FINAL TRANSCRIPT

Chorus Aviation Inc.

Regional Aircraft Leasing Transaction Analyst Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Chorus Regional Aircraft Leasing Transaction Analyst Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Tuesday, July 30, 2024.

I would now like to turn the call over to Tyrone Cotie, Vice President, Treasury and Investor Relations. Please go ahead.

Tyrone Cotie — Vice President, Treasury & Investor Relations, Chorus Aviation Inc.

Thank you, Joelle. Hello and thank you for joining us today regarding the announcement of the agreement to sell our regional aircraft leasing segment. With me today from Chorus are Colin Copp, President and Chief Executive Officer, and Gary Osborne, Chief Financial Officer. During today's call we'll provide you with some context for this transaction, review the planned use of proceeds and go-forward capital structure, as well as some key deal and post-deal metrics, before finishing with an overview of the future plans followed by questions from the analyst community.

Please note that, unless otherwise indicated, all references to dollars are in Canadian dollars. As there will 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 news release and the related presentation. In addition, some of the following discussion involves non-GAAP financial measures, including references to leverage ratio, net debt to adjusted EBITDA, adjusted earnings per share, adjusted return on equity, adjusted net income, adjusted EBITDA, free cash flow, free cash flow after debt repayment, price-to-earnings ratio, and price-to-book ratio. Please refer to our news release and investor presentation 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 & Chief Executive Officer, Chorus Aviation Inc.

Good morning, everyone, and thank you for joining us. I'm very pleased to announce today that, following several months of hard work, Chorus Aviation has entered into an agreement to sell our Falko leasing business and all assets forming our regional aircraft leasing segment to HPS Investment Partners. This is truly a milestone transaction for Chorus. The transaction includes the sale of Falko and Chorus' equity interest in the aircraft investment funds managed by Falko for an aggregate price of approximately CAD$1.9 billion. CAD$814 million of that is in cash and CAD$1.1 billion consists of aircraft debt assumed by the buyer in non-controlling interests. This transaction enables us to significantly reduce our corporate debt and free up cash flow to capitalize on growth opportunities and returns for shareholders. The transaction is subject to approval by Chorus' common shareholders, regulatory approvals, and other customary conditions to closing and we expect it to close before the end of the year.

Now before we jump into the financial details of the transaction, let's first talk about the background and strategic rationale behind the decision to sell the Falko platform with our on-balance-sheet assets. The decision to sell our leasing business comes after significant analysis and evaluation by both the management team and board and we see this as a key enabler to repositioning the Company for future growth. Since acquiring Falko, and as I discussed at our investor day in early 2023, our plan all along has been to deleverage our balance sheet by selling down the on-balance-sheet assets and transitioning Falko to an asset-light business. As we progressed through 2023, it became clear that the level of returns from the Falko acquisition were not materializing at the pace we had expected due to the challenging macroeconomic environment. These conditions slowed our transition to an asset-light leasing model in two respects: one, it impacted aircraft trading economics due to tighter debt market; and two, it impacted fundraising for alternative asset managers such as Falko. As we considered our options throughout the process, we'd been determined to ensure that we obtain fair value on any aircraft sales.

In the fall of 2023 we were marketing a significant portfolio of aircraft, over 50 aircraft, to support the transition to asset light and it was at that time that we started to receive unsolicited offers for the entire RAL segment, including Falko. The management team and the board determined that the sale of the full leasing segment was an option that we should explore for several reasons, including that we were not receiving credit for the underlying value of the business, which was demonstrated with our share price trading well below book value, and that the pace of execution on the asset-light strategy was unsatisfactory. In consultation with external advisers, we assessed multiple options, including retaining and gradually divesting groups of assets within the leasing business. Our analysis revealed that the complete divestiture presented the best opportunity to unlock and monetize the embedded equity value most efficiently and to serve as a near-term catalyst to position the Company for growth. It was clear, by including the Falko platform with the on-balance-sheet aircraft portfolio, that the asset sale process would take some additional time; however, we would be able to optimize the value of our assets and obtain much better pricing.

