



June 12, 2018

## Flight Deck - May 2018

### Strong traffic points to a busy summer

**RBC Fare Survey shows rising fare prices for AC.** 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, we saw fare prices increase 189 basis points for Air Canada in the month of May, with the domestic and transborder segments posting most of the gains. This puts the AC fare index back at the highest levels since we started tracking the data, at 6.6% higher Y/Y, and this comes on top of a very strong 2017.

**WestJet Fare prices ended the month lower.** May was a volatile month for WestJet fare prices - the month started out strong, then a sharp drop mid-month, with fare prices partially recovering some ground in the last week. In the end, fare prices ended the month lower by 335 basis points, and most of the weakness was focused in the domestic segment. It is likely the uncertainty surrounding the pilots' strike had a temporary influence on pricing strategies. However, it is worth highlighting that WestJet still reported strong traffic numbers in May (see below). And with the busy summer travel months now right around the corner (and previous commentary on the Q1 call about them experimenting with 'peak' summer pricing), we expect them to return to positive fare growth in the months ahead.

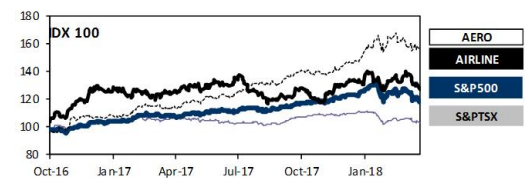
**Traffic remains robust, load factors increase.** WestJet reported strong traffic numbers of 7.5% in May, in excess of capacity growth of 5.4%, leading to a system load factor of 82.2% (up 160 points Y/Y). Similarly, the North American peer group reported solid traffic growth of 5.7%; with capacity rising by 4.6%, helping the load factor to increase by 1%. The May results show the demand environment for travel remains healthy going into the busy summer season.

#### In this edition...

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



INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	1.8	0.3	5.1	Δ
S&P 500	2.0	4.1	14.4	Δ
AMEX Airline	(0.8)	(9.0)	(9.1)	▼
AMEX Aerospace	3.2	9.7	33.3	Δ



COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	(6.5)	10.6	38.4	▼
Jet Fuel	(4.1)	4.6	62.6	▼
CAD/USD	1.4	3.3	(2.5)	Δ

AEROSPACE	1-M (%)	YTD (%)	1-YR (%)	TREND
Bombardier	18.8	62.4	107.6	Δ
Boeing	8.3	25.8	95.2	Δ
EADS	1.5	21.6	33.8	Δ
Embraer	0.2	4.1	31.6	Δ
General Dynamics	(1.1)	(0.9)	1.1	▼
Textron	4.7	21.8	45.7	Δ
United Technologies	3.0	0.5	6.2	Δ

N.A. MAINLINE	1-M (%)	YTD (%)	1-YR (%)	TREND
Air Canada	(2.6)	(10.6)	29.3	▼
AMR	3.7	(15.1)	(12.2)	Δ
Delta	3.8	(2.0)	3.5	Δ
United	7.8	7.0	(8.5)	Δ

N.A. REGIONAL	1-M (%)	YTD (%)	1-YR (%)	TREND
Alaska	3.9	(14.5)	(30.1)	Δ
Allegiant	(6.3)	(1.6)	8.7	▼
Chorus Aviation	(6.8)	(25.9)	(3.6)	▼
JetBlue	0.5	(14.6)	(16.2)	Δ
SkyWest	0.7	6.9	53.2	Δ
Southwest	(2.8)	(22.1)	(14.3)	▼
WestJet	(1.7)	(25.5)	(14.3)	▼

INTL. AIRLINES	1-M (%)	YTD (%)	1-YR (%)	TREND
Lufthansa	(7.5)	(24.4)	24.9	▼
Air France/KLM	(8.4)	(50.1)	(39.2)	▼
BA/Iberia	(0.0)	7.2	19.3	▼
Cathay Pacific	(17.2)	(13.1)	(51.8)	▼
Air China	(3.4)	3.2	23.3	▼
China Eastern	6.9	17.6	45.0	Δ
China Southern	6.5	7.8	36.2	Δ
Singapore Airlines	3.6	8.2	15.3	Δ
Qantas	6.1	28.6	21.8	Δ

