

Chorus Aviation, Inc.

Second Quarter 2023 Financial Results

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PRESENTATION

Operator

Good morning ladies and gentlemen, and welcome to the Chorus Aviation Inc. Second Quarter 2023 Financial Results Conference Call. (Operator instructions)

This call is being recorded on Friday, August 4, 2023.

I would now like to turn the conference over to Tyrone Cotie, VP Treasury and Investor Relations. Please go ahead.

Tyrone Cotie — Vice President, Treasury and Investor Relations

Thank you Joelle.

Hello and thank you for joining us today for our second quarter 2023 conference call and audio webcast. With me today from Chorus are Colin Copp, our President and Chief Executive Officer, and Gary Osborne, our Chief Financial Officer. We will begin today's call with a brief summary of the results, followed by questions from the analyst community.

As there may be some forward-looking discussion during the call, I ask that you refer to the caution regarding forward-looking statements and information found in our MD&A. This pertains specifically to the results and operations of Chorus Aviation for the three months ended June 30, 2023, as well as the outlook section and other sections of our MD&A where such statements appear.

In addition, some of the following discussion involves non-GAAP financial measures, including references to adjusted net income, adjusted EBG, Adjusted EBITDA, leverage ratio, and free cash flow. 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 Colin Copp.

Colin Copp — President and Chief Executive Officer

Thank you Tyrone, and good morning everyone. I'm pleased with Chorus's performance in the quarter, as we continue to execute on our plan, delivering significant improvements in our leverage ratio and free cash flow.

Chorus's free cash flow has more than doubled year over year, to \$70.3 million in Q2, and we further reduced our leverage ratio to 3.8 in the quarter, moving us closer to our target range of 2.5 to 3.5, as we outlined during our investor day in March.

We continue to advance discussions on the launch of Fund III with our existing lead investors in Fund II and others. With the market conditions over the past year, several of the larger U.S.-based investors have been limited from investing in certain investment strategies, due to regulatory limits on the composition of their portfolios. We have recently been informed that certain States have increased the regulatory limits, which should further our discussions. We continue to see good opportunities to deploy funds in the regional aircraft leasing space, earning mid teen returns, and we look forward to providing an update on Fund III upon concluding discussions with our investors.

In general, what we're seeing is the regional aviation market continuing to show improvements, with aircraft market values and lease rates showing signs of recovery from the pandemic lows. To this point, during the quarter, Falko had 20 aircraft transactions within Fund II and managed assets with nine distinct airline customers operating in Australia, Asia, Africa, Europe, and North and South America, including a sale and lease-back for its fifth E190E2.

As the strong industry-wide demand for pilots continues, our Jazz operation, like most other regional operators in North America, is experiencing some capacity constraints. There is significant pilot movement in the industry today. While our pilot flow agreement with Air Canada is working as intended, with over 300 pilots having transferred to Air Canada over the past year, we have also seen attrition to other mainline airlines. However, during the same period, we have successfully recruited and trained over 300 pilots and continue to see a good supply of new hire pilots. There is a gap between pilots exiting the organization and the time it takes to train new hires for productive flying, which temporarily constrains available flying hours.

We are actively recruiting pilots, and continue to grow our pipeline of future pilots through our Jazz Pathway program and our new flight training academy, Cygnet Aviation.

The leadership team at Jazz is very focused on collaborating with our partner Air Canada to coordinate pilot flow and flying capacity. While the production in annual block hours is temporarily constrained as the pilots are getting trained, the reduction in flying does not have any impact on Jazz's earnings.

It was recently announced that Voyager will expand its services for Ambulance New Brunswick. Voyager operates two King Air 200 aircraft for Ambulance New Brunswick, and the expansion allows for greater usage of the secondary aircraft for Air Ambulance's services to Grand Manan Island.

Finally, as we look forward, we're continuing our transition towards an asset-light leasing model, to reduce our leverage, de-risk the business, and provide a higher quality of earnings as we execute on asset sales, to allow us to grow and invest in our fund management business at Falko, provide future opportunities to invest in accretive transactions in adjacent and complimentary business lines, and ultimately provide an opportunity for us to improve shareholder returns and allow for return of capital to our shareholders.

I'll now pass it to Gary to take you through the financials.

