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RBC Flight Deck

Q1 airline/aerospace preview

In this report. Generally, airlines underperformed the market in Q1 as investors moved back into defensive names on macro uncertainty. Aerospace names outperformed with BBD (+41%) leading the pack after raising 2025 guidance, followed by CAE (+17%). In this report, we are decreasing our Q1 estimates on AC on a weaker Q1 updates across the sector, coupled with slowing consumer spending prints and key travel indicators from the GOAT index inflecting downward for the first time. The remainder of our coverage remains unchanged ahead of reporting season. Key areas of focus for us this quarter will be: 1) sustainability of higher airfares, given macro concerns, 2) update on booking trends, particularly as it relates to business and summer travel, 3) the impact of materially higher labour costs and pilot negotiations, and 4) expansion of capacity, especially transborder and sixth freedom growth.

Q1 estimate revisions

AC: Q1 estimate decreased; price target unchanged at $20; reaffirm Sector Perform rating. We are lowering our Q1/23 estimate to $290MM from $430MM (consensus $258MM). This was driven by weaker Q1 results across the sector offset by a lift from lower fuel prices, and when taken together, brought us below the 2023 EBITDA guidance range of $2.5B to $3B. Peers have relayed healthy summer bookings, which we have reflected in our estimates but remain below guidance. Additionally, 2024 estimates remain unchanged below consensus and guidance. When applying our unchanged 2024 EBITDA to our 5x target multiple, we arrive at our $20 price target.

BBD: Q1 estimate unchanged; price target unchanged at $100; reaffirm Outperform rating. We are maintaining our Q1/23 estimate of $223MM, above consensus of $205MM. Our Q1 estimate reflects 23 total deliveries, of which 16 are large jet deliveries and +13% growth in services revenues. We continue to use 2025 as our valuation year, and when applying our 2025 EBITDA estimate of $1,640MM to our unchanged 7.5x target multiple, we arrive at our $100 price target. BBD remains our top recommendation under coverage and currently trades at a ~40% discount to peers.

CAE: FQ4 estimate unchanged; price target decreases to $36 (from $37); maintain Outperform. Our FQ4 EBITDA estimate remains at $277MM below consensus $283MM. Our FQ4 estimate reflects higher Civil and lower Defense EBITDA. This results in our F23 operating income growth estimate of +20% y/y, which is below guidance for mid-20% growth. Our F24 and F25 estimates both decrease due to supply chain issues that we expect to persist into 2024, in line with recent commentary from Lockheed Martin. Target price decreases to $36, from $37, reflecting our lower estimates.

CHR: Q1 estimate unchanged; price target unchanged at $4; reaffirm Outperform rating. We are maintaining our Q1/23 estimate of $113MM, slightly ahead of consensus of $111MM. We reduce our 2024 EBITDA estimate to $434MM on further asset sales offset by new asset management fee revenue. The extent to which fee revenue expands depends on new funds, with fund III expected to launch by 1H/23 and could raise our estimates. Our blended target multiple moves to 5.5x (from 4.5x) as we recalibrate our multiples based on specialty aircraft servicers, asset managers and lessors to best represent a comparable for a multifaceted company such as CHR. When applying our 2024 EBITDA estimate to our 5x target multiple, we arrive at our $4 price target.

EIF: Q1 estimate lower; price target unchanged at $60; maintain Outperform. We are adjusting lower our Q1 estimate to $106MM (from $111MM) due to lower Aviation margin, but our estimate remains above consensus $104MM. Our 2023 estimate of $549MM (unchanged) is ahead of consensus $544MM and guidance for EBITDA of $510MM to $540MM.

Priced as of prior trading day's market close, EST (unless otherwise noted). All values in CAD unless otherwise noted
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For Required Non-U.S. Analyst and Conflicts Disclosures, see page 20

Canadian Airlines & Aerospace Q1/23 preview

Company	Q1/23 Share Price Performance
BBD	41.2%
CAE	16.7%
S&P TSX	3.7%
EIF	1.7%
CHR	-0.9%
AC	-1.2%

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q1 estimates. Items of focus include:

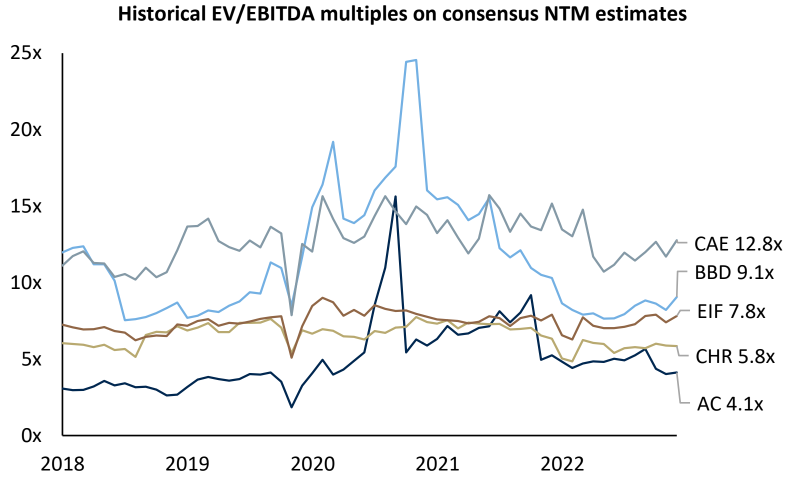
1. The set-up: share price performance in Q1 and valuation
2. An overview of global and North American air traffic trends
3. A discussion of our Q1 estimates for each company in our coverage

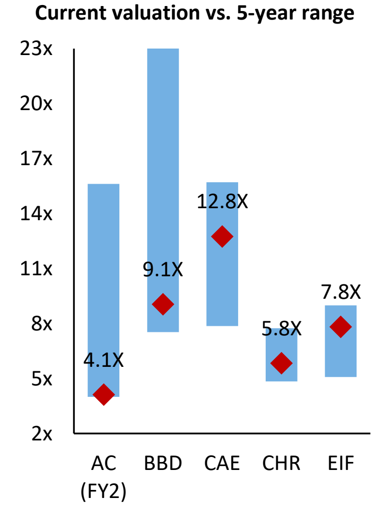
The set-up: Aerospace share price performance during Q1

Share prices mixed in Q1. Canadian Airlines & Aerospace share prices were mixed during the quarter, with BBD and CAE outperforming the index, while CHR, EIF and AC underperformed. BBD shares did best (+41%), as the company meaningfully raised 2025 guidance during their 2023 Investor Day and received a credit upgrade on continued deleveraging. CAE finished the quarter up +17% due to solid trends in Civil, including positive data points related to the China re-open. EIF ended slightly higher as weakness following Q4 results was offset by a pickup in M&A activity. CHR was largely flat; while AC traded slightly lower (-1.2%) on cost headwinds, recessionary fears and increased competition from new entrants (see our RBC Elements™: Canadian Airline Monitor).

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 despite in our view positive long-term trends in its Civil and Defense segment, both of which we expect to support growth into F24 and F25. EIF is also trading at the middle of its historical range, up off recent lows driven by a robust M&A pipeline and a recent pickup in activity as well as resulting from an expected recovery at Quest and Regional One. On the other hand, AC, BBD, and CHR 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-teen EBITDA CAGR 2022 to 2024. We highlight Bombardier as our top pick and see the shares attractively valued at a 40% discount to peers. We remain cautious on AC as the carrier grows into its employment base and contends with increased competition. We remain constructive on CHR as the company transitions to an asset-light strategy with growth from leasing and new adjacent businesses, as highlighted in CHR's 2023 Investor Day.

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

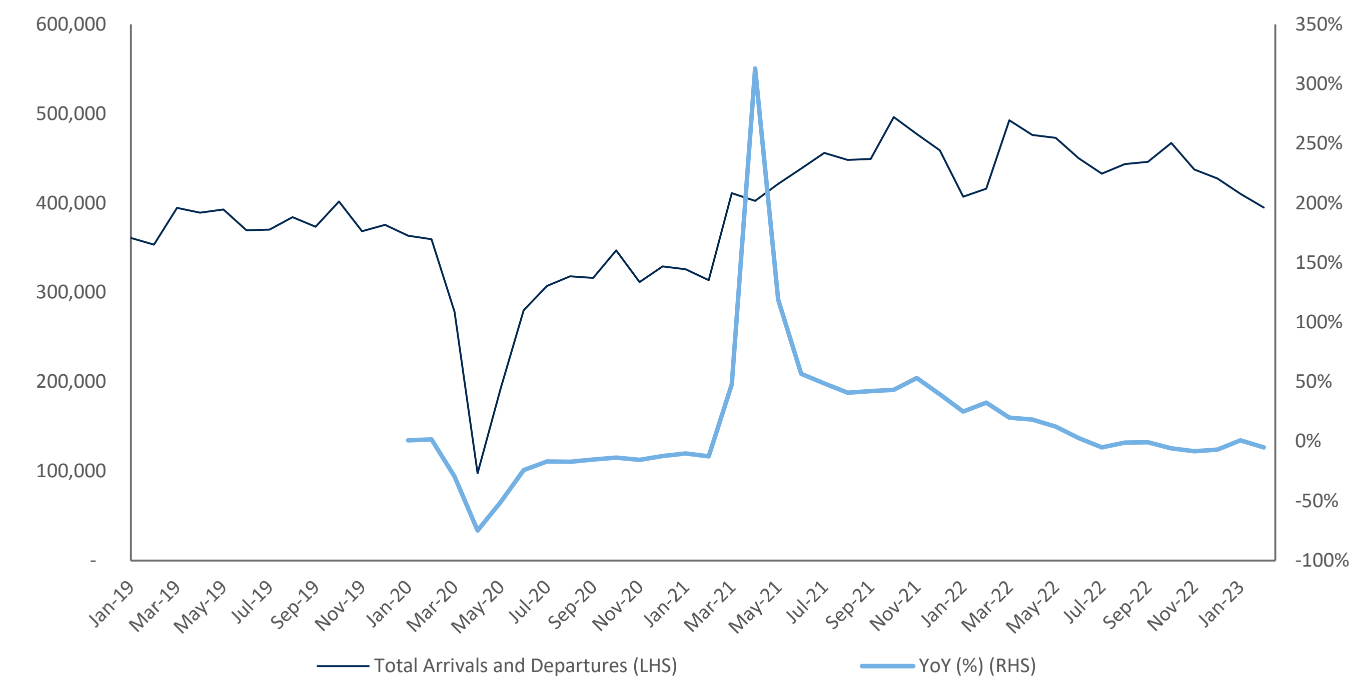




Source: FactSet consensus estimates as of market close April 19, 2023. (AC using FY2 EV/EBITDA Estimates)

Bombardier: Strong demand, exceeding financial targets. We are looking for BBD to report a solid quarter during Q1 results. Our forecast calls for total biz jet deliveries of 23 (including 16 large business jets) and continued healthy service revenue growth (+13% Y/Y). In addition, we were encouraged by what we heard at BBD's 2023 Investor Day, which capped off several key positives; including 2025 revenue guidance increased to $9B (up by 20%) and FCF target up 80% to $900MM. Our conviction grows on BBD's substantial progress thus far to de-lever and view possible significant upside from both the Defense and CPO opportunity. Key to note is that bizjet activity continues to trend above pre-pandemic levels (see Exhibit 2), which supports the demand for after-market services and CPO. We expect continued solid execution of their cost reduction program, debt reduction, and continued after-market services rollout.

