

**chorus** 

TSX: CHR

# Investor Presentation

November 2023

# Contents

1. About Chorus
2. Key Investment Highlights
3. Business Groups
4. Summary

## Appendices

1. Other information
2. Jazz, Air Canada Express Operator
3. Falko, Leading Aircraft Asset Manager & Lessor
4. Voyageur, Speciality Service Provider

# 3 Notice to Reader



## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This presentation may include forward-looking information within the meaning of applicable securities laws. Forward-looking information may be identified by the use of terms and phrases such as “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “future”, “intend”, “make”, “may”, “plan”, “potential”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including negative versions thereof and other similar expressions. Such information may involve but is not limited to comments and statements with respect to strategies, expectations, planned operations or future actions. Forward-looking information, by its nature, is based on assumptions and is subject to important risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking information.

Examples of potential forward-looking information in this presentation include statements regarding expectations as to Chorus’ contracted revenues, plans to reduce Chorus’ debt leverage, Chorus’ future growth and competitive position, the growth of Falko’s asset management business, the transition of Chorus’ leasing business to an asset light leasing model, the generation of cash flows from asset sales and potential deployment of those proceeds to enhance returns to shareholders and/or invest in accretive growth opportunities, and the completion of pending or planned transactions (including the successful close of Falko’s Fund III). Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including if: Falko is unable to successfully launch Fund III on the terms currently contemplated or at all; Chorus (including any of its subsidiaries) is unable to attract and retain the type and number of human resources it needs to operate its business; new COVID-19 variants and/or new pandemic or endemic diseases emerge and restrictive measures are implemented to minimize their public health impacts; the effects of the COVID-19 pandemic continue to adversely impact the financial health of Chorus’ contractual counterparties; general economic conditions (including inflation and interest rates) worsen, or general conditions for the aviation industry deteriorate; payments cease (in whole or in part) under the CPA and/or under aircraft lease agreements with Chorus’ customers; disputes emerge under the CPA and/or under aircraft lease agreements; Chorus defaults under any of its debt covenants; asset impairments and/or provisions for expected credit losses are required; changes in law are made (including regulations relating to climate change) which adversely affect Chorus’ business or assets; transactions referenced in Chorus’ public disclosure record fail to conclude on the terms currently contemplated or at all; and/or one or more of the risk factors referenced in Chorus’ most recent Annual Information Form and in its public disclosure record available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) materializes. Statements in this presentation containing forward-looking information represent Chorus’ expectations as of November 8, 2023 (or as of the date they are otherwise stated to be made) and are subject to change after such date. Chorus disclaims any intention or obligation to update or revise such statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws. Readers are cautioned that the foregoing factors and risks are not exhaustive.

## NON-GAAP FINANCIAL MEASURES

This presentation references several non-GAAP measures. These non-GAAP measures are generally numerical measures of financial performance, financial position or cash flows, that include or exclude certain amounts from the most comparable GAAP measures. As such, these measures are not recognized for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities, and should not be considered a substitute for or superior to GAAP results.

For further information regarding these measures, including a quantitative reconciliation of certain financial measures to the most directly comparable financial measures in Chorus’ financial statements, please refer to section 18 (*Non-GAAP Financial Measures*) of Chorus’ Management’s Discussion and Analysis of Results of Operations and Financial Condition dated November 8, 2023, which is available under Chorus’ profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).



# Chorus is a leading, global aviation solutions provider and asset manager, focused on regional aviation



**7**

Businesses or customers operating on every continent



**357**

Regional aircraft owned, operated and/or managed



USD **\$3.7 B**

Assets owned, operated and under management



**240+**

Customers worldwide



**5000+**

Employees

As at December 31<sup>st</sup>, 2022.



We have an exceptional roster of industry veterans with an extensive scope of experience in the sector

