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RBC Flight Deck

Q2 preview – big balance sheets and a bumpy recovery lead to beat-up valuations

In this report. While we anticipate improving results for the group on the back of strong air travel demand/traffic trends, we expect to see cost and capacity headwinds related to summer travel disruptions at airports. We are making some cadence changes to our Q2 ests for CHR, while leaving AC, BBD, CAE, and EIF unchanged. We reduced our target multiples for AC and BBD and thereby our price targets, to reflect the discount the market is attributing to higher leveraged names in a rising rate environment. Key areas of focus will be: 1) updates on booking trends, particularly as it relates to business and international travel; 2) changes to the LT trajectory of the recovery; 3) recent airport pains impact on carriers; and 4) changes to the near-term biz jet demand and cost/debt reduction programs.

Q2 estimate revisions

- **AC: Target reduced to $18 (from $24); reaffirm Sector Perform rating.** Q2 estimates are unchanged with our EBITDA estimate of $164MM below consensus at $215MM, as the carrier works through return to travel disruptions (and associated costs). Target multiple reduced to 5.1x (from 5.6x), in-line with peers, to reflect the discount attributed to higher leveraged names in the current market. When applying our 2024 EBITDA to our 5.1x target multiple, we arrive at our $18 PT.
- **BBD: Price target reduced to $32 (from $56); reaffirm Outperform (Speculative Risk) rating.** Maintaining our Q2 EBITDA estimate of $186MM, which is in-line with consensus of $192MM, with no changes to longer term forecasts. Target multiple lowered to 5x (from 6.5x), to reflect the sizable discount the market is attributing to higher leveraged names. When applying our 2025 EBITDA estimate to our 5x target multiple, we arrive at our $32 price target.
- **CAE: FQ1 estimate unchanged; price target remains at $40; maintain Outperform.** Our FQ1 EBITDA estimate remains unchanged into the quarter at $214MM, above consensus $210MM. Our estimate reflects better margins in Civil on the back of increasing utilization as well as higher Defense revenue driven by the L3H MT acquisition.
- **CHR: Price target reduced to $4.50 (from $5); reaffirm Outperform rating.** We are reducing our Q2 estimates to introduce a more realistic cadence that better reflects the Falko acquisition, with no change to full year. We adjusted the revenue mix between leasing and passenger which brought our target price down slightly to $4.50 with no change to our target multiples.
- **EIF: Q2 estimate unchanged; price target remains at $62; maintain Outperform.** We are leaving our Q2 estimate unchanged at $109MM and above consensus $102MM. We note that our 2023 estimate of $527MM is above consensus $514MM and toward the upper end of guidance for EBITDA of $500MM to $530MM reflecting our view that guidance incorporates a degree of conservatism. We therefore see upside if end markets recover in line with our expectations.

INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	0.2	(10.0)	(5.4)	Δ
S&P 500	1.4	(16.8)	(10.1)	Δ
AMEX Airline	(3.2)	(29.0)	(38.2)	▼
AMEX Aerospace	0.9	1.9	0.0	Δ
COMMODITIES	**1-M (%)**	**YTD (%)**	**1-YR (%)**	**TREND**
WTI	(7.4)	35.1	49.9	▼
Jet Fuel	(15.8)	53.8	80.6	▼
CAD/USD	(0.2)	1.6	2.4	▼
AEROSPACE				
Bombardier	(8.4)	(49.6)	(42.8)	▼
Boeing	10.7	(22.2)	(29.3)	Δ
CAE	14.4	(5.8)	(5.5)	Δ
Embraer	(7.6)	(50.5)	(38.0)	▼
General Dynamics	(1.6)	5.0	14.0	▼
Textron	6.1	(16.7)	(5.5)	Δ
N.A. MAINLINE				
Air Canada	(2.6)	(19.7)	(32.5)	▼
AMR	(1.1)	(23.4)	(35.1)	▼
Delta	0.7	(19.6)	(22.3)	Δ
United	(5.6)	(17.0)	(23.5)	▼
N.A. REGIONAL				
Alaska	4.3	(16.0)	(24.9)	Δ
Allegiant	(5.6)	(37.6)	(38.5)	▼
Chorus Aviation	(6.6)	(5.7)	(30.4)	▼
Exchange Income	7.6	8.6	12.3	Δ
JetBlue	(2.1)	(40.7)	(45.7)	▼
SkyWest	(3.0)	(44.7)	(44.8)	▼
Southwest	7.7	(5.2)	(19.9)	Δ
INTL. AIRLINES				
Lufthansa	1.0	(2.5)	(14.3)	Δ
Air France/KLM	4.7	(36.2)	(38.4)	Δ
BA/Iberia	(0.6)	(20.0)	(32.3)	▼
Air China	8.7	16.9	23.7	Δ
China Eastern	4.4	(2.7)	(3.4)	Δ
China Southern	3.8	(6.0)	2.6	Δ
Singapore Airlines	3.5	6.8	6.6	Δ
Qantas	3.1	(8.4)	(0.2)	Δ

Source: Bloomberg

Priced as of prior trading day's market close, EST (unless otherwise noted). All values in CAD unless otherwise noted

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Canadian Airlines & Aerospace Q2/22 preview

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q2 estimates. Items of focus include:

1) The set-up: share price performance in Q2 and valuation
2) An overview of global and North American air traffic trends
3) A discussion of our Q2 estimates for each company in our coverage

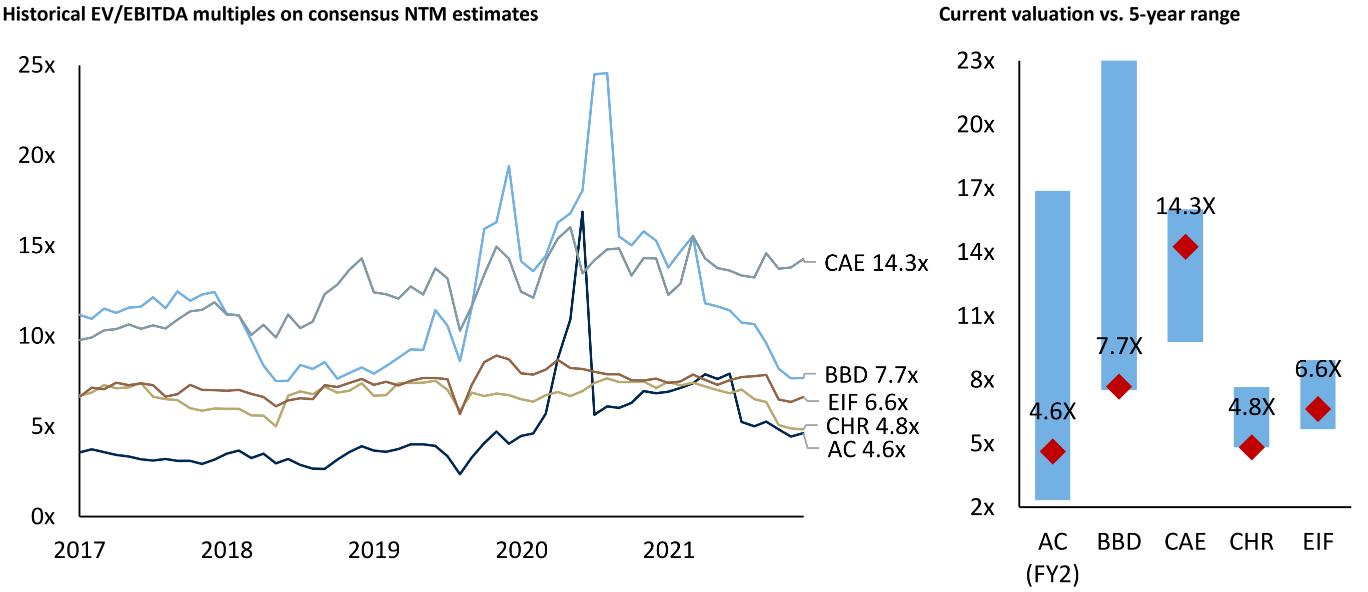
Company	Q2/22 Share Price Performance
EIF	-1.5%
CAE	-2.5%
S&P TSX	-13.8%
CHR	-22.7%
AC	-33.9%
BBD	-46.3%

The set-up: Aerospace share price performance during Q2

Share prices lower in Q2. Canadian Airlines & Aerospace share prices were down in the quarter, with EIF and CAE outperforming the index, and AC, CHR and BBD underperforming. EIF shares held up best (-1.5%), reflecting the acquisition of Northern Mat and new 2023 guidance that at the time came in well ahead of consensus expectations. CAE shares also outperformed the index, down -2.5%, due to indications that recovering travel demand is beginning to drive increased pilot training revenue in Civil. On the other hand, AC, CHR and BBD saw their stock prices decline as higher leveraged names faced a valuation contraction in the face of rising interest rates. AC shares also felt pressure as the carrier cut 15% of its summer schedule due to staffing issues and congestion at Canadian Airports that resulted in delays and cancelled flights.

Thoughts on valuations. Referencing Exhibit 1, the bar chart below shows current valuations (diamond) relative to the 5-yr range (blue bar). CAE is trading at the higher end of its historical range, driven by recovering travel demand as well as favourable defense spending tailwinds that set the stage in our view for meaningful earnings growth out to FY25. On the other hand, AC, BBD, CHR, and EIF are toward the bottom of their historical valuation ranges. We flag EIF as attractively valued in our view, with valuation not reflecting our expectation for mid-20% EBITDA CAGR 2021 to 2023. We also highlight Bombardier as a top value opportunity and see the shares attractively valued as the company continues to execute on debt reduction and cost cutting initiatives. We remain cautious on AC as the carrier works through return to travel headwinds and realizes a meaningful return to business travel.

Exhibit 1 - Airlines & Aerospace shares trading toward bottom of relative valuation reflecting recessionary fears

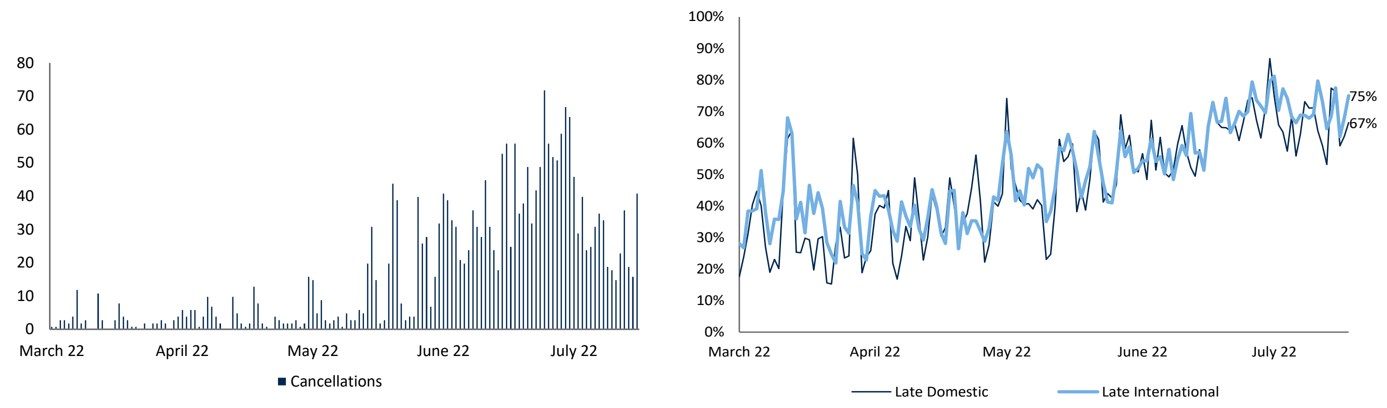


Source: FactSet consensus estimates as of market close July 25, 2022. (AC using FY2 EV/EBITDA Estimates)

Bombardier: Q2 should see strong demand and cost controls. We are looking for BBD to report a solid quarter during Q2 results, with our forecast calling for total biz jet deliveries of 24 (including 15 large business jets) and continued healthy growth in services revenues (+20% Y/Y). According to the General Aviation Manufacturers Association (GAMA), total business jet shipment activity continued its strong momentum to start the year, with orders of 118 (BBD 18% market share) up 4% Y/Y. We are encouraged by the robust demand for private travel, used aircraft inventory levels at historical lows, and the pandemic-induced creation of a new wealthy customer cohort. We anticipate BBD to keep moving toward their 2025 targets, as seen by their $350MM cash tender offer for senior notes made during the quarter. We expect continued solid execution of their cost reduction program, debt reduction, new capital spending, and roll out of after-market services.

