EQUITY RESEARCH

Capital Markets

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RBC Elements™: Q4/25 Flight Deck

Q4 Airlines & Aerospace Preview

Our view: In this report, we provide updated estimates for AC, Bombardier, and CAE, while adjusting target multiples to reflect evolving market dynamics. For Q4, our Canadian Airlines Heatmap, powered by RBC Elements, presents mixed signals across leading indicators. Travel indexes have turned positive, indicating strengthening demand, but this is offset by softening airline pricing, declining airport throughput, and rising industry capacity—trends we view as likely to weigh on AC's Q4 results. Additionally, while pilot hiring has sustained its recovery since the lows in September, we note potential risks from airline commentary around further aircraft delays and revised delivery schedules at OEMs. These factors could dampen near-term demand for CAE's civil training solutions, and we therefore lower our F2026 estimates below mgmt's guidance for Civil. In private aviation, bizjet activity was a bright spot, increasing 5.1% in Q4 y/y. We view this as a positive readthrough for BBD; however, we modestly adjust our 2026 estimates to account for ongoing engine supply chain pressures, which could continue to weigh on margins. BBD remains our top idea with the ability to compound FCF at a low-teen CAGR well into the 2030s, a compelling opportunity with shares trading at a 5% FCF yield.

Q4 estimate revisions

- **AC: Q4E lowered; below consensus; PT unchanged at $25; maintain Outperform.** Our Q4 EBITDA moves to $738MM (from $754MM) below consensus of $751MM driven by our price tracker pointing to lower yields, flat airport throughput witnessed late in the quarter and higher Q4 industry capacity. Our 2026 EBITDA estimate remains unchanged at $3.4B in line with consensus (ex outlier) of $3.4B, though we see upside should currently lower fuel prices persist in 2026. We expect management to release 2026 guidance within a range of $3.4B-$3.5B reflecting margin pressure from aircraft delivery delays, updated labour agreements, and rising airport infrastructure costs. Looking through a transitory 2026, we anticipate a significant FCF inflection in 2028-2029 off normalizing capital expenditures. Our target multiple remains at 3.5x resulting in our unchanged target price of $25.
- **BBD: Q4E unchanged; in line with consensus; PT increased to $287 (from $263).** Our Q4 EBITDA remains unchanged at $652MM, in line with consensus of $656MM. Our 2025E FCF of $795MM remains unchanged, at the high end of guidance of $500-$800MM, given strong orders to date. We adjust our production revenue higher in line with 2025 exit trends offset with a slower ramp in CPO which we see as hindered due to consistently tight used market conditions. We temper our 2026E FCF estimate to $850MM (from $891MM) below consensus of $914MM on continued engine supply chain pressures impacting margins (RBC: 16.9% vs cons. 17.3%), however we expect this to alleviate in the back half of the year. Our valuation multiple moves to 13x (from 12x) on the defense ramp and robust utilization data resulting in our PT of $287. We see runway for Bombardier to compound FCF at greater than a low-teen CAGR well into the 2030s - a compelling investment opportunity for shares trading at a 5% FCF yield.
- **CAE: FQ3E lowered; below consensus; PT increased to $46 (from $40); maintain Sector Perform.** We lower our FQ3E EBITDA estimate to $292MM (from $310MM), below consensus of $300MM to reflect delivery headwinds from commercial OEMs and commentary from airlines on delivery delays. We now model FY26E Civil adj. operating income growth of -3% (cons. -1%) below guidance of flat. Our target multiple moves to 12.5x (from 12x) on solid defence momentum, and we shift our valuation year to FY2028 resulting in our $46 PT.
- **CHR: Q4E unchanged; in line with consensus; PT unchanged at $31; maintain Outperform.** We keep our Q4 EBITDA at $51MM, in line with consensus of $50MM. Our 2026E EBITDA remains at $175MM, in line with consensus of $173MM. Our target multiple remains at 5.5x resulting in our unchanged target price of $31.

RBC Elements™
Driving insights through data

See RBC Elements page at the end of this note.

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 26

- **EIF: Q4E unchanged; in line with consensus; PT increased to $103 (from $94); maintain Outperform.** Our Q4E EBITDA is unchanged into the quarter at $207MM, in line with consensus $207MM. We lower our 2026 Manufacturing EBITDA estimates to reflect the weaker industrial backdrop consistent with recent Canadian PMI readings offset by an increase in Aerospace EBITDA given recent contract wins resulting in our unchanged consolidated EBITDA of $856MM in line with consensus of $856MM. Our blended target multiple moves to 8.4x (from 7.8x) to reflect defence spending tailwinds resulting in our $103 PT.

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										
Air Canada	AC CN	Outperform	Outperform	CAD	5,777	19.45	25.00	25.00	--	29
Bombardier Inc.	BBD/B CN	Outperform	Outperform	CAD	24,552	246.75	287.00	263.00	9	16
CAE Inc.	CAE CN	Sector Perform	Sector Perform	CAD	14,729	45.97	46.00	40.00	15	0
Chorus Aviation Inc.	CHR CN	Outperform	Outperform	CAD	567	21.56	31.00	31.00	--	44
Exchange Income Corporation	EIF CN	Outperform	Outperform	CAD	4,612	88.71	103.00	94.00	10	19

Source: Bloomberg and RBC Capital Markets estimates

Exhibit 1 - Canadian Airlines Heatmap powered by RBC Elements™

Airlines Heat Map

	High/Low	1Q24	2Q24	3Q24	4Q24	Q125	Q225	Q325	Q425
Macro Indicators Y/Y									
CAD GDP*		2.1%	2.5%	2.4%	2.1%	2.2%	(1.8%)	2.6%	0.5%
Household Consumption*		3.2%	1.7%	4.4%	4.9%	0.8%	4.2%	(0.4%)	1.0%
Services Consumption*		5.5%	3.2%	3.6%	3.4%	(0.1%)	5.8%	0.7%	1.0%
Jet Fuel		(17.7%)	7.3%	(23.3%)	(22.7%)	(15.1%)	(18.5%)	(3.7%)	1.7%
Returns Q/Q									
Cdn Airlines & Aerospace Index Return		0.4%	8.5%	8.1%	19.6%	(17.0%)	22.9%	20.4%	7.8%
Leading Indicators (Powered by RBC Elements)									
Fares/Pricing									
RBC Canadian Airfare Index Y/Y		(2.3%)	0.7%	(4.5%)	3.5%	0.3%	(3.3%)	(2.6%)	(3.0%)
Cdn Airfare CPI Y/Y**		(5.7%)	2.2%	(3.9%)	(3.7%)	(7.0%)	(8.4%)	(8.4%)	(5.3%)
US Airfare CPI Y/Y**		(6.6%)	(5.7%)	(0.6%)	5.6%	0.4%	(6.3%)	0.5%	(5.4%)
Travel Indexes									
RBC GOAT Index (Cdn) Y/Y		(5.2%)	(4.9%)	(1.1%)	(1.7%)	(6.8%)	(5.7%)	(1.3%)	3.8%
RBC GOAT Index (US) Y/Y		(5.2%)	(4.6%)	(4.6%)	(4.4%)	(8.1%)	(6.6%)	0.7%	5.4%
Search Interest									
AC Travel Search Interest Y/Y		3.6%	(6.7%)	(3.9%)	(4.4%)	(5.2%)	2.3%	7.0%	2.6%
Cdn Travel Search Interest Y/Y		6.8%	6.5%	4.6%	(0.8%)	(2.8%)	(1.2%)	5.6%	6.2%
Cdn Non-Mainline Search Interest Y/Y		15.7%	40.1%	13.2%	17.0%	4.1%	(2.4%)	1.8%	7.2%
3rd Party Search Interest Y/Y		(1.8%)	(13.0%)	(2.5%)	(2.2%)	(8.9%)	(3.9%)	1.1%	10.1%
Corporate Travel Search Interest Y/Y		14.3%	2.4%	(4.5%)	(31.7%)	5.8%	1.7%	(0.6%)	14.9%
Competition									
% of Cdn Non-Mainline Capacity (ASMs)		17.3%	18.0%	20.1%	16.9%	18.7%	18.0%	20.3%	16.4%
Throughput									
CATSA Passenger Throughput Y/Y		8.2%	3.8%	4.2%	6.2%	2.6%	2.8%	2.5%	1.4%
TSA Passenger Throughput Y/Y		6.8%	6.7%	4.3%	2.6%	0.6%	(0.9%)	0.9%	1.2%

* Indicates Estimates

** Data through November

Source: Company Reports, FactSet, Cirium, RBC Elements, Company Websites, SimilarWeb

Click here to access the individual company pages.

Canadian Airlines & Aerospace Q4/25 preview

In this report, we overview recent share price performance, discuss relevant industry trends/themes, and update our Q4 estimates. Items of focus include:

1. The set-up: share price performance in Q4 and valuation
2. An overview of air traffic trends, pricing, and leading indicators via RBC Elements™
3. Q4 estimates for each company in our coverage

The set-up: Aerospace share price performance during Q4

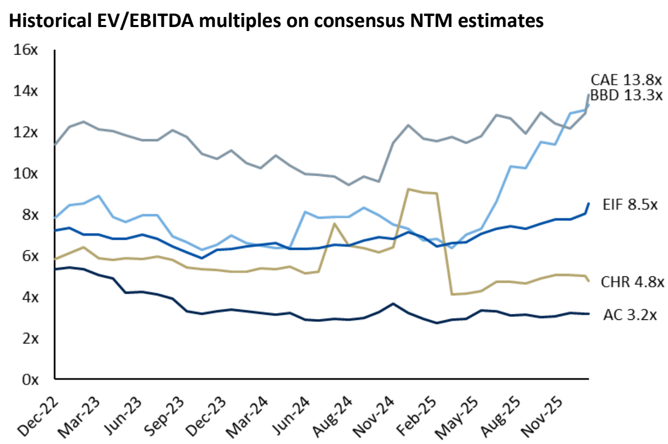
Company	Q4/25 Share Price Performance
BBD	19.7%
EIF	12.9%
AC	9.9%
S&P/TSX	5.6%
CAE	1.3%
CHR	-4.7%

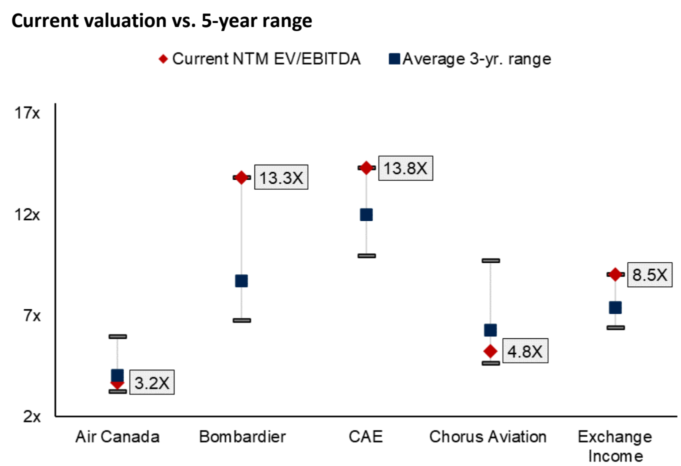
Share prices were mixed in Q4. Bombardier rose +19.7%, supported by strong free cash flow expectations, defense orders, and a favorable product mix. Exchange Income increased +12.9%, benefiting from strong 2026 guidance, new contract wins and continued optimism regarding defense spending tailwinds. Air Canada gained +9.9%, recovering partially despite earlier pressures from labor disruptions and revised guidance. CAE saw smaller gains of +1.3%, underperforming the broader index as macroeconomic challenges continued to weigh on Civil segment expectations for FY26. Meanwhile, Chorus Aviation declined -4.7% after a successful SIB.

Aerospace valuations at highs. Referencing Exhibit 3, the bar chart below shows current valuations (red dot) relative to the 5-year range.

- Bombardier is trading at the high end of its historical average reflecting strong orders, defense spending tailwinds and solid industry demand trends. EIF is also trading above its historical average due to defense spending tailwinds on potential ISR wins and the upside from Canadian North. CAE is also trading at the high end of its historical range, benefitting from solid defense demand trends.
- AC is trading at the low-end of its historical average given higher costs expected to come forward in 2026. CHR is also near the lower end of its range but has since come off lows given a solid focus on shareholder return initiatives and shift to higher-value opportunities in defense, parts and MRO.

