



Capital
Markets

October 19, 2023

RBC Elements™: Q3/23 Flight Deck

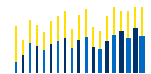
Q3 airline/aerospace preview

Our view: The airlines/aerospace sector generally underperformed the market in Q3, except for CAE, which moderately outperformed on its partly insulated position from macro headwinds given increased defence spending and gradual recovery in passenger travel to pre-pandemic levels. In this report, our Canadian Airlines & Aerospace Heatmap powered by RBC Elements™ points to continued weak leading indicators and robust coincident indicators at "sweet spot" highs (page 6). In addition, our proprietary Canadian Airfare Index (developed with Elements™), which utilizes real-time ticket prices from Canadian mainline operators was up 2% y/y in Q3 as carriers took advantage of strong demand. We flag as notable our bearish view on AC: while we continue to expect that Q3 will be a strong quarter for AC (we are increasing our Q3 estimates on their fuel hedging strategy, which helped mitigate the fuel price increase), we are increasingly concerned that Q3 represents a demand peak; and our outlook into 2024 is for demand to weaken and costs to ramp - which leads to our very bearish view on results into 2024 (with our forecasts well below consensus and guidance).

Q3 estimate revisions

- **AC: Q3 should be solid, but taking numbers down after that; price target decreases to \$21 (from \$25); reaffirm Sector Perform rating.** We expect earnings to peak in Q3/23 and we are taking our EBITDA estimate to \$1,590MM from \$1,531MM (cons. \$1,593MM) as the company benefited from strong demand and its well-timed fuel hedge helped protect it from rising fuel prices. Additionally, our 2024 estimate moves lower to \$3,075MM (from \$3,270MM) - well below consensus (\$3,992MM) and guidance (\$3.5B to \$4B) - as we see multiple headwinds facing the airline industry after the summer travel season. These include the sustainability of higher fares, increased new entrants, weakening leading indicators and increased labour costs. Our key focus into the quarter will be on airfares, pilot contract negotiations, and persistent infrastructure/MRO delays. We roll forward our valuation year and lower target multiple to 3.5x (from 4.5x), which moves our price target to \$21 (from \$25).
- **BBD: Q3 estimates unchanged; price target decreases to \$98 (from \$104); reaffirm Outperform rating.** We are maintaining our Q3/23 EBITDA estimate of \$256MM, slightly below cons. of \$263MM. Our estimate reflects 31 total deliveries, of which 18 are large jet deliveries and +16% growth in services revenues. Our key focus into the quarter will be on demand, book-to-bill and the potential for a services guidance raise. We continue to value BBD on 2025 estimates but remove 1 year of discounting as we roll forward our valuation across coverage. Applying our 2025E EBITDA of \$1,645MM to our lowered 6.5x (from 7.5x) target multiple, we arrive at our \$98 price target. BBD remains our top idea and currently trades at a ~50% discount to peers.
- **CAE: FQ2 estimate unchanged; price target remains at \$37; maintain Outperform.** Our FQ2 EBITDA estimate remains at \$222MM below consensus \$229MM on Civil reflecting seasonality as we believe training demand was affected by strong summer travel conditions. Our F24 EBITDA estimate remains unchanged at \$1,064MM, in line with consensus \$1,062MM, and our F24 Civil adj. operating income estimate of +16% aligns with guidance for growth of low-to-mid teen. Target price remains at \$37 on unchanged target multiple of 12.2x.
- **CHR: Q3 estimate unchanged; price target unchanged at \$3.75; reaffirm Outperform rating.** We are maintaining our Q3/23 EPS estimate of \$0.09, in line with consensus of \$0.10, and make no changes to out-year estimates. Key focus for the call will be progress on the delayed launch of Fund III, visibility toward new growth avenues in RAS and the pilot shortage impacting capacity growth. We roll forward our valuation and when applying our new 2025E EPS estimate to our unchanged 10x target multiple, we arrive at our \$3.75 price target.
- **EIF: Q3 estimate lower and in line with consensus; price target remains at \$70; maintain Outperform...**

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RBC Elements™

Driving insights through data

See RBC Elements page at the end of this note.

Priced as of prior trading day's market close, EST (unless otherwise noted). All values in CAD unless otherwise noted
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Summary of ratings and price targets

Company	Ticker	New Rating	Previous Rating	Curr.	Market Cap(MM)	Price	New Price Target	Previous Price Target	% Change	Implied All-in Return %
James McGarragle										
CAE Inc.	CAE CN	Outperform	Outperform	CAD	9,405	29.50	37.00	37.00	--	25
Exchange Income Corporation	EIF CN	Outperform	Outperform	CAD	1,965	44.46	70.00	70.00	--	63
Walter Spracklin										
Air Canada	AC CN	Sector Perform	Sector Perform	CAD	6,441	17.13	21.00	25.00	(16)	23
Bombardier Inc.	BBD/B CN	Outperform	Outperform	CAD	4,429	44.57	98.00	104.00	(6)	120
Chorus Aviation Inc.	CHR CN	Outperform	Outperform	CAD	438	2.25	3.75	3.75	--	67

Source: Bloomberg and RBC Capital Markets estimates

Click [here](#) to access the individual company pages.



...Overall, we are taking lower our Manufacturing estimates to reflect weakening PMI readings and the impact of higher interest rates that we expect to impact growth in the near to medium-term. Our Q3 estimate decreases to \$169MM (from \$175MM), in line with consensus \$168MM, and our 2023 EBITDA estimate to \$562MM (from \$571MM), in line with guidance for EBITDA of \$540MM to \$570MM and consensus \$561MM. We roll forward our valuation year and value the company using a blended target multiple of 7.5x (from 7.7x). Price target remains at \$70.

Canadian Airlines & Aerospace Q3/23 preview

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q2 estimates. Items of focus include:

1. The set-up: share price performance in Q3 and valuation
2. An overview of air traffic trends, pricing and leading indicators via RBC Elements™
3. A discussion of our Q3 estimates for each company in our coverage

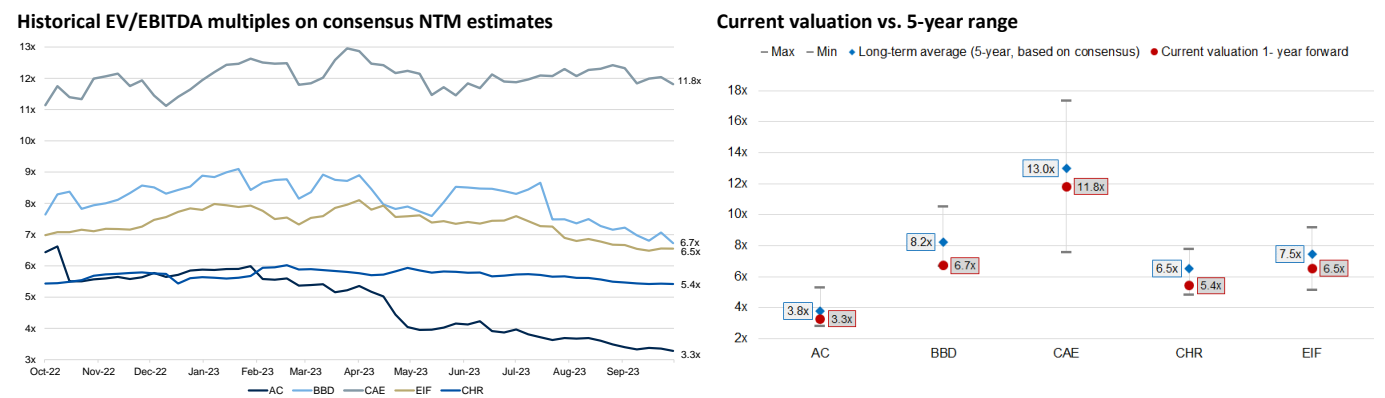
The set-up: Aerospace share price performance during Q3

Company	Q3/23 Share Price Performance
CAE	6.9%
S&P TSX	-3.0%
EIF	-14.4%
CHR	-22.4%
AC	-22.4%
BBD	-27.5%

Share prices mixed in Q3. Canadian Airlines & Aerospace share prices were mixed during the quarter, with CAE slightly outperforming the index, at +7% over the quarter. The performance was driven by higher defense spending, as passenger travel gradually recovers to pre-pandemic levels. BBD underperformed against the peer set but remains our top idea given execution to date and raised long term targets. EIF ended lower despite a record Q2 and notable contract wins, while CHR underperformed over the quarter on pilot shortages, inhibiting growth.

Thoughts on valuations. Referencing Exhibit 1, the bar chart below shows current valuations (red dot) relative to the 5-yr range. CAE is trading below its historical range despite in our view positive long-term trends in Civil and opportunity for operating leverage in Defense. AC trades at the very low end on its historical average and in line with its pre-pandemic levels. We flag EIF as attractively valued in our view, with valuation not reflecting our expectation for mid-teen 3-year EBITDA CAGR 2022 to 2025. We also see CHR as attractively valued given the pending launch of Fund III and new business opportunities. We highlight Bombardier as our top pick and the stock looking attractively valued at a 50% discount to peers.

Exhibit 1 - Airlines & Aerospace shares mostly trading toward bottom of relative valuation



Source: FactSet consensus estimates as of market close October 18, 2023. Note: Excludes pandemic impact from Jan. 2020 to Mar. 2023 for AC and BBD

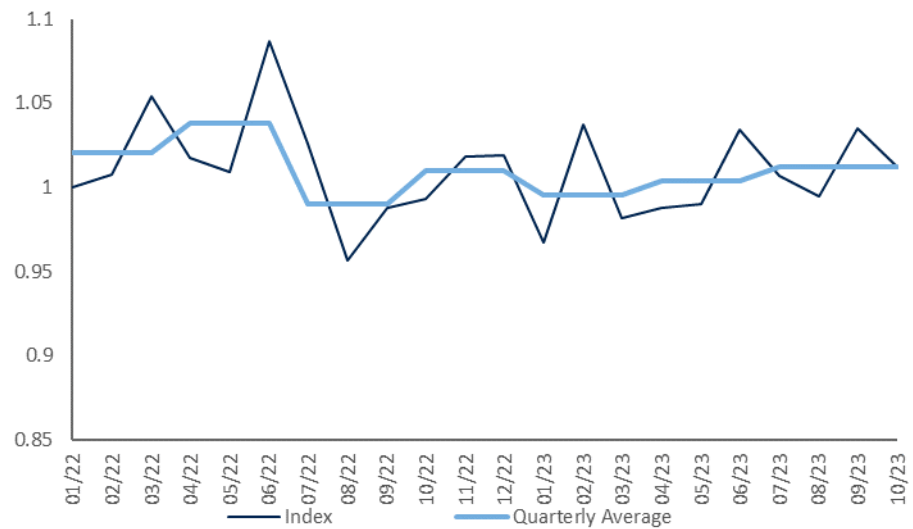


Canadian Airlines & Aerospace Heatmap powered by RBC Elements™

Given the variable demand for commercial and private air travel since the pandemic we began to track a series of travel indicators across the Airlines & Aerospace sectors on a quarterly basis. In collaboration with RBC Elements, our in-house data science team, we analyzed alternative data sets to gain insights into the forward demand and pricing environment. As part of our work with the Elements team we built a proprietary Canadian Airfare Index which utilizes real-time ticket prices from Canadian mainline operators. We expand further on certain Elements indicators summarized in the heatmap below.

Canadian Airfare Index inflecting positively, while US moves lower. We see that airfares hit a seasonal peak in the summer of 2022 and have since trended downwards, with some positive momentum in the past quarter. Key is that prices are up +2% Y/Y in Q3, accelerating from -3% in Q2 vs same period last year. However, we note that US airfare CPI saw a significant decline in Q3/23 and also continued to trend lower since peaking in Q2/22 and remind investors that the Canadian market has operated at a lag to the US on a slower reopening. We remain cautious on the sustainability of high pricing as consumer confidence weakens further (see leading indicators below) and expect to see prices normalize after the peak travel season.

Exhibit 2 - Canadian Airfare Index: airfares have trended downwards since 2022

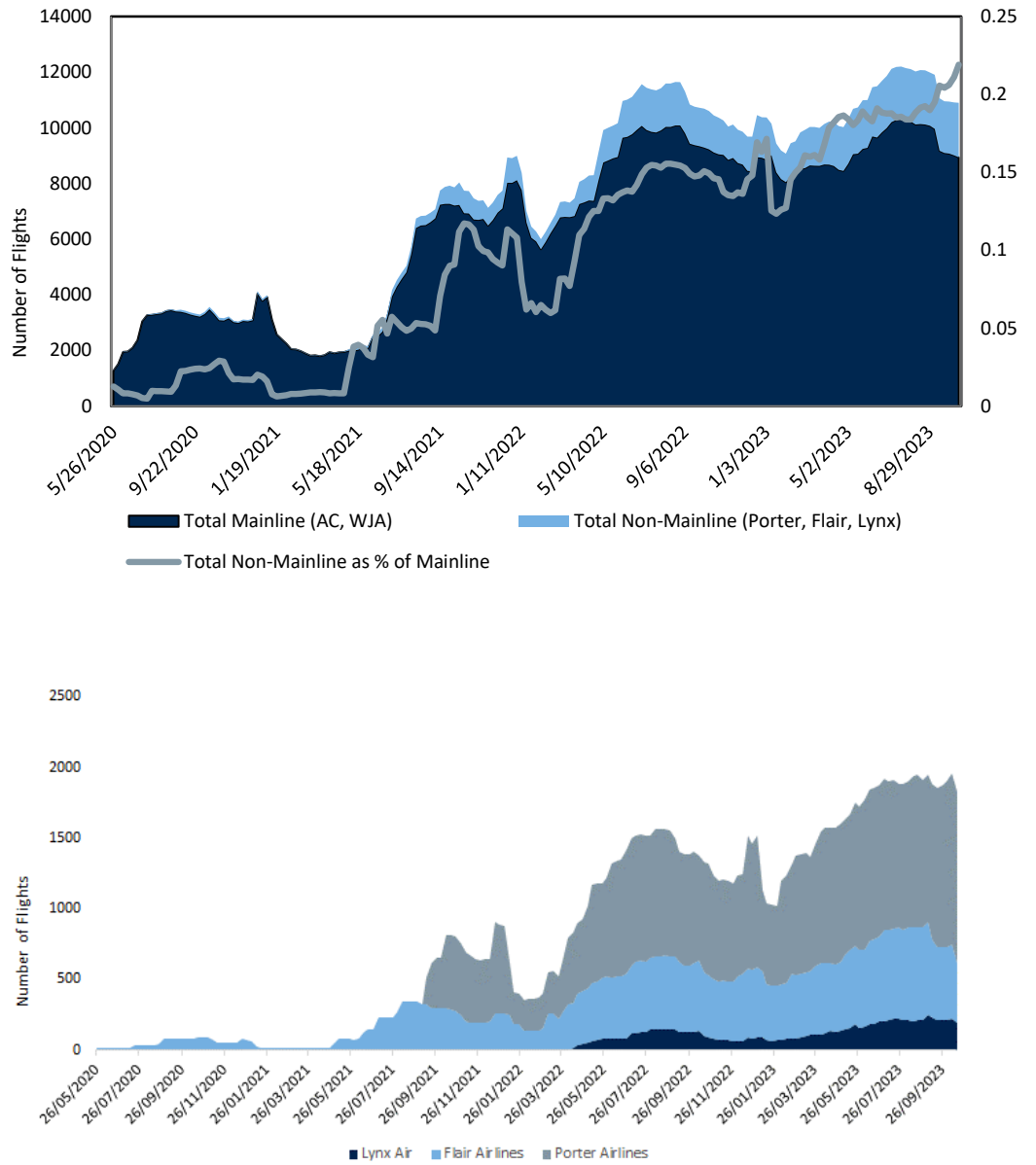


Source: RBC Elements, RBC Capital Markets

Growth in non-mainline activity continues. We tracked non-mainline flight activity in Canada since March 2020 (as measured by number of flights) and have seen a steady incline since reopening. Total Non-Mainline (Flair, Lynx, and Porter) as % of Mainline (AC and WJA) reached a peak of 22%, see Exhibit 3. We note Porter has seen the most growth as it ramps flights out of Pearson with a purchase of 50 E-jets with the option to order for 50 more. We remain watchful of competition in Canada as it puts downward pressure on prices, though we realize Westjet’s acquisition of Sunwing provides some opposing pressure in the medium term.



