



July 24, 2018

RBC Flight Deck

Q2 Preview - Top Line trends remain strong, but headwinds emerge

Overall traffic remains robust. WestJet reported traffic numbers of +6.2% in Q2, which was in excess of capacity growth of 4.7%. Also the peer group, on average, reported 4.7% traffic growth this quarter, which was similarly above the average capacity growth of 4.0%.

RBC Fare Survey points to higher prices in June. Our proprietary Fare Survey tracks price changes on selected routes to gauge the direction and magnitude of fare prices in the month. Based on these data, overall fare growth was strong in June as both Air Canada and WestJet show year-over-year gains. AC fares are 7.1% higher than last year, the highest level since we started tracking the data in 2012. WestJet also reported strong gains in June, albeit following a weak Y/Y comparison.

Updating estimates ahead of Q2. We made changes to our estimates, on the expectation that there could be some noise in the quarter due to the WestJet pilots strike. However the key revision impacting our estimates was the rise in fuel prices. Highlights below, with further details are on pages 4-6.

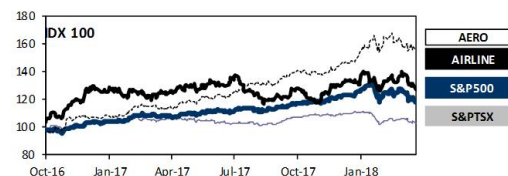
- **AC: Maintaining Outperform, Speculative Risk; decreasing price target to \$28 (from \$32).** Our Fare Tracker points to steady price gains on a quarter-over-quarter basis, however we expect there to be some noise in the quarter, and have reduced our yield estimates to 1% Y/Y (from 3% Y/Y). This pushed our Q2 EBITDAR estimate to \$445M (from \$583M). Given the recent weakness in AC shares, we see valuation levels as being very attractive relative to peers and reiterate it as our preferred name in the sector.
- **WJA: Maintaining Sector Perform; lowering price target to \$17 (from \$20).** Despite strong traffic growth, our Fare Tracker has shown volatile pricing in the quarter, and given the pilot strike, we adjusted our yield estimate to -2% Y/Y (from flat Y/Y). For Q2, we forecast EBITDAR of \$78M (from \$109M), which is slightly above consensus of \$74M.
- **CHR: Maintaining Outperform and \$11.00 price target:** Given the stable nature of Chorus's CPA with Air Canada, we do not see much in the way of EBITDAR variability. We will look for some commentary on Chorus's leasing portfolio, which has now grown to 23 aircraft, and how they will deploy new capital in this business.

In this edition...

- **RBC Fare Tracker (p. 2):** Seeing positive fare growth from AC and WJA in Q2.
- **Company Tear Sheets (p. 4)**



INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	(0.2)	1.3	8.2	▼
S&P 500	1.9	5.0	13.5	Δ
AMEX Airline	1.4	(9.8)	(10.5)	Δ
AMEX Aerospace	3.6	6.4	23.0	Δ



COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	0.2	14.8	42.4	Δ
Jet Fuel	1.1	3.5	44.6	Δ
CAD/USD	(0.9)	4.8	5.3	▼

AEROSPACE	1-M (%)	YTD (%)	1-YR (%)	TREND
Bombardier	(9.0)	57.8	101.7	▼
Boeing	4.2	19.8	66.5	Δ
EADS	4.7	27.0	47.7	Δ
Embraer	(16.5)	(10.7)	8.1	▼
General Dynamics	2.0	(5.0)	(5.5)	Δ
Textron	(0.8)	17.5	37.2	▼
United Technologies	3.6	1.4	4.8	Δ

N.A. MAINLINE	1-M (%)	YTD (%)	1-YR (%)	TREND
Air Canada	(5.4)	(14.8)	15.6	▼
AMR	(8.0)	(26.9)	(26.7)	▼
Delta	(0.9)	(6.7)	(0.0)	▼
United	11.9	21.1	14.0	Δ

N.A. REGIONAL	1-M (%)	YTD (%)	1-YR (%)	TREND
Alaska	(2.2)	(16.3)	(30.3)	▼
Allegiant	0.4	(6.5)	(0.0)	Δ
Chorus Aviation	(0.7)	(23.5)	(3.5)	▼
JetBlue	4.4	(11.3)	(15.5)	Δ
SkyWest	0.1	4.8	46.8	Δ
Southwest	3.2	(18.2)	(11.1)	Δ
WestJet	(4.8)	(29.7)	(24.6)	▼

INTL. AIRLINES	1-M (%)	YTD (%)	1-YR (%)	TREND
Lufthansa	(8.3)	(32.1)	12.4	▼
Air France/KLM	(7.1)	(47.3)	(38.4)	▼
BA/Iberia	(6.9)	3.9	14.7	▼
Cathay Pacific	(4.0)	(21.3)	(55.6)	▼
Air China	(18.9)	(25.8)	(2.9)	▼
China Eastern	(16.5)	(9.9)	14.8	▼
China Southern	(29.1)	(32.1)	(11.6)	▼
Singapore Airlines	(2.7)	0.5	4.7	▼
Qantas	2.4	33.1	28.1	Δ

Source: Bloomberg

Canadian Airlines Q2/18 preview

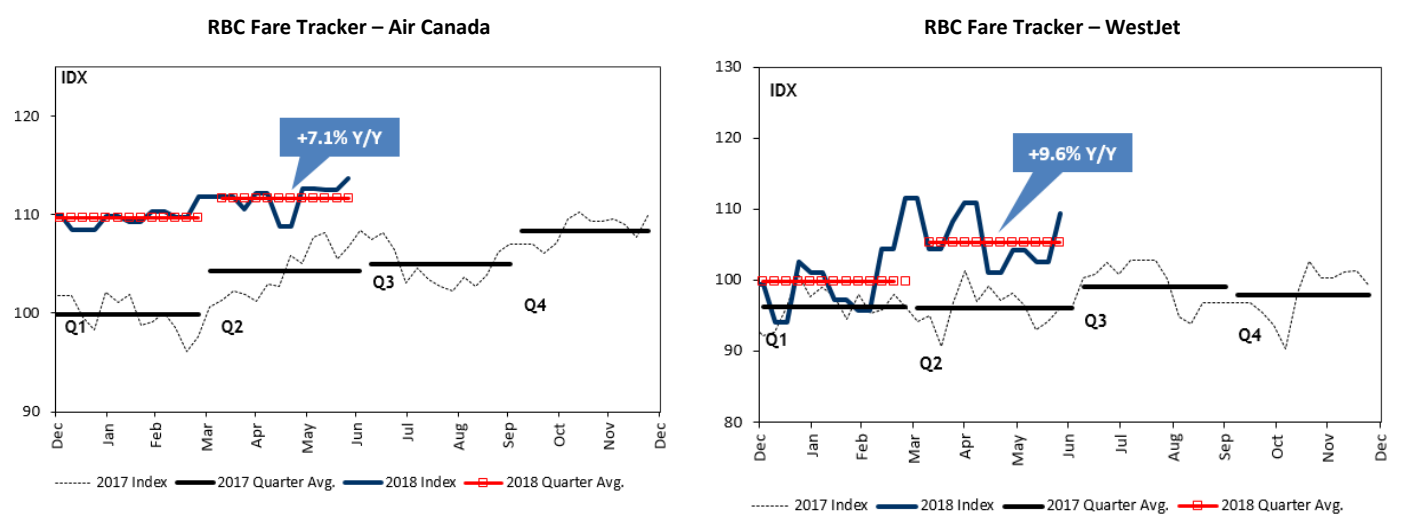
Top-line trends remains strong, but headwinds emerge

Overall, the demand environment for the Canadian airlines remains healthy – traffic for our global peer group rose a solid 4.7% in Q2. The airlines have also been managing capacity well, and according to the RBC Fare Tracker, fare pricing remains strong in a Y/Y basis (see below). However, we suspect Q2/18 may turn out to be a noisy quarter for the Canadian airlines for two reasons. First, there was the pilots’ strike at WestJet, and even though a settlement was reached quickly towards the end of May, we believe there may have been a degree of fare price sales in an effort to win back customers. This likely had a negative implication for yields for both airlines, which we have built into our estimates. Further, the forward fuel curve rose significantly during the quarter, which brought down our annual 2018 and 2019 estimates.

