Capital Markets

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RBC Flight Deck

Q3 airline/aerospace preview; macro weighs on valuation despite recent recovery

In this report. We are increasing estimates on AC and BBD, reducing estimates on CAE, with the remainder unchanged for the group ahead of reporting season. We increase our BBD price target to $49 after incorporating reaffirmed delivery guidance of 15-20% for 2023 (from our prior 3%) following an upbeat NBAA. We introduce 2024 EBITDA estimates for CHR and EIF, while AC is still valued on 2024 and BBD/CAE continue to be valued on 2025. Key areas of focus this quarter will be: 1) sustainability of higher airfares, given the strength seen from US peers; 2) changes to the LT trajectory of the recovery, especially around business and international travel; 3) guidance from CHR's new CEO; and 4) growth in BBD's aftermarket services and news on further debt reduction.

Q3 estimate revisions

- **AC: Q3 estimate increased; price target increased to $20 (from $18); reaffirm Sector Perform rating.** We are increasing our Q3/22 estimate to $738MM from $668MM (cons. at $821MM), as we expect the company has continued to pass on higher pricing to travelers during the peak summer travel season. We continue to use 2024 as our valuation year as we estimate a full industry recovery by that point. When applying our 2024 EBITDA to our unchanged 5x target multiple, we arrive at our $20 price target.
- **BBD: Q3 estimate unchanged; price target increased to $49 (from $41); reaffirm Outperform (Speculative Risk) rating.** We are maintaining our Q3/22 estimate of $228MM, which is above consensus of $209MM, maintaining our view of the robust demand environment. We have raised our 2023 EBITDA estimate on the back of reaffirmed production guidance of 15-20% and further industry affirmation of an outsized year for manufacturers. Our Q3 estimate reflects 28 total deliveries of which 20 are large jet deliveries. We continue to use 2025 as our valuation year and when applying our 2025 EBITDA estimate to our unchanged 5x target multiple, we arrive at our $49 price target.
- **CAE: FQ2 estimate lower; price target decreases to $33 (from $37); maintain Outperform.** Our FQ2 EBITDA estimate decreases to $197MM (from $215MM) due to supply chain headwinds that persist versus our prior expectation for improvement during the quarter, in line with commentary from LMT that supply chain issues are improving more gradually versus its prior expectations. Our F23 operating income growth estimate of +18% y/y is below guidance for mid-20% growth reflecting supply chain headwinds in the Defense segment, and we therefore flag potential downside risk. Target price decreases to $33, from $37, reflecting our lower target multiple of 11.6x (from 12.6x).
- **CHR: Q3 estimate unchanged; price target reduced to $4 (from $4.50); reaffirm Outperform rating.** We are maintaining our Q3/22 estimate of $122MM, which is in line with consensus of $120MM. We also introduce our 2024 EBITDA estimate of $475MM this quarter and lower our target multiple to 4x (from 5x) as small cap, higher leveraged names saw valuations contract in the face of rising interest rates. When applying our 2024 EBITDA estimate to our 4x target multiple, we arrive at our $4 price target.
- **EIF: Q3 estimate unchanged; price target decreases to $61, from $66; maintain Outperform.** We are leaving our Q3 estimate unchanged at $142MM and above consensus $135MM reflecting our view that strong Northern Mat results will continue sequentially. Our 2023 EBITDA estimate of $562MM (cons. $539MM) is above guidance for EBITDA of $500MM to $530MM as we now build M&A into our forecasts. Target multiple lower to 7.3x, from 7.8x, and price target decreases to $61, from $66.

Canadian Airlines & Aerospace Q3/22 preview

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q3 estimates. Items of focus include:

1. The set-up: share price performance in Q3 and valuation
2. An overview of global and North American air traffic trends
3. A discussion of our Q3 estimates for each company in our coverage

The set-up: Aerospace share price performance during Q3

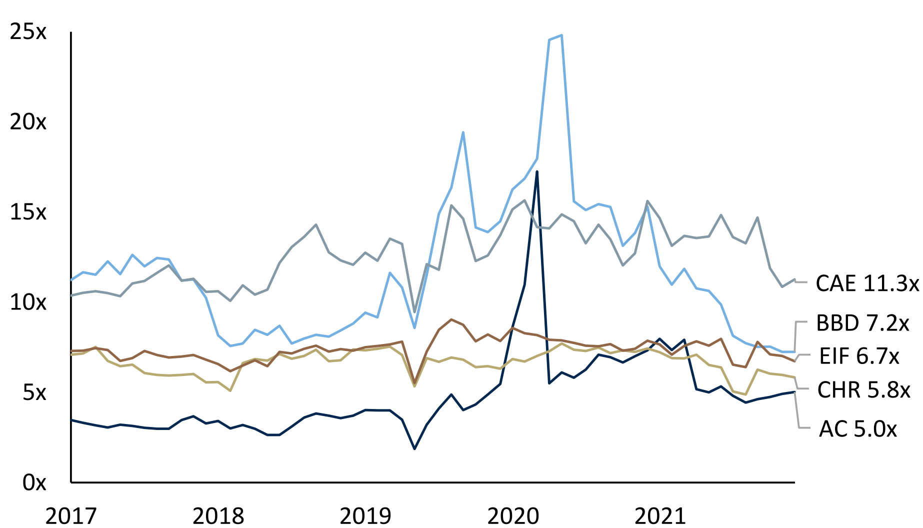
Company	Q3/22 Share Price Performance
BBD	32.6%
AC	4.4%
EIF	-1.2%
S&P TSX	-2.2%
CHR	-28.4%
CAE	-31.9%

Share prices mixed in Q3. Canadian Airlines & Aerospace share prices were mixed during the quarter, with BBD, AC, and EIF outperforming the index, while CHR and CAE underperformed. BBD shares did best (+32.6%), reflecting FCF improvements and accelerated deleveraging under a supportive biz jet market backdrop. AC closed the quarter in positive territory, after airport summer disruptions subsided without materially affecting forward guidance, and EIF ended down slightly. On the other hand, CHR saw its stock price decline in an environment of heightened uncertainty and deep discounting of valuation. CAE also traded lower (-31.9%) after lowering its F23 operating income guidance as supply chain issues meaningfully affected its Defense segment.

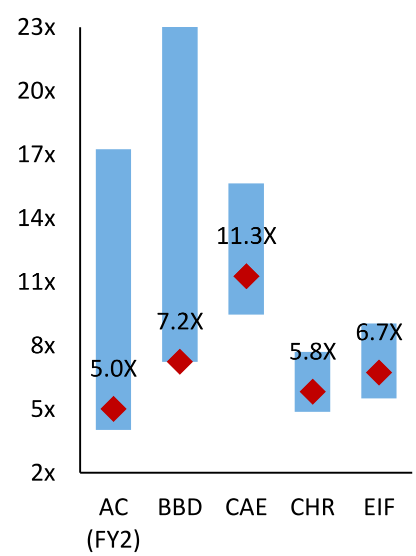
Thoughts on valuations. Referencing Exhibit 1, the bar chart below shows current valuations (diamond) relative to the 5-yr range (blue bar). CAE is trading at the mid to lower end of its historical range driven by positive long-term trends in its Civil and Defense end markets, offset by recent supply chain headwinds affecting its near-term outlook. 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 low 20% EBITDA CAGR 2021 to 2024. 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 services expansion. We remain cautious on AC as the carrier works through operational headwinds and realizes a meaningful return to business travel. We see CHR as attractive on relative returns with leasing providing a new growth avenue.

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

Historical EV/EBITDA multiples on consensus NTM estimates



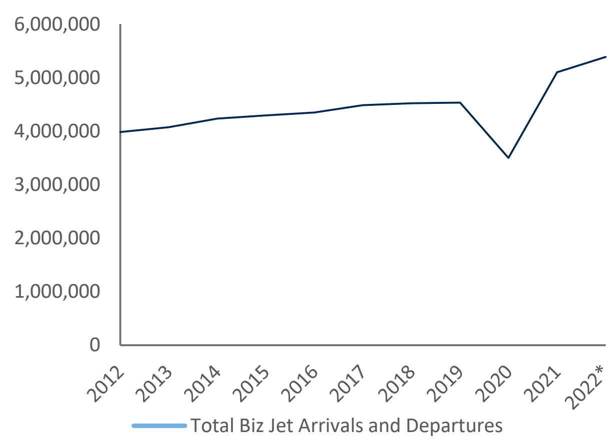
Current valuation vs. 5-year range

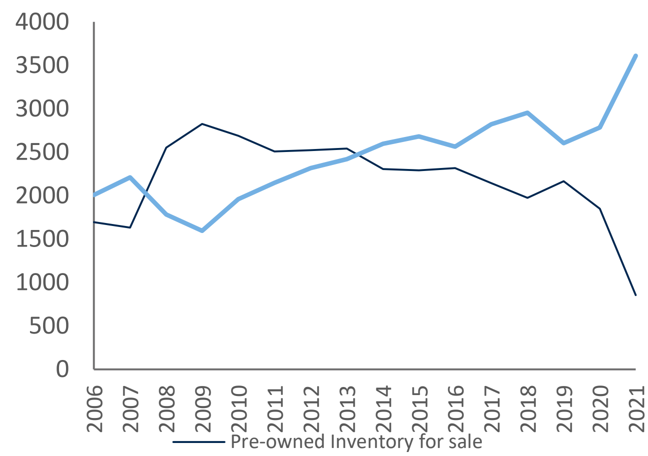


Source: FactSet consensus estimates as of market close October 18, 2022. (AC using FY2 EV/EBITDA Estimates)

Bombardier: Strong demand, exceeding financial targets. We are looking for BBD to report a solid quarter during Q3 results, with our forecast calling for total biz jet deliveries of 28 (including 20 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 in Q3, with orders of 171 (BBD 16% market share) up 13% Y/Y. Honeywell's Business Aviation Outlook is also calling for a significant ramp up, with biz jet deliveries expected to be up 17% Y/Y in 2023. We are encouraged by the robust demand for private travel, used aircraft inventory levels at historical lows (Exhibit 2), and the pandemic-induced creation of a new customer class. We were encouraged by what we heard at NBAA 2022, chiefly mgmt reaffirming 15-20% production guidance in next year (we had taken a more cautious view previously which we are now revising upward), and mgmt targeting 3x leverage by 2023 (two years ahead of plan), as well as new revenue opportunities in CPO. We anticipate BBD to keep moving toward their 2025 targets, as seen by rapid services build-out and sequential credit rating upgrades during the quarter. We expect continued solid execution of their cost reduction program, debt reduction, and continued roll out of after-market services.