Exhibit 3 - Non-mainline activity reaching new highs



Source: RBC Capital Markets, Bloomberg

Exhibit 4 - Canadian Airlines Heatmap powered by RBC Elements

Airlines Heat Map	High/Low	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Macro Indicators Y/Y																
US GDP**		(4.6%)	(29.9%)	35.3%	3.9%	6.3%	7.0%	2.7%	7.0%	(1.6%)	(0.6%)	3.2%	2.6%	2.2%	2.1%	2.0%
CAD GDP**		(8.3%)	(37.1%)	41.3%	8.8%	5.3%	(2.3%)	5.9%	6.9%	2.6%	3.6%	2.3%	(0.1%)	2.6%	(0.2%)	1.2%
Jet Fuel		(25.1%)	(60.2%)	(42.4%)	(37.1%)	10.6%	129.5%	77.4%	86.1%	85.3%	148.9%	77.8%	55.1%	13.4%	(47.6%)	(15.6%)
Returns (vs 2019)																
Cdn Airlines & Aerospace Index Return		(64.6%)	(57.4%)	(60.3%)	(39.1%)	(28.1%)	(24.2%)	(16.2%)	(27.5%)	(25.4%)	(39.8%)	(47.6%)	(24.9%)	(13.2%)	(15.1%)	(29.1%)
North American Airlines Index return		(57.6%)	(51.4%)	(50.8%)	(28.5%)	(10.0%)	(16.5%)	(18.7%)	(31.2%)	(33.8%)	(56.3%)	(61.8%)	(59.3%)	(55.1%)	(47.8%)	(62.9%)
European Airlines Index Return		(54.2%)	(43.1%)	(56.0%)	(31.5%)	(31.0%)	(34.8%)	(35.2%)	(44.2%)	(48.2%)	(55.4%)	(53.6%)	(23.2%)	(18.5%)	(14.8%)	(11.1%)
Asian Airlines Index Return		(40.0%)	(25.6%)	(23.8%)	3.6%	11.6%	16.3%	6.0%	1.6%	0.3%	(12.3%)	(19.0%)	(7.4%)	(5.4%)	(6.7%)	(11.1%)
Leading Indicators (Powered by RBC Elements)																
RBC Canadian Airfare Index										102.0	103.8	99.0	101.0	99.5	100.4	101.2
RBC GOAT Index Y/Y							151.5%	43.7%	41.2%	38.6%	2.5%	14.8%	3.8%	0.3%	(3.1%)	(1.6%)
GOAT Leading Travel Indicators Y/Y							148.0%	33.6%	35.9%	36.9%	(6.2%)	14.9%	1.5%	(3.1%)	(8.5%)	(5.9%)
Corporate Travel Search Interest Y/Y		28.7%	(25.6%)	(10.9%)	(39.5%)	(48.3%)	(25.1%)	(16.7%)	1.5%	(3.6%)	13.3%	14.1%	(8.6%)	17.4%	12.3%	0.7%
AC Travel Search Interest Y/Y		37.0%	(30.7%)	(36.0%)	(20.0%)	(33.5%)	(22.0%)	46.3%	28.3%	23.5%	162.4%	70.2%	48.0%	71.0%	24.8%	7.7%
US Travel Search Interest Y/Y		29.4%	(30.9%)	(28.7%)	(22.5%)	(13.0%)	37.7%	39.4%	15.8%	0.2%	8.1%	20.0%	35.6%	32.0%	22.5%	0.9%
Cdn Travel Search Interest Y/Y		31.1%	(35.2%)	(41.4%)	(30.6%)	(45.1%)	(31.9%)	45.6%	32.2%	42.7%	195.3%	75.3%	60.9%	73.2%	23.8%	11.6%
Cdn Non-Mainline Search Interest Y/Y		6.0%	(46.5%)	(45.8%)	(54.2%)	(70.8%)	(18.0%)	93.2%	191.2%	277.7%	358.4%	130.5%	75.5%	124.9%	25.5%	21.1%
% of Cdn Non-Mainline Fleet		14.2%	13.2%	12.7%	13.1%	13.9%	14.6%	15.0%	15.9%	16.7%	15.8%	16.8%	21.3%	22.3%	23.0%	18.1%
Coincident Indicators (vs 2019)																
US Airfare CPI		(1.3%)	(26.3%)	(24.4%)	(18.9%)	(21.4%)	(12.1%)	(18.2%)	(20.7%)	(10.2%)	18.6%	9.6%	7.7%	10.5%	5.1%	(7.0%)
Global RPKs*		(21.5%)	(90.7%)	(76.0%)	(70.2%)	(71.3%)	(62.7%)	(54.2%)	(47.2%)	(45.5%)	(32.6%)	(26.0%)	(24.5%)	(14.3%)	(6.4%)	(4.4%)
Global ASKs*		(14.4%)	(84.4%)	(65.6%)	(58.4%)	(59.5%)	(53.3%)	(45.0%)	(39.5%)	(36.7%)	(29.8%)	(24.1%)	(24.1%)	(12.0%)	(5.6%)	(3.5%)
North American RPKs*		(12.9%)	(91.8%)	(77.7%)	(68.9%)	(63.6%)	(43.6%)	(29.8%)	(22.7%)	(19.4%)	(10.4%)	(8.2%)	(4.9%)	(1.5%)	1.6%	1.7%
North American ASKs*		(4.8%)	(80.2%)	(61.1%)	(50.8%)	(45.3%)	(33.6%)	(22.7%)	(17.3%)	(14.7%)	(10.8%)	(8.6%)	(6.0%)	1.2%	1.3%	1.3%
North American Load Factors*		72.7%	35.2%	49.3%	53.1%	54.5%	73.4%	78.5%	78.3%	79.2%	87.0%	86.4%	84.6%	79.7%	86.9%	88.7%
TSA Passenger Throughput		(20.3%)	(88.1%)	(70.9%)	(63.0%)	(54.0%)	(32.6%)	(22.4%)	(17.7%)	(15.9%)	(9.6%)	(9.0%)	(6.0%)	0.3%	(0.0%)	1.7%
CATSA Passenger Throughput		(22.6%)	(95.4%)	(86.8%)	(85.6%)	(90.6%)	(89.6%)	(62.0%)	(49.8%)	(54.5%)	(25.3%)	(15.4%)	(11.2%)	(8.4%)	(3.4%)	2.7%

Source: Company Reports, FactSet, Bloomberg, RBC Elements, Company Websites, SEMRush, Google Trends, Planespotters Net

Exhibit 5 - Canadian Aerospace Heatmap

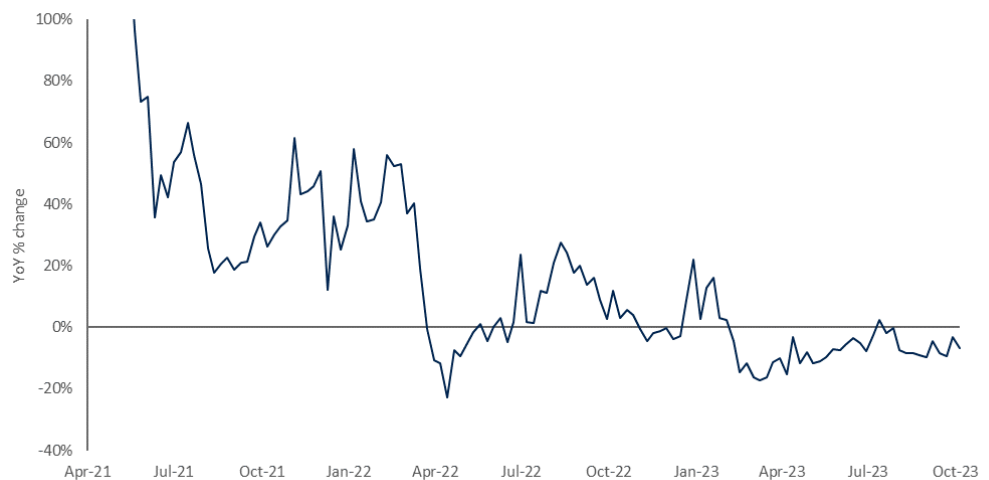
BizJet Indicators (vs 2019)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Total FAA Traffic	(9.7%)	(50.5%)	(16.5%)	(13.9%)	(5.2%)	9.7%	20.0%	25.0%	18.6%	21.5%	17.3%	16.2%	13.3%	13.5%	13.6%
Domestic FAA Traffic	(9.8%)	(47.1%)	(14.2%)	(12.5%)	(2.4%)	13.6%	22.6%	26.3%	20.2%	23.0%	17.9%	16.3%	13.5%	14.4%	14.1%
International FAA Traffic	(9.6%)	(68.4%)	(30.5%)	(21.7%)	(19.7%)	(10.9%)	4.3%	17.4%	10.8%	14.0%	12.9%	16.1%	12.4%	8.7%	10.2%
Global Bizjet Activity	2.1%	(34.0%)	1.5%	(3.0%)	21.9%	38.1%	36.9%	37.6%	50.9%	54.5%	40.2%	35.4%	53.0%	50.5%	40.4%
Bombardier Activity	1.2%	(51.2%)	(10.5%)	(15.7%)	3.6%	17.5%	20.5%	17.9%	23.9%	27.6%	23.4%	17.6%	31.2%	28.5%	27.5%
Gulfstream Activity	(2.1%)	(54.3%)	(19.6%)	(21.7%)	(1.5%)	7.1%	12.5%	15.7%	21.2%	26.5%	19.1%	16.7%	27.6%	21.0%	18.0%
Number of Billionaires	(2.7%)	(2.7%)	(2.7%)	(2.7%)	28.0%	28.0%	28.0%	28.0%	23.9%	23.9%	23.9%	23.9%	22.6%	22.6%	22.6%
Used Inventory (% of Total)	9.5%	10.0%	9.7%	8.2%	7.2%	6.2%	5.0%	3.6%	3.0%	3.4%	3.8%	4.8%	5.0%	5.7%	

Source: Company Reports, FactSet, Bloomberg, RBC Elements, Company Websites, AirNav RadarBox, FAA



Leading indicators continue to be negative. We look to RBC's proprietary Get Out and Travel (GOAT) index to gauge consumer demand for travel. As seen in Exhibit 4, the GOAT index remains down -1.6% y/y in Q3, after it inflected downward at -3.1% y/y in Q2 for the first time since inception. Additionally, leading travel indicators from the GOAT index remained negative since February, demonstrating that consumers may have had their fill, see Exhibit 6. We looked at travel search interest as measured by website traffic across corporate, leisure and non-mainline carriers and flag travel search interest across all segments moving significantly lower in Q3, +7.7% y/y and +0.9% y/y in Canada and the US, respectively. Interesting to note is that Canadian travel search interest and corporate rate of growth declined faster than that of the US in Q2, while the opposite was true during Q3.

Exhibit 6 - Leading travel indicators remain negative since February



Source: RBC Elements, RBC Capital Markets

Coincident indicators remain in the “sweet spot”. North American RPKs, ASKs are above 2019 levels, with airport throughput meaningfully above 2019 levels for the first time in the US and Canada. OEM delays and infrastructure issues (pilots, air traffic control, MRO availability) continue to keep capacity tight with load factors again up Q/Q to ~89%, helping support higher fares. Global RPKs and ASKs continue to lag on the slower comeback of APAC but near normalcy.

Bizjets: Activity remains above 2019 levels and used inventory at lows. Total bizjet traffic in the US remains ~14% ahead of 2019 levels and has hovered in this mid-teen range since Q3/22, indicating structurally higher demand for private travel. In addition, global activity data shows bizjet activity is +40% higher in Q3 vs 2019 with Bombardier jet activity (+27.5% vs 2019) above that of Gulfstream (+18% vs 2019) according to AirNav Radar Box. As of last quarter, used inventory continues to be well below the normal range of 11-14% and note the number of UHNW individuals continues to trend 22.6% above 2019 levels. The data points to robust manufacturing and aftermarket demand, which supports our 2025E EBITDA estimates above consensus.



Q3 Estimates

We are leaving our Q3 estimates largely unchanged for the group ahead of reporting season, with the exception of AC and EIF. Details by company are below:

- **Air Canada (AC): Q3 estimate increased; price target decreases to \$21 (from \$25); reaffirm Sector Perform rating.** We are increasing our Q3/23 estimate to \$1,590MM from \$1,531MM (consensus \$1,593MM) as the company benefited from strong demand and its well-timed fuel hedge helped protect it from rising fuel prices in the quarter. Our 2023E and 2024E EBITDA estimates move lower on increase in fuel curve in out years. Additionally, our 2024 estimates remain below consensus and guidance (\$3.5B to \$4B) as we see multiple headwinds facing the airline industry including the sustainability of higher fares, increased new entrants, weakening leading indicators supported by our Heatmap and increased labour costs. Our key focus into the quarter will be on airfares, pilot contract negotiations, and persistent infrastructure/MRO delays. Our target multiple decreases as we roll forward our valuation year to 2025, moving to 3.5x (from 4.5x) and when applied to our 2025E EBITDA of \$3,477MM results in our \$21 price target. See Exhibit 8.
- **BBD: Q3 estimates unchanged; price target decreases to \$98 (from \$104); reaffirm Outperform rating.** We are maintaining our Q3/23 EBITDA estimate of \$256MM, slightly below cons. of \$263MM. Our estimate reflects 31 total deliveries, of which 18 are large jet deliveries and +16% growth in services revenues. Our key focus into the quarter will be on demand, book-to-bill and the potential for a services guidance raise. We continue to value BBD on 2025 estimates but remove 1 year of discounting as we roll forward our valuation across coverage. Applying our 2025E EBITDA of \$1,645MM to our lowered 6.5x (from 7.5x) target multiple, we arrive at our \$98 price target. BBD remains our top idea and currently trades at a 50% discount to peers. See Exhibit 9.
- **CAE: FQ2 estimate unchanged; price target remains at \$37; maintain Outperform.** Our FQ2 EBITDA estimate remains at \$222MM, below consensus \$229MM on Civil reflecting seasonality as we believe training demand was affected by strong summer travel conditions. Our F24 EBITDA estimate remains unchanged at \$1,064MM, in line with consensus \$1,062MM, and our F24 Civil adj. operating income estimate of +16% aligns with guidance for growth of low-to-mid teen. Our F25 EBITDA estimate is also unchanged at \$1,194MM, a touch below consensus \$1,208MM. Our F25 EPS estimate of \$1.49 is below consensus \$1.53 and implies 3-year EPS CAGR of +21% in line to a touch below guidance for mid-20% CAGR. Key focus into the quarter will be on margins in the Defense segment. Target price remains at \$37 on unchanged target multiple of 12.2x. See Exhibit 10.
- **CHR: Q3 estimate unchanged; price target unchanged at \$3.75; reaffirm Outperform rating.** We are maintaining our Q3/23 EPS estimate of \$0.09, in line with consensus of \$0.10, and make no changes to out-year estimates. Key focus for the call will be progress on the delayed launch of Fund III, visibility toward new growth avenues in RAS and the pilot shortage impacting capacity growth. We roll forward our valuation and when applying our new 2025E EPS estimate to our unchanged 10x target multiple, we arrive at our unchanged \$3.75 price target. See Exhibit 11.
- **Exchange Income (EIF): Q3 estimate lower and in line with consensus; price target remains at \$70; maintain Outperform.** Overall, we are taking lower our Manufacturing estimates to reflect weakening PMI readings and the impact of higher interest rates that we expect to impact growth in the near- to medium-term; partly offset by company-specific growth opportunities. Our Q3 estimate decreases to \$169MM (from \$175MM), in line with consensus \$168MM, and our 2023 EBITDA estimate to \$562MM (from \$571MM), in line with guidance for EBITDA of \$540MM to \$570MM and consensus \$561MM. Our 2024 estimate decreases to \$656MM (from \$672MM), in line with



consensus \$655MM, and our 2025 EBITDA estimate to \$702MM (from \$720MM), below consensus \$717MM. Key into the quarter will be colour on the Manufacturing outlook, especially in the Temporary Mat and Window Solutions segments, as well as the M&A pipeline and capex and revenues associated with recent business wins. We roll forward our valuation year and value the company using a blended target multiple of 7.5x (from 7.7x). Price target remains at \$70. See Exhibit 12.

