Chorus Aviation Inc.

Second Quarter 2021 Earnings Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Chorus Aviation Incorporated Second Quarter 2021 Earnings Conference Call. At this time, all participants are in listen-only mode.

Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Thursday, August 12, 2021.

I would like to turn the conference over to Nathalie Megann, Vice President of Investor Relations. Please go ahead.

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

Thank you, Operator. Good morning and thank you for joining us today for our second quarter 2021 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 the discussion in this call may be forward looking, I direct your attention to the caution regarding forward-looking information and statements which are subject to various risks and uncertainties and assumptions that are included or referenced in our management's discussion and analysis of the results and operations of Chorus Aviation Inc. for the period ended June 30, 2021, the Outlook section, and other sections of our MD&A where such statements appear.

In addition, some of the following discussion involve certain non-GAAP financial measures, including references to EBITDA, adjusted EBITDA, adjusted EBT, and adjusted net income. Please refer to 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, Nathalie, and good morning, everyone. The COVID-19 pandemic continues to negatively affect the aviation industry; however, there are encouraging signs of recovery. Increasing rates of vaccination are contributing to the lifting of travel restrictions in many markets and the evidence is there; people are returning to air travel when they feel safe and free to engage in public.

These are unprecedented times and unchartered territory. And despite that, we've managed our business well throughout this period and have consistently reported profitable financial results, as evidenced by our second quarter net earnings of $0.12 per basic share, or $0.06 on an adjusted basis.

We continue to generate positive cash flow from operations. We've successfully raised capital, reduced overall debt, and created additional flexibility by increasing the level of our unsecured debt. We've maintained healthy liquidity levels and worked with substantially all of our customers to further strengthen relationships for the long term.

At the same time, given COVID-19 complexities and uncertainties, which vary by region, we are realistic in that we do have airline customers continuing to struggle in some countries that are still severely impacted by the pandemic, and this has continued to impact our results.

As Gary will explain in more detail, our second quarter earnings were negatively impacted by off-lease aircraft, lower lease revenue due to certain lease amendments which included term extensions and the 2021 CPA amendments, and a lower foreign exchange rate over the same period last year.

As shared in our last report out, we hit important milestones that further strengthened the foundation of our business, such as revising our contract with Air Canada to our mutual benefit.

We've also expanded our reach into cargo operations in the aerospace and defence sectors and put our repossessed aircraft to good work with new customers on long-term leases.

These accomplishments are commendable given this very challenging environment, but not at all surprising to me when you consider the incredible talent and expertise of our team.

We've now placed all of our repossessed Dash 8–400s with three new customers being Connect Airlines, Sky Alps, and Cobham, bringing the number of off-lease aircraft down from 13 at its peak to 8. I'm proud of our team's collaborative efforts in finding opportunities and delivering integrated solutions to place these assets. You may recall that we repossessed these aircraft in 2020 and reconfigured them for return to service at our facilities in North Bay and Halifax, again demonstrating our ability to manage every stage of an aircraft's life cycle.

We're managing our Leasing business prudently and are maintaining close contact with our customers in the quarter. We collected approximately 67 percent of lease revenue, up from 62 percent in the first quarter. So as the recovery continues to gather pace around the world, we should also benefit from further increases in our collections.

While we do see new leasing opportunities, we're maintaining a cautious approach and will be very selective until there's more certainty in passenger travel demand.

We are expanding our reach into cargo flying through our three-year contract with Purolator and we'll look to grow this relationship.

Our new agreements with Transport Canada and the Canadian Armed Forces have broadened our work in the aerospace and defence industries. We've already begun to upgrade and modify Transport

Canada's National Ariel Surveillance Program fleet of Dash 8 and Dash 7 aircraft with new surveillance equipment. And our partnership with General Dynamics Mission Systems - Canada to provide in-service support for Canada's manned airborne intelligence surveillance and reconnaissance program is in the initial stages as we spool up for the first aircraft delivery scheduled in the third quarter 2022, with the expectation of being fully operational by the end of that quarter.

