



July 7, 2025

## RBC Elements™: Q2/25 Flight Deck

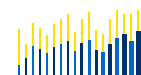
### Q2 Airlines & Aerospace Preview

**Our view:** In this report, we update our estimates for CAE, as well as bring up our valuation multiples and target prices across the group reflecting lower tariff-related risks, defense spending tailwinds and company-specific wins (BBD's 50 jet order and EIF's closing of Canadian North). Our Canadian Airlines Heatmap powered by RBC Elements™ points to sequential improvement in leading indicators off a weak Q1, including web traffic and capacity growth, indicating travel demand is improving. That said, airfares across sources are coming in weaker, our RBC Airfare Index is down 3.1% in Q2 (versus a consensus forecast for AC's Q2 yield to decline by 0.5%). We therefore lower our yield expectations, however we increase our load factor assumptions as we believe AC has greater resilience in international markets. Further, we take down our FQ1 and 2026 estimates for CAE given weaker hiring numbers out of the US. Furthermore, our Business Jet Heatmap indicates a supportive demand backdrop with elevated activity levels and low used inventories which bodes well for BBD and CAE's bizjet training business.

#### Q2 estimate revisions

- **AC: Q2E unchanged; in line with consensus; PT lowered increased to \$27 (from \$25); maintain Outperform.** Our Q2/25E EBITDA remains unchanged at \$928MM and our 2025E at \$3.3B, at the low end of guidance of \$3.2B - \$3.6B and consensus of \$3.4B, however we see strengthening in the Canadian dollar, inflection in travel spending (+4.7% in May) and consistently lower fuel costs creating upside to our FY estimates. Our target multiple moves to 4.25x (from 4x) on AC's ability to reallocate capacity to higher demand domestic and international markets resulting in our \$27 PT.
- **BBD: Q2E unchanged; below consensus; PT increased to \$175 (from \$108); BBD is our top idea.** Our Q2/25E EBITDA remains unchanged at \$336MM, below consensus of \$346MM on lower margins due to more manufacturing vs services mix. Our 2025E EBITDA remains unchanged at \$1,579MM (above cons. \$1,551MM) and FCF at \$795MM, at the high end of guidance of \$500-\$800MM, which we now see upside to given the recent [order announcement](#). Our target multiple moves to 9.5x (from 6.5x) resulting in our \$175 PT. We continue to flag Bombardier as our top idea reflecting a HSD FCF yield on our 2025 estimate and the opportunity to compound that FCF at a DD CAGR out to 2030E, which we see as underappreciated at current levels (despite the recent uptick in the shares).
- **CAE: FQ1E lowered; in line with consensus; PT increased to \$41 (from \$38); maintain Sector Perform.** Our FQ1E EBITDA moves lower to \$255MM, in line with consensus \$255MM, given weaker pilot hiring out of the US during the quarter (Exhibit 7). Our F25E EBITDA moves to \$1,245MM, a touch above consensus \$1,238MM. Our F26E Civil adj. operating income growth of +8% (cons. +8%) remains in line with guidance of mid to HSD. Our target multiple moves to 11.9x (from 11.4x) resulting in our \$41 PT. Key focus into the quarter will be on margins in the Defense segment, the impact of commercial aero supply chains and US airline hiring trends.
- **CHR: Q2E unchanged; in line with consensus; PT increased to \$30 (from \$27); maintain Outperform.** We keep our Q2/25E EBITDA at \$51MM, in line with consensus of \$51MM. Our 2025E EBITDA remains at \$209MM, in line with consensus of \$210MM. Key focus for the call will be on new growth initiatives in Voyageur, impact from higher defense spending as well as shareholder return initiatives given the reinstating of the dividend. Our target multiple moves to 6x (from 5.5x) resulting in our \$30 PT.
- **EIF: Q2E unchanged; a touch above consensus; PT increased to \$74 (from \$66); maintain Outperform.** Our Q2E EBITDA is unchanged into the quarter at \$179MM, a touch above consensus \$177MM. Our 2025E EBITDA remains at \$710MM, in line with consensus of \$710MM and within guidance of \$690MM - \$730MM. Key into the quarter will be colour on the impacts from the successful [acquisition of Canadian North](#), updates on potential ISR contracts and trends in the manufacturing segment. Our blended target multiple moves to 7.7x (from 7.2x) resulting in our \$74 PT.

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## Summary of ratings and price targets

Company	Ticker	New Rating	Previous Rating	Curr. Market Cap(MM)	Price	New Price Target	Previous Price Target	% Change	Implied All-in Return %
<b>James McGarragle</b>									
Air Canada	AC CN	Outperform	Outperform	CAD 7,676	21.75	27.00	25.00	8	24
Bombardier Inc.	BBD/B CN	Outperform	Outperform	CAD 15,020	149.75	175.00	108.00	62	17
CAE Inc.	CAE CN	Sector Perform	Sector Perform	CAD 12,862	40.23	41.00	38.00	8	2
Chorus Aviation Inc.	CHR CN	Outperform	Outperform	CAD 597	22.51	30.00	27.00	11	33
Exchange Income Corporation	EIF CN	Outperform	Outperform	CAD 3,365	65.22	74.00	66.00	12	18

Source: Bloomberg and RBC Capital Markets estimates

### Exhibit 1 - Canadian Airlines Heatmap powered by RBC Elements™

Airlines Heat Map	High/Low	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Q125	Q225
<b>Macro Indicators Y/Y</b>											
CAD GDP*		3.9%	0.8%	(0.6%)	0.7%	2.1%	2.5%	2.4%	2.1%	2.2%	0.5%
Household Consumption*		3.8%	0.8%	0.9%	1.3%	3.2%	1.7%	4.4%	4.9%	1.2%	2.0%
Services Consumption*		2.8%	0.6%	2.7%	(0.1%)	5.5%	3.2%	3.6%	3.4%	0.4%	2.3%
Jet Fuel		13.4%	(46.9%)	(15.6%)	0.0%	(17.7%)	7.3%	(23.3%)	(22.7%)	(15.1%)	(19.4%)
<b>Returns Q/Q</b>											
Cdn Airlines & Aerospace Index Return		11.5%	1.7%	(16.0%)	1.7%	0.4%	8.5%	8.1%	19.6%	(17.0%)	22.9%
<b>Leading Indicators (Powered by RBC Elements)</b>											
<b>Fares/Pricing</b>											
RBC Canadian Airfare Index Y/Y		15.9%	3.4%	6.7%	1.1%	(2.3%)	0.7%	(4.5%)	3.5%	0.3%	(3.1%)
RBC Vacation Price Index Y/Y***		7.9%	(3.8%)	(3.0%)	(3.8%)	(2.5%)	(1.6%)	(0.6%)	1.5%	0.2%	(2.8%)
Cdn Airfare CPI Y/Y**		9.0%	(4.2%)	(17.8%)	(15.2%)	(5.7%)	2.2%	(3.9%)	(3.7%)	(7.0%)	(8.0%)
US Airfare CPI Y/Y***		23.0%	(11.5%)	(15.0%)	(11.6%)	(6.6%)	(5.7%)	(0.6%)	5.6%	0.4%	(7.6%)
<b>Travel Indexes</b>											
RBC GOAT Index (Cdn) Y/Y		28.6%	(1.7%)	(2.3%)	(1.8%)	(5.2%)	(4.9%)	(1.1%)	(1.7%)	(6.8%)	(5.2%)
RBC GOAT Index (US) Y/Y		4.8%	(1.5%)	(0.2%)	(0.9%)	(4.6%)	(4.9%)	(3.8%)	(4.5%)	(8.2%)	(6.3%)
<b>Search Interest</b>											
AC Travel Search Interest Y/Y		69.4%	16.2%	20.4%	15.3%	3.6%	(6.7%)	(3.9%)	(4.4%)	(5.2%)	4.2%
Cdn Travel Search Interest Y/Y		68.1%	15.6%	20.9%	11.1%	6.8%	6.5%	4.6%	(0.8%)	(2.8%)	2.8%
Cdn Non-Mainline Search Interest Y/Y		130.0%	24.6%	33.6%	10.3%	15.7%	40.1%	13.2%	17.0%	4.1%	1.9%
3rd Party Search Interest Y/Y		59.2%	36.9%	34.3%	12.8%	(1.8%)	(13.0%)	(2.5%)	(2.2%)	(8.9%)	1.5%
US Travel Search Interest Y/Y		20.3%	9.9%	3.6%	(3.5%)	(2.4%)	(1.1%)	(0.3%)	(2.0%)	(9.1%)	0.2%
Corporate Travel Search Interest Y/Y		29.8%	(5.0%)	(9.5%)	59.1%	14.3%	2.4%	(4.5%)	(31.7%)	5.8%	20.8%
<b>Competition</b>											
% of Cdn Non-Mainline Capacity (ASMs)		15.9%	16.7%	19.2%	15.6%	17.3%	18.0%	20.1%	16.9%	18.7%	17.6%
<b>Coincident Indicators</b>											
NAV Canada Movements Y/Y**		21.5%	7.5%	1.7%	3.1%	3.2%	3.2%	3.4%	0.8%	2.2%	1.2%
Cdn RPKs Y/Y**		108.0%	31.5%	16.3%	11.9%	15.5%	11.2%	7.0%	8.3%	(0.7%)	
Cdn ASKs Y/Y**		62.1%	23.0%	12.0%	10.7%	16.3%	12.9%	9.7%	8.6%	1.4%	
Cdn Load Factors**		85.2%	86.3%	88.9%	83.0%	84.6%	85.0%	86.6%	82.9%	82.9%	
North American RPKs Y/Y**		28.1%	13.6%	11.8%	10.4%	7.1%	5.4%	3.6%	1.9%	(0.3%)	1.6%
North American ASKs Y/Y**		18.2%	13.7%	12.5%	12.3%	6.8%	7.1%	5.1%	1.6%	1.2%	3.2%
North American Load Factors**		79.7%	86.9%	86.2%	83.1%	81.0%	85.5%	86.1%	83.1%	80.3%	81.9%
CATSA Passenger Throughput Y/Y		85.0%	25.2%	23.4%	13.8%	8.2%	3.8%	4.2%	6.2%	2.6%	0.8%
TSA Passenger Throughput Y/Y		20.4%	10.9%	11.3%	10.7%	6.8%	6.7%	4.3%	2.6%	0.6%	(1.5%)

\* Indicates Estimates

\*\* Data through April

\*\*\* Data through May

Source: Company Reports, FactSet, Cirium, RBC Elements, Company Websites, SEMRush, Google Trends

### Exhibit 2 - Canadian Aerospace Heatmap

BizJet Indicators (Y/Y)	High/Low	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Q125	Q225
Total FAA Traffic***		(4.5%)	(6.6%)	(4.6%)	(1.4%)	(1.4%)	(1.0%)	(0.6%)	2.5%	2.9%	1.6%
Domestic FAA Traffic***		(5.5%)	(7.0%)	(4.9%)	(1.4%)	(1.9%)	0.3%	1.7%	3.2%	3.3%	1.3%
International FAA Traffic***		1.4%	(4.7%)	(3.0%)	(1.1%)	1.5%	(7.6%)	(14.0%)	(2.0%)	0.8%	2.6%
Used Inventory (% of Total)		5.0%	5.7%	6.3%	6.5%	6.8%	7.3%	7.2%	7.5%	7.0%	

