

Chorus Aviation, Inc.

Third Quarter 2021 Financial Results Analyst Conference Call

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CORPORATE PARTICIPANTS

Nathalie Megann

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

Joseph Randell

Chorus Aviation, Inc. — President and Chief Executive Officer

Gary Osborne

Chorus Aviation, Inc. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Cameron Doerksen

National Bank Financial — Analyst

Alanna Yontef

BMO Capital Markets — Analyst

Kevin Chiang

CIBC World Markets — Analyst

Ryall Stroud

RBC Capital Markets — Analyst

Konark Gupta

Scotiabank — Analyst

PRESENTATION

Operator

Welcome to the Chorus Aviation, Inc. Third Quarter 2021 Financial Results Analyst Conference Call.

As a reminder, this call is being recorded today, November 11, 2021.

I would now like 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, Michelle.

Hello and thank you, everyone, for joining us today for our Third 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 the call 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 cautions regarding forward-looking information and statements which are subject to various risks, uncertainties, and assumptions that are included or referenced in our Management Discussions and

Analysis of the results and operations of Chorus Aviation, Inc. for the period ended September 30, 2021, 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 our MD&A for a discussion related to the use of such non-GAAP measures.

I'll now turn the call over to Joe.

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

Thank you, Nathalie, and good morning, everyone.

Many airlines, including Air Canada, are reporting their strongest results since the onset of the pandemic and are optimistic these positive trends will continue. Our experience is no different. Change is in the air and our industry has arrived at an important inflection point. Throughout this crisis we've made significant strides to secure liquidity, strengthen our balance sheet, and our customer relationships, and to prepare as best we can to seize opportunities. The regional aviation sector is leading the recovery of domestic air transportation in many parts of the world. Improving market conditions are evidenced this quarter by the significant increases in fleet utilization by both our Air Canada Express operation and our portfolio of leased aircraft.

Starting with the CPA operations, all aircraft have been removed from storage and returned to service. In the third quarter, we carried more than double the number of passengers we carried in the first half of this year. For the balance of this year, we are projected to operate approximately 75 percent

to 80 percent of our fourth quarter 2019 flying activity. As such, we are very pleased to have welcomed back substantially all our frontline and administrative staff and are recruiting additional team members. Jazz is compliant with federal COVID-19 vaccination regulations. Approximately 98 percent of our employees are fully vaccinated. The employees who are not vaccinated or do not have the medical or permitted exemption are on unpaid leave.

Additional indicators that regional and domestic air travel is recovering are found in our leasing business, where leasing revenue collections increased to 77 percent, 10 percentage points over the previous quarter. Our portfolio of leased aircraft, excluding those off lease, operated at approximately 75 percent of their pre-pandemic average flying hours in the third quarter of this year compared to 2019, a remarkable improvement given the industry was essentially grounded at the height of the pandemic.

Since our last report out, we successfully executed agreements to lease eight off-lease aircraft with two new customers. We're pleased to welcome Emerald Airlines of Dublin, Ireland, and Connect Airlines of Boston, Massachusetts, to our portfolio. We now have only two remaining aircraft to be remarketed, and we're in discussions with potential operators. Going forward, we believe airlines will increasingly look to operating leases to finance their fleets, whether to conserve capital or to support their efficiency and sustainability initiatives.

Growth in the middle-class markets was driving rapid pre-pandemic growth in emerging markets and we expect this growth trajectory to resume. Demand for regional aircraft in the 100- to 150-seat range, primarily the new generation Airbus A220s and the Embraer E2s, now commonly referred to as

crossover aircraft, present exciting opportunities. Turboprops continue to be an integral part of regional networks worldwide, given their ability to properly match market demand in unique markets. Where there was flying at the height of the pandemic, it was with turboprops. These aircraft offer greener credentials than jet aircraft, and major airlines are considering how they replace 50-seat jets, and this could be with Dash 8-400s and ATRs. Electric and hydrogen propelled engines are being explored and we're watching developments closely.

