



April 27, 2021

RBC Flight Deck

Q1 preview – Expecting another tough Q, though outlook starting to brighten

In this report. For Q1/21, we look for generally muted performance across our coverage due to travel restrictions, higher fuel costs, and a seasonally softer winter season. As a result, we revise our estimates for AC and EIF going into the quarter, while leaving our estimates for CHR and BBD largely unchanged. The key focus for us heading into the quarter will be demand and forward booking curve trends (and associated capacity changes) into the spring and summer months, the outlook for near-term cash burn rates, and any insight into the potential rate of the rebound once government travel restrictions are lifted.

Q1 estimate revisions

- AC: Lowering price target to \$24 from \$25 and maintaining Outperform rating.** We reduce our Q1/21 EBITDA estimate to -\$537MM (from -\$529MM), which is ahead of consensus of -\$623MM. We see potential downside to our estimate stemming from lower-than-expected yields and/or higher jet fuel costs. We also make a number of longer-term adjustments, with the key changes being: 1) pulling forward our recovery assumptions by one year (now seeing a return to 2019 revenues by 2023); 2) adjusting for the government equity and higher leverage due to ticket refunds; and 3) pulling forward our valuation year to 2024E (from 2025E) and applying to it a 6.0x multiple (previously 5.5x). The net impact is a decline in our price target, to \$24 from \$25.
- BBD: Maintaining \$1 price target and Outperform, Speculative Risk rating.** Our estimates are unchanged heading into the quarter, with our Q1/21E EBITDA of \$101MM above consensus of \$88MM. As evidenced by the wide range of consensus estimates for the quarter, we see potential for considerable variability that could arise from movement in biz jet deliveries and the effectiveness of the company's restructuring/cost-savings initiatives.
- CHR: Maintaining \$5.50 price target and Outperform rating.** We are leaving our estimates for CHR largely unchanged, with our Q1 EBITDA estimate of \$82MM just shy of consensus of \$84MM. We see potential upside to our estimate stemming from strength in the regional leasing division should the recovery of unbilled revenues improve more quickly than anticipated.
- EIF: Lowering price target to \$41 from \$42 and maintaining Outperform rating.** Our Q1 estimates are unchanged, with our \$66MM EBITDA estimate just above consensus of \$63MM. We see potential upside to our estimate from a faster rebound in Regional One and potential downside coming from headwinds at Quest due to construction project delays. Our price target declines to \$41 from \$42 after accounting for dilution from the recently closed equity raise.

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INDEX	1-M (%)	YTD (%)	1-YR (%)	TREND
S&P500	2.2	10.0	32.9	Δ
S&P 500	5.4	11.5	47.6	Δ
AMEX Airline	0.3	27.4	146.6	Δ
AMEX Aerospace	2.5	11.2	32.3	Δ
COMMODITIES	1-M (%)	YTD (%)	1-YR (%)	TREND
WTI	1.6	27.4	96.3	Δ
Jet Fuel	4.1	22.3	334.5	Δ
CAD/USD	(1.4)	(2.6)	(11.7)	▼
AEROSPACE				
Bombardier	10.6	95.8	123.8	Δ
Boeing	(1.4)	12.8	87.2	▼
EADS	3.6	12.8	93.4	Δ
Embraer	26.3	71.8	101.0	Δ
General Dynamics	2.0	24.4	43.2	Δ
Textron	11.3	26.0	125.3	Δ
N.A. MAINLINE				
Air Canada	(2.9)	13.1	41.2	▼
AMR	(3.9)	39.8	113.8	▼
Delta	(2.2)	15.9	108.0	▼
United	(5.4)	24.3	110.4	▼
N.A. REGIONAL				
Alaska	1.7	33.6	148.1	Δ
Allegiant	(3.9)	27.1	245.8	▼
Chorus Aviation	(4.7)	15.7	49.1	▼
Exchange Income	(1.6)	6.4	61.1	▼
JetBlue	4.5	41.5	158.7	Δ
SkyWest	(5.8)	29.1	101.9	▼
Southwest	1.1	33.0	111.3	Δ
INTL. AIRLINES				
Lufthansa	(1.5)	(0.4)	50.0	▼
Air France/KLM	(5.4)	(7.8)	5.8	▼
BA/Iberia	4.4	28.3	42.0	Δ
Air China	(3.0)	5.6	19.5	▼
China Eastern	(3.5)	5.7	14.6	▼
China Southern	(2.1)	20.1	49.6	▼
Singapore Airlines	(7.4)	19.9	19.6	▼
Qantas	(3.5)	1.6	39.3	▼

Source: Bloomberg



Canadian Airlines & Aerospace Q1/21 preview

In this report, we review recent share price performance, discuss relevant industry trends/themes, and update our Q1 estimates. Items of focus include:

1. a look at the performance of the Canadian airlines during the quarter;
2. global air traffic trends as measured by IATA and RBC Elements (see Appendix 8); and
3. a discussion of our Q1 estimates for each company in our coverage.

The set-up: Airline share price performance during Q1

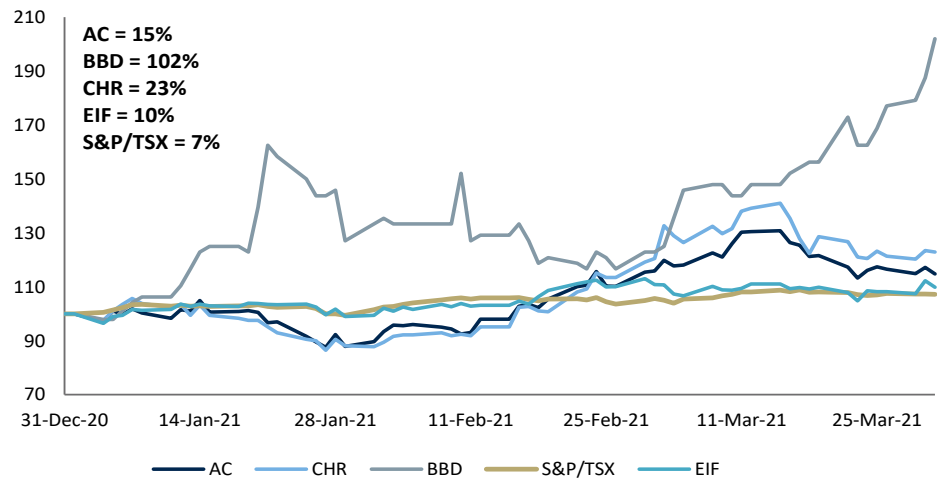
Airlines & Aerospace names outperformed the market in Q1. Shares of Air Canada (+15%), Chorus (+23%), Bombardier (+102%), and Exchange (+10%) all outperformed the S&P/TSX (+7%) during Q1/21 (for the second consecutive quarter), as continued reopening momentum following the release of positive vaccine data at the end of last year coupled with a shift from growth to value more than offset the impact of government-imposed travel restrictions/lockdown orders during the quarter. We also note that the continued outperformance more than offset largely stagnant domestic air travel and flight activity trends within Canada, which depicted a plateauing recovery during the quarter.

Liquidity concerns put to rest with government aid package; focus now shifts squarely to vaccine progress and the pending recovery. The Canadian government's financing package for Air Canada marked an important turning point for the Canadian airline industry during the pandemic, as it effectively put to rest any lingering liquidity concerns for AC. With that in the past, our focus shifts squarely toward the removal of government-imposed travel restrictions, which we see as being a function of: 1) vaccination progress both domestically and around the world; and 2) the rate of infections domestically and abroad (and the extent to which the vaccine is successful in mitigating this). In terms of Q1/21 performance, we look for generally muted performance across our coverage due to travel restrictions, higher fuel costs, and a seasonally softer winter season. That said, we believe investors will largely look past Q1 results and focus instead on the shape of the recovery into the summer and beyond.

Key focus area. The key focus for us going forward will be demand and forward booking curve trends (and associated capacity changes) into the spring and summer months, the outlook for near-term cash burn rates, and any insight into the potential rate of the rebound once government travel restrictions are lifted. Further, we note that based on recent data points we have been tracking from RBC Elements and third-party providers, we have seen diverging recovery data points, with the US currently leading the way while Canada and parts of Europe continue to lag due to a relatively slower vaccine rollout and increasing infection rates.

Biz jet demand poised to remain healthy in Q1. According to the General Aviation Manufacturers Association (GAMA), total business jet shipments were down 20% Y/Y in 2020 and only 9% Y/Y in Q4/20. While Q1 numbers have yet to be released, we are of the view that the recovery in deliveries will continue to trend positively on the back of healthy demand for private air travel due to ongoing public health and safety concerns for commercial flying and historically low used aircraft inventory levels. As such, we continue to see BBD as being well positioned to capitalize on these trends going forward.

Exhibit 1 – Indexed share price performance vs. the S&P/TSX during Q1/21



Source: Factset, RBC Capital Markets

IATA traffic data highlights a challenging winter for air travel

To gauge global air traffic conditions, we 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 (~4–6 weeks), but it still provides a good indication of overall sentiment ahead of the quarterly reporting season. We summarize some of this data in Exhibit 2.

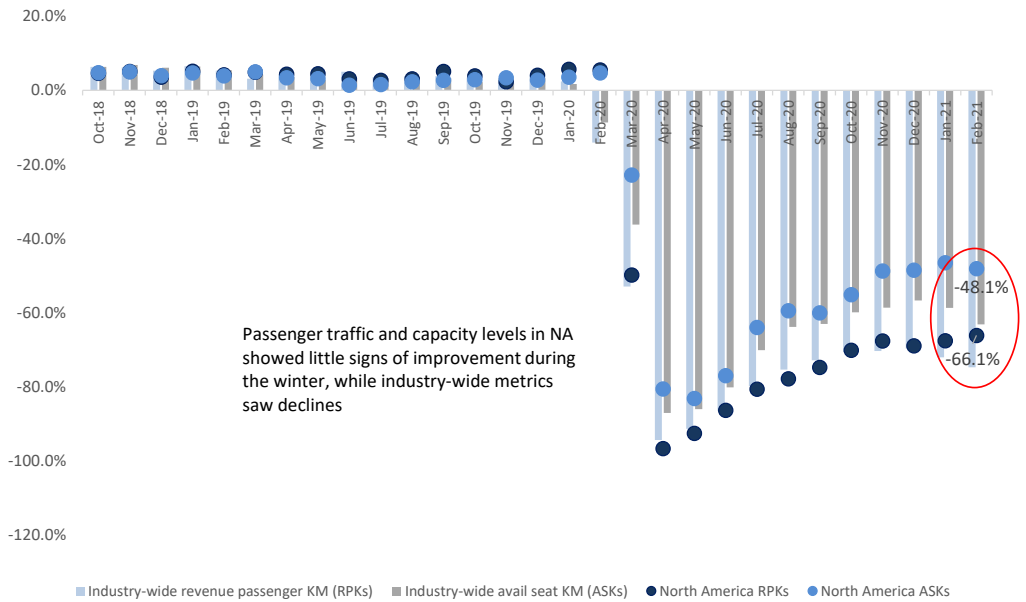
Passenger traffic recovery declined in the winter, though green shoots have emerged.

According to IATA, global demand started to decline again after December, with industry-wide Revenue Passenger Km's (RPK's) down 72% in January (vs. the same month in 2019) and 75% in February (vs. the same month in 2019). In North America, traffic fared better and actually gradually improved from the end of the year, with RPKs dropping -66% from 2019 levels in February (vs. down 69% Y/Y in December). Looking ahead, with higher frequency data indicating that green shoots are beginning to emerge in certain regions (namely the US) as vaccine rollouts progress, we are optimistic that global traffic levels will steadily improve into the summer as travel restrictions ease and pent-up demand further materializes.

Global capacity levels have declined since December, though NA faring better.

IATA data also showed global capacity numbers following a largely similar trajectory to traffic, with global capacity dropping to -63% (vs. the same month in 2019) in February vs. being down -57% Y/Y in December. Capacity in North America was slightly better though still down -48% (vs. the same month in 2019) in February and -49% Y/Y in December. We also note that load factors deteriorated slightly in recent months, with industry-wide load factors of 55% in February representing a modest drop from the 58% recorded during December. In our view, capacity should improve considerably into the summer as airlines position themselves to meet what should be increasing demand levels as global vaccinations progress.

