



September 12, 2018

## Flight Deck - August 2018

### Fare prices are flying high

RBC Fare Survey shows double digit fare price growth YoY. Our proprietary Fare Survey tracks price changes on selected routes to gauge the direction and magnitude of fare prices in the month. Based on these data, fares at both Air Canada and WestJet are tracking very strong in Q3. On a QTD basis for July /Aug, fares are tracking 12.5% and 11.3% higher Y/Y for AC and WJA, respectively.

**July fare prices very strong, mostly in domestic.** On a M/M basis, we saw fare prices generally flat in August, but this follows a particularly strong month in July. AC fares were slightly lower by 78 bps in Aug, and WJA fares were more or less flat, declining 12 bps compared to July. As per Q2 commentary from management, both airlines likely implemented price increases during the peak July months. The fare price growth was especially strong in the domestic segment for both airlines, with weakness coming from the transborder or vacation segments.

**Fare prices to remain strong.** We are expecting fare prices to edge up even further, although acknowledge that there may be some divergence between AC and WJA in the short term. While AC is in a better position from a CASM perspective, there is significant focus on achieving the 12% ROIC target for 2018 (and 13-16% for 2019/2020). Since we have not seen a sustainable decline in crude prices, and AC has targeted to pass on 75% of the crude price increase, we expect them to be most aggressive and do 3% yield growth for the rest of the year. While WestJet is dealing with high levels of CASM with the rollout of Swoop and ahead of the Dreamliner rollout in Q4, they are likely still recovering from weak booking levels from the potential strike talks, and we only anticipate a return to positive yield growth in Q4. (RBC: +1.5% Y/Y).

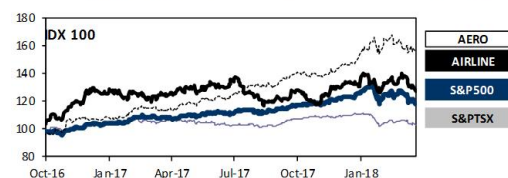
**Traffic remains robust, but capacity growth surges.** WestJet reported solid traffic numbers of 8.1% in August, less than capacity growth of 10%, leading to a system load factor of 89.0% (down 160 points Y/Y). Similarly, the North American peer group reported solid traffic growth of 5.1%; with capacity rising by 5.5%, leading to a decrease in the load factor by 0.4%. We do note that the airlines have done a decent job of matching capacity to demand, with the load factor remaining fairly steady so far this year (YTD monthly average +0.8%).

#### In this edition...

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



INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&P500	(1.7)	(0.9)	7.2	▼
S&P 500	1.5	7.6	16.9	Δ
AMEX Airline	2.0	(8.7)	0.9	Δ
AMEX Aerospace	1.6	6.9	20.4	Δ



COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	0.9	15.0	35.2	Δ
Jet Fuel	2.8	7.5	16.9	Δ
CAD/USD	0.2	4.7	8.7	Δ

AEROSPACE	1-M (%)	YTD (%)	1-YR (%)	TREND
Bombardier	(0.2)	54.8	97.1	▼
Boeing	0.7	15.9	43.2	Δ
EADS	(2.5)	26.3	48.7	▼
Embraer	3.0	(18.8)	(17.5)	Δ
General Dynamics	2.0	(3.8)	(1.1)	Δ
Textron	6.3	23.4	41.9	Δ
United Technologies	0.4	4.8	22.0	Δ

N.A. MAINLINE	1-M (%)	YTD (%)	1-YR (%)	TREND
Air Canada	14.2	3.7	21.5	Δ
AMR	5.8	(24.2)	(9.6)	Δ
Delta	5.2	2.8	21.3	Δ
United	7.8	30.7	50.9	Δ

N.A. REGIONAL	1-M (%)	YTD (%)	1-YR (%)	TREND
Alaska	7.8	(7.3)	(8.3)	Δ
Allegiant	1.3	(14.3)	14.9	Δ
Chorus Aviation	7.4	(19.2)	(4.3)	Δ
JetBlue	3.1	(14.9)	1.7	Δ
SkyWest	4.6	16.7	68.3	Δ
Southwest	6.0	(4.5)	18.2	Δ
WestJet	12.2	(26.7)	(24.4)	Δ

INTL. AIRLINES	1-M (%)	YTD (%)	1-YR (%)	TREND
Lufthansa	(2.3)	(27.3)	1.1	▼
Air France/KLM	(6.7)	(38.5)	(37.2)	▼
BA/Iberia	(1.8)	2.4	12.4	▼
Cathay Pacific	(6.3)	(26.2)	(48.9)	▼
Air China	(1.4)	(26.9)	(6.0)	▼
China Eastern	(0.2)	(16.4)	10.5	▼
China Southern	(11.1)	(41.6)	(26.1)	▼
Singapore Airlines	0.8	(9.7)	(5.7)	Δ
Qantas	(6.9)	23.0	8.2	▼