We selected Goldman Sachs as our lead and we ran a robust competitive process with multiple bidders, ultimately generating a transaction price which offers a very strong value for the business and net proceeds representing a significant premium to our current share price. As stated in the news release, Goldman Sachs has provided a fairness opinion. The buyer, HPS, is a leading global investment firm with over $100 billion in assets under management in both public and private credit markets. We see this transaction as a catalyst to accelerate the pace of value creation for our shareholders by unlocking the significant embedded value in our assets and we recognize that the decision to sell Falko with our assets is the best decision to accelerate value creation for Chorus and to address the discount that has persisted for some time now in our share price. This transaction will significantly deleverage our capital structure, generate more predictable cash flow, and provide us with greater flexibility to pursue opportunities for growth and return capital to common shareholders.

Let me touch on the compelling value of the transaction. We believe an appropriate valuation for RAS, the RAS segment alone, is a 7.0x multiple of EV to EBITDA, which is approximately $900 million. This is consistent with where our peers trade today. Based on our share price today, our market cap is around $540 million, which demonstrates that we're receiving a negative valuation for just the RAL business alone. The sale value achieved of $1.9 billion delivers a price to book of 0.84x, which aligns closely with our publicly traded peers in the aircraft leasing space. We see this transaction resulting in substantial shareholder value creation relative to the valuation we're receiving today. It is the catalyst to accelerate the pace of value creation for our shareholders by unlocking the significant embedded value in our assets.

Now I'd like to take a moment to touch on a few key highlights of the transaction. Gross proceeds from the sale are expected to eliminate $1.7 billion in financing on a pro forma basis, including all RAL-related debt, substantially all Chorus's corporate debt, and the Series 1 preferred shares. We will eliminate approximately $58 million in annual servicing costs, including the preferred share dividend payments. The 2023 pro forma leverage improves from 3.6x to 1.8x net debt to adjusted EBITDA with substantially all remaining debt related to the CPA aircraft, which are supported by lease payments under the CPA. This will improve cash flow metrics and also create substantial go-forward flexibility with over $250 million in liquidity pro forma. Finally I'd like to note that our two largest common shareholders, Brookfield and Air Canada, support and endorse the transaction, seeing the significant value in this deal for our shareholders.

I'm going to now turn the call over to Gary to speak to you about the specifics of key areas that best underscore the time lines and value of this transaction.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Thanks, Colin.

In addition to unlocking significant value in RAL, this transaction also allows us to dramatically de-lever and simplify Chorus' balance sheet and capital structure and create an easier to understand business model while simultaneously positioning the Company to capitalize on future growth opportunities and allow for future return of capital to shareholders. Now I'd like to provide some context on how this transaction will help strengthen and simplify the balance sheet.

The figures shown on slide six are pro forma December 31, 2023 and are for illustrative purposes to show the impact of this transaction. As of year-end 2023 we were carrying total financings of approximately $2.1 billion comprised of $1.8 billion of debt and the USD$300 million of preferred shares. This transaction will eliminate $1.7 billion of those financings with highlights as follows: RAL aircraft debt being paid out and/or assumed by the buyer under the gross proceeds of sale. The amount of this debt was CAD$987 million as of December 31, 2023. Another important part of the transaction will be the redemption and elimination of the preferred shares, which have a face value of USD$300 million. Chorus is also making an offer to redeem all outstanding public debentures, these are our Series A, convertible Series B, and Series C debentures, which has a face value of CAD$237 million net of transaction costs, and paying our operating credit facility valued at CAD$60 million at the end of June 30, 2024. So, as you can see, the proceeds will be allocated to considerably reduce these financings and are expected to eliminate significant debt servicing costs and dividend payments totaling CAD$58 million annually. This also leads to the elimination of annual debt and interest payments and preferred share dividend payments of CAD$280 million on a pro forma 2023 basis. The debt that remains post-closing substantially consists of debt relating to aircraft operated by Jazz Aviation under the CPA with Air Canada, which is fully supported by the contract out to 2035.

The changes I just discussed to the capital structure will result in a substantially strengthened and simplified balance sheet. Our pro forma leverage as of December 31, 2023 will be reduced by almost two turns to 1.8x net debt to adjusted EBITDA. This ratio is well below the target range for the Company and that of our peer group, positioning Chorus extremely well to seize on future growth opportunities. The changes in capital structure I just covered also drive improved profitability with our pro forma 2023 EPS increasing by 17% to CAD$0.35 per share. These increases are predominantly driven by reduced debt servicing costs and eliminating the preferred share dividends, which more than offset earnings forgone from the sale. When we step back and look at this transaction we see a significantly improved and simplified balance sheet, improved earnings, and improved free cash flows after debt payments. This will provide us the ability to grow the business and give consideration to future return of capital to shareholders. We have also worked with our lenders, led by the Bank of Nova Scotia, to put in place significant flexibility in our capital structure with this transaction. We have amended our $50 million bilateral facility secured by the unencumbered aircraft leased under the CPA to be available for future growth opportunities. In addition, we are maintaining our $150 million secured operating revolver. This provides us $200 million in financing to support operations and the growth of the Company. I would also like to point out that the guidance we published in Q1 2024 for RAS remains in effect and the Chorus' consolidated and RAL guidance are removed given the expected close of this transaction later this year.