Exhibit 2 – Traffic (RPKs) and capacity (ASKs) as reported by IATA were challenged this winter



Source: IATA .org

RBC call on earnings

Ticker	Miss	Inline	Beat
AC			●
BBD			●
CHR	●		
EIF			●

Q1 estimates

We revise our Q1 estimates ahead of the reporting season. Overall, we update our forecasts for recent financings and to better reflect our expectations for the medium- and longer-term recovery in air travel. Accordingly, we update our price targets for AC and EIF while keeping them unchanged for CHR and BBD. Details by company:

- **Air Canada (AC): Lowering price target to \$24 from \$25 and reiterating Outperform rating.** We reduce our Q1/21 EBITDA estimate to -\$537MM (from -\$529MM) after updating our fuel curve and yield; our estimate is above consensus of -\$623MM. We see potential downside variability to our estimate stemming from lower-than-expected yields and load factors, and/or higher costs due to elevated jet fuel prices during Q1.

Importantly, we also make a number of (more optimistic) changes to our longer-term estimates and forecasting assumptions for Air Canada, with the key revisions being as follows:

Likelihood of guidance chng.

Ticker	Lower	Unchg	Higher
AC	●		
BBD		●	
CHR		●	
EIF		n.a.	

- **Quicker recovery.** Based on the expected strength of the rebound guided to by US peers (in part due to pent-up demand), we assume a stronger early surge in demand at Air Canada and pull forward our return to normal by one year. As such, we now expect that revenues will largely return to 2019 levels by 2023 (vs. 2024 previously). However, we maintain our assumptions around a slower rebound in business travel.
- **Higher capex on earlier recovery.** To reflect this pull-forward of capacity, we increase our capex assumptions where relevant.
- **Updated for fuel prices.** We also update our fuel curve, with fuel costs increasing out to 2024.
- **Adjusted for the government support.** We update for the recent government equity investment and financings, with our share count increasing to 354MM (from 332MM) and our interest costs decreasing due to the lower cost of debt on the government credit facilities.



- **Higher debt on ticket refunds.** We adjust our model for expected ticket refunds.
- **Transat.** We remove the Transat deal from our forecasts.

Taken together, our 2023E EBITDA increases to \$3,088MM (from \$2,497MM) and our 2024E EBITDA to \$3,356MM (from \$3,031MM). We roll forward our valuation year to 2024 (from 2025) and raise our target multiple to 6.0x (from 5.5x) to better reflect the move higher in peer/industry multiples. Applying the above and discounting back two years at 10% (unchanged), we reduce our price target to \$24 (from \$25).

- **Bombardier (BBD): Maintaining \$1 price target and Outperform, Speculative Risk rating.** We leave our Q1 and longer-term estimates unchanged heading into the quarter, with our Q1 EBITDA remaining at \$101MM, ahead of consensus of \$88MM due primarily to higher revenues. As evidenced by the wide range of consensus estimates for the quarter, we see potential for considerable variability that could arise from movement in biz jet deliveries and the effectiveness of the company's restructuring/cost savings initiatives. We maintain our target multiple of 5.2x; applying this to our unchanged 2025E EBITDA (discounted back three years at 15%) generates an unchanged price target of \$1.
- **Chorus Aviation (CHR): Maintaining \$5.50 price target and Outperform rating.** We leave our Q1/21 and longer-term estimates for Chorus largely unchanged; our Q1 EBITDA estimate of \$82MM is just below consensus of \$84MM. We see potential for upside to our estimate from strength in the regional leasing division should the recovery of unbilled revenues improve more quickly than anticipated. Our target multiples and 2022 estimates are unchanged from our note detailing CHR's recent capital raise (see [here](#)), and we continue to apply a 5.75x EV/EBITDA multiple to the core CPA business and a 6.0x P/E multiple to the leasing business, which results in a \$5.50 price target (unchanged).
- **Exchange Income (EIF): Lowering price target to \$41 from \$42 and reiterating Outperform rating.** We leave our Q1 and longer-term estimates unchanged heading into the quarter, though we update our model to reflect the recent equity raise. Our Q1 EBITDA of \$66MM sits just above consensus of \$63MM, mostly attributable to higher margins in EIF's Aviation division. We see potential upside to our estimate from a faster rebound in Regional One (which we note has material exposure to the US domestic travel market) and potential downside coming from headwinds at Quest due to construction project delays. Our unchanged target multiple of 7.0x continues to reflect a blend of 7.0x for Aviation and 7.0x for Manufacturing at an Aviation/Manufacturing split of 75%/25%. Accordingly, when applying our unchanged blended target multiple to our unchanged 2022E EBITDA, our price target declines to \$41 from \$42 due to dilution from the recent equity offering.

Exhibit 3 – Estimate revisions ahead of the quarter

	Q1 2021 EBITDA			2021E EBITDA			2022E EBITDA			Target Multiple		Price Target (CAD)			
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	New	Old	New	Rating	Implied Return
Air Canada	-\$529	-\$537	-\$623	-\$956	-\$1,494	-\$577	\$1,653	\$1,785	\$2,295	5.5x	6.0x	\$25	\$24	O	(7%)
Bombardier	\$101	\$101	\$88	\$521	\$521	\$541	\$836	\$836	\$757	5.2x	5.2x	\$1.00	\$1.00	O	+6%
Chorus Aviation	\$82	\$82	\$84	\$384	\$384	\$355	\$440	\$440	\$397	5.8x	5.8x	\$5.50	\$5.50	O	+29%
Exchange Income	\$66	\$66	\$63	\$327	\$327	\$320	\$370	\$370	\$362	7.0x	7.0x	\$42	\$41	O	+11%

Source: Company reports, RBC Capital Markets estimates



Exhibit 4 – Air Canada estimate revisions detail

	Q1/21E			2021E			2022E			2023E			2024E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Traffic: RPMs (% chg)	-87.7%	-87.7%	0bp	27.5%	6.6%	-2090bp	100.0%	170.8%	7085bp	34.5%	40.2%	573bp	18.1%	1.0%	-1706bp
Capacity: ASMs (% chg)	-83.4%	-83.4%	0bp	9.1%	-2.0%	-1110bp	81.6%	129.4%	4785bp	30.2%	33.2%	293bp	16.0%	1.0%	-1505bp
Load Factor (%pts)	55.0%	55.0%	0bp	72.1%	67.1%	-498bp	79.4%	79.2%	-18bp	82.0%	83.4%	142bp	83.4%	83.4%	0bp
Yield (% chg)	8.0%	8.0%	0bp	-7.3%	-7.3%	0bp	-5.0%	-5.5%	-50bp	-4.0%	-4.0%	0bp	-3.0%	2.0%	500bp
RASM (% chg)	-20.5%	-20.5%	0bp	20.8%	12.3%	-852bp	4.9%	11.9%	704bp	-0.8%	1.1%	195bp	-1.3%	2.0%	333bp
Adj. CASM ex fuel+other (% chg)	193.9%	193.9%	0bp	-9.2%	-5.1%	408bp	-33.6%	-40.5%	-692bp	-11.7%	-11.4%	30bp	-7.2%	1.3%	852bp
Avg Jet Fuel Price: (\$/Ltr)	\$0.77	\$0.77	0.0%	\$0.72	\$0.79	9.2%	\$0.71	\$0.77	8.5%	\$0.71	\$0.77	8.3%	\$0.69	\$0.74	7.4%
Revenue	735	735	0.0%	7,277	6,228	-14.4%	13,005	14,499	11.5%	16,289	18,870	15.8%	18,390	19,417	5.6%
Expenses	1,264	1,272	0.6%	8,233	7,723	-6.2%	11,353	12,714	12.0%	13,792	15,782	14.4%	15,358	16,061	4.6%
EBITDA	(529)	(537)	1.5%	(956)	(1,494)	56.3%	1,653	1,785	8.0%	2,497	3,088	23.7%	3,031	3,356	10.7%
EBITDA Margin	-72.0%	-73.0%	1.5%	-13.1%	-24.0%	82.7%	12.7%	12.3%	-3.1%	15.3%	16.4%	6.8%	16.5%	17.3%	4.9%
EPS ex-one time items (\$)	(3.34)	(3.23)	-3.1%	(10.34)	(10.48)	1.3%	(2.02)	(1.41)	-30.4%	0.11	2.37	1984.0%	1.64	3.34	103.4%

Source: Company reports, RBC Capital Markets estimates

Exhibit 5 – Bombardier estimate revisions detail

	Q1/21E			2021E			2022E			2023E			2024E		2025E			
	Old	Cur	Var (%)	Old	Cur	Var (%)	Old	Cur	Var (%)	Old	Cur	Var (%)	Cur	Var (%)	Cur	Var (%)		
Bombardier																		
Total Revenues	1,239	1,239	0.0%	5,636	5,636	0.0%	6,087	6,087	0.0%	6,646	6,646	0.0%	7,034	7,034	0.0%	7,502	7,502	0.0%
Total EBIT	22	22	0.0%	101	101	0.0%	396	396	0.0%	552	552	0.0%	739	739	0.0%	998	998	0.0%
Mgn%	1.8%	1.8%	0 bps	1.8%	1.8%	0 bps	6.5%	6.5%	0 bps	8.3%	8.3%	0 bps	10.5%	10.5%	0 bps	13.3%	13.3%	0 bps
Total aircraft deliveries	26	26		119	119		124	124		135	135		137	137		139	139	
Free Cash Flow	(668)	(668)		(484)	(484)		7	7		137	137		317	317		602	602	
EBITDA	101	101		521	521		836	836		1,014	1,014		1,224	1,224		1,507	1,507	
Adjusted EPS	-\$0.09	-\$0.09		-\$0.29	-\$0.29		-\$0.14	-\$0.14		-\$0.05	-\$0.05		\$0.01	\$0.01		\$0.12	\$0.12	

Source: Company reports, RBC Capital Markets estimates

Exhibit 6 – Chorus estimate revisions detail

	Q1/21E			2021E			2022E		
	OLD	NEW	Var	OLD	NEW	Var	OLD	NEW	Var
Revenue breakdown									
Controllable Revenue	99	99	0.0%	427	428	0.3%	502	506	0.7%
Leasing under CPA	36	36	0.0%	146	146	0.0%	146	146	0.0%
Margin compensation	17	17	0.0%	66	66	0.0%	63	63	0.0%
Incentives	0.3	0.3	0.0%	1	1	0.0%	1	1	0.0%
Pass through revenue	15	15	0.0%	85	87	2.2%	123	126	2.5%
Passenger revenue	167	167	0.0%	726	729	0.4%	835	841	0.8%
Regional Aircraft Leasing	36	36	0.0%	158	158	0.0%	190	190	0.0%
Other - Charter, contract flying, MRO	14	14	0.0%	69	69	0.0%	91	91	0.0%
Total Revenues	217	217	0.0%	952	955	0.3%	1,120	1,126	0.6%
Total Expenses	272	272	0.0%	803	806	0.4%	822	829	0.9%
Total Operating Income	- 54	- 54	0.0%	149	149	-0.1%	298	297	-0.1%
Depreciation and Amortization	31	31	0.0%	130	130	0.0%	142	142	0.0%
EBITDA	82	82	0.0%	384	384	-0.1%	440	440	-0.1%

