

Chorus Aviation Inc.

Falko Acquisition

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Falko Acquisition 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 Monday, February 28, 2022.

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

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

Thank you, operator. Good morning and thank you for joining us. Today is a very important day in Chorus' history and with me today are Joe Randell, President and CEO; Jolene Mahody, EVP and Chief Strategy Officer; and Gary Osborne, Chief Financial Officer, who will take you through the highlights of the Falko transaction announced last night.

A presentation is posted in the Investor Relations section of the Chorus website under Management Presentations. A link is also provided in the news release announcing this transaction and we will be referencing this presentation in our prepared remarks.

With that, I'll jump right into the customary forward-looking information disclaimer as the discussion in this call is forward looking. Forward-looking statements involve risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied in such statements.

Chorus undertakes no obligation, other than that imposed by law, to publicly update or revise any forward-looking statements to reflect future events, information, or circumstances that arise after this call. I direct your attention to the caution regarding forward-looking statements and information that is provided on page one of the presentation and provided in our news release dated February 27, 2022.

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

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

Good morning, everyone, and thank you for joining us on this important call.

Chorus has entered into a sale and purchase agreement to acquire Falko Regional Aircraft Limited and interest in various aircraft funds managed by Falko. The transaction, as described on page two of the presentation Nathalie referred to, is subject to the receipt of applicable regulatory approvals and customary completion requirements and is expected to close in the second quarter of 2022.

This deal, more than C\$1 billion, is truly transformative for Chorus. Under the terms of the agreement, Chorus will pay approximately US\$855 million for the acquisition of Falko's regional asset management platform, together with equity interests in 126 owned and managed aircraft. We will fund the investment with US\$445 million in cash, inclusive of Falko's cash balance, and by assuming approximately US\$410 million of existing debt.

Brookfield, through its special investments program, and together with institutional partners, has agreed to make a strategic equity investment in Chorus in connection with the transaction. The cash portion of the consideration will be funded predominantly through the Brookfield investment. Upon

closing of the transaction, Brookfield will invest a total of US\$374 million through a combination of Chorus preferred and common equity. The remaining consideration will be funded through our cash resources.

Brookfield will invest US\$300 million of preferred equity and US\$74 million of common equity. The preferred equity will initially pay a cash dividend of 8.75% annually, or 9.5% in kind at Chorus' option, escalating after the sixth anniversary. The common equity will be issued at C\$3.70 per share, representing an approximate 8% premium to the 30-day VWAP as at the date the parties agreed to pricing on January 28th. On a pro forma basis, this represents 12.5% of Chorus' issued and outstanding shares. In addition, \$18.6 million in common share purchase warrants will be issued at C\$4.60 per share, representing an approximate 35% premium to the 30-day VWAP as at January 28th.

Upon closing the transaction, Brookfield will nominate David Levenson, Managing Partner and Global Head of Brookfield Special Investments, and Frank Yu, Senior Vice President, Brookfield Special Investments, to the Chorus' Board of Directors. Brookfield's support validates the transaction and enables the transformation of Chorus' business and growth strategy. We have completed a thorough and in-depth analysis of this opportunity and the strategic merits of this combination are indisputable. This is a defining transaction for Chorus. This combination creates a premier full-service provider in regional aviation, delivers first year earnings and EPS accretion, and positions Chorus for growth.

As noted on page four of the presentation, Falko is a leading regional aircraft asset management company and has a global presence and established relationships with customers, manufacturers, and leasing companies. Falko has a successful track record of raising and deploying capital. Since 2011, Falko, through its managed funds and affiliates, has acquired over 320 regional jet and turboprop aircraft and

since 2015 has raised over US\$1.1 billion in equity capital. Falko generates revenue in three ways. First, through asset management fees earned from managing aircraft on behalf of fund investors; second, through lease income and asset sales from aircraft; and finally, through incentives related to the performance of the fund's investment targets.

Chorus is currently a significant player in the regional sector with 234 owned and operated aircraft and over 4,500 employees. We offer a full suite of regional aviation services, including leasing, contract flying services, and technical skills and capabilities. We are the sole provider of regional services to Air Canada and the exclusive provider of 70-plus-seat regional services for Air Canada through to 2025. Our long-term agreement extends to December 31, 2035 and provides predictable and strong cash flows.

