



# Financial Results

First Quarter FY2026

*Q&A Session*

**Calin Rovinescu, C.M. – *Chair of the Board***

**Marc Parent, C.M. – *President and CEO***

**Matthew Bromberg – *Incoming President and CEO***

**Andrew Arnovitz – *Senior Vice President, Investor Relations***

**Constantino Malatesta – *Interim Chief Financial Officer***

**Nick Leontidis – *Chief Operating Officer***

**Wednesday, August 13, 2025 – 8:00 AM EDT**

**Operator:** Thank you, ladies and gentlemen. We will now begin the question-and-answer session. To join the question key, you may press star then one on your telephone keypad, and you will hear a tone acknowledging your request. If you are using your speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star then two. We will pause for a moment as callers join the queue.

Thank you. And your first question comes in the line of Fadi Chamoun from BMO Capital Markets. Please go ahead.

**Fadi Chamoun, BMO Capital Markets:**

Okay. Good morning. First, I want to say congrats to Marc on the retirement and outstanding career. You know, my question may be to Calin and Matt, but you both referenced, I think in the press release, quote, operational focus, excellence--you know, focus on the operational efficiency side of the story. And you know, maybe it seems also logical after significant growth and the buildup that happened in the last decade that there's kind of road for optimization here. I wanted to see if you have even high-level thoughts. I know it's kind of early days here in this transition, but

if you have any high-level thoughts on where exactly you see the opportunities in terms of improving the margin, improving the cash flow conversion that you talked about.

**Calin Rovinescu, Executive Chairman of**

**the Board:** Right, thanks. Good morning.

Fadi, Calin here, and it's good to hear your voice again. Two things. One, as has been referenced in these remarks, CAE has invested significantly over the last period of time in building up capability. That investment has started to pay dividends based on the earnings that we're seeing. But we think there's much more potential there. So that obviously requires an opportunity to leverage those investments, and that may result in some additional focus on cost, how it is we can best optimize, and from my vantage point, as you know, and I referenced as well this in my remarks, that's actually within math's wheelhouse in terms of operational excellence.

And so, it's a simple formula of saying when we look at the commercial side of the business, in particular, and frankly, the entire civil side of the business, a lot of investment has been made. Now's the time

to optimize it, and we think that there are some great opportunities ahead. We're still early on, I'd say, in the early innings of that cycle. So there's a lot more room to go. And so, that's quite an exciting time to see earnings growth there.

On the defence side, you've seen the positive results this quarter, and we'll continue to build sort of sustainable, profitable long-term contracts and execute well on these various programs. But I think that's as simple as that. I don't know, Matt, if you want to comment further.

**Matthew Bromberg, President and Chief Executive Officer:** Thanks, Calin, and thanks for the question. Recognizing that I'm on the doorstep of the role later today, I have spent my entire career looking at complex global organizations and understanding how to drive efficiency, improve operations, maintain quality and maintain safety. And from what I've seen, we have that opportunity to continue to do that at CAE. And as I get into the next 90 days and find out and discover where that is, we'll come back and share that with you.

**Fadi Chamoun, BMO Capital Markets:** Appreciate it. Thanks.

**Operator:** Thank you. And your next question comes from the line of Kevin Chiang from CIBC. Please go ahead.

**Kevin Chiang, CIBC:** Hi. Thanks for taking my question and Echo Fadi's comments there. Mark, congratulations on your upcoming retirement and welcome, Matt, to CAE. Maybe as I look at the outlook you provided for fiscal 2026, it seems like you're facing some transient headwinds in civil. Just one, as you think about utilization, maybe being a little bit weaker than you anticipated, does that change near-term CapEx spending opportunities? Like, could you see upside to your CapEx guidance this year in the sense that maybe there's an opportunity to push some of that spend further out, just as you look to better match near-term demand with supply, just given some of the transient headwinds you noted in the prepared remarks?

