FINAL TRANSCRIPT

Chorus Aviation Inc.

First Quarter Results Conference Call

Event Date/Time: May 4, 2018 — 11:00 a.m. E.T.

Length: 42 minutes

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PRESENTATION

Operator

Good morning. My name is Mariama (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Chorus Aviation Inc. First Quarter Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during that time, please press *, and then the number 1 on your telephone keypad. If you would like to withdraw your question, please press the # key. Thank you.

I would now like to turn the call over to Nathalie Megann, Vice President, Investor Relations and Corporate Affairs. You may begin your conference.

Nathalie Megann — Vice President, Investor Relations and Corporate Affairs, Chorus Aviation Inc.

Thank you, Operator. Hello, and thank you for joining us today for our first quarter 2018 conference call audio webcast.

With me today from Chorus are Joe Randell, President and Chief Executive Officer, and Jolene Mahody, Executive Vice President and Chief Financial Officer. We'll start by giving a brief overview of the results, and then go on to questions from the analyst community.

Because some of the discussion in this call may be forward looking, I direct your attention to the caution regarding forward-looking statements and information, which are subject to various risks, uncertainties, and assumptions that are included or referenced on Page 32 of our

Management's Discussion and Analysis of the results and operations of Chorus Aviation Inc. for the period ended March 31, 2018, the Outlook section, and other sections of our MD&A where such statements appear.

In addition, some of the following discussions involve certain non-GAAP measures, including references to EBITDA, adjusted EBITDA, and adjusted net income. Please refer to Section 16 of our MD&A for a discussion relating to the use of such non-GAAP measures.

I'll now turn the call over to Joe Randell.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Thank you, Natalie, and good day, everyone. Thank you for joining us.

This morning we held our Annual Meeting of Shareholders, and I'm pleased to report that all orders of business were approved. I thank our investors and our board for their support. It is also my pleasure to welcome Ms. Margaret Clandillon to our Board of Directors.

Margaret is a highly experienced corporate director with over 30 years of legal and business experience in aircraft leasing and capital market. Her counsel will be valuable as we continue to execute on our growth strategy.

Now turning to the first quarter. I'm pleased with our overall performance, and believe we are off to a positive start. Our efforts in this period were concentrated on maintaining the momentum achieved in 2017 towards our vision of delivering regional aviation to the world.

We were very pleased to welcome Dublin-based CityJet to our growing portfolio of regional lessees. This transaction was a sale and leaseback of two CRJ900s, bringing our fleet of leased aircraft to 67 with an average age of six years.

In the quarter, we successfully completed an equity raise that yielded approximately 107 million in net proceeds, bringing the total amount of capital raised for our leasing business to just over 300 million since the start of last year. When combined with the anticipated debt financing at typical ratios of up to 3 times equity, this capital affords us the ability to invest up to 1.2 billion in aircraft for third-party leasing. Based on our deployment rate over the last year, we expect to fully deploy this capital by mid-2019.

We have ongoing active negotiations, and continue to have many good opportunities to assess. Our intention is to deploy this capital prudently as we've done to date, methodically and deliberately with a good mix of aircraft types, clients, and geographic locations.

Jazz and Voyageur continued to operate within our expectations and are maintaining a solid course of delivering positive customer satisfaction. Jazz Technical Services completed the fifth extended service program on a Dash 8–300 that is now contributing to our leasing revenue stream under the CPA with Air Canada. And we were pleased that Jazz's airport services group ratified a new collective agreement that extends to January of 2022.

I thank the Chorus team for their continued efforts toward our shared vision.

Before closing, I'd like to take this opportunity to congratulate Air Canada on its results, especially given the difficult weather this past winter. There is, however, one point I'd like to clarify relating to the deployment of Rouge.

From our perspective, we view Rouge positively, as it not only makes Air Canada stronger, which is good for us, it also provides additional destinations which we feed. Rouge broadens the Air Canada network, and all other services benefit.

This broadening of the network helps Air Canada launch new regional feed routes, such as the two that were just announced: Montreal to Windsor and Montreal to London. Recently, Air Canada also announced seven new routes in Western Canada which will be flown by Jazz.

We work very closely with Air Canada to help maximize its network, and the deployment of Rouge services on routes which have traditionally operated—we have traditionally operated is in fact a good sign. It shows that demand has grown enough to support the larger aircraft.

