



January 15, 2021

RBC Flight Deck

Q4 preview – Poor operating metrics being offset by vaccine optimism

Q4/20 preview. Though positive vaccine data released in early/mid November catalyzed a significant rally in the share prices across our Airline & Aerospace coverage to close out the year, overall industry demand trends and travel activity remained under pressure during the quarter as rising global case numbers led to stricter government shutdown measures. We have aligned our current forecasts with mgmt guidance where applicable, though we highlight the potential for downside risk to our near term estimates as we think Q1/21 outlooks (if provided) could point to little or no improvement in performance. Our primary focus going forward will be commentary on cash burn rates in the winter, demand trends (and associated capacity changes) into the spring, and at what point governments decide to engage in discussions around the removal of travel restrictions.

Modestly reducing estimates heading into Q4. We make minor revisions to our Q4 estimates for AC, CHR, and EIF, while BBD remains unchanged. Our target multiples are also largely unchanged (except for BBD, where it is increased to 5.0x from 4.3x to reflect the move higher in peer multiples). Highlights are below; further details on pages 7–10.

- **AC: Maintaining Outperform; lowering price target to \$26 (from \$27).** After updating the fuel curve our Q4/20 EBITDA estimate is unchanged, however we significantly reduce our Q1/21 forecasts to align with mgmt's guided capacity disclosure. Our primary focus for the quarter will be on cash burn rates, recent demand trends and the Q2/21 capacity outlook.
- **BBD: Maintaining Sector Perform, Speculative Risk; increasing price target to \$0.60 (from \$0.30).** We are not making any changes to our Q4 estimates; our \$246MM EBITDA estimate is modestly above consensus at \$237MM. Key focus for us will be on the biz jet delivery outlook for 2021, capital allocation plans post sale of BT to Alstom, and cash burn expectations for 1H/21.
- **CHR: Reiterating Outperform; keeping price target at \$4.50.** We lower our Q4 estimates to align with the changes made at AC; our \$78MM EBITDA estimate is below consensus at \$87MM. Our focus for the quarter will be on guidance for aircraft acquisitions in 2021 and expected time until demand normalizes once travel restrictions are lifted.
- **EIF: Maintaining Outperform and \$40 price target.** Our Q4 estimates are reduced to reflect expected headwinds at the Legacy Airlines and a lower CEWS benefit; our \$74MM EBITDA estimate is ahead of consensus at \$68MM. Key focus for us will be how quickly demand can return to normal at the Legacy Airlines, the backlog at Quest for 2021, and any colour on the current M&A environment.

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INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&P500	3.3	3.0	3.5	Δ
S&P 500	4.1	1.1	15.6	Δ
AMEX Airline	3.2	4.1	(21.4)	Δ
AMEX Aerospace	(1.7)	(0.8)	(21.4)	▼
COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	13.6	10.4	(2.1)	Δ
Jet Fuel	7.4	6.3	(21.6)	Δ
CAD/USD	(0.5)	(0.7)	(3.1)	▼
AEROSPACE				
Bombardier	36.3	29.2	(65.6)	Δ
Boeing	(8.2)	(1.9)	(36.8)	▼
EADS	1.3	3.9	(31.0)	Δ
Embraer	8.1	13.2	(60.8)	Δ
General Dynamics	0.5	3.5	(14.9)	Δ
Textron	7.4	3.8	10.7	Δ
N.A. MAINLINE				
Air Canada	(8.5)	4.9	(54.1)	▼
AMR	(1.6)	4.2	(40.3)	▼
Delta	1.9	3.1	(32.5)	Δ
United	(0.9)	7.0	(47.3)	▼
N.A. REGIONAL				
Alaska	13.3	6.6	(16.3)	Δ
Allegiant	13.7	3.6	12.6	Δ
Chorus Aviation	(7.5)	3.2	(53.7)	▼
Exchange Income	1.1	3.6	(13.6)	Δ
JetBlue	7.7	8.1	(15.1)	Δ
SkyWest	1.3	7.8	(32.2)	Δ
Southwest	7.9	4.7	(10.4)	Δ
INTL. AIRLINES				
Lufthansa	7.8	(2.8)	(31.4)	Δ
Air France/KLM	3.4	(1.0)	(48.1)	Δ
BA/Iberia	3.3	1.5	(62.2)	Δ
Air China	(10.1)	(6.9)	(27.9)	▼
China Eastern	(5.4)	(1.5)	(23.8)	▼
China Southern	(8.8)	(5.2)	(18.6)	▼
Singapore Airlines	(0.9)	1.6	(31.6)	▼
Qantas	(5.0)	(1.0)	(31.8)	▼

Source: Bloomberg

Canadian Airlines & Aerospace Q4/20 preview

Challenging industry conditions likely to persist through winter

Rising global case rates set the stage for a challenging winter, all eyes on effectiveness of vaccine roll-out in 2H/21. A very difficult Q3/20 reporting season for our Airline & Aerospace coverage was largely overshadowed by positive vaccine data that was released in early/mid-November. Concerns around demand, cash burn rates, and liquidity took a back seat as market attention turned towards the trajectory of the coming recovery and eventual return to normalcy. This dynamic played-out in the share price performance of our coverage group, with each company materially outperforming the market during Q4 despite demand trends and flight activity largely plateauing during the quarter. We note that our current forecasts align with guidance provided by mgmt teams where applicable, though we would highlight the potential for downside risk to our near term estimates as we think Q1/21 outlooks (if provided) could point to little to no improvement in performance (or perhaps even some regression) from what was seen during Q4/20.

The key focus for us going forward will be commentary on cash burn rates in the winter, demand trends (and associated capacity changes) into the spring, and at what point governments start discussions around the subsequent removal of travel restrictions. Further, we note that based on recent data points we have been tracking from RBC Elements and third-party providers, it appears as though the recovery has effectively stalled into early 2021, with the potential for reversion in the near term, should elevated case rates worsen or persist longer than expected.

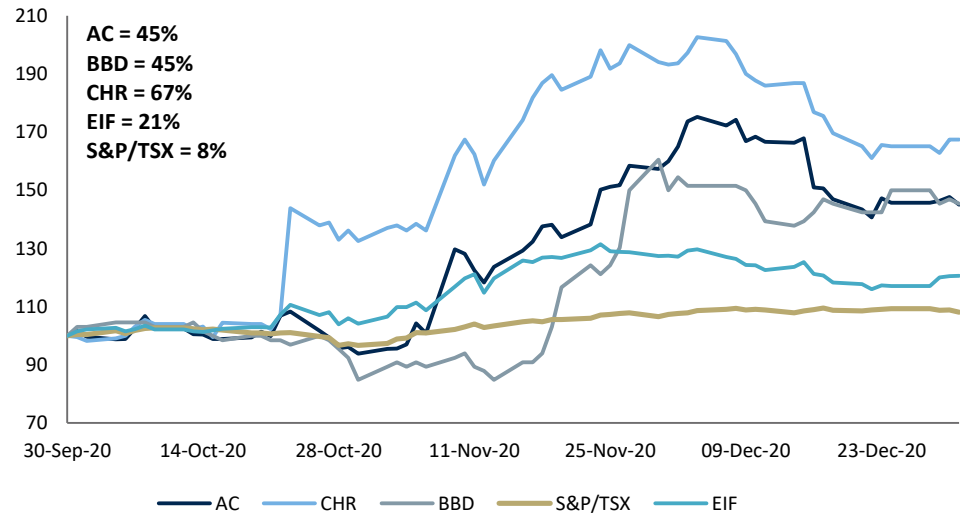
In this report, we discuss:

- A look at the performance of the Canadian airlines during the quarter;
- Changes to our estimates heading into Q4;
- Fare trends measured by our fare tracker;
- Global air traffic trends measured by IATA;
- A discussion of our Q4 estimates for each company in our coverage.

Positive vaccine data drives material outperformance in Q4

Share performance for Air Canada (+45%), Chorus (+67%), Bombardier (+45%), and Exchange (+21%) all materially outperformed the S&P/TSX (+8%) during Q4/20 (Exhibit 1) as positive vaccine data released in early November sparked a sector-wide rally in the shares of our Airline & Aerospace companies. We note that this rally more than offset largely stagnant air travel and flight activity trends, which depicted a sluggish recovery during the quarter.

Exhibit 1: Indexed share price performance vs. the S&P/TSX during Q4/20



Source: Factset, RBC Capital Markets

Q4 Estimates

We are making modest changes to our Q4 estimates ahead of the reporting season. Overall, worsening coronavirus trends and subsequent lockdown measures by governments around the world are likely to weigh on the shape of the recovery for the majority of companies in our Airlines & Aerospace coverage during the fourth quarter and into early 2021. Accordingly, we have adjusted our near term estimates to reflect this, while our longer-term estimates change only modestly across most of our coverage. Details by company are below:

- Air Canada (AC): Price target drops to \$26 (from \$27); reaffirm Outperform rating.** We are keeping our Q4/20 estimate unchanged with our adj. EBITDA remaining at -\$488MM. However, our Q1/21 estimate is significantly reduced as we have lowered our Q1/21 capacity to align with mgmt guidance of down 80% from Q1/19 levels while also updating for the new employee headcount. A small offset was our shift toward a more pronounced rebound in 2H/21 due to pent-up demand, which reflects our assumption for when the majority of the population will be vaccinated and travel restrictions lifted. As such, our Q1/21E EBITDA is lowered to -466MM (from +\$329MM) while our full-year 2021E EBITDA drops to -\$612MM (from +\$932MM). We also shift our valuation year to 2025 (from 2024) to reflect our expectation that valuation will reflect more normalized 2025 EBITDA only after the recovery to 2019 levels (which we still forecast to occur in 2024). Our 5.5x target multiple and 10% discount rate remain unchanged. Discounting back three years results in our new \$26 PT (which is down from \$27 mainly due to lower 2021 cash flow and associated higher debt levels).
- Bombardier (BBD): Price target increased to \$0.60 (from \$0.30); reaffirm Sector Perform (Speculative risk) rating.** We are leaving our Q4 and longer-term estimates unchanged heading into the quarter, with our Q4 EBITDA remaining at \$246MM (consensus \$237MM). Our target multiple moves to 5.0x (from 4.3x) following the positive re-rating in peer/sector multiples that has transpired following positive vaccine data in November. Accordingly, when applying our new target multiple to our unchanged 2022E EBITDA, our price target increases to \$0.60 (from \$0.30).
- Chorus Aviation (CHR): Price target unchanged at \$4.50; maintain Outperform rating.** We are lowering our estimates for CHR to align with the changes made to AC – in



particular the lower capacity in Q1/21 and the headcount reductions. With that, our Q4 EBITDA estimate moves to \$78MM (from \$80MM), while our 2021 (\$385MM from \$391MM; cons. \$377MM) and 2022 (\$418MM from \$420MM; cons. \$410MM) estimates are also slightly lowered. We are keeping our target multiples unchanged at 4.75x on the core CPA business and 4.75x on the leasing business, which results in a \$4.50 price target (unchanged).