Source: Bloomberg



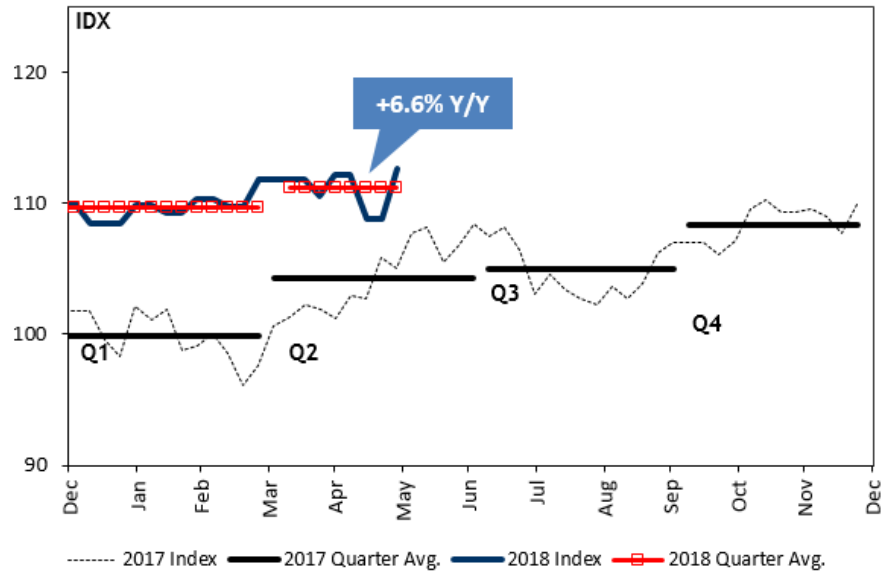
### RBC Fare Survey

We present below the results of our RBC Fare Tracker. This proprietary algorithm provides investors a unique snapshot of Air Canada's 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 increased in May month-over-month by 189 basis points, despite some price weakness towards the beginning of the month. Fares are tracking 6.6% higher Y/Y, off a strong quarter in 2017. Adjusted for stage length changes, fares rose +4.1% Y/Y.

Looking at segments, the domestic and Transborder segments registered strong gains, while there was some weakness within the Vacation and International segments.

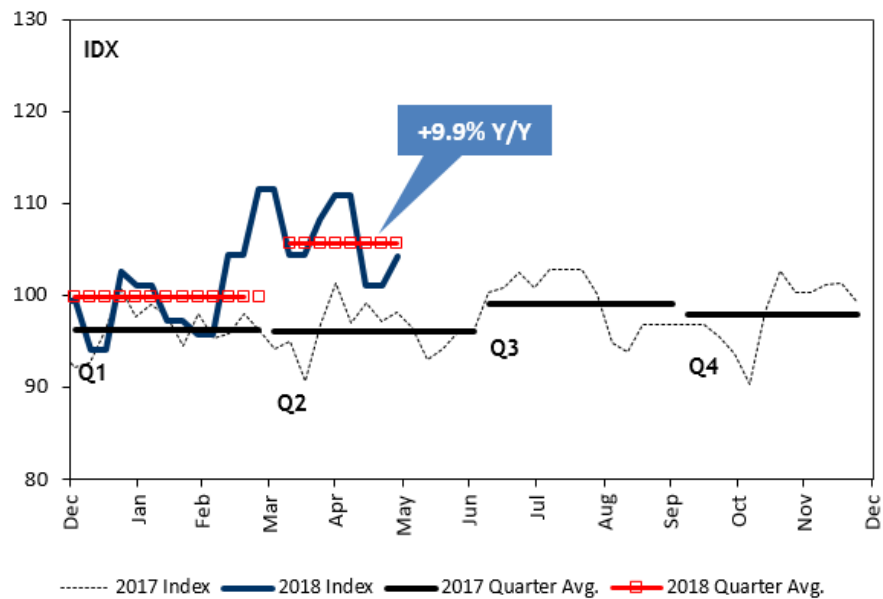


Sources: RBC Capital Markets estimates, Company websites

#### WestJet

According to the RBC fare tracker, fares at WestJet weakened by 335 basis points in May. The weakness seems to be isolated in the domestic segment, towards the middle of the month, and may stem from uncertainty surrounding the potential pilots' strike. Fare prices for Transborder were firm for the month, while Vacation was flat.

