



**chorus**  
aviation inc.



# Management Presentation

January 2018



# CAUTION REGARDING FORWARD-LOOKING INFORMATION

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Certain information in this presentation may contain 'forward-looking information' as defined under applicable Canadian securities legislation. Forward-looking information typically contains words such as "anticipate", "believe", "could", "should", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar words and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions.

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- I About Chorus
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# I Introduction to Chorus

# Attendees – Chorus and CAC



**Joseph (Joe) D. Randell**  
*President, CEO, and Director*  
*Chorus Aviation Inc.*

- President and CEO of Chorus and its predecessors since its creation in 2001
- Led consolidation of Canada's regional airlines resulting in the creation of Jazz in 2001
- Started career in the airline industry in 1974 and co-founded Air Nova in 1985



**Rick Flynn**  
*EVP, Chief Corporate Development Officer*  
*Chorus Aviation Inc.*

- Appointed to current position in October 2015
- Previously held the positions of CFO and VP, Finance at Chorus and VP, Business Development at Air Canada Regional Airlines
- Was involved in public accounting at Peat Marwick where he received his CA designation



**Tyrone Cotie**  
*Vice President, Treasury*  
*Chorus Aviation Inc.*

- Over 25 years of experience in senior financial positions with the last seven focused on development and implementation of treasury strategy at the VP level
- Current Chair of the Board, Financial Executives International Canada



**Steven Ridolfi**  
*President*  
*Chorus Aviation Capital*

- SVP, Strategic Investments, Mergers & Acquisitions, Chorus Aviation
- SVP, Strategy, Mergers and Acquisitions, Bombardier
- President, Business Aircraft, Bombardier
- President, Regional Aircraft Bombardier



**Cameron Mountenay**  
*Chief Financial Officer*  
*Chorus Aviation Capital*

- VP, Finance and Contracts, Bombardier
- VP, Asset Management & Business Development, Bombardier



**Rory McQueen**  
*Vice President, Finance & Capital Markets*  
*Chorus Aviation Capital*

- VP, Capital Markets, Lease Corporation International (LCI)
- Head of Treasury, Vistajet
- Director, Structured Finance, Bombardier
- Director, Aircraft Finance, Bank of Scotland

