EQUITY RESEARCH

RBC Capital Markets

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RBC Flight Deck

Q3 preview - fundamentals remain favorable

Q3 preview. As we look ahead to the upcoming quarterly results, we see overall fundamentals remaining favorable. According to IATA, air travel demand remains solid, contributing to record load factors among the North American carriers (see pg. 3). Further, our Fare Tracker is pointing to higher yields across all segments, which bodes well for yields and RASM growth in the quarter (see pg. 4).

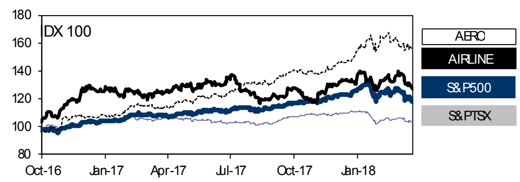
RBC Fare Survey points to higher prices in Q3. Our proprietary Fare Survey tracks price changes on selected routes to gauge the direction and magnitude of fare prices in the quarter. Based on this data, overall fare growth was solid in Q3. For AC, this is the tenth consecutive quarter that our Survey has registered positive growth, with the RBC Fare Survey index up +4.5% Y/Y. WJA fares were extremely volatile during the quarter, registering a large, sudden drop in August. Fares surged in September, and ended the quarter rising a very healthy 10% Y/Y.

Updating estimates ahead of Q3. Our estimates have changed only modestly ahead of the Q3 reporting season, mostly the result of the slight near-term increase in the forward curve for oil prices. While we rolled forward estimates to a 2021 valuation year, none of our price targets have changed as we have adjusted our target multiples. Highlights are below, with further details on pages 6-8.

- **AC: Maintaining Outperform; maintaining price target of $57.** We have kept Q3 estimates largely unchanged, but updated for the fuel curve. Our Q3 number moves down but remains slightly above consensus. We have introduced 2021 estimates, rolled forward our valuation year, and applied a lower multiple to our 2021 year (in part reflecting global economic uncertainty) - which resulted in no change to our target. Our focus this quarter will be on the demand trends during the busy summer period, capex guidance and progress towards FCF generation.
- **WJA: Maintaining Sector Perform; maintaining price target at $31.** We have adjusted Q3 estimates to account for a slightly higher forward fuel curve, and rolled forward our estimates to 2021. We have otherwise kept all traffic, capacity and yield assumptions unchanged. We are maintaining our price target at $31 (the agreed takeout price by Onex).
- **CHR: Maintaining Outperform and $9.00 price target:** We have largely kept estimates unchanged ahead of the quarter, and rolled forward our valuation year to 2021. We note that we are in line with consensus estimates for Q3 and full-year 2019. During the call, we will be listening for any commentary regarding the trajectory for further growth in the regional leasing portfolio, given all previously raised capital is now fully committed.

In this edition...

INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&PTSX	(0.8)	14.6	5.7	▼
S&P 500	(1.4)	17.2	5.5	▼
AMEX Airline	0.9	9.2	2.7	Δ
AMEX Aerospace	0.4	28.7	6.4	Δ



COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	(8.9)	9.1	(27.7)	▼
Jet Fuel	3.9	16.3	(16.1)	Δ
CAD/USD	1.1	(2.5)	1.8	Δ
AEROSPACE				
Bombardier	(15.7)	(21.9)	(59.9)	▼
Boeing	1.2	15.9	1.7	Δ
EADS	(4.4)	39.2	18.1	▼
Embraer	(9.3)	(24.9)	(17.2)	▼
General Dynamics	(5.4)	13.1	(10.2)	▼
Textron	(5.2)	3.6	(29.3)	▼
United Technologies	(0.4)	25.2	1.7	▼
N.A. MAINLINE				
Air Canada	3.4	68.8	81.6	Δ
AMR	(8.2)	(16.7)	(15.4)	▼
Delta	(11.5)	3.9	4.3	▼
United	(1.3)	3.2	9.4	▼
N.A. REGIONAL				
Alaska	(1.3)	5.4	6.5	▼
Allegiant	0.7	47.9	29.3	Δ
Chorus Aviation	1.7	34.9	10.0	Δ
JetBlue	(0.3)	4.0	0.5	▼
SkyWest	(7.0)	24.2	8.6	▼
Southwest	0.0	14.9	(6.9)	Δ
WestJet	0.1	69.9	66.6	Δ
INTL. AIRLINES				
Lufthansa	(1.5)	(27.3)	(25.9)	▼
Air France/KLM	9.3	3.9	16.1	Δ
BA/Iberia	4.8	(19.9)	(16.3)	Δ
Cathay Pacific	(7.1)	(56.7)	(62.9)	▼
Air China	(4.8)	(1.8)	(1.2)	▼
China Eastern	(4.5)	(12.8)	(14.8)	▼
China Southern	(1.5)	(2.9)	5.8	▼
Singapore Airlines	(0.9)	(4.4)	(5.2)	▼
Qantas	4.1	9.7	14.8	Δ

Source: Bloomberg

RBC Capital Markets acted as financial advisor and lending bank to Onex Corporation in connection with the acquisition of WestJet Airlines Ltd., announced on May 13th, 2019.

Canadian Airlines Q3/19 preview

Q3 preview – overall fundamentals remain favorable

Following an eventful second quarter of deal announcements for the Canadian airlines, the headlines in Q3 focused on macro-economic data, trade concerns and speculation around the return of the MAX 737. As we look ahead to the upcoming quarterly results, we see fundamentals remaining favorable, with overall air travel demand remaining solid, contributing to record load factors among the North American carriers (see Exhibit 2). Further, our Fare Tracker is pointing to higher yields across all segments, which bodes well for RASM growth in the quarter (see Exhibit 3). However, we acknowledge that the above-mentioned factors do introduce some levels of uncertainty, and we have adjusted valuation multiples as we roll forward our target basis year to 2021.

In this report, we discuss:

- traffic trends during the quarter;
- an update on the Boeing MAX 737 grounding;
- fare trends measured by our Fare Tracker;
- a look at the performance of the Canadian airlines during the quarter; and
- a discussion of our Q3 estimates for each company in our coverage.

Q3 estimates

Our estimates have changed only modestly ahead of the Q3 reporting season, mostly the result of the slight near-term increase in the forward curve for oil prices, and a slight modification to yields. While we rolled forward estimates to a 2021 valuation year, none of our price targets have changed as we have adjusted our target multiples as indicated below. Details are in the estimates summary below:

Exhibit 1: Estimate changes ahead of the quarter

	Q3 2019 EBITDA			2019E EBITDA			2020E EBITDA			2021E EBITDA		Target Multiple		Price Target (CAD)			
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	RBC	Street	Old	New	RBC	New	Rating	Implied Return
Airlines																	
Air Canada	$1,421	**$1,415**	$1,401	$3,564	**$3,593**	$3,614	$4,230	**$4,269**	$4,175	**$4,601**	$4,575	*4.5x*	**3.8x**	$57	**$57**	O	+31%
WestJet	$300	**$298**	$294	$962	**$971**	$953	$1,069	**$1,120**	$1,087	**$1,183**	$1,293	*4.5x*	**4.1x**	$31	**$31**	SP	+1%
Chorus Aviation	$94	**$94**	$93	$352	**$352**	$352	$414	**$414**	$420	**$471**	$469	*6.0x*	**6.0x**	$9	**$9**	O	+18%