Airlines: Looking for the impact of disorder. Broadly speaking, we are looking for steady sequential improvement in traffic levels at the airlines. However, we see headwinds as airport disruptions have led to flight cancellations and late departures, see Exhibit 2. We see this translating into higher costs and lost revenue as schedule reductions were implemented at AC to maintain tenable service. As the industry works through the near-term bottlenecks, continued staffing gains and pent-up leisure travel demand are expected to positively affect the airlines in the medium term. However, we view the longer-term recovery of business and international travel as less obvious and take a more conservative view in our out-year estimates.

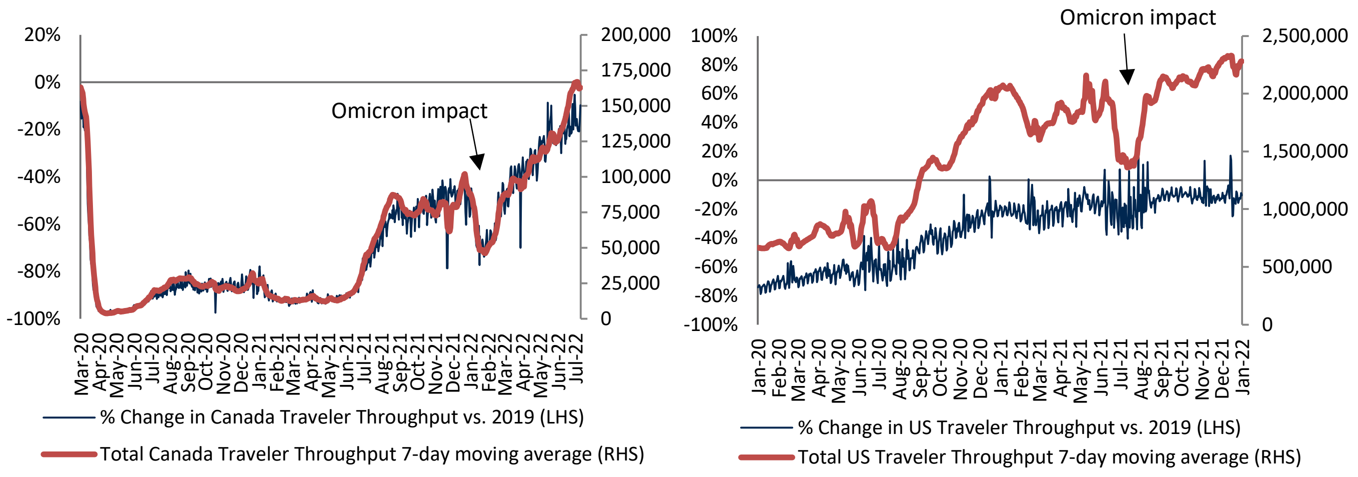
Exhibit 2 - Pearson cancellations and late departures have trended upward in Q2 negatively impacting its biggest tenant



Source: Cirium

Key focus areas. The key areas of focus for us going forward are: 1) any changes to the longer-term trajectory of the recovery, 2) update on booking trends, particularly as it relates to business and international travel, 3) the impact of materially higher fuel costs on FCF, 4) the impact of delays, cancellations and cuts to summer capacity, and 5) the impact to cargo from airport congestion/realigning resources to passenger travel. Further, we note that based on recent data points we have been tracking from RBC Elements and third party providers, demand/traffic trends improved significantly during Q2, after the impact of the Omicron variant led to a sharp reduction in passenger traffic to start 2022. See Exhibit 3.

Exhibit 3 - Passenger traffic in the US and Canada has recovered well past omicron lows



Source: TSA, CATSA, RBC Capital Markets. Note: Data as of July 25, 2022 for CATSA and TSA.

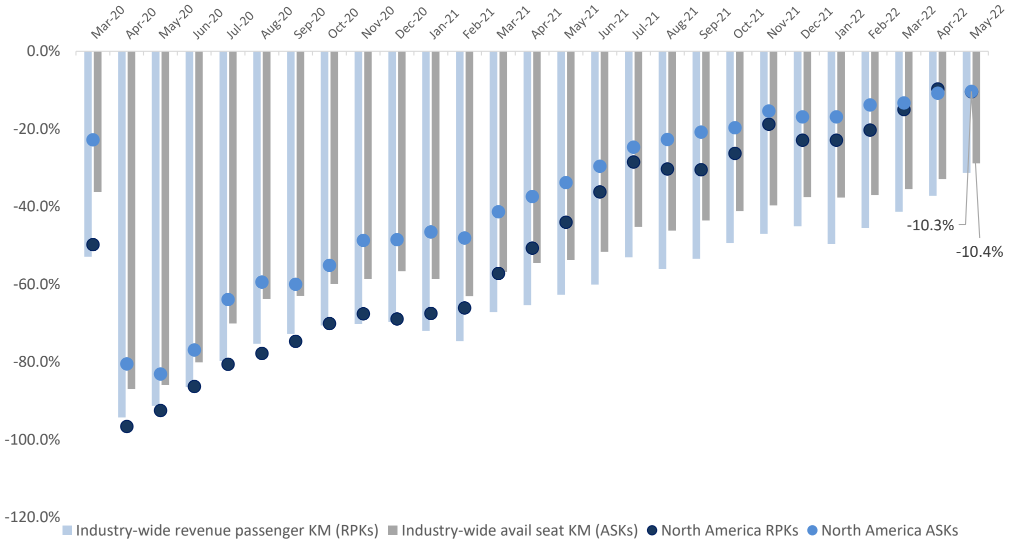
IATA Traffic data shows steadily improving demand and traffic

To gauge global air traffic conditions, we use data published 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 time lag (~4-6 weeks), but provides a good indication of overall sentiment ahead of the quarterly reporting season. We summarize some of this data in Exhibit 4.

Passenger traffic improved significantly in Q2. IATA data showed that global demand continued its rebound in May, with industry-wide Revenue Passenger Km's (RPK's) down -31% (vs. the same month in 2019), which was an 10% improvement from March's print of -41%. In North America, traffic improved with RPKs down -10% in May (vs. -15% in March) but remained relatively flat M/M. Looking forward, we expect international air travel to gradually recover and the recovery gap between North America and the rest of the world to close in the near to medium term as restrictions gradually lift in Asia-Pacific.

Notable global capacity improvements; load factors reach highs. According to IATA, global capacity levels were up notably as capacity improved to -29% in May (vs. the same month in 2019) compared to being down -36% in March. Capacity in North America also improved, with capacity down -10% (vs. the same month in 2019) compared to -13% in March. Load factors reached new highs as global PLFs of 79% in May rebounded from Omicron lows of 65%. North America PFL's hit 86% in May, overcoming levels reached last summer. We would expect capacity trends to continue mirroring traffic trends, and expect pent-up demand and travel restriction reductions to support the return to normalized capacity levels.

Exhibit 4 - IATA traffic (RPKs) and capacity (ASKs) steadily improved in Q2

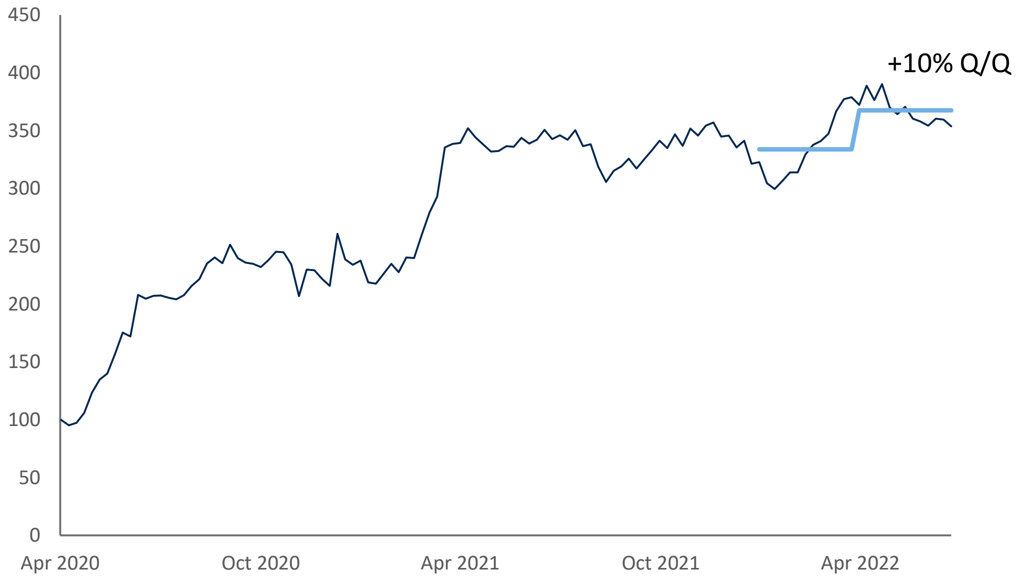


Source: IATA .org

Travel Sentiment Indicator - High

We look to RBC's proprietary Get Out and Travel (GOAT) index to gauge consumer demand for travel. The composite index aggregates data such as air travel search interest, TSA throughput, and flight departures to provide an indication on relative travel interest. As per Exhibit 5, we see that Q2 had solid improvement indicated by an incremental increase of 10% Q/Q. Additionally, the index reached a new high in Q2 since inception, a clear sign travel demand continues to be rebounding in our view.