Given the changes to our industry and the emerging opportunities, we continue to believe that we're in the right sector of the business. Our ability to manage the entire lifecycle of a regional aircraft is a major strength that differentiates us from the competition. New contracts recently awarded to Voyageur demonstrate the ingenuity and expertise of our team. By the end of this month, we'll be fully operational under the Purolator agreement, and we're hopeful to grow this book of business. Our facility in North Bay is extremely busy, and we're very pleased with the exciting work happening there.

I'm optimistic the worst is behind us, and I couldn't be more grateful to our employees for their steadfast commitment to safety, the wellbeing of our customers, the Company, and one another. The good work we've done together throughout this crisis provides a solid foundation that will deliver value to our stakeholders.

Thank you for listening and I'll now turn the call over to Gary.

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

Thank you, Joe, and good morning.

Here's how the third quarter of this year compares to the third quarter of 2020.

We generated Adjusted EBITDA of \$78.1 million, which decreased by \$7.8 million related to the 2021 EPA amendments and the reduction in foreign exchange rate from the prior year.

Adjusted net income was \$15.3 million in the quarter, an increase of \$4.4 million which resulted in adjusted EPS of \$0.09 versus \$0.07 in the third quarter of 2020. The increase was primarily due to a reduction in interest expense resulting from the repayment of amortizing term loans and lower depreciation expense.

The RAL segment Adjusted EBITDA was essentially unchanged from the prior quarter due to additional aircraft earning lease revenue, offset by lower lease revenue attributable to restructured leases, and lower earnings due to lower U.S. dollar exchange rate.

The RAS segment's Adjusted EBITDA decreased by \$7.7 million. The third quarter results were impacted by the decrease in fixed margin of \$2.4 million in accordance with the CPA; an increase in stock based compensation of \$1.5 million; an increase in general and administrative expenses attributable to increased operations; and a decrease in incentive revenue of \$0.6 million, offset by an increase in capitalization of major maintenance overhauls on owned aircraft of \$2.1 million; an increase in other revenue due to an increase in third-part MRO activity in part sales; and an increase in aircraft leasing revenue under the CPA of \$0.3 million, primarily due to six incremental CRJ-900s, offset by the removal of the Dash 8-300 fleet and lower earnings of \$1.8 million due to lower U.S. dollar exchange rate.

Adjusted net income was \$15.3 million for the quarter, an increase of \$4.4 million due to a decrease of \$5.7 million due to changes in foreign exchange, a reduction in net interest costs of \$2.8 million, a decrease in depreciation expense of \$2.1 million, a \$1.3 million decrease in adjusted income tax expense, offset by the aforementioned \$7.8 million decrease in Adjusted EBITDA.

Net income decreased \$34.5 million over the prior period due to an increase in net unrealized foreign exchange losses, primarily on long-term debt of \$40.8 million, an increase in lease reposition costs of \$2.8 million, primarily related to aircraft refurbishments, offset by a decrease in impairment provisions of \$4.8 million in the RAL segment and the previously noted increase in adjusted net income of \$4.4 million.

Now turning to liquidity. We ended the quarter with \$258.1 million in liquidity, which was an increase of \$80.2 million over the second quarter of 2021, primarily due to the issuance of the unsecured Series C debentures for net proceeds of \$80.9 million. Of these net proceeds, \$29.8 million is currently held in a restricted cash account in exchange for a conditional waiver of the 35 percent repayment obligation under the unsecured revolving credit facility. The net proceeds from the issuance, including the related restricted cash, will be used to partially redeem or repay existing indebtedness, including the 6 percent debentures which may be redeemed on or after December 31, 2021.

Liquidity, excluding the net proceeds from the Series C debentures and related restricted cash, increased by \$29.1 million over the second quarter of 2021 due to positive operating cash flows of \$82.8 million, offset by scheduled debt repayment for \$45.5 million and additions to property and equipment of \$9 million.

In October 2021, Chorus repaid \$30 million under its operating credit facility and subsequently entered into a new three-year committed operating credit facility on October 14, 2021. This new facility provides Chorus with a committed limit of \$75 million, plus a \$25 million uncommitted accordion.

