



August 15, 2017

RBC Flight Deck

Positive trends in place as seasonally important summer months round out

Traffic growth remains healthy. Heading into the seasonally largest third quarter for the Canadian airlines, general traffic trends remain quite healthy. And we note both Air Canada and WestJet pointing to a strong forward booking curve during second-quarter conference calls. What continues to be interesting to note is the ability for the North American carriers to manage capacity, largely matching traffic demand on a monthly basis. For the month of July, WestJet reported traffic growth at 6.8% Y/Y (vs. our 5%), on capacity growth at 6.4% (vs. our 5.5%).

Fare increases holding in. After Air Canada and WestJet posted fare growth in the second quarter (excluding the impact from stage length), both carriers continued to post positive fare growth in July as tracked by the RBC Fare Survey. The RBC Fare Survey tracked a fare price increase of +4.9% quarter-to-date for Air Canada. After adjusting by 300bp to account for stage length changes, it points towards a yield increase of +1.9%, which compares to our current Q3/17 yield estimate at 1.2%. For WestJet, the RBC Fare Survey shows that prices are up +1.3%. After adjusting down by 50bp to account for stage length, it implies a yield of +0.8% Y/Y, as compared to our current Q2/17 yield estimate at +2.5%.

Delta outlines first plans for the CSeries. Delta announced that it is eyeing New York and Los Angeles as the main bases for the first CSeries they are set to get next year. In an internal memo to pilots as reported by Bloomberg, the US carrier also noted that Dallas is likely to get a lot of CSeries flights as well - which puts the aircraft in service in the prime hubs of American Airlines and Southwest. As Delta rolls out the CSeries next year, followed by Air Canada in 2019, we believe the new routes opened up by the aircraft are set to put pressure on competing carriers to follow suit - and a positive for both Air Canada and Bombardier.

In This Edition...

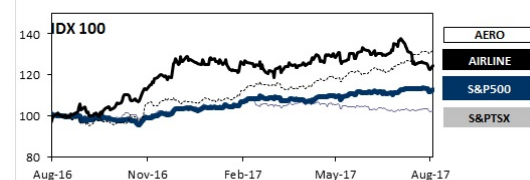
- **RBC Fare Tracker (p. 2):** Seeing positive fare growth, as per the RBC Fare Survey.
- **The Load Factor (p. 3):** Traffic demand remains robust.
- **The Bombardier New Order Heat Map (p. 4):** Delta could help elevate the CSeries new order heat.

RBC Dominion Securities Inc.
Walter Spracklin, CFA
 (Analyst)
 (416) 842-7877
 walter.spracklin@rbccm.com
Derek Spronck (Analyst)
 (416) 842-7833
 derek.spronck@rbccm.com

Steve Arthur, CFA (Analyst)
 (416) 842-7844
 steve.arthur@rbccm.com
Niki Shi (Associate)
 (416) 842-5338
 niki.shi@rbccm.com



INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	(0.4)	(1.1)	2.5	▼
S&P 500	0.3	10.1	12.9	△
AMEX Airline	(9.1)	(0.9)	24.3	▼
AMEX Aerospace	4.8	24.5	31.9	△



COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	1.8	(16.5)	(4.2)	△
Jet Fuel	5.2	(3.1)	16.4	△
CAD/USD	0.6	(5.3)	(1.5)	△

AEROSPACE				
Bombardier	11.0	21.2	33.5	△
Boeing	13.7	52.3	78.2	△
EADS	(3.8)	14.1	37.8	▼
Embraer	8.5	9.1	11.6	△
General Dynamics	(0.4)	16.0	32.2	▼
Textron	(1.4)	0.8	24.8	▼
United Technologies	(5.1)	6.9	7.6	▼

N.A. MAINLINE				
Air Canada	11.2	67.6	155.7	△
AMR	(10.0)	4.5	39.8	▼
Delta	(9.2)	1.8	37.7	▼
United	(16.5)	(8.5)	41.6	▼

N.A. REGIONAL				
Alaska	(8.1)	(4.1)	30.1	▼
Allegiant	(12.3)	(25.4)	(1.9)	▼
Chorus Aviation	2.7	9.7	31.9	△
JetBlue	(7.5)	(3.3)	28.3	▼
SkyWest	1.0	1.2	29.0	△
Southwest	(11.6)	9.8	49.8	▼
WestJet	0.9	13.0	7.4	△