# Chorus at a Glance



**TSX: CHR**

Ticker symbol

**~ \$1.2 billion**

Market capitalization<sup>(1)</sup>

**+114%**

Three year share price performance<sup>(2)</sup>

**~ \$1.3 billion**

Operating revenue - 2016

**~ \$248 million**

Adjusted EBITDA, excluding other items - 2016

Consistently profitable since becoming publicly traded in 2006

Focused on building additional shareholder value

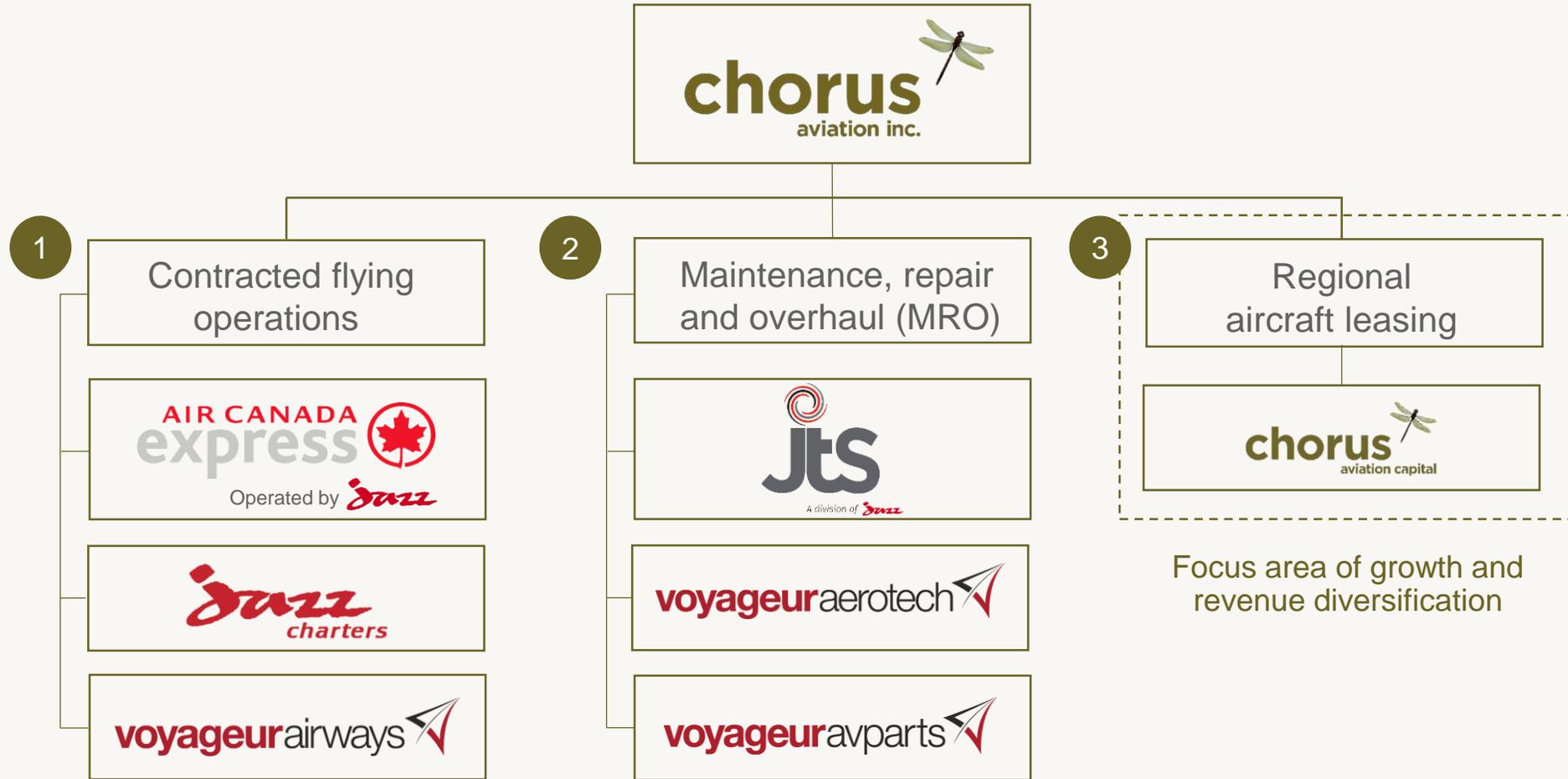
Monthly dividend of \$0.04 per share

(1) Calculated using closing price of Chorus shares of \$9.74 on the TSX on November 22, 2017.

(2) Between November 22, 2014 and November 22, 2017.

# Chorus Lines of Business

- Focused on providing a full suite of regional airline services



## **II Our Leasing Business**

# Overview of Chorus Aviation Capital

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- Established in January 2017
- Fairfax Financial invested \$200 million in Chorus through convertible debt units
- New subsidiary Chorus Aviation Capital (“CAC”) setup to build a global, regional aircraft leasing platform - further advancing Chorus’ growth and diversification strategy
- Leverages expertise within Chorus’ group of companies to offer a full suite of support services to customers

# CAC Strategic Vision

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## Opportunity

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Chorus believes there is a significant opportunity to develop a large and profitable leasing platform by capitalizing on its unique expertise in the regional airline market. Chorus is targeting the regional segment because:

- Accelerating global passenger growth and positive airline fundamentals have created strong regional aircraft market demand.
- Regional aircraft leasing segment is currently underserved with limited competition and great potential for further penetration.
- The regional aircraft leasing segment enjoys premium yields and sector margins with favorable access to capital.
- The regional aircraft market is characterized by historically stable aircraft deliveries with limited technical obsolescence risk.

