



February 2, 2022

RBC Flight Deck

Q4 preview – likely to have seen improvement as Omicron hit late in the quarter

In this report. We are anticipating solid results for the group on the back of continued sequential improvement in air travel demand/traffic trends and strong expected biz jet demand during Q4. We are making minor changes to our Q4 estimates for AC, while leaving BBD, CHR, and EIF unchanged. The key areas of focus for us heading into the quarter will be: 1) the extent to which the Omicron variant has impacted demand and/or altered the recovery trajectory; 2) insight into forward booking curve trends; 3) fleet plans and anticipated capex spend for 2022; & 4) any changes to the near-term biz jet demand and supply chain outlook.

Q4 estimate revisions

- AC: Price target reduced to \$23 (from \$24), maintain Sector Perform rating.** Our Q4/21 EBITDA estimate increases to -\$254MM (from -\$272MM) after updating our fuel curve which reflects the drop in oil prices in the second half of Q4. We have also reduced our near-term forecasts to reflect the impact of the Omicron variant, with our Q1/22 capacity reduced to 50% (from 60%) of 2019 levels. Aside from minor yield revisions, our longer-term estimates are mostly unchanged. Our price target drops to \$23 (from \$24) on our slightly lower valuation year EBITDA, with our target multiple left unchanged.
- BBD: Lowering price target to \$2.25 (from \$2.75), reiterate Outperform, Speculative Risk rating.** We are leaving our Q4/21 EBITDA estimate unchanged at \$211MM, which puts us modestly above consensus at \$202MM. Our longer-term forecasts are also unchanged, though we have lowered our target multiple to 7.0x (from 7.7x) and increased our discount rate to 13% (from 12%) to reflect the broader risk-off shift in the markets and rising 10-year treasury yields - resulting in a reduction in our PT to \$2.25 (from \$2.75).
- CHR: Maintaining \$4.75 price target and Outperform rating.** Our Q4 estimates are unchanged with our EBITDA forecast of \$81MM sitting just above consensus at \$80MM. Similar to AC, we have reflected the impact of the Omicron variant in our numbers, though our recovery assumptions (and, as such, our valuation year EBITDA) remains unchanged. Price target maintained at \$4.75 with no change to our target multiples.
- EIF: Maintaining \$52 price target and Outperform rating.** We are keeping our Q4/21 EBITDA estimate unchanged at \$87MM, which puts us a tad below consensus at \$88MM. We have also reflected a modest impact from the Omicron variant in our Q1/22 Aviation segment forecasts, however our longer-term estimates are largely unchanged and aligned with mgmt's high-level guidance. Accordingly, with no changes to our target multiples our price target remains at \$52.

See pages 5-7 for details of our estimate and price target revisions.

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INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	0.5	0.5	20.5	Δ
S&P 500	(4.6)	(4.6)	20.5	▼
AMEX Airline	2.5	2.5	2.3	Δ
AMEX Aerospace	2.6	2.6	22.9	Δ
COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	17.8	17.8	76.3	Δ
Jet Fuel	15.4	15.4	75.9	Δ
CAD/USD	(0.5)	0.4	(1.3)	▼
AEROSPACE				
Bombardier	4.8	4.8	175.0	Δ
Boeing	3.5	3.5	6.4	Δ
EADS	2.7	2.7	38.9	Δ
Embraer	(11.4)	(11.4)	137.5	▼
General Dynamics	2.1	2.1	44.2	Δ
Textron	(10.8)	(10.8)	51.9	▼
N.A. MAINLINE				
Air Canada	12.1	12.1	15.9	Δ
AMR	(6.3)	(6.3)	(0.1)	▼
Delta	3.6	3.6	7.1	Δ
United	0.4	0.4	10.1	Δ
N.A. REGIONAL				
Alaska	5.2	5.2	9.9	Δ
Allegiant	(3.3)	(3.3)	(1.7)	▼
Chorus Aviation	10.8	10.8	13.2	Δ
Exchange Income	2.1	2.1	18.1	Δ
JetBlue	4.4	4.4	3.8	Δ
SkyWest	(0.3)	(0.3)	(0.8)	▼
Southwest	5.5	5.5	0.9	Δ
INTL. AIRLINES				
Lufthansa	9.9	9.9	(11.3)	Δ
Air France/KLM	7.7	7.7	(14.3)	Δ
BA/Iberia	12.5	12.5	12.3	Δ
Air China	7.4	7.4	6.6	Δ
China Eastern	2.4	2.4	(5.6)	Δ
China Southern	6.0	6.0	11.5	Δ
Singapore Airlines	0.2	0.2	19.6	Δ
Qantas	(2.2)	(2.2)	4.9	▼

Source: Bloomberg



Canadian Airlines & Aerospace Q4/21 preview

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q4 estimates. Items of focus include:

1. a look at the performance of the Canadian airlines during the quarter;
2. an overview of global and North American air traffic trends; and
3. a discussion of our Q4 estimates for each company in our coverage.

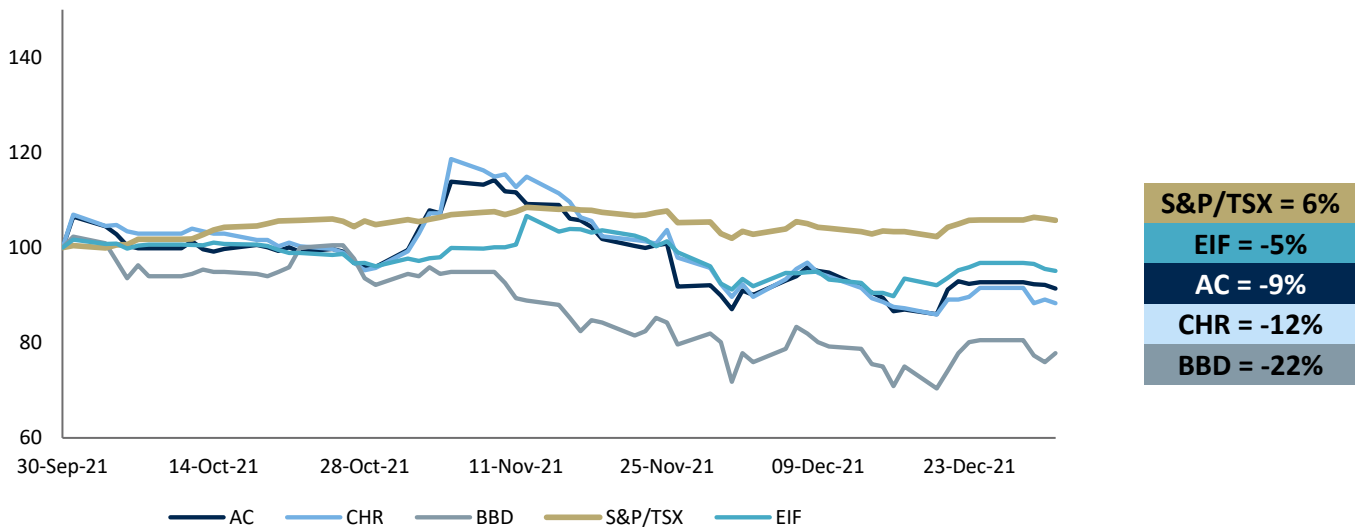
The set-up: Airline share price performance during Q4

Airlines & Aerospace shares materially underperformed the market in Q4. Share price performance for our coverage was weak across the board in the fourth quarter, as concerns around the emergence of the Omicron variant and moderating recovery momentum led each company under our coverage to meaningfully underperform the S&P/TSX. We note that BBD’s significant underperformance in Q4 comes after a year of material outperformance and we continue to see the shares as attractively valued amidst a robust demand backdrop. The Canadian airlines underperformed for a second straight quarter despite generally solid Q3/21 results and improving reopening/recovery trends during the quarter.

Company	Q4/21 Share Price Performance
S&P TSX	5.7%
EIF	-4.9%
AC	-8.7%
CHR	-11.7%
A&A Avg.	-11.9%
BBD	-22.2%