INTL. AIRLINES				
Lufthansa	(5.9)	60.2	78.2	▼
Air France/KLM	(7.5)	138.9	135.5	▼
BA/Iberia	(2.2)	39.0	50.4	▼
Cathay Pacific	(9.3)	(32.9)	(38.0)	▼
Air China	(5.3)	43.0	12.0	▼
China Eastern	(9.5)	18.0	(7.1)	▼
China Southern	(5.2)	45.2	6.6	▼
Singapore Airlines	4.5	9.0	(3.7)	△
Qantas	5.7	72.7	72.2	△

Source: Bloomberg

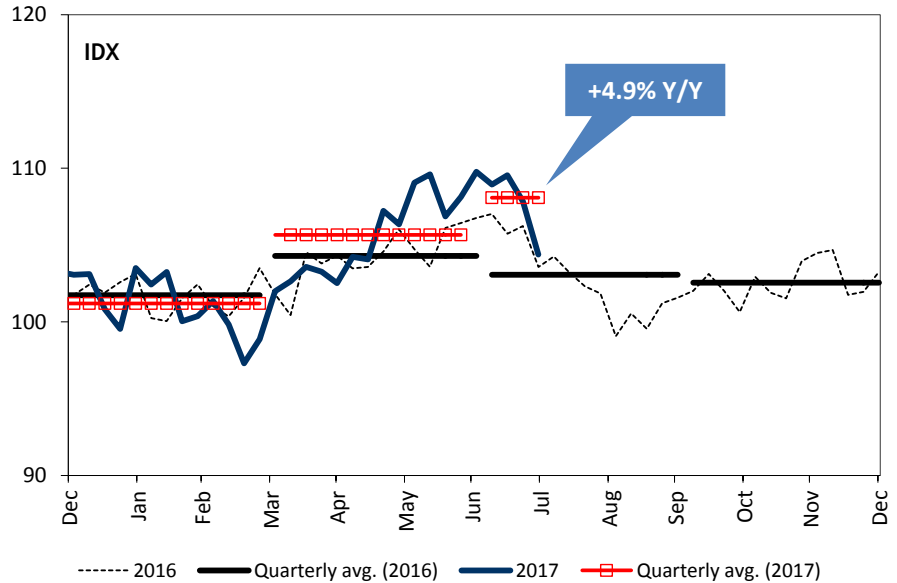


RBC Fare Survey

We present below the results of our RBC Fare Tracker. This proprietary algorithm provides investors a unique snapshot of Air Canada and WestJet’s ticket pricing strategies ... and a window into yield growth trends *before* they are announced.

Air Canada

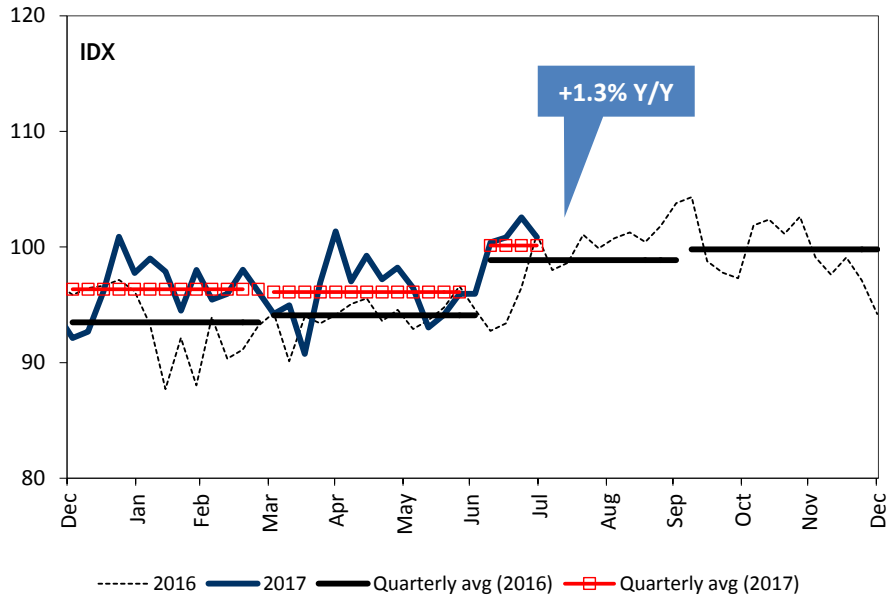
July fare increases kicked off Q3/17 trends on a strong footing, as tracked by the RBC Fare Survey. In particular, we see strong pricing data coming in from Air Canada’s Vacation segment, as tracked by the RBC Fare Survey. For the first month of Q3/17, the RBC Fare Survey tracked fare price increases of +4.9% Y/Y for Air Canada. After adjusting by 300bp to account for stage length changes, it points towards a yield increase of +1.9%, which compares to our current Q3/17 yield estimate at -1.2%.