Exhibit 7 - Estimate changes ahead of the quarter

	Q3 2023E EBITDA			2023E EBITDA			2024E EBITDA			2025E EBITDA			Target Multiple		Price Target (CAD)			Rating
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	RBC	Old	New		
Air Canada	\$1,531	\$1,590	\$1,593	\$3,962	\$3,934	\$3,887	\$3,270	\$3,075	\$3,992	N/A	\$3,477	\$4,363	4.5x	3.5x	\$25	\$21	SP	
Bombardier	unchg.	U\$256	\$263	unchg.	U\$1,154	U\$1,188	unchg.	U\$1,399	\$1,371	unchg.	U\$1,645	\$1,605	7.5x	6.5x	\$104	\$98	O	
CAE ¹	unchg.	\$222	\$229	unchg.	\$1,064	\$1,062	unchg.	\$1,194	\$1,208	n.a.	n.a.	n.a.	unchg.	12.2x	unchg.	\$37	O	
Exchange Income	\$175	\$169	\$168	\$571	\$562	\$561	\$672	\$656	\$655	\$720	\$702	\$717	7.7x	7.5x	unchg.	\$70	O	

1. CAE estimates are for FQ2/23, F2024, and F2025, respectively

	Q3 2023E EPS			2023E EPS			2024E EPS			2025E EPS			Target Multiple		Price Target (CAD)			Rating
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	RBC	Old	New		
Chorus Aviation	\$0.09	\$0.09	\$0.10	\$0.38	\$0.38	\$0.38	\$0.38	\$0.38	\$0.40	N/A	\$0.39	\$0.42	unchg.	10.0x	unchg.	\$3.75	O	

Source: RBC Capital Markets estimates, FactSet for consensus. Note: Priced as of market close October 18, 2023.

Exhibit 8 - Air Canada estimate revisions detail

(C\$MM's unless specified)	Q3/23E			2023E			2024E			2025E	
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Cur	% Δ
Traffic: RPMs (% chg)	10.3%	10.3%	0bp	28.3%	28.0%	-38bp	11.8%	11.4%	-38bp	1.0%	0bp
Capacity: ASMs (% chg)	11.0%	11.0%	0bp	21.0%	21.0%	0bp	13.0%	13.0%	0bp	1.0%	0bp
Load Factor (%pts)	86.0%	86.0%	0bp	85.4%	85.2%	-25bp	84.6%	84.1%	-54bp	84.1%	-54bp
Yield (% chg)	5.0%	5.0%	0bp	6.2%	6.2%	0bp	-4.0%	-4.0%	0bp	2.0%	0bp
RASM (% chg)	4.7%	4.7%	0bp	11.8%	11.4%	-33bp	-5.0%	-5.3%	-33bp	2.0%	0bp
Adj. CASM ex fuel+other (% chg)	5.0%	5.0%	0bp	1.1%	1.0%	-7bp	-5.4%	-5.5%	-9bp	2.2%	0bp
Avg Jet Fuel Price: (\$/Ltr)	\$1.00	\$0.96	-4.2%	\$1.08	\$1.08	-0.2%	\$1.18	\$1.20	1.3%	\$1.16	1.4%
Revenue	6,115	6,115	0.0%	21,697	21,641	-0.3%	23,073	22,941	-0.6%	23,609	-0.6%
Expenses	4,585	4,526	-1.3%	17,736	17,707	-0.2%	19,803	19,866	0.3%	20,132	0.3%
EBITDA	1,531	1,590	3.9%	3,962	3,934	-0.7%	3,270	3,075	-6.0%	3,477	-5.4%
EBITDA Margin	25.0%	26.0%	3.9%	18.3%	18.2%	-0.4%	14.2%	13.4%	-5.4%	14.7%	-4.9%
EPS ex-one time items (\$)	2.64	2.80	6.0%	5.59	5.52	-1.3%	2.88	2.35	-18.4%	2.55	-13.9%

Source: Company reports, RBC Capital Markets estimates

Exhibit 9 - Bombardier estimate revisions detail

(\$MM's unless specified)	Q3/23E			2023E			2024E			2025E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total aircraft deliveries	31	31	0.0%	139	139	0.0%	145	145	0.0%	150	150	0.0%
Total Revenues	1,775	1,775	0.0%	7,914	7,914	0.0%	8,386	8,386	0.0%	9,087	9,087	0.0%
Total EBIT	151	151	0.0%	735	735	0.0%	922	922	0.0%	1,145	1,145	0.0%
Mgn%	8.5%	8.5%	0 bps	9.3%	9.3%	0 bps	11.0%	11.0%	0 bps	12.6%	12.6%	0 bps
Free Cash Flow	243	243	0.0%	244	244	0.0%	543	543	0.0%	890	890	0.0%
EBITDA	256	256	0.0%	1,154	1,154	0.0%	1,399	1,399	0.0%	1,645	1,645	0.0%
Mgn%	14.4%	14.4%	0 bps	14.6%	14.6%	0 bps	16.7%	16.7%	0 bps	18.1%	18.1%	0 bps
Adjusted EPS	-\$0.11	-\$0.11	0.0%	\$2.69	\$2.69	0.0%	\$4.26	\$4.26	0.0%	\$8.14	\$8.14	0.0%

Source: Company reports, RBC Capital Markets estimates



Exhibit 10 - CAE estimate revisions detail

ESTIMATE SUMMARY (C\$ millions)	FQ2/24E			FQ1/24	F2024E			F2025E		
	Old	New	% Δ	Actual	Old	New	% Δ	Old	New	% Δ
Revenue	1,073	1,073	0.0%	1,054	4,598	4,598	0.0%	4,873	4,873	0.0%
Civil Revenue	533	533	0.0%	540	2,450	2,450	0.0%	2,613	2,613	0.0%
Defense & Security Revenue	492	492	0.0%	472	1,948	1,948	0.0%	2,052	2,052	0.0%
Healthcare Revenue	48	48	0.0%	42	200	200	0.0%	208	208	0.0%
Adj. EBITDA	222	222	0.0%	237	1,064	1,064	0.0%	1,194	1,194	0.0%
Civil Adj. EBITDA	167	167	0.0%	185	832	832	0.0%	870	870	0.0%
Defence & Security Adj. EBITDA	49	49	0.0%	48	209	209	0.0%	295	295	0.0%
Healthcare Adj. EBITDA	6	6	0.0%	4	24	24	0.0%	30	30	0.0%
Adjusted Operating Income	129	129	0.0%	145	690	690	0.0%	825	825	0.0%
Adj. Operating Income Margin %	12.0%	12.0%	<i>Obps</i>	13.8%	15.0%	15.0%	<i>Obps</i>	16.9%	16.9%	<i>Obps</i>
Civil Adj. EBIT	100	100	0.0%	119	563	563	0.0%	608	608	0.0%
Defence & Security Adj. EBIT	25	25	0.0%	24	114	114	0.0%	197	197	0.0%
Healthcare Adj. EBIT	4	4	0.0%	2	14	14	0.0%	19	19	0.0%
Adj. EPS (F.D)	\$0.18	\$0.18	0.0%	\$0.24	\$1.12	\$1.12	0.0%	\$1.49	\$1.49	0.0%
Consensus EBITDA	229			1,062			1,208			

Source: Company reports, RBC Capital Markets estimates

Exhibit 11 - Chorus Aviation estimate revisions detail

Revenue breakdown	Q3/23E			2023E			2024E			2025E	
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	New	% Δ
Regional Aircraft Services	351	351	0.0%	1,376	1,376	0.0%	1,366	1,366	0.0%	1,356	0.0%
Regional Aircraft Leasing	68	68	0.0%	275	275	0.0%	281	281	0.0%	289	0.0%
Total Revenues	419	419	0.0%	1,652	1,652	0.0%	1,647	1,647	0.0%	1,645	0.0%
Total Expenses	360	360	0.0%	1,414	1,414	0.0%	1,407	1,407	0.0%	1,404	0.0%
Total Operating Income	59	59	0.0%	238	238	0.0%	241	241	0.0%	241	0.0%
Depreciation and Amortization	48	48	0.0%	196	196	0.0%	198	198	0.0%	177	-10.5%
Adj. EBITDA	107	107	0.0%	446	446	0.0%	439	439	0.0%	418	-4.7%
Adj. EPS	0.09	\$0.09		0.38	\$0.38	0.0%	0.38	\$0.38	0.0%	\$0.39	0.0%

Source: Company reports, RBC Capital Markets estimates

Exhibit 12 - Exchange Income Corp estimate revisions detail

ESTIMATE SUMMARY (C\$ millions)	Q3/23E			Q3/22	2023E			2024E			2025E		
	Old	New	% Δ	Actual	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total revenue	656	634	(3.4%)	587	2,453	2,419	(1.4%)	2,758	2,681	(2.8%)	2,885	2,802	(2.9%)
Total Aviation Revenues	398	398	0.0%	363	1,476	1,476	0.0%	1,687	1,687	0.0%	1,803	1,808	0.3%
Total Manufacturing Revenues	258	235	(8.7%)	223	977	942	(3.5%)	1,071	994	(7.2%)	1,082	994	(8.1%)
Adj. EBITDA	175	169	(3.3%)	150	571	562	(1.4%)	672	656	(2.5%)	720	702	(2.5%)
Total Aviation EBITDA	116	116	0.0%	100	400	400	0.0%	473	473	0.0%	515	516	0.3%
Total Manufacturing EBITDA	70	64	(8.7%)	60	211	202	(4.2%)	235	217	(7.5%)	243	222	(8.4%)
Net income	59	55	(7.0%)	49	145	139	(4.2%)	217	205	(5.6%)	250	237	(5.2%)
EPS (Diluted)	\$1.22	\$1.14	(6.5%)	\$1.09	\$3.19	\$3.07	(3.8%)	\$4.52	\$4.29	(5.1%)	\$5.12	\$4.88	(4.8%)
Adj. net income (diluted)	63	58	(6.6%)	55	163	157	(3.7%)	231	219	(5.2%)	264	251	(4.9%)
Adj. EPS (Diluted)	\$1.29	\$1.21	(6.1%)	\$1.20	\$3.55	\$3.43	(3.4%)	\$4.79	\$4.56	(4.8%)	\$5.39	\$5.14	(4.6%)
FCF (less maintenance capex)	67	64	(3.5%)	69	195	191	(1.7%)	237	232	(2.5%)	260	254	(2.4%)
FCF (less maintenance capex) / share	\$1.37	\$1.32	(3.3%)	\$1.49	\$4.18	\$4.12	(1.6%)	\$4.91	\$4.80	(2.3%)	\$5.32	\$5.20	(2.3%)
Consensus EBITDA	168			561			655			717			

Source: Company reports, RBC Capital Markets estimates

Appendix 1 – Airline comparables

	Symbol	Curr	18-Oct-23 Price	Mkt Cap (MM)	EV/EBITDA			EV/Sales			EBITDA Margin		
					2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Discount Airlines													
Southwest	LUV-US	US\$	24.70	14,712	4.8x	4.6x	3.6x	0.5x	0.5x	0.4x	10%	10%	12%
JetBlue	JBLU-US	US\$	\$4.40	1,466	10.7x	6.8x	4.9x	0.5x	0.4x	0.4x	4%	6%	8%
Discount Average					7.8x	5.7x	4.3x	0.5x	0.4x	0.4x	7%	8%	10%
Mainline Airlines													
Air Canada	AC-CA	C\$	\$17.13	6,134	9.9x	4.0x	4.2x	0.9x	0.7x	0.6x	9%	17%	15%
Delta Air Lines	DAL-US	US\$	\$33.14	21,324	6.9x	4.8x	4.6x	0.9x	0.8x	0.8x	14%	16%	16%
United Continental	UAL-US	US\$	\$36.24	11,886	6.3x	3.9x	3.7x	0.7x	0.6x	0.5x	11%	15%	15%
American Airlines	AAL-US	US\$	\$11.36	7,422	9.6x	6.2x	6.2x	0.8x	0.7x	0.7x	8%	11%	11%
Mainline Average					8.2x	4.7x	4.7x	0.8x	0.7x	0.7x	10%	15%	14%
Regional Airlines													
Chorus Aviation	CHR-CA	C\$	\$2.25	448	4.6x	4.6x	4.7x	1.3x	1.2x	1.2x	28%	26%	26%
SkyWest Inc.	SKYW-US	US\$	\$37.86	1,592	6.5x	7.9x	5.5x	1.3x	1.4x	1.2x	21%	18%	22%
Regional Average					5.5x	6.3x	5.1x	1.3x	1.3x	1.2x	24%	22%	24%
Airline Average					7.4x	5.3x	4.7x	0.9x	0.8x	0.7x	13%	15%	16%

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced as of market close on October 18, 2023