Source: Bloomberg



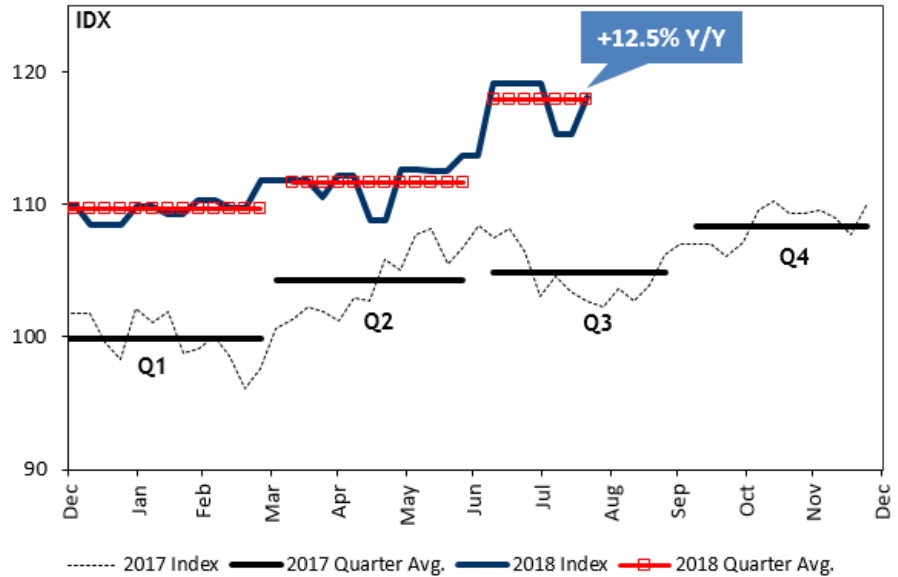
### RBC Fare Survey

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

According to the RBC Fare tracker, fares at Air Canada are tracking very strong in Q3. On a QTD basis for July / Aug, fares are tracking 12.5% higher Y/Y, and this is even off a strong quarter in 2017 (adjusted for stage length changes, we see fares up +10%). Zeroing in on the August data in particular, fares were slightly lower by 78 bps month/month, but this follows a particularly strong month of July, in which fares were up by almost 5% compared to June.

Looking at segments, the majority of the fare increases came from the domestic segment, with the Transborder and Vacation segment slightly negative. The International segment posted generally flat fare prices.

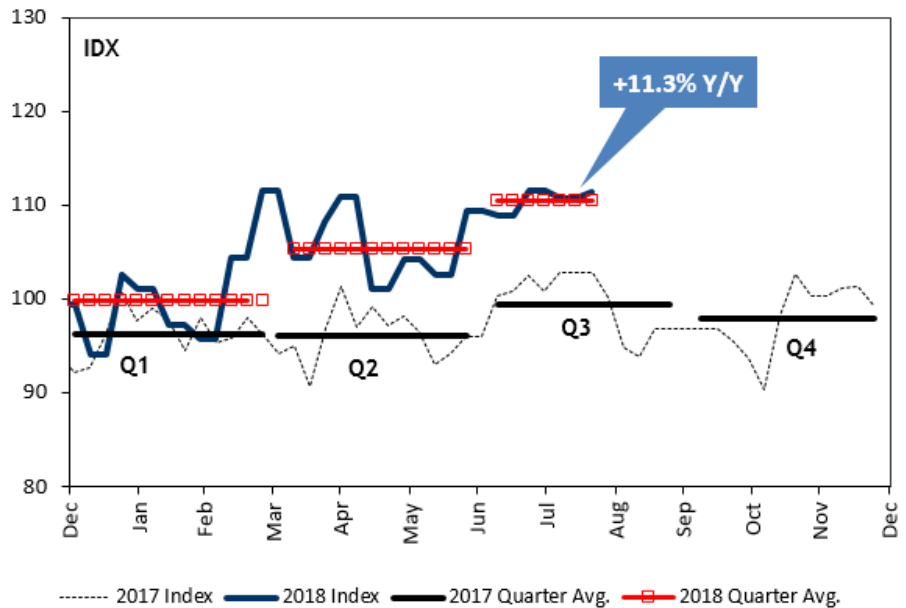


Sources: RBC Capital Markets estimates, Company websites

#### WestJet

According to the RBC fare tracker, fares at WestJet are trending up 11.3% Y/Y on a QTD basis, and we expect fare price increases to continue, given the continued high oil price environment and high spending levels at the company.

Looking at August, fares were down by 12 bps compared to July, however we note that July was also a particularly strong month as well (up 2% M/M). Similar to Air Canada, most of the strength came from the domestic segment. Fare prices for Vacation were flat, while Transborder posted slight declines.