This has always been the case where mainline services move on routes where demand is efficient, and this is done often seasonally. It's all about putting the right aircraft on the right routes at the right time. Air Canada has a lot of flexibility to match capacity to demand using air services, and also we enable Air Canada to explore and to test new markets.

Our fixed fee compensation under the CPA isn't affected by where we fly or how much we fly. This ensures a strong alignment of interest with our customer Air Canada. We deploy our aircraft on routes they deem best, and our fees for operating the flights don't change as a result.

These fees and the minimum number of aircraft in the CPA fleet are set out in our agreement until 2025. And any changes to our contract require mutual consent.

I felt it important to remind our shareholders of this, given the market's reaction to this news earlier this week, especially when you consider how robust the fundamentals of our business continue to be.

Looking ahead, we remain focused on creating additional long-term shareholder value by capitalizing on our industry relationships as we build our core competencies in regional aircraft leasing, contract flying operations, and MRO.

I'll now turn the call over to Jolene, and she will take you through the financial results.

Jolene Mahody — Executive Vice President and Chief Financial Officer, Chorus Aviation Inc.

Thank you, Joe, and good afternoon, everyone. We continue to transition our business, and I'm very pleased with our progress.

In the quarter, we generated total revenue of 347.6 million versus 319.8 million in the same period of 2017, an increase of 27.8 million, or just under 9 percent. The primary driver of this increase was our non-CPA aircraft leasing, which together with maintenance, repair, and overhaul increased by 123 percent quarter over quarter.

The objective of our growth plan is to build non-CPA revenues by leveraging the expertise within our organization to deliver a full suite of regional airline services to customers worldwide.

Approximately 88 percent of our revenue was generated under the CPA in the first quarter as compared to 94 percent in the same period of 2017.

Bear in mind, however, that approximately 71 percent of our consolidated revenue in the quarter was attributable to pass-through and controllable revenues, which are intended to reimburse Chorus for services provided under the CPA.

With our recent capital raise, our intention is to continue building our regional aircraft leasing revenue.

Now I'll turn to the first quarter of this year, and here's how the results compared to the same period in 2017.

We reported adjusted EBITDA of 78 million versus 54.4 million in 2017, an increase of 23.6 million, or 43.4 percent. The 23.6 million increase in adjusted EBITDA was primarily driven by a 13.8 million increase mainly due to the growth in third-party regional aircraft leasing, increased aircraft leasing revenue under the CPA of 2.3 million, decreased stock-based compensation of 2.2 million, decreased operating costs related to a 1.3 million increase in capitalized labour and maintenance cost on owned aircraft for major maintenance overhaul, and a decrease of 4.9 million in other expenses. This was offset by a decline of 0.9 million in CPA performance incentive revenue.

Adjusted net income came in at 26.5 million for the period, an increase from 2017 of 10.4 million, or 64.5 percent. Adjusted earnings per share rose 61.5 percent to $0.21 per basic share.

The change was a result of the 23.6 million increase in adjusted EBITDA previously described and a 0.2 million decrease in income taxes, which was partially offset by 5.8 million of interest cost related to increased aircraft debt and convertible units and 7.6 million of additional depreciation primarily related to new aircraft.

Net income was 5.1 million for the period, a decrease of 29.9 million, or 81.3 percent from the same period of 2017. This decrease was due primarily to changes in unrealized foreign exchange losses of 32.2 million, which was offset by the previously noted 10.4 million increase in adjusted net income.

In February, we implemented a dividend reinvestment plan to help support our growth in our aircraft leasing business. The plan currently offers a discount of 4 percent from the average market price for shares purchased under the plan, and I'm very pleased with the current approximately 20 percent uptake so far.

Looking ahead to the balance of this year, capital expenditures for 2018, excluding those for the acquisition of aircraft and the ESP, but including capitalized major maintenance overhaul, are expected to be between 44 million and 50 million. Capital expenditures for ESP and aircraft acquisitions as announced as at March 31, 2018, are expected to be between 81 million and 84 million. However, this excludes future capital for aircraft acquisitions.

Based on scheduling information from Air Canada, Billable Block Hours for 2018 are expected to be between 350,000 and 375,000 hours, and this is based on 116 covered aircraft as at December 31, 2018.

The actual number of Billable Block Hours for 2018 may vary from this anticipated range due to many factors, which are outlined in Section 9 of the risk factors. For additional information supporting our projected guidance for the balance of this year, I'll refer you to Section 4 of the 2018 Outlook section of our MD&A for the period ended March 31, 2018.