Source: Factset

Exhibit 1 – Indexed share price performance vs. the S&P/TSX during Q4/21



Source: Factset, RBC Capital Markets

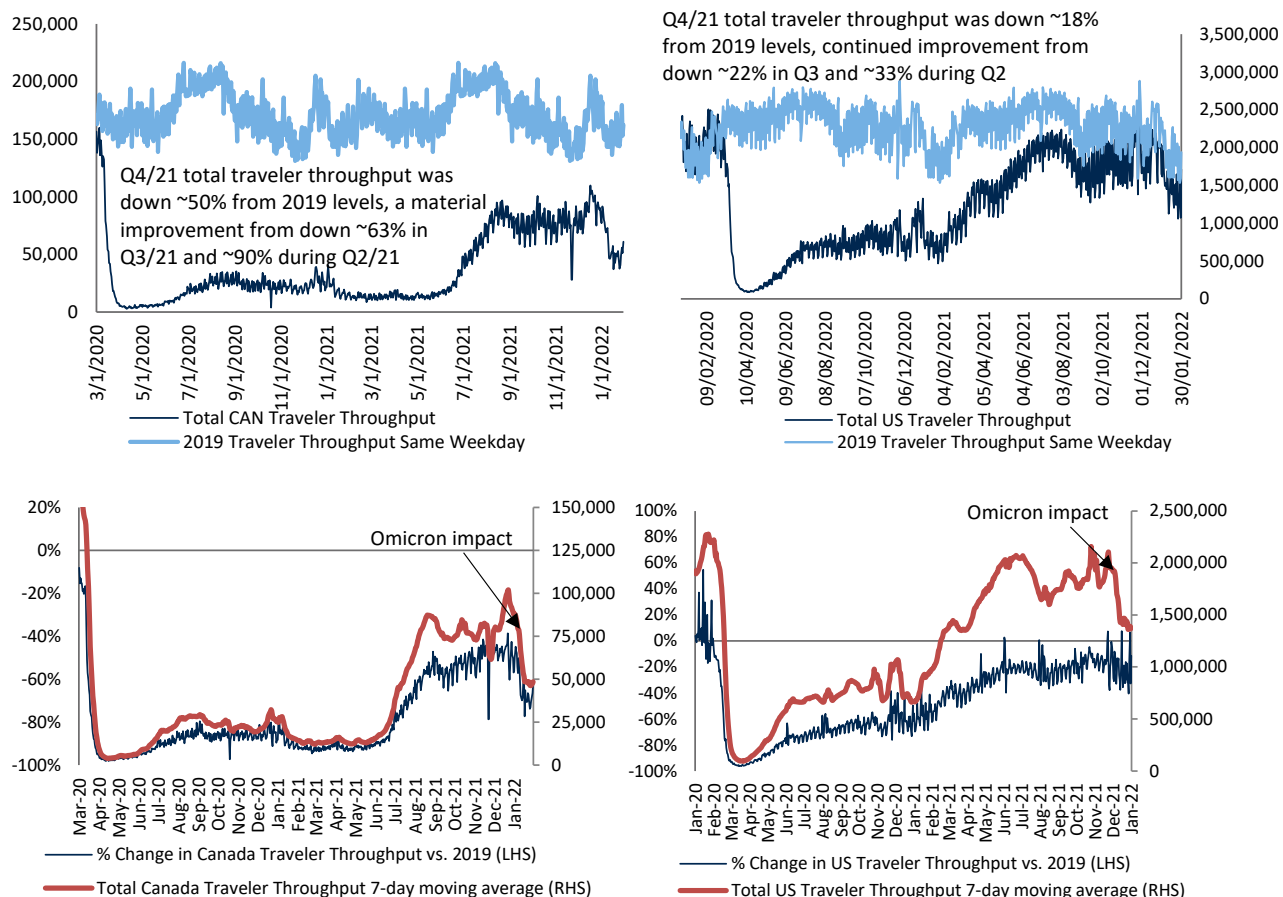
Bombardier: Robust demand backdrop should support a strong end to the year. We are looking for BBD to report another solid quarter during Q4 results, with our forecasts calling for total biz jet deliveries of 38 (including 14 Global 7500s) and continued healthy growth in services revenues (+10% Y/Y). According to the General Aviation Manufacturers Association (GAMA), total business jet shipment activity continued its strong momentum during Q3, with orders of 174 (BBD 16% market share) up 30% Y/Y and representing accelerated sequential improvement vs. the +16% Y/Y recorded in Q2/21. While Q4 numbers have yet to be released, we are of the view that they will show another quarter of strong Y/Y growth as the seasonally strongest quarter of the year for biz jet manufacturers is buoyed by a combination of robust demand for private travel, historically low used aircraft inventory levels, and the pandemic-induced creation of a new wealthy customer cohort. Further supporting the constructive demand narrative, we note that fleet operator Vista Global recently commented that the current “thriving demand” for biz jets should not change for at least the next 12-18 months.

Airlines: Looking for continued recovery momentum in Q4 despite emergence of Omicron.

Broadly speaking, we are looking for a steady sequential improvement in traffic levels at the airlines and see both AC and CHR reporting Q4 results largely consistent with their provided guidance. From what we have observed, Omicron’s impact did not start until well into Q4 and therefore only had a modest impact in the quarter and we see potential upside to our estimates stemming from surging holiday season demand and lower fuel costs in the second half of Q4. For EIF, we believe the resilience of the Aviation division will continue, led by strengthening recovery trends at the Legacy Airlines and Regional One. While we believe demand will be healthy in Q4, we would point to the emergence of Omicron towards the end of the quarter and would highlight that the impact from this variant on demand is already being felt in passenger markets thus far into Q1/22.

Key focus areas. Key areas of focus for us going forward are as follows: 1) the extent to which the Omicron variant has impacted demand in Q1; 2) any changes to the longer-term trajectory of the recovery; 3) colour on forward booking curve trends, particularly as it relates to business and international travel; 4) the impact of materially higher fuel costs on near-term cash burn rates and FCF breakeven visibility; 5) updates on fleet plans and anticipated capex spend for 2022; and 6) the growing international cargo opportunity and areas for further expansion. Further, we note that based on recent data points we have been tracking from RBC Elements™ and third-party providers, demand/traffic trends improved steadily during Q4 before the impact of the Omicron variant led to a sharp reduction in passenger traffic to start 2022.

Exhibit 2 – Passenger traffic in the US and Canada rose steadily in the back half of Q4 before the impact of Omicron



Source: TSA, CATSA, RBC Capital Markets. Note: Data as of January 30, 2022 for CATSA and TSA.

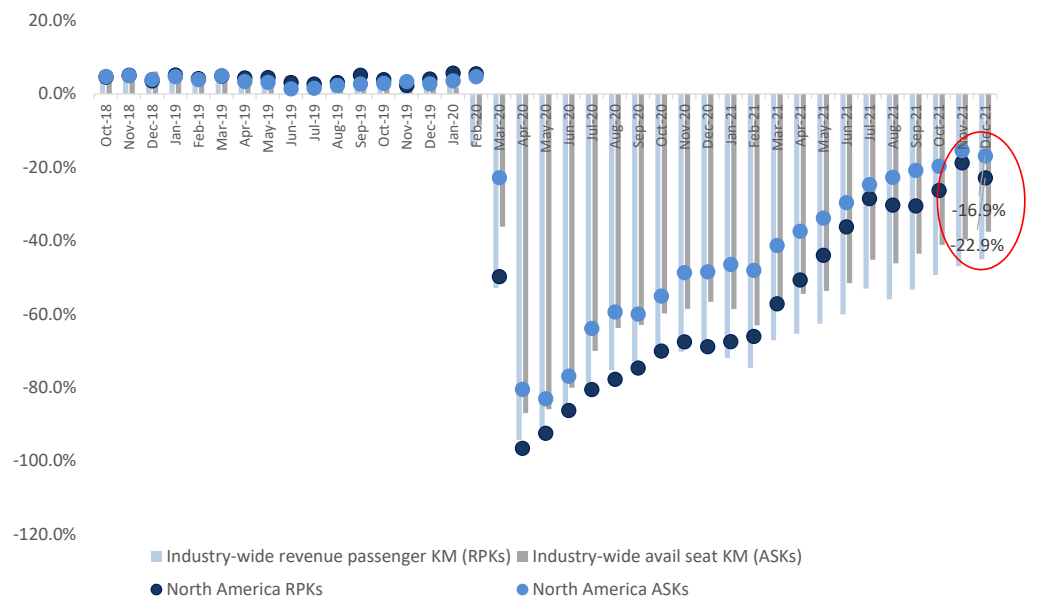
IATA Traffic data shows steadily improving demand and traffic

To gauge global air traffic conditions, we use data by the industry trade group International Air Transport Association (IATA), which provides an estimate of traffic, capacity, and load factor, broken down by region. This data does come with a bit of a time lag (~4-6 weeks), but still provides a good indication of overall sentiment ahead of the quarterly reporting season. We summarize some of this data in Exhibit 3.

Passenger traffic improved in Q4. IATA data showed that global demand continued its rebound in December, with industry-wide Revenue Passenger Km's (RPKs) down -45% in December (vs. the same month in 2019) and -47% in November (vs. the same month in 2019). In North America, traffic improved at a more moderate pace than global RPKs, with RPKs down -23% in December (vs. down 19% in November). Looking forward, while the Omicron variant will likely have an impact on Q1 demand and traffic levels, we continue to expect international air travel to continue to gradually recover and the recovery gap between North America and the rest of the world to close in the near to medium term.

Global capacity levels trended similarly to traffic in the fall. According to IATA, global capacity levels followed a similar trajectory to passenger traffic as global capacity was down -38% (vs. the same month in 2019) in December vs. being down -63% in February (which was the low point in the last year). Capacity in North America improved more modestly, with capacity down -17% (vs. the same month in 2019) in December, -15% in November and -20% in October. Improvement in load factors was also more modest as global PLFs of 72% and North America PLFs of 79% in December returned to levels seen in the summer but were still below the pandemic highs seen in July of last year. We would expect capacity trends to continue mirroring traffic trends, and expect continued administration of vaccines globally to further support the return to normalized capacity levels.

Exhibit 3 – IATA traffic (RPKs) and capacity (ASKs) data steadily improved in Q4



Source: IATA .org



RBC call on earnings

Ticker	Below	Inline	Above
AC	●		
BBD			●
CHR		●	
EIF		●	

Source: RBC Capital Markets estimates

Q4 Estimates

Aside from AC, we are leaving our Q4 estimates largely unchanged for the group ahead of the reporting season. That said, we have updated our Q1/22 forecasts to reflect the anticipated impact from the Omicron variant – though we note that we do not see the variant changing our longer-term recovery assumptions. We have also lowered our price targets for AC and BBD, while keeping our targets unchanged for CHR and EIF. Details by company are below:

- Air Canada (AC): Price target inched lower to \$23 (from \$24); reaffirm Sector Perform rating.** Our Q4/21 EBITDA increases to -\$254MM (from -\$272MM) which reflects lower oil prices during the second half of the quarter after updating our fuel curve. While we are aligned with mgmt capacity guidance for Q4, our EBITDA estimate is below consensus at -\$41MM. As it relates to our longer-term estimates, we have updated our near-term capacity cadence to reflect the impact of the Omicron variant based on the YTD decline in North American passenger traffic and commentary from US peers. As such, we have lowered our Q1/22 capacity to down 50% vs. 2019 levels (from -40%) while leaving our longer-term recovery assumptions largely unchanged. We continue to use 2024 as our valuation year, and when applying our modestly lowered 2024 EBITDA to our unchanged 5.3x target multiple we arrive at our \$23 price target (prior \$24).
- Bombardier (BBD): Price target moved lower to \$2.25 (from \$2.75); reaffirm Outperform (Speculative risk) rating.** We are leaving our Q4/21 and longer-term forecasts unchanged, with our estimates largely in-line with consensus and aligned with mgmt’s guidance. Our Q4 EBITDA of \$211MM (cons. \$202MM) reflects 38 total deliveries and 14 Global 7500 deliveries. While our outer-year estimates are unchanged, we intend to use mgmt’s 2022 outlook (expected to be provided in conjunction with Q4/21 results) to better frame demand/delivery trends and our longer-term forecasts. In terms of our valuation, we have lowered our target multiple to 7.0x (from 7.7x) and increased our discount rate to 13% (from 12%) to reflect the broader risk-off shift in the markets and rising 10-year treasury yields. This results in a reduction in our price target to \$2.25 (from \$2.75).
- Chorus Aviation (CHR): Price target unchanged at \$4.75; maintain Outperform rating.** We are leaving our Q4/21 estimates unchanged, with our Q4 EBITDA estimate of \$81MM sitting just above consensus at \$80MM. We have reflected the impact of the Omicron variant on passenger traffic/demand in Q1/22, which results in our lowered 2022 EBITDA (now \$364MM from \$375MM), however our recovery assumptions (and as such our 2023 EBITDA) remains unchanged. Accordingly, with no changes to our target multiples, our price target remains the same at \$4.75.
- Exchange Income (EIF): Price target maintained at \$52; reiterate Outperform rating.** We are making no changes to our Q4/21 EBITDA, with our \$87MM forecast a tad below consensus at \$88MM. However, similar to AC & CHR, we are modestly lowering our Q1/22 Aviation segment forecasts (both revenues and margins) to reflect the anticipated impact from Omicron, with our full-year 2022 EBITDA dropping to \$383MM (from \$390MM). Our valuation year EBITDA of \$434MM remains unchanged and aligned with mgmt’s guidance for expected run-rate EBITDA in a normalized environment. As such, keeping our target multiples unchanged, our price target is maintained at \$52.