Fare Prices shows demand remains strong

Despite the potential for noise in the data associated with the strike – our RBC Fare Survey did not pick up any discounts on the core routes we track. For Air Canada, Q2 was the fourth consecutive quarter of positive growth, with the RBC Fare Survey showing fares increasing +7.1% Y/Y. After adjusting down by 250bp for mix, it implies a yield increase of +4.6% Y/Y. Despite a volatile quarter, WestJet fares showed solid growth of 9.6% Y/Y in Q2. After adjusting down by 50bp to account for mix, it implies a positive yield of 9.1% Y/Y.

Exhibit 1: Fares were higher Y/Y in Q2 on top of strong traffic levels



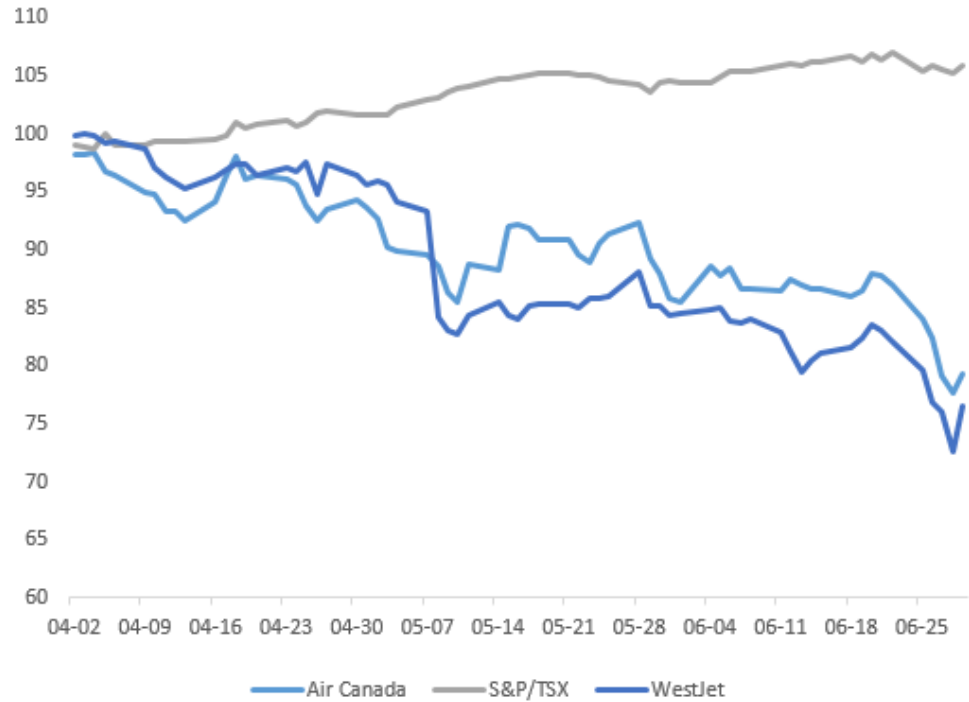
Source: Air Canada, WestJet, RBC Capital Markets estimates

Weak quarterly share price moves despite strong airline traffic

We note that despite solid underlying trends, the Canadian airline shares came under significant pressure in the quarter, mainly as a result of: higher fuel prices, a weaker Canadian dollar, and uncertainty surrounding the impact from the implementation of tariffs on the global economy. Even as AC reported solid Q1 results, the market seemed to be fixated on the impact that fuel prices would have on the long-term EBITDA margin guidance of 17-20%, so the share price reacted negatively. WestJet delivered Q1 results that missed expectations, along with an increase in Q2 cost guidance. The stock sold off heavily in response, and valuation levels have lagged ever since.



Exhibit 2: Both airlines underperformed the TSX during Q2



Source: Factset, RBC Capital Markets

Q2 Preview: Lowering estimates - but higher target multiples partially offset

We made changes to our estimates ahead of Q2, mostly due to lower yield and higher fuel expectations, and the decline in the Canadian dollar. We modestly increased our target multiples given the increased multiple of the peer group, which partially offset some of the weakness from lower estimates. As a result, our price targets for both Air Canada and WestJet have changed, and details are in the company summaries that follow.



Air Canada (TSX: AC)

Outperform, Speculative Risk; \$28 Target (from \$32)

SUMMARY

Ticker:	AC-CA	Rating:	Outperform
Exchange:	TSX	Target price:	\$28.00
Market price:	\$22.01	52-Wk High:	\$29.11
Yield (12-mth):	0.0%	52-Wk Low:	\$18.64
Total est. return:	27%	Mkt Cap (MM):	\$6,009
Shares O/S (MM):	273.0	Net Debt (MM):	\$6,393
Float (MM):	\$6,009	EV (MM):	\$12,402

STOCK SET-UP

Q2/18 performance	
Absolute	-19.5%
vs. S&P/TSX	-2619 bps

Short Interest (Days to Cover)	
Current	1.3
3-Month Average	1.9

Analyst Sentiment	
Outperform	94%
Sector Perform	6%
Underperform	0%

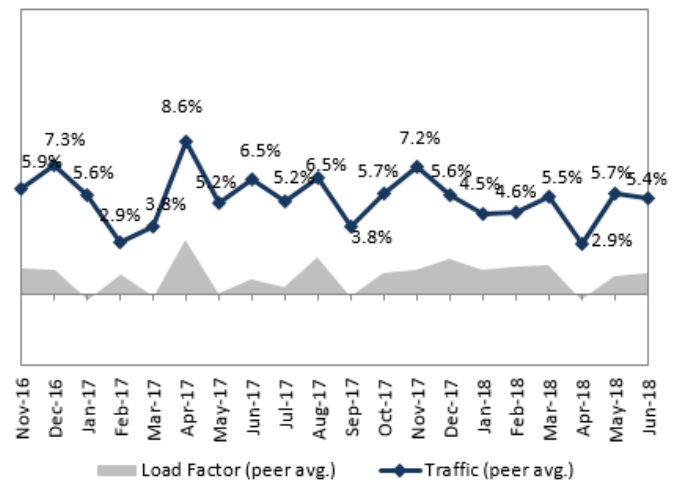
CONFERENCE CALL DETAILS

- Friday, July 27th at 8:30AM ET
- 1-800-478-9326

Q2/18 set-up. Despite what we anticipate to be another strong quarter of demand for Air Canada, we have become more cautious around the yield and fuel environment. We have decreased our yield estimates for Q2 down to 1% (from 3%) as we believe there may have been some negative implications following the WestJet strike. Fuel prices also rose rather significantly, mostly affecting 2018 results. The yield and fuel price changes led to a lower EBITDAR estimates of \$445M, from \$583MM (consensus at \$441M), and decreases our price target to \$28 (from \$32).