In 2017, Chorus launched its Chorus Aviation Capital leasing business and has successfully grown its portfolio to a sizeable 62 aircraft in five short years. Our deep knowledge and technical expertise in regional aircraft developed over our long history of operations has been a critical differentiator in the growth of our leasing business.

Chorus generates cash flow primarily in three ways. First, from lease income from owned aircraft; second, fixed fees for operating aircraft on behalf of customers; and third, income related to our technical capabilities. With the addition of the Falko asset management platform, Chorus will shift to growing through an asset light model, significantly increasing cash flow generation and improving return on invested capital.

I am pleased to say Jeremy Barnes, the current CEO of Falko, will be leading the combined leasing business. I've known Jeremy for many years, first having met him back when negotiating BAE146 leases

for Air Nova, one of Chorus' predecessor airlines. Jeremy and I have discussed how complementary our respective businesses and teams are and how compelling a combination would be.

Falko's executives have worked together for almost 30 years and have consistently delivered superior earnings performance for their investors and excellent service to their customers. They are committed to continuing their service, which will benefit customers and unlock additional value for Chorus shareholders that this new combined company will offer. Steve Ridolfi, the President of Chorus Aviation Capital, plans to retire following the closing of this transaction and I do take this opportunity to thank him for his contribution to the launch and success of CAC and wish him an enjoyable retirement.

Chorus and Falko complement each other nicely. Chorus has mainly focused on leasing growth on new originations and sale and leaseback transactions. In contrast, Falko has traditionally been more focused on mid- to end-of-life aircraft and has a strong aircraft sales and trading record with deep secondary market expertise. Together, the combined platform presents a broadened market opportunity covering the full age range of regional aircraft. In addition, Chorus' technical skills and capabilities, including aircraft repurposing, end-of-life disassembly, part provisioning and sales, provide multiple opportunities to maximize returns on aircraft assets. Taken together, this will provide benefits for customers and for all stakeholders.

The teams are also geographically complementary with Chorus' leasing team of 27 and Falko's team of approximately 60 employees with their respective sales team based principally in Europe and Singapore. We see very minimal duplication and high scalability to provide for their future growth.

I'll now pass this line on to Jolene for a deeper dive into our strategic rationale.

Jolene Mahody — Executive Vice President & Chief Strategy Officer, Chorus Aviation Inc.

Thank you, Joe. Good morning. I'll refer you to slide six of the presentation.

Chorus and Falko will combine to become a premier full-service regional aircraft platform with scale, diversity, and an expansive footprint. After closing, this newly combined regional aircraft platform will have an impressive total of 353 aircraft owned, operated, and managed, with a total value of assets under management of approximately US\$4.5 billion.

The two portfolios are highly complementary with very little overlap in terms of customer airlines. Falko's customer base consists of strong airline credits with established regional operators and major carriers. Falko's credit risk management processes are thorough and disciplined, like Chorus' cautious investment approach. Post transaction, Chorus anticipates having customers from 32 airlines across 23 countries. The size and scale of the newly combined company positions Chorus to capitalize on significant industry growth.

Regional aircraft have an important role to play with approximately 50% of global passengers flying on routes that are 500 miles or fewer and approximately 30% of global passengers flying routes which are 300 miles or fewer. The COVID recovery has once again proven that regional aircraft are vital to global airline infrastructures, providing lower trip costs in economic downturns and uncertain demand environments. We have seen regional aircraft leading the COVID recovery, as they are best positioned to service short-haul domestic routes and well suited to match reduced passenger demand. Demand for regional aircraft has proven resilient and is poised for further growth.

The growth trajectory is strong with a projected demand of more than 5,500 regional jets over the next 10 years. The demand is largely driven by the age distribution of in-service regional aircraft with currently about 1,400 aircraft more than 18 years of age and needing to be replaced over time. Growth in the middle class was driving rapid pre-pandemic demand in emerging markets and this trajectory is expected to resume in time. Regional aircraft, including new generation Airbus A220 and the Embraer E2, or otherwise known as crossover aircraft, presents exciting opportunities. And of course turboprops continue to be an integral part of regional networks worldwide given their ability to properly match demand in unique markets as well as their ability to operate at runway and approach-constrained airports.