Exhibit 4 – Estimate changes ahead of the quarter

	Q4 2021E EBITDA			2022E EBITDA			2023E EBITDA			Target Multiple		Price Target (CAD)		Rating	Implied Return
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	New	Old	New		
Air Canada	-\$272	-\$254	-\$41	\$1,936	\$1,683	\$1,994	\$3,080	\$2,888	\$3,238	5.3x	5.3x	\$24	\$23	SP	(3%)
Bombardier	\$211	\$211	\$202	\$870	\$870	\$858	\$1,038	\$1,038	\$1,108	7.7x	7.0x	\$2.75	\$2.25	0	+28%
Chorus Aviation	\$81	\$81	\$80	\$375	\$364	\$357	\$427	\$427	\$416	6.0x	6.0x	\$4.75	\$4.75	0	+29%
Exchange Income	\$87	\$87	\$88	\$390	\$383	\$387	\$434	\$434	\$433	7.7x	7.7x	\$52	\$52	0	+26%

Note: Bombardier rating includes Speculative Risk qualifier; priced as of market close 2/1/22. Source: Company reports, RBC Capital Markets estimates

Exhibit 5 – Air Canada estimate revisions detail

	Q4/21E			2022E			2023E			2024E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Traffic: RPMs (% chg)	205.3%	205.3%	0bp	222.9%	212.5%	-1035bp	43.7%	48.5%	476bp	7.5%	7.5%	0bp
Capacity: ASMs (% chg)	133.5%	133.5%	0bp	134.6%	126.8%	-780bp	34.0%	38.6%	461bp	7.6%	7.6%	0bp
Load Factor (%pts)	53.0%	53.0%	0bp	77.8%	77.9%	10bp	83.5%	83.5%	0bp	83.4%	83.4%	0bp
Yield (% chg)	0.0%	0.0%	0bp	-7.3%	-7.3%	0bp	-6.0%	-6.0%	0bp	-4.0%	-3.0%	100bp
RASM (% chg)	31.3%	31.3%	0bp	33.8%	33.8%	0bp	0.9%	0.9%	0bp	-3.9%	-2.9%	100bp
Adj. CASM ex fuel+other (% chg)	-55.0%	-55.0%	0bp	-41.1%	-40.1%	102bp	-11.2%	-12.7%	-151bp	-6.4%	-6.2%	27bp
Avg Jet Fuel Price: (\$C/Ltr)	\$0.77	\$0.78	2.0%	\$0.79	\$0.83	4.9%	\$0.80	\$0.83	4.3%	\$0.80	\$0.82	3.4%
Revenue	1,956	1,956	0.0%	14,315	13,907	-2.9%	18,720	18,720	0.0%	19,324	19,502	0.9%
Expenses	2,227	2,209	-0.8%	12,379	12,225	-1.2%	15,640	15,832	1.2%	15,858	16,045	1.2%
EBITDA	(272)	(254)	-6.6%	1,936	1,683	-13.1%	3,080	2,888	-6.2%	3,466	3,457	-0.3%
EBITDA Margin	-13.9%	-13.0%	-6.6%	13.5%	12.1%	-10.6%	16.5%	15.4%	-6.2%	17.9%	17.7%	-1.2%
EPS ex-one time items (\$)	(2.17)	(2.12)	-2.2%	(1.31)	(1.99)	51.5%	1.74	1.22	-29.8%	2.97	2.94	-1.3%

Source: Company reports, RBC Capital Markets estimates

Exhibit 6 – Bombardier estimate revisions detail

	Q4/21E		2022E			2023E			2024E		2025E			
	Old	Cur	Old	Cur	Var (%)	Old	Cur	Var (%)	Cur	Var (%)	Cur	Var (%)		
Bombardier														
Total Revenues	1,799	1,799	6,279	6,279	0.0%	6,723	6,723	0.0%	7,214	7,214	0.0%	7,576	7,576	0.0%
Total EBIT	81	81	421	421	0.0%	566	566	0.0%	786	786	0.0%	1,007	1,007	0.0%
Mgn%	4.5%	4.5%	6.7%	6.7%	0 bps	8.4%	8.4%	0 bps	10.9%	10.9%	0 bps	13.3%	13.3%	0 bps
Total aircraft deliveries	38	38	125	125		130	130		135	135		140	140	
Free Cash Flow	66	66	64	64		182	182		363	363		509	509	
EBITDA	211	211	870	870		1,038	1,038		1,282	1,282		1,527	1,527	
Adjusted EPS	-\$0.05	-\$0.05	-\$0.13	-\$0.13		-\$0.04	-\$0.04		\$0.09	\$0.09		\$0.20	\$0.20	

Source: Company reports, RBC Capital Markets estimates



Exhibit 7 – Chorus estimate revisions detail

	Q4/21E			2022E			2023E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Revenue breakdown									
Controllable Revenue	157	157	0.0%	732	706	-3.6%	855	838	-2.0%
Leasing under CPA	36	36	0.0%	146	146	0.0%	146	146	0.0%
Margin compensation	17	17	0.0%	63	63	0.0%	63	63	0.0%
Incentives	0.5	0.5	0.0%	2	2	0.0%	2	2	0.0%
Pass through revenue	43	43	0.0%	193	184	-4.7%	212	202	-4.6%
Passenger revenue	253	253	0.0%	1,136	1,101	-3.2%	1,277	1,251	-2.1%
Regional Aircraft Leasing	32	32	0.0%	152	152	0.0%	167	167	0.0%
Other - Charter, contract flying, MRO	19	19	0.0%	85	85	0.0%	89	89	0.0%
Total Revenues	304	304	0.0%	1,376	1,340	-2.6%	1,536	1,510	-1.7%
Total Expenses	252	252	0.0%	1,124	1,090	-3.1%	1,300	1,275	-1.9%
Total Operating Income	52	52	0.0%	252	251	-0.6%	237	235	-0.7%
Depreciation and Amortization	29	29	0.0%	123	113	-7.9%	191	192	0.9%
EBITDA	81	81	0.0%	375	364	-3.0%	427	427	0.0%

Source: Company reports, RBC Capital Markets estimates

Exhibit 8 – Exchange Income estimate revisions detail

(C\$000s unless specified)	Q4/21E		2022E				2023E			
	Old	Current	Old	NEW	Var	Y/Y	Old	NEW	Var	Y/Y
Aviation revenue	244,657	244,657	1,047,308	1,038,151	-0.9%	15.3%	1,119,712	1,114,251	-0.5%	7.3%
Manufacturing revenue	124,529	124,529	591,641	591,641	0.0%	20.4%	642,056	642,056	0.0%	8.5%
Consolidated revenue	369,186	369,186	1,638,950	1,629,793	-0.6%	17.1%	1,761,768	1,756,307	-0.3%	7.8%
Adj. EBITDA	87,095	87,095	390,063	383,162	-1.8%	17.0%	434,491	433,503	-0.2%	13.1%
<i>EBITDA Margin</i>	23.6%	23.6%	23.8%	23.5%	-29bp	-2bp	24.7%	24.7%	2bp	117bp
CFO	49,233	49,233	308,907	303,547	-1.7%	18.9%	327,707	326,795	-0.3%	7.7%
FCF from operations (company def.)	61,117	61,117	285,904	280,544	-1.9%	20.5%	321,654	320,741	-0.3%	14.3%
FCF less total capex	-20,913	-20,913	56,107	52,304	-6.8%	146.9%	81,059	80,911	-0.2%	54.7%
FCF less maintenance capex (company def.)	27,890	27,890	147,005	142,470	-3.1%	7.8%	180,712	180,237	-0.3%	26.5%
FCF less maintenance capex per share	\$0.71	0.71	\$3.77	3.65	-3.1%	7.8%	\$4.63	4.62	-0.3%	26.5%
Adj. EPS (f.d.)	\$0.52	0.52	\$2.61	2.50	-4.1%	24.6%	\$3.12	3.11	-0.2%	24.3%

Source: Company reports, RBC Capital Markets estimates



Valuation justifications

Air Canada

Applying a 5.3x EV/EBITDA multiple to our 2024 estimates (which we then discount back one year at 10%), we derive our price target of \$23. Our target multiple is higher than the historical group average multiple, though in line with peers and supported by our view that the industry should largely return to “normal” by 2H/23 with EBITDA levels returning to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from COVID-19 followed by a general return to “normal” by 2H/23; (2) a reduction in capital intensity out to 2021; and (3) a widely distributed vaccine by Q3/21. Our price target supports our Sector Perform rating.

Bombardier Inc.

We apply a target multiple of 7.0x to our 2025 EBITDA estimate of \$1.53B and then discount back two years at 13% to derive our \$2.25 price target. Our target multiple is based on a significant discount to peers and an improving yet uncertain demand environment. We use EBITDA (as opposed to PE) as our primary valuation methodology, as we believe it better reflects the company’s growth potential while also taking into account its capital structure. Our price target supports our Outperform, Speculative Risk rating. Our Speculative Risk qualifier reflects BBD’s elevated leverage levels and cash flow visibility.

Chorus Aviation Inc.

Our \$4.75 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 6.0x EV/EBITDA multiple based on our 2023 estimates and we value the company's leasing segment at a 6.0x P/E multiple based on our assumptions for operating and funding costs attributable to the segment. We believe these multiples are appropriate when assessed relative to historical early-cycle peer multiples. This generates our \$4.75 price target, which is the basis of our Outperform rating.

