



April 16, 2025

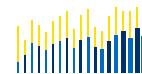
# RBC Elements™: Q1/25 Flight Deck

## Q1 Airlines & Aerospace Preview

**Our view:** In this report, we update our estimates for AC and BBD, as well as bring down valuation multiples across the group by 0.5x (AC by 0.25x) reflecting macro headwinds and continued tariff uncertainty. Our Canadian Airlines Heatmap powered by RBC Elements™ points to weaker leading indicators, including airfares, web traffic, and capacity. We flag a series of data points indicating transborder bookings/demand is down -10% to -70% and believe impairment is somewhere closer to -10%, in line with commentary from AC (Exhibit 5). According to data we track, AC reduced capacity -0.5% in Q1 vs consensus of +1.6%, which we see as related to dampening demand and therefore see risk to the company's capacity guide of +3-5% ASM growth this year. We take down our Q1 and 2025 estimates for AC given our view that tariff uncertainty and weaker transborder demand will negatively impact yields, load factors and capacity growth. Furthermore, our Business Jet Heatmap indicates a supportive demand backdrop with higher activity levels and low used inventories. However, we temper our Q1 delivery assumption for Bombardier, but remain in line with the company's low 20's delivery guidance and believe the company has successfully weathered the tariff storm so far.

### Q1 estimate revisions

- AC: Q1E lower; below consensus; PT lowered to \$16 (from \$20); maintain Sector Perform.** We decrease Q1/25E EBITDA to \$312MM (from \$365MM) reflecting weaker capacity growth. Our 2025E moves to \$3,235MM (from \$3,320MM), below the low end of guidance of \$3.4B and consensus of \$3.4B, given our view that tariff uncertainty and weaker transborder demand will negatively impact yields, load factors and capacity growth this year, though we see fuel prices providing an offset. Our target multiple moves to 3.25x (from 3.5x) resulting in our \$16 PT.
- BBD: Q1E lower; in line with consensus; PT lowered to \$101 (from \$116); BBD is our top idea.** Our Q1/25E EBITDA is moves to \$263MM, in line with consensus of \$265MM as we lower our expected deliveries to 23 (from 26) in line with management's guidance. Our 2025E EBITDA remains unchanged at \$1,625M and FCF moves down to \$800MM (from \$900MM), on expected supply chain investments given changing tariff policy. Our target multiple moves to 6x (from 6.5x) resulting in our \$101 PT. We continue to flag Bombardier as our top idea reflecting a low-teen 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.
- CAE: FQ4E unchanged; in line with consensus; PT lowered to \$41 (from \$43); maintain Outperform.** Our FQ4E EBITDA remains unchanged at \$363MM in line with consensus \$365MM. Our F25E EBITDA remains unchanged at \$1,140MM, a touch below consensus \$1,150MM. Our F25E Civil adj. operating income growth of +8% (cons. +7%) remains in line with guidance of modestly below 10%. We expect the company to provide F26 guidance and expect double-digit Civil adj. operating income growth and HSD defence margins. Our target multiple moves to 11.7x (from 12.2x) 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 guidance cuts on results in Civil.
- CHR: Q1E unchanged; in line with consensus; PT lowered to \$25 (from \$28); maintain Outperform.** We keep our Q1/25E EBITDA at \$48MM, in line with consensus of \$49MM. Our 2025E EBITDA remains at \$189MM, below consensus of \$198MM. Key focus for the call will be on new growth initiatives in Voyageur and lease renewals under the CPA as well as the pace of buyback activity (SIB announced). Our target multiple moves to 5.5x (from 6x) resulting in our \$25 PT.
- EIF: Q4E unchanged; in line with consensus; PT lowered to \$64 (from \$71); maintain Outperform.** Our Q1E is unchanged into the quarter at \$130MM, in line with consensus \$131MM. Our 2025E EBITDA remains at \$700MM, slightly below consensus of \$708MM and within guidance of \$690MM to \$730MM. Key into the quarter will be colour on the Manufacturing outlook as the ISM trends just under 50. Our blended target multiple moves to 7.2x (from 7.7x) resulting in our \$64 PT.


**RBC Elements™**

Driving insights through data

**See RBC Elements page at the end of this note.**

## 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	Sector Perform	Sector Perform	CAD	5,126	13.97	16.00	20.00	(20)	15
Bombardier Inc.	BBD/B CN	Outperform	Outperform	CAD	8,573	85.30	101.00	116.00	(13)	18
CAE Inc.	CAE CN	Outperform	Outperform	CAD	10,470	32.74	41.00	43.00	(5)	25
Chorus Aviation Inc.	CHR CN	Outperform	Outperform	CAD	509	18.72	25.00	28.00	(11)	34
Exchange Income Corporation	EIF CN	Outperform	Outperform	CAD	2,613	49.48	64.00	71.00	(10)	35

Source: Bloomberg and RBC Capital Markets estimates

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

<b>Airlines Heat Map</b>										
	High/Low	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Q125
<b>Macro Indicators Y/Y</b>										
CAD GDP*		3.9%	0.8%	(0.6%)	0.7%	2.0%	2.2%	1.0%	1.5%	1.1%
Household Consumption*		3.8%	0.8%	0.9%	1.3%	3.1%	0.9%	3.5%	2.6%	0.9%
Services Consumption*		2.8%	0.6%	2.7%	(0.1%)	5.2%	2.2%	2.9%	2.5%	1.4%
Jet Fuel		13.4%	(46.9%)	(15.6%)	0.0%	(17.7%)	7.3%	(23.3%)	(22.7%)	(15.1%)
<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%)
<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%	0.7%
RBC Vacation Price Index Y/Y***		7.9%	(3.8%)	(3.0%)	(3.8%)	(2.5%)	(1.6%)	(0.6%)	1.5%	2.1%
Cdn Airfare CPI Y/Y**		9.0%	(4.2%)	(17.8%)	(15.2%)	(5.7%)	2.2%	(3.9%)	(3.7%)	(4.0%)
US Airfare CPI Y/Y***		23.0%	(11.5%)	(15.0%)	(11.6%)	(6.6%)	(5.7%)	(0.8%)	4.1%	3.2%
<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%)
RBC GOAT Index (US) Y/Y		4.8%	(1.9%)	(0.1%)	(1.3%)	(5.0%)	(4.7%)	(4.2%)	(4.1%)	(7.7%)
<b>Search Interest</b>										
Corporate Travel Search Interest Y/Y		29.8%	(5.0%)	(9.5%)	59.1%	14.3%	2.4%	(4.5%)	(31.7%)	0.7%
AC Travel Search Interest Y/Y		69.4%	16.2%	20.4%	15.3%	3.6%	(6.7%)	(3.9%)	(4.4%)	0.2%
US Travel Search Interest Y/Y		20.3%	9.9%	3.6%	(3.5%)	(2.4%)	(1.1%)	(0.3%)	(2.0%)	(9.4%)
Cdn Travel Search Interest Y/Y		68.1%	15.6%	20.9%	11.1%	6.8%	6.5%	4.6%	(0.8%)	(0.7%)
Cdn Non-Mainline Search Interest Y/Y		130.0%	24.6%	33.6%	10.3%	15.7%	40.1%	13.2%	17.0%	(4.9%)
<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%
<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%	1.3%
Cdn RPKs Y/Y**		108.0%	31.5%	16.3%	11.9%	15.5%	11.2%	7.0%	8.3%	2.2%
Cdn ASKs Y/Y**		62.1%	23.0%	12.0%	10.7%	16.3%	12.9%	9.7%	8.6%	4.9%
Cdn Load Factors**		85.2%	86.3%	88.9%	83.0%	84.6%	85.0%	86.6%	82.9%	81.0%
North American RPKs Y/Y**		28.1%	13.6%	11.8%	10.4%	7.1%	5.4%	3.6%	1.9%	0.0%
North American ASKs Y/Y**		18.2%	13.7%	12.5%	12.3%	6.8%	7.1%	5.1%	1.6%	0.0%
North American Load Factors**		79.7%	86.9%	86.2%	83.1%	81.0%	85.5%	86.1%	83.1%	80.0%
CATSA Passenger Throughput Y/Y		85.0%	25.2%	23.4%	13.8%	8.2%	3.8%	4.2%	6.2%	2.6%
TSA Passenger Throughput Y/Y		20.4%	10.9%	11.3%	10.7%	6.8%	6.7%	4.3%	2.6%	0.6%

\* Indicates Estimates

\*\* Data through Jan

\*\*\* Data through Feb

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



Exhibit 2 - Canadian Aerospace Heatmap

<b>BizJet Indicators (Y/Y)</b>	<b>High/Low</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>	<b>4Q24</b>	<b>Q125</b>
Total FAA Traffic***		(4.5%)	(6.6%)	(4.6%)	(1.4%)	(1.4%)	(1.0%)	(0.6%)	2.5%	2.8%
Domestic FAA Traffic***		(5.5%)	(7.0%)	(4.9%)	(1.4%)	(1.9%)	0.3%	1.7%	3.2%	3.0%
International FAA Traffic***		1.4%	(4.7%)	(3.0%)	(1.1%)	1.5%	(7.6%)	(14.0%)	(2.0%)	1.9%
Used Inventory (% of Total)		5.0%	5.7%	6.3%	6.5%	6.8%	7.3%	7.2%	7.5%	

\*\*\* Data through Feb

Source: Company Reports, FAA

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



## Canadian Airlines & Aerospace Q1/25 preview

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

1. The set-up: share price performance in Q1 and valuation
2. An overview of air traffic trends, pricing, and leading indicators via RBC Elements™
3. Q1 estimates for each company in our coverage