- **Exchange Income (EIF): Price target stays at \$40; reiterate Outperform rating.** We are lowering our Q4 estimate to reflect a more challenging demand environment at the Legacy Airlines following a rise in case numbers across the provinces/territories and a lower benefit from the CEWS benefit on the business as a whole. As such, our Q4 EBITDA drops to \$74MM (from \$83MM; cons. \$68MM) while our longer-term estimates drop with our 2021 EBITDA moving to \$332MM (from \$341MM; cons. \$325MM) and our 2022 EBITDA sitting at \$366MM (from \$367MM; cons. \$363MM). Our target multiple is unchanged at 7.0x, and continues to reflect a blend of 7.0x for Aviation and 7.0x for Manufacturing at an Aviation/Manufacturing split of 72%/28%. Accordingly, when applying our unchanged blended target multiple to our 2022E EBITDA our price target remains \$40.

Exhibit 2: Estimate Changes ahead of the quarter

	Q4 2020 EBITDA			2021E EBITDA			2022E EBITDA			Target Multiple		Price Target (CAD)		Rating	Implied Return
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	New	RBC	New		
Air Canada	-\$488	-\$488	-\$445	\$932	-\$612	\$1,079	\$1,694	\$1,695	\$2,561	5.5x	5.5x	\$27	\$26	O	+9%
Bombardier	\$246	\$246	\$237	\$791	\$791	\$737	\$1,007	\$1,007	\$900	4.3x	5.0x	\$0.30	\$0.60	SP	+2%
Chorus Aviation	\$80	\$78	\$87	\$391	\$385	\$377	\$420	\$418	\$410	4.8x	4.8x	\$4.50	\$4.50	O	+18%
Exchange Income	\$83	\$74	\$68	\$341	\$332	\$325	\$367	\$366	\$363	7.0x	7.0x	\$40	\$40	O	+11%

Source: Company reports, RBC Capital Markets estimates

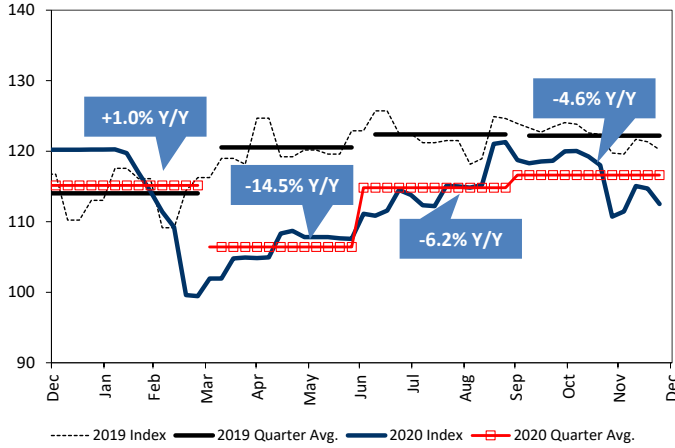
Fare tracker points to improving Q/Q yields but lower Y/Y yields

The RBC Fare Survey is pointing toward continued pressure on yields during Q4, with the data showing material Y/Y declines in fare pricing at both airlines. For Air Canada, yields in our RBC Fare Survey remained negative at **-4.6% Y/Y** during Q4 (though were up from the **-6.2% Y/Y** in Q3), with pricing during the quarter taking a noticeable step lower in late October/early November.

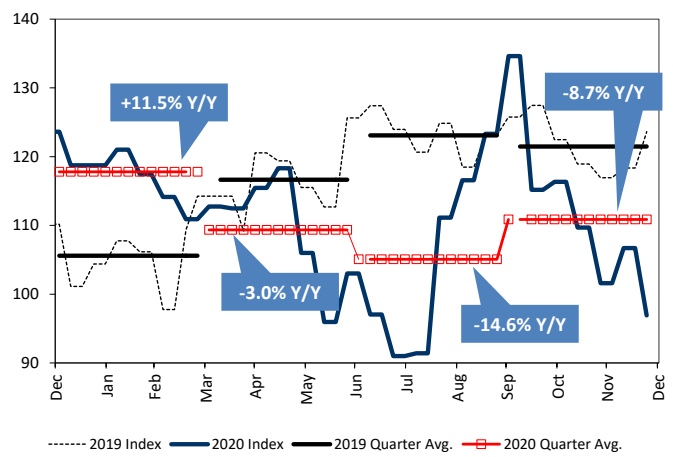
WestJet fares, as measured by our Fare Tracker, fell off considerably throughout the quarter after having experienced a significant rebound in August and September. As such, fare prices were down **-8.7% Y/Y** in Q4 after being down only **-14.6% Y/Y** on average during Q3. With provincial and federal governments likely to maintain their strict travel restrictions throughout the winter, we anticipate that yields at WestJet are likely to remain under pressure during Q1/21.

Exhibit 3: Fares remained down significantly Y/Y during Q4, though both AC and WJA saw improvement Q/Q

RBC Fare Tracker – Air Canada



RBC Fare Tracker – WestJet



Source: Air Canada, WestJet, RBC Capital Markets estimates. Note: Due to issues retrieving data from our third-party provider, we were unable to extract ticket pricing data for Air Canada during January 1 – February 12 and May 29 – June 16.

IATA Traffic data shows plateauing of recovery during Q4

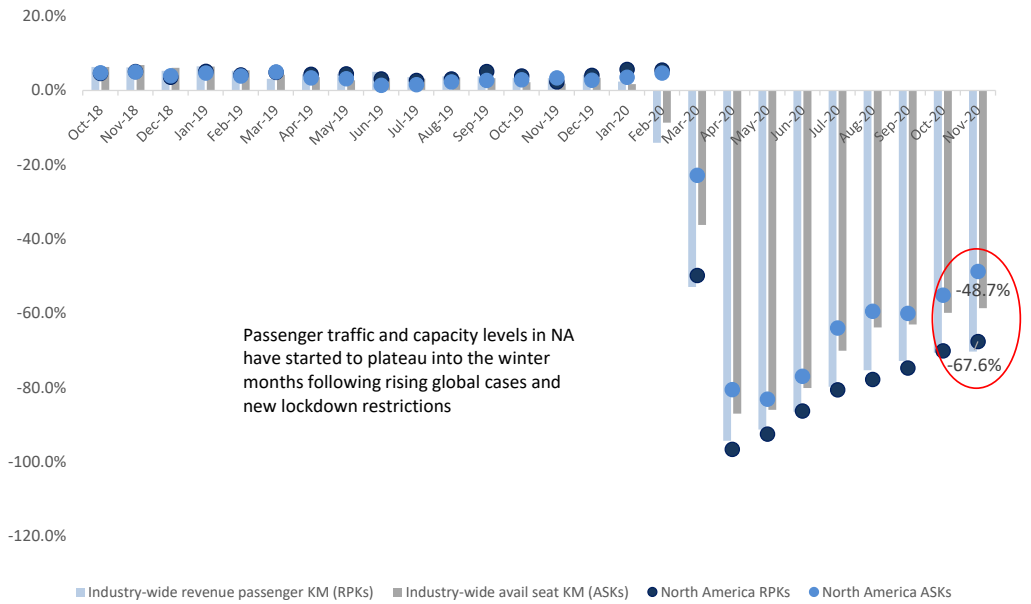
To gauge global air traffic conditions, we use data by the industry trade group International Air Transport Association (IATA), which provides an estimate of traffic, capacity, and load factor, broken down by region. This data does come with a bit of a time lag (~4-6 weeks), but still provides a good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

Passenger traffic stalled in November, near term outlook remains challenged. According to IATA, global demand ground to a halt in November following a moderating recovery seen to end the summer and into September, with industry-wide Revenue Passenger Km’s (RPK’s) down 70% Y/Y in November and 71% Y/Y in October. In North America, traffic was similarly impacted with RPKs dropping to -68% Y/Y in November (and -70% Y/Y in October). Looking ahead, we expect the traffic environment (both globally and in North America) to remain challenged until vaccine distribution becomes more prevalent across a larger portion of the population and we see a sustained reduction in the rate of new cases.

Global capacity levels slightly better than traffic, though still materially suppressed. IATA data also showed global capacity numbers following a relatively similar trajectory to traffic, with global capacity dropping to -59% Y/Y in November and -60% Y/Y in October. Capacity in North America was slightly better though was still down -49% Y/Y in November and -55% Y/Y in October. We also note that load factors deteriorated slightly in recent months, with industry-wide load factors of 58% in November representing a modest drop from the 60% recorded during October. We will be closely monitoring industry capacity levels as airlines navigate through the challenging winter months, with capacity levels expected to remain suppressed until infection rates drop off significantly.



Exhibit 4: Traffic (RPKs) and capacity (ASKs) as reported by IATA shows a flattening recovery



Source: IATA .org



Air Canada (TSX: AC)

Outperform; \$26 price target (from \$27)

SUMMARY

Market price:	\$23.89	52-Wk High:	\$52.46
Yield (12-mth):	0.0%	52-Wk Low:	\$9.26
Total est. return:	9%	Mkt Cap (MM):	\$7,942
Shares O/S (MM):	332.4	Net Debt (MM):	\$5,387
Float (MM):	\$7,942	EV (MM):	\$13,329

STOCK SET-UP

Q4/20 Performance

Absolute	45%
vs. S&P TSX	3,699bps

Short Interest (Days to Cover)

Current	1.4
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Analyst Sentiment

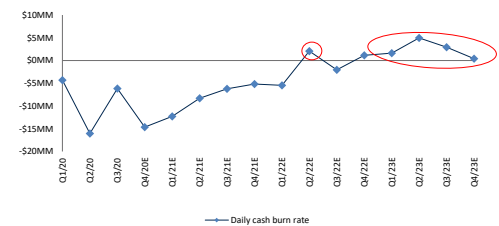
Outperform	72%
Sector Perform	22%
Underperform	6%

CONFERENCE CALL DETAILS

- February 9th at 8:30AM ET (estimated)
- TBD

Q4/20 set-up. Our Q4 estimates are unchanged after updating our fuel curve and making minor tweaks to our cost structure, with our EBITDA remaining at -\$488MM (consensus -\$445MM). Our daily cash burn forecasts for the fourth quarter are also unchanged at \$15MM and align with mgmt's most recent guidance of \$14MM-\$16MM, as does our capacity estimate of -75% Y/Y. We continue to view Q4/20 as representing peak quarterly cash burn and see AC returning to sustainable cash flow breakeven by 2023.

Daily cash burn



Area of focus. During Q4 reporting we will be looking for commentary regarding: 1) anticipated cash burn rates for Q1/21 and any insight as to when cash flow breakeven is expected; 2) updates on the capacity outlook for Q2/21, and commentary on how booking trends are shaping up into the spring; 3) additional plans to further invest in the cargo business and the outlook for that segment in 2021; and 4) any updates on timing and potential amendments regarding the closing of the Transat deal (in the event it has yet to close before Q4 is reported).