These are exciting developments for us. The impact of these long-term contracts will begin to positively affect Voyageur's earnings throughout the second half of 2021 and beyond.

On the CPA front, we now have all 25 Embraer 175s on property and will have inducted all of these aircraft into the Jazz fleet by the end of this month.

As vaccination numbers in Canada improve and the spread of COVID-19 subsides, Jazz's flying activity is increasing. With this expected increase, we've started to recall some of our frontline and administrative employees and will continue to do so as operations ramp up.

As previously mentioned, our fixed fee compensation is set under the CPA and does not vary based on flight activity.

I extend my gratitude to our employees for delivering another good quarter, especially in this challenging environment, and for doing so safely. We have been very successful to date in mitigating the impact of this crisis on our business and remain confident in our team's ability to manage through the remainder of the pandemic.

Thanks very much for your time, and I'll now pass the line over to Gary.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Thank you, Joe, and good morning. Here's how the second quarter of this year compares to the second quarter of 2020.

We generated adjusted EBITDA of $76.9 million and adjusted net income of $11.4 million in the quarter, with decreases of $14.2 million and $10.3 million respectively, resulting in adjusted EPS of $0.06 versus $0.13 in the second quarter of 2020. This was primarily due to the continued impact of COVID-19 on results, the effects of the recently negotiated CPA amendments that saw Air Canada Express 70- to 78-seat operation being consolidated within Jazz, as well as a reduction in earnings due to lower US-dollar exchange rate.

The RAL segment’s adjusted EBITDA decreased by $9.4 million, primarily due to lower lease revenue attributable to the continued impact of COVID-19 on results related to off-lease aircraft; negotiated amendments to certain lease agreements, including extensions; and lower earnings due to the lower US-dollar exchange rate, partially offset by additional aircraft earning lease revenue.

As mentioned earlier, CAC has negotiated significant lease extensions with some of its lessees in exchange for reductions to its original lease rates, thereby strengthening its partnership with its customers and to our mutual benefit, despite our near-term reduction in lease rentals.

These lease amendments result in reduced revenue over the remaining term of the original lease term, as they are accounted for as a new lease from the effective date of the amendments, with revenue recognized on a straight-line basis over the remaining term in accordance with IFRS 16.

The RAS segment’s adjusted EBITDA decreased by $4.8 million. The second quarter results were impacted by a decrease in fixed margin of $2.4 million, in accordance with the CPA contract; an increase in general administrative expenses, offset by an increase in other revenue due to an increase in third-party MRO activity and contract buying; and an increase in aircraft leasing revenue under the CPA of $0.3 million, primarily due to 9 incremental CRJ 900s, offset by the removal of the Dash 8-300 fleet and lower earnings of $3.7 million due to lower US-dollar exchange rate.

Our quarterly earnings were negatively impacted by lower US-dollar exchange rates, which decreased by more than 11 percent, moving from an average rate of approximately $1.39 in Q2 2020 to $1.23 in Q2 2021.

It's important to note the majority of our aircraft leases, Leasing revenues for both RAL and RAS are in US dollars, and we pay principal and interest payments in the same currency, thereby effectively hedging our currency exposure.

Adjusted net income was $11.4 million in the quarter, a decrease of $10.3 million, due to the $14.2 million decrease in adjusted EBITDA as previously described, an increase in net interest costs of $2.6 million primarily related to the 6 percent unsecured convertible debentures issued in April 2021 and the increased indebtedness under credit facilities added in the second quarter of 2020, and a $1.4 million increase in adjusted income tax expense, offset by a decrease in depreciation expense of $3.7 million, a decrease of $2.2 million related to foreign exchange, and an increase in gain on property and equipment of $2.1 million.

Net income decreased $7.6 million over the period due to the previously noted decrease in adjusted net income of $10.3 million, a reduction in net unrealized foreign exchange gains on long-term debt of $10.7 million, and a decrease in income tax recoveries on adjusted items of $3 million, offset by a decrease in impairment provisions of $9.5 million in the RAL segment and a reduction in net lease repossession costs of $5.3 million.