Exhibit 5 - GOAT index reached new highs in Q2



Source: RBC Elements, RBC Capital Markets

Q2 Estimates

Aside from CHR, we are leaving our Q2 estimates largely unchanged for the group ahead of reporting season. Details by company are below:

- **Air Canada (AC): Price target reduced to $18 (from $24); reaffirm Sector Perform rating.** We are leaving our Q2/22 estimates unchanged, with our EBITDA estimate of $164MM below consensus at $215MM, as the carrier works through return to travel disruptions (and associated costs). Our estimates reflect reduced full year capacity (from prior guidance) as AC reduced its summer schedule by 15% in June. We have reduced our multiple from 5.6x to 5.1x to be in-line with peers and to reflect the discount attributed to higher leveraged names in the current market environment. We continue to use 2024 as our valuation year, and when applying our 2024 EBITDA to our 5.1x target multiple, we arrive at our $18 price target.
- **Bombardier (BBD): Price target reduced to $32 (from $56); reaffirm Outperform (Speculative Risk) rating.** We are maintaining our Q2/22 EBITDA estimate of $186MM, which is in-line with consensus of $192MM, with no changes to longer term forecasts. Our Q2 estimate reflects 24 total deliveries of which 15 are large jet deliveries. We have lowered our target multiple from 6.5x to 5x to better reflect the sizable discount the market is attributing to higher leveraged names. We continue to use 2025 as our valuation year and when applying our 2025 EBITDA estimate to our 5x target multiple, we arrive at our $32 price target.
- **CAE – FQ1 estimate unchanged; price target remains at $40; maintain Outperform.** Our FQ1 EBITDA estimate remains unchanged into the quarter at $214MM, above consensus $210MM. Our estimate represents growth of +26% y/y and reflects better margins in Civil on the back of increasing utilization as well as higher Defense revenue driven by the L3H MT acquisition. Our F2023 estimate remains unchanged at $953MM, above consensus $938MM, due to higher Civil EBITDA; and our F2024 estimate is also unchanged at $1,101MM, in line with consensus $1,105MM. We note that our F2023 adjusted operating income growth estimate of +37% aligns with guidance for growth of mid-30s. Key focus into the quarter will be on recovery trends and utilization levels in Civil as well as L3H MT

integration in Defense. Target price remains unchanged at $40 and reflects a 13.1x target multiple applied to our F2025 EBITDA estimate discounted back one year. See Exhibit 8.

- **Chorus Aviation (CHR): Price target reduced to $4.50 (from $5); reaffirm Outperform rating.** We are reducing our Q2/22 estimates to introduce a more realistic cadence that better reflects the Falko acquisition, while keeping full year estimates unchanged. As such, we adjusted the revenue mix between leasing and passenger which brought our target price down slightly to $4.50 with no change to our target multiples.
- **EIF – Q2 estimate unchanged; price target remains at $62; maintain Outperform.** We are leaving our Q2 estimate unchanged at $109MM and above consensus $102MM. In Aviation, we are modelling for revenue up +17% and 6.7-pts of margin improvement Q/Q reflecting increased passenger utilization. We also model for 2.8-pts of margin improvement in Manufacturing driven by favourable Q1 exits trends at Quest and higher revenue on the back of the Northern Mat acquisition. Our 2022 and 2023 estimates both remain unchanged at $424MM (cons. $414MM) and $527MM (cons. $514MM), respectively. We note that our estimates are above consensus and toward the upper end of guidance for 2022 EBITDA of $410MM to $430MM and 2023 EBITDA of $500MM to $530MM reflecting our view that guidance incorporates a degree of conservatism. We therefore see upside if end markets recover in line with our expectations. Key into the quarter will be 1) colour on Northern Mat; 2) demand and margin trends at Quest; 3) utilization levels in passenger; and 4) leasing revenue at Regional One. Target multiple remains at 7.7x and price target unchanged at $62. See Exhibit 10.

Exhibit 6 - Estimate changes ahead of the quarter

	Q2 2022E EBITDA			2022E EBITDA			2023E EBITDA			Target Multiple		Price Target (CAD)			
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	New	Old	New	Rating	Implied Return
Air Canada	$164	**$164**	$202	$1,470	**$1,300**	$1,404	$2,872	**$2,718**	$2,930	*5.6x*	**5.1x**	$24	**$18**	SP	+6%
Bombardier	U$186	**U$186**	U$192	U$834	**U$834**	U$858	U$1,051	**U$1,051**	U$1,124	*6.5x*	**5.0x**	$56	**$32**	O	+51%
CAE[1]	$214	**$214**	$210	$953	**$953**	$938	$1,101	**$1,101**	$1,105	*13.1x*	**13.1x**	$40	**$40**	O	+26%
Chorus Aviation	$135	**$114**	$111	$437	**$437**	$424	$448	**$476**	$475	*5.0x*	**5.0x**	$5.00	**$4.50**	O	+44%
Exchange Income	$109	**$109**	$102	$424	**$424**	$414	$527	**$527**	$514	*7.7x*	**7.7x**	$62	**$62**	O	+41%

1. CAE estimates are for FQ1/23, F2023 and F2024, respectively

Note: Bombardier rating includes Speculative Risk qualifier; priced as of market close July 25th, 2022. Source: Company reports, RBC Capital Markets estimates

Exhibit 7 - Air Canada estimate revisions detail

	Q2/22E			2022E			2023E			2024E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Traffic: RPMs (% chg)	769.5%	769.5%	0bp	197.5%	183.3%	-1423bp	31.9%	38.5%	662bp	14.0%	14.0%	0bp
Capacity: ASMs (% chg)	409.3%	409.3%	0bp	152.9%	140.9%	-1196bp	17.2%	23.0%	582bp	14.0%	14.0%	0bp
Load Factor (%pts)	72.0%	72.0%	0bp	74.2%	74.1%	-4bp	83.5%	83.5%	0bp	83.4%	83.4%	0bp
Yield (% chg)	-7.0%	-7.0%	0bp	2.4%	2.4%	0bp	-15.9%	-16.4%	-50bp	-7.1%	-7.1%	0bp
RASM (% chg)	58.6%	58.6%	0bp	26.9%	26.7%	-17bp	-6.8%	-7.2%	-44bp	-7.1%	-7.1%	0bp
Adj. CASM ex fuel+other (% chg)	-70.2%	-70.2%	0bp	-45.8%	-44.3%	150bp	-7.7%	-9.7%	-201bp	-9.9%	-9.9%	3bp
Avg Jet Fuel Price: ($C/Ltr)	$0.99	$0.99	0.0%	$1.24	$1.24	0.0%	$0.93	$0.93	0.0%	$0.89	$0.89	0.0%
Revenue	4,002	4,002	0.0%	16,837	16,136	-4.2%	18,277	18,183	-0.5%	19,257	19,157	-0.5%
Expenses	3,838	3,838	0.0%	15,367	14,836	-3.5%	15,405	15,465	0.4%	15,969	16,035	0.4%
EBITDA	**164**	**164**	**0.0%**	**1,470**	**1,300**	**-11.6%**	**2,872**	**2,718**	**-5.4%**	**3,288**	**3,123**	**-5.0%**
EBITDA Margin	4.1%	4.1%	0.0%	8.7%	8.1%	-7.7%	15.7%	14.9%	-4.9%	17.1%	16.3%	-4.5%
EPS ex-one time items ($)	(1.02)	(1.02)	0.0%	(2.70)	(3.11)	15.3%	1.30	0.92	-29.3%	2.49	2.08	-16.5%

Source: Company reports, RBC Capital Markets estimates

Exhibit 8 - Bombardier estimate revisions detail

	Q2/22E			2022E			2023E			2024E			2025E		
	Old	Cur	Var (%)	Old	Cur	Var (%)	Old	Cur	Var (%)		Cur	Var (%)		Cur	Var (%)
Bombardier															
Total Revenues	1,439	1,439	0.0%	6,505	6,505	0.0%	6,873	6,873	0.0%	7,308	7,308	0.0%	7,688	7,688	0.0%
Total EBIT	86	86	0.0%	410	410	0.0%	579	579	0.0%	797	797	0.0%	1,022	1,022	0.0%
Mgn%	6.0%	6.0%	0 bps	6.3%	6.3%	0 bps	8.4%	8.4%	0 bps	10.9%	10.9%	0 bps	13.3%	13.3%	0 bps
Total aircraft deliveries	26	26		123	123		126	126		131	131		133	133	
Free Cash Flow	(164)	(164)		148	148		150	150		416	416		552	552	
EBITDA	186	186		834	834		1,051	1,051		1,292	1,292		1,542	1,542	
Adjusted EPS	-$1.12	-$1.12		-$3.65	-$3.65		-$1.58	-$1.58		$2.01	$2.01		$6.87	$6.87	

Source: Company reports, RBC Capital Markets estimates

Exhibit 9 - CAE estimate revisions detail

ESTIMATE SUMMARY	**FQ1/23E**			**FQ1/22**	**F2023E**			**F2024E**		
(C$ millions)	**Old**	**New**	**% Δ**	**Actual**	**Old**	**New**	**% Δ**	**Old**	**New**	**% Δ**
Revenue	939	**939**	0.0%	**753**	4,059	**4,059**	0.0%	4,460	**4,460**	0.0%
Civil Revenue	460	**460**	0.0%	**433**	2,010	**2,010**	0.0%	2,304	**2,304**	0.0%
Defense & Security Revenue	441	**441**	0.0%	**288**	1,880	**1,880**	0.0%	1,975	**1,975**	0.0%
Healthcare Revenue	38	**38**	0.0%	**32**	169	**169**	0.0%	181	**181**	0.0%
Adj. EBITDA	214	**214**	0.0%	**170**	953	**953**	0.0%	1,101	**1,101**	0.0%
Civil Adj. EBITDA	157	**157**	0.0%	**125**	688	**688**	0.0%	790	**790**	0.0%
Defence & Security Adj. EBITDA	52	**52**	0.0%	**36**	245	**245**	0.0%	283	**283**	0.0%
Healthcare Adj. EBITDA	5	**5**	0.0%	**8**	20	**20**	0.0%	28	**28**	0.0%
Adjusted Operating Income	129	**129**	0.0%	**98**	611	**611**	0.0%	748	**748**	0.0%
Adj. Operating Income Margin %	*13.7%*	***13.7%***	*0bps*	***13.1%***	*15.1%*	***15.1%***	*0bps*	*16.8%*	***16.8%***	*0bps*
Civil Adj. EBIT	97	**97**	0.0%	**70**	444	**444**	0.0%	536	**536**	0.0%
Defence & Security Adj. EBIT	31	**31**	0.0%	**24**	161	**161**	0.0%	197	**197**	0.0%
Healthcare Adj. EBIT	2	**2**	0.0%	**5**	7	**7**	0.0%	14	**14**	0.0%
Adj. EPS (F.D)	$0.23	**$0.23**	0.0%	**$0.19**	$1.14	**$1.14**	0.0%	$1.47	**$1.47**	0.0%
Consensus EBITDA		**210**				**938**			**1,105**	

Source: Company reports, RBC Capital Markets estimates

Exhibit 10 - Chorus estimate revisions detail

	Q2/22E			2022E			2023E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Revenue breakdown									
Controllable Revenue	193	193	0.0%	706	760	7.6%	753	844	12.2%
Leasing under CPA	36	36	0.0%	146	146	0.0%	146	146	0.0%
Margin compensation	17	17	0.0%	63	63	0.0%	63	63	0.0%
Incentives	0.6	0.6	0.0%	3	3	0.0%	2	2	0.0%
Pass through revenue	38	41	7.2%	196	189	-3.7%	210	202	-3.7%
Passenger revenue	284	287	1.0%	1,113	1,160	4.2%	1,174	1,258	7.1%
Regional Aircraft Leasing	69	48	-30.4%	250	196	-21.5%	290	232	-20.0%
Other - Charter, contract flying, MRO	23	23	0.0%	94	94	0.0%	100	94	-6.0%
Total Revenues	376	358	-4.9%	1,460	1,453	-0.5%	1,568	1,587	1.3%
Total Expenses	299	293	-2.0%	1,181	1,216	3.0%	1,288	1,309	1.6%
Total Operating Income	77	65	-16.1%	280	237	-15.1%	280	278	-0.5%
Depreciation and Amortization	57	49	-15.1%	154	196	27.5%	168	197	17.2%
EBITDA	135	114	-15.7%	437	437	0.0%	448	476	6.1%