The current penetration of regional aircraft on lease is less than 30% as compared to about 50% in the narrow and wide body world, and we see no reason why the regional market will not migrate to this higher penetration level, particularly as airlines recover post the pandemic and look to improve balance sheet flexibility. The regional aviation sector offers a stable supply and demand environment, which has resulted in lower volatility in both residual values and return on capital. A combined Chorus and Falko will enable us to meet the needs of airline customers and equipment manufacturers as a partner capable of providing large-scale fleet solutions focused on the regional space.

Turning to page eight, on a pro forma basis, since 2013, Chorus and Falko have together acquired over US\$4 billion in aircraft assets. Historically, Chorus has grown its aircraft leasing business through investing directly in aircraft and financing on balance sheet. For future fleet expansion, Chorus will grow by acquiring aircraft through funds, which will increase access to growth capital, drive higher levels of cash flow, and provide for a new earnings stream.

Falko has an impressive track record of raising third-party equity, having raised more than US\$1 billion in funds since 2015 and delivering high-mid-teen growth returns for its investors. Fund investors span a diverse group of institutions, including pension funds, insurance companies, and family wealth offices. Falko's first fund was launched in 2015 with a total commitment raised of US\$415 million and a mandate to make equity investments in a diversified portfolio of new and used regional aircraft. By 2018 this fund was fully deployed in 52 aircraft investments, several of which have subsequently been sold.

In 2019 Falko launched its second fund, raising a committed US\$650 million, surpassing the original target of US\$600 million, and despite the challenges faced by the entire aviation industry over the past two years, this fund has been substantially deployed with investments in regional aircraft with high-quality customers. Over 70% of these funds are now committed. Plans are currently underway to launch a new fund, which is anticipated to be deployed into aircraft investments over approximately three years. The Falko platform provides for a new and diversified asset earning stream for Chorus in the form of asset management fees along with potential incentives related to performance against the fund return targets.

I'll now turn the call over to Gary to cover the financial points.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Thank you, Jolene, and hello.

Moving to slide nine, as already referenced, the transaction will be accretive to Chorus' earnings and EPS in the first year and will create a company with a very attractive financial profile. As a result of Brookfield's equity investment, Chorus' leverage reduces immediately and, given the shift to an asset light

model, is expected to continue to decline over time. The sourcing of capital from fund investors will accelerate growth and enable diversification of earnings.

As Jolene mentioned, Falko is targeting to launch a new fund this year. Falko has typically launched a new fund when the prior fund capital is approximately 75% committed. With the strong growth trajectory in regional aircraft leasing, Chorus anticipates launching a fourth fund within the five-year timeframe. As such, over the next five years Chorus anticipates growing its assets under management to over US\$6.5 billion and its growth profile will drive significant cash flow generation from operations of over C\$2 billion, excluding interest, and will improve return on invested capital. Further investments in fleet will be primarily through funds with some direct investment in aircraft. Chorus had previously indicated an outlook for aircraft acquisitions of \$300 million to \$400 million for 2022, which is no longer applicable.

The Brookfield investment will fund the majority of the consideration for the acquisition with the remaining balance being through Chorus' cash resources. Chorus's liquidity at the end of December 2021 was \$188.5 million.

So, with that, I'll turn the call back over to Joe.

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

Thank you, Gary.

I'd now like to summarize how this transaction adds value for our stakeholders, including our customers, as per slide 10. With its technical and operational skills and capabilities, Chorus is an asset

value maximization platform, adding and protecting asset values throughout the aircraft lifecycle. This has always been a differentiator for Chorus as it relates to its leasing business. Falko's asset management platform has an established fund financing business. This combination of these organizations' unique strengths will add value to our collective stakeholders.

As indicated earlier, this transaction will deliver accretion to Chorus shareholders, along with diversity in earnings and cash flow. The size and scale of the new entity broadens and enhances market opportunities. Growth through the asset management platform meaningfully changes Chorus' risk profile in terms of debt levels, residual value asset risk, and enhanced earnings stability and diversity from asset management fees. Brookfield's investment in Chorus immediately reduces leverage and their extensive asset management and fundraising experience will help propel our growth.