## Execution

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Chorus Aviation has established a wholly-owned subsidiary, Chorus Aviation Capital (“CAC”) for the purpose of acquiring, financing, leasing and trading regional aircraft.

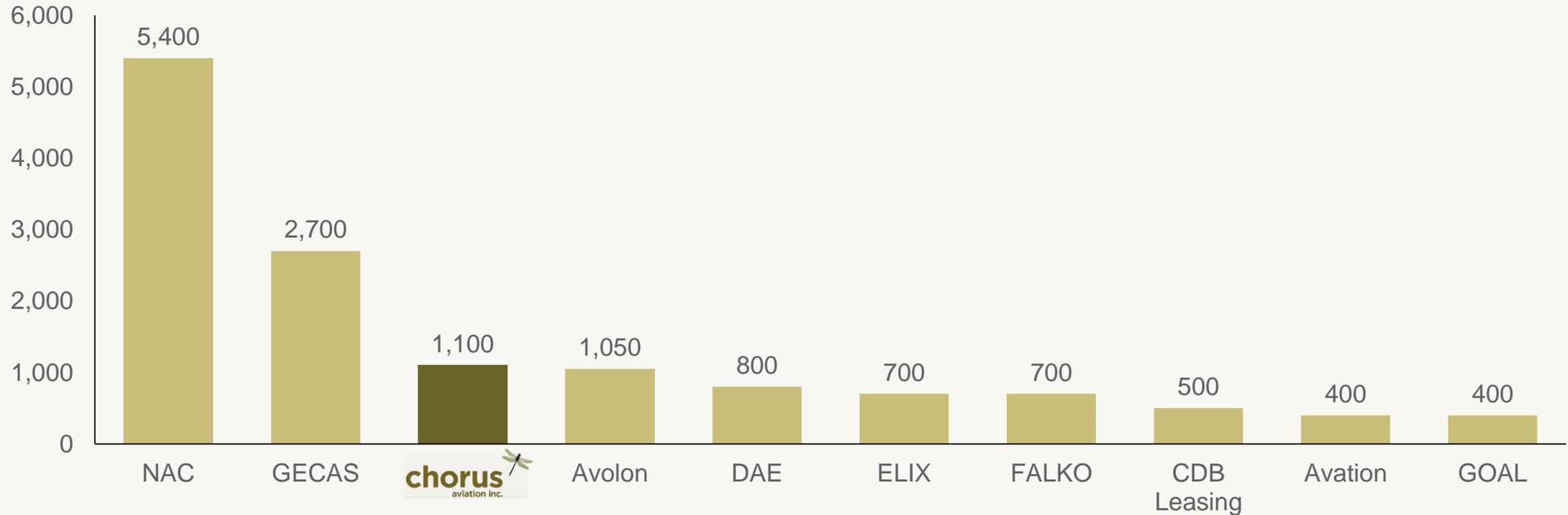
- Focused exclusively on the 70 to 135 seat commercial market segment, CAC will further expand and diversify Chorus’ regional aviation services model.
- CAC’s objective is to become a leading global regional aircraft lessor, by aggressively building a portfolio of new and mid-life regional jet and turboprop aircraft.
- CAC will utilize management’s expertise and relationships in the regional airline market to build a leading global regional aircraft lessor and create significant synergies with Chorus’ other businesses.