\*\*\* Data through May

Source: Company Reports, FAA

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



## Canadian Airlines & Aerospace Q2/25 preview

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

1. The set-up: share price performance in Q2 and valuation
2. An overview of air traffic trends, pricing, and leading indicators via RBC Elements
3. Q2 estimates for each company in our coverage

### The set-up: Aerospace share price performance during Q1

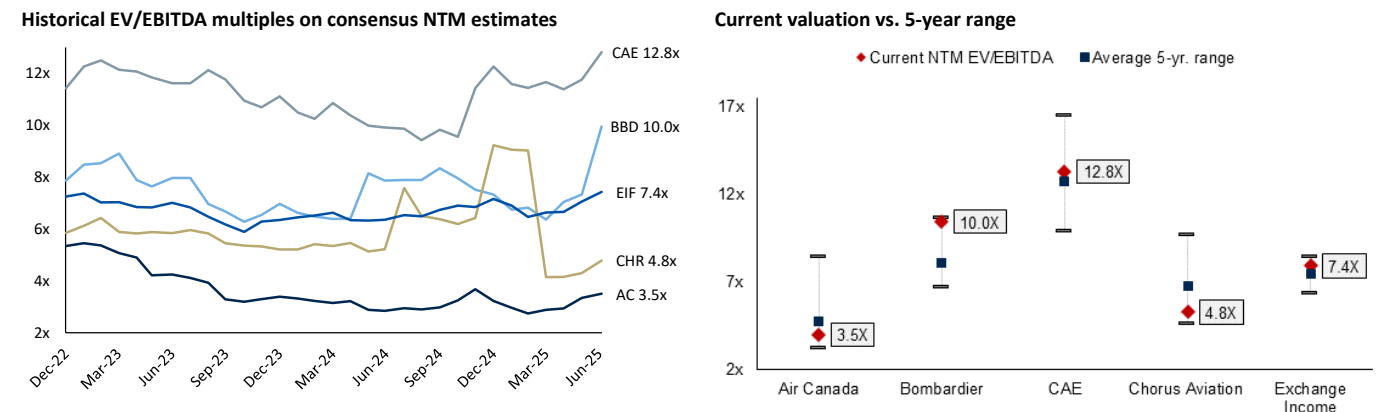
Company	Q2/25 Share Price Performance
AC	48.7%
BBD	46.5%
EIF	26.2%
CHR	18.0%
CAE	12.8%
S&P/TSX	7.8%

Source: FactSet

**Share prices outperformed in Q2.** Canadian Airlines & Aerospace share prices outperformed the index during the quarter as tariff uncertainty eased with respect to CUSMA-compliant trade. AC was up +48.7% as the company demonstrated solid cost controls in Q1 and the ability to weather transborder weakness by reallocating capacity along with a successful \$500MM SIB. Bombardier hit new highs, up +46.5%, followed by EIF up +26.2%, as tariff risks subsided, and increased defense spending acted as positive tailwinds to sentiment. CHR was up +18% as the company reinstated its dividend signaling management's confidence in sustainable cash flow generation. Finally, CAE was up +12.8% driven by expectations for higher defense spending.

**Valuations trending higher.** Referencing Exhibit 3, the bar chart below shows current valuations (red dot) relative to the 5-year range. AC and CHR are trading at the low end of their historical averages but have come off lows as demonstrated by solid cost controls and focus on shareholder return initiatives. Bombardier is trading at the high historical average after lowered tariff risk and a significant order announcement. CAE is trading just above the midpoint of its historical range, which we see as fully valued given pilot hiring pressures in Civil. Finally, EIF is trading above its historical average as higher defense spending tailwinds and the closing of Canadian North continue to act as positive catalysts.

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



Note: Excludes pandemic impact from Jan. 2021 to 2021 for AC and BBD.  
Source: FactSet consensus estimates

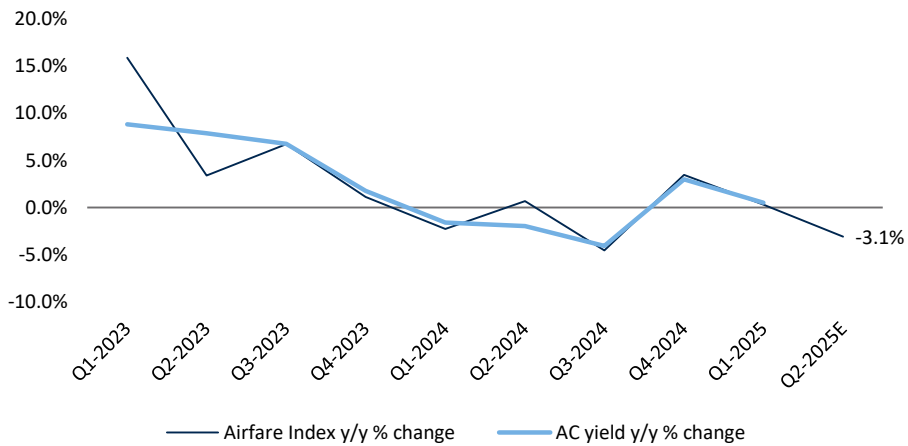


## Canadian Airlines & Aerospace Heatmap powered by RBC Elements™

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 sector 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 is down -3.1% in Q2 (versus a consensus forecast for Air Canada’s Q2 yield to decline by -0.5%), which runs contrary to management’s commentary suggesting no negative yields for the quarter. Moreover, the Canadian Airfare CPI declined -8% y/y on average in April and May and the RBC Vacation Price Index fell -2.8% y/y during the same period. We view these weaker yield indicators as a negative and lower our yield expectations, however we increase our load factor assumptions as we believe AC has greater resilience in international and diversified revenue streams, including premium and loyalty.

Exhibit 4 - RBC Canadian Airfare Index indicates negative yields in Q2



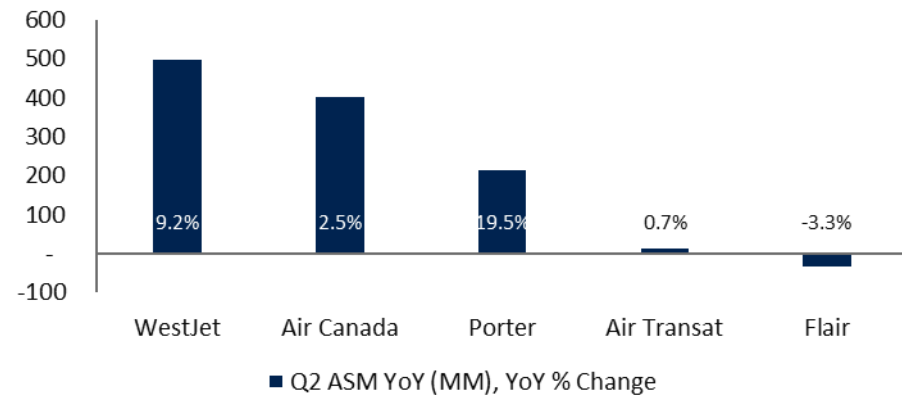
Source: RBC Elements, RBC Capital Markets estimates

**Leading indicators improve off a weak Q1.** We track travel search interest changes y/y as measured by website traffic across, mainline and non-mainline carriers. We flag that overall search interest improved off strong declines in Q1. Canadian travel search interest increased +2.8% in Q2 vs -2.8% in Q1. AC search interest was up +4.2% y/y vs non-mainline search interest which was up +1.9% y/y, which may indicate less consumer appetite to US destinations of smaller carriers. Additionally, we look to RBC’s proprietary Get Out and Travel (GOAT) index to gauge consumer travel demand. The Canadian GOAT index was down -5.2% y/y in Q2 (US GOAT -6.3% y/y), though showing improvement over Q1. Finally, business search interest was up +20.8%, which we see as positive and related to seasonal trends and lower trade uncertainty.



**Non-mainline competition steady, capacity growth improving from Q1.** Total non-mainline capacity (Flair, Transat, and Porter) as a percentage of the total capacity (including AC and WJA) decreased to 17.6% in Q2 from 18.7% last quarter. This indicates that the competitive environment remains steady, though smaller carriers may be feeling the impact of weaker transborder demand. Additionally, we note that ASM growth is up +4.2% so far in Q2, up from +2.6% in Q1/25, with WestJet and AC leading the way in terms of capacity growth (Exhibit 5). According to Cirium data, AC has increased capacity 2.5% so far in Q2, which we see as directionally in line with our expectations and consensus estimates of 2%.

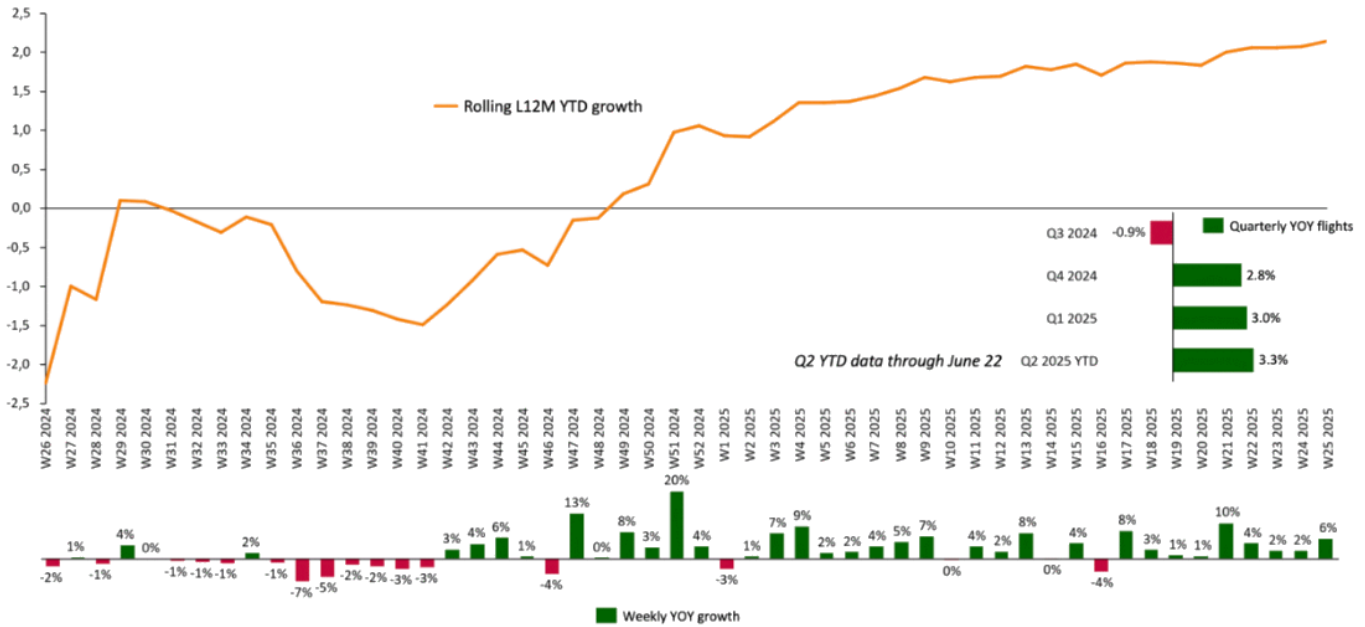
Exhibit 5 - Industry capacity growth up +4.2% y/y in Q2 (April to May)



Source: Cirium, RBC Capital Markets

**Bizjet activity continues to be strong.** Total bizjet traffic in the US was up +1.6% y/y through May (+1.3% domestic; +2.6% international) indicating higher demand for private travel. According to WingX, YTD Q2 global bizjet activity is up 3.3% vs last year, with flight hours up 3%, reflecting a resilient US market driven by fractional and charter demand. As of last quarter, used inventory sits at 7%, down from the peak of 7.5% in Q4/24, and 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 business aviation pilot training).