Source: FactSet, RBC Capital Markets estimates

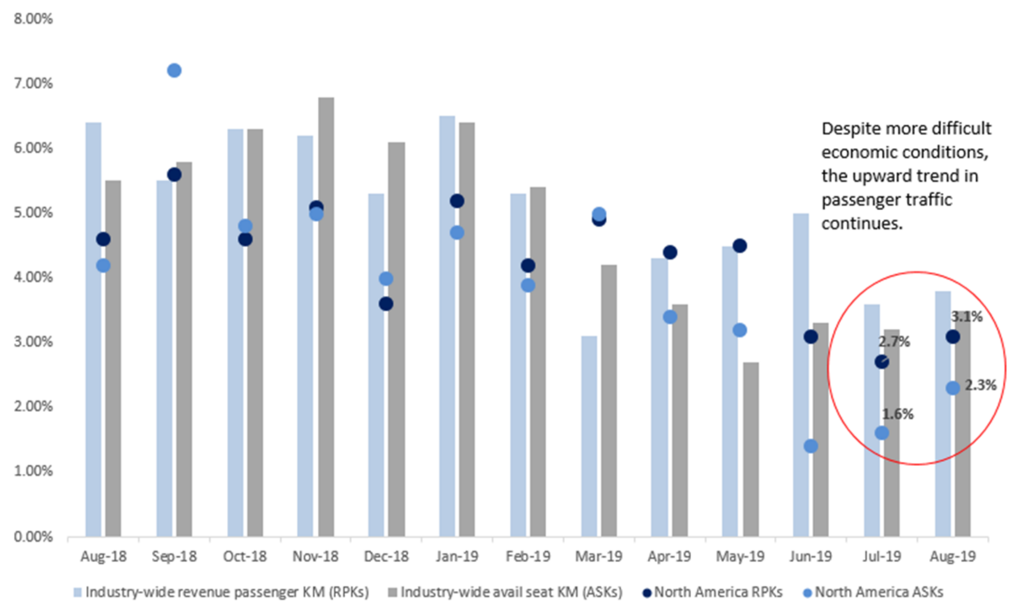
IATA traffic data points to robust demand in North America

Following the privatization by Onex, WestJet will no longer be providing monthly traffic and capacity numbers, which we had previously used as an indicator for underlying market fundamentals. We will instead use data 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 bit of a time lag (~6 weeks), but we can still gage a trend ahead of the quarterly reporting season. We summarize some of this data in Exhibit 2.

Moderate upward trend in traffic. According IATA, North American demand remains robust, with a 3.8% increase in Revenue Passenger Km's (RPKs) in August Y/Y (and 3.6% in July), in line with the average over the past year and above the long-term average of 3.3% (according to IATA statistics). North American traffic edged up 3.1% Y/Y in August. Despite weakening economic data and the intensifying trade war between the US and China, a moderate upward trend in passenger traffic continues.

Capacity remains contained. The data also shows capacity remains contained and well below traffic – global capacity rose 3.5% Y/Y in August and 2.3% Y/Y in North America. This has led to record high load factors globally (85.7%) and North America (87.1%) in August, a positive indication for yields ahead of the Q3 earnings season.

Exhibit 2: Traffic (RPKs) and capacity (ASKs) as reported by IATA shows



Source: IATA .org

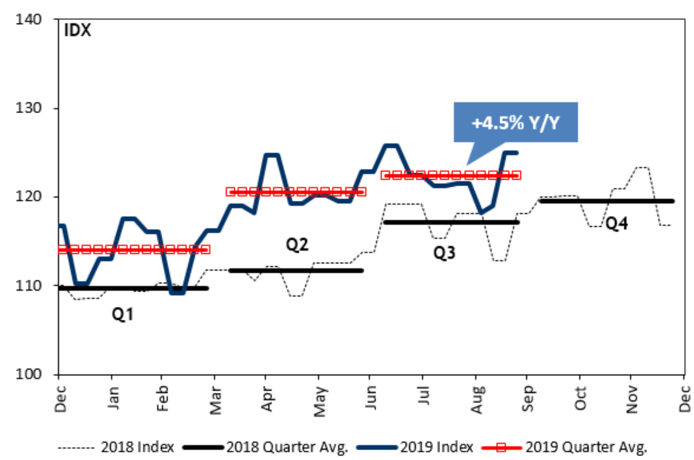
Fare Tracker points to moderate strength in Q3 yields

The RBC Fare Survey is pointing toward another quarter of positive Y/Y fare price growth for Canadian airlines in Q3. For Air Canada, this is the tenth consecutive quarter that our Survey has registered positive growth for the company, with the RBC Fare Survey index up **+4.5% Y/Y** for Air Canada. As a proxy for yields in the quarter, we adjust down by 250bp for mix, implying a solid yield increase of +2.0% Y/Y. Fares were up across all segments – Domestic, International, Transborder and Vacation.

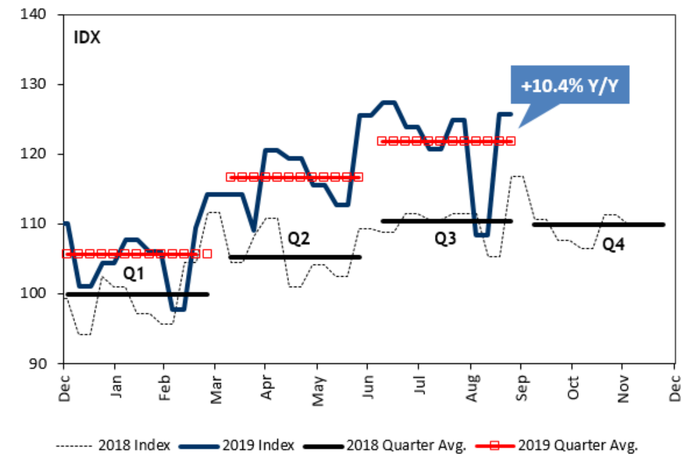
WestJet fares, as measured by our Fare Tracker, were extremely volatile during the quarter, registering a large, sudden drop in August. Fares surged in September, and ended the quarter rising a very healthy **10.4% Y/Y** in Q3, and after adjusting down by 50bp to account for mix, it implies a positive yield of 9.9% Y/Y.

Exhibit 3: Fares were volatile but ended the quarter higher

RBC Fare Tracker – Air Canada



RBC Fare Tracker – WestJet



Source: Air Canada, WestJet, RBC Capital Markets

Boeing 737 MAX Update

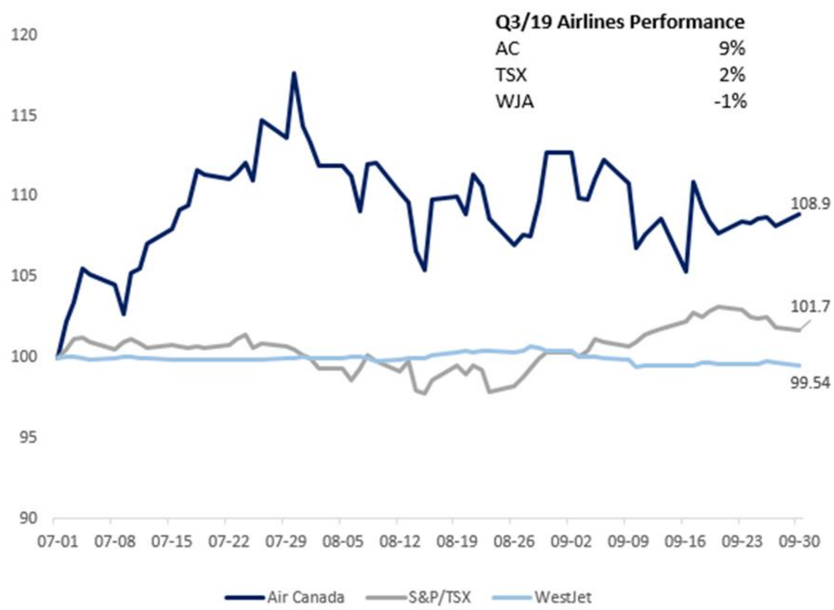
The Boeing 737 MAX has been grounded since March, and there continues to be an influx of headlines about when the aircraft will return to operation. Boeing has repeatedly said it hoped to resume flights in the fourth quarter of 2019; however, this depends on regulatory approval. Global regulators are still reviewing proposed software changes to the grounded plane with no certain timetable for the jet's return, and it is increasingly looking like a year-end return will not be feasible. As of this writing, European regulators reportedly (according to the WSJ) disagree with Boeing and the FAA about whether changes to the plane's new software have made the plane adequately safe, and U.S. carriers like American Airlines have begun to cancel 737 MAX flights into 2020 (the sixth time AA has delayed the re-introduction of the MAX).

