Chorus Aviation Inc.

Fourth Quarter 2021 Financial Results

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CORPORATE PARTICIPANTS

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

Joe Randell
Chorus Aviation Inc. — President & Chief Executive Officer

Gary Osborne
Chorus Aviation Inc. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Konark Gupta
Scotia Capital — Analyst

Matthew Lee
Canaccord Genuity Group — Analyst

David Ocampo
Cormark Securities — Analyst

Tim James
TD Securities — Analyst

Walter Spracklin
RBC Capital Markets — Analyst

Cameron Doerksen
National Bank — Analyst

Kevin Chiang
CIBC Capital Markets — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Chorus Aviation Inc. Fourth Quarter 2021 Financial Results Conference Call. At this time, all lines are in a 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 star zero for the operator. This call is being recorded on Thursday, February 17, 2022.

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

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

Thank you, operator. Hello and thank you for joining us today for our fourth quarter and year end 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 statements and information, which are subject to various risks, 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 three months and year ended December 31, 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 relating to the use of such non-GAAP measures.

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

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

Thank you, Natalie, and good morning, everyone.

2021 was a very productive year and I am pleased with our accomplishments, especially considering the prolonged pandemic. We started the year by revising our capacity purchase agreement, or CPA, with Air Canada that enhanced Jazz's position as the exclusive Air Canada Express operator of 70 to 78 seat regional capacity until the end of 2025 and we added 25 Embraer 175s to the covered fleet. We are now the sole provider of Air Canada Express services and the relationship has never been stronger. A reminder, our CPA with Air Canada continues to 2035. We strategically managed our liquidity through successful capital raises and reduced our net debt by approximately $240 million to recharge our financial flexibility. We continue to generate positive cash flow and have the resources required to focus on profitable growth.

While airlines around the world are still challenged to return to pre-COVID profitability, our fourth quarter yielded positive returns of $0.06 in net earnings per basic share or $0.12 on an adjusted basis. Our employees have shown tremendous resilience throughout this crisis and have provided safe and high-quality services to our customers. I am deeply grateful for their perseverance and dedication.

Voyageur had a record year in 2021, having secured new contracts that expanded cargo operations with Purolator and developed new relationships with blue chip customers like Transport Canada, the Canadian Armed Forces, and General Dynamics Missions Canada. The team is executing very well and the momentum they gained in the year will continue to positively impact earnings throughout 2022 and beyond. Last month Voyageur entered into an agreement with Sabena technics to provide on-site service support of Dash 8-400 aircraft through Voyageur's EXCL program. This agreement extends our parts provisioning business into Europe, a key target market, and we're very pleased to welcome Sabena to our roster of high-quality customers.

I also extend my congratulations to the team at Jazz for being recognized again this year for being named one of the best places to work in 2022 by Glassdoor Employees' Choice Award. This is an award that is based solely on the input of employees who elect to provide anonymous feedback about their job, work environment, and employer. Given the challenges and stress many of our employees have endured over the last two years, this is an incredible testament to the positive and can-do attitude of our people. The accolades don't stop there. Jazz was also recognized in January as one of Canada's top employers for young people for the 10th consecutive year. Congratulations to the team.

The Chorus Aviation Capital team has done well in a very challenging environment to support our customers and in remarketing all 13 aircraft repossessed in 2020. Quarter over quarter, we saw improvements in the overall utilization of our leased fleet and collected 83% of lease revenue recognized in the fourth quarter, up from 77% from the previous quarter. We view this as a positive sign that air travel demand is rebounding, particularly in the domestic markets where most of the lessees operate.

Restrictions are gradually being lifted worldwide as more people become vaccinated and cases of COVID decline. The easing of travel and border measures announced earlier this week by the federal government is a positive step for our industry; however, more needs to be done.

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

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

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

We generated adjusted EBITDA of $90.5 million, an increase of $8.5 million over the prior year. Adjusted net income was $21.5 million in the quarter, an increase of $13.8 million to $0.12 per basic share. The RAL segment's adjusted EBITDA increased by $5.9 million due to additional aircraft earning lease revenue and a $3.6 million lower expected credit loss provision, partially offset by lower lease revenue related to negotiated lease amendments and decreased earnings due to a lower earnings US exchange rate. The RAS segment's adjusted EBITDA increased by $2.6 million.