Sources: RBC Capital Markets estimates, Company websites

WestJet

The spread in fare price growth seems to have narrowed slightly in July, as per the RBC Fare Survey. For the first month in Q2/17, the RBC Fare Survey shows that prices are up +1.3% Y/Y for WestJet. After adjusting down by 50bp to account for stage length changes, it implies a yield of +0.8% Y/Y, as compared to our current Q2/17 yield estimate at +2.5%.



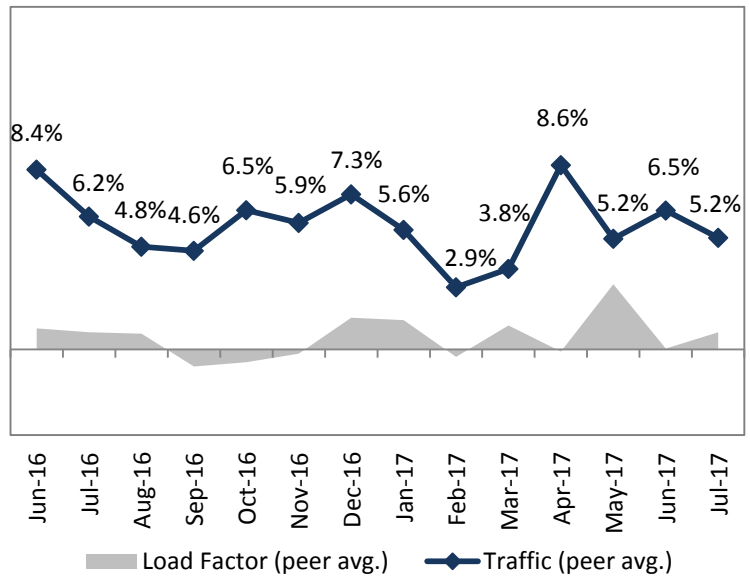
Sources: RBC Capital Markets estimates, Company websites



The Load Factor

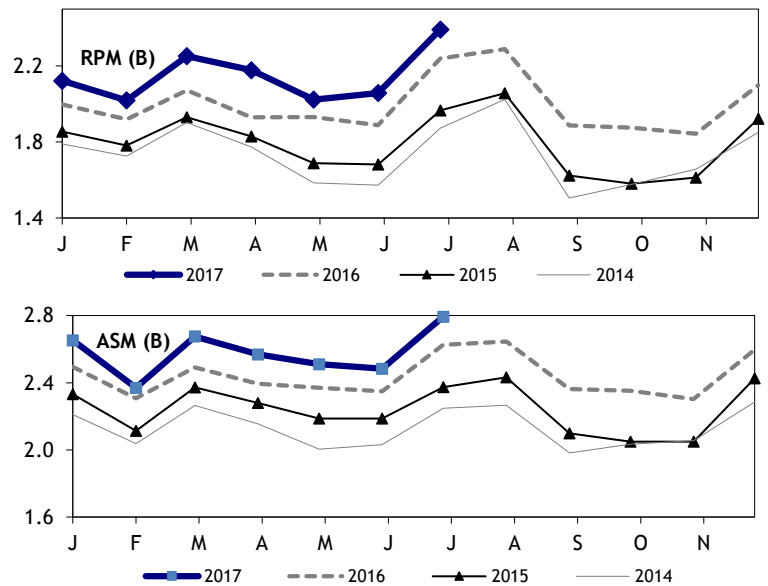
Industry trends

On average, the peer group reported 5.2% traffic growth in July – slightly exceeding the average capacity growth of 4.9%. Airlines continue to do a good job matching capacity to regional demand. Load factors have remained steady, with the YTD monthly average at +0.7%.



WestJet

WestJet reported another strong month of traffic growth. For the month of July, WestJet reported traffic growth at 6.8% Y/Y (vs. our 5%), on capacity growth at 6.4% (vs. our 5.5%). This led to 40bp load factor expansion to a healthy 85.6%, in what we note is a seasonally important summer month. However, the strong traffic trends were on the back of a slightly lower-than-expected fare trend for the month of July, as tracked by the RBC Fare Survey and in a previous section of this note.