The year-over-year numbers are pointing to an increase of 9.9%, but this does compare to a particularly weak period in 2017.



Sources: RBC Capital Markets estimates, Company websites

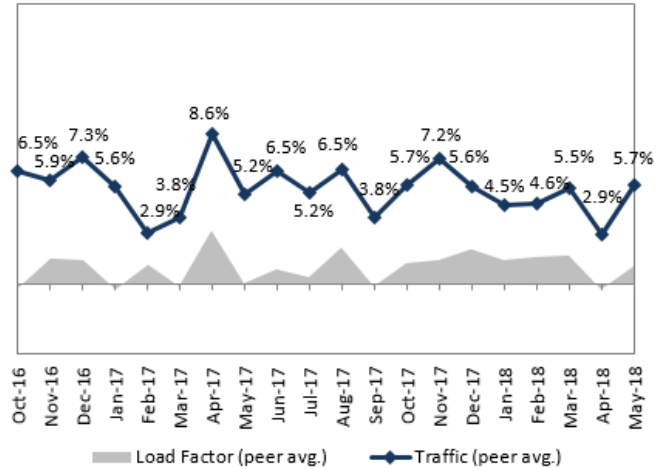


## The Load Factor

### Industry trends

On average, the peer group reported 5.7% traffic growth in May, above the average capacity growth of 4.6%, leading to an increase in the load factor by 1.0%.

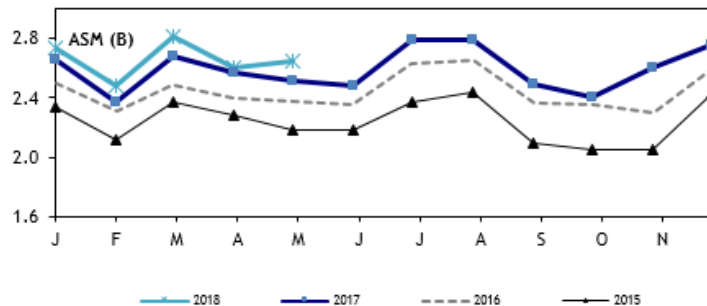
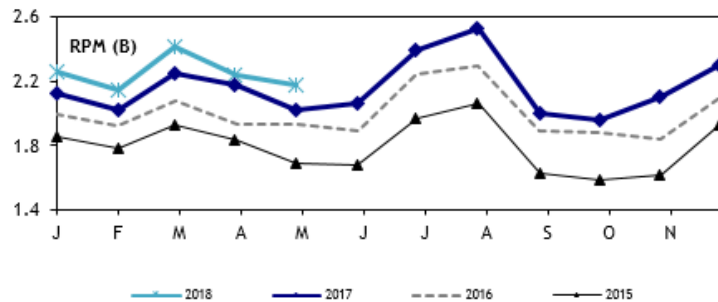
Strong traffic helped push the load factor growth into positive territory again this month.



Sources: Company websites, RBC Capital Markets estimates

### WestJet

WestJet reported positive traffic growth in May, up 7.5%, which was above our estimate of 5%. This came on the back of capacity growth of 5.4% (vs. our 6.0% estimate), which led to a system load factor of 82.2% (up 160 points Y/Y).