Maintain Outperform rating. While AC's December equity raise further addressed liquidity concerns, the recent Q1/21 capacity reduction likely points to elevated levels of cash burn persisting through 1H/21. That said, we believe the shares continue to have upside potential once demand returns, and we have aligned our 2021 forecasts to reflect a material improvement in demand beginning in 2H/21 (when we estimate the majority of the population will be vaccinated and travel restrictions lifted).

	Q4/20E			2021E			2022E			2023E			2024E			2025E
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	NEW
Traffic: RPMs (% chg)	-82.5%	-82.5%	0bp	76.4%	44.6%	-3178bp	30.5%	66.9%	3642bp	31.2%	34.5%	334bp	27.0%	18.1%	-889bp	1.0%
Capacity: ASMs (% chg)	-75.0%	-75.0%	0bp	47.2%	27.1%	-2016bp	24.8%	53.3%	2852bp	28.4%	30.2%	182bp	24.8%	16.0%	-874bp	1.0%
Load Factor (%pts)	56.7%	56.7%	0bp	76.8%	72.9%	-385bp	80.3%	79.4%	-89bp	82.0%	82.0%	0bp	83.4%	83.4%	0bp	83.4%
Yield (% chg)	8.0%	8.0%	0bp	-8.0%	-8.0%	0bp	-5.0%	-5.0%	0bp	-4.0%	-4.0%	0bp	-3.0%	-3.0%	0bp	2.0%
RASM (% chg)	-24.0%	-24.0%	0bp	23.1%	16.1%	-707bp	-0.6%	4.2%	480bp	-1.9%	-0.8%	112bp	-1.4%	-1.3%	6bp	2.0%
Adj. CASM ex fuel+other (% chg)	113.8%	122.7%	887bp	-26.8%	-17.2%	958bp	-15.8%	-26.3%	-1050bp	-9.8%	-11.5%	-165bp	-8.8%	-7.1%	169bp	1.0%
Avg Jet Fuel Price: (\$C/Ltr)	\$0.77	\$0.77	0.0%	\$0.66	\$0.73	10.5%	\$0.66	\$0.72	8.1%	\$0.66	\$0.72	8.1%	\$0.67	\$0.70	3.9%	\$0.70
Revenue	1,063	1,043	-1.9%	10,188	8,377	-17.8%	11,991	12,896	7.5%	15,095	16,177	7.2%	18,181	18,279	0.5%	18,811
Expenses	1,551	1,532	-1.2%	9,256	8,989	-2.9%	10,297	11,201	8.8%	12,599	13,607	8.0%	15,037	15,161	0.8%	15,342
EBITDA	(488)	(488)	0.2%	932	(612)	-165.7%	1,694	1,695	0.1%	2,496	2,571	3.0%	3,143	3,119	-0.8%	3,469
EBITDA Margin	-45.9%	-46.8%	2.1%	9.1%	-7.3%	-179.9%	14.1%	13.1%	-7.0%	16.5%	15.9%	-3.9%	17.3%	17.1%	-1.3%	18.4%
EPS ex-one time items (\$)	(3.15)	(3.91)	24.0%	(3.88)	(8.90)	129.2%	(1.36)	(1.67)	22.3%	0.51	0.42	-17.8%	2.18	1.87	-14.2%	2.73

Source: Bloomberg, FactSet, RBC Capital Markets estimates, Company reports

Priced as of market close January 14, 2021



Bombardier (TSX: BBD)

SP (Spec. risk); \$0.60 PT (from \$0.30)

SUMMARY

Market price:	\$0.59	52-Wk High:	\$1.82
Yield (12-mth):	0.0%	52-Wk Low:	\$0.26
Total est. return:	2%	Mkt Cap (MM):	\$1,422
Shares O/S (MM):	2,411.0	LT Debt (MM):	\$9,203
Float (MM shs):	2,411.0	Net Debt (MM):	\$8,043
Float (MM):	\$1,422	EV (MM):	\$9,465

STOCK SET-UP

Q4/20 Performance

Absolute 45%
vs. S&P TSX 3,732bps

Short Interest (Days to Cover)

Current 4.8

Analyst Sentiment

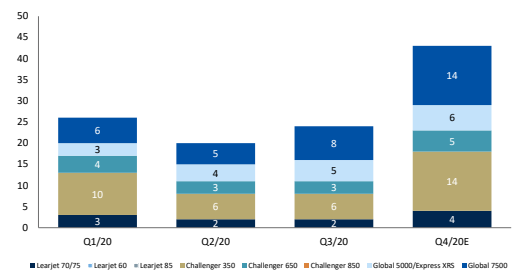
Outperform 6%
Sector Perform 81%
Underperform 13%

CONFERENCE CALL DETAILS

- February 11th at 8:00AM (estimated)
- TBD

Q4/20 set-up. We have not made any changes to estimates ahead of Q4 results. We are looking for a large positive working capital swing of \$800MM driving FCF generation of \$709MM during Q4, which aligns with mgmt's guidance of achieving FCF breakeven for 2H/20. In terms of biz jet deliveries, we are looking for 43 total aircraft (including 14 Global 7500s) to be delivered during Q4, which reflects mgmt's guidance for 2H/20 Global 7500 deliveries doubling what was done in 1H/20.

Business jet deliveries



Key focus for Q4. We will be listening for commentary and looking for updates regarding: 1) biz jet delivery guidance for Q1/21 and any changes to prior run-rate guidance of 100-120 deliveries annually; 2) colour on current demand trends, particularly for the Global 7500; 3) capital allocation plans following successful close of the sale of BT to Alstom; and 4) guidance around anticipated cash burn in 1H/21 and the need for additional financing to shore up liquidity following the Alstom deal.

Maintain Sector Perform (Speculative risk) rating. While the anticipated successful close of the sale of BT to Alstom should serve to shore up liquidity in the near to medium term, the capital structure will need reshaping and there remains a great deal of uncertainty as to the long-term success of BBD's strategy to transition to a pure-play biz jet company. As such, we remain on the sidelines until visibility/clarity on this transformation improves.

	Q4/20E			2021E			2022E		
	Old	Cur	Var (%)	Old	Cur	Var (%)	Old	Cur	Var (%)
Operating metrics									
Bombardier Aviation (BA)									
Revenue	1,881	1,881	0.0%	5,403	5,403	0.0%	5,727	5,727	0.0%
EBIT	94	94	0.0%	432	432	0.0%	630	630	0.0%
Mgn%	5.0%	5.0%	0 bps	8.0%	8.0%	0 bps	11.0%	11.0%	0 bps
Bombardier Transportation (BT)									
Revenue	1,980	1,980	0.0%						
EBIT	65	65	0.0%						
Mgn%	3.3%	3.3%	0 bps						
Bombardier Consolidated									
Total Revenues	1,881	1,881	0.0%	5,403	5,403	0.0%	5,727	5,727	0.0%
Total EBIT	109	109	0.0%	432	432	0.0%	630	630	0.0%
Mgn%	5.8%	5.8%	0 bps	8.0%	8.0%	0 bps	11.0%	11.0%	0 bps
Free Cash Flow	709	709		(808)	(808)		(485)	(485)	
EBITDA	246	246		791	791		1,007	1,007	
Adjusted EPS	-\$0.07	-\$0.07		-\$0.27	-\$0.27		-\$0.14	-\$0.14	

Source: Bloomberg, FactSet, RBC Capital Markets estimates, Company reports

Priced as of market close January 14, 2021



Chorus Aviation (TSX: CHR)

Outperform; \$4.50 PT (unchg.)

SUMMARY

Market price:	\$3.82	52-Wk High:	\$8.45
Yield (12-mth):	0.0%	52-Wk Low:	\$1.80
Total est. return:	17.8%	Mkt Cap (MM):	\$626
Shares O/S (MM):	163.9	Net Debt (MM):	\$1,903
		EV (MM):	\$2,529

CONFERENCE CALL DETAILS

- February 19th at 9:00AM
- 1-888-231-8191

STOCK SET-UP

Q4/20 Performance

Absolute	67%
vs. S&P TSX	5,928bps

Short Interest (Days to Cover)

Current	3.2
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Analyst Sentiment

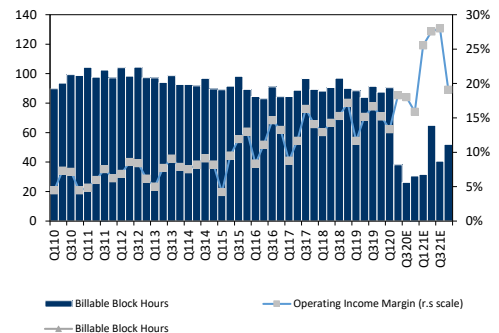
Outperform	75%
Sector Perform	25%
Underperform	0%

Q4/20 set-up. We are modestly lowering our Q4 estimates, largely as a result of the changes made at AC for the quarter and our expectations for a more challenging demand environment in the regional leasing market. With that, our EBITDA estimate of \$78MM is below consensus at \$87MM. Driving this estimate are Q4 revenues forecasted to be down 36% Y/Y (led by declines of -62% Y/Y in Pass-through revenues), which represent only modest sequential improvement Q/Q. That said, given CHR's uniquely defensive business model we are looking for EBITDA to be down only 12% Y/Y. We also expect that NWC headwinds will largely dissipate with CHR estimated to generate CFO of \$45MM during Q4.

Key areas of focus for Q4. Our focus for Q4 reporting will be on guidance for expected aircraft purchases during 2021 and mgmt's view on how long it will take for demand to normalize once travel restrictions are lifted. The aircraft capex is of particular focus as we understand that while CHR is actively trying to grow its leasing business, the company is also on track to exit the pandemic with considerable leverage (we estimate leverage of 5.1x at the end of 2021).

Reaffirm Outperform rating. While CHR's shares have moved substantially higher following positive vaccine news (and to a lesser extent the unsolicited acquisition proposal last October), we think that the stock still has room for further upside once travel restrictions are lifted given CHR's exposure to a domestic recovery (which we continue to believe will rebound first). Reiterate OP rating, PT unchanged at \$4.50.