Other key liquidity movements during the quarter included increased cash of \$46.9 million due to higher accounts payable resulting from operations and commodity taxes relating to the timing of cash payments; increased cash of \$11.5 million due to the increase in security deposits and maintenance reserves; decreased cash of \$45.5 million due to scheduled debt repayments; decreased cash of \$42.7 million due to an increase in restricted cash, including the aforementioned \$29.8 million held for the conditional DDC waiver; decreased cash of \$13.8 million due to an increase in accounts receivable from Air Canada of \$4.7 million and an increase in RAL's gross leased receivables of \$9.1 million; decreased cash of \$9 million due to investments in property, plant, and equipment.

As of September 30, 2021, the controllable cost guardrail receivable was \$12.7 million over the agreed cap of \$20 million and subsequently paid in accordance with the 2021 CPA commitments. As COVID impact varies by region and our CAC portfolio is global in nature, we anticipate that CAC's gross lease receivable at US\$62.3 million at the end of the third quarter could increase up to US\$65 million by the end of the fourth quarter 2021, which is up from our outlook shared last quarter due to potential delays in payment.

Planned capital expenditures in 2021, including capitalized major maintenance overhauls, are estimated to be between \$19 million and \$29 million. This estimate includes between \$7 million and \$9 million that will be included in the controllable cost and paid by Air Canada. Planned aircraft related

acquisitions are expected to be between \$42 million and \$50 million in 2021. Actual spend to September 30, 2021, was \$42.7 million. While there are no further significant growth capital expenditures forecast for 2021 at this time, we continue to prudently evaluate new transactions while also remarketing our two off-lease CRJ-900 aircraft and one Dash 8-400 we expect to be returned at the end of January 2022.

With the current recovery in passenger demand for air travel and further improvement expected in 2022, Chorus plans to invest between \$300 million and \$400 million in aircraft acquisitions in 2022, financed through existing cash resources, capital raises, secure debt financing, or combinations thereof. We have continued with our plan to create additional flexibility in our capital structure by paying down our secured and overall adjusted net debt.

By the end of the third quarter, we successfully completed another capital raise with gross proceeds of \$85 million and reduced our adjusted net debt since the beginning of the year by \$194.8 million. We also increased our percentage of unsecured debt to approximately 18 percent of total debt and brought our unencumbered asset pool to approximately US\$115 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 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, sir.

Ladies and gentlemen, we will now begin the question-and-answer session.

Your first question comes from Cameron Doerksen of National Bank Financial. Please go ahead.

Cameron Doerksen – Analyst, National Bank Financial

Thanks very much. Good morning.

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

Good morning, Cameron.

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

Good morning.

Cameron Doerksen — Analyst, National Bank Financial

A question on, I guess, the growth plans for 2022. In the MD&A you've highlighted that, I guess, your current expectation is that you may be spending between \$300 million to \$400 million for additional aircraft acquisitions. Can you talk a little bit about what specific opportunities you're seeing there? Are these, I guess, buying out of leases? Or they're I guess maybe new aircraft? I mean, you

mentioned A220 and E2 as attractive assets, so maybe just a little more detail around your expectations for next year on the portfolio growth.

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

Sure. Well, what we're seeing now is more activity in the market with respect to sale and leaseback opportunities specifically. As, you know, the manufacturers are starting to ramp back up carriers are really firming up their commitments in terms of these aircraft deliveries, most especially on the crossover aircraft that I mentioned. Obviously, that's an area that we've been active in previously and now look to pick up on.

During this period as well, you know, we've seen, and we expect we will continue to see some portfolios that may become available as well. We're starting to see more activity, more opportunities. I think this last quarter is when we've really seen it sort of start to pick up, and that's why we have this optimism. We're seeing the requests for proposals out there now from carriers.

Cameron Doerksen — Analyst, National Bank Financial

Okay, that's helpful. I guess my second question is kind of related to the leasing business. I mean, in Q3, I guess before tax, there was a loss in the business. I mean, obviously you haven't got your full portfolio on lease, so presumably that will change. But can you talk about the profitability of that business as it kind of normalizes? Given maybe what lease rates have done, I mean, can this business get back to the level of profitability that certainly meets your return objectives but also is consistent with maybe what you saw pre-pandemic?

