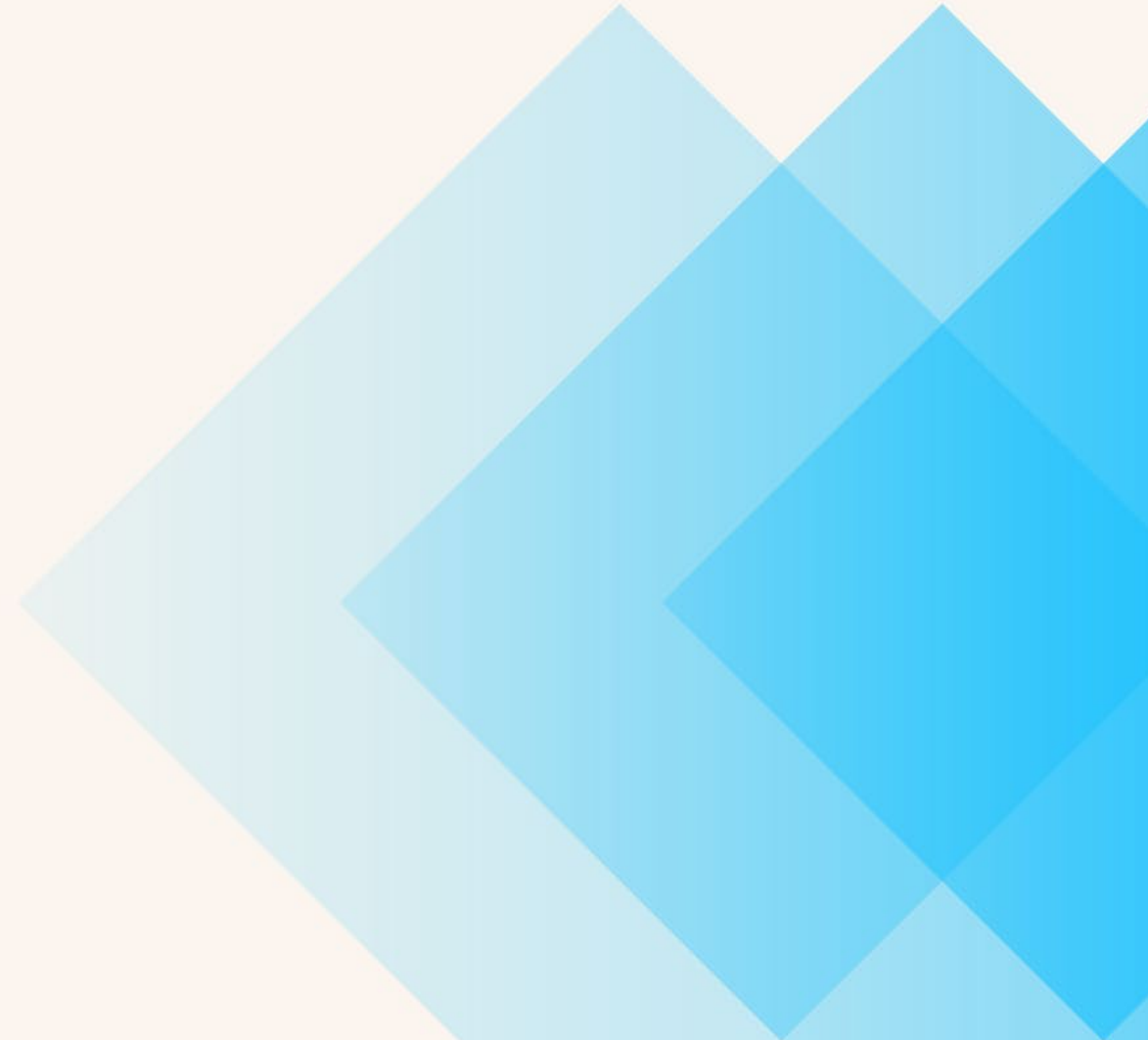


# University of Waterloo

Representing CFA Society Ottawa  
and CFA Society Toronto

- ▶ Arnav Sheth
- ▶ Coco Dai
- ▶ Ryan Trainor
- ▶ Ronis Goel
- ▶ Aryaman Dillon





**Cargojet Inc (TSX: CJT)**



UNIVERSITY OF  
**WATERLOO**

**Recommendation: Buy (25% Upside, \$150 target price)**



*All figures in C\$ unless otherwise noted  
All market data as of May 10<sup>th</sup>, 2024*

---

# Recommendation

We issue a BUY recommendation with a 12-month target price of \$150, representing a 25% upside

1

CJT is exceptionally well-positioned creating a strong margin of safety

2

CJT's high operating leverage and strong growth drives margin expansion

3

CJT is at a critical inflection point in its ability to generate returns



**BUY**

25% upside from last close price of \$120

**\$150**

12-Month Target Price

# Freight Value Chain Overview

CJT is the beating heart at the middle-mile of the freight value chain in Canada



# Industry & Market Overview

Air freight is the only viable option for e-commerce players to uphold same and next day delivery

Truck

Rail

Air

High speed



Long distance



Large volumes of cargo



# Industry & Market Overview

Dedicated freighters are far more attractive options for e-commerce players than passenger airlines

## Dedicated Freight



## Key Differences

Time-sensitive deliveries	
✓	✗
Reliable on time delivery	
✓	✗
Large volumes of cargo	
✓	✗

## Passenger Belly Cargo





# Industry & Market Overview

Dedicated freighters are far more attractive options for e-commerce players than passenger airlines

## Dedicated Freight



## Key Differences

Time-sensitive deliveries	
✓	✗
Reliable on time delivery	
✓	✗
Large volumes of cargo	
✓	✗

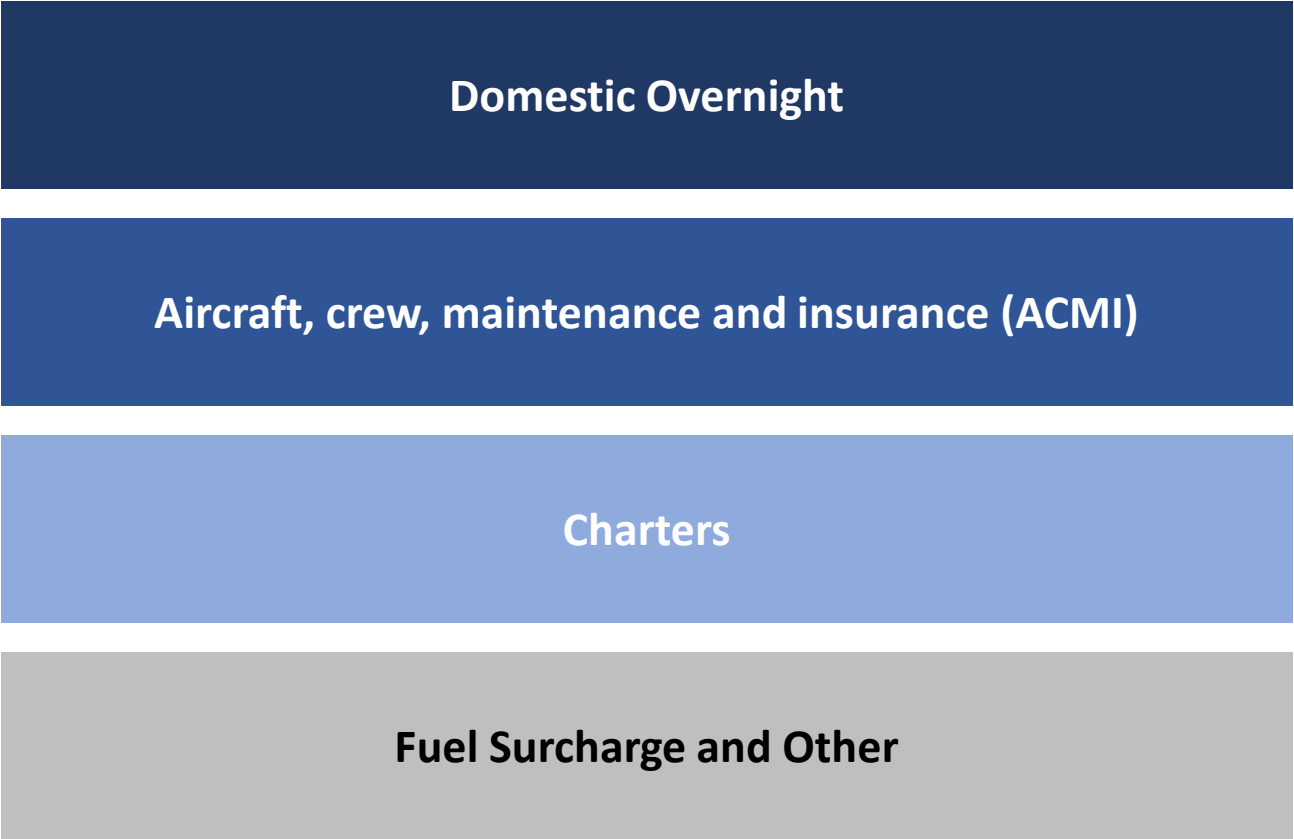
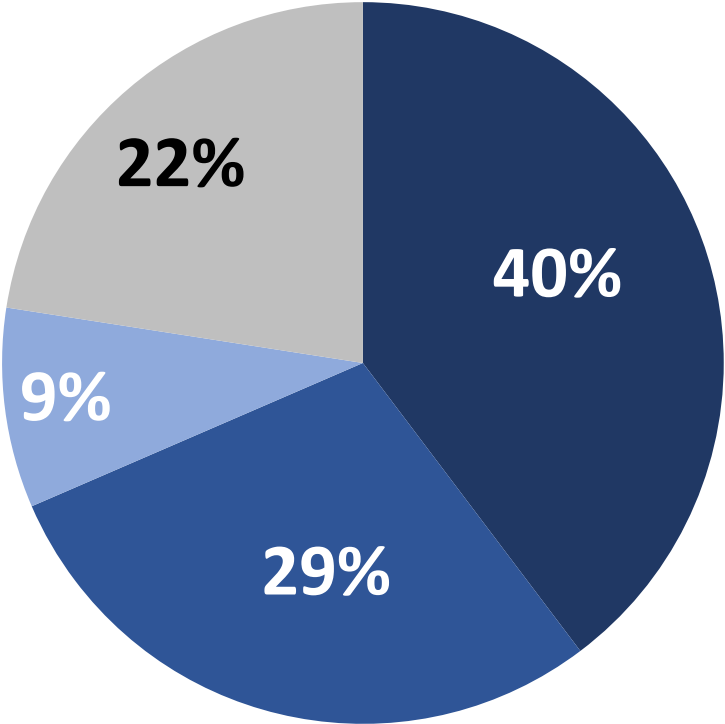
## Passenger Belly Cargo



# Business Overview

CJT is Canada’s largest dedicated air freight business

## 2023A Revenue Breakdown



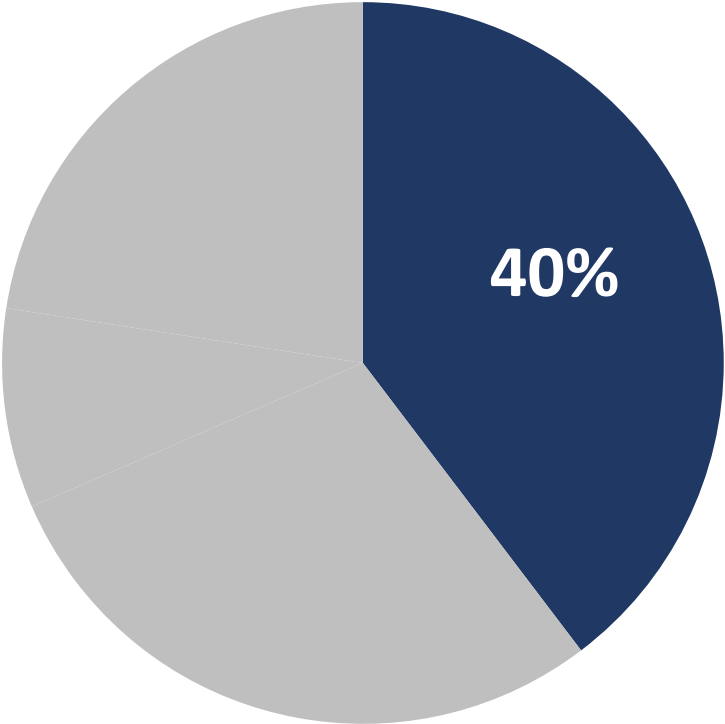
Source: Company Filings



# Business Overview

CJT provides expedited overnight air freight for leading blue-chip transportation and logistics customers

## 2023A Revenue Breakdown



### Domestic Overnight



**90%**

Of the domestic overnight market is serviced by CJT

**75%**

Of domestic revenue is locked down in long-term contracts

**100%**

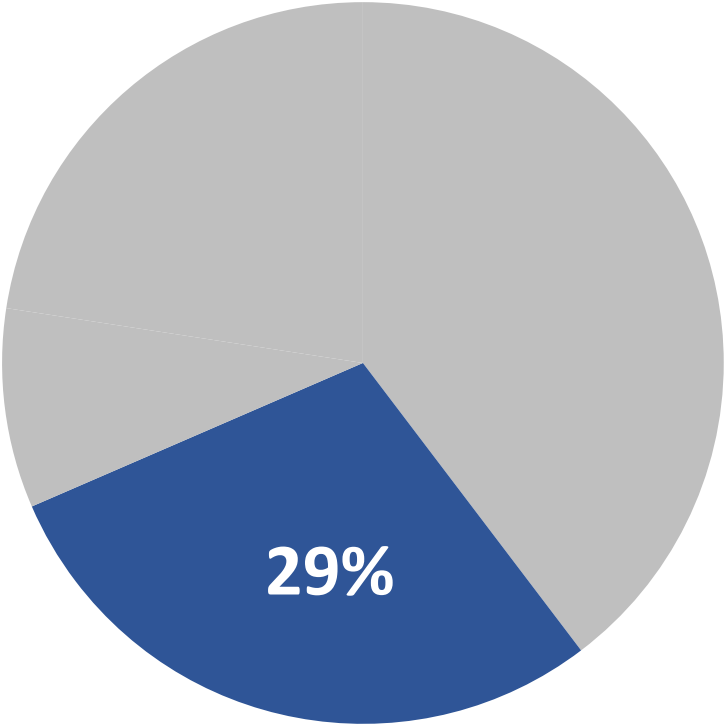
Of fuel costs are passed through to customers

Source: Company Filings

# Business Overview

CJT operates global flights for DHL and other entities on an aircraft, crew, maintenance and insurance basis

## 2023A Revenue Breakdown



Aircraft, crew, maintenance and insurance (ACMI)

CJT provides the aircraft, crew, maintenance and insurance...



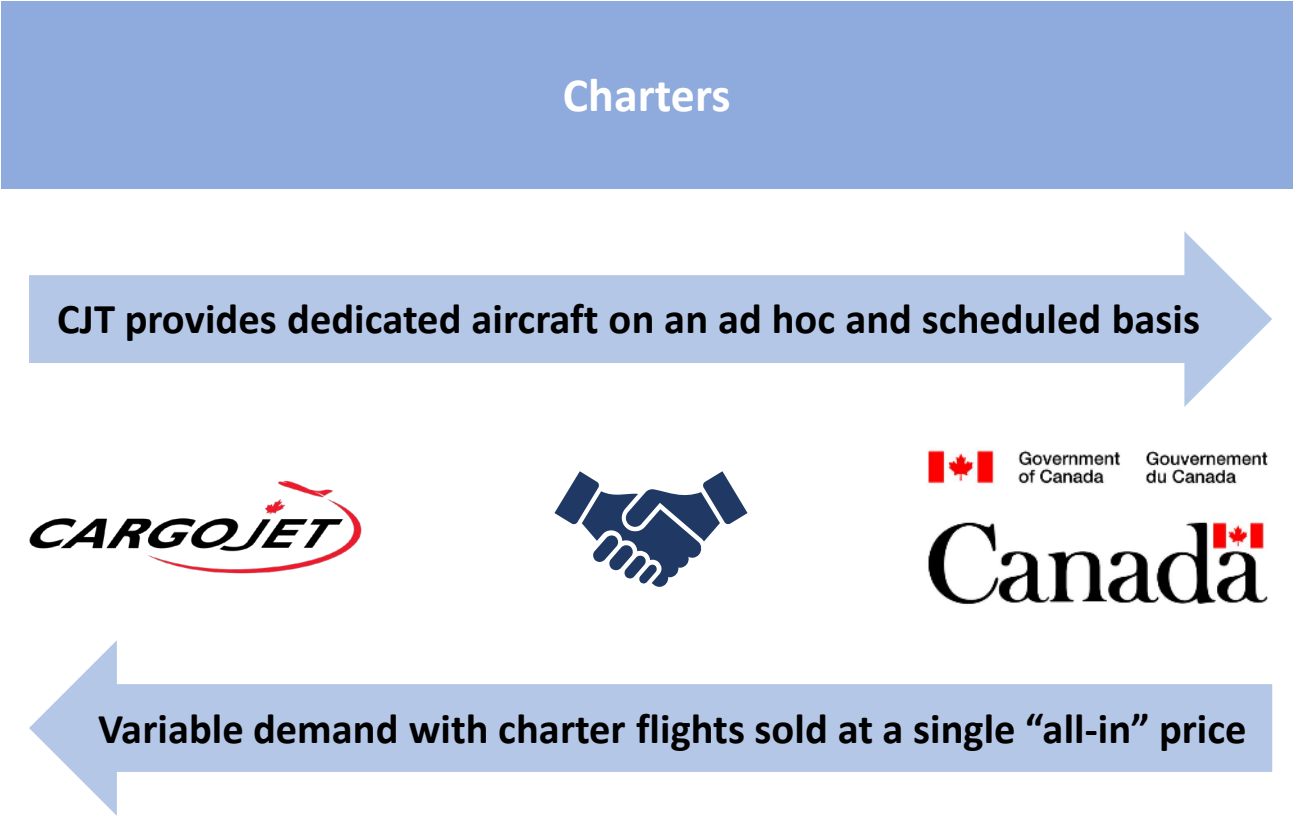
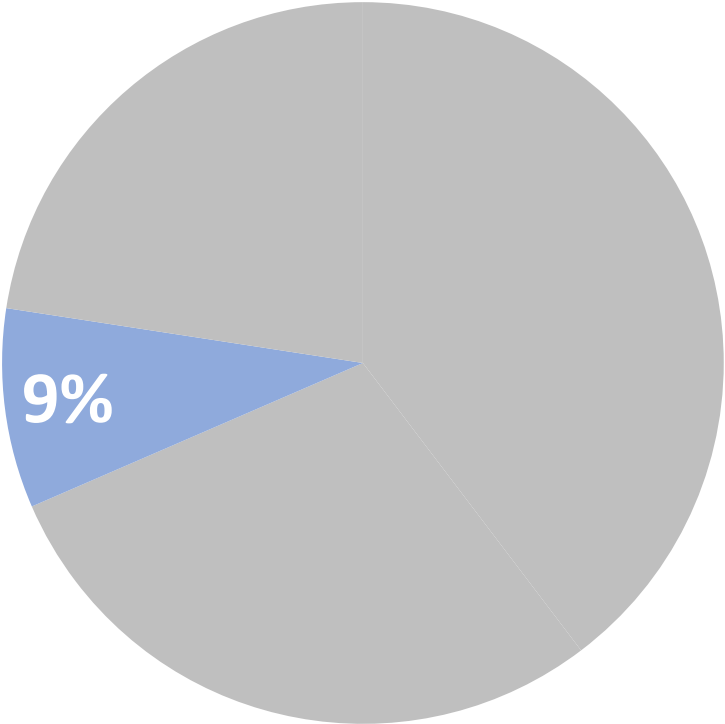
...DHL pays CJT a block hour rate and covers all costs

Source: Company Filings

# Business Overview

CJT provides ad-hoc charters for a variety of customers including government organizations

## 2023A Revenue Breakdown

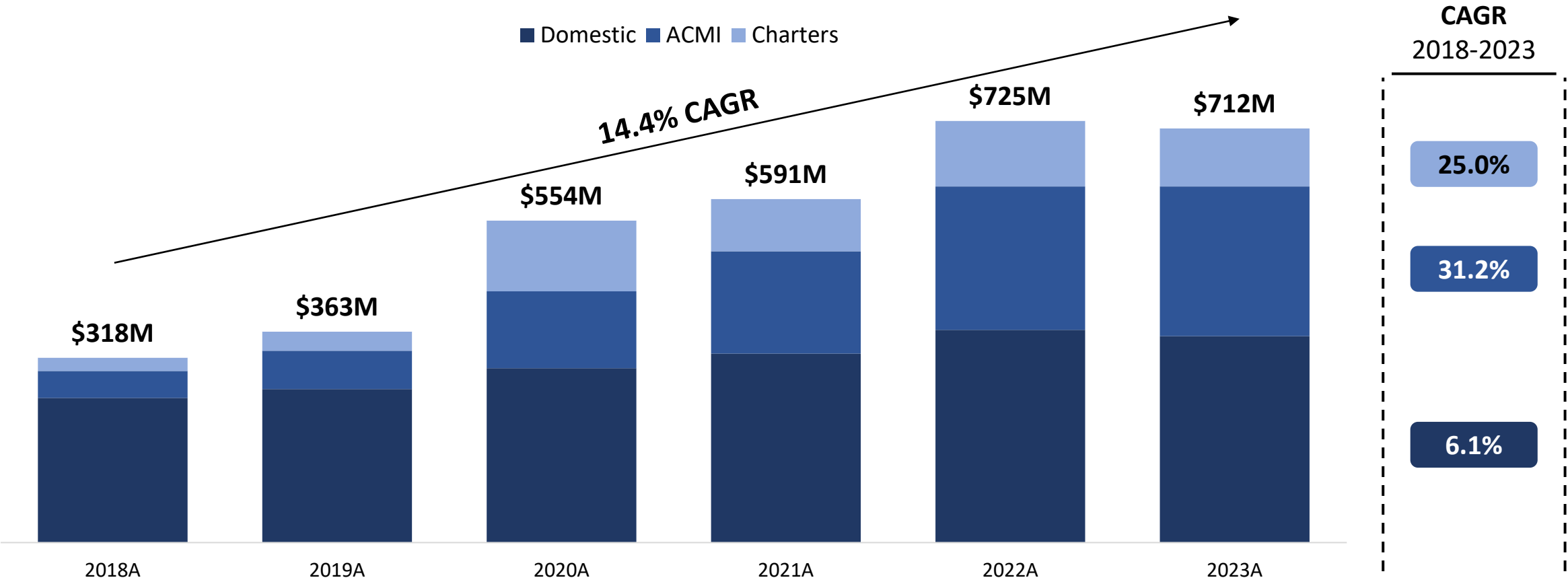


Source: Company Filings

# Financial Performance

CJT benefited greatly from the supply/demand imbalances during COVID

## Historical Revenue (Excluding Fuel Surcharge)



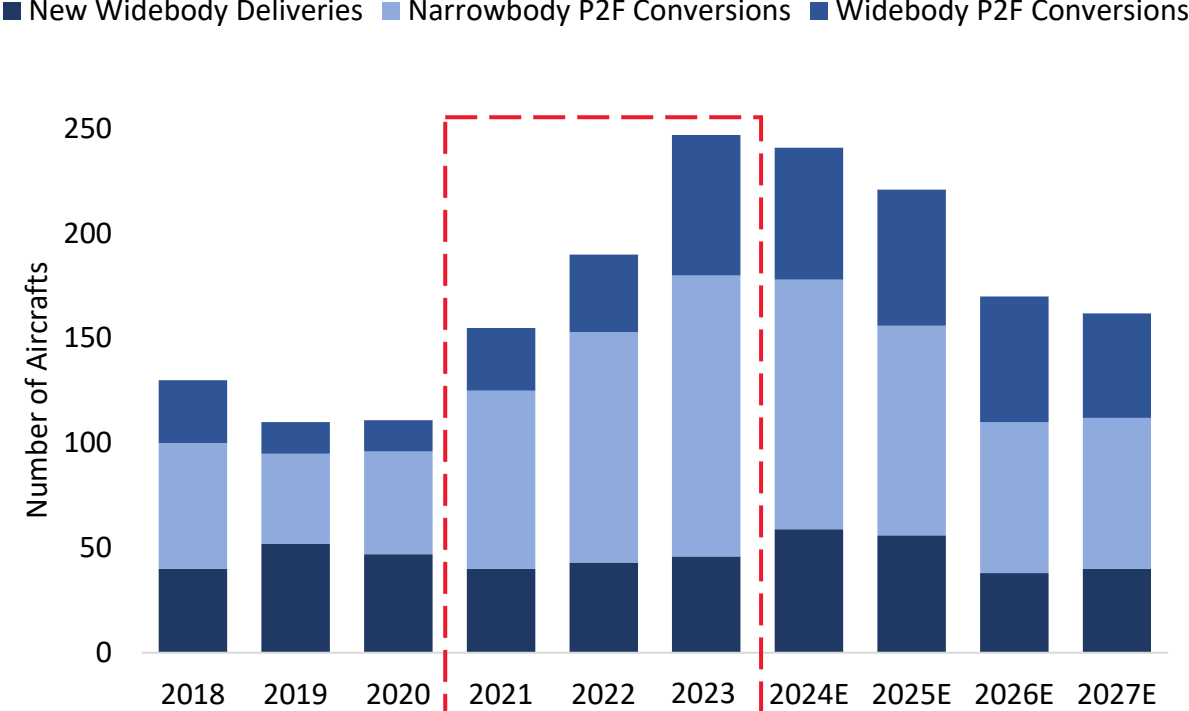
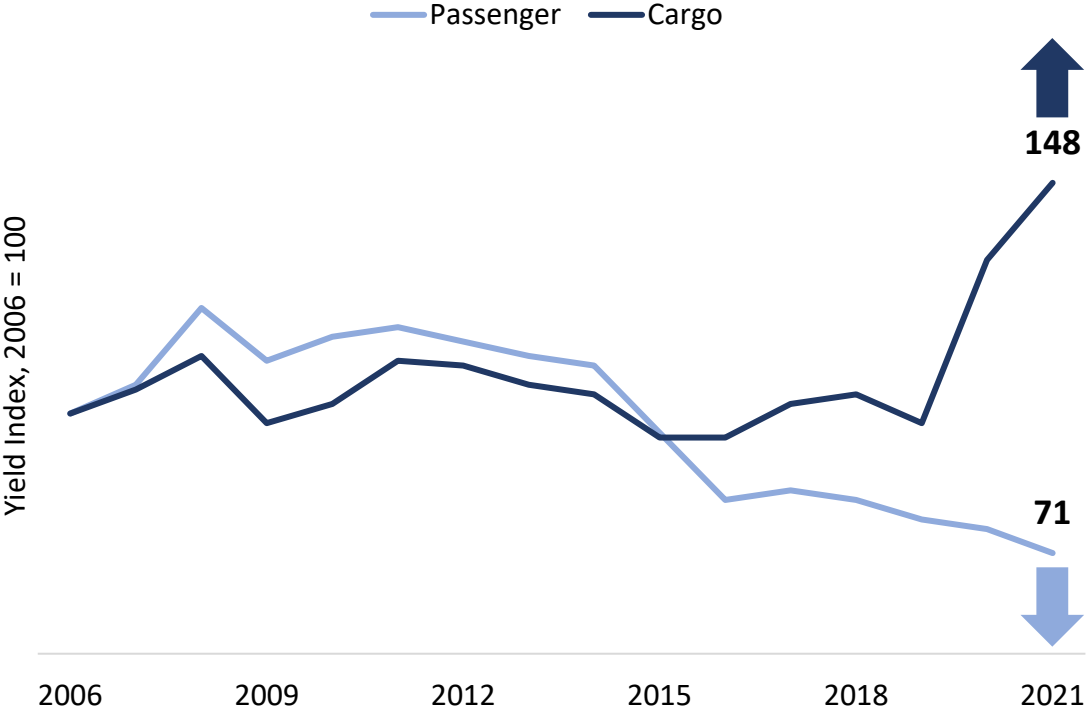
Source: Company Filings

# Freight Recession Overview

Supply/demand imbalances drove spikes in cargo yields which drew significant industry-wide investment

Cargo yields spiked during COVID due to strong levels of demand and a lack of supply...

...which drove significant industry-wide investment in dedicated freighters



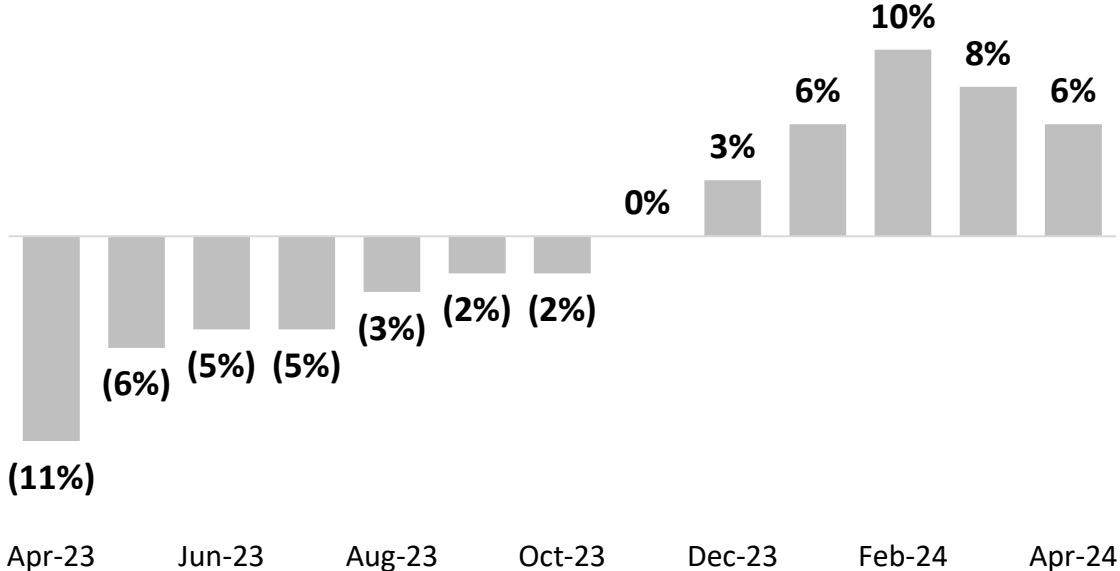
Source: Boeing

# Freight Recession Overview

Over-investment paired with soft post-COVID volumes led to a global freight recession which is ongoing

As volumes begin to recover and normalize...

Global YoY % change in tons



...rates are expected to steadily increase



**Executives and freight leaders we have spoken to believe volumes will strongly rebound in H2 2024**

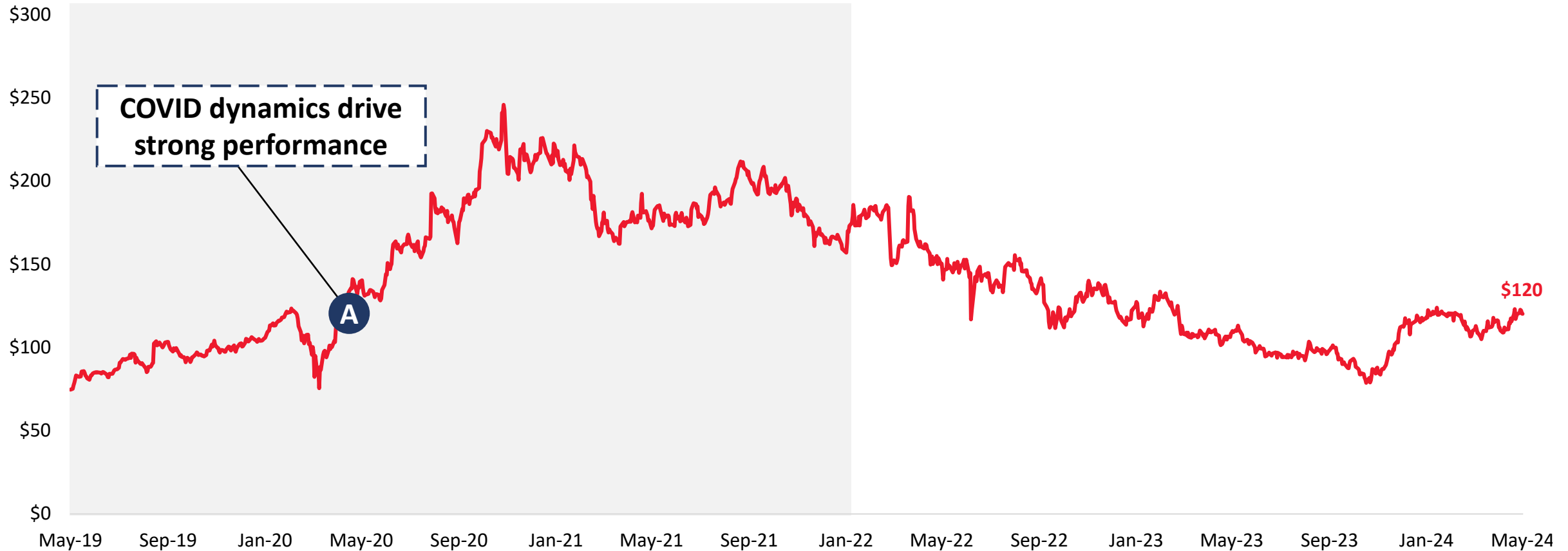
Source: Baltic Air Freight Index, DHL



# Share Price Performance

We believe the market is starting to recognize our thesis

CJT traded up significantly due to strong performance during COVID

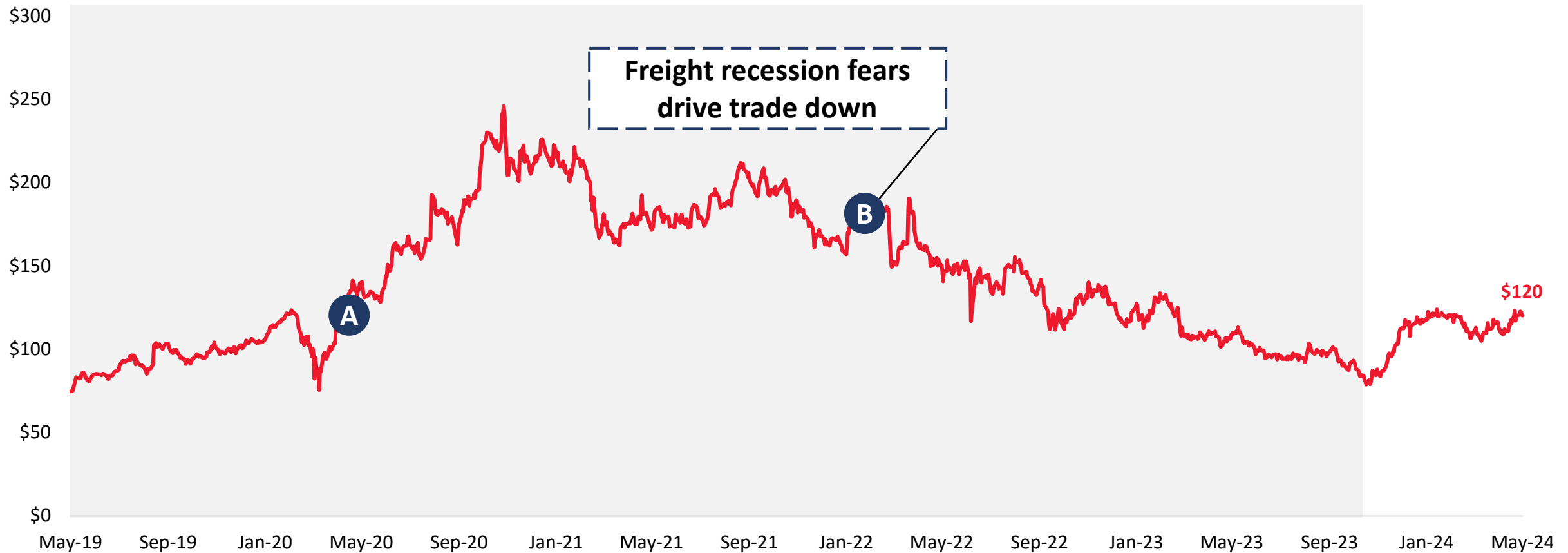


Source: Capital IQ

# Share Price Performance

We believe the market is starting to recognize our thesis

CJT traded down due to fears over the freight recession

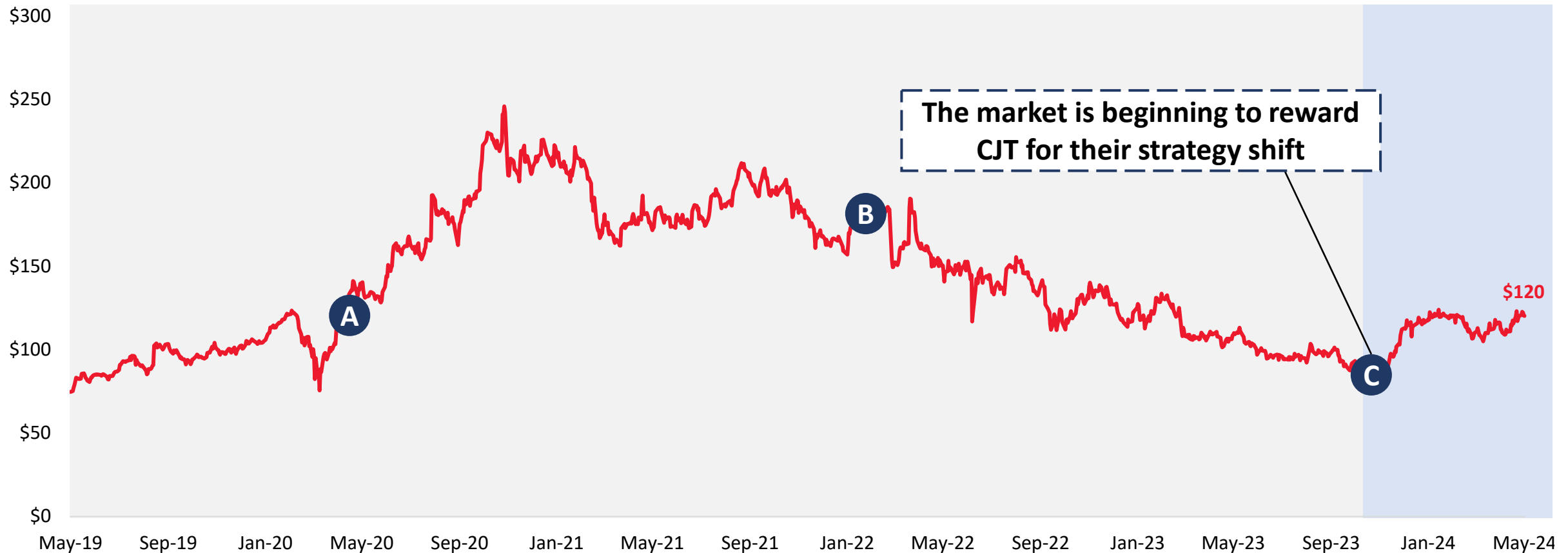


Source: Capital IQ

# Share Price Performance

We believe the market is starting to recognize our thesis

CJT has begun to trade up significantly as the market starts to realize the impact of their strategy shift



Source: Capital IQ



# Thesis I

**CJT is exceptionally well-positioned creating a strong margin of safety**



---

# CJT is exceptionally well-positioned creating a strong margin of safety

To form a view on the business, our team conducted extensive primary research, interviewing 15 experts

1

## Leaders at competitors

We interviewed leaders at Air Canada Cargo, smaller regional Canadian airlines and a Latin American airline to better understand their strategies and views on CJT and the industry

2

## Industry executives, strategic advisors and former employees

We spoke to air freight leaders at top global consulting firms with over 35 years of combined industry experience, a board member of a regional airline and former executives and employees at CJT

3

## Leaders at customers

Our team spoke with leaders at a top 10 customer of CJT and the CFO of a global freight forwarder to understand customer behaviours and their views on CJT

4

## ESG and legal experts

We interviewed the head of an international air freight trade association, a consultant with significant transportation ESG advisory experience and a partner at a law firm dealing with airline union disputes

Source: UWaterloo Expert Interviews

# CJT is exceptionally well-positioned creating a strong margin of safety

CJT has created a nearly unbreachable moat and faces minimal threat of customer churn

**Defensible  
Domestically**

CJT faces no competition from  
Canadian airlines and  
international players

**Strategically  
Aligned With  
Customers**

Warrants with DHL entrench CJT  
with a world class customer in  
high growth regions

**Irreplaceable  
Mission-Critical  
Service**

No customers can inshore  
operations and there are no  
alternatives to air freight



**“No one touches CJT in Canada. As a former customer,  
they were always the only option for time-sensitive  
delivery”**

– CFO at a leading international freight forwarder

Source: UWaterloo Expert Interviews



# CJT is exceptionally well-positioned creating a strong margin of safety

Dedicated freight and passenger airlines compete in a fundamentally different cargo businesses

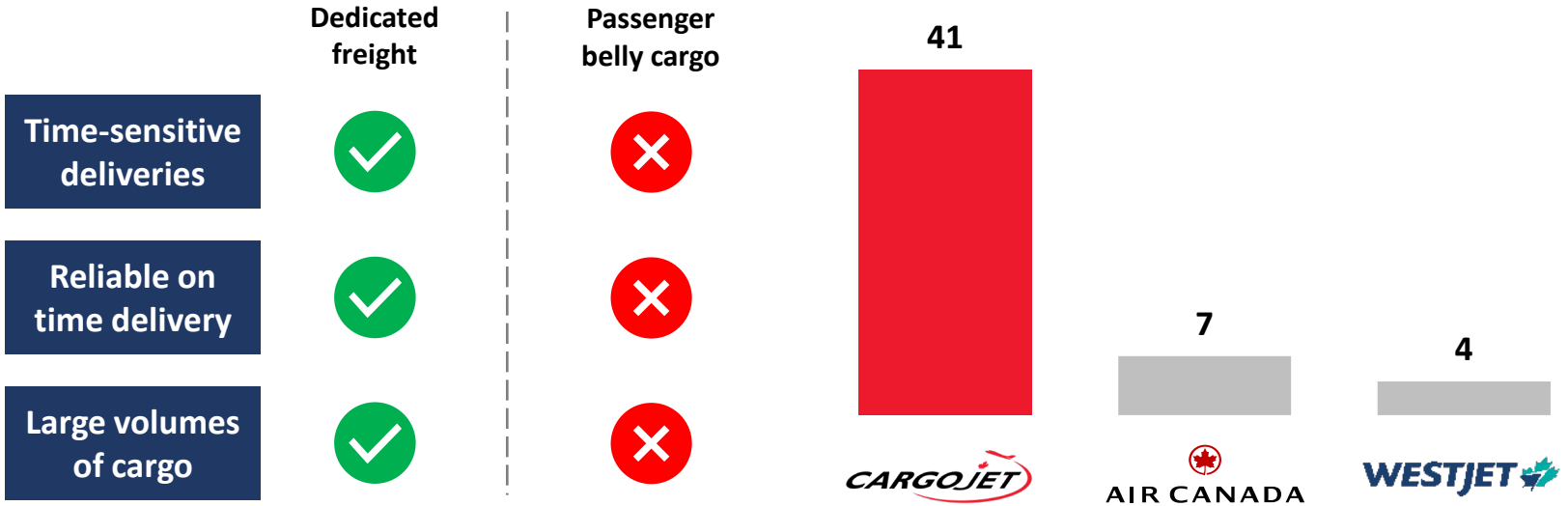
**Defensible Domestically**

**Strategically Aligned With Customers**

**Irreplaceable Mission-Critical Service**

**Passenger belly cargo cannot compete with the dedicated freight model...**

**...and CJT's fleet dwarfs the dedicated freight fleets of other airlines**



**“Making a dedicated freight business profitable without an anchor customer is nearly impossible, and Cargojet has all the anchor customers in Canada”**  
 – Freight Leader at an international airline

Source: Company Filings, UWaterloo Expert Interviews

# CJT is exceptionally well-positioned creating a strong margin of safety

CJT has secured a world class customers through strategic warrants that entrench and align them

Defensible  
Domestically

Strategically  
Aligned With  
Customers

Irreplaceable  
Mission-Critical  
Service

CJT is locked in long-term with  
warrants tied to delivering revenue...

amazon

DHL  
EXPRESS

Amazon and DHL warrants may lead to them  
owning ~15% and ~10% of CJT respectively and are  
expected to drive +\$2.7B of revenue over 6 years

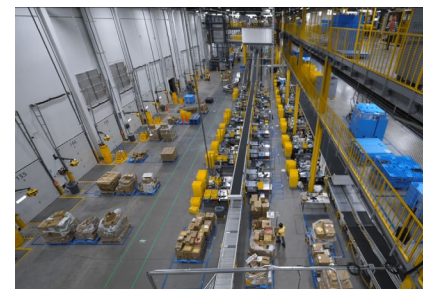
Lower risk of  
replacement

High certainty  
of revenue

Access to capital

Aligned interests

...entrenching CJT as a trusted partner  
for world class customers



**April, 2022: Hamilton**  
Amazon launches its  
most advanced  
robotics facility ever at  
CJT hub



**September, 2019:  
Hamilton**  
DHL launches \$100  
million sorting facility  
at CJT hub to  
quadruple capacity

**“I do not see a world where Amazon and DHL ever stop using Cargojet”**

– Global aviation consultant with 15+ years of industry experience

Source: Company Filings, UWaterloo Expert Interviews

# CJT is exceptionally well-positioned creating a strong margin of safety

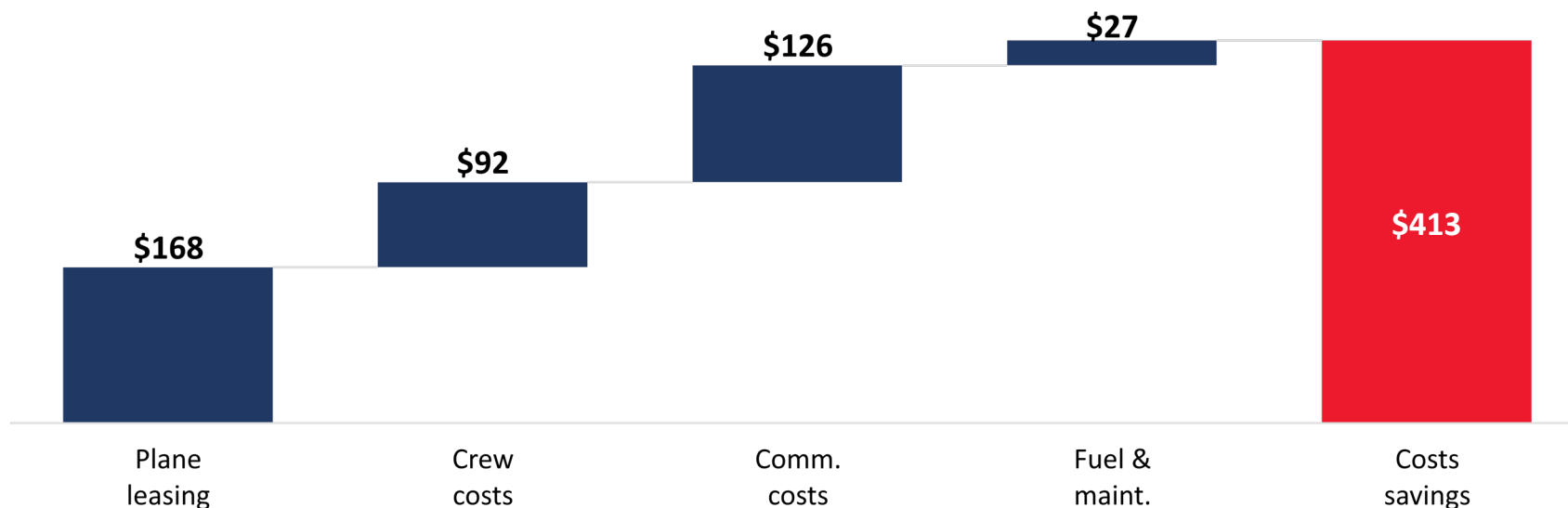
No alternatives to CJT and air freight exist, and customers cannot inshore their middle mile profitably

Defensible Domestically

Strategically Aligned With Customers

Irreplaceable Mission-Critical Service

Customers would need to individually carry ~25% of national domestic cargo volume in order to break-even on operating their own dedicated fleet



**“There are no real alternatives to Cargojet and no customers would do enough volume to profitably sustain their own freight operation”**  
– Senior executive at an international freight association

Source: UWaterloo Expert Interviews and Analysis



## Thesis II

**CJT's operating leverage and strong growth drives margin expansion**





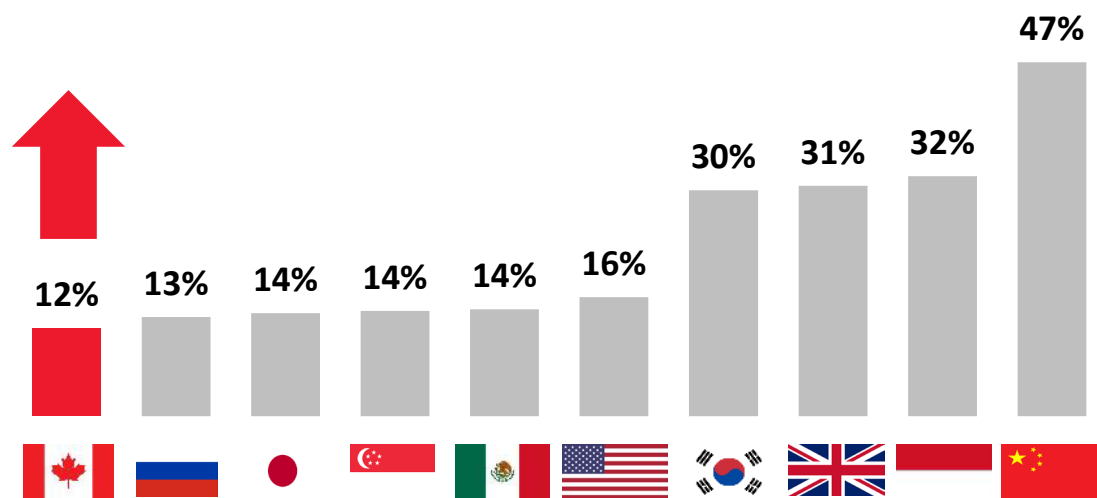
# CJT's operating leverage and strong growth drives margin expansion

Domestically, CJT is poised to benefit greatly from Amazon's ongoing investment in Canada

The Canadian e-commerce market is under penetrated relative to other major economies...

...leading to significant investment from Amazon and other major players to capitalize on growth potential

E-commerce as a % of retail sales (2023)



“Canada is one of the fastest growing countries in the world and we’ve invested over \$25B in Canada since 2010... the investment we’re making in this country is really paying off”

– Amazon Senior VP in an August 2023 Bloomberg Interview

Source: Bloomberg, Company Filings, Statista

45 Amazon facilities  
2021



65 Amazon facilities  
Present

Amazon continues to expand its presence in Canada while closing and canceling facilities in other regions



August 2022  
Fulfilment Centre  
Calgary, AB



October 2023  
Fulfilment Centre  
Southwold, ON



Q4 2024  
Sorting Centre  
Windsor, ON

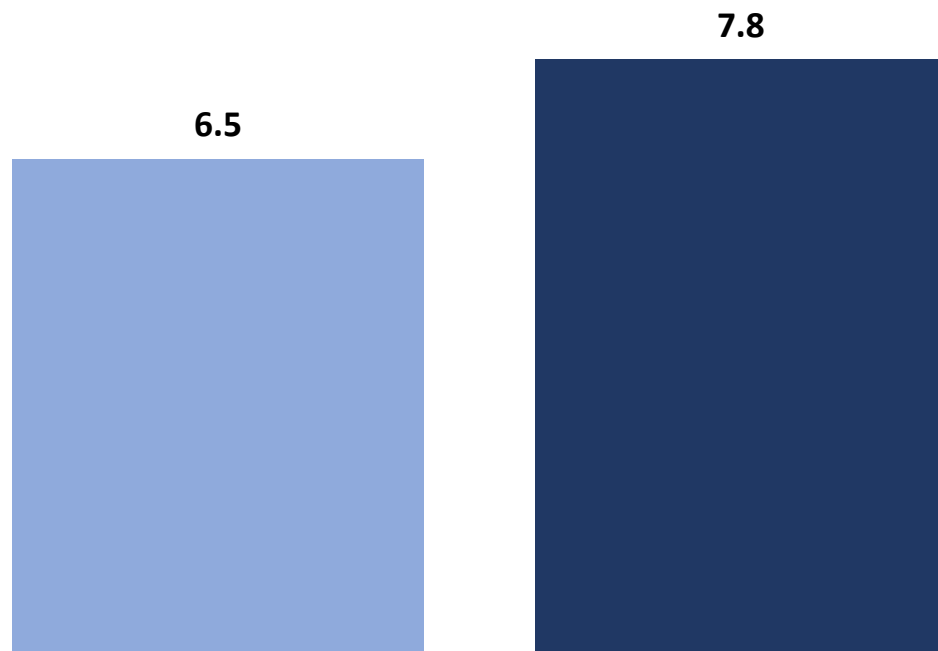
# CJT's operating leverage and strong growth drives margin expansion

E-commerce penetration is expected to increase due to fundamental shifts in consumer behaviours

Do you value shopping online more than shopping in person? How would you respond now and pre-COVID?

N= 97

■ Pre-COVID ■ Post-COVID



Other e-commerce surveys indicate similar behaviour shifts that will drive increased penetration



BCG research forecasts e-commerce sales to represent 41% of global retail sales by 2027

Nearly half of US respondents to a Bank of America survey say they plan to spend significantly more online over the next 12-months

Source: UWaterloo E-Commerce Survey, Bank of America, Boston Consulting Group

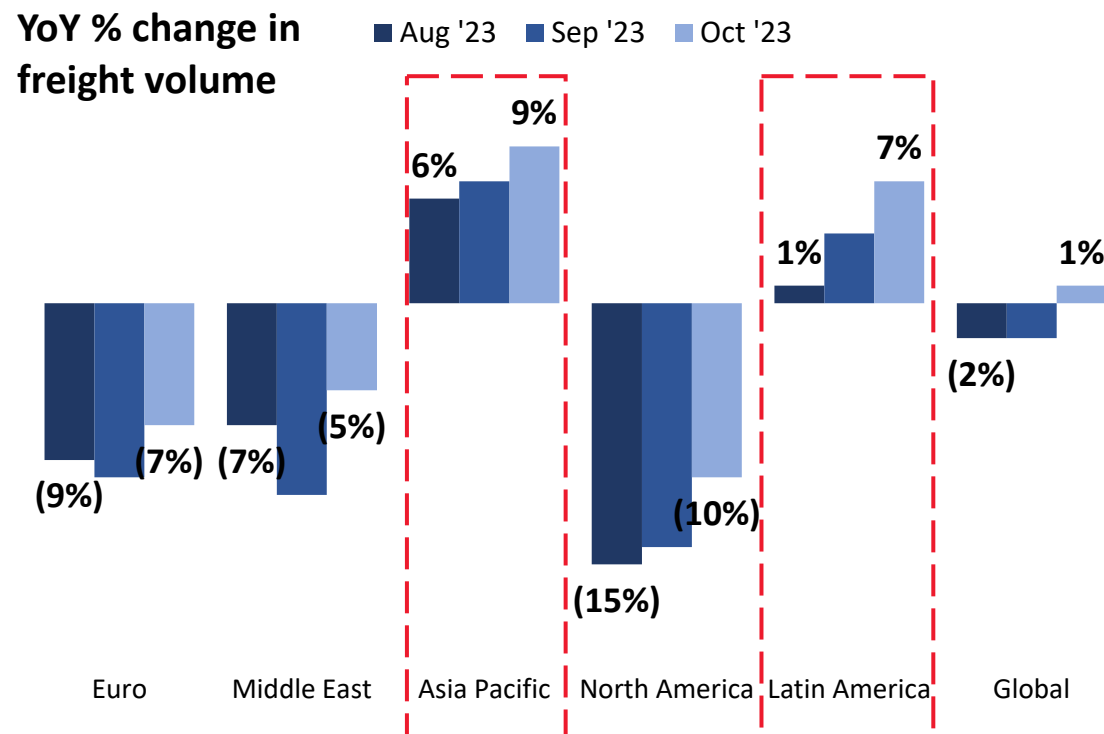
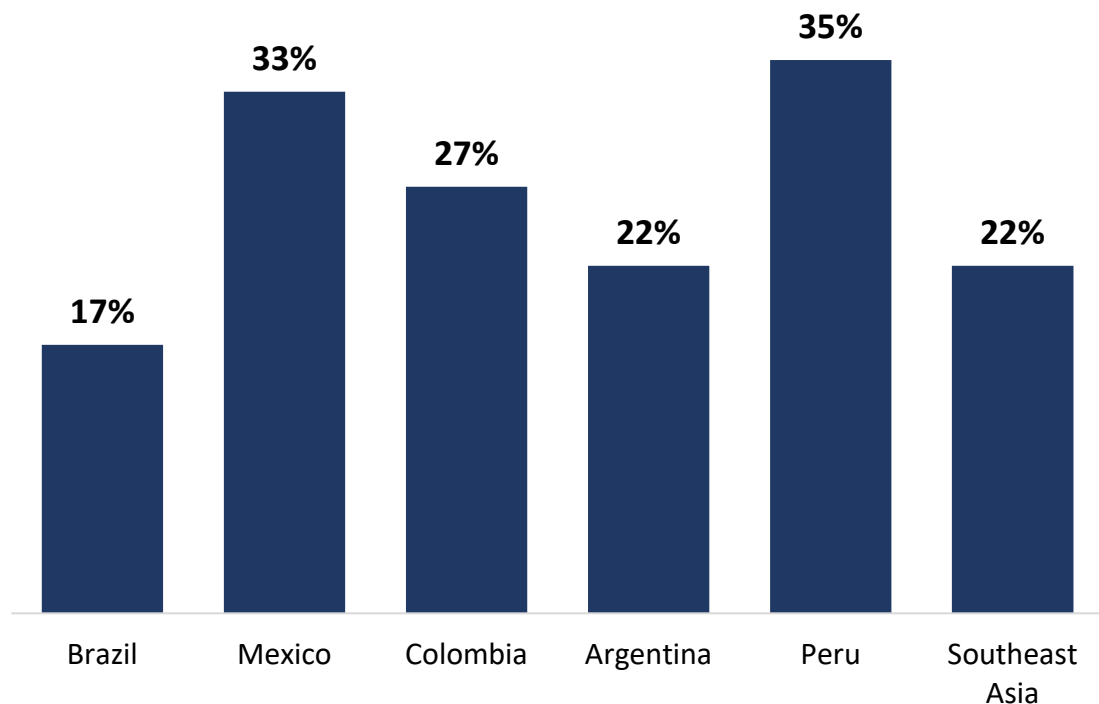


# CJT's operating leverage and strong growth drives margin expansion

Internationally, DHL is investing strongly in high growth regions which will drive significant volume to CJT

Latin America and Southeast Asia have leading global e-commerce growth rates...