Appendix 2 – Aerospace comparables

Company Name	Price 18-Oct-23	Mkt. Cap (\$MM's)	Net Debt to EBITDA	EV/EBITDA				EBITDA Margin				
				2022	2023E	2024E	2025E	2022	2023E	2024E	2025E	
Aerospace												
Boeing	US\$	185.69	112,009	N/A	N/A	64.0x	18.0x	13.1x	-2.3%	3.0%	9.2%	11.4%
Embraer	US\$	14.06	2,582	3.1x	8.7x	7.2x	5.9x	5.2x	10.1%	10.3%	11.1%	12.0%
General Dynamics	US\$	239.81	65,478	2.0x	14.9x	14.3x	12.6x	11.9x	12.9%	12.5%	13.3%	13.6%
Textron	US\$	78.52	15,553	1.4x	11.6x	10.8x	10.0x	9.4x	11.8%	11.8%	12.0%	12.2%
Average					11.8x	24.1x	11.6x	9.9x	8.1%	9.4%	11.4%	12.3%
Transportation & Conglomerates												
Siemens	EUR	130.40	96,777	3.4x	11.6x	9.9x	9.2x	8.5x	16.2%	17.8%	18.3%	18.8%
General Electric	US\$	107.57	117,077	0.0x	13.5x	15.6x	11.7x	N/A	12.0%	12.1%	14.5%	N/A
United Technologies	US\$	74.24	108,057	2.9x	12.7x	12.1x	10.7x	9.9x	16.4%	15.7%	16.4%	16.5%
Average					12.6x	12.5x	10.6x	9.2x	14.9%	15.2%	16.4%	17.7%
Bombardier	C\$	\$44.57	4,195	4.1x	8.3x	6.7x	5.5x	4.7x	13.5%	14.6%	16.7%	18.1%

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2023 numbers. Priced as of market close on October 18, 2023

Appendix 3 – CAE comparables

	Ticker	Rating ¹	Share Price	Mkt Cap (\$MM)	EV (\$MM)	Yield (%)	EV/EBITDA			P/E		
							'F23A	'F24E	'F25E	'F23A	'F24E	'F25E
CAE	CAE-CA	OP	\$29.50	\$9,405	\$12,571	0.0%	14.1x	11.8x	10.5x	33.6x	26.3x	19.8x
							EV/EBITDA			P/E		
							'22E	'23E	'24E	'22E	'23E	'24E
Defense^{2,3}												
General Dynamics Corporation	GD-US		\$239.81	\$65,478	\$76,350	2.2%	15.0x	14.4x	12.7x	19.7x	19.0x	16.1x
Lockheed Martin Corporation	LMT-US		\$446.07	\$112,334	\$126,433	2.9%	12.9x	12.8x	12.9x	20.6x	16.4x	16.5x
Northrop Grumman Corporation	NOC-US		\$490.76	\$74,252	\$86,675	1.5%	17.5x	16.1x	15.0x	19.2x	21.6x	19.7x
Raytheon Company	RTX-US		\$74.24	\$108,057	\$135,693	3.2%	12.3x	11.8x	10.4x	15.5x	14.8x	13.2x
L3Harris Technologies Inc	LHX-US		\$179.55	\$33,959	\$40,986	2.6%	12.5x	11.8x	11.0x	13.9x	14.7x	13.5x
CACI International Inc Class A	CACI-US		\$335.59	\$7,603	\$9,351	0.0%	14.7x	13.1x	12.2x	18.8x	17.8x	16.8x
Curtiss-Wright Corporation	CW-US		\$205.20	\$7,860	\$9,029	0.4%	16.6x	15.1x	14.2x	25.2x	22.5x	20.5x
Huntington Ingalls Industries, Inc.	HII-US		\$223.01	\$8,891	\$11,627	2.2%	12.6x	11.2x	10.6x	15.4x	15.6x	13.5x
Teledyne Technologies Incorporated	TDY-US		\$398.85	\$18,776	\$22,229	0.0%	17.1x	16.1x	15.0x	21.9x	20.8x	19.2x
Peer Average - Defense						1.7%	14.6x	13.6x	12.7x	18.9x	18.1x	16.5x
Aerospace^{2,3}												
Boeing Company	BA-US		\$185.69	\$112,009	\$153,371	0.0%	n.a.	65.2x	18.4x	n.a.	-42.2x	38.1x
Honeywell International Inc.	HON-US		\$183.47	\$121,817	\$132,244	2.3%	15.0x	13.8x	12.9x	20.9x	20.0x	18.3x
Embraer S.A.	EMBR3-BR		\$17.83	\$13,099	\$18,123	0.0%	7.7x	6.4x	5.4x	n.a.	20.3x	10.8x
Hexcel Corporation	HXL-US		\$66.17	\$5,589	\$6,250	0.7%	21.0x	16.7x	14.0x	51.7x	34.0x	25.6x
Spirit AeroSystems Holdings, Inc. Class A	SPR-US		\$21.16	\$2,228	\$5,531	0.0%	81.5x	25.1x	8.2x	n.a.	-5.1x	46.4x
Peer Average - Aerospace						0.6%	31.3x	25.4x	11.8x	36.3x	5.4x	27.8x

1. Investment ratings: Outperform (OP), Sector Perform (SP), Underperform (U)

2. FactSet consensus estimates

3. USD

Source: Company reports, FactSet, and RBC Capital Markets estimates for CAE. Priced as of market close on October 18, 2023.

Appendix 4 – CHR comparables

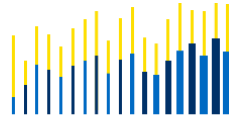
Company	Ticker	18-Oct-23 Price	Market Cap (MMs)	P/E		EBITDA Margin		EV/EBITDA		Dividend Yield (23E)	Net Debt/ 23E EBITDA
				2023E	2024E	2023E	2024E	2023E	2024E		
Chorus Aviation	CHR-CA	C\$ \$2.25	\$438.1	6.0x	5.9x	27.0%	26.6%	2.5x	2.6x	0.0%	3.8x
Regional Airlines											
SkyWest Inc.	SKYW-US	US\$ \$37.86	\$1,592.5	92.3x	8.3x	17.6%	21.9%	8.1x	5.7x	0.3%	4.1x
Exchange Income Corp.	EIF-CA	C\$ \$44.46	\$2,087.3	13.3x	10.7x	22.9%	23.8%	7.3x	6.3x	5.8%	3.6x
Mesa Air Group	MESA-US	US\$ \$0.78	\$32.0	(0.5x)	5.8x	--	--	--	--	--	--
Regional Average				35.1x	8.3x	20.2%	22.8%	7.7x	6.0x	3.0%	3.8x
Mainline Airlines											
Air Canada	AC-CA	C\$ \$17.13	\$1,299.7	4.4x	6.8x	16.7%	14.2%	4.5x	5.0x	0.0%	1.7x
Delta Air Lines	DAL-US	US\$ \$33.14	\$21,324.4	5.4x	5.0x	16.3%	16.5%	4.8x	4.6x	0.5%	2.9x
United Continental	UAL-US	US\$ \$36.24	\$11,886.0	3.6x	3.6x	14.9%	14.7%	3.9x	3.7x	0.0%	3.2x
American Airlines	AAL-US	US\$ \$11.36	\$7,422.2	4.9x	4.9x	11.3%	10.9%	6.3x	6.3x	0.0%	6.8x
Westjet	LUV-US	US\$ \$24.70	\$14,712.2	15.1x	11.1x	9.9%	11.6%	5.0x	3.9x	2.5%	(2.7x)
Jet Blue	JBLU-US	US\$ \$4.40	\$1,466.3	(17.4x)	110.4x	6.5%	8.4%	6.8x	4.9x	0.0%	5.5x
Mainline Average				4.6x	5.1x	14.8%	14.1%	4.9x	4.9x	0.1%	3.7x
Airline Average				15.2x	20.1x	14.5%	15.2%	5.8x	5.1x	1.1%	3.1x
Aircraft Lessors											
AerCap Holdings	AER-US	US\$ \$58.78	\$16,494.8	6.2x	5.8x	81.3%	80.7%	9.4x	9.3x	0.0%	8.0x
Air Lease Corp.	AL-US	US\$ \$35.00	\$3,886.0	7.9x	6.4x	90.6%	90.5%	9.1x	8.1x	2.2%	8.6x
Air Transport Services Group	ATSG-US	US\$ \$20.60	\$1,457.7	10.8x	9.8x	29.2%	29.5%	5.2x	4.8x	--	2.3x
BOC Aviation Limited	2588-HK	HK\$ \$52.75	\$36,609.0	7.9x	6.8x	93.4%	93.6%	9.5x	8.6x	4.4%	7.7x
Aircraft Lessors Average				8.2x	7.2x	73.6%	73.6%	8.3x	7.7x	2.2%	6.7x
Smaller Fee Earners											
Blue Owl Capital	OWL-US	US\$ \$13.02	\$5,918.3	20.2x	16.7x	61.3%	59.2%	11.9x	9.8x	4.4%	5.5x
Partners Group	PGHN-CH	CHF\$ \$1,004.00	\$26,806.8	23.5x	20.3x	62.2%	63.0%	20.3x	17.3x	3.9%	0.3x
FTAI	FTAI-US	US\$ \$33.86	\$3,377.1	22.5x	15.8x	48.7%	48.9%	9.8x	8.8x	2.8%	6.6x
Smaller Fee Earners Average				22.1x	17.6x	57.4%	57.0%	14.0x	12.0x	3.7%	4.1x
Fund Managers											
Apollo Global Management	APO-US	US\$ \$87.25	\$49,461.3	13.1x	10.7x	155.2%	175.1%	11.5x	9.6x	2.0%	--
Ares Management Corp	ARES-US	US\$ \$107.66	\$19,524.7	29.1x	21.2x	41.1%	45.1%	28.7x	20.8x	2.9%	16.4x
Blackstone	BX-US	US\$ \$102.30	\$72,607.4	24.2x	17.4x	58.6%	60.5%	15.6x	11.1x	3.5%	2.1x
Brookfield Corp	BN-CA	C\$ \$43.94	\$72,003.6	11.1x	9.5x	431.3%	185.9%	19.2x	37.7x	0.9%	9.8x
Carlyle Group	CG-US	US\$ \$28.94	\$10,417.0	9.4x	7.2x	33.7%	38.5%	16.6x	11.3x	4.5%	3.6x
KKR	KKR-US	US\$ \$57.95	\$51,261.9	17.2x	12.5x	70.6%	63.7%	32.9x	26.0x	1.1%	--
Fund Manager Average				17.3x	13.1x	131.8%	94.8%	20.8x	19.4x	2.5%	8.0x
Lessor/Asset Manager Average				15.6x	12.3x	96.7%	79.6%	15.4x	14.1x	2.7%	6.4x
Total Peer Average				14.7x	14.9x	65.4%	55.1%	11.7x	10.6x	2.1%	5.1x

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2023 numbers. Priced as of market close on October 18, 2023

Appendix 4 – EIF comparables

Symbol	Price	Mkt Cap (\$MM)	EBITDA (\$MM)			EBITDA Margin (%)			EV/EBITDA			Net Debt/ '23 EBITDA	Div. Yield		
			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E				
Exchange Income Corp.	EIF	C\$	\$44.46	2,017	562	656	702	23.3%	24.5%	25.0%	6.8x	5.8x	5.4x	3.2x	5.7%
Aviation															
Chorus Aviation Inc.	CHR	C\$	\$2.25	438	441	411	380	27.8%	25.6%	23.6%	3.9x	4.2x	4.6x	2.9x	N/A
Alaska Airlines	ALK	US\$	\$32.66	4,155	1,439	1,649	1,786	13.7%	14.9%	15.2%	3.9x	3.4x	3.1x	1.0x	N/A
Hawaiian Airlines	HA	US\$	\$4.30	222	103	112	254	-3.7%	3.5%	7.3%	-9.5x	8.6x	3.8x	-7.3x	0.0%
Air Lease Corp.	AL	US\$	\$35.00	3,886	2,436	2,726	3,124	90.6%	90.5%	91.9%	9.1x	8.1x	7.1x	7.5x	2.3%
AerCap Holdings	AER	US\$	\$58.78	16,495	6,252	6,339	6,782	81.3%	80.7%	88.1%	9.8x	9.7x	9.1x	7.2x	N/A
Air Transport Services Group	ATSG	US\$	\$20.60	1,458	614	655	704	29.2%	29.5%	30.1%	4.9x	4.6x	4.2x	2.5x	N/A
SkyWest Inc.	SKYW	US\$	\$37.86	1,592	508	723	726	17.6%	21.9%	19.8%	7.9x	n.a.	n.a.	4.8x	N/A
Airlines/Aerospace Average								36.6%	38.1%	39.4%	4.3x	6.4x	5.3x	2.7x	1.1%
Manufacturing															
Heroux-Devtek	HRX	C\$	\$15.25	519	77	93	107	12.9%	14.5%	15.6%	9.2x	7.6x	6.6x	2.4x	N/A
Russel Metals	RUS	C\$	\$34.17	2,133	428	374	381	9.5%	8.7%	8.8%	4.9x	5.6x	5.5x	-0.1x	4.7%
Magellan	MAL	C\$	\$7.28	418	79	106	132	9.0%	11.2%	12.5%	6.1x	4.6x	3.7x	0.9x	1.4%
Mastec	MTZ	US\$	\$66.25	5,225	1,053	1,201	1,367	8.2%	8.8%	9.5%	6.7x	5.9x	5.2x	1.8x	N/A
New Flyer Industries Inc.	NFI	C\$	\$13.82	1,067	72	358	462	1.9%	7.6%	8.7%	26.6x	5.3x	4.1x	11.7x	N/A
Manufacturing Average								8.3%	10.2%	11.0%	10.7x	5.8x	5.0x	3.3x	3.0%
Financial/Holding Companies															
Alaris Royalty	AD	C\$	\$13.57	617	127	146	n.a.	80.4%	84.6%	n.a.	7.4x	6.5x	n.a.	2.6x	10.0%
Diversified Royalty Corp.	DIV	C\$	\$2.52	361	58	67	69	96.2%	96.6%	93.9%	9.7x	8.4x	8.2x	3.4x	9.5%
Financial/Holding Company Average								88.3%	90.6%	93.9%	8.6x	7.4x	8.2x	3.0x	9.8%

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2023 numbers. Priced as of market close on October 18, 2023



RBC Elements™

Driving insights through data

Description

RBC Elements™ is a primary research and data science team embedded within RBC's Global Research division. The main focus of RBC Elements™ is to use scientific methods, algorithms and systems to analyze vast amounts of structured and unstructured data, to obtain insights that are inputs into RBC's Fundamental Global Research teams.

Objective

The team is involved in creating various machine learning and predictive modeling tools and processes, helping RBC Research discover the information hidden in big data, and allowing the Research division to make smarter decisions and deliver differentiated products to our clients. RBC Elements™ strives to augment the already available industry data with different alternative data sources, and enhance data collection procedures to include information that is relevant.

Methods

The team is implementing different machine learning and data mining algorithms using state-of-the-art methods. Examples include:

- Machine learning techniques and algorithms, such as k-NN, Naive Bayes, SVM, Decision Forests, Clustering, Artificial Neural Networks, and Natural Language Processing to find patterns in the past, and to predict the future.
- Feature selection techniques to find what matters most in the data.
- Statistical modeling and analysis, and statistical tests such as distributions, and regression/GLM.
- Developing hypotheses and making inferences using large amounts of data.