I will now turn it back to Colin for his closing remarks.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Thank you, Gary.

Let me touch on the future and where we see Chorus growing and thriving moving forward. As you can see on slide eight, following the transaction, our mix of businesses will produce predictable cash flows that build over time, enabling us to leverage our capabilities and strengths to grow. I'd like to point out that, since the launch of our leasing business in 2017, we've had to allocate the majority of our time and financial resources to investing and growing this specific sector of our business. With this transaction, we will reset and shift the intensity of our focus to other sectors of the operation where there are considerable growth opportunities available to us.

We have a long history going back years with extensive experience and capabilities in the aviation industry. Jazz today is Canada's third-largest airline with over 4,500 employees operating approximately 100 aircraft with 72 destinations throughout North America in support of our key customer, Air Canada. Jazz has very much been the backbone of our business, producing consistent financial and strong operational results. It's a business that has a significant standing in the Canadian aviation sector and a very bright future.

As I reflect back to mid-2019 when I became President of Chorus' Regional Aviation Services Group and assumed the overall responsibility for the operations Voyageur, at that time Voyageur's business was predominantly driven by its overseas flying operations and specialty MRO work. Over the last few years the Voyageur team has doubled their earnings and transitioned the business to higher-margin areas. They've done so by leveraging core capabilities, relationships, expertise to expand in cargo operations for Purolator, built a regional aircraft used parts business that's one of the largest in the world, and entered the rapidly-growing aerospace and defence market by securing multi-year government contracts, all of which was principally accomplished by Voyageur through self-funding of the growth. Within defence, we see great potential for Voyageur to continue growing in the intelligence, surveillance, and reconnaissance sector, which is a global market size of approximately USD$14 billion, with half of that driven within the North American market. They are well positioned in this area today given their many years of experience and capabilities in specialty aircraft modifications and operations as well as their logistics and supply chain capabilities and relationships. Voyageur will continue to provide a meaningful platform to grow our special mission operations through both organic growth and bolt-on acquisitions to expand our capabilities and market share.

More recently, we moved into the flight training [inaudible], again leveraging our deep industry knowledge and relationships with partners like CAE to establish a leading-edge pilot training school. There are strong demands for aviation skills training within the North American market and airline flight training market is valued at approximately USD$700 million in 2024.

These are only a couple of examples. There are several other areas that we can grow in which align well with our experience and capabilities in the aviation services side and I believe we've only scratched the surface. I'm confident in our team's ability to expand and grow the operations side, both organically and through acquisitions. I believe that it will be made possible with added focus and the resources post this transaction and by simplification of our business and a more flexible balance sheet.

In closing, I'd like to reiterate that this is truly a milestone transaction, enabling us to sell our leasing business at a substantial premium to the implied market value and at a market competitive price. It significantly deleverages our balance sheet, making us stronger and giving us a greater financial flexibility going forward. It will enable us to look at implementing an ongoing return of capital program based on sustainable free cash flow and it will provide us the flexibility to both grow and invest in the business.

I want to conclude by thanking our board of directors for their oversight and their commitment to unlocking value for our shareholders. We are also grateful for the support of our partners, Brookfield and Air Canada, throughout this process and for their endorsement of this transaction. Both companies will continue to maintain representation on the Chorus board of directors following the completion of the transaction. Many thanks go to all employees from all of our companies, but particularly to those at Falko and Chorus who worked tirelessly to bring this transaction to this point. The Falko team has been focused and exemplary throughout this process and I'm grateful for them and for their hard work and professionalism. Last but not least, I want to thank our shareholders for their support and reiterate our commitment to delivering on value creation.

Thank you. We're now happy to open it up 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 the 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 the 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 Kevin Chiang with CIBC. Your line is now open.