**Calin Rovinescu, Executive Chairman of the Board:** Yeah, Kevin. Calin, here. And again, good to hear your voice as well. Listen, there's some timing noise for sure around pilot hiring this summer, but the big picture is that the earning potential can be a lot higher over time. And as I said, we're just at the beginning of that journey. But in

terms of getting a bit more granular on capital, I'll ask Constantino to comment briefly.

**Constantino Malatesta, Interim Chief**

**Financial Officer:** Yep. Good morning. Thanks. Thanks for the question. Thanks, Calin. So, effectively, we continue to expect CapEx to be slightly lower year-over-year in FY26, overall, in line with our discipline approach. And I think that's going to be the key discipline approach to capital deployment. When you look at it, civil CapEx is lower year-over-year in Q1 by about \$10 million already.

You know, I mentioned it in my remarks. The 40% of the growth CapEx this quarter was one for one specific program and defensive security. So we are being disciplined, making sure that we're not ahead of the market. And we're listening carefully to and looking carefully to where we can find savings and push out CapEx if necessary.

**Kevin Chiang, CIBC:** That's helpful. And maybe, just maybe--back to you as well. Just on the working capital you mentioned, typically seasonally, Q1 is a bigger working capital drag, and it sounds like we'll reverse that. But in fiscal 24 and 25, working capital

was on an absolute basis for the full year, a tailwind. Is that something we can expect for fiscal 2026, or is it a more neutral working capital year for CAE?

**Constantino Malatesta, Interim Chief**

**Financial Officer:** Yeah, so definitely it is typical to see higher investment in non-cash working capital in the first half. It's not inconsistent with the seasonal profile of our business. So we do expect a stronger cash generation profile in the second half and remain on track to deliver strong free cash flow for the year, targeting our conversion-adjusted net income 150%. With that, that comes with a disciplined approach with non-cash working capital. And yes, we are aiming to have a more neutral approach to non-cash working capital this year.

**Kevin Chiang, CIBC:** Perfect. I'll leave it there. Thank you very much.

**Operator:** Thank you. And your next question comes from the line of Cameron Doerksen from National Bank Financial. Please go ahead.

**Cameron Doerksen, National Bank**

**Financial:** Yeah, thanks. Thanks very much. Good morning and congratulations, Marc, on the retirement, and welcome,

Matt. I wanted to ask a question about, I guess, the civil outlook. Obviously, some incremental softness that you've seen here. But it does sound like you're fairly confident that we'll see a better second half of the fiscal year for you. I guess, you know, what indicators do you have that provide that visibility in the second half rebound in, and I guess, especially the airline pilot training part of the business? Is there anything that you're seeing specifically that could point to that?

**Calin Rovinescu, Executive Chairman of the Board:** Yes, Cameron. Cameron Calin, here, and good to hear your voice, too. So look, you know, as I said, this appears to have been a trough in pilot hiring. And I think, as you know, and obviously I've lived this, when you hire pilots, there's a built-in lag before the training programs start. So this is a natural, built-in lag. We've not only seen what we believe to be the trough and Marc commented on that in his remarks, but we've also started to see some increased activity now, which trends well for the rest of the year.

However, we also have seen some of the airlines that were more cautious in their announcements. And so we're using the

data that we have, and I'm going to ask Nick to comment what we're seeing on the, you know, in terms of commercial hirings, especially in the United States, but we are cautiously optimistic about the rest of the year. Nick?

**Nick Leontidis, Chief Operating Officer:** Yeah, thank you, Calin. Yeah, I guess a couple of things that I guess just to point to. One is, you know, as we come out of August into September, we know our customers are going to resume hiring, and that's just through conversations and some discussions around access to capacity. So you know, hiring is definitely going to ramp up in the second half.

The other thing to remember is that, you know, Boeing and Airbus are now delivering more normal levels of airplanes, and that's now gone on for a couple of months. So, you know, it's not, you know, we're not going to call it a victory yet. But those levels of deliveries are going to start to drive more demand for capacity as we go forward.