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

Yes, Cam, it's Gary here.

When you look at the RAL division, certainly we're going to have a lot of aircraft or the currently off-lease aircraft coming back to work. The other thing to note is that as Aeromexico and others emerge from bankruptcy, they'll get back on the positive side of the ledger as far as, you know, growth in revenue. As they went through the bankruptcy piece, it was a little more challenging. We're going to see the pickup from the off-lease aircraft and plus, as some of these leases get restructured, a little bit of a pickup there. We expect things to get a bit better on the revenue line that way.

The other side is the interest has been coming down on that side as we've been paying down our debt, so you'll see that make its way through. Then the other thing is on the ECL. We booked just short of \$1 million. I think it was \$900,000 in the quarter, and we continue to monitor that. But as the health of the lessees has been turning around, you know, we're hoping that that ECL provision will turnaround also. From that perspective, I think the core fleet will start to perform better. Then as we grow, we'll continue to add aircraft into that, and certainly that will start to get the margins back to a much healthier level.

The other side is SG&A is a bit high right now as a percentage of revenue, and that's really because of the nature of what we just went through where we had off-lease aircraft and whatnot. As we grow, that will come down. There will be a few factors that will start to bring that back to a better margin.

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

I would say, Cameron, in terms of the opportunities and getting back to normal, it's sort of bifurcated between two areas. One is there are still a number of airplanes that are off-lease and the stress in terms of the older portfolios, etc. The good thing is that we have essentially placed all of our grounded aircraft back on lease. It's something that we don't need to have and see these aircraft coming back in the near term and be under a lot of downward pressure, because the market will be absorbing some of these excess assets that are there. That's one part of it.

But the other side is the actual sale and leaseback side, which we see recovering very well because these are new assets. They're not really competing against the assets that have been grounded. They're new technology. They're, because of the green initiatives, carriers re-fleeting, etc. That end of the business, you know, we see recovering in a very good way. As I mentioned in my comments, with the balance sheets that are there, we think that the penetration of operating leases within the business will actually increase as a percentage of the new production that's coming out. That's why we're optimistic in terms of that part of the business. It doesn't mean that there won't be competition out there, etc. But we believe we can compete in that business, and so that will be a focus.

Any other portfolios that are out there, you know, should be priced according to the market conditions, etc., that exist for those aircraft. That's why we feel the worst is behind us. We just have these two airplanes left to release, that we're optimistic we'll have something there very soon, and then we'll be focused on the two areas that I just mentioned.

Cameron Doerksen — Analyst, National Bank Financial

Okay, no, that's great. I'll pass the line. Thanks very much.

Operator

Your next question comes from Alanna Yontef of BMO Capital Markets. Please go ahead.

Alanna Yontef — Analyst, BMO Capital Markets

Hi, thanks for taking my question.

I just had a question about the leasing business, specifically, just to build on Cameron's question, as we think about the recovery moving forward. Do you think we've seen the worst of the downward revisions to these rates, or are there still pockets of vulnerability in the leasing portfolio?

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

As I mentioned in my comments, I think we've seen now, an inflection point. I see as carriers get back up, and as passenger travel resumes, and as vaccination rates increase, because the vaccination rate is really key here in terms of the recovery of the business; I think as we see that continue to rise, the business itself will rise accordingly in terms of the level of demand as people get back up in the air.

I think that's evidenced by the increased utilization we're seeing in the fleet, both the aircraft we lease, we monitor that closely, and of course our Air Canada Express operation, which has rebounded quite significantly.

Alanna Yontef — Analyst, BMO Capital Markets

Great and just one quick question about the regional aviation services. I'm just wondering what about the necessary resources that are being brought back to support the recovery, and are you seeing any bottlenecks that you're seeing in that recovery there?