Source: Company reports, RBC Capital Markets estimates



Exhibit 7 – Exchange Income revisions detail

(C\$000s unless specified)	Q1/21E				2021E				2022E			
	Old	Current	Var	Y/Y	Old	Current	Var	Y/Y	Old	NEW	Var	Y/Y
Aviation revenue	150,520	150,520	0.0%	-25.0%	807,720	807,720	0.0%	17.5%	961,216	961,216	0.0%	19.0%
Manufacturing revenue	115,655	115,655	0.0%	8.8%	468,690	468,690	0.0%	1.4%	531,804	531,804	0.0%	13.5%
Consolidated revenue	266,174	266,174	0.0%	-13.3%	1,276,410	1,276,410	0.0%	11.0%	1,493,020	1,493,020	0.0%	17.0%
Adj. EBITDA	66,322	66,322	0.0%	15.8%	327,276	327,276	0.0%	15.0%	370,371	370,371	0.0%	13.2%
<i>EBITDA Margin</i>	24.9%	24.9%	0bp	33.6%	25.6%	25.6%	0bp	89bp	24.8%	24.8%	0bp	-83bp
CFO	48,890	48,890	0.0%	6.9%	254,562	254,562	0.0%	-2.1%	289,836	289,836	0.0%	13.9%
FCF from operations (company def.)	46,913	46,913	0.0%	21.1%	235,932	235,932	0.0%	18.9%	274,302	274,302	0.0%	16.3%
FCF less total capex	16,950	16,950	0.0%	-432.9%	100,522	100,522	0.0%	-20.8%	80,813	80,813	0.0%	-19.6%
FCF less maintenance capex (company def.)	25,619	25,619	0.0%	1014.3%	140,264	140,264	0.0%	23.8%	154,860	154,860	0.0%	10.4%
FCF less maintenance capex per share	\$0.71	0.71	0.0%	975.7%	\$3.90	3.69	-5.3%	15.5%	\$4.30	4.07	-5.3%	10.4%
Adj. EPS (f.d.)	\$0.31	0.31	0.0%	415.3%	\$2.24	2.12	-5.3%	59.6%	\$2.65	2.50	-5.3%	18.0%

Source: Company reports, RBC Capital Markets estimates

Appendix 1 – Airline comparables

Symbol	26-Apr-21 Price	EV/EBITDA				EV/Sales				EBITDA Margin					
		2019A	2020	2021E	2022E	2019A	2020	2021E	2022E	2019A	2020	2021E	2022E		
Discount Airlines															
Southwest	LUV-US	US\$	\$61.97	8.3x	-9.3x	104.4x	8.5x	1.6x	3.9x	2.4x	1.7x	19%	-42%	2%	20%
JetBlue	JBLU-US	US\$	\$20.57	6.9x	-6.3x	-62.2x	7.5x	1.1x	3.1x	1.8x	1.3x	17%	-49%	-3%	17%
Discount Average				7.6x	-7.8x	21.1x	8.0x	1.3x	3.5x	2.1x	1.5x	18%	-46%	0%	18%
Mainline Airlines															
Air Canada	AC-CA	C\$	\$25.76	3.5x	-6.2x	-8.5x	7.1x	0.7x	2.2x	2.0x	0.9x	19%	-35%	-24%	12%
Delta Air Lines	DAL-US	US\$	\$46.61	5.4x	-9.1x	30.0x	7.3x	1.1x	3.0x	1.9x	1.3x	20%	-32%	6%	18%
United Continental	UAL-US	US\$	\$53.78	5.8x	-6.1x	NMF	8.9x	0.9x	2.6x	1.7x	1.1x	16%	-42%	-7%	13%
American Airlines	AAL-US	US\$	\$22.04	8.2x	-5.2x	NMF	15.2x	1.0x	2.7x	1.7x	1.2x	13%	-53%	-13%	8%
Mainline Average				5.7x	-6.7x	10.8x	9.6x	0.9x	2.6x	1.9x	1.1x	17%	-41%	-10%	13%
Regional Airlines															
Chorus Aviation	CHR-CA	C\$	\$4.28	9.0x	8.7x	7.9x	6.9x	2.2x	3.2x	3.2x	2.7x	25%	37%	40%	39%
SkyWest Inc.	SKYW-US	US\$	\$52.04	7.4x	7.4x	7.4x	7.4x	1.8x	2.5x	2.0x	1.8x	24%	34%	28%	24%
Regional Average				8.2x	8.1x	7.6x	7.1x	2.0x	2.8x	2.6x	2.2x	24%	35%	34%	32%
Airline Average				6.8x	-3.3x	9.9x	8.6x	1.3x	2.9x	2.1x	1.5x	19%	-23%	4%	19%

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced at 4:00pm April 26, 2021



Appendix 2 – Aerospace comparables

Company Name	Exch: Ticker	Price 26-Apr-21	Mkt. Cap (\$MM's)	Net Debt to EBITDA	P/E					EV/EBITDA					2019A EBITDA	2020A EBITDA	2021E EBITDA	2022E EBITDA	2023E EBITDA	
					2019A	2020A	2021E	2022E	2023E	2019A	2020A	2021E	2022E	2023E	Margin	Margin	Margin	Margin	Margin	
Aerospace																				
Boeing	NYSE:BA	US\$	241.44	140,914	6.9x	-69.6x	-10.4x	nmf	nmf	33.3x	612.4x	-17.7x	31.5x	19.2x	17.0x	0.4%	-17.5%	7.1%	10.6%	11.8%
Embraer	NYSE:ERJ	US\$	11.70	2,166	15.7x	-6.7x	-3.4x	nmf	nmf	19.6x	21.9x	34.4x	12.4x	8.1x	6.9x	3.3%	3.1%	7.4%	9.2%	9.9%
General Dynamics	NYSE:GD	US\$	185.19	52,511	2.4x	15.5x	16.8x	16.7x	15.2x	13.8x	11.7x	12.8x	12.9x	12.2x	11.6x	14.0%	13.3%	12.9%	13.1%	13.2%
Textron	NYSE:TXT	US\$	60.90	13,820	2.5x	16.3x	29.4x	21.6x	17.4x	14.9x	10.3x	16.8x	12.4x	10.8x	10.1x	11.6%	8.3%	10.5%	11.2%	11.4%
Average						-11.1x	8.1x	19.2x	16.3x	20.4x	164.1x	11.6x	17.3x	12.6x	11.4x	7.3%	1.8%	9.4%	11.0%	11.6%
Transportation & Conglomerates																				
Siemens	XE:SIE	EUR	142.48	121,108	3.8x	22.8x	28.9x	21.9x	18.9x	17.1x	14.5x	19.3x	16.5x	14.2x	13.0x	11.9%	13.7%	15.6%	17.3%	18.1%
General Electric	NYSE:GE	US\$	13.57	119,208	5.9x	20.9x	nmf	nmf	26.6x	17.9x	13.4x	26.2x	18.6x	13.9x	11.5x	12.0%	7.4%	10.6%	13.3%	14.9%
United Technologies	NYSE:UTX	US\$	81.00	122,799	2.7x	16.6x	29.7x	21.7x	16.0x	12.7x	10.6x	15.8x	14.1x	11.9x	10.3x	18.1%	16.3%	16.1%	17.5%	18.9%
Average						20.1x	29.3x	21.8x	20.5x	15.9x	12.9x	20.4x	16.4x	13.3x	11.6x	14.0%	12.5%	14.1%	16.1%	17.3%
Bombardier	TSX: BBD.B	C\$	\$0.94	2,274	6.2x	-3.0x	-1.2x	-2.6x	-5.5x	-14.7x	8.0x	-22.3x	13.3x	8.3x	6.9x	5.5%	-2.2%	9.2%	13.7%	15.3%

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Note BBD Net Debt/EBITDA uses 2022E numbers. Priced at market close on April 26, 2021

Appendix 3 – EIF comparables

Comparables																			
Symbol	26-Apr Price	Mkt Cap (\$MM)	EBITDA (MM)							EBITDA Margin (MM)				EV/EBITDA				Net Debt/ EBITDA	Div. Yield
			2018	2019	2020	2021E	2022E	2019	2020	2021E	2022E	2019	2020	2021E	2022E				
Aviation																			
Chorus Aviation Inc.	CHR	C\$	\$4.28	768	285	337	347	384	440	24.7%	36.6%	40.2%	39.0%	9.0x	8.7x	7.9x	6.9x	6.5x	N/A
Alaska Airlines	ALK	US\$	\$69.48	8,643	1,193	1,523	-1,259	109	1,456	17.3%	-35.3%	1.8%	18.0%	6.7x	N/A	94.0x	7.0x	-1.3x	N/A
Hawaiian Airlines	HAL	US\$	\$19.43	17,266	4,333	3,674	2,419	2,606	3,074	16.4%	16.7%	17.5%	18.5%	6.9x	10.5x	9.8x	8.3x	3.4x	0.9%
Air Lease Corp.	AL	US\$	\$48.15	5,493	1,556	1,842	1,888	2,064	2,456	91.3%	93.7%	93.9%	92.8%	11.0x	10.7x	9.8x	8.2x	7.8x	1.3%
AerCap Holdings	AER	US\$	\$59.25	7,688	4,010	4,306	3,242	3,524	4,028	87.2%	72.1%	85.4%	93.4%	8.1x	10.8x	9.9x	8.7x	8.4x	N/A
Air Transport Services Group	ATSG	US\$	\$27.05	1,640	312	452	497	538	583	31.1%	31.6%	31.1%	30.9%	7.0x	6.3x	5.9x	5.4x	3.0x	N/A
FLY Leasing Ltd.	FLY	US\$	\$16.91	515	386	509	197	257	276	88.5%	59.0%	86.3%	88.5%	4.5x	11.6x	8.9x	8.3x	9.0x	N/A
SkyWest Inc.	SKYW	US\$	\$52.04	2,618	861	926	459	588	819	31.2%	21.6%	22.6%	27.9%	5.7x	11.5x	9.0x	6.5x	5.8x	N/A
Airlines/Aerospace Average										46.7%	37.7%	46.4%	49.8%	9.1x	10.3x	18.8x	8.0x	5.0x	0.9%
Manufacturing																			
Heroux-Devtek	HRX	C\$	\$15.84	576	74	96	87	89	97	15.7%	15.3%	15.4%	15.9%	7.9x	8.8x	8.6x	7.9x	2.2x	N/A
Russel Metals	RUS	C\$	\$28.13	1,752	368	215	144	265	243	5.8%	5.4%	8.4%	7.7%	9.9x	14.7x	8.0x	8.8x	2.6x	5.4%
Magellan	MAL	C\$	\$10.60	613	159	147	89	95	124	14.5%	11.9%	12.2%	15.0%	4.2x	6.9x	6.4x	5.0x	0.0x	4.0%
Mastec	MTZ	US\$	\$101.57	7,533	721	843	810	850	918	11.7%	12.8%	11.0%	11.1%	10.2x	10.6x	10.1x	9.4x	1.3x	N/A
New Flyer Industries Inc.	NFI	C\$	\$28.44	2,019	420	447	158	290	384	11.1%	5.2%	8.2%	9.7%	6.4x	18.2x	9.9x	7.5x	5.4x	3.0%
Manufacturing Average										11.8%	10.1%	11.0%	11.9%	7.7x	11.8x	8.6x	7.7x	2.3x	4.1%
Financial/Holding Companies																			
Alaris Royalty	AD	C\$	\$16.44	738	82	101	91	123	140	87.4%	82.7%	88.4%	89.8%	10.2x	11.4x	8.4x	7.4x	3.3x	7.5%
Diversified Royalty Corp.	DIV	C\$	\$2.47	300	24	28	32	38	41	90.8%	90.1%	95.6%	95.7%	15.7x	14.0x	11.5x	10.7x	4.5x	8.1%
Financial/Holding Company Average										89.1%	86.4%	92.0%	92.8%	13.0x	12.7x	10.0x	9.1x	3.9x	7.8%
Airlines/Aerospace Average										46.7%	37.7%	46.4%	49.8%	9.1x	10.3x	18.8x	8.0x	5.0x	0.9%
Manufacturing Average										11.8%	10.1%	11.0%	11.9%	7.7x	11.8x	8.6x	7.7x	2.3x	4.1%
Blended average (75/25)										37.9%	30.8%	37.5%	40.3%	8.8x	10.7x	16.2x	7.9x	4.3x	1.7%
Exchange Income Corp.		C\$	\$39.00	1,482	278	329	285	327	370	24.5%	24.8%	25.6%	24.8%	7.7x	8.9x	7.8x	6.8x	3.2x	5.9%

Priced as of market close April 26, 2021. Source: RBC estimates for EIF and CHR, FactSet consensus for all others. Note: EIF EV uses our 2021E net debt and share count.