Exchange Income Corporation

In valuing EIF, we apply a blended 7.7x EV/EBITDA multiple (8.0x for Aviation & Aerospace and 7.0x for Manufacturing) to our \$434MM 2023E EBITDA, reflecting a valuation blend of 74% Aviation & Aerospace and 26% Manufacturing. We apply our target multiples to our 2023E EBITDA for each segment (broadly in-line with peers), which we believe accurately reflects a more normalized operating environment. This generates our \$52 price target, which supports our Outperform rating.

Appendix 1 – Airline comparables

Symbol	01-Feb-22 Price		EV/EBITDA				EV/Sales				EBITDA Margin				
			2020	2021E	2022E	2023E	2020	2021E	2022E	2023E	2020	2021E	2022E	2023E	
Discount Airlines															
Southwest	LUV-US	US\$	\$45.18	-6.2x	NMF	9.2x	5.4x	2.6x	1.5x	1.1x	1.0x	-42%	0%	12%	18%
JetBlue	JBLU-US	US\$	\$14.87	-4.4x	NMF	8.2x	4.2x	2.2x	1.1x	0.7x	0.7x	-49%	-6%	9%	16%
Discount Average				-5.3x	NMF	8.7x	4.8x	2.4x	1.3x	0.9x	0.8x	-46%	-3%	10%	17%
Mainline Airlines															
Air Canada	AC-CA	C\$	\$23.67	-9.1x	NMF	11.0x	6.4x	3.2x	3.3x	1.3x	1.0x	-35%	-31%	12%	15%
Delta Air Lines	DAL-US	US\$	\$40.49	-8.8x	NMF	10.6x	6.2x	2.9x	1.6x	1.1x	1.0x	-32%	-2%	11%	16%
United Continental	UAL-US	US\$	\$43.96	-5.7x	NMF	9.8x	5.5x	2.4x	1.5x	0.9x	0.8x	-42%	-8%	9%	14%
American Airlines	AAL-US	US\$	\$16.83	-4.8x	NMF	20.3x	7.9x	2.5x	1.5x	1.0x	0.9x	-53%	-11%	5%	12%
Mainline Average				-7.1x	NMF	12.9x	6.5x	2.7x	2.0x	1.1x	0.9x	-41%	-13%	9%	14%
Regional Airlines															
Chorus Aviation	CHR-CA	C\$	\$3.68	7.1x	7.7x	6.8x	5.8x	2.6x	2.5x	1.8x	1.6x	37%	33%	27%	28%
SkyWest Inc.	SKYW-US	US\$	\$39.17	6.0x	6.0x	6.0x	6.0x	2.0x	1.6x	1.4x	1.3x	34%	27%	23%	21%
Regional Average				6.6x	6.9x	6.4x	5.9x	2.3x	2.1x	1.6x	1.5x	35%	30%	25%	25%
Airline Average				-3.2x	NMF	10.2x	5.9x	2.5x	1.8x	1.2x	1.0x	-23%	0%	14%	18%

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced at market close on February 01, 2022

Appendix 2 – Aerospace comparables

Company Name	Exch: Ticker	Price 01-Feb-22	Mkt. Cap (\$MM's)	Net Debt to EBITDA	EV/EBITDA					2019A EBITDA	2020A EBITDA	2021E EBITDA	2022E EBITDA	2023E EBITDA	
					2019A	2020A	2021E	2022E	2023E	Margin	Margin	Margin	Margin	Margin	
Aerospace															
Boeing	NYSE:BA	US\$	208.34	122,695	-57.3x	564.3x	-16.3x	-219.3x	19.9x	15.8x	0.4%	-17.5%	-1.2%	10.0%	11.4%
Embraer	NYSE:ERJ	US\$	15.72	2,910	-49.2x	26.0x	-128.0x	12.2x	9.2x	7.4x	3.3%	-1.0%	8.6%	9.7%	10.7%
General Dynamics	NYSE:GD	US\$	212.87	59,097	2.0x	12.6x	13.7x	13.6x	13.4x	12.1x	14.0%	13.3%	13.2%	13.1%	13.5%
Textron	NYSE:TXT	US\$	68.87	15,181	1.3x	10.4x	17.0x	11.6x	10.3x	9.4x	11.6%	8.3%	11.4%	11.8%	12.3%
Average						153.3x	-28.4x	-45.5x	13.2x	11.2x	7.3%	0.8%	8.0%	11.1%	12.0%
Transportation & Conglomerates															
Siemens	XE:SIE	EUR	140.94	119,799	4.9x	15.2x	20.2x	16.9x	13.9x	12.7x	11.9%	13.7%	15.0%	16.9%	17.4%
General Electric	NYSE:GE	US\$	97.95	107,563	1.2x	10.0x	19.0x	15.5x	11.5x	9.2x	12.0%	7.6%	10.0%	12.7%	14.8%
United Technologies	NYSE:UTX	US\$	90.73	135,803	2.7x	11.6x	17.3x	15.3x	13.3x	11.8x	18.1%	16.3%	16.4%	17.4%	18.3%
Average						12.3x	18.8x	15.9x	12.9x	11.2x	14.0%	12.5%	13.8%	15.7%	16.8%
Bombardier	TSX:BBD.B	C\$	\$1.76	4,258	6.4x	10.2x	-28.5x	14.3x	10.2x	8.5x	5.5%	-2.2%	10.1%	13.9%	15.4%

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2022E numbers. Priced at market close on February 1, 2022

Appendix 3 – EIF comparables

Comparables																			
Symbol	01-Feb Price	Mkt Cap (\$MM)	EBITDA (MM)				EBITDA Margin (MM)				EV/EBITDA				Net Debt/ EBITDA	Div. Yield			
			2020	2021E	2022E	2023E	2020	2021E	2022E	2023E	2020	2021E	2022E	2023E					
Aviation																			
Chorus Aviation Inc.	CHR	C\$	\$3.68	654	347	320	364	427	36.6%	32.7%	27.1%	28.3%	7.1x	7.7x	6.8x	5.8x	5.7x	N/A	
Alaska Airlines	ALK	US\$	\$54.81	6,901	-1,259	107	978	1,653	-35.3%	1.7%	11.0%	16.9%	N/A	73.4x	8.0x	4.8x	9.1x	N/A	
Hawaiian Airlines	HAL	US\$	\$31.37	28,080	2,419	2,715	3,501	4,144	16.7%	17.8%	19.3%	20.5%	14.6x	13.0x	10.1x	8.5x	2.6x	N/A	
Air Lease Corp.	AL	US\$	\$40.38	4,603	1,888	1,853	2,254	2,596	93.7%	91.7%	92.1%	90.5%	10.8x	11.0x	9.0x	7.8x	8.5x	1.6%	
AerCap Holdings	AER	US\$	\$64.41	15,773	3,242	4,328	6,923	7,317	72.1%	84.5%	87.0%	89.0%	12.9x	9.7x	6.0x	5.7x	6.0x	N/A	
Air Transport Services Group	ATSG	US\$	\$27.60	2,048	497	537	591	632	31.6%	31.1%	31.1%	32.1%	6.9x	6.4x	5.8x	5.4x	2.6x	N/A	
SkyWest Inc.	SKYW	US\$	\$39.17	1,973	459	625	886	999	21.6%	23.4%	28.6%	29.9%	9.3x	6.8x	4.8x	4.3x	3.7x	N/A	
Airlines/Aerospace Average									35.1%	40.2%	41.7%	43.2%	10.6x	17.6x	7.8x	6.6x	5.0x	1.1%	
Manufacturing																			
Heroux-Devtek	HRX	C\$	\$17.19	615	88	90	98	103	15.5%	15.9%	16.2%	16.6%	8.6x	8.4x	7.8x	7.3x	1.6x	N/A	
Russel Metals	RUS	C\$	\$32.39	2,040	144	647	331	294	5.4%	15.7%	8.8%	8.3%	14.6x	3.3x	6.4x	7.2x	0.1x	4.7%	
Magellan	MAL	C\$	\$10.05	580	89	67	112	126	11.9%	9.6%	13.3%	14.4%	6.9x	9.2x	5.5x	4.9x	0.5x	4.2%	
Mastec	MTZ	US\$	\$87.23	6,667	810	929	958	1,093	12.8%	11.6%	9.9%	10.5%	10.1x	8.8x	8.5x	7.5x	1.6x	N/A	
New Flyer Industries Inc.	NFI	C\$	\$19.67	1,396	158	221	282	398	5.2%	7.6%	8.1%	9.8%	14.2x	10.1x	7.9x	5.6x	3.8x	4.3%	
Manufacturing Average									10.1%	12.1%	11.3%	11.9%	10.9x	8.0x	7.2x	6.5x	1.5x	4.4%	
Financial/Holding Companies																			
Alaris Royalty	AD	C\$	\$18.19	821	89	126	138	148	81.0%	85.8%	88.6%	89.2%	14.0x	9.9x	9.0x	8.4x	3.4x	7.3%	
Diversified Royalty Corp.	DIV	C\$	\$2.83	346	32	39	43	44	90.1%	92.6%	94.3%	93.2%	16.0x	13.1x	11.7x	11.4x	4.2x	7.3%	
Financial/Holding Company Average									85.6%	89.2%	91.5%	91.2%	15.0x	11.5x	10.3x	9.9x	3.8x	7.3%	
Airlines/Aerospace Average									35.1%	40.2%	41.7%	43.2%	10.6x	17.6x	7.8x	6.6x	5.0x	1.1%	
Manufacturing Average									10.1%	12.1%	11.3%	11.9%	10.9x	8.0x	7.2x	6.5x	1.5x	4.4%	
Blended average (75/25)									28.8%	33.2%	34.1%	35.3%	10.7x	15.2x	7.7x	6.6x	4.1x	1.9%	
Exchange Income Corp.		C\$	\$43.04	1,679	285	328	383	434	24.8%	23.5%	23.5%	24.7%	10.5x	9.2x	7.8x	6.9x	3.7x	5.3%	

Source: Company reports, Factset, RBC Capital Markets estimates for EIF and CHR. Note: EIF EV uses our 2022E net debt and share count. Priced as of market close February 1, 2022.