Company Profiles



Air Canada

Walter Spracklin (Analyst)

Sector Perform

TSX: AC CN; CAD 17.13

Price Target CAD 21.00 ↓ 25.00

Key Statistics

Shares O/S (MM):	376.0	Market Cap (MM):	6,441
Dividend:	0.00	Yield:	0.0%
Float (MM):	375.3	Avg. Daily Volume:	3,433,728

RBC Estimates

FY Dec	2022A	2023E	2024E	2025E
Revenue	16,556.0	21,640.9	22,941.0	23,609.3
Prev.		21,697.3	23,073.2	
EBITDA	1,457.0	3,933.6	3,075.0	3,477.0
Prev.		3,961.6	3,270.3	
Revenue	Q1	Q2	Q3	Q4
2022	2,573.0A	3,981.0A	5,322.0A	4,680.0A
2023	4,887.0A	5,427.0A	6,115.5E	5,211.4E
Prev.				5,267.8E
2024	5,258.2E	5,690.5E	6,647.0E	5,345.4E
Prev.		5,751.3E	6,718.3E	
EBITDA				
2022	(143.0)A	154.0A	1,057.0A	389.0A
2023	411.0A	1,220.0A	1,590.0E	712.6E
Prev.			1,530.8E	799.8E
2024	428.2E	814.0E	1,253.4E	579.5E
Prev.	452.4E	883.7E	1,335.4E	598.8E

All values in CAD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

Applying a 3.5x EV/EBITDA multiple to our 2025 estimates, we derive our price target of \$21. Our target multiple is in line with the historical group average multiple and in line with peers and supported by our view that the industry should largely return to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from return to travel disruptions followed by a general return to "normal" by 2024; and (2) a reduction in capital intensity out to 2024. Our price target supports our Sector Perform rating.

Investment summary

A strong business in the midst of a tough operating environment. Despite unprecedented industry conditions, we believe Air Canada has done a commendable job navigating an exceptionally challenging industry environment. Going forward, we believe upside is limited in the medium-term given: (1) sustainability of high fares in a recession; (2) increased new entrant activity increasing competition, (3) increased operating costs and pilot contract renewal; and (4) business travel plateau.

Risks to rating and price target

Risks to our price target and rating include but are not limited to very high operating leverage given a fixed-cost structure, above-average sensitivity to the economy, exposure to volatile fuel prices and the risk of terrorism and epidemics. This is a very competitive industry in which WestJet is focusing on Western Canada and Porter Airlines is expanding in Eastern Canada. As of Q1/2023 Air Canada is not hedged to changes in jet fuel prices.

Appendix I – AC Model Summary

C\$MM	2022	Q1/23	Q2/23	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E
Traffic / RPM (MMs)	66,495	18,578	21,617	24,401	20,488	85,084	21,853	23,444	27,588	21,938	94,824	22,072	23,678	27,864	22,157	95,772
% change	216.0%	95.9%	32.0%	10.3%	10.6%	28.0%	17.6%	8.5%	13.1%	7.1%	11.4%	1.0%	1.0%	1.0%	1.0%	1.0%
Capacity / ASM (MMs)	82,558	21,907	24,606	28,374	24,985	99,872	26,016	27,910	32,457	26,431	112,814	26,276	28,189	32,782	26,695	113,942
% change	147.3%	53.2%	21.0%	11.0%	11.7%	21.0%	18.8%	13.4%	14.4%	5.8%	13.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Load Factor (%)	80.5%	84.8%	87.9%	86.0%	82.0%	85.2%	84.0%	84.0%	85.0%	83.0%	84.1%	84.0%	84.0%	85.0%	83.0%	84.1%
change (% pts)	17.5%	18.5%	7.3%	-0.5%	-0.8%	4.7%	-0.8%	-3.9%	-1.0%	1.0%	-1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (\$)	0.212	0.220	0.227	0.229	0.226	0.225	0.211	0.218	0.220	0.217	0.216	0.215	0.222	0.224	0.221	0.221
% change	-4.3%	8.9%	8.1%	5.0%	3.0%	6.2%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RASM (Rev per unit of capacity, cents)	17.2	18.7	19.9	19.7	18.5	19.2	17.7	18.3	18.7	18.0	18.2	18.1	18.7	19.1	18.3	18.6
CASM (Costs per unit of capacity, cents)	20.3	22.4	18.8	17.4	19.7	19.4	20.2	19.0	18.0	19.7	19.1	20.2	19.1	18.0	19.8	19.2
Fuel Cost/ASM (cents)	6.4	6.3	4.8	4.8	5.3	5.2	6.1	6.0	6.0	5.9	6.0	5.8	5.8	5.8	5.7	5.8
CASM (excl. fuel) (cents)	13.9	16.1	14.0	12.6	14.4	14.2	14.1	13.0	12.0	13.8	13.2	14.4	13.3	12.3	14.1	13.4
Total Revenues	16,556	4,887	5,427	6,115	5,211	21,641	5,258	5,690	6,647	5,345	22,941	5,410	5,856	6,842	5,501	23,609
% change	158.7%	89.9%	36.3%	14.9%	11.4%	30.7%	7.6%	4.9%	8.7%	2.6%	6.0%	2.9%	2.9%	2.9%	2.9%	2.9%
Wages, salaries and benefits	3260	914	971	985	986	3855	969	1029	1044	1045	4087	1027	1091	1106	1107	4332
% Sales	19.7%	18.7%	17.9%	16.1%	18.9%	17.8%	18.4%	18.1%	15.7%	19.5%	17.8%	19.0%	18.6%	16.2%	20.1%	18.3%
Aircraft Fuel - total	5276	1375	1187	1360	1316	5238	1587	1679	1931	1560	6758	1537	1637	1888	1528	6589
% Sales	31.9%	28.1%	21.9%	22.2%	25.2%	24.2%	30.2%	29.5%	29.1%	29.2%	29.5%	28.4%	27.9%	27.6%	27.8%	27.9%
Sales and distribution costs	797	273	264	284	325	1146	324	299	325	344	1292	327	302	328	347	1305
% Sales	4.8%	5.6%	4.9%	4.6%	6.2%	5.3%	6.2%	5.3%	4.9%	6.4%	5.6%	6.1%	5.2%	4.8%	6.3%	5.5%
Ground package costs	474	318	126	113	150	707	289	110	97	126	622	292	112	98	127	629
% Sales	2.9%	6.5%	2.3%	1.9%	2.9%	3.3%	5.5%	1.9%	1.5%	2.4%	2.7%	5.4%	1.9%	1.4%	2.3%	2.7%
Catering and onboard services	425	128	158	111	100	497	98	106	119	100	422	99	107	120	101	427
% Sales	2.6%	2.6%	2.9%	1.8%	1.9%	2.3%	1.9%	1.9%	1.8%	1.9%	1.8%	1.8%	1.8%	1.7%	1.8%	1.8%
Aircraft maintenance	706	261	275	200	250	986	250	250	250	250	1000	258	258	258	258	1030
% Sales	4.3%	5.3%	5.1%	3.3%	4.8%	4.6%	4.8%	4.4%	3.8%	4.7%	4.4%	4.8%	4.4%	3.8%	4.7%	4.4%
Airport and navigation fees	1213	312	364	355	375	1405	286	307	357	291	1241	289	310	361	294	1253
% Sales	7.3%	6.4%	6.7%	5.8%	7.2%	6.5%	5.4%	5.4%	5.4%	5.4%	5.4%	5.3%	5.3%	5.3%	5.3%	5.3%
Communications and information technol	468	146	128	124	153	551	96	85	90	104	374	97	86	90	105	378
% Sales	2.8%	3.0%	2.4%	2.0%	2.9%	2.5%	1.8%	1.5%	1.3%	1.9%	1.6%	1.8%	1.5%	1.3%	1.9%	1.6%
Other	1717	533	533	581	495	2142	500	541	631	508	2179	514	556	650	523	2243
% Sales	10.4%	10.9%	9.8%	9.5%	9.5%	9.9%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Regional airline expense (ex fuel and DAR)	763	216	201	413	350	1180	432	469	550	439	1890	445	483	567	453	1947
% Sales	4.6%	4.4%	3.7%	6.8%	6.7%	5.5%	8.2%	8.2%	8.3%	8.2%	8.2%	8.2%	8.2%	8.3%	8.2%	8.2%
Total Operating Costs	15,099	4,476	4,207	4,526	4,499	17,707	4,830	4,876	5,394	4,766	19,866	4,884	4,942	5,465	4,841	20,132
EBITDA	1,457	411	1,220	1,590	713	3,934	428	814	1,253	579	3,075	527	914	1,376	660	3,477
% of sales	8.8%	8.4%	22.5%	26.0%	13.7%	18.2%	8.1%	14.3%	18.9%	10.8%	13.4%	9.7%	15.6%	20.1%	12.0%	14.7%
Depreciation, amortization and impairment	1,640	428	418	423	422	1,691	430	432	434	437	1,733	436	438	440	442	1,757
EBIT (Excluding Special Charges)	(187)	(17)	802	1,167	291	2,243	(1)	382	819	143	1,342	91	476	936	217	1,720
% of sales	-1.1%	-0.3%	14.8%	19.1%	5.6%	10.4%	0.0%	6.7%	12.3%	2.7%	5.9%	1.7%	8.1%	13.7%	3.9%	7.3%
Net Income	(1,700)	4	838	1,052	182	2,076	(129)	239	727	45	882	(17)	255	624	98	960
EPS (F.D) (\$) (Exc. Special charges)	\$ (4.24)	\$ 0.01	\$ 2.23	\$ 2.80	\$ 0.48	\$ 5.52	\$ (0.34)	\$ 0.64	\$ 1.93	\$ 0.12	\$ 2.35	\$ (0.05)	\$ 0.68	\$ 1.66	\$ 0.26	\$ 2.55
Net debt	8,318	7,547	6,239	5,139	5,183	5,183	5,383	5,212	4,550	4,486	4,486	4,573	4,286	3,490	3,184	3,184
Net debt/LTM EBITDA	5.7x	3.8x	2.0x	1.4x	1.3x	1.3x	1.4x	1.5x	1.4x	1.5x	1.5x	1.4x	1.3x	1.0x	0.9x	0.9x

Source: Company reports, RBC Capital Markets estimates



Bombardier Inc.

Walter Spracklin (Analyst)

Outperform

TSX: BBD/B CN; CAD 44.57

Price Target CAD 98.00 ↓ 104.00

Key Statistics

Shares O/S (MM):	99.4	Market Cap (MM):	4,429
Dividend:	0.00	Yield:	0.0%
Float (MM):	2,227.5	Avg. Daily Volume:	765,833
Strategic Ownership: Bombardier/Beaudoin families Equity (11%); Voting (52%)			

RBC Estimates

FY Dec	2022A	2023E	2024E	2025E
EPS, Ops Diluted	0.74	2.69	4.26	8.14
EBITDA, Adj	930.0	1,153.8	1,399.4	1,644.5
P/E	44.0x	12.1x	7.6x	4.0x
CFPS Diluted	1.93	8.14	9.45	13.56
P/CFPS	16.8x	4.0x	3.4x	2.4x
Revenue	6.9	7.9	8.4	9.1
EPS, Ops Diluted	Q1	Q2	Q3	Q4
2022	(0.80)A	(0.47)A	(0.10)A	2.09A
2023	1.06A	0.72A	(0.11)E	1.02E
2024	0.38E	0.90E	0.71E	2.27E
CFPS Diluted				
2022	(1.80)A	(0.28)A	1.16A	2.88A
2023	3.51A	0.97A	1.07E	2.67E
2024	1.37E	1.99E	1.99E	4.10E

All market data in CAD; all financial data in USD; dividends paid in CAD.
Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

We apply a target multiple of 6.5x to our 2025 EBITDA estimate of \$1.65B to derive our \$98 price target. Our target multiple is based on a significant discount to peers and a structurally higher demand environment. We use EBITDA (as opposed to PE) as our primary valuation methodology, as we believe it better reflects the company's growth potential while also taking into account its capital structure. Our price target supports our Outperform rating.

Investment summary

Our Outperform rating reflects our view that the company presently screens as an attractive deep-value opportunity with the transition to a pure-play biz jet company now complete. While risks remain with the execution of strategic objectives, we see the existing business as less complex and the cost structure as more streamlined, which should eventually support a return to FCF breakeven on a sustainable basis.

With Bombardier now finishing a multi-year period of high investment spend to develop and position its product and service portfolio, 2023 should be an important transition year. The company has pursued ways to further deleverage the balance sheet through strategic alternatives (i.e., asset sales), and we believe BBD has sufficient liquidity to absorb smaller issues that may still arise.

Key potential catalysts for the shares would be related to: (1) an acceleration in demand for the company's business jet aircraft (particularly the Global 7500/8000); (2) better-than-expected FCF generation/usage; and (3) formal guidance provided on longer-term run-rate margins.

Risks to rating and price target

Risks to our estimates, price target, and rating include but are not limited to the performance of the global airline industry, possible changes to Bombardier's credit rating, and demand for business jets. We also see risk in renewed supply chain disruption leading to production halts in both Bombardier and suppliers. For these reasons, our earnings estimates could be more at risk than for most companies.

Appendix II – Bombardier Model Summary

Summary Income Statement																
(in US \$MM's)	2022	Q1/23	Q2/23	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E
Aerospace Key Drivers																
Business Jet Deliveries	123	22	29	31	57	139	25	33	29	58	145	26	34	30	60	150
<i>Delivery Growth</i>	2.5%	4.8%	3.6%	24.0%	16.3%	13.0%	13.6%	13.8%	-6.5%	1.8%	4.3%	4.0%	3.0%	3.4%	3.4%	3.4%
Revenue																
Manufacturing	5,345	1,020	1,237	1,343	2,562	6,162	1,061	1,481	1,308	2,652	6,501	1,161	1,599	1,419	2,839	7,017
Services	1,508	424	428	432	449	1,733	445	471	475	494	1,885	485	518	522	544	2,069
Total Revenues	6,913	1,453	1,675	1,775	3,012	7,914	1,506	1,951	1,783	3,146	8,386	1,646	2,117	1,942	3,382	9,087
<i>Revenue Growth</i>	12.3%	17.5%	4.7%	25.6%	15.1%	15.3%	4.0%	19.7%	-2.6%	3.5%	5.5%	9.4%	8.0%	8.5%	7.0%	7.9%
Total EBITDA	930	212	275	256	411	1,154	256	315	311	518	1,399	313	380	358	595	1,645
<i>EBITDA Margin %</i>	13.5%	14.7%	19.7%	14.4%	13.6%	14.6%	17.0%	16.1%	17.5%	16.5%	16.7%	19.0%	17.9%	18.4%	17.6%	18.1%
Total EBIT	512	138	190	151	256	735	166	215	196	346	922	198	265	243	440	1,145
<i>EBIT Margin %</i>	7.4%	9.5%	11.3%	8.5%	8.5%	9.3%	11.0%	11.0%	11.0%	11.0%	11.0%	12.0%	12.5%	12.5%	13.0%	12.6%
Adj. Net Income (Loss) to Common	73	105	72	(11)	101	267	38	90	70	226	424	107	177	161	364	809
Adj. EPS	\$ 0.74	\$ 1.06	\$ 0.72	\$ (0.11)	\$ 1.02	\$ 2.69	\$ 0.38	\$ 0.90	\$ 0.71	\$ 2.27	\$ 4.26	\$ 1.07	\$ 1.78	\$ 1.62	\$ 3.67	\$ 8.14
CFPS \$(Basic)	\$ 1.93	\$ 3.51	\$ 0.97	\$ 1.07	\$ 2.67	\$ 8.14	\$ 1.37	\$ 1.99	\$ 1.99	\$ 4.10	\$ 9.45	\$ 2.31	\$ 3.03	\$ 2.90	\$ 5.32	\$ 13.56
Net debt	4,689	4,437	4,701	4,501	4,056	4,048	3,960	3,835	3,731	3,537	3,537	3,356	3,128	2,933	2,679	2,679

Source: Company reports, RBC Capital Markets estimates



CAE Inc.