Exhibit 2 - Business jet operations remain elevated and used inventory at continued lows

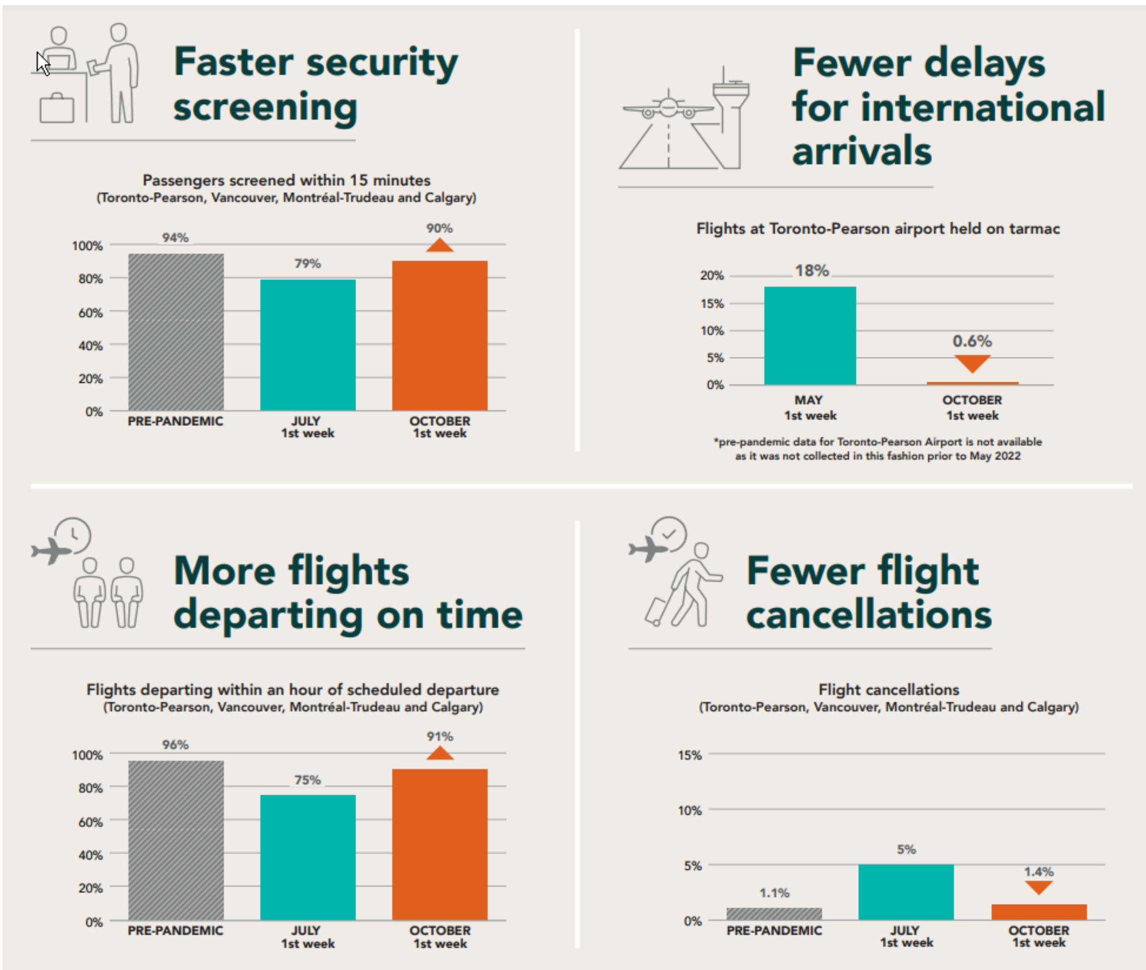




Source: FAA, JETNET, RBC Capital Markets *Sep – Dec 2022 projections

Airlines: Recovery continues past summer disruptions. Broadly speaking, we are looking for steady sequential improvement in traffic levels at the airlines. As the industry works through the near-term bottlenecks, staffing gains and pent-up leisure travel demand are expected to positively affect the airlines in the medium term, with US airlines reporting sustained bookings after the peak summer season. 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.

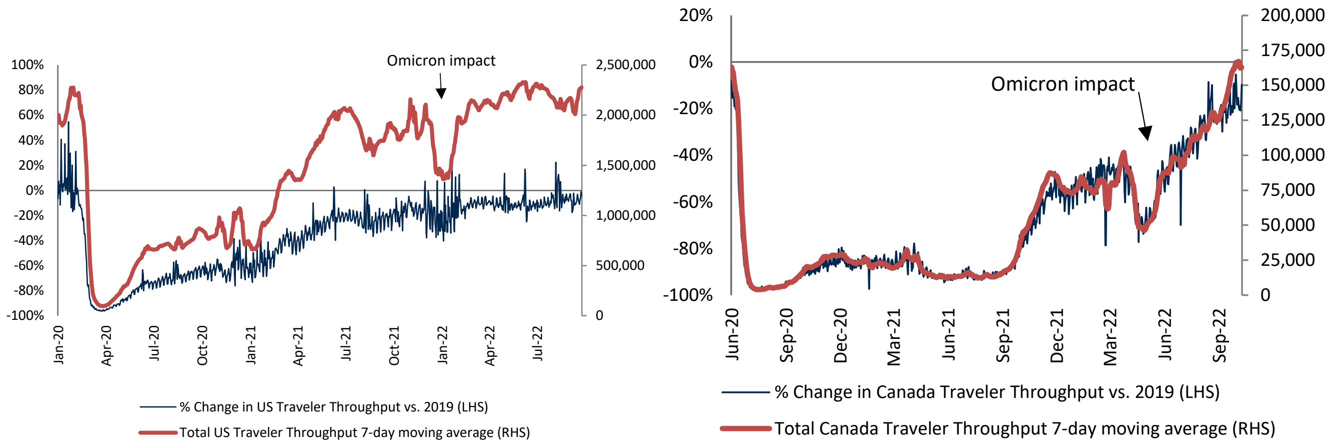
Exhibit 3 - Airport disruptions recovering well since the summer



Source: Government of Canada

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, and 4) expansion of capacity after summer reductions, especially transborder and sixth freedom growth. Further, we note that based on recent data points we have been tracking from RBC Elements and third party providers, demand/traffic trends improved markedly during Q3. See Exhibits 3 and 4.

Exhibit 4 - Passenger traffic in the US and Canada has recovered well past Omicron lows



Source: TSA, CATSA, RBC Capital Markets. Note: Data as of October 16, 2022 for CATSA and TSA.

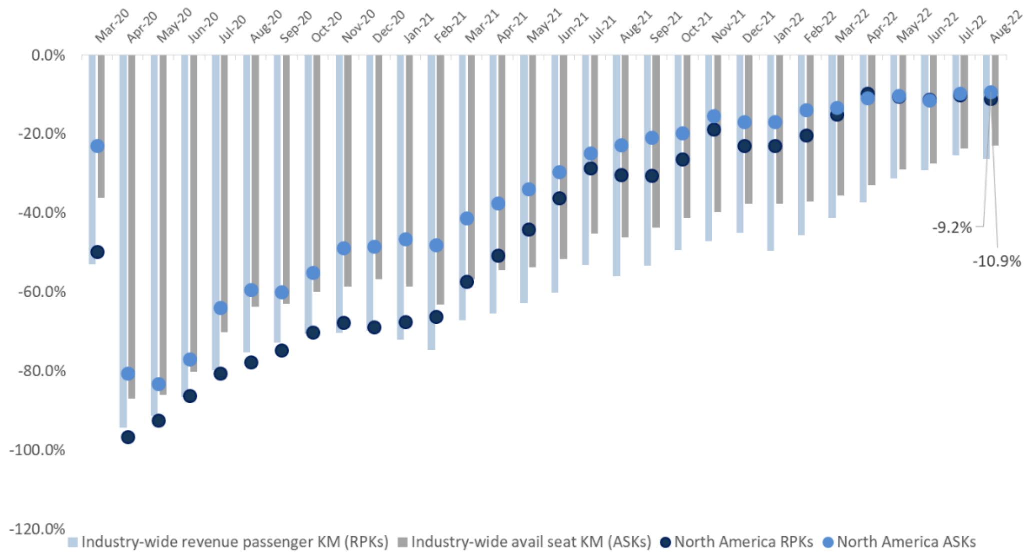
IATA Traffic data shows steadily improving demand

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 5.

Passenger traffic improved in Q3. IATA data showed that global demand continued its rebound in August, with industry-wide Revenue Passenger Km's (RPK's) down -26% (vs. the same month in 2019), which was a 5% improvement from May's print of -31%. In North America, traffic was down -10.9% in August (vs. -10.4% in March) remaining relatively flat Q/Q. 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.

Load factors reached highs during the summer. According to IATA, global capacity levels were up notably as capacity improved to -23% in August (vs. the same month in 2019) compared to being down -29% in May. Capacity in North America also improved, with capacity down -9% (vs. the same month in 2019) compared to -10% in May. Load factors reached new highs as global PLFs of 82% in May rebounded from Omicron lows of 65%. North America PLFs hit a high of 89% in June before moving lower to 86% by August, 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 5 - IATA traffic (RPKs) and capacity (ASKs) steadily improved in Q3

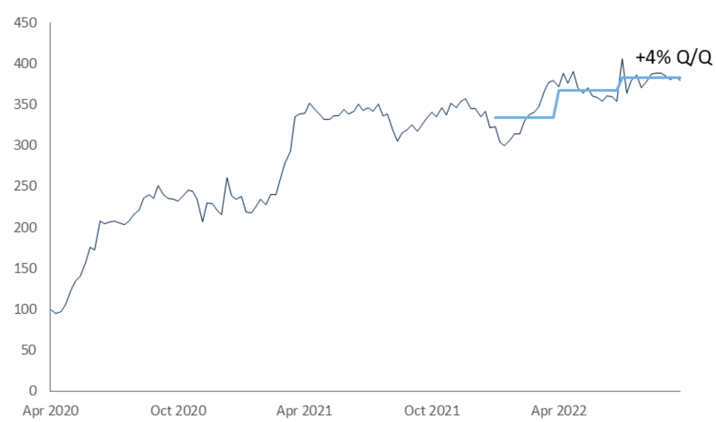


Source: IATA .org

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 travel search interest, TSA throughput, and flight departures to provide an indication on relative travel interest. As per Exhibit 6, we see that Q3 had solid improvement indicated by an incremental increase of +4% Q/Q. Additionally, the index reached a new high in Q3 since inception, a clear sign that travel demand continues to be rebounding in our view.

Exhibit 6 - GOAT index reached new highs in Q3



Source: RBC Elements, RBC Capital Markets

Q3 Estimates

We are leaving our Q3 estimates largely unchanged for the group ahead of reporting season, with the exception of AC and CAE. While our BBD Q3 is unchanged, we are taking up our 2023 on higher deliveries. Details by company are below:

- **Air Canada (AC): Price target increased to $20 (from $18); reaffirm Sector Perform rating.** We are increasing our Q3/22 estimates, with our EBITDA estimate of $738MM below consensus at $821MM, as the company continued to pass on higher pricing to travelers during the peak summer travel season. We continue to use 2024 as our valuation year, however, we are no longer discounting as 2024 is now the current valuation year. When applying our 2024 EBITDA to our unchanged 5x target multiple, we arrive at our $20 price target.
- **Bombardier (BBD): Price target increased to $49 (from $41); reaffirm Outperform (Speculative Risk) rating.** We are maintaining our Q3/22 estimate of $228MM, which is above consensus of $209MM. We have raised our 2023 EBITDA estimate on the back of reaffirmed production guidance of 15-20% and further industry affirmation of an outsized year for manufacturers. Our Q3 estimate reflects 28 total deliveries of which 20 are large jet deliveries. We continue to use 2025 as our valuation year and when applying our 2025 EBITDA estimate to our unchanged 5x target multiple, we arrive at our $49 price target.
- **CAE – FQ2 estimate lower; price target decreases to $33 (from $37); maintain Outperform.** Our FQ2 EBITDA estimate decreases to $197MM (from $215MM; cons. $191MM) due to supply chain headwinds that persist versus our prior expectation for improvement during the quarter, in line with commentary from LMT that supply chain issues are improving more gradually versus its prior expectations. Our F23 estimate decreases to $867MM (from $884MM) in line with our lower FQ2 estimate. Our F23 EBITDA estimate aligns with consensus $866MM; however, our F23 operating income growth estimate of +18% y/y is below guidance for mid-20% growth reflecting supply chain headwinds in the Defense segment. Our F24 estimate is unchanged at $1,100MM, above consensus $1,058MM. Key focus into the quarter will be on supply chain headwinds in the Defense segment and visibility toward improvement. Target price decreases to $33, from $37, reflecting our lower target multiple of 11.6x (from 12.6x). See Exhibit 10.
- **Chorus Aviation (CHR): Price target reduced to $4 (from $4.50); reaffirm Outperform rating.** We are maintaining our Q3/22 estimate of $122MM, which is slightly ahead of consensus of $120MM. We also introduce our 2024 EBITDA estimate of $475MM this quarter and lower our target multiple to 4x (from 5x) on the higher interest rate impact on valuation. When applying our 2024 EBITDA estimate to our 4x target multiple, we arrive at our $4 price target.
- **EIF – Q3 estimate unchanged; price target decreases to $61, from $66; maintain Outperform.** We are leaving our Q3 estimate unchanged at $142MM and above consensus $135MM, reflecting our view that strong Northern Mat results will continue sequentially. Our 2022 and 2023 estimates both remain unchanged at $445MM (cons. $441MM) and $562MM (cons. $539MM), respectively. We note that our estimates are above consensus and that our 2022 estimate is toward the upper end of guidance for EBITDA of $435MM to $445MM. Our 2023 EBITDA estimate is above guidance for EBITDA of $500MM to $530MM as we now build M&A into our forecasts. We also introduce our 2024 EBITDA estimate of $588MM, in line with consensus $587MM, but see upside should Regional One and Quest recover more quickly to pre-pandemic levels. Key into the quarter will be colour on the M&A pipeline and 2023 guidance, which we expect management to take higher during the quarter. Target multiple lower to 7.3x, from 7.8x, and price target decreases to $61, from $66. See Exhibit 12.