Exhibit 2 - Bizjet jet activity is stabilizing and currently sits ~13% above 2019 levels

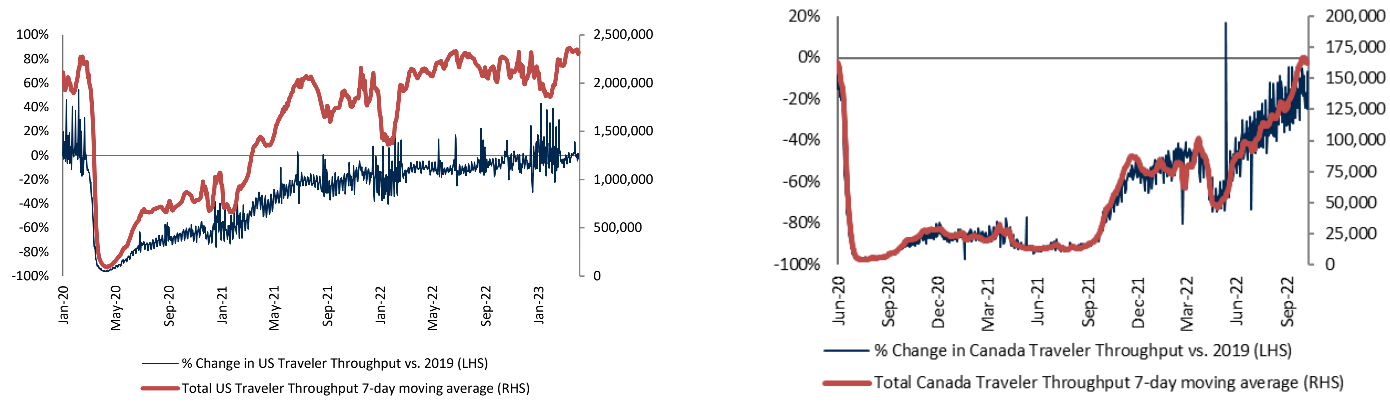


Source: FAA, RBC Capital Markets

Airlines: Recovery continues, but so are costs. Although recessionary circumstances could weigh on airline bookings, we see IATA February data show North America ASKs in positive territory after being below 0% (vs 2019) since March 2020. As the industry works through near term bottlenecks, pent-up leisure travel demand is expected to support higher pricing in the short to medium term as US airlines reported sustained summer bookings in most recent earnings calls. However, we have seen costs rise as pilots renegotiate their contracts at a time when the labour market remains tight and OEM deliveries continue to be delayed. In addition, we view the sustainability of high pricing as less evident as consumer confidence weakens (see leading indicators below) and take a more conservative view in our out-year estimates.

Key focus areas. The key areas of focus for us going forward are: 1) sustainability of pricing, 2) update on booking trends, particularly as it relates to business and summer travel, 3) the impact of materially higher labour costs and pilot negotiations, and 4) expansion of capacity, 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 Q1. See Exhibits 3 to 6.

Exhibit 3 - US and Canadian throughput have recovered to 2019 levels



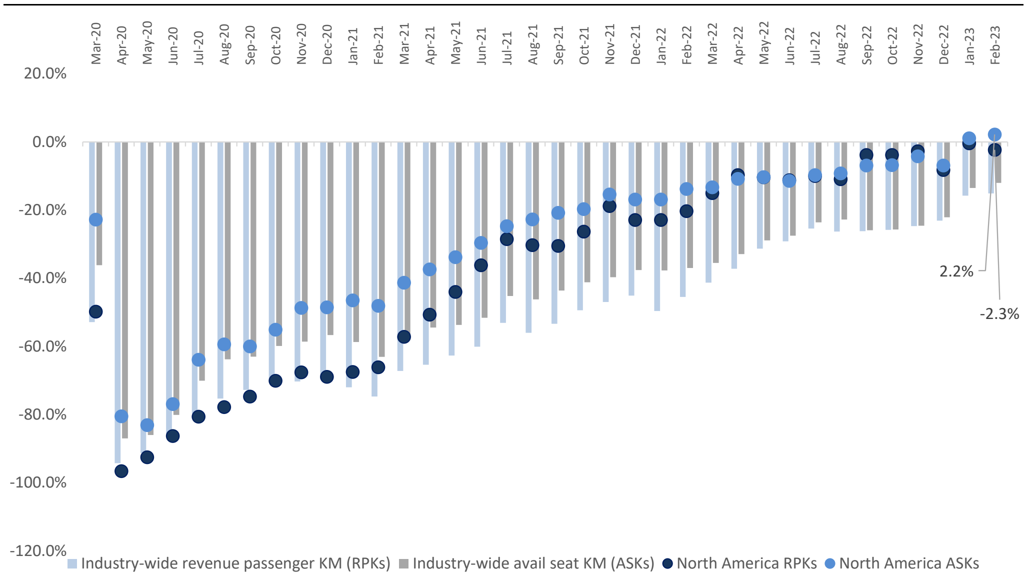
Source: TSA, CATSA, RBC Capital Markets. Note: Data as of April 10, 2023 for CATSA and TSA

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 it 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 in Q1. IATA data showed that global demand continued its rebound in February, with industry-wide Revenue Passenger Km's (RPK's) down -15% (vs. the same month in 2019), which was a 11% improvement from October's print of -26%. In North America, traffic was down -2.3% in February (vs. -3.8% in October) 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 activity picks up in Asia-Pacific.

Exhibit 4 - IATA traffic (RPKs) and capacity (ASKs) drastically improved in Q1



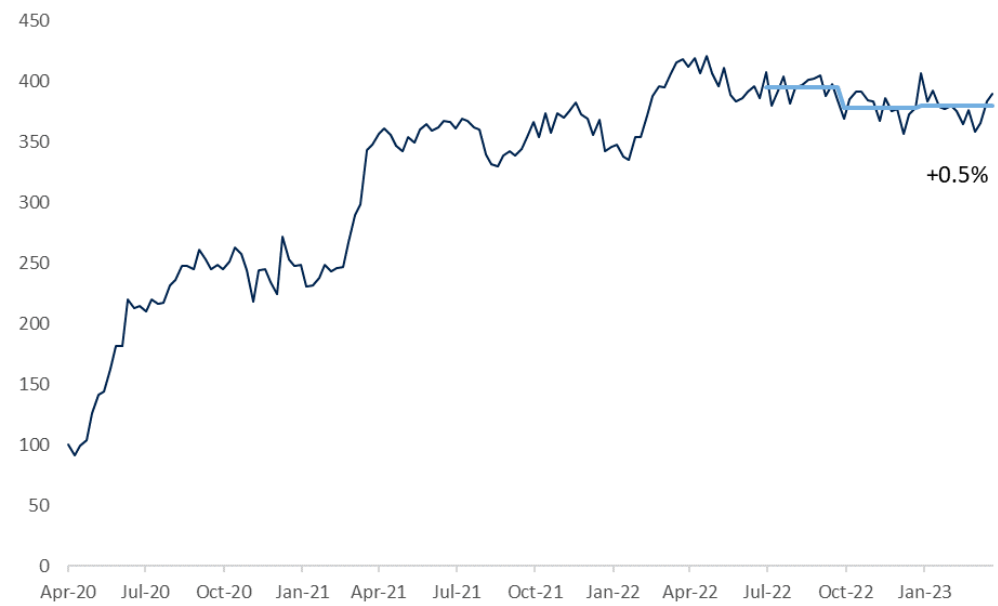
Source: IATA .org

Travel Sentiment Indicator – Relatively flat with leading indicators inflecting down

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. Exhibit 5 shows that Q1 was relatively flat, indicated by an incremental increase of +0.5% QoQ. Additionally, the index somewhat stabilized in the high 300s, a sign that travel demand has stabilized.

First flagged by our colleague Mike Tran in Digital Intelligence Strategy: Red Alert? China Scrapes Inflecting Softer specific leading indicators (namely car rental, air travel and accommodation search interest), which are inputs into the GOAT index, have begun inflecting downward for the first time since the pandemic, see Exhibit 6. Key is that if this trend continues, we could see demand and higher prices wane.

Exhibit 5 - GOAT index relatively unchanged QoQ



Source: RBC Elements, RBC Capital Markets

Exhibit 6 - Leading travel interest indicators are inflecting downward

Source: RBC Elements, RBC Capital Markets

Q1 Estimates

We are leaving our Q1 estimates largely unchanged for the group ahead of reporting season, with the exception of AC. Details by company are below:

- **Air Canada (AC): Price target unchanged at $20; reaffirm Sector Perform rating.** We are lowering our Q1/23 estimate to $290MM from $430MM (consensus $258MM). This was driven by weaker Q1 results across the sector offset by a lift from lower fuel prices, and when taken together, brought us below the 2023 EBITDA guidance range of $2.5B to $3B. Peers have relayed healthy summer bookings, which we have reflected in our estimates but remain below guidance. Additionally, 2024 estimates remain unchanged below consensus and guidance. When applying our unchanged 2024 EBITDA to our 5x target multiple, we arrive at our $20 price target.

- **Bombardier (BBD): Price target unchanged at $100; reaffirm Outperform rating.** We are maintaining our Q1/23 estimate of $223MM, above consensus of $205MM. Our Q1 estimate reflects 23 total deliveries, of which 16 are large jet deliveries and +13% growth in services revenues. We continue to use 2025 as our valuation year, and when applying our 2025 EBITDA estimate of $1,640MM to our unchanged 7.5x target multiple, we arrive at our $100 price target. BBD remains our top recommendation under coverage and currently trades at a ~40% discount to peers.

- **CAE – FQ4 estimate unchanged; price target decreases to $36 (from $37); maintain Outperform.** Our FQ4 EBITDA estimate remains at $277MM below consensus $283MM. Our FQ4 estimate reflects higher Civil and lower Defense EBITDA reflecting a stronger than expected China reopen and continuing supply chain headwinds, respectively. This results in our F23 operating income growth estimate of +20% y/y, which is below guidance for mid-20% growth reflecting supply chain headwinds in the Defense segment. Our F24 and F25 estimates both decrease to $1,047MM (from $1,080MM) and to $1,182MM (from $1,210MM), respectively, due to supply chain issues that we expect to persist into 2024, in line with recent commentary from Lockheed Martin. Key focus into the quarter will be on supply chain issues in the Defense segment and visibility toward margin improvement. Target price decreases to $36, from $37, reflecting our lower estimates. Target multiple unchanged at 12.1x. See Exhibit 10.

- **Chorus Aviation (CHR): Price target unchanged at $4; reaffirm Outperform rating.** We are maintaining our Q1/23 estimate of $113MM, slightly ahead of consensus of $111MM. We reduce our 2024 EBITDA estimate to $434MM on further asset sales offset by new asset management fee revenue. The extent to which fee revenue expands depends on new funds, with fund III expected to launch by 1H/23 and could raise our estimates. Our blended target multiple moves to 5.5x (from 4.5x) as we recalibrate our multiples based on specialty aircraft servicers, asset managers and lessors to best represent a comparable for a multifaceted company such as CHR. When applying our 2024 EBITDA estimate to our 5x target multiple, we arrive at our $4 price target.

- **EIF – Q1 estimate lower; price target unchanged at $60; maintain Outperform.** We are adjusting lower our Q1 estimate to $106MM (from $111MM) due to lower Aviation margin, but our estimate remains above consensus $104MM. Our 2023 EBITDA estimate remains unchanged however at $549MM as our lower Q1 estimate is offset by contribution from the recent acquisition of Hansen Industries. Our 2023 estimate is ahead of consensus $544MM and guidance for EBITDA of $510MM to $540MM. Our 2024 estimate increases to $597MM (from $593MM) in line with consensus $602MM. Key into the quarter will be colour on the M&A pipeline, BC government medvac contracts and 2023 guidance, which we expect management to take higher during the quarter. Target multiple remains at 7.3x and price target unchanged at $60. See Exhibit 12.