Sources: RBC Capital Markets estimates, Company websites

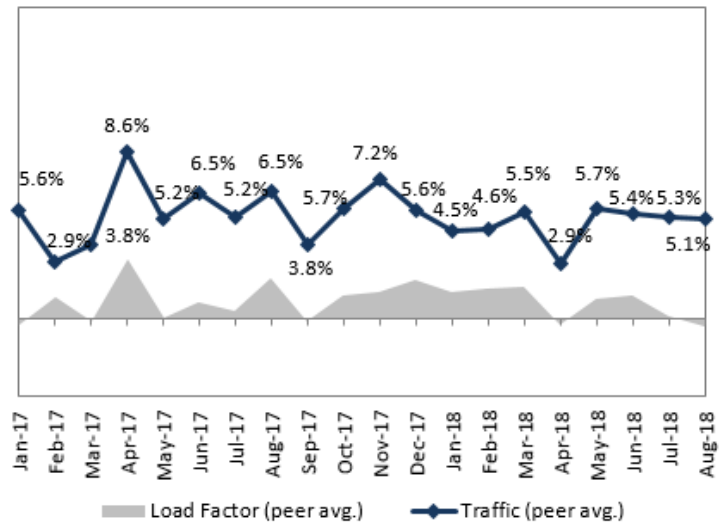


## The Load Factor

### Industry trends

On average, the peer group reported 5.1% traffic growth in August. This was slightly below the average capacity growth of 5.5%, leading to a decrease in the load factor by 0.4%.

So far this year, airlines have done a good job matching capacity to demand. Even with the slight decrease this month, load factors have remained steady, with the YTD monthly average at +0.8%.

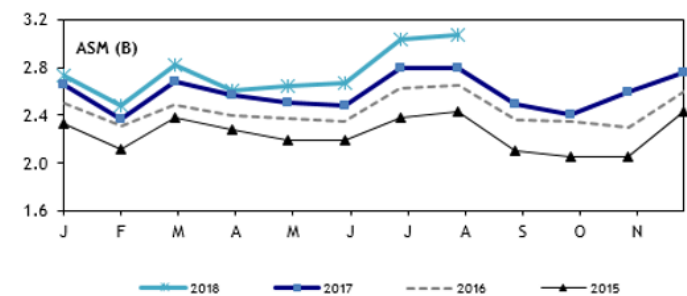
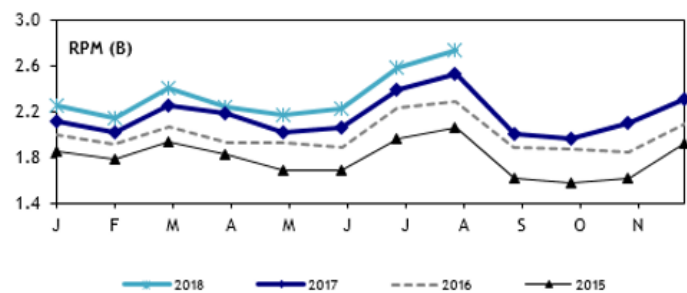


Sources: Company websites, RBC Capital Markets estimates

### WestJet

WestJet reported positive traffic growth in August, up 8.1%, which was below our estimate of 10.5%. This came on the back of capacity growth of 10% (close to our 10.5% estimate), which led to a system load factor of 89.0% (down 160 points Y/Y).

We note that both traffic and capacity are at the highest levels since we started tracking the data in 2014.



	August			YTD		
	2018	2017	Δ	2018	2017	Δ
RPMs (B)	2.736	2.531	+8.1%	18.780	17.575	+6.9%
ASMs (B)	3.074	2.794	+10.0%	22.062	20.851	+5.8%
Load Factor	89.0%	90.6%	-1.6 pts	85.1%	84.3%	0.8 pts

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

Sources: Company websites, RBC Capital Markets estimates



## 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

- **Ethiopian Defers A220 Decision Following Airbus Acquisition.** Ethiopian Airlines has suspended its planned order for at least 20 examples of the former Bombardier C Series following Airbus's acquisition and renaming of the program now known as the A220. The airline engaged in an evaluation of the former Bombardier program for more than two years. However, now that the European airframer controls the program's marketing, Ethiopian has decided to wait to gain a better understanding of Airbus's plans (Aviation International News, August 20, 2018).

#### Regional Jets

- **Biman signs order for three new Bombardier Q400 aircraft.** Bombardier Commercial Aircraft announced that Biman Bangladesh Airlines Ltd. has ordered three new Q400 turboprops by signing a purchase agreement with the Canadian Commercial Corporation (CCC). Based on the list price of the Q400 aircraft, the firm order is valued at approximately US\$106 million. (Bombardier, September 10, 2018)
- **Bombardier's 90-seat Q400 Gets Transport Canada nod.** Bombardier's 90-passenger Q400 aircraft configuration has received certification from Transport Canada, making it the first commercial turboprop in production to reach that capacity, the company announced. Engineers managed to increase the Q400's capacity from 78 to 90 seats with some relatively minor modifications to the positioning of the rear bulkhead and replacement of the starboard side baggage door with a passenger door. The company says the increase results in a 15-percent reduction in operating cost, a major draw for low-fare airlines such as India's SpiceJet (Aviation International News, Aug. 1, 2018).