Source: Company reports, RBC Capital Markets estimates

Exhibit 11 - Exchange Income estimate revisions detail

ESTIMATE SUMMARY	**Q2/22E**			**Q2/21**	**2022E**			**2023E**		
(C$ millions)	**Old**	**New**	**% Δ**	**Actual**	**Old**	**New**	**% Δ**	**Old**	**New**	**% Δ**
Total revenue	505,059	**505,059**	0.0%	**322,070**	1,950,486	**1,950,486**	0.0%	2,151,236	**2,151,236**	0.0%
Total Aviation Revenues	329,298	**329,298**	0.0%	**197,934**	1,227,552	**1,227,552**	0.0%	1,263,051	**1,263,051**	0.0%
Total Manufacturing Revenues	175,761	**175,761**	0.0%	**124,136**	722,934	**722,934**	0.0%	888,185	**888,185**	0.0%
Adj. EBITDA	109,012	**109,012**	0.0%	**81,061**	423,796	**423,796**	0.0%	526,821	**526,821**	0.0%
Total Aviation EBITDA	95,496	**95,496**	0.0%	**68,563**	351,134	**351,134**	0.0%	392,403	**392,403**	0.0%
Total Manufacturing EBITDA	21,091	**21,091**	0.0%	**19,726**	102,732	**102,732**	0.0%	164,535	**164,535**	0.0%
Net income	25,822	**25,822**	0.0%	**16,506**	99,987	**99,987**	0.0%	158,271	**158,271**	0.0%
EPS (Diluted)	$0.65	**$0.65**	0.0%	**$0.43**	$2.52	**$2.52**	0.0%	$3.99	**$3.99**	0.0%
Adj. net income (diluted)	29,322	**29,322**	0.0%	**19,781**	114,569	**114,569**	0.0%	172,271	**172,271**	0.0%
Adj. EPS (Diluted)	$0.74	**$0.74**	0.0%	**$0.52**	$2.89	**$2.89**	0.0%	$4.34	**$4.34**	0.0%
FCF (less maintenance capex)	35,449	**35,449**	0.0%	**36,517**	153,971	**153,971**	0.0%	218,564	**218,564**	0.0%
FCF (less maintenance capex) / share	$0.89	**$0.89**	0.0%	**$0.96**	$3.88	**$3.88**	0.0%	$5.51	**$5.51**	0.0%
Consensus EBITDA		**102,038**				**413,564**			**514,093**	

Source: Company reports, RBC Capital Markets estimates

Valuations

Air Canada

Applying a 5.1x EV/EBITDA multiple to our 2024 estimates (which we then discount back one year at 10%), we derive our price target of $18. Our target multiple is in line with the historical group average multiple and in line with peers and supported by our view that the industry should largely return to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from return to travel disruptions followed by a general return to "normal" by 2024 and (2) a reduction in capital intensity out to 2023. Our price target supports our Sector Perform rating.

Bombardier Inc.

We apply a target multiple of 5x to our 2025 EBITDA estimate of $1.54B and then discount back two years at 13% to derive our $32 price target. Our target multiple is based on a significant discount to peers and an improving yet uncertain demand environment. We use EBITDA (as opposed to PE) as our primary valuation methodology, as we believe it better reflects the company's growth potential while also taking into account its capital structure. Our price target supports our Outperform, Speculative Risk rating. Our Speculative Risk qualifier reflects BBD's elevated leverage levels and cash flow visibility.

Chorus Aviation Inc.

Our $4.50 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 5.0x EV/EBITDA multiple based on our 2023 estimates and we value the company's leasing segment at a 6.0x P/E multiple based on our assumptions for operating and funding costs attributable to the segment. We believe these multiples are appropriate when assessed relative to historical early-cycle peer multiples. This generates our $4.50 price target, which is the basis of our Outperform rating.

Appendix 1 – Airline comparables

			25-Jul-22	Mkt Cap	EV/EBITDA				EV/Sales				EBITDA Margin			
	Symbol		Price	(MM)	2020	2021	2022E	2023E	2020	2021	2022E	2023E	2020	2021	2022E	2023E
Discount Airlines																
Southwest	LUV-US	US$	$40.62	24,086	-5.4x	NMF	5.3x	4.4x	2.3x	1.3x	0.8x	0.8x	-42%	0%	16%	18%
JetBlue	JBLU-US	US$	$8.44	2,707	-3.2x	NMF	12.5x	4.2x	1.6x	0.8x	0.5x	0.5x	-49%	-6%	4%	11%
Discount Average					**-4.3x**	**NMF**	**8.9x**	**4.3x**	**1.9x**	**1.0x**	**0.7x**	**0.6x**	**-46%**	**-3%**	**10%**	**15%**
Mainline Airlines																
Air Canada	AC-CA	C$	$16.96	6,306	-7.0x	NMF	11.0x	5.3x	2.5x	2.2x	0.9x	0.8x	-35%	-23%	8%	15%
Delta Air Lines	DAL-US	US$	$31.41	20,140	-7.5x	NMF	7.6x	5.4x	2.4x	1.4x	0.9x	0.8x	-32%	-2%	12%	16%
United Continental	UAL-US	US$	$36.34	11,873	-4.8x	NMF	7.4x	4.7x	2.0x	1.3x	0.7x	0.6x	-42%	-8%	10%	13%
American Airlines	AAL-US	US$	$13.75	8,931	-4.4x	NMF	14.5x	7.6x	2.3x	1.3x	0.8x	0.8x	-53%	-12%	6%	10%
Mainline Average					**-5.9x**	**NMF**	**10.2x**	**5.7x**	**2.3x**	**1.6x**	**0.8x**	**0.8x**	**-41%**	**-11%**	**9%**	**14%**
Regional Airlines																
Chorus Aviation	CHR-CA	C$	$3.13	597	7.2x	7.6x	5.8x	5.3x	2.7x	2.5x	1.7x	1.6x	37%	32%	30%	30%
SkyWest Inc.	SKYW-US	US$	$21.75	1,099	5.1x	5.1x	5.1x	5.1x	1.7x	1.4x	1.3x	1.3x	34%	26%	25%	25%
Regional Average					**6.2x**	**6.4x**	**5.4x**	**5.2x**	**2.2x**	**1.9x**	**1.5x**	**1.4x**	**35%**	**29%**	**28%**	**27%**
Airline Average					**-2.5x**	**NMF**	**8.7x**	**5.2x**	**2.2x**	**1.5x**	**1.0x**	**0.9x**	**-23%**	**1%**	**14%**	**17%**

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced at close on July 25, 2022

Appendix 2 – Aerospace comparables

	Exch:		Price	Mkt. Cap	Net Debt	EV/EBITDA					2020A EBITDA	2021A EBITDA	2022E EBITDA	2023E EBITDA
Company Name	**Ticker**		**25-Jul-22**	**($MM's)**	**to EBITDA**	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**Margin**	**Margin**	**Margin**	**Margin**
Aerospace														
Boeing	NYSE:BA	US$	156.64	92,674	-60.7x	469.3x	-13.6x	-184.5x	28.2x	14.5x	-17.5%	-1.2%	6.6%	10.5%
Embraer	NYSE: ERJ	US$	8.78	1,625	-45.5x	18.2x	-89.5x	9.1x	7.8x	5.8x	-1.0%	8.6%	8.7%	9.8%
General Dynamics	NYSE: GD	US$	218.80	60,762	2.0x	12.9x	14.1x	13.9x	13.8x	12.4x	13.3%	13.2%	13.0%	13.5%
Textron	NYSE: TXT	US$	64.30	13,830	2.0x	9.9x	16.2x	11.2x	9.9x	9.1x	8.3%	11.4%	11.9%	12.2%
Average						**127.6x**	**-18.2x**	**-37.6x**	**14.9x**	**10.4x**	**0.8%**	**8.0%**	**10.0%**	**11.5%**
Transportation & Conglomerates														
Siemens	XE: SIE	EUR	104.40	88,740	5.4x	12.7x	16.8x	14.1x	11.5x	10.6x	13.7%	15.0%	16.4%	17.2%
General Electric	NYSE: GE	US$	68.36	75,241	2.1x	7.7x	14.6x	11.9x	9.6x	7.5x	7.6%	10.0%	12.3%	14.5%
United Technologies	NYSE: UTX	US$	94.57	140,646	2.9x	12.1x	18.0x	15.7x	14.2x	12.2x	16.3%	16.6%	17.3%	18.5%
Average						**10.8x**	**16.4x**	**13.9x**	**11.8x**	**10.1x**	**12.5%**	**13.8%**	**15.3%**	**16.7%**
Bombardier	**TSX: BBD.B**	**C$**	**$21.17**	**2,014**	**6.3x**	7.8x	-21.9x	10.4x	8.2x	6.5x	**-3.8%**	**8.5%**	**12.8%**	**15.3%**
Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2022E numbers. Priced at market close on July 25, 2022														
Aerospace Multiples						127.6x	-18.2x	-37.6x	14.9x	10.4x	0.8%	8.0%	10.0%	11.5%
Transportation Multiples (ex. GE, UTX)						12.7x	16.8x	14.1x	11.5x	10.6x	13.7%	15.0%	16.4%	17.2%
Average						**70.1x**	**-0.7x**	**-11.8x**	**13.2x**	**10.5x**	**7.2%**	**11.5%**	**13.2%**	**14.3%**

Appendix 3 – CAE comparables

	Ticker	Rating[1]	Share Price	Mkt Cap ($MM)	EV ($MM)	Yield (%)	EV/EBITDA 'F23E	EV/EBITDA 'F24E	P/E 'F23E	P/E 'F24E
CAE	**CAE-CA**	**OP**	**$33.52**	**$10,676**	**$13,376**	**0.0%**	**14.0x**	**12.2x**	**29.4x**	**22.8x**
							EV/EBITDA '22E	**EV/EBITDA '23E**	**P/E '22E**	**P/E '23E**
Defense[2,3]										
General Dynamics Corporation	GD-US		$218.80	$60,762	$72,671	2.3%	14.2x	12.7x	18.0x	15.5x
Lockheed Martin Corporation	LMT-US		$399.80	$106,390	$116,662	2.8%	12.1x	11.5x	17.8x	14.2x
Northrop Grumman Corporation	NOC-US		$453.32	$70,466	$81,593	1.5%	16.7x	15.9x	18.2x	16.6x
Raytheon Company	RTX-US		$94.57	$140,646	$166,367	2.3%	14.1x	12.1x	19.8x	16.3x
L3Harris Technologies Inc	LHX-US		$226.30	$43,648	$50,645	2.0%	13.7x	12.9x	16.7x	15.4x
CACI International Inc Class A	CACI-US		$291.23	$6,818	$9,160	0.0%	14.1x	12.9x	16.3x	14.9x
Curtiss-Wright Corporation	CW-US		$137.38	$5,282	$6,324	0.6%	11.5x	10.9x	16.8x	15.8x
Huntington Ingalls Industries, Inc.	HII-US		$210.58	$8,433	$11,350	2.3%	12.1x	11.0x	13.9x	11.6x
Teledyne Technologies Incorporated	TDY-US		$400.00	$18,737	$22,550	0.0%	16.5x	15.6x	22.2x	20.1x
Peer Average - Defense						1.5%	13.9x	12.8x	17.8x	15.6x
Aerospace[2,3]										
Boeing Company	BA-US		$156.64	$92,674	$136,071	0.0%	27.8x	14.3x	n.a.	29.9x
Honeywell International Inc.	HON-US		$181.26	$123,390	$132,498	2.2%	14.8x	13.6x	20.9x	18.8x
Embraer S.A.	EMBR3-BR		$11.79	$8,661	$17,152	0.0%	7.8x	5.9x	n.a.	14.8x
Hexcel Corporation	HXL-US		$57.38	$4,823	$5,569	0.7%	18.3x	14.2x	47.6x	29.1x
Spirit AeroSystems Holdings, Inc. Class A	SPR-US		$33.61	$3,530	$5,930	0.1%	14.9x	7.8x	n.a.	15.2x
Peer Average - Aerospace						0.6%	16.7x	11.2x	34.2x	21.6x