	July			YTD		
	2017	2016	Δ	2017	2016	Δ
RPMs (B)	2.392	2.239	+6.8%	15.045	13.976	+7.6%
ASMs (B)	2.794	2.627	+6.4%	18.057	17.037	+6.0%
Load Factor	85.6%	85.2%	0.4 pts	83.3%	82.0%	1.3 pts

Metrics	
Traffic:	Revenue Passenger Miles = RPMs (billions)
Capacity:	Available Seat Miles = ASMs (billions)
Utilization:	Load Factor = RPMs / ASMs

Source: RBC Capital Markets estimates, Company websites

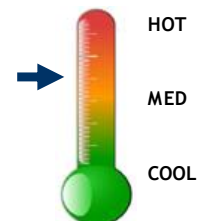
Bombardier New Order Heat Map

We outline order campaigns in which we believe Bombardier Aerospace (BA) is participating. The bigger the heat, the bigger the potential impact on the BBD shares, in our view.

CUSTOMER	TYPE	SIZE / VALUE	TIMING / COMMENTS	HEAT
Qatar Investment Authority	Commercial: C-Series	100 potential (~\$8B)	QIA and Qatar Air plan to submit a joint application to set up a new Indian carrier according to Bloomberg. Indicated 100 planes needed for the new venture and interest in the C-Series.	
Air Baltic	Commercial: C-Series	~12 potential (~\$840MM)	Air Baltic's CEO, Martin Gauss indicated his interest to replace Air Baltic's expiring Q400 leases with a mix of CS100/CS300 aircraft at the June 2017 Pairs Airshow.	
Multiple airlines	Commercial: C-Series	Potentially 50+ (~\$3.4B)	With eight airlines with C-Series' order commitments (at 200+ aircraft), BBD could announce several conversions to firm orders.	
Chinese Airlines	Commercial: C-Series	+20 potential order size (+\$1.4B)	BBD flew in the CS300 to Air Show China last month, which generated good interest. With two conditional orders, which include CDB Leasing (five CS100s and ten CS300s) and Zhejiang Loong Airlines (LOI signed for 20 CS100s), we continue to look for these orders to convert, and potentially new ones in the region.	
Latin American Airlines	Commercial: C-Series	Uncertain	Bombardier is set to take the C-Series on a Latin American tour later this year. The plane is set to stop in every country from Mexico to Argentina – according to Bombardier executives.	
JetBlue	Commercial: C-Series	Uncertain	Following the Delta win, JetBlue has resumed talks with Bombardier. The C-Series may substitute E-190s for short-haul, high-frequency routes out of Boston.	
AtlasJet	Commercial: C-Series	LOI signed for 10 CS300 + 5 options	The LOI was signed November 2011. We expect this order to firm once in-flight data is compiled.	
CityJet	Commercial: C-Series	Uncertain	CityJet chose to take 15 Superjets over 12-year leases. A C-Series order is still possible, but timing has likely been pushed out.	

OVERALL HEAT GAUGE

We are maintaining the heat at more elevated levels. With the C-Series now on revenue generating flights, and as performance and dispatch reliability numbers come in, we believe there is a pick-up in interest in the C-Series. We believe demand could further escalate when Delta begins commercial flights with the C-Series next year.





Air Buzz

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

Bombardier

Narrow-bodies

- **CSeries completes first commercial flight into London City Airport.** SWISS will begin operating regular CS100 flights to the London City Airport from Zurich. In March 2018, the airliner plans to operate more flights on CS100 aircraft from Geneva to London City Airport. This marks good progress in SWISS' fleet transition strategy, as it retires a fleet of BAE Avro RJ100 aircraft, and replaces them with CSeries models. (Source: Bombardier, August 8)
- **Delta hints at first CS100 flights from New York.** Delta's CEO, Ed Bastian announced that the carrier's first CS100 aircraft would fly from New York upon a delivery from Bombardier in 2018. They will replace the 76-seat CRJ-700/900s, which have 25% less capacity than CS100s. In an effort to secure its market position and offerings, Delta has started its \$3.6B redevelopment plan at its New York LaGuardia airport terminals. By 2026, Delta expects to conclude its reconstruction of roadways, taxi and for-hire vehicle areas, the East Parking Garage, and build a new electrical substation. (Sources: Flight Global, July 13; Reuters, August 8)
- **Boeing raises India aircraft demand forecast.** Boeing raised its 20-year demand forecast for India by 13.5% to 2,100 aircraft from a prior estimate of 1,850. Of the total figure, Boeing expects 1,780 of them will be narrow-bodies. The company's estimates also highlight expectations of traffic growth for India—expected to rise beyond +20%, compared to a global average of +7.3%. Qatar Air previously expressed interest in ordering CSeries aircraft for its proposed new domestic Indian carrier at the 2017 Paris Airshow. (Source: Globe and Mail, July 31)