James McGarragle (Analyst)

Outperform

TSX: CAE CN; CAD 29.50; NYSE: CAE

Price Target CAD 37.00

Key Statistics

Shares O/S (MM):	318.8	Market Cap (MM):	9,405
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	751,454

RBC Estimates

FY Mar	2022A	2023A	2024E	2025E
Revenue	3,371.3	4,203.3	4,597.7	4,872.7
EPS, Adj Diluted	0.84	0.88	1.12	1.49
P/AEPS	35.1x	33.5x	26.3x	19.8x
EBITDA	755.0	890.3	1,064.5	1,194.1

Revenue	Q1	Q2	Q3	Q4
2022	752.7A	814.9A	848.7A	955.0A
2023	933.3A	993.2A	1,020.3A	1,256.5A
2024	1,054.4A	1,073.3E	1,213.1E	1,256.9E
EPS, Adj Diluted				
2022	0.19A	0.17A	0.19A	0.29A
2023	0.06A	0.19A	0.28A	0.35A
2024	0.24A	0.18E	0.35E	0.39E

All values in CAD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

We value CAE shares on a sum of the parts basis using a blended EV/EBITDA multiple of 12.2x on our FY25 EBITDA estimate of \$1,194MM. Our 13.5x Civil multiple is driven off the Rail and Waste sectors, which trade in the 11x to 15x range, and our Defense multiple of 8.5x is derived using a discount to its peers due to lower margins and recent headwinds. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals (including secular growth and high barriers to entry), strong management team, high FCF conversion, and the expected recovery in both travel and defense procurement. Based on relative returns to our \$37 price target, we rate the shares Outperform.

Investment summary

Our positive investment thesis on the CAE shares is based on the following three key points:

- 1. Meaningful secular tailwinds.** We believe CAE's Civil segment is well positioned to benefit from long-term secular tailwinds. Our view is that the Civil segment will grow at a pace that meaningfully exceeds the overall economy at an organic growth rate we peg at a mid-to high-single digit range out to 2030. Key drivers of this growth are: i) a near- to medium-term recovery in passenger travel; ii) favourable pilot demographics; and iii) specific to the Defense segment, increased spending by NATO members driven by Russia's invasion of Ukraine.
- 2. Differentiated Civil service / product offering.** CAE is an industry leader in the Civil Aviation Training market and we note that CAE operates the world's largest civil aviation training network, which we believe acts as a significant barrier to entry as well as a key differentiator. Our view is that this favourably positions CAE to capitalize on meaningful Civil tailwinds going forward.
- 3. Key investment made during the pandemic sets the stage for growth.** On the back of CAE's resilience demonstrated during the pandemic, the company was able to invest heavily in growth and executed successfully on key restructuring initiatives. We point to: i) the acquisitions of L3H MT and Sabre; ii) a meaningful restructuring program; and iii) a ramp-up in capex in F2022 to pre-pandemic levels. We view these investments as setting the stage for a significant rebound in growth exiting the pandemic.

Risks to rating and price target

- Supply chain risk
- Delayed recovery for air travel
- Reduction in defense spending
- Regulation risk
- R&D and technology risk
- US foreign ownership
- Acquisition risk

Appendix III – CAE Model Summary

CAE	F2022A	FQ1/23	FQ2/23	FQ3/23	FQ4/23	F2023	FQ1/24	FQ2/24E	FQ3/24E	FQ4/24E	F2024E	FQ1/25E	FQ2/25E	FQ3/25E	FQ4/25E	F2025E
(C\$MM unless otherwise indicated)																
SEGMENTED RESULTS																
CIVIL AVIATION																
Revenue	1,617.8	480.4	507.2	517.4	661.4	2,166.4	540.3	533.2	669.2	707.0	2,449.7	648.5	629.1	655.4	679.6	2,612.6
Adjusted Operating Income	314.7	86.6	104.4	131.4	162.9	485.3	119.0	100.1	167.3	176.8	563.2	145.9	144.6	154.0	163.1	607.7
Adjusted Operating Margin	19.5%	18.0%	20.6%	25.4%	24.6%	22.4%	22.0%	18.8%	25.0%	25.0%	23.0%	22.5%	23.0%	23.5%	24.0%	23.3%
DEFENSE & SECURITY																
Revenue	1,602.1	413.3	442.4	452.5	536.0	1,844.2	471.7	492.2	493.4	490.8	1,948.2	518.4	515.3	512.6	506.2	2,052.4
Adjusted Operating Income	119.2	(21.2)	18.4	25.4	30.5	53.1	24.3	25.4	29.6	34.4	113.7	44.1	48.9	52.6	51.9	197.5
Adjusted Operating Margin	7.4%	-5.1%	4.2%	5.6%	5.7%	2.9%	5.2%	5.2%	6.0%	7.0%	5.8%	8.5%	9.5%	10.3%	10.3%	9.6%
HEALTHCARE																
Revenue	151.4	39.6	43.6	50.4	59.1	192.7	42.4	48.0	50.4	59.1	199.9	46.6	51.9	52.9	56.1	207.6
Adjusted Operating Income	10.6	(4.5)	1.9	3.8	8.5	9.7	1.8	3.6	3.8	4.4	13.6	4.4	4.9	5.0	5.3	19.5
Adjusted Operating Margin	7.0%	-11.4%	4.4%	7.5%	14.4%	5.0%	4.2%	7.5%	7.5%	7.5%	6.8%	9.4%	9.4%	9.4%	9.4%	9.4%
CONSOLIDATED RESULTS																
Revenue	3,371.3	933.3	993.2	1,020.3	1,256.5	4,203.3	1,054.4	1,073.3	1,213.1	1,256.9	4,597.7	1,213.6	1,196.3	1,220.9	1,241.9	4,872.7
y/y growth (%)	13.1%	24.0%	21.9%	20.2%	31.6%	24.7%	13.0%	8.1%	18.9%	0.0%	9.4%	15.1%	11.5%	0.6%	-1.2%	6.0%
Expenses																
COGS	2,415.8	700.4	719.6	722.3	894.7	3,037.0	748.5	744.9	841.9	872.3	3,207.6	843.4	831.5	848.5	863.1	3,386.5
R&D	120.8	40.7	32.2	30.2	40.0	143.1	39.1	39.1	39.1	39.1	156.4	39.1	39.1	39.1	39.1	156.4
SG&A	489.1	145.1	128.0	138.1	149.7	560.9	139.7	139.7	139.7	139.7	558.8	139.7	139.7	139.7	139.7	558.8
Other Gains/Losses	(37.0)	(2.4)	(3.2)	(6.7)	(10.5)	(22.8)	(1.4)	(1.4)	(1.4)	(1.4)	(5.6)	(1.4)	(1.4)	(1.4)	(1.4)	(5.6)
After Tax share in profit of equity accounted invest	(48.5)	(11.4)	(8.1)	(14.4)	(19.3)	(53.2)	(16.6)	(13.3)	(13.3)	(13.3)	(56.5)	(13.3)	(13.3)	(13.3)	(13.3)	(53.2)
Restructuring Cost/Other	146.9	21.5	22.6	4.9	15.3	64.3	15.0	35.2	6.4	5.0	61.6	11.7	2.3	(3.3)	(5.6)	5.1
Adj. Operating Income	444.5	60.9	124.7	160.6	201.9	548.1	145.1	129.1	200.7	215.5	690.5	194.4	198.5	211.5	220.3	824.6
Adjusted Operating Margin	13.2%	6.5%	12.6%	15.7%	16.1%	13.0%	13.8%	12.0%	16.5%	17.1%	15.0%	16.0%	16.6%	17.3%	17.7%	16.9%
y/y growth (%)	58.4%	-38.1%	37.5%	42.5%	41.5%	23.3%	138.3%	3.5%	25.0%	6.8%	26.0%	33.9%	53.7%	5.4%	2.2%	19.4%
Depreciation & Amortization	310.5	82.6	81.9	88.3	89.4	342.2	92.2	93.3	93.9	94.6	374.0	91.2	92.0	92.7	93.5	369.4
Adj. EBITDA	755.0	143.5	206.6	248.9	291.3	890.3	237.3	222.4	294.6	310.2	1,064.5	285.5	290.4	304.3	313.8	1,194.1
Adjusted EBITDA Margin	22.4%	15.4%	20.8%	24.4%	23.2%	21.2%	22.5%	20.7%	24.3%	24.7%	23.2%	23.5%	24.3%	24.9%	25.3%	24.5%
y/y growth (%)	25.8%	-15.3%	22.0%	29.2%	30.3%	17.9%	65.4%	7.6%	18.4%	6.5%	19.6%	20.3%	30.6%	3.3%	1.2%	12.2%
Adj. Operating EPS	\$0.84	\$0.06	\$0.19	\$0.28	\$0.35	\$0.88	\$0.24	\$0.18	\$0.35	\$0.39	\$1.12	\$0.34	\$0.35	\$0.39	\$0.41	\$1.49
y/y growth (%)	80.0%	-70.7%	15.1%	46.5%	20.2%	4.5%	335.1%	-8.6%	25.7%	11.5%	27.9%	41.4%	99.4%	9.5%	6.2%	32.9%
Free Cash Flow (excl. dividends)	341.5	(182.4)	108.4	238.4	171.3	335.7	(104.9)	7.0	234.1	231.3	367.5	18.6	61.7	218.5	211.3	510.0
FCF conversion	131%	-1036%	176%	267%	154%	120%	-137%	12%	209%	187%	103%	17%	55%	178%	161%	107%
Net Debt to EBITDA	3.6x	4.2x	4.2x	3.7x	3.4x	3.4x	3.2x	3.2x	3.0x	2.8x	2.8x	2.7x	2.5x	2.4x	2.3x	2.3x

Source: Company reports, RBC Capital Markets estimates



Chorus Aviation Inc.

Walter Spracklin (Analyst)

Outperform

TSX: CHR CN; CAD 2.25

Price Target CAD 3.75

Key Statistics

Shares O/S (MM):	194.7	Market Cap (MM):	438
Dividend:	0.00	Yield:	0.0%
Float (MM):	180.6	Avg. Daily Volume:	512,376

RBC Estimates

FY Dec	2022A	2023E	2024E	2025E
Revenue	1,595.8	1,651.6	1,647.4	1,645.3
EBITDA	441.0	446.2	438.5	417.6
CFPS Diluted	1.26	1.60	1.60	1.50
P/CFPS	1.8x	1.4x	1.4x	1.5x

Revenue	Q1	Q2	Q3	Q4
2022	342.4A	392.3A	421.3A	439.8A
2023	415.3A	396.8A	418.9E	420.7E
2024	417.8E	396.4E	415.7E	417.4E
EBITDA				
2022	83.3A	104.9A	123.4A	129.5A
2023	118.1A	110.7A	106.8E	110.6E
2024	109.0E	107.0E	107.7E	114.7E

All values in CAD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

We value Chorus' total business at 10x P/E multiple based on our 2025 estimates. We feel a blended multiple approach is most appropriate to value the CPA, leasing and asset management earnings streams at Chorus. Our target multiple is in line with the average of similar companies across the of airlines, lessors and asset management space. This method generates our \$3.75 price target, which is the basis of our Outperform rating.

Investment summary

We rate Chorus Aviation Outperform, as we believe the CHR share price does not represent the enhanced value of the new CPA contract with Air Canada at current valuations. As anticipated, management has delivered with Chorus and Air Canada developing a new framework agreement, which we believe is mutually beneficial and provides CHR with a level of earnings and FCF stability. The new arrangement removes inefficiencies inherent under the previous contract and fundamentally transforms CHR into a sustainable company, in our view.

Chorus acquires Falko. We take a positive view on the transaction that would see Chorus acquire Falko for US \$855MM. This positive view stems from mgmt indication related to immediate accretion; together with the value of a financial backer that is key to aircraft leasing (and to this point largely absent for CHR). With significantly improved scale and diversification as a result of this transaction, we believe CHR is now set to substantially grow its leasing business going forward.

Diversification progressing. With the new CPA in place and long-term collective agreements secured with the pilots and flight attendants, management is focusing on diversification efforts. The acquisition of Voyageur in the first quarter of 2015 began the initiatives outside of the CPA, with the creation of Chorus Aviation Capital in 2017 adding to the growth platform. We expect CHR to make incremental progress with growth outside of the CPA, with what we see as potential for a more material impact on earnings (and valuations) longer term.

Business model still provides significantly less risk than a "plain vanilla" airline. The fixed-fee nature of the company's business model provides substantially less risk than a conventional airline, in our view. Exposure to non-controllable costs, including jet fuel prices, is limited as the costs are passed through accordingly to Air Canada. Additionally, controllable costs are no longer subjected to benchmarking of a group of peers, and as such, the level of profitability has less exposure to variability.

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.

Appendix IV – CHR Model Summary

C\$MM	2022	Q1/23	Q2/23	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E
Income Statement																
Revenue	1595.8	415.3	396.8	418.9	420.7	1651.6	417.8	396.4	415.7	417.4	1647.4	422.1	396.3	412.6	414.3	1645.3
% change	56.0%	21.3%	1.1%	-0.6%	-4.3%	3.5%	0.6%	-0.1%	-0.8%	-0.8%	-0.3%	1.0%	0.0%	-0.7%	-0.8%	-0.1%
Airline Operations Total - RAS	1333	339	327	351	358	1376	350	321	344	351	1366	360	314	337	344	1356
Regional Aircraft Leasing - RAL	262	76	69	68	62	275	68	75	72	66	281	62	82	75	70	289
Total Operating Expenses	1,408	353	341	360	358	1,414	359	337	358	353	1,407	364	336	355	350	1,404
Operating Income	188	62	55	59	62	238	59	59	58	65	241	58	61	58	65	241
Adjusted EBITDA	441.0	118.1	110.7	106.8	110.6	446.2	109.0	107.0	107.7	114.7	438.5	99.8	104.2	103.4	110.2	417.6
% of sales	27.6%	28.4%	27.9%	25.5%	26.3%	27.0%	26.1%	27.0%	25.9%	27.5%	26.6%	23.6%	26.3%	25.1%	26.6%	25.4%
Adj. Net Income	119	31	26	27	30	113	27	28	27	32	114	27	29	27	32	116
Adj. EPS (F.D) (\$)	\$0.47	\$0.11	\$0.08	\$0.09	\$0.10	\$0.38	\$0.09	\$0.09	\$0.09	\$0.11	\$0.38	\$0.09	\$0.10	\$0.09	\$0.11	\$0.39
CFPS (F.D) (\$) (Excluding Special charges)	\$1.26	\$0.41	\$0.40	\$0.39	\$0.40	\$1.60	\$0.40	\$0.39	\$0.39	\$0.42	\$1.60	\$0.35	\$0.37	\$0.37	\$0.40	\$1.50
Net debt	1,925	1,897	1,825	1,761	1,694	1,694	1,616	1,541	1,464	1,382	1,382	1,313	1,240	1,167	1,089	1,089
Net debt/LTM EBITDA	4.4x	4.0x	3.8x	3.8x	3.8x	3.8x	3.7x	3.6x	3.4x	3.2x	3.2x	3.1x	2.9x	2.8x	2.6x	2.6x

Source: Company reports, RBC Capital Markets estimates



Exchange Income Corporation

James McGarragle (Analyst)

Outperform

TSX: EIF CN; CAD 44.46

Price Target CAD 70.00

Key Statistics

Shares O/S (MM):	44.2	Market Cap (MM):	1,965
Dividend:	2.58	Yield:	5.8%
		Avg. Daily Volume:	147,110

RBC Estimates

FY Dec	2022A	2023E	2024E	2025E
Revenue	2,059.4	2,418.6	2,680.6	2,802.4
Prev.		2,453.1	2,757.5	2,884.9
EBITDA, Adj	456.4	562.3	655.7	701.8
Prev.		570.6	672.2	719.6
Free Cash Flow	176.1	191.5	231.5	253.9
Prev.		194.8	237.4	260.2
FCF Yield	9.0%	9.7%	11.8%	12.9%

Revenue	Q1	Q2	Q3	Q4
2022	400.2A	529.0A	586.8A	543.4A
2023	526.8A	627.2A	633.6E	630.9E
Prev.			655.9E	643.1E
2024	606.1E	670.5E	704.1E	700.0E
Prev.	620.2E	688.3E	731.6E	717.5E
EBITDA, Adj				
2022	67.0A	115.1A	150.4A	124.1A
2023	97.1A	147.0A	169.2E	149.0E
Prev.			174.9E	151.5E
2024	118.4E	165.9E	195.8E	175.6E
Prev.	120.5E	169.2E	203.0E	179.5E

Note: Free Cash Flow shown above uses the company's FCF less maintenance capex definition.
All values in CAD unless otherwise noted.
Priced as of prior trading day's market close, EST (unless otherwise noted).