Exhibit 7 - Estimate changes ahead of the quarter

	Q1 2023E EBITDA			2023E EBITDA			2024E EBITDA			Target Multiple		Price Target (CAD)			
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	RBC	Old	New	Rating	Implied Return
Bombardier	unchg.	**U$223**	$205	unchg.	**U$1,168**	U$1,169	unchg.	**U$1,397**	$1,367	unchg.	**7.5x**	unchg.	**$100**	O	+43%
Chorus Aviation	unchg.	**$113**	$111	$432	**$440**	$440	$468	**$434**	$430	*4.5x*	**5.0x**	unchg.	**$4.00**	O	+29%
Exchange Income	$111	**$106**	$104	unchg.	**$549**	$544	$593	**$597**	$602	unchg.	**7.3x**	unchg.	**$60**	O	+15%
CAE[1]	unchg.	**$277**	$283	unchg.	**$876**	$878	$1,080	**$1,047**	$1,058	unchg.	**12.1x**	$37	**$36**	O	+13%
Air Canada	$430	**$290**	$258	$2,509	**$2,400**	$2,766	unchg.	**$3,133**	$3,686	unchg.	**5.0x**	unchg.	**$20**	SP	+4%

1. CAE estimates are for FQ4/23, F2023, and F2024, respectively

.Source: RBC Capital Markets estimates, FactSet for consensus. Note: Priced as of market close April 19, 2023

Exhibit 8 - Air Canada estimate revisions detail

	Q1/23E			2023E			2024E		
(C$MM's unless specified)	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Traffic: RPMs (% chg)	90.9%	88.7%	-225bp	27.9%	27.6%	-32bp	10.7%	11.0%	28bp
Capacity: ASMs (% chg)	54.7%	52.9%	-182bp	23.4%	23.1%	-32bp	10.8%	11.0%	28bp
Load Factor (%pts)	81.8%	81.8%	0bp	83.5%	83.5%	0bp	83.4%	83.4%	0bp
Yield (% chg)	10.0%	2.6%	-740bp	4.6%	1.8%	-285bp	-1.2%	-0.7%	44bp
RASM (% chg)	35.7%	26.6%	-913bp	7.5%	4.8%	-274bp	-1.2%	-0.9%	35bp
Adj. CASM ex fuel+other (% chg)	-14.3%	-15.3%	-94bp	-5.0%	-5.6%	-54bp	-5.1%	-5.2%	-4bp
Avg Jet Fuel Price: ($C/Ltr)	$1.31	$1.24	-5.8%	$1.31	$1.25	-4.3%	$1.27	$1.21	-4.9%
Revenue	4,705	4,391	-6.7%	21,299	20,770	-2.5%	23,118	22,663	-2.0%
Expenses	4,275	4,100	-4.1%	18,790	18,370	-2.2%	19,985	19,530	-2.3%
EBITDA	**430**	**290**	**-32.5%**	**2,509**	**2,400**	**-4.4%**	**3,133**	**3,133**	**0.0%**
EBITDA Margin	9.1%	6.6%	-27.6%	11.8%	11.6%	-1.9%	13.6%	13.8%	2.0%
EPS ex-one time items ($)	(0.46)	(0.83)	79.2%	0.36	0.07	-81.1%	2.04	2.03	-0.6%

Source: Company reports, RBC Capital Markets estimates

Exhibit 9 - Bombardier estimate revisions detail

	Q1/23E			2023E			2024E			2025E		
($MM's unless specified)	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	Cur	% Δ
Total aircraft deliveries	23	23	0.0%	139	139	0.0%	145	145	0.0%	150	150	0.0%
Total Revenues	1,385	1,385	0.0%	7,838	7,838	0.0%	8,339	8,339	0.0%	9,052	9,052	0.0%
Total EBIT	118	118	0.0%	703	703	0.0%	917	917	0.0%	1,140	1,140	0.0%
Mgn%	8.5%	8.5%	0 bps	9.0%	9.0%	0 bps	11.0%	11.0%	0 bps	12.6%	12.6%	0 bps
Free Cash Flow	(72)	(72)	0.0%	293	293	0.0%	564	564	0.0%	906	906	0.0%
EBITDA	**223**	**223**	**0.0%**	**1,168**	**1,168**	**0.0%**	**1,397**	**1,397**	**0.0%**	**1,640**	**1,640**	**0.0%**
Mgn%	16.1%	16.1%	0 bps	14.9%	14.9%	0 bps	16.8%	16.8%	0 bps	18.1%	18.1%	0 bps
Adjusted EPS	-$0.43	-$0.43	0.0%	$0.85	$0.85	0.0%	$4.40	$4.40	0.0%	$8.11	$8.11	0.0%

Source: Company reports, RBC Capital Markets estimates

Exhibit 10 - CAE estimate revisions detail

ESTIMATE SUMMARY (C$ millions)	FQ4/23E Old	FQ4/23E New	FQ4/23E % Δ	FQ4/22 Actual	F2023E Old	F2023E New	F2023E % Δ	F2024E Old	F2024E New	F2024E % Δ	F2025E Old	F2025E New	F2025E % Δ
Revenue	1,205	**1,217**	1.0%	**955**	4,152	**4,164**	0.3%	4,588	**4,588**	0.0%	4,835	**4,835**	0.0%
Civil Revenue	648	**659**	1.8%	**433**	2,153	**2,164**	0.5%	2,345	**2,345**	0.0%	2,575	**2,575**	0.0%
Defense & Security Revenue	505	**505**	0.0%	**470**	1,813	**1,813**	0.0%	2,048	**2,048**	0.0%	2,051	**2,051**	0.0%
Healthcare Revenue	53	**53**	0.0%	**53**	186	**186**	0.0%	195	**195**	0.0%	209	**209**	0.0%
Adj. EBITDA	277	**277**	(0.0%)	**224**	876	**876**	(0.0%)	1,080	**1,047**	(3.1%)	1,210	**1,182**	(2.3%)
Civil Adj. EBITDA	212	**218**	2.8%	**154**	714	**720**	0.8%	800	**800**	0.0%	863	**863**	0.0%
Defence & Security Adj. EBITDA	59	**53**	(10.3%)	**57**	145	**139**	(4.2%)	251	**218**	(13.2%)	313	**285**	(9.0%)
Healthcare Adj. EBITDA	6	**6**	0.0%	**13**	17	**17**	0.0%	29	**29**	0.0%	34	**34**	0.0%
Adjusted Operating Income	189	**189**	(0.0%)	**143**	536	**536**	(0.0%)	726	**693**	(4.6%)	844	**816**	(3.3%)
Adj. Operating Income Margin %	*15.7%*	***15.6%***	*-16bps*	***14.9%***	*12.9%*	***12.9%***	*-4bps*	*15.8%*	***15.1%***	*-72bps*	*17.5%*	***16.9%***	*-58bps*
Civil Adj. EBIT	149	**155**	4.0%	**96**	471	**477**	1.3%	545	**545**	0.0%	599	**599**	0.0%
Defence & Security Adj. EBIT	38	**32**	(16.0%)	**37**	60	**54**	(10.0%)	166	**133**	(19.9%)	226	**197**	(12.5%)
Healthcare Adj. EBIT	3	**3**	0.0%	**10**	4	**4**	0.0%	15	**15**	0.0%	20	**20**	0.0%
Adj. EPS (F.D)	$0.34	**$0.34**	(0.0%)	**$0.29**	$0.87	**$0.87**	(0.0%)	$1.30	**$1.21**	(6.3%)	$1.60	**$1.53**	(4.3%)
Consensus EBITDA		**283**				**878**			**1,058**			**1,186**	

Source: Company reports, RBC Capital Markets estimates

Exhibit 11 - Chorus estimate revisions detail

	Q1/23E Old	Q1/23E New	Q1/23E % Δ	2023E Old	2023E New	2023E % Δ	2024E Old	2024E New	2024E % Δ
Revenue breakdown									
Controllable Revenue	195	212	8.7%	822	876	6.7%	898	896	-0.2%
Leasing under CPA	37	37	-0.4%	147	146	-0.4%	147	146	-0.4%
Margin compensation	17	16	-5.0%	66	63	-5.0%	66	63	-5.0%
Incentives	0.7	0.7	0.0%	2	2	0.0%	2	2	0.0%
Pass through revenue	44	44	-0.8%	215	213	-0.8%	218	213	-2.4%
Passenger revenue	294	309	5.3%	1,252	1,301	3.9%	1,331	1,320	-0.8%
Regional Aircraft Leasing	64	64	0.0%	256	256	0.0%	230	249	8.1%
Other - Charter, contract flying, MRO	24	24	0.0%	103	103	0.0%	105	105	0.0%
Total Revenues	382	397	4.1%	1,610	1,660	3.1%	1,666	1,674	0.5%
Total Expenses	308	344	11.6%	1,335	1,439	7.8%	1,423	1,451	1.9%
Total Operating Income	74	54	-27.1%	275	221	-19.8%	242	223	-8.1%
Depreciation and Amortization	40	59	48.0%	156	220	40.4%	225	212	-6.1%
EBITDA	**113**	**113**	**-0.8%**	**432**	**440**	**2.0%**	**468**	**434**	**-7.2%**

Source: Company reports, RBC Capital Markets estimates

Exhibit 12 - Exchange Income estimate revisions detail

ESTIMATE SUMMARY	Q1/23E			Q1/22	2023E			2024E		
(C$ millions)	Old	New	% Δ	Actual	Old	New	% Δ	Old	New	% Δ
Total revenue	477	**477**	0.0%	**400**	2,257	**2,278**	0.9%	2,350	**2,392**	1.8%
Total Aviation Revenues	298	**298**	0.0%	**282**	1,375	**1,375**	0.0%	1,403	**1,403**	0.0%
Total Manufacturing Revenues	179	**179**	0.0%	**119**	882	**903**	2.4%	947	**990**	4.5%
Adj. EBITDA	111	**106**	(4.0%)	**67**	549	**549**	(0.1%)	593	**597**	0.7%
Total Aviation EBITDA	83	**79**	(5.4%)	**63**	403	**399**	(1.1%)	419	**414**	(1.1%)
Total Manufacturing EBITDA	37	**37**	0.0%	**11**	185	**190**	2.4%	205	**214**	4.5%
Net income	24	**20**	(13.9%)	**4**	172	**172**	(0.1%)	204	**207**	1.5%
EPS (Diluted)	$0.56	**$0.50**	(11.4%)	**$0.09**	$3.79	**$3.78**	(0.1%)	$4.41	**$4.47**	1.3%
Adj. net income (diluted)	27	**24**	(12.1%)	**8**	186	**186**	(0.1%)	218	**221**	1.4%
Adj. EPS (Diluted)	$0.63	**$0.57**	(10.2%)	**$0.20**	$4.06	**$4.06**	(0.1%)	$4.69	**$4.75**	1.2%
FCF (less maintenance capex)	43	**40**	(7.5%)	**20**	224	**222**	(0.9%)	248	**248**	(0.2%)
FCF (less maintenance capex) / share	$0.95	**$0.89**	(6.8%)	**$0.49**	$4.81	**$4.77**	(0.8%)	$5.29	**$5.28**	(0.2%)
Consensus EBITDA		**104**				**544**			**602**	

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 2024. Our price target supports our Sector Perform rating.

Bombardier

We apply a target multiple of 7.5x to our 2025 EBITDA estimate of $1.6B and then discount back one year at 13% to derive our $100 price target. Our target multiple is based on a significant discount to peers and a structurally higher 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 rating.

CAE

We value CAE shares on a sum of the parts basis using a blended EV/EBITDA multiple of 12.1x on our FY25 EBITDA estimate of $1,182MM. Our 13x Civil multiple is driven off the Rail and Waste sectors, which trade in the 11x to 15x range, and our Defense multiple of 9x 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 $36, 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 5x EV/EBITDA multiple based on our 2024 estimates and we value the company's leasing segment at a 6x 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 $597MM 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 $60 price target, which supports our Outperform rating.