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

No, we're very busy training people and, you know, we've gone through our list and, in fact, we're hiring flight attendants now, etc. But, you know, we don't see anything in the near term at all that is going to create any pressure for us. We look at the industry going forward, and just like coming into the pandemic, you know, everyone was looking at the pipeline of staff, etc. But, you know, relative to others in the industry, I think we're really in a good position.

We have this flow-through agreement with Air Canada. As Air Canada comes back, you know, they will be hiring a lot of our pilots, but that helps us hire pilots ourselves, because they see a career path through Jazz as being a long-term career path in the industry. That's why we're such, I think, a very good part of the supply chain, very strong with the relationship with Air Canada. But, you know, it's something that we have to keep our eye on going forward for sure, the availability of human resources.

Alanna Yontef — Analyst, BMO Capital Markets

Great, thank you so much.

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

You're welcome.

Operator

Your next question comes from Kevin Chiang of CIBC. Please go ahead.

Kevin Chiang — Analyst, CIBC World Markets

Hi, thanks for taking my question. I did get on the call a little bit late, so maybe you did address this.

Just wondering, when you look at the leasing business, or Chorus Aviation Capital specifically, just wondering, I guess, the potential changes to the taxes in that jurisdiction, given the broader global tax mandates being put out by major economies, does that materially change the returns you would see within CAC, or does it just end up kind of being a rounding error?

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

It's Gary here. Good morning, Kevin.

No, we don't see it as really changing the equation. You know, the minimum tax going from really 12.5 percent in Ireland to 15 percent wouldn't have a material impact, because there's a couple things at play. In Ireland, the way the tax regime works is, really, your income is deferred really until the end, and as a result it's at the back end. When you look at returns it will reflect back, and it's pretty nominal, the difference as far as that goes. We don't see it as being material to the business and not changing the value equation.

Kevin Chiang — Analyst, CIBC World Markets

Okay, that's helpful. Just on, I guess, the refocus on growth here within leasing. It sounds like you feel you've turned a corner on lease rates. You're willing to put some capital to work here on the sales leaseback. But presumably, you know, these lease rates probably aren't where they were at least pre-pandemic, even if they've inflected positively. To get the returns you were typically targeting, does that suggest you're able to get these assets at a lower price to kind of drive that mid-teens ROE or at least push through your hurdle ROIC percentage?

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

It's Gary again.

On the lease rate factors obviously, they'll be commensurate with the metal value and also the interest rates and whatnot. Certainly, they're a little bit lower, I would say, on some of the larger equipment, but the financing is much more competitive and much more dynamic that way. From that perspective, the return should be in good stead for that metal. We're not really that concerned that we won't be able to at least be competitive in that space.

Kevin Chiang — Analyst, CIBC World Markets

Okay, and maybe just last one from me, you know, 75 percent of your leased aircraft are running about 75 percent utilization from pre-pandemic levels, but is there a way to think of how that's bifurcated? Is it a pretty wide range, like some people are at 100 and some people are at 50 and you kind of average out at 75? Or is it pretty tight around that 75 percent range?

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

There's some variation amongst the carriers, and generally it's pretty much correlated to what's going on in the country with respect to COVID in that geography. It's variable. We don't speak to the individual operators, but there is variation.

Kevin Chiang — Analyst, CIBC World Markets

Okay. But let me ask a last one. I know this is probably difficult to just answer on the fly, but when I look at your let's say 2019 cash flow from operations, and I'll take out working capital, because I know that can swing around for you guys. Actually, if I look at '18 and '19, you're kind of hovering around \$270 million on an annualized basis. Just wondering, you know, based on what you're seeing today and the recovery in the lease portfolio, where lease rates are, where you've renegotiated the Air Canada contract. What, I guess, how much can you get back to that \$270 million level, or how much of that is just let's say just totally impaired because you had to renegotiate some of these agreements? Maybe you can kind of get to 90 percent of that, that's kind of as good as you can get with existing portfolio, and then to grow above that you're obviously investing in your asset. Is there a way to kind of frame that, just based on all the stuff you've done over the past couple of years?

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

Yes, sure. It's Gary here.