Appendix 4 – AC model summary

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

FY Dec 31	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Traffic / RPM (MMs)	94,113	17,507	783	2,517	2,432	23,239	2,146	2,303	8,439	11,894	24,782	16,585	14,513	21,032	14,986	67,117	21,293	23,463	27,954	21,403	94,113	95,054
% change	1.9%	-17.8%	-96.7%	-91.0%	-88.6%	-75.3%	-87.7%	194.1%	235.3%	389.1%	6.6%	672.7%	530.3%	149.2%	26.0%	170.8%	28.4%	61.7%	32.9%	42.8%	40.2%	1.0%
Capacity / ASM (MMs)	112,814	23,511	2,243	5,949	6,000	37,703	3,902	4,186	12,983	15,859	36,930	22,114	18,141	25,966	18,502	84,722	26,016	27,910	32,457	26,431	112,814	113,942
% change	1.8%	-9.6%	-92.0%	-81.7%	-77.3%	-66.6%	-83.4%	86.6%	118.2%	164.3%	-2.0%	466.7%	333.3%	100.0%	16.7%	129.4%	17.6%	53.8%	25.0%	42.9%	33.2%	1.0%
Load Factor (%)	83.4%	74.5%	34.9%	42.3%	40.5%	61.6%	55.0%	55.0%	65.0%	75.0%	67.1%	75.0%	80.0%	81.0%	81.0%	79.2%	81.8%	84.1%	86.1%	81.0%	83.4%	83.4%
change (% pts)	0.1%	-7.4%	-49.2%	-43.8%	-40.4%	-21.8%	-19.5%	20.1%	22.7%	34.5%	5.5%	20.0%	25.0%	16.0%	6.0%	12.1%	6.8%	4.1%	5.1%	0.0%	4.2%	0.0%
Yield (\$)	0.183	0.182	0.264	0.202	0.195	0.211	0.197	0.198	0.192	0.195	0.195	0.189	0.186	0.180	0.184	0.185	0.181	0.179	0.173	0.176	0.177	0.181
% change	4.3%	2.2%	43.5%	9.2%	5.1%	15.1%	8.0%	-25.0%	-5.0%	0.0%	-7.3%	-4.0%	-6.0%	-6.0%	-6.0%	-5.5%	-4.0%	-4.0%	-4.0%	-4.0%	-4.0%	2.0%
RASM (Rev per unit of capacity, cents)	15.3	13.6	9.2	8.5	7.9	11.6	10.8	10.9	12.5	14.7	13.1	14.2	14.9	14.6	14.9	14.6	14.8	15.0	14.9	14.3	14.8	15.1
CASM (Costs per unit of capacity, cents)	15.5	17.7	82.3	25.9	34.4	25.8	43.7	40.4	20.9	21.0	25.6	17.4	17.7	15.4	18.2	17.0	16.4	15.4	14.4	16.0	15.5	15.6
Fuel Cost/ASM (cents)	3.9	3.6	5.5	2.9	3.1	3.5	4.0	4.2	4.5	4.9	4.6	4.0	4.0	4.3	4.7	4.2	3.9	3.8	4.2	4.6	4.1	4.0
CASM (excl. fuel) (cents)	11.6	14.1	76.8	23.0	31.3	22.3	39.7	36.2	16.4	16.1	21.0	13.4	13.8	11.1	13.4	12.8	12.6	11.6	10.2	11.4	11.4	11.5
Total Revenues	19,154	3,722	527	757	827	5,833	735	801	1,944	2,749	6,228	3,737	3,364	4,192	3,206	14,499	4,488	4,880	5,256	4,246	18,870	19,417
% change	6.0%	-16.1%	-88.9%	-86.4%	-81.3%	-69.5%	-80.3%	52.0%	156.8%	232.3%	6.8%	408.5%	319.9%	115.7%	16.7%	132.8%	20.1%	45.1%	25.4%	32.4%	30.1%	2.9%
Wages, salaries and benefits	3184	796	464	475	507	2242	444	467	447	485	1843	511	510	508	523	2052	772	795	721	744	3031	3169
% Sales	16.6%	21.4%	88.0%	62.7%	61.3%	38.4%	60.5%	58.2%	23.0%	17.7%	29.6%	13.7%	15.2%	12.1%	16.3%	14.2%	17.2%	16.3%	13.7%	17.5%	16.1%	16.3%
Aircraft Fuel - total	4444	836	124	175	187	1322	156	174	582	778	1691	886	718	1113	873	3589	1008	1074	1349	1215	4645	4613
% Sales	23.2%	22.5%	23.5%	23.1%	22.6%	22.7%	21.2%	21.8%	30.0%	28.3%	27.2%	23.7%	21.3%	26.5%	27.2%	24.8%	22.5%	22.0%	25.7%	28.6%	24.6%	23.8%
Sales and distribution costs	874	183	13	30	26	252	32	33	99	116	280	181	142	198	136	658	213	219	248	194	874	883
% Sales	4.6%	4.9%	2.5%	4.0%	3.1%	4.3%	4.3%	4.1%	5.1%	4.2%	4.5%	4.8%	4.2%	4.7%	4.2%	4.5%	4.7%	4.5%	4.7%	4.6%	4.6%	4.5%
Catering and onboard services	445	97	23	26	25	171	16	17	57	66	156	91	73	113	77	354	107	112	142	110	471	476
% Sales	2.3%	2.6%	4.4%	3.4%	3.0%	2.9%	2.2%	2.1%	2.9%	2.4%	2.5%	2.4%	2.2%	2.7%	2.4%	2.4%	2.4%	2.3%	2.7%	2.6%	2.5%	2.4%
Aircraft maintenance	1004	270	181	45	185	681	208	217	216	213	853	245	255	254	250	1004	252	263	262	258	1034	1065
% Sales	5.2%	7.3%	34.3%	5.9%	22.4%	11.7%	28.3%	27.1%	11.1%	7.7%	13.7%	6.6%	7.6%	6.1%	7.8%	6.9%	5.6%	5.4%	5.0%	6.1%	5.5%	5.5%
Airport and navigation fees	990	228	113	97	107	545	38	41	212	283	573	194	161	227	161	743	228	248	284	230	990	1000
% Sales	5.2%	6.1%	21.4%	12.8%	12.9%	9.3%	5.1%	5.1%	10.9%	10.3%	9.2%	5.2%	4.8%	5.4%	5.0%	5.1%	5.1%	5.1%	5.4%	5.4%	5.2%	5.1%
Communications and information technolo	397	135	91	66	80	372	39	31	65	79	215	77	63	91	65	297	91	98	114	93	395	399
% Sales	2.1%	3.6%	17.3%	8.7%	9.7%	6.4%	5.3%	3.9%	3.3%	2.9%	3.4%	2.1%	1.9%	2.2%	2.0%	2.0%	2.0%	2.0%	2.2%	2.2%	2.1%	2.1%
Other	3553	872	353	392	424	2041	294	265	568	810	1937	994	792	991	754	3532	883	961	1036	834	3714	3823
% Sales	18.5%	23.4%	67.0%	51.8%	51.3%	35.0%	40.0%	33.1%	29.2%	29.5%	31.1%	26.6%	23.6%	23.6%	23.5%	24.4%	19.7%	19.7%	19.7%	19.6%	19.7%	19.7%
Regional airline expense (ex fuel and DAR)	1847	471	172	198	245	1086	147	145	374	535	1200	658	490	614	466	2227	479	522	563	452	2016	2076
% Sales	9.6%	12.7%	32.6%	26.2%	29.6%	18.6%	20.0%	18.1%	19.2%	19.5%	19.3%	17.6%	14.6%	14.6%	14.5%	15.4%	10.7%	10.7%	10.7%	10.6%	10.7%	10.7%
Total Operating Costs	14,891	3,417	1,362	1,306	1,541	7,626	1,227	1,245	2,246	2,830	7,548	3,180	2,715	3,496	2,838	12,229	3,554	3,768	4,155	3,677	15,155	15,428
EBITDA	3,636	71	(832)	(554)	(728)	(2,043)	(537)	(461)	(336)	(160)	(1,494)	307	573	628	276	1,785	640	995	1,015	438	3,088	3,356
% of sales	19.0%	1.9%	-157.9%	-73.2%	-88.0%	-35.0%	-73.0%	-57.6%	-17.3%	-5.8%	-24.0%	8.2%	17.0%	15.0%	8.6%	12.3%	14.3%	20.4%	19.3%	10.3%	16.4%	17.3%
Depreciation, amortization and impairment	1,986	504	487	423	435	1,849	434	429	428	427	1,718	423	425	426	428	1,702	425	423	422	420	1,690	1,664
EBIT (Excluding Special Charges)	1,650	(433)	(1,319)	(785)	(1,239)	(3,776)	(970)	(890)	(764)	(587)	(3,212)	(115)	149	202	(152)	83	215	572	593	18	1,398	1,692
% of sales	8.6%	-11.6%	-250.3%	-103.7%	-149.8%	-64.7%	-132.0%	-111.1%	-39.3%	-21.4%	-51.6%	-3.1%	4.4%	4.8%	-4.7%	0.6%	4.8%	11.7%	11.3%	0.4%	7.4%	8.7%
Net Income	1,020	(392)	(1,752)	(685)	(1,161)	(3,990)	(1,074)	(1,009)	(893)	(731)	(3,707)	(261)	4	60	(300)	(497)	69	427	463	(119)	840	1,181
EPS (F.D) (\$) (Exc. Special charges)	\$ 3.75	\$ (1.49)	\$ (6.44)	\$ (2.31)	\$ (3.50)	\$ (14.14)	\$ (3.23)	\$ (2.85)	\$ (2.52)	\$ (2.07)	\$ (10.48)	\$ (0.74)	\$ 0.01	\$ 0.17	\$ (0.85)	\$ (1.41)	\$ 0.20	\$ 1.21	\$ 1.31	\$ (0.34)	\$ 2.37	\$ 3.34
Net debt	3,353	4,565	5,040	5,387	5,488	5,488	7,078	8,058	9,423	10,532	10,532	10,720	10,642	10,506	10,598	10,598	10,479	10,004	9,494	9,568	9,568	8,223
Net debt/LTM EBITDA	0.9x	1.5x	3.7x	-8.3x	-2.7x	-2.7x	-2.7x	-3.5x	-4.6x	-7.0x	-7.0x	-16.5x	27.7x	7.8x	5.9x	5.9x	4.9x	3.9x	3.2x	3.1x	3.1x	2.5x

Source: RBC CM estimates, Company reports

Appendix 5 – BBD model summary

Summary Income Statement (in US \$MM's)	2020	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	2025E
Aerospace Key Drivers																		
Business Jet Deliveries	114	26	23	28	42	119	24	22	32	45	124	26	25	35	49	135	137	139
<i>Delivery Growth</i>	-20.8%	0.0%	15.0%	16.7%	-4.5%	4.4%	-6.3%	-2.8%	15.9%	6.4%	4.1%	6.8%	10.6%	7.9%	9.6%	8.8%	1.5%	1.6%
Commercial Jet Deliveries	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Delivery Growth</i>	-82.8%	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%	0.0%	0.0%
Total Aircraft Deliveries	119	26	23	28	42	119	24	22	32	45	124	26	25	35	49	135	137	139
Transportation Key Drivers																		
Transportation Backlog	35,363	36,271	36,433	36,343	36,254	36,254	37,261	37,450	37,381	37,311	37,311	38,421	38,605	38,523	38,441	38,441	39,617	40,830
<i>Backlog Growth</i>	1.0%	1.2%	1.6%	2.1%	2.5%	2.5%	2.7%	2.8%	2.9%	2.9%	2.9%	3.1%	3.1%	3.1%	3.0%	3.0%	3.1%	3.1%
Book-to-Bill	1.0	1.4	1.1	1.0	1.0	1.1	1.4	1.1	1.0	1.0	1.1	1.5	1.1	1.0	1.0	1.1	1.1	1.1
Segmented results																		
Bombardier Aviation (BA)																		
Revenue	6,488	1,239	1,128	1,375	1,895	5,636	1,279	1,184	1,595	2,029	6,087	1,354	1,295	1,735	2,263	6,646	7,034	7,502
EBIT	-125	22	20	25	34	101	83	77	104	132	396	108	104	147	192	552	739	998
<i>Margin %</i>	-1.9%	1.8%	1.8%	1.8%	1.8%	1.8%	6.5%	6.5%	6.5%	6.5%	6.5%	8.0%	8.0%	8.5%	8.5%	8.3%	10.5%	13.3%
Bombardier Transportation (BT)																		
Revenue	7,844																	
EBIT	-618																	
<i>Margin %</i>	-7.8%																	
Bombardier Consolidated																		
Total Revenues	14,331	1,239	1,128	1,375	1,895	5,636	1,279	1,184	1,595	2,029	6,087	1,354	1,295	1,735	2,263	6,646	7,034	7,502
Total EBITDA	-311	101	97	122	201	521	166	157	205	308	836	195	188	254	377	1,014	1,224	1,507
Total EBIT	-525	22	20	25	34	101	83	77	104	132	396	108	104	147	192	552	739	998
<i>EBIT Margin %</i>	-3.7%	1.8%	1.8%	1.8%	1.8%	1.8%	6.5%	6.5%	6.5%	6.5%	6.5%	8.0%	8.0%	8.5%	8.5%	8.3%	10.5%	13.3%
Net Income Before Special Items	(1,471)	(207)	(184)	(167)	(145)	(703)	(101)	(96)	(81)	(56)	(333)	(41)	(58)	(35)	9	(125)	31	292
EPS Before Special Items	\$ (0.62)	\$ (0.09)	\$ (0.08)	\$ (0.07)	\$ (0.06)	\$ (0.29)	\$ (0.04)	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ (0.14)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ 0.00	\$ (0.05)	\$ 0.01	\$ 0.12
CFPS \$(Basic)	\$ (0.54)	\$ (0.05)	\$ (0.04)	\$ (0.03)	\$ 0.01	\$ (0.12)	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.05	\$ 0.04	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.08	\$ 0.14	\$ 0.21	\$ 0.33
Net debt	6,414	5,364	5,812	6,137	5,180	5,180	6,139	6,494	6,728	5,173	5,173	5,668	5,982	6,165	5,036	5,036	4,720	4,118