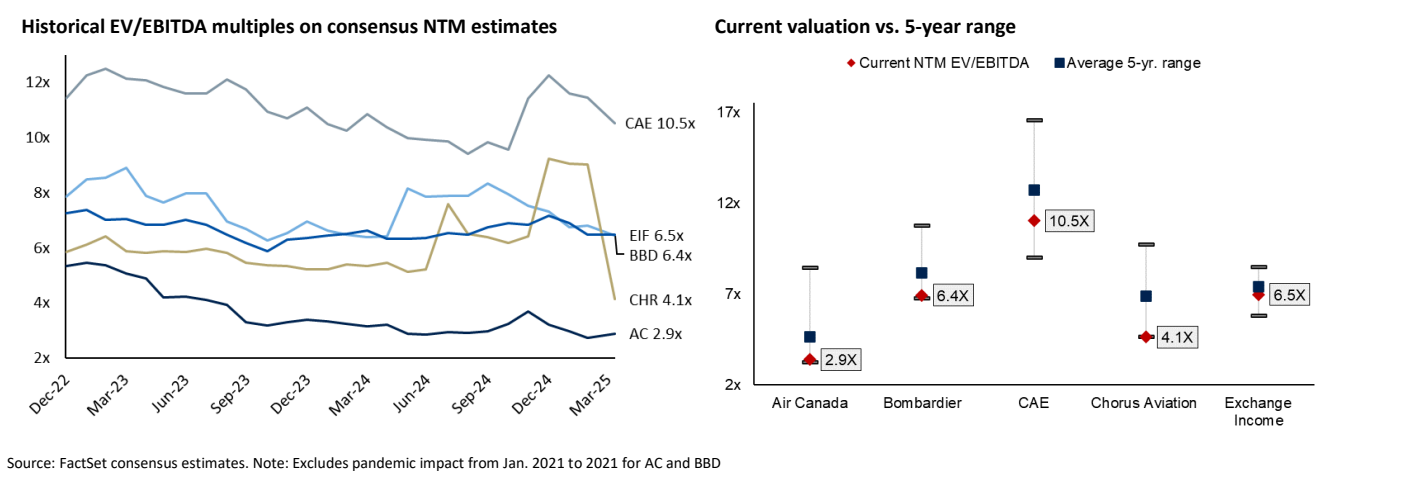
### The set-up: Aerospace share price performance during Q1

Company	Q1/25 Share Price Performance
S&P/TSX	0.8%
CAE	-3.1%
CHR	-13.0%
EIF	-15.5%
BBD	-17.2%
AC	-36.3%

**Share prices underperformed in Q1.** Canadian Airlines & Aerospace share prices underperformed the index during the quarter as tariff and economic uncertainty roiled markets. CAE held up best as the company has limited exposure to tariffs followed by CHR and EIF, both of which have higher levels of contracted services revenue. Finally, both BBD and AC performed worst, as Bombardier is very susceptible to tariffs given final completion of its aircraft occurs in Canada, and the US accounts for 63% of the company's revenues. AC shares were hit hardest as negative sentiment toward US travel as well as weakness in the Canadian dollar negatively impacted travel outside of Canada, especially transborder traffic into the US.

**Valuations at lows.** Referencing Exhibit 3, the bar chart below shows current valuations (red dot) relative to the 5-year range. All names are trading at the low-end of historical valuation given the recent market sell off. AC is trading at the low-end of its historical average as the industry grapples with weaker transborder demand, yield pressure, higher costs, and capacity risk. Bombardier is trading at a meaningful discount to peers even as it was hard hit by tariff uncertainty which has calmed (for now) and remains our top idea on the back of a meaningful FCF inflection in 2025. CHR is trading at the low-end post sale of RAL, however we see the company as less exposed to tariffs and in a solid position to keep buying back shares. CAE is trading at the low-end of its historical range despite posting solid quarterly results. Finally, EIF is trading in line with its historical average as a testament to its diversified operating model.

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



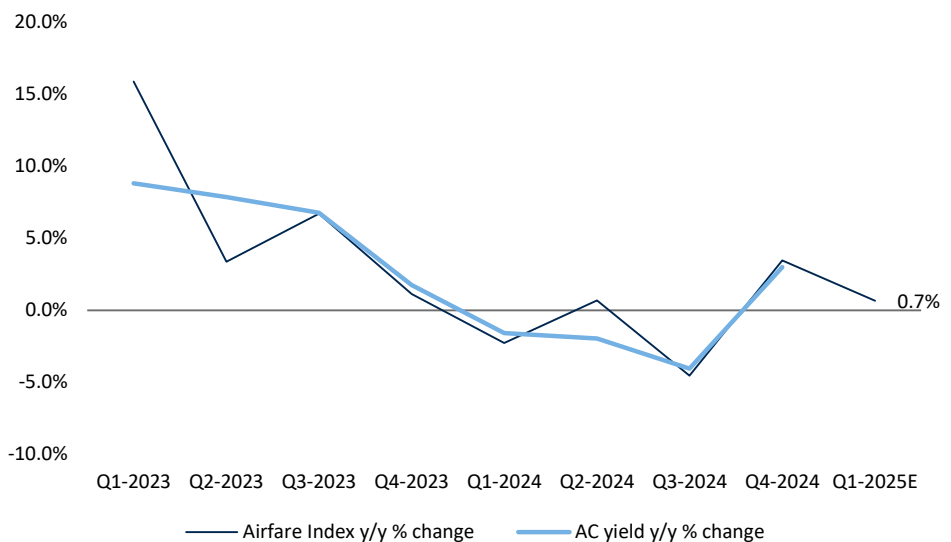


## Canadian Airlines & Aerospace Heatmap powered by RBC Elements™

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 pressured in Canada, though our indicator shows positive yields in Q1.** Canadian airfare CPI saw an average decline of -4% y/y in January and February, slightly worse than -3.7% last quarter. This contrasts with our RBC Canadian Airfare Index (Exhibit 4) which indicates positive yields for AC in Q1 of +0.7% y/y vs consensus of +0.5%. Overall, our yield estimates remain flat for 2025, below consensus expectations of ~+1%, given our view that lower consumer confidence and falling transborder demand will continue to weigh on travel spending resulting in lower fares, though we see industry capacity rationalization providing support. US airfares remained positive at +3.2% in Q1, though US airline guidance cuts on weaker consumer confidence and macro uncertainty could take a toll throughout the year.

Exhibit 4 - RBC Canadian Airfare Index indicates positive yields in Q1



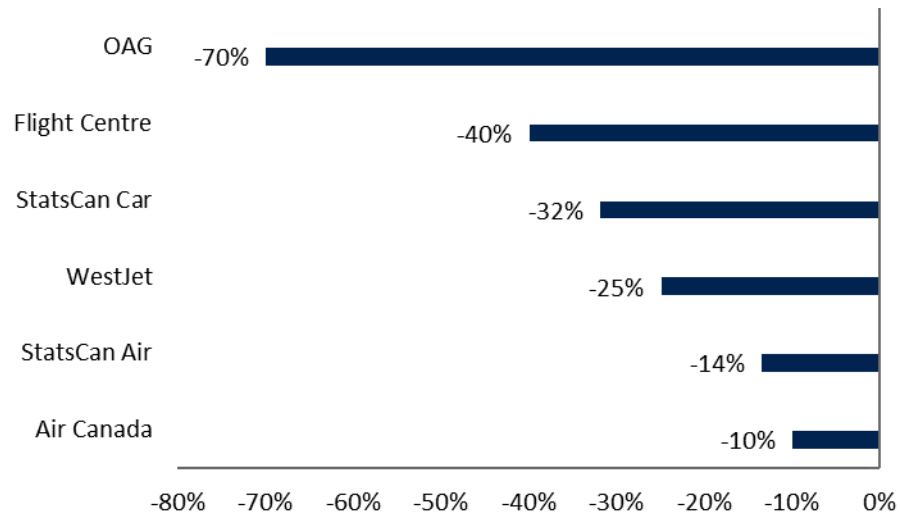
Source: RBC Elements, RBC Capital Markets

**Leading indicators weaker.** We track travel search interest changes y/y as measured by website traffic across mainline and non-mainline carriers. We flag that overall Canadian travel search interest declined -0.7% in Q1. AC search interest was flat at +0.2% y/y vs non-Mainline search interest which was down -5% y/y, which may indicate less 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 -6.8% y/y in Q1 (US GOAT -7.7% y/y) and has been consistently negative since mid-June 2023, indicating weaker travel demand.



**Transborder travel impaired, but to what extent?** We flag a series of datapoints pointing to transborder bookings/demand down -10% to -70% so far this year and believe demand destruction is somewhere in the middle (Exhibit 5). Moreover, UAL called out a “big drop in Canadian traffic” as the airline looks to cut its Canadian flight capacity and DAL noted a “significant drop off” in Canadian bookings on recent earnings calls. We therefore remain cautious on yields and load factors in 2025 given the weaker demand for transborder travel and see capacity reallocation limited given airport slot availability at major airports.