Gary Osborne — Chief Financial Officer

Thank you Colin, and good morning.

We had a steady quarter in 2023. We generated strong free cash flows, over doubling last year, and our leverage continued to improve, moving to 3.8 from 4.4 at the end of last year. Our second quarter earnings were in line with our expectations, with Adjusted EBITDA at \$110.7 million, up \$5.9 million from last year; free cash flow of \$70.3 million, an increase of \$36 million or approximately 105 percent; net income of \$20.3 million, increasing \$60.7 million from last year; adjusted earnings available to common shareholders of \$15.5 million, reduced \$6.2 million; adjusted earnings available to common shareholders of \$0.08 per common share, down \$0.03 from last year.

As we look to performance, the RAL segment Adjusted EBITDA was \$57.3 million, an increase of \$6.8 million, primarily due to three months of Falko's earnings in the second quarter of 2023 versus two months in the second quarter of 2022, partially offset by decreased revenue related to the sale of wholly-owned aircraft in the second half of 2022. The RAS segment's Adjusted EBITDA at \$61.8 million was in line with the second quarter of 2022.

Our liquidity ended the quarter at \$145 million, down \$19.4 million from the prior quarter, which reflects our strong free cash flows, debt reduction, and investment in working capital. As we move through the rest of the year, we expect our free cash flows to continue to support our debt reductions and working capital to remain relatively flat by the end of the year, with improvements in Q3 2023 being partially offset by Q4 2023 investments.

We are maintaining our full year guidance for 2023 as contained in the outlook section of the MD&A, including asset sales in the back half of this year somewhere between \$50 million and \$100 million.

We are now ready to take questions.

Q & A

Operator

Thank you. (Operator instructions)

Your first question comes from Walter Spracklin with RBC Capital.

Walter Spracklin — RBC

So my first question here is for Colin. You mentioned some of your—the funds or the investors that you were targeting for Fund III had some restrictions that perhaps didn't allow them to invest. Do you view that as—is this just kind of temporary, in the environment we're in, and you expect that to alleviate? Really where I'm going with it is, what is the closing date you're now expecting for Fund III?

Colin Copp — President and Chief Executive Officer

Yes. Hi Walter. Look, we don't have an exact date, as you can tell. Things are a little fluid, but we certainly see good progression. This was one of the things that we had heard from a few folks, there was a bit of a barrier as they move forward and was kind of slowing things down. But we've seen good progression with them, discussions are ongoing, very active with the investors as well as others beyond the current Fund II investors. So, we're seeing it closing hopefully in the months ahead. It could be at any point in time as we look forward in the next several months.

Walter Spracklin — RBC

Okay that's great, and then turning to Falko's transactions, I think 20 in the quarter; how many of those were new placements versus lease extensions?

Colin Copp — President and Chief Executive Officer

We'll try to be two (phon), and most of them were just lease extensions and release of what they had, so, yes.

Walter Spracklin — RBC

Okay. Are you seeing more demand from startups in Canada? I know you placed four E-Jets with Porter. Are you seeing that pick up at all here in the Canadian marketplace? We've noticed a lot of new orders from smaller carriers. I'm just seeing if you're seeing evidence is that an opportunity for you as well.

Gary Osborne – Chief Financial Officer

It's Gary here, Walter. I think the Canadian marketplace is picking up. I think worldwide everything is picking up. If you look at Falko and where our aircraft are, they're worldwide, but Canada is certainly improving in North America, but the overall global outlook is improving too, so yes.

Colin Copp – President and Chief Executive Officer

I would add to Gary's point that we are seeing a lot of interest there, especially through Falko, but we're also seeing a lot of secondary market interests. We've done quite well with re-leasing on secondary markets on the older Dash 8, there's been a lot of movement there. That market can take a bit of time, because quite often you're having to reconfigure the aircraft and prep it from a maintenance perspective, so it can be a little slow, but we're seeing tons of interest and activity on that side right now as well.

Walter Spracklin – RBC

Okay. Last question here is on the pilot, obviously, a tight, tight labour market on the pilot side. How is that, if at all, affecting your ability to grow capacity? I know you mentioned you had some pilot loss to attrition to other airlines; curious where they're going, and whether that's constraining you at all, either

to grow or even on your service level. I know Air Canada and Jazz have had some cancellation spike here on service. Just curious if this is all related to the pilot shortage, and do you see it at all alleviating, perhaps if we do go into a bit of a soft spot here as the economy continues to play itself out.