Appendix 4 – AC Model Summary

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

FY Dec 31	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	Q3/21	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Traffic / RPM (MMs)	94,113	17,507	783	2,517	2,432	23,239	1,831	1,687	7,915	7,424	18,857	9,756	13,606	20,772	14,801	58,936	17,034	21,117	27,954	21,403	87,508	94,113
% change	1.9%	-17.8%	-96.7%	-91.0%	-88.6%	-75.3%	-89.5%	115.5%	214.5%	205.3%	-18.9%	432.8%	706.5%	162.4%	99.4%	212.5%	74.6%	55.2%	34.6%	44.6%	48.5%	7.5%
Capacity / ASM (MMs)	112,814	23,511	2,243	5,949	6,000	37,703	4,211	4,000	11,116	14,008	33,335	13,008	18,141	25,966	18,502	75,616	20,813	25,119	32,457	26,431	104,819	112,814
% change	1.8%	-9.6%	-92.0%	-81.7%	-77.3%	-66.6%	-82.1%	78.3%	86.9%	133.5%	-11.6%	208.9%	353.5%	133.6%	32.1%	126.8%	60.0%	38.5%	25.0%	42.9%	38.6%	7.6%
Load Factor (%)	83.4%	74.5%	34.9%	42.3%	40.5%	61.6%	43.5%	42.2%	71.2%	53.0%	56.6%	75.0%	75.0%	80.0%	80.0%	77.9%	81.8%	84.1%	86.1%	81.0%	83.5%	83.4%
change (pts)	0.1%	-7.4%	-49.2%	-43.8%	-40.4%	-21.8%	-31.0%	7.3%	28.9%	12.5%	-5.1%	31.5%	32.8%	8.8%	27.0%	21.4%	6.8%	9.1%	6.1%	1.0%	5.5%	-0.1%
Yield (\$)	0.183	0.182	0.264	0.202	0.195	0.211	0.216	0.253	0.207	0.195	0.218	0.209	0.202	0.201	0.195	0.202	0.194	0.190	0.189	0.186	0.190	0.184
% change	4.3%	2.5%	43.5%	9.2%	5.1%	15.1%	18.2%	-4.2%	2.5%	0.0%	3.2%	-3.0%	-20.0%	-3.0%	0.0%	-7.3%	-7.0%	-6.0%	-6.0%	-5.0%	-6.0%	-3.0%
RASM (Rev per unit of capacity, cents)	15.3	13.6	9.2	8.5	7.9	11.6	9.4	10.7	14.7	10.4	11.7	15.7	15.2	16.1	15.6	15.7	15.9	16.0	16.3	15.0	15.8	15.4
CASM (Costs per unit of capacity, cents)	15.5	17.7	82.3	25.9	34.4	25.8	45.2	49.3	22.2	18.6	26.9	22.9	18.8	16.1	17.8	18.4	19.1	17.3	15.3	15.9	16.7	15.7
Fuel Cost/ASM (cents)	3.9	3.6	5.5	2.9	3.1	3.5	4.7	6.0	4.2	4.3	4.6	4.7	4.7	4.5	4.4	4.6	4.6	4.6	4.4	4.4	4.5	4.2
CASM (excl. fuel) (cents)	11.6	14.1	76.8	23.0	31.3	22.3	40.5	43.3	17.9	14.3	22.4	18.2	14.2	11.6	13.4	13.8	14.5	12.8	10.8	11.5	12.2	11.5
Total Revenues	19,154	3,722	527	757	827	5,833	729	837	2,103	1,956	5,625	2,490	3,279	4,696	3,442	13,907	3,783	4,566	5,824	4,548	18,720	19,502
% change	6.0%	-16.1%	-88.9%	-86.4%	-81.3%	-69.5%	-80.4%	58.8%	177.8%	136.5%	-3.6%	241.6%	291.7%	123.3%	76.0%	147.3%	51.9%	39.3%	24.0%	32.1%	34.6%	4.2%
Wages, salaries and benefits	3184	796	464	475	507	2242	528	497	592	593	2210	671	616	620	552	2459	837	793	734	714	3078	3045
% Sales	16.6%	21.4%	88.0%	62.7%	61.3%	38.4%	72.4%	59.4%	28.2%	30.3%	39.3%	26.9%	18.8%	13.2%	16.0%	17.7%	22.1%	17.4%	12.6%	15.7%	16.4%	15.6%
Aircraft Fuel - total	4444	836	124	175	187	1322	200	239	472	609	1520	615	844	1177	820	3457	954	1143	1440	1169	4706	4709
% Sales	23.2%	22.5%	23.5%	23.1%	22.6%	22.7%	27.4%	28.6%	22.4%	31.1%	27.0%	24.7%	25.7%	25.1%	23.8%	24.9%	25.2%	25.0%	24.7%	25.7%	25.1%	24.1%
Sales and distribution costs	874	183	13	30	26	252	24	44	74	84	226	74	200	173	111	558	167	276	216	159	817	890
% Sales	4.6%	4.9%	2.5%	4.0%	3.1%	4.3%	3.3%	5.3%	3.5%	4.3%	4.0%	3.0%	6.1%	3.7%	3.2%	4.0%	4.4%	6.1%	3.7%	3.5%	4.4%	4.6%
Catering and onboard services	445	97	23	26	25	171	21	21	52	58	152	59	82	112	76	328	89	108	133	106	436	439
% Sales	2.3%	2.6%	4.4%	3.4%	3.0%	2.9%	2.9%	2.5%	2.5%	3.0%	2.7%	2.4%	2.5%	2.4%	2.2%	2.4%	2.4%	2.4%	2.3%	2.3%	2.3%	2.3%
Aircraft maintenance	1004	270	181	45	185	681	150	127	153	150	580	190	190	190	190	760	245	255	254	250	1004	1034
% Sales	5.2%	7.3%	34.3%	5.9%	22.4%	11.7%	20.6%	15.2%	7.3%	7.7%	10.3%	7.6%	5.8%	4.0%	5.5%	5.5%	6.5%	5.6%	4.4%	5.5%	5.4%	5.3%
Airport and navigation fees	990	228	113	97	107	545	98	109	166	168	541	114	161	227	161	663	182	223	284	230	920	990
% Sales	5.2%	6.1%	21.4%	12.8%	12.9%	9.3%	13.4%	13.0%	7.9%	8.6%	9.6%	4.6%	4.9%	4.8%	4.7%	4.8%	4.8%	4.9%	4.9%	5.1%	4.9%	5.1%
Communications and information technolo	397	135	91	66	80	372	105	81	85	70	341	46	63	91	65	265	73	88	114	93	367	395
% Sales	2.1%	3.6%	17.3%	8.7%	9.7%	6.4%	14.4%	9.7%	4.0%	3.6%	6.1%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%
Other	3553	872	353	392	424	2041	361	374	553	435	1723	657	772	1112	811	3352	779	944	1208	940	3871	3840
% Sales	18.5%	23.4%	67.0%	51.8%	51.3%	35.0%	49.5%	44.7%	26.3%	22.2%	30.6%	26.4%	23.5%	23.7%	23.6%	24.1%	20.6%	20.7%	20.7%	20.7%	20.7%	19.7%
Regional airline expense (ex fuel and DAR)	1847	471	172	198	245	1086	195	193	312	278	978	433	477	689	501	2101	401	487	626	485	1999	2085
% Sales	9.6%	12.7%	32.6%	26.2%	29.6%	18.6%	26.7%	23.1%	14.8%	14.2%	17.4%	17.4%	14.5%	14.7%	14.6%	15.1%	10.6%	10.7%	10.7%	10.7%	10.7%	10.7%
Total Operating Costs	14,891	3,417	1,362	1,306	1,541	7,626	1,487	1,492	2,147	2,167	7,293	2,426	2,928	3,702	2,786	11,842	3,327	3,830	4,383	3,660	15,199	15,342
EBITDA	3,636	71	(832)	(554)	(728)	(2,043)	(763)	(656)	(67)	(254)	(1,740)	(83)	275	925	565	1,683	221	631	1,279	757	2,888	3,457
% of sales	19.0%	1.9%	-157.9%	-73.2%	-88.0%	-35.0%	-104.7%	-78.4%	-3.2%	-13.0%	-30.9%	-3.3%	8.4%	19.7%	16.4%	12.1%	5.8%	13.8%	22.0%	16.6%	15.4%	17.7%
Depreciation, amortization and impairment	1,986	504	487	423	435	1,849	413	404	400	399	1,616	410	412	414	416	1,653	414	413	411	410	1,648	1,629
EBIT (Excluding Special Charges)	1,650	(433)	(1,319)	(785)	(1,239)	(3,776)	(1,049)	(1,133)	(364)	(653)	(3,199)	(493)	(137)	511	149	30	(193)	219	868	347	1,240	1,828
% of sales	8.6%	-11.6%	-250.3%	-103.7%	-149.8%	-64.7%	-143.9%	-135.4%	-17.3%	-33.4%	-56.9%	-19.8%	-4.2%	10.9%	4.3%	0.2%	-5.1%	4.8%	14.9%	7.6%	6.6%	9.4%
Net Income	1,020	(392)	(1,752)	(685)	(1,161)	(3,990)	(1,304)	(1,165)	(640)	(800)	(3,909)	(713)	(343)	313	(6)	(750)	(418)	9	673	198	461	1,106
EPS (F.D) (\$) (Exc. Special charges)	\$ 3.75	\$ (1.49)	\$ (6.44)	\$ (2.31)	\$ (3.50)	\$ (14.14)	\$ (3.90)	\$ (3.26)	\$ (1.70)	\$ (2.12)	\$ (10.38)	\$ (1.89)	\$ (0.91)	\$ 0.83	\$ (0.02)	\$ (1.99)	\$ (1.11)	\$ 0.02	\$ 1.79	\$ 0.53	\$ 1.22	\$ 2.94
Net debt	3,353	4,565	5,040	5,387	5,488	6,783	7,653	7,980	9,090	9,090	9,090	9,744	10,025	9,648	9,583	9,583	9,962	9,916	9,206	9,074	9,074	7,839
Net debt/LTM EBITDA	0.9x	1.5x	3.7x	-8.3x	-2.7x	-2.7x	-2.4x	-2.8x	-2.3x	-5.2x	-5.2x	-9.2x	-78.2x	11.2x	5.7x	5.7x	5.0x	4.2x	3.4x	3.1x	3.1x	2.3x