Now turning to liquidity. We ended the second quarter with $177.9 million in liquidity, an increase of $6.6 million from the first quarter of 2021, due to the positive cash flows from operations of $15 million, the receipt of the net proceeds from the 2021 capital raise of $138.1 million, an increase in cash related to changes in restricted cash and security deposits of $18.8 million, offset by additions to property and equipment of $10.6 million primarily arising from investments and a reconfiguration of off-lease and re-leased aircraft, debt repayments of $154.7 million related to scheduled repayments of $49.1 million, early repayments of amortizing term loans on 6 aircraft totalling $71.7 million, and the repayment of all deferred amounts owing under aircraft loans of $33.9 million.

Other key liquidity movements during the quarter include the increased receivable from Air Canada of $20.1 million primarily related to the Controllable Cost Guardrail and increased flying and other activity, increased RAL lease receivables by $2.6 million, and decreased accounts payable of $20.2 million due to the semiannual repayments on aircraft leases and interest owing, along with reductions in general trade payables.

As of June 30th, the Controllable Cost Guardrail was $10.2 million over the agreed cap of $20 million, and the excess amount was paid last month, in line with the CPA agreement.

We have seen Canadian air travel begin to spring back to life here in the second quarter. With that, we expect the current level of working capital requirements to continue throughout the remainder of the year as the CPA operations ramp up very quickly.

As COVID's impact varies by region and our CAC portfolio is global in nature, we anticipate that CAC's gross lease receivable at US$56.3 million at the end of the second quarter could increase up to US$60 million by the end of the fourth quarter of 2021, which is consistent with our outlook shared last quarter.

Planned capital expenditures in 2021, including capitalized major maintenance overhauls, are estimated to be between $19 million and $29 million. This estimate includes between $8 million and $12 million that will be included in the controllable cost and paid by Air Canada.

Planned aircraft-related acquisitions are expected to be between $41 million and $50 million in 2021. Actual spend at June 30, 2021 was $40.6 million. While there are no further significant capital growth expenditures forecast for 2021 at this time, we continue to prudently evaluate new transactions while also remarketing our off-lease aircraft.

We are also focused on creating additional flexibility in our capital structure by paying down our adjusted net debt. By the end of the second quarter, we successfully completed a capital raise with gross proceeds of $145.1 million and reduced our adjusted net debt by $153.6 million. We also increased our percentage of unsecured debt to approximately 14 percent of total debt and brought our unencumbered asset pool to approximately US$110 million. We anticipate continuing with our debt reductions while evaluating growth opportunities over the course of this year.

Before opening the call to questions from the analyst community, I would like to acknowledge the continued outstanding efforts of our team during the first half of 2021 in a challenging and evolving operating environment.

That concludes my commentary. Thank you for listening. Operator, we can open the call to questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the *, followed by the 1 on your touch-tone phone. You will hear a three-toned prompt acknowledging your request, and your questions will be polled in the order that they are received. Should you wish to decline from the polling process, please press *, followed by 2. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Kevin from CIBC. Please go ahead.

Kevin Chiang — CIBC

Hi. Good morning, everybody. Thank you for taking my question. Maybe if I could just ask a question on FX and versus a year over year, maybe just quarter over quarter. So if I look at just the underlying trends look to have improved from Q1 into Q2, but I guess in both segments, on a sequential basis, your adjusted EBITDA was down roughly $3 million in both your segments there. Just wondering, if you had to frame it, how much of that sequential decline was due to the strengthening sequential CAD versus maybe some of the other moving parts you highlighted?

Gary Osborne

Yeah. I think if you look at the—Kevin, it's Gary here. Good morning. When I look at the year-over-year decrease and if you look at Q2 this year versus last year, it was almost a $0.16 decline, which is about 11.4 percent or 11.5 percent. So you can see it was pretty significant in the quarter. And throughout the MD&A there, we do show the impact in the various units. And with that, we did have a pretty substantial impact year over year.