Source: RBC CM estimates, Company reports

Appendix 6 – CHR model summary

Chorus Aviation (TSX: CHR)

FY Dec 31	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E
Chorus Aviation Income Statement (\$MM)																
Revenue	1,366	350	184	196.4	218.2	948.7	217.5	225.2	237.9	274.8	955.3	280.9	267.1	281.6	296.8	1126.3
<i>% change</i>	-5.8%	1.8%	-44.6%	-44.1%	-35.6%	-30.6%	-37.9%	22.2%	21.1%	26.0%	0.7%	29.2%	18.6%	18.4%	8.0%	17.9%
Salaries, wages and benefits	471	136	54	53	70	313	75	75	57	81	288	96	93	64	81	333
<i>% Sales</i>	34%	39%	29%	27%	32%	33%	35%	33%	24%	29%	30%	34%	35%	23%	27%	30%
Depreciation and amortization	137	38	49	50	88	224	31	31	33	35	130	35	35	36	36	142
<i>% Sales</i>	10%	11%	27%	25%	40%	24%	14%	14%	14%	13%	14%	13%	13%	13%	12%	13%
Aircraft maintenance	208	49	12	18	23	102	11	12	35	33	91	26	16	46	33	121
<i>% Sales</i>	15%	14%	7%	9%	11%	11%	5%	5%	15%	12%	9%	9%	6%	16%	11%	11%
Airport and navigation fees	170	38	4	13	13	69	8	10	21	25	64	17	15	32	37	101
<i>% Sales</i>	12%	11%	2%	7%	6%	7%	4%	4%	9%	9%	7%	6%	6%	11%	12%	9%
Terminal handling	20	5	1	2	2	9	5	5	2	2	14	5	5	2	2	14
<i>% Sales</i>	1%	1%	1%	1%	1%	1%	2%	2%	1%	1%	1%	2%	2%	1%	1%	1%
Other	160	37	29	26	24	116	142	29	26	24	220	37	30	26	24	118
<i>% Sales</i>	12%	10%	16%	13%	11%	12%	65%	13%	11%	9%	23%	13%	11%	9%	8%	10%
Total Operating Expenses	1,166	303	151	161	219	834	272	162	173	199	806	216	195	205	212	829
Operating Income	200	47	34	35	1	115	54	63	65	76	149	64	72	76	84	297
Adjusted EBITDA	339	89	83	85.9	82.0	347.5	81.6	94.3	97.4	110.5	383.9	99.6	107.8	111.9	120.3	439.6
<i>% of sales</i>	24.8%	25.3%	44.9%	43.7%	37.6%	36.6%	37.5%	41.9%	40.9%	40.2%	40.2%	35.5%	40.4%	39.7%	40.5%	39.0%
Net Income	137	18	6	13	11	49	-59	35	36	44	57	34	40	43	49	166
EPS (F.D) (\$) (Excluding Special charges)	\$0.84	\$0.15	\$0.18	\$0.12	\$0.06	\$0.25	-\$0.36	\$0.19	\$0.20	\$0.25	\$0.32	\$0.19	\$0.22	\$0.24	\$0.27	\$0.92
CFPS (F.D) (\$) (Excluding Special charges)	\$1.68	\$0.40	\$0.39	\$0.36	\$0.45	\$1.60	\$0.17	\$0.37	\$0.38	\$0.44	\$1.35	\$0.39	\$0.42	\$0.44	\$0.47	\$1.72
Net debt	1,746	1,868	1,929	1,903	2,025	2,025	2,046	2,054	2,116	2,268	2,268	2,253	2,233	2,209	2,179	2,179
Net debt/LTM EBITDA	5.2x	5.3x	5.5x	5.5x	6.0x	5.8x	6.2x	6.0x	6.0x	5.9x	5.9x	5.6x	5.4x	5.1x	5.0x	5.0x

Source: Company reports, RBC Capital Markets estimates

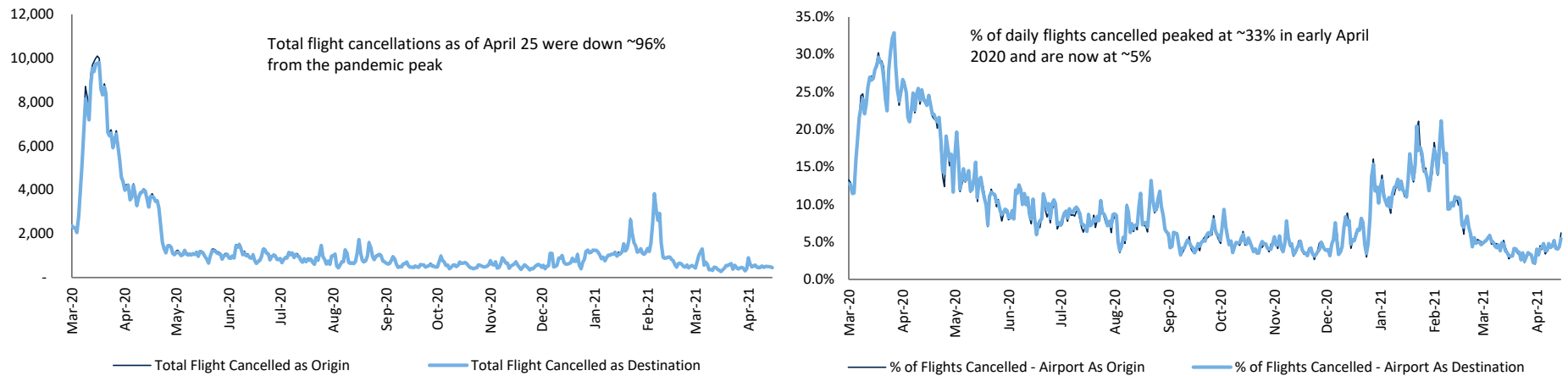
Appendix 7 – EIF model summary

Exchange Income Corporation																
(CAD \$000's unless otherwise indicated)	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2021E	Q1/22E	Q2/22E	Q3/22E	Q4/22E	2022E
Segmented revenues																
Aviation revenues	974,739	200,693	139,892	170,846	175,890	687,321	150,520	188,854	222,100	246,246	807,720	195,676	236,068	248,752	280,720	961,216
Manufacturing revenues	366,635	106,283	103,765	126,440	125,820	462,308	115,655	113,389	120,118	119,529	468,690	133,003	130,397	134,532	133,872	531,804
Segmented EBITDA																
Aviation EBITDA	299,190	48,638	46,788	61,440	61,211	218,077	49,672	64,210	71,072	78,799	263,753	54,789	80,263	77,113	87,023	299,189
Manufacturing EBITDA	55,735	14,125	21,745	27,200	24,911	87,981	21,974	21,544	22,822	22,711	89,051	25,271	24,775	25,561	25,436	101,043
Revenues, Net	1,341,374	306,976	243,657	297,286	301,710	1,149,629	266,174	302,243	342,218	365,775	1,276,410	328,679	366,465	383,284	414,593	1,493,020
Revenue growth (Y/Y)	11.5%	76.5%	-25.2%	-16.3%	-16.9%	-14.3%	-13.3%	24.0%	15.1%	21.2%	11.0%	23.5%	21.2%	12.0%	13.3%	17.0%
Aviation expenses	544,243	118,311	72,010	87,330	94,599	372,250	80,679	99,715	120,822	133,958	435,174	112,709	124,644	137,311	154,958	529,622
Aviation expenses (% of sales)	40.6%	38.5%	29.6%	29.4%	31.4%	32.4%	30.3%	33.0%	35.3%	36.6%	34.1%	34.3%	34.0%	35.8%	37.4%	35.5%
Manufacturing expenses	264,151	78,221	70,022	86,179	86,281	320,703	79,628	78,068	82,701	82,296	322,693	91,573	89,778	92,625	92,171	366,147
Manufacturing expenses (% of sales)	48.5%	66.1%	97.2%	98.7%	91.2%	86.2%	98.7%	78.3%	68.4%	61.4%	74.2%	81.2%	72.0%	67.5%	59.5%	69.1%
Gross profit	532,980	110,444	101,625	123,777	120,830	456,676	105,868	124,460	138,694	149,521	518,543	124,397	152,043	153,348	167,464	597,251
Gross margin	39.7%	36.0%	41.7%	41.6%	40.0%	39.7%	39.8%	41.2%	40.5%	40.9%	40.6%	37.8%	41.5%	40.0%	40.4%	40.0%
EBITDA	334,391	51,299	62,010	82,233	81,237	276,779	66,322	79,709	87,050	94,194	327,276	73,486	97,709	95,008	104,167	370,371
EBITDA Margin (%)	24.9%	16.7%	25.4%	27.7%	26.9%	24.1%	24.9%	26.4%	25.4%	25.8%	25.6%	22.4%	26.7%	24.8%	25.1%	24.8%
EBITDA growth (Y/Y)	20.0%	-19.6%	-27.7%	-12.0%	-11.1%	-17.2%	29.3%	28.5%	5.9%	15.9%	18.2%	10.8%	22.6%	9.1%	10.6%	13.2%
Adj. EBITDA	328,813	57,254	62,075	83,235	81,971	284,535	66,322	79,709	87,050	94,194	327,276	73,486	97,709	95,008	104,167	370,371
Adj. EBITDA Margin (%)	24.5%	18.7%	25.5%	28.0%	27.2%	24.8%	24.9%	26.4%	25.4%	25.8%	25.6%	22.4%	26.7%	24.8%	25.1%	24.8%
Adj. EBITDA growth (Y/Y)	18.4%	-10.3%	-28.8%	-6.5%	-7.6%	-13.5%	15.8%	28.4%	4.6%	14.9%	15.0%	10.8%	22.6%	9.1%	10.6%	13.2%
EBIT	164,366	6,094	17,874	37,609	32,357	93,934	26,396	40,418	42,562	46,643	156,019	30,758	50,069	45,182	50,270	176,278
Depreciation and Amort.	170,025	45,205	44,136	44,624	48,880	182,845	39,926	39,292	44,488	47,551	171,257	42,728	47,640	49,827	53,897	194,093
Interest Expense	58,520	14,125	13,008	11,732	12,069	50,934	11,346	11,366	11,386	11,406	45,505	11,426	11,456	11,476	11,496	45,855
Taxes	22,210	-2,733	2,236	8,633	6,809	14,945	4,063	7,844	8,417	9,514	29,839	5,220	10,425	9,100	10,469	35,214
Adj. net income	113,270	2,058	5,645	20,626	18,847	47,176	10,986	21,208	22,758	25,723	80,675	14,112	28,187	24,605	28,305	95,209
Weighted average shares outstanding (diluted)	38,094	34,729	35,743	36,121	35,977	35,472	35,977	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008	38,008
Adj. EPS (FD)	2.97	0.06	0.16	0.57	0.52	1.33	0.31	0.56	0.60	0.68	2.12	0.37	0.74	0.65	0.74	2.50
Cash flow from operations (CFO)	217,237	45,739	69,330	81,017	63,888	259,974	48,890	57,789	64,562	83,320	254,562	39,445	55,026	80,103	115,261	289,836
Changes in working capital	-45,058	1,175	21,870	17,780	-2,370	38,455	-4,022	-4,710	-4,684	8,046	-5,370	-19,395	-23,801	3,672	31,059	-8,466
FCF from operations (company definition)	245,772	38,749	42,268	57,886	59,497	198,400	46,913	56,499	63,246	69,274	235,932	52,840	72,827	70,432	78,202	274,302
Maintenance capital expenditures	119,697	36,450	16,856	13,536	18,227	85,069	21,294	21,157	23,955	29,262	95,668	26,294	29,317	30,663	33,167	119,442
Growth capital expenditures	119,324	14,381	12,301	6,807	14,434	47,923	10,647	12,090	13,689	21,947	58,372	19,721	21,988	22,997	24,876	89,581
FCF from operations less maintenance capex (company definition)	126,075	2,299	25,412	44,350	41,270	113,331	25,619	35,342	39,291	40,012	140,264	26,546	43,510	39,769	45,035	154,860
FCF growth (Y/Y)	10.2%	-87.0%	-26.4%	20.2%	11.7%	-10.1%	1014.3%	39.1%	-11.4%	-3.0%	23.8%	3.6%	23.1%	1.2%	12.6%	10.4%
FCF % of revenue	9.4%	0.7%	10.4%	14.9%	13.7%	9.9%	9.6%	11.7%	11.5%	10.9%	11.0%	8.1%	11.9%	10.4%	10.9%	10.4%
Adj. EBITDA conversion	38.3%	4.0%	40.9%	53.3%	50.3%	39.8%	38.6%	44.3%	45.1%	42.5%	42.9%	36.1%	44.5%	41.9%	43.2%	41.8%
Free Cash Flow (CFO - total capex)	-21,784	-5,092	40,173	60,674	31,227	126,982	16,950	24,542	26,918	32,111	100,522	-6,570	3,721	26,444	57,218	80,813
FCF % of revenue	-1.6%	-1.7%	16.5%	20.4%	10.4%	11.0%	6.4%	8.1%	7.9%	8.8%	7.9%	-2.0%	1.0%	6.9%	13.8%	5.4%
Adj. EBITDA conversion	-6.6%	-8.9%	64.7%	72.9%	38.1%	44.6%	25.6%	30.8%	30.9%	34.1%	30.7%	-8.9%	3.8%	27.8%	54.9%	21.8%
Dividend payout ratio (FCF less maintenance capex)	57.7%	861.3%	78.2%	45.4%	48.9%	70.6%	80.0%	61.3%	55.1%	56.0%	61.5%	84.5%	51.5%	56.4%	51.5%	58.4%
Dividend payout ratio (FCF less total capex)	-333.9%	-388.9%	49.5%	33.2%	64.7%	63.0%	121.0%	88.3%	80.5%	69.8%	85.8%	-341.3%	602.6%	84.8%	40.5%	111.9%
Net debt	1,121,957	1,201,297	1,155,840	1,172,828	1,136,560	1,136,560	1,143,118	1,063,219	1,060,965	1,054,279	1,054,279	1,086,273	1,108,977	1,107,958	1,076,926	1,076,926
Net debt/LTM EBITDA	3.4x	3.7x	3.9x	4.0x	4.0x	4.0x	3.9x	3.4x	3.4x	3.2x	3.2x	3.2x	3.1x	3.1x	2.9x	2.9x
Net debt/LTM EBITDA (covenant metric, excl. converts)	2.1x	2.4x	2.5x	2.6x	2.5x	2.5x	2.5x	2.1x	2.1x	2.0x	2.0x	2.1x	2.0x	2.0x	1.9x	1.9x