For our customers, together we are a more compelling partner and better positioned to address their needs. Our scale will enable us to compete and deliver larger deal sizes. Chorus' full suite of service offerings provides value-added solutions and the fact that we ourselves are experienced scheduled airline operators allows for a deeper knowledge and understanding of our customers' needs.

Finally, for the current Falko fund investors, as with Chorus shareholders, the combination provides scale and a broadened market penetration. Fund investors will benefit from Chorus' technical capabilities, which will provide for enhanced returns associated with multiple aircraft exit strategies. It is Chorus's intent to invest within these funds alongside with the fund investors, which will ensure alignment of interest in maximizing returns. In addition, in future years Chorus expects some direct investment in

aircraft, which provides the opportunity to again participate in greater deal size transactions while reducing concentration risk for our fund investors.

This deal results in a best-in-class management team with well over 200 years of combined experience in aviation. I am delighted that Jeremy and his team will continue in this newly combined business. I have complete confidence in our ability to execute on this acquisition and to work closely with Falko to develop and implement an integration plan, ensuring a smooth transition for our respective employees, customers, and investors. Brookfield and Chorus have studied and analyzed this opportunity side by side. Brookfield's deep knowledge of asset management, fundraising, and capital markets experience has been critical to getting us to this point and we will continue to benefit from their expertise as a strategic cornerstone investor and through their participation on the Chorus board. Their investment has enabled this transformative event, which will accelerate our growth plans and returns, leading to a stronger Chorus and benefitting all stakeholders.

That concludes our presentation on the Falko transaction. We will, of course, share more details once the transaction has closed. So thank you for joining us and, operator, we can now open up the call to questions from the analyst community.

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 for your first question.

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

Konark Gupta — Analyst, Scotia Capital

Thank you and good morning, everyone, and congrats on this announcement this morning. My first question is, given you guys have not provided any deal metrics other than the acquisition price, I was just wondering if you can provide any more colour on EPS accretion, what kind of magnitude are we looking at, and how would that compare to EBITDA accretion.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

So, on the accretiveness, it certainly will increase this year, but we're not giving specific guidance. On the EBITDA, as you know, with the leasing platforms, EBITDA is essentially revenue less the SG&A, so there will definitely be a pickup in that piece. And once we close the transaction we'll certainly put more information out, but until it closes it's a little difficult to get into that type of information.

Konark Gupta — Analyst, Scotia Capital

Okay. Thanks for that. And then I think you mentioned that Falko's revenue streams or cash flow streams are a little bit different than you guys have, so if you can help us understand the three buckets they have, the asset management fee side, the lease income asset sales, and incentives a little bit please

to get, like how much contribution they would get from the new streams that you do not have right now, like the asset management and the incentives.

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

Well, essentially, I think we're talking about, overall, the same sort of assets. When we're talking about regional aircraft, it's just a difference in terms of how you finance them. In the case of the fund management platform that Falko has, you have limited partner investors that come in to invest in a fund, which provides your equity. As an asset manager, Falko derives revenue from the fees that it charges these fund investors. And also then there can be transaction fees and of course on the movement in and out of aircraft, et cetera. And of course then there are returns that the fund achieve and if you over return on some of those targets then it's another form of income. So it's derived in those ways, essentially.

Konark Gupta — Analyst, Scotia Capital

That makes sense. Thanks. Last one for me, so you mentioned about Falko's high-mid-teen return on gross basis. Can you help us understand what kind of metric is that return defined as and is that high-mid-teen return expectation still applicable to the next \$1.5 billion capital you are raising?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

It's Gary here. As far as the return on, the mid-teens gross returns, that is expected in the next tranche of the fund, so there's no expectation for it to be different than what we have there on page eight.

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

And we will be an investor ourselves in those funds. That's how we see growing our investment in the leasing business, certainly in the near term.

Konark Gupta — Analyst, Scotia Capital

This is pre-tax, right? Pre-tax earnings on capital is that? Or is there something else in there?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Yes, that's pre-tax.