1. Investment ratings: Outperform (OP), Sector Perform (SP), Underperform (U)
2. FactSet consensus estimates
3. USD

Appendix 4 – EIF comparables

			25-Jul	Mkt Cap	EBITDA (MM)			EBITDA Margin (MM)			EV/EBITDA			Net Debt/	Div.
	Symbol		Price	($MM)	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E	EBITDA	Yield
Aviation															
Chorus Aviation Inc.	CHR	C$	$3.13	597	329	437	476	32.2%	30.1%	30.0%	7.6x	5.8x	5.3x	5.8x	N/A
Alaska Airlines	ALK	US$	$43.74	5,515	107	1,218	1,556	1.7%	12.7%	15.6%	57.6x	5.1x	4.0x	6.1x	N/A
Hawaiian Airlines	HAL	US$	$28.42	25,634	2,716	3,870	4,841	17.8%	19.1%	20.7%	12.1x	8.5x	6.8x	2.7x	N/A
Air Lease Corp.	AL	US$	$34.95	3,874	1,840	1,418	2,550	88.1%	59.8%	91.6%	11.0x	14.2x	7.9x	8.9x	2.1%
AerCap Holdings	AER	US$	$43.63	10,707	4,244	5,752	6,512	81.2%	82.9%	88.0%	13.7x	10.1x	8.9x	11.2x	N/A
Air Transport Services Group	ATSG	US$	$29.52	2,195	541	645	707	31.2%	32.0%	32.8%	6.5x	5.4x	4.9x	2.4x	N/A
SkyWest Inc.	SKYW	US$	$21.75	1,099	681	641	684	25.1%	22.4%	23.8%	5.4x	5.7x	5.4x	3.8x	N/A
Airlines/Aerospace Average								**39.5%**	**36.8%**	**42.4%**	**15.5x**	**7.9x**	**6.4x**	**5.3x**	**1.4%**
Manufacturing															
Heroux-Devtek	HRX	C$	$14.21	492	83	90	100	15.5%	15.4%	16.1%	7.7x	7.2x	6.4x	1.8x	N/A
Russel Metals	RUS	C$	$26.86	1,695	666	470	323	15.8%	9.9%	8.0%	2.9x	4.2x	6.1x	0.4x	5.7%
Magellan	MAL	C$	$7.22	417	56	72	118	8.2%	9.0%	13.3%	8.3x	6.4x	3.9x	0.8x	5.8%
Mastec	MTZ	US$	$68.36	5,189	931	829	1,057	11.7%	9.0%	10.0%	7.7x	8.6x	6.8x	2.1x	N/A
New Flyer Industries Inc.	NFI	C$	$13.25	1,022	210	12	270	7.0%	0.4%	7.2%	8.9x	n.a.	6.9x	4.0x	1.6%
Manufacturing Average								**11.6%**	**8.7%**	**10.9%**	**7.1x**	**6.6x**	**6.0x**	**1.8x**	**4.4%**
Financial/Holding Companies															
Alaris Royalty	AD	C$	$16.56	748	127	154	156	85.7%	86.1%	88.9%	9.6x	7.9x	7.8x	3.7x	8.0%
Diversified Royalty Corp.	DIV	C$	$2.63	327	39	44	45	93.1%	92.9%	93.0%	12.2x	11.0x	10.6x	3.9x	8.4%
Financial/Holding Company Average								**89.4%**	**89.5%**	**90.9%**	**10.9x**	**9.4x**	**9.2x**	**3.8x**	**8.2%**
Airlines/Aerospace Average								39.5%	36.8%	42.4%	15.5x	7.9x	6.4x	5.3x	1.4%
Manufacturing Average								11.6%	8.7%	10.9%	7.1x	6.6x	6.0x	1.8x	4.4%
Blended average (75/25)								**32.5%**	**29.8%**	**34.5%**	**13.4x**	**7.6x**	**6.3x**	**4.5x**	**2.2%**
Exchange Income Corp.		**C$**	**$45.75**	**1,814**	**330**	**424**	**527**	**23.3%**	**21.7%**	**24.5%**	**10.3x**	**8.0x**	**6.5x**	**3.7x**	**5.0%**

Priced as of market close May 16, 2022. Source: RBC estimates for EIF and CHR, FactSet consensus for all others.

Appendix 5 – AC Model Summary

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

FY Dec 31	2020	2021	Q1/22	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	2025E
Traffic / RPM (MMs)	23,239	21,045	9,481	14,669	16,967	18,502	59,619	17,034	21,117	25,159	19,263	82,572	94,113	95,054
% change	-75.3%	-9.4%	417.8%	769.5%	114.4%	92.5%	183.3%	79.7%	44.0%	48.3%	4.1%	38.5%	14.0%	1.0%
Capacity / ASM (MMs)	37,703	33,384	14,297	20,374	22,623	23,127	80,421	20,813	25,119	29,211	23,788	98,931	112,814	113,942
% change	-66.6%	-11.5%	239.5%	409.3%	103.5%	64.5%	140.9%	45.6%	23.3%	29.1%	2.9%	23.0%	14.0%	1.0%
Load Factor (%)	61.6%	63.0%	66.3%	72.0%	75.0%	80.0%	74.1%	81.8%	84.1%	86.1%	81.0%	83.5%	83.4%	83.4%
change (% pts)	-21.8%	1.4%	22.8%	29.8%	3.8%	11.6%	11.1%	15.5%	12.1%	11.1%	1.0%	9.3%	0.0%	0.0%
Yield ($)	0.211	0.222	0.202	0.235	0.234	0.237	0.227	0.191	0.189	0.188	0.191	0.190	0.176	0.180
% change	15.1%	5.2%	-6.3%	-7.0%	13.0%	12.0%	2.4%	-5.5%	-19.5%	-19.5%	-19.5%	-16.4%	-7.1%	2.0%
RASM (Rev per unit of capacity, cents)	11.6	13.5	13.4	16.9	17.5	19.0	17.1	15.6	15.9	16.2	15.5	15.8	14.7	15.0
CASM (Costs per unit of capacity, cents)	25.8	28.4	21.8	20.8	19.3	20.3	20.4	19.1	17.1	16.1	17.2	17.2	15.6	15.6
Fuel Cost/ASM (cents)	3.5	4.7	5.2	7.5	7.3	7.2	7.0	5.2	5.1	5.0	4.9	5.0	4.5	4.3
CASM (excl. fuel) (cents)	22.3	23.7	16.6	13.3	12.0	13.2	13.5	13.9	12.1	11.1	12.3	12.2	11.1	11.2
Total Revenues	**5,833**	**6,400**	**2,573**	**4,002**	**4,519**	**5,043**	**16,136**	**3,935**	**4,574**	**5,312**	**4,361**	**18,183**	**19,157**	**19,710**
% change	-69.5%	9.7%	252.9%	378.1%	114.9%	84.7%	152.1%	52.9%	14.3%	17.6%	-13.5%	12.7%	5.4%	2.9%
Wages, salaries and benefits	2242	2283	707	732	690	688	2818	750	810	806	778	3144	3335	3487
% Sales	38.4%	35.7%	27.5%	18.3%	15.3%	13.6%	17.5%	19.1%	17.7%	15.2%	17.8%	17.3%	17.4%	17.7%
Aircraft Fuel - total	1322	1576	750	1524	1661	1657	5592	1077	1271	1450	1162	4960	5113	4929
% Sales	22.7%	24.6%	29.1%	38.1%	36.8%	32.9%	34.7%	27.4%	27.8%	27.3%	26.6%	27.3%	26.7%	25.0%
Sales and distribution costs	252	244	108	153	158	173	593	170	197	223	175	765	874	883
% Sales	4.3%	3.8%	4.2%	3.8%	3.5%	3.4%	3.7%	4.3%	4.3%	4.2%	4.0%	4.2%	4.6%	4.5%
Catering and onboard services	171	165	64	81	88	93	326	94	100	114	95	403	439	444
% Sales	2.9%	2.6%	2.5%	2.0%	2.0%	1.8%	2.0%	2.4%	2.2%	2.1%	2.2%	2.2%	2.3%	2.3%
Aircraft maintenance	681	656	26	190	190	190	596	210	210	210	210	840	865	891
% Sales	11.7%	10.3%	1.0%	4.7%	4.2%	3.8%	3.7%	5.3%	4.6%	4.0%	4.8%	4.6%	4.5%	4.5%
Airport and navigation fees	545	562	183	181	198	201	763	183	224	257	207	871	970	980
% Sales	9.3%	8.8%	7.1%	4.5%	4.4%	4.0%	4.7%	4.7%	4.9%	4.8%	4.7%	4.8%	5.1%	5.0%
Communications and information techn	372	362	116	66	67	95	345	125	82	86	98	391	452	457
% Sales	6.4%	5.7%	4.5%	1.7%	1.5%	1.9%	2.1%	3.2%	1.8%	1.6%	2.2%	2.2%	2.4%	2.3%
Other	2041	1896	633	825	844	1094	3396	772	900	1047	857	3577	3388	3488
% Sales	35.0%	29.6%	24.6%	20.6%	18.7%	21.7%	21.0%	19.6%	19.7%	19.7%	19.7%	19.7%	17.7%	17.7%
Regional airline expense (ex fuel and DA	1086	1042	316	465	527	590	1899	418	488	569	465	1940	1952	2010
% Sales	18.6%	16.3%	12.3%	11.6%	11.7%	11.7%	11.8%	10.6%	10.7%	10.7%	10.7%	10.7%	10.2%	10.2%
Total Operating Costs	**7,626**	**7,744**	**2,587**	**3,753**	**3,896**	**4,192**	**14,429**	**3,382**	**3,794**	**4,194**	**3,581**	**14,951**	**15,438**	**15,558**
EBITDA	**(2,043)**	**(1,464)**	**(143)**	**164**	**543**	**736**	**1,300**	**366**	**675**	**1,016**	**661**	**2,718**	**3,123**	**3,548**
% of sales	-35.0%	-22.9%	-5.6%	4.1%	12.0%	14.6%	8.1%	9.3%	14.7%	19.1%	15.2%	14.9%	16.3%	18.0%
Depreciation, amortization and impairm	1,849	1,616	403	400	399	398	1,601	401	400	399	398	1,599	1,586	1,575
EBIT (Excluding Special Charges)	**(3,776)**	**(3,049)**	**(550)**	**(237)**	**144**	**338**	**(305)**	**(35)**	**275**	**616**	**263**	**1,119**	**1,537**	**1,974**
% of sales	-64.7%	-47.6%	-21.4%	-5.9%	3.2%	6.7%	-1.9%	-0.9%	6.0%	11.6%	6.0%	6.2%	8.0%	10.0%
Net Income	**(3,990)**	**(3,602)**	**(974)**	**(419)**	**(32)**	**143**	**(1,282)**	**(228)**	**88**	**443**	**75**	**377**	**856**	**1,006**
EPS (F.D) ($) (Exc. Special charges)	**$ (14.14)**	**$ (9.69)**	**$ (2.36)**	**$ (1.02)**	**$ (0.08)**	**$ 0.35**	**$ (3.11)**	**$ (0.55)**	**$ 0.21**	**$ 1.08**	**$ 0.18**	**$ 0.92**	**$ 2.08**	**$ 2.44**
Net debt	**5,488**	**7,721**	**7,654**	**8,048**	**8,055**	**7,988**	**7,988**	**8,190**	**8,077**	**7,610**	**7,612**	**7,612**	**6,669**	**5,716**
Net debt/LTM EBITDA	**-2.7x**	**-5.3x**	**-9.1x**	**-328.6x**	**13.7x**	**6.1x**	**6.1x**	**4.5x**	**3.5x**	**2.7x**	**2.8x**	**2.8x**	**2.1x**	**1.6x**