	May			YTD		
	2018	2017	Δ	2018	2017	Δ
RPMs (B)	2.174	2.023	+7.5%	11.223	10.594	+5.9%
ASMs (B)	2.646	2.511	+5.4%	13.280	12.779	+3.9%
Load Factor	82.2%	80.6%	1.6 pts	84.5%	82.9%	1.6 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



## 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

- **Bombardier lowers revenue forecast as Airbus closes C Series deal.** Airbus SE firmed up plans to assume control of Bombardier Inc.'s C Series and start building the cutting-edge jetliner in the U.S., ushering in a new era for an aircraft with a spotty sales record. The European plane maker will hold a majority stake in the partnership, with the deal set to close on July 1, according to a statement on Friday. It will start building a C Series plant in Alabama next year, with its first planes set for delivery in 2020, Philippe Balducchi, the program's chief executive officer, told reporters. Airbus's takeover of the C Series sharpens a clash with Boeing Co. for dominance in the lucrative market for single-aisle jetliners. Boeing is seeking to forge a commercial-aircraft alliance with Brazil's Embraer SA, Bombardier's main competitor. With final details worked out over how C Series revenue will be shared with Airbus, Bombardier lowered its revenue forecast for the year. (The Globe and Mail, June 8, 2018)
- **Air Baltic to buy up to 60 C Series.** Air Baltic Corp. will become the largest European customer of the C Series and second-biggest worldwide after it moves to a common fleet by agreeing to 30 CS300 aircraft with options and purchase rights for 30 more. That's on top of the 20 planes it has already ordered and eight currently in operation. Based on the list price, the firm order is valued at about \$3.8 billion, rising to \$7.7 billion if the additional planes are ordered. However, high-volume customers typically receive large discounts. (CBC, May 28, 2018)

#### Regional Jets

- **Bombardier sticking with regional aircraft but won't guarantee Q400 jobs in Toronto.** Bombardier Inc. says it plans to remain in the regional aircraft business but won't guarantee that assembly of its Q400 turboprop will remain in Toronto after selling its Downsview property for \$816 million. The transportation company said it signed a deal to sell the Toronto property to the Public Sector Pension Investment Board. Under a lease agreement, the company will continue to operate from Downsview for up to three years following the closing of the deal, with two optional one-year extension periods. (Financial Post, May 3, 2018)

#### Business Jets

- **Bombardier plans two new luxury aircraft to feed growing demand.** Bombardier Inc. will build two new private planes in response to growing demand for large-cabin business jets. The Global 5500 and Global 6500 aircraft will come equipped with redesigned cabins, an optimized wing and all-new Rolls-Royce engines, Bombardier said in a statement. The models, which will have ranges of 5,700 and 6,600 nautical miles, respectively, will likely enter service at the end of 2019, the company said. Compared with Bombardier's existing Global 5000 and Global 6000 models, the jets unveiled offer at least 500 nautical miles of additional range, as well as a fuel-burn advantage of as much as 13 per cent. (Financial Post, May 27, 2018)