Source: Company reports, RBC CM Estimates

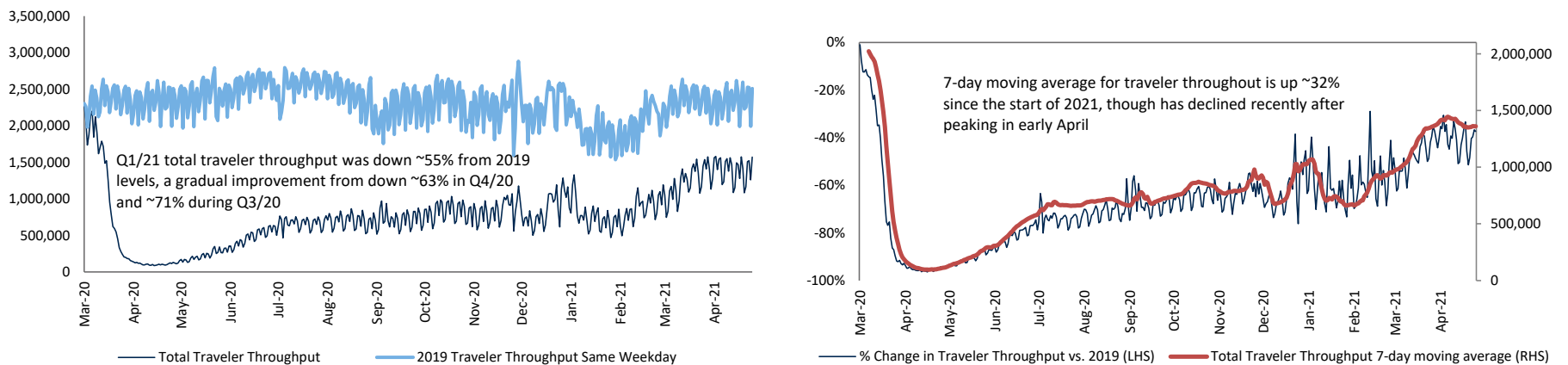
Global Air Travel and Flight Departure Tracker

Appendix 8 – Total flights cancelled continue to trend lower, while percentage of flights cancelled has improved from as high as ~21% in February to as low as ~2% in April



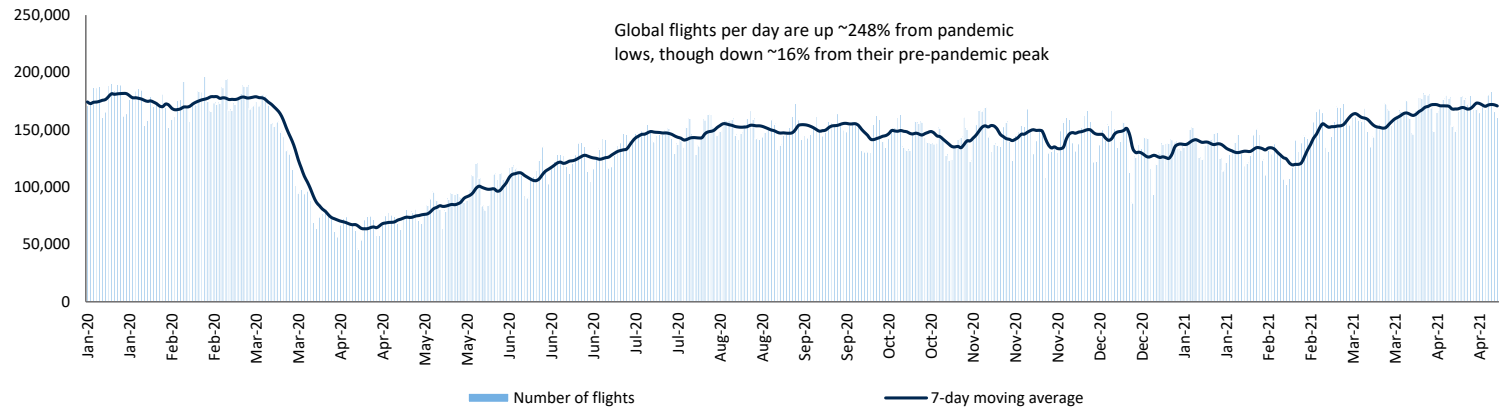
Source: RBC Capital Markets, RBC Elements, Flight Aware. Data as of April 25, 2021.

Appendix 9 – After being range-bound to start the year, US passenger traffic took off in late February with traffic peaking at down only 31% vs. 2019 levels in early April



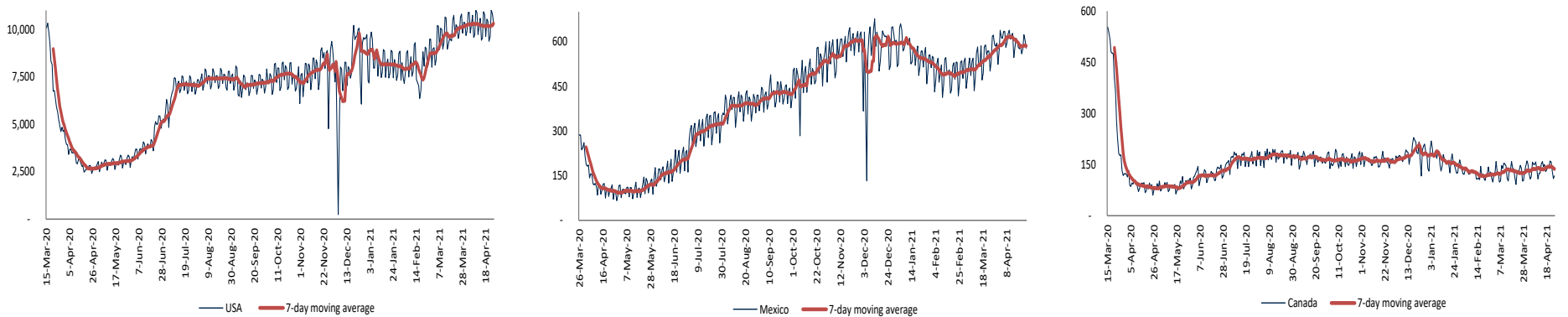
Source: RBC Capital Markets, RBC Elements, TSA. Data as of April 25, 2021.