Exhibit 5 - Transborder demand indicators

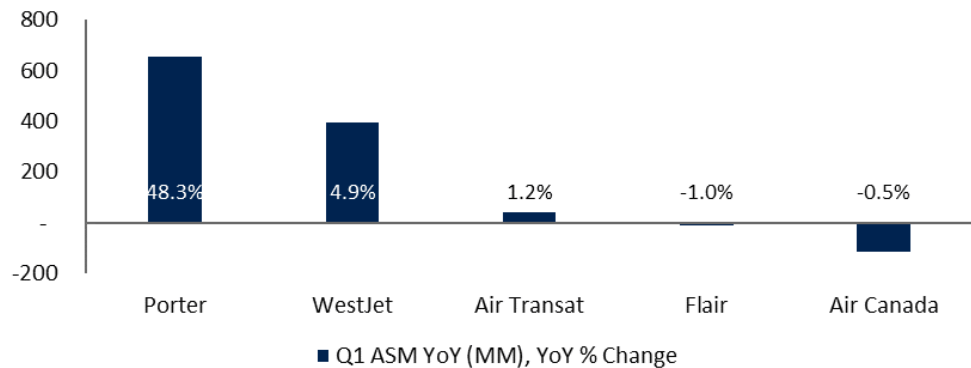


Provider	Decline	Description
Air Canada	-10%	Transborder bookings April-to-September
StatsCan Air	-14%	Canadians returning from the US by air (March 2025)
WestJet	-25%	Transborder bookings
StatsCan Car	-32%	Canadians returning from the US by car (March 2025)
Flight Centre	-40%	Transborder bookings
OAG	-70%	Transborder bookings April-to-September
<b>Average</b>	<b>-32%</b>	

Source: Statscan, OAG, Flight Centre, Company reports, RBC Capital Markets

**Non-mainline competition steady, capacity growth slowing.** Total non-mainline capacity (Flair, Transat, and Porter) as percentage of the total capacity (including AC and WJA) increased in Q1 to +18.7% from +16.9% last quarter which indicates to us that competition remains strong. Additionally, we note that ASM growth is up +2.6% in Q1, down from +6.2% in Q4/24, with WestJet and Porter leading the way in terms of capacity growth (Exhibit 6). According to Cirium data, AC reduced capacity -0.5% in Q1 vs consensus of 1.6%, which we see as related to dampening transborder demand and therefore see risk to the company’s capacity guide of 3-5% ASM growth this year.

Exhibit 6 - Industry capacity growth normalizing at +2.59% YoY in Q1



Source: Cirium, RBC Capital Markets

**Bizjet activity off to strong start.** Total bizjet traffic in the US was up +2.8% y/y through February (+3% domestic; +1.9% international) indicating higher demand for private travel. According to WingX, Q1 global bizjet activity was up 3% vs last year, 34% ahead of Q1/19 reflecting a resilient US market and strong demand from the Middle East and Asia. As of last quarter, used inventory sits at 7.5%, 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 7 - Global bizjet departures by country, Q1 2025

Departure Country	Departures	% of Total Flights	vs 1Y ago: Departures
United States	622,310	69.1%	3.6%
Mexico	28,594	3.2%	2.4%
Brazil	19,227	2.1%	14.6%
Canada	17,716	2.0%	4.2%
France	17,024	1.9%	1.8%
United Kingdom	15,562	1.7%	0.4%
Germany	12,925	1.4%	-7.0%
Switzerland	10,229	1.1%	-1.5%
Italy	9,690	1.1%	-0.2%
Spain	9,273	1.0%	0.4%
Grand Total	900,221	100.0%	3.0%

Source: WingX



Exhibit 8 - Estimate changes ahead of the quarter

	Q1/25E 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	\$365	<b>\$312</b>	\$354	\$3,320	<b>\$3,235</b>	\$3,363	US\$3,590	<b>\$3,412</b>	\$3,770	3.5x	<b>3.3x</b>	\$20	<b>\$16</b>	SP	+15%
Bombardier	US\$300	<b>US\$263</b>	US\$265	US\$1,625	<b>US\$1,625</b>	US\$1,575	US\$1,723	<b>US\$1,723</b>	US\$1,673	6.5x	<b>6.0x</b>	\$116	<b>\$101</b>	O	+18%
CAE <sup>1</sup>	Unchg.	<b>\$363</b>	\$365	Unchg.	<b>\$1,140</b>	\$1,150	Unchg.	<b>\$1,276</b>	\$1,266	12.2x	<b>11.7x</b>	\$43	<b>\$41</b>	O	+25%
Chorus Aviation	Unchg.	<b>\$48</b>	\$49	Unchg.	<b>\$189</b>	\$198	Unchg.	<b>\$169</b>	\$173	6.0x	<b>5.5x</b>	\$28	<b>\$25</b>	O	+34%
Exchange Income	Unchg.	<b>\$130</b>	\$131	Unchg.	<b>\$700</b>	\$708	Unchg.	<b>\$767</b>	\$779	7.7x	<b>7.2x</b>	\$71	<b>\$64</b>	O	+35%

1. CAE estimates are for FQ4/25, F2025, and F2026 respectively

Source: RBC Capital Markets estimates, FactSet for consensus. Note: Priced as of market close April 15, 2025.

Exhibit 9 - Air Canada estimate revisions detail

(\$MM's unless specified)	Q1/25E			2025E			2026E		
	Old	New	% Δ	Old	Cur	% Δ	Old	Cur	% Δ
<b>Operating Metrics</b>									
Traffic: RPMs (% chg)	1.4%	-1.6%	-295bp	2.8%	1.0%	-183bp	4.9%	4.9%	0bp
Capacity: ASMs (% chg)	3.0%	0.0%	-300bp	3.5%	2.0%	-147bp	5.5%	5.5%	0bp
Load Factor (%pts)	83.0%	83.0%	0bp	84.4%	84.0%	-31bp	83.9%	83.5%	-31bp
Yield (% chg)	0.5%	0.5%	0bp	0.1%	0.0%	-12bp	2.0%	2.0%	0bp
RASM (% chg)	-1.0%	-1.0%	0bp	-0.5%	-1.0%	-47bp	1.4%	1.4%	0bp
Adj. CASM ex fuel+other (% chg)	5.6%	7.4%	183bp	4.3%	5.2%	87bp	1.1%	1.1%	1bp
Avg Jet Fuel Price: (\$/Ltr)	\$0.99	\$1.00	1.2%	\$0.97	\$0.95	-2.3%	\$0.95	\$0.95	-0.5%
Revenue	\$5,336	\$5,204	-2.5%	\$22,896	\$22,512	-1.7%	\$24,371	\$23,961	-1.7%
Expenses	\$4,971	\$4,892	-1.6%	\$19,576	\$19,277	-1.5%	\$20,780	\$20,549	-1.1%
<b>EBITDA</b>	<b>\$365</b>	<b>\$312</b>	<b>-14.6%</b>	<b>\$3,320</b>	<b>\$3,235</b>	<b>-2.5%</b>	<b>\$3,590</b>	<b>\$3,412</b>	<b>-5.0%</b>
EBITDA Margin	6.8%	6.0%	-85bp	14.5%	14.4%	-13bp	14.7%	14.2%	-49bp
EPS ex-one time items (\$)	-\$0.73	-\$0.65	-11.1%	\$2.70	\$1.79	-33.5%	\$3.47	\$2.13	-38.5%
Consensus EBITDA	<b>354</b>			<b>3,363</b>			<b>3,770</b>		

Source: Company reports, FactSet, RBC Capital Markets estimates

Exhibit 10 - Bombardier estimate revisions detail

(\$MM's unless specified)	Q1/25E			2025E			2026E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total aircraft deliveries	26	23	-11.5%	154	154	0.0%	150	150	0.0%
Total Revenues	\$1,737	\$1,543	-11.2%	\$9,279	\$9,240	-0.4%	\$9,585	\$9,582	0.0%
Total EBIT	\$220	\$183	-16.9%	\$1,144	\$1,132	-1.0%	\$1,220	\$1,220	0.0%
Margin (%)	12.6%	11.8%	-81 bps	12.3%	12.3%	-7 bps	12.7%	12.7%	0 bps
<b>Free Cash Flow</b>	<b>-\$309</b>	<b>-\$359</b>	<b>16.2%</b>	<b>\$900</b>	<b>\$801</b>	<b>-11.0%</b>	<b>\$1,020</b>	<b>\$1,017</b>	<b>-0.3%</b>
<b>EBITDA</b>	<b>\$300</b>	<b>\$263</b>	<b>-12.4%</b>	<b>\$1,625</b>	<b>\$1,625</b>	<b>0.0%</b>	<b>\$1,723</b>	<b>\$1,723</b>	<b>0.0%</b>
Margin (%)	17.3%	17.0%	-23 bps	17.5%	17.6%	7 bps	18.0%	18.0%	0 bps
Consensus EBITDA	<b>\$265</b>			<b>\$1,575</b>			<b>\$1,673</b>		

Source: Company reports, FactSet, RBC Capital Markets estimates



Exhibit 11 - CAE estimate revisions detail

ESTIMATE SUMMARY (C\$ millions)	FQ4/25E			F2025E			F2026E			F2027E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Revenue	1,309	<b>1,309</b>	0.0%	4,741	<b>4,741</b>	0.0%	5,064	<b>5,064</b>	0.0%	5,263	<b>5,263</b>	0.0%
Civil Revenue	792	<b>792</b>	0.0%	2,773	<b>2,773</b>	0.0%	3,014	<b>3,014</b>	0.0%	3,142	<b>3,142</b>	0.0%
Defense & Security Revenue	516	<b>516</b>	0.0%	1,968	<b>1,968</b>	0.0%	2,051	<b>2,051</b>	0.0%	2,120	<b>2,120</b>	0.0%
Adj. EBITDA	363	<b>363</b>	0.0%	1,140	<b>1,140</b>	0.0%	1,276	<b>1,276</b>	0.0%	1,351	<b>1,351</b>	0.0%
Civil Adj. EBITDA	298	<b>298</b>	0.0%	899	<b>899</b>	0.0%	997	<b>997</b>	0.0%	1,054	<b>1,054</b>	0.0%
Defence & Security Adj. EBITDA	65	<b>65</b>	0.0%	241	<b>241</b>	0.0%	278	<b>278</b>	0.0%	298	<b>298</b>	0.0%
Adjusted Operating Income	257	<b>257</b>	0.0%	730	<b>730</b>	0.0%	834	<b>834</b>	0.0%	897	<b>897</b>	0.0%
Adj. Operating Income Margin %	19.6%	<b>19.6%</b>	<i>Obps</i>	15.4%	<b>15.4%</b>	<i>Obps</i>	16.5%	<b>16.5%</b>	<i>Obps</i>	17.0%	<b>17.0%</b>	<i>Obps</i>
Civil Adj. EBIT	218	<b>218</b>	0.0%	591	<b>591</b>	0.0%	664	<b>664</b>	0.0%	710	<b>710</b>	0.0%
Defence & Security Adj. EBIT	39	<b>39</b>	0.0%	139	<b>139</b>	0.0%	170	<b>170</b>	0.0%	187	<b>187</b>	0.0%
Adj. EPS (F.D)	\$0.45	<b>\$0.45</b>	0.0%	\$1.19	<b>\$1.19</b>	0.0%	\$1.38	<b>\$1.38</b>	0.0%	\$1.57	<b>\$1.57</b>	0.0%
<b>Consensus EBITDA</b>	<b>365</b>			<b>1,150</b>			<b>1,266</b>			<b>1,372</b>		