The fourth quarter results were impacted by an increase in other revenue due to an increase of third-party MRO activities, part sales, and contract flying; an increase in capitalization of major maintenance overhauls on owned aircraft of $2.8 billion; and an increase in aircraft leasing revenue under the CPA; offset by decrease in fixed margin of $2.4 million in accordance with the CPA and an increase in general administrative expenses attributable to increased operations.

Adjusted net income of $21.5 million for the quarter, an increase of $13.8 million due to an $8.5 million increase in adjusted EBITDA as previously described, a decrease of $5 million primarily due to a decrease of unrealized and realized foreign exchange losses, a decrease in depreciation expense of $3.5 million, and an increase of $1.7 million related to gains on property and equipment and asset-backed commercial paper, offset by a $3.8 million increase in adjusted income tax expense and an increase in net interest cost of $1.1 million. Net income increased $1 million over the prior period, primarily due to the previously noted increase in adjusted net income of $13.8 million, a decrease in impairment provisions of $27 million, offset by a decrease in net unrealized foreign exchange gains primarily on long-term debt of $35.4 million, and a decrease in income tax recoveries on adjusted items of $3.2 million.

Now turning to liquidity, as of December 31, 2021, Chorus' liquidity was $188.5 million, including cash of $123.6 million and $64.9 million of available room on its operating credit facility. Liquidity decreased from the third quarter of 2021 by $69.6 million, primarily due to the redemption of $85 million principal amount of the 6% debentures, which was partially offset by a reduction in restricted cash.

During the quarter Chorus generated cash flow from operations of $48.9 million. Other key liquidity changes during the quarter include items that increased cash flow are as follows: an increase in secured deposits and maintenance reserves of $20.1 million, a decrease in restricted cash of $14.9 million. Items that decreased cash flows are as follows: scheduled debt repayments of $50.2 million, repayment of the prior facility of $30 million, capital expenditures of $18.4 million, and an increase in working capital of $17.4 million driven by an increase in receivable from Air Canada offset by accounts payable.

As of December 31, 2021 the controllable cost guardrail receivable was $44.9 million. The amount was paid in Q1 in accordance with the 2021 CPA amendment. As of December 31, 2021, CAC's gross lease receivable was $84 million. The gross receivable may increase to approximately $90 million by the end of 2022 due to rent relief arrangements and potential delays in payments.

Leverage decreased year over year due to an overall reduction in net debt of approximately $240 million, partially offset by lower adjusted EBITDA of $18 million. Adjusted net debt to adjusted EBITDA ratio went from 5.8 at the end of 2020 to 5.4 at the end of December 31, 2021.

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. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by one on your touchtone phone. You will hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press star followed by two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Konark Gupta with Scotia Capital. Please go ahead.

Konark Gupta — Analyst, Scotia Capital

Thanks and good morning, everyone. My first question is on your ability to re-price any (inaudible) contracts, you know, perhaps, annually or in the short term as interest rates increase and the market condition improves. So, can you speak about kind of the terms or the pricing terms that you can renegotiate really talk with clients?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Hi. It's Gary here. On the aircraft leases, they are generally locked in once you sign the lease. And as you can note in our disclosure, about 98% of our debt is fixed overall, so it's all locked and works together. So once you've signed a lease though, it is locked in for the term essentially.

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

We do expect, in an increased interest rate environment, that lease rates will rise accordingly. So, generally speaking, there's certainly a correlation between lease rates and interest rates.

Konark Gupta — Analyst, Scotia Capital

Makes sense. Thank you. And then you talked about gross lease receivables increasing again this year as relief measures kind of still continue. I'm just wondering if you can provide any visibility as to when do you think that lease receivable will peak. Will that be the end of this year? And what's your visibility or when do you expect that receivable to be collected, in what timeframe?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Yes. So it's Gary here. Yes, on the receivables, you can see our disclosure on that. We still have some deferral agreements that run into next year a little bit and that's why you're seeing that guidance. The value will come down over time. It will take several years to extinguish, there is no question about that, but we're not giving the longer-term guidance other than this year and it will take several years to extinguish the receivable.

Konark Gupta — Analyst, Scotia Capital

Okay. That's all my questions. Thank you.

Operator

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

Matthew Lee — Analyst, Canaccord Genuity Group

Good morning and congrats on the quarter. I'd like to first ask about the options you've got to expand the leasing portfolio. Specifically, do you have a preference between acquiring assets, signing individual agreements, or maybe buying a competitor in the space?