Operating metrics



	Q4/20E			2021E			2022E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Revenue breakdown									
Controllable Revenue	100	92	-8.3%	465	439	-5.5%	530	518	-2.2%
Leasing under CPA	33	33	0.0%	150	150	0.0%	150	150	0.0%
Margin compensation	18	18	0.0%	62	62	0.0%	62	62	0.0%
Incentives	1.0	1.0	0.0%	1	1	0.0%	1	1	0.0%
Pass through revenue	17	21	18.4%	80	86	7.7%	111	128	14.4%
Passenger revenue	170	165	-3.0%	758	738	-2.6%	854	858	0.5%
Regional Aircraft Leasing	39	39	0.0%	185	185	0.0%	199	199	0.0%
Other - Charter, contract flying, MRO	14	13	-7.7%	67	62	-6.5%	84	83	-1.2%
Total Revenues	223	217	-2.8%	1,009	985	-2.3%	1,137	1,140	0.3%
Total Expenses	188	183	-2.6%	757	739	-2.3%	861	867	0.7%
Total Operating Income	36	34	-3.6%	252	246	-2.4%	276	273	-1.0%
Depreciation and Amortization	44	44	0.0%	139	139	0.0%	145	145	0.0%
EBITDA	80	78	-1.6%	391	385	-1.5%	420	418	-0.7%

Source: Bloomberg, FactSet, RBC Capital Markets estimates, Company reports

Priced as of market close January 14, 2021



Exchange Income Corporation (TSX: EIF)

Outperform; \$40 price target (unchg.)

SUMMARY

Market price:	\$37.97	52-Wk High:	\$45.86
Yield (12-mth):	6.1%	52-Wk Low:	\$12.57
Total est. return:	11%	Mkt Cap (MM):	\$1,372
Shares O/S (MM):	36.1	EV (MM):	\$2,128

STOCK SET-UP

Q4/20 Performance

Absolute vs. S&P TSX	21% 1,251bps
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Short Interest (Days to Cover)

Current	5.7
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Analyst Sentiment

Outperform	80%
Sector Perform	20%
Underperform	0%

CONFERENCE CALL DETAILS

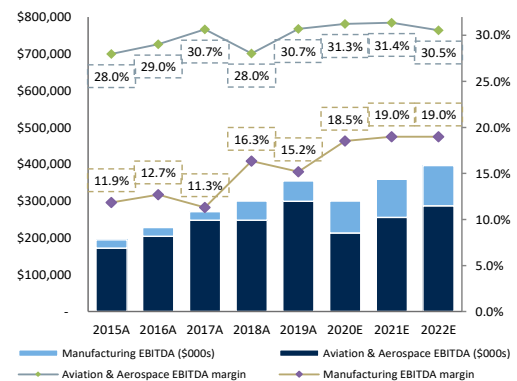
- February 25th at 8:30AM (estimated)
- TBD

Q4/20 set-up. We have lowered our estimates for Q4/20, with our EBITDA estimate of \$74MM (-16% Y/Y) above consensus at \$68MM. On a segment basis, we are forecasting for Aviation revenues to be down 32% Y/Y (representing only modest sequential improvement vs. being down 36% Y/Y during Q3/20), though expect Manufacturing should help offset the decline with healthy 18% Y/Y growth aided by contribution from the WIS acquisition. We anticipate another quarter of strong FCF (less maintenance capex) generation at \$39MM and see CFO of \$59MM covering all capex (\$23MM) and dividend payments (\$20MM) for the third straight quarter during the pandemic.

Areas of focus for Q4. Our primary areas of focus during Q4 reporting will be on: 1) the speed at which “pent-up demand” can drive a return normal at the Legacy Airlines once travel restrictions are lifted; 2) what the cargo opportunity looks like for vaccine delivery to northern communities in 1H/21; 3) commentary on the current M&A environment and the existing pipeline of opportunities; and 4) updates on the backlog at Quest and guidance expectations for the division during 2021.

Reiterate Outperform rating. We continue to view M&A as an important catalyst for EIF, though acknowledge that a material transaction is unlikely until travel restrictions are removed and mgmt can conduct proper due diligence. Until then, investors have a well-covered 6% dividend yield and resilient and diversified cash flows streams that should be supportive of steady near term performance until demand recovers.

Segment EBITDA and adj. EBITDA margins



(C\$000s unless specified)	Q4/20E				2021E				2022E			
	Old	Current	Var	Y/Y	Old	Current	Var	Y/Y	Old	NEW	Var	Y/Y
Aviation revenue	176,848	171,795	-2.9%	-32.0%	831,515	814,911	-2.0%	19.3%	938,811	940,572	0.2%	15.4%
Manufacturing revenue	136,179	130,647	-4.1%	18.1%	549,432	543,346	-1.1%	16.3%	581,290	574,778	-1.1%	5.8%
Consolidated revenue	313,027	302,442	-3.4%	-16.7%	1,380,946	1,358,258	-1.6%	18.1%	1,520,101	1,515,351	-0.3%	11.6%
Adj. EBITDA	82,872	74,160	-10.5%	-16.4%	340,835	331,711	-2.7%	19.9%	366,744	366,180	-0.2%	10.4%
<i>EBITDA Margin</i>	26.5%	24.5%	-195bp	0.4%	24.7%	24.4%	-26bp	37bp	24.1%	24.2%	4bp	-26bp
CFO	65,486	59,403	-9.3%	-10.1%	241,025	242,900	0.8%	-4.9%	267,936	262,609	-2.0%	8.1%
FCF from operations (comp)	60,595	53,807	-11.2%	-21.6%	248,137	240,626	-3.0%	24.9%	268,136	267,558	-0.2%	11.2%
FCF less total capex	42,009	36,720	-12.6%	701.7%	85,786	90,286	5.2%	-31.8%	55,122	50,460	-8.5%	-44.1%
FCF less maintenance capex	44,944	38,685	-13.9%	4.7%	150,897	145,000	-3.9%	30.9%	146,528	146,330	-0.1%	0.9%
FCF less maintenance capex	\$1.28	1.10	-13.9%	3.2%	\$4.29	4.12	-3.9%	30.9%	\$4.16	4.16	-0.1%	0.9%
Adj. EPS (f.d.)	\$0.59	0.44	-25.2%	-54.9%	\$2.22	2.10	-5.6%	68.6%	\$2.46	2.46	0.0%	17.3%

Source: Bloomberg, FactSet, RBC Capital Markets estimates, Company reports

Priced as of market close January 14, 2021



Air Canada (TSX: AC)

Valuation

Applying a 5.5x EV/EBITDA multiple to our 2025 estimates (which we then discount back three years at 10%), we derive our price target of \$26.00. Our target multiple is higher than the historical group average multiple, which we believe is justified by our view that the industry should return to “normal” by 2024 with EBITDA levels returning to normal by 2025. Our base case reflects the following assumptions: 1) near-term headwinds from COVID-19 followed by a return to “normal” by 2024; (2) a reduction in capital intensity out to 2021; and (3) a widely distributed vaccine by Q3/21. The implied return to our price target supports our Outperform 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 (TSX: BBD)

Valuation

Our price target is \$0.60. We apply a target multiple of 5.0x to our 2022 estimate, which is applied to our \$1,007MM EBITDA estimate for BA in 2022. Our target multiple is based on a significant discount to peers, reflecting deal risk and an uncertain demand environment. Our price target supports our Sector Perform, Speculative Risk rating. We apply a Speculative Risk qualifier owing to the company’s high debt level, elevated deal risk, and uncertain demand environment.

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, demand from railways for Bombardier trains, and demand for business jets. There is now also the risk that the sale of BT to Alstom does not get regulatory approval. 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 (TSX: CHR)

Valuation

Our \$4.50 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 4.75x EV/EBITDA multiple based on our 2022 estimates and we value the company's leasing segment at a 4.75x 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 \$4.50 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 (TSX: EIF)

Valuation

In valuing the shares of EIF, we apply a blended 7.0x EV/EBITDA multiple (7.0x for Aviation & Aerospace and 7.0x for Manufacturing) on our \$366MM 2022E EBITDA – reflecting a valuation blend of 72% Aviation & Aerospace and 28% Manufacturing. We apply our target multiples to our 2022E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This takes us to our \$40 price target. Our price target supports an Outperform rating on the stock.

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 (second wave) 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.

Appendix 1: Airline comparables

Symbol	14-Jan-21		EV/EBITDA				EV/Sales				EBITDA Margin				
	Price		2019A	2020E	2021E	2022E	2019A	2020E	2021E	2022E	2019A	2020E	2021E	2022E	
Discount Airlines															
Southwest	LUV-US	US\$	\$48.82	6.4x	-7.2x	16.2x	6.8x	1.2x	2.9x	1.8x	1.4x	19%	-41%	11%	20%
JetBlue	JBLU-US	US\$	\$15.72	5.7x	-5.0x	22.1x	6.4x	0.9x	2.6x	1.5x	1.1x	17%	-52%	7%	17%
Discount Average			6.0x	-6.1x	19.1x	6.6x	1.1x	2.8x	1.6x	1.2x	18%	-46%	9%	18%	
Mainline Airlines															
Air Canada	AC-CA	C\$	\$23.89	3.6x	-7.2x	-21.2x	7.7x	0.7x	2.1x	1.5x	1.0x	19%	-30%	-7%	13%
Delta Air Lines	DAL-US	US\$	\$41.47	5.1x	-8.8x	17.7x	7.0x	1.0x	2.8x	1.8x	1.3x	20%	-32%	10%	18%
United Continental	UAL-US	US\$	\$46.29	4.9x	-5.4x	20.5x	6.7x	0.8x	2.2x	1.4x	1.0x	16%	-40%	7%	15%
American Airlines	AAL-US	US\$	\$16.44	7.3x	-4.5x	NMF	14.1x	0.9x	2.5x	1.6x	1.2x	13%	-54%	-4%	8%
Mainline Average			5.2x	-6.5x	5.7x	8.9x	0.8x	2.4x	1.6x	1.1x	17%	-39%	1%	14%	
Regional Airlines															
Chorus Aviation	CHR-CA	C\$	\$3.82	8.1x	8.2x	7.1x	6.6x	2.0x	2.9x	2.8x	2.4x	25%	35%	39%	37%
SkyWest Inc.	SKYW-US	US\$	\$43.45	6.6x	6.6x	6.6x	6.6x	1.6x	2.3x	1.9x	1.7x	24%	34%	29%	26%
Regional Average			7.4x	7.4x	6.9x	6.6x	1.8x	2.6x	2.4x	2.1x	24%	35%	34%	31%	
Airline Average			6.0x	-2.9x	8.6x	7.7x	1.1x	2.5x	1.8x	1.4x	19%	-22%	11%	19%	