Valuation

In valuing EIF, we apply a blended 7.5x EV/EBITDA multiple (8x for Aviation & Aerospace and 6.5x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$702MM 2025E EBITDA, reflecting a valuation blend of ~70% Aviation & Aerospace and ~30% Manufacturing. We apply our target multiples to our 2025E EBITDA for each segment, which generates our \$70 price target, which supports our Outperform rating.

Investment summary

Exchange Income Corporation is a diversified, acquisition-oriented company that acts as a holding company for a number of different subsidiaries within the aviation, aerospace, and manufacturing industries. We believe the shares currently represent an attractive opportunity for investors to own a company that provides a unique blend of growth and income at an attractive relative valuation. In summary, our positive view on the EIF shares stems from:

Regional One provides upside potential as regional travel recovers in Europe. Regional One EBITDA and cash flows have proved resilient emerging from the pandemic, a development we attribute to strong cost-management, the high-margin nature of Regional One's lease revenues (~95% EBITDA margins according to management), and solid capex flexibility (an aspect we believe may not be fully appreciated by investors).

Quest as well as Northern Mat to drive growth within Manufacturing. Going forward, we see tailwinds in EIF's Window Solutions business on the back of apartment construction and easing of production gaps. Moreover, despite near-term headwinds, we view Northern Mat as well positioned to benefit from oil and gas as well as hydro electric investment longer-term.

Recent contract wins set the stage for mid-teen 3-year EBITDA CAGR. Recent contract wins, including with the BC and Manitoba governments, as well as with Air Canada, set the stage in our view for mid-teen EBITDA CAGR 2022 to 2025E.

Risks to rating and price target

- **Access to external capital.** If the capital markets' desire for income-producing investments were to significantly decrease, EIF could have difficulty executing its strategy.
- **Acquisition integration and related risks.** EIF has a solid record of identifying and making accretive acquisitions, but its ability to successfully grow or diversify through additional acquisitions is dependent on a number of factors.
- **Contract risk.** EIF is party to a number of significant contracts with key customers. The loss of any one of these significant contracts could have a negative impact on the operations and cash flow of the company.
- **Competition.** New competition or increased competition could have a significant impact on the business, operations, and financial condition of EIF's Aerospace & Aviation and Manufacturing segments.

Appendix V – EIF Model Summary

(CAD \$000's unless otherwise indicated)	2022	Q1/23	Q2/23	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E
Segmented revenues																
Aviation revenues	1,337,440	325,929	372,361	398,300	379,890	1,476,479	367,448	414,808	455,266	448,988	1,686,509	408,797	457,104	484,371	457,967	1,808,239
Manufacturing revenues	721,933	200,915	254,861	235,272	251,053	942,101	238,644	255,643	248,797	251,053	994,137	238,644	255,643	248,797	251,053	994,137
Segmented EBITDA																
Aviation EBITDA	336,512	73,807	107,691	115,507	102,570	399,575	86,883	124,115	136,580	125,717	473,295	98,704	139,056	147,733	130,521	516,015
EBITDA Margin	25.2%	22.6%	28.9%	29.0%	27.0%	27.1%	23.6%	29.9%	30.0%	28.0%	28.1%	24.1%	30.4%	30.5%	28.5%	28.5%
Manufacturing EBITDA	157,206	32,145	49,040	63,523	57,742	202,451	39,375	50,469	68,419	58,997	217,260	40,568	51,747	69,663	60,253	222,231
EBITDA Margin	21.8%	16.0%	19.2%	27.0%	23.0%	21.5%	16.5%	19.7%	27.5%	23.5%	21.9%	17.0%	20.2%	28.0%	24.0%	22.4%
Revenues, Net	2,059,373	526,844	627,222	633,572	630,943	2,418,581	606,092	670,451	704,063	700,041	2,680,646	647,441	712,747	733,168	709,020	2,802,377
Revenue growth (Y/Y)	45.7%	98.0%	18.6%	8.0%	16.1%	17.4%	15.0%	6.9%	11.1%	11.0%	10.8%	6.8%	6.3%	4.1%	1.3%	4.5%
Aviation expenses	854,487	211,447	225,690	226,234	221,856	885,227	224,451	232,554	254,949	258,617	970,571	248,074	254,438	269,310	261,957	1,033,780
Aviation expenses (% of sales)	41.5%	40.1%	36.0%	35.7%	35.2%	36.6%	37.0%	34.7%	36.2%	36.9%	36.2%	38.3%	35.7%	36.7%	36.9%	36.9%
Manufacturing expenses	493,833	150,241	179,941	145,986	164,314	640,483	169,379	174,398	153,321	163,247	660,346	168,365	173,312	152,264	162,180	656,121
Manufacturing expenses (% of sales)	57.8%	71.1%	79.7%	64.5%	74.1%	72.4%	75.5%	75.0%	60.1%	63.1%	68.0%	67.9%	68.1%	56.5%	61.9%	63.5%
Gross profit	711,053	165,156	221,591	261,351	244,773	892,871	212,261	263,499	295,793	278,177	1,049,729	231,002	284,997	311,594	284,883	1,112,476
Gross margin	34.5%	31.3%	35.3%	41.3%	38.8%	36.9%	35.0%	39.3%	42.0%	39.7%	39.2%	35.7%	40.0%	42.5%	40.2%	39.7%
EBITDA	449,595	96,703	144,433	169,237	148,955	559,329	118,379	165,868	195,846	175,613	655,706	130,856	181,537	207,865	181,556	701,814
EBITDA Margin (%)	21.8%	18.4%	23.0%	26.7%	23.6%	23.1%	19.5%	24.7%	27.8%	25.1%	24.5%	20.2%	25.5%	28.4%	25.6%	25.0%
EBITDA growth (Y/Y)	35.1%	45.4%	30.6%	13.5%	20.7%	24.4%	22.4%	14.8%	15.7%	17.9%	17.2%	10.5%	9.4%	6.1%	3.4%	7.0%
Adj. EBITDA	456,442	97,117	147,036	169,237	148,955	562,346	118,379	165,868	195,846	175,613	655,706	130,856	181,537	207,865	181,556	701,814
Adj. EBITDA Margin (%)	22.2%	18.4%	23.4%	26.7%	23.6%	23.3%	19.5%	24.7%	27.8%	25.1%	24.5%	20.2%	25.5%	28.4%	25.6%	25.0%
Adj. EBITDA growth (Y/Y)	38.4%	45.0%	27.8%	12.5%	20.1%	23.2%	21.9%	12.8%	15.7%	17.9%	16.6%	10.5%	9.4%	6.1%	3.4%	7.0%
EBIT	229,887	36,271	80,390	105,194	84,912	306,768	54,336	101,825	131,803	111,570	399,534	66,813	117,494	143,822	117,513	445,642
Depreciation and Amort.	219,708	60,432	64,043	64,043	64,043	252,561	64,043	64,043	64,043	64,043	256,172	64,043	64,043	64,043	64,043	256,172
Interest Expense	78,418	27,310	29,896	29,931	29,966	117,103	28,509	30,132	30,163	30,195	118,999	30,226	30,273	30,305	30,336	121,141
Taxes	41,800	2,100	13,598	20,321	14,835	50,855	6,973	19,357	27,443	21,971	75,745	9,878	23,550	30,650	23,538	87,615
Adj. net income	132,915	11,540	43,480	58,442	43,611	157,073	22,353	55,836	77,697	62,904	218,791	30,208	67,171	86,368	67,139	250,886
Weighted average shares outstanding (diluted)	47,314	43,404	52,551	52,551	52,551	50,264	52,551	52,551	52,551	52,551	52,551	52,651	52,751	52,851	52,951	52,801
Adj. EPS (FD)	3.13	0.27	0.93	1.21	0.93	3.43	0.52	1.16	1.58	1.30	4.56	0.67	1.37	1.73	1.37	5.14
Cash flow from operations (CFO)	335,119	-10,774	76,986	120,985	106,154	293,351	84,896	119,379	140,240	125,447	469,963	92,751	130,714	148,911	129,682	502,058
Changes in working capital	-21,217	-77,579	-27,559	0	0	-105,138	0	0	0	0	0	0	0	0	0	0
FCF from operations (company definition)	332,025	59,708	98,002	114,985	100,154	372,849	78,896	113,379	134,240	119,447	445,963	86,751	124,714	142,911	123,682	478,058
Maintenance capital expenditures	155,921	40,785	39,410	50,686	50,475	181,356	48,487	53,636	56,325	56,003	214,452	51,795	57,020	58,653	56,722	224,190
Growth capital expenditures	125,416	34,411	85,952	38,014	37,857	196,234	36,366	40,227	42,244	42,002	160,839	38,846	42,765	43,990	42,541	168,143
FCF from operations less maintenance capex (company definition)	176,104	18,923	58,592	64,299	49,678	191,493	30,409	59,743	77,915	63,444	231,512	34,956	67,695	84,257	66,960	253,868
FCF growth (Y/Y)	19.7%	-2.9%	23.7%	-6.8%	23.4%	8.7%	60.7%	2.0%	21.2%	27.7%	20.9%	15.0%	13.3%	8.1%	5.5%	9.7%
FCF / share	4.36	0.44	1.34	1.46	1.12	4.38	0.68	1.34	1.75	1.43	5.20	0.78	1.51	1.88	1.49	5.67
Adj. EBITDA conversion	38.6%	19.5%	39.8%	38.0%	33.4%	34.1%	25.7%	36.0%	39.8%	36.1%	35.3%	26.7%	37.3%	40.5%	36.9%	36.2%
Free Cash Flow (CFO - total capex)	53,782	-85,970	-48,376	32,285	17,822	-84,239	44	25,516	41,671	27,442	94,673	2,109	30,930	46,267	30,419	109,726
FCF % of revenue	2.6%	-16.3%	-7.7%	2.8%	2.8%	-3.5%	0.0%	3.8%	5.9%	3.9%	3.5%	0.3%	4.3%	6.3%	4.3%	3.9%
Adj. EBITDA conversion	11.8%	-88.5%	-32.9%	19.1%	12.0%	-15.0%	0.0%	15.4%	21.3%	15.6%	14.4%	1.6%	17.0%	22.3%	16.8%	15.6%
Dividend payout ratio (FCF less maintenance capex)	55.3%	141.7%	47.5%	45.3%	59.1%	59.1%	96.8%	49.3%	37.8%	46.4%	50.9%	88.6%	45.9%	36.9%	46.6%	49.0%
Dividend payout ratio (FCF less total capex)	181.2%	-31.2%	-57.5%	90.3%	164.8%	-134.3%	67656.4%	115.4%	70.6%	107.3%	124.4%	1468.5%	100.4%	67.3%	102.5%	113.3%
Net debt	1,638,571	1,761,689	1,785,930	1,843,121	1,845,000	1,845,000	1,952,224	2,009,976	2,050,572	2,105,399	2,105,399	2,136,265	2,139,381	2,126,228	2,128,994	2,128,994
Net debt/LTM EBITDA	3.6x	3.6x	3.4x	3.4x	3.3x	3.3x	3.3x	3.3x	3.3x	3.2x	3.2x	3.2x	3.1x	3.1x	3.0x	3.0x
Net debt/LTM EBITDA (covenant metric, excl. converts)	2.4x	2.5x	2.4x	2.4x	2.3x	2.3x	2.4x	2.4x	2.4x	2.4x	2.4x	2.4x	2.3x	2.3x	2.3x	2.3x