Regional Jets

- **First Q400 delivered to Philippine Airlines.** Bombardier delivered the world's first dual-class 86-seat Q400 turboprop to Philippine Airlines. The order is the first of 12 Q400 firm orders to Philippine Airlines (PAL). Four additional Q400 aircraft are scheduled to be delivered to PAL by the end of the year. (Sources: Bombardier, July 20)

Business Jets

- **Bombardier expands Challenger 300 aircraft training capabilities in Dallas.** Bombardier announced the expansion of its *Challenger 300* training capacity in Dallas, which complements an existing *Challenger 350* aircraft-training program. The Dallas training center can now train up to 3,000 pilots and 280 maintenance technicians each year. The expansion of training facilities is positive news for the company, given the forecasted shortage of new pilots in the industry by CAE and Boeing. In CAE's 10-year forecast, the commercial aviation industry will need 255,000 additional pilots by 2027 to sustain anticipated growth. More than half of the needed pilots have not yet begun training. (Sources: Bombardier, July 24; Reuters, June 20)
- **Global 7000 aircraft program surpasses 500 flight test hours. Production ramp-up underway.** Five flight-test vehicles (FTVs) will fly soon as part of an extensive *Global 7000* flight test program. Moreover, four *Global 7000* business jets are already in final assembly stages at the Bombardier facility in Toronto. These developments bode positively for the aircraft's target entry-into-service date of H2 2018. (Source: Bombardier, July 17)



CAE – Civil Aerospace / Military Industry Report

Civil

- **Boeing increases pilot demand outlook in 2017 outlook – forecast 1.2M pilots and technicians needed over the next 20 years:** Boeing released its 2017 outlook for pilot demand over the next 20 years. The company increased its 2016 forecast by 3.2%, while decreasing its estimate for airline maintenance technicians needed by 4.6%. The increase in pilot demand is driven mainly by robust growth in the APAC region, followed by strength in North America, Middle East and Europe. The decreased demand in maintenance technicians is driven by the reduction in maintenance hours required by the 737 MAX. (Boeing, Aug 2, 2017)
- **More operators expand into China – Thales gains CAAC approval for Airbus EC135:** Thales announced that the company has received the Civil Aviation Administration of China (CAAC) qualification for its Airbus Helicopters EC135 flight simulator in China. The facility will be headquartered in Chengdu, one of China's leading aviation technology hubs, and is supportive of Thales' expansion into the APAC region. (Thales, Jul 27, 2017)

Military

- **L3 Technologies awarded contract to build Training Center for the Taiwan Air Force:** Scheduled for delivery in 2018 and 2019, L3 Tech was awarded a contract to build the F-16 Peace Phoenix Rising Mission Training Center (MTC) to the Taiwan Air Force. The MTC will replace the existing F-16 mission simulators used in Taiwan, and upgrade some of the existing pilot training systems in place. (Halldale MS&T, Aug 2, 2017)
- **Military Simulation Training Market projected to grow at ~3.4% through 2027E, to US\$20.0bn:** Orbis research, in its forecast for the Global Military Simulation and Virtual training market, suggests that the Military S&T market is currently valued at US\$14.3bn and is projected to grow at a CAGR of 3.4% through the 2017-2027E period to reach US\$20.0bn. Current data suggests flight simulators will account for 59% of the global military simulation market, followed by maritime and combat simulators with shares of 23% and 18%, respectively. The sector is dominated by spending in North America, accounting for 33.5% of the market, followed by Asia Pacific and Europe, with 30.5% and 21.9%, respectively. In F2017, CAE reported ~36% of revenues in the military segment, and ~46% of revenues in North America. (Orbis Research, Aug 7, 2017)



The Landing Strip

Aircraft Interiors Expo Americas

When: August 17-19

Where: Long Beach, California

What: The Aircraft Interiors Expo is an event dedicated to cabin interior products. A wide variety of products from seating, galleys, lighting, lavatories, cabin management systems and passenger services will be displayed.

The Buzz: The Aircraft Interiors Expo is considered a sister event to the Aircraft Interiors Expo in Hamburg, which takes place every April. The Hamburg Expo is considered the flagship industry event for passenger experience improvement. Many leading airlines across the world attend the event to scope out new products and service offerings from 250+ manufacturers. In 2016, Air Canada, Singapore Airlines, American Airlines, Delta, and Air China were among the 65 airlines that attended the Expo.