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced at 4pm January 14, 2021

Appendix 2: Aerospace comparables

Company Name	Exch: Ticker	Price 14-Jan-21	Mkt. Cap (\$MM's)	Debt to EBITDA	P/E				EV/EBITDA				2019A EBITDA	2020E EBITDA	2021E EBITDA	2022E EBITDA	
					2019A	2020E	2021E	2022E	2019A	2020E	2021E	2022E	Margin	Margin	Margin	Margin	
Aerospace																	
Boeing	NYSE:BA	US\$	209.91	118,500	-11.6x	-60.5x	-23.0x	nmf	34.1x	517.6x	-52.4x	25.9x	15.5x	0.4%	-5.0%	7.5%	11.3%
Embraer	NYSE:ERJ	US\$	7.71	1,427	-19.8x	-4.4x	-2.2x	-12.5x	32.1x	21.2x	-31.5x	12.4x	7.4x	3.3%	-3.5%	7.3%	9.5%
General Dynamics	NYSE:GD	US\$	154.09	44,220	2.6x	12.9x	13.9x	13.5x	12.1x	10.5x	11.4x	11.2x	10.4x	14.0%	13.2%	13.2%	13.5%
Textron	NYSE:TXT	US\$	50.19	11,487	2.5x	13.4x	26.5x	18.7x	15.1x	8.7x	15.1x	10.7x	9.5x	11.6%	8.0%	10.2%	10.8%
Average						-9.7x	3.8x	6.6x	23.4x	139.5x	-14.4x	15.0x	10.7x	7.3%	3.2%	9.6%	11.3%
Transportation & Conglomerates																	
Siemens	XE:SIE	EUR	122.34	103,989	3.8x	19.6x	24.8x	20.8x	17.3x	12.9x	17.1x	15.5x	13.1x	11.9%	13.7%	14.9%	16.8%
General Electric	NYSE:GE	US\$	11.66	102,140	7.2x	17.9x	nmf	32.1x	20.0x	12.7x	24.2x	16.0x	12.2x	12.0%	7.6%	11.2%	14.0%
United Technologies	NYSE:UTX	US\$	70.94	107,738	2.7x	14.6x	23.8x	20.4x	15.0x	9.5x	14.5x	12.9x	10.7x	18.1%	14.4%	15.3%	17.1%
Average						17.4x	24.3x	24.4x	17.5x	11.7x	18.6x	14.8x	12.0x	14.0%	11.9%	13.8%	16.0%
Bombardier	TSX: BBD.B	C\$	\$0.59	1,414	14.0x	-1.8x	-1.0x	-1.7x	-3.3x	5.6x	17.7x	6.1x	4.8x	5.5%	2.0%	14.6%	17.6%

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Priced at market close on January 14, 2021

Appendix 3: EIF comparables

Symbol	Symbol	14-Jan Price	Mkt Cap (\$MM)	EBITDA (MM)					EBITDA Margin (MM)				EV/EBITDA				Net Debt/ EBITDA	Div. Yield		
				2018	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E				
Aviation																				
Chorus Aviation Inc.	CHR	CHR-CA	C\$	\$3.82	625	285	337	336	385	418	24.7%	35.4%	39.1%	36.6%	8.1x	8.2x	7.1x	6.6x	6.3x	N/A
Alaska Airlines	ALK	ALK-US	US\$	\$55.42	6,853	1,193	1,523	-1,205	544	1,270	17.3%	-33.6%	9.4%	16.4%	5.6x	N/A	15.6x	6.7x	-1.4x	N/A
Hawaiian Airlines	HAL	HAL-US	US\$	\$21.76	19,236	4,333	3,674	2,378	2,308	2,712	16.4%	16.5%	17.0%	17.8%	7.6x	11.7x	12.1x	10.3x	3.7x	0.8%
Air Lease Corp.	AL	AL-US	US\$	\$45.23	5,146	1,556	1,842	1,885	2,105	2,428	91.3%	93.0%	92.5%	90.5%	10.3x	10.1x	9.1x	7.9x	7.4x	1.3%
AerCap Holdings	AER	AER-US	US\$	\$46.48	6,031	4,010	4,306	2,834	3,526	3,795	87.2%	63.1%	81.3%	85.2%	7.8x	11.9x	9.5x	8.9x	9.7x	N/A
Air Transport Services Group	ATSG	ATSG-US	US\$	\$27.76	1,654	312	452	489	535	561	31.1%	30.7%	30.5%	31.1%	6.9x	6.4x	5.8x	5.6x	3.0x	N/A
FLY Leasing Ltd.	FLY	FLY-US	US\$	\$10.21	311	386	509	275	265	300	88.5%	83.9%	84.4%	89.7%	4.2x	7.8x	8.1x	7.1x	6.6x	N/A
SkyWest Inc.	SKYW	SKYW-US	US\$	\$43.45	2,179	861	926	464	597	783	31.2%	22.4%	24.4%	28.0%	5.1x	10.2x	7.9x	6.0x	5.5x	N/A
Airlines/Aerospace Average											46.7%	39.5%	46.6%	48.4%	8.9x	10.0x	9.9x	8.0x	4.8x	0.9%
Manufacturing																				
Heroux-Devtek	HRX	HRX-CA	C\$	\$14.78	538	74	96	83	87	95	15.7%	15.0%	15.3%	15.6%	7.8x	9.1x	8.7x	8.0x	2.6x	N/A
Russel Metals	RUS	RUS-CA	C\$	\$23.74	1,476	368	215	154	217	215	5.8%	5.7%	7.2%	7.2%	8.9x	12.4x	8.8x	8.9x	2.8x	6.4%
Magellan	MAL	MAL-CA	C\$	\$9.34	540	159	147	111	104	104	14.5%	15.4%	13.7%	12.8%	3.8x	5.0x	5.3x	5.4x	0.2x	4.5%
Mastec	MTZ	MTZ-US	US\$	\$81.40	6,013	721	843	803	814	835	11.7%	12.4%	10.8%	10.7%	8.6x	9.1x	8.9x	8.7x	1.6x	N/A
New Flyer Industries Inc.	NFI	NFI-CA	C\$	\$31.75	1,985	420	447	190	293	388	11.1%	6.3%	8.2%	9.8%	6.3x	14.9x	9.6x	7.3x	4.4x	2.7%
Manufacturing Average											11.8%	11.0%	11.0%	11.2%	7.1x	10.1x	8.3x	7.6x	2.3x	4.5%
Financial/Holding Companies																				
Alaris Royalty	AD	AD-UT-CA	C\$	\$16.38	583	82	101	87	110	126	87.4%	89.1%	88.0%	88.6%	8.1x	9.4x	7.4x	6.5x	2.7x	7.6%
Diversified Royalty Corp.	DIV	DIV-CA	C\$	\$2.45	296	24	28	32	38	42	90.8%	92.8%	94.0%	93.4%	15.6x	13.9x	11.5x	10.6x	4.5x	8.2%
Financial/Holding Company Average											89.1%	91.0%	91.0%	91.0%	11.8x	11.6x	9.5x	8.5x	3.6x	7.9%
Airlines/Aerospace Average											46.7%	39.5%	46.6%	48.4%	8.9x	10.0x	9.9x	8.0x	4.8x	0.9%
Manufacturing Average											11.8%	11.0%	11.0%	11.2%	7.1x	10.1x	8.3x	7.6x	2.3x	4.5%
Blended average (75/25)											37.9%	32.3%	37.7%	39.1%	8.5x	10.0x	9.5x	7.9x	4.1x	1.8%
Exchange Income Corp.	EIF-CA	C\$	\$37.97	1,337	278	329	277	332	366	24.5%	24.1%	24.4%	24.2%	7.6x	9.0x	7.5x	6.8x	3.5x	6.1%	

Priced as of market close January 14, 2021. Source: RBC estimates for EIF and CHR, FactSet consensus for all others. Note: EIF EV uses our 2021E net debt and share count.