Source: RBC Capital Markets estimates, Company reports

Appendix 6 – BBD Model Summary

Summary Income Statement (in US $MM's)	**2020**	**Q1/21**	**Q2/21**	**Q3/21**	**Q4/21**	**2021**	**Q1/22**	**Q2/22E**	**Q3/22E**	**Q4/22E**	**2022E**	**Q1/23E**	**Q2/23E**	**Q3/23E**	**Q4/23E**	**2023E**	**2024E**	**2025E**
Aerospace Key Drivers																		
Business Jet Deliveries	114	26	29	27	38	120	21	26	34	42	123	25	27	33	41	126	131	133
Delivery Growth	*-19.7%*	*0.0%*	*45.0%*	*12.5%*	*-13.6%*	*5.3%*	*-19.2%*	*-10.3%*	*25.9%*	*10.5%*	*2.5%*	*21.0%*	*3.8%*	*-2.9%*	*-2.4%*	*2.8%*	*4.0%*	*1.5%*
Commercial Jet Deliveries	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delivery Growth	*-82.8%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Total Aircraft Deliveries	119	26	29	27	38	120	21	26	34	42	123	25	27	33	41	126	131	133
Transportation Key Drivers														0				
Transportation Backlog	35,363	36,271	36,433	36,343	36,254	36,254	37,261	37,450	37,381	37,311	37,311	38,421	38,605	38,523	38,441	38,441	39,617	40,830
Backlog Growth	*1.0%*	*1.2%*	*1.6%*	*2.1%*	*2.5%*	*2.5%*	*2.7%*	*2.8%*	*2.9%*	*2.9%*	*2.9%*	*3.1%*	*3.1%*	*3.1%*	*3.0%*	*3.0%*	*3.1%*	*3.1%*
Book-to-Bill	1.0	1.4	1.1	1.0	1.0	1.1	1.4	1.1	1.0	1.0	1.1	1.5	1.1	1.0	1.0	1.1	1.1	1.1
Bombardier Consolidated																		
Total Revenues	14,559	1,341	1,525	1,449	1,771	6,085	1,246	1,439	1,787	2,050	6,505	1,369	1,361	1,800	2,344	6,873	7,308	7,688
Total EBITDA	-311	116	143	142	257	658	179	186	217	264	834	232	231	271	317	1,051	1,292	1,542
Total EBIT	-525	26	36	48	113	223	73	86	107	144	410	114	113	153	199	579	797	1,022
EBIT Margin %	-3.6%	1.9%	2.4%	3.3%	6.4%	3.7%	5.9%	6.0%	6.0%	7.0%	6.3%	8.3%	8.3%	8.5%	8.5%	8.4%	10.9%	13.3%
Net Income Before Special Items	(1,471)	68	(369)	(578)	80	(799)	(69)	(99)	(91)	(60)	(319)	(51)	(58)	(29)	16	(123)	219	681
EPS Before Special Items	**$ (0.62)**	**$ 0.03**	**$ (0.16)**	**$ (0.24)**	**$ 0.03**	**$ (0.35)**	**$ (0.80)**	**$ (1.12)**	**$ (1.03)**	**$ (0.70)**	**$ (3.65)**	**$ (0.61)**	**$ (0.69)**	**$ (0.37)**	**$ 0.09**	**$ (1.58)**	**$ 2.01**	**$ 6.87**
CFPS $(Basic)	$ (0.54)	$ 0.07	$ 0.05	$ (0.10)	$ 0.09	$ 0.11	$ (1.80)	$ 0.01	$ 0.20	$ 0.65	$ (0.95)	$ 0.70	$ 0.63	$ 0.94	$ 1.41	$ 3.68	$ 7.52	$ 12.11
Net debt	6,414	4,179	5,078	5,663	5,372	5,372	5,247	5,404	5,464	5,251	5,251	5,618	5,916	6,105	5,073	5,073	4,630	4,049

Source: RBC Capital Markets estimates, Company reports

Appendix 7 – CAE Model Summary

CAE (C$MM unless otherwise indicated)	F2020A	F2021A	F2022A	FQ1/23E	FQ2/23E	FQ3/23E	FQ4/23E	F2023E	FQ1/24E	FQ2/24E	FQ3/24E	FQ4/24E	F2024E	FQ1/25E	FQ2/25E	FQ3/25E	FQ4/25E	F2025E
SEGMENTED RESULTS																		
CIVIL AVIATION																		
Revenue	2,167.5	1,412.9	1,617.8	460.0	473.7	527.0	549.2	2,010.0	559.1	568.6	581.0	595.5	2,304.3	619.5	632.3	647.2	662.7	2,561.7
Adjusted Operating Income	479.4	164.3	314.7	96.6	99.5	118.6	129.1	443.7	125.8	130.8	136.5	142.9	536.0	142.5	148.6	155.3	159.1	605.4
Adjusted Operating Margin	*22.1%*	*11.6%*	*19.5%*	*21.0%*	*21.0%*	*22.5%*	*23.5%*	*22.1%*	*22.5%*	*23.0%*	*23.5%*	*24.0%*	*23.3%*	*23.0%*	*23.5%*	*24.0%*	*24.0%*	*23.6%*
DEFENSE & SECURITY																		
Revenue	1,331.2	1,217.1	1,602.1	441.4	462.3	480.3	495.7	1,879.7	472.6	487.9	501.3	512.9	1,974.7	502.8	513.8	523.4	531.8	2,071.8
Adjusted Operating Income	114.5	87.0	119.2	30.9	37.0	43.2	49.6	160.7	47.3	48.8	50.1	51.3	197.5	55.3	56.5	57.6	58.5	227.9
Adjusted Operating Margin	*8.6%*	*7.1%*	*7.4%*	*7.0%*	*8.0%*	*9.0%*	*10.0%*	*8.5%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*
HEALTHCARE																		
Revenue	124.5	351.9	151.4	37.9	40.1	38.5	52.8	169.4	41.7	44.1	42.4	52.8	181.0	45.9	48.6	46.6	52.8	193.9
Adjusted Operating Income	(3.5)	29.3	10.6	1.5	1.6	1.5	2.1	6.8	3.3	3.5	3.4	4.2	14.5	4.6	4.9	4.7	5.3	19.4
Adjusted Operating Margin	*-2.8%*	*8.3%*	*7.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
CONSOLIDATED RESULTS																		
Revenue	**3,623.2**	**2,981.9**	**3,371.3**	**939.3**	**976.2**	**1,045.8**	**1,097.7**	**4,059.0**	**1,073.4**	**1,100.7**	**1,124.6**	**1,161.2**	**4,460.0**	**1,168.3**	**1,194.6**	**1,217.2**	**1,247.3**	**4,827.3**
y/y growth (%)	*9.7%*	*-17.7%*	*13.1%*	*24.8%*	*19.8%*	*23.2%*	*14.9%*	*20.4%*	*14.3%*	*12.8%*	*7.5%*	*5.8%*	*9.9%*	*8.8%*	*8.5%*	*8.2%*	*7.4%*	*8.2%*
Expenses																		
COGS	2,539.6	2,216.9	2,415.8	672.5	703.5	747.0	785.5	2,908.5	768.5	793.3	803.3	830.9	3,196.0	836.4	861.0	869.4	892.6	3,459.3
R&D	137.5	104.7	120.8	34.9	34.9	34.9	34.9	139.6	34.9	34.9	34.9	34.9	139.6	34.9	34.9	34.9	34.9	139.6
SG&A	437.5	398.9	489.1	143.6	143.6	143.6	143.6	574.4	143.6	143.6	143.6	143.6	574.4	143.6	143.6	143.6	143.6	574.4
Other Gains/Losses	(1.0)	91.7	(37.0)	(20.9)	(20.9)	(20.9)	(20.9)	(83.6)	(20.9)	(20.9)	(20.9)	(20.9)	(83.6)	(20.9)	(20.9)	(20.9)	(20.9)	(83.6)
After Tax share in profit of equity accounted inve	(27.5)	(2.7)	(48.5)	(15.3)	(15.3)	(15.3)	(15.3)	(61.2)	(15.3)	(15.3)	(15.3)	(15.3)	(61.2)	(15.3)	(15.3)	(15.3)	(15.3)	(61.2)
Restructuring Cost/Other	-	124.0	146.9	(4.5)	(7.7)	(6.8)	(10.9)	(29.9)	(13.8)	(18.0)	(11.0)	(10.5)	(53.3)	(12.9)	(18.6)	(12.1)	(10.4)	(53.9)
Adj. Operating Income	**590.4**	**280.6**	**444.5**	**129.0**	**138.1**	**163.3**	**180.7**	**611.2**	**176.4**	**183.1**	**190.0**	**198.4**	**748.0**	**202.4**	**210.0**	**217.6**	**222.8**	**852.7**
Adjusted Operating Margin	16.3%	9.4%	13.2%	13.7%	14.1%	15.6%	16.5%	15.1%	16.4%	16.6%	16.9%	17.1%	16.8%	17.3%	17.6%	17.9%	17.9%	17.7%
y/y growth (%)	*21.1%*	*-52.5%*	*58.4%*	*31.1%*	*52.2%*	*44.9%*	*26.7%*	*37.5%*	*36.7%*	*32.6%*	*16.3%*	*9.8%*	*22.4%*	*14.7%*	*14.7%*	*14.5%*	*12.3%*	*14.0%*
Depreciation & Amortization	305.4	319.5	310.5	85.4	84.6	85.6	85.9	341.6	87.2	87.7	88.5	89.2	352.7	90.1	90.8	91.6	92.4	364.8
Adj. EBITDA	**895.8**	**600.1**	**755.0**	**214.4**	**222.7**	**249.0**	**266.7**	**952.7**	**263.6**	**270.8**	**278.5**	**287.7**	**1,100.7**	**292.5**	**300.7**	**309.1**	**315.2**	**1,217.5**
Adjusted EBITDA Margin	*24.7%*	*20.1%*	*22.4%*	*22.8%*	*22.8%*	*23.8%*	*24.3%*	*23.5%*	*24.6%*	*24.6%*	*24.8%*	*24.8%*	*24.7%*	*25.0%*	*25.2%*	*25.4%*	*25.3%*	*25.2%*
y/y growth (%)	*28.4%*	*-33.0%*	*25.8%*	*26.5%*	*31.5%*	*29.3%*	*19.3%*	*26.2%*	*23.0%*	*21.6%*	*11.9%*	*7.9%*	*15.5%*	*10.9%*	*11.1%*	*11.0%*	*9.6%*	*10.6%*
Adj. Operating EPS	**$1.33**	**$0.47**	**$0.84**	**$0.23**	**$0.25**	**$0.31**	**$0.35**	**$1.14**	**$0.34**	**$0.36**	**$0.38**	**$0.40**	**$1.47**	**$0.41**	**$0.42**	**$0.44**	**$0.46**	**$1.73**
y/y growth (%)	*8.4%*	*-65.2%*	*80.0%*	*20.1%*	*48.6%*	*62.8%*	*22.2%*	*36.0%*	*51.3%*	*44.4%*	*21.1%*	*12.3%*	*29.4%*	*18.6%*	*18.3%*	*17.9%*	*15.0%*	*17.4%*
Free Cash Flow (excl. dividends)	**462.1**	**346.8**	**341.5**	**8.1**	**14.5**	**185.2**	**199.1**	**406.9**	**45.8**	**51.5**	**207.7**	**215.0**	**520.0**	**67.6**	**74.3**	**231.0**	**235.9**	**608.8**
FCF conversion	129%	273%	131%	11%	18%	187%	177%	112%	42%	45%	173%	170%	111%	52%	55%	163%	162%	110%
Net Debt to EBITDA	**2.6x**	**2.4x**	**3.6x**	**3.4x**	**3.3x**	**2.9x**	**2.6x**	**2.6x**	**2.5x**	**2.4x**	**2.2x**	**2.0x**	**2.0x**	**2.0x**	**1.9x**	**1.7x**	**1.5x**	**1.5x**