And that includes my commentary. Thank you for listening. And, Operator, we can now open the call to questions from the analyst community.

Q&A

Operator

Thank you. At this time, I would like to remind everyone in order to ask a question, please press *, and then the number 1 on your telephone keypad. We'll pause for a brief moment to compile the Q&A roster.

Your first question comes from Walter Spracklin with RBC. Your line is open.

Walter Spracklin — RBC

Thanks very much. Good morning, everyone.

Joe Randell

Good morning.

Jolene Mahody

Good morning, Walter.

Walter Spracklin

So, Joe, yeah, you addressed the Rouge issue because at first when Calin kind of highlighted it he actually used the example of Halifax to St John’s as being instead of a few flights on a regional aircraft we could condense it into less flights moving same or more people on a narrow-body, which kind of led to that view that maybe there would be less use of regional players. But to your point, you’re seeing that as either offset or not only offsetting, but adding by the new connectivity that the additional Rouge routes provide. Is that right?

Joe Randell

Yeah. I think the whole idea of Air Canada’s route network is really to put the right-sized airplane in the right—to compete against whoever’s on the route in the right manner and nobody owns routes. There’s not a—you can say that a particular route is operated by us, but nobody actually owns the routes. They’re left to Air Canada’s revenue management and scheduling people to decide what the best combination is.

And in the past we’ve had many examples of rules that we have operated that Air Canada put larger equipment on and vice versa, a number of routes that have been down-gauged over the years as well. And it is a function of the connectivity, it’s a function of the local market, et cetera. And

I think what people fail to see is that since Air Canada's been expanding, we've gone on a lot of new flying, especially in Western Canada, routes like Denver-Vancouver, San Jose-Vancouver, Dallas-Vancouver, Chicago-Vancouver, as an example, all feeding Air Canada. And aside from those routes, now that we've been operating for a period of time, there were seven routes that were just announced in Western Canada not long ago, including Edmonton-San Francisco, Edmonton-Kelowna. I won't go through the list.

So we're not seeing a decrease in the demand for hours on our services. We're seeing a redeployment, which is really what it's all about. The network is not static. It's going to keep changing all the time. And when you look at the additional feed that we provide, we feed Rouge just like we do mainline. So if Air Canada puts on a new Rouge flight from Montreal to Budapest, as an example, that's a great opportunity. Air Canada has launched some new services from Montreal to Philadelphia to Baltimore, et cetera. And a lot of these services connects to Rouge services out of Montreal, as an example.

So the whole system is rather dynamic. And it sounds as if we're being replaced in some of these, but overall it's really a redeployment, realignment. And that's more of what it's all about, and that's what we see.

Walter Spracklin

So if there is a redeployment, I mean the risk, I guess, is that you might lose a route due to densification, but you don't get the redeployment because it goes to another regional player. Are you winning most of the new routes? Can you give us some comfort that of the regional routes that have been redeployed you've won the majority of them? Or is that fair to say?

Joe Randell

No. Well, I think I've gone through the list of the routes that have been announced that we will operate. I don't have the top of mind in terms of the other regionals, but we have not seen a shift in the share of the flying—

Walter Spracklin

Right.

Joe Randell

—that we have as a result of this at all.

Walter Spracklin

Okay.

Joe Randell

And so I'm really a little bit—we were a little bit baffled in terms of how the market interpreted this and how it responded because the fundamentals of our business and our relationship with Air Canada, the amount of flying that we do and the flexibility we give Air Canada, is exactly the same as it's always been.

Walter Spracklin

That's good to hear. And I guess when the C Series comes out, the same thing, do you see that as opening up routes? Or is that a threat to the C Series now encroaching in on some of what the regional flying you would have been doing because as I understand it, the C Series will continue to be operated by mainline. Is that right?

Joe Randell

Yeah. Again, I think we'll see some new routes; we'll see some changes. Of course, what you have to recall—what you have to remember is that Air Canada's is taking out its fleet of 190s, and the C Series is more equivalent to that size of aircraft. And as Air Canada succeeds and grows, we're seeing new routes, new opportunities. And any event of a downturn, frankly, the converse is generally true where there are a lot routes then that all of a sudden can't support their larger equipment, and that's where we are deployed.