Konark Gupta — Analyst, Scotia Capital

Okay. Thank you.

Operator

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

Kevin Chiang — Analyst, CIBC Capital Markets

Hi. Thanks for taking my question. Maybe a modelling question for me as well on the back of Konark's questions. So if I just think of this being accretive in year one, if I just kind of work it backwards, you have the dilution from the equity, the increased interest charge from the debt you're taking on from Falko, the prefs, and I guess depreciation on the aircraft you're taking in, are those kind of the moving

parts if we wanted to kind of reverse engineer what the potential dollar earnings contribution could be or am I missing anything there that you would include in your accretion math?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

No, I think you have it. We looked at what we expect to receive from the transaction and also the effective dilution on the shares that we've just issued to Brookfield, so I think you have it right. And the dividend that's paid on pref is excluded or reduces that amount. So we have good coverage with that.

Kevin Chiang — Analyst, CIBC Capital Markets

Okay. That's helpful. I guess maybe if you can speak to maybe how Falko performed during the pandemic and maybe compare that to how you saw Chorus perform over the past two years. It sounds like the model is a little bit different because, you know, they're using an asset management platform that sounds like it might shield them a little bit, but if you can maybe just comment on recovery rates or the number of aircraft they had to repossess. Is there some metric you could provide us with to kind of frame how they performed over the past couple of years?

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

First of all, in terms of the approach to the business in terms of the credits and the diversity and the equipment and that sort of thing, I think we've had similar approaches, and I think Falko has performed well during the pandemic and I think the strength of the decisions it's made and the disciplined approach

that it takes has shown here. And I believe it has in the case of Chorus as well. So I think that, you know, the platform is very strong, it is a leading platform in the sector, and its performance has been impressive.

Jolene Mahody — Executive Vice President & Chief Strategy Officer, Chorus Aviation Inc.

Yeah. And, Kevin, I guess I would just add, when you look at, and we commented quite a bit throughout our presentation here about the diversity in the portfolio, the diversity in the customers, et cetera, relative to our own, it provides us kind of, ah, it's certainly a de-risk go forward. And, as Joe said, similar kind of good performance, good management, close relationships with their customers in the same way that we would have worked with our customers to resolve issues over the past couple of years.

And given that the structure with the fund, obviously, you know, from a balance sheet perspective, much de-risked in terms of residual value risk and any type of debt that doesn't sit there because of the structure. So I think that that's what we see go forward as the big opportunity here for us as we get access to third-party capital here for growth but in combination reduce our risk associated with the balance sheet.

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

And of course we do benefit from the fact that we're in the same sector overall and the regional business, smaller aircraft, domestic markets, et cetera, have all been the first to recover, and I think that's been demonstrated around the world.

Kevin Chiang — Analyst, CIBC Capital Markets

Okay. And maybe just last one for me. You expect the deal to close in Q2. Are there any regulatory reviews you need to go through that we should be aware of or it's pretty smooth sailing between now and the next couple of months here?

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

Yeah, I think there are customary approvals required, but we do not anticipate any issues and we see this closing in the second quarter.

Kevin Chiang — Analyst, CIBC Capital Markets

Okay. Thank you. That's it for me. Thank you. Congrats again.

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

Thank you.

Operator

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

Matthew Lee — Analyst, Canaccord Genuity Group

Good morning and congrats on the deal. In terms of Falko fund-based financing model, you kind of noted that you plan to use this method to raise capital for the portfolio going forward. Will this be the only method you use or will you also continue to pursue traditional leasing deals?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Sorry, as far as the funds go, they will be the primary focus for us moving ahead and our growth vehicle. And back to a comment I think Jolene made, you know, with the fund the advantage that we have is that there's non-recourse directly to Chorus. The fund itself sits there. We do plan on investing in the funds, co-investing with our friends in the fund, so we'll be aligned that way, and we've removed the guidance for this year on the CapEx side, so we don't see investing in a lot of on-balance sheet assets this year. We'll focus on the funds. And then moving ahead, on-balance sheet would be secondary and that's how we'll treat it.

Matthew Lee — Analyst, Canaccord Genuity Group

Nice. And then maybe in terms of the Brookfield investment, you state it's going to be a strategic partnership. Can you just maybe talk about what Brookfield is bringing to the table as part of new Chorus and will their contribution primarily be in the fund raising?