Appendix 1 – Airline comparables

	Symbol	Curr	19-Apr-23 Price	Mkt Cap (MM)	EV/EBITDA 2022	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/Sales 2022	EV/Sales 2023E	EV/Sales 2024E	EBITDA Margin 2022	EBITDA Margin 2023E	EBITDA Margin 2024E
Discount Airlines													
Southwest	LUV-US	US$	32.45	19,285	6.7x	4.5x	3.4x	0.7x	0.6x	0.6x	10%	13%	16%
JetBlue	JBLU-US	US$	$7.00	2,291	13.2x	5.2x	4.0x	0.6x	0.5x	0.5x	4%	10%	12%
Discount Average					**10.0x**	**4.9x**	**3.7x**	**0.6x**	**0.6x**	**0.5x**	**7%**	**12%**	**14%**
Mainline Airlines													
Air Canada	AC-CA	C$	$19.64	7,878	11.1x	6.7x	5.2x	1.0x	0.8x	0.7x	9%	12%	14%
Delta Air Lines	DAL-US	US$	$35.93	23,093	7.4x	5.4x	4.8x	1.0x	0.9x	0.8x	14%	16%	17%
United Continental	UAL-US	US$	$46.27	15,135	7.1x	4.7x	4.1x	0.8x	0.7x	0.6x	11%	14%	15%
American Airlines	AAL-US	US$	$13.63	8,879	11.1x	7.1x	6.4x	0.9x	0.8x	0.8x	8%	11%	12%
Mainline Average					**9.2x**	**6.0x**	**5.1x**	**0.9x**	**0.8x**	**0.7x**	**10%**	**13%**	**15%**
Regional Airlines													
Chorus Aviation	CHR-CA	C$	$3.08	613	5.0x	5.0x	5.1x	1.4x	1.3x	1.3x	28%	27%	26%
SkyWest Inc.	SKYW-US	US$	$24.19	1,181	5.1x	5.1x	5.1x	1.2x	1.4x	1.2x	24%	27%	23%
Regional Average					**5.1x**	**5.1x**	**5.1x**	**1.3x**	**1.4x**	**1.3x**	**26%**	**27%**	**25%**
Airline Average					**8.3x**	**5.5x**	**4.8x**	**0.9x**	**0.9x**	**0.8x**	**13%**	**16%**	**17%**

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced as of close on April 19, 2023

Appendix 2 – Aerospace comparables

	Exch:		Price	Mkt. Cap	Net Debt	EV/EBITDA				EBITDA Margin			
Company Name	Ticker		19-Apr-23	($MM's)	to EBITDA	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E
Aerospace													
Boeing	NYSE:BA	US$	208.71	124,859	N/A	N/A	32.1x	18.5x	15.2x	-2.3%	6.6%	10.0%	11.1%
Embraer	NYSE: ERJ	US$	16.30	2,994	2.1x	8.6x	7.3x	6.1x	5.5x	10.1%	9.9%	10.6%	10.9%
General Dynamics	NYSE: GD	US$	228.80	62,790	2.1x	14.4x	13.7x	12.4x	11.7x	13.0%	13.1%	13.5%	13.8%
Textron	NYSE: TXT	US$	68.91	14,142	1.2x	10.5x	9.8x	9.0x	8.3x	11.8%	11.8%	12.2%	12.6%
Average						**11.2x**	**15.7x**	**11.5x**	**10.2x**	**8.1%**	**10.4%**	**11.6%**	**12.1%**
Transportation & Conglomerates													
Siemens	XE: SIE	EUR	146.58	115,622	3.4x	13.3x	11.6x	10.4x	9.6x	16.2%	17.3%	18.3%	18.8%
General Electric	NYSE: GE	US$	99.03	107,872	1.1x	12.9x	17.1x	12.3x	N/A	12.3%	11.2%	14.3%	N/A
United Technologies	NYSE: UTX	US$	104.09	152,487	2.5x	16.3x	14.6x	13.4x	12.0x	16.4%	17.0%	17.2%	18.0%
Average						**14.2x**	**14.4x**	**12.0x**	**10.8x**	**15.0%**	**15.2%**	**16.6%**	**18.4%**

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2022 numbers. Priced at close on April 19, 2023.

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 'F25E
CAE	**CAE-CA**	**OP**	**$31.74**	**$10,103**	**$13,176**	**0.0%**	**15.0x**	**12.6x**	**11.2x**	**36.5x**	**26.1x**	**20.7x**
							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		$228.80	$62,790	$73,662	2.3%	14.4x	13.7x	12.4x	18.8x	17.9x	15.5x
Lockheed Martin Corporation	LMT-US		$495.16	$126,413	$140,512	2.4%	14.4x	14.2x	14.1x	22.9x	18.2x	17.8x
Northrop Grumman Corporation	NOC-US		$477.07	$72,556	$84,979	1.4%	17.2x	16.1x	14.9x	18.7x	21.6x	19.4x
Raytheon Company	RTX-US		$104.09	$152,487	$180,123	2.1%	16.3x	14.6x	13.4x	21.8x	20.8x	17.9x
L3Harris Technologies Inc	LHX-US		$203.54	$38,691	$45,718	2.2%	14.0x	12.7x	12.1x	15.8x	16.6x	15.4x
CACI International Inc Class A	CACI-US		$309.31	$7,271	$9,019	0.0%	14.1x	12.9x	12.0x	17.4x	17.1x	15.5x
Curtiss-Wright Corporation	CW-US		$174.90	$6,694	$7,863	0.4%	14.4x	13.5x	12.7x	21.5x	19.9x	18.2x
Huntington Ingalls Industries, Inc.	HII-US		$211.03	$8,411	$11,147	2.3%	12.1x	10.9x	10.1x	14.6x	14.9x	12.6x
Teledyne Technologies Incorporated	TDY-US		$427.64	$20,097	$23,550	0.0%	18.1x	16.8x	15.8x	23.5x	22.4x	20.6x
Peer Average - Defense						1.5%	15.0x	13.9x	13.0x	19.4x	18.8x	17.0x
Aerospace[2,3]												
Boeing Company	BA-US		$208.71	$124,859	$166,221	0.0%	n.a.	32.1x	18.5x	n.a.	-357.5x	35.9x
Honeywell International Inc.	HON-US		$197.81	$132,165	$142,592	2.1%	16.3x	15.1x	14.1x	22.6x	21.8x	19.7x
Embraer S.A.	EMBR3-BR		$20.76	$15,251	$20,275	0.0%	8.6x	7.4x	6.2x	n.a.	18.6x	12.4x
Hexcel Corporation	HXL-US		$68.23	$5,751	$6,412	0.7%	21.6x	17.7x	14.8x	53.3x	36.9x	27.2x
Spirit AeroSystems Holdings, Inc. Class A	SPR-US		$30.87	$3,249	$6,553	0.1%	96.5x	10.7x	7.5x	n.a.	-317.9x	18.0x
Peer Average - Aerospace						0.6%	35.7x	16.6x	12.2x	37.9x	-119.6x	22.6x

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 on April 19, 2023

Appendix 4 – EIF comparables

	Symbol	Price	Mkt Cap ($MM)	EBITDA (MM) 2023E	EBITDA (MM) 2024E	EBITDA Margin (%) 2023E	EBITDA Margin (%) 2024E	EV/EBITDA 2023E	EV/EBITDA 2024E	Net Debt/ EBITDA	Div. Yield
Exchange Income Corp.	**EIF**	**$55.42**	**2,411**	**549**	**597**	**24.1%**	**25.0%**	**7.5x**	**6.9x**	**3.6x**	**4.5%**
Aviation											
Chorus Aviation Inc.	CHR	$3.08	617	440	430	337.8%	26.5%	4.4x	4.5x	4.0x	N/A
Alaska Airlines	ALK	$43.65	5,567	1,510	1,751	14.4%	15.9%	4.6x	4.0x	12.7x	N/A
Hawaiian Airlines	HAL	$34.11	30,838	5,027	5,713	21.4%	22.0%	7.5x	6.6x	2.5x	N/A
Air Lease Corp.	AL	$39.77	4,411	2,409	2,817	91.2%	90.6%	9.2x	7.9x	9.7x	2.0%
AerCap Holdings	AER	$55.81	13,788	5,959	6,462	81.3%	83.9%	9.8x	9.1x	10.6x	N/A
Air Transport Services Group	ATSG	$20.31	1,462	653	711	30.6%	31.1%	4.6x	4.2x	2.8x	N/A
SkyWest Inc.	SKYW	$24.19	1,181	369	653	13.8%	21.1%	10.0x	n.a.	3.7x	N/A
Airlines/Aerospace Average						**84.4%**	**41.6%**	**7.2x**	**6.0x**	**6.6x**	**2.0%**
Manufacturing											
Heroux-Devtek	HRX	$12.97	444	77	90	13.1%	14.2%	7.7x	6.6x	1.8x	N/A
Russel Metals	RUS	$33.48	2,090	389	361	8.7%	8.9%	5.5x	6.0x	0.1x	4.5%
Magellan	MAL	$6.95	400	50	91	6.0%	10.2%	8.5x	4.6x	0.4x	1.4%
Mastec	MTZ	$88.36	6,962	1,109	1,283	8.5%	9.1%	7.9x	6.9x	2.0x	N/A
New Flyer Industries Inc.	NFI	$7.66	591	63	353	1.8%	8.0%	22.8x	4.1x	4.0x	N/A
Manufacturing Average						**7.6%**	**10.1%**	**10.5x**	**5.6x**	**1.7x**	**3.0%**
Financial/Holding Companies											
Alaris Royalty	AD	$17.30	783	133	144	83.6%	84.3%	8.2x	7.6x	2.5x	7.9%
Diversified Royalty Corp.	DIV	$3.02	428	55	57	97.6%	96.4%	11.2x	10.8x	4.9x	7.8%
Financial/Holding Company Average						**90.6%**	**90.3%**	**9.7x**	**9.2x**	**3.7x**	**7.8%**

Priced as of market close April 19, 2023. Source: RBC estimates for EIF, FactSet consensus for all others.