Source: RBC Capital Markets estimates, Company reports

Appendix 5 – BBD Model Summary

Summary Income Statement (in US \$MM's)	2020	Q1/21	Q2/21	Q3/21	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	2025E
Aerospace Key Drivers																		
Business Jet Deliveries	114	26	29	27	38	120	25	24	32	43	125	24	24	34	48	130	135	140
<i>Delivery Growth</i>	-20.8%	0.0%	45.0%	12.5%	-13.6%	5.3%	-2.3%	-17.2%	20.2%	12.4%	3.8%	-5.5%	0.0%	4.8%	12.4%	4.4%	4.0%	3.3%
Commercial Jet Deliveries	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Delivery Growth</i>	-82.8%	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%	0.0%
Total Aircraft Deliveries	119	26	29	27	38	120	25	24	32	43	125	24	24	34	48	130	135	140
Transportation Key Drivers																		
Transportation Backlog	35,363	36,271	36,433	36,343	36,254	36,254	37,261	37,450	37,381	37,311	37,311	38,421	38,605	38,523	38,441	38,441	39,617	40,830
<i>Backlog Growth</i>	1.0%	1.2%	1.6%	2.1%	2.5%	2.5%	2.7%	2.8%	2.9%	2.9%	2.9%	3.1%	3.1%	3.1%	3.0%	3.0%	3.1%	3.1%
Book-to-Bill	1.0	1.4	1.1	1.0	1.0	1.1	1.4	1.1	1.0	1.0	1.1	1.5	1.1	1.0	1.0	1.1	1.1	1.1
Segmented results																		
Bombardier Aviation (BA)																		
Revenue	6,488	1,341	1,524	1,449	1,799	6,113	1,338	1,325	1,644	1,974	6,279	1,316	1,356	1,778	2,273	6,723	7,214	7,576
EBIT	-125	19	36	48	81	184	90	89	110	132	421	109	113	151	193	566	786	1,007
<i>Margin %</i>	-1.9%	1.4%	2.4%	3.3%	4.5%	3.0%	6.7%	6.7%	6.7%	6.7%	6.7%	8.3%	8.3%	8.5%	8.5%	8.4%	10.9%	13.3%
Bombardier Transportation (BT)																		
Revenue	7,844																	
EBIT	-618																	
<i>Margin %</i>	-7.8%																	
Bombardier Consolidated																		
Total Revenues	14,331	1,341	1,524	1,449	1,799	6,113	1,338	1,325	1,644	1,974	6,279	1,316	1,356	1,778	2,273	6,723	7,214	7,576
Total EBITDA	-311	123	143	142	211	619	188	205	208	269	870	213	235	254	337	1,038	1,282	1,527
Total EBIT	-525	19	36	48	81	184	90	89	110	132	421	109	113	151	193	566	786	1,007
<i>EBIT Margin %</i>	-3.7%	1.4%	2.4%	3.3%	4.5%	3.0%	6.7%	6.7%	6.7%	6.7%	6.7%	8.3%	8.3%	8.5%	8.5%	8.4%	10.9%	13.3%
Net Income Before Special Items	(1,471)	(173)	(129)	(578)	(119)	(1,019)	(93)	(84)	(76)	(58)	(310)	(44)	(48)	(20)	22	(90)	218	489
EPS Before Special Items	\$ (0.62)	\$ (0.07)	\$ (0.06)	\$ (0.24)	\$ (0.05)	\$ (0.44)	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.13)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ 0.01	\$ (0.04)	\$ 0.09	\$ 0.20
CFPS \$(Basic)	\$ (0.54)	\$ (0.03)	\$ 0.15	\$ (0.10)	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.06	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.07	\$ 0.16	\$ 0.30	\$ 0.42
Net debt	6,414	4,179	5,078	5,663	5,597	5,597	5,931	6,139	6,022	5,533	5,533	6,013	6,279	6,451	5,351	5,351	4,987	4,478

Source: RBC CM estimates, Company reports

Appendix 6 – CHR Model Summary

Chorus Aviation (TSX: CHR)

FY Dec 31	2019	2020	Q1/21	Q2/21	Q3/21	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E
Chorus Aviation Income Statement (\$MM)																	
Revenue	1,366	948.7	202.5	199.9	274.4	304.1	980.8	327.3	337.9	340.8	334.3	1340.3	370.6	380.0	382.5	376.4	1509.5
<i>% change</i>	-5.8%	-30.6%	-42.2%	8.5%	39.7%	39.4%	3.4%	61.7%	69.0%	24.2%	9.9%	36.7%	13.2%	12.5%	12.2%	12.6%	12.6%
Salaries, wages and benefits	471	313	101	64	94	97	356	101	104	108	111	424	116	119	123	127	485
<i>% Sales</i>	34%	33%	50%	32%	34%	32%	36%	31%	31%	32%	33%	32%	31%	31%	32%	34%	32%
Depreciation and amortization	137	224	71	36	43	29	179	27	28	29	29	113	47	47	49	49	192
<i>% Sales</i>	10%	24%	35%	18%	16%	10%	18%	8%	8%	8%	9%	8%	13%	12%	13%	13%	13%
Aircraft maintenance	208	102	30	14	28	49	121	68	73	50	54	246	75	81	55	60	271
<i>% Sales</i>	15%	11%	15%	7%	10%	16%	12%	21%	22%	15%	16%	18%	20%	21%	14%	16%	18%
Airport and navigation fees	170	69	9	16	37	38	100	30	35	53	39	158	32	37	56	42	167
<i>% Sales</i>	12%	7%	5%	8%	13%	12%	10%	9%	10%	16%	12%	12%	9%	10%	15%	11%	11%
Terminal handling	20	9	1	1	2	2	6	1	1	3	2	6	1	1	5	6	13
<i>% Sales</i>	1%	1%	0%	1%	1%	1%	1%	0%	0%	1%	0%	0%	0%	0%	1%	2%	1%
Other	160	116	27	29	38	37	132	33	35	37	38	143	33	35	38	39	146
<i>% Sales</i>	12%	12%	13%	15%	14%	12%	13%	10%	10%	11%	11%	11%	9%	9%	10%	10%	10%
Total Operating Expenses	1,166	834	239	160	243	252	894	260	276	279	274	1,090	305	321	326	322	1,275
Operating Income	200	115	37	39	32	52	86	67	62	62	60	251	66	59	56	54	235
Adjusted EBITDA	339	347.5	84.0	76.9	78.1	81.3	320.3	94.2	89.5	90.5	89.6	363.8	113.0	106.2	105.4	102.6	427.2
<i>% of sales</i>	24.8%	36.6%	41.5%	38.5%	28.5%	26.8%	32.7%	28.8%	26.5%	26.5%	26.8%	27.1%	30.5%	27.9%	27.5%	27.3%	28.3%
Net Income	137	49	-45	13	4	22	-6	39	35	34	32	140	38	33	30	27	128
EPS (F.D) (\$) (Excluding Special charges)	\$0.84	\$0.25	-\$0.24	\$0.12	-\$0.08	\$0.13	-\$0.05	\$0.22	\$0.20	\$0.19	\$0.18	\$0.79	\$0.21	\$0.18	\$0.17	\$0.15	\$0.72
CFPS (F.D) (\$) (Excluding Special charges)	\$1.68	\$1.60	\$0.12	\$0.28	\$0.29	\$0.29	\$0.98	\$0.37	\$0.35	\$0.35	\$0.35	\$1.43	\$0.48	\$0.45	\$0.44	\$0.43	\$1.80
Net debt	1,746	2,025	1,988	1,871	1,864	1,823	1,823	1,786	1,779	1,825	1,893	1,893	1,638	1,588	1,539	1,492	1,492
Net debt/LTM EBITDA	5.2x	5.8x	5.9x	5.7x	5.8x	5.7x	5.7x	5.4x	5.2x	5.1x	5.2x	5.2x	4.3x	4.0x	3.7x	3.5x	3.5x