#### Business Jets

- **Certification nears for Bombardier Global 7500.** Bombardier has almost wrapped up certification flight-testing on its ultra-long-range Global 7500 and expects to secure approval for the twinjet "shortly", ahead a first delivery later this year. Nearly 20 examples of the GE Aviation Passport-powered business jet are in production, said Alain Bellemare, Bombardier chief executive, on a 2 August earnings call. "Right now, we're in the final phase of certification. We are almost done with flight testing," says Bellemare. "So, I mean certification is expected soon. (Flight Global, August 6, 2018)
- **Bombardier's \$56M G6500 business jet is coming to the UAE.** Waving the flag for the latest breed of business jets is the new Global 6500 that Bombardier Business Aircraft unveiled in May at the European Business Aviation Convention & Exhibition (EBACE) in Geneva. Bombardier also unveiled a smaller G5500 jet at the same event. The development of these jets was a well-guarded secret, but a bigger and better kept surprise was the all-new Rolls-Royce Pearl engines you see on the aircraft, reportedly under development for the last six years. The engines are quieter, cleaner and more efficient than any made for business jets previously. The engines also give the G6500 a top speed of 0.9 mach. (Gulf Business News, August 9, 2018)



## CAE

### Civil

- **CAE signs 5-year MPL cadet training agreement with AirAsia:** CAE announced the contract with AirAsia at the 2018 Asia Pacific Airline Training Symposium (APATS). The new agreement has CAE training more than 400 cadets in a competency-based Multi-Crew Pilot License (MPL) program. The CAE-AirAsia MPL program includes a rigorous cadet selection process, integrated English language training and a blended training methodology with emphasis on crew resource management and threat/error management. (CAE, August 28, 2018)
- **TRU S&T wins contract from Flying Doctor Service:** The Royal Flying Doctor Service (RFDS) awarded TRU Simulation + Training with a contract to provide a King Air 350/250 convertible flight training device. The device is expected to be delivered by the third quarter of 2019 and includes a real King Air 350 fuselage nose section featuring Collins Pro Line Fusion avionics and TRU's REALfeel technology – the first flight training device of this type in the region. (The Journal for Civil Aviation Training, August 24, 2018)

### Military

- **FlightSafety wins two aircrew training contracts:** FlightSafety International recently announced that they won contracts for Bell TH-57 Aircrew Training Services and a Boeing C-17 Aircrew Training System. With the TH-57 Aircrew Training Services program, FlightSafety will deliver instruction and contractor logistics support and manage the replacement of the current training devices. The C-17 Aircrew Training System contract will support the U.S. Air Force Air Mobility Command. The agreement includes program management, aircrew instruction and courseware development, and upgrades for the training devices and visual systems. (Military Simulation & Training Magazine, August 27, 2018)
- **Kratos awarded \$980MM Training Systems IV Contract from NAWCTSD:** The US Navy's Naval Air Warfare Center Training System Division (NAWCTSD) has awarded Kratos Defense & Security Solutions Inc. with a new Training Systems Contract IV worth up to \$980MM. The contract was awarded to 22 other companies, and is effective for up to nine years. Kratos will supply the Naval Air Systems Command with new training systems, complementary Instructional Systems Development (ISD) and complementary training systems support. The company will be responsible for integrating virtual reality, augmented reality and mixed reality simulation technologies. (Naval Technology, August 28, 2018)
- **CAE signs contract with Royal New Zealand Air Force to deliver flight simulator:** The contract was awarded from the New Zealand Defence Force (NZDF) to provide the Royal New Zealand Air Force (RNZAF) with a CAE 700MR Series NH90 flight training device (FTD). The contract includes the provision of long-term maintenance and support services upon delivery in 2020, and is valued at more than C\$50MM. CAE's 700MR Series FTD is designed specifically for military helicopter flight and mission training. The device includes a fixed-based platform with a dynamic seat for vibration, in addition to CAE's Medallion-6000XR image generator and visual display system. (CAE, August 9, 2018)