Colin Copp – President and Chief Executive Officer

Yes. Certainly if we see a bit of a soft landing on the economy and things slow down a little bit, that the pressure will come off, without question. Right now, what we have today, what we're dealing with today is a lot of movement, a lot of activity, a lot of growth in the other mainline operators or low-cost operators, however you want to position them. So, we are kind of the primary—we are the primary regional operator in Canada that has every pilot—everybody wants our pilots, let's put it that way. So there's lots of opportunities for movement, and the one thing we're very good at is training pilots. Jazz has got their own in-house training certification, so they do all the certification for the pilots in house, it's not outsourced. It's a big advantage to the organization. They're good at doing this. We've done this all of our careers, the last 30 years, it's something we're very experienced at.

So, we're very comfortable with it, it's just that right now there is a lot of movement and we've been moving a lot of pilots, so there is a bit of a constraint. But it will recover here shortly, as we move forward into next year, and later this year we're going to see some, I would suspect. But it's going to depend on, as you said, what happens in the business, big picture-wise. If things slow down a little bit, then we'll recover really quickly. If the demand continues and we see more growth in the mainline side, we're going to continue to produce lots of new pilots, that's for sure.

Walter Spracklin – RBC

Okay. Now, I just want to just clarify. You said it will recover kind of in either scenario. Is it because you've got a—do you have some bubble of pilots just on the—that you're training that will hit soon, or do you just see it resolving itself under normal course of business?

Colin Copp – President and Chief Executive Officer

Yes. It's going to recover no matter what, for sure. It's just a question of timing and demand. So if the flow continues, if we see continued movement, it's going to take a little bit longer; if we don't see that and things start to slow down in the industry over the next year or so, then I think it'll recover pretty quick.

Walter Spracklin – RBC

Fantastic. Okay. Really appreciate the colour. Thanks.

Colin Copp – President and Chief Executive Officer

You bet. Thanks, Walter.

Operator

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

Kevin Chiang – CIBC

Thanks for taking my question. Just on the Fund III delay here, it sounds like it—the visibility is tough but it could be months, hopefully. But of the \$500 million I think you were looking to raise, are you able to quantify maybe how much of this is an issue of that total amount? It sounds like it's a little bit of a regulatory or maybe just a bit of a paperwork issue at worst. Just how much of that \$500 million might be tied up here related to this issue that hopefully gets rectified in due course?

Gary Osborne – Chief Financial Officer

Kevin, it's Gary here. \$500 million is still a good number. What typically happens in these instances is you're looking for your lead investor or investors to come in, and the Falko team's got great relationships. They've had a lot of ongoing discussions on this. It's all been positive. In the background, they've been working with some of these U.S. pension funds and others, just as they work through the market turmoils and things like that that are on the go on that piece so that they—and they've now got their capital allocations or started to put their capital allocations in place. So, when we look at this piece, it will—the \$500 million is a good number, you're looking for your lead investor, that's what the Falko team's working with, and things are looking good, and some of them have changed their allocation. So, we're feeling very positive on it; we just don't know the timing back to where Colin's alluded to, so we've said, look, we're not sure if it'll happen in the 2023 timeframe, but certainly we do expect it to happen.

Kevin Chiang – CIBC

Okay.

The \$50 million to \$100 million of dispositions, I know you've been indicating basically for now, I guess, eight months that this would be very back end-loaded. But there's been minimal, at least from what I can tell on the cash flow statement, minimal asset sales. Just the visibility you have on the \$50 million to \$100 million: are these essentially good to go and it's just the timing of the execution, or are you still looking to negotiate with people or various parties on the sale of these assets?

Gary Osborne – Chief Financial Officer

Kevin, it's Gary again. Without getting into the status of the piece, what we—we have a trading desk that actively monitors the market, we put aircraft to the market all the time, and they're working through that process. We still feel at this point comfortable with the \$50 million to \$100 million towards the end of the year here, but when you look at the process, we're going through that process today, and we feel comfortable with where we're at.