Maintain Outperform. AC continues to be a very attractive investment opportunity in our coverage universe, in our view. We reiterate that the company's debt reduction strategy coupled with significant FCF generation once the fleet renewal is complete, we expect will lead to increased shareholder returns through a buyback and eventual dividend. Given the recent sell-off, most likely related to fuel concerns, we see valuation levels being very attractive relative to peers. Maintain Outperform.

TRAFFIC DATA



	Q2/18E			2018E			2019E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Traffic: RPMs (% chg)	8.0%	8.0%	0bp	7.6%	7.6%	0bp	2.5%	2.5%	0bp
Capacity: ASMs (% chg)	8.0%	8.0%	0bp	7.0%	7.0%	0bp	3.0%	3.0%	0bp
Load Factor (%pts)	82.5%	82.5%	0bp	82.7%	82.7%	0bp	82.3%	82.3%	0bp
Yield (% chg)	3.0%	1.0%	-200bp	2.6%	1.1%	-147bp	1.5%	1.5%	0bp
RASM (% chg)	3.3%	1.3%	-201bp	1.9%	0.4%	-151bp	1.0%	1.0%	0bp
Adj. CASM ex fuel+other (% chg)	1.0%	0.8%	-19bp	-0.4%	0.7%	105bp	2.2%	1.1%	-112bp
Avg Jet Fuel Price: (\$/Ltr)	\$0.73	\$0.73	0.0%	\$0.75	\$0.78	4.5%	\$0.69	\$0.74	6.7%
Revenue	4,308	4,233	-1.7%	17,748	17,513	-1.3%	18,426	18,182	-1.3%
Expenses	3,725	3,788	1.7%	14,719	15,049	2.2%	15,054	15,341	1.9%
EBITDAR	583	445	-23.7%	3,029	2,464	-18.7%	3,372	2,841	-15.8%
EPS ex-one time items (\$)	0.26	(0.09)		2.74	1.26		3.48	2.04	
Consensus EBITDAR		441			2,276			2,719	

Source: Company reports, RBC CM estimates

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

Priced as of market close July 23, 2018



Chorus Aviation (TSX : CHR)

Outperform; \$11 Target (unchg.)

SUMMARY

Ticker:	CHR-ca	Rating:	Outperform
Exchange:	TSX	Target price:	\$11.00
Market price:	\$8.23	52-Wk High:	\$9.86
Yield (12-mth):	5.8%	52-Wk Low:	\$7.15
Total est. return:	39%	Mkt Cap (MM)	\$1,140
Shares O/S (MM)	138.5	Net Debt (MM)	\$1,397
Float (MM):	\$1,140	EV (MM):	\$2,530

STOCK SET-UP

Q2/18 performance	
Absolute vs. S&P/TSX	-12.3% -1895 bps
Short Interest (Days to Cover)	
Current	1.4
3-Month Average	1.7
Analyst Sentiment	
Outperform	100%
Sector Perform	0%
Underperform	0%

CONFERENCE CALL DETAILS

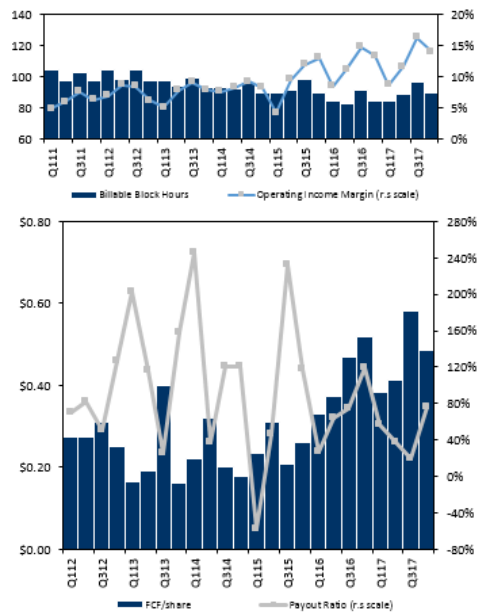
- Friday, August 9th @ 8:00AM
- 1-888-231-8191

Q2/18 set-up: We have not changed our estimates for Chorus aviation. Our Q2 EBITDAR of \$109MM, is essentially in-line with consensus at \$109MM. Given Chorus is able to pass-through all increases in fuel prices, our estimates are not affected by the increase fuel environment. As a result, our price target remains constant at \$11.

Progress on leasing subsidiary. Chorus's leasing portfolio has now grown to 23 aircraft by the end of Q2. For this quarter, we will be looking for management's commentary on the deployment of the remaining capital under the \$200M private placement (now 80% complete) and plans to deploy the \$100MM equity raise (with ~300MM in leverage).

Maintain Outperform. The stability of cash flows under the CPA presents an attractive yield, while Chorus's venture into aircraft leasing provides a platform for growth. Accordingly, we still believe the stock presents an attractive risk adjusted return profile.

OPERATING METRICS



	Q2/18E			2018E			2019E			Y/Y
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	
Revenue breakdown										
Controllable Revenue	229	229	0.0%	817	817	0.0%	830	830	0.0%	1.5%
Leasing under CPA	24	24	0.0%	103	103	0.0%	97	97	0.0%	-5.4%
Margin compensation	28	28	0.0%	112	112	0.0%	112	112	0.0%	0.0%
Incentives	4	4	0.0%	14	14	0.0%	14	14	0.0%	0.0%
Pass through revenue	69	69	0.0%	280	280	0.0%	299	299	0.0%	7.1%
Passenger revenue	328	328	0.0%	1,316	1,316	0.0%	1,336	1,336	0.0%	1.5%
Other revenue	24	24	0.0%	99	99	0.0%	126	126	0.0%	26.7%
Total Revenues	352	352	0.0%	1,415	1,415	0.0%	1,461	1,461	0.0%	3.3%
Total Expenses	319	319	0.0%	1,168	1,168	0.0%	1,193	1,193	0.0%	2.1%
EBITDAR	109	109	0.0%	442	442	0.0%	462	462	0.0%	4.5%
Consensus EBITDAR		109			465.5			499		

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

Priced as of market close July 23, 2018



WestJet (TSX: WJA)

Sector Perform; \$17 Target (from \$20)

SUMMARY

Market price:	\$18.53	52-Wk High:	\$28.00
Yield (12-mth):	3.0%	52-Wk Low:	\$16.82
Total est. return:	-5%	Mkt Cap (MM):	\$2,172
Shares O/S (MM):	117.2	Net Debt (MM):	\$1,230
Float (MM):	\$2,131	EV (MM):	\$3,402

STOCK SET-UP

Q2/18 performance	
Absolute	-23.7%
vs. S&P/TSX	-3041 bps

Short Interest (Days to Cover)	
Current	4.0
3-Month Average	3.6

Analyst Sentiment	
Outperform	17%
Sector Perform	67%
Underperform	17%

CONFERENCE CALL DETAILS

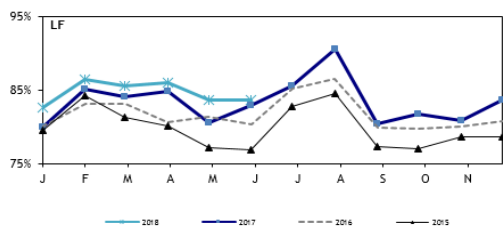
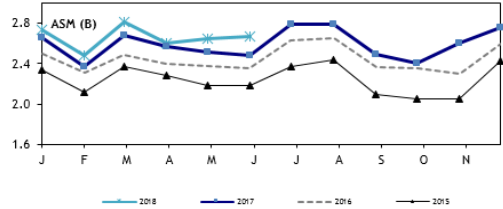
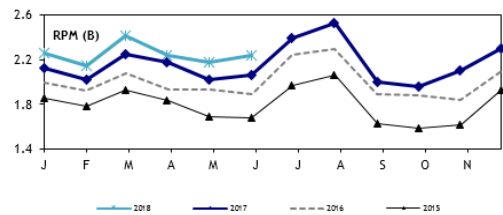
- Tuesday, July 31st @ 10:00AM
- 416-915-3239

Q2/18 set up. We have updated our estimates to account for lower expected yields following noise around the WestJet pilot strike, and have decreased our yield expectations for the quarter (from 0% to -2% Y/Y). We have also updated the forward fuel curve, which had a negative impact on 2018 numbers. Our Q2 EBITDAR estimates moved lower to \$78MM, from \$109MM (consensus at \$74MM). However, given the higher valuation level of peers, we have increased our target multiple to 5.3x (from 4.4x), which partially offset some of the impact from lower estimates. As such, our price target moves lower to \$17 (from \$20).