Appendix 1: Comparables

Symbol	11-Sep-18		EV/EBITDAR				EV/Sales				EBITDAR Margin				Net Debt to EBITDAR	EV (MM)	
	Price		2016	2017	2018E	2019E	2016	2017	2018E	2019E	2016	2017	2018E	2019E			
<b>Discount Airlines</b>																	
WestJet	WJA-CA	C\$	\$19.51	4.5x	4.3x	5.9x	4.9x	1.0x	1.0x	0.9x	0.9x	24%	22%	15%	17%	2.9x	4,327
Southwest	LUV-US	US\$	\$62.98	6.9x	7.7x	8.1x	7.1x	1.8x	1.8x	1.7x	1.6x	26%	23%	21%	22%	0.3x	37,374
JetBlue	JBLU-US	US\$	\$19.04	4.1x	4.8x	5.7x	5.1x	1.1x	1.1x	1.0x	0.9x	28%	22%	17%	18%	1.2x	7,532
<b>Discount Average</b>				<b>5.2x</b>	<b>5.6x</b>	<b>6.6x</b>	<b>5.7x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>26%</b>	<b>22%</b>	<b>18%</b>	<b>19%</b>	<b>0.7x</b>	
<b>Mainline Airlines</b>																	
Air Canada	AC-CA	C\$	\$27.33	5.0x	4.7x	5.0x	4.3x	1.0x	0.9x	0.8x	0.8x	19%	18%	16%	17%	2.2x	13,964
Delta Air Lines	DAL-US	US\$	\$58.27	5.7x	5.9x	6.3x	5.7x	1.3x	1.2x	1.1x	1.1x	22%	21%	18%	19%	1.2x	50,191
United Continental	UAL-US	US\$	\$89.12	5.1x	5.9x	6.0x	5.5x	1.0x	1.0x	0.9x	0.9x	20%	17%	16%	16%	2.2x	38,073
American Airlines	AAL-US	US\$	\$40.18	5.3x	5.9x	7.0x	6.3x	1.1x	1.1x	1.0x	1.0x	22%	19%	15%	16%	4.2x	46,101
<b>Mainline Average</b>				<b>5.3x</b>	<b>5.6x</b>	<b>6.1x</b>	<b>5.5x</b>	<b>1.1x</b>	<b>1.0x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>21%</b>	<b>19%</b>	<b>16%</b>	<b>17%</b>	<b>2.5x</b>	
<b>Regional Airlines</b>																	
Chorus Aviation	CHR-CA	C\$	\$7.90	8.7x	7.5x	6.4x	6.1x	2.2x	2.1x	2.0x	1.9x	25%	28%	31%	32%	4.3x	2,817
SkyWest Inc.	SKYW-US	US\$	\$62.00	7.5x	6.3x	7.6x	7.6x	2.3x	2.2x	2.2x	2.1x	30%	35%	29%	28%	4.1x	7,060
<b>Regional Average</b>				<b>8.1x</b>	<b>6.9x</b>	<b>7.0x</b>	<b>6.8x</b>	<b>2.2x</b>	<b>2.1x</b>	<b>2.1x</b>	<b>2.0x</b>	<b>28%</b>	<b>31%</b>	<b>30%</b>	<b>30%</b>	<b>4.2x</b>	
<b>Airline Average</b>				<b>5.9x</b>	<b>5.9x</b>	<b>6.5x</b>	<b>5.9x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>24%</b>	<b>23%</b>	<b>20%</b>	<b>21%</b>	<b>2.5x</b>	

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada, Chorus Aviation, and WestJet. Priced at market close on September 11, 2018