Appendix 5 – AC Model Summary

C$MM	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E	2025E
Traffic / RPM (MMs)	21,045	9,481	16,371	22,118	18,525	66,495	17,886	21,117	26,556	19,263	84,822	21,293	23,463	27,954	21,403	94,113	95,054
% change	-9.4%	417.8%	870.4%	179.4%	92.7%	216.0%	88.7%	29.0%	20.1%	4.0%	27.6%	19.0%	11.1%	5.3%	11.1%	11.0%	1.0%
Capacity / ASM (MMs)	33,384	14,297	20,331	25,562	22,368	82,558	21,853	25,119	30,834	23,788	101,594	26,016	27,910	32,457	26,431	112,814	113,942
% change	-11.5%	239.5%	408.3%	130.0%	59.1%	147.3%	52.9%	23.5%	20.6%	6.3%	23.1%	19.0%	11.1%	5.3%	11.1%	11.0%	1.0%
Load Factor (%)	63.0%	66.3%	80.5%	86.5%	82.8%	80.5%	81.8%	84.1%	86.1%	81.0%	83.5%	81.8%	84.1%	86.1%	81.0%	83.4%	83.4%
change (% pts)	1.4%	22.8%	38.3%	15.3%	14.4%	17.5%	15.5%	3.5%	-0.4%	-1.8%	2.9%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%
Yield ($)	0.222	0.202	0.210	0.218	0.219	0.212	0.207	0.216	0.218	0.222	0.216	0.206	0.215	0.217	0.221	0.214	0.219
% change	5.2%	-6.3%	-17.0%	5.3%	3.3%	-4.3%	2.6%	3.0%	0.2%	1.5%	1.8%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	2.0%
RASM (Rev per unit of capacity, cents)	13.5	13.4	16.9	18.8	18.2	17.2	17.0	18.2	18.8	18.0	18.1	16.8	18.1	18.7	17.9	17.9	18.3
CASM (Costs per unit of capacity, cents)	28.4	21.8	20.8	18.3	21.0	20.3	20.7	19.6	18.4	20.7	19.7	19.8	18.6	17.8	19.3	18.8	18.8
Fuel Cost/ASM (cents)	4.7	5.2	7.1	6.3	6.5	6.4	6.5	6.7	6.6	6.5	6.6	6.4	6.4	6.3	6.3	6.4	6.2
CASM (excl. fuel) (cents)	23.7	16.6	13.7	12.0	14.5	13.9	14.2	12.9	11.8	14.1	13.1	13.4	12.3	11.4	13.0	12.5	12.6
Total Revenues	**6,400**	**2,573**	**3,981**	**5,322**	**4,680**	**16,556**	**4,391**	**5,130**	**6,326**	**4,924**	**20,770**	**5,078**	**5,611**	**6,597**	**5,378**	**22,663**	**23,323**
% change	9.7%	252.9%	375.6%	153.1%	71.4%	158.7%	70.6%	28.9%	18.9%	5.2%	25.5%	15.7%	9.4%	4.3%	9.2%	9.1%	2.9%
Wages, salaries and benefits	2283	707	749	816	988	3260	903	886	929	892	3609	958	939	985	946	3829	4003
% Sales	35.7%	27.5%	18.8%	15.3%	21.1%	19.7%	20.6%	17.3%	14.7%	18.1%	17.4%	18.9%	16.7%	14.9%	17.6%	16.9%	17.2%
Aircraft Fuel - total	1576	750	1450	1617	1459	5276	1421	1673	2036	1552	6682	1678	1782	2053	1659	7172	7015
% Sales	24.6%	29.1%	36.4%	30.4%	31.2%	31.9%	32.4%	32.6%	32.2%	31.5%	32.2%	33.0%	31.8%	31.1%	30.9%	31.6%	30.1%
Sales and distribution costs	244	108	171	217	301	797	175	206	253	238	872	208	229	266	264	967	977
% Sales	3.8%	4.2%	4.3%	4.1%	6.4%	4.8%	4.0%	4.0%	4.0%	4.8%	4.2%	4.1%	4.1%	4.0%	4.9%	4.3%	4.2%
Ground package costs	120	129	102	80	163	474	197	151	93	143	583	289	110	80	126	604	610
% Sales	1.9%	5.0%	2.6%	1.5%	3.5%	2.9%	4.5%	2.9%	1.5%	2.9%	2.8%	5.7%	2.0%	1.2%	2.3%	2.7%	2.6%
Catering and onboard services	165	64	94	120	147	425	87	100	120	95	403	98	106	119	100	422	427
% Sales	2.6%	2.5%	2.4%	2.3%	3.1%	2.6%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.9%	1.9%	1.8%
Aircraft maintenance	656	26	195	193	292	706	150	200	200	210	760	225	225	225	225	900	927
% Sales	10.3%	1.0%	4.9%	3.6%	6.2%	4.3%	3.4%	3.9%	3.2%	4.3%	3.7%	4.4%	4.0%	3.4%	4.2%	4.0%	4.0%
Airport and navigation fees	562	183	241	299	490	1213	262	301	370	357	1290	286	307	357	291	1241	1253
% Sales	8.8%	7.1%	6.1%	5.6%	10.5%	7.3%	6.0%	5.9%	5.8%	7.2%	6.2%	5.6%	5.5%	5.4%	5.4%	5.5%	5.4%
Communications and information techno	362	116	103	112	137	468	85	83	135	146	449	96	85	90	104	374	378
% Sales	5.7%	4.5%	2.6%	2.1%	2.9%	2.8%	1.9%	1.6%	2.1%	3.0%	2.2%	1.9%	1.5%	1.4%	1.9%	1.7%	1.6%
Other	1896	633	722	811	314	2480	819	908	1124	871	3723	899	995	1172	953	4019	4138
% Sales	29.6%	24.6%	18.1%	15.2%	6.7%	15.0%	18.7%	17.7%	17.8%	17.7%	17.9%	17.7%	17.7%	17.8%	17.7%	17.7%	17.7%
Regional airline expense (ex fuel and DA	1042	316	367	400	-320	763	424	498	618	477	2017	518	574	678	550	2320	2389
% Sales	16.3%	12.3%	9.2%	7.5%	-6.8%	4.6%	9.7%	9.7%	9.8%	9.7%	9.7%	10.2%	10.2%	10.3%	10.2%	10.2%	10.2%
Total Operating Costs	**7,864**	**2,716**	**3,827**	**4,265**	**4,291**	**15,099**	**4,100**	**4,508**	**5,259**	**4,503**	**18,370**	**4,737**	**4,780**	**5,346**	**4,668**	**19,530**	**19,729**
EBITDA	**(1,464)**	**(143)**	**154**	**1,057**	**389**	**1,457**	**290**	**622**	**1,066**	**421**	**2,400**	**341**	**832**	**1,250**	**710**	**3,133**	**3,594**
% of sales	-22.9%	-5.6%	3.9%	19.9%	8.3%	8.8%	6.6%	12.1%	16.9%	8.5%	11.6%	6.7%	14.8%	19.0%	13.2%	13.8%	15.4%
Depreciation, amortization and impairm	1,616	403	407	413	417	1,640	418	417	415	414	1,664	427	425	423	421	1,695	1,669
EBIT (Excluding Special Charges)	**(3,049)**	**(550)**	**(253)**	**644**	**(28)**	**(187)**	**(128)**	**205**	**651**	**7**	**736**	**(85)**	**407**	**827**	**289**	**1,438**	**1,924**
% of sales	-47.6%	-21.4%	-6.4%	12.1%	-0.6%	-1.1%	-2.9%	4.0%	10.3%	0.1%	3.5%	-1.7%	7.3%	12.5%	5.4%	6.3%	8.3%
Net Income	**(3,602)**	**(974)**	**(386)**	**(508)**	**168**	**(1,700)**	**(316)**	**15**	**472**	**(145)**	**26**	**(267)**	**224**	**667**	**151**	**774**	**967**
EPS (F.D) ($) (Exc. Special charges)	**$ (9.69)**	**$ (2.36)**	**$ (0.94)**	**$ (1.27)**	**$ 0.44**	**$ (4.24)**	**$ (0.83)**	**$ 0.04**	**$ 1.24**	**$ (0.38)**	**$ 0.07**	**$ (0.70)**	**$ 0.59**	**$ 1.75**	**$ 0.40**	**$ 2.03**	**$ 2.54**
Net debt	**7,721**	**7,654**	**7,875**	**8,545**	**8,318**	**8,318**	**8,591**	**8,534**	**8,022**	**7,928**	**7,928**	**8,144**	**7,870**	**7,155**	**6,958**	**6,958**	**5,963**
Net debt/LTM EBITDA	**-5.3x**	**-9.1x**	**-231.6x**	**7.8x**	**5.7x**	**5.7x**	**4.5x**	**3.6x**	**3.4x**	**3.3x**	**3.3x**	**3.3x**	**3.0x**	**2.5x**	**2.2x**	**2.2x**	**1.7x**

Source: Company Reports, RBC Capital Markets estimates

Appendix 6 – BBD Model Summary

Summary Income Statement (in US $MM's)	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E
Aerospace Key Drivers																					
Business Jet Deliveries	120	21	28	25	49	123	23	32	28	56	139	24	33	29	58	145	25	34	31	59	150
Delivery Growth	*5.3%*	*-19.2%*	*-3.4%*	*-7.4%*	*28.9%*	*2.5%*	*9.8%*	*12.5%*	*12.0%*	*14.3%*	*12.6%*	*5.3%*	*5.5%*	*4.9%*	*3.0%*	*4.3%*	*5.0%*	*3.8%*	*4.7%*	*2.9%*	*3.8%*
Revenue																					
Manufacturing	4,759	868	1,182	1,069	2,226	5,345	977	1,377	1,235	2,568	6,157	1,045	1,486	1,317	2,644	6,491	1,149	1,609	1,437	2,822	7,018
Services	1,237	361	359	372	416	1,508	408	406	409	458	1,680	449	446	450	503	1,848	494	491	495	554	2,034
Total Revenues	6,085	1,246	1,557	1,455	2,655	6,913	1,385	1,783	1,644	3,026	7,838	1,494	1,932	1,767	3,147	8,339	1,643	2,100	1,933	3,376	9,052
Revenue Growth	*3.3%*	*-17.3%*	*-1.9%*	*-4.5%*	*60.7%*	*12.3%*	*12.5%*	*16.5%*	*15.5%*	*15.4%*	*15.2%*	*7.0%*	*7.9%*	*6.6%*	*3.0%*	*5.4%*	*10.0%*	*8.3%*	*9.2%*	*6.7%*	*8.1%*
Total EBITDA	**658**	**167**	**201**	**210**	**352**	**930**	**223**	**265**	**258**	**422**	**1,168**	**274**	**322**	**304**	**496**	**1,397**	**312**	**378**	**357**	**594**	**1,640**
EBITDA Margin %	*10.8%*	*14.4%*	*12.8%*	*15.8%*	*13.1%*	*13.5%*	*16.1%*	*14.9%*	*15.7%*	*14.0%*	*14.9%*	*18.4%*	*16.7%*	*17.2%*	*15.8%*	*16.8%*	*19.0%*	*18.0%*	*18.4%*	*17.6%*	*18.1%*
Total EBIT	223	73	103	125	211	512	118	160	153	272	703	164	212	194	346	917	197	263	242	439	1,140
EBIT Margin %	*3.7%*	*5.9%*	*6.6%*	*8.6%*	*7.9%*	*7.4%*	*8.5%*	*9.0%*	*9.3%*	*9.0%*	*9.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*12.0%*	*12.5%*	*12.5%*	*13.0%*	*12.6%*
Adj. Net Income (Loss) to Common	(855)	(76)	(45)	(10)	204	73	(44)	5	(2)	127	86	43	95	75	233	447	111	181	164	368	824
Adj. EPS	**$ (0.35)**	**$ (0.80)**	**$ (0.47)**	**$ (0.10)**	**$ 2.09**	**$ 0.74**	**$ (0.43)**	**$ 0.05**	**$ (0.02)**	**$ 1.25**	**$ 0.85**	**$ 0.43**	**$ 0.94**	**$ 0.74**	**$ 2.29**	**$ 4.40**	**$ 1.09**	**$ 1.78**	**$ 1.61**	**$ 3.62**	**$ 8.11**
CFPS $(Basic)	$ 0.11	$ (1.80)	$ (0.28)	$ 1.16	$ 2.88	$ 1.93	$ 0.71	$ 1.21	$ 1.19	$ 2.96	$ 6.07	$ 1.67	$ 2.20	$ 2.04	$ 4.07	$ 9.99	$ 2.43	$ 3.15	$ 3.02	$ 5.53	$ 14.12
Net debt	5,372	5,247	4,886	4,831	4,689	4,689	4,768	4,724	4,701	4,424	4,424	4,310	4,171	4,067	3,888	3,888	3,702	3,472	3,274	3,010	3,010