If you look to last quarter, which was kind of a level-setting period for us, as you know, because we did the CPA amendment and there was a lot of pieces at play, and it is a good proxy, even just from last quarter, we saw nearly a $0.04 decrease in the average rate. And that impacted us by almost $2 million across the business; I think around $1.8 million, if you look at the average exchange rate.

So, you can see in our disclosure we've put in the average exchange rate in the back table and just to highlight it. While we don't have foreign exchange exposure per se in the sense we pay debt in the

US, we earn revenue in the US, we do have that translation issue. And we just wanted to highlight that for everybody as we move ahead so that you can look at your modelling and your figures and adjust accordingly because we are seeing some short-term volatility in that US dollar amount.

Kevin Chiang

That makes sense. And I apologize if it's in your disclosure here. Do you have like a rule of thumb in terms of—I appreciate you're naturally hedged throughout the P&L there—but just from an EBITDA or even an operating income perspective, every penny move in the CAD is X dollar—

Gary Osborne

Yeah—

Kevin Chiang

—EBITDA or operating? Is there a rule of thumb we should be thinking about here?

Gary Osborne

Yep. Yes. For sure. I think when you look at the foreign exchange exposure onto adjusted EBITDA, you should be looking at the revenue for the leases under the CPA. That was about $35 million in the quarter. And for RAL, the adjusted EBITDA is all in US funds. That's a US-based entity. It does have some euro loans under there, but it is a US consolidated entity into a Canadian. That was about $25 million in adjusted EBITDA.

So if you use that, those two as your proxy for the impact, you would look at a $0.01 change in the exchange rate, you'd have about $0.5 million roughly in the quarter. So annually, it's about $2 million.

Kevin Chiang

Okay. That is super helpful. Thank you.

Gary Osborne

Yeah.

Kevin Chiang

And maybe just turning back to the ramp-up here. Maybe first, as you bring labour back on, as you rebuild the network to reflect the improving outlook for domestic travel, can you remind me how the CPA covers this? It does seem like, if you look at south of the border, some of the airlines are having some issues bringing this on to the extent that there's some level of, let's call it, inefficiency. Is this covered by the CPA? Or do you have to kind of predict this pretty accurately and any miss kind of gets brought onto your P&L?

Gary Osborne

Okay. So back to the amendments with the CPA, we are exposed only by the $2 million plus or minus on the guardrail.

Kevin Chiang

Mm-hmm.

Gary Osborne

So what ends up happening, Kevin, as we ramp up here, what we're seeing is we're investing obviously in more training and start-up costs. Those were covered under the CPA, and that's why you've seen a bit more of an investment, around $10 million in the quarter, in that.

Kevin Chiang

Mm-hmm.

Gary Osborne

And we expect to see that investment continuing along. So our exposure is limited to the plus or minus $2 million on the guardrail, despite the start-up. So look at it, there is no P&L impact other than the $2 million.

Kevin Chiang

Okay.

Gary Osborne

It's a working capital investment we'll make over the balance of the year.

Kevin Chiang

Okay. That's helpful. And just last one for me kind of on the same—along the same vein there. Just as you're calling people back, are you seeing any issues in terms of labour availability or even bottlenecks in terms of training? Or has it been pretty seamless?

Joe Randell

No. Well, the ramp-up has been very fast. We've been adding a lot of capacity for Air Canada, but generally, there's an occasional hiccup, but it's going well. People are coming back to work, et cetera. So before too long, things should be very, very even and settled down.

But obviously, when you have an operation that's coming back as quickly, it can be challenging on any given day operationally, but overall, I have to say things have been going well.

Kevin Chiang

Excellent. It's nice to see travel return here. I'll leave it there. Thanks for taking my questions.

Gary Osborne

Thanks, Kevin.

Operator

Your next question comes from Cameron from the National Bank. Please go ahead.

Cameron Doerksen — National Bank

Thanks very much. Good morning. A couple questions on the, I guess, the Aircraft Leasing business. You've done a pretty good job of remarketing the Q400s that you repossessed. Just wondering if you can talk a bit about the prospects for the eight remaining aircraft that are off the off lease.