...and have proven to be more resilient throughout the freight recession compared to other geographies

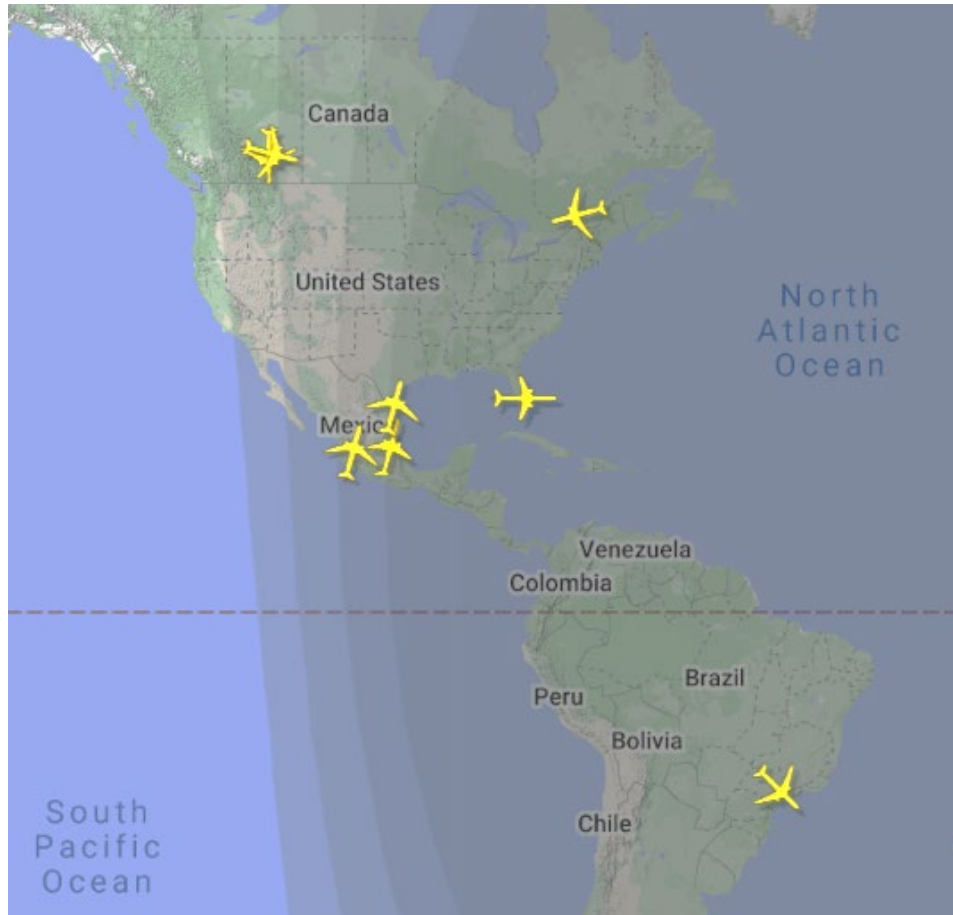


Source: DHL

# CJT's operating leverage and strong growth drives margin expansion

CJT's flight activity indicates a growing presence in Latin America

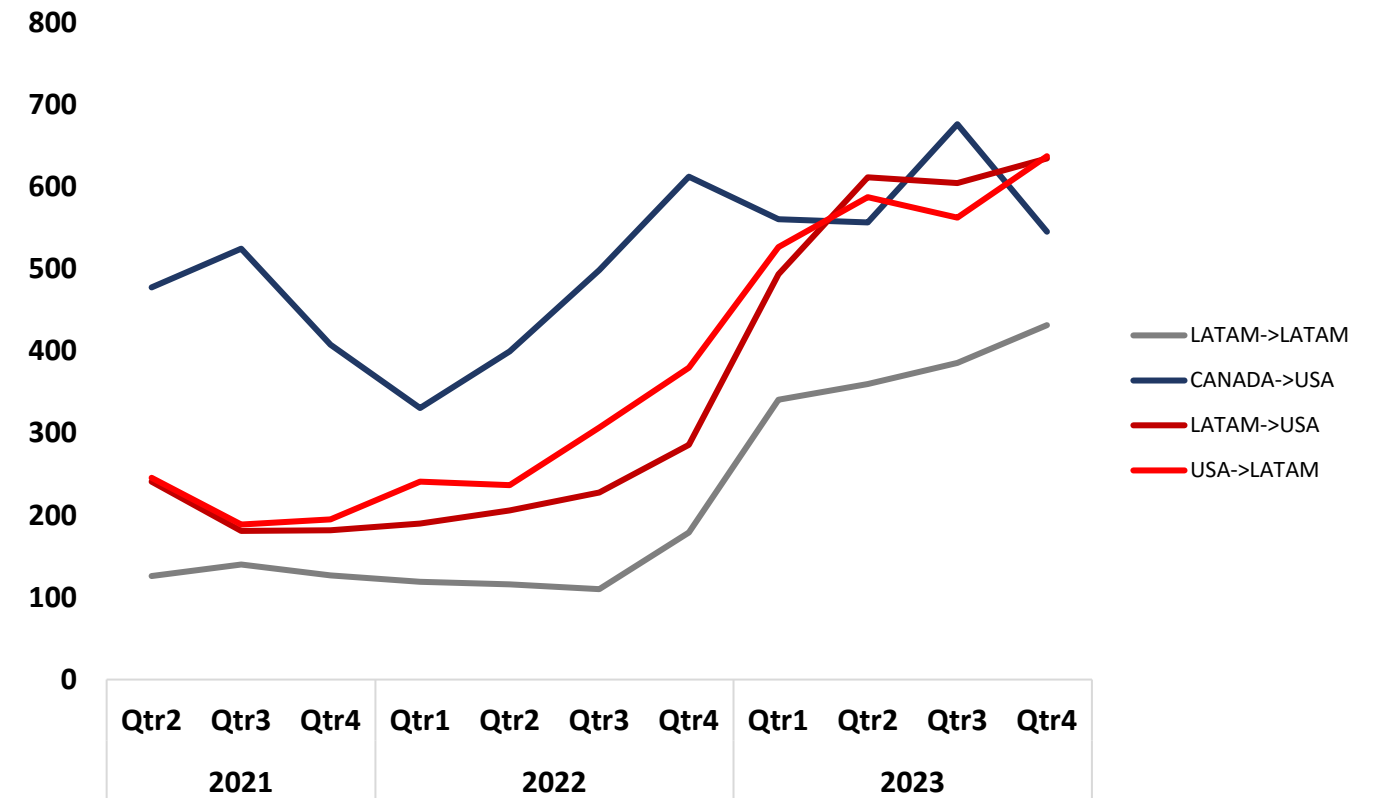
Radar/satellite tracking for CJT on Mar 13, 2024



Source: FlightRadar, UWaterloo Analysis

Cargojet's primary routes into LatAm over the past 3 years

Number of Cargojet Flights for LatAm Routes



# CJT's operating leverage and strong growth drives margin expansion

DHL's global leadership and strategic alignment with CJT will ensure mutual benefit from their investments

Cargojet will strongly benefit from DHL's partnerships and expansions into high growth regions

## #1 Latin America Marketplace



## #1 Southeast Asian Marketplace



"Cargojet is an important aviation partner of DHL ... its versatile cargo fleet and high on-time reliability positions us well to further capitalize on the dynamically growing e-commerce market"

– Mike Parra, CEO, DHL Express Americas in a press release

2023



July 2023

\$562M Investment in LatAm



October 2023

\$370M Investment in SEA



Beyond 2028

DHL will continue to expand their global leadership

2028

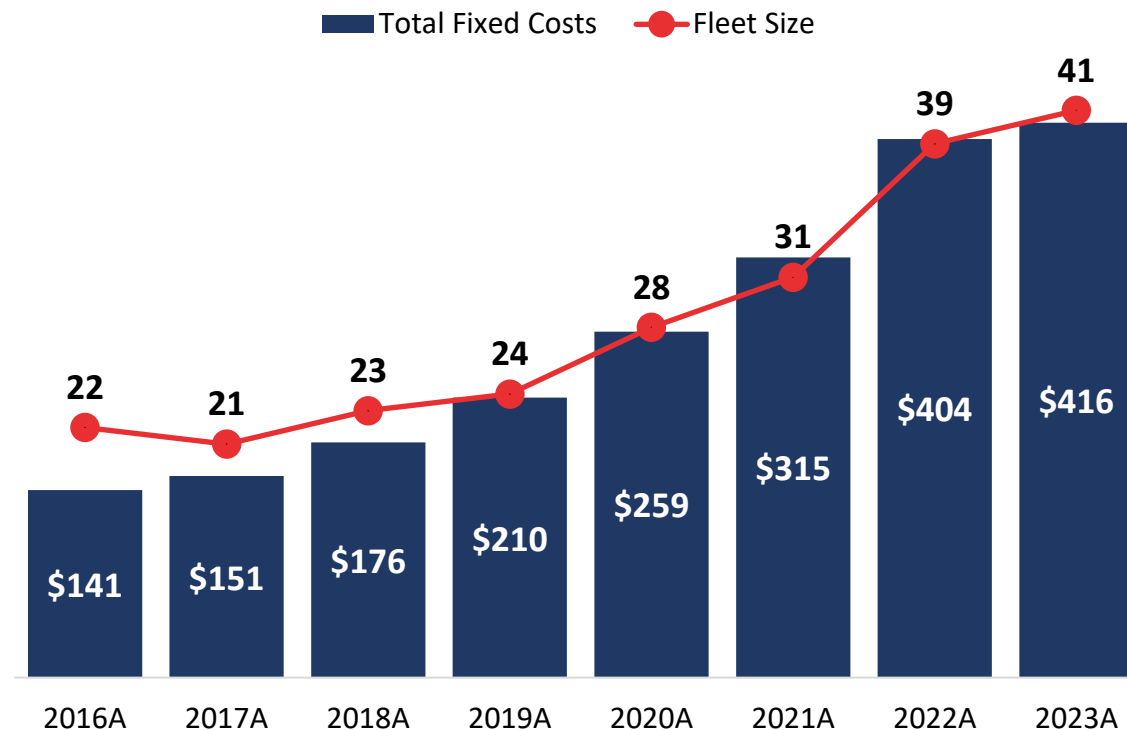
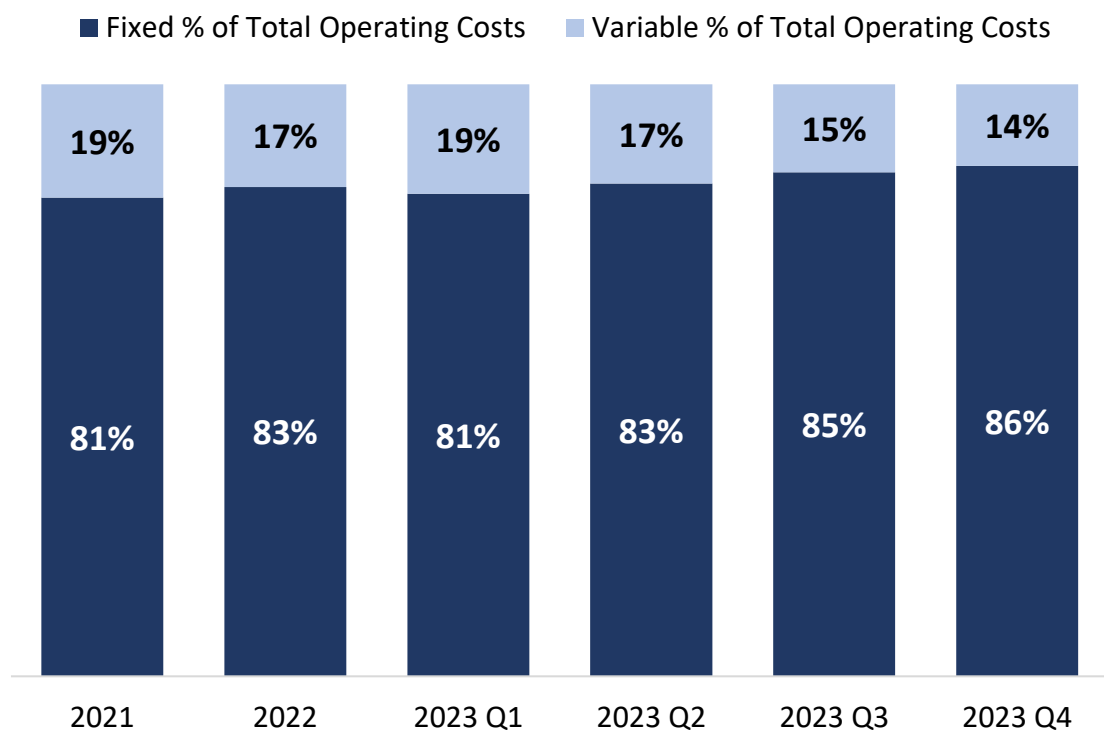
Source: DHL

# CJT's operating leverage and strong growth drives margin expansion

The cost structure of CJT should result in margin expansion after fleet size normalization

Fixed costs represent a higher proportion of direct costs, demonstrating CJT's strong operating leverage...

...and its costs have only risen in proportion to fleet or facility increases, helping drive margin expansion



Source: Company Filings



## Thesis III

**CJT is at a critical inflection point in its ability to generate returns**



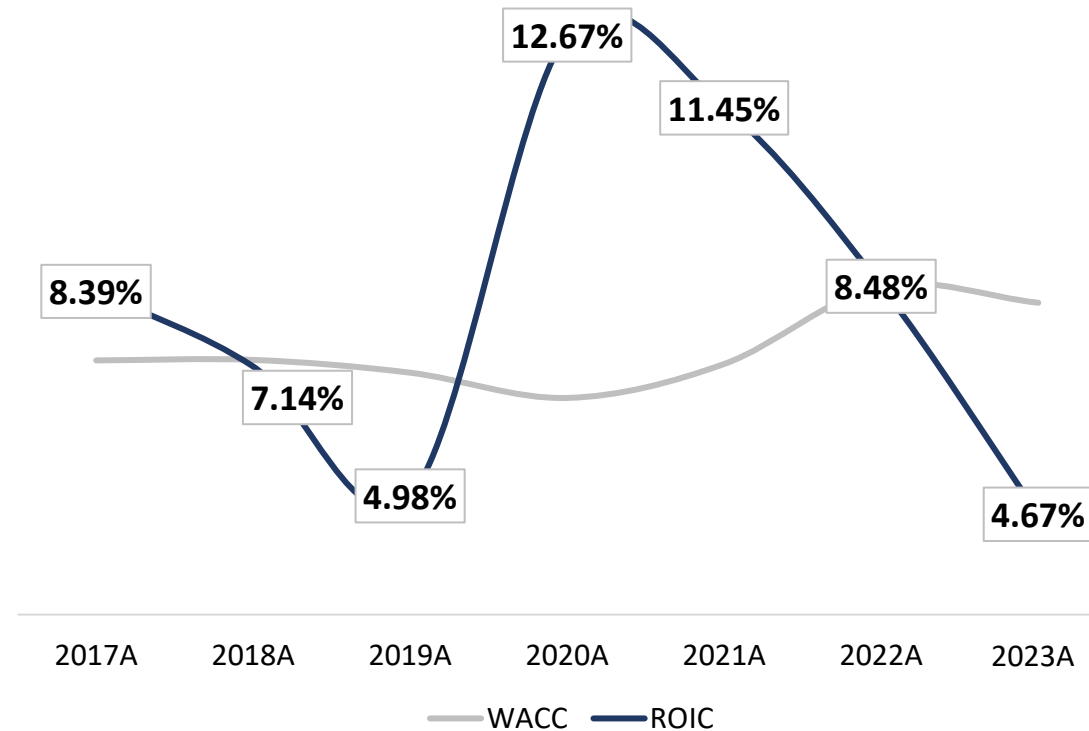
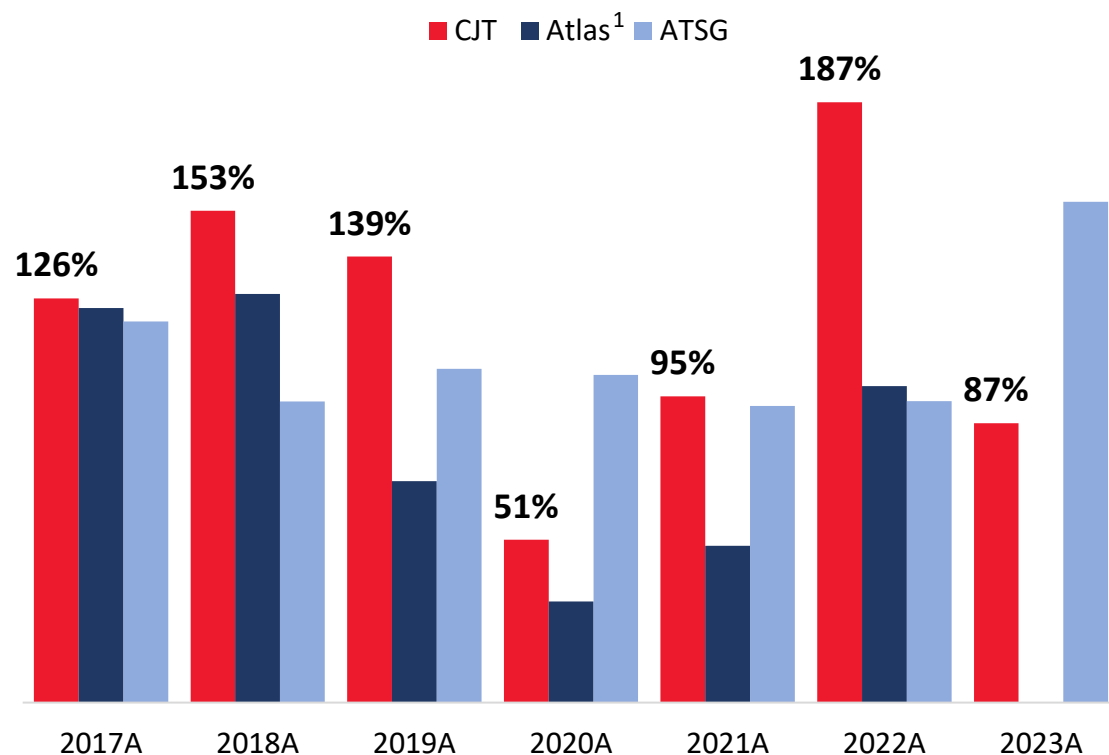
# CJT is at a critical inflection point in its ability to generate returns

CJT has invested in growth at the cost of returns and is now at a critical inflection point

CJT has historically outspent peers to invest in growth...

...which is the primary driver of their poor returns

Capex as a % of Adjusted EBITDA



Source: Company Filings. Note: 1. Atlas Air was acquired by Apollo at 4.7x in Aug. 2022



# CJT is at a critical inflection point in its ability to generate returns

CJT no longer needs to invest in its fleet to capture growth

CJT is amidst a strategy shift...



The domestic market has been fully captured

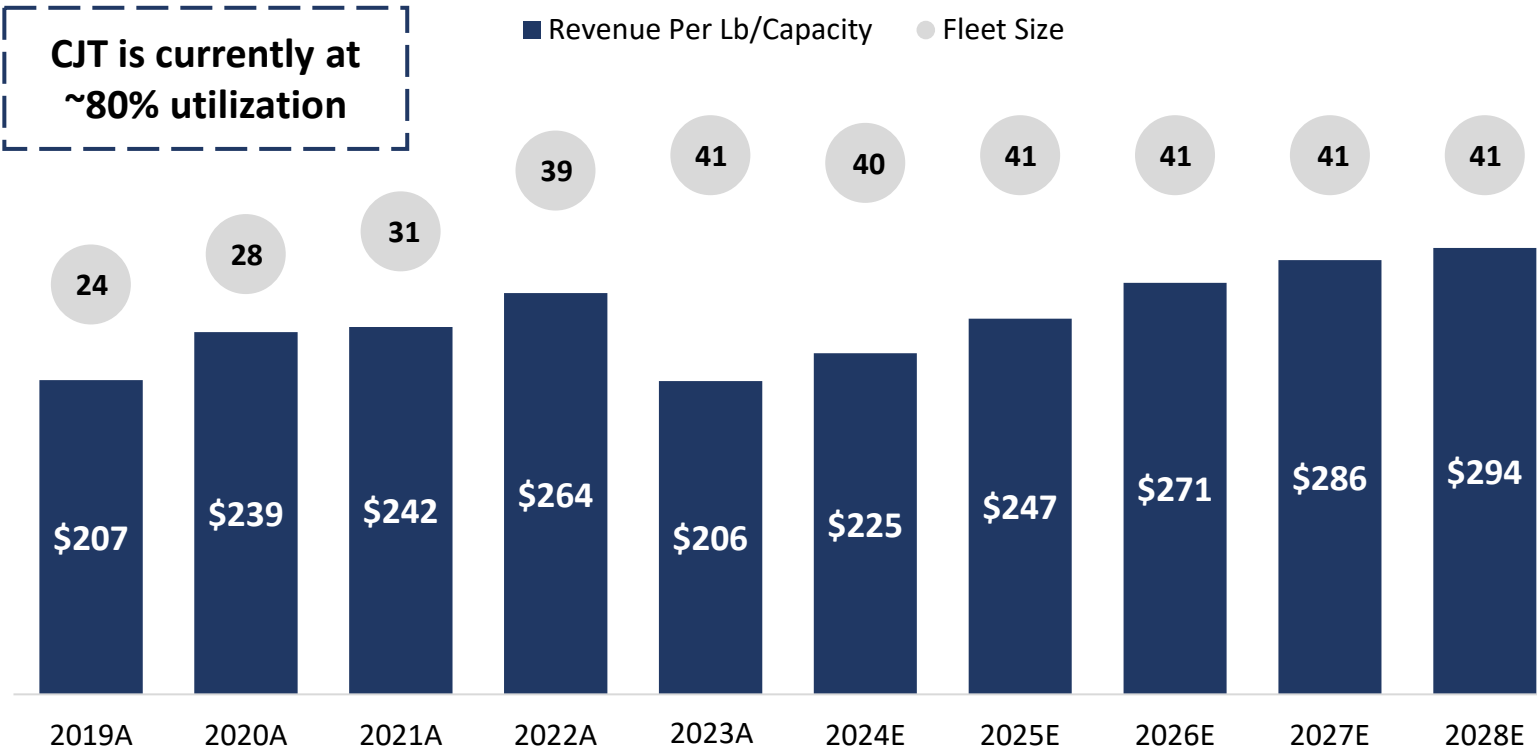


CJT will complete its growth capex plan by 2025



With excess cash flows going to shareholders

...and no longer needs to invest in its fleet to capture growth



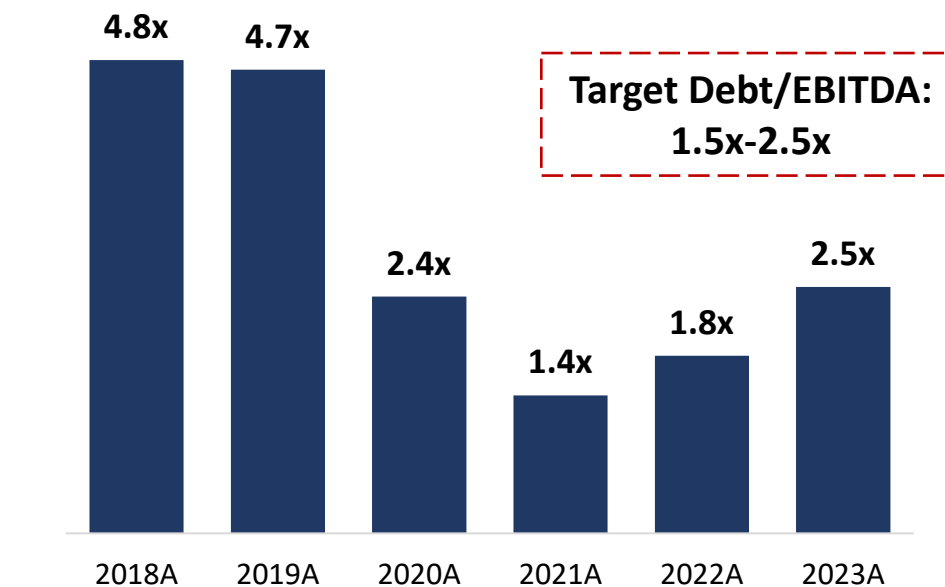
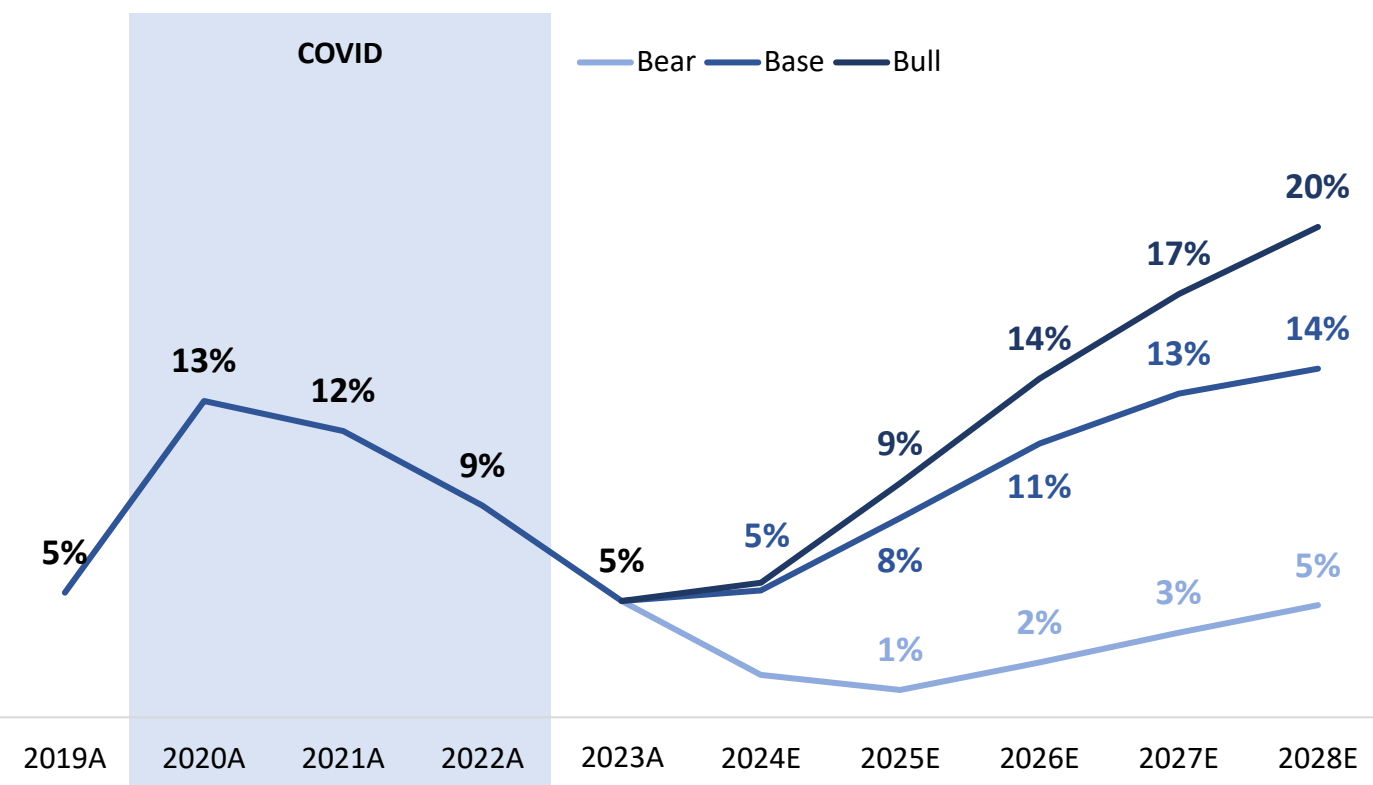
Source: Company Filings, UWaterloo Analysis

# CJT is at a critical inflection point in its ability to generate returns

A strategy shift will enable CJT to generate significant returns while maintaining strong growth

CJT's high operating leverage and sustained asset base will drive sustained ROIC improvement...

...while an improving credit profile paves the way for expansion if e-commerce booms again



CJT's strong balance sheet and debt capacity allows them to quickly expand if conditions are appropriate

Source: Company Filings, UWaterloo Analysis

# CJT is at a critical inflection point in its ability to generate returns

Excess cash flows will be returned to shareholders through dividends and an active NCIB

CJT is signaling its long-term intent to generating returns for shareholders through buying back shares...

CJT announces an NCIB to buyback shares

CJT will purchase **1.5M** shares which represent **8.72%** of public float

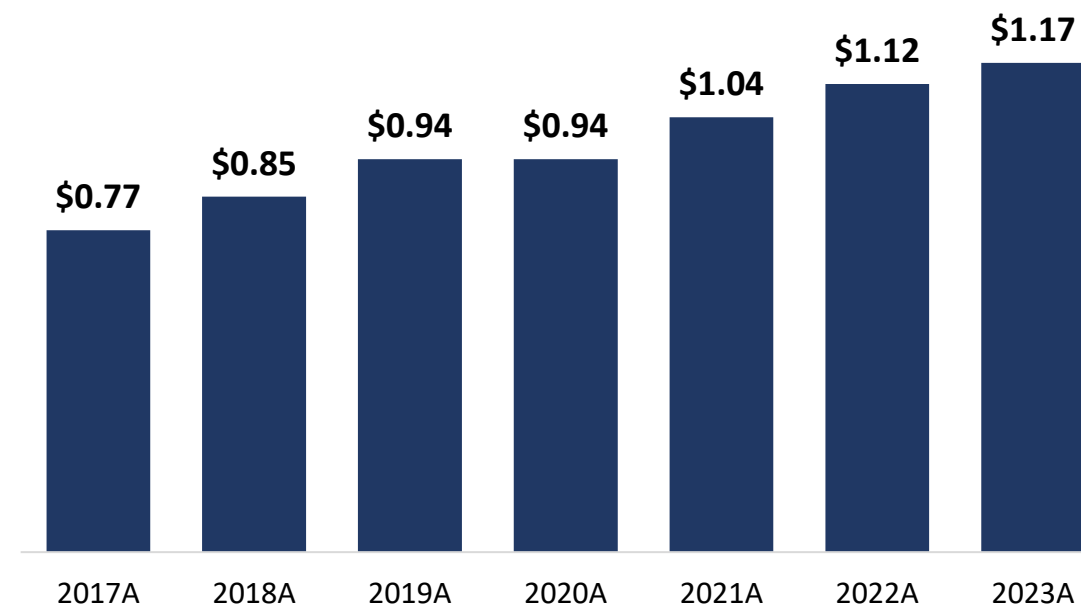


The NCIB program ends on November 8, 2024

CJT has already repurchased 4.3% of their public float at a weighted average cost of \$110.21

...and announcing a 10% increase to its quarterly dividend

CJT annual dividend per share as of each fiscal year-end



Source: Company Filings, UWaterloo Analysis

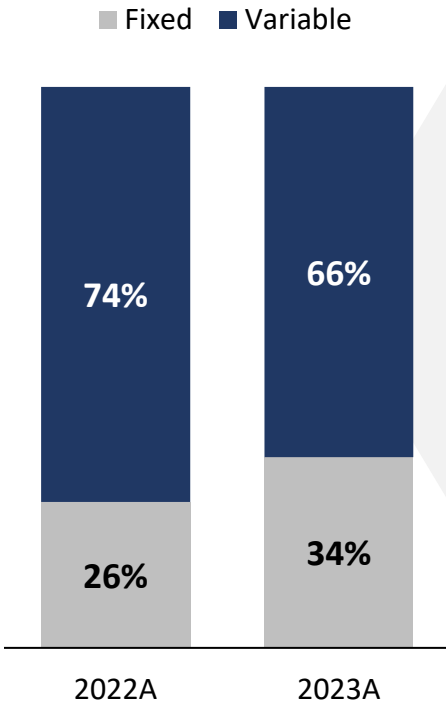
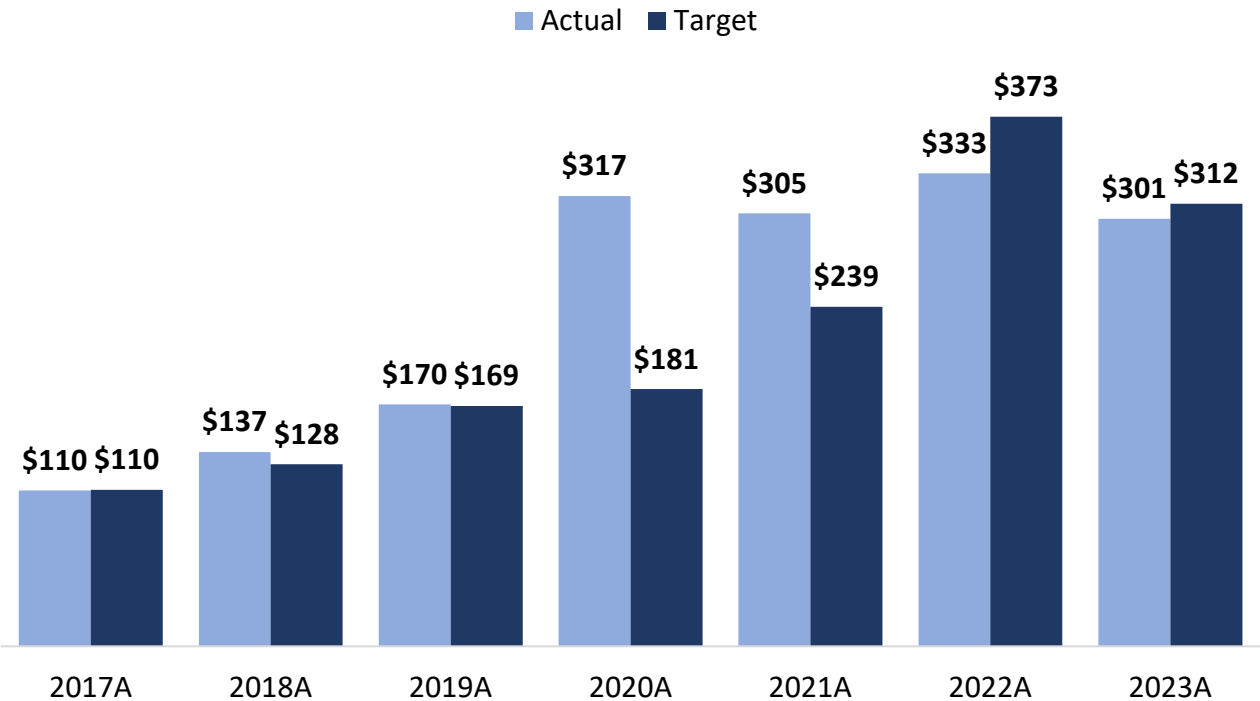
# Environmental, Social, and Governance


CJT’s strong management team is aligned which will enable a successful strategy shift


Management has a strong track record of beating targets and generating shareholder returns...

...and is strongly aligned through compensation that is tied to EBITDA and ROIC generation

STIP: Adjusted EBITDA Performance (C\$ Millions)



 STIP tied to Adj. EBITDA targets

 LTIP tied to ROIC performance and TSR

Source: Company Filings

# Environmental, Social, and Governance

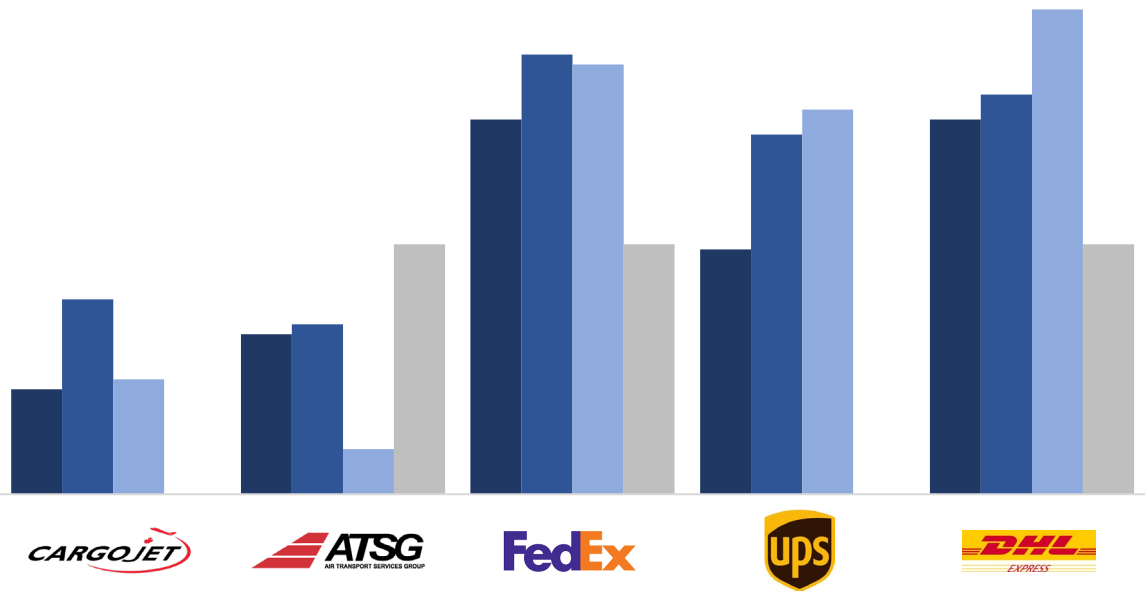
CJT does not lag peers across ESG factors and is making strides towards ESG initiatives

CJT is in line with other air cargo pure-plays and lags integrators due to the nature of dedicated freight...

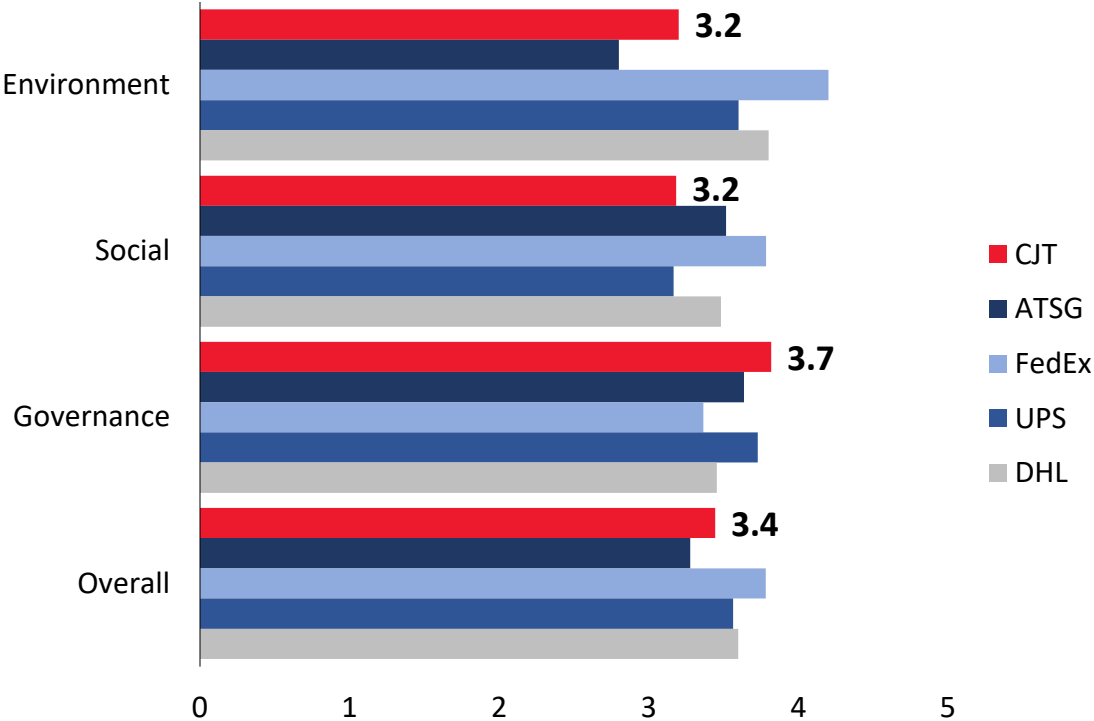
...as such, we believe CJT is adequately positioned amongst peers, creating no cause for concern

LSEG Scores

■ Environment ■ Emissions ■ Resource Use ■ Innovation



UWaterloo ESG Scorecard



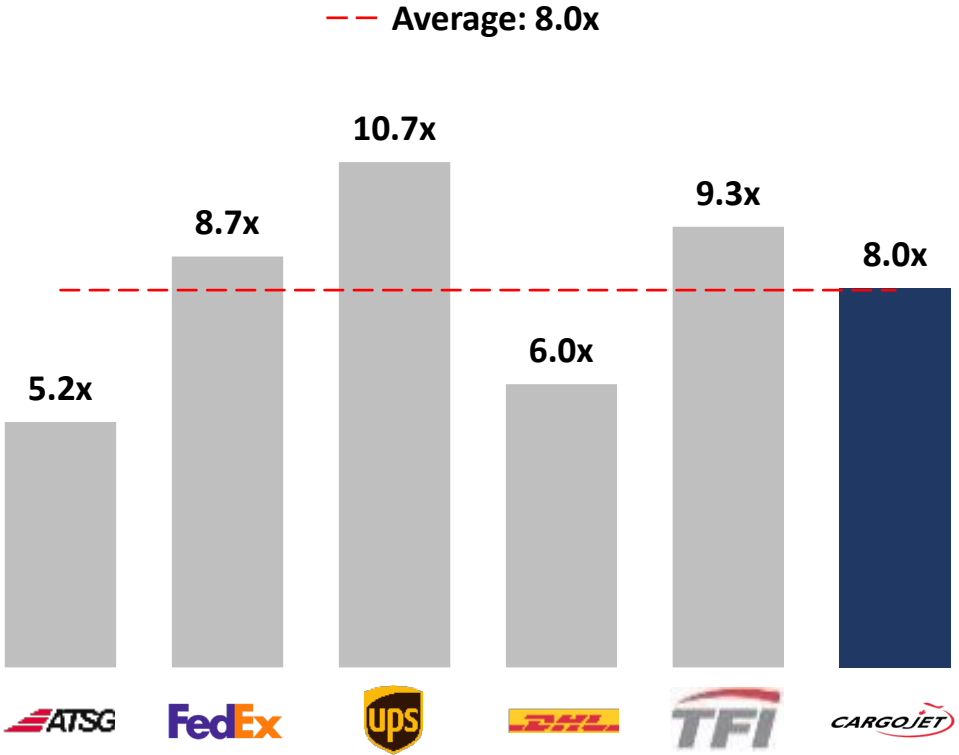
Source: LSEG, UWaterloo Analysis

# Relative Valuation

We have weighted comps at 20% because CJT has no direct competitors and operates a unique model

CJT trades in line with other transportation and logistics companies...

...however, no peers have a similar competitive moat and operate as a pure play air freighter with expedited offerings



No peers operate a large and dominating nationwide overnight cargo network



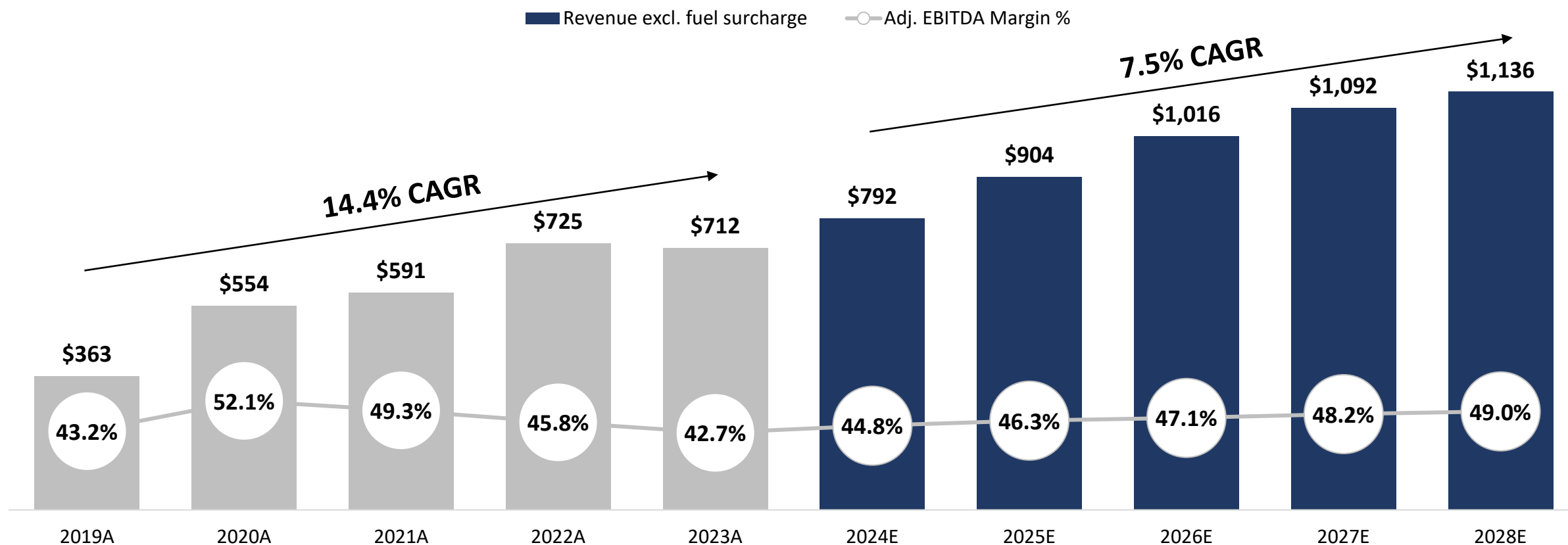
No peers have a similar competitive moat or long-term contracts with high minimum revenue and volume guarantees

Source: Company Filings

# Intrinsic Valuation

Under a constructive base case, CJT still shows upside at its current price

We have modeled a conservative view on both domestic and ACMI growth combined with modest margin expansion

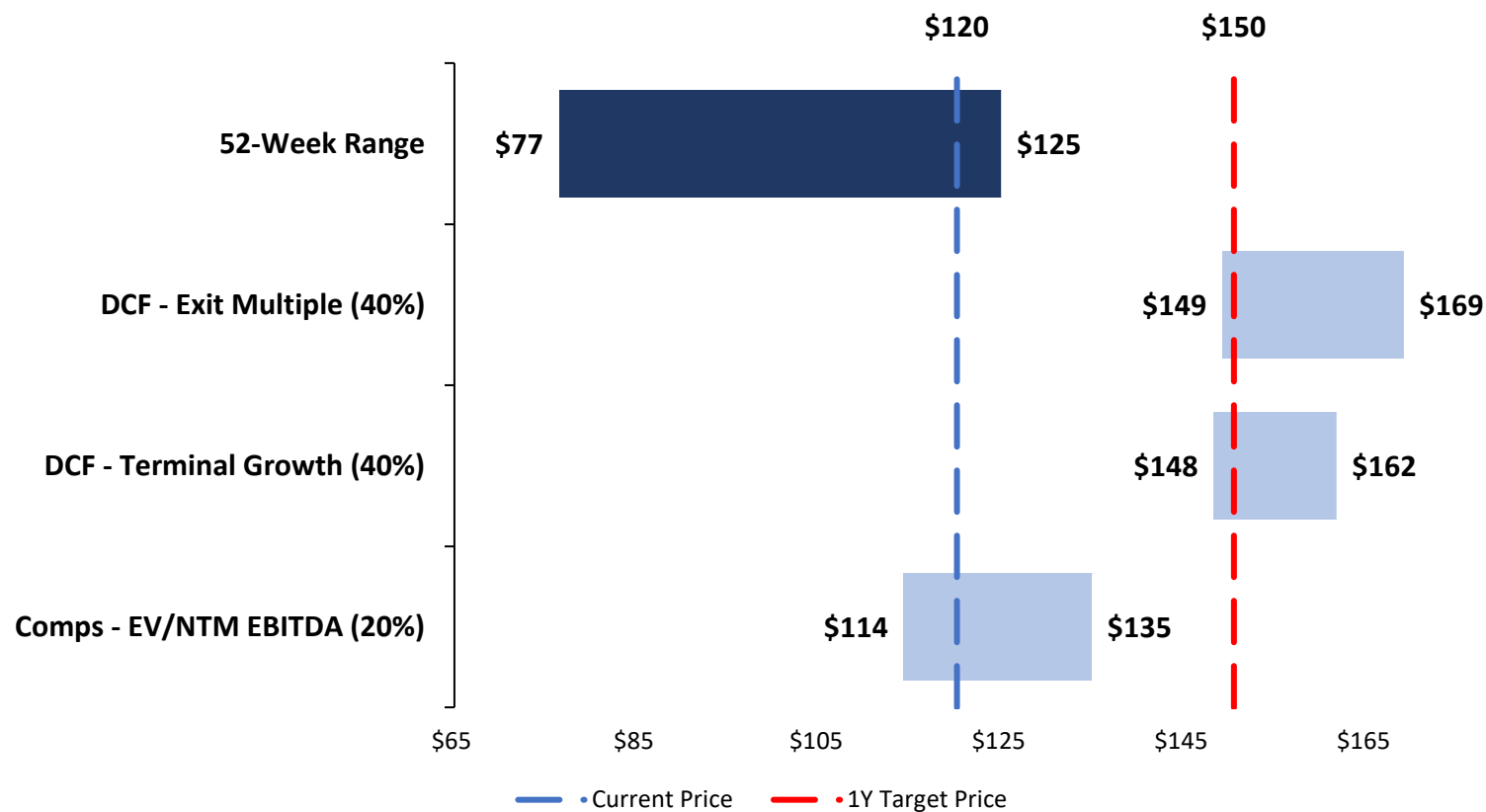


Source: UWaterloo Analysis

# Valuation

CJT represents an opportunity to invest in a high-quality business at an attractive valuation

## Valuation Football Field



## Assumptions

Revenue CAGR ('24-'28)	7.5%
EBITDA Margins ('24-'28)	44.8% -> 49.0%
WACC	8.35%
Exit Multiple	8.0x
Terminal Growth Rate	2.25%

## Target Return

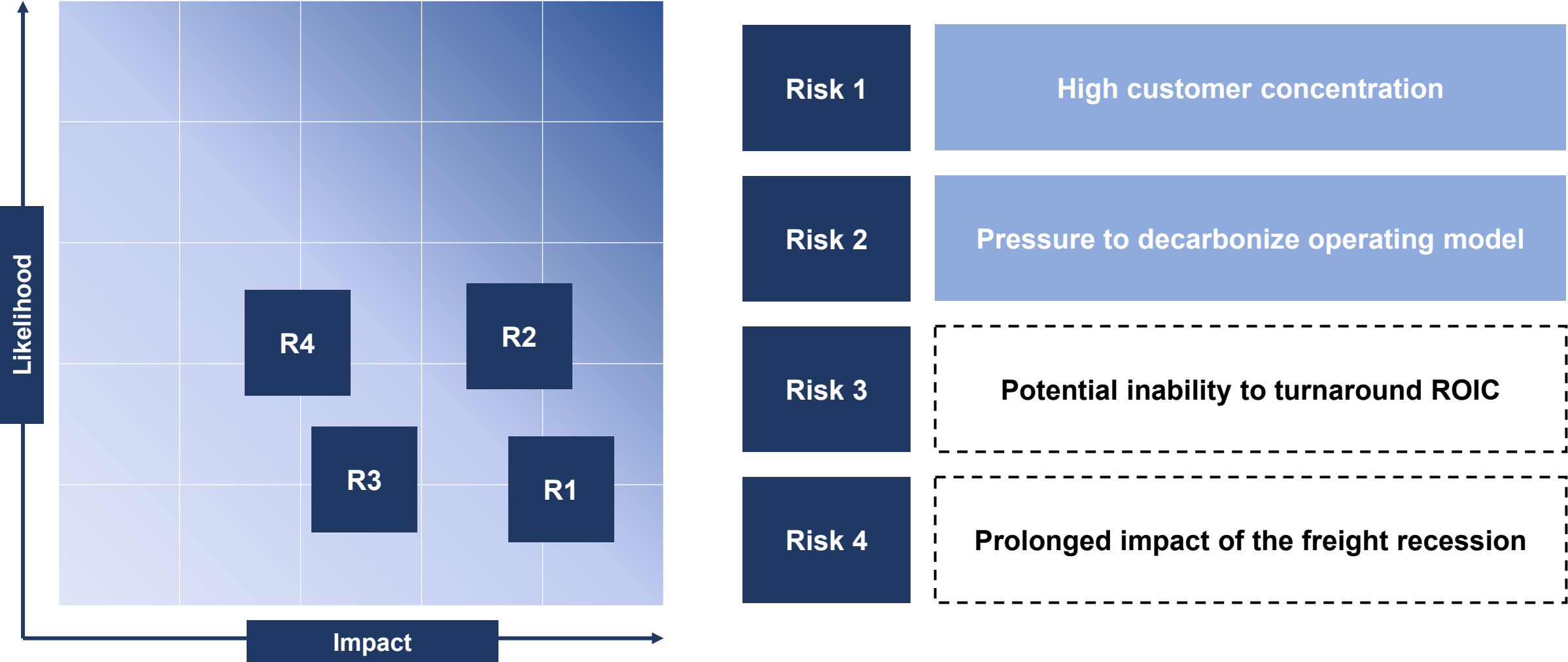
**Target Upside: 25%**

Source: UWaterloo Analysis



# Investment Risks

Though risks exist, they are very unlikely to materialize



Source: UWaterloo Analysis

---

# Recommendation

We issue a BUY recommendation with a 12-month target price of \$150, representing a 25% upside

**1**

CJT is exceptionally well-positioned creating a strong margin of safety

**2**

CJT's high operating leverage and strong growth drives margin expansion

**3**

CJT is at a critical inflection point in its ability to generate returns



**BUY**

**\$150**

25% upside from last close price of \$120

12-Month Target Price

# Appendix Map

## Business & Industry Overview

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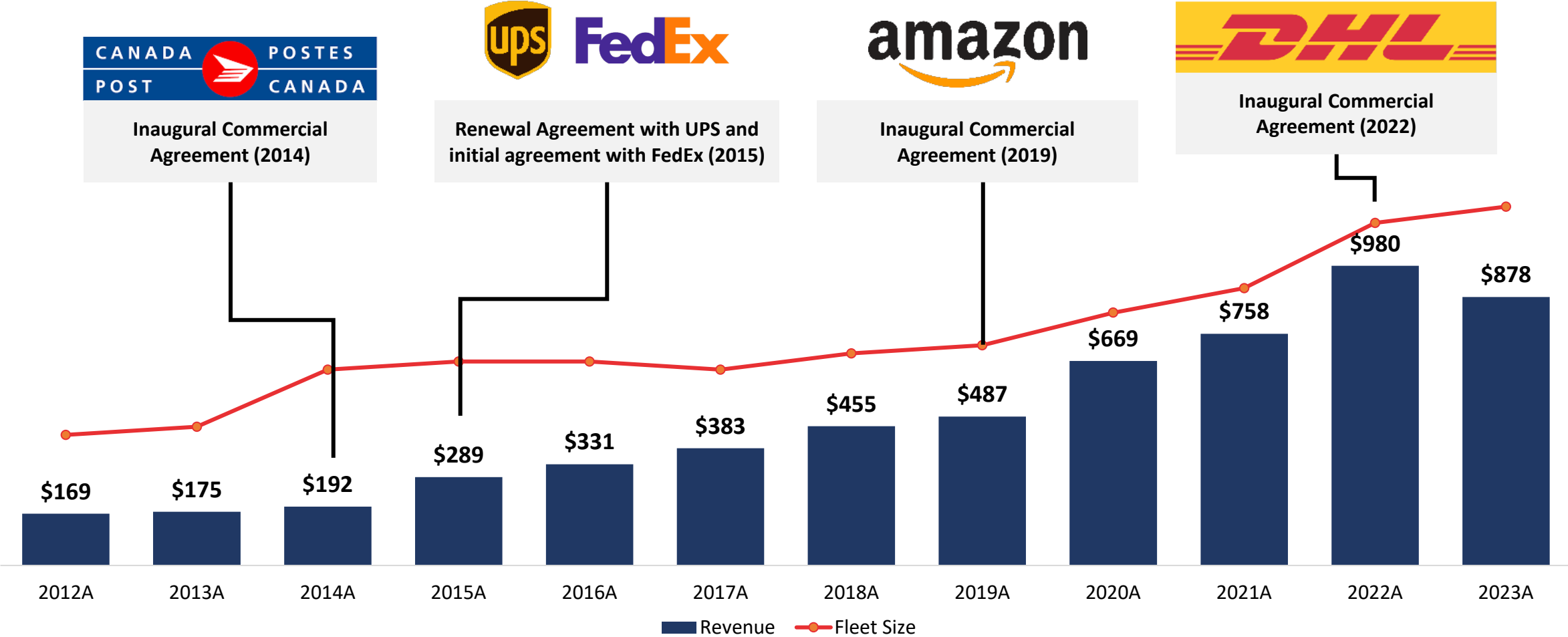
# Presentation Map

## Presentation Slides

1. Recommendation
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# Business History

CJT has built unparalleled scale and capability through adding world class customers



Source: Company Filings

# Segment Overview

Canada's largest dedicated air freight business is split into three main segments

Segment	Domestic Network	ACMI / CMI (Aircraft, Crew, Maintenance & Insurance)	Charters/ International
<b>Description</b>	<ul style="list-style-type: none"> <li>Overnight domestic air cargo network covering 16 cities</li> <li>~75% of domestic revenue under long-term contracts</li> <li>Weight and cargo space pre-purchased by customers</li> <li>Contracts include variable surcharges for uncontrollable costs, have guaranteed volume minimum and CPI-based annual price increases</li> </ul>	<ul style="list-style-type: none"> <li>Currently operate 15 dedicated routes for DHL, with plans to add &gt;10 aircrafts over the next 5 years</li> <li>Revenue based on block-hours</li> <li>5-yr contract term with 2-yr renewal option</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc charters on weekends and daytime utilizing idle aircrafts that operate in Domestic and ACMI networks</li> <li>Priced per flight</li> </ul>

## Key Customers



*Alliances with international air carriers*

## Key Geographies



*Domestic/  
International*

# Domestic Overnight Model

CJT customers pre-purchase space on a CJT operated flight

CJT operates overnight flights each day of the week...