As you know, Airbus has reaffirmed their guidance. Boeing is at 35 or 40 airplanes a month, and these are numbers that will drive more demand, as a lot of our

customers are taking airplanes. So combination of airplanes being ramped up and our customers starting to talk about capacity demands, I think we're pretty confident that we've got--that we're going to see an improvement in the take-up of the training operation.

**Cameron Doerksen, National Bank Financial:** Good. That's great--great colour. Thanks very much. I appreciate the time.

**Operator:** Thank you. And your next question comes from the line of Konark Gupta from Scotiabank, please go ahead.

**Konark Gupta, Scotiabank:** Thanks, Operator. Good morning, everyone, and congrats to Marc for an outstanding career. As well as congrats to Matt and Calin. Calin, nice to hear your voice, too. On the annex files, now. My first question, I guess, goes to, I think some of the remarks that Calin and you and Matt made about how you want to kind of tackle the operational efficiency, enhance free cash profile, return on capital, etc. How do you see the executive compensation alignment should evolve over time as you execute on those priorities?

I mean, return on capital is obviously one of the metrics that you've been kind of factoring in, free cash and other kind of metrics. Did you see any room for some innovation there on the executive compensation side?

**Calin Rovinescu, Executive Chairman of the Board:** Yeah, we look at these--Thank you very much, Konark, and good to hear your voice as well. We look at the various metrics, and we also compare the various drivers that other organizations have looked at. We've done a deep dive on the aerospace and defence. You know, there's this whole discussion whether Roche is the right, is the right measure to do it. We'll continue to assess that. And you know, I'm not convinced of that. And again, this is early days for Matt. We need Matt to kind of get up to speed and sort of see what are the right drivers. But capital allocation is one of the main objectives of this new exercise, this new chapter, if I can say.

So, as we look to compare ourselves to best-in-class within the aerospace and defence industry and recognizing that the two segments have got obviously different, you know, capital allocation bases and targets. It is--you know, it's clear that we

see room for steady improvement. And this is not a situation where you're going to have an overnight dynamic that changes everything.

This is room for steady improvement, and we are still extremely committed to both segments of the business, the aerospace and defence side. And so, when you put all that together, that means that we will be looking at different capital allocation measures and measuring ourselves and comparing ourselves to best-in-class.

**Konark Gupta, Scotiabank:** Okay, that's a fair comment, Calin. Thank you so much for that. And then, if I can quickly follow up on defence. The margin in defence for first quarter was pretty solid. I would say like 8% plus. You know, usually, you have highly pronounced seasonality and lumpiness in defence quarters. I think Marc, you mentioned about some of the weaker margin, also lower-margin contracts, rolling over in the mix, etc. Can you speak to, you know, the mix shifts between the legacy contracts and the non-legacy contracts, and like what kind of contributed this margin? And, you know, I mean, does it give you even more confidence in the top end of the range, that gap for the full year?

**Marc Parent, President and Chief Executive Officer:** Yeah, thanks for the question. Look, I think the short answer here is we're exactly--we're executing exactly what we said we would. We're on plan, actually, we're slightly ahead of plan, you know, and we're--I'm very, very happy with where we are. I mean, the plan we put in place a few quarters ago, as you very well know, with regards to the legacy contracts, we're right on plan and see no issue at all with being able to execute the remaining programs that are there.

We're executing a strategy that we had to basically replace, you know, programs that are dilutive to our margin expectations, which those are quite nicely accretive to those margin expectations, which is, as you know, low double digits in defence, which again we've said is more of a waypoint at a destination. So, we're on track to do that. We're very, very happy with what we're seeing. We're very happy with regards to the order intake, as well as I mentioned, and the backlog growth.

So look, I think it's just a steady, very disciplined program execution here. So I think that--I think in terms of revenue, you might see, as we've always seen, you



know, revenue being lumpy quarter over quarter. But that's just the nature of the beast as you execute programs. But I think we're very confident. We're not changing our guidance, but we're very confident.