If you look at, you know, prior to COVID or, you know, pre the 2019-2020 levels, there's some changes obviously that have occurred on the RAL side with leasing but also with the CPA piece that we've had a bit of a step down in the fixed fee and whatnot and removed the Dash 3s. Certainly, there's

some changes there. But the one thing is, you know, the steadiness of the cash flow is still there, and as you look forward, it should grow a little bit, hopefully as RAL and that starts to kick in and Voyageur and with the growth they're seeing. But you know, the levels you're seeing is a bit at today's level are certainly a good basis to move forward without giving a big prediction as to where it's moving, but certainly, it's a great base to move ahead with, and you probably see some growth from it as we get aircraft released and Voyageur does a bit more.

Kevin Chiang — Analyst, CIBC World Markets

Okay, that's fair. That's helpful. Good progress in the third quarter on the recovery, guys. I'll leave it there. Thank you for taking my questions.

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

Yes.

Operator

Your next question comes from Walter Spracklin of RBC Capital Markets. Please go ahead.

Ryall Stroud — Analyst, RBC Capital Markets

Hi, this is Ryall Stroud on for Walter. Good morning, and thanks for taking my questions today.

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

Sure, good morning.

Ryall Stroud — Analyst, RBC Capital Markets

I just wanted to start off and was wondering if you could provide us with some more context in what you're seeing on the domestic recovery front. You know, it's moving from 55 percent recovered in Q3 to 75 percent to 80 percent recovered in Q4. It's a fairly significant jump. Maybe looking ahead, how far away do you think you are from fully returning to normal from a capacity perspective?

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

Well, you know, considering in terms of our Air Canada Express flying and the level of flying, that is actually determined by Air Canada. We do not determine that. In terms of predicting it, you know, the indication that we have now with respect to the fourth quarter is the plan that we have from Air Canada. But I think with this trend continuing, you can certainly see with this type of trajectory that getting back close to full operations in the probably latest second quarter could be very achievable. But again, it depends. It depends on the demand on the Air Canada front. It depends on the border, and I know that there's a lot of pressure these days to make crossing the border easily, more easy, or easier.

I think our operation really benefits from things like that, because we do a lot of transporter flying for Air Canada as well as they open the transporter markets and travel increases. We are seeing on the flights that we operate very good demand in the domestic market. You know, I think it's looking pretty good, and of course, we're on the right side of the business, because the demand for the smaller aircraft really is the first to come back. That's why our 76-seat aircraft, our jet aircraft are very busy these days flying throughout North America for Air Canada. That same sort of pattern is existing in other

parts of the world. We've seen Europe now, you know, there have been a few fits and starts there and that, but headed in the same direction.

Ryall Stroud — Analyst, RBC Capital Markets

Got it. Got it. That makes sense and that's very helpful colour. Then just lastly here, you know, you mentioned that the Purolator agreement kicks in later this month. I was wondering if you can provide us with any colour on how material this is expected to be to the top line and if there is any additional CAPEX spend associated with this partnership.

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

Sure, it's Gary here. I can answer the CAPEX.

The CAPEX is minimal. It's in our forecast, and it's certainly not significant. Then on the revenue line, it's not overly material to Chorus at this point in time, but it continues to grow, and as the relationship grows it will continue to make its way through. We've also had the Purolator arrangement in place now for two or three quarters, because it started out as a trial, so a lot of that revenue bump-up you've seen, at least off the existing fleet, but we are hoping to grow that relationship.

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

What I would say is that, you know, we converted these Dash 8-100s at Voyageur into freighters and we had a tech early aircraft operating in there for Purolator that were not the fully converted freighters that we now have in there operating for Purolator. But we do have a number of these

airplanes available to convert, and the conversion cost is quite reasonable. From what we understand the aircraft are performing very well. They have a very good payload, on especially transporter services, etc.

The interesting thing is that the demand, because of the online purchasing that's going on in smaller communities and remote areas and that sort of thing, you know, I think that puts us in a pretty good place. I think Purolator has a very strong position in that market as well. We will continue to work with them to identify new opportunities and ways of growing that business. We're optimistic that positive things will continue to occur there. It's an interesting business to us, and we've very focused on the relationship and growing it.