Kevin Chiang — Analyst, CIBC

Hi. Good morning and thanks for taking my questions here. Maybe if I could take a step back and if I go back to like 2016 when you initially embarked on this diversification strategy and you had raised some capital to move into the leasing world, you know, with this sale to HPS you effectively come full circle to what, I guess, the assets you would have had back in 2015. If memory serves me correct, one of the reasons you pursued that diversification effort into leasing was the feeling that the public markets weren't appropriately valuing you as an aviation service company, that it wanted some diversification in your revenue stream. So I guess what's changed today when you think of RAS as a standalone business within Chorus? And then I'm not sure how you'd answer this, but thoughts of, would it make sense to run a strategic review for RAS given, I guess, your thoughts back in 2014 and 2015 about this being your sole growth vector, you know, back six, seven, eight years ago?

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Hi, Kevin. It's Colin. Thanks for the question. Absolutely. Look, when we look at where we are today, it's a milestone transaction for the Company. It really enables us to significantly improve our balance sheet and accelerate shareholder value. It allows us to reposition for future growth. The decision really is around making the right choice on a go-forward basis for where we are today. Yeah, absolutely, we're a little bit smaller and I think, from a business perspective, yes, when you look at the businesses, we're maybe more concentrated on the AC side, but when you look at the value creation of where our money is coming from and how we're doing with regards to growth, it really positions us really well moving forward. There's no question about that. So this is really more about today. It was about the pace that we were seeing the transition moving forward at and we made the best decision, which we think is an absolute right decision given where we're at today.

Kevin Chiang — Analyst, CIBC

Yeah, it's hard to disagree. The market was definitely not valuing your RAL business I guess I'll say appropriately. Maybe just on a comment you made earlier, Colin, you said you've been deploying a lot of your capital into growing RAL, which seemed to suggest that maybe there are opportunities within Voyageur that might have fallen through the cracks. Maybe you can update us in terms of what that pipeline of opportunity is both organically and inorganically and maybe how that might accelerate under this, I guess, this new Chorus where you obviously have a different capital structure and this will now be a focus of your growth.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Sure. Absolutely. Yeah, as you said, going forward, we're going to focus on the aviation sort of side of the business where there are considerable growth opportunities. We see it both organically and through acquisition. We are focusing on getting the organization to a point where we have a nice, solid, stable growth profile. And since I assumed responsibility there in 2023, we've been doing a lot of work on assessing the industry opportunities and looking at where we would move with time. We said that at our investor day that we were starting to assess these opportunities and what was really important for us to get through the deleveraging process. This expedites us. This moves us much quicker. And to this point, we've been very much investing in the leasing side. We haven't put a lot of money into Voyageur or anywhere else really other than the leasing since 2017, so this gives us a new opportunity going forward. It'll allow us to reset and shift the intensity of focus on these other sectors and look for considerable growth. Post transaction we're going to have three great, strong, very stable subsidiary businesses. When you look back at it, we've got Jazz, which is strong, one of the third-largest airlines in Canada; we've got Voyageur, who's done an incredible job of growing this last couple of years; and we've got the new business, which is just on its kind of beginning of growth, which is Cygnet. So we see that as kind of a strong, stable background to move forward with.

Kevin Chiang — Analyst, CIBC

Okay. That's helpful. And maybe just a clarification question. This might be for Gary. Because the transaction is being announced in late July here, is the RAL segment, is that discontinued operations? Will that be, I guess, segmented as discontinued operations in your upcoming second quarter results or is that something we should be looking forward to in your third quarter results?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

We would look to put it into discontinued operations in Q2.

Kevin Chiang — Analyst, CIBC

In Q2. Okay. Perfect. Thank you. Thank you for taking my questions.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Thanks, Kevin.

Operator

Your next question comes from Konark Gupta with Scotiabank. Your line is now open.