Implications for AC. When the MAX 737 was grounded, AC had 24 of the aircraft in operation, and an additional 26 to be delivered over the upcoming year. The company immediately put into place a mitigation plan through lease extensions, wet leases, suspensions or consolidations of routes. Ultimately, 97% of planned capacity was covered in Q2/19, and management expects to cover 95% of planned capacity in Q3. Therefore, there has not been a significant impact on operations, which we feel demonstrates the resiliency and flexibility of the company during times of uncertainty. While we expect there to be a spike in CASM in Q3, we see this as temporary and likely to trend downwards in the coming quarters.

Air Canada outperforms in Q3

Air Canada shares surged in the beginning of the quarter following the closing of the Air Transat purchase. Shares then spiked again following the release of solid Q2 results on July 30, but lagged with the market for the first few weeks in August, and then traded range-bound thereafter. Overall, AC shares outperformed the flattish performance of the TSX. WJA shares traded roughly in line with the $31 buyout price offered by Onex throughout the quarter.

Exhibit 4: Air Canada outperform the TSX in Q3



Source: Factset, RBC Capital Markets

Air Canada (TSX: AC) — Outperform; $57 Target (unchg)

SUMMARY

Market price:	$43.66	52-Wk High:	$47.43
Yield (12-mth):	0.0%	52-Wk Low:	$22.57
Total est. return:	31%	Mkt Cap (MM):	$11,919
Shares O/S (MM):	273.0	Net Debt (MM):	$3,456
Float (MM):	$11,919	EV (MM):	$15,376

CONFERENCE CALL DETAILS

- Wednesday October 30th, at 8:30AM ET
- 1-800-478-9326

Q3/19 set-up. Last quarter, mgmt flagged that the most significant impact from the MAX grounding would be felt in Q3 – given the summer period is when capacity is tightest. The company guided for Q3 EBITDA growth to be constrained at +5% Y/Y, implying $1,418MM (which was in line with consensus at the time). Mgmt also guided Q3 capacity to be -2% given the removal of some MAX routes; however, this bodes well for yields. Finally, CASM will likely remain elevated – we have forecast a spike this quarter as a result of the MAX grounding.

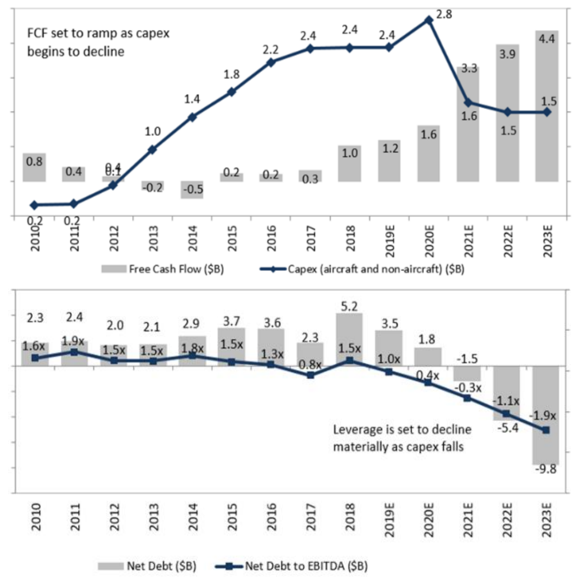
Slight change to estimates. We have kept Q3 estimates largely unchanged, but updated for the fuel curve. While our Q3 number moves down to $1,415MM (from $1,421MM), which is slightly above consensus at $1,399MM, our 2019 estimates move *up* slightly to $3,593MM (from $3,564MM), and 2020 moves to $4,269MM (from $$4,230MM). We have introduced 2021 estimates at $4,601MM, and rolled forward our valuation year. Finally, we lowered our multiple to 3.8x (from 4.5x) due to increased global economic uncertainty.

Area of focus. Our focus will be on the mgmt's indications and quantification of the impact of the MAX 8 grounding, the overall trends during the busy summer period, and finally, we will watch for trends in capex and progress toward FCF generation, as they are key to our thesis.

STOCK SET-UP

Q3/19 Performance	
Absolute	9%
vs. S&P TSX	768bps
Short Interest (Days to Cover)	
Current	0.9
Analyst Sentiment	
Outperform	81%
Sector Perform	19%
Underperform	0%

FCF and Leverage



	Q3/19E			2019E			2020E			2021E
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	NEW
Traffic: RPMs (% chg)	-1.0%	-1.0%	0bp	1.7%	1.7%	0bp	4.0%	4.0%	0bp	1.0%
Capacity: ASMs (% chg)	-2.0%	-2.0%	0bp	1.3%	1.3%	0bp	4.0%	4.0%	0bp	1.0%
Load Factor (%pts)	86.8%	86.8%	0bp	83.7%	83.7%	0bp	83.7%	83.7%	0bp	83.7%
Yield (% chg)	4.5%	4.5%	0bp	5.2%	5.2%	0bp	3.0%	2.5%	-50bp	2.5%
RASM (% chg)	5.9%	5.9%	0bp	5.0%	5.0%	0bp	3.1%	2.6%	-50bp	2.5%
Adj. CASM ex fuel+other (% chg)	14.2%	14.2%	0bp	7.5%	7.5%	0bp	0.9%	1.2%	28bp	2.1%
Avg Jet Fuel Price: ($C/Ltr)	$0.78	$0.78	0.4%	$0.79	$0.78	-0.7%	$0.77	$0.74	-3.9%	$0.73
Revenue	5,598	5,598	0.0%	19,162	19,162	0.0%	20,438	20,348	-0.4%	21,036
Expenses	4,176	4,182	0.1%	15,598	15,568	-0.2%	16,208	16,079	-0.8%	16,435
EBITDA	**1,421**	**1,415**	**-0.4%**	**3,564**	**3,593**	**0.8%**	**4,230**	**4,269**	**0.9%**	**4,601**
EBITDA Margin	25.4%	25.3%	-0.4%	18.6%	18.8%	0.8%	20.7%	21.0%	1.4%	21.9%
EPS ex-one time items ($)	1.98	1.96		4.91	4.99		4.90	5.03		5.93
Consensus EBITDA		*1,399*			*3,611*			*4,159*		*4,507*

Source: Company reports, RBC CM estimates

Source: Bloomberg, Factset, RBC Capital Markets estimates, Company reports

Priced as of market close October 9, 2019

Chorus Aviation (TSX: CHR)

Outperform; $9.00 Target (unchg)

SUMMARY

Market price:	$7.60	52-Wk High:	$8.10
Yield (12-mth):	6.3%	52-Wk Low:	$4.54
Total est. return:	24.7%	Mkt Cap (MM)	$1,085
Shares O/S (MM)	142.8	Net Debt (MM)	$1,409
Float (MM):	$1,085	EV (MM):	$2,494

CONFERENCE CALL DETAILS

- Thursday November 14th, at 9:00AM
- 1-888-231-8191

Q3/19 set-up: We have largely kept estimates unchanged ahead of Q3 results. While the company announced two new leasing deals with Malindo Air during the quarter, this news does not impact near-term results. While valuation levels have recovered somewhat since the extended deal with Air Canada in January, we still believe the market is not fully appreciating the value of the current leasing business.

Capital for CAC fully committed. As at the end of Q2, Chorus had fully committed all previously raised capital through 2020, which is one year earlier than previously anticipated. Chorus Aviation Capital's (CAC) portfolio of leased regional aircraft has reached 58 aircraft: 46 turboprops and 12 regional jets, valued at ~US $1.1B. During the call, we will be listening for any commentary regarding the trajectory for further growth in the regional leasing portfolio.