...with cargo from many customers

Customers pre-purchase space on CJT flights



75% of domestic revenue is locked down in long-term contracts with high minimum volume and revenue guarantees, full fuel cost pass through and annual CPI-based price step-ups



# Domestic Network Map

CJT serves over 90% of the Canadian population through its 16 hubs and 500 weekly flights



The network flies ~500 flights each week

Source: Company Filings



# ACMI Model

CJT operates dedicated flights for DHL to support their global aspirations

CJT operates dedicated flights for DHL...



Source: Company Filings

...to service their global presence

Illustrative Example: Potential Cargo Route



CJT flies goods from Germany to Canada



CJT flies goods from Canada to the USA



Goods are then flown to LatAm regions

# ACMI Network Map

CJT has an extensive international footprint driving higher block hour usage



---

## Charter Model

Charter flights are available on an ad-hoc basis to a varied customer base

The charter business has seen growth recently due to COVID and an increasing number of emergencies

---



**Maui wildfire rescue flights**



**Flights to pick up COVID PPE**



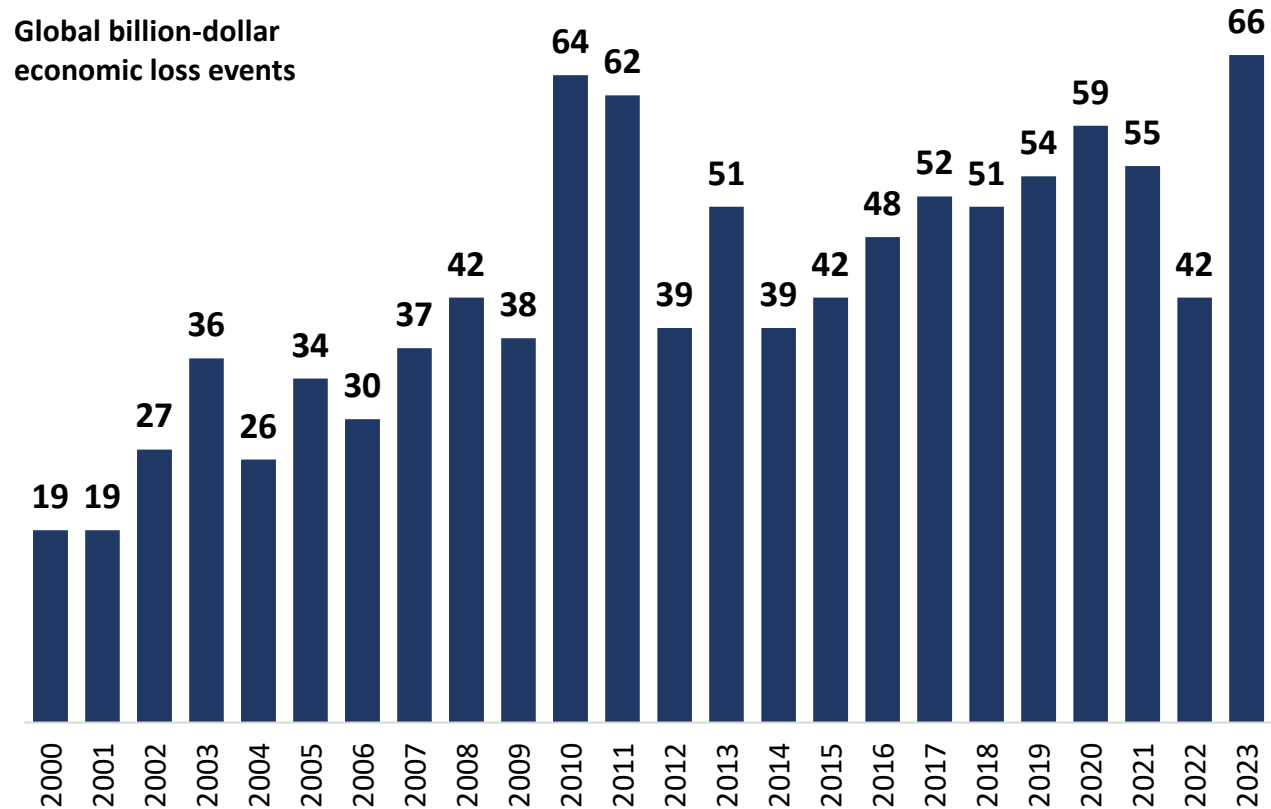
**Flights to deliver cargo hindered  
by BC landslides**

**CJT's charter business will benefit from the increasing level of natural disasters and geopolitical tension**

# Charter Model Growth Catalysts

Charter demand is fueled by the increasing number of natural disasters and supply chain disruptions

Significant natural disasters are steadily increasing due to climate change...



Source: Aon, CNBC, WSJ

...and supply chain disruptions are becoming far more common



Suez Canal Blockage (2021)



Invasion of Ukraine (2022)



Red Sea Disruptions (2024)



Panama Canal Drought (2024)



# Customer/Contract Overview

CJT services leading blue-chip T&L customers across its segments

## Key Customer Relationships



CJT has had a relationship with Canada Post and Purolator since 2014 after replacing the 30-year incumbent and recently extended their MSA through 2029



CJT won this contract in 2015, replacing the 12-year incumbent. CJT has recently extended their MSA with UPS through 2030



CJT has had a relationship with DHL since 2004 and recently signed a strategic agreement securing business through 2029



CJT has had a relationship with Amazon since 2015 and recently signed a strategic agreement securing business through 2026/2027

## Other Customers



**+400**

Non-contracted customers

**+50**

Partnerships with global airlines

Source: Company Filings

# Fleet Overview

Cargojet has a strong fleet of active aircraft as of Q1 2024

21



## Boeing 767-300 Freighter

Maximum Payload: 125,000 Lbs  
Maximum Range: 6,000 Nautical Miles

17



## Boeing 757-200 Freighter

Maximum Payload: 80,000 Lbs  
Maximum Range: 3,900 Nautical Miles

3



## Boeing 767-200 Freighter

Maximum Payload: 100,000 Lbs  
Maximum Range: 5,000 Nautical Miles

Most modern commercial airliners are designed for roughly 30,000 cycles, and with CJT's infrequent flights, these aircraft can last upwards of three decades

# Fleet Overview – Data

We forecasted CJT's capacity by plane to evaluate their ability to service anticipated volume

Fleet Breakdown	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
B767-300	8	9	11	12	14	16	18	21	22	23	23	23	23
B767-200	1	1	1	1	3	3	3	3	3	3	3	3	3
B757-200	5	6	8	8	8	9	13	17	15	15	15	15	15
B727-200	6	3	1	-	-	-	-	-	-	-	-	-	-
B767-200 (Passenger)	-	-	-	1	1	1	1	-	-	-	-	-	-
Challenger 601 (Passenger)	2	2	2	2	2	2	2	-	-	-	-	-	-
Cessna 750 (Passenger)	-	-	-	-	-	-	1	-	-	-	-	-	-
Beechcraft 1900D (Passenger)	-	-	-	-	-	-	1	-	-	-	-	-	-
<b>Total Fleet Size</b>	<b>22</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>28</b>	<b>31</b>	<b>39</b>	<b>41</b>	<b>40</b>	<b>41</b>	<b>41</b>	<b>41</b>	<b>41</b>

## Maximum Payload Per Plane (pounds)

B767-300	125,000
B767-200	100,000
B757-200	80,000
B727-200	60,000
B777-200	233,000
B767-200 (Passenger)	100,000
Challenger 601 (Passenger)	6,000
Cessna 750 (Passenger)	2,375
Beechcraft 1900D (Passenger)	4,375

## Maximum Capacity (pounds)

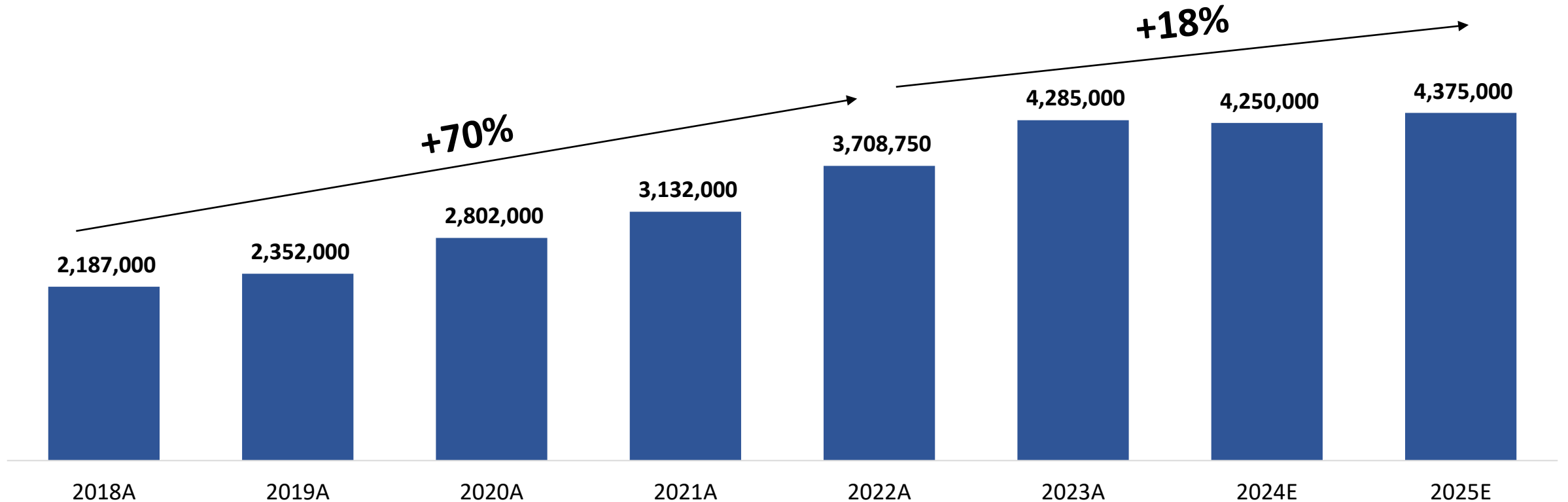
B767-300	1,000,000	1,125,000	1,375,000	1,500,000	1,750,000	2,000,000	2,250,000	2,625,000	2,750,000	2,875,000	2,875,000	2,875,000	2,875,000
B767-200	100,000	100,000	100,000	100,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
B757-200	400,000	480,000	640,000	640,000	640,000	720,000	1,040,000	1,360,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
B727-200	360,000	180,000	60,000	-	-	-	-	-	-	-	-	-	-
B767-200 (Passenger)	-	-	-	100,000	100,000	100,000	100,000	-	-	-	-	-	-
Challenger 601 (Passenger)	12,000	12,000	12,000	12,000	12,000	12,000	12,000	-	-	-	-	-	-
Cessna 750 (Passenger)	-	-	-	-	-	-	2,375	-	-	-	-	-	-
Beechcraft 1900D (Passenger)	-	-	-	-	-	-	4,375	-	-	-	-	-	-
<b>Total</b>	<b>1,872,000</b>	<b>1,897,000</b>	<b>2,187,000</b>	<b>2,352,000</b>	<b>2,802,000</b>	<b>3,132,000</b>	<b>3,708,750</b>	<b>4,285,000</b>	<b>4,250,000</b>	<b>4,375,000</b>	<b>4,375,000</b>	<b>4,375,000</b>	<b>4,375,000</b>

Source: UWaterloo Analysis



# Capacity Breakdown

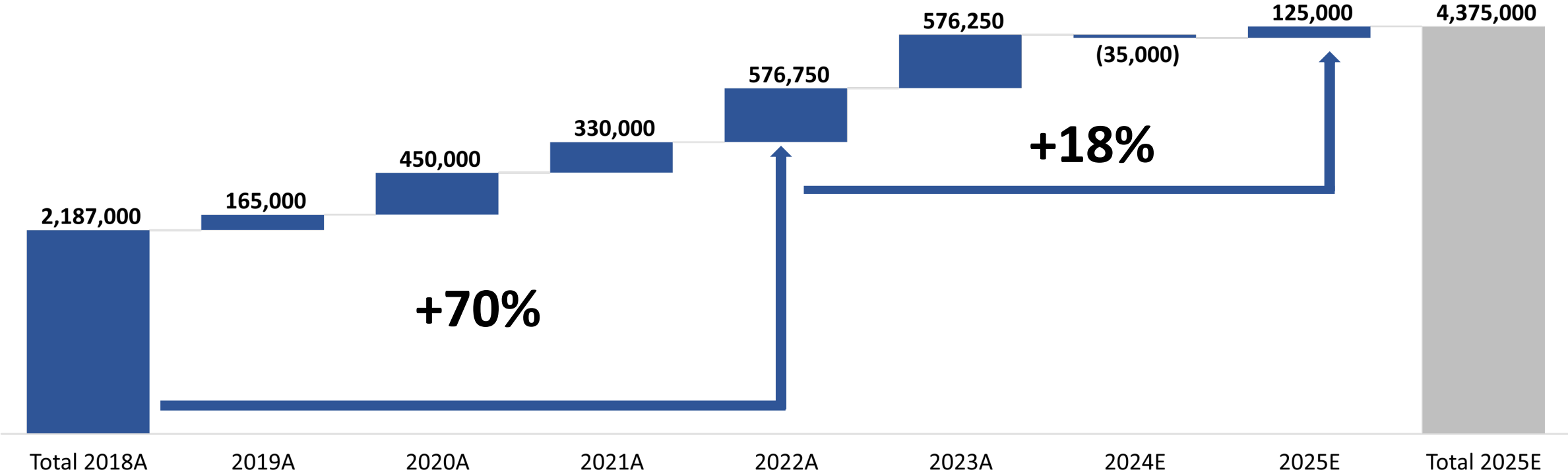
We forecasted CJT's total available capacity to evaluate their ability to service anticipated volume



In addition to the significant volume capabilities on Cargojet's fleet, experts believe that Cargojet has 15%-20% excess capacity within their domestic network due to the freight recession. As a result, CJT's strategy shift will still leave adequate room for growth

# Capacity Breakdown - Additions

We forecasted CJT's annual capacity additions to evaluate their ability to service anticipated volume



In addition to the significant volume capabilities on Cargojet's fleet, experts believe that Cargojet has 15%-20% excess capacity within their domestic network due to the freight recession. As a result, CJT's strategy shift will still leave adequate room for growth

Source: UWaterloo Analysis

## January 15<sup>th</sup>, 2024 Press Release

Cargojet provided an update to their capex targets and fleet strategy on January 15, 2024

Year	Maintenance Capex	Growth Capex	Proceeds from Dispositions	Net Capital Expenditures
2024	\$140M - \$150M	\$20M - \$30M	\$100M - \$110M	\$60M - \$80M
2025	\$140M - \$150M	\$20M - \$40M	\$0M	\$160M - \$180M

	2023	2024	2025
<b>B757</b>	17	15	15
<b>B767</b>	24	25	26
<b>Total</b>	<b>41</b>	<b>40</b>	<b>41</b>

CJT recently announced their decision to exit their commitments for the four remaining B-777 aircraft in their original capex plan

CJT will now convert the feedstock for two 767's which will meet future demand. Management's capital allocation approach is to now maintain low leverage, dividend growth and share buyback programs going forward

## Our View on the Recent Press Release

Management has recently provided shareholders with an update on their strategy shift

### Management Comments

Forecasts continue to indicate that the international air cargo market will remain soft in the short to medium term... CJT has decided to exit their commitments for the four remaining B-777 aircraft

Under its NCIB, the Corporation has purchased for cancellation an aggregate of 366,408 voting shares as at December 31, 2023 for an average purchase price of \$104.66, at a total cost of \$38.3 million

Cargojet intended to operate the long-haul freighters for DHL Express, one of its main customers, but now says it can accomplish the task with 767s

### Our View

We see this shift as strategically prudent as it further normalizes their fleet size to keep costs down as it gives them time to focus on margin expansion through stagnant costs and increased top-line growth

This validates management commitment to returning capital to shareholders and we view this as a highly positive signal of their intent and ability to execute on their strategy shift

We believe CJT can capture growth through DHL using its existing fleet by reorganizing routes into higher margin, long-haul flights and through capturing expanding volumes, leading to increased utilization

# Benefits of Updated Fleet Strategy

Key differences between the B-757/767 and B-777 models further support CJT's strategy shift

B-757s and B-767s are virtually identical in all critical aspects...

...which has led to both aircraft receiving the same rating from the FAA, meaning that a pilot trained in one can fly the other

	B-757 Aircraft	B-767 Aircraft
Controlling Surfaces	✓	✓
Cockpit Layout	✓	✓
Aerodynamics	✓	✓

The interchangeability between the two planes are a clear positive for reducing pilot, crew, training, and aircraft costs

The strategy shift of cancelling B-777s fit with CJT's focus on cost optimization. And as alluded to previously, the company will have sufficient capacity to reconsolidate and meet growth in volume across their various segments



Source: Boeing , Company Filings, UWaterloo Analysis

# Barriers to Entry

Significant barriers to entry exist for all competitors, insulating CJT

## Domestic Airlines

**Anchor Customers**

Anchor customer are required to provide consistent levels of volume and CJT has all anchor customers

**Significant Fleet Expansion**

Airlines would need to build significant volume capacity through fleet expansion, which none will do unless they have secured anchor customers

**Logistics Expertise**

Significant logistics expertise would need to be built in order to effectively and efficiently operate a dedicated freighter operation

## International Airlines

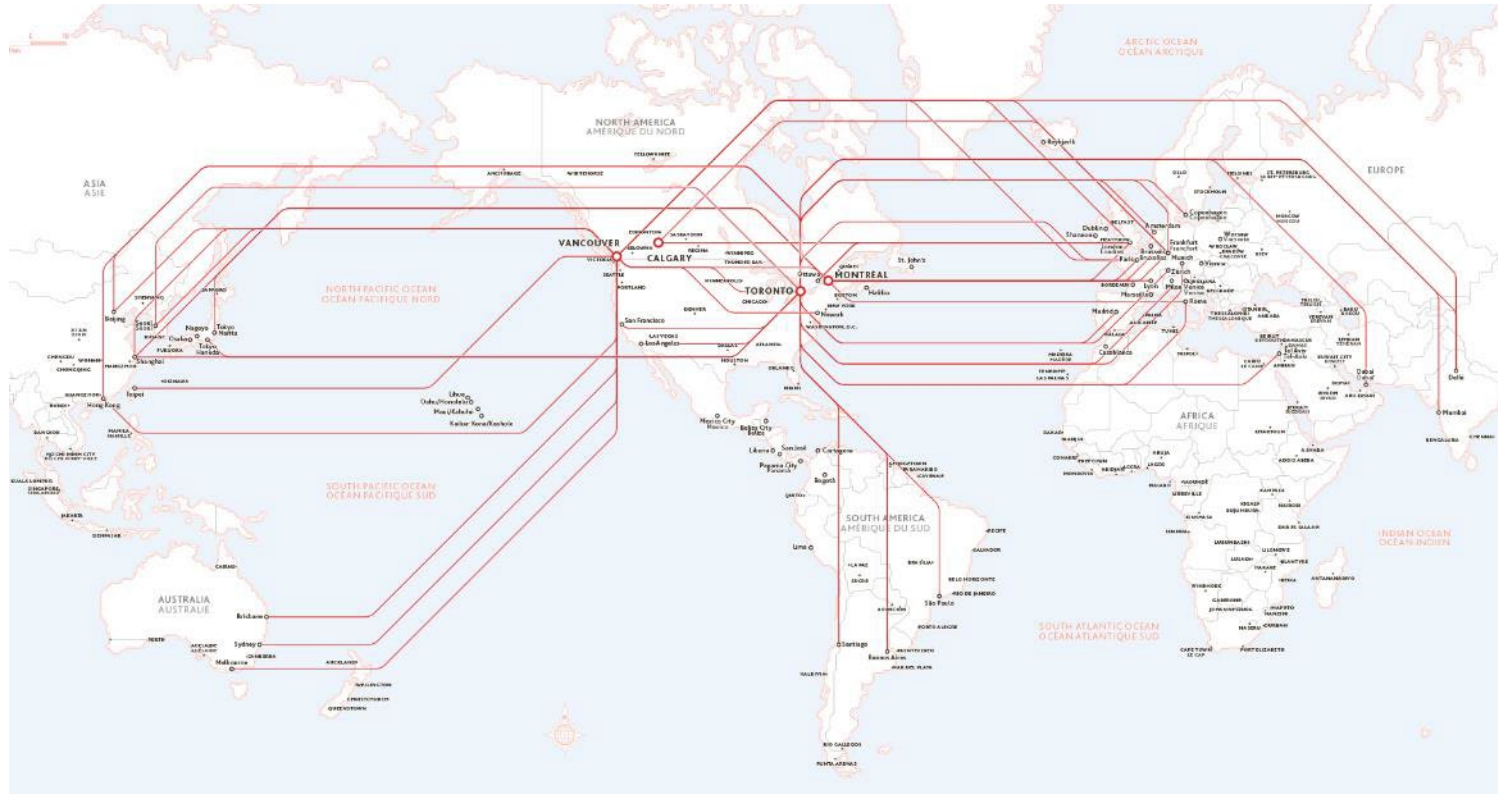
**Cabotage Laws**

Cabotage laws prevent international airlines from delivering cargo from point to point in Canada



# Competitor Profile: Air Canada Cargo

Competitors in Canada are not significant threats to CJT



Operates a diverse fleet that move cargo in the belly of passenger planes

Operates 7 planes as dedicated cargo freighters

Prioritizes passenger baggage, special deliveries, urgent shipments, temperature sensitive goods, human remains, and humanitarian aid above cargo

Unable to offer time-sensitive guarantees to customers and is not focused on expedited overnight freight

Dropped plans to add two B777s to their fleet of dedicated freighters after underperforming in Q2 2023

**Air Canada Cargo has a very limited Canadian presence. The majority of the business exists to support passenger planes as they fly around the world**



# Competitor Profile: WestJet Cargo

Competitors in Canada are not significant threats to CJT



Experienced low bookings on dedicated cargo planes and have been unsuccessful so far

Few long-term contracts with important customers and no anchor customer exists to provide volume certainty

Attempted the conversion of four passenger planes to dedicated cargo, the completion of which took over a year for regulatory approval

Unable to guarantee timeliness to customers for belly-cargo business due to the likelihood of being bumped by higher priority packages

# Competitor Profile: Morningstar Air Express

Competitors in Canada are not significant threats to CJT



## Focus Cities

Calgary

Edmonton

Halifax

Moncton

## Secondary Hubs

Winnipeg

Montreal

Vancouver

Toronto

Morningstar only covers locations with low cargo traffic. Their regional niche is not disruptive to CJT

Morningstar Air Express Total Fleet Size: 22

ATR 72: 4

Boeing 757: 9



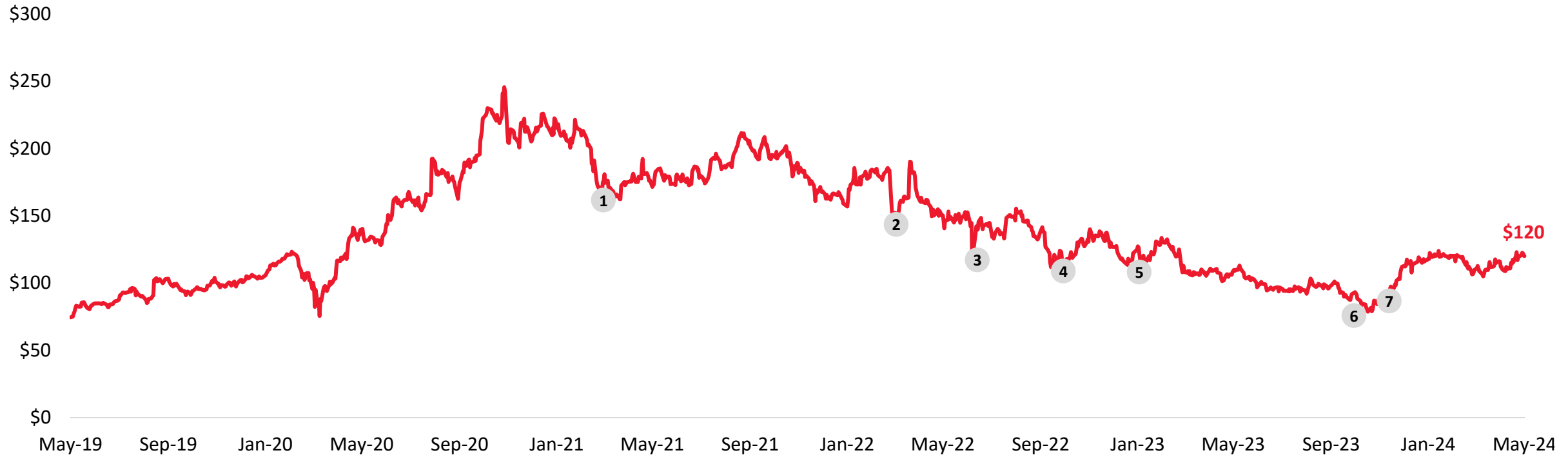
Cessna 208 Caravan: 9



Despite a cargo fleet of 22, 9 of these planes are of extremely small capacity, meaning their purpose is to fly small amounts of goods

# Stock Price Annotated

CJT has demonstrated strong performance throughout a challenging freight recession



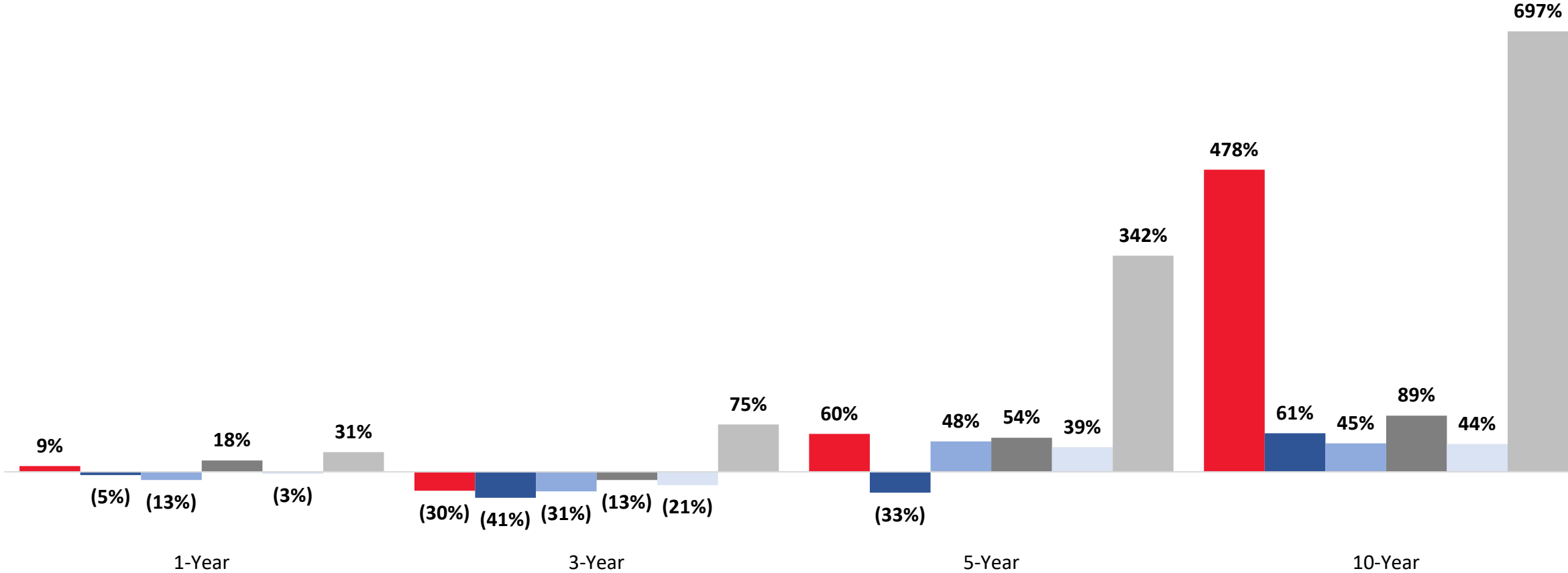
- 1 CJT expands relationship with Amazon
- 2 CJT renews two major customers
- 3 CJT announces DHL warrants and contract extension
- 4 Renewal of UPS MSA through 2030
- 5 Renewal of MSA with Canada Post through 2029
- 6 CJT announces dividend growth and NCIB program
- 7 CJT announces new co-CEO model

Source: Capital IQ, Company Filings

# Historical Peer Returns

CJT has performed strongly against peers on average across time periods

■ CJT ■ ATSG ■ UPS ■ FedEx ■ DHL ■ TFI

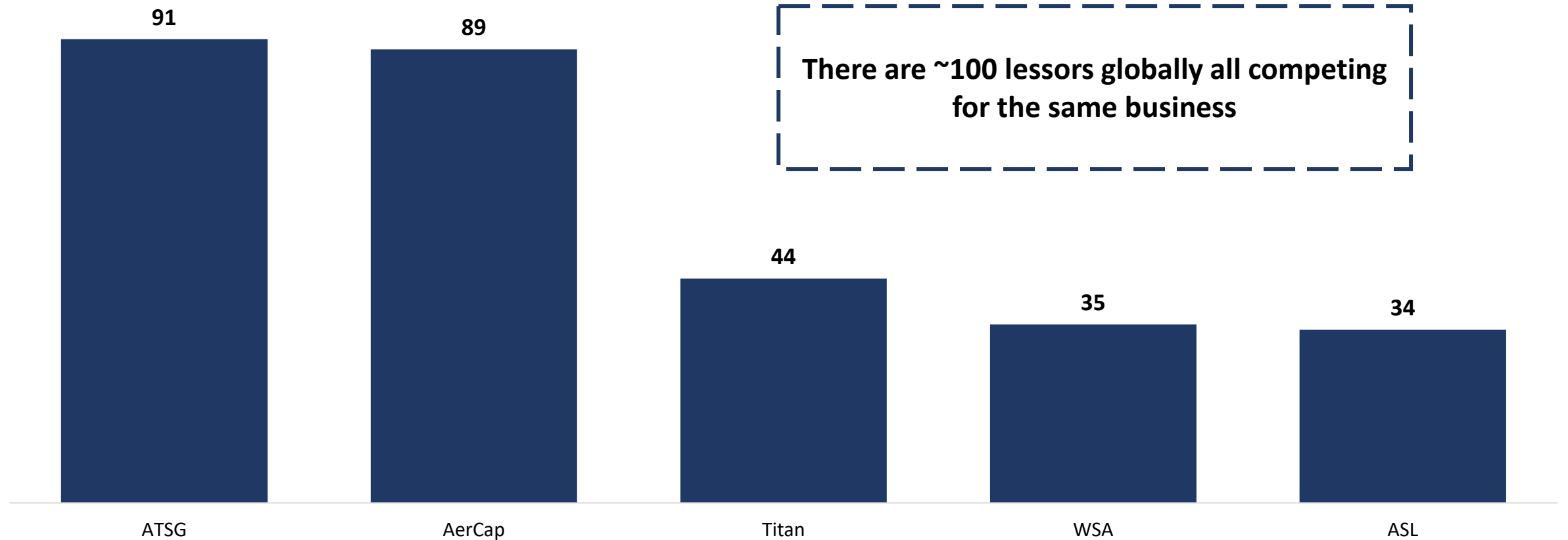


Source: Capital IQ

# Dry Lease Competitors

Dedicated freight peers operate in a highly competitive environment

## Top air freighter lessors globally



Source: ATSG

# Freight Recession – Headlines

Executives believe the freight recession will ease in H2 2024

STATE OF FREIGHT

## The global freight recession will continue in 2024: CNBC Supply Chain Survey

PUBLISHED TUE, NOV 7 2023 10:52 AM EST

BUSINESS | LOGISTICS

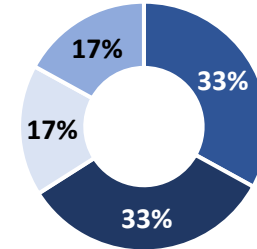
## Maersk to Cut 10,000 Jobs as Cargo Boom Ends

Shipping giant swings from bumper profits to layoffs as demand for seaborne trade weakens

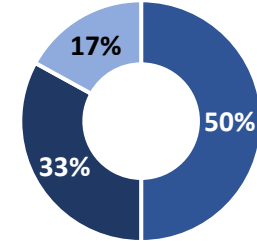
## Major Indicator of Economic Downturn: FedEx Pilots Being Told To Leave For American Airlines

by Gary Leff on November 3, 2023

### Logistics executives view a recovery in late 2024



■ Up 5%  
■ Up 10%  
■ Down 10%  
■ Down 5%



■ Up 5%  
■ Up 10%  
■ Up 15%



### The direct result of lowered consumer spending

Shipping rates cratered in 2023, and Maersk faced greater pressure to invest in decarbonisation. Coupled with an overspend on shipping assets, Maersk's EBT declined 94% YoY to \$691 million



### Low freight volumes means crews are overstaffed

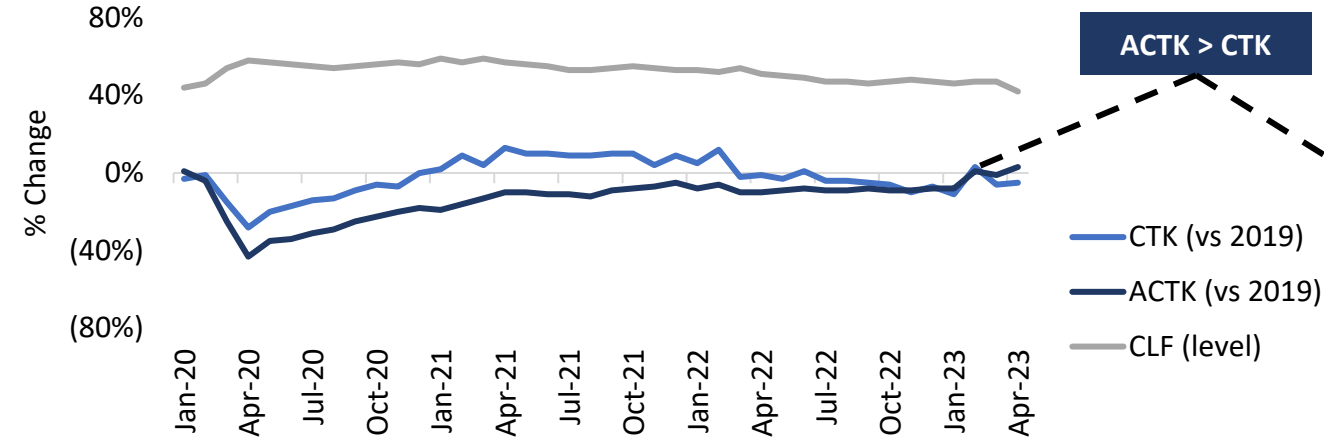
Despite the national pilot shortage, FedEx pilots are receiving minimum hours and exit offers due to the lack of demand for air cargo

# Freight Recession – Drivers

Increasing capacity and decreasing aircraft conversions have driven the freight industry towards a recession

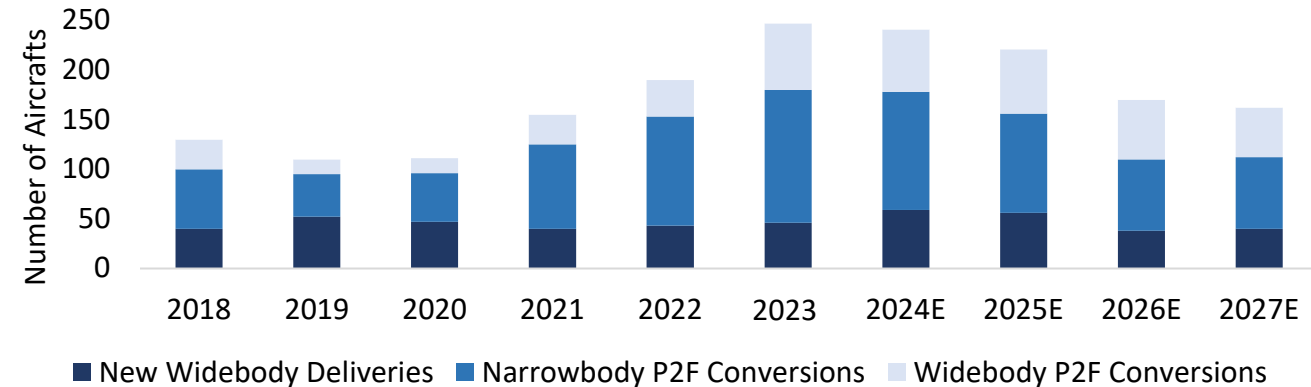
## Air Cargo Supply and Demand Balance

## Impact on Cargojet



- Available Cargo Tonne Kilometres (ACTK) measures the total available cargo capacity whereas is Cargo Tonne Kilometres (CTK) measures actual cargo traffic
- As  $ACTK > CTK$ , the supply of cargo capabilities continues to increase while actual cargo demand stabilizes to pre-pandemic levels, hinting towards upcoming price drops and decreases in revenue
- $\downarrow$  Cargo Load Factor (CLF) results in  $\downarrow$  profit

## Passenger Aircraft Conversion



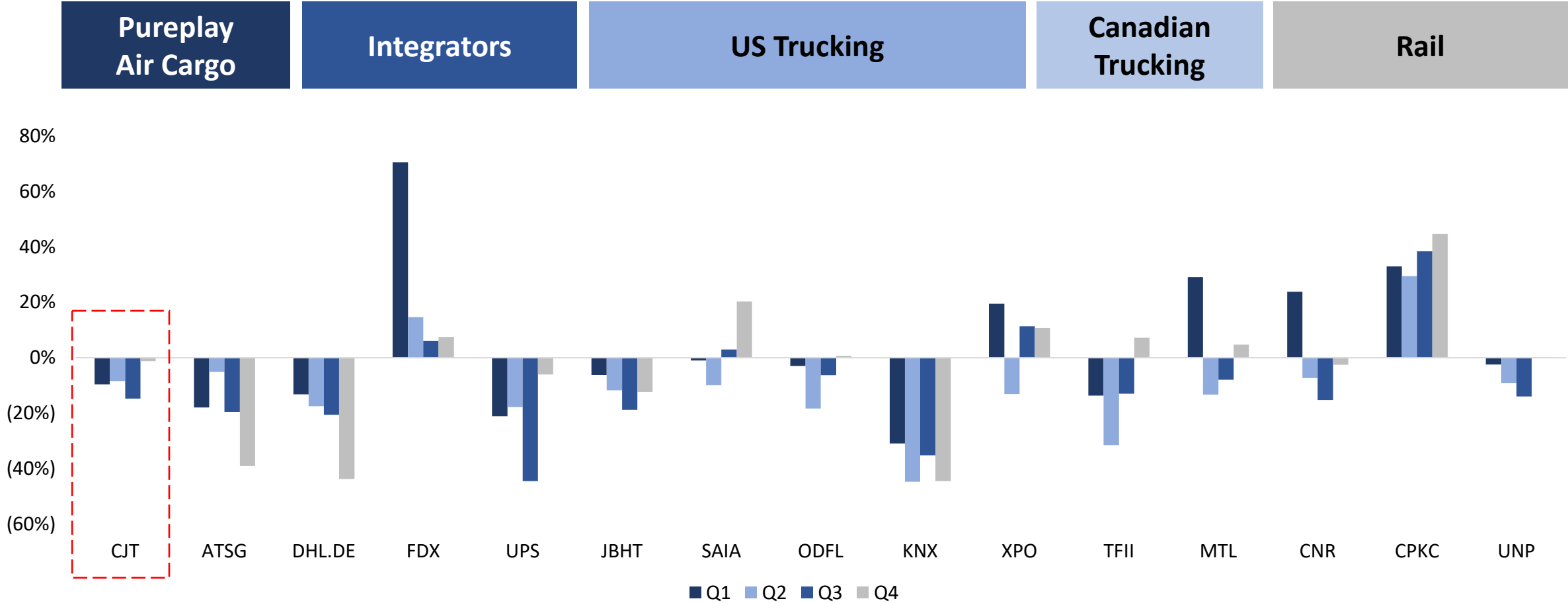
- Cargojet and other cargo airlines grow their fleets by completing Passenger-to-Freight (P2F) conversions
- Due to the increase in cargo-focused companies and subsequent airplanes, conversions have peaked with forecasted conversions depicting an industry stabilizing to above pre-pandemic levels

Source: Boeing

# Freight Recession EBITDA Performance

CJT has demonstrated more resiliency than many peers

YoY quarterly EBITDA change the start of the freight recession



Source: Capital IQ



# Freight Recession – Recovery

Increasing capacity and decreasing aircraft conversions have driven the freight industry towards a recession

The freight recession has been highly impactful on transportation businesses globally...

**Maersk cutting 10,000 jobs in face of ‘worsening market conditions’**

Major Indicator of Economic Downturn: FedEx Pilots Being Told To Leave For American Airlines

**Trucker Yellow Files for Bankruptcy, Will Liquidate**

The company’s chief executive says Yellow is closing after the chapter 11 filing, costing some 30,000 workers their jobs

**Cargo airline Amerijet in distress sale, terminates 6 aircraft leases**

**Bezos-Backed Startup Convoy Closes Operations With No Buyer**

...but customers and executives we have interviewed believe that volumes will begin to recover in H2 2024

“We expect volumes to strongly rebound in the latter half of 2024 as interest rate hikes stop” – Freight leader at a top 10 customer

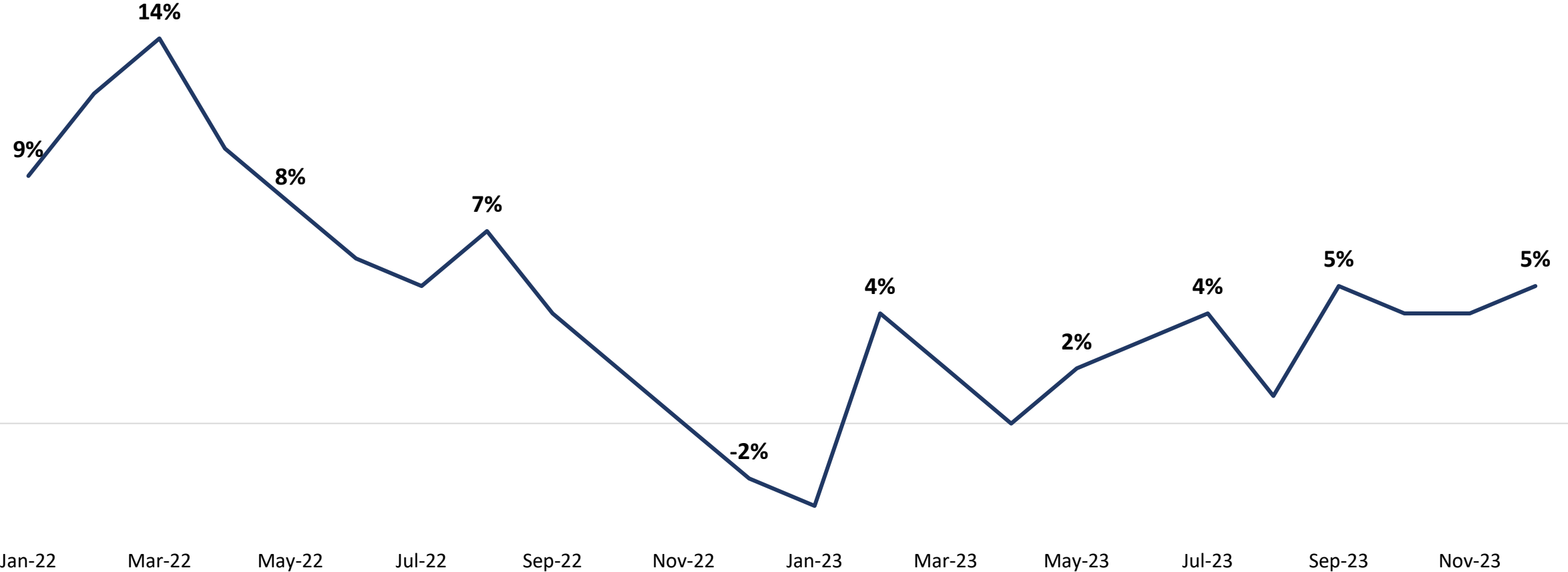
“We are through the worst of the freight recession and we expect volumes to rebound strongly” – CFO at an international freight forwarder

“The freight recession will linger into next year, but a recovery will take hold in H2 2024” – CEO of C.H. Robinson in a Bloomberg interview

# Freight Recession – Supply

Supply tightness is easing which is helping rates recover

YOY Change in Available Cargo Tonne-KM (%)

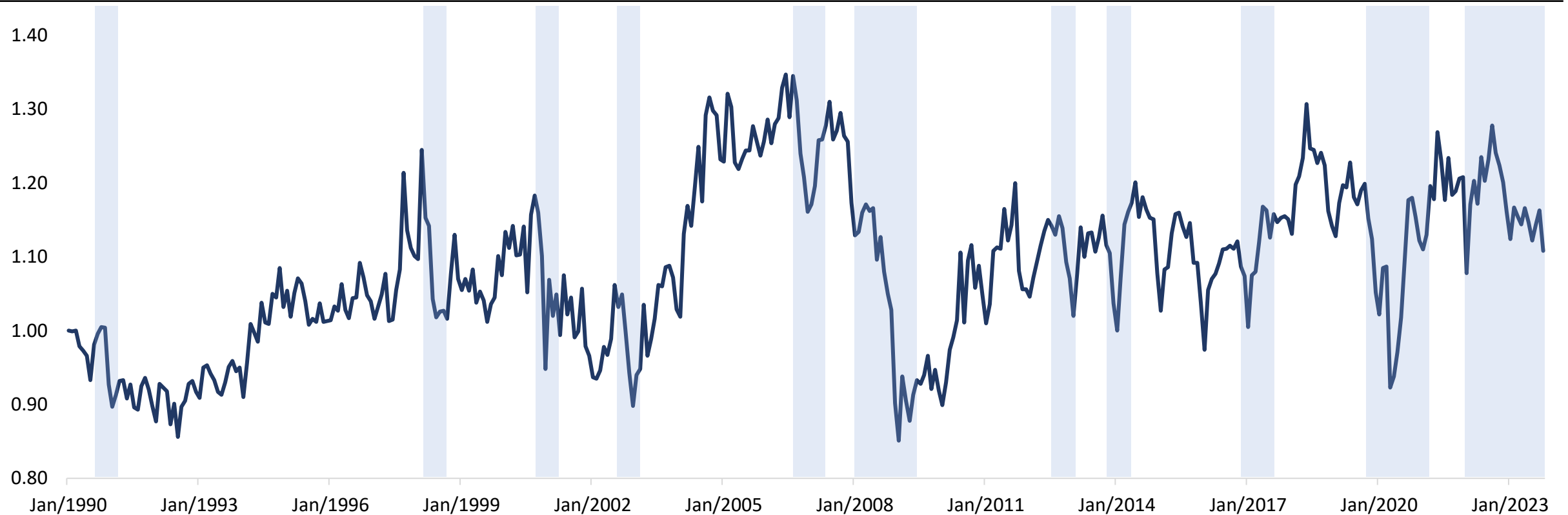


Source: TD Bank

# Historical Freight Recessions

At its current valuation, CJT looks attractive given the signs of recovery in the macro environment

The ongoing freight recession is beginning to show signs of recovery as the supply/demand imbalance eases



Now represents an attractive time to invest in CJT as the freight recession is expected to alleviate in H2 2024

# Cabotage Laws

Cabotage laws prevent international air freight businesses from taking away CJT's domestic market share

## Benefits of Cabotage

- Only Canadian operators are permitted to make point-to-point deliveries of goods in Canada
- As such, freighter companies benefit from:
  - Protected domestic trade and economic interests
  - Encouraged local growth
  - Fair Competition

## Limitations for CJT

- 91 UN Member States have Cabotage Laws
  - Including China, South Korea, Russia, Japan, Chile, Mexico, Brazil, Argentina, and Australia
- International expansion is restricted
  - Similar to barriers that prevent competitors from stealing domestic market share

### Illustrative Example:



Source: Aircraft Owners and Pilots Association

# Customer Insourcing Model

We calculated the level of volume required to break-even in insourcing Canadian middle mile operations

## Key Model Drivers

Plane leasing costs

Pilot and crew costs

Fuel costs

Commercial costs

Maintenance costs

## Model Outputs

CJT Cost			
Illustrative volume	165,104,985 kg		
Rate (per/Kg)	\$2.50		
<b>Cost of using CJT</b>	<b>\$412,762,462</b>		
Insourcing Costs			
Kg moved per week (52 weeks)	3,104,178 kg	Average annual cost of renting a B767 freighter	\$12,000,000
Capacity per plane per flight (B767-300)	56,688 kg	Insourcing leased planes	14
Flights per week to fulfill volume needs	55	<b>Insourcing plane leasing costs per year</b>	<b>\$168,031,534</b>
Days per week of flying	4		
<b>Planes needed to fulfil volume needs</b>	<b>14</b>		
CJT pilots	371	CJT crew costs	\$92,552,000
CJT aircraft	39	CJT number of facilities	16
Pilots per aircraft	10	Crew costs per facility	\$5,784,500
Annual salary per pilot	\$125,000	Insourcing assumed # of facilities	12
Insourcing pilots required	140	<b>Insourcing crew costs</b>	<b>\$69,414,000</b>
<b>Insourcing pilot costs</b>	<b>\$17,500,000</b>		
CJT commercial costs	\$168,318,800	Average CJT flight time	2.8 hrs
CJT number of facilities	16	Average amount of fuel used on a 1 hour flight	197 gallons
Crew costs per facility	\$10,519,925	Total flight hours	7,973 hrs
Insourcing assumed # of facilities	12	Gallons of oil needed	1,573,364 gallons
<b>Insourcing commercial costs</b>	<b>\$126,239,100</b>	Price/gallon of jet fuel	\$2.40
		<b>Insourcing jet fuel cost</b>	<b>\$3,776,074</b>
CJT maintenance costs	\$63,711,200	<b>Total insourcing costs</b>	<b>\$534,797,084</b>
CJT fleet size	39	<b>Cost savings from insourcing</b>	<b>\$0</b>
Maintenance cost per plane	\$1,633,621	<b>2022 Canadian domestic cargo volume (kg)</b>	<b>690,599,000 kg</b>
<b>Insourcing maintenance costs</b>	<b>\$22,364,054</b>	<b>Volume required to break-even % of Canada volume</b>	<b>24%</b>

Source: Company Filings, Boeing, UWaterloo Expert Interviews, IATA

# Customer Facility Investments (Domestic)

Long-term strategic partners have all made concentrated efforts to further integrate facilities

## Amazon Hamilton Airport Investment



In Jan. 2022 Amazon opened its new 855k sq. ft. fulfillment center adjacent to CJT hub at Hamilton Airport

## DHL Express International Gateway Facility



In Sep. 2021 DHL opened its \$110M, 238k sq. ft. gateway facility next to CJT at Hamilton Airport

## UPS Hamilton Airport Sort Facility



UPS has maintained its Hamilton sort facility since the early 2000's and is designed to tightly coordinate with CJT

## Purolator Hamilton Airport Sort Facility



Purolator has maintained its facilities at the Hamilton Airport and volumes have grown steadily

# CJT Strategic Warrants

Warrants entrench CJT with world class customers and drive incremental revenue

## Key Customer Warrant Agreements



**Vesting Period:**  
2019-2026 (2027 Ext.)

Warrants to acquire up to 9.9% of current shares, at a strike price of C\$91.78 per share  
Terms: Amazon must deliver C\$400 million over the course of the 6.5-year vesting period. Potential to acquire an additional 5% if Amazon delivers C\$200 million during an additional year after the first 6.5-year period



**Vesting Period:**  
2022-2029

Warrants to acquire up to 9.5% of current voting shares, at a strike of C\$158.92  
Terms: Tied to the vesting period, over the course of 7 years, DHL must deliver C\$2.3 billion in revenue

Source: Company Filings

## Benefits of the Strategy

Lower risk of replacement

High certainty of revenue

Access to capital

Aligned interests

# Amazon Industry Warrants

Amazon holds warrants in all major air freight businesses in North America



- In May 2016, Atlas Air issued warrants to Amazon that would give them the opportunity to acquire up to 20% of the business
- The warrants are focused on aligning interests and strengthening the long-term relationship between Atlas and Amazon



- In March 2016, ATSG issued warrants to Amazon that would give them the opportunity to acquire 19.9% of the business
- In March 2021, Amazon exercised the warrants and is now the largest shareholder in ATSG with 19.7% ownership



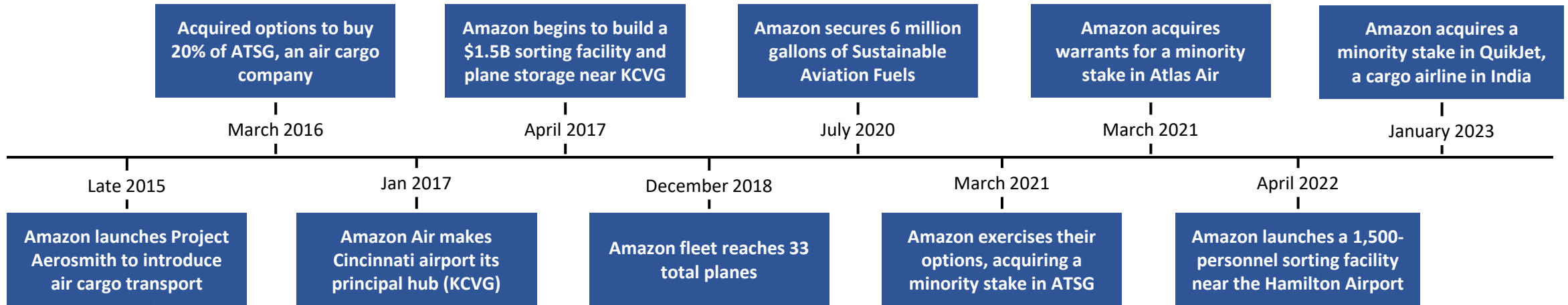
- In January 2023, Amazon invested an undisclosed amount in Indian cargo freighter Quikjet
- Investment in Quikjet enables Amazon to expand into one of the fastest growing e-commerce markets globally



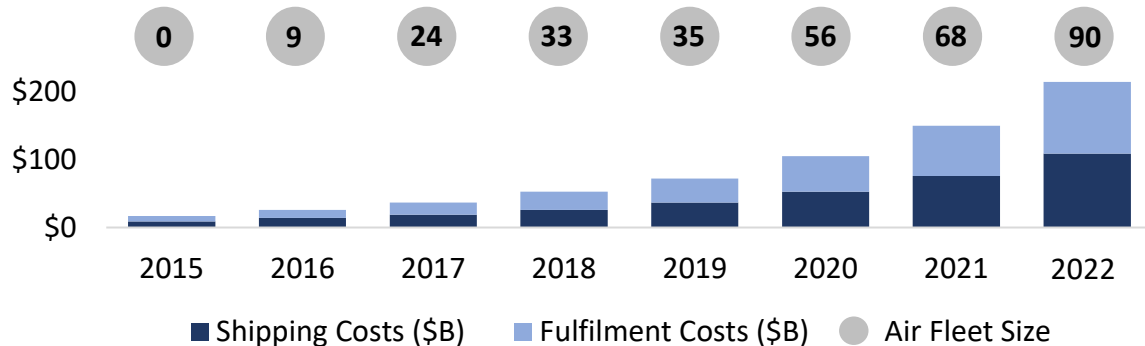
# Amazon Insourcing Focus

We do not believe Amazon is likely to insource the Canadian middle mile

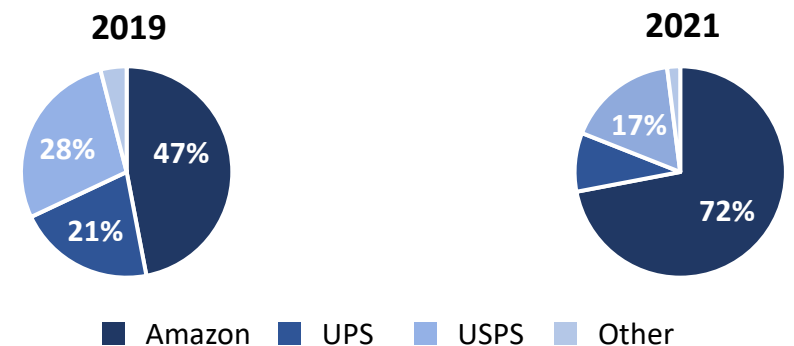
## Timeline of Amazon's expenditure to promote insourcing of air cargo business



### Amazon increases logistics spend significantly



### Amazon brings parcel shipping in-house aggressively



Source: Source: Company Filings, CNBC

# Amazon's Canadian Presence

Amazon holds a significant presence in Canada, driving growth across the nation

## Amazon Canada at a glance



45,000 employees



\$25B invested in Canada since 2010



65 facilities across Canada



4 renewable energy projects



### November 2023: Alberta

Amazon announced its fourth renewable energy project in Canada. These projects will help power Amazon's operations in Alberta, including its fulfilment centers, sortation centers, delivery and more.

### Q4 2023: Windsor, ON

Amazon had announced the development of a sorting centre in Windsor and later stated the facility would be 50% larger than officially announced 16 months ago due to increased demand.

