FINAL TRANSCRIPT

# Chorus Aviation Inc.

## Fourth Quarter 2019 Earnings Conference Call

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## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for standing by, and welcome to the Chorus Aviation Inc. Fourth Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only-mode.

After the speakers' presentation, there will be a question-and-answer session. To ask a question during this session, you will need to press *, 1 on your telephone keypad.

Please be advised that today's conference is being recorded.

If you require any further assistance, please press *, 0.

I would now like to hand the conference over to your speaker today, Nathalie Megann, Vice President, Investor Relations and Corporate Affairs.

Thank you, please go ahead.

**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 fourth quarter and year-end 2019 conference call and audio webcast. With me today from Chorus are Joe Randell, President and Chief Executive Officer; and Gary Osborne, 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 this discussion in this call maybe 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 55 of our Management's Discussion and Analysis of the results and operations of Chorus Aviation Inc. for the period ended December 31, 2019; the Outlook section; and other sections of our MD&A where such statements appear.

In addition, some of the following discussion involves certain non-GAAP financial measures, including references to EBITDA, adjusted EBITDA, adjusted EBT, and adjusted net income. Please refer to Section 18 of our MD&A for a discussion related 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, Nathalie, and good morning, everyone. I am tremendously pleased with our accomplishments. It was truly a transformative year.

On total revenues of 1.4 billion, we generated adjusted EBITDA of 341 million in 2019, an increase of 1.2 million over 2018.

We kicked off last year by establishing a stronger partnership with Air Canada for an additional 17 years, providing a minimum of 2.5 billion in contracted revenues with opportunities to increase this business. This was a critical development, as it laid a strong and long-term foundation from which we continued to grow and diversify.

Today, we operate about 80 percent of the Air Canada Express network, an increase of approximately 10 percentage points from the beginning of 2019. We safely delivered close to 11 million passengers and operated over 226,000 flights.

I thank the team for their professionalism and for helping our partner manage its network challenges certainly posed by the grounding of the 737 MAX fleet.

The implementation of the amended CPA went well and included the transitioning of 24 aircraft in and out of the Jazz fleet. This activity will continue, including the induction of nine new CRJ-900s beginning in May, which will generated additional leasing revenue under the CPA.

Voyageur's performance strengthened year over year. We also successfully won new international contracted flying missions with the United Nations and other clients and saw several contract extensions.

Our specialized maintenance, repair, and overhaul facility in North Bay had a very good year, and we've been hiring to keep up with the demand.

The launch of the Dash 8–100 package freighter was positively received, and we intend to actively market this product. While not our primary growth vehicle, it does lend synergies to support our growing leasing business.

In 2019, we acquired three aircraft for disassembly and parted out seven. To date, we parted out 15 aircraft. We see significant potential in parts and component sales, and we were pleased to establish a part sales depot in Dubai, further extending our reach into the international markets. I thank our employees in North Bay and those around the world for their operational integrity.

We've made significant advancements in growing our business, becoming a worldwide provider of regional aviation services. We successfully raised 184 million in capital during the year, including our 86.3 million unsecured hybrid debenture, and secured a 300 million US warehouse facility to support our growth in Regional Aircraft Leasing.

We now have a committed portfolio of 64 attractive assets placed with 16 customers, a 60 percent increase in the fleet over 2018. Together with the aircraft we have leased under the CPA, our portfolio comprises of 135 aircraft with approximately 2.1 billion US in future contracted lease revenue.

The growth in our leasing business drove a 27 percent increase in this segment's adjusted earnings before tax over last year, and now represents 22 percent of Chorus's overall adjusted EBT.

I’m very pleased with the positive momentum we gained in 2019 and with our continued maturation as a leasing company. We completed our first sale of three leased Dash 8-400 aircraft and extended our first leases with the renewal of three Aeromexico Connect Embraer 190s. The addition of the highly sought-after Airbus A220-300 aircraft to our portfolio was an important development in our evolution as we see growing demand for this state-of-the-art fuel-efficient aircraft.

These aircraft are being placed with airBaltic, an existing MRO customer that we’re pleased to welcome to our leasing portfolio.

The pipeline of potential transactions remains strong, and we will not waiver from our investment principles to profitably build our leasing business.

Finally, we were very honoured to be the recipient of several business and industry awards, including being named amongst Canada’s Safest Employers 2019, taking home gold in the transportation category. I thank the Chorus team for delivering a standout year. I look forward to our future accomplishments together, so thank you.