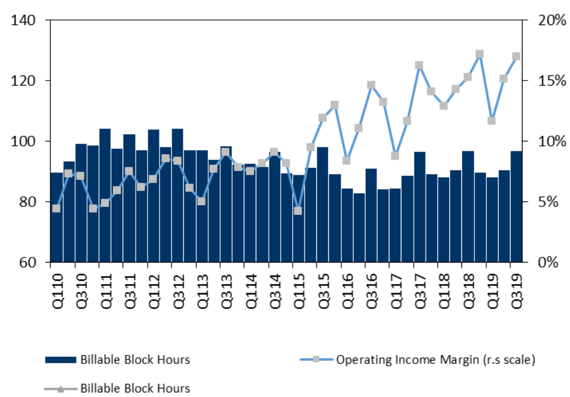
No changes to estimates. We have largely kept estimates unchanged ahead of the quarter, and rolled forward our valuation year to 2021. We note that we are in line with consensus estimates for Q3 and full 2019.

Maintain Outperform. The stability of cash flows under the CPA, especially with the extended deal, presents an attractive yield, while Chorus's progress into aircraft leasing provides a platform for growth. We believe the stock presents an attractive risk-adjusted return.

STOCK SET-UP

Q3/19 Performance	
Absolute	(1%)
vs. S&P TSX	(234bps)
Short Interest (Days to Cover)	
Current	5.9
Analyst Sentiment	
Outperform	100%
Sector Perform	-
Underperform	0%

OPERATING METRICS



	Q3/19E OLD	Q3/19E NEW	Q3/19E Var	2019E OLD	2019E NEW	2019E Var	2020E OLD	2020E NEW	2020E Var	2021E NEW
Revenue breakdown										
Controllable Revenue	187	187	0.0%	732	732	0.0%	772	772	0.0%	828
Leasing under CPA	34	34	0.0%	133	133	0.0%	133	133	0.0%	150
Margin compensation	19	19	0.0%	76	76	0.0%	76	76	0.0%	62
Incentives	0.425	0.4	0.0%	2	2	0.0%	2	2	6.0%	2
Pass through revenue	57	57	0.0%	215	215	0.0%	219	219	0.0%	221
Passenger revenue	297	297	0.0%	1,158	1,158	0.0%	1,201	1,201	0.0%	1,262
Regional Aircraft Leasing	321	321	0.0%	124	124	0.0%	176	177	0.5%	206
Other - Charter, contract flying, MRO, Other	31	31	0.0%	98	98	0.0%	100	100	0.0%	102
Total Revenues	352	352	0.0%	1,379	1,379	0.0%	1,477	1,478	0.1%	1,570
Total Expenses	292	292	0.0%	1,165	1,165	0.0%	1,215	1,215	0.0%	1,254
EBITDA	94	94	0.0%	352	352	0.0%	414	414	0.1%	471

Source: Bloomberg, RBC Capital Markets estimates, Company reports

Priced as of market close October 9, 2019

WestJet (TSX: WJA)

Sector Perform; $31 Target (unchg)

SUMMARY

Market price:	$30.60	52-Wk High:	$31.00
Yield (12-mth):	1.8%	52-Wk Low:	$16.71
Total est. return:	3%	Mkt Cap (MM):	$3,586
Shares O/S (MM):	117.2	Net Debt (MM):	$1,260
Float (MM):	$3,519	EV (MM):	$4,846

CONFERENCE CALL DETAILS

- NA this quarter due to pending takeover

STOCK SET-UP

Q3/19 Performance	
Absolute	(0%)
vs. S&P TSX	(164bps)
Short Interest (Days to Cover)	
Current	0.9
Analyst Sentiment	
Outperform	-
Sector Perform	82%
Underperform	18%

Q3/19 set-up. We have adjusted Q3 estimates to account for a slightly higher forward fuel curve, and rolled forward our estimates to 2021. We have otherwise kept all traffic, capacity and yield assumptions unchanged. We then adjusted the valuation multiple, moved lower to 4.1x (from 4.5x) to maintain the price target at $31 (the agreed takeout price by Onex).

Focus of the call. We note there will be no call this quarter.

Maintaining Sector Perform. Following the run-up in the stock following the Onex announcement, we believe the shares are fairly priced. As per previous guidance, we expect the transaction to close in Q4.

	RBC CM Q3/19E			RBC CM 2019E			RBC CM 2020E			RBC CM 2021E
	Old	New	Var	Old	New	Var	Old	New	Var	New
Traffic: RPMs (% chg)	5.0%	5.0%	0bp	5.5%	5.5%	0bp	6.5%	6.5%	0bp	5.0%
Capacity: ASMs (% chg)	5.0%	5.0%	0bp	4.6%	4.6%	0bp	7.0%	7.0%	0bp	5.0%
Load Factor (%pts)	0.0%	0.0%	0bp	0.8%	0.8%	0bp	-0.4%	-0.4%	0bp	0.0%
Yield (% chg)	4.0%	4.0%	0bp	2.6%	2.6%	0bp	2.0%	2.0%	0bp	1.0%
RASM (% chg)	4.0%	4.0%	0bp	3.6%	3.6%	0bp	1.5%	1.5%	0bp	1.0%
Adj. CASM ex fuel+other (% chg)	7.5%	7.5%	0bp	3.6%	3.6%	0bp	2.1%	2.1%	0bp	0.4%
Avg Jet Fuel Price ($C/Ltr)	0.77	0.77	0.5%	0.78	0.77	-0.8%	0.75	0.72	-4.0%	0.71
Revenue	1,377	1,377	0.0%	5,126	5,126	0.0%	5,569	5,569	0.0%	5,906
Expenses	1,077	1,079	0.2%	4,164	4,155	-0.2%	4,500	4,449	-1.1%	4,723
EBITDA	**300**	**298**	**-0.5%**	**962**	**971**	**0.9%**	**1,069**	**1,120**	**4.7%**	**1,183**
EBITDA margin	21.8%	21.7%	-12bp	18.8%	18.9%	18bp	19.2%	20.1%	91bp	20.0%
Consensus EBITDA		*295*			*953*			*1,087*		*1,293*

Source: Bloomberg, RBC Capital Markets estimates, Company reports

Priced as of market close October 9, 2019

Valuation and risks

Air Canada

On a 3.8x EV/EBITDA applied to our 2021 estimates, we derive our price target of $57. Our discount to the peer legacy group average is 1.1x. Our base case reflects the following assumptions: (1) rising yields due to the recent focus on launching services aimed at the premium traveler, such as the Signature service; (2) fleet expansion and strong demand to drive traffic growth; and (3) jet fuel prices to remain relatively range-bound at current levels. Our price target supports our Outperform rating.

Risks to our rating and target include 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. Air Canada is not hedged to changes in jet fuel prices.

Chorus Aviation

Our $9.00 price target on CHR shares is derived from an EV/EBITDA multiple approach. We are applying a 6.0x EBITDA multiple to our 2021E EBITDA at $471MM, which is a premium to the regional jet peers owing to the anticipated growth and diversification into regional aircraft leasing. This generates our $9.00 price target, which is the basis of our Outperform rating.

Risks to our rating and target include: 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.

WestJet

Our $31 price target is based on an EV/EBITDA approach whereby we apply a 4.1x multiple to our 2021 estimate and is the basis of our Sector Perform rating. Our target multiple is a reflection of the current take-out premium attributed by Onex.

Risks to our rating, price target and estimates mostly involve 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. Risks also relate to the inability of Onex to complete the deal for regulatory, financing or other reasons.