Source: Company reports, RBC Capital Markets estimates

Appendix 7 – EIF Model Summary

Exchange Income Corporation																	
(CAD \$000's unless otherwise indicated)	2019	2020	Q1/21	Q2/21	Q3/21	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E
Segmented revenues																	
Aviation revenues	974,739	687,321	183,143	197,934	274,852	244,657	900,586	221,457	247,624	300,840	268,230	1,038,151	243,603	267,434	318,891	284,323	1,114,251
Manufacturing revenues	366,635	462,308	117,603	124,136	125,151	124,529	491,419	146,243	153,756	146,169	145,472	591,641	160,868	169,132	156,401	155,656	642,056
Segmented EBITDA																	
Aviation EBITDA	299,190	218,077	52,822	68,563	88,679	78,290	288,354	59,793	80,478	94,765	83,151	318,187	71,132	86,916	100,451	88,140	346,639
Manufacturing EBITDA	55,735	87,981	18,094	19,726	15,826	16,189	69,835	20,474	24,601	26,310	26,185	97,571	30,565	32,135	29,716	29,575	121,991
Revenues, Net	1,341,374	1,149,629	300,746	322,070	400,003	369,186	1,392,005	367,701	401,381	447,009	413,702	1,629,793	404,471	436,566	475,292	439,979	1,756,307
Revenue growth (Y/Y)	11.5%	-14.3%	38.0%	32.2%	34.6%	22.4%	21.1%	22.3%	24.6%	11.8%	12.1%	17.1%	10.0%	8.8%	6.3%	6.4%	7.8%
Aviation expenses	544,243	372,250	104,136	106,445	156,224	133,093	499,898	129,331	133,717	164,860	148,063	575,971	137,977	144,414	174,752	156,946	614,090
Aviation expenses (% of sales)	40.6%	32.4%	34.6%	33.1%	39.1%	36.1%	35.9%	35.2%	33.3%	36.9%	35.8%	35.3%	34.1%	33.1%	36.8%	35.7%	35.0%
Manufacturing expenses	264,151	320,703	88,370	91,962	96,714	92,089	369,135	106,904	109,782	101,880	101,394	419,960	110,757	116,447	107,682	107,169	442,056
Manufacturing expenses (% of sales)	48.5%	86.2%	84.9%	86.4%	61.9%	69.2%	73.8%	82.7%	82.1%	61.8%	68.5%	72.9%	80.3%	80.6%	61.6%	68.3%	72.0%
Gross profit	532,980	456,676	108,240	123,663	147,065	144,003	522,971	131,466	157,881	180,269	164,245	633,861	155,737	175,704	192,857	175,864	700,162
Gross margin	39.7%	k	36.0%	38.4%	36.8%	39.0%	37.6%	35.8%	39.3%	40.3%	39.7%	38.9%	38.5%	40.2%	40.6%	40.0%	39.9%
EBITDA	334,391	276,779	64,018	80,682	94,251	87,095	326,046	72,914	97,051	112,135	101,062	383,162	93,608	110,320	120,661	108,915	433,503
EBITDA Margin (%)	24.9%	24.1%	21.3%	25.1%	23.6%	23.6%	23.4%	19.8%	24.2%	25.1%	24.4%	23.5%	23.1%	25.3%	25.4%	24.8%	24.7%
EBITDA growth (Y/Y)	20.0%	-17.2%	24.8%	30.1%	14.6%	7.2%	17.8%	13.9%	20.3%	19.0%	16.0%	17.5%	28.4%	13.7%	7.6%	7.8%	13.1%
Adj. EBITDA	328,813	284,535	64,122	81,061	95,276	87,095	327,554	72,914	97,051	112,135	101,062	383,162	93,608	110,320	120,661	108,915	433,503
Adj. EBITDA Margin (%)	24.5%	24.8%	21.3%	25.2%	23.8%	23.6%	23.5%	19.8%	24.2%	25.1%	24.4%	23.5%	23.1%	25.3%	25.4%	24.8%	24.7%
Adj. EBITDA growth (Y/Y)	18.4%	-13.5%	12.0%	30.6%	14.5%	6.3%	15.1%	13.7%	19.7%	17.7%	16.0%	17.0%	28.4%	13.7%	7.6%	7.8%	13.1%
EBIT	164,366	93,934	22,700	35,777	45,683	39,101	143,261	25,112	44,872	54,024	47,281	171,289	41,026	53,566	58,873	51,718	205,184
Depreciation and Amort.	170,025	182,845	41,318	44,905	48,568	47,994	182,785	47,801	52,179	58,111	53,781	211,873	52,581	56,754	61,788	57,197	228,320
Interest Expense	58,520	50,934	12,264	11,989	15,619	15,646	55,518	13,380	14,410	14,430	14,450	56,671	14,470	14,500	14,520	14,540	58,031
Taxes	22,210	14,945	3,309	7,282	8,165	6,333	25,089	3,168	8,225	10,690	8,864	30,947	7,170	10,548	11,975	10,038	39,731
Adj. net income	113,270	47,176	10,551	19,781	27,653	20,372	78,357	12,064	25,737	32,403	27,466	97,671	22,886	32,018	35,877	30,640	121,421
Weighted average shares outstanding (diluted)	38,094	35,472	36,481	38,136	39,015	39,015	39,015	39,015	39,015	39,015	39,015	39,015	39,015	39,015	39,015	39,015	39,015
Adj. EPS (FD)	2.97	1.33	0.29	0.52	0.71	0.52	2.01	0.31	0.66	0.83	0.70	2.50	0.59	0.82	0.92	0.79	3.11
Cash flow from operations (CFO)	217,237	259,974	68,270	39,341	98,435	49,233	255,279	-1,269	23,709	138,152	142,954	303,547	-10,530	31,373	152,522	153,430	326,795
Changes in working capital	-45,058	38,455	20,995	-23,362	20,607	-17,884	356	-59,634	-53,707	49,138	63,206	-997	-84,497	-56,899	56,356	67,093	-17,947
FCF from operations (company definition)	245,772	198,400	41,642	57,283	72,811	61,117	232,853	52,366	71,416	83,014	73,748	280,544	67,967	82,272	90,165	80,337	320,741
Maintenance capital expenditures	119,697	85,069	22,064	20,766	24,647	33,227	100,704	33,093	36,124	35,761	33,096	138,074	32,358	34,925	38,023	35,198	140,505
Growth capital expenditures	119,324	47,923	22,532	33,996	39,942	36,919	133,389	29,416	32,110	26,821	24,822	113,169	24,268	26,194	28,517	26,399	105,378
FCF from operations less maintenance capex (company definition)	126,075	113,331	19,578	36,517	48,164	27,890	132,149	19,273	35,292	47,254	40,651	142,470	35,609	47,346	52,142	45,139	180,237
FCF growth (Y/Y)	10.2%	-10.1%	751.6%	43.7%	8.6%	-32.4%	16.6%	-1.6%	-3.4%	-1.9%	45.8%	7.8%	84.8%	34.2%	10.3%	11.0%	26.5%
FCF % of revenue	9.4%	9.9%	6.5%	11.3%	12.0%	7.6%	9.5%	5.2%	8.8%	10.6%	9.8%	8.8%	8.8%	10.8%	11.0%	10.3%	10.3%
Adj. EBITDA conversion	38.3%	39.8%	30.5%	45.0%	50.6%	32.0%	40.3%	26.4%	36.4%	42.1%	40.2%	37.2%	38.0%	42.9%	43.2%	41.4%	41.6%
Free Cash Flow (CFO - total capex)	-21,784	126,982	23,674	-15,421	33,846	-20,913	21,186	-63,778	-44,525	75,571	85,036	52,304	-67,156	-29,746	85,981	91,833	80,911
FCF % of revenue	-1.6%	11.0%	7.9%	-4.8%	8.5%	-5.7%	1.5%	-17.3%	-11.1%	16.9%	20.6%	3.2%	-16.6%	-6.8%	18.1%	20.9%	4.6%
Adj. EBITDA conversion	-6.6%	44.6%	36.9%	-19.0%	35.5%	-24.0%	6.5%	-87.5%	-45.9%	67.4%	84.1%	13.7%	-71.7%	-27.0%	71.3%	84.3%	18.7%
Dividend payout ratio (FCF less maintenance capex)	57.7%	70.6%	103.4%	59.0%	45.0%	79.7%	64.9%	115.4%	63.0%	47.1%	54.7%	62.4%	64.6%	48.6%	44.1%	51.0%	51.1%
Dividend payout ratio (FCF less total capex)	-333.9%	63.0%	85.5%	-139.6%	64.1%	-106.3%	404.6%	-34.9%	-49.9%	29.4%	26.2%	170.1%	-34.3%	-77.4%	26.8%	25.1%	113.8%
Net debt	1,121,957	1,136,560	1,139,380	1,090,798	1,153,274	1,199,425	1,199,425	1,358,441	1,429,205	1,378,872	1,319,075	1,319,075	1,412,249	1,469,014	1,409,052	1,343,238	1,343,238
Net debt/LTM EBITDA	3.4x	4.0x	3.9x	3.5x	3.6x	3.7x	3.7x	4.0x	4.1x	3.7x	3.4x	3.4x	3.5x	3.5x	3.3x	3.1x	3.1x
Net debt/LTM EBITDA (covenant metric, excl. converts)	2.1x	2.5x	2.5x	2.2x	2.1x	2.2x	2.2x	2.7x	2.7x	2.5x	2.3x	2.3x	2.4x	2.5x	2.3x	2.1x	2.1x

Source: Company reports, RBC Capital Markets Estimates



Companies mentioned

Air Canada (TSX: AC CN; C\$23.67; Sector Perform)
Bombardier Inc. (TSX: BBD/B CN; C\$1.76; Outperform; Speculative Risk)
Chorus Aviation Inc. (TSX: CHR CN; C\$3.68; Outperform)
Exchange Income Corporation (TSX: EIF CN; C\$43.04; Outperform)

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

The class B shares of Bombardier Inc. are subordinate voting shares.

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

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Risk Rating

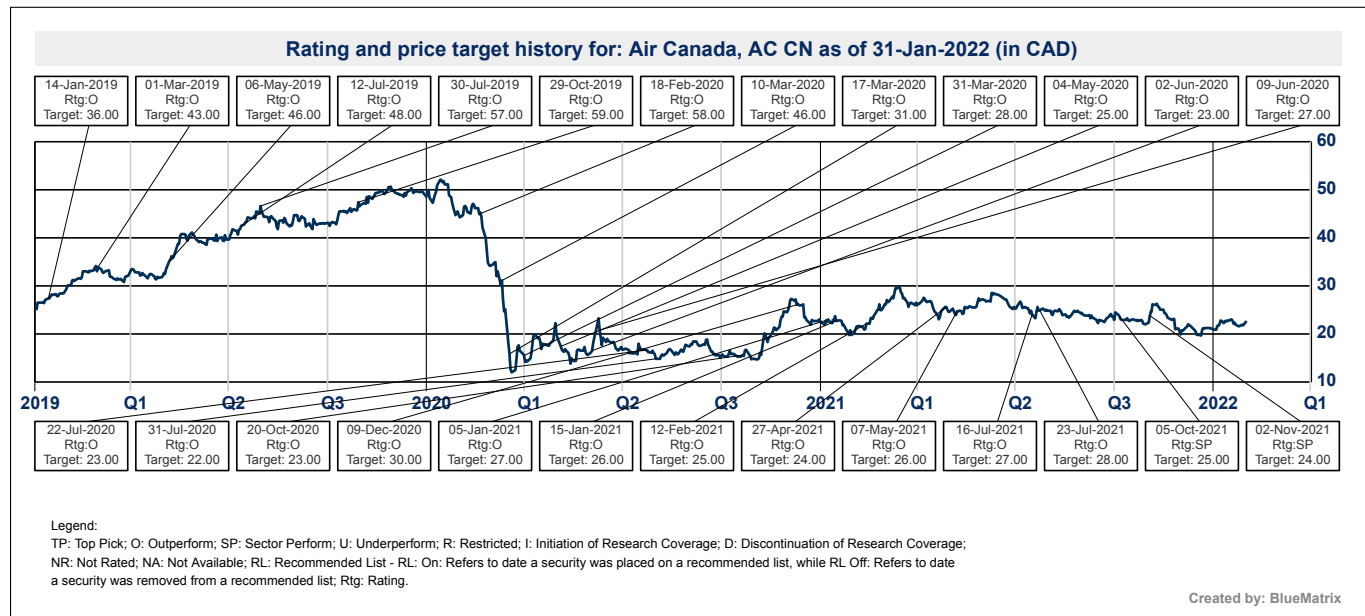
The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.