Exhibit 3 - Airlines & Aerospace shares mostly trading toward bottom of relative valuation (on consensus estimates)





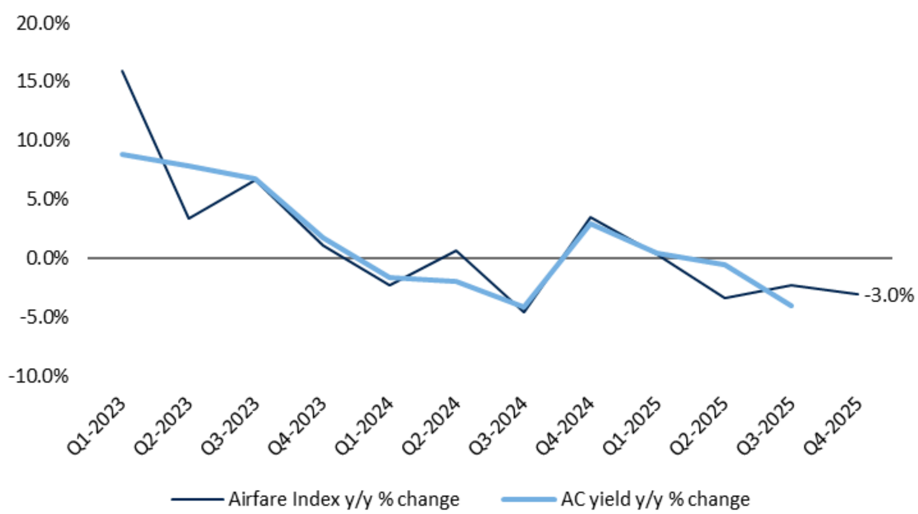
Source: FactSet consensus estimates.

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 quarterly. 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. We expand further on certain Elements indicators summarized in the heatmap.

Airfares coming in weaker. Our RBC Airfare Index was down -3% in Q4 driven by weakness late in the quarter and below consensus forecast for Air Canada's Q4 yield to decline by -1.5% (see Exhibit 4). Moreover, the Canadian Airfare CPI declined -5.3% y/y on average in October and November. We view these weaker yield indicators as below our expectations coming into the quarter and therefore, we lower our yield estimates to -1.9% (from 1.5%) for AC (see Exhibit 9).

Exhibit 4 - RBC Canadian Airfare Index indicates negative yields in Q4

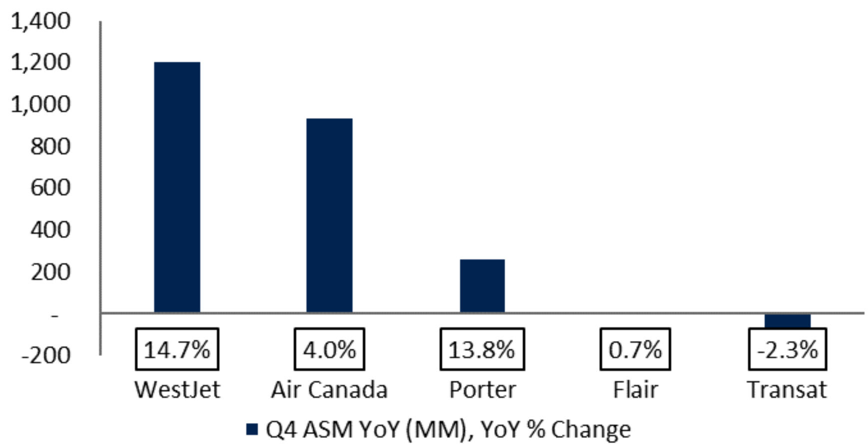


Source: RBC Elements, RBC Capital Markets

Leading indicators for the sector were mixed in Q4. We track travel search interest y/y as measured by website traffic across mainline and non-mainline carriers (note: Q3 and Q4 data have been restated due to a change in the data provider). Overall, Q4 travel search interest remained strong, with Canadian travel search interest rising +6.2% y/y versus +5.6% y/y in Q3. Air Canada search interest increased +2.6% y/y, though decelerated sequentially from +7% in Q3, while non-mainline carriers saw higher growth of +7.2% y/y. Additionally, we reference RBC's proprietary Get Out And Travel (GOAT) Index to gauge broader consumer travel demand. The Canadian GOAT index rose +3.8% y/y in Q4, with the U.S. GOAT index up +5.4% y/y, marking the first positive inflection after two consecutive years of negative trends, a favorable signal for the sector looking ahead. However, we note that CATSA throughput growth decelerated to +1.4% in Q4, with November and December figures remaining flat. This could exert downward pressure on yields, particularly as capacity expands across the market.

Capacity growth higher in Q4. Canadian Available Seat Miles (ASMs) rose 6.2% y/y in Q4 vs 2.5% in Q3. Air Canada's capacity increased 4% y/y in this period, aligning directionally with our expectation of a 3.4% y/y increase (consensus: 3.3%) due to capacity expansion post the FA strike in Q3 (Exhibit 5). WestJet led capacity growth on a percentage basis, rising 14.7% y/y, followed closely by Porter. Non-mainline carriers saw their share of total market capacity decrease to 16%, down 0.5% vs last year, likely led by capacity declines at Transat.

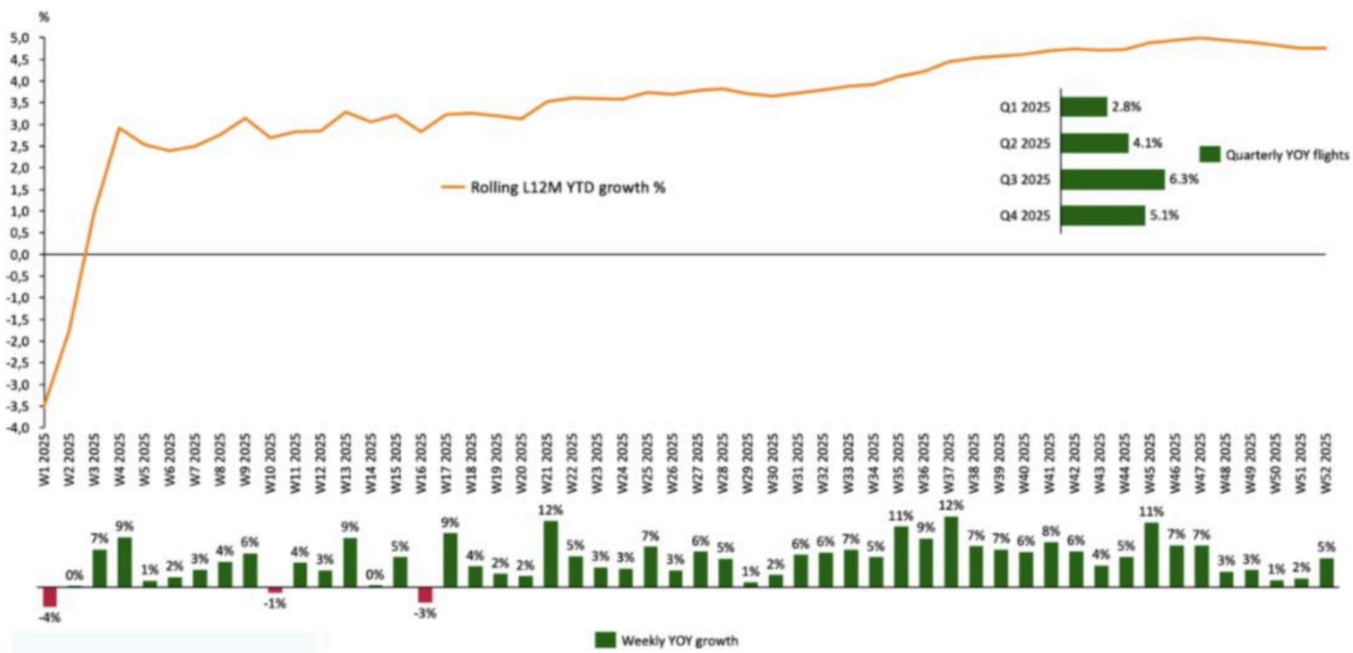
Exhibit 5 - Industry capacity growth up +6.2% y/y in Q4



Source: Cirium, RBC Capital Markets

Bizjet activity up 5% in 2025. According to WingX, YTD Q4 global bizjet activity was up 5.1% vs last year, driven by solid demand in North America. We believe the higher activity reflects a resilient US market driven by robust economic growth, strong equity markets and fractional expansion. As of last quarter, used inventory sits at 7.6%, nearing the peak of 7.5% in Q4/24, but well below the normal range of 11-14%. Taken together, the data points to robust demand trends which we see supporting Bombardier and CAE (with respect to its business aviation pilot training).

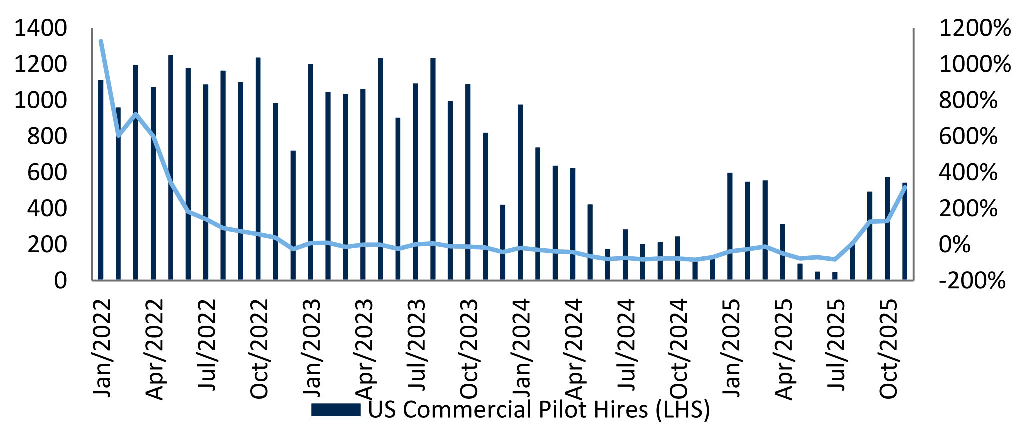
Exhibit 6 - Global bizjet departures continue to climb



Source: WingX

November pilot hiring shows sustained recovery, though late deliveries may weigh. U.S. pilot hiring showed a 5% sequential decline in November but remains up 316% year-over-year, reaching 549 hires— well above the steady-state hiring rate of approximately 300 pilots per month needed to offset retirements (Exhibit 7). While this trend builds on the inflection observed in September, commercial OEMs continue to face delivery headwinds with Airbus' revised delivery schedule and commentary from airlines on further aircraft delays. This increases the risk to CAE's adjusted FY26 Civil adjusted SOI growth guidance of flat and we therefore take down our F2026 estimates (Exhibit 11).

Exhibit 7 - US commercial airline pilot hires



Source: FAPA, RBC Capital Markets

Exhibit 8 - Estimate changes ahead of the quarter

	Q4/25E EBITDA			2025E EBITDA			2026E EBITDA			2027E EBITDA			Target Multiple		Price Target (CAD)			Implied
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	RBC	Old	New	Rating	Return
Air Canada	$754	**$738**	$751	$3,011	**$2,995**	$3,007	Unchg.	**$3,414**	$3,502	Unchg.	**$3,847**	$3,894	Unchg.	**3.5x**	$25	**$25**	O	+29%
Bombardier	Unchg.	**U$652**	U$656	Unchg.	**U$1,553**	U$1,556	U$1,695	**U$1,655**	U$1,685	Unchg.	**U$1,784**	U$1,780	12.0x	**13.0x**	$263	**$287**	O	+16%
CAE[1]	$310	**$292**	$300	$1,212	**$1,191**	$1,206	$1,298	**$1,272**	$1,315	na	**$1,387**	$1,438	12.0x	**12.5x**	$40	**$46**	SP	+0%
Chorus Aviation	Unchg.	**$51**	$50	Unchg.	**$211**	$210	Unchg.	**$175**	$173	Unchg.	**$163**	$168	Unchg.	**5.5x**	$31	**$31**	O	+45%
Exchange Income	Unchg.	**$207**	$207	Unchg.	**$745**	$744	Unchg.	**$856**	$856	Unchg.	**$920**	$932	7.8x	**8.4x**	$94	**$103**	O	+19%

1. CAE estimates are for FQ3/26, F2026, F2027 and F2028 respectively

Source: RBC Capital Markets estimates, FactSet for consensus. Note: Priced as of market close January 9, 2026.