**Colin Copp**  
*President and Chief Executive Officer*



**30 Years**

**Gary Osborne**  
*Chief Financial Officer*



**30 Years**

**Jolene Mahody**  
*Executive VP and Chief Strategy Officer*



**30 Years**

**Dennis Lopes**  
*Senior VP, Chief Legal Officer & Corp. Secretary*



**9 Years**

**Jeremy Barnes**  
*Chief Executive Officer, Falko*



**40 Years**

**Randolph deGooyer**  
*President, Jazz*



**30 Years**

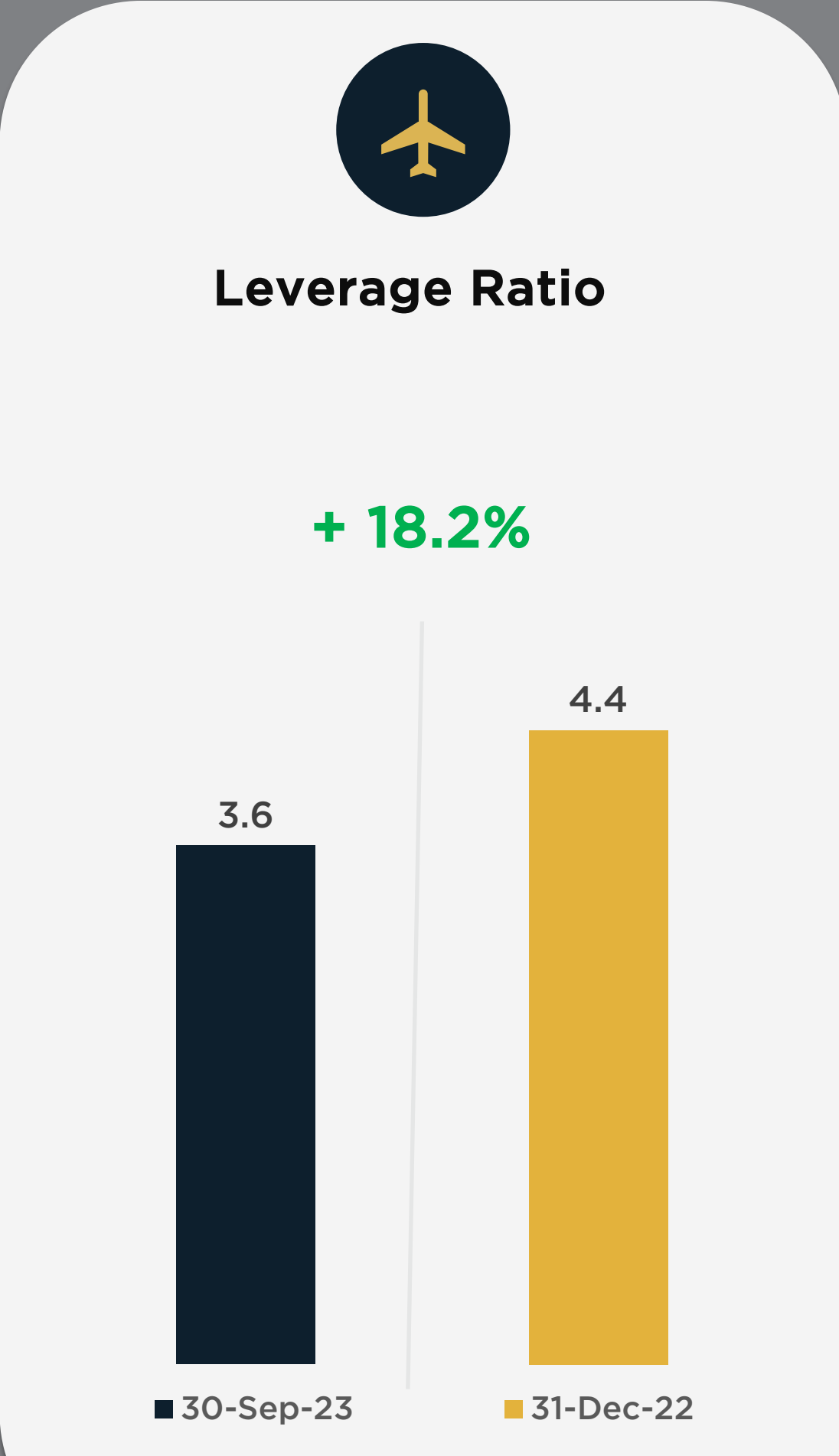
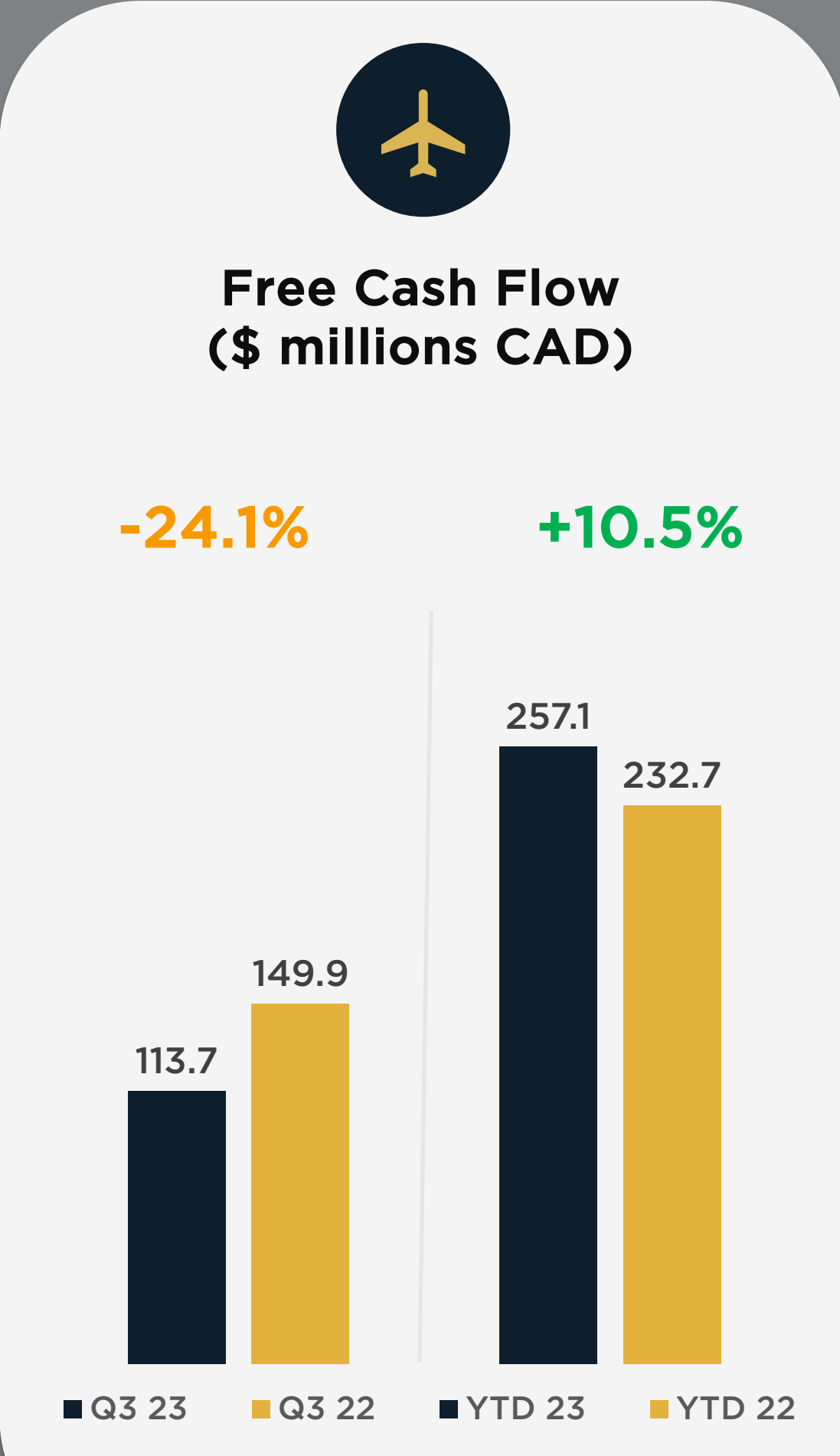
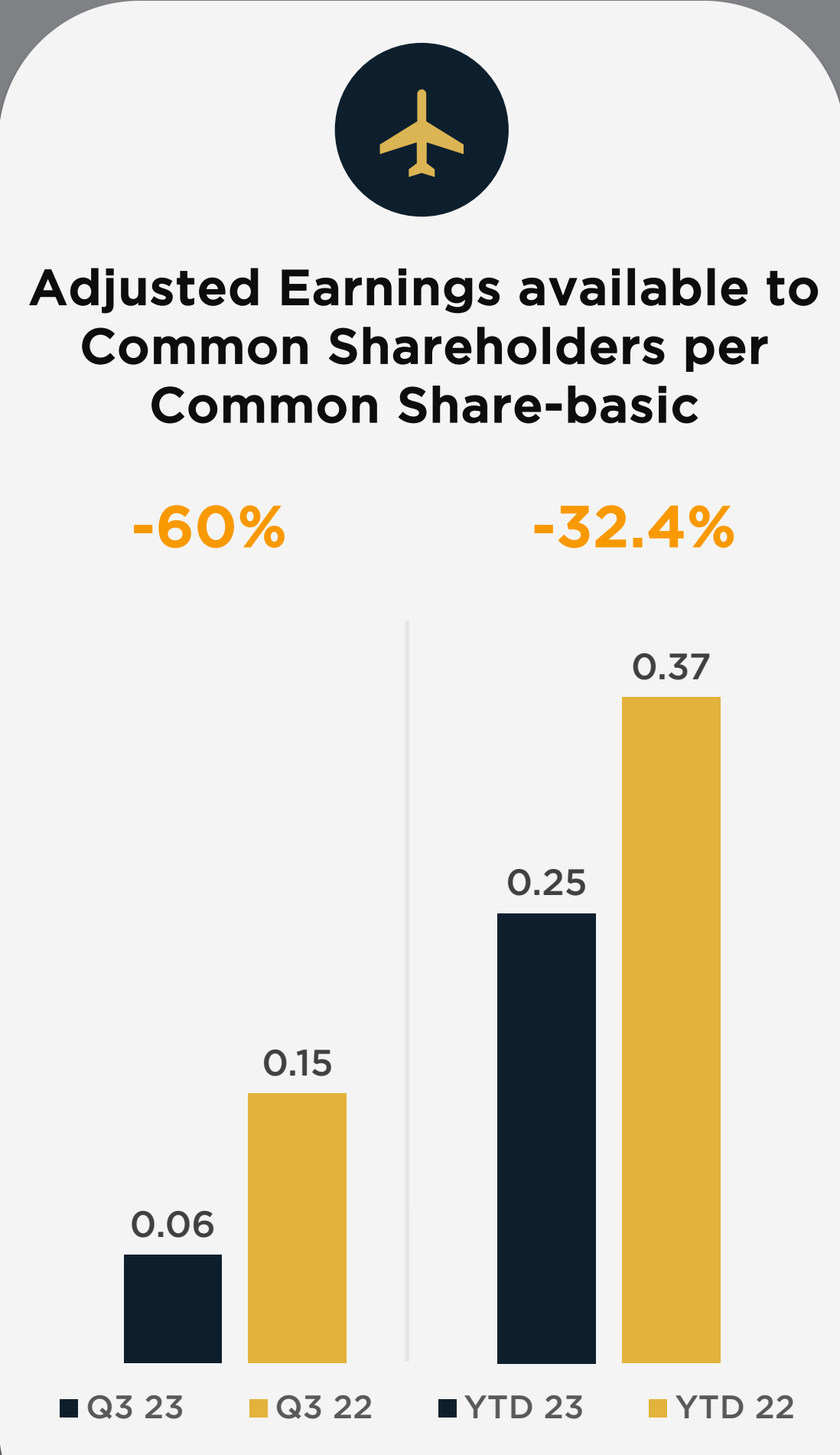
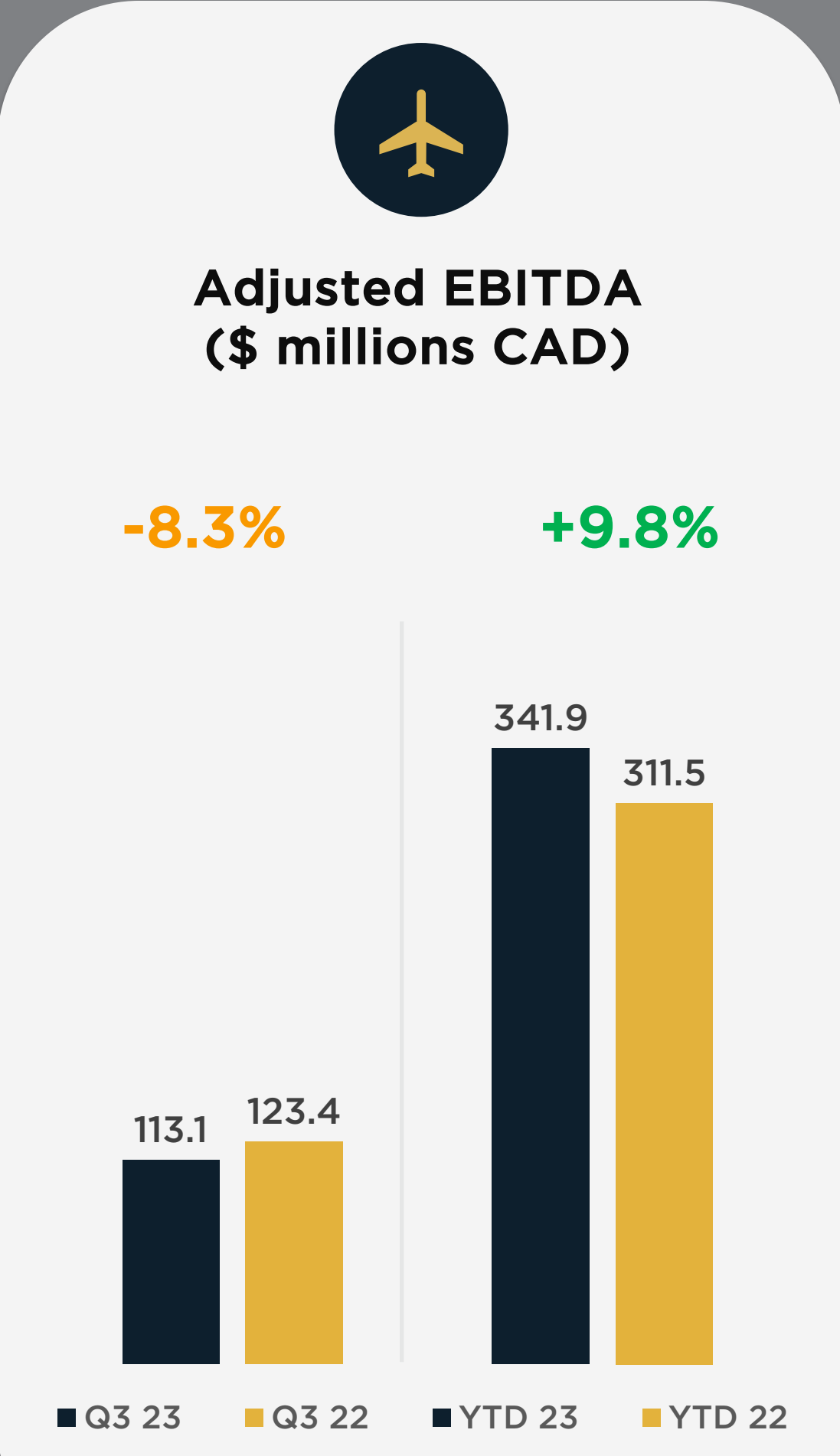
**Cory Cousineau**  
*President, Voyager*



**29 Years**

# Stronger Financial Results

## Strong Free Cash Flow and Leverage Ratio in 2023



Adjusted EBITDA, Adjusted Earnings available to Common Shareholders per Common Share-basic, Free Cash Flow, and Leverage Ratio are non-GAAP financial measures. Please refer to the cautionary statement on non-GAAP financial measures in the Notice to Reader.