Konark Gupta — Analyst, Scotiabank

Thanks and good morning and congratulations on the announcement today. Just wanted to ask you about the remaining co, what's left out there for you guys in terms of continuing operations as Jazz, obviously, and then Voyageur, plus Cygnet, which you launched recently. Given Jazz has been in sort of a new contract regime which goes to 2035 and there is a few kind of call it step-down functions and then the fixed fee and then I think the leasing also kind of fluctuates a little bit from year to year, like I know you in the presentation you kind of disclosed that your pro forma 2025 EBITDA with those changes in fixed fee and leasing would be something closer to like $180 million-ish, $182 million EBITDA in 2025. Like if we take that as a base, do you have sort of any objectives to kind of grow from that $182 million EBITDA base to some level or should we expect that to be more or less like a flat line for a few years? How should we think about your EBITDA prospects in the next five years, call it?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Well, Konark, it's Gary here. We see it as growing. Colin alluded to it earlier. Voyageur has been growing since 2019 when he took a lot more leadership over that piece. It is one of the largest suppliers of parts in the industry, it's got a good contract with Purolator, it's growing a lot of their other businesses, so we see a growth profile there. What we provided to you there is a way for the analysts, in the back of the deck, so you can at least be able to log the EBITDA. But that would be the minimum you would see and we'd expect it to grow from there and we'd expect to improve it from there. But it gives you an idea of a solid base we have. And that's what I would reiterate here, too, is we have still a very sizable company producing good free cash flows after debt repayments and it has a lot of growth and other options in front of it.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

I think, Konark, I'll just add to that that, look, we've been doing a lot of work on this area. We alluded to it in early 2023, we really haven't been able to execute on anything given the fact that we've been focused on selling down assets, but as we get through this transaction and it closes, we'll have a lot more to talk about and to say on this topic for sure.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Konark, the other thing I'd point out is, if you look at the leverage, we're at 1.8x pro forma. As we pay down that debt within the CPA, we'll have our debt continue to reduce, so we have a good position from a balance sheet perspective, we have a great position from a free cash flow less debt payment position, and we're even in a better one when you look at the market and what Voyageur and Jazz are in aviation to grow the Company.

Konark Gupta — Analyst, Scotiabank

Right. That makes sense. Thanks. That's very helpful. And I think you kind of showed some math on the free cash flow as well, pro forma, so I just want to understand, like your EBITDA is what it is and then your CapEx had not been pretty significant in the existing continuing operations, I guess, right, and when we convert sort of your free cash flow from, call it, EBITDA or something, is there like a guideline where you would like to be on a conversion basis? Is it like 50%? 80%? Something like that? Or is there another way to kind of think about how should we arrive sort of at free cash flow after the CapEx and some of the nuances between EBITDA and free cash?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

So no, we don't have a target necessarily, Konark, but I think you need to remember the contract we have that drives most of that, which is the Air Canada contract. The Air Canada contract has the CapEx recovered in the rates and whatnot. So, as they pay us for the CapEx on the maintenance side in that, so it makes its way out. And I think if you just look at what we've put out there for the free cash flow after debt payments it gives you a very solid base with which to move forward.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

We can follow up with you on some of that stuff, too, Konark. I think we've got a one-on-one probably coming with you today, I would imagine.

Konark Gupta — Analyst, Scotiabank

Perfect. No, that's great. Thanks. And last one for me before I turn it over. On the CPA, now that the Falko and the leasing business is kind of out of the mix, does it give you maybe sort of a little bit of a push or incentive to kind of reengage with Air Canada to rethink about the contract given the capital and the balance sheet you have now it's much different than before? Like is there a possibility to reopen the contract or you are kind of locked in through 2035?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

So look, with the relationship with Air Canada and our contract, we're talking to them every day about stuff and we continue to look at opportunities with them. Absolutely, we're engaged with them. We're looking for opportunities. There's lots of stuff for us to talk about. There's lots of potential as we move forward, for sure. So we'll see as things transition here. But this will allow us to focus more on this business and be more focused on the aviation operational side of the business, the services side, which will definitely, I think, be more meaningful from Air Canada's perspective. It really gives us a focus back on them and the other opportunities that exist around them.

Konark Gupta — Analyst, Scotiabank

Right. That makes sense. Thanks for the time. Thank you.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Thanks, Konark.

Operator

Your next question comes from James McGarragle with RBC. Your line is now open.

James McGarragle — Analyst, RBC Capital Markets

Thanks for having me on and congrats on the transaction announced this morning. I just wanted to ask a question on your free cash flow priorities. Obviously there's going to be some meaningful free cash flow, especially relative to your market cap post this transaction, so how are you thinking about your priorities on free cash flow right now between M&A, organic investment, and shareholder returns?

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Good question. Look, our priority right now is to make sure we close on the transaction, get through all these kind of customary things we've got to get through. We are absolutely looking at those options, all of them, and considering them. We're going to have free cash flow, as you allude to. It's actually building cash, as Gary is saying, on a go-forward basis, so all of that will be evaluated and looked at. We're considering it right now and we'll have more to discuss as time progresses here. But our first priority right now is just to make sure we get through the transaction, address our debt, do all the things we've got to do that we've talked about here.