Exhibit 9 - Air Canada estimate revisions detail

	Q4/25E			2025E			2026E			2027E		
(C$MM's)	Old	New	% Δ	Old	Cur	% Δ	Old	Cur	% Δ	Old	Cur	% Δ
Operating Metrics												
Traffic: RPMs (% chg)	3.4%	3.4%	0bp	-0.3%	-0.3%	0bp	6.0%	6.0%	0bp	4.0%	4.0%	0bp
Capacity: ASMs (% chg)	3.4%	3.4%	0bp	0.8%	0.8%	0bp	6.2%	6.2%	0bp	4.0%	4.0%	0bp
Load Factor (%pts)	82.5%	82.5%	0bp	84.1%	84.1%	0bp	83.9%	83.9%	0bp	83.9%	83.9%	0bp
Yield (% chg)	-1.5%	-1.9%	-40bp	-1.4%	-1.5%	-10bp	2.5%	2.6%	10bp	2.0%	2.0%	0bp
RASM (% chg)	-1.1%	-1.5%	-40bp	-2.4%	-2.5%	-10bp	2.5%	2.6%	10bp	2.0%	2.0%	0bp
Adj. CASM ex fuel+other (% chg)	-10.6%	1.0%	1162bp	6.1%	6.1%	-2bp	2.0%	2.1%	2bp	1.1%	1.1%	0bp
Avg Jet Fuel Price: ($C/Ltr)	$0.90	$0.90	0.0%	$0.91	$0.91	0.0%	$0.91	$0.91	0.0%	$0.91	$0.91	0.0%
Revenue	$5,514	$5,494	-0.4%	$22,116	$22,096	-0.1%	$23,874	$23,873	0.0%	$25,214	$25,213	0.0%
Expenses	$4,759	$4,756	-0.1%	$19,104	$19,101	0.0%	$20,460	$20,460	0.0%	$21,366	$21,366	0.0%
EBITDA	**$754**	**$738**	**-2.2%**	**$3,011**	**$2,995**	**-0.5%**	**$3,414**	**$3,414**	**0.0%**	**$3,847**	**$3,847**	**0.0%**
EBITDA Margin	13.7%	13.4%	-25bp	13.6%	13.6%	-6bp	14.3%	14.3%	0bp	15.3%	15.3%	0bp
EPS ex-one time items ($)	$0.33	$0.29	-12.0%	$1.29	$1.25	-3.1%	$2.40	$2.40	-0.1%	$3.43	$3.43	-0.1%
Consensus EBITDA		**751**			**3,007**			**3,502**			**3,894**	

Source: Company reports, RBC Capital Markets estimates

Exhibit 10 - Bombardier estimate revisions detail

	Q4/25E			2025E			2026E			2027E		
($MM's)	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total aircraft deliveries	62	62	0.0%	155	155	0.0%	152	157	3.3%	152	158	3.9%
Total Revenues	$3,558	$3,558	0.0%	$9,415	$9,415	0.0%	$9,956	$9,812	-1.4%	$10,244	$10,302	0.6%
Total EBIT	$472	$472	0.0%	$1,081	$1,081	0.0%	$1,192	$1,152	-3.4%	$1,265	$1,265	0.0%
Margin (%)	13.3%	13.3%	0 bps	11.5%	11.5%	0 bps	12.0%	11.7%	-23 bps	12.4%	12.3%	-6 bps
Free Cash Flow	$1,111	$1,111	0.0%	$795	$795	0.0%	$891	$850	-4.6%	$1,059	$1,058	-0.1%
EBITDA	**$652**	**$652**	**0.0%**	**$1,553**	**$1,553**	**0.0%**	**$1,695**	**$1,655**	**-2.4%**	**$1,784**	**$1,784**	**0.0%**
Margin (%)	18.3%	18.3%	0 bps	16.5%	16.5%	0 bps	17.0%	16.9%	-15 bps	17.4%	17.3%	-9 bps
Consensus EBITDA		**$656**			**$1,556**			**$1,685**			**$1,780**	

Source: Company reports, RBC Capital Markets estimates

Exhibit 11 - CAE estimate revisions detail

ESTIMATE SUMMARY	FQ3/26E			F2026E			F2027E			F2028E
(C$ millions)	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	New
Revenue	1,298	1,224	(5.6%)	4,964	4,876	(1.8%)	5,133	5,028	(2.0%)	5,310
Civil Revenue	791	718	(9.3%)	2,874	2,787	(3.0%)	2,968	2,863	(3.5%)	3,049
Defense & Security Revenue	507	507	0.0%	2,089	2,089	0.0%	2,165	2,165	0.0%	2,261
Adj. EBITDA	**310**	**292**	**(5.8%)**	**1,212**	**1,191**	**(1.8%)**	**1,298**	**1,272**	**(2.0%)**	**1,387**
Civil Adj. EBITDA	241	223	(7.4%)	931	909	(2.3%)	991	965	(2.6%)	1,041
Defence & Security Adj. EBITDA	69	69	0.0%	281	281	0.0%	307	307	0.0%	346
Adjusted Operating Income	196	178	(9.1%)	757	735	(2.9%)	825	799	(3.2%)	895
Adj. Operating Income Margin %	*15.1%*	*14.6%*	*-55bps*	*15.3%*	*15.1%*	*-17bps*	*16.1%*	*15.9%*	*-19bps*	*16.9%*
Civil Adj. EBIT	154	136	(11.6%)	584	562	(3.7%)	631	605	(4.1%)	666
Defence & Security Adj. EBIT	42	42	0.0%	173	173	0.0%	195	195	0.0%	229
Adj. EPS (F.D)	**$0.32**	**$0.28**	**(13.1%)**	**$1.22**	**$1.17**	**(4.1%)**	**$1.40**	**$1.34**	**(4.3%)**	**$1.59**
Consensus EBITDA		300			1,206			1,315		1,438

Source: Company reports, RBC Capital Markets estimates

Exhibit 12 - Chorus Aviation estimate revisions detail

	Q4/25E			2025E			2026E			2027E		
(C$MM's)	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total Revenues	$350	$350	0.0%	$1,346	$1,346	0.0%	$1,318	$1,318	0.0%	$1,302	$1,302	0.0%
Total Expenses	$325	$325	0.0%	$1,243	$1,243	0.0%	$1,240	$1,240	0.0%	$1,225	$1,225	0.0%
Operating Income	$25	$25	0.0%	$103	$103	0.0%	$78	$78	0.0%	$77	$77	0.0%
Depreciation and Amortization	$26	$26	0.0%	$108	$108	0.0%	$97	$97	0.0%	$86	$86	0.0%
Adj. EBITDA	**$51**	**$51**	**0.0%**	**$211**	**$211**	**0.0%**	**$175**	**$175**	**0.0%**	**$163**	**$163**	**0.0%**
Adj. EBITDA Margin	14.6%	14.6%	0.0%	15.7%	15.7%	0.0%	13.3%	13.3%	0.0%	12.5%	12.5%	0.0%
Adj. EPS	$0.68	$0.68	0.0%	$2.49	$2.49	0.0%	$2.18	$2.18	0.0%	$2.28	$2.28	0.0%
Consensus EBITDA		$50			$210			$172			$167	

Source: Company reports, RBC Capital Markets estimates

Exhibit 13 - Exchange Income estimate revisions detail

	Q4/25E			2025E			2026E			2027E	2027E	
(C$MM's)	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total revenue	848	848	0.0%	3,196	3,196	0.0%	3,487	3,501	0.4%	3,662	3,676	0.4%
Total Aviation Revenues	558	558	0.0%	2,076	2,076	0.0%	2,300	2,325	1.1%	2,415	2,441	1.1%
Total Manufacturing Revenues	290	290	0.0%	1,121	1,121	0.0%	1,188	1,177	(0.9%)	1,247	1,235	(0.9%)
Adj. EBITDA	**207**	**207**	**0.0%**	**745**	**745**	**0.0%**	**856**	**856**	**0.0%**	**920**	**920**	**0.0%**
Total Aviation EBITDA	179	179	0.0%	630	630	0.0%	720	728	1.1%	768	776	1.1%
Total Manufacturing EBITDA	44	44	0.0%	173	173	0.0%	195	188	(3.8%)	214	206	(3.7%)
Adj. net income (diluted)	56	56	0.0%	193	193	0.0%	225	226	0.0%	288	288	(0.0%)
Adj. EPS (Diluted)	$1.02	$1.02	0.0%	$3.60	$3.60	0.0%	$4.07	$4.08	0.0%	$5.13	$5.12	(0.0%)
Consensus EBITDA		207			744			856			934	

Source: Company reports, RBC Capital Markets estimates

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.

Capital Markets

Appendix 1 – Airline comparables

	Ticker		Rating[1]	Target Price	Share Price	Mkt Cap ($MM)	EV ($MM)	Yield (%)	EV/EBITDA '25E	EV/EBITDA '26E	EV/EBITDA '27E	P/E '25E	P/E '26E	P/E '27E	FCF yield '25E	FCF yield '26E	FCF yield '27E
Air Canada	**AC-CA**	**C$**	**OP**	**$25.00**	**$19.45**	**$5,777**	**$11,212**	**0.0%**	**3.7x**	**3.3x**	**2.9x**	**15.9x**	**8.1x**	**5.7x**	**-7.0%**	**-4.9%**	**1.6%**
Chorus Aviation	**CHR-CA**	**C$**	**OP**	**$31.00**	**$21.56**	**$568**	**$893**	**1.5%**	**4.2x**	**5.1x**	**5.5x**	**8.7x**	**9.9x**	**9.4x**	**11.3%**	**8.8%**	**9.1%**
Mainline[2]																	
Delta Air Lines	DAL-US	US$			$72.31	$47,216	$66,750	1.0%	7.8x	6.8x	6.2x	12.5x	10.0x	8.8x	7.6%	8.0%	9.8%
United Airlines	UAL-US	US$			$117.32	$37,981	$57,128	0.0%	7.1x	6.2x	5.6x	11.1x	8.9x	7.9x	6.8%	3.9%	7.7%
American Airlines	AAL-US	US$			$15.99	$10,555	$40,383	0.0%	10.8x	7.9x	7.0x	27.9x	8.2x	6.1x	5.3%	5.4%	7.6%
SouthWest	LUV-US	US$			$44.52	$23,024	$22,357	1.6%	10.5x	6.2x	5.4x	46.7x	14.0x	11.2x	-2.2%	1.6%	1.2%
Peer Average								0.7%	9.1x	6.8x	6.1x	24.5x	10.3x	8.5x	4.4%	4.7%	6.6%
Regional & Other[2]																	
SkyWest Inc.	SKYW-US	US$			$100.67	$4,037	$5,996	0.0%	6.1x	5.8x	5.5x	9.9x	9.1x	8.3x	nm	nm	nm
Exchange Income Corp.	EIF-CA	C$			$88.71	$4,943	$7,203	3.1%	9.7x	8.4x	7.7x	25.1x	21.2x	18.1x	4.8%	5.8%	7.0%
Alaska Airlines	ALK-US	US$			$49.98	$5,797	$9,686	0.0%	7.1x	5.0x	4.0x	23.4x	8.9x	5.8x	0.6%	5.9%	5.2%
Peer Average								1.0%	7.6x	6.4x	5.7x	19.4x	13.1x	10.8x	2.7%	5.9%	6.1%

1. Investment ratings: Outperform (OP), Sector Perform (SP), Underperform (U)
2. FactSet consensus estimates

Sources: Company reports, FactSet, and RBC Capital Markets estimates for Air Canada and Chorus Aviation. Priced as of close on January 9, 2026

Appendix 2 – Aerospace comparables

Company Name	Currency	Share Price	Mkt. Cap (MM's)	Net Debt to EBITDA	EV/EBITDA 2025E	EV/EBITDA 2026E	EV/EBITDA 2027E	EBITDA margin 2025E	EBITDA margin 2026E	EBITDA margin 2027E	FCF Yield 2025E	FCF Yield 2026E	FCF Yield 2027E
Bombardier	**C$**	**246.75**	**24,349**	**3.1x**	**14.2x**	**13.3x**	**12.3x**	**16.5%**	**16.9%**	**17.3%**	**4.5%**	**4.8%**	**5.9%**
Bizjet OEMS													
Embraer	US$	71.45	13,103	0.7x	16.1x	13.2x	11.6x	11.4%	12.3%	12.7%	-2.2%	1.2%	3.5%
General Dynamics	US$	353.89	95,593	1.2x	16.4x	15.1x	14.1x	12.1%	12.5%	12.9%	4.0%	4.7%	5.3%
Textron	US$	93.83	16,535	1.5x	10.8x	10.2x	9.5x	12.1%	12.2%	12.6%	5.5%	6.3%	7.4%
Average					**14.4x**	**12.8x**	**11.7x**	**11.9%**	**12.3%**	**12.8%**	**2.4%**	**4.1%**	**5.4%**
Aeropsace and Defense													
Boeing	US$	234.53	183,654	-15.2x	-107.0x	31.9x	20.9x	-2.3%	6.9%	9.4%	-1.6%	1.3%	3.6%
Airbus	EUR	215.10	169,796	0.2x	17.5x	15.1x	13.0x	13.3%	13.7%	14.2%	2.1%	2.8%	3.9%
General Electric	US$	321.59	339,216	0.8x	34.5x	30.4x	27.1x	24.2%	24.5%	25.0%	2.0%	2.2%	2.5%
Honeywell	US$	207.38	131,663	2.5x	15.6x	15.3x	14.2x	25.0%	25.8%	26.4%	4.0%	4.1%	4.7%
RTX	US$	188.50	252,735	2.6x	21.4x	18.5x	17.0x	15.5%	16.8%	17.1%	2.9%	3.3%	3.8%
Lockheed Martin	US$	542.92	125,631	2.0x	15.5x	13.1x	12.7x	12.5%	14.1%	14.0%	5.3%	5.0%	5.3%
Average					**-0.4x**	**20.7x**	**17.5x**	**14.7%**	**17.0%**	**17.7%**	**2.5%**	**3.1%**	**4.0%**

Source: Company reports, FactSet, and RBC Capital Markets estimates for Bombardier. Priced as of market close on January 9, 2026.