Source: Company Reports, RBC Capital Markets estimates

Appendix 8 – CHR Model Summary

Chorus Aviation (TSX: CHR)

FY Dec 31	**2019**	**2020**	**Q1/21**	**Q2/21**	**Q3/21**	**Q4/21**	**2021**	**Q1/22**	**Q2/22E**	**Q3/22E**	**Q4/22E**	**2022E**	**Q1/23E**	**Q2/23E**	**Q3/23E**	**Q4/23E**	**2023E**
Chorus Aviaition Income Statement ($MM)																	
Revenue	**1,366**	**948.7**	**202.5**	**199.9**	**274.4**	**346.5**	**1023.3**	**342.4**	**357.9**	**361.7**	**391.4**	**1453.3**	**394.1**	**389.4**	**383.4**	**420.5**	**1587.4**
% change	**-5.8%**	**-30.6%**	**-42.2%**	**8.5%**	**39.7%**	**58.8%**	**7.9%**	**69.1%**	**79.0%**	**31.8%**	**12.9%**	**42.0%**	**15.1%**	**8.8%**	**6.0%**	**7.5%**	**9.2%**
Salaries, wages and benefits	471	313	101	64	94	107	366	120	104	108	117	449	129	119	123	133	505
% Sales	34%	33%	50%	32%	34%	31%	36%	35%	29%	30%	30%	31%	33%	31%	32%	32%	32%
Depreciation and amortization	137	224	71	36	43	51	201	37	49	59	52	196	50	49	49	49	197
% Sales	10%	24%	35%	18%	16%	15%	20%	11%	14%	16%	13%	14%	13%	13%	13%	12%	12%
Aircraft maintenance	208	102	30	14	28	64	136	64	69	50	68	250	67	76	55	75	272
% Sales	15%	11%	15%	7%	10%	19%	13%	19%	19%	14%	17%	17%	17%	19%	14%	18%	17%
Airport and navigation fees	170	69	9	16	37	44	106	34	36	43	46	158	36	38	46	49	168
% Sales	12%	7%	5%	8%	13%	13%	10%	10%	10%	12%	12%	11%	9%	10%	12%	12%	11%
Terminal handling	20	9	1	1	2	3	8	4	1	3	3	11	4	1	5	4	14
% Sales	1%	1%	0%	1%	1%	1%	1%	1%	0%	1%	1%	1%	1%	0%	1%	1%	1%
Other/voyager	160	116	27	29	38	40	135	41	35	37	39	152	40	35	38	40	153
% Sales	12%	12%	13%	15%	14%	12%	13%	12%	10%	10%	10%	10%	10%	9%	10%	9%	10%
Total Operating Expenses	1,166	834	239	160	243	310	952	299	293	299	325	1,216	326	319	315	349	1,309
Operating Income	200	115	- 37	39	32	37	71	43	65	63	67	237	68	71	68	71	278
Adjusted EBITDA	**339**	**347.5**	**84.0**	**76.9**	**78.1**	**90.5**	**329.4**	**83.3**	**113.5**	**121.3**	**119.1**	**437.2**	**118.6**	**120.0**	**116.8**	**120.1**	**475.5**
% of sales	24.8%	36.6%	41.5%	38.5%	28.5%	26.1%	32.2%	24.3%	31.7%	33.5%	30.4%	30.1%	30.1%	30.8%	30.5%	28.6%	30.0%
Net Income	**137**	**49**	**-45**	**13**	**-32**	**42**	**-23**	**18**	**34**	**29**	**33**	**114**	**40**	**39**	**34**	**37**	**151**
EPS (F.D) ($) (Excluding Special charges)	**$0.84**	**$0.25**	**-$0.24**	**$0.12**	**-$0.08**	**$0.06**	**-$0.11**	**$0.13**	**$0.17**	**$0.15**	**$0.17**	**$0.62**	**$0.21**	**$0.20**	**$0.18**	**$0.19**	**$0.78**
CFPS (F.D) ($) (Excluding Special charges)	**$1.68**	**$1.60**	**$0.12**	**$0.28**	**$0.29**	**$0.37**	**$1.04**	**$0.31**	**$0.42**	**$0.45**	**$0.44**	**$1.63**	**$0.47**	**$0.45**	**$0.43**	**$0.44**	**$1.79**
Net debt	1,746	2,025	1,989	1,872	1,865	1,786	1,786	1,725	2,329	2,249	2,172	2,172	2,086	2,002	1,924	1,843	1,843
Net debt/LTM EBITDA	**5.2x**	**5.8x**	**5.9x**	**5.7x**	**5.8x**	**5.4x**	**5.4x**	**7.0x**	**8.3x**	**6.9x**	**6.1x**	**5.0x**	**4.4x**	**4.2x**	**4.1x**	**3.9x**	**3.9x**