*The information above includes forward-looking information (refer to slide 2 – “Caution regarding forward-looking information”)*

# Chorus has Become a Significant Player in Regional Aircraft Leasing

## Portfolio Value

(US\$ mm)



Source: Based on CAC management estimates

# Regional Aircraft: An Ideal Leased Asset

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1

## Resilient Demand Expectations with a Broad User Base

- The 70-130+ seat fleet is expected to grow 4-5% per year over the next 20 years
- Operational efficiencies from regional aircraft play a key role in hub-and-spoke networks

2

## Attractive Aircraft Type for Shorter Routes

- Regional aircraft allow airlines to optimize aircraft size and reduce per-seat cost
- ~50% of global passengers fly on trips below 500 miles and ~30% of global passengers fly on trips below 300 miles

3

## Geographically Diverse Demand Dynamics

- Economic growth in emerging markets is expected to significantly outpace those in advanced economies
- The emergent urban middle classes in these areas present a real opportunity to expand air travel capabilities which will require the use of turboprop and regional jet aircraft

4

## Stable Supply

- Historical deliveries of regional aircraft have been relatively consistent
- Regional aircraft projected deliveries are stable

5

## Ability to Hold Values Over Time

- Values of regional jets and turboprops have proved less volatile relative to most narrow body aircraft

*The information above includes forward-looking information (refer to slide 2 – “Caution regarding forward-looking information”)*

# Regional Aircraft Sourcing Channels

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## Portfolio Acquisition

- Purchase of existing assets and leases from existing lessors.

## Airline Sale Leaseback

- Sale and leaseback of existing or future aircraft deliveries.

## Skyline Leases

- Direct purchase from OEM for subsequent lease to airlines.

## Mergers & Acquisitions

- Acquisition or joint venture with other lessors.

*There are a significant number of profitable lease transactions available to CAC.*

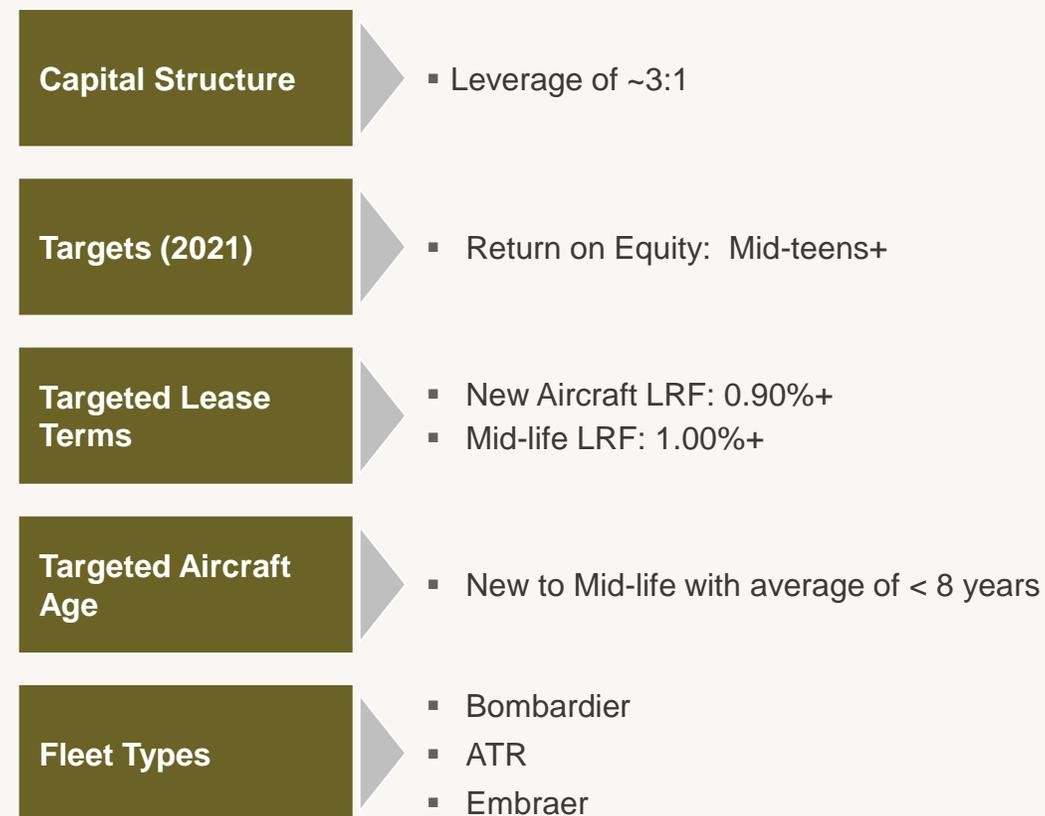
The information above includes forward-looking information (refer to slide 2 – “Caution regarding forward-looking information”)