I think quite often it's the larger equipment on the larger end of the scale that where there are fewer options that suffer the most in the event of a downturn. So we're a bit of a hedge … we're hedged in terms of a downturn because we've got the right-size airplanes with the right economics to offer and still maintain good frequency, so—

Walter Spracklin

Okay. And just to be clear, I mean since they operate the 190s, is there no chance you'll be able to operate the C Series for Air Canada? Has that already been signed, sealed, and delivered kind of thing?

Joe Randell

Yeah. That's not in our portfolio at this time, so yeah.

Walter Spracklin

Okay. Moving over to the leasing business, I noted there was a little bit of a language change on your leverage from I think it was 3 to 4 to 1 to now up to 3 to 1. And I'm just wondering if are you seeing any obstacles that weren't there before? Is higher interest rates a consideration here? Is there anything that would lead you to adjust your leverage? And maybe just give an update on exactly the environment for the leasing of new and deployment of new aircraft as well, that'd be helpful.

Joe Randell

Yeah. Well, Jolene may have a comment on the leverage, I guess, and that. But in fact, we're not really seeing anything much different than what we did before. As a matter of fact, we're finding now as we get more leverage and volume and a track record here that that is actually going to help us in terms of the financing of the fleet.

Walter Spracklin

Right.

Joe Randell

And because the cost of capital is critical, the more you leverage it up frankly the better you do. And we're seeing some positive trends on that.

Jolene Mahody

Yeah. I think, Walter, if there was any language change it was certainly unintentional; don't take any meaning into it.

Walter Spracklin

Okay.

Jolene Mahody

We continue to see and achieve kind of leverage rates that we had in the past. And as Joe said, in fact under some of the arrangements that can be put in place with the EDC, with the track record I think that we're creating and stuff, we expect lowering cost of capital and ability to leverage to a greater degree if we chose to do that. But the numbers of 3 to 4 to 1 are still fully intact.

Walter Spracklin

And interest rate, rising interest rates?

Jolene Mahody

Yeah. No, we're not seeing any fallout of rising interest rates. I mean, as you know, our approach certainly from the deals that we have to date we lock in our interest rates in one form or another and we match it up with the lease term. And as time moves on, I think you'll probably see an inflection point with OEMs increasing pricing based on increases in interest rates, which we'll continue to bake into our investment decision and into the leasing rates themselves. But we're not seeing any fallout from that at this stage.

Joe Randell

I think rising interest rates will cause all boats to rise with the tide because I think you'll see that reflected in lease rates. And in terms of carriers themselves, the cost of financing the aircraft if they were to do their own acquisition it's going to increase as well.

So other than the ultimate impact that it may have on the economic—on the world economy, which still seems to be going very well, it's not something that we lose any sleep over.

Walter Spracklin

Got it. Okay. That's all my questions Thanks very much.

Joe Randell

Thank you.

Operator

Your next question comes from Cameron Doerksen with National Bank. Your line is open.

Cameron Doerksen — National Bank

Yeah. Thanks. Good morning. I guess just a couple questions on the Chorus Aviation Capital business. I mean just firstly on that because the pace of capital deployment here has slowed a little bit in the last couple quarters—I know there's some lumpiness to getting these transactions done—but how comfortable are you in kind of deploying capital to bring in another 20 to 25 or so aircraft by mid-2019? That's only sort of 12 or 14 months. I'm just wondering—

Joe Randell

Yeah.

Cameron Doerksen

—if you still feel pretty confident about being able to do that?

Joe Randell

Yeah. We're very confident about that, Cameron. We have a number of transactions at various stages in the development cycle. As you said, it's going to be a little lumpy. If you look back over last year, I think we did what we said we were going to do. And it was, though, a little lumpy. It's more about getting the transactions, the right transactions before us. And we see a good pipeline, a continuous, good pipeline of opportunities, so there's no change in that regard.

The first quarter certainly the last little while has been a little slower, but we see the pace picking up.

Cameron Doerksen

Okay. And I think maybe one of the limiting factors if we go back six months or so was just the size of the team at, of course, Aviation Capital. Have you basically filled out all the necessary team there to get the transactions over the line?

Joe Randell

Yeah. We've grown the team. And we have our Chorus Aviation Capital Ireland, and we're in the process of even adding more resources there. So we've brought a lot of people in with various backgrounds with leasing companies, et cetera. So we're building a stronger team as it goes forward.