Appendix 4: AC Model Summary

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

FY Dec 31	2019	Q1/20	Q2/20	Q3/20	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	2025E
Traffic / RPM (MMs)	94,113	17,507	783	2,517	3,746	24,553	3,382	6,838	13,389	11,894	35,502	12,683	14,513	17,089	14,986	59,271	18,133	19,453	22,623	19,506	79,715	94,113	95,054
% change	1.9%	-17.8%	-96.7%	-91.0%	-82.5%	-73.9%	-80.7%	773.3%	431.9%	217.6%	44.6%	275.0%	112.2%	27.6%	26.0%	66.9%	43.0%	34.0%	32.4%	30.2%	34.5%	18.1%	1.0%
Capacity / ASM (MMs)	112,814	23,511	2,243	5,949	6,608	38,311	5,203	9,768	17,851	15,859	48,681	16,910	18,141	21,097	18,502	74,650	22,114	23,723	27,588	23,788	97,213	112,814	113,942
% change	1.8%	-9.6%	-92.0%	-81.7%	-75.0%	-66.0%	-77.9%	335.5%	200.1%	140.0%	27.1%	225.0%	85.7%	18.2%	16.7%	53.3%	30.8%	30.8%	30.8%	28.6%	30.2%	16.0%	1.0%
Load Factor (%)	83.4%	74.5%	34.9%	42.3%	56.7%	64.1%	65.0%	70.0%	75.0%	75.0%	72.9%	75.0%	80.0%	81.0%	81.0%	79.4%	82.0%	82.0%	82.0%	82.0%	82.0%	83.4%	83.4%
change (% pts)	0.1%	-7.4%	-49.2%	-43.8%	-24.3%	-19.3%	-9.5%	35.1%	32.7%	18.3%	8.8%	10.0%	10.0%	6.0%	6.0%	6.5%	7.0%	2.0%	1.0%	1.0%	2.6%	1.4%	0.0%
Yield (\$)	0.183	0.182	0.264	0.202	0.201	0.212	0.200	0.198	0.192	0.191	0.195	0.190	0.188	0.182	0.181	0.186	0.183	0.181	0.175	0.174	0.178	0.173	0.176
% change	4.4%	2.2%	43.5%	9.2%	8.0%	15.8%	10.0%	-25.0%	-5.0%	-5.0%	-8.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	-3.0%	2.0%
RASM (Rev per unit of capacity, cents)	15.3	13.6	9.2	8.5	11.4	12.2	13.0	13.9	14.4	14.3	14.1	14.3	15.0	14.8	14.7	14.7	15.0	14.8	14.4	14.3	14.6	14.4	14.7
CASM (Costs per unit of capacity, cents)	15.5	17.7	82.3	25.9	29.4	25.3	36.3	24.7	18.6	19.0	21.8	18.8	17.4	16.2	16.8	17.2	16.9	15.8	14.8	15.4	15.6	14.8	14.8
Fuel Cost/ASM (cents)	3.9	3.6	5.5	2.9	3.3	3.5	3.8	3.8	4.1	3.7	3.9	3.7	3.7	4.0	3.6	3.8	3.6	3.6	3.9	3.5	3.7	3.7	3.6
CASM (excl. fuel) (cents)	11.6	14.1	76.8	23.0	26.1	21.7	32.4	20.9	14.4	15.3	17.9	15.1	13.7	12.1	13.2	13.4	13.2	12.1	10.9	11.8	12.0	11.2	11.3
Total Revenues	19,154	3,722	527	757	1,043	6,049	1,011	1,826	2,921	2,618	8,377	2,935	3,392	3,486	3,082	12,896	3,855	4,200	4,346	3,776	16,177	18,279	18,811
% change	6.0%	-16.1%	-88.9%	-86.4%	-76.4%	-68.4%	-72.8%	246.5%	285.9%	151.0%	38.5%	190.3%	85.8%	19.3%	17.7%	53.9%	31.3%	23.8%	24.7%	22.5%	25.4%	13.0%	2.9%
Wages, salaries and benefits	3184	796	464	475	485	2220	434	467	447	474	1821	511	510	508	510	2040	633	632	663	665	2593	3013	3150
% Sales	16.6%	21.4%	88.0%	62.7%	46.5%	36.7%	43.0%	25.6%	15.3%	18.1%	21.7%	17.4%	15.0%	14.6%	16.5%	15.8%	16.4%	15.0%	15.2%	17.6%	16.0%	16.5%	16.7%
Aircraft Fuel - total	4444	836	124	175	216	1351	200	373	737	589	1899	630	668	845	667	2810	805	858	1079	842	3584	4123	4048
% Sales	23.2%	22.5%	23.5%	23.1%	20.7%	22.3%	19.8%	20.4%	25.2%	22.5%	22.7%	21.4%	19.7%	24.2%	21.6%	21.8%	20.9%	20.4%	24.8%	22.3%	22.2%	22.6%	21.5%
Sales and distribution costs	874	183	13	30	35	261	43	77	136	116	372	138	142	161	136	578	181	186	211	175	753	874	883
% Sales	4.6%	4.9%	2.5%	4.0%	3.4%	4.3%	4.2%	4.2%	4.7%	4.4%	4.4%	4.7%	4.2%	4.6%	4.4%	4.5%	4.7%	4.4%	4.9%	4.6%	4.7%	4.8%	4.7%
Catering and onboard services	445	97	23	26	29	175	21	39	78	70	208	70	73	92	81	316	91	95	121	105	411	477	482
% Sales	2.3%	2.6%	4.4%	3.4%	2.8%	2.9%	2.1%	2.1%	2.7%	2.7%	2.5%	2.4%	2.1%	2.6%	2.6%	2.5%	2.4%	2.3%	2.8%	2.8%	2.5%	2.6%	2.6%
Aircraft maintenance	1004	270	181	45	100	596	208	217	216	213	853	245	255	254	250	1004	252	263	262	258	1034	1065	1097
% Sales	5.2%	7.3%	34.3%	5.9%	9.6%	9.9%	20.6%	11.9%	7.4%	8.1%	10.2%	8.3%	7.5%	7.3%	8.1%	7.8%	6.5%	6.3%	6.0%	6.8%	6.4%	5.8%	5.8%
Airport and navigation fees	990	228	113	97	89	527	50	95	291	214	650	148	161	185	161	655	194	211	241	207	853	990	1000
% Sales	5.2%	6.1%	21.4%	12.8%	8.6%	8.7%	5.0%	5.2%	10.0%	8.2%	7.8%	5.0%	4.8%	5.3%	5.2%	5.1%	5.0%	5.0%	5.6%	5.5%	5.3%	5.4%	5.3%
Communications and information technolo	397	135	91	66	73	365	52	73	89	79	294	59	63	74	65	261	77	83	97	83	340	395	399
% Sales	2.1%	3.6%	17.3%	8.7%	7.0%	6.0%	5.1%	4.0%	3.1%	3.0%	3.5%	2.0%	1.9%	2.1%	2.1%	2.0%	2.0%	2.0%	2.2%	2.2%	2.1%	2.2%	2.1%
Other	3553	872	353	392	500	2117	410	624	861	770	2666	778	799	822	725	3123	833	909	941	816	3499	3596	3649
% Sales	18.5%	23.4%	67.0%	51.8%	47.9%	35.0%	40.5%	34.2%	29.5%	29.4%	31.8%	26.5%	23.6%	23.6%	23.5%	24.2%	21.6%	21.6%	21.7%	21.6%	21.6%	19.7%	19.4%
Regional airline expense (ex fuel and DAR)	1847	471	172	198	230	1071	207	350	569	509	1636	513	494	508	447	1962	486	531	550	476	2043	1951	1956
% Sales	9.6%	12.7%	32.6%	26.2%	22.0%	17.7%	20.5%	19.2%	19.5%	19.4%	19.5%	17.5%	14.6%	14.6%	14.5%	15.2%	12.6%	12.6%	12.7%	12.6%	12.6%	10.7%	10.4%
Total Operating Costs	14,891	3,417	1,362	1,306	1,527	7,612	1,419	1,964	2,856	2,525	8,764	2,579	2,672	2,941	2,595	10,787	3,066	3,237	3,614	3,150	13,067	14,534	14,708
EBITDA	3,636	71	(832)	(554)	(488)	(1,803)	(466)	(178)	18	14	(612)	165	645	489	396	1,695	538	865	659	508	2,571	3,119	3,469
% of sales	19.0%	1.9%	-157.9%	-73.2%	-46.8%	-29.8%	-46.1%	-9.8%	0.6%	0.5%	-7.3%	5.6%	19.0%	14.0%	12.8%	13.1%	14.0%	20.6%	15.2%	13.5%	15.9%	17.1%	18.4%
Depreciation, amortization and impairment	1,986	504	487	423	411	1,825	409	412	411	411	1,643	407	410	412	414	1,643	412	405	398	391	1,605	1,548	1,542
EBIT (Excluding Special Charges)	1,650	(433)	(1,319)	(785)	(899)	(3,436)	(875)	(590)	(393)	(397)	(2,255)	(242)	235	78	(18)	52	127	460	261	117	966	1,571	1,927
% of sales	8.6%	-11.6%	-250.3%	-103.7%	-86.2%	-56.8%	-86.6%	-32.3%	-13.5%	-15.1%	-26.9%	-8.3%	6.9%	2.2%	-0.6%	0.4%	3.3%	11.0%	6.0%	3.1%	6.0%	8.6%	10.2%
Net Income	1,020	(392)	(1,752)	(685)	(1,299)	(4,128)	(1,025)	(767)	(584)	(581)	(2,957)	(309)	2	(92)	(155)	(555)	(47)	181	52	(46)	140	621	907
EPS (F.D) (\$) (Exc. Special charges)	\$ 3.75	\$ (1.49)	\$ (6.44)	\$ (2.31)	\$ (3.91)	\$ (12.42)	\$ (3.08)	\$ (2.31)	\$ (1.76)	\$ (1.75)	\$ (8.90)	\$ (0.93)	\$ 0.01	\$ (0.28)	\$ (0.47)	\$ (1.67)	\$ (0.14)	\$ 0.55	\$ 0.16	\$ (0.14)	\$ 0.42	\$ 1.87	\$ 2.73
Net debt	3,353	4,565	5,040	5,387	5,885	5,885	6,991	7,746	8,319	8,794	8,794	9,285	9,098	9,287	9,181	9,181	9,034	8,581	8,312	8,276	8,276	7,377	6,093
Net debt/LTM EBITDA	0.9x	1.5x	3.7x	-8.3x	-3.3x	-3.3x	-3.0x	-4.6x	-7.5x	-14.4x	-14.4x	485.3x	10.8x	7.1x	5.4x	5.4x	4.4x	3.7x	3.4x	3.2x	3.2x	2.4x	1.8x

Source: RBC CM estimates, Company reports



Appendix 5: BBD Model Summary

Summary Income Statement (in US \$MM's)	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E
Aerospace Key Drivers																	
Business Jet Deliveries	137	144	26	20	24	43	113	28	25	28	39	120	28	26	29	41	125
<i>Delivery Growth</i>	-2.1%	5.1%	8.3%	-44.4%	-25.0%	-17.3%	-21.5%	7.7%	25.0%	16.7%	-9.3%	6.2%	1.4%	5.6%	5.2%	3.8%	4.0%
Commercial Jet Deliveries	30	29	5	0	0	6	11	0	0	0	0	0	0	0	0	0	0
<i>Delivery Growth</i>	-58.3%	-3.3%	25.0%	-100.0%	-100.0%	50.0%	-62.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Aircraft Deliveries	167	173	31	20	24	49	124	28	25	28	39	120	28	26	29	41	125
Transportation Key Drivers																	
Transportation Backlog	34,500	35,800	35,841	35,844	35,604	35,363	35,363	36,271	36,433	36,343	36,254	36,254	37,261	37,450	37,381	37,311	37,311
<i>Backlog Growth</i>	3.5%	1.8%	2.0%	1.7%	1.3%	1.0%	1.0%	1.2%	1.6%	2.1%	2.5%	2.5%	2.7%	2.8%	2.9%	2.9%	2.9%
Book-to-Bill	1.1	1.2	1.3	1.0	0.9	0.9	1.0	1.4	1.1	1.0	1.0	1.1	1.4	1.1	1.0	1.0	1.1
Segmented results																	
Bombardier Aviation (BA)																	
Revenue	7,324	7,503	1,523	1,223	1,405	1,881	6,032	1,256	1,180	1,317	1,650	5,403	1,312	1,262	1,405	1,749	5,727
EBIT	472	531	25	-20	19	94	118	100	94	105	132	432	144	139	155	192	630
<i>Margin %</i>	6.4%	7.1%	1.6%	-1.6%	1.4%	5.0%	2.0%	8.0%	8.0%	8.0%	8.0%	8.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Bombardier Transportation (BT)																	
Revenue	8,916	8,269	2,169	1,479	2,120	1,980	7,748										
EBIT	750	70	51	-377	44	65	-217										
<i>Margin %</i>	8.4%	0.8%	2.4%	-25.9%	2.9%	3.3%	-2.6%										
Bombardier Consolidated																	
Total Revenues	16,237	15,759	3,691	2,702	1,405	1,881	13,778	1,256	1,180	1,317	1,650	5,403	1,312	1,262	1,405	1,749	5,727
Total EBITDA	1,304	871	171	-319	176	246	274	181	173	205	232	791	229	221	259	297	1,007
Total EBIT	1,029	470	60	-427	7	109	-251	100	94	105	132	432	144	139	155	192	630
<i>EBIT Margin %</i>	6.3%	3.0%	1.6%	-15.8%	0.5%	5.8%	-1.8%	8.0%	8.0%	8.0%	8.0%	8.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Net Income Before Special Items	438	(396)	(169)	(631)	(210)	(123)	(1,115)	(235)	(55)	(232)	(53)	(575)	(93)	30	(224)	29	(259)
EPS Before Special Items	\$ 0.14	\$ (0.25)	\$ (0.10)	\$ (0.30)	\$ (0.09)	\$ (0.07)	\$ (0.45)	\$ (0.11)	\$ (0.03)	\$ (0.10)	\$ (0.03)	\$ (0.27)	\$ (0.05)	\$ 0.00	\$ (0.10)	\$ 0.00	\$ (0.14)
CFPS \$(Basic)	\$ 0.27	\$ (0.09)	\$ (0.07)	\$ (0.27)	\$ 0.04	\$ (0.01)	\$ (0.40)	\$ (0.08)	\$ (0.03)	\$ (0.00)	\$ (0.01)	\$ (0.11)	\$ (0.02)	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.04
Net debt	5,911	6,747	7,286	7,183	8,043	7,053	7,053	4,053	4,731	5,053	3,837	3,837	4,707	5,313	5,593	4,298	4,298