Focus of the call. We expect the upcoming quarterly call to focus on near-term areas of uncertainty, notably: 1) cost guidance for the remainder of the year, 2) status of Swoop sales and launch, 3) updates on wide-body growth initiatives.

Maintaining Sector Perform. WestJet continues to report solid traffic numbers, but fare prices have been volatile. During the quarter, Westjet also had a short labour strike, and we believe there may have been an impact on yields as a result, and our Q2 estimates have been revised lower. However the peer group multiple has steadily been increasing, and as a result, we have increased our target multiple to 5.3x (from 4.4x). Ultimately, our price target moves lower to \$17 (from \$20).

TRAFFIC DATA



	RBC CM Q2/18E			RBC CM 2018E			RBC CM 2019E		
	Old	New	Var	Old	New	Var	Old	New	Var
Traffic: RPMs (% chg)	4.9%	6.2%	127bp	7.5%	7.8%	31bp	7.5%	7.5%	0bp
Capacity: ASMs (% chg)	4.9%	4.7%	-21bp	7.0%	6.9%	-5bp	8.0%	8.0%	0bp
Load Factor (%pts)	0.0%	1.1%	117bp	0.4%	0.7%	28bp	-0.4%	-0.4%	0bp
Yield (% chg)	0.0%	-2.0%	-200bp	1.2%	-1.4%	-257bp	1.5%	1.5%	0bp
RASM (% chg)	-0.1%	-0.7%	-61bp	1.7%	-0.6%	-225bp	1.0%	1.0%	0bp
Adj. CASM ex fuel+other items (% chg)	7.9%	8.2%	31bp	3.5%	4.0%	46bp	-0.1%	1.4%	142bp
Avg Jet Fuel Price (\$/Ltr)	0.72	0.72	0.0%	0.77	0.81	5.4%	0.71	0.76	6.9%
Revenue	1,106	1,097	-0.8%	4,897	4,786	-2.3%	5,344	5,223	-2.3%
Expenses	997	1,020	2.3%	4,012	4,094	2.0%	4,316	4,392	1.8%
EBITDAR	109	78	-28.9%	885	693	-21.8%	1,028	831	-19.2%
Consensus EBITDAR	74			681			830		

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

Priced as of market close July 23, 2018



Air Buzz

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

Bombardier

Narrow-bodies

- **Bombardier inspires extended rally predictions after Airbus-JetBlue deal.** The Canadian planemaker is heading for its biggest annual stock gain in almost three decades, only two years after its shares dipped below \$1. The private-jet market is rebounding just in time for the debut of the company's swanky Global 7000. And a partnership with Airbus SE is paying dividends in the form of stepped-up sales of a small jetliner Bombardier developed -- as evidenced by JetBlue Airways Corp.'s US\$5.4 billion order Tuesday. The improving results highlight the company's progress under Chief Executive Officer Alain Bellemare, who has been working to ease the strain from two aircraft-development programs that left Bombardier saddled with about US\$9 billion in debt. His turnaround effort still has miles to go, but his moves to shore up liquidity, cut jobs and ally with Airbus have increasingly won over investors. (BNN Bloomberg, July 11, 2018).
- **A founder of WestJet and JetBlue commits to order 60 A220s.** One of the founders of WestJet Airlines Ltd. and JetBlue Airways Corp. has committed to buy 60 Airbus A220-300 aircraft for a new U.S. airline he's launching. A memorandum of understanding for the aircraft was announced at the Farnborough Air Show. The deal is worth US\$5.4 billion at list prices, but airlines typically receive large discounts. Deliveries of the former C Series jets are slated to begin in 2021, a year after the planes are expected to start coming off a new assembly line in Mobile, Alabama. The new airlines is backed by a group of investors led by David Neeleman, who is also an investor in TAP in Portugal and controlling shareholder in Azul airlines in Brazil. (Financial Post, July 17, 2018)

Regional jets

- **FARNBOROUGH: Bombardier unveils CRJ 'Atmosphere' cabin.** On the first day of Farnborough, Bombardier unveiled to the world a CRJ900 decked out in the company's new Atmosphere cabin, highlighting a series of upgrades aimed at propelling the venerable regional jet into its next chapter. The Canadian manufacturer is showcasing the cabin, supplied by Zodiac Aerospace, in a Delta Air Lines CRJ900 on the static display at the show. Delta has ordered 20 CRJ900s with the Atmosphere cabin. (Source: Flight Global, July 16th)
- **Bombardier sees return to prominence for its regional lineup.** Now that Airbus has assumed effective control of Bombardier's resource-consuming C Series program, the Canadian manufacturer sees a grand opportunity to re-focus its efforts and investment on what, to many, had become an almost forgotten segment of its portfolio. In fact, the Bombardier CRJ regional jets have enjoyed something of a sales renaissance, most recently evidenced by Delta Air Line's firm order this month for 20 CRJ900s and American Airlines' order in May for 15. The orders effectively doubled Bombardier's CRJ sales backlog, which stood at just 36 on March 31. (AINonline, June 26, 2018)



CAE

Civil Aerospace/ Military Industry Report

- **FAA revised pilot training rules to increase the allowed use of aviation training devices:** FAA announced a revised rule that removes the requirement to have an instructor present when “accomplishing flight experience requirements in FAA-approved full-flight simulator, flight training device or aviation training device”. Other changes include more relaxed rules around training hour conversion and pilot supervision during training. The changes will be effective by the end of July, with all changes implemented by December 2018. (FAA NPRM published June 27, 2018)
- **FSI to expand its unmanned systems training programs:** FlightSafety International announced that they plan to offer a wide variety of Unmanned Systems Training programs for commercial operators. The program will consist of Remote Pilot ground and flight training courses for UAS operators. The core courses will include navigation and flight planning, takeoff and landing, weather for UAS and Meteorology, crew resource management, risk analysis program, inspection and repair and more. (FSI)
- **CAE expands business aviation training in Europe:** CAE announced that the company has expanded its business aviation-training footprint in Europe with the launch of the new Bombardier Global 5000/6000 full-flight simulator (FFS). Concurrently, CAE announced that it signed an exclusive 3-year pilot training programs with OJets to train pilots under its Bombardier Global Vision, Global Express and Challenger 605/650 platforms across Europe. (CAE)
- **Boeing eyes APAC defense market to boost sales:** Boeing is looking to expand its footprint in Asia-Pacific’s defense services market. Its VP of Global Sales noted that the company predicts APAC should become the largest market in the world over the next decade. Boeing is actively seeking opportunities to create support programs that address products across multiple platforms. Sales prospects for military aircraft across the region remain strong. Boeing is currently discussing its airborne refueling, maritime patrol and helicopter platforms with multiple governments. (FlightGlobal)
- **CAE wins contract to provide instructor support services for US Navy:** CAE USA won a contract to provide the US Navy with contract instruction services (CIS) that will support the delivery of ground-based training. The contract will be delivered over a period of five years, and should provide classroom and simulator instructor support services for naval aviation training, intermediate and advanced strike training, and naval flight officer training. (CAE)
- **Vectrus Systems won contract to provide support services to US Air Force:** Vectrus Systems Corp won an \$84MM US Air Force contract to provide maintenance support services for an Air Force base in Texas. Under the contract, Vectrus will provide support for installation management, operations and maintenance, installation engineering and emergency management. The Sheppard Air Force Base is the only base that is home to both technical and flight training – the training wing operators the Air Force’s second busiest joint-use airfield outside of a combat zone. (M&T Training Magazine).