# Targeted Operational and Financial Metrics

## Investment Objectives

- **Aircraft size:** 70- to 135-seat aircraft
- **Aircraft diversification:** No single type of aircraft to account for over 40% of the portfolio
- **Average age:** Target average fleet age of less than eight years
- **Customer diversification:** No single lessee to account for over 20% of the portfolio
- **Geographical diversification:** Portfolio target distribution consistent with global addressable market
- **Transaction hurdle rates:** Levered and unlevered returns, yield and cash flow
- **Lease characteristics:** Minimum tenures, security deposits, reserves and return conditions
- **Additional considerations:** Industry standard asset valuation methodologies, customer profiles, evaluations and inventory, continuous client credit and financial health assessment

## Key Financial Drivers



# CAC Progress to Date



Aeromexico 1x E190s



Aeromexico 2x E190s



Air Nostrum 4x  
CRJ1000s



Azul 2x E195s



Ethiopian 2x Q400s



Falcon 3x Q400s



Flybe 3x ATR72-600s



KLM 1x E190s



Virgin Australia 3x  
ATR72-600s

*Contracted for 21 aircraft worth US \$479m with an average age of 3.1 years.*

## CAC Progress to Date (cont'd)

Chorus Aviation Capital				
Aircraft Portfolio By Lessee				
Aircraft Lessee	Country	Geographic Region	Aircraft Model	Number Of Units
Aeromexico	Mexico	North America	Embraer 190	3
Air Nostrum	Spain	Europe	CRJ1000	4
Azul	Brazil	South America	Embraer 195	2
Falcon Aviation	United Arab Emirates	Middle East	Q400	3
Flybe	United Kingdom	Europe	ATR 72-600	3
KLM Cityhopper	Netherlands	Europe	Embraer 190	1
Virgin Australia	Australia	Asia and Pacific	ATR 72-600	3
Ethiopian	Ethiopia	Africa	Q400	2
<b>8 Lessees</b>	<b>8 Countries</b>	<b>6 Continents</b>	<b>5 Models</b>	<b>21</b>

# CAC Progress to Date

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## Scale

- Announced transactions for 21 regional aircraft worth US\$479 mm.
- Five aircraft types from three manufacturers with average age of 3.1 years.

## Diversity

- Clients now include eight major regional airlines, in eight countries, on six continents.
- New clients include Aeromexico, Air Nostrum, Azul, Falcon Aviation, Flybe, KLM & Virgin Australia & Ethiopian.

## Visibility

- Locked-in leasing stream of US\$347 mm with 6.5 year average term.
- Lease revenue producing a yield of 11.3%.

## Leverage

- Committed financing for all 21 new regional aircraft.
- Average LTV of portfolio of 75% (debt:equity of 3:1).

## Experience

- Expanded management team with four new appointments with 23 years average commercial aircraft experience.
- Building Irish platform with experienced board and management.

## Returns

- Acquisitions forecast to produce average 16.8% IRR and 9.1% unlevered IRR.
- Acquisitions undertaken to date to contribute US\$47 mm EBITDA and US\$16 mm EBT next year.

## Summary

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- **We believe there is a significant opportunity to develop a large and profitable leasing platform by exploiting this currently underserved segment and prevailing market dynamics.**
- **We have been able to consummate a significant number of successful profitable transactions over a short period of time. We have transitioned to a significant business with strong, attractive assets and contracted leases and margins, and we believe we can replicate and accelerate this growth.**