We're being careful about not overbuilding as well because it's a matter of building the team at the right pace, but we're getting traction. And as time goes on, it will increase the number of professionals that we're going to have. But we have all the primary functions certainly well covered, and of course we do get some technical support from Voyageur, et cetera, so we're able to draw on some of that.

Cameron Doerksen

Okay. And the SG&A costs related to Chorus Aviation Capital, where do they show up on the income statement?

Jolene Mahody

So they run throughout the income statement, Cameron. So the majority obviously would be in the form of salaries, which would be in the salary line combined with all the rest of the employee labour cost. And then anything else, if it's not capitalizable, like certain transaction costs, they would flow through the other expense section of the P&L.

Cameron Doerksen

Okay. No, that's good. All right. That's actually all I had. Thanks very much.

Joe Randell

Okay.

Jolene Mahody

Thank you.

Operator

Your next question comes from Kevin Chiang with CIBC. Your line is open.

Kevin Chiang — CIBC

Hey. Thanks for taking my question here. Good morning, everybody. Maybe just a—

Jolene Mahody

Good morning.

Kevin Chiang

—follow-up question on the impact of rising rates. I'm wondering, as rates rise are you able to increase the lease terms to reflect the spread? Are you seeing any pushback? Or maybe rates haven't risen enough for you to have those conversations, but just wondering are you able to match that spread even as rates rise here?

Jolene Mahody

Yeah. So just I guess you're talking about prospective deals—

Kevin Chiang

Right.

Jolene Mahody

Certainly on deals that we've done today, 95 percent of the interest rates are fixed, so we're not exposed there. And yeah, we've not seen any, I guess, margin compression to this point on rising interest rate at all. We've been able to kind of maintain kind of that targeted range that we had anticipated and wanted, so we'll kind see what happens as time goes forward, but we've not seen any fallout implication.

Joe Randell

And we continue to look to match the term of the debt to the terms—

Kevin Chiang

Mm-hmm.

Joe Randell

—of the lease and at fixed rates, so.

Kevin Chiang

Okay. That's helpful. And then when you think the size of the pie, and you've highlighted by mid-2019 you'll basically be double your current levels now, so maybe close 50 aircraft give or take, how big does this fleet get, the non-Air Canada component of the lease portfolio? How big can this get? It seems like this pipeline is very deep. Is it 70 planes? Eighty planes? Or is 50 kind of a good level you'd like to stay at?

Joe Randell

Well, we see as we get traction and we're maintaining the right balance in terms of the financial leverage that we have and the equity that we have to invest, et cetera, maintaining and looking to capitalize on the opportunities that are there. We presently haven't said anything really beyond 2019, but we see it as a growing enterprise. And you have some very like the largest regional lessor in the world, it's got about $6 billion in assets, which is Nordic. And we continue to see good opportunities in becoming a strong world number two in the regional aircraft leasing business.

We're certainly quite a bit smaller than Nordic is, but it's all about doing it prudently, about taking on the appropriate risk-reward levels, and I think we're getting good tractions. We're seeing a lot of traction. We're seeing a lot of opportunities out there that in fact we're not interested in, so we're being cautious, but it clearly is the growth end of our business.

Kevin Chiang

That's helpful. And last one for me, maybe a follow-on on you spoke of the growth opportunities with Air Canada, given their expanding network and ability for you to help connect the dots. When I look at I know Billable Hours might not be the perfect proxy, but if I look at the high watermarks for your Billable Hours looking back to last 10-plus years, call it, about 400,000 hours in a very different environment, and today you're kind of north of 90 percent of that level. I'm wondering what the utilization rate of your covered fleet is? Like if Air Canada continues to grow, do you need to start adding to the covered fleet? Or is there a significant amount of additional flying you can still do with the planes you have currently under the CPA covered fleet?

Joe Randell

No. Well, I think the underlying issue under the hours—and you're right about the hours—is that you have to really look at what the fleet is composed of. And we have really shifted further and further away from 37- and 50-seat airplanes to 75 seaters. And that's just a matter as to—a fact as to what's happening in the regional business, especially as the markets grow, et cetera.

And we see opportunities on the 75-seat aircraft side. The smaller aircraft, the ASM costs are higher because of the smaller aircraft, so there's a natural movement. Now if you look at our ASM production, despite the lesser hours, our ASM production was up 3 percent over last year in 2017 over 2016. So we have a covered fleet, we have an agreed-upon fleet, but we're always opens to discussion with Air Canada about changing the mix, providing Air Canada with a better combination that would enable them to feed better, et cetera.