Appendix 3 – CAE comparables

	Ticker	Rating[1]	Target Price	Share Price	Mkt Cap ($MM)	EV ($MM)	Yield (%)	EV/EBITDA 'F26E	EV/EBITDA 'F27E	P/E 'F26E	P/E 'F27E	FCF yield 'F26E	FCF yield 'F27E
CAE	**CAE-CA**	**SP**	**$46.00**	**$45.97**	**$14,762**	**$17,998**	**0.0%**	**15.1x**	**14.1x**	**39.3x**	**34.3x**	**2.1%**	**2.2%**

	Ticker	Rating	Target Price	Share Price	Mkt Cap ($MM)	EV ($MM)	Yield (%)	EV/EBITDA '25E	EV/EBITDA '26E	P/E '25E	P/E '26E	FCF yield '25E	FCF yield '26E
Defense[2,3]													
General Dynamics Corporation	GD-US			$353.89	$95,593	$104,572	1.7%	16.7x	15.4x	23.0x	20.6x	4.0%	4.7%
Lockheed Martin Corporation	LMT-US			$542.92	$125,631	$144,566	2.5%	15.6x	13.2x	24.5x	18.4x	5.3%	5.0%
Northrop Grumman Corporation	NOC-US			$618.82	$88,318	$102,361	1.5%	17.3x	15.9x	23.8x	21.4x	3.6%	3.9%
Raytheon Company	RTX-US			$188.50	$252,735	$290,417	1.4%	21.6x	18.7x	30.4x	28.0x	2.9%	3.3%
L3Harris Technologies Inc	LHX-US			$335.77	$62,807	$75,172	1.4%	18.7x	17.3x	31.5x	27.0x	4.2%	4.9%
CACI International Inc Class A	CACI-US			$598.94	$13,224	$16,487	0.0%	17.1x	15.2x	22.6x	21.2x	5.3%	5.8%
Curtiss-Wright Corporation	CW-US			$605.10	$22,313	$23,161	0.2%	30.3x	27.7x	46.1x	41.2x	2.3%	2.6%
Huntington Ingalls Industries, Inc.	HII-US			$386.99	$15,186	$17,814	1.4%	18.2x	16.2x	25.6x	22.1x	3.9%	4.1%
Teledyne Technologies Incorporated	TDY-US			$549.02	$25,777	$27,916	0.0%	18.5x	17.1x	25.5x	23.2x	4.0%	4.5%
Peer Average - Defense							1.1%	19.3x	17.4x	28.1x	24.8x	3.9%	4.3%
Aerospace[2,3]													
Boeing Company	BA-US			$234.53	$183,654	$213,330	0.0%	-106.6x	31.8x	-25.0x	108.9x	-1.6%	1.3%
Honeywell International Inc.	HON-US			$207.38	$131,663	$152,935	2.3%	15.2x	14.9x	20.1x	19.9x	4.0%	4.1%
Embraer S.A.	EMBR3-BR			$95.85	$70,312	$72,790	0.4%	15.9x	13.1x	33.8x	25.0x	-2.2%	1.2%
Hexcel Corporation	HXL-US			$80.75	$6,428	$7,029	0.8%	21.1x	17.3x	46.6x	34.8x	2.9%	3.5%
Spirit AeroSystems Holdings, Inc. Class A	SPR-US			$39.50	$4,642	$8,579	0.0%	nm	9.6x	nm	16.7x	n.a	n.a
Peer Average - Aerospace							0.7%	-13.6x	17.3x	18.9x	41.1x	0.8%	2.5%

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 January 9, 2026.

Appendix 4 – EIF comparables

	Symbol		Price	Mkt Cap ($MM)	EBITDA ($MM) 2025E	2026E	2027E	EBITDA Margin (%) 2025E	2026E	2027E	EV/EBITDA 2025E	2026E	2027E	Net Debt/ EBITDA	Div. Yield
Exchange Income Corp.	**EIF-CA**	**C$**	**$88.71**	**4,612**	**745**	**856**	**920**	**23.3%**	**24.4%**	**25.0%**	**9.2x**	**8.0x**	**7.4x**	**3.4x**	**3.0%**
Aviation															
AerCap Holdings	AER	US$	$144.30	25,479	7,500	6,825	7,011	89.6%	81.6%	84.2%	9.0x	9.9x	9.6x	6.1x	0.7%
Air Lease Corp.	AL	US$	$64.23	7,179	3,030	2,963	3,170	102.0%	94.5%	93.4%	8.9x	9.1x	8.5x	8.2x	1.4%
Bombardier Inc.	BBD.B	C$	$246.75	24,722	2,161	2,340	2,473	16.6%	17.3%	17.7%	14.5x	13.4x	12.7x	3.4x	N/A
CAE Inc.	CAE-TSE	US$	$45.97	5,332	1,358	1,932	2,397	9.5%	12.6%	14.8%	7.0x	4.9x	4.0x	2.9x	N/A
Cargojet Inc.	CJT-TSE	C$	$90.40	1,364	310	318	339	32.4%	32.3%	32.8%	7.5x	7.3x	6.8x	2.9x	1.5%
Chorus Aviation Inc.	CHR-CA	C$	$21.56	505	210	173	168	15.7%	13.5%	13.5%	3.7x	4.5x	4.6x	1.3x	1.3%
SkyWest Inc.	SKYW	US$	$100.67	4,037	983	1,041	1,097	24.4%	24.8%	25.1%	5.9x	5.5x	5.2x	1.9x	N/A
Airlines/Aerospace Average								**50.0%**	**47.7%**	**48.6%**	**9.4x**	**8.9x**	**8.3x**	**4.7x**	**1.2%**
Manufacturing															
JELD-WEN Holding, Inc.	JELD	US$	$2.75	235	115	138	189	3.6%	4.4%	5.9%	18.1x	15.1x	11.0x	6.7x	N/A
Owens Corning	OC	C$	$122.41	10,061	2,273	2,026	2,215	22.4%	20.7%	21.8%	6.8x	7.6x	6.9x	2.0x	2.3%
Russel Metals	RUS-CA	C$	$45.88	2,569	337	394	402	7.2%	7.2%	7.3%	8.4x	7.2x	7.0x	0.8x	3.7%
Secure Energy Services Inc.	SES-CA	C$	$16.84	3,676	500	535	560	33.5%	34.8%	35.0%	9.0x	8.5x	8.1x	1.7x	2.4%
Stella-Jones Inc.	SJ-CA	C$	$88.81	4,864	638	668	691	18.1%	17.7%	17.8%	9.9x	9.5x	9.2x	2.3x	1.4%
Manufacturing Average								**17.0%**	**17.0%**	**17.6%**	**10.4x**	**9.6x**	**8.4x**	**2.7x**	**2.4%**
Financial/Holding Companies															
Alaris Royalty	AD.UT-CA	C$	$21.46	973	194	193	198	102.6%	90.3%	86.4%	5.8x	5.8x	5.7x	0.8x	6.3%
Diversified Royalty Corp.	DIV-CA	C$	$3.90	608	72	79	82	94.4%	94.2%	93.9%	11.9x	11.0x	10.5x	3.8x	7.1%
Financial/Holding Company Average								**98.5%**	**92.3%**	**90.2%**	**8.8x**	**8.4x**	**8.1x**	**2.3x**	**6.7%**

Source: Company reports, FactSet, and RBC Capital Markets estimates for EIF. Priced as of market close on January 9, 2026.

Company Profiles

Air Canada

James McGarragle (Analyst)

Outperform

TSX: AC CN; CAD 19.45

Price Target CAD 25.00

Key Statistics

Shares O/S (MM):	297.0	Market Cap (MM):	5,777
Dividend:	0.00	Yield:	0.0%
Float (MM):	375.3	Avg. Daily Volume:	3,408,149

RBC Estimates

FY Dec	2024A	2025E	2026E	2027E
Revenue	22,255.0	22,096.2	23,873.4	25,212.9
Prev.		22,115.8	23,874.0	25,213.6
EBITDA	3,586.0	2,995.1	3,413.6	3,846.6
Prev.		3,011.5	3,414.1	3,847.1

Revenue	**Q1**	**Q2**	**Q3**	**Q4**
2024	5,226.0A	5,519.0A	6,106.0A	5,404.0A
2025	5,196.0A	5,632.0A	5,774.0A	5,494.2E
Prev.				5,513.8E
2026	5,436.3E	5,905.4E	6,761.5E	5,770.1E
Prev.				5,770.8E
EBITDA				
2024	453.0A	914.0A	1,523.0A	696.0A
2025	387.0A	909.0A	961.0A	738.1E
Prev.				754.5E
2026	450.8E	893.8E	1,309.8E	759.2E
Prev.				759.7E

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 2027 estimates, we derive our price target of $25. Our target multiple is a premium to AC’s historical average multiple. Our base case reflects the following assumptions: (1) AC effectively profitably reallocates capacity from transborder markets; (2) AC executes on its cost management plan and benefits from lower fuel prices; and (3) macro backdrop remains stable. Our price target supports our Outperform rating.

Investment summary

Our positive view on AC shares is driven by three points:

1. **Cost control program mitigates risk.** AC is proactively implementing strategies to manage costs amidst a challenging operating environment. Additionally, the airline is projecting $150MM in savings for 2025, stemming from project deferrals, third-party spend management, and staff productivity initiatives. These savings should help offset unit cost pressures resulting from slower capacity growth. Overall, we believe these measures significantly lower downside risks associated with softer transborder demand, which had been a major factor behind our previously cautious outlook.
2. **Ability to reallocate capacity effectively a key strength.** Heading into Q1/25, the main concern for AC was weakening transborder demand and its ability to effectively reallocate capacity. However, management reported resilient demand, particularly on international long-haul routes, which offset risks in the transborder market, where bookings are expected to decline in the low teens over the next six months. Overall, booking trends remain stable, and AC appears capable of profitably reallocating capacity due to its diversified network.
3. **Out-year FCF inflection is compelling.** We estimate FCF yields of ~30% and ~50% for 2028 and 2029, respectively. While these estimates require significant discounting given the uncertainties over the next 3-4 years, recent results increase our confidence in the management team’s ability to navigate challenges. As a result, we now apply a less steep discount to the out-year FCF projections and see upside potential to Air Canada's valuation multiple based on the latest performance.

Risks to rating and price target

Risks to our price target and rating include:

- Delayed recovery for air travel.
- Collective agreements.
- Regulation risk.
- Supply chain risk.
- Increasing competition.