Distribution of ratings

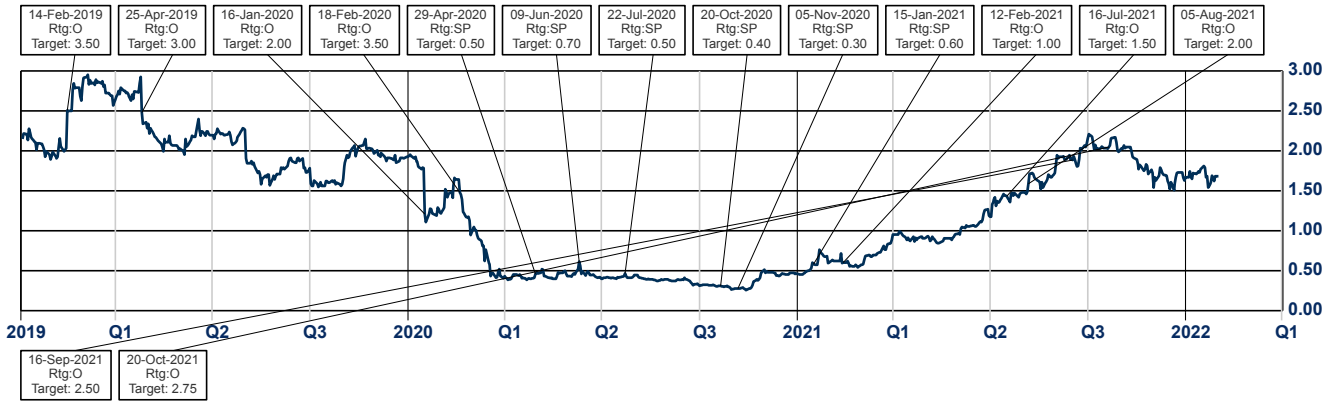
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Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 31-Dec-2021				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	831	57.59	365	43.92
HOLD [Sector Perform]	557	38.60	180	32.32
SELL [Underperform]	55	3.81	3	5.45





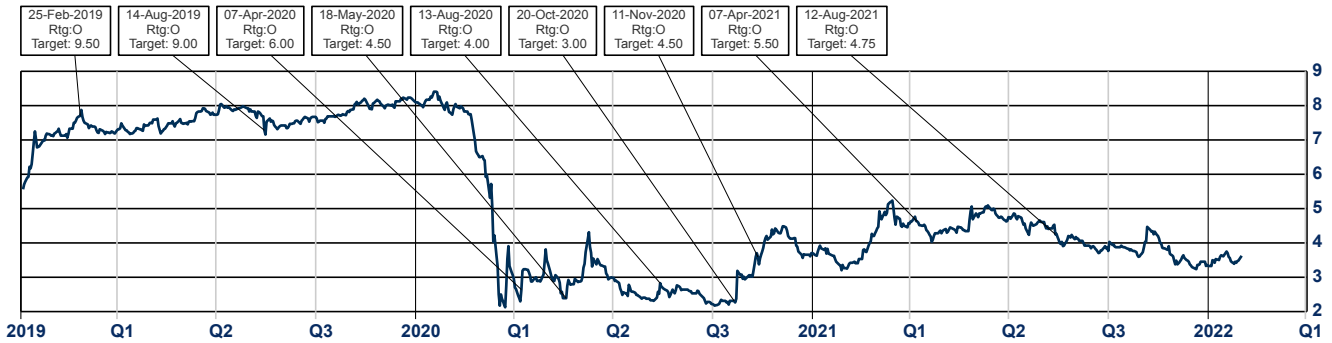
Rating and price target history for: Bombardier Inc., BBD/B CN as of 31-Jan-2022 (in CAD)



Legend:
 TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
 NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date a security was removed from a recommended list; Rtg: Rating.

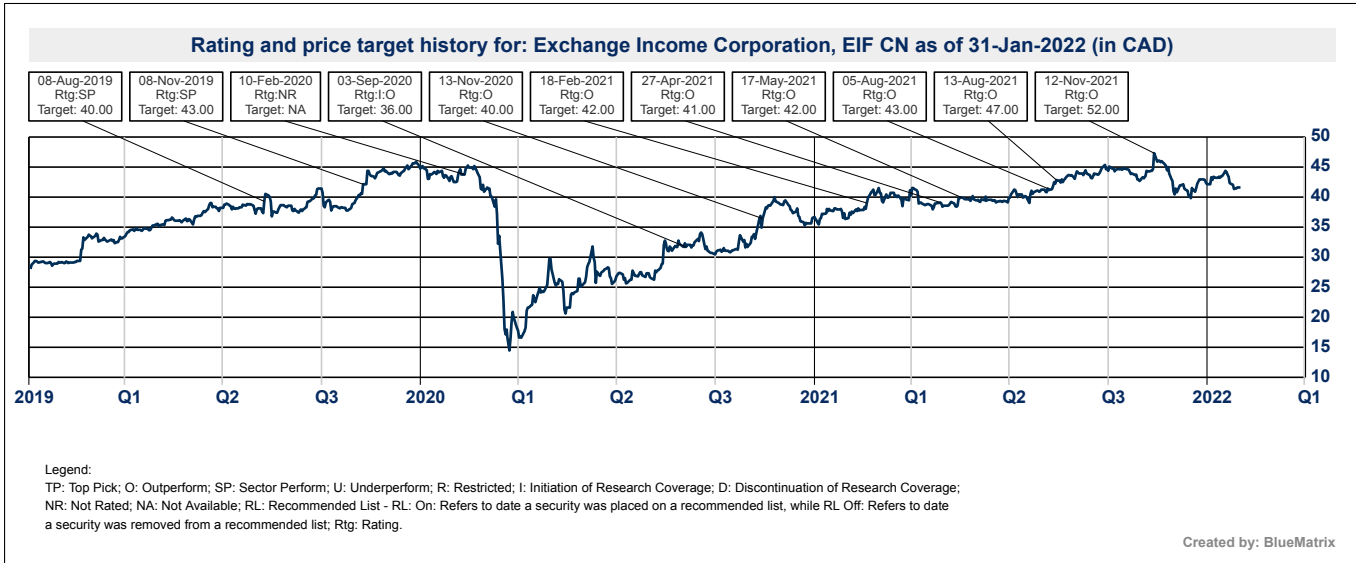
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Rating and price target history for: Chorus Aviation Inc., CHR CN as of 31-Jan-2022 (in CAD)



Legend:
 TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
 NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date a security was removed from a recommended list; Rtg: Rating.

Created by: BlueMatrix



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Air Canada

Valuation

Applying a 5.3x EV/EBITDA multiple to our 2024 estimates (which we then discount back one year at 10%), we derive our price target of \$23. Our target multiple is higher than the historical group average multiple, though in line with peers and supported by our view that the industry should largely return to “normal” by 2H/23 with EBITDA levels returning to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from COVID-19 followed by a general return to “normal” by 2H/23; (2) a reduction in capital intensity out to 2021; and (3) a widely distributed vaccine by Q3/21. Our price target supports our Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include but are not limited to 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.

Bombardier Inc.

Valuation

We apply a target multiple of 7.0x to our 2025 EBITDA estimate of \$1.53B and then discount back two years at 13% to derive our \$2.25 price target. Our target multiple is based on a significant discount to peers and an improving yet uncertain demand environment. We use EBITDA (as opposed to PE) as our primary valuation methodology, as we believe it better reflects the company’s growth potential while also taking into account its capital structure. Our price target supports our Outperform, Speculative Risk rating. Our Speculative Risk qualifier reflects BBD’s elevated leverage levels and cash flow visibility.



Risks to rating and price target

Risks to our estimates, price target, and rating include but are not limited to the performance of the global airline industry, possible changes to Bombardier's credit rating, and demand for business jets. We also see risk to reopening plans and should they cease due to COVID-19, we see this leading to further production halts. For these reasons, our earnings estimates could be more at risk than for most companies.

Chorus Aviation Inc.

Valuation

Our \$4.75 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 6.0x EV/EBITDA multiple based on our 2023 estimates and we value the company's leasing segment at a 6.0x P/E multiple based on our assumptions for operating and funding costs attributable to the segment. We believe these multiples are appropriate when assessed relative to historical early-cycle peer multiples. This generates our \$4.75 price target, which is the basis of our Outperform rating.

Risks to rating and price target

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.

Exchange Income Corporation

Valuation

In valuing EIF, we apply a blended 7.7x EV/EBITDA multiple (8.0x for Aviation & Aerospace and 7.0x for Manufacturing) to our \$434MM 2023E EBITDA, reflecting a valuation blend of 74% Aviation & Aerospace and 26% Manufacturing. We apply our target multiples to our 2023E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This generates our \$52 price target, which supports our Outperform rating.

Risks to rating and price target

Access to external capital. A key aspect of EIF's growth strategy is the acquisition of companies in order to expand and diversify the corporation's portfolio. The corporation requires funds to execute on these acquisitions. If the capital markets' desire for income-producing investments (such as the common shares and debentures issued by EIF) were to significantly decrease, EIF could have difficulty executing its acquisition and growth capital investment objectives.

Acquisition integration and related risks. While the company has a solid track record of identifying and making accretive acquisitions, EIF's ability to successfully grow or diversify through additional acquisitions is dependent on a number of factors. These include the identification of suitable acquisition targets, the negotiation of purchase agreements on satisfactory terms and prices, securing attractive financing arrangements, and, the integration of newly acquired operations into the existing business.

Pandemic-related risk. As seen with the COVID-19 pandemic, the spread of contagious disease could have a significant impact on passenger demand for air travel and on global supply chains, making it unable to access required inputs for operations. This type of event, though unpredictable, would have a negative impact on revenue and profitability at EIF. On the other hand, this event could increase the demand for medical travel services.

Significant contract risk. EIF and its subsidiaries are currently parties to a number of significant contracts with key customers, including governments. Although EIF's significant contracts are spread over a number of different subsidiaries, which reduces the over-reliance on a customer, the loss of any one of these significant contracts could have a negative impact on the operations and cash flow of the company.

Competition. New competition or increased competition could have a significant impact on the business, operations, and financial condition of EIF's Aerospace & Aviation and Manufacturing segments. The Aerospace & Aviation subsidiaries currently focus on niche markets in Canada and would be exposed to downside earnings risk from an existing competitor expanding into these niche markets or from a well-capitalized new competitor. Similarly, increased competition from new and existing competitors in the Manufacturing segment could drive down revenue and profitability; however, the level of competition is likely to be lower for products with higher degrees of customization.

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