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

Well, I think, you know, we've developed a very solid and strong relationship with Brookfield and of course they're bringing in substantial investment, which is an enabler for us to execute on this transaction. And I think Brookfield has spent time studying this sector of the business and I think working

with us as well, it's an endorsement of our strategy, et cetera. I think their participation on the board will be very helpful strategically and of course asset management is something that's in their DNA and very much a focus of theirs and they see opportunities here through the asset management platform to really grow and expand this business by bringing in other investors third-party through the funds, et cetera. And we believe these assets fit very well in the fund environment and I think Falko has shown that and, as we said in our comments, we're looking to start to raise a fund this year upon closing this. So I think Brookfield brings a lot of expertise, knowledge, support, and have been very helpful to us as we've launched this and made the bid. And we worked very closely together, because this transaction has been going on for a number of months in the background and it was a competitive process, et cetera, and I think we really benefitted from our close relationship and we're quite excited to have them with us.

Matthew Lee — Analyst, Canaccord Genuity Group

All right, great. That's it for me and congrats on the deal.

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

Thank you.

Operator

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. So, can you talk a bit about the rationale for the sale, you know, what prompted Falko to decide to sell and at what point did Brookfield come in? Were they part of that prompting or did they come in after? Just a little of background on that, I'd love to hear that.

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

Well, it evolved. Falko, of course, was owned by Fortress, and Fortress decided to dispose of Falko and there was a process that many parties were involved with over a period of time, which culminated just yesterday in our finalizing this agreement. So, you know, we've had discussions in the past about opportunities to work together with Brookfield, et cetera, but I think this crystallized something that was real and available and I think aligned us very well as we look to execute on this transaction. So, you know, it evolved, I would have to say, over a number of months.

Walter Spracklin — Analyst, RBC Capital Markets

So it was a competitive process. You said a number of, ah, so a fair number of bidders, would you say, were involved in it?

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

It was a very, very competitive process.

Walter Spracklin — Analyst, RBC Capital Markets

Okay. Okay.

Jolene Mahody — Executive Vice President & Chief Strategy Officer, Chorus Aviation Inc.

And Walter, I'd just add very competitive and very complicated because, you know, of course for us to be able to participate in the process and to be a credible bidder we had to secure financing in advance, right, of kind of putting forward our bid, so it made it much more difficult for us to get there in terms of pace and stuff. So when you look at kind of where we landed over the past number of weeks with very intense negotiations to arrive at finally a deal last night after much back and forth.

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

Yeah. And I think being a strategic investor here has been very helpful for us and I think that has helped in our relationship and attracted Brookfield. As well in terms of all the different bits and pieces of, when you look at this from a holistic point of view, it covers so many aspects of the regional aviation sector and the multiple opportunities that we have and ways that we can finance, that we can deal with the assets, that we can change or modify or whatever. So I really don't think—when you put it all together, it's very complementary, and we provide just a very comprehensive and full suite of opportunities in the business, which is very, very unique.

Walter Spracklin — Analyst, RBC Capital Markets

That's great. And so, as Jolene just alluded to, so when you kind of were aligning with different partners to get a bid in place that had backstop financing, presumably you would have had to negotiate with Brookfield first and then negotiate with Fortress. So when you were negotiating with Brookfield was

there any discussion of Brookfield—it was interesting that Brookfield invested in your top co as opposed to a lease co. Did you look at a lease co investment? And maybe perhaps give us some colour on why the decision on Brookfield, perhaps, was to go with a top co investment.

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

Well, we've always felt that an alignment at top co was better for our shareholders, because of our diverse businesses and because of the crossover nature of the business, that having it at the top co, less opportunity for any degree of conflict or misalignment, et cetera.

And we do have, you know, our contract line and things of that nature, et cetera, was something I felt that attracted Brookfield, because it gave such a wide view and window on this segment. So it worked very well for both of us and that's the magic and when you're aligned and I think we have a great alignment here.

Walter Spracklin — Analyst, RBC Capital Markets

I think it's a vote of confidence as well in your non-leasing business that Brookfield was willing to make that type of investment instead of just the leasing business. That's great.