Source: Company reports, FactSet, RBC Capital Markets estimates

Exhibit 12 - Chorus estimate revisions detail

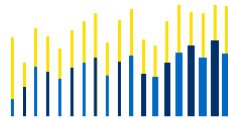
Revenue breakdown	Q1/25E			2025E			2026E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Regional Aircraft Services	\$357	<b>\$357</b>	0.0%	\$1,400	<b>\$1,400</b>	0.0%	\$1,408	<b>\$1,408</b>	0.0%
Total Revenues	\$357	<b>\$357</b>	0.0%	\$1,400	<b>\$1,400</b>	0.0%	\$1,408	<b>\$1,408</b>	0.0%
Total Expenses	\$332	<b>\$332</b>	0.0%	\$1,311	<b>\$1,311</b>	0.0%	\$1,329	<b>\$1,329</b>	0.0%
Operating Income	\$26	<b>\$26</b>	0.0%	\$89	<b>\$89</b>	0.0%	\$79	<b>\$79</b>	0.0%
Depreciation and Amortization	\$23	<b>\$23</b>	0.0%	\$100	<b>\$100</b>	0.0%	\$90	<b>\$90</b>	0.0%
<b>Adj. EBITDA</b>	<b>\$48</b>	<b>\$48</b>	<b>0.0%</b>	<b>\$189</b>	<b>\$189</b>	<b>0.0%</b>	<b>\$169</b>	<b>\$169</b>	<b>0.0%</b>
Adj. EBITDA Margin	13.5%	<b>13.5%</b>	0.0%	13.5%	<b>13.5%</b>	0.0%	12.0%	<b>12.0%</b>	0.0%
Adj. EPS	\$0.58	<b>\$0.58</b>	0.0%	\$1.98	<b>\$1.98</b>	0.0%	\$1.81	<b>\$1.81</b>	0.0%
<b>Consensus EBITDA</b>	<b>\$49</b>			<b>\$198</b>			<b>\$173</b>		

Source: Company reports, FactSet, RBC Capital Markets estimates

Exhibit 13 - Exchange Income estimate revisions detail

(C\$MM's unless specified)	Q1/25E			2025E			2026E		
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ
Total revenue	688	<b>688</b>	0.0%	2,929	<b>2,929</b>	0.0%	3,086	<b>3,086</b>	0.0%
Total Aviation Revenues	418	<b>418</b>	0.0%	1,782	<b>1,782</b>	0.0%	1,871	<b>1,871</b>	0.0%
Total Manufacturing Revenues	271	<b>271</b>	0.0%	1,147	<b>1,147</b>	0.0%	1,216	<b>1,216</b>	0.0%
<b>Adj. EBITDA</b>	<b>130</b>	<b>130</b>	<b>0.0%</b>	<b>700</b>	<b>700</b>	<b>0.0%</b>	<b>767</b>	<b>767</b>	<b>0.0%</b>
Total Aviation EBITDA	109	<b>109</b>	0.0%	575	<b>575</b>	0.0%	619	<b>619</b>	0.0%
Total Manufacturing EBITDA	33	<b>33</b>	0.0%	178	<b>178</b>	0.0%	201	<b>201</b>	0.0%
Adj. net income (diluted)	13	<b>13</b>	0.0%	184	<b>184</b>	0.0%	221	<b>221</b>	0.0%
Adj. EPS (Diluted)	\$0.29	<b>\$0.29</b>	0.0%	\$3.56	<b>\$3.56</b>	0.0%	\$4.20	<b>\$4.20</b>	0.0%
<b>Consensus EBITDA</b>	<b>131</b>			<b>708</b>			<b>779</b>		

Source: Company reports, FactSet, 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.



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## Company Profiles

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## Air Canada

James McGarragle (Analyst)

### Sector Perform

TSX: AC CN; CAD 13.97

Price Target CAD 16.00 ↓ 20.00

### Key Statistics

Shares O/S (MM):	366.9	Market Cap (MM):	5,126
Dividend:	0.00	Yield:	0.0%
Float (MM):	375.3	Avg. Daily Volume:	6,822,120

### RBC Estimates

FY Dec	2023A	2024A	2025E	2026E
Revenue	21,833.0	22,255.0	22,512.3	23,960.8
Prev.			22,895.9	24,370.5
EBITDA	3,982.0	3,586.0	3,235.2	3,412.0
Prev.			3,319.7	3,590.4
Revenue	Q1	Q2	Q3	Q4
2024	5,226.0A	5,519.0A	6,106.0A	5,404.0A
2025	5,203.9E	5,528.0E	6,259.4E	5,521.0E
Prev.	5,336.1E	5,698.4E	6,303.0E	5,558.3E
2026	5,504.2E	5,861.6E	6,700.0E	5,895.0E
Prev.	5,644.9E	6,043.3E	6,747.1E	5,935.2E
EBITDA				
2024	453.0A	914.0A	1,523.0A	696.0A
2025	312.1E	818.8E	1,436.4E	667.9E
Prev.	365.4E	902.4E	1,405.3E	646.5E
2026	376.2E	846.0E	1,505.1E	684.7E
Prev.	398.5E	969.2E	1,520.3E	702.4E

All values in CAD unless otherwise noted.

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

### Valuation

Applying a 3.25x EV/EBITDA multiple to our 2026 estimates, we derive our price target of \$16. Our target multiple is in line with AC's historical average multiple. Our base case reflects the following assumptions: (1) near-term constraints continue with a return to 2019 capacity levels by 2026; (2) yield pressures continue to 2025; and (3) continued cost increases. Our price target supports our Sector Perform rating.

### Investment summary

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

- Sustainability of higher fares at risk.** In our view, the sustainability of higher fares is at risk going forward, as we expect a normalization of demand following a surge in travel emerging from the pandemic. We also see risk to household spending resulting from higher interest costs and elevated debt levels, which we note is consistent with recent data from RBC Economics. In our view, a weaker demand backdrop, combined with growing and less rational competition, introduces significant downside risk to airline pricing in the near term and therefore to 2024 consensus EBITDA estimates.
- Higher costs expected to weigh on profitability.** Costs are up +20% compared to 2019, reflecting meaningful inflation across a number of expense categories. Looking ahead, we flag added risk, in our view, from pilot negotiations that could increase wages significantly. In addition, we see a changing regulatory environment as well as flight attendant contract negotiations as further potential headwinds going forward. Overall, we see these factors as pointing to upside risk to costs and therefore adding more uncertainty to the near-term outlook for Air Canada.
- Capex program to limit FCF in the medium term.** While we believe that fleet renewals are key to an airline's long-term success, we see new capex plans at AC limiting its FCF in the medium term. We flag that FCF is an important driver of sentiment toward AC shares (as well as of our longer-term thesis on the company), and we therefore view the capex program as pushing out an inflection in FCF to 2028.