Appendix 2: AC Model

FY Dec 31	2016	Q1/17	Q2/17	Q3/17E	Q4/17	2017A	Q1/18	Q2/18E	Q3/18E	Q4/18E	2018E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E	2020E
Traffic / RPM (MMs)	76,481	18,341	20,928	26,472	19,396	85,137	20,440	22,654	28,193	20,463	91,749	21,053	23,334	29,038	21,077	94,502	96,864
% change	13.2%	14.0%	13.6%	8.8%	9.9%	11.3%	11.4%	8.2%	6.5%	5.5%	7.8%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%
Capacity / ASM (MMs)	92,726	22,894	25,357	31,050	24,191	103,492	24,862	27,269	33,068	25,522	110,721	25,608	28,087	34,060	26,287	114,042	117,464
% change	14.7%	15.4%	13.5%	9.1%	9.5%	11.6%	8.6%	7.5%	6.5%	5.5%	7.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Load Factor (%)	82.5%	80.1%	82.5%	85.3%	80.2%	82.3%	82.2%	83.1%	85.3%	80.2%	82.9%	82.2%	83.1%	85.3%	80.2%	82.9%	82.5%
change (% pts)	-1.0%	-1.0%	0.1%	-0.2%	0.3%	-0.2%	2.1%	0.5%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%
Yield (\$)	0.169	0.170	0.170	0.166	0.171	0.169	0.171	0.173	0.171	0.176	0.173	0.174	0.177	0.174	0.180	0.176	0.179
% change	-6.4%	-2.4%	1.5%	0.4%	1.4%	0.1%	0.4%	2.0%	3.0%	3.0%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	1.5%
RASM (Rev per unit of capacity, cents)	14.2	13.6	14.0	14.2	13.7	14.0	14.0	14.4	14.6	14.1	14.3	14.3	14.7	14.9	14.4	14.6	14.7
CASM (excl. fuel) (cents)	11.5	12.7	11.1	9.5	11.7	11.1	12.7	11.0	9.6	11.3	11.1	12.6	11.2	10.0	11.4	11.2	11.3
<b>Total Revenues</b>	<b>14,677</b>	<b>3,642</b>	<b>3,910</b>	<b>4,880</b>	<b>3,820</b>	<b>16,252</b>	<b>4,071</b>	<b>4,333</b>	<b>5,258</b>	<b>4,082</b>	<b>17,744</b>	<b>4,259</b>	<b>4,547</b>	<b>5,511</b>	<b>4,274</b>	<b>18,591</b>	<b>19,302</b>
Wages, salaries and benefits	2510	644	663	690	674	2671	700	711	718	694	2823	735	747	754	729	2966	3116
% Sales	17.1%	17.7%	17.0%	14.1%	17.6%	16.4%	17.2%	16.4%	13.7%	17.0%	15.9%	17.3%	16.4%	13.7%	17.1%	16.0%	16.1%
Aircraft Fuel - total	2606	754	797	941	847	3339	939	1099	1336	1027	4401	1010	1068	1291	1002	4372	4320
% Sales	17.8%	20.7%	20.4%	19.3%	22.2%	20.5%	23.1%	25.4%	25.4%	25.2%	24.8%	23.7%	23.5%	23.4%	23.5%	23.5%	22.4%
Sales and distribution costs	703	181	188	204	169	742	189	199	225	179	792	195	205	232	184	815	840
% Sales	4.8%	5.0%	4.8%	4.2%	4.4%	4.6%	4.6%	4.6%	4.3%	4.4%	4.5%	4.6%	4.5%	4.2%	4.3%	4.4%	4.4%
Food, beverages, supplies	349	85	97	112	89	383	96	108	126	94	424	99	111	129	97	436	449
% Sales	2.4%	2.3%	2.5%	2.3%	2.3%	2.4%	2.4%	2.5%	2.4%	2.3%	2.4%	2.3%	2.4%	2.3%	2.3%	2.3%	2.3%
Aircraft maintenance	883	228	226	241	243	938	256	220	248	304	1028	269	231	261	319	1079	1133
% Sales	6.0%	6.3%	5.8%	4.9%	6.4%	5.8%	6.3%	5.1%	4.7%	7.4%	5.8%	6.3%	5.1%	4.7%	7.5%	5.8%	5.9%
Airport and navigation fees	859	210	230	264	201	905	221	237	288	212	958	228	244	296	218	986	1016
% Sales	5.9%	5.8%	5.9%	5.4%	5.3%	5.6%	5.4%	5.5%	5.5%	5.2%	5.4%	5.3%	5.4%	5.4%	5.1%	5.3%	5.3%
Communications and information tech	242	71	58	63	62	254	79	67	66	58	270	81	69	68	59	278	275
% Sales	1.6%	1.9%	1.5%	1.3%	1.6%	1.6%	1.9%	1.5%	1.3%	1.4%	1.5%	1.9%	1.5%	1.2%	1.4%	1.5%	1.4%
Other	3268	847	867	904	908	3526	918	932	981	857	3688	921	994	1044	879	3838	3985
% Sales	22.3%	23.3%	22.2%	18.5%	23.8%	21.7%	22.5%	21.5%	18.7%	21.0%	20.8%	21.6%	21.9%	19.0%	20.6%	20.6%	20.6%
Regional airline expense (ex fuel and L	2027	521	535	535	546	2137	542	588	560	510	2200	580	631	603	537	2351	2441
% Sales	13.8%	14.3%	13.7%	11.0%	14.3%	13.1%	13.3%	13.6%	10.7%	12.5%	12.4%	13.6%	13.9%	11.0%	12.6%	12.6%	12.6%
<b>Total Operating Costs</b>	<b>11,420</b>	<b>3,020</b>	<b>3,126</b>	<b>3,419</b>	<b>3,193</b>	<b>12,758</b>	<b>3,398</b>	<b>3,573</b>	<b>3,987</b>	<b>3,424</b>	<b>14,383</b>	<b>3,537</b>	<b>3,670</b>	<b>4,076</b>	<b>3,488</b>	<b>14,771</b>	<b>15,133</b>
<b>EBITDAR</b>	<b>2,768</b>	<b>366</b>	<b>681</b>	<b>1,388</b>	<b>521</b>	<b>2,956</b>	<b>397</b>	<b>646</b>	<b>1,189</b>	<b>549</b>	<b>2,780</b>	<b>438</b>	<b>760</b>	<b>1,351</b>	<b>673</b>	<b>3,221</b>	<b>3,552</b>
% of sales	18.9%	10.0%	17.4%	28.4%	13.6%	18.2%	9.8%	14.9%	22.6%	13.4%	15.7%	10.3%	16.7%	24.5%	15.8%	17.3%	18.4%
<b>EPS (F.D) (\$) (Exc. Special charges)</b>	<b>\$ 4.11</b>	<b>\$ (0.23)</b>	<b>\$ 0.83</b>	<b>\$ 0.65</b>	<b>\$ 0.26</b>	<b>\$ 1.50</b>	<b>\$ (0.32)</b>	<b>\$ 0.60</b>	<b>\$ 2.48</b>	<b>\$ 0.41</b>	<b>\$ 3.18</b>	<b>\$ (0.09)</b>	<b>\$ 0.99</b>	<b>\$ 2.84</b>	<b>\$ 0.84</b>	<b>\$ 4.58</b>	<b>\$ 5.72</b>

