58.9	53.4	62.3	57.5	232.1	61.0	53.5	62.3	57.5	234.2	63.7	55.9	65.1	60.1	244.8
% change	21%	22%	-2%	32%	0%	12%	4%	0%	0%	0%	1%	4%	4%	4%	4%	5%
Employee Profit Sharing	101.0	22.5	-1.2	31.6	6.5	59.3	22.6	10.1	35.8	10.8	79.2	36.1	10.7	38.1	11.5	96.5
% change	47%	-55%	-113%	-4%	-27%	-41%	0%	-945%	13%	67%	33%	60%	7%	7%	7%	22%
<b>EBITDAR (after profit sharing)</b>	<b>1,008.8</b>	<b>251.3</b>	<b>193.2</b>	<b>303.5</b>	<b>221.0</b>	<b>969.0</b>	<b>239.5</b>	<b>171.7</b>	<b>284.2</b>	<b>212.8</b>	<b>908.2</b>	<b>257.4</b>	<b>183.8</b>	<b>315.5</b>	<b>256.5</b>	<b>1,013.2</b>
% of sales	25.0%	24.4%	20.4%	27.0%	21.7%	23.5%	21.2%	17.0%	23.8%	19.7%	20.6%	21.4%	17.1%	24.8%	22.3%	21.6%
<b>EPS F.D.</b>	<b>2.89</b>	<b>0.71</b>	<b>0.30</b>	<b>0.97</b>	<b>0.47</b>	<b>2.45</b>	<b>0.56</b>	<b>0.21</b>	<b>0.81</b>	<b>0.45</b>	<b>2.03</b>	<b>0.61</b>	<b>0.23</b>	<b>0.97</b>	<b>0.68</b>	<b>2.50</b>

Source: Company Reports; RBC Capital Markets Estimates



## Companies mentioned

Bombardier Inc. (TSX: BBDB.TO; C\$2.27; Outperform; Speculative Risk)  
 CAE Inc. (TSX: CAE.TO; C\$20.18; Sector Perform)  
 Embraer S.A. (NYSE: ERJ; \$20.01; Sector Perform)  
 General Dynamics Corporation (NYSE: GD US; \$186.73; Outperform)  
 The Boeing Company (NYSE: BA; \$175.62; Underperform)

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