### 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.

AC Model Summary

C\$MM	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25E	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	20,200	22,698	25,631	20,997	89,526	21,082	23,692	27,011	22,121	93,906	98,945	103,892
% change	29.0%	10.5%	3.8%	-0.4%	0.8%	3.3%	-1.6%	1.1%	2.1%	2.1%	1.0%	4.4%	4.4%	5.4%	5.4%	4.9%	5.4%	5.0%
Capacity / ASM (MMs)	99,012	24,337	26,203	28,892	24,949	104,381	24,337	26,727	29,759	25,697	106,520	25,554	28,063	31,544	27,239	112,401	119,145	125,102
% change	19.9%	11.1%	6.5%	3.0%	2.1%	5.4%	0.0%	2.0%	3.0%	3.0%	2.0%	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%	83.0%	84.9%	86.1%	81.7%	84.0%	82.5%	84.4%	85.6%	81.2%	83.5%	83.0%	83.0%
change (% pts)	6.1%	-0.5%	-2.2%	-2.9%	-1.0%	-1.7%	-1.3%	-0.7%	-0.7%	-0.7%	-0.9%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	0.0%
Yield (\$)	0.226	0.217	0.222	0.223	0.230	0.223	0.218	0.220	0.224	0.230	0.223	0.222	0.224	0.229	0.235	0.227	0.232	0.237
% change	6.4%	-1.4%	-2.2%	-4.3%	3.1%	-1.2%	0.5%	-1.0%	0.5%	0.0%	0.0%	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	18.1	18.7	19.3	18.8	18.7	18.4	18.9	19.6	19.1	19.0	19.3	19.7
CASM (Costs per unit of capacity, cents)	19.7	21.4	19.3	17.5	22.7	19.6	22.1	19.3	17.8	20.8	19.9	22.0	19.5	18.0	21.0	20.0	20.0	20.1
Fuel Cost/ASM (cents)	5.4	5.2	5.1	4.8	4.6	4.9	4.9	4.6	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.5	4.5
CASM (excl. fuel, ground packages & freighter) (cents)	13.5	14.8	13.5	12.2	17.0	13.8	15.9	14.2	12.9	15.4	14.5	16.0	14.4	13.1	15.6	14.7	14.8	14.9
<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>5,204</b>	<b>5,528</b>	<b>6,259</b>	<b>5,521</b>	<b>22,512</b>	<b>5,504</b>	<b>5,862</b>	<b>6,700</b>	<b>5,895</b>	<b>23,961</b>	<b>25,609</b>	<b>27,293</b>
% change	31.9%	6.9%	1.7%	-3.8%	4.4%	1.9%	-0.4%	0.2%	2.5%	2.2%	1.2%	5.8%	6.0%	7.0%	6.8%	6.4%	6.9%	6.6%
Wages, salaries and benefits	3955	1108	1071	1021	1680	4880	1261	1219	1162	1214	4855	1376	1330	1268	1325	5298	5647	5988
% Sales	18.1%	21.2%	19.4%	16.7%	31.1%	21.9%	24.2%	22.0%	18.6%	22.0%	21.6%	25.0%	22.7%	18.9%	22.5%	22.1%	22.0%	21.9%
Aircraft Fuel - total	5318	1254	1333	1377	1154	5118	1186	1221	1341	1170	4917	1178	1294	1458	1261	5191	5372	5589
% Sales	24.4%	24.0%	24.2%	22.6%	21.4%	23.0%	22.8%	22.1%	21.4%	21.2%	21.8%	21.4%	22.1%	21.8%	21.4%	21.7%	21.0%	20.5%
Sales and distribution costs	1097	266	269	290	260	1085	266	274	299	268	1107	279	288	317	284	1168	1238	1300
% Sales	5.0%	5.1%	4.9%	4.7%	4.8%	4.9%	5.1%	5.0%	4.8%	4.9%	4.9%	5.1%	4.9%	4.7%	4.8%	4.9%	4.8%	4.8%
Ground package costs	720	335	137	102	208	782	335	140	105	214	794	352	147	111	227	837	887	932
% Sales	3.3%	6.4%	2.5%	1.7%	3.8%	3.5%	6.4%	2.5%	1.7%	3.9%	3.5%	6.4%	2.5%	1.7%	3.9%	3.5%	3.5%	3.4%
Catering and onboard services	628	155	154	174	154	637	155	157	179	159	650	163	165	190	168	686	727	763
% Sales	2.9%	3.0%	2.8%	2.8%	2.8%	2.9%	3.0%	2.8%	2.9%	2.9%	2.9%	3.0%	2.8%	2.8%	2.9%	2.9%	2.8%	2.8%
Aircraft maintenance	1083	315	335	226	361	1237	324	352	240	383	1299	341	370	254	406	1370	1453	1525
% Sales	5.0%	6.0%	6.1%	3.7%	6.7%	5.6%	6.2%	6.4%	3.8%	6.9%	5.8%	6.2%	6.3%	3.8%	6.9%	5.7%	5.7%	5.6%
Airport and navigation fees	1418	348	372	410	357	1487	358	391	435	379	1563	376	410	461	401	1649	1748	1836
% Sales	6.5%	6.7%	6.7%	6.7%	6.6%	6.7%	6.9%	7.1%	6.9%	6.9%	6.9%	6.8%	7.0%	6.9%	6.8%	6.9%	6.8%	6.7%
Communications and information technology	555	186	145	156	162	649	186	148	161	167	661	195	155	170	177	698	740	777
% Sales	2.5%	3.6%	2.6%	2.6%	3.0%	2.9%	3.6%	2.7%	2.6%	3.0%	2.9%	3.5%	2.6%	2.5%	3.0%	2.9%	2.9%	2.8%
Other	2219	598	572	642	646	2458	613	590	678	680	2561	649	626	726	726	2726	2913	3105
% Sales	10.2%	11.4%	10.4%	10.5%	12.0%	11.0%	11.8%	10.7%	10.8%	12.3%	11.4%	11.8%	10.7%	10.8%	12.3%	11.4%	11.4%	11.4%
Capacity purchase fees	858	208	217	219	216	860	207	217	225	221	870	219	230	240	236	925	989	1054
% Sales	3.9%	4.0%	3.9%	3.6%	4.0%	3.9%	4.0%	3.9%	3.6%	4.0%	3.9%	4.0%	3.9%	3.6%	4.0%	3.9%	3.9%	3.9%
<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>4,892</b>	<b>4,709</b>	<b>4,823</b>	<b>4,853</b>	<b>19,277</b>	<b>5,128</b>	<b>5,016</b>	<b>5,195</b>	<b>5,210</b>	<b>20,549</b>	<b>21,714</b>	<b>22,868</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>312</b>	<b>819</b>	<b>1,436</b>	<b>668</b>	<b>3,235</b>	<b>376</b>	<b>846</b>	<b>1,505</b>	<b>685</b>	<b>3,412</b>	<b>3,896</b>	<b>4,424</b>
% of sales	18.2%	8.7%	16.6%	24.9%	12.9%	16.1%	6.0%	14.8%	22.9%	12.1%	14.4%	6.8%	14.4%	22.5%	11.6%	14.2%	15.2%	16.2%
Depreciation, amortization and impairment (Mainline)	1,703	442	448	449	460	1,799	487	458	473	488	1,906	502	470	493	515	1,979	2,121	2,241
<b>EBIT (Excluding Special Charges)</b>	<b>2,279</b>	<b>11</b>	<b>466</b>	<b>1,040</b>	<b>(254)</b>	<b>1,263</b>	<b>(175)</b>	<b>361</b>	<b>963</b>	<b>180</b>	<b>1,329</b>	<b>(125)</b>	<b>376</b>	<b>1,012</b>	<b>170</b>	<b>1,433</b>	<b>1,774</b>	<b>2,184</b>
% of sales	10.4%	0.2%	8.4%	17.0%	-4.7%	5.7%	-3.4%	6.5%	15.4%	3.3%	5.9%	-2.3%	6.4%	15.1%	2.9%	6.0%	6.9%	8.0%
<b>Net Income</b>	<b>2,276</b>	<b>(96)</b>	<b>369</b>	<b>969</b>	<b>93</b>	<b>1,335</b>	<b>(217)</b>	<b>174</b>	<b>603</b>	<b>41</b>	<b>601</b>	<b>(182)</b>	<b>188</b>	<b>641</b>	<b>34</b>	<b>681</b>	<b>929</b>	<b>1,242</b>
EPS (F.D) (\$) (Exc. Special charges)	\$ 6.03	\$ (0.27)	\$ 0.98	\$ 2.58	\$ 0.25	\$ 3.55	\$ (0.65)	\$ 0.52	\$ 1.80	\$ 0.12	\$ 1.79	\$ (0.55)	\$ 0.58	\$ 1.98	\$ 0.11	\$ 2.13	\$ 3.01	\$ 4.16
<b>Net debt</b>	<b>5,311</b>	<b>4,574</b>	<b>4,345</b>	<b>3,988</b>	<b>5,688</b>	<b>5,688</b>	<b>5,524</b>	<b>5,688</b>	<b>5,248</b>	<b>5,564</b>	<b>5,564</b>	<b>5,051</b>	<b>5,497</b>	<b>5,301</b>	<b>5,917</b>	<b>5,917</b>	<b>6,050</b>	<b>4,081</b>
<b>Net debt/LTM EBITDA</b>	<b>1.3x</b>	<b>1.1x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.6x</b>	<b>1.6x</b>	<b>1.6x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>1.7x</b>	<b>1.7x</b>	<b>1.5x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>1.7x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>0.9x</b>

Source: Company reports, RBC Capital Markets estimates



## Bombardier Inc.

James McGarragle (Analyst)

### Outperform

TSX: BBD/B CN; CAD 85.30

Price Target CAD 101.00 ↓ 116.00

### Key Statistics

Shares O/S (MM):	100.5	Market Cap (MM):	8,573
Dividend:	0.00	Yield:	0.0%
Float (MM):	2,227.5	Avg. Daily Volume:	933,559
Strategic Ownership: Bombardier/Beaudoin families Equity (11%); Voting (52%)			

### RBC Estimates

FY Dec	2023A	2024A	2025E	2026E
Revenue	8.0	8.7	9.2	9.6
Prev.			9.3	
EBITDA, Adj	1,230.0	1,360.0	1,625.3	1,722.8
Prev.			1,624.9	
EPS, Ops Diluted	3.94	5.16	6.82	8.94
Prev.			7.43	8.97
EPS, Ops Diluted	Q1	Q2	Q3	Q4
2024	0.36A	1.04A	0.74A	3.01A
2025	0.67E	1.26E	1.26E	3.63E
Prev.	1.16E		1.29E	3.71E
2026	1.42E	1.70E	1.80E	4.03E
Prev.	1.55E	1.67E	1.76E	3.99E

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 6x to our 2026 EBITDA estimate of \$1.7B to derive our \$101 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 2024/2025 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 ~30% valuation discount to peers is entirely appropriate. We believe shares are primed for a re-rating 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.