Appendix 1: Airline Comparables

Symbol	14-Aug-17		EV/EBITDAR				EV/Sales				EBITDAR Margin				2018 FCF yield	Net Debt to EBITDAR	
	Price		2015	2016	2017E	2018E	2015	2016	2017E	2018E	2015	2016	2017E	2018E			
Discount Airlines																	
WestJet	WJA-CA	C\$	\$26.03	5.2x	5.4x	5.2x	4.8x	1.3x	1.3x	1.2x	1.1x	25%	24%	22%	23%	2.9%	1.7x
Southwest	LUV-US	US\$	\$54.72	6.6x	6.4x	6.5x	5.6x	1.8x	1.7x	1.7x	1.6x	27%	27%	26%	28%	8.1%	0.4x
JetBlue	JBLU-US	US\$	\$21.67	5.3x	4.6x	5.0x	4.7x	1.5x	1.4x	1.3x	1.2x	28%	31%	27%	26%	7.2%	1.1x
Discount Average				5.7x	5.6x	5.7x	5.1x	1.5x	1.5x	1.4x	1.3x	27%	27%	25%	26%	6.1%	0.8x
Mainline Airlines																	
Air Canada	AC-CA	C\$	\$22.91	5.2x	4.7x	4.5x	4.0x	0.9x	0.9x	0.8x	0.8x	18%	19%	18%	20%	10.2%	2.0x
Delta Air Lines	DAL-US	US\$	\$50.07	5.1x	4.9x	4.8x	4.6x	1.1x	1.1x	1.1x	1.0x	21%	22%	23%	23%	13.3%	0.8x
United Continental	UAL-US	US\$	\$66.71	4.2x	4.0x	4.4x	4.2x	0.9x	0.9x	0.9x	0.9x	21%	23%	20%	20%	13.8%	1.7x
American Airlines	AAL-US	US\$	\$48.81	5.0x	4.9x	5.4x	5.2x	1.1x	1.1x	1.1x	1.0x	22%	23%	20%	20%	15.4%	2.5x
Mainline Average				4.9x	4.6x	4.8x	4.4x	1.0x	1.0x	1.0x	0.9x	21%	22%	20%	21%	13.2%	1.7x
Regional Airlines																	
Chorus Aviation	CHR-CA	C\$	\$7.93	7.8x	7.5x	6.6x	6.1x	1.6x	1.9x	1.8x	1.8x	20%	25%	27%	29%	1.5%	3.8x
SkyWest Inc.	SKYW-US	US\$	\$36.90	5.7x	5.8x	5.9x	6.1x	2.0x	2.0x	2.0x	2.0x	36%	35%	34%	33%	17.0%	4.2x
Regional Average				6.8x	6.7x	6.3x	6.1x	1.8x	2.0x	1.9x	1.9x	28%	30%	30%	31%	9.3%	4.0x
Airline Average				5.6x	5.4x	5.4x	5.0x	1.4x	1.4x	1.3x	1.3x	24%	25%	24%	25%	9.9%	2.0x

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada, Chorus Aviation, and WestJet. Priced at the close on August 14, 2017