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

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	22,602	28,193	20,366	91,601	20,951	23,167	28,897	20,875	93,891	96,238
% change	13.2%	14.0%	13.6%	8.8%	9.9%	11.3%	11.4%	8.0%	6.5%	5.0%	7.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capacity / ASM (MMs)	92,726	22,894	25,357	31,050	24,191	103,492	24,862	27,386	33,068	25,401	110,716	25,608	28,207	34,060	26,163	114,038	117,459
% change	14.7%	15.4%	13.5%	9.1%	9.5%	11.6%	8.6%	8.0%	6.5%	5.0%	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%	82.5%	85.3%	80.2%	82.7%	81.8%	82.1%	84.8%	79.8%	82.3%	81.9%
change (% pts)	-1.0%	-1.0%	0.1%	-0.2%	0.3%	-0.2%	2.1%	0.0%	0.0%	0.0%	0.5%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Yield (\$)	0.169	0.170	0.165	0.166	0.171	0.168	0.171	0.170	0.171	0.178	0.172	0.173	0.173	0.174	0.180	0.175	0.178
% change	-6.4%	-2.4%	-1.4%	0.4%	1.4%	-0.6%	0.4%	3.0%	3.0%	3.9%	2.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
RASM (Rev per unit of capacity, cents)	14.2	13.6	13.6	14.2	13.7	14.0	14.0	14.0	14.6	14.2	14.2	14.2	14.2	14.7	14.4	14.4	14.5
CASM (excl. fuel) (cents)	11.5	12.7	11.2	9.5	11.7	11.1	12.7	11.2	9.5	11.3	11.1	12.8	11.4	9.8	11.6	11.3	11.4
<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>4,308</b>	<b>5,258</b>	<b>4,111</b>	<b>17,748</b>	<b>4,224</b>	<b>4,473</b>	<b>5,462</b>	<b>4,267</b>	<b>18,426</b>	<b>19,129</b>
Wages, salaries and benefits	2510	644	663	690	674	2671	700	717	718	715	2850	743	761	762	759	3024	3177
% Sales	17.1%	17.7%	17.0%	14.1%	17.6%	16.4%	17.2%	16.6%	13.7%	17.4%	16.1%	17.6%	17.0%	13.9%	17.8%	16.4%	16.6%
Aircraft Fuel - total	2606	754	797	941	847	3339	939	1076	1249	962	4226	934	995	1179	911	4018	3936
% Sales	17.8%	20.7%	20.4%	19.3%	22.2%	20.5%	23.1%	25.0%	23.7%	23.4%	23.8%	22.1%	22.2%	21.6%	21.3%	21.8%	20.6%
Sales and distribution costs	703	181	199	204	169	753	189	215	211	172	787	195	221	217	178	811	835
% Sales	4.8%	5.0%	5.1%	4.2%	4.4%	4.6%	4.6%	5.0%	4.0%	4.2%	4.4%	4.6%	4.9%	4.0%	4.2%	4.4%	4.4%