Source: Company Reports, RBC Capital Markets estimate

Appendix 7 – CAE Model Summary

CAE (C$MM unless otherwise indicated)	F2020A	F2021A	F2022A	FQ1/23	FQ2/23	FQ3/23	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	507.2	517.4	659.4	2,164.4	596.6	579.8	580.3	588.5	2,345.2	634.7	638.9	646.1	654.9	2,574.8
Adjusted Operating Income	479.4	164.3	314.7	86.6	104.4	131.4	155.0	477.4	134.2	133.3	136.4	141.2	545.2	142.8	147.0	151.8	157.2	598.8
Adjusted Operating Margin	*22.1%*	*11.6%*	*19.5%*	*18.0%*	*20.6%*	*25.4%*	*23.5%*	*22.1%*	*22.5%*	*23.0%*	*23.5%*	*24.0%*	*23.2%*	*22.5%*	*23.0%*	*23.5%*	*24.0%*	*23.3%*
DEFENSE & SECURITY																		
Revenue	1,331.2	1,217.1	1,602.1	413.3	442.4	452.5	504.7	1,812.9	517.6	513.1	511.2	506.0	2,047.8	518.7	514.1	511.9	506.7	2,051.3
Adjusted Operating Income	114.5	87.0	119.2	(21.2)	18.4	25.4	31.8	54.4	25.9	30.8	35.8	40.5	132.9	46.7	48.8	51.2	50.7	197.4
Adjusted Operating Margin	*8.6%*	*7.1%*	*7.4%*	*-5.1%*	*4.2%*	*5.6%*	*6.3%*	*3.0%*	*5.0%*	*6.0%*	*7.0%*	*8.0%*	*6.5%*	*9.0%*	*9.5%*	*10.0%*	*10.0%*	*9.6%*
HEALTHCARE																		
Revenue	124.5	351.9	151.4	39.6	43.6	50.4	52.8	186.4	43.6	48.0	50.4	52.8	194.7	47.9	52.8	55.4	52.8	208.9
Adjusted Operating Income	(3.5)	29.3	10.6	(4.5)	1.9	3.8	2.6	3.8	3.3	3.6	3.8	4.0	14.6	4.5	4.9	5.2	5.0	19.6
Adjusted Operating Margin	*-2.8%*	*8.3%*	*7.0%*	*-11.4%*	*4.4%*	*7.5%*	*5.0%*	*2.1%*	*7.5%*	*7.5%*	*7.5%*	*7.5%*	*7.5%*	*9.4%*	*9.4%*	*9.4%*	*9.4%*	*9.4%*
CONSOLIDATED RESULTS																		
Revenue	**3,623.2**	**2,981.9**	**3,371.3**	**933.3**	**993.2**	**1,020.3**	**1,216.9**	**4,163.7**	**1,157.7**	**1,140.9**	**1,141.9**	**1,147.3**	**4,587.8**	**1,201.3**	**1,205.8**	**1,213.5**	**1,214.4**	**4,835.0**
y/y growth (%)	*9.7%*	*-17.7%*	*13.1%*	*24.0%*	*21.9%*	*20.2%*	*27.4%*	*23.5%*	*24.0%*	*14.9%*	*11.9%*	*-5.7%*	*10.2%*	*3.8%*	*5.7%*	*6.3%*	*5.8%*	*5.4%*
Expenses																		
COGS	2,539.6	2,216.9	2,415.8	700.4	719.6	722.3	864.0	3,006.3	803.5	791.8	792.5	796.2	3,183.9	834.9	838.0	843.4	844.0	3,360.3
R&D	137.5	104.7	120.8	40.7	32.2	30.2	30.2	133.3	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	128.0	138.1	138.1	549.3	138.1	138.1	138.1	138.1	552.4	138.1	138.1	138.1	138.1	552.4
Other Gains/Losses	(1.0)	91.7	(37.0)	(2.4)	(3.2)	(6.7)	(9.3)	(21.6)	(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)	(8.1)	(14.4)	(15.3)	(49.2)	(12.3)	(12.3)	(12.3)	(12.3)	(49.2)	(12.3)	(12.3)	(12.3)	(12.3)	(49.2)
Restructuring Cost/Other	-	124.0	146.9	21.5	22.6	4.9	19.8	68.8	44.1	34.6	26.7	18.6	124.1	25.7	20.3	15.1	10.8	71.9
Adj. Operating Income	**590.4**	**280.6**	**444.5**	**60.9**	**124.7**	**160.6**	**189.4**	**535.6**	**163.4**	**167.7**	**175.9**	**185.7**	**692.7**	**194.0**	**200.7**	**208.2**	**212.8**	**815.8**
Adjusted Operating Margin	16.3%	9.4%	13.2%	6.5%	12.6%	15.7%	15.6%	12.9%	14.1%	14.7%	15.4%	16.2%	15.1%	16.1%	16.6%	17.2%	17.5%	16.9%
y/y growth (%)	*21.1%*	*-52.5%*	*58.4%*	*-38.1%*	*37.5%*	*42.5%*	*32.7%*	*20.5%*	*168.3%*	*34.5%*	*9.5%*	*-2.0%*	*29.3%*	*18.7%*	*19.7%*	*18.4%*	*14.6%*	*17.8%*
Depreciation & Amortization	305.4	319.5	310.5	82.6	81.9	88.3	87.5	340.3	87.5	88.2	89.1	89.8	354.6	90.3	91.1	91.9	92.6	365.9
Adj. EBITDA	**895.8**	**600.1**	**755.0**	**143.5**	**206.6**	**248.9**	**276.9**	**875.9**	**250.8**	**255.9**	**265.1**	**275.5**	**1,047.3**	**284.3**	**291.8**	**300.1**	**305.4**	**1,181.6**
Adjusted EBITDA Margin	*24.7%*	*20.1%*	*22.4%*	*15.4%*	*20.8%*	*24.4%*	*22.8%*	*21.0%*	*21.7%*	*22.4%*	*23.2%*	*24.0%*	*22.8%*	*23.7%*	*24.2%*	*24.7%*	*25.2%*	*24.4%*
y/y growth (%)	*28.4%*	*-33.0%*	*25.8%*	*-15.3%*	*22.0%*	*29.2%*	*23.8%*	*16.0%*	*74.8%*	*23.9%*	*6.5%*	*-0.5%*	*19.6%*	*13.3%*	*14.0%*	*13.2%*	*10.9%*	*12.8%*
Adj. Operating EPS	**$1.33**	**$0.47**	**$0.84**	**$0.06**	**$0.19**	**$0.28**	**$0.34**	**$0.87**	**$0.28**	**$0.29**	**$0.31**	**$0.34**	**$1.21**	**$0.36**	**$0.38**	**$0.39**	**$0.41**	**$1.53**
y/y growth (%)	*8.4%*	*-65.2%*	*80.0%*	*-70.7%*	*15.1%*	*46.5%*	*17.5%*	*3.6%*	*401.5%*	*49.9%*	*11.0%*	*-1.3%*	*39.6%*	*28.6%*	*29.5%*	*26.9%*	*21.1%*	*26.3%*
Free Cash Flow (excl. dividends)	**462.1**	**346.8**	**341.5**	**(182.4)**	**108.4**	**238.4**	**207.6**	**372.0**	**29.6**	**51.4**	**204.6**	**207.3**	**492.9**	**56.8**	**80.7**	**233.2**	**231.9**	**602.6**
FCF conversion	129%	273%	131%	-1036%	176%	267%	191%	134%	33%	56%	206%	194%	127%	50%	68%	185%	179%	123%
Net Debt to EBITDA	**2.6x**	**2.4x**	**3.6x**	**4.2x**	**4.2x**	**3.7x**	**3.3x**	**3.3x**	**3.0x**	**2.9x**	**2.8x**	**2.6x**	**2.6x**	**2.6x**	**2.5x**	**2.3x**	**2.1x**	**2.1x**

Source: Company Reports, RBC Capital Markets estimates

Appendix 8 – CHR Model Summary

C$MM	2022	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Income Statement											
Revenue	**1595.8**	**397.4**	**416.9**	**415.7**	**429.5**	**1659.6**	**401.4**	**421.1**	**420.5**	**430.6**	**1673.6**
% change	**56.0%**	**16.1%**	**6.3%**	**-1.3%**	**-2.3%**	**4.0%**	**1.0%**	**1.0%**	**1.2%**	**0.2%**	**0.8%**
Airline Operations Total - RAS	1334	334	354	351	366	1404	338	359	359	370	1425
Regional Aircraft Leasing - RAL	262	64	63	65	64	256	63	62	62	61	249
Total Operating Expenses	1,408	344	364	359	372	1,439	346	367	364	374	1,451
Operating Income	188	54	53	57	58	221	56	54	56	56	223
Adjusted EBITDA	**441.0**	**112.5**	**110.6**	**108.5**	**108.7**	**440.3**	**109.5**	**107.6**	**109.0**	**108.1**	**434.2**
% of sales	27.6%	28.3%	26.5%	26.1%	25.3%	26.5%	27.3%	25.6%	25.9%	25.1%	25.9%
Net Income	**52**	**26**	**25**	**29**	**30**	**110**	**29**	**28**	**30**	**30**	**116**
Adj. EPS (F.D) ($)	**$0.47**	**$0.08**	**$0.08**	**$0.10**	**$0.10**	**$0.37**	**$0.10**	**$0.10**	**$0.10**	**$0.10**	**$0.40**
CFPS (F.D) ($) (Excluding Special charges)	**$1.26**	**$0.43**	**$0.43**	**$0.41**	**$0.41**	**$1.69**	**$0.42**	**$0.42**	**$0.42**	**$0.42**	**$1.68**
Net debt	1,925	1,856	1,788	1,723	1,633	1,633	1,566	1,501	1,434	1,368	1,091
Net debt/LTM EBITDA	**4.4x**	**3.9x**	**3.8x**	**3.7x**	**3.7x**	**3.7x**	**3.6x**	**3.5x**	**3.3x**	**3.2x**	**2.5x**