Kevin Chiang – CIBC

Okay. Maybe just last one from me. I guess the past couple of calls now, we've talked about a tight labour market, especially on the pilot side. I guess the one thing that always strikes me is, like you still have this employee separation program cost that flows through. Just—I know why you were doing it before, when you were restructuring the business, but now just given the labour market you're facing, the need to bring in pilots, just what's in that program? I suspect it's not pilots, or maybe I'm wrong.

Gary Osborne – Chief Financial Officer

It's Gary here. Sorry. There is a small program back from one of the labour deals at Jazz, about five-six years ago I think it was. Small amount for some of our senior pilots, but it's not really a large amount.

Kevin Chiang – CIBC

Okay, it's still part of that program from, I guess I'll call it, way back when. Okay, so kind of like the program is still continuing here.

Gary Osborne – Chief Financial Officer

That's right. That's correct, yes.

Kevin Chiang – CIBC

Okay. Okay, that's helpful. That's it for me, thank you.

Operator

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

Konark Gupta – Scotiabank

Thanks Operator, good morning everyone. So—morning, guys. Just wanted to, first of all, dig into the RAL segment guidance. So, it seems like you guys have moved up the revenue guidance for the full

year for that segment, but the EBITDA and EBT guidance have not changed. Can you explain like what's the disconnect between that revenue and earnings guidance?

Gary Osborne – Chief Financial Officer

No, the revenue in the outlook section, we've just tweaked it to reflect what's on the go within there. We've got a bit good luck on the U.S. dollar here in the first part and certainly the way it's trending. But, as far as the bottom line, the EBITDA, maybe the adjusted EBT, we see them as coming in within the range there. So really, nothing more than that.

Konark Gupta – Scotiabank

That makes sense, thanks.

Like Fund III, I understand like it's delayed a little bit here further, which is fine. But seems like it's not contributing in 2023 at this point from earnings standpoint. So, what's really keeping the overall guidance intact? It's not changing, but Fund III has delayed. So, what's really offsetting that?

Gary Osborne – Chief Financial Officer

So, Konark, it's Gary again. So, when we put our guidance out, obviously it has a range, and we did use some sensitivity around that. So our results, generally speaking, have been good in the RAL section and others. This piece within Fund III was a portion of our earnings, but it wasn't a significant contributor this year, so that's why you're seeing the ranges stay where they're at.

Konark Gupta – Scotiabank

Okay, it makes sense, thank you.

Just on the asset sales, just building on Kevin's question here, one of these assets, so they're the ones you are looking to sell and—which fund or funds, or which part of the business they are coming from?

Gary Osborne – Chief Financial Officer

So, the assets we're looking to sell are on balance sheet. If it's in Fund II or it's not consolidated, there could be transactions in there that will be healthy for fund investors, but that's not included. What we're talking about is on balance sheet and including Fund I.

Konark Gupta – Scotiabank

So, Fund II and I together, right?

Gary Osborne – Chief Financial Officer

Yes. Fund II is not consolidated, so it's excluded from that. We're looking for consolidated aircraft on the balance sheet that generate cash for us.

Konark Gupta – Scotiabank

I see, makes sense, thanks.

The last one from me, on the pilot side. So, do you have any major coming labour negotiations coming up either on the pilot side or some other unions you have? How's this whole turnover situation like create difficulty for your customers, and how does it impact your relationship with customers?

Colin Copp – President and Chief Executive Officer

Hi Konark, it's Colin. So, like we won't ever comment on our pilot negotiations or discussions, obviously, in any significant way, but we have a pretty long history and a track record of always finding solutions and working well with our unions. So, you can only expect that in this environment, where we have lots of activity, we have lot of flow, we're obviously talking to our unions about certain things and engage with them. So, we'll see how things progress over the coming months, but our unions and our Management team are typically in discussions continuously, especially in an environment like this for sure.

Konark Gupta – Scotiabank

Okay, and that's great Colin, thanks so much. I appreciate the time, thanks.

Colin Copp – President and Chief Executive Officer

Thanks Konark.

Operator

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

Tim James – TD Cowen

Thanks very much, good morning everyone.

Colin Copp and Gary Osborne

Morning.