Food, beverages, supplies	349	85	97	112	89	383	96	105	119	93	413	99	108	123	96	426	439
% Sales	2.4%	2.3%	2.5%	2.3%	2.3%	2.4%	2.4%	2.4%	2.3%	2.3%	2.3%	2.3%	2.4%	2.2%	2.3%	2.3%	2.3%
Aircraft maintenance	883	228	226	241	243	938	256	285	248	239	1028	269	299	261	251	1079	1133
% Sales	6.0%	6.3%	5.8%	4.9%	6.4%	5.8%	6.3%	6.6%	4.7%	5.8%	5.8%	6.4%	6.7%	4.8%	5.9%	5.9%	5.9%
Airport and navigation fees	859	210	230	264	201	905	221	248	275	206	950	228	256	283	212	978	1008
% Sales	5.9%	5.8%	5.9%	5.4%	5.3%	5.6%	5.4%	5.8%	5.2%	5.0%	5.4%	5.4%	5.7%	5.2%	5.0%	5.3%	5.3%
Communications and information technol	242	71	58	63	62	254	79	63	57	57	256	81	65	59	59	264	260
% Sales	1.6%	1.9%	1.5%	1.3%	1.6%	1.6%	1.9%	1.5%	1.1%	1.4%	1.4%	1.9%	1.4%	1.1%	1.4%	1.4%	1.4%
Other	3268	847	867	904	908	3526	918	912	918	896	3645	955	961	1025	933	3873	4021
% Sales	22.3%	23.3%	22.2%	18.5%	23.8%	21.7%	22.5%	21.2%	17.5%	21.8%	20.5%	22.6%	21.5%	18.8%	21.9%	21.0%	21.0%
Regional airline expense (ex fuel and DA)	2027	521	535	535	546	2137	542	568	550	567	2227	575	603	588	591	2357	2447
% Sales	13.8%	14.3%	13.7%	11.0%	14.3%	13.1%	13.3%	13.2%	10.5%	13.8%	12.5%	13.6%	13.5%	10.8%	13.9%	12.8%	12.8%
<b>Total Operating Costs</b>	<b>11,420</b>	<b>3,020</b>	<b>3,137</b>	<b>3,419</b>	<b>3,193</b>	<b>12,769</b>	<b>3,398</b>	<b>3,622</b>	<b>3,795</b>	<b>3,341</b>	<b>14,155</b>	<b>3,503</b>	<b>3,665</b>	<b>3,908</b>	<b>3,398</b>	<b>14,473</b>	<b>14,809</b>
<b>EBITDAR</b>	<b>2,768</b>	<b>366</b>	<b>670</b>	<b>1,388</b>	<b>521</b>	<b>2,945</b>	<b>397</b>	<b>583</b>	<b>1,388</b>	<b>661</b>	<b>3,029</b>	<b>437</b>	<b>701</b>	<b>1,477</b>	<b>757</b>	<b>3,372</b>	<b>3,722</b>
% of sales	18.9%	10.0%	17.1%	28.4%	13.6%	18.1%	9.8%	13.5%	26.4%	16.1%	17.1%	10.3%	15.7%	27.0%	17.7%	18.3%	19.5%
<b>EPS (F.D) (\$ (Exc. Special charges)</b>	<b>\$ 4.11</b>	<b>\$ (0.23)</b>	<b>\$ 0.78</b>	<b>\$ 3.51</b>	<b>\$ 0.22</b>	<b>\$ 4.19</b>	<b>\$ (0.26)</b>	<b>\$ 0.26</b>	<b>\$ 2.13</b>	<b>\$ 0.61</b>	<b>\$ 2.74</b>	<b>\$ (0.15)</b>	<b>\$ 0.53</b>	<b>\$ 2.32</b>	<b>\$ 0.77</b>	<b>\$ 3.48</b>	<b>\$ 4.44</b>