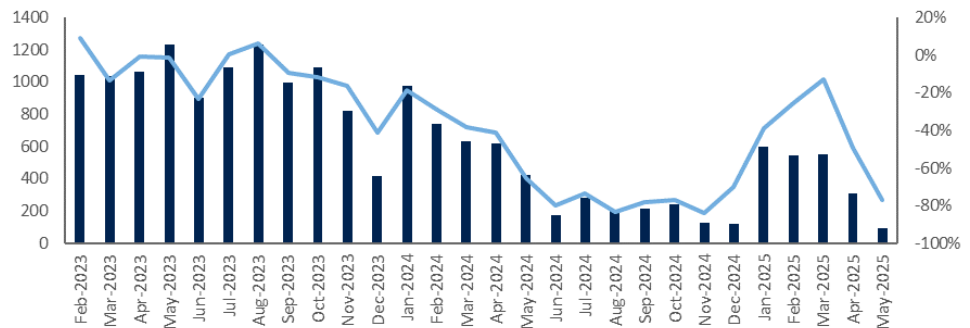
Exhibit 6 - Global bizjet departures continue to climb



Source: WingX

**Pilot hiring weaker in Q2.** Pilot hiring among US commercial airlines was down 63% y/y April to May vs down 27% in Q1. Following a post-Covid surge of hiring in 2022 and 2023, pilot hiring began to normalize in 2024 and so far in 2025. Q1 showed a rebound but has since reverted to 2024 levels given continued OEM delays and demand headwinds in the US. We therefore lower our FQ1 estimates for CAE given the weaker hiring numbers in the US. We believe hiring growth should pick up in the back half of the year and we see structural demand tailwinds related to pilot retirements longer-term.

Exhibit 7 - Major US airline pilot hiring down 63% y/y (April to May)



Source: FAPA, RBC Capital Markets



Exhibit 8 - Estimate changes ahead of the quarter

	Q2/25E EBITDA			2025E EBITDA			2026E EBITDA			Target Multiple		Price Target (CAD)		Rating	Implied Return
	Prior	RBC	Street	Prior	RBC	Street	Prior	RBC	Street	Old	RBC	Old	New		
Air Canada	unch	\$928	\$928	unch	\$3,342	\$3,390	unch	\$3,576	\$3,789	4.0x	4.3x	\$25	\$27	O	+23%
Bombardier	unch	U\$336	U\$346	unch	U\$1,579	U\$1,551	unch	U\$1,688	U\$1,676	6.5x	9.5x	\$108	\$175	O	+18%
CAE <sup>1</sup>	\$261	\$255	\$255	\$1,257	\$1,245	\$1,238	unch	\$1,328	\$1,340	11.4x	11.9x	\$38	\$41	SP	+1%
Chorus Aviation	unch	\$51	\$51	unch	\$209	\$210	unch	\$176	\$179	5.5x	6.0x	\$27	\$30	O	+35%
Exchange Income	unch	\$179	\$177	unch	\$710	\$710	unch	\$778	\$785	7.2x	7.7x	\$66	\$74	O	+18%

1. CAE estimates are for FQ1/26, F2026, and F2027 respectively

Note: Priced as of market close July 3, 2025.

Source: RBC Capital Markets estimates, FactSet for consensus

Exhibit 9 - Air Canada estimate revisions detail

(C\$MM's unless specified)	Q2/25E			2025E			2026E		
	Old	New	% Δ	Old	Cur	% Δ	Old	Cur	% Δ
<b>Operating Metrics</b>									
Traffic: RPMs (% chg)	-1.6%	-0.6%	98bp	-1.9%	-1.7%	24bp	4.9%	5.1%	22bp
Capacity: ASMs (% chg)	2.0%	2.0%	0bp	1.4%	1.4%	0bp	5.5%	5.5%	0bp
Load Factor (%pts)	82.7%	83.5%	83bp	82.1%	82.3%	20bp	81.6%	82.0%	37bp
Yield (% chg)	0.5%	-0.5%	-100bp	0.4%	0.1%	-25bp	2.0%	2.0%	0bp
RASM (% chg)	-2.9%	-2.9%	0bp	-3.0%	-3.0%	-1bp	1.4%	1.6%	21bp
Adj. CASM ex fuel+other (% chg)	5.1%	5.1%	0bp	4.6%	4.5%	-2bp	0.7%	1.0%	27bp
Avg Jet Fuel Price: (\$/Ltr)	\$0.85	\$0.85	0.0%	\$0.88	\$0.88	0.0%	\$0.88	\$0.88	0.0%
Revenue	\$5,460	\$5,460	0.0%	\$21,946	\$21,943	0.0%	\$23,358	\$23,399	0.2%
Expenses	\$4,532	\$4,532	0.0%	\$18,605	\$18,602	0.0%	\$19,783	\$19,823	0.2%
<b>EBITDA</b>	<b>\$928</b>	<b>\$928</b>	<b>0.0%</b>	<b>\$3,342</b>	<b>\$3,342</b>	<b>0.0%</b>	<b>\$3,576</b>	<b>\$3,576</b>	<b>0.0%</b>
EBITDA Margin	17.0%	17.0%	0bp	15.2%	15.2%	0bp	15.3%	15.3%	-3bp
EPS ex-one time items (\$)	\$0.66	\$0.66	-0.1%	\$1.87	\$1.90	1.6%	\$2.34	\$2.34	0.0%
<b>Consensus EBITDA</b>	<b>928</b>			<b>3,390</b>			<b>3,789</b>		

Source: RBC Capital Markets estimates, FactSet for consensus

Exhibit 10 - Bombardier estimate revisions detail

(\$MM's unless specified)	Q2/25E			2025E			2026E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total aircraft deliveries	35	35	0.0%	154	154	0.0%	150	150	0.0%
Total Revenues	\$2,093	\$2,093	0.0%	\$9,274	\$9,274	0.0%	\$9,643	\$9,643	0.0%
Total EBIT	\$210	\$210	0.0%	\$1,095	\$1,095	0.0%	\$1,185	\$1,185	0.0%
Margin (%)	10.1%	10.1%	0 bps	11.8%	11.8%	0 bps	12.3%	12.3%	0 bps
<b>Free Cash Flow</b>	<b>-\$117</b>	<b>-\$117</b>	<b>0.0%</b>	<b>\$795</b>	<b>\$795</b>	<b>0.0%</b>	<b>\$966</b>	<b>\$966</b>	<b>0.0%</b>
<b>EBITDA</b>	<b>\$336</b>	<b>\$336</b>	<b>0.0%</b>	<b>\$1,579</b>	<b>\$1,579</b>	<b>0.0%</b>	<b>\$1,688</b>	<b>\$1,688</b>	<b>0.0%</b>
Margin (%)	16.1%	16.1%	0 bps	17.0%	17.0%	0 bps	17.5%	17.5%	0 bps
<b>Consensus EBITDA</b>	<b>\$346</b>			<b>\$1,551</b>			<b>\$1,676</b>		

Source: RBC Capital Markets estimates, FactSet for consensus



Exhibit 11 - CAE estimate revisions detail

ESTIMATE SUMMARY (C\$ millions)	FQ1/26E			F2026E			F2027E			F2027E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Revenue	1,148	<b>1,142</b>	(0.6%)	4,965	<b>4,953</b>	(0.3%)	5,141	<b>5,154</b>	0.3%	5,263	<b>5,154</b>	(2.1%)
Civil Revenue	625	<b>619</b>	(1.0%)	2,900	<b>2,888</b>	(0.4%)	3,030	<b>3,043</b>	0.4%	3,142	<b>3,043</b>	(3.1%)
Defence & Security Revenue	523	<b>523</b>	0.0%	2,065	<b>2,065</b>	0.0%	2,111	<b>2,111</b>	0.0%	2,120	<b>2,111</b>	(0.5%)
Adj. EBITDA	261	<b>255</b>	(2.4%)	1,257	<b>1,245</b>	(0.9%)	1,328	<b>1,328</b>	(0.0%)	1,351	<b>1,328</b>	(1.7%)
Civil Adj. EBITDA	200	<b>197</b>	(1.4%)	982	<b>974</b>	(0.8%)	1,035	<b>1,035</b>	(0.1%)	1,054	<b>1,035</b>	(1.8%)
Defence & Security Adj. EBITDA	61	<b>58</b>	(5.4%)	275	<b>271</b>	(1.5%)	293	<b>293</b>	0.1%	298	<b>293</b>	(1.7%)
Adjusted Operating Income	147	<b>144</b>	(1.9%)	798	<b>796</b>	(0.3%)	856	<b>858</b>	0.3%	897	<b>858</b>	(4.4%)
Adj. Operating Income Margin %	12.8%	<b>12.6%</b>	-17bps	16.1%	<b>16.1%</b>	-1bps	16.6%	<b>16.6%</b>	0bps	17.0%	<b>16.6%</b>	-40bps
Civil Adj. EBIT	113	<b>111</b>	(1.0%)	631	<b>630</b>	(0.1%)	674	<b>677</b>	0.4%	710	<b>677</b>	(4.7%)
Defence & Security Adj. EBIT	34	<b>32</b>	(4.6%)	167	<b>166</b>	(0.9%)	181	<b>181</b>	(0.4%)	187	<b>181</b>	(3.2%)
Adj. EPS (F.D)	\$0.20	<b>\$0.20</b>	(3.2%)	\$1.33	<b>\$1.32</b>	(0.4%)	\$1.49	<b>\$1.50</b>	0.3%	\$1.57	<b>\$1.50</b>	(4.7%)
<b>Consensus EBITDA</b>	<b>255</b>			<b>1,238</b>			<b>1,340</b>			<b>1,340</b>		

Source: RBC Capital Markets estimates, FactSet for consensus

Exhibit 12 - Chorus estimate revisions detail

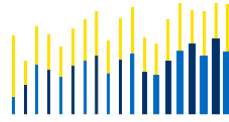
	Q2/25E			2025E			2026E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
<b>Revenue breakdown</b>									
Regional Aircraft Services	\$350	\$350	0.0%	\$1,388	\$1,388	0.0%	\$1,398	\$1,398	0.0%
Total Revenues	\$350	\$350	0.0%	\$1,388	\$1,388	0.0%	\$1,398	\$1,398	0.0%
Total Expenses	\$326	\$326	0.0%	\$1,287	\$1,287	0.0%	\$1,318	\$1,318	0.0%
Operating Income	\$24	\$24	0.0%	\$102	\$102	0.0%	\$80	\$80	0.0%
Depreciation and Amortization	\$27	\$27	0.0%	\$108	\$108	0.0%	\$97	\$97	0.0%
<b>Adj. EBITDA</b>	<b>\$51</b>	<b>\$51</b>	<b>0.0%</b>	<b>\$209</b>	<b>\$209</b>	<b>0.0%</b>	<b>\$176</b>	<b>\$176</b>	<b>0.0%</b>
Adj. EBITDA Margin	14.5%	14.5%	0.0%	15.1%	15.1%	0.0%	12.6%	12.6%	0.0%
Adj. EPS	\$0.58	\$0.58	0.0%	\$2.37	\$2.37	0.0%	\$2.08	\$2.08	0.0%
<b>Consensus EBITDA</b>	<b>\$51</b>			<b>\$210</b>			<b>\$179</b>		