Exhibit 7 - Estimate changes ahead of the quarter

	Q3 2022E EBITDA			2022E EBITDA			2023E EBITDA			2024E EBITDA			Target Multiple	Price Target (CAD)			
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	RBC	Old	New	Rating	Implied Return
Air Canada	$668	**$738**	$821	unchg.	**$1,300**	$1,325	unchg.	**$2,744**	$2,835	unchg.	**$3,112**	$3,697	**5.0x**	$18	**$20**	SP	+8%
Bombardier	unchg.	**U$228**	$209	unchg.	**U$846**	U$875	U$1,055	**U$1,155**	U$1,145	U$1,299	**U$1,376**	$1,321	**5.0x**	$41	**$49**	O	+41%
CAE[1]	$215	**$197**	$191	$884	**$867**	$866	unchg.	**$1,100**	$1,058	unchg.	**$1,217**	$1,167	**11.6x**	$37	**$33**	O	+37%
Chorus Aviation	unchg.	**$122**	$120	unchg.	**$437**	$429	unchg.	**$476**	$484	n.a.	**$475**	$489	**4.0x**	$4.50	**$4.00**	O	+66%
Exchange Income	unchg.	**$142**	$135	unchg.	**$445**	$441	unchg.	**$562**	$539	n.a.	**$588**	$587	**7.3x**	$66	**$61**	O	+45%

1. CAE estimates are for FQ2/23, F2023, F2024 and F2025, respectively.
Note: Bombardier rating includes Speculative Risk qualifier; priced as of market close October 21, 2022.
Source: Company reports, RBC Capital Markets estimates

Exhibit 8 - Air Canada estimate revisions detail

	Q3/22E			2022E			2023E			2024E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Traffic: RPMs (% chg)	159.2%	159.2%	0bp	208.2%	208.2%	0bp	27.3%	27.3%	0bp	14.0%	14.0%	0bp
Capacity: ASMs (% chg)	130.7%	130.7%	0bp	149.8%	149.8%	0bp	18.6%	18.6%	0bp	14.0%	14.0%	0bp
Load Factor (%pts)	80.0%	80.0%	0bp	77.8%	77.8%	0bp	83.5%	83.5%	0bp	83.4%	83.4%	0bp
Yield (% chg)	5.0%	7.0%	200bp	-5.6%	-5.7%	-5bp	-9.3%	-9.4%	-9bp	-5.0%	-5.0%	0bp
RASM (% chg)	18.3%	20.5%	225bp	21.7%	21.7%	1bp	-3.4%	-3.4%	-1bp	-5.0%	-5.0%	0bp
Adj. CASM ex fuel+other (% chg)	-36.1%	-35.8%	33bp	-45.5%	-45.5%	0bp	-9.7%	-9.7%	0bp	-8.2%	-8.2%	0bp
Avg Jet Fuel Price: ($C/Ltr)	$0.99	$0.99	0.0%	$1.26	$1.26	0.0%	$0.99	$0.99	0.0%	$0.93	$0.93	0.0%
Revenue	5,008	5,093	1.7%	16,066	16,066	0.0%	18,170	18,170	0.0%	19,522	19,522	0.0%
Expenses	4,341	4,355	0.3%	14,766	14,766	0.0%	15,426	15,426	0.0%	16,410	16,410	0.0%
EBITDA	**668**	**738**	**10.5%**	**1,300**	**1,300**	**0.0%**	**2,744**	**2,744**	**0.0%**	**3,112**	**3,112**	**0.0%**
EBITDA Margin	13.3%	14.5%	8.6%	8.1%	8.1%	0.0%	15.1%	15.1%	0.0%	15.9%	15.9%	0.0%
EPS ex-one time items ($)	0.13	0.29	117.1%	(3.16)	(3.16)	0.0%	0.85	0.85	0.0%	1.89	1.89	0.0%

Source: Company reports, RBC Capital Markets estimates

Exhibit 9 - Bombardier estimate revisions detail

	Q3/22E			2022E			2023E			2024E			2025E		
	Old	Cur	Var (%)	Old	Cur	Var (%)	Old	Cur	Var (%)		Cur	Var (%)		Cur	Var (%)
Bombardier															
Total Revenues	1,766	1,766	0.0%	6,534	6,534	0.0%	6,939	7,910	14.0%	7,369	8,089	9.8%	7,795	8,561	9.8%
Total EBIT	117	117	0.0%	425	425	0.0%	583	683	17.0%	803	881	9.7%	1,033	1,134	9.8%
Mgn%	6.6%	6.6%	0 bps	6.5%	6.5%	0 bps	8.4%	8.6%	22 bps	10.9%	10.9%	-1 bps	13.3%	13.3%	0 bps
Total aircraft deliveries	28	28		120	120		124	137		128	142		132	146	
Free Cash Flow	(55)	(55)		585	523		376	375		549	550		593	600	
EBITDA	228	228		846	846		1,055	1,155		1,299	1,376		1,553	1,655	
Adjusted EPS	-$0.92	-$0.92		-$3.36	-$2.96		-$1.30	$0.44		$2.38	$4.35		$7.33	$9.46	

Source: Company reports, RBC Capital Markets estimates

Exhibit 10 - CAE estimate revisions detail

ESTIMATE SUMMARY	FQ2/23E			FQ2/22	F2023E			F2024E			F2025E		
(C$ millions)	Old	New	% Δ	Actual	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Revenue	985	**968**	(1.8%)	**815**	4,091	**4,073**	(0.4%)	4,439	**4,439**	0.0%	4,807	**4,807**	0.0%
Civil Revenue	496	**479**	(3.5%)	**362**	2,055	**2,038**	(0.8%)	2,304	**2,304**	0.0%	2,561	**2,561**	0.0%
Defense & Security Revenue	447	**447**	0.0%	**418**	1,861	**1,861**	0.0%	1,949	**1,949**	0.0%	2,046	**2,046**	0.0%
Healthcare Revenue	42	**42**	0.0%	**35**	174	**174**	0.0%	187	**187**	0.0%	200	**200**	0.0%
Adj. EBITDA	215	**197**	(8.0%)	**169**	884	**867**	(1.9%)	1,100	**1,100**	0.0%	1,217	**1,217**	0.0%
Civil Adj. EBITDA	165	**157**	(5.0%)	**121**	681	**673**	(1.2%)	788	**788**	0.0%	868	**868**	0.0%
Defence & Security Adj. EBITDA	44	**35**	(20.4%)	**47**	187	**178**	(4.8%)	283	**283**	0.0%	315	**315**	0.0%
Healthcare Adj. EBITDA	6	**6**	0.0%	**2**	16	**16**	0.0%	28	**28**	0.0%	34	**34**	0.0%
Adjusted Operating Income	129	**111**	(13.4%)	**91**	542	**525**	(3.2%)	745	**745**	0.0%	850	**850**	0.0%
Adj. Operating Income Margin %	*13.1%*	***11.5%***	*-154bps*	***11.1%***	*13.3%*	***12.9%***	*-37bps*	*16.8%*	***16.8%***	*0bps*	*17.7%*	***17.7%***	*0bps*
Civil Adj. EBIT	104	**96**	(7.9%)	**65**	439	**431**	(1.9%)	536	**536**	0.0%	605	**605**	0.0%
Defence & Security Adj. EBIT	22	**13**	(40.1%)	**27**	101	**92**	(8.8%)	195	**195**	0.0%	225	**225**	0.0%
Healthcare Adj. EBIT	2	**2**	0.0%	**-1**	2	**2**	0.0%	15	**15**	0.0%	19	**19**	0.0%
Adj. EPS (F.D)	$0.22	**$0.18**	(19.3%)	**$0.17**	$0.94	**$0.90**	(4.5%)	$1.43	**$1.43**	0.0%	$1.67	**$1.67**	0.0%
Consensus EBITDA		**191**				**866**			**1,058**			**1,167**	

Source: Company reports, RBC Capital Markets estimates

Exhibit 11 - Chorus estimate revisions detail

	Q3/22E			2022E			2023E			Q4/24E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Revenue breakdown												
Controllable Revenue	214	214	0.0%	819	819	0.0%	929	929	0.0%	989	989	0.0%
Leasing under CPA	37	37	0.0%	147	147	0.0%	147	147	0.0%	146	146	0.0%
Margin compensation	17	17	0.0%	66	66	0.0%	66	66	0.0%	63	63	0.0%
Incentives	0.6	0.6	0.0%	2	2	0.0%	2	2	0.0%	2	2	0.0%
Pass through revenue	60	60	0.0%	216	216	0.0%	229	229	0.0%	232	232	0.0%
Passenger revenue	328	328	0.0%	1,251	1,251	0.0%	1,373	1,373	0.0%	1,432	1,432	0.0%
Regional Aircraft Leasing	70	70	0.0%	246	246	0.0%	226	226	0.0%	226	226	0.0%
Other - Charter, contract flying, MRO	22	22	0.0%	94	94	0.0%	94	94	0.0%	94	94	0.0%
Total Revenues	421	421	0.0%	1,594	1,594	0.0%	1,693	1,693	0.0%	1,756	1,756	0.0%
Total Expenses	352	352	0.0%	1,396	1,396	0.0%	1,413	1,413	0.0%	1,479	1,479	0.0%
Total Operating Income	69	69	0.0%	198	198	0.0%	280	280	0.0%	276	276	0.0%
Depreciation and Amortization	53	53	0.0%	203	203	0.0%	196	196	0.0%	199	199	0.0%
EBITDA	122	122	0.0%	437	437	0.0%	476	476	0.0%	475	475	0.0%

Source: Company reports, RBC Capital Markets estimates

Exhibit 12 - Exchange Income estimate revisions detail

ESTIMATE SUMMARY	Q3/22E			Q3/21	2022E			2023E			2024E		
(C$ millions)	Old	New	% Δ	Actual	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total revenue	543	**543**	0.0%	**400**	1,982	**1,982**	0.0%	2,288	**2,288**	0.0%	2,333	**2,333**	0.0%
Total Aviation Revenues	323	**323**	0.0%	**275**	1,251	**1,251**	0.0%	1,287	**1,287**	0.0%	1,312	**1,312**	0.0%
Total Manufacturing Revenues	220	**220**	0.0%	**125**	732	**732**	0.0%	1,001	**1,001**	0.0%	1,021	**1,021**	0.0%
Adj. EBITDA	142	**142**	0.0%	**95**	445	**445**	0.0%	562	**562**	0.0%	588	**588**	0.0%
Total Aviation EBITDA	102	**102**	0.0%	**89**	341	**341**	0.0%	392	**392**	0.0%	406	**406**	0.0%
Total Manufacturing EBITDA	49	**49**	0.0%	**16**	136	**136**	0.0%	202	**202**	0.0%	212	**212**	0.0%
Net income	54	**54**	0.0%	**22**	126	**126**	0.0%	209	**209**	0.0%	228	**228**	0.0%
EPS (Diluted)	$1.22	**$1.22**	0.0%	**$0.56**	$3.06	**$3.06**	0.0%	$4.76	**$4.76**	0.0%	$5.13	**$5.13**	0.0%
Adj. net income (diluted)	62	**62**	0.0%	**28**	161	**161**	0.0%	244	**244**	0.0%	262	**262**	0.0%
Adj. EPS (Diluted)	$1.29	**$1.29**	0.0%	**$0.71**	$3.37	**$3.37**	0.0%	$5.05	**$5.05**	0.0%	$5.42	**$5.42**	0.0%
FCF (less maintenance capex)	58	**58**	0.0%	**48**	171	**171**	0.0%	219	**219**	0.0%	234	**234**	0.0%
FCF (less maintenance capex) / share	$1.32	**$1.32**	0.0%	**$1.23**	$4.04	**$4.04**	0.0%	$4.96	**$4.96**	0.0%	$5.26	**$5.26**	0.0%
Consensus EBITDA		**135**				**441**			**539**			**587**	

Source: Company reports, RBC Capital Markets estimates

Price target justifications

Air Canada

Applying a 5x EV/EBITDA multiple to our 2024 estimates, we derive our price target of $20. 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

We apply a target multiple of 5x to our 2025 EBITDA estimate of $1.66B and then discount back two years at 13% to derive our $49 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.