Appendix 2: Aerospace Comparables

Company	Exch: Ticker	14-Aug Price	CY EPS ⁽¹⁾				CY PER				CY EV/EBITDA ⁽¹⁾				Mkt Cap B	
			2015	2016	2017E	2018E	2015	2016	2017E	2018E	2015	2016	2017E	2018E		
Aerospace																
Boeing*	NYSE:BA	US\$	\$237.15	\$7.72	\$7.24	\$9.37	\$10.26	23.7x	25.3x	19.6x	17.9x	11.9x	14.6x	10.1x	9.5x	\$140.2
Embraer	NYSE: ERJ	US\$	\$21.01	\$1.48	\$1.58	\$1.43	\$1.47	13.7x	12.8x	14.2x	13.8x	6.1x	5.5x	5.6x	5.4x	\$3.9
General Dynamics*	NYSE: GD	US\$	\$200.30	\$9.08	\$8.64	\$9.80	\$10.54	21.5x	22.6x	20.0x	18.6x	13.0x	14.5x	12.9x	12.2x	\$60.0
Textron	NYSE: TXT	US\$	\$48.95	\$2.50	\$2.62	\$2.52	\$2.99	19.2x	18.4x	19.0x	16.1x	10.3x	10.3x	10.4x	9.1x	\$13.0
Average								19.5x	19.8x	18.2x	16.6x	10.3x	11.2x	9.7x	9.0x	
Transportation & Conglomerates																
Siemens	XE: SIE	EUR	110.20	6.17	6.93	7.84	8.15	17.9x	15.9x	14.1x	13.5x	13.1x	11.6x	10.4x	9.9x	\$93.7
General Electric	NYSE: GE	US\$	\$25.36	\$1.31	\$1.49	\$1.57	\$1.71	19.4x	17.0x	16.2x	14.8x	15.6x	17.2x	15.5x	14.3x	\$219.6
United Technologies	NYSE: UTX	US\$	\$117.15	\$6.30	\$6.61	\$6.58	\$6.99	18.6x	17.7x	17.8x	16.8x	10.0x	10.4x	10.3x	10.0x	\$93.6
Average								18.6x	16.9x	16.0x	15.0x	12.9x	13.1x	12.1x	11.4x	
Aerospace Multiples								19.5x	19.8x	18.2x	16.6x	10.3x	11.2x	9.7x	9.0x	
Transportation Multiples (ex. GE, UTX)								17.9x	15.9x	14.1x	13.5x	13.1x	11.6x	10.4x	9.9x	
Average								18.7x	17.8x	16.1x	15.0x	11.7x	11.4x	10.1x	9.5x	
Bombardier	TSX: BBD.B	C\$	\$2.63	\$0.16	-\$0.15	\$0.00	\$0.09	12.8x	nmf	nmf	23.0x	10.9x	13.6x	11.1x	7.3x	\$5.9

* Covered by RBC Capital Markets, LLC Aerospace and Defense analyst Matthew McConnell

(1) Peer group consensus EPS and EBITDA estimates sourced from FactSet

Sources: Company reports, FactSet, and RBC Capital Markets estimates. Priced at the close on August 14, 2017



Companies mentioned

Air Canada (TSX: AC CN; C\$22.91; Top Pick; Speculative Risk)
Bombardier Inc. (TSX: BBD.B.TO; C\$2.63; Outperform; Speculative Risk)
CAE Inc. (TSX: CAE.TO; C\$20.84; Sector Perform)
Chorus Aviation Inc. (TSX: CHR.TO; C\$7.93; Outperform)
WestJet Airlines Ltd. (TSX: WJA.TO; C\$26.03; Sector Perform)

Required disclosures

Non-U.S. analyst disclosure

Walter Spracklin, Derek Spronck, Steve Arthur and Niki Shi (i) are not registered/qualified as research analysts with the NYSE and/or FINRA and (ii) may not be associated persons of the RBC Capital Markets, LLC and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Conflicts disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

Please note that current conflicts disclosures may differ from those as of the publication date on, and as set forth in, this report. To access current conflicts disclosures, clients should refer to <https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?entityId=1> or send a request to RBC CM Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

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

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from Air Canada 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 Air Canada.

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.

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

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.

Diane Fontaine, an Investment Advisor with RBC Investments, is an Advisory Council Member of Bombardier Inc.

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

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..

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

Michael Fortier, Vice Chairman of RBC Capital Markets, is a member of the Board of Directors of CAE Inc..

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



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

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

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

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

RBC Capital Markets, LLC makes a market in the securities of Embraer S.A..

RBC Dominion Securities Inc. makes a market in the securities of WestJet Airlines Ltd..

RBC Capital Markets has provided WestJet Airlines Ltd. with non-securities services in the past 12 months.

The Class A shares of WestJet Airlines Ltd. are variable voting shares.

An analyst involved in the preparation of this report has visited material operations of Bombardier Inc., and more specifically, the facilities of Bombardier 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 Bombardier Inc. 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. Although RBC Capital Markets' ratings of Top Pick (TP)/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.

Ratings

Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio.

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.

Risk Rating

As of March 31, 2013, RBC Capital Markets suspends its Average and Above Average risk ratings. 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 Top Pick(TP)/ 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 (as described above).

Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 30-Jun-2017				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Top Pick & Outperform]	826	52.01	293	35.47
HOLD [Sector Perform]	657	41.37	144	21.92
SELL [Underperform]	105	6.61	7	6.67

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 <https://www.rbcinsight.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.

Conflicts policy

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request. To access our current policy, clients should refer to

<https://www.rbccm.com/global/file-414164.pdf>

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. We reserve the right to amend or supplement this policy at any time.