James McGarragle — Analyst, RBC Capital Markets

And then just one follow-up on the balance sheet: You were coming into the transaction, call it, just above 3x, you're at 1.8x right now; where would you like that to trend going forward? Just so, you know, if we're modeling for any potential buybacks, M&A, kind of where would you like to see the balance sheet after this transaction closes? Thanks.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

It's Gary here. We still have our target range of 2.5x to 3.5x, but we'll revisit all these measures post transaction. And as I alluded to earlier, the debt with Air Canada or on the Air Canada CPA aircraft continues to go down, so you're going to see our debt profile continue to go down, which will provide us opportunities.

James McGarragle — Analyst, RBC Capital Markets

Appreciate it and I'll turn the line over. Thank you.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Thank you.

Operator

Your next question comes from Fadi Chamoun with BMO. Your line is now open.

Fadi Chamoun — Analyst, BMO Capital Markets

Thank you. Good morning. Colin, I just want to dig into the kind of medium, longer-term kind of growth or framework for the Company going forward. I mean a few years ago you identified the leasing business as kind of as a growth vertical and ultimately you're recognizing today that the market didn't recognize your strategy in that segment. Now you've got a CPA that is stepping down in the next couple of years as well. How do you grow the business from here? Like you talked about M&A, mentioned defence training, you mentioned a few other verticals. Are we talking about significant M&A here? Are we talking about tuck-in M&A? I'm just trying to understand kind of what is the path forward from here from a growth perspective.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Okay. Hi, Fadi. Good question. Yeah, look, we're very focused on the services side, as we're saying, and we've been saying that since 2023. When we came out with the investor presentation in 2023, we were very focused at that point and we were looking at selling down assets. We've been saying that as well. Really the only shift here is the fact that we, to obtain really good value for our assets, we felt that, and the fact that the asset-light business was slow, the pace was slow, we felt the absolute best choice was to transact in this manner to optimize the value.

So the path of growing in the operational side of looking at those kind of services businesses hasn't changed. It continues to be. As I said, we've been looking at a lot of those opportunities. It is not, you know, we're not chasing a big bang here. We're focused on finding a nice gradual steady growth business that we can add to. There's a bunch of organic opportunities. We haven't been investing on the operational side. There's a bunch of organic stuff we can do there. And then there's some bolt-ons, some smaller acquisitions and medium-sized ones, that we'll be looking at as we get through this transaction come the end of the year kind of thing. But it's really about finding a nice, stable, solid growth profile over time. That's the focus where we're at.

Fadi Chamoun — Analyst, BMO Capital Markets

Okay. And any vertical in particular that you feel has kind of more opportunities for you to go after? Because you mentioned a few of them, but I'm not sure if there's anything in particular you're looking at.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

We've talked about a bunch of different ones over time. We're not married to really any specific one. We're interested in value creation here. That's our focus. So we're going to be pretty open-minded. And we're interested in nice, gradual, stable growth. And that's the fundamentals of everything we're doing here is making the right decision at the right time. As Gary said, we positioned the Company with really strong liquidity, very low leverage, building cash, all of the right things you need to be able to move forward, and as we get close to closing the transaction and dealing with some of these customary things we've got to get through, we'll have a lot more to talk about and discuss with you guys for sure.

Fadi Chamoun — Analyst, BMO Capital Markets

Good. Thank you.

Operator

Your next question comes from Cameron Doerksen with National Bank. Your line is now open.

Cameron Doerksen — Analyst, National Bank Financial

Thanks. Good morning. Maybe just a couple process-related questions. Obviously, this was a fairly robust process that you've gone through. Was there any, I guess, consideration or any offers to sell the entirety of the business and not just the RAL segment?

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Hi, Cameron. It's Colin. Look, no. As I said in my script there, we were out marketing a large portfolio, like a meaningful portfolio, over 50 airplanes, and of course you're really dealing with large, capable organizations that have a lot of financial backing at that stage and we started to receive these unsolicited offers for the whole platform. At that point we looked at our options and we did a lot of evaluation, a lot of analysis. We worked with the board. The management team and the board had a ton of work on this to make this decision. It wasn't just something that popped up and we decided to go with it. So, following that great length of kind of evaluation and consideration, we decided that, look, this was a good opportunity for us. This was the best opportunity to transition the Company a little bit quicker and obtain really strong value for our assets. So that's kind of where it came from. There really was nothing more to it than that, to be quite frank.