Appendix 1: Airline Comps

	Symbol		09-Oct-19 Price	EV/EBITDA 2018	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/Sales 2018	EV/Sales 2019E	EV/Sales 2020E	EBITDA Margin 2018	EBITDA Margin 2019E	EBITDA Margin 2020E	Net Debt to EBITDA	EV (MM)
Discount Airlines														
WestJet	WJA-CA	C$	$30.60	6.6x	5.0x	4.5x	1.0x	0.9x	0.9x	15%	19%	19%	1.3x	4,799
Southwest	LUV-US	US$	$53.49	6.7x	6.9x	6.2x	1.3x	1.3x	1.2x	20%	19%	20%	0.1x	29,291
JetBlue	JBLU-US	US$	$16.75	5.3x	4.8x	4.1x	0.8x	0.8x	0.7x	16%	17%	18%	1.1x	6,430
Discount Average				**6.2x**	**5.6x**	**4.9x**	**1.1x**	**1.0x**	**0.9x**	**17%**	**18%**	**19%**	**0.6x**	
Mainline Airlines														
Air Canada	AC-CA	C$	$43.66	4.7x	4.2x	3.6x	0.8x	0.8x	0.7x	18%	19%	21%	1.0x	15,142
Delta Air Lines	DAL-US	US$	$53.92	6.4x	5.3x	5.2x	1.1x	1.1x	1.0x	17%	20%	19%	1.5x	49,294
United Continental	UAL-US	US$	$86.46	6.1x	5.5x	5.3x	0.9x	0.9x	0.8x	15%	16%	15%	2.2x	36,952
American Airlines	AAL-US	US$	$27.07	7.8x	7.2x	6.8x	0.9x	0.9x	0.9x	12%	13%	13%	5.1x	41,235
Mainline Average				**6.3x**	**5.5x**	**5.2x**	**0.9x**	**0.9x**	**0.9x**	**15%**	**17%**	**17%**	**2.9x**	
Regional Airlines														
Chorus Aviation	CHR-CA	C$	$7.60	6.6x	5.7x	5.1x	1.8x	1.7x	1.5x	28%	29%	30%	2.9x	2,485
SkyWest Inc.	SKYW-US	US$	$54.87	7.9x	7.9x	7.9x	1.8x	1.9x	1.9x	22%	24%	24%	4.0x	5,656
Regional Average				**7.3x**	**6.8x**	**6.5x**	**1.8x**	**1.8x**	**1.7x**	**25%**	**27%**	**27%**	**3.5x**	
Airline Average				**6.5x**	**5.8x**	**5.4x**	**1.2x**	**1.1x**	**1.1x**	**18%**	**19%**	**20%**	**2.1x**	

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada, Chorus Aviation, and WestJet. Priced at market close on October 09, 2019

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

FY Dec 31	2017A	2018	Q1/19	Q2/19E	Q3/19E	Q4/19E	2019E	Q1/20E	Q2/20E	Q3/20E	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E
Traffic / RPM (MMs)	85,137	92,352	21,293	22,654	28,750	21,417	93,937	22,145	24,402	29,308	21,841	97,695	22,366	24,646	29,601	22,059	98,672
% change	11.3%	8.5%	4.2%	0.0%	1.0%	3.0%	1.7%	4.0%	4.0%	4.0%	4.0%	4.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Capacity / ASM (MMs)	103,492	110,862	26,016	27,269	33,468	26,362	112,250	27,057	29,026	33,773	26,884	116,740	27,327	29,316	34,111	27,153	117,907
% change	11.6%	7.1%	4.6%	0.0%	1.0%	3.0%	1.3%	4.0%	4.0%	4.0%	4.0%	4.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Load Factor (%)	82.3%	83.3%	81.8%	83.1%	85.9%	81.2%	83.7%	81.8%	84.1%	86.8%	81.2%	83.7%	81.8%	84.1%	86.8%	81.2%	83.7%
change (% pts)	-0.2%	1.0%	-0.4%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield ($)	0.170	0.175	0.179	0.183	0.186	0.187	0.184	0.184	0.190	0.189	0.190	0.188	0.188	0.195	0.194	0.195	0.193
% change	0.8%	2.4%	5.0%	5.5%	5.5%	5.5%	5.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
RASM (Rev per unit of capacity, cents)	14.1	14.6	14.7	15.2	16.0	15.2	15.4	15.0	16.0	16.4	15.4	15.8	15.4	16.4	16.8	15.8	16.2
CASM (Costs per unit of capacity, cents)	14.3	14.9	16.6	15.6	14.3	16.1	15.6	16.7	15.3	14.5	16.0	15.5	16.8	15.4	14.8	16.1	15.7
Fuel Cost/ASM (cents)	3.2	4.0	3.8	4.2	4.2	4.2	3.9	3.8	3.7	3.6	3.7	3.7	3.7	3.7	3.6	3.7	3.7
CASM (excl. fuel) (cents)	11.1	10.9	12.8	11.3	10.1	11.8	11.7	12.9	11.6	10.9	12.3	11.8	13.1	11.8	11.2	12.5	12.1
Total Revenues	**16,252**	**18,065**	**4,453**	**4,602**	**5,790**	**4,495**	**19,162**	**4,720**	**5,060**	**5,949**	**4,620**	**20,348**	**4,876**	**5,231**	**6,152**	**4,776**	**21,036**
% change	10.7%	11.2%	9.4%	6.2%	6.9%	5.9%	6.1%	6.0%	6.4%	6.3%	6.1%	6.2%	3.3%	3.4%	3.4%	3.4%	3.4%
Wages, salaries and benefits	2671	2873	799	805	817	814	3211	839	821	859	855	3374	878	858	898	894	3527
% Sales	16.4%	15.9%	17.9%	17.5%	14.1%	18.1%	16.8%	17.8%	16.2%	14.4%	18.5%	16.6%	18.0%	16.4%	14.6%	18.7%	16.8%
Aircraft Fuel - total	3339	4457	997	1152	1410	1120	4354	1021	1078	1228	987	4314	1008	1073	1230	994	4305
% Sales	20.5%	24.7%	22.4%	25.0%	24.3%	24.9%	22.7%	21.6%	21.3%	20.6%	21.4%	21.2%	20.7%	20.5%	20.0%	20.8%	20.5%
Sales and distribution costs	770	807	213	206	261	206	884	222	212	260	210	903	224	214	263	212	912
% Sales	4.7%	4.5%	4.8%	4.5%	4.5%	4.6%	4.6%	4.7%	4.2%	4.4%	4.5%	4.4%	4.6%	4.1%	4.3%	4.4%	4.3%
Food, beverages, supplies	383	433	103	108	126	107	447	107	116	128	113	465	108	118	130	114	469
% Sales	2.4%	2.4%	2.3%	2.3%	2.2%	2.4%	2.3%	2.3%	2.3%	2.2%	2.4%	2.3%	2.2%	2.2%	2.1%	2.4%	2.2%
Aircraft maintenance	938	903	245	214	238	286	1030	257	268	284	273	1082	265	276	292	281	1114
% Sales	5.8%	5.0%	5.5%	4.6%	4.1%	6.4%	5.4%	5.5%	5.3%	4.8%	5.9%	5.3%	5.4%	5.3%	4.7%	5.9%	5.3%
Airport and navigation fees	905	964	228	235	281	229	989	237	258	294	239	1028	239	260	297	242	1038
% Sales	5.6%	5.3%	5.1%	5.1%	4.9%	5.1%	5.2%	5.0%	5.1%	4.9%	5.2%	5.1%	4.9%	5.0%	4.8%	5.1%	4.9%
Communications and information technology	254	294	101	67	80	71	386	105	95	108	94	402	106	96	109	95	406
% Sales	1.6%	1.6%	2.3%	1.5%	1.4%	1.6%	2.0%	2.2%	1.9%	1.8%	2.0%	2.0%	2.2%	1.8%	1.8%	2.0%	1.9%
Other	3526	3519	890	879	926	800	3639	943	959	1047	915	3864	960	977	1129	931	3996
% Sales	21.7%	19.5%	20.0%	19.1%	16.0%	17.8%	19.0%	20.0%	19.0%	17.6%	19.8%	19.0%	19.7%	18.7%	18.4%	19.5%	19.0%
Regional airline expense (ex fuel and DAR)	2137	2031	478	497	521	449	1917	507	508	535	485	2036	508	511	600	486	2106
% Sales	13.1%	11.2%	10.7%	10.8%	9.0%	10.0%	10.0%	10.7%	10.0%	9.0%	10.5%	10.0%	10.4%	9.8%	9.8%	10.2%	10.0%
Total Operating Costs	**12,786**	**14,250**	**3,576**	**3,665**	**4,140**	**3,633**	**14,940**	**3,732**	**3,807**	**4,207**	**3,686**	**15,431**	**3,787**	**3,871**	**4,347**	**3,763**	**15,768**
EBITDA	**2,928**	**3,213**	**583**	**820**	**1,562**	**732**	**3,593**	**685**	**1,134**	**1,651**	**800**	**4,269**	**777**	**1,237**	**1,711**	**876**	**4,601**
% of sales	18.0%	17.8%	13.1%	17.8%	27.0%	16.3%	18.8%	14.5%	22.4%	27.7%	17.3%	21.0%	15.9%	23.6%	27.8%	18.3%	21.9%
Depreciation, amortization and impairment (Mainline + regional)	984	1,717	456	460	550	476	1,942	478	513	603	468	2,062	494	530	624	484	2,132
EBIT (Excluding Special Charges)	**1,371**	**1,496**	**127**	**360**	**1,012**	**256**	**1,651**	**207**	**621**	**1,048**	**332**	**2,207**	**283**	**707**	**1,087**	**392**	**2,469**
% of sales	8.4%	8.3%	2.9%	7.8%	17.5%	5.7%	8.6%	4.4%	12.3%	17.6%	7.2%	10.8%	5.8%	13.5%	17.7%	8.2%	11.7%
Net Income	**1,127**	**547**	**345**	**192**	**665**	**125**	**1,362**	**87**	**389**	**705**	**193**	**1,374**	**156**	**467**	**749**	**248**	**1,620**
EPS (F.D) ($) (Exc. Special charges)	**$ 4.05**	**$ 1.99**	**$ 1.25**	**$ 0.70**	**$ 2.42**	**$ 0.45**	**$ 4.99**	**$ 0.32**	**$ 1.43**	**$ 2.58**	**$ 0.71**	**$ 5.03**	**$ 0.57**	**$ 1.71**	**$ 2.74**	**$ 0.91**	**$ 5.93**