**"Canada is one of the fastest growing countries in the world and we've invested over \$25B in Canada since 2010... the investment we're making in this country is really paying off"**

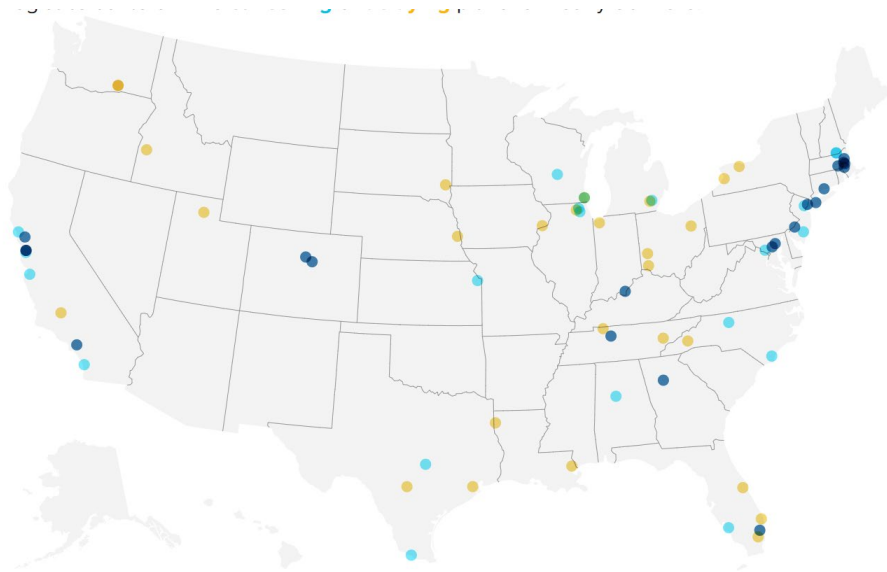
– Amazon Senior VP in an August 2023 Bloomberg Interview

# Amazon Facility Closures

Despite closures in other markets, Amazon continues to invest heavily in Canada

Amazon has quickly closed or canceled facilities in 2022...

...while rapidly expanding its investment in a quickly growing Canadian market



Note: As of Sept. 13, 2022  
Map: Gabriel Cortes / CNBC  
Source: MWPVL International



CLOSED (21)

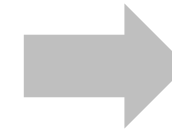
CANCELED (21)

DELAYED / ON HOLD (27)

**Amazon closed, cancelled or delayed facilities across the US in 2022**

Source: Amazon, CNBC

**45 Amazon facilities**  
2021



**65 Amazon facilities**  
Present

**Amazon continues to expand its presence in Canada**



August 2022  
Fulfilment Centre  
Calgary, AB



October 2023  
Fulfilment Centre  
Southwold, ON



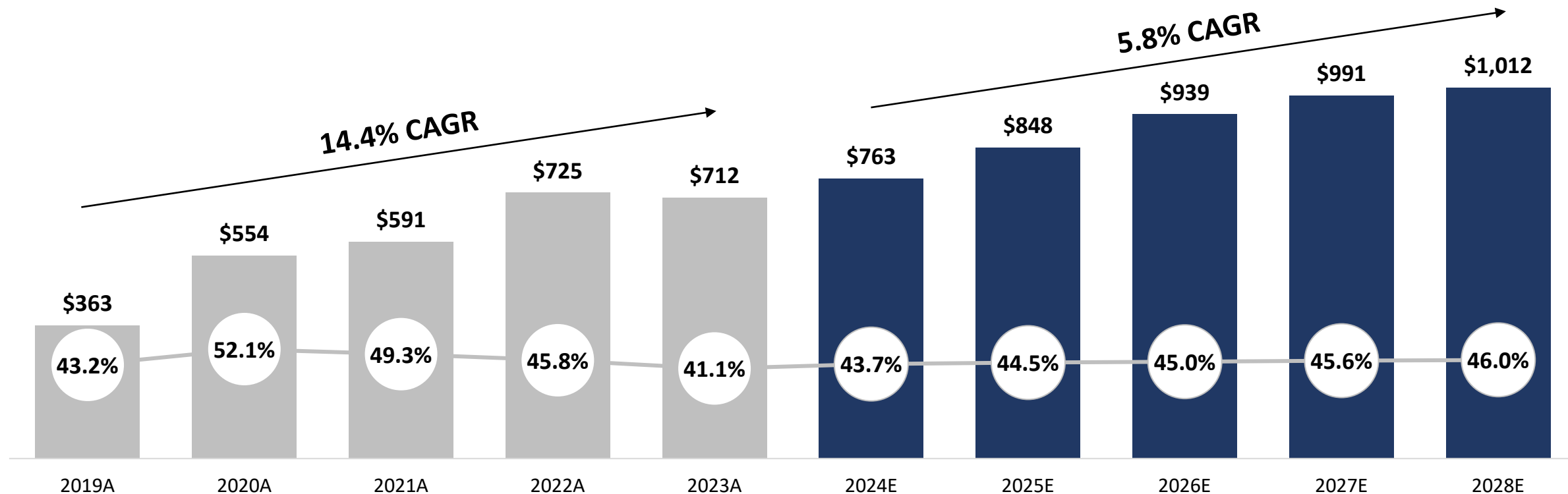
Q4 2024  
Sorting Centre  
Windsor, ON

## Reverse DCF: Market's Growth Expectations

The market is pricing in a more constructive view of CJT than we believe is warranted

A reverse DCF implies the market is pricing in modest growth and margin expansion

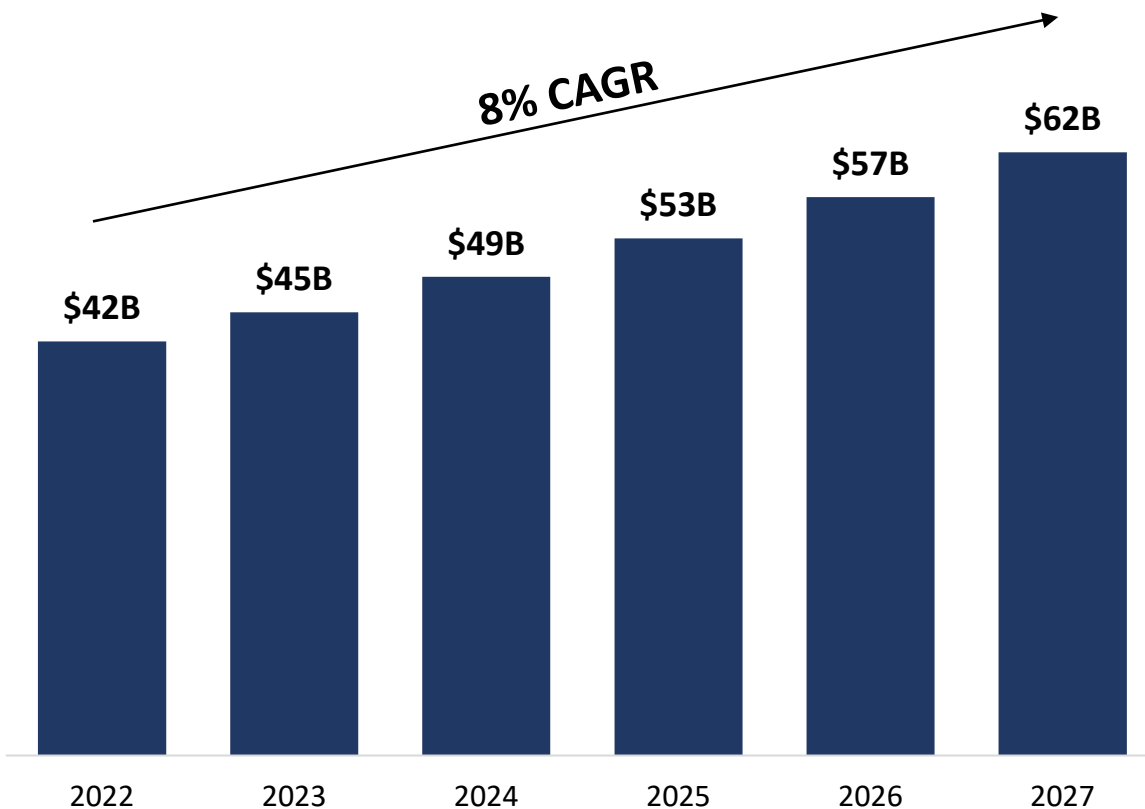
Operating case (Revenue and EBITDA margins) for CJT target price to equal current trading price of \$120



# Canadian E-Commerce Growth

E-commerce growth in Canada is strong, fueled by behaviour changes and population growth

Canada is projected to grow above-market...



Source: StatsCan, Statista

...after it has been historically underpenetrated

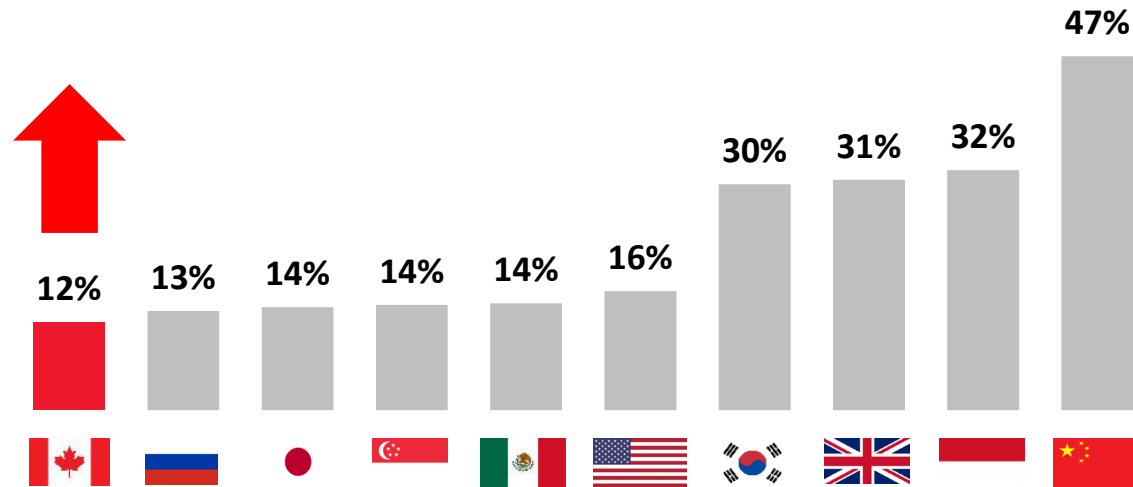
- Canadian retailers have notably lagged compared to other global peers in setting up e-commerce sites
- Canada's geography has presented infrastructure difficulties to meet the widespread demand
- Canada has one of the highest levels of internet usage (97% of the population use the internet)
- U.S. retailers aspire to tap into the growing e-commerce market in Canada, increasing cross-border opportunities

# Canadian E-Commerce Penetration

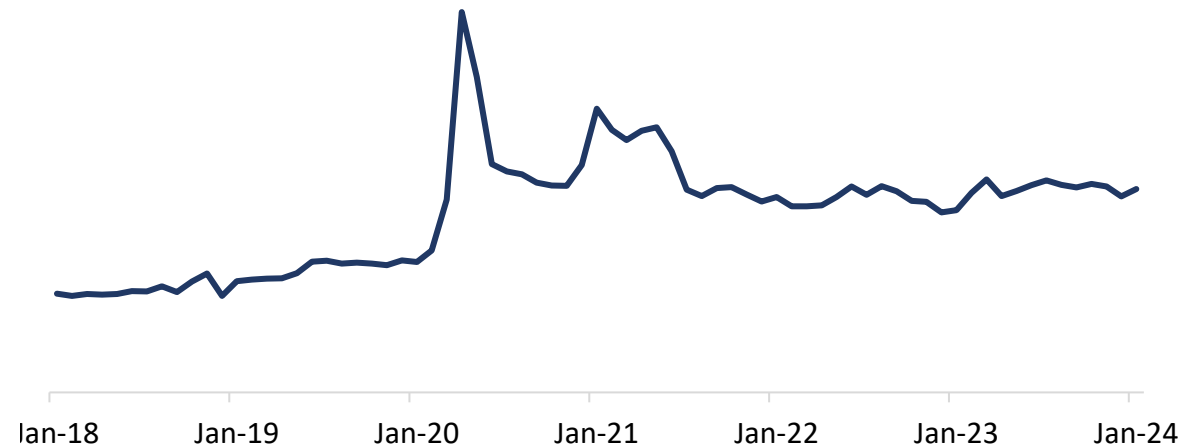
Domestically, CJT is poised to benefit greatly from Amazon's ongoing investment in Canada

The Canadian e-commerce market is under penetrated relative to other major economies...

E-commerce as a % of retail sales (2023)



Canadian % of retail sales



**“Canada is one of the fastest growing countries in the world and we’ve invested over \$25B in Canada since 2010... the investment we’re making in this country is really paying off”**

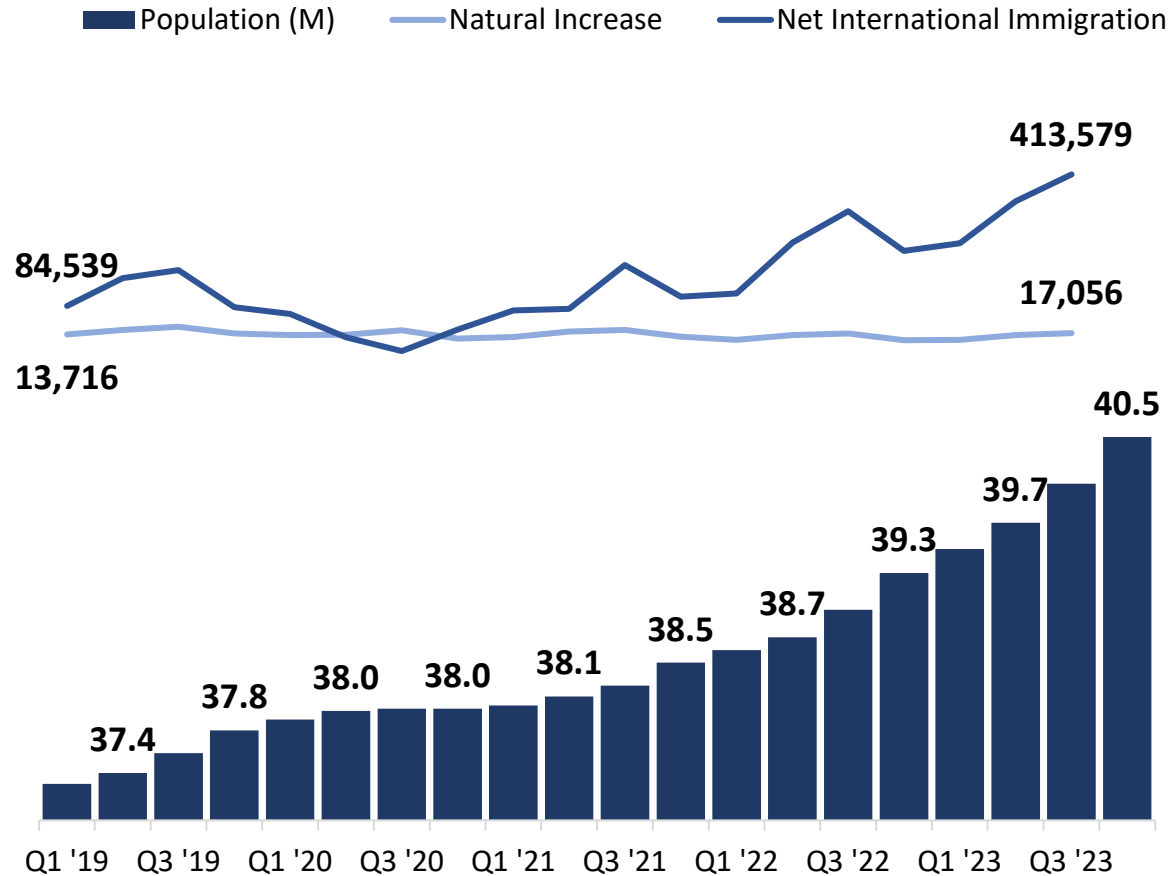
– Amazon Senior VP in an August 2023 Bloomberg Interview

Source: Bloomberg, Company Filings, Statista

# Canadian Population Growth

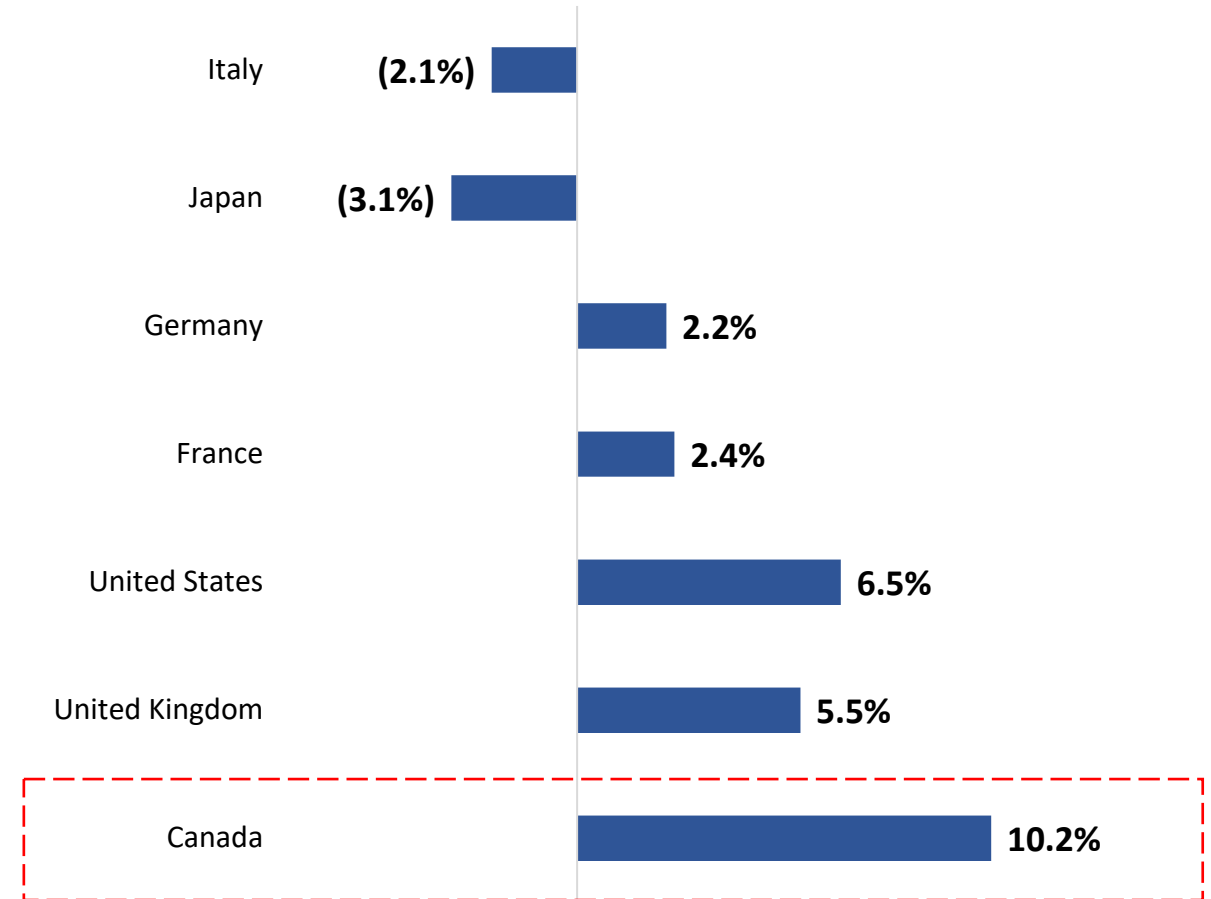
The increase in Canada's population is a primary driver for e-commerce in CJT's domestic business

Canada is witnessing record-high population growth ...



Source: World Economics, StatsCan

... which is twice the rate of other G7 countries (2013-23)



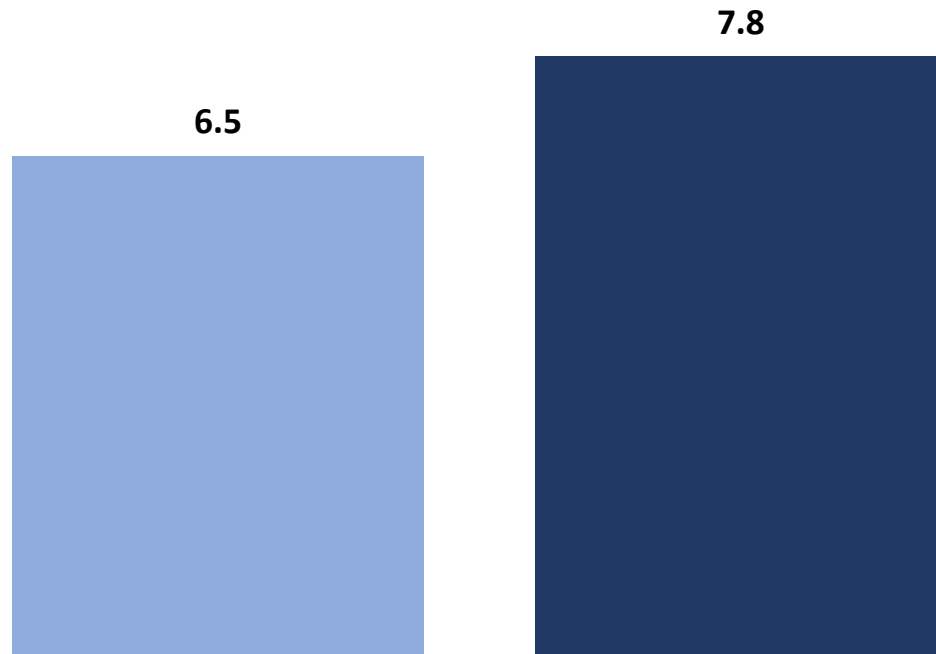
# Consumer Behaviour Shift

E-commerce penetration is expected to increase due to fundamental shifts in consumer behaviours

Do you value shopping online more than shopping in person? How would you respond now and pre-COVID?

N= 97

■ Pre-COVID ■ Post-COVID



Other e-commerce surveys indicate similar behaviour shifts that will drive increased penetration



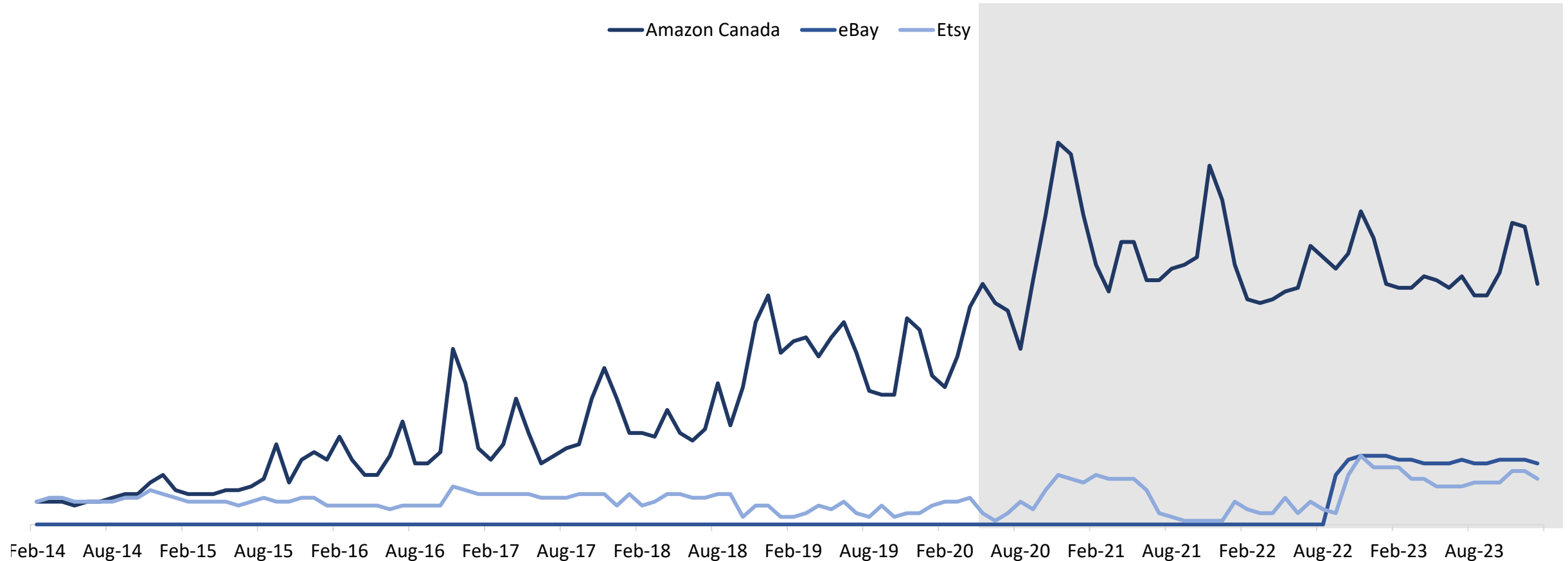
BCG research forecasts e-commerce sales to represent 41% of global retail sales by 2027

Nearly half of US respondents to a Bank of America survey say they plan to spend significantly more online over the next 12-months



# E-Commerce Search Trends

Despite perceived slowdowns, trends indicate high levels of consumer interest in e-commerce



Google Trends indicates that COVID has catalyzed a long-term shift in consumer behaviour in Canada

Source: Google Trends

## Global Customs Clearance Times

Canada is a global leader in customs clearance time, making it an optimal partner for foreign freight

Country	Customs Clearance (Hours)	Import Compliance Costs
USA	9	\$275
Germany	1	\$-
Canada	3	\$335
Panama	30	\$540
China	72	\$448
Mexico	62	\$550
Brazil	54	\$482

Source: DHL

# Value of Air Cargo for Global E-Commerce

“Air cargo is a lifeline for society, changing the perceptions of the industry forever” - IATA

**\$5 trillion**

of goods are  
transported by air

**131 billion**

parcels delivered in a year,  
expected to double by 2026

**95%**

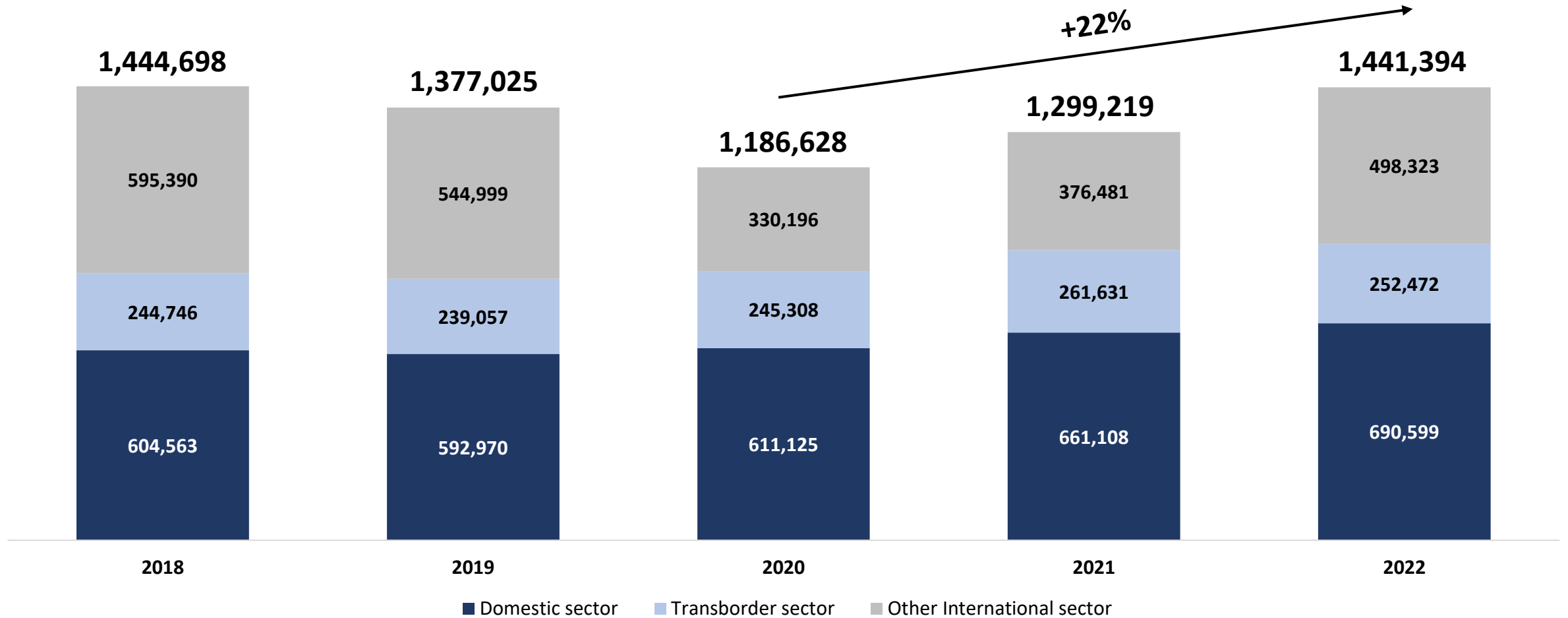
of all purchases will be  
through e-commerce by 2040

**80% of cross-border e-commerce is transported by air**

- The pandemic has had a major impact on consumer behavior, increasing online purchases
- E-commerce can boost economies, especially in developing nations, by improving market efficiency and extending the supply chain to meet untapped demand

# Canada's Historical Air Freight Volumes (Tonnes)

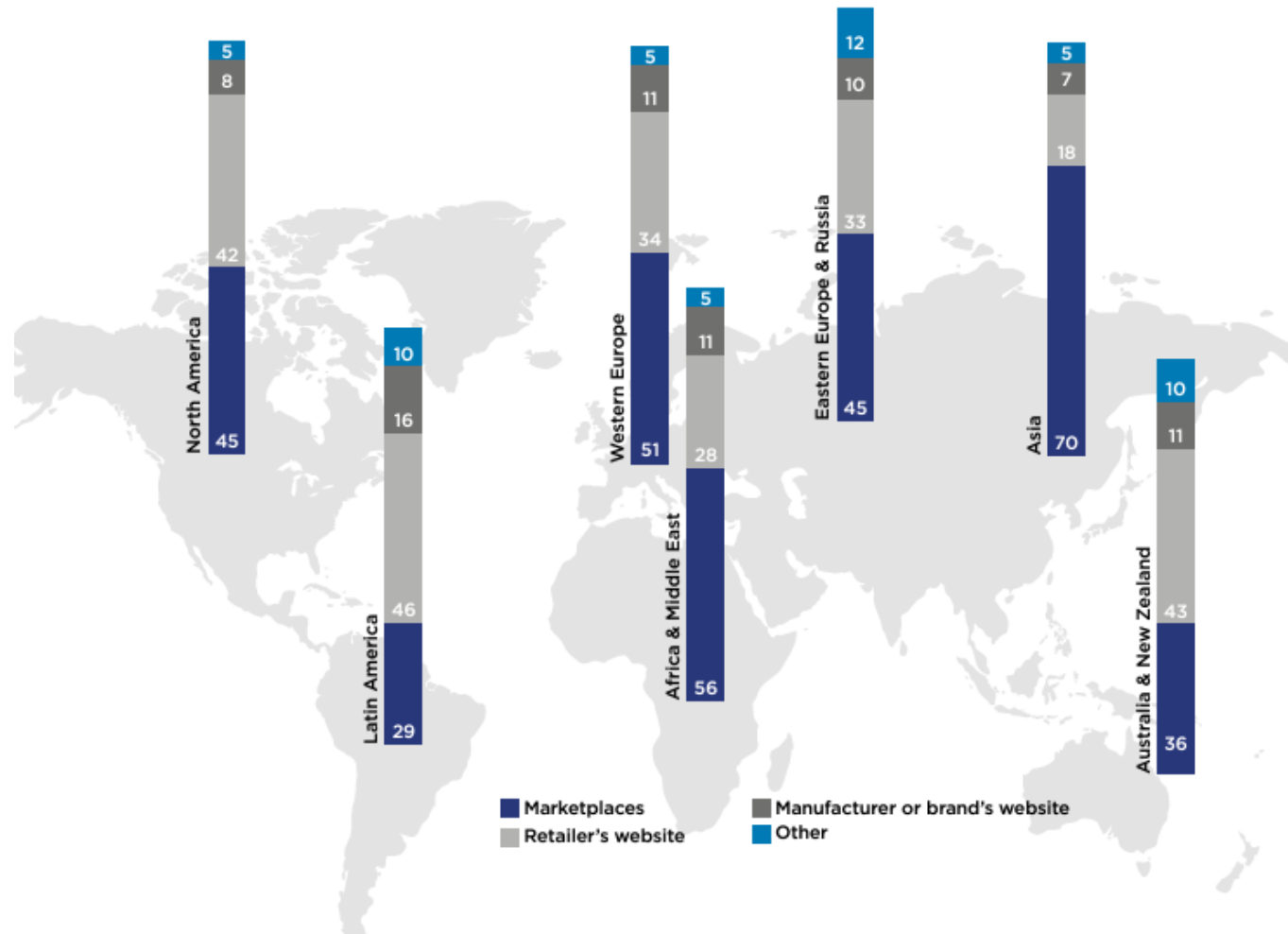
Air cargo traffic within Canadian airports is largely driven from international volumes



Source: StatsCan

# Global E-Commerce Marketplaces

CJT is extremely well positioned to capitalize on the further penetration of marketplaces in the Americas



#1 North American Marketplace



Strategic customer of CJT

#1 Latin America Marketplace



mercado  
libre

Strategic partner of DHL  
who is a top CJT customer

#1 Southeast Asian Marketplace



Shopee

Strategic partner of DHL  
who is a top CJT customer

# Latin American E-Commerce – Challenges

General e-commerce challenges conflict with the rising development and investment within LatAm

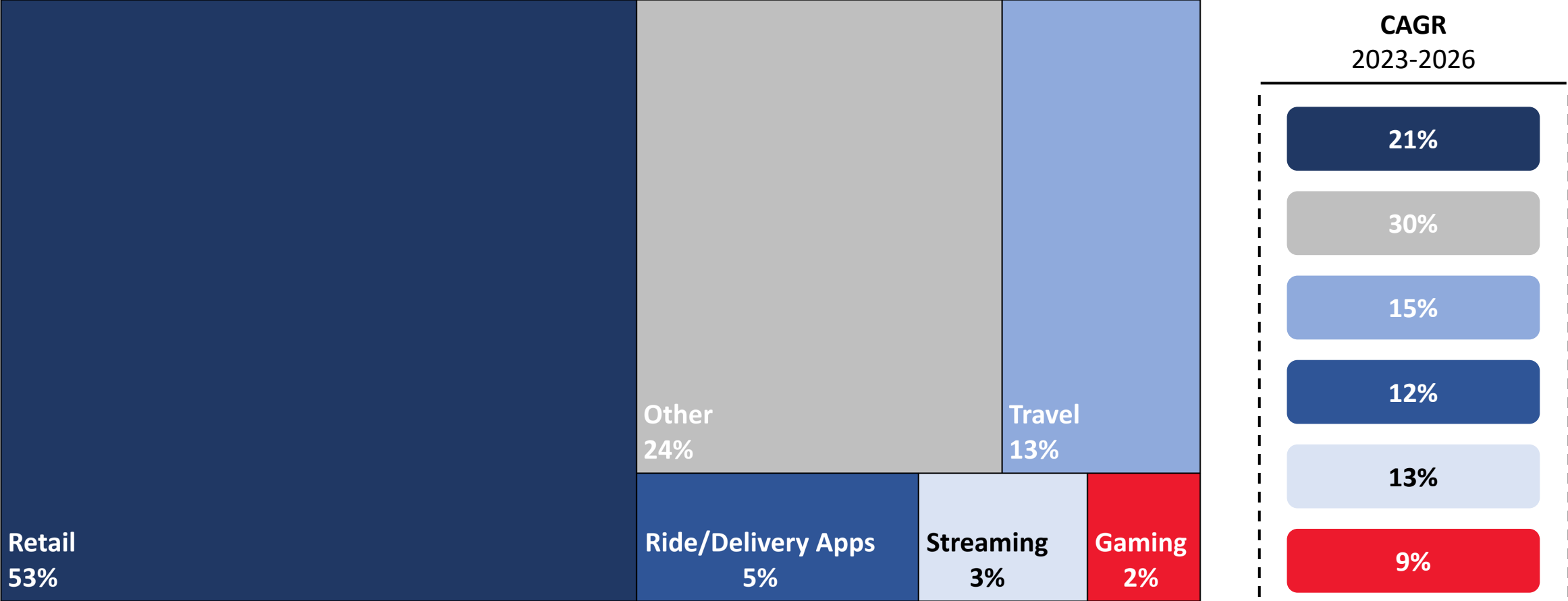
Challenges		LatAm Response
1	Connectivity	Only had a small percentage of customers in LatAm had access to the internet; however, there have been strong investments in 3G/4G networks and low-cost smart phones are used by 70% of urban adults
2	Payment Methods	Latin American entrepreneurs have developed unique payment solutions to diversify payment options after e-commerce goods were only accepted by credit cards, limiting the market to only 20% of households
3	Lack of Trust	LatAm market is notorious for credit card fraud and identity theft, limiting market penetration. Regardless, improvements in all facets of infrastructure, ranging from technology and regulations (vendor outreach, payment methods and the anti-fraud measures) is leading to continued growth in purchasing frequency
4	Logistics	Customs clearance in some LatAm countries are among the lowest in the world, and last mile remains a big logistical obstacle. Consumers are beginning to prefer digital goods and services sold online, which require no physical fulfillment, as seen by their 1.5x – 2x faster growth rates than physical e-commerce

Source: OBAC

# Latin American E-Commerce – Verticals

LatAm growth is driven by trends in e-commerce verticals and cross-border opportunities

Retail is the most prominent vertical for e-commerce



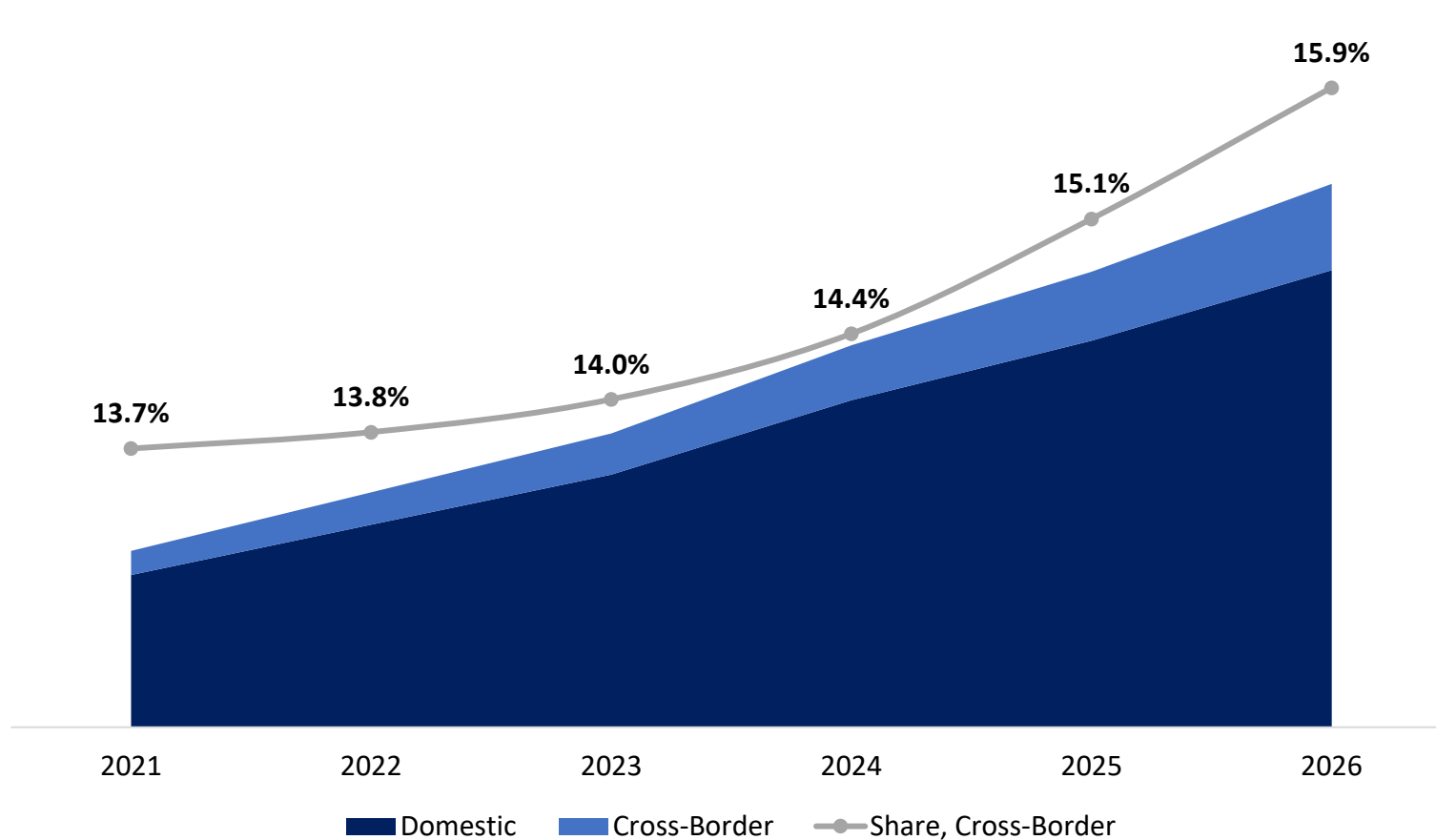
Source: PaymentsCMI



# Latin American E-Commerce – Cross-Border Purchasing

LatAm growth is driven by trends in e-commerce verticals and cross-border opportunities

E-commerce volumes are trending towards cross-border purchases

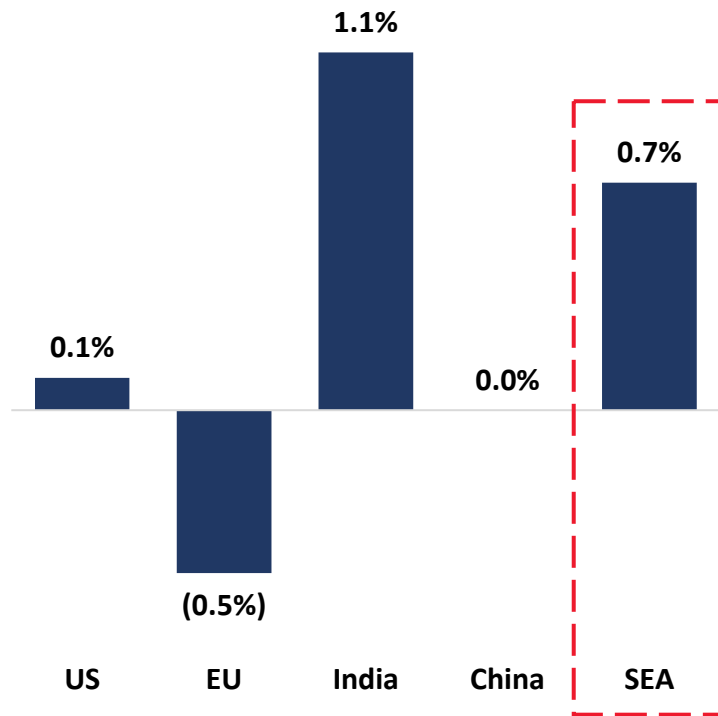


- The growth of international e-commerce is driven by:
- Changing dynamics in alternative payment methods, like Pix,
  - Cross-border payment providers are focusing on Latin America
  - Cross-border payment facilitators that are expanding their offers to new markets beyond Brazil and Mexico
  - Saturation of domestic e-commerce in markets like Brazil

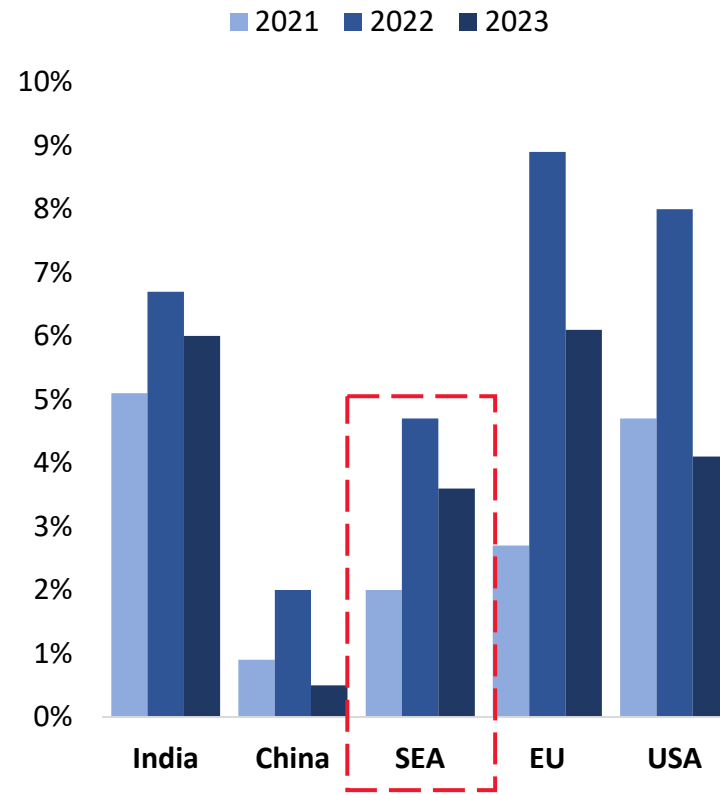
# SEA E-Commerce – Macro Environment

SEA has demonstrated resilience through COVID and is well positioned to drive growth

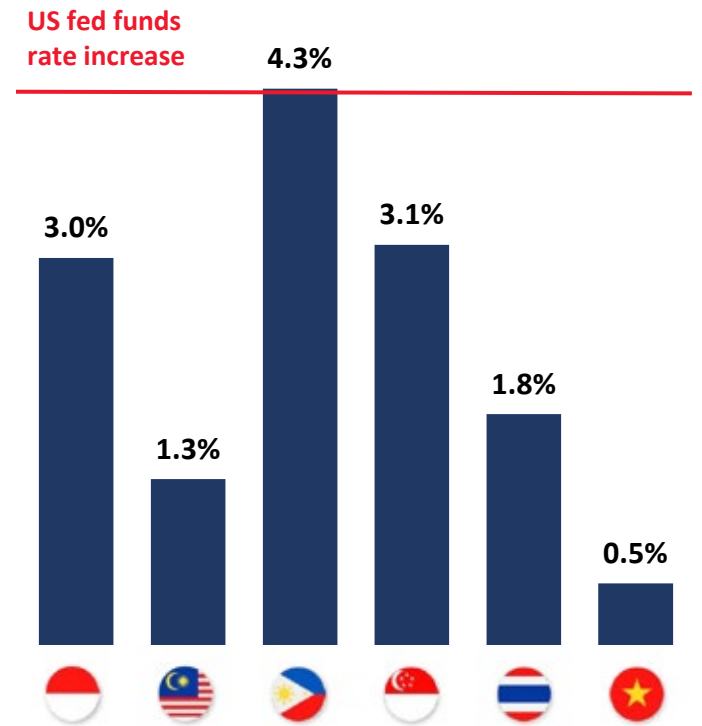
**Growing Working Population Growth Rates (2023-28 CAGR)**



**Inflation (YoY%)**



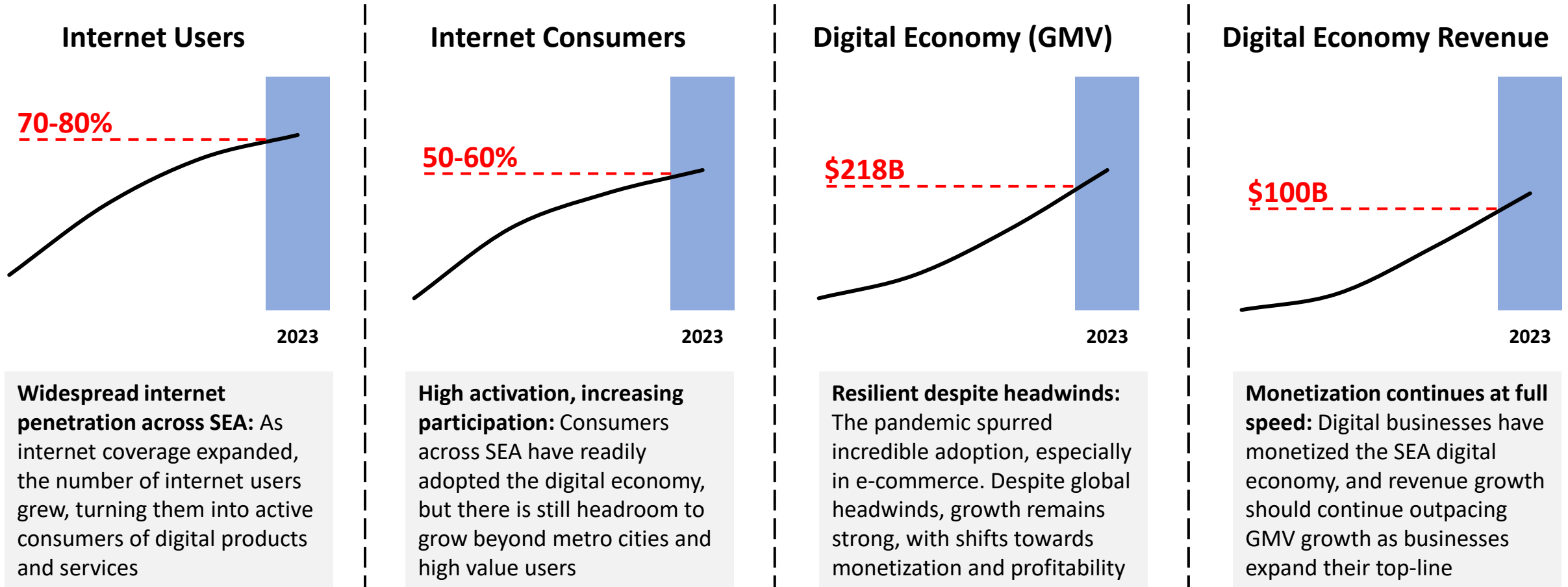
**Change in interest rates since Jan 2022**



Source: Bain & Company, Temasek

# SEA E-Commerce – Digital Catalysts

SEA e-commerce growth is driven by increased user participation in the digital economy

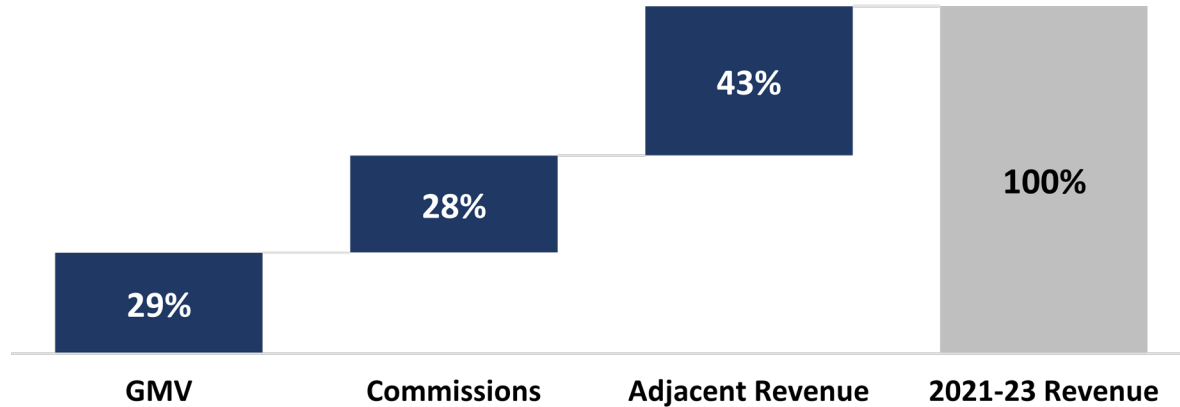


Source: Bain & Company, Temasek

# SEA E-Commerce – Industry Growth

SEA e-commerce is growing remarkably due to positive marketplace dynamics

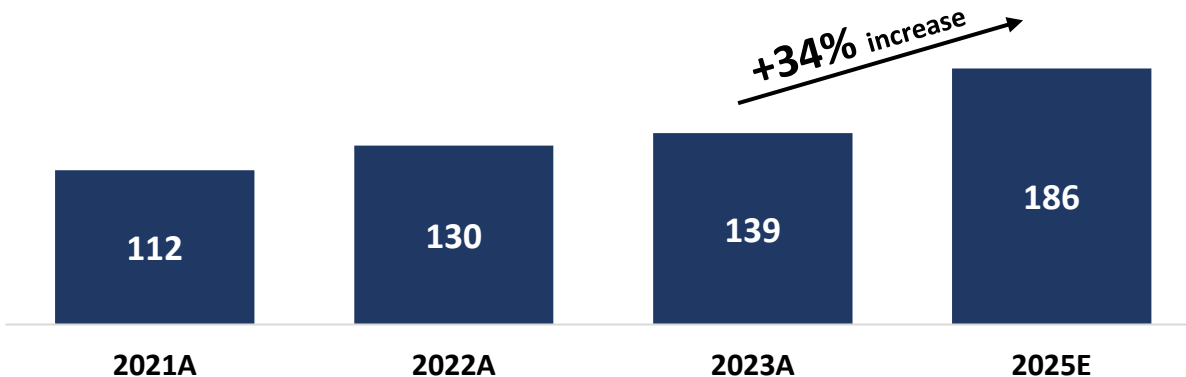
## E-Commerce Marketplace Drivers



**Marketplace revenues have accelerated through higher commissions, ad sales, and logistics fees**

- Market leaders have spearheaded ~3.0% to ~4.5% commission hikes in recent years.
- E-commerce platforms have adjacent revenue streams by selling additional services (e.g. advertising, delivery services, insurance, etc.), which has bumped up overall revenue growth.
- Expanding the width and depth of user base is helping continued growth by using AI-driven recommendations that increase customer basket size, which drive improved unit economics and economies of scale

## E-Commerce GMV (\$B)



## **Double-digit GMV and revenue growth**

Both GMV and revenue have grown at impressive double-digit rates for the past two years, suggesting that overall market growth are not at odds.

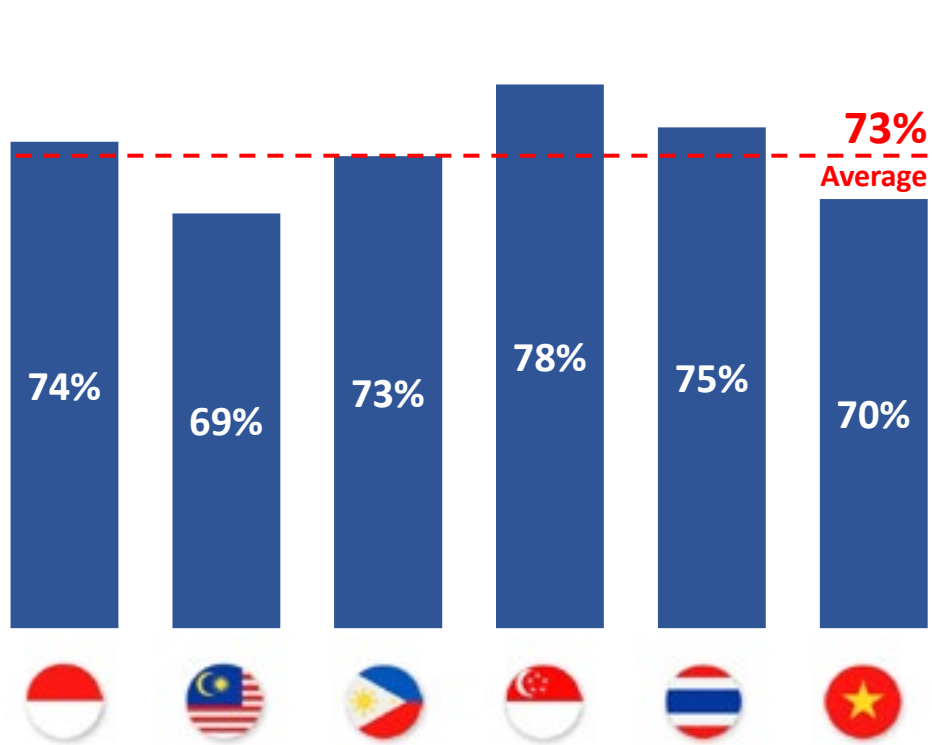
As monetization accelerated around the region over the past two years, revenue is set to grow at 1.7X the rate of GMV. This has been driven by the pursuit of financial sustainability and better unit economics across sectors.