Source: RBC CM estimates, Company reports



WESTJET (TSX: WJA)

FY Dec. 31 (\$MM's)	2016	Q1/17	Q2/17	Q3/17	Q4/17	2017	Q1/18E	Q2/18E	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	6,566	7,510	6,962	27,848	7,322	7,059	8,074	7,484	29,938
% change	11.3%	6.8%	8.9%	7.9%	8.8%	8.1%	6.5%	4.9%	8.5%	10.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Capacity (ASMs in MM)	29,299	7,699	7,564	8,076	7,659	30,998	8,029	7,938	8,762	8,425	33,154	8,667	8,573	9,463	9,099	35,802
% change	8.9%	5.5%	6.3%	5.8%	5.6%	5.8%	4.3%	4.9%	8.5%	10.0%	7.0%	7.9%	8.0%	8.0%	8.0%	8.0%
Load Factor in (%)	81.8%	83.0%	82.8%	85.7%	82.6%	83.6%	84.8%	82.7%	85.7%	82.6%	84.0%	84.5%	82.3%	85.3%	82.3%	83.6%
change (%pts)	1.8%	0.9%	2.0%	1.7%	2.4%	1.8%	1.8%	0.0%	0.0%	0.0%	0.4%	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%
Yield (cents per RPM)	17.20	17.44	16.85	17.56	17.66	17.38	17.50	16.85	17.91	18.01	17.59	17.76	17.10	18.18	18.28	17.85
% change	-8.1%	1.3%	2.1%	0.2%	0.9%	1.0%	0.3%	0.0%	2.0%	2.0%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%
RASM (Revenue per unit of capacity, cents)	14.1	14.5	13.9	15.1	14.6	14.5	14.8	13.9	15.4	14.9	14.8	15.0	14.1	15.5	15.0	14.9
CASM (excl. fuel) (cents)	10.0	10.4	9.9	9.6	10.3	10.0	10.6	10.7	9.6	10.4	10.3	10.8	10.6	10.0	10.5	10.5
<b>Total Revenues</b>	<b>4,122.9</b>	<b>1,114.3</b>	<b>1,055.0</b>	<b>1,215.6</b>	<b>1,117.4</b>	<b>4,502.3</b>	<b>1,191.7</b>	<b>1,106.4</b>	<b>1,345.2</b>	<b>1,253.9</b>	<b>4,897.2</b>	<b>1,300.5</b>	<b>1,207.2</b>	<b>1,467.8</b>	<b>1,368.1</b>	<b>5,343.7</b>
% change	2.3%	8.0%	11.1%	8.1%	9.8%	9.2%	7.0%	4.9%	10.7%	12.2%	8.8%	9.1%	9.1%	9.1%	9.1%	9.1%
Airport Operations	581.9	168.9	154.5	127.1	158.7	609.3	172.9	155.9	132.7	174.6	636.1	186.7	168.4	143.3	188.6	686.9
% change	4%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%
Aircraft Fuel	765.9	235.5	224.9	238.0	251.6	950.0	281.2	290.8	322.1	302.3	1196.4	306.6	295.5	322.5	300.4	1225.0
% change	-6%	42%	23%	15%	20%	24%	19%	29%	35%	20%	26%	9%	2%	0%	-1%	2%
Maintenance	231.5	62.0	56.7	65.7	58.2	242.6	63.4	57.2	68.6	64.1	253.3	68.5	61.8	74.1	69.2	273.5
% change	1%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%
Sales & Distribution	442.7	114.4	109.6	127.1	112.6	463.9	117.1	110.7	132.7	123.9	484.4	126.5	119.5	143.3	133.8	523.1
% change	16%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%
Marketing, General & Administrative	243.2	64.3	59.8	69.3	61.4	254.9	65.8	60.4	72.4	67.6	266.1	71.1	65.2	78.2	73.0	287.4
% change	5%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%
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	140.8	168.9	157.7	621.4	166.2	152.1	182.4	170.3	671.0
% change	14%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%
In-Flight	232.1	62.1	56.8	65.9	58.4	243.2	63.6	57.3	68.8	64.2	253.9	68.6	61.9	74.3	69.3	274.2
% change	12%	6%	6%	6%	2%	5%	2%	1%	4%	10%	4%	8%	8%	8%	8%	8%
Employee Profit Sharing	59.3	7.0	7.8	27.6	4.4	46.8	6.4	5.9	7.2	6.7	26.2	19.5	18.1	22.0	20.5	80.2
% change	-41%	-69%	-751%	-13%	-32%	-21%	-9%	-24%	-74%	53%	-44%	206%	206%	206%	206%	206%
<b>EBITDAR (after profit sharing)</b>	<b>969.0</b>	<b>223.0</b>	<b>217.9</b>	<b>342.4</b>	<b>224.5</b>	<b>1,007.9</b>	<b>200.9</b>	<b>109.1</b>	<b>342.1</b>	<b>232.9</b>	<b>885.1</b>	<b>217.6</b>	<b>155.1</b>	<b>372.0</b>	<b>283.2</b>	<b>1,027.8</b>
% of sales	23.5%	20.0%	20.7%	28.2%	20.1%	22.4%	16.9%	9.9%	25.4%	18.6%	18.1%	16.7%	12.8%	25.3%	20.7%	19.2%
<b>EPS F.D.</b>	<b>2.45</b>	<b>0.41</b>	<b>0.41</b>	<b>1.18</b>	<b>0.41</b>	<b>2.41</b>	<b>0.32</b>	<b>(0.26)</b>	<b>1.03</b>	<b>0.39</b>	<b>1.49</b>	<b>0.30</b>	<b>(0.05)</b>	<b>1.13</b>	<b>0.63</b>	<b>2.00</b>

Source: Company Reports; RBC Capital Markets Estimates



## Companies mentioned

Air Canada (TSX: AC CN; C\$23.14; Outperform; Speculative Risk)

WestJet Airlines Ltd. (TSX: WJA.TO; C\$19.64; Sector Perform)