Dissemination of research and short-term trade ideas

RBC Capital Markets endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. RBC Capital Markets' equity research is posted to our proprietary website to ensure eligible clients receive coverage initiations and changes in ratings, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax, or other electronic means, or regular mail. Clients may also receive our research via third party vendors. RBC Capital Markets also provides eligible clients with access to SPARC on the Firms proprietary INSIGHT website, via email and via third-party vendors. SPARC contains market color and commentary regarding subject companies on which the Firm currently provides equity research coverage. Research Analysts may, from time to time, include short-term trade ideas in research reports and / or in SPARC. A short-term trade idea offers a short-term view on how a security may trade, based on market and trading events, and the resulting trading opportunity that may be available. A short-term trade idea may differ from the price targets and recommendations in our published research reports reflecting the research analyst's views of the longer-term (one year) prospects of the subject company, as a result of the differing time horizons, methodologies and/or other factors. Thus, it is possible that a subject company's common equity that is considered a long-term 'Sector Perform' or even an 'Underperform' might present a short-term buying opportunity as a result of temporary selling pressure in the market; conversely, a subject company's common equity rated a long-term 'Outperform' could be considered susceptible to a short-term downward price correction. Short-term trade ideas are not ratings, nor are they part of any ratings system, and the firm generally does not intend, nor undertakes any obligation, to maintain or update short-term trade ideas. Short-term trade ideas may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any securities or strategies discussed herein. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets' research.

For a list of all recommendations on the company that were disseminated during the prior 12-month period, please click on the following link: <https://rbcnew.bluematrix.com/sellside/MAR.action>

The 12 month history of SPARCs can be viewed at <https://www.rbcinsight.com/CM/Login>.

Analyst certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Third-party-disclaimers

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Disclaimer

RBC Capital Markets is the business name used by certain branches and subsidiaries of the Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, Royal Bank of Canada, Hong Kong Branch and Royal Bank of Canada, Sydney Branch. The information contained in this



report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. RBC Capital Markets may be restricted from publishing research reports, from time to time, due to regulatory restrictions and/or internal compliance policies. If this is the case, the latest published research reports available to clients may not reflect recent material changes in the applicable industry and/or applicable subject companies. RBC Capital Markets research reports are current only as of the date set forth on the research reports. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC Capital Markets.

Additional information is available on request.

To U.S. Residents:

This publication has been approved by RBC Capital Markets, LLC (member FINRA, NYSE, SIPC), which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC.

To Canadian Residents:

This publication has been approved by RBC Dominion Securities Inc.(member IIROC). Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents:

This publication has been approved by RBC Europe Limited ('RBCEL') which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority, in connection with its distribution in the United Kingdom. This material is not for general distribution in the United Kingdom to retail clients, as defined under the rules of the FCA. However, targeted distribution may be made to selected retail clients of RBC and its affiliates. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To German Residents:

This material is distributed in Germany by RBC Europe Limited, Frankfurt Branch which is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

To Persons Receiving This Advice in Australia:

This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product. This research report is not for retail investors as defined in section 761G of the Corporations Act.

To Hong Kong Residents:

This publication is distributed in Hong Kong by Royal Bank of Canada, Hong Kong Branch, which is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission ('SFC'), RBC Investment Services (Asia) Limited and RBC Investment Management (Asia) Limited, both entities are regulated by the SFC. Financial Services provided to Australia: Financial services may be provided in Australia in accordance with applicable law. Financial services provided by the Royal Bank of Canada, Hong Kong Branch are provided pursuant to the Royal Bank of Canada's Australian Financial Services Licence ('AFSL') (No. 246521.)

To Singapore Residents:

This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch, a registered entity granted offshore bank licence by the Monetary Authority of Singapore. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch. Royal Bank of Canada, Singapore Branch accepts responsibility for this report and its dissemination in Singapore.

To Japanese Residents:

Unless otherwise exempted by Japanese law, this publication is distributed in Japan by or through RBC Capital Markets (Japan) Ltd. which is a Financial Instruments Firm registered with the Kanto Local Financial Bureau (Registered number 203) and a member of the Japan Securities Dealers Association ("JSDA").

* Registered trademark of Royal Bank of Canada. RBC Capital Markets is a trademark of Royal Bank of Canada. Used under license.

Copyright © RBC Capital Markets, LLC 2017 - Member SIPC

Copyright © RBC Dominion Securities Inc. 2017 - Member Canadian Investor Protection Fund

Copyright © RBC Europe Limited 2017

Copyright © Royal Bank of Canada 2017

All rights reserved