Source: RBC Capital Markets estimates, FactSet for consensus

Exhibit 13 - Exchange Income estimate revisions detail

(C\$MM's unless specified)	Q2/25E			2025E			2026E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total revenue	731	731	0.0%	2,915	2,915	0.0%	3,072	3,072	0.0%
Total Aviation Revenues	461	461	0.0%	1,744	1,744	0.0%	1,832	1,832	0.0%
Total Manufacturing Revenues	270	270	0.0%	1,170	1,170	0.0%	1,240	1,240	0.0%
<b>Adj. EBITDA</b>	<b>179</b>	<b>179</b>	<b>0.0%</b>	<b>710</b>	<b>710</b>	<b>0.0%</b>	<b>778</b>	<b>778</b>	<b>0.0%</b>
Total Aviation EBITDA	147	147	0.0%	568	568	0.0%	611	611	0.0%
Total Manufacturing EBITDA	44	44	0.0%	196	196	0.0%	219	219	0.0%
Adj. net income (diluted)	50	50	0.0%	196	196	0.0%	224	224	0.0%
Adj. EPS (Diluted)	\$0.96	\$0.96	0.0%	\$3.78	\$3.78	0.0%	\$4.29	\$4.29	0.0%
<b>Consensus EBITDA</b>	<b>177</b>			<b>710</b>			<b>785</b>		

Source: RBC Capital Markets estimates, FactSet for consensus



## 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.



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## Company Profiles

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## Air Canada

James McGarragle (Analyst)

### Outperform

TSX: AC CN; CAD 21.75

Price Target CAD 27.00 ↑ 25.00

### Key Statistics

Shares O/S (MM):	352.9	Market Cap (MM):	7,676
Dividend:	0.00	Yield:	0.0%
Float (MM):	375.3	Avg. Daily Volume:	5,688,847

### RBC Estimates

FY Dec	2024A	2025E	2026E	
Revenue	22,255.0	21,943.4	23,399.3	
Prev.		21,946.3	23,358.3	
EBITDA	3,586.0	3,341.8	3,576.0	
Prev.		3,341.6	3,575.7	
Revenue	Q1	Q2	Q3	Q4
2024	5,226.0A	5,519.0A	6,106.0A	5,404.0A
2025	5,196.0A	5,459.6E	6,019.3E	5,268.5E
Prev.		5,459.9E	6,021.9E	
2026	5,507.4E	5,799.3E	6,455.0E	5,637.7E
Prev.	5,497.2E	5,788.5E	6,445.7E	5,626.9E
EBITDA				
2024	453.0A	914.0A	1,523.0A	696.0A
2025	387.0A	927.9E	1,390.4E	636.4E
Prev.		928.2E	1,425.0E	
2026	559.9E	938.2E	1,439.9E	637.9E
Prev.	551.3E	929.0E	1,466.5E	628.9E

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

### Valuation

Applying a 4.25x EV/EBITDA multiple to our 2026 estimates, we derive our price target of \$27. 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 controls program mitigates risks.** We view 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 are expected to 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.

Appendix I – AC Model Summary

C\$MM	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25	Q2/25E	Q3/25E	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	2027E	2028E
Traffic / RPM (MMs)	85,802	20,520	22,449	25,101	20,573	88,643	19,887	22,317	24,707	20,221	87,132	20,800	23,340	26,086	21,345	91,572	96,474	101,298
% change	29.0%	10.5%	3.8%	-0.4%	0.8%	3.3%	-3.1%	-0.6%	-1.6%	-1.7%	-1.7%	4.6%	4.6%	5.6%	5.6%	5.1%	5.4%	5.0%
Capacity / ASM (MMs)	99,012	24,337	26,203	28,892	24,949	104,381	24,240	26,727	29,470	25,448	105,885	25,452	28,063	31,238	26,975	111,728	118,432	124,354
% change	19.9%	11.1%	6.5%	3.0%	2.1%	5.4%	-0.4%	2.0%	2.0%	2.0%	1.4%	5.0%	5.0%	6.0%	6.0%	5.5%	6.0%	5.0%
Load Factor (%)	86.7%	84.3%	85.7%	86.9%	82.5%	84.9%	82.0%	83.5%	83.8%	79.5%	82.3%	81.7%	83.2%	83.5%	79.1%	82.0%	81.5%	81.5%
change (% pts)	6.1%	-0.5%	-2.2%	-2.9%	-1.0%	-1.7%	-2.3%	-2.2%	-3.0%	-3.0%	-2.6%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.5%	0.0%
Yield (\$)	0.226	0.217	0.222	0.223	0.230	0.223	0.218	0.221	0.224	0.230	0.223	0.222	0.225	0.229	0.235	0.228	0.232	0.237
% change	6.4%	-1.4%	-2.2%	-4.3%	3.1%	-1.2%	0.5%	-0.5%	0.5%	0.0%	0.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RASM (Rev per unit of capacity, cents)	19.6	18.3	19.0	19.4	18.9	18.9	17.9	18.4	18.8	18.3	18.4	18.2	18.7	19.1	18.6	18.7	18.9	19.3
CASM (Costs per unit of capacity, cents)	19.7	21.4	19.3	17.5	22.7	19.6	21.9	18.9	17.5	20.3	19.5	21.6	19.1	17.8	20.6	19.6	19.8	19.9
Fuel Cost/ASM (cents)	5.4	5.2	5.1	4.8	4.6	4.9	4.9	4.1	4.1	4.1	4.3	4.3	4.3	4.3	4.3	4.3	4.4	4.4
CASM (excl. fuel, ground packages & freighter) (cents)	13.5	14.8	13.5	12.2	17.0	13.8	15.3	14.2	13.0	15.3	14.4	15.7	14.3	13.1	15.4	14.6	14.6	14.7
<b>Total Revenues</b>	<b>21,833</b>	<b>5,226</b>	<b>5,519</b>	<b>6,106</b>	<b>5,404</b>	<b>22,255</b>	<b>5,196</b>	<b>5,460</b>	<b>6,019</b>	<b>5,269</b>	<b>21,943</b>	<b>5,507</b>	<b>5,799</b>	<b>6,455</b>	<b>5,638</b>	<b>23,399</b>	<b>25,006</b>	<b>26,649</b>
% change	31.9%	6.9%	1.7%	-3.8%	4.4%	1.9%	-0.6%	-1.1%	-1.4%	-2.5%	-1.4%	6.0%	6.2%	7.2%	7.0%	6.6%	6.9%	6.6%
Wages, salaries and benefits	3955	1108	1071	1021	1680	4880	1139	1169	1115	1165	4587	1243	1276	1216	1271	5006	5336	5658
% Sales	18.1%	21.2%	19.4%	16.7%	31.1%	21.9%	21.9%	21.4%	18.5%	22.1%	20.9%	22.6%	22.0%	18.8%	22.5%	21.4%	21.3%	21.2%
Aircraft Fuel - total	5318	1254	1333	1377	1154	5118	1186	1103	1210	1054	4553	1088	1203	1345	1162	4798	5155	5436
% Sales	24.4%	24.0%	24.2%	22.6%	21.4%	23.0%	22.8%	20.2%	20.1%	20.0%	20.7%	19.8%	20.7%	20.8%	20.6%	20.5%	20.6%	20.4%
Sales and distribution costs	1097	266	269	290	260	1085	265	274	296	265	1100	278	288	314	281	1161	1231	1292
% Sales	5.0%	5.1%	4.9%	4.7%	4.8%	4.9%	5.1%	5.0%	4.9%	5.0%	5.0%	5.1%	5.0%	4.9%	5.0%	5.0%	4.9%	4.8%
Ground package costs	720	335	137	102	208	782	373	140	104	212	829	392	147	110	225	874	926	972
% Sales	3.3%	6.4%	2.5%	1.7%	3.8%	3.5%	7.2%	2.6%	1.7%	4.0%	3.8%	7.1%	2.5%	1.7%	4.0%	3.7%	3.7%	3.6%
Catering and onboard services	628	155	154	174	154	637	137	157	177	157	629	144	165	188	167	663	703	738
% Sales	2.9%	3.0%	2.8%	2.8%	2.8%	2.9%	2.6%	2.9%	2.9%	3.0%	2.9%	2.6%	2.8%	2.9%	3.0%	2.8%	2.8%	2.8%
Aircraft maintenance	1083	315	335	226	361	1237	333	352	258	379	1322	350	370	274	402	1395	1479	1553
% Sales	5.0%	6.0%	6.1%	3.7%	6.7%	5.6%	6.4%	6.4%	4.3%	7.2%	6.0%	6.3%	6.4%	4.2%	7.1%	6.0%	5.9%	5.8%
Airport and navigation fees	1418	348	372	410	357	1487	357	391	431	375	1554	375	410	457	398	1639	1738	1825
% Sales	6.5%	6.7%	6.7%	6.7%	6.6%	6.7%	6.9%	7.2%	7.2%	7.1%	7.1%	6.8%	7.1%	7.1%	7.1%	7.0%	6.9%	6.8%
Communications and information technology	555	186	145	156	162	649	192	148	159	165	664	202	155	169	175	701	743	780
% Sales	2.5%	3.6%	2.6%	2.6%	3.0%	2.9%	3.7%	2.7%	2.6%	3.1%	3.0%	3.7%	2.7%	2.6%	3.1%	3.0%	3.0%	2.9%
Other	2219	598	572	642	646	2458	607	583	652	649	2490	643	619	699	694	2656	2838	3024
% Sales	10.2%	11.4%	10.4%	10.5%	12.0%	11.0%	11.7%	10.7%	10.8%	12.3%	11.3%	11.7%	10.7%	10.8%	12.3%	11.3%	11.3%	11.3%
Capacity purchase fees	858	208	217	219	216	860	220	215	228	211	873	233	228	244	225	931	994	1060
% Sales	3.9%	4.0%	3.9%	3.6%	4.0%	3.9%	4.2%	3.9%	3.8%	4.0%	4.0%	4.2%	3.9%	3.8%	4.0%	4.0%	4.0%	4.0%
<b>Total Operating Costs</b>	<b>17,851</b>	<b>4,773</b>	<b>4,605</b>	<b>4,617</b>	<b>5,198</b>	<b>19,193</b>	<b>4,809</b>	<b>4,532</b>	<b>4,629</b>	<b>4,632</b>	<b>18,602</b>	<b>4,947</b>	<b>4,861</b>	<b>5,015</b>	<b>5,000</b>	<b>19,823</b>	<b>21,142</b>	<b>22,339</b>
<b>EBITDA</b>	<b>3,982</b>	<b>453</b>	<b>914</b>	<b>1,523</b>	<b>696</b>	<b>3,586</b>	<b>387</b>	<b>928</b>	<b>1,390</b>	<b>636</b>	<b>3,342</b>	<b>560</b>	<b>938</b>	<b>1,440</b>	<b>638</b>	<b>3,576</b>	<b>3,864</b>	<b>4,310</b>
% of sales	18.2%	8.7%	16.6%	24.9%	12.9%	16.1%	7.4%	17.0%	23.1%	12.1%	15.2%	10.2%	16.2%	22.3%	11.3%	15.3%	15.5%	16.2%
Depreciation, amortization and impairment (Mainline)	1,703	442	448	449	460	1,799	495	513	523	532	2,063	541	507	530	552	2,129	2,258	2,361
EBIT (Excluding Special Charges)	2,279	11	466	1,040	(254)	1,263	(108)	415	868	105	1,279	19	431	910	86	1,447	1,606	1,950
% of sales	10.4%	0.2%	8.4%	17.0%	-4.7%	5.7%	-2.1%	7.6%	14.4%	2.0%	5.8%	0.3%	7.4%	14.1%	1.5%	6.2%	6.4%	7.3%
Net Income	2,276	(96)	369	969	93	1,335	(150)	214	537	(17)	584	(80)	226	565	(30)	681	797	1,059
EPS (F.D) (\$) (Exc. Special charges)	\$ 6.03	\$ (0.27)	\$ 0.98	\$ 2.58	\$ 0.25	\$ 3.55	\$ (0.46)	\$ 0.66	\$ 1.75	\$ (0.06)	\$ 1.90	\$ (0.26)	\$ 0.76	\$ 1.91	\$ (0.10)	\$ 2.34	\$ 2.83	\$ 3.91
<b>Free cash flow (ex. lease repayment)</b>	<b>\$ 2,230</b>	<b>\$ 921</b>	<b>\$ 316</b>	<b>\$ 147</b>	<b>\$ (630)</b>	<b>\$ 768</b>	<b>\$ 696</b>	<b>\$ (174)</b>	<b>\$ (429)</b>	<b>\$ (480)</b>	<b>\$ (386)</b>	<b>\$ 680</b>	<b>\$ (403)</b>	<b>\$ 84</b>	<b>\$ (708)</b>	<b>\$ (348)</b>	<b>\$ (195)</b>	<b>\$ 1,532</b>
<b>Free cash flow / share (ex. lease repayment)</b>	<b>\$ 5.90</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>\$ 2.16</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>\$ (1.26)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>\$ (1.19)</b>	<b>\$ (0.69)</b>	<b>\$ 5.65</b>	
Net debt	5,311	4,574	4,345	3,988	5,688	5,688	5,636	6,166	6,446	6,778	6,778	6,068	6,441	6,330	7,012	7,012	7,091	5,537
Net debt/LTM EBITDA	1.3x	1.1x	1.2x	1.2x	1.6x	1.6x	1.6x	1.7x	1.9x	2.0x	2.0x	1.7x	1.8x	1.8x	2.0x	2.0x	1.8x	1.3x