Source: RBC CM estimates, Company reports



Appendix 6: CHR Model Summary

Chorus Aviation (TSX: CHR)

FY Dec 31	2019	Q1/20	Q2/20	Q3/20	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E
Chorus Aviation Income Statement (\$MM)																
Revenue	1,366	350	184	196.4	217.2	947.9	226.6	249.5	251.1	258.1	985.3	284.8	291.5	283.7	280.1	1140.2
<i>% change</i>	-5.8%	1.8%	-44.6%	-44.1%	-35.9%	-30.6%	-35.3%	35.5%	27.8%	18.8%	4.0%	25.7%	16.8%	13.0%	8.5%	15.7%
Salaries, wages and benefits	471	136	54	53	59	302	62	74	73	76	285	79	87	80	79	325
<i>% Sales</i>	34%	39%	29%	27%	27%	32%	27%	30%	29%	29%	29%	28%	30%	28%	28%	28%
Depreciation and amortization	137	38	49	50	44	181	35	35	35	35	139	36	36	36	36	145
<i>% Sales</i>	10%	11%	27%	25%	20%	19%	15%	14%	14%	13%	14%	13%	12%	13%	13%	13%
Aircraft maintenance	208	49	12	18	17	96	17	26	29	29	101	31	41	36	33	141
<i>% Sales</i>	15%	14%	7%	9%	8%	10%	8%	10%	11%	11%	10%	11%	14%	13%	12%	12%
Airport and navigation fees	170	38	4	13	13	69	13	11	17	17	59	30	18	26	25	98
<i>% Sales</i>	12%	11%	2%	7%	6%	7%	6%	4%	7%	7%	6%	10%	6%	9%	9%	9%
Terminal handling	20	5	1	2	5	13	5	5	2	5	17	5	5	2	5	17
<i>% Sales</i>	1%	1%	1%	1%	2%	1%	2%	2%	1%	2%	2%	2%	2%	1%	2%	1%
Other	160	37	29	26	45	137	37	29	26	47	139	37	30	26	48	141
<i>% Sales</i>	12%	10%	16%	13%	21%	14%	16%	12%	10%	18%	14%	13%	10%	9%	17%	12%
Total Operating Expenses	1,166	303	151	161	183	798	169	181	181	209	739	218	217	206	226	867
Operating Income	200	47	34	35	34	150	58	69	70	49	246	67	75	77	54	273
Adjusted EBITDA	339	89	83	85.9	78.3	335.5	92.7	103.5	105.0	83.9	385.1	102.5	110.7	113.7	90.7	417.6
<i>% of sales</i>	24.8%	25.3%	44.9%	43.7%	36.1%	35.4%	40.9%	41.5%	41.8%	32.5%	39.1%	36.0%	38.0%	40.1%	32.4%	36.6%
Net Income	137	18	6	13	12	49	33	41	43	25	142	35	41	43	26	145
EPS (F.D) (\$) (Excluding Special charges)	\$0.84	\$0.15	\$0.18	\$0.12	\$0.07	\$0.27	\$0.20	\$0.25	\$0.26	\$0.15	\$0.87	\$0.21	\$0.25	\$0.26	\$0.16	\$0.88
CFPS (F.D) (\$) (Excluding Special charges)	\$1.68	\$0.40	\$0.39	\$0.36	\$0.34	\$1.49	\$0.41	\$0.46	\$0.47	\$0.36	\$1.71	\$0.43	\$0.47	\$0.48	\$0.38	\$1.77
Net debt	1,746	1,868	1,929	1,903	2,124	2,124	2,087	2,041	1,993	1,964	1,964	1,948	1,927	1,904	1,897	1,897
Net debt/LTM EBITDA	5.2x	5.3x	5.5x	5.5x	6.3x	6.3x	6.1x	5.7x	5.3x	5.1x	5.1x	4.9x	4.8x	4.6x	4.5x	4.5x

Source: Company reports, RBC Capital Markets estimates

Appendix 7: EIF Model Summary

Exchange Income Corporation																
(CAD \$000's unless otherwise indicated)	2019	Q1/20	Q2/20	Q3/20	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E
Segmented revenues																
Aviation revenues	974,739	200,693	139,892	170,846	171,795	683,226	180,624	188,854	222,100	223,334	814,911	216,748	236,068	242,089	245,667	940,572
Manufacturing revenues	366,635	106,283	103,765	126,440	130,647	467,135	131,597	128,953	139,084	143,712	543,346	138,177	135,401	147,429	153,772	574,778
Segmented EBITDA																
Aviation EBITDA	299,190	48,638	46,788	61,440	56,692	213,558	57,800	64,210	66,630	67,000	255,640	60,690	80,263	72,627	73,700	287,279
Manufacturing EBITDA	55,735	14,125	21,745	27,200	23,516	86,586	25,003	24,501	26,426	27,305	103,236	26,254	25,726	28,012	29,217	109,208
Revenues, Net	1,341,374	306,976	243,657	297,286	302,442	1,150,361	312,221	317,807	361,184	367,045	1,358,258	354,925	371,469	389,518	399,439	1,515,351
Revenue growth (Y/Y)	11.5%	76.5%	-25.2%	-16.3%	-16.7%	-14.2%	1.7%	30.4%	21.5%	21.4%	18.1%	13.7%	16.9%	7.8%	8.8%	11.6%
Aviation expenses	544,243	118,311	72,010	87,330	92,082	369,733	98,259	99,715	124,376	125,067	447,417	124,847	124,644	135,570	137,574	522,634
Aviation expenses (% of sales)	40.6%	38.5%	29.6%	29.4%	30.4%	32.1%	31.5%	31.4%	34.4%	34.1%	32.9%	35.2%	33.6%	34.8%	34.4%	34.5%
Manufacturing expenses	264,151	78,221	70,022	86,179	91,061	325,483	90,605	88,784	95,759	98,946	374,094	95,135	93,224	101,505	105,872	395,735
Manufacturing expenses (% of sales)	48.5%	66.1%	97.2%	98.7%	98.9%	88.0%	92.2%	89.0%	77.0%	79.1%	83.6%	76.2%	74.8%	74.9%	77.0%	75.7%
Gross profit	532,980	110,444	101,625	123,777	119,299	455,145	123,357	129,308	141,409	143,033	536,747	134,943	153,601	152,443	155,993	596,981
Gross margin	39.7%	36.0%	41.7%	41.6%	39.4%	39.6%	39.5%	40.7%	39.1%	39.0%	39.5%	38.0%	41.3%	39.1%	39.1%	39.4%
EBITDA	334,391	51,299	62,010	82,233	74,160	269,702	76,559	82,355	85,832	86,964	331,711	79,845	98,560	92,848	94,928	366,180
EBITDA Margin (%)	24.9%	16.7%	25.4%	27.7%	24.5%	23.4%	24.5%	25.9%	23.8%	23.7%	24.4%	22.5%	26.5%	23.8%	23.8%	24.2%
EBITDA growth (Y/Y)	20.0%	-19.6%	-27.7%	-12.0%	-18.8%	-19.3%	49.2%	32.8%	4.4%	17.3%	23.0%	4.3%	19.7%	8.2%	9.2%	10.4%
Adj. EBITDA	328,813	57,254	62,075	83,235	74,160	276,724	76,559	82,355	85,832	86,964	331,711	79,845	98,560	92,848	94,928	366,180
Adj. EBITDA Margin (%)	24.5%	18.7%	25.5%	28.0%	24.5%	24.1%	24.5%	25.9%	23.8%	23.7%	24.4%	22.5%	26.5%	23.8%	23.8%	24.2%
Adj. EBITDA growth (Y/Y)	18.4%	-10.3%	-28.8%	-6.5%	-16.4%	-15.8%	33.7%	32.7%	3.1%	17.3%	19.9%	4.3%	19.7%	8.2%	9.2%	10.4%
EBIT	164,366	6,094	17,874	37,609	28,794	90,371	29,725	41,040	38,878	39,249	148,893	33,704	50,269	42,210	43,001	169,185
Depreciation and Amort.	170,025	45,205	44,136	44,624	45,366	179,331	46,833	41,315	46,954	47,716	182,818	46,140	48,291	50,637	51,927	196,996
Interest Expense	58,520	14,125	13,008	11,732	11,752	50,617	11,792	11,812	11,832	12,352	47,786	12,372	12,392	12,912	12,932	50,606
Taxes	22,210	-2,733	2,236	8,633	4,601	12,737	4,842	7,892	7,303	7,262	27,299	5,760	10,227	7,911	8,119	32,016
Adj. net income	113,270	2,058	5,645	20,626	15,440	43,769	13,092	21,337	19,744	19,635	73,808	15,573	27,650	21,388	21,951	86,562
Weighted average shares outstanding (diluted)	38,094	34,729	35,743	36,121	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207
Adj. EPS (FD)	2.97	0.06	0.16	0.57	0.44	1.24	0.37	0.61	0.56	0.56	2.10	0.44	0.79	0.61	0.62	2.46
Cash flow from operations (CFO)	217,237	45,739	69,330	81,017	59,403	255,489	36,914	69,281	76,774	59,931	242,900	82,256	67,922	62,479	49,952	262,609
Changes in working capital	-45,058	1,175	21,870	17,780	-404	40,421	-25,011	4,629	8,076	-9,420	-21,725	18,543	-10,020	-11,547	-25,925	-28,949
FCF from operations (company definition)	245,772	38,749	42,268	57,886	53,807	192,710	55,925	58,652	62,698	63,351	240,626	57,713	71,941	68,026	69,878	267,558
Maintenance capital expenditures	119,697	36,450	16,856	13,536	15,122	81,964	18,733	22,247	25,283	29,364	95,626	28,394	29,717	31,161	31,955	121,228
Growth capital expenditures	119,324	14,381	12,301	6,807	7,561	41,050	7,806	12,712	14,447	22,023	56,988	21,296	22,288	23,371	23,966	90,921
FCF from operations less maintenance capex (company definition)	126,075	2,299	25,412	44,350	38,685	110,746	37,192	36,406	37,415	33,987	145,000	29,319	42,224	36,864	37,923	146,330
FCF growth (Y/Y)	10.2%	-87.0%	-26.4%	20.2%	4.7%	-12.2%	1517.7%	43.3%	-15.6%	-12.1%	30.9%	-21.2%	16.0%	-1.5%	11.6%	0.9%
FCF % of revenue	9.4%	0.7%	10.4%	14.9%	12.8%	9.6%	11.9%	11.5%	10.4%	9.3%	10.7%	8.3%	11.4%	9.5%	9.5%	9.7%
Adj. EBITDA conversion	38.3%	4.0%	40.9%	53.3%	52.2%	40.0%	48.6%	44.2%	43.6%	39.1%	43.7%	36.7%	42.8%	39.7%	39.9%	40.0%
Free Cash Flow (FCF - total capex)	-21,784	-5,092	40,173	60,674	36,720	132,475	10,375	34,323	37,044	8,544	90,286	32,567	15,916	7,947	-5,969	50,460
FCF % of revenue	-1.6%	-1.7%	16.5%	20.4%	12.1%	11.5%	3.3%	10.8%	10.3%	2.3%	6.6%	9.2%	4.3%	2.0%	-1.5%	3.3%
Adj. EBITDA conversion	-6.6%	-8.9%	64.7%	72.9%	49.5%	47.9%	13.6%	41.7%	43.2%	9.8%	27.2%	40.8%	16.1%	8.6%	-6.3%	13.8%
Dividend payout ratio (FCF less maintenance capex)	57.7%	861.3%	78.2%	45.4%	51.9%	72.1%	54.0%	55.1%	53.6%	61.1%	55.8%	70.8%	49.2%	56.3%	56.6%	57.3%
Dividend payout ratio (FCF less total capex)	-333.9%	-388.9%	49.5%	33.2%	54.7%	60.3%	193.4%	58.5%	54.2%	243.1%	89.7%	63.8%	130.5%	261.4%	-359.8%	166.1%
Net debt	1,121,957	1,201,297	1,155,840	1,172,828	1,159,176	1,159,176	1,171,869	1,160,614	1,146,638	1,161,866	1,161,866	1,153,072	1,160,928	1,176,754	1,207,199	1,207,199
Net debt/LTM EBITDA	3.4x	3.7x	3.9x	4.0x	4.2x	4.2x	4.0x	3.7x	3.6x	3.5x	3.5x	3.4x	3.3x	3.3x	3.3x	3.3x
Net debt/LTM EBITDA (covenant metric, excl. converts)	2.1x	2.4x	2.5x	2.6x	2.7x	2.7x	2.6x	2.4x	2.3x	2.3x	2.3x	2.3x	2.2x	2.2x	2.3x	2.3x