And now I’ll pass the line over to Gary to take you through the fourth quarter and the year-end financial results.

**Gary Osborne** — Chief Financial Officer, Chorus Aviation Inc.

Thank you, Joe, and good morning. I would like to also thank and congratulate our team for our successes in 2019 and so far this year. Together we’ve built a great foundation from which to further grow and strengthen our organization.

With over 90 percent of our revenues secured through long-term contracts, our business is predictable and transparent. As such, our business delivered results that once again met our expectations.

Here's how the fourth quarter compares to the same period last year. We reported adjusted EBITDA of 88.6 million, a decrease of 3.4 million, or 3.7 percent relative to the fourth quarter of 2018.

The Regional Aircraft Leasing segment's adjusted EBITDA increased by 12.3 million, primarily related to the growth in aircraft with 11 closed transactions in the fourth quarter. As Joe mentioned earlier, we are proud to have completed our first sale during the quarter, generating net cash proceeds of US$25 million and an internal rate of return in excess of 30 percent. The sale of these three aircraft produced an accounting loss upon the windup of the special purpose entities and resulted in a decrease in adjusted EBITDA and adjusted net income of 3.4 million and 1.3 million, respectively.

Excluding the impact of the sale, the margin on the Regional Aircraft Leasing in the quarter was consistent with Q3 and our expectations.

Again, in line with expectations, the Regional Aviation Services segment adjusted EBITDA decreased 15.8 million. The decrease reflects the 2019 CPA amendments, which moved the fixed margin and performance incentive revenue when Chorus moved to market-based compensation rates.

Beyond the changes related to the 2019 CPA amendments, fourth quarter results were impacted by increased stock-based compensation of 6 million, due to the appreciation in Chorus's share price relative to the comparable period, which was partly mitigated by the total return swap implemented in the fourth quarter of 2019, and decreased capitalization of major maintenance overalls on owned CPA aircraft over the previous period for 1.2 million.

Adjusted net income was 23.3 million for the quarter, a decrease of $12 million due to the $3.4 million decrease in adjusted EBITDA previously described; an increase in depreciation of 6.6 million, primarily related to additional aircraft in the Regional Aircraft Leasing segment; an increase in net interest costs of 5.3 million, primarily related to additional aircraft debt in the Regional Aircraft Leasing segment;

and an increase in nonoperating costs of 2.5 million primarily related to the loss on disposal of an engine of 1.2 million and a change in foreign exchange losses of 0.8 million, again, offset by a $5.7 million decrease in income tax expense resulting from lower adjusted EBT.

Net income increased 34.3 million, primarily due to the change in net unrealized foreign exchange gains on long-term debt of 46.2 million, offset by the previously noted $12 million decrease in adjusted net income.

For the 2019 year, Chorus reported an adjusted EBITDA of 341.7 million, an increase of 1.2 million over 2018. The Regional Aircraft Leasing segment adjusted EBITDA increased by 42.4 million, primarily due to the growth in aircraft earning leasing revenue. The leased fleet over doubled, increasing to 60 at the end of 2019 from 29 at the end of 2018.

In line with expectations, the Regional Aviation Services segment adjusted EBITDA decreased by 41.3 million, which reflects the 2019 CPA amendments and the reduced fixed margin and performance incentive revenue as Chorus moved to market-based compensation rates. These reductions were partially offset by the implementation of the controllable cost guardrail that helped mitigate some of the CPA margin shortfall resulting from reduced fees.

Beyond the changes related to the 2019 CPA amendments, 2019 results were impacted by increased stock-based compensation of 15 million due to the appreciation in Chorus's share price relative to the comparable period, which was partially mitigated by the total return swap implemented in the fourth quarter of 2019; decreased capitalization of major overhauls on owned CPA aircraft of 1.9 million over the previous period, offset by increased leasing under the CPA.

Adjusted net income of 96.2 million decreased over 2018 by 26.1 million, due to an increase in depreciation of 18.5 million, primarily related to additional aircraft in the Regional Aircraft Leasing segment; an increase in net interest costs of 15.5 million, primarily related to additional aircraft debt in the Regional Aircraft Leasing segment; and an increase in nonoperating costs of 5.6 million, primarily related to foreign exchange losses of 4.2 million in addition to a loss on disposal of property and equipment of 0.5 million, partially offset by the $1.2 million increase in adjusted EBITDA previously described; and a decrease in income tax expense of 12.2 million resulting from lower adjusted EBT.