# Our Lines of Business

Common platforms provide increased revenue and margin opportunity



The largest regional operator in Canada and the sole provider of regional air services under the Air Canada Express brand



The leading pure play regional aircraft asset manager and lessor, managing investments on behalf of third-party fund investors



A leading provider of specialty charter, aircraft modifications, parts provisioning and in-service support services



An industry leading accredited training academy preparing pilots for direct entry into airlines

# Key Investment Highlights

- 1. Regional aviation is a core and resilient sector of aviation**
- 2. Leading regional aviation solutions provider and asset manager with diversified global presence**
- 3. Long-term contracted cash flows and high-quality asset base**
- 4. Strategic transformation unlocks value for common shareholders**



# Regional Aircraft - A Strong Asset Class

- Well suited to uncertain demand environments; utilized both in up and down cycles
- Supported by core global operators; stronger credits
- Generally built to order, protecting asset values
- Lease returns outperform those of narrowbody and widebody



50% of world flights are less than 500 miles<sup>1</sup>



45% of all airports are serviced exclusively by regional aircraft<sup>2</sup>



Link ~60% of the world's communities<sup>1</sup>



Government, defence, aerial fire fighting, cargo, aeromedical

1. Source: Official Aviation Guide (2012).

2. ATR Turboprop market forecast 2022-2041.

Refer to the cautionary statement regarding forward-looking information in the Notice to Reader.



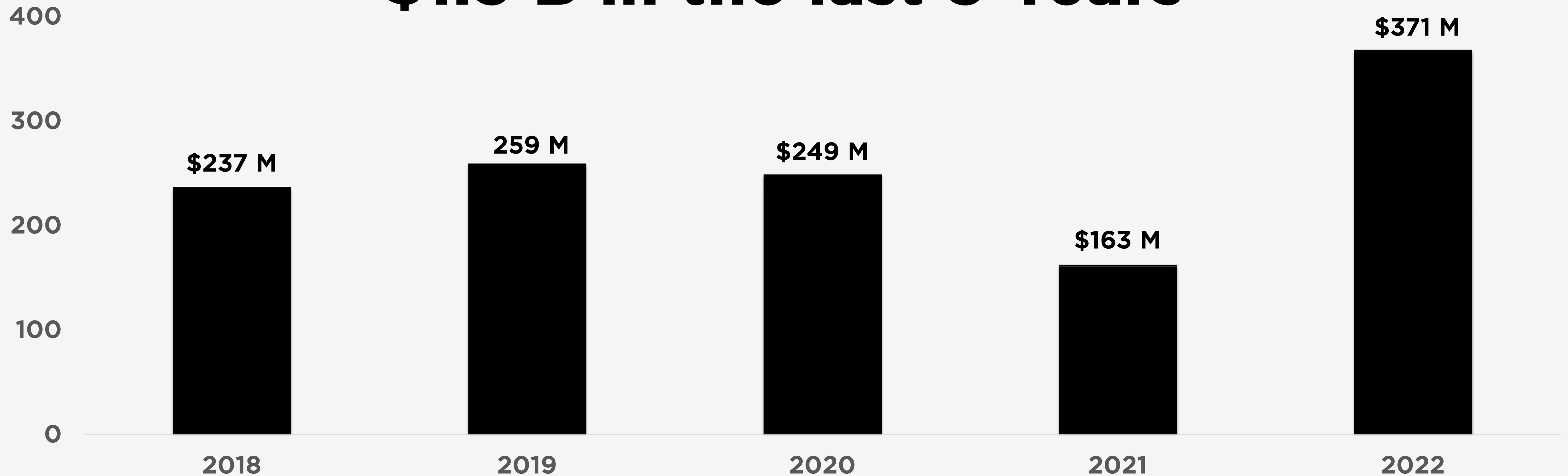
10

# We are a leading regional aviation solutions provider and asset manager with a diversified global presence





# Chorus consistently generates Free Cash Flow: \$1.3 B in the last 5 Years



Free Cash Flow is a non-GAAP financial measure. Refer to the cautionary statement regarding non-GAAP financial measures in the Notice to Reader.

**Significant cash flow generation even through the worst crisis in aviation history**

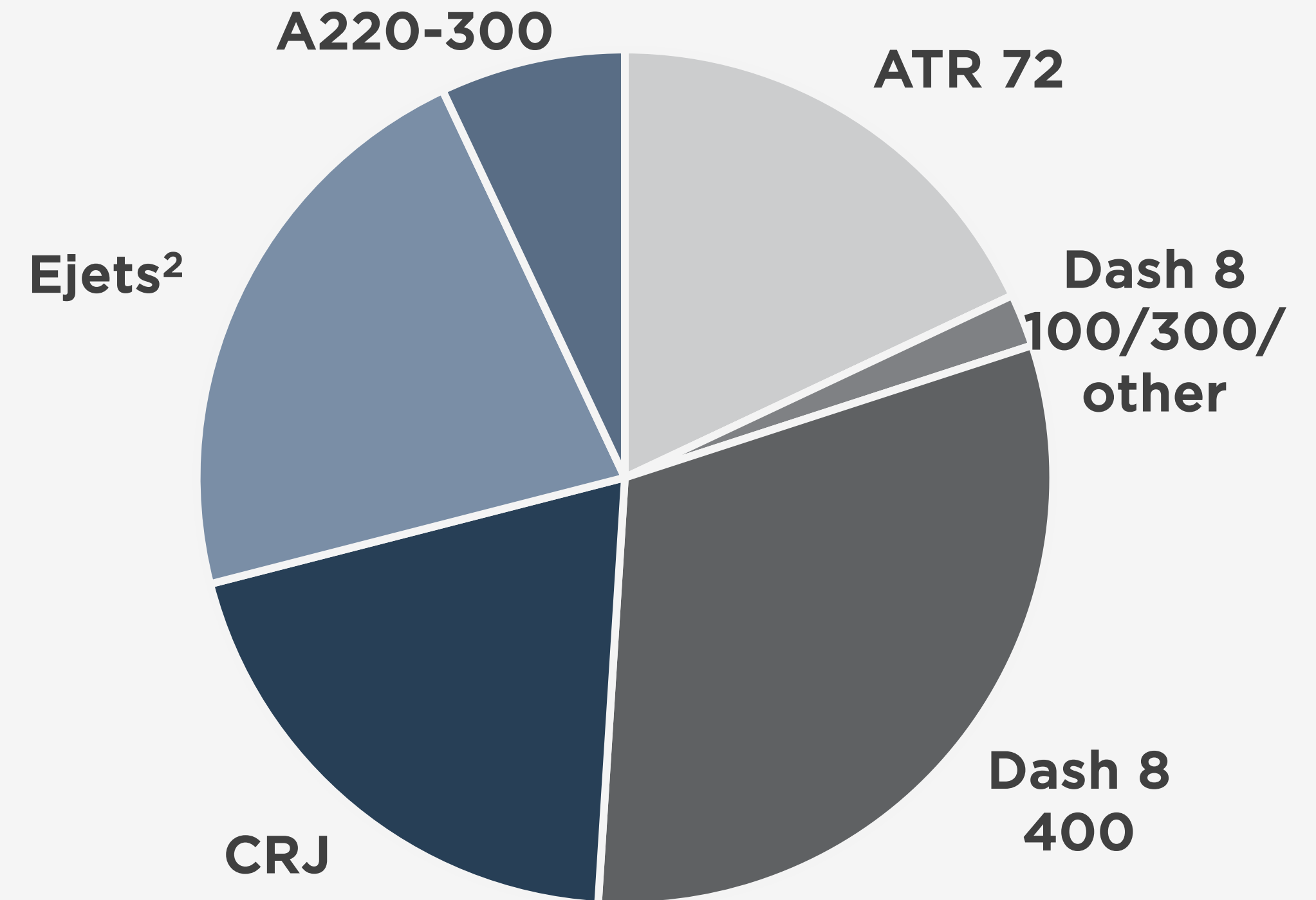
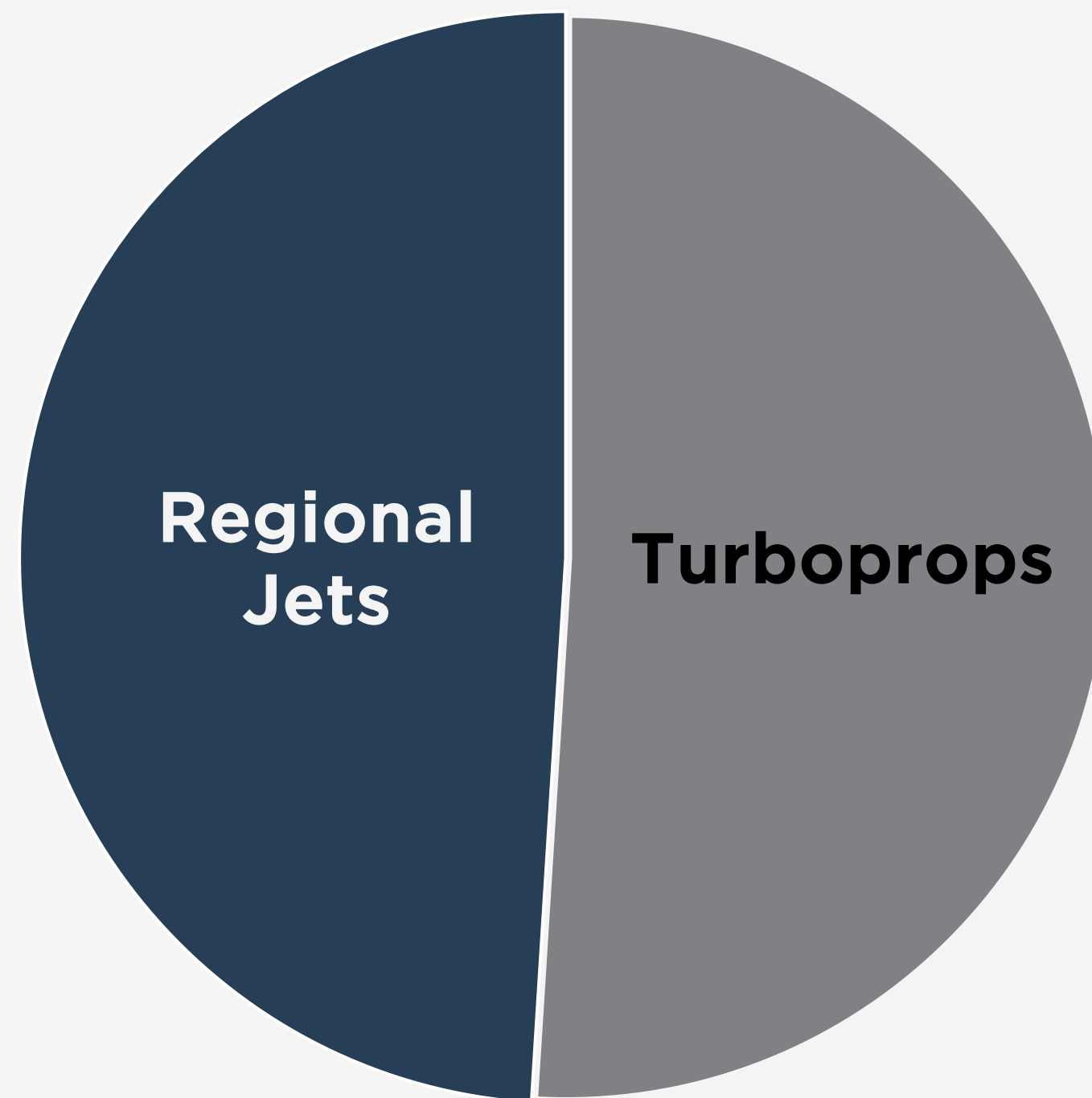


# We have a high-quality, well balanced and diversified asset base

Based on book value<sup>1</sup> of Chorus owned aircraft

We are geographically diversified with our businesses or customers operating on all seven continents

Only one customer accounts for more than 10% of Falko's revenue



1. Book values as at December 31, 2022.

2. Ejets include five E170s accounted for as finance leases and therefore are not included in property & equipment.

# Our business is strategically shifting to an asset light, Free Cash Flow focus

2006 - 2015

## Service Provider - CPA

- IPO in 2006 as income trust with stable cash flows
- Diversified with Voyager in 2015



2016 - 2022

## Service Provider & Aircraft Lessor

- Higher Leverage Ratio
- Lower Free Cash Flow



2023 +

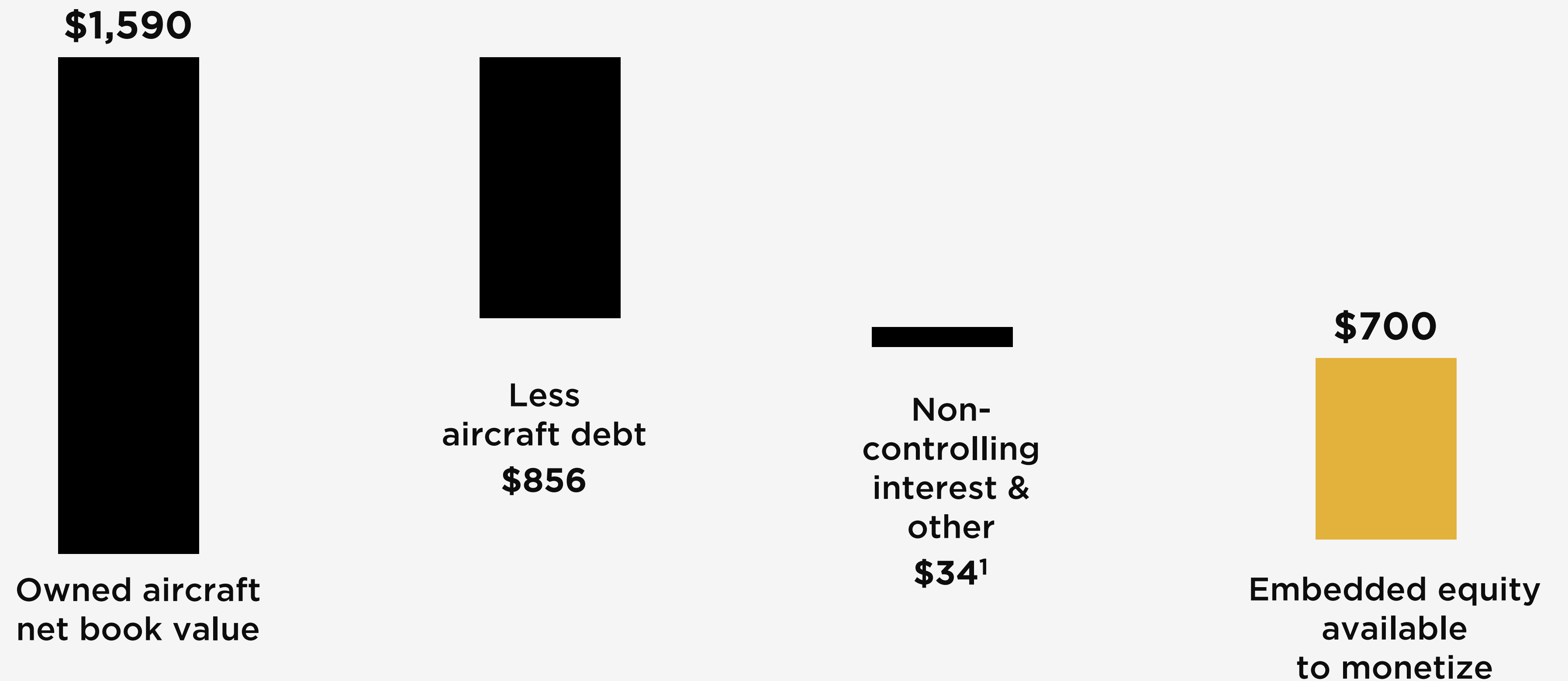
## Growing Service Provider & Asset Manager

- Reducing balance sheet exposure
- Lower Leverage Ratio
- Higher Free Cash Flow



# Significant embedded equity value in Falko aircraft provides monetization opportunity

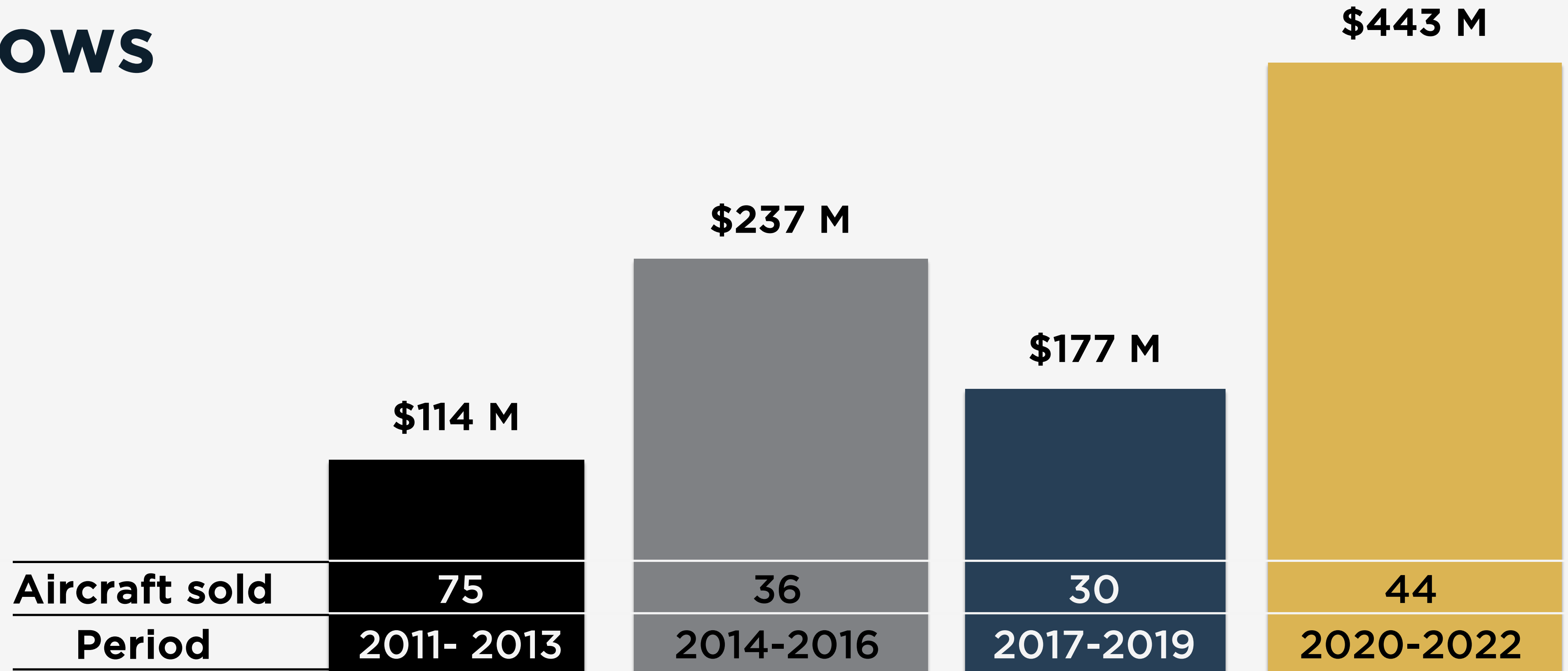
As at December 31, 2022, Millions US \$



Refer to Endnotes, including endnote 10, and to the cautionary statement regarding forward-looking information in the Notice to Reader.

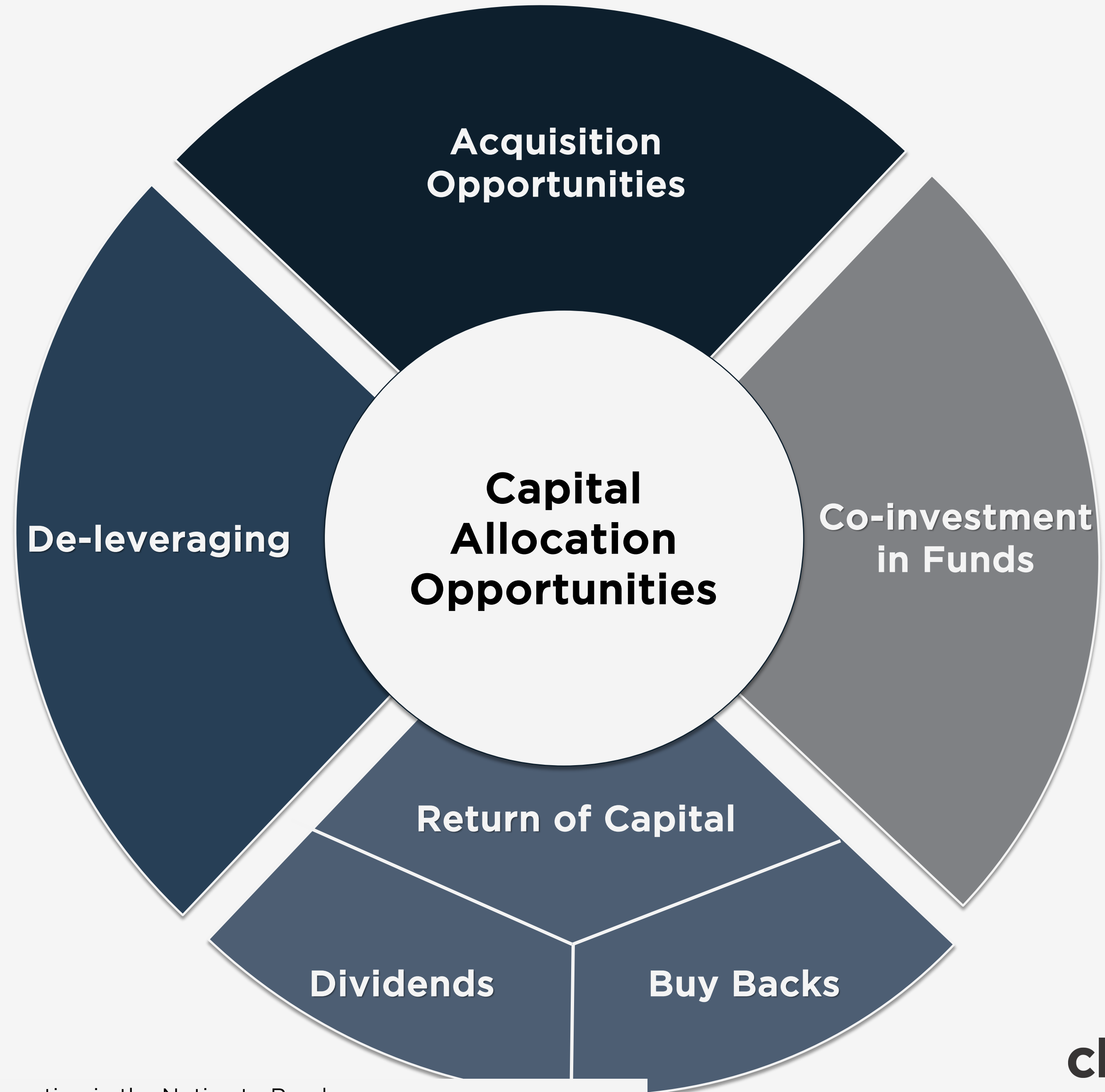


# Falko has a proven history of asset sales, generating ~\$1 B in gross cash flows



Produced mid-teens+ gross IRR throughout pre-pandemic period

**We are creating flexibility to deploy capital to maximize value for common shareholders**



Refer to the cautionary statement regarding forward-looking information in the Notice to Reader.

# We will take a disciplined approach to capital allocation

## Target Accretive Growth and Return of Capital to Common Shareholders

### Our priorities will be:

#### Capital Return

#### Deleveraging

Our target of 2.5x to 3.5x allows for return of capital to common shareholders and accretive growth investments

#### Share Repurchase

To the extent our common shares are trading at a discount, we will consider share buybacks

#### Dividends

Dividends considered as we make progress on our debt target

Payout amount to be based on sustainable Free Cash Flow

#### Growth Investment

Adjusted return on equity target of mid-teens for organic growth and acquisitions



# We have attractive growth opportunities



## Initiative

## Growth Opportunity



Grow core services, focusing on recurring long-term contract-based cash flows

Defence and parts sales



Grow recurring asset management fees from aircraft investment funds

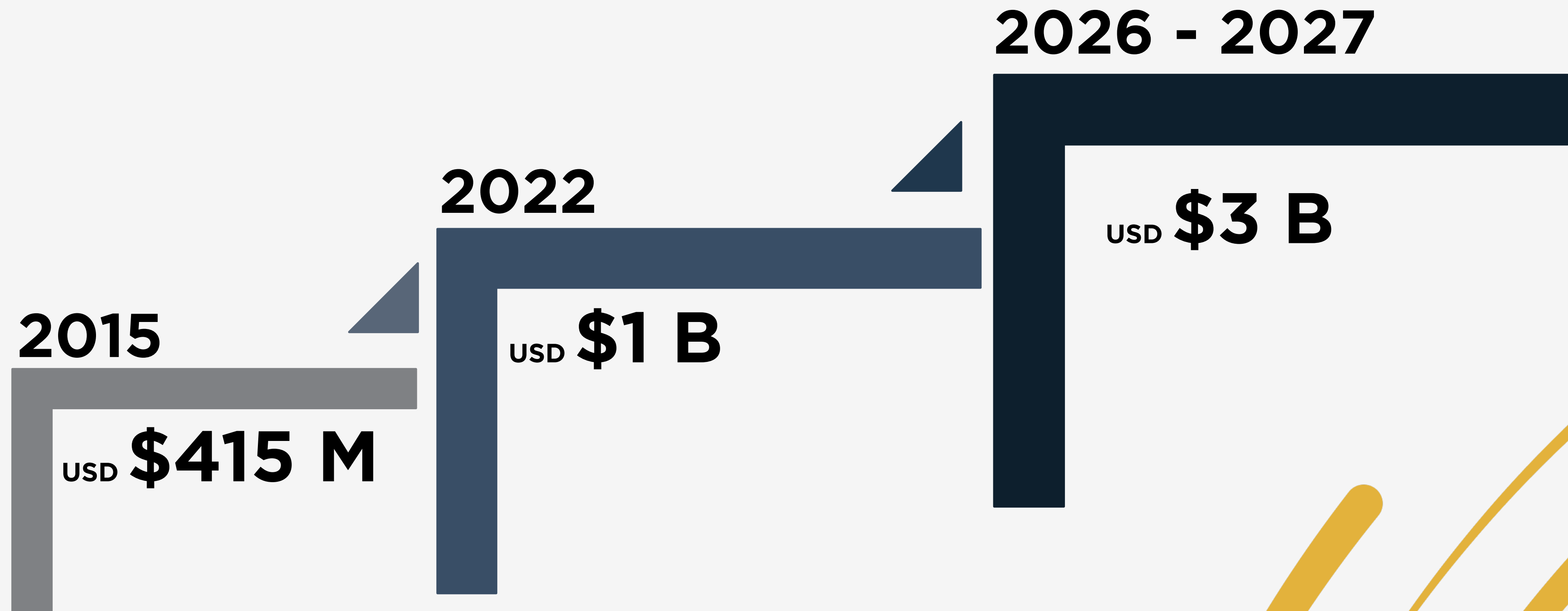
Successor funds and new strategies



Recycle capital to common shareholders and/or reinvest in acquisitions

Growing aviation markets

# We are targeting growth in capital under management to drive recurring fee streams



Co-investment in funds with mid-teen targeted returns

# Growing aviation markets align with our business model and expertise



## Our Business Model

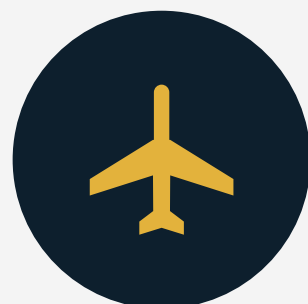
- Business-to-business and government
- Long-term contracts
- Customer relationships



## Our Strengths, Skills & Capabilities

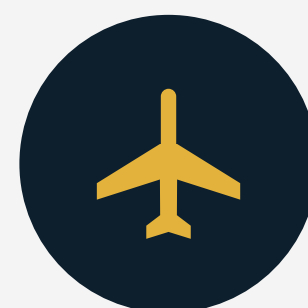
- Logistics specialists
- Deep technical expertise
- Engineering & modifications
- Strong reputation
- Safety focus
- Capital raising





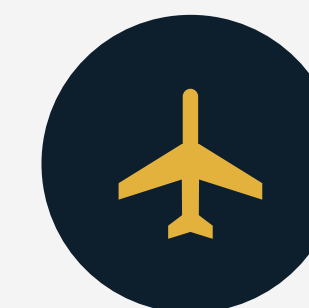
## Leading Asset Manager & Lessor

- #1 pure play focused on regional aircraft leasing platform
- 212 aircraft under management with US \$2.3 B of portfolio value
- 44 global airline customers



## Highly Favourable Market Conditions

- Significant and growing demand for regional aircraft - US \$650 B by 2040<sup>2</sup>
- Opportunity to capitalize on the changes in the regional aircraft leasing market landscape

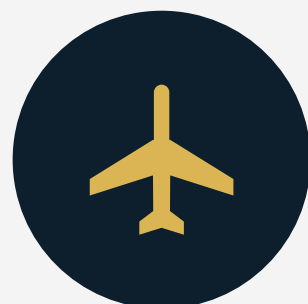


## Strong Track Record

- Proven capabilities in capital raising, originations and trading
- History of producing mid-teen gross IRRs

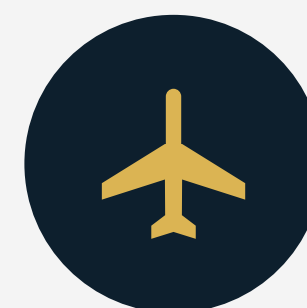
1. Refer to Endnotes, including endnotes 8 and 14, and to the cautionary statement regarding forward-looking information in the Notice to Reader.

2. Source: Embraer Marketing Outlook 2022.



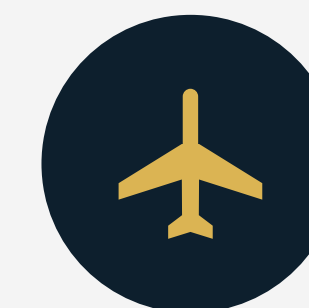
## Leading Regional Operator

- Largest regional operator in Canada with 114 aircraft
- Main Air Canada Express operator
- 4,500+ employees



## Significant Contracted Revenue

- CPA provides predictable cash flow until 2035
- Earns lease income from fleet of 48 owned aircraft



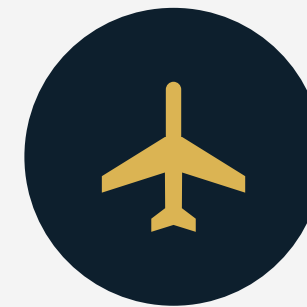
## Minimal Downside Risk

- No commercial related risk
- Reimbursed for substantially all costs



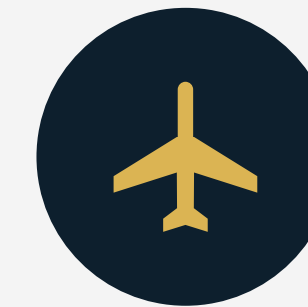
## Leading Provider in Specialty Aviation

- Unique offerings including engineering and modifications



## Targeting 50% Revenue Growth by 2025

- Defence sector & aircraft parts sales and provisioning are growing markets



## Providing Multiple Aircraft Exit Strategies

- Maximizing aircraft values and returns for Chorus group of companies



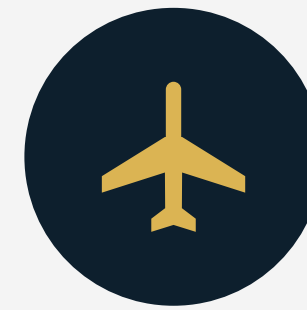
# Key Investment Highlights

- 1. Regional aviation is a core and resilient sector of aviation**
- 2. Leading regional aviation solutions provider and asset manager with diversified global presence**
- 3. Long-term contracted cash flows and high-quality asset base**
- 4. Strategic transformation unlocks value for common shareholders**



## Strong Core Cash Flows

- Maintain long term contracted service revenues with limited commercial risk
- Asset management fees



## Acceleration to Asset Light Leasing

- Unlock embedded equity value and generate substantial cash flow
- Reduce leverage and balance sheet risk



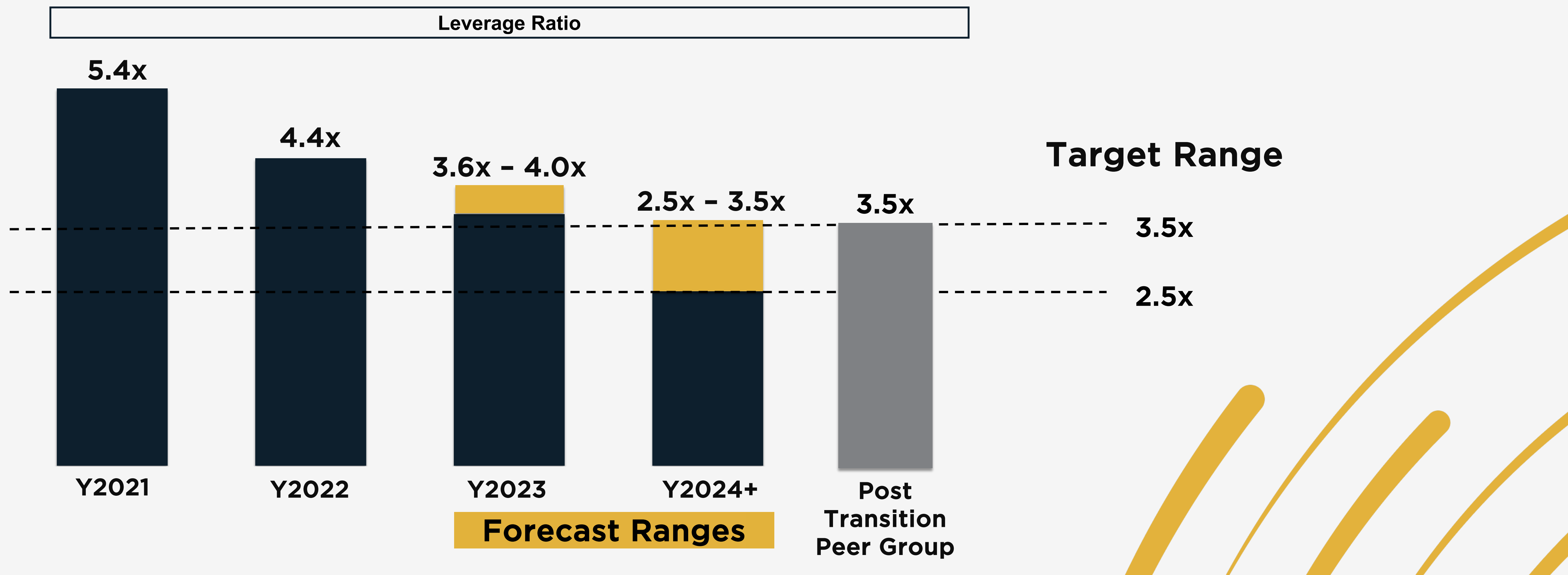
## Accretive Capital Allocation Opportunities

- Leverage our capabilities and strengths to grow funds under management and acquire cash-generating businesses
- Return of capital to common shareholders

# Appendices

# 27 Significant deleveraging de-risks balance sheet and increases Free Cash Flow available for capital allocation

Timing of deleveraging will vary due to opportunistic asset sales



1. Free Cash Flow and Leverage Ratio are non-GAAP financial measures. Please refer to the cautionary statement on non-GAAP financial measures in the Notice to Reader.  
 2. Refer to Endnotes, including endnotes 2 and 9, and to the cautionary statement regarding forward-looking information in the Notice to Reader



# Impact of Illustrative Business Transformation

Embedded aircraft equity value can be used to repay corporate debt and invest the remaining amount in accretive acquisitions and/or share buybacks

## Annual Impact on 2022 Adjusted Net Income Available to Common Shareholders

Illustrative accretive acquisition(s) <sup>2</sup>	\$40 - \$50 million
Monetization of assets, net of corporate debt repayments	(\$20 - \$5 million)
<b>Net impact of business transformation</b>	<b>\$20 - \$45 million</b>

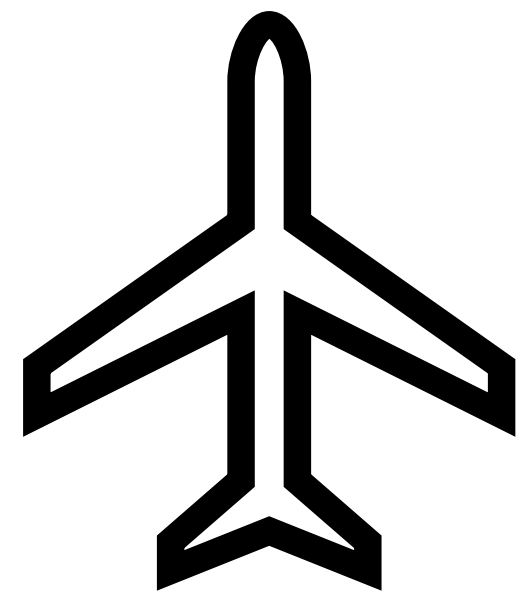
- Accretive acquisition(s) based on aviation service company profile as outlined in appendices
- Share buybacks have the potential to create a similar value on a per share basis

Value per common share based on intrinsic value methodology in the \$1.00 - \$2.00 range

# Jazz is the Main Air Canada Express Operator

- Fixed fee defined until 2035
- Lease income from aircraft
- Incentives related to operational performance

CPA in effect until 2035



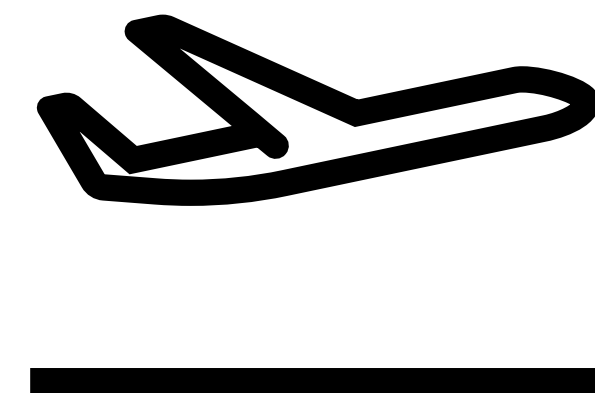
114

Aircraft



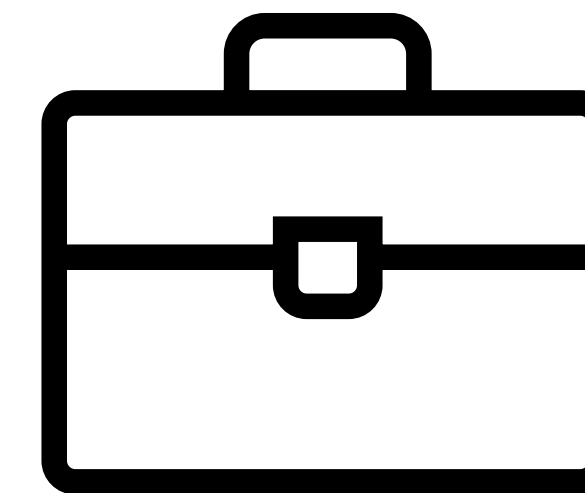
80

Destinations in  
Canada  
and USA



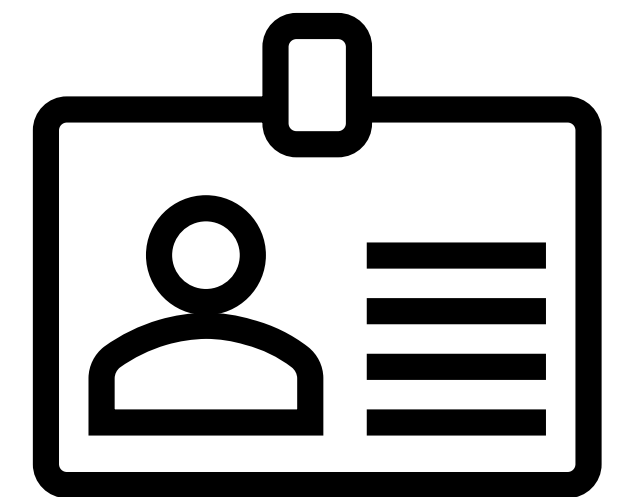
625

Flights operated  
daily  
(Pre-COVID-19 pandemic)



8.6 M

Passengers carried  
annually



4,500+

Employees

# The capacity purchase agreement model is well used throughout North America and Europe

**Mainline operator purchases the capacity from the regional carrier**

## Jazz Minimal Downside Risk

**No revenue risk, such as:**

- Ticket prices
- Passenger load factor
- Weather, Air Traffic Control related cancellations

**Other commercial costs borne by the mainline operator**

- Passenger related costs
- Fuel and de-icing
- Airport and NAV CANADA fees

## Jazz Responsibilities

- Aircraft operations
- Hiring and training flight crews
- Airframe and line maintenance
- Flight operations
- Regional airport operations
- Safety

# Jazz is generally reimbursed for the costs it incurs to operate

Cost Category	Description	Earnings Risk
Pass-through Cost	Full reimbursement of non-controllable costs	No impact
Controllable Costs	Reimbursement of controllable costs	+/- \$2M
	Annual unit rates developed based on planned schedule; costs reimbursed at this level	Capex recaptured in depreciation charge
	Overhead costs reimbursed based on caps	Less than 9% on controllable cost base of \$1 B

**Jazz does not bear commercial related risk**



# Falko - A Market Leader in Regional Aircraft Asset Management

Offices in the UK, Ireland and Singapore



**212**

Aircraft under management



**USD \$2.3B**

Aircraft Value



**~10,000<sup>1</sup>**

Forecasted aircraft demand through 2040



**USD \$650B<sup>1</sup>**

Forecasted market value through 2040



**44**

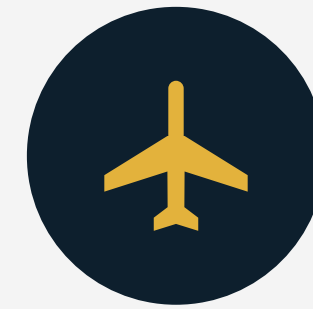
Global airline customers

1. Source: Embraer Marketing Outlook 2022  
2. Data is at December 31, 2022

# A Compelling Market Opportunity



Forecast demand for approximately 10,000 new aircraft worth ~US \$650 B through 2040 largely driven by the replacement of ageing aircraft<sup>1</sup>



Recent changes in the regional aircraft leasing landscape leave only a few players focused on this market



Combination of Falko and Chorus leasing provides critical mass and a market leading position

**Affords stable returns and a highly selective approach to investment decisions**

1. Source: Embraer Marketing Outlook 2022

2. Refer to the cautionary statement regarding forward-looking information in the Notice to Reader.

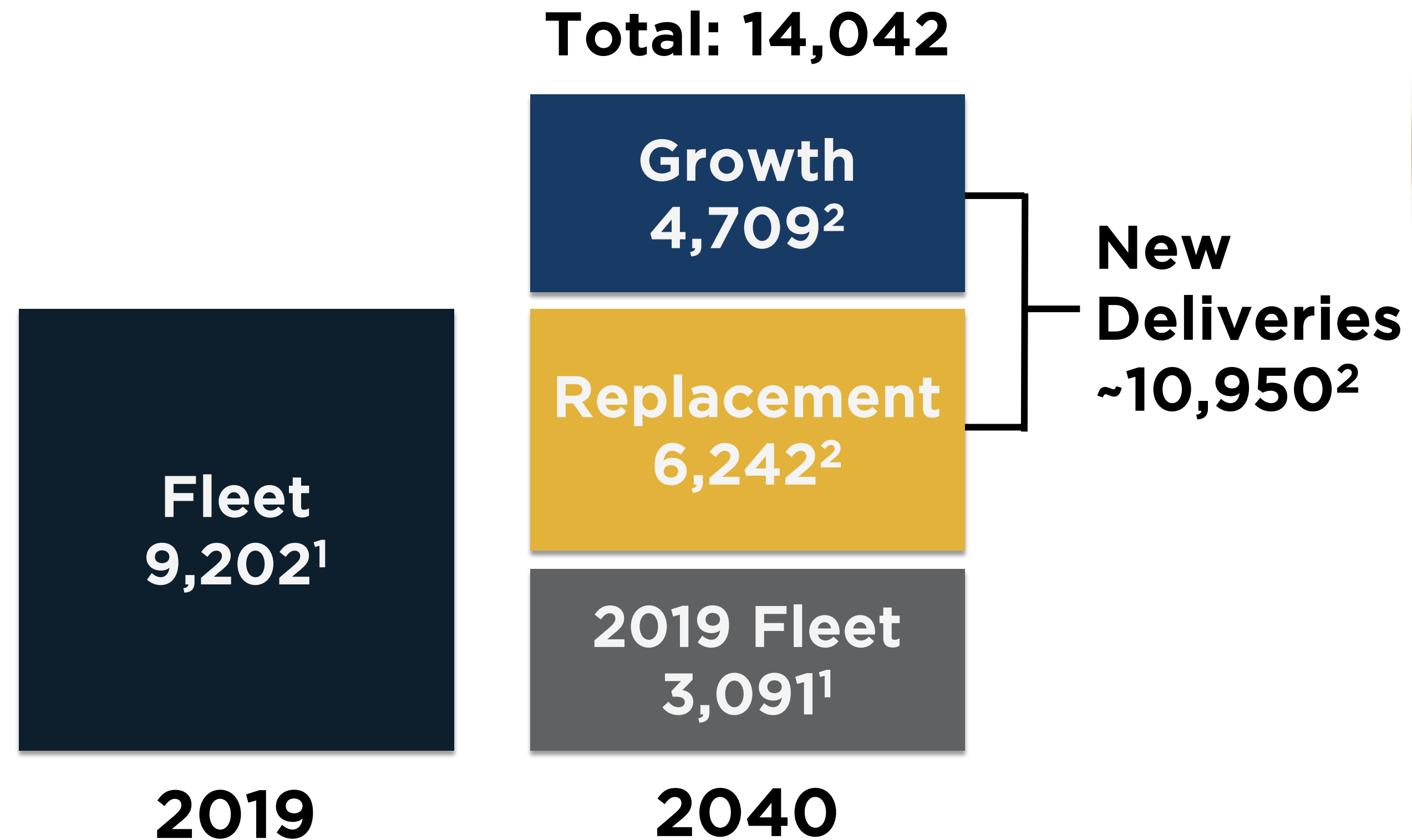
# Falko Capital Fundraising Track Record

<b>2015</b>	<b>Fund I</b>	<b>US \$415 M</b>
<b>2019</b>	<b>Fund II</b>	<b>US \$650 M</b>
<b>2023</b>	<b>Fund III</b>	<b>In Progress</b>

**Exceeded original  
capital raising  
targets on  
Funds I and II**

# Strong demand for regional aircraft is largely driven by replacements

**Fleet growth of +53%**



1. Source: Embraer Marketing Outlook 2021

2. Source: Embraer Marketing Outlook 2022

3. Refer to the cautionary statement regarding forward-looking information in the Notice to Reader.



# Illustrative Example of General Partner Returns

Term	Range	Illustrative Example
Duration	Avg 10 Years	1 – 5 Years to Invest, 4 – 6 to Divest
Fund Size	US\$500 – \$800m	US \$650 M
GP Commitment	5% – 15%	US \$25 M
Fund Gross MOIC	1.5x – 2.0x	1.5x
Fund Gross IRR	Mid-teens	14%
Fund Net IRR	8% - 12%	9%
Carry Structure	Varies	20% Excess Preferred Return of 8%
GP Share of Carried Interest	Varies	50% of US \$55 M
Total GP Return		US\$65m being US\$37.5m (MOIC) plus US\$27.5m from Share of Carry - Overall 2.6x
Management Fees	1.0% – 1.5%	1.25% based on committed capital for first five years and then capital deployed

# Voyageur - A Specialty Service Provider



39

Aircraft



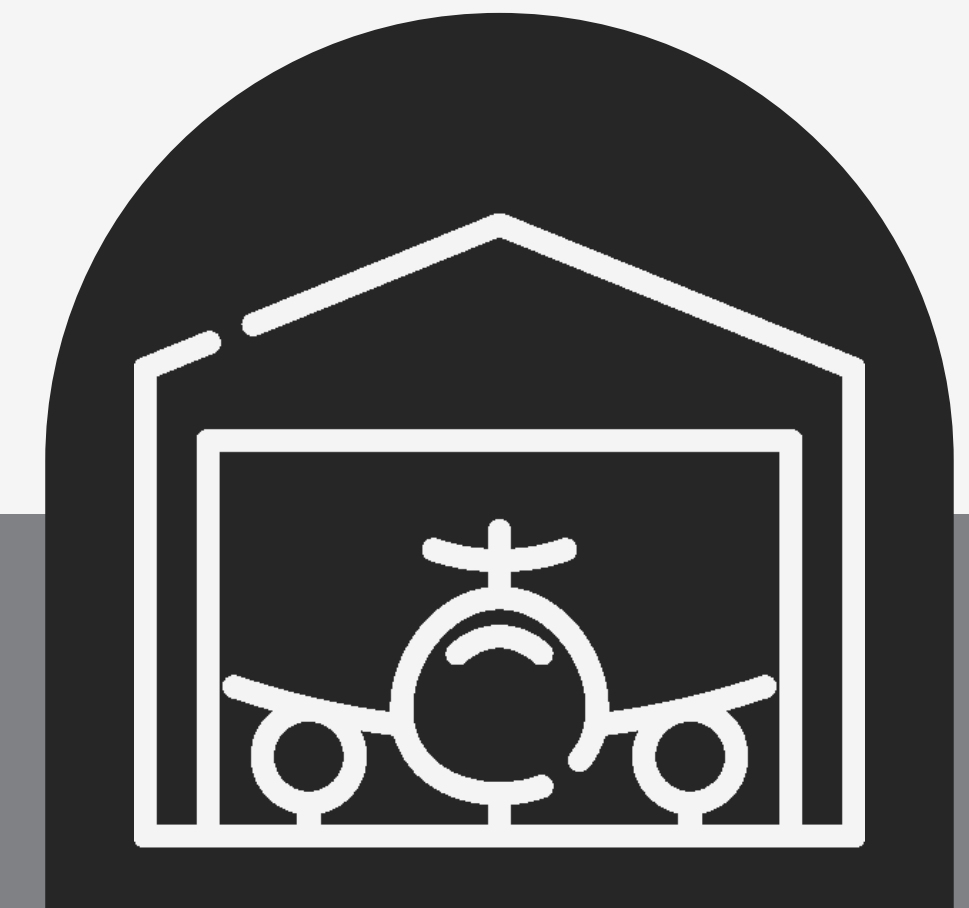
200+

Customers



350+

Employees



200,000

Sq. ft. facility  
in North Bay, Ontario

38

# Working with other Chorus Companies

Part Sales

Defence

Specialty  
MRO and Design

Speciality Contract  
Flying

- Large facility supports aircraft transitions and storage
- Aircraft engineering modifications and overhaul capabilities to support transition
- Multiple options to deploy aircraft, including disassembly and parts sales

- Completed aircraft transitions from lessee to lessee
- Engineered and modified former CPA Dash-8 300 aircraft to Package Freighter
- Disassembled and parted out former CPA end of life Dash-8 100 aircraft
- Disassembled and parted out former Falko Embraer aircraft

1. Intrinsic value per Common Share is calculated by using indicative trading multiples based on analyst averages and peer group benchmarking based on the weighted average Common Shares as of December 31, 2022. Chorus' intrinsic value is calculated based on December 31, 2022 adjusted metrics as follows: RAL segment at 11x EPS multiple plus RAS segment at 7x EBITDA multiple less Corporate Expenses at 7x EBITDA multiple and less Corporate Financing using the Series A, B and C Debentures, Unsecured Credit Facility, and the Preferred Shares less cash as at December 31, 2022.
2. 2023 Key Economic Assumptions: The forecast assumes Fund III will close outside of the 2023 year. Fund III is anticipated to have (i) a minimum of US \$500.0 million in capital commitments and (ii) management fees and economic terms commensurate with those in Falko's prior funds. The forecast revenue is based on current contracted lease revenue and forecasted revenues for leased aircraft and asset management fees. Aircraft leasing revenue under the CPA and Fixed Margin revenue is expected to be US \$110.0 million and \$63.0 million, respectively, in 2023. Asset sales of approximately US \$50.0 million to \$100.0 million in 2023 with a loan-to-value of between 50% and 60% generating net proceeds between US \$25.0 million and US \$50.0 million. If material asset sales are executed in 2023, this may reduce expected revenue in the RAL segment, depending on the timing of such sales. The forecast uses a foreign exchange rate of 1.30 for 2023 to translate USD to CAD revenue and expenses.
3. Gross cash flow means gross cash proceeds received on sale of aircraft.
4. Target committed capital under management is the forecasted amount of committed capital from Falko fund investors by 2026-2027.
5. Asset management fees are earned for managing aircraft on behalf of fund investors and other third-party aircraft investors or owners (example: revenue per annum equal to 1.25% of committed capital).
6. Co-investment returns are earned by Chorus from capital invested in Falko-managed funds (example: income = change in the fair value of investment which approximates 8-9% of the investment on an annual basis).
7. Incentive fees (or carried incentives) are earned from managed funds for exceeding investment performance targets of 8% (example: 50% of return above 8% is recognized by the General Partner typically in the second half of the fund life when there is greater certainty of outcome).
8. Gross IRR reflects fund performance before fund expenses. Net IRR takes into account fund expenses, management fees and carried interest. Fund performance is in the functional currency of the fund.



# Endnotes (continued)

9. Chorus anticipates its Leverage Ratio will be between 2.5x to 3.5x by December 31, 2024, given the contractual nature of Chorus' earnings, amortizing debt repayments, and the expected asset sales. Deleveraging amounts will vary from quarter-to-quarter depending on the timing and quantum of asset sales.
10. Embedded equity value in Falko aircraft is calculated as the difference between the owned aircraft net book value and the aircraft debt, and the non-controlling interest offset by other (aircraft accounted for as finance leases) as of December 31, 2022 converted from CAD to USD at a rate of 0.7383 which was the closing Bank of Canada rate at December 31, 2022
11. Multiple on Invested Capital ("MOIC") is a metric used to describe the value or performance of an investment relative to its initial cost. It is calculated using the net cash return ("cash inflows") divided by the initial cash contribution ("cash outflows").
12. Assets under management includes all aircraft wholly or majority-owned (directly or indirectly) by Chorus as well as aircraft wholly or majority-owned by third parties and managed by Falko. With the exception of the aircraft under operating leases (where the insurance value was used), all aircraft were valued using the net book value at December 31, 2022. The net book value has been converted from CAD to USD at a rate of 0.7383 which was the closing Bank of Canada rate at December 31, 2022.
13. Voyageur's three-year revenue growth assumptions are based on growing the core businesses of specialty MRO and specialty contract flying with its engineering capabilities, enabling the growth of core specialty services and increasing Voyageur's used serviceable materials part sales business by gaining a larger share of a growing market. The parts sales market is currently estimated to be US \$474 million growing at a 2% compound annual growth rate ("CAGR"). The airborne intelligence, surveillance and reconnaissance defence market is currently estimated to be US \$6.5 billion growing at a 6% CAGR. Voyageur's growth strategy will focus on long-term in-service support and acquisition contracts and will be achieved through strategic partnering with other players.
14. Assets under management includes all aircraft wholly or majority-owned and aircraft fully or partially-owned by third parties managed by Falko. All aircraft were valued using the net book value as at December 31, 2022. The net book value has been converted from CAD to USD at a rate of 0.7383 which was the closing Bank of Canada rate at December 31, 2022.

# Endnotes (continued)

15. Illustrative plan value analysis is not intended to forecast or predict future events, but rather to provide information utilized by Chorus in measuring performance for business planning purposes, based on the specific assumptions and other factors described herein and in our Notice to Recipients
16. Falko's forecast related to the impact of Falko's asset light business transformation is based on management's estimate of the reduction in Falko's future earnings over the 2022 annualized adjusted net income due to the reduction in aircraft leasing revenue related to Falko opportunistically trading its wholly-owned or majority-owned aircraft. As asset sales occur, the related leasing revenues in RAL will decrease, which will be partially offset by lower depreciation and aircraft debt servicing costs and earnings from Falko managed funds. Management plans to use the embedded equity value in Falko's wholly and partially-owned aircraft of US \$700.0 million to pay down corporate debt and invest in the illustrative business acquisition of US \$250.0 million and US \$240.0 million, respectively, with the remainder being retained in the business.
17. All references to "shares" and "common shares" in this presentation refer to Chorus' Class A Variable Voting Shares and Class B Voting Shares.
18. Capitalized terms used but not defined in this document have the meanings given to them in Management's Discussion and Analysis of Results of Operations and Financial Condition dated August 3, 2023, which is available under Chorus' profile on SEDAR at [www.sedar.com](http://www.sedar.com).