CAE

We value CAE shares on a sum of the parts basis using a blended EV/EBITDA multiple of 11.6x on our FY25 EBITDA estimate of $1,217MM, 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 13x 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 8x is derived using a discount to its peers due to lower margins and recent headwinds. 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 $33, we rate the shares Outperform.

Chorus Aviation

Our $4 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 4.0x EV/EBITDA multiple based on our 2023 estimates and we value the company's leasing segment at a 4.0x 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 price target, which is the basis of our Outperform rating.

Exchange Income

In valuing EIF, we apply a blended 7.3x EV/EBITDA multiple (7.5x for Aviation & Aerospace and 7.0x for Manufacturing, both roughly in line with peers) to our $588MM 2024E EBITDA, reflecting a valuation blend of ~66% Aviation & Aerospace and ~34% Manufacturing. We apply our target multiples to our 2024E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This generates our $61 price target, which supports our Outperform rating.

Appendix 1 – Airline comparables

	Symbol		21-Oct-22 Price	Mkt Cap (MM)	EV/EBITDA 2020	2021	2022E	2023E	2024E	EV/Sales 2020	2021	2022E	2023E	2024E	EBITDA Margin 2020	2021	2022E	2023E	2024E
Discount Airlines																			
Southwest	LUV-US	US$	$33.10	19,640	-4.0x	NMF	4.4x	3.5x	2.9x	1.7x	1.0x	0.6x	0.6x	0.5x	-42%	0%	14%	17%	18%
JetBlue	JBLU-US	US$	$7.16	2,319	-3.1x	NMF	12.1x	4.3x	3.3x	1.5x	0.7x	0.5x	0.5x	0.4x	-49%	-6%	4%	11%	13%
Discount Average					**-3.5x**	**NMF**	**8.3x**	**3.9x**	**3.1x**	**1.6x**	**0.9x**	**0.6x**	**0.5x**	**0.5x**	**-46%**	**-3%**	**9%**	**14%**	**16%**
Mainline Airlines																			
Air Canada	AC-CA	C$	$18.49	6,875	-7.1x	NMF	11.1x	5.3x	4.6x	2.5x	2.3x	0.9x	0.8x	0.7x	-35%	-23%	8%	15%	16%
Delta Air Lines	DAL-US	US$	$32.58	20,890	-7.8x	NMF	7.8x	5.9x	4.9x	2.5x	1.4x	1.0x	0.9x	0.8x	-32%	-2%	12%	14%	16%
United Continental	UAL-US	US$	$40.44	13,221	-5.1x	NMF	7.3x	4.9x	4.2x	2.1x	1.3x	0.7x	0.6x	0.6x	-42%	-8%	10%	13%	14%
American Airlines	AAL-US	US$	$13.71	8,910	-4.5x	NMF	13.5x	8.4x	7.2x	2.4x	1.4x	0.9x	0.8x	0.8x	-53%	-12%	6%	10%	11%
Mainline Average					**-6.1x**	**NMF**	**9.9x**	**6.1x**	**5.3x**	**2.4x**	**1.6x**	**0.9x**	**0.8x**	**0.7x**	**-41%**	**-11%**	**9%**	**13%**	**14%**
Regional Airlines																			
Chorus Aviation	CHR-CA	C$	$2.41	459	6.4x	6.7x	5.1x	4.6x	4.7x	2.3x	2.2x	1.4x	1.3x	1.3x	37%	32%	27%	28%	27%
SkyWest Inc.	SKYW-US	US$	$17.67	894	4.8x	4.8x	4.8x	4.8x	4.8x	1.6x	1.3x	1.1x	1.0x	0.9x	34%	26%	23%	22%	19%
Regional Average					**5.6x**	**5.7x**	**4.9x**	**4.7x**	**4.7x**	**2.0x**	**1.7x**	**1.3x**	**1.2x**	**1.1x**	**35%**	**29%**	**25%**	**25%**	**23%**
Airline Average					**-2.5x**	**NMF**	**8.3x**	**5.2x**	**4.6x**	**2.1x**	**1.4x**	**0.9x**	**0.8x**	**0.8x**	**-23%**	**1%**	**13%**	**16%**	**17%**

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced as of close on October 21, 2022

Capital Markets

Appendix 2 – Aerospace comparables

Company Name	Exch: Ticker		Price 23-Oct-22	Mkt. Cap ($MM's)	Net Debt to EBITDA	EV/EBITDA 2020A	EV/EBITDA 2021A	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	2020A EBITDA Margin	2021A EBITDA Margin	2022E EBITDA Margin	2023E EBITDA Margin	2024E EBITDA Margin
Aerospace															
Boeing	NYSE:BA	US$	141.32	83,226	-61.1x	-12.7x	-172.3x	33.3x	15.5x	12.4x	-17.5%	-1.2%	5.5%	9.6%	11.0%
Embraer	NYSE: ERJ	US$	9.69	1,780	-38.9x	-87.1x	8.9x	7.4x	5.8x	4.8x	-1.0%	8.6%	9.1%	10.2%	10.9%
General Dynamics	NYSE: GD	US$	242.60	67,351	2.2x	15.6x	15.4x	15.3x	13.7x	12.6x	13.3%	13.2%	13.0%	13.5%	13.8%
Textron	NYSE: TXT	US$	62.94	13,654	2.2x	16.3x	11.2x	9.9x	9.2x	8.6x	8.3%	11.4%	12.2%	12.3%	12.4%
Average						**-17.0x**	**-34.2x**	**16.5x**	**11.0x**	**9.6x**	**0.8%**	**8.0%**	**9.9%**	**11.4%**	**12.0%**
Transportation & Conglomerates															
Siemens	XE: SIE	EUR	106.84	85,724	5.3x	16.3x	13.7x	11.9x	10.4x	9.4x	13.7%	15.0%	15.2%	16.7%	17.6%
General Electric	NYSE: GE	US$	72.82	80,031	2.5x	15.8x	12.9x	10.6x	8.5x	7.4x	7.6%	10.0%	12.1%	13.9%	15.2%
United Technologies	NYSE: UTX	US$	88.54	132,215	3.0x	17.2x	15.0x	14.3x	12.3x	10.9x	16.3%	16.6%	16.6%	17.8%	18.6%
Average						**16.4x**	**13.9x**	**12.3x**	**10.4x**	**9.2x**	**12.5%**	**13.8%**	**14.6%**	**16.1%**	**17.2%**
Bombardier	**TSX: BBD.B**	**C$**	**$34.80**	**3,310**	**5.7x**	-23.3x	11.0x	8.6x	6.5x	5.3x	**-3.8%**	**8.5%**	**13.0%**	**14.6%**	**17.0%**
Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2022E numbers. Priced at close on October 21, 2022															
Aerospace Multiples						-17.0x	-34.2x	16.5x	11.0x	9.6x	0.8%	8.0%	9.9%	11.4%	12.0%
Transportation Multiples (ex. GE, UTX)						16.3x	13.7x	11.9x	10.4x	9.4x	13.7%	15.0%	15.2%	16.7%	17.6%
Average						**-0.3x**	**-10.3x**	**14.2x**	**10.7x**	**9.5x**	**7.2%**	**11.5%**	**12.6%**	**14.1%**	**14.8%**

Source: Company reports; RBC Capital Markets estimates

Capital Markets

Appendix 3 – CAE comparables

	Ticker	Rating[1]	Share Price	Mkt Cap ($MM)	EV ($MM)	Yield (%)	EV/EBITDA 'F23E	EV/EBITDA 'F24E	EV/EBITDA 'F25E	P/E 'F23E	P/E 'F24E	P/E 'F24E
CAE	**CAE-CA**	**OP**	**$24.08**	**$7,662**	**$10,688**	**0.0%**	**12.3x**	**9.7x**	**8.8x**	**26.8x**	**16.9x**	**14.4x**
							EV/EBITDA '22E	**EV/EBITDA '23E**	**EV/EBITDA '24E**	**P/E '22E**	**P/E '23E**	**P/E '24E**
Defense[2,3]												
General Dynamics Corporation	GD-US		$242.60	$66,532	$78,441	2.1%	15.3x	13.8x	12.7x	19.9x	17.3x	15.3x
Lockheed Martin Corporation	LMT-US		$454.61	$119,141	$129,413	2.6%	13.4x	13.0x	12.7x	20.2x	16.5x	15.9x
Northrop Grumman Corporation	NOC-US		$522.66	$80,861	$91,988	1.3%	18.5x	17.6x	16.3x	21.1x	19.6x	17.9x
Raytheon Company	RTX-US		$88.54	$130,730	$156,451	2.5%	13.9x	12.0x	10.6x	18.9x	16.2x	13.7x
L3Harris Technologies Inc	LHX-US		$247.20	$47,302	$54,299	1.8%	14.8x	14.0x	13.4x	18.4x	17.3x	16.0x
CACI International Inc Class A	CACI-US		$273.09	$6,396	$8,738	0.0%	13.7x	12.5x	11.8x	15.3x	15.0x	13.7x
Curtiss-Wright Corporation	CW-US		$164.63	$6,321	$7,363	0.5%	13.4x	12.5x	12.1x	20.0x	18.9x	17.5x
Huntington Ingalls Industries, Inc.	HII-US		$249.89	$9,983	$12,900	1.9%	13.6x	12.6x	11.6x	16.5x	14.2x	12.4x
Teledyne Technologies Incorporated	TDY-US		$350.48	$16,425	$20,238	0.0%	15.7x	14.4x	13.6x	19.9x	18.2x	17.1x
Peer Average - Defense						1.4%	14.7x	13.6x	12.7x	18.9x	17.0x	15.5x
Aerospace[2,3]												
Boeing Company	BA-US		$141.32	$83,917	$127,314	0.0%	32.8x	15.3x	12.2x	n.a.	31.7x	18.6x
Honeywell International Inc.	HON-US		$182.81	$123,158	$132,266	2.3%	14.8x	13.9x	12.9x	21.1x	19.5x	17.6x
Embraer S.A.	EMBR3-BR		$12.53	$9,205	$17,696	0.0%	7.9x	6.1x	5.1x	n.a.	12.4x	7.4x
Hexcel Corporation	HXL-US		$57.17	$4,808	$5,554	0.7%	17.7x	14.3x	12.2x	46.3x	29.3x	22.2x
Spirit AeroSystems Holdings, Inc. Class A	SPR-US		$25.10	$2,639	$5,039	0.2%	19.2x	8.2x	5.3x	n.a.	27.0x	8.2x
Peer Average - Aerospace						0.6%	18.5x	11.6x	9.6x	33.7x	24.0x	14.8x

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

Sources: Company Reports, FactSet and RBC Capital Markets Estimates for CAE. Priced as of market close October 21, 2022