## Bombardier Model Summary

Summary Income Statement																	
(in US \$MM's)	2022	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Aerospace Key Drivers</b>																	
Business Jet Deliveries	123	138	20	39	30	57	146	23	35	34	62	154	150	150	150	150	150
<i>Delivery Growth</i>	2.5%	12.2%	-9.1%	34.5%	-3.2%	1.8%	5.8%	15.0%	-10.3%	13.3%	8.8%	5.5%	-2.6%	0.0%	0.0%	0.0%	0.0%
<b>Revenue</b>																	
Manufacturing	5,345	6,261	795	1,685	1,525	2,575	6,580	1,022	1,518	1,493	2,989	7,022	7,095	7,137	7,180	7,222	7,265
Services	1,508	1,748	477	507	528	524	2,036	506	537	560	555	2,158	2,288	2,425	2,570	2,725	2,888
<b>Total Revenues</b>	<b>6,913</b>	<b>8,046</b>	<b>1,281</b>	<b>2,203</b>	<b>2,073</b>	<b>3,108</b>	<b>8,665</b>	<b>1,543</b>	<b>2,071</b>	<b>2,067</b>	<b>3,559</b>	<b>9,240</b>	<b>9,582</b>	<b>9,862</b>	<b>10,250</b>	<b>10,647</b>	<b>11,153</b>
<i>Revenue Growth</i>	13.6%	16.4%	-11.8%	31.5%	11.7%	1.5%	7.7%	20.5%	-6.0%	-0.3%	14.5%	6.6%	3.7%	2.9%	3.9%	3.9%	4.8%
<b>Total EBITDA</b>	<b>930</b>	<b>1,230</b>	<b>205</b>	<b>335</b>	<b>307</b>	<b>513</b>	<b>1,360</b>	<b>263</b>	<b>366</b>	<b>351</b>	<b>646</b>	<b>1,625</b>	<b>1,723</b>	<b>1,813</b>	<b>1,925</b>	<b>2,043</b>	<b>2,180</b>
<i>EBITDA Margin %</i>	13.5%	15.3%	16.2%	14.1%	14.8%	16.1%	15.7%	17.0%	17.7%	17.0%	18.1%	17.6%	18.0%	18.4%	18.8%	19.2%	19.5%
Total EBIT	512	799	142	216	201	356	915	183	240	238	472	1,132	1,220	1,294	1,386	1,482	1,596
<i>EBIT Margin %</i>	7.4%	9.9%	11.1%	9.8%	9.7%	11.5%	10.6%	11.8%	11.6%	11.5%	13.3%	12.3%	12.7%	13.1%	13.5%	13.9%	14.3%
Adj. Net Income (Loss) to Common	73	385	36	103	74	303	516	67	126	127	365	686	899	1,003	1,133	1,263	1,398
Adj. EPS	\$ 0.74	\$ 3.94	\$ 0.36	\$ 1.04	\$ 0.74	\$ 3.01	\$ 5.16	\$ 0.67	\$ 1.26	\$ 1.26	\$ 3.63	\$ 6.82	\$ 8.94	\$ 9.97	\$ 11.26	\$ 12.56	\$ 13.91
CFPS \$(Basic)	\$ 1.93	\$ 8.68	\$ 1.40	\$ 2.47	\$ 2.26	\$ 1.74	\$ 7.88	\$ 1.55	\$ 2.60	\$ 2.48	\$ 5.47	\$ 12.10	\$ 14.33	\$ 15.52	\$ 17.03	\$ 18.55	\$ 20.12
<b>Free Cash Flow</b>	<b>\$ 735</b>	<b>\$ 257</b>	<b>\$ (387)</b>	<b>\$ (68)</b>	<b>\$ (127)</b>	<b>\$ 814</b>	<b>\$ 232</b>	<b>\$ (359)</b>	<b>\$ (47)</b>	<b>\$ 132</b>	<b>\$ 1,074</b>	<b>\$ 801</b>	<b>\$ 1,017</b>	<b>\$ 1,103</b>	<b>\$ 1,204</b>	<b>\$ 1,356</b>	<b>\$ 1,514</b>
Net debt	4,689	4,013	4,425	4,534	4,679	3,892	3,892	4,259	4,313	4,189	3,122	3,122	2,137	1,065	176	(832)	(1,964)

Source: Company reports, RBC Capital Markets estimates



## CAE Inc.

James McGarragle (Analyst)

### Outperform

TSX: CAE CN; CAD 32.74; NYSE: CAE

Price Target CAD 41.00 ↓ 43.00

### Key Statistics

Shares O/S (MM):	319.8	Market Cap (MM):	10,470
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,265,115

### RBC Estimates

FY Mar	2023A	2024A	2025E	2026E
Revenue	4,203.3	4,282.8	4,741.3	5,064.4
EPS, Adj Diluted	0.88	0.87	1.19	1.38
P/AEPS	37.3x	37.6x	27.5x	23.7x
EBITDA	890.3	918.4	1,140.3	1,275.6

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	1,308.8E
2026	1,276.4E	1,228.0E	1,251.0E	1,309.0E
EPS, Adj Diluted				
2024	0.24A	0.26A	0.24A	0.12A
2025	0.21A	0.24A	0.29A	0.45E
2026	0.29E	0.28E	0.32E	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 11.7x on our FY27 EBITDA estimate of \$1,351MM. Our 12.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 8.5x is derived using a discount to peers due to lower margins and recent headwinds. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals (including secular growth and high barriers to entry), as well as the continued recovery in travel and defense procurement. Based on relative returns to our \$41 price target, we rate the shares Outperform.

### Investment summary

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

- **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.
- **Differentiated Civil service / product offering.** CAE is an industry leader in the Civil Aviation Training market and we note that CAE operates the world's largest civil aviation training network, which we believe acts as a significant barrier to entry as well as a key differentiator. Our view is that this favourably positions CAE to capitalize on meaningful Civil tailwinds going forward.

### 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

## CAE Model Summary

CAE (C\$MM unless otherwise indicated)	F2024	FQ1/25	FQ2/25	FQ3/25	FQ4/25E	F2025E	FQ1/26E	FQ2/26E	FQ3/26E	FQ4/26E	F2026E	F2027E
<b>SEGMENTED RESULTS</b>												
<b>CIVIL AVIATION</b>												
Revenue	2,435.8	587.6	640.7	752.6	792.4	2,773.3	757.7	718.3	749.3	788.5	3,013.8	3,142.3
Adjusted Operating Income	548.9	106.4	115.9	150.8	217.9	591.0	144.8	137.1	157.6	224.7	664.2	710.3
<i>Adjusted Operating Margin</i>	22.5%	18.1%	18.1%	20.0%	27.5%	21.3%	19.1%	19.1%	21.0%	28.5%	22.0%	22.6%
<b>DEFENSE &amp; SECURITY</b>												
Revenue	1,847.0	484.9	495.9	470.8	516.4	1,968.0	518.7	509.8	501.7	520.5	2,050.7	2,120.4
Adjusted Operating Income	0.8	27.8	33.1	39.2	38.7	138.8	41.5	41.8	42.1	44.8	170.2	186.6
<i>Adjusted Operating Margin</i>	0.0%	5.7%	6.7%	8.3%	7.5%	7.1%	8.0%	8.2%	8.4%	8.6%	8.3%	8.8%
<b>CONSOLIDATED RESULTS</b>												
<b>Revenue</b>	<b>4,282.8</b>	<b>1,072.5</b>	<b>1,136.6</b>	<b>1,223.4</b>	<b>1,308.8</b>	<b>4,741.3</b>	<b>1,276.4</b>	<b>1,228.0</b>	<b>1,251.0</b>	<b>1,309.0</b>	<b>5,064.4</b>	<b>5,262.7</b>
<i>y/y growth (%)</i>	1.9%	6.0%	8.2%	11.8%	16.2%	10.7%	19.0%	8.0%	2.3%	0.0%	6.8%	3.9%
<b>Expenses</b>												
COGS	3,128.3	793.8	845.5	883.8	909.6	3,432.7	887.1	853.5	869.4	909.8	3,519.8	3,657.6
R&D	149.8	35.9	37.2	28.7	28.7	130.5	28.7	28.7	28.7	28.7	114.8	114.8
SG&A	535.0	133.5	127.6	140.2	140.2	541.5	140.2	140.2	140.2	140.2	560.8	560.8
Other Gains/Losses	27.9	(0.9)	(2.7)	(0.1)	(0.1)	(3.8)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)
After Tax share in profit of equity accounted in	(72.2)	(24.0)	(20.0)	(19.2)	(19.2)	(82.4)	(19.2)	(19.2)	(19.2)	(19.2)	(76.8)	(76.8)
Restructuring Cost/Other	699.4	25.6	30.9	(72.6)	(7.0)	(23.1)	53.4	46.0	32.2	(19.8)	111.8	109.8
<b>Adj. Operating Income</b>	<b>549.7</b>	<b>134.2</b>	<b>149.0</b>	<b>190.0</b>	<b>256.6</b>	<b>729.8</b>	<b>186.3</b>	<b>178.9</b>	<b>199.8</b>	<b>269.5</b>	<b>834.4</b>	<b>896.9</b>
<i>Adjusted Operating Margin</i>	12.8%	12.5%	13.1%	15.5%	19.6%	15.4%	14.6%	14.6%	16.0%	20.6%	16.5%	17.0%
<i>y/y growth (%)</i>	0.3%	-6.4%	9.9%	30.9%	104.2%	32.8%	38.8%	20.1%	5.1%	5.0%	14.3%	7.5%
Depreciation & Amortization	368.7	97.8	100.1	106.3	106.3	410.5	110.3	110.3	110.3	110.3	441.2	454.4
<b>Adj. EBITDA</b>	<b>918.4</b>	<b>232.0</b>	<b>249.1</b>	<b>296.3</b>	<b>362.9</b>	<b>1,140.3</b>	<b>296.6</b>	<b>289.2</b>	<b>310.1</b>	<b>379.8</b>	<b>1,275.6</b>	<b>1,351.3</b>
<i>Adjusted EBITDA Margin</i>	21.4%	21.6%	21.9%	24.2%	27.7%	24.1%	23.2%	23.6%	24.8%	29.0%	25.2%	25.7%
<i>y/y growth (%)</i>	3.2%	-0.5%	11.2%	23.8%	63.6%	24.2%	27.8%	16.1%	4.6%	4.6%	11.9%	5.9%
<b>Adj. Operating EPS</b>	<b>\$0.87</b>	<b>\$0.21</b>	<b>\$0.24</b>	<b>\$0.29</b>	<b>\$0.45</b>	<b>\$1.19</b>	<b>\$0.29</b>	<b>\$0.28</b>	<b>\$0.32</b>	<b>\$0.49</b>	<b>\$1.38</b>	<b>\$1.57</b>
<i>y/y growth (%)</i>	-1.1%	-9.8%	-9.7%	19.7%	272.8%	37.3%	37.5%	15.4%	13.0%	8.9%	16.2%	13.4%
<b>Free Cash Flow (excl. dividends)</b>	<b>418.2</b>	<b>(25.6)</b>	<b>140.0</b>	<b>409.8</b>	<b>261.3</b>	<b>785.5</b>	<b>119.8</b>	<b>113.7</b>	<b>209.3</b>	<b>254.3</b>	<b>697.0</b>	<b>765.6</b>
FCF conversion	151%	-38%	184%	446%	180%	206%	128%	129%	201%	161%	157%	152%
<b>Net Debt to EBITDA</b>	<b>3.2x</b>	<b>3.4x</b>	<b>3.3x</b>	<b>3.4x</b>	<b>2.8x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>2.3x</b>	<b>2.2x</b>	<b>2.2x</b>	<b>1.7x</b>