Tim James – TD Cowen

I'm wondering if you could talk about the nature of the 20 transactions that occurred in the quarter. Were those all just re-leasing transactions, commitments for future purposes? Just what was the nature of those 20 transactions please?

Colin Copp – President and Chief Executive Officer

It was generally re-leasing transactions, Tim, at the Falko unit there. So, they weren't new placements necessarily, they were just rollovers and extensions.

Gary Osborne – Chief Financial Officer

And the E1...

Colin Copp – President and Chief Executive Officer

Two E190s there as well, yes.

Tim James – TD Cowen

Were there any particular aircraft? You mentioned older Dash-8s. Does that mean a lot of those re-leasings or that was sort of a fairly significant portion of the 20 transactions? Were there any sort of characteristics, jets, turbo, props, regions of the world, or was it fairly diversified?

Colin Copp – President and Chief Executive Officer

Sorry, the 20 that are mentioned, Tim, are really related to Falko. Those were specific to Falko portfolio. The other comments I was making relates to Dash-8 Classics, which really is our inventory that we have at Voyager. We've been placing a lot of those aircraft here this last little while. Those are incremental to the 20 re-leases that we mentioned in the press release and in my previous comments.

Gary Osborne – Chief Financial Officer

So Tim, it's Gary here. It was nine different airline customers, operating basically throughout the world, Australia, Asia, Africa, Europe, and both North and South America. So, it was a pretty diverse group, but no one in particular, no one item I would focus in on.

Tim James – TD Cowen

Okay. Just to follow up to that. Could you characterize the duration of the new contracts at all with these, or what sort of timeframes you're entering into, whether it's an average or a range of maturities?

Colin Copp – President and Chief Executive Officer

Don't have that with us, they would just be typical lease extensions probably. We can get you that information.

Tim James – TD Cowen

Okay. Okay.

I guess my second question, just looking at the capital expenditures, overall your guidance for the year is unchanged. It looks like there's a little bit of movement though within the components, a bit of an increase to capitalized maintenance overhauls and aircraft acquisitions and improvements. Could you just sort of outline what the moving parts were there, and what the reason behind that was?

Colin Copp – President and Chief Executive Officer

There's really no big reason, it's just more of a classification as to where it goes, and basically the overall number's about the same, so there's really not much to read into it, Tim.

Tim James – TD Cowen

Okay. All right, thank you very much. Those are all the questions I had.

Colin Copp – President and Chief Executive Officer

Thank you.

Operator

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

David Ocampo – Cormark

Thanks, good morning everyone.

Colin Copp and Gary Osborne

Good morning.

David Ocampo – Cormark

I just wanted to touch on the pilot shortage, I know you've been asked a bunch of questions there, but I was hoping you guys can walk us through how the flow-through agreement with Air Canada works in a little bit more detail. I guess I'm just really curious if the pilots are contractually obligated to move over to AC, if it's in their agreement or not.

Colin Copp – President and Chief Executive Officer

Hi David, it's Colin. No, there's no obligation for an individual to have to go. It's a process whereby the individual comes into the organization and they're given an opportunity to transition by going through a process: they put their name on a list and so on. It's an automated process. Air Canada then does a review of those individuals, and so many vacancies per year. (Audio interference)

David Ocampo – Cormark

Got it. Sorry Colin, I guess if you take a look at the list over the last year or so, just given the shortage, are the pilots getting a full fill on their transfer over to AC? Like if a hundred people put their name on the list, a hundred people have moved over in the last year?

Colin Copp – President and Chief Executive Officer

Sorry, there's some background noise there, but can you ask that again? Sorry?

David Ocampo – Cormark

Yes. So, I guess if there's a hundred people that put their name on the list to move over to AC in the last year or so, have all a hundred moved over, like 100 percent fill rate move over to AC, just given the shortage that you're seeing in the industry right now?

Colin Copp – President and Chief Executive Officer

So, the fill rate is based on what the demand Air Canada has. So, whatever demand Air Canada decides, like we've given you the numbers basically there, that's been 300 captains there we've moved in the past 12 months, that demand is really set by Air Canada. So, we don't have any connection to that in any way. Our job is really just to prepare these individuals and to support the flow. What it does for us in turn is it provides a great opportunity. It's a leverage point for us when it comes to hiring in the industry.