Valuation

Air Canada

On a 5.2x EV/EBITDAR applied to our 2019 estimates, we derive our price target of \$28. Our discount to the peer legacy group average is 0.25x. Our base case reflects the following assumptions: (1) modest yield declines due to changing business mix related to AC's strategic transformation; (2) fleet expansion and strong demand to drive traffic growth; and (3) jet fuel prices reflective of the current forward curve. Our price target supports our Outperform, Speculative Risk, rating. Due to high debt leverage and operating in a cyclical sector, we believe a Speculative Risk qualifier is warranted.

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

Chorus Aviation

Our \$11.00 price target on CHR shares is derived from an EV/EBITDAR multiple approach. We are applying a 6.5x EBITDAR multiple to our 2019E EBITDAR at \$461MM, which is a premium to the regional jet peers owing to the anticipated growth and diversification into regional aircraft leasing. This generates our \$11.00 price target, which is the basis of our Outperform rating.

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

WestJet

Our \$17 price target is based on an EV/EBITDAR approach whereby we apply a 5.3x multiple to our 2019 estimate and is the basis of our Sector Perform rating. Our target multiple is a slight discount to recent LCC peer multiples, reflective of the execution risk and costs associated with the company's international and regional growth strategy.

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



Appendix 1: Airline Comparables

	Symbol	23-Jul-18 Price	EV/EBITDAR				EV/Sales				EBITDAR Margin				Net Debt to EBITDAR	EV (MM)	
			2016	2017E	2018E	2019E	2016	2017E	2018E	2019E	2016	2017E	2018E	2019E			
Discount Airlines																	
WestJet	WJA-CA	C\$	\$18.53	4.5x	4.3x	4.9x	4.2x	1.1x	1.0x	0.9x	0.8x	24%	22%	18%	19%	2.5x	4,356
Southwest	LUV-US	US\$	\$53.56	6.1x	6.8x	7.0x	6.4x	1.7x	1.6x	1.5x	1.5x	27%	24%	22%	23%	0.6x	34,005
JetBlue	JBLU-US	US\$	\$19.81	4.4x	5.1x	5.7x	5.1x	1.3x	1.2x	1.1x	1.0x	30%	24%	20%	20%	1.6x	8,610
Discount Average				5.0x	5.4x	5.9x	5.2x	1.3x	1.3x	1.2x	1.1x	27%	23%	20%	21%	1.1x	
Mainline Airlines																	
Air Canada	AC-CA	C\$	\$22.04	4.5x	4.3x	4.2x	3.7x	0.9x	0.8x	0.7x	0.7x	19%	18%	17%	18%	2.1x	12,574
Delta Air Lines	DAL-US	US\$	\$52.24	5.2x	5.4x	5.7x	5.2x	1.1x	1.1x	1.0x	1.0x	22%	20%	18%	19%	1.1x	45,140
United Continental	UAL-US	US\$	\$81.59	4.9x	5.6x	5.8x	5.4x	1.0x	1.0x	0.9x	0.9x	21%	17%	16%	16%	2.3x	36,749
American Airlines	AAL-US	US\$	\$38.04	5.1x	5.7x	6.8x	6.1x	1.0x	1.0x	0.9x	0.9x	20%	17%	13%	14%	3.9x	41,163
Mainline Average				4.9x	5.2x	5.6x	5.1x	1.0x	1.0x	0.9x	0.8x	20%	18%	16%	17%	2.4x	
Regional Airlines																	
Chorus Aviation	CHR-CA	C\$	\$7.38	8.5x	7.4x	6.2x	6.0x	2.2x	2.0x	1.9x	1.9x	25%	28%	31%	32%	4.3x	2,757
SkyWest Inc.	SKYW-US	US\$	\$55.65	7.0x	6.0x	7.0x	7.0x	2.3x	2.3x	2.3x	2.2x	34%	38%	32%	31%	4.2x	7,288
Regional Average				7.7x	6.7x	6.6x	6.5x	2.2x	2.2x	2.1x	2.0x	29%	33%	32%	32%	4.3x	
Airline Average				5.6x	5.6x	5.9x	5.5x	1.4x	1.3x	1.3x	1.2x	25%	23%	21%	21%	2.5x	

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada, Chorus Aviation, and WestJet. Priced at market close on July 23, 2018

Source: Company reports, RBC Capital Markets estimates, FactSet; Priced as market close July 23, 2018