Ryall Stroud — Analyst, RBC Capital Markets

Okay, that's great. Good to hear. Thanks for the colour, and thanks for taking my questions. I'll pass the line now.

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

Thank you.

Operator

Your next question comes from Konark Gupta of Scotiabank. Please go ahead.

Konark Gupta — Analyst, Scotiabank

Thank you, Operator, and good morning, everyone.

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

Good morning.

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

Good morning.

Konark Gupta — Analyst, Scotiabank

Good morning, guys.

Maybe digging into CAPEX here a little bit for next year. I think you guys mentioned \$300 million to \$400 million in aircraft acquisitions next year perhaps, and that seems like an opportunity base more like, more than the committed CAPEX at this point. Let's say you do \$300 million to \$400 million next year on the aircraft. Legacy, if you see you look historically, that could be possibly six to eight larger aircraft like A220s, or if you go smaller it's probably 10 to 15 regional aircraft. Can you give us some sense, like is there going to be a mix of both maybe A220 kind of aircraft and smaller aircraft, so we have anywhere between call it 8 to 10 or 12 aircraft possibly? Is that the size that you're anticipating next year?

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

It's Gary here.

It could be a mix. There will be a mix of those types of aircraft. We're not giving specific guidance on the aircraft, but giving a range for the CAPEX. To your point, it will depend on the deals that we focus in on and we're able to complete. But your ranges weren't, I don't believe, off.

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

Yes, the opportunities, you know, I mentioned the crossover airplanes with respect to the E2s and the A220s, and of course now ATR is starting to pick up in terms of their manufacturing rate as well. ATR 72s potentially could be in the mix. The manufacturing of the Dash 8-400s has been suspended, so there's not a lot of activity in that regard. But in terms of new metal, those are the three aircraft types. But, of course, they vary quite a bit in terms of their acquisition cost, and it's hard to say exactly what the mix will be. But you're right, you know, the number of airplanes is clearly, you know, has to be reflected in the mix of the \$300 million to \$400 million.

Konark Gupta — Analyst, Scotiabank

Right, no okay. That makes sense, and that kind of probably puts you back somewhere toward your pre-pandemic kind of goal for 20 aircraft or so annually. It seems like it's heading there. Now, with the second non-aircraft CAPEX, and I know it's still a bit premature, but we have seen perhaps not a significant variation this year versus 2020 and maybe before, but is it fair to expect the non-aircraft CAPEX that's more or less similar in 2022, or is there any incremental around ramp-up in your expense?

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

It's Gary here.

I can't really give you a good flavour for that at this point in time. As the operation ramps up, though, one would expect that that would ramp up a bit, but if you look at particularly for Jazz, things have changed with the Embraer's coming in play, too. I think it's a little early to give you guidance on for next year.

Konark Gupta — Analyst, Scotiabank

Okay. Not a problem there. Thank you so much for that. Then lastly from me, in respect to the remarketed aircraft, so I think you have done about 11 of those so far, and the two are coming out shortly as well. I think, if I'm reading it correctly, you mentioned somewhere in the disclosure the six, I think, ATRs spreading over the next 12 months or so, essentially. Can you provide any sense as to should we expect the ramp-up for remarketed aircraft placed into the leasing revenue to be linear over the next three to four quarters as '21 Q4, or should we expect like a big bump in one or two quarters?

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

It's Gary here.

I think it will be more linear, but it could change. I know the deliveries and the timeframes have moved around a little bit with Emerald and other carriers. It could be a spike, or it could be more linear, but for modeling I would probably use more of a linear approach.

Konark Gupta — Analyst, Scotiabank

That makes sense. Thank you so much. Thanks, guys.

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

Yes.

Operator

There are no further questions from the phone lines, so at this point I will turn the conference back over to Nathalie Megann for closing remarks.

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

Thank you, Michelle.

Thank you, everyone, for being present on this call. We look forward to speaking with you all soon. Have a great day.

Operator

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