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

We believe so as well.

Walter Spracklin — Analyst, RBC Capital Markets

Yeah. Last question here is on the competitive landscape. Obviously you're taking out a big competitor in the regional leasing business. Can you describe now how the competitive landscape looks now that we're, you know, the fallout of COVID has had its impact on your competitors, how do you look at the competitive landscape now pro forma the Falko compared to the way it looked before COVID?

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

Well, I can't really speak for others in the business, I guess. The information is out there, et cetera. But when you look at the combination of Falko and Chorus, you know, there is not a lot of duplication, because essentially when you look at customer overlap there's not a lot. You can see that in the presentation. Falko is more on the jet side; Chorus has been more on the turboprop side. Falko has been more on mid to older assets, although recently have done some new ones, whereas at Chorus we were more on newer assets, which frankly wasn't quite as synergistic with the rest of our business than the type of things that Falko does. So I think now, from the combination, we've been saying we do everything from an aircraft coming out of the hangar until it goes out and parks or to be turned into beer cans in the fuselage. I think what this does is just adds substance to the whole lifecycle of the asset and extends the options that we can offer customers in terms of the types of airplane, types of, you know, the turboprop versus the regional jet, et cetera. So I think this just broadens our whole scope of business and provides a very sound base on which to grow and to expand going forward. So I think we will be competitive with others, it is a very competitive business, it will always be, but I think this puts us in a very strong position to deliver on customers' needs.

Walter Spracklin — Analyst, RBC Capital Markets

Yeah, I think that's where I was going is less on the merit of the deal, which is clear, and more on, you know, as we exit COVID, perhaps some of the competitors that you will have will be a little bit in a, you know, you'll be a more rejuvenated company to compete better with what would have been out there otherwise. But yeah, no, I hear you on the merits of the deal. It looks impressive. And congratulations on the deal. That's it for me. Thank you, everyone.

Operator

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

David Ocampo — Analyst, Cormark Securities

Thank you. Good morning, everyone. I'm curious, what portion of the funds under management now is third-party capital? And then building on that, is that the right mix going forward, especially with the new fund that you plan to launch in the coming years?

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

Well, I think, under existing funds, there's quite a variation in terms of the equity that was owned by Falko, as an example, or Fortress. Going forward, we see being a very significant fund participant, but not controlling the fund. I think we'd like to be in there with other investors and aligned with other investors, which is important. And I think other investors will see our investment in the fund itself as being an endorsement of the management of the fund and the portfolio and the choices that are made. Ownership level could vary. It depends on the circumstances, et cetera. And we're not providing any particular guidance on that now, but it can vary depending on the circumstances.

Jolene Mahody — Executive Vice President & Chief Strategy Officer, Chorus Aviation Inc.

And what we have provided, David, on page four of the deck, provides you with kind of the breakdown of at least the aircraft itself and the numbers that would sit in fund structures, minority and majority fund structures, versus full ownership.

David Ocampo — Analyst, Cormark Securities

Okay, that's helpful. And then when I'm thinking about the \$1.5 billion of capital deployment over the next five years, this number looks very similar to your previous target for this year if you just multiply it by five. So should we be thinking of that as more of a conservative number or am I looking at it the wrong way?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

David, it's Gary here. One thing to keep in mind is with the funds, part of it is crystallizing your returns. So there's more asset sales in these funds than you've seen us traditionally. We've not really sold aircraft. So there's a churn of aircraft. So it would be higher in absolute value, but you'll be divesting at the same time as you're investing and you'll be capturing those returns and bringing the returns back to your fund holders.

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

Yeah, it's certainly more of a trading business. I think Falko has been more of an aircraft trader than Chorus has been for sure. And I think that's complementary as well.

David Ocampo — Analyst, Cormark Securities

Okay. That's my two questions. Thank you so much.

Operator

Your next question comes from Alanna Yontef with BMO. Please go ahead.

Alanna Yontef — Analyst, BMO Capital Markets

Hi there. I have a question about the preferred shares in regards to Brookfield and I'm just wondering, can these preferred shares be bought back at a later date and, if so, when? And how would that work?