Source: Company reports, RBC Capital Markets estimates



## Bombardier Inc.

James McGarragle (Analyst)

### Outperform

TSX: BBD/B CN; CAD 149.75

Price Target CAD 175.00 ↑ 108.00

### Key Statistics

Shares O/S (MM):	100.3	Market Cap (MM):	15,020
Dividend:	0.00	Yield:	0.0%
Float (MM):	2,227.5	Avg. Daily Volume:	799,999
Strategic Ownership: Bombardier/Beaudoin families Equity (11%); Voting (52%)			

### RBC Estimates

FY Dec	2024A	2025E	2026E	
Revenue	8.7	9.3	9.6	
EBITDA, Adj	1,360.0	1,579.1	1,688.3	
EPS, Ops Diluted	5.16	5.47	8.50	
EPS, Ops Diluted	Q1	Q2	Q3	Q4
2024	0.36A	1.04A	0.74A	3.01A
2025	0.61A	0.64E	0.91E	3.31E
2026	1.36E	1.38E	1.77E	3.98E

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 9.5x to our 2026 EBITDA estimate of \$1.69B to derive our \$175 price target. Our target multiple represents a discount to peers to reflect higher debt and a lower proportion of Defense revenue. 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. Bombardier has changed; why we believe the shares will re-rate higher.** The operational improvements and recent deleveraging since 2021, as well as upside levers discussed above, makes us question whether the valuation discount to peers is entirely appropriate. We believe shares have solid runway given solid execution, debt reduction, and FCF growth, all of which we expect to over time erase the historical valuation hangover.

### Risks to rating and price target

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

## Appendix II – Bombardier Model Summary

Summary Income Statement																
(in US \$MM's)	2023	2024	Q1/25	Q2/25E	Q3/25E	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E	2027E	2028E	2029E	2030E
<b>Aerospace Key Drivers</b>																
Business Jet Deliveries	138	146	23	35	34	62	154	24	32	32	62	150	150	150	150	150
<i>Delivery Growth</i>	12.2%	5.8%	15.0%	-10.3%	13.3%	8.8%	5.5%	4.3%	-8.6%	-5.9%	0.0%	-2.6%	0.0%	0.0%	0.0%	0.0%
<b>Revenue</b>																
Manufacturing	6,261	6,580	1,022	1,541	1,515	2,999	7,076	1,231	1,485	1,556	2,894	7,167	7,210	7,253	7,296	7,339
Services	1,748	2,036	495	537	560	555	2,148	525	570	593	589	2,276	2,413	2,558	2,711	2,874
<b>Total Revenues</b>	<b>8,046</b>	<b>8,665</b>	<b>1,522</b>	<b>2,093</b>	<b>2,090</b>	<b>3,569</b>	<b>9,274</b>	<b>1,806</b>	<b>2,105</b>	<b>2,199</b>	<b>3,533</b>	<b>9,643</b>	<b>9,923</b>	<b>10,311</b>	<b>10,707</b>	<b>11,213</b>
<i>Revenue Growth</i>	16.4%	7.7%	18.8%	-5.0%	0.8%	14.8%	7.0%	18.7%	0.6%	5.2%	-1.0%	4.0%	2.9%	3.9%	3.8%	4.7%
<b>Total EBITDA</b>	<b>1,230</b>	<b>1,360</b>	<b>248</b>	<b>336</b>	<b>351</b>	<b>643</b>	<b>1,579</b>	<b>317</b>	<b>341</b>	<b>380</b>	<b>650</b>	<b>1,688</b>	<b>1,777</b>	<b>1,888</b>	<b>2,004</b>	<b>2,138</b>
<i>EBITDA Margin %</i>	15.3%	15.7%	16.3%	16.1%	16.8%	18.0%	17.0%	17.6%	16.2%	17.3%	18.4%	17.5%	17.9%	18.3%	18.7%	19.1%
Total EBIT	799	915	177	210	238	469	1,095	219	222	262	482	1,185	1,259	1,349	1,442	1,555
<i>EBIT Margin %</i>	9.9%	10.6%	11.6%	10.1%	11.4%	13.2%	11.8%	12.1%	10.6%	11.9%	13.7%	12.3%	12.7%	13.1%	13.5%	13.9%
Adj. Net Income (Loss) to Common	385	516	61	65	92	332	549	137	138	178	400	852	954	1,082	1,209	1,342
Adj. EPS	\$ 3.94	\$ 5.16	\$ 0.61	\$ 0.64	\$ 0.91	\$ 3.31	\$ 5.47	\$ 1.36	\$ 1.38	\$ 1.77	\$ 3.98	\$ 8.50	\$ 9.52	\$ 10.78	\$ 12.06	\$ 13.38
CFPS \$(Basic)	\$ 8.68	\$ 7.88	\$ 1.35	\$ 1.97	\$ 2.11	\$ 5.11	\$ 10.54	\$ 2.41	\$ 2.63	\$ 3.02	\$ 5.73	\$ 13.79	\$ 14.97	\$ 16.44	\$ 17.94	\$ 19.48
<b>Free Cash Flow</b>	<b>\$ 257</b>	<b>\$ 232</b>	<b>\$ (304)</b>	<b>\$ (117)</b>	<b>\$ 86</b>	<b>\$ 1,131</b>	<b>\$ 795</b>	<b>\$ 202</b>	<b>\$ 199</b>	<b>\$ 218</b>	<b>\$ 348</b>	<b>\$ 966</b>	<b>\$ 1,051</b>	<b>\$ 1,149</b>	<b>\$ 1,299</b>	<b>\$ 1,453</b>
Net debt	4,013	3,892	4,221	4,345	4,267	3,143	3,143	2,949	2,757	2,546	2,205	2,205	1,182	332	(637)	(1,727)

Source: Company reports, RBC Capital Markets estimates



## CAE Inc.

James McGarragle (Analyst)

### Sector Perform

TSX: CAE CN; CAD 40.23; NYSE: CAE

Price Target CAD 41.00 ↑ 38.00

### Key Statistics

Shares O/S (MM):	319.7	Market Cap (MM):	12,862
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,140,896

### RBC Estimates

FY Mar	2024A	2025A	2026E	
Revenue	4,282.8	4,707.9	4,952.5	
Prev.			4,965.3	
EPS, Adj Diluted	0.87	1.21	1.32	
Prev.			1.33	
P/AEPS	46.2x	33.3x	30.4x	
EBITDA	918.4	1,146.7	1,245.0	
Prev.			1,256.8	
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	1,141.8E	1,236.2E	1,293.5E	1,281.0E
Prev.	1,148.3E	1,255.8E		1,267.6E
EPS, Adj Diluted				
2024	0.24A	0.26A	0.24A	0.12A
2025	0.21A	0.24A	0.29A	0.47A
2026	0.20E	0.28E	0.35E	0.50E
Prev.		0.29E		0.49E

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 11.9x on our FY27 EBITDA estimate of \$1,328MM. Our 12.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 9.5x 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 \$41 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 to be the most expensive in our coverage, trading at 27x F26 consensus EPS—higher than other transports, aerospace, and industrials. For F26, we model FCF/share of \$0.86, resulting in a 2.4% FCF yield (4.6% excluding growth capex). While we believe CAE's premium valuation is justified by a strong defense turnaround and an expected 11% EPS CAGR (F25-27), near-term catalysts are likely limited until pilot hiring accelerates.
- **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 driven by Russia's invasion of Ukraine.