Source: Company reports, RBC Capital Markets estimates

Appendix 9 – EIF Model Summary

(CAD $000's unless otherwise indicated)	2019	2020	2021	Q1/22	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E
Segmented revenues													
Aviation revenues	974,739	687,321	917,368	281,592	329,298	322,580	294,083	1,227,552	298,172	335,884	329,031	299,965	1,263,051
Manufacturing revenues	366,635	462,308	495,778	118,634	175,761	212,401	216,138	722,934	207,002	226,932	225,145	229,106	888,185
Segmented EBITDA													
Aviation EBITDA	299,190	218,077	288,003	62,859	95,496	101,613	91,166	351,134	86,607	109,162	103,645	92,989	392,403
EBITDA Margin	*30.7%*	31.7%	31.4%	22.3%	29.0%	31.5%	31.0%	28.6%	29.0%	32.5%	31.5%	31.0%	31.1%
Manufacturing EBITDA	55,735	87,981	72,996	10,913	21,091	33,984	36,743	102,732	36,225	41,982	41,652	44,676	164,535
EBITDA Margin	*15.2%*	*19.0%*	*14.7%*	*9.2%*	*12.0%*	*16.0%*	*17.0%*	*14.2%*	*17.5%*	*18.5%*	*18.5%*	*19.5%*	*18.5%*
Revenues, Net	**1,341,374**	**1,149,629**	**1,413,146**	**400,226**	**505,059**	**534,981**	**510,221**	**1,950,486**	**505,174**	**562,815**	**554,176**	**529,071**	**2,151,236**
Revenue growth (Y/Y)	11.5%	-14.3%	22.9%	79.9%	56.8%	33.7%	30.7%	38.0%	26.2%	11.4%	3.6%	3.7%	10.3%
Aviation expenses	**544,243**	**372,250**	**520,410**	**184,070**	**187,041**	**176,774**	**162,334**	**710,219**	**169,252**	**181,377**	**180,309**	**165,580**	**696,519**
Aviation expenses (% of sales)	40.6%	32.4%	36.8%	46.0%	37.0%	33.0%	31.8%	36.4%	33.5%	32.2%	32.5%	31.3%	32.4%
Manufacturing expenses	**264,151**	**320,703**	**371,896**	**93,171**	**131,469**	**151,654**	**152,485**	**528,780**	**145,160**	**157,207**	**155,969**	**156,766**	**615,102**
Manufacturing expenses (% of sales)	48.5%	86.2%	71.5%	50.6%	70.3%	85.8%	93.9%	74.5%	85.8%	86.7%	86.5%	94.7%	88.3%
Gross profit	**532,980**	**456,676**	**520,840**	**122,985**	**186,548**	**206,553**	**195,402**	**711,488**	**190,762**	**224,231**	**217,898**	**206,724**	**839,615**
Gross margin	39.7%	39.7%	36.9%	30.7%	36.9%	38.6%	38.3%	36.5%	37.8%	39.8%	39.3%	39.1%	39.0%
EBITDA	**334,391**	**276,779**	**332,846**	**66,501**	**109,012**	**127,572**	**120,256**	**423,341**	**115,760**	**143,265**	**137,538**	**130,258**	**526,821**
EBITDA Margin (%)	24.9%	24.1%	23.6%	16.6%	21.6%	23.8%	23.6%	21.7%	22.9%	25.5%	24.8%	24.6%	24.5%
EBITDA growth (Y/Y)	20.0%	-17.2%	20.3%	3.9%	35.1%	35.4%	28.1%	27.2%	74.1%	31.4%	7.8%	8.3%	24.4%
Adj. EBITDA	**328,813**	**284,535**	**329,880**	**66,956**	**109,012**	**127,572**	**120,256**	**423,796**	**115,760**	**143,265**	**137,538**	**130,258**	**526,821**
Adj. EBITDA Margin (%)	24.5%	24.8%	23.3%	16.7%	21.6%	23.8%	23.6%	21.7%	22.9%	25.5%	24.8%	24.6%	24.5%
Adj. EBITDA growth (Y/Y)	18.4%	-13.5%	15.9%	4.4%	34.5%	33.9%	34.5%	28.5%	72.9%	31.4%	7.8%	8.3%	24.3%
EBIT	**164,366**	**93,934**	**146,461**	**20,233**	**50,930**	**66,049**	**61,580**	**198,793**	**57,665**	**78,541**	**73,808**	**69,415**	**279,429**
Depreciation and Amort.	170,025	182,845	186,385	46,268	58,082	61,523	58,675	224,548	58,095	64,724	63,730	60,843	247,392
Interest Expense	58,520	50,934	52,198	15,604	15,557	15,577	15,597	62,336	15,617	15,647	15,667	15,687	62,619
Taxes	22,210	14,945	25,675	876	9,551	13,627	12,415	36,470	11,353	16,981	15,698	14,506	58,539
Adj. net income	**113,270**	**47,176**	**86,012**	**7,835**	**29,322**	**40,345**	**37,068**	**114,569**	**34,195**	**49,413**	**45,943**	**42,721**	**172,271**
Weighted average shares outstanding (diluted)	38,094	35,472	38,088	39,651	39,651	39,651	39,651	39,651	39,651	39,651	39,651	39,651	39,651
Adj. EPS (FD)	**2.97**	**1.33**	**2.26**	**0.20**	**0.74**	**1.02**	**0.93**	**2.89**	**0.86**	**1.25**	**1.16**	**1.08**	**4.34**
Cash flow from operations (CFO)	**217,237**	**259,974**	**285,047**	**25,021**	**86,904**	**100,367**	**94,243**	**306,535**	**90,790**	**113,636**	**108,173**	**102,064**	**414,663**
Changes in working capital	-45,058	38,455	20,755	-28,499	0	0	0	-28,499	0	0	0	0	0
FCF from operations (company definition)	**245,772**	**198,400**	**243,317**	**47,441**	**80,904**	**94,367**	**88,243**	**310,955**	**84,790**	**107,636**	**102,173**	**96,064**	**390,663**
Maintenance capital expenditures	119,697	85,069	96,163	27,913	45,455	42,798	40,818	156,984	40,414	45,025	44,334	42,326	172,099
Growth capital expenditures	119,324	47,923	130,967	22,532	40,405	32,099	30,613	125,649	30,310	33,769	33,251	31,744	129,074
FCF from operations less maintenance capex (company definition)	**126,075**	**113,331**	**147,154**	**19,528**	**35,449**	**51,569**	**47,425**	**153,971**	**44,376**	**62,611**	**57,839**	**53,738**	**218,564**
FCF growth (Y/Y)	10.2%	-10.1%	29.8%	-0.3%	-2.9%	7.1%	10.6%	4.6%	127.2%	76.6%	12.2%	13.3%	42.0%
FCF / share	3.31	3.19	3.86	0.49	0.89	1.30	1.20	3.88	1.12	1.58	1.46	1.36	5.51
Adj.EBITDA conversion	38.3%	39.8%	44.6%	29.2%	32.5%	40.4%	39.4%	36.3%	38.3%	43.7%	42.1%	41.3%	41.5%
Free Cash Flow (CFO - total capex)	**-21,784**	**126,982**	**57,917**	**-25,424**	**1,044**	**25,470**	**22,812**	**23,902**	**20,065**	**34,842**	**30,588**	**27,994**	**113,490**
FCF % of revenue	-1.6%	11.0%	4.1%	-6.4%	0.2%	4.8%	4.5%	1.2%	4.0%	6.2%	5.5%	5.3%	5.3%
Adj.EBITDA conversion	-6.6%	44.6%	17.6%	-38.0%	1.0%	20.0%	19.0%	5.6%	17.3%	24.3%	22.2%	21.5%	21.5%
Dividend payout ratio (FCF less maintenance capex)	57.7%	70.6%	58.0%	113.3%	67.1%	46.1%	50.2%	60.7%	52.7%	37.4%	40.4%	43.5%	42.8%
Dividend payout ratio (FCF less total capex)	-333.9%	63.0%	147.4%	-87.0%	2279.1%	93.4%	104.3%	391.1%	116.6%	67.1%	76.5%	83.6%	82.5%
Net debt	1,121,957	1,136,560	1,214,419	1,252,253	1,581,000	1,581,321	1,584,299	1,584,299	1,589,629	1,581,181	1,575,987	1,573,387	1,573,387
Net debt/LTM EBITDA	**3.4x**	**4.0x**	**3.7x**	**3.8x**	**4.4x**	**4.0x**	**3.7x**	**3.7x**	**3.4x**	**3.1x**	**3.0x**	**3.0x**	**3.0x**
Net debt/LTM EBITDA (covenant metric, excl. converts)	**2.1x**	**2.5x**	**2.2x**	**2.4x**	**3.1x**	**2.9x**	**2.7x**	**2.7x**	**2.4x**	**2.2x**	**2.2x**	**2.2x**	**2.2x**

Source: Company reports, RBC Capital Markets Estimates

Companies mentioned

Air Canada (TSX: AC CN; C$16.64; Sector Perform)
Bombardier Inc. (TSX: BBD/B CN; C$20.50; Outperform; Speculative Risk)
CAE Inc. (TSX: CAE CN; C$32.50; Outperform)
Chorus Aviation Inc. (TSX: CHR CN; C$3.09; Outperform)
Exchange Income Corporation (TSX: EIF CN; C$45.15; Outperform)

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Travel expenses of an analyst visiting the material operations of CAE Inc. were paid for by the company(ies).

An analyst involved in the preparation of this report has visited material operations of CAE Inc., and more specifically, the facilities of CAE Inc., which includes but is not limited to mines, distribution centres, warehouses, production plants and/or other facilities related to the day-to-day operation of CAE Inc. as applicable.

An analyst involved in the preparation of this report has visited material operations of Exchange Income Corporation, and more specifically, the facilities of Exchange Income Corporation, which includes but is not limited to mines, distribution centres, warehouses, production plants and/or other facilities related to the day-to-day operation of Exchange Income Corporation as applicable.

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Ratings

Outperform (O): Expected to materially outperform sector average over 12 months.

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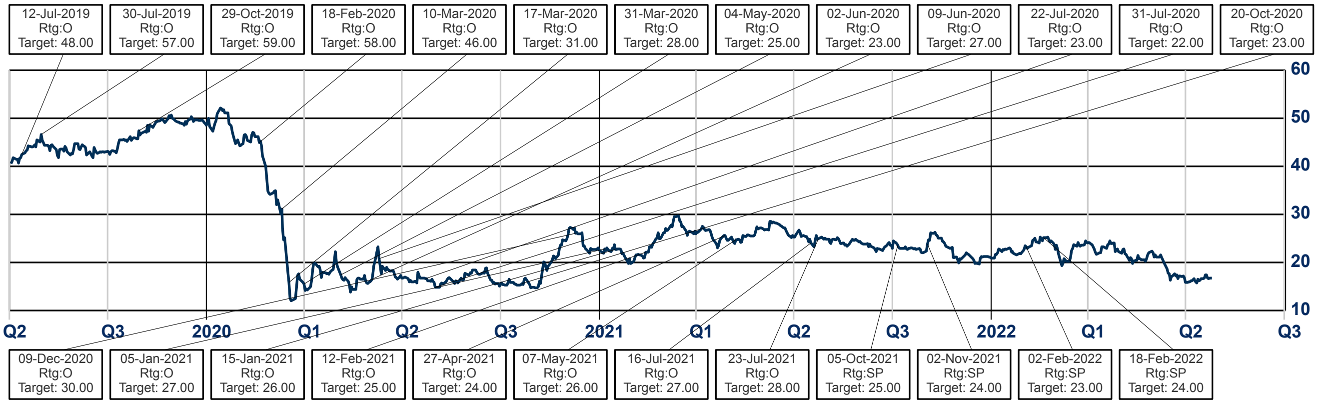
As of 30-Jun-2022

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Outperform]	851	58.41	290	34.08
HOLD [Sector Perform]	560	38.44	169	30.18
SELL [Underperform]	46	3.16	6	13.04

Rating and price target history for: Air Canada, AC CN as of 25-Jul-2022 (in CAD)



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Rating and price target history for: Bombardier Inc., BBD/B CN as of 25-Jul-2022 (in CAD)

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Rating and price target history for: CAE Inc., CAE CN as of 25-Jul-2022 (in CAD)

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Rating and price target history for: Chorus Aviation Inc., CHR CN as of 25-Jul-2022 (in CAD)

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Rating and price target history for: Exchange Income Corporation, EIF CN as of 25-Jul-2022 (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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Air Canada

Valuation

Applying a 5.1x EV/EBITDA multiple to our 2024 estimates (which we then discount back one year at 10%), we derive our price target of $18. Our target multiple is in line with the historical group average multiple and in line with peers and supported by our view that the industry should largely return to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from return to travel disruptions followed by a general return to "normal" by 2024 and (2) a reduction in capital intensity out to 2023. Our price target supports our Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include but are not limited to very high operating leverage given a fixed-cost structure, above-average sensitivity to the economy, exposure to volatile fuel prices and the risk of terrorism and epidemics. This is a very competitive industry in which WestJet is focusing on Western Canada and Porter airways is expanding in Eastern Canada. As of Q1/2022 Air Canada is not hedged to changes in jet fuel prices.

Bombardier Inc.

Valuation

We apply a target multiple of 5x to our 2025 EBITDA estimate of $1.54B and then discount back two years at 13% to derive our $32 price target. Our target multiple is based on a significant discount to peers and an improving yet uncertain demand environment. We use EBITDA (as opposed to PE) as our primary valuation methodology, as we believe it better reflects the company's growth potential while also taking into account its capital structure. Our price target supports our Outperform, Speculative Risk rating. Our Speculative Risk qualifier reflects BBD's elevated leverage levels and cash flow visibility.

Risks to rating and price target

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

CAE Inc.

Valuation

We value CAE shares on a sum of the parts basis using a blended EV/EBITDA multiple of 13.1x on our FY25 EBITDA estimate of $1,218MM, discounted back 1-yr. We use FY25 as the basis year as we view it as better representing normalized (i.e. post-pandemic) EBITDA. Our 14x Civil multiple is driven off compares to the Rail and Waste sectors, which trade in the 11x to 15x range, and our Defense multiple of 11x is derived using a 2x discount to its peers due to lower margins. We anticipate CAE's valuation will be supported by the company's favourable industry fundamentals (including secular growth and high barriers to entry), strong mgmt team, high FCF conversion, and the expected recovery in both travel and defense procurement. Based on relative returns to our PT of $40, we rate the shares Outperform.

Risks to rating and price target

- Delayed recovery for air travel
- Reduction in defense spending
- Regulation risk
- R&D and technology risk
- US foreign ownership
- Acquisition risk

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 5.0x EV/EBITDA multiple based on our 2023 estimates and we value the company's leasing segment at a 6.0x P/E multiple based on our assumptions for operating and funding costs attributable to the segment. We believe these multiples are appropriate when assessed relative to historical early-cycle peer multiples. This generates our $4.50 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 EIF, we apply a blended 7.7x EV/EBITDA multiple (8.0x for Aviation & Aerospace, a touch below peers, and 7.0x for Manufacturing, in line with peers) to our $527MM 2023E EBITDA, reflecting a valuation blend of 70% Aviation & Aerospace and 30% Manufacturing. We apply our target multiples to our 2023E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This generates our $62 price target, which supports our Outperform rating.

Risks to rating and price target

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

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

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

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

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

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