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

Generally speaking, we've been focused more on new sale leaseback type of opportunities, but we're certainly not totally focused on that. We look at all opportunities, including mid-life aircraft and in some cases older assets, as we do have options as they come to end of life with our diversified business, et cetera. So, we continue to talk with airlines, other leasing companies in terms of sourcing potential opportunities there where they're looking to diversify or to divest a part of their portfolio, et cetera. So, we have a broad spectrum and we'll continue to do that.

Matthew Lee — Analyst, Canaccord Genuity Group

That's great. Then maybe could you unpack the opportunities you are seeing in cargo? Obviously the Purolator contract is a great start, but do you see that becoming a more meaningful part of the business going into 2022 and beyond?

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

Yeah, we certainly look for that to be a growing part of the business. I think we're very pleased with our relationship with Purolator. It's been going very well. So we see that as an exciting opportunity for us. We have converted some of our older Dash 8 passenger aircraft into freighters and we do have a number of them available to do so but, again, it's related to the demand that we see. But we do see it as a growing part of our business and certainly opportunity there and we are making good progress. It's not a huge part of our business, but we'll continue to pursue it as a growth opportunity.

Matthew Lee — Analyst, Canaccord Genuity Group

All right. Thanks.

Operator

Thank you. Your next question comes from David Ocampo with Cormark Securities. Please go ahead.

David Ocampo — Analyst, Cormark Securities

Thanks. Good morning, everyone.

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

Good morning.

David Ocampo — Analyst, Cormark Securities

On your future leasing revenue, kind of assuming no new assets here, should we see growth in the upcoming quarters as we repossessed aircraft are redeploy it or is this going to be offset by the leases that you renegotiated, specifically Aeromexico comes to mind?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

It’s Gary here, David. I think you’ll see it be pretty steady, maybe a modest increase, but it should be pretty steady. Most of the aircraft are back out now. As you know, they were remarketed during the course of the year, so there’s a little bit of a time lag that you will see throughout there. And Aeromexico has now emerged from bankruptcy, or very close to, and we should see a small uptick there. So, steady to a small uptick.

David Ocampo — Analyst, Cormark Securities

Okay. And you guys noted the bankruptcy of Philippine Airlines, them coming out of chapter 11. Kind of when you look at your remaining customers, are you aware of any other airlines that may be on the brink or are in financial hardship right now?

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

No, I think the whole environment has improved, frankly, around the world with respect to carriers, you know, and we’ve done agreements with most of them and those agreements are sticking. There are still a couple of areas of the world which are struggling a little, but we certainly believe that the worst is behind us. And of course we’ve taken some provisions, as you know, in our financials, et cetera, which we think very well cover us in terms of where we are.

David Ocampo — Analyst, Cormark Securities

Okay. My last one here is for Gary. When I take a look at the leasing business's operating expenses, after you strip out those one-time costs, it looks like it only came in at around $2 million in the quarter, and that's lower than basically anything that you guys have done over the last eight or ten quarters or so. I was just curious if there are any one-time benefits in there or is this a number that we should expect going forward.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

There is nothing that's sticks out. I think when you look at the quarter you're starting to see the benefits of getting the aircraft back on lease and whatnot. So, when you look at the overall results I think the quarter is not a bad taking off spot, particularly with the revenue and whatnot, so...

David Ocampo — Analyst, Cormark Securities

And I guess in the past, Gary, you guys have mentioned that you target like an SG&A percentage of revenue. I forget what the number was. It was 7% or 10%. Is that's still the right number going forward?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Well, I think if you look at where the SG&A is year to date, it's going to be higher as a percentage just as we repositioned our fleet. And then as we grow, you know, we would want to get below 10% pure in the next number of quarters. But it's going to take time to grow into that. The fee infrastructure is still there, it's just, if you go back and look, we've taken some hits on the revenue, and we've adjusted now for that and moving forward, as we grow, we'll get back to something more of a normal.

David Ocampo — Analyst, Cormark Securities

Okay. That's it for me. Thanks so much.

Operator

Thank you. Your next question comes from Tim James with TD Securities. Please go ahead.

Tim James — Analyst, TD Securities

Thanks. Good morning, everyone. Quick question on the, ah, the Air Canada trade receivable was, ah, I realize it fluctuates around quarter to quarter, but it was a fair bit more than it was at the end of 2020. Is there a particular reason for that?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

The guardrail was, ah, it's Gary here, the guardrail was pretty significant there in the quarter, as you say in our disclosure. So, as you know, it's a $20 million cap, so it grew a fair bit in the quarter, and that's what the bulk of that would be that you saw. And then of course that was paid here in Q1. And so it reset itself to zero.