So I think you will see as time goes on that the fleet will adjust, et cetera, but the undermining economics of the CPA for us are solidly intact even with changes in that regard.

Kevin Chiang

That's helpful. And that's all for me. Thank you very much.

Jolene Mahody

Thanks, Kevin.

Operator

Your next question comes from Turan Quettawala with Scotiabank. Your line is open.

Turan Quettawala — Scotiabank

Yeah. Thank you, and good morning. I guess I wanted to just ask one on the covered fleet as well here. I guess, Joe, in terms of the covered fleet could you remind us again, I think the minimum is sort of very close to the 116, 117 aircraft out to at least to 2020, is it not? And how much of it out to 2025?

Jolene Mahody

So the minimum fleet is actually what we're operating, and so it's 117 planes currently. It moves to 116 planes by the end of this year. And then, Turan, as the—we have a number of Dash 8s. If you go out into the outer years, that number drops down to currently a minimum fleet commitment of 96 airplanes at the end of 2025. That's really predominantly driven by the 37-seat aircraft, the Dash 8–100s, but as they meet their life limits they kind of come out of the CPA.

Joe Randell

There are 5 more 75-seat aircraft in the plan as it exists today in 2020, I believe, so although there is a reduction in the number of fins, when you look ASM production—I keep going back to that—then that remains very solid, and of course the compensation that we receive is well defined out to 2025.

Turan Quettawala

No, I understand that. Okay. Perfect. Thank you. And then I guess the other question I had was I saw that there's about 10 planes, I guess, in your fleet that are sort of not operational right now. Just wondering sort of what plans you might have for those? Are they just sort of in the maintenance cycle? Or is there basically maybe an ability to either re-lease those out or something?

Joe Randell

Yeah. We've taken out quite a number of Dash 8–100s over the last few years. We converted some of them from passenger to freighter. They're under lease. We leased others to third parties. We actually redeployed some of those aircraft through Voyageur for contract flying, and we parted out quite a number. And we've done quite well actually when we parted out these aircrafts.

So we do have a number right now sitting, and we are looking to remarket those airplanes. I think we're getting some interest, further interest in the freighter side, et cetera. So these are assets that we just have available that we're looking to repurpose, and that's what Voyageur is all about.

Jolene Mahody

And, Turan, as you know, those assets are fully owned. I mean, there's just a small depreciation cost associated with them. There's no debt or anything against them.

Turan Quettawala

Yeah. Thank you. And I guess maybe one last one for me here on the ESP costs. I guess those are generally related to the pilot flow-through agreement. Is that right?

Jolene Mahody

Sorry, what was the question?

Turan Quettawala

The ESP costs I think in the quarter, are those all—I think it's 4.2 million or something. Is that all basically the pilot flow-through agreement?

Jolene Mahody

The ESP cost?

Turan Quettawala

Oh, did I misread that?

Jolene Mahody

So the—or the ESP cost, sorry. Are you talking about employee separation program cost?

Turan Quettawala

That's right.

Jolene Mahody

Yeah. So you're right. They were 3.5 million, a combination of pilot and maintenance employees that we continue—

Turan Quettawala

Got it.

Jolene Mahody

—to invest in. Yeah. Our objective is populate those new industry wage rate scales, and so we'll continue to invest to change the demographic to populate those scales. You're exactly right.

Turan Quettawala

Okay. And then are you getting … are you having any difficulty in getting pilots right now on the other side? And maybe just talk a little bit about the average age of your pilots. I mean, are we getting to the right number now on that side?

Joe Randell

So we continue to have a good pipeline of well-qualified pilots. We've been very proactive to ensure that that's the case. We've had a really good flow of pilots to Air Canada. Over 500 have gone over. And right now if you look at our pilot roster, 54 percent of our pilots are under the new wage scales and the new agreement. So we've seen a major shift there.

We actually hired 1,200 new employees last year. So we are repopulating all of Jazz really with a younger demographic under the new agreements, et cetera. I don't have an average age, but I will tell you that we sort of do have two bumps in the age. We have a very young group of pilots that are the recent additions primarily, and then we have a more mature number of pilots that have been with us quite a long time.