Appendix 4 – EIF comparables

	Symbol		Price	Mkt Cap ($MM)	Net Debt ($MM)	EV ($MM)	EBITDA (MM) 2022E	EBITDA (MM) 2023E	EBITDA (MM) 2024E	EBITDA Margin (MM) 2022E	EBITDA Margin (MM) 2023E	EBITDA Margin (MM) 2024E	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Net Debt/ EBITDA	Div. Yield
Exchange Income Corp.	**EIF**	**C$**	**$43.80**	**1,863**	**1,698**	**3,561**	**445**	**562**	**588**	**22.4%**	**24.6%**	**25.2%**	**8.0x**	**6.3x**	**6.1x**	**4.6x**	**5.8%**
Aviation																	
Chorus Aviation Inc.	CHR	C$	$2.41	489	2,305	2,794	429	484	489	29.5%	30.5%	27.3%	6.5x	5.8x	5.7x	7.0x	N/A
Alaska Airlines	ALK	US$	$41.01	5,199	805	6,004	1,224	1,524	1,955	12.6%	14.8%	18.0%	4.9x	3.9x	3.1x	7.5x	N/A
Hawaiian Airlines	HAL	US$	$33.88	30,727	7,312	38,039	3,886	4,866	5,516	19.1%	20.7%	21.4%	9.8x	7.8x	6.9x	2.7x	N/A
Air Lease Corp.	AL	US$	$33.87	3,756	17,302	21,058	1,399	2,468	2,765	59.2%	90.3%	87.0%	15.1x	8.5x	7.6x	9.4x	2.2%
AerCap Holdings	AER	US$	$51.07	12,532	46,691	59,223	5,861	6,251	7,862	83.9%	84.9%	100.4%	10.1x	9.5x	7.5x	11.0x	N/A
Air Transport Services Group	ATSG	US$	$26.86	1,997	1,377	3,375	640	692	687	31.4%	31.6%	30.3%	5.3x	4.9x	4.9x	2.5x	N/A
SkyWest Inc.	SKYW	US$	$17.67	894	2,525	3,419	706	855	n.a.	23.0%	26.2%	n.a.	4.8x	4.0x	n.a.	3.7x	N/A
Airlines/Aerospace Average										**36.7%**	**41.9%**	**45.8%**	**8.0x**	**6.4x**	**6.0x**	**5.7x**	**1.6%**
Manufacturing																	
Heroux-Devtek	HRX	C$	$11.86	409	148	557	69	91	108	13.0%	15.3%	16.4%	8.1x	6.1x	5.2x	1.8x	N/A
Russel Metals	RUS	C$	$26.09	1,647	224	1,870	552	356	346	11.0%	8.9%	9.0%	3.4x	5.2x	5.4x	0.3x	5.8%
Magellan	MAL	C$	$6.78	391	53	443	51	74	101	6.5%	8.6%	10.2%	8.7x	6.0x	4.4x	0.9x	4.7%
Mastec	MTZ	US$	$75.30	5,888	2,396	8,284	750	1,050	1,233	8.1%	9.3%	9.7%	11.0x	7.9x	6.7x	2.6x	N/A
New Flyer Industries Inc.	NFI	C$	$11.61	896	844	1,740	27	317	370	0.8%	7.6%	7.9%	n.a.	5.5x	4.7x	4.0x	1.8%
Manufacturing Average										**7.9%**	**9.9%**	**10.7%**	**7.8x**	**6.1x**	**5.3x**	**1.9x**	**4.1%**
Financial/Holding Companies																	
Alaris Royalty	AD	C$	$15.45	700	373	1,073	158	148	151	87.2%	85.4%	90.9%	6.8x	7.3x	7.1x	3.0x	8.5%
Diversified Royalty Corp.	DIV	C$	$2.88	359	156	515	45	47	48	96.3%	96.6%	93.0%	11.5x	10.9x	10.8x	4.0x	7.6%
Financial/Holding Company Average										**91.7%**	**91.0%**	**91.9%**	**9.1x**	**9.1x**	**9.0x**	**3.5x**	**8.1%**

Priced as of market close October 21, 2022. Source: RBC estimates for EIF, FactSet consensus for all others.

Appendix 5 – AC Model Summary

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

(C$MM)	2020	2021	Q1/22	Q2/22	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	2025E
Traffic / RPM (MMs)	23,239	21,045	9,481	16,371	20,513	18,502	64,867	17,034	21,117	25,159	19,263	82,572	94,113	95,054
% change	-75.3%	-9.4%	417.8%	870.4%	159.2%	92.5%	208.2%	79.7%	29.0%	22.6%	4.1%	27.3%	14.0%	1.0%
Capacity / ASM (MMs)	37,703	33,384	14,297	20,331	25,641	23,127	83,396	20,813	25,119	29,211	23,788	98,931	112,814	113,942
% change	-66.6%	-11.5%	239.5%	408.3%	130.7%	64.5%	149.8%	45.6%	23.5%	13.9%	2.9%	18.6%	14.0%	1.0%
Load Factor (%)	61.6%	63.0%	66.3%	80.5%	80.0%	80.0%	77.8%	81.8%	84.1%	86.1%	81.0%	83.5%	83.4%	83.4%
change (% pts)	-21.8%	1.4%	22.8%	38.3%	8.8%	11.6%	14.7%	15.5%	3.5%	6.1%	1.0%	5.7%	0.0%	0.0%
Yield ($)	0.211	0.222	0.202	0.210	0.221	0.204	0.209	0.192	0.191	0.193	0.183	0.190	0.180	0.184
% change	15.1%	5.2%	-6.3%	-17.0%	7.0%	-3.9%	-5.7%	-5.0%	-9.0%	-13.0%	-10.3%	-9.4%	-5.0%	2.0%
RASM (Rev per unit of capacity, cents)	11.6	13.5	13.4	16.9	17.7	16.3	16.4	15.7	16.1	16.6	14.8	15.8	15.0	15.3
CASM (Costs per unit of capacity, cents)	25.8	28.4	21.8	20.8	18.6	18.5	19.7	19.1	17.0	16.1	17.3	17.2	16.0	16.0
Fuel Cost/ASM (cents)	3.5	4.7	5.2	7.1	6.8	6.0	6.4	5.4	5.3	5.2	5.1	5.2	4.9	4.8
CASM (excl. fuel) (cents)	22.3	23.7	16.6	13.7	11.8	12.5	13.3	13.7	11.7	10.9	12.2	12.0	11.1	11.2
Total Revenues	**5,833**	**6,400**	**2,573**	**3,981**	**5,093**	**4,419**	**16,066**	**3,953**	**4,598**	**5,421**	**4,198**	**18,170**	**19,522**	**20,085**
% change	-69.5%	9.7%	252.9%	375.6%	142.2%	61.8%	151.0%	53.6%	15.5%	6.4%	-5.0%	13.1%	7.4%	2.9%
Wages, salaries and benefits	2242	2283	707	749	759	761	2976	750	758	798	803	3109	3298	3448
% Sales	38.4%	35.7%	27.5%	18.8%	14.9%	17.2%	18.5%	19.0%	16.5%	14.7%	19.1%	17.1%	16.9%	17.2%
Aircraft Fuel - total	1322	1576	750	1450	1752	1398	5350	1118	1325	1514	1215	5172	5535	5446
% Sales	22.7%	24.6%	29.1%	36.4%	34.4%	31.6%	33.3%	28.3%	28.8%	27.9%	28.9%	28.5%	28.4%	27.1%
Sales and distribution costs	252	244	108	171	195	169	643	170	197	223	175	765	851	860
% Sales	4.3%	3.8%	4.2%	4.3%	3.8%	3.8%	4.0%	4.3%	4.3%	4.1%	4.2%	4.2%	4.4%	4.3%
Catering and onboard services	171	165	64	94	100	93	351	83	100	114	95	393	422	427
% Sales	2.9%	2.6%	2.5%	2.4%	2.0%	2.1%	2.2%	2.1%	2.2%	2.1%	2.3%	2.2%	2.2%	2.1%
Aircraft maintenance	681	656	26	195	200	200	621	210	210	210	210	840	900	927
% Sales	11.7%	10.3%	1.0%	4.9%	3.9%	4.5%	3.9%	5.3%	4.6%	3.9%	5.0%	4.6%	4.6%	4.6%
Airport and navigation fees	545	562	183	241	295	266	985	183	224	257	207	871	970	980
% Sales	9.3%	8.8%	7.1%	6.1%	5.8%	6.0%	6.1%	4.6%	4.9%	4.7%	4.9%	4.8%	5.0%	4.9%
Communications and information techno	372	362	116	103	76	95	390	81	83	86	98	349	374	378
% Sales	6.4%	5.7%	4.5%	2.6%	1.5%	2.2%	2.4%	2.1%	1.8%	1.6%	2.3%	1.9%	1.9%	1.9%
Other	2041	1896	633	722	876	758	2990	736	859	1015	783	3392	3454	3555
% Sales	35.0%	29.6%	24.6%	18.1%	17.2%	17.2%	18.6%	18.6%	18.7%	18.7%	18.6%	18.7%	17.7%	17.7%
Regional airline expense (ex fuel and DA	1086	1042	316	367	418	361	1462	380	445	527	405	1757	1990	2049
% Sales	18.6%	16.3%	12.3%	9.2%	8.2%	8.2%	9.1%	9.6%	9.7%	9.7%	9.6%	9.7%	10.2%	10.2%
Total Operating Costs	**7,626**	**7,744**	**2,587**	**3,725**	**4,253**	**3,740**	**14,305**	**3,332**	**3,756**	**4,217**	**3,585**	**14,891**	**15,805**	**16,022**
EBITDA	**(2,043)**	**(1,464)**	**(143)**	**154**	**738**	**551**	**1,300**	**386**	**736**	**1,128**	**494**	**2,744**	**3,112**	**3,453**
% of sales	-35.0%	-22.9%	-5.6%	3.9%	14.5%	12.5%	8.1%	9.8%	16.0%	20.8%	11.8%	15.1%	15.9%	17.2%
Depreciation, amortization and impairm	1,849	1,616	403	407	419	418	1,647	410	409	408	407	1,635	1,617	1,601
EBIT (Excluding Special Charges)	**(3,776)**	**(3,049)**	**(550)**	**(253)**	**319**	**134**	**(350)**	**(25)**	**327**	**720**	**87**	**1,109**	**1,496**	**1,852**
% of sales	-64.7%	-47.6%	-21.4%	-6.4%	6.3%	3.0%	-2.2%	-0.6%	7.1%	13.3%	2.1%	6.1%	7.7%	9.2%
Net Income	**(3,990)**	**(3,602)**	**(974)**	**(386)**	**120**	**(64)**	**(1,303)**	**(219)**	**143**	**529**	**(103)**	**349**	**780**	**872**
EPS (F.D) ($) (Exc. Special charges)	**$ (14.14)**	**$ (9.69)**	**$ (2.36)**	**$ (0.94)**	**$ 0.29**	**$ (0.15)**	**$ (3.16)**	**$ (0.53)**	**$ 0.35**	**$ 1.28**	**$ (0.25)**	**$ 0.85**	**$ 1.89**	**$ 2.12**
Net debt	**5,488**	**7,721**	**7,654**	**7,875**	**7,710**	**7,569**	**7,569**	**7,753**	**7,576**	**7,014**	**7,186**	**7,186**	**6,289**	**5,493**
Net debt/LTM EBITDA	**-2.7x**	**-5.3x**	**-9.1x**	**-231.6x**	**10.0x**	**5.8x**	**5.8x**	**4.2x**	**3.1x**	**2.5x**	**2.6x**	**2.6x**	**2.0x**	**1.6x**