Source: Company reports, RBC Capital Markets estimates



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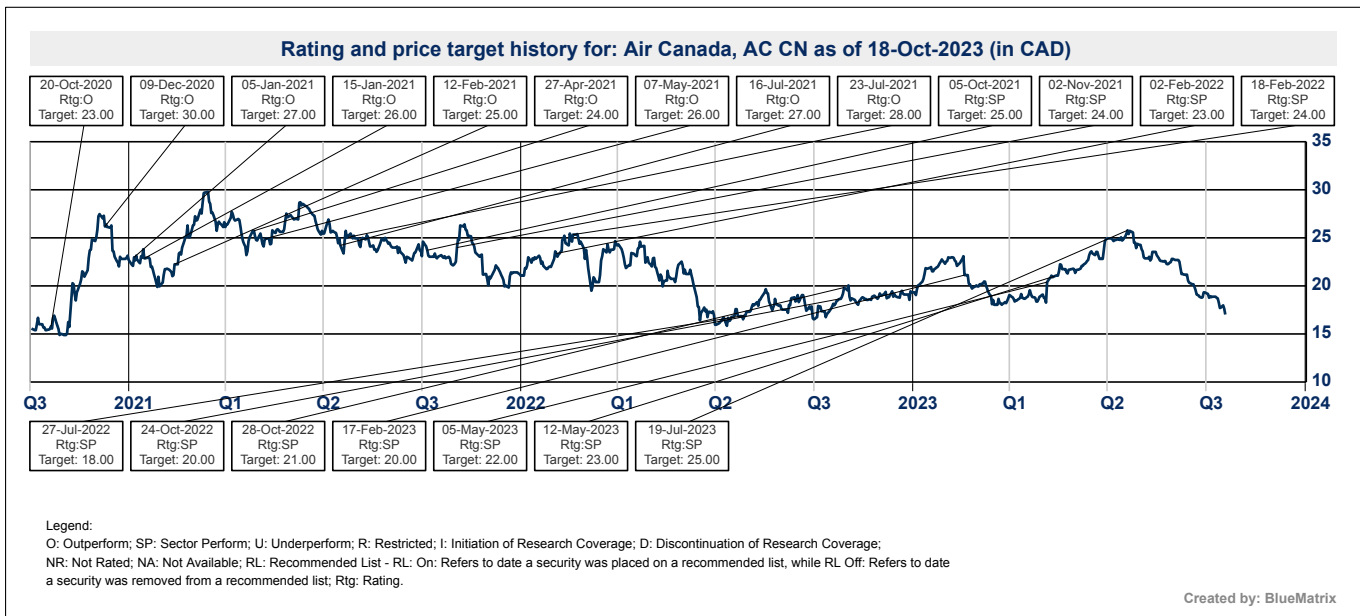
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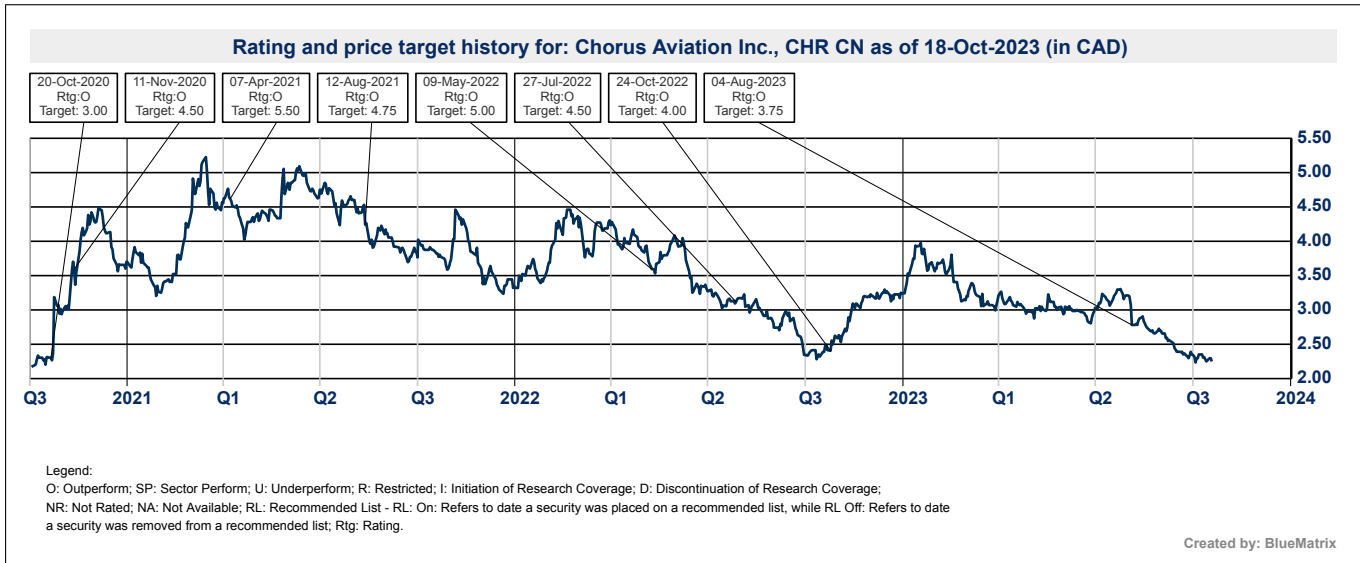
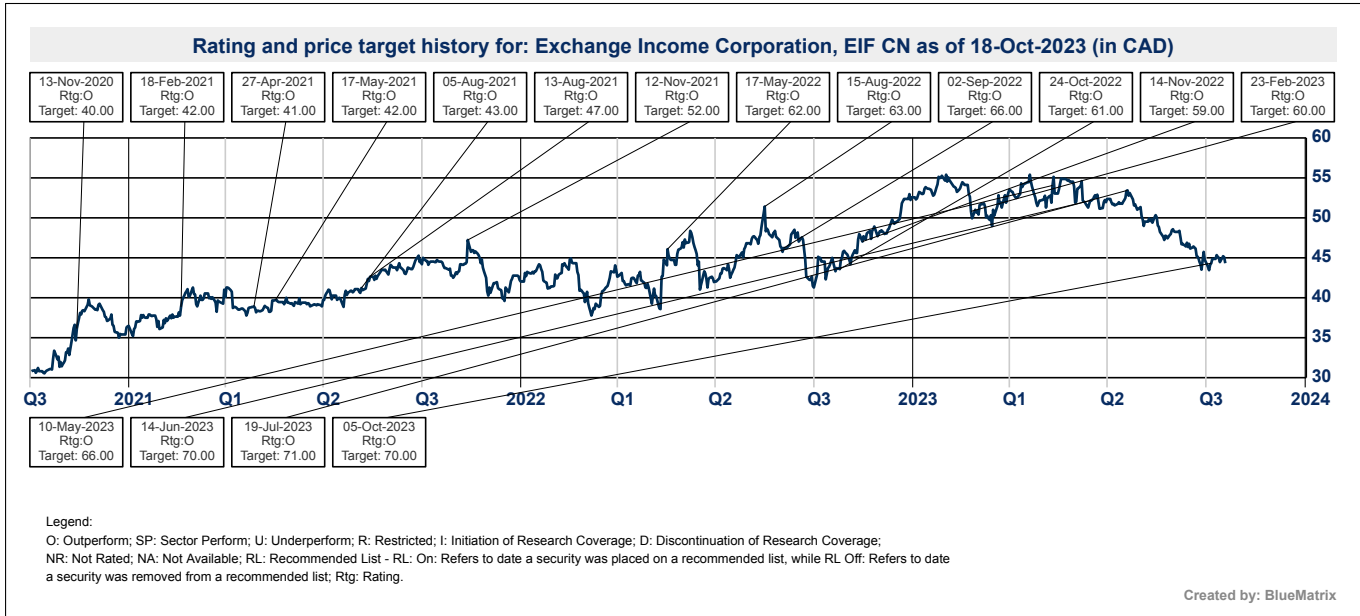


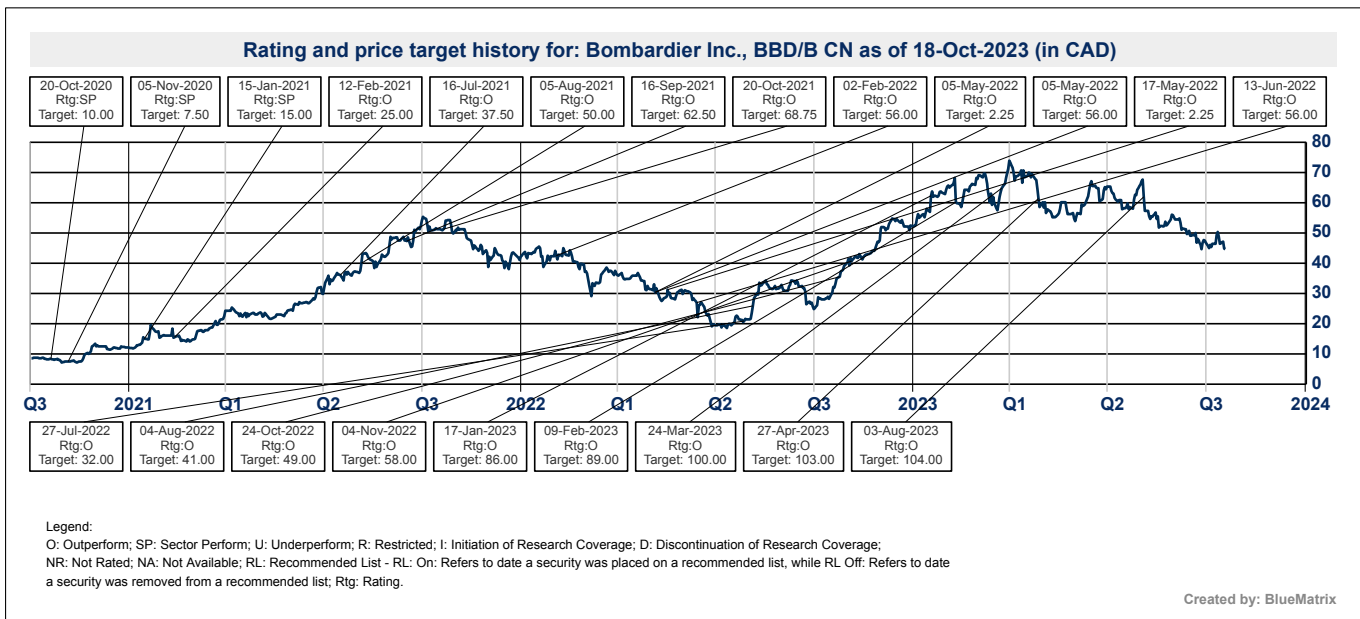
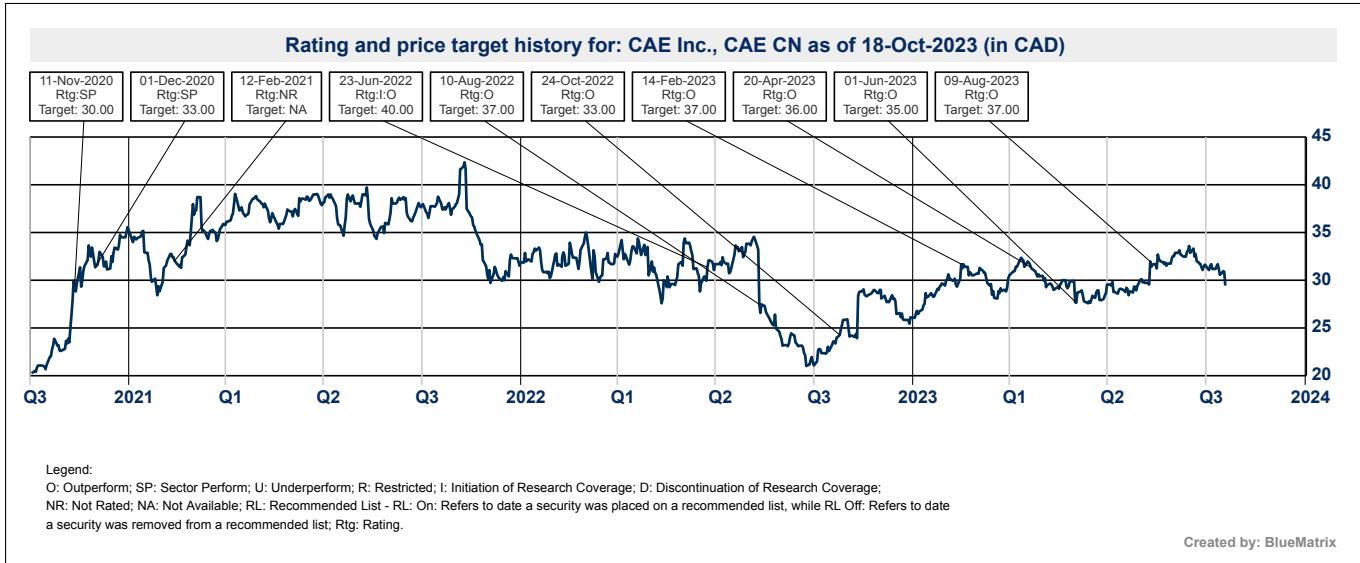
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Air Canada

Valuation

Applying a 3.5x EV/EBITDA multiple to our 2025 estimates, we derive our price target of \$21. Our target multiple is in line with the historical group average multiple and in line with peers and supported by our view that the industry should largely return to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from return to travel disruptions followed by a general return to “normal” by 2024; and (2) a reduction in capital intensity out to 2024. Our price target supports our Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include but are not limited to very high operating leverage given a fixed-cost structure, above-average sensitivity to the economy, exposure to volatile fuel prices and the risk of terrorism and epidemics. This is a very competitive industry in which WestJet is focusing on Western Canada and Porter Airlines is expanding in Eastern Canada. As of Q1/2023 Air Canada is not hedged to changes in jet fuel prices.

Bombardier Inc.

Valuation

We apply a target multiple of 6.5x to our 2025 EBITDA estimate of \$1.65B to derive our \$98 price target. Our target multiple is based on a significant discount to peers and a structurally higher demand environment. We use EBITDA (as opposed to PE) as our primary valuation methodology, as we believe it better reflects the company’s growth potential while also taking into account its capital structure. Our price target supports our Outperform rating.

Risks to rating and price target

Risks to our estimates, price target, and rating include but are not limited to the performance of the global airline industry, possible changes to Bombardier’s credit rating, and demand for business jets. We also see risk in renewed supply chain disruption leading to production halts in both Bombardier and suppliers. For these reasons, our earnings estimates could be more at risk than for most companies.

CAE Inc.

Valuation

We value CAE shares on a sum of the parts basis using a blended EV/EBITDA multiple of 12.2x on our FY25 EBITDA estimate of \$1,194MM. Our 13.5x Civil multiple is driven off the Rail and Waste sectors, which trade in the 11x to 15x range, and our Defense multiple of 8.5x is derived using a discount to its peers due to lower margins and recent headwinds. We anticipate that CAE’s valuation will be supported by the company’s favourable industry fundamentals (including secular growth and high barriers to entry), strong management team, high FCF conversion, and the expected recovery in both travel and defense procurement. Based on relative returns to our \$37 price target, we rate the shares Outperform.

Risks to rating and price target

- Supply chain risk
- Delayed recovery for air travel
- Reduction in defense spending
- Regulation risk
- R&D and technology risk
- US foreign ownership
- Acquisition risk

Chorus Aviation Inc.

Valuation

We value Chorus' total business at 10x P/E multiple based on our 2025 estimates. We feel a blended multiple approach is most appropriate to value the CPA, leasing and asset management earnings streams at Chorus. Our target multiple is in line with the average of similar companies across the of airlines, lessors and asset management space. This method generates our \$3.75 price target, which is the basis of our Outperform rating.



Risks to rating and price target

Chorus Aviation's revenues and operating earnings are highly dependent on the CPA with Air Canada. The CPA agreement provides for a fixed fee per aircraft and other services rendered. Significant changes in the average daily utilization of aircraft by Air Canada covered by the CPA could impact the revenues and earnings generated under the CPA. Increases in Controllable Costs above the level estimated would reduce the margins earned on Scheduled Flights Revenue.

Exchange Income Corporation

Valuation

In valuing EIF, we apply a blended 7.5x EV/EBITDA multiple (8x for Aviation & Aerospace and 6.5x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$702MM 2025E EBITDA, reflecting a valuation blend of ~70% Aviation & Aerospace and ~30% Manufacturing. We apply our target multiples to our 2025E EBITDA for each segment, which generates our \$70 price target, which supports our Outperform rating.

Risks to rating and price target

- **Access to external capital.** If the capital markets' desire for income-producing investments were to significantly decrease, EIF could have difficulty executing its strategy.
- **Acquisition integration and related risks.** EIF has a solid record of identifying and making accretive acquisitions, but its ability to successfully grow or diversify through additional acquisitions is dependent on a number of factors.
- **Contract risk.** EIF is party to a number of significant contracts with key customers. The loss of any one of these significant contracts could have a negative impact on the operations and cash flow of the company.
- **Competition.** New competition or increased competition could have a significant impact on the business, operations, and financial condition of EIF's Aerospace & Aviation and Manufacturing segments.

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