Source: RBC CM estimates, Company reports



Appendix 3: WJA Model

WESTJET (TSX: WJA)																
FY Dec. 31 (\$MM's)	2016	Q1/17	Q2/17	Q3/17	Q4/17	2017	Q1/18	Q2/18	Q3/18E	Q4/18E	2018E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	2019E
Traffic (RPMs in MM)	23,967	6,393	6,260	6,922	6,329	25,904	6,810	6,645	7,649	6,614	27,717	7,186	7,012	8,069	6,978	29,244
% change	11.3%	6.8%	8.9%	7.9%	8.8%	8.1%	6.5%	6.1%	10.5%	4.5%	7.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Capacity (ASMs in MM)	29,299	7,699	7,564	8,076	7,659	30,998	8,029	7,922	8,924	8,004	32,879	8,466	8,358	9,415	8,444	34,683
% change	8.9%	5.5%	6.3%	5.8%	5.6%	5.8%	4.3%	4.7%	10.5%	4.5%	6.1%	5.4%	5.5%	5.5%	5.5%	5.5%
Load Factor in (%)	81.8%	83.0%	82.8%	85.7%	82.6%	83.6%	84.8%	83.9%	85.7%	82.6%	84.3%	84.9%	83.9%	85.7%	82.6%	84.3%
change (%pts)	1.8%	0.9%	2.0%	1.7%	2.4%	1.8%	1.8%	1.1%	0.0%	0.0%	0.7%	0.1%	0.0%	0.0%	0.0%	0.0%
Yield (cents per RPM)	17.20	17.44	16.91	17.56	17.66	17.40	17.50	16.36	16.68	17.83	17.08	17.76	16.61	16.93	18.10	17.34
% change	-8.1%	1.3%	2.4%	0.2%	0.9%	1.1%	0.3%	-3.2%	-5.0%	1.0%	-1.8%	1.5%	1.5%	1.5%	1.5%	1.5%
RASM (Revenue per unit of capacity, cents)	14.1	14.5	14.0	15.1	14.6	14.5	14.8	13.7	14.3	14.7	14.4	15.1	13.9	14.5	15.0	14.6
CASM (excl. fuel) (cents)	10.0	10.4	10.0	9.6	10.3	10.1	10.6	10.3	9.6	10.3	10.2	10.7	10.2	9.7	10.4	10.2
<b>Total Revenues</b>	<b>4,122.9</b>	<b>1,114.7</b>	<b>1,058.3</b>	<b>1,215.6</b>	<b>1,117.4</b>	<b>4,506.0</b>	<b>1,191.7</b>	<b>1,087.6</b>	<b>1,276.0</b>	<b>1,179.5</b>	<b>4,734.8</b>	<b>1,276.3</b>	<b>1,164.6</b>	<b>1,366.3</b>	<b>1,263.0</b>	<b>5,070.3</b>
% change	2.3%	8.1%	11.5%	8.1%	9.8%	9.3%	6.9%	2.8%	5.0%	5.6%	5.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Airport Operations	581.9	168.9	154.5	127.1	158.7	609.3	172.9	161.8	135.1	165.9	635.7	182.3	164.2	142.6	175.0	664.1
% change	4%	6%	6%	6%	2%	5%	2%	5%	6%	4%	4%	5%	1%	5%	6%	4%
Aircraft Fuel	765.9	235.5	224.9	238.0	251.6	950.0	281.2	302.3	358.2	316.2	1257.8	313.8	302.4	343.0	303.8	1263.0
% change	-6%	42%	23%	15%	20%	24%	19%	34%	51%	26%	32%	12%	0%	-4%	-4%	0%
Maintenance	231.5	62.0	56.7	65.7	58.2	242.6	63.4	59.4	69.9	60.9	253.5	66.9	60.2	73.7	64.2	265.0
% change	1%	6%	6%	6%	2%	5%	2%	5%	6%	4%	4%	5%	1%	5%	5%	5%
Sales & Distribution	442.7	114.4	109.6	127.1	112.6	463.9	117.1	114.8	135.1	117.7	484.8	123.5	116.5	142.6	124.2	506.8
% change	16%	6%	6%	6%	2%	5%	2%	5%	6%	4%	5%	5%	1%	5%	5%	5%
Marketing, General & Administrative	243.2	64.3	59.8	69.3	61.4	254.9	65.8	62.6	73.7	64.2	266.4	69.4	63.6	77.8	67.7	278.5
% change	5%	6%	6%	6%	2%	5%	2%	5%	6%	4%	4%	5%	1%	6%	5%	5%
Customer Service (Reservations)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Flight Operations	567.9	150.4	139.5	161.8	143.4	595.1	154.0	146.1	172.0	149.8	621.9	162.3	148.3	181.4	158.1	650.1
% change	14%	6%	6%	6%	2%	5%	2%	5%	6%	4%	4%	5%	1%	5%	6%	5%
In-Flight	232.1	62.1	56.8	65.9	58.4	243.2	63.6	59.5	70.0	61.0	254.1	67.1	60.4	73.9	64.4	265.7
% change	12%	6%	6%	6%	2%	5%	2%	5%	6%	4%	4%	5%	1%	5%	5%	5%
Employee Profit Sharing	59.3	7.0	7.8	27.6	4.4	46.8	6.4	-3.3	0.0	0.0	3.1	0.0	0.0	0.0	0.0	0.0
<b>EBITDAR (after profit sharing)</b>	<b>969.0</b>	<b>220.8</b>	<b>218.3</b>	<b>342.4</b>	<b>224.5</b>	<b>1,006.0</b>	<b>200.9</b>	<b>117.9</b>	<b>218.8</b>	<b>189.9</b>	<b>727.6</b>	<b>208.4</b>	<b>149.6</b>	<b>275.7</b>	<b>243.5</b>	<b>877.1</b>
% of sales	23.5%	19.8%	20.6%	28.2%	20.1%	22.3%	16.9%	10.8%	17.1%	16.1%	15.4%	16.3%	12.8%	20.2%	19.3%	17.3%
<b>EPS F.D.</b>	<b>2.45</b>	<b>0.40</b>	<b>0.41</b>	<b>1.18</b>	<b>0.41</b>	<b>2.40</b>	<b>0.32</b>	<b>(0.18)</b>	<b>0.32</b>	<b>0.17</b>	<b>0.63</b>	<b>0.25</b>	<b>(0.03)</b>	<b>0.61</b>	<b>0.44</b>	<b>1.28</b>