**Konark Gupta, Scotiabank:** Okay, thanks, Marc, for the question. Thank you.

**Operator:** Thank you. And your next question comes from the line of Benoit Poirier from Desjardins. Please go ahead.

**Benoit Poirier, Desjardins:** Yeah. Good morning, everyone. And congrats, Marc, for those 21 years. And welcome Calin and Matt to the C18. I know, Matt, it's early on in the role, but you know, obviously, quite well the US Defence Market. I would be curious to have your view about how this market is different from other regions. And what's your first impression of CAE's positioning and potential for margin improvement, especially for the US specifically?

**Matthew Bromberg, President and Chief Executive Officer:** Yeah, thanks. Thanks, Benoit, and I appreciate the question and look forward to getting to know you. I think we're in a very unique period in defence. First, CAE's role in mission safety and

mission rehearsal it transcends borders. But we also have tremendous once-in-a-generation growth in defence, not only in the US but in other parts of the world. And I think CEA is well-positioned to do several things.

One, capitalize on those opportunities. Two, leverage a defence business across our commercial enterprise, as I mentioned earlier, from technology. And three, create scalable international solutions among our defence partners. So, I see a huge opportunity and I'm excited to work to unlock that over the next few months.

**Benoit Poirier, Desjardins:** Okay, that's great. And when we look in Canada, obviously very bullish defence outlook with the intent to reach 5% of GDP. CAE is extremely well-positioned with the FACT program, but also the future flip. Where do you see the greatest opportunities for CAE outside those two sizable programs?

**Calin Rovinescu, Executive Chairman of the Board:** Benoit, it's Calin here. And likewise good to reconnect. You know, Canada is a huge opportunity, of course, because we're--Prime Minister Carney's announcements on increasing spend, you know, is frankly exponential. We've never



seen that before in this country. So, there are many, many, many different areas. But one of the things that we believe, and certainly as the country takes on more responsibility in protecting its own sovereignty, it's where the data is maintained, where the training is maintained. If it buys fighter aircraft, who is it that is doing the training on those fighter aircraft? It's expected to be CAE.

As we look forward to programs in other countries, if Canada buys equipment from other countries, we would want to accompany the government on those, on those initiatives, you know, and I think that this is something that we look to leverage the opportunities for CAE not only directly in connection with government of Canada, not only in relation to government of Canada programs, but quite frankly, international programs throughout.

And so this is, you know, this is an extremely unique opportunity for us. And this is not something that is, you know, going to happen overnight because obviously defence programs take time to be approved. We've also, you know, raised the question of some urgency with the government that there are opportunities to

exercise, you know, the prerogatives that they have as a government to expedite programs and not go through normal procurement processes that can bog down. But we see this as being a fairly exciting long-term growth opportunity as we get to this 5% of GDP spending over time.

**Benoit Poirier, Desjardins:** Great, Calin. Thanks for the time.

**Operator:** Thank you. And your next question comes from the line of James McGarragle from RBC Capital Markets. Please go ahead.

**James McGarragle, RBC Capital Markets:** Yeah, thanks for having me on and congrats, Marc, on a great career, and Matt, on the new role. I'm sure it's an exciting time for you, but I just have one on the defence results here. You know, the margin guidance implies kind of mostly stable margins for the rest of the year, whereas you know, last year, margins kind of stepped up as the year progressed. So you know, anything to call out in Q1 that might have helped out margins here, or you know, should we kind of expect similar sequential trends in margin improvement that we saw in the prior fiscal year?

**Matthew Bromberg, President and Chief**

**Executive Officer:** Hi, James, thanks for the question and good morning. So, we guide on an annual basis because, effectively, there's always potential for volatility in the margins. We did have a step up in the margins. It really is, as we remarked, some lower-margin contracts falling off and some higher-margin contracts being ramped up. So it will be depending on the ramp-up of other contracts, and we can see that change throughout the year. But that's why we guide on an annual basis, because we're confident we're going to meet that, and guidance is unchanged.