RBC Capital Markets

AC Model Summary

C$MM	2024	Q1/25	Q2/25	Q3/25	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E	2029E
Traffic / RPM (MMs)	88,643	19,887	22,796	24,459	21,272	88,414	20,632	23,652	27,349	22,070	93,703	21,457	24,598	28,443	22,953	97,451	102,324	105,393
% change	3.3%	-3.1%	1.5%	-2.6%	3.4%	-0.3%	3.7%	3.8%	11.8%	3.7%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	3.0%
Capacity / ASM (MMs)	104,381	24,240	26,860	28,282	25,785	105,167	25,210	27,934	31,697	26,816	111,658	26,218	29,052	32,965	27,889	116,124	121,930	125,588
% change	5.4%	-0.4%	2.5%	-2.1%	3.4%	0.8%	4.0%	4.0%	8.7%	4.0%	6.2%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	3.0%
Load Factor (%)	84.9%	82.0%	84.9%	86.5%	82.5%	84.1%	81.8%	84.7%	86.3%	82.3%	83.9%	81.8%	84.7%	86.3%	82.3%	83.9%	83.9%	83.9%
change (% pts)	-1.7%	-2.3%	-0.8%	-0.4%	0.0%	-0.9%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield ($)	0.223	0.218	0.221	0.214	0.226	0.220	0.221	0.224	0.227	0.229	0.225	0.225	0.228	0.232	0.234	0.230	0.234	0.239
% change	-1.2%	0.5%	-0.5%	-4.0%	-1.9%	-1.5%	1.3%	1.3%	6.3%	1.7%	2.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RASM (Rev per unit of capacity, cents)	18.9	17.9	18.7	18.5	18.6	18.5	18.1	18.9	19.6	18.9	18.9	18.4	19.3	20.0	19.3	19.3	19.7	20.1
CASM (Costs per unit of capacity, cents)	19.6	21.9	19.4	19.4	20.4	20.1	21.9	19.7	18.8	20.7	20.2	21.6	19.7	19.3	20.6	20.3	20.3	20.3
Fuel Cost/ASM (cents)	4.9	4.9	4.3	4.3	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.4	4.3	4.4	4.4
CASM (excl. fuel, ground packages & freighter) (cents	13.8	15.3	14.4	14.0	15.2	14.6	15.9	14.7	14.0	15.4	15.0	15.8	14.8	14.6	15.5	15.1	15.1	15.1
Total Revenues	**22,255**	**5,196**	**5,632**	**5,774**	**5,494**	**22,096**	**5,436**	**5,905**	**6,761**	**5,770**	**23,873**	**5,731**	**6,239**	**7,151**	**6,092**	**25,213**	**26,860**	**28,132**
% change	1.9%	-0.6%	2.0%	-5.4%	1.7%	-0.7%	4.6%	4.9%	17.1%	5.0%	8.0%	5.4%	5.7%	5.8%	5.6%	5.6%	6.5%	4.7%
Wages, salaries and benefits	4880	1139	1247	1364	1152	4902	1281	1348	1301	1245	5175	1281	1402	1533	1295	5511	5733	5964
% Sales	21.9%	21.9%	22.1%	23.6%	21.0%	22.2%	23.6%	22.8%	19.2%	21.6%	21.7%	22.3%	22.5%	21.4%	21.3%	21.9%	21.3%	21.2%
Aircraft Fuel - total	5118	1186	1148	1212	1133	4679	1116	1236	1403	1187	4942	1133	1259	1431	1214	5037	5338	5537
% Sales	23.0%	22.8%	20.4%	21.0%	20.6%	21.2%	20.5%	20.9%	20.7%	20.6%	20.7%	19.8%	20.2%	20.0%	19.9%	20.0%	19.9%	19.7%
Sales and distribution costs	1085	265	275	274	269	1083	276	286	307	279	1148	287	297	319	291	1194	1254	1291
% Sales	4.9%	5.1%	4.9%	4.7%	4.9%	4.9%	5.1%	4.8%	4.5%	4.8%	4.8%	5.0%	4.8%	4.5%	4.8%	4.7%	4.7%	4.6%
Ground package costs	782	373	157	103	215	848	388	163	115	224	890	403	170	120	233	926	972	1001
% Sales	3.5%	7.2%	2.8%	1.8%	3.9%	3.8%	7.1%	2.8%	1.7%	3.9%	3.7%	7.0%	2.7%	1.7%	3.8%	3.7%	3.6%	3.6%
Catering and onboard services	637	137	173	178	159	647	142	180	199	166	687	148	187	207	172	715	751	773
% Sales	2.9%	2.6%	3.1%	3.1%	2.9%	2.9%	2.6%	3.0%	3.0%	2.9%	2.9%	2.6%	3.0%	2.9%	2.8%	2.8%	2.8%	2.7%
Aircraft maintenance	1237	333	341	332	384	1390	346	355	372	400	1473	360	369	387	416	1532	1608	1656
% Sales	5.6%	6.4%	6.1%	5.7%	7.0%	6.3%	6.4%	6.0%	5.5%	6.9%	6.2%	6.3%	5.9%	5.4%	6.8%	6.1%	6.0%	5.9%
Airport and navigation fees	1487	357	407	433	380	1577	371	423	485	395	1675	386	440	505	411	1742	1829	1884
% Sales	6.7%	6.9%	7.2%	7.5%	6.9%	7.1%	6.8%	7.2%	7.2%	6.8%	7.0%	6.7%	7.1%	7.1%	6.7%	6.9%	6.8%	6.7%
Communications and information technology	649	192	151	157	167	667	200	157	176	174	707	208	163	183	181	735	772	795
% Sales	2.9%	3.7%	2.7%	2.7%	3.0%	3.0%	3.7%	2.7%	2.6%	3.0%	3.0%	3.6%	2.6%	2.6%	3.0%	2.9%	2.9%	2.8%
Other	2458	607	605	717	676	2605	635	634	840	710	2820	669	670	888	750	2978	3172	3323
% Sales	11.0%	11.7%	10.7%	12.4%	12.3%	11.8%	11.7%	10.7%	12.4%	12.3%	11.8%	11.7%	10.7%	12.4%	12.3%	11.8%	11.8%	11.8%
Capacity purchase fees	860	220	219	216	220	875	230	230	253	231	943	243	243	267	244	996	1061	1111
% Sales	3.9%	4.2%	3.9%	3.7%	4.0%	4.0%	4.2%	3.9%	3.7%	4.0%	4.0%	4.2%	3.9%	3.7%	4.0%	4.0%	4.0%	4.0%
Total Operating Costs	**19,193**	**4,809**	**4,723**	**4,986**	**4,756**	**19,274**	**4,985**	**5,012**	**5,452**	**5,011**	**20,460**	**5,118**	**5,200**	**5,842**	**5,206**	**21,366**	**22,490**	**23,337**
EBITDA	**3,586**	**387**	**909**	**961**	**738**	**2,995**	**451**	**894**	**1,310**	**759**	**3,414**	**613**	**1,039**	**1,309**	**886**	**3,847**	**4,370**	**4,795**
% of sales	16.1%	7.4%	16.1%	16.6%	13.4%	13.6%	8.3%	15.1%	19.4%	13.2%	14.3%	10.7%	16.7%	18.3%	14.5%	15.3%	16.3%	17.0%
Depreciation, amortization and impairment (Mainline	1,799	495	491	504	512	2,002	526	495	513	531	2,066	548	516	534	551	2,150	2,204	2,159
EBIT (Excluding Special Charges)	1,263	(108)	418	284	226	820	(75)	399	796	228	1,348	65	523	775	335	1,697	2,166	2,637
% of sales	5.7%	-2.1%	7.4%	4.9%	4.1%	3.7%	-1.4%	6.8%	11.8%	4.0%	5.6%	1.1%	8.4%	10.8%	5.5%	6.7%	8.1%	9.4%
Net Income	1,335	(150)	207	223	84	364	(130)	207	477	88	643	(35)	298	458	164	885	1,269	1,680
EPS (F.D) ($) (Exc. Special charges)	$ 3.55	$ (0.46)	$ 0.60	$ 0.75	$ 0.29	$ 1.25	$ (0.46)	$ 0.74	$ 1.74	$ 0.33	$ 2.40	$ (0.13)	$ 1.13	$ 1.76	$ 0.64	$ 3.43	$ 5.12	$ 7.06
Free cash flow (inc. lease repayment)	**$ 768**	**$ 696**	**$ 48**	**$ 76**	**$ (1,215)**	**$ (395)**	**$ 516**	**$ (347)**	**$ 57**	**$ (482)**	**$ (256)**	**$ 660**	**$ (223)**	**$ 23**	**$ (380)**	**$ 80**	**$ 1,411**	**$ 2,224**
Free cash flow / share (inc. lease repayment)	**$ 2.16**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**$ (1.36)**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**$ (0.96)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 0.31**	**$ 5.69**	**$ 9.34**
Net debt	5,688	5,636	5,435	5,372	6,541	6,541	5,991	6,306	6,219	6,673	6,673	5,904	6,018	5,888	6,162	6,162	4,308	1,630
Net debt/LTM EBITDA	1.6x	1.6x	1.5x	1.8x	2.2x	2.2x	2.0x	2.1x	1.8x	2.0x	2.0x	1.7x	1.6x	1.6x	1.6x	1.6x	1.0x	0.3x
ROIC	6%	n.a.	n.a.	n.a.	n.a.	4%	n.a.	n.a.	n.a.	n.a.	8%	n.a.	n.a.	n.a.	n.a.	9%	13%	17%

Source: Company reports, RBC Capital Markets estimates

Bombardier Inc.

James McGarragle (Analyst)

Outperform

TSX: BBD/B CN; CAD 246.75

Price Target CAD 287.00 ↑ 263.00

Key Statistics

Shares O/S (MM):	99.5	Market Cap (MM):	24,552
Dividend:	0.00	Yield:	0.0%
Float (MM):	2,227.5	Avg. Daily Volume:	583,203

Strategic Ownership: Bombardier/Beaudoin families Equity (11%); Voting (52%)

RBC Estimates

FY Dec	2024A	2025E	2026E	2027E
Revenue	8.7	9.4	9.8	10.3
Prev.			10.0	10.2
EBITDA, Adj	1,360.0	1,553.3	1,654.5	1,783.9
Prev.			1,694.6	
EPS, Ops Diluted	5.16	6.09	7.64	9.54
Prev.			8.05	9.55

EPS, Ops Diluted	Q1	Q2	Q3	Q4
2024	0.36A	1.04A	0.74A	3.01A
2025	0.61A	1.11A	1.21A	3.17E
2026	0.91E	1.29E	1.56E	3.88E
Prev.	1.24E	1.32E	1.41E	4.08E

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 13x to our 2027 EBITDA estimate of $1.8B to derive our $287 price target. Our target multiple is in line with peers reflecting solid execution, improving FCF and incremental growth opportunities in the defense market. Our price target supports our Outperform rating.

Investment summary

Our Outperform rating reflects the following key 3 points:

1. **Solid near-term demand backdrop expected in our view to support meaningful inflection in FCF.** We are calling for FCF to inflect meaningfully by 2025E to ~$800MM. We expect higher FCF to be driven by better operating margins, lower interest costs, and decreased working capital investment. Key is that we believe the current business jet demand environment will support production at targeted 2025 levels setting the stage in our view for Bombardier to execute on its near-term strategy and therefore achieve its 2025 targets.
2. **Defense, CPO, and Services set the stage out to 2030.** While we see a near-term inflection in FCF as key to our investment thesis, we also believe the market is not appreciating Defense, CPO, and Services opportunities longer-term. We note that the company has guided to $1B opportunities in both Defense and CPO, which we believe sets the stage for GDP-plus revenue growth out to 2030. We also see further opportunity to grow Services on the back of an increasing fleet size and expanded network. Key is that we estimate each of Defense, CPO, and Services have EBITDA margins of >20% providing a platform for significant operating leverage longer-term.
3. **While Bombardier shares have rerated, we see further upside potential**. The operational improvements and deleveraging efforts since 2021, combined with the upside levers outlined above, has closed the deep discount to peers. That said, we believe the stock has additional runway, supported by strong execution, continued debt reduction, and FCF growth.

Risks to rating and price target

- Execution on operational and financial targets.
- Slowdown in the bizjet market.
- Environmental concerns.
- New aircraft investments.