### Risks to rating and price target

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

## Appendix III – CAE Model Summary

CAE (C\$MM unless otherwise indicated)	F2024	F2025	FQ1/26E	FQ2/26E	FQ3/26E	FQ4/26E	F2026E	FQ1/27E	FQ2/27E	FQ3/27E	FQ4/27E	F2027E
<b>SEGMENTED RESULTS</b>												
<b>CIVIL AVIATION</b>												
Revenue	2,435.8	2,709.3	618.8	722.8	788.7	757.2	2,887.6	747.2	744.6	752.4	799.2	3,043.4
Adjusted Operating Income	548.9	581.5	111.4	134.7	162.8	221.2	630.1	138.2	142.5	159.0	237.4	677.2
<i>Adjusted Operating Margin</i>	22.5%	21.5%	18.0%	18.6%	20.6%	29.2%	21.8%	18.5%	19.1%	21.1%	29.7%	22.3%
<b>DEFENSE &amp; SECURITY</b>												
Revenue	1,847.0	1,998.6	523.0	513.4	504.8	523.8	2,065.0	536.2	525.3	515.4	533.6	2,110.5
Adjusted Operating Income	0.8	150.5	32.4	43.1	42.9	47.1	165.6	36.7	46.8	46.4	50.7	180.6
<i>Adjusted Operating Margin</i>	0.0%	7.5%	6.2%	8.4%	8.5%	9.0%	8.0%	6.9%	8.9%	9.0%	9.5%	8.6%
<b>CONSOLIDATED RESULTS</b>												
<b>Revenue</b>	<b>4,282.8</b>	<b>4,707.9</b>	<b>1,141.8</b>	<b>1,236.2</b>	<b>1,293.5</b>	<b>1,281.0</b>	<b>4,952.5</b>	<b>1,283.4</b>	<b>1,269.9</b>	<b>1,267.8</b>	<b>1,332.8</b>	<b>5,154.0</b>
<i>y/y growth (%)</i>	1.9%	9.9%	6.5%	8.8%	5.7%	0.4%	5.2%	12.4%	2.7%	-2.0%	4.0%	4.1%
<b>Expenses</b>												
COGS	3,128.3	3,407.8	793.5	859.2	899.0	890.3	3,442.0	892.0	882.6	881.1	926.3	3,582.0
R&D	149.8	123.2	38.2	40.5	30.3	21.5	130.5	43.0	41.6	29.7	22.4	136.6
SG&A	535.0	565.4	142.1	138.8	148.2	164.8	594.0	159.8	142.6	145.3	171.5	619.1
Other Gains/Losses	27.9	(13.3)	(9.6)	(9.6)	(9.6)	(9.6)	(38.4)	(9.6)	(9.6)	(9.6)	(9.6)	(38.4)
After Tax share in profit of equity accounted in	(72.2)	(88.3)	(25.1)	(25.1)	(25.1)	(25.1)	(100.4)	(25.1)	(25.1)	(25.1)	(25.1)	(100.4)
Restructuring Cost/Other	699.4	(16.1)	58.8	54.6	45.0	(29.2)	129.2	48.5	48.6	40.9	(40.8)	97.2
<b>Adj. Operating Income</b>	<b>549.7</b>	<b>732.0</b>	<b>143.8</b>	<b>177.9</b>	<b>205.7</b>	<b>268.3</b>	<b>795.7</b>	<b>175.0</b>	<b>189.3</b>	<b>205.4</b>	<b>288.1</b>	<b>857.8</b>
<i>Adjusted Operating Margin</i>	12.8%	15.5%	12.6%	14.4%	15.9%	20.9%	16.1%	13.6%	14.9%	16.2%	21.6%	16.6%
<i>y/y growth (%)</i>	0.3%	33.2%	7.2%	19.4%	8.3%	3.7%	8.7%	21.7%	6.4%	-0.1%	7.4%	7.8%
Depreciation & Amortization	368.7	414.7	111.2	112.1	113.0	113.0	449.3	117.5	117.5	117.5	117.5	470.0
<b>Adj. EBITDA</b>	<b>918.4</b>	<b>1,146.7</b>	<b>255.0</b>	<b>290.0</b>	<b>318.7</b>	<b>381.3</b>	<b>1,245.0</b>	<b>292.5</b>	<b>306.8</b>	<b>322.9</b>	<b>405.6</b>	<b>1,327.8</b>
<i>Adjusted EBITDA Margin</i>	21.4%	24.4%	22.3%	23.5%	24.6%	29.8%	25.1%	22.8%	24.2%	25.5%	30.4%	25.8%
<i>y/y growth (%)</i>	3.2%	24.9%	9.9%	16.4%	7.5%	3.3%	8.6%	14.7%	5.8%	1.3%	6.4%	6.6%
<b>Adj. Operating EPS</b>	<b>\$0.87</b>	<b>\$1.21</b>	<b>\$0.20</b>	<b>\$0.28</b>	<b>\$0.35</b>	<b>\$0.50</b>	<b>\$1.32</b>	<b>\$0.28</b>	<b>\$0.31</b>	<b>\$0.35</b>	<b>\$0.55</b>	<b>\$1.50</b>
<i>y/y growth (%)</i>	-1.1%	39.1%	-7.5%	17.9%	21.2%	6.4%	9.6%	41.8%	11.4%	1.4%	10.9%	13.1%
<b>Free Cash Flow (excl. dividends)</b>	<b>418.2</b>	<b>813.9</b>	<b>71.6</b>	<b>98.8</b>	<b>200.4</b>	<b>235.6</b>	<b>606.4</b>	<b>102.3</b>	<b>112.5</b>	<b>204.8</b>	<b>254.3</b>	<b>673.9</b>
FCF conversion	151%	211%	114%	110%	181%	149%	144%	116%	114%	184%	146%	143%
<b>Net Debt to EBITDA</b>	<b>3.2x</b>	<b>2.8x</b>	<b>2.7x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>2.3x</b>	<b>2.3x</b>	<b>2.2x</b>	<b>2.2x</b>	<b>2.0x</b>	<b>1.9x</b>	<b>1.9x</b>

Source: Company reports, RBC Capital Markets estimates



## Chorus Aviation Inc.

James McGarragle (Analyst)

### Outperform

TSX: CHR CN; CAD 22.51

Price Target CAD 30.00 ↑ 27.00

### Key Statistics

Shares O/S (MM):	26.5	Market Cap (MM):	597
Dividend:	0.00	Yield:	0.0%
Float (MM):	180.6	Avg. Daily Volume:	83,760

### RBC Estimates

FY Dec	2024A	2025E	2026E	
Revenue	1,405.0	1,388.2	1,398.0	
EBITDA	211.6	209.4	176.4	
EPS, Adj Diluted	1.04	2.37	2.08	
P/AEPS	21.6x	9.5x	10.8x	
Revenue	Q1	Q2	Q3	Q4
2024	358.6A	351.2A	342.0A	353.2A
2025	348.1A	350.4E	337.5E	352.1E
2026	349.8E	354.4E	337.6E	356.2E
EBITDA	Q1	Q2	Q3	Q4
2024	54.0A	51.0A	53.9A	52.7A
2025	56.9A	50.8E	50.6E	51.1E
2026	43.7E	44.3E	43.9E	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 2026 EBITDA estimate which reflects deleveraging and continued growth in Voyageur. Our target multiple of 6x is in line with airline peers. This results in our price target of \$30, 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 will 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.

**Appendix IV – CHR Model Summary**

C\$MM	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25	Q2/25E	Q3/25E	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E
<b>Income Statement</b>																
<b>Revenue</b>	<b>1,681.1</b>	<b>358.6</b>	<b>351.2</b>	<b>342.0</b>	<b>353.2</b>	<b>1,405.0</b>	<b>348.1</b>	<b>350.4</b>	<b>337.5</b>	<b>352.1</b>	<b>1,388.2</b>	<b>349.8</b>	<b>354.4</b>	<b>337.6</b>	<b>356.2</b>	<b>1,398.0</b>
<i>% change</i>	<b>5.3%</b>	<b>-13.6%</b>	<b>-11.5%</b>	<b>-23.6%</b>	<b>-16.2%</b>	<b>-16.4%</b>	<b>-2.9%</b>	<b>-0.2%</b>	<b>-1.3%</b>	<b>-0.3%</b>	<b>-1.2%</b>	<b>0.5%</b>	<b>1.1%</b>	<b>0.0%</b>	<b>1.2%</b>	<b>0.7%</b>
Total Operating Expenses	1,449	331	327	315	340	1,312	318	326	314	328	1,287	331	335	319	333	1,318
Operating Income	232	28	24	27	13	93	30	24	24	24	102	19	19	19	23	80
<b>Adjusted EBITDA</b>	<b>458.7</b>	<b>54.0</b>	<b>51.0</b>	<b>53.9</b>	<b>52.7</b>	<b>211.6</b>	<b>56.9</b>	<b>50.8</b>	<b>50.6</b>	<b>51.1</b>	<b>209.4</b>	<b>43.7</b>	<b>44.3</b>	<b>43.9</b>	<b>44.5</b>	<b>176.4</b>
<i>% of sales</i>	<b>27.3%</b>	<b>15.1%</b>	<b>14.5%</b>	<b>15.8%</b>	<b>14.9%</b>	<b>15.1%</b>	<b>16.3%</b>	<b>14.5%</b>	<b>15.0%</b>	<b>14.5%</b>	<b>15.1%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>13.0%</b>	<b>12.5%</b>	<b>12.6%</b>
<b>Adj. Net Income to Common shareholders</b>	<b>58</b>	<b>0</b>	<b>2</b>	<b>12</b>	<b>11</b>	<b>28</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>62</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>16</b>	<b>54</b>
<b>Adj. EPS (F.D) (\$)</b>	<b>\$0.30</b>	<b>\$0.13</b>	<b>\$0.08</b>	<b>\$0.44</b>	<b>\$0.39</b>	<b>\$1.04</b>	<b>\$0.57</b>	<b>\$0.58</b>	<b>\$0.59</b>	<b>\$0.62</b>	<b>\$2.37</b>	<b>\$0.47</b>	<b>\$0.50</b>	<b>\$0.49</b>	<b>\$0.62</b>	<b>\$2.08</b>
FCF	331.4	28.9	28.2	32.4	29.3	118.8	16.9	14.5	14.6	14.3	63.5	12.3	12.9	12.7	12.4	50.3
Net debt	1,666	1,525	322	635	292	292	341	317	294	270	270	242	214	186	158	158
Net debt/LTM EBITDA	3.6x	3.9x	1.5x	2.3x	1.4x	1.4x	1.6x	1.5x	1.4x	1.3x	1.3x	1.2x	1.1x	1.0x	0.9x	0.9x

Source: Company reports, RBC Capital Markets estimates



## Exchange Income Corporation

James McGarragle (Analyst)

### Outperform

TSX: EIF CN; CAD 65.22

Price Target CAD 74.00 ↑ 66.00

### Key Statistics

Shares O/S (MM):	51.6	Market Cap (MM):	3,365
Dividend:	2.64	Yield:	4.0%
		Avg. Daily Volume:	170,994

### RBC Estimates

FY Dec	2024A	2025E	2026E
Revenue	2,659.9	2,914.6	3,072.0
EBITDA, Adj	628.1	710.0	778.0
Free Cash Flow	199.3	241.8	302.2
FCF Yield	5.9%	7.2%	9.0%

Revenue	Q1	Q2	Q3	Q4
2024	601.8A	660.6A	709.9A	687.7A
2025	668.3A	730.6E	772.2E	743.5E
2026	704.5E	769.8E	813.9E	783.8E
EBITDA, Adj				
2024	111.1A	157.0A	192.9A	167.1A
2025	130.1A	178.7E	215.1E	186.0E
2026	144.2E	195.6E	235.2E	203.1E

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

### Valuation

In valuing EIF, we apply a blended 7.7x EV/EBITDA multiple (8.5x for Aviation & Aerospace and 5.5x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$778MM 2026E EBITDA, reflecting a valuation blend of ~74% Aviation & Aerospace and ~26% Manufacturing. We apply our target multiples to our 2026E EBITDA for each segment, generating our \$74 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 BC and Manitoba governments, as well as with Air Canada, set the stage in our view for a double-digit EBITDA CAGR for 2023 to 2026.