Joe Randell

Yeah. Well, we hope to have positive things to say about this soon, but we are making progress. We're optimistic, so stay tuned. I think the team has done a great job of reaching out in the market and finding opportunities. So we are optimistic about placing the majority of the remaining airplanes in the not-too-distant future.

Cameron Doerksen

Okay. No, that's great to hear. And I guess sort of secondarily is, if assuming you do get those aircraft back on lease, given I guess the renegotiated rates you had with some of your customers in return for some lease extensions, can this be a profitable business again going forward? Or is there something that's changed at all fundamentally? Or do you actually need to have all those aircraft back on lease to get back to net profitability?

Joe Randell

Well, the lease rates are lower. There's a surplus of airplanes that have come out as a result of the pandemic. The market is now absorbing some of that as it comes back. So, the lease rates for those repossessed airplanes are certainly lower than the original lease rates, and I expect that will probably occur on repossessed airplanes for the next little while.

But the outlook on the business is actually pretty positive because we believe that, as the market comes back, and there will be a good demand for regional air travel, and that more carriers will be interested in leasing airplanes than were previously because their balance sheets have been hit by this as well. So, I think the business is going to come back, there's no question, but the big question for everybody is exactly when.

And as you can see in the media every day, one day you're optimistic, the next day somebody rains on the parade, and it's challenging. But it's going to take a little while. We've worked to keep the aircraft that we have with our customers in place and productive. And while we've worked with them in terms of their payments, the good news is that we're extending terms and that the time at which we will get this fleet back will be extended into the future. So it's tough right now, but we're optimistic that things will come around.

Gary Osborne

And, Cameron, it's Gary here. I think a couple things to note. We've had 13 aircraft off-lease and we'll get those back to work, so the revenue will start to come in for those aircraft. We've also, as you noted in our disclosure, paid down just over $70 million of debt down below in RAL, so that'll certainly help from that side. And I'd also point out that some of the costs and expected credit loss that you're seeing, we hope over the course of time those will come down. So you combine a lot of those things, and we do expect to return to some level of profitability here as we move ahead.

Cameron Doerksen

Okay. No, that's helpful. And maybe just lastly for me, just a quick modelling question just around depreciation expense because it's moved around quite a bit in recent quarters, and there's been some unusual things happening as well. I'm just looking at sort of the Q2 depreciation number. Is that kind of a good run rate based on the current fleet size that you have right now?

Gary Osborne

Yeah. I would think it would be, Cam. We've gone through a few adjustments, as you know, with the CPA and with all that. I think it's a pretty reasonable run rate moving ahead, yes.

Cameron Doerksen

Perfect. All right. Appreciate the time.

Joe Randell

Thank you.

Operator

Your next question comes from Shawn Levine from TD. Please go ahead.

Shawn Levine — TD

Thanks. Good morning. Maybe just touching upon Cameron's question in a bit of a different way. If we look at the Leasing segment, obviously a sequential decline there in revenue in US dollars from Q1 to Q2. But that's despite some of the Q400s starting to generate revenue again, and you mentioned in the prepared remarks that there were certain lease amendments. I'm wondering if you can expand on those lease amendments a little bit, perhaps touching on how this could impact other customers if industry lease rates are coming down?

Gary Osborne

So—sorry, it's Gary here—so in the quarter, yeah, you're right, we came down in US revenue. When you convert it over into Canadian, obviously the foreign exchange was in there. And then we had the lease modifications in there for the lease amendments.

When you look at the aircraft we just placed, they had a minimal impact in the quarter because they got placed during the quarter, so there's not a large impact from those. But moving ahead, we're going to look for win-win situations with our leasing clients and look to create value. When we look at it, it could have some impacts like you saw, but we continue to try and minimize those as best we can and create the most value we can.

Shawn Levine

Okay. Thanks. And then just looking at the Dash 8 aircraft that have recently been removed from the CPA with Air Canada, I know there's a number of options available to you for those aircraft, including just selling them, leasing, parting out, or using for cargo. I'm just wondering if you can update us on how conversations with potential customers are going for the monetization of those assets?