**James McGarragle, RBC Capital**

**Markets:** Yeah, thanks for the colour there. And then on the civil margin outlook, and you know that some of the utilization drop we saw in Q1. Can you just walk me through the puts and takes on the margin outlook for the rest of the year? You know, I guess, you know, given the drop in utilization, the stable margins kind of implies you're working on some things operationally to drive an improvement in margins.

Can you just kind of talk us through what those things are and then, you know, look out into fiscal 2027, you know, as we kind of see, you know, utilization will kind of normalize and pick back up. So we'd be kind of modelling for a kind of a step function improvement in margin as we look out longer-term, as utilization starts to improve back up to where it has trended historically. And after that, I can turn the line over. Thank you.

**Matthew Bromberg, President and Chief**

**Executive Officer:** Hi. So, I guess margin improvement in the second half obviously is going to come from utilization. You know, we're going to have improvements in utilization for the rest of the year. The other thing is cost controls. I mean, you know, like anything else, I mean, cost measures are always part of everyday life. And so for this particular period in the second half, we are making some assumptions around cost avoidance to be able to maintain these numbers. Constantino?

**Constantino Malatesta, Interim Chief**

**Financial Officer:** I just wanted to add that we had--you know, we had reflected back in May that the first half of this year will be similar to the first half of last year. And so

that was a ramp-up, meaning a ramp-up in the second half of this quarter, and again based on all the things that Nick talked about. So you know, we are expecting, as usual, more deliveries back-ended and some of the efficiencies you're driving through to make sure that we deliver as we committed.

**James McGarragle, RBC Capital Markets:** Thank you.

**Operator:** Thank you. And we have time for one last question, and that comes from the line of Tim James from TD Cowen. Please go ahead.

**Tim James, TD Cowen:** Okay, thanks. Thanks very much. Best wishes for the future, Marc. It's been a real privilege watching your career and learning from you over the years. Welcome, Matt and Calin. I look forward to your insights and soaking up all I can on CAE's way forward. Just one question here. It was mentioned earlier in the call about the trend towards fleet operators and fractionals and the business aviation side. I don't see really well-positioned for whatever way the wind blows in business aviation. But is there anything specifically the company can do or needs to do strategically to really take advantage

of that trend towards fleet operators in business aviation?

**Marc Parent, President and Chief Executive Officer:** Well, I can start it off, Tim. Look, I think one of the big things I think we've already done right is the acquisition of the remaining part of SIMCOM, which obviously gives us extended exclusivity with regards to training. Flexjet, which is as you know, one of the, I think, the second largest, you know, fleet operator of fractional jets. So we're very well exposed to that segment.

And you know, the fact that--because of the fact that we trained, you know, the majority of the airlines around the world either in simulators or in our training centres, makes us obviously very fluid in executing airline type training which is really--when you look at fractional owners, that's what they're looking for because they're operating, you know, their pilots are quasi-airline pilots. So they're looking for that kind of training, which is different than when your traditional business aircraft training, which is, you know, having smaller flight departments.

So, I think we're very well-positioned and we have everything. And you look at, you look at our con--I mentioned Flexjet, but

you look across the board in terms of our fleet operators that we service, I just mentioned, for example, AirSprint in Canada, very, very good customer. So look, I'm quite optimistic that we'll continue to be--do very well as a result of that exposure, that fractional ship, plus the preponderance of the larger cabin business jets that we cover.

**Tim James, TD Cowen:** Thank you very much.

**Andrew Arnovitz, Senior Vice President, Investor Relations:** Operator, that's all the time we have. Operator, that's all the time we have for the call this morning. I want to thank all of our participants for joining in and remind you that a transcript of the call will be on CAE's website later today. Thank you. Have a good day.

**Operator:** This brings to a close today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.