### 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.

Appendix V – EIF Model Summary

(CAD \$000's unless otherwise indicated)	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25	Q2/25E	Q3/25E	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E
<b>Segmented revenues</b>																
Aviation revenues	1,498,216	368,514	426,922	433,483	415,358	1,644,277	381,957	460,922	462,487	439,033	1,744,400	401,055	483,968	485,612	460,985	1,831,620
Manufacturing revenues	1,000,199	233,255	233,653	276,373	272,337	1,015,618	286,319	269,663	309,664	304,507	1,170,153	303,498	285,842	328,244	322,778	1,240,362
<b>Segmented EBITDA</b>																
Aviation EBITDA	414,471	94,038	134,397	155,219	140,424	524,078	101,847	147,405	167,917	150,623	567,792	110,148	158,647	180,198	161,842	610,835
EBITDA Margin	27.7%	25.5%	31.5%	35.8%	33.8%	31.9%	26.7%	32.0%	36.3%	34.3%	32.5%	27.5%	32.8%	37.1%	35.1%	33.3%
Manufacturing EBITDA	180,571	27,051	35,026	51,047	39,540	152,664	40,560	44,469	61,841	48,778	195,648	46,029	49,996	68,834	54,610	219,468
EBITDA Margin	18.1%	11.6%	15.0%	18.5%	14.5%	15.0%	14.2%	16.5%	20.0%	16.0%	16.7%	15.2%	17.5%	21.0%	16.9%	17.7%
<b>Revenues, Net</b>	<b>2,498,415</b>	<b>601,769</b>	<b>660,575</b>	<b>709,856</b>	<b>687,695</b>	<b>2,659,895</b>	<b>668,276</b>	<b>730,585</b>	<b>772,152</b>	<b>743,541</b>	<b>2,914,553</b>	<b>704,553</b>	<b>769,810</b>	<b>813,856</b>	<b>783,763</b>	<b>3,071,982</b>
Revenue growth (Y/Y)	21.3%	102.6%	5.3%	3.2%	4.7%	6.5%	117.7%	10.6%	8.8%	8.1%	9.6%	5.4%	5.4%	5.4%	5.4%	5.4%
<b>Aviation expenses</b>	<b>919,630</b>	<b>229,322</b>	<b>248,956</b>	<b>234,989</b>	<b>227,962</b>	<b>941,229</b>	<b>231,210</b>	<b>250,814</b>	<b>235,656</b>	<b>230,728</b>	<b>948,408</b>	<b>232,726</b>	<b>260,257</b>	<b>244,331</b>	<b>239,314</b>	<b>976,628</b>
Aviation expenses (% of sales)	36.8%	38.1%	37.7%	33.1%	33.1%	35.4%	34.6%	34.3%	30.5%	31.0%	32.5%	33.0%	33.8%	30.0%	30.5%	31.8%
<b>Manufacturing expenses</b>	<b>718,469</b>	<b>178,569</b>	<b>173,980</b>	<b>197,014</b>	<b>200,948</b>	<b>750,511</b>	<b>206,990</b>	<b>191,415</b>	<b>210,650</b>	<b>217,369</b>	<b>826,424</b>	<b>218,849</b>	<b>200,470</b>	<b>220,499</b>	<b>227,942</b>	<b>867,760</b>
Manufacturing expenses (% of sales)	78.1%	77.9%	69.9%	83.8%	88.1%	79.7%	89.5%	76.3%	89.4%	94.2%	87.1%	94.0%	77.0%	90.2%	95.2%	88.9%
<b>Gross profit</b>	<b>860,316</b>	<b>193,878</b>	<b>237,639</b>	<b>277,853</b>	<b>258,785</b>	<b>968,155</b>	<b>230,076</b>	<b>288,356</b>	<b>325,846</b>	<b>295,443</b>	<b>1,139,721</b>	<b>252,978</b>	<b>309,084</b>	<b>349,026</b>	<b>316,506</b>	<b>1,227,594</b>
Gross margin	34.4%	32.2%	36.0%	39.1%	37.6%	36.4%	34.4%	39.5%	42.2%	39.7%	39.1%	35.9%	40.2%	42.9%	40.4%	40.0%
<b>EBITDA</b>	<b>548,707</b>	<b>109,746</b>	<b>155,801</b>	<b>191,365</b>	<b>159,348</b>	<b>616,260</b>	<b>127,462</b>	<b>178,723</b>	<b>215,087</b>	<b>186,018</b>	<b>707,291</b>	<b>144,199</b>	<b>195,556</b>	<b>235,196</b>	<b>203,128</b>	<b>778,079</b>
EBITDA Margin (%)	22.0%	18.2%	23.6%	27.0%	23.2%	23.2%	19.1%	24.5%	27.9%	25.0%	24.3%	20.5%	25.4%	28.9%	25.9%	25.3%
EBITDA growth (Y/Y)	22.0%	13.5%	7.9%	15.2%	12.7%	12.3%	16.1%	14.7%	12.4%	16.7%	14.8%	13.1%	9.4%	9.3%	9.2%	10.0%
<b>Adj. EBITDA</b>	<b>555,525</b>	<b>111,051</b>	<b>157,045</b>	<b>192,914</b>	<b>167,054</b>	<b>628,064</b>	<b>130,136</b>	<b>178,723</b>	<b>215,087</b>	<b>186,018</b>	<b>709,965</b>	<b>144,199</b>	<b>195,556</b>	<b>235,196</b>	<b>203,128</b>	<b>778,079</b>
Adj. EBITDA Margin (%)	22.2%	18.5%	23.8%	27.2%	24.3%	23.6%	19.5%	24.5%	27.9%	25.0%	24.4%	20.5%	25.4%	28.9%	25.9%	25.3%
Adj. EBITDA growth (Y/Y)	21.7%	14.3%	6.8%	15.0%	16.3%	13.1%	17.2%	13.8%	11.5%	11.4%	13.0%	10.8%	9.4%	9.3%	9.2%	9.6%
<b>EBIT</b>	<b>282,880</b>	<b>39,172</b>	<b>78,712</b>	<b>110,844</b>	<b>77,117</b>	<b>305,845</b>	<b>44,142</b>	<b>95,403</b>	<b>131,767</b>	<b>102,698</b>	<b>374,011</b>	<b>51,739</b>	<b>103,096</b>	<b>142,736</b>	<b>110,668</b>	<b>408,239</b>
Depreciation and Amort.	265,827	70,574	77,089	80,521	82,231	310,415	83,320	83,320	83,320	83,320	333,280	92,460	92,460	92,460	92,460	369,840
Interest Expense	119,787	31,799	33,751	36,269	36,042	137,861	32,699	32,219	32,249	31,529	128,696	30,244	30,287	30,316	29,626	120,473
Taxes	40,786	2,845	12,313	18,690	12,901	46,749	4,236	17,060	26,870	19,216	67,381	5,804	19,658	30,353	21,881	77,697
<b>Adj. net income</b>	<b>144,051</b>	<b>9,574</b>	<b>37,662</b>	<b>61,372</b>	<b>38,740</b>	<b>147,348</b>	<b>14,295</b>	<b>49,625</b>	<b>76,148</b>	<b>55,453</b>	<b>195,521</b>	<b>19,191</b>	<b>56,650</b>	<b>85,567</b>	<b>62,661</b>	<b>224,069</b>
Weighted average shares outstanding (diluted)	51,989	48,154	52,522	56,551	53,000	52,839	51,623	51,723	51,823	51,923	51,773	52,023	52,123	52,223	52,323	52,173
<b>Adj. EPS (FD)</b>	<b>3.07</b>	<b>0.20</b>	<b>0.77</b>	<b>1.18</b>	<b>0.78</b>	<b>2.99</b>	<b>0.28</b>	<b>0.96</b>	<b>1.47</b>	<b>1.07</b>	<b>3.78</b>	<b>0.37</b>	<b>1.09</b>	<b>1.64</b>	<b>1.20</b>	<b>4.29</b>
<b>Cash flow from operations (CFO)</b>	<b>353,226</b>	<b>50,977</b>	<b>40,529</b>	<b>124,971</b>	<b>140,531</b>	<b>357,008</b>	<b>89,383</b>	<b>131,445</b>	<b>157,968</b>	<b>137,273</b>	<b>516,069</b>	<b>100,151</b>	<b>138,610</b>	<b>166,527</b>	<b>143,621</b>	<b>548,910</b>
Changes in working capital	-52,555	-19,085	-68,491	-19,931	25,720	-81,787	115	0	0	0	115	-10,000	-10,000	-10,000	-10,000	-40,000
<b>FCF from operations (company definition)</b>	<b>377,118</b>	<b>61,931</b>	<b>100,502</b>	<b>136,116</b>	<b>110,606</b>	<b>409,155</b>	<b>81,484</b>	<b>121,213</b>	<b>147,736</b>	<b>127,041</b>	<b>477,474</b>	<b>99,919</b>	<b>138,378</b>	<b>166,295</b>	<b>143,389</b>	<b>547,982</b>
Maintenance capital expenditures	175,291	39,338	48,180	54,915	67,456	209,889	55,984	58,447	61,772	59,483	235,686	56,364	61,585	65,108	62,701	245,759
Growth capital expenditures	303,044	39,326	44,800	93,180	42,995	220,301	56,118	50,000	40,000	30,000	176,118	0	0	0	0	0
<b>FCF from operations less maintenance capex (company definition)</b>	<b>201,827</b>	<b>22,593</b>	<b>52,322</b>	<b>81,201</b>	<b>43,150</b>	<b>199,266</b>	<b>25,500</b>	<b>62,766</b>	<b>85,964</b>	<b>67,558</b>	<b>241,788</b>	<b>43,555</b>	<b>76,794</b>	<b>101,186</b>	<b>80,688</b>	<b>302,223</b>
FCF growth (Y/Y)	14.6%	19.4%	-10.7%	9.2%	-13.6%	-1.3%	12.9%	20.0%	5.9%	56.6%	21.3%	70.8%	22.3%	17.7%	19.4%	25.0%
FCF / share	4.49	0.48	1.11	1.71	0.89	4.19	0.50	1.24	1.69	1.32	4.75	0.85	1.49	1.95	1.55	5.85
Adj. EBITDA conversion	36.3%	20.3%	33.3%	42.1%	25.8%	31.7%	19.6%	35.1%	40.0%	36.3%	34.1%	30.2%	39.3%	43.0%	39.7%	38.8%
Dividend payout ratio (FCF less maintenance capex)	56.8%	138.0%	59.8%	38.7%	74.3%	63.2%	131.6%	53.4%	39.2%	50.0%	55.6%	81.8%	46.6%	35.5%	44.7%	47.4%
Dividend payout ratio (FCF less total capex)	-91.6%	-112.6%	-59.6%	-135.8%	106.5%	-172.0%	-147.7%	145.8%	59.9%	70.7%	129.0%	81.3%	46.4%	35.4%	44.5%	47.3%
Net debt	1,903,012	1,993,443	2,098,745	2,153,066	2,260,612	2,260,612	2,228,817	2,241,343	2,220,802	2,208,799	2,208,799	2,202,627	2,164,356	2,100,830	2,057,941	2,057,941
<b>Net debt/LTM EBITDA</b>	<b>3.4x</b>	<b>3.5x</b>	<b>3.6x</b>	<b>3.6x</b>	<b>3.6x</b>	<b>3.6x</b>	<b>3.4x</b>	<b>3.4x</b>	<b>3.2x</b>	<b>3.1x</b>	<b>3.1x</b>	<b>3.0x</b>	<b>2.9x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>2.6x</b>
<b>Net debt/LTM EBITDA (covenant metric, excl. converts)</b>	<b>2.4x</b>	<b>2.5x</b>	<b>2.7x</b>	<b>2.7x</b>	<b>2.8x</b>	<b>2.8x</b>	<b>2.8x</b>	<b>2.7x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>2.5x</b>	<b>2.5x</b>	<b>2.4x</b>	<b>2.3x</b>	<b>2.2x</b>	<b>2.2x</b>

Source: Company reports, RBC Capital Markets estimates



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

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An analyst involved in the preparation of this report has visited material operations of Exchange Income Corporation, and more specifically, the facilities of Exchange Income Corporation, which includes but is not limited to mines, distribution centres, warehouses, production plants and/or other facilities related to the day-to-day operation of Exchange Income Corporation as applicable.