Source: Bain & Company, Temasek

# SEA E-Commerce – High Value Users (HVU)

SEA has a high proportion of high-value consumers that contribute to e-commerce spending

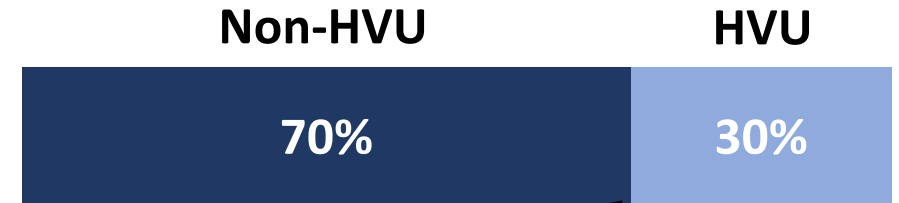
Digital Economy Spending by HVUs



HVUs account for nearly three-quarters of spending in the digital economy

Source: Bain & Company, Temasek

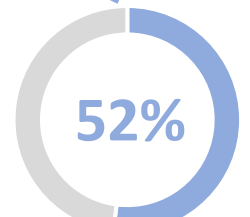
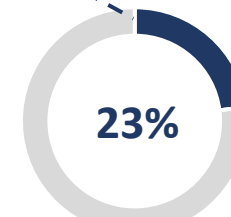
User (Proportion)



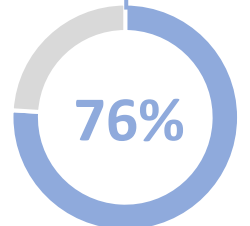
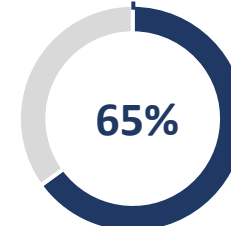
Spend (Proportion)



Income (% who are affluent)



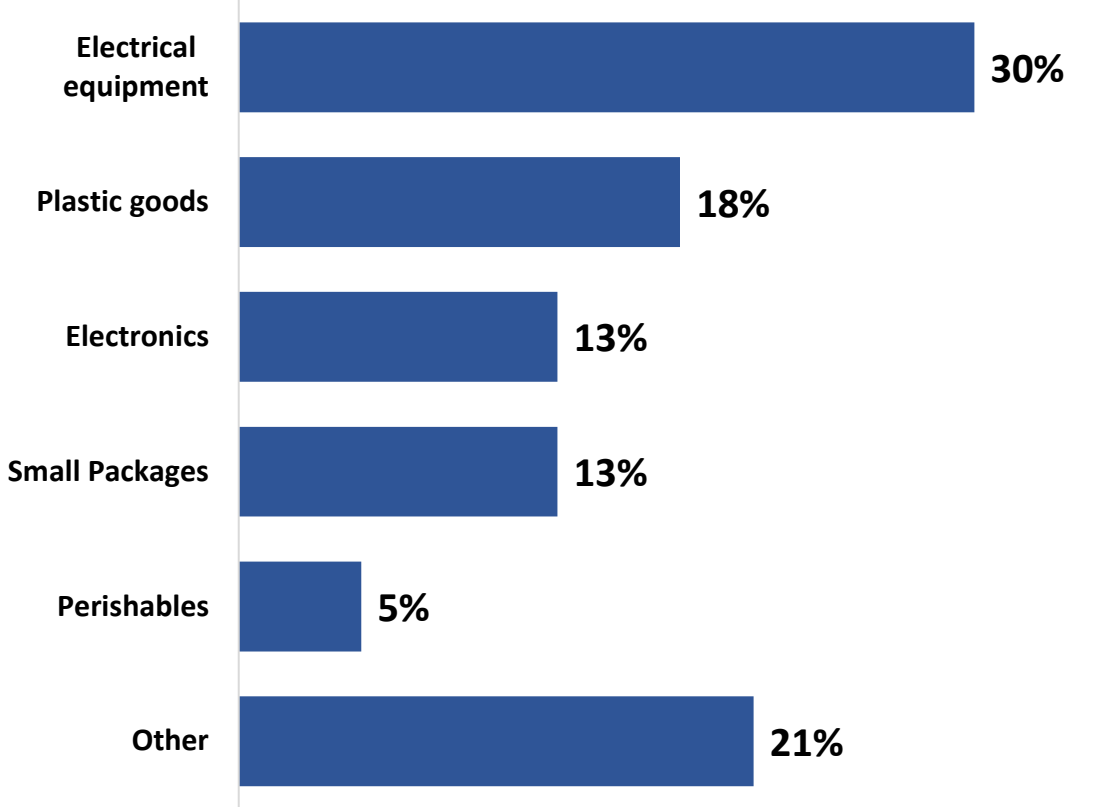
Geography (% in a metro cities)



# Imports & Exports – Latin America

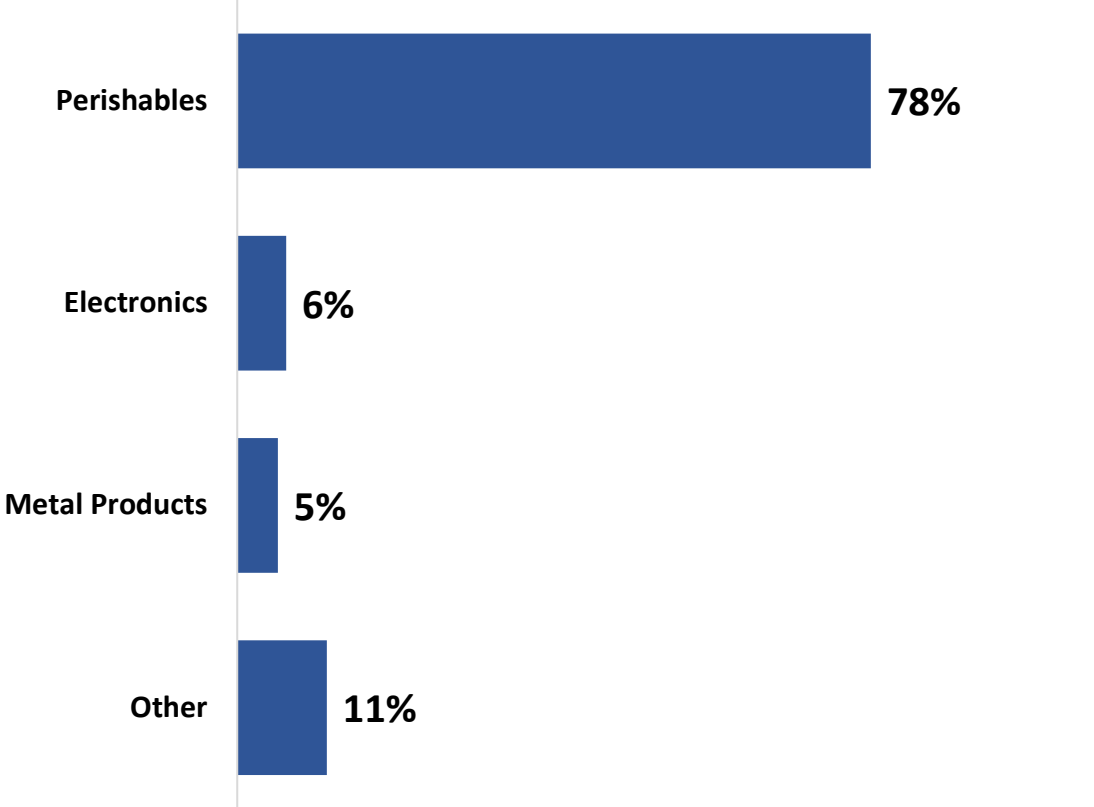
Latin America imports a variety of physical goods and primarily exports perishables

### North America -> LatAm Air Cargo



575,000 Tonnes

### LatAm -> Europe Air Cargo



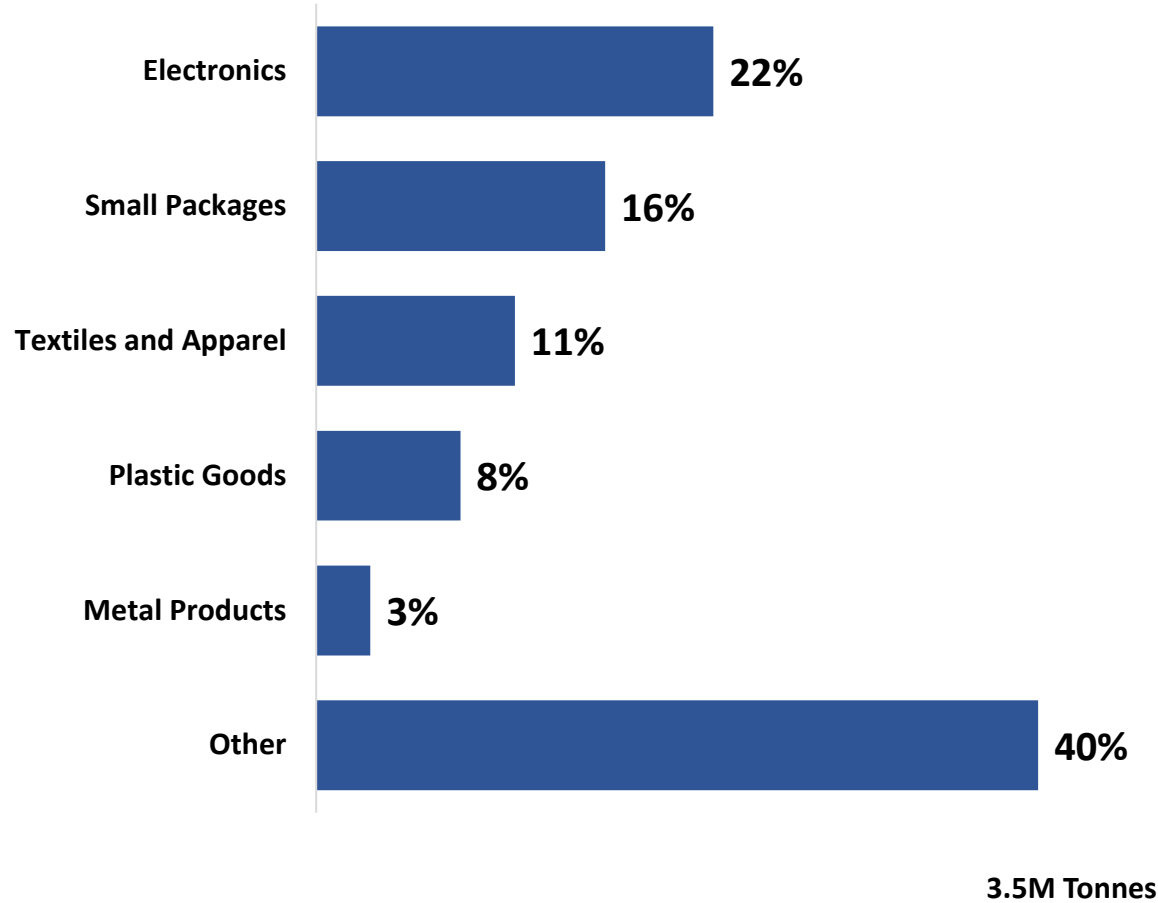
417,000 Tonnes

Source: Boeing

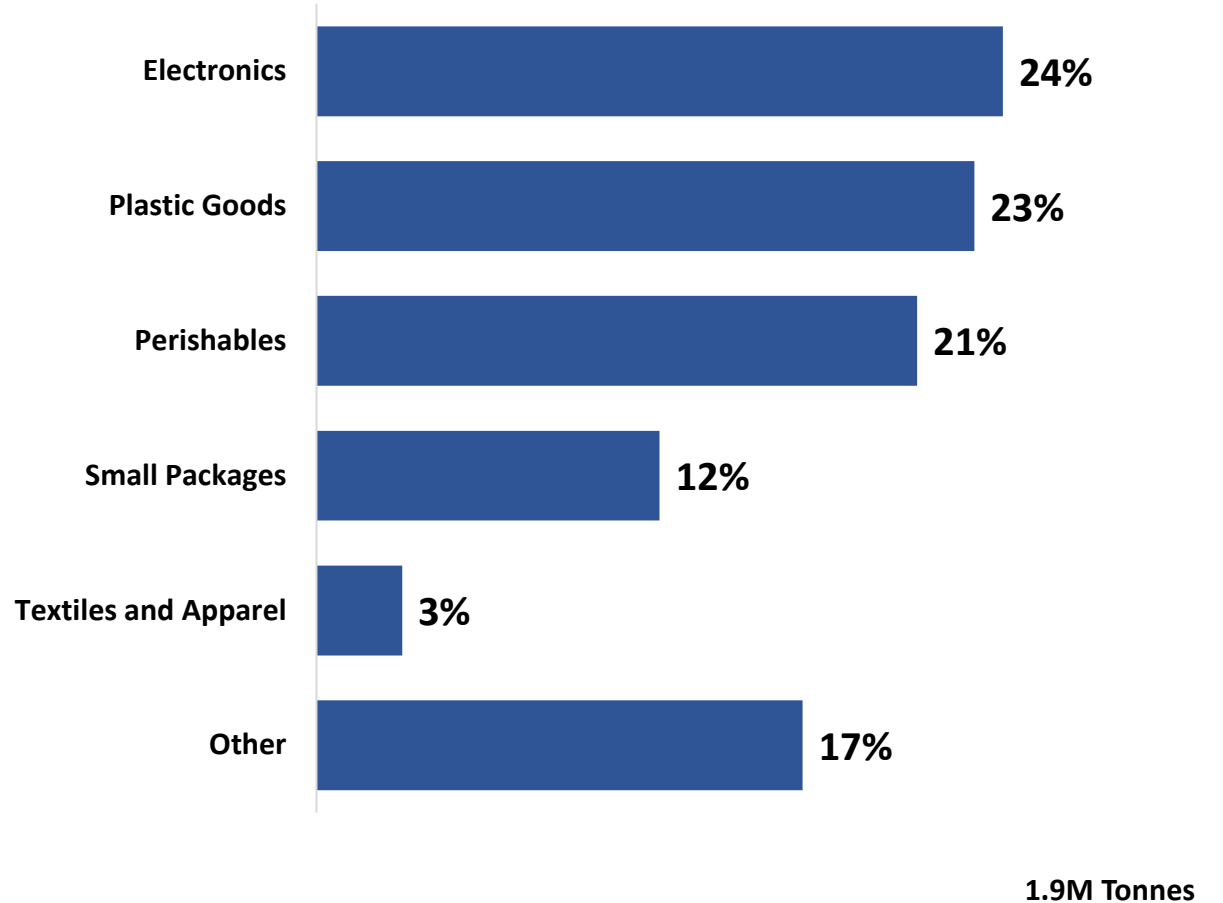
# Imports & Exports – SEA

SEA eastbound exports are driven by consumer goods while imports are driven by manufacturing materials

### SEA -> North America Air Cargo



### North America -> SEA Air Cargo

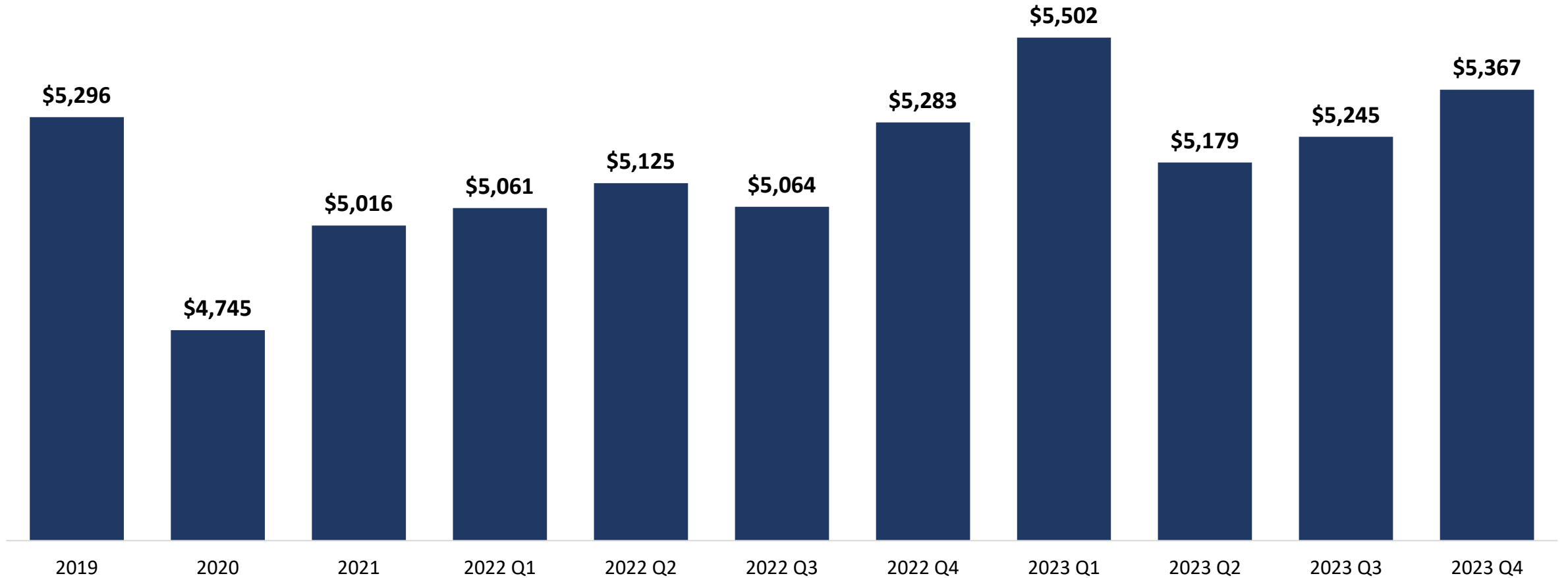


Source: Boeing

# Cost Optimization

CJT has maintained relatively stable costs per block hour post-COVID

Direct Cost per Block Hour (Excl. Fuel Costs/D&A)

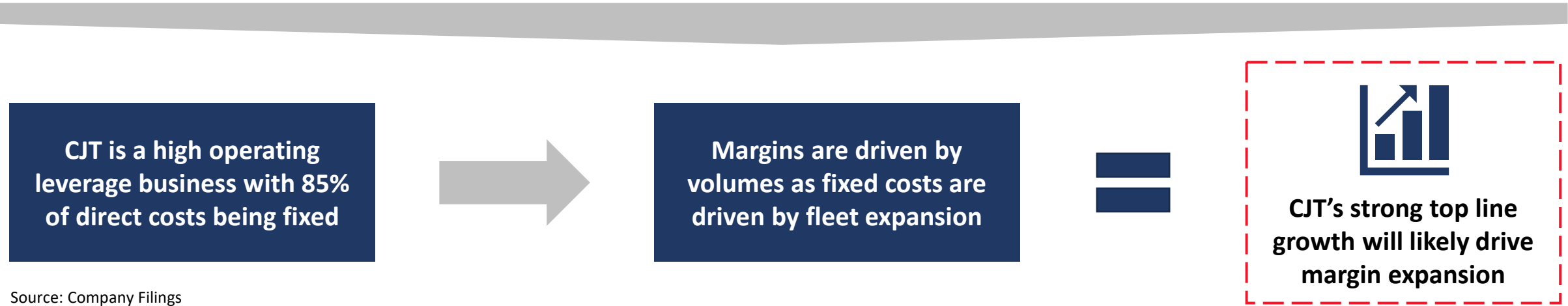
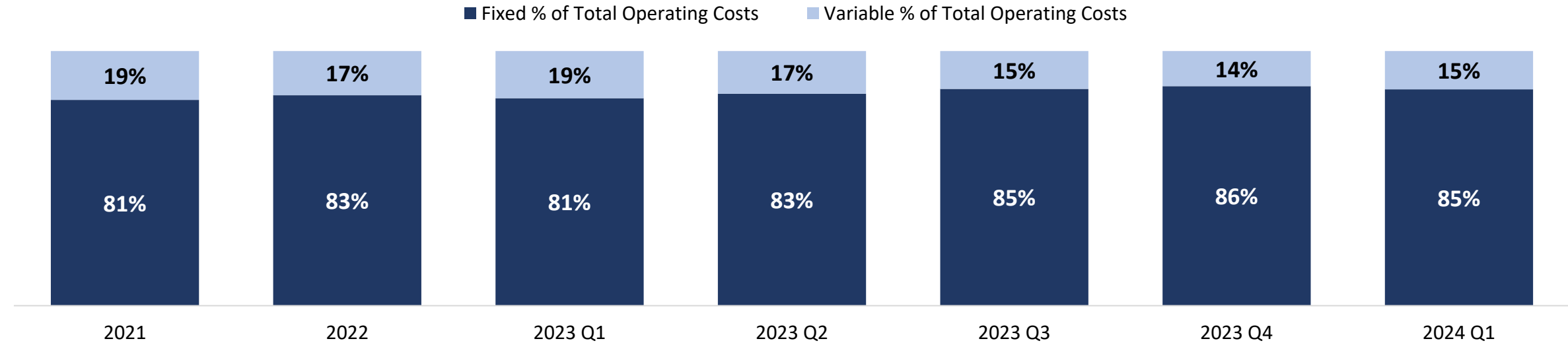


Source: Company Filings



# CJT Fixed vs Variable Cost Trends

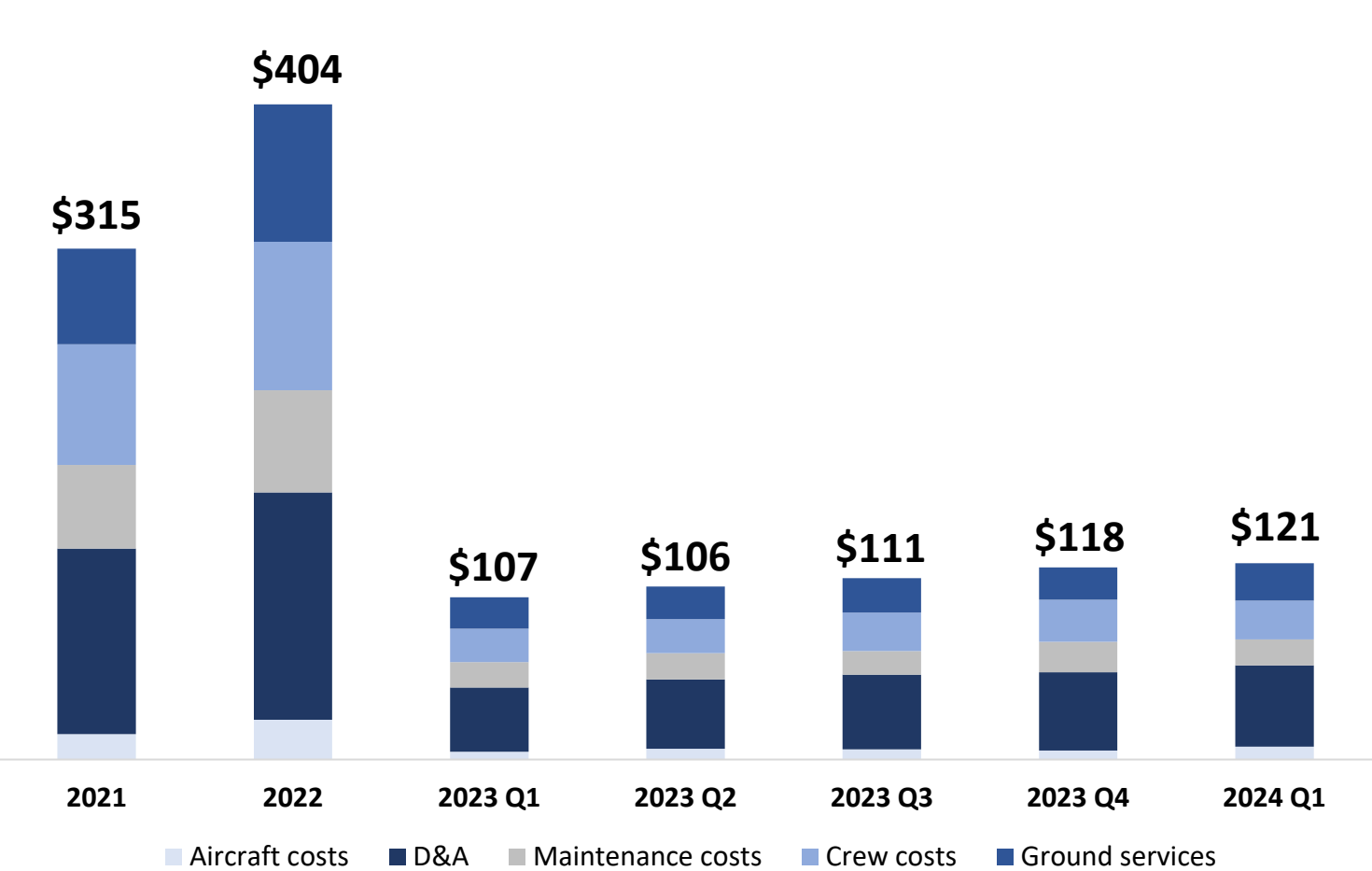
Fixed costs represent a higher proportion of direct costs which should drive margin improvement



Source: Company Filings

# Fixed Costs Breakdown

Fixed costs represent a higher proportion of direct costs which should help drive margin improvement



Fixed direct costs are driven by the size of Cargojet's aircraft fleet

CJT is subject to a high degree of operating leverage. Since fixed costs comprise a proportion of the operating costs of each flight route, the expenses of each flight route do not vary proportionately with the amount of shipments that the Cargojet carries

Fixed costs are grown at a nominal rate of 3% annually

Source: Company Filings

# Types of Fixed Costs

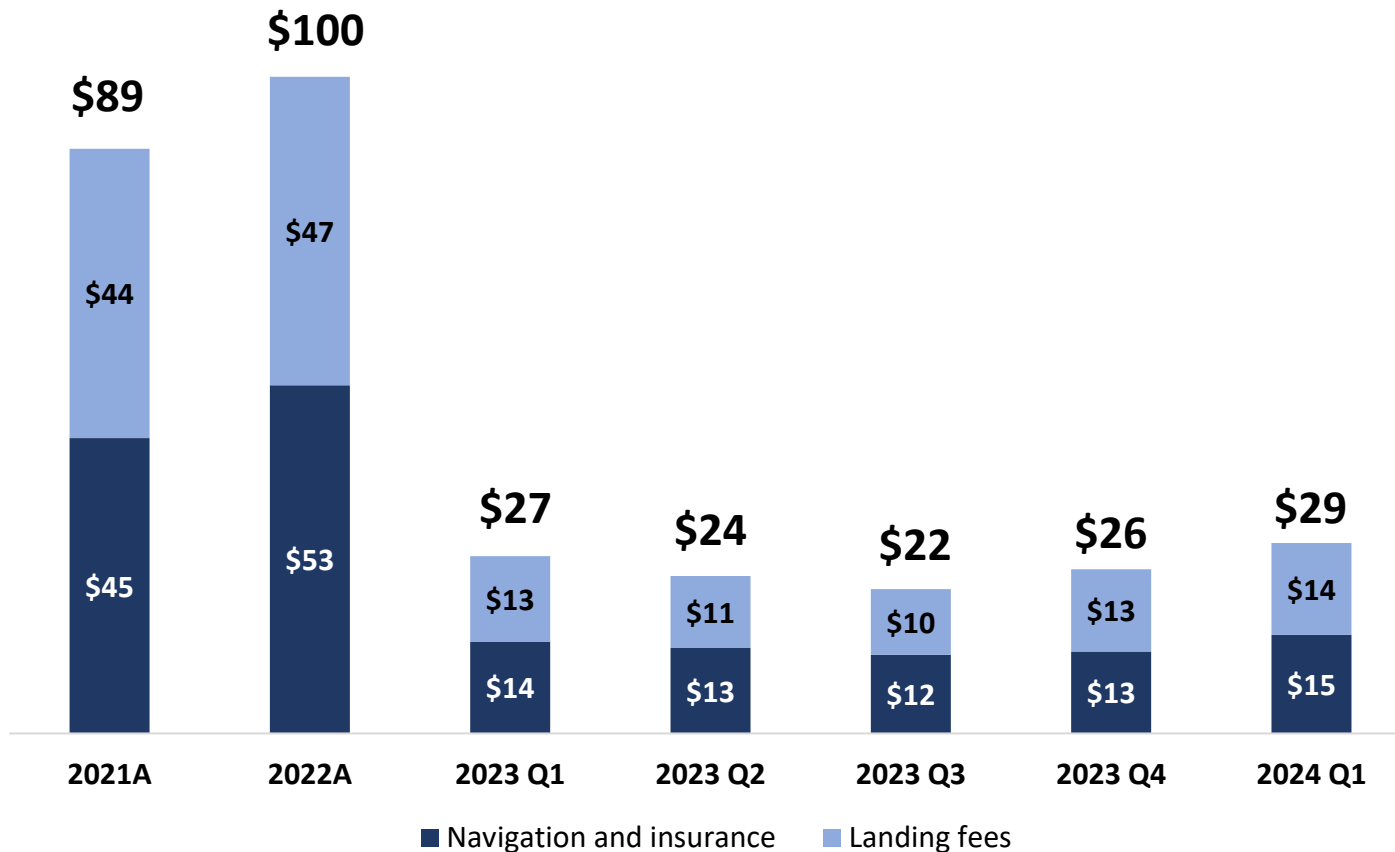
CJT has a variety of fixed costs that contribute to its high operative leverage

Fixed Costs	Impact on the Company
<b>1</b> Ground Services	Any servicing related to an aircraft while it is on the ground and parked at a terminal gate of an airport. For example, hiring of additional personnel, annual wage increases, and line hauls and cartage costs
<b>2</b> Aircraft Costs	Aircraft costs can include payments for purchase rights or purchase options, capitalized borrowing costs where funds are borrowed specifically, or hedge gains/losses resulting from effective hedging relationships
<b>3</b> D&A	Depreciation costs are primarily driven by parts such as aircraft hulls, engines, rotatable spares and ground equipment whereas maintenance amortization costs occur at regular and predetermined intervals that are deferred by Cargojet and amortized until the next scheduled heavy maintenance.
<b>4</b> Maintenance Costs	This fixed cost is related to maintenance that is required on the businesses fleet size, which includes periodic line maintenance and the hiring of additional maintenance personnel.
<b>5</b> Crew Costs	Cargojet pays for salaries, training, and positioning of crew personnel, which are increased annually as per the collective agreement with the union.

Source: Company Filings

# Variable Costs Breakdown

Variable costs represent a small portion of CJT's cost structure



Variable costs are directly related to the volume of flight activity which is determined by the level of customer demand

Fuel costs are another variable expense but are completely passed through to CJT's customers, resulting in no impact to their operating performance

Variable costs are forecasted as a percentage of revenue

Source: Company Filings

# NCIB and Dividend Growth Reaction

The market has reacted incredibly positively to CJT's dividend payout policy

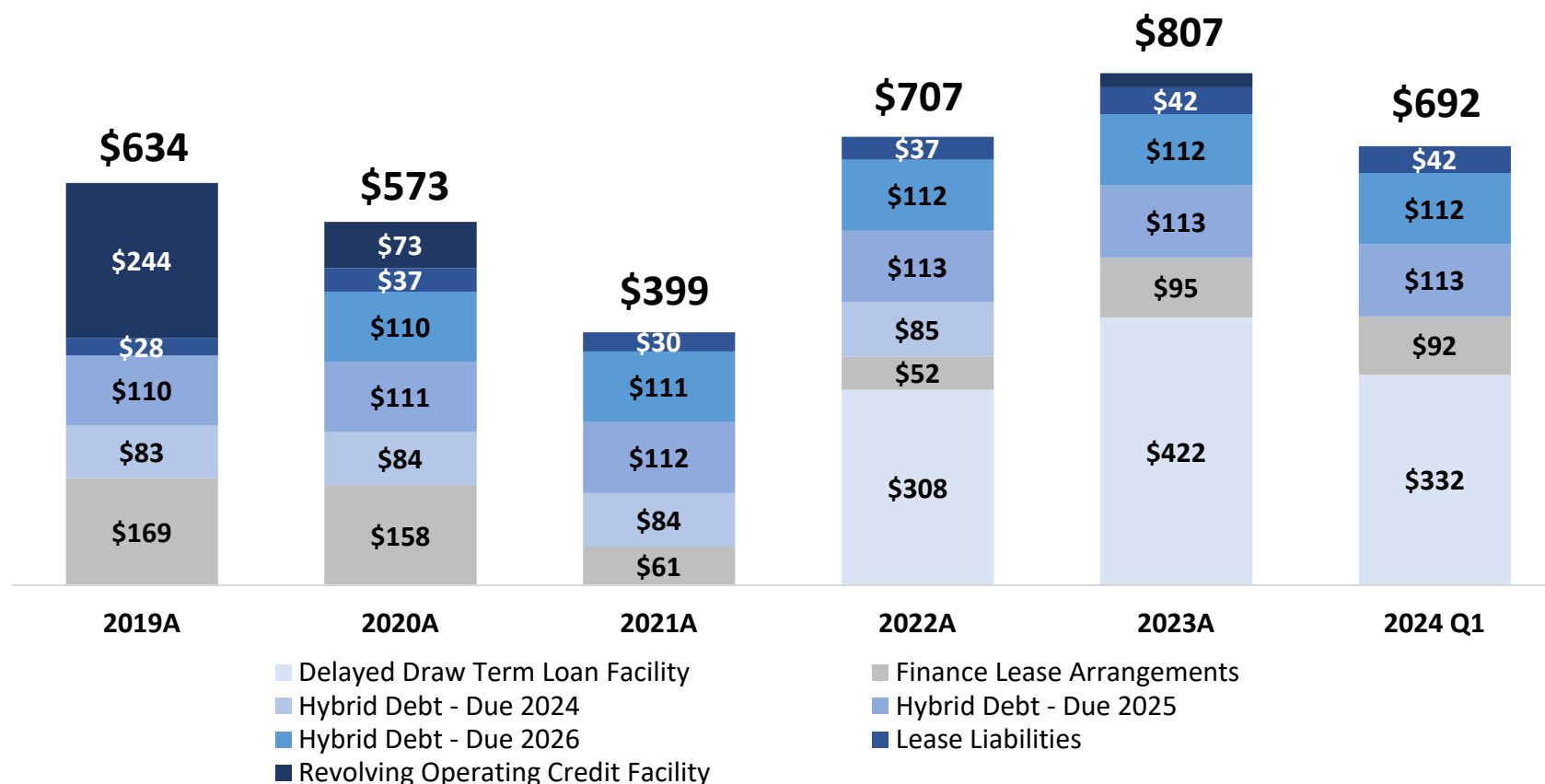


**In the months following this announcement CJT shares have appreciated ~40%**

Source: Capital IQ

# Historical Levels of Indebtedness

Cargojet's debt grew significantly from 2021 to 2022 due to growth but will stay relatively flat going forward



The debt level in 2023 has marginally increased from its 2022 level

During the nine-month period ended September 30, 2023, Cargojet entered into a lease arrangement for one Boeing 767-300 aircraft

The DDTL Facility is used for general purposes, including purchase of aircraft and other capex.

Source: Company Filings

# Hybrid Debt Breakdown

Cargojet's debt are described as "hybrid debentures" because they are financial products that include features of both debt and equity investments

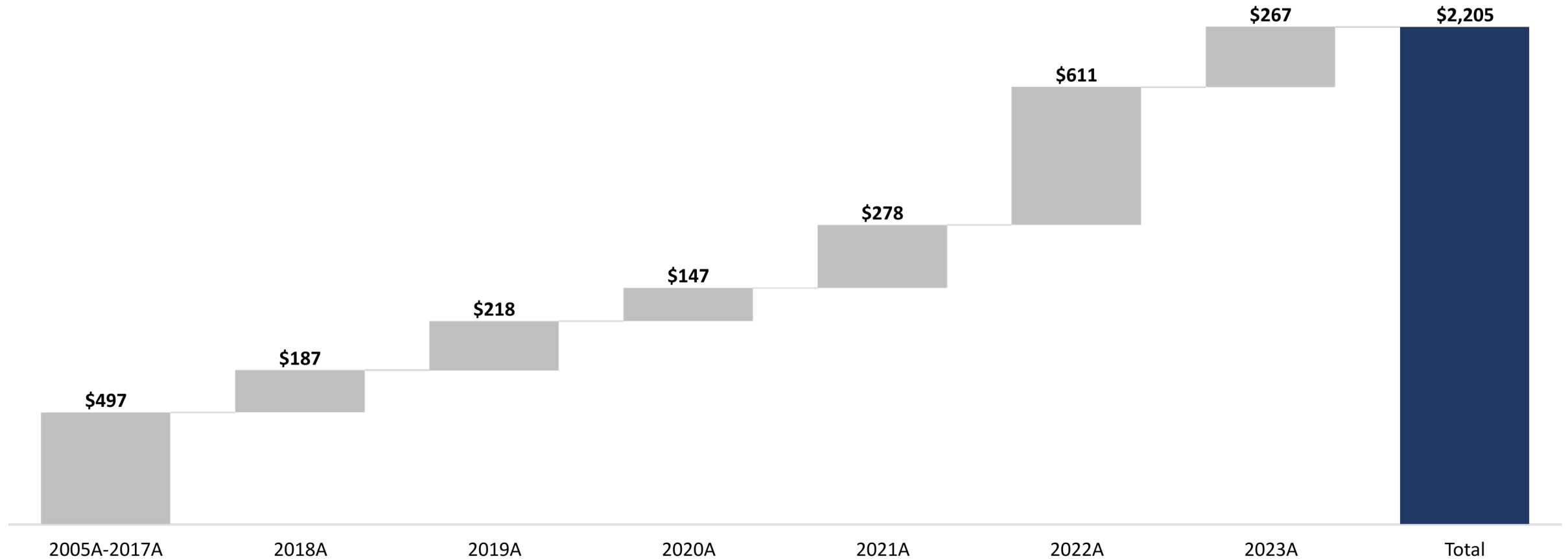
Key Attributes	Description
<b>1</b> Terms	Each senior unsecured debenture were issued at a price of \$1,000 per debenture with maturities ranging from 5-6 years. The debentures bear a fixed interest rate of 5.25% - 5.75% per annum, with interest on the hybrid debt payable semi-annually.
<b>2</b> Redeemable	Between June 30, 2023 – June 30, 2024, the hybrid debentures are redeemable at a price equal to roughly 103% of the principal amount plus accrued and unpaid interest. Within a year of the debt's maturity date, they are redeemable at the principal amount plus accrued and unpaid interest.
<b>3</b> Repayment Options	At redemption or maturity of the hybrid debt, CJT has the option to repay the debentures in either cash or freely tradable voting shares of the Company. The number of shares to be issued will be calculated by dividing the debt principal amount by 95% of the current market price of CJT's shares
<b>4</b> Change in Control	In the event of a change in control, CJT is required to make an offer to debtholders to repurchased the hybrid debentures at a price equal to 101% of the principal amount plus accrued and unpaid interest

Source: Company Filings

# Cumulative Capex Spending

CJT has recently invested heavily in growing its fleet

CJT Cumulative Capex Spending (\$M)

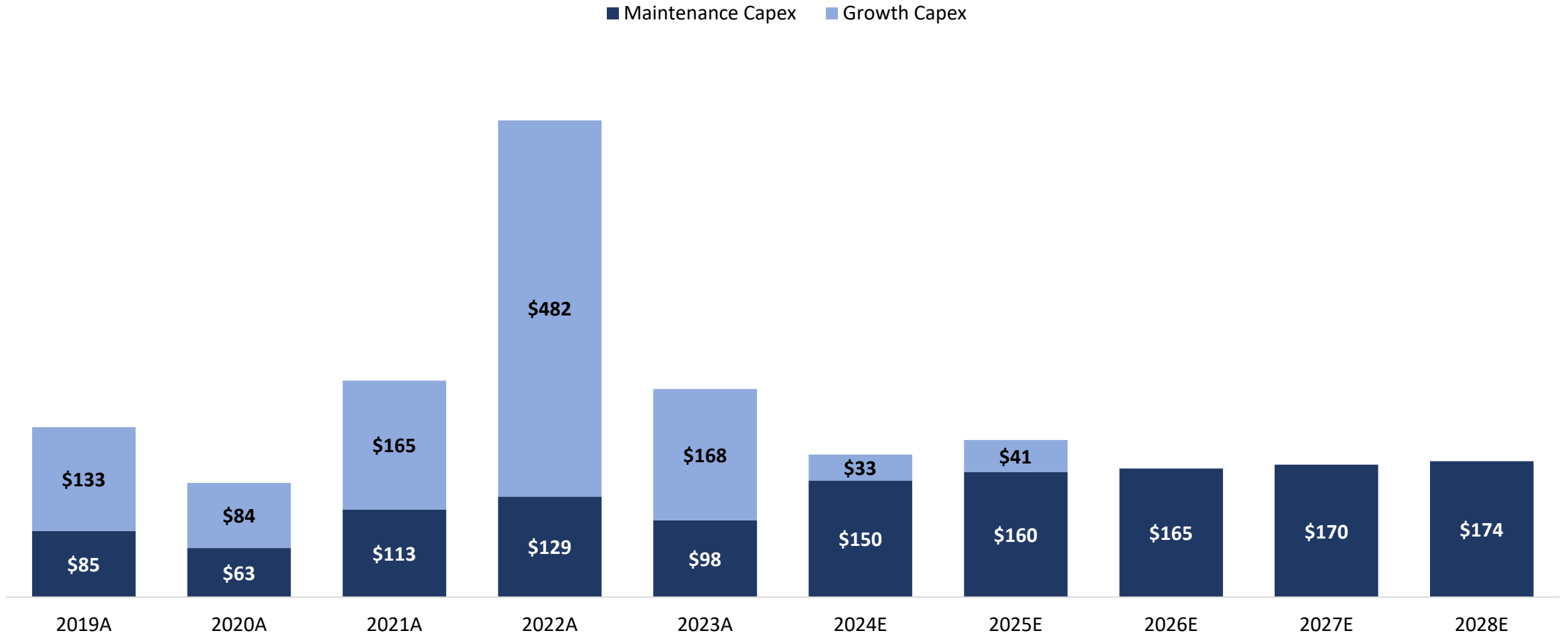


Source: Company Filings



# Capex Forecast

Management plans to reduce growth capex beyond 2025 to focus on cash flow generation



Source: UWaterloo Analysis

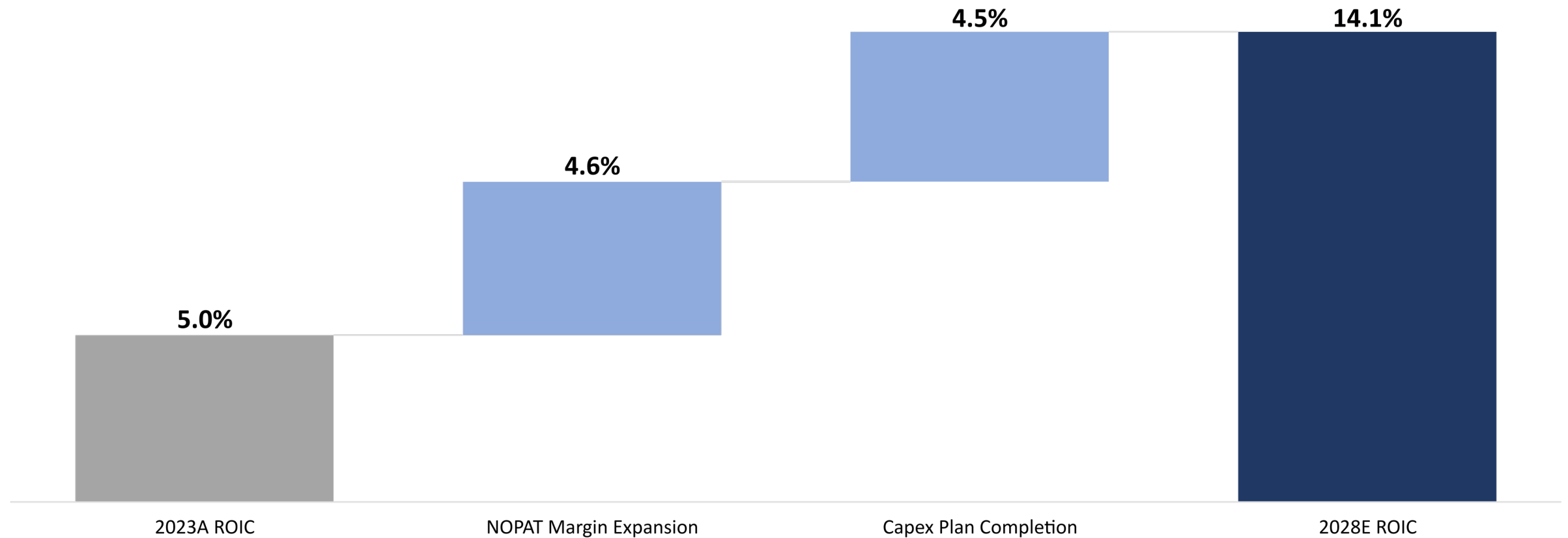
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## CJT ROIC Decomposition

CJT's ROIC improvement is a factor of margin expansion and a stable asset base

ROIC expansion is driven by both NOPAT margin expansion and a stable asset base after capex plan completion

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Source: UWaterloo Analysis

# Management Strategy Shift

CJT is undergoing a strategy shift that will lead to higher returns

CJT is pivoting to prioritize cash flow generation and returns



## The domestic market has been captured

CJT has successfully consolidated and gained control over the time-sensitive air cargo market in Canada. CJT delivers the best performance, and has locked in all their major customers



## Cargojet is completing all growth capex by 2025

CJT is no longer committed to their initial \$1.2B plan, with the option to defer or cancel. Post-2025, CJT anticipates minimal spend on growth capex, shifting their attention to profitability

An adjusted strategy with lower capex also accelerates the timeline towards increasingly positive cash flows

**Cargojet is trimming down its fleet**

Capex has been diminished as management canceled their initially planned eight 777 freighters and listed four Boeing 757s for sale. The conversion slots are still available, offering flexibility in the case of a rapid market rebound

**CJT refocuses global expansion plans**

CJT has decided to pursue international expansion through their ACMI segment and relationship with DHL, which will enable management to focus on driving cash flow improvement in the business

**Clear positive for CJT's long-term valuation**

CJT faces little risk of losing volume as they can reconsolidate routes and reposition with larger aircraft. Therefore, this strategic shift, CJT's monopolistic position, and e-commerce tailwinds, will drive ROIC and FCF, resulting in a multiple rerate

# The Impact of Capex on ROIC

ROIC will improve with a stable asset base as NOPAT grows

Return on Invested Capital (ROIC) = Net Operating Profit After Taxes (NOPAT) ÷ Invested Capital (IC)

ROIC was calculated using the operating approach as it enabled us to gain a clear sense of the assets Cargojet was deploying and changes in their efficiency over time

## Operating Approach

Current assets

- Non-interest-bearing current liabilities

## Net working capital

+ Net property, plant, and equipment (PP&E)

+ Acquired intangibles

+ Goodwill

= Invested Capital

As volumes recover, the high degree of operating leverage will result in meaningful growth in NOPAT

PP&E makes up 88% of total invested capital as of 2023, going forward D&A will match capex, keeping Cargojet's invested capital stable

# ROIC Recovery Scenario Analysis

While concerns persist, management's strategy shift is expected to drive ROIC improvement

We believe management's shift in strategy has a high likelihood of driving ROIC improvement

However, there are a number of scenarios that can result in Cargojet failing to meet to their objective of growing ROIC

## Scenario I: Management is unable to downsize from their current fleet

CJT may struggle to sell dedicated freight planes amidst a tightening freight environment. The inability to reduce their PP&E base will result in a lower ROIC

This risk is unlikely to materialize as CJT has a proven track record of selling converted freighters even in a recessionary environment, selling three 777s in 2023. Additionally, CJT has an alternative use for their surplus as they can use parts from the 757 fleet to reduce maintenance capex by \$80-\$90m

## Scenario II: CJT is forced to spend on growth capex post-2024 to expand

CJT allocated \$1.2B to capex in 2022 due to their global expansion and rapid growth during Covid. If CJT goes forward with this plan, free cash flows would not turn positive until 2027

For this scenario to be true, there would need to be a large-scale shift in CJT's strategy as management has already halted its plans for an expensive international expansion. Therefore, any spend on growth capex will likely mean that management has identified a significant opportunity that will drive margin growth

## Scenario III: Operating margin improvements do not materialize

There is a focus on cost cutting initiatives now that CJT has consolidated the domestic air cargo industry. If CJT unable to manage costs as demand grows, NOPAT margins will decline

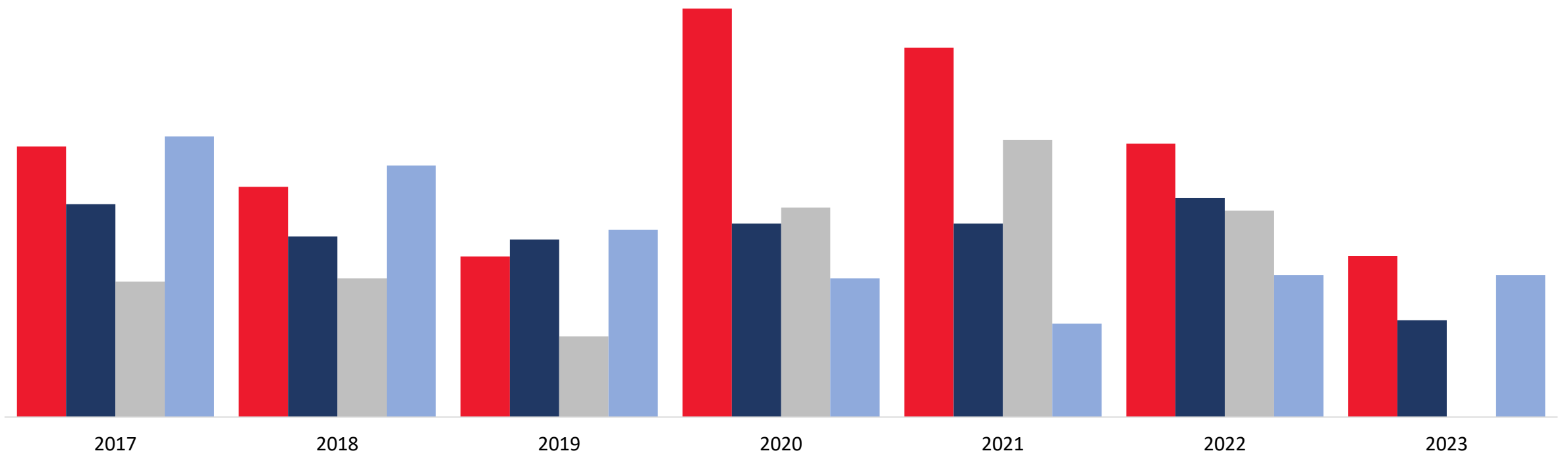
CJT has already reduced their largest cost driver, capacity utilization. By selling off smaller aircraft and consolidating cargo volume, CJT now avoids suboptimal routes, reducing cost per block hour. Unless CJT expands its fleet size, which is unlikely, operating efficiencies are expected to remain

## Air Transport Peers – ROIC

CJT has historically generated higher ROIC than peers, contributing to the premium it trades at

CJT has consistently generated superior ROIC to peers

■ Cargojet ■ ATSG ■ Atlas Air<sup>1</sup> ■ Chorus Aviation



Source: Company Filings. Note: 1. Atlas Air was acquired by Apollo at 4.7x in Aug. 2022

## Air Transport Peers – Margins

CJT has consistently generated stronger Adj. EBITDA margins than peers

	2019	2020	2021	2022	2023
Cargojet <sup>1</sup>	32%	44%	39%	34%	35%
Atlas Air	18%	26%	25%	19%	n/a
ATSG	30%	32%	31%	31%	27%
Chorus Airways	25%	36%	26%	24%	28%

Source: Company Filings, Note 1: Adj. EBITDA margins for CJT and peers are based on total revenue (including fuel surcharge revenue)

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## ESG Terms

### Common ESG-related terms

Term	Definition
Net zero	All greenhouse gases produced are netted through reduction and absorption of emissions and purchasing carbon offsets
SAF	Sustainable Aviation Fuel, the IATA estimates SAF can reduce CO2 emissions by 80 - 85%. It is produced using waste oils and fats, green and municipal waste, non-food crops, and other feedstock
C-SAF	Canadian Council for Sustainable Aviation Fuel, with the aim to accelerate commercial production of SAF and increase the scale of use of SAF in Canada
Carbon neutral	Amount of carbon dioxide released from activities is removed from the atmosphere
Carbon capture	Trapping and storing carbon dioxide produced (e.g., underground)
Carbon offsets/credits	Certificates or credits linked to activities causing a reduction in emissions that a company can purchase or sell (e.g., reforestation)
GHG Emissions	Greenhouse gas emissions (e.g., carbon emissions) which contribute to global climate change; Scope 1 from entity activities

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## ESG Summary

CJT performs modestly in all categories and does not materially lag peers in any categories

	Overall Score	Overall Risk	Environment	Social	Governance
LSEG	36/100	Medium	19	47	45
Morningstar	27.1/40+	Medium			
Bloomberg	3.39/10	Medium (Above Median)	2.72	2.47	6.2
MSCI	BB	Medium	Laggard	Leader	Leader
UWaterloo	3.4/5	Medium	3.2	3.2	3.7

# ESG Scorecard – Environment

CJT is in line with dedicated freight peers and does not materially lag integrators

Rating	Description	UWaterloo Assessment			
0	N/A	No or lack of evidence of effort to achieve criterion.			
1	Laggard	Evidence of some effort but little success to achieve criterion.			
2	Satisfactory	Evidence of effort and a level of success to achieve criterion.			
3	Average	Effort and success in line with industry standards for criterion.			
4	Excellent	Higher level of effort and success in achieving criterion.			
5	Leader	Innovator for industry initiatives and high level of effort and success.			

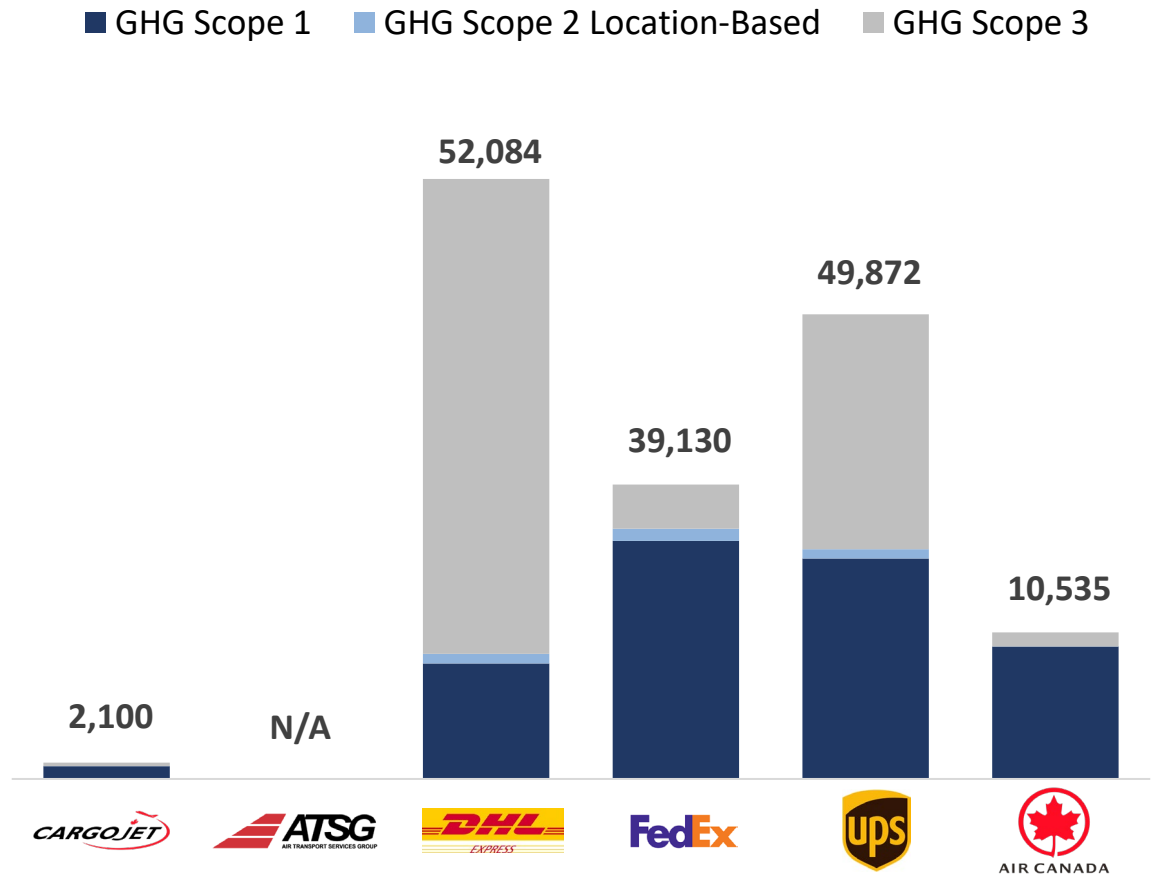
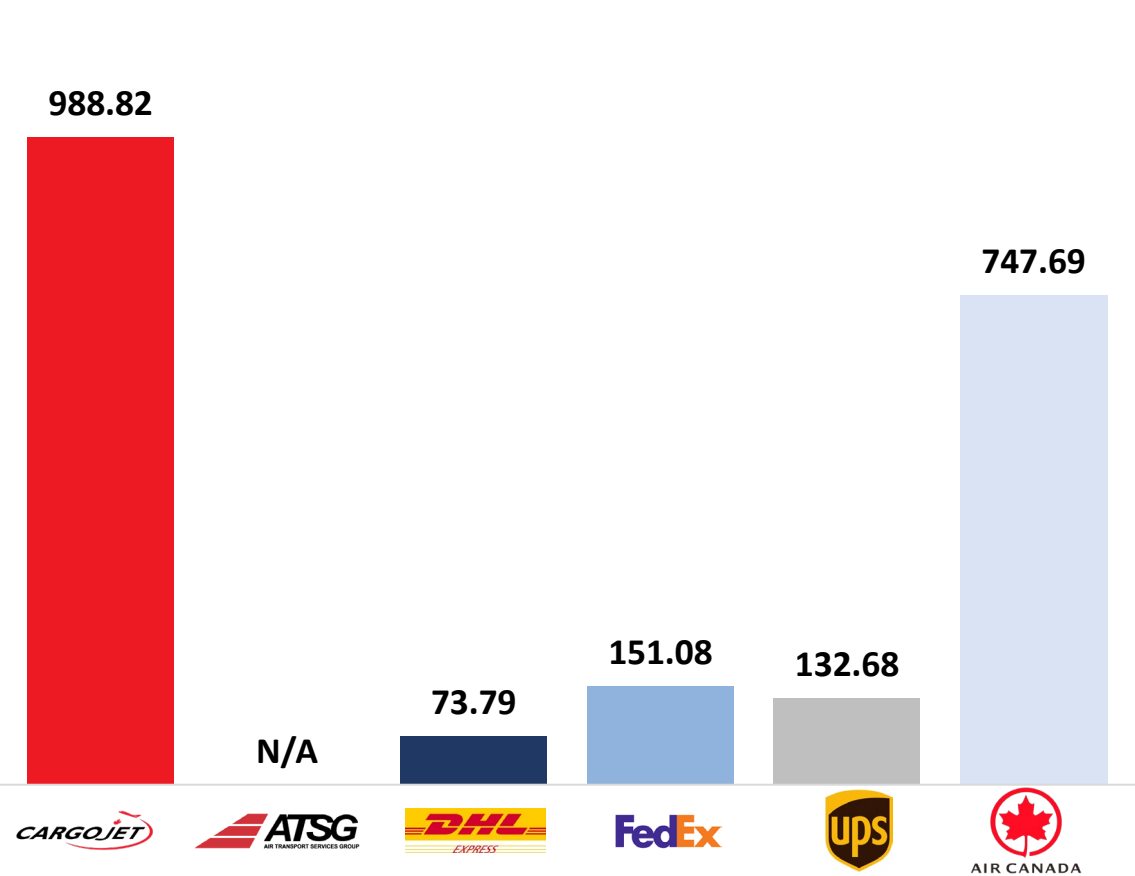
Criteria	Cargojet	ATSG	FedEx	UPS	DHL
<b>GHG Emissions</b>	Committed to net zero by 2050 and invested heavily in SAF and modernizing their fleet.	No specified commitment to a net zero target, but clear path to reduce emissions with past results.	Committed to carbon neutral operations by 2040 and clear path to achieve their commitment.	Committed to carbon neutrality by 2050 with intermediate goals.	Committed to net zero by 2050 with a clear path to achieve their commitment and past results.
Target Reduction	3.0	0.0	4.0	3.0	3.0
Plan & Execution	4.0	4.0	4.0	4.0	4.0
Use of clean energy	4.0	4.0	4.0	4.0	4.0
<b>Disclosure</b>	Annual ESG reports disclose relevant environmental concerns and activities. Also discloses GHG emissions.	Annual ESG reports disclose clear and concise details on environmental activities and impacts as a direct result of changing practices.	Annual ESG reports disclose details on past actions and impact as well as detailed plans and objectives, with additional data in an appendix.	Annual sustainability reports disclose major plans and objectives and historical achievements in environmental activities.	Annual ESG reports disclose plans and objectives. Additional downloadable data including GHG emissions.
Timeliness	3.0	3.0	4.0	3.0	3.0
Relevance & Specificity	2.0	3.0	5.0	4.0	5.0
<b>Environment</b>	<b>3.2</b>	<b>2.8</b>	<b>4.2</b>	<b>3.6</b>	<b>3.8</b>

# CJT's GHG Emissions

Trucking operations significantly reduce the GHG intensity per sales of integrators relative to CJT

Integrators have lower GHG intensity per sales

CJT's total GHG emissions are lower than peers



Source: Bloomberg, Company Filings

# CJT's Environmental Initiatives

CJT takes a multi-pronged approach to reducing emissions and achieving net zero

## Emissions reduction

- Carbon intensity reduction (emissions vs payload)
- Sustainable Aviation Fuel (SAF)

- Dependent on economic conditions (service to smaller markets)
- Current blend 50% with conventional, efforts to certify at 100% for up to 85% reduction in GHG emissions lifecycle

## Carbon capture and offsets

- Carbon Capture Utilization and Storage (CCUS)
- Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

- Commitment to deploying CCUS devices to capture residual emissions
- Carbon-neutral growth after 2020 (vs baseline at 85% of 2019 emissions), CJT is one of 13 airlines in Canada to monitor

## Fleet efficiency and optimization

- Key metric tracking to improve fuel consumption (planning and operations)
- Aircraft maintenance

- Calculate most fuel-efficient load distribution and network, reducing fuel burn and GHG emissions

## Fleet modernization

- Fleet renewal program, replaced original aircraft

- B-767 fuel burn is half that of retired B-727 and B-757 carries 30% more payload at 60% fuel burn

# ESG Scorecard – Social

## CJT does not materially lag any peers on important social categories

Rating	Description	UWaterloo Assessment			
0	N/A	No or lack of evidence of effort to achieve criterion.			
1	Laggard	Evidence of some effort but little success to achieve criterion.			
2	Satisfactory	Evidence of effort and a level of success to achieve criterion.			
3	Average	Effort and success in line with industry standards for criterion.			
4	Excellent	Higher level of effort and success in achieving criterion.			
5	Leader	Innovator for industry initiatives and high level of effort and success.			