Source: RBC CM estimates, Company reports

Capital Markets

RBC

WESTJET (TSX: WJA)

FY Dec. 31 ($MM's)	2017	Q1/18	Q2/18	Q3/18	Q4/18	2018	Q1/19	Q2/19E	Q3/19E	Q4/19E	2019E	Q1/20E	Q2/20E	Q3/20E	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E
Traffic (RPMs in MM)	25,904	6,810	6,645	7,517	6,615	27,586	7,168	6,945	8,005	7,112	29,230	7,634	7,396	8,525	7,574	31,130	8,016	7,937	8,825	7,768	32,546
% change	8.1%	6.5%	6.1%	8.6%	4.5%	6.5%	5.3%	4.5%	6.5%	7.5%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Capacity (ASMs in MM)	30,998	8,029	7,922	8,880	8,109	32,940	8,456	8,278	9,457	8,717	34,909	9,048	8,858	10,119	9,327	37,352	9,500	9,150	10,476	9,566	38,691
% change	5.8%	4.3%	4.7%	10.0%	5.9%	6.3%	5.3%	4.5%	6.5%	7.5%	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Load Factor in (%)	83.6%	84.8%	83.9%	84.6%	81.6%	83.7%	84.8%	83.9%	84.6%	81.6%	83.7%	84.4%	83.5%	84.2%	81.2%	83.3%	84.4%	86.7%	84.2%	81.2%	84.1%
change (%pts)	1.8%	1.8%	1.1%	-1.1%	-1.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (cents per RPM)	17.40	17.50	16.36	16.78	18.04	17.16	17.55	16.45	16.95	18.40	17.33	17.90	16.77	17.29	18.77	17.68	18.08	17.61	17.98	18.96	18.15
% change	1.1%	0.3%	-3.2%	-4.4%	2.2%	-1.4%	0.3%	0.5%	1.0%	2.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%
RASM (Revenue per unit of capacity, cents)	14.5	14.8	13.7	14.2	14.7	14.4	14.9	13.8	14.3	15.0	14.5	15.1	14.0	14.6	15.2	14.7	15.3	15.3	15.1	15.4	15.3
CASM (Costs per unit of capacity, cents)	13.1	14.2	14.1	13.3	14.1	13.9	14.2	14.1	13.2	14.0	13.9	14.4	14.1	13.4	14.0	14.0	14.4	14.2	13.7	14.1	14.1
Fuel Cost/ASM (cents)	3.1	3.5	3.8	3.9	3.8	3.7	3.5	3.7	3.5	3.6	3.6	3.6	3.5	3.4	3.4	3.5	3.3	3.2	3.2	3.2	3.2
Maintenance Cost/ASM (cents)	0.7	0.7	0.7	0.6	0.9	0.7	0.6	0.7	0.6	0.9	0.7	0.8	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.6	0.7
CASM (excl. fuel) (cents)	10.1	10.6	10.3	9.5	10.3	10.2	10.7	10.4	9.7	10.4	10.3	10.8	10.6	10.0	10.5	10.5	11.2	11.0	10.6	10.9	10.9
% change	1%	2%	3%	-2%	0%	1%	0%	1%	3%	1%	1%	2%	2%	4%	1%	2%	2%	1%	2%	2%	2%
Avg Jet Fuel Price ($C/Ltr)	0.63	0.72	0.81	0.85	0.83	0.80	0.77	0.81	0.79	0.79	0.79	0.78	0.77	0.77	0.76	0.77	0.71	0.71	0.71	0.71	0.71
Total Revenues	**4,506.7**	**1,191.7**	**1,087.6**	**1,260.9**	**1,193.3**	**4,733.5**	**1,257.7**	**1,142.2**	**1,356.6**	**1,308.7**	**5,065.1**	**1,366.5**	**1,240.7**	**1,473.7**	**1,421.6**	**5,502.6**	**1,449.2**	**1,397.4**	**1,586.6**	**1,472.6**	**5,905.8**
% change	*9.3%*	*6.9%*	*2.8%*	*3.8%*	*6.6%*	*5.0%*	*5.5%*	*5.0%*	*7.6%*	*9.7%*	*7.0%*	*8.7%*	*8.6%*	*8.6%*	*8.6%*	*8.6%*	*6.1%*	*6.1%*	*6.1%*	*6.1%*	*6.1%*
Airport Operations	609.3	172.9	161.8	139.8	168.1	642.6	175.2	162.6	143.2	180.7	661.7	194.9	174.0	153.2	193.3	715.4	204.6	179.7	158.6	198.3	741.2
% change	5%	2%	5%	10%	6%	5%	1%	1%	2%	7%	3%	11%	7%	7%	7%	8%	5%	5%	5%	5%	5%
Aircraft Fuel	950.0	281.2	302.3	343.3	304.9	1231.6	296.9	305.3	332.7	310.0	1244.9	322.5	310.9	344.2	320.5	1298.1	310.9	296.3	331.4	308.1	1246.6
% change	24%	19%	34%	44%	21%	30%	6%	1%	-3%	2%	1%	9%	2%	3%	3%	4%	3%	3%	4%	5%	4%
Maintenance	242.6	63.4	59.4	72.3	61.7	256.7	64.3	59.7	74.0	66.3	264.3	71.5	63.8	79.2	70.9	285.5	75.1	65.9	82.0	72.7	295.7
% change	5%	2%	5%	10%	6%	6%	1%	1%	2%	8%	3%	11%	7%	7%	7%	8%	5%	5%	5%	5%	5%
Sales & Distribution	463.9	117.1	114.8	139.8	119.3	491.0	124.4	115.4	143.2	128.2	511.2	132.0	123.5	153.2	137.2	545.9	138.6	127.5	158.6	140.7	565.5
% change	5%	2%	5%	10%	6%	6%	6%	1%	2%	8%	4%	6%	7%	7%	7%	7%	5%	5%	5%	5%	5%
Marketing, General & Administrative	254.9	65.8	62.6	76.3	65.1	269.8	67.8	62.9	78.1	69.9	278.8	74.2	67.4	83.6	74.8	299.9	77.9	69.6	86.5	76.7	310.7
% change	5%	2%	5%	10%	6%	6%	3%	1%	2%	8%	3%	9%	7%	7%	7%	8%	5%	5%	5%	5%	5%
Flight Operations	595.1	154.0	146.1	177.9	151.8	629.8	158.3	146.9	182.3	163.2	650.6	173.5	157.2	195.0	174.6	700.3	182.2	162.3	201.9	179.1	725.5
% change	5%	2%	5%	10%	6%	6%	3%	1%	2%	8%	3%	10%	7%	7%	7%	8%	5%	5%	5%	5%	5%
In-Flight	243.2	63.6	59.5	72.4	61.8	257.3	64.4	59.8	74.2	66.4	264.9	71.7	64.0	79.4	71.1	286.1	75.2	66.1	82.2	72.9	296.4
% change	5%	2%	5%	10%	6%	6%	1%	1%	2%	8%	3%	11%	7%	7%	7%	8%	5%	5%	5%	5%	5%
Employee Profit Sharing	46.8	6.4	-3.3	8.3	4.5	15.9	5.2	4.8	5.7	5.5	21.1	0.0	0.0	0.0	0.0	0.0	14.5	14.0	15.9	14.7	59.1
% change	-21%	-9%	-142%	-70%	3%	-66%	-18%	-246%	-32%	20%	33%	-100%	-100%	-100%	-100%	-100%					
EBITDA (after profit sharing)	**1,001.7**	**200.9**	**117.9**	**215.4**	**190.5**	**724.8**	**217.7**	**118.0**	**275.5**	**252.0**	**863.2**	**233.8**	**145.9**	**296.8**	**295.1**	**971.7**	**257.8**	**270.4**	**345.3**	**309.3**	**1,182.8**
% of sales	22.2%	16.9%	10.8%	17.1%	16.0%	15.3%	17.3%	10.3%	20.3%	19.3%	17.0%	17.1%	11.8%	20.1%	20.8%	17.7%	17.8%	19.4%	21.8%	21.0%	20.0%
Earnings from operations (EBIT)	**433**	**56**	**(28)**	**78**	**49**	**155**	**60**	**(25)**	**106**	**88**	**229**	**63**	**(9)**	**113**	**117**	**284**	**77**	**96**	**147**	**125**	**445**
% of sales	*9.6%*	*4.7%*	*-2.5%*	*6.2%*	*4.1%*	*3.3%*	*4.8%*	*-2.2%*	*7.8%*	*6.8%*	*4.5%*	*4.6%*	*-0.7%*	*7.6%*	*8.3%*	*5.2%*	*5.3%*	*6.9%*	*9.3%*	*8.5%*	*7.5%*
EPS F.D.	**2.37**	**0.32**	**(0.18)**	**0.40**	**0.26**	**0.80**	**0.40**	**(0.20)**	**0.59**	**0.46**	**1.24**	**0.32**	**(0.10)**	**0.64**	**0.64**	**1.50**	**0.40**	**1.22**	**0.85**	**0.69**	**3.17**