Source: Company reports; RBC Capital Markets estimates

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	FQ1/23	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	480.4	479.0	526.8	551.8	2,037.9	551.2	568.1	585.2	599.2	2,303.6	613.5	630.0	651.1	666.6	2,561.2
Adjusted Operating Income	479.4	164.3	314.7	86.6	96.0	118.5	129.7	430.8	124.0	130.7	137.5	143.8	536.0	141.1	148.0	156.3	160.0	605.4
Adjusted Operating Margin	*22.1%*	*11.6%*	*19.5%*	*18.0%*	*20.0%*	*22.5%*	*23.5%*	*21.1%*	*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	413.3	447.2	484.0	516.6	1,861.1	474.9	476.7	492.1	505.3	1,949.0	505.0	502.7	514.3	524.4	2,046.4
Adjusted Operating Income	114.5	87.0	119.2	(21.2)	13.4	48.4	51.7	92.3	47.5	47.7	49.2	50.5	194.9	55.5	55.3	56.6	57.7	225.1
Adjusted Operating Margin	*8.6%*	*7.1%*	*7.4%*	*-5.1%*	*3.0%*	*10.0%*	*10.0%*	*5.0%*	*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	39.6	41.9	40.1	52.8	174.4	43.6	46.1	44.1	52.8	186.6	47.9	50.7	48.6	52.8	199.9
Adjusted Operating Income	(3.5)	29.3	10.6	(4.5)	2.1	2.0	2.6	2.2	3.4	3.6	3.4	4.1	14.5	4.6	4.9	4.7	5.1	19.4
Adjusted Operating Margin	*-2.8%*	*8.3%*	*7.0%*	*-11.4%*	*5.0%*	*5.0%*	*5.0%*	*1.3%*	*7.8%*	*7.8%*	*7.8%*	*7.8%*	*7.8%*	*9.7%*	*9.7%*	*9.7%*	*9.7%*	*9.7%*
CONSOLIDATED RESULTS																		
Revenue	**3,623.2**	**2,981.9**	**3,371.3**	**933.3**	**968.1**	**1,050.8**	**1,121.2**	**4,073.4**	**1,069.7**	**1,090.8**	**1,121.4**	**1,157.3**	**4,439.3**	**1,166.4**	**1,183.4**	**1,213.9**	**1,243.8**	**4,807.5**
y/y growth (%)	*9.7%*	*-17.7%*	*13.1%*	*24.0%*	*18.8%*	*23.8%*	*17.4%*	*20.8%*	*14.6%*	*12.7%*	*6.7%*	*3.2%*	*9.0%*	*9.0%*	*8.5%*	*8.3%*	*7.5%*	*8.3%*
Expenses																		
COGS	2,539.6	2,216.9	2,415.8	700.4	677.7	735.6	796.1	2,909.7	742.4	757.0	778.2	803.2	3,080.8	810.6	822.5	843.7	864.4	3,341.2
R&D	137.5	104.7	120.8	40.7	30.2	30.2	30.2	131.3	30.2	30.2	30.2	30.2	120.8	30.2	30.2	30.2	30.2	120.8
SG&A	437.5	398.9	489.1	145.1	145.1	145.1	145.1	580.4	145.1	145.1	145.1	145.1	580.4	145.1	145.1	145.1	145.1	580.4
Other Gains/Losses	(1.0)	91.7	(37.0)	(2.4)	(9.3)	(9.3)	(9.3)	(30.2)	(9.3)	(9.3)	(9.3)	(9.3)	(37.0)	(9.3)	(9.3)	(9.3)	(9.3)	(37.0)
After Tax share in profit of equity accounted inves	(27.5)	(2.7)	(48.5)	(11.4)	(11.8)	(13.1)	(15.3)	(51.6)	(12.9)	(12.9)	(12.9)	(12.9)	(51.6)	(12.9)	(12.9)	(12.9)	(12.9)	(51.6)
Restructuring Cost/Other	-	124.0	146.9	21.5	24.7	(6.6)	(9.6)	30.0	(0.7)	(1.3)	(0.2)	2.6	0.4	1.3	(0.5)	(0.4)	3.4	3.8
Adj. Operating Income	**590.4**	**280.6**	**444.5**	**60.9**	**111.5**	**168.9**	**184.0**	**525.3**	**174.9**	**181.9**	**190.2**	**198.4**	**745.4**	**201.3**	**208.3**	**217.5**	**222.8**	**849.9**
Adjusted Operating Margin	16.3%	9.4%	13.2%	6.5%	11.5%	16.1%	16.4%	12.9%	16.4%	16.7%	17.0%	17.1%	16.8%	17.3%	17.6%	17.9%	17.9%	17.7%
y/y growth (%)	*21.1%*	*-52.5%*	*58.4%*	*-38.1%*	*22.9%*	*49.9%*	*28.9%*	*18.2%*	*187.2%*	*63.1%*	*12.6%*	*7.9%*	*41.9%*	*15.1%*	*14.5%*	*14.4%*	*12.3%*	*14.0%*
Depreciation & Amortization	305.4	319.5	310.5	82.6	85.9	86.6	86.5	341.7	87.2	88.4	89.1	89.7	354.4	90.5	91.4	92.1	92.9	366.8
Adj. EBITDA	**895.8**	**600.1**	**755.0**	**143.5**	**197.4**	**255.6**	**270.5**	**866.9**	**262.1**	**270.3**	**279.2**	**288.1**	**1,099.8**	**291.8**	**299.6**	**309.6**	**315.7**	**1,216.7**
Adjusted EBITDA Margin	*24.7%*	*20.1%*	*22.4%*	*15.4%*	*20.4%*	*24.3%*	*24.1%*	*21.3%*	*24.5%*	*24.8%*	*24.9%*	*24.9%*	*24.8%*	*25.0%*	*25.3%*	*25.5%*	*25.4%*	*25.3%*
y/y growth (%)	*28.4%*	*-33.0%*	*25.8%*	*-15.3%*	*16.6%*	*32.7%*	*21.0%*	*14.8%*	*82.7%*	*36.9%*	*9.3%*	*6.5%*	*26.9%*	*11.3%*	*10.8%*	*10.9%*	*9.6%*	*10.6%*
Adj. Operating EPS	**$1.33**	**$0.47**	**$0.84**	**$0.06**	**$0.18**	**$0.32**	**$0.35**	**$0.90**	**$0.33**	**$0.35**	**$0.37**	**$0.39**	**$1.43**	**$0.39**	**$0.41**	**$0.43**	**$0.44**	**$1.67**
y/y growth (%)	*8.4%*	*-65.2%*	*80.0%*	*-70.7%*	*4.6%*	*65.1%*	*21.6%*	*7.2%*	*495.1%*	*97.4%*	*15.9%*	*9.5%*	*58.7%*	*18.9%*	*17.9%*	*17.6%*	*14.7%*	*17.2%*
Free Cash Flow (excl. dividends)	**462.1**	**346.8**	**341.5**	**(182.4)**	**1.5**	**197.1**	**208.8**	**225.0**	**45.9**	**58.7**	**215.9**	**223.1**	**543.6**	**69.4**	**81.7**	**239.8**	**244.8**	**635.7**
FCF conversion	129%	273%	131%	-1036%	3%	196%	185%	78%	43%	53%	183%	179%	118%	55%	62%	172%	170%	117%
Net Debt to EBITDA	**2.6x**	**2.4x**	**3.6x**	**4.2x**	**4.1x**	**3.6x**	**3.2x**	**3.2x**	**2.9x**	**2.7x**	**2.5x**	**2.3x**	**2.3x**	**2.2x**	**2.2x**	**2.0x**	**1.8x**	**1.8x**

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**	**Q2/22**	**Q3/22E**	**Q4/22E**	**2022E**	**Q1/23E**	**Q2/23E**	**Q3/23E**	**Q4/23E**	**2023E**
Chorus Aviation Income Statement (C$MM)																	
Revenue	**1,366**	**948.7**	**202.5**	**199.9**	**274.4**	**346.5**	**1023.3**	**342.4**	**392.3**	**420.7**	**438.5**	**1594.0**	**396.2**	**417.0**	**434.2**	**446.0**	**1693.5**
% change	**-5.8%**	**-30.6%**	**-42.2%**	**8.5%**	**39.7%**	**58.8%**	**7.9%**	**69.1%**	**96.3%**	**53.3%**	**26.5%**	**55.8%**	**15.7%**	**6.3%**	**3.2%**	**1.7%**	**6.2%**
Salaries, wages and benefits	471	313	101	64	94	107	366	120	126	136	142	524	132	133	140	146	551
% Sales	34%	33%	50%	32%	34%	31%	36%	35%	32%	32%	32%	33%	33%	32%	32%	33%	33%
Depreciation and amortization	137	224	71	36	43	51	201	37	66	53	47	203	50	49	48	49	196
% Sales	10%	24%	35%	18%	16%	15%	20%	11%	17%	13%	11%	13%	13%	12%	11%	11%	12%
Aircraft maintenance	208	102	30	14	28	64	136	64	75	72	75	287	67	79	80	83	309
% Sales	15%	11%	15%	7%	10%	19%	13%	19%	19%	17%	17%	18%	17%	19%	18%	19%	18%
Airport and navigation fees	170	69	9	16	37	44	106	34	40	52	50	176	36	43	55	53	187
% Sales	12%	7%	5%	8%	13%	13%	10%	10%	10%	12%	11%	11%	9%	10%	13%	12%	11%
Terminal handling	20	9	1	1	2	3	8	4	4	3	3	13	4	4	5	4	16
% Sales	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other/voyager	160	116	27	29	38	40	135	41	74	37	42	193	40	35	37	43	155
% Sales	12%	12%	13%	15%	14%	12%	13%	12%	19%	9%	10%	12%	10%	8%	9%	10%	9%
Total Operating Expenses	1,166	834	239	160	243	310	952	299	386	352	359	1,396	328	343	364	378	1,413
Operating Income	200	115	- 37	39	32	37	71	43	7	69	79	198	68	74	70	68	280
Adjusted EBITDA	**339**	**347.5**	**84.0**	**76.9**	**78.1**	**90.5**	**329.4**	**83.3**	**104.9**	**122.3**	**126.1**	**436.5**	**118.0**	**123.2**	**118.3**	**116.9**	**476.5**
% of sales	24.8%	36.6%	41.5%	38.5%	28.5%	26.1%	32.2%	24.3%	26.7%	29.1%	28.8%	27.4%	29.8%	29.5%	27.3%	26.2%	28.1%
Net Income	**137**	**49**	**-45**	**13**	**-32**	**42**	**-23**	**18**	**-23**	**48**	**58**	**101**	**40**	**40**	**42**	**40**	**162**
EPS (F.D) ($) (Excluding Special charges)	**$0.84**	**$0.25**	**-$0.24**	**$0.12**	**-$0.08**	**$0.06**	**-$0.11**	**$0.13**	**-$0.21**	**$0.25**	**$0.30**	**$0.47**	**$0.21**	**$0.21**	**$0.21**	**$0.21**	**$0.84**
CFPS (F.D) ($) (Excluding Special charges)	**$1.68**	**$1.60**	**$0.12**	**$0.28**	**$0.29**	**$0.37**	**$1.04**	**$0.31**	**$0.23**	**$0.52**	**$0.54**	**$1.61**	**$0.46**	**$0.46**	**$0.46**	**$0.46**	**$1.85**
Net debt	1,746	2,025	1,989	1,872	1,865	1,786	1,786	1,725	2,300	2,206	2,109	2,109	2,024	1,939	1,854	1,770	1,770
Net debt/LTM EBITDA	**5.2x**	**5.8x**	**5.9x**	**5.7x**	**5.8x**	**5.4x**	**5.4x**	**5.2x**	**6.4x**	**5.5x**	**4.8x**	**4.8x**	**4.3x**	**4.0x**	**3.8x**	**3.7x**	**3.7x**