But yes, there's been no real constraint on individuals being able to go. It's been more the other way where we've been providing a lot of pilots to the industry and it's put some pressure on our ability to execute on ours. So, we've been working really hard to get that caught up for sure.

David Ocampo – Cormark

Got it; and then just sticking with the same theme here, I mean, you guys talked about lower capacity that you're providing AC, just because of the shortage. It does look like AC has looked elsewhere for capacity, at least for the time being. Do you guys think this is a short-lived phenomenon and if we fast forward call it two or three years from now, you'll once again be the sole regional supplier for AC and you can grow that CPA income again?

Colin Copp – President and Chief Executive Officer

Yes look, we still have exclusivity, there's no question about that and Air Canada agrees with that. We came to an agreement for this little bit of extra lift that they had asked for, which made sense for the red team when you look at the bigger picture. So, we worked through that with Air Canada and everybody. So, we don't really see this as a loss of exclusivity in any way. We continue to have that and have a strong relationship with Air Canada, and we don't see anything really significantly changing as we move forward. Things will change in the industry as far as needs go, Air Canada's needs and what do they need for capacity lift on the regional markets, all that type of stuff, and we'll always be there to support that, for sure.

David Ocampo – Cormark

Perfect, that's all the questions I had for you guys.

Colin Copp – President and Chief Executive Officer

Thanks, David.

Operator

Your next question comes from Renato Monzon with BMO Capital Markets. Please go ahead.

Renato Monzon – BMO Capital Markets

Thank you. Good morning everyone. I guess my first question is, what are the implications of the delay in launching Fund III? Twenty-twenty three guidance remains unchanged, but I guess the delay in Fund III would affect to some extent the ROIC and ROIE profile of the Company. So, I mean also, what are the implications of this type of delays in your internal midterm objectives beyond 2023? Does this impact your leverage targets into 2024, for example?

Gary Osborne – Chief Financial Officer

Hi, it's Gary here. As you look through the outlook section and that, we haven't changed our guidance. Obviously when we put a range in, we have some sensitivity around it. Fund III wasn't a major part of our guidance within 2023, hence why we're able to maintain it. If you look at the Fund and you go back to our Investor Day, when you look at the Fund of \$500 million of committed capital once that's in place, it generates somewhere between 1 percent and 1.5 percent of the management fee, so that's kind of the piece that you would be looking at, as far as the modeling goes, so you can figure it out from there.

The carry and other pieces like that happen much later. So, that's really the implication of it. Back to the point we made earlier, we're confident in the Fund, it's just a matter of when we can get it closed.

Renato Monzon – BMO Capital Markets

Okay. That's great, thank you for that colour.

Then my next question is, given the strong recovery of the entire aviation ecosystem, do you see more interest from the investment community compared to maybe three months ago? How would you guys characterize the interest from investors: is it getting better or is it stable maybe compared to Q1?

Gary Osborne – Chief Financial Officer

It's Gary here. I assume you're asking about the Funds. We still see good investor interest. Jeremy and the Falko team have continued to have good discussions. This really—it's a bit of delay that we're seeing is really market-driven and capital allocation-driven, in our opinion, and there's no lack of interest in the space.

Renato Monzon – BMO Capital Markets

Okay. Okay, that's great.

My last question is on the Jazz pilots. Given that training activities are higher nowadays, just to onboard new pilots, and given the high levels of attrition to Air Canada and other airlines, what are the cost implications for Chorus? What type of pressure do you expect on margins?

Gary Osborne – Chief Financial Officer

So back to the—it's Gary here again. On the CDA piece, we have a fixed margin in place with Air Canada that does not vary regardless of (inaudible). If you look in our outlook section, we've reminded everybody of that. So, from an economic perspective, as far as the fixed fee and—that there is no impact associated with the reduced flying. Back to what Colin talked about earlier, we coordinate very well with Air Canada on the pilot resourcing and scheduling and the other side, so this is something we work very hard with them to make sure that it is coordinated.

Renato Monzon – BMO Capital Markets

Okay. Okay. That's all from me. Thank you.

Operator

(Operator instructions)

There are no further questions at this time, please proceed.

Colin Copp – President and Chief Executive Officer

Thank you Joelle, and thank you everyone for taking part in today's call. Have a nice 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.