Joe Randell

Yeah. We're continuing to assess the market. And it's time dependent as well because we need to be careful in entering into any type of an agreement to sell or lease assets at very, very depressed rates when you feel the market could be coming back and being stronger, which we do believe is the case. So we are looking at different options for the airplanes.

There are still a number of them in the CPA that are being operated and will be operated until probably the end of the year or slightly into the new year. So, the aircraft are active, et cetera. But we continue to see these assets as being very valuable. And it depends, though, on the timing and exactly what we do.

So it's a work-in-progress, but I really can't tell you more than that, other than we believe these Dash 8-300s are very valuable. The 50-seat airplanes are—there's only one manufacturer. It's very expensive, a new ATR 42, and these aircraft have a lot of life. As you know, we put the life extension program into these airplanes to extend their life by another 50 percent over the existing life. And we believe that, as the market comes back, there will be good demand.

And as well, we're making progress in the cargo business, as we talked about there, and we've converted a number of the Dash 8-100s and are looking to do more of that. And these are assets that we have as well that are presently idle. So, I think we've got good leverage going forward in terms of how we use these Dash 8 classics really through our Voyageur operation.

Shawn Levine

Great. Thanks for the colour. I'll pass the line.

Operator

Your next question comes from Matthew Lee from Canaccord. Please go ahead.

Matthew Lee — Canaccord

Hi. Good morning. Maybe I'll just rephrase a similar question to my peers here. On a constant-currency basis, with all the puts and takes in the Leasing business, are you expecting constant currency revenue growth sequentially in Q3 and Q4?

Gary Osborne

When we look out over the next number of quarters, it would be very modest. Those three aircraft—based on what we have announced today, those three aircraft would have a very modest impact, so it'd be pretty flat.

Matthew Lee

All right. Fair enough. And then maybe on the RAS side, can you maybe discuss any one-time SG&A impacts that may have impacted the quarter? I think EBITDA was a little bit lower than it's been over the past four quarters, and I'm just trying to figure out if there was anything that impacted there?

Gary Osborne

Yeah. No, there's nothing out of the ordinary. We do have plus or minus a couple million dollars that goes through in any given quarter. When I look back even to—quarter over quarter—Q1 of this year to Q2 this year, it doesn't take much to move the needle. But we just have small amounts that make their way through. Sometimes they manifest themselves a little more in one quarter than another. So, I don't think I would read much into that other than that piece. And so that's on the RAS side.

Matthew Lee

Right. And then just lastly for me. The $65 million that you quote in terms of valuation for the Dash 8, is that what they would be currently valued at, at what you would consider depressed levels? So I mean, is there upside from that number—

Gary Osborne

Yeah.

Matthew Lee

—as airlines continue to grow?

Gary Osborne

Yeah. So the way that works is, when you assess them, you have to look at the current market value or what you think the aircraft are worth. And when we assessed them, it was in the current environment. So the answer is, it's based on where we see it today.

Can't comment on where it'll move in the future, other than we feel those assets are fairly valued, and we think there's going to be a market for them moving ahead, so.

Matthew Lee

All right. Thanks. I'll pass on the line.

Gary Osborne

Yep.

Operator

Next question comes from Walter from RBC. Please go ahead.

Ryall Stroud — RBC

Hi. It's Ryall Stroud calling in for Walter. Good morning, everyone.

Gary Osborne

Morning. You're a little muffled, Walter.

Ryall Stroud

Oh, can you hear me better now?

Gary Osborne

A little better.

Joe Randell

It's a little better, yeah.

Ryall Stroud

Okay. Okay. Sorry about that. So my first question. Just with the $155 million being put towards debt reduction during the quarter, does this mark a material change in your near-term and maybe even medium-term plans to procure new aircraft and grow the Leasing business?

Gary Osborne

Sorry, I didn't get the full question. I got the $155 million in debt reduction. You're very muffled.

Ryall Stroud

Sorry, does that market change in your plans to procure new aircraft and grow the Leasing business?