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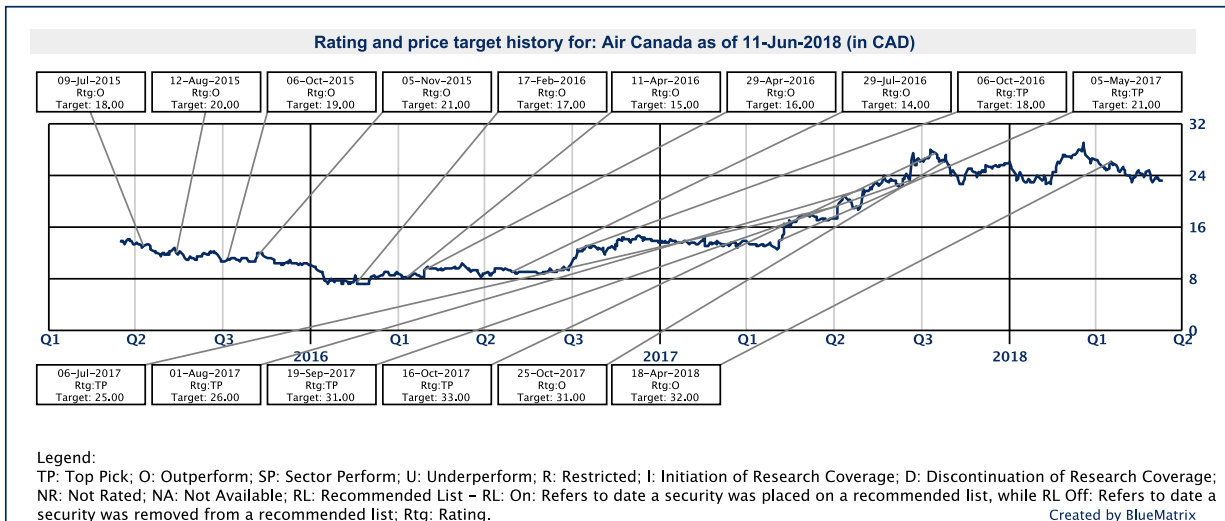


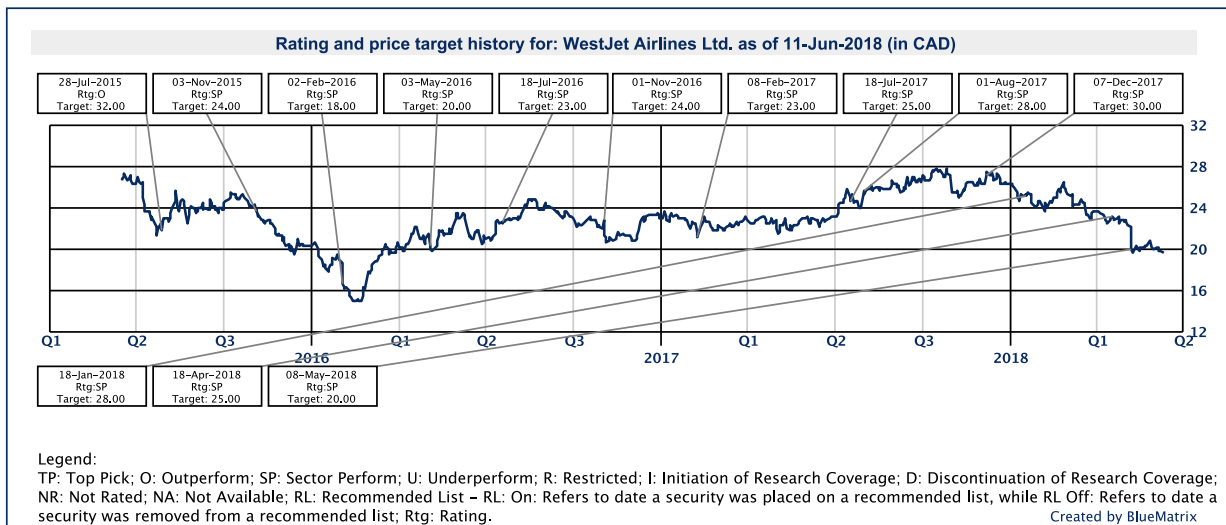
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#### Air Canada

##### Valuation

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##### 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 capturing domestic market share. Air Canada is only partially hedged to changes in jet fuel prices.

#### WestJet Airlines Ltd.

##### Valuation



Our \$20 price target is based on an EV/EBITDAR approach whereby we apply a 4.4x 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.

## Risks to rating and price target

Risks to our price target and rating include but are not limited to the price of jet fuel, which is tied to oil prices, the strength of the domestic economy, the competitive environment, and the ability to maintain a growth company valuation. Airline stocks in general are volatile and can significantly underperform or outperform the broader market on sentiment.

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