An analyst involved in the preparation of this report has visited material operations of CAE Inc., and more specifically, the facilities of CAE Inc., which includes but is not limited to mines, distribution centres, warehouses, production plants and/or other facilities related to the day-to-day operation of CAE Inc. as applicable.

## 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.

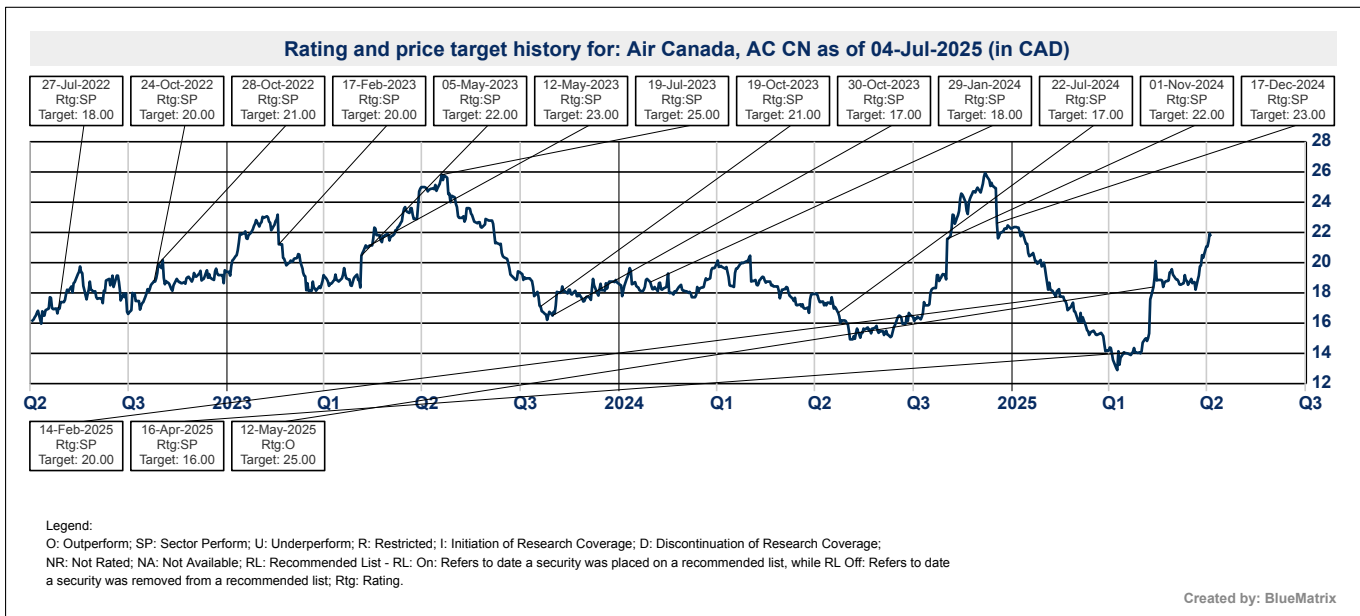
**Risk Rating**

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.

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Distribution of ratings				
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As of 30-Jun-2025				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	Count
BUY [Outperform]	866	58.87	283	32.68
HOLD [Sector Perform]	561	38.14	151	26.92
SELL [Underperform]	44	2.99	5	11.36





**Rating and price target history for: Exchange Income Corporation, EIF CN as of 04-Jul-2025 (in CAD)**



Legend:  
 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.

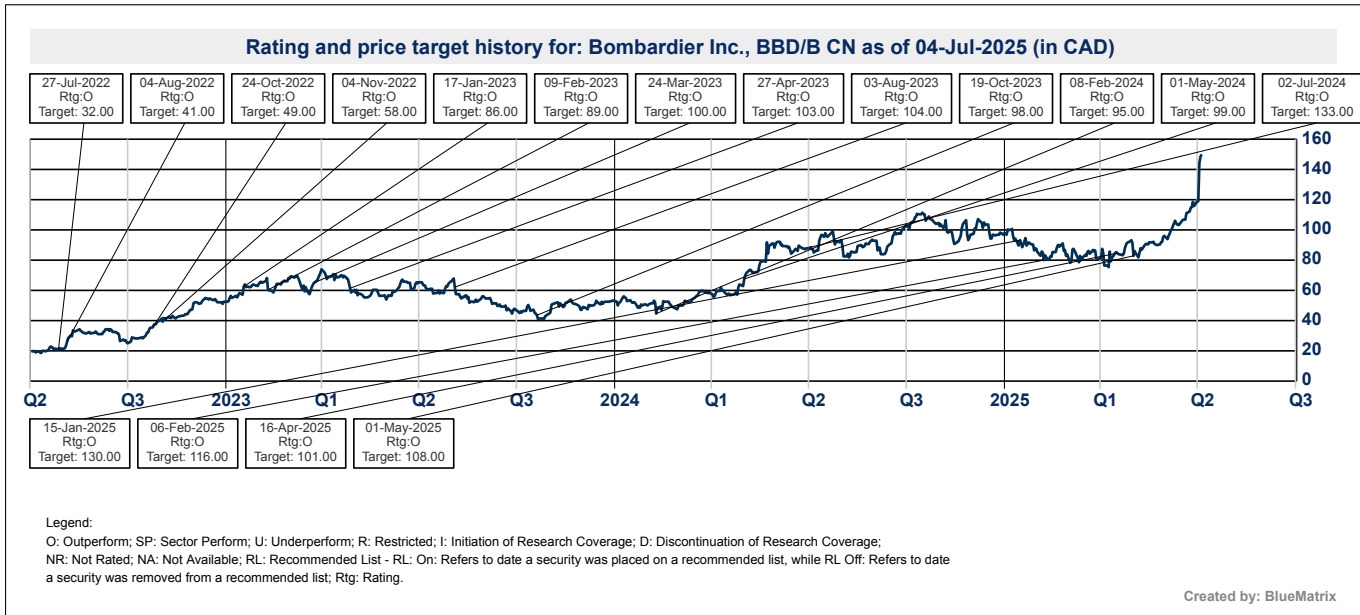
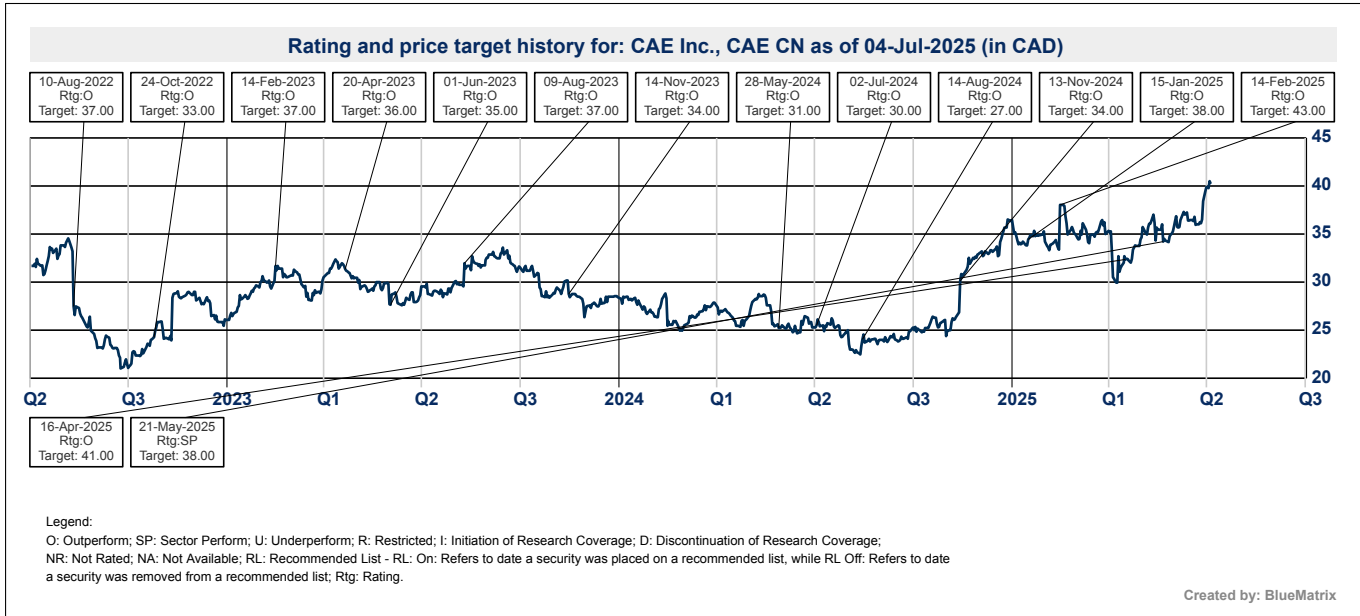
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**Rating and price target history for: Chorus Aviation Inc., CHR CN as of 04-Jul-2025 (in CAD)**



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 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.

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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). 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. As of April 3, 2023, U.S. RBC Wealth Management's quarterly reports will serve as the primary communication for its models and will highlight any changes to the model made during the quarter.

## Equity valuation and risks

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.rbcinsightresearch.com](http://www.rbcinsightresearch.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 4.25x EV/EBITDA multiple to our 2026 estimates, we derive our price target of \$27. 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 9.5x to our 2026 EBITDA estimate of \$1.69B to derive our \$175 price target. Our target multiple represents a discount to peers to reflect higher debt and a lower proportion of Defense revenue. 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 11.9x on our FY27 EBITDA estimate of \$1,328MM. Our 12.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 9.5x 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 \$41 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 2026 EBITDA estimate which reflects deleveraging and continued growth in Voyageur. Our target multiple of 6x is in line with airline peers. This results in our price target of \$30, 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 7.7x EV/EBITDA multiple (8.5x for Aviation & Aerospace and 5.5x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$778MM 2026E EBITDA, reflecting a valuation blend of ~74% Aviation & Aerospace and ~26% Manufacturing. We apply our target multiples to our 2026E EBITDA for each segment, generating our \$74 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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