Cameron Doerksen — Analyst, National Bank Financial

Okay. Great. That's helpful. And just as far as, I guess, the timing of closing, you've indicated by the end of the year. Is there any more sort of specificity you can provide there? Or maybe just talk us through what the milestones are here, when you expect a shareholder vote, that sort of thing.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

So the SPA will come out shortly in the next day or two, it'll be on SEDAR, so that will give you some information on the shareholder meeting and stuff like that. I think typically four weeks for the circular, another four weeks for the meeting kind of thing. That's kind of the general, but I can't tell you specifically at this stage. But it will be all on SEDAR and the SPA and you'll be able to pick that up. We honestly can't do anything more than give you a sense as towards the end of the year. There's a lot of regulatory type things that have to happen that are not really in our control in any way. So you'd be asking me to speculate on a date and I really, I couldn't tell you. The lawyers and all the experts feel that it'll definitely be done before the end of the year.

Cameron Doerksen — Analyst, National Bank Financial

Okay. And what are the key regulatory approvals that are required?

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Regulatory approvals, the majority are just routine merger clearances, and there's a bit of an explanation in the SPA that'll be on SEDAR here shortly that gives you a little bit more detail. But it's really just routine merger clearances and regulatory stuff.

Cameron Doerksen — Analyst, National Bank Financial

Okay. Okay. I'll wait for the detail there. All the other questions I had were answered, so appreciate it. Thanks.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Okay. Take care.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star followed by the one.

Your next question comes from David Ocampo with Cormark Securities. Your line is now open.

David Ocampo — Analyst, Cormark Securities

Thanks for taking my questions. Just two quick follow-ons. I mean there's been a lot of discussion around the future of the business and where growth is going to come from. If I take a look at your pro forma ROE now, it's closer to 11%. So when you guys are looking to deploy capital, is that the new hurdle rate you guys are using or are you evaluating opportunities for returns greater than 11%?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

It's Gary here, David. We're targeting mid-teens ROE. That's giving you a base of where it starts on a pro forma basis. It's a significant improvement from where we were and we hope to continue to improve it.

David Ocampo — Analyst, Cormark Securities

Okay. And then last quick one. I mean if I take a look at the use of proceeds, $490 million is being used to put away the preferred notes. It looks like there's a bit of a premium there. Can you walk us through the math, Gary, if you can over the call?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Sure. We had the option to take out the Brookfield preferred shares here in May or on the third anniversary. It has a MOIC of 1.4. That MOIC 1.4, you deduct all the dividends you've paid to date when you come up with that number and that's basically how you come up with the premium that you pay. It's basically early paying out the dividends. And then you pay the face value out. That's how it works. So USD$300 million plus and I think it's about $63 billion in dividends.

David Ocampo — Analyst, Cormark Securities

Okay. That's helpful. Thanks so much, guys.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Okay. Thank you.

Operator

Your next question comes from Tim James with TD Securities. Your line is now open.

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Hi. Tim. Hey, Tim, you there?

Tim James — Analyst, TD Securities

I'm here. Can you not hear me?

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Yeah, we can hear you now, just barely.

Tim James — Analyst, TD Securities

Okay. Yeah, I just had one quick question, and forgive me if you covered this off already, I missed a couple of minutes of the call, but in terms of the remaining corporate expenses that are in the business, is there any sort of bias or ability to reduce that once the leasing business has been transacted [inaudible] or how should we think about those remaining corporate expenses?

Colin Copp — President & Chief Executive Officer, Chorus Aviation Inc.

Tim, it's Colin. So look, as time progresses here when we get through this transaction, we will definitely be looking at our corporate expenses and how things move forward. There's no question about that. And there are some things that change with regards to various payments that we're making and so on. So that will evolve with a bit of time, but right now, I mean there's no direct impact or no impact planned for any employees or anything. That's all status quo. We're going to need everybody as we move forward and continue to look at our growth profile here and doing what we need to do. But we can touch with you on some of that stuff, if you want, what's in and what's out going forward, in the one on ones.

Tim James — Analyst, TD Securities

Okay. That's great. Thank you very much. That's the only question I had at this point.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Thanks, Tim.

Operator

There are no further questions at this time. I will now turn the call over to Tyrone for closing remarks.

Tyrone Cotie — Vice President, Treasury & Investor Relations, Chorus Aviation Inc.

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