Appendix 10 – Global flight activity has largely plateaued since July 2020, though trends have started to pick up since late February



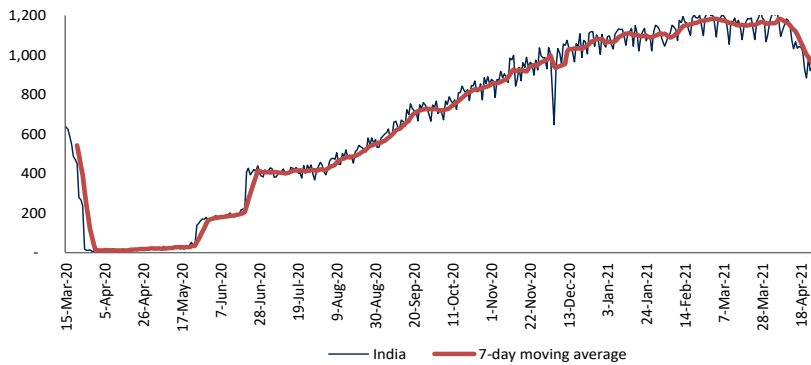
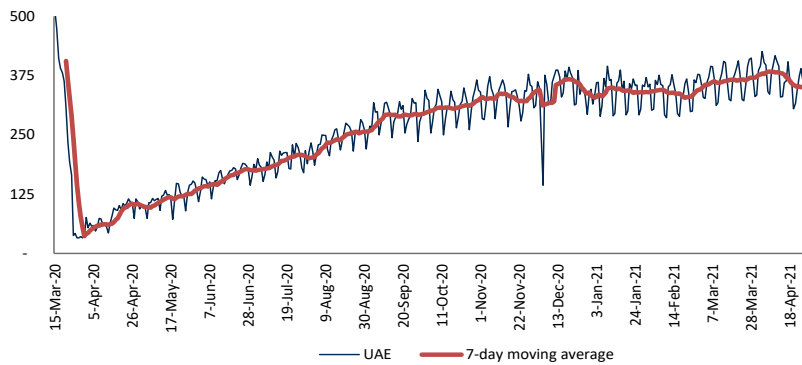
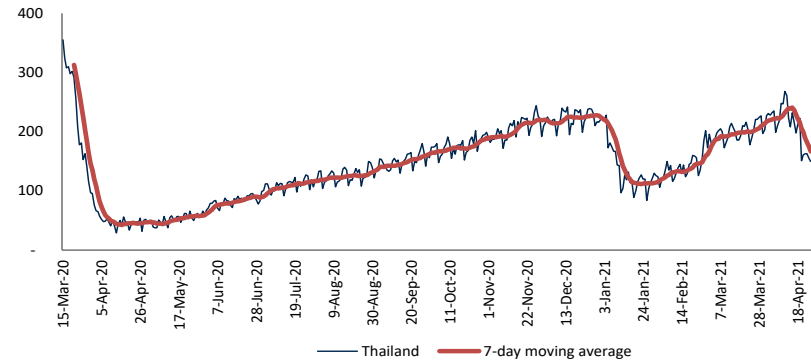
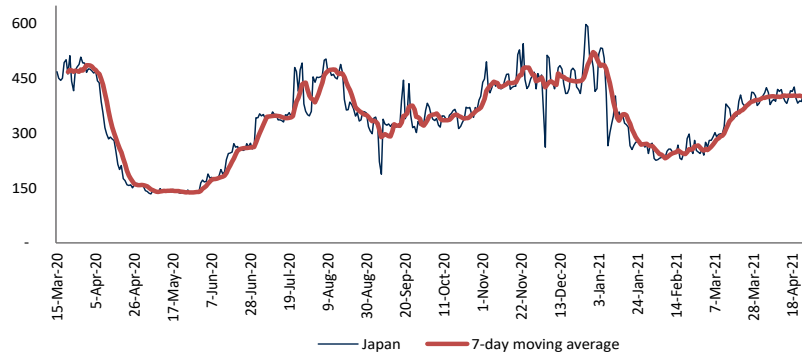
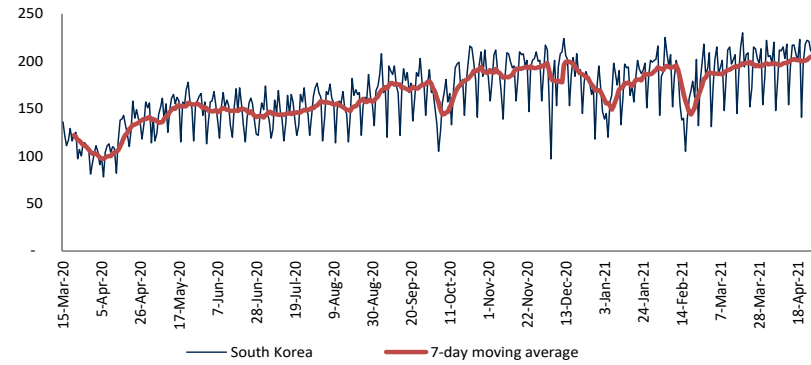
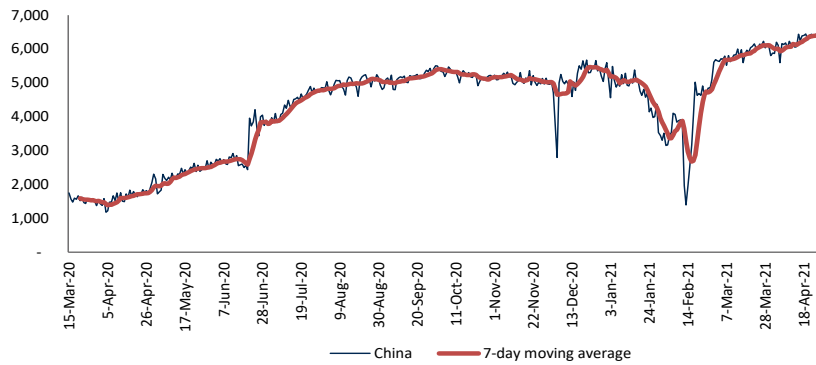
Source: RBC Capital Markets, RBC Elements, Flight Radar. Data as of April 25, 2021.

Appendix 11 – Flight departure trends within North America



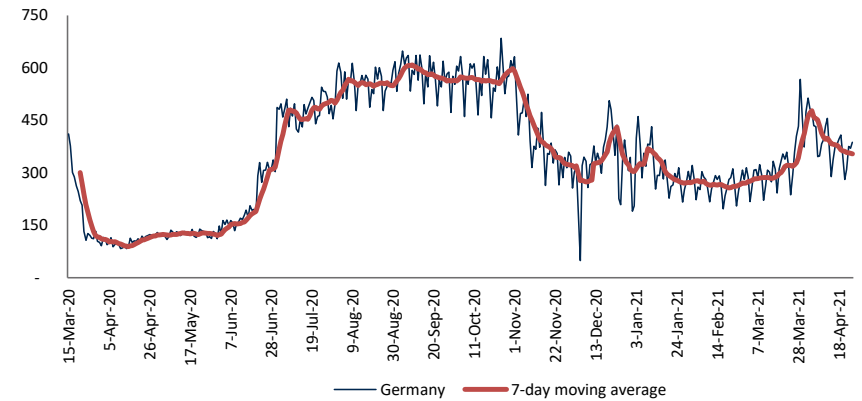
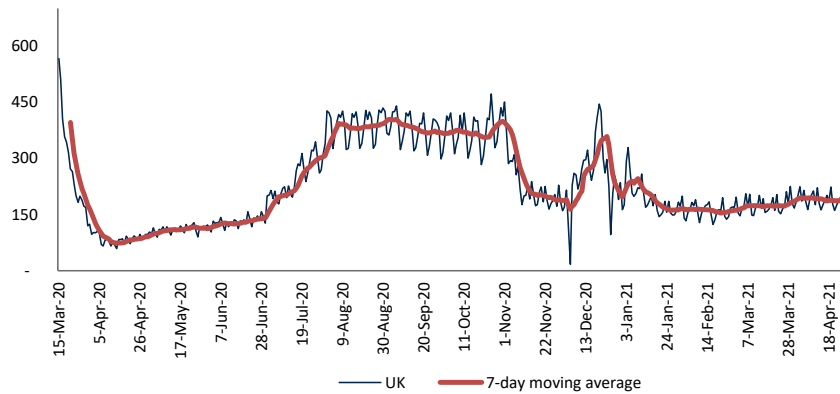
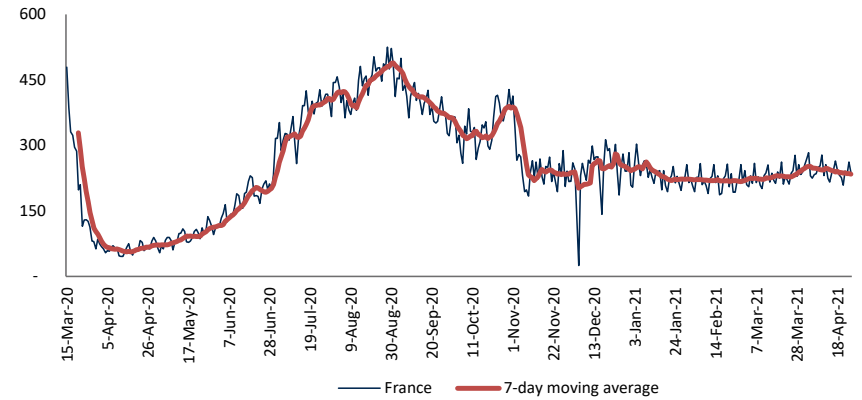
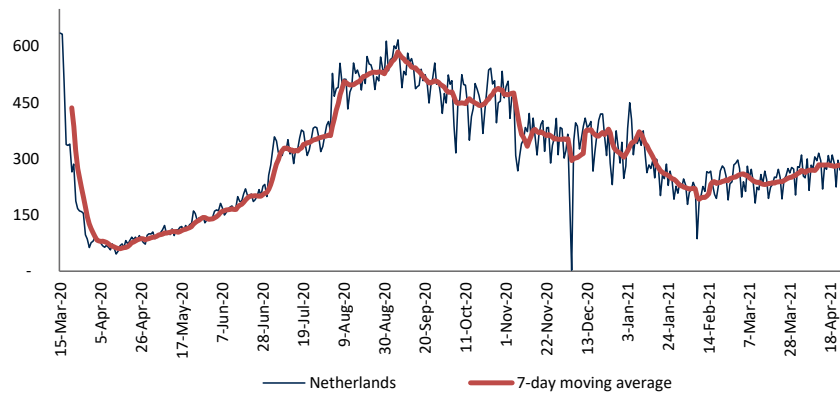
Source: RBC Capital Markets, RBC Elements, Flight Aware. Data as of April 25, 2021.

Appendix 12 – Flight departure trends within Asia



Source: RBC Capital Markets, RBC Elements, Flight Aware. Data as of April 25, 2021.

Appendix 13 – Flight departure trends within Europe



Source: RBC Capital Markets, RBC Elements, Flight Aware. Data as of April 25, 2021.



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RBC Capital Markets has provided Air Canada with investment banking services in the past 12 months.

RBC Capital Markets has provided Air Canada with non-investment banking securities-related services in the past 12 months.

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

The Class A shares of Air Canada are variable voting shares.

Kathleen P. Taylor, the Chair of the Board of Royal Bank of Canada, is a Director of Air Canada.

The class B shares of Bombardier Inc. are subordinate voting shares.

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

Diane Fontaine, Vice President and Portfolio Manager at RBC Dominion Securities Inc., is a member of the Board of Directors of Bombardier Inc.

A member company of RBC Capital Markets or one of its affiliates managed or co-managed a public offering of securities for Chorus Aviation Inc. in the past 12 months.

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

A member company of RBC Capital Markets or one of its affiliates expects to receive or intends to seek compensation for investment banking services from Chorus Aviation Inc. in the next three months.

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

RBC Capital Markets is currently providing Chorus Aviation Inc. with investment banking services.



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

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

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RBC Capital Markets is currently providing Exchange Income Corporation with investment banking services.

RBC Capital Markets has provided Exchange Income Corporation with investment banking services in the past 12 months.

RBC Capital Markets has provided Exchange Income Corporation with non-securities services in the past 12 months.

Explanation of RBC Capital Markets Equity rating system

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Restricted (R): RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances.

Not Rated (NR): The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analysts best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Risk Rating

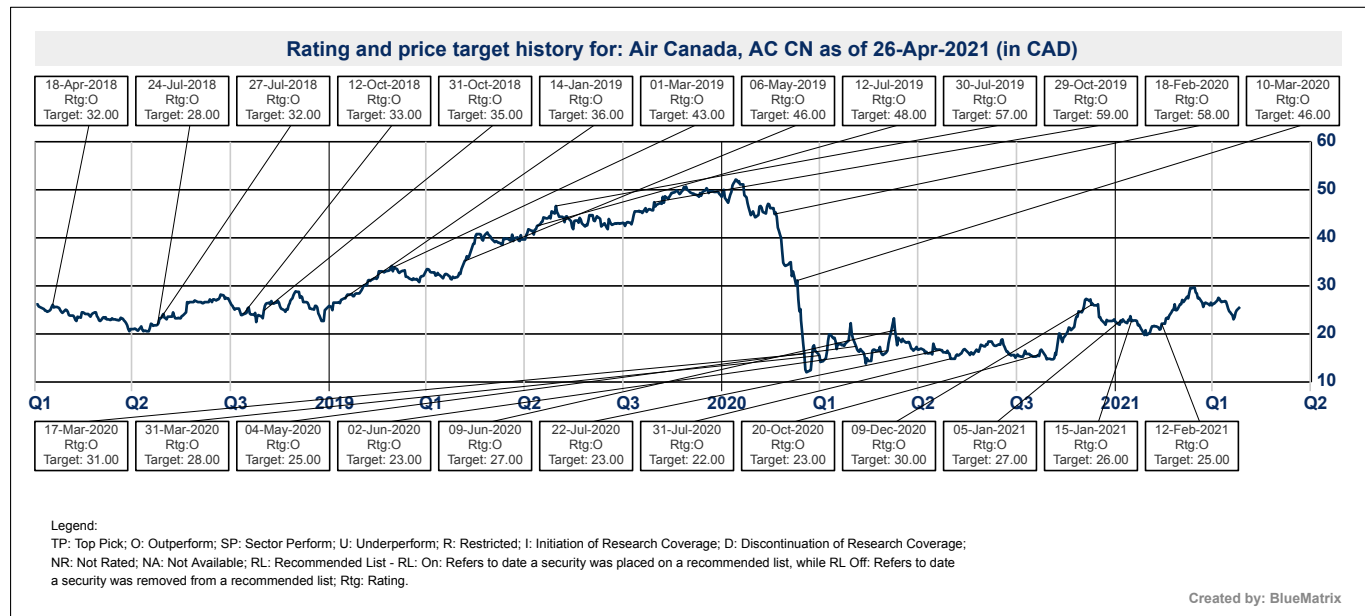
The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.