Capital Markets

RBC

Bombardier Model Summary

Summary Income Statement (in US $MM's)	2024	Q1/25	Q2/25	Q3/25	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	2027E	2028E	2029E	2030E
Aerospace Key Drivers															
Business Jet Deliveries	146	23	36	34	62	155	23	36	35	63	157	158	160	160	160
Delivery Growth	*5.8%*	*15.0%*	*-7.7%*	*13.3%*	*8.8%*	*6.2%*	*0.0%*	*0.0%*	*2.9%*	*1.6%*	*1.3%*	*0.6%*	*1.3%*	*0.0%*	*0.0%*
Revenue															
Manufacturing	6,580	1,022	1,430	1,711	2,971	7,134	1,013	1,519	1,849	2,927	7,309	7,564	7,823	7,869	7,915
Services	2,036	495	590	590	587	2,262	535	637	637	634	2,443	2,638	2,849	3,077	3,323
Total Revenues	**8,665**	**1,522**	**2,028**	**2,307**	**3,558**	**9,415**	**1,563**	**2,171**	**2,502**	**3,576**	**9,812**	**10,302.0**	**10,872**	**11,346**	**11,739**
Revenue Growth	*7.7%*	*18.8%*	*-7.9%*	*11.3%*	*14.5%*	*8.7%*	*2.7%*	*7.0%*	*8.4%*	*0.5%*	*4.2%*	*5.0%*	*5.5%*	*4.4%*	*3.5%*
Total EBITDA	**1,360**	**248**	**297**	**356**	**652**	**1,553**	**284**	**345**	**372**	**653**	**1,655**	**1,783.9**	**1,917**	**2,043**	**2,163**
EBITDA Margin %	*15.7%*	*16.3%*	*14.6%*	*15.4%*	*18.3%*	*16.5%*	*18.2%*	*15.9%*	*14.9%*	*18.3%*	*16.9%*	*17.3%*	*17.6%*	*18.0%*	*18.4%*
Total EBIT	915	177	205	227	472	1,081	186	226	254	485	1,152	1,265	1,378	1,482	1,580
EBIT Margin %	*10.6%*	*11.6%*	*10.1%*	*9.8%*	*13.3%*	*11.5%*	*11.9%*	*10.4%*	*10.1%*	*13.6%*	*11.7%*	*12.3%*	*12.7%*	*13.1%*	*13.5%*
Adj. Net Income (Loss) to Common	516	61	110	121	318	610	92	129	157	389	767	958	1,107	1,246	1,364
Adj. EPS	**$ 5.16**	**$ 0.61**	**$ 1.11**	**$ 1.21**	**$ 3.17**	**$ 6.09**	**$ 0.91**	**$ 1.29**	**$ 1.56**	**$ 3.88**	**$ 7.64**	**$ 9.54**	**$ 11.04**	**$ 12.42**	**$ 13.60**
Free Cash Flow	**$ 232**	**$ (304)**	**$ (164)**	**$ 152**	**$ 1,111**	**$ 795**	**$ 158**	**$ 191**	**$ 198**	**$ 303**	**$ 850**	**$ 1,058**	**$ 1,179**	**$ 1,339**	**$ 1,480**
Net debt	3,892	4,221	4,448	4,321	3,218	3,218	3,069	2,885	2,696	2,400	2,400	1,374	504	(492)	(1,599)
Net debt / LTM EBITDA	2.9x	3.1x	3.3x	3.1x	2.1x	2.1x	1.9x	1.8x	1.6x	1.5x	1.5x	0.8x	0.3x	-0.2x	-0.7x

Source: Company reports, RBC Capital Markets estimates

CAE Inc.

James McGarragle (Analyst)

Sector Perform

TSX: CAE CN; CAD 45.97; NYSE: CAE

Price Target CAD 46.00 ↑ 40.00

Key Statistics

Shares O/S (MM):	320.4	Market Cap (MM):	14,729
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,180,714

RBC Estimates

FY Mar	2024A	2025A	2026E	2027E
Revenue	4,282.8	4,707.9	4,876.4	5,028.2
Prev.			4,963.8	5,132.8
EPS, Adj Diluted	0.87	1.21	1.17	1.34
Prev.			1.22	1.40
P/AEPS	52.8x	38.1x	39.3x	34.3x
EBITDA	918.4	1,146.7	1,190.5	1,272.2
Prev.			1,212.1	1,298.3

Revenue	Q1	Q2	Q3	Q4
2024	1,012.0A	1,050.0A	1,094.5A	1,126.3A
2025	1,072.5A	1,136.6A	1,223.4A	1,275.4A
2026	1,098.6A	1,236.6A	1,224.5E	1,316.7E
Prev.			1,297.6E	1,331.0E
EPS, Adj Diluted				
2024	0.24A	0.26A	0.24A	0.12A
2025	0.21A	0.24A	0.29A	0.47A
2026	0.21A	0.23A	0.28E	0.45E
Prev.			0.32E	0.46E

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 12.5x on our FY28 EBITDA estimate of $1,387MM. Our 13.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 10x is derived using a discount to peers due to lower margins and past operating issues. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals, however see lack of meaningful near term catalysts. Based on relative implied returns to our $46 price target, we rate the shares as Sector Perform.

Investment summary

Our Sector Perform rating on CAE shares is based on the following key points:

- **Shares trade at a premium.** CAE shares appear the most expensive in our coverage group, trading at 30x F26 consensus EPS, above A&D peers at ~26x. For F26, we model FCF/share of $1.01, resulting in a 2.6% FCF yield (4.4% excluding growth capex). While CAE's premium valuation is justified by strong defense demand tailwinds and an expected 8% EPS CAGR (FY25-27), near-term catalysts appear limited in our view especially given a weaker demand environment in Civil.
- **Near term headwinds.** Aircraft OEM supply constraints remain a challenge, impacting airline pilot hiring and associated training activities. Additionally, macroeconomic pressures could hinder growth. That said, we see potential upside to our forecasts if pilot training recovers sooner than anticipated and/or defense margins exceed guidance expectations.
- **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 that 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.

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

RBC Capital Markets

CAE Model Summary

CAE (C$MM unless otherwise indicated)	F2025	FQ1/26	FQ2/26	FQ3/26E	FQ4/26E	F2026E	FQ1/27E	FQ2/27E	FQ3/27E	FQ4/27E	F2027E	FQ1/28E	FQ2/28E	FQ3/28E	FQ4/28E	F2028E
SEGMENTED RESULTS																
CIVIL AVIATION																
Revenue	2,709.3	607.7	670.0	717.6	791.8	2,787.1	698.9	679.7	686.7	798.0	2,863.3	759.8	719.2	733.3	836.7	3,048.9
Adjusted Operating Income	581.5	107.6	108.7	136.3	209.8	562.5	130.7	117.1	137.3	219.4	604.6	147.8	129.3	152.1	236.4	665.6
Adjusted Operating Margin	*21.5%*	*17.7%*	*16.2%*	*19.0%*	*26.5%*	*20.2%*	*18.7%*	*17.2%*	*20.0%*	*27.5%*	*21.1%*	*19.5%*	*18.0%*	*20.8%*	*28.3%*	*21.8%*
DEFENSE & SECURITY																
Revenue	1,998.6	490.9	566.6	506.9	524.9	2,089.3	531.3	538.5	540.1	555.1	2,164.9	558.7	563.5	562.8	575.8	2,260.7
Adjusted Operating Income	150.5	40.2	46.6	42.1	44.1	173.0	42.5	49.7	50.2	52.2	194.6	51.2	58.5	58.8	60.7	229.2
Adjusted Operating Margin	*7.5%*	*8.2%*	*8.2%*	*8.3%*	*8.4%*	*8.3%*	*8.0%*	*9.2%*	*9.3%*	*9.4%*	*9.0%*	*9.2%*	*10.4%*	*10.5%*	*10.6%*	*10.1%*
CONSOLIDATED RESULTS																
Revenue	**4,707.9**	**1,098.6**	**1,236.6**	**1,224.5**	**1,316.7**	**4,876.4**	**1,230.2**	**1,218.2**	**1,226.8**	**1,353.0**	**5,028.2**	**1,318.5**	**1,282.7**	**1,296.0**	**1,412.5**	**5,309.6**
y/y growth (%)	*9.9%*	*2.4%*	*8.8%*	*0.1%*	*3.2%*	*3.6%*	*12.0%*	*-1.5%*	*0.2%*	*2.8%*	*3.1%*	*7.2%*	*5.3%*	*5.6%*	*4.4%*	*5.6%*
Expenses																
COGS	3,407.8	790.3	917.3	851.0	915.1	3,473.7	855.0	846.7	852.6	940.4	3,494.6	916.4	891.4	900.7	981.7	3,690.2
R&D	123.2	36.7	37.0	28.7	22.1	124.5	41.1	36.5	28.8	22.7	129.0	44.0	38.4	30.4	23.7	136.5
SG&A	565.4	159.4	148.3	140.3	169.4	617.4	178.5	146.1	140.6	174.1	639.3	191.3	153.8	148.5	181.7	675.4
Other Gains/Losses	(13.3)	-	(5.4)	(5.4)	(5.4)	(16.2)	(5.4)	(5.4)	(5.4)	(5.4)	(21.6)	(5.4)	(5.4)	(5.4)	(5.4)	(21.6)
After Tax share in profit of equity accounted in	(88.3)	(21.6)	(15.9)	(15.9)	(15.9)	(69.3)	(15.9)	(15.9)	(15.9)	(15.9)	(63.6)	(15.9)	(15.9)	(15.9)	(15.9)	(63.6)
Restructuring Cost/Other	(16.1)	-	-	47.3	(22.5)	24.8	3.6	43.6	38.5	(34.4)	51.3	(10.9)	32.6	26.7	(50.4)	(2.1)
Adj. Operating Income	**732.0**	**147.8**	**155.3**	**178.4**	**253.9**	**735.4**	**173.3**	**166.8**	**187.6**	**271.6**	**799.2**	**199.0**	**187.7**	**211.0**	**297.1**	**894.8**
Adjusted Operating Margin	15.5%	13.5%	12.6%	14.6%	19.3%	15.1%	14.1%	13.7%	15.3%	20.1%	15.9%	15.1%	14.6%	16.3%	21.0%	16.9%
y/y growth (%)	*33.2%*	*10.1%*	*4.2%*	*-6.1%*	*-1.9%*	*0.5%*	*17.2%*	*7.4%*	*5.1%*	*7.0%*	*8.7%*	*14.8%*	*12.6%*	*12.5%*	*9.4%*	*12.0%*
Depreciation & Amortization	414.7	113.7	114.0	113.7	113.7	455.1	118.2	118.2	118.2	118.2	472.9	123.0	123.0	123.0	123.0	491.9
Adj. EBITDA	**1,146.7**	**261.5**	**269.3**	**292.1**	**367.6**	**1,190.5**	**291.5**	**285.0**	**305.8**	**389.8**	**1,272.2**	**322.0**	**310.7**	**333.9**	**420.1**	**1,386.6**
Adjusted EBITDA Margin	*24.4%*	*23.8%*	*21.8%*	*23.9%*	*27.9%*	*24.4%*	*23.7%*	*23.4%*	*24.9%*	*28.8%*	*25.3%*	*24.4%*	*24.2%*	*25.8%*	*29.7%*	*26.1%*
y/y growth (%)	*24.9%*	*12.7%*	*8.1%*	*-1.4%*	*-0.5%*	*3.8%*	*11.5%*	*5.8%*	*4.7%*	*6.1%*	*6.9%*	*10.4%*	*9.0%*	*9.2%*	*7.8%*	*9.0%*
Adj. Operating EPS	**$1.21**	**$0.21**	**$0.23**	**$0.28**	**$0.45**	**$1.17**	**$0.27**	**$0.26**	**$0.31**	**$0.50**	**$1.34**	**$0.34**	**$0.31**	**$0.37**	**$0.57**	**$1.59**
y/y growth (%)	*39.1%*	*-1.0%*	*-3.6%*	*-3.5%*	*-2.9%*	*-2.8%*	*29.9%*	*12.5%*	*10.9%*	*11.0%*	*14.7%*	*24.3%*	*21.4%*	*19.8%*	*13.1%*	*18.5%*
Free Cash Flow (RBC def'n)	**377.0**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**307.5**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**318.8**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**417.6**
Net Debt to EBITDA	**2.8x**	**2.8x**	**2.7x**	**2.5x**	**2.3x**	**2.3x**	**2.2x**	**2.2x**	**2.0x**	**1.9x**	**1.9x**	**1.8x**	**1.7x**	**1.5x**	**1.4x**	**1.4x**

Source: Company reports, RBC Capital Markets estimates

Chorus Aviation Inc.

James McGarragle (Analyst)

Outperform

TSX: CHR CN; CAD 21.56

Price Target CAD 31.00

Key Statistics

Shares O/S (MM):	26.3	Market Cap (MM):	567
Dividend:	0.00	Yield:	0.0%
Float (MM):	180.6	Avg. Daily Volume:	61,759

RBC Estimates

FY Dec	2024A	2025E	2026E	2027E
Revenue	1,405.0	1,346.3	1,317.9	1,302.0
EBITDA	211.6	210.9	174.8	162.9
EPS, Adj Diluted	1.04	2.49	2.18	2.28
P/AEPS	20.7x	8.7x	9.9x	9.5x

Revenue	Q1	Q2	Q3	Q4
2024	358.6A	351.2A	342.0A	353.2A
2025	348.1A	324.6A	323.6A	350.0E
2026	340.3E	320.0E	315.0E	342.6E
EBITDA				
2024	54.0A	51.0A	53.9A	52.7A
2025	56.9A	51.3A	51.6A	51.2E
2026	44.2E	43.2E	42.8E	44.5E

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

Valuation

We value Chorus on our 2027 EBITDA estimate which reflects anticipated deleveraging and continued growth in Voyageur. Our target multiple of 5.5x is in line with airline peers. This results in our price target of $31, and we therefore rate the shares as Outperform.