Source: Company reports, RBC Capital Markets estimates



## Chorus Aviation Inc.

James McGarragle (Analyst)

### Outperform

TSX: CHR CN; CAD 18.72

Price Target CAD 25.00 ↓ 28.00

### Key Statistics

Shares O/S (MM):	27.2	Market Cap (MM):	509
Dividend:	0.00	Yield:	0.0%
Float (MM):	180.6	Avg. Daily Volume:	105,851

### RBC Estimates

FY Dec	2023A	2024A	2025E	2026E
Revenue	1,681.1	1,405.0	1,400.0	1,408.2
EBITDA	458.7	211.6	189.0	169.0
EPS, Adj Diluted	0.30	1.04	1.98	1.81
P/AEPS	62.4x	18.0x	9.5x	10.3x

Revenue	Q1	Q2	Q3	Q4
2024	358.6A	351.2A	342.0A	353.2A
2025	357.5E	351.2E	338.2E	353.1E
2026	360.4E	354.2E	337.5E	356.2E
EBITDA				
2024	54.0A	51.0A	53.9A	52.7A
2025	48.3E	47.4E	45.7E	47.7E
2026	43.2E	42.5E	40.5E	42.7E

All values in CAD unless otherwise noted.

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

### Valuation

We value Chorus on our 2026 EBITDA estimate which reflects 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 \$25, 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.

## CHR Model Summary

C\$MM	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2025E	Q1/26E	Q2/26E	Q3/26E	Q4/26E	2026E
<b>Income Statement</b>																
Revenue	1,681.1	358.6	351.2	342.0	353.2	1,405.0	357.5	351.2	338.2	353.1	1,400.0	360.4	354.2	337.5	356.2	1,408.2
% change	5.3%	-13.6%	-11.5%	-23.6%	-16.2%	-16.4%	-0.3%	0.0%	-1.1%	0.0%	-0.4%	0.8%	0.9%	-0.2%	0.9%	0.6%
Airline Operations Total - RAS	1,399	359	351	342	353	1,405	357	351	338	353	1,400	360	354	337	356	1,408
Regional Aircraft Leasing - RAL	281	68	-	-	75	68	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,449	331	327	315	340	1,312	332	329	318	332	1,311	338	335	321	335	1,329
Operating Income	232	28	24	27	13	93	26	22	20	21	89	22	19	16	21	79
Adjusted EBITDA	458.7	54.0	51.0	53.9	52.7	211.6	48.3	47.4	45.7	47.7	189.0	43.2	42.5	40.5	42.7	169.0
% of sales	27.3%	15.1%	14.5%	15.8%	14.9%	15.1%	13.5%	13.5%	13.5%	13.5%	13.5%	12.0%	12.0%	12.0%	12.0%	12.0%
Adj. Net Income to Common shareholders	58	0	2	12	11	28	18	15	13	14	60	15	13	11	15	55
Adj. EPS (F.D) (\$)	\$0.30	\$0.13	\$0.08	\$0.44	\$0.39	\$1.04	\$0.58	\$0.49	\$0.44	\$0.47	\$1.98	\$0.50	\$0.44	\$0.38	\$0.50	\$1.81
FCF	331.4	28.9	28.2	32.4	29.3	118.8	13.4	13.0	12.1	14.0	52.5	11.5	11.7	10.5	11.6	45.4
Net debt	1,666	1,525	322	635	292	292	261	231	201	169	169	142	115	89	62	62
Net debt/LTM EBITDA	3.6x	3.9x	1.5x	2.3x	1.4x	1.4x	1.3x	1.1x	1.0x	0.9x	0.9x	0.8x	0.6x	0.5x	0.4x	0.4x

Source: Company reports, RBC Capital Markets estimates



## Exchange Income Corporation

James McGarragle (Analyst)

### Outperform

TSX: EIF CN; CAD 49.48

Price Target CAD 64.00 ↓ 71.00

### Key Statistics

Shares O/S (MM):	52.8	Market Cap (MM):	2,613
Dividend:	2.64	Yield:	5.3%
		Avg. Daily Volume:	197,359

### RBC Estimates

FY Dec	2023A	2024A	2025E	2026E
Revenue	2,498.4	2,659.9	2,928.5	3,086.4
EBITDA, Adj	555.5	628.1	700.4	767.0
Free Cash Flow	201.8	199.3	243.9	293.0
FCF Yield	7.7%	7.6%	9.3%	11.2%

Revenue	Q1	Q2	Q3	Q4
2024	601.8A	660.6A	709.9A	687.7A
2025	688.5E	741.1E	769.4E	729.6E
2026	725.6E	780.8E	810.9E	769.1E
EBITDA, Adj				
2024	111.1A	157.0A	192.9A	167.1A
2025	130.4E	179.6E	211.5E	179.0E
2026	143.6E	196.5E	231.4E	195.6E

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 7.2x EV/EBITDA multiple (7.9x for Aviation & Aerospace and 5x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$767MM 2026E EBITDA, reflecting a valuation blend of ~75% Aviation & Aerospace and ~25% Manufacturing. We apply our target multiples to our 2026E EBITDA for each segment, generating our \$64 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.