Source: Company Reports; RBC Capital Markets Estimates

RBC Capital Markets

Chorus Aviation (TSX: CHR)

FY Dec 31	2017A	2018	Q1/19	Q2/19	Q3/19E	Q4/19E	2019E	Q1/20E	Q2/20E	Q3/20E	Q4/20E	2020E	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E
Billable Block Hours ('000s)	**359,337**	**365,651**	**88,153**	**90,639**	**96,879**	**89,980**	**365,651**	**88,153**	**90,639**	**96,879**	**89,980**	**365,651**	**88,153**	**90,639**	**96,879**	**89,980**	**365,651**
% change	**4.8%**	**1.8%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Chorus Aviaition Income Statement ($MM)																	
Revenue	**1,352**	**1,451**	**344**	**333**	**352**	**350**	**1,379**	**382**	**356**	**373**	**367**	**1,478**	**408**	**376**	**398**	**388**	**1,570**
% change	5.9%	7.3%	-1.1%	-12.1%	-4.0%	-2.3%	-5.0%	11.0%	7.1%	6.0%	4.8%	7.2%	6.8%	5.7%	6.5%	5.7%	6.2%
Salaries, wages and benefits	445	443	128	115	118	111	472	143	122	124	117	506	150	128	131	123	531
% Sales	33%	31%	37%	35%	34%	32%	34%	38%	34%	33%	32%	34%	37%	34%	33%	32%	34%
Depreciation and amortization	103	121	32	34	34	37	137	38	38	38	38	152	39	38	40	39	156
% Sales	8%	8%	9%	10%	10%	11%	10%	10%	11%	10%	10%	10%	10%	10%	10%	10%	10%
Aircraft maintenance	193	241	59	47	56	56	218	57	46	57	57	217	59	47	58	58	222
% Sales	14%	17%	17%	14%	16%	16%	16%	15%	13%	15%	16%	15%	14%	12%	15%	15%	14%
Airport and navigation fees	167	170	40	42	45	45	173	41	43	46	47	177	41	43	47	48	179
% Sales	12%	12%	12%	13%	13%	13%	13%	11%	12%	12%	13%	12%	10%	11%	12%	12%	11%
Terminal handling	28	22	6	5	5	5	21	6	5	5	5	21	6	5	5	5	22
% Sales	2%	1%	2%	1%	1%	2%	2%	2%	1%	1%	1%	1%	2%	1%	1%	1%	1%
Other	144	140	38	39	34	32	143	37	38	34	33	142	37	39	35	34	145
% Sales	11%	10%	11%	12%	10%	9%	10%	10%	11%	9%	9%	10%	9%	10%	9%	9%	9%
Total Operating Expenses	1,179	1,235	304	282	292	287	1,165	323	291	305	297	1,215	333	299	316	306	1,254
Operating Income	173	217	40	50	60	63	214	59	65	68	70	263	75	77	82	82	315
EBITDAR	**376**	**435**	**72**	**84**	**94**	**101**	**351**	**97**	**103**	**106**	**108**	**414**	**114**	**115**	**122**	**120**	**471**
% of sales	27.8%	30.0%	21.0%	25.2%	26.6%	28.7%	25.4%	25.5%	28.9%	28.4%	29.4%	28.0%	28.0%	30.5%	30.7%	31.0%	30.0%
Adjusted EBITDA	**276**	**338**	**72**	**86**	**94**	**101**	**352**	**97**	**103**	**106**	**108**	**414**	**114**	**115**	**122**	**120**	**471**
% of sales	62.1%	76.2%	56.6%	74.7%	79.1%	90.5%	74.6%	68.0%	84.5%	85.3%	92.4%	81.8%	75.8%	90.0%	93.4%	98.3%	88.7%
Net Income	**181**	**33**	**30**	**44**	**37**	**35**	**146**	**32**	**34**	**41**	**40**	**147**	**44**	**44**	**51**	**49**	**187**
EPS (F.D) ($) (Excluding Special charges)	**$1.33**	**$0.47**	**$0.22**	**$0.24**	**$0.23**	**$0.22**	**$0.91**	**$0.20**	**$0.22**	**$0.26**	**$0.25**	**$0.92**	**$0.27**	**$0.27**	**$0.32**	**$0.30**	**$1.17**
CFPS (F.D) ($) (Excluding Special charges)	**$1.89**	**$2.00**	**$0.37**	**$0.42**	**$0.54**	**$0.45**	**$1.77**	**$0.44**	**$0.45**	**$0.49**	**$0.49**	**$1.87**	**$0.52**	**$0.51**	**$0.57**	**$0.55**	**$2.15**

Source: Company reports, RBC Capital Markets estimates

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RBC Capital Markets is currently providing WestJet Airlines Ltd. with non-securities services.