Distribution of ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

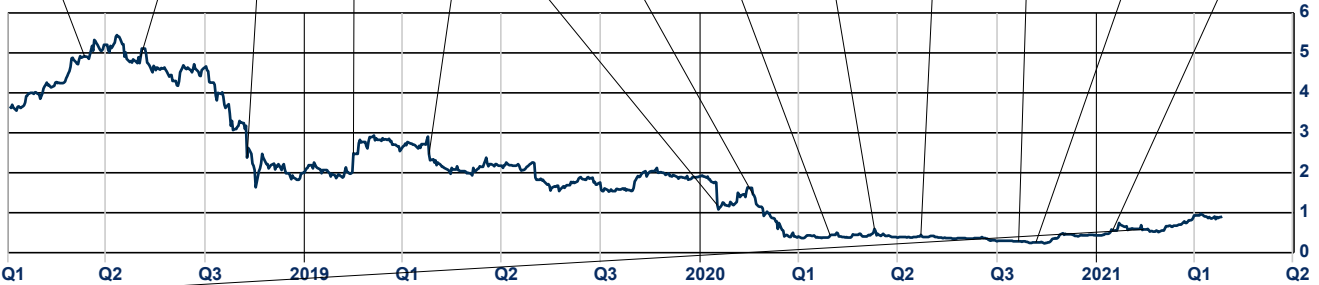
Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 31-Mar-2021				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	762	55.46	299	39.24
HOLD [Sector Perform]	559	40.68	179	32.02
SELL [Underperform]	53	3.86	4	7.55





Rating and price target history for: Bombardier Inc., BBD/B CN as of 26-Apr-2021 (in CAD)

11-Jun-2018 Rtg:O Target: 5.50	02-Aug-2018 Rtg:O Target: 6.00	08-Nov-2018 Rtg:O Target: 4.50	14-Feb-2019 Rtg:O Target: 3.50	25-Apr-2019 Rtg:O Target: 3.00	16-Jan-2020 Rtg:O Target: 2.00	18-Feb-2020 Rtg:O Target: 3.50	29-Apr-2020 Rtg:SP Target: 0.50	09-Jun-2020 Rtg:SP Target: 0.70	22-Jul-2020 Rtg:SP Target: 0.50	20-Oct-2020 Rtg:SP Target: 0.40	05-Nov-2020 Rtg:SP Target: 0.30	15-Jan-2021 Rtg:SP Target: 0.60
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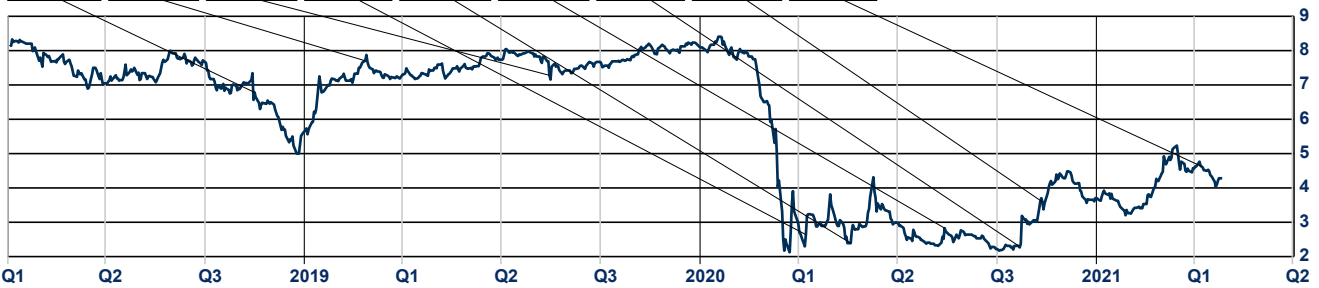
12-Feb-2021
Rtg:O
Target: 1.00

Legend:
 TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
 NR: Not Rated; NA: Not Available; RL: Recommended List - RL: On: Refers to date a security was placed on a recommended list, while RL Off: Refers to date
 a security was removed from a recommended list; Rtg: Rating.

Created by: BlueMatrix

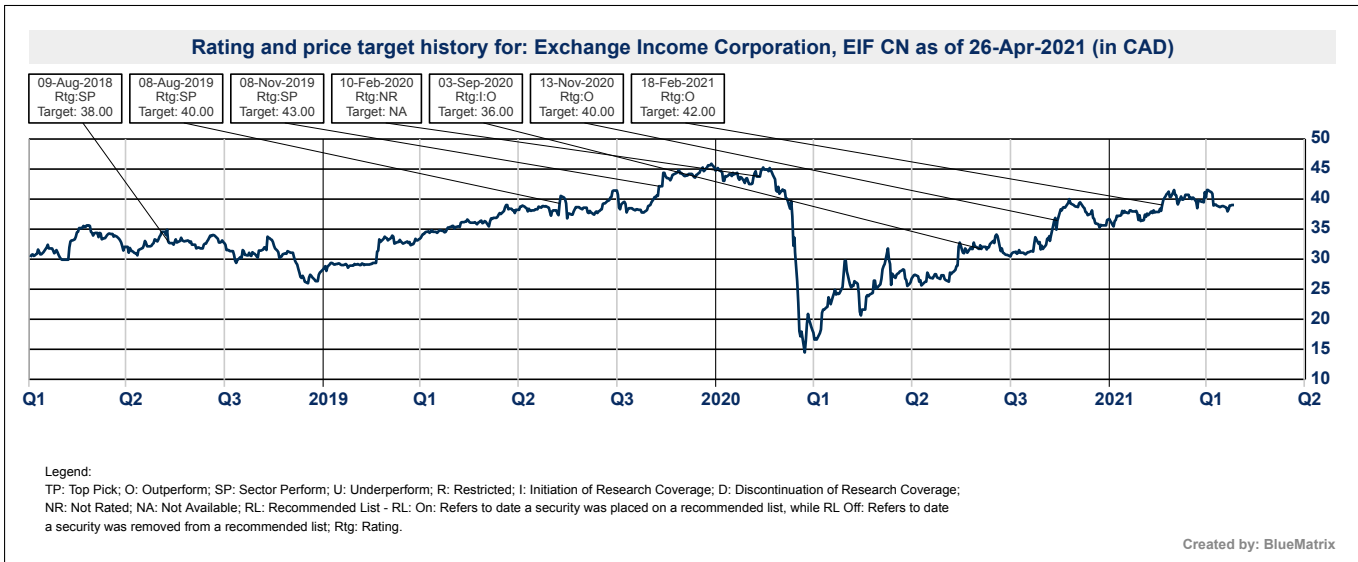
Rating and price target history for: Chorus Aviation Inc., CHR CN as of 26-Apr-2021 (in CAD)

15-Nov-2018 Rtg:O Target: 10.00	25-Feb-2019 Rtg:O Target: 9.50	14-Aug-2019 Rtg:O Target: 9.00	07-Apr-2020 Rtg:O Target: 6.00	18-May-2020 Rtg:O Target: 4.50	13-Aug-2020 Rtg:O Target: 4.00	20-Oct-2020 Rtg:O Target: 3.00	11-Nov-2020 Rtg:O Target: 4.50	07-Apr-2021 Rtg:O Target: 5.50
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Legend:
 TP: Top Pick; O: Outperform; SP: Sector Perform; U: Underperform; R: Restricted; I: Initiation of Research Coverage; D: Discontinuation of Research Coverage;
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 a security was removed from a recommended list; Rtg: Rating.

Created by: BlueMatrix



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

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For valuation methods used to determine, and risks that may impede achievement of, price targets for covered companies, please see the most recent company-specific research report at www.rbcinsight.com or send a request to RBC Capital Markets Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7.

Air Canada

Valuation

Applying a 6.0x EV/EBITDA multiple to our 2024 estimates (which we then discount back two years at 10%), we derive our price target of \$24.00. Our target multiple is higher than the historical group average multiple, which we believe is justified by our view that the industry should return to “normal” by 2023 with EBITDA levels returning to normal by 2024. Our base case reflects the following assumptions: (1) near-term headwinds from COVID-19 followed by a return to “normal” by 2023; (2) a reduction in capital intensity out to 2021; and (3) a widely distributed vaccine by Q3/21.

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.

Bombardier Inc.

Valuation

We apply a target multiple of 5.2x to our 2025 EBITDA estimate of \$1.5B and then discount back three years at 15% to derive our \$1.00 price target. Our target multiple is based on a significant discount to peers and an improving yet uncertain 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, while BBD’s elevated leverage levels and earnings visibility support our Speculative Risk 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 to reopening plans and should they cease due to COVID-19, we see this leading to further production halts. For these reasons, our earnings estimates could be more at risk than for most companies.

Chorus Aviation Inc.

Valuation

Our \$5.50 price target is derived from a sum-of-the-parts valuation. We value Chorus's core-CPA segment at a 5.75x EV/EBITDA multiple based on our 2022 estimates and we value the company's leasing segment at a 6.0x P/E multiple based on our assumptions for operating and funding costs attributable to the segment. We believe these multiples are appropriate when assessed relative to historical early-cycle peer multiples. This generates our \$5.50 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 the shares of EIF, we apply a blended 7.0x EV/EBITDA multiple (7.0x for Aviation & Aerospace and 7.0x for Manufacturing) on our \$370MM 2022E EBITDA – reflecting a valuation blend of 75% Aviation & Aerospace and 25% Manufacturing. We apply our target multiples to our 2022E EBITDA for each segment, which we believe accurately reflects a more normalized operating environment. This takes us to our \$41 price target. Our price target supports an Outperform rating on the stock.

Risks to rating and price target

Access to external capital. A key aspect of EIF's growth strategy is the acquisition of companies in order to expand and diversify the corporation's portfolio. The corporation requires funds to execute on these acquisitions. If the capital markets' desire for income-producing investments (such as the common shares and debentures issued by EIF) were to significantly decrease, EIF could have difficulty executing its acquisition and growth capital investment objectives.

Acquisition integration and related risks. While the company has a solid track record of identifying and making accretive acquisitions, EIF's ability to successfully grow or diversify through additional acquisitions is dependent on a number of factors. These include the identification of suitable acquisition targets, the negotiation of purchase agreements on satisfactory terms and prices, securing attractive financing arrangements, and, the integration of newly acquired operations into the existing business.

Pandemic-related (second wave) risk. As seen with the COVID-19 pandemic, the spread of contagious disease could have a significant impact on passenger demand for air travel and on global supply chains, making it unable to access required inputs for operations. This type of event, though unpredictable, would have a negative impact on revenue and profitability at EIF. On the other hand, this event could increase the demand for medical travel services.

Significant contract risk. EIF and its subsidiaries are currently parties to a number of significant contracts with key customers, including governments. Although EIF's significant contracts are spread over a number of different subsidiaries, which reduces the over-reliance on a customer, 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. The Aerospace & Aviation subsidiaries currently focus on niche markets in Canada and would be exposed to downside earnings risk from an existing competitor expanding into these niche markets or from a well-capitalized new competitor. Similarly, increased competition from new and existing competitors in the Manufacturing segment could drive down revenue and profitability; however, the level of competition is likely to be lower for products with higher degrees of customization.

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