Criteria	Cargojet	ATSG	FedEx	UPS	DHL
<b>Workplace Health &amp; Safety</b>	Required onboarding and refresher training for all employees with standard incident response protocols.	Ongoing training and emergency practice drills with 13 safety programs to assess and mitigate risks.	Required onboarding training for all employees. Tracked key metrics and employee engagement on safety procedures.	343M USD investment in training in the past year with details on types of training available. Standard incident response protocols.	193M EUR investment in staff development but no details on frequency of training. Standard incident response protocols.
Training	3.0	3.0	3.0	4.0	3.0
Incident Response	3.0	4.0	4.0	3.0	3.0
<b>Workforce</b>	Required diversity training for employees on how to create an inclusive work environment. Workforce satisfaction from 58 reviews.	Required diversity training for employees and surveys to measure progress and set diversity goals. Workforce satisfaction from 24 reviews.	Required diversity training. Contributions to create opportunities in and around the company. Workforce satisfaction from 10.9k reviews.	Not disclosed whether diversity training is required for all employees, but workforce is diverse. Workforce satisfaction based on 238 reviews.	Not disclosed whether diversity training is required but workforce is diverse and meaningful actions are taken. Workforce satisfaction based on 4.7k reviews.
Diversity & Inclusion	3.0	4.0	5.0	3.0	4.0
Satisfaction <sup>1</sup>	4.0	3.8	3.7	3.1	3.9
<b>Disclosure</b>	Annual ESG reports disclose social activities and programs undertaken to foster a healthy work environment.	Annual ESG reports disclose social activities and programs	Annual ESG reports disclose social activities and programs with additional data in an appendix.	Annually published reports with detailed disclosure on social activities; however, disclosure is scattered.	Annually published reports with detailed disclosure on social activities with additional downloadable data for tracked metrics.
Timeliness	3.0	3.0	3.0	3.0	3.0
Relevance & Specificity	3.0	3.0	4.0	3.0	4.0
<b>Social</b>	<b>3.2</b>	<b>3.5</b>	<b>3.8</b>	<b>3.2</b>	<b>3.5</b>

# CJT's Social Initiatives

## CJT takes guidance from regulators to set social initiatives

### Workplace health and safety

- Safety Management System and Hazard Prevention Program training at onboarding and every 3 years
- Health and Safety Program Manual
- Tracking through Jet Train application
- Reporting system and programs

- Reduce accidents and incidents per Transport Canada Aviation regulations
- Documentation of processes and procedures per Canada Labour Code and Occupational Health and Safety
- Of mandatory WHMIS, Fire Safety, and Safety Policy training
- Incident and injury tracking, whistleblower, and employee assistance

### Diversity and inclusion

- Diversity and inclusion policy
- Equal opportunity employer

- Complete diversity training modules on acceptable behaviours and unconscious bias
- Review of all internal processes such as hiring, promotions, and transfers

### Employee benefits and satisfaction

- Competitive wages and benefits
- Flexible work schedules
- Annual team engagement surveys

- Only one group of unionized employees (pilots)
- Accommodate team members' personal situations
- Collect feedback on work environment, career development, schedules, salaries

# ESG Scorecard – Governance

## CJT's governance practices are in line with peers

Criteria	Cargojet	ATSG	FedEx	UPS	DHL
<b>Board of Directors</b>	All members are independent and have relevant experience. High gender and moderate ethnic diversity.	All members are independent and have relevant experience.	Almost all members are independent and have relevant experience.	Almost all members are independent and have relevant experience. High gender and ethnic diversity.	Almost all members are independent and have relevant experience.
Independence	4.0	4.0	3.0	4.0	3.0
Experience	4.0	4.0	4.0	4.0	4.0
Diversity	5.0	3.0	4.0	5.0	3.0
<b>Management</b>	Management have relevant industry knowledge and compensation heavily tied to performance.	Management have relevant industry knowledge with compensation below market and is influenced by company performance.	Newer management team, but with relevant industry knowledge. Compensation tied to company performance vs market.	Management have relevant industry knowledge with compensation above market but tied to company performance.	Management have relevant industry knowledge with compensation tied to company performance.
Experience & Competence	4.0	4.0	3.0	4.0	4.0
Diversity	4.0	4.0	4.0	4.0	3.0
Compensation Structure	4.0	4.0	3.0	3.0	4.0
<b>Shareholder Rights</b>	One class of shares with 97% owned by institutions or the public.	One class of shares with 97% owned by institutions, Amazon, or the public.	One class of shares with 92% owned by institutions, private corporations, or the state.	One class of shares with 99.04% owned by institutions, the state, or the public.	One class of shares completely owned by institutions, private corporations, or the public.
Voting Rights	5.0	5.0	5.0	5.0	5.0
<b>Audit Committee</b>	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.
Independence	3.0	3.0	3.0	3.0	3.0
Experience	3.0	3.0	3.0	3.0	3.0
<b>Disclosure</b>	Relevant financial reporting and human capital are disclosed, including impact of outstanding derivative securities.	Relevant financial reporting and human capital data are disclosed.	Relevant financial reporting disclosed. Lack of concise disclosure on human capital.	Relevant financial reporting and human capital data are disclosed.	Relevant financial reporting and human capital data are disclosed.
Financial Reporting	4.0	3.0	3.0	3.0	3.0
Human Capital	3.0	3.0	2.0	3.0	3.0
<b>Governance</b>	<b>3.8</b>	<b>3.6</b>	<b>3.4</b>	<b>3.7</b>	<b>3.5</b>

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## Our View on Management

We view CJT's governance positively due to management's record, experience, and shareholder alignment

1

### Management Track Record

CJT's management team has built an extremely high quality business in an industry where many have previously failed to. Management has a reputation of operational excellence with 99% on-time performance while never losing a major customer

2

### Extensive Industry Knowledge and Experience

CJT's management team is well-equipped to drive continued growth in the company through their experience with the aviation and transportation and logistics industry and its regulatory environment

3

### Management Alignment with Shareholders

Shareholder interests are aligned through management compensation targets for EBITDA, ROIC, and total shareholder return



# Management Bios

CJT's management is highly experienced with many serving in the business for close to 20 years

Name & Position	At CJT Since	Years of Industry Experience	Background
Jamie Porteous <i>Co-CEO</i>	2001	38	Jamie served as CJT's Chief Strategy Officer prior to being appointed as a co-CEO in January 2024. Jamie has been with CJT since its inception but began his career in cargo at Air Canada.
Pauline Dhillon <i>Co-CEO</i>	2001	23	Pauline started her career at CJT and served as CJT's Chief Corporate Officer prior to being appointed as a co-CEO in January 2024.
Scott Calver <i>CFO</i>	2022	18	Scott was the CFO of Trimac Transportation prior to joining CJT as its CFO in May 2022. He has over 19 years of experience in transportation and logistics and held financial roles in the manufacturing sector.
Sanjeev Maini <i>VP Finance</i>	2020	19	Sanjeev served as CJT's Corporate Controller prior to his role as VP Finance and was the interim CFO for CJT from June 1, 2021 to May 2022.
Paul Rinaldo <i>Sr. VP Fleet Management and Support Services</i>	2003	35	Paul has over 35 years of experience in aviation management for major Canadian carriers, including Wardair Canada and Air Transat. He joined CJT in April 2003.
Shane Workman <i>Sr. VP Flight Operations</i>	2022	31	Shane has over 30 years in the aviation industry and over 13,600 flight hours. He held executive positions at Swoop, Sunwing, and Enerjet. Shane joined CJT in August 2022.
George Sugar <i>Sr. VP Regulatory Compliance</i>	2006	22	George held management and supervisory positions at other airlines and was the Chief Pilot for CJT since 2002 prior to his current position he began in January 2006.
Gord Johnston <i>Sr. VP Strategic Partnerships Sales</i>	2005	30	Gord has over 30 years of commercial aviation industry experience, including at American Airlines Cargo and Air Canada Cargo, prior to joining CJT in 2005.
Leo Cordeiro <i>Sr. VP Maintenance and Engineering</i>	2019	35	Leo has over 35 years of experience in the aviation sectors, including 30 years with Air Canada and Air Canada Express. He joined CJT in 2019.
Vito Cerone <i>Sr. VP Sales and Customer Experience</i>	2021	33	Vito has over 33 years of experience in the aviation industry, including over 31 years with Air Canada. He was the VP for Cargo Sales and Commercial Strategy at Air Canada Cargo prior to joining CJT in September 2021.

Source: Company Filings

# Board of Directors Bios

CJT's board comprises of a diverse group of leaders with experiences spanning many industries

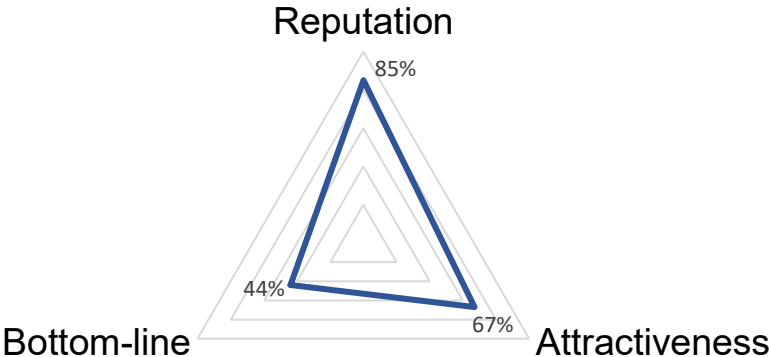
Name & Position	Since	Prior Board Experience	Background	2022 Approval	2023 Approval
Dr. Ajay Virmani	2005	Yes	Dr. Virmani has served as the President and CEO of CJT since inception, and recently entrusted Jamie Porteous and Pauline Dhillon to be co-CEOs of the company starting January 1, 2024. He has served as a Director of CJT's Board since its IPO in 2005. Dr. Virmani currently also serves as a Director on the Board of TD Bank.	97.57%	98.05%
Arlene Dickinson <i>Chair of the Audit Committee (AC)</i> <i>Chair of the Compensation and Nomination Committee (CNC)</i>	2018	Yes	Arlene has served on CJT's Board since 2018. She is the Founder and Managing General Partner of District Ventures Capital, Founder of District Ventures Accelerator, and CEO and sole owner of Venture Communications Ltd., with extensive experience working with Canadian brands. Arlene has also served on numerous public and private boards, but currently hold no other public company directorships.	95.17%	98.64%
Mary Traversy	2023	Yes	Mary was appointed as a Director in 2023. She spent 35 years at Canada Post, retiring in 2019, and served as the Chief Operating Officer prior to her retirement.	Newly Appointed	99.88%
Paul Godfrey <i>Chairman of the Board</i> <i>Chair of the Corporate Governance Committee (CGC)</i>	2009	Yes	Paul has served on CJT's Board since 2009. He currently serves as Founder and Special Advisor to the CEO and Board of Postmedia Network, where he previously served as Executive Chairman until 2022 and CEO until January 2019. Paul had served on the Board of and as the CEO of several other organizations since 1964. He currently serves on the Bragg Gaming Group Inc.'s Board since January 12, 2021.	82.17%	78.09%
Brian Levitt	2024	Yes	Brian was newly appointed as a Director in 2024. He is currently a director on the Board of TD Bank. He was formerly President and CEO of Imasco Ltd. and served in executive and non-executive leadership positions at Osler, Hoskin & Harcourt, LLP.	N/A	Newly Appointed

Source: Company Filings

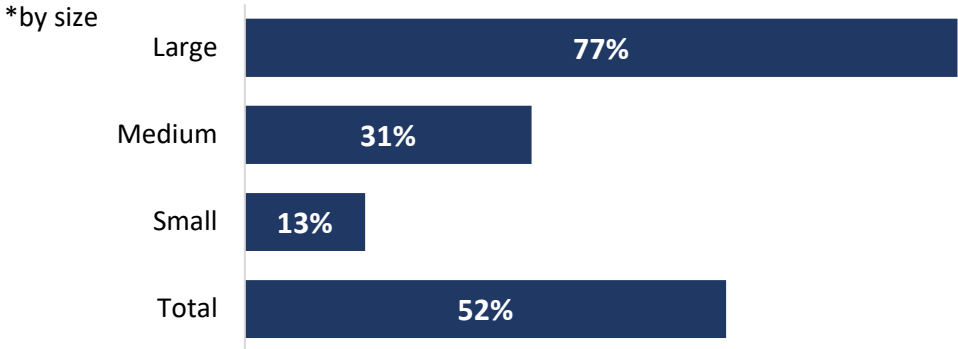
# ESG in the Air Cargo Industry

## Industry-wide view on ESG and broad actions taken to address important issues

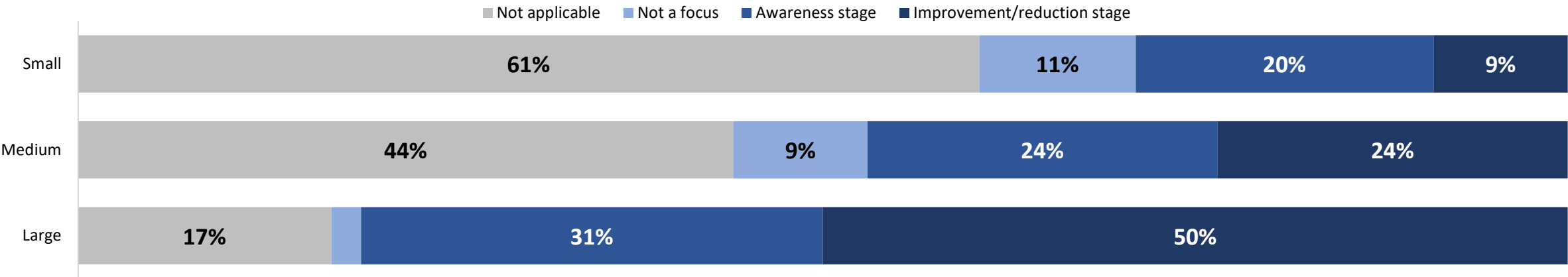
### Tangible ESG results' perceived impact to companies



### Companies that produced a sustainability report in 2023



### Involvement in SAF deployment



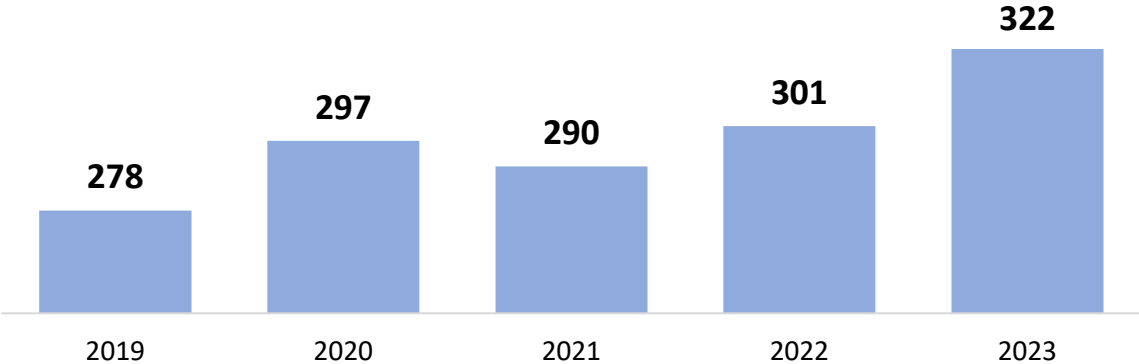
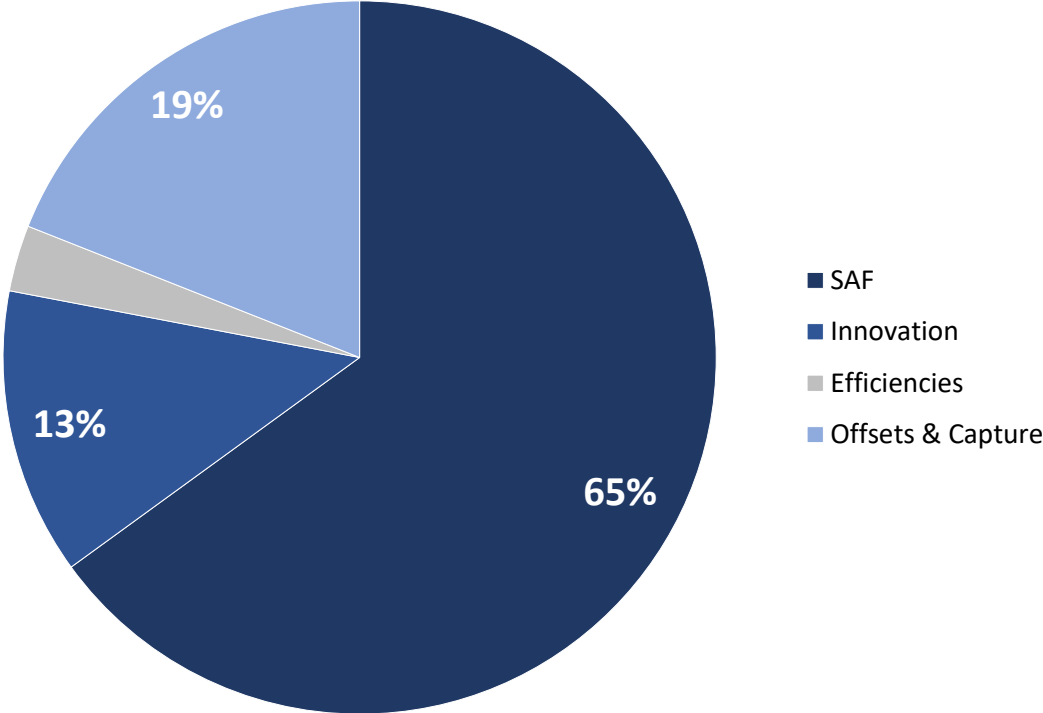
Source: TIACA

# ESG Practices in the Airline and Air Cargo Industry

## Common ESG objectives and actions found across the industry

Net zero by 2050 can be achieved through mixed methods as per IATA’s strategy

## Increasing number of IATA member airlines



## C-SAF is sponsored by 60+ founding members including CJT

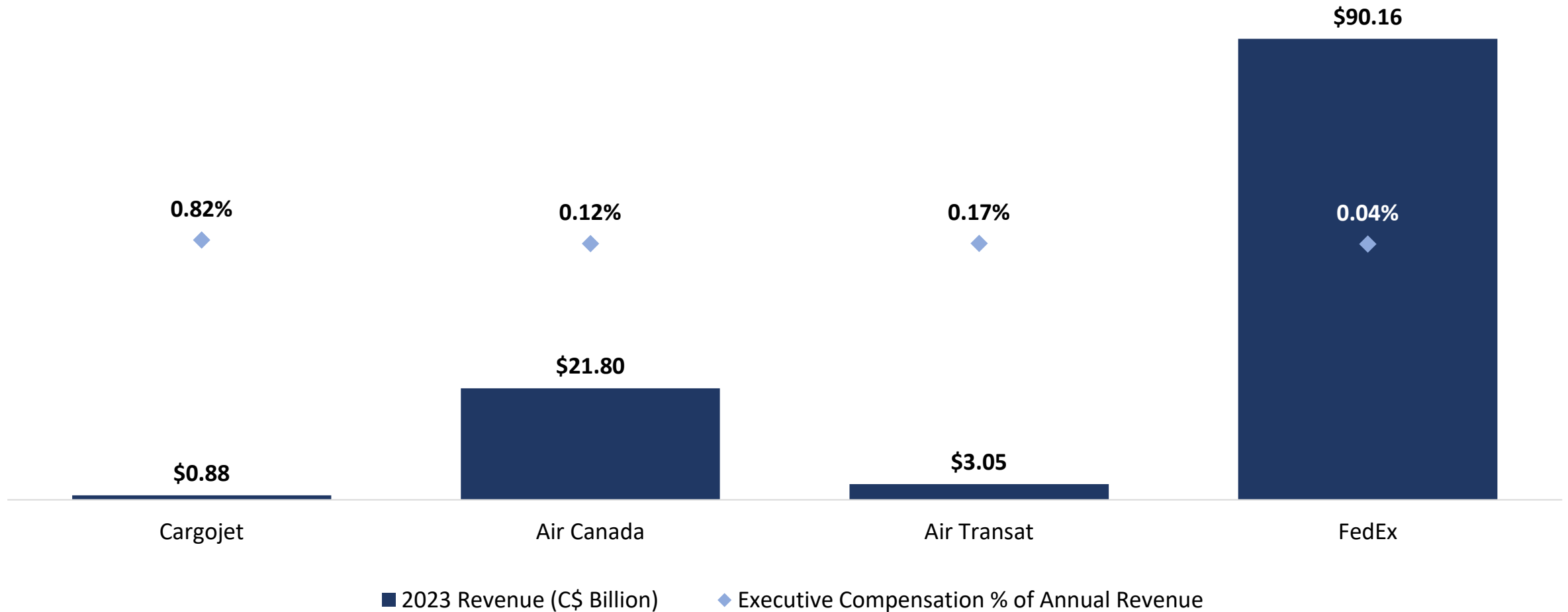


+ other passenger and cargo airlines operating in Canada

Source: IATA, C-SAF

# Executive Compensation Benchmarking

CJT's executive compensation as a % of revenue is high largely due to their scale compared to peers



Source: Company Filings

## CJT Leadership Transition

CJT founder Dr. Ajay Virmani has appointed two new co-CEOs to lead the business going forward



Dr. Ajay Virmani has served as CEO of Cargojet since its inception in 2002

On November 13, 2023, CJT announced a transition where Ajay would move into a new role as an executive chairman, appointing...

Source: Company Filings



...Pauline Dhillon, who was CJT's Chief Corporate Officer, and Jamie Porteous, CJT's Chief Strategy Officer, as co-CEOs. This leadership transition went into effect on January 1, 2024

## CJT's Co-CEO Model

CJT's current co-CEOs are founding members and are highly capable leaders



**Pauline Dhillon**

**Previously the Chief Corporate Officer, Pauline's responsibilities include managing government and stakeholder relations. Her responsibilities remain largely the same as she transitions into her new role**



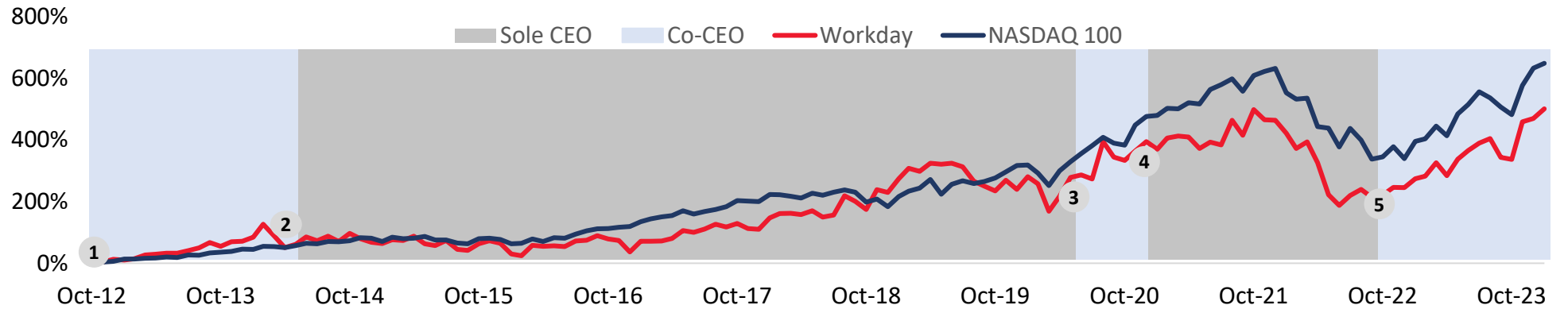
**Jamie Porteous**

**Previously the Chief Strategy Officer, Jamie's responsibilities include executing CJT's strategy and operations. His responsibilities remain largely the same, with the exception that he is taking on a more public-facing role**

- ✓ Board approval
- ✓ Long working relationship
- ✓ Greater time and capacity to assess multiple opportunities amidst changing business conditions
- ✓ Shared accountability to shareholders
- ✓ Familiarity with CJT's growth and drivers from different perspectives
- ✓ Positive reaction

# Co-CEO Model – Case Studies

Many reputable companies have found success with a co-CEO model



- 1 Aneel Bhusri and Dave Duffield led the company as co-CEOs
- 2 Bhusri led Workday as its sole CEO
- 3 Bhusri came back to the co-CEO model with Chano Fernandez
- 4 Bhusri became the sole CEO again, as Fernandez stepped down from his role
- 5 Bhusri and Carl Eschenbach led Workday as co-CEOs



2018 – 2020  
2021 – 2023

**NETFLIX**

2020 – 2023



2009 – 2016

Nearly 60% of companies led by co-CEOs outperformed in a HBR study

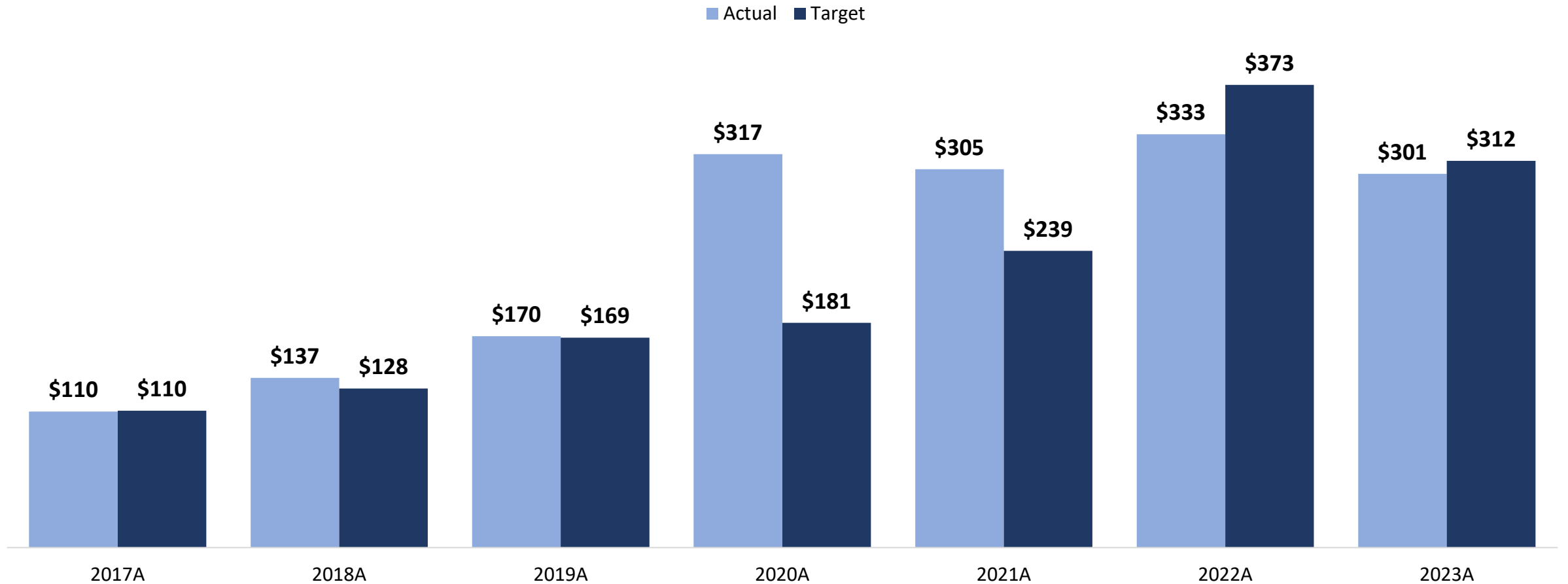
Source: Company Website, Capital IQ, Harvard Business Review



# Management Compensation Targets

Management has consistently outperformed STIP targets

STIP Adjusted EBITDA Goals (C\$ Million)

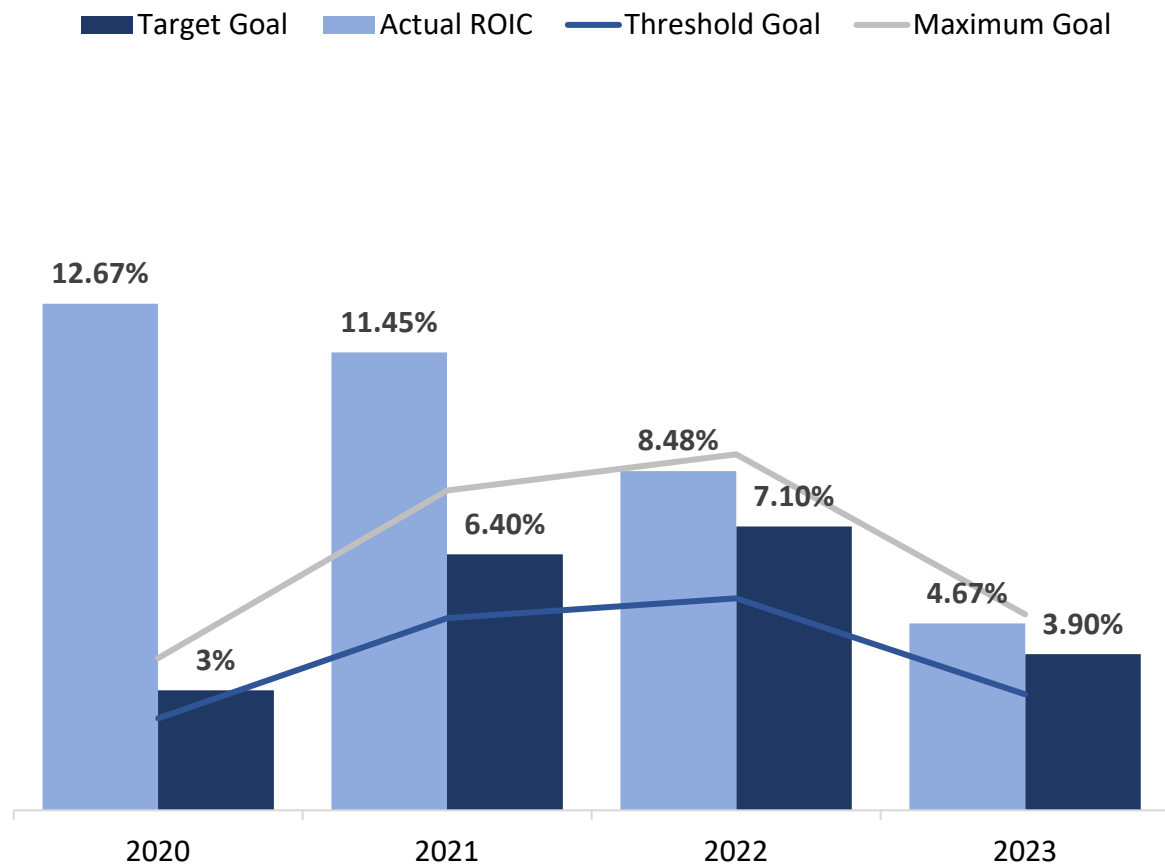


Source: Company Filings

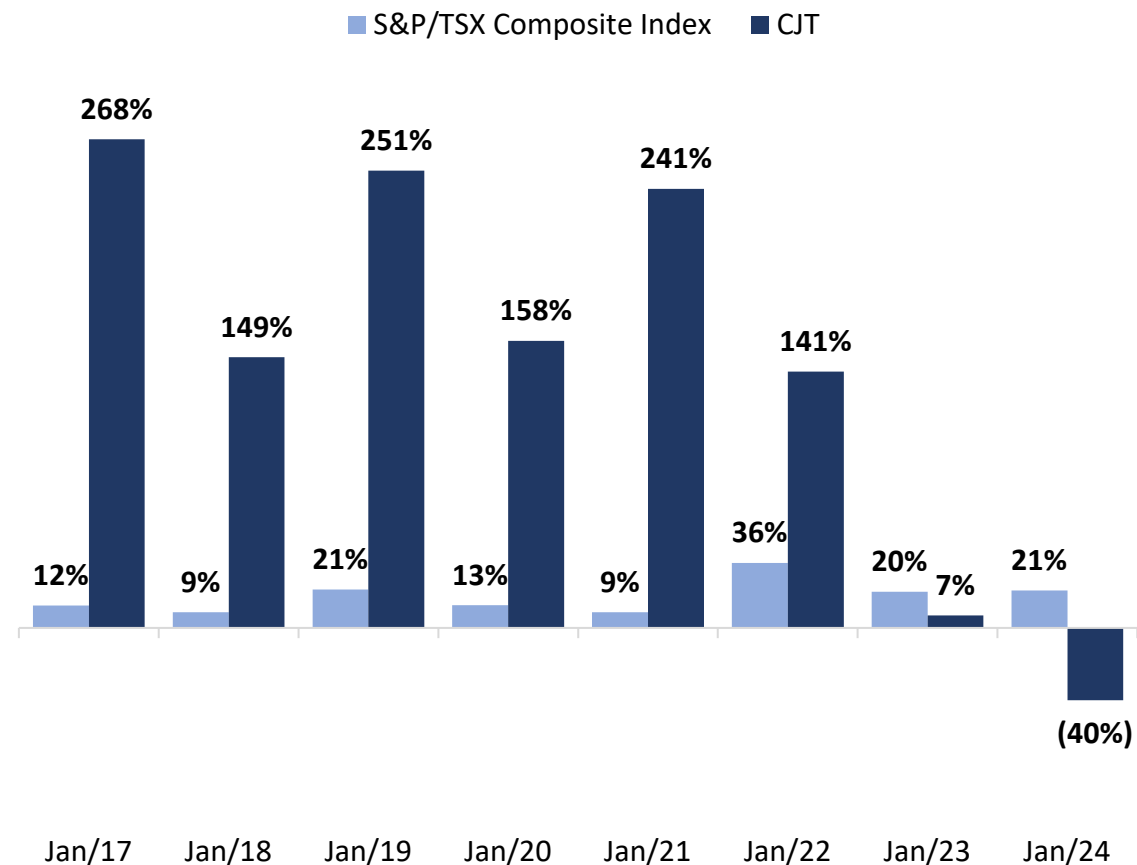
# Management Compensation Targets

Management has consistently outperformed ROIC targets and met TSR Goals

## LTIP ROIC Goals



## LTIP TSR Goals<sup>1</sup>

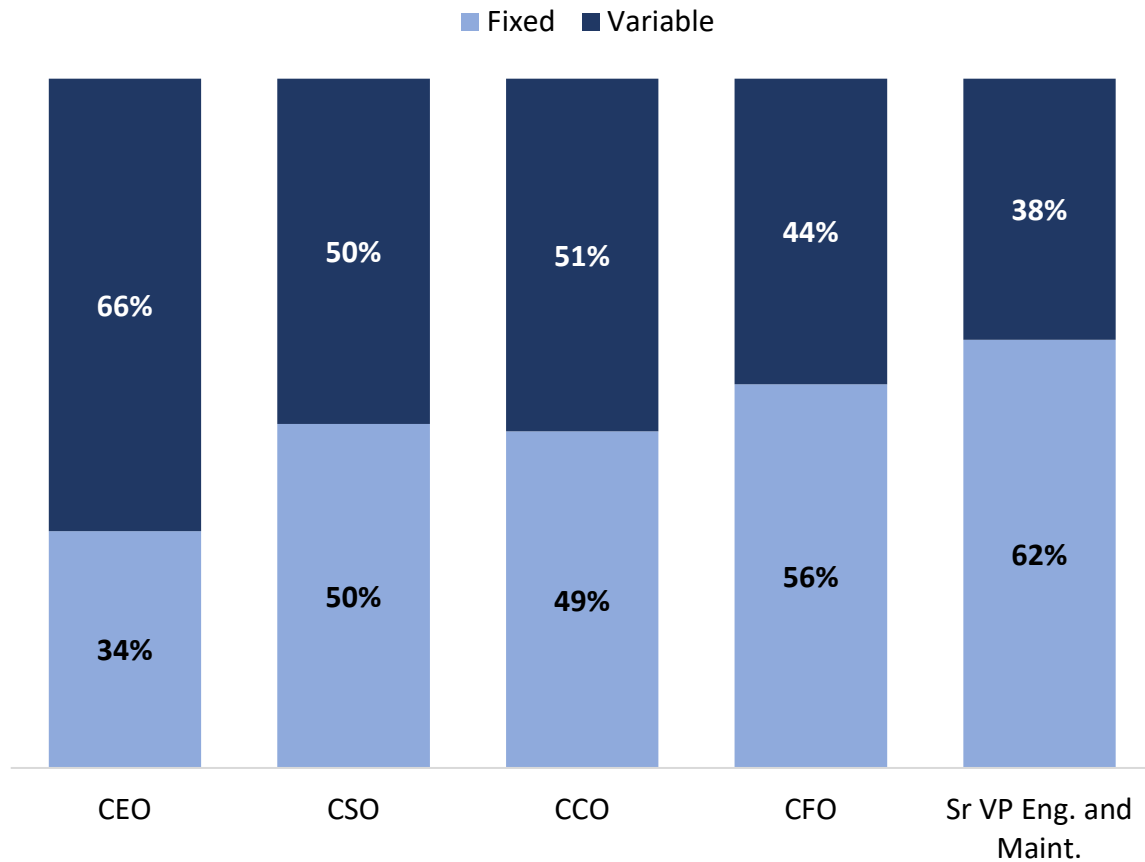


Source: Company Filings, Capital IQ, Note 1: TSR target is based on the 3-year return on adjusted dividend price

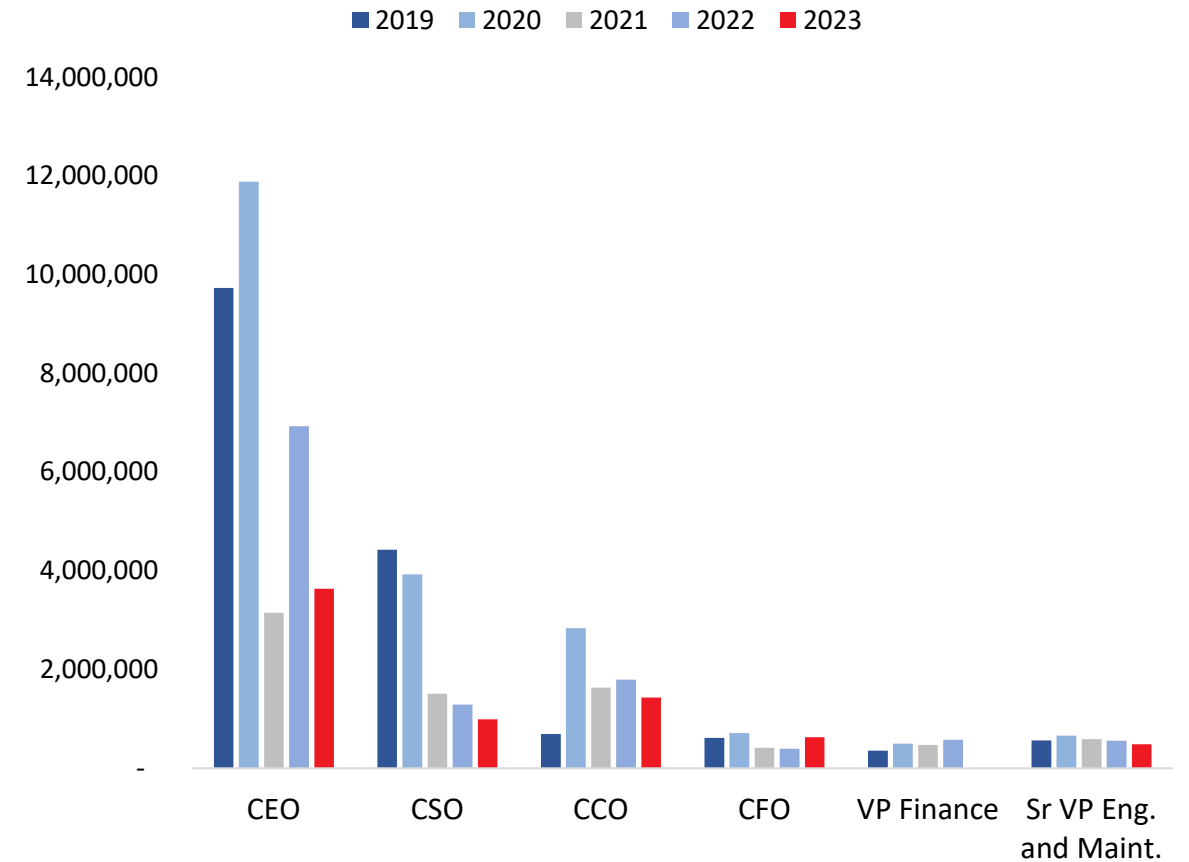
# Executive Compensation

Executive compensation is strongly tied to the performance of the business

Fixed and variable compensation for executives in 2023



Executive compensation over the past five years



Source: Company Filings

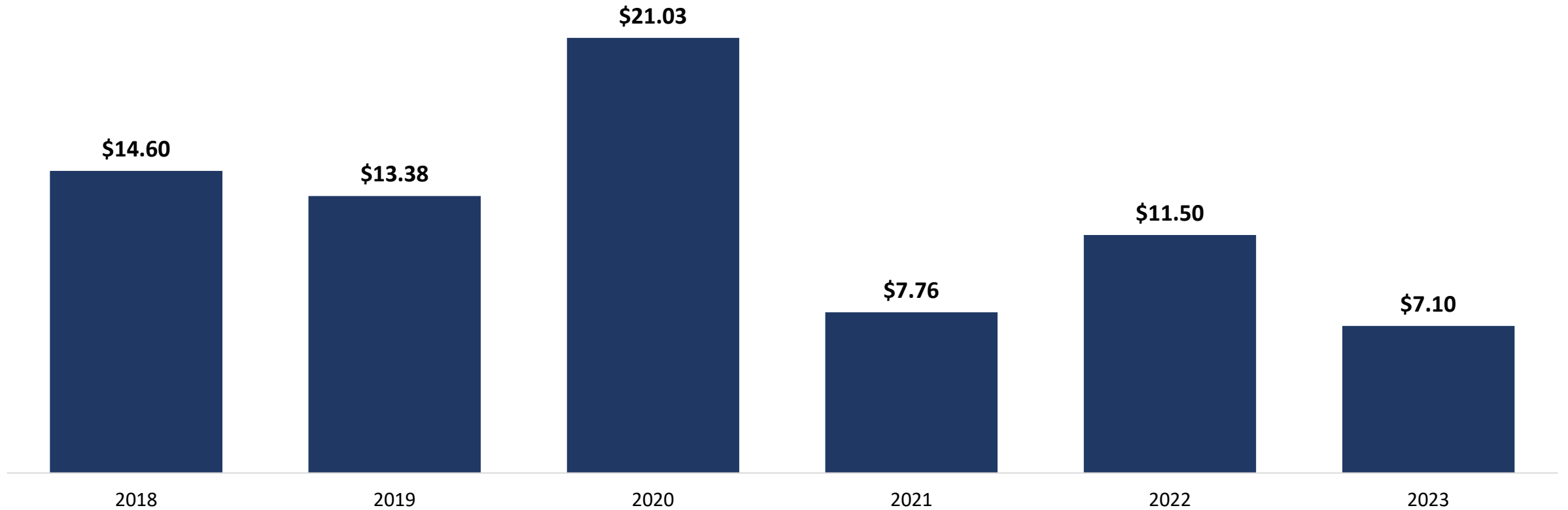
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## Historical Executive Compensation

Management compensation has reflected CJT's annual performance

Total NEOs compensation by year (C\$M)

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Source: Company Filings

# Exclusionary ESG Funds – European Regulations Effective July 31, 2023

European ESG regulations require adherence to sustainability reporting standards for large companies

Must publish information related to:

## Environmental Matters

Carbon emissions and performance published. Additional disclosure on NOx and SOx emissions are required.

## Social Matters & Treatment of Employees

Social policies and employee training programs with high-level overview published.

## Respect for Human Rights

Statement of support published; however, limited detail on impacts, risks, and opportunities

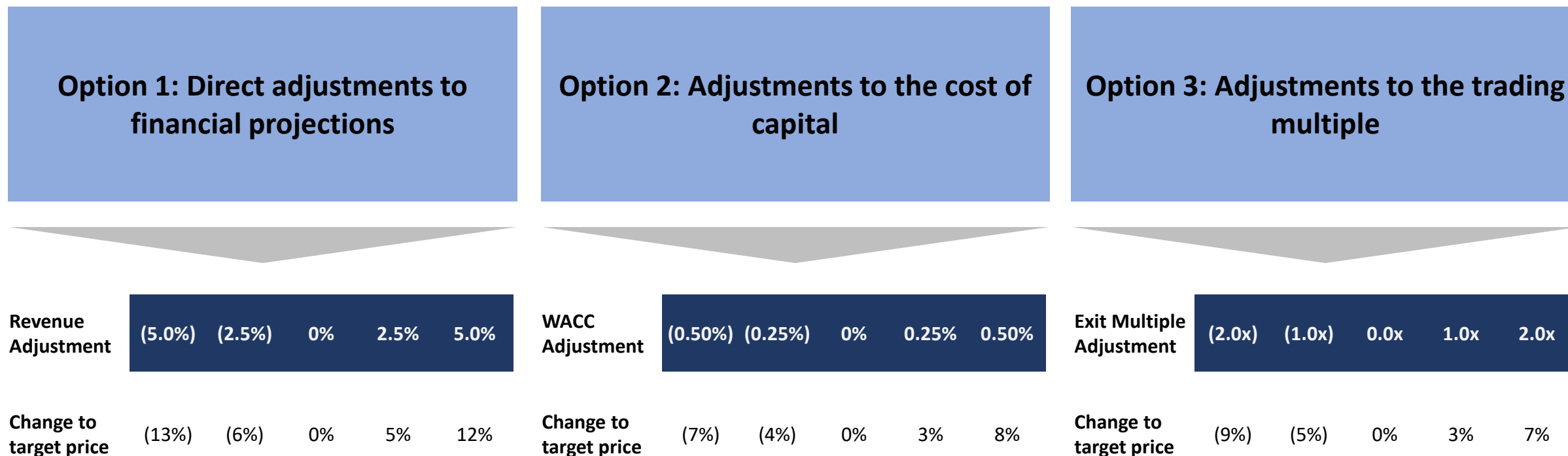
## Diversity on Company Boards

Detailed related information published

**European exclusionary ESG funds would not be able to include CJT.  
However, CJT has plans to increase disclosure in 2024.**

# Incorporating ESG in Valuation

We considered the following methodologies to incorporate ESG in our valuation



**“While it may not be the most environmentally friendly model, the industry is taking strides to quickly decarbonize and progress towards becoming more environmentally friendly. There are no major long-term concerns over the viability of this model”**

– Consultant at global consulting firm with ~5 years of ESG advisory experience in the transportation and logistics industry

# Revenue Build

We are fairly constructive on our view of CJT's growth

Revenue Build	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	CAGR
Domestic network revenue	\$264	\$300	\$325	\$366	\$355	\$394	\$441	\$490	\$529	\$556	7.1%
ACMI revenue	\$66	\$132	\$176	\$247	\$257	\$299	\$358	\$416	\$449	\$462	9.1%
Charter revenue	\$33	\$122	\$90	\$113	\$100	\$99	\$105	\$110	\$114	\$118	3.6%
Fuel surcharge & other revenue	\$124	\$115	\$167	\$267	\$165	\$177	\$186	\$193	\$199	\$203	2.8%
<b>Total Revenue</b>	<b>\$487</b>	<b>\$669</b>	<b>\$758</b>	<b>\$992</b>	<b>\$878</b>	<b>\$968</b>	<b>\$1,090</b>	<b>\$1,209</b>	<b>\$1,291</b>	<b>\$1,339</b>	6.7%
<b>Revenue Excl. FS</b>	<b>\$363</b>	<b>\$554</b>	<b>\$591</b>	<b>\$725</b>	<b>\$712</b>	<b>\$792</b>	<b>\$904</b>	<b>\$1,016</b>	<b>\$1,092</b>	<b>\$1,136</b>	7.5%
<i>% Growth</i>	n/a	52.5%	6.6%	22.8%	(1.8%)	11.1%	14.3%	12.3%	7.6%	4.0%	

As CJT's historical revenue growth is 92% correlated with Canadian e-commerce growth, we have forecasted the domestic business to grow at a conservative 7.1% CAGR compared to expected national growth of 8.0%

The ACMI business is 95% DHL. DHL is investing significantly in regions growing at +20% CAGRs so we have taken a conservative view on this at 9.1%. ACMI revenue is forecasted to be in line with the amounts the DHL warrants anticipate

Charter growth is driven by increasing levels of natural disasters and supply chain disruptions. We have held future growth in line with recent performance and guidance from management

## Bottom-up Build

A bottom-up build shows anticipated volume growth is attainable with CJT's current capacity

Figures in 000's	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	'24-'28 CAGR
Total Annual Capacity (Lbs)	470,400	560,400	626,400	741,750	857,000	913,750	1,028,125	1,028,125	1,028,125	1,028,125	
Utilization	85%	95%	95%	95%	80%	81%	84%	88%	93%	94%	
Implied Volume (Lbs)	399,840	532,380	595,080	704,663	685,600	743,283	828,620	907,725	952,593	966,241	
<b>Annual Kg transported</b>	<b>181,364</b>	<b>241,483</b>	<b>269,924</b>	<b>319,629</b>	<b>310,983</b>	<b>337,147</b>	<b>375,855</b>	<b>411,737</b>	<b>432,088</b>	<b>438,279</b>	<b>5.0%</b>
Volume growth					(3%)	8%	11%	10%	5%	1%	
<b>Implied Rate (\$/Kg)</b>	<b>\$2.00</b>	<b>\$2.29</b>	<b>\$2.19</b>	<b>\$2.27</b>	<b>\$2.29</b>	<b>\$2.35</b>	<b>\$2.41</b>	<b>\$2.47</b>	<b>\$2.53</b>	<b>\$2.59</b>	<b>2.5%</b>
CPI Price Step-Ups						2.5%	2.5%	2.5%	2.5%	2.5%	
<b>Revenue</b>	<b>\$363,100</b>	<b>\$553,900</b>	<b>\$590,500</b>	<b>\$725,200</b>	<b>\$712,300</b>	<b>\$791,535</b>	<b>\$904,472</b>	<b>\$1,015,589</b>	<b>\$1,092,433</b>	<b>\$1,135,787</b>	<b>7.5%</b>

Growth in our base case is largely driven by volume increases (5.0% CAGR) assuming annual CPI based price step-ups

Cargojet has sufficient capacity to handle forecasted demand without expanding its fleet



# DCF Valuation – Base Case

Under a constructive base case, CJT still shows upside

	Historical					Forecast				
	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Domestic Revenue	\$264	\$300	\$325	\$366	\$355	\$394	\$441	\$490	\$529	\$556
ACMI Revenue	\$66	\$132	\$176	\$247	\$257	\$299	\$358	\$416	\$449	\$462
Charter Revenue	\$33	\$122	\$90	\$113	\$100	\$99	\$105	\$110	\$114	\$118
<b>Revenue (Excl. FS)</b>	<b>\$363</b>	<b>\$554</b>	<b>\$591</b>	<b>\$725</b>	<b>\$712</b>	<b>\$792</b>	<b>\$904</b>	<b>\$1,016</b>	<b>\$1,092</b>	<b>\$1,136</b>
<i>% Growth</i>		52.5%	6.6%	22.8%	(1.8%)	11.1%	14.3%	12.3%	7.6%	4.0%
<b>Adjusted EBITDA</b>	<b>\$157</b>	<b>\$289</b>	<b>\$291</b>	<b>\$339</b>	<b>\$304</b>	<b>\$355</b>	<b>\$419</b>	<b>\$478</b>	<b>\$526</b>	<b>\$556</b>
<i>Adjusted EBITDA Margin %</i>	43.2%	52.1%	49.3%	46.7%	42.7%	44.8%	46.3%	47.1%	48.2%	49.0%
<b>EBIT</b>	<b>\$37</b>	<b>\$138</b>	<b>\$128</b>	<b>\$147</b>	<b>\$112</b>	<b>\$123</b>	<b>\$190</b>	<b>\$265</b>	<b>\$323</b>	<b>\$358</b>
<b>NOPAT (Net Operating Profit After Taxes)</b>	<b>\$27</b>	<b>\$101</b>	<b>\$93</b>	<b>\$107</b>	<b>\$81</b>	<b>\$90</b>	<b>\$138</b>	<b>\$194</b>	<b>\$236</b>	<b>\$261</b>
(+) D&A	\$92	\$98	\$114	\$140	\$177	\$215	\$213	\$197	\$187	\$182
(-) Capex	(\$218)	(\$147)	(\$278)	(\$611)	(\$266)	(\$183)	(\$202)	(\$165)	(\$171)	(\$180)
(-) Change in NWC		\$34	(\$36)	\$3	\$0	(\$20)	(\$10)	(\$11)	(\$9)	(\$6)
<b>Unlevered Free Cash Flow</b>	<b>(\$99)</b>	<b>\$85</b>	<b>(\$106)</b>	<b>(\$362)</b>	<b>(\$8)</b>	<b>\$103</b>	<b>\$140</b>	<b>\$214</b>	<b>\$242</b>	<b>\$258</b>
Discount Rate						8.35%	8.35%	8.35%	8.35%	8.35%
Discount Period						1.00	2.00	3.00	4.00	5.00
<b>Present Value of Unlevered Free Cash Flow</b>						<b>\$95</b>	<b>\$119</b>	<b>\$169</b>	<b>\$176</b>	<b>\$173</b>

**Terminal Growth  
Target Price/Upside**

**\$155/29%**

**Exit Multiple  
Target Price/Upside**

**\$159/33%**

# DCF Valuation – Base Case (Sensitivity)

Under a constructive base case, CJT still shows upside

Terminal Growth Method		Exit Multiple Method		Discount Rate	Exit Multiple (EV/EBITDA)				
					7.0x	7.5x	8.0x	8.5x	9.0x
WACC	8.35%	WACC	8.35%	<b>7.4%</b>	<b>22.5%</b>	<b>31.1%</b>	<b>39.8%</b>	<b>48.5%</b>	<b>57.2%</b>
Terminal Growth Rate	2.25%	Exit Multiple	9.0X	<b>7.9%</b>	<b>19.2%</b>	<b>27.6%</b>	<b>36.1%</b>	<b>44.6%</b>	<b>53.1%</b>
Implied Exit Multiple	7.8X	Implied Growth Rate	2.41%	<b>8.4%</b>	<b>16.0%</b>	<b>24.2%</b>	<b>32.5%</b>	<b>40.8%</b>	<b>49.1%</b>
PV of UFCF	\$731	PV of UFCF	\$731	<b>8.9%</b>	<b>12.8%</b>	<b>20.9%</b>	<b>29.0%</b>	<b>37.1%</b>	<b>45.2%</b>
Terminal Year UFCF	\$4,325	Terminal Year UFCF	\$4,448	<b>9.4%</b>	<b>9.8%</b>	<b>17.7%</b>	<b>25.6%</b>	<b>33.5%</b>	<b>41.4%</b>
PV of Terminal Year	\$2,896	PV of Terminal Year	\$2,979						
<b>EV</b>	<b>\$3,627</b>	<b>EV</b>	<b>\$3,710</b>						
Less: Debt & Leases	(\$773)	Less: Debt & Leases	(\$773)	<b>Discount Rate</b>	<b>Terminal Growth Rate</b>				
Less: Minority Interest	\$0	Less: Minority Interest	\$0	<b>7.4%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.25%</b>	<b>2.50%</b>	<b>2.75%</b>
Add: Cash	\$43	Add: Cash	\$43	<b>7.9%</b>	<b>34.6%</b>	<b>47.3%</b>	<b>62.4%</b>	<b>80.8%</b>	<b>103.7%</b>
<b>Equity Value</b>	<b>\$2,897</b>	<b>Equity Value</b>	<b>\$2,980</b>	<b>7.9%</b>	<b>21.2%</b>	<b>31.7%</b>	<b>44.1%</b>	<b>59.0%</b>	<b>77.0%</b>
S.O	20.5	S.O	20.5	<b>8.4%</b>	<b>9.6%</b>	<b>18.5%</b>	<b>28.8%</b>	<b>41.0%</b>	<b>55.6%</b>
<b>Implied Price</b>	<b>\$141</b>	<b>Implied Price</b>	<b>\$145</b>	<b>8.9%</b>	<b>(0.4%)</b>	<b>7.2%</b>	<b>15.9%</b>	<b>26.0%</b>	<b>38.0%</b>
<b>1-Yr Target</b>	<b>\$155</b>	<b>1-Yr Target</b>	<b>\$159</b>	<b>9.4%</b>	<b>(9.2%)</b>	<b>(2.7%)</b>	<b>4.8%</b>	<b>13.3%</b>	<b>23.3%</b>
Current Price	\$120	Current Price	\$120						
<b>Implied Return</b>	<b>29%</b>	<b>Implied Return</b>	<b>33%</b>						