Tim James — Analyst, TD Securities

And so, Gary, just so I understand correctly, the guardrail receivable is included in that disclosure that you have on the total, I guess, total Air Canada trade receivable. Is that right?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

I believe so. If you're looking at the financial statements in the back, or…

Tim James — Analyst, TD Securities

Yeah, yeah, just the number. I think it was, I mean it was certainly, it must include more I believe than the guardrail receivable, but I am just wondering—

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

It should be included in there.

Tim James — Analyst, TD Securities

That significant change in it from year end to (inaudible) would be related to the guardrail component of it specifically.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

That certainly built up in the end of the quarter. The other thing is there's normal receivables that make their way through there, whatever they may be, related to the operation, but the guardrail is a significant component of it.

Tim James — Analyst, TD Securities

Okay. Okay. My next question is just on your new aircraft acquisition plans for 2022. And you've indicated kind of $300 million to $400 million. I'm just wondering if you can comment at all on any particular aircraft types that you think look particularly attractive this year or where there may be opportunities, whether it's by OEM or by jet versus turbo prop, size, any kind of defining characteristics that you see as you look out to the balance of the year.

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

Right. Well, I think we've been saying all along that we find the larger regional jets to be particularly attractive and sort of the crossover aircraft, which are at the A220s, I think the E2s in particular. The turbo props are taking a while to pick up the surplus that's in the market, although you may have seen recently that ATR is going to be upping its production and actually moving more into the freighter side as well, which is interesting. And of course the 75-seat jets are generally still in good demand, especially in the US, et cetera, but of course those would be primarily used assets, et cetera. But I think what's particularly interesting are the new generation regional jets on the larger side, you know, over 100 seats.

Tim James — Analyst, TD Securities

Maybe if I could just follow on to that, just in particular the A220, there's been more activity or demand for new aircraft. Recently Chorus has dipped their toe in the water there with a few aircraft. Do you think that is something that continues to grow in proportion or have an increasing contribution to lease revenue for Chorus or is it a bit of a more competitive market or is there any dynamic that maybe makes it less attractive?

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

Well, it's certainly a competitive market, there is no question about it, but I do see it becoming a larger part going forward. And you have these mid-range airlines that are operating and looking to move to these new technology, larger regional jets, and those would be, in particular, in our target group. When you look at huge buys from large carriers, quite often that's the ground that the larger leasing companies play in. But in this particular market I think we'll be more of a niche player, but there are clearly carriers that are moving in that direction that would fit the type of carrier profile that we would target. As you can see, we have five airplanes with Air Baltic there, and Air Baltic is a great example of a niche player that's been very successful, very supported in its home market, et cetera, and there are other opportunities such as those that we would pursue.

Tim James — Analyst, TD Securities

Great. Thank you very much.

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

Thanks, Tim.

Operator

Thank you. Your next question comes from Walter Spracklin with RBC Capital Markets. Please go ahead.

Walter Spracklin — Analyst, RBC Capital Markets

Thanks very much. Good morning, everyone, and congratulations on those recognitions. I know in the airline industry it's a tough one through COVID to get recognized that way, so congratulations.

Moving on to the questions, and really I have two, and they are core to kind of our view on your company, and the first one is that, you know, as we go through what I hope is the tail end of COVID, we are going to see a pickup in activity and it's going to be, first and foremost, in the short haul regional friend and family. On your results, the fourth quarter suggested that, but now your guidance on Q1, obviously down due to omicron, my sense is and I hope that omicron is kind of just a temporary aspect in your financials and that the second quarter and forward in fact come back along the lines of what we were seeing last fall. When you look at your booking curve, is that supportive or contradictory to that view is my question.

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

Okay. That's a very good question, Walter. Our equivalent to a booking curve is the number of block hours we fly. Because we don't have, as you know, Air Canada has the commercial side of the business in terms of load factors and bookings, et cetera, and that all translates, to us, in terms of block hours flown. And I think I do have some numbers that I can share with you that I think clearly demonstrate pretty much what you're talking about.

In the fourth quarter last year, when you compare it to pre-pandemic in 2019, we operated about 75% of the block hours we did pre-pandemic. So it was definitely up. The fourth quarter was going well, et cetera, and then omicron struck. And it looks as though, from what we've actually flown, and we're starting to see some pickup numbers even in March, that the first quarter now we'll be at about 60% of where we were at pre-pandemic. So, obviously, it had fallen, and when we look at our numbers, that was the impact of the pandemic, of the omicron I should say.