Source: Company Reports; RBC Capital Markets Estimates



## Companies mentioned

Air Canada (TSX: AC CN; C\$27.33; Outperform; Speculative Risk)

WestJet Airlines Ltd. (TSX: WJA CN; C\$19.51; Sector Perform)

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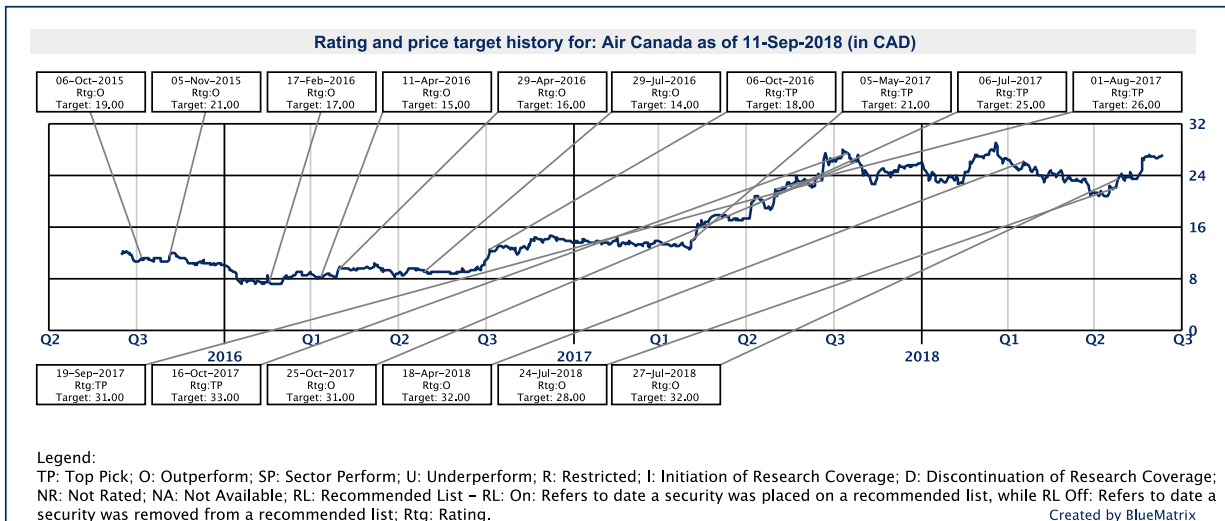


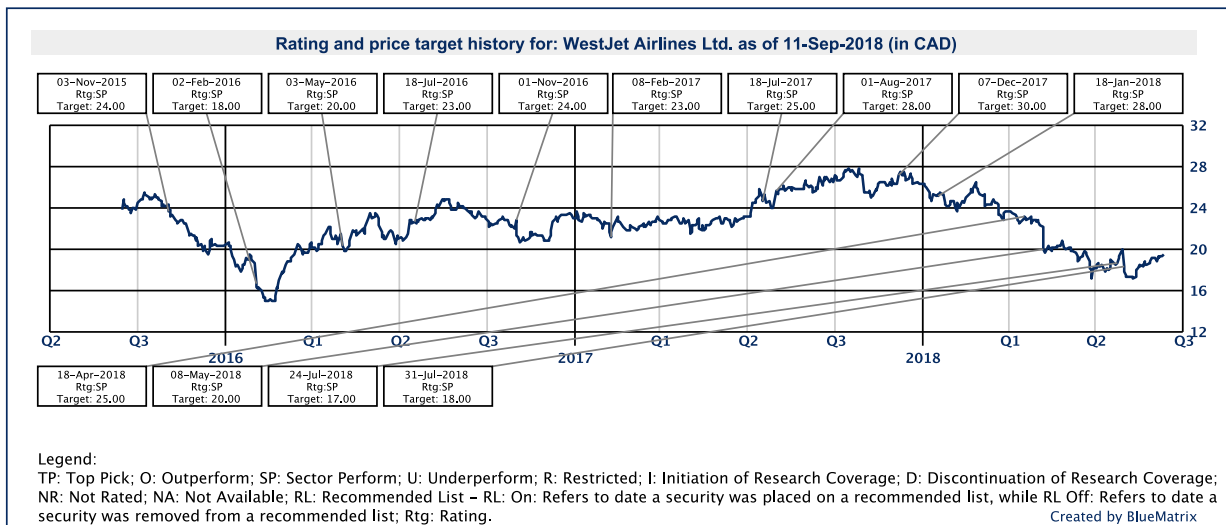
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#### WestJet Airlines Ltd.

##### Valuation



Our \$18 price target is based on an EV/EBITDAR approach whereby we apply a 4.7x multiple to our 2019 estimate and is the basis of our Sector Perform rating. Our target multiple is a slight discount to recent LCC peer multiples, reflective of the execution risk and costs associated with the company's international and regional growth strategy.

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