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

FY Dec 31	2016	Q1/17	Q2/17	Q3/17E	Q4/17	2017A	Q1/18	Q2/18E	Q3/18E	Q4/18E	2018E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	2020E
Traffic / RPM (MMs)	76,481	18,341	20,928	26,472	19,396	85,137	20,440	22,602	28,193	20,366	91,601	20,951	23,167	28,897	20,875	93,891	96,238
% change	13.2%	14.0%	13.6%	8.8%	9.9%	11.3%	11.4%	8.0%	6.5%	5.0%	7.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capacity / ASM (MMs)	92,726	22,894	25,357	31,050	24,191	103,492	24,862	27,386	33,068	25,401	110,716	25,608	28,207	34,060	26,163	114,038	117,459
% change	14.7%	15.4%	13.5%	9.1%	9.5%	11.6%	8.6%	8.0%	6.5%	5.0%	7.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Load Factor (%)	82.5%	80.1%	82.5%	85.3%	80.2%	82.3%	82.2%	82.5%	85.3%	80.2%	82.7%	81.8%	82.1%	84.8%	79.8%	82.3%	81.9%
change (% pts)	-1.0%	-1.0%	0.1%	-0.2%	0.3%	-0.2%	2.1%	0.0%	0.0%	0.0%	0.5%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Yield (\$)	0.169	0.170	0.165	0.166	0.171	0.168	0.171	0.167	0.168	0.174	0.170	0.173	0.169	0.170	0.177	0.172	0.175
% change	-6.4%	-2.4%	-1.4%	0.4%	1.4%	-0.6%	0.4%	1.0%	1.0%	2.0%	1.1%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
RASM (Rev per unit of capacity, cents)	14.2	13.6	13.6	14.2	13.7	14.0	14.0	13.8	14.3	14.0	14.0	14.2	13.9	14.4	14.1	14.2	14.3
CASM (excl. fuel) (cents)	11.5	12.7	11.2	9.5	11.7	11.1	12.7	11.2	9.7	11.6	11.2	12.8	11.4	9.8	11.6	11.3	11.4
Total Revenues	14,677	3,642	3,910	4,880	3,820	16,252	4,071	4,233	5,165	4,045	17,513	4,224	4,395	5,365	4,198	18,182	18,875
Wages, salaries and benefits	2510	644	663	690	674	2671	700	717	718	715	2850	743	761	762	759	3024	3177
% Sales	17.1%	17.7%	17.0%	14.1%	17.6%	16.4%	17.2%	16.9%	13.9%	17.7%	16.3%	17.6%	17.3%	14.2%	18.1%	16.6%	16.8%
Aircraft Fuel - total	2606	754	797	941	847	3339	939	1138	1333	1016	4426	989	1061	1263	976	4288	4233
% Sales	17.8%	20.7%	20.4%	19.3%	22.2%	20.5%	23.1%	26.9%	25.8%	25.1%	25.3%	23.4%	24.1%	23.5%	23.2%	23.6%	22.4%
Sales and distribution costs	703	181	199	204	169	753	189	219	225	183	816	195	226	232	188	840	866
% Sales	4.8%	5.0%	5.1%	4.2%	4.4%	4.6%	4.6%	5.2%	4.4%	4.5%	4.7%	4.6%	5.1%	4.3%	4.5%	4.6%	4.6%
Food, beverages, supplies	349	85	97	112	89	383	96	105	119	93	413	99	108	123	96	426	439
% Sales	2.4%	2.3%	2.5%	2.3%	2.3%	2.4%	2.4%	2.5%	2.3%	2.3%	2.4%	2.3%	2.5%	2.3%	2.3%	2.3%	2.3%
Aircraft maintenance	883	228	226	241	243	938	256	285	248	239	1028	269	299	261	251	1079	1133
% Sales	6.0%	6.3%	5.8%	4.9%	6.4%	5.8%	6.3%	6.7%	4.8%	5.9%	5.9%	6.4%	6.8%	4.9%	6.0%	5.9%	6.0%
Airport and navigation fees	859	210	230	264	201	905	221	248	288	216	973	228	256	296	222	1002	1032
% Sales	5.9%	5.8%	5.9%	5.4%	5.3%	5.6%	5.4%	5.9%	5.6%	5.3%	5.6%	5.4%	5.8%	5.5%	5.3%	5.5%	5.5%
Communications and information tech	242	71	58	63	62	254	79	63	57	57	256	81	65	59	59	264	260
% Sales	1.6%	1.9%	1.5%	1.3%	1.6%	1.6%	1.9%	1.5%	1.1%	1.4%	1.5%	1.9%	1.5%	1.1%	1.4%	1.5%	1.4%
Other	3268	847	867	904	908	3526	918	910	954	942	3724	955	958	1007	917	3837	3983
% Sales	22.3%	23.3%	22.2%	18.5%	23.8%	21.7%	22.5%	21.5%	18.5%	23.3%	21.3%	22.6%	21.8%	18.8%	21.9%	21.1%	21.1%
Regional airline expense (ex fuel and L	2027	521	535	535	546	2137	542	571	540	558	2212	575	606	577	582	2341	2430
% Sales	13.8%	14.3%	13.7%	11.0%	14.3%	13.1%	13.3%	13.5%	10.5%	13.8%	12.6%	13.6%	13.8%	10.8%	13.9%	12.9%	12.9%
Total Operating Costs	11,420	3,020	3,137	3,419	3,193	12,769	3,398	3,685	3,941	3,462	14,486	3,558	3,733	4,002	3,469	14,761	15,123
EBITDAR	2,768	366	670	1,388	521	2,945	397	445	1,148	474	2,464	382	556	1,286	617	2,841	3,154
% of sales	18.9%	10.0%	17.1%	28.4%	13.6%	18.1%	9.8%	10.5%	22.2%	11.7%	14.1%	9.0%	12.7%	24.0%	14.7%	15.6%	16.7%
EPS (F.D) (\$) (Exc. Special charges)	\$ 4.11	\$ (0.23)	\$ 0.78	\$ 3.51	\$ 0.22	\$ 4.19	\$ (0.26)	\$ (0.09)	\$ 1.52	\$ 0.09	\$ 1.26	\$ (0.36)	\$ 0.16	\$ 1.83	\$ 0.41	\$ 2.04	\$ 2.85

Source: RBC CM estimates, Company reports



Chorus Aviation (TSX: CHR)

FY Dec 31	2016	Q1/17	Q2/17	Q3/17	Q4/17A	2017A	Q1/18E	Q2/18E	Q3/18E	Q4/18E	2018E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	2020E	
Billable Block Hours ('000s)	342,768	84,515	88,795	96,674	89,353	359,337	88,153	92,617	100,835	93,199	374,805	91,948	96,604	105,176	97,211	390,939	407,767	
% change	-6.9%	0.2%	7.0%	6.2%	5.9%	4.8%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	
Available Seat Miles ('000s)	5071289.2	1181954	1352906	1480461	1305559	5320880	1232832	1411143	1544188	1361757	5549921	1285900	1471886	1610659	1420375	5788820	6038004	
change (% pts)	-7.0%	0.2%	7.0%	6.2%	5.9%	4.9%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	
CASM (cents)	22.191122	24.77389	21.7993	19.51777	23.49607	22.24158	24.54795	22.59835	19.3764	22.9794	21.73458	24.4289	21.46544	19.47413	23.1357	21.9795	22.13102	
% change	-13.3%	-0.5%	0.0%	-3.7%	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Chorus Aviation Income Statement (\$MM)																		
Revenue	1,277	321	333	345	357	1,355	348	352	350	367	1,415	360	363	360	378	1,461	1,502	
% change	-17.3%	0.0%	7.5%	4.1%	13.2%	6.1%	8.4%	5.5%	1.6%	2.9%	4.4%	4.2%	3.2%	2.9%	2.9%	3.3%	2.8%	
Salaries, wages and benefits	433	114	112	109	110	445	117	121	113	115	466	122	123	115	117	477	486	
% Sales	34%	36%	33%	32%	31%	33%	34%	30%	29%	28%	29%	30%	30%	28%	27%	29%	29%	
Aircraft fuel	3	1	1	1	1	3	0	1	1	1	2	1	1	1	1	3	3	
% Sales	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Depreciation and amortization	81	22	23	27	31	103	30	30	24	24	95	23	23	23	23	94	93	
% Sales	6%	7%	7%	8%	9%	8%	9%	7%	7%	6%	7%	7%	6%	6%	6%	6%	6%	
Food and beverage	13	3	0	0	0	4	0	0	0	4	5	4	0	0	4	8	9	
% Sales	1%	1%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	0%	0%	1%	1%	1%	
Aircraft maintenance	168	44	46	44	58	193	54	51	48	64	216	57	54	51	68	230	245	
% Sales	13%	14%	14%	13%	16%	14%	15%	13%	13%	16%	14%	13%	13%	13%	16%	14%	14%	
Airport and navigation fees	161	39	43	46	39	167	40	45	48	43	176	42	47	51	45	186	196	
% Sales	13%	12%	13%	13%	11%	12%	11%	12%	13%	11%	12%	11%	12%	13%	11%	12%	12%	
Aircraft rent	91	25	27	24	24	99	24	25	25	25	99	25	25	25	25	100	100	
% Sales	7%	8%	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	
Terminal handling	39	9	6	6	6	28	6	7	6	9	31	10	7	7	9	32	32	
% Sales	3%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%	2%	2%	2%	2%	2%	
Other	136	35	38	32	37	142	32	41	44	41	158	40	43	46	43	172	179	
% Sales	11%	11%	11%	9%	10%	10%	9%	11%	12%	11%	11%	11%	11%	12%	11%	11%	11%	
Total Operating Expenses	1,125	293	295	289	307	1,183	303	319	290	303	1,168	295	296	294	308	1,193	1,213	
Operating Income	151	28	38	56	50	172	45	60	60	64	247	66	67	66	69	268	289	
EBITDAR	324	75	88	107	105	374	99	109	109	112	442	114	115	115	118	462	482	
% of sales	25.4%	23.3%	26.4%	31.0%	29.4%	27.6%	28.4%	30.9%	31.2%	30.6%	31.2%	31.7%	31.7%	31.8%	31.2%	31.6%	32.1%	
EBITDA	233	50	61	83	81	275	75	84	84	87	341	89	90	90	93	362	382	
% of sales	53.8%	43.6%	54.7%	76.2%	73.6%	61.8%	63.5%	78.5%	84.0%	86.3%	82.6%	83.2%	82.8%	87.9%	89.8%	85.8%	88.9%	
Net Income	102	17	47	76	40	180	-9	36	36	38	146	39	39	39	41	157	168	
EPS (F.D) (\$) (Excluding Special charges)	\$0.89	\$0.21	\$0.32	\$0.62	\$0.16	\$1.32	\$0.04	\$0.26	\$0.26	\$0.28	\$1.06	\$0.28	\$0.28	\$0.28	\$0.29	\$1.14	\$1.22	
CFPS (F.D) (\$) (Excluding Special charges)	\$1.69	\$0.38	\$0.41	\$0.58	\$0.49	\$1.87	\$0.43	\$0.44	\$0.43	\$0.45	\$1.75	\$0.45	\$0.45	\$0.45	\$0.46	\$1.82	\$1.90	