Source: Company Reports, RBC Capital Markets estimates

Appendix 9 – EIF Model Summary

(CAD $000's unless otherwise indicated)	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	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	363,412	340,082	1,337,440	298,172	359,401	370,680	346,884	1,375,137	304,135	366,589	378,094	353,821	1,402,639
Manufacturing revenues	495,778	118,634	176,663	223,358	203,278	721,933	178,634	217,288	257,608	249,725	903,255	216,457	255,884	262,760	254,719	989,820
Segmented EBITDA																
Aviation EBITDA	288,003	62,859	85,580	100,201	87,872	336,512	79,015	111,414	114,911	93,659	398,999	82,116	115,476	119,100	97,301	413,992
EBITDA Margin	31.4%	22.3%	24.3%	27.6%	25.8%	25.2%	26.5%	31.0%	31.0%	27.0%	29.0%	27.0%	31.5%	31.5%	27.5%	29.5%
Manufacturing EBITDA	72,996	10,913	38,966	60,310	47,017	157,206	36,620	44,327	57,737	50,895	189,579	46,491	54,502	60,248	53,239	214,480
EBITDA Margin	*14.7%*	*9.2%*	*22.1%*	*27.0%*	*23.1%*	*21.8%*	*20.5%*	*20.4%*	*22.4%*	*20.4%*	*21.0%*	*21.5%*	*21.3%*	*22.9%*	*20.9%*	*21.7%*
Revenues, Net	**1,413,146**	**400,226**	**529,017**	**586,770**	**543,360**	**2,059,373**	**476,806**	**576,689**	**628,288**	**596,608**	**2,278,391**	**520,592**	**622,473**	**640,854**	**608,540**	**2,392,459**
Revenue growth (Y/Y)	22.9%	79.9%	64.3%	46.7%	39.2%	45.7%	19.1%	9.0%	7.1%	9.8%	10.6%	9.2%	7.9%	2.0%	2.0%	5.0%
Aviation expenses	**520,410**	**184,070**	**234,239**	**221,776**	**214,402**	**854,487**	**175,325**	**198,389**	**204,615**	**202,580**	**780,910**	**177,615**	**200,891**	**207,195**	**205,216**	**790,917**
Aviation expenses (% of sales)	36.8%	46.0%	44.3%	37.8%	39.5%	41.5%	36.8%	34.4%	32.6%	34.0%	34.3%	34.1%	32.3%	32.3%	33.7%	33.1%
Manufacturing expenses	**371,896**	**93,171**	**121,060**	**141,837**	**137,765**	**493,833**	**120,712**	**147,017**	**169,890**	**169,005**	**606,624**	**144,471**	**171,175**	**172,135**	**171,258**	**659,039**
Manufacturing expenses (% of sales)	71.5%	50.6%	51.7%	64.0%	64.3%	57.8%	68.9%	74.1%	83.0%	83.4%	77.7%	81.3%	85.2%	83.1%	83.5%	83.3%
Gross profit	**520,840**	**122,985**	**173,718**	**223,157**	**191,193**	**711,053**	**180,769**	**231,283**	**253,782**	**225,023**	**890,857**	**198,506**	**250,407**	**261,523**	**232,066**	**942,503**
Gross margin	36.9%	30.7%	32.8%	38.0%	35.2%	34.5%	37.9%	40.1%	40.4%	37.7%	39.1%	38.1%	40.2%	40.8%	38.1%	39.4%
EBITDA	**332,846**	**66,501**	**110,606**	**149,066**	**123,422**	**449,595**	**106,099**	**146,514**	**162,595**	**133,815**	**549,024**	**121,840**	**161,885**	**171,016**	**142,629**	**597,370**
EBITDA Margin (%)	23.6%	16.6%	20.9%	25.4%	22.7%	21.8%	22.3%	25.4%	25.9%	22.4%	24.1%	23.4%	26.0%	26.7%	23.4%	25.0%
EBITDA growth (Y/Y)	20.3%	3.9%	37.1%	58.2%	31.4%	35.1%	59.5%	32.5%	9.1%	8.4%	22.1%	14.8%	10.5%	5.2%	6.6%	8.8%
Adj. EBITDA	**329,880**	**66,956**	**115,055**	**150,379**	**124,052**	**456,442**	**106,099**	**146,514**	**162,595**	**133,815**	**549,024**	**121,840**	**161,885**	**171,016**	**142,629**	**597,370**
Adj. EBITDA Margin (%)	23.3%	16.7%	21.7%	25.6%	22.8%	22.2%	22.3%	25.4%	25.9%	22.4%	24.1%	23.4%	26.0%	26.7%	23.4%	25.0%
Adj. EBITDA growth (Y/Y)	15.9%	4.4%	41.9%	57.8%	38.7%	38.4%	58.5%	27.3%	8.1%	7.9%	20.3%	14.8%	10.5%	5.2%	6.6%	8.8%
EBIT	**146,461**	**20,233**	**57,943**	**90,192**	**61,519**	**229,887**	**44,196**	**84,611**	**100,692**	**71,912**	**301,412**	**59,937**	**99,982**	**109,113**	**80,726**	**349,758**
Depreciation and Amort.	186,385	46,268	52,663	58,874	61,903	219,708	61,903	61,903	61,903	61,903	247,612	61,903	61,903	61,903	61,903	247,612
Interest Expense	52,198	15,604	16,146	22,488	24,180	78,418	16,473	16,503	16,523	16,543	66,041	16,563	16,593	16,613	16,633	66,401
Taxes	25,675	876	11,807	18,768	10,349	41,800	7,485	18,389	22,726	14,950	63,550	11,711	22,515	24,975	17,305	76,506
Adj. net income	**86,012**	**7,835**	**38,501**	**54,530**	**32,049**	**132,915**	**23,738**	**53,219**	**64,944**	**43,919**	**185,820**	**35,163**	**64,374**	**71,025**	**50,288**	**220,851**
Weighted average shares outstanding (diluted)	38,088	39,651	48,310	49,578	50,758	47,314	50,758	50,758	50,758	50,758	50,758	50,758	50,758	50,758	50,758	50,758
Adj. EPS (FD)	**2.26**	**0.20**	**0.90**	**1.20**	**0.73**	**3.13**	**0.57**	**1.15**	**1.38**	**0.96**	**4.06**	**0.79**	**1.37**	**1.50**	**1.09**	**4.75**
Cash flow from operations (CFO)	**285,047**	**25,054**	**35,281**	**104,992**	**169,792**	**335,119**	**84,141**	**114,622**	**125,347**	**104,322**	**428,432**	**95,566**	**125,777**	**131,428**	**110,691**	**463,463**
Changes in working capital	20,755	(28,499)	(57,290)	(14,620)	79,192	(21,217)	0	0	0	0	0	0	0	0	0	0
FCF from operations (company definition)	**243,317**	**47,474**	**89,251**	**112,832**	**82,468**	**332,025**	**78,141**	**108,622**	**119,347**	**98,322**	**404,432**	**89,566**	**119,777**	**125,428**	**104,691**	**439,463**
Maintenance capital expenditures	96,163	27,913	41,895	43,823	42,290	155,921	38,144	46,135	50,263	47,729	182,271	41,647	49,798	51,268	48,683	191,397
Growth capital expenditures	130,967	22,532	41,308	27,055	34,521	125,416	28,608	34,601	37,697	35,796	136,703	31,236	37,348	38,451	36,512	143,548
FCF from operations less maintenance capex (company definition)	**147,154**	**19,561**	**47,356**	**69,009**	**40,178**	**176,104**	**39,997**	**62,487**	**69,084**	**50,594**	**222,161**	**47,919**	**69,979**	**74,160**	**56,008**	**248,066**
FCF growth (Y/Y)	30.0%	-0.1%	29.7%	43.3%	-6.4%	19.7%	104.5%	32.0%	0.1%	25.9%	26.2%	19.8%	12.0%	7.3%	10.7%	11.7%
FCF / share	3.86	0.50	1.20	1.70	0.95	4.36	0.95	1.48	1.62	1.19	5.24	1.12	1.64	1.74	1.31	5.81
Adj.EBITDA conversion	44.6%	29.2%	41.2%	45.9%	32.4%	38.6%	37.7%	42.6%	42.5%	37.8%	40.5%	39.3%	43.2%	43.4%	39.3%	41.5%
Free Cash Flow (CFO - total capex)	**57,917**	**(25,391)**	**(47,922)**	**34,114**	**92,981**	**53,782**	**17,388**	**33,886**	**37,386**	**20,797**	**109,458**	**22,683**	**38,631**	**41,709**	**25,496**	**128,518**
FCF % of revenue	4.1%	-6.3%	-9.1%	5.8%	17.1%	2.6%	3.6%	5.9%	6.0%	3.5%	4.8%	4.4%	6.2%	6.5%	4.2%	5.4%
Adj.EBITDA conversion	17.6%	-37.9%	-41.7%	22.7%	75.0%	11.8%	16.4%	23.1%	23.0%	15.5%	19.9%	18.6%	23.9%	24.4%	17.9%	21.5%
Dividend payout ratio (FCF less maintenance capex)	58.0%	113.1%	49.3%	36.6%	66.5%	55.3%	66.4%	42.5%	40.8%	55.7%	49.3%	58.9%	40.3%	38.1%	50.4%	45.5%
Dividend payout ratio (FCF less total capex)	147.4%	-87.1%	-48.7%	74.1%	28.8%	181.2%	152.7%	78.4%	75.3%	135.4%	100.0%	124.4%	73.1%	67.7%	110.7%	87.9%
Net debt	1,214,419	1,252,253	1,697,777	1,691,856	1,638,571	1,638,571	1,649,739	1,645,409	1,748,186	1,757,552	1,757,552	1,765,096	1,757,692	1,746,210	1,750,942	1,750,942
Net debt/LTM EBITDA	**3.7x**	**3.8x**	**4.6x**	**4.0x**	**3.6x**	**3.6x**	**3.3x**	**3.1x**	**3.2x**	**3.2x**	**3.2x**	**3.1x**	**3.0x**	**3.0x**	**2.9x**	**2.9x**
Net debt/LTM EBITDA (covenant metric, excl. converts)	**2.2x**	**2.4x**	**3.3x**	**2.7x**	**2.4x**	**2.4x**	**2.2x**	**2.1x**	**2.2x**	**2.2x**	**2.2x**	**2.2x**	**2.1x**	**2.1x**	**2.0x**	**2.0x**

Source: Company reports; RBC Capital Markets estimates

Companies mentioned

Air Canada (TSX: AC CN; C$19.64; Sector Perform)
Bombardier Inc. (TSX: BBD/B CN; C$69.72; Outperform)
CAE Inc. (TSX: CAE CN; C$31.74; Outperform)
Chorus Aviation Inc. (TSX: CHR CN; C$3.08; Outperform)
Exchange Income Corporation (TSX: EIF CN; C$55.42; Outperform)

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

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RBC Capital Markets has provided Air Canada with non-investment banking securities-related services in the past 12 months.

RBC Capital Markets has provided Air Canada with non-securities services in the past 12 months.

The Class A shares of Air Canada are variable voting shares.

Kathleen P. Taylor, the Chair of the Board of Royal Bank of Canada, is a Director of Air Canada.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Bombardier Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Bombardier Inc. in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates expects to receive or intends to seek compensation for investment banking services from Bombardier Inc. in the next three months.

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

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Bombardier Inc. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Bombardier Inc..

RBC Capital Markets is currently providing Bombardier Inc. with investment banking services.

RBC Capital Markets has provided Bombardier Inc. with investment banking services in the past 12 months.

RBC Capital Markets has provided Bombardier Inc. with non-securities services in the past 12 months.

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

The class A shares of Bombardier Inc. are multiple voting shares.

Diane Fontaine, Vice President and Portfolio Manager at RBC Dominion Securities Inc., is a member of the Board of Directors of Bombardier Inc.

RBC Capital Markets, LLC makes a market in the securities of CAE Inc..

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

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from CAE Inc. during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to CAE Inc..

RBC Capital Markets has provided CAE Inc. with non-securities services in the past 12 months.

Michael Fortier, Vice Chairman at RBC is a Board member at CAE Inc.

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

Royal Bank of Canada, together with its affiliates, beneficially owns 1 percent or more of a class of the equity securities of Chorus Aviation Inc..

The Class A shares of Chorus Aviation Inc. are variable voting shares.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Exchange Income Corporation in the past 12 months.

A member company of RBC Capital Markets or one of its affiliates received compensation for investment banking services from Exchange Income Corporation in the past 12 months.

RBC Dominion Securities Inc. makes a market in the securities of Exchange Income Corporation.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Exchange Income Corporation during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to Exchange Income Corporation.

RBC Capital Markets has provided Exchange Income Corporation with non-securities services in the past 12 months.

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.

Explanation of RBC Capital Markets Equity rating system

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

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

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

Risk Rating

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

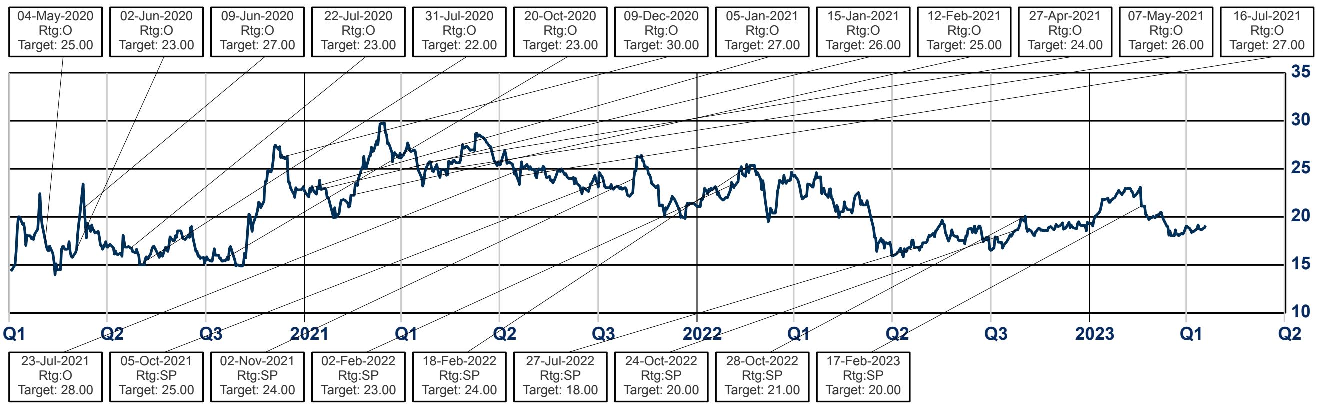
Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings
RBC Capital Markets, Equity Research
As of 31-Mar-2023

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Outperform]	**824**	**56.05**	**236**	**28.64**
HOLD [Sector Perform]	**591**	**40.20**	**132**	**22.34**
SELL [Underperform]	**55**	**3.74**	**4**	**7.27**

Rating and price target history for: Air Canada, AC CN as of 18-Apr-2023 (in CAD)