# DCF Valuation – Bull Case

CJT shows tremendous upside in a bull case scenario

	Historical					Forecast				
	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Domestic Revenue	\$264	\$300	\$325	\$366	\$355	\$408	\$482	\$554	\$615	\$652
ACMI Revenue	\$66	\$132	\$176	\$247	\$257	\$309	\$389	\$467	\$518	\$544
Charter Revenue	\$33	\$122	\$90	\$113	\$100	\$102	\$105	\$111	\$117	\$121
<b>Revenue (Excl. FS)</b>	<b>\$363</b>	<b>\$554</b>	<b>\$591</b>	<b>\$725</b>	<b>\$712</b>	<b>\$819</b>	<b>\$976</b>	<b>\$1,132</b>	<b>\$1,250</b>	<b>\$1,318</b>
<i>% Growth</i>		52.5%	6.6%	22.8%	(1.8%)	15.0%	19.2%	16.0%	10.4%	5.4%
<b>Adjusted EBITDA</b>	<b>\$157</b>	<b>\$289</b>	<b>\$291</b>	<b>\$339</b>	<b>\$304</b>	<b>\$372</b>	<b>\$465</b>	<b>\$554</b>	<b>\$617</b>	<b>\$661</b>
<i>Adjusted EBITDA Margin %</i>	43.2%	52.1%	49.3%	46.7%	42.7%	45.4%	47.6%	48.9%	49.3%	50.2%
<b>EBIT</b>	<b>\$37.3</b>	<b>\$137.7</b>	<b>\$127.6</b>	<b>\$146.6</b>	<b>\$112</b>	<b>\$125</b>	<b>\$221</b>	<b>\$315</b>	<b>\$392</b>	<b>\$455</b>
<b>NOPAT (Net Operating Profit After Taxes)</b>	<b>\$27</b>	<b>\$101</b>	<b>\$93</b>	<b>\$107</b>	<b>\$81</b>	<b>\$91</b>	<b>\$162</b>	<b>\$230</b>	<b>\$286</b>	<b>\$332</b>
(+) D&A	\$92	\$98	\$114	\$140	\$177	\$231	\$227	\$223	\$208	\$189
(-) Capex	(\$218)	(\$147)	(\$278)	(\$611)	(\$266)	(\$249)	(\$178)	(\$182)	(\$183)	(\$187)
(-) Change in NWC		\$34	(\$36)	\$3	\$0	(\$18)	(\$13)	(\$12)	(\$11)	(\$10)
<b>Unlevered Free Cash Flow</b>	<b>(\$99)</b>	<b>\$85</b>	<b>(\$106)</b>	<b>(\$362)</b>	<b>(\$8)</b>	<b>\$56</b>	<b>\$198</b>	<b>\$258</b>	<b>\$301</b>	<b>\$325</b>
Discount Rate						8.35%	8.35%	8.35%	8.35%	8.35%
Discount Period						1.00	2.00	3.00	4.00	5.00
<b>Present Value of Unlevered Free Cash Flow</b>						<b>\$51</b>	<b>\$169</b>	<b>\$203</b>	<b>\$218</b>	<b>\$218</b>

**Terminal Growth  
Target Price/Upside**

**\$211/75%**

**Exit Multiple  
Target Price/Upside**

**\$208/73%**

# DCF Valuation – Bull Case (Sensitivity)

CJT shows tremendous upside in a bull case scenario

Terminal Growth Method		Exit Multiple Method		Discount Rate	Exit Multiple (EV/EBITDA)				
					7.5x	8.0x	8.5x	9.0x	9.5x
WACC	8.35%	WACC	8.35%	<b>7.4%</b>	61.6%	71.9%	82.2%	92.5%	102.8%
Terminal Growth Rate	2.50%	Exit Multiple	8.5X	<b>7.9%</b>	57.4%	67.5%	77.6%	87.6%	97.7%
Implied Exit Multiple	8.6X	Implied Growth Rate	2.42%	<b>8.4%</b>	53.4%	63.2%	73.0%	82.9%	92.7%
PV of UFCF	\$859	PV of UFCF	\$859	<b>8.9%</b>	49.4%	59.0%	68.6%	78.2%	87.9%
Terminal Year UFCF	\$5,701	Terminal Year UFCF	\$5,618	<b>9.4%</b>	45.5%	54.9%	64.3%	73.7%	83.1%
PV of Terminal Year	\$3,817	PV of Terminal Year	\$3,762						
<b>EV</b>	<b>\$4,677</b>	<b>EV</b>	<b>\$4,622</b>						
Less: Debt & Leases	(\$773)	Less: Debt & Leases	(\$773)	<b>Discount Rate</b>	<b>Terminal Growth Rate</b>				
Less: Minority Interest	\$0	Less: Minority Interest	\$0		1.50%	2.00%	2.50%	3.00%	3.50%
Add: Cash	\$43	Add: Cash	\$43	<b>7.4%</b>	83.1%	100.5%	121.5%	147.3%	179.8%
<b>Equity Value</b>	<b>\$3,947</b>	<b>Equity Value</b>	<b>\$3,891</b>	<b>7.9%</b>	64.8%	79.2%	96.3%	116.9%	142.3%
S.O	20.5	S.O	20.5	<b>8.4%</b>	49.3%	61.4%	75.4%	92.3%	112.5%
<b>Implied Price</b>	<b>\$192</b>	<b>Implied Price</b>	<b>\$190</b>	<b>8.9%</b>	35.9%	46.1%	58.0%	71.8%	88.3%
<b>1-Yr Target</b>	<b>\$211</b>	<b>1-Yr Target</b>	<b>\$208</b>	<b>9.4%</b>	24.2%	33.0%	43.0%	54.7%	68.3%
Current Price	\$120	Current Price	\$120						
<b>Implied Return</b>	<b>75%</b>	<b>Implied Return</b>	<b>73%</b>						

## DCF Valuation – Bear Case

CJT's downside risk is very low due to the entrenchment of the business and quality of its contracts

	Historical					Forecast				
	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Domestic Revenue	\$264	\$300	\$325	\$366	\$355	\$348	\$337	\$358	\$376	\$387
ACMI Revenue	\$66	\$132	\$176	\$247	\$257	\$252	\$267	\$281	\$292	\$301
Charter Revenue	\$33	\$122	\$90	\$113	\$100	\$97	\$94	\$92	\$91	\$92
<b>Revenue (Excl. FS)</b>	<b>\$363</b>	<b>\$554</b>	<b>\$591</b>	<b>\$725</b>	<b>\$712</b>	<b>\$697</b>	<b>\$699</b>	<b>\$731</b>	<b>\$759</b>	<b>\$780</b>
<i>% Growth</i>		52.5%	6.6%	22.8%	(1.8%)	(2.1%)	0.3%	4.5%	3.9%	2.8%
<b>Adjusted EBITDA</b>	<b>\$157</b>	<b>\$289</b>	<b>\$291</b>	<b>\$339</b>	<b>\$304</b>	<b>\$279</b>	<b>\$281</b>	<b>\$301</b>	<b>\$318</b>	<b>\$336</b>
<i>Adjusted EBITDA Margin %</i>	43.2%	52.1%	49.3%	46.7%	42.7%	40.0%	40.3%	41.2%	41.8%	43.1%
<b>EBIT</b>	<b>\$37.3</b>	<b>\$137.7</b>	<b>\$127.6</b>	<b>\$146.6</b>	<b>\$112</b>	<b>\$31</b>	<b>\$23</b>	<b>\$50</b>	<b>\$90</b>	<b>\$135</b>
<b>NOPAT (Net Operating Profit After Taxes)</b>	<b>\$37</b>	<b>\$138</b>	<b>\$128</b>	<b>\$147</b>	<b>\$112</b>	<b>\$31</b>	<b>\$23</b>	<b>\$50</b>	<b>\$90</b>	<b>\$135</b>
(+) D&A	\$92	\$98	\$114	\$140	\$177	\$232	\$243	\$235	\$212	\$185
(-) Capex	(\$218)	(\$147)	(\$278)	(\$611)	(\$266)	(\$299)	(\$166)	(\$168)	(\$171)	(\$177)
(-) Change in NWC		\$34	(\$36)	\$3	\$0	(\$5)	\$0	(\$5)	(\$7)	(\$9)
<b>Unlevered Free Cash Flow</b>	<b>(\$89)</b>	<b>\$122</b>	<b>(\$71)</b>	<b>(\$322)</b>	<b>\$22</b>	<b>(\$42)</b>	<b>\$100</b>	<b>\$111</b>	<b>\$123</b>	<b>\$134</b>
Discount Rate						8.35%	8.35%	8.35%	8.35%	8.35%
Discount Period						1.00	2.00	3.00	4.00	5.00
<b>Present Value of Unlevered Free Cash Flow</b>						<b>(\$39)</b>	<b>\$85</b>	<b>\$88</b>	<b>\$89</b>	<b>\$90</b>

**Terminal Growth  
Target Price/Downside**

**\$90/(25%)**

**Exit Multiple  
Target Price/Downside**

**\$86/(29%)**

## DCF Valuation – Bear Case (Sensitivity)

CJT's downside risk is very low due to the entrenchment of the business and quality of its contracts

Terminal Growth Method		Exit Multiple Method		Discount Rate	Exit Multiple (EV/EBITDA)				
					7.0x	7.5x	8.0x	8.5x	9.0x
WACC	8.35%	WACC	8.35%	7.4%	(37.4%)	(30.5%)	(23.6%)	(16.6%)	(9.7%)
Terminal Growth Rate	2.25%	Exit Multiple	7.0X	7.9%	(39.7%)	(32.9%)	(26.1%)	(19.4%)	(12.6%)
Implied Exit Multiple	7.2X	Implied Growth Rate	2.05%	8.4%	(41.9%)	(35.3%)	(28.7%)	(22.0%)	(15.4%)
PV of UFCF	\$349	PV of UFCF	\$349	8.9%	(44.0%)	(37.6%)	(31.1%)	(24.6%)	(18.2%)
Terminal Year UFCF	\$2,580	Terminal Year UFCF	\$2,492	9.4%	(46.1%)	(39.8%)	(33.5%)	(27.2%)	(20.9%)
PV of Terminal Year	\$1,728	PV of Terminal Year	\$1,668						
<b>EV</b>	<b>\$2,077</b>	<b>EV</b>	<b>\$2,017</b>						
Less: Debt & Leases	(\$773)	Less: Debt & Leases	(\$773)	<b>Discount Rate</b>	<b>Terminal Growth Rate</b>				
Less: Minority Interest	\$0	Less: Minority Interest	\$0	<b>Rate</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.25%</b>
Add: Cash	\$43	Add: Cash	\$43	7.4%	(21.1%)	(11.7%)	(0.4%)	13.3%	30.3%
<b>Equity Value</b>	<b>\$1,346</b>	<b>Equity Value</b>	<b>\$1,287</b>	7.9%	(31.1%)	(23.3%)	(14.0%)	(3.0%)	10.5%
S.O	16.5	S.O	16.5	8.4%	(39.7%)	(33.1%)	(25.4%)	(16.3%)	(5.5%)
<b>Implied Price</b>	<b>\$82</b>	<b>Implied Price</b>	<b>\$78</b>	8.9%	(47.1%)	(41.5%)	(35.0%)	(27.4%)	(18.5%)
<b>1-Yr Target</b>	<b>\$90</b>	<b>1-Yr Target</b>	<b>\$86</b>	9.4%	(53.6%)	(48.8%)	(43.2%)	(36.9%)	(29.4%)
Current Price	\$120	Current Price	\$120						
<b>Implied Return</b>	<b>(25%)</b>	<b>Implied Return</b>	<b>(29%)</b>						

# Scenario Comparison

CJT showcases an attractive risk-return profile across cases

## Revenue CAGR

	Domestic Revenue	ACMI Revenue	Charter Revenue	Overall
Bull	9.8%	12.0%	4.2%	10.0%
Base	7.1%	9.1%	3.6%	7.5%
Bear	2.7%	4.2%	0.0%	2.9%

## Adj. EBITDA Margins

	'24E	'25E	'26E	'27E	'28E
Bull	45.4%	47.6%	48.9%	49.3%	50.2%
Base	44.8%	46.3%	47.1%	48.2%	49.0%
Bear	40.0%	40.5%	41.9%	43.0%	44.3%

## Implied Return

	Implied Target Price	Implied Return
Bull	\$195	63%
Base	\$150	25%
Bear	\$88	(32%)

## Scenario Analysis



# Gross Profit Bridge

Differences in EBITDA and gross profit are attributable to D&A

Gross Profit Bridge	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>Gross Profit</b>	\$119	\$251	\$232	\$260	\$182	\$195	\$264	\$342	\$402	\$439
SG&A	(\$60)	(\$81)	(\$60)	(\$75)	(\$70)	(\$72)	(\$74)	(\$76)	(\$79)	(\$81)
D&A	\$92	\$98	\$114	\$140	\$194	\$215	\$213	\$197	\$187	\$182
SBC	\$0	\$0	\$17	\$12	\$12	\$12	\$12	\$12	\$12	\$12
Gain on sale of PPE	(\$1)	(\$1)	(\$0)	(\$1)	\$1	\$1	\$1	\$1	\$1	\$1
Unrealized forex loss/derivative loss	(\$4)	(\$3)	\$0	\$4	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)
Other Financing Costs and Gains	\$7	\$13	(\$13)	(\$7)	(\$67)	\$0	\$0	\$0	\$0	\$0
Loss on extinguishment of debts	\$0	\$0	\$5	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Share of (gain) loss of associate	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Employee pension	\$4	\$13	(\$5)	\$3	\$4	\$4	\$4	\$4	\$4	\$4
<b>Net Positive Impact from D&amp;A vs SG&amp;A</b>	\$33	\$16	\$55	\$65	\$124	\$143	\$139	\$121	\$109	\$101
<b>Adjusted EBITDA</b>	\$157	\$289	\$291	\$339	\$212	\$355	\$419	\$478	\$526	\$556



# WACC Buildup

We have taken a conservative view on WACC

## WACC Calculation

### Target Capital Structure

Net debt	\$764
Market value of equity	\$2,070
Enterprise value	\$2,834

Debt-to-Total Capitalization	27%
Equity-to-Total Capitalization	73%

### Cost of Debt

Pre-tax Cost of Debt	7.00%
Tax Rate	27%
<b>After-tax cost of debt</b>	<b>5.11%</b>

### Cost of Equity (CAPM)

Risk-free rate	3.70%
Market risk premium	5.00%
Levered beta	1.17
<b>Cost of Equity</b>	<b>9.54%</b>

<b>WACC</b>	<b>8.35%</b>
-------------	--------------

## Damodaran Industry Average Cost of Capital

Industry	Cost of Equity	After-Tax Cost of Debt	Average Cost of Capital
Air Transport	9.7%	3.8%	6.1%
Transportation	8.5%	4.0%	7.4%
Trucking	8.5%	3.8%	8.3%
Railroads	8.6%	3.4%	7.5%
Aerospace/Defense	8.8%	5.1%	7.8%
General Utilities	6.6%	3.4%	5.1%
Automotive	10.9%	4.0%	9.3%

Our WACC is conservative compared to most similar industries

# 5-Year Treasury Yields

Treasury yields are starting to gradually decline



Source: Bank of Canada

# Beta Calculation

We calculated CJT's beta using a bottom-up approach

Peer Beta	Ticker	Levered Beta	Market Cap	Total Debt	Debt / Mkt. Cap.	Stat. Tax Rate	Unlevered Beta
FedEx Corporation	NYSE: FDX	1.24	\$65,391.0	\$37,514.0	57%	21.0%	0.85
United Parcel Service, Inc.	NYSE: UPS	1.05	\$126,083.7	\$24,397.0	19%	21.0%	0.91
Deutsche Post AG	XTRA: DHL	1.11	\$46,703.2	\$23,345.0	50%	21.0%	0.80
TFI International Inc.	TSX: TFII	1.44	\$15,917.5	\$2,944.5	18%	27.0%	1.27
Mean							<b>0.96</b>
Median							<b>0.88</b>

Cargojet	TSX: CJT	1.03	\$2,549.2	\$773.0	30%	27.0%	0.82
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Relever Beta	
Peer Mean Unlevered Beta	0.96
Target Debt-to-Equity Ratio	30%
Effective Tax Rate	27%
<b>Levered Beta</b>	<b>1.17</b>

**CJT 5Y Monthly Beta**

**1.03**

**CJT 5Y Monthly Beta  
(Pre-COVID)**

**1.17**

# Cost of Debt Methodology

We chose to use the discount rate for CJT's hybrid debt as our cost of debt assumption

**Option 1: Discount rate for the PV of hybrid debt (7%)**

This value more accurately reflects the true borrowing costs of CJT and is the most conservative view on cost of debt

**Option 2: Weighted average interest rate on hybrid debt (5.5%)**

The interest rates on their hybrid debt reflect a lower discount rate than standard debt due to the conversion factor. This does not accurately reflect the cost of borrowing non-convertible debt

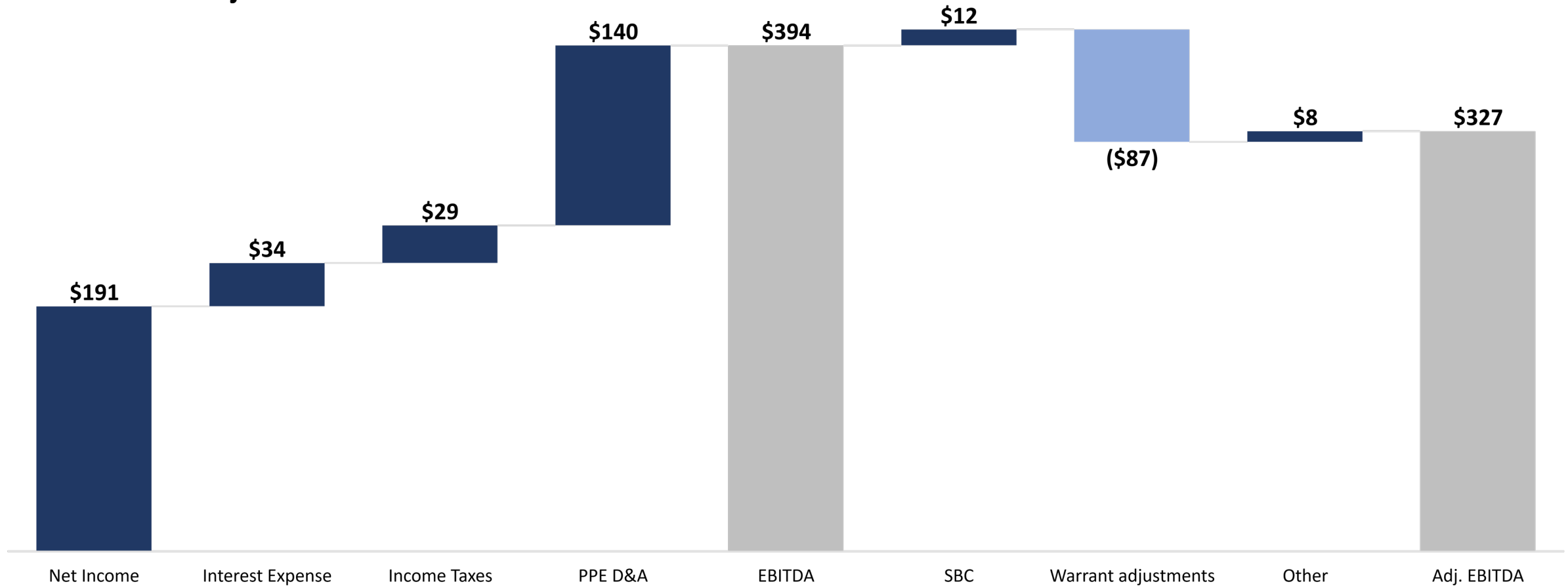
**Option 3: Credit spreads**

CJT does not have a credit rating and it would be unreliable to leverage this methodology for calculating cost of debt

# EBITDA Adjustments

CJT's adjustments are reasonable

## 2022 EBITDA Adjustment



Source: Company Filings

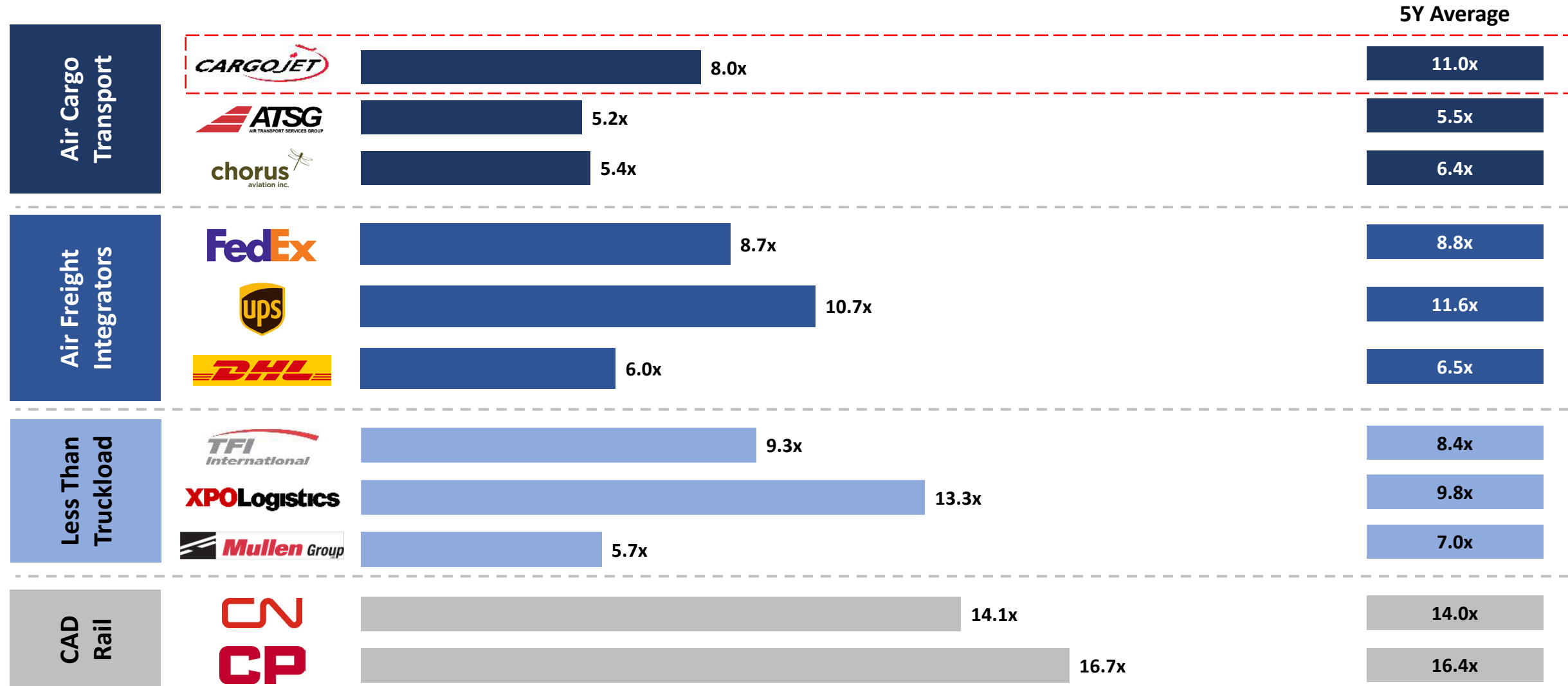
# Comps Criteria

Integrators and trucking peers share the most common characteristics and operating models

Segment	Performance drivers	Cost drivers	Included in comps
Cargojet and Other Air Cargo Pure-plays	<ul style="list-style-type: none"> <li>- Demand for time-sensitive freight (e-commerce)</li> <li>- Freight volume / capacity</li> <li>- Globalization of supply chains</li> </ul>	<ul style="list-style-type: none"> <li>- Fuel costs</li> <li>- Labour and workforce costs</li> <li>- Fleet / equipment capex spending</li> <li>- Regulatory compliance costs</li> </ul>	<ul style="list-style-type: none"> <li>- Cargojet</li> <li>- ATSG</li> </ul>
Integrators	<ul style="list-style-type: none"> <li>- Demand for time-sensitive freight (e-commerce)</li> <li>- Freight volume / capacity</li> <li>- Globalization of supply chains</li> </ul>	<ul style="list-style-type: none"> <li>- Fuel costs</li> <li>- Labour and workforce costs</li> <li>- Fleet / equipment capex spending</li> <li>- Regulatory compliance costs</li> </ul>	<ul style="list-style-type: none"> <li>- DHL</li> <li>- FedEx</li> <li>- UPS</li> </ul>
Trucking	<ul style="list-style-type: none"> <li>- Demand for time-sensitive freight (e-commerce)</li> <li>- Freight volume / capacity</li> <li>- Globalization of supply chains</li> </ul>	<ul style="list-style-type: none"> <li>- Fuel costs</li> <li>- Labour and workforce costs</li> <li>- Fleet / equipment capex spending</li> <li>- Regulatory compliance costs</li> </ul>	<ul style="list-style-type: none"> <li>- TFI International</li> </ul>
Commercial airlines	<ul style="list-style-type: none"> <li>- Demand for time-sensitive freight (e-commerce)</li> <li>- Freight volume / capacity</li> <li>- Globalization of supply chains</li> </ul>	<ul style="list-style-type: none"> <li>- Fuel costs</li> <li>- Labour and workforce costs</li> <li>- Fleet / equipment capex spending</li> <li>- Regulatory compliance costs</li> </ul>	<ul style="list-style-type: none"> <li>- None</li> </ul>
Railways	<ul style="list-style-type: none"> <li>- Demand for time-sensitive freight (e-commerce)</li> <li>- Freight volume / capacity</li> <li>- Globalization of supply chains</li> <li>- Government fiscal stimulus</li> </ul>	<ul style="list-style-type: none"> <li>- Fuel costs</li> <li>- Labour and workforce costs</li> <li>- Fleet / equipment capex spending</li> <li>- Regulatory compliance costs</li> </ul>	<ul style="list-style-type: none"> <li>- None</li> </ul>

# Comps Valuations

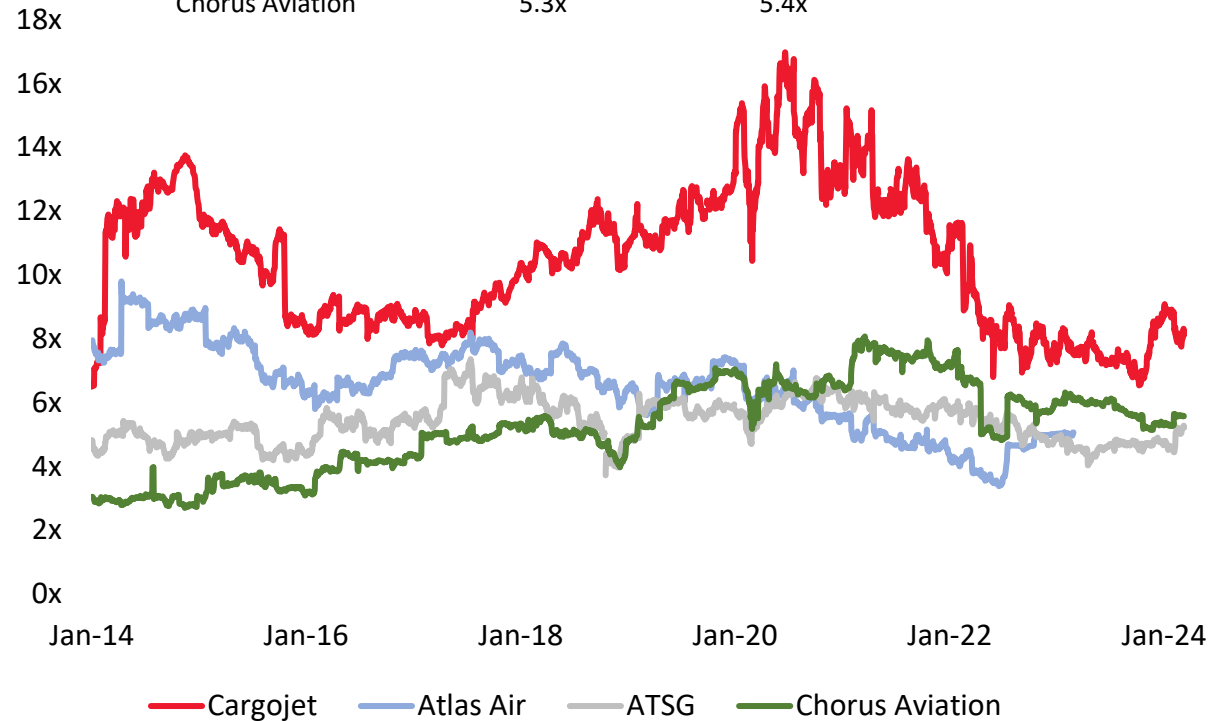
CJT has historically traded at a premium to peers due to its competitive moat and unique business model



# Air Transport Pure Play Historical Multiples

CJT has historically traded at a premium to peers due to its competitive moat and unique business model

	10Y Average	Current Multiple
Cargojet	11.0x	8.0x
ATSG	5.4x	5.2x
Atlas Air	5.5x	n/a <sup>1</sup>
Chorus Aviation	5.3x	5.4x



US based ACMI/dry lease/charter services with no dedicated freight operations



US based ACMI/dry lease/charter services with no dedicated freight operations



Dry lease/charter business focused primarily in Canada

Source: Capital IQ, Company Websites, Note: 1. Atlas Air was acquired by Apollo at 4.7x in Aug. 2022



## Precedent Transactions

Precedent transactions are not strong indicators of where CJT should trade

Industry	Date	Target	Acquirer	EV/NTM EBITDA	Transaction Value (\$M)
Dedicated freight	Aug. 2022	Atlas Air	Apollo	4.7x	\$5,200
Freight Brokerage	Aug. 2023	BNSF Logistics	J.B. Hunt	N/A	N/A
Freight Brokerage	Sep. 2023	AMAC Customs	FLS Transport	N/A	N/A
Trucking	Sep. 2023	MNX Logistics	UPS	N/A	N/A
Trucking	Sep. 2023	Sky Transportation	Warehouse Services	N/A	N/A
Ocean Freight	Nov. 2023	Mckeil Marine	Astatine Investments	N/A	N/A
Trucking	Jul. 2023	Action Dedicated	PS Logistics	N/A	N/A
Trucking	Jul. 2023	Lily Transportation	ZS Fund LP	N/A	N/A
Equipment Leasing	Apr. 2023	Star Truck Rentals	Penske	N/A	N/A
Trucking	Mar. 2023	U.S. XPRESS	Knight-Swift	9.2x	\$843
Freight Forwarding	Mar. 2023	Swift Marine	Horizon Air Freight	N/A	N/A
Freight Forwarding	Dec. 2022	Flash Global	Comvest Partners	N/A	N/A
Freight Brokerage	Dec. 2022	Sunset Transporation	Armada	N/A	N/A

Source: Capital IQ, Houlihan Lokey

# DuPont Analysis

## CJT has potential for strong financial performance

	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>DuPont Analysis</b>										
Gross Margin	32.8%	45.2%	39.4%	35.8%	25.5%	24.7%	29.2%	33.6%	36.8%	38.6%
EBITDA Margin	43.1%	16.8%	58.6%	56.0%	40.4%	42.8%	44.6%	45.5%	46.7%	47.5%
Adjusted EBITDA Margin	32.2%	52.1%	49.3%	46.7%	42.7%	44.8%	46.3%	47.1%	48.2%	49.0%
Net Profit Margin	2.4%	-13.1%	22.1%	20.4%	3.1%	5.8%	10.0%	13.9%	16.3%	17.6%
Asset Turnover	0.4x	0.6x	0.6x	0.6x	0.4x	0.5x	0.5x	0.6x	0.5x	0.5x
Return on Assets	1.1%	-7.8%	12.9%	12.1%	1.4%	2.7%	5.2%	7.8%	8.9%	8.8%
Financial Leverage (A/E)	4.0x	5.8x	3.5x	2.4x	2.5x	2.3x	2.0x	1.8x	1.6x	1.5x
Return on Equity	4.2%	-44.8%	45.6%	29.4%	3.4%	6.2%	10.7%	14.0%	14.4%	13.4%
Return on Invested Capital	5.0%	12.7%	11.5%	9.1%	4.5%	5.1%	8.0%	11.2%	13.2%	14.1%
<b>Liquidity</b>										
Current Ratio	0.6x	0.5x	2.0x	0.8x	0.6x	0.6x	0.7x	1.8x	3.2x	4.7x
Quick Ratio	0.6x	0.5x	2.0x	0.7x	0.6x	0.6x	0.7x	1.7x	3.1x	4.6x
<b>Debt Ratios</b>										
Interest Coverage Ratio	1.4x	4.3x	5.6x	5.5x	2.0x	2.6x	4.7x	7.7x	9.3x	10.3x
Debt / Adj. EBITDA	4.0x	2.0x	1.4x	2.1x	2.5x	2.0x	2.0x	1.8x	1.5x	1.5x

Source: Company Filings

# Historical Balance Sheet

CJT has a strong balance sheet that positions them well for the future

Balance Sheet	2021A	2022A	2023A
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$95	\$6	\$32
Trade receivables	\$75	\$96	\$122
Prepaid expenses	\$5	\$11	\$9
Other current assets	\$25	\$3	\$3
Assets held for sale	\$0	\$0	\$9
<b>Total current assets</b>	<b>\$200</b>	<b>\$116</b>	<b>\$175</b>
<b>Non-Current Assets</b>			
PP&E	\$1,102	\$1,574	\$1,662
Investment in associate	\$9	\$7	\$8
Goodwill	\$48	\$48	\$48
Contract assets	\$61	\$156	\$153
Other non-current assets	\$11	\$15	\$15
<b>Total Assets</b>	<b>\$1,432</b>	<b>\$1,916</b>	<b>\$2,060</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade payables	\$72	\$100	\$114
Debentures	\$0	\$0	\$86
Lease liabilities	\$22	\$31	\$33
Dividends payable	\$5	\$5	\$5
Derivative financial instrument	\$0	\$14	\$43
<b>Total current liabilities</b>	<b>\$98</b>	<b>\$151</b>	<b>\$281</b>
<b>Non-Current Liabilities</b>			
Borrowings	\$0	\$308	\$358
Lease liabilities	\$69	\$58	\$104
Stock warrant obligations	\$172	\$155	\$80
Other payables	\$7	\$5	\$4
Debentures	\$307	\$310	\$226
Deferred income taxes	\$109	\$138	\$141
Employee pension and SBC	\$51	\$31	\$14
<b>Total Liabilities</b>	<b>\$813</b>	<b>\$1,155</b>	<b>\$1,207</b>
Total shareholders' equity	\$619	\$761	\$853
<b>Total liabilities and shareholders' equity</b>	<b>\$1,432</b>	<b>\$1,916</b>	<b>\$2,060</b>

CJT has a sufficient cash balance to manage day to day operations

CJT has a significant PPE base to act as collateral for future debt if needed

A large credit facility provides CJT with significant liquidity should cash flows become challenged

Hybrid debt provides flexibility in the capital structure

# Dividend Discount Model

CJT has a strong balance sheet that positions them well for the future

## Two Stage Dividend Discount Model

Dividends Per Share - Current Period	\$1.17
Cost of Equity	9.46%
Payout Ratio	50%
	<b>Stage 1</b>
Dividend Growth Rate CAGR	29.8%
	<b>Stage 2</b>
	2.3%

## DDM Model

						Stage 1				
						<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
True Annual Dividend	\$0.94	\$0.94	\$1.04	\$1.12	\$1.17	\$1.26				
Historical Dividend Payout Ratio (Normalized)	57%	20%	17%	19%	78%	49%				
<i>Manageable Payout Ratio</i>							50%	50%	50%	50%
Implied Dividend Per Basic Share							\$2.36	\$3.46	\$3.91	\$4.63
<i>Y/Y dividend growth</i>		0.0%	11.1%	7.5%	4.9%	7.3%	87.9%	46%	13%	18%
<b>PV of Dividend</b>						<b>\$1.15</b>	<b>\$1.97</b>	<b>\$2.64</b>	<b>\$2.72</b>	<b>\$2.95</b>

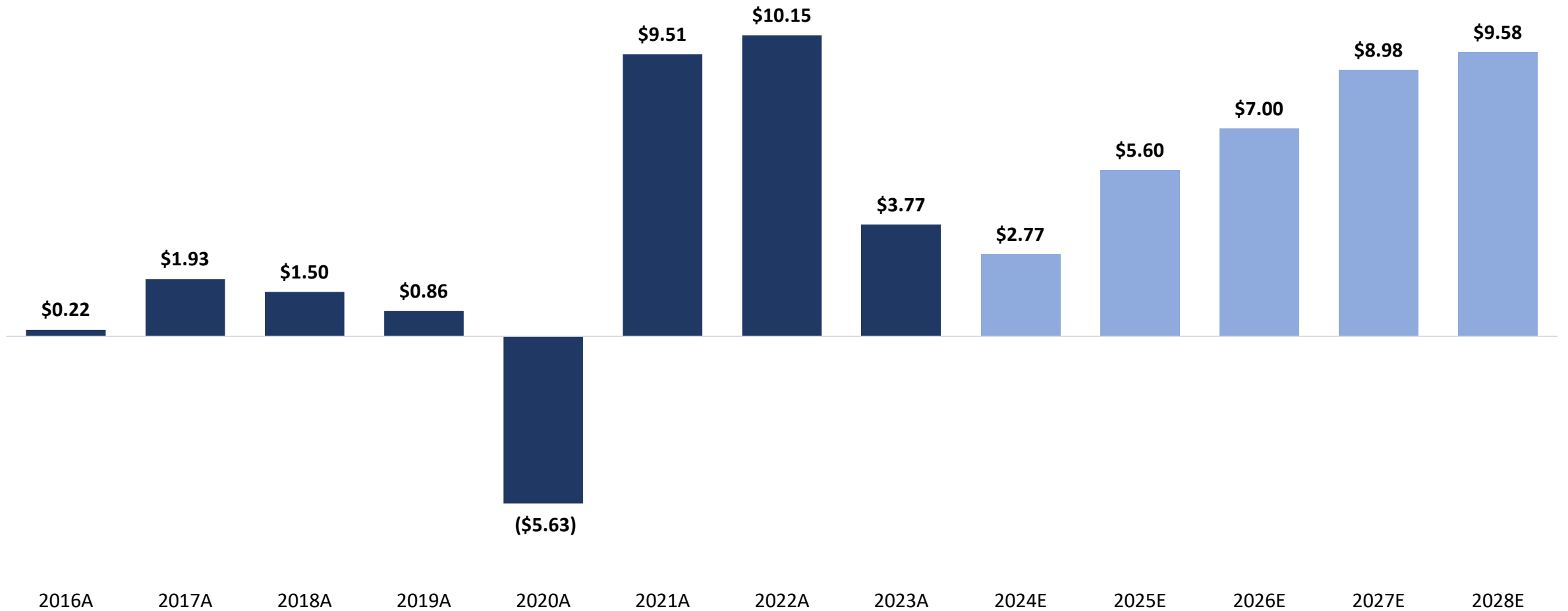
## Share Price Calculation

PV of Sum of Stage 1 Dividends	\$11.43	
Year 5 Dividend x (1 + Stage 2 Growth Rate)	\$4.73	
Stage 2 Terminal Value	\$65.69	<b>Sensitivity</b>
PV of Sum of Stage 2 Terminal Value	\$41.81	Payout Ratio
<b>Value Per Share \$</b>	<b>\$53.24</b>	30%
		40%
		50%
		60%
		70%
		Value Per Share \$
		\$32.40
		\$42.82
		\$53.24
		\$63.66
		\$74.08

Source: Company Filings

# Diluted EPS

CJT has improved its Diluted EPS throughout COVID

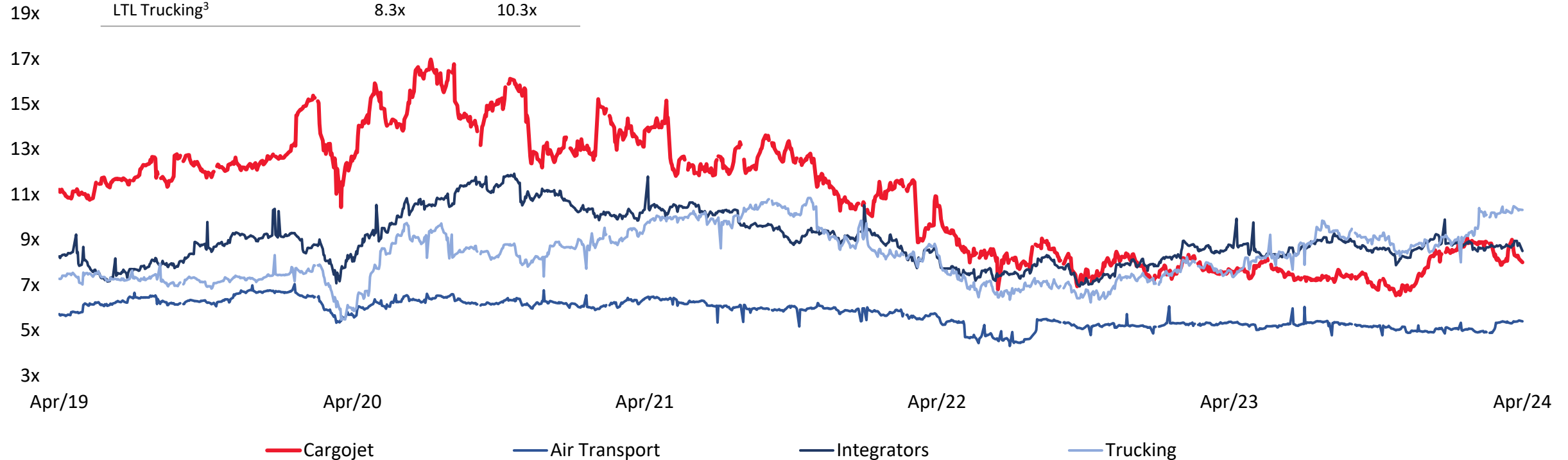


Source: Company Filings

# Historical EV/NTM EBITDA Multiples

CJT has historically traded at a premium to peers

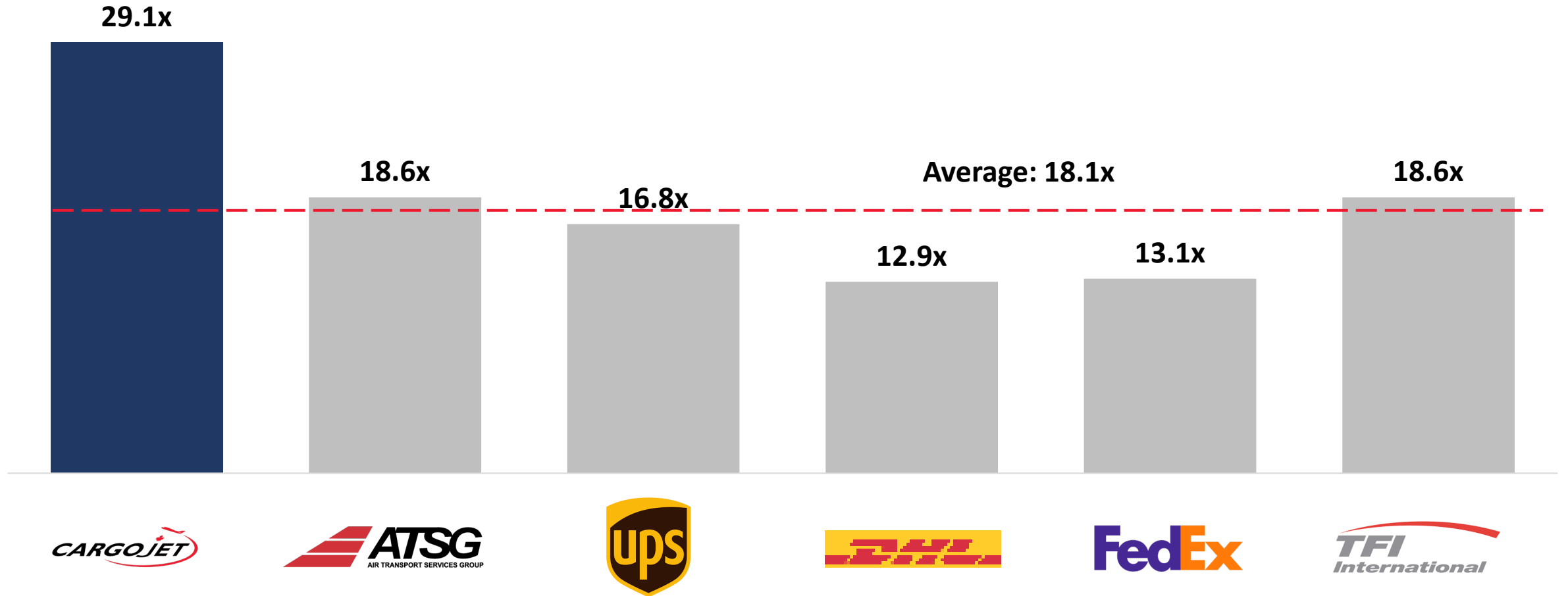
	5Y Average	Current Multiple
Cargojet	11.0x	8.0x
Pureplay Air Transport <sup>1</sup>	5.4x	5.3x
Integrators <sup>2</sup>	8.9x	8.5x
LTL Trucking <sup>3</sup>	8.3x	10.3x



Source: Capital IQ, Note: 1. ATSG, Chorus Aviation, Atlas Air. 2. DHL, UPS & FedEx. 3. SAIA, JBHT, ODFL, XPO, KSX, MTL, TFII

# Forward P/E Multiples

CJT has historically traded at a premium to peers

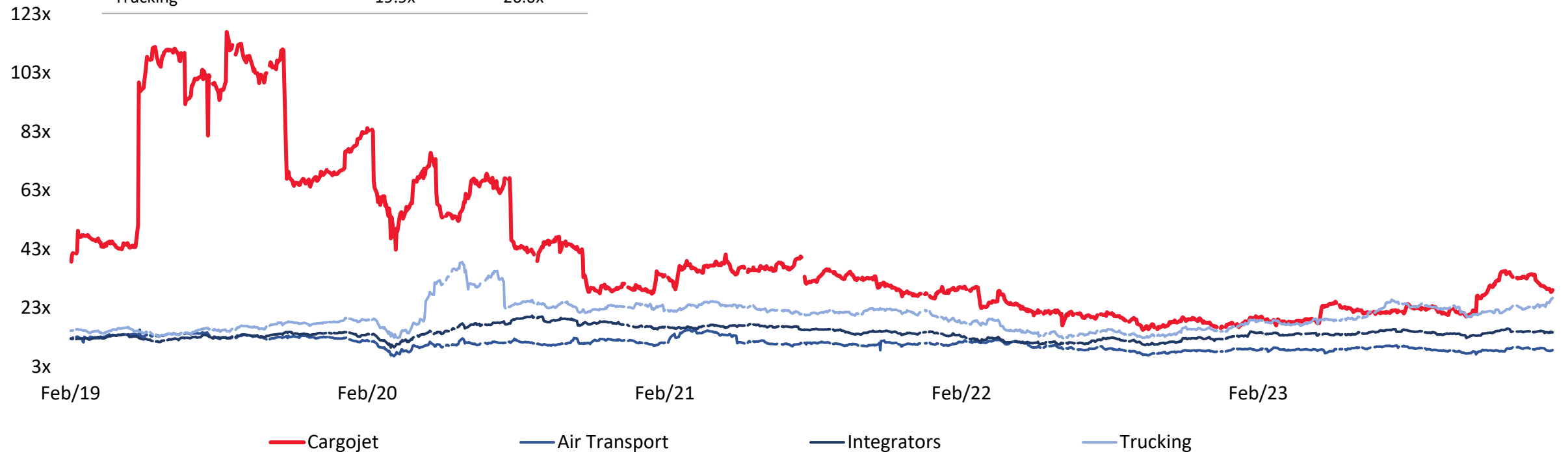


Source: Company Filings, Capital IQ

# Historical Forward P/E Multiples

CJT has historically traded at a premium to peers

	5Y Average	Current Multiple
Cargojet	39.3x	29.1x
Pureplay Air Transport <sup>1</sup>	11.6x	14.2x
Integrators <sup>2</sup>	14.4x	14.7x
Trucking <sup>3</sup>	19.9x	26.0x



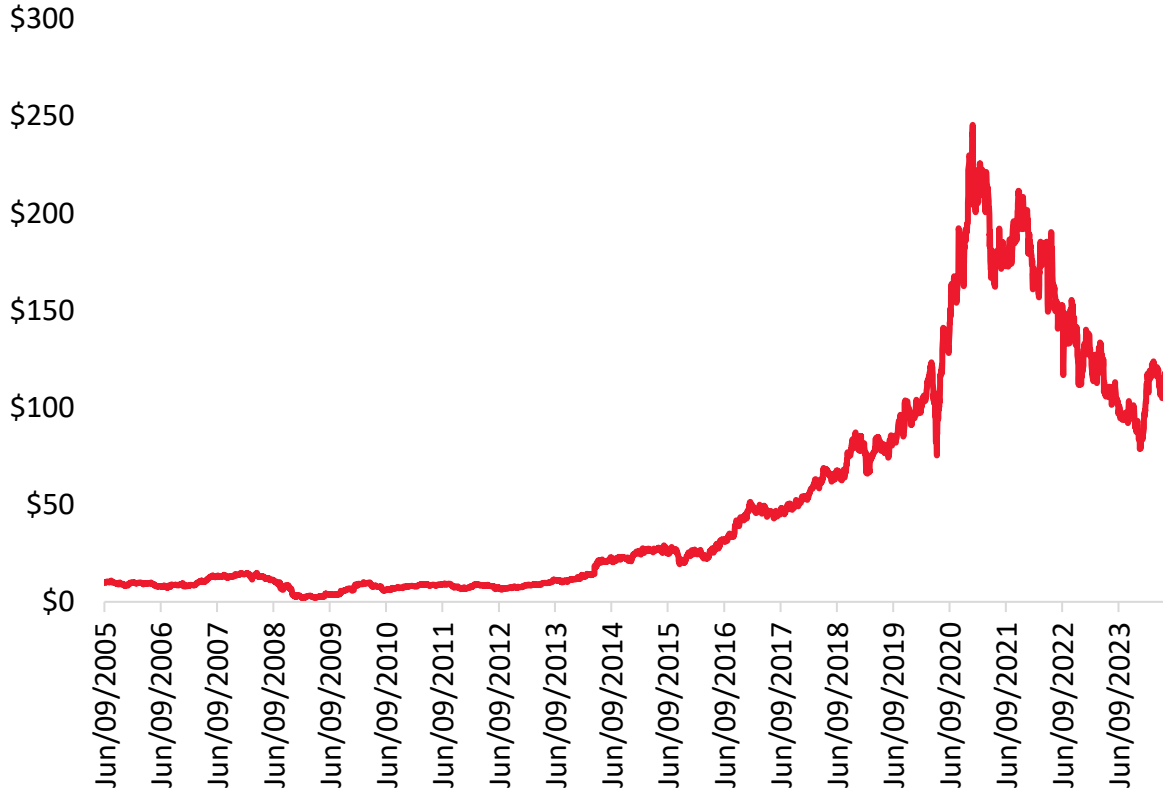
Source: Capital IQ, Note: 1. ATSG, Chorus Aviation. 2. DHL, UPS & FedEx. 3. SAIA, JBHT, ODFL, XPO, KSX, MTL, TFII



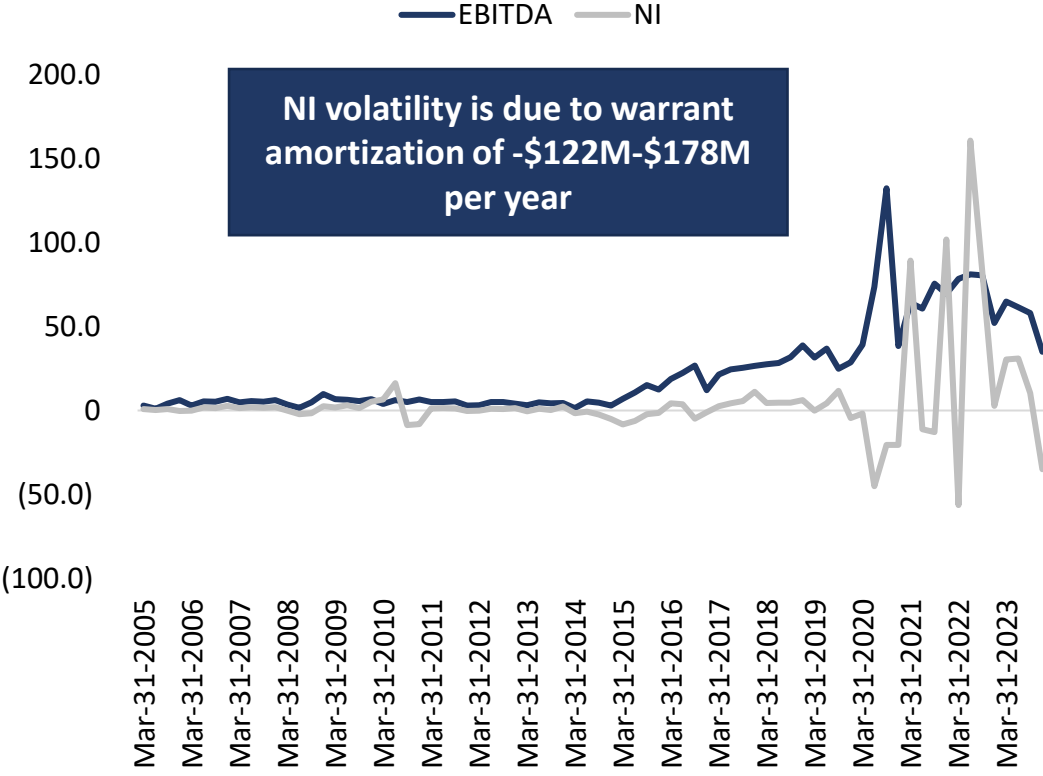
# Earnings Volatility

CJT's earnings are far more volatile in comparison to their EBITDA

### CJT Share Price



### EBITDA vs Earnings Volatility

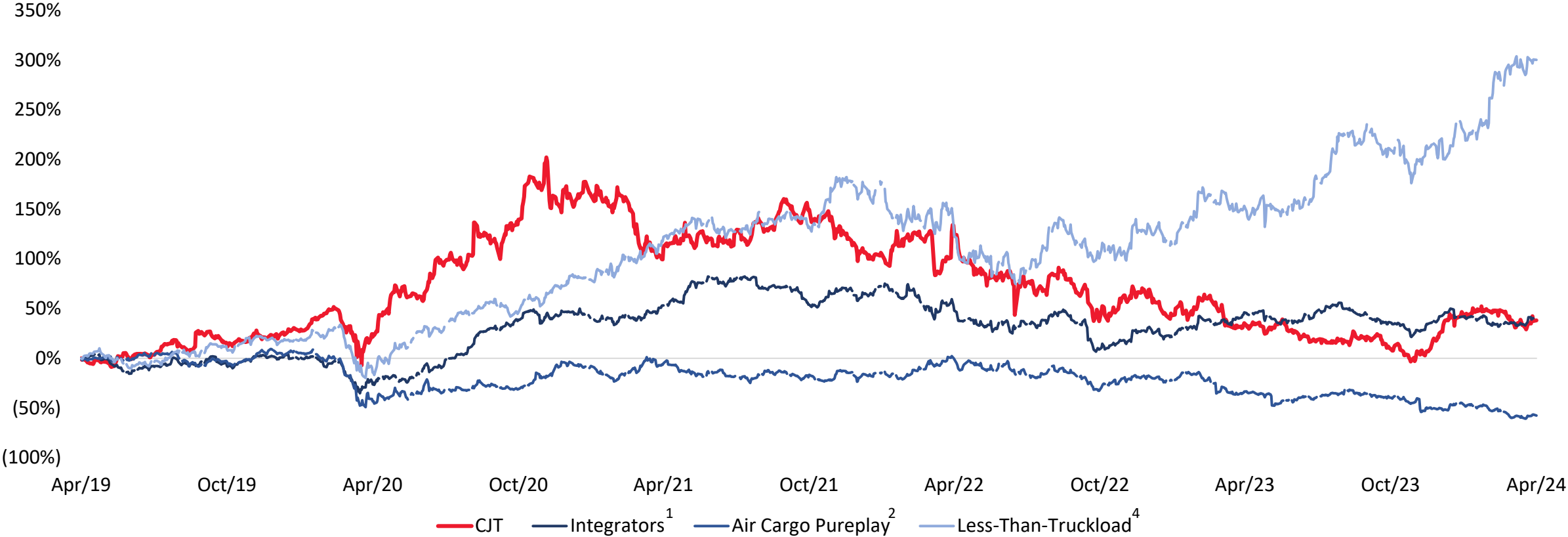


Source: Capital IQ

# Peer Share Price Performance

CJT was more negatively impacted by the freight recession but has begun to trade up again

Cargojet has traded up in recent months relative to peers

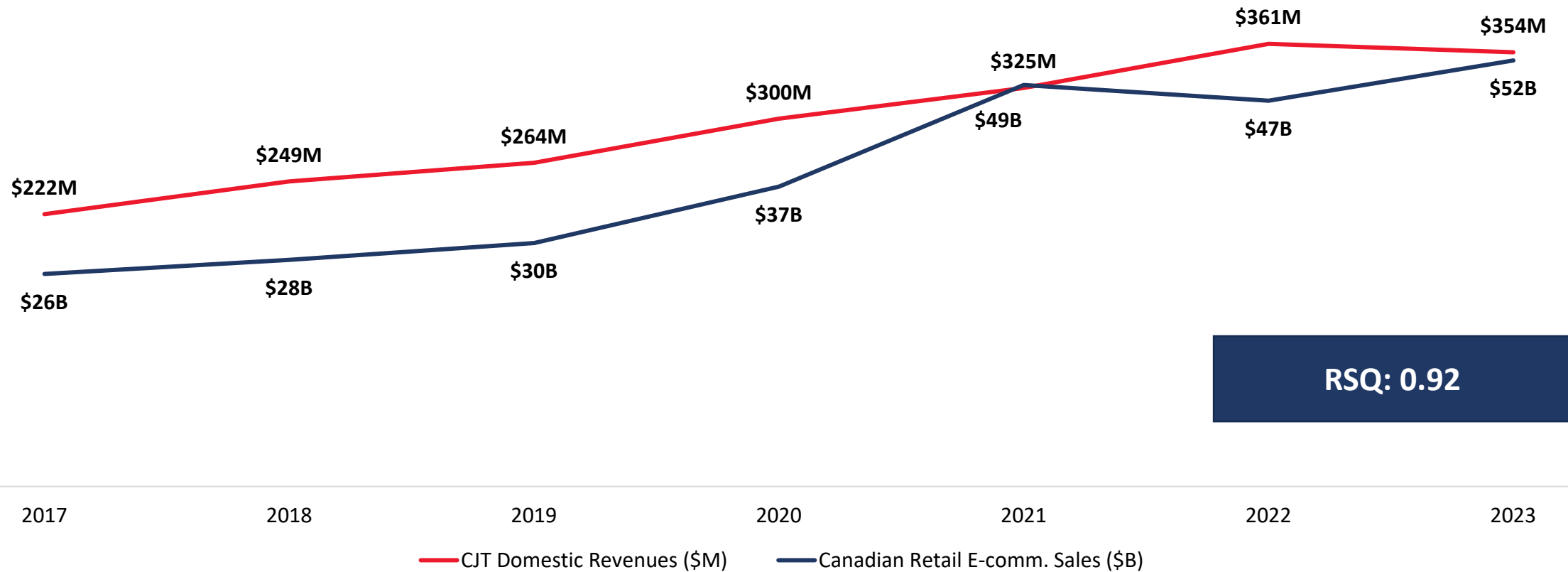


Source: Capital IQ, Note: 1. DHL, UPS & FedEx. 2. ATSG, Chorus Aviation. 3. SAIA, JBHT, ODFL, XPO, KSX, MTL, TFII.