Jolene Mahody — Executive Vice President & Chief Strategy Officer, Chorus Aviation Inc.

Good morning. Yeah, what we plan to do is we're going to be filing kind of our material change report here over the next, I think it's in about 10 day's time, on SEDAR, so that will provide a lot more specifics on the terms of the financing and the terms of the transaction itself. But there are some tradeabilities there.

Alanna Yontef — Analyst, BMO Capital Markets

Okay. Okay. And I was just wondering if you could provide any more colour around your five-year plan, any more specifics. I understand you're going to be introducing a new revenue stream with the asset management platform but I'm just wondering more about specifics during that five-year plan. Is it similar

targets in terms of your addressable market? Any colour you could provide around more of those actionable items for that five-year plan?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

I guess on the five-year plan, not a lot more to add other than, you know, when you look at a lot of the profile you see there, it's very similar to what we targeted in our (inaudible) business as far as mid-teens IRRs and whatnot. So as the asset management business ramps up, the fund business ramps up, you can expect those returns and our investment, where we get a dividend back from that, to match those types of returns.

Alanna Yontef — Analyst, BMO Capital Markets

Okay. That's very helpful. Thank you so much for your time today.

Operator

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

Tim James — Analyst, TD Securities

Thanks. Good morning, everyone. Congratulations on the transaction. I guess my first question, just want to return to actually one of the previous questions here just on the preferred share and sort of Chorus' ability to buy that back or eliminate that (inaudible) in the future. It starts at 8.75% and goes up into the mid teens. Obviously, that's fairly high-rate debt. It sounds like from what you're saying that, you know, thinking about that capital being outstanding in years down the road at that cost is unlikely. Is there

anything you can sort of provide us with in terms of what we should think that capital could remain in the structure for a prolonged period?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Tim, it's Gary here. I think you're reading it right. After the sixth anniversary it starts to scale up. So that's when we would look at that equity piece and look to potentially retire it. So, from a capital structure perspective, we would not want (inaudible) anything near what's in there, it's certainly quite punitive in the back end, so we would look to retire that equity at that point in time.

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

Yeah, there's certainly a strong incentive for us to redeem the shares.

Tim James — Analyst, TD Securities

Okay. I just, yeah, so you do have the ability to do that. Okay. Is there any colour you can provide on the cost of debt, the US\$410 million, the existing indebtedness at Falko? Should we think about that as similar to your debt that resides within RAL currently, the weighted average, or how should we think about that?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Yeah, it would be similar to what we see in RAL. I don't have the exact figures here, but it's similar to what we have in RAL. Remember too, in the fund structures, they have their debt set up and it's not directly on our balance sheet in some cases. But anyway, yeah, it would be similar to what you saw in RAL.

Tim James — Analyst, TD Securities

Okay. And if could just squeeze a last one in, really just a clarification, when you say that it's accretive to earnings per share in year one, does that assume, like if the transaction closes in Q2, does that mean the next four quarters or does that mean the first full fiscal year, as in 2023 I guess?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

The next four quarters.

Tim James — Analyst, TD Securities

Okay. Great. Thank you very much, everyone.

Operator

Ladies and gentlemen, as a reminder, if you do have any questions, please press star one.

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

Kevin Chiang — Analyst, CIBC Capital Markets

Sorry, thanks for the follow up. Just maybe two questions, one on modelling. Does this transaction change how your reported segments look? I guess with the asset management fees it probably flows in a little bit differently than we modelled the leasing business today. And then it sounds like there's more end-of-life opportunities. Like does Voyageur naturally stay within your RAS segment or do you think of

moving that into, I guess, under the Falko umbrella? Because it does sound like there's some opportunities there that might make it more synergistic.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Kevin, it's Gary here. At this stage there's no change to our segmentation. But as we move ahead with this, we'll review what sits where in our disclosure to make sure it's robust enough that everybody gets a good bead on the returns and how the businesses make their way through, but no change at this time.

Kevin Chiang — Analyst, CIBC Capital Markets

Okay. You know what? That's it for me. Thank you.

Operator

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

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

Thank you, operator, and thank you all for joining us. We will now conclude this call and wish you all a great week. 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. Have a great day.