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

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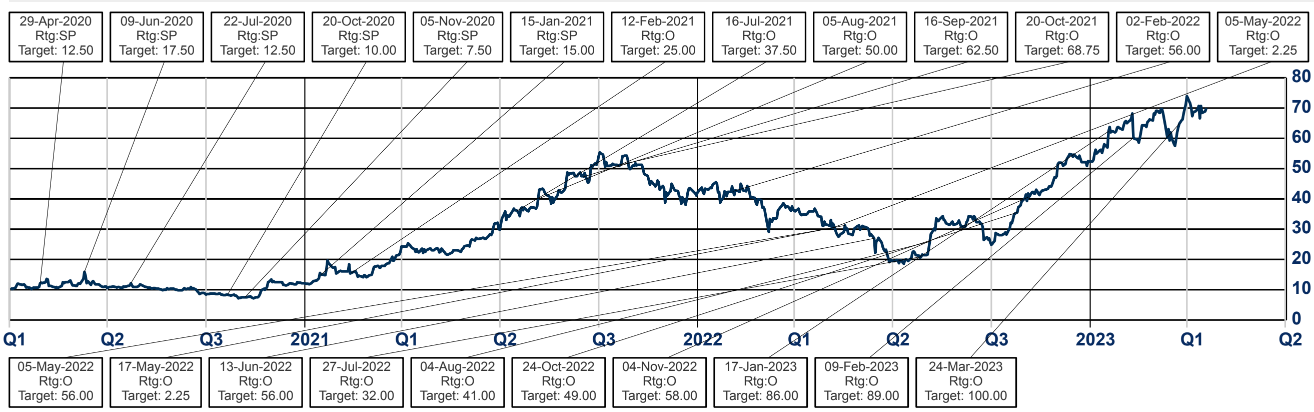
Rating and price target history for: Bombardier Inc., BBD/B CN as of 18-Apr-2023 (in CAD)



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

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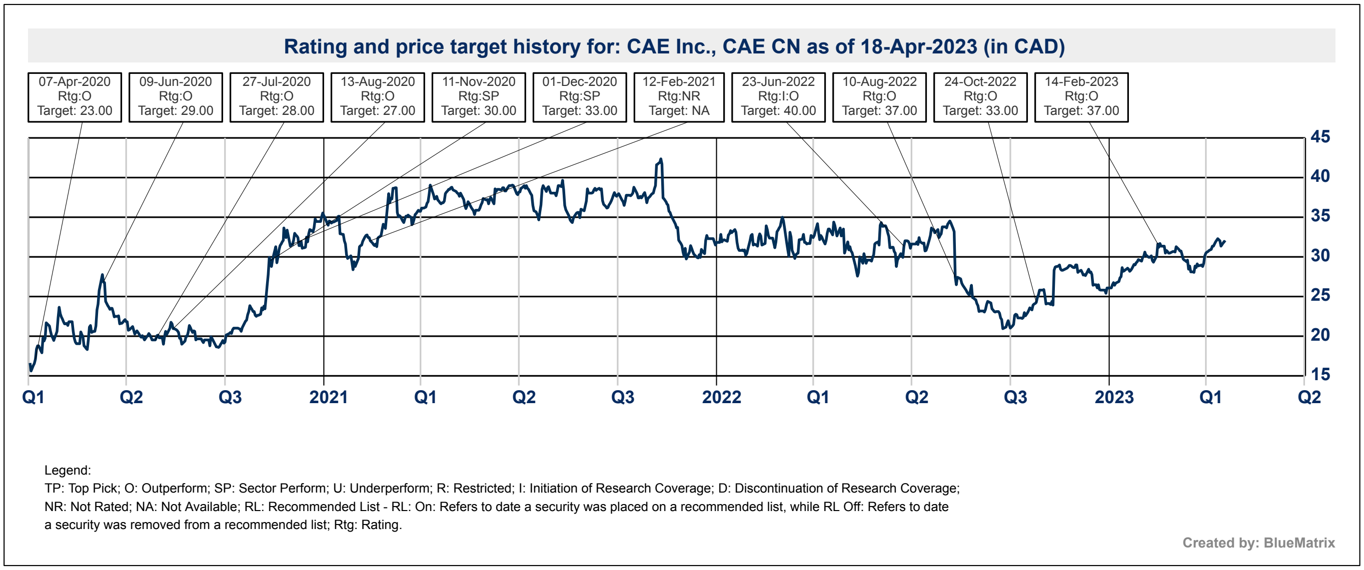
Rating and price target history for: CAE Inc., CAE CN as of 18-Apr-2023 (in CAD)
07-Apr-2020 Rtg:O Target: 23.00
09-Jun-2020 Rtg:O Target: 29.00
27-Jul-2020 Rtg:O Target: 28.00
13-Aug-2020 Rtg:O Target: 27.00
11-Nov-2020 Rtg:SP Target: 30.00
01-Dec-2020 Rtg:SP Target: 33.00
12-Feb-2021 Rtg:NR Target: NA
23-Jun-2022 Rtg:I:O Target: 40.00
10-Aug-2022 Rtg:O Target: 37.00
24-Oct-2022 Rtg:O Target: 33.00
14-Feb-2023 Rtg:O Target: 37.00
45
40
35
30
25
20
15
Q1 Q2 Q3 2021 Q1 Q2 Q3 2022 Q1 Q2 Q3 2023 Q1 Q2
Legend:
TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
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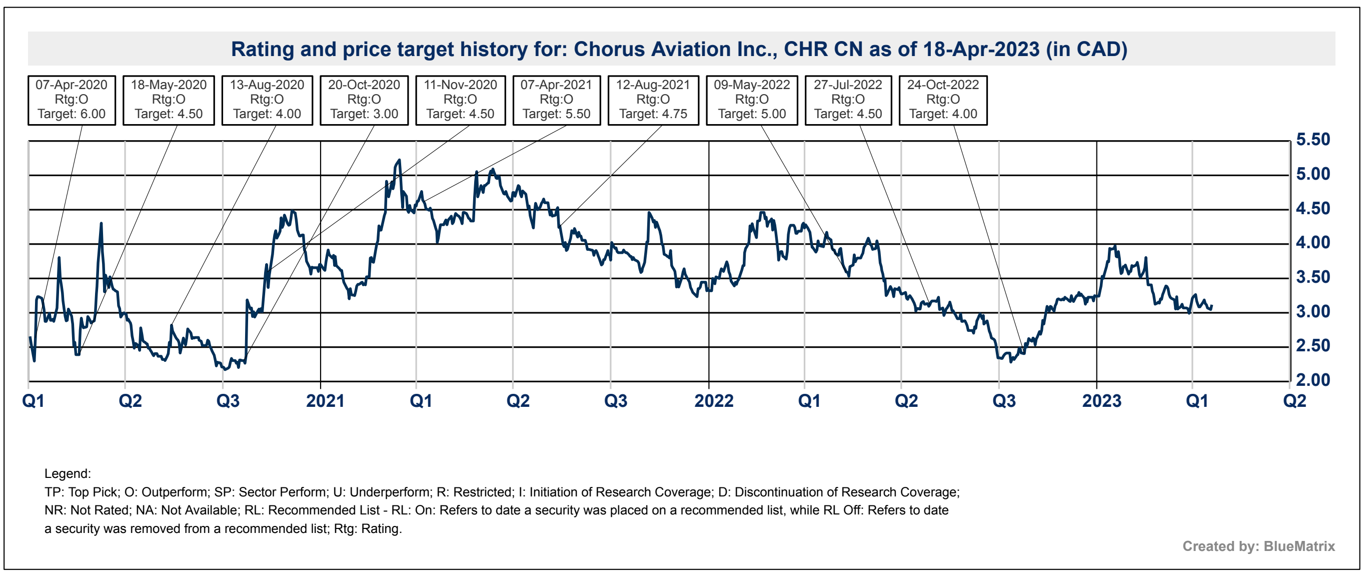
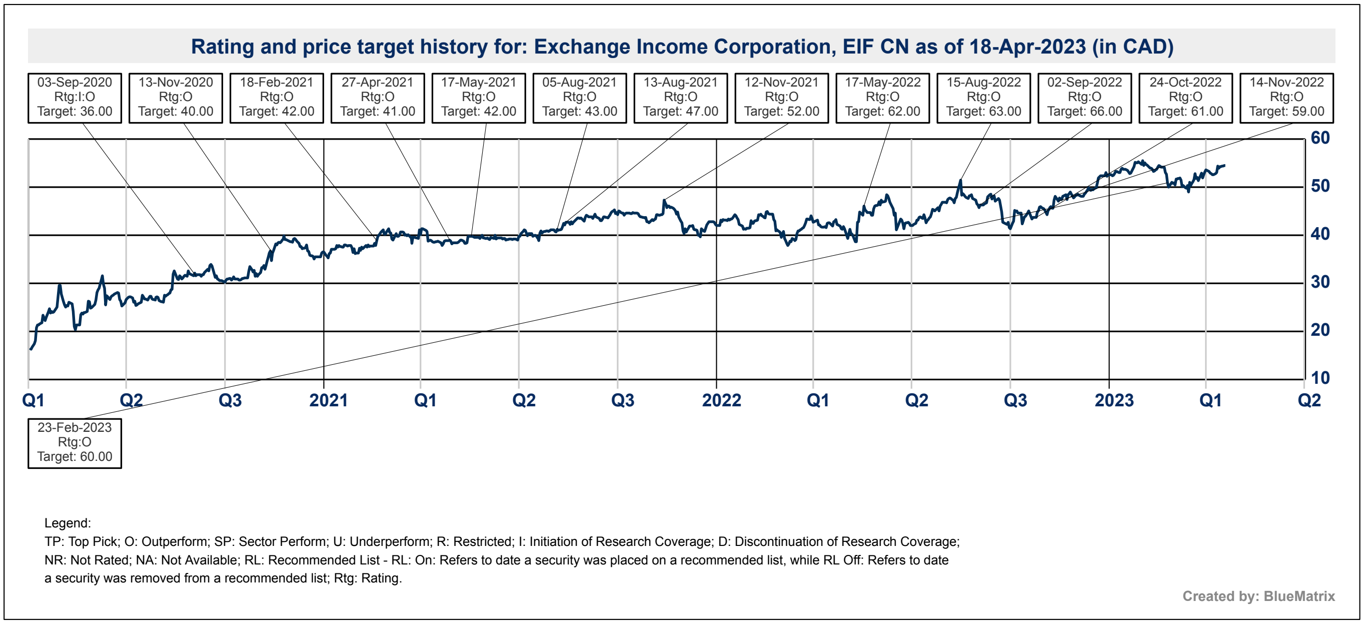
Created by: BlueMatrix


Rating and price target history for: Chorus Aviation Inc., CHR CN as of 18-Apr-2023 (in CAD)
07-Apr-2020 Rtg:O Target: 6.00
18-May-2020 Rtg:O Target: 4.50
13-Aug-2020 Rtg:O Target: 4.00
20-Oct-2020 Rtg:O Target: 3.00
11-Nov-2020 Rtg:O Target: 4.50
07-Apr-2021 Rtg:O Target: 5.50
12-Aug-2021 Rtg:O Target: 4.75
09-May-2022 Rtg:O Target: 5.00
27-Jul-2022 Rtg:O Target: 4.50
24-Oct-2022 Rtg:O Target: 4.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
Q1 Q2 Q3 2021 Q1 Q2 Q3 2022 Q1 Q2 Q3 2023 Q1 Q2
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). 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. As of April 3, 2023, U.S. RBC Wealth Management's quarterly reports will serve as the primary communication for its models and will highlight any changes to the model made during the quarter.

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 2024. 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 7.5x to our 2025 EBITDA estimate of $1.6B and then discount back one year at 13% to derive our $100 price target. Our target multiple is based on a significant discount to peers and a structurally higher 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 rating.

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 supply chain disruption leading to 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 12.1x on our FY25 EBITDA estimate of $1,182MM. Our 13x Civil multiple is driven off the Rail and Waste sectors, which trade in the 11x to 15x range, and our Defense multiple of 9x 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 $36, we rate the shares Outperform.

Risks to rating and price target

- Supply chain risk
- 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 4.5x EV/EBITDA multiple based on our 2024 estimates and we value the company's leasing segment at a 4.5x 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 $593MM 2024E EBITDA, reflecting a valuation blend of ~67% Aviation & Aerospace and ~33% 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 $60 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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