Source: Company reports, RBC Capital Markets estimates

Appendix 9 – EIF Model Summary

(CAD $000's unless otherwise indicated)	2021	Q1/22	Q2/22	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Segmented revenues																
Aviation revenues	917,368	281,592	352,354	322,580	294,083	1,250,609	298,172	359,401	329,031	299,965	1,286,569	304,135	366,589	335,612	305,964	1,312,300
Manufacturing revenues	495,778	118,634	176,663	220,151	216,138	731,586	224,502	256,638	262,110	257,856	1,001,106	228,992	261,771	267,352	263,013	1,021,128
Segmented EBITDA																
Aviation EBITDA	288,003	62,859	85,580	101,613	91,166	341,217	83,488	115,008	102,000	91,489	391,985	86,678	119,141	105,718	94,849	406,387
EBITDA Margin	31.4%	22.3%	24.3%	31.5%	31.0%	27.3%	28.0%	32.0%	31.0%	30.5%	30.5%	28.5%	32.5%	31.5%	31.0%	31.0%
Manufacturing EBITDA	72,996	10,913	38,966	48,543	37,447	135,869	39,288	56,460	57,664	48,993	202,405	41,219	58,898	60,154	51,288	211,559
EBITDA Margin	*14.7%*	*9.2%*	*22.1%*	*22.1%*	*17.3%*	*18.6%*	*17.5%*	*22.0%*	*22.0%*	*19.0%*	*20.2%*	*18.0%*	*22.5%*	*22.5%*	*19.5%*	*20.7%*
Revenues, Net	**1,413,146**	**400,226**	**529,017**	**542,731**	**510,221**	**1,982,195**	**522,674**	**616,039**	**591,141**	**557,821**	**2,287,675**	**533,127**	**628,360**	**602,964**	**568,977**	**2,333,428**
Revenue growth (Y/Y)	22.9%	79.9%	64.3%	35.7%	30.7%	40.3%	30.6%	16.4%	8.9%	9.3%	15.4%	2.0%	2.0%	2.0%	2.0%	2.0%
Aviation expenses	**520,410**	**184,070**	**234,239**	**176,774**	**162,334**	**757,416**	**171,747**	**195,514**	**181,625**	**166,780**	**715,667**	**173,965**	**197,958**	**183,915**	**168,892**	**724,731**
Aviation expenses (% of sales)	36.8%	46.0%	44.3%	32.6%	31.8%	38.2%	32.9%	31.7%	30.7%	29.9%	31.3%	32.6%	31.5%	30.5%	29.7%	31.1%
Manufacturing expenses	**371,896**	**93,171**	**121,060**	**145,867**	**151,887**	**511,985**	**157,432**	**170,151**	**173,779**	**177,534**	**678,896**	**159,607**	**172,441**	**176,118**	**179,967**	**688,134**
Manufacturing expenses (% of sales)	71.5%	50.6%	51.7%	82.5%	93.6%	67.6%	91.7%	87.0%	95.7%	106.4%	94.9%	91.7%	87.1%	95.8%	106.6%	95.0%
Gross profit	**520,840**	**122,985**	**173,718**	**220,091**	**196,000**	**712,793**	**193,495**	**250,374**	**235,737**	**213,506**	**893,112**	**199,554**	**257,960**	**242,931**	**220,118**	**920,563**
Gross margin	36.9%	30.7%	32.8%	40.6%	38.4%	36.0%	37.0%	40.6%	39.9%	38.3%	39.0%	37.4%	41.1%	40.3%	38.7%	39.5%
EBITDA	**332,846**	**66,501**	**110,606**	**142,015**	**120,959**	**440,081**	**115,458**	**162,844**	**151,388**	**132,672**	**562,363**	**120,966**	**169,871**	**158,034**	**138,740**	**587,611**
EBITDA Margin (%)	23.6%	16.6%	20.9%	26.2%	23.7%	22.2%	22.1%	26.4%	25.6%	23.8%	24.6%	22.7%	27.0%	26.2%	24.4%	25.2%
EBITDA growth (Y/Y)	20.3%	3.9%	37.1%	50.7%	28.8%	32.2%	73.6%	47.2%	6.6%	9.7%	27.8%	4.8%	4.3%	4.4%	4.6%	4.5%
Adj. EBITDA	**329,880**	**66,956**	**115,055**	**142,015**	**120,959**	**444,985**	**115,458**	**162,844**	**151,388**	**132,672**	**562,363**	**120,966**	**169,871**	**158,034**	**138,740**	**587,611**
Adj. EBITDA Margin (%)	23.3%	16.7%	21.7%	26.2%	23.7%	22.4%	22.1%	26.4%	25.6%	23.8%	24.6%	22.7%	27.0%	26.2%	24.4%	25.2%
Adj. EBITDA growth (Y/Y)	15.9%	4.4%	41.9%	49.1%	35.3%	34.9%	72.4%	41.5%	6.6%	9.7%	26.4%	4.8%	4.3%	4.4%	4.6%	4.5%
EBIT	**146,461**	**20,233**	**57,943**	**90,015**	**68,959**	**237,150**	**63,458**	**110,844**	**99,388**	**80,672**	**354,363**	**68,966**	**117,871**	**106,034**	**86,740**	**379,611**
Depreciation and Amort.	186,385	46,268	52,663	52,000	52,000	202,931	52,000	52,000	52,000	52,000	208,000	52,000	52,000	52,000	52,000	208,000
Interest Expense	52,198	15,604	16,146	16,165	16,185	64,100	16,817	16,847	16,867	16,887	67,416	16,907	16,937	16,957	16,977	67,776
Taxes	25,675	876	11,807	19,939	14,249	46,872	12,593	25,379	22,281	17,222	77,476	14,056	27,252	24,051	18,836	84,195
Adj. net income	**86,012**	**7,835**	**43,570**	**62,479**	**47,095**	**160,979**	**42,618**	**77,187**	**68,810**	**55,133**	**243,747**	**46,573**	**82,251**	**73,595**	**59,496**	**261,915**
Weighted average shares outstanding (diluted)	38,088	39,651	48,310	48,310	48,310	46,145	48,310	48,310	48,310	48,310	48,310	48,310	48,310	48,310	48,310	48,310
Adj. EPS (FD)	**2.26**	**0.20**	**0.90**	**1.29**	**0.97**	**3.37**	**0.88**	**1.60**	**1.42**	**1.14**	**5.05**	**0.96**	**1.70**	**1.52**	**1.23**	**5.42**
Cash flow from operations (CFO)	**285,047**	**25,054**	**35,281**	**107,910**	**92,526**	**260,771**	**88,049**	**123,618**	**114,241**	**100,564**	**426,471**	**92,004**	**128,682**	**119,026**	**104,927**	**444,639**
Changes in working capital	20,755	(28,499)	(57,290)	0	0	(85,789)	0	0	0	0	0	0	0	0	0	0
FCF from operations (company definition)	**243,317**	**47,474**	**89,251**	**101,910**	**86,526**	**325,161**	**82,049**	**117,618**	**108,241**	**94,564**	**402,471**	**86,004**	**122,682**	**113,026**	**98,927**	**420,639**
Maintenance capital expenditures	96,163	27,913	41,895	43,418	40,818	154,044	41,814	49,283	47,291	44,626	183,014	42,650	50,269	48,237	45,518	186,674
Growth capital expenditures	130,967	22,532	41,308	32,564	30,613	127,017	31,360	36,962	35,468	33,469	137,260	31,988	37,702	36,178	34,139	140,006
FCF from operations less maintenance capex (company definition)	**147,154**	**19,561**	**47,356**	**58,492**	**45,708**	**171,117**	**40,235**	**68,335**	**60,949**	**49,938**	**219,457**	**43,354**	**72,414**	**64,789**	**53,409**	**233,965**
FCF growth (Y/Y)	30.0%	-0.1%	29.7%	21.5%	6.5%	16.3%	105.7%	44.3%	4.2%	9.3%	28.3%	7.8%	6.0%	6.3%	7.0%	6.6%
FCF / share	3.86	0.49	1.20	1.40	1.10	4.19	0.96	1.64	1.46	1.20	5.26	1.04	1.74	1.55	1.28	5.61
Adj.EBITDA conversion	44.6%	29.2%	41.2%	41.2%	37.8%	38.5%	34.8%	42.0%	40.3%	37.6%	39.0%	35.8%	42.6%	41.0%	38.5%	39.8%
Free Cash Flow (CFO - total capex)	**57,917**	**(25,391)**	**(47,922)**	**31,928**	**21,095**	**(20,290)**	**14,874**	**37,373**	**31,481**	**22,469**	**106,197**	**17,366**	**40,712**	**34,611**	**25,270**	**117,959**
FCF % of revenue	4.1%	-6.3%	-9.1%	5.9%	4.1%	-1.0%	2.8%	6.1%	5.3%	4.0%	4.6%	3.3%	6.5%	5.7%	4.4%	5.1%
Adj.EBITDA conversion	17.6%	-37.9%	-41.7%	22.5%	17.4%	-4.6%	12.9%	23.0%	20.8%	16.9%	18.9%	14.4%	24.0%	21.9%	18.2%	20.1%
Dividend payout ratio (FCF less maintenance capex)	58.0%	113.1%	49.3%	50.4%	66.6%	61.6%	75.6%	44.5%	49.9%	60.9%	55.5%	73.7%	44.1%	49.3%	59.8%	54.6%
Dividend payout ratio (FCF less total capex)	147.4%	-87.1%	-48.7%	92.3%	144.3%	-519.3%	204.6%	81.4%	96.7%	135.5%	114.6%	184.0%	78.5%	92.3%	126.5%	108.4%
Net debt	1,214,419	1,252,253	1,697,777	1,586,885	1,598,226	1,598,226	1,726,219	1,722,282	1,723,236	1,733,202	1,733,202	1,749,793	1,744,038	1,743,384	1,752,070	1,752,070
Net debt/LTM EBITDA	**3.7x**	**3.8x**	**4.6x**	**3.8x**	**3.6x**	**3.6x**	**3.5x**	**3.2x**	**3.1x**	**3.1x**	**3.1x**	**3.1x**	**3.0x**	**3.0x**	**3.0x**	**3.0x**
Net debt/LTM EBITDA (covenant metric, excl. converts)	**2.2x**	**2.4x**	**3.3x**	**2.6x**	**2.5x**	**2.5x**	**2.5x**	**2.3x**	**2.3x**	**2.2x**	**2.2x**	**2.3x**	**2.2x**	**2.2x**	**2.2x**	**2.2x**