Investment summary

1. **Regional Aircraft Leasing (RAL) sale to support deleveraging.** With the completed sale of Falko and the company's stable core operations, we see line of sight to lower debt levels, which in our view will increase capital deployment optionality for growth capex, M&A and shareholder returns, all of which we see as important catalysts. We also view the near-term demand backdrop as supportive due to favourable trends in turboprop and regional jet valuation as well as in lease rates. Alongside the company's stable core operations, we see line of sight to lower debt levels, which in our view will increase capital deployment optionality for growth capex, M&A and shareholder returns, all of which we see as important catalysts. We also view the near-term demand backdrop as supportive due to favourable trends in turboprop and regional jet valuation as well as in lease rates.
2. **Growth in regional aircraft services.** Post transaction, Chorus plans to focus on growing regional services in cargo, defense, flight training and parts across its Jazz, Voyageur, and Cygnet lines of business. Key is the sale of Falko greatly simplifies the capital structure thereby increasing flexibility to focus on these familiar growth avenues and shareholder returns, in our view.
3. **We expect shares to re-rate higher.** We believe the market for regional aircraft is on the rebound and lease rates are inflecting, and we therefore expect sentiment in Chorus shares to improve as these factors start to benefit near-term results.

Risks to rating and price target

Slowdown in travel demand. A slowdown in passenger demand for air travel could affect airlines' performance and financial condition, including Air Canada and Chorus' lessees.

Contract risk. Most of Chorus' revenues are derived from the CPA and AC, and loss could negatively impact the company's operations and cash flow.

CHR Model Summary

C$MM	2024	Q1/25	Q2/25	Q3/25	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E
Income Statement																
Revenue	**1,405.0**	**348.1**	**324.6**	**323.6**	**350.0**	**1,346.3**	**340.3**	**320.0**	**315.0**	**342.6**	**1,317.9**	**334.2**	**314.0**	**312.9**	**340.8**	**1,302.0**
% change	**-16.4%**	**-2.9%**	**-7.6%**	**-5.4%**	**-0.9%**	**-4.2%**	**-2.2%**	**-1.4%**	**-2.7%**	**-2.1%**	**-2.1%**	**-1.8%**	**-1.9%**	**-0.7%**	**-0.5%**	**-1.2%**
Total Operating Expenses	1,312	318	301	299	325	1,243	321	302	297	320	1,240	314	296	294	321	1,225
Operating Income	93	30	24	25	25	103	20	18	18	23	78	20	18	19	20	77
Adjusted EBITDA	**211.6**	**56.9**	**51.3**	**51.6**	**51.2**	**210.9**	**44.2**	**43.2**	**42.8**	**44.5**	**174.8**	**40.9**	**40.0**	**40.2**	**41.8**	**162.9**
% of sales	15.1%	16.3%	15.8%	15.9%	14.6%	15.7%	13.0%	13.5%	13.6%	13.0%	13.3%	12.3%	12.8%	12.9%	12.3%	12.5%
Adj. Net Income to Common shareholders	**28**	**15**	**17**	**15**	**16**	**64**	**13**	**12**	**12**	**16**	**52**	**14**	**13**	**13**	**14**	**54**
Adj. EPS (F.D) ($)	**$1.04**	**$0.57**	**$0.66**	**$0.60**	**$0.68**	**$2.49**	**$0.53**	**$0.49**	**$0.49**	**$0.67**	**$2.18**	**$0.58**	**$0.54**	**$0.55**	**$0.61**	**$2.28**
FCF (RBC definition)	118.8	16.9	17.1	16.8	11.7	**62.5**	**11.5**	**11.1**	**11.1**	**11.7**	**45.4**	**9.1**	**8.7**	**9.0**	**10.2**	**47.0**
Net debt	292	341	325	316	310	310	284	229	174	149	149	126	103	80	56	56
Net debt/LTM EBITDA	1.4x	1.6x	1.5x	1.5x	1.5x	1.5x	1.4x	1.2x	1.0x	0.9x	0.9x	0.7x	0.6x	0.5x	0.3x	0.3x

Source: Company reports, RBC Capital Markets estimates

Exchange Income Corporation

James McGarragle (Analyst)

Outperform

TSX: EIF CN; CAD 88.71

Price Target CAD 103.00 ↑ 94.00

Key Statistics

Shares O/S (MM):	52.0	Market Cap (MM):	4,612
Dividend:	2.76	Yield:	3.1%
		Avg. Daily Volume:	191,222

RBC Estimates

FY Dec	2024A	2025E	2026E	2027E
Revenue	2,659.9	3,196.4	3,501.2	3,676.2
Prev.			3,487.5	3,661.8
EBITDA, Adj	628.1	744.9	855.7	919.9
Prev.			855.5	919.7
Free Cash Flow	199.3	237.3	301.3	349.8
Prev.			302.3	350.8
FCF Yield	4.3%	5.1%	6.5%	7.6%

Revenue	Q1	Q2	Q3	Q4
2024	601.8A	660.6A	709.9A	687.7A
2025	668.3A	719.9A	959.7A	848.5E
2026	766.3E	821.4E	1,015.9E	897.6E
Prev.	764.6E	818.6E	1,010.5E	893.8E
EBITDA, Adj				
2024	111.1A	157.0A	192.9A	167.1A
2025	130.1A	177.2A	230.6A	206.9E
2026	159.9E	215.3E	252.8E	227.7E
Prev.	160.6E	215.4E	252.4E	227.2E

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 8.4x EV/EBITDA multiple (9x for Aviation & Aerospace and 6x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our $920MM 2027E EBITDA, reflecting a valuation blend of ~79% Aviation & Aerospace and ~21% Manufacturing. We apply our target multiples to our 2027E EBITDA for each segment, generating our $103 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 lease rates beginning to inflect. 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 solid 3-year EBITDA CAGR. Recent contract wins, including with the Newfoundland and Nunavut governments, as well as the acquisition of Canadian North, set the stage in our view for a double-digit EBITDA CAGR for 2024 to 2027.

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 company's operations and cash flow.
- **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.

EIF Model Summary

(CAD $000's unless otherwise indicated)	2024	Q1/25	Q2/25	Q3/25	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E
Segmented revenues																
Aviation revenues	1,644,277	381,957	454,990	680,477	558,430	2,075,854	465,638	543,199	722,667	593,052	2,324,557	488,920	570,359	758,800	622,705	2,440,784
Manufacturing revenues	1,015,618	286,319	264,938	279,267	290,060	1,120,584	300,635	278,185	293,230	304,563	1,176,614	315,667	292,094	307,892	319,792	1,235,444
Segmented EBITDA																
Aviation EBITDA	524,078	101,847	147,635	201,710	178,697	629,889	128,817	181,689	221,443	195,707	727,656	137,702	193,625	236,309	208,606	776,242
EBITDA Margin	31.9%	26.7%	32.4%	29.6%	32.0%	30.3%	27.7%	33.4%	30.6%	33.0%	31.3%	28.2%	33.9%	31.1%	33.5%	31.8%
Manufacturing EBITDA	152,664	40,560	43,990	44,950	43,509	173,009	44,091	47,580	48,664	47,207	187,543	48,663	52,150	53,406	51,966	206,186
EBITDA Margin	*15.0%*	*14.2%*	*16.6%*	*16.1%*	*15.0%*	*15.4%*	*14.7%*	*17.1%*	*16.6%*	*15.5%*	*15.9%*	*15.4%*	*17.9%*	*17.3%*	*16.3%*	*16.7%*
Revenues, Net	**2,659,895**	**668,276**	**719,928**	**959,744**	**848,490**	**3,196,438**	**766,273**	**821,384**	**1,015,897**	**897,616**	**3,501,170**	**804,587**	**862,453**	**1,066,692**	**942,496**	**3,676,229**
Revenue growth (Y/Y)	6.5%	117.7%	9.0%	35.2%	23.4%	20.2%	14.7%	14.1%	5.9%	5.8%	9.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Aviation expenses	**941,229**	**231,210**	**261,055**	**411,443**	**303,786**	**1,207,494**	**269,457**	**289,208**	**400,979**	**317,876**	**1,277,521**	**280,975**	**301,387**	**417,993**	**331,279**	**1,331,634**
Aviation expenses (% of sales)	35.4%	34.6%	36.3%	42.9%	35.8%	37.8%	35.2%	35.2%	39.5%	35.4%	36.5%	34.9%	34.9%	39.2%	35.1%	36.2%
Manufacturing expenses	**750,511**	**206,990**	**186,788**	**195,938**	**209,569**	**799,285**	**218,062**	**196,014**	**207,882**	**218,753**	**840,710**	**226,953**	**203,952**	**216,313**	**227,652**	**874,870**
Manufacturing expenses (% of sales)	79.7%	89.5%	71.6%	47.6%	69.0%	66.2%	80.9%	67.8%	51.8%	68.8%	65.8%	80.8%	67.7%	51.8%	68.7%	65.7%
Gross profit	**968,155**	**230,076**	**272,085**	**352,363**	**335,136**	**1,189,660**	**278,754**	**336,162**	**407,036**	**360,987**	**1,382,939**	**296,659**	**357,114**	**432,386**	**383,566**	**1,469,725**
Gross margin	36.4%	34.4%	37.8%	36.7%	39.5%	37.2%	36.4%	40.9%	40.1%	40.2%	39.5%	36.9%	41.4%	40.5%	40.7%	40.0%
EBITDA	**616,260**	**127,462**	**174,506**	**228,250**	**206,934**	**737,152**	**159,881**	**215,306**	**252,836**	**227,655**	**855,678**	**172,687**	**231,114**	**271,581**	**244,550**	**919,932**
EBITDA Margin (%)	23.2%	19.1%	24.2%	23.8%	24.4%	23.1%	20.9%	26.2%	24.9%	25.4%	24.4%	21.5%	26.8%	25.5%	25.9%	25.0%
EBITDA growth (Y/Y)	12.3%	16.1%	12.0%	19.3%	29.9%	19.6%	25.4%	23.4%	10.8%	10.0%	16.1%	8.0%	7.3%	7.4%	7.4%	7.5%
Adj. EBITDA	**628,064**	**130,136**	**177,236**	**230,569**	**206,934**	**744,875**	**159,881**	**215,306**	**252,836**	**227,655**	**855,678**	**172,687**	**231,114**	**271,581**	**244,550**	**919,932**
Adj. EBITDA Margin (%)	23.6%	19.5%	24.6%	24.0%	24.4%	23.3%	20.9%	26.2%	24.9%	25.4%	24.4%	21.5%	26.8%	25.5%	25.9%	25.0%
Adj. EBITDA growth (Y/Y)	13.1%	17.2%	12.9%	19.5%	23.9%	18.6%	22.9%	21.5%	9.7%	10.0%	14.9%	8.0%	7.3%	7.4%	7.4%	7.5%
EBIT	**305,845**	**44,142**	**86,780**	**124,817**	**103,501**	**359,240**	**51,230**	**106,655**	**144,185**	**119,004**	**421,073**	**68,781**	**127,208**	**167,675**	**140,644**	**504,309**
Depreciation and Amort.	310,415	83,320	87,726	103,433	103,433	377,912	108,651	108,651	108,651	108,651	434,605	103,906	103,906	103,906	103,906	415,623
Interest Expense	137,861	32,699	32,136	33,745	31,681	130,261	32,962	33,006	33,034	32,344	131,347	32,373	32,416	32,445	31,755	128,989
Taxes	46,749	4,236	14,634	22,335	19,391	60,596	4,932	19,885	30,011	23,398	78,226	9,830	25,594	36,512	29,400	101,336
Adj. net income	**147,348**	**14,295**	**47,156**	**75,674**	**55,929**	**193,054**	**16,835**	**57,264**	**84,640**	**66,761**	**225,501**	**30,078**	**72,698**	**102,218**	**82,989**	**287,983**
Weighted average shares outstanding (diluted)	52,839	51,623	57,079	57,237	57,337	55,819	57,437	57,537	57,637	57,737	57,587	57,837	57,937	58,037	58,137	57,987
Adj. EPS (FD)	**2.99**	**0.28**	**0.88**	**1.36**	**1.02**	**3.60**	**0.33**	**1.04**	**1.51**	**1.20**	**4.08**	**0.56**	**1.29**	**1.80**	**1.47**	**5.12**
Cash flow from operations (CFO)	**357,008**	**89,383**	**92,747**	**185,418**	**157,862**	**525,410**	**123,987**	**165,415**	**191,791**	**173,913**	**655,106**	**132,484**	**176,104**	**204,624**	**185,395**	**698,607**
Changes in working capital	-81,787	115	-39,688	2,538	0	-37,035	0	0	0	0	0	0	0	0	0	0
FCF from operations (company definition)	**409,155**	**81,484**	**123,424**	**171,441**	**144,194**	**520,543**	**110,319**	**151,747**	**178,123**	**160,245**	**600,434**	**118,816**	**162,436**	**190,956**	**171,727**	**643,935**
Maintenance capital expenditures	209,889	55,984	65,937	83,278	78,061	283,260	70,497	75,567	81,272	71,809	299,145	64,367	68,996	85,335	75,400	294,098
Growth capital expenditures	220,301	56,118	4,543	127,752	50,000	238,413	10,000	10,000	10,000	10,000	40,000	10,000	0	0	0	10,000
FCF from operations less maintenance capex (company definit	**199,266**	**25,500**	**57,487**	**88,163**	**66,133**	**237,283**	**39,821**	**76,180**	**96,851**	**88,435**	**301,288**	**54,449**	**93,440**	**105,621**	**96,327**	**349,836**
FCF growth (Y/Y)	-1.3%	12.9%	9.9%	8.6%	53.3%	19.1%	56.2%	32.5%	9.9%	33.7%	27.0%	36.7%	22.7%	9.1%	8.9%	16.1%
FCF / share	4.19	0.50	1.12	1.70	1.27	4.60	0.76	1.45	1.83	1.67	5.72	1.02	1.75	1.97	1.79	6.54
Adj.EBITDA conversion	31.7%	19.6%	32.4%	38.2%	32.0%	31.9%	24.9%	35.4%	38.3%	38.8%	35.2%	31.5%	40.4%	38.9%	39.4%	38.0%
Dividend payout ratio (FCF less maintenance capex)	63.2%	131.6%	59.0%	39.4%	54.5%	58.2%	90.9%	47.7%	37.7%	41.4%	48.3%	70.9%	41.5%	36.8%	40.5%	44.4%
Dividend payout ratio (FCF less total capex)	-172.0%	-147.7%	152.4%	-135.5%	120.8%	3698.3%	83.2%	45.5%	36.3%	39.8%	46.1%	66.4%	36.2%	32.6%	35.5%	39.3%
Net debt	2,260,612	2,228,817	2,233,501	2,423,848	2,432,058	2,432,058	2,426,771	2,386,262	2,324,221	2,270,733	2,270,733	2,253,208	2,187,838	2,109,431	2,040,464	2,040,464
Net debt/LTM EBITDA	**3.6x**	**3.4x**	**3.3x**	**3.4x**	**3.3x**	**3.3x**	**3.1x**	**2.9x**	**2.8x**	**2.7x**	**2.7x**	**2.6x**	**2.5x**	**2.3x**	**2.2x**	**2.2x**
Net debt/LTM EBITDA (covenant metric, excl. converts)	**2.8x**	**2.8x**	**2.7x**	**2.9x**	**2.8x**	**2.8x**	**2.7x**	**2.5x**	**2.4x**	**2.3x**	**2.3x**	**2.3x**	**2.2x**	**2.0x**	**1.9x**	**1.9x**