Source: Company reports, RBC Capital Markets estimates



WESTJET (TSX: WJA)

FY Dec. 31 (\$MM's)	2016	Q1/17	Q2/17	Q3/17	Q4/17	2017	Q1/18E	Q2/18E	Q3/18E	Q4/18E	2018E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	2020E
Traffic (RPMs in MM)	23,967	6,393	6,260	6,922	6,329	25,904	6,810	6,646	7,510	6,962	27,928	7,322	7,144	8,074	7,484	30,024	32,007
% change	11.3%	6.8%	8.9%	7.9%	8.8%	8.1%	6.5%	6.2%	8.5%	10.0%	7.8%	7.5%	7.5%	7.5%	7.5%	7.5%	6.6%
Capacity (ASMs in MM)	29,299	7,699	7,564	8,076	7,659	30,998	8,029	7,922	8,762	8,425	33,138	8,667	8,556	9,463	9,099	35,785	38,290
% change	8.9%	5.5%	6.3%	5.8%	5.6%	5.8%	4.3%	4.7%	8.5%	10.0%	6.9%	7.9%	8.0%	8.0%	8.0%	8.0%	7.0%
Load Factor in (%)	81.8%	83.0%	82.8%	85.7%	82.6%	83.6%	84.8%	83.9%	85.7%	82.6%	84.3%	84.5%	83.5%	85.3%	82.3%	83.9%	83.6%
change (%pts)	1.8%	0.9%	2.0%	1.7%	2.4%	1.8%	1.8%	1.1%	0.0%	0.0%	0.7%	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%
Yield (cents per RPM)	17.20	17.44	16.85	17.56	17.66	17.38	17.50	16.51	17.21	17.30	17.14	17.76	16.76	17.47	17.56	17.40	17.57
% change	-8.1%	1.3%	2.1%	0.2%	0.9%	1.0%	0.3%	-2.0%	-2.0%	-2.0%	-1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.0%
RASM (Revenue per unit of capacity, cents)	14.1	14.5	13.9	15.1	14.6	14.5	14.8	13.9	14.7	14.3	14.4	15.0	14.0	14.9	14.4	14.6	14.7
CASM (excl. fuel) (cents)	10.0	10.4	9.9	9.6	10.3	10.0	10.6	10.7	9.9	10.2	10.4	10.7	10.6	10.1	10.3	10.4	10.5
Total Revenues	4,122.9	1,114.3	1,055.0	1,215.6	1,117.4	4,502.3	1,191.7	1,097.5	1,292.4	1,204.7	4,786.3	1,300.5	1,197.5	1,410.2	1,314.5	5,222.7	5,623.3
% change	2.3%	8.0%	11.1%	8.1%	9.8%	9.2%	7.0%	4.0%	6.3%	7.8%	6.3%	9.1%	9.1%	9.1%	9.1%	9.1%	7.7%
Airport Operations	581.9	168.9	154.5	127.1	158.7	609.3	172.9	155.6	132.7	174.6	635.8	186.7	168.1	143.3	188.6	686.6	734.7
% change	4%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%	7%
Aircraft Fuel	765.9	235.5	224.9	238.0	251.6	950.0	281.2	312.0	343.4	318.7	1255.2	324.0	313.8	344.8	321.1	1303.7	1345.4
% change	-6%	42%	23%	15%	20%	24%	19%	39%	44%	27%	32%	15%	1%	0%	1%	4%	3%
Maintenance	231.5	62.0	56.7	65.7	58.2	242.6	63.4	57.1	68.6	64.1	253.2	68.5	61.7	74.1	69.2	273.4	292.5
% change	1%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%	7%
Sales & Distribution	442.7	114.4	109.6	127.1	112.6	463.9	117.1	110.4	132.7	123.9	484.2	126.5	119.3	143.3	133.8	522.8	559.4
% change	16%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%	7%
Marketing, General & Administrative	243.2	64.3	59.8	69.3	61.4	254.9	65.8	60.2	72.4	67.6	266.0	71.1	65.1	78.2	73.0	287.3	307.4
% change	5%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%	7%
Customer Service (Reservations)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Flight Operations	567.9	150.4	139.5	161.8	143.4	595.1	154.0	140.6	168.9	157.7	621.1	166.2	151.8	182.4	170.3	670.7	717.6
% change	14%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%	7%
In-Flight	232.1	62.1	56.8	65.9	58.4	243.2	63.6	57.2	68.8	64.2	253.8	68.6	61.8	74.3	69.3	274.0	293.2
% change	12%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%	7%
Employee Profit Sharing	59.3	7.0	7.8	27.6	4.4	46.8	6.4	5.9	6.9	6.5	25.6	0.0	0.0	0.0	0.0	0.0	56.2
% change	-41%	-69%	-751%	-13%	-32%	-21%	-9%	-24%	-75%	47%	-45%	-100%	-100%	-100%	-100%	-100%	#DIV/0!
EBITDAR (after profit sharing)	969.0	223.0	217.9	342.4	224.5	1,007.9	200.9	77.5	236.9	177.2	692.5	202.3	129.4	281.1	217.9	830.7	927.8
% of sales	23.5%	20.0%	20.7%	28.2%	20.1%	22.4%	16.9%	7.1%	18.3%	14.7%	14.5%	15.6%	10.8%	19.9%	16.6%	15.9%	16.5%
EPS F.D.	2.45	0.41	0.41	1.18	0.41	2.41	0.32	-0.45	0.42	0.08	0.38	0.20	-0.20	0.61	0.25	0.86	1.19