Source: Company reports, RBC Capital Markets Estimates

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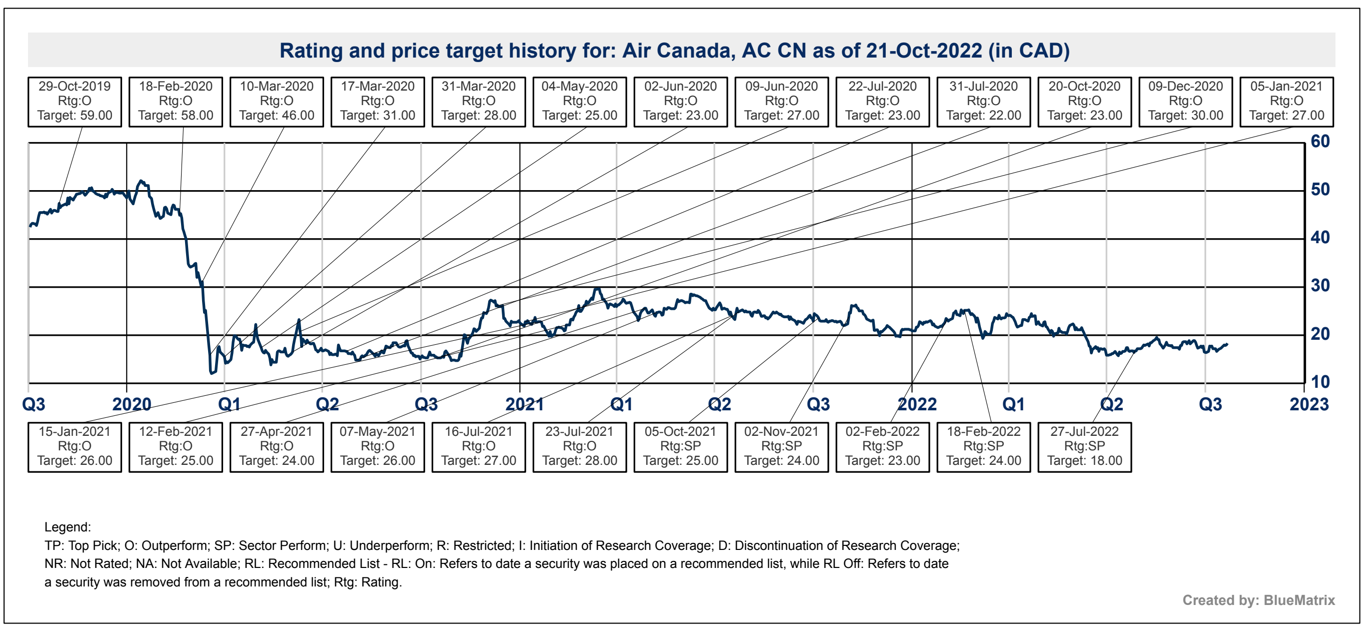
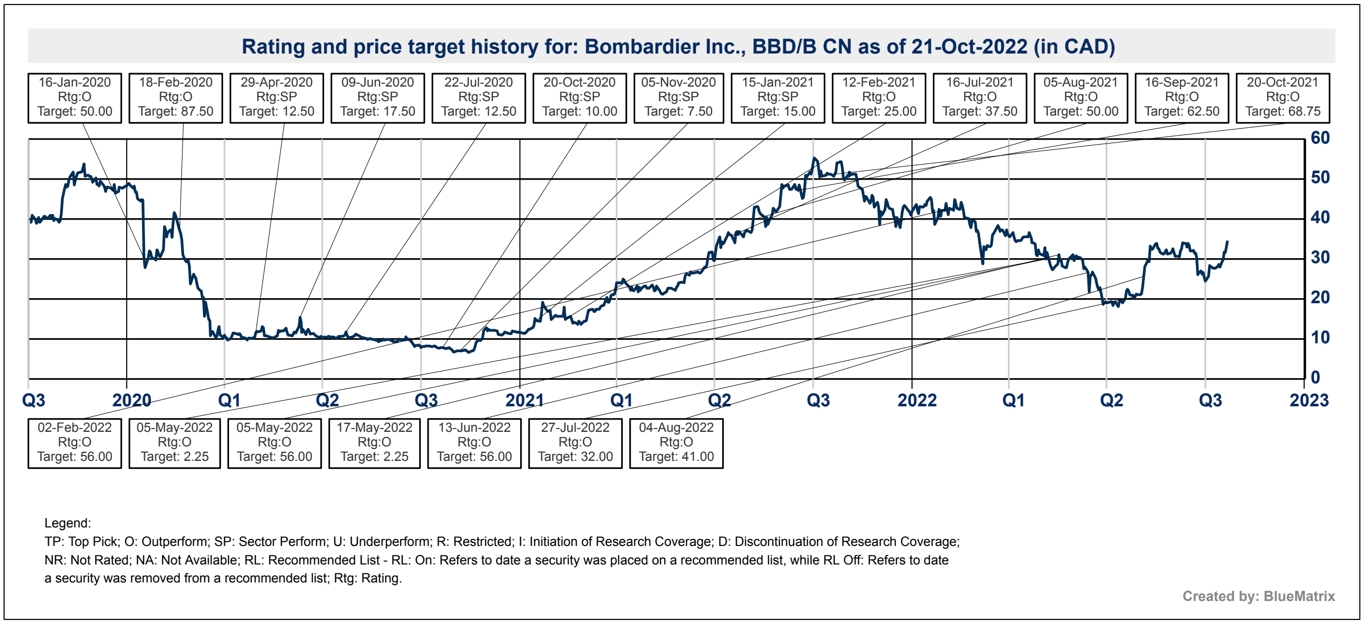
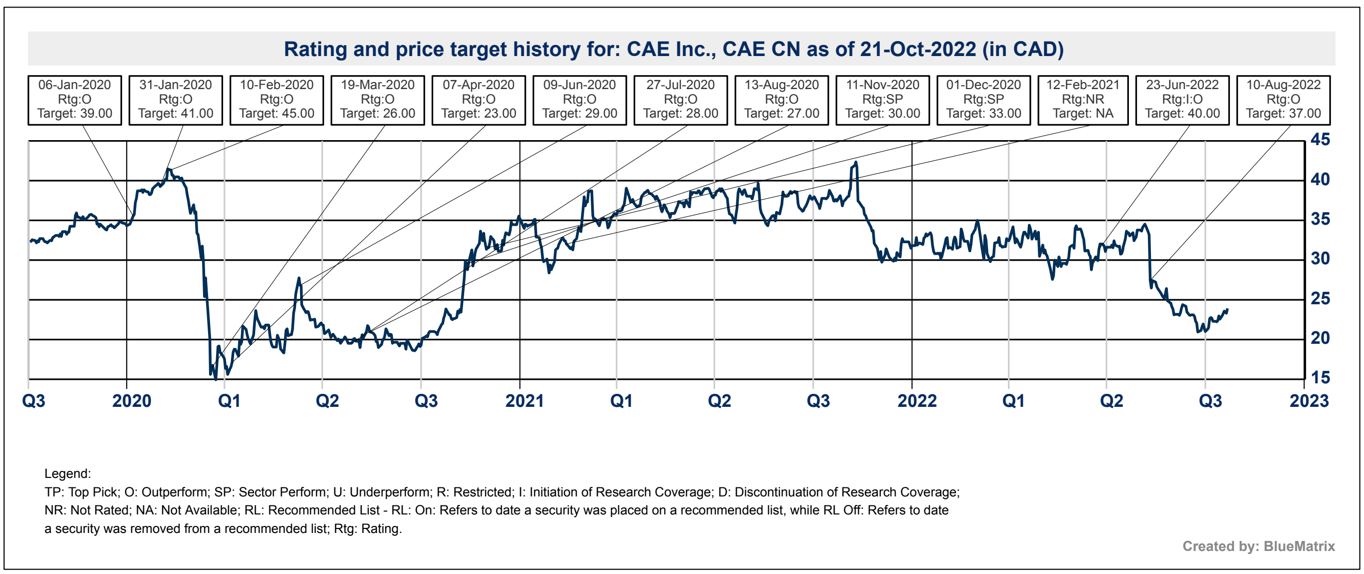
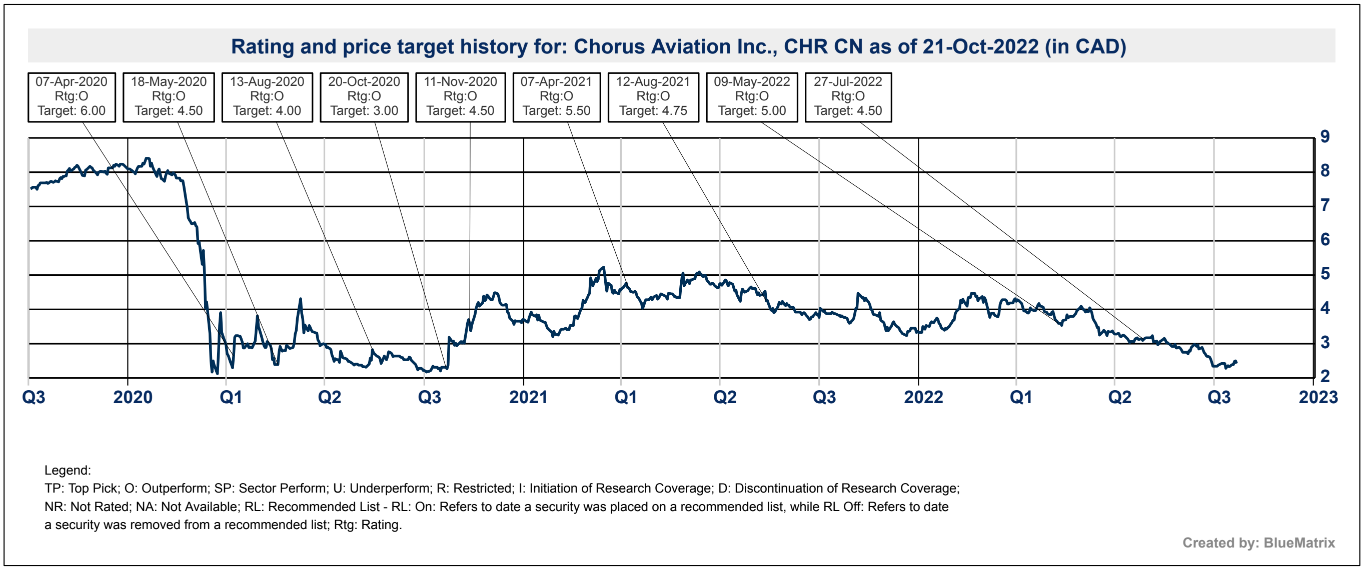
Distribution of ratings
RBC Capital Markets, Equity Research
As of 30-Sep-2022

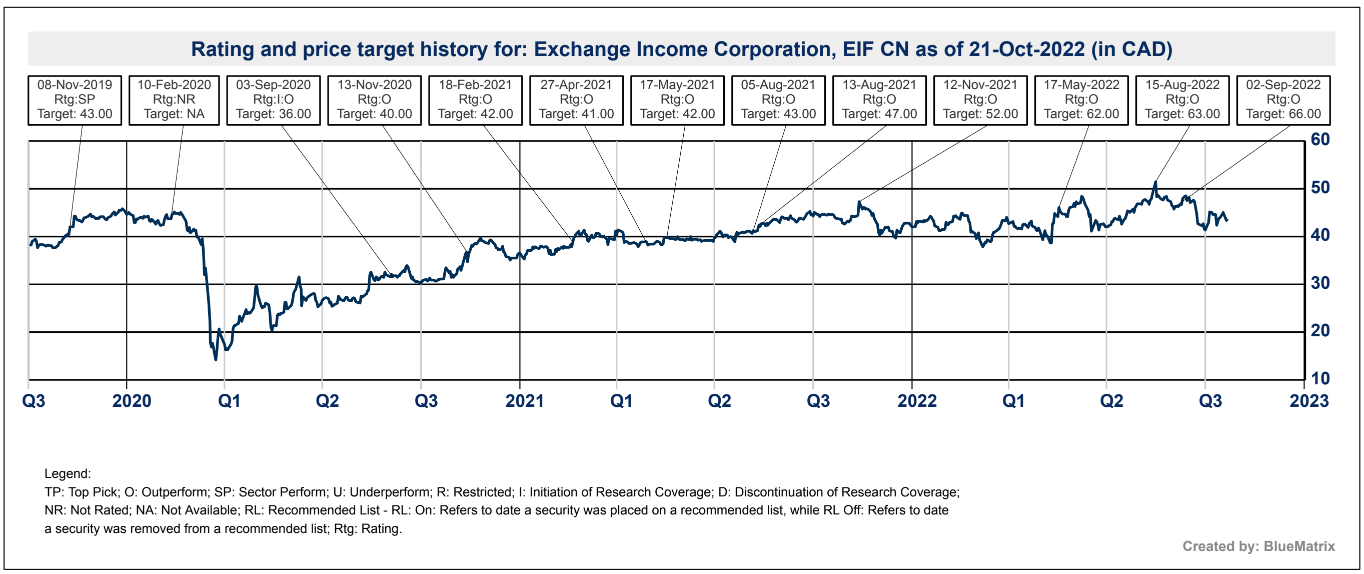
			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Outperform]	**844**	**57.18**	**260**	**30.81**
HOLD [Sector Perform]	**580**	**39.30**	**161**	**27.76**
SELL [Underperform]	**52**	**3.52**	**5**	**9.62**




Rating and price target history for: Bombardier Inc., BBD/B CN as of 21-Oct-2022 (in CAD)
16-Jan-2020 Rtg:O Target: 50.00
18-Feb-2020 Rtg:O Target: 87.50
29-Apr-2020 Rtg:SP Target: 12.50
09-Jun-2020 Rtg:SP Target: 17.50
22-Jul-2020 Rtg:SP Target: 12.50
20-Oct-2020 Rtg:SP Target: 10.00
05-Nov-2020 Rtg:SP Target: 7.50
15-Jan-2021 Rtg:SP Target: 15.00
12-Feb-2021 Rtg:O Target: 25.00
16-Jul-2021 Rtg:O Target: 37.50
05-Aug-2021 Rtg:O Target: 50.00
16-Sep-2021 Rtg:O Target: 62.50
20-Oct-2021 Rtg:O Target: 68.75
02-Feb-2022 Rtg:O Target: 56.00
05-May-2022 Rtg:O Target: 2.25
05-May-2022 Rtg:O Target: 56.00
17-May-2022 Rtg:O Target: 2.25
13-Jun-2022 Rtg:O Target: 56.00
27-Jul-2022 Rtg:O Target: 32.00
04-Aug-2022 Rtg:O Target: 41.00
Q3 2020 Q1 Q2 Q3 2021 Q1 Q2 Q3 2022 Q1 Q2 Q3 2023
0 10 20 30 40 50 60
Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date
a security was removed from a recommended list; Rtg: Rating.
Created by: BlueMatrix


Rating and price target history for: CAE Inc., CAE CN as of 21-Oct-2022 (in CAD)
06-Jan-2020 Rtg:O Target: 39.00
31-Jan-2020 Rtg:O Target: 41.00
10-Feb-2020 Rtg:O Target: 45.00
19-Mar-2020 Rtg:O Target: 26.00
07-Apr-2020 Rtg:O Target: 23.00
09-Jun-2020 Rtg:O Target: 29.00
27-Jul-2020 Rtg:O Target: 28.00
13-Aug-2020 Rtg:O Target: 27.00
11-Nov-2020 Rtg:SP Target: 30.00
01-Dec-2020 Rtg:SP Target: 33.00
12-Feb-2021 Rtg:NR Target: NA
23-Jun-2022 Rtg:I:O Target: 40.00
10-Aug-2022 Rtg:O Target: 37.00
Q3 2020 Q1 Q2 Q3 2021 Q1 Q2 Q3 2022 Q1 Q2 Q3 2023
15 20 25 30 35 40 45
Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date
a security was removed from a recommended list; Rtg: Rating.
Created by: BlueMatrix





References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Equity valuation and risks

For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at www.rbcinsightresearch.com or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

Air Canada

Valuation

Applying a 5x EV/EBITDA multiple to our 2024 estimates, we derive our price target of $20. 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 Airlines is expanding in Eastern Canada. As of Q2/2022 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 $1.66B and then discount back two years at 13% to derive our $49 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 11.6x on our FY25 EBITDA estimate of $1,217MM, 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 13x 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 8x is derived using a discount to its peers due to lower margins and recent headwinds. 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 $33, 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 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 4.0x EV/EBITDA multiple based on our 2023 estimates and we value the company's leasing segment at a 4.0x 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 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 7.3x EV/EBITDA multiple (7.5x for Aviation & Aerospace and 7.0x for Manufacturing, both roughly in line with peers) to our $588MM 2024E EBITDA, reflecting a valuation blend of ~66% Aviation & Aerospace and ~34% Manufacturing. We apply our target multiples to our 2024E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This generates our $61 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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