And then though, when we look at the second quarter of this year, we're looking at actually the hours that we are planning on right now are about 87% of pre-pandemic. So you can see that, while there is a drop in the first quarter as a result of omicron, I think there's reason to believe that now things are going to pick back up and we're going to get to where were pre-omicron and plus. So, I think those numbers will give you some indication that, in terms of our outlook, yeah, first quarter not so great because of these block hours, but definitely recovery.

And the other thing to remind people of as well is that we're paid a fixed amount and it really doesn't matter how many block hours. And of course, while we watch this carefully because it's sort of a bellwether of how the industry is going, it doesn't necessarily all then manifest itself in our results, which are generally fixed.

Walter Spracklin — Analyst, RBC Capital Markets

Okay. That is excellent information and I think exactly what I was looking for, so thank you for that, Joe. That's perfect.

On the second part of our view and, again, I'll kind of frame the question the same way, it's our view that stretched balance sheets among airlines will not allow them to go out and kind of buy up aircraft left, right, and center and perhaps leasing will be an opportunity they use, perhaps, likely in their early months and quarters and years to ramp up quickly and to be able to ramp up at all, quite frankly, given their stretched balance sheet. Obviously you've got to get your collections back first and the trend there is good, you know, what we've seen over the last three quarters. You've highlighted a few wins here. But I guess my question is the same thing, when you look at your sales channel in that segment, are we getting to a point where you can look down the road and say, hey, that is true, airlines are going to be leasing a lot and perhaps and likely more than they did pre-pandemic, and is there any visibility that you have that could confirm or deny that kind of view?

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

Yeah, I think what you're saying is very true. I think more airlines will do this with their damaged balance sheets, et cetera. A lot of them have been pretty cautious in terms of adding new aircraft or capacity, et cetera. And there is some aircraft to absorb in the marketplace that were grounded as a result of the pandemic. I think what we are seeing though is we've seen more or less, especially in the regional side, maybe not totally in the narrow body, wide body, but in the regional side there has been, I think, a little bit of a shoring up over this last little while on some of the lease rates that we're seeing out there. And some of the reports that we're seeing shows that it has in fact bottomed out. So I think we're going to see the increase. And this is barring any unforeseen, another variant or a world crisis or something like that, but there will be that uptake or uptick and we are getting inbound inquiries from airlines now looking to do more leasing business, et cetera. So, very good signs of recovery in the market.

Walter Spracklin — Analyst, RBC Capital Markets

Okay. That's great information, Joe. I really appreciate your time.

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

No problem. Thank you.

Operator

Thank you. Your next question comes from Cameron Doerksen with National Bank. Please go ahead.

Cameron Doerksen — Analyst, National Bank

Thanks very much and good morning. Obviously there's been some press reports out there regarding potential M&A. I appreciate that you're not going to comment specifically on those reports. But maybe a bigger-picture question for you, just with regards to what, if you were to pursue the M&A route to grow your portfolio, what potential synergies do you see or strategic advantage would there be for your leasing business to have that greater scale? Maybe just comment more generically on what the potential upside could be to the business if you were to pursue that route.

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

Like we said, we're not going to respond and speculation and that sort of thing; however, I think it makes sense that more scale brings advantages in terms of a larger leasing platform with manufacturers, with financing, larger orders, things of that nature.

There has been dislocation in the market for sure with some of the larger lessors. There are still lot of assets out there to be picked up. And there is no shortage of rumors and speculation and we are certainly keeping our eye on all these things and looking for opportunities that make sense for Chorus and we'll continue to do that. And through that we would look to bring in some of the advantages that could come from any possibility. So we continue to look at it, no comment at this point, because there's a lot of speculation, but we'll just keep it at that.

Cameron Doerksen — Analyst, National Bank

Do you think it matters to an airline who they're leasing from? I mean do they prefer to deal with a bigger lessor versus maybe a smaller player or does it make any difference to them?

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

I don’t think it makes a lot of difference. Obviously, larger lessors can do bigger deals and in some cases larger airlines don’t want to do a whole bunch of small deals. But we have leases with large airlines as well. So a lot of it is relationship based. It’s who you know in the industry and getting in there and getting in the competitive process. So a lot of it is driven by that, but our focus has been primarily not on the very, very large carriers, but on the mid to smaller side, and we’re quite comfortable in that niche.