Source: Company reports, RBC Capital Markets estimates

Required disclosures

Non-U.S. analyst disclosure

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As of 31-Dec-2025

			Investment Banking Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [Outperform]	884	58.31	282	31.90
HOLD [Sector Perform]	586	38.65	160	27.30
SELL [Underperform]	46	3.03	3	6.52

Rating and price target history for: Air Canada, AC CN as of 09-Jan-2026 (in CAD)

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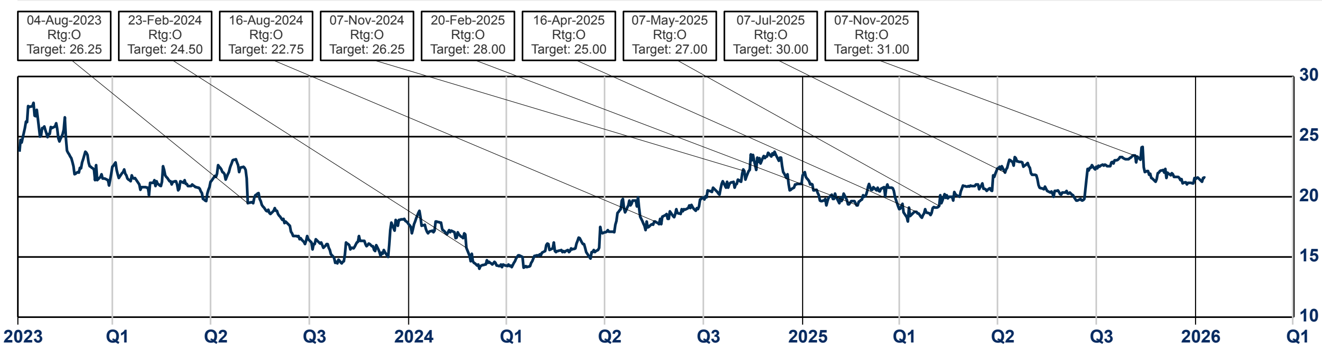
Rating and price target history for: Chorus Aviation Inc., CHR CN as of 09-Jan-2026 (in CAD)



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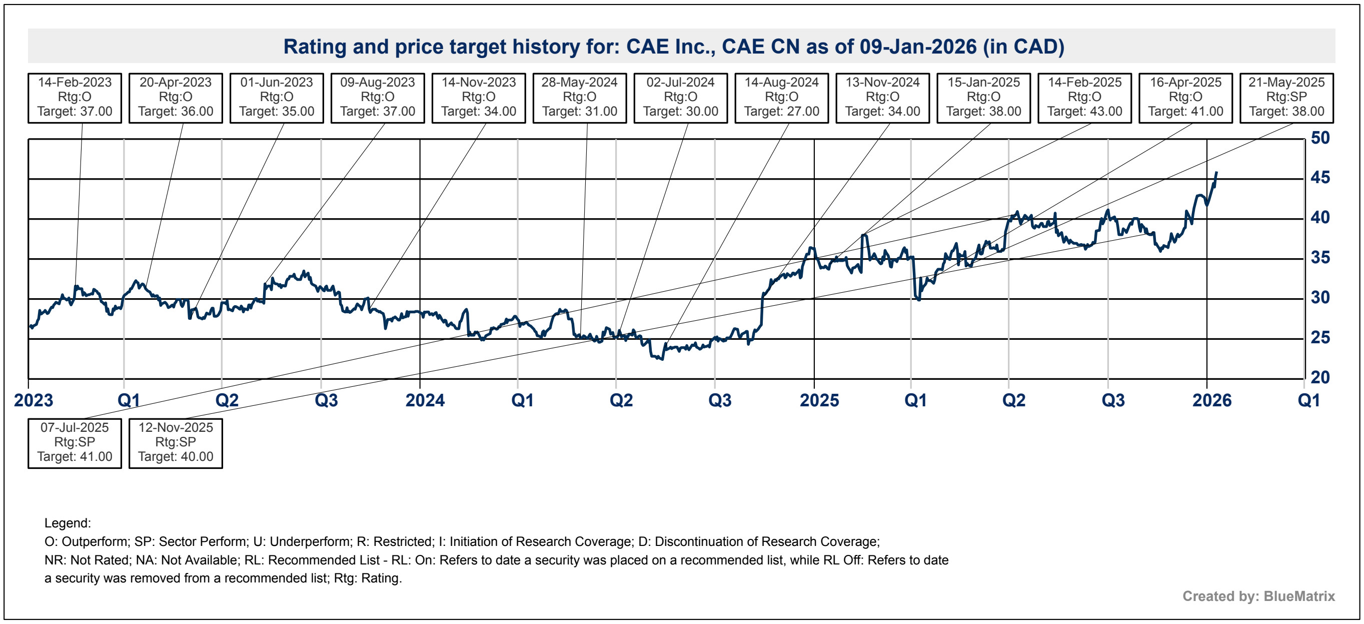

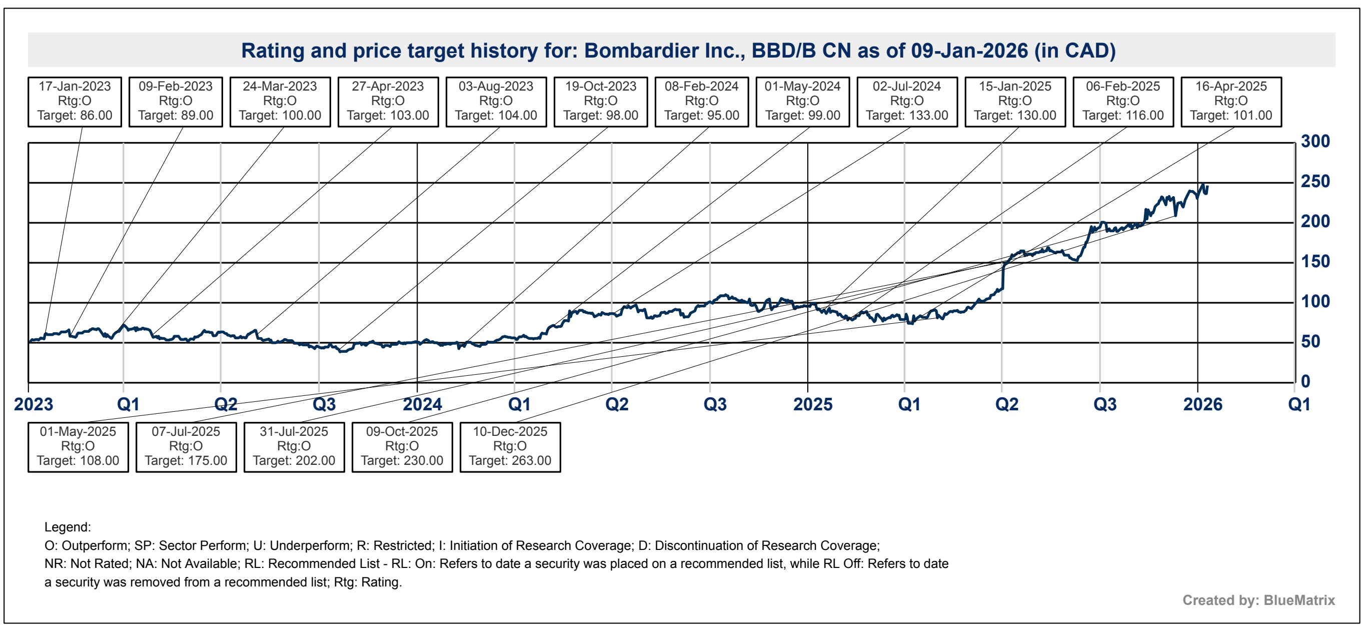

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Air Canada

Valuation

Applying a 3.5x EV/EBITDA multiple to our 2027 estimates, we derive our price target of $25. Our target multiple is a premium to AC's historical average multiple. Our base case reflects the following assumptions: (1) AC effectively profitably reallocates capacity from transborder markets; (2) AC executes on its cost management plan and benefits from lower fuel prices; and (3) macro backdrop remains stable. Our price target supports our Outperform rating.

Risks to rating and price target

Risks to our price target and rating include:

- Delayed recovery for air travel.
- Collective agreements.
- Regulation risk.
- Supply chain risk.
- Increasing competition.

Bombardier Inc.

Valuation

We apply a target multiple of 13x to our 2027 EBITDA estimate of $1.8B to derive our $287 price target. Our target multiple is in line with peers reflecting solid execution, improving FCF and incremental growth opportunities in the defense market. Our price target supports our Outperform rating.

Risks to rating and price target

- Execution on operational and financial targets.
- Slowdown in the bizjet market.
- Environmental concerns.
- New aircraft investments.

CAE Inc.

Valuation

We value CAE shares on a sum-of-the-parts basis using a blended EV/EBITDA multiple of 12.5x on our FY28 EBITDA estimate of $1,387MM. Our 13.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 10x is derived using a discount to peers due to lower margins and past operating issues. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals, however see lack of meaningful near term catalysts. Based on relative implied returns to our $46 price target, we rate the shares as Sector Perform.

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 on our 2027 EBITDA estimate which reflects anticipated deleveraging and continued growth in Voyageur. Our target multiple of 5.5x is in line with airline peers. This results in our price target of $31, and we therefore rate the shares as Outperform.

Risks to rating and price target

Slowdown in travel demand. A slowdown in passenger demand for air travel could affect airlines' performance and financial condition, including Air Canada and Chorus' lessees.

Contract risk. Most of Chorus' revenues are derived from the CPA and AC, and loss could negatively impact the company's operations and cash flow.

Exchange Income Corporation

Valuation

In valuing EIF, we apply a blended 8.4x EV/EBITDA multiple (9x for Aviation & Aerospace and 6x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our $920MM 2027E EBITDA, reflecting a valuation blend of ~79% Aviation & Aerospace and ~21% Manufacturing. We apply our target multiples to our 2027E EBITDA for each segment, generating our $103 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 company's operations and cash flow.
- **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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