Source: Company Reports; RBC Capital Markets Estimates



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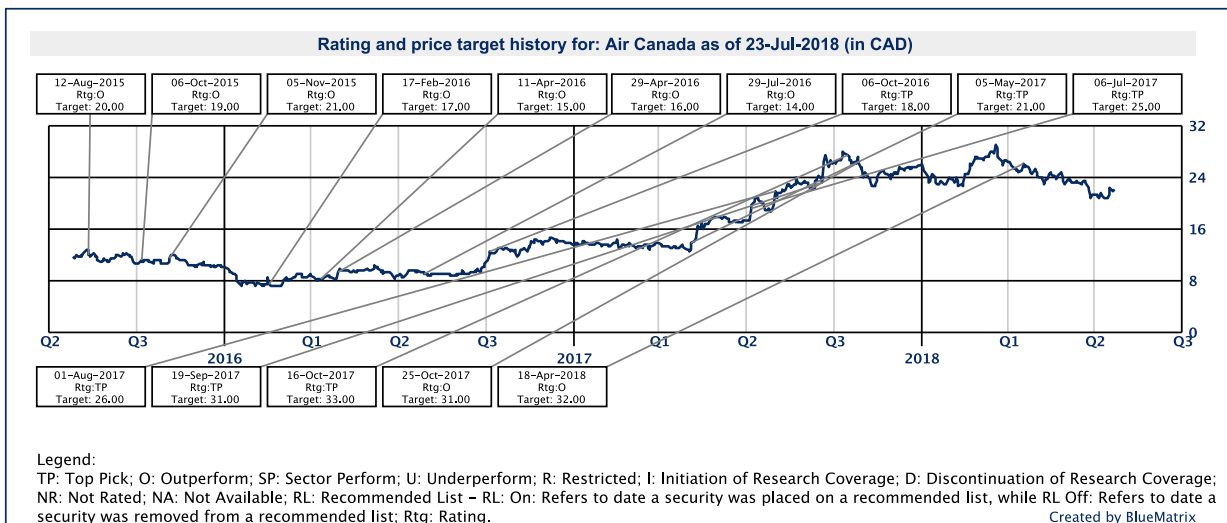
Risk Rating

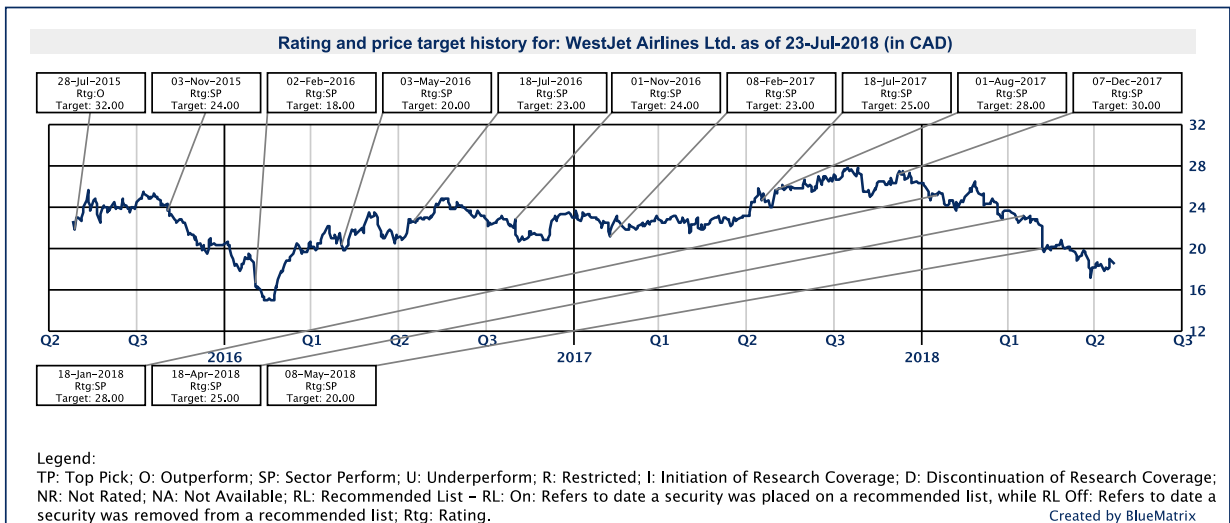
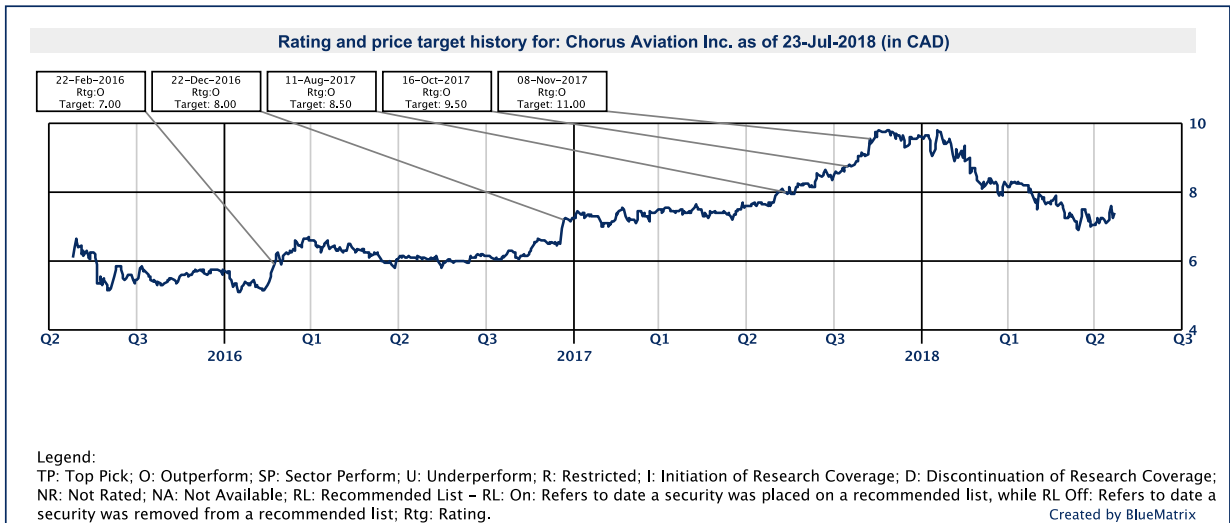
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Air Canada

Valuation

Our \$28.00 target price is based on a 5.2x EV/EBITDAR multiple applied to our 2019 estimates, which is a 0.6x discount to the group average multiple. Our base case reflects the following assumptions: (1) modest yield declines due to changing business mix related to AC's strategic transformation; (2) fleet expansion and strong demand to drive traffic growth; and (3) jet fuel prices to remain relatively range-bound at current levels. Our price target supports our Outperform, Speculative Risk rating. Due to high debt leverage and operating in a cyclical sector, we believe a Speculative Risk qualifier is warranted.

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.

Chorus Aviation Inc.

Valuation

Our \$11.00 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 6.5x EV/EBITDAR multiple based on our 2019 estimates and we value the company's new leasing segment at a 7.0x P/E multiple based on our assumptions for operating and funding costs attributable to the segment. This generates our \$11.00 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.

WestJet Airlines Ltd.

Valuation

Our \$17 price target is based on an EV/EBITDAR approach whereby we apply a 5.3x multiple to our 2019 estimate and is the basis of our Sector Perform rating. Our target multiple is a slight discount to recent LCC peer multiples, reflective of the execution risk and costs associated with the company's international and regional growth strategy.

Risks to rating and price target

Risks to our price target and rating include but are not limited to the price of jet fuel, which is tied to oil prices, the strength of the domestic economy, the competitive environment, and the ability to maintain a growth company valuation. Airline stocks in general are volatile and can significantly underperform or outperform the broader market on sentiment.

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