EIF Model Summary

(CAD \$000's unless otherwise indicated)	2023	Q1/24	Q2/24	Q3/24	Q4/24	2024	Q1/25E	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	417,569	473,730	462,487	427,819	1,781,605	438,448	497,416	485,612	449,210	1,870,686
Manufacturing revenues	1,000,199	233,255	233,653	276,373	272,337	1,015,618	270,920	267,326	306,900	301,784	1,146,930	287,175	283,366	325,314	319,891	1,215,746
<b>Segmented EBITDA</b>																
Aviation EBITDA	414,471	94,038	134,397	155,219	140,424	524,078	108,644	151,501	167,917	146,776	574,838	117,584	163,055	180,198	157,708	618,545
EBITDA Margin	27.7%	25.5%	31.5%	35.8%	33.8%	31.9%	26.0%	32.0%	36.3%	34.3%	32.3%	26.8%	32.8%	37.1%	35.1%	33.1%
Manufacturing EBITDA	180,571	27,051	35,026	51,047	39,540	152,664	33,451	41,410	58,220	45,324	178,406	38,330	46,729	64,966	50,923	200,948
EBITDA Margin	18.1%	11.6%	15.0%	18.5%	14.5%	15.0%	12.3%	15.5%	19.0%	15.0%	15.6%	13.3%	16.5%	20.0%	15.9%	16.5%
<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>688,490</b>	<b>741,056</b>	<b>769,388</b>	<b>729,602</b>	<b>2,928,536</b>	<b>725,623</b>	<b>780,782</b>	<b>810,926</b>	<b>769,100</b>	<b>3,086,432</b>
Revenue growth (Y/Y)	21.3%	102.6%	5.3%	3.2%	4.7%	6.5%	14.4%	12.2%	8.4%	6.1%	10.1%	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>247,140</b>	<b>257,783</b>	<b>235,656</b>	<b>224,834</b>	<b>965,414</b>	<b>256,691</b>	<b>267,489</b>	<b>244,331</b>	<b>233,201</b>	<b>1,001,712</b>
Aviation expenses (% of sales)	36.8%	38.1%	37.7%	33.1%	33.1%	35.4%	35.9%	34.8%	30.6%	30.8%	33.0%	35.4%	34.3%	30.1%	30.3%	32.5%
<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>201,849</b>	<b>192,028</b>	<b>211,378</b>	<b>217,991</b>	<b>823,246</b>	<b>211,519</b>	<b>201,141</b>	<b>221,296</b>	<b>228,623</b>	<b>862,579</b>
Manufacturing expenses (% of sales)	78.1%	77.9%	69.9%	83.8%	88.1%	79.7%	81.7%	74.5%	89.7%	97.0%	85.3%	82.4%	75.2%	90.6%	98.0%	86.1%
<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>239,500</b>	<b>291,244</b>	<b>322,353</b>	<b>286,778</b>	<b>1,139,876</b>	<b>257,413</b>	<b>312,152</b>	<b>345,299</b>	<b>307,276</b>	<b>1,222,141</b>
Gross margin	34.4%	32.2%	36.0%	39.1%	37.6%	36.4%	34.8%	39.3%	41.9%	39.3%	38.9%	35.5%	40.0%	42.6%	40.0%	39.6%
<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>130,391</b>	<b>179,572</b>	<b>211,519</b>	<b>178,967</b>	<b>700,449</b>	<b>143,578</b>	<b>196,511</b>	<b>231,379</b>	<b>195,556</b>	<b>767,023</b>
EBITDA Margin (%)	22.0%	18.2%	23.6%	27.0%	23.2%	23.2%	18.9%	24.2%	27.5%	24.5%	23.9%	19.8%	25.2%	28.5%	25.4%	24.9%
EBITDA growth (Y/Y)	22.0%	13.5%	7.9%	15.2%	12.7%	12.3%	18.8%	15.3%	10.5%	12.3%	13.7%	10.1%	9.4%	9.4%	9.3%	9.5%
<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>130,391</b>	<b>179,572</b>	<b>211,519</b>	<b>178,967</b>	<b>700,449</b>	<b>143,578</b>	<b>196,511</b>	<b>231,379</b>	<b>195,556</b>	<b>767,023</b>
Adj. EBITDA Margin (%)	22.2%	18.5%	23.8%	27.2%	24.3%	23.6%	18.9%	24.2%	27.5%	24.5%	23.9%	19.8%	25.2%	28.5%	25.4%	24.9%
Adj. EBITDA growth (Y/Y)	21.7%	14.3%	6.8%	15.0%	16.3%	13.1%	17.4%	14.3%	9.6%	7.1%	11.5%	10.1%	9.4%	9.4%	9.3%	9.5%
<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>45,089</b>	<b>94,271</b>	<b>126,217</b>	<b>93,666</b>	<b>359,242</b>	<b>52,223</b>	<b>105,156</b>	<b>140,024</b>	<b>104,202</b>	<b>401,605</b>
Depreciation and Amort.	265,827	70,574	77,089	80,521	82,231	310,415	85,302	85,302	85,302	85,302	341,207	91,355	91,355	91,355	91,355	365,418
Interest Expense	119,787	31,799	33,751	36,269	36,042	137,861	31,636	31,666	31,696	30,976	125,975	29,714	29,758	29,786	29,096	118,354
Taxes	40,786	2,845	12,313	18,690	12,901	46,749	3,632	16,903	25,521	16,926	62,982	6,077	20,358	29,764	20,278	76,478
<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>13,320</b>	<b>49,201</b>	<b>72,500</b>	<b>49,263</b>	<b>184,285</b>	<b>19,932</b>	<b>58,541</b>	<b>83,974</b>	<b>58,327</b>	<b>220,773</b>
Weighted average shares outstanding (diluted)	51,989	48,154	52,522	56,551	53,000	52,839	54,706	54,806	54,906	55,006	54,856	55,106	55,206	55,306	55,406	55,256
<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>0.29</b>	<b>0.95</b>	<b>1.37</b>	<b>0.95</b>	<b>3.56</b>	<b>0.41</b>	<b>1.11</b>	<b>1.57</b>	<b>1.10</b>	<b>4.20</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>97,122</b>	<b>133,003</b>	<b>156,302</b>	<b>133,065</b>	<b>519,492</b>	<b>99,786</b>	<b>139,396</b>	<b>163,828</b>	<b>138,182</b>	<b>541,191</b>
Changes in working capital	-52,555	-19,085	-68,491	-19,931	25,720	-81,787	0	0	0	0	0	-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>86,806</b>	<b>122,687</b>	<b>145,986</b>	<b>122,749</b>	<b>478,228</b>	<b>99,470</b>	<b>139,080</b>	<b>163,512</b>	<b>137,866</b>	<b>539,927</b>
Maintenance capital expenditures	175,291	39,338	48,180	54,915	67,456	209,889	55,079	59,284	61,551	58,368	234,283	58,050	62,463	64,874	61,528	246,915
Growth capital expenditures	303,044	39,326	44,800	93,180	42,995	220,301	60,000	50,000	40,000	30,000	180,000	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>31,727</b>	<b>63,402</b>	<b>84,435</b>	<b>64,381</b>	<b>243,945</b>	<b>41,420</b>	<b>76,617</b>	<b>98,638</b>	<b>76,337</b>	<b>293,013</b>
FCF growth (Y/Y)	14.6%	19.4%	-10.7%	9.2%	-13.6%	-1.3%	40.4%	21.2%	4.0%	49.2%	22.4%	30.6%	20.8%	16.8%	18.6%	20.1%
FCF / share	4.49	0.48	1.11	1.71	0.89	4.19	0.63	1.25	1.66	1.26	4.80	0.81	1.49	1.91	1.47	5.68
Adj. EBITDA conversion	36.3%	20.3%	33.3%	42.1%	25.8%	31.7%	24.3%	35.3%	39.9%	36.0%	34.8%	28.8%	39.0%	42.6%	39.0%	38.2%
Dividend payout ratio (FCF less maintenance capex)	56.8%	138.0%	59.8%	38.7%	74.3%	63.2%	110.3%	55.4%	41.8%	55.0%	57.7%	90.1%	48.9%	38.1%	49.5%	51.3%
Dividend payout ratio (FCF less total capex)	-91.6%	-112.6%	-59.6%	-135.8%	106.5%	-172.0%	-194.9%	148.2%	64.4%	79.2%	133.9%	89.4%	48.7%	38.0%	49.3%	51.0%
Net debt	1,903,012	1,993,443	2,098,745	2,153,066	2,260,612	2,260,612	2,230,570	2,243,991	2,226,518	2,219,237	2,219,237	2,216,834	2,180,379	2,121,049	2,084,165	2,084,165
<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>3.3x</b>	<b>3.2x</b>	<b>3.2x</b>	<b>3.2x</b>	<b>3.1x</b>	<b>3.0x</b>	<b>2.8x</b>	<b>2.7x</b>	<b>2.7x</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>2.7x</b>	<b>2.6x</b>	<b>2.6x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>2.3x</b>	<b>2.2x</b>	<b>2.2x</b>

Source: Company reports, RBC Capital Markets estimates

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

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.

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## 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

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Distribution of ratings				
RBC Capital Markets, Equity Research				
As of 31-Mar-2025				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	878	59.12	285	32.46
HOLD [Sector Perform]	563	37.91	146	25.93
SELL [Underperform]	44	2.96	5	11.36



Rating and price target history for: Air Canada, AC CN as of 14-Apr-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.

Created by: BlueMatrix

Rating and price target history for: Exchange Income Corporation, EIF CN as of 14-Apr-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.

Created by: BlueMatrix



Rating and price target history for: Chorus Aviation Inc., CHR CN as of 14-Apr-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.

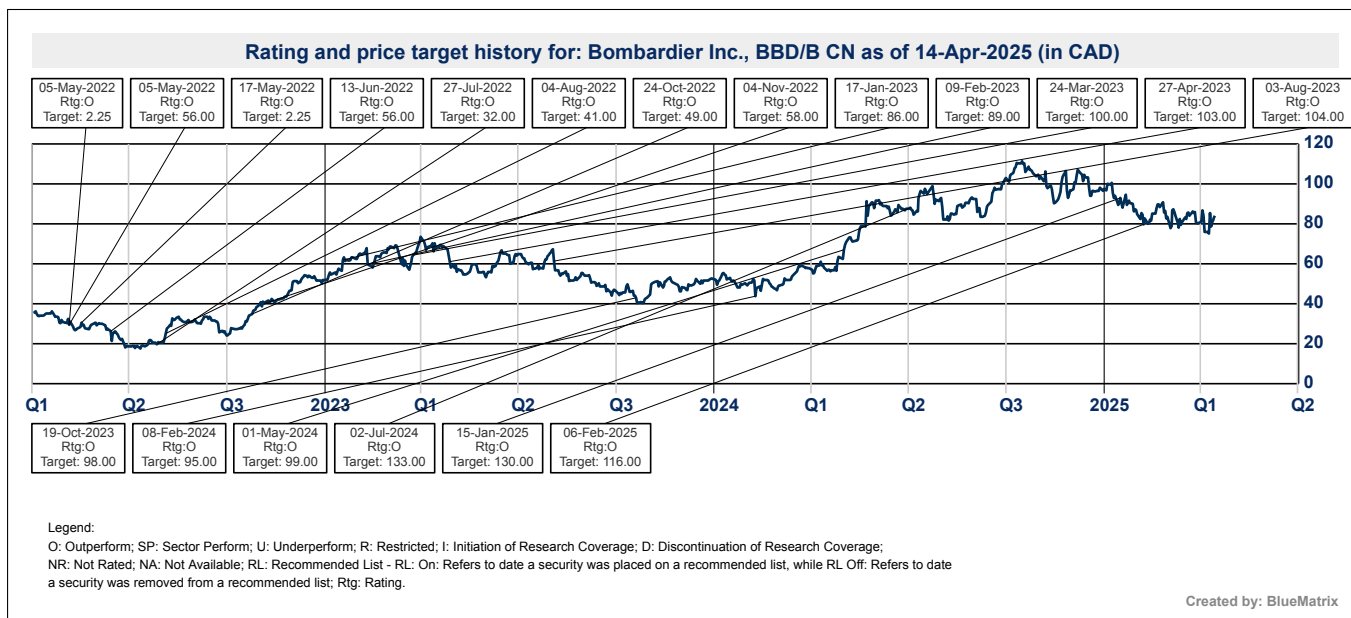
Created by: BlueMatrix

Rating and price target history for: CAE Inc., CAE CN as of 14-Apr-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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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 3.25x EV/EBITDA multiple to our 2026 estimates, we derive our price target of \$16.** Our target multiple is in line with AC's historical average multiple. Our base case reflects the following assumptions: (1) near-term constraints continue with a return to 2019 capacity levels by 2026; (2) yield pressures continue to 2025; and (3) continued cost increases. Our price target supports our Sector Perform 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 6x to our 2026 EBITDA estimate of \$1.7B to derive our \$101 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 11.7x on our FY27 EBITDA estimate of \$1,351MM. Our 12.5x Civil multiple is in line with Aerospace and Defense peers, and our Defense multiple of 8.5x is derived using a discount to peers due to lower margins and recent headwinds. We anticipate that CAE's valuation will be supported by the company's favourable industry fundamentals (including secular growth and high barriers to entry), as well as the continued recovery in travel and defense procurement. Based on relative returns to our \$41 price target, we rate the shares Outperform.

### Risks to rating and price target

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

### Chorus Aviation Inc.

#### Valuation

We value Chorus on our 2026 EBITDA estimate which reflects 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 \$25, 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 7.2x EV/EBITDA multiple (7.9x for Aviation & Aerospace and 5x for Manufacturing, ahead of aviation peers and in line with manufacturing) to our \$767MM 2026E EBITDA, reflecting a valuation blend of ~75% Aviation & Aerospace and ~25% Manufacturing. We apply our target multiples to our 2026E EBITDA for each segment, generating our \$64 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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