Cameron Doerksen — Analyst, National Bank

Okay. Great. Maybe just a quick second question. You’ve got a number of aircraft there that will be available for part out. I’m just wondering what you’re seeing in the part out market. I mean, obviously, airlines around the world are starting to fly a little more. I mean is there some acceleration of demand for part out opportunities here?

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

Yeah, there has been some acceleration of demand and we continue to part out aircraft. So we’re very pleased with that business and we see it as a good part of our business going forward. And it really helps when we look at the whole lifecycle of the aircraft, which is what we’ve been talking about for a while. And we do have a number of older airplanes sitting there and we look at each as a part out opportunity and we have done a number and we’ll continue to do it. So there is good demand in that area and we see that recovering as well.

Cameron Doerksen — Analyst, National Bank

Okay. Perfect. Thanks very much.

Operator

Thank you. Your next question comes from Kevin Chiang with CIBC. Please go ahead.

Kevin Chiang — Analyst, CIBC Capital Markets

Thanks for taking my question. Just looking at, I guess, some of the growth spend you're looking at within your leasing business, I guess how much of this is you looking at a more sustainable recovery in the aviation space versus maybe taking advantage from a market that seems to be a little bit more advantageous for you? So I look at like Nordic Aviation seems to be facing significant issues. Is there like a market share grab opportunity here that this window has opened and that's driving maybe a more aggressive stance for you to take advantage of maybe where your competitors sit today?

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

Yeah, well, market share for us is secondary. What we do is we look at each deal in terms of the financial aspects of the deal, the credit worthiness of the customer, and of course what we've been balancing that all against is our own liquidity as we move through here in our own balance sheet, et cetera. So, while market share is nice to have, we've seen some large lessors with major market share that have not been successful. So we're being very prudent and very careful. That's the best I can describe it, I think.

Kevin Chiang — Analyst, CIBC Capital Markets

And is it, for lack of a better word, is it a buyer's market for you? For example, like Nordic, I think they wrote down like a third of their asset portfolio. I think they're going to look to sell planes, which I suspect they're not in a great negotiating position. So, as a buyer of these aircraft, are you finding that to be more compelling from an economic perspective so that, even though lease rates might be a little bit (inaudible), you're still getting that ROE that you typically target?

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

Yeah, well, you know, whenever there are buying opportunities, you have to look at the asset, you have to look at the deployment of the asset, because if you buy these assets and you don't have a home for them then it ties up a lot of cash. And there are lot of surplus assets out there right now. So in each case you also have to look at if they're coming with leases attached, how long the lease is, the quality of the carrier again. And there are some credits that are out there that had very much struggled and continue to do so, so we need to be very, very careful. And while they are buy opportunities, what we don't want to do is take on some of these opportunities and then they become problems. We want to make sure, whenever we act on something like this, that we have a plan.

Kevin Chiang — Analyst, CIBC Capital Markets

And maybe just last one for me. When you think of growing the portfolio and I think of maybe your strategy pre-pandemic, it was trying to be diverse across geographies, across aircraft type, across customers, and obviously that makes sense when you're building a portfolio, but I think there's going to be, to state the obvious, there's going to be an uneven recovery in the aviation market when you look at region by region. Does that kind of shape how you want your portfolio to be? Like do you try to limit aircraft or your exposure to maybe Asia Pacific, which is expected to lag in the recovery? Is your preference to put more planes into, say, North America and Europe, where the recovery might be faster? Is there a little bit more thoughtfulness, I won't say thoughtfulness, but is there may be a little bit more focus on maybe what geographies you want in your portfolio as the overall market recovers?

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

Generally speaking, diversification is wonderful, all things being equal, but all things are not necessarily equal in terms of geographies and carriers, so we're cautious. If something is struggling and it looks as though it's going to take some time, then we'll look at that extra carefully. But of course, if it's a geography or a carrier that is robust and has come back pretty quickly, we'll look at that opportunity more favourably.

So in the short term, as the world has an uneven recovery and carriers are uneven, we'll tend to go more to where the real, you know, the floor is there and we're comfortable with the investment. And as I said, some of these continue to struggle. So parts of the world are certainly not out of it yet. I don't think the world is, but it's headed in the right direction.

Kevin Chiang — Analyst, CIBC Capital Markets

That's very helpful for me. Thank you very much for taking my question.

Operator

Thank you. Ladies and gentlemen, as a final reminder, should you have any questions, please press star one.

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

Okay, operator, it seems there are no questions, so we will conclude the call. Thank you, everyone, for joining us today and we look forward to speaking with you again soon.

Operator

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