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Distribution of ratings
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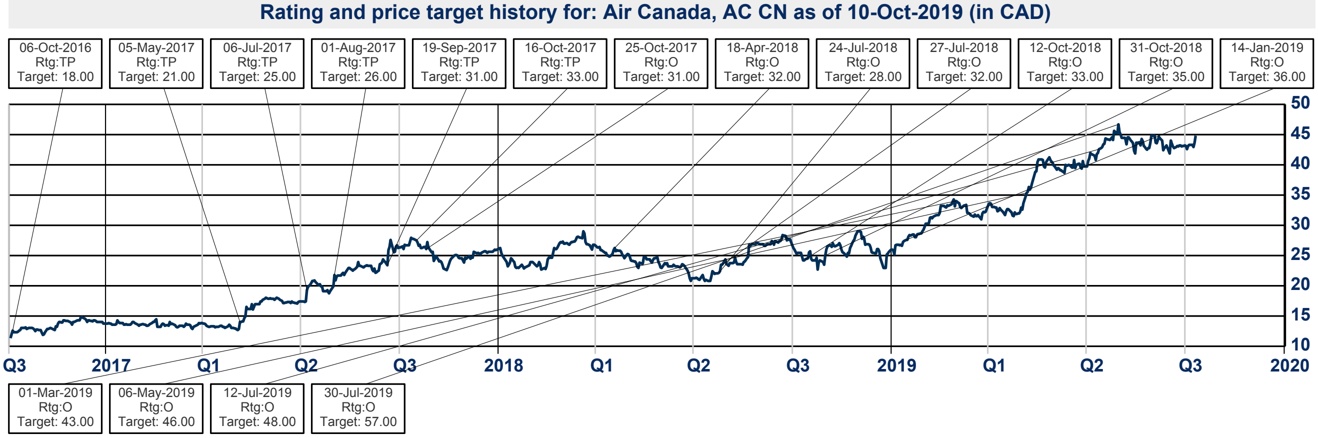
As of 30-Sep-2019

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Top Pick & Outperform]	**748**	**51.73**	**208**	**27.81**
HOLD [Sector Perform]	**618**	**42.74**	**126**	**20.39**
SELL [Underperform]	**80**	**5.53**	**3**	**3.75**

Rating and price target history for: Air Canada, AC CN as of 10-Oct-2019 (in CAD)



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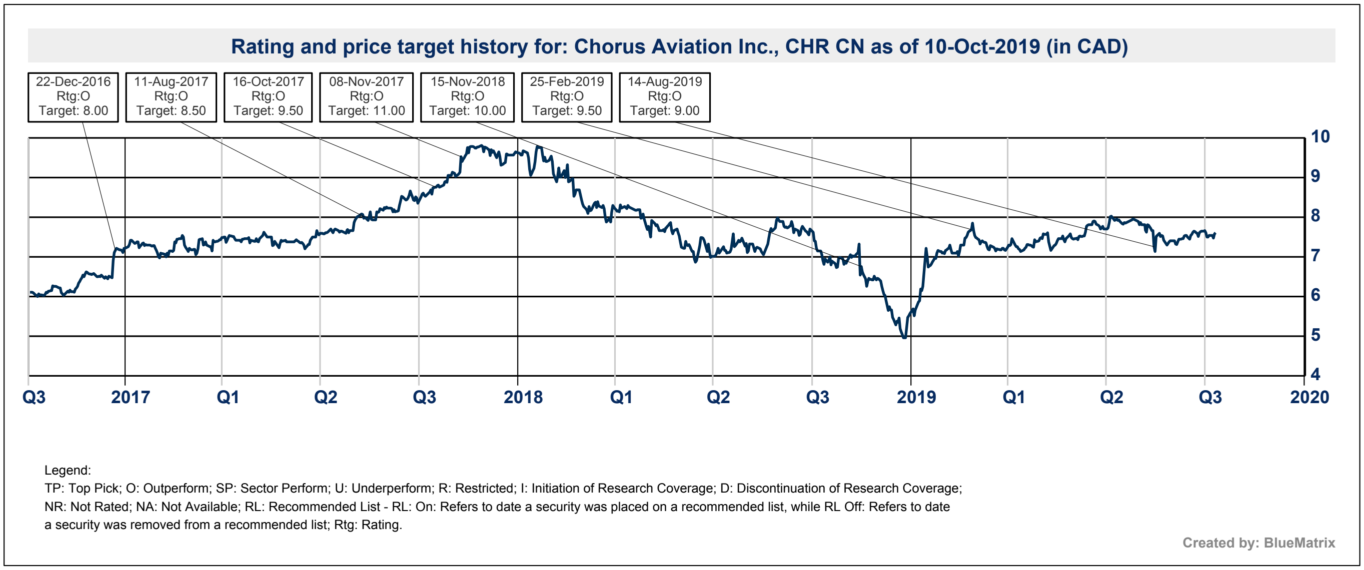

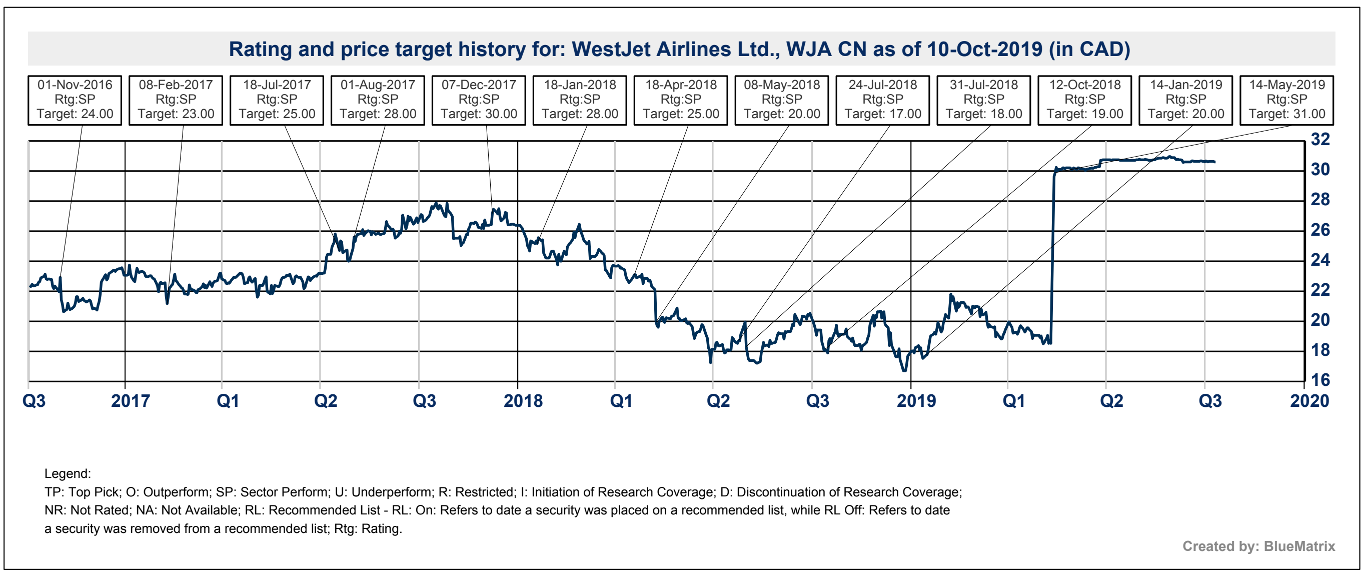

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Air Canada

Valuation

Our $57.00 target price is based on a 3.8x EV/EBITDA multiple applied to our 2021 estimates, which is a 1.3x discount to the group average multiple due to higher financial leverage (which we expect to decline). Our base case reflects the following assumptions:

(1) stable yields with the changing business mix related to AC's strategic transformation partially offset by premium segment focus; (2) fleet expansion and strong demand to drive traffic growth; and (3) jet fuel prices to remain relatively range-bound at current levels. The implied return to our price target supports our Outperform 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 capturing domestic market share. Air Canada is only partially hedged to changes in jet fuel prices.

Chorus Aviation Inc.

Valuation

Our $9.00 price target on CHR shares is derived from an EV/EBITDA multiple approach. We apply a 6.0x EBITDA multiple to our 2021E EBITDA, which is a premium to the regional jet peers owing to the anticipated growth and diversification into regional aircraft leasing. This generates our $9.00 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.

WestJet Airlines Ltd.

Valuation

Our $31 price target is based on an EV/EBITDA approach whereby we apply a 4.1x multiple (which also reflects the Onex proposed buyout) to our 2021 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. Our target multiple is also in-line with the recent acquisition price announced by Onex Corp.

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. Risks also relate to the inability of Onex to complete the deal for regulatory, financing or other reasons.

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