Source: Company reports, RBC CM Estimates

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Ratings

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Risk Rating

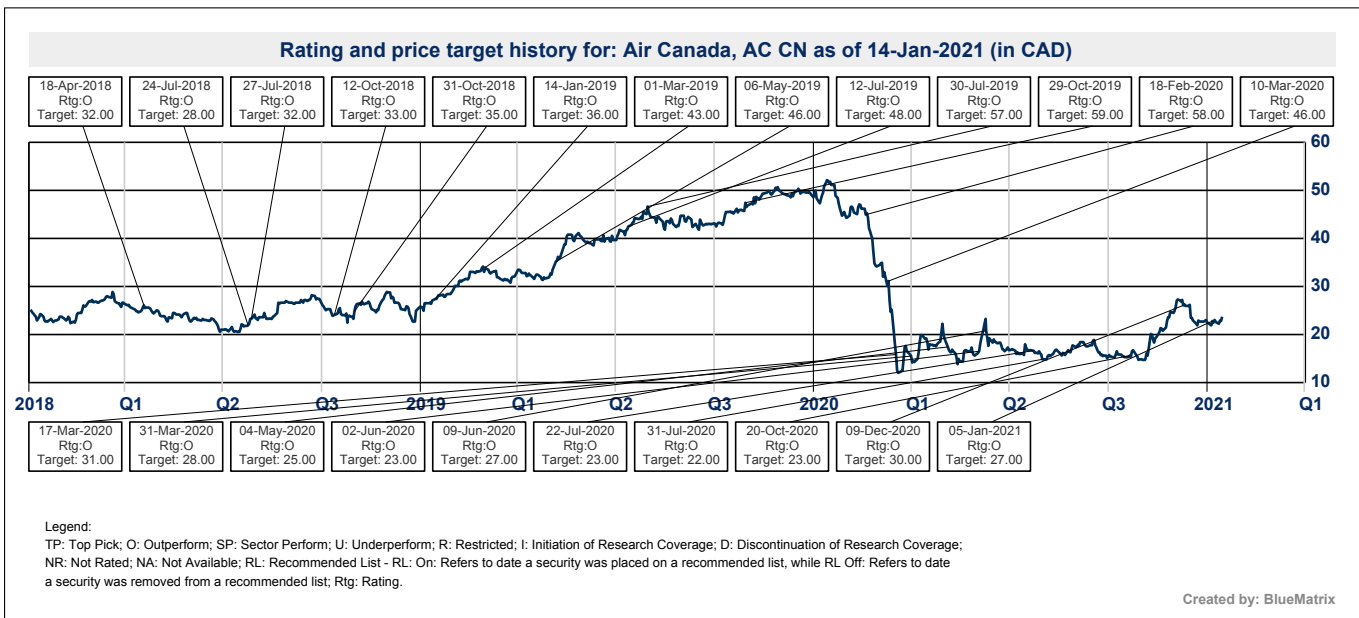
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Distribution of ratings

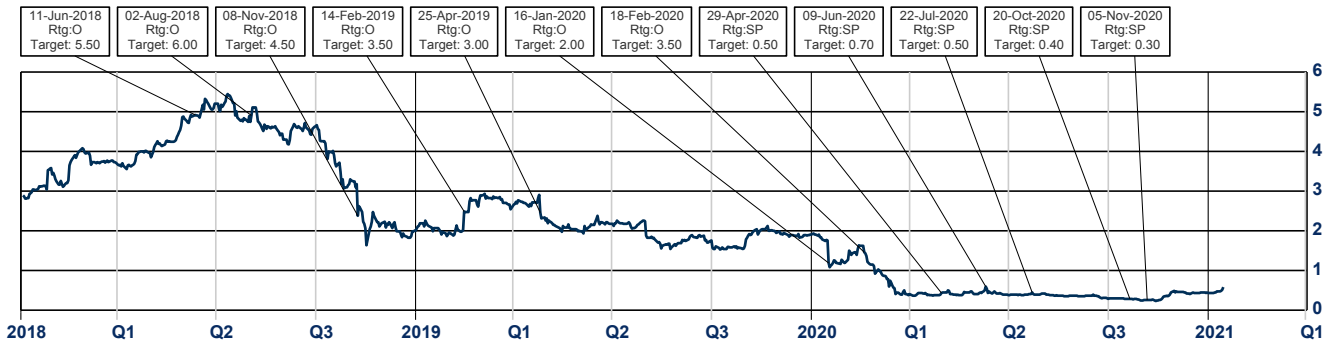
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Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	828	54.83	299	36.11
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Rating and price target history for: Bombardier Inc., BBD/B CN as of 14-Jan-2021 (in CAD)



Legend:
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 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.

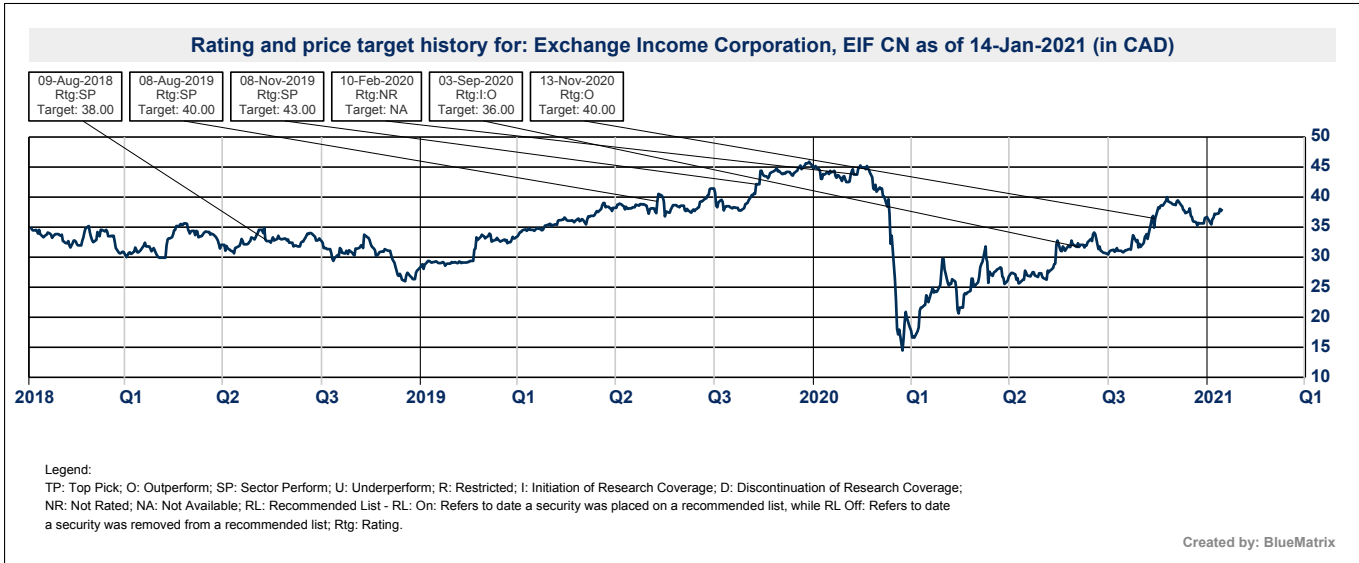
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Rating and price target history for: Chorus Aviation Inc., CHR CN as of 14-Jan-2021 (in CAD)



Legend:
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Air Canada

Valuation

Applying a 5.5x EV/EBITDA multiple to our 2024 estimates (which we then discount back two years at 10%), we derive our price target of \$27.00. Our target multiple is higher than the historical group average multiple, which we believe is justified by our view that the industry should return to “normal” by 2024. Our base case reflects the following assumptions: 1) near-term headwinds from COVID-19 followed by a return to “normal” by 2024; (2) a reduction in capital intensity out to 2021; and (3) a widely distributed vaccine by Q3/21. The implied return to our price target supports our Outperform 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

Our price target is \$0.30. We apply a target multiple of 4.3x to our 2022 estimate, which is applied to our \$1,007MM EBITDA estimate for BA in 2022. Our target multiple is based on a significant discount to peers, reflecting deal risk and an uncertain demand environment. Our price target supports our Sector Perform, Speculative Risk rating. We apply a Speculative Risk qualifier owing to the company’s high debt level, elevated deal risk, and uncertain demand environment.



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, demand from railways for Bombardier trains, and demand for business jets. There is now also the risk that the sale of BT to Alstom does not get regulatory approval. 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 \$4.50 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 4.75x EV/EBITDA multiple based on our 2022 estimates and we value the company's leasing segment at a 4.75x 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 \$4.50 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 the shares of EIF, we apply a blended 7.0x EV/EBITDA multiple (7.0x for Aviation & Aerospace and 7.0x for Manufacturing) on our \$367MM 2022E EBITDA – reflecting a valuation blend of 72% Aviation & Aerospace and 28% Manufacturing. We apply our target multiples to our 2022E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This takes us to our \$40 price target. Our price target supports an Outperform rating on the stock.

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 (second wave) 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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