So we've got a real good combination, so the age is in the middle. I'm sorry, I don't have the—

Jolene Mahody

And I think the relevant metric for us is the percent of population on the new scale—

Joe Randell

Yeah.

Jolene Mahody

—which is about 54 percent versus age, yeah.

Turan Quettawala

That's great. That's perfect. Thank you very much.

Operator

Your next question comes from David Tyerman with Cormark Securities. Your line is open.

David Tyerman — Cormark Securities

Yes. Good morning. My question's—

Joe Randell

Good morning.

David Tyerman

—on the MRO third-party flying, et cetera, everything but the CPA and the leasing business. I was just wondering if you could kind of scale it for us right now and give us an idea of how quickly it's growing? And what the opportunities you see for it over the next couple of years are?

Joe Randell

Yeah. I think on the MRO business we've done some third party through JTS here with Jazz. We're a Bombardier-approved maintenance organization now, so. But essentially if you go to this hangar today, we've got about six lines of business—or six lines of MRO. Two of them are outside; the remainder are the Jazz fleet. And the facility here is basically operating at capacity.

We continue to do specialty work in North Bay, and we're actively working at growing that business. The parts business, of course, has been going very well, but it's still not a particularly material part of our revenues. Really, our revenues are driven by contract flying and aircraft leasing, so we don't have any specific numbers in that regard, but it really is supportive of the rest of our lines of business.

Jolene Mahody

Yeah. And if I can just add to Joe's comments, David, so the MRO flows through, I guess, that other revenue category on the P&L along with third-party leasing. And predominantly if you kind of back into trying to figure out what portion is what, I'd say predominantly majority of the increase year over year—quarter over quarter is driven by the leasing size versus MRO. MRO for the quarter fair fairly flat, up a little, but we have a lot, as Joe said, of internal work going on at JTS even with the Dash 8–300s. We're doing all that work in-house, and that's taking up a bit of capacity.

But then the other non-CPA stuff I think you're referring to is the contract flying related to Voyageur, and that both separately chartered and contract flying, that line, you'll see us fairly consistent with last year as well. But I'll just remind you that last year we saw a pretty significant uptake in that line, and we were over 16 percent in performance growth in that top line for the year. So we don't expect to repeat that growth level this year. It was a pretty big pickup with the same fleet really; a couple of more Dash 8s.

So for this year I think you'd model something a little bit more modest in that line as far as growth.

David Tyerman

So should I basically conclude from all of this that everything but the CPA and the leasing really is kind of a flat business? It doesn't grow much? Or is it still small—

Jolene Mahody

No, no, no. I wouldn't say that. I'm just trying to characterize the first quarter numbers, right, so that you can kind of figure out what's what on that other line because I know it's a bit frustrating to try to figure out how much is driving from the third-party leasing. I wouldn't say that at all.

David Tyerman

Yeah.

Jolene Mahody

Relatively-wise it's obviously small because just of the nature of the pool of business that's there, but there is certainly some modest growth there. But it's not 43 percent growth that you're seeing in the aircraft leasing business.

Joe Randell

Right.

David Tyerman

Right. Okay. Okay. Fair enough. That's all for me. Thanks.

Operator

Again, if you would like to ask a question, it is *, 1 on your telephone keypad.

Your next question comes from Tim James with TD Securities. Your line is open.

Tim James — TD Securities

Thank you. I just have a question about the long term here, the very long term. What should investors think about as a possible trigger or an achieved financial metric that could be a catalyst for an increase in the dividend? And when I say long term, I mean five years or more in terms of what constitutes the long term.

Joe Randell

Yeah. We've not really focused on any particular time frame. Our efforts right now are going into investing in growing and diversifying the business. And we believe that is what will bring the greatest value to the shareholder in the longer term.

Of course we watch the dividend, et cetera. The yield continues to be very high, and our efforts are really on building that share price and executing on our growth plan so that we don't see drop-offs in share price like we just had this last little while. It's really about the fundamentals of the business are good. It's about strengthening the foundation, gaining more momentum, and I think at the appropriate time it would be looked at, but we don't have any time frames right now.

Tim James

Okay. Thank you very much. That's the only question I had.

Joe Randell

Okay. Thanks Tim.

Operator

There are no further questions at this time. I will now turn the call back over to the presenters.

Nathalie Megann

Thank you very much, Operator, and thank you, everyone, for being present on the call.

Wish you a very pleasant weekend.

Operator

This concludes today's conference call. You may now disconnect.

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