Gary Osborne

No. We continue to look and assess for prudent and accretive transactions in the Leasing side. The pay-down in debt was our way of certainly bringing down our adjusted net debt and rightsizing the balance sheet in that. So it doesn't impact at all how we're assessing the market and how we're moving forward. We continue to look forward for good transactions.

Joe Randell

Mm-hmm.

Ryall Stroud

Okay. That's helpful. And then just a quick question kind of on the Delta variant. And we saw Southwest come out and recently reduce their near-term outlook. Have you seen a similar impact at all from the Delta in fly activity at some of your regional leasing customers? Or has it been pretty muted thus far?

Joe Randell

I think I got the question. You're a little muffled. I think it's the effect of the Delta variant and the utilization on the fleet and our leasing customers. The utilization of the fleet by our leasing customers continues to improve, which is a good sign. So, each of these countries is in a different place, certainly. But as we've said before, especially in some of these developing countries where they have some of the greatest challenges, our fleet provides essential services in terms of remote areas and things of that nature. So, the utilization is increasing, but still has a ways to go.

Ryall Stroud

Okay. Good. That's it for me. Thanks, everyone. I'll pass the line.

Operator

Your next question comes from David from Cormark Securities. Please go ahead.

David Tyerman — Cormark Securities

Thanks. Good morning, everyone.

Joe Randell

Morning.

Gary Osborne

Morning.

David Tyerman

I just wanted to circle back on the regional Leasing or third-party Leasing revenue and get a sense on how many of the 52 leases that you have outstanding have been negotiated lower and how many are still in negotiation today.

Gary Osborne

So, we won't go into the existing customers; we've been working through those. But the three aircraft that got placed were certainly lower than where they started, if that answers that question. But we can't go into the existing customers.

David Tyerman

Okay. But can we expect more pressure on that revenue line item going forward, then?

Gary Osborne

Right now, we're seeing it as flat but, look, the reality is the COVID variant and the industry is still making its way through it. So there is the possibility that there could be some more noise in that as we move ahead. But certainly, we're looking for the win-win in this situation, right? So that's the way we've been—that's the way we're approaching it.

Joe Randell

Yeah. I think it's probably best to look at it right now—we don't want to be super optimistic or super pessimistic—is that it's steady as it goes.

Gary Osborne

Yeah.

Joe Randell

We have some customers that have not had lease rate and the lease agreement continue in full effect and others that have been challenged.

Gary Osborne

Yeah.

Joe Randell

So it's really a mixture.

Gary Osborne

And as we mentioned in the quarter, once we strike one of these agreements with a new agreement and it gets accounted for, the revenue, based on that new agreement over a straight-line basis. So if new agreements come up, you could still see more of that. But we continue to work with our clients to recover as much of the original lease as we can and obtain the best benefit we can.

David Tyerman

Okay. And then, the planes that you guys have remarketed, and it might be entirely coincidental that they're all Q400s from the same customer, but is there a preference that you're seeing in the marketplace between the aircraft types? Like the Q400s may have more demand versus the ATRs and the CRJs?

Joe Randell

No material difference. It's just that the customers that we placed those airplanes with had specific circumstances that made the Dash 8-400 more appealing. But the ATR continues to be a very marketable asset. And they continue to manufacture the ATRs, whereas, of course, the Dash 8-400 manufacturing is on a pause. So, I think, because there are no new airplanes, it may help with some of the placement of the older ones there, but it's hard to say.

Those assets are really very well accepted. And the majority of what we had left of the aircraft we had left, we have six ATR 72s and two CRJ900s, so. But again, on the turboprop side, this is a market that we feel is resilient and will be and demonstrate that, I think, as it comes back because of the special geographies and conditions that this fleet operates in.

David Tyerman

Okay. That's helpful. That's it for me. Thank you.

Operator

Ladies and gentlemen, as a reminder should you have a question, please press *, followed by 1.

There are no further questions at this time. Please proceed.

Nathalie Megann

Thank you, Operator, and thank you, everyone, for taking the time to be with us this morning. We'll now conclude the call and wish you a good day.

Thank you.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.