Net income increased 65.7 million over 2018, due to the change in net unrealized foreign exchange gains on long-term debt of 90.8 million and decreased employee separation costs of 3.1 million, offset by the previously noted decrease of 26.1 million in adjusted net income and increased signing bonuses of 2 million related to the Jazz pilot collective agreement.

We ended the year with a solid cash position of 87 million. As mentioned, we raised gross proceeds of over 86 million in the quarter and cash financed the IndiGo and Croatian Airline deliveries. We expect the debt financing of approximately 46 million US on these aircraft to be in place by the first half of this year.

We're maintaining our intention to grow our Regional Aircraft Leasing segment by up to 20 aircraft per year, as we have the capacity to make this investment through accommodation of new debt and internally generated cash flow. The timing of these future transactions will not occur on a consistent basis; however, we expect the majority will be executed in the second half of this year. We will also use these resources to fund the delivery of nine CJR900s this year and five remaining ESPs to be completed before the end of 2022.

As been our practice, we manage costs against the objectives of remaining within market-acceptable ranges of leverage and maintaining adequate financial flexibility.

With the addition of the aircraft under both the Regional Aircraft Leasing segment and the aircraft leasing revenue under the CPA, Chorus's estimated future contracted lease revenue is approximately 2.1 billion US. When the CPA fixed-margin revenue of 0.6 billion US is included with the future contracted revenue, Chorus's future revenue approximates 2.7 billion US.

Capital expenditures for 2020, including capitalized major maintenance overhauls, but excluding expenditures for the acquisition of aircraft and the ESP, are expected to be between 38 million and 44 million. Aircraft-related acquisitions and the ESP capital expenditures in 2020 are expected to be between 442 million and 452 million, related to previously announced transactions.

For additional information supporting our outlook for the balance of the year, I'll refer you to Section 4 of the 2020 Outlook section of our MD&A for the period ended December 31, 2019.

That concludes my commentary. Thank you for listening. Operator, we can open the call to questions from the analyst community when you are ready.

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## Q&A

**Operator**

Thank you. As a reminder to ask a question, you will need to press *, 1 on your telephone. To withdraw your question, press the #, or hash key. Please stand by while we compile the Q&A roster.

Your first question comes from Doug Taylor with Cannacord Genuity. Your line is open.

**Doug Taylor** — Cannacord Genuity

Thank you, and good morning.

**Joe Randell**

Good morning, Doug.

**Doug Taylor**

With respect to the leasing activity, you suggested it's going to be back-end loaded for commitments. That's a similar kind of seasonality or cadence to last year. Is it fair to assume that that is going to be the regular seasonality for commitments and deployments going forward in future years? Is there some … or is there some kind of intentional pause right now to digest some of the recent activity? And then perhaps related to that, do you notice airlines pausing their decision-making with respect to their fleets in response to either the MAX or coronavirus or any other factors?

**Joe Randell**

So first of all, there's no intentional pause on our part here. It really is looking at the transactions that are in the pipeline for this year and looking at the expected dates which they will come to a conclusion. And as we look at it, we see it being more in the last half of the year. So that's … generally, the business is a little lumpy, and so we're just sort of giving some outlook for the year in terms of when we see the transactions actually happening.

I don't think it's necessary that the same trend would be there every single year. It depends on who's out, where the opportunities are, et cetera. A lot of people, of course, like to get deals closed by year-end, and that's generally something that focuses folks perhaps more so from a customer point of view and that sort of thing.

And I guess your question on have we seen any changes as a result of the overhang that exists right now because of the coronavirus, we've not seen anything like that at all in our business. We've not seen any change in the pipeline, in the outlook, et cetera. So at this point, we haven't seen any effect—

**Doug Taylor**

Same for the MAX?

**Joe Randell**

Pardon me?

**Doug Taylor**

Same goes for the MAX and that impact?

**Joe Randell**

Yeah. Well, the MAX impact is more on Jazz where we are flying our aircrafts a lot more hours and trying to support Air Canada, as it's missing a substantial amount of its fleet and managing through this process. So we've been very busy with utilization, high-crew utilization, et cetera. But what's most important, of course, is we do it safely, and that's what our focus is on. And we'll continue to support Air Canada in that regard.

And just as an added comment, our new arrangement with Air Canada makes this far easier as well because with the cost guardrails that are there, we're totally aligned with Air Canada in terms of just providing them with what they need to support their network. So I think that's a major benefit of our new arrangement with Air Canada is we're not spending a lot of time negotiating. It's just a matter of saying, hey, we're here to help, and we'll do whatever we can to help you through this difficult period.

**Gary Osborne**

And, Doug, it's Gary here, sorry. On the deliveries, if you look at last year, we were about one-third in the first part of the year and then two-thirds in the second half. It's probably going to be similar, in and around that same this year, at least from what we can see.

**Doug Taylor**

Yeah. Thank you. And that brings me to the next question, the timing of the A220 remaining entries in the fleet this year. I think the last guidance you gave was kind of the end of Q3. Is that still accurate?

**Joe Randell**

Yeah. I don't think we've seen any change in our expected deliveries from what we had previously provided.

**Gary Osborne**

No, not at this stage.

**Doug Taylor**

And it's an exciting addition to the portfolio, as you mentioned. It's also a little larger aircraft more closer to a narrow-body, which has been a more competitive end of the market. This is also a relatively new platform. So there's a couple considerations there with respect to the lease factors relative to the existing portfolio. Can you provide any comment on that?

**Joe Randell**

Well, it is certainly very competitive. The lease rate factors are generally a little lower the larger the aircraft, frankly. But the returns are still very, very good. And we are very heavily turboprop-oriented, which we like that. But we have a lot of the top names in the industry and that sort of thing.

Our focus right now going forward will be more, I think, on the larger regional jets. We'll continue to focus on turboprops. But so the A220 is proving to be a great aircraft. We're also carefully looking at the developments at Embraer and the E2s, which is, again, a new technology, a more fuel-efficient aircraft. So we see that as being a bit in our sweet spot as well.

So yeah, we still see good returns here, and so we're able to be competitive, I think, as was demonstrated in the case of the airBaltic acquisition.

**Doug Taylor**

Perhaps I'll sneak one more question in here. The loss related to the special purpose entity, can you walk us through? You get the gain; the positive IRR, 30 percent you mentioned; you get a loss. And also is this a unique situation with these aircraft specifically? Or is this something that may recur this kind of machination when you do dispose of aircraft?

**Joe Randell**

Well, it's … I think it depends in terms of when the aircraft are disposed. But aircraft trading is an integral part of the business. And for a leasing company to sell assets off at any one time is not unusual, and it all depends on the deal itself. And we make decisions based on the attractiveness of the deal.

And I think, as Gary said in his comments there, with respect to the cash that was produced and the return that we saw and our ability to reinvest this in additional fleet, we manage more for the overall business return and making the right business decision, even though there was an accounting loss as a result of this in terms of the structure that was there. I think we've really achieved a better return with the combination of the sale and us looking to reinvest the proceeds.

So I think it was the best decision for the business, and it is, as I say, a trading business. So from time to time as you do this, there can be some, I guess, accounting adjustments required.

**Gary Osborne**

Yeah. So if you look at that transaction, it's pretty complicated and as you could see, overall not a material number. But as we work through these items, you can see that there's a lot of lines it hits. And when we take the funds and we look at the IRR, it's over a 30 percent IRR, and then we can reinvest those funds and acquire another four or five aircraft in replacement.

So we viewed it as a very positive transaction, even though the accounting in this quarter only produced that issue.

**Joe Randell**

Yeah. And I think when you look at the cash results there, we could have ended the year, if we didn't do this transaction, with 67 aircraft. But by producing 25 million and the total and the normal transaction that we have here, that gives us the ability actually to do four aircraft. And so we're guided more by making the right investment decisions rather than being held on any one particular metric.

**Doug Taylor**

Yeah. I don't think anyone's going to complain with 30 percent-plus IRRs. So thank you. I'll pass the line.

**Joe Randell**

Okay.

**Operator**

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

**David Ocampo** — Cormark Securities

Good morning.

**Joe Randell**

Morning.

**Gary Osborne**

Good morning.

**David Ocampo**

I'll just piggyback on Doug's first question there. Can you kind of walk us through the typical timeline of a leasing transaction? Just trying to get a sense if the discussions you're having today give you the confidence that you'll close on two-thirds of the deliveries in H2 '20.

**Joe Randell**

Well, each deal is different. Some happen faster than others. And it really depends upon primarily the customer and the rate at which the customer moves. Quite often, they put out RFPs and they make decisions. They could defer decisions, et cetera. So it's very difficult to give you a specific timeline with respect to a transaction because each one is different. And your expectations of when deals close, though, at any one time is a function of your expectation of when the customer is ultimately going to make that decision.

So when we talk about having most of the transactions in the second half of this year, it's really as a result of our looking at what we have right now. And it could happen, potentially, where we may have something happen earlier; something comes up, et cetera. But that's where this business is lumpy. And we tend to look at it from a sort of a yearly, annual point of view. We've said we have the ability to fund 20 aircraft a year, et cetera. But it will vary throughout the year. And it's not going to be so many a month. It's going to be a function of, again, the customer.

So it's very difficult to do that, other than really, primarily, on an annual basis and then giving, I think, a bit of an outlook in terms of when—what we have before as we expect it to close.

**Gary Osborne**

Yeah. And, David, it also depends on if it’s a new customer or an existing customer. New customers take longer. There’s much more due diligence in other things that go around it. Existing customers, it’s a little easier to put the paperwork in place because you’ve already negotiated it.

So back to your point on timing, to Joe’s point, there’s RFPs in that. But you could be anywhere from two to six months, depending on where things are and what the customer is and how complicated the transaction is. It’s kind of difficult to put an exact timing on everything.

**Joe Randell**

Yeah. And in some cases, even longer.

**Gary Osborne**

Yes. And even longer in some cases.

**David Ocampo**

Yeah. That makes sense. And last one for me here. Your leverage ratio continues to grind higher. I know it’s still below where the leasing comps trade at. But do you see this grinding up much higher from this point at I think it’s 5 right now?

**Gary Osborne**

Yeah. I think as we continue to invest in the leasing area, it is going to go up a bit. It’s not going to get into the leasing stratosphere, I think, at this point, given we’re a hybrid company. But it will go up a bit more as we invest.

And again, because as you know the returns are in arrears, so it takes 12 months to accumulate. So I think you’ll see it grow a bit more, but certainly stable and manageable.

**David Ocampo**

That’s great. I’ll hand the call over.

**Joe Randell**

Yup.

**Operator**

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

**Cameron Doerksen** — National Bank Financial

Yeah. Thanks. Just question on, I guess, additional leasing opportunities. Are you still seeing potential opportunities for acquiring larger portfolios of aircraft? I'm just wondering if anything has kind of changed on that front?

**Joe Randell**

We are. We continue to evaluate those. And there are a number of considerations when we look at these in terms of the fit, in terms of our strategy, in terms of customer concentration, equipment type, et cetera. So we are, Cameron, seeing an ongoing opportunity in that regard.

**Cameron Doerksen**

Would you ever acquire a portfolio of aircraft that maybe had some aircraft that are outside of your regional focus, maybe narrow bodies, and then subsequently divest those? I mean, is that something you would look at doing? Or would you prefer just not to do that?

**Joe Randell**

No, I think that's something that clearly can be looked at. I think if we look at a portfolio, there may be some aircraft that are a little outside of what we would normally do. But we would have plans, then, with respect to how we were going to deal with those assets, for sure. It is not our plan to get into larger narrow-body, wide-body aircraft at all. But we're flexible.

And I think as we grow in scale with respect to this business, our ability to look at some of these things increases. I think we as well, and we've talked about before as we mature, the ability and opportunities to do skyline purchases or things of that nature as well. And in some cases, if we purchase a portfolio, it may be beyond our fleet concentration targets, which again we would have plans to deal with that so that we maintain a well-balanced risk-managed portfolio of assets.

**Cameron Doerksen**

Okay. No, that's good. And just quickly, I'm just wondering if you can update us on when you—the timing of the CRJ900s are going to be moving into the CPA operation, just how they kind of come in by quarter?

**Joe Randell**

Okay.

**Gary Osborne**

They start basically one a month introduced into the CPA in May.

**Cameron Doerksen**

One a month starting May. Okay.

**Gary Osborne**

Yeah.

**Cameron Doerksen**

And they'll all be in place by year-end, correct?

**Gary Osborne**

Yeah. They're expected to be in place all by year-end, yes.

**Cameron Doerksen**

Okay. Okay. That's great. Thanks very much.

**Joe Randell**

Okay.

**Operator**

As a reminder, if you would like to ask a question, you will need to press *, 1 on your telephone.

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

**Tim James** — TD Securities

Thank you. Good morning.

**Gary Osborne**

Morning.

**Joe Randell**

Good morning.

**Tim James**

Just thinking long term strategically here, the leasing business is now certainly well on track to provide some nice diversification in terms of earnings and cash flow. Do you see a need, I mean, at this point as you think forward for additional diversification opportunities? Or do you think the leasing business now at maturity will provide a satisfactory business mix for the long term?

**Joe Randell**

Well, I think it really relates to who we are and our strategy. And we do, really, three things overall. We fly contract flying, which I think we are doing very successfully with our CPA. We do it very successfully with Voyageur. And although very similar assets within the regional space, contract flying and other types of contract flying would definitely be of interest to us because there's also a leasing component to that and a support component. And we're modifying older Dash 8s, et cetera, into other purposes. So contract flying provides I think a business that is consistent with our business model, which is predictable, generally stable, and synergistic.

And then we have, of course, our leasing side, which is now our growth vehicle, as you say. But then we have the support side of our business. And this is where, I think I mentioned in my comments here, where parts and components, for instance, is a really interesting business for us. We've parted out a lot of aircraft. The returns are very good. It isn't huge. At this point it's, you know, doesn't really materially affect results. But again, it's very supportive, and we really look at these aircraft over the life cycle of the aircraft in various roles, different purposes, et cetera. And this is why we are not a pure-play leasing company. We think we are stronger as a result of being able to operate them, redeploy them, et cetera.

And I'll give an example of this where we just recently had a Q400 come off lease with a carrier, and we are actually going to be operating that aircraft under contracts with Voyageur. So that aircraft now is being transformed, and will be on special-mission contracts with Voyageur.

So it really gives us the ability to look at whether we part the airplanes out, whether we operate them for special missions, whether modify them, et cetera. So we don't see leasing as being our pure and only growth vehicle. And I think by looking at it from a broader perspective, that will help us further diversify and grow the company. Because the amount of revenue that we will receive, as you know, under the CPA for the fixed fee is decreasing, and we're—you look at the rest of the business and the leasing revenue that's there and now to augment it with others, I think it makes the company very much stronger and builds up on its reputation in all segments of the business.

**Tim James**

Okay. That's great. That's very helpful. So it sounds like you feel you've got the foundation for the necessary diversification as time goes on as opposed to feeling the need to branch out into any other area of aviation. You've kind of got the groundwork laid there?

**Joe Randell**

Well, I think we've been in the business a long time. We know a lot about the business, we know a lot about the assets, and we're growing. We've grown out team. We've grown our expertise. And I think we're now starting to show additional milestones even within the leasing business in terms of expanding leases, selling assets, redeploying them, et cetera.

So we don't see the requirement to really reach out to unrelated businesses or anything of that nature. We see great opportunities within the areas in which we have expertise.

**Tim James**

Great. Thank you very much.

**Joe Randell**

Okay.

**Operator**

Your next question comes from Amina Djirdeh with Scotiabank. Your line is open.

**Amina Djirdeh** — Scotiabank

Hi. I'm Konark Gupta's associate. On your previous question you did mention a little bit about Voyageur. Could you provide a little more details on where do you see growth opportunities for Voyageur coming for the next few years?

**Joe Randell**

Yeah. Voyageur had a very good year last year; a lot of improvement over the year before. Contract flying opportunities are still there, for sure. The MRO side we've hired a lot of staff in North Bay, and we are doing a lot of speciality aviation work there. It's a very solid business.

The primary growth area for Voyageur is really this parts business that I mentioned earlier. And it's still relatively new. The margins are good, though, and it's a business that we're able to feed with older assets, and as well there are attractive older assets that are available for purchase out there.

So we see Voyageur playing a supporting role. I think it will be growing and improving, but again, it's a long way from our flying business and our leasing business in terms of the size of the segment, but it is very critical in terms of how we knit this whole business together.

**Amina Djirdeh**

Okay. Are you seeing any incremental interest in the A220 leasing after signing your first customer?

**Joe Randell**

Yes. We are. We're seeing good interest in we believe there are good opportunities in the larger regional jet space, including the A220, including the Embraer E2s, and those are aircraft that are definitely attractive to us and I believe will be great assets.

**Amina Djirdeh**

Yeah. I don't have anymore questions.

**Operator**

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

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, and thank you, all, for participating on the call. And we'll talk to you again next quarter.

**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.