# Correlation Analysis – E-Commerce

CJT is strongly correlated with e-commerce growth

### Correlation with E-Commerce Growth

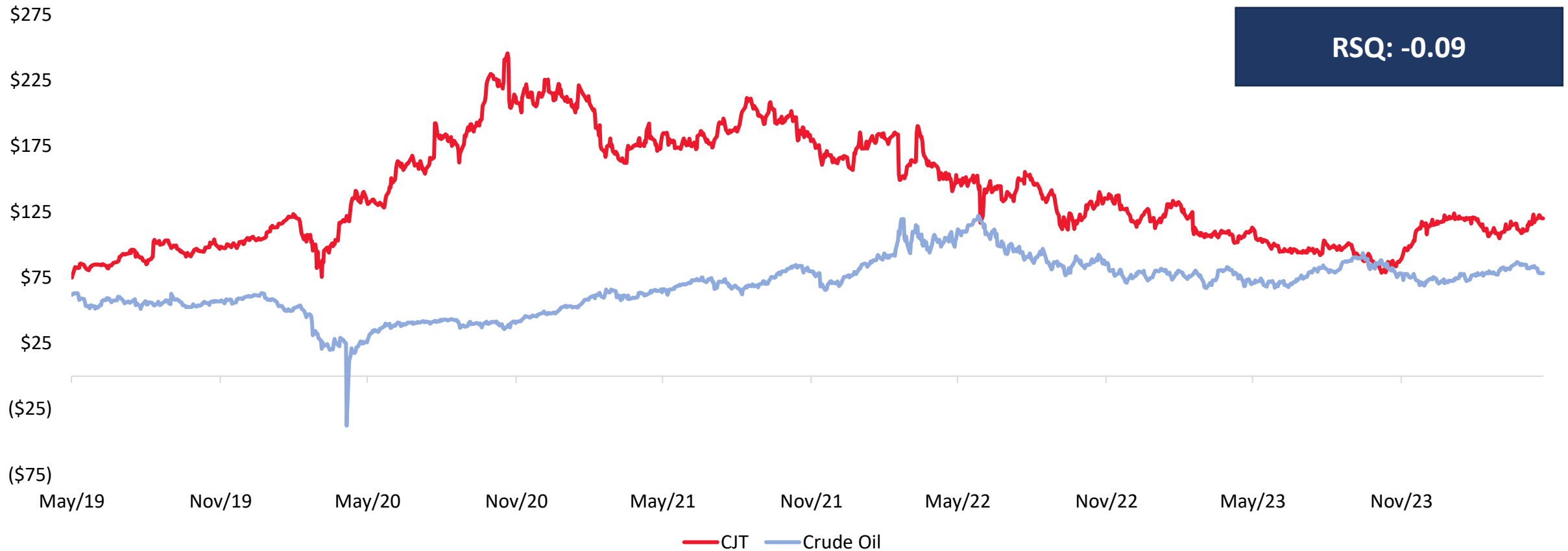


Source: Capital IQ

# Correlation Analysis – Oil Prices

CJT is has minimal correlation to oil prices

Correlation with Oil Prices



Source: Capital IQ

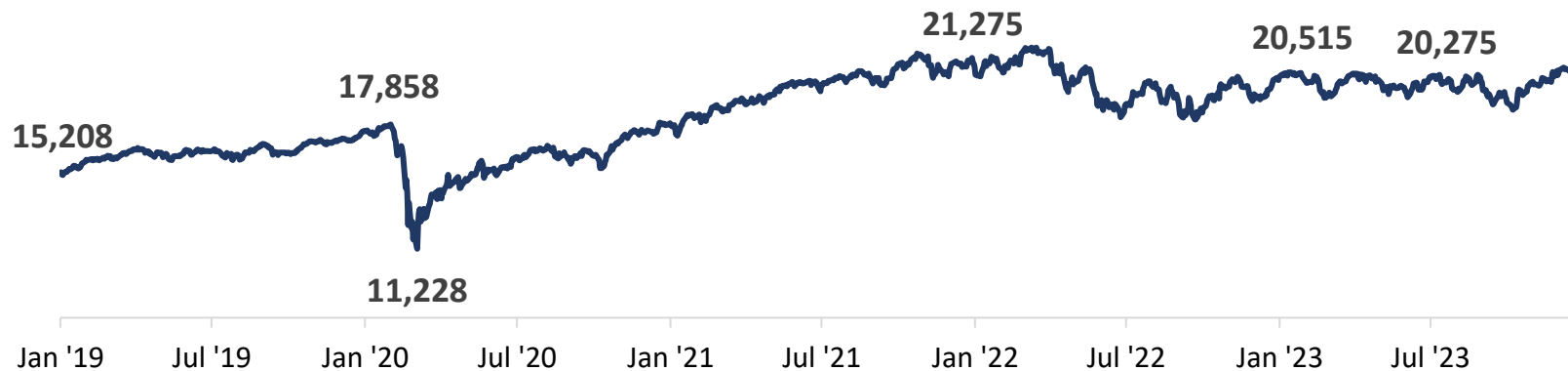
# TSX/S&P 500 Outlook

The 2024 outlook seems to be a soft landing, with markets reaching near all-time highs

### S&P 500 Index



### S&P/TSX Composite Index



### Outlook

Base-case scenario is a **soft landing**, though with some risks

The economy could be threatened by **employment, housing, and perhaps a global recession**

Interest rates will likely not hike, but also not revert to prior decade lows

Expect some interest rate cuts, leading to a new economic cycle in 2025

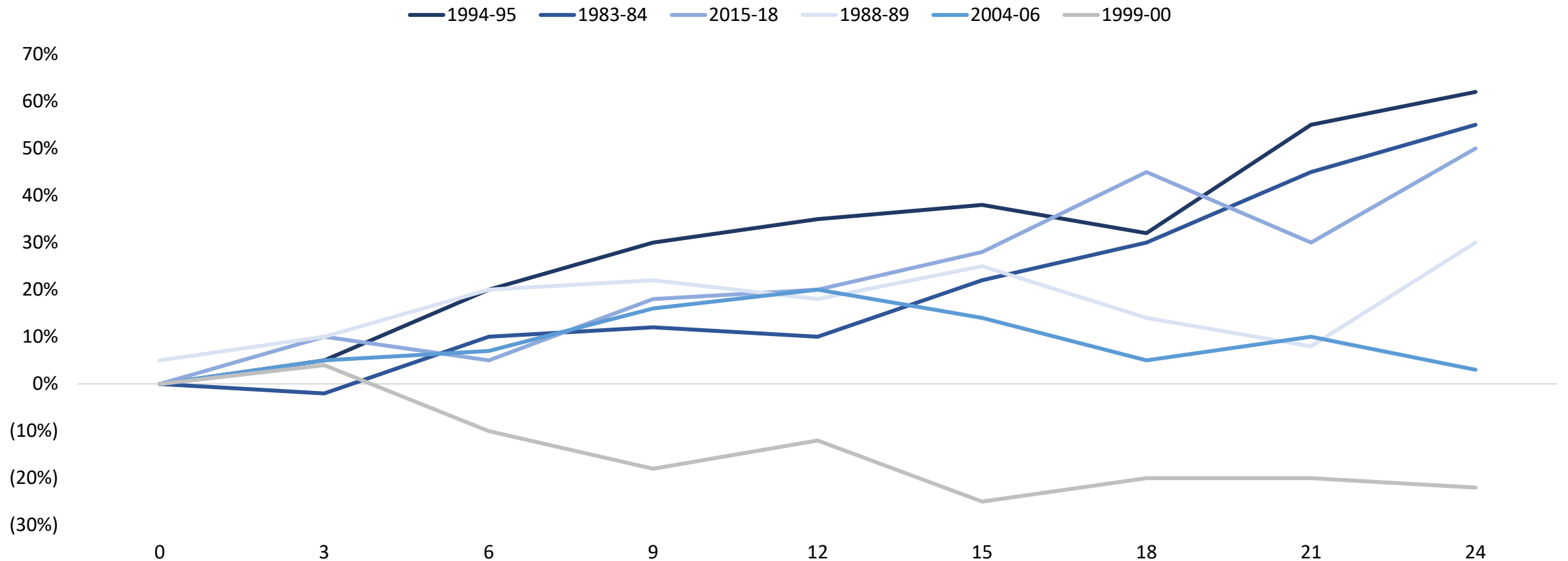
Analysts forecast **11.5%** earnings growth in markets for 2024

Source: Capital IQ, Morgan Stanley

# Stock Performance After Interest Rate Cuts

Investors believe the US fed will be forced to ease rates soon, which as history shows, should drive stocks

S&P 500 returns after the end of a Fed hiking cycle

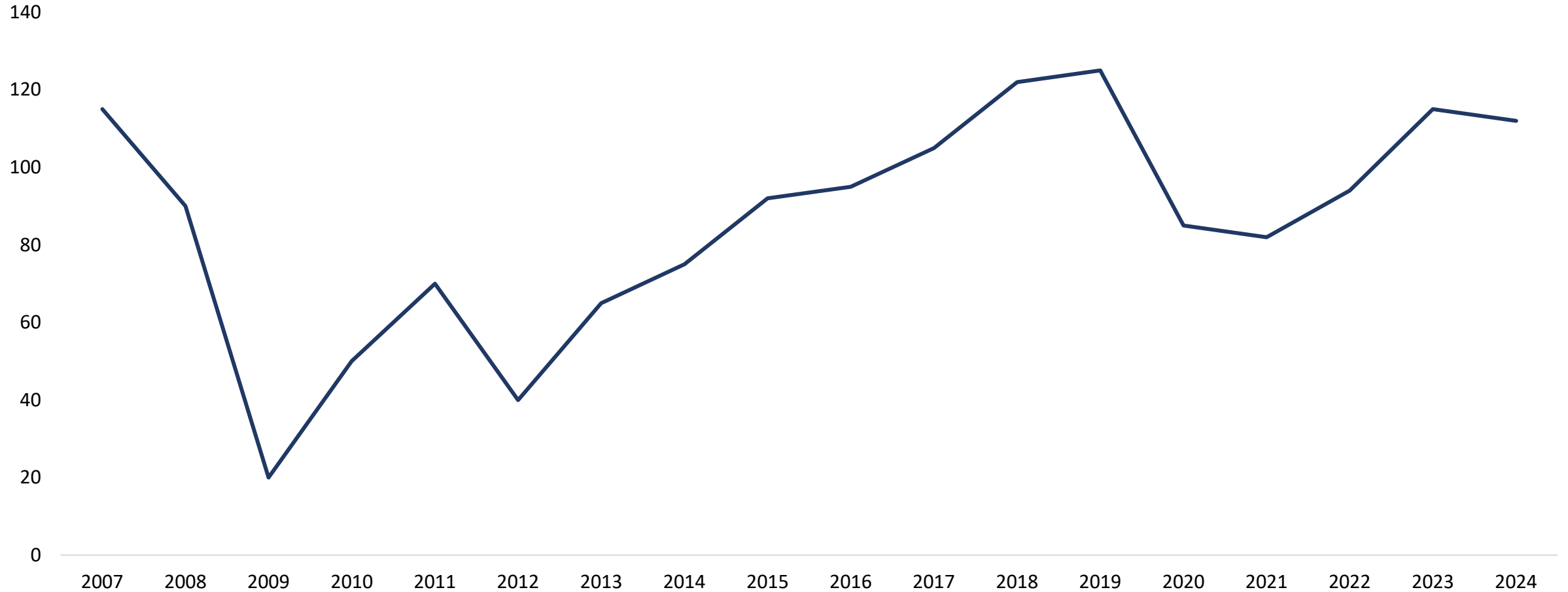


Source: Apollo Global Management, J.P. Morgan

# Consumer Confidence

Consumer confidence levels are strong as the interest rate outlook becomes more favourable

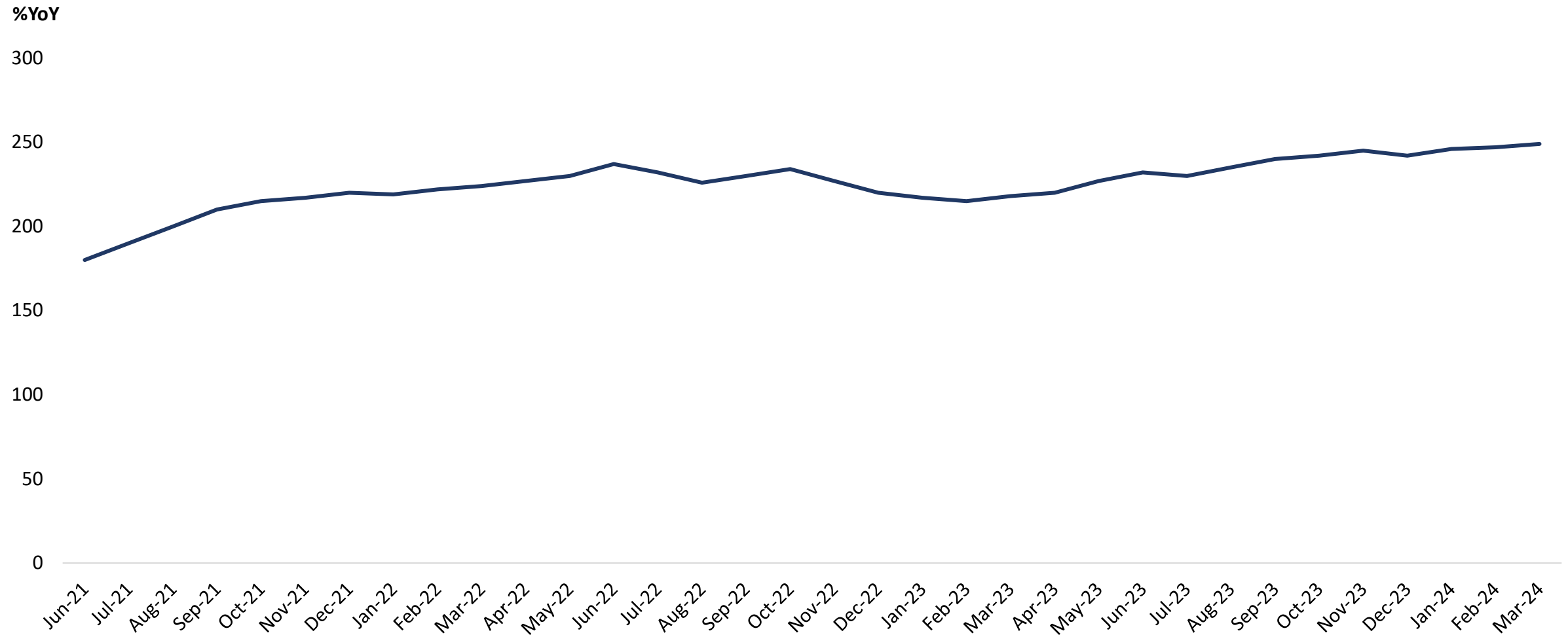
Index, 1985 = 00



Source: University of Michigan

# S&P 500 12-Month Forward EPS Estimates

Earnings estimates for businesses remain strong, despite the macro backdrop

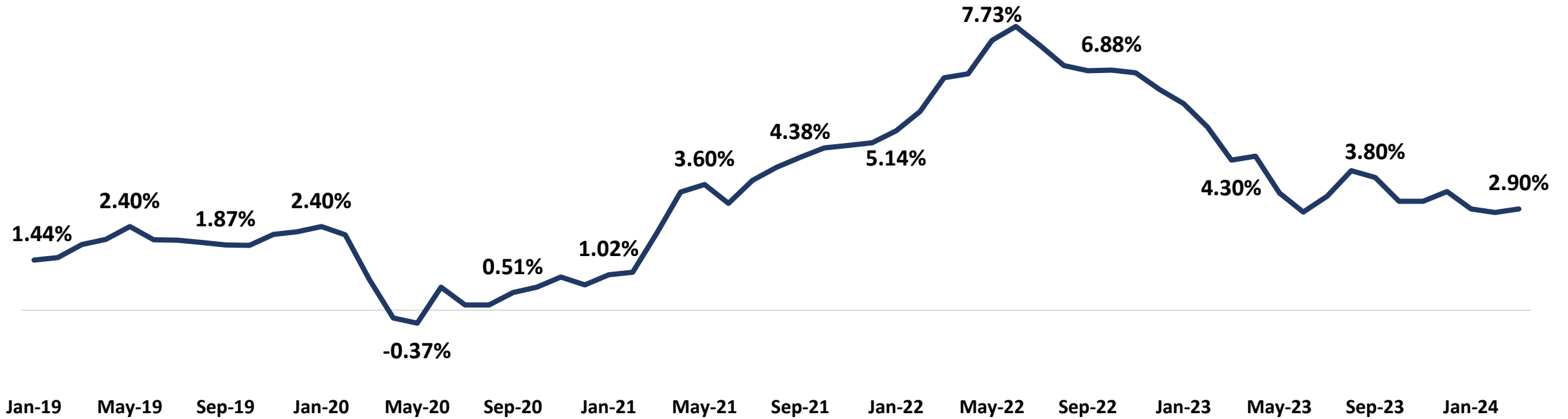


Source: Apollo Global Management



# Canadian Inflation

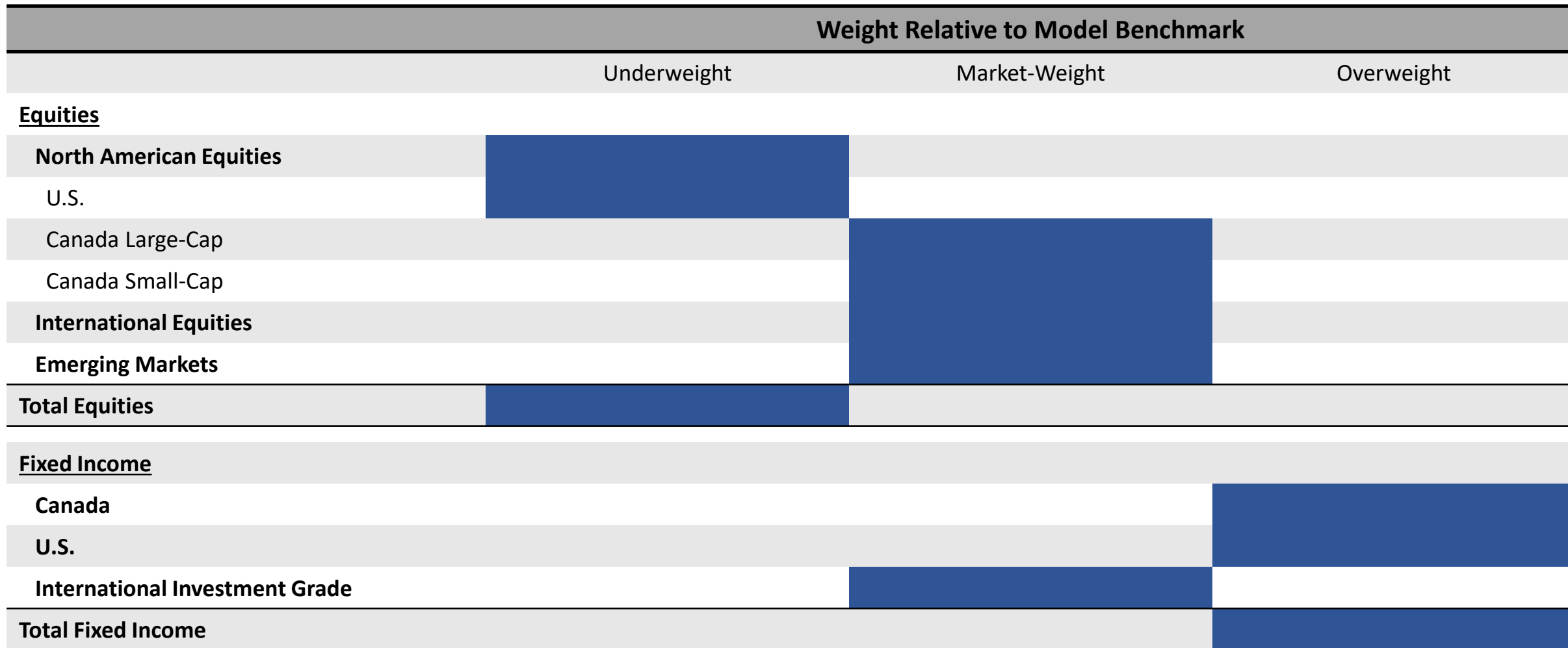
Inflation rates are beginning to stabilize



Inflation is cooling towards the Bank of Canada's aim of 2%

# Canadian Investor Asset Allocation

Investors are not over-weight in Canadian public equities, causing no concern regarding asset allocation



Source: Morgan Stanley

# Share Price Catalysts

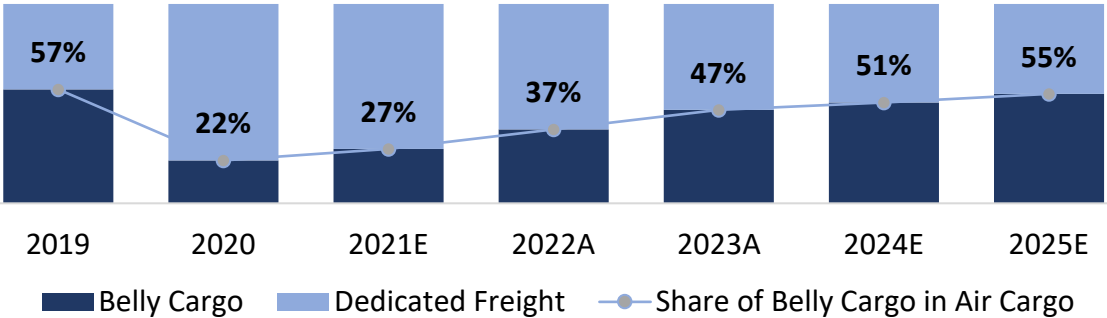
A resilient economy and robust performance will catalyze share price appreciation

Catalyst	Catalyst Description	Likelihood
1	<p><b>E-commerce remains resilient throughout an economic downturn</b></p> <ul style="list-style-type: none"> <li>- E-commerce volumes are a key indicator that will drive CJT's success, if volumes outpace expectations this will likely drive price appreciation in the stock</li> <li>- A recession is expected to be a tailwind for e-commerce which we expect will propel the stock as the market will become more comfortable with CJT's growth</li> </ul>	
2	<p><b>CJT ROIC begins to improve despite operating in a challenging macro environment</b></p> <ul style="list-style-type: none"> <li>- If CJT can demonstrate that a shift in strategy will drive sustained ROIC and cash flow growth this will likely drive a rerate in the multiple CJT trades at</li> <li>- Due to the high operating leverage nature of the business this is expected to happen when volumes significantly pick up in Q4 2024 when customers are expecting a recovery</li> </ul>	
3	<p><b>Continued shareholder friendly activity including buybacks and dividend growth</b></p> <ul style="list-style-type: none"> <li>- CJT has recently initiated an NCIB program which was well received by the market (CJT shares up 8% in 2 weeks since announcement)</li> <li>- If CJT announces they plan to continue their NCIB program and grows their quarterly dividend consistently this will likely drive an increase in the stock price</li> </ul>	

# Lack of Clear Growth Avenues

Despite a lack of growth avenues, CJT is poised to grow strongly through its existing customers

Cargo is returning to passenger bellies but this does not adversely impact CJT



### Passenger airlines cannot service the overnight cargo market

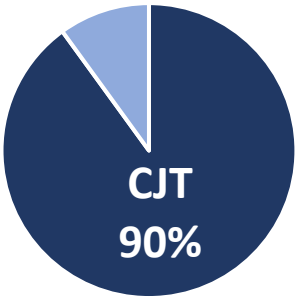
While initially a return to passenger bellies looks concerning for CJT, the nature of passenger belly cargo and overnight cargo are fundamentally different with minimal overlap and the return of belly space will not impact CJT's overnight business materially

## Lack of Growth and Inorganic Growth Opportunities

<b>International Expansion</b>	<ul style="list-style-type: none"> <li>- Cabotage laws, large players, and a lack of scale all challenge CJT from expanding globally</li> <li>- CJT has room to grow alongside the Canadian market without making significant investments which will drive higher ROIC</li> </ul>
<b>Operational Improvements</b>	<ul style="list-style-type: none"> <li>- CJT is situated in the middle-mile segment and has minimal ability to innovate, margin increases are mainly driven by volume increases</li> <li>- The high operating leverage in the business will drive margin improvement as volumes recover long-term</li> </ul>
<b>Strategic Investments</b>	<ul style="list-style-type: none"> <li>- CJT has announced plans to reduce growth spending, indicating no intentions to make any strategic acquisitions or equity investments</li> <li>- Management is demonstrating discipline to react to the market conditions in a sensible way that will drive sustained performance</li> </ul>

## CJT is well positioned to grow alongside customers

### Canadian Overnight Delivery Market



- Servicing 90% of a quickly growing Canadian overnight delivery market with a majority of customers on long-term contracts provides strong growth opportunities
- There is no focus on international growth beyond DHL, however the resulting cash flow generation from a strategy shift will be more impactful than prioritizing growth

Source: Company Filings, Deloitte

# Take Private Considerations

CJT could be an attractive take private due to its high-quality nature

As seen by Apollo's acquisition of Atlas Air...



**Acquired for \$5.2B at 4.7x EV/NTM EBITDA**

Source: CNBC, WSJ

...private equity has eyes on the space

Private equity angle on CJT

CJT is a market leader in an attractive segment of the freight value chain

Long-term contracts with full fuel cost pass through and minimum revenue guarantees minimizes downside

High operating leverage lays the foundation for a ROIC and free cash flow inflection, generating strong returns

PE players can acquire a market-leading business at a critical inflection point in its ability to generate returns

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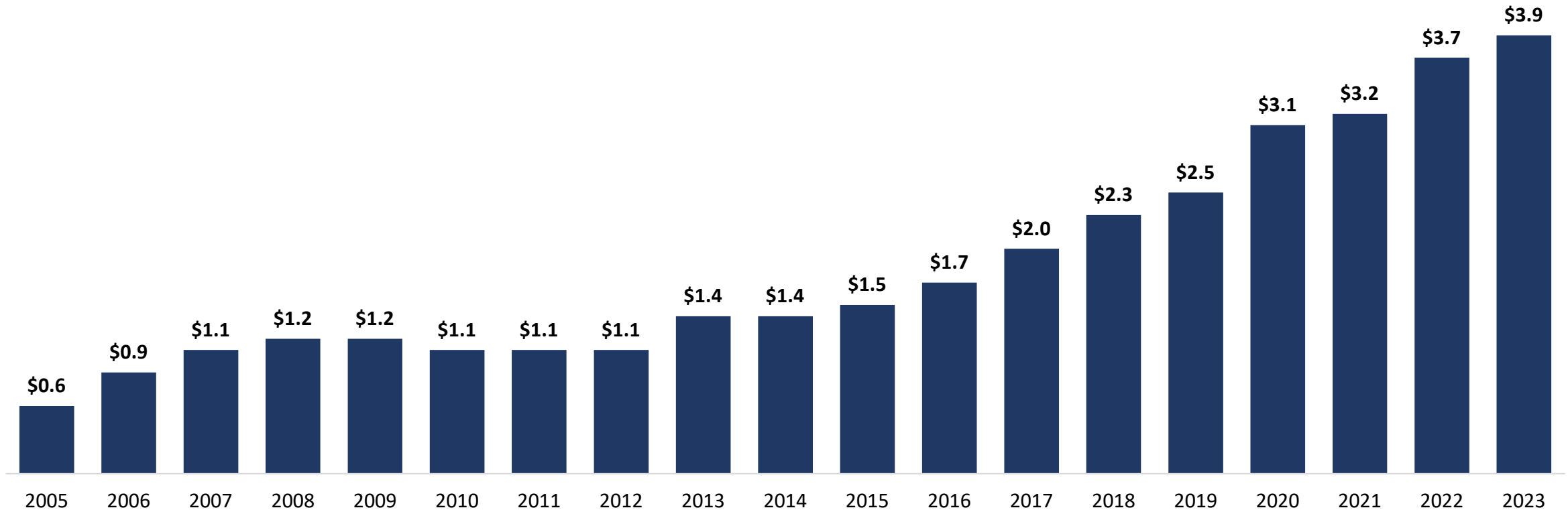
# Private Equity Landscape

Private equity investors are eager to deploy capital into high quality businesses

There is significant dry powder in the industry with many investors looking to actively deploy capital

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## Global private capital dry powder (\$T)



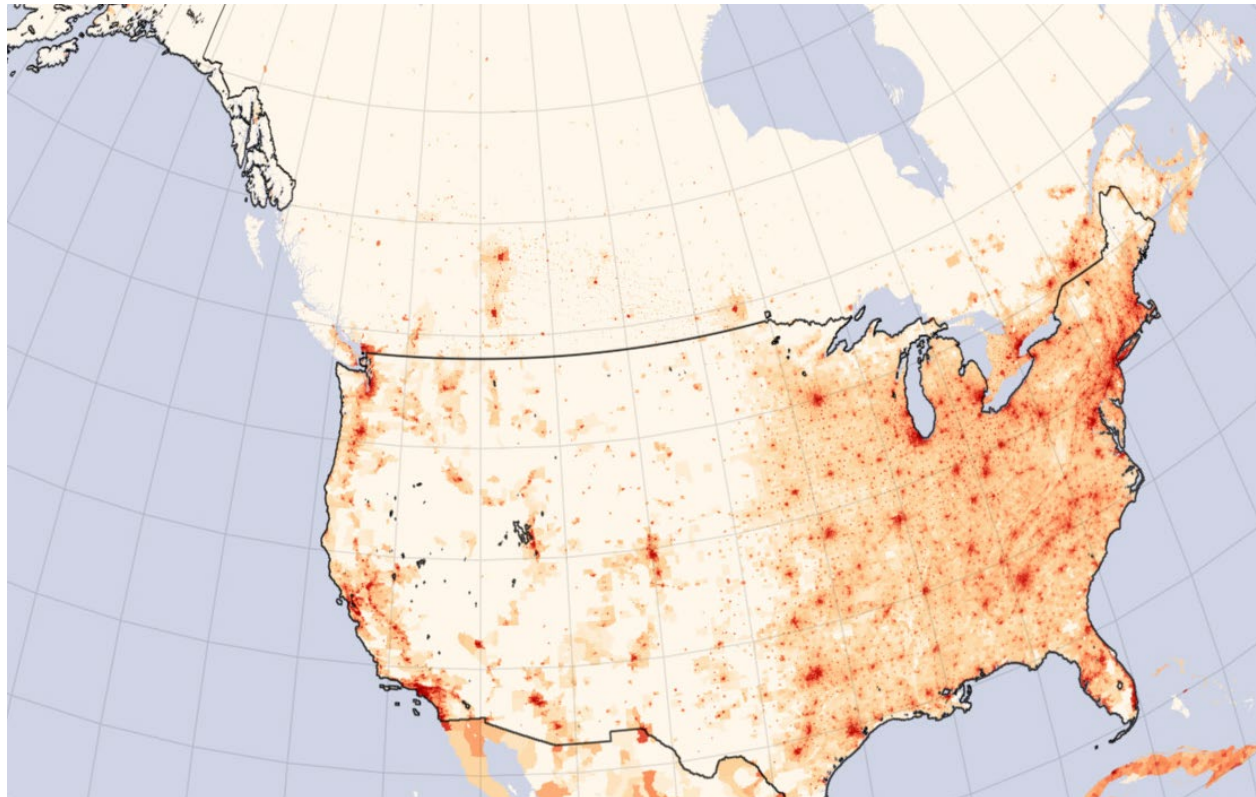
Source: Bain & Company

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# Population Density Map

Canada is geographically fragmented, creating reliance on air

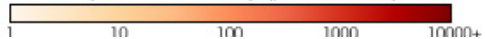
Canada is fragmented with few large population clusters, making it more reliant on air transportation



Being more geographically dispersed  
entrenches air freight as the only viable  
option for time-sensitive delivery in Canada

Positioning CJT extremely well to capitalize on  
e-commerce tailwinds and recovery from the  
freight recession

Population Density (person/km<sup>2</sup>)



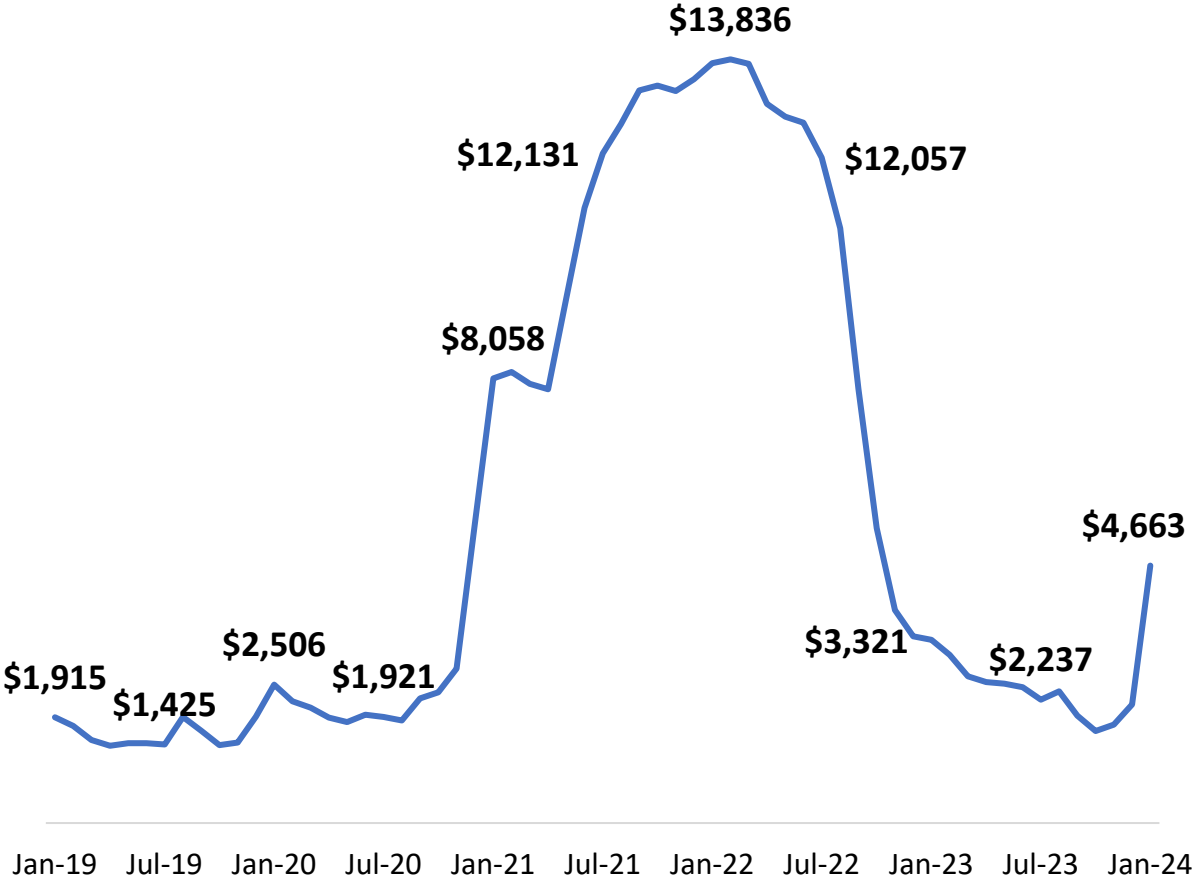
Source: NASA



# Red Sea Disruptions

We view any large-scale supply chain disruptions as positive for air freight

Red Sea disruptions are driving up ocean freight rates...



Source: CNBC, WSJ, Xeneta

...which drives volumes towards air freight



**Air freight volumes soar as Red Sea delays, risks make more big retailers, auto companies nervous**

PUBLISHED FRI, JAN 19 2024 2:24 PM EST | UPDATED FRI, JAN 19 2024 2:46 PM EST



# Red Sea Disruptions Impact

Players across the supply chain are impacted by the disruptions in different ways



## Tesla and Volvo to pause production in Europe after Red Sea attacks

- Auto retailers have been forced to halt production due to considerably longer transportation times leading to major delays
- Trickle down effect on consumers and other transportation businesses



## Transportation businesses are facing significant challenges

- “Our ships that used to pass through the Red Sea are switching routes... beyond the added costs and time of shipping this creates greater logistical concerns” – Nippon Yusen spokesperson
- “Attacks on shipping vessels in the Red Sea could lead to a shortage of shipping containers in Asia in the coming weeks” – DHL CEO



## Retailers are struggling to manage disruptions and are forced to get creative

- “We are forced to ship a lot of our clothes through air” – Urban Outfitters Co-President
- Walmart has been forced to adjust its supply chain to help manage the shifts in shipping routes to focus on maintaining inventory availability
- During the busy holiday season many retailers leveraged air freight to move goods quickly



# Amerijet Expansion Case Study

Amerijet is a prime example of why speculative investment without flexibility is dangerous

During COVID, Amerijet pursued rapid international expansion without fleet investment capability...



**Amerijet is a leading Latin American focused dedicated freighter, based in the US**

**During COVID they aggressively expanded by adding 11 new aircraft in a period of 2 years**

Source: Freight Waves

...since then, the business has massively struggled and is undergoing severe cost cutting measures

**“Amerijet is a great example on flexibility is incredibly important. They had a leading business in Latin America, invested significantly to push internationally and the whole business is in trouble now.”**

– Senior executive at an international freight organization

- Amerijet has been forced to hold planes idle due to over-investment in a period of softening demand
- A major customer went through a significant strategy transition and no longer requires air freight
- Amerijet recently went through an operational restructuring, returning six planes to lessors, and requiring a \$55M capital infusion from its existing lenders

# Cargojet and Canadian North Announce Renewed Cargo Partnership

The deepened partnership will increase cargo capacity in Canada's Arctic

This expansion ensures that remote communities in the North have reliable access to essential supplies

## Partners for 22 years



Under the renewed partnership, Cargojet will be the exclusive provider for air cargo from Winnipeg and Ottawa to Iqaluit

## Building on Canada North's commitment



Canada North has recently unveiled a \$22M plan to double the size of their cargo facility in Ottawa

## Air transport is vital to these communities



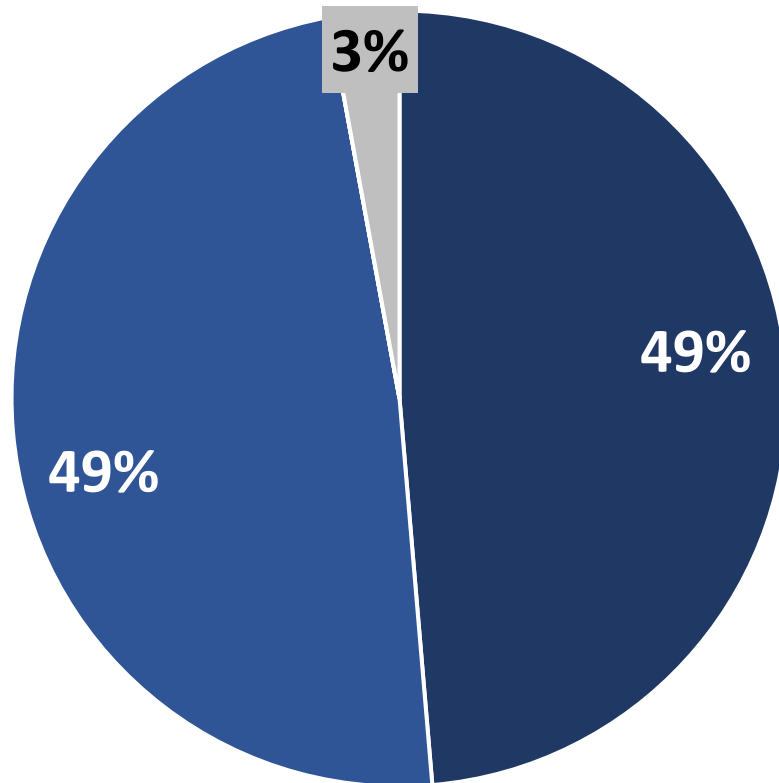
Cargojet assists Canadian North in flying over 10.6 million kilograms of cargo, equivalent to 1,000 polar bears

**Together, Cargojet and Canadian North are committed to fostering prosperity in Canada's Arctic by advancing the well-being of Inuit communities through a strengthened partnership dedicated to efficient and reliable cargo transportation.**

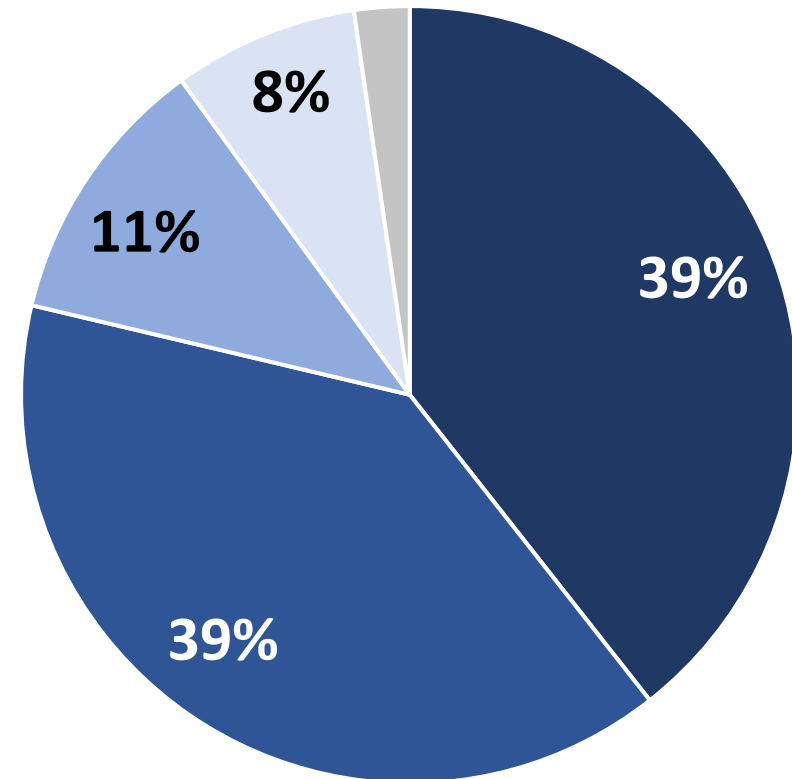
# Ownership Breakdown

CJT is largely held by passive mutual funds with no strategic shareholders

Current Ownership Structure



Ownership Structure if Warrants are Exercised



■ Public ■ Institutions ■ Amazon ■ DHL ■ Insiders

Source: Capital IQ

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## Ownership Breakdown – Largest Investors

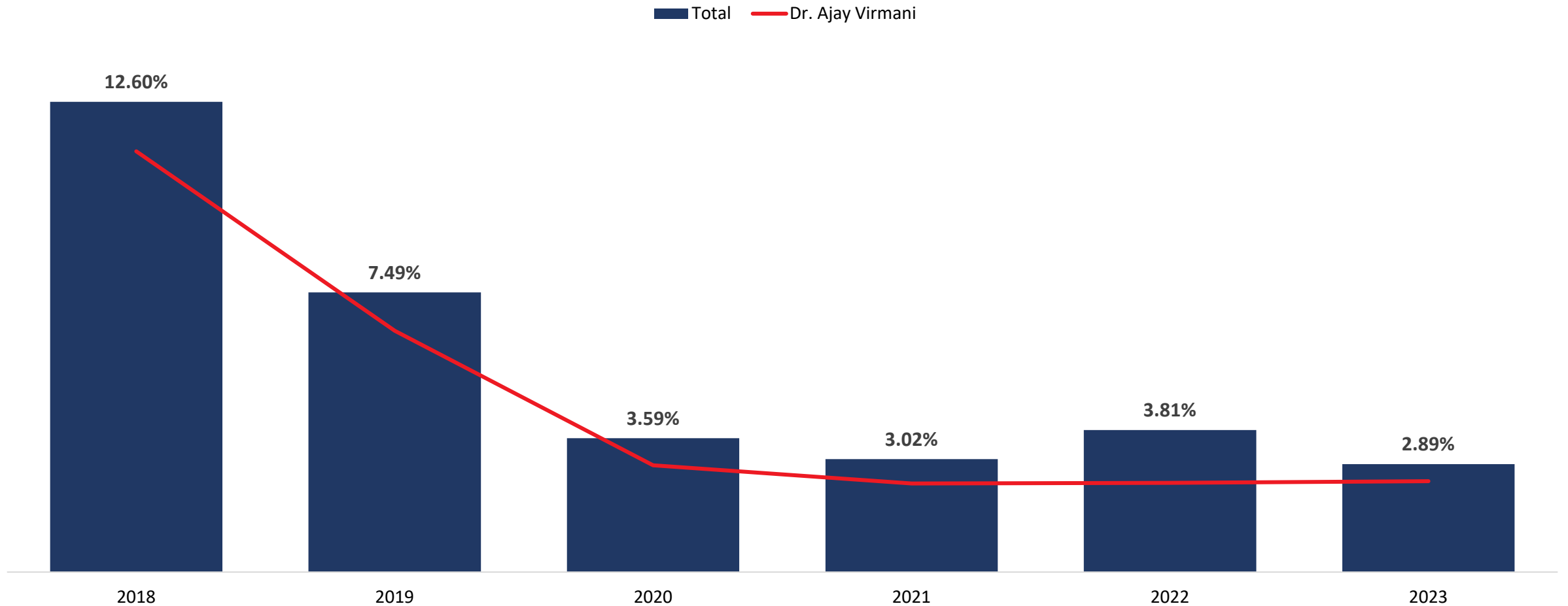
CJT is largely held by passive mutual funds with no strategic shareholders

Holder	% of S.O	Market Value (\$M)
RBC Dominion Securities	11.15%	\$227.7
CI Global Asset Management	6.65%	\$135.9
HSBC Global Asset Management	3.91%	\$80.0
CIBC Asset Management	3.07%	\$53.4
Dr. Ajay Virmani	2.43%	\$49.7
Columbia Management Investment Advisers	2.30%	\$47.1
Industrial Alliance Investment Management	1.93%	\$39.5
The Vanguard Group	1.93%	\$39.4
QV Investors	1.85%	\$39.4
American Century Investment Management	1.78%	\$36.4

Source: Capital IQ

# Insider Ownership

Insider ownership has decreased due to Dr. Virmani selling his shares for retirement and estate planning



Source: Capital IQ

## Pilot Union Risk

**CJT faces minimal risk in the near future as pilot's are not allowed to walk out or force work stoppages**

- Cargojet's current collective agreement remains in effect until June 2026
- Until that agreement expires, pilots cannot walk out or force work stoppages
- There is no requirement that would direct either party back to bargaining
- Lawyers we spoke to believe nothing will materially change until 2026 when the agreements are renegotiated



**CJT pilots are represented by the ALPA, the world's largest airline pilot union**

**“Until a collective agreement between the union and an employer expires, there is absolutely no risk of employers walking out as they are legally not allowed to engage in work stoppages while they have an active collective agreement.”**

– Partner at a law firm with significant union experience

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## Cargojet Awards & Recognition

Cargojet has won many awards throughout its history

Year	Award	Award Criteria
2002-2022	Shipper's Carrier of Choice Award	Surpass shipper expectations as well as the industry benchmark in key areas of On-time Performance, Leadership in Problem Solving, Ability to Provide Value-Added Services, Customer Service, Quality of Equipment & Operations, Competitive Pricing, and Sustainable Transportation Practices, winning the award 20 years in a row
2023	The Order of Ontario	This prestigious award is the highest civilian honor of the province and is presented to exceptional leaders who have made a significant impact on the province through their outstanding achievements and contributions. It is a well-deserved recognition of Dr. Virmani's legacy and excellence
2009	Outstanding Ontario Business Achievement Award	Superior achievement in leadership & entrepreneurship, product or market innovations, sales/employment growth, advancement, excellence in community relations/promotions, environmental consciousness, customer service and reliability, and a high standard of employee relations
2017	Prestigious Transformational Award	Award is presented by the Transformation Institute for Leadership and Innovation. Virmani was selected for the Leadership Award and will be included on the Canada 150 Leadership and Innovation list
2020	Strategist of the Year	Awarded by the Globe and Mail's Report of Business team to a CEO whose bold decisions have materially changed and improved the strategic position of his or her business

Source: Company Filings



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## Expert Interviews

### We interviewed numerous experts to form a view on CJT and the industry

<b>Expert A</b>	- Consultant with 20+ years in air cargo at a leading global consulting firm
<b>Expert B</b>	- Consultant with 15+ years in air cargo at a leading global consulting firm
<b>Expert C</b>	- Senior executive at an International Freight Association
<b>Expert D</b>	- CFO at a leading international freight forwarder
<b>Expert E</b>	- Freight leader at an international airline
<b>Expert F</b>	- Freight leader at a regional airline
<b>Expert G</b>	- Senior freight leader at a top 10 customer of CJT
<b>Expert H</b>	- Board director at an air freight company with 30+ years of experience in air freight
<b>Expert I</b>	- Former IT executive at an international airline
<b>Expert J</b>	- Senior leader at a law firm that has previously covered airline union disputes
<b>Expert K</b>	- Freight leader at a Latin American airline
<b>Expert L</b>	- Consultant with project experience advising transportation and logistics companies on ESG matters
<b>Expert M</b>	- Consultant with project experience advising airports on cargo expansion strategies
<b>Expert O</b>	- Chief Southeast Asian Economist at a global asset manager
<b>Expert P</b>	- Executive at a startup that buys and retrofits old planes to be deployed autonomously

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## Expert Interview Insights

### Experts spoke highly of CJT's leadership and ability to drive growth and returns going forward

Experts continuously echoed CJT's high quality nature and industry leadership...

"No one touches CJT in Canada. As a former customer, they were **always the only option** for expedited air freight" – CFO at an international freight forward

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"Making a dedicated freight business profitable without an anchor customer is nearly impossible, and **Cargojet has all the anchor customers** in Canada" – Freight leader at an international airline

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"**I do not see a world where Amazon and DHL ever stop using Cargojet**" – Global aviation consultant with 15+ years of industry experience

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...and were excited by their growth opportunities and resilience

"There are **no real alternatives to Cargojet** in Canada and no customers would do enough volume to replace them" – Senior executive at an International Air Freight Association

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"Cargojet invested in growth at the cost of returns and now that they are fully invested, they will be **able to drive significant returns** for shareholders" – Global aviation consultant with 20+ years of industry experience

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"We believe **volumes are going to rebound strongly** in the second half of 2024 and CJT is well positioned to capture a lot of that" – Freight leader at a top 10 customer of CJT

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# E-Commerce Performance in Q1 2024

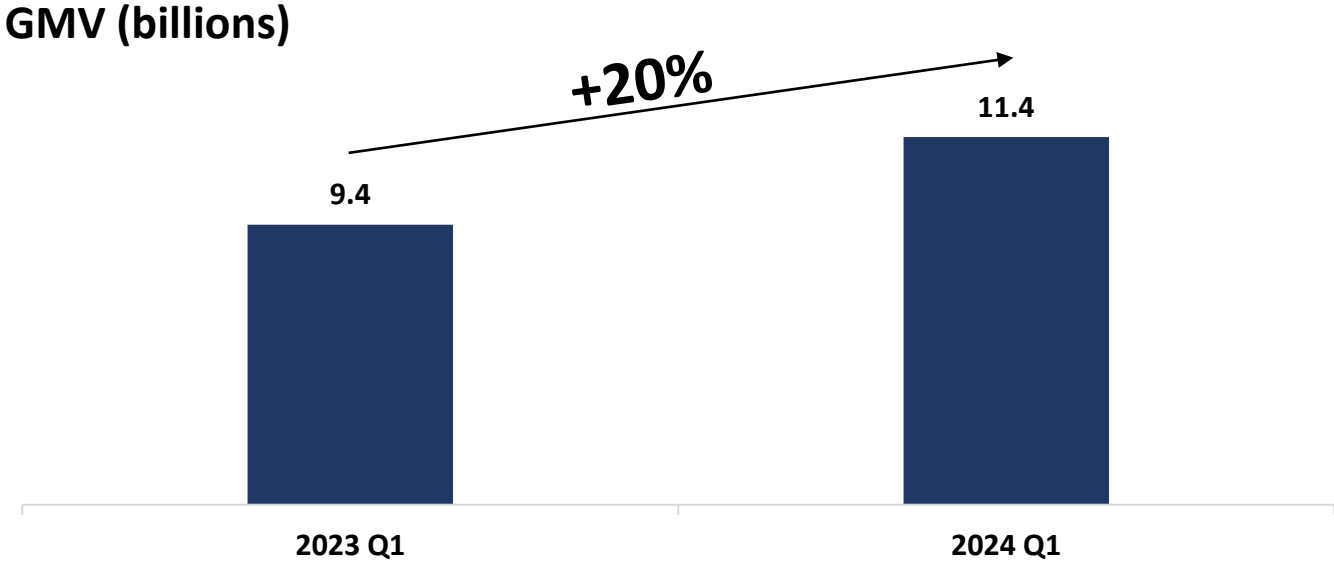
Leading e-commerce marketplaces deliver a massive selection of quality products at record speeds

Amazon set new records for Prime delivery speeds in Q1 2024

**2+** billion goods transported

same or next day to Prime members around the world. On an annualized basis of 8 billion units, this would imply a 14% increase from 2023 levels (7 billion disclosed in 2023)

MercadoLibre witnessed a 20% increase in its Gross Merchandise Volume (GMV) for its YoY Q1 results



**“We delivered three out of four items the same or next day in Toronto, Canada. Amazon continues to grow its selection while speeding up deliveries, providing even more value to Prime members.”**  
– Doug Herrington, CEO of Worldwide Amazon Stores

Source: Amazon, MercadoLibre

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## Boeing's Decrease in Quality Aircraft

Boeing has faced intense scrutiny and pressure ever since a panel blew off a 737 MAX 9 plane

The company has had to face many questions regarding the quality of their planes as the business continued to face pressure to increase production

Ethiopian flight 302: second new Boeing 737 to crash in four months

Alaska Airlines cooperates with DOJ in Boeing 737 MAX blowout probe

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A culture shift at Boeing is the commonly agreed upon reason behind the degrading quality of their planes and processes

General Electric's cost-cutting culture overtook Boeing as W. James McNerney Jr. joined the company as CEO from 2005 - 2015, overseeing the development of the Boeing 737 MAX

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During the Covid-19 pandemic, the company lost thousands of experienced workers, with former employees noting that significant institutional knowledge was lost, and new workers have less experience

# CJT Historical Dividend Yield

Cargojet's dividend yield has been steadily rising since 2021



Source: Capital IQ

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## Cargojet NCIB History

Cargojet has only recently begun buying back shares

Year	Shares Repurchased and Average Price
2022	Repurchased 123,832 voting shares at an average price of \$135.93
2023	Repurchased 334,943 voting shares at an average price of \$104.66
2024 (Q1)	Repurchased 400,166 voting shares at an average price of \$114.95