chorus aviation inc.

CHORUS AVIATION ANNOUNCES FOURTH QUARTER AND YEAR-END 2019 FINANCIAL RESULTS

A year of outstanding accomplishments

Q4 2019 Financial Highlights and Accomplishments

- Net income of $36.6 million, or $0.23 per basic share, a period-over-period increase of $34.4 million.
- Adjusted net income[1] of $23.3 million, or $0.15 per basic share, a decrease of $12.0 million due to expected reductions resulting from the 2019 amendments to the Capacity Purchase Agreement ('CPA') (the '2019 CPA Amendments') offset by growth in the Regional Aircraft Leasing segment.
- Adjusted EBITDA[1] of $88.6 million, a decrease of $3.4 million.
- Increased the committed leased fleet to 64 aircraft, representing growth of 60% year-over-year.
- Added new aircraft type through a sale leaseback transaction with airBaltic for five new Airbus A220-300s.
- Added Croatia Airlines as a new airline customer to the leasing portfolio.
- Extended three aircraft lease agreements with Aeromexico Connect and completed an additional sale leaseback transaction with IndiGo for two new aircraft.
- Completed the Extended Service Program ('ESP') on three additional Dash 8-300s, bringing the total number of ESP aircraft generating leasing revenue under the CPA to 13.
- Established a regional aircraft parts depot in Dubai, UAE, enhancing Chorus' ability to market its parts provisioning and sales offering internationally.

Full-Year 2019 Financial Highlights and Accomplishments

- Net income of $133.2 million, or $0.85 per basic share, a period-over-period increase of $65.7 million.
- Adjusted net income[1] of $96.2 million, or $0.61 per basic share, a decrease of $26.1 million due to expected reductions resulting from the 2019 CPA Amendments offset by growth in the Regional Aircraft Leasing segment.

- Adjusted EBITDA[1] of $341.7 million, an increase of $1.2 million.
- Increased adjusted EBT[1] in the Regional Aircraft Leasing segment to 22% of overall adjusted EBT.
- Amended and extended the CPA with Air Canada to December 31, 2035.
- Jazz pilots ratified their collective agreement with no strike or lockout provisions for the extended term of the CPA.
- Completed Air Canada investment for gross proceeds of $97.26 million and raised gross proceeds of $86.3 million through a public offering of 5.75% Unsecured Debentures to support the growth of Chorus.
- Executed a purchase agreement for nine CRJ900s that will earn leasing revenue under the CPA starting in 2020.
- Completed the first sale of three leased Dash 8-400s, generating net proceeds, after debt repayment, of US $25.0 million for reinvestment in the Regional Aircraft Leasing segment.
- Received numerous awards as a top employer in Canada, and named among Canada's Safest Employers 2019, taking gold in the Transportation category.

Halifax, February 12, 2020 - Chorus Aviation Inc. ('Chorus') (TSX: CHR) today announced fourth quarter and year-end 2019 financial results.

"2019 was a transformative year for Chorus creating significant value for all of our stakeholders. On total revenues of $1.4 billion, we generated adjusted EBITDA of $341.7 million.

We secured and strengthened our partnership with Air Canada by amending and extending the CPA for a further 17 years, providing a minimum of $2.5 billion in contracted revenues with opportunities to increase further. This was a critical accomplishment as it laid a strong, long-term foundation from which we continue to build and diversify our company. Air Canada's $97.26 million investment in Chorus equity, which included a five-year hold period, further aligns our organizations and is a strong endorsement of our growth and diversification strategy.

Our group of companies performed very well, and most importantly, did so safely and with operational integrity. We carried just under 11 million passengers under the Air Canada Express brand, secured new contracted flying missions in several international markets, and established an aircraft parts depot in Dubai.

We made significant advancements in maturing our business to become a worldwide provider of regional aviation solutions. We successfully raised $183.5 million in capital and secured a US $300 million warehouse facility to support our expansion in regional aircraft leasing. We now have a committed portfolio of 64 aircraft, a 60% increase over 2018, placed with 16 customers. We're pleased with the returns we're generating in our leasing business, which is delivering strong and consistent margins. Together with the aircraft we have leased under the CPA our committed portfolio comprises 135[2,3] aircraft with approximately US $2.1 billion[2,3,4] in future contracted lease revenue, making Chorus one of the world's largest regional aircraft lessors.

We remain confident that we can expand our leasing portfolio by up to 20 aircraft per year funded through a combination of debt and cash from operations. The timing of these future transactions will not occur on a consistent basis; however, we expect the majority will be executed in the second half of this year. The expected growth in aircraft leasing will more than offset planned fixed fee reductions in the CPA in 2020 and beyond.

I extend my thanks and gratitude to the Chorus team for making 2019 a standout year in our history, and I look forward to the many new, exciting milestones we'll achieve together," stated Joe Randell, President and Chief Executive Officer, Chorus.

1. Refer to footnote 1- Non-GAAP Measures
2. As of February 12, 2020, there were 64 committed aircraft, four of which are pending transactions, in the Regional Aircraft Leasing segment. All pending transactions and lease commitments are subject to satisfaction of customary conditions precedent to closing.
3. Regional Aviation Services segment's commitments include: nine CRJ900s to be received in 2020, five Dash 8-300s that will undergo the ESP that are planned for between 2020 and 2022, and five 75-78 seat aircraft to be delivered in 2025, all of which will earn leasing revenue under the CPA. All pending acquisitions and lease commitments are subject to satisfaction of customary conditions precedent to closing.
4. The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA as at January 1, 2019. A foreign exchange rate of $1.3000 (based on the long-term average historical rate which is reviewed and adjusted annually) was used in the calculation of the estimates. The Regional Aircraft Leasing segment's estimates are based on agreed lease rates and assumes no default by lessees.

Fourth Quarter Summary

In the fourth quarter of 2019, Chorus reported adjusted EBITDA of $88.6 million, a decrease of $3.4 million or 3.7% relative to the fourth quarter of 2018.

The Regional Aircraft Leasing segment's adjusted EBITDA increased by $12.3 million primarily related to the growth in aircraft earning leasing revenue. The sale of three Dash 8-400s resulted in net cash proceeds of US $25.0 million and produced a strong internal rate of return since the acquisition of these aircraft. This disposal also produced an accounting loss related to the wind-up of the special purpose entities that lowered adjusted EBITDA and adjusted net income by $3.4 million and $1.3 million, respectively.

In line with expectations, the Regional Aviation Services segment's adjusted EBITDA decreased $15.8 million. The decrease reflects the 2019 CPA Amendments which reduced the Fixed Margin and Performance Incentive revenue when Chorus moved to market-based compensation rates. Beyond the changes related to the 2019 CPA amendments, fourth quarter results were impacted by:

- increased stock-based compensation of $6.0 million due to the change in the share price inclusive of the reduction related to the change in fair value of the Total Return Swap which was implemented in the fourth quarter of 2019: and
- decreased capitalization of major maintenance overhauls on owned CPA aircraft over the previous period of $1.2 million.

Adjusted net income was $23.3 million for the quarter, a decrease of $12.0 million due to:

- the $3.4 million decrease in adjusted EBITDA previously described;
- an increase in depreciation of $6.6 million primarily related to additional aircraft in the Regional Aircraft Leasing segment;
- an increase in net interest costs of $5.3 million primarily related to additional aircraft debt in the Regional Aircraft Leasing segment; and
- an increase in non-operating costs of $2.5 million primarily related to the loss on disposal of an engine of $1.2 million and a change in foreign exchange losses of $0.8 million; offset by
- a $5.7 million decrease in income tax expense resulting from lower adjusted EBT.

Net income increased $34.3 million primarily due to the change in net unrealized foreign exchange gains on long-term debt of $46.2 million offset by the previously noted $12.0 million decrease in adjusted net income.

Year-End Summary

Chorus reported adjusted EBITDA of $341.7 million for 2019, an increase of $1.2 million over 2018.

The Regional Aircraft Leasing segment's adjusted EBITDA increased by $42.4 million was primarily due to the growth in aircraft earning leasing revenue.

In line with expectations, the Regional Aviation Services segment's adjusted EBITDA decreased by $41.3 million, which reflect the 2019 CPA Amendments which reduced the Fixed Margin and Performance Incentive revenue when Chorus moved to market-based compensation rates. These reductions were partially offset by the implementation of the Controllable Cost Guardrail that mitigated the expected CPA margin shortfall resulting from reduced fees. Beyond the changes related to the 2019 CPA Amendments, 2019 results were impacted by:

- increased stock-based compensation of $15.0 million due to the change in the share price inclusive of the reduction related to the change in fair value of the Total Return Swap which was implemented in the fourth quarter of 2019;
- decreased capitalization of major maintenance overhauls on owned CPA aircraft of $1.9 million over the previous period; offset by
- increased aircraft leasing under the CPA.

Adjusted net income of $96.2 million, decreased over 2018 by $26.1 million due to:

- an increase in depreciation of $18.5 million primarily related to additional aircraft in the Regional Aircraft Leasing segment;
- an increase in net interest costs of $15.5 million primarily related to additional aircraft debt in the Regional Aircraft Leasing segment; and
- an increase in non-operating costs of $5.6 million primarily related to foreign exchange losses of $4.2 million in addition to a loss on disposal of property and equipment of $0.5 million; partially offset by
- the $1.2 million increase in adjusted EBITDA previously described; and
- a decrease in income tax expense of $12.2 million resulting from lower adjusted EBT.

Net income increased $65.7 million over 2018 due to the change in net unrealized foreign exchange gains on long-term debt of $90.8 million and decreased employee separation program costs of $3.1 million; offset by the previously noted decrease of $26.1 million in adjusted net income and increased signing bonuses of $2.0 million related to the Jazz pilot collective agreement.

Consolidated Financial Analysis

	Three months ended December 31,				Year ended December 31,			
(expressed in thousands of Canadian dollars)	**2019** $	**2018[(1)]** $	**Change** $	**Change** %	**2019** $	**2018[(1)]** $	**Change** $	**Change** %
Operating revenue	338,606	333,724	4,882	1.5	1,366,447	1,353,287	13,160	1.0
Operating expenses	287,173	272,463	14,710	5.4	1,165,984	1,136,578	29,406	2.6
Operating income	51,433	61,261	(9,828)	(16.0)	200,463	216,709	(16,246)	(7.5)
Net interest expense	(19,730)	(14,447)	(5,283)	(36.6)	(71,768)	(56,285)	(15,483)	(27.5)
Foreign exchange gain (loss)	11,901	(33,504)	45,405	135.5	30,613	(55,986)	86,599	154.7
Other (loss) gain[(2)]	(1,665)	22	(1,687)	(7,668.2)	(1,048)	336	(1,384)	(411.9)
Earnings before income tax	41,939	13,332	28,607	214.6	158,260	104,774	53,486	51.0
Income tax expense	(5,362)	(11,095)	5,733	51.7	(25,100)	(37,344)	12,244	32.8
Net income	36,577	2,237	34,340	1,535.1	133,160	67,430	65,730	97.5
Adjusted EBITDA[(3)]	88,636	92,056	(3,420)	(3.7)	341,719	340,560	1,159	0.3
Adjusted EBT[(3)]	28,646	46,418	(17,772)	(38.3)	121,263	159,620	(38,357)	(24.0)
Adjusted net income[(3)]	23,284	35,323	(12,039)	(34.1)	96,163	122,276	(26,113)	(21.4)

1. On January 1, 2019, Chorus adopted IFRS 16 using the retrospective transition approach with restatement to comparative periods.
2. Other includes gain/loss on disposal of property and equipment.
3. These are non-GAAP financial measures.

Outlook

(See cautionary statement regarding forward-looking information below)

The 2019 CPA Amendments became effective on a retroactive basis to January 1, 2019. Further information concerning the 2019 CPA Amendments and the Air Canada Investment is contained in the Chorus' Material Change Reports dated January 24, 2019 and February 13, 2019, which are available on SEDAR at www.sedar.com. The 2019 CPA Amendments resulted in a reduction in fixed fees starting on January 1, 2019, as Chorus moved to market-based rates under the CPA. The reduction was implemented by eliminating the Infrastructure Fee per Covered Aircraft and the Fixed Margin per Covered Aircraft (as this term was defined in the CPA) which were replaced with a single Fixed Margin. As a result, fixed fee revenue in each of 2019 and 2020 is anticipated to be $75.2 million per year as compared to $111.3 million in 2018. In addition, the maximum future available Performance Incentives reduce from $23.4 million in 2019 and 2020 to an annual average maximum available amount of $3.4 million for the full term of the CPA. The near-term reductions are more than offset over the term of the CPA by incremental contracted revenue secured with the extension of the agreement including fixed fees and aircraft leasing.

Aircraft leasing revenue under the CPA, which is included in the Regional Aviation Services segment, is expected to grow with the delivery of nine committed CRJ900s in 2020, three ESPs to be completed in 2020 and two remaining ESPs by 2022. The Regional Aircraft Leasing segment's future revenue is expected to grow in 2020 and at a minimum Chorus will have 60 aircraft equivalent earning revenue during the year versus 43 in 2019.

With the addition of the aircraft under both the Regional Aircraft Leasing segment and the aircraft leasing revenue under the CPA, Chorus' estimated future contracted lease revenue is approximately US $2.1 billion[4]. When the CPA fixed margin revenue of US $0.6 billion is included with the total future contracted revenue, Chorus' future revenue approximates US $2.7 billion[4]. (see footnote 4 in the following table)

Capital expenditures in 2020, including capitalized major maintenance overhauls but excluding expenditures for the acquisition of aircraft and the ESP are expected to be between $38.0 million and $44.0 million. Aircraft related acquisitions and the ESP capital expenditures in 2020 are expected to be between $442.0 million and $452.0 million.

Capitalized terms used but not defined in the Outlook section have the meanings given to them in Management's Discussion and Analysis (the 'MD&A') dated February 12, 2020, which is available on Chorus' website (www.chorusaviation.com) and SEDAR (www.sedar.com).

The following table provides the number of closed and pending transactions announced to-date:

(expressed in millions of US dollars, except number of aircraft)	**Completed Transactions**			**Pending Transactions[(1)]**		**Committed Transactions**		
Customer	**2016 - Q3 2019**	**Q4 2019**	**Total**	**Q1 2020**	**Q2 2020 and thereafter**	**2016 - Q3 2019**	**Increase**	**Total 2016 - 2019[(2)]**
Aeromexico	3		3			3		3
Air Nostrum	4		4			4		4
airBaltic	—	2	2		3	—	5	5
Azul Airlines	5		5			5		5
CityJet	2		2			2		2
Croatia Airlines	—	2	2			—	2	2
Ethiopian Airlines	5		5			5		5
Falcon	3	(3)	—			—		—
Flybe	8	—	8			8		8
Indigo	4	4	8			6	2	8
Jambojet	3	1	4			4		4
KLM Cityhopper	1		1			1		1
Malindo Air[(3)]	2	2	4			4		4
Philippine Airlines	3		3			3		3
SpiceJet	5	—	5			5		5
Virgin Australia	3		3			3		3
Wings Air[(3)]	1		1		1	2		2
Total Regional Aircraft Leasing	**52**	**8**	**60**	**—**	**4**	**55**	**9**	**64**
Deal value *US*		**$1,200.0**		**$135.0**			**$1,335.0**	
Future Lease Revenues *US*[(4)]		**$825.0**		**$135.0**			**$960.0**	
Total Regional Aviation Services	**49**	**3**	**52**	**—**	**19**	**71**	**—**	**71**
Future Lease Revenues *US*[(4)(5)]		**$725.0**		**$455.0**			**$1,180.0**	
Chorus Total Aircraft	**101**	**11**	**112**	**—**	**23**	**126**	**9**	**135**
Future Lease Revenues *US*[(4)]		**$1,550.0**		**$590.0**			**$2,140.0**	

1. As of February 12, 2020, there were 64 committed aircraft, four of which are pending transactions, in the Regional Aircraft Leasing segment. All pending transactions and lease commitments are subject to satisfaction of customary conditions precedent to closing.
2. Total announced transactions as of February 12, 2020.
3. A member of the Lion Air Group.
4. The estimates are based on agreed lease rates in the CPA and certain assumptions and estimates for future market lease rates related to new and extended leases under the CPA as at January 1, 2019. A foreign exchange rate of $1.3000 (based on the long-term average historical rate which is reviewed and adjusted annually) was used in the calculation of the estimates. The Regional Aircraft Leasing segment's estimates are based on agreed lease rates and assumes no default by lessees.
5. Future Regional Aviation Services segment's commitments include: nine CRJ900s to be received in 2020, five Dash 8-300s that will undergo the ESP planned for between 2020 and 2022, and five 75-78 seat aircraft to be delivered in 2025, all of which will earn leasing revenue under the CPA. All pending acquisitions and lease commitments are subject to satisfaction of customary conditions precedent to closing.

Investor Conference Call / Audio Webcast

Chorus will hold an analyst call at 9:00 a.m. ET on Thursday, February 13, 2020 to discuss the fourth quarter and year-end 2019 financial results. The call may be accessed by dialing 1-888-231-8191. The call will be simultaneously audio webcast via:
https://event.on24.com/wcc/r/2165189/D351F934627B026FBA6A5358608652A8
This is a listen-in only audio webcast. Media Player or Real Player is required to listen to the broadcast; please download well in advance of the call.

The conference call webcast will be archived on Chorus' website at www.chorusaviation.ca under Reports > Executive Management Presentations. A playback of the call can also be accessed until midnight ET, February 20, 2020 by dialing toll-free 1-855-859-2056, and passcode 8883625#.

[1]NON-GAAP FINANCIAL MEASURES

This news release references several non-GAAP financial measures to supplement the analysis of Chorus' results. Chorus uses certain non-GAAP financial measures, described below, to evaluate and assess performance. These non-GAAP measures are generally numerical measures of a company's financial performance, financial position or cash flows, that include or exclude amounts from the most comparable GAAP measure. As such, these measures are not recognized for financial statement presentation under GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

A reconciliation of these non-GAAP measures to their nearest GAAP measure is provided in the MD&A dated February 12, 2020.

Adjusted net income and Adjusted net income per Share are used by Chorus to assess performance without the effects of unrealized foreign exchange gains or losses on long-term debt and lease liability related to aircraft, signing bonuses, employee separation program costs and strategic advisory fees. Chorus manages its exposure to currency risk on such long-term debt by billing the lease payments within the CPA in the underlying currency (US dollars) related to the aircraft debt. These items are excluded because they affect the comparability of Chorus' financial results, period-over-period, and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring due to ongoing currency fluctuations between the Canadian and US dollar.

EBT is defined as earnings before income tax. Adjusted EBT (EBT before signing bonuses, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains and losses) is a non-GAAP financial measure used by Chorus as a supplemental financial measure of operational performance. Management believes adjusted EBT assists investors in comparing Chorus' performance by excluding items, which it does not believe will reoccur over the longer-term (such as signing bonuses, employee separation program costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses.

EBITDA is defined as earnings before net interest expense, income taxes, and depreciation and amortization and is a non-GAAP financial measure that is used frequently by companies in the aviation industry as a measure of performance. Adjusted

EBITDA (EBITDA before signing bonuses, employee separation program costs, strategic advisory fees and other items such as foreign exchange gains or losses) is a non-GAAP financial measure used by Chorus as a supplemental financial measure of operational performance. Management believes Adjusted EBITDA assists investors in comparing Chorus' performance by excluding items, which it does not believe will re-occur over the longer-term (such as signing bonuses, employee separation program costs and strategic advisory fees) as well as items that are non-cash in nature such as foreign exchange gains and losses. Adjusted EBITDA should not be used as an exclusive measure of cash flow because it does not account for the impact of working capital growth, capital expenditures, debt repayments and other sources and uses of cash, which are disclosed in the statements of cash flows, forming part of Chorus' financial statements.

Forward-Looking Information

This news release contains 'forward-looking information'. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "potential", "project", "will", "would", and similar terms and phrases, including references to assumptions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those indicated in the forward-looking information. Examples of forward-looking information in this news release include the discussion in the Outlook section, statements concerning future contracted lease revenues, discussion throughout this news release regarding future growth prospects of Chorus' business, and references to transactions which are contractually committed but have not yet been completed. The material factors used to develop the estimated future contracted lease revenues are set out in the MD&A. Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including those identified in Chorus' public disclosure record available at www.sedar.com and the risk factors identified in Chorus' Annual Information Form dated February 12, 2020. Statements containing forward-looking information in this news release represent Chorus' expectations as of the date of this news release (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, unless required by applicable securities laws.

About Chorus Aviation Inc.

Chorus is a global provider of integrated regional aviation solutions. Chorus' vision is to deliver regional aviation to the world. Headquartered in Halifax, Nova Scotia, Chorus is comprised of Chorus Aviation Capital a leading, global lessor of regional aircraft, and Jazz Aviation and Voyageur Aviation - companies that have long histories of safe operations with excellent customer service. Chorus provides a full suite of regional aviation support services that encompasses every stage of an aircraft's lifecycle, including: aircraft acquisitions and leasing; aircraft refurbishment, engineering, modification, repurposing and preparation; contract flying; aircraft and component maintenance, disassembly, and parts provisioning.

Chorus Class A Variable Voting Shares and Class B Voting Shares trade on the Toronto Stock Exchange